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Fax: 07 882-8330

BANKER

Bank of New Zealand - Taupo

SOLICITORS

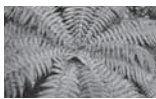
Le Pine & Co - Taupo

AUDITOR

Audit New Zealand on Behalf of
The Auditor-General

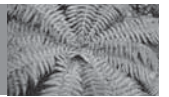
INSURANCE BROKER

Jardine Lloyd Thompson Ltd
Auckland



Contents

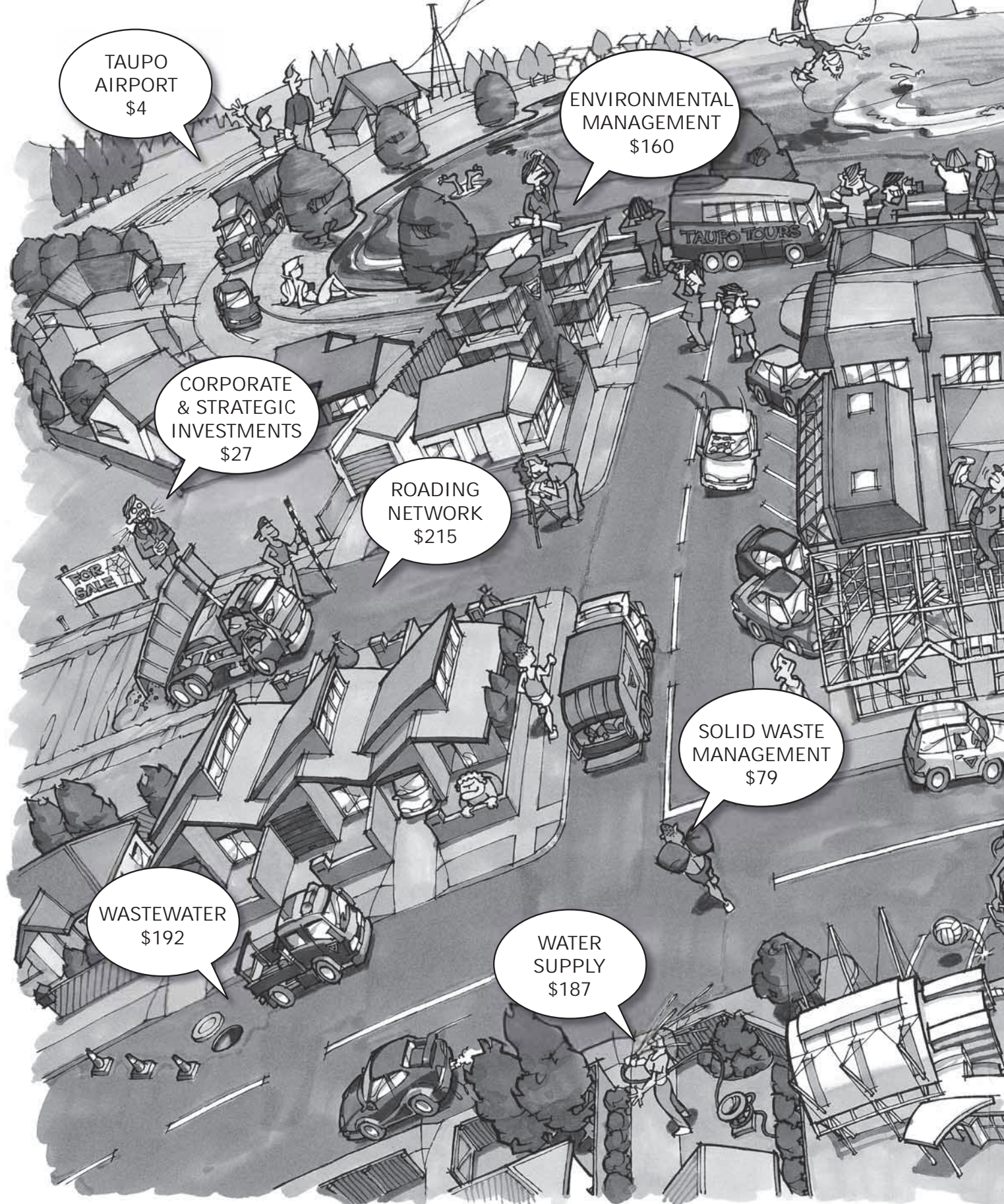
Directory.....	1
Contents.....	2
Overview	6
Mayor and Chief Executive Officer's Report.....	7
The District.....	12
Role of this Annual Report.....	13
Governance Report.....	14
Governance Framework.....	16
Opportunities for Maori Contribution to Decision-Making Processes.....	17
Results	19
Introduction to Results.....	20
Statement of Compliance.....	21
Report of the Auditor-General.....	22
Service Performance	25
Introduction to this Section.....	26
Service Performance Results.....	27
Managing Growth	30
Development Planning.....	31
Urban Land Development.....	33
Strong Communities	36
Emergency Management.....	37
Roading.....	40
Water Supply.....	43
Regulatory Services.....	45
Community Support.....	48
Community Facilities.....	50
Recreation and Leisure Services.....	52
Sustainable Environment	57
Environmental Planning.....	58
Protecting Lake Taupo.....	60
Wastewater.....	61
Stormwater.....	63
Solid Waste.....	64



Economic Development	68
Destination Marketing and Management.....	69
Visitor Centres.....	71
Economic Development Strategy Implementation.....	73
Developer Liaison.....	77
Good Governance and Strategic Alliances	79
Governance.....	80
Community Planning.....	82
Strategic Planning.....	84
Other	86
Financial Performance	89
Financial Statistics.....	90
International Financial Reporting Standards.....	92
Consolidated Statement of Financial Performance.....	93
Consolidated Statement of Movements in Equity.....	94
Consolidated Statement of Financial Position.....	95
Consolidated Statement of Cashflows.....	96
Statement of Accounting Policies.....	97
Notes to the Financial Statements.....	103
Council Controlled Organisations.....	121
Investment Income.....	125
Elected Members and Staffing	126
Council Members at 30 June 2005.....	127
Committee & Community Board Members at 30 June 2005.....	128
Council Management.....	129
Council Staff.....	129

Here's how your rates were spent...

It cost the average ratepayer \$1,458 to operate these services.



TAUPO
AIRPORT
\$4

ENVIRONMENTAL
MANAGEMENT
\$160

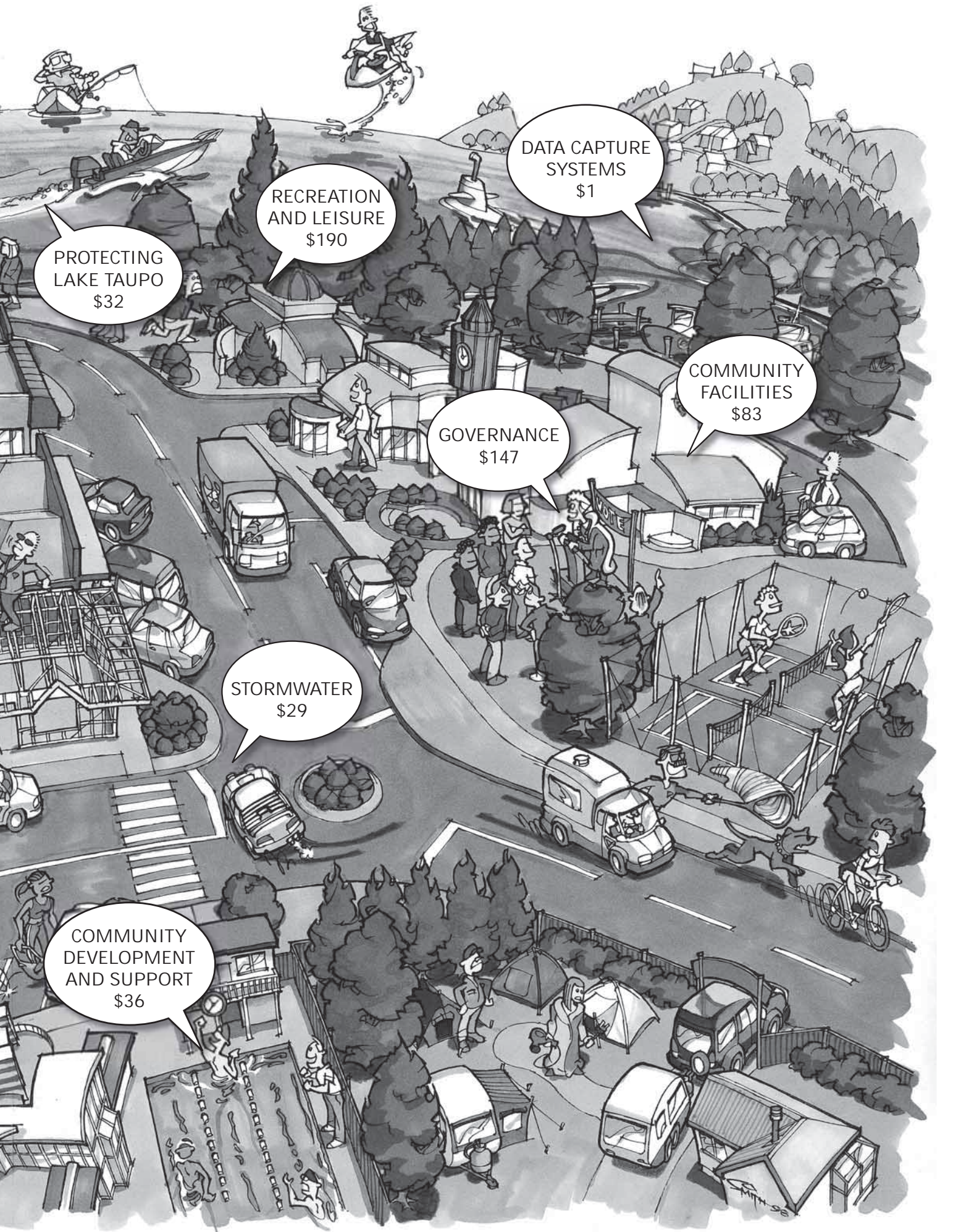
CORPORATE
& STRATEGIC
INVESTMENTS
\$27

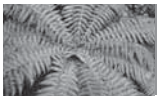
ROADING
NETWORK
\$215

SOLID WASTE
MANAGEMENT
\$79

WASTEWATER
\$192

WATER
SUPPLY
\$187





Overview



Mayor and Chief Executive Officer's Report

Taupo district is a dynamic growing district that punches above its weight. This is not an idle boast. In the past 12 months, the district's achievements have far outweighed its size and population and we continue to forge ahead with innovative and exciting projects and initiatives.

Growth and development

Taupo District is growing.

We have embarked on a district wide growth strategy to make sure we have a clear picture of what lies ahead. It will include an in-depth look at what drives growth, the districts physical landscape, and growth capacity. This will allow us to anticipate future trends and associated issues so we can manage development in step with our ability to provide supporting services and infrastructure. Our communities also need to be aware of the trends and scope of development so they can help shape and control the speed and direction that takes place.

Council plans for growth by developing strategies and plans. During the past year we have addressed the more pressing areas. During this period, a number of proposed amendments to the District Plan were notified and public comment sought. Structure plans, which determine growth patterns in various parts of the district, and asset plans which identify how we will manage our infrastructure assets, have been reviewed or developed. This includes strategies to accommodate growth such as the Taupo Town Centre Parking Study, a Large Format Retail Discussion Document and the Kinloch Community Structure Plan. A Recreation Strategy for the district is currently being prepared.

The draft Tongariro Domain Park Management Plan which plans for development of a new riverside park on the site has undergone public consultation and Council is hoping to have the plan adopted before the end of 2005.

Roading and transport

All roads lead through Taupo.

Roading is an essential part of Council business and the impact of growth in the district, in addition to through traffic, is causing congestion in parts of Taupo township and entry points. Council is progressing a number of important roading projects to address these issues.

The Eastern Taupo Arterial route which will provide an alternative route through Taupo has commenced the design and consenting stage. Transfund and Council have allocated preliminary funding based on cost estimates which are currently being reviewed. Transfund has allocated \$15 million for Stage Four which runs from State Highway One at Wairakei to Centennial Drive – including a bridge over the Waikato river. Council has also allocated \$11 million for further construction of the highway.



Planned seal extension works in rural areas and the footpath extension programmes have been completed.

The Speed Limit Bylaw has been adopted and increased focus on alternative forms of transport are being investigated. We have just released the Cycling and Walking Draft Strategy for public consultation as well as the Horse Riding Draft Strategy, another point of difference for Taupo District.

Working together

Partnerships are the way of the future.

We know that we must work together to succeed and have forged strong relationships within our district. Our central geographical location has, by necessity, made it essential that we also build relationships with the many surrounding territorial and regional authorities and with central government.

A set of community outcomes titled Our People, Our Future were recently identified by our communities. We have given an undertaking that we will take direction from these outcomes and are proceeding to incorporate them into our strategic and planning documents.

Our natural resources

We are rich in natural resource and great natural beauty.

We are determined to protect and retain the water quality of our rivers and lakes, in particular our national treasure, Lake Taupo.

Working in partnership with Environment Waikato, Ngati Tuwharetoa, Central Government and other environmental and scientific agencies, we have taken a lead role in the development of a lake protection strategy. During the year this included the development of a variation to Environment Waikato's major planning document which was recently 'notified' for public comment.

We have also taken a role in the management and formation of the Lake Taupo Protection Committee which is made up of representatives from Council, Environment Waikato, Central Government and Ngati Tuwharetoa. The committee will appoint Trustees to the Lake Taupo Protections Trust, a Council Controlled Organisation, and will monitor the work of the eight person charitable trust which is being set up to manage the joint public fund.

The estimated cost of taking action to protect Lake Taupo is \$143 million, spread over 15 years. The most pressing goal of this project is to reduce nitrogen levels within the catchment by 20%.

Council understands the district's geothermal resources make it valuable to energy providers and we are working hard to maintain a constructive relationship while continuing to act as a guardian and champion for the management of its thermal and water resources and the impacts that power generation has on the



environment and our communities. Outcomes from hearings held during the period regarding changes to Environment Waikato Regional Plan and Regional Policy Statement were pleasing. Environment Court appeals regarding these changes are being heard in the current (2005/2006) year.

Our facilities and infrastructure

We are an attractive and fun place to visit.

The provision of a superior level of service and the quality of our facilities make our district a great place for our residents to live and attractive to visitors whom we endeavour to ensure have a memorable stay.

The popularity of the Taupo Venues which consist of the AC Baths and Taupo Events Centre, the Great Lake Centre and Owen Delany Park is demonstrated by the high level of use they receive. Latest figures released by Council show an increase in user numbers at all of the four venues.

Council's re-vamped AC Baths facility attracted just over 295,000 patrons – up nearly 23% on the previous year. Use of the fitness centre, stadium and rooms at Taupo Events Centre increased significantly and the Great Lake Centre hall usage was up 15%.

Satisfaction is also signalled in the results from the National Research Bureau Survey with respondents very/fairly satisfied with district libraries (75%), Council parks (90%), reserves and street gardens (93%), sports grounds (77%), Great Lake Centre (76%), Taupo Events Centre (73%), AC Baths (71%) and recreations and sporting facilities overall (88%).

Council has recently taken the Taupo museum under its umbrella to create administrative efficiencies and enable the museum to be further developed as a visitor attraction and a showcase for the district's special treasures.

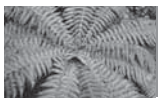
Economic Development

We put our best foot forward.

Council takes a proactive role in economic development and provides funding for initiatives which will create employment and have positive flow on benefits to other businesses.

The visitor industry is one of our key economic drivers. Taupo's reputation as a tourist mecca and the events capital of the nation is renowned. Council's marketing arm, Destination Lake Taupo, has been resourced to promote our district.

Council has also supported the Centennial Park Motor Racing Circuit upgrade to the tune of \$2M by way of infrastructure improvements. This enterprise is expected to provide significant economic benefit to the district and provide employment opportunities in this exciting and highly skilled industry.



The Lake Taupo Development Company, which is largely funded by Council, is currently working on five key projects/areas of work: implementation of the business assist programme; New Zealand clean energy centre project; energy farming project; gateway to world heritage and national parks; and skills strategy implementation.

Council has always seen economic development as an important role and during the year consultants were engaged to undertake a review of economic service delivery in consultation with the community. After hearing and deliberating on the submissions, Council agreed to most of the key principles underlying the consultants' review but decided not to bring the delivery of economic development services 'in house' as recommended in the consultants report.

The Finances

Balancing the books.

Council's financial position has changed dramatically with revaluations of Council's land, roading and infrastructure utility assets adding close to \$400 million to the statement of financial position. It is three years since Council has revalued these assets and huge movements in land values and infrastructure construction costs in that period have resulted in this dramatic increase in our equity.

Our net surplus for the year is \$11.8 million compared to the previous year surplus of \$7.1 million. Much of Council's surplus derives from non-cash revenue items such as assets vested in Council by developers, and funding received from sources such as Transfund subsidy and development contributions which is applied to asset development. The achievement of a surplus is important in ensuring prudent financial management.

This year's surplus, is less than projected estimates principally because development contributions funds were only initial estimates at that stage and later estimates and actual revenue have varied quite substantially from those initial estimates. The other major contributing factor was the delay in gains on sales from subdivision development projects

Expenditure was well-controlled with actual spending being within budgeted levels.

Planning for the future

Looking forward

The Local Government Act 2002 and the advent of the Long Term Council Community Plan (LTCCP) has signalled a move towards a slicker more holistic era than in years past and has had a major impact on Council, the way it does business and the way it presents itself.



Council leadership and governance roles have been enhanced to encompass environmental and social issues and we are working in partnership with Tangata Whenua, other government agencies and our communities to achieve our stated goals. However, these new roles are all about co-ordination. It does not follow that Council will have substantial new service delivery roles in these areas.

Taupo District Council is confidently leading its communities towards a future that is full of challenges and opportunities and we are looking forward, to meet them. We are currently reviewing our Long Term Council Community Plan. This document outlines the challenges for the future and Council's role in addressing those challenges.

The draft Long Term Council Community Plan will be available towards the middle of 2006 for public input and comment.

Clayton Stent
Mayor
The District

Simon Rowbotham
Chief Executive Officer

The District

Ward Boundaries



Land Area	6,354km ²
Lakes Area	616 km ²
Land Value	\$5,561m
Capital Value	\$10,270m
Rateable Properties	19,381
Population	33,600
Rates Revenue	\$28.2m

(Rating valuation and property figures as at 1 July 2004, population figures as at June 2004, rates revenue for 2004/05 year)

The Taupo district is located in the Central North Island of New Zealand. It includes the vast catchment area for the whole of Lake Taupo, the hydroelectric dams on the Tongariro and the Upper Waikato rivers and substantial geothermal resources. The district contains expansive areas of exotic pine forests and farmlands as the predominant land use, and includes native forests, parts of the Tongariro National Park and Kaimanawa Ranges, and the Central Plateau mountains.

Taupo, Turangi and Mangakino are the three main urban areas in the district. There are also many settlements around the shores of Lake Taupo.

The district's major resources are forestry, agriculture, hydroelectric and geothermal energy, tourism and scenic and recreational attractions.



Role of this Annual Report

Purpose of this Annual Report

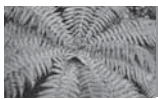
The purpose of this Annual Report is to compare the Council's actual performance for the year against that which was forecast in the Long Term Council Community Plan. It is a key accountability document.

This Annual Report is prepared under section 98 of the Local Government Act 2002. Very specific reporting requirements are set out in Part three of Schedule 10 of that same Act. Much of the reporting is centred on the financial and non-financial elements of performance for Council's defined "groups of activities" – these groups of activities being the strategic themes that Taupo District Council identified in its Long Term Council Community Plan.

Relationship to the Long Term Council Community Plan

The Long Term Council Community Plan (LTCCP) is a key planning document, normally prepared three-yearly and setting the agenda with a ten year focus. It brings together many of Council's other planning documents and policies. Council is accountable for the direction, actions and budgets set in the LTCCP. The Annual Report is the forum for reporting back on our achievements against the LTCCP.

Copies of the Long Term Council Community Plan can be obtained from Council.



Governance Report

Role of the Taupo District Council

Council provides an essential governance role for the Taupo District.

The Council has overall responsibility and accountability for the proper direction and control of the district's activities. This responsibility includes areas of stewardship such as:

- Formulating the district's strategic direction
- Managing principal risks facing the district
- Administering various regulations and upholding the law
- Ensuring the integrity of management control systems
- Safeguarding the public interest
- Ensuring effective succession of elected members
- Reporting to ratepayers

Council Operations

Council (elected members) appoints a Chief Executive to manage the operations of Council under the provisions of section 42 of the Local Government Act 2002. The Chief Executive has in turn appointed divisional managers to manage Council's significant activities.

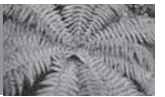
Council Committees / Community Boards

Council has several standing committees and community boards to monitor and assist in the effective discharging of Council's specific responsibilities. Council's standing committees and community boards include:

- District Regulatory and Hearings Committee
- District Evaluation and Audit Committee
- Taupo/Kaingaroa-Mangakino/Pouakani Committee
- Turangi/Tongariro Community Board and Managakino/Pouakani Community Board

Each committee and community board is responsible for providing additional assurance on the integrity of information being presented as well as the operational aspects of these activities.

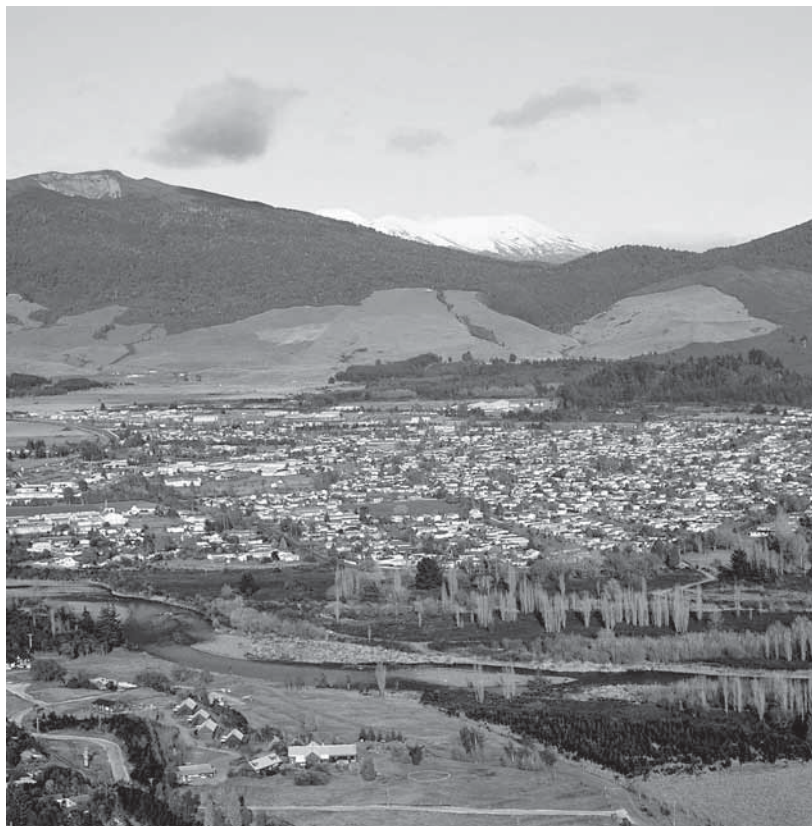
A number of sub-committees deal with specific functions and activities. These sub-committees report directly to the relevant standing committee.

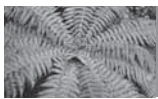


Although not a constituted 'community' the Taupo/Kaingaroa – Mangakino/Pouakani Committee has a role and delegated authority similar to the Turangi/Tongariro Community Board relative to dealing with most matters pertaining to its ward areas.

The Turangi/Tongariro Community Board has high levels of advisory responsibility and delegated authority from Council in addition to its function of being politically responsible for representing its community.

The Taupo/Kaingaroa-Mangakino/Pouakani Committee (incorporating the Taupo, Kaingaroa and Mangakino/Pouakani wards) and the Turangi/Tongariro Community Board and the areas they each represent are consistent with Council's policy of having two rating areas for general rates whereby, generally, rating revenue from each area will be spent within that area.





Governance Framework

Independent Election

The Council believes that its democratic election by the Taupo district citizens ensures that it is able to operate in the best interests of the district and to function independently of management.

Communication/reporting

Council holds monthly meetings to ensure that the affairs of the authority are being conducted in accordance with its legislative mandate and Council objectives

Division of Responsibility between Council and Management

A key to the efficient running of the Taupo District Council is the clear division between the role of Council and that of management. Council concentrates on setting policy and strategy, and then reviews progress. Management is concerned with implementing policy and strategy.

While many of the Council's functions have been delegated, the overall responsibility for achieving its vision and goals ultimately rests with the Council. The Council discharges this responsibility by maintaining effective systems of internal control. Internal control includes the policies, systems and procedures established to provide measurable assurance that specific objectives of the Council will be achieved. The Council has acknowledged its responsibility with the signing of the Statement of Compliance.

Internal Audit

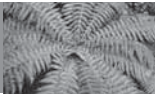
The Council has an internal audit function, which is responsible for monitoring Council's systems of internal control. External auditors are used by Council to evaluate the quality and reliability of financial information reported to Council.

Risk Management

The Council has adopted a policy of integrated risk management consistent with the AS/NZS Standard 4360:2000. In implementing a risk management programme in accordance with this policy, the Council has begun to develop a risk aware culture and to foster continuous improvement. A risk manager has been appointed to facilitate and co-ordinate the risk management process throughout the organisation. This person reports through the Chief Executive to the Evaluation and Audit Committee and Council as necessary.

Legislative Compliance

As a regulatory body Council administers various regulations and laws. Legislative compliance is a major concern of the Taupo District Council. Council makes use of an internal lawyer and external consultants to ensure that it complies with applicable legislation.



Opportunities for Maori Contribution to Decision-Making Processes

Activities Taupo District Council has undertaken during the year to establish and maintain processes to provide opportunities for Maori to contribute to decision making are as follows:

Relationship Building

During the year the Chief Executive Officer and the Secretary of the Tuwharetoa Maori Trust Board signed a Management Protocol. The Protocol provides for senior staff from both organisations meet on a regular basis to exchange information and seek advice from one another. Council also has a Memorandum of Understanding with the Raukawa Maori Trust Board

Council employs a Strategic Communications Officer who has iwi liaison duties. The Officer plays a key role in maintaining and enhancing relationships between tangata whenua and Council.

Council also employs a Maori Land Rating Officer. The Officer's role is principally to provide information and education on rating issues relating to Maori land, and to ensure that Council's rates remission policy is applied where relevant.

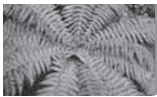
Policy Development

Council has continued to work on the joint pilot project with the Rauhoto Land Rights Committee to identify and protect sites of significance to tangata whenua. (Note: To date this work is only being undertaken in one area of the District.)

As part of its review of the model for the delivery of economic development services, Council specifically canvassed the views of Ngati Tuwharetoa representatives prior to the draft proposal being developed and presented to Council. Further opportunities for involvement in the review were also provided via the special consultative procedure.

Council has continued to work in partnership with Central Government, Ngati Tuwharetoa and Environment Waikato on the Protecting Lake Taupo Project. Provision has been made for representation from Ngati Tuwharetoa on the Joint Taupo District Council/Environment Waikato Committee. The role of the Committee is to oversee the Trust that is being set up to allocate the public fund for reducing manageable sources of nitrogen into Lake Taupo by 20 percent

Council has been seeking to engage and consult with tangata whenua at the iwi and hapu level on key policy documents such as the Growth Management Strategy and the following variations to the District Plan, Natural Values, Cultural Values, Landscape Values and Historic Values. This work will continue into the 2005/06 year.



A range of projects have also been worked on which are location specific and only involve the hapu with mana whenua status for the area in which the project is located (eg. the Second Taupo Town River Bridge crossing).

The Tuwharetoa Maori Trust Board developed an Iwi Management Plan in 2003 and this document continues to be used by Council staff.

Staff Training

Training courses on the Treaty of Waitangi are run annually and Maori Language courses are also made available to staff.

A tool kit on Marae protocol and Tikanga Maori is currently being developed. This tool kit will assist Council staff in their dealings with tangata whenua on a day to day basis.

