

ANNUAL REPORT

2014/15



ANZAC Day 2015
Civic Service at the recently
refurbished Cenotaph.



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Mayor's Report



Welcome to our Annual Report for the 2014/15 financial year.

This report outlines our financial performance and how well our residents believe we have been delivering services to the community. It is also an opportunity to reflect on what we have achieved over the previous 12

months and celebrate our successes.

While we were planning our services and activities as part of the 2014/15 Annual Plan, we were faced with some tough decisions. We had heard the calls to reduce debt and that meant it was time for us to draw a line in the sand if we were to limit rates increases into the future.

The Council before us had already done the ground work for creating a strong financial foundation in developing a three year financial strategy. For the current Council, the key goal was to complete the third year of the strategy and put us in a position where we were heading toward a balanced budget and no longer "putting part of our loan interest on the credit card". We succeeded.

While we budgeted to reach 95 percent of our revenue funding expenditure for the 2014/15 year, the actual result came in at 99 per cent. The underlying financial result was \$3.5 million better than planned. We also ended the year with \$18 million less debt than we had at the end of the previous year. The reduction from \$168 million gross debt to \$150 million was a fantastic achievement.

As a result of our improved financial performance, we had our credit rating lifted by internationally renowned

credit rating agency Standard and Poor's from AA-positive outlook to AA. We are one of only 10 councils in New Zealand to have an AA rating, with only the Government ranking higher. It is incredibly heartening from a governance perspective to know our financial management is up with the best in the country.

We closed the year by completing what had been one of the largest infrastructure projects the district had ever seen - the handover of the East Taupo Arterial (ETA) to the New Zealand Transport Agency. In officially making the ETA part of State Highway 1, the old state highway through central Taupō became local road, giving us more flexibility around the way it is used in the future. The difference in the value of the two roads contributed to a \$40.3 million accounting loss being shown in this report, however, in previous years we recognised accounting profits of over \$76.5 million in subsidies we received to help fund the ETA's construction.

Looking forward, our focus will be on implementing the 2015-2025 Long-Term Plan in which we have seen our hard work pay off. Limiting rates increases to between two and three per cent, which is below the level of projected local government inflation, has become a reality and one that we are incredibly proud of. The future looks incredibly bright.

Finally, I would like to acknowledge the efforts made by council staff in implementing the plans and actions on the Council's behalf. They are tremendous ambassadors for our district and work hard to ensure we all remain proud to call the Taupō District home.



Mayor David Trewavas
Taupō District

Chief Executive Officer's Report



One of the things that we can struggle with in Local Government is demonstrating the value we offer our communities. Often we go about our daily business without ever recognising how in many ways, what the council does reflects directly on the quality of our lives. That's why at Annual Report time it is always good to reflect on

everything we have achieved, and the vast array of quality services we have delivered.

Last year we undertook the three yearly survey of our residents to make sure we are on track and are serving our communities in the way they expect. These surveys are run by an independent research company who randomly sample around 450 of our resident and non-resident ratepayers, asking questions that help us rate our performance in the Annual Report.

The results were incredibly pleasing. Not only do 68 per cent of those surveyed think we are doing a good job, our performance is above the nationwide rating and that of our peer group councils. Furthermore, 68 per cent think we are in touch with our communities and 88 per cent are happy with how we provide information on our services and facilities. The biggest jump was a 12 per cent increase in the number of people surveyed who thought the district was more attractive. Looking forward we will continue to use the results of the survey to identify areas for continuing improvement.

Operationally the 2014/15 year focussed on implementing the third and final year of the previous Council's Long-Term Plan 2012-22, and aimed at continuing to build on our vision of a thriving, vibrant community. One of the challenges we faced was implementing the third and final year of a financial strategy that aimed at consolidating debt.

Of the projects completed during the year, many were required to meet compliance and resource consent conditions. Others included the third and last stage of the Turangi Revitalisation Project, building a skate park at Mangakino and working in partnership with the Tuaropaki Trust to introduce free Wifi in the Taupō central business district.

During the year we made great strides forward in terms of our Civil Defence capability with the installation of generators at the Great Lake Centre and Taupō Events Centre. The generators will supply power to those dedicated welfare centres during an outage. A large scale welfare exercise was held following the installation to coincide with the national Civil Defence Week, which was the first of its scale in the Waikato region.

We also marked a major milestone in the handover of the East Taupō Arterial to the New Zealand Transport Agency which was the culmination of a seven year project to take a significant volume of heavy trucks out of the town centre. In return, Wairakei Drive and Lake Terrace became local road.

Some projects were not completed, or put on hold, as we moved to limit our expenditure where possible. We continued to look after the district's \$1.1 billion in assets and during the year completed a large volume of work preparing the Long-Term Plan for 2015-25.

However, along with the highs there was also some lows, including the number of sewage spills into the lake. We had 12 spills during the year, compared with none to two for previous years, mainly due to fat, rags and tree roots causing blockages in the system. It is important for everyone to understand that wherever we are in Taupō a leaking sewer will find its way into the stormwater network and ultimately into the lake, so it is of paramount importance to ensure that we do everything we can to avoid blocking our pipes. The increase in spills this year prompted a programme of sewer cleaning and condition assessments being undertaken in high risk areas. We are also about to enter a proactive phase by developing an education campaign to raise awareness of the issues.

Looking forward, our operating and renewal programmes are based on maintaining what we have while delivering the current level of service. We will continue to make efficiencies where we can and will work to ensure the district retains the vibrancy and appeal that makes this such a great place to live.

A handwritten signature in black ink, appearing to read 'Rob Williams'. The signature is fluid and cursive, with a large loop at the end.

Rob Williams
Chief Executive, Taupō District Council

Statement of Compliance

The Council and management of Taupō District Council confirm that all the statutory requirements of Part 6 and Schedule 10 of the Local Government Act 2002 have been complied with.

The Council and management of Taupō District Council accept responsibility for the preparation of the annual financial statements and service performance reporting and the judgements used in them.

The Council and management of Taupō District Council accept responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting.

In the opinion of the Council and management of Taupō District Council, the annual financial statements for the year ended 30 June 2015 fairly reflect the financial position and operations of Taupō District Council.



D Trewavas
Mayor
29 September 2015



R Williams
Chief Executive Officer
29 September 2015



AJ Menhennet
Group Manager, Finance, Regulatory and Infrastructure
29 September 2015



G Green
Group Manager, Policy and Operations
29 September 2015

Report of the Auditor General

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Independent Auditor's Report

To the readers of Taupō District Council and group's annual report for the year ended 30 June 2015

The Auditor-General is the auditor of Taupō District Council (the District Council) and group. The Auditor-General has appointed me, Clarence Susan, using the staff and resources of Audit New Zealand to audit:

- the financial statements of the District Council and group that comprise:
 - the statement of financial position as at 30 June 2015 on page 98;
 - the statement of comprehensive revenue and expense, statement of changes in net assets/equity and statement of cash flows for the year ended 30 June 2015 on pages 96 to 99; and
 - the notes to the financial statements that include accounting policies and other explanatory information about the financial statements on pages 100 to 150;
- the statement of service provision (referred to in the annual report as the Service Performance Reporting) of the District Council on pages 28 to 93 and each group of activities carried out by the District Council on pages 28 to 93;
- the funding impact statements in relation to each group of activities of the District Council on pages 38 to 93;
- the statements about budgeted and actual capital expenditure in relation to each group of activities of the District Council on pages 39 to 93;
- the funding impact statement of the District Council on page 94; and
- the disclosures of the District Council that are required by the Local Government (Financial Reporting and Prudence) Regulations 2014 on pages 17 to 21.

In addition, the Auditor-General has appointed me to report on whether the District Council and group's annual report complies with the Other Requirements of schedule 10 of the Local Government Act 2002, where applicable, by including:

- information about:
 - reserve funds on page 114 to 117;
 - remuneration paid to the elected members and certain employees of the District Council on page 144;
 - employee staffing levels and remuneration on page 145;

- severance payments on page 111;
- council-controlled organisations on page 152 to 165;
- rating base units on page 108; and
- insurance of assets on page 126;
- a report on the activities undertaken by the District Council and group to establish and maintain processes to provide opportunities for Maori to contribute to the Council's decision-making processes on page 23; and
- a statement of compliance signed by the Mayor and Chief Executive of the District Council on page 6.

Opinion

Audited information

In our opinion:

- the financial statements of the District Council and group on pages 96 to 150:
 - present fairly, in all material respects:
 - the District Council and group's financial position as at 30 June 2015;
 - the results of their operations and cash flows for the year ended on that date; and
 - comply with generally accepted accounting practice in New Zealand.
- the Service Performance Reporting of the District Council on pages 28 to 93:
- presents fairly, in all material respects the District Council's levels of service for the year ended 30 June 2015, including:
 - the levels of service as measured against the intended levels of service adopted in the long-term plan;
 - the reasons for any significant variances between the actual service and the expected service; and
 - complies with generally accepted accounting practice in New Zealand.
- the funding impact statements in relation to each group of activities of the District Council on pages 38 to 93, presents fairly, in all material respects, by each group of activities, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the District Council's long-term plan;
- the statements about budgeted and actual capital expenditure in relation to each group of activities of the District Council on pages 39 to 93, presents fairly, in all

material respects by each group of activities the capital expenditure spent as compared to the amounts budgeted and set out in the District Council's long-term plan or annual plan;

- the funding impact statement of the District Council on page 94, presents fairly, in all material respects the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the District Council's annual plan; and
- the disclosures on pages 17 to 21 represent a complete list of required disclosures and accurately reflects the information drawn from District Council's audited information.

Compliance with the other requirements of schedule 10

In our opinion, which is not an audit opinion, the District Council and group's annual report complies with the Other Requirements of schedule 10 that are applicable to the annual report.

Our audit was completed on 29 September 2015. This is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Council and our responsibilities, and we explain our independence.

Basis of opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the information we audited is free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence readers' overall understanding of the financial statements and Service Performance Reporting. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the information we audited. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the information we audited, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the District Council and group's preparation of the information we audited in order to design procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the District Council and group's internal control.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Council;
- the adequacy of the disclosures in the information we audited;

- determining the appropriateness of the reported Service Performance Reporting within the Council's framework for reporting performance; and
- the overall presentation of the information we audited.

We did not examine every transaction, nor do we guarantee complete accuracy of the information we audited.

When reporting on whether the annual report complies with the Other Requirements of schedule 10 of the Local Government Act 2002, our procedures were limited to making sure the information required by schedule 10 was included in the annual report, where relevant, and identifying material inconsistencies, if any, with the information we audited. This work was carried out in accordance with International Standard on Auditing (New Zealand) 720; The Auditor's Responsibilities Relating to Other Information in Documents Containing Audited Financial Statements. As a result we do not express an audit opinion on the District Council's compliance with the requirements of schedule 10.

We did not evaluate the security and controls over the electronic publication of the information we are required to audit and report on. We believe we have obtained sufficient and appropriate evidence to provide a basis for our opinion.

Responsibilities of the Council

The Council is responsible for preparing:

- financial statements and Service Performance Reporting that:
 - comply with generally accepted accounting practice in New Zealand;
 - present fairly the District Council and group's financial position, financial performance and cash flows;
 - present fairly their service performance, including achievements compared to forecast;
- funding impact statements in relation to each group of activities that presents fairly by each group of activities the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the District Council's long-term plan;
- statements about budgeted and actual capital expenditure in relation to each group of activities that presents fairly by each group of activities the capital expenditure spent as compared to the amounts budgeted and set out in the District Council's long-term plan or annual plan;
- a funding impact statement that presents fairly the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the District Council's annual plan;
- disclosures in accordance with the requirements of the Local Government (Financial Reporting and Prudence) Regulations 2014; and
- the other information in accordance with the requirements of schedule 10 of the Local Government Act 2002.

The Council's responsibilities arise under the Local Government Act 2002.

The Council is responsible for such internal control as it determines is necessary to ensure that the annual report is free from material misstatement, whether due to fraud or error. The Council is also responsible for the publication of the annual report, whether in printed or electronic form.

Responsibilities of the Auditor

We are responsible for expressing an independent opinion on, the information we are required to audit, and whether the Council has complied with the Other Requirements of schedule 10, and reporting that opinion to you. Our responsibility arises under section 15 of the Public Audit Act 2001.

Independence

When carrying out this audit, which includes our report on the Other Requirements, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board.

In addition to this audit, which includes our report on the Other Requirements, we have carried out assignments in the areas of the debenture trust deed trustee reporting certificate and long term plan, which are compatible with those independence requirements.

Other than these assignments, we have no relationship with, or interests, in the District Council or any of its subsidiaries.



Clarence Susan
Audit New Zealand
On behalf of the Auditor-General
Tauranga, New Zealand



District Strategy

Taupō District Council's strategy is intended to achieve three main community outcomes:

Economy – Our communities prosper in a thriving local economy with a diverse range of rewarding employment opportunities.

Environment – We have a shared responsibility for places we are proud of.

Engagement – Council is connected with its communities, advocating for their social and cultural well-being.

These are the outcomes that Council aims to achieve in meeting the current and future needs of its communities for good-quality local infrastructure, local public services, and performance of regulatory functions.

The groups of activities that Council undertakes all map to one or more of these community outcomes as the table below shows.

Community Outcome	Economy Our communities prosper in a thriving local economy with a diverse range of rewarding employment opportunities	Environment A shared responsibility for places we are proud of	Engagement Council is connected with its communities, advocating for their social and cultural well-being
Groups of activities that contribute to this outcome	<ul style="list-style-type: none"> • Water • Transport • Community facilities • Solid waste • Democracy and planning • Investments • Economic development 	<ul style="list-style-type: none"> • Community services • Water • Lakes • Rivers and mountains • Community facilities • Wastewater • Solid waste • Stormwater • Democracy and planning 	<ul style="list-style-type: none"> • Community services • Community facilities • Democracy and planning



Principles for the District Strategy

In August 2011, Council asked residents and ratepayers about the two big sets of issues confronting the district: water and the impact of the global financial crisis on revenue, services, and the need to be fair. These continue to be the two big sets of issues, which drive Council's financial strategy.

The strategy is based on principles that include:

- treating all ratepayers fairly within the district (horizontal equity)
- treating future ratepayers fairly (intergenerational equity)
- being realistic about our growth prospects, and
- being rigorous about the timing of essential capital expenditure.

The strategy balances the competing demands of:

- the ongoing effects of the global recession
- the need to keep investing in our district so that Taupō continues to be an attractive place for families and all our holiday home owners who are mainly here in summer
- residents and ratepayers who are proud to live here.

Three interwoven pathways in the strategy

The District Strategy has three interwoven pathways and Council needs to attend to all of them because of the affect that each element has on the other two elements.

- 1 Develop our economy
- 2 Manage our water
- 3 Create a strong financial foundation

1. Develop our economy

Council continues to contribute to its strategy of developing our economy. Developing our economy contributes to our vision of a happy, thriving and prosperous place to live, with our rivers, lakes and mountains protected from harm so that we are nourished, spiritually and socially.

Growing economies are more sustainable and are more cost effective than declining ones. All aspects of Council's activities contribute to growing and developing our economy from our planning and policy development activities, community engagement events, providing infrastructure, as a land owner and providing support to our economic development entities.

We encourage neighbourhoods and communities on revitalising the social and physical attributes to ensure they are places that are attractive to live. This contributes to attracting new business opportunities which then strengthens our economy and ensures that we maintain a vibrant district where people want to live.

Throughout the year, Council continued to be busy with workshops and meetings discussing its Long-Term Plan for 2015-25 and the various related policies, capital and operational expenditure, levels of service, performance measures and targets and fees and charges for the 10 groups of activities. This work was a critical part in deciding what the future direction of the Taupō District should be and what should be included to ensure that we remain focussed on developing our economy.

Council also continued to:

- Fund Destination Great Lake Taupō (DGLT) to provide services to attract visitors and increase tourism opportunities
- Contract Enterprise Great Lake Taupō (EGLT) to provide economic development services and attract businesses to the district. EGLT also advocated to attract potential investors and supply technical support for businesses that wished to relocate
- Provide an events team to support the iconic events that play an important role in Taupō's identity and vitality as the 'events capital of New Zealand'.

Ironman Asia Pacific announced in December 2014 that it intended to consolidate its New Zealand Ironman events in Taupō. Taupō has secured this new event and it will be rebranded the Ironman 70.3 Taupō in 2015. Taupō has now truly become the home of Ironman New Zealand and we look forward to continuing this strong partnership.

Following on from this internationally recognised event we secured such events as Wanderlust 2015, New Zealand Māori Golf Association (NZMGA) Tournament, and Toyota Racing Series during 2014/15.

Although the ANZ Young Farmers Contest occurred

within the 2015/16 financial year much of the planning and hard work to bring this iconic event to Taupō occurred within 2014/15. The contest was the culmination of 24 district contests and seven regional finals challenging 276 young farmer entrants aged between 16 and 31. Hosting the grand final was recognition of the development of the district's agricultural sector and delivery of world class events.

Work on Turangi's mall has now finished, signalling the end of the town centre's revitalisation project and completing a fresh new look for the town. This was celebrated with Councillors, the Turangi Tongariro Community Board and local community groups at the launch of the Turangi 50th Jubilee. The final stage of the project was the work on the rear of the mall, which involved extensive landscaping, an upgrade to the power infrastructure, lighting improvements and the building of a stage.

Taupō's Great Lake Centre (GLC) retained its four star Qualmark rating, reaffirming its position as a quality venue. The four star rating means the GLC can continue to carry the Qualmark symbol on its promotional material and indicates it is held in high regard within corporate conferencing circles.

Air New Zealand announced major cuts to its regional network in November 2014, including no longer operating its Taupō to Wellington route from April 2015. In response to the potentially negative effects of this service withdrawal, Council initiated a process to identify potential providers, and in parallel, a community consultation process. Council was then able to secure a new service and a six-year agreement with Sounds Air, a Marlborough-based air operator, to provide at least three return flights on each week day and two return flights on Saturdays and Sundays. This ensured that Taupō maintained its connectivity with the capital and this valuable service for residents, businesses and visitors alike.

Free WiFi has been introduced throughout Taupō's town centre after the launch of the free wireless service. The wireless internet is being funded by T>Stream, an internet provider owned by the Tuaropaki Trust, and is supported by Council, Destination Great Lake Taupō (DGLT), Towncentre Taupō and local business owners. The free T>Stream WiFi can be accessed from most of the Taupō CBD and popular recreational and event areas including the lake front, marina, Owen Delany and Crown parks and is a fantastic asset for the town and wider district.



2. Manage our water

Managing our access to and use of fresh water is one of the biggest strategic issues facing our district. Demand for water is growing and without it we cannot preserve a sustainable community and maintain a viable industry.

Along with upgrading our water supply systems we look at innovative ways in which to manage our water use so it is not wasted. We continue to do our part in protecting our greatest asset, Lake Taupō, at the heart of our district.

Our new Taupō Water Treatment Plant was recognised by being nominated for the BECA Infrastructure Project of the Year Award which was part of Local Government New Zealand's Excellence Awards. The award recognises infrastructure projects that have led to improved efficiencies and effectiveness for local businesses, residents and visitors, and has contributed to an economic or environmental benefit for their region.

Council has also been working with our Waitahanui and Five Mile Bay communities to try and address issues related to their water and wastewater services. The solutions have not been simple and there are significant costs involved. Ministry of Health has pledged to contribute \$1,942,250 towards this project. There are already 36 properties connected to the Taupō water supply, with the proposal potentially connecting an additional 300 properties. This project has been delayed and will be discussed with the community in more detail as part of new Long-term Plan 2015-25.

Council also continued to work with the Bonshaw Park community to secure their water supply. Delays have continued as each bore site has either not had a good water flow or arsenic levels have been too high. Officers have been continuing to work with the community, search for new bore sites and consider various options.

Whakamaru residents have benefited from an upgraded water pump station which is now providing a more reliable water supply. The pump station has been upgraded due to its age and has resulted in

improved firefighting ability.

There were some serious incidents of a water main bursting on Lake Terrace during the year, which led to Council bringing its replacement forward to ensure a steady water supply. Council understood how important it was to our residents and businesses to have a constant, uninterrupted water supply and prioritised this work by bringing it forward from the 2015/16 year.

The sewer main in Turangi has also been repaired to prevent future problems. After extensive investigation it was discovered several components were in need of repair or replacement. A number of trees were removed to access the damaged infrastructure that was causing sewage spillages.

The Water Supply Bylaw 2014 was adopted at the November 2014 Council meeting. The bylaw contributes to the water supply management and assists with the practical delivery of water in our district. The bylaw has been simplified and clarified how water is rated and used.

There were 12 sewage overflow incidents prompting warning signs to be erected on the lake shore this year compared with none in 2013/14. There have been a number of reasons often related to bursting pipe infrastructure. Council has prioritised the replacement of leaking pipes and mains within the new Long-Term Plan 2015-25 as protecting the lake is a priority.



3. Create a strong financial foundation

When Council began developing the Long-Term Plan 2012-22 finances were not as healthy as we wanted. In response to this, Council developed a new financial model for the district that is both prudent and sustainable. Council has now completed the third year of this strategy which includes the following:

Selling investment assets

The asset sales programme has been successful and has realised a total of \$20.6 million over the last three years from property (\$10.8 million) and forestry (\$9.8 million). These funds have been utilised to subsidise rates (\$11.15 million) with the remainder being used to reduce debt.

Capital value and the transition policy

Council adopted capital value as the basis for general rates, with differentials for commercial, industrial and accommodation sectors in its Long-Term Plan. The new system had widely differing impacts on ratepayers. Some ratepayers had rates cuts and some had large increases, so Council also introduced a Rates Remission Transition Policy. In 2014/15, the final year of the policy, \$0.8 million in rates remission was applied to 2500 properties.

Taupō Electricity Limited (TEL) Fund and rate subsidies

Council has managed its investment in the TEL Fund, increasing its value from \$54.1 million in 2013/14 to \$54.4 million in 2014/15. TEL fund earnings of \$2.7 million were used to subsidise rates this year.

Debt

The Annual Plan 2014/15 projected that at the end of the year debt would be \$161.5 million. However, the actual closing debt position was \$150 million, \$11.5 million lower than projected in the Annual Plan.

Council's credit rating has been upgraded from AA- to AA by international credit rating agency Standard and Poor's. This reflects the improving financial position of Council.

Limits on rates and debt

To meet all of these goals, Council proposed three limits on rates and debt, and has operated within these limits for 2014/15. These were:

- Total rates revenue must not exceed 80 per cent of operating revenues
- Rates increases may not exceed forecast Local Government Consumer Index (LCGI) + 4.5 per cent for the first three years and then LGCI + 2.0 percent thereafter.
- Gross external borrowing may not be more than 250 per cent of annual operating income.

Annual report disclosure statement for year ending 30 June 2015

What is the purpose of this statement?

The purpose of this statement is to disclose the council's financial performance in relation to various benchmarks to enable the assessment of whether the council is prudently managing its revenues, expenses, assets, liabilities, and general financial dealings. The council is required to include this statement in its annual report in accordance with the Local Government (Financial Reporting and Prudence) Regulations 2014 (the regulations). Refer to the regulations for more information, including definitions of some of the terms used in this statement.

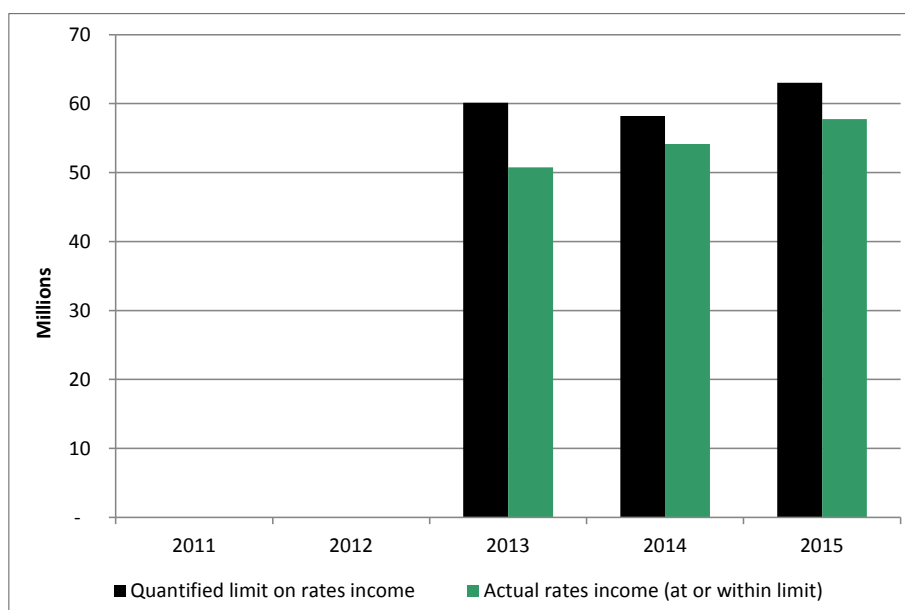
Rates (income) affordability

The council meets the rates affordability benchmark if:

- its actual rates income equals or is less than each quantified limit on rates; and
- its actual rates increases equal or are less than each quantified limit on rate increases.

Rates (income) affordability

The following graph compares the council's actual rates income with a quantified limit on rates contained in the financial strategy included in the council's Long-Term Plan. The quantified limit is that total rates revenue must not exceed 80 per cent of operating revenues.

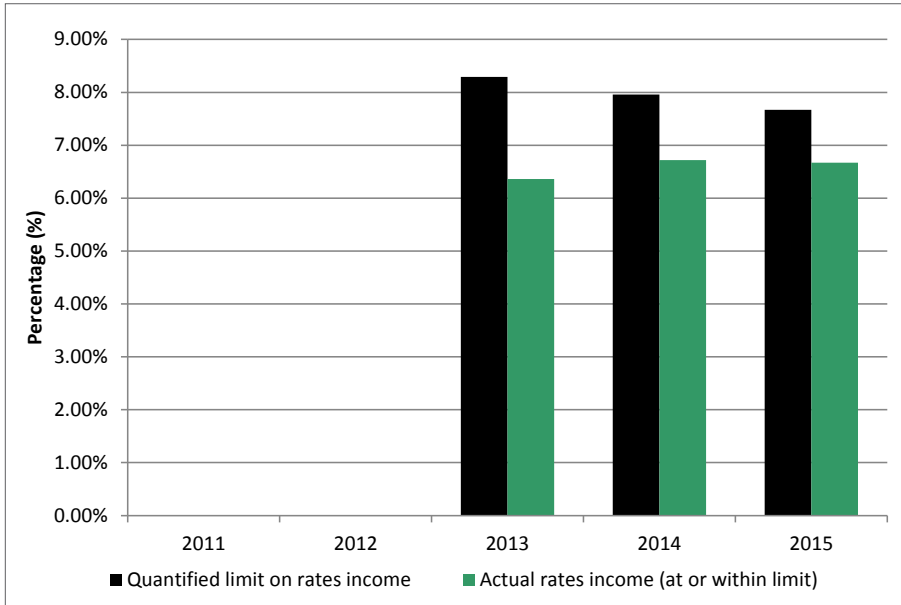


Additional information or comment

Council meets this benchmark in 2013, 2014 and 2015.

Rates (increases) affordability

The following graph compares the council's actual rates increases with a quantified limit on rates increases included in the financial strategy included in the council's Long-Term Plan. The quantified limit is that rates increases may not exceed LGCI + 4.5% for the first three years (i.e. 2013-2015) and then LGCI + 2.0% thereafter.



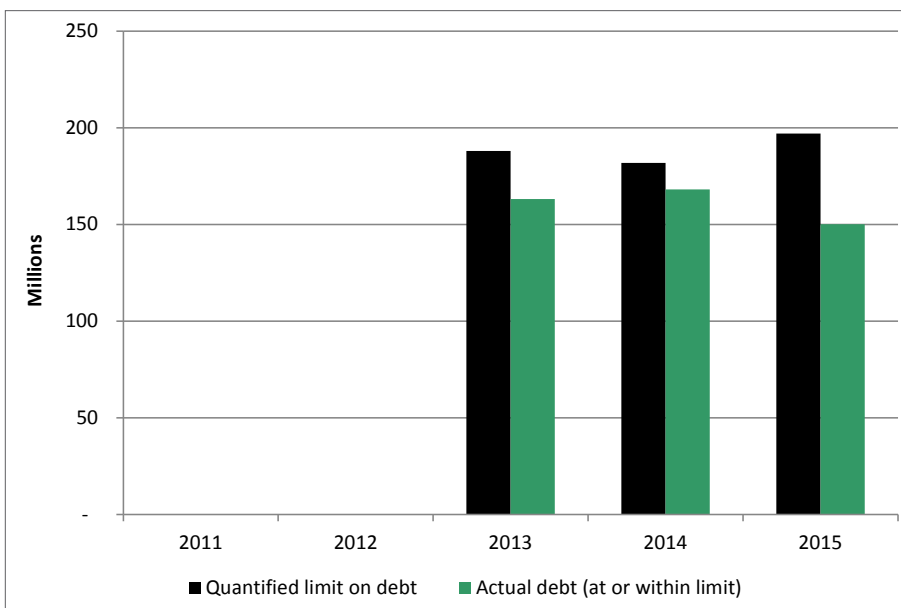
Additional information or comment

Council meets this benchmark in 2013, 2014 and 2015.

Debt affordability benchmark

The council meets the debt affordability benchmark if its actual borrowing is within each quantified limit on borrowing.

The following graph compares the council's actual borrowing with a quantified limit on borrowing stated in the financial strategy included in the council's Long-Term Plan. The quantified limit is that gross external borrowing may not be more than 250 per cent of annual operating income

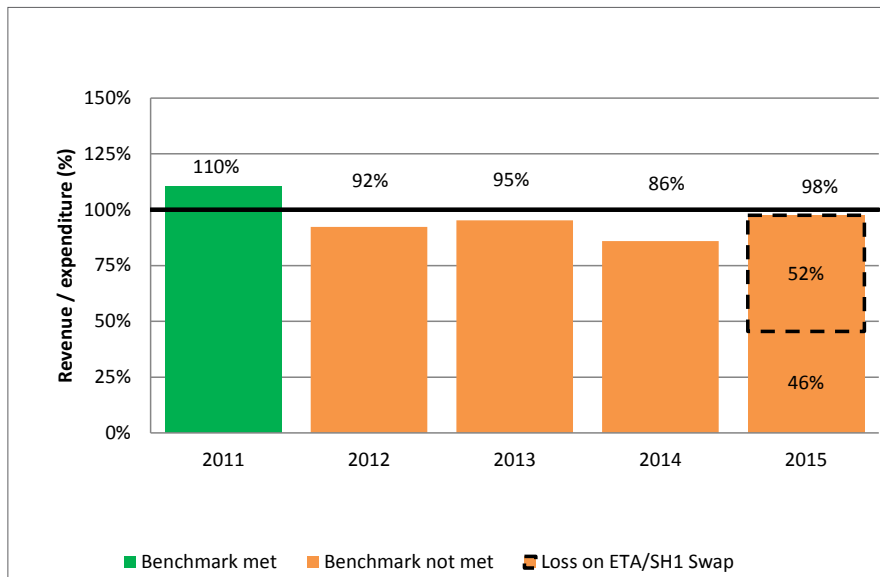


Additional information or comment

Council meets this benchmark in 2013, 2014 and 2015.

Balanced budget benchmark

The following graph displays the council's revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments, and revaluation of property, plant and equipment) as a proportion of operating expenses (excluding losses on derivative financial instruments and revaluations of property, plant and equipment). The council meets this benchmark if its revenue equals or is greater than its operating expenses.



Additional information or comment

In 2011 council received significant revenue from New Zealand Transport Agency (NZTA) subsidies relating to the construction of the East Taupō Arterial road (ETA).

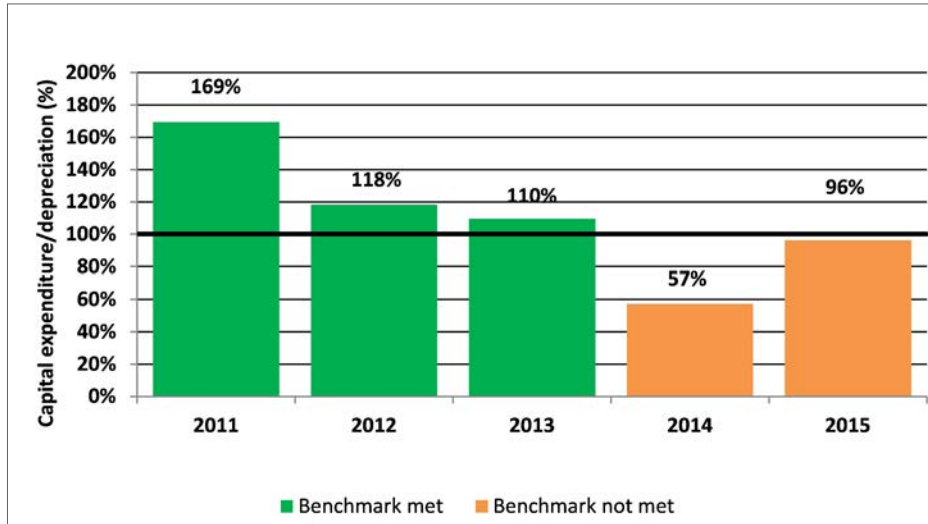
In 2012 council capitalised interest on property and ETA related borrowings thereby reducing rate revenue.

In 2013, 2014 and 2015 in council's financial strategy, outlined in the LTP, council made the decision to fund all interest costs from rates. In order to keep rates increases affordable in the first three years council ran operating deficits to reduce the financial impact on current ratepayers. This shortfall in funding will be met from property and forestry sales. In addition in 2014 \$3.2 million of funds held in reserve was expensed and paid to the Lake Taupō Protection Trust.

In 2015 the handover of the ETA to the NZTA in exchange for part of State Highway 1 resulted in an accounting loss of \$95 million. Technically this loss must be included in the benchmark resulting in a benchmark result of 46 per cent as shown. However this is an extraordinary, one off event that is not reflective of our normal operating revenue and expenditure. Accordingly under clause 15(2)(b) of the Financial Prudence Regulations we have shown the impact of this (52 per cent) in the bordered area showing an overall benchmark result of 98 per cent.

Essential services benchmark

The following graph displays the council's capital expenditure on network services as a proportion of depreciation on network services. The council meets this benchmark if its capital expenditure on network services equals or is greater than depreciation on network services.



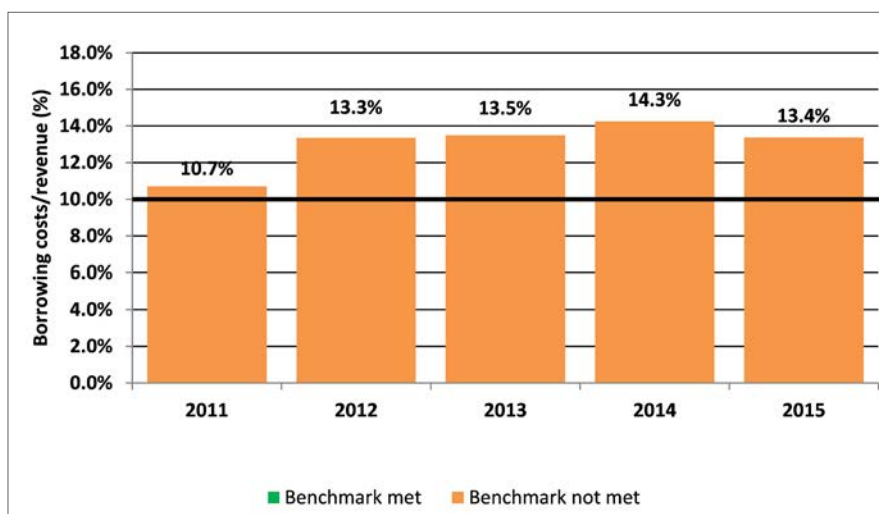
Additional information or comment

The council meets this benchmark in all years except 2014 and 2015 when capital expenditure was reduced as all significant projects from previous years were completed.

Debt servicing benchmark

The following graph displays the council's borrowing costs as a proportion of revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments, and revaluations of property, plant and equipment).

Because Statistics New Zealand projects the council's population will grow more slowly than the national population growth rate, it meets the debt servicing benchmark if its borrowing costs equal or are less than 10 per cent of its revenue.

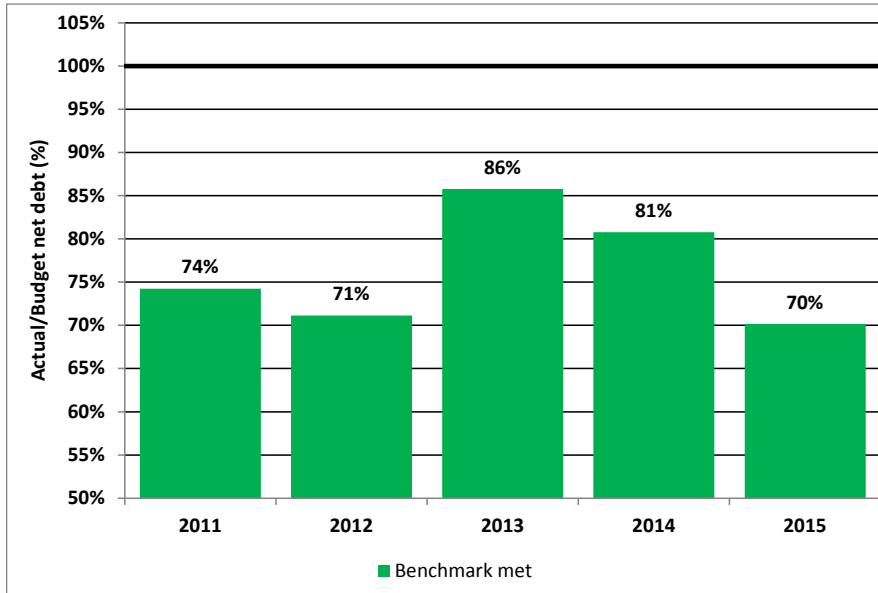


Additional information or comment

Council does not meet this benchmark in years 2011-2015. However this benchmark does not take into account council's significant investment funds including the TEL fund (\$54 million). If the benchmark was based on net interest council would meet this benchmark in years 2011-2015.

Debt control benchmark

The following graph displays the council's actual net debt as a proportion of planned net debt. In this statement, net debt means financial liabilities less financial assets (excluding trade and other receivables). The council meets the debt control benchmark if its actual net debt equals or is less than its planned net debt.

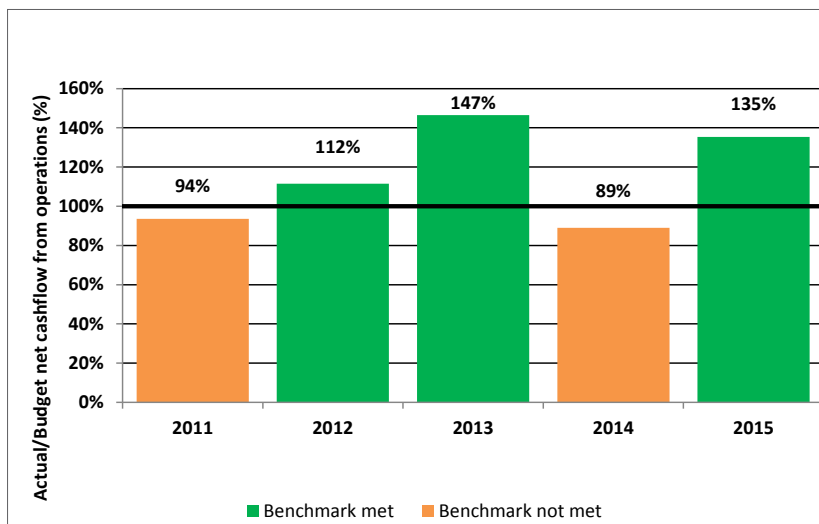


Additional information or comment

Council meets this benchmark in all five years 2011-2015.

Operations control benchmark

This graph displays the council's actual net cash flow from operations as a proportion of its planned net cash flow from operations. The council meets the operations control benchmark if its actual net cash flow from operations equals or is greater than its planned net cash flow from operations.



Additional information or comment

Council meets this benchmark in 2012, 2013 and 2015.

In 2011 interest income and fees and charges were slightly lower than forecast.

In 2014 the release of \$3.2 million of reserve funds to the Lake Taupō Protection Trust was not forecast.

New projects this year - that were not in the Annual Plan

Community Facilities

- Rural Fire Depot shower facility.

Water

- Lake Terrace and Rifle Range Road watermain renewals brought forward.

Transport

- Extension of the footpath along the western side of State Highway One at Motuoapa
- Huka Falls Road retaining wall construction (100 per cent NZTA funded).

Community Facilities

- Continue with the extended opening hours at Genesis Energy Turangi Aquatic Centre
- Working with Ngāti Turangitukua on the preparation of terms of reference for the preparation of a reserve management plan for Turangi
- Feasibility study for consolidation of Council facilities in Turangi
- WW100 cenotaph upgrade and heritage digitising (received DIA grant)
- Te Kopua Point Reserve walkway construction
- Spa Park CCTV power supply.

Wastewater

- Connection of the Waitahanui wastewater network to the Taupō system
- Optimisation/improvement to meet compliance for the Motuoapa wastewater plant
- Odour removal system at the Taupō wastewater plant for staff health and safety reasons.

Democracy and Planning

- Prepare South Western Settlements Reserve Management Plan.

Investments

- Purchase and seismic upgrade/fit-out of 36-40 Manuka Street Taupō
- Digital screen cabling in the Taupō CBD.

Projects that Council delayed or removed

- Construction of the Wharewaka East reservoir and pump station has been deferred at the request of the developer
- Lake Terrace traffic calming and realignment was completed and funding provided in 2013/14
- Kaimanawa Reserve wicket block reconstruction and automated irrigation completed. Remaining upgrades for the reserve have been delayed
- Design work for optimisation/improvement to meet resource consent conditions at Acacia Bay wastewater plant – pending Waikato Regional Council (WRC) review of consent application.

Māori Contributions to Decision-making

Council engages with Māori through a number of forums and agreements, which stem from the Treaty of Waitangi or Land Court settlements, legislation, or negotiated agreements between iwi and the Crown.

The following mechanisms provide important opportunities for Māori to contribute to decision-making in the district.

Long-Term Plan

There was healthy tangata whenua engagement during the development of the Long-Term Plan, which prompted a number of submissions. These submissions were considered during deliberations.

Marae Council Meetings

A full Council meeting was hosted by Ngāti Turangitukua on Hirangi Marae, the first time a Council meeting has been held on a Ngāti Tūwharetoa marae. Pouakani Marae has also hosted Council meetings in the Mangakino/Pouakani Ward. These are important engagement and relationship building opportunities.

Lake Taupō Protection Trust Joint Committee

Council works in partnership with Government, Ngāti Tūwharetoa and the Waikato Regional Council (WRC) on the Protecting Lake Taupō Project. The Tūwharetoa Māori Trust Board is also represented on the project's joint Taupō District-WRC Committee. This committee oversees the trust that allocates a public fund to reduce the amount of manageable nitrogen from pastoral land going into Lake Taupō by 20 percent.

Ngāti Tūwharetoa Joint Management Agreement

We have a joint management agreement that applies to resource consents and private plan changes on multiple-owned Māori freehold land within the district. It enables qualified people to hear applications on behalf of Ngāti Tūwharetoa and Council. The agreement was the first of its kind in 2009 and has received a number of awards.

Management Protocol with the Ngāti Tūwharetoa Māori Trust Board

This protocol, signed in 2004/05, recognises the importance of Ngāti Tūwharetoa and Council in the district. The two chief executives meet regularly to share information and advice.

Ngāti Tūwharetoa Gallery Governance Group – Tūwharetoa Gallery, Museum

Management of the Tūwharetoa Gallery at the Taupō

Museum and Art Gallery is advised by a Governance Group who are experts in tikanga, ensuring the mana and security of taonga in the Gallery. The work and capacity of this group has been enhanced by the recruitment of a 'Curator Māori' to the museum in September 2013.

Waikato River agreements

Ngāti Tūwharetoa have signalled a desire to develop a joint management agreement in accordance with the Ngāti Tūwharetoa, Raukawa, and Te Arawa River Iwi Waikato River Act 2010. Council is waiting for further advice on the process that Ngāti Tūwharetoa wishes to follow.

Taupō District Council - Te Arawa River Iwi Trust Joint Committee

Council and Te Arawa River Iwi Trust co-manage the Waikato River to restore and protect its health. Council and Te Arawa have developed a draft agreement, which is now being discussed between Te Arawa and Ngāti Tūwharetoa.

Taupō District Council and Raukawa Charitable Trust Joint Management Committee

Council and the Raukawa Charitable Trust have signed a joint management agreement to co-manage the Waikato River to restore and protect its health. The agreement was signed on 5 September 2013 at a ceremony on Ngatira Marae, Lichfield, Putaruru.

Turangitukua collaboration

Council is working increasingly closely with Ngāti Turangitukua on how both parties will manage reserves within Turangi in the future.

Waipāhihi C75 Māori Reservation Trust

The Waipāhihi Trust has representatives from local hapū and Council. This is a unique arrangement that allows community access over private Māori Land. The trust oversees the foreshore area north of the Two Mile Bay Sailing Centre to the Sea Scouts den, which contains areas of significance for the hapū, including the Taharepa bath and Ōnekeneke stream. This trust is currently undergoing some reorganisation through the Māori Land Court to enable it to be fit for purpose.

Tutemohuta Reserve Trust

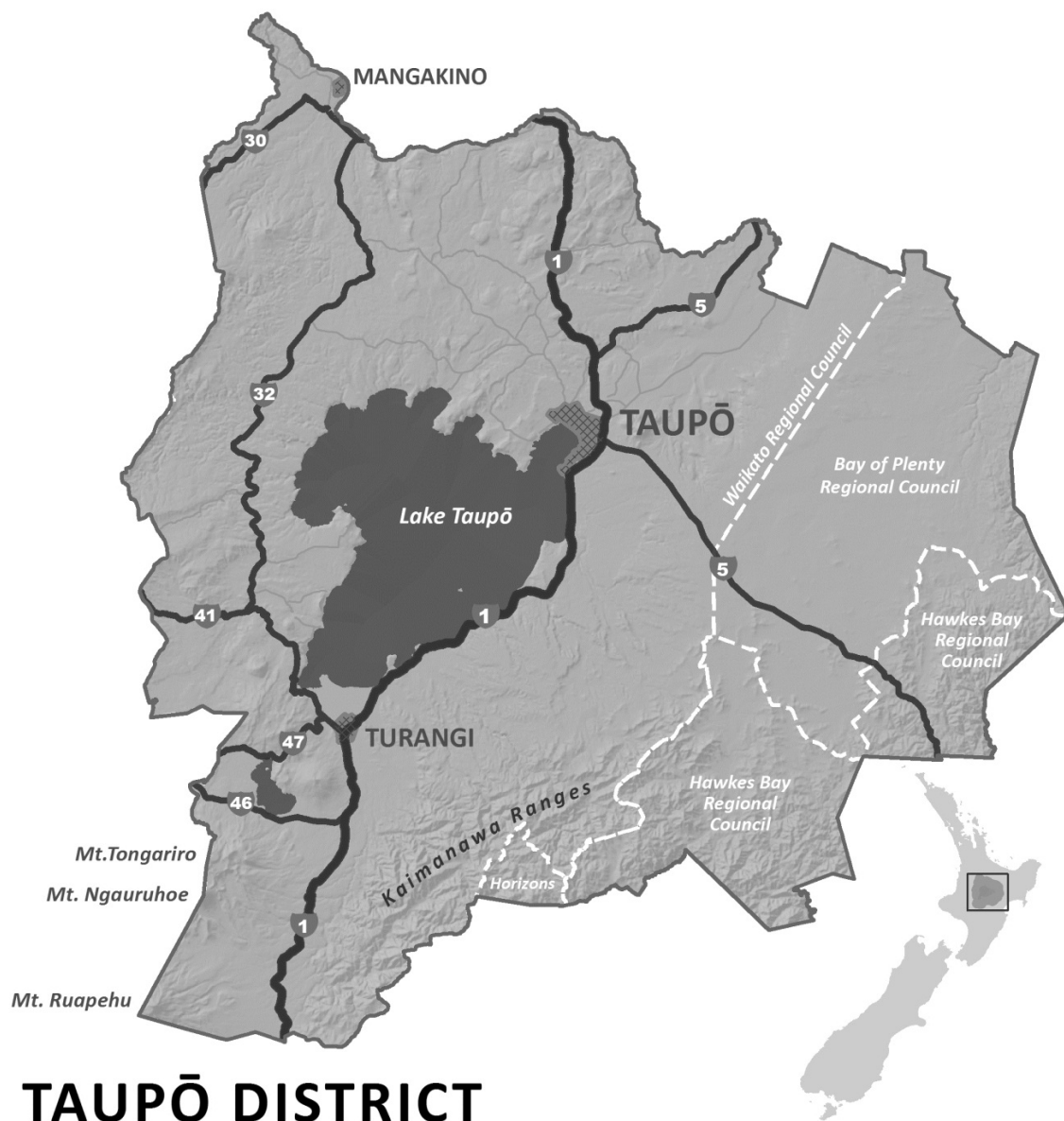
The Trust oversees the Tutemohuta Reserve at Waitahanui. This asset includes a community hall, sports grounds and a children's playground. Trustees are appointed by the Māori Land Court, and include representatives from Council, hapū/Tauhara Middle 14 and the community. This arrangement allows the entire Waitahanui community to benefit from the facilities developed on Māori Land. This trust is currently undergoing some reorganisation through the Māori Land Court.

Taupō District

The Taupō District is in the middle of the North Island, with the Tongariro National Park at its peak, Lake Taupō at its heart, and a network of many beautiful rivers.

Land is mainly used for farming and pine plantations, with agriculture and forestry the major industries. Geothermal and hydro electricity generation make an enormous and growing contribution to the energy supplies for the entire upper North Island.

The Taupō District is home to ~35,100 people, with 42 per cent of the district's ratepayers living outside the district, many with holiday homes here. Residents live mainly in the towns of Taupō (~22,310), Turangi (~3,200) and Mangakino (~800), although about ~8,790 also live in surrounding rural areas and lake and river settlements. We are also the holiday destination for hundreds of thousands of visitors each year.



Counting the assets

Council has \$1.1 billion in assets including land, infrastructure and buildings as at 30 June 2015. These include:

93,572	m ² of parking (equal to about 13 rugby fields)
4,128	streetlights
762	km roads
649	km pipes supplying drinking water
439	reserves including six sports grounds, three cemeteries and 54 playgrounds
446	street litter/recycling bins
350	km pipes for wastewater
293	km footpaths
262	km of pipes for stormwater
24	pump stations for water supply boosting
116	pump stations for wastewater reticulation (includes 62 septic tank effluent pump stations)
57	social housing units mainly occupied by elderly people
58	public toilets
38	km of cycleways
32	km culverts
23	bridges
20	water treatment plants (includes Taupō South – Rainbow Point WTP which is isolated)
13	community halls
12	wastewater treatment plants
5	transfer stations
3	libraries
3	swimming pool complexes
2	fitness centres and one gymnasium
1	landfill
1	museum
1	events centre
1	entertainment centre (the Great Lake Centre)
1	airport

Submissions, appeals and other advocacy

During the year Council advocated on behalf of the district and its communities, making submissions and appeals on a wide range of matters, and participating in forums and working parties. Some of the notable advocacy efforts were directed towards:

Bay of Plenty Local Futures Project

Council agreed to join the joint Bay of Plenty project which was established to assess options on the future form and function of local government in the Bay of Plenty region. This ensures Taupō's issues and views are reflected in the discussion.

Raukawa Draft Environmental Management Plan

A submission was lodged on behalf of Council indicating support for the work that Raukawa have undertaken and expressing a desire to continue to work together.

Waikato Plan Joint Committee

Council agreed to join the Waikato Plan Joint Committee and support the development of the Waikato Plan. This ensures that Taupō's issues and views are reflected in the discussion.

Bay of Plenty Tertiary Intentions Strategy

Council endorsed the Bay of Plenty Tertiary Intentions Strategy which provides a collective vision, strategy and desired actions for tertiary education and research delivery in the Bay of Plenty and Taupō.

Bay of Plenty Regional Policy Statement

A submission was lodged on plan change 2 (natural hazards) to the Bay of Plenty Regional Policy Statement. The submission advocated for greater clarity around the proposed regime for managing natural hazards within that part of the district governed by the Bay of Plenty Regional Council.

Food Act 2014 Regulations

A first submission on the proposed Food Act 2014 cost recovery regulations was made on behalf of Council to the Ministry of Primary Industries (MPI) in February. A workshop was held on 24 March 2015 covering all the other proposals and the draft second submission. Second submission issued to MPI on 24 March 2015.

Bay of Plenty Regional Council's Long-Term Plan 2015-25

A submission on the Bay of Plenty Regional Council's Long-Term Plan 2015-25 was drafted by officers on the proposal to limit new funding for economic development and lodged on 20 March.

Waikato Regional Council's Long-Term Plan 2015-25

A submission on the Waikato Regional Council's Long-Term Plan 2015-25 was lodged on 14 April. Council's submission on the Waikato Regional Council draft Long-Term Plan 2015-25 was also presented at their hearings on 6 May 2015.

SOLGMs Rules Reduction Taskforce Submission

An officer submission to SOLGM was drafted on the Rules Reduction Taskforce considerations.

Government Policy Statement on Land Transport

Officers lodged a submission on the Government Policy Statement on Land Transport in August 2014.

Regional Land Transport Plan 2015-2045

Officers lodged a submission on the Regional Land Transport Plan 2015-2045 in December 2014.

Regional Public Transport Plan 2015-2025

Officers lodged a submission on the Regional Public Transport Plan 2015-2045 in December 2014.

Environmental Protection Agency Emission Factor

Officers lodged a submission on the default emission factor and supported the option that the default be reduced to reflect latest measurements thus reducing the cost of landfill emissions and cost to Council.

Waikato Regional Policy Statement

Officers participated in the mediation related to a range of appeals on the proposed Regional Policy Statement.