



ANNUAL REPORT | SUMMARY 2015/16



GREAT LAKE TAUPŌ
Taupō District Council

COUNTING THE ASSETS

Council has \$1.2 billion in assets including land, infrastructure and buildings as at 30 June 2016.

These include:



MAYOR AND CHIEF EXECUTIVE OFFICER'S REPORT

Welcome to our Annual Report for the 2015/16 year.

This report outlines the services, key projects and initiatives we undertook over the past 12 months, where money was spent and how we performed as an organisation.

The 2015/16 year was focussed on implementing year one of our 2015-2025 Long-term Plan which was adopted off the back of extensive consultation with our communities. In developing that plan, we had a strong focus on maintaining what we have, as well as consolidating some gains made by those before us, and building on what it is that makes our district special.

It was also the first year of implementing a revised financial strategy that was based on the key principles of:

- Looking after the assets we have while maintaining levels of service
- Keeping rates affordable and sustainable, and;
- Prudent management of our investments and borrowings.

We performed better than expected and this allowed us, during development of the 2016/17 Annual Plan, to limit rates increases to 1.1 per cent, down from 2.42 per cent originally forecast for the year. In addition, we finished the 2015/16 year with \$11 million less debt than had been projected in the 2015-25 Long-term Plan. We also retained our Standard and Poor's AA credit rating, reflecting our prudent financial management.

Throughout the year we undertook a number of projects. These included an upgrade of the Mangakino town centre, the construction of a new pirate playground at Acacia Bay's Besley Park and the establishment of a new fire force at the southern end of the lake. Improving the environment in which we live was also a core focus with the installation of a device on the lakefront to improve the quality of stormwater discharge into the lake, the updating of water safety plans and road safety improvements just some of the areas we invested in.

Our capital expenditure programme was largely geared towards legislative compliance and where we could, we worked in partnership with our communities and stakeholders to prioritise the projects we carried out. This resulted in some consent condition works being deferred which had a positive influence on our end of year result. One example of this was the project earmarked to extend the Taupō water supply to Waitahanui. After the community voiced concerns about the cost of the project we looked to explore different ways it could be delivered for the benefit of all. As a result an alternative way of funding the project has been developed, and following consultation, the project has been deferred to the 2016/17 year.

In terms of performance, we achieved the vast majority of measures we set ourselves in the Long-Term Plan. Our three-yearly survey of our residents is due to be carried out in the next 12 months, and we are confident we remain on track with the quality of services and activities we pride ourselves on delivering to our community.

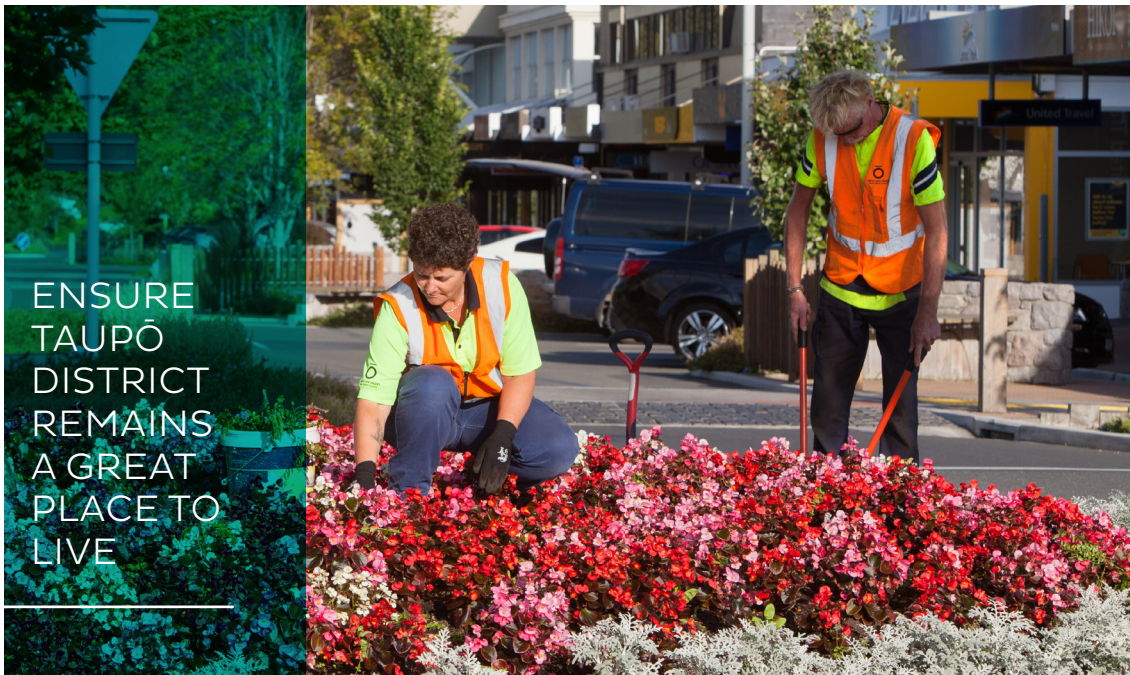
Looking forward, our focus now turns to delivering the second year of our 2015-2025 Long-term Plan. Over the next 12 months our focus will be on continuing to deliver the strategies we put in place for the betterment of our residents and our district. We will continue to maintain the \$1.2 billion of assets we own and strengthen partnerships with our communities and stakeholders. We will continue to seek efficiencies to keep rates as affordable as possible, and will ensure our district's interests are represented at both a regional and national level. Most importantly, we will continue to ensure the Taupō District is a great place to live.

David Trewavas JP
Mayor

Gareth Green
Chief Executive

OUR DISTRICT STRATEGY

In our Long-term Plan 2015-2025 we set ourselves five key areas to build on the strong foundation we have created. Here are some highlights from each of those areas that helped us move closer to our goals in 2015/16.



ENSURE
TAUPŌ
DISTRICT
REMAINS
A GREAT
PLACE TO
LIVE

- We were re-accredited as a 'Safe Community' by the World Health Organisation in July 2015.
- The Great Lake Walkway was widened from the Lake Terrace water treatment plant to the yacht club on Ferry Road.
- The Mangakino Town Centre was upgraded.
- We assisted in the implementation of a community plan in Turangi aimed at ensuring it is a happy, safe and prosperous town that everyone can be proud of.

MAINTAINING OUR QUALITY INFRASTRUCTURE

Our capital programme focussed on maintaining our existing infrastructure, making improvements and in some cases increasing our levels of service. We upgraded our infrastructure in a number of our activity areas including water, transport, community facilities, wastewater, solid waste and stormwater. The individual projects are outlined in each activity section of the full Annual Report.



- We promoted Taupō as a holiday and visitor destination through the activities of our council-controlled organisation Destination Great Lake Taupō.
- We contracted services of Enterprise Great Lake Taupō to attract business, investment and economic development services.
- We retained a strong focus on attracting and retaining events through the work of our inhouse events team.
- We provided funding to Go Tongariro and Town Centre Taupō to assist with promoting and growing vibrant central business districts.
- We undertook activities to strengthen our economic ties with China.



- We installed a new filtering device on the lakefront to help prevent sediment, oil, and debris from entering the lake.
- New consents were granted for the Lake Terrace water treatment plant, the Motutere Camp Ground water supply, and the Omori water supply.
- We continued to monitor our water supplies for microbiological and chemical contaminants throughout the year as required by the Drinking Water Standards for New Zealand.
- The Mangakino and Turangi water treatment plants have been formally classified as compliant for protozoa under section 5.16 of the Drinking Waters Standards for New Zealand.
- The Taupō Water Treatment Plant was formally classified as compliant for protozoa under section 5.11 of the Drinking Water Standards for New Zealand, having completed a 12 month monitoring programme.

OUR FINANCIAL PERFORMANCE



Council continues to contribute to its Financial Strategy adopted as part of its 2015-25 Long-term Plan.

LOOKING AFTER THE ASSETS WE HAVE WHILE MAINTAINING LEVELS OF SERVICE

Our district is still relatively young, this means that many of our infrastructure assets are in good condition and will not need renewing or upgrading for many years.

We must all pay our fair share of the use of these assets each year to ensure intergenerational equity is achieved, and that we don't create a financial burden for current or future generations. By rating for depreciation and holding this as cash reserves to fund for future renewals programmes, we are projecting a large build up of cash reserves by 2025.

KEEPING RATES AND DEBT AFFORDABLE

Council's main source of operating revenue is from rates, both general and targeted. In the 2015-25 Long-term Plan projected rates increases were between 2 and 3 per cent (after adjusting for growth in rateable properties) over the 10 years of the plan. We have now completed the first year of the 2015-25 Long-term Plan where rates increases were set at 2.21 per cent. In preparing the 2016-17 Annual Plan, rates increases were set at just 1.1 per cent.

PRUDENT MANAGEMENT OF OUR INVESTMENTS AND BORROWINGS

Council's credit rating has been maintained at AA by international credit rating agency Standard and Poor's. This rating reflects the prudent financial management of Taupō District Council and is the highest rating that can be held by a Council within New Zealand.

DEBT

Closing debt position at 30 June 2016 was \$148 million. The Long-term Plan 2015-25 projected that at the end of this year debt would be \$159 million. However, after additional repayments were made and reported in the Annual Report 2014-15, this was re-forecast when preparing the Annual Plan 2016-17 to \$148m. The 2016-17 Annual plan forecasts debt to be at \$146m by June 2017.

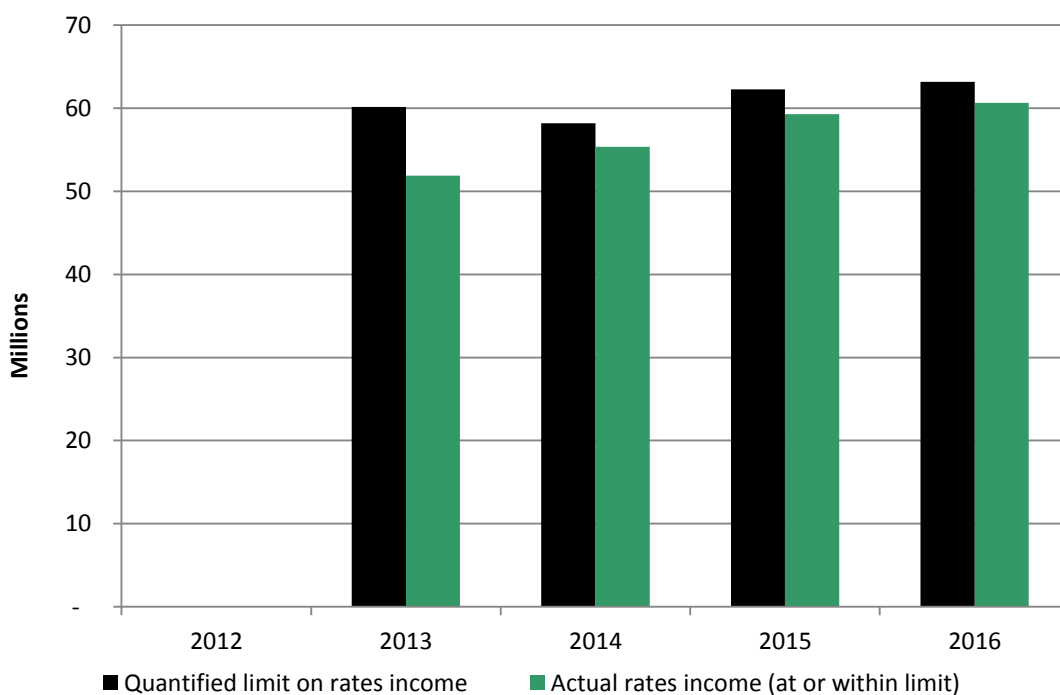
LIMITS ON RATES AND DEBT

To meet all of these goals, Council proposed three limits on rates and debt, and has operated within these limits for 2015/16. 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) + 1.0 per cent.
- Gross external borrowing may not be more than 200 per cent of annual operating income.

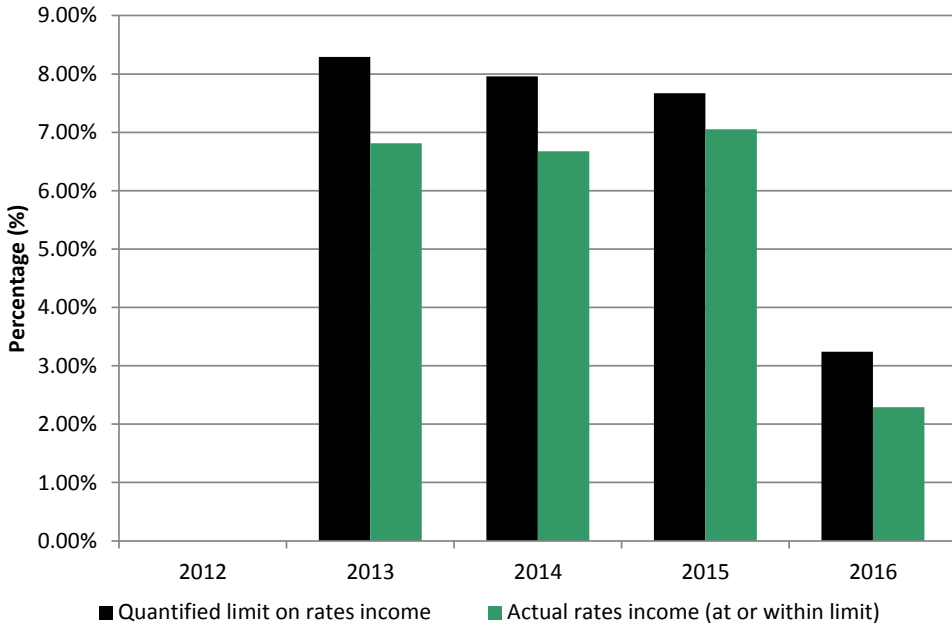
RATES (INCOME) AFFORDABILITY

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% of operating revenues.



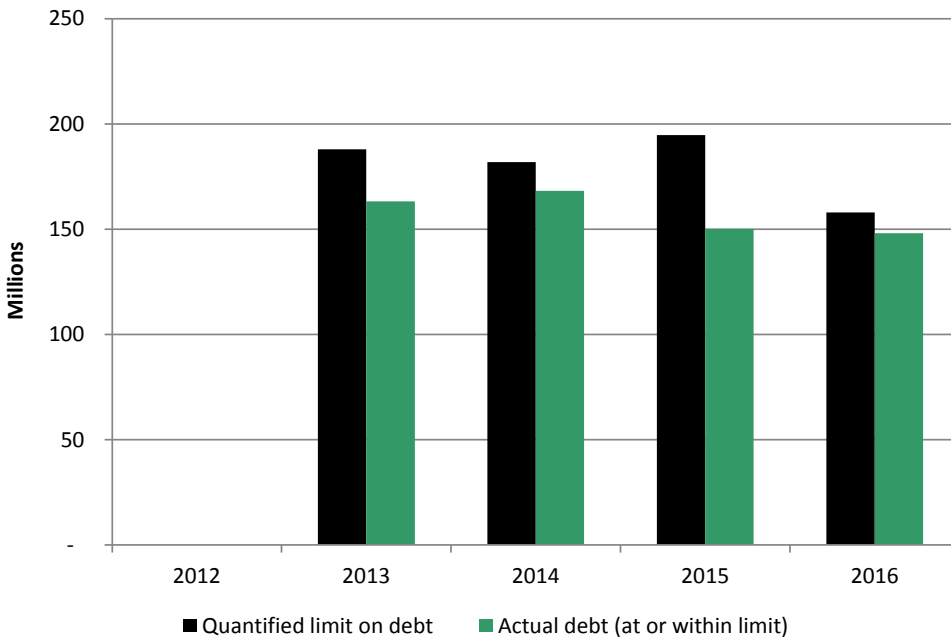
RATES (INCREASES) AFFORDABILITY

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 LTP. The quantified limit in the 2012-22 LTP is that rates increases may not exceed LGCI + 4.5% in 2013-2015. The quantified limit in the 2015-25 LTP is that rate increases may not exceed LGCI + 1%.



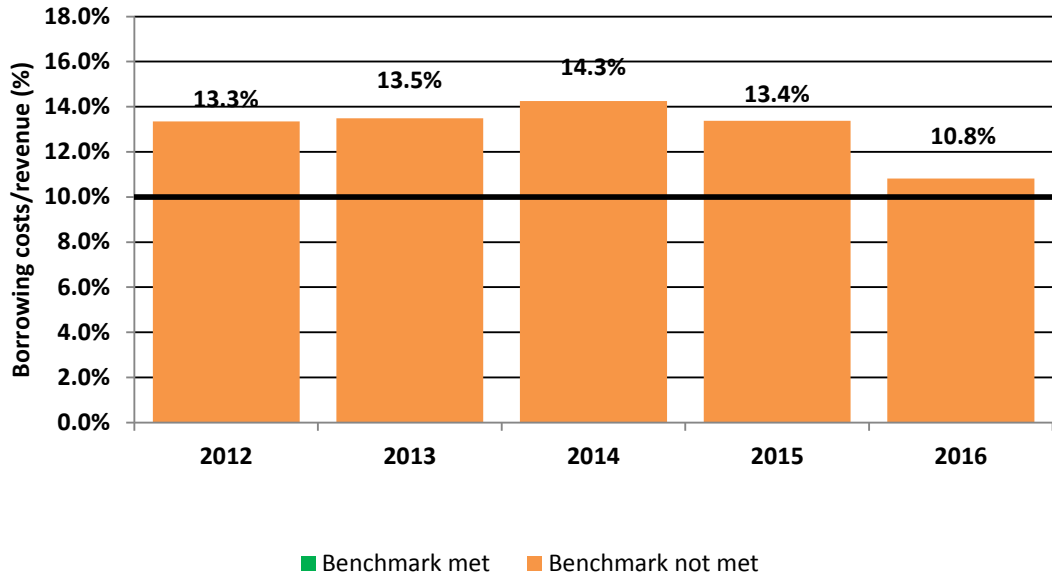
DEBT AFFORDABILITY BENCHMARK

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 in the 2012-22 LTP was that gross external borrowing may not be more than 250% of annual operating income. The quantified limit in the 2015-25 LTP was that gross external borrowing may not be more than 200% of annual operating income.



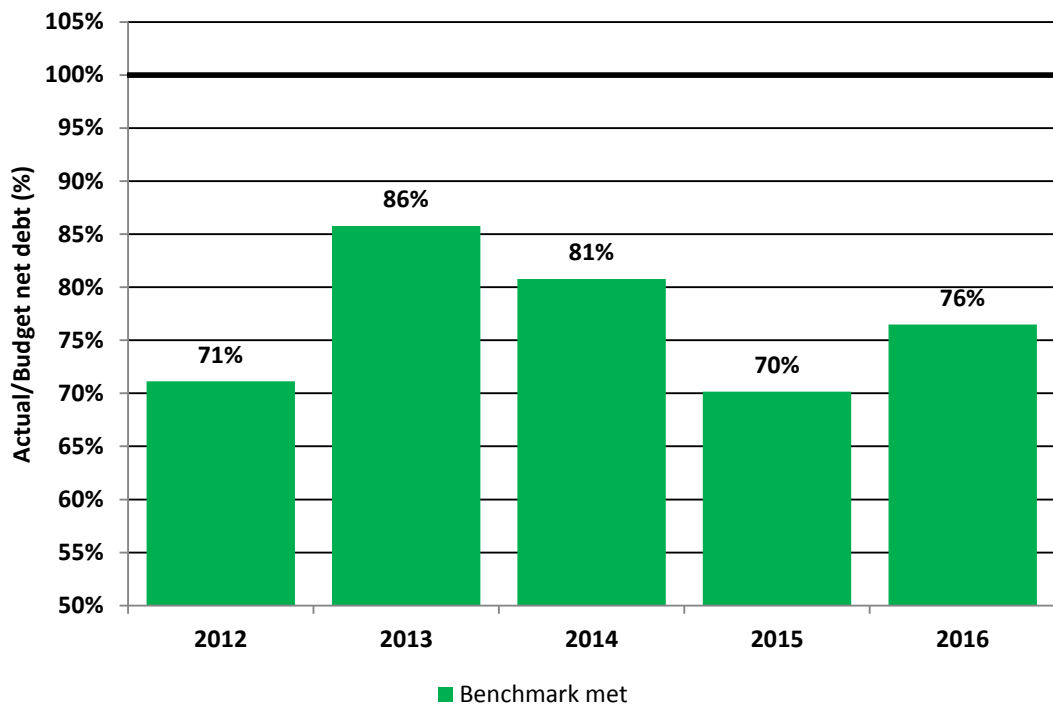
DEBT SERVICING BENCHMARK

The following graph displays the council's borrowing costs as a proportion of revenue. Statistics New Zealand projects the council's population will grow more slowly than the national population growth rate, therefore it meets the debt servicing benchmark if its borrowing costs equal or are less than 10% of its revenue.



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. The council meets the debt control benchmark if its actual net debt equals or is less than its planned net debt.




*Benchmark reporting on essential services and operations control can be viewed in our full Annual Report.

OTHER THINGS WE DID THIS YEAR

COMMUNITY SERVICES



36
Delivered, supported and partnered 36 'Our Neighbourhood Our Future' events across the district.



ISSUED:

916 BUILDING CONSENTS	749 CODE OF COMPLIANCE CERTIFICATES	306 RESOURCE CONSENTS
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DEALT WITH:



1323
NOISE COMPLAINTS

2916
ANIMAL CONTROL COMPLAINTS

MAINTAINED DISTRICT-WIDE EMERGENCY MANAGEMENT PLANS AND PROMOTING COMMUNITY PREPAREDNESS FOR EMERGENCIES.




398
ISSUING 398 FIRE PERMITS AND RESPONDED TO AND MANAGED A NUMBER OF FIRE CALLOUTS IN RURAL AREAS.

WATER


REPLACED THE NUKUHAU PUMP STATION PRESSURE CONTROL UNIT.

RESPONDED TO:



35 URGENT CALL-OUTS	769 NON-URGENT CALL-OUTS
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PREPARED AND LODGED RESOURCE CONSENT APPLICATIONS FOR WAIHAHA AND CENTENNIAL WATER SUPPLIES.



\$11.4M
Awarded Downer New Zealand a five year contract for the maintenance of our three waters.

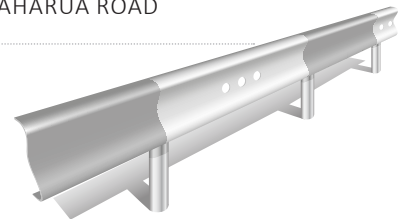
TRANSPORT



UNDERTOOK WIDENING WORK ON POIHIPI ROAD

COMPLETED A SEAL EXTENSION ON TAHARUA ROAD

COMPLETED MINOR SAFETY WORKS INCLUDING INSTALLING NEW STREETLIGHTS, GUARDRAILS AT VARIOUS LOCATIONS



15,8669m²

Resurfaced 15,8669m² (3.5%) of the district's road network.



OTHER THINGS WE DID THIS YEAR

COMMUNITY FACILITIES



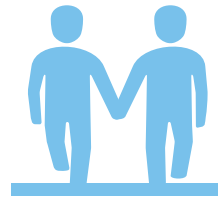
Undertook a minor review of the Taupō Sportsground Reserve Management Plan that investigated the extension of leases on Hickling Park. The leases have been extended for 14 years.



Retained the Qualmark NZ four star rating at the Great Lake Centre.

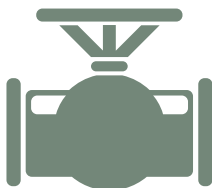


RETAINED THE GARDEN OF SIGNIFICANCE STATUS FOR THE SOUTH DOMAIN GARDENS.



WIDENED THE SECTION OF THE GREAT LAKE WALKWAY THAT STRETCHES FROM THE LAKE TERRACE WATER TREATMENT PLANT TO THE YACHT CLUB ON FERRY ROAD.

WASTEWATER



85km

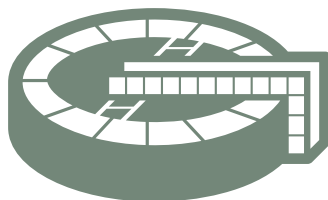
CLEANED 85 KM OF SEWERAGE PIPES.



12km

CARRIED OUT 12 KM OF CCTV AND CONDITION ASSESSMENTS.

Constructed a Fats, Oils and Grease (FOG) reception facility at the Broadlands Road landfill.



UPGRADED THE MOTUOAPA WASTEWATER TREATMENT PLANT.



Obtained new resource consents for the Acacia Bay, Kinloch and Whakamaru wastewater treatment plants.

OUR PERFORMANCE

We set ourselves 128 measures in our Long-term Plan which we use to report back on our service performance across our 10 groups of activities. This page shows the percentage of targets achieved and not achieved. Detailed reporting on the individual measures is included in our full annual report.



COMMUNITY SERVICES



WATER



TRANSPORT



COMMUNITY FACILITIES



WASTEWATER



SOLID WASTE



STORM WATER



DEMOCRACY AND PLANNING



INVESTMENTS



ECONOMIC DEVELOPMENT

SUMMARY OF FINANCIAL STATEMENTS

OVERVIEW

Council's actual surplus of \$5.377m is \$0.279m more than the \$5.098m surplus planned. The explanations below address this variance.

REVENUE

Council's operating revenue was \$12.233m ahead of plan, this is due to the following operational areas being ahead of plan: rates \$0.547m, petrol tax \$58k, gain on sale of properties \$1.659m and sale of other property, plant and equipment \$182k, dividends \$155k and gain on sale of financial investments \$114k, offset by subsidies and grants \$2.038m, development and financial contributions \$186k, fees and charges \$171k, finance revenue \$271k, vested assets \$837k and infringements and fines \$76k all being behind plan. Added to this is the gain on the revaluation

of investment properties \$7.319m and the recovery of past losses on the revaluation of restricted reserves and infrastructural buildings \$4.915m offset by forestry revaluation gain being behind plan by \$89k.

EXPENSES

Council's expenses are \$11.954m higher than plan. Removing the impact of revaluations, derivative financial instruments of \$11.847m, loss on valuation of financial assets \$1.244m, impairment of assets held for sale \$138k and loss on valuation of property, plant and equipment, gives operational savings of \$1.277m which is made up of depreciation \$31k, interest on debt \$600k and operational expenses \$2.317m all below plan offset by employment benefit expenses \$164k and loss on disposal of property, plant and equipment \$1.469m higher than plan.

STATEMENT OF FINANCIAL POSITION

EQUITY

Council's Statement of Financial Position presents a healthy picture, our asset base is remaining stable and our level of borrowings is decreasing, currently at \$148m compared to Long-term Plan estimates of \$158.8m.

ASSETS

Investments including cash are \$6.377m higher than plan, trade and other receivables are \$1.333m lower than plan. Non current assets held for sale \$1.981m lower than plan, inventory is \$173k higher than plan, prepayments are \$553k higher than plan and investments properties are \$7.449m higher than plan. Property, plant and equipment, intangibles and forestry were \$32.707m more than plan due to the revaluation of land and building assets being \$5.429m

lower than plan and infrastructural assets revaluation being \$16.2m higher than plan in 2014/15, capital expenditure was \$11.2m behind plan in the current year and \$10.3m behind plan in 2014/15. Disposals were \$562k higher than plan, vested assets were \$837k lower than plan. The effect of the transfer of the East Taupō Arterial and SH1/5 with NZTA in 2014/15 was underestimated in the plan.

LIABILITIES

Trade and other payables \$885k higher than plan, derivative financial instrument liabilities are \$20.128m higher than plan due to fair valuation changes in current and prior year. Borrowings \$10.7m lower than plan mainly due to capital expenditure being below planned levels for current and prior years.

These financial statements are extracted from the full Annual Report. That report was prepared in accordance with generally accepted accounting practice in New Zealand and was prepared under Tier 1 Public Benefit Entity International Public Sector Accounting Standards (NZ PBE IPSAS). The information in this summary financial report has been prepared in accordance with PBE FRS43: Summary Financial Statements. The summary financial statements do not include all the disclosures provided in the full financial statements and cannot be expected to provide as complete an understanding as provided in the full financial statements. The financial statements are presented in New Zealand dollars and values are rounded to the nearest thousand dollars. The functional currency of Taupō District Council and Group is New Zealand dollars .

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSES

FOR THE YEAR ENDED 30 JUNE 2016

	Council Actual 2016 \$000	Council Budget 2016 \$000	Council Actual 2015 \$000	Group Actual 2016 \$000	Group Actual 2015 \$000
Revenue	96,314	84,081	136,317	97,399	137,246
Expenses	81,151	68,594	173,131	82,337	174,237
Finance expense	9,786	10,389	10,567	9,786	10,568
Net surplus/(deficit) before tax	5,377	5,098	(47,381)	5,276	(47,559)
Tax (expense)/credit	-	-	-	28	50
Net Surplus after tax	5,377	5,098	(47,381)	5,304	(47,509)
Attributable to:					
Taupō District Council	5,377	5,098	(47,381)	5,367	(47,438)
Non-controlling interest	-	-	-	(63)	(71)
Net surplus/(deficit) for the year	5,377	5,098	(47,381)	5,304	(47,509)
Property, plant & equipment revaluations	23,240	28,669	23,170	23,877	23,170
Financial assets at fair value through other comprehensive revenue plus tax on equity items	(151)	-	258	(151)	258
Total other comprehensive revenue	23,089	28,669	23,428	23,670	23,428
Total comprehensive revenue and expense	28,466	33,767	(23,953)	28,974	(24,081)
Attributable to:					
Taupō District Council	28,466	33,767	(23,953)	28,965	(24,010)
Minority interest	-	-	-	9	(71)
Total recognised revenue and expenses	28,466	33,767	(23,953)	28,974	(24,081)

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2016

	Council Actual 2016 \$000	Council Budget 2016 \$000	Council Actual 2015 \$000	Group Actual 2016 \$000	Group Actual 2015 \$000
Equity at start of the year	1,000,618	964,449	1,024,571	1,007,653	1,031,734
Total comprehensive revenue and expense previously reported	28,466	33,767	(23,953)	28,974	(24,081)
Balance at 30 June	1,029,084	998,216	1,000,618	1,036,627	1,007,653
Components of Equity					
Accumulated funds	776,251	779,377	774,285	777,916	775,960
Council created reserves	98,813	93,473	93,853	98,813	93,853
Revaluation reserves	154,020	125,366	132,480	156,679	134,630
Non-controlling interest	-	-	-	3,219	3,210
Total Equity	1,029,084	998,216	1,000,618	1,036,627	1,007,653

STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 30 JUNE 2016

	Council Actual 2016 \$000	Council Budget 2016 \$000	Council Actual 2015 \$000	Group Actual 2016 \$000	Group Actual 2015 \$000
Current assets	77,748	53,923	70,420	78,774	71,269
Non-current assets	1,141,869	1,124,855	1,111,663	1,149,858	1,119,270
Total assets	1,219,617	1,178,778	1,182,083	1,228,632	1,190,539
Current liabilities	33,809	61,618	61,715	34,359	62,243
Non-current liabilities	156,724	118,944	119,750	157,646	120,643
Total liabilities	190,533	180,562	181,465	192,005	182,886
Equity	1,029,084	998,216	1,000,618	1,033,408	1,004,443
Non-controlling interest	-	-	-	3,219	3,210
Total equity	1,029,084	998,216	1,000,618	1,036,627	1,007,653

CASHFLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2016

	Council Actual 2016 \$000	Council Budget 2016 \$000	Council Actual 2015 \$000	Group Actual 2016 \$000	Group Actual 2015 \$000
Net cash from operating activities	22,302	18,350	22,215	22,562	22,353
Net cash from investing activities	(24,552)	(23,355)	(13,397)	(24,605)	(13,475)
Net cash from financing activities	(1,960)	(3,101)	(15,678)	(1,960)	(15,690)
Net increase (decrease) in cash held	(4,210)	(8,106)	(6,860)	(4,003)	(6,812)

ADDITIONAL DISCLOSURES

KEY MANAGEMENT PERSONNEL COMPENSATION

	Council Actual 2016 \$000	Council Actual 2015 \$000
Mayor & Councillors Remuneration	451	440
Full time equivalent members	11	11
Senior Leadership Group, including the Chief Executive Remuneration	1,261	1,068
Full time equivalent members	5	5
Total key management personnel compensation	1,712	1,508
Total full-time equivalent personnel	16	16

COMMITMENTS

	Council Actual 2016 \$000	Council Actual 2015 \$000	Group Actual 2016 \$000	Group Actual 2015 \$000
Total capital and operational commitments	29,278	21,048	29,278	21,048

OTHER CONTINGENCIES

Council may be subject to claims relating to weather tightness building defects. As at the date of this report the Weathertight Home Resolution Service (WHRS) is investigating one claim affecting one property in the Taupō District (2015 Two WHRS claims). The Council is not a respondent for this claim. No weather tightness claims have been lodged directly with Council.

All Councils with responsibilities under the Building Act have, to varying extents, been impacted by the leaky building issue. Unfortunately, as the issue has evolved, other parties to the claims have disappeared and Councils and Riskpool (our insurer) are often the only party responding to the claims. This has meant that judgements against Councils are increasing. Any leaky building claims made against Council after 1 July 2009 are not covered by our insurers.

In addition to the weather tightness building defect claims, there are a further 18 unresolved potential legal and insurance claims against Council as at 30 June 2016 (2015 13

claims). All seek compensation related to resource consents, property damage, contractual disputes, or other aspects of Council's operations which the claimants believe have caused them loss. It is not possible for Council to quantify a maximum financial exposure for these claims. Council will vigorously defend all claims and expects its actual liability to be minimal, if indeed there is any liability at all.

Due to recent earthquakes in Canterbury, Council needs to assess whether there is any risk to buildings in the Taupō District. Council has begun the task of evaluating its own buildings, commencing with the buildings of highest risk to human life, to determine if they may be earthquake prone, the buildings assessed so far comply for the intended use. The issue of contingent liability, if any, is unquantifiable.

Council has also disclosed contingent liabilities in relation to land subsidence, erosion and flooding, please refer to note 33 of the full Annual Report for details.

EVENTS AFTER BALANCE DATE

There were no significant events after balance date that require reporting.

**Independent Auditor's Report
To the readers of
Taupō District Council and group's summary annual report
for the year ended 30 June 2016**

The summary annual report was derived from the annual report of the Taupō District Council (the District Council) and group for the year ended 30 June 2016. We have considered whether the summary annual report represents, fairly and consistently, the information regarding the major matters dealt with in the annual report.

The annual report included full audited statements, and the summary annual report includes summary statements. We have audited the following summary statements reported in the summary annual report on pages 11 to 18:

- the summary statement of financial position as at 30 June 2016;
- the summaries of the statement of comprehensive revenue and expense, statement of changes in equity and statement of cash flows for the year ended 30 June 2016;
- the notes to the summary financial statements that include other explanatory information; and
- the summary statement of service provision (referred to as 'Our performance') of the District Council and group.

We expressed an unmodified audit opinion on the District Council and group's full audited statements in our report dated 27 September 2016.

Opinion

In our opinion:

- the summary annual report represents, fairly and consistently, the information regarding the major matters dealt with in the annual report; and
- the summary statements comply with PBE FRS-43: Summary Financial Statements.

Basis of opinion

Our audit was carried out in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand), and in particular with the International Standard on Auditing (New Zealand) 810: Engagements to Report on Summary Financial Statements. These standards require us to carry out procedures to confirm whether the summary annual report contains the information necessary, and at an appropriate level of aggregation, so as not to be misleading.

The summary statements do not contain all the disclosures required for full audited statements under generally accepted accounting practice in New Zealand. Reading the summary statements, therefore, is not a substitute for reading the full audited statements in the annual report of the District Council and group.

Responsibilities of the Council and the Auditor

The Council is responsible for preparing the summary annual report so that it represents, fairly and consistently, the information regarding the major matters dealt with in the annual report. This includes preparing summary statements, in accordance with PBE FRS-43: Summary Financial Statements. The Council is also responsible for the publication of the summary annual report, whether in printed or electronic form.

We are responsible for expressing an opinion on whether the summary annual report represents, fairly and consistently, the information regarding the major matters dealt with in the annual report and whether the summary statements comply with PBE FRS 43: Summary Financial Statements.

In addition to reporting on the summary annual report, we have reported on the full annual report, and carried out an assurance review of the District Council's Debenture Trust Deed which is compatible with those independence requirements. Other than this reporting and the assurance review, 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
27 September 2016



GREAT LAKE TAUPŌ
Taupō District Council

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