

# 5. Statement of Service Performance - Results at a glance

## Introduction

This summary provides an overview of Council’s Key achievements and service performance for 2009/10 across the range of 11 Significant Activities (identified as part of Council’s 2009-19 Long Term Plan). Council has maintained a strong Service Performance focus over the three financial years up to and including the reporting period covered by this Annual report.

In considering this Statement of Service Performance it is important to understand the Council’s historical performance in this part of its operation.

## Background

In June 2006 the Auditor advised Council that in the Auditor’s opinion, Council’s long term plans were not financially sustainable and were not financially prudent.

At about that time the Minister of Local Government appointed an Advisory Panel known as the Waitomo District Council Advisory Panel (AP). The AP comprised six independent members with experience and expertise in Local Government.

The AP was charged with, working with the Waitomo District Council (WDC), to identify and develop specific options and proposals to assist WDC and the Waitomo community to address a range of serious issues bearing on the future financial sustainability of the WDC. The work of the AP and the associated project was managed by the Department of Internal Affairs.

### The work of the Advisory Panel (AP) included;

- Meeting with Council’s Auditor and other parties to understand the financial sustainability issues.
- Undertaking an assessment of those sustainability issues in relation to service levels.
- Identifying options, including identifying any risks.
- and presenting findings in a report to the Council.

The AP work was undertaken against a background where by 2005, the WDC had taken on increasing levels of debt, that were forecast by 2016, to reach unsustainable levels. That situation was compounded by the fact that in the historical period up to 2006 WDC had consistently under invested in replacing or maintaining essential community infrastructure and was not fixing Property Rate income at the level necessary for financial sustainability.

The AP completed its work in December 2006 and presented its findings in a Report dated 19th December 2006. The Report findings covered a range of considerations.

### The following is a summary of the key AP Service Performance related findings;

#### Te Kuiti Water Treatment Plant

*"The main issue is to what **degree the deferred maintenance work** should be undertaken including **how much additional treatment capacity** should be provided for..."*

*"The need for more in-depth study is also considered prudent so as **to achieve financial assistance from the Ministry of Health**".*

#### Te Kuiti Waste Water System

*Waitomo’s utility services assets are in a poor state with **significant deferred maintenance requiring** attention.*

*the Te Kuiti system "**is unable to cope** with flows in wet weather resulting in overflows from the system." and "It is not known which parts of the sewer system may be limiting the capacity of the total system".*

*There is a need to quickly improve Council knowledge of the assets and their performance to optimise the operational performance **and to ensure that the Council is eligible for external financial assistance.***

#### Inframax Limited

*Due to the current situation with the Council finances **it is an appropriate time to review more fully Inframax’s long-term intentions and strategy.***

*Council should review the forward plans and strategies with Inframax each year on this point. .... the performance of Inframax for 2006 was not as good as the previous year.*

## Land Transport (Roads)

*Roading is an inefficient area to make cuts due to the subsidy component. **Nonetheless some cuts can be made in the areas of capital improvements and renewals.***

*The level of funding required for sustainable management of the roading network **is not accurately known at present. Further work is required to establish this with certainty.***

Those 2006 AP findings have guided and informed the Service Performance priorities set by the Council, over the past 3 years up to and including financial year 2009/10, in consultation with the Waitomo district community. In reading this part of the report, you will note that the ongoing pursuit of improved Service Performance outcomes has mirrored those original 2006 issues and priorities.

Waitomo District Council is committed to addressing those matters to achieve the required and necessary Service Performance outcomes over time. That process is not yet fully complete but significant achievement has been made on that pathway.

In that context, a range of Levels of Service (LoS) have been set for each of the Significant Activities. These LoS describe what the District community can expect to receive in terms of quality and quantity of service provided. Performance targets have been fixed to describe what Council aims to achieve. Those targets are described as Key Performance Indicators. The progress made by Council in meeting the performance targets is monitored monthly at an organisational level, reported quarterly at a governance level and the service performance results audited and communicated on an annual basis by way of the Annual Report.

### **Rates Affordability and Sustainable Financial Management**

The 2009-19 Long Term Plan (LTP) highlighted the strategic challenge of rates affordability as a critical consideration when shaping projects and work programmes for the next 10 years. The local economic environment changed rapidly during 2008/09 reflecting the global financial crisis affecting most economies across the world. Council was mindful that households in the Waitomo District were faced with difficult financial times that were forecast to continue some time into the future. That quest for rates affordability was exacerbated by the significant reduction in investment income traditionally used to offset rates income and used to fund some of the operations undertaken by Council. The focus for the 2009/10 year was to balance the competing goals of rates affordability with the sustainable management of infrastructural assets and the delivery of services in the most prudent manner.

#### **The highlights of the strategies and work programmes for the 2009-19 LTP are summarised below:**

Council implemented a number of strategic measures designed to achieve financial sustainability including;

- Reviewing and amending Council's Revenue and Financing Policy to reassign a more equitable incidence and mix of funding as and when required. A number of amendments were introduced through the 2008/09 Annual Plan process. The 2009-19 LTP added a small number of new amendments targeting the UAGC, trade waste funding, and solid waste management.
- Reducing public debt by substituting rates funding for debt funding of Council's road maintenance activity. This will progressively reduce the demands of debt servicing costs on Council's rating income. This strategy is now in its 2nd year of substituting rates (in the order of \$1 million per year) for debt funding of the road maintenance activity. It is intended that the strategy will be required for at least another two years before a sustainable financial position can be reached.
- Continuing to use debt finance as a valid funding tool, but limiting its use to dealing with issues of inter-generational equity associated with funding investment in essential infrastructure. Typically, debt finance is used to fund major capital expenditure on upgrading Council's water and wastewater infrastructure. The beneficiaries of this type of work extend well beyond the current generation of ratepayers, with debt finance providing an equitable mechanism for distributing the burden of costs across current and future users of these services.
- Reducing the use of investment revenue as a substitute for rating income and instead using part of it to retire public debt. This strategy will have the flow on effect of redirecting rating income as interest costs will decrease.
- Reducing rates subsidy of trade waste charges by progressively increasing trade waste charges from 60% to 100% of actual costs over the first four years of the LTP.
- Increase Water by Meter Charges for extraordinary users of Council's water supply in Te Kuiti to align it with increases faced by other water users in the community. These charges are proposed to go up to \$1.19 per cubic metre from the current level of \$0.99 per cubic metre.

## Changes to Levels of Service (Affordability Principle)

Council factored this into its planning and committed to an affordability review project. At the core of that project was the need to strike an appropriate balance between prudent financial management, affordability (ratepayer’s ability to pay) and community wellbeing. Council adopted a conservative approach in terms of its work programmes. In particular Council took immediate steps to mitigate the impact of reduced investment income by deciding to reduce temporarily or permanently some service components for some activities to reduce expenditure.

That project was carried out during the 2010 financial year and examined the existing Level of Service (LoS) to identify opportunities to reduce expenditure. Proposals were developed for changes to the following LoS changes for consultation for application for the 2011 financial year:

Significant Activity	Comments
Community Facilities	1. Te Kuiti Pool season reduced from 12 months of the year to 7 months of the year.
	2. Deferral of some operational projects.
	3. Changes in range of service delivery mechanisms; a mix of contracts for service and in house resources to obtain best value for money outcomes.
	4. Slight reductions in the overall LoS.
	5. Increase in user fees and charges.
Community Development	1. Deferral of a decision on the planned establishment of a Regional Tourism capacity pending the outcome of possible re-establishment of Waikato Regional Tourism Organisation (RTO).
	2. A one off reduction in the funding for the 2010 year to the Waitomo Discovery Centre.
	3. A one off reduction in funding for the 2010 year to Sports Waikato; and
	4. A reduction in Council’s funding for and involvement in the promotion and coordination of local community events.

**These changes reduced the overall need for rates funding but did not significantly reduce the range of services available to the community.**

### Community Well-being

The first year of the 2009-19 LTP continued the focus on consolidation ahead of new developments or improved levels of service, while ensuring that minimum levels of service for its essential infrastructure were maintained. That resulted in some of the programmes we would have preferred to introduce, such as improving some of our Community Facilities and developing our infrastructure in areas experiencing growth, have had to be deferred.

**Some key projects in the different Significant Activity areas that Council intends to undertake are listed below:**

- A strategic review of service levels for Council’s Rooding Network.
- Investigation of extension of the Benneydale wastewater scheme to areas not currently reticulated. The estimated capital cost of this, based on a preliminary concept design, is approximately \$2.2 million. Approval in principle for Ministry of Health (MoH) subsidy has been obtained.
- Allowance has been made for the addition of filtration and ultraviolet disinfection, or land based disposal, in 2010/11 for Benneydale sewage treatment plant, at an estimated cost of \$220,000, to achieve a higher standard of discharge quality.
- A wastewater scheme concept and design for Mokau-Awakino is to be investigated towards the end of the planning period.
- For Te Kuiti Sewerage Reticulation, a long term infiltration and inflow investigation and reduction programme is to be initiated. The estimated cost of the required renewals for the Te Kuiti scheme over the next 10 years is \$835,000, on top of the investigation and rehabilitation work.
- The second stage of a wastewater treatment plant upgrade for Te Kuiti to address current non-compliance issues, including a stormwater inflow bypass and storage/treatment pond and conversion of the treatment zones to an anaerobic pond, is scheduled for completion at an estimated cost of \$7.4 million including design and consent costs.
- Acquiring additional land and extending the land disposal area is planned for the Te Waitere wastewater scheme.
- For Te Waitere wastewater, renewals totalling \$52,000 over the next 10 years have been programmed, commencing with replacement of the rising main over the first two years, followed by the gravity lines over the remainder of the planning period.

- The Te Kuiti water treatment plant requires upgrading particularly in light of the 2005 Drinking Water Standards and the Health (Drinking Water) Amendment Act 2007 which came into force on 1 July 2008. Planning for investigation and design of the upgrade is scheduled for 2009/10 with implementation due in the following year.
- Additional water storage for the Te Kuiti scheme is required in order to meet peak summer demands, particularly in the central supply zone which includes the CBD and Te Kuiti Hospital, with current storage capacity only 4 – 6 hours during peak periods. A proposal to increase storage at Blackman's Reservoir, thereby avoiding the need for four separate pumping stations, is under consideration for implementation in 2017/18. Estimated budget is in the order of \$1.5 million.
- A strategy for the future ownership and development of the water and wastewater infrastructure at Waitomo Village is to be developed in conjunction with the current owners of these assets.

### ***Key Changes in Strategic Direction from the 2006-16 LTCCP (from LTP)***

While the Community Outcomes used in the 2009-19 LTP have been drawn from the 2006-16 LTCCP, Council's strategic response to these outcomes shifted from an emphasis on economic well-being to a focus on the sustainability of the Waitomo District Council as an organisation, investment in essential services where there is a risk to public health and safety, affordability and improved financial management.

#### **At an activity level, this shift has presented in the following ways:**

- In the 2006-16 LTCCP, the emphasis was on upgrading water and sewerage services at approximately equivalent levels of investment. It included substantial investment in upgrading water and wastewater services at Waitomo Village, where the infrastructure remains privately owned, and the introduction of a new scheme at Awakino. Investment in new bulk water storage for Te Kuiti was also planned.

The 2009-19 LTP maintained a high level of investment in these significant activities as essential services, with emphasis on upgrading sewerage disposal systems in line with consent expiry dates and higher environmental expectations. Apart from Piopio, where a new scheme was signalled in 2006, and a preliminary scheme assessment for Mokau-Awakino in 2018/19, there are no new sewerage schemes planned in the 2009-19 LTP. Assuming responsibility for and allocating ratepayer funds towards upgrading water and wastewater services at Waitomo has nominally been deferred to 2012/13, pending the outcome of discussions between Council and the private owners of the Village infrastructure. Increased water storage at Te Kuiti has been substituted by plans to improve utilisation of current storage through upgrading the existing trunk main feed lines.

- Waste management services in the 2006-16 LTCCP focused on collection and disposal. Apart from a kerbside recycling collection system in targeted areas, very little funding was provided in the form of waste reduction or diversion.

The 2009-19 LTP followed the recently adopted Solid Waste Management and Minimisation Plan which includes replacement and expansion of the existing waste transfer stations with fenced and supervised facilities including upgraded recycling stations, plus the introduction of fees and charges at the point of use of kerbside collection and transfer station services. In addition, the daily management of the Waitomo District Landfill was transferred back to Council following surrender of the Landfill Management Deed from Inframax Construction Limited.

- The emphasis in 2006 was to progressively upgrade Council's roading network working outwards from the main arterials and collector routes. It included an annual programme of seal extensions.

In the 2009-19 LTP, the emphasis is on maintaining Council's roads and bridges. There is no provision for seal extension.

- The method of funding road maintenance expenditure has changed from debt finance in 2006 towards rates funding in the 2009-19 LTP.
- The 2006-16 LTCCP included allowance for upgrading the Te Kuiti airport, totalling \$866,000 over two years.

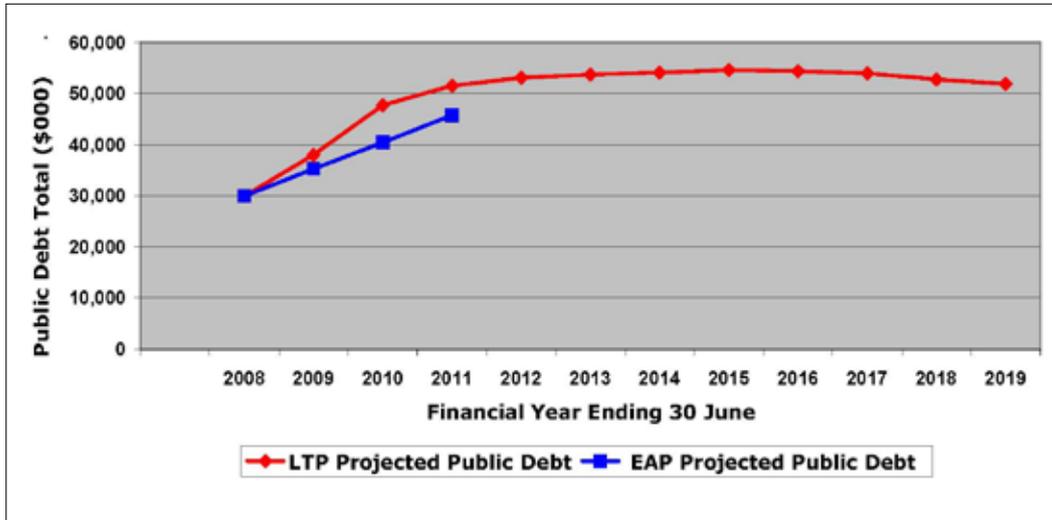
The 2009-19 LTP retained a level of involvement in community facilities, development, regulatory and leadership functions similar to that apparent in 2006. However, upgrading the Te Kuiti airport was not included in the 2009-19 LTP.

## Financial Forecasts

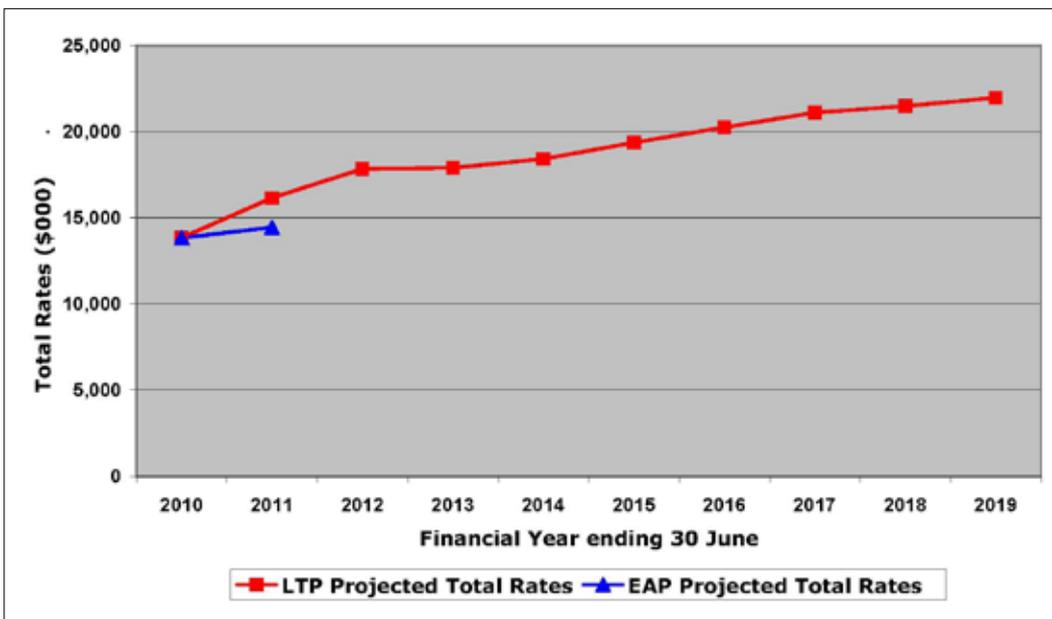
The following graphs, document the decisions taken for the 2010/11 Financial year (including the outcomes of the Financial Sustainability and Rates Affordability Review).

The graphs compare forecast (red) with the outcome for the Financial Sustainability and Rates Affordability, for public debt and rate revenue.

### Forecast Public Debt Profile



### Forecast Total Rates Requirement



The table below reconciles (in a rates funding sense) the key changes to the 2009-19 LTP confirmed for the 2010/11 financial year.

Reconciliation of Changes in Forecast Rates Revenue	Forecast Rates Increase \$000's	Percentage Increase
<b>Forecast, Rates Increase for 2010/11: (as proposed in 2009-19 LTP)</b>	2,324	16.8%
<b>Less (exceptions in the 2010/11 EAP):</b>		
• Sewerage (Cost reductions resulting from review of scale and timing of investment in Te Kuiti Waste Water Treatment Plant).	(471)	(3.4%)
• Land Transport (Cost Reduction as a result of Financial Sustainability and Rates Affordability Review).	(804)	(5.8%)
• Land Transport (Re-cast of Catch Funding as a result of Financial Sustainability and Rates Affordability Review).	(600)	(4.3%)
• Solid Waste Management (Increased Revenue and efficiencies as a result of implementation of Solid Waste Management Plan and direct Management of Waitomo District Landfill).	(201)	(1.5%)
• Others (Minor adjustments across other Significant Activities, mainly inflationary).	360	2.6%
<b>Resulting Rates Increase EAP</b>	<b>609</b>	<b>4.4%</b>

This table summarises the outcomes of the Financial Sustainability and Rates Affordability Review as adopted for the 2010/11 Financial Year. As above, the cost savings in the Rooding Activity, the recast rate funding 'catchup' arrangement combined with changes to the timetable for the Te Kuiti Waste Water Treatment Plant (TKWWTP) upgrade have reduced the original forecast rate revenue requirement.

A similar trend is evident with Public Debt. The new timing and level of investment in the upgrade of the TKWWTP has allowed 'headroom' within Council's overall total debt borrowing forecast to enable the re-cast of the rates "catch-up" funding in the Land Transport Activity.

The deferral of the rates "catch-up" funding for the Land Transport Activity meant that in an additional \$600,000 will be borrowed in 2010/11 over and above the rates "catch-up" plan original set by the 2009-19 Long Term Plan. However this is partially offset by changes to the Land Transport Improvement Programme which originally proposed funding of \$150,000 from debt. Overall the public debt profile remains below that provided for in the 2009-19 Long Term Plan.

## Measuring Resident Satisfaction

Waitomo District Council has made good progress in achieving the planned levels of service and the performance targets for the year. In particular the 2010 Resident Satisfaction Survey identified the achievement of all key performance targets for the Land Transport (Rooding) Activity for the year. For 2010 a more extensive satisfaction survey was made of a range of service performance targets over and above those used for the 2009 survey. The performance targets for safety and directional signage, street lighting and pedestrian footpaths were all exceeded. Improvements in service were also measured for performance areas that rated poorly (as measured by survey) last year, particularly the quality of the rail level crossings over local roads and also the low level of pot-holing in road surfacing. While there are still a few local road service performance levels that require further attention the overall service performance is an improvement on the 2009 results.

## Local Roads Network

Council demonstrated its commitment to maintaining levels of service provided to the Waitomo District Community through the Land Transport (Rooding) Activity. Pavement Rehabilitation work was carried out and completed for Te Anga Road, Hangatiki East Road, Anzac Street, Totoro Road (3 sites) and Taharoa Road. Surfacing restoration works were completed on long standing, historical road surface slumps – Oparure at route point 2.8kms, Taharoa Road (The Staircase) and Te Anga Road.

## Te Kuiti Waste Water

Council has made steady progress with the upgrade project for the TKWWTP. The project seeks to modify the existing TKWWTP so that the waste treatment performance of the plant is significantly improved. That is essential if Council is to secure a renewal of the existing discharge resource consent for treated wastewater. However design of the upgrade and the necessary investigation and identification of the best match of plant design and environmental outcomes has taken much longer than the original project time-line envisaged. Key to all of that was to look at ways to ensure that the Trade Waste treatment load processed by any new plant was reduced and a full range of disposal options investigated to identify whether or not a discharge to receiving water solution, could be reduced or avoided.

## ***Benneydale Waste Water***

A resource consent for the discharge of treated wastewater from the Benneydale Community was obtained. That outcome was an important and valuable outcome as it allows WDC to now proceed with construction of the planned upgrade works.

Provisional approval has been given by the Ministry of Health (MoH) for financial assistance for the planned extension of the wastewater reticulation network serving the Benneydale Township. That financial assistance will allow WDC to undertake the planned extension of the existing wastewater reticulation network to provide access to the wastewater disposal service for those residential properties that are not currently serviced by the network.

## **5.1 Service Performance**

Council adopted a range of performance targets to allow it to measure, over time, whether or not the performance in the delivery of services was properly focused on WDC's priorities. Some of those key performance priorities are summarised below and in Section 6 of this document.

### ***Land Transport (Roothing) Activity***

<b>Priority</b>	<b>Key Performance Indicator</b>
1.	The number of service complaints in any one month regarding the condition of the roading surface is less than 8.
2.	To ensure that sealed road surface lane kilometres did not exceed a NAASRA roughness count rating of 150.
3.	To limit the number of road closures per month due to bank slippages or blockages.
4.	The physical and structural condition of bridges forming part of the local roads network are inspected and reported annually.

### ***Sewerage (Waste Water) Activity***

<b>Priority</b>	<b>Key Performance Indicator</b>
1.	The number of sewage overflow events per year at any one wastewater scheme is less than 5.
2.	That Sewerage (waste water) schemes provided in the communities of Te Kuiti, Benneydale and Te Waitere, comply with all the requirements of the associated discharge resource consents.
3.	The number of odour complaints recorded per year at each scheme is less than 5.

### ***Water Supply Activity***

<b>Priority</b>	<b>Key Performance Indicator</b>
1.	100 percent compliance with the mandatory requirements defined in the 2007 Health (Drinking Water) Amendment Act.
2.	Nil confirmed illnesses attributable to consumption of WDC's water supply.
3.	90 percent compliance with the guideline requirements defined in the NZ Drinking Water Standards 2005.
4.	95 percent of Public Health Risk Management Plans adopted and implemented.

### ***Investment Activity***

<b>Priority</b>	<b>Key Performance Indicator</b>
1.	The viability of and rationale for holding investment property is regularly reviewed.
2.	The performance of the existing and future investment in Inframax Construction Limited is reviewed on an annual basis.

## 5.2 How we performed

The following provides an overview of how we performed.

### Land Transport (Roading) Activity

As part of the development of the 2010/11 Exceptions Annual Plan a review was made of the various Levels of Service (LoS) provided through the Activity.

The object of the review was to identify opportunities to decrease cost, without materially affecting LoS. The review supported the objectives of Council’s Financial Sustainability and Forecast Rates Affordability project.

The review work identified opportunities to reduce the cost of maintaining and renewing the Local Roads Network by approximately \$800,000. Those cost reductions are primarily in the area of renewal expenditure and are considered to be sustainable in the short to medium term without any significant impact on service levels. The Council intends that the revised (reduced) financial expenditure forecasts for Roading Expenditure (2009-19 LTP) will realign with those LTP forecasts in the 2013/14 financial year.

The components of the Land Transport (Roading) Activity affected by this reduction in spend are traffic services, pavement rehabilitation, replacement of some structure components, footpath renewals and retaining walls.

The Roading component of the overall Affordability Review process was carried out using a bottom up methodology. That meant that all the component parts of the then existing and historical levels of activity and service were reviewed. Then affordability solutions were identified e.g. finding a way to defer a structural repair and maintaining service levels by extending the life of a component part through applying a temporary repair. The most significant finding of the Affordability Review was the cost saving potential in removing the Asset Management responsibility from the Contractor under the then existing Roads Maintenance Contract and undertaking that role as a professional service within the WDC Organisation.

### Turning to the service performance outcomes

The service performance of the Land Transport (Roading) activity is measured through 11 Key Performance Indicators (or KPIs). Seven targets were achieved for the year, while four targets were not achieved. That result means that the goal of meeting the targets set by the following four KPI’s remain a priority for Council.

Priority	Key Performance Indicator and Target	Performance Achieved
1.	The number service complaints in any one month regarding the condition of the roading surface = <8.	This performance target sets a requirement for less than eight service complaints (in any one month) in relation to the condition of roading surfaces. This target was not achieved. That is because there were eight roading surface service complaints recorded in June 2010. The number of complaints for that month, reflects the expected effect of a prolonged period of wet weather on the surface condition of unsealed roads surfaces. This outcome typically occurs during winter months when long periods of wet weather are experienced in the Waitomo District.
2.	Sealed road surface lane kilometres did not exceed a NAASRA roughness count rating of 150 = <8%.	This performance target was achieved. The survey finished in August 2010 and indicated 1.6% of road lane kilometres exceed a NAASRA roughness count of 150.
3.	The number of road closures per month due to bank slippages or blockages = <1.	This performance target was achieved. Less than one road closure was recorded per month due to bank slippages or blockages from July 2009 to June 2010.
4.	Bridge condition is inspected and reported annually = 100%.	This performance target was not achieved. This performance target requires an annual condition inspection of every Bridge on the local roads network. That was not a realistic or necessary target and was not achievable. It did not describe a performance target that aligned with actual asset management best practice. All the bridges are visually checked on an annual basis. Every two years every bridge is inspected by an independent structural engineer and every bridge is subjected to a very detailed condition assessment inspection once in a five year cycle. All the bridges were visually assessed for condition over the course of 2009/10, however they were not all inspected and reported on by an independent structural engineer.

## Sewerage (Waste Water) Activity

### Te Kuiti Sewerage

The TKWWTP upgrade project poses a range of long standing complex challenges that have impacted on the achievement of the key performance priorities for the Sewerage Activity, notably meeting discharge consent requirements .

The existing discharge consent expired in 2005. A renewal application was made at that time. The renewal application was put on hold by the consent authority, Environment Waikato (EW) pending its analysis of the application and the identification of any further information required to process the application. As part of that process a new TKWWTP upgrade design was undertaken and provided to EW over a period ending in June 2009. The original 2005 renewal application provided for the disposal of the treated wastewater by way of discharge to water. The consent authority, EW, is concerned about the potential for adverse environmental effects resulting from the final discharge of treated waste water to the receiving water. For that reason further consideration of the application was delayed by EW which required that WDC undertake a detailed investigation to identify discharge to land options in place of the original discharge to water proposal. All of the necessary design and investigation work is in progress. That work is expected to be completed by June 2011. The ongoing noncompliance with the conditions of the existing discharge resource consent does not have any adverse impact on the levels of service provided to the Te Kuiti community.

The Trade Waste consideration is key in all of that because it is difficult and expensive to treat. To overcome these problems WDC is working closely with the two main industrial users of the Trade Waste service to identify solutions.

A further consideration is to determine the appropriate level of capital investment. This requires that the upgrade design be matched with the nature of waste to be treated by the TKWWTP in the future. Again the volume and strength of Trade Waste is a key consideration. The original financial forecasts assumed a plant of sufficient capacity to accept industrial strength Trade Waste and the initial design, level of investment and the cost to industrial users all reflected that assumption.

Looking to the future WDC will need to manage for both financial (affordability) and operational risks as it works through the upgrade project; WDC is aware of the obligation to comply with the existing conditions of discharge. WDC is working very closely with EW to demonstrate its commitment to identifying the best plant design, the best plant performance, obtaining the necessary resource consent as quickly as possible and completing the construction of the upgrade. A further consideration is the need to secure funding through the MoH and working with industry to encourage appropriate pre-treatment of Trade Waste and thus reduce the capital requirements of the new plant.

All of this work is time consuming and the considerations involved contributed to a decision not to proceed with the original programme of staged TKWWTP improvement works as signaled in the LTP 2009-19. That programme of works would have, if implemented, delivered a significant level of compliance with the condition requirements for the existing discharge Resource Consent. The main driver for that decision is MoH policy that no funding is available on any spend made before actual approval of any SWSS application.

### Turning to the service performance outcomes

Service performance for the Sewerage Activity is measured through 17 Key Performance Indicators (or KPIs), six of which were "not achieved" for the year and one was unable to be measured. The following three KPI's are considered to be the top most priority for WDC. The performance of these KPI's is directly related to the current strategic challenges facing WDC at this time.

Priority	Key Performance Indicator and Target	Performance Achieved
1.	The Number of sewage overflow events per year at any one wastewater scheme = <5.	This performance target requires that any sewage overflow events at any one of the District's waste water schemes would be less than five per annum. For the 2010 year, Council recorded a total of 53 overflow events for all schemes. Those overflows resulted from either a blockage event where inappropriate material such as silt or stones were introduced to the reticulation network, or more commonly where there is a high level of ground and storm water infiltration into the piped reticulation network during high rainfall events because the underground pipe work is damaged or the pipe joints have lost integrity. The target of <5 overflows was set at an ideal level, however the target was established at a time when WDC did not have an accurate understanding of the condition of the reticulation networks.

Priority	Key Performance Indicator and Target	Performance Achieved
2.	Percentage of test results that meet consent conditions = 100%.	<p>WDC is required to meet the conditions defined as part of the operative discharge resource consent for the TKWWTP. The service performance target requires that the test results (that measure Treatment Plant performance) must achieve 100% compliance with the conditions fixed by the discharge consents. This target was not achieved, as the existing TKWWTP is not able to process and treat the waste water influent load to achieve the standards fixed by the discharge resource consent. That target cannot be met until such time as the upgrade of the TKWWTP can be completed.</p> <p>The treatment performance of the TKWWTP is not adequate to meet the requirements fixed by the current resource consent conditions. The inadequate treatment performance largely reflects the impact of Trade Waste. It is important to note that those enterprises providing Trade Waste are a key part of the Te Kuiti and Waitomo community as they are major providers of jobs and economic activity. Some pre-treatment of this Trade Waste discharge is carried out prior to release into the Te Kuiti waste water system and WDC and industry are working towards a solution to be implemented as part of the TKWWTP upgrade which will also further reduce the capital cost of the upgrade and improve the overall treatment performance of the TKWWTP.</p> <p>The performance of the TKWWTP must be improved to meet the requirements of the existing operative resource consent and to meet the forecast resource consent conditions that will be imposed as part of the discharge resource consent application that is in process. The upgrade design is completed however construction is on hold as WDC awaits a decision by MoH on the SWSS funding application.</p> <p>The piped reticulation component of the Te Kuiti waste water system is subject to groundwater inflow and infiltration (ingress of storm water runoff and groundwater). These inflows in turn pass to the TKWWTP and adversely impact both plant performance and operational efficiency. The 10 year plan to reduce inflow and infiltration, with funding signaled in the LTCCP is being implemented and is on track.</p>
3.	Number of odour complaints recorded per year at each scheme = <5.	<p>The service performance target of less than five odour complaints recorded per year at each scheme was not achieved. A number of complaints were received about the Waitete Road Pump Station. That particular pumping station carries a very high volume of waste water as it is the primary pump station servicing the nearby meat processing industrial users of the Trade Waste service. Also the pump station is located in very close proximity to other business premises. This has been a long standing issue and has been addressed through changes in the Waitete Road Pump Station venting system.</p>

### Piopio Sewerage

The appeal against the decision by EW to grant WDC a discharge consent to water has prevented the planned construction of the Waste Water Treatment Plant for the Piopio Community. This long standing project is required for both the health of the Piopio Community and for environmental wellbeing. Until such time as the appeal can be heard by the Environment Court, progress on this project is held up and the consent process continues to incur costs which must be funded.

Conservatively, WDC does not expect a decision on the appeal until December 2010. In anticipation of a positive outcome from the Environment Court process, Council forecasts physical completion of the project during the 2011/12 financial year.

**Physical works remaining to be completed include:**

- Construction of a treatment plant,
- Construction of an outfall structure,
- Installation of separator tanks and physical connection to reticulation.

The Piopio Waste Water Network will not be commissioned and fully operational until the 2011/12 financial year. The original target was for construction to be completed in the 2009/10 financial year.

## Water Supply Activity

The service performance of the Te Kuiti and Piopio water supplies does not meet the guideline parameters defined by the Drinking Water Standards 2005. The existing treatment plants require significant capital upgrade (and the total replacement of some components) to meet the required performance standards. To meet the requirements of the DWS, WDC must undertake an upgrade of the existing equipment to enable real time water quality treatment process monitoring to ensure that water quality standards are met consistently.

**The Te Kuiti water supply is the highest upgrade priority. An Asset Improvement Plan is in development and will be completed by June 2011. It comprises of two very significant parts:**

1. Work that will need to be done immediately and;
2. Longer term plan with staged development to meet DWS requirements balanced against the Communities ability of to pay.

### Turning to the service performance outcomes

The service performance of the Water Supply activity is measured through 22 Key Performance Indicators (or KPIs). Nine of those performance targets were not achieved. The following four key performance targets for the year relate to a range of complex issues that must be addressed in order to obtain resource consent so that proposed upgrade works can be carried out. For this reason, they remain key priorities for WDC at this time.

Priority	Key Performance Indicator and Target	Performance Achieved
1.	100 percent compliance with the mandatory requirements defined in the 2007 Health (Drinking Water) Amendment Act.	<p>This target was not achieved. WDC must comply with the mandatory standards imposed by the 2007 Health (Drinking Water) Amendment Act. The requirements of the Act do not directly serve to improve water treatment quality or production. The compliance regime looks to impose additional accountability reporting and reduce potential risks by introducing the requirement for additional (barriers) treatment processes. None of the four District Water Treatment Plants comply with those requirements of the Act. All will require capital upgrades to meet the mandatory standards set by the Act. Water rates are already very high and carry an affordability risk and further capital spend is not economically affordable. A further key service performance target is a requirement for 90% compliance with the requirements of the DWS. This service performance target was not achieved. To do so requires an upgrade of treatment plant processes and control equipment to allow the continuous monitoring, in real time, of the water treatment performance of the Piopio Water Treatment Plant and the Te Kuiti Water Treatment Plant. The target will not be achieved until such time as a significant upgrade of the plants are made. WDC is committed to an incremental improvement work programme to firstly achieve compliance with the DWS and then the 2007 Act. In particular improvements to the Te Kuiti and Piopio water treatment plants are provided for in the 2010/11 works programme.</p> <p>The risk of water borne illness associated with the existing water treatment plants is considered to be very low. There is no historical record of water borne illness in the supply areas and that consideration is weighed against the rates affordability risk of increasing what is already a very high cost of supply to comply with statutory requirements.</p>
2.	Nil confirmed illnesses attributable to consumption of Council water supply.	This performance target was achieved. There have been no confirmed illnesses attributable to consumption of the WDC Water Supply.
3.	90 percent compliance with the guideline requirements defined in the NZ Drinking Water Standards 2005.	This target was not achieved. As discussed under Priority One, meeting the requirements of the DWS involves an upgrade of treatment plant processes and control equipment to allow the continuous monitoring, in real time, of the water treatment performance of the Piopio Water Treatment Plant and Te Kuiti Water Treatment Plant. The target will not be achieved until such time as a significant upgrade of the plants is made.
4.	95 percent of Public Health Risk Management Plans adopted and implemented.	This performance target was achieved. All plants have Public Health Risk Management Plans completed and adopted. Implementation of the PHRMP's will be over a period of time and for that reason will be an ongoing process. An audit of Mokau by WDHB revealed two non conformances.

## Investment Activity

The financial performance of WDC’s Investment Portfolio is below that forecast. The current difficult economic environment has been identified as a key cause for that result. During the 2010 financial year, Council made a further investment of \$2 million in Inframax Construction Limited. At year end Council was forced to record an impairment loss for the fair value write-down of its investment in Inframax Construction Limited.

Preliminary consideration has been given to the issues thrown up by the revised forecast. As part of that process WDC looked at all opportunities to divest some or all of its shareholding in the equity investment to a like minded strategic investor. That strategic review process is ongoing. Any divestment of a material share of its investment portfolio may trigger the need to look again at the forecasts made in the 2009-19 LTP. The plan was that dividends obtained from the investment would be used to repay debt. If that dividend income is not available, other ways will need to be found to reduce debt and achieve the overall strategic objectives of the 2009-19 LTP.

The 2009-19 LTP forecast very moderate returns from the investment portfolio for the 2011 and 2012 fiscal years. However forecast investment returns are predicted to return to historical levels in 2013. For that reason WDC intends to re-visit this issue as part of the development of the 2012-22 LTP.

## Turning to the service performance outcomes

The service performance of the Investment activity is measured through two Key Performance Indicators (or KPIs), both of which were achieved.

Priority	Key Performance Indicator and Target	Performance Achieved
1.	Viability and rationale of investment property regularly reviewed = review undertaken on an ongoing basis.	This performance target was achieved. No action is required in relation to forestry investment. During the financial year, Council twice reviewed actions in relation to the main investment land holding.
2.	Company performance and future investment in Inframax Construction Limited reviewed on an annual basis. = review undertaken on an ongoing basis.	This performance target was achieved. Review of Company’s performance and future investment is being undertaken on an ongoing basis.



Esplanade Te Kuiti

## 5.3 Present and future action

### Sewerage (Waste Water) Activity

#### Te Kuiti Sewerage

An amendment was made to the 2009-19 LTP, through the 2010/11 Exceptions Annual Plan (EAP) as a result of the Affordability Review. This amendment provides an alternative strategy based on minimising risk for WDC and the wider Community. It proposes over time only waste treated to an agreed strength or standard will be accepted to the TKWWTP. This strategy will reduce costs associated with the upgrade and enable WDC to work through the issues raised by the key stakeholders. The strategy also allows for funds to be made available for those parts of the TKWWTP upgrade that must occur regardless of the level of Trade Waste discharge load.

<b>Inflow</b>	
<b>Present</b>	Surveys and CCTV work has been carried out on the nine catchment areas in Te Kuiti. The areas were ranked from worst to best in terms of inflow. After determining the worst affected area, inspections of homes were carried out and landowners were advised as to what is required to remove their storm water from the sewer system.
<b>Future</b>	This will continue catchment by catchment until at least 2019.
<b>Infiltration</b>	
<b>Present</b>	Surveys and CCTV work has been carried out to determine where the infrastructure is failing and allowing groundwater infiltration into the sewer system. Remedial work has been started to reduce the infiltration.
<b>Future</b>	This work will continue until at least 2019 depending on the condition of the sewer reticulation network and the cost of remediation.
<b>Effects of reducing Inflow and Infiltration</b>	Overflows as result of inflow and infiltration combined with stop/ start operation of an aged main pump station were common. This environmental hazard has now been removed. The main sewer pump station of Te Kuiti has been rebuilt with added buffer storage and flow control that assures continuous removal of wastewater from the reticulation reducing overflows. This also smoothed the feed pattern into the TKWWTP which improves treatment.
<b>Trade Waste</b>	
The Bylaw has been implemented and the need for charges to reflect the loads delivered to the sewerage system has been explained to the major users.	
Consultation with major users to pre-treat their waste prior to discharging into the sewer system, in turn reducing their cost through discharging a weaker strength waste is ongoing.	

Work to improve the operational performance of the existing TKWWTP is ongoing however the level of available funding means that work will be carried out over several years. WDC has made application to the MoH Sanitary Waste Subsidy Scheme (SWSS) to secure subsidy funding support for the TKWWTP upgrade. However MoH has fixed conditions on that application where it will not fund any capital upgrade works already completed prior to any decision on that application. For that reason a decision was taken to defer work until such time as a funding decision on the SWSS application is made by the MoH. This in turn meant that some of the performance targets could not be met. In the meantime a lot of effort has been made to ensure that the users of the TKWWTP reduced the transfer of unnecessary waste into the system as a mitigating measure to assist improved plant performance.

### Water Supply Activity

WDC will continue in its efforts to complete the implementation of the components of the 2007 PHRMPs. These documents include improvement plans with a 20 year or more implementation cycle. WDC will continue to plan and work for improvements and upgrades over time to the various community water supply schemes.

### Investment Activity

WDC aims to closely monitor the performance of its investment in Inframax Construction Limited (ICL). WDC will continue to work closely with the ICL Board to identify a strategy for the financial recovery of ICL and therefore the investment over the near to medium term. In the 2010 financial year WDC changed its own internal organisational arrangements to remove any requirement for annual operational funding sourced from investment dividends.

During the 2011 financial year WDC intends to investigate how it might proceed with its plan to pay down public debt funded from investment income. That investigation will be completed and the outcomes factored into the 2012-2022 LTP.