



# Waitomo District Council

# Summary

# Annual Report

# 2010-2011

Welcome to our Summary Annual Report for the 2010/11 year.  
The Summary outlines the Council's key achievements and service performance  
over the past year, across Councils' eleven significant activities.



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# Message from the Mayor and Chief Executive

We are pleased to present the Annual Report for the year ended 30 June 2011. This Report provides a record of the activities, achievements and financial performance of the Waitomo District Council for the 2010/11 year.

The Council elected in 2010 has continued to build on the good work carried out by the previous Council, in focusing on prudent financial managements and rates affordability.

WDC has aggressively pursued Central Government subsidy available for key infrastructures, and has been successful in key Wastewater and Water infrastructures that service Te Kuiti, Piopio, Benneydale, and Mokau. At long last, after a four year delay due to Environment Court process, Piopio Wastewater Scheme can now go ahead, thanks to the Environment Court rightly ruling in our favour. The cost of this delay is considerable, and unfortunately falls unfairly on the residents of Piopio. Council is investigating ways for this burden to be shared by the area serviced by Piopio Township.

The presentation of the 2010/11 Annual Report document has been structured differently with the aim to present both financial and non-financial performance information in a way that can be more easily understood and followed by our District Ratepayers and Residents. This revised presentation format includes a Community Outcomes section that defines the scope of Council's planning process, a Group of Activities section that records Council's key achievements and service performance together with separate sections for the financial and non-financial performance results for the year.

Turning to the financial year under report we would like to take this opportunity to highlight three matters in particular. All of those matters stem from Council's long term investment as the Shareholder in Inframax Construction Limited.

## Inframax Construction Limited

The ongoing investment in Inframax Construction Limited (ICL) has been a matter of very careful consideration for each of the past three financial years. A considerable effort has gone into working with the newly appointed ICL Board, to ensure that ICL maintains its commercial presence, and remains as a large employer in the Waitomo District.

The financial performance of the investment over recent time, (when assessed in the context of the local trading conditions as exacerbated by the local effects of the Global Financial Crisis) brought the Council to the point where it was necessary to re-assess the value of the ICL investment. The historical carrying value of the investment was reset at \$0 as at 30 June 2010. The difficult economic and trading conditions facing the roading construction and roading maintenance industry have been the worst experienced over the last few decades, with intense competition for any available work. Many competing contractors are experiencing the same problems as ICL.

As the 2009/10 financial year came to a close, the Council recognised the potential status of the investment, in terms of forecast investment income, when it contemplated the development of an Annual Plan for the 2011/12 financial year. Council has re-ordered its financial forecasts so that no allowance for, or reliance on investment income was factored into the Plan.

However an assumption for a conservative positive dividend income forecast was factored into the financial forecasts contained within the 2009-2019 Long Term Plan. That assumption for future investment income is unlikely to eventuate for some time.

The Council has worked very closely with the ICL Board to better understand the financial circumstance and to assess the likely future performance of the investment. Council acknowledges that the ICL Board is doing everything that it can to improve financial performance and that progress has been made in that regard. We have committed to a process with the ICL Board that potentially offers the opportunity, over time, for the value of the Investment to be restored.

A key challenge for the Council will be to both monitor and support that restorative process and to evaluate and communicate how the implications impact on Council's overall financial position and sustainability as we go forward. That work will continue but 2011/12 will be a critical time in all regards.

## Rates Affordability

The 2011/12 Annual Plan (AP) summarises the work undertaken by Council to review existing Levels of Service (LoS) in the context of Rates Affordability.

The "affordability" goal was and is simple. WDC must reduce costs without compromising Financial Sustainability whilst at the same time supporting the drive to achieve Rates Affordability. The 2011/12 AP package resulted in affordable rates, together with fine tuning amendments to improve the fairness of Revenue and Financing and Remission of Rates Policies.

Overall the key changes to the 2009-2019 Long Term Plan for the 2011/12 financial year resulted in an overall increase in rate revenue of 7.18% compared with 10.37% forecast in the 2009-2019 LTP.

## Resident Satisfaction Survey

Council annually seeks out community impressions of the standard of services provided by the Council. Immediately following the close of the 2010/11 year a Resident Satisfaction Survey (RSS) of 400 district residents was undertaken. Specifically the RSS was aimed at identifying and measuring Council's performance, gaining information in relation to LoS and providing an insight into community satisfaction with Council services and activities.

Overall the results for 2010/11 show a pleasing improvement in most service performance measures for Council and many of the benchmarked measures have met or exceeded the targets that are in place. Council Activities that have surpassed the benchmarks include: parks and sports grounds; cultural, art and recreation facilities; library services; public toilets; cemeteries; animal control services; community environment; swimming pool; and keeping residents informed through Council communications.

Council is pleased to see that the measures relating to the District's roads have increased since the 2010 survey and benchmarks for street lighting, traffic signage and the reliability of the District's Roading Network have all been exceeded.

## Significant Projects

Also during the 2010/11 year, significant progress was made with the Te Kuiti Wastewater Treatment Plant Upgrade project, the design for which is now complete. In June 2011 Council was advised that its Sanitary Waste Subsidy Scheme application for funding had been successful. Progress on this major project will continue in the 2011/12 financial year.

The sewerage system at Benneydale was substantially completed at 30 June 2011 and after some considerable delays resulting from a protracted resource consent process the Piopio Wastewater Scheme will also proceed during 2011/12.

Upgrading works are proposed for water supply systems at Te Kuiti, Piopio and Mokau during 2011/12. This work will eventually bring the water supplied by those systems up to the required drinking water standards.

In conclusion, the 2010/11 financial year will see Waitomo District Council move closer to its target of financial sustainability even though the last of the "roading rates catch-up" increase will fall into the 2012/2013 year. We thank the elected Council and staff who have worked hard and have achieved good outcomes for Waitomo District during the 2010/11 year.

## Matters of Significance since end of financial year

A key consideration in finalising this Annual Report for the Waitomo District Council and Group has been the matter of the likely future financial position of the investment in ICL.

A new Board was established in May this year. The Board's first and most important task was to research and identify a business plan, known as a Restructure Plan, with the objective of restoring the value of the investment over time. This task has required the support of all those with a stake in ICL, including their financier, Westpac Bank, key management staff, and of course WDC as shareholder.

This challenge has been a big ask of a completely new Board, and as is often the way with such endeavors, it has taken a lot longer to complete than was first anticipated.

A complicating factor in that work was the consideration that in August 2011, ICL was unsuccessful in its bid to regain the WDC Roads Maintenance contract. That contract had been held by ICL since 2006.

After a long period of intense planning and negotiation of the various options, WDC approved the Restructure Plan in early November 2011.

It was the Council's view that it was essential to give this new, totally committed Board the best opportunity to successfully implement its Restructure Plan and make the required changes to re-establish ICL as sustainable effective provider of quality services.

The Board has informed the Shareholder that it has successfully completed the process of recruiting a new CEO has aggressively addressed the cost structures within the overhead of ICL and that a new positive workplace culture has been instilled across the Company. All of these measures are essential to the plan for a new successful and sustainable ICL. Those in turn will over time, restore the financial performance of the investment to a condition that will contribute significantly to our District once again.

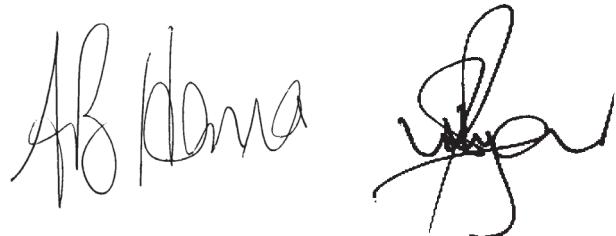
The Council's role in all of that has been to undertake a very thorough process, to carefully consider the options and the likely impacts and to take a decision to financially support ICL's future.

To that end, early in the 2011/12 financial year Council committed to make a further equity investment in ICL.

On completion of the agreement for a Restructure Plan, Council took the decision to purchase the Parkside Subdivision in Te Kuiti from ICL, to relieve ICL of the ownership costs associated with a non-core activity, and along with Westpac Bank, has agreed to provide additional financial support over the medium term.

One of the obvious difficulties of such an important commercial process is the limitation placed on the Council's ability to communicate with and inform the District Community of all the considerations involved.

We can report here that there is a unanimous commitment for the part of the Council, and the very focused commitment of the ICL Board to make the financial future of ICL much more certain and sustainable than has been the case in the recent past.



BRIAN HANNA  
**MAYOR**



CHRIS RYAN  
**CHIEF EXECUTIVE**

# Introduction

This Summary Annual Report provides a snapshot of our performance over the last financial year from 1 July 2010 to 30 June 2011.

It is an important way of informing our communities about how we are progressing in achieving our goals. It also highlights the areas we performed well in and the areas we need to improve on and how we plan on doing this.

This Summary Annual Report was authorised for issue by the Chief Executive on **14 December 2011**.

The information contained in this Summary has been extracted from our full Annual Report which contains detailed information about our finances and service performance.

The full Annual Report was adopted by Council on **22 November 2011**. Copies of the full Annual Report are available on Councils' website [www.waitomo.govt.nz](http://www.waitomo.govt.nz) or by contacting the Waitomo District Council on 0800 932 4357.

## Our planning and reporting cycles

The following is an overview of our planning and reporting framework and how it all fits together with the Annual Report.

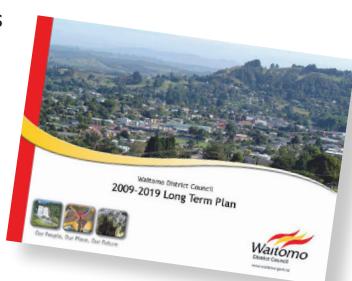
### LONG TERM PLAN

The Long Term Plan, (LTP) is a strategic planning document. It sets the framework for Council's activities, performance measuring and monitoring.

It shows the rates that need to be collected in order to deliver the services to the communities. It also shows how we intend to contribute to the community outcomes of the district.

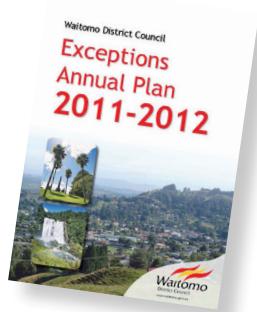
The LTP is projected across a ten year timeframe. However, the plan itself is reviewed on a three yearly cycle (this means that a new LTP is required to be adopted by Council every three years).

This regular review cycle enables Council to more accurately predict what is going to happen and how best to provide for any changes. The next review of the LTP is coming up in 2012, for the 2012-22 Long Term Plan.



### ANNUAL PLAN

Each year Council is required to have an Annual Plan which sets out the budget for the year. This is based on what is proposed in the Ten Year Plan but also highlights any change or variance that is projected to occur which is not currently accounted for in the Ten Year Plan.



The first year of a Ten Year Plan does not require a separate Annual Plan as this is already provided for in the Ten Year Plan. However, the second and third years must have an Annual Plan.

## ANNUAL REPORT

Every year we are required to produce an Annual Report. The Annual Report reports against our Annual Plans and the Ten Year Plan.

It is the key accountability document for our communities and it explains how we have performed for the year.

All of Councils' Plans and Reports can be found on our website: [www.waitomo.govt.nz](http://www.waitomo.govt.nz).



## Statement of Compliance and Responsibility

### RESPONSIBILITY

The Council and the Management of WDC accept the responsibility for the preparation of the Summary Financial Statements and the judgements used in them.

The Council and the Management of WDC also accept the responsibility for establishing and maintaining the internal controls designed to provide reasonable assurance as to the integrity and reliability of financial reporting.

In the opinion of the Council and the Management of WDC, the Summary Financial Statements for the year ended 30 June 2011 fairly reflect the financial position and operations of WDC.

### COMPLIANCE

The Council and Management of WDC certify that all the statutory requirements in relation to the Annual Report, as outlined in the Local Government Act 2002, have been complied with, except for those noted in Note 33 of the full Annual Report 2010/11.

BRIAN HANNA  
MAYOR

CHRIS RYAN  
CHIEF EXECUTIVE

Dated this 14th day of December 2011.

# Audit Report

## Deloitte.

### INDEPENDENT AUDITOR'S REPORT

#### TO THE READERS OF WAITOMO DISTRICT COUNCIL AND GROUP'S SUMMARY OF THE ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2011

We have audited the summary of the annual report (the summary) as set out on pages 14 to 24, which was derived from the audited statements in the annual report of the Waitomo District Council (the District Council) and group for the year ended 30 June 2011 on which we expressed an unmodified audit opinion, and referred to serious financial difficulties being experienced by one of the group's subsidiaries, in our report dated 22 November 2011.

The summary comprises:

- The summary balance sheet as at 30 June 2011, and summaries of the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended and the notes to the summary financial statements that include other explanatory information; and
- the summary of the District Council and group's groups of activity performance and summaries of other information contained in its annual report.

#### Opinion

In our opinion, the information reported in the summary complies with FRS-43: *Summary Financial Statements* and represents, fairly and consistently, the information regarding the major matters dealt with in the annual report.

#### **Emphasis of Matter - Serious Financial Difficulties of the Council's subsidiary, Inframax Construction Limited**

Without modifying our opinion, we draw your attention to the disclosures made in the notes to the financial statements, on page 97 of the full financial statements and described on page 23 of the summary financial statements, about the serious financial difficulties of the Council's subsidiary, Inframax Construction Limited (Inframax). Inframax has been experiencing financial difficulties over the past three years arising from the economic downturn in the roading construction industry.

Subsequent to 30 June 2011, the Council has made a further \$800,000 capital investment in Inframax, and agreed to loan Inframax \$750,000 (at market rates) and purchase Inframax's Parkside subdivision (at its current valuation), to enable Inframax to meet its short term cash flow obligations. Inframax's lenders have also agreed to extend its overdraft facility on a rolling basis.

The Council has noted that although the group financial statements have been prepared on a going concern basis, the going concern assumption of the Council's subsidiary, Inframax Construction Limited is dependent on three key factors:

- continued support from the lender;
- continued support from the Council of the Inframax recovery plan, and
- Inframax's ability to meet its forecast performance.

## Basis of opinion

The audit was conducted in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand).

The summary and the audited statements from which they were derived, do not reflect the effects of events that occurred subsequent to our report dated 22 November 2011 on the audited statements.

The summary does not contain all the disclosures required for audited statements under generally accepted accounting practice in New Zealand. Reading the summary, therefore, is not a substitute for reading the 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 in accordance with FRS-43: *Summary Financial Statements*. We are responsible for expressing an opinion on the summary, based on the procedures required by the Auditor-General's auditing standards and the International Standard on Auditing (New Zealand) 810: *Engagements to Report on Summary Financial Statements*.

Other than in our capacity as auditor we have no relationship with, or interest in, the District Council or any of its subsidiaries.



Bruno Dente  
Deloitte  
On behalf of the Auditor-General  
Hamilton, New Zealand  
14 December 2011

### Matters relating to the electronic presentation of the summary audited financial statements, service performance and the other requirements

This audit report relates to the summary financial statements, the summary of groups of activity performance and the other requirements of Waitomo District Council and group for the year ended 30 June 2011 included on the Waitomo District Council's website. The Council is responsible for the maintenance and integrity of the Waitomo District Council's website. We have not been engaged to report on the integrity of the Waitomo District Council's website. We accept no responsibility for any changes that may have occurred to the summary financial statements, the summary of groups of activity performance and the other requirements since they were initially presented on the website.

The audit report refers only to the summary financial statements, the summary of groups of activity performance and the other requirements named above. It does not provide an opinion on any other information which may have been hyperlinked to or from the summary financial statements, the summary of groups of activity performance and the other requirements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited summary financial statements, the summary of groups of activity performance and the other requirements as well as the related audit report dated 14 December 2011 to confirm the information included in the audited summary financial statements, the summary of groups of activity performance and the other requirements presented on this website.

Legislation in New Zealand governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.

# Role and Direction

The Act gives the Council a general right to take actions that are wholly or principally for the benefit of Waitomo District, including gathering rates (property tax) and setting bylaws.

## Measuring Resident Satisfaction

Ensuring the districts' residents are satisfied with the services and facilities we provide is a priority for Council. We undertake an independent Resident Satisfaction Survey (RSS) every year to find out how well the community thinks we are doing.

## The Long-Term Direction of the District

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:

- A significant loss of investment income from Council's subsidiary, Inframax Construction Limited. Traditionally this income was used to offset rates income and fund some of the operations undertaken by Council;
- The need to fund essential upgrades of water and sewerage services in the Districts' urban centres;
- The need to substitute borrowing for rate funding in the Land Transport Activity (subsidised roads); and
- An increase in the rate of Goods and Services Tax (GST) from 12.5% to 15%.

**The focus for the 2010/11 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 2010/11 financial year saw Council continue to work on implementing a strategy that recognises the need to strike the right balance between the need for prudent and sustainable financial management, rates affordability and an overall contribution to community well-being through the delivery of services.

A key affordability project was undertaken during 2010/11 that saw a careful review of the Levels of Service provided through the roading network and funded by the Land Transport (Roading) Activity.

The aim of the project was to reduce the spend in the Land Transport (Roading) Activity without compromising Financial Sustainability, while at the same time supporting the drive to achieve rates affordability.

The delivery of the roading programme against the approved budget was substantially achieved during the year. Weather conditions contributed to a reduced level of sealed pavement maintenance and an increase in unforeseen emergency works.

## Progress Against Strategic Priorities

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, the shift to a focus on sustainability is presented in the following ways:**

### *Land Transport (Roading)*

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 Land Transport Activity.

The objective of the review was to identify opportunities to decrease costs, 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 such as 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.

The service performance of the Land Transport (Roading) Activity is measured through 11 Service Performance targets; the following two remain strategic priorities for Council:

***Less than four service complaints in any one month regarding the condition of the roading surface.***

This target was not achieved.

***Less than 1 road closure per month due to bank slippages or blockages.***

This target was not achieved.

The following provides a summary of the service performance targets for the Land Transport (Roading) Activity that were achieved for 2010/11:

***65% percent of persons who rate the reliability of the District's roading network as good or excellent in the Customer satisfaction survey.***

80% of the 400 residents who rated their satisfaction, were satisfied or very satisfied with the District's roading network, in the 2011 Resident's Satisfaction Survey.

***Less than 3 service complaints per month regarding missing, damaged or inaccurate road signage.***

Less than three service requests were received in the months July 2010 to June 2011.

***Less than 3 complaints per month regarding damaged footpaths.***

From July 2010 to June 2011 three or less complaints have been received in every month.

## **Present and Future Action**

It is important to note that Financial Sustainability and Rates Affordability continues to be a top priority for Council particularly in the area of Land Transport due to the historic funding issue of utilising loan proceeds to partially fund operating expenditure.

Council remains committed to a strategy of keeping the level of Roading spend under careful review. In doing so, it has acknowledged that there is a risk that limiting funding available for Roading might have long term implications for the District, beyond the temporary reduction, in some components of the Roading network.

The funding made available for roading maintenance has been reduced by about \$7.0 million in the period 2006 to the present with about \$2 million per year in the last two years. This represents a potential reduction in service levels and also has removed access to New Zealand Transport Agency (NZTA) funding subsidy of about \$1.160 million per year. Council acknowledges a risk that NZTA subsidy capacity will be re-allocated away from the Waitomo District to other national needs such as the Roads of National Significance (RONS) project and in that instance it is unlikely that NZTA funding capacity will be reinstated in the near future.

Council will continue to monitor and review the level of investment in the district roading network with a view to maintain an adequate balance between service levels and affordability.

## **Sewerage (Waste Water)**

### **TE KUITI SEWERAGE**

The Te Kuiti Waste Water Treatment Plant (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.

Confirmation of a Sanitary Waste Subsidy Scheme (SWSS) subsidy for \$3.65 million (plus GST) for the upgrade of the TKWWTP was received from the Ministry of Health (MoH) in June 2011. This is a significant milestone for the residents and ratepayers of the District. The subsidy will decrease the ratepayer funded share of the work by reducing the requirement for loan funding and the associated cost of servicing those loans and overall public debt in the short and medium term.

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 its obligation to comply with the existing consent conditions of discharge and of the significant capital and ongoing operational cost implications if that discharge consent is not met. WDC is working very closely with Waikato Regional Council (WRC) 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 future funding through the MoH and working with local industry to encourage appropriate pre-treatment of Trade Waste and by doing so, reduce the capital requirements of the new plant.

Service performance for the Sewerage Activity is measured through 17 Service Performance Targets.

The following targets remain strategic priorities for Council. WDCs' performance of these targets, is directly related to the current strategic challenges facing WDC at this time.

***Less than 5 sewage overflow events per year at any one wastewater scheme.***

This target was not achieved. For the 2010/11 year, Council recorded a total of 28 overflow events for the Te Kuiti wastewater scheme.

***100% compliance with resource consent conditions.***

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 because the existing TKWWTP is not able to process and treat the wastewater 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. No monetary penalties have been imposed on WDC as a result of non-compliance with existing resource consent conditions.

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 which has the potential to make the receiving water unfit for cultural and recreational purposes.

**It is important to note that those enterprises producing 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 the meat processing industries are working towards a solution to be implemented as part of the proposed upgrade which will also further reduce the capital cost of the upgrade and improve the overall treatment performance of the TKWWTP.

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 final upgrade design is completed, however construction is on hold until SWSS funding from the MoH for \$3.6 million is received. Although already approved, funding is conditional on the final upgrade design being accepted by MoH.

The piped reticulation component of the Te Kuiti Waste Water system is subject to groundwater inflow and infiltration (the runoff of storm water and groundwater into the sewer system). This significantly affects the TKWWTP and adversely impacts on both plant performance and operational efficiency. The 10 year plan to reduce inflow and infiltration, with funding signalled in the LTP is being implemented and is on track.

#### ***Less than 5 odour complaints recorded per year at each scheme.***

This target 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 wastewater as it is the primary pump station servicing the nearby 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.

**The following provides a summary of the service performance targets for the Sewerage Activity that were achieved for 2010/11:**

#### ***90% of non-urgent service requests are responded to within 10 working days.***

To date 100% of urgent requests are responded to within 10 working days.

#### ***Time to restore service restored within 24 hours.***

To date 33 service requests have been received. All services have been restored within 24 hours.

#### ***85 percent of risk management plans in place for pumping stations and treatment plants.***

Achieved - 85% of risk management plans are in place for pumping stations and treatment plants.

#### ***Time to complete clean up and sanitising of overflows is within 24 hours of notification.***

There were two sewerage overflows into habitable buildings due to faults in the wastewater system for the period July 2010 to June 2011. The overflow was cleaned up and sanitized within 24 hours.

### ***Present and Future Action***

#### ***Inflow***

Surveys and CCTV pipe inspection 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 stormwater from the sewer system. This will continue catchment by catchment until at least 2019.

#### ***Infiltration***

Surveys and CCTV pipe inspection 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.

This work will continue until at least 2019 depending on the condition of the sewer reticulation network and the cost of remediation.

#### ***Effects of reducing Inflow and Infiltration***

Overflows as a 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.

#### ***Trade Waste***

The Trade Waste 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.

In acknowledgement of the important economic and social role of the meat processing industries in the Waitomo District community, a policy change was included in the 2010/11 Exceptions Annual Plan whereby the level of trade waste charges is capped at 80% of the actual calculated cost, on condition that the industries commit to making the necessary on-site investment in infrastructure to achieve a significant reduction in their discharge load.

**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.**

Council made the decision to inform Waikato Regional Council (WRC) that it would not be pursuing land based discharge as part of the future upgrades of the TKWWTP. On this basis WRC notified the discharge consent application and this will be followed by a Court Hearing.

## PIOPIO SEWERAGE

This long standing project is required for both the health of the Piopio Community and for environmental wellbeing.

The necessary discharge consent was finally determined by the Environment Court in December 2010. This has paved the way for work to start on building the scheme. Physical works that have been completed so far:

- The Treatment Plant is complete.
- Both the sewer reticulation pipeline work and the treated water outfall construction are now complete.

Physical works that remain to be completed:

- The next stage is to complete the site works. This will involve backfilling the surrounding bund against the Treatment Plant. This work will commence just as soon as the ground conditions are suitable to allow the high number of heavy transportation required to deliver sufficient fill to the site.
- Septic Tank installation will commence as soon as ground conditions allow reasonable opportunity to move heavy equipment around on residential properties.
- Fencing will be carried out once the fill is completed and finally the site will be planted out appropriately.

Operational costs for the scheme were less than budget due to Council's inability to commence the project until the outcome of resource consent appeals was determined by the Environment Court in late 2010. The completion of this project is targeted for June 2012.

## BENNEYDALE SEWERAGE

Progress with major reticulation renewal and extension works in the Benneydale Village and the establishment of a wetlands soakage field were delayed during the year pending the successful outcome of an application for Ministry of Health subsidy. Construction was nearly completed at year end and a sewerage system that meets resource consent requirements will be fully operational in Benneydale for the summer of 2011/12.

## TE WAITERE

The planned upgrade for Te Waitere included the following projects:

- Renewal and extension of the soakage field,
- Installation of a new pump pipeline,
- General reticulation renewals;

The upgrade has been delayed pending the outcome of a proposed geotechnical survey. This project will be carried out at some stage in the future.

## Water Supply

The service performance of the Te Kuiti and Piopio Water Supplies does not meet the guideline parameters defined by the Drinking Water Standards (DWS) 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 for the Waitomo District.

An Asset Improvement Plan will be developed at some stage during the 2011/12 year. It comprises of two very significant parts:

1. Work that will need to be done immediately and;
2. Development of the water treatment plant to meet DWS requirements (not affordable in the short term) will be addressed in the 2012-22 Long Term Plan. A total upgrade will be staged over the 10 year period of the Plan and balanced against the Community's ability to pay.

The service performance of the Water Supply Activity is measured through 22 Service Performance Targets.

The following 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.

### ***100% compliance with the mandatory requirements defined in the 2007 Health (Drinking Water) Amendment Act.***

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.

This target was not achieved because all four District Water Treatment Plants do not comply with those requirements of the Act. All will require capital upgrades to meet the mandatory standards set by the Act. Planned sustainable upgrades will eventually address the requirements of the Act but progress will be limited to each community's ability to pay for those upgrades.

The following provides a summary of the service performance targets for the Water Supply Activity that were achieved for 2010/11:

**90 percent of customers who are satisfied with the water pressure.**

92% of the 212 residents who rated their satisfaction, were satisfied or very satisfied with the water pressure, in the 2011 Resident Satisfaction Survey.

**97% of Public Health Risk Management Plans adopted and implemented.**

100% adopted / implemented. Long term improvement plans in progress.

## Present and Future Action

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 for automated data capture and the continuous monitoring, in real time, of the water treatment performance of the Piopio and Te Kuiti Water Treatment Plant. The target will not be achieved until such time as significant upgrades 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 were delayed until advice of funding assistance was received from the Ministry of Health.

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, in order for compliance with statutory requirements.

***Nil confirmed illnesses attributable to consumption of Council water supply.***

There have been no confirmed illnesses attributable to consumption of the WDC Water Supply.

### PIOPIO

The planned upgrades of the water treatment plant and filter and pipe work within the treatment plant were not commenced during the year pending the outcome of an application for a Ministry of Health subsidy. Advice that WDC had been successful with its application was not received until after 30 June 2011. Work will now be undertaken during the 2011/12 financial year.

### MOKAU

Key projects planned for the Mokau Water Supply were also delayed until advice of funding assistance from the

Ministry of Health was received. Work on these upgrades will now be undertaken during the 2011/12 financial year.

## Financial Summary

During the year we continued to manage the District's finances prudently on behalf of the Waitomo District Community.

The following information provides an overview of our financial performance for the year to 30 June 2011. Included in this overview is an explanation of our financial statements and notes.

## Overall results at a glance

WDC reported a net surplus after tax of \$2.05 million compared to a LTP budget surplus of \$3.9 million. This result is attributable to a reduction in revenue from rates, central government subsidies and investment income.

## Summary Cost of Service Statement

(\$'000's)	2011 BUDGET	2011 ACTUAL	2010 ACTUAL
<b>Revenue</b>			
Rates Revenue (including penalties)	14,662	14,430	13,840
Leadership	15	140	26
Community Facilities	321	373	2
Community Development	305	239	225
Regulation and Safety	380	303	351
Solid Waste	1,221	913	1,025
Stormwater	3	9	0
Resource Management	83	72	50
Sewerage	3,190	1,937	674
Water	1,451	501	540
Roads	5,262	5,991	5,103
Investment Properties	80	13	(8,326)
<b>Total Revenue</b>	<b>26,973</b>	<b>24,921</b>	<b>13,510</b>
<b>Expenditure</b>			
Leadership	1,715	1,793	1,518
Community Facilities	2,999	2,945	2,747
Community Development	982	886	847
Regulation and Safety	894	868	988
Solid Waste	2,234	1,751	1,720
Stormwater	362	286	271
Resource Management	189	189	126
Sewerage	2,020	2,150	1,812
Water	1,920	1,942	1,831
Roads	8,831	9,365	7,734
Investment Properties	666	695	321
<b>Total Expenditure</b>	<b>22,812</b>	<b>22,870</b>	<b>19,915</b>
<b>Net Operating Surplus/ (Deficit)</b>	<b>4,161</b>	<b>2,051</b>	<b>(6,405)</b>

## INFRAMAX CONSTRUCTION LIMITED

Economic conditions facing the roading construction and roading maintenance industry have been the worst experienced over the past few decades, with intense competition for any available work leading to extremely low tender prices and subsequent profit margins. Many competing contractors are experiencing the same problems. For those reasons Council's subsidiary Inframax Construction Limited has been experiencing financial difficulties for some time now and has been unable to provide a return on Council's investment again this year.

Investment income from Inframax had previously been used to reduce the General Rate impact on the District community. In effect, investment income had been used to meet the day to day delivery cost for a wide range of services. Given the seemingly volatile source of WDCs' anticipated investment income it is accepted that this strategy is not without financial risk with the community ultimately having to fund any shortfall in investment income through an increase in rates to maintain existing levels of service.

During the financial year Inframax Construction Ltd prepared a recovery plan which required further funding injections over the next year as follows:

- Introduction of \$800,000 by WDC of additional equity in the form of an increase in the shareholding investment.
- WDC to purchase the Parkside subdivision for book value. It is anticipated this transaction will occur in November 2011.
- Further shareholder advances or further lending from Westpac NZ Ltd up to \$2 million. Subsequent to balance date, WDC decided to and injected \$800,000 of additional equity and has made the decision to purchase the Parkside Subdivision and to advance a loan of \$750,000 to the Company on terms that are not more favourable than if WDC were to borrow the funds externally.

Despite the loss of investment income from Inframax, results from WDCs' own operations were generally in line with the results projected in the second year of the 2009-2019 LTP.

## The major variances in overall performance are explained below:

Revenue and other gains and losses were \$2.5 million less than the LTP forecast due to the following factors;

- The subsidiary (Inframax Construction Ltd) did not trade profitably during 2010/11 and consequently no dividend or subvention revenue was received by the WDC. This was partially offset by additional interest income received by Council on surplus funds.
- Rates revenue was \$1.9 million less than the LTP forecast. This was primarily due to:
  - Planned capital projects not proceeding in 2010/11. As loans required to fund those projects were not raised during the year it was not necessary to rate for the associated loan charges.

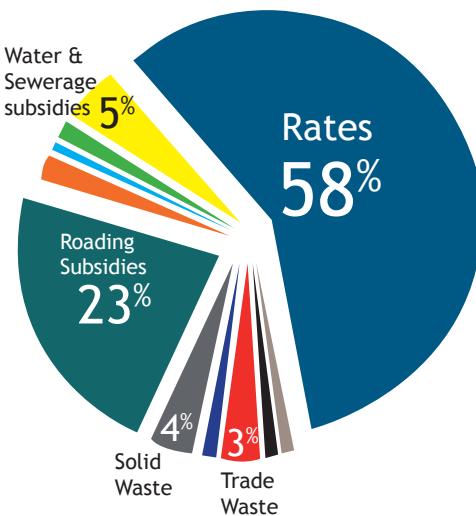
(ii) The final step of the planned transition to fund the entire local share of subsidised roading maintenance from rates (as opposed to partially funding from loans) being extended for one further financial year.

- Sewerage subsidies were less than the LTP budget. The LTP provided for more capital expenditure at Piopio than was actually undertaken during the year. Resource consent delays and subsequent delays in obtaining Ministry of Health subsidy approval means that the majority of capital works planned for 2010/11 will now be carried out in 2011/12.
- Other revenue was \$0.3 million less than the LTP forecast due to a reduction in building consents applied for during the year, a reduction in sale volumes at the Visitor Information Centre and a reduction in the level of purchases of official WDC rubbish bags as residents take advantage of the recycling services offered.

## Revenue

### Where the Money comes from

Total Revenue \$24.891 Million



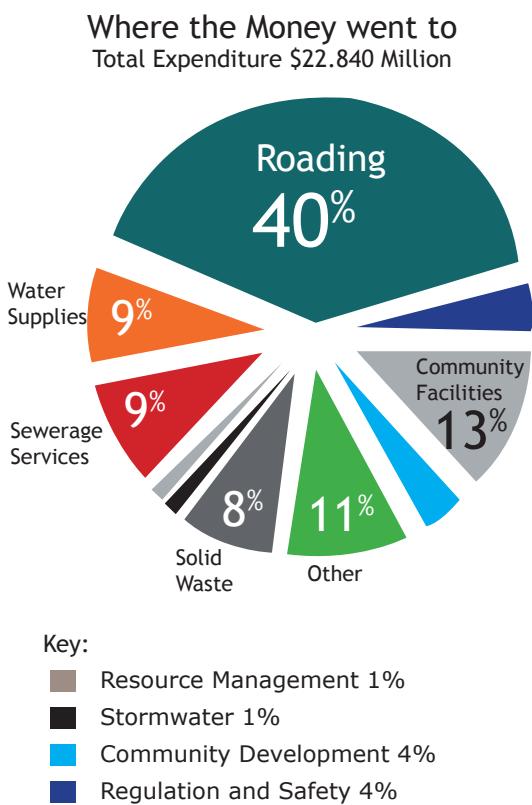
#### Key:

- Other Revenue 1%
- i-SITE 1%
- Water Charges 2%
- Regulatory Revenue 1%
- Investment Income 1%
- Property Leases 1%

## Expenditure

Expenditure was \$0.6 million less than the 2009-2019 LTP forecasts and is due to the following factors:

- Finance costs were \$1.0 million less than budget due to the reduced level of borrowing than what was forecasted in the LTP.
- Other expenditure was \$0.3 million more than the LTP forecast due to additional operating costs for all water and wastewater schemes for costs that fell outside the main operations contract. This was partially offset by budgets that were not fully utilised in relation to asset management and repairs of Councils' Parks and Property, no requirement to purchase additional capping material at the Waitomo District Landfill, and reduced Landfill operational costs resulting from the establishment of a new management contract.



## Balance Sheet

- Equity was \$9.4 million less than LTP budget mainly due to the write-down of Inframax investment to nil in the 2009/10 year as a result of continuing poor performance and given that it was not probable that the Company would be in a position to provide a return on WDCs' investment in the immediate future.
- Current assets were \$2.9 million more than LTP budget. Loans were raised in anticipation of the capital works program which was subsequently delayed. The additional funds were invested in short term deposits to earn interest revenue that would offset the interest paid on the external loans. The surplus funds were not anticipated at the time the budgets were prepared. A higher than expected rates receivables balance at 30 June 2011 also contributed to the variance.

- Current liabilities were \$6.7 million higher than the LTP budget due mainly to the current portion of borrowings being incorrectly classified as non-current borrowings.
- Non current assets were \$20.1 million less than the LTP budget. This is due to the delay or deferral of significant water and wastewater projects that were planned for in the 2009-19 LTP and the write-down of Inframax investment to nil in the 2009/10 year.
- Non current liabilities were \$14.4 million less than LTP budget. The external borrowings were less than forecast in the LTP due to the delay or deferral of capital expenditure projects.

## Specific Borrowing Limits

Targets	Result
Total interest expense will not exceed 40% of total revenue	Achieved – 10%
Total borrowing does not exceed 30% of total equity	Achieved – 19%
Total borrowing will not exceed 25% of total assets	Achieved – 15%
No more than 35% total debt refinanced during the year	Achieved – 30%
Access to committed lines of credit no less than \$2 million	Achieved - \$3.097 million available at 30 June 2011
Floating rate profile must not exceed 60% of total borrowings	Achieved – 96% fixed at 30 June 2011

## Capital Projects

Planned capital projects were under spent by \$5.146 million during the year, the majority of which relates to the upgrades of water and wastewater services in the urban centres. Progress of those projects was delayed pending the outcome of applications to the Ministry of Health for funding assistance.

Funding assistance approvals have since been received from the Ministry of Health and completion of those water and sewerage services upgrades will now take place during the 2011/12 financial year.

### Water Supply

Capital expenditure on water supplies was limited to minor renewals and some preliminary project expenditure for Te Kuiti and Mokau. Key upgrade projects planned for Piopio and Mokau were delayed pending outcome of applications for funding assistance from the Ministry of Health. Those projects will now proceed during the 2011/12 financial year.

(\$000's)	Actual	Budget	Underspent
<b>Te Kuiti</b>	124	319	195
<b>Piopio</b>	2	444	442
<b>Benneydale</b>	12	21	9
<b>Mokau</b>	98	750	652
	<b>236</b>	<b>1,534</b>	<b>1,298</b>

## Sewerage Systems

With the exception of Te Waitere, planned upgrades of sewerage systems commenced during the year. Delays pending the outcome of subsidy applications to Ministry of Health meant that the Te Kuiti and Piopio projects will not be completed until the 2011/12 financial year. The upgrade of the Benneydale system was substantially completed at year end. Work at Te Waitere has been held up until the results of a geotechnical survey are known.

(\$000's)	Actual	Budget	Underspent
<b>Te Kuiti</b>	949	2,641	1,692
<b>Piopio</b>	436	1,860	1,424
<b>Benneydale</b>	993	1,076	83
<b>Te Waitere</b>	5	388	383
	<b>2,383</b>	<b>5,965</b>	<b>3,582</b>

## Roads, Streets and Bridges

- Pavement Rehabilitation was overspent due to increased work required in both Rora Street (due to unsuitable sub-grade strengths) and Kopaki Road (due to additional dig-outs required).
- Sealed Road Surfacing - under spent due to the contractor not finishing the reseal programme by year end and CPI adjustments not being as high as expected.
- Traffic Services Renewals, Unsealed Road Metalling and Minor Renewals expenditure were all reduced to cover the additional Emergency Reinstatement spend.
- Non subsidised work was reduced to a minimum in order to concentrate expenditure on subsidised works.

(\$000's)	Actual	Budget	Variance
<b>Subsidised Works</b>			
Drainage Renewals	404	376	28
Pavement Rehabilitation	979	874	105
Sealed Road Surfacing	1,230	1,503	(273)
Traffic Services Renewals	201	257	(56)
Unsealed Road Metalling	512	564	(52)
Emergency Reinstatement Works	447	252	195
Minor Renewals	249	334	(85)
Other Renewals	246	347	(101)
<b>Total Subsidised Works</b>	<b>4,268</b>	<b>4,507</b>	<b>(239)</b>
Non-Subsidised Works	49	489	(440)
<b>Total All Roading Works</b>	<b>4,317</b>	<b>4,996</b>	<b>(679)</b>

## Other Capital Works

Other minor capital projects completed during the year included:

	(\$000's)
» Te Waitere wharf renewal	152
» Swimming pool upgrade (filter/heating)	169
» Landfill improvements (incl recycling station)	376
» Elderly Persons Housing renewals	29
» Purchase Library books	69
» Cultural and Arts Centre upgrade	160
» Aerodrome (resurfacing/camera system)	22
» Te Kuiti Stormwater renewals	36
» Vehicle replacements	73
» Computer renewals	55

## 2010/2011 Group Performance

The Group reporting entity consists of Waitomo District Council and is 100% owned subsidiary Inframax Construction Limited and Inframax Construction Limited's 100% owned subsidiary Independent Roadmarkers Taranaki Limited.

### Overall Performance

The Group's overall performance for the year was an after-tax loss of \$3.5 million.

The Waitomo District Council would have reported a relatively good final outcome had it not been for the less than satisfactory performance of its subsidiary Inframax Construction Ltd.

The subsidiary experienced another difficult trading year sustaining an after tax loss of \$5.7 million, highlighting the difficult ongoing economic and trading conditions that have faced the roading construction and roading maintenance industry for some time now.

### Balance Sheet

Total equity for the Group was \$245.6 million. There was a \$3.7 million decrease in equity reflecting the Group's after tax loss of \$3.5 million and a \$0.1 million loss on the fair value of interest rate swaps at 30 June 2011.

Current assets increased by \$5.8 million due mainly to a \$4.6 million increase in cash and cash equivalents, a \$0.6 million decrease in the value of inventories and a \$1.8 increase in the level of trade and other receivables.

Overall current liabilities increased by \$3.4 million mainly as a result of a \$1.4 million increase in trade and other payables, a \$0.9 million increase in term borrowings recognised as current liabilities and a \$1.0 million increase in bank overdraft facilities.

Non-current liabilities increased by \$6.1 million due mainly to a \$6.0 million increase in borrowings during the year.

Non-current assets increased marginally.

# Summary of Groups of Activity Performance

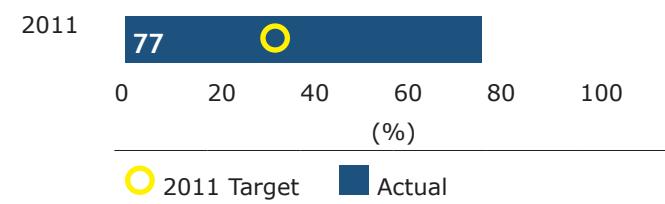
Council adopted a range of performance targets to allow it to measure, over time, whether or not the performance in the delivery of services was properly focused on WDCs' priorities. Council has maintained a strong Service Performance focus over the three financial years up to and including the reporting period covered by this Summary Annual Report. The following information provides a snapshot of progress made by WDC in achieving the performance targets for what are considered the key performance targets. This section should be read in conjunction with the Role and Direction section. The full Annual Report should be referred to if the reader wishes, to see the results for all of the performance targets.

We consult in accordance with the Special Consultative Procedure outlined in the Local Government Act 2002.

How we measured success	How we did
Number of challenges to the process for decision-making. Target = 0 (No Challenges)	Achieved

We provide effective communication with our community.

Overall 306 of the 400 residents surveyed rated the effectiveness and usefulness of WDC communication as "good" or "better".



We published our Annual Plan in accordance with the Local Government Act 2002.

How we measured success	How we did
Annual Plan adopted on or before 30 June each year.	Achieved The 2011/12 Annual Plan was adopted on 28 June 2011.

The District has quality Parks and Reserves.

83% of Waitomo District Residents were satisfied or very satisfied with the quality of the Districts' Parks and Reserves. This rating exceeds Councils target of greater than 75%.

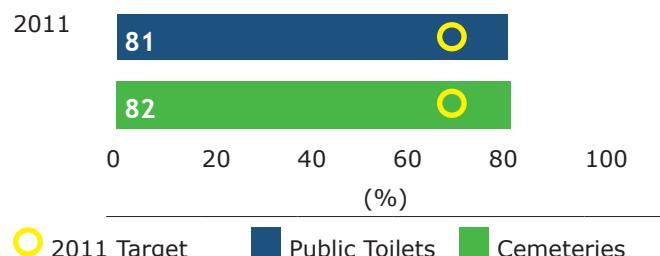
The Library offers comprehensive service to the Community.

There were 13,783 borrowers using the Library service this year which was in line with the target of 13,500-14,000 borrowers.

High quality public amenities will be provided.

81% of the 374 residents who rated their satisfaction, were satisfied or very satisfied with the maintenance of the public toilets. 82% of the 365 residents who rated their satisfaction, were satisfied or very satisfied with the maintenance of cemeteries, in the 2011 Resident Satisfaction Survey.

Both results exceeded Councils' target of greater than 75% resident satisfaction.



We provide assistance for community support activities.

The performance target of advertising the availability of discretionary grant funding on a quarterly basis was achieved this year.

Council supports major District events that build community pride and raise the District's profile.

The target of one major event (The Great New Zealand Muster) and one minor event (The Christmas Parade) was achieved. Both District events were held on time and within budget.

Building consents and project information memoranda issued within 15 working days.

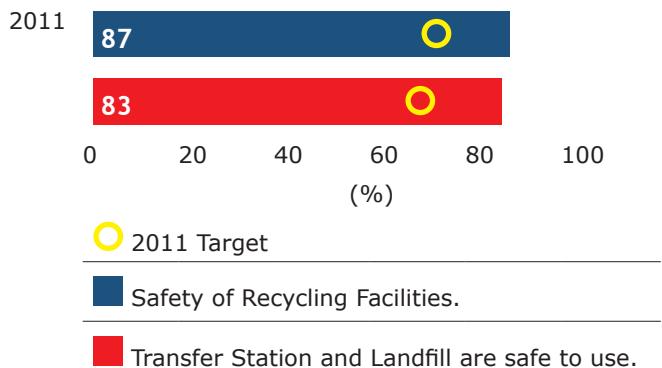
How we measured success	How we did
Percentage of building consents and project information memoranda issued within 15 working days. Target = 90%	Achieved – 93%

Dog owners' properties are inspected to ensure compliance with the Dog Control Act 1996 and WDC's bylaws.

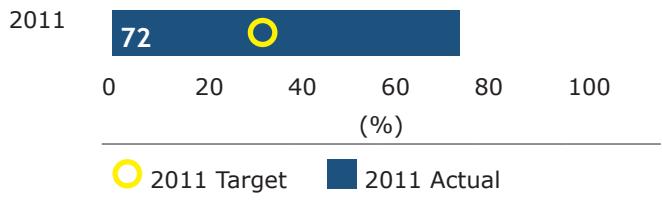
100% of urban dog owners properties inspected and 42% of rural properties inspected, which met or exceeded the targets of 100% urban and 10% rural.

## Solid Waste Management performance measures:

87% of the 375 residents who rated their satisfaction, were satisfied or very satisfied with the safety of WDC's recycling facilities, in the 2011 Resident Satisfaction Survey.



72% of Residents feel the Council provides an effective building consent service.



We manage the urban stormwater activity to protect people and property from the impacts of flooding.

How we measured success	How we did
Annual incidence of inundation of habitable buildings in urban areas from a 10% or less Annual Exceedance Policy event. Target: 0	<b>Achieved</b>

Council ensures that resource consents are processed in a timely and customer friendly manner so as to facilitate District wide development.

How we measured success	How we did
Percentage of non-notified consents processed within 20 working days. Target = 90%	<b>Achieved</b>

Sewage is managed without risk to public health.

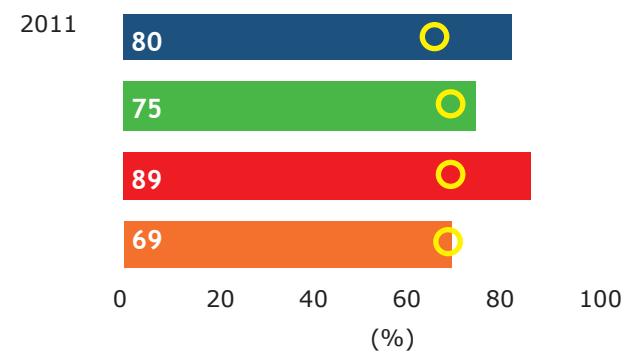
How we measured success	How we did
Time to complete clean up and sanitising of overflows. Target: within 24 hours of notification.	<b>Achieved</b>

92% of Residents are satisfied with the reliability of their water supply service and with the water pressure. Water supply is adequate for public health purposes.

How we measured success	How we did
Confirmed illnesses attributable to consumption of WDC water supply services. Target: Nil	<b>Achieved</b>

The transportation system is reliable and travel times are predictable.

The results of the 2011 Resident Satisfaction Survey, show an overall increase in resident satisfaction with three of the four Land Transport performance measures.



Investments contribute to economic and social well-being.

How we measured success	How we did
Company performance and future investment in Inframax Construction Limited reviewed on an annual basis.	WDC's Shareholder Representative Committee has met frequently with the company's Board of Directors over the last 12 months and has been monitoring and reviewing the performance and financial forecasts of the company and assessing the value of Council's future investment in the company on an ongoing basis.

There are also areas where our performance is declining or has fallen short of the target, for example:

- The number of bookings for the Waitomo Cultural and Arts Centre was down from 57 (2009/10) to 47 this year. The unavailability of the Centre during its' upgrade was the major contributing factor to the drop in bookings;
- The number of Library issues decreased from October 2010 through to June 2011. This resulted in a 10.18% reduction overall for the year, compared to 2009/10. Other Waikato Libraries have also indicated a downward trend in issues for the 2010/11 year. At this stage it is unclear whether this is a national trend, which will be confirmed when the combined NZ Public Library Statistics become available later in the year. In 2011/12 Council will endeavour to improve item issues by placing an increased emphasis on service promotion. This will include promoting online resources and services to rural borrowers. The Library Team will also actively promote library services to community groups and local schools.
- Only one formal Youth Forum was held in April 2011 and involved representatives from the Districts' three High Schools and the community. Council is at present developing a structure for formal youth engagement by way of a Youth Council and this is scheduled for implementation early 2012 with recruitment commencing in October 2011.
- The performance target of greater than 50% of total administration cost recovered from applicants, was not achieved this year. 26% of total costs were recovered, this is due to reduced level of building consent applications received during the year.
- The performance target of 45% of expenditure budget for bagged refuse collection service (including bags, collection and disposal costs), is recovered from user fees - was not achieved as at 30 June 2011 because significantly less bags were sold than budgeted for. WDC expected to sell more this year, as it was expected that the majority of property owners may have used their stock pile of rates funded rubbish bags. This result however has been offset by a positive 21% increase in Waste Minimisation due to the improved *Level Of Service* provided by the Kerbside Recycling Collection Service and the facilities provided by the Recycling Centre and Transfer Stations.
- The number of sewage over-flow events per year at any one wastewater scheme (this result is directly related to the current strategic challenges facing WDC at this time concerning much needed maintenance and renewals of aging key infrastructural assets).
- The performance target of less than one road closure per month was not achieved. In September 2010 there were 9 road closures – this was due to heavy rain which caused slips, flooding and debris to cover the road.

# Summary Financial Report for the Year ended 30 June 2011

The summary financial statements and summary of groups of activity performance (the Summary Report) have been extracted from the corresponding full Annual Report which was authorised for issue on 22 November 2011 by the Mayor and Chief Executive. An unmodified audit report with an explanatory paragraph in relation to the serious financial difficulty of Waitomo District Council's subsidiary was issued and signed as part of the Annual Report on 22 November 2011. Deloitte have audited this Summary Report and have issued an unmodified opinion with an explanatory paragraph on 14 December 2011. The Summary Report was authorised for issue on 14 December 2011 by the Mayor and Chief Executive. The information included in the Summary Report has been prepared in accordance with FRS 43: Summary Financial Statements.

A Summary Report cannot provide as complete an understanding of the financial and non-financial performance of Waitomo District Council as the full Annual Report. For further detailed information please refer to the following sections in the full Annual Report: Section 3- Financial Statement, Sub-section 3.3- Report of the Audit Office and Section 5- Groups of Activity Performance. A full copy of the Annual Report is available from Waitomo District Council Office, Te Kuiti Public Library or on our website: [www.waitomo.govt.nz/publications](http://www.waitomo.govt.nz/publications).

The primary objective of the Council is to provide goods or services to the community for social benefit rather than for making a financial return. Accordingly the Council has designated itself as a public benefit entity for the purposes of NZ IFRS. The full set of financial statements complies with NZ GAAP and other applicable financial reporting standards, as appropriate for public benefit entities.

The financial statements at 30 June 2011 comprise the Waitomo District Council and its wholly owned subsidiary Inframax Construction Limited incorporated in New Zealand, and its wholly owned subsidiary Independent Roadmakers Taranaki Ltd incorporated in New Zealand.

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$000).

## Going Concern

The summary financial statements of the Group have been prepared on a going concern basis. Refer to events after balance date regarding the basis of preparation of Inframax Construction Limited's financial statements.

# Summary Statement of Comprehensive Income for the Year Ended 30 June 2011

(\$000's)	2011 BUDGET COUNCIL	2011 ACTUAL COUNCIL	2010 ACTUAL COUNCIL	2011 ACTUAL GROUP	2010 ACTUAL GROUP
<b>Continuing Operations</b>					
Rates Revenue (including Penalties)	14,662	14,430	13,840	14,430	13,840
Other Revenue	12,302	10,442	8,411	36,165	44,081
Other Gains/(Losses)	9	19	(8,741)	95	(244)
<b>Total Revenue and Gains/(Losses)</b>	<b>26,973</b>	<b>24,891</b>	<b>13,510</b>	<b>50,690</b>	<b>57,677</b>
Employee Benefit Expenses	2,957	2,950	2,928	14,998	16,460
Depreciation and Amortisation	4,120	4,609	4,098	6,339	6,012
Finance Costs	3,392	2,524	2,231	3,135	2,846
Other Expenses	12,343	12,757	10,658	28,379	31,987
<b>Total Expenditure</b>	<b>22,812</b>	<b>22,840</b>	<b>19,915</b>	<b>52,851</b>	<b>57,305</b>
<b>Surplus/(Deficit) Before Tax</b>	<b>4,161</b>	<b>2,051</b>	<b>(6,405)</b>	<b>(2,161)</b>	<b>372</b>
Income Tax Expense/(Revenue)	0	0	163	1,386	322
<b>Surplus/(Deficit)</b>	<b>4,161</b>	<b>2,051</b>	<b>(6,568)</b>	<b>(3,547)</b>	<b>50</b>
<b>Other Comprehensive Income</b>					
Revaluation of Property, Plant and Equipment	0	0	17,629	0	18,349
Gains/(Losses) from Cash Flow Hedges	0	(101)	0	(101)	0
Income Tax relating to Components of Other Comprehensive Income	0	0	0	0	6
<b>Other Comprehensive Income/(Loss) for the Year, Net of Tax</b>	<b>0</b>	<b>(101)</b>	<b>17,629</b>	<b>(101)</b>	<b>18,355</b>
<b>Total Comprehensive Income for the Year, Net of Tax</b>	<b>4,161</b>	<b>1,950</b>	<b>11,061</b>	<b>(3,648)</b>	<b>18,405</b>

## Explanation of variances to budget (Council)

### Note 1: Revenue

#### Revenue was \$2.1 million less than budget due to:

- A total of \$2.1 million of budgeted subsidies not being received due to delays in the water and wastewater capital projects, partly offset by an additional \$0.7 million of subsidy received for roads emergency works.
- Rates revenue was \$0.2 million less than budget due to the actual rates revenue excluding rates paid on Council properties. The budget figure includes the rates revenue paid on Council property.
- Additional rates penalties \$0.1 million were received due to a higher level of rates arrears than anticipated at the time the budgets were set.
- Interest revenue of \$0.1 million was received during the year on short term investments that was not budgeted for.
- Landfill revenue was \$0.3 million below budget due to reduced revenue from the sale of refuse bags as customer place greater emphasis on recycling which has affected sales levels and there have been reduced volumes of refuse entering the landfill.

### Note 2: Expenditure

#### Expenditure was \$28,000 more than budget due to :

- Additional depreciation expenses of \$0.5 million being charged. Road assets that were constructed during the year incurred a higher depreciation expense than budget. The budgets were prepared on the basis that the assets would be completed in June 2011. Increases in depreciation were also incurred for property assets where the budgets under-estimated the impact on some of the property assets that were revalued in 2009/2010 year.
- Finance costs were \$0.9 million less than budget due to unplanned economic conditions resulting in lower interest rates than what was used in the budget preparation.
- Road expenditure was \$0.5 million more than budget due to unbudgeted emergency works costs that were incurred as a result of weather events during the year.

# Summary Statement of Changes in Equity For the Year ended 30 June 2011

(\$000's)	2011 ACTUAL COUNCIL	2010 ACTUAL COUNCIL	2011 ACTUAL GROUP	2010 ACTUAL GROUP
<b>Retained Earnings</b>				
Balance at 1 July	197,598	196,530	203,495	195,809
Surplus/(Deficit) for the year	2,051	(6,568)	(3,547)	50
	<b>2,051</b>	<b>(6,568)</b>	<b>(3,547)</b>	<b>50</b>
Transfer to Retained Earnings on Asset Disposal	614	262	614	262
Transfer to Council Created Reserves	(9,814)	7,374	(9,814)	7,374
<b>Balance at 30 June</b>	<b>190,449</b>	<b>197,598</b>	<b>190,748</b>	<b>203,495</b>
<b>Other Reserves</b>				
<b>Council Created Reserves</b>				
Balance at 1 July	(6,518)	856	(6,518)	856
Transfers from Retained Earnings	9,814	(7,374)	9,814	(7,374)
	<b>3,296</b>	<b>(6,518)</b>	<b>3,296</b>	<b>(6,518)</b>
<b>Available for Sale Reserves</b>				
Balance at 1 July	4	4	4	4
Valuation Gains/(Losses)	0	0	0	0
<b>Balance at 30 June</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>4</b>
<b>Hedging Reserve</b>				
Balance at 1 July	0	0	0	0
Gains/(Losses) from Cash Flow Hedges	(101)	0	(101)	0
<b>Balance at 30 June</b>	<b>(101)</b>	<b>0</b>	<b>(101)</b>	<b>0</b>
<b>Total Other Reserves at 30 June</b>	<b>3,199</b>	<b>(6,514)</b>	<b>3,199</b>	<b>(6,514)</b>
<b>Revaluation Reserves</b>				
Balance at 1 July	50,879	33,512	52,272	34,179
Revaluation Gains/(Losses)	0	17,629	0	18,349
Related Income Tax	0	0	0	6
	<b>0</b>	<b>17,629</b>	<b>0</b>	<b>18,355</b>
Transfer to Retained Earnings on Asset Disposal	(614)	(262)	(614)	(262)
<b>Balance at 30 June</b>	<b>50,265</b>	<b>50,879</b>	<b>51,658</b>	<b>52,272</b>
<b>Total Equity</b>				
Balance at 1 July	241,963	230,902	249,253	230,848
Surplus/(Deficit) for the year	2,051	(6,568)	(3,547)	50
<b>Other Comprehensive Income</b>				
Revaluation of Property, Plant and Equipment	0	17,629	0	18,349
Gains/(Losses) from Cash Flow Hedges	(101)	0	(101)	0
Related Income Tax	0	0	0	6
<b>Total Comprehensive Income</b>	<b>1,950</b>	<b>11,061</b>	<b>(3,648)</b>	<b>18,405</b>
<b>Balance at 30 June</b>	<b>243,913</b>	<b>241,963</b>	<b>245,605</b>	<b>249,253</b>

# Summary Balance Sheet as at 30 June 2011

(\$000's)	Note	2011	2011	2010	2011	2010
		BUDGET	ACTUAL	ACTUAL	ACTUAL	ACTUAL
		COUNCIL	COUNCIL	COUNCIL	GROUP	GROUP
<b>Equity</b>	<b>1</b>	<b>250,575</b>	<b>243,913</b>	<b>241,963</b>	<b>245,605</b>	<b>249,253</b>
Current Assets	2	5,389	10,231	3,391	17,283	11,474
Current Liabilities	3	4,984	14,071	12,000	28,216	24,769
Net Working Capital		405	(3,840)	(8,609)	(10,933)	(13,295)
Total Non Current Assets	4	295,632	284,321	281,045	293,730	293,640
Total Non Current Liabilities	5	45,462	36,568	30,473	37,192	31,092
<b>Net Assets</b>		<b>250,575</b>	<b>243,913</b>	<b>241,963</b>	<b>245,605</b>	<b>249,253</b>

## Explanation of variances to budget (Council)

Note 1: Council's total equity was \$6.6 million less than budget. The significant part of this was due to the fair value write down of Council's investment in its wholly owned subsidiary Inframax Construction Ltd in the 2009/2010 year with the write down not being included in the 2010/11 budgeted equity. This decrease was partly offset by a higher than expected increase in revaluation reserve that was processed after the 2009-19 LTP budgets were prepared.

Note 2: Current assets were \$4.9 million less than budget. Loans were raised in anticipation of capital works program which was delayed, these additional funds were invested in short term investments to earn interest revenue that would offset the interest paid on the external loans. The surplus funds were not anticipated at the time the budgets were prepared. A higher than expected rates receivables balance at 30 June 2011 also contributed to the variance.

Note 3: Current liabilities were \$9.0 million more than budget due to the current portion of borrowings being incorrectly classified as non current borrowings in the budget.

Note 4: Non current assets were \$11 million less than budget due mostly to the reduction in Inframax Construction Ltd investment value to nil in the 2009/10 year with the writedown not being included in the 2010/11 budgeted investments. In addition to this the value of Property, Plant and Equipment was less than budget as a result of the delay or deferral of planning capital projects.

Note 5: Non current liabilities were \$9.0 million less than budget as the budgets incorrectly classified current borrowings as non current borrowings.

## Council and Group Borrowings

Borrowings of the Council and Group as at balance date:

(\$000's)	Waitomo District Council		Waitomo District Group	
	2011 ACTUAL	2010 ACTUAL	2011 ACTUAL	2010 ACTUAL
Bank Overdraft	0	0	3,308	2,300
<b>Current</b>				
Secured Loans	9,781	8,434	16,089	15,269
Lease Liabilities	50	71	160	84
<b>Total Current</b>	<b>9,831</b>	<b>8,505</b>	<b>16,249</b>	<b>15,353</b>
<b>Non Current</b>				
Secured Loans	35,500	29,497	35,581	29,660
Lease Liabilities	41	91	244	124
<b>Total Non Current</b>	<b>35,541</b>	<b>29,588</b>	<b>35,825</b>	<b>29,784</b>
<b>Total Borrowings</b>	<b>45,372</b>	<b>38,093</b>	<b>52,074</b>	<b>45,137</b>

## Council

The Council has a wholesale advance facility which has a limit of \$5,000,000 (2010: \$5,000,000). There was \$3,097,000 (2010: \$5,000,000) available on this facility as at 30 June 2011. In July 2011, the wholesale advance limit was increased to \$5,800,000.

## Security

Council borrowings are secured over annual rates on every rateable property within the Waitomo District. During the financial year Council changed the way security for borrowings is offered to lenders. On the 6 August 2010 a Debenture Trust Deed was executed, whereby security in the form of a charge over rates revenue is held by a trustee for the benefit of Council's lenders. Prior to that security was offered by way of Deed of Charge in favour of Council's bank who was Council's sole lender at the time.

At 30 June 2011 the total amount of Stock issued and outstanding under the Debenture Trust Deed was;

(\$'000's)	Waitomo District Council	
	2011 ACTUAL	2010 ACTUAL
Depenture Stock	18,500	0
Security Stock*	45,000	0
<b>Total Stock Issued</b>	<b>63,500</b>	-

\*Security Stock issued is a general security instrument issued to Westpac Banking Corporation Limited for security for a number of Wholesale Term Loans, Wholesale Advance Facility and Interest Rate Swap contracts. The amount offered as security is more than the borrowing outstanding with Council's bank secured under this Security Stock.

## **Group**

The current portion of secured loans as at 30 June 2011 for the Group is made up of the Council loans noted above and bank loans issued to Inframax Construction Limited and Independent Roadmakers Limited. As part of Inframax Construction Limited's security arrangements with Westpac, Inframax Construction Limited is required to meet the banks covenant requirements on a quarterly basis. At balance date, Inframax Construction Limited was in breach of its banking covenants. Accordingly, the interest bearing borrowings for Inframax Construction Limited have been reclassified as current loans pursuant to NZ IFRS (NZ IAS 1). The carrying value of non-current loans reclassified to current borrowings is \$6,227,297 (2010: \$6,754,485). Both Westpac and the Board of Directors of Inframax Construction Limited are aware of the breaches. Refer to Note 31 (as contained in the full Annual Report 2010/11) for status of Inframax Construction Limited with regards to their future borrowings.

At 30 June 2011, Inframax Construction Ltd had a multi option credit line facility of \$3,750,000 (2010: \$3,750,000) of which \$442,502 (2010: \$1,466,021) was available at 30 June 2011. The multi option credit line facility matures on 31 March 2012.

## **Security**

The overdraft facility and loans of Inframax Construction Ltd are secured by way of debenture over the assets of the business.

# Summary Cash Flow Statement for the year ended 30 June 2011

(\$'000's)	Waitomo District Council			Waitomo District Group	
	2011 BUDGET	2011 ACTUAL	2010 ACTUAL	2011 ACTUAL	2010 ACTUAL
Net Cash Inflow from Operating Activities	8,172	7,074	7,931	6,226	7,383
Net Cash Inflow from Investing Activities	(13,384)	(9,536)	(10,442)	(9,685)	(8,647)
Net Cash Inflow from Financing Activities	5,339	7,218	2,690	7,057	2,190
Net increase/(decrease) in cash, cash equivalents and bank overdrafts	127	4,756	179	3,598	926

# Summary of Notes

## Capital Expenditure

	Waitomo District Council		
(\$'000's)	2011 BUDGET	2011 ACTUAL	2010 ACTUAL
<b>Capital by Significant Activity</b>			
Leadership	185	172	287
Community Facilities	478	684	343
Community Development	0	2	0
Solid Waste	127	407	888
Stormwater	99	36	76
Sewerage	5,965	2,383	1,302
Water Supply	1,534	236	346
Land Transport	4,996	4,317	4,603
<b>Total Capital Expenditure</b>	<b>13,384</b>	<b>8,237</b>	<b>7,845</b>
<b>Shown as Additions to</b>			
Property, plant and equipment	13,384	8,204	7,751
Intangible assets	0	22	78
Investment Property	0	11	16
<b>Total Capital Expenditure</b>	<b>13,384</b>	<b>8,237</b>	<b>7,845</b>
<b>Funded by</b>			
Loans	4,788	2,211	2,192
Subsidy Revenue	5,985	3,685	2,690
Reserves	2,611	2,341	2,963
<b>Total</b>	<b>13,384</b>	<b>8,237</b>	<b>7,845</b>

## Significant Variations to Budget

Refer to pages 17 and 19 of this Annual Report Summary (Financial Summary).

## Commitments at 30 June 2011

Council's commitments on projects where contracts have been entered into but goods and services have not been received were \$11.8 million (2010: \$11.5 million). Of this, \$1.0 million (2010: \$0.2 million) related to capital expenditure, \$0.1 million (2010: \$0.1 million) related to non-cancellable operating leases and \$10.7 million (2010: \$11.2 million) related to operational commitments.

## Contingencies

### Council

In respect of the mining licence for McKenzies Quarry, Council has provided the Ministry of Commerce with a land reinstatement bond of \$10,700 (2010: \$10,700), in lieu of a cash deposit.

Council is a shareholder in Local Authority Shared Services Ltd. LASS is jointly owned by 13 local authorities and has been set up to develop shared service initiatives, including a valuation database. There is uncalled capital of \$34,221 (2010: \$34,221) that Council may be required to pay if called. Council considers it unlikely that it will be called upon for the capital and therefore have not provided for this claim.

Council has provided in its provisions amounts for calls for New Zealand National Mutual Riskpool of which Council a member of (Note 16 as contained in the full Annual Report 2010/11). It is possible further calls may be demanded of Council in the future. The timing and amount of further calls is currently unknown.

## Group

On 1 July 2011, Inframax Construction Limited received a final claim from one of its' major subcontractors for \$141,829 excl GST. This claim is disputed in full and a payment schedule of \$119,061 excl GST has been submitted to the subcontractor. No further action has been taken by either party.

A contingent liability of \$13,854 exists at 30 June 2011 (2010: \$17,275) being bonds guaranteed by Westpac New Zealand Ltd and will be payable if the Group cannot fulfil its contractual obligations.

## **Provision for Financial Guarantees**

The Council is listed as sole guarantor to a community organisation's bank loan for a total of \$70,000 (2010: \$70,000). The Council is obligated under the guarantee to make loan payments in the event the organisation defaults on a loan arrangement. The exercising of guarantees will be dependent on the financial stability of the community organisations, which will vary over time. Council considers it unlikely that the groups will default on the loan arrangement and therefore have not provided for these guarantees.

## **Related Party Transactions**

The Council is the ultimate parent of the Group. Related parties include its subsidiary Inframax Construction Ltd and Inframax's subsidiary Independent Roadmarkers Taranaki Ltd, the Council's investment in Local Authority Shared Services Ltd and NZ Local Government Insurance Company.

### Council

Council has a 100% shareholding in Inframax Construction Ltd. The following related party transactions are included in Council's financial statements.

(\$000's)	<b>Waitomo District Council</b>	
	<b>2011 ACTUAL</b>	<b>2010 ACTUAL</b>
<b>Transactions with Inframax Construction Ltd</b>		
Road construction and maintenance expenditure	7,419	6,792
Landfill expenditure	0	178
Other revenue	167	119
Subvention revenue	0	0
Dividend revenue	0	0
<b>Balances Outstanding with Inframax Construction Ltd</b>		
Creditors	988	883
Debtors	55	1

### **Inframax Construction Limited**

The Company paid plant hire fees of \$99,325 (2010: \$261,180) to C C Browne Contracting, a business that was owned by the late C C Browne, an employee of the Company. There was \$29,291 outstanding at year end (2010: \$34,667).

The Company paid plant hire fees of \$22,210 (2010: \$24,435) to R & M Simpson Contracting, a business owned by R Simpson, an employee of the Company. There was \$1,812 owing at year end (2010: \$720).

## **Key Management Personnel**

(\$000's)	<b>Waitomo District Council</b>		<b>Waitomo District Group</b>	
	<b>2011 ACTUAL</b>	<b>2010 ACTUAL</b>	<b>2011 ACTUAL</b>	<b>2010 ACTUAL</b>
<b>Total Payments made to Key Management Personnel</b>	<b>1,034</b>	<b>988</b>	<b>1,501</b>	<b>1,517</b>

Council's key management personnel include the Mayor, Councillors, Chief Executive and other senior management personnel.

The Group's key management personnel include the Mayor, Councillors, Chief Executive and other senior management personnel and the Directors and executive staff of Inframax Construction Ltd.

There were no other related party transactions during the year (2010: Nil).

## **Events after balance date**

### General Maintenance Road Contract

The general maintenance road contract was retendered and on 12 August 2011 the contract was awarded to Downer NZ Ltd for the three year period commencing 1 October 2011. Waitomo District Council advised that Inframax Construction Ltd was unsuccessful in the retendering the contract for the 2011-2014 term. This contract accounted for \$6.3 million revenue of the Company's total revenue of \$32.7 million for the year ended 30 June 2011. As a result of the loss of the contract, approximately 25 positions at Inframax Construction Ltd will be made redundant.

### **Inframax Construction Ltd**

Inframax Construction Limited over the past three years has been severely impacted by the economic downturn in the roading construction industry. As a result the company has been experiencing financial difficulties and the balance sheet has continued to deteriorate due to the significant losses being incurred.

During the financial year Inframax Construction Limited prepared a recovery plan which required further funding injections over the next year as follows:

- (i) Introduction of \$800,000 by Waitomo District Council of additional equity in the form of an increase in the shareholding investment,
- (ii) Waitomo District Council to purchase the Parkside subdivision for book value, (refer below); and
- (iii) Further shareholder advances or further lending from Westpac New Zealand Limited up to \$2m.

Subsequent to balance date, WDC decided to and injected \$800,000 of additional equity and has made the decision to purchase the Parkside subdivision and to advance a loan of \$750,000 to the Company on terms that are not more favourable than if WDC were to borrow the funds externally. Westpac New Zealand Limited has also advised it will provide an extension to existing working capital facility to Inframax Construction Limited of \$600,000 on a month by month basis. WDC has signed a letter of support for Inframax Construction Limited's recovery plan.

No adjustments other than the write-down/off of assets that were impaired at balance date have been made in the Group financial statements.

The carrying value of assets and liabilities of Inframax Construction Limited incorporated in the consolidated financial statements at 30 June 2011 is as follows:

Assets	17,676,452
Liabilities	15,876,873
Net assets	1,799,579

No post balance date losses or costs have been accrued in the above assets and liabilities.

### **Investment in Inframax Construction Ltd - Impact on Council Financial Statements**

In July 2011 Council agreed to introduce \$800,000 of additional equity in the form of an increased shareholding investment to that value. This was paid to the Company in two equal instalments on 5th and 13th July 2011.

### **Purchase of Parkside Subdivision**

In October 2011 Council agreed to purchase the Parkside subdivision from Inframax Construction Ltd for the current book value which closely approximates market value (\$1.316 million as adjusted for any current completed sales). It is anticipated that this transfer will be processed in November 2011.

### **Compliance with Legislation**

#### Council

Waitomo District Council have breached their statutory deadline of 31 October 2011 as required by the Local Government Act 2002, section 98 (3). This was due to the delay in receiving Inframax Construction Ltd's financial statements within the statutory timeframe. Further to this, delays were experienced in receiving the Company's recovery plan and supporting information to enable WDC to make an informed decision about further funding injections to the Company.

In 2010 Council was required under Section 92 of the Local Government Act 2002, to monitor and report at least every three years on the progress made by the community in achieving the community outcomes identified by the community as being important for the district. Council did not comply with Section 92. The reason for not completing this work was due to Council rebuilding capacity and focusing on the development of an integrated planning framework to establish a revised strategic direction. Section 92 was repealed as part of amending the Local Government Act in 2010.

## Group

The following breaches of the Local Government Act 2002 are noted for the Group:

Section 69 as Inframax Construction Limited did not prepare consolidated financial statements;

Section 9 (1) of Schedule 8 as the 2010/11 Statement of Intent for Inframax Construction Limited was not prepared on a group basis;

Section 66 as the 31 December 2010 half year accounts prepared did not include information required by the company's statement of intent for Inframax Construction Limited and Independent Roadmarkers Taranaki Limited;

Schedule 8, Clause 7 as the Statement of Intent was not made publicly available within one month after the date it was delivered to the shareholders or adopted as the case may be for Inframax Construction Limited and Independent Roadmarkers Taranaki Limited; and

Section 67(1) as audited accounts were not delivered to the shareholder within three months of balance date and the 2009/2010 audit accounts were not made available to the public for Inframax Construction Limited and Independent Roadmarkers Taranaki Limited; and

Schedule 8, Clause 2 which requires delivery of the draft Statement of Intent to the Shareholders before 1 March each year for Independent Roadmarkers Taranaki Limited.