

Waitomo District Council

Annual Report 2009-2010



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1. Introduction



Marokopa Falls, Waitomo

1.1 Message from the Mayor and Chief Executive

We are pleased to present the Annual Report for the year ended 30 June 2010. This Report provides a record of the activities, achievements and financial performance of the Waitomo District Council for the 2009/10 year.

Most importantly this Report also serves to record the work of the Council for the 2007 to 2010 Triennium. That period encompasses a responsibility for the development of three annual budgets (Financial years 2008/09, 2009/10 and 2010/11) and the 2009-19 Long Term Plan together with accountability for outcomes measured by the Annual Reports for the Financial years 2008/09 and 2009/10.

The Triennium was a period of great challenge for the elected Council and for the Waitomo District Council as an organisation.

In 2007 the Council set about the task of addressing the very difficult position it found itself in. The Council needed to change the approach taken by predecessor Councils and move to operating on a financially sustainable basis. With the help of a Government appointed independent advisory panel, the Council identified the size of the financial problems and made hard decisions to meet the requirements of the Local Government Act and as a result has placed the Council on a much more secure financial footing. The extent of issues facing the Council in 2007 have meant that there is no quick or easy solution. From the very outset the Council has signalled that "this journey" would take some years.

The Council has persevered and made considerable progress to date and we note here that the Annual Plans for 2007/2008 and 2008/2009 as well as the LTCCP 2009/19 have all received fully unqualified audit opinions.

The Triennium period has also been marked as a time when the Council operated very effectively at a political level and a very good working relationship has developed between the elected Council and the Council organisation and its management.

The 2009/10 Annual Report includes a Community Outcomes section that defines the scope of Council's planning process, together with a Group of Activities section that records Council's key achievements and service performance.

Turning to the financial year under report we would 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.

The financial performance of that investment has been a matter of careful consideration for the past two financial years. A considerable effort has gone into working with the Inframax Board and especially it's Executive Chairman, to ensure the Company remains in, and remains as a large employer, in the Waitomo District.

The financial performance, when assessed in the context of the local trading conditions as exacerbated by the local effects of the Global Financial Crisis has brought the Council to the point where it must record the value of the Inframax investment at \$0 as at the 30th of June.

The Council recognised that potential outcome, in terms of forecast investment income, when it developed the Annual Plan for the period 2010/11. Council has reordered its financial affairs so that no allowance for or reliance on investment income is factored into its financial plans.

However a conservative positive dividend income forecast was factored into the financial plans contained within the 2009-19 Long term Plan.

The Council has worked very closely with the Board of Inframax Construction Limited to better understand the financial circumstance and to assess the likely future performance of the investment.

Council is confident that the Board is doing everything that it can to improve financial performance and that excellent progress has been made in that regard. We have committed to a process with the Board that offers the opportunity, over time, for the value of the Investment to be restored.

A key challenge for the elected Council of the new 2010-2013 Triennium 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 will be a critical time in all regards.

Some of that work is already in hand. The 2010/11 AP summarises a huge amount of work 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 2010/11 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 2009-19 Long Term Plan for the 2010/11 financial year resulted in an overall increase in rate revenue of 4.4% compared with 16.8% forecast in the 2009-19 LTP. We would also record here that that Plan underwent a further 'Financial Health Check' by Council's Auditors prior to its adoption.

The elected Council seeks out community impressions of the standard of services provided by the Council. Immediately following the close of the 2009/10 year a Resident Satisfaction Survey (RSS) of 501 district residents was undertaken. Specifically the RSS was aimed at identifying and measuring Council's performance, gaining information in relation to levels of service and providing an insight into community satisfaction with Council services and activities.

Overall the results for 2010 show an 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 2009 survey and benchmarks for signage, street lighting and footpaths have all been exceeded. Improvements have also been found on measures that were rated poorly last year, particularly the quality of the rail crossings and also the number of potholes. While there are still a few areas on the roads that appear to require further attention the overall result is an improvement on the 2009 results.

In conclusion, the 2010/11 financial year will see Waitomo District Council move closer to its target of financial sustainability even though some "roading rates catch-up" increase will fall into the 2011/2012 year.

Another area of extraordinary consumption of time and resource involved Council's efforts to engage with a group of residents which made application to the Minister of Local Government to review the performance of the Council. The Minister declined that request. However attempts have been made to assist them understand the issues and options Council has been addressing since October 2004. Regrettably that effort has only met with limited success to date.

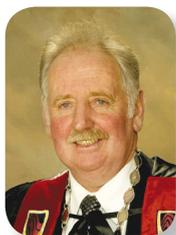
Also during the 2009/2010 year significant improvement was made in the area of planning for waste management and minimisation.

The operational effect of those new plans has seen a redeveloped Waitomo District landfill and a network of rural transfer stations. The community has made the transition to new methodologies well. Council also reviewed its arrangements for the provision of garden maintenance and although it had been well served in the past by way of contracts it was decided to take that work back "in house". This has also proved a cost effective move. Similarly the swimming pool operation has moved away from "outsourcing" to being operated by Council staff. Tendering produced very expensive outsourcing options and was therefore unacceptable.

At the time of preparing this Annual Report for adoption, Triennial Elections are at hand. While the magnitude of challenges facing the District are now clearly documented, understood and addressed they have not been eliminated and significant challenges remain.

The Land Transport rate funding shortfall remains the immediate issue, waste water and water treatment infrastructure upgrades command immediate attention also. These latter considerations are influenced by Central Government subsidy (or not) and the unpredictability of the consenting processes fixed by the Resource Management Act.

In conclusion we thank the elected Council and staff who have worked hard and have achieved good outcomes for Waitomo District during the 2009/2010 year.



MARK AMMON
MAYOR



CHRIS RYAN
CHIEF EXECUTIVE

1.2 Statement of Service Performance – Results at a glance

Introduction

This summary provides an overview of Council's Key achievements and service performance for 2009/10 across the range of 11 Significant Activities (identified as part of Council's 2009-19 Long Term Plan).

Council has maintained a strong Service Performance focus over the three financial years up to and including the reporting period covered by this Annual report.

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

Background

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

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

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

The work of the Advisory Panel (AP) included;

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

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

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

The key AP Service Performance related findings included;

Te Kuiti Water Treatment Plant

".....The **plant is of an age** that upgrading of some of the network and the inclusion of new technology needs to be considered...."

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

The need for the upgrading "must first be understood "and **until this is fully understood** and quantified and a detailed rationale produced **no significant work should be undertaken**".

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

Te Kuiti Waste Water System

<p>the Te Kuiti system "is unable to cope with flows in wet weather resulting in overflows from the system." and "It is not known which parts of the sewer system may be limiting the capacity of the total system".</p>
<p>"the original design was based on 4333 cm/day for storm flow whereas under peak flow this is at 7068cm/day. This significant increase above the design is an issue that needs investigation as to why it occurs and how to resolve it".</p>
<p>"Once the treatment plant and inflows from the network are addressed (or in hand) it should be possible to obtain better costing ...and consider the economics of requiring a higher quality of effluent entering the public network from industries to better focus their costs.</p>
<p>"the economics of requiring the industry to treat their wastes to a higher standard prior to discharge should be fully explored. Cost sharing of any future upgrading of the Council plant should also be explored."</p>
<p>"The industries involved are likely to express concern at such a move. However throughout New Zealand councils are taking action to improve discharges".</p>
<p>Waitomo's utility services assets are in a poor state with significant deferred maintenance requiring attention.</p>
<p>The underground assets are deteriorating with high water losses and high storm flows into the sewerage schemes.</p>
<p>There is a need to quickly improve Council knowledge of the assets and their performance to optimise the operational performance and to ensure that the Council is eligible for external financial assistance.</p>
<p>The forward capital works programmes should be reviewed so as to prioritise proven essential needs.</p>

Inframax Limited

<p>Due to the current situation with the Council finances it is an appropriate time to review more fully Inframax's long-term intentions and strategy.</p>
<p>Council should review the forward plans and strategies with Inframax each year on this point. the performance of Inframax for 2006 was not as good as the previous year.</p>

Land Transport (Roads)

<p>Roading is an inefficient area to make cuts due to the subsidy component. Nonetheless some cuts can be made in the areas of capital improvements and renewals.</p>
<p>The level of funding required for sustainable management of the roading network is not accurately known at present. Further work is required to establish this with certainty.</p>

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

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

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

Rates Affordability and Sustainable Financial Management

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

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

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

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

Changes to Levels of Service (Affordability Principle)

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

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

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

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

Community Well-being

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

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

- A strategic review of service levels for Council's Roading Network.
- Investigation of extension of the Benneydale wastewater scheme to areas not currently reticulated. The estimated capital cost of this, based on a preliminary concept design, is approximately \$2.2 million. Approval in principle for Ministry of Health (MoH) subsidy has been obtained.
- Allowance has been made for the addition of filtration and ultraviolet disinfection, or land based disposal, in 2010/11 for Benneydale sewage treatment plant, at an estimated cost of \$220,000, to achieve a higher standard of discharge quality.
- A wastewater scheme concept and design for Mokau-Awakino is to be investigated towards the end of the planning period.
- For Te Kuiti Sewerage Reticulation, a long term infiltration and inflow investigation and reduction programme is to be initiated. The estimated cost of the required renewals for the Te Kuiti scheme over the next 10 years is \$835,000, on top of the investigation and rehabilitation work.
- The second stage of a wastewater treatment plant upgrade for Te Kuiti to address current non-compliance issues, including a stormwater inflow bypass and storage/treatment pond and conversion of the treatment zones to an anaerobic pond, is scheduled for completion at an estimated cost of \$7.4 million including design and consent costs.
- Acquiring additional land and extending the land disposal area is planned for the Te Waitere wastewater scheme.
- For Te Waitere wastewater, renewals totalling \$52,000 over the next 10 years have been programmed, commencing with replacement of the rising main over the first two years, followed by the gravity lines over the remainder of the planning period.
- The Te Kuiti water treatment plant requires upgrading particularly in light of the 2005 Drinking Water Standards and the Health (Drinking Water) Amendment Act 2007 which came into force on 1 July 2008. Planning for investigation and design of the upgrade is scheduled for 2009/10 with implementation due in the following year.
- Additional water storage for the Te Kuiti scheme is required in order to meet peak summer demands, particularly in the central supply zone which includes the CBD and Te Kuiti Hospital, with current storage capacity only 4 – 6 hours during peak periods. A proposal to increase storage at Blackman's Reservoir, thereby avoiding the need for four separate pumping stations, is under consideration for implementation in 2017/18. Estimated budget is in the order of \$1.5 million.
- A strategy for the future ownership and development of the water and wastewater infrastructure at Waitomo Village is to be developed in conjunction with the current owners of these assets.

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

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

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

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

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

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

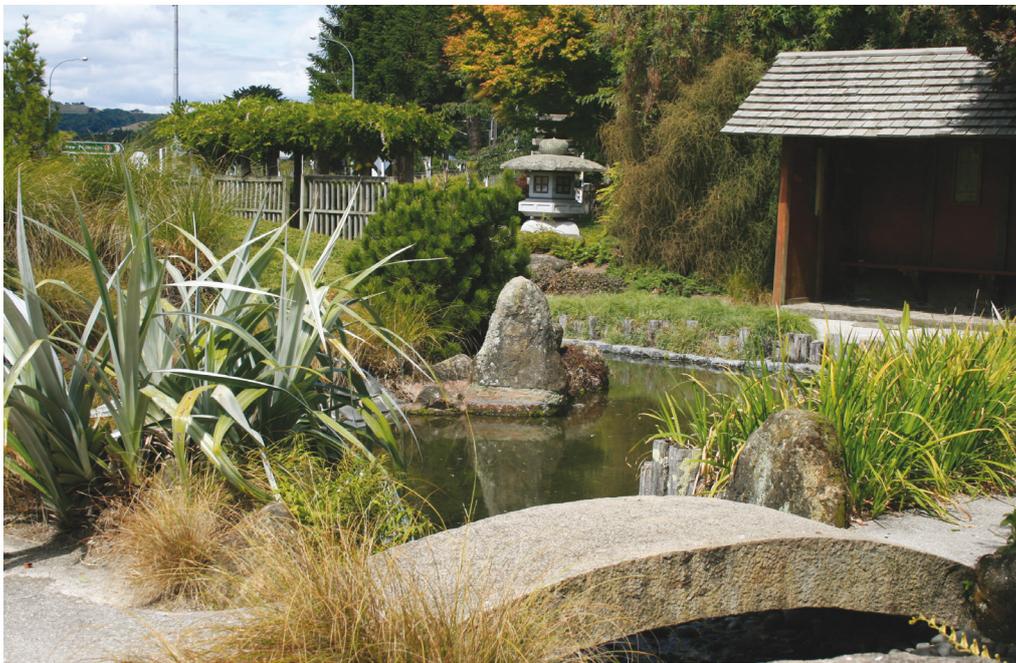
The 2009-19 LTP followed the recently adopted Solid Waste Management and Minimisation Plan which includes replacement and expansion of the existing waste transfer stations with fenced and supervised facilities including upgraded recycling stations, plus the introduction of fees and charges at the point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

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

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

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

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



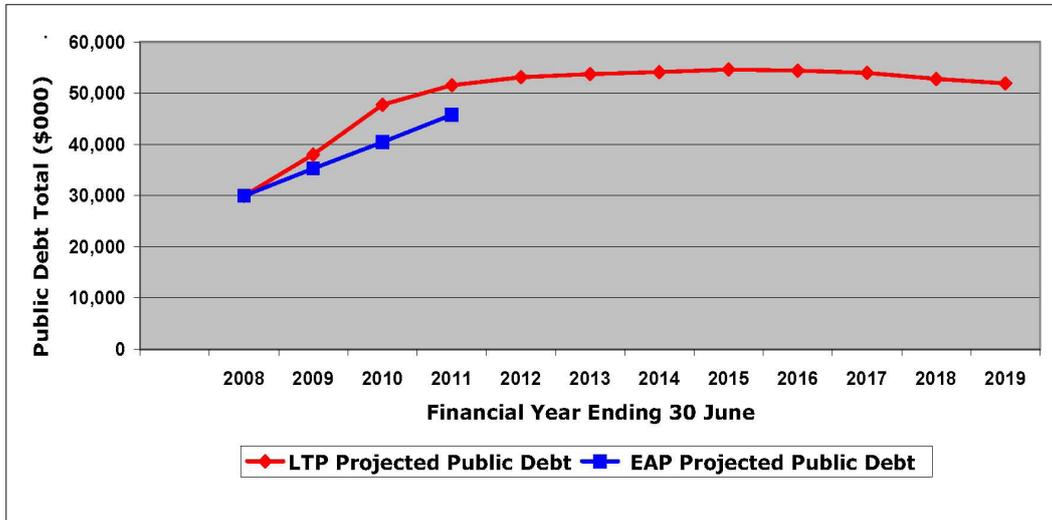
Japanese Gardens, Te Kuiti

Financial Forecasts

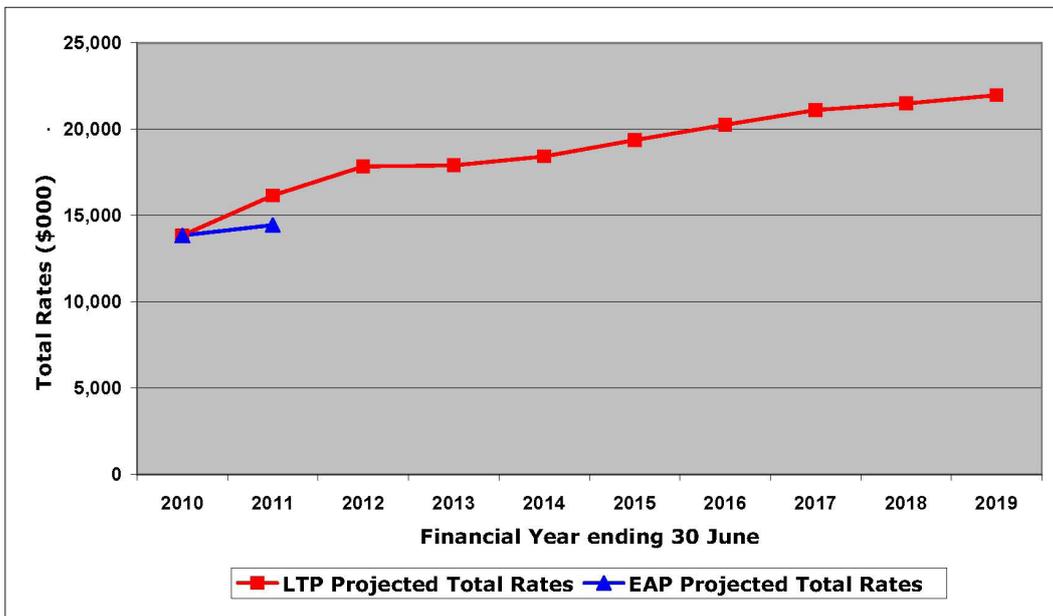
The following graphs, document the decisions taken for the 2010/11 Financial year (including the outcomes of the Financial Sustainability and Rates Affordability Review).

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

Forecast Public Debt Profile



Forecast Total Rates Requirement



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

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

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

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

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

Overall the public debt profile remains below that provided for in the 2009-19 Long Term Plan.

Measuring Resident Satisfaction

Waitomo District Council has made good progress in achieving the planned levels of service and the performance targets for the year.

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

Local Roads Network

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

Te Kuiti Waste Water

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

Benneydale Waste Water

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

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

1.2.1 Service Performance

Council adopted a range of performance targets to allow it to measure, over time, whether or not the performance in the delivery of services was properly focused on WDC's' priorities. Some of those key performance priorities are summarised below. More detail can be found under the various Activity headings in Section 3 of this document.

Land Transport (Roading) Activity

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

Sewerage (Waste Water) Activity

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

Water Supply Activity

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

Investment Activity

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

1.2.2 How we performed

The following provides an overview of how we performed.

Land Transport (Roading) Activity

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

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

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

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

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

Turning to the service performance outcomes

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

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

Sewerage (Waste Water) Activity

Te Kuiti Sewerage

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

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

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

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

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

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

Turning to the service performance outcomes

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

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

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

Piopio Sewerage

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

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

Physical works remaining to be completed include:

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

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

Water Supply Activity

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

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

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

Turning to the service performance outcomes

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

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

Investment Activity

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

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

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

Turning to the service performance outcomes

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

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



Esplanade Te Kuiti

1.2.3 Present and future action

Sewerage (Waste Water) Activity

Te Kuiti Sewerage

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

Inflow	
Present	Surveys and CCTV work has been carried out on the nine catchment areas in Te Kuiti. The areas were ranked from worst to best in terms of inflow. After determining the worst affected area, inspections of homes were carried out and landowners were advised as to what is required to remove their storm water from the sewer system.
Future	This will continue catchment by catchment until at least 2019.
Infiltration	
Present	Surveys and CCTV work has been carried out to determine where the infrastructure is failing and allowing groundwater infiltration into the sewer system. Remedial work has been started to reduce the infiltration.
Future	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 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 Bylaw has been implemented and the need for charges to reflect the loads delivered to the sewerage system has been explained to the major users.	
Consultation with major users to pre-treat their waste prior to discharging into the sewer system, in turn reducing their cost through discharging a weaker strength waste is ongoing.	

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

Water Supply Activity

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

Investment Activity

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

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

1.3 Statement of Compliance and Responsibility

Responsibility

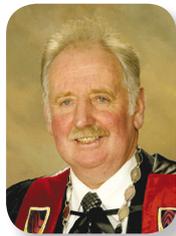
The Council and the Management of WDC accept the responsibility for the preparation of the annual Financial Statements and the judgements used in them.

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 annual Financial Statements for the year ended 30 June 2010 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.

A handwritten signature in black ink, appearing to read 'Mark Ammon'.

MARK AMMON
MAYOR

A handwritten signature in black ink, appearing to read 'Chris Ryan'.

CHRIS RYAN
CHIEF EXECUTIVE

Dated this 8th day of October 2010

1.4 Report on Long Term Plan, Annual Plan and Financial Policies

1.4.1 Waitomo District Councils Performance against the 2009-19 Long Term Plan and Annual Plan 2009/10

Background

The Long Term Plan (LTP) identifies the community outcomes that are important to the Waitomo District Community and the Significant Activities of the WDC. It is designed to assist in the co-ordination of resources and decision-making of WDC in response to Community Outcomes. The plan provides a long term focus for decisions and a basis of accountability to the community.

The Local Government Act 2002 specifies that every local authority must provide in its annual report sufficient information to enable a comparison of the actual activities and performance of the local authority in any given year against the intended level of performance for that year as forecast in the relevant LTP. This section of the 2009/10 Annual Report is designed to provide that comparison.

Overall Performance

Long Term Plan

WDC would have recorded a pleasing financial performance result had it not been for the write down of its investment in Inframax Construction Limited for the year. WDC's own performance was better than expected given the challenging economic environment and not receiving any investment income.

WDC reported a net deficit after tax of \$6.6 million compared to a LTP budget surplus of \$3.4 million. This result is attributable to the less than satisfactory performance of WDC's wholly owned subsidiary, Inframax Construction Limited. (In addition to not receiving any investment income as budgeted for, WDC incurred a loss of \$8.4 million for the write down of the value of this investment. The LTP provided for both investment income to be received and the value of WDC's investment to increase).

Despite this setback, results from WDC's own operations were generally in line with the results projected in the first year of the 2009-2019 LTP.

The major variances in overall performance are explained below:

Revenue

Revenue and other gains and losses were \$11.3 million less than LTP budget due to the following factors;

- The subsidiary (Inframax Construction Ltd) did not trade profitably during 2009-2010 and consequently no dividend or subvention revenue was received by the WDC.

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 Inframax has not performed in line with expectations over the last three years and given that it is not probable the Company will be in a position to provide a return on the WDC's investment in the immediate future, WDC decided to write-down the value of its investment in Inframax Construction Ltd to nil as at 30 June 2010 incurring a loss of \$8.4 million.

Investment income from Inframax has traditionally been used to reduce the General Rate impact on the District community. In effect, investment income has been used to meet the day to day delivery cost for a wide range of services. Given the seemingly volatile source of WDC's anticipated investment income it is accepted that this strategy is not without financial risk. For example, it could impact on WDC's reserve balances and possibly public debt levels if further borrowings are required to maintain cash-flow. Alternatively, the community will need to fund any shortfall in investment income through an increase in rates to maintain existing levels of service.

WDC continues to consider its options in relation to its investment in Inframax having regard to the impact of its decisions on the social and economic well-being of the District community, in accordance with the Local Government Act 2002. During its review of the 2009-2019 Long Term Plan (LTP) WDC's confirmed that its updated strategic direction relies on the successful restructuring of Inframax to ensure that over time the dividends return to their

- historic levels. This is projected to enable the WDC to reduce the levels of borrowing.
- Sewerage subsidies were \$2.6 million less than the LTP budget. The LTP provided for more capital expenditure at Te Kuiti, Benneydale and Piopio than was actually undertaken during the year. Resource consent delays and the subsequent delays in obtaining Ministry of Health subsidy approvals means that the majority of capital works planned for 2009/2010 will now be carried out in 2010/2011 and beyond.
- A \$0.2 million loss on revaluation of investment properties due to revaluing that class of assets to fair value.
- Solid waste revenues also increased \$0.2 million more than the LTP forecast due to increased volumes received at the Waitomo District Landfill during 2009/2010.

Expenditure

Expenditure was \$1.5 million less than the 2009-2019 LTP forecasts and is due to the following factors:

- The 2009-2019 LTP provided for more in depreciation and interest costs than was actually expended during the year. This reduction in depreciation and interest costs was due to deferred capital works and the subsequent lower than forecasted levels of public debt required.
- Other savings were achieved with the awarding of a new management contract at the Waitomo District Landfill, \$0.6 million of roading maintenance deferred because of weather conditions and prudent management of other operating and maintenance budgets.

Balance Sheet

Total equity was forecast to be \$249.3 million in the 2009-2019 LTP.

- Actual total equity is \$7.4 million less due mainly to the write-down of WDC's wholly owned subsidiary Inframax Construction Limited.
- Public debt at 30 June was \$38.0 million whereas the 2009-2019 LTP forecast public debt to be \$47.8 million.
- Reduced requirements for loan funding for sewerage operations during 2009/2010 were the most significant departure between the forecasts contained in the 2009-2019 LTP and actual results.

Capital Expenditure

Total capital expenditure was \$8.4 million less than the 2009-2019 LTP forecasts for the 2009/10 financial year.

- Roading expenditure was \$0.5 million less than forecast due to less roading works being carried out compared to the forecast work programme.
- No seal extensions were completed during the year and there was a reduced level of road resealing, pavement rehabilitation and reconstruction than what was originally forecast for in the LTP.
- Sewerage expenditure was \$6.2 million less than forecast for the 2009/10 financial year due to delays in obtaining resource consents for projects at Te Kuiti and Piopio.
- Water expenditure was \$0.2 million less than forecast due to the deferral of Te Kuiti, Mokau and Piopio water treatment plant improvements.

1.4.2 Waitomo District Council Performance against the 2009/2010 Annual Plan

Group of Activities

In September 2007, WDC adopted a new output activity structure to better reflect the alignment between the activities undertaken by WDC with the four elements of community well-being – social, cultural, environmental and economic. There are eleven significant activities under the three Groups of Activities.

Community and Cultural Sustainability

The activities comprised in this Group are Leadership, Community Facilities, Community Development and Regulation and Safety. This Group contributes to all community outcomes. There have been no significant negative effects identified on the social, economic, environmental or cultural well-being of the community.

Environmental Sustainability

The activities comprised in this Group are Solid Waste Management, Stormwater, Resource Management and Sewerage. This Group contributes to the following community outcomes: cultural heritage and social harmony, visitors and tourism, wastewater and sewage, land use, farming, forestry and mining, manufacturing process and service industries, retail, urban development, housing and accommodation, transport, preserving the environment, coastline, parks and reserves and waste. There have been no significant negative effects identified on the social, economic, environmental or cultural well-being of the community.

Economic Sustainability

The activities comprised in this Group are Water Supply, Land Transport and Investments. This Group contributes to the following community outcomes: water supplies, manufacturing process and service industries, retail, urban development, transport, preserving the environment, coastline, parks and reserves, and image. There have been no significant negative effects identified on the social, economic, environmental or cultural well-being of the community.

1.4.3 2009/2010 Group Performance

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

Overall Performance

The Group's overall performance for the year was an after tax profit of \$50,000.

The Waitomo District Council would have reported a relatively good final outcome had it not been for the write down of its investment in its subsidiary, Inframax Construction Limited. The subsidiary suffered a particularly difficult year with a lower than expected trading result highlighting difficult economic and trading conditions.

Balance Sheet

Total equity for the Group was \$249.2 million. There was a \$18.4 million increase in equity from the previous year which reflects the revaluation of WDC assets, particularly roads and water and sewerage reticulation systems.

Current assets decreased by \$1.6 million during the year due to a decrease in the level of trade and other receivables and inventories.

Overall current liabilities decreased by \$1.6 million during the year mainly as a result of a decrease in trade and other payables and bank overdraft. There was an increase of \$1.5 million in borrowings to be recognised as current liabilities.

Non current assets increased by \$19.1 million between 30 June 2009 and 30 June 2010 as a result of asset revaluations carried out the year.

Non current liabilities increased marginally.

1.4.4 Revenue and Financing Policy

Background

The Revenue and Finance Policy, as outlined in the 2009-19 LTP, is designed to ensure that wherever possible the people or groups benefitting from the function meet the allocation of costs by function, either wholly or in part.

Overall Performance

WDC reviews its funding mix on an annual basis. Whilst WDC has yet to achieve the exact planned mix of funding, there have been no significant variations between the actual funding mix achieved for 2009/2010 and those prescribed in the Revenue and Financing Policy.

1.4.5 Policy on Investments

Background

The Policy on Investments provides the policy framework for all of WDC's treasury functions and the volume of investments that the WDC will be involved with. The mix of investments between current and non current is determined according to the WDC's working capital needs.

Overall Performance

There have been no significant variations or material departures from the WDC's Policy on Investment.

1.4.6 Policy on Liability Management

Background

The main function of the Policy on Liability Management is to ensure that the WDC's borrowing and its associated risks are maintained at prudent levels. Refer to the LTP for a detailed outline of the Policy.

Overall Performance

There were no significant variations or material departures from the WDC's Policy on Liability Management.

Specific Borrowing Limits

Targets	Result
Total interest expense will not exceed 40% of total annual revenue	Achieved – 13%
Total borrowing does not exceed 30% of total equity	Achieved – 16%
Total borrowing will not exceed 25% of total assets	Achieved - 13%
No more than 35% total debt refinanced during the year	Achieved – 13% debt refinanced
Access to committed lines of credit no less than \$2 million	Achieved – \$5 million available at 30 June 2010
Floating rate profile must not exceed 60% of total debt	Achieved – 100% fixed at 30 June 2010.

1.4.7 Iwi Consultation

WDC consulted with Iwi:

- About resource consents for wastewater schemes.
- As an identified stakeholder group for consultation.

1.5 Summary of WDC's Equal Employment Opportunities Programme

WDC prides itself on being an Equal Opportunity Employer. We have set ourselves several objectives and targets as performance measurement criteria. WDC believes that it has to provide leadership and also be a model to the District in this regard.

Objectives	Targets	Result
To foster a positive climate in the workplace aimed at encouraging employees to develop their potential and to remove discriminatory barriers to employment.	No complaints upheld	100% successful
All employment policies and practices will have regard to the principles of the Treaty of Waitangi and will comply with the provisions of the Human Rights Act 1993, the Equal Pay Act 1972 and the Employment Relations Act 2000 and other relevant statutes.	No complaints upheld	100% successful
Employment decisions will continue to be made solely upon merit, qualifications and work history relating to the position to be filled.	No complaints upheld	100% successful
Opportunities for training, transfer and promotion will be made available to all employees.	No complaints upheld	100% successful
To promote a workplace free of discrimination and harassment.	No complaints upheld	100% successful