



Summary of the 2010/11 Annual Report

TARARUA DISTRICT COUNCIL

From the Mayor and Chief Executive

Council responded well to the challenges we faced in 2010/11. The global economic downturn made affordability a pressing issue to Council as well as for households and businesses.

In response to that, Council kept the rates increase to 4.56%, below the 6.48% set out in the Community Plan. As you will see throughout this report, we are generally performing well against our targets.

Funding for water security and treatment were a priority during the year with the completion of the Pahiatua bore, approval of a budget to address Woodville concerns over the supply and treatment, completion of Norsewood's new treatment plant, and the commencement of construction of an impounded water supply for Dannevirke.

This year Council continued to invest in core infrastructure and this is reflected in the completion of significant projects in the district such as:

- **Improving asset management plans**

Council continued to make significant improvements to its asset management plans engaging the services of an independent expert.

These improvements to our asset knowledge will assist in further improving the accuracy of our capital works and renewals programme.

- **Upgrade Woodville water treatment plant**

The Woodville Impounded Supply had an algae bloom due to very warm conditions in January this year that caused a major taste/odour problem with the town water supply.

By the end of January 2011, a combination of water restrictions by residents, higher river flows recorded in the Mangapapa Stream, cooler weather and nine days of intensive operation of the plant, the water quality returned to what is usual for Woodville.

Council resolved to upgrade the Woodville Treatment Plant to ensure we have equipment which delivers the right quality and quantity of water supply to the township. The upgrade is programmed for 2011/12.

- **Pahiatua and Norsewood new bore**

The savings obtained from the reductions in spend on consultants were used to improve water issues at Norsewood and Tamaki (Dannevirke). The Norsewood bore was commissioned on 14 June 2011 and the Pahiatua bore was commissioned on 19 July 2011.

- **Dannevirke Impounded water supply**

Council commenced the construction of the impounded water supply for Dannevirke at total cost of \$1.6 million.

This is a significant milestone in Council's desire to support and promote local business.

- **New financial information system**

In July 2010 Council went live with the implementation of Authority, a new financial information management system from software vendor Civica Pty Limited. It has been a challenge for Council staff as they grapple with the new system and working through the issues.

We are now planning for the final project phases to gain the full benefits of the new software.

- **Landfill closure and construction of new transfer stations**

Council closed both Dannevirke and Pahiatua landfills this year and began the construction of transfer stations to transfer refuse to Central Hawkes Bay.

Small recycling centres have also been established at Herbertville, Akitio and Weber with great success. These have significantly reduced the number of red bins and hence reduced cost substantially.

Service Performance

Overall service performance was comparable to previous years with 59 (70%) of the 87 Statement of Service Performance measures achieved. While the percentage achieved was lower than last year (77% in 2009/10), in most instances the levels of service received by the community were not adversely affected.

Of interest, 86% feel the community spirit is very good or good. There is very little difference related to locations within the district, but Pahiatua's 94% satisfaction is simply brilliant.

Rates Review

The Rating Review was completed and consulted in the Annual Plan regarding different way of charging the Roding Rate. The Roding Rate is now split into 80% of the required amount by way of a Uniform Targeted

Rate based on the rating unit's Land Value and the other 20% by a differential Uniform Targeted Rate.

It is important to understand that the Council gets no extra revenue from this change to rates. It just shifts around 'who pays' and by 'how much'. As a result there are inevitably winners and losers, and the changes are not universally popular.

Financial Performance

Key financial headlines include:

- Council had a deficit of \$1.1 million compared to our budget of \$857,000 in surplus. Overall revenue was under budget by \$668,000 mainly due to grants and subsidies of about \$1 million not received. Overall expenditure was over budget by \$1.06 million mainly due to higher depreciation expense.
- Debt levels were lower than forecast because of delays on some capital expenditure projects and interest costs were manageable at an average of 6.1%
- Council continued to invest in the district, spending \$9.3 million across a wide range of capital projects.

The Future

Long Term Plan

Council has already started work on our 2012-22 Long Term Plan. Investment in core network infrastructure, prudent financial management and supporting the community and economic development are Council's focus for the future.

Linking with stakeholder Groups

Council has been working with business stakeholders identifying areas of concern and finding ways to help grow our economy.

Our District

Resident population (2006)	
Number of rateable properties	
Area (ha)	
Net capital value (\$m)	
Total roading network (km).....	
Elected representatives (Council & Community Boards)	



26 Gordon Street, Dannevirke
Phone 06 374 4080

Facilitate economic growth

Economic growth is needed to provide employment opportunities that will enable current businesses and residents to stay and also to attract new businesses and residents to the district.

Council aims to engage with our community and businesses more closely and regularly to understand their needs and how we can help facilitate growth and development in our district.

Our relationship with customers

Our goal is that customers see a council that is agile and responsive - able to meet changing needs, able to deliver services efficiently and well. They will see a council that engages with them and involves them and, most importantly, they will see it as "my council" rather than just "the council".

Acknowledgement

The positive roles played by the two community boards – Eketahuna and Dannevirke, together with the two community committees – Woodville Districts' Vision and Pahiatua On Track, continue to keep Council well informed on local issues. The "local" perspectives are vital to healthy leadership.

The invaluable work undertaken by Council elected members, staff and contractors over the past year, during difficult and stressful times, is acknowledged with gratitude. The 2010/11 Annual Report reflects the diversity of work carried out over those 12 months and the efforts of many people to support and improve the quality of life experienced in Tararua.

Roly Ellis
Mayor

Blair King
Chief Executive

Highlights of the Year

Community Survey Results

Council carried out the community survey this year.

A total of 451 people were interviewed with sub-samples in terms of wards, gender and age group, proportional to the relevant populations.

Council has made encouraging incremental gains since 1995 when the community survey began.

The following table summarises the details of the survey for satisfaction with Council services and facilities:

Activity	% Satisfied 2011	Comparison with 2008 Survey	Comparison with Rural Peer Group 2011	Comparison with National Average 2011
Community Buildings	93	Improved	Favourable	Favourable
Parks and Reserves	91	Improved	Favourable	Unfavourable
Libraries	87	Improved	Favourable	Unfavourable
Dog Control	80	Improved	Favourable	Favourable
Sealed Roads	80	Improved	NA	NA
Cemeteries	77	Improved	Favourable	Favourable
Footpaths	77	Improved	Favourable	Favourable
Public Toilets	76	Improved	Favourable	Favourable
Recycling	73	Worse than	Unfavourable	Unfavourable
Community Support	67	Improved	Favourable	Favourable
Swimming Pools	66	Worse than	Favourable	Unfavourable
Sewerage System	61	Worse than	Unfavourable	Unfavourable
Stormwater Drainage	61	Improved	Unfavourable	Unfavourable
Civil Defence Emergency Management	58	NA	Unfavourable	Similar
Rubbish Collection	58	Worse than	Unfavourable	Unfavourable
Unsealed Roads	58	Improved	NA	NA
Economic Development	51	Worse than	Unfavourable	Favourable
Availability of Water	51	Improved	Unfavourable	Unfavourable
Landfill & Transfer Station Management	47	Worse than	Unfavourable	Unfavourable

Impounded Water Supply

In the 2009–19 Long Term Council Community Plan (Community Plan) Council approved two funding blocks of \$500,000 in year 2011 and 2013 for construction of the impounded water supply and address the turbidity issues causing high impacts shutdowns at the Alliance Plant.

Learning from issues with the Woodville impounded supply and best practice, Council decided to use an impermeable liner in the base of the dam and lay a power feed to enable aeration, control of values, feedback on levels and water quality.

All this meant an increase in project cost to \$1.6 million. If the impounded water supply was not constructed, there might be insufficient water from 2013 to supply critical users with the volume and quality of water they require. Given the significance of this project to ratepayers and businesses, Council resolved to bring forward this project to be completed in the 2011/12 year.

This is a significant milestone in Council's desire to support and promote local business.

Highlights of the Year (continued)

Water Treatment Plant Upgrades/New Bore

Council during the year upgraded water treatments plants and introduced new bores in Norsewood and Pahiatua to improve water supply.

Local residents were positive about the new technology and treatment process that will further enhance the water to their properties.

Pahiatua Bore Opening Ceremony

The projects also highlights the capabilities of the Assets Team who delivered this key project.

Woodville Water Supply

The Woodville Impounded Supply had an algae bloom due to very warm conditions in January this year.

However, by the end of January, a combination of water restrictions, higher river flows recorded in the Mangapapa Stream, cooler weather and nine days of intensive operation of the plant, the water quality returned to what is usual for Woodville.

Council resolved to upgrade the Woodville treatment plant to improve the quantity and quality of water supply to the township.

The upgrade is scheduled to be completed in 2011/12.

Solid Waste Management

Landfills and Transfer Stations

Council closed both the Dannevirke and Pahiatua landfills this year and began construction of the transfer stations to transfer refuse to Central Hawkes Bay is progressing.

Mobile Recycling Centres

Nine mobile recycling centres operate across the district.

This year Council has established small recycling centres at Herbertville, Akitio and Weber with great success. These centres have reduced the number of red bins significantly and hence costs have reduced substantially.

Asset Management Plans

This year Council entirely reviewed its asset management plans to ensure they reflect the high level of infrastructure investment.

Council will be implementing a new Asset Management Data System (AIM) to record asset information.

Council also continues to update the asset database with information collected during the year, which is used to revalue our assets, allow for a review of our renewals programme and serves as a data quality check as well.

The improvements to our asset knowledge will assist in further improving the accuracy of our capital works and renewals programme as shown in the Community Plan. With the improved Asset Management Plans, Council is more confident of its future requirements.

New Financial Information System

In July 2010 Council went live with the implementation of Authority, a new financial information management system from software vendor Civica Pty Limited. It has been a challenge for Council staff as they grapple with the new system, working through the issues and finding workarounds.

Industry benchmarks indicate that it takes about eighteen months for the software to be bedded in. We are now planning for the final project phases to gain the full benefits of the new software.

LAPP

Council has been a member of the Local Authority Protection Programme Disaster Fund Trust Board (LAPP) since July 2006 for underground reticulation assets. The premium covered water, storm water, sewer and roading assets. The 2010/11 premium was set at \$34,942, being \$69,883 less a discount of 50%.

The effects of the Christchurch earthquakes meant contributions will increase fourfold to around \$140,000 from 2011/12 onwards. LAPP deductibles will also increase and contributions will remain high for the next few years;

The increase in insurance premium will impact the financial year 2011/12 onwards and Council resolved to fund the shortfall in budget for the financial year 2011/12 from prior year surpluses.

Long Term Planning – Meeting With Stakeholders

Council held a workshop on 2 June 2011 with business leaders in Tararua to discuss ideas to create a shared vision for the next 10 years.

Council and participants found the workshop very useful. Council will continue to engage with business and community groups as it prepares its 10-year plan.

Windfarm Applications

Genesis Energy has applied for resource consents for 286 wind turbines in the Castle Hill area of the District. Mighty River Power has also applied for resource consents for 53 wind turbines for the Puketoi Range, and an external 220kV transmission line to link their proposed windfarm with the Turitea Windfarm on the Tararua Range. Other energy generation companies are in contact

with Council with regard to potential sites for renewable energy generation facilities.

If approved, these projects would contribute some growth to the Tararua economy, through the use of local resources and labour.

Roading

Due to the favourable tender rates the target rate of 90km reseal length (560,000m²) was extended and Council achieved 103km length (638,547m²) at a cost of \$2.24 million which was within the budget.

Council had budgeted 12.5km (70,000m²) of pavement rehabilitation at \$1.65 million. For the financial year Council completed 12km (76,320m²) of work at a cost of \$1.57 million. This meant actual cost per m² was \$20.62 compared to a budget of \$23.57, which was a cost savings of \$225,000.

Civil and Disaster Readiness

Council is defining the critical industries (for example; medical centre, fire station, schools, Civil Defence Emergency Management centres, Police, retirement complexes, St John Ambulance) locations in each urban area and setting a criticality to the services that they are dependent upon. Each of these has different needs and priorities that we should have as most critical for replacement/redundancy in case of a major disaster. This exercise will build both a great understanding of our networks and disaster readiness, along with a targeted funding programme for renewals, upgrades and capital expenditure.

Broadband and Wireless Hotspots

Council continues to work with Inspire Net to improve broadband services in the Tararua. Levering off over 160km of fibre optic cabling, Inspire Net is to connect seven of the eight town schools in Tararua to Broadband providing a high level of guaranteed speeds and at very low ongoing monthly costs.

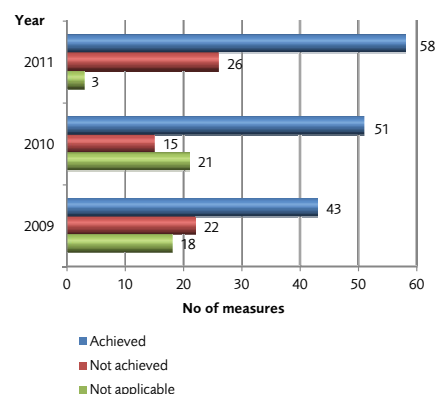
In addition, Inspire Net has set about providing limited free wireless services in our four main towns for a twelve month trial period.

Non-Financial Performance

This year Council achieved 70% of non-financial performance measures compared to 77% in the prior year.

It should be noted that 21 measures were not applicable in the prior year as most of these measures related to the community survey, which is undertaken every three years.

The summary of the results are shown below.



Council has, over the years, improved in achieving the non-financial measures. The highlights for the year are:

Animal Control

- All measures for animal control were achieved except for conducting education programmes at schools. This year only one school took up the opportunity to have an Animal Control Officer visit and talk to the children about dog control and behaviour around dogs.
- Community survey results show an increase in public satisfaction for the activity from 76% in 2008 to 80% in 2011.

Commercial Properties

- All our commercial properties were fully rented and the rental income was used to offset the general rate requirement. Operating surplus before offsetting rate requirement was \$29,000.

Community Buildings

- Occupancy rates in community buildings continue to increase with a 16% increase compared to last year and 43% increase compared to 2008/09 year.

District Promotion

- There was a 0.5% increase in bed nights for accommodation compared to a target of 5%. Though the target was not achieved it should be noted that the bed nights across

New Zealand have decreased (down 1.6%) while Tararua had an overall increase.

Emergency Management

- All performance measures were met.
- A Ministry of Civil Defence and Emergency Management survey sample carried out between 16 May 2011 to 12 June 2011 on Civil Defence preparedness confirms that within the Manawatu Wanganui Civil Defence Group area, which includes Tararua District, 36% of homes are fully prepared with 82% having some survival items.

Footpaths

- Council manages 115.9km of footpaths of which 95% were maintained in good condition with no faults compared to a target of 90%.
- Resident satisfaction increased to 77% compared to 64% in the 2008 survey.

Health and Safety

- During the year only one substandard food premise was closed. This premise reopened only after the operators thoroughly cleaned the premise and carried out overdue maintenance.
- A total of 404 building consents were received with 30 applications not processed within the statutory timeframe achieving a result of 92.3% compared to a target of 100%.
- 95% of registered premises complied within three months compared to a target of 100%. Six premises out of a total of 123 registrations did not comply with Food Hygiene Regulations within three months of annual inspection.

Libraries

- The community's satisfaction with library services was 87% compared to a target of 90%. The library organised 61 programmes, which were attended by 1,521 children.
- The removal of the Annual Card Fee from 1 July 2010 saw a 35% increase in the number of new borrowers.

Parks and Reserves

- All performance measures were met.
- All sports fields met standards set by the New Zealand Sports Turf Institute. Monthly safety inspections were

undertaken, and contractors performed well with no complaints.

- Residents' satisfaction also increased from 86% in 2008 to 91% in the 2011 survey.

Resource Management

- Out of 38 resource consent applications received, three exceeded the processing statutory timeframe – one by one day, one by four days and one by 13 days, achieving a result of 92% compared to a target of 100%.

Roading

- Two fatal accidents occurred on local roads but neither was linked to road factors.
- A 57% reduction in customer complaints was achieved. A total of 63 service requests were received compared to 148 received last year.
- Due to the favourable tender rates the target rate of 90km length and 560,000m² was extended to achieve 103km length and 638,547m² for chipseal maintenance.

Service Centres

- The community survey showed that 92% of customers were satisfied with front line customer service and 88% of customers were satisfied with the overall service received when contacting Council offices by phone, in person, in writing or by email.

Sewerage

- One non-compliance with resource consent was noted. This related to elevated levels of chemicals in the river water due to seepage from the Dannevirke sewage pond.
- Compared to a target of 70%, 61% of residents were satisfied in the community survey. Looking at the results by town location the following results were noted: Dannevirke 87%, Woodville 83%, Eketahuna 71%, Pahiatua 73%.
- The average for these towns was 78%, which is higher than the target of 70%. The other location was "elsewhere in the district" where 22% were not satisfied and 75% don't know. These could be rural residents who have septic tanks and are not connected to our sewerage network. In addition, 82% of urban ratepayers were satisfied and 75% of rural ratepayers surveyed responded "don't know".

Non-Financial Performance (continued)

Solid Waste

- The community survey included results for satisfaction as follows:
- Landfill: Target was 60% and 47% was achieved.
- Refuse collection: Target was 60% and 58% was achieved.
- Recycling services: Target was 70% and 73% was achieved.

- The results are reflective of the transition period between closures of landfills and operation of transfer stations.

Stormwater

- No non-compliance with resource consents was noted.
- The target of 80% to meet response time for calls was not met. Out of a total of 29 calls only 69% met service levels. Seven requests had not been updated as completed in the system within the one-

day timeframe. However most, if not all, of the requests were actioned within the required timeframe. Council will review the process for updating the system.

Water Supplies

- 51% of customers were satisfied with availability of water compared to a target of 70%. The main reasons residents were not satisfied with the availability of water is due to water restrictions (10%), water shortage (5%) and poor water quality (6%).

Financial Overview

Overall Results

For this financial year Council recorded a deficit of \$1.107 million compared to our budget of \$857,000 in surplus. Overall revenue was under budget by \$669,000 with overall expenditure being over budget by \$1.059 million.

Comprehensive Income

Summary Statement of Comprehensive Income

	2009/10 Council Actual \$000's	2010/11 Council Actual \$000's	2010/11 Council Plan \$000's	2009/10 Conso- lidated Actual \$000's	2010/11 Conso- lidated Actual \$000's
Operating Revenue					
Rates	16,521	17,293	1,7263	16,514	17,277
Grants and subsidies	7,425	7,596	8,535	7,451	7,596
Interest and dividends	466	735	715	486	596
Other Income	3,604	3,382	3,162	33,120	35,133
Total operating revenue	28,016	29,006	29,675	57,571	60,602
Expenditure					
Other operating expenses	12,771	14,110	13,251	26,416	28,560
Depreciation and amortisation	10,254	10,991	10,226	12,450	13,083
Employee benefit costs	4,116	4,008	4,190	18,928	18,873
Interest	758	768	1,151	990	909
Total operating expenditure	27,899	29,877	28,818	58,784	61,425
Other asset gains/(losses)	(155)	(236)	-	100	(164)
Surplus/(deficit) before tax	(38)	(1,107)	857	(1,113)	(987)
Taxation expense	-	-	-	(98)	87
Net surplus/(deficit)	(38)	(1,107)	857	(1,015)	(1,073)
Parent interest	(38)	(1,107)	857	(609)	(1,037)
Surplus/(deficit) attributable to minority interests	-	-	-	(406)	(36)
Other Comprehensive Income					
Gains on Infrastructure assets revaluation	33,757	44,073	21174	33,844	45,970
Tax on Equity Items					(583)
Total Comprehensive Income	33,719	42,966	22031	32,829	44,314
Attributable to Taranaki District Council	33,719	42,966	22,031	33,235	44,350
Non-controlling interests	-	-	-	(406)	(36)

Explaining the Significant Variances

Council received \$1 million less grants and subsidies than budgeted mainly due to:

- Water Supplies development subsidy of \$191,000 still being considered by Ministry of Health
- Roading subsidies of \$278,000 with Pahiatua Track not proceeding
- Broadband project of \$608,000 not proceeding due to lack of funding

Depreciation and amortisation was over budget by \$765,000 mainly due to an increase in roading depreciation of \$6.6 million against a budget of \$6.2 million and fully depreciating Dannevirke and Pahiatua landfill assets.

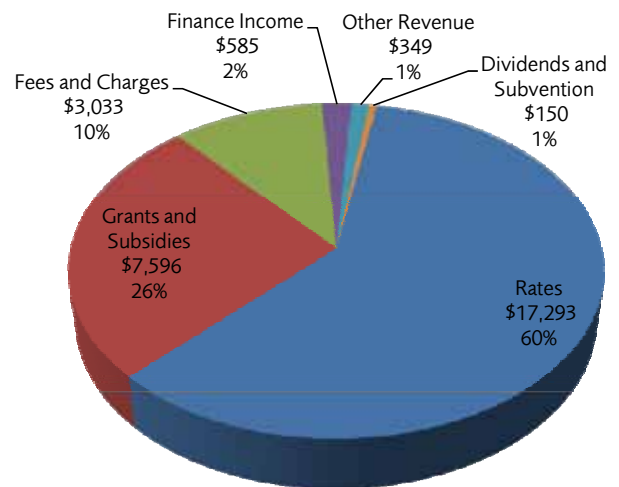
This increase in depreciation cost was off set by lower finance costs of \$383,000 due to uncompleted capital works (meant to be funded from debt), low interest rates and Council implementing new interest rate strategies (interest rate swaps).

There were also expenditures that Council did not budget for namely Riskpool call for leaky home claims of \$41,000, revaluation loss of \$31,000 for investment properties and \$60,000 for an unrealised loss for interest rates swaps.

Revenue Sources

Council received \$29 million from a variety of sources. The following charts highlight some of the key financial areas where Council received revenue from and how it was spent.

Where Council got its revenue



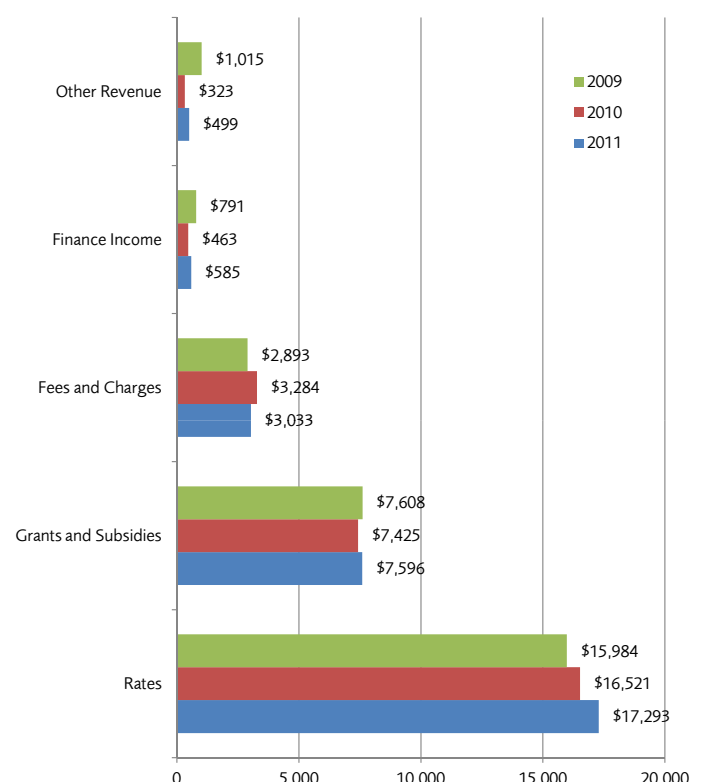
Amounts are in '000s

Council's primary revenue source is rates, which accounts for approximately 60% of total revenue. Other revenue sources include user charges and fees, government transport subsidies, interest and dividends, and rendering of services and other income.

Over the last few years Council has tried to keep rates increases affordable and in line with inflation rates. Council has also used revenue from other sources in an attempt to reduce the proportion of revenue sourced from rates.

However, given the economic climate Council's proportion of rates to total revenue has increased from 53% in 2007/08 to 60% in 2010/11. This is mainly due to lower grants and subsidies, and reduced revenue from interest, fees, and charges.

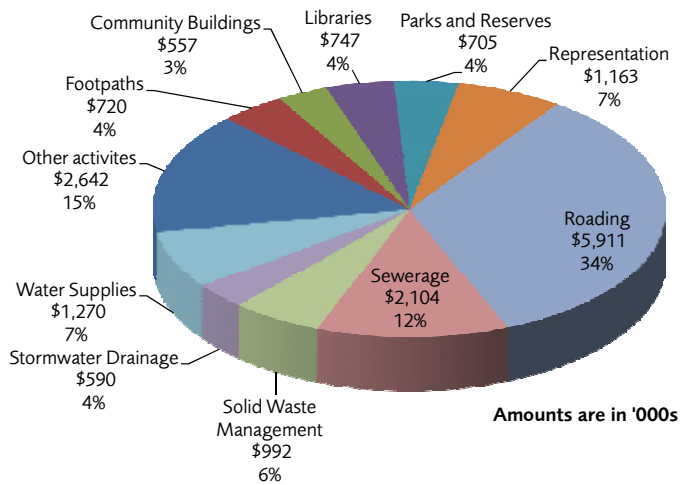
Revenue source over the last three years



Financial Overview (continued)

Council received \$17.3 million of income from rates. The following graph shows Council's sources of rates revenue from operating activities.

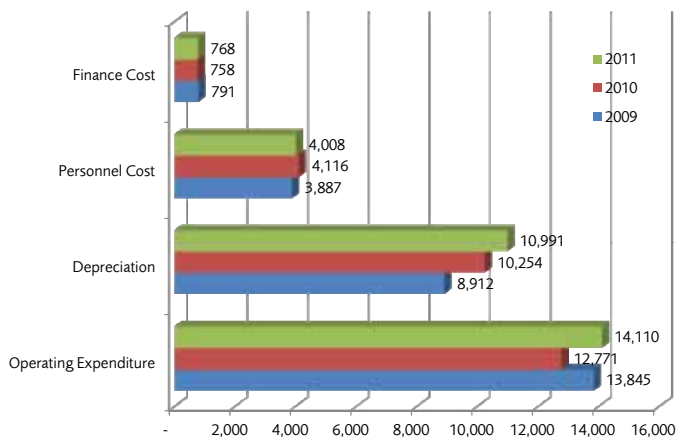
Rates revenue from operating activities



Expenditure

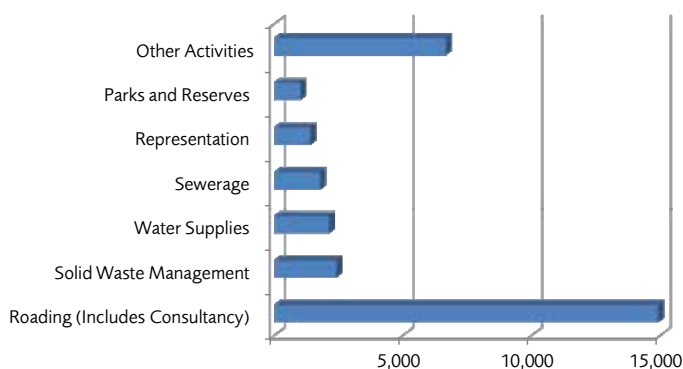
Council's total expenditure during the year was \$29.89 million. The following graph shows where the money was spent and in comparison to the previous two years.

Council's Operating Expenditure



The graph below shows the operational expenditure for the key activities

Operational Expenditure by Activity



Financial Position

Summary Statement of Financial Position

	2009/10 Council Actual \$000's	2010/11 Council Actual \$000's	2010/11 Council Plan \$000's	2009/10 Conso- lidated Actual \$000's	2010/11 Conso- lidated Actual \$000's
Current assets	13,445	15,666	17,924	20,748	26,067
Non-current assets	802,215	843,796	851,087	817,849	859,545
Total assets	815,660	859,462	869,011	838,597	885,612
Current liabilities	4,863	8,135	5,577	11,030	15,567
Non-current liabilities	8,914	6,479	15,160	10,931	9,095
Total liabilities	13,777	14,614	20,737	21,961	24,662
Equity	801,883	844,848	848,274	810,840	855,190
Equity attributable to minority interest	-	-	-	5,796	5,760
Total Equity	801,883	844,848	848,274	816,636	860,950
Total liabilities and equity	815,660	859,462	869,011	838,597	885,612

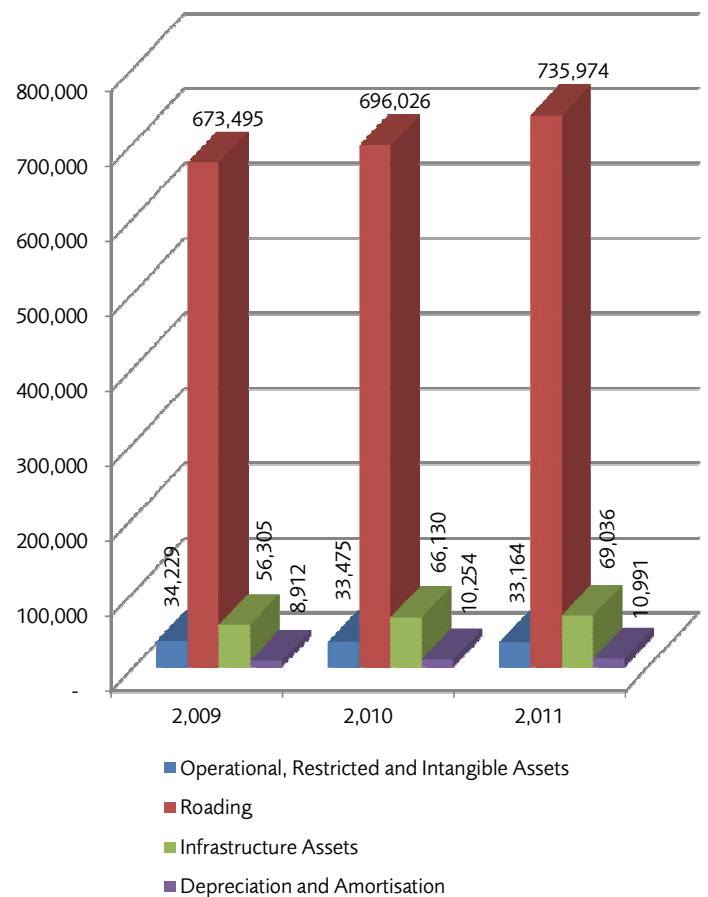
Council's Assets

Council's major assets include:

- Property Plant and Equipment of \$838 million
- Cash and Cash Investments of \$7.8 million
- Investments in Subsidiary of \$5.0 million
- Other assets of \$4.4 million

Increase in Council assets is primarily due to capital expenditure of \$9.3 million and the revaluation of infrastructure assets resulting in a \$43.87 million increase in assets values. This significant increase reflects the overall increase in construction cost.

Financial Position



Financial Overview (continued)

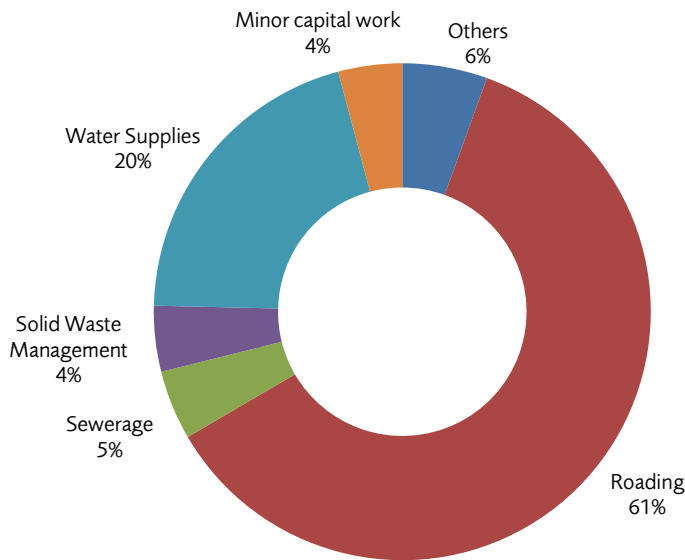
Investing in the Assets

Council continued to invest in the district, spending \$9.3 million across a wide range of capital projects.

The total book value of all Council's operational and infrastructure is \$838.2 million (including intangible assets) compared to \$795.8 million last year.

The total amount of depreciation and amortisation charged on these assets for the year was \$10.99 million (2010: \$10.25 million).

Capital Expenditure by Activities



Council's Liabilities

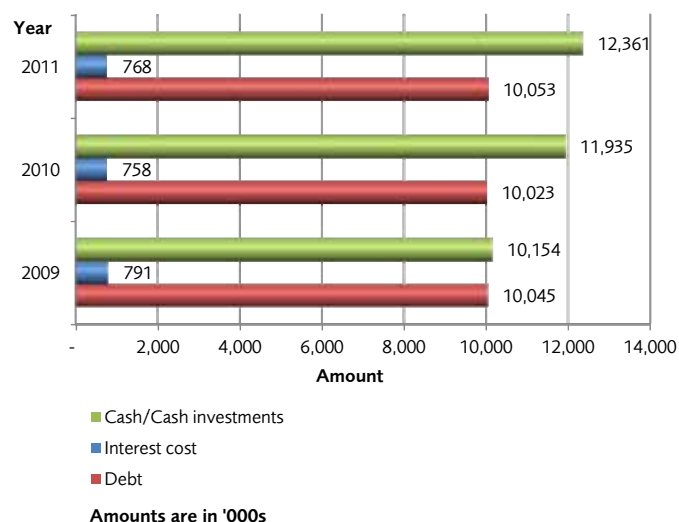
Council's major components of liabilities include:

- Borrowings of \$10 million
- Trade and other payables of \$2.65 million
- Other liabilities of \$1.9 million

Total liabilities was lower mainly due to deferring of significant capital expenditure that was meant to be loan funded and increase in landfill after care provisions.

The following chart shows Council's cash/cash investments, debt levels and finance cost for the last three years.

Investment and Debt



Due to low interest rates, Council has implemented a strategy to only place short term deposits of three months as longer terms do not provide favourable rates. This also helped Council better manage its cash flow requirements. Debt levels have remained constant over the years and Council, where possible, has borrowed internally to fund capital projects. This has significantly reduced Council exposure to interest rate risk.

Council has managed its debt and investment well by meeting all core policy requirements in Council's Investment and Liability Management Policy.

Liquidity

The policy states that Council's portfolio will be arranged to provide sufficient funds for planned expenditure and to allow for the payment of obligations as they fall due:

	Limit	Actual
Minimum level of available liquidity (committed bank facilities and/or liquid target assets) will be not less than \$1.32 million in addition to the amount required to be held against special funds.	\$1.32 million	\$10.31 million

Counterparty and Investment Spread

Council had cash invested in the following institutions as at 30 June 2011.

	Tier 1	Limit	Actual
Bank of New Zealand	1	< 40%	20%
Westpac New Zealand Ltd	1	< 40%	23%
ANZ National Bank Ltd	1	< 40%	27%
CitiBank New Zealand	1	< 20%	0%
Kiwibank Limited	1	<40%	27%

Liability Management Policy

Council utilises the services of Asia Pacific Risk Management (APRM) to provide advice on structuring and managing Council liabilities and investments. As part of this advice, Council has put in place strategies to manage risk in relation to interest rates and cash flow by spreading the maturity of loans and putting in place fixed rate swaps.

Debt was managed within the following limits:

	Limit	Actual
Gross cost of debt (interest and principal payments) in any financial year must not exceed as a percentage of Council is operating revenue.	12%	2.19%
Gross cost of debt (interest and principal payments) in any financial year must not exceed as a percentage of rate revenue.	20%	3.16%
Debt must not exceed as a percentage of total public equity and accumulated funds.	5%	1.25%
Total debt per head of population will not exceed.	\$1,356	\$567
Overdraft facilities with Council's bank to a maximum of \$1,324,575.	\$1.325m	Nil
Committed bank facility up to a maximum of \$6,622,877 that may only be used for disaster recovery purposes.	\$6.623m	\$5m

Financial Overview (continued)

Equity

Summary Statement of Changes in Equity

	2009/10 Council Actual \$000's	2010/11 Council Actual \$000's	2010/11 Council Plan \$000's	2009/10 Conso- lidated Actual \$000's	2010/11 Conso- lidated Actual \$000's
Accumulated Funds	368,021	364,077	375,341	375,174	372,615
Asset Revaluation Reserves	422,914	466,713	454,808	424,718	468,517
Special Funded Reserves	10,918	14,028	18,091	10,918	14,028
Trust Funds	30	30	33	30	30
Minority Interest	-	-	-	5,796	5,760
Total Equity	801,883	844,848	848,273	816,636	860,950
Total comprehensive income attributable to:					
Tararua District Council	33,719	42,966	22,031	33,235	44,350
Non-controlling interests	-	-	-	(406)	(36)
Total comprehensive income	33,719	42,966	22,031	32,829	44,314

Equity is represented by Council's total assets and total liabilities. Council's equity as at 30 June 2011 was \$845 million, an increase of \$43 million from prior year.

Cashflows

Summary Statement of Cashflows

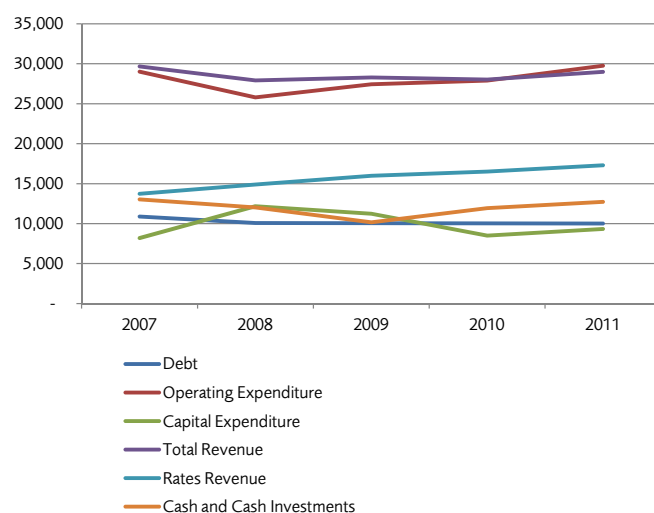
	2009/10 Council Actual \$000's	2010/11 Council Actual \$000's	2010/11 Council Plan \$000's	2009/10 Conso- lidated Actual \$000's	2010/11 Conso- lidated Actual \$000's
Net cash flow from operating activities	10,054	9,732	11,083	12,469	10,526
Net cash flow from investing activities	(9,672)	(3,752)	(10,716)	(10,090)	(3,992)
Net cash flow from financing activities	(25)	23	934	(1,521)	(984)
Net increase/(decrease) in cash held	357	6,003	1,301	858	5,550
Opening balance	1,876	2,233	13,748	2,093	2,951
Total cash resources at 30 June 2010	2,233	8,236	15,049	2,951	8,501

Council increased the balance of cash held at year end by \$6 million due to reclassifying short term investments from other financial assets to cash and cash equivalents. This reclassification was due to council holding only term deposits of 3 months or less. This is partly due to low interest rates at banks making longer term investments not worthwhile, and partly as a conscious focus on strengthening the councils liquidity. This position gives the council more flexibility to retire term debt should this be wanted. It also provides the flexibility to utilise operating cash rather

than external debt for funding of projects thereby reducing costs to the council.

Key Financial Indicators

The following table summarises the key financials indicators for Council.



It is interesting to note the relationship between the following activities:

- Operating expenditure and total revenue
- Capital expenditure and debt
- Rates Revenue and Cash and Cash investments

As expected these activities track consistently over the five years and show a trend of increasing cost and the need to match this cost with a gradual increase in revenue primarily rates revenue.

Summary of Financials per Resident

The following table shows what each resident owns, owes and spent for the last three years:

	2009	2010	2011
Number of residents*	17,634	17,634	17,634
Assets	\$ 44,404	\$ 46,255	\$ 48,742
Liabilities	\$ 843	\$ 781	\$ 830
Equity	\$ 43,562	\$ 45,474	\$ 47,912
Debt	\$ 570	\$ 568	\$ 567
Operating Cost	\$ 1,556	\$ 1,582	\$ 1,692
Capital Expenditure	\$ 191	\$ 483	\$ 574

* Based on Statistics NZ 2006 census

Accounting Disclosures

These summary financial statements are a summary of the 2010/11 Annual Report and cover the period from 1 July 2010 to 30 June 2011. The Summary Financial Reports were authorised for issue on 4 April 2012 by Audit New Zealand. These summary financial statements do not provide as complete an understanding as provided by the full 2010/11 Annual Report. A full copy is available on the Council website at www.tararua.govt.nz. The information included in this report has been prepared in accordance with FRS43; Summary Financial Statements.

Reporting Entity

Tararua District Council is a New Zealand territorial local authority governed by the Local Government Act 2002.

The Tararua District Council and group (TDC) consists of Tararua District Council, its subsidiaries and associate. They are domiciled and incorporated in New Zealand.

Their subsidiaries and associates are:

- TDC Holdings Limited (100% owned subsidiary) – Profit Orientated Entity.
- Tararua Forest Limited (100% owned subsidiary) – Profit Orientated Entity.
- Infracon Limited (66% owned subsidiary) – Profit Orientated Entity.
- Tararua Aquatic Community Trust (subsidiary established in New Zealand by TDC as Settlor and controlled by virtue of financing) – Public Benefit Entity.
- Manawatu-Wanganui LASS Limited (14% investment) – Public Benefit Entity.

The financial statements of TDC are for the year ended 30 June 2011. The financial statements received an unqualified audit opinion and were authorised for issue by Council on 26 October 2011.

Basis of Preparation

The financial statements of TDC have been prepared in accordance with the requirements of the Local Government Act 2002: Part 6, Section 98 and Part 3 of Schedule 10, which includes the requirement to comply with New Zealand generally accepted accounting practice (NZ GAAP).

These financial statements have been prepared in accordance with NZ GAAP. They comply with NZ IFRS, and other applicable Financial Reporting Standards, as appropriate for public benefit entities.

The primary objective of Tararua District Council is to provide goods or services for the community or social benefit rather than making a financial return. Accordingly, Tararua District Council has designated itself and the group as public benefit entities. The accounting policies set out in the 2010/11 Annual Report have been applied consistently to all periods presented in these financial statements.

The financial statements have been prepared on an historical cost basis, modified by the revaluation of land and buildings, certain infrastructural assets, investment property, and financial instruments (including derivative instruments).

The financial statements are presented in the functional currency of TDC, which is New Zealand dollars, and all values are rounded to the nearest thousand dollars (\$'000's).

Commitments

Council's commitments on projects where contracts have been entered into but goods or services have not been received is:

	2010 Council \$'000's	2010 Group \$'000's	2011 Council \$'000's	2011 Group \$'000's
Operational Commitments	17,320	4,774	13,620	5,104
Capital Commitments	798	829	21	21
Operating Leases	172	85	222	252

Contingent Liabilities

Council had \$761,008 contingent liabilities for June 2011 (2010: \$2,000), however, the group totalled \$2.736 million (2010: \$2.174 million).

Council has the following significant contingent liabilities:

- An undetermined amount for weathertight claims as Council is not able to reliably quantify and measure the amount of these claims and any potential liability.
- For the year 2010/11, Riskpool made the second call of \$41,125 which we have provided for in the financials statements. It is possible that Risk pool can make a final call in 2012/13 for any shortfall in funds which we have recognised as a contingent liability above.
- Council has a contingent liability for potential claims relating to Weathertightness. There has been no claims submitted for 2010/11 (Nil 2009/10).
- Prevent seepage from the Dannevirke sewage pond into the Manawatu

River. The cost to rectify this problem is estimated at \$720,000 and needs to be carried out to remain compliant with resource consents.

Land Value and Contingency

Tararua Forest Limited (TFL) owns approximately 320ha of forest on its property that are pre-1990 forest land under the emissions trading scheme. Should this land be deforested, a deforestation penalty would be incurred. At the balance sheet date, this liability is nil as the credits have not yet been received.

Related Party Disclosure

Council has entered into related party transactions during the year. The most significant of these are shown below but full details of this can be found in Note 27 of the Annual Report.

Council engaged its 66% owned (via TDC Holdings Limited) subsidiary, Infracon Limited, to maintain roading and other facilities and services.

	2010 Council \$'000's	2011 Council \$'000's
Services received by Council from Infracon Limited during the period (GST exc)	7,879	9,618
Amounts payable to Infracon Limited by Council at year end as contract retentions (GST inc)	278	248
Amounts payable to Infracon Limited by Council at year end (GST inc)	679	1,245

Related party transactions involving directors and trustees

P Burne (Morris & Bailey Limited, provided services to Infracon Limited)	528	77
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The related party transactions shown above are eliminated on consolidation.

Events After Balance Date

No post balance date events occurred up to the date of the report adoption that are known to have a material affect on the Financial Statements and Notes to the Financial Statements of Council.

Breach of Statutory Deadline

Section 98 of the Local Government Act 2002 requires that Council must complete and adopt by resolution, within four months after the end of the financial year, the annual report for that year. This requirement was not achieved due to delays in the preparation and subsequent audit of the consolidated Annual Report.

Independent Auditor's Report

AUDIT NEW ZEALAND
Māori Arotake Aotearoa

To the readers of Tararua 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 1 to 10, which was derived from the audited statements in the annual report of the Tararua District Council (the District Council) and group for the year ended 30 June 2011 on which we expressed an unmodified audit opinion in our report dated 30 May 2012.

The summary comprises:

- the summary statement of financial position as at 30 June 2011, and summaries of the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and the notes to the summary financial statements that include accounting policies and other explanatory information; and
- the summary of the District Council and group's non-financial performance information 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.

Previous concerns about forecast expenditure and levels of service for water and waste infrastructure have been addressed

Without modifying our opinion, we note that our audit report on the 2009-2019 LTCCP, dated 24 June 2009, contained a qualified opinion because there was inadequate information to support the forecast expenditure and levels of service for water and waste infrastructure.

Since then, the Council has improved its information by enhancing its water and waste infrastructure asset management plans, including developing a stormwater asset management plan. The enhancements to the water and waste infrastructure asset management plans show that the forecasts in the 2009-2019 LTCCP were reasonable. The enhancements also provide the necessary support for the forecasts. Therefore, those forecasts and the performance framework contained

in the 2009-19 LTCCP provide an appropriate basis for the meaningful assessment of the Council's performance in the areas of water and waste.

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 30 May 2012 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.



Clint Ramoo, Audit New Zealand
On behalf of the Auditor-General
Wellington, New Zealand
30 May 2012

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

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

The audit report refers only to the summary financial statements, non financial performance information 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, non financial performance information 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, non financial performance information and the other requirements as well as the related audit report dated 30 May 2012 to confirm the information included in the audited summary financial statements, non financial performance information 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.