

REPORT TO THE READERS OF GISBORNE DISTRICT COUNCIL'S LONG-TERM COUNCIL COMMUNITY PLAN FOR THE TEN YEARS COMMENCING 1 JULY 2009

The Auditor-General is the auditor of Gisborne District Council (the District Council). The Auditor-General has appointed me, Grant Taylor, using the staff and resources of Ernst & Young, to report on the Long-Term Council Community Plan (LTCCP), on his behalf.

The Auditor-General is required by section 94(1) of the Local Government Act 2002 (the Act) to report on:

- ▶ the extent to which the LTCCP complies with the requirements of the Act;
- ▶ the quality of information and assumptions underlying the forecast information provided in the LTCCP; and
- ▶ the extent to which the forecast information and performance measures will provide an appropriate framework for the meaningful assessment of the actual levels of service provision.

It is not our responsibility to express an opinion on the merits of any policy content within the LTCCP.

Opinion

Overall Opinion

In our opinion the LTCCP of District Council incorporating volumes 1 to 3 dated 25 June 2009 provides a reasonable basis for longterm integrated decision-making by the District Council and for participation in decision-making by the public and subsequent accountability to the community about the activities of the District Council.

In forming our overall opinion, we considered the specific matters outlined in section 94(1) of the Act which we report on as follows.

Opinion on Specific Matters Required by the Act

In our view:

- ▶ the District Council has complied with the requirements of the Act in all material respects demonstrating good practice for a council of its size and scale within the context of its environment;
- ▶ the underlying information and assumptions used to prepare the LTCCP provide a reasonable and supportable basis for the preparation of the forecast information; and
- ▶ the extent to which the forecast information and performance measures within the LTCCP provide an appropriate framework for the meaningful assessment of the actual levels of service provision, reflects good practice for a council of its size and scale within the context of its environment.

Actual results are likely to be different from the forecast information since anticipated events frequently do not occur as expected and the variation may be material. Accordingly, we express no opinion as to whether the forecasts will be achieved.

Our report was completed on [25 June 2009], and is the date at which our opinion is expressed.

The basis of the opinion is explained below. In addition, we outline the responsibilities of the District Council and the Auditor, and explain our independence.

Basis of Opinion

We carried out the audit in accordance with the International Standard on Assurance Engagements 3000: Assurance Engagements Other Than Audits or Reviews of Historical Financial Information and the Auditor-General's Auditing Standards, which incorporate the New Zealand Auditing Standards. We have examined the forecast financial information in accordance with the International Standard on Assurance Engagements 3400: The Examination of Prospective Financial Information.

We planned and performed our audit to obtain all the information and explanations we considered necessary to obtain reasonable assurance that the LTCCP does not contain material misstatements. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

Our audit procedures included assessing whether:

- ▶ the LTCCP provides the community with sufficient and balanced information about the strategic and other key issues, choices and implications it faces to provide an opportunity for participation by the public in decision-making processes;
- ▶ the District Council's financial strategy, supported by financial policies as included in the LTCCP is financially prudent, and has been clearly communicated to the community in the LTCCP;



- ▶ the presentation of the LTCCP complies with the legislative requirements of the Act;
- ▶ the decision-making and consultation processes underlying the development of the LTCCP are compliant with the decision-making and consultation requirements of the Act;
- ▶ the information in the LTCCP is based on materially complete and reliable asset or activity management information;
- ▶ the agreed levels of service are fairly reflected throughout the LTCCP;
- ▶ the key plans and policies adopted by the District Council have been consistently applied in the development of the forecast information;
- ▶ the assumptions set out within the LTCCP are based on best information currently available to the District Council and provide a reasonable and supportable basis for the preparation of the forecast information;
- ▶ the forecast information has been properly prepared on the basis of the underlying information and the assumptions adopted and the financial information complies with generally accepted accounting practice in New Zealand;
- ▶ the rationale for the activities is clearly presented;

- ▶ the levels of service and performance measures are reasonable estimates and reflect the key aspects of the District Council's service delivery and performance; and
- ▶ the relationship of the levels of service, performance measures and forecast financial information has been adequately explained within the LTCCP.

We do not guarantee complete accuracy of the information in the LTCCP. Our procedures included examining on a test basis, evidence supporting assumptions, amounts and other disclosures in the LTCCP and determining compliance with the requirements of the Act. We evaluated the overall adequacy of the presentation of information. We obtained all the information and explanations we required to support our opinion above.

Responsibilities of the Council and the Auditor

The District Council is responsible for preparing an LTCCP under the Act, by applying the District Council's assumptions and presenting the financial information in accordance with generally accepted accounting practice in New Zealand. The District Council's responsibilities arise from Section 93 of the Act.

We are responsible for expressing an independent opinion on the LTCCP and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001 and section 94(1) of the Act.

Independence

When reporting on the LTCCP we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the Institute of Chartered Accountants of New Zealand.

Other than this report and in conducting the audit of the Statement of Proposal for adoption of the LTCCP and the annual audit, we have no relationship with or interests in the District Council.

A handwritten signature in blue ink, appearing to read 'Grant Taylor'.

Grant Taylor
ERNST & YOUNG
On behalf of the Auditor-General
Wellington, New Zealand

Introduction

The finances include prospective financial information for Council for the next 10 years. It sets out Council's priorities and identifies how Council intends to fund its operations and capital projects.

The forecasts prepared for Council have been prepared based on agreed levels of service for each activity. The levels of service are set out in detail in the Groups of Activities section of the 2009-2019 Ten Year Plan.

The finances include:

- Forecast Statement of Comprehensive Income
- Forecast Statement of Financial Position
- Forecast Statement of Changes in Equity
- Forecast Statement of Cashflows
- Forecast Statement Concerning Balanced Budget.

Supplementary information is provided which identifies revenue and expenditure for each group of activities.

Further financial information is provided in relation to the capital projects proposed for the Ten Year Plan.

The operational and capital costs within the Ten Year Plan include:

- ▶ **Existing Costs**
Costs to continue to deliver the current level of service.
- ▶ **Growth Costs**
Costs to deliver current level of service to a larger community due to growth.
- ▶ **Level of Service Changes**
Costs to deliver an increase in level of service.

- ▶ **Project Costs**
Costs such as depreciation and interest that occur from Council financing capital projects.
- ▶ **Inflation**
Increases in revenue and costs due to price changes.

The Nature of the Prospective Financial Information - Cautionary Note

The prospective financial information contained in the Ten Year Plan is a forecast. It has been prepared on the basis of assumptions as to future events that the Council reasonably expects to occur, associated with the actions it reasonably expects to take at the date the forecast was prepared. The forecast relates to events and actions which have not yet occurred and may not occur. The actual results achieved for the period covered are likely to vary from the financial information presented and the variations may be material. The uncertainty increases as the number of years of prospective financial information increases. Uncontrollable external events will significantly affect the forecast.

The Forecast Statement of Financial Position has been reviewed to incorporate the audited Statement of Financial Position for the year ended 30 June 2008 and the movements per the 30 June 2009 Annual Plan. This has been adjusted for any material events during the current financial year.

A number of assumptions need to be made about the economic and financial conditions, which will apply over the lifetime of the model. The major assumptions underpinning the Plan are set out in the Significant Assumptions section of the 2009-2019 Ten Year Plan.

The financial information contained within the 2009-2019 Ten Year Plan may not be appropriate for purposes other than those described.

Forecast Statement of Comprehensive Income for the Year Ended 30 June

	2010 \$000	2011 \$000	2012 \$000	2013 \$000	2014 \$000	2015 \$000	2016 \$000	2017 \$000	2018 \$000	2019 \$000
REVENUE										
Grants and Subsidies - Operational	8,342	8,578	8,814	8,986	9,183	9,414	9,541	9,738	10,002	10,237
Grants, Subsidies and Contributions - Capital	10,342	14,853	7,680	7,513	9,535	25,178	7,744	18,534	19,264	19,333
Dividends	1,000	800	800	800	800	800	800	800	800	800
Other Revenue	11,696	12,227	12,656	13,028	13,345	13,733	14,535	14,847	15,231	15,972
Rates	42,725	45,446	49,124	50,529	52,159	54,442	56,339	58,542	60,719	62,719
Profit on sale of assets	40	40	40	40	40	40	40	40	40	40
Interest	165	165	165	165	165	165	165	165	165	165
TOTAL REVENUE	74,310	82,109	79,279	81,061	85,227	103,772	89,164	102,666	106,221	109,266
EXPENDITURE										
Employee Benefit Costs	12,902	13,282	13,660	14,077	14,428	14,834	15,259	15,808	16,233	16,737
Operating Costs	35,672	37,271	39,250	40,653	41,832	43,186	45,121	47,188	50,210	52,931
Overhead Costs	891	998	1,094	1,102	1,124	1,093	1,108	1,129	1,159	1,172
Interest	2,454	3,261	3,637	3,386	3,266	3,533	3,309	3,045	2,752	2,332
Depreciation	16,240	16,850	19,047	19,545	20,179	21,006	21,902	22,391	23,060	23,619
TOTAL EXPENDITURE	68,159	71,662	76,688	78,763	80,829	83,652	86,699	89,561	93,414	96,791
NET SURPLUS	6,151	10,447	2,591	2,298	4,398	20,120	2,465	13,105	12,807	12,475
OTHER COMPREHENSIVE INCOME										
Gains/(Loss) on property revaluation	31,413	28,052	28,182	26,499	28,073	27,284	30,102	30,617	31,162	30,861
Total Other Comprehensive Income	31,413	28,052	28,182	26,499	28,073	27,284	30,102	30,617	31,162	30,861
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	\$37,564	\$38,499	\$30,773	\$28,797	\$32,471	\$47,404	\$32,567	\$43,722	\$43,969	\$43,336

CAUTIONARY NOTE

Please note the Ten Year Plan is forecast information. It is prepared on the basis of best-estimate assumptions as to future events which the Council expects to take place as of July 2009. A number of assumptions need to be made about the economic and financial conditions, which will apply over the lifetime of the model. The major assumptions underpinning the Plan are set out in the Significant Assumptions section.

Please Note

Revenue from the Grants, Subsidies and Contributions - Capital includes grants received where the associated expenditure will be capitalised. Expenditure relating to these projects will be recognised (primarily as depreciation) over the life of the capitalised assets. The Gisborne District Council has budgeted for a net surplus in every year of the Ten Year Plan.

This is mainly the result of the capital grants and subsidies. Further information is available in the Forecast Statement Concerning Balanced Budget later in this section.

Forecast Statement of Financial Position as at 30 June

	2010 \$000	2011 \$000	2012 \$000	2013 \$000	2014 \$000	2015 \$000	2016 \$000	2017 \$000	2018 \$000	2019 \$000
TOTAL EQUITY	\$1,715,750	\$1,754,249	\$1,785,022	\$1,813,819	\$1,846,290	\$1,893,694	\$1,926,261	\$1,969,983	\$2,013,952	\$2,057,288
ASSETS										
Current Assets										
Trade and Other Receivables	7,696	7,797	7,870	7,948	8,018	8,092	8,172	8,254	8,341	8,434
Inventories	211	211	211	211	211	211	211	211	211	211
Cash and Cash Equivalents	364	364	364	364	364	364	364	364	364	364
Investments	1,616	1,616	1,616	1,616	1,616	1,616	1,616	1,616	1,616	1,616
Non Current Assets Held For Sale	1,600	1,600	1,600	1,600	1,600	1,600	1,600	1,600	1,600	1,600
	11,487	11,588	11,661	11,739	11,809	11,883	11,963	12,045	12,132	12,225
Non Current Assets										
Trade and other Receivables	1,146	1,146	1,146	1,146	1,146	1,146	1,146	1,146	1,146	1,146
Investments	20,299	20,299	20,299	20,299	20,299	20,299	20,299	20,299	20,299	20,299
Intangible Assets	703	703	703	703	703	703	703	703	703	703
Biological Assets	869	869	869	869	869	869	869	869	869	869
Property Plant and Equipment	1,734,995	1,788,782	1,815,329	1,842,452	1,875,297	1,925,516	1,952,597	1,992,204	2,030,471	2,069,652
	1,758,012	1,811,799	1,838,346	1,865,469	1,898,314	1,948,533	1,975,614	2,015,221	2,053,488	2,092,669
TOTAL ASSETS	1,769,499	1,823,387	1,850,007	1,877,208	1,910,123	1,960,416	1,987,577	2,027,266	2,065,620	2,104,894
LIABILITIES										
Trade and Other Payables	11,597	11,758	11,874	11,998	12,109	12,228	12,356	12,485	12,624	12,772
Employee Entitlements	3,096	3,148	3,201	3,251	3,303	3,356	3,412	3,484	3,546	3,619
Non Current Provisions	1,603	1,505	1,444	1,382	1,318	1,253	1,187	1,119	1,049	978
Borrowings	37,453	52,727	48,466	46,758	47,103	49,885	44,361	40,195	34,449	30,237
TOTAL LIABILITIES	53,749	69,138	64,985	63,389	63,833	66,722	61,316	57,283	51,668	47,606
TOTAL NET ASSETS	\$1,715,750	\$1,754,249	\$1,785,022	\$1,813,819	\$1,846,290	\$1,893,694	\$1,926,261	\$1,969,983	\$2,013,952	\$2,057,288

Forecast Statement of Changes in Equity for the Year Ended 30 June

	2010 \$000	2011 \$000	2012 \$000	2013 \$000	2014 \$000	2015 \$000	2016 \$000	2017 \$000	2018 \$000	2019 \$000
EQUITY AT START OF YEAR	1,678,186	1,715,750	1,754,249	1,785,022	1,813,819	1,846,290	1,893,694	1,926,261	1,969,983	2,013,952
Net Surplus for the Year	6,151	10,447	2,591	2,298	4,398	20,120	2,465	13,015	12,807	12,475
Increase/(Decrease) in Asset Revaluation Reserve	31,413	28,052	28,182	26,499	28,073	27,284	30,102	30,617	31,162	30,861
TOTAL RECOGNISED REVENUES and EXPENSES	37,564	38,499	30,773	28,797	32,471	47,404	32,567	43,722	43,969	43,336
EQUITY AT END OF YEAR	\$1,715,750	\$1,754,249	\$1,785,022	\$1,813,819	\$1,846,290	\$1,893,694	\$1,926,261	\$1,969,983	\$2,013,952	\$2,057,288
Equity is made up as follows:										
Accumulated Funds	350,825	366,007	365,989	367,533	372,500	394,990	395,374	406,394	416,531	426,930
Special Funds and Reserves	27,005	22,270	24,880	25,634	25,064	26,692	24,770	26,855	29,524	31,598
Revaluation Reserves	1,337,920	1,365,972	1,394,153	1,420,652	1,448,726	1,476,012	1,506,117	1,536,734	1,567,897	1,598,760
	\$1,715,750	\$1,754,249	\$1,785,022	\$1,813,819	\$1,846,290	\$1,893,694	\$1,926,261	\$1,969,983	\$2,013,952	\$2,057,288

Forecast Statement of Cashflows for the Year Ended 30 June

	2010 \$000	2011 \$000	2012 \$000	2013 \$000	2014 \$000	2015 \$000	2016 \$000	2017 \$000	2018 \$000	2019 \$000
CASH FLOW FROM OPERATING ACTIVITIES										
Cash will be provided from:-										
Rates	42,621	45,344	49,052	50,451	52,090	54,367	56,259	58,460	60,632	62,626
Activity Revenue	12,732	13,396	13,397	13,714	14,032	14,419	15,222	15,440	15,819	16,559
Dividends	1,000	800	800	800	800	800	800	800	800	800
Interest	165	165	165	165	165	165	165	165	165	165
Grants and Subsidies	17,649	22,262	15,754	15,811	18,031	33,906	16,598	27,679	28,679	28,983
	74,167	81,967	79,168	80,941	85,118	103,657	89,044	102,544	106,095	109,133
Cash will be applied to:-										
Suppliers	35,392	37,003	42,085	40,563	41,766	43,173	44,744	46,766	49,777	52,486
Employee Benefits	12,902	13,282	13,660	14,077	14,428	14,834	15,259	15,808	16,233	16,737
Interest Payable	3,430	4,372	4,692	4,424	4,319	4,494	4,639	4,422	4,176	3,761
	51,724	54,657	60,437	59,064	60,513	62,501	64,642	66,996	70,186	72,984
Net Cash from Operating Activities	22,443	27,310	18,371	21,877	24,605	41,156	24,402	35,548	35,909	36,149
CASH FLOW FROM INVESTING ACTIVITIES										
Cash will be provided from:-										
Sale of Property Plant and Equipment	0	0	0	0	0	0	0	0	0	0
Sale of Investments	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0
Cash will be applied to:-										
Purchase of Property Plant and Equipment	37,896	42,584	17,414	20,169	24,950	43,938	18,878	31,382	30,163	31,937
	37,896	42,584	17,414	20,169	24,950	43,938	18,878	31,382	30,163	31,937
Net Cash from Investing Activities	(37,896)	(42,584)	(17,414)	(20,169)	(24,950)	(43,938)	(18,878)	(31,382)	(30,163)	(31,937)
CASH FLOW FROM FINANCING ACTIVITIES										
Cash will be provided from:-										
Proceeds from Loans	15,453	15,274	0	0	345	2,782	0	0	0	0
	15,453	15,274	0	0	345	2,782	0	0	0	0
Cash will be applied to:-										
Repayment of Loan Principal	0	0	1,317	1,708	0	0	5,524	4,166	5,746	4,212
	0	0	1,317	1,708	0	0	5,524	4,166	5,746	4,212
Net Cash from Financing Activities	15,453	15,274	(1,317)	(1,708)	345	2,782	(5,524)	(4,166)	(5,746)	(4,212)
Net Increase/(Decrease) in Cash	0	0	0	0	0	0	0	0	0	0
Opening Cash Balance	364	364	364	364	364	364	364	364	364	364
Closing Cash Balance	\$364	\$364	\$364	\$364	\$364	\$364	\$364	\$364	\$364	\$364

Operating Revenue by Activity for the 10 Years 2010 to 2019

	2010 \$000	2011 \$000	2012 \$000	2013 \$000	2014 \$000	2015 \$000	2016 \$000	2017 \$000	2018 \$000	2019 \$000
ACTIVITY OPERATING REVENUE SUMMARY										
Animal Control	712	739	757	772	790	805	823	840	860	880
Aquatic and Recreational Facilities	656	658	714	731	746	763	1,252	1,281	1,312	1,345
Arts and Culture	93	96	98	101	104	107	110	113	115	118
Building Services	1,241	1,282	1,312	1,343	1,372	1,402	1,434	1,467	1,502	1,540
Community Development	462	520	532	545	556	568	581	595	609	624
Emergency Management	96	99	101	104	106	108	111	113	116	119
Enterprise Operations	3,087	3,077	3,157	3,254	3,321	3,468	3,515	3,556	3,645	4,085
Environmental Health	1,578	1,646	1,709	1,786	1,842	1,886	1,964	2,048	2,180	2,286
Environmental Planning	207	225	230	235	240	245	251	257	263	270
Flood Control	226	233	239	245	252	259	267	275	283	292
Governance	45	46	48	49	50	51	52	53	54	56
Housing	766	856	954	1,023	1,051	1,082	1,114	1,143	1,168	1,195
Land Transport and Parking	10,413	10,692	10,986	11,211	11,459	11,742	11,971	12,250	12,577	12,821
Library	296	305	312	320	327	334	342	349	358	367
Conservation	2,179	2,348	2,482	2,662	2,778	2,855	3,043	3,223	3,580	3,814
Reserves and Open Space	266	274	282	289	297	306	267	250	255	312
Sewerage and Wastewater	284	423	435	446	461	474	491	506	522	539
Solid Waste/Waste Minimisation	436	451	461	472	482	493	504	516	528	541
Stormwater	0	0	0	0	0	0	0	0	0	0
Support Services	14,364	14,788	15,707	17,486	18,338	18,877	20,524	22,192	25,811	28,167
Water Supply	1,515	1,560	1,604	1,647	1,701	1,751	1,812	1,868	1,928	1,992
Total Operating Revenue	38,923	40,320	42,120	44,722	46,273	47,575	50,428	52,896	57,667	61,360
Less Internal Transactions	17,680	18,510	19,645	21,704	22,739	23,423	25,347	27,306	31,429	34,146
Total External Activities Revenue	21,243	21,810	22,476	23,018	23,533	24,152	25,080	25,589	26,238	27,213

Operating Expenditure by Activity for the 10 Years 2010 to 2019

	2010 \$000	2011 \$000	2012 \$000	2013 \$000	2014 \$000	2015 \$000	2016 \$000	2017 \$000	2018 \$000	2019 \$000
ACTIVITY OPERATING EXPENDITURE SUMMARY										
Animal Control	781	812	841	878	905	927	965	1,006	1,068	1,118
Aquatic and Recreational Facilities	1,363	1,420	1,553	1,621	1,602	1,770	2,591	2,783	3,238	3,654
Arts and Culture	375	408	541	574	586	597	611	625	642	658
Building Services	1,643	1,710	1,777	1,867	1,928	1,975	2,065	2,162	2,318	2,441
Community Development	2,492	2,607	2,699	2,844	2,924	2,987	3,124	3,268	3,563	3,818
Emergency Management	721	759	769	788	812	860	868	890	930	993
Enterprise Operations	2,602	2,592	2,687	2,844	2,954	3,091	3,181	3,270	3,465	3,960
Environmental Health	2,826	2,952	3,070	3,215	3,319	3,399	3,547	3,707	3,962	4,164
Environmental Planning	1,860	1,947	2,006	2,127	2,217	2,253	2,334	2,434	2,557	2,681
Flood Control	2,058	2,137	2,255	2,446	2,653	2,849	3,095	3,282	3,503	3,631
Governance	2,911	3,027	3,253	3,222	3,301	3,520	3,481	3,590	3,888	3,867
Housing	854	896	934	976	1,012	1,047	1,092	1,135	1,188	1,235
Land Transport and Parking	24,394	25,350	26,358	27,109	27,855	28,611	29,295	30,101	31,204	32,066
Library	1,586	1,673	1,733	1,805	1,857	1,996	2,079	2,169	2,311	2,424
Conservation	4,781	5,024	5,270	5,579	5,786	5,942	6,261	6,584	7,161	7,567
Reserves and Open Space	3,935	4,144	4,343	4,546	4,752	5,068	5,263	5,528	5,754	5,939
Sewerage and Wastewater	4,638	5,747	8,228	8,063	8,208	8,328	8,441	8,653	8,790	8,901
Solid Waste/Waste Minimisation	4,612	4,735	4,817	4,903	4,981	5,221	5,296	5,371	5,310	5,399
Stormwater	2,825	2,919	2,943	3,116	3,150	3,216	3,334	3,485	3,585	3,782
Support Services	13,781	14,042	14,967	16,520	17,176	17,847	19,252	20,728	24,162	26,234
Water Supply	4,800	5,272	5,289	5,422	5,594	5,573	5,876	6,096	6,246	6,410
Total Operating Expenditure	85,839	90,172	96,331	100,465	103,571	107,077	112,049	116,865	124,845	130,940
Less Internal Transactions	17,680	18,510	19,643	21,702	22,742	23,425	25,350	27,304	31,431	34,149
Total External Operating Expenditure	\$68,159	\$71,662	\$76,688	\$78,763	\$80,829	\$83,652	\$86,699	\$89,561	\$93,414	\$96,791

Forecast Rates

The 2009-2019 Ten Year Plan rates rises are shown in the graph below. The rates rises for the first three years of the Plan are 2010 : 3.3%, 2011 : 6.4% and 2012 : 8.1%.

Council is conscious of the affordability of rates in our district. Council has made a concerted effort to maintain the level of services provided to the community, while keeping rates rises controllable.

As a result of the consultation and submission hearings process Council reviewed various aspects of the budgets and projects over the term of the Ten Year Plan. The two main financial decisions affecting the level of rates revenue collected are:

1. That there is no provision for inflation on employee benefits for 2010.
2. That there is a reduction in the wastewater capital rate collected in 2010 and 2011.

Further information on rates affordability is included in the Major Issues section of the 2009-2019 Ten Year Plan. The main drivers of the rates increases are:

CAPITAL RATES

Council as been collecting a capital rate to save towards the wastewater treatment plant since 2004. Every year the capital rate increases by approximately \$300k. The wastewater capital rate was originally proposed to increase from \$1.868M in 2009 to \$2.198M in 2010 and to \$2.509 in 2011. However, as a result of consultation Council resolved to reduce the capital rate collected in 2010 and 2011 to \$934k. This represents a reduction of rates revenue of 2.2% in 2010 and will have a positive impact on rates affordability within our community. This capital rate is due to stop in 2012 as it is planned to coincide with the increased operating costs of the new plant when it becomes operational.

The reduction in the capital rate in 2010 and 2011 has resulted in an 8.1% increase in rates revenue in 2012. This is the result of:

1. Increased interest costs, as we will have to loan fund a greater portion of the project.
2. The 2011 rates base being lower than originally proposed resulting in a higher percentage increase when the full operating costs are incurred in 2012.

The millennium loan capital rate of \$350k per year is due to stop in 2011, resulting in a rates reduction of 0.8%.

COUNCIL'S ASSETS

Depreciation is one of the Council's most significant costs. The increase in depreciation in 2010 has accounted for 3.9% of the overall rates rise. This is due to Council's large asset base, which was valued at \$1.7 billion at 30 June 2008. The maintenance, operations, depreciation and renewal of our assets are a significant cost to ratepayers. It is assumed that Council will revalue its assets every year and it is expected that this will result in increases in depreciation. These increases have been included in the 2009-2019 Ten Year Plan. Council's accounting policies in relation to property, plant and equipment are included in the latter part of the Finances section.

INFLATION

Almost all of Council's income and expenditure has been inflated over the 2009-2019 Ten Year Plan. Council has used the BERL inflation indices, which were prepared specifically for Local Government use in the preparation of their LTCCPs. The average of the 2010 BERL inflation indices is 3%. The BERL inflation indices are included in the Significant Assumptions section of the Plan.

Council resolved not to provide for inflation on employee benefits in 2010.

INTEREST

The increase in interest costs in 2010 and 2011 specifically has resulted in a rates increase of 1.3% in the 2010 year and 1.9% respectively. The significant increase in interest in these two years is mainly due to the proposed construction of the wastewater treatment plant over this period.

The interest rates that have been used to calculate the proposed interest costs are included in the Significant Assumptions section of the Plan.

SIGNIFICANT CAPITAL PROJECTS

Council's capital programme proposed for the 10 years includes a number of capital projects which, upon completion will incur additional operating costs and/or income eg, the wastewater treatment plant and the redevelopment of the Rockforte Finance Olympic Pool Complex. For further information on the financial implications of major capital projects refer to the Major Projects section of the Plan.

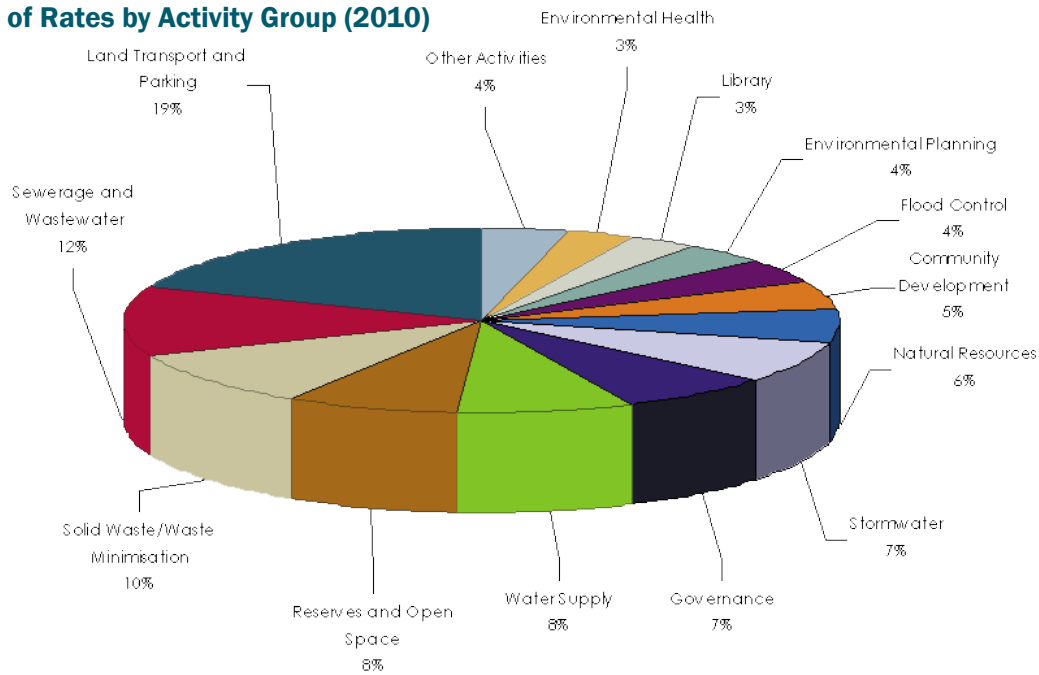
DEFICIT REPAYMENT

Council initiated deficit funding in 2000 primarily to spread the impact of funding depreciation. It is anticipated that at the beginning of the 2009-2019 Ten Year Plan the Council will have accumulated deficits of about \$5M. It is proposed that over the years 2012 to 2018 the Council will eliminate those deficits through rates funding. This has the effect of increasing rates in years where a deficit is recovered.

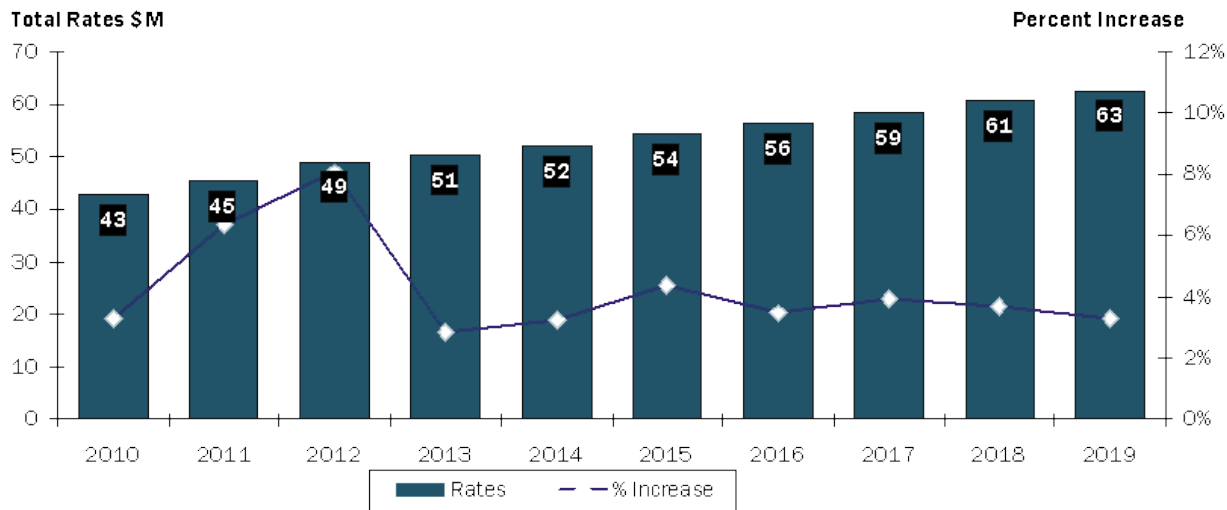
DIVIDEND

Council is a 100% shareholder in Tauwhareparae Farms Ltd. Council has forecast that it will receive dividends from the Farms of \$1M in 2010 and \$800k per year for the remaining years. The dividend has contributed to suppressing rate rises over the term of the Plan.

Graph of Rates by Activity Group (2010)



RATES LEVIED



Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
% Increase	3.33%	6.37%	8.09%	2.86%	3.23%	4.38%	3.48%	3.91%	3.71%	3.29%

Schedule of Rates by Activity Group for the 10 Years 2010 to 2019

	2010 %	2011 %	2012 %	2013 %	2014 %	2015 %	2016 %	2017 %	2018 %	2019 %
Activity Group Rates Requirement										
Enterprise Operations	-1.68%	-1.63%	-1.50%	-1.40%	-1.30%	-1.27%	-1.20%	-1.12%	-0.98%	-0.85%
Housing	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Animal Control	0.20%	0.21%	0.21%	0.21%	0.21%	0.21%	0.21%	0.21%	0.21%	0.22%
Arts and Culture	0.60%	0.62%	0.88%	0.88%	0.89%	0.88%	0.87%	0.86%	0.80%	0.77%
Support Services	0.80%	0.69%	0.66%	0.25%	-0.12%	0.05%	-0.45%	-0.68%	-1.09%	-1.48%
Building Services	0.94%	0.94%	1.00%	1.09%	1.14%	1.15%	1.21%	1.28%	1.37%	1.44%
Emergency Management	1.46%	1.45%	1.36%	1.36%	1.36%	1.38%	1.35%	1.33%	1.34%	1.40%
Aquatic and Recreational Facilities	1.50%	1.53%	1.67%	1.72%	1.65%	1.90%	2.42%	2.60%	3.07%	3.53%
Environmental Health	2.92%	2.87%	2.77%	2.83%	2.83%	2.78%	2.81%	2.84%	2.94%	3.00%
Library	3.17%	3.16%	3.03%	3.07%	3.07%	3.18%	3.21%	3.23%	3.34%	3.40%
Environmental Planning	3.87%	3.79%	3.62%	3.75%	3.79%	3.69%	3.70%	3.72%	3.78%	3.85%
Flood Control	4.31%	4.21%	4.19%	4.44%	4.72%	4.90%	5.16%	5.27%	5.35%	5.35%
Community Development	5.57%	4.59%	4.41%	4.55%	4.54%	4.45%	4.52%	4.57%	4.87%	5.10%
Natural Resources	6.04%	5.85%	5.59%	5.69%	5.66%	5.54%	5.59%	5.62%	5.85%	5.96%
Stormwater	6.61%	6.42%	5.99%	6.17%	6.04%	5.91%	5.92%	5.96%	5.91%	6.04%
Governance	6.71%	6.56%	6.67%	6.43%	6.45%	6.64%	6.35%	6.29%	6.38%	6.09%
Water Supply	7.69%	8.17%	7.50%	7.48%	7.47%	7.03%	7.22%	7.23%	7.12%	7.06%
Reserves and Open Space	8.59%	8.52%	8.27%	8.43%	8.55%	8.76%	8.88%	9.03%	9.07%	8.98%
Solid Waste/Waste Minimisation	9.60%	9.45%	9.92%	9.78%	10.28%	10.88%	10.61%	10.32%	8.53%	7.99%
Sewerage and Wastewater	12.08%	13.77%	16.00%	15.21%	14.87%	14.44%	14.13%	13.93%	13.64%	13.35%
Land Transport and Parking	19.01%	18.82%	17.77%	18.06%	17.90%	17.50%	17.49%	17.51%	18.49%	18.81%
TOTAL RATES REQUIREMENT PER YEAR	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

BORROWING and INTEREST

The Council's policy on borrowing is included in Volume 2 of the Ten Year Plan under the Revenue and Financing Policy and the Liability Management Policy. Council uses borrowing to finance the purchase or construction of long-term capital projects. The borrowing graph shows an estimated peak of public debt at \$53M in 2011. The peak is mainly due to the construction of the wastewater treatment plant during years 2010 and 2011. The wastewater treatment plant planned capital spend is \$21M in 2010 and \$20M in 2011.

Council initiated deficit funding in 2000 to spread the impact of funding depreciation. The Council's deficit at the beginning of the Ten Year Plan is forecast to be \$5M. Council is proposing to recover the deficits from 2012 through to 2018. This has the impact of reducing Council's debt levels in these years.

Council has a number of major projects planned for the district over the next 10 years which are reliant on external sources for financing. This results in Council achieving a number of significant projects without incurring debt. The level of projects funded by grants, subsidies or donations is shown in a graph in the section below. Council has started a process to work alongside possible local funding providers to ensure the related funding is feasible.

CAPITAL EXPENDITURE

Over the term of the Ten Year Plan Council proposes to spend \$299M on capital projects. The capital expenditure for 2010 and 2011 is high due to the construction of the wastewater treatment plant at a cost of \$40.3M over these two years. A significant portion of the treatment plant cost will be funded from the wastewater treatment plant reserve which has been built up with contributions from the wastewater capital rate which commenced in 2004.

The Regional Roding Programme was established in 2003 and is due for completion in 2011. There is a \$6.9M planned capital spend for the years 2010 and 2011. This programme is 100% subsidised.

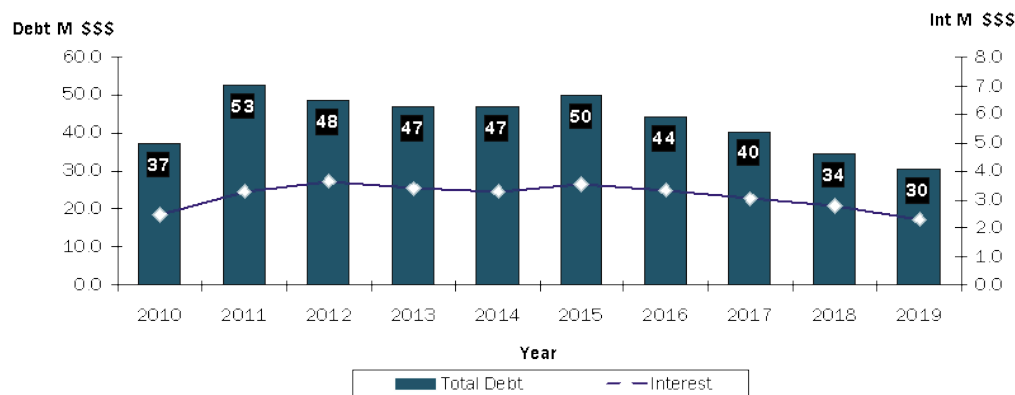
The 2015 peak is due to the proposed redevelopment of the Olympic Pool. It is proposed that the project will be significantly funded by grants and donations. The multi-purpose recreational sports facility is planned for years 2017 to 2019 and likewise is expected to be significantly funded by way of grants and donations.

The grant funding shown in the graph reflects the NZTA funding, walkway grants, library extension, pool and multi-purpose facility.

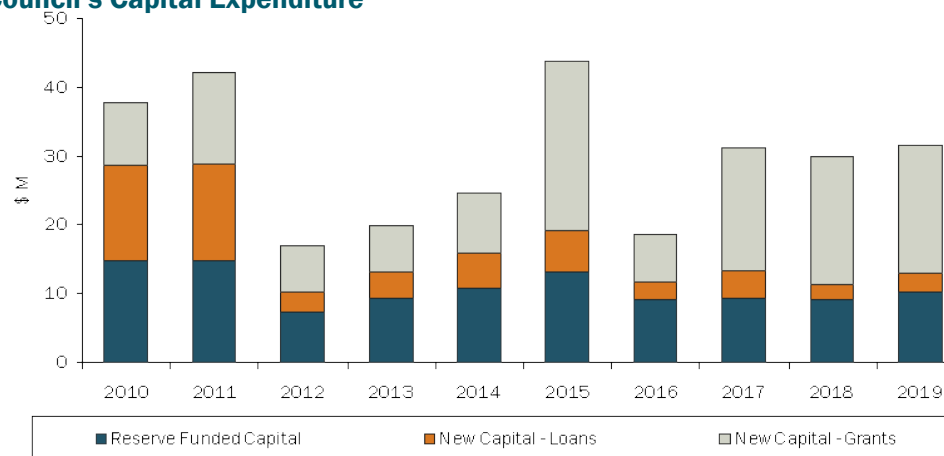
Those projects funded by development contributions and reserve contributions are included in the reserve funded capital.

A full list of capital projects is included later in this section. For more detail on the Council's major projects and financial implications refer to the Major Projects section of the 2009-2019 Ten Year Plan.

Council's Long-Term Borrowing



Council's Capital Expenditure



Forecast Statement Concerning Balanced Budget

The Council is required under the provisions of the LGA 2002 (S101) to manage its revenues, expenses, assets, liabilities, investments and general dealings prudently and in a manner that promotes the current and future interests of its community. The LGA 2002 section 100 requires that local authorities “balance the books”. This means Council must ensure that each year’s projected operating revenues are set at a level sufficient to meet that year’s projected operating expenses (break-even).

Section 100(2) recognises that there may be some exceptions and allows some flexibility in that it permits a local authority to project operating deficits and surpluses in its LTCCP as long as it is financially prudent to do so.

In setting the budget Council has had regard for:

- ▶ maintaining levels of service
- ▶ maintaining service capacity and integrity of assets
- ▶ intergenerational equity
- ▶ compliance with Council funding and financing policies (established under s.102).

The 2009-2019 Ten Year Plan is projecting operating surpluses for the 10 year period as the operating revenue exceeds the operating expenditure.

Forecast Balanced Budget	2010 \$000	2011 \$000	2012 \$000	2013 \$000	2014 \$000	2015 \$000	2016 \$000	2017 \$000	2018 \$000	2019 \$000
Operating Income	74,310	82,109	79,279	81,061	85,227	103,772	89,164	102,666	106,221	109,266
Operating Expenditure	68,159	71,662	76,688	78,763	80,829	83,652	86,699	89,561	93,414	96,791
Operating Surplus/(Deficit)	6,151	10,447	2,591	2,298	4,398	20,120	2,465	13,105	12,807	12,475
LESS										
Capital Rates Income	1,294	1,034	100	100	190	284	284	284	284	284
Capital Grants & Subsidies	9,307	13,684	6,940	6,826	8,848	24,492	7,057	17,941	18,676	18,746
Other Capital Grants, Donations and Contributions	1,036	1,169	740	687	687	687	687	593	587	587
Operations funded by Reserve Funds	1,336	1,114	1,030	1,061	1,028	931	895	943	1,004	1,062
PLUS										
Depreciation Not Funded	6,311	6,571	6,865	7,013	7,174	7,351	7,489	7,635	7,823	8,002
Increase/(Decrease) in Deficit	511	-17	-646	-637	-819	-1,077	-1,031	-979	-79	202
Balanced Budget - Operating Income agrees to Operating Expenditure	0	0	0	0	0	0	0	0	0	0

RECEIPT OF CAPITAL RATES

The rates included in the income statement include capital rates. Council has proposed four capital rates in its 2009-2019 Ten Year Plan. These capital rates do not cover Council’s operational costs.

	2010 \$000	2011 \$000	2012 \$000	2013 \$000	2014 \$000	2015 \$000	2016 \$000	2017 \$000	2018 \$000	2019 \$000
Capital Rates Income	\$1,294	\$1,034	\$100	\$100	\$190	\$284	\$284	\$284	\$284	\$284

Millennium or CBD Capital Rate

The Millennium or CBD upgrade rate is \$350K per year. The last year for this rate is 2010. The Millennium CBD upgrade rate funds the principal repayments of the loan. It does not fund any operational costs.

Wastewater Treatment Project Capital Rate

The wastewater treatment project capital rate was started in 2003-2004 and increased by about \$300K every year. The wastewater capital rate was originally proposed to increase from \$1.868M in 2009 to \$2.198M in 2010 and to \$2.509M in 2011.

As a result of the consultation process Council reviewed the budget and decided to reduce the capital rate collected in 2010 and 2011 to \$0.934M. The end of the wastewater capital rate is intended to coincide with the start of the wastewater treatment plant’s operating costs in 2012. This capital rate is transferred to the wastewater reserve where it accumulates until it is required for the construction of the plant.

Wainui Foredune Protection Capital Rate

2010 is the first year of the Wainui Foredune Protection Capital Rate. This rate is to cover principal repayments on capital works that have occurred in previous years. The capital rate will be charged to a small group (about six houses) of Wainui residents. The total capital rate is \$10K p.a.

Solid Waste Capital Rate

The Solid Waste activity has a loan balance of about \$11.8M at the beginning of the Ten Year Plan. It is proposed that this loan balance is progressively repaid through a capital rate commencing in 2010 at \$90K p.a. increasing to \$180K p.a. in 2014 and \$274K p.a. in 2015.

RECEIPT OF CAPITAL INCOME

In its infrastructure activities, the Council has budgeted to receive various amounts of income that are of a capital nature. This capital income is in the form of Transfund subsidies, development contributions and capital grants/donations. This income is not used to fund operational expenses and therefore it will not reduce the rates requirement. These amounts are used to fund specific capital projects.

Forecast Capital Revenue	2010 \$000	2011 \$000	2012 \$000	2013 \$000	2014 \$000	2015 \$000	2016 \$000	2017 \$000	2018 \$000	2019 \$000
Capital Grants and Subsidies	9,307	13,684	6,940	6,826	8,848	24,492	7,057	17,941	18,676	18,746
Other Capital Revenue, Donations and Contributions	1,036	1,169	740	687	687	687	687	593	587	587
Total Capital Revenue	\$10,343	\$14,853	\$7,680	\$7,513	\$9,535	\$25,179	\$7,744	\$18,534	\$19,263	\$19,333

USE OF RESERVES and RESERVE TRANSFERS

Council has specific reserve funds that it has accumulated over a number of years. Council allocates internal interest to these funds including interest to the wastewater reserve (established to fund the wastewater treatment project), the depreciation reserve and the capital development reserve.

	2010 \$000	2011 \$000	2012 \$000	2013 \$000	2014 \$000	2015 \$000	2016 \$000	2017 \$000	2018 \$000	2019 \$000
Transfer to Operational Reserves	\$1,336	\$1,114	\$1,030	\$1,061	\$1,028	\$931	\$895	\$943	\$1,004	\$1,062

DEFICIT FUNDING

Council initiated deficit funding primarily to spread the impact of funding of depreciation charges in the 2000 year. The major deficit occurred in the water supply, wastewater and refuse activities. There are also a small number of activities that carry forward any surplus or deficit made during the year ie, forestry. It is estimated that the Council will have a deficit of \$5M at the beginning of the 2009-2019 Ten Year Plan. It is proposed within the 2009-2019 Ten Year Plan to recoup this deficit in years 2012 to 2018 (years 3 - 9) inclusive.

	2010 \$000	2011 \$000	2012 \$000	2013 \$000	2014 \$000	2015 \$000	2016 \$000	2017 \$000	2018 \$000	2019 \$000
Increase/(Decrease) in Deficit	\$511	(\$17)	(\$646)	(\$637)	(\$819)	(\$1,077)	(\$1,031)	(\$979)	(\$79)	\$202

FUNDING OF DEPRECIATION

In accordance with legislation, Council continues to fully fund all depreciation except in relation to those assets which:

- would not be replaced at the end of their useful life eg, Patutahi Community Hall, Tolaga Bay Wharf, and landfills.
- when replaced, a set proportion of the capital expenditure would be funded through NZTA funding. From a funding perspective Council considers it appropriate to only collect rates revenue on the portion of Land Transport and Parking costs funded from Council reserves. Rating to recover the depreciation on the NZTA-funded portion of the road asset is not seen as appropriate.
- Council is leasing to an external party and both parties have formally agreed that the asset will be returned to Council at the end of the lease in the same condition as present (ie, Eastland Infrastructure Ltd's lease of the Airport assets.)

Over the term of the 2009-2019 Ten Year Plan, Council is not funding \$72M of depreciation on:

- ▶ Patutahi Community Hall
- ▶ Tolaga Bay Wharf
- ▶ Roothing (being the proportion of the capital expenditure on roading that has been funded through NZTA)
- ▶ Gisborne Airport assets
- ▶ Landfill (Waiapu).

	2010 \$000	2011 \$000	2012 \$000	2013 \$000	2014 \$000	2015 \$000	2016 \$000	2017 \$000	2018 \$000	2019 \$000
Depreciation Not Funded	\$6,311	\$6,571	\$6,865	\$7,013	\$7,174	\$7,351	\$7,489	\$7,635	\$7,823	\$8,002

Capital Expenditure 2009-2019

(The actual project cost, timing and funding may vary significantly)

Description	Total Cost	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
SUPPORT SERVICES											
Electronic Data Records Management System (EDRMS) Phase 3	39,225	17,595	10,690	10,940							
Archives Backlog Project	2,588	2,588									
National map projection change	2,070	2,070									
Information Management Generic 2011-2019 Projects	419,500				56,000	57,200	58,450	59,800	61,200	62,650	64,200
Digitisation and rationalisation of Property Records	51,750	51,750									
GDC Carparks	163,050			163,050							
PABX Telephone System	41,400	41,400									
Stock Paddock Fencing	139,944	12,324	12,708	13,044	13,404	13,776	14,172	14,592	14,976	15,300	15,648
Radio Upgrades	116,620	10,270	10,590	10,870	11,170	11,480	11,810	12,160	12,480	12,750	13,040
Orthophoto Regeneration - Aerial Photography	280,000				280,000						
Video conferencing equipment	5,170	5,170									
Replace Furniture throughout Council offices	139,944	12,324	12,708	13,044	13,404	13,776	14,172	14,592	14,976	15,300	15,648
Air Conditioning Replacement	30,810	30,810									
Jetties/Boat Ramps	796,316	70,126	72,312	74,224	76,272	78,389	80,642	83,032	85,217	87,061	89,041
Vehicle Upgrades	2,272,000	102,700	105,900	108,700	111,700	287,000	295,250	304,000	312,000	318,750	326,000
GDC Facility Expansion	212,230				212,230						
Origen Finance Module Enhancements	315,575	51,750	26,725	27,350	28,000	28,600	29,225	29,900	30,600	31,325	32,100
Information Management Environmental Services Monitoring	10,350	10,350									
Totals:	5,038,542	421,227	251,633	421,222	802,180	490,221	503,721	518,076	531,449	543,136	555,677

(The actual project cost, timing and funding may vary significantly)

Description	Total Cost	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
ENTERPRISE OPERATIONS											
Capital Projects - Increase Level of Service	1,233,636	82,608	18,103	67,935	420,000			2,990			642,000
Capital projects - Maintain Level of Service	631,015	181,814	104,447	75,486	46,630	98,954	61,220	14,352	36,873	11,239	
Totals:	1,864,651	264,422	122,550	143,421	466,630	98,954	61,220	17,342	36,873	11,239	642,000
AQUATIC and RECREATIONAL FACILITIES											
Learn to Swim Pool (LTS)	414,000						414,000				
Olympic Pool - Hydroslide Structure	21,370	15,525					5,845				
Renovations of Spa Therapy Pool	21,370	15,524					5,846				
50m Pool - Wall Tile Renewal	12,828		12,828								
Dive Pool Tile Renewal, Sealing	21,880		16,035				5,845				
Diving Board Renewals	17,978					8,580				9,398	
Renew Handheld Radios	21,096				10,080				11,016		
Redevelopment of Olympic Pool multi-purpose complex	23,605,100			54,700	56,000	114,400	23,380,000				
Renew Pool Blankets	20,700	20,700									
Sports Parks Indoor multi-purpose stadium	37,610,000								12,240,000	12,530,000	12,840,000
Olympic Pool - Replace BBQ Facilities	8,790			2,734			2,923			3,133	
Olympic Pool - Inflatable Pool Toy	28,208			8,205			9,352			10,651	
Totals:	61,803,320	51,749	28,863	65,639	66,080	122,980	23,823,811		12,251,016	12,553,182	12,840,000
ARTS and CULTURE											
Lawson Field Retractable Seating	284,240			284,240							
War Memorial Upgrade	3,502,000		3,502,000								
Totals:	3,786,240		3,502,000	284,240							
LIBRARY											
Library - Building Expansion	1,315,600					1,315,600					
Library - Paving Replacement	10,608								10,608		
Library - Digitise Photo News	25,875	25,875									
Library - Covered Way Roof Replacement	12,160							12,160			
Library - Replace photocopier (customer use)	47,560			21,880							25,680
Library - Replace Microfilm Reader/Scanner	44,800				44,800						
Library Books	1,622,320	144,900	149,660	153,160	156,800	160,160	163,660	167,440	171,360	175,420	179,760
Library Books ex Book Trust	180,000		20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000
Totals:	3,258,923	170,775	169,660	195,040	221,600	1,495,760	183,660	199,600	201,968	195,420	225,400

(The actual project cost, timing and funding may vary significantly)

Description	Total Cost	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
CIVIL DEFENCE, EMERGENCY MANAGEMENT and RURAL FIRES											
Civil Defence Radio System Renewal - Arowhana	4,784							4,784			
Civil Defence Radio System Renewal - Raukūmara	4,676						4,676				
Civil Defence Radio Renewal - Greys Hill / Office	4,376			4,376							
Civil Defence old power supplies	10,690		10,690								
Civil Defence Radio Te Araroa, Tolaga Bay, Whakapunake	3,207		3,207								
Civil Defence power supplies	10,350	10,350									
Civil Defence Raukūmara/Arowhana	3,105	3,105									
Civil Defence batteries & regulator	4,140	4,140									
Hicks Bay Rural Fire Station Toilet and Effluent System	15,000	15,000									
NZ Fire Service Radio Upgrade	57,200					57,200					
Rural Fires Hose packs	57,940	5,175	5,345	5,470	5,600	5,720	5,845	5,980	6,120	6,265	6,420
Rural Fires Water Tanker (Tolaga Bay)	104,320										104,320
Replacement Fire Engine (Gis VRFF)	206,640					206,640					
Portable Pump Replacement (Gis VRFF tanker)	10,270	10,270									
Rural Fires Replacement Portable Pump	28,700			28,700							
Rural Fires Tokomaru Bay Replacement Pump	10,270	10,270									
Rural Fires Tokomaru Bay (Tanker Upgrade)	89,360				89,360						
Tiniroto Rural Fire Station Toilet and Effluent System	15,000	15,000									
Totals:	640,028	73,310	19,242	38,546	94,960	269,560	10,521	10,764	6,120	6,265	110,740
CONSERVATION											
Telemetry Equipment	394,140	35,100	36,000	36,900	37,800	38,800	39,800	40,800	41,952	42,957	44,031
Totals:	394,140	35,100	36,000	36,900	37,800	38,800	39,800	40,800	41,952	42,957	44,031
FLOOD CONTROL											
Onepoto Drains Hicks Bay	57,200					57,200					
Flood Control - Ruatōria Flood Protection, provide a means of halting/slowing down erosion	2,291,125	77,625	534,500	547,000	560,000	572,000					
Waipaoa River Flood Protection	6,177,000	51,750	53,450	218,800	1,120,000	1,144,000	1,169,000	1,196,000	1,224,000		
Waipaoa River Flood Protection	298,400				56,000	57,200		59,800	61,200	64,200	
Waikanae Creek	170,400				56,000	114,400					
Taruheru River Revetments	98,325	98,325									
Tūranganui River Revetments	133,625		133,625								
Totals:	9,226,075	227,700	721,575	765,800	1,792,000	1,944,800	1,169,000	1,255,800	1,285,200	64,200	

(The actual project cost, timing and funding may vary significantly)

Description	Total Cost	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
SEWERAGE and WASTEWATER											
Wastewater Treatment Plant	40,331,000	20,709,000	19,622,000								
Wastewater - Pump Station and Telemetry Renewals	2,620,640	228,360	235,180	241,780	248,380	256,520	264,000	273,240	281,820	290,840	300,520
Wastewater - Te Karaka Pump Renewals	65,182		19,242	10,990	11,290	11,660	12,000				
Wastewater - Pipeline Renewals Specific	363,300	363,300									
Wastewater - Pipeline Renewals (new programme)	11,320,000		534,500	1,208,900	1,241,900	1,282,600	1,320,000	1,366,200	1,409,100	1,454,200	1,502,600
Wastewater - Upgrade Rising Main and Pump Station for Taruheru Block - Campion	505,350			98,910	406,440						
Localised Urban Upgrades	297,800	25,950	26,725	27,475	28,225	29,150	30,000	31,050	32,025	33,050	34,150
Installation of Permanent Flow Loggers	248,800				56,450		60,000		64,050		68,300
Eastern Interceptor	598,300					58,300	540,000				
Wainui Road Pipeline New	635,340						300,000	335,340			
Taruheru Block pump station (Moss or Cameron)	149,490					17,490	132,000				
Taruheru Block pump station (Moss or Cameron)	141,125				141,125						
Disraeli Street Interceptor	73,260							36,000	37,260		
Remedial works in Oak Street / Stout Street Area	96,210		96,210								
Reduction of Wastewater overflows in the Riverside Road Area	850,070				33,870	816,200					
Reductions of Wastewater overflows in the Kaiti Area	176,460	176,460									
Totals:	58,472,327	21,503,070	20,533,857	1,588,055	2,167,680	2,471,920	2,658,000	2,041,830	1,824,255	1,778,090	1,905,570
STORMWATER											
Stormwater Pipelines/Renewals	2,502,987	174,656	180,394	184,613	189,000	193,050	197,269	201,825	206,550	462,030	513,600
Stormwater Renewals for Rural Townships	1,158,800	103,500	106,900	109,400	112,000	114,400	116,900	119,600	122,400	125,300	128,400
Stormwater In Drain Structures	650,075	34,930	36,079	36,923	37,800	38,610	167,459	171,327	41,310	42,289	43,348
Stormwater - Upper Reynolds Drain from Gladstone Rd to Elgin	212,758						212,758				
Stormwater Localised Urban Upgrades	1,303,650	116,436	120,263	123,075	126,000	128,700	131,513	134,550	137,700	140,963	144,450
Stormwater Te Hapara Capital Improvements	1,000,000			600,000	200,000	200,000					
Upsizing of stormwater infrastructure to Cater for Additional Growth	231,760	20,700	21,380	21,880	22,400	22,880	23,380	23,920	24,480	25,060	25,680
Stormwater Mangapapa Stream	1,090,500					171,600	175,350	179,400	183,600	187,950	192,600
Rutene Road Stormwater Improvements	426,660	200,000	200,000	26,660							
Taruheru/Waru/Haisman (Stormwater Catchment)	572,000					572,000					
Totals:	9,149,190	650,222	665,016	1,102,551	687,200	1,441,240	1,024,629	830,622	716,040	983,592	1,048,078

(The actual project cost, timing and funding may vary significantly)

Description	Total Cost	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
WATER SUPPLY											
Distribution : Pipe renewals [Asbestos Main Replacement]	1,999,116	21,632		42,775	83,128	94,560	30,113	51,605	673,200	388,430	613,673
Waingake Water Catchment : Renew Power Poles	129,375	129,375									
Waingake Treatment Plant - Baffles in Clear Water Reservoir	82,800	82,800									
Waingake Water Treatment Plant : Ultra Violet Treatment Installation	67,275	67,275									
Waipaoa Water Treatment Plant : Ultra Violet Treatment Installation	155,005			155,005							
Distribution : Hospital Hill Chlorine water supply improvements	128,150			27,350	100,800						
Water Supply Distribution : Fire-fighting Upgrade	460,768				460,768						
Bulk Water Distribution : Western Industrial Ring Main	1,255,719						1,255,719				
Water Distribution : Telemetry system for Gaddums Hill and Hauroa Road Reservoirs	35,683		35,683								
Waingake Water Treatment Plant : Filter to Waste Facility	147,832						147,832				
Waingake Water Treatment Plant : Backwash Discharge Treatment Issues	22,400				22,400						
Waingake Water Treatment Plant : Seismic Restraints for Chemical Bulk Storage Tanks	58,655			58,655							
Waipaoa Water Treatment Plant : Seismic Restraints for Chemical Bulk Storage Tanks	60,049				60,049						
Distribution : Water Meter Renewals	495,450	51,750	53,450	27,350	28,000	28,600	58,450	59,800	61,200	62,650	64,200
Development Contributions : Taruheru Block Water	1,236,822				103,740	105,963	108,279	443,118			475,722
Development Contributions : Construct Nob Hill Booster Station & Reservoir Supply main	1,331,960			109,400	604,800	617,760					
Development Contributions : Local Urban Upgrades	289,700	25,875	26,725	27,350	28,000	28,600	29,225	29,900	30,600	31,325	32,100
Rural Townships : Te Karaka Water Supply Upgrade	267,250		267,250								
Rural Townships : Whātātūtū Water Supply Upgrade	273,500			273,500							
Distribution : Additional metres and valves for effective demand management	37,881	37,881									
Totals:	8,535,390	416,588	383,108	721,385	1,491,685	875,483	1,629,618	584,423	765,000	482,405	1,185,695
SOLID WASTE/WASTE MINIMISATION											
Waiapu Landfill - Stage 3	429,000					429,000					
Totals:	429,000					429,000					

(The actual project cost, timing and funding may vary significantly)

Description	Total Cost	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
LAND TRANSPORT and PARKING											
Pay & Display Meters	62,920					62,920					
Pavement Maintenance - Renewals	10,692,605	953,250	980,894	1,009,492	1,033,323	1,057,154	1,080,032	1,104,817	1,131,508	1,158,198	1,183,937
Drainage Renewals	6,454,066	565,000	581,950	599,409	627,771	642,249	656,149	671,206	687,421	703,637	719,274
Bridge/Structure Maintenance - Renewals	5,534,281	750,000		1,000,000		1,204,929		1,259,254		1,320,098	
T Funds - Various Walking and Cycling (previously R Funds)	3,471,217	215,248	1,255,600	250,600	233,331	238,713	243,878	249,475	255,502	261,529	267,341
Bridge Capital Renewals	3,214,426		500,000		633,327		661,955		693,505		725,639
Maintenance Chipseals	28,232,758	2,190,000	2,244,750	2,300,868	2,866,635	2,932,751	2,996,219	3,064,976	3,139,022	3,213,068	3,284,469
Thin Asphaltic Concrete	2,377,240		239,422	246,403	252,220	258,037	263,621	269,670	276,185	282,700	288,982
Transport Studies - Walking and Cycling	456,678	50,000	51,450	52,942	40,310	41,240	42,132	43,098	44,140	45,181	46,185
Footpath Replacement	1,637,682	146,000	150,234	154,614	158,264	161,914	165,418	169,214	173,302	177,390	181,332
Road - Periodic overlay / strengthening	34,175,052	3,045,932	3,137,310	3,231,429	3,301,790	3,377,939	3,451,041	3,530,235	3,615,521	3,700,807	3,783,048
Minor Safety Projects	12,762,142	1,137,750	1,170,743	1,204,878	1,233,322	1,261,765	1,289,072	1,318,651	1,350,511	1,382,366	1,413,084
Regional - Road Upgrading	6,898,600	3,400,000	3,498,600								
Preventative Maintenance	632,358	56,380	58,010	59,700	61,110	62,519	63,872	65,338	66,917	68,495	70,017
Taruheru Subdivision Road Links	639,671					639,671					
Taruheru Subdivision Road Links	287,834										287,834
Urban Street Improvements	321,928	28,700	29,532	30,393	31,112	31,828	32,517	33,263	34,067	34,871	35,645
Walkway - Waikanae Beach Walkway, Waikanae Stream to Stanley/ Awapuni Road Intersections	1,043,000	513,500	529,500								
Walkway - Accessible Links to Titirangi	22,070			10,870	11,200						
Walkway - Taruheru River Walkway - Botanical Gardens to Champion Road	1,132,500				558,500	574,000					
Walkway - Taruheru River Walkway - Bright Street to the Botanical Gardens	1,073,000		529,500	543,500							
Non-Assisted Roding (non-subsidised)	1,833,138	163,425	168,164	173,067	177,153	181,238	185,161	189,410	193,985	198,561	202,974
Totals:	122,955,166	13,215,185	15,125,659	10,868,165	11,219,368	12,728,867	11,131,067	11,968,607	11,661,586	12,546,901	12,489,761
RESERVES and OPEN SPACE											
Chalmers Road Enhancement as City Entranceway	65,260		21,180	21,740	22,340						
Footbridges - Awapuni School/Alfred Cox Park	105,900		105,900								
Neighbourhood Reserve Development	30,000		30,000								
Beach Protection and Revegetation - Kaiti Beach	59,090		10,590		11,170		11,810		12,480		13,040
Walkway - Railway Bridge	251,940				22,340	229,600					
Atkinson Park - Reserve Sign	3,177		3,177								

(The actual project cost, timing and funding may vary significantly)

Description	Total Cost	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Coldstream Road Reserve - Plant Trees and Reserves Sign	10,730		5,295	5,435							
Grant Road Reserve - Reserve Sign and Table	5,315	2,054		3,261							
Ida Road Reserve - Seating and Reserve Sign	5,562		2,118			3,444					
London Street Reserve - Reserve Sign, Trees and Table	5,562		2,118			3,444					
Lytton Road Reserve - Taruheru River Walkway	114,800					114,800					
Waiteata Park - Riparian Planting	12,160							12,160			
Mākōrori Beach Reserve - Implementation of Proposed Management Plan	50,000								20,000	20,000	10,000
Tolaga Bay Township Plan Implementation - Play Equipment and Picnic Tables	15,405	15,405									
Wainui Reserve - Carpark, basketball/netball	59,050						59,050				
Park Furniture General - Facilities, Furniture and Landscaping of Neighbourhood Parks	31,880	10,270	10,590	5,435	5,585						
Nelson Park Upgrade - Carpark and Implement Proposed Management Plan	108,655					28,700	29,525	12,160	12,480	12,750	13,040
Langford Fallon Reserve - Viewing Platform	21,740			21,740							
Waikanae Beach Reserve Repairs to sea wall	51,350	51,350									
Gentle Annie Reserve - Implement Proposed Management Plan	54,740						29,525	6,080	6,240	6,375	6,520
Patutahi Township Plan Implementation	21,770		21,770								
Adventure Playground - Playground Design & Implementation	251,910		21,180		55,850		59,050		62,400		53,430
Alfred Cox Park - Implement Waikanae/Midway Management Plan	51,435									31,875	19,560
Civic Reserves - Implementation of Management Plan	32,600										32,600
Civic Square/Plaza/Open Space Development	1,000,000					1,000,000					
Botanical Gardens - Implement Management Plan	151,320	25,675	26,475	27,175	11,170	11,480	11,810	12,160	12,480	6,375	6,520
Taruheru Reserves - Land Purchase	971,600						472,400		499,200		
Cemeteries - New Ash Berm	24,570	2,054	2,118	2,174	2,234	2,296	2,362	3,040	2,496	3,188	2,608
Titirangi Reserve	561,115		42,360	97,830	61,435	143,500	64,955	30,400	56,160	31,875	32,600
Hatea a Rangī Reserve	38,045			38,045							
Ruatōria Township Plan Implementation	124,055	5,135	20,000	32,610	5,585		29,525		31,200		
Tokomaru Township Plan Implementation	46,740					5,740	29,525			11,475	
Te Araroa Domain	62,985				5,585	57,400					
Waihirere Reserve	83,165	10,270	10,590	10,870						31,875	19,560
Reserves - Amenity Paving	21,458	1,890	1,948	2,000	2,055	2,112	2,173	2,237	2,297	2,346	2,400

(The actual project cost, timing and funding may vary significantly)

Description	Total Cost	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Reserves - Bridges and Boardwalks	77,296	6,807	7,020	7,204	7,404	7,608	7,828	8,060	8,272	8,450	8,643
Reserves - Buildings	418,432	36,848	37,996	39,002	40,078	41,190	42,374	43,630	44,778	45,748	46,788
Reserves - Carparks	64,922	5,718	5,895	6,050	6,219	6,391	6,574	6,770	6,948	7,098	7,259
Reserves - Roads	155,106	13,529	13,983	14,382	14,810	15,251	15,721	16,220	16,676	17,060	17,474
Reserves - Accessways	46,438	4,090	4,216	4,328	4,448	4,572	4,702	4,842	4,970	5,078	5,192
Reserves - Furniture	423,542	36,105	37,542	38,799	40,146	41,537	43,018	44,589	46,026	47,239	48,541
Reserves - Irrigation	35,704	3,024	3,150	3,260	3,378	3,499	3,629	3,765	3,891	3,997	4,111
Reserves - Lighting	91,663	8,071	8,324	8,544	8,780	9,023	9,283	9,558	9,809	10,022	10,249
Reserves - Playgrounds	950,453	83,699	86,309	88,591	91,036	93,562	96,251	99,104	101,712	103,913	106,276
Reserves - Walls	773,950	66,962	69,362	71,460	73,708	76,032	78,504	81,128	83,526	85,548	87,720
Reserves - Water and Drinking Fountains	19,592	1,727	1,780	1,826	1,876	1,928	1,984	2,042	2,096	2,142	2,191
Anzac Park	39,406	12,940		22,827		1,148		1,216		1,275	
Lysnar & Wainui Beach Reserve	405,103	42,107	83,237	69,785	46,467	28,815	43,225	56,666	7,238	26,520	1,043
Rere Falls	107,795		63,540	32,610		5,740	5,905				
Waikanae/Midway Reserve Management Plan	329,185				78,190	80,360	82,670	24,320	24,960	19,125	19,560
Inner Harbour Redevelopment	1,331,650		26,475	27,175		121,600	124,800	510,000	521,600		
Public Art	758,030	66,755	68,835	70,655	72,605	74,620	76,765	79,040	81,120	82,875	84,760
Convenience Upgrades	1,257,346	159,455		218,487	248,184	126,280	69,525	127,680	179,800	108,375	19,560
Totals:	11,790,697	671,940	855,073	993,300	942,678	2,341,672	1,514,468	1,196,867	1,860,855	732,599	681,245

HOUSING

Community Housing - Aluminium Window Replacement	15,405	15,405									
Staff Housing Upgrades	86,295	15,405		16,305		17,220		18,240		19,125	
Upgrades Community Housing	1,865,920	164,320	169,440	173,920	178,720	183,680	188,960	194,560	199,680	204,000	208,640
Totals:	1,967,620	195,130	169,440	190,225	178,720	200,900	188,960	212,800	199,680	223,125	208,640
GRAND TOTAL:	299,311,309	37,896,418	42,583,676	17,414,489	20,168,581	24,950,157	43,938,475	18,877,531	31,381,994	30,163,111	31,936,877

Cautionary Note

The projects outlined above are forecast for the next 10 years. The 2010 year is the only year committed to funding at this stage. Actual projects, their timing and funding allocated may vary significantly. Decisions to commit to projects and funding will be reviewed annually.

For major projects we have assumed resource consents will be granted. A number of projects are subject to grant funding being available. If the grant funding does not eventuate the project may not proceed.

For more detail on Council's major projects, the various options and the financial implications, refer to the Major Projects section of the 2009-2019 Ten Year Plan.

Statement of Accounting Policies

Reporting Entity

Gisborne District Council (“GDC”) is a Unitary Authority governed by the Local Government Act 2002.

The Gisborne District Council Group (the “Group”) consists of Gisborne District Council and its subsidiaries, Gisborne Holdings Ltd (100% owned), Tauwhareparae Holdings Ltd (100% owned), Tauwhareparae Farms Ltd (100% owned) and Tauwhareparae Forests Ltd (100% owned). All GDC subsidiaries are incorporated in New Zealand.

GDC has not presented group prospective financial statements because GDC believes that the parent prospective financial statements are more relevant to the users. The main purpose of prospective financial statements in the Ten Year Plan is to provide users with information about core services that GDC intends to provide ratepayers, the expected cost of those services and, as a consequence, how much the Gisborne District Council requires by way of rates to fund the intended levels of service. The level of rates funding required is not affected by subsidiaries, except to the extent that GDC obtains distributions from, or further invests in, those subsidiaries. Such effects are included in the prospective financial statements presented.

The primary objective of GDC is to provide goods or services for the community or social benefit rather than making a financial return. Accordingly, GDC has designated itself and the Group as Public Benefit Entities (“PBE”) for the purposes of New Zealand equivalents to International Financial Reporting Standards (“NZ IFRS”).

Basis of Preparation

The prospective financial statements of GDC have been prepared in accordance with the requirements of the Local Government Act 2002, 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 the New Zealand equivalents to IFRS, and other applicable Financial Reporting Standards, as appropriate for public benefit entities. This includes compliance with Financial Reporting Standard No. 42 (FRS 42) ‘Prospective Financial Statements’.

The financial statements use opening balances from the period ending 30 June 2009, estimates have been restated accordingly if required.

Measurement Base

The financial statements have been prepared on a historical cost basis, modified by the revaluation of certain fixed assets, forestry assets, livestock assets and certain financial instruments to reflect fair value.

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$’000). The functional currency of GDC is New Zealand dollars.

NZ IFRS 8 – Operating Segments

GDC has elected under the Public Benefit Entity exemption not to apply this standard.

Specific Accounting Policies

The following specific Accounting Policies which materially affect the measurement of financial performance and the financial position have been applied consistently to all periods presented in these financial statements.

Revenue Recognition

Revenue is measured at the fair value of consideration received. The following specific recognition criteria must be met before revenue is recognised:

Rates Revenue

Rates are set annually by a resolution from GDC and relate to a financial year. All ratepayers are invoiced within the financial year to which the rates have been set. Rates revenue is recognised when receivable.

Government Grants and Subsidies

GDC receives government grants from New Zealand Transport Agency, which subsidises part of GDC’s costs in maintaining the local roading infrastructure. The subsidies are recognised as revenue upon entitlement as conditions pertaining to eligible expenditure have been fulfilled.

Other Revenue

Revenue from the rendering of services is recognised, based on the actual service provided on an accrual basis.

Sales of goods are recognised when a product is sold to the customer. Sales are usually in cash or by electronic payment. The recorded revenue is the gross amount of the sale, excluding GST.

Interest income is recognised using the effective interest method.

Dividends are recognised when the right to receive payment has been established.

Where a physical asset is acquired for nil or nominal consideration the fair value of the asset received is recognised as revenue. Assets vested in GDC are recognised as revenue when control over the asset is obtained.

Borrowing Costs

Borrowing costs (except borrowing costs incurred as a result of capital work) are recognised as an expense in the period in which they are incurred.

When the construction of significant assets are loan-funded, all borrowing costs incurred as a result of the capital work are capitalised as part of the total cost of the asset up until the point where the asset enters service.

Grant Expenditure

Non-discretionary grants are grants awarded if the grant application meets the specified criteria and are recognised as expenditure when an application meeting the specified criteria for the grant has been received.

Discretionary grants are grants that GDC has no obligation to award on receipt of the grant application and are recognised as expenditure when a successful applicant has been notified of GDC's decision.

Income Tax

Income tax expense in relation to the surplus or deficit for the period comprises current tax and deferred tax.

Current tax is the amount of income tax payable based on the taxable profit for the current year, plus any adjustments to income tax payable in respect of previous years. Current tax is calculated using rates that have been enacted or substantially enacted by balance date.

Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses. Temporary differences are differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences or tax losses can be utilised.

Deferred tax is not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of an asset and liability in a transaction that is not a business combination, and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is recognised on taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where GDC can control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, using tax rates that have been enacted or substantially enacted by balance date.

Current tax and deferred tax is charged or credited to the Income Statement, except when it relates to items charged or credited directly to equity, in which case the tax is dealt with in equity.

Leases

Finance Leases

A finance lease is a lease that transfers to the lessee substantially all the risks and rewards incidental to ownership of an asset, whether or not title is eventually transferred.

At the commencement of the lease term, GDC recognises finance leases as assets and liabilities in the balance sheet at the lower of the fair value of the leased item or the present value of the minimum lease payments.

The amount recognised as an asset is depreciated over its useful life.

Operating Leases

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

Cash Flows

The following definitions have been used for the preparation of the Statement of Cash Flows:

Cash and Cash Equivalents - Cash includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

Operating Activities - Transactions and other events that are not investing or financing activities.

Investing Activities - Activities relating to the acquisition, holding and disposal of property plant and equipment, and of investments, such as securities, not falling within the definition of cash.

Financing Activities - Financing activities comprise the change in equity and debt capital structure of GDC.

Trade and Other Receivables

Trade and other receivables are recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for uncollectible amounts.

A provision for impairment of receivables [doubtful debts] is established when there is objective evidence that GDC will not be able to collect all amounts due according to the original terms of the receivables.

The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the effective interest method. Non-current receivables are recognised at the present value of their expected future cash flows, discounted at the current market rate of return for a similar asset.

Inventories

Inventories are recognised at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The cost of inventories is based on the first-in first-out (FIFO) principle and includes expenditure in acquiring the inventories and bringing them to their existing location and condition.

Financial Assets

GDC classifies its financial assets in the following two categories: available-for-sale financial assets, and loans and receivables. The classification depends on the purpose for which the assets are held. Management determines the classification of its investments at initial recognition and re-evaluates the designation at every reporting date.

Financial assets and liabilities are initially measured at fair value plus transaction costs unless they are carried at fair value through profit or loss in which case the transaction costs are recognised in the Statement of Comprehensive Income.

Purchases and sales of investments are recognised on trade-date, the date on which GDC commits to purchase or sell the asset.

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price is the current bid price.

The fair value of financial instruments not traded in an active market is determined using valuation techniques. The Council uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date.

Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows are used to determine fair value for the remaining financial instruments.

Derecognition of Financial Assets

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and GDC has transferred substantially all the risks and rewards of ownership.

The Council presently has the following categories of financial assets:

a. Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. GDC's general and community loans are designated as loans and receivables. They are recognised initially at fair value, and subsequently carried at amortised cost less impairment losses.

Loans to community organisations made by GDC at nil, or below-market interest rates are initially recognised at the present value of their expected future cash flows, discounted at the current market rate of return for a similar asset/investment.

They are subsequently measured at amortised cost using the effective interest method. The difference between the face value and present value of the expected future cash flows of the loan is recognised in the income statement as a grant. Loans to other parties at market rates are measured at amortised cost using the effective interest method. Non-current loans are discounted at the current market rate of return for a similar asset.

b. Available-for-Sale Financial Assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

GDC's investments in equity securities are classified as available for sale and are stated at fair value. Gains and losses are recognised directly in equity except for impairment losses, which are recognised in the Statement of Comprehensive Income. In the event of impairment, any cumulative losses previously recognised in equity will be removed and recognised in the Statement of Comprehensive Income even though the asset has not been derecognised.

Impairment of Financial Assets

At each annual balance date GDC assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired. Any impairment losses are recognised in the Statement of Comprehensive Income.

Accounting for Derivative Financial Instruments and Hedging Activities

GDC uses derivative financial instruments such as interest rate swaps ("hedges") and forward rate agreements to manage its cash flow and interest rate risk. In accordance with its treasury policy, the Council does not hold or issue derivative financial instruments for trading purposes.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value at each balance sheet date.

GDC does not satisfy all the conditions for hedge accounting and therefore all gains or losses in fair value of hedges are recognised through the Statement of Comprehensive Income.

Financial Liabilities : Borrowings

Borrowings are initially recognised at their fair value. After initial recognition, all borrowings are measured at amortised cost using the effective interest method.

Non-Current Assets Held for Sale

Non-current assets held for sale are classified as held for sale if their carrying amount will be recovered principally through a sale transaction, not through continuing use. Assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

Any impairment losses for write-downs of assets held for sale are recognised in the Statement of Comprehensive Income.

Any increases in fair value (less costs to sell) are recognised up to the level of any impairment losses that have been previously recognised.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Property, Plant and Equipment

Property, Plant and Equipment consists of:

Operational Assets - These include land, buildings, improvements, library books, wharves, floating plant, plant, equipment, and motor vehicles.

Infrastructural Assets - Infrastructural assets are the fixed utility systems owned by GDC and comprise the sewer, water, stormwater, roading, flood control, and the waste disposal infrastructures. Each asset type includes all items that are required for the network to function, for example, sewer reticulation piping and sewer pump stations.

Property, Plant and Equipment Valuation

The Council has elected to use the Public Benefit Entities exemption to revalue property, plant and equipment on an asset class basis. The results of revaluing are credited or debited to an asset revaluation reserve for that class of asset in the equity section of the Statement of Comprehensive Income.

Where this results in a debit balance in the asset revaluation reserve, this balance is expensed in the Statement of Comprehensive Income. Any subsequent increase on revaluation that off-sets a previous decrease in value recognised in the Statement of Comprehensive Income will be recognised first in the Statement of Comprehensive Income up to the amount previously expensed, and then credited to the revaluation reserve for that class of asset.

Additions - Additions between valuations are recorded at cost, except for vested assets. Certain infrastructural assets and land have been vested in GDC as part of the subdivision consent process. Vested assets are recognised as revenue when control over the asset is obtained. Vested assets are valued at fair value when received.

Disposals - Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are included in the Statement of Comprehensive Income. When revalued assets are sold, the amounts included in asset revaluation reserves in respect of those assets are transferred to retained earnings.

Subsequent Costs - Costs incurred subsequent to the initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to GDC and the cost of the item can be reliably measured.

Operational Assets Valuations

All Operational Assets are carried at cost less accumulated depreciation and impairment losses except for:

Operational Land - Operational land is valued at fair value and is not depreciated.

Operational Buildings - Operational Buildings are revalued to optimised depreciated replacement cost and depreciated between valuations. These assets are independently revalued every three years, or more frequently when there are indicators that the values may have changed substantially from carrying value.

Library Books - General Collections - All new and replacement books are capitalised in the year they are purchased and subsequently depreciated based on useful lives. The valuations are performed by the Head Librarian and are not subject to independent review because there are readily available market prices to determine fair value.

Library Books - Permanent Collection - The permanent collection is carried at deemed cost.

Infrastructure Assets Valuations

Infrastructural Assets - Infrastructural Assets are initially recorded at depreciated replacement cost. Infrastructure assets other than roading are independently valued every three years at depreciated replacement costs, unless conditions indicate that carrying value is materially different to fair value, in which case assets are revalued more frequently.

Roading Assets - Roothing assets are independently revalued annually.

Airport Assets - Airport assets include land, buildings, runway aprons, roading and below ground infrastructure. Airport assets are independently valued every three years or more frequently when there are indicators that the fair values may have changed substantially from carrying value.

Assets Under Construction - Assets under construction are valued at cost.

Biological Assets

Livestock - Livestock is valued at fair value less point of sale costs. Changes in the value of existing productive livestock and the numbers and/or composition of the livestock are treated as revenue items.

Forestry Assets - Forestry Assets consist of GDC's forestry holdings. Forestry assets are valued on the basis of fair value less estimated point of sale costs. Fair value is determined based on the present value of expected net cash flows discounted at a current market determined pre-tax rate. Forestry Assets are revalued annually. Valuation movements pass through the Statement of Comprehensive Income. The costs to maintain the forestry assets are included in the Statement of Comprehensive Income.

GDC has transferred forestry rights in respect of a total of 1,608 hectares of land to Juken New Zealand Limited. The transfer relates to one harvest cycle. Under the agreement GDC has contributed the land and is entitled to 16.75% of stumpage. All costs of development are borne by Juken New Zealand Limited. The value of the land (excluding the trees) and GDC's right to a share of the stumpage is reflected in the Balance Sheet.

Intangible Assets

Software Acquisition and Development

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs associated with maintaining computer software are recognised as an expense when incurred. Costs that are directly associated with the development of software for internal use or with the acquisition of software licences by GDC, are recognised as an intangible asset.

Amortisation

The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised. The amortisation charge for each period is recognised in the Statement of Comprehensive Income.

The useful lives and associated amortisation rates of major classes of intangible assets have been estimated as follows:

- ▶ Computer software 6 years

Impairment of Non Financial Assets

Assets that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

If the recoverable amount of a non-financial asset is less than its carrying amount, the item is written down to its recoverable amount. The write-down of an item recorded at cost is recognised as an expense in the Statement of Comprehensive Income. When a revalued item is written down to recoverable amount, the write-down is recognised as a downward revaluation to the extent of the corresponding revaluation reserve, and any balance recognised in the Statement of Comprehensive Income.

The carrying amount of a non-financial asset that has previously been written down to a recoverable amount is increased to its current recoverable amount if there has been a change in the estimates used to determine the amount of the write-down. The increased carrying amount of the item will not exceed the carrying amount that would have been determined if the write-down to recoverable amount had not occurred.

Capitalisation of Interest - When the construction of assets is loan-funded, all interest incurred as a result of the capital work is capitalised as part of the total cost of the asset up until the point where the asset enters service.

Depreciation

Depreciation is provided on a straight-line basis on all fixed assets other than land and land under roads. The depreciation rates used will write off the cost (or valuation) of the assets to their estimated residual values over their useful lives. The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

INFRASTRUCTURAL ASSETS

Roads

*Pavement Surface (seal)	1 – 20 years
*Pavement Surface (unsealed) Wearing Course	5 years
*Pavement Layers (basecourse)	75 – 100 years
*Formation	(not depreciated)
*Culverts	25 – 50 years
*Footpaths	20 – 75 years
*Surface Water Channels	50 years
*Signs	12 years
*Street Lights	15 – 25 years
*Bridges	25 – 80 years
*Retaining Structures	80 years
*Traffic Signals	15 years
*Parking Meters	25 years
*Railings	10 - 15 years
*Safety Projects	10 – 13 years

Water Reticulation

*Pipes	30 – 165 years
*Valves, Hydrants	25 years
*Pump Stations	15 – 100 years
*Dams	400 years
*Structures	16 – 200 years

Sewerage Reticulation

*Pipes	60 – 100 years
*Manholes	100 years
*Treatment Plant	15 – 50 years
*Laterals	100 years

Stormwater Systems

*Pipes	62 – 100 years
*In-drain structures	25 – 100 years

Flood Control Systems

25 – 100 years

Solid Waste

4 – 25 years

Operational Assets

Land	(not depreciated)
Buildings/Land Improvements	3 – 100 years
Plant/Machinery/Motor Vehicles	2 – 20 years
Office Equipment/Furniture	3 – 50 years
Other Equipment	5 – 25 years
Library Books	1 - 50 years
Wharves	50 years
Floating Plant	25 years
Leased Assets	3 – 8 years

Capital work in progress is not depreciated. The total cost of a project is transferred to freehold buildings, plant and equipment or infrastructural assets on its completion and then depreciated.

Employee Entitlements

The provision for annual leave employee entitlement and other employee benefits expected to be settled within 12 months of balance date has been calculated on an actual entitlement basis at current rates of pay. Other provisions have been calculated on future rates of pay, discounted using an appropriate discount rate.

Provision for accumulated sick leave is made only to the extent that it is expected to be used in future periods. The expected usage is assessed using historical average rates of use.

Long-Service Leave and Retirement Leave

For retiring leave and long-service leave not expected to be taken within 12 months of balance date, the liability is equal to the present value of the estimated future cash outflows, calculated on an actuarial basis, as a result of employee services provided at balance date.

Superannuation Schemes

Defined Benefit Scheme

GDC belongs to the Defined Benefit Plan Contributors Scheme (the scheme), which is managed by the Board of Trustees of the National Provident Fund. The scheme is a multi-employer defined benefit scheme.

Insufficient information is available to use defined benefit accounting. As there is no prescribed basis for allocation, it is not possible to determine from the terms of the scheme, the extent to which the surplus/deficit will affect future contributions by individual employers. The scheme is therefore accounted for as a defined contribution scheme.

Provisions

Provisions are recognised for future expenditure of uncertain amount or timing when GDC has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reasonable estimate can be made of the amount of the obligation.

If the time value of money is material, provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Where GDC expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Statement of Comprehensive Income net of any reimbursement.

Critical Accounting Estimates and Assumptions

In preparing these financial statements, the Council has made estimates and assumptions concerning the future. Refer to Significant Assumptions section. These estimates and assumptions may differ from the subsequent actual results. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next 10 years are discussed below.

Landfill Post-Closure Costs

Paokahu - As former operator of the Paokahu landfill site, GDC has an obligation to ensure ongoing maintenance and monitoring services take place at this landfill site after closure.

A landfill after-care provision has been recognised as a liability in the Balance Sheet. Provision is made for the present value of post-closure costs expected to be incurred in restoring the area to its former status. The calculated cost is based on estimates of future site maintenance, supervision and monitoring costs.

The estimated length of time needed for post-closure care for the Paokahu site is 35 years, from 31 December 2002.

The calculations assume no change in the legislative requirements or technological changes for closure and post-closure treatment. The discount rate used is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to GDC.

Waiapu - As operator of the Waiapu landfill site, GDC has an obligation to ensure ongoing maintenance and monitoring services occur at this landfill site after closure.

A landfill after-care provision has been recognised as a liability in the Balance Sheet. Provision is made for the present value of post-closure costs expected to be incurred in restoring the area to its former status. The calculated cost is based on estimates of future site maintenance, supervision and monitoring costs. The estimated length of time needed for post closure care for the Waiapu site is 35 years, from 30 June 2024.

Infrastructural Assets

There are a number of assumptions and estimates used when performing the depreciated replacement cost valuations in respect of infrastructural assets. These include:

- ▶ the physical deterioration and condition of asset, for example, GDC could be carrying an asset at an amount that does not reflect its actual condition. This is particularly so for those assets which are not visible, for example stormwater, wastewater and water supply pipes that are underground. This risk is minimised by GDC performing a combination of physical inspections and condition-modelling assessments of underground assets.
- ▶ estimating any obsolescence or surplus capacity of an asset
- ▶ estimates are made when determining the remaining useful lives over which the asset will be depreciated. These estimates can be impacted by the local conditions, for example, weather patterns and traffic growth. If useful lives do not reflect the actual consumption of the benefits of the asset, then GDC could be over or under estimating the annual depreciation charge recognised as an expense in the Statement of Comprehensive Income. To minimise this risk, GDC's infrastructural asset's useful lives have been determined with reference to the NZ Infrastructural Asset Valuation and Depreciation Guidelines published by the National Asset Management Steering Group, and have been adjusted for local conditions based on past experience.

- ▶ Asset inspections, deterioration and condition modelling are also carried out regularly as part of GDC's asset management planning activities, which provides Council with further assurance over its useful life estimates.

Experienced independent valuers perform GDC's infrastructural asset revaluations.

GST

The financial statements have been prepared exclusive of GST with the exception of receivables and payables, which are stated with GST included.

Cost Allocation

Expenditure has been reported by the nature of the expense.

Public Equity

This represents the ratepayer's net ownership of GDC. It is made up of the following components:

- ▶ Accumulated Funds
- ▶ Asset Revaluation Reserves
- ▶ Reserve Funds
- ▶ Special Funds
- ▶ Restricted Reserves.

Reserves

Reserves are a component of public equity and represent a particular use to which parts of equity have been assigned. Reserves may be legally restricted or created by GDC.

Special Funds

Special funds are recorded at cost plus accumulated interest. These funds are restricted in nature and can only be used for the special purpose for which they were set up.

GDC may alter them without reference to any third party or the Courts. Transfers to and from these reserves are at the discretion of GDC.

Restricted Reserves

Restricted reserves are recorded at cost plus accumulated interest. These funds are subject to specific conditions accepted as binding by GDC and which may not be revised by GDC without reference to a third party or the Courts.

Prospective Financial Information

The financial information contained within this document is prospective financial information in terms of accounting standard FRS42. The purpose for which it has been prepared is to enable ratepayers, residents and any other interested parties to obtain information about the expected future financial performance, position and cashflow of GDC.

The actual results achieved for any particular financial year are also likely to vary from the information presented and may vary materially depending on the circumstances that arise during the period.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.