



Section Two

Summary and Variations

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Summary and variations



This section describes some of the changes that are to occur over the next financial year. It provides an update on the major issues that may impact on our district as well as an overview of the major projects and our finances.

Summary and Variations (what's changed this year)

Many of the variations to the 2010/11 Annual Plan are minor and result from either reordering of priorities or refinement of budgets based on better or additional information regarding workload or the cost of providing a service.

Major variations that have been reflected in the 2010/11 Annual Plan are:

Operational

Increase in Accident Compensation Levy rates as announced by Central Government. \$104,000

Increase in landfill costs due to depreciation on the new Waiapu Landfill cells. \$94,000

Reduction in interest income received. \$83,000

Increase in Kiwisaver costs due to the withdrawal of the Kiwisaver Employer Tax Credit and higher than anticipated participation by staff in the scheme. \$60,000

Increase in computer software licensing and support fees. \$57,000

Increase in pests and plants advocacy costs to encourage co-operation between neighbours in the treatment of Argentine Ants. \$20,000

Capital

Increase

Wastewater Renewal Projects carried over from 2010. \$134,000

Waingake and Waipaoa UV water treatment. \$148,275

Waingake Treatment Plant - Baffles. \$82,800

Taruheru River Revetments. \$100,000

Information Technology - leased hardware and software (previously excluded from the published Capital Expenditure Programme). \$400,000

Pavement Maintenance Renewals \$438,384

Maintenance Chipseals \$438,384

Road - Periodic Overlay/Strengthening \$584,512

Assisted Seals \$464,188

Animal Refuge - Dunstan Road \$616,142

Decrease

Waikanae Beach Walkway. \$529,500

Walkway and Cycling Project \$1,255,600

Botanical Gardens Walkway \$529,500

Reduced Wastewater Treatment Project costs. \$2,268,000

Rutene Road Stormwater Project costs reviewed. \$70,000

Bridge Capital Renewals \$237,059

Minor Safety Projects \$29,729

Regional Road Upgrading \$308,600



Major Issues Impacting on our District

When we prepared the 2009-2019 Ten Year Plan, a scan of the major issues facing the district and Council over the next ten years was undertaken. These issues were integral to the development of the work programmes and funding proposed in the Plan. They are:

- ▶ Affordability
- ▶ Economic Conditions
- ▶ Economic Development/Positioning
- ▶ Housing Affordability
- ▶ Treaty Settlements
- ▶ Integrated Environmental Management
- ▶ Hazardscape
- ▶ Climate Change
- ▶ Environmental Issues
- ▶ Water Issues
- ▶ Waste
- ▶ Energy
- ▶ New Government, New Legislation
- ▶ Changes to Land Transport Funding.

These remain the major influences on the 2010/11 financial year. However, some changes have occurred since the Ten Year Plan was adopted on 25 June 2009. These changes are listed below:

Economic Conditions

The New Zealand economy appears to have turned the corner after a lengthy recession that saw Gross Domestic Product (GDP) reduce by around three percent from its peak at the end of 2007.

This recovery is being driven by improved global economic conditions including a more positive outlook for dairy and logs in particular. However the strength of the New Zealand dollar (NZD) is making life difficult for many exporters. The Gisborne economy has fared much better than the overall NZ economy throughout the current economic downturn. Gisborne economic growth rate has remained positive and retail sales had stabilised by November 2009 after dropping earlier in the year.

The number of unemployed as at December 2009 in the Gisborne District was 1,068, being an increase of 32% over the September figure of 806 with school leavers making up the majority of the increase.

While new home construction is still relatively light, there have been a number of major construction projects consented which will help keep the district reasonably buoyant into the New Year.

The retail sector was very buoyant with pre-Christmas sales boosted by visitors from two cruise ships to the city. Paymark transactions in dollar terms for the ten day post Christmas through to the New Year period were also well up (40%) on the same period last year.

While Council rates represent good value for money in terms of the services provided, rates affordability will remain a major concern within the Gisborne region.

Treaty Settlements

Council's research into the ownership history of the AML site is continuing. That site adjacent to Waikanae Beach is the subject of a Treaty claim and negotiations between Council and the Crown. An agreement has been reached with Turanga Manu Whiriwhiri (the Turanganui a Kiwa claimant group representative body) on the role and purpose of a local leadership body. Signing of Deeds of Settlement was expected in December 2009 but is now forecast to occur in mid 2010.

In December 2009 Council had observer status at the Waitangi Tribunal Hearings on the Ngati Porou direct negotiating mandate. Attention will soon focus on the Agreement in Principle on the Ngati Porou claims settlement negotiations. There will be consequences for Council in the agreement that will need to be planned for.

Changes to Land Transport Funding

Changes to Funding Criteria Affecting our Cycle and Walkway Projects

The cycle and walkways are part funded by the New Zealand Transport Agency. The criteria and process for funding of transport infrastructure was changed in August 2009.

The new Government Policy Statement (GPS) has, as one of the priorities, increasing economic growth and productivity in New Zealand. The Gisborne cycle and walkway projects do not meet the revised criteria. As a consequence, these projects that were included in the Ten Year Plan are unlikely to proceed, unless there is a change to government funding.

The cycle and walkways for Tikitiki, Muriwai, Te Karaka, Tolaga Bay, Tokomaru Bay, Te Araroa and Te Puia are still included in the Plan as these are to be funded through a separate funding allocation.

New Government, New Legislation

Transparency, Accountability Financial Management (TAFM) Reforms

In 2009 the Minister of Local Government, Rodney Hide undertook a review of the Local Government Act (LGA) 2002. The purpose was to give ratepayers more say in Council spending and also to assist ratepayers to better understand how their money is being spent. That review has resulted in a number of proposals that are likely to impact on Council's reporting framework and processes in future years.

The main proposed amendments to the LGA 2002 include:

- ▶ renaming the LTCCP to the Long Term Plan (LTP)
- ▶ a requirement for Councils to use "plain English" for financial reports and have in place a financial strategy
- ▶ a new section requiring Councils to have particular regard to network infrastructure, public transport services, hazard and disaster management, solid waste collection and disposal, libraries, recreation, culture and heritage services. The performance of regulatory responsibilities and statutory duties remains an important focus of Councils, but is not included in the new section on core services
- ▶ simplifying the community outcomes process by amalgamating it with the Long Term Planning process
- ▶ a pre-election report for the incoming Council (in place from 1 July 2011)
- ▶ performance measures for water supply, sewerage, stormwater drainage, flood protection and the provision of roads
- ▶ mandatory asset planning (for networks)
- ▶ allowing contracts with private suppliers for the operation of water services to increase from 15 years to 35 years
- ▶ removal of the requirement to retain control over the management of water services.

Confirmation of these changes is likely to occur in late 2010, once the Bill has been passed. Many of the changes are not likely to be obvious to our community until the next Annual Plan and/or Ten Year Plan.

Local Leadership Body

The Tairāwhiti Development Partnership has recently reconstituted itself as a Tairāwhiti Regional Governance Group. However, Council has been requested by business representatives to review its continued participation with the Group. Council has agreed to consider a proposal from the business sector for a business/industry led economic development initiative.

Major projects for year 2



The following projects are included in the 2009-2019 Ten Year Plan:

- ▶ Wastewater Treatment Plant.
- ▶ Wastewater Solutions for Wainui and Makorori.
- ▶ Waiapu Landfill.
- ▶ Waiapu River Flood Protection at Ruatoria.
- ▶ Waipaoa River Flood Protection Scheme.
- ▶ Cycle and Walkways.
- ▶ Library Extension.
- ▶ Civic Space.
- ▶ War Memorial Theatre.
- ▶ Multi-purpose Aquatic and Recreation Centre.
- ▶ Inner Harbour.

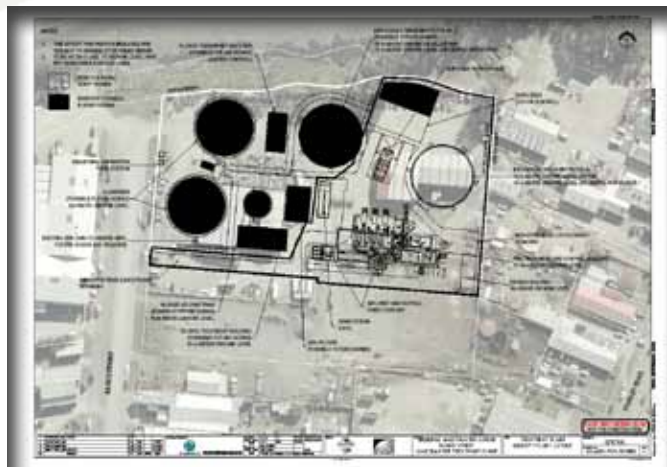
Since the 2009-2019 Ten Year Plan was adopted in June 2009, changes to the timing, costs and scope of some of these major projects has occurred. Changes arise due to better information, new circumstances outside of Council control, desired improvements and/or changed priorities. Changes that impact on the 2010/11 financial year and project updates are described below (for more detail on each project please see the Ten Year Plan).

Wastewater Treatment Plant

What's planned

The 2009-2019 Ten Year Plan provides for construction of a reduced-scope wastewater treatment plant (WWTP) at Banks Street. In the Ten Year Plan, construction was programmed to commence in Year 1 (2010) and be completed by Year 2 (2011).

It was estimated to cost \$40.3M over Years 1 and 2. The projects total cost was estimated at \$45M.



What's changed

In November 2009, Council made the formal decision to proceed with the wastewater scheme and awarded the construction and equipment contracts for the various components of the scheme. The total cost to complete the consented scheme has been revised based on the detailed costings from the successful tenders to \$39.6M (a saving of over \$5M). This includes \$3.2M for the purchase of the Banks Street site. Construction is now underway with the majority of the capital expenditure to occur during the 2010 calendar year. There will be approximately \$2.5M of expenditure in the 2013 financial year to construct the ultraviolet disinfection plant.

Wastewater Solutions for Wainui and Makorori



What's planned

In 2008 Council resolved not to proceed with water and wastewater reticulation to Wainui/Okitu and Sponge Bay and wastewater reticulation to Makorori. Instead, individual property owners need to find their own on-site solutions. A review of the Regional Discharges Plan Chapter 7 is underway that will include options for incorporating a monitoring, assessment and maintenance programme to ensure septic tanks and disposal systems on properties are working properly. A budget of \$50,000 was included in Year 1 of the Ten Year Plan to investigate on-site wastewater solutions. This money is being used to improve the Council's On-site Wastewater Design Guidelines and publication of an advice resource for developers, designers and users of septic systems.

Waiapu Landfill

What's planned

The 2009-2019 Ten Year Plan provides for the extension of the Waiapu Landfill at Ruatoria. A third cell at the landfill into which non-recyclable waste is deposited is programmed for construction in Year 5 (2014). The estimated cost is \$429,000. There are no changes proposed to this project and it will go ahead as planned in Year 5 (2014).

What's changed

The 10 year Waiapu Landfill consent is due to expire in June this year. The consent document is in its final stages. Consultation with the community began in April with a view to consent being granted by the end of June.

Waiapu River Flood Protection at Ruatoria

What's planned

The 2009-2019 Ten Year Plan provides for river training works on the Waiapu River downstream of the State Highway 35 bridge at Ruatoria, to improve river flows and minimise erosion caused to the right bank of the river by flood events. Construction was programmed to commence in Year 2 (2011) and to be completed by Year 5 (2014). It was estimated to cost \$2.3M over Years 1 - 5.

What's changed

As a result of more detailed design work it looks likely that the capital works will cost less than estimated and be completed in less time. Consultation with the Ruatoria community is underway and preliminary consultation has demonstrated a high level of support for the capital works although affordability remains an issue. How the capital works will be funded is the subject for further consultation with the affected communities during 2010/11.

Waipaoa River Flood Protection Scheme



What's planned

The 2009-2019 Ten Year Plan provides for a significant investment in upgrading the level of protection provided by the Waipaoa River Flood Protection Scheme. The upgrade was estimated to cost \$6M over Years 3-8 with an extra \$50,000 each for Years 1 and 2 for investigations and minor capital before upgrading begins.

What's changed

In October 2009, Council agreed to proceed with preliminary consultation on options for the scheme subject to further sensitivities analysis. Consultation with affected parties started in February 2010 and focussed on funding mechanisms, affordability and the desired level of protection.

Cycle and Walkways



What's planned

The 2009-2019 Ten Year Plan includes three major cycle and walking projects that extend the city's formed off-road walkways along Waikanae beach and the Taruheru River. It was assumed that the New Zealand Transport Agency (NZTA) would fund 75% of the cost of these projects. Two of these three projects had capital works programmed to occur in Year 2 (2011).

What's changed

In August 2009, the criteria and process for funding of transport infrastructure was changed. The new Government Policy Statement (GPS), has as one of its priorities, increasing economic growth and productivity in New Zealand. The Gisborne cycle and walkway projects do not meet the revised criteria. As a consequence, these projects that were included in the Ten Year Plan are unlikely to proceed, unless there is a change to government funding.

These projects received wide support from the community and Councillors during consultation on the Ten Year Plan. These projects remain in the plan and the Council will continue to seek external funding for them.

Library Extension

What's planned

The 2009-2019 Ten Year Plan includes \$50,000 in Years 2 and 3 (2011 and 2012) for design and feasibility work for the proposed library extension. The extension itself is programmed to start construction in Year 5 (2014) at an estimated cost of \$5.4M, to be 100% funded by external grants (including \$1.2M plus inflation bequest from the Stanley Green family). A project team will be formed during September/October 2010.

Civic Space

What's planned

The 2009-2019 Ten Year Plan provides for a civic space to be developed in the Gisborne city centre in Year 5 (2014) at an estimated cost of \$1M. Possible locations for the civic square are being investigated.



War Memorial Theatre

What's planned

The 2009-2019 Ten Year Plan provides for a major upgrade of the War Memorial Theatre in Year 2 (2011). The estimated capital cost is \$3.5M. Council will contribute \$927,000 or about 25% of the costs of the upgrade. External funding of \$2.6M will be actively pursued from a variety of sources. Council also agreed to consult an acoustic specialist and to contact artists and user groups for input in to the design brief and final design.



In September 2009 a project team which includes Mayor Meng Foon and Councillor Pat Seymour was established to drive this project.

A specialist architect is assisting the project team in defining the scope of the project in conjunction with neighbouring property owners. The intention is to share common facilities rather than duplicate them. It is envisaged that the theatre upgrade will enhance the area and adjacent spaces for overall community benefit. This will be further developed in a business plan for the theatre and combined facilities.

Major projects for year 2

What's changed

The project is dependent on grant funding so the precise timing is difficult to determine. Construction will also attempt to minimize disruption to existing users and regular events. It is likely that work will start in Year 2 (2010/11) but it is unlikely to be completed during this financial year. It is likely to be a staged construction programme.

Multi-purpose Aquatic and Recreation Centre



What's planned

The 2009-2019 Ten Year Plan provides for the development of a multi-purpose aquatic and recreation centre. The indoor water park component is programmed to be constructed during Years 3 - 6 with most of the capital works occurring in Year 6 (2015). The dry land facilities are to be constructed during Years 8 - 10. The rationale for this project is the current lack of facilities and revenue opportunities at the Olympic Pool Complex, the age and physical condition of the assets (independent evaluation establishes a remaining useful life of about 5 years for some of the major asset components) and increasing community demand for all-year-round aquatic recreation and sport.

What Council will do over the next year is to:

- ▶ Finalise the pre-design for stage one of the facility (aquatic component) based on the "Gisborne Indoor Water Park" concept design developed by Nicoll Blackburne Architects (2009).
- ▶ Establish specific demand and develop a realistic business plan for the aquatic component.
- ▶ Identify a preferred location for the facility.

- ▶ Prepare a comprehensive project plan document for public consultation (in time for the 2012-22 Ten Year Plan discussions).

To achieve these objectives Council has established a cross-departmental project steering group. Council will pro-actively collaborate with all relevant community stakeholders. The project plan document for public consultation will present a range of options to the community, but will indicate Council's preferred option where appropriate.

Parallel with any design and feasibility work, Council will pursue external funding opportunities. The current funding model is based on a project cost of \$24M for stage one, of which 25% is Council funded (\$6M) and 75% is externally funded (\$18M).

Inner Harbour

What's planned



Concept drawing : Opus Consultants : A 'contemporary flowing' design with curves and sweeping shapes reflecting riverside walkway koru and curvature of the railway.

The 2009-2019 Ten Year Plan provides for a joint project with Eastland Infrastructure to enhance the inner harbour by improving roads, cycleways, footpaths and public spaces. Construction is programmed to begin in Year 5 (2014) and be completed in Year 8 (2017) at an estimated cost to Council of \$1.3M. A small amount of money is included in Years 2 and 3 for information boards for the Tairāwhiti Navigations Project:

A Project Team has been established and an Action Plan developed to drive the project forward. The concept plans will be refined following further consultation with stakeholders.

Community Led and Collaborative Projects

The 2009-2019 Ten Year Plan also includes a number of collaborative or community-led projects. These are projects that Council supports but has no funding allocated to them in the Plan. Some of the collaborative projects Council plans to support this year are listed below:

Navigational Traditions Project

Pre-feasibility work has been completed for the Tairāwhiti Development Partnership. Council has a key role to play in supporting the partnership to co-ordinate some components of the work. The project links with the Inner Harbour Development Project, other regional promotion work and Council's regulatory responsibilities.

Gisborne District Youth Council

This year we will be working with the newly established Gisborne District Youth Council to obtain young people's views on decision-making processes.

Community House

Plans are being progressed for a new facility where social service providers and small to medium-sized community organisations can operate a one-stop-shop for information, advice and services. Council will continue to source external funding and support for the Community House.

Further detail on our other collaborative projects are provided in the Ten Year Plan (available from our website www.gdc.govt.nz) and the body of the Annual Plan. These include:

- ▶ Ruatōria Recreation Centre.
- ▶ Healthy Homes Project.
- ▶ Artificial Hockey Turf.
- ▶ Broadband Investment Fund.
- ▶ Computers in Homes.
- ▶ Gisborne Integrated Planning Project (GIPP).

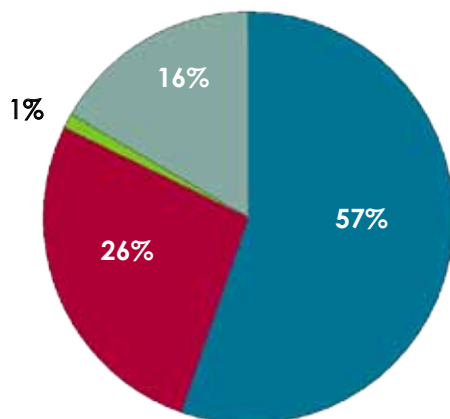
Our finances at a glance



The financial information presented here is only intended to give a brief overview. For more detailed financial information please refer to Section Four of the 2010/11 Annual Plan.

Council Income 2010/11

The graph below illustrates Council's main sources of income. Rates make up over half of the expected income in 2011, grants and subsidies make up 26%. The level of grant and subsidy income is mainly driven by our New Zealand Transport Agency (NZTA) road funding. Other revenue contributes 16% of total income and includes fees and charges, capital and development contributions.

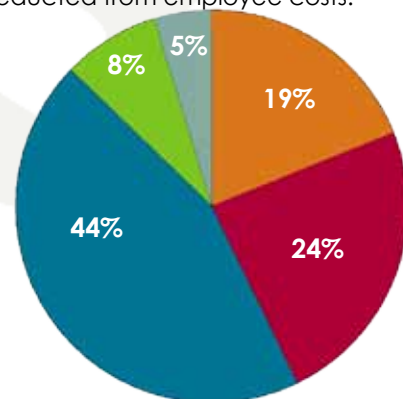


- Grants and Subsidies - \$20.48M
- Rates - \$45.4M
- Other Revenue - \$13.47M
- Dividends and Interest - \$0.58M

Council Expenditure 2010/11

The Council operational spend for 2011 is \$71M. The pie chart shows the breakdown of expenditure by type. Direct costs make up 44% of total expenditure and include expenses such as electricity, operational contracts, treatment plants, pump stations, facilities contracts and material costs.

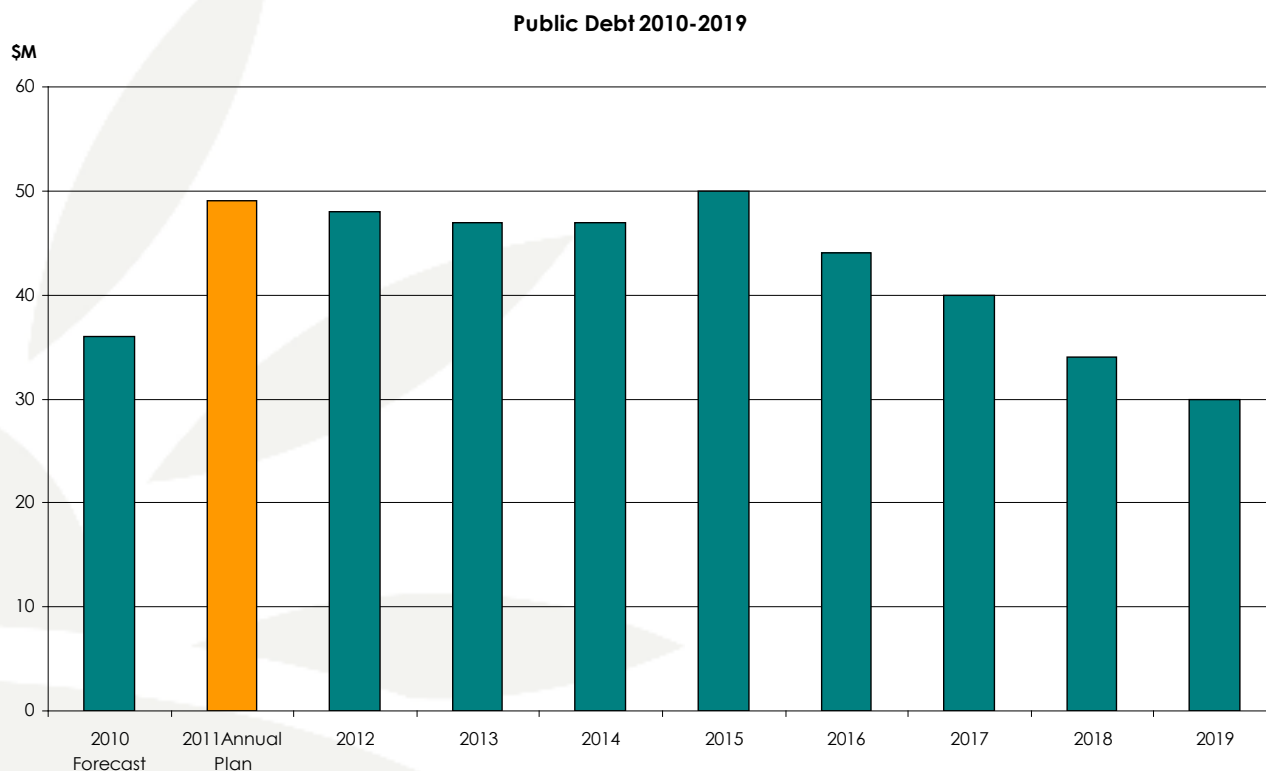
Council's depreciation and amortisation costs for the 2011 year are \$17M and contribute 24% of total operating costs. Employee costs of \$13.4M or 19% of total operating costs include employer contributions to Kiwisaver and superannuation schemes. Some employee costs are charged to other expense categories and these have been deducted from employee costs.



- Direct Costs - \$31.7M
- Depreciation and Amortisation - \$17M
- Employee Costs - \$13.4M
- Finance Costs - \$3.35M
- Repairs and Maintenance - \$5.8M

Public Debt

Council debt is forecast to increase from \$36M in 2009/10 to \$49M in 2010/11. This is \$4M less than was predicted in the Ten Year Plan due to the reduced capital cost of the wastewater treatment plant.



Understanding the Council's Forecast Accounting Surplus for the Year Ended 30 June 2011

The Council is forecasting an accounting net surplus of \$8.6M.

Why has Council forecast a surplus?

Under the New Zealand International Financial Reporting Standards (NZIFRS) \$12.5M of grants received for capital projects is treated as income. The capital expenditure that the income relates to is not recognised at the same time as the income. Instead we show the loss in value of the asset over the life of the asset as depreciation.

Can the Council use this additional surplus to offset the amount of rates required?

No. The majority of the forecast surplus does not represent additional cash collected by the Council and therefore cannot be used to offset rates or fund the Council's planned expenditure in future financial years.

Forecast Reconciliation of Financial Performance to Underlying Financial Performance - Year Ended 30 June 2011

	Note	Forecast Accounting Surplus	Adjustments	Underlying Financial Performance
		\$000	\$000	\$000
INCOME				
Revenue from Rates	1	45,400	(1,034)	44,366
Revenue from Grants and Subsidies	2	20,477	(12,521)	7,956
Revenue from Operating activities	3	14,014	(1,575)	12,439
Other Gains/(Losses)		40		40
Total Operating Income		79,931	(15,130)	64,801
OPERATING EXPENDITURE				
Operating Costs		50,946		50,946
Depreciation and Amortisation	4	16,955	(6,552)	10,403
Finance costs		3,351		3,351
Total Operating Expenditure		71,252	(6,552)	64,700
Net surplus/(deficit)		\$8,679	(\$8,578)	\$101

1. Capital rates revenue used to fund capital projects and loan repayments.
2. Grant revenue received for capital projects (\$12.5M).
3. Development contributions (\$1.03M) capital contributions and donations (\$0.14M), sale and leaseback of IT equipment (\$0.4M).
4. Depreciation costs not funded from rates.

Keeping our District Running - Forecast Cost of Service per Resident for 2010/11

The Council provides a broad range of services that enhance the wellbeing of residents and their quality of life. The table below provides a breakdown of the expenditure on significant services and facilities.

Activity	Total Forecast Expenditure \$000	Percentage	Forecast Expenditure per Resident	Forecast Expenditure per Resident per Day
Animal Control	764	1.1%	\$17.17	\$0.05
Aquatic and Recreation Facility	1,408	2.0%	\$31.64	\$0.09
Arts and Culture	413	0.6%	\$9.28	\$0.03
Building Services	1,568	2.2%	\$35.24	\$0.10
Civil Defence, Emergency Management and Rural Fires	789	1.1%	\$17.73	\$0.05
Community Housing	725	1.0%	\$16.29	\$0.04
Community Planning and Development	2,634	3.7%	\$59.20	\$0.16
Conservation	3,042	4.3%	\$68.37	\$0.19
Enterprise Operations	2,439	3.4%	\$54.81	\$0.15
Environmental Health	1,634	2.3%	\$36.72	\$0.10
Environmental Planning	2,012	2.8%	\$45.22	\$0.12
Flood Control	2,198	3.1%	\$49.40	\$0.14
Governance	3,187	4.5%	\$71.62	\$0.20
Land Transport and Parking	22,608	31.8%	\$508.09	\$1.39
Libraries	1,574	2.2%	\$35.37	\$0.10
Reserves and Open Spaces	4,075	5.7%	\$91.58	\$0.25
Solid Waste Management	5,406	7.6%	\$121.49	\$0.33
Stormwater	2,723	3.8%	\$61.19	\$0.17
Support Services	1,015	1.4%	\$22.83	\$0.06
Wastewater	6,000	8.4%	\$134.84	\$0.37
Water Supply	4,938	6.90%	\$110.98	\$0.30
GRAND TOTAL	\$71,152	100.0%	\$1,599.06	\$4.38

1. The estimated number of residents in the Gisborne district is 44,496 (Source: Statistics NZ 2006 Census).
2. Roading, Wastewater, Stormwater, Solid Waste and Water Supply make up 58.3% of the total forecast operating expenditure of the Council.
3. The forecast cost of these services per resident is \$2.56 per day.

Fees and Charges



Fees and charges have been increased in the Annual Plan by 3-4%. This is in line with the expectation in the Ten Year Plan and Council's increased costs. In some activities the fees have needed to increase further to meet Council's Revenue and Finance policies.

Changes to the Resource Management Act (RMA) have been finalised by the government. These changes have resulted in additional fees increases to ensure this activity remains self funding.

Fees and charges for Council's business units are based on sound commercial practice and subject to change from time to time to meet changing market conditions.

Rents for Community Housing are now pegged to market rate rents. Council is currently in consultation with tenants on the fairest way to transition to the new rents.

Council is considering the acceptance of payments by credit card. If Council proceeds with this option it reserves the right to recover the additional bank costs as a separate charge on each credit card transaction.

Council has introduced additional charges in relation to the administration and collection costs where credit accounts are maintained. These charges reflect that customers who pay their accounts on time should not fund those who are slow to pay.

GST - Unless otherwise stated published fees and charges are inclusive of GST at 12.5%. Should the Government increase the rate of GST then there will be an immediate corresponding increase in fees and charges.

No allowance has been made in the proposed fees and charges for the effect of the Emissions Trading Scheme (ETS).

Full details of the Proposed fees and charges can be found on the Council's web site www.gdc.govt.nz.

Significant assumptions



The following section details the relevant assumptions for the 2010/11 year.

Council has made a number of assumptions in preparing this Annual Plan. These assumptions are necessary as they ensure that readers are aware of the basis for estimates and forecast.

The Annual Plan provides prospective financial information in accordance with New Zealand Financial Reporting Standard 42 (FRS42), Prospective Financial Statements. Actual results are likely to vary from the information presented and the variations may be material.

Significant Forecasting Assumptions and Risks

Schedule 10 (Section 11) of the Local Government Act 2002 contains provisions relating to 'significant forecasting assumptions'. The Act requires that Council identifies the significant forecasting assumptions and risks underlying the financial estimates. Where there is a high level of uncertainty Council is required to state the reason for that level of uncertainty and provide an estimate of the potential effects on the financial assumptions.

General

It is assumed there will be no changes in the nature of the Gisborne District Council's business.

Population Growth

Council's Growth Model 2008 provided the following projections for the district.

- ▶ Usually resident population.
- ▶ Age and sex of usually resident population.
- ▶ Dwelling units.
- ▶ Floor area of non-residential activities.

Population in the Gisborne urban area is projected to increase by an average of 60 persons per year from 2006 until 2026 (33,600 - 34,810) and then remain fairly stable. In the rest of the district, the population is projected to decline by about 1,000 persons from 2006 to 2031 (12,340 - 11,340) and then remain fairly stable.

The most notable projected changes to the population by age include:

- ▶ increase in the population aged 65 years and over from 12% of the population in 2006 to 23% of the population in 2031
- ▶ decrease during the same period, in population aged less than 20 years from 34% to 28% of the population
- ▶ decrease in working population aged 20 to 64 from 54% to 49% of the population.

With household size decreasing, the number of households in the Gisborne urban area is projected to increase by around 100 households per year from 2006 to 2021, (an increase of 12.5%). An average annual growth of about nine households per year is projected for the rest of the district. Total non-residential floor space in the district is projected to increase by only 4% from 2006 to 2046.

Development Contributions Funding

The income and expenditure estimates related to development contributions assume that growth occurs as projected and growth-related capital projects are implemented as planned.

GST

The Annual Plan assumes a GST rate of 12.5%. At the time the Plan was developed a possible increase in the GST rate and the timing of that increase was under discussion. An increase in the rate of GST will impact mostly on residential ratepayers. Council is investigating tax planning opportunities to minimise the impact of any change.

Interest Rates

The average Interest rates on Council external debt is estimated to be 7.48% in this Annual plan. Council covers its interest rate exposure using interest rate swaps. The interest rates are based on estimates of the 90-day bank bill rate and include bank margins and the effect of continuing use of interest rate swaps.

Internal Interest Charges

Council has reviewed its practices around the charging of interest on Council activity balances in order to remove implicit cross subsidisation.

At the end of a financial year each Council activity will have made either a deficit or a surplus. These deficits or surpluses are added to the preceding years balance.

From 1 July 2010, interest will be charged or credited to the activity based on their opening activity balance.

Activities with significant deficit balances will require more rates funding whereas activities with surpluses will require less rates funding.

These interest charges will have no impact on the total rates collected across the district. They will however affect the incidence of rates.

These interest charges/credits were not included in the Ten Year Plan financials and will in some cases result in a significant variation from the Ten Year Plan budget for the activity. Any significant variation as a result of this has been noted in the individual activity commentary.

Inflation

The forecast financial information includes provision for inflation. Council has used forecasts of price level changes prepared by Business and Economic Research Limited (BERL) to calculate the inflation rate for each year of the Ten Year Plan. Council has reviewed the latest BERL indicators and adjusted the factors used in the Annual Plan.

Renewability of Funding

The Council funds its balance sheet from a mixture of bank facilities and debentures. Bank facilities are reviewed every two years. Debentures on issues have a range of maturities out to 2015.

The Annual Plan assumes that the necessary level of funding will continue to be available through a mixture of bank facilities and debentures.

Income Tax

It is anticipated no tax will be payable by Council during the term of the Annual Plan.

Forecast Return on Investments

Council has forecast the following returns for significant investments:

Tauwhareparae Farms Ltd

Gisborne Holdings Ltd (GHL) is a Council Controlled Organisation (CCO) set up to hold the District's strategic commercial business assets on behalf of the Council, and to provide the management expertise needed for their commercial operation. It is 100% owned by Gisborne District Council.

GHL directs and monitors the activities of its subsidiary, Tauwhareparae Holdings Ltd. Tauwhareparae Holdings Ltd wholly owns Tauwhareparae Farms Ltd and Tauwhareparae Forests Ltd. Tauwhareparae Farms Ltd is the only trading operation and is involved in the ownership of farming activities.

The 2010/11 Annual Plan includes an interim dividend of \$500,000 from Gisborne Holding Ltd. The payment of dividends is subject to the Director's approval after their taking into account the financial position of GHL.

Forestry

The Council owns 92.7ha of commercial forestry comprising a relatively large number of small blocks containing a variety of age-classes. Council is also involved in a joint venture with Juken NZ Ltd on Council's Pamoā Lands.

Income Levels

Income levels for building and resource consents and related activities (LIMs and PIMs) have been decreased in comparison to the 2009 actual revenue earned.

The lower levels are reflective of the current economy and the expected activity levels in the housing and property markets. If there were to be a further decline or change in activity levels in these areas, the actual income levels may vary significantly from budget.

External Funding

Included in the forecast financial statements are a number of operational and capital projects that are assumed to be either significantly or 100% funded by another agency or grant. For example there will be little or no rates impact to the Gisborne community.

There are also a number of major projects to be funded by a combination of Council and external funding. Council has \$40.3M of capital projects proposed for the term of the Annual Plan after project prioritisation. Of this, \$15.6M is budgeted to be funded from grants, subsidies or donations. NZTA subsidies for Land Transport and Parking capital projects are included. NZTA contribute \$9.6M to this year's Plan. There is a risk that sources of funds for some capital projects may not eventuate. It is assumed that if the external funds budgeted are not available then the projects will not proceed.

Depreciation

All assets, excluding those listed below, are assumed to be replaced at the end of their useful life. The following assets are assumed not to be replaced at the end of their useful life.

- ▶ Tolaga Bay Wharf.
- ▶ Patutahi Hall.
- ▶ Landfills.

Council does not fund depreciation on these assets.

Council operates a landfill near Ruatōria. Waste minimisation and waste strategy policies, both nationally and at district level, should give alternatives to the landfilling of solid waste in the future.

Council does not fully fund the depreciation on its roading assets in the Forecast Financial Statements. It is assumed that a set proportion of the Land Transport and Parking capital expenditure will continue to be funded through NZTA financial assistance subsidies. It is therefore considered appropriate to only collect rates revenue on the portion of roading depreciation funded from Council reserves.

Council does not fund depreciation on the Airport assets as it is assumed that the Council lease of the Airport assets and operations to Eastland Infrastructure Ltd will result in the assets being returned to Council at the end of the lease in the same condition as when the lease began on 1 April 2005.

Useful lives of assets are as recorded in Asset Management Plans or based upon professional advice.

There is a risk that some assets may wear out and fail sooner or later than calculated. There is no certainty that asset components will last exactly their design lives. However, replacement is budgeted at the expected end of useful life and earlier replacement will result in a loss on disposal of any residual value.

Earlier replacement may result in deferring other discretionary capital projects in order to remain within Council's borrowing limits set out in the Council Liability Management Policy.

Depreciation on Planned Assets Acquisitions

The depreciation rates used for planned asset acquisition are in line with current policies.

Asset Sales

The forecast financial information does not make any provision for income from the sale of Council assets.

Resource Consents

All of Council's works projects require resource consents to be granted before works can commence. It has been assumed that resource consents can be obtained for all capital works, and that obtaining those resource consents will not significantly impact on the timing of capital works shown in the Annual Plan.

It is also assumed that the currency and conditions of existing resource consents held by Council will not be altered significantly during the term of the Annual Plan. The most significant resource consents currently held by Council are for:

- ▶ Waiapu Landfill.
- ▶ Transfer stations.
- ▶ Existing wastewater treatment (Marine Outfall into Poverty Bay).
- ▶ Construction of a wastewater treatment plant.

Revaluation of Assets

The forecast financial information includes an annual estimate to reflect the change in asset valuations and depreciation. The effect of the revaluations is a best estimate based on historical asset values, forecast capital expenditure, the BERL inflation indices and recent revaluation information. The most recent revaluation of Council's assets (excluding roading assets) was at 30 June **2008**. Roading infrastructure assets are revalued annually. It is assumed revaluations will result in an increase in the asset values, revaluation reserves and the depreciation expense. It is assumed the revaluations will occur annually.

Efficiency Gain Targets

Council has identified the need to reduce the rates demand by making efficiency gains. These gains will be made through improved systems and management within the organisation. Savings of 2.5% of non-committed expenditure have been budgeted for in this Plan. Non-committed expenditure includes all costs not already covered by an agreed contract price.

The proposed efficiency gains have been set at a level that will not adversely impact on the levels of service for each of the Council's groups of activities.

Emissions Trading Scheme

Council has made no provisions for the effects of the Emissions Trading Scheme in this years Annual Plan. The effects of the scheme are difficult to predict. It is anticipated that any increase in costs will be mostly offset by increased efficiency gains.