



2008 – 2009 Annual Report Summary



What did Council do for me last year?



E nga iwi e nga mana e nga karangaranga maha huri noa te Rawhiti, tena koutou, a tena tataua katoa.

Last year Gisborne District Council collected \$42M in rates from you our ratepayers. We also spent a lot of time asking you what we should be working on over the next ten years and including this in our plans. Now we are reporting back to you on what your rates paid for in the last year and how we may have touched your life.

We are responsible for protecting our local environment and building infrastructure for future generations while providing for your more immediate needs. We have been balancing these needs while working on more long term projects including the wastewater treatment plant - Council's largest project of our time. It started out as an \$85M plant at the airport and now we have a consented plant at Banks Street with a budget of \$45M. That also means that the current millscreening site near the iconic Midway Beach can soon be cleared.

If you want more details on the work Council did on behalf of this district, how our activities were funded and what our balance sheet looks like, you can view a copy of our full Annual Report or pick up this summary from our Customer Service Centres in Te Puia Springs, Fitzherbert Street and HB Williams Memorial Library. Both documents are also available on our website www.gdc.govt.nz. The Report covers the year 1 July 2008 - 30 June 2009.


Meng Foon
Mayor



Our district highlights

How did Council protect our environment?

- ▶ Council helped to stop our hill country from slipping away by providing advice and tree planting plans to landowners as part of the Sustainable Hill Country Project.
- ▶ A whopping 52 tonnes of your computer waste was collected and appropriately disposed of during eDay.
- ▶ More than 200 of your homes were made warmer and healthier through the ECT Healthy Homes Project.
- ▶ Restrictions were placed on the use of "at risk" land in Tokomaru Bay. We don't want you to build a house in this area if there is a chance it may be lost to the sea.
- ▶ A "Working with Wetlands" booklet was produced to help landowners restore the ecology of their wetlands and waterways.
- ▶ Council continues to work in collaboration with DOC, landowners, QEII Trust and Tangata Whenua to restore the ecology of Wherowhero Lagoon.
- ▶ Rooks (crows) were prevented from becoming established in the district saving seed crops and top soil.

What's happening near your place

- ▶ A new grandstand was built at Tokomaru Bay.
- ▶ A skate ramp in Patutahi Park was launched in the company of 90 kids who turned up to try out the new ramp.
- ▶ Te Araroa has had a main street upgrade. New street lights, pavers and litter bins were installed. A new toilet block is next.
- ▶ Tikitiki has gone green. The old burn pit has gone and residents can recycle and deposit their rubbish in a safe, secure and environment-friendly transfer station.

- ▶ Council has joined forces with government agencies and two Ruatoria based trusts to protect Ruatoria from a major flood and the effects of erosion.
- ▶ Stock and their effluent will no longer be seen in the streets of Ruatoria. A strip of land between the township and the river has been purchased as a stock route.
- ▶ Seven "Live on the Lawn" free family concerts were held over summer with music ranging from 1970's classic rock to 1930's jazz.

What has Council done to ease our rates burden?

- ▶ Land developers now contribute to the cost of upgrading parks, roads, water supply, wastewater and stormwater management around their developments.
- ▶ The amount of money needed for the new wastewater treatment plant has been reduced. All 'nice-to-have' projects are delayed until the economy has picked up.
- ▶ Staff have committed to taking \$1M out of Council's operating budget. Already \$216,000 has been saved on the cost of Council's insurance.
- ▶ Rate rebates that cut up to \$550 from your rates bill were actively promoted. 1,820 ratepayers received rebates worth \$909,876.
- ▶ Ratepayers were encouraged to use "easy pay" - the easy way to pay rates. \$3.25M in rates were paid weekly, fortnightly or monthly by direct debit.
- ▶ A community funders' forum was held to match projects you want with potential funders because we can't fund them alone. Several projects and organisations look like being a good fit.
- ▶ To make it easy to interact with Council a new website - www.gdc.govt.nz - was launched in April. The site proved its worth in the recent floods when over two days 3,500 people checked out the latest news, road conditions and river levels.

What did Council do to keep us safe?

- ▶ Council staff and rural fire volunteers attended more than 100 call-outs during the hot, dry month of February.
- ▶ 61 potentially dangerous dogs were impounded and no major personal injuries from dog attacks were reported.
- ▶ Council staff and contractors worked hard to keep our 1,826km of roads (not including state highways) open, safe and accessible. 74 kilometres of roads were resealed, 16 kilometres improved and approximately 500 slips cleared including 150 major slips.
- ▶ 6km of the notoriously unstable Waimata Valley Road was sealed. The remaining 7km will be sealed this year.
- ▶ Logging vehicles from the inner harbour were diverted so that this area can be developed. This \$6M Rakaiaatane Road project was funded by the New Zealand Transport Agency, Eastland Group and Council.
- ▶ A Cycling Advisory Group was formed to look at ways to make Gisborne a more cycle-friendly city by improving cycle safety and educating road users.

What's been done to improve the places where we play?

- ▶ At Watties wharf, the popular fishing spot in Reads Quay, wooden decking and seating was installed.
- ▶ The city walkway along the Turanganui riverbank was extended so that cyclists and walkers can enjoy it. By the Waikanae Creek a large koru pattern was incorporated into the paving.
- ▶ Drainage was installed at two soccer fields in Nelson Park. The toilets at Heath Johnston and Wainui Reserves were upgraded and showers installed.
- ▶ New swings were installed and the safety surfaces improved in the Abbott Street Reserve, the Adventure Playground, Ayton Park and Waikanae Beach Reserve.



- ▶ Exotic trees and noxious plants were removed and replaced with natives on Titirangi Reserve (also known as Kaiti Hill).
- ▶ New outdoor furniture, playground equipment and carparking facilities were installed in Anzac Park and Wainui Lysnar Reserve.

Are Council facilities being well used?

- ▶ The Council owned Rockforte Finance Olympic Pool Complex had more use than ever before; a record 158,034 visits last year.
- ▶ The Tairāwhiti Museum and Art Gallery is funded by Council and is one of the country's premier regional museums. Last year it held the regional history exhibition Watersheds: Ngā Wai Pupū. It also hosted the Museums Aotearoa National Conference that drew 120 participants from around New Zealand and overseas.
- ▶ By working with promoters more touring groups used the Lawson Field, War Memorial and Outdoor Theatres to entertain you.
- ▶ Everyone in our community can now access broadband internet for free and at no cost to the ratepayer at the HB Williams Memorial Library. Through the Aotearoa People's Network computers were installed in the Library and an increasing number of you are using this service.
- ▶ Good progress has been made towards establishing a Community House where small to medium community organisations and social service providers can provide a one-stop shop for information, advice and services.
- ▶ Our mobility carparks are being reserved for those who need them. Those who do not have a mobility sticker to display have avoided them since they were painted a bright distinctive blue.

Under the Local Government Act 2002, Council must facilitate a process to identify Community Outcomes at least every six years. Community Outcomes are the big things the community needs to 'make life better' such as well-paid jobs, access to health care, affordable housing, leisure and recreational facilities and clean waterways. Council first went through this process in 2003/04. The outcomes identified were:

- ▶ Vibrant Communities.
- ▶ Connected Communities.
- ▶ Prosperous Communities.
- ▶ Safe and Healthy Haven.
- ▶ Positive Leadership.
- ▶ Fair and Active Democracy.

Community Outcomes are an important strategic driver for Council's actions, activities and general strategic direction. They inform and guide policy setting and service delivery. All of Council's activities contribute to one or more of the Community Outcomes.

Community Outcomes are a vital barometer of Council's performance. Council measures itself against progress towards Outcomes because they are what the community told us they want now and in the future. Outcomes are complex because there are multiple factors that influence achievement and they require the cooperation of multiple stakeholders to bring about change.



Due to their complex nature it is difficult to make a direct link between Council interventions (be it a policy, regulation or capital expenditure) and the achievement of Outcomes. However, Council is an important player especially in a small district like Gisborne. If the Community Outcome measures are continuously deteriorating the Council must use the information to change what and how it delivers services to the community.

The following results show progress towards the achievement of our Outcomes over the last year:

Key results for 2009

The spider diagram below shows which outcome indicators have improved (and the scale of the improvement) since last year. Where a blue spoke is outside the red circle it means the indicator is doing better than last year, and when it is inside the circle, the result is worse than last year.

Since last year the Gisborne district has shown improvement in (listed in ranked order):

- ▶ Theatre event numbers increased by 56 events or 22% (Source: Gisborne District Council).
- ▶ Home affordability index improved by 5.06 (Source: Massey University).
- ▶ Transfer Station Recycling increased by 62 tonnes or 12% (Source: Gisborne District Council).

▶ Waste to landfill decreased by 740 tonnes (Source: Gisborne District Council).

▶ Library membership numbers increased by 4% (Source: Gisborne District Council).

Areas that have worsened since last year are (listed in ranked order):

▶ Number of fires increased by 73 or 17% (Source: NZ Fire).

▶ Unemployment rate increased by 1.3% (Source: Statistics New Zealand).

▶ Museum visitor numbers decreased by 700 or 1% (Source: Tairāwhiti Museum).

▶ Economic growth rate decreased by 0.92% (Source: National Bank).

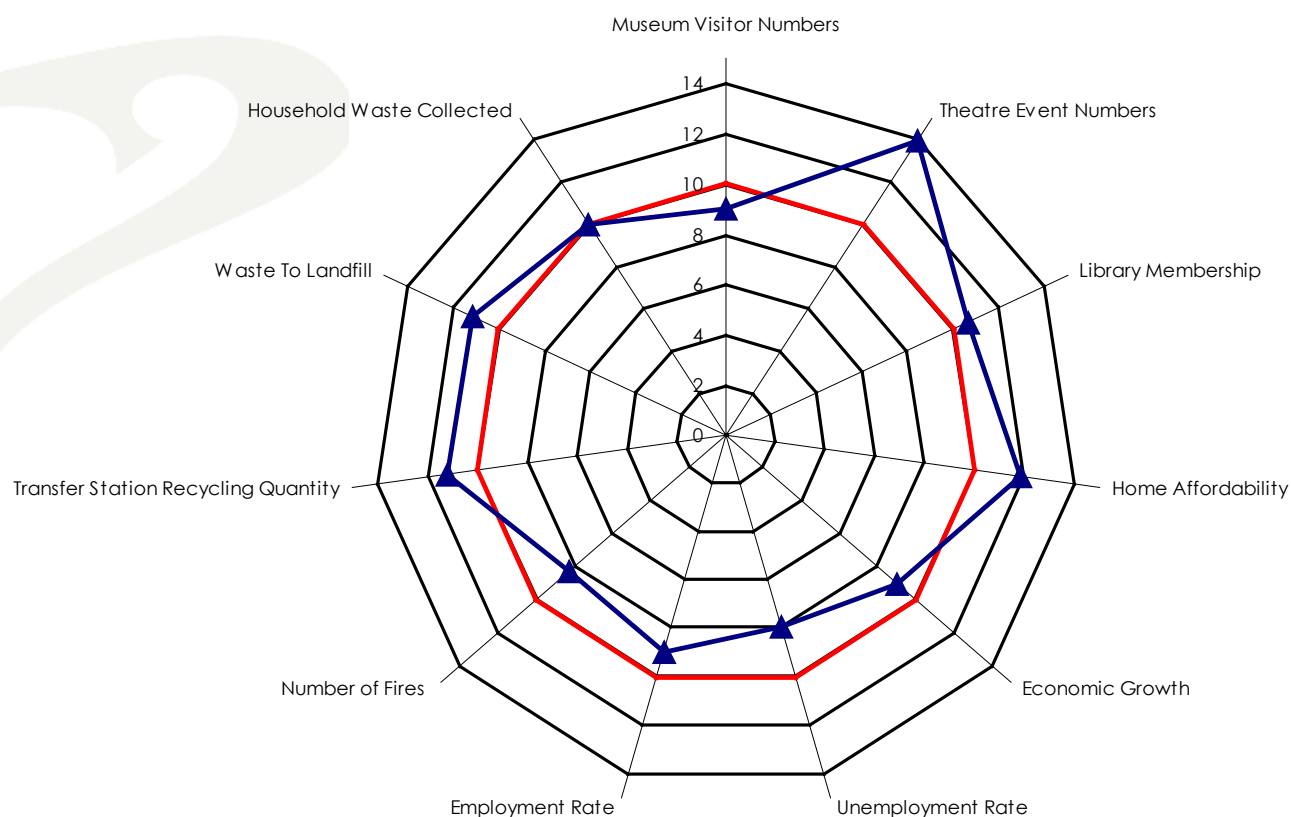
▶ Employment rate decreased by 0.5% (Source: Statistics New Zealand).

Areas that have remained the same are:

▶ Household waste collected stayed at 260 tonnes (Gisborne District Council).

A number of measures are not included in the spider diagram because they are not updated annually.

Gisborne District Trends 2007-2008 to 2008-2009



Our performance

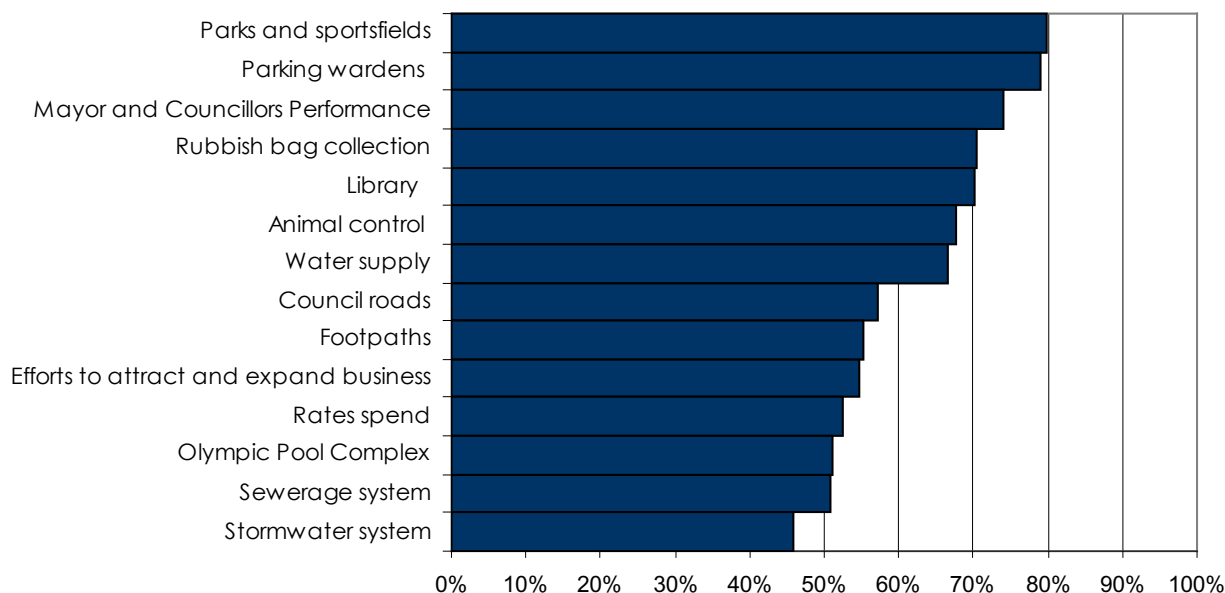
We take our performance measuring seriously. As a monopoly supplier of many of our services we set targets each year and do our very best to achieve those targets. For this reason our activity measures tend to be things that we have a high degree of control over. We gather data for our performance measures from a variety of sources including ticket sales, resident surveys, customer feedback, environmental testing, financial information and day-to-day operations.

Resident survey

Each year Council conducts a resident satisfaction survey. The survey provides elected members and management with information on how Gisborne residents perceive the quality of our services. This survey is normally undertaken independently by the National Research Bureau (NRB) on Council's behalf. This year Council undertook an in-house survey that used a three-point scale (very satisfied, not very satisfied or don't know). In previous years NRB used a four-point scale (very satisfied, fairly satisfied, not very satisfied or don't know). Consequently the results are not directly comparable to the target or previous years result. This will be rectified in future years.

The results from the in-house survey do, however, give a snapshot of resident satisfaction. For example the survey results show that resident satisfaction with parks and reserves is high. The following graph shows the percentage of residents "very satisfied" with Council services over the last year.

Resident Satisfaction with Council Services and Facilities in 2009



Key results for 2009

65 of 107 or 61% of the measurable performance targets were either met or exceeded. Of the 42 not met 13 were within 5% of the target value.

Below is a selection of the performance measures we use to monitor Council's performance. You can find a complete list of Council's performance measures, targets and results, including reasons why targets have not been met and steps taken to improve future performance in the "Our Activities in Detail" section of the full Annual Report. The full Report is available free on www.gdc.govt.nz.

Democratic Process

Performance Measure	Result	Target Achieved
Percentage of residents who can name 3 or more Councillors correctly in annual resident survey.	66%	Not comparable
Residents who believe their elected representatives welcome questions, comments and requests so they would feel comfortable approaching them.	80%	Not comparable

Policy and Facilitation

Council Activity	Performance Measure	Result	Target Achieved
Community Development	Number of parties assisted annually with funding.	92	Achieved
	The percentage of customers satisfied as measured by customer feedback form returns.	96%	Achieved
Maori Liaison	Percentage of requests for service directed to the Māori Liaison Office resolved within target timeframes (5 working days).	67%	Not achieved
	Survey of Councillors' satisfaction.	100%	Not comparable
Strategic Policy	Survey of Councillors' satisfaction.	92%	Achieved
	Survey of Corporate Management Team satisfaction.	100%	Achieved

Business Units

Council Activity	Performance Measure	Result	Target Achieved
Commercial Forestry	An annual forest management programme developed by independent forest managers to be completed for all forest lots by 30 June each year.	Yes	Achieved
	Annual forest valuations to show increases in value of not less than a reasonable regional average (after discounting for site specific influences) as assessed by independent forestry consultants.	Yes	Achieved
Airport	The number of Airport closures or flight delays caused by the failure to meet industry operational requirements.	Zero	Achieved
Warrant of Fitness Centre	The percentage of customer complaints re unit throughput (calculated from the total number of customers who have used the VTS) received annually.	<2%	Achieved
	The percentage of profit made on revenue collected.	29.2%	Achieved
	The amount contributed to the rate pool measured as a percentage of the total rates.	1.2%	Achieved
Waikanae Beach Holiday Park	Percentage of guests who rate the accommodation and facilities good or very good.	95%	Achieved
	Repeat business as a percentage of total guest numbers.	29%	Not achieved
	Return on revenue.	3.9%	Not achieved
	Budgeted accommodation numbers met:		
	- Tourist unit's occupancy rate.	75%	Achieved
	- Ranch-house cabin's occupancy rate.	44%	Achieved
- Tent site's occupancy rate.	21%	Achieved	

Council Activity	Performance Measure	Result	Target Achieved
HB Williams Memorial Library	Number of registered members as a percentage of total population.	61%	Not comparable
	Number of new items added to the collection per 1000 population per annum.	253	Not achieved
Rockforte Finance Olympic Pool Complex	The percentage of total operational expenditure generated through external revenue.	38%	Not achieved
	The number of visits to the Olympic Pool Complex (OPC) annually, regardless of weather.	158,034	Achieved
	The number of serious accidents and injuries.	Zero	Achieved

Asset Management Unit

Council Activity	Performance Measure	Result	Target Achieved
Cemeteries	Percentage of costs recovered from users of the services and facilities.	57%	Not achieved
Flood Control Schemes	At least 25% of the Waipaoa stopbanks shall be inspected annually, and all major bank protection works inspected following a flood equal to or greater than a "1 in 5 year" event.	Achieved	Achieved
	At least 50% of the Te Karaka stopbanks shall be inspected annually and corrective action taken where required to restore the stopbanks to design standards.	Achieved	Achieved
Land Drains, Rivers and Streams	Percentage of Requests for Service completed within target completion timeframe.	74%	Not achieved
Land Transport	The number of injury road crashes per 100 million vehicles kms travelled.	62	Achieved
	Congestion – travel time to traverse nominated route (minutes).	24.5 minutes	Achieved
	Satisfaction with public passenger transport bus system.	87%	Achieved
	Passenger kms per year on bus service.	372,228	Achieved
	Requests for service resolved within target timeframe.	82%	Not achieved



Council Activity	Performance Measure	Result	Target Achieved
Parks and Reserves	Hectares of dedicated recreational space available per 1,000 population.	4.9ha	Achieved
	Percentage of Requests for Service resolved within target timeframes.	94%	Not achieved
Public Conveniences	Percentage of Requests for Service resolved within target completion timeframes per year.	95%	Achieved
Community and Staff Housing	Occupancy rate.	99%	Achieved
	Annual tenant satisfaction survey:		
	- Accommodation	95%	Achieved
	- Maintenance	92%	Not achieved
	- Contact with Council staff	97%	Achieved
	- Feeling of security	92%	Not achieved
Solid Waste	- Pleasant living environment	91%	Not achieved
	Percentage of total waste going to landfill.	740 tonne decrease	Achieved
	Requests for service resolved within target timeframe.	85%	Not achieved
Stormwater	Amounts of recycling materials in tonnes collected from kerbside domestic collection in Gisborne City.	No change	Not achieved
	Percentage of Requests for Service resolved within target completion timeframes.	93%	Not achieved
Theatres and Halls	The number of performances and bookings annually:		
	- Lawson Field Theatre	172	Not achieved
	- War Memorial Theatre	69	Not achieved
	- Outdoor Theatre	10	Achieved
	Achieve financial targets for Theatres by recovery of 40% of operating costs through ratepayer fees and charges by 2009 as set out in Council's Revenue and Financing Policy.	34%	Not achieved

Council Activity	Performance Measure	Result	Target Achieved
Wastewater	The percentage of Requests for Service resolved within target timeframes.	63%	Not achieved
	Council meets all its outfall consent conditions.	No	Not achieved
	The annual number of events where sewerage is discharged from Council's reticulation into rivers or streams.	7	Not achieved
Water Supply	Drinking Water Standards 2005 Testing and Compliance - Microbiological.	100%	Achieved
	Drinking Water Standards 2005 Testing and Compliance - Turbidity.	99%	Achieved
	Percentage of properties with 40l/min and 300kPa water pressure at boundary.	99%	Achieved
	Capacity for fire flows (NZFS requirements). Percentage of hydrants that meet the NZFS required capacity for fire flows.	100%	Achieved
	Contractors or complainants to identify annual number of properties in designated reticulated area without water for longer than 8 hours at one time, or a cumulative time of not more than 24 hours per annum (except where upgrading work is programmed).	Zero	Achieved
	Percentage of water quality Request for Service resolved within target timeframe.	60%	Not achieved



Environmental and Sustainable Management

Council Activity	Performance Measure	Result	Target Achieved
Conservation: - Animal and Plant Pests - Soil - Water	All reports of new animal pests or plant pest sites investigated within five working days and appropriate action initiated within twenty working days.	91%	Not achieved
	Updated State of the Environment Report issued biennially by 30 June to chart initiatives and progress towards achieving sustainable management of landuse.	No	Not achieved
	Incidents of non-compliance with consent conditions under recorded rectification or enforcement action within 3 months of inspection.	Yes	Achieved
	Four editions of Conservation Quorum published and available to the public annually by 30 June.	Yes	Achieved
	Annual number of animal complaints.	3426	Not achieved
Animal Control	Response rates to reported cases: Immediate response to attacks on any person.	92%	Not achieved
	One hour for attacks on stock, domestic pets and protected wildlife.	97%	Achieved
	Two hours for roaming stock.	98%	Achieved
	Three hours for roaming dogs.	96%	Not achieved
	Sufficient and appropriate warning systems in place.	Yes	Achieved
Civil Defence Emergency Management	Communication systems are in place to enable the exchange of information between communities, the Emergency Operations Centre and key organisations when normal means are unavailable.	Yes	Achieved
	Training and education conducted yearly to elected representatives, staff of Council, the various organisations and the general Gisborne public (as per the four year cycle stated in the Civil Defence Emergency Management Plan).	Yes	Achieved
	That the Council has a full set of current planning documents	Yes	Achieved
	Sufficient resources and facilities to enable the Emergency Operations Centre team to be able to respond effectively in the event of an emergency.	Yes	Achieved
	The roading, rail, water supply, waste, stormwater, power, telecommunication network providers and the Gisborne Airport and Port Authorities all have up to date Lifeline Plans in place.	No	Not achieved

Council Activity	Performance Measure	Result	Target Achieved	
Consents Administration and Construction Control	The percentage of building consents processed within the statutory timeframes.	88%	Not achieved	
	Building Act 2004 - Percentage of building consents issued within 50% of statutory working days.	63%	Not achieved	
	Percentage of Project Information memorandum issued within 90% of statutory working days.	73%	Not achieved	
	LGOIMA 1987 - Percentage of Land Information Memorandum issued within 10 working days.	93%	Not achieved	
	Percentage of Requests for Service resolved within target completion timeframe.	57%	Not achieved	
	Meet with key stakeholders such as Master Builders, Surveyors, Master Plumbers and major developers on request to provide information on process.	Yes	Achieved	
	To complete or obtain Producer Statements for all requested inspections completed within one working day of request.	100%	Achieved	
	All reported non-compliance and Notices to Rectify shall be under recorded resolution within three months of reporting.	100%	Achieved	
	Environmental Health	Percentage of notifications of environmentally hazardous spillages responded to within 30 minutes and the percentage responded to within three hours.	100%	Achieved
		Percentage of environmental and public health Requests for Service initially responded to within one working day.	96%	Achieved
Percentage of customers who when surveyed respond as satisfied with Environmental Health Services.		92%	Not achieved	
Percentage of all registered and licensed premises that undergo at least one compliance inspection during the year by appropriately qualified officers.		95%	Not achieved	
Percentage of applications for liquor licences and certificates processed within targets.		97%	Achieved	
Number of educational newsletters produced and distributed annually.		7	Achieved	
Parking Enforcement	Percentage of activity time spent on street enforcement.	90%	Achieved	
	Percentage of vehicles within the CBD that comply with the traffic laws, parking regulations and bylaws as measured by an annual snap survey.	85%	Achieved	



Council Activity	Performance Measure	Result	Target Achieved
Planning	The percentage of all notified and non-notified district landuse and subdivision resource consent applications that are processed within the prescribed statutory timeframes.	27%	Not achieved
	The percentage of instances of non-compliance with plan rules or resource consent conditions that come to the attention of the Planning Division which are addressed (i.e. rectified or subject to enforcement action) within 3 months.	81%	Not achieved
	The percentage of Requests for Service responded to within the set timeframe.	85%	Achieved
Rural Fire	Annual number of fire calls received.	87	Achieved
	Percentage of Requests for Service resolved within target completion timeframe.	94%	Achieved

Keeping our District Running – Cost of Service per Resident ¹

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 cost of significant services and facilities:

Activity	Total Cost \$000	Percentage	Cost per resident	Cost per resident per Day
Animal Control	740	1.1%	\$16.64	\$0.05
Animal Pests and Plants	776	1.1%	\$17.45	\$0.05
Building and Construction	1,432	2.1%	\$32.21	\$0.09
Community Development	427	0.6%	\$9.60	\$0.03
Democratic Process	2,466	3.6%	\$55.47	\$0.15
Economic Development	460	0.7%	\$10.35	\$0.03
Environmental Health	1,526	2.2%	\$34.32	\$0.09
Community Consultation	844	1.2%	\$18.98	\$0.05
Community and Staff Housing	810	1.2%	\$18.22	\$0.05
Flood Control	453	0.7%	\$10.19	\$0.03
Land Drainage Rivers and Streams	1,453	2.1%	\$32.68	\$0.09
Roading	23,769	34.4%	\$534.62	\$1.46
Library	1,416	2.0%	\$31.85	\$0.09
Recreational Facilities	1,678	2.4%	\$37.74	\$0.10
Parking	712	1.0%	\$16.01	\$0.04
Park and Reserves	2,610	3.8%	\$58.70	\$0.16
Planning	1,551	2.2%	\$34.89	\$0.10
Public Conveniences	724	1.0%	\$16.28	\$0.04
Rural Fires	678	1.0%	\$15.25	\$0.04

Activity	Total Cost \$000	Percentage	Cost per resident	Cost per resident per Day
Soil Conservation	769	1.1%	\$17.30	\$0.05
Solid Waste	4,107	5.9%	\$92.38	\$0.25
Stormwater	2,293	3.3%	\$51.57	\$0.14
Tourism	394	0.6%	\$8.86	\$0.02
Wastewater	4,438	6.4%	\$99.82	\$0.27
Water Conservation	957	1.4%	\$21.52	\$0.06
Water Supply	4,174	6.0%	\$93.88	\$0.26
Other Activities	7,499	10.8%	\$168.19	\$0.46
GRAND TOTAL	69,156	100.0%	\$1,555.45	\$4.25

¹ The estimated total number of residents in the Gisborne district is 44,460. (Source: Statistics NZ 2006 Census.)

Roading, wastewater, stormwater, solid waste and water supply make up 56% of total operating expenditure of the Council. The cost of these services per resident is \$2.40 per day.

Financial summary

Commentary and notes to the accounts

This summary has been prepared in accordance with FRS 43.

The disclosures included in this summary have been extracted from the full financial information in the Annual Report and cannot be expected to provide as complete an understanding as the full report. The full Annual Report adopted by Council on the 29th October has received an unqualified audit opinion. The full Annual Report is available free of charge from the Councils web site (www.gdc.govt.nz). A copy of the full report is held at the Council offices, Te Puia Springs service centre and the HB Williams Memorial Library.

The Council is a public benefit entity and has complied with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) as applicable for public benefit entities.



These standards represent generally accepted accounting practice in New Zealand. They prescribe the way we must recognise and disclose all financial transactions in our financial accounts. A statement of compliance can be found in the full financial report on page 107.

Gisborne District Council ("Council") 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 Council subsidiaries are incorporated in New Zealand. These summary financial statements of the Group are for the year ended 30 June 2009. The summary financial statements were authorised for issue by the Chief Executive on the 29 October 2009. The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$'000). These summary financial statements have been examined by the Auditor for consistency with the full Annual Report.

Prior period adjustments

The following prior period adjustments have been made to the 2008 comparatives:

1. \$5,091K of capital expenditure (capital work in progress) should have been expensed in previous periods.
2. Operating expenses increased by \$869K and the net surplus decreased by \$869K to \$4,623K.
3. Equity at the beginning of the year for 2007/08 in the Statement of Changes in Equity decreased by \$4,222K to \$1,713,358.
4. An adjustment of \$5,091K was made to Property Plant and Equipment which relates to capital expenditure.
5. Total equity reduced by \$5,091K as a result of the above changes.

For further details of these changes please refer to the Prior Period Adjustments section on page 128 of the full Annual Report.

All accounting policies have been applied on a consistent basis throughout the years presented.

Understanding the Council's reported accounting surplus for the year ended 30 June 2009

The Council has reported an accounting net surplus of \$18.24M compared with a budgeted surplus of \$8.19M, an overall favourable variance of \$10.05M. Two key items contributed to the favourable variance to budget. These were unbudgeted income of \$8.44M from vested assets and additional Grants for Regional Development Rooding. Council's underlying operational performance was a deficit of \$554K. The primary contributor to this deficit was higher than budgeted depreciation charges due to asset revaluations after the budgets and rates were set.

Why has the Council reported a surplus?

The accounting surplus includes non-cash income, changes in fair values and capital grants. These items are either non-cash or used to cover capital expenditure. Key items contributing to the accounting surplus and not available to pay for operating costs were:

- ▶ Income from grants and subsidies, such as the roading subsidy we receive from the NZ Transport Agency. These grants and subsidies contribute towards capital works not operating activities. These totalled \$11.63M for the year.
- ▶ Vested assets and capital contributions totalled \$8.96M. Vested Assets are the assets such as roads, water mains, and sewers in new subdivisions, and are transferred into Council ownership when a developer completes a subdivision.
- ▶ Forestry income from revaluing the Council's forests contributed \$259K.



- ▶ The movement in value of Council's interest rate swaps cost \$2M.

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

The short answer is NO. Rates are collected to pay for the day to day operations that Council is required by legislation to undertake. The accounting surplus is:

- ▶ Largely non-cash items – an increase in value or a transfer of assets from a developer.
- ▶ Mainly a contribution towards capital works, not the operational activities that rates pay for.

How would Council's accounts look without vested assets and fair value adjustments?

In the following table:

- The first column shows the accounting statement required by the financial reporting standards, including fair value adjustments, capital grants and vested assets.
- The second column shows the magnitude of the fair value adjustments, vested assets, capital and reserve contributions.
- The third column shows the net income and expenditure from a purely operating standpoint. It shows that instead of having a surplus of \$18.24M (i.e. the Accounting Surplus) Council has an operating deficit of \$554K.

Reconciliation of accounting performance to the underlying operational performance - for the year ended 30 June 2009

	COUNCIL		
	Financial Performance	Adjustments	Operational Financial Performance
	\$000s	\$000s	\$000s
Income	87,396	(20,847)	66,549
Expenditure	69,156	(2,053)	67,103
Net Surplus/(Deficit)	18,240	(18,794)	(544)

Statement of Financial Performance – for the year ended 30 June 2009

	COUNCIL			GROUP	
	Actual 2007/08	Budget 2008/09	Actual 2008/09	Actual 2007/08	Actual 2008/09
	\$000s	\$000s	\$000s	\$000s	\$000s
Income	71,025	72,442	87,396	73,201	92,847
Operating Expenses (Excl. Finance Costs)	64,290	62,295	65,562	67,486	68,540
Finance Costs	2,112	1,961	3,594	2,525	4,124
Income Tax	0	0	0	52	111
Net Surplus/(Deficit)	4,623	8,186	18,240	3,138	20,072

The accompanying notes form an integral part of these financial statements. This statement summarises the Council's income and expenditure. This includes cash and non-cash transactions.

Statement of Financial Position - as at 30 June 2009

	COUNCIL			GROUP	
	Actual 2007/08	Budget 2008/09	Actual 2008/09	Actual 2007/08	Actual 2008/09
	\$000s	\$000s	\$000s	\$000s	\$000s
Current Assets	17,590	12,524	12,563	17,495	12,990
Non-Current Assets	1,707,101	1,885,732	1,749,807	1,730,375	1,770,710
Total Assets	1,724,691	1,898,256	1,762,370	1,747,870	1,783,700
Current Liabilities	20,512	11,857	14,145	20,879	14,452
Non-Current Liabilities	16,476	28,649	18,021	20,380	22,272
Total Liabilities	36,988	40,506	32,166	41,259	36,724
Total Net Assets	1,687,703	1,857,750	1,730,204	1,706,611	1,746,976
Total Equity	1,687,703	1,857,750	1,730,204	1,706,611	1,746,976

The accompanying notes form an integral part of these financial statements.

This statement shows the value of what Council owns and owes to other parties. Council Assets consist mainly of roads, water and wastewater treatment facilities, reticulation, parks reserves and buildings. Total liabilities are made up of what Council owes to trade creditors, bank debt and debentures.



Statement of Changes in Equity - for the year ended 30 June 2009

	COUNCIL			GROUP	
	Actual 2007/08 \$000s	Budget 2008/09 \$000s	Actual 2008/09 \$000s	Actual 2007/08 \$000s	Actual 2008/09 \$000s
Equity at the beginning of the year	1,713,358 ¹	1,559,852	1,687,703	1,733,680	1,706,611
Net surplus	4,623	8,186	18,240	3,138	20,072
Transfer to Retained Earnings included in Revaluation Reserve Movement	596	(13,698)	647	596	647
Increase/(Decrease) in Revaluation Reserves	(30,874)	303,410	23,614	(30,803)	19,646
Total changes in Equity	(25,655)	297,898	42,501	(27,069)	40,365
Equity at the end of the year	1,687,703	1,857,750	1,730,204	1,706,611	1,746,976

The accompanying notes form an integral part of these financial statements.

¹ The 2007/08 equity balance has been adjusted for prior period adjustments refer to the full Annual Report.

Cash Flow Statement – for the year ended 30 June 2009

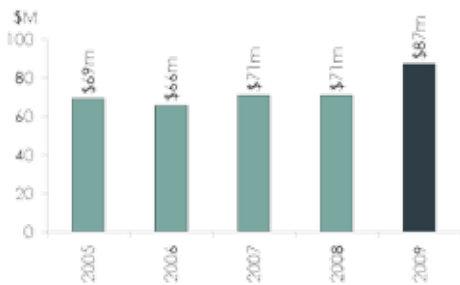
	COUNCIL			GROUP	
	Actual 2007/08 \$000s	Budget 2008/09 \$000s	Actual 2008/09 \$000s	Actual 2007/08 \$000s	Actual 2008/09 \$000s
Net Cash from Operating Activities	18,952	24,245	23,422	18,201	24,431
Net Cash from Investing Activities	(15,263)	(22,851)	(22,401)	(15,368)	(22,717)
Net Cash from Financing Activities	(90)	(1,317)	(5,905)	(90)	(5,905)
Net Increase/(Decrease) in Cash	3,599	77	(4,884)	2,743	(4,191)
Cash Resources at the beginning of the year	1,534	287	5,133	1,722	4,465
Cash resources at the end of the year	5,133	364	249	4,465	274

The accompanying notes form an integral part of these financial statements.

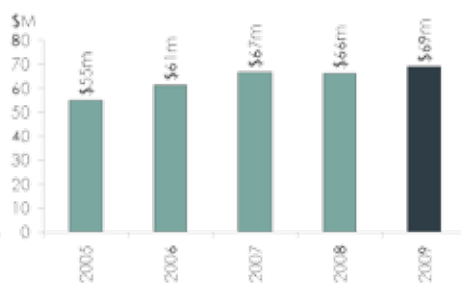
This table shows how we generated and used cash. The overall net increase or decrease represents the change in our cash and cash equivalents arising from operating, investing, and financing activities.



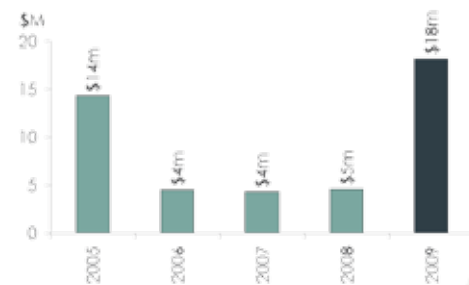
Income¹



Operating expenditure¹

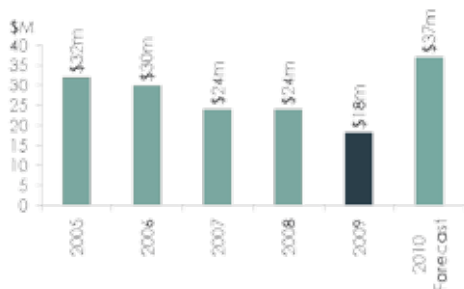


Net surplus/(deficit)¹

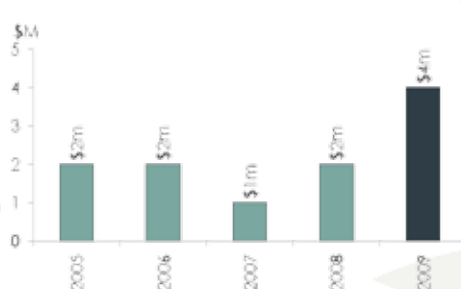


The graphs above show the trends of income, expenditure and net surplus over the last five years. The major variable in income is the level of income received for capital projects. Each year the capital grants income from New Zealand Transport Agency (NZTA) will vary due to the timing and completion of roading capital projects and amount of budget approved in the regional transport programme.

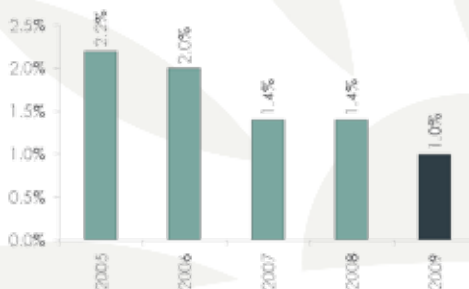
Actual borrowings¹



Debt servicing costs¹



Debt to total assets¹



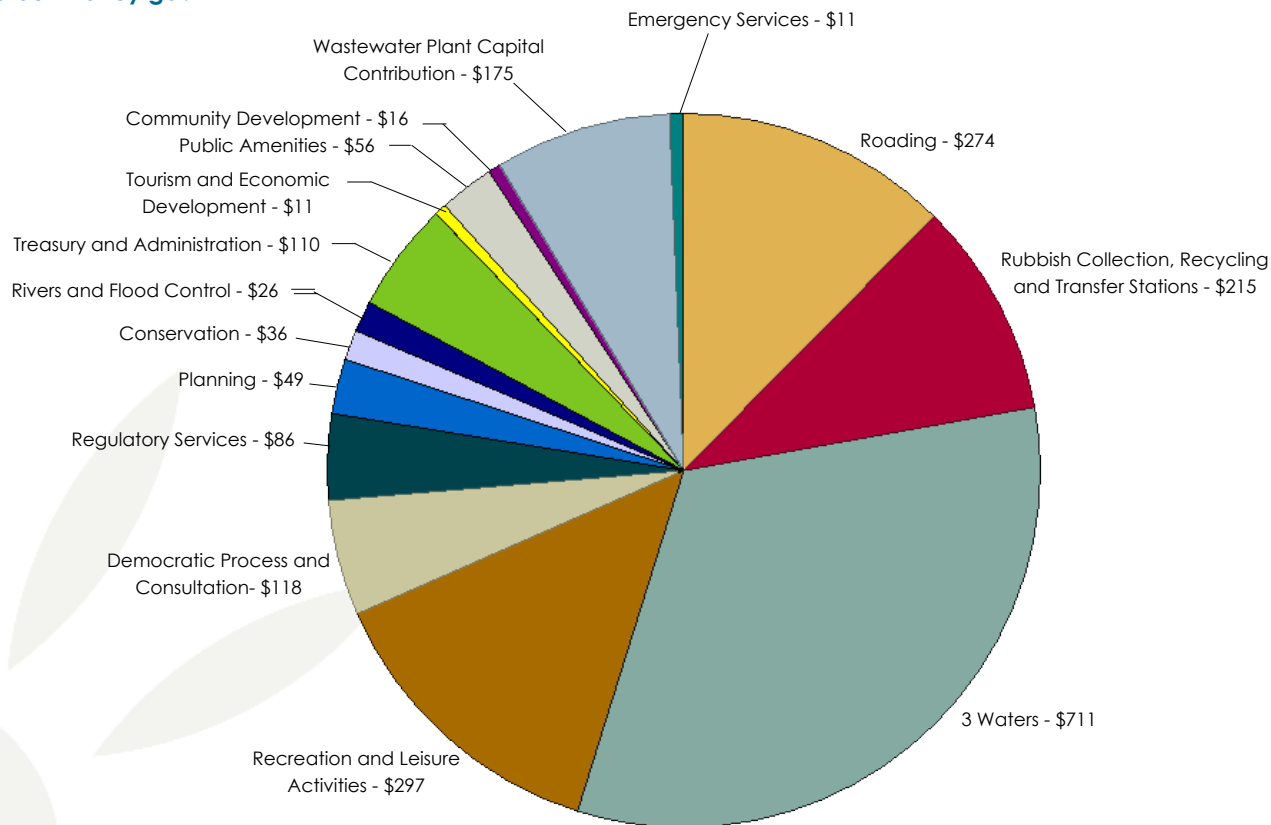
¹ These figures are Council only and do not include Council owned subsidiaries.

The Council's borrowings have declined from \$32M in 2005 to \$18M in 2009. However, Council's borrowings are forecast to increase to \$37M in 2010 due to the construction of the wastewater treatment plant.

Council's debt servicing costs have increased from \$2M to \$4M and this is due to Council being required under NZ IRFS accounting rules to disclose an unrealised loss of \$2M in value of its interest rate swaps portfolio. Council's debt to total assets has declined from 2.2% in 2005 to 1.0% in 2009 and this is due to lower debt from 2005 to 2009 and growth in Council's total asset base from \$1.44 billion in 2005 to \$1.76 billion in 2009.



Where did our money go?¹



¹ Based on an average Gisborne City residential rateable property capital value \$221,357, land value \$108,004, area 0.800ha. All amounts include GST.

3 Waters includes Wastewater, Water Supply and Stormwater.

Recreation and Leisure Facilities includes Reserves, Library, Pool and Theatres.

Public Amenities includes Conveniences, Municipal Buildings and Cemeteries.

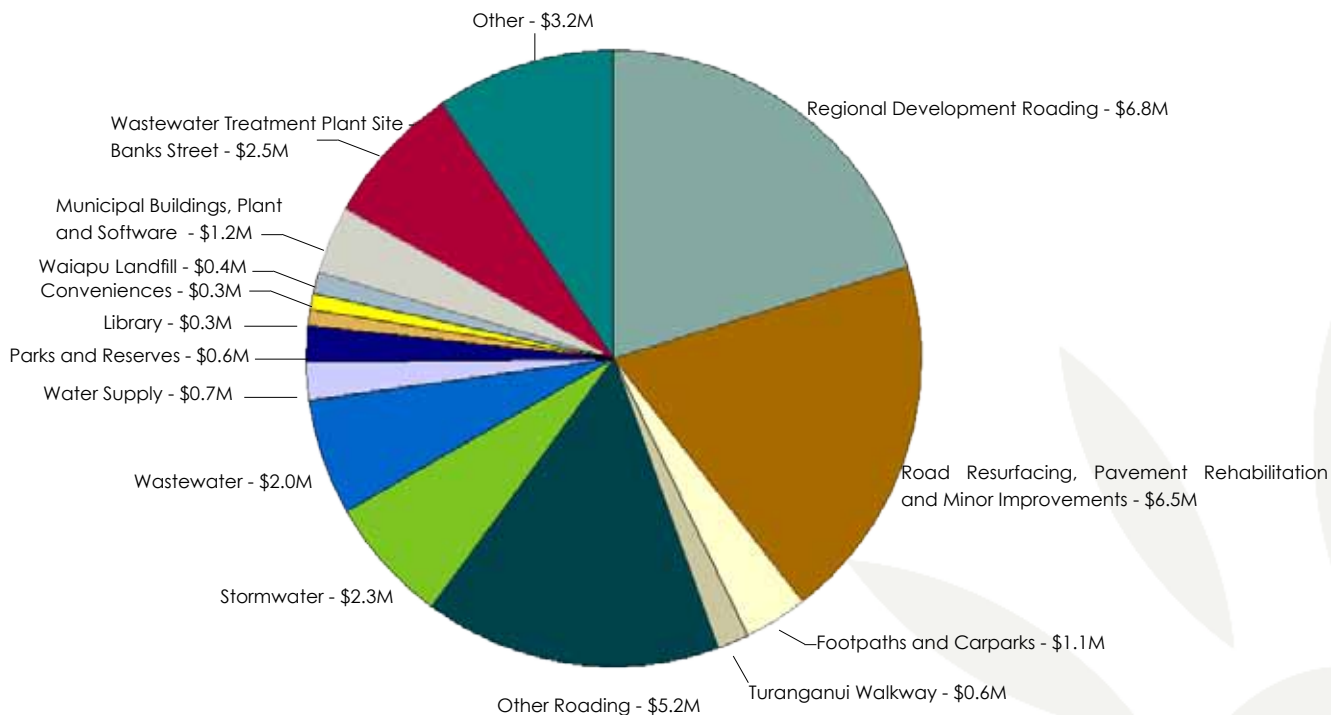
Regulatory Services includes Building and Resource Consents, Environmental Health and Animal and Stock Control.

Democracy and Consultation includes Democratic Process, Strategic Policy and the Maori Liaison Office.

Emergency Services includes Rural Fires and Civil Defence.



Capital Expenditure by activity



Council's five year financial performance summary

	2005 NZ GAAP	2006 NZ GAAP	2007 NZ IFRS	2008 NZ IFRS	2009 NZ IFRS
Public debt (\$'000)	32,002	30,000	24,000	24,000	18,150
Net accounting surplus/(deficit)	14,317	4,485	4,359	4,623*	18,240
Net debt as a % of equity <10%	2.29%	2.04%	1.40%	1.42%	1.05%
Net debt as a % of income <95%	46.08%	45.62%	33.77%	33.79%	20.77%
Net interest as a % of income <10%	2.78%	2.84%	2.16%	1.87%	1.52%
Net interest as a % of annual rates <15%	5.73%	5.32%	4.14%	3.42%	3.20%
Total debt per capita <\$1700	\$728	\$682	\$540	\$540	\$408
Working Capital (excluding current portion of public debt)	\$5,017	\$5,439	\$967	\$4,250	\$941

* 2007/08 net surplus has been restated refer to prior period adjustments in the full Annual Report.



AUDIT REPORT

TO THE READERS OF THE GISBORNE DISTRICT COUNCIL
SUMMARY ANNUAL FINANCIAL STATEMENTS, PERFORMANCE INFORMATION AND
THE OTHER REQUIREMENTS
FOR THE YEAR ENDED 30 JUNE 2009

We have audited the summary financial statements, performance information and the other requirements as set out in pages 5 to 12.

Unqualified Opinion

In our opinion:

- ▶ the summary financial statements, performance information and the other requirements represent, fairly and consistently, the information regarding the major matters dealt with in the annual report; and
- ▶ the information reported in the summary financial statements, performance information and the other requirements complies with FRS-43: Summary Financial Statements and is consistent with the full financial statements from which it is derived.

We expressed an unqualified audit opinion, in our report dated 29 October 2009, on:

- ▶ the full financial statements;
- ▶ the performance information; and
- ▶ the Council's compliance with the other requirements of Schedule 10 of the Local Government Act 2002 that apply to the annual report.

Basis of Opinion

Our audit was conducted in accordance with the Auditor-General's Auditing Standards, which incorporate the New Zealand Auditing Standards. Other than in our capacity as auditor, we have no relationship with or interests in the Gisborne District Council.

Responsibilities of the Council and the Auditor

The Council is responsible for preparing the summary annual report and we are responsible for expressing an opinion on those summary financial statements, performance information and the other requirements. These responsibilities arise from the Local Government Act 2002.



Grant Taylor, Ernst & Young
On behalf of the Auditor-General
Wellington, New Zealand