

Mayor's and Chief Executive's Foreword

Introduction

This Annual Report presents an account of the Gisborne District Council's activities, achievements and performance for the period 1 July 2004 to 30 June 2005. The Council maintained its commitment to the major issues that face local government and the district.

It has been another eventful year for Council. During the year:

- ❖ From April 1, Eastland Infrastructure Ltd took over the lease of Gisborne Airport's assets and operations.
- ❖ The regional development roading strategy promoted by the Tairāwhiti Development Partnership has continued, and central government has funded further upgrading of the district's key forestry roading.
- ❖ An operational review of the Council organisation was carried out by Catalyst Management Services Ltd. Various recommendations were made including:
 - the review of the allocation of corporate costs;
 - the operation of the Corporate Management Team; *and*
 - the strategic direction of the Council organisation and customer services.

Implementation of aspects of the review are progressing.

- ❖ Council revised its Wastewater Strategy. Instead of having the final stage of wastewater treatment and disposal occurring entirely on land, Council is now proposing to pass treated wastewater through a boulder bed before sending it back to the sea.
- ❖ Council has decided to proceed with the purchase of land and the development of a new landfill at the Mander Road site. Council has been granted a resource consent for the site.

Wastewater

In late March, Council revised its Wastewater Strategy after a technical review of each stage and, with the "Disposal of Wastewater to Land" investigation complete, formally reviewed the last stage of the wastewater strategy. The review showed that disposal of treated wastewater to land would not be sustainable now or for the future. An option within the Council's proposal is to pass treated wastewater through a boulder bed before sending it back to sea through the outfall pipe. As a result, the "through-land" treatment stage could be fast-forwarded eight years to about 2016. If the Government provides the \$16M requested by Council, a primary wastewater treatment plant could be established in 2008. However it is important to recognise that the Council's proposals are subject to resource consent.

Landfill

After due consideration, Council decided on the 30th June 2005 to proceed with the purchase of the Millmore Forests block for the landfill site at Manders Road and, at the appropriate time, proceed with the development and operation of the landfill. Land purchase negotiations are continuing with landowners.

The existing consent allows for co-disposal of wastewater solids. If separate disposal over another part of the site is desirable or necessary a new consent would be required.

Tauwhareparae Farms

Significant progress was made during the year with the clearing of the backlog of deferred maintenance and farm development.

The farming activities returned an operating deficit of \$212,000 reflecting the high level of expenditure in development and deferred maintenance. Profitability was also affected by significantly lower wool prices and higher feed costs. It should be noted that this result also included the write-down of the value of the Forestry Asset by \$697,000. This is due to the downturn in the forestry sector.

The capital value of the properties increased from \$20.9 million to \$31.9 million, which largely accounts for the increase in net equity from \$28.5 million to \$38.9 million, an increase of 36.5%.

Financial Report

The Statement of Financial Performance shows an overall operating surplus of \$14,317,000 compared to a budgeted surplus of \$17,457,000. It should be noted that this substantial excess occurs because of the way capital grant income has to be accounted for. The vast bulk of this excess has been collected from central government and has been used to fund major capital projects.

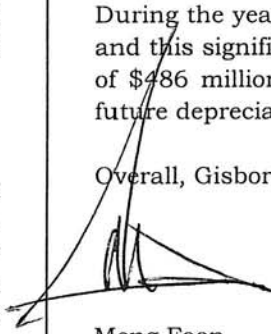
A far better gauge of performance is to look at the operational Net Cost of Service, and this shows a slightly worse than budgeted Net Cost of \$35,842,000 against a budget of \$35,475,000, a variance of 1.03%. The major factor behind this variance is the additional unbudgeted depreciation incurred as a result of the higher than expected asset valuation at 30 June 2004. However, this has been largely offset by a lower depreciation charge on capital purchases that have been deferred, as well as higher than expected grant and activity income.

As noted above some capital work was deferred, with only \$21,823,000 from a budget of \$25,756,000 being undertaken. As the remainder has already been funded, it will be carried forward into the 2005/06 financial year.

Public Debt has remained at \$32 million. However, as noted above, significant capital work has been deferred. If all of this capital work is completed by 30 June 2006, the public debt balance is expected to be approximately \$40 million.

During the year the majority of assets were revalued to current valuations, and this significantly contributed to an overall increase in total asset value of \$486 million to \$1,441 million. This will have a significant effect on future depreciation, and therefore on future rate requirement.

Overall, Gisborne District Council is in good financial shape.



Meng Foon
MAYOR



R D R Elliott
CHIEF EXECUTIVE



Council's Financial Statistics

	Actual 2001	Actual 2002	Actual 2003	Actual 2004	Actual 2005
Proportion rates to total income	60%	59%	58%	53%	49%
Average rates per rateable property (Res. City)	\$1,598	\$1,618	\$1,679	\$1,812	\$1,827
Net public debt (as a % of total assets)	5.88%	5.85%	5.93%	3.36%	2.22%
Public debt (per rateable property)	\$1,748	\$1,635	\$1,658	\$1,601	\$1,571

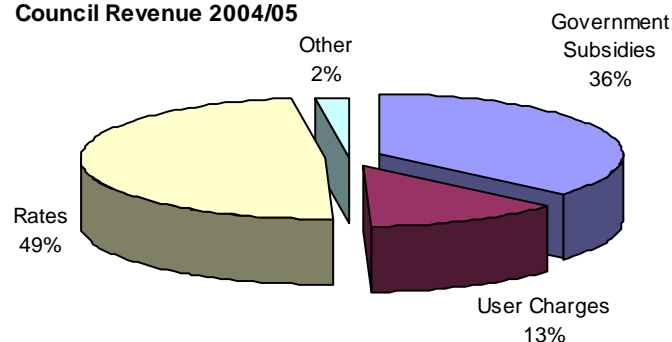
Council's Five Year Financial Performance Summary

	2001 \$000	2002 \$000	2003 \$000	2004 \$000	2005 \$000
Rates (GST exclusive)	27,693	28,540	29,707	31,717	33,710
Net surplus / (deficit)	468	(2,847)	471	9,578	14,317
Working capital	3,653	844	941	1,088	5,017*
Net public debt	35,880	35,512	36,129	32,002	32,002
Total assets	610,364	606,978	607,478	954,397	1,440,365

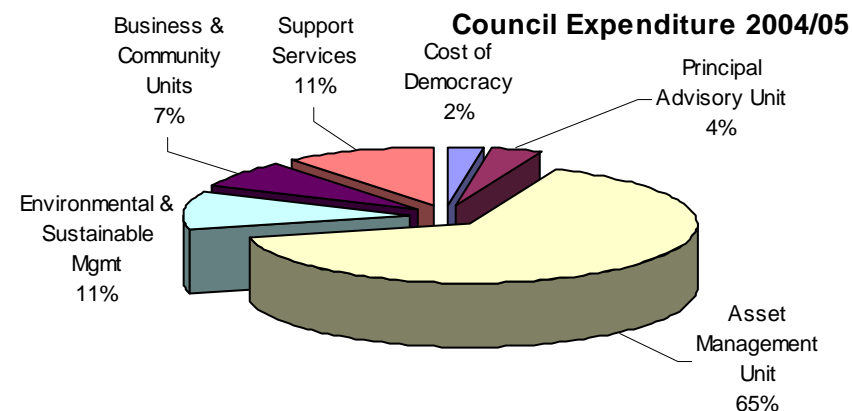
* excludes current portion of public debt as this will be refinanced.

Income

Council Revenue 2004/05



Expenditure



General Statistics

Area and Population	2004	2005
Area sq km	8,331	8,331
Population (based on 2001 Census)	43,971	43,971
Rateable properties - number of	19,988	20,028
Non rateable properties - number	1,162	1,188
Gross capital value	3,641,738,660	3,984,849,510
Net capital value (i.e. capital value of rateable property)	3,386,710,460	3,714,037,810
Gross land value	1,806,939,400	1,863,345,500
Net land value	1,765,413,800	1,820,894,600
Date of last Government valuation	1 September 2002	1 September 2002

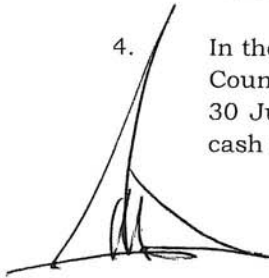
Statement of Compliance and Responsibility

Compliance

1. The Council and management of Gisborne District Council confirm that all the statutory requirements of the Local Government Act 2002 have been complied with.

Responsibility

2. The Council and management of Gisborne District Council accept responsibility for the preparation of the Annual Financial Statements and the judgements used in them.
3. The Council and management of Gisborne District Council accept responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting.
4. In the opinion of the Council and management of Gisborne District Council, the Annual Financial Statements for the year ended 30 June 2005 fairly reflect the financial position, operations and cash flows of Gisborne District Council.



Meng Foon
Mayor



K D Birt
Manager: Corporate Affairs



R D R Elliott
Chief Executive

AUDIT REPORT
TO THE READERS OF
GISBORNE DISTRICT COUNCIL AND GROUP'S
ANNUAL REPORT
FOR THE YEAR ENDED 30 JUNE 2005

The Auditor-General is the auditor of Gisborne District Council and group. The Auditor-General has appointed me, Marcus P. Henry, using the staff and resources of Ernst & Young, to carry out an audit on his behalf. The audit covers the requirements of Schedule 10 of the Local Government Act 2002 that apply to the annual report of the Gisborne District Council and group for the year ended 30 June 2005, including the financial statements.

Unqualified Opinion

In our opinion:

- The financial statements of the Gisborne District Council and group on pages 9 to 32:
 - comply with generally accepted accounting practice in New Zealand; and
 - fairly reflect:
 - the Gisborne District Council and group's financial position as at 30 June 2005; and
 - the results of their operations and cash flows for the year ended on that date.
- The service provision information of the Gisborne District Council and group on pages 34 to 71 fairly reflects the levels of service

provision as measured against the intended levels of service provision adopted, as well as the reasons for any significant variances, for the year ended on that date; and

- The Council has complied with the other requirements of Schedule 10 of the Local Government Act 2002 that apply to the annual report (the "other requirements"), including the provisions of Clause 15(f) of Schedule 10 relating to the significant acquisitions or replacements of assets.

The audit was completed on 31 October 2005, and is the date at which our opinion is expressed.

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

Basis of Opinion

We carried out the audit in accordance with the Auditor-General's Auditing Standards, which incorporate the New Zealand Auditing Standards.

We planned and performed the audit to obtain all the information and explanations we considered necessary in order to obtain reasonable assurance that the financial statements and the other requirements did not have material misstatements, whether caused by fraud or error.

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements and the other requirements. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

The audit involved performing procedures to test the information presented in the financial statements and the other requirements. We assessed the results of those procedures in forming our opinion.

Audit procedures generally include:

- determining whether significant financial and management controls are working and can be relied on to produce complete and accurate data;
- verifying samples of transactions and account balances;
- performing analyses to identify anomalies in the reported data;
- reviewing significant estimates and judgements made by the Council;
- confirming year-end balances;
- determining whether accounting policies are appropriate and consistently applied; and
- determining whether all required disclosures are adequate.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements and the other requirements.

We evaluated the overall adequacy of the presentation of information in the financial statements and the other requirements. We obtained all the information and explanations we required to support our opinion above.

Responsibilities of the Council and the Auditor

The Council is responsible for preparing financial statements in accordance with generally accepted accounting practice in New Zealand. Those

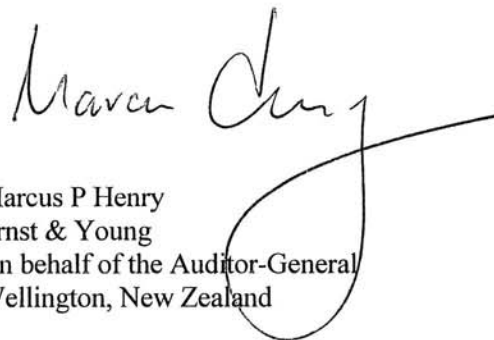
financial statements must fairly reflect the financial position of the Gisborne District Council and group as at 30 June 2005. They must also fairly reflect the results of their operations and cash flows and the levels of service provision for the year ended on that date. The Council is also responsible for preparing the information in the other requirements. The Council's responsibilities arise from Schedule 10 of the Local Government Act 2002.

We are responsible for expressing an independent opinion on the financial statements and the other requirements and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001 and section 99 of the Local Government Act 2002.

Independence

When carrying out the audit 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 the audit, we have no relationship with or interests in the Gisborne District Council or any of its subsidiaries.



Marcus P Henry
Ernst & Young
On behalf of the Auditor-General
Wellington, New Zealand