



2011 Benchmarking Information for the Gisborne District Council

(attachment report to 11/178 EDRMS 191696)

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1. EXECUTIVE SUMMARY

Benchmarking involves comparing processes, practices, procedures and outcomes/outputs with similar organisations. It assists local authorities to look at their own efficiencies and see how they compare to others.

The following report provides a summary of some of the key findings that have emerged from a number of comparative reports namely:

- 2011 *Base Stats with Trendz* and Affordability and Sustainability reports (Larry Mitchell) – covering the 2009/10 financial year.
- The *Council League Table* – measuring financial sustainability and affordability.
- BERL's *Regional Performance Indicators 2010* report.

Overall the data suggests that Council performs comparatively well given the other comparison groups and given the obvious challenges that the region faces in relation to its disparate regional characteristics.

Its conservative expenditure predominately in utilities is consistent with the region's demographics (i.e. land mass). Prudent spending is illustrated through proportional levels of revenue and expenditure as well as payroll expenditure. Council's low debt levels gives some comfort that any increases in future activities can be adequately provided for.

The comparative data at the local level generally reflect the national positioning of Council.

Financial Sustainability and Affordability combined metrics reinforce Council's strong performance given the comparative data. Wider regional economic performance also reflects the relative positive position of the district and Council.

While there will continue to be issues with affordability, the current actions/management and high level direction appears to be positioning the organisation well. Although there are many positive aspects identified through the benchmarking exercise, there are still other areas that could afford closer attention. These include:

- Long term management of the levels of investment in utilities, proportionately to other Council core services.
- Liquidity position of Council.
- Encouraging population growth and addressing affordability issues.
- Closer examination or projected revenues and expenditure.

The major findings from examining the reports follow.

1.1 Base Stats with Trendz

Primary Findings for Organisational Dynamics: The statistical information provided under organisational dynamics illustrates the region's activity spend reflecting the special character and needs of the region. The future challenge for Gisborne District Council (Council) may be continuing to maintain adequate levels of investment into utilities and services generally with limited population growth. Key statistical findings include:

- Council is the third smallest council relative to the G9 peers.
- Council spends more on utilities and less on the niceties to amenities in comparison to its G9 peers.
- Council has fewer residents/people per sq km, less dwelling density per sq km and less roading density in comparison with the sector average and G9 peers.

- Council's total revenue per full time employee (FTE) is in line with the G9 peer group average and Council's retained earnings per FTE is above the sector average and the G9 average peer group.
- Council has the second lowest number of ratepayers per Council member and the lowest FTEs per Council member.

Primary Findings for Human Resources: The statistical information provided under human resources illustrates that Council is faring well in comparison to others. Mostly all ratios are positively below the average for all Territorial Local Authorities (TLAs) and the provincial/rural group.

Key statistical findings include:

- Council's average wage per employee has increased from 2009 to 2010 by 1.5% but is still lower than the average wage per employee for the provincial/rural group by \$20,562 and sector average by \$24,972.
- The proportion of wages to operating expenditure (19%) is well in line with the average of 19% for provincial/rural group and is 2% below the average for all TLAs.
- The overall percentage of management salaries has decreased relative to the provincial/rural group and sector average.
- Council sits below the average FTEs for its G9 peer group and sector average.
- Councillor remuneration to operating expenditure is higher than the provincial/rural group's average and the sector average.

Primary Findings for Ability to Pay: The statistical information provided under the ability to pay illustrates that the district is moving more into line with the averages with respect to Household Income. However economic activity appears slow and property values are still lower than average.

Key statistical findings include:

- The district appears to have had an increase in Household Income in the 2009/10 year which may result in more disposable income.
- There is very little difference in Council's percentage of rates per ratepayer to Household Income ratio and the provincial/rural group and all TLAs.
- There was a slight increase in building consents between 2008/09 and 2009/10, however overall consent numbers are still low.
- Comparatively, the district has lower property values and property increases between 2006-2010.

Primary Findings for Financial Position: The statistical information provided under Financial Position suggests that Council's financial performance is strong relative to the other groups.

Key statistical findings include:

- Council has the second lowest proportion of debt and is in a strong position (relative to other TLAs) to debt fund its activities.
- Council's current ratio has dropped below the sector average and has reduced from 0.89 in 2008/09 to 0.54 in 2009/10.
- Ratepayers' equity per ratepayer is higher than the G9 comparable group.
- Gisborne has the second lowest debt per ratepayer and second lowest total liabilities in comparison with its G9 peers and both metrics are well below the sector averages.
- Council's average rates are only \$29 above all TLA averages and only \$15 above the provincial/rural average.

- Council's rates increases from 2009 to 2010 per ratepayer (2.7%) are significantly lower than the TLA average (8.5%) and the provincial/rural average (8.5%).
- Council's rating revenue ratio is close to the G9 group average.

Primary Findings for Overall Revenue and Expenditure: The statistical information provided under overall revenue and expenditure suggests that Council has prudent levels of spending given the proportional levels of revenue and expenditure. However further consideration could be given to future projected revenues.

Key statistical findings include:

- Council expenditure is generally proportional to its revenue.
- Council's projected revenues are well below the average projected revenues for the provincial/rural group and all TLAs.
- Council's projected expenditure is consistent with projected revenues but well below the average projected revenues for the provincial/rural group and all TLAs.

1.2 Council League Table

Key statistical findings include:

- Council ranks 26th out of 73 TLAs for the overall assessment on the combined financial sustainability and affordability scores.
- Council's financial sustainability score of 18 is 5th highest from 73.
- Council's affordability score was 52/73, however this placing was only one point less (14) than the average (15).

1.3 BERL Regional Performance Indicators Findings

Key statistical findings include:

- Council ranked 12th for regional economic performance in the 2010 year with previous rankings of 52nd and 59th for the 2009 and 2008 years, respectively.
- Gisborne's population growth has had a slight increase which has corresponded with a slight increase in employment.
- Gisborne was one of only six districts that had an increase in business units.
- Gisborne District Council was ranked 27th out of 72 for its index of openness (i.e. how easy it is to start or do business in the district) and achieved a score of 108 in comparison to the highest positive score of 123.¹

¹ BERL draws on information from 72 TLAs, this differs from the 73 TLAs reviewed by Larry Mitchell. This difference is likely to be due to the timing of the production of the reports.

2. BACKGROUND TO REPORTS REVIEWED

Base Stats with Trendz and Affordability and Sustainability Reports

This report covers the 200 or so key financial, economic, outcome, physical and eco-socio stats of **every** New Zealand Council. Sources of the *Base Stats with Trendz* reports data includes information from StatsNZ, council reports and Department of Internal Affairs (to name a few).

An analysis of the 2011 *Base Stats with Trendz* report has been carried out and some key statistics are presented in this report. In addition to the *Base Stats with Trendz* report, a *League Table* has been produced by Larry Mitchel that measures Council financial sustainability and community affordability. This information is also outlined in this report.

Base Stats with Trendz reports provide for sector and comparative group analysis. For comparative purposes, eight councils are selected which included a near neighbour for reasons of 'statistical spread' and for comparison a subset of the standard provincial/ rural group. The comparative group of councils (otherwise known as the G9 cohort) are:

- Gisborne
- Hastings
- Napier
- New Plymouth
- Palmerston North
- Rotorua
- Tauranga
- Wanganui
- Whangarei.

The information provided in *Base Stats with Trendz* covers the **2009/10 Financial Year** (running 1 July 2009 to 30 June 2010).

For the purpose of this report, the following areas were extracted for comparison:

- Organisational Dynamics
- Human Resources/Staff ratios
- Ability to Pay
- Financial Position (including debt and rates)
- Overall revenue and expenditure.

These key metrics were provided to the Finance & Monitoring Committee in May 2010 (report **10/286**). These metrics give an indication of the overall comparative performance of the Council relative to its comparative others.

Council League Table: The *Council League Table* measures 73 Territorial Local Authorities (TLAs) against a number of metrics that contribute to financial sustainability and community affordability scores. The league tables were developed to encourage better council performance when considering others; rather than be seen as a "stick".

BERL Regional Performance Indicators 2010 report: The BERL Regional Performance Indicators 2010 report is based on data generated from the BERL Regional database, which incorporated business demographic data, census, population estimates and national GDP from Statistics New Zealand.

3. BENCHMARKING & MEASURING PERFORMANCE

Absolute measures of overall organisational performance are different, if not impossible to apply in the local government sector. Organisations therefore use trend information (the organisation's own data over time) and benchmarking (the organisation's own data compared with others). This report covers high level performance based on benchmarking. Activity specific measures (consent processing, water supply, roading and reserves) are beyond the scope of this report but are available.

Benchmarking is good practice. It is about comparing processes, practices, procedures and outcomes/outputs with similar organisations. It assists local authorities to look at their own efficiencies and see how they compare to others.

As noted by SOLGM²

"When performance comparisons are approached with honesty of purpose and integrity of method they can provide local authorities and ratepayers with useful information (not least by helping identifying the "right questions to ask"). Most local authorities undertake these sorts of comparisons, even if it is only asking neighbouring local authorities for their planned levels of rates increases."

For councils to understand how well they are performing, they need to be able to measure themselves against something else. In the absence of doing so, there is no reliable way of determining whether its performance (at the highest level) needs to improve and to what extent.

Central Government is also reinforcing the importance of benchmarking through requiring local authorities to undertake sector benchmarking. Through the Local Government Act 2002 Amendment Act 2010¹, a new requirement was passed that puts in place the standardisation of performance measures for water supply, sewage, stormwater, flood protection and control and the provision of roads and footpaths. This is to allow the public to compare the levels of services provided by different local authorities.

However it is important that benchmarking is viewed as one tool for performance improvement while recognising that demographics influence drivers and resourcing levels of councils.

As with any statistical information, it is very important to note that care must be taken when interpreting benchmarking and comparative data as there can be variability in the quality and sometimes type of data used. The statistical data and inferences drawn need to be seen placed within the wider context of district profiles and circumstances.

² Six of One Half a Dozen of the Other (June 2010)– Submission to the Local Government Act 2002 Amendment Bill 2010

FINDINGS FOR THE REPORTS 2011

4. BASE STATS WITH TRENDZ FINDINGS

As noted previously, the five areas extracted for comparison include:

- Organisational Dynamics
- Human Resources/Staff ratios
- Ability to Pay
- Financial Position (including debt and rates)
- Overall revenue and expenditure.

Taken together, these metrics give an indication of the overall comparative performance of the Council relative to its peers.

Interpreting the Information

When interpreting the data in the following section there are definitional issues that need to be considered. Territorial Local Authorities (TLAs) have different terms for their services and activities (and therefore their data is categorised differently). For example internal recoveries or community facilities may have multiple names depending on the TLA. Care has been taken to consider these issues.

The findings presented below refer to comparison groups as "sector average", "provincial/rural group" and "G9 peers".

Sector average refers to all 73 TLAs that were included in the statistical information. The provincial/rural group refers to the 36 councils that have a population greater than 10,000 but less than 50,000. G9 peer group refers to the customised comparable 9 Council group of which Gisborne is a part of (Gisborne, Napier, Hastings, New Plymouth, Palmerston North, Rotorua, Tauranga, Wanganui and Whangarei).

4.1 Organisational Dynamics

Primary Findings for Organisational Dynamics

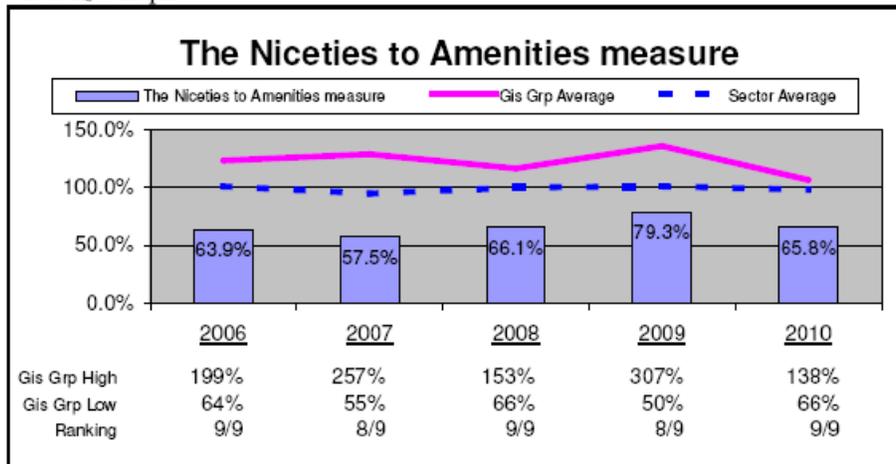
The statistical information provided under organisational dynamics illustrates the region's activity spend reflecting the special character and needs of the region. The future challenge for Council may be continuing to maintain adequate levels of investment into utilities and services generally with limited population growth. Key statistical findings include:

- Council is the third smallest council relative to the G9 peers.
- Council spends more on utilities and less on the niceties to amenities in comparison to its G9 peers.
- Council has fewer residents/people per sq km, less dwelling density per sq km and less roading density in comparison with the sector average and G9 peers.
- Council's total revenue per full time employee (FTE) is in line with the G9 peer group average and Council's retained earnings per FTE is above the sector average and the G9 average peer group.
- Council has the second lowest number of ratepayers per Council member and the lowest FTEs per Council member.

A Council's organisational dynamics includes its geography, demographics, densities and other key determinants of its unique character.

In comparison to G9 peers, Council scores lowest in terms of its niceties to amenities measure (a drop from 2009); noting that a high measure indicates more is spent on niceties than on the amenities. Council therefore spends less of its operating revenues upon 'niceties' (which are generally those activities that are not utilities³). It is important to note that the sector average score is 98.2% so Council also sits below the sector average.

'Trendz' Graph



The low score on niceties corresponds to the activity expenditure proportions (**Table 1**, over page) which shows that, relative to the G9 peers, Council's spend on utilities is slightly higher than the average for all groups. However, as noted in the 2009 comparative information, the Wastewater/ Sewage trend is likely to increase over time with expenditure for capital works for the Wastewater Treatment Plant.

Note that in comparison to 2009, expenditure on Roads is up 3.3%, Regulation up 6% Recreation Reserves are down by 3.3% and Business Units are down by 10.5%. The Business Units are down because income is down for Gisborne Vehicle Testing and the Top Ten Waikanae Beach Holiday Park.

The information in **Table 1** also tells us that Council's expenditure in utilities sits slightly above its comparative groups, with particular variances noted in roading and regulation.⁴

Council is well below its G9 peer group average for its expenditure in activities like the Library and Economic Development and below the sector average for Economic Development.

However Council expenditure in roading is not necessarily disproportionate to the ranking given for the length of roads and its roading density. Council ranks 9/9 on both measures relative to its G9 peer group.

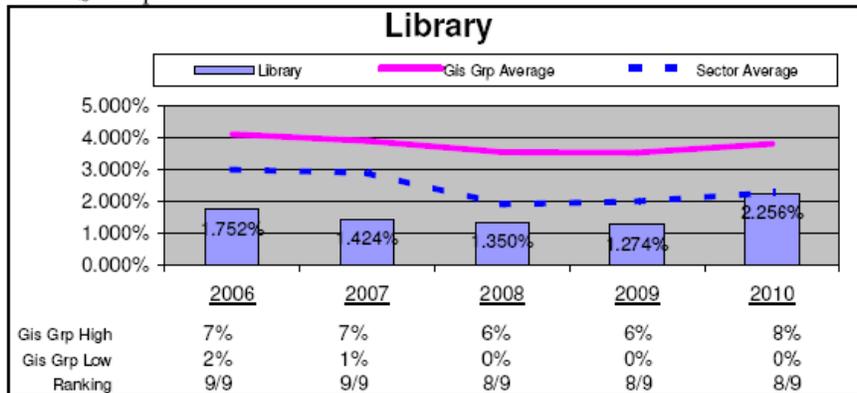
³ Utilities are roading, stormwater, water supply, wastewater/sewerage, drainage, and refuse/solid waste.

⁴ Note that this data is indicative only due to definitional difficulties.

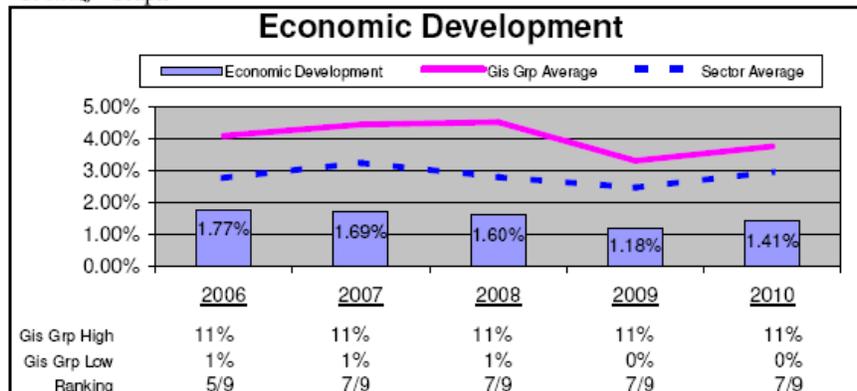
TABLE 1: Significant Activity Spend

Significant Activity	Gisborne District Council	Gis Grp Average	Variation
Roads	37.0%	23.0%	14.0%
Regulatory	14.6%	8.5%	6.1%
Recreational Reserves	7.0%	10.4%	-3.4%
Refuse/Solid Waste	6.0%	4.9%	1.1%
Waste Water/Sewage	5.7%	9.4%	-3.8%
Water Supply	5.5%	7.7%	-2.2%
Support Services / Corporate	5.4%	6.7%	-1.2%
Business Units	4.8%	1.6%	3.2%
Democracy/Local Government	4.0%	2.9%	1.1%
Stormwater	3.3%	3.1%	0.2%
Drainage	2.8%	1.1%	1.7%
Library	2.3%	3.8%	-1.5%
Community Facilities	1.6%	10.6%	-9.0%
Economic Development	1.4%	3.8%	-2.4%
Property Management	1.3%	4.9%	-3.6%
Community Owned Enterprises	0.0%	0.6%	-0.6%
LATE'S (Community)	0.0%	0.0%	0.0%
Environment	0.0%	0.0%	0.0%
Internal Recoveries	-2.7%	-3.0%	0.3%

'Trendz' Graph



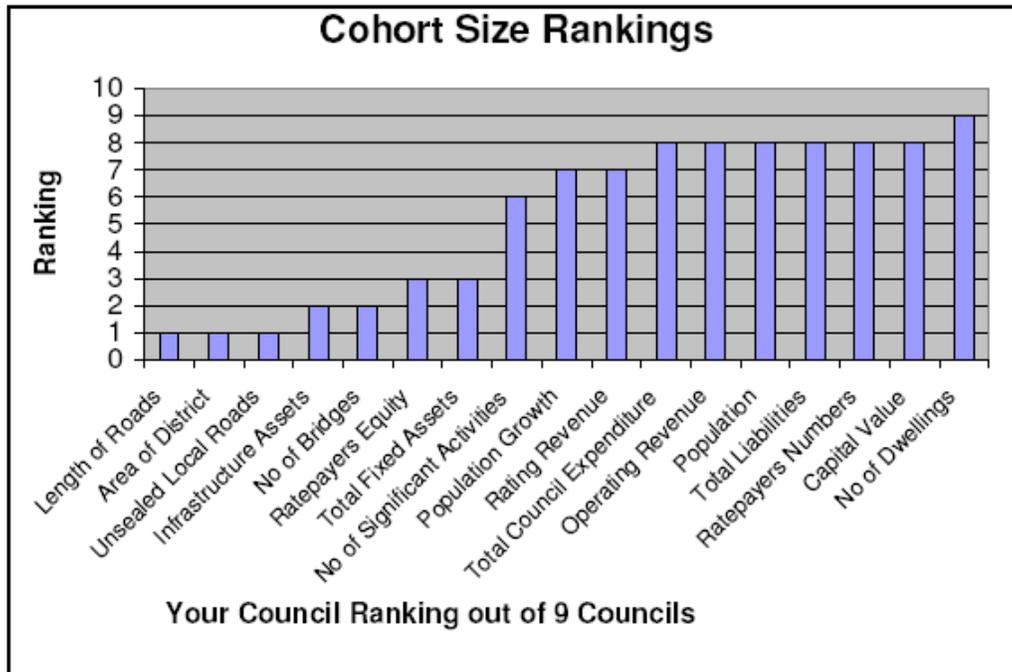
'Trendz' Graph



Population, Dwelling and Roothing Density: There is no change in the comparative data on Council's population, dwelling and roading density being ranked 9/9 on all measures. This can primarily be attributed to Council's significant land area relative to the G9 peer group. Council's population density is approximately 5.56 (.01 up from 2009) persons/resident per sq km compared to the sector average of 145.37 (up from 143.71 in 2009) and G9 average of 201.94.

Council's dwelling density (per sq km) average is 2.89 compared with the sector average of 56.06 and G9 average of 87.04. The density characteristics are again reflective of the large land area, potentially higher dispersed population across the region and its low population base.

Cohort size ranking⁵: The graph below provides a snapshot on where Council is positioned relative to the eight comparable groups.⁶ In terms of size, Council is still the third smallest out of the nine councils. Since 2009 there have been some minor movements in infrastructure assets and total liabilities. Relative to the G9 peers, Council moved downwards in ranking in the population growth measures from 4/9 in 2009 to 7/9 in 2010. However Council's overall growth percentage remained the same across the years (.70). This suggests that those in the G9 peer group experience higher growth across the years than Gisborne.

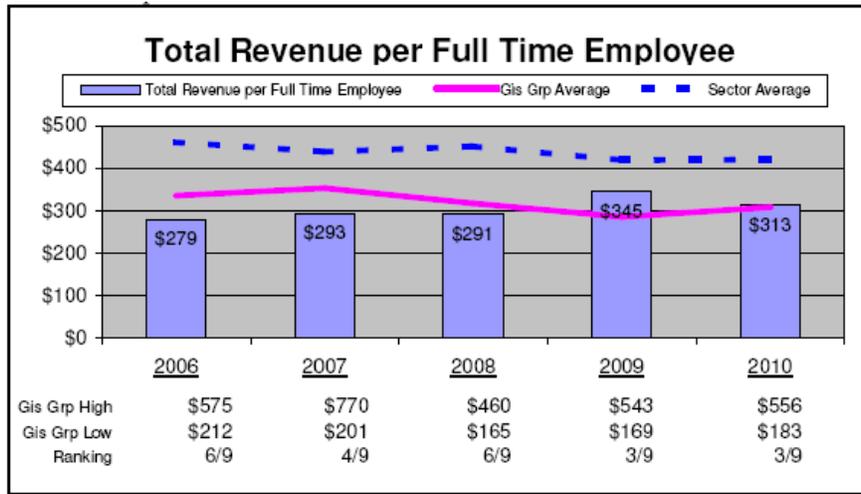


The data presented in the Cohort size rankings depicts the Council's challenge of having to provide for a large area of district and roading network roads (which also needs to be maintained) but is drawing from a low ratepayer basis and has low population growth. However, despite these challenges, Council expenditure and operating revenue continue to be relatively conservative. The challenge may be due to the fact that Council has had to prioritise its utility spend and as a result, other activities have comparatively lower levels of resourcing as noted in the significant activity spend in **Table 1** (above).

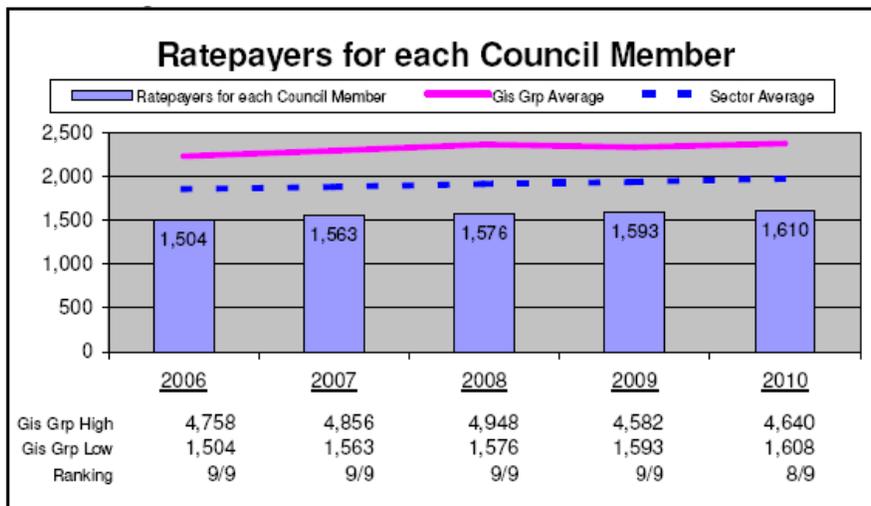
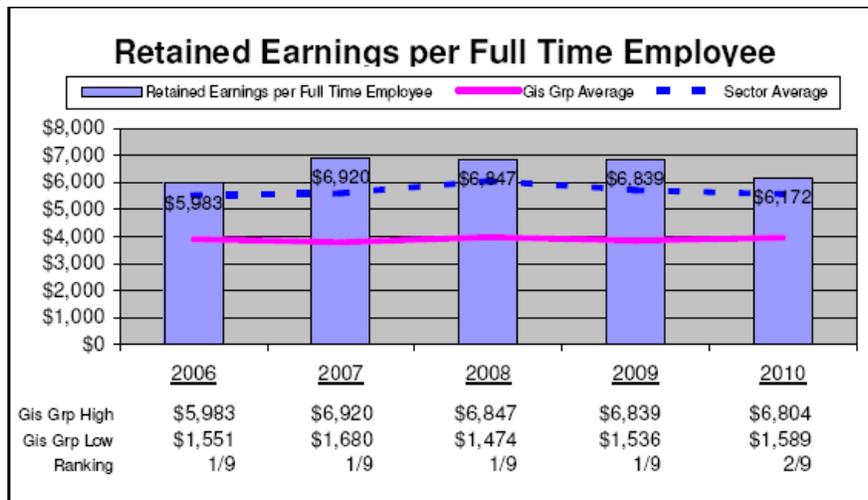
⁵ Cohorts refer to the standard group reporting is used to aggregate "like with like" – that is to report results based on comparisons of councils within the same group. In this case, the Cohort size considers geographical spread and or similar character of district groupings.

⁶ Note that low in a group ranking equates with a high relative and absolute measure.

Stewardship over the district: Revenue per full time employee (FTE) is a rough measure of staff efficiency (not effectiveness). The total revenue per FTE is in line with the group average.

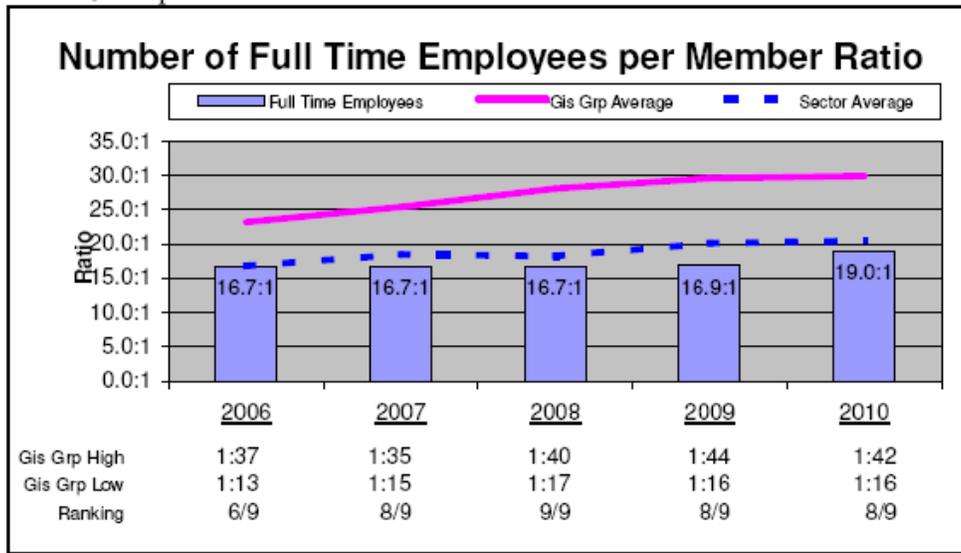


Council's retained earnings per FTE has dropped back slightly to being the second highest in relation to the eight other comparison councils. With low debt level (liabilities) and our relatively large asset base Council will have high retained earnings, i.e. high retained earnings per FTE. One could infer from this that Council is over capitalised.



The proportion of ratepayers for each Council member ratio (above) is second to lowest; meaning that relative to the comparison group, Gisborne district is relatively well represented (1610 ratepayers to one Council member compared with the sector average of 1974 ratepayers and G9 comparative group average of 2374 ratepayers).

Similarly to the proportion of ratepayers, Council also has fewer FTEs per Council member (19:1) than the comparison group average ratio of 30:1 (or the G9 peers have more staff generally). However it is almost in line with the sector average of 20:1. These trends are similar to those outlined in the Council remuneration to operational expenditure table outlined in **Table 5** on page 16.



4.2 Human Resources

Primary Findings for Human Resources

The statistical information provided under human resources illustrates that Council is faring well in comparison to others. Mostly all ratios are positively below the average for all TLAs and the provincial/rural group.

Key statistical findings include:

- Council's average wage per employee has increased from 2009 to 2010 by 1.5% but is still lower than the average wage per employee for the provincial/rural group by \$20,562 and sector average by \$24,972.
- The proportion of wages to operating expenditure (19%) is well in line with the average of 19% for provincial/rural group and is 2% below the average for all TLAs.
- The overall percentage of management salaries has decreased relative to the provincial/rural group and sector average.
- Council sits below the average FTEs for its G9 peer group and sector average.
- Councillor remuneration to operating expenditure is higher than the provincial/rural group's average and the sector average.

Human Resources considers the following areas:

- Average Wage per Employee
- Proportion of Wages to Council Operating Expenditure
- Proportion of Management Salaries to Wages
- Councillor Remuneration to Operating Revenue.

Staff Ratios: Average Wage per Employee, Proportion of Wages to Council Operating Expenditure, Proportion of Management Salaries to Wages: The next three tables provide information on staff ratios and resourcing. The tables generally show that, in comparison to other groups and TLAs, Council's staffing costs are conservative. Where there are increases in areas (for example in proportion of wages to Council's operating expenses) these are offset by the lower than average wage per employee. **Table 2** below shows that Council's average wage per employee has increased by 1.5% between 2008-2010 compared with the provincial/rural group's average increase of 7.2% and 7.9% for all TLAs. The average salary (\$48,565) for Council employees is still well below the provincial/rural group's average (\$65,133) by \$20,562 and average (\$68,655) of all TLAs by \$24,972. The initiation of Strategic Pay and Council's policy to the position of having the annual remuneration level at a range of 95% of the median of the NZ Local Government market pay, may see the large gap decrease over time.

TABLE 2: Average Wage per Employee ⁷

Variables: Employee Benefits / FTE Numbers

Source: Base Stats 2011

Period: 2008-2010

Council Name	\$000 Wages 2008	\$000 Wages 2010	Count FTE's 2008	Count FTE's 2010	\$ Average Wage per Employee 2008	\$ Average Wage per Employee 2010	% Increase 2008-2010
Gisborne District	11,731	13,569	250	285	46,924	47,611	1.5%
Provincial / Rural Group Statistics							
AVERAGE	9,258	11,172	149	168	65,254	68,173	7.2%
Total of all Groups Statistics							
AVERAGE	17,170	20,188	251	277	69,614	72,583	6.9%

Payroll is the second largest expenditure item for all TLAs and therefore the proportion of wages to Council operating expenditure is considered a vital statistic. For Council, the proportion of wages to Council's operating expenditure has increased from 2008 to 2010 by 12.1% (**Table 3** below). When comparing with the provincial/rural group peers, this increase sits slightly above the average increase of 11% and therefore is more or less in line with the provincial/rural group.

The proportion of wages to operating expenditure in 2010 is 19%. In comparison to the provincial/ rural group, Council is well in line with the average of 19% and is 2% below the average for all TLAs. This implies that Council is spending more or less about right on wages in comparison with its peer group, and slightly less than all TLAs *or* Council's FTEs are slightly lower.

⁷ Note that the wages data may not reconcile with Council's information due to the way the data may have been treated. However, what is important is the relative position between peer groups as their data treatment will be the same (rather than the absolute data).

TABLE 3: Proportion of Wages to Council Operating Expenditure

Variables: Employee Benefits / Council Operating Expenditure
 Source: Base Stats 2011
 Period: 2008-2010

Council Name	\$000 Wages 2008	\$000 Wages 2010	\$000 OpEx 2008	\$000 OpEx 2010	% Wages to OpEx 2008	% Wages to OpEx 2010	% Increase / Decrease 2008-2010
Gisborne District	11,731	13,569	68,605	70,803	17%	19%	12.1%
Provincial / Rural Group Statistics							
AVERAGE	9,258	11,172	52,292	59,636	18%	19%	11%
Total of all Groups Statistics							
AVERAGE	17,170	20,188	86,228	96,993	20%	21%	6%

In considering the number of FTEs, the G9 group information was extracted for comparative purposes and is provided below (unitary councils Tasman and Marlborough were also included with G9 for cross reference purposes). It shows that Council is slightly below its G9 peers for the number of FTEs in 2010 (noting also that the figure of 285 includes Community Max workers that were employed in the 2009/10 financial year).

Council	FTEs in 2010
Gisborne	285
Napier	353
Palmerston	570
Tauranga	457
Whangarei	326
*Tasman	195
*Marlborough	224

Council	FTEs in 2010
Hastings	375
New Plymouth	499
Rotorua	526
Wanganui	207

*Note that these results are also affected by the proportion of services that have been contracted out (for example EDAs) or are delivered through a CCO.

Table 4 (below) indicates that the overall percentage of management salaries to wages has decreased from 2009/10 by -21.6% (in comparison to -2% sector average). There is a corresponding decrease in management salaries from \$1.3M in 2009 to \$1.1M in 2010⁸. This is likely to increase in 2011 and stabilise with the management team in place. On balance, Council has a lower than average percentage of management salaries to wages (8.45% compared to 14.06 % of its comparison group and 14.83% of all TLAs).

⁸ Note that Management salaries comprise key management salaries and Councillor emoluments.

TABLE 4: Proportion of Management Salaries

Variables: Management Salaries / Employee Benefits
 Source: Base Stats 2011
 Period: 2009-2010

Council Name	\$000 Mgmt salaries 2009	\$000 Wages 2009	% Mgmt salaries to wages 2009	\$000 Mgmt salaries 2010	\$000 Wages 2010	% Mgmt salaries to wages 2010	% Increase / Decrease 2009-2010
Gisborne District	1,324	12,287	10.78%	1,146	13,569	8.45%	-21.6%
Provincial / Rural Group Statistics							
AVERAGE	1,282	10,185	14.43%	1,323	11,172	14.06%	-2
Total of all Groups Statistics							
AVERAGE	1,354	18,469	15.20%	1,415	20,188	14.83%	-1

Councillor Remuneration: Councillor remuneration (Table 5 below) is higher (\$617k in 2010) than the comparison group's average (\$429k in 2010) and the sector group's average (\$470k). These costs however are offset by higher operating revenue.

TABLE 5: Councillor remuneration to Operating Revenue

Variables: Councillor Remuneration/Council Operating Revenue
 Source: Base Stats 2011
 Period: 2009-2010

Council Name	\$000 Councillor Costs 2006	\$000 Councillor Costs 2010	\$000 OpRev 2006	\$000 OpRev 2010	% Councillor Costs to OpRev 2005	% Councillor Costs to OpRev 2009	% Increase/ Decrease 2006-2010
Gisborne District	450	617	69,640	89,335	0.65%	0.69%	6.9%
Provincial / Rural Group Statistics							
AVERAGE	390	429	55,353	66,609	0.77%	0.71%	-3%
Total of all Groups Statistics							
AVERAGE	430	470	87,638	106,351	0.88%	0.79%	-2%

4.3 Ability to Pay

Primary Findings for Ability to Pay

The statistical information provided under the ability to pay illustrates that the district is moving more into line with the averages with respect to Household Income. However economic activity appears slow and property values are still lower than average.

Key statistical findings include:

- The district appears to have had an increase in Household Income in the 2009/10 year which may result in more disposable income.
- There is very little difference in Council's percentage of rates per ratepayer to Household income ratio and the provincial/rural group and all TLAs.
- There was a slight increase in building consents between 2008/09 and 2009/10, however overall consent numbers are still low.
- Comparatively, the district has lower property values and property increases between 2006-2010.

The ability to pay is an important area where, by and large, the Gisborne district has struggled. **Table 6** (below) shows that the region's disposable income is significantly higher than the national norm. In comparing the 2010 information with the 2009 information there has been a significant increase in disposable income (198%), bringing the region more in line with its sector group.

However care is required when interpreting this particular statistic as the 2010 Household Income data conflicts with the work done by BERL suggesting that in 2009 Gisborne's estimated average (or mean) household income is \$43,808, significantly lower than the data suggested in the information provided by BaseStats with Trends.⁹ This would dramatically alter the affordability levels and would indicate that the level of disposable income per household is less than the average for all TLAs.

TABLE 6: Disposable income¹⁰

Variables: Household Income; Household Expenditure

Source: Stats NZ

Period: 2009-2010

Council Name	\$000	\$000	\$000	\$000	\$000	\$000	% increase	% increase
	Household Income 2009	Household Income 2010	Household Expenses 2009	Household Expenses 2010	Household Inc Less Exp 2009	Household Inc Less Exp 2010	Household Inc less Exp 2009-2010	Household Inc less Exp 2006-2010
Gisborne District	53,203	64,052	46,934	45,318	6,269	18,734	198.8%	94.0%
Provincial / Rural Group Statistics								
AVERAGE	57,554	66,832	48,396	51,745	9,179	16,285	85.0%	126.3%
Total of all Groups Statistics								
AVERAGE	58,026	67,153	48,459	53,118	9,609	14,134	60.9%	79.3%

More interestingly, when combining this information with the Rates per Ratepayer to Household Income ratio, Gisborne district is within the average percentage. This suggests that the issues relating to affordability for the 2010 year have improved as a result of an increase in household income.

	Rates per ratepayer 2010	Household Income 2010	% Rates per ratepayer to HH Income 2010
Gisborne	1,781	64,052	2.78%
Provincial / Rural Group Statistics	1,766	66,939	2.66%
Total of all Groups Statistics	1,752	66,871	2.59%

Assuming the BERL information on the estimated household income was correct, the percentage of Rates per Ratepayer to Household Income would change from 2.78% to 4%, reinforcing what the district already knows about the affordability challenges. However, if this is the case, the lower than average property values should offset the lower than average income levels.¹¹

⁹ Refer to Appendix One for further information on Gisborne's Household income.

¹⁰ Based on GROSS Household Income

¹¹The actual effect of property values does not have a major impact in relationship to its relativity to the rates take as Council's level of UAGC and fixed charges has more of an impact.

Building Consents: While income is one proxy for affordability, building consent numbers are a good indicator of local economic activity (in the absence of any other reliable economic activity indicator at a 'District or City level'). Building consent numbers (not value) issued in the last five-year period display the following profile:

TABLE 7: Building Consents

Variables: Building Consent Numbers
 Source: Base Stats 2009
 Period: 2007-2009

Council Name	Building Consents 2008	Building Consents 2009	Building Consents 2010	% Increase/Decrease
Gisborne District	149	98	120	-19.5%
Provincial / Rural Group Statistics				
AVERAGE	226	172	186	-19.9%
Total of all Groups Statistics				
AVERAGE	253	198	214	-19.9%

The slight increase in building consents for the 2009/10 year generally reflects group and sector averages. This increase may demonstrate gradual confidence in the building market. However overall the building consent numbers are still quite low.

Property values: Tables 8 and 9 (below) concern property values. These tables show the property value increases in the last four years. The trends are likely to change with the 2011 property revaluations which may see a slight decrease in property valuations. Comparatively the tables show the relatively lower property values and property increases of the district.

TABLE 8: Capital Value

Variables: Total Capital Value (Gross)
 Source: Base Stats 2009
 Period: 2005-2009

Council Name	\$000 Capital Value 2006	\$000 Capital Value 2007	\$000 Capital Value 2008	\$000 Capital Value 2009	\$000 Capital Value 2010	% increase 2006-2010
Gisborne District	8,779,504	9,130,827	9,952,225	9,937,697	10,077,884	14.8%
Provincial / Rural Group Statistics						
AVERAGE	8,311,272	9,472,399	10,638,987	11,186,442	11,157,953	35.8%
Total of all Groups Statistics						
AVERAGE	11,142,165	12,868,920	14,206,939	14,557,674	14,604,548	36.5%

TABLE 9: Property Land Value

Variables: Total Unimproved Land Value (Gross)
 Source: Base Stats 2009
 Period: 2005-2009

Council Name	\$000 Property Land Value 2006	\$000 Property Land Value 2007	\$000 Property Land Value 2008	\$000 Property Land Value 2009	\$000 Property Land Value 2010	% increase 2006-2010
Gisborne District	5,670,353	5,831,831	6,023,856	6,003,759	6,014,362	6.1%
Provincial / Rural Group Statistics						
AVERAGE	4,915,560	5,720,074	6,485,354	6,844,434	6,736,612	39.9%
Total of all Groups Statistics						
AVERAGE	6,040,326	7,158,362	8,041,322	8,200,739	8,154,197	44.2%

4.4 Financial Position

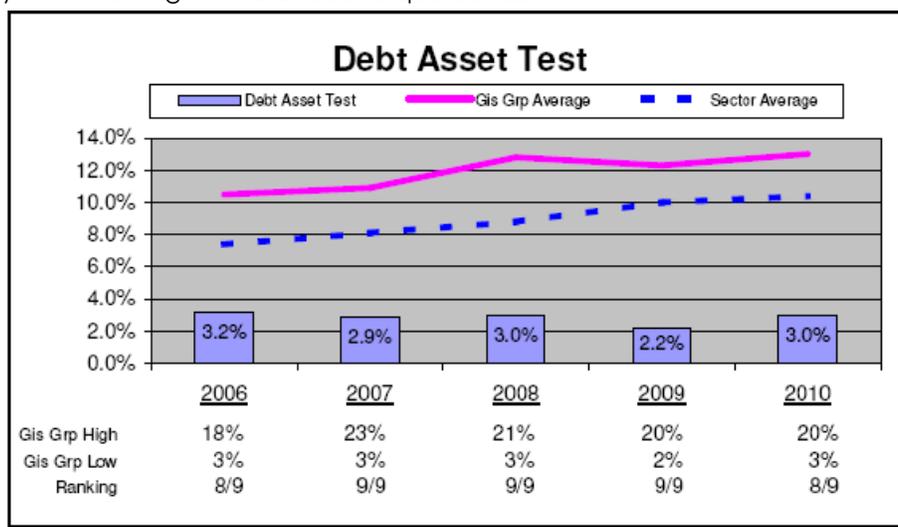
Primary Findings for Financial Position

The statistical information provided under Financial Position suggests that Council's financial performance is strong relative to the other groups.

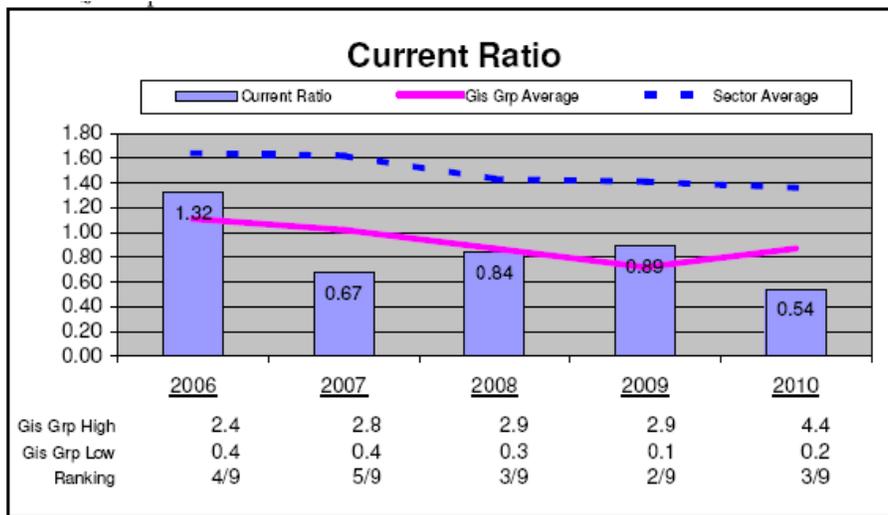
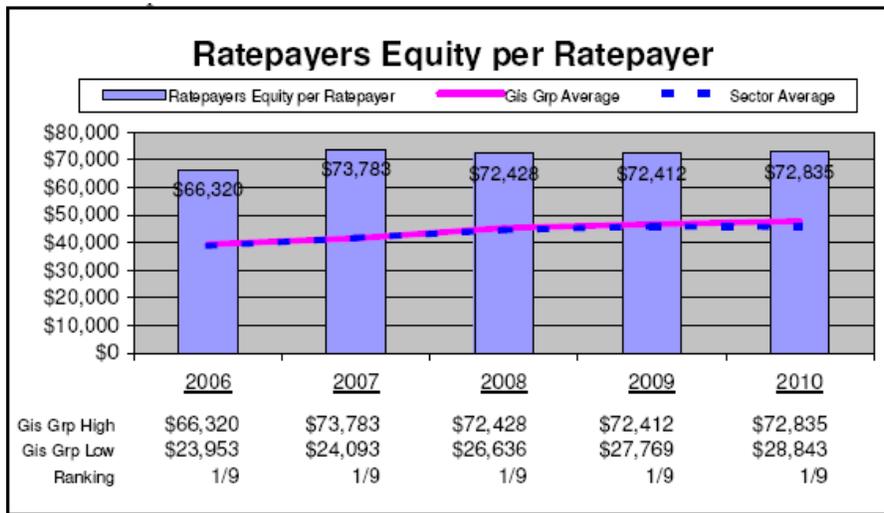
Key statistical findings include:

- Council has the second lowest proportion of debt and is in a strong position (relative to other TLAs) to debt fund its activities.
- Council's current ratio has dropped below the sector average and has reduced from .89 in 2008/09 to .54 in 2009/10.
- Ratepayers' equity per ratepayer is higher than the G9 comparable group.
- Gisborne has the second lowest debt per ratepayer and second lowest total liabilities in comparison with its G9 peers and both metrics are well below the sector averages.
- Council's average rates are only \$29 above all TLA averages and only \$15 above the provincial/rural average.
- Council's rates increases from 2009 to 2010 per ratepayer (2.7%) are significantly lower than the TLA average (8.5%) and the provincial/rural average (8.5%).
- Council's rating revenue ratio is close to the G9 group average.

Debt Asset Test: Council scores eight for its total debt over assets. This implies that, relative to the seven other councils, Council has the second lowest proportion of debt compared to asset values and therefore, relative to the other groups, Council is in a good financial position to debt fund activities. The average for the group is 13% (up from 12.3% in 2009) and the sector average is 10.4% (up from 9.9% in 2009). Council's financial position appears relatively stable and while Council could borrow substantially more relative to its comparable groups, the ability to service high levels of debt is questionable.

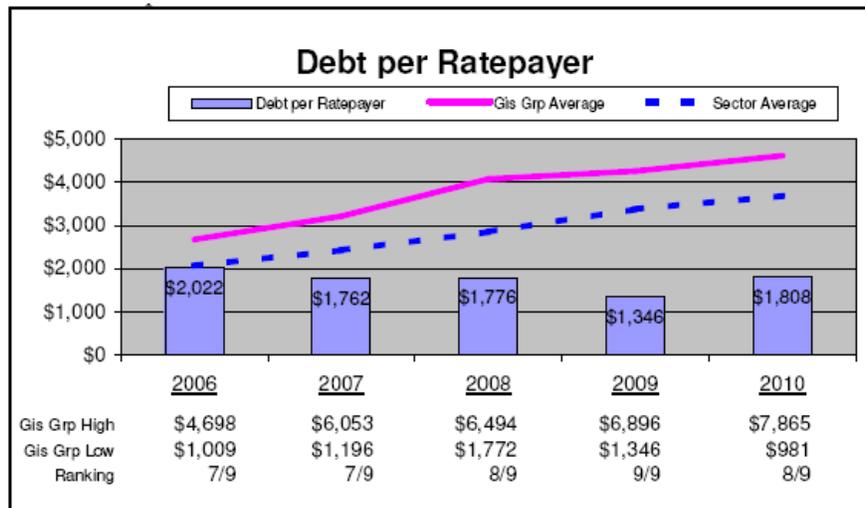


Ratepayers equity: Council ranks first out of nine for ratepayers equity per ratepayers. The downward movement in the current ratio for Gisborne is a result of Council's treasury policy of funding more of its borrowing through banks. Because the bank facilities are short term the borrowings are treated as current liabilities. This causes an adverse movement in the current ratio. Council has higher than average debtor numbers because of the amount of Māori land on Council books and also the significant amount of land that is held for sale. This situation has not changed much since the 2008/09 information.



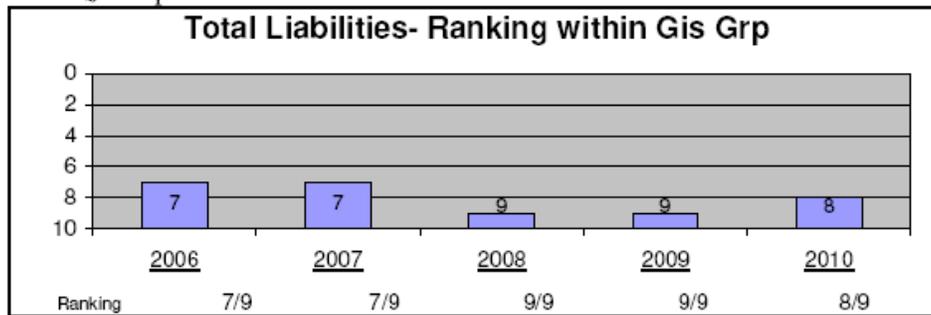
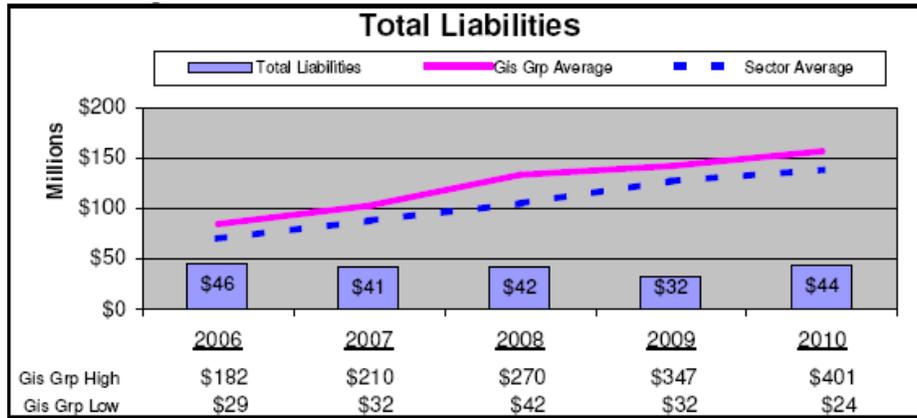
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The district has the second lowest debt per ratepayer in comparison to its G9 peers which almost corresponds to the metric on the highest equity per ratepayer and second lowest total liabilities.



¹² Current assets/current liabilities, Current Liabilities + Term Liabilities / Ratepayer number

Liabilities: The trends outlined in the graphs below are at odds with the G9 peer group and sector trends which have tended to increase significantly over a five year period. This suggests that, while the sector debt levels continue to increase, Council has managed to keep debt controlled. This is also reflected in the debt/asset test.



Rates: GDC average rates were at \$1,735 (2009) and \$1,781 (2010). This is a mere \$29 above all TLA averages in spite of the Council's unitary costs and only \$15 above the provincial/rural average.

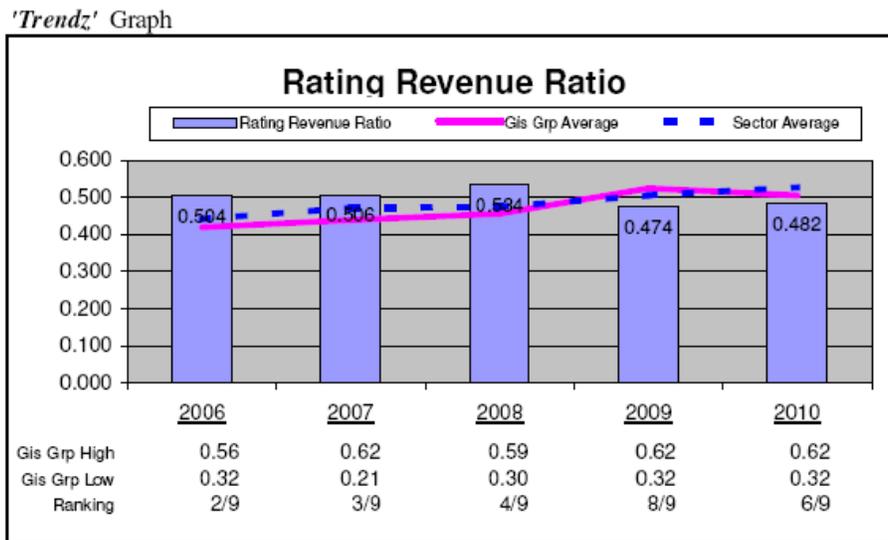
In comparing the average increase between 2009 and 2010, Council's rates increases per ratepayer are significantly lower than the average for TLAs and provincial/rural peers. This is a positive statistic demonstrating that the Council has managed to keep rates increases to a minimum.

However when major capital work is required for developments and upgrades (such as major projects) the percentage increase is likely to shift. Major project work is likely to be the reason for the average percentage increase for all TLAs.

TABLE 10: Gisborne District Council Rates per Ratepayer

	\$000 Rating Revenue 2010	\$000 Rating Revenue 2009	Ratepayers No's 2010	Ratepayers No's 2009	\$ Rates per ratepayer 2010	\$ Rates per ratepayer 2009	% Increase 2009-10
GDC	43,016	41,457	24,150	23,894	1,781	1,735	2.7%
Prov/Rural	35,087	32,583	19,457	19,340	1,766	1,645	8.4%
Ave TLA	49,627	46,810	25,839	25,684	1,752	1,646	8.5%

Rating revenue ratio¹³: With respect to the rating revenue ratios, both the group and sector average rating revenue ratios have remained relatively steady. For Council, the ratio has decreased slightly in 2009 (which may have been a result of an increase in fees or other revenue) and increases in 2010 – consequently resulting in a movement in ranking amongst the G9 peers. The rating revenue ratio graph (below) is an interesting one in that it tests the argument of 'rates being too high'.¹⁴ With the current positioning of 6/9 it suggests that Council's rating revenue is close to the G9 average.



4.5 Overall Revenue and Expenditure

Primary Findings for Overall Revenue and Expenditure

The statistical information provided under overall revenue and expenditure suggests that Council has prudent levels of spending given the proportional levels of revenue and expenditure. However further consideration could be given to future projected revenues.

Key statistical findings include:

- Council expenditure is generally proportional to its revenue.
- Council's projected revenues are well below the average projected revenues for the provincial/rural group and all TLAs.
- Council's projected expenditure is consistent with projected revenues but well below the average projected revenues for the provincial/rural group and all TLAs.

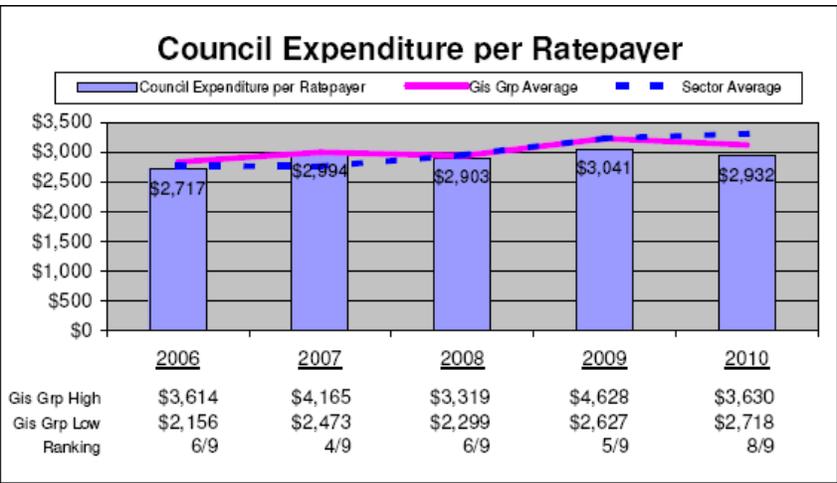
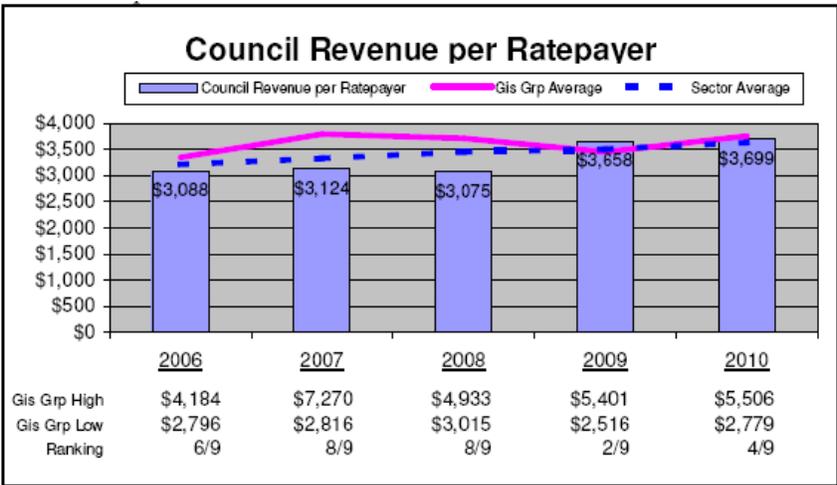
Compared with the group and sector averages, Council generally has similar revenues per ratepayer (graph below)¹⁵. Council expenditure is proportional to its revenue suggesting that there are no surpluses being unnecessarily held and that there are relatively good financial controls (taking into account other financial metrics discussed previously)¹⁶; although notably in 2010 Council's expenditure decreased marginally in comparison to its rates revenue. This can potentially be attributed to the efficiency gains and savings that occurred in the 2010 year.

¹³ Rating revenue/total operating revenue

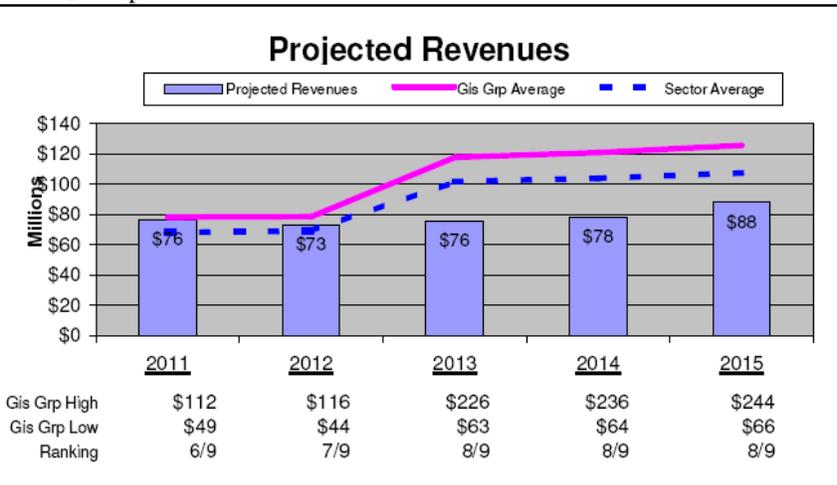
¹⁴ 'Rates is defined as pure general non-specific 'property based' rates

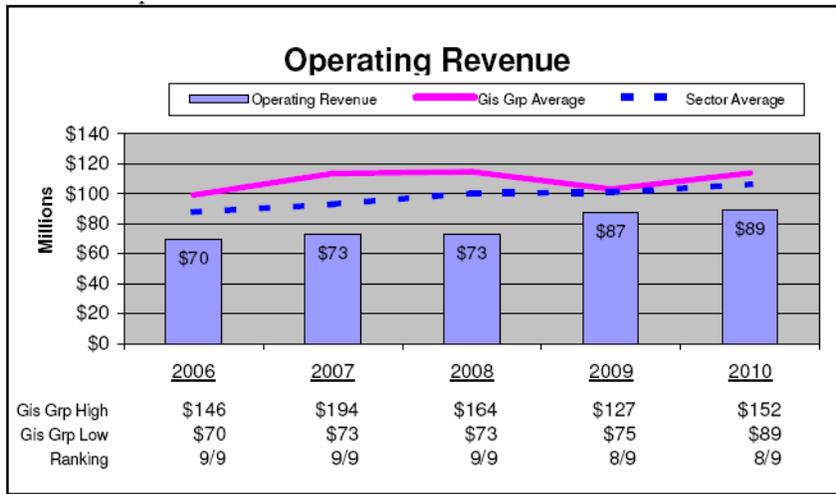
¹⁵ Total Council Operating Revenues per Ratepayer

¹⁶ Total council expenditure per ratepayer

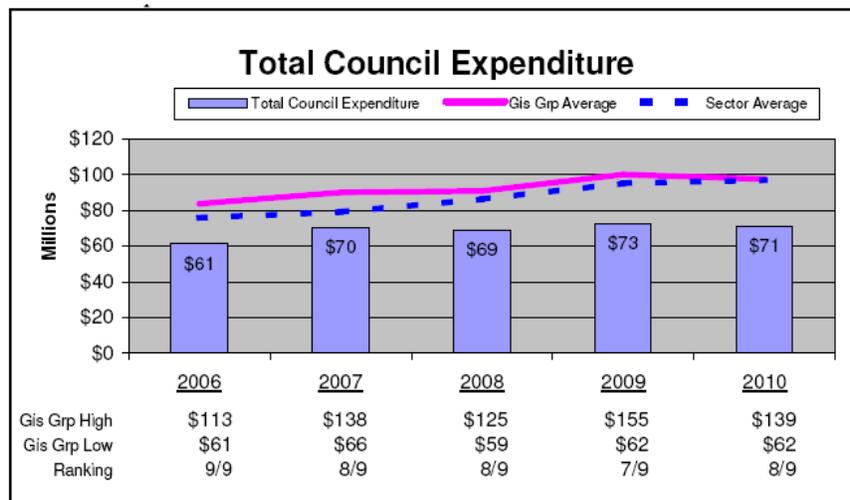
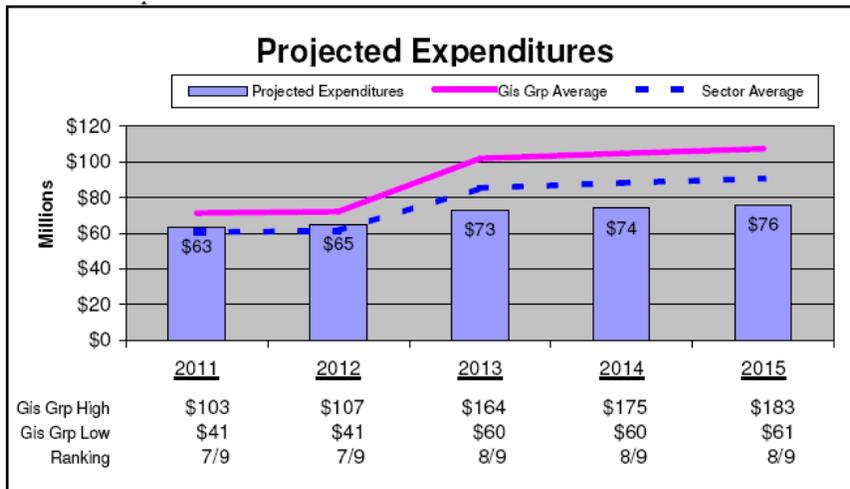


As with last year's report, Council should give further attention to the projected revenues for the next five years (refer graph Projected Revenues). Relative to the group average, Council has forecasted little increase in operating revenue between 2012 and 2015. This may not be realistic given the comparative group projections and in considering the operating revenues required from 2006 to 2010 (refer graph Operating Revenue).





Council's projected expenditure is quite conservative, ranking second to lowest in its projected increased in expenditure. Council also ranks second to last in relation to its total expenditure. However the level of expenditure is generally consistent with its operating revenue.



5. COUNCIL LEAGUE TABLE FINDINGS

Primary Findings for League Tables

Key statistical findings include:

- Council ranks 26th out of 73 TLAs for the overall assessment on the combined financial sustainability and affordability scores.
- Council's financial sustainability score of 18 is 5th highest from 73.
- Council's affordability score was 52/73 however this placing was only one point less (14) than the average (15).

As noted in Section 2 of this report, the 'league table' measures Council's financial sustainability and community affordability. The Gisborne District Council ranks 26th out of 73 TLAs for its overall assessment on financial sustainability and affordability scores, where 1st is best and 73rd is worst. The breakdown of scores follows.

Sustainability Measures: The Sustainability Measures include the following:

- debt per ratepayer (a reasonable level for this measure would be downwards to \$1,500 with \$3,686 being the average)
- capital expenditure to depreciation ratio (a reasonable level for this measure would be at the average or above or the benchmark of 1.0. with 1.7 being the average)
- surplus or deficit (average being \$7,309,000)
- debt servicing to rates revenue ratio (average is 9%)
- ratepayer equity to ratepayer ratio (average is \$45,761).

For the sustainability measures the Gisborne District Council had the following scores:

2010 data	Debt per Ratepayer Score	CAPEX to Depreciation Score	Surplus/Deficit Score	Debt Servicing to Rates Score	Ratepayers Equity per Ratepayer Score	Overall High=25 Low =5
Gisborne District	4	2	4	3	5	18
Actual stats	\$1,808	1.8	15,365	7.0%	72,835	
Total of all Groups Statistics						
AVERAGE	3	2	3	3	3	14
Actual stats	\$3,686	1.7	7,309	9.0%	45,761	

It is important to note on the sustainability measures that only four councils (Clutha District, Hurunui District, Napier City and Southland District) had a better sustainability score than the Gisborne District Council.

Affordability Measures: The Affordability Measures include:

- rates per ratepayer to household income ratio (average 2.61)
- Council remuneration cost to operating expenditure ratio (average 21.2%)
- household income (average \$67,153)
- unemployment (average 5.95)
- property value per ratepayer (average \$297,613).

Five other factors were used to modify the raw score including the 2010 audit opinion, commercial assets/debt, financial assets, investment property and very high debt (>\$5000 per ratepayer).

2010 data	HH Income Score	Property Ave per Ratepayer Score	Rates per ratepayer to HH income score	Wages to OpEx Score	Workforce Unemploy Score	Overall High=25 Low =5
Gisborne District	3	3	3	3	2	14
Actual stats	\$64,052	6,012,332	2.78%	19.2%	7%	
Total of all Groups Statistics						
AVERAGE	3	3	3	3	3	15
Actual stats	\$67,153	7,933,262	2.61%	21.2%	5.9%	

Council's affordability score positioned Council at 52/73. However this position is only slightly below the average.

6. BERL REGIONAL PERFORMANCE INDICATORS 2010 FINDINGS

Primary Findings for BERL Regional Performance Indicators

Key statistical findings include:

- Council ranked 12th for regional economic performance for the 2010 year with previous rankings of 52nd and 59th for the 2009 and 2008, years respectively.
- Gisborne's population growth has had a slight increase which has corresponded with a slight increase in employment.
- Gisborne was one of only six districts that had an increase in business units.
- Gisborne District Council was ranked 27th out of 72 for its index of openness (how easy it is to start or do business in the district) and achieved a score of 108 in comparison to the highest positive score of 123.

As noted previously, the BERL Regional Performance Indicators 2010 report is based on data generated from the BERL regional database, which incorporated business demographic data, census, population estimates and national GDP from Statistics New Zealand.¹⁷

Overall performance: The Gisborne District Council received its highest ranking for regional economic performance of 12th for the 2010 year with previous rankings of 52nd and 59th for the 2009 and 2008 years, respectively.

The Selwyn District Council received the highest ranking and best performing district for the individual TLAs based on the change in nine key performance indicators from the previous year (short term) and over the past five years (medium term). The performance indicators include:

- Population growth
- Employment growth
- Value added (GDP) growth
- Business unit growth
- Index of Openness.

(Refer table on page 28)

To be ranked in the top 10, a council would need to have at least three or more of the nine categories with a ranking of 10 or less. Only one council (Wellington City) with two scores of 10 or less was an exception to this.

Gisborne received three scores of less than 10 with the best being a ranking of 6th for short term real value added growth (GDP). The other two also from the short term performance group being 7th rankings for the Full Time Employment Growth and the Business Units Growth categories.

Population Growth: The population growth for New Zealand is at 1.2% which is only just above replacement. Gisborne's population has remained steady over the last five years; the increase over the last year of 0.8% for Gisborne is significant. The increase is likely to be a result of the increase in employment FTEs within the district.

¹⁷ BERL draws on information from 72 TLAs, this differs from the 73 TLAs reviewed by Larry Mitchell. This difference is likely to be due to the timing of the production of the reports.

Employment Growth: There is a strong correlation in high ranking of small rural councils with high employment FTE growth. In Gisborne's case the employment FTE growth over the short term at 3% has contributed to the high short term, and therefore overall, ranking. This growth in the main will have come from the ever increasing forestry cut that has seen the export of logs across the Gisborne port double over the last two years.

Short term real value added (GDP) growth: The very high 6th place ranking for the district's short term value added (GDP) growth can in part be explained by the growth in the forestry cut.

Business Unit Growth: While Gisborne would have lost some businesses over the short term it has gained new businesses, to remain unchanged in business unit growth over the medium term. Only six districts have had increases in the number of businesses in the past year; these were New Plymouth, Wairoa, Masterton, Western Bay of Plenty, Hurunui, Ashburton and Gisborne.

Index of Openness: Generally the smaller district councils ranked highest in the Index for Openness, (the TLAs' GDP that is accounted for by sectors that are open to competition), indicating the larger the council then the less open they are likely to be. Only one small council (Carterton with a ranking of 10 or less for openness) achieved an overall ranking within the top ten. The two highest ranked councils (namely Queenstown-Lake District and Selwyn District) were ranked 58th and 35th, respectively, for openness. Gisborne was ranked at 27th with an index for openness of 108. Southland District achieved the highest index of 123; the lowest ranked Council being Porirua City with an index of 88.

BERL Categories for Economic Performance

		2010 Short Term Performance (% Change on previous Year)				2010 Medium Term Performance (%pa Change last 5 Years)			
	RANK	Resident Pop Growth %	FTE Employment Growth %	Real value added (GDP) Growth %	Business Units Growth %	Resident Population Growth	FTE Employment Growth	Real value added (GDP) Growth %	Business Units Growth %
Gisborne District	12	0.8	3.0	5.5	0.5	0.3	0.8	0.9	1.4
Selwyn District (Highest)	1	2.6	4.0	6.2	-0.7	3.4	4.0	4.0	2.0
Ruapehu District (Lowest)	72	-0.9	-1.5	-3.6	-4.2	-0.9	-1.1	-0.5	-1.3
New Zealand		1.2	-1.9	-0.6	-1.5	1.0	1.0	1.0	1.5

7. CONCLUSIONS

The information provided in this report gives some comparative data from which Council can assess its performance relative to other similar council groups. Some caution has been taken in interpreting the information, given the variables concerning the quality of data collected.

Overall the comparative data provided suggests that Council continues to perform comparatively well given the other comparison groups and given the obvious challenges that the region faces in relation to its disparate regional characteristics.

Its conservative expenditure predominately in utilities is consistent with the region's demographics (i.e. land mass). Prudent spending is illustrated through proportional levels of revenue and expenditure as well as payroll expenditure. Council's low debt levels gives some comfort that any increases in future activities can be adequately provided for.

The comparative data at the local level generally reflect the national positioning of Council.

Financial Sustainability and Affordability combined metrics reinforce Council's strong performance given the comparative data. Wider regional economic performance also reflects the relative positive position of the district and Council.

While there will continue to be issues with affordability, the current actions/management and high level direction appears to be positioning the organisation well. Although there are many positive aspects identified through the benchmarking exercise, there are still other areas that could afford closer attention. These include:

- long term management of the levels of investment in utilities, proportionately to other Council core services
- liquidity position of Council
- encouraging population growth and addressing affordability issues
- closer examination or projected revenues and expenditure.