



finances at a glance

The Nature of the Prospective Financial Information - Cautionary Note

The prospective financial information contained in the Draft 2009-2019 Ten Year Plan is a forecast, and has been prepared on the basis of assumptions as to future events that the Council reasonably expects to occur, associated with the actions it reasonably expects to take as at the date the forecast was prepared. The forecast relates to events and actions which have not yet occurred and may not occur. The actual results achieved for the period covered are likely to vary from the financial information presented and the variations may be material. The uncertainty increases as the number of years of prospective financial information increases. Uncontrollable external events will significantly affect the forecast.

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

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

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

Finances at a Glance

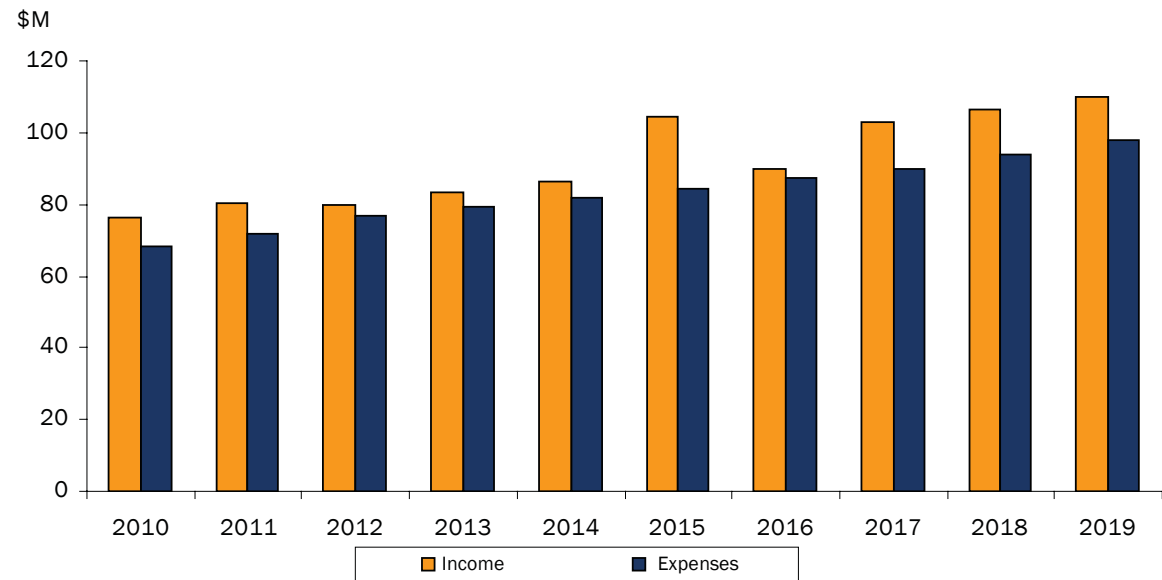
The financial information presented here is only intended to give a brief overview. For more detailed financial information please refer to the Finances section of the Draft 2009-2019 Ten Year Plan. The Finances section includes the audit report, Council's forecast financial statements, a full list of capital projects and the accounting policies.

Total income exceeds total expenditure in every year of the Plan. This is mainly due to the external grants, subsidies and donations income budgeted to be received to finance capital projects. Included in this capital income are the NZTA funding for roading projects. The Regional Roding Programme is 100% NZTA funded and this will have \$6M capital revenue over 2010 and 2011. The grants and/or donations estimated for the Olympic pool redevelopment and multi-purpose indoor stadium result in capital income increasing in 2015 and 2017 to 2019. The redevelopment of the pool complex is proposed to be 75% externally funded and the multi-purpose indoor sports stadium is planned to be 90% externally funded. Council has established a Community Funders' Forum to build closer Council to funder and business relationships, and to establish a means to match future projects to funders.

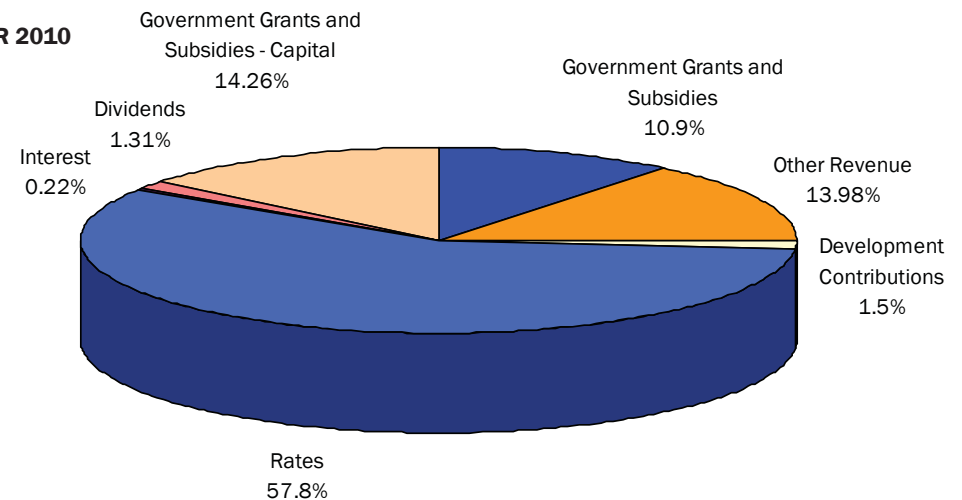
Council Income

This graph illustrates Council's varied revenue sources. Gisborne District Council is planning for revenue of \$76.5M in 2010 increasing to \$110M in 2019. The revenue pie graph illustrates Council's revenue breakdown for the 2010 year. The percentage of the various income streams may vary slightly from year to year. Rates make up 57.8% of the total revenue in 2010. Grants, subsidies and donations for operating expenditure make up 10.9%. Council also receives 14.25% of capital grants, subsidies and donations. The level of grant and subsidy revenue for both operating and capital is mainly driven by our NZTA roading funding. For a number of services, Council receives fees and charges. This makes up 14.02% of our total revenue.

INCOME and EXPENDITURE



INCOME BREAKDOWN FOR 2010



Council Expenditure

The Council is forecasting that its expenditure will increase from \$68.5M in 2010 to \$97.7M in 2019. The increases are due to increases in:

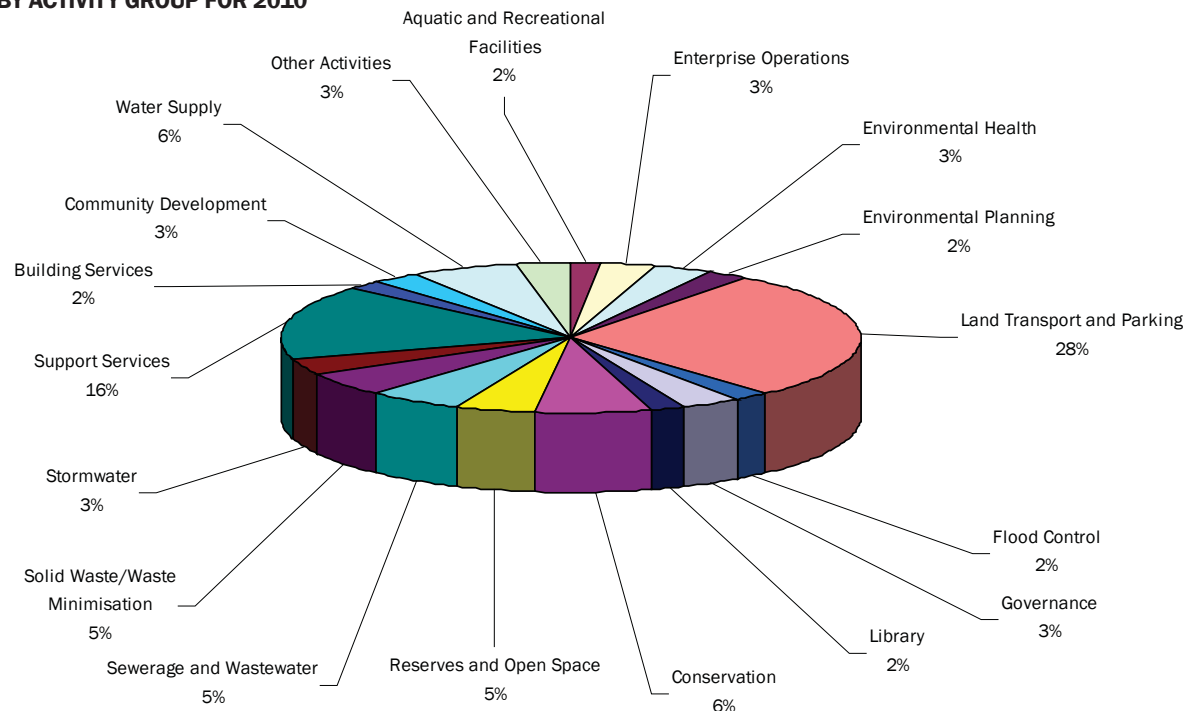
- ▶ inflation
- ▶ growth
- ▶ project costs
- ▶ level of service increases
- ▶ depreciation and interest cost.

The Council operational spend for 2010 is \$68.5M. The pie chart shows the breakdown of expenditure by our groups of activity. The most significant spend is in the Land Transport and Parking activity. This expenditure makes up 28% of Council's annual spend. This activity receives NZTA subsidies, which fund about 59% of its operating expenditure.

The Support Services group of activities includes finance, human resources, information management, information technology, plant, radios and senior management.

Council's depreciation for the 2010 year is \$16.2M. This represents 4% of Council's forecast rates increase. Council depreciation expense currently represents 24% of the total expenditure. By 2019 this is forecast to increase to \$24M. The increase in forecast depreciation is due to asset revaluations, which are currently being performed every year, and new capital expenditure planned for the Draft Ten Year Plan. Council does not rates fund all of its depreciation expense. Specifically, Council will not fund the depreciation on the subsidised portion of the Land Transport and Parking's capital projects. Council expects that the NZTA subsidy for roading capital projects will continue in the future.

EXPENDITURE BREAKDOWN BY ACTIVITY GROUP FOR 2010



WHAT YOU GET FOR YOUR RATES

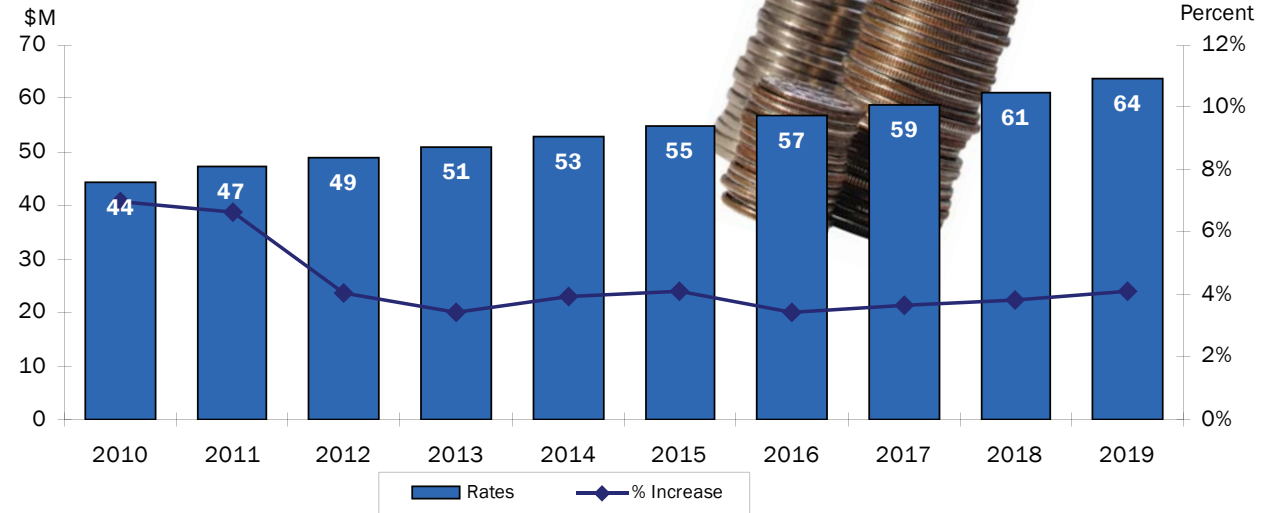
Each dollar of rates is spent against the following activities:



Please Note: A number of activities fund their operations either fully or partially by fees and charges. Therefore the rates will not always match the expenditure as some activities will have fees and charges income which reduces their rates requirement.

The Revenue and Financing Policy describes each activity and how Council intends funding the operating expenses of that activity. The Revenue and Financing Policy is included in Volume 2 of the Draft 2009-2019 Ten Year Plan.

Rates Levied



The main drivers of the rates increases are:

Depreciation: Council's depreciation expense in 2010 represents 4% of the 7% rates increase. Council's assets were valued at \$1.7 billion as at 30 June 2008. Council revalues its assets every year.

Inflation: Council has adjusted its income and expenditure for inflation over the term of the LTCCP.

Interest: Council's draft debt increases in years 2010 and 2011. This will result in increased interest costs for Council. The increases in interest costs for 2010 and 2011 result in an increase in rates of 1.2% in 2010 and 1.6% in 2011.

Capital Rates: Council currently has four capital rates. The CBD upgrade/millennium, Wainui foredune protection and the solid waste capital rate are collected to fund principal repayments of specific loans. The wastewater treatment plant capital rate is collected to help finance the construction of the wastewater treatment plant planned for 2010 and 2011.

Deficit Repayment: Council initiated deficit funding in 2000 to spread the impact of funding depreciaton. Council plans to repay \$5M deficit from 2012 to 2018. This has the effect of increasing rates in those years.

Dividend: Council has estimated that it will receive dividends from Tauwhareparae Farms of \$1M in 2010 and \$0.8M for 2011 to 2019. The dividend receipt reduces our rates requirements.

Targeted Rates: The Council makes extensive use of targeted rating, to ensure that the cost of services provided are charged to those who receive the benefit or request the service.

Debt Profile

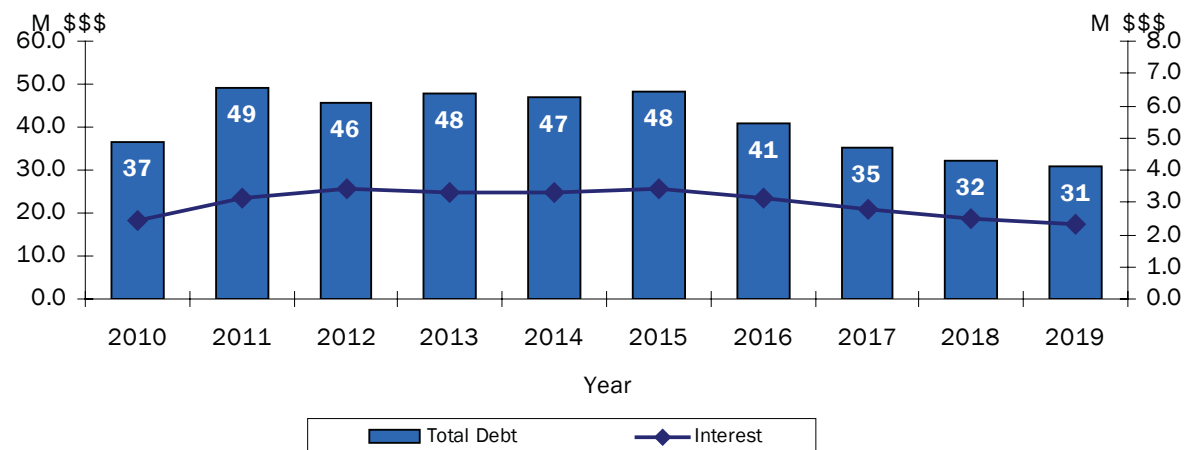
Council is planning to spend \$303.5M on capital projects over the next 10 years. A large proportion of the spending will be loan funded. Council has estimated the long-term debt balance at 1 July 2009 to be \$22M. Council is estimating that debt will peak at \$49M in 2011 and reduce to \$31M by 2019.

By using debt to fund most capital expenditure Council is matching the use of capital projects with beneficiaries. The debt peak in 2011 is caused by the construction of the wastewater treatment plant.

The planned reduction in Council's \$5M deficit will reduce debt in the latter years of the Draft Plan.

A list of major projects forecast for our district is listed below. For more detail on the Council's major projects, the various options and financial implications, refer to the Major Projects section of the Draft Ten Year Plan.

PUBLIC DEBT and INTEREST



Major Projects (all projects are included at 100% of expected cost)

	Total Cost \$000	2010 \$000	2011 \$000	2012 \$000	2013 \$000	2014 \$000	2015 \$000	2016 \$000	2017 \$000	2018 \$000	2019 \$000
Wastewater Treatment Plant	40,331	20,709	19,622								
Waiapu Landfill - Stage 3	429					429					
Waiapu River Flood Protection at Ruatōria	2,291	78	535	547	560	572					
Cycle and Walkways *	4,054	551	1,097	594	632	960	42	43	44	45	46
Library Extension *	1,316					1,316					
Mobile Library Services *	448				448						
Civic Space	1,000					1,000					
War Memorial Theatre Upgrade *	3,502	103		109	2,234	574	236	122	125		
Multi-Purpose Aquatic Centre *	23,605			55	56	114	23,380				
Multi-purpose Indoor Sports Stadium *	37,610								12,240	12,530	12,840
Inner Harbour	1,332		26	27				122	125	510	522
Water Demand Management and Water Metering	5,071								122	2,381	2,568
Makāraka Wastewater Solution	4,808			469	4,339						

* Projects that are partially or fully funded by grant, donation or subsidy.