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What's the Future
Tairāwhiti?

This Year's Plan

2020/21 **Māhere-ā-Tau**
Annual plan

Te Kaunihera o Te Tairāwhiti
Gisborne District Council

Adopted by Council on 25 June 2020

Te Kaunihera o Te Tairāwhiti
GISBORNE
DISTRICT COUNCIL

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OUR VISION

Tairāwhiti	**Tairāwhiti First**
Tairāwhiti Tangata	First to see the light
Tairāwhiti Taonga	First choice for people and lifestyle
Tairāwhiti Wawata	First choice for enterprise and innovation
	First place for the environment, culture and heritage

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Ngā Māhere

Our Plan

Mayor and Chief Executive's Foreword

NĀ TE KOROMATUA ME TE POUWHAKAHAERE O TE KAUNIHERA

This year's Annual Plan was going to be about our continued work on critical projects and initiatives outlined in our Long Term Plan (LTP). COVID-19 completely changed this approach as it did for other councils. Like the rest of the world, we will be dealing with the effects of this crisis for many years. It is important as a community and Council that we remain resilient and focused.

Rethinking how we continue with key projects to ensure economic stimulation, which is important to our community, was key in our revised Annual Plan. Overall rates revenue has increased by 3.26%, from what we collected last year. Some rates have increased more than 3.26% and some are less than 3.26%. This way we can ensure that essential services are maintained, that an increasing number of consents continue to be processed promptly and that critical infrastructure projects are progressed. While overall rates revenue has increased by 3.26% individual rates may be more or less than 3.26% depending on where you live and the services you receive.

We will use all the levers we can to ensure that we remain responsive and flexible to the changing financial needs of our communities, which includes increasing our budget for rates remissions to $1million for those businesses and ratepayers affected by COVID-19.

Council is also in an excellent position having delivered on commitments and investments that Government has made in our region. This investment has resulted in significant economic and social benefits to our community, minimised the negative impacts from the forestry downturn and has carried through to wider employment initiatives post-COVID-19.

Our overall capital investment for 2020/21 Annual Plan is $96m. This is a significant amount of investment back into our community, not only addressing critical work, but also supporting local employment. Next year we will make significant investments in infrastructure by delivering the 2018–2028 LTP projects, amounting to $57.5m, further boosting the economy by $38.7m through Central Government-funded initiatives. The Central Government-funded initiatives were agreements made from the Provincial Growth Fund (January 2020) and from MBIE for the Tairāwhiti Economic Stimulus Package, which arose from COVID-19 (March 2020). Capital investment is playing a significant role in the post-COVID-19 environment, supporting our economy after lockdown. It forms part of the Council's overall COVID-19 community recovery plan.

As a Council we are also taking decisive action to determine what our future post-COVID-19 might look like. We are reworking our vision and strategic priorities. We are developing our Recovery Plan and continually reevaluating our activities to ensure our community receives value for money. We will focus on this during next year's LTP consultation.

To keep within the LTP rates increase of 3.26% for Year 3 of the LTP we were able to provide funding to bring forward the wastewater disinfection project, fulfil our resource statutory response times and provide for higher deprecation cost to meet wear and tear on our critical infrastructure.

At the time of writing this report, Government has done their first cut of the call for 'shovel-ready' infrastructure projects to stimulate local economies. While we are far from celebrating just yet, it looks promising. From 1,924 projects totaling $136 billion across New Zealand, 802 projects have been put forward for further consideration to receive fast-tracked funding. The redevelopment of the Olympic Pool complex, wastewater treatment plant and the Waipaoa River Flood Control Scheme are in the mix. Other projects include Three Waters Healthy Homes Programme, residential stormwater and wastewater improvement schemes, and the Council-supported reinstatement of the Tūranga ki Wairoa section of the Palmerston North to Gisborne railway line.

Being a unitary authority, we have both territorial and regional Council functions to carry out, as well as a large district to cover. We have a small ratepayer base with significant affordability issues. Securing additional central government investment into our region will be a massive boost to the local economy.

We're ready to move into an exciting new future.

About our Plan

Following the 2014 changes to the Local Government Act (LGA), Annual Plans focus primarily on proposed changes to the LTP. The level of consultation required depends on the significance or materiality of the proposed differences.

Based on the assessment of the proposed changes for Year 3 of the LTP, there were significant items that triggered a formal consultation process for this Annual Plan.

Council made decisions last year that required changes to the Annual Plan, we needed to let our community know about the changes and still wanted your feedback.

Council response to the COVID-19 pandemic for the 2020/21 Annual Plan

At the extraordinary Council meeting on 23 April 2020 Council discussed the options and impacts on rates for the 2020/21 Annual Plan in response to the COVID-19 pandemic. Council decided to keep within the LTP rates increase of 3.26% for year three of the LTP. This will require changes to our operating environment such as using reserve funds and applying a longer timeframe to repay debt. However it still enables Council to:

- bring forward the wastewater disinfection project
- fulfil our resource consenting statutory response times
- provide for the higher deprecation cost to meet wear and tear on our critical infrastructure.

Council also approved to:

- reduced parking meter fees for 12 months
- purchase a Harbourmaster boat sourced from existing unallocated CAPEX budgets.

Annual Plan Consultation Document

Feedback on the Annual Plan Consultation Document will be made available on our website. Submitter's will also receive a direct response from Council officers.

RATES CHANGES FOR 2020/21

This year Council will collect $61.8m in rates. This is an increase of 3.26% in overall rates revenue over the 2019/20 rates. This increase in rates is the same as Year 3 of our LTP.

Individual ratepayers could pay more or less depending on:

- the capital value of the property
- some targeted rates on the property
- increases in some fixed service related rates that apply to the property
- eligibility for rate remissions.

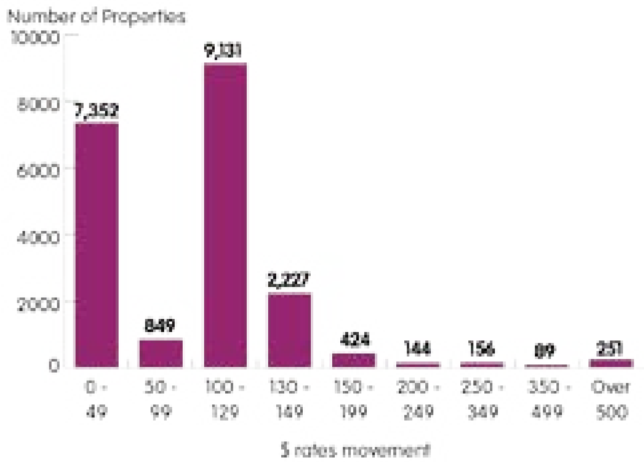
The Draft Annual Plan initially consulted with our community from 20 March 2020, required an overall rates revenue increase of 4.87%. However, the incidence of rates increases were not uniform and the city residential ratepayers had a greater share of rates increase (6.8%). The increases in this area were due to the higher costs for services such as reticulation of wastewater and water supply. The target rating system means those that receive a service can be expected to pay for that service. City residents have more reticulated services than elsewhere within the community.

In light of the impacts from COVID-19, Council reviewed the overall rates requirements for 2020/21. Council reduced the overall rates increase from 4.87% to 3.26%. After this change, the city residents rates increase reduced from an average of $170, down to $127. In percentage terms the City residential sector average increase is 4.58% and the Commercial/Industrial average increase is 2.93%.

For the rest of Gisborne district, rates increases are mostly below 3.26%. However, properties that have had increases in capital value may be above this average rate.

The graph below shows the impacts in dollar terms, rather than increase in percentage to better reflect impacts to individual properties. This is because the majority of the impact is within the city and is due to fixed charges. The graph shows that 17,332 properties (84%) throughout the District increase less than $128. There are 251 properties that increase over $500. These increases are for a variety of reasons including the provision of new services, significant changes in capital value for new development and changes in eligibility to rate remissions and rating units in common ownership (Local Government (Rating) Act 2002).

Rates movements for properties 2020/21



HOW TO READ THIS SECTION

This 2020/21 Annual Plan highlights:

- minor changes or additions to the projects and activities including financial information
- a high level financial overview.

The 2018-2028 LTP is available online at:

www.gdc.govt.nz/2018-2028-long-term-plan

Major Projects 2020/21

CYCLEWAYS AND WALKWAYS

Purpose

The project brings together a number of strategies, projects and initiatives between Council and the New Zealand Transport Agency (NZTA) with a focus on cycling safety. With the dissolving of Tairāwhiti Roads, this project now only focuses on Council-controlled walking and cycling projects.

What are we planning for the year?

The Wainui to Inner Harbour cycleway links Endcliffe Road on State Highway 35 to the Inner Harbour and once completed, will enable a cyclist to travel from Wainui to Midway Beach. The physical works were planned to start in June 2020 but had to be carried forward due to the impact of COVID-19. The NZTA has confirmed that this funding can be carried over.

Dollars and cents

- 2020/21 Annual Plan - $1.5m
- 2018–2028 LTP has set aside a total project cost of $1.87m

REDEVELOPMENT OF THE OLYMPIC POOL

Purpose

The Olympic Pool facility was built in 1974 and is showing its age. It is Council's most frequented recreational facility with over 100,000 visits per year. Key infrastructure (pool and plant) has reached, or is reaching, the end of its intended design life resulting in increasing repair, maintenance and replacement costs. Admissions are also decreasing as the condition of infrastructure deteriorates and the facility experience ages.

The major redevelopment project will address current issues by providing a modern, year round fit-for-purpose aquatic facility for the Tairāwhiti community.

What are we planning for the year?

This project was one of the big ticket capital projects proposed in the 2018-2028 LTP. However, continued funding uncertainty means the project is currently unable to confirm complete scope and timeframes governing this project.

If funding could be approved, the project team could be spending the next year completing the remaining design phases. The construction phase of the redevelopment could also start.

Dollars and cents

- 2020/21 Annual Plan budget - $4.9m
- 2018-2028 LTP has set aside $5.65m

TAIRĀWHITI NAVIGATIONS

Purpose

Tairawhiti Navigations is a programme of five projects delivered together to ensure the full benefits (economic, tourism, place making and community wellbeing) are realised through well-connected and integrated design, landscaping and story-telling.

The programme consists of five projects:

- Tupapa – historic interpretations (completed)
- Inner harbour redevelopment (completed)
- Titirangi maunga restoration
- Titirangi Summit development
- Puhi Kai Iti (inclusive of the 1000-year walk bridge)

What are we planning for the year?

- Site preparation for our 2020 winter planting programme, named Te Korowai o Titirangi, is well underway on the Titirangi maunga. The Whaia Titirangi program will plant back approximately 500 natives that were previously eco-sourced and propagated at the EIT nursery in conjunction with the Women's Native Tree Project.
- With the demolition and landscape works completed on the Titirangi Summit, the focus could shift to the concept design of the summit. Council staff are working in conjunction with Ngāti Oneone to develop this concept design. Ngāti Oneone has gifted the name Te Panuku Tu to the project to set the aspirations for the design. The name encompasses vision, opportunity and connection for a brighter Tairāwhiti. Themes of importance remain local kōrero, history and knowledge, visibility and observing the night sky and facilities for users of the maunga. A stakeholder and communications strategy is currently being developed with a focus on platforms that can be activated during COVID-19 restrictions.
- The design of the 1000-year walk bridge has been completed. Further progress depends on confirmation of funding.

Dollars and cents

- 2020/21 Annual Plan - $915k
- Titirangi Summit - With the unprecedented events and times of COVID-19, the Government has reset its objectives for the Provincial Growth Fund and will now concentrate on shovel-ready projects as a first priority in an effort to increase employment opportunities for those affected by the economic downturn. As such, ministers have agreed to fund the design phase of the Titirangi Summit Redevelopment Project. Accordingly, the budget has been revised from $6.1m to $1.1m. Once the project has reached the end of the design phase and is shovel ready, it will be submitted for consideration in a further funding round
- 1000-year walk bridge - funding dependent
- 2018–2028 LTP has set aside $4.1m capital budget with $2.4m coming from external funds

Major Projects 2020/21

WASTEWATER MANAGEMENT

Purpose

The first stage of our Wastewater Treatment Plant (WWTP), constructed in 2010, was the first step in improving the quality of treated wastewater pumped through the outfall pipe into the bay. Our resource consent to discharge the treated wastewater into the bay requires us to implement a further disinfection stage by 2020. We are also required to investigate options for alternative use and disposal of our wastewater and undertake best endeavours to meet cultural objectives to stop discharging into the bay.

The project team identified the most appropriate methods for Gisborne's wastewater treatment considering social, cultural and environmental outcomes in the context of affordability.

In 2017 we undertook LTP pre-consultation on five potential wastewater management options. A preferred option was adopted by Council in the 2018–2028 LTP. This option comprises, as Stage 1, the clarification (taking out solids) and UV treatment of wastewater within the 2018–2028 LTP, with a wastewater wetland constructed as Stage 2 once an affordable, sustainable and viable use for the treated wastewater is identified. The LTP option adopted by Council is not compliant with the timeframes in the consent. Based on recommendations from the Wastewater Management Committee (WMC) and further information from Council staff, Council decided in February 2019 to implement the projects as fast as practical to reduce this compliance risk.

What are we planning for the year?

- Stage 1: clarification and UV treatment progress
  - Complete detailed design, tender and award the construction of the wastewater treatment plant. The ground foundations under the plant will also be constructed.
- Stage 2 (after 2021/22):
  - Construct a wetland once a viable use for the treated wastewater is identified.
- Implement the project plan for the separation of mortuary wastewater which will include a revised Trade Waste Bylaw. We will also confirm the process to achieve mortuary wastewater separation and start the design for receiving and managing the wastewater.

Dollars and cents

- 2020/21 Annual Plan - WWTP upgrade $11.9m
- 2020/21 Annual Plan - Alternative Use and Disposal $75k
- 2020/21 Annual Plan - Separation of mortuary wastewater $195k (capital) and $17.5k (operational)
- 2018–2028 LTP has set aside a total project cost of $24.4m

DRAINWISE

Purpose

The DrainWise programme is aimed at reducing wastewater overflows onto properties and into our rivers and coastal waters during heavy rain. The programme consists of multiple components. This requires property owners to fix problems with wastewater and stormwater drains to stop rainwater flowing into sewer pipes. The project team is working to inspect and assist homeowners and educate residents about fixing issues with gully traps, downpipes and underground pipes in their homes.

What are we planning for the year?

In the 2018-2028 LTP we consulted on how we should approach the issue of reducing inflow and infiltration of rainwater into the wastewater system over the next 10 years. Submitters supported our preferred solution that will focus on replacing 54km of old wastewater pipes in the public network over the next 30 years, and invest $6m towards improving stormwater drainage on private properties that are the worst contributors to the problem. The solution means the following:

- Complete the Rutene Road Stage 1 project in the first quarter of the 2020/21 financial year as part of a capital works programme to upgrade the stormwater network. Stage 2 will be tendered and constructed.
- Continue our work on augmenting the public stormwater network to better drain areas subject to ponding and likely to contribute significantly to rainwater entering the wastewater network.
- Fix minor issues on private property and continue with the Rapid Inflow Assessment (with the aim of reducing inflow as much as possible before autumn/winter).
- Continue with CCTV investigations and smoke testing to identify connections between stormwater and wastewater, and remedy these/ask homeowners to implement fixes.
- Continue with inspections and rely on the majority of homeowners to fix more than minor drainage issues on their properties.
- Focus on both private wastewater and private stormwater infrastructure.
- Investigate alternative funding options to help with costs for private property owners.
- Engage our community and tangata whenua on wastewater overflows and actively engage with property managers (including Kainga Ora) as success depends on everyone playing their part. The project team will also integrate any consent requirements into the forward works/activities programme.
- Start implementing Infrastructure Improvement on Private Property Strategy, based on the successful pilot of the strategy.
- Investigate a Stormwater Bylaw as a tool to reduce inflow and infiltration, and as an additional tool for promoting compliance.
- Review the stormwater and wastewater engineering codes of practice to identify improvements that will help reduce the chances of inflow and infiltration, particularly for new developments.

Dollars and cents

- 2020/21Annual Plan - $400k for operational activities (including wastewater and stormwater budgets) and $3.4m for capital works
- 2018–2028 LTP has set aside $20.8m for renewals and upgrades over ten years and $6m to address stormwater issues on private properties
- The project is 100% Council funded

Major Projects 2020/21

MANAGED AQUIFER RECHARGE (MAR) TRIAL

Purpose

The project aims to inject water from the Waipaoa River into the Makauri aquifer to ensure its ongoing use for irrigation of 3000 hectares of horticultural farmland.

A successful pilot trial has proven the feasibility of MAR in the Makauri aquifer. Work is now underway to continue Stage 2, which is investigating all potential risks. During the Stage 2 trial up to 360,000m^3 of water can be injected each year.

The trial will generate hydrological data needed to determine the number and location of injection bores in a wider MAR scheme. It will also look at the volume of injection water needed to sustain and then grow irrigation on the Tūranganui-a-Kiwa/Poverty Bay Flats, as well as looking at cultural and environmental effects.

What are we planning for the year?

Following the lifting of COVID-19 restrictions, injection for the winter 2020 season started in May and will continue until the summer of 2020 – depending on river flow and quality.

The current irrigation season will run through July to mid-October 2020. This is the final injection season for the Stage 2 trial. Water quality monitoring will continue throughout this period as well as for some months after injection ceases, to track the plume of injected water.

At the conclusion of this trial a final report will be written, summarising the data and findings for the whole of Stage 2, with recommendations of whether a future full MAR scheme is likely to be successful for Tairāwhiti.

The information gained during the trial will be available to the public. The governance of such a full MAR scheme and Council's role in this is still being investigated by Council and Trust Tairāwhiti.

Dollars and cents

- 2020/21 Annual Plan - no budget is allocated as the trial is nearing completion and is on track to finish within its estimated budget of $1.2m. This was made up of:
- Council committed $162k in the 2018-2028 LTP
- Provincial Growth Fund funded $542k
- Trust Tairāwhiti funded $488k

WAIPAOA RIVER FLOOD CONTROL SCHEME UPGRADE

Purpose

The project's aim is to increase the level of flood protection of the Waipaoa Flood Control Scheme (the scheme) up to a 100-year return period, accounting for climate change effects out to the year 2090. The scheme is comprised of approximately 64km of stopbanks along the Waipaoa River.

As well as making the stopbanks higher, construction work will widen the stopbank profile from the current 1.5m top crest to a 4m top crest. This widening component is a key factor to making the scheme more robust and resilient. The scheme is one of Council's most valuable assets. It protects some 10,000 hectares of fertile floodplain land and has increased the amount of land being used for high yield horticultural purposes.

What are we planning for the year?

- The upgrade of the Waipaoa Stopbank between the Waipaoa River Mouth and the Railway Bridge (eastern side) is planned to start in November/December 2020.
- Continue with survey, investigation, planning and detailed design work for stopbank phases in future years.
- Undertake engagement and consultation with landowners and affected parties associated with future upgrade work.

Dollars and cents

- 2020/21 Annual Plan - $905k
- 2018–2028 LTP has set aside $16.4m
- The project is 100% Council funded

Changes to our Performance Measures

We are making minor changes to some of the activity performance measures to:

- make the measure more practical to measure
- correct minor errors in the LTP.

LEVEL OF SERVICE	PERFORMANCE MEASURES	TARGETS YEARS 1-3	REASONS FOR CHANGE
CULTURAL ACTIVITIES - HB WILLIAMS MEMORIAL LIBRARY			
Cultural facilities are accessible to Tairāwhiti residents and visitors.	Number of online visitors to the HB Williams Memorial Library per annum.	100,000	The new target reflects the increased level of service in terms of providing a website that is interactive and dynamic.
CUSTOMER ENGAGEMENT			
We support the organisation to provide good quality information to the public to enable communities to participate in the decision-making process.	Percentage of residents satisfied with Council's provision of information in Council newsletters, brochures, and consultation documents, as found in the Resident Satisfaction Survey (RSS).	60%	The new target reflects Council's commitment to meet our community's expectations of communication and consultation.
SCIENCE - WATER AND COASTAL			
Water and Coastal - We manage natural water resources, river and lakes and coastal areas to conserve natural values and sustain consumptive usage.	Proportion of consents for water takes from the Makauri aquifer being managed for the efficient water use as outlined in the freshwater plan (Freshwater Plan & RMA).	85%	New target is more in-line with recent results and better reflects the desired performance.
	Percentage of monitored freshwater swimming sites where the water quality is being maintained or showing a trend of improvement for E.coli.	62%	Comparative metrics are now available for the purpose of measurement. New target is the initial baseline.
ENVIRONMENTAL HEALTH			
We regulate food, alcohol and health licensed premises and respond to environmental health issues in the interest of protecting public and environmental health.	Percentage of noise complaints to be assessed within half an hour of receiving a complaint.	1 hr	Level of service wording adjusted to highlight specific functions included in the service provision. Noise target adjusted to provide realistic target based on the performance of prior years.
	Percentage of required verification completed annually.	90%	Measure and targets now identified and targeted individually to improve monitoring of the specific services provided.
	Percentage of health registered premises inspected annually.	90%	
	Percentage of alcohol licensed premises inspected annually based on risk factors.	90%	
SOLID WASTE			
Public information and programmes to promote waste minimisation.	Resident satisfaction with Council's waste minimisation services and initiatives.	80%	New baseline target established based on prior financial year result.

Financial Overview

FINANCIAL ESTIMATES FOR 2020/21

The financial information presented here is an overview. For more detailed information, please refer to the Our Finances section.

LONG TERM PLAN (LTP) 2018-2028 KEY FOCUS

Council has refined operational and capital budgets with a focus on:

- keeping rates affordable
- keeping debt low
- increasing non-rates income over the long term
- maintaining our core asset infrastructure
- focusing on some key major projects.

We have a general requirement to manage financial matters prudently and in a manner that promotes the current and future interests of the community. Council must consider the balanced budget requirement under the Local Government Act where forecast operating revenues are sufficient to meet forecast operating expenses. We are budgeting for an accounting surplus. This is the result of capital grants/subsidies and the unfunding of depreciation on specific Council assets.

KEY CHANGES

The Financial Strategy for the 2018-2028 LTP sets a limit that overall rates revenue is not to be more than 5% from the previous year. Overall rates revenue in 2020/21 will increase 3.26% over 2019/20, this increase is the same as Year 3 of the LTP.

Debt thresholds were set at $85m for the first three years, rising to $105m in the remaining years of the LTP. The maximum threshold of $105m, was based on the peak capital investment which occurred with the delivery of the Wastewater Treatment Disinfection project.

Debt is forecast to be $94m for 2020/21, and while this is higher than the LTP Year 3 threshold of $85m, it is due to accelerating the delivery of the Wastewater Treatment "Disinfection" stage.

Capital Investment Programme for 2020/21 is $96.2m. There is a significant investment in infrastructure through the delivery of the 2018-2028 LTP projects, amounting to $57.5m and a further boost to the economy of $38.7m through Central Government funded initiatives.

The Central Government funded initiatives were agreements made from the Provincial Growth Fund (January 2020) and from the Ministry of Business, Innovation and Employment for the Tairāwhiti Economic Stimulus Package, that arose from COVID-19 (March 2020). The $38.7m represents the phasing of projects that will occur in next year's Annual Plan.

COVID-19

An initial Draft 2020/21 Annual Plan was prepared for a rates revenue increase of 4.87%. However, with the unexpected and unprecedented effects from the COVID-19 pandemic the draft Annual Plan did not foresee the challenges facing our community.

Council's reviewed the Annual Plan 2020/21 and formulated a multi-pronged approach for the COVID-19 recovery. This included:

- reducing the increase in rates revenue from 4.86% to 3.26%
- increasing rate remission provisions by $1m to support applications made on hardship grounds, where it will be funded by existing reserves
- capital investment program of $96m, supporting economic stimulus and kick starting the economy after lockdown.

The financial estimates for Council's draft 2020/21 Annual Plan (Year 3 of the LTP) sets out the overall rates increase required to deliver Council's services to the community.

The key changes for 2020/21 from what was within Year 3 of the LTP are:

- acceleration of the wastewater treatment plant so as to improve water quality to our bay
- increasing resource consents resourcing to fulfil our statutory response times
- higher depreciation costs, meeting the wear and tear costs of our critical infrastructure.

The rates increase contribute to achieving our key outcome of environmental stewardship (Tairāwhiti Taonga). In particular, improvements to our wastewater management as a consent requirement and performance of our regulatory function as another statutory requirement.

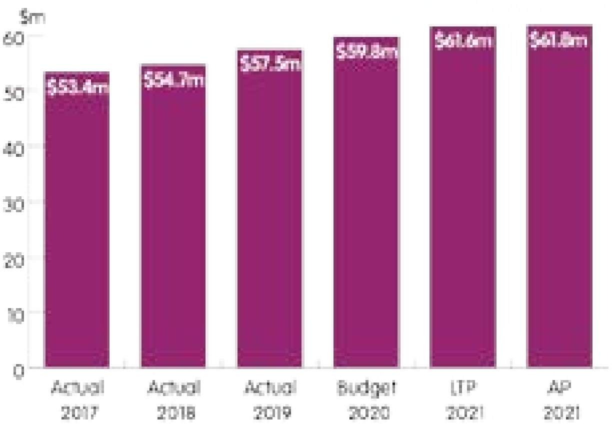
All other increases are consistent with the overall direction of what was consulted on for the 2018-2028 LTP.

Financial Overview

NET SURPLUS

The Annual Plan forecasts a net surplus after taxation of $42.1m, up $29.8m on LTP Year 3. Net surplus after taxation is the difference between income received and expenses incurred during the year. The surplus increase is due to the increase in capital grant funding received from the Provincial Growth Fund and from the Ministry of Business, Innovation and Employment for the Tairāwhiti Economic Stimulus Package that arose from COVID-19. We record capital grants and capital subsidies as income, even though they are not used to fund operational activities, as such this creates an accounting surplus. The surplus goes towards our capital projects and reduces Council's need to borrow funds.

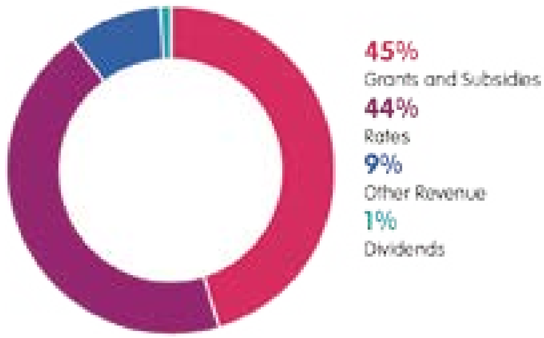
2020/21 Rates Increase



Rates affordability continues to be a significant issue for our district. Council's commitment to minimising rates increases is set out in our Financial Strategy in the 2018-2028 LTP. The Strategy focused on increasing revenue from alternative sources to lessen the financial burden on ratepayers. The 2018-2028 LTP forecast showed that on average rates would be 58% of total revenue required. However, the 2020/21 Annual Plan shows a favourable variance to the LTP with 44% of total revenue coming from rates as shown in the Council's Income graph below. This is mainly due to the increase in grants and subsidies funding from the Provincial Growth Fund and NZTA.

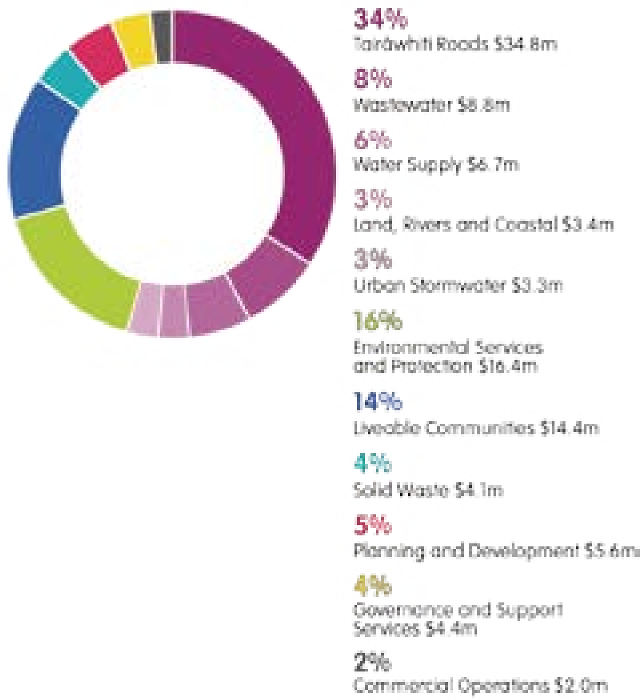
COUNCIL'S INCOME

Where does the money come from?



COUNCIL'S OPERATIONAL EXPENDITURE

How will the money be spent?



CAPITAL INVESTMENT PROGRAMME

Capital investment programme for 2020/21 is $96.2m and is predominately around the delivery of infrastructure.

The investment programme is made up of:

- 2018-2028 LTP capital investment projects $57.5m
- externally funded Provincial Growth Investments and Tairāwhiti Economic Stimulus Package $38.7m.

The LTP Year 3 capital projects for the Annual Plan total $57.5m, up $14m from Year 3 of the LTP ($43.6m). There has been significant changes from when the 2018-2028 LTP was adopted in June 2018. These changes include the accelerating the delivery of the Wastewater Disinfection stage, Pamoa Native Restoration Project and COVID-19 impacting the delivery of projects.

Key investment deliverables for next year are:

- acceleration of the wastewater treatment disinfection project
- stabilising and protecting of the Waingake water supply through the Pamoa Native Restoration Project
- improving stormwater and wastewater infrastructure, reducing runoffs into our waterways
- trebling investment in the roading network arising from Central Government funded initiatives.

COUNCIL'S DEBTS

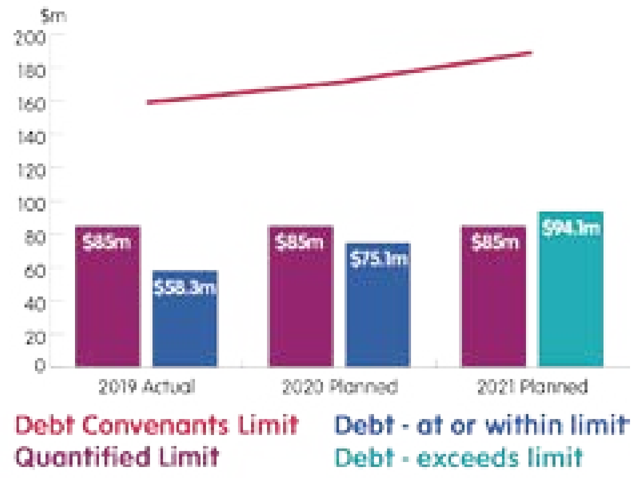
Council reviewed the assumptions surrounding our forecast debt, resulting in an increase in debt projections. The forecast total debt is $94m compared to $79m that was forecast in Year 3 of the 2018-2028 LTP. This higher forecast debt is due to:

- bringing forward the Wastewater Treatment Disinfection project to start earlier than was originally planned in the LTP
- allowing funds for the Pamoa Native restoration
- COVID-19 for the revised Annual Plan 2020/21 increase of 3.26% overall rates revenue. This revised plan included spreading loan repayments over a slightly longer timeframe and using reserves to allow for hardship remissions ($1m).

Council's ability to raise loans is not dependent on the quantified limit that is set within the Financial Strategy. Council's ability to raise loans is based upon debt covenant thresholds around its revenue levels, where overall debt is to be less than 175% of revenue.

Council's actual debt to revenue is forecast to be less than 100%. This means that Council will still be well under its debt covenant thresholds of 175%.

Council Debts



SIGNIFICANT FORECASTING ASSUMPTIONS

The estimates contain prospective financial information. Actual results are likely to vary from the information presented and the variations may be material.

FEES AND CHARGES

The Council fees and charges are used to fund the operation and maintenance of a variety of services provided to the community. Fees and charges have predominantly increased by the rate of inflation for 2020/21. This is in line with the expectation in the 2018-2028 LTP. Fees were increased in some activities to meet Council's Revenue and Finance policies or to recover increased costs.

Full details of the fees and charges can be found on the Council's website: www.gdc.govt.nz

Te Tohatoha Pūtea
Our Finances

Contents - Finance

Te Tohatoha Pūtea (Our Finances)

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Introduction

The Annual Plan sets out Council's priorities and identifies how Council intends to fund its operations and capital projects.

The forecasts prepared for Council have been prepared based on agreed levels of service for each activity. The levels of service are set out in detail in the 2018-2028 LTP.

The prospective financial information contained in the Annual Plan is a forecast. It 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 at the date the forecast was prepared. The forecast relates to events and actions which have not yet occurred and may not occur.

The forecasts are presented in:

- Prospective Statement of Comprehensive Revenue and Expenses
- Prospective Statement of Financial Position
- Prospective Statement of Changes in Equity
- Prospective Statement of Cashflows
- Prospective Statement Concerning Balanced Budget

Further detailed information is provided in the Notes to the Prospective Financial Statements which identifies revenue and expenditure for each group of activities (Note 2) and a full list of capital projects planned for 2020/21 with comparative figures to Year 3 of the 2018-2028 LTP (Note 14).

The operational and capital costs within the Annual Plan include:

- Existing Costs
  Costs to continue to deliver the current level of service.
- Growth Costs
  Costs to deliver current level of service to a larger community due to growth.
- Level of Service Changes
  Costs to deliver an increase in level of service.
- Project Costs
  Costs such as depreciation and interest that arise from Council undertaking capital projects.
- Inflation
  Increases in revenue and costs due to price changes.

PLEASE NOTE

Revenue from the Grants, Subsidies and Contributions - Capital includes grants received where the associated expenditure will be capitalised. Expenditure relating to these projects will be recognised (primarily as depreciation) over the life of the capitalised assets.

Council has budgeted for a net surplus in the 2020/21 Annual Plan. This is mainly the result of the capital grants and subsidies. Further information is available in the Prospective Statement Concerning Balanced Budget later in this section.

The financial information contained within the 2020/21 Annual Plan may not be appropriate for purposes other than those described.

There may be rounding differences throughout the financial statements and notes included in this section. They do not impact the overall usefulness of the information presented.

PROSPECTIVE STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSES
FOR THE YEAR ENDED 30 JUNE 2021

AP 2020 $000s		NOTE	LTP 2021 $000s	AP 2021 $000s
	REVENUE FROM NON-EXCHANGE TRANSACTIONS			
22,917	Grants and Subsidies - Operational[1]	4	13,984	15,953
28,426	Grants, Donations, Subsidies and Contributions - Capital[1]	4	18,921	50,410
1,790	Other Non Exchange Revenue	5	1,807	1,824
20,218	General Rates And Uniform Annual General Charge	3	21,236	19,987
39,624	Targeted Rates	3	40,374	41,808
	REVENUE FROM EXCHANGE TRANSACTIONS			
699	Development and Financial Contributions	5 & 11	699	699
9,393	Other Revenue	5	8,861	10,406
2,912	Targeted Water Rates	3	2,979	2,997
1,800	Dividends	5	1,800	1,800
12	Other Gains/(Losses) - Profit on Sale of Assets	6	12	50
127,792	**Total Revenue**		**110,673**	**145,934**
	EXPENSES			
22,400	Employee Benefit Expenses	7	21,395	24,786
58,064	Expenditure on Operating Activities	9	50,338	52,080
22,112	Depreciation and Amortisation	8	22,541	22,782
3,906	Financing Costs	10	4,111	4,213
106,481	**Total Expenses**		**98,386**	**103,861**
21,311	**Net Surplus/(Deficit) before Taxation**		**12,287**	**42,072**
0	Subvention Payment from GHL		0	0
0	Income Tax Expense		0	0
21,311	**Net Surplus/(Deficit) after Taxation**		**12,287**	**42,072**
15,473	Gains/(Losses) on Property Revaluation		15,882	15,882
36,784	TOTAL COMPREHENSIVE REVENUE AND EXPENSES		28,169	57,955

[1] Increase in Grants & Subsidies due to Provincial Growth and MBIE funds budgeted for roading projects.

Prospective Statements

PROSPECTIVE STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2021

AP 2020 $000s		LTP 2021 $000s	AP 2021 $000s
	CURRENT ASSETS		
582	Cash & Bank	176	3,964
6,749	Non Exchange Trade and Other Receivables	4,127	14,874
8,174	Exchange Trade and Other Receivables	8,497	8,681
78	Inventories	62	61
0	Investments	0	0
50	Non Current Assets Held for Resale	50	684
15,633	**Total Current Assets**	**12,912**	**28,264**
	CURRENT LIABILITIES		
432	Deposits Held	504	430
20,173	Trade and Other Payables	18,379	24,137
1,918	Employee Benefits and Suspense	2,009	1,906
11,780	Borrowings[1]	12,679	15,680
364	Provisions for Other Liabilities	5,618	154
704	Derivative Financial Instruments	716	752
35,371	**Total Current Liabilities**	**39,905**	**43,060**
(19,738)	**Total Net Working Capital**	**(26,993)**	**(14,796)**
	NON CURRENT ASSETS		
0	Trade and Other Receivables	0	0
2,138,475	Property Plant and Equipment	2,097,038	2,267,668
3,423	Intangible Assets	3,904	6,531
5,988	Biological Assets	4,349	5,976
32,893	Investments	32,733	33,406
2,180,780	**Total Non Current Assets**	**2,138,024**	**2,313,581**
	NON CURRENT LIABILITIES		
61,047	Borrowings[1]	65,895	78,420
170	Employee Benefit Liabilities	227	152
2,258	Provisions for Other Liabilities	2,150	2,638
1,892	Derivative Financial Instruments	1,793	3,226
0	Emission Trading Scheme Liabilities	0	1,542
65,368	**Total Non Current Liabilities**	**70,065**	**85,978**
2,095,674	**Total Net Funds Employed**	**2,040,966**	**2,212,806**
	EQUITY		
452,285	Accumulated Surplus	463,235	510,659
30,192	Special Funds	21,310	28,233
1,613,197	Revaluation Reserves	1,556,420	1,673,914
2,095,674	TOTAL EQUITY	2,040,965	2,212,806

[1] Borrowings have increased due to the timing of bringing forward costs for the Wastewater Treatment disinfection stage project to 2020/21.

PROSPECTIVE STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2021

AP 2020 $000s		LTP 2021 $000s	AP 2021 $000s
	EQUITY OPENING BALANCES		
424,428	Accumulated Funds and Retained Earnings	446,176	460,604
36,739	Special Funds and Reserves	26,082	36,216
1,597,724	Revaluation Reserves	1,540,537	1,658,032
2,058,891	**Total Equity Opening Balance**	**2,012,796**	**2,154,851**
	CHANGES IN EQUITY		
	Accumulated Surplus (Retained Earnings)/ Revaluation Reserves		
36,784	Total Comprehensive Income for the Year	28,169	57,955
6,547	Transfer to/(from) Special Funds and Reserves	4,772	7,983
0	Transfer to/(from) Restricted Funds Liability Movement	0	0
	Special Funds and Reserves		
(6,547)	Transfer to/(from) Retained Earnings	(4,772)	(7,983)
36,784	**Total Changes in Equity**	**28,169**	**57,955**
	EQUITY CLOSING BALANCES		
452,285	Accumulated Funds and Retained Earnings	463,235	510,659
30,192	Special Funds and Reserves	21,310	28,233
1,613,197	Revaluation Reserves	1,556,420	1,673,914
2,095,674	TOTAL EQUITY CLOSING BALANCE	2,040,965	2,212,806
	Attributable to :		
2,095,674	Gisborne District Council	2,040,965	2,212,806

Prospective Statements

PROSPECTIVE STATEMENT OF CASH FLOW

FOR THE YEAR ENDED 30 JUNE 2021

AP 2020 $000s		LTP 2021 $000s	AP 2021 $000s
	CASH FLOW FROM OPERATING ACTIVITIES		
	Cash provided from:		
58,612	Rates Receipts	60,301	60,483
51,591	Government Grants and Subsidies	33,156	66,615
15,537	Receipts from Activities	15,389	15,150
0	Interest Received	0	0
1,800	Dividends Received	1,800	1,800
0	Subvention	0	0
127,540		**110,646**	**144,048**
	Cash provided to:		
79,090	Payments to Suppliers and Employees	70,504	73,961
1,057	Grants	1,136	974
0	GST (Refund)	0	0
0	Income Tax	0	0
3,942	Interest Paid	4,150	4,265
84,089		**75,790**	**79,199**
43,451	**Net Cash Inflow/(Outflow) Operating Activities**	**34,857**	**64,849**
	CASH FLOW FROM INVESTING ACTIVITIES		
	Cash provided from:		
12	Sale of Property Plant and Equipment	12	50
12		**12**	**50**
	Cash provided to:		
60,303	Purchase of Property Plant and Equipment	43,563	96,226
0	Purchase (w/down or sale) of Investments	0	0
60,303		**43,563**	**96,226**
(60,291)	**Net Cash Inflow/(Outflow) Investing Activities**	**(43,551)**	**(96,176)**
	CASH FLOW FROM FINANCING ACTIVITIES		
	Cash provided from:		
16,840	Increase/(Decrease) in Borrowings	8,693	31,327
16,840		**8,693**	**31,327**
16,840	**Net Cash Inflow/(Outflow) Financing Activities**	**8,693**	**31,327**
0	**Net Increase/(Decrease) in Cash**	**0**	**0**
582	Cash at beginning of the year	176	3,964
582	CASH AND CASH EQUIVALENTS AT YEAR END	176	3,964

EXPLANATION OF TERMS USED IN THE PROSPECTIVE STATEMENT OF CASH FLOWS

Cash and Cash Equivalents is considered to be cash on hand and current accounts in banks, net of bank overdrafts.

Investing Activities are those activities relating to the acquisition, holding and disposal of fixed assets and investments. Investments can include securities not falling within the definition of cash.

Financing Activities are those activities which result in changes in the size and composition of the capital structure of the Group. This includes both equity and debt not falling within the definition of cash.

Operating Activities include all transactions and other events that are not investing or financing activities.

The GST (net) component of operating activities reflects the net GST paid and received with the Inland Revenue Department. The GST component has been presented on a net basis, as the gross amounts do not provide meaningful information for financial statement purposes. The GST rate assumed in these estimates is 15%.

Prospective Statements

PROSPECTIVE STATEMENT CONCERNING BALANCED BUDGET

FOR THE YEAR ENDED 30 JUNE 2021

AP 2020 $000s		LTP 2021 $000s	AP 2021 $000s
127,792	Operating Revenue	110,673	145,934
106,481	Operating Expenditure	98,386	103,862
0	Subvention Payment	0	0
0	Income Tax Expense	0	0
21,311	**Net Operating Surplus/(Deficit) After Taxation**	**12,287**	**42,072**
	LESS		
1,018	Capital Rates Income	1,076	1,183
28,426	Capital Grants and Subsidies[1]	18,921	50,410
699	Other Capital Grants, Donations and Contributions	699	699
332	Operations Funded by Reserve Funds	575	(572)
	PLUS		
8,903	Depreciation not Funded	8,737	8,987
261	Increase/(Decrease) in Deficit	246	660
0	BALANCED BUDGET - OPERATING INCOME AGREES TO OPERATING EXPENDITURE	0	0

[1] Increase in Grants & Subsidies due to Provincial Growth Funds received for various roading projects.

BALANCING THE BUDGET

Council sets operating income at a level to meet each year's operating expenditure. This is to ensure that there is access to enough funding to enable the services to continue to be provided long term. However, there are activities where this approach may not be practical or prudent due to the activity's long term nature such as infrastructure assets, forestry and soil conservation nurseries. Council is forecasting an accounting surplus for 2020/21.

Council intends to:

- find additional sources of income, enabling us to keep rates affordable through grants and dividends, partnerships and some increase to user pays
- not fund a portion of depreciation on specific assets or components of assets funded through capital rates or subsidies (i.e. waste water treatment plant and some roading assets)
- increase borrowing to a sensible level in order to build, renew and maintain critical infrastructure.

When preparing and reviewing the budget, Council has had regard to the following specific matters in relation to all activities of Council, as per the LGA section 100:

- maintaining levels of service
- maintaining the service capacity and integrity of assets
- intergenerational equity
- compliance with Council's funding and financial policies established under LGA section 102.

Notes to the Prospective Statements

NOTE 1

STATEMENT OF ACCOUNTING POLICIES

REPORTING ENTITY

Gisborne District Council ("Council") is a Unitary Authority governed by the Local Government Act (LGA) 2002.

The Gisborne District Council Group (the "economic entity") consists of Gisborne District Council and its controlled entities, Gisborne Holdings Ltd (100% owned), Tauwhareparae Farms Ltd (100% owned) and Tauwhareparae Forests Ltd (100% owned). All Council controlled entities are incorporated in New Zealand.

Council has not presented economic entity prospective financial statements because we believe that the controlling entities, prospective statements are more relevant to users. The main purpose of prospective financial statements in the Annual Plan is to provide users with information about the core services that Council intends to provide ratepayers, the expected cost of those services and, as a consequence, how much Council requires by way of rates to fund the intended levels of services. The level of rates funding required is not affected by controlled entities, except to the extent that the Council obtains distributions from, or further invests in, those controlled entities. Such effects are included in the prospective financial statements presented.

The Council is a Public Benefit Entity (PBE) for the purposes of Financial Reporting. The Financial Bill, enacted in December 2013, defines a PBE as "entities whose primary objective is to provide goods or services for community or social benefit, and where equity has been provided with a view to supporting that primary objective, rather than for a financial return to equity". Gisborne District Council is defined as a Tier 1 entity with expenditure in excess of $30m.

BASIS OF PREPARATION

The Council's prospective financial statements have been prepared in accordance with the requirements of the LGA 2002, which includes the requirement to comply with New Zealand Generally Accepted Accounting Practice (NZ GAAP).They comply with Public Benefit Entity (PBE) Standards and other applicable Financial Reporting Standards, as appropriate for public benefit entities. This includes compliance with PBE Financial Reporting Standard No. 42 (PBE FRS-42) 'Prospective Financial Statements'.

The prospective financial statements have been prepared on a historical cost basis, modified by the revaluation of certain fixed assets, forestry assets, livestock assets and certain financial instruments to reflect fair value.

The prospective financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars ($'000). The functional currency of Council is New Zealand dollars.

THE NATURE OF THE PROSPECTIVE FINANCIAL INFORMATION - CAUTIONARY NOTE

The prospective financial information contained in the Annual Plan is a forecast. It has been prepared on the basis of assumptions as to future events that the Council reasonably expects to take 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.

A number of assumptions need to be made about the economic and financial conditions which will apply over the life-time of the model. The major assumptions underpinning this Plan are set out in the Significant Assumptions section.

The financial information contained within the Annual Plan may not be appropriate for purposes other than those described.

SPECIFIC ACCOUNTING POLICIES

The following specific Accounting Policies which materially affect the measurement of financial performance and the financial position have been applied.

Revenue Recognition

Revenue has been split into Exchange and non Exchange as per the requirements of the Public Benefit Entity (PBE) accounting standards. Non Exchange revenue is categorised as receiving value without giving approximately equal value in exchange e.g. general rates, government grants.

Revenue is measured at the fair value of consideration received. The following specific recognition criteria must be met before revenue is recognised.

Rates Revenue

Rates are set annually by a resolution from Council and relate to a financial year. All ratepayers are invoiced within the financial year to which the rates have been set. Rates revenue is recognised when invoices are raised.

Government Grants and Subsidies

Government grants are initially recognised as income at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

Council receives government subsidies from NZTA, which subsidises part of Council's costs in maintaining the local roading infrastructure.

The subsidies are recognised as revenue upon entitlement as conditions pertaining to eligible expenditure have been fulfilled.

Other Revenue

Revenue from the rendering of services is recognised, based on the actual service provided on an accrual basis.

Sales of goods are recognised when a product is sold to the customer. Sales are usually in cash or by electronic payment. The recorded revenue is the gross amount of the sale, excluding GST. Interest income is recognised using the effective interest method.

Dividends are recognised when the right to receive payment has been established.

Where a physical asset is acquired for nil or nominal consideration the fair value of the asset received is recognised as revenue. Assets vested in Council are recognised as revenue when control over the asset is obtained.

Borrowing Costs

Borrowing costs (except borrowing costs incurred as a result of capital work) are recognised as an expense in the period in which they are incurred.

When the construction of assets are loan funded, all borrowing costs incurred as a result of the capital work are capitalised as part of the total cost of the asset up until the point where the asset enters service.

Grant Expenditure

Non-discretionary grants are those grants that are awarded if the grant application meets the specified criteria. They are recognised as expenditure when an application that meets the specified criteria for the grant has been received.

Discretionary grants are those grants where Council has no obligation to award on receipt of the grant application and are recognised as expenditure when a successful applicant has been notified of Council's decision.

INCOME TAX

Income tax expense in relation to the surplus or deficit for the period comprises current tax and deferred tax.

Current tax is the amount of income tax payable based on the taxable profit for the current year, plus any adjustments to income tax payable in respect of prior years. Current tax is calculated using rates that have been enacted or substantially enacted by balance date.

Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses.

Temporary differences are differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences or tax losses can be utilised.

Deferred tax is not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of an asset and liability in a transaction that is not a business combination, and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is recognised on taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where Council can control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, using tax rates that have been enacted or substantially enacted by balance date.

Current tax and deferred tax is charged or credited to the Prospective Statement of Comprehensive Revenue and Expenses, except when it relates to items charged or credited directly to equity, in which case the tax is dealt within equity.

LEASES

Operating Leases

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset.

Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

Finance Leases

A finance lease is a lease that transfers to the lessee substantially all the risks and rewards incidental to ownership of an asset, whether or not title is eventually transferred.

At the commencement of the lease term, the Council recognises finance leases as assets and liabilities in the Prospective Statement of Financial Position at the lower of the fair value of the leased item or the present value of the minimum lease payments.

The amount recognised as an asset is depreciated over its useful life.

Trade and Other Receivables

Trade and other receivables are recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for uncollectible amounts.

A provision for impairment of receivables (doubtful debts) is established when there is objective evidence that the Council will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the effective interest method. Non-current receivables are recognised at the present value of their expected future cash flows, discounted at the current market rate of return for a similar asset.

INVENTORIES

Inventories are recognised at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The cost of inventories is based on the first-in first-out (FIFO) principle and includes expenditure in acquiring the inventories and bringing them to their existing location and condition.

FINANCIAL ASSETS

Council classifies its financial assets in the following two categories:

- available-for-sale financial assets
- loans and receivables.

The classification depends on the purpose for which the assets are held. Management determines the classification of its investments at initial recognition and re-evaluates the designation at every reporting date.

Financial assets and liabilities are initially measured at fair value plus transaction costs unless they are carried at fair value through the Prospective Statement of Comprehensive Revenue and Expenses in which case the transaction costs are recognised in the Prospective Statement of Comprehensive Revenue and Expenses.

Purchases and sales of investments are recognised on trade-date, the date on which the Council commits to purchase or sell the asset.

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price is the current bid price. The fair value of financial instruments not traded in an active market is determined using valuation techniques. Council uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date.

Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows are used to determine fair value for the remaining financial instruments.

DERECOGNITION OF FINANCIAL ASSETS

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Council has transferred substantially all the risks and rewards of ownership.

Council presently has the following categories of financial assets:

a. Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Council's general and community loans are designated as loans and receivables. They are recognised initially at fair value, and subsequently carried at amortised cost less impairment losses.

Loans to community organisations made by Council at nil, or below-market interest rates are initially recognised at the present value of their expected future cash flows, discounted at the current market rate of return for a similar asset/investment. They are subsequently measured at amortised cost using the effective interest method.

The difference between the face value and present value of the expected future cash flows of the loan is recognised in the Prospective Statement of Comprehensive Revenue and

Notes to the Prospective Statements

Expenses as a grant. Loans to other parties at market rates are measured at amortised cost using the effective interest method. Non-current loans are discounted at the current market rate of return for a similar asset.

b. Available-for-Sale Financial Assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

The Council's investments in equity securities are classified as available for sale and are stated at fair value. Gains and losses are recognised directly in equity except for impairment losses, which are recognised in the Prospective Statement of Comprehensive Revenue and Expenses.

In the event of impairment any cumulative losses previously recognised in equity will be removed and recognised in the Prospective Statement of Comprehensive Revenue and Expenses even though the asset has not been derecognised.

IMPAIRMENT OF FINANCIAL ASSETS

At each balance sheet date Council assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired. Any impairment losses are recognised in the Prospective Statement of Comprehensive Revenue and Expenses.

ACCOUNTING FOR DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

Council uses derivative financial instruments such as interest rate swaps ("hedges") and forward rate agreements to manage its cash flow and interest rate risk. In accordance with its treasury policy, the Council does not hold or issue derivative financial instruments for trading purposes.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value at each balance date.

Council does not satisfy all the conditions for hedge accounting and therefore all gains or losses in fair value of instruments used to manage cashflow and interest rate risk are recognised through the Prospective Statement of Comprehensive Revenue and Expenses.

Financial Liabilities - Borrowings

Borrowings are initially recognised at their fair value. After initial recognition, all borrowings are measured at amortised cost using the effective interest method.

NON-CURRENT ASSETS HELD FOR SALE

Non-current assets held for sale are classified as held for sale if their carrying amount will be recovered principally through a sale transaction, not through continuing use. Assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

Any impairment losses for write-downs of assets held for sale are recognised in the Prospective Statement of Comprehensive Revenue and Expenses.

Any increases in fair value (less costs to sell) are recognised up to the level of any impairment losses that have been previously recognised.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

PROPERTY, PLANT AND EQUIPMENT

Property, Plant and Equipment consists of:

Operational Assets

These include land, buildings, improvements, library books, wharves, floating plant, plant equipment, and motor vehicles.

Infrastructural Assets

Infrastructural assets are the fixed utility systems owned by Council and comprise the sewer, water, stormwater, roading, flood control and the waste disposal infrastructures.

Each asset type includes all items that are required for the network to function, for example, sewer reticulation piping and sewer pump stations.

BIOLOGICAL ASSETS

Forestry Assets

Forestry assets consist of the Council's forestry holdings. Forestry assets are valued on the basis of fair value less estimated point of sale costs. Fair value is determined based on the present value of expected net cash flows discounted at a current market determined pre-tax rate. Forestry assets are revalued annually. Valuation movements pass through the Prospective Statement of Comprehensive Revenue and Expenses. The costs to maintain the forestry assets are included in the Prospective Statement of Comprehensive Revenue and Expenses.

Notes to the Prospective Statements

Pamoa Forest Joint Venture

Council has transferred forestry rights to Juken New Zealand Limited in respect of a total of 1,608 hectares of land associated with the Pamoa Forest.

The transfer relates to one harvest cycle. Under the agreement Council has contributed the land and is entitled to 16.75% of stumpage. All costs of development are borne by Juken New Zealand Limited. The value of the land (excluding the trees) and Council's right to a share of the stumpage is reflected in the Prospective Statement of Financial Position.

INTANGIBLE ASSETS

Intangible assets predominately comprise computer software and carbon credits.

Software Acquisition and Development

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs associated with maintaining computer software are recognised as an expense when incurred. Costs that are directly associated with the development of software for internal use or with the acquisition of software licences by Council, are recognised as an intangible asset.

Amortisation

The carrying value of an intangible asset with a finite life is amortised on a straight line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised. The amortisation is charged to the Prospective Statement of Comprehensive Revenue and Expenses on a straight line basis over the useful life of the asset.

Typically, the estimated useful lives of these assets are as follows:

- computer software 6 years.

Emissions Trading Scheme

Council's forestry holdings incorporates forestry assets held by Council and its subsidiary, Tauwhareparae Farms Ltd.

Tauwhareparae Farms Ltd (TFL) has voluntarily entered the New Zealand Emissions Trading Scheme (ETS) in respect of 1,181.6 hectares of forest land located in the Tauwhareparae area. This entitles TFL to receive emissions units (units) for carbon stored in the specified area from a 1 January 2008 baseline.

Units received are recognised at fair value on the date they are received and subsequently measured at cost subject to impairment. While there are no specific conditions attached to units received, should carbon stored in the specified area fall below the amount compensated for, a portion of the units received must be returned.

Units received are recorded on the Prospective Statement of Financial Position as an intangible asset until it is clear that they will not be required to meet future emissions obligations. The value of units is then recognised in the Prospective Statement of Comprehensive Revenue and Expenses.

Where there is an obligation to return units this liability is recognised on the Prospective Statement of Financial Position, measured with reference to the carrying value of units on hand. Where there is insufficient units on hand to meet the emissions obligation, this is measured by reference to the current market value for units held.

Future cash flows associated with units receivable/payable are taken into consideration in determining the valuation of the specified area.

Council's forestry holdings separate from the subsidiaries holdings, consist of approximately 97 hectares of small woodlots and 1,124 hectares held by the Pamoa Forest Joint Venture. These forestry blocks were registered with ETS in November 2011.

At the time of the LTP there was no confirmation of the number of issued units to Council and as such no units have been recognised and recorded on the Prospective Statement of Financial Position for this Annual Plan.

PROPERTY, PLANT AND EQUIPMENT VALUATION

Council has elected to use the Public Benefit Entities exemption to revalue property, plant and equipment on an asset class basis. The results of revaluing are credited or debited to an asset revaluation reserve for that class of asset. Where this results in a debit balance in the asset revaluation reserve, this balance is expensed in the Prospective Statement of Comprehensive Revenue and Expenses. Any subsequent increase on revaluation that off-sets a previous decrease in value recognised in the Prospective Statement of Comprehensive Revenue and Expenses will be recognised first in the Prospective Statement of Comprehensive Revenue and Expenses up to the amount previously expensed, and then credited to the revaluation reserve for that class of asset.

Notes to the Prospective Statements

Additions

Additions between valuations are recorded at cost, except for vested assets. Certain infrastructural assets and land have been vested in Council as part of the subdivision consent process. Vested assets are recognised as revenue when control over the asset is obtained. Vested assets are valued at fair value when received.

Disposals

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are included in the Prospective Statement of Comprehensive Revenue and Expenses.

When revalued assets are sold, the amounts included in asset revaluation reserves in respect of those assets are transferred to retained earnings.

Subsequent Costs

Costs incurred subsequent to the initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to Council and the cost of the item can be reliably measured.

OPERATIONAL ASSETS VALUATIONS

All Operational assets are carried at cost less accumulated depreciation and impairment losses except for:

- operational land
- operational land is valued at fair value and is not depreciated
- operational buildings.

Operational buildings are revalued to optimised depreciated replacement cost and depreciated between valuations. These assets are independently revalued every 3 years, or more frequently when there are indications that the values may have changed substantially from carrying value.

Library Books - General Collection

All new and replacement books are capitalised in the year they are purchased and subsequently depreciated based on useful lives. The valuations are performed by the Head Librarian and are not subject to independent review because there are readily available market prices to determine fair value.

Library Books Permanent Collection

The permanent collection is carried at deemed cost.

INFRASTRUCTURE ASSETS VALUATIONS

Infrastructural Assets

Infrastructural assets are initially recorded at depreciated replacement cost. Infrastructure assets other than roading are independently valued every 3 years at depreciated replacement costs, unless conditions indicate that carrying value is materially different to fair value, in which case assets are revalued more frequently.

Roading Assets

Roading assets are independently revalued annually.

Airport Assets

Airport assets include land, buildings, runway aprons, roading and below ground infrastructure. Airport assets are independently valued every 3 years or more frequently when there are indicators that the fair values may have changed substantially from carrying value.

DEPRECIATION

Depreciation is provided on a straight-line basis on all fixed assets other than land and land under roads.

The depreciation rates used will write off the cost (or valuation) of the assets to their estimated residual values over their useful lives. The useful lives and associated depreciation rates of major classes of assets have been estimated on the next page.

Infrastructural Assets

ROADS	
Pavement Surface (seal)	1 – 20 years
Pavement Surface (unsealed)	5 years
WEARING COURSE	
Pavement Layers (basecourse)	75 – 100 years
Formation	(not depreciated)
Culverts	25 – 50 years
Footpaths	20 – 75 years
Surface Water Channels	50 years
Signs	12 years
Street Lights	15 – 25 years
Bridges	25 – 80 years
Retaining Structures	80 years
Traffic Signals	15 years
Parking Meters	25 years
Railings	10 – 15 years
Safety Projects	10 – 13 years
WATER RETICULATION	
Pipes	30 – 165 years
Valves, Hydrants	25 years
Pump Stations	15 – 100 years
Dams	200 – 400 years
Structures	16 – 200 years
SEWERAGE RETICULATION	
Pipes	60 – 100 years
Manholes	100 years
Pump Stations	15 – 100 years
Treatment Plant	15 – 50 years
Laterals	100 years
STORMWATER SYSTEMS	
Pipes	62 – 100 years
In-drain structures	25 – 100 years
Flood Control Systems	25 – 100 years
Solid Waste	4 – 25 years
OPERATIONAL ASSETS	
Land	(not depreciated)
Buildings/Land Improvements	3 – 100 years
Plant/Machinery/Motor Vehicles	2 – 20 years
Office Equipment/Furniture	3 – 50 years
Other Equipment	5 – 25 years
Library Books	1 - 50 years
Wharves	50 years
Floating Plant	25 years
Leased Assets	3 – 8 years

Capital work in progress is not depreciated. The total cost of a project is transferred to freehold buildings, plant and equipment or infrastructural assets on its completion and then depreciated.

ASSETS UNDER CONSTRUCTION

Assets under construction are valued at cost but they are not depreciated. The total cost of a project is transferred to freehold buildings, plant and equipment or infrastructural assets on its completion and then depreciated.

IMPAIRMENT OF NON FINANCIAL ASSETS

Assets that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

If the recoverable amount of a non-financial asset is less than its carrying amount, the item is written down to its recoverable amount. The write down of an item recorded at cost is recognised as an expense in the Prospective Statement of Comprehensive Income. When a re-valued item is written down to recoverable amount, the write down is recognised as a downward revaluation to the extent of the corresponding revaluation reserve and any balance recognised in the Prospective Statement of Comprehensive Revenue and Expenses.

The carrying amount of a non-financial asset that has previously been written down to a recoverable amount is increased to its current recoverable amount if there has been a change in the estimates used to determine the amount of the write down. The increased carrying amount of the item will not exceed the carrying amount that would have been determined if the write down to recoverable amount had not occurred.

TRADE AND OTHER PAYABLES

Trade and other payables are non-interest bearing and are normally settled on 30-day terms. Therefore, the carrying value of trade and other payables used in the Prospective Statement of Financial Position approximates their fair value.

FINANCIAL LIABILITIES: BORROWINGS

Borrowings are initially recognised at their fair value. After initial recognition, all borrowings are measured at amortised cost using the effective interest method.

Notes to the Prospective Statements

EMPLOYEE ENTITLEMENTS

The provision for annual leave employee entitlement and other employee benefits expected to be settled within 12 months of balance date has been calculated on an actual entitlement basis at current rates of pay while the other provisions have been calculated on future rates of pay, discounted using an appropriate discount rate.

Provision for accumulated sick leave is made only to the extent that it is expected to be used in future periods. The expected usage is assessed using historical average rates of use.

LONG SERVICE LEAVE AND RETIREMENT LEAVE

For retiring leave and long-service leave not expected to be taken within 12 months of balance date, the liability is equal to the present value of the estimated future cash outflows, calculated on an actuarial basis, as a result of employee services provided at balance date.

SUPERANNUATION SCHEMES

Defined Benefit Scheme

Council belongs to the Defined Benefit Plan Contributors Scheme (the scheme), which is managed by the Board of Trustees of the National Provident Fund. The scheme is a multi-employer defined benefit scheme.

Insufficient information is available to use defined benefit accounting, as it is not possible to determine from the terms of the scheme, the extent to which the surplus/deficit will affect future contributions by individual employers, as there is no prescribed basis for allocation. The scheme is therefore accounted for as a defined contribution scheme.

PROVISIONS

Provisions are recognised for future expenditure of uncertain amount or timing when the Council has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reasonable estimate can be made of the amount of the obligation.

If the time value of money is material, provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Prospective Statement of Comprehensive Revenue and Expenses net of any reimbursement.

PUBLIC EQUITY

This represents the ratepayer's net ownership of Council. It is made up of the following components:

- Accumulated Funds and Retained Earnings
- Special Funds and Reserves
- Asset Revaluation Reserves.

Accumulated Funds

Comprise accumulated surpluses over the years.

Special Funds and Reserves

Reserves are a component of public equity and represent a particular use to which parts of equity have been assigned. Reserves may be legally restricted or created by Council.

Special funds are recorded at cost plus accumulated interest. These funds are restricted in nature and can only be used for the special purpose for which they were set up.

Also included are reserves restricted by Council decision. These funds are subject to specific conditions accepted as binding by Council which may not be revised by Council without reference to a third party or the Courts.

Asset Revaluation Reserve

Comprise accumulated revaluation increments or decrements.

Detail on the movement of reserves held by Council (with exception of revaluation reserve) can be found in Note 12.

Prospective Statement of Cash Flows

Cash flows from operating activities are presented using the direct method.

Definitions of terms used in the Prospective Statement of Cash Flows:

- **Operating Activities -** These activities include all transactions and events that are not investing or financing activities.
- **Investing Activities -** These comprise those activities relating to the acquisition, holding and disposal of fixed assets and investments. Investments can include securities not falling within the definition of cash.
- **Financing Activities -** These are activities which result in changes in the size and composition of the capital

structure of Council; inclusive of both equity and debt not falling within the definition of cash.

CHANGES TO ACCOUNTING POLICIES

There has been no changes in accounting policies during the Annual Plan. All accounting policies have been applied on a consistent basis throughout the years presented.

CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

In preparing these prospective financial statements Council has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

LANDFILL POST CLOSURE COSTS

Paokahu

As former operator of the Paokahu landfill site, Council has an obligation to ensure the ongoing maintenance and monitoring services at this landfill site after closure.

A landfill aftercare provision has been recognised as a liability in the Prospective Statement of Financial Position. Provision is made for the present value of post closure costs expected to be incurred in restoring the area to its former status. The calculated cost is based on estimates of future site maintenance, supervision and monitoring costs. The estimated length of time needed for post closure care for the Paokahu site is 35 years from 31 December 2002.

The calculations assume no change in the legislative requirements or technological changes for closure and post closure treatment.

Waiapu

As operator of the Waiapu landfill site, Council has an obligation to ensure the ongoing maintenance and monitoring services at this landfill site after closure.

A landfill aftercare provision has been recognised as a liability in the Prospective Statement of Financial Position.

Provision is made for the present value of post closure costs expected to be incurred in restoring the area to its former status. The calculated cost is based on estimates of future site maintenance, supervision and monitoring costs. The estimated length of time needed for post closure care for the Waiapu site is 35 years from 30 June 2045.

INFRASTRUCTURAL ASSETS

There are a number of assumptions and estimates used when performing the depreciated replacement cost valuations in respect of infrastructural assets. These include:

- The physical deterioration and condition of asset, for example, Council could be carrying an asset at an amount that does not reflect its actual condition. This is particularly so for those assets which are not visible, for example stormwater, wastewater and water supply pipes that are underground. This risk is minimised by Council performing a combination of physical inspections and condition-modeling assessments of underground assets.
- Estimating any obsolescence or surplus capacity of an asset.
- Estimates are made when determining the remaining useful lives over which the asset will be depreciated. These estimates can be impacted by the local conditions, for example, weather patterns and traffic growth.
- If useful lives do not reflect the actual consumption of the benefits of the asset, then Council could be over or under-estimating the annual depreciation charge recognised as an expense in the Prospective Statement of Comprehensive Revenue and Expenses. To minimise this risk, Council's infrastructural asset's useful lives have been determined with reference to the NZ Infrastructural Asset Valuation and Depreciation Guidelines published by the National Asset Management Steering Group, and have been adjusted for local conditions based on past experience.
- Asset inspections, deterioration and condition modelling are also carried out regularly as part of Council's asset management planning activities, which provides Council with further assurance over its useful life estimates.

Experienced independent valuers perform Council's infrastructural asset revaluations.

GST

The financial statements have been prepared exclusive of GST with the exception of receivables and payables, which are stated with GST included.

Notes to the Prospective Statements

BUDGET FIGURES

The budget figures are those approved by Council and published in the 2018-2028 LTP and this Annual Plan.

The Annual Plan 2020/21 figures have been produced in accordance with the requirements of the Public Benefit Entity (PBE) accounting standards.

COST ALLOCATION

Expenditure has been reported by the nature of the expense.

CAPITAL MANAGEMENT

Council's capital is its equity (or ratepayers' funds) which comprises accumulated funds and reserves. Equity is represented by net assets.

The Local Government Act 2002 (the Act) requires Council to manage its revenues, expenses, assets, liabilities, investments and general financial dealings prudently and in a manner that promotes the current and future interests of the community. Ratepayers' funds are largely managed as a by-product of managing revenues, expenses, assets, liabilities, investments and general financial dealings.

The objective of managing these items is to achieve intergenerational equity, which is a principle promoted in the Act and applied by Council. Intergenerational equity requires today's ratepayers to meet the costs of utilising the Council's assets and not expecting them to meet the full cost of long-term assets that will benefit ratepayers in future generations. Additionally, Council has in place asset management plans for major classes of assets detailing renewal and maintenance programmes, to ensure that ratepayers in future generations are not required to meet the costs of deferred renewals and maintenance.

The Act requires Council to make adequate and effective provision in its Annual Plan to meet the expenditure needs identified by those plans. The Act sets out the factors that the Council is required to consider when determining the most appropriate sources of funding for each of its activities. The sources and levels of funding are set out in the funding and financial policies in the Council's LTP.

NOTE 2

PROSPECTIVE SUMMARY COST OF SERVICES BY ACTIVITY

AP 2020 $000s		LTP 2021 $000s	AP 2021 $000s
	EXPENSES		
1,752	Building Services	1,702	1,827
1,810	Commercial Operations	1,750	1,956
4,722	Cultural Activities	4,592	4,610
125	Customer Engagement	96	94
703	Emergency Management	698	766
2,953	Enforcement	2,878	3,833
2,219	Environmental Health	2,283	2,308
2,725	Governance	2,607	2,660
9,134	Recreation and Amenity	9,365	9,742
1,780	Resource Consents	1,597	2,393
3,345	Rivers, Land and Coastal	3,331	3,378
5,618	Science	5,736	6,045
4,207	Solid Waste	4,317	4,140
2,988	Stormwater	3,172	3,251
4,548	Strategic Planning and Performance	4,500	4,745
1,828	Support Services	2,209	1,783
41,665	GDC Journeys	32,881	34,830
7,898	Wastewater	7,918	8,784
6,463	Water Supply	6,752	6,718
106,481	**Total Expenses**	**98,386**	**103,861**

AP 2020 $000s		LTP 2021 $000s	AP 2021 $000s
	REVENUE FROM EXCHANGE TRANSACTIONS		
1,028	Building Services	971	1,168
1,562	Commercial Operations	1,746	1,790
436	Cultural Activities	432	507
125	Customer Engagement	96	94
72	Emergency Management	43	21
1,642	Enforcement	1,571	2,126
453	Environmental Health	443	504
15	Governance	16	15
975	Recreation and Amenity	1,001	960
558	Resource Consents	355	864
277	Rivers, Land and Coastal	192	277
1,049	Science	899	772
220	Solid Waste	199	220
2,299	Support Services	2,208	2,397
46	GDC Journeys	47	46
365	Wastewater	374	413
2,992	Water Supply	3,061	3,077
14,117	**Total Revenue From Exchange Transactions**	**13,652**	**15,253**
	REVENUE FROM NON-EXCHANGE TRANSACTIONS		
970	Enforcement	987	1,004
0	Governance	0	0
150	Resource Consents	150	150
425	Science	410	518
55	Strategic Planning and Performance	45	146
1,000	Support Services	1,000	1,000
22,046	GDC Journeys	13,199	14,958
24,708	**Total Revenue From Non-Exchange Transactions**	**15,791**	**17,777**
67,657		68,943	70,832

Notes to the Prospective Statements

NOTE 3
RATES REVENUE

AP 2020 $000s		LTP 2021 $000s	AP 2021 $000s
62,754	RATES REVENUE	64,590	64,793
	Rates revenue consists of:		
4,777	General Rates	5,497	4,659
15,441	Uniform Annual General Charge	15,739	15,328
39,624	Targeted Rates	40,374	41,808
2,912	Metered Water Rates	2,979	2,997
62,754	Rates Revenue	64,590	64,793
	LESS		
587	Remissions[1]	626	626
62,167	NETT RATES REVENUE	63,964	64,167

[1] Council has a number of rate remission policies which include Rates for Permanent Crops, Whenua Rahui and Community, Sporting and Other Organisations.

NOTE 4
REVENUE FROM GRANTS AND SUBSIDIES

AP 2020 $000s		LTP 2021 $000s	AP 2021 $000s
	REVENUE FROM GRANTS AND SUBSIDIES		
116	Central Government Grants	45	64
46,100	NZTA Roading Subsidies[1]	25,191	49,497
5,127	Other Grants and Subsidies[2]	7,668	16,801
51,344	TOTAL REVENUE FROM GRANTS AND SUBSIDIES	32,904	66,363

[1] Increase in NZTA Roading subsidies from Provincial Growth Fund for roading projects.

[2] External Grants for the Tairawhiti Economic Stimulus Package.

NOTE 5
REVENUE FROM OPERATING ACTIVITIES

AP 2020 $000s		LTP 2021 $000s	AP 2021 $000s
	REVENUE FROM OPERATING ACTIVITIES		
0	Reserves Contribution	0	0
699	Development Contributions	699	699
0	Captial Contributions	0	0
1,000	Rates Penalties	1,000	1,000
9,833	Activity Revenue[1]	9,318	10,855
0	Interest	0	0
1,800	Dividends	1,800	1,800
350	Petroleum Tax	350	375
0	Gains on Derivatives (Interest Rate Swaps)	0	0
13,682	TOTAL REVENUE FROM OPERATING ACTIVITIES	13,167	14,729

[1] Increase revenue from River Leases, Land Use Consents, and Monitoring income.

NOTE 6
REVENUE FROM OTHER GAINS/(LOSSES)

AP 2020 $000s		LTP 2021 $000s	AP 2021 $000s
	REVENUE FROM OTHER GAINS		
0	Gain / (Loss) on Changes in Fair Value of Forestry Assets and Stock	0	0
0	Gain / (Loss) on Changes in Fair Value of Livestock	0	0
12	Gain / (Loss) on Disposal of Property, Plant and Equipment	12	50
0	Gain / (Loss) on Changes in Fair Value of Non-Current Receivables / Investments	0	0
12	TOTAL REVENUE FROM OTHER GAINS	12	50

Notes to the Prospective Statements

NOTE 7

EMPLOYEE BENEFIT EXPENSE

AP 2020 $000s		LTP 2021 $000s	AP 2021 $000s
	EMPLOYEE BENEFIT EXPENSE		
23,660	Salary and Wages[1]	22,417	26,494
609	Defined Contribution Plans Expense	619	609
36	Increase / (Decrease) in Leave Liabilities	37	25
(1,906)	Less Recharged to Other Expense Categories	(1,678)	(2,342)
22,400	TOTAL EMPLOYEE BENEFIT EXPENSE	21,395	24,786

[1] Funding has been received to cover the increase in salaries, either through increased funding from PGF & NZTA, increased operational revenue or a decrease in operational expenditure.

NOTE 8

DEPRECIATION AND AMORTISATION EXPENSE

AP 2020 $000s		LTP 2021 $000s	AP 2021 $000s
	DEPRECIATION AND AMORTISATION EXPENSE		
636	Commercial Operations	630	641
1,167	Cultural Activities	1,000	864
1	Customer Engagement	1	1
27	Emergency Management	61	20
7	Enforcement	0	12
2	Governance	2	2
909	Recreation and Amenity	944	1,147
175	Rivers, Land and Coastal	165	153
117	Science	71	131
333	Solid Waste	382	201
941	Stormwater	975	1,050
1,504	Support Services	1,887	1,685
11,986	GDC Journeys	11,770	12,106
2,072	Wastewater	2,238	2,312
2,236	Water Supply	2,414	2,457
22,112	TOTAL DEPRECIATION AND AMORTISATION EXPENSE	22,541	22,782

Notes to the Prospective Statements

NOTE 9

EXPENDITURE ON OPERATING ACTIVITIES

AP 2020 $000s		LTP 2021 $000s	AP 2021 $000s
	EXPENDITURE ON OPERATING ACTIVITIES		
2,276	Administration Expenses	1,675	2,642
212	Audit Fees - Financial Reporting	217	310
0	Audit Fees - Other	0	0
1,681	Consultants and Professional Services	1,786	1,825
717	Director's Fees Indirect Employment	737	787
173	Indirect Employment Costs	126	129
1,057	Grants and Donations	1,136	974
920	Insurance Costs	756	1,066
1,879	Rental and Operating Leases	1,888	2,112
12,053	Repairs and Maintenance	12,100	12,063
696	Bad Debts Written Off - Rates	737	740
100	Bad Debts Written Off - Other	100	100
151	IRD Compliance Costs	152	154
1,985	Litter Bins and City Cleaning	2,033	2,024
11,511	Emergency Works	3,011	4,511
22,654	Other Operating Expenditure[1]	23,884	22,644
58,065	TOTAL EXPENDITURE ON OPERATING ACTIVITIES	50,339	52,080

[1] Other operating expenses include such items as: electricity, operational contracts, treatment plants, pump stations, internal interest, vegetation planting contracts, facilities contracts and cleaning contracts.

NOTE 10

FINANCE COSTS

AP 2020 $000s		LTP 2021 $000s	AP 2021 $000s
	FINANCE COSTS		
1,605	Interest on Debentures and Interest Rate Swaps	1,250	2,130
2,241	Interest on Bank Borrowings and Commercial Paper	2,801	2,023
60	Line Fee	60	60
0	Losses on Derivatives (Interest Rate Swaps)	0	0
3,906	TOTAL FINANCE COSTS	4,111	4,213

NOTE 11

DEVELOPMENT CONTRIBUTIONS REVENUE

AP 2020 $000s		LTP 2021 $000s	AP 2021 $000s
	DEVELOPMENT CONTRIBUTIONS REVENUE		
79	Reserves & Open Spaces	79	79
117	Roading	117	117
91	Water Supply	91	91
280	Wastewater	280	280
133	Stormwater	133	133
699	TOTAL DEVELOPMENT CONTRIBUTIONS REVENUE	699	699

Notes to the Prospective Statements

NOTE 12

MOVEMENTS IN RESERVES

	OPENING BALANCE 1 JULY 2020 $000s	TRANSFERS TO RESERVES $000s	TRANSFERS FROM RESERVES $000s	CLOSING BALANCE 30 JUNE 2021 $000s
SPECIAL FUNDS AND OTHER RESERVES				
Municipal Theatre Project	29	0	0	29
Waipaoa River Flood Control Scheme	771	19	0	790
Wastewater Treatment Plant Reserve	100	250	0	350
Civil Defence Disaster Relief	557	13	73	496
Capital Development Fund	2,295	56	0	2,351
Quarry Rehab	1,206	29	0	1,235
Olympic Pool Development	31	1	0	31
Rates Postponement Fidelity	1	0	0	1
Reserves Contributions	121	3	0	124
Land Transport - Urban Development Contributions	(660)	90	952	(1,522)
Water Supply - Urban Development Contributions	(482)	80	35	(438)
Wastewater - Urban Development Contributions	792	303	31	1,063
Stormwater - Urban Development Contributions	(782)	115	30	(697)
Reserves - District Development Contributions	346	88	0	434
HMNZ Blackpool Scholarship Fund	7	0	0	7
GHL Forestry Reserve[1]	(3,752)	0	550	(4,302)
Pamoa Restoration Reserve	477	259	683	53
Roading FAR Reserve	1,650	100	0	1,750
Land Subdivision	379	9	33	355
Parking	42	42	0	84
Organisation Development Reserve	1,051	0	876	175
Depreciation	32,038	22,783	28,959	25,863
TOTAL SPECIAL FUNDS AND OTHER RESERVES	36,216	24,142	32,125	28,233

[1] GHL Forestry Reserve opening balance is based on LTP forecast opening balances plus expected movements in 2020. The funds expected from from GHL harvesting and the expected dividend from GHL is different from what was forecast in the LTP. Actual balances have now been adjusted and transfered to an internal loan within the 2020/21 financial year.

Notes to the Prospective Statements

NOTE 13

RECONCILIATION OF FUNDING IMPACT STATEMENT WITH PROSPECTIVE STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSES

AP 2020 $000s		LTP 2021 $000s	AP 2021 $000s
	RECONCILIATION OF REVENUE		
	Sources of operating funding		
98,655	Total operating funding (A) as per Funding Impact Statement	91,041	94,775
	Add Sources of capital funding		
28,426	Subsidies and grants for capital expenditure	18,921	50,410
699	Development and financial contributions	699	699
12	Profit / (Loss) on Sale of Assets	12	50
0	Lump sum contributions	0	0
127,792		110,673	145,934
127,792	As per Prospective Statement of Comprehensive Income - Total Operating Income	**110,673**	**145,934**
	RECONCILIATION OF EXPENDITURE		
	Applications of operating funding		
84,370	Total applications of operating funding (B) as per Funding Impact Statement	75,845	81,079
22,112	Add depreciation and amortisation expense	22,541	22,782
106,481		98,386	103,862
106,481	As per Prospective Statement of Comprehensive Income - Total Operating Expenditure	**98,386**	**103,862**
	RECONCILIATION OF TOTAL COMPREHENSIVE INCOME		
28,426	Add subsidies and grants for capital expenditure	18,921	50,410
14,285	Surplus/(deficit) of operating funding (A-B)	15,196	13,696
0	Add Subvention Payment	0	0
12	Add Profit / (Loss) on Sale of Assets	12	50
699	Add development and financial contributions	699	699
(22,112)	Add depreciation and amortisation expense	(22,541)	(22,782)
15,473	Add gains/(loss) of property revaluation	15,882	15,882
36,784		28,169	57,955
36,784	AS PER PROSPECTIVE STATEMENT OF COMPREHENSIVE INCOME - TOTAL COMPREHENSIVE INCOME	28,169	57,955

NOTE 14

CAPITAL EXPENDITURE 2020/21

DESCRIPTION	LEVEL OF SERVICE	LTP 2021 $000s	AP 2021 $000s	VARIANCE
COMMERCIAL OPERATIONS				
Community Housing - Upgrades	MAINTAIN	200	200	0
Total		**200**	**200**	**0**
CULTURAL ACTIVITIES				
Public Art - To Reflect the District's History and Culture	MAINTAIN	31	31	0
Flooring Replacement Program	MAINTAIN	10	0	10
Library Books	MAINTAIN	187	187	0
Library Books Ex Book Trust	MAINTAIN	10	10	0
Library - Dvd, Cd's, Talking Books	MAINTAIN	16	16	0
Library - E-Books	MAINTAIN	5	0	5
Renew Intergrated Library Management System	MAINTAIN	130	130	0
Total		**391**	**375**	**16**
ENFORCEMENT				
Parking Meter Renewals	MAINTAIN	10	10	0
Total		**10**	**10**	**0**
GDC JOURNEYS				
Pavement Maintenance - Renewal	MAINTAIN	4,000	4,000	0
Roadside Drainage Renewals	MAINTAIN	410	410	0
Bridge Renewals (Renewals of Local Roads)	MAINTAIN	1,000	1,000	0
Bridge Replacements - Heavy Vehicle Bridge Strengthening	MAINTAIN	650	0	650
Resurfacing Of Roads (Renewals of Local Roads)	MAINTAIN	3,200	3,200	0
Rehabilitation Of Roads (Renewals of Local Roads)	MAINTAIN	3,400	3,400	0
Minor Improvements Projects	MAINTAIN	800	860	(60)
Resilience Improvement	INCREASE	700	700	0
Taruheru Subdivision Road Links (Potae Ave to Nelson Road)	GROWTH	0	430	(430)
Taruheru Subdivision Road Links (Ruth Street To Gwyneth Place)	GROWTH	522	522	0
Suburban and Township Upgrades	INCREASE	104	500	(396)
Bus Shelter Replacements	MAINTAIN	58	58	0
Gisborne City Carpark Facility	MAINTAIN	21	21	0
Taruheru River Walkway and Cycling	INCREASE	366	0	366
Traffic Service Renewals (Renewal of Local Roads)	MAINTAIN	190	190	0
Environmental Renewals	MAINTAIN	15	15	0
Streetlight Upgrades to LED	INCREASE	400	400	0
East Cape Slope Stabilisation	INCREASE	2,000	0	2,000
Footpath Replacements - Funded	MAINTAIN	188	236	(48)
Walking And Cycling (Intersection and Route Safety Improvements	INCREASE	0	1,486	(1,486)
Pgf - Aerodrome Road	INCREASE	0	1,490	(1,490)

Notes to the Prospective Statements

DESCRIPTION	LEVEL OF SERVICE	LTP 2021 $000s	AP 2021 $000s	VARIANCE
Pgf - Mcdonald/Dunstan Rd	INCREASE	0	100	(100)
Pgf - East Cape Rd	INCREASE	0	1,700	(1,700)
Pgf - Route Security (Local Rd)	INCREASE	0	1,200	(1,200)
Pgf - 50 Max	INCREASE	0	1,500	(1,500)
Pgf - Route Security	INCREASE	0	541	(541)
Pgf - Kings Rd/Harper Rd	INCREASE	0	500	(500)
Pgf - Route Security (East Cape)	INCREASE	0	2,000	(2,000)
Pgf2 - Route 1: Corridor 16	MAINTAIN	0	3,390	(3,390)
Pgf2 - Route 2: Corridor 35	MAINTAIN	0	610	(610)
Pgf2 - Route 3: Corridor 28/29	MAINTAIN	0	2,612	(2,612)
Pgf2 - Route 4: Corridor 40	MAINTAIN	0	2,900	(2,900)
Pgf2 - Route 5: Corridor 20	MAINTAIN	0	1,130	(1,130)
Pgf2 - Bridges - Local Roads	MAINTAIN	0	3,651	(3,651)
Pgf2 - Kaiinanga Hill	INCREASE	0	187	(187)
Tesp Local Road Maintenance Project	INCREASE	0	15,200	(15,200)
Township Manutuke and Muriwai Co	INCREASE	0	359	(359)
Total		18,024	56,497	(38,473)
RECREATION AND AMENITY				
Conveniences - Rural	INCREASE / MAINTAIN	26	26	0
Refurbish Conveniences - City	INCREASE / MAINTAIN	57	57	0
Peel St Toilets	MAINTAIN	0	386	(386)
Parks and Reserves - Waikanae/Midway Beach Reserve Site Improvements	MAINTAIN	0	150	(150)
Parks and Reserves - Buildings	MAINTAIN	32	32	0
Parks and Reserves - Hard Surfacing/Paving/Concrete/Car Parks	MAINTAIN	104	104	0
Parks and Reserves - Playground Equipment Renewals	MAINTAIN	36	36	0
Parks and Reserves - Dune Care	MAINTAIN	20	20	0
Parks and Reserves - Neighbourhood Parks and Local Purpose Reserves - Fencing, Signage, Revegetation, Furniture and Fittings	MAINTAIN	64	64	0
Parks - Kopututea Private Reserve - Co-Governance	MAINTAIN	14	14	0
Titirangi Summit Development - 100% Grant Funded	GROWTH / INCREASE / MAINTAIN	0	840	(840)
Ash Gardens	GROWTH	10	10	0
Botanical Gardens Pond - Filtration	INCREASE	0	51	(51)
Township Plan Upgrades	INCREASE	0	39	(39)
Sportsground Facilities Upgrades and Renewals	INCREASE / MAINTAIN	0	900	(900)
Street Trees Planting	INCREASE	182	681	(499)
Signage	MAINTAIN	0	29	(29)
Cemeteries Capital Renewals	MAINTAIN	16	16	0
Parks and Reserves - Jetties and Boat Ramps	MAINTAIN	47	0	47
Community Property - District - Monuments, Public Art, Town Clock Renewals	MAINTAIN	20	20	0

Notes to the Prospective Statements

DESCRIPTION	LEVEL OF SERVICE	LTP 2021 $000s	AP 2021 $000s	VARIANCE
Redevelopment of Olympic Pool Complex Phase 1 2018-2028 LTP	INCREASE / MAINTAIN	3,124	0	3,124
Grant Contribution to Redevelopment of Olympic Pool Complex Phase 1 and 2	INCREASE	6,769	0	6,769
Aquatic Facilities Renewals (External)	MAINTAIN	229	484	(255)
Redevelopment of Olympic Pool Complex Phase 1 2018-2028 LTP	INCREASE / MAINTAIN	0	4,915	(4,915)
Total		**10,752**	**8,876**	**1,876**
RIVERS, LAND AND COASTAL				
Bushmere Road Nursery	INCREASE	10	10	0
Waipaoa River Flood Control Scheme Resilience Improvements	MAINTAIN	1,206	906	300
Wainui Beach Management Strategy - Wall Replacement Groyne to Tuahine Access	MAINTAIN	262	262	0
Onepoto Bay Wooden Stormwater Flumes Renewal - Hicks Bay	MAINTAIN	0	33	(33)
Taruheru and Turanganui Rivers City Revetment Renewals	INCREASE / MAINTAIN	524	524	0
Tauwhatinui Detention Dam	MAINTAIN	0	955	(955)
Total		**2,003**	**2,691**	**(688)**
SCIENCE				
Landfill and Contained Land Remediation	INCREASE	208	208	0
Pamoa Forest Restoration	MAINTAIN	0	1,234	(1,234)
Bore Renewal and Maintenance	MAINTAIN	208	413	(204)
Telemetry And Hydrological Equipment	MAINTAIN	84	84	0
Total		**501**	**1,939**	**(1,438)**
SOLID WASTE				
Waiapu Landfill - Stage 3	MAINTAIN	35	35	0
Paokahu Closed Landfill	INCREASE / MAINTAIN	224	324	(100)
Retrofitted Container Offices 8 x 20ft Containers	MAINTAIN	31	31	0
Total		**290**	**390**	**(100)**
STORMWATER				
Stormwater Pipeline Renewals	MAINTAIN	315	315	0
Stormwater Renewals for Rural Townships	MAINTAIN	52	52	0
Stormwater in Drain Structures	MAINTAIN	47	247	(200)
Stormwater Localised Urban Upgrades	GROWTH / MAINTAIN	79	30	49
Taruheru / Waru / Haisman (Stormwater Catchment)	GROWTH	524	0	524
Stanford Crescent Stormwater Catchment Upgrade	MAINTAIN	367	367	0
002 Graham/De Latour Road	INCREASE / MAINTAIN	105	105	0
Rutene Road S1-3/Kaiti Stormwater Upgrades	INCREASE	734	1,603	(869)
005 Public Drains on Private Property	INCREASE	566	566	0
Sw Upgrade Rural Townships	INCREASE / MAINTAIN	0	300	(300)
Total		**2,789**	**3,585**	**(796)**

Notes to the Prospective Statements

DESCRIPTION	LEVEL OF SERVICE	LTP 2021 $000s	AP 2021 $000s	VARIANCE
SUPPORT SERVICES				
Business Analytics	INCREASE / MAINTAIN	154	115	38
Orthophoto Regeneration - Aerial Photography	MAINTAIN	47	45	2
Existing Core Hardware Renewal	MAINTAIN	357	357	0
Software Renewals and Upgrades	MAINTAIN	1,301	262	1,039
Enterprise Solution - Capex	MAINTAIN	0	860	(860)
Digitisation Of Records - Capex	MAINTAIN	0	762	(762)
Vehicle Replacements	MAINTAIN	495	495	0
Minor Plant Renewals	MAINTAIN	31	31	0
Total		2,385	2,927	(543)
WASTEWATER				
Localised Urban Upgrades	GROWTH	31	31	0
Wastewater Pump Station Renewals	MAINTAIN	105	105	0
Wastewater Pipeline Renewals	MAINTAIN	1,468	2,531	(1,063)
Wastewater Treatment Plant Further Treatment	GROWTH / INCREASE	1,049	11,948	(10,899)
Tolaga Bay Septage Site	MAINTAIN	0	280	(280)
Wastewater Treatment Plant Upgrades and Renewals	MAINTAIN	157	157	0
Pump Station Emergency Storage	MAINTAIN	105	105	0
Pump Station Health and Safety Upgrades	MAINTAIN	79	79	0
Mortuary Waste Drain Field	INCREASE	0	195	(195)
Total		2,994	15,431	(12,437)
WATER SUPPLY				
Distribution: Pipe Renewals [Asbestos Main Replacement]	MAINTAIN	1,049	1,493	(444)
Distribution: Water Meter Renewals	MAINTAIN	52	0	52
Taruheru Block Water Extension	GROWTH	629	0	629
Local Urban Upgrades	GROWTH / MAINTAIN	37	37	0
Bulk Distribution - Waingake Trunk Main Refurbishment	MAINTAIN	524	524	0
Bulk Distribution Telemetry Site Upgrades	MAINTAIN	26	26	0
Bulk Distribution: Cathodic Protection, Replacement of Sacrificial Anode Beds along Waingake Trunk Pipeline	MAINTAIN	37	73	(36)
Bulk Distribution: Waingake Trunk Main Air Valve Renewals	MAINTAIN	189	0	189
Residential Backflow Prevention	MAINTAIN	682	682	0
Misc. Plant and Equipment	MAINTAIN	0	311	(311)
Waingake Treatment Plant Renewals	MAINTAIN	0	159	(159)
Total		3,224	3,304	(79)
GRAND TOTAL		43,563	96,226	(52,663)

Financial Reporting & Prudence Benchmarks

The purpose of this statement is to disclose Council's planned financial performance in relation to various benchmarks to enable the assessment of whether the group is prudently managing its revenues, expenses, assets, liabilities, and general financial dealings.

Council is required to include this statement in its Annual Plan in accordance with the Local Government (Financial Reporting and Prudence) Regulations 2014 (the regulations). Refer to the regulations for more information, including definitions of some of the terms used in this statement.

BENCHMARK	LIMIT	PLANNED	MET
Rates affordability benchmarks:			
- quantified limit on rates income (per LTP)	\$62.8m	\$61.8m	Yes
- quantified limit on rates increase (per LTP)	5.00%	3.26%	Yes
Debt affordability benchmark - quantified limit on borrowing	\$85m	\$94.1m	No
Balanced budget benchmark >100%	100%	140%	Yes
Essential services benchmark >100%	100%	440%	Yes
Debt servicing benchmark <10%	10%	2.9%	Yes

NOTES

Rates affordability benchmark

- For this benchmark Council's planned rates income for the year is compared with a quantified limit on rates contained in the financial strategy included in the Council's LTP; and
- The Council's planned rates increases for the year are compared with a quantified limit on rates increases for the year contained in the financial strategy included in the Council's LTP.

Council meets the rates affordability benchmark if

- Its planned rates income for the year equals or is less than each quantified limit on rates; and
- Its planned rates increases for the year equals or are less than each quantified limit on rates increases.

Debt affordability benchmark

- For this benchmark, the Council's planned borrowing is compared with a quantified limit on borrowing contained in the financial strategy included in the Council's LTP.
- The Council meets the debt affordability benchmark if its planned borrowing is within each quantified limit on borrowing.

Balanced budget benchmark

- For this benchmark, the Council's planned revenue (excluding development contributions, vested assets, financial contributions, gains on derivative financial instruments, and revaluations of property, plant or equipment) is presented as a proportion of its planned operating expenses (excluding losses on derivative financial instruments and revaluations of property, plant, or equipment).
- The Council meets the balanced budget benchmark if its revenue equals or is greater than its operating expenses.

Essential services benchmark

- For this benchmark, the Council's planned capital expenditure on network services is presented as a proportion of expected depreciation on network services.
- The Council meets the essential services benchmark if its planned capital expenditure on network services equals or is greater than expected depreciation on network services.

Debt servicing benchmark

- For this benchmark, the Council's planned borrowing costs are presented as a proportion of planned revenue (excluding development contributions, vested assets, financial contributions, gains on derivative financial instruments, and revaluations of property, plant or equipment).
- Because Statistics New Zealand projects that the Council's population will grow slower than the national population growth rate, it meets the debt servicing benchmark if its planned borrowing costs are less than 10% of it planned revenue.

Significant Assumptions

The following section details the assumptions Council has made in preparing this Annual Plan. These assumptions are necessary as they ensure that readers are aware of the basis for the estimates and forecast. The Annual Plan provides forecast financial information in accordance with New Zealand Financial Reporting Standard 42 (FRS42), Prospective Financial Statements. Actual results are likely to vary from the information presented and the variations may be material.

SIGNIFICANT FORECASTING ASSUMPTIONS AND RISKS

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

GENERAL

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

POPULATION GROWTH

Both Census and Council's own population projections indicate a reduction in the working age population for the region and a significant increase in a largely non-working proportion of the population under the current superannuation policy.

Population in Gisborne from 2013 and 2043 is projected to increase by 5,063 persons (10.77% growth) at an average annual change of 0.34%.

DEVELOPMENT CONTRIBUTIONS FUNDING

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

Full population growth assumptions can be found in the Significant Forecasting Assumptions of the 2018-2028 LTP.

GST

The Annual Plan assumes a GST rate of 15%.

INTEREST RATES

The interest rate on Council external debt is approximately 5% in this Annual Plan. Council covers its interest rate exposure using interest rate swaps. The interest rates are based on estimates of the 90-day bank bill rate and include bank margins and the effect of continuing use of interest rate swaps.

INFLATION

The forecast financial information includes provision for inflation. Council has used forecasts of price level changes prepared by Business and Economic Research Limited (BERL) to calculate the inflation rate for each year of the LTP. Council has left the inflation at levels used in the 2018-2028 LTP. Council has not included any inflation on Roading operation costs for the 2020/21 financial year. This is based on firm indications from National Roading bodies.

Debt Levels

The reforecast debt levels assume that:

- some capital project's cost estimates have revised costs and timing based on current estimates
- NZTA subsidy is assumed at 68% of roading expenditure.

FEES AND CHARGES

Most fees and charges have been increased by 2.12% for 2020/21 which is in line with the expectation in the 2018-2028 LTP. Changes are the result of inflation or cost recovery basis.

RENEWABILITY OF FUNDING

Bank facilities are arranged with multiple banks and structured to ensure there is a range of maturity dates. Bank facilities are reviewed annually. The Annual Plan assumes that the necessary level of funding will continue to be available through a mixture of bank facilities and debentures.

INCOME TAX

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

FORECAST RETURN ON INVESTMENTS

Council has forecast the following returns for significant investments:

- Tauwhareparae Farms Ltd

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

  GHL directs and monitors the activities of its subsidiary, Tauwhareparae Farms Ltd. GHL wholly owns

Tauwhareparae Farms Ltd and Tauwhareparae Forests Ltd.

Tauwhareparae Farms Ltd is the only trading operation and is involved in the ownership of farming activities.

The 2020/21 Annual Plan includes a dividend from Gisborne Holdings Ltd. The payment of dividends is subject to the Directors' approval after their taking into account the financial position of GHL.

- Forestry

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

EXTERNAL FUNDING

Included in the forecast financial statements are a number of operational and capital projects that are assumed to be either significantly or 100% funded by another agency or grant. There are also a number of major projects to be funded by a combination of Council and external funding.

Council has $96.2m of capital projects planned for the term of the Annual Plan (after project prioritisation). Of this, $50.4m is budgeted to be funded from grants, subsidies or donations. There is a risk that sources of funds for some capital projects may not eventuate. It is assumed that if the external funds budgeted are not available then the projects will be reviewed and the availability of other funding sources will be assessed.

DEPRECIATION

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

- Tolaga Bay Wharf
- Patutahi Hall.

Council does not fund depreciation on these assets.

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

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

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

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

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

DEPRECIATION ON PLANNED ASSET ACQUISITIONS

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

ASSET SALES

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

RESOURCE CONSENTS

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

It is also assumed that the currency and conditions of existing resource consents held by Council will not be altered significantly during the term of the Annual Plan.

REVALUATION OF ASSETS

The forecast financial information includes an annual estimate to reflect the change in asset valuations and depreciation. The effect of the revaluations, is a best estimate based on historical asset values, forecast capital expenditure, the BERL inflation indices and recent revaluation information.

The most recent revaluation of Council's assets were Land, Buildings & Gisborne Airport landside/airside 1 July 2019; Roading infrastructure, utilities and flood assets are revalued

Significant Assumptions

annually. It is assumed revaluations will result in an increase in the asset values, revaluation, reserves and the depreciation expense.

EFFICIENCY GAIN TARGETS

Council has identified the need to reduce the rates demand by making efficiency gains. These gains will be made through improved systems and management within the organisation.

EMISSIONS TRADING SCHEME

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

Funding Impact Statement

This statement sets out the information required by Schedule 10 of the Local Government Act 2002, together with additional information provided to assist ratepayers in understanding the impact of the Annual Plan.

Council

AP 2020 $000s		LTP 2021 $000s	AP 2021 $000s
	SOURCES OF OPERATING FUNDING		
21,218	General rates, uniform annual general charges, rates penalties	22,236	20,987
42,536	Targeted rates	43,353	44,805
22,917	Subsidies and grants for operating purposes	13,984	15,953
8,054	Fees and charges	7,732	8,817
1,800	Interest and Dividends from Investments	1,800	1,800
2,130	Local authorities fuel Tax, fines, infringement fees and other receipts	1,936	2,413
98,655	**Total Operating Funding (A)**	**91,041**	**94,775**
	APPLICATIONS OF OPERATING FUNDING		
80,464	Payments to staff and suppliers	71,733	76,866
3,906	Finance costs	4,111	4,213
0	Other operating funding applications	0	0
84,370	**Total applications of operating funding (B)**	**75,845**	**81,079**
14,285	**Surplus/(deficit) of operating funding (A-B)**	**15,196**	**13,696**
	SOURCES OF CAPITAL FUNDING		
28,426	Subsidies and grants for capital expenditure	18,921	50,410
699	Development and financial contributions	699	699
10,071	Increase/(decrease) in debt	3,714	22,727
12	Gross proceeds from sale of assets	12	50
0	Lump sum contributions	0	0
39,208	**Total sources of capital funding (C)**	**23,346**	**73,885**
	APPLICATIONS OF CAPITAL FUNDING		
	Capital expenditure		
1,504	- to meet additional demand	1,850	2,200
30,035	- to improve level of service	16,383	48,547
28,764	- to replace existing assets	25,329	45,478
(6,809)	Increase/(decrease) in reserves	(5,019)	(8,644)
0	Increase/(decrease) of investments	0	0
53,494	**Total applications of capital funding (D)**	**38,543**	**87,581**
(14,285)	**Surplus/(deficit) of capital funding (C-D)**	**(15,197)**	**(13,696)**
0	FUNDING BALANCE ((A-B)+(C-D))	0	0

Funding Impact Statement

REVENUE AND FINANCING MECHANISMS

In addition to rating income, Council has a number of other sources of revenue including:

- **Subsidies and Grants -** From government and non-government organisations to fund maintenance or capital projects
- **Fees and Charges -** Council charges for services provided, for example building consents and dog licences
- **Interest Received and Dividends Income -** From funds invested or Council investments
- **Capital Rates -** Rates used to repay Loans and Capital Expenditure, for example solid waste loan
- **Development Contributions -** Money received to fund capital expenditure for new development
- **Asset Sales -** Money received from the sale of assets
- **Reserves -** Money set aside to fund expenditure for a specific purpose. For further details of Council's revenue funding mechanisms, please refer to the Revenue and Financing Policy in 2018-2028 LTP.

RATING MECHANISMS

- **Targeted Rates** - Rates which apply in certain areas or to certain activities.
- **General Rates** - Rates directly related to the value of the property, charged on capital value.
- **Uniform Annual General Charges (UAGC)** - A fixed amount charged to each Separately Used or Inhabited part of a Rating Unit.

Definition of a Separately Used or Inhabited part of a Rating Unit:

A separately used or inhabited part of a rating unit includes any portion inhabited or used by the owner / a person other than the owner, and who has the right to use or inhabit that portion by virtue of a tenancy, lease, licence, or other agreement.

This definition includes separately used parts, whether or not actually occupied at any particular time, which are provided by the owner for rental (or other form of occupation) on an occasional or long term basis by someone other than the owner.

a. Each separate shop or business activity on a rating unit is a separate use, for which a separate UAGC is payable. (See Guidance Note 1.)

b. Each dwelling, flat, or additional rentable unit (attached or not attached) on a residential property which is let for a substantial part of the year to persons other than immediate family members is a separately inhabited part of a property, and separate UAGCs are payable. (See Guidance Note 2.)

c. Each residential rating unit which has, in addition to a family dwelling unit, one or more non-residential uses (ie home occupation units) will be charged an extra UAGC for each additional use. (See Guidance Note 3.)

d. Each non-residential activity which has, in addition to its business or commercial function, co-sited residential units which are not a prerequisite part of the business or commercial function, will pay additional UAGCs for each residential unit. (See Guidance Note 4.)

e. Individually tenanted flats, including retirement units, apartments and town houses (attached or not attached) or multiple dwellings on Māori freehold land are separately inhabited parts, and will each pay a separate UAGC. (See Guidance Note 5.)

f. Each title on a multiple-managed forestry holding (that is, where the forest is broken into several individual small titles) is a separately used part except when one or more titles are adjacent and under the same ownership, in which case the rules of contiguity apply.

g. Each block of land for which a separate title has been issued is liable to pay a UAGC, even if that land is vacant. NOTE: for the purpose of this definition, vacant land and vacant premises offered or intended for use or habitation by a person other than the owner and usually used as such are defined as 'used'.

h. Two or more adjacent blocks of vacant land are not eligible for Remission under "Contiguity" (S.20 of LG(R)A 02) because they are not "used for the same purpose" (i.e. they are not used at all).

i. Each dwelling, flat, or additional rentable unit (attached or not attached) on a pastoral, horticultural or forestry property which is let for a substantial part of the year to persons other than immediate family members is a separately inhabited part of a property, and separate UAGCs are payable.

j. For the avoidance of doubt, a rating unit that has a single use or occupation is treated as having one separately used or inhabited part.

k. A substantial part of the year is considered to be three months or more (this total period may be fragmented, and may occur at any part of the rating year).

GUIDANCE NOTES

The following Notes are not rules, but are intended to aid Officers in the interpretation of the Rules.

1) Commercial Properties

- A single building on one title with 24 separate shops would pay 24 UAGCs.
- A motel with an attached dwelling would pay only one UAGC, because the attached dwelling is essential to the running of the motel. (See rule d above).
- A motel with an attached restaurant which is available to the wider public has two separately used parts, and would pay two UAGCs. Likewise, a motel with an attached Conference Facility would pay an additional UAGC.
- A business which makes part of its income through the leasing of part of its space to semi-passive uses such as billboards, or money machines, is not regarded as having a separately used or inhabited part, and would not be charged a separate UAGC.
- For the avoidance of doubt, an apartment block, in which each apartment is on a separately owned title, is merely a series of co-sited Rating Units, and each will pay a UAGC.
- If, however, in the above example a management company leases the individual titles for 10 years or more, and those leases are registered on the titles, and the leases stipulate that the management company is responsible for paying the rates, and if the management company then operates the apartments as a single business operation, that business operation may be considered for a remission under Council's remission policies and have all but one UAGC remitted.
- An apartment block with a separate laundry, or restaurant, which are available to the general population as a separate business enterprise, would pay an additional UAGC for each of these functions as separately used parts.

2) Residential Properties

- The rule will apply to properties identified as "flats" on the valuation record, administered by Council's Valuer. Sleep-outs and granny flats will generally be identified as "sleep-out" on the valuation record and will not normally qualify for additional UAGCs.
- If a property is identified on the valuation record as having flats, but these in fact are used only for family members or for others for very short periods, then the additional UAGCs may be remitted on Council receiving proof of their use, including a signed declaration from the property owner (see remission policies). A property owner who actively advertises the flats for accommodation will not qualify for the remission.
- A property such as a large house which is identified as being split into, say, three internal flats at the time the valuation records were established, but which is not actually used as such, will need to apply for remission under Council's remission policy. (Note: This property should be referred to Council's Valuer for correction on the next valuation cycle).

3) Residential with Non-Residential Part

- A residence with a separately accessible "office" such as may be used for surveyor, architect, or medical services, will pay an additional UAGC for the office, because it is a separately used part which generates additional use of roads, services, planning resources, and democratic processes.
- A residence with a "Home Occupation" (commonly called a "hobby business") will not generally be charged a separate UAGC unless the intensity of operation is high. For example, a resident who occasionally manufactures boat trailers in his garage on the weekends would not incur an additional UAGC, but someone who works for most of the week panel beating or painting, particularly if the activity is accompanied by advertising, clearly has a separately used or inhabited part of the rating unit, and would incur an additional UAGC.
- A residential property, part of which is used continually for storage of large industrial machinery, has a separately used part, and would incur an additional UAGC.

4) Non-Residential Activity with Co-sited Dwelling

- A fish and chip shop, with a flat above which can be accessed without passing through the shop, does have a separately used part, and would normally incur an additional UAGC charge.
- A dairy which has an integral dwelling attached, would not incur an additional UAGC, because the home is an integral part of the operation of the dairy.
- A boarding house containing a caretaker's apartment and several separately let rooms (with or without facilities) all within the structure of the one building, is a single (commercial) use and would not incur an

additional UAGC. (The same applies to home-stays and bed and breakfast homes).

- Certain government agencies, churches, marae, and the like are automatically rate exempt (except for service charges such as water and wastewater) but if these organisations undertake accommodation or business activities which are not related to their core function, they may be charged rates and additional UAGCs for each separately used or inhabited part of the rating unit.

5) Individually Tenanted Flats

- Each flat, apartment, or retirement or disability home, and each property under a "licence to occupy", is a separately used or inhabited part of a rating unit, no matter what number of people may be living in the unit, and each does pay an additional UAGC charge.
- If, because of construction work, poor condition, public health, or specific conditions pertaining to the property owner, one or more flats cannot be let on the open market, then the unit may be granted a remission under Council's remission policy. (A specific condition pertaining to the property owner might include the use of one of the units for a live-in caregiver). (Note: This property should be referred to Council's Valuer for correction on the next valuation cycle).
- Each flat, apartment, or retirement or disability home, and each property under a "licence to occupy", is a separately used or inhabited part of a rating unit, no matter what number of people may be living in the unit, and each does pay an additional UAGC charge.
- If, because of construction work, poor condition, public health, or specific conditions pertaining to the property owner, one or more flats cannot be let on the open market, then the unit may be granted a remission under Council's remission policy. (A specific condition pertaining to the property owner might include the use of one of the units for a live-in caregiver). (Note: This property should be referred to Council's Valuer for correction on the next valuation cycle).

FUNDING IMPACT STATEMENT

The following information is presented solely and for the purpose of clauses 5 and 20 of Schedule 10 of the Local Government Act 2002 and the Local Government (Financial Reporting and Prudence) Regulation 2014.

These statements are not NZ GAAP compliant. The information presented is incomplete, (in particular it does not include depreciation and internal overheads).

This statement should not be relied upon for any other purpose than compliance with the Local Government (Financial Reporting and Prudence) Regulation 2014.

We have provided a reconciliation between Council's Prospective Statement of Comprehensive Revenue and Expenses and Council's Funding Impact Statement in Note 13.

SCHEDULE 1

The following rates will be set by Council for the financial year commencing 1 July 2020 and ending 30 June 2021. **All figures in the Funding Impact Statement include GST.**

General Rates

A general rate in accordance with the Local Government (Rating) Act 2002 13(2)a based on the capital value of each rating unit in the district is assessed by multiplying the capital value of a property by the rate per dollar. The general rate is used to fund council activities that are deemed to generally and equally benefit all ratepayers in the Gisborne District and are on activities which user pays are not applied.

The general rate funds rivers control, storm water, treasury, economic development and strategic planning and engagement.

Uniform Annual General Charge (UAGC)

Council will use a Uniform Annual General Charge in accordance with Section 15(1)b of the Local Government (Rating) Act 2002.

Targeted Rates

Lump sum contributions will not be invited in respect of the targeted rates.

The following matters and categories may be used to define categories of rateable land and calculate liability for targeted rates. These are set out in the Local Government (Rating) Act 2002 Schedule 2 and Schedule 3.

SCHEDULE 2

Matters that may be used to Define Categories of Rateable Land:

1. The use to which the land is put.
2. The activities that are permitted, controlled, or discretionary for the area in which the land is situated, and the rules to which the land is subject under an operative District Plan or Regional Plan under the Resource Management Act 1991.
3. The activities that are proposed to be permitted, controlled, or discretionary activities, and the proposed rules for the area in which the land is situated under a proposed District Plan or proposed Regional Plan under the Resource Management Act 1991, but only if:
   - No submissions in opposition have been made under Clause 6 of the First Schedule of the Act on those proposed activities or rules, and the time for making submissions has expired; or
   - All submissions in opposition, and any appeals, have been determined, withdrawn, or dismissed.
4. The area of land within each rating unit.
5. The provision or availability to the land of a service.
6. Where the land is situated.
7. The annual value of the land.
8. The capital value of the land.
9. The land value of the land.

SCHEDULE 3

Factors that may be used to calculate Liability for Targeted Rates:

1. The annual value of the rating unit.
2. The capital value of the rating unit.
3. The land value of the rating unit.
4. The value of improvements to the rating unit.
5. The area of land within the rating unit.
6. The area of land within the rating unit that is sealed, paved, or built on.
7. The number of separately used or inhabited parts of a rating unit.
8. The extent of provision of any service to the rating unit by the local authority, including any limits or conditions that apply to the provision of the service.
9. The number or nature of connections from the land within each rating unit to any local authority reticulation system.
10. The area of land within the rating unit that is protected by any amenity or facility that is provided by the local authority.
11. The area of floor space of buildings within the rating unit.
12. The number of water closets and urinals within the rating unit (Note: A rating unit used primarily as a residence for one (1) household must not be treated as having more than one (1) water closet).

Funding Impact Statement

SCHEDULE 4

RATES INTALMENT DATES	RATES DUE DATE	RATES PENALTY	RATES PENALTY DEBITING DATE
INSTALMENT 1	20 Aug 20	21 Aug 2020 Penalty 10%	24 Aug 20
INSTALMENT 2	20 Nov 20	23 Nov 2020 Penalty 10%	25 Nov 20
INSTALMENT 3	22 Feb 21	23 Feb 2021 Penalty 10%	25 Feb 21
INSTALMENT 4	20 May 21	21 May 2021 Penalty 10%	25 May 21

Additional Charges

DUE DATES FOR WATER CHARGES

Water meters are read on a monthly, quarterly, six-monthly or annual cycle and are payable on the month following the issue of the invoice as set out below. There is a free 300 cubic metre domestic allowance on rural domestic supplies.

PENALTIES ON WATER CHARGES

Under Sections 57 & 58 of the Local Government (Rating) Act 2002, any portion of the water rates invoices not paid by the due date will incur a 10% penalty on the following dates.

MONTH OF INVOICE	DUE DATE	DATE PENALTY ADDED	PENALTY AMOUNT
INVOICED ANNUALLY			
Jun 20	20 Jul 20	21 Jul 20	10%
INVOICED 6-MONTHLY			
Jun 20	20 Jul 20	21 Jul 20	10%
Dec 20	20 Jan 21	21 Jan 21	10%
INVOICED QUARTERLY			
Jun 20	20 Jul 20	21 Jul 20	10%
Sep 20	20 Oct 20	21 Oct 20	10%
Dec 20	20 Jan 21	21 Jan 21	10%
Mar 21	20 Apr 21	21 Apr 21	10%
INVOICED MONTHLY			
Jun 20	20 Jul 20	21 Jul 20	10%
Jul 20	20 Aug 20	21 Aug 20	10%
Aug 20	21 Sep 20	22 Sep 20	10%
Sep 20	20 Oct 20	21 Oct 20	10%
Oct 20	20 Nov 20	23 Nov 20	10%
Nov 20	21 Dec 20	22 Dec 20	10%
Dec 20	20 Jan 21	21 Jan 21	10%
Jan 21	22 Feb 21	23 Feb 21	10%
Feb 21	22 Mar 21	23 Mar 21	10%
Mar 21	20 Apr 21	21 Apr 21	10%
Apr 21	20 May 21	21 May 21	10%
May 21	21 Jun 21	22 Jun 21	10%

Funding Impact Statement

RATES FUNDING SOURCE	CATEGORIES OF RATEABLE LAND	CATEGORY (SCH 2) S14, 17 LOCAL GOVT (RATING) ACT 2002	FACTORS (SCH 3) LOCAL GOVT (RATING) ACT 2002	FACTOR USED	REVENUE SOUGHT 2020/21 (INCLUDES GST) $
GENERAL RATE	Capital value on all Rateable land for Planning, Rivers Control, Stormwater, Treasury, Economic Development, Tourism, Pest and Plants.			Capital Value	**5,357,885**
UNIFORM ANNUAL GENERAL CHARGE	All Rateable land. A Uniform Annual General Charge set under section 15 of the Local Government (Rating) Act 2002 per Separately Used or Inhabited Part of a Rating Unit (SUIP). See definition of SUIP at beginning of this section.			Separately Used or Inhabited Part of a Rating Unit (SUIP). See definition of SUIP at beginning of this section.	**17,627,109**
TARGETED RATES					
BUILDING SERVICES					
Building Services	Differential targeted rate on Inner Zone 85% of Revenue Sought.	6	2	Capital Value	644,109
	Differential targeted rate on Outer Zone 15% of Revenue Sought.	6	2	Capital Value	113,666
CULTURAL ACTIVITIES					
Theatres	Differential targeted rate on Inner Zone 1.0 weighting.	6	2	Capital Value	881,589
	Differential targeted rate on Outer Zone 0.3 weighting.	6	2	Capital Value	136,929
ENFORCEMENT					
Dog Control	A uniform targeted rate on Residential properties: DRA1, DRA1A and Residential Rural Townships in DRA3, DRA4 and DRA5.	5 & 6	7	Separately Used or Inhabited Part of a Rating Unit	479,444
ENVIRONMENTAL HEALTH					
Noise Control	A uniform targeted rate on Inner Zone.	5 & 6	7	Separately Used or Inhabited Part of a Rating Unit	57,500
GDC JOURNEYS					
Flood Damage and Emergency Reinstatement	Residential and Lifestyle blocks weighting of 1.0.	1 & 2	2	Capital Value	217,268
	Industrial and Commercial weighting of 2.0.	1 & 2	2	Capital Value	63,403
	Horticulture and Pastoral farming weighting of 1.5.	1 & 2	2	Capital Value	191,069
	Forestry weighting of 7.5.	1 & 2	2	Capital Value	103,260

Funding Impact Statement

RATES FUNDING SOURCE	CATEGORIES OF RATEABLE LAND	CATEGORY (SCH 2) S14, 17 LOCAL GOVT (RATING) ACT 2002	FACTORS (SCH 3) LOCAL GOVT (RATING) ACT 2002	FACTOR USED	REVENUE SOUGHT 2020/21 (INCLUDES GST) $
Non-Subsidised Local Roading	Differential targeted rate on Outer Zone 15% of Revenue Sought.	6	2	Capital Value	40,236
	Differential targeted rate on Inner Zone 85% of Revenue Sought.	6	2	Capital Value	228,011
Passenger Transport	DRA1 Residential.	5 & 6	7	Separately Used or Inhabited Part of a Rating Unit	396,233
Subsidised Local Roads	Residential and Lifestyle blocks weighting of 1.0.	1 & 2	2	Capital Value	3,681,753
	Industrial and Commercial weighting of 2.0.	1 & 2	2	Capital Value	1,074,413
	Horticulture and Pastoral farming weighting of 1.5.	1 & 2	2	Capital Value	3,237,788
	Forestry weighting of 7.5.	1 & 2	2	Capital Value	1,749,816
RECREATION AND AMENITY					
Aquatic and Recreation Facilities	Differential targeted rate on Inner Zone 1.0 weighting.	6	2	Capital Value	1,426,933
	Differential targeted rate on Outer Zone 0.3 weighting.	6	2	Capital Value	221,645
Parks and Reserves	Differential targeted rate on Inner Zone 85% of revenue sought.	6		Per Rating Unit	5,472,027
	Differential targeted rate on Inner Zone 15% of revenue sought.	6		Per Rating Unit	965,652
RESOURCE CONSENTS AND PLANNING					
Resource Consents and Planning	A uniform targeted rate on all rateable land.	6	3	Land Value	2,375,775
RIVERS, LAND AND COASTAL					
Coastal Protection Scheme	Rateable Properties within the defined area band A within the Hazard Area. Map available on Council's website.	5 & 6	2	Capital Value	46,696
	Rateable Properties within the defined area band B within the Hazard Area. Map available on Council's website.	5 & 6	2	Capital Value	10,260
	Rateable Properties within the defined area band C within the Hazard Area. Map available on Council's website.	5 & 6	3	Land Value	2,935

Funding Impact Statement

RATES FUNDING SOURCE	CATEGORIES OF RATEABLE LAND	CATEGORY (SCH 2) S14, 17 LOCAL GOVT (RATING) ACT 2002	FACTORS (SCH 3) LOCAL GOVT (RATING) ACT 2002	FACTOR USED	REVENUE SOUGHT 2020/21 (INCLUDES GST) $
Land Drainage - Contributors	Drainage Rate - Contributors. Eastern Hill Catchment 8 and Western Hill Catchment F. See maps of scheme areas on Council's website.	5 & 6	5	Per hectare	16,728
Land Drainage - Direct Beneficiaries	Drainage Rate - Direct Beneficiaries. Drainage Scheme maps available on Council's website. 1. Ormond 2. Eastern Taruheru 3. Western Taruheru 4. Willows 5. Waikanae Creek 6. City/Wainui 7. Taruheru, Classes A-D 8. Waipaoa 9. Patutahi 10. Ngatapa 11. Manutuke 12. Muriwai.	5 & 6	5	Per hectare	704,337
Te Karaka Flood Control	A differentiated targeted rate on Non Residential properties based on Capital Value.	5 & 6	2	Capital Value	7,519
	A differentiated targeted rate on Residential properties based on Capital Value.	5 & 6	2	Capital Value	33,455
Waiapu River Erosion Protection Scheme	Direct Beneficiaries within the defined area on Capital Value.	5 & 6	2	Capital Value	21,599
	Indirect Beneficiaries within the defined area on Capital Value.	5 & 6	2	Capital Value	5,394
	Contributors within the defined area on Capital Value.	6	6	Per hectare	5,394
Wainui Foredune Protection	Rateable Land within the Hazard Area. Map available on Council's website.	5	10	Per hectare	11,930
Waipaoa River Flood Control Scheme	Waipaoa River Flood Control Scheme classes A - F. Map available on Council's website.	5 & 6	2	Capital Value	231,846

Funding Impact Statement

RATES FUNDING SOURCE	CATEGORIES OF RATEABLE LAND	CATEGORY (SCH 2) S14, 17 LOCAL GOVT (RATING) ACT 2002	FACTORS (SCH 3) LOCAL GOVT (RATING) ACT 2002	FACTOR USED	REVENUE SOUGHT 2020/21 (INCLUDES GST) $
SCIENCE					
Pests & Plants	A differential targeted rate on DRA1, DRA1A, DRA2 (Inner Zone) (20%).	6	3	Land Value	126,758
	A differential targeted rate on DRA3, DRA4, DRA5 (Outer Zone) (80%).	6	3	Land Value	507,029
Soil Conservation - Advocacy and Land Use	A differential targeted rate on DRA1, DRA1A, DRA2 (Inner Zone) (20%).	6	3	Land Value	284,925
	A differential targeted rate on DRA3 & DRA4 (30%).	6	3	Land Value	427,387
	A differential targeted rate on DRA5 (50%).	6	3	Land Value	712,312
Water Conservation	Differential targeted rate on Inner Zone 70% of revenue sought.	6	3	Land Value	1,176,056
	Differential targeted rate on Outer Zone 30% of revenue sought.	6	3	Land Value	504,023
SOLID WASTE					
Commercial Recycling Charge	Within scheme recycling collection area, being non-residential area within the CBD who have elected to receive the service.	5 & 6	7	Separately Used or Inhabited Part of a Rating Unit	1,227
Refuse and Recycling - Gisborne District	Within scheme refuse collection areas - Residential properties in Gisborne City and environs and Ruatoria. Map available from Customer Services and Council's website.	5 & 6	7	Separately Used or Inhabited Part of a Rating Unit	1,765,524
Rural Transfer Stations	Within 15km radius scheme area as defined on a map available from Customer Services and Council's website.	5 & 6	7	Separately Used or Inhabited Part of a Rating Unit	377,835
STORMWATER					
Stormwater	DRA1 and DRA1A Residential properties including Sponge Bay, Wainui and Okitu.	6		Per Rating Unit	2,350,904
	All Rural Townships including Manutuke and Patutahi.	6		Per Rating Unit	191,605
	DRA1 and DRA1A all Commercial and Industrial properties.	6	2	Capital Value	448,678

RATES FUNDING SOURCE	CATEGORIES OF RATEABLE LAND	CATEGORY (SCH 2) S14, 17 LOCAL GOVT (RATING) ACT 2002	FACTORS (SCH 3) LOCAL GOVT (RATING) ACT 2002	FACTOR USED	REVENUE SOUGHT 2020/21 (INCLUDES GST) $
STRATEGIC PLANNING AND PERFORMANCE					
Business Area Patrols	Commercial Properties within the CBD Area: Non-residential properties on both sides of the roads bounded by Carnarvon Street, Childers Road, Reads Quay and Palmerston Road and all roads inside this area and also that part of Grey Street as far as the skateboard park and Customhouse Street as far as the Waikanae Cut.	1,2 & 6	2	Capital Value	89,017
City Centre Management and Promotion	Commercial Properties within CBD area: Non-residential properties on both sides of the roads bounded by Cobden Street, Childers Road, Reads Quay and Palmerston Road and all roads inside this area and also that part of Grey Street as far as the skateboard Park and Customhouse Street as far as the Waikanae Cut and also all non-residential properties within the blocks bounded by Carnarvon Street, Childers Road, Palmerston Road and Cobden Street.	1,2 & 6	2	Capital Value	207,000
Economic Development Including Tourism	All Industrial, Commercial retail and Accommodation Properties.	1 & 2	2	Capital Value	360,125
WASTEWATER					
Gisborne City Wastewater	Within scheme areas connected.	5 & 6		Per Rating Unit	5,836,690
	Pan charges per water closet or urinal connection in addition to the above charges for connections.	5 & 6	12	Per water closet or urinal connected	3,470,306
	Within scheme area, service available but not connected.	5 & 6		Per Rating Unit	84,616
Te Karaka Wastewater	Within scheme areas connected.	5 & 6		Per Rating Unit	102,310
	Within scheme area, service available but not connected.	5 & 6		Per Rating Unit	10,803

Funding Impact Statement

RATES FUNDING SOURCE	CATEGORIES OF RATEABLE LAND	CATEGORY (SCH 2) S14, 17 LOCAL GOVT (RATING) ACT 2002	FACTORS (SCH 3) LOCAL GOVT (RATING) ACT 2002	FACTOR USED	REVENUE SOUGHT 2020/21 (INCLUDES GST) $
WATER SUPPLY					
Water - Availability	Within scheme areas, service is available but not connected.	5 & 6	7	Per Separately Used or Inhabited Part of a rating unit	57,238
Water - Connection	Within scheme areas connected.	5 & 6	7	Per Separately Used or Inhabited Part of a rating unit	4,130,611
Subtotal					**71,064,580**
Metered Water Rates [1]	Extraordinary and Rural Domestic users.		8		3,446,616
Subtotal					**74,511,196**
Rates Penalties					1,000,000
Net Rates Revenue					**75,511,196**
OTHER FUNDING SOURCES					
Grants and Subsidies					76,317,393
Development and Financial Contributions					803,703
Other Revenue					12,971,939
Dividends and Interest					1,800,000
TOTAL FUNDING					167,404,230

[1] Water by meter has 300 cubic metre no charge domestic allowance on rural residential and lifestyle properties.

RATING DEFINITIONS

Note: In the rating definitions below, Differential Rating Areas (DRA) such as; DRA1, DRA1A, DRA2, DRA3, DRA4, DRA5 and Inner and Outer Zones are defined. In accordance with the system of Differential Rating established by Special Order on 27 June 1991. The District was split into six differential areas. Except for DRA5 these areas were established on 27 June 1991 and maps detailing the boundaries are available on Council's website and also available at Council's Administrative Offices, 39 Gladstone Road, Gisborne. DRA4 was split into two areas, a new DRA5 and residual DRA4 by way of a Special Order on 16 May 2001. They are as follows:

SHORT TITLE	AREAS COVERED	SUB TYPES
DRA1	Former Gisborne City Council boundaries, excluding Rural Farm Land.	Residential, commercial , Industrial and other
DRA1A	All Rural Farm Land within the previous Gisborne City Boundaries and the area surrounding the City, including Wainui and Makaraka.	Residential, other rural, commercial and industrial
DRA2	Tūranganui-a-Kiwa/Poverty Bay Flats including fringe hill properties; Muriwai, Ormond, Waihirere, Waerenga-a-hika, Bushmere, Manutuke and Patatahi.	Residential, rural, all other properties
DRA3	The area within reasonable and currently exercised commuting distance to Gisborne, including part Waerenga-o-kuri and Ngatapa, Whatatutu and Te Karaka.	Rural and all other properties and rural townships
DRA4	The inland rural areas beyond DRA3, up to the boundary of DRA5 Tolaga Bay, Matawai, Tiniroto and Otoko.	Rural and all other properties and rural townships
DRA5	The whole of the East Cape area from a line running inland from a point in the vicinity of Rural and all other properties and Mangatuna north of Tolaga Bay Township, to the tip of the East Coast. Hicks Bay, Te Araroa, Tikitiki, Ruatoria, Waipiro Bay, Te Puia Springs and Tokomaru Bay.	Rural and all other properties and rural townships
Inner Zone	The total land area of DRA1, DRA1A and DRA2.	Urban and rural properties
Outer Zone	The total land area of DRA3, DRA4 and DRA5.	All other properties

Rates Information

This year Council will collect $61.8m in rates. This is an increase on average of 3.26% over 2019/20 rates.

TYPES OF RATES - TARGETED RATES, GENERAL RATES ON CAPITAL VALUE AND UNIFORM ANNUAL GENERAL CHARGE

The majority of the income Council receives is through rates. There are approximately 23,660 rating units in the Gisborne district.

Council collects a significant portion of its rates income by targeted rates (68%). Targeted rates are based on what services you receive or have access to, such as drainage, public transport, water, stormwater, wastewater, roads, and rubbish collection. If you have access to them, then you pay. For the purpose of the differential roading rate, horticulture and pastoral farming and forestry rating units with land area less than 5 hectares will be assessed as lifestyle blocks.

Council also collects General Rates on Capital Value (CV) and a Uniform Annual General Charge (UAGC). The General Rates on CV are directly related to the value of the property and are charged as a "rate in the dollar" of CV. These rates vary from property to property as they are based on the property's CV. The UAGC is charged on each 'separately used or inhabited part of a property' (SUIP) throughout the district unless it receives a reduction as per section 20 of the Local Government (Rating) Act 2002 or complies with a Council rate remission policy that is set out in the LTP.

The capital value of the Gisborne district is approximately $11b. The land value of the Gisborne district is approximately $6.3b. The District-wide rating revaluation is due this year. The land and capital value of all rating units will be reassessed.

UAGC AND FIXED CHARGES

Some of Council's services are more closely related to the existence of a property or a household than they are to the land's capital value or area. In these cases a Uniform Annual General Charge (UAGC) is charged on each 'separately used or inhabited part of a property' throughout the district unless it receives a reduction as per section 20 of the Local Government (Rating) Act 2002 or complies with a Council rate remission policy that is set out in the 2018-2028 LTP.

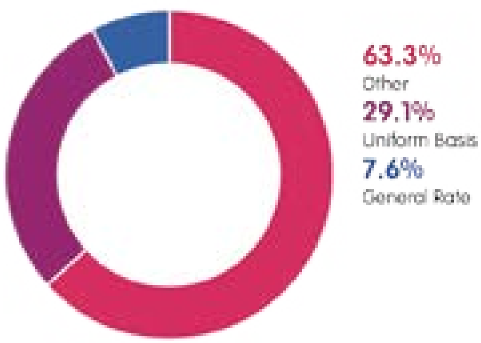
The UAGC revenue has increased by $519k compared to Year 3 of the 2018-2028 LTP. When compared to 2019/20 the UAGC has decreased by $10.55 to $781.26.

The Uniform Annual General Charge funds the following activities:

ACTIVITY		$ per UAGC
Cemeteries		15.86
Civil defence		34.42
District Civil & Corporate Expenses		14.33
Economic Development incl Tourism		3.20
Environmental & Public Health Protection		89.39
HB Williams Memoria & Rural Libraries		100.84
Litter bins and cleaning public areas		13.08
Managing Solid Waste & Transfer Stations		91.67
Mayor & Councillor Representation Costs		120.63
Public Toilets		78.15
Roading		114.11
Strategic Planning & Engagement		64.60
Tairawhiti Museum		40.99
TOTAL	$	781.26

The total Uniform Annual Charge cannot exceed 30% of the total rates collected. The uniform cap for 2020/21 is 27.8%. If the 30% cap is in threat of being exceeded, Council must move the uniform rates to another rate as specified in the Revenue and Financing Policy. The Revenue and Financing Policy states which activities will move to General Rates in these circumstances. These activities are Planning, Performance and Strategic Planning and Engagement, Civil Defence and Emergency Management, Economic Development and Civic and Corporate Expenses of the district.

Council's Rates for 2020/21



Council has a large amount of targeted rates. How much you pay depends on:

- changes to rating policy and Council budgets
- changes to the property (i.e. Subdivision or amalgamation, rating value changes, new buildings, new service connections, contiguity, etc)
- how your land is used
- where your property is located and what targeted rates/ services apply.

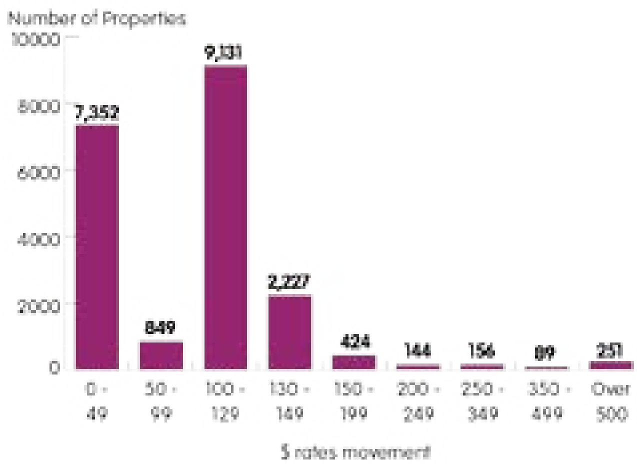
Key changes that have occurred in this year's rates are:

- the overall rates revenue budget compared to Year 3 of the 2018-2028 LTP has increased by 0.3%
- most of this increase is in wastewater due to the project being brought forward into 2020/21 from years 2022 and 2023 of the LTP
- the increase in resource consents rate is driven by an increase in resources required to meet our legislative requirements
- the increase in Parks and Reserves rate is driven by higher depreciation costs due to the recent asset revaluation.

INDICATIVE RATES CHANGES FOR PROPERTIES

The graph below shows that 85% of properties throughout the District increase less than $128. The 3.26% rates increase is as forecast for Year 3 of the LTP. These changes are mainly in the city resulting from an increase in fixed charge rates for Wastewater, Stormwater, Water Supply and the Parks and Reserves. There are 251 properties that increase over $500. These increases are for a variety of reasons including the provision of new services, significant changes in capital value for new development and changes in eligibility to rate remissions and rating units in common ownership (Sec 20 of the Local Government (Rating) Act 2002).

Rates Movements for Properties 2020/21



Te Kaunihera o Te Tairāwhiti
GISBORNE
DISTRICT COUNCIL

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