

UPPER HUTT CITY

# Annual Plan 2019 – 2020

1 JULY 2019 – 30 JUNE 2020





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# Welcome

Firstly, a heartfelt thanks to those of you who responded to our Annual Plan Consultation in March and April. We received 204 responses to the consultation with 11 people presenting their submissions at our hearing meeting.

Most pertinent to this financial year, were the questions we asked around the Economic Development Stimulus Policy. This policy has been very successful to date but we'd received feedback that some businesses weren't qualifying for the grant based on the terms we used in the policy. This may have presented a lost opportunity for business owners and residents as we build business mass in and around our city centre. We proposed some amendments to the policy's wording and the response was very positive. So we're making some changes to make the policy more accessible to a wider range of businesses.

The Sustainability Strategy is up for review later on this year so it was great to get significant feedback on this issue. The 204 responses from the community provided us with some 425 comments in response to the three questions we asked around what sustainability means to you. We're taking this feedback on board and will use it as part of the framework for our review once it gets underway.

This financial year has some major Long Term Plan projects underway. Of particular note is the extension of Expressions Whirinaki, the upgrade of Maidstone Max, and the extension and upgrade of H<sub>2</sub>O Xstream. In the background we're continuing to develop our walking and cycling network alongside our sections of the regional cycle trails.

Also as part of these Long Term Plan projects, resilience is playing a major part. Having fixed and upgraded the Upper Hutt Central Library last financial year, we're now turning our attention to the Civic Centre. Although the building is currently fit for purpose in terms of day to day use, it's not up to standard for re-entry after a major earthquake which it needs to be. This is because Council is a public service organisation that not only needs to re-establish services rapidly but also plays a major part in any Civil Defence emergency response. We're not at the stage yet where we've determined exactly what is to be done but we are evaluating the options to make sure we use a solution that is both sound and as financially prudent as it can be. We'll keep you informed with progress on this.

With all this work underway, we're still doing our best to bring you value for money. The average rates increase for Year 2 of the Long Term Plan was projected at 5.51%. We've continued to apply rigorous testing to our projections and models and have been able to drop the average increase down to 4.88%. At an operational level, this Annual Plan presents a mostly 'continue on, steady as she goes' approach but with the big projects coming online, we can expect to see some dramatic and physical changes in landscape coming through.



Wayne Guppy | **MAYOR**



# Summary

## Annual Plan 2019 – 2020

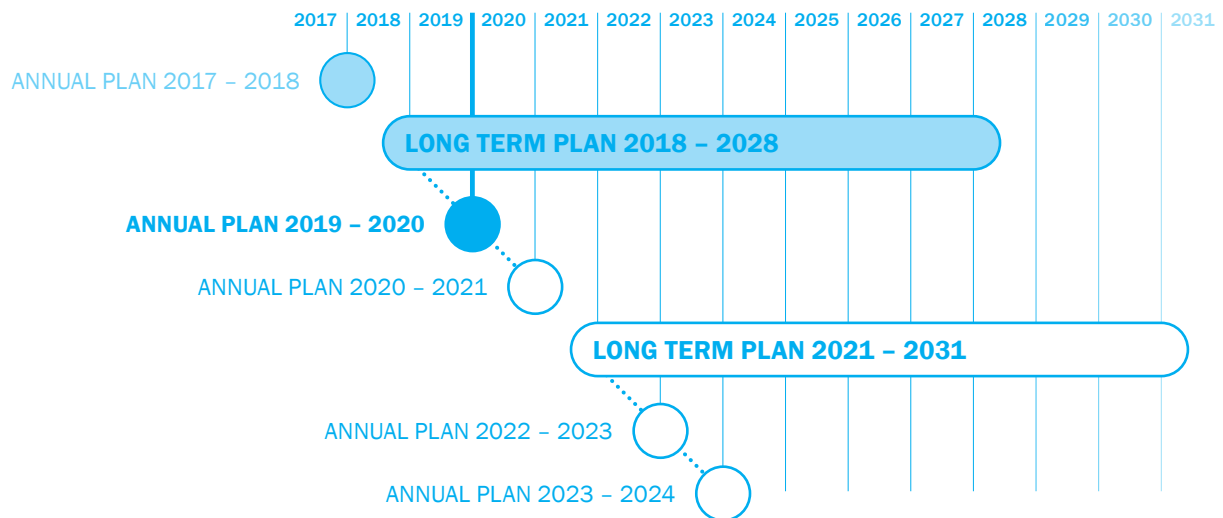
Every three years Council produces a Long Term Plan (LTP) which sets out the projects, activities, and services that will be invested in and developed by Council over the following ten years. This Annual Plan represents year two of the Long Term Plan 2018 – 2028.

The Annual Plan is Council's budget for each financial year. It explains how the Council will fund projects, activities and services identified in the Long Term Plan.

The Long Term Plan 2018 – 2028 was adopted in June 2018. You can view it on our website at [www.upperhuttcity.com/Your-Council/Plans-policies-bylaws-and-reports/Long-Term-Plan](http://www.upperhuttcity.com/Your-Council/Plans-policies-bylaws-and-reports/Long-Term-Plan).

Amendments to the Local Government Act (2002) have simplified how councils consult and the documents produced. The Annual Plan only includes significant changes to the current Long Term Plan.

This means less duplication and a more concise, easy-to-follow document. The current Long Term Plan is the primary source for information about Council operations.



# Our vision

## Priority areas for our city

Community	Environment	City Centre	Economy	Infrastructure
We celebrate our heritage, culture, heroes, and uniqueness. We're a caring, safe and healthy community.	We're immersed in natural beauty, we love our river, our stunning parks, and we feel alive in our great outdoors.	Our city centre is alive, attractive, and vibrant.	We attract new investment and offer opportunities for people and businesses to prosper.	Built on stable foundations we have reliable and efficient networks supporting growth opportunities.



**We're Upper Hutt**

We're family.

**We're Upper Hutt**

We're a scenic playground.

**We're Upper Hutt**

We're a centre for opportunity.

**We're Upper Hutt**

We're enabling growth and success.

**We're Upper Hutt**

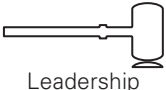
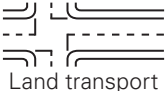
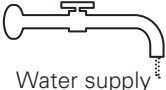






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# One year budget at a glance

This page outlines the average costs of Council's nine main activities for 2019 – 2020, how these activities are funded, and the percentage of rates spending that each activity represents.

PORTION OF RATES SPEND

ACTIVITY	CAPEX	OPEX	FUNDING SOURCES	PORTION OF RATES SPEND
 Leadership		\$3 M	Rates 95% Debt 0% Other <sup>1</sup> 5%	7%
 Land transport	\$10.4 M	\$7.4 M	Rates 32% Debt 20% Other <sup>1</sup> 48%	16%
 Water supply		\$6.3 M	Rates 67% Debt 3% Other <sup>1</sup> 30%	12%
 Wastewater	\$2.8 M	\$6.9 M	Rates 72% Debt 10% Other <sup>1</sup> 18%	17%
 Stormwater	\$7.2 M	\$2.7 M	Rates 29% Debt 29% Other <sup>1</sup> 42%	7%
 Sustainability <sup>2</sup>		\$0.6 M	Rates 13% Debt 0% Other <sup>1</sup> 87%	0%
 Planning and regulatory services		\$7.8 M	Rates 37% Debt 7% Other <sup>1</sup> 56%	7%
 Community and recreation	\$14.1 M	\$17.4 M	Rates 39% Debt 37% Other <sup>1</sup> 24%	29%
 Economic development		\$3.2 M	Rates 68% Debt 31% Other <sup>1</sup> 1%	5%

1. Includes fees and charges, subsidies and grants, development and financial contributions, and funding from other agencies (NZTA, GWRC, etc).

2. Excludes sustainability initiatives funded under other activities such as *Community and recreation* (Council property).



## Your rates 2019 – 2020

Rates make up 60.1% of Council's operating revenue sources. There are two kinds of rates—general and targeted. The **general rate** is for general council services, based on the value of your property. The **targeted rate** is specifically for water supply, wastewater, and stormwater services.

Most urban residents pay both a general rate and a targeted rate. Because Council does not provide water supply, wastewater, and stormwater services to some properties (mostly rural), these properties are exempt from the targeted rate. All properties were revalued in August 2016 and will be revalued again in August 2019. Due to the timing of the next valuation, the August 2016 valuations will be used for rating purposes for the financial period 2019 – 2020.

### Rating unit revaluation

General rates are calculated on the capital value of all rateable properties in the city and assessed on a differential basis.

Under differential rating, all property is allocated to one or more of the differential rating groups, based on zoning or usage, and a differential based on a factor of 100 (or 1.0) for the standard differential group.

All rating units in the city were revalued in August 2016 by the Council's rating services provider Quotable Value. These values have been used for rating purposes from 1 July 2019.

The Council reviewed the rating system in 2017 and the following differentials were set:

- The Business General Rate differential of 2.9, to maintain this differential's share of the overall general rate.
- The Utilities General Rate differential of 2.55, to maintain this differential's share of the overall general rate.
- Increased the capital value threshold for rating units to qualify for the High Value Category of Rateable Units to \$1,200,000.

### Key financial adjustments from the Long Term Plan 2018 – 2028

The LTP Year 2 originally forecast a net debt of \$69.920 million and a rates requirement increase of 5.51% for 2019 – 2020, after growth of 2%. The Council is now proposing that with 2% of growth in the rating database and a forecast net debt (as at 30 June 2020) of \$67.104 million, that the rates requirement increase will be 4.88%. The proposed forecast interest Upper Hutt City Council will pay on debt is \$2.541 million per annum.

In comparison to the LTP Year 2 forecast, there is a \$251,000 decrease in the rate funding requirement and a \$255,000 decrease in interest expenses.

There are a range of adjustments from the LTP projected expenditure levels, but these are minor and are primarily due to changes in prices, priorities, and/or allocation of particular staff and projects.

## Long Term Plan 2018 – 2028 significant project adjustments for year 2019 – 2020

Project	Cost	Funded by	Deferred / removed or change in funding
District Plan review – plan change	\$500,000	Loan funded	To allow for potential future development
Expressions fire suppression system	\$800,000	Loan funded	New – to enhance building compliance

## Long Term Plan 2018 – 2028 budget carryovers

Project	Cost	Funded by	Comment
Wellness activities	\$40,000	Rates	Wellness fund to support staff with expenses such as eye tests and glasses and other related initiatives.
City centre CCTV upgrade	\$25,000	Rates	Provision of CCTV and security services are under review by Asset Management and Operations as part of wider projects. Deferred spending until new financial year.
Windows 10 & MO16 deployment	\$100,000	Rates	Delays with provider for Windows 10/Office 2016 rollout. This is for external resources to be engaged to build and roll out devices across Council.
Information Management Strategy	\$50,000	Rates	Information Management Strategy is being developed but has not been completed by year end.
Business Continuity	\$14,000	Rates	To engage a consultant to assist with the Business Continuity plan development has been deferred to the new financial year. Work has not been able to be completed this year.
Resealing	\$479,610	Rates and NZTA	Completion of resurfacing is subject to the weather conditions.

Drainage renewals	\$100,000	Rates and NZTA	Delayed due to contractor resourcing issues.
Footpath renewals	\$200,000	Rates and NZTA	Delayed due to contractor resourcing issues.
Minor safety programme	\$177,985	Rates and NZTA	Delayed due to staff and contractor resourcing issues.
Eastern Hutt Rail Bridge drainage improvements	\$405,692	Loans and NZTA	Delayed by technical design issues related to the adjacent rail bridge.
Cycleways Hutt River Trail	\$1,385,051	Loans and NZTA	Delays with design and access agreements.
Cycleways Rail Corridor	\$5,726,236	Urban Cycle Fund, loans and NZTA	Delays with design and access agreements.
Cycleways St Patrick's College/Silverstream Bridge	\$70,051	Urban Cycle Fund	Delays with design and access agreements.
Cycleway subway under SH2	\$192,410	Urban Cycle Fund	Delays with design and access agreements.
Rural road high priority safety projects	\$1,058,958	Rates and NZTA	This is a multiyear programme. Any balance remaining at the end of each year accumulating to fund future works.
Blue Mountains rural road upgrade	\$57,422	Rates and NZTA	This a multi-year programme. Any remaining balance at the end of each year is accumulated to fund future works.
Fergusson/Ward/Whakatiki intersection	\$269,050	Loans and NZTA	Awaiting NZTA funding approval.
Pinehaven Road culvert	\$990,000	Loans and NZTA	Replacement of Sunbrae Drive culvert in conjunction with Pinehaven Stream works has been delayed by resource consent issues.
New Footpaths	\$55,047	Rates	Delayed due to staff and contractor resourcing issues.
Revitalisation of Upper Hutt's city centre	\$882,647	Loans	This is a multi-year project (4 years at \$1M/year). Before beginning the major works, an overall design for Main Street is required.

Ashford Lane city centre	1,300,000	Loans	This is a city centre development incentive related to The Mall development. The criteria for payment have not yet been met.
Parking demand study	\$100,000	Rates	Investigate opportunities to maximise returns on existing parking in the city centre. Delayed by staffing resource issues.
Eco-friendly initiatives	\$10,000	Rates	Delayed due to staff resourcing issues.
Water supply – capex	\$279,877	Rates	This equates to unspent capital expenditure budget at year end. It will be carried over to ensure no change to the three year programme.
Stormwater – capex	\$130,055	Rates	This equates to unspent capital expenditure budget at year end. It will be carried over to ensure no change to the three year programme.
Wastewater – capex	\$921,165	Loans	This equates to unspent capital expenditure budget at year end. It will be carried over to ensure no change to the three year programme.
Consultants fees	\$22,000	Rates	Training has been delayed by consultant. The balance of budget will be paid following the completion of training in July 2019.
Lifelines	\$20,000	Rates	Development of our Local Earthquake Response plan
New parks pathways and walkways	\$70,000	Rates	The funds are for the footbridge over the Whakatiki River which is funded over a two year financial period. Delay with starting project.
Maidstone Park Sports Hub Stage 1 – Sports field upgrade	\$1,800,000	Loans	Delayed due to wet weather.
Walkway asset replacement/refurbishment	\$100,000	Rates	Delays in consents and permits, with construction expected to commence early in the new financial year.
Sculpture Trail	\$46,400	Loans	Subject to approval of Council in June 2019.

Whitemans Valley shared pathway	\$189,445	Loans	This project requires further consultation which is expected to take place in the new financial year.
Upper Hutt track network	\$290,000	Loans	Preliminary consultation underway with private land owners. This is a multi-year project and any remaining balance at the end of each year is accumulated to fund future works.
Regional cycle trails	\$85,000	Loans	Spending is reliant on a regional agreement on design standards.
Vehicle and plant	\$22,900	Special funds - plant renewals	Purchase of plant subject to review of operations.
Library vehicles	\$81,000	Special funds - plant renewals	Investigation into the purchase of a new mobile library bus has been delayed due to impacts of temporary library relocation.
HAPAI Club extraordinary maintenance	\$22,795	Rates	Work could not be committed this financial year.
Ex Cobb & Co site maintenance	\$33,254	Rates	Required for potential maintenance whilst awaiting decision on the demolition of the building.
Strategic property purchase	\$635,000	Loans	Still under discussion on possible land purchases.
Alterations to building and property	\$10,000	Rates	Awaiting further investigations on the building.
Parks Depot extraordinary (AMP) renewals	\$11,000	Rates	With Rural Fire moving out of depot later this year considerable work is required to rationalise and tidy up buildings on site.
Council buildings seismic upgrades	\$1,200,000	Loans	This work is ongoing with assessments and design under development before physical works are recommenced.

CCTV Security Cameras (all city cameras)	\$14,000	Rates	A review and upgrade of CCTV cameras is underway. This has identified a number of cameras and connections which require upgrading that is going to exceed next year's budget.
Civic centre – LED lighting	\$60,000	Loans	On hold due to planned seismic upgrade of the Civic Centre building.
Civic centre extraordinary maintenance	\$50,000	Rates	On hold due to planned seismic upgrade of the Civic Centre building.
Civic centre - solar panels	\$70,000	Special funds – plant renewals	On hold due to planned seismic upgrade of the Civic Centre building.
Extension to Expressions Whirinaki	\$548,000	Grants and loans	Work in progress. This project crosses over financial years with funding from external grants and loans.
GoGet System (building services)	\$16,000	Rates	Work in progress. This project crosses over financial years.
Brochures and promotional material	\$30,000	Rates	Awaiting prioritisation of initiatives and investment in services.
Upper Hutt Marketing Strategy	\$45,000	Rates	\$22,000 for ePlan and \$23,000 for Flagtrax – both projects delayed.
Street decorations	\$32,000	Rates	Tender process delayed due to seasonal use of flags and availability of resources.
Website maintenance /improvements	\$13,800	Rates	ePlan implementation - project co-funded with Planning Policy, work should be awarded prior to 30 June with implementation required now to take advantage of available resources.
Flag poles – street decorations	\$185,000	Loans	Tender process delayed due to seasonal use of flags and availability of resources.
Residential Stimulus Policy	\$400,000	Loans	Applications currently going through the review process.
Economic Development Stimulus Policy Fund	\$360,000	Loans	Approved grant projects awaiting completion.

Upper Hutt Business Opportunities Profile	\$10,000	Rates	Currently under review. Delayed due to staff resources.
LTP/Annual Plan Communications	\$10,000	Rates	LTP pre-consultation to take place in preparation for the 2021-2031 LTP.
District Plan Scheme Review	\$143,221	Rates	This is a multi-year programme. Any remaining balance at the end of each year is accumulated to fund future works.

## A – Rate funding requirement for each significant activity

	Forecast Annual Plan Year 1 2018-19 (\$ 000)	Forecast LTP Year 2 2019-20 (\$ 000)	Forecast Annual Plan Year 2 2019-20 (\$ 000)	Forecast Variation Year 2 2019-20 (\$ 000)
Leadership	2,541	2,644	2,858	214
Land transport	6,492	7,200	6,626	(574)
Water supply	5,298	5,689	5,227	(462)
Wastewater	7,469	7,713	7,383	(330)
Stormwater	2,605	3,016	2,930	(86)
Sustainability	108	(8)	79	87
Planning and Regulatory Services:				
- City planning	1,967	2,021	2,089	68
- Building and Compliance Services	783	790	828	38
Community and recreation:				
- Community development	604	615	695	80
- Activation	355	361	329	(32)
- Emergency management	335	341	357	16
- Parks and reserves	3,208	3,278	3,318	40
- H <sub>2</sub> O Xtream	2,364	2,218	2,372	154
- Library	3,335	3,224	3,319	95
- Expressions	898	1,019	1,157	138
- Property	347	526	783	257
- Akatarawa Cemetery	73	47	128	81
- Support services	46	47	46	(1)
Economic development	2,061	2,235	2,201	(34)
<b>Total rate funding requirement</b>	<b>40,889</b>	<b>42,976</b>	<b>42,725</b>	<b>(251)</b>
<b>Funded by</b>				
Accumulated general fund	1,106	205	205	0
Rates	39,783	42,771	42,520	(251)
<b>Total</b>	<b>40,889</b>	<b>42,976</b>	<b>42,725</b>	<b>(251)</b>
Change in rates funding	5.98%	7.51%	6.88%	-0.63%
Less forecast growth in the rating database	2.00%	2.00%	2.00%	0.00%
<b>Forecast in net change in overall rate funding requirement</b>	<b>3.98%</b>	<b>5.51%</b>	<b>4.88%</b>	<b>-0.63%</b>



## Rate funding adjustments 2019 – 2020

Activity	Increase/decrease	Reasons
Leadership	Increase of \$214,000	Department operations and staffing restructure within Policy, Reporting and Communication Business and Customer Engagement.
Land transport	Decrease of \$574,000	Footpath renewals previously funded 100% by rates can now be funded from NZTA and rates. Also decrease in street cleaning costs.
Water supply	Decrease of \$462,000	Reduction in forecast of the GWRC bulk water levy charge. Also increase in water rate reserves funding towards capital works.
Wastewater	Decrease of \$330,000	Reduction in forecast of the drainage wastewater levy charge from the joint treatment plant with Hutt City Council.
H <sub>2</sub> O Xstream	Increase of \$154,000	Increase in insurance costs and staffing restructure.
Expressions Whirinaki	Increase of \$138,000	Increase in insurance costs and asset management from the proposed building extension development.
Property	Increase of \$257,000	Increase from asset management from the continuation of seismic upgrades of Council buildings.

There are variances to other activities, all of which are less than \$100,000. These are detailed in the financial statements.

## B – Rates

	Forecast Annual Plan Year 1 2018-19 (\$ 000)	Forecast LTP Year 2 2019-20 (\$ 000)	Forecast Annual Plan Year 2 2019-20 (\$ 000)	Forecast Variation Year 2 2019-20 (\$ 000)
General rates	24,410	26,353	26,980	627
Targeted rates water fire protection	1,318	1,402	1,305	(97)
Targeted rates water supply	3,981	4,287	3,922	(365)
Targeted rates stormwater	2,605	3,016	2,930	(86)
Targeted rates wastewater	7,469	7,713	7,383	(330)
Rates penalties	239	245	242	(3)
<b>Total non-exchange revenue – rates</b>	<b>40,022</b>	<b>43,016</b>	<b>42,762</b>	<b>(254)</b>

## C – Public debt

	Forecast Annual Plan Year 1 2018-19 (\$ 000)	Forecast LTP Year 2 2019-20 (\$ 000)	Forecast Annual Plan Year 2 2019-20 (\$ 000)	Forecast Variation Year 2 2019-20 (\$ 000)
Opening balance	35,521	53,417	48,000	(5,417)
Loans raised during the year	21,213	19,256	21,873	2,617
Less repayments during the year	(3,317)	(2,753)	(2,769)	(16)
<b>Total public debt</b>	<b>53,417</b>	<b>69,920</b>	<b>67,104</b>	<b>(2,816)</b>

The opening balance of year two (2019 – 2020) may not agree to closing balance of year one (2018 – 2019) due to Council taking into account events occurring this year.

### Loans raised consist of:

Land Transport	7,522	3,525	4,242	717 <sup>1</sup>
Water Supply	976	266	266	0
Stormwater	200	3,075	3,075	0
Wastewater	2,120	983	983	0
Parks and Reserves	4,250	5,314	5,314	0
Planning	0	0	500	500 <sup>2</sup>
H <sub>2</sub> O Xstream	0	512	512	0
Expressions Whirinaki	497	2,018	3,418	1,400 <sup>3</sup>
Property	4,135	2,563	2,563	0
Economic Development	1,513	1,000	1,000	0
<b>Total loans to raise</b>	<b>21,213</b>	<b>19,256</b>	<b>21,873</b>	<b>2,617</b>
<b>Interest expenses</b>	<b>2,044</b>	<b>2,802</b>	<b>2,541</b>	<b>(261)</b>

<sup>1</sup> Pinehaven Road culvert is now Loan/NZTA funded. This was rates funded in the previous LTP Year 2

<sup>2</sup> New District Plan Resource Consent

<sup>3</sup> Expressions fire suppression system and project loan funding

## D1 – Restricted reserve funds

	Forecast Annual Plan Year 1 2018-19 (\$ 000)	Forecast LTP Year 2 2019-20 (\$ 000)	Forecast Annual Plan Year 2 2019-20 (\$ 000)	Forecast Variation Year 2 2019-20 (\$ 000)
Special funds	7,496	8,431	7,578	(853)
Other accounts restricted by law	4,365	3,893	6,407	2,514
<b>Total restricted reserves</b>	<b>11,861</b>	<b>12,324</b>	<b>13,985</b>	<b>1,661</b>

## D2 – Special funds key variations

	Forecast LTP Year 2 2019-20 (\$ 000)	Forecast Annual Plan Year 2 2019-20 (\$ 000)	Forecast Variation Year 2 2019-20 (\$ 000)
Reserve Fund Contribution <sup>1</sup>	4,066	4,276	210
Property sales <sup>2</sup>	1,601	543	(1,058)
Akatarawa Rooding levy <sup>3</sup>	149	200	51

### Variance explanations:

<sup>1</sup> Based on the current year (2018 – 2019), Reserve Fund contributions for LTP Year 2 (2019 – 2020) are now reforecast to be higher than stated in the LTP 2018 – 2028

<sup>2</sup> Reduction in council land parcel properties that are available to be sold

<sup>3</sup> Higher Development Contributions than previously forecast were received during 2018 – 2019

## E – Comparison of key funding indicators

	Forecast Annual Plan Year 1 2018-19 (\$ 000)	Forecast LTP Year 2 2019-20 (\$ 000)	Forecast Annual Plan Year 2 2019-20 (\$ 000)	Forecast Variation Year 2 2019-20 (\$ 000)
Rate funding requirement	40,889	42,976	42,725	(251)
Public debt	53,417	69,920	67,104	(2,816)
Restricted reserves	11,861	12,324	13,985	1,661

# Key changes to the Schedule of Fees and Charges 2019 – 2020

## Standardisation of administration fees for technical officers and administration officers

The hourly rate for technical officers has increased by 3% to \$124.00 per hour, and administration officers to \$93.00 per hour. These rates have been applied throughout the Schedule of Fees and Charges.

## Akatarawa Cemetery

All Akatarawa Cemetery fees have increased by 4.2% (rounded) to cover Consumer Price Index increases.

## Abandoned vehicles, Building Services and Compliance Services

A 3% increase (rounded) has been applied to cover all building and compliance services with the exception of disability assistance dog and police dog registrations, parking fees, skateboarding impounding fees, litter infringement fee, and seizure of noise equipment.

## Gambling, HAPAI Building fees, Liquor licensing, Official Information, and Solid waste – clothing recycling bins

No change.

## H<sub>2</sub>O Xtream

Increases in fees have been applied to the corporate and Government organisation concession rate, and the private facility hireage rate.

The Holiday Programme daily rate, both for on-site and off-site (day trips), has increased to cover the costs of providing the programme.

A new commercial lane hire at a rate of \$20 per lane per hour has been introduced this year for those people wishing to use the lanes for a business venture.

Other minor changes have been applied to some admission fees.

## Land Information Memorandum (LIM)

Any change in fees to LIMs relates to the revised standardisation of administration costs as explained above.

Information about how refunds are calculated now show the exact amount to be refunded up to 5 days after the application is made. The aim of this is to encourage applicants who need to cancel, to do so promptly so that workflow and service delivery is not disrupted.

## Land transport

Several Land Transport fees have increased according to inflation, while others have been adjusted down as a result of internal efficiencies.

## Library

A new premium subscription membership has been introduced. This membership offers a cost effective opportunity for high use library members by allowing free holds and rentals throughout the subscription period. Minor decreases in DVD and ukulele rentals have been applied.

## Parks and reserves

All Parks and Reserves fees have increased by 2% (rounded) to cover Consumer Price Index increases to contracts.

## Regulatory services

All Regulatory Services fees have increased by 3% to reflect the increase in actual costs.

The entire section on food premises licenced under the Food Act 2014 has been removed as changes to the Food Act legislation dictate these charges are no longer required.

## Resource management

All increases to Resource Management fees are based on the revised officer or administration hourly rate.

## Trade waste

All trade waste charges have been updated following the calculation methodology as agreed by Hutt City Council and Upper Hutt City Council, based on the Hutt City Council officers report dated 17 August 2000. (Hutt City administers the Trade Waste bylaw)

## Water supply

Water charges are generally indexed by the contract cost increase for maintenance, with the exception of water volumetric charges which are indexed by the forecast increase in the bulk water levy in the Long Term Plan.

# Policy amendment

## Amendment to the Economic Development Stimulus Policy

### Background

First introduced in 2014 – 2015, the Economic Development Stimulus Policy is now into its fifth year. Over the years the policy has contributed to the attraction, retention, and expansion of several businesses, and has had a positive effect by creating many jobs in our city. The policy has provided investors with the confidence that Upper Hutt is a great place to establish a business.

The stimulus package waives key development charges, such as resource and building fees; provides grants for business relocations, refits and earthquake strengthening work; and enables the reduction and remission of rates.

Over the five years the policy has further evolved with several reviews to improve the policy. The first review in 2015 saw the inclusion of two additional incentives for businesses relating to city centre exterior improvements, and new builds.

The intention of the review in 2017 was to upgrade the visual amenity of the city centre, lower the retail vacancy rate, and manage more businesses to be based in Upper Hutt.

The review during the Long Term Plan 2018 – 2028 allowed the continuation of the policy for a further three years. Minor changes were included to enable activities that contribute to local employment as 'emerging opportunities', and provide greater support for existing local businesses.

Recent research on the changing nature of city centres and the impact of technology on the retail sector prompted further policy consideration, and engagement with the Upper Hutt business community. These factors and the response of the business community have contributed to this policy amendment.

### Policy revision objectives

Following the 2019 consultation the resulting recommendations were approved:

- 'Remissions' and 'waivers' are now relabeled as 'grants' for clarification of Economic Development Stimulus Policy disbursement processes.
- Reference to 'CBD' has been replaced with 'city centre' for consistency and future flexibility.
- Council contribution toward earthquake strengthening costs has been increased: Up to 30% of costs for buildings strengthened to 34% or more of the New Building Standard, with a grant cap of \$20,000; and up to 50% for buildings strengthened to 67% or more of the New Building Standard, with a cap of \$40,000.
- A scale for city centre commercial retrofits be introduced, starting from \$5,000.
- Relocations within Upper Hutt can be considered if relocation is necessary for business expansion or partnership development.

- A condition of grant acceptance being that Council may request specific business information to help assess the impact of the policy.

## How the project fits with Council's strategic direction

Our city vision, articulated as 'Life. Leisure. *Live it!*' determines how we invest our energy and finances through five strategic priority areas: environment; community; city centre; economy; and infrastructure. The vision reflects what our community values most about Upper Hutt.

The Economic Development Stimulus Policy fits strategically with Council's City Centre vision: 'We're Upper Hutt. We're a city for opportunity, and the Economy vision: 'We're enabling growth and success.'

# Project updates

## Projects commenced in 2018 – 2019

During the Long Term Plan 2018 – 2028 consultation you told us that you would like Council to go ahead with 11 of the 13 optional projects to help realise our vision. Alongside these projects, our 'business as usual' (BAU) activities deliver everyday services, facilities, and infrastructure. Resilience and growth were two further important factors that we considered in developing our works programme.

Below is an update on the progress of the new projects, key initiatives, and infrastructure business-as-usual work listed to commence during 2018 – 2019.

### Seismic upgrades

In February 2018, the Central Library was assessed as being earthquake prone (a seismic rating below 33% of the standard building code) and relocated to the CBD Towers as a Pop-up Library. During the last 12 months extensive earthquake strengthening has taken place with the work running to time and to budget. The newly strengthened library building re-opened on 11 March 2019.

The Civic Centre building also requires strengthening works to increase its seismic rating. Planning work is underway to determine the options available to earthquake strengthen the building.

### Walking and cycling network (2018 – 2023)

This project will continue to develop our walking and cycling network to improve the liveability of our city and provide easy, safe access to our highly valued open space network. Council is currently preparing for land access negotiations, based on a feasibility study completed in 2017 (by the Frame Group). This preliminary work will guide further planning for the capital works, currently scheduled to commence in 2019 – 2020.

### Economic Development Stimulus Policy (2018 – 2021)

Since 2014, this policy has provided incentives enabling investment of over \$10 million in Upper Hutt with \$6 million of this invested in the city centre, resulting in significant rejuvenation and securing over 350 jobs in our city. To keep this momentum going the policy was extended during the 2018 –2028 LTP for a further three years at \$500,000 per year.

### Residential Stimulus Policy (2018 – 2021)

This incentive was introduced during the 2018 -2028 LTP to focus on and incentivise higher density residential development. The stimulus package waives key development charges such as resource and building consent fees and reserve fund contributions. \$500,000 was allocated per year for three years.



## **Maidstone Sports Hub (2018 – 2019 and 2022 – 2023)**

Stage 1 will convert the two current rugby fields to sand-based fields and with new capacity added for athletics use. This includes additional work to improve the stormwater drains, reshape the bank, and to construct an irrigation bore. Work began on 4 March, and it is anticipated the ground will be available for play in the winter of 2020.

## **Trentham Memorial Park upgrade (2018 – 2019)**

This upgrade will improve current infrastructure and provide additional facilities. New features will include replacing the playground bark with matting to improve accessibility for users with disabilities; and constructing a new interactive water-play feature. Completion of the main playground is anticipated by the end of June 2019 and the interactive water-play feature by late spring 2019.

## **Recycling drop-off point (2018 – 2019)**

The upgrade of the recycling station was completed in April 2019. The upgraded station is open to the community seven days a week, making it more user-friendly, and has increased collection capacity.

## **Revitalisation of city centre (2018 – 2022)**

Following the new modern look that has been created around the train station and Princes Street area, further enhancement work will continue throughout the city centre. Work has begun on design and planning but physical works are unlikely to start this financial year.

## **Pinehaven Stream capacity upgrade (2018 – 2022)**

This project aims to address a long history of flooding within the catchment. The project will reduce the frequency and severity of flooding in the Pinehaven Stream catchment bringing these factors into alignment with Council's level of service for stormwater. Local community consultation has been underway for some time, detailed design is largely complete and a contractor has been engaged. Physical works have been delayed pending completion of associated legal processes.

## Projects scheduled for 2019 – 2020

### Fergusson/Ward/Whakatiki intersection upgrade (2019 – 2020)

Over the next few years significant development is planned to take place on Alexander Road and the previously owned AgResearch site on Ward Street. This will result in a substantial increase in traffic using the Fergusson/Ward/Whakatiki intersection. To mitigate traffic congestion due to increased demand this intersection will be redesigned and upgraded.

### Maidstone Max redevelopment (2019 – 2020)

The start of the Maidstone Max early community engagement in January was a huge success. 199 people completed an online survey providing both feedback on the existing facility and ideas for the redevelopment and new design. This information, along with other feedback received on Park Day, has been supplied as part of a design brief to the park designers. It is planned to present concept designs to Council by June and then to share designs with the public for feedback later in 2019.

### H<sub>2</sub>O Xtream redevelopment (2019 – 2023)

The aim of this project is to upgrade H<sub>2</sub>O Xtream to include the addition of new aquatic offerings and water space within the facility. Once the budget becomes available in July 2019, the design process will begin. We expect to have a design for public consultation by early 2020.

### Expressions Whirinaki redevelopment (2019 – 2021)

During the 2015 – 2025 LTP we consulted on the Expressions Whirinaki redevelopment and a feasibility study was subsequently carried out. The study's outcomes, and inflation since the original planning, have increased the projected cost to \$7.25 million (from the previous budget of \$4.3 million in 2015). Council committed to funding \$4.38 million while the Expressions Whirinaki Trust is looking to source the remaining \$2.87 million externally. Building consent was lodged in May 2019, with detailed design work to follow.

In conjunction with Expressions Whirinaki redevelopment, an additional upgrade to the fire suppression system is being carried out to enhance building compliance and this will be loan funded as part of the asset renewal programme.

# Council activities: Works programmes

The works programme identifies expenditure on asset management, capital works and projects. It also shows how the work will be funded.

## Leadership

	Forecast LTP Year 2 2019 – 20 (\$000)	Forecast Annual Plan Year 2 2019 – 20 (\$000)	Forecast Variation Year 2 2019 – 20 (\$000)	Source of Funding 2019 – 20
Community grants	151	151	0	Rates
Regional Amenities Fund	106	106	0	Rates
<b>Total Leadership works programme</b>	<b>257</b>	<b>257</b>	<b>0</b>	

## Land transport

	Forecast LTP Year 2 2019 – 20 (\$000)	Forecast Annual Plan Year 2 2019 – 20 (\$000)	Forecast Variation Year 2 2019 – 20 (\$000)	Source of Funding 2019 – 20
<b>Asset management - to replace existing assets</b>				
Street drainage	371	371	0	Rates / NZTA
Resealing	1,118	1,118	0	Rates / NZTA
Footpath renewals subsidised	0	659	659	Rates / NZTA
Minor safety programme	320	320	0	Rates / NZTA
Low Cost Low Risk Pinehaven Road culvert	1,015	990	(25)	Loans / NZTA
Footpaths non-subsidised	631	49	(582)	Rates
Carparks and bus shelters	20	20	0	Rates
Litter bin replacement	5	5	0	Rates
Structures component replacement	28	28	0	Rates / NZTA
Traffic services renewals	440	440	0	Rates / NZTA
<b>Capital works - to meet additional demand</b>				
Fergusson /Ward/Whakatiki intersection upgrade	4,137	4,137	0	Loans / NZTA
Widening of Totara Park Bridge	66	66	0	Rates / Loans / NZTA
Fergusson /Gibbons/Main intersection upgrade	110	110	0	Loans
<b>Capital works - to improve level of service</b>				
Rural road high priority safety projects	788	788	0	Loans / NZTA / UCF
Revitalisation of Upper Hutt's city centre	1,025	1,025	0	Loans
Shared pathways project	232	232	0	Rates
<b>Total Land transport works programme</b>	<b>10,306</b>	<b>10,358</b>	<b>52</b>	

<sup>1</sup> NZTA = New Zealand Transport Agency

<sup>2</sup> UCF = Urban Cycling Fund

## Water supply

	Forecast LTP Year 2 2019 – 20 (\$000)	Forecast Annual Plan Year 2 2019 – 20 (\$000)	Forecast Variation Year 2 2019 – 20 (\$000)	Source of Funding 2019 – 20
<b>Asset management - to replace existing assets</b>				
Pipeline renewal upgrade	526	526	0	Targeted rates
Reservoir upgrade	187	187	0	Loans
Miscellaneous works	299	299	0	Targeted rates
<b>Total Water Supply works programme</b>	<b>1,012</b>	<b>1,012</b>	<b>0</b>	

## Wastewater

	Forecast LTP Year 2 2019 – 20 (\$000)	Forecast Annual Plan Year 2 2019 – 20 (\$000)	Forecast Variation Year 2 2019 – 20 (\$000)	Source of Funding 2019 – 20
<b>Asset management - to replace existing assets</b>				
Pipeline renewal upgrade	1,712	1,712	0	Targeted rates / loans
Miscellaneous works	84	84	0	Targeted rates
<b>Capital works - to improve level of service</b>				
Wastewater project capital	983	983	0	Loans
<b>Total Wastewater works programme</b>	<b>2,779</b>	<b>2,779</b>	<b>0</b>	

## Stormwater

	Forecast LTP Year 2 2019 – 20 (\$000)	Forecast Annual Plan Year 2 2019 – 20 (\$000)	Forecast Variation Year 2 2019 – 20 (\$000)	Source of Funding 2019 – 20
<b>Asset management - to replace existing assets</b>				
Pipeline renewal	1,023	1,023	0	Targeted rates
Telemetry upgrade	15	15	0	Targeted rates
<b>Capital works - to meet additional demand</b>				
Pinehaven Stream upgrade	6,150	6,150	0	Loans / GWRC
<b>Total Stormwater works programme</b>	<b>7,188</b>	<b>7,188</b>	<b>0</b>	

## Sustainability

	Forecast LTP Year 2 2019 – 20 (\$000)	Forecast Annual Plan Year 2 2019 – 20 (\$000)	Forecast Variation Year 2 2019 – 20 (\$000)	Source of Funding 2019 – 20
<b>Project</b>				
Waste Management and Minimisation Plan - Regional Projects	4	4	0	Waste Levy
Waste Management and Minimisation Plan - Upper Hutt Projects	58	60	2	Waste Levy
Sustainability Strategy programmes	117	117	0	Rates
Drop-off recycling costs	123	135	12	Waste Levy / Rates
<b>Total Sustainability works programme</b>	<b>302</b>	<b>316</b>	<b>14</b>	

## Planning and regulatory services

	Forecast LTP Year 2 2019 – 20 (\$000)	Forecast Annual Plan Year 2 2019 – 20 (\$000)	Forecast Variation Year 2 2019 – 20 (\$000)	Source of Funding 2019 – 20
<b>Project</b>				
District Plan review – plan change	0	500	500	Loans
District Plan review	407	407	0	Rates
<b>Total City Planning works programme</b>	<b>407</b>	<b>907</b>	<b>500</b>	

## Community and recreation

		Forecast LTP Year 2 2019 - 20 (\$000)	Forecast Annual Plan Year 2 2019 - 20 (\$000)	Forecast Variation Year 2 2019 - 20 (\$000)	Source of Funding 2019 - 20
<b>Asset management - to replace existing assets</b>					
PR	Toilets	51	51	0	Special Fund - Reserve Fund Contribution
PR	Shower and changing room upgrades	9	9	0	Special Fund - Reserve Fund Contribution
PR	Amenities replacement	154	154	0	Special Fund - Reserve Fund Contribution
PR	Renewal roading resealing	12	12	0	Special Fund - Reserve Fund Contribution
PR	Play equipment	157	157	0	Special Fund - Reserve Fund Contribution
PR	Walkway asset replacement / refurbishment	140	140	0	Special Fund - Reserve Fund Contribution
LB	Equipment replacements	19	19	0	Rates
PP	Alterations to building and property - Capex	8	8	0	Loans
<b>Capital works - to improve the level of service</b>					
PR	Parks building upgrade	3	3	0	Special Fund - Reserve Fund Contribution
PR	Walkway signage	3	3	0	Special Fund - Reserve Fund Contribution
PR	Sculpture trail	28	28	0	Loans
PR	New walking and cycling links	28	28	0	Loans
PR	New parks pathways and walkways	72	72	0	Special Fund - Reserve Fund Contribution
PR	Walking and cycling network project	1,169	1,169	0	Loans
PR	Maidstone Max upgrade	3,804	3,804	0	Special Fund - Reserve Fund Contribution
PR	Regional cycle trails	77	77	0	Loan
PR	Sport facilities and turf improvement	1	1	0	Rates
HO	H <sub>2</sub> O Xstream upgrade	513	513	0	Loans
LB	Library resources	236	236	0	Rates
LB	APNK - Public Internet	15	15	0	Rates

		Forecast LTP Year 2 2019 - 20 (\$000)	Forecast Annual Plan Year 2 2019 - 20 (\$000)	Forecast Variation Year 2 2019 - 20 (\$000)	Source of Funding 2019 - 20
LB	Library vehicles - Outreach van and bus	543	543	0	Special Fund - Plant Renewal
EX	Extension to Expressions	3,100	3,700	600	Loans / Grants
EX	Expressions fire suppression system	0	800	800	Loans
PP	CCTV Security Cameras (All city cameras)	28	27	(1)	Rates
PP	Council buildings seismic upgrades	2,563	2,563	0	Loans
PP	Council depot extraordinary (AMP) renewals	12	12	0	Rates
SS	Minor equipment	6	6	0	Rates
<b>Projects</b>					
CS	Youth strategy	13	13	0	Rates
CS	Safe and healthy cities	23	23	0	Rates
CS	Hutt Science Initiative	0	50	50	Rates
CS	Mesa Youth Exchange programme	0	9	9	Rates
AC	Activation	361	330	(31)	Rates
PR	Large trees in reserves	11	11	0	Rates
PR	Native forest management programme	3	3	0	Rates
PR	Monitoring native bush	6	6	0	Rates
LB	Leases - Library IT Equipment (RFID)	22	22	0	Rates
LB	Library Website Redevelopment	2	2	0	Rates
<b>Total community and recreation works programme</b>		<b>13,192</b>	<b>14,619</b>	<b>1,427</b>	

**Key to cost centres**

CS = Community services

PR = Parks and reserves

LB = Library

AC = Activation

EX = Expressions

CE = Cemetery

EM = Emergency management

HO = H<sub>2</sub>O Xstream

PP = Property

SS = Support services



## Economic development

	Forecast LTP Year 2 2019 - 20 (\$000)	Forecast Annual Plan Year 2 2019 - 20 (\$000)	Forecast Variation Year 2 2019 - 20 (\$000)	Source of Funding 2019 - 20
<b>Projects</b>				
Vacant property improvement programme	5	5	0	Rates
Upper Hutt Marketing Strategy	118	118	0	Rates
Residential Stimulus Policy	500	500	0	Loans
Business and resident opportunity prospectus	2	2	0	Rates
Opportunities profile	21	21	0	Rates
City centre management	17	17	0	Rates - Personnel costs not included
Regional marketing initiatives	10	0	(10)	Rates
The Great Ride Cycleway	5	0	(5)	Rates
Economic Development Stimulus Policy	500	500	0	Loans
Business incubator	0	6	6	Rates
<b>Total Economic Development works programme</b>	<b>1,178</b>	<b>1,169</b>	<b>(9)</b>	

# Financials

## Note 1 – General accounting policies

### Reporting entity

Upper Hutt City Council is a territorial local authority established by the Local Government Act 2002 (LGA) and is domiciled and operates in New Zealand, the relevant legislation governing the Council's operations including the LGA and the Local Government (Rating) Act 2002.

The Upper Hutt City Council Group (Upper Hutt City Council) consists of Upper Hutt City Council and its Council controlled charitable organisation Expressions Whirinaki Arts and Entertainment Trust. Upper Hutt City Council is a joint venture partner with Hutt City Council and has an interest in the Hutt Valley Wastewater Scheme (refer to 9F) in the Notes to the Financial Statements for details of the accounting treatments followed).

The primary objective of Upper Hutt City Council is to provide goods and services for the local community or social benefit rather than making a financial return. Accordingly, Upper Hutt City Council has designated itself and the group as a Tier 1 Public Benefit Entity (PBE) or the purposes of New Zealand equivalents to IPSAS.

These financial policies are prepared in accordance with the requirements of Section 95 of the Local Government Act 2002, which includes the requirement to comply with New Zealand's generally accepted accounting practice (NZ GAAP). The forecast financial statements are those which have been adopted by Council to meet the requirements of Part 2 of Schedule 10 of the Local Government Act 2002.

### Basis of preparation

The prospective financial statements have been prepared on the going concern basis, and the accounting policies have been applied consistently throughout the period.

### Statement of compliance

The prospective financial statements of Upper Hutt City Council have been prepared in accordance with the requirements of Local Government Act 2002: Part 6, section 95 and Part 2 of Schedule 10, which include the requirement to comply with New Zealand's generally, accepted accounting practice (NZ GAAP).

These prospective financial statements have been prepared in accordance with NZ GAAP. They comply with IPSAS, and other applicable Financial Reporting Standards, as appropriate for public benefit entities, in accordance with Tier 1 PBE accounting standards.

Council is responsible for the prospective financial statements presented, including the appropriateness of the assumptions underlying the prospective financial statements and all other required disclosures.

The prospective financial statements are not audited.

The prospective financial statements of Upper Hutt City Council are for the period year ended 30 June 2020. The prospective financial statements were adopted for issue by Council on 26 June 2019.

## Measurement base

The financial statements have been prepared on a historical cost basis, modified by the revaluation of land and buildings, certain infrastructural assets, and financial instruments (including derivative instruments).

## Forecast figures

The forecast figures are those approved by Council at the beginning of the year after a period of consultation with the public as part of the Annual Plan process. The forecast figures have been prepared in accordance with generally accepted accounting practice and are consistent with the accounting policies adopted by the Council for the preparation of financial statements and in accordance with Financial Reporting Standard No. 42 PBE (FRS 42) which applies to Prospective Financial Statements.

The financial statements, associated notes and accounting policies have been prepared under NZIPSAS standards, as applying for a Public Benefit Entity (PBE). This is an entity 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.

A 'forecast' means prospective financial information prepared on the basis of assumptions as to future events which Council reasonably expects to occur at the date the information is prepared. A forecast differs from a 'projection'. A projection contains financial information prepared on the basis of more hypothetical assumptions (or 'what if' scenarios).

## Significant risks

It should be noted that:

1. Actual results achieved during the 2019 - 20 year are likely to vary from the forecasts presented in this document and the variations may prove to be material.
2. The information in this document may not be appropriate for purposes other than as described herein.
3. The rate of inflation and interest rates may differ significantly from the assumptions used in preparing these forecast financial statements. The actual results are likely to vary materially depending upon other circumstances that arise during the period.

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

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in the Prospective Statement of Comprehensive Revenue and Expense.

## Judgements and estimations

The preparation of prospective financial statements using PBE standards requires the use of judgements, estimates and assumptions. Where material, information on the main assumptions is provided in the relevant accounting policy.

The estimates and assumptions are based on historical experience as well as other factors that are believed to be reasonable under the circumstances. Subsequent actual results may differ from these estimates.

The estimates and assumptions are reviewed on an ongoing basis and adjustments are made where necessary.

Judgements that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in the relevant notes. Significant judgements and estimations include asset revaluations, impairments, certain fair value calculations and provisions.

## Changes in accounting policies

No changes in accounting policies since the previous year.

## Standards, amendments, and interpretations issued

The External Reporting Board (XRB) has issued some new standards, amendments and interpretations. Noted below are the ones that are not yet effective and have not been applied early by Council and group.

### Interest in other entities

In January 2017, the XRB issued new standards for interests in other entities (PBE IPSAS 34 – 38). These new standards replace the existing standards for interests in other entities (PBE IPSAS 6 – 8). The new standards are effective for annual periods beginning on or after 1 January 2019, with early application permitted.

Council plans to apply new standards in preparing the 30 June 2020 financial statements. The Council and group has not yet assessed the effects of these new standards.

### Financial instruments

In January 2017, the XRB issued PBE IFRS 9 Financial Instruments. PBE IFRS 9 replaces PBE IPSAS 29 Financial Instruments: Recognition and Measurement. PBE IFRS 9 is effective for annual periods beginning on or after 1 January 2021, with early application permitted. The main changes under PBE IFRS 9 are:

- New financial asset classification requirements for determining whether an asset is measured at fair value or amortised cost.
- A new impairment model for financial assets based on expected losses, which may result in the earlier recognition of impairment losses.

Council plans to apply this standard in preparing its 30 June 2022 financial statements. Council and group has not yet assessed the effects of the new standard.

## Standards issued and not yet effective (applied early)

### Impairment of revalued assets

In April 2017, the XRB issued Impairment of Revalued assets, which now scopes revalued property, plant, and equipment into the impairment accounting standards. Previously property, plant and equipment assets measured at cost were scoped into the impairment accounting standards.

This standard is not yet effective however Council has applied this amendment early in preparing its 30 June 2018 financial statements. From 30 June 2018 onwards, Council is required to assess at each reporting date whether there is any indication that an asset may be impaired. If an indication exists, Council is required to assess the recoverable amount of that asset and recognize an impairment loss if the recoverable amount is less than the carrying amount. Council can therefore impair a revalued asset without having to revalue the entire class-of-asset to which the asset belongs.

## Significant accounting policies

### Goods and Services Tax (GST)

The Financial Statements have been prepared exclusive of GST, with the exception of trade payable and trade receivable, which are stated as GST inclusive. Where GST is not recoverable as an input tax then it is recognised as part of the related asset or expense.

The net amount for GST recoverable from, or payable to the Inland Revenue Department (IRD) is included as part of receivables or payables in the Statement of Financial Position.

The net GST paid to, or received from the IRD, including the GST relating to investing and financing activities, is classified as an operating cash flow in the Statement of Cash Flows.

Commitments are disclosed exclusive of GST. Contingencies are exclusive of GST.

## Prospective statement of financial position

	Notes	Forecast Annual Plan Year 1 2018 - 19 (\$ 000)	Forecast LTP Year 2 2019 - 20 (\$ 000)	Forecast Annual Plan Year 2 2019 - 20 (\$ 000)	Forecast Variation Year 2 2019 - 20 (\$ 000)
<b>Equity</b>					
Accumulated funds	14A	235,195	242,006	244,079	2,073
Restricted reserves	14B	11,861	12,324	13,985	1,661
Asset revaluation reserve	14C	463,704	472,153	499,618	27,465
<b>Total equity</b>		<b>710,760</b>	<b>726,483</b>	<b>757,682</b>	<b>31,199</b>
<b>Assets</b>					
<b>Current assets</b>					
Cash and cash equivalents	4	695	631	582	(49)
Other financial assets	5	11,869	11,991	6,934	(5,057)
Trade and other receivables	7	3,223	3,302	3,196	(106)
Assets held for sale	8	1,530	1,530	333	(1,197)
<b>Total current assets</b>		<b>17,317</b>	<b>17,454</b>	<b>11,045</b>	<b>(6,409)</b>
<b>Non-current assets</b>					
Non-current financial assets	5	156	156	1,129	973
Receivables	7	0	0	29	29
Intangible assets	9A	0	0	0	0
Operational property, plant and equipment	9B	60,207	71,537	68,937	(2,600)
Aquatic property, plant and equipment	9C	9,655	10,062	9,552	(510)
Restricted property, plant and equipment	9D	41,115	41,982	46,421	4,439
Infrastructural assets	9E	646,078	665,779	699,836	34,057
<b>Total non-current assets</b>		<b>757,211</b>	<b>789,516</b>	<b>825,904</b>	<b>36,388</b>
<b>Total assets</b>		<b>774,528</b>	<b>806,970</b>	<b>836,949</b>	<b>29,979</b>
<b>Liabilities</b>					
<b>Current liabilities</b>					
Payables and deferred revenue	10	9,353	9,544	9,353	(191)
Employee entitlements	11	684	701	684	(17)
Borrowings - current	12	2,753	3,759	3,829	70
<b>Total current liabilities</b>		<b>12,790</b>	<b>14,004</b>	<b>13,866</b>	<b>(138)</b>
<b>Non-current liabilities</b>					
Derivatives financial instruments	6	0	0	1,812	1,812
Employee entitlements	11	314	322	314	(8)
Borrowings - term portion	12	50,664	66,161	63,275	(2,886)
<b>Total non-current liabilities</b>		<b>50,978</b>	<b>66,483</b>	<b>65,401</b>	<b>(1,082)</b>
<b>Total liabilities</b>		<b>63,768</b>	<b>80,487</b>	<b>79,267</b>	<b>(1,220)</b>
<b>NET ASSETS</b>		<b>710,760</b>	<b>726,483</b>	<b>757,682</b>	<b>31,199</b>

The accompanying Accounting Policies and Notes form part of these Financial Statements.

## Prospective statement of comprehensive revenue and expense

	Notes	Forecast Annual Plan Year 1 2018 - 19 (\$ 000)	Forecast LTP Year 2 2019 - 20 (\$ 000)	Forecast Annual Plan Year 2 2019 - 20 (\$ 000)	Forecast Variation Year 2 2019 - 20 (\$ 000)
<b>Revenue</b>					
Rates	2A	40,022	43,016	42,762	(254)
Fees and charges	2C	13,748	14,946	18,234	3,288
Development and financial contributions		1,518	1,551	1,868	317
Subsidies and grants	2D	3,851	7,158	7,552	394
Interest and dividends	2E	374	415	326	(89)
<b>Total revenue</b>		<b>59,513</b>	<b>67,086</b>	<b>70,742</b>	<b>3,656</b>
<b>Expenditure</b>					
Personnel costs		11,813	12,181	13,383	1,202
Depreciation and amortisation expense	3A	13,385	13,688	14,252	564
Finance costs		2,044	2,802	2,541	(261)
Bulk drainage levy		2,849	2,920	2,750	(170)
Bulk water levy		3,382	3,838	3,478	(360)
Other expenses	3B	24,150	24,383	26,472	2,089
<b>Total operating expenditure</b>		<b>57,623</b>	<b>59,812</b>	<b>62,876</b>	<b>3,064</b>
Surplus / (Deficit) before tax		1,890	7,274	7,866	592
Income tax expense		0	0	0	0
<b>Surplus/(deficit) before and after tax</b>		<b>1,890</b>	<b>7,274</b>	<b>7,866</b>	<b>592</b>
<b>Other comprehensive revenue and expense</b>					
Gains /(losses) on infrastructure assets revaluation	9E	7,249	6,816	19,095	12,279
Financial assets at fair value through equity		0	0	0	0
Gains on operational, aquatic and restricted assets revaluation	9B, C, D	16	1,633	38	(1,595)
<b>Total other comprehensive revenue for the year, net of tax</b>		<b>7,265</b>	<b>8,449</b>	<b>19,133</b>	<b>10,684</b>
<b>Total comprehensive revenue for the year</b>		<b>9,155</b>	<b>15,723</b>	<b>26,999</b>	<b>11,276</b>

The accompanying accounting policies and notes form part of these financial statements.

## Prospective cashflow statement

	Notes	Forecast Annual Plan Year 1 2018 – 19 (\$ 000)	Forecast LTP Year 2 2019 – 20 (\$ 000)	Forecast Annual Plan Year 2 2019 – 20 (\$ 000)	Forecast Variation Year 2 2019 – 20 (\$ 000)
<b>Cash flow from operating activities</b>					
Cash was provided from:					
Rates and other receipts		51,521	61,916	62,574	658
Interest received	2E	374	415	326	(89)
		51,895	62,331	62,900	569
Cash was applied to:					
Payments to suppliers and employees		(38,269)	(41,939)	(45,131)	(3,192)
Interest paid		(2,044)	(2,802)	(2,541)	261
Goods and services tax (net)		0	0	0	0
		(40,313)	(44,741)	(47,672)	(2,931)
<b>Net cash inflow (outflow) from operating activities</b>	<b>15</b>	<b>11,582</b>	<b>17,590</b>	<b>15,228</b>	<b>(2,362)</b>
<b>Cash flow from investing activities</b>					
Cash was provided from:					
Proceeds from sale of fixed assets		2,200	0	1,713	1,713
Decrease in investments		0	0	6,665	6,665
		2,200	0	8,378	8,378
Cash was applied to:					
Increase in investments		(6,001)	(121)	0	121
Purchase of fixed assets		(34,401)	(34,036)	(35,485)	(1,449)
		(40,402)	(34,157)	(35,485)	(1,328)
<b>Net cash inflow (outflow) from investing activities</b>		<b>(38,202)</b>	<b>(34,157)</b>	<b>(27,107)</b>	<b>7,050</b>
<b>Cash flow from financing activities</b>					
Cash was provided from:					
Loan raised	12	21,213	19,256	21,873	2,617
Cash was applied to:					
Loan repayments	12	(3,317)	(2,753)	(2,769)	(16)
<b>Net cash inflow (outflow) from financing activities</b>		<b>17,896</b>	<b>16,503</b>	<b>19,104</b>	<b>2,601</b>
Cash, cash equivalents and bank overdrafts as at 01 July		9,419	695	(6,643)	(7,338)
Net increase (decrease) in cash equivalents and bank overdrafts		(8,724)	(64)	7,225	7,289
<b>Cash, cash equivalents and bank overdrafts as at 30 June</b>		<b>695</b>	<b>631</b>	<b>582</b>	<b>(49)</b>



The opening balance of year two (2019 – 2020) may not agree to closing balance of Year 1 (2018 – 2019) due to Council taking into account events occurring this year.

The GST (net) component has been presented on a net basis, as the gross amounts do not provide meaningful information for financial statement purposes.

The accompanying Accounting Policies and Notes form part of these Financial Statements.

## Prospective statement on changes of equity

	Forecast Annual Plan Year 1 2018 – 19 (\$ 000)	Forecast LTP Year 2 2019 – 20 (\$ 000)	Forecast Annual Plan Year 2 2019 – 20 (\$ 000)	Forecast Variation Year 2 2019 – 20 (\$ 000)
Equity at the start of the year	701,605	710,760	730,683	19,923
<b>Total comprehensive revenue</b>	<b>9,155</b>	<b>15,723</b>	<b>26,999</b>	<b>11,276</b>
Total transfer to trust accounts	0	0	0	0
<b>Prospective equity at end of year</b>	<b>710,760</b>	<b>726,483</b>	<b>757,682</b>	<b>31,199</b>
Accumulated funds	235,195	242,006	244,079	2,073
Revaluation reserves	463,704	472,153	499,618	27,465
Restricted reserves	11,861	12,324	13,985	1,661
<b>Total recognised revenues and expenses for the period</b>	<b>710,760</b>	<b>726,483</b>	<b>757,682</b>	<b>31,199</b>

The opening balance of Year 2 (2019 – 2020) may not agree to closing balance of Year 1 (2018 – 2019) due to Council taking into account events occurring this year.

The accompanying Accounting Policies and Notes form part of these Financial Statements.

## Note 2 – Revenue

Revenue comprises rates, revenue from operating activities, investment revenue, gains, finance and other revenue and is measured at the fair value of consideration received or receivable. Revenue may be derived from either exchange or non-exchange transactions.

### Exchange transactions

Exchange transactions are transactions where the Council receives assets (primarily cash) or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services, or use of assets) to another entity in exchange.

### Non-exchange transactions

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, the Council either receives value from or gives value to another entity without directly giving or receiving approximately equal value in exchange.

An inflow of resources from a non-exchange transaction recognised as an asset, is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the Council satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

### **SPECIFIC ACCOUNTING POLICIES FOR MAJOR CATEGORIES OF REVENUE ARE OUTLINED BELOW:**

#### **RATES**

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 rates have been set. Rates revenue is recognised when payable.

Rates collected on behalf of the Greater Wellington Regional Council (GWRC) are not recognised in the financial statements as the Council is acting as an agent for GWRC.

Rates remissions are recognised as a reduction of rates revenue when the Council has received an application that satisfies its rates remission policy.

Rates arising from late payment penalties are recognised as revenue when rates become overdue.

The following categories (except where noted) are generally classified as transfers of non-exchange revenue:

#### **TRAFFIC AND PARKING INFRINGEMENTS**

Revenue from fines and penalties (e.g. traffic and parking infringements, library overdue books fines) are recognised when tickets/infringement notice payment are issued.

**NEW ZEALAND TRANSPORT AGENCY ROADING SUBSIDIES**

Council receives government grants from the New Zealand Transport Agency, which subsidise part of Upper Hutt City Council's costs in maintaining the local roading infrastructure and capital expenditure on the roading infrastructure. The subsidies are recognised as revenue upon entitlement, as conditions pertaining to eligible expenditure have been fulfilled.

**OTHER GRANTS RECEIVED**

Other grants are recognised as revenue when they become receivable unless there is an obligation in substance to return the funds if conditions of the grant are not met. If there is such an obligation, the grants are initially recorded as grants received in advance and recognised as revenue when conditions of the grant are satisfied.

**METERED WATER CHARGES**

Revenue from water charges by meter is recognised on an accrual basis. Unbilled usage, as a result of unread meters at year-end, is accrued on an average usage basis.

**BUILDING AND RESOURCE CONSENT REVENUE**

Fees and charges for building and resource consent services are recognised on a percentage completion basis with reference to the recoverable costs incurred at balance date.

**PROVISION OF SERVICES**

Revenue from the rendering of services by reference to the stage of completion of the transaction at balance date, based on the actual service provided as a percentage of the total services to be provided.

**SALE OF GOODS**

Revenue from sale of goods is recognised when a product is sold to the customer. Sales are usually in cash or by credit card. The recorded revenue is the gross amount of the sale including credit card fees payable for the transaction. Such fees are included in other expenses.

**VESTED OR DONATED PHYSICAL ASSETS**

For assets received for no or nominal consideration, the asset is recognised at its fair value when the Council obtains control of the asset. The fair value of the asset is recognised as revenue, unless there is a use or return condition attached to the asset.

The fair value of vested or donated assets is usually determined by reference to the cost of constructing the asset. For assets received from property developments, the fair value is based on construction price information provided by the property developer.

For long-lived assets that must be used for a specific use (e.g. land must be used as a recreation reserve), the Council immediately recognises that fair value of the asset as revenue. A liability is recognised only if the Council expects that it will need to return or pass the asset to another party.

**COMMISSION**

Where revenue is derived by acting for another party, the revenue that is recognised is the commission or fees on the transactions.

**INTEREST AND DIVIDENDS**

Interest income is recognised using the effective interest method. Interest revenue on an impaired financial asset is recognised using the original effective interest rate.

Dividends are recognised upon receipt.

**DONATIONS – PERMANENT COLLECTION – EXPRESSIONS**

Donations of works of art are brought in at an estimated fair value pending a valuation carried out by an independent registered valuer.

**RESERVE FUND AND DEVELOPMENT CONTRIBUTIONS**

The revenue is recognised when payment is made which occurs when the subdivision is substantially complete or when the Council provides the service for which the contribution is charged. Contributions in advance are collected and transferred into their respective special funds. These funds can only be used when the capital works in their respective areas can be fully funded.

<b>2A Non-exchange revenue rates</b>	<b>Forecast Annual Plan Year 1 2018 – 19 (\$ 000)</b>	<b>Forecast LTP Year 2 2019 – 20 (\$ 000)</b>	<b>Forecast Annual Plan Year 2 2019 – 20 (\$ 000)</b>	<b>Forecast Variation Year 2 2019 – 20 (\$ 000)</b>
General rates	24,410	26,353	26,980	627
Targeted rates water fire protection	1,318	1,402	1,305	(97)
Targeted rates water supply	3,981	4,287	3,922	(365)
Targeted rates stormwater	2,605	3,016	2,930	(86)
Targeted rates wastewater	7,469	7,713	7,383	(330)
Rates penalties	239	245	242	(3)
<b>Total non-exchange gross rates revenue</b>	<b>40,022</b>	<b>43,016</b>	<b>42,762</b>	<b>(254)</b>
<b>Less rates remission</b>				
Land used for sport	100	103	103	0
Economic rates remission	12	0	179	179
Rate penalties remission	26	26	20	(6)
<b>Total remission</b>	<b>138</b>	<b>129</b>	<b>302</b>	<b>173</b>
<b>Total non-exchange net of remissions</b>	<b>39,884</b>	<b>42,887</b>	<b>42,460</b>	<b>(427)</b>

The total amount of forecast rates charged on Council owned properties that have not been eliminated from revenue and expenditure is \$1.890 million (2018 \$1.665 million). The table below is rating information required by law. Under current legislation these are the parameters used in the calculation of rates as at 12 June 2019:

<b>Rating information</b>	<b>Forecast Annual Plan Year 1 2018 – 19 (\$ 000)</b>	<b>Forecast LTP Year 2 2019 – 20 (\$ 000)</b>	<b>Forecast Annual Plan Year 2 2019 – 20 (\$ 000)</b>	<b>Forecast Variation Year 2 2019 – 20 (\$ 000)</b>
Total land valuations of rateable properties for the city	\$3,816,678,830	\$3,893,012,407	\$3,859,164,830	\$(33,847,577)
Total capital valuation of rateable properties for the city	\$8,496,914,330	\$8,666,852,617	\$8,642,569,330	\$(24,283,287)
Total number of rateable properties	17,123	17,465	17,328	(137)
Estimated population of the city	43,800	44,200	44,200	-

The city properties were last revalued by Quotable Value Limited on 1 August 2016. The next revaluation is due in August 2019.

## Rates remission

Rates revenue is shown net of rate remissions.

Upper Hutt City Council's rate remission policy allows Upper Hutt City Council to remit or postpone rate or penalties on condition of ratepayer's extreme hardship, land used for sport, and land protected for historical or cultural purposes and general rate under selected criteria for the Upper Hutt City Council's Economic Development Policy.

## Non-rateable land

Under the Local Government (Rating) Act 2002 certain properties cannot be rated for general rates. These properties include schools, places of worship, public gardens and reserves.

These non-rateable properties may be subject to targeted rates in respect of sewerage, water, refuse, and sanitation.

<b>2C Non-exchange fees and charges revenue</b>	<b>Forecast Annual Plan Year 1 2018 – 19 (\$ 000)</b>	<b>Forecast LTP Year 2 2019 – 20 (\$ 000)</b>	<b>Forecast Annual Plan Year 2 2019 – 20 (\$ 000)</b>	<b>Forecast Variation Year 2 2019 – 20 (\$ 000)</b>
Permit and licence fees	2,122	2,175	2,285	110
Vested assets	4,561	4,675	6,210	1,535
Metered water charges <sup>1</sup>	1,262	1,294	1,269	(25)
Property rentals and sale of property	2,380	184	1,894	1,710
H <sub>2</sub> O Xstream and Expression charges	1,053	1,240	1,223	(17)
Library, parks, cemetery and community charges	243	252	236	(16)

<b>2C Non-exchange fees and charges revenue</b>	<b>Forecast Annual Plan Year 1 2018 - 19 (\$ 000)</b>	<b>Forecast LTP Year 2 2019 - 20 (\$ 000)</b>	<b>Forecast Annual Plan Year 2 2019 - 20 (\$ 000)</b>	<b>Forecast Variation Year 2 2019 - 20 (\$ 000)</b>
Other charges <sup>2</sup>	864	3,834	3,796	(38)
<b>Total non-exchange fees and charges revenue</b>	<b>12,485</b>	<b>13,654</b>	<b>16,913</b>	<b>3,259</b>
Solid waste charges	520	533	541	8
Dog charges	384	395	406	11
Cemetery charges	359	364	374	10
<b>Total exchange revenue - Fees and charges revenue</b>	<b>1,263</b>	<b>1,292</b>	<b>1,321</b>	<b>29</b>
<b>Total Fees and charges revenue</b>	<b>13,748</b>	<b>14,946</b>	<b>18,234</b>	<b>3,288</b>

Metered water charges are user charges imposed under the Council's Water Supply Bylaw (2008) and thus treated as fees and charges.

<sup>1</sup> Under Meter Water charges, Council is forecasting \$47K of internal revenue from water charges charged to UHCC properties (2018 forecast \$43K)

<sup>2</sup> Under Other charges, Council is forecasting \$29K of internal revenue from other operating revenues charged to UHCC (2018 forecast \$29K)

<b>2D Non-exchange revenue subsidies and grants</b>	<b>Forecast Annual Plan Year 1 2018 - 19 (\$ 000)</b>	<b>Forecast LTP Year 2 2019 - 20 (\$ 000)</b>	<b>Forecast Annual Plan Year 2 2019 - 20 (\$ 000)</b>	<b>Forecast Variation Year 2 2019 - 20 (\$ 000)</b>
Roading subsidies - NZ Transport Agency (NZTA <sup>1</sup> )	3,028	5,273	5,615	342
Petrol tax (Crown)	145	148	148	0
Grants for Expressions	0	1,082	1,082	0
Subsidies for Activation	107	49	99	50
Other grants and subsidies	571	606	608	2
<b>Total subsidies and grants revenue</b>	<b>3,851</b>	<b>7,158</b>	<b>7,552</b>	<b>394</b>

<sup>1</sup> NZTA - New Zealand Transport Agency

<b>2E Exchange revenue Interest and dividends</b>	<b>Forecast Annual Plan Year 1 2018 - 19 (\$ 000)</b>	<b>Forecast LTP Year 2 2019 - 20 (\$ 000)</b>	<b>Forecast Annual Plan Year 2 2019 - 20 (\$ 000)</b>	<b>Forecast Variation Year 2 2019 - 20 (\$ 000)</b>
Interest on general funds	181	180	180	0
Interest on special funds	193	235	146	(89)
Dividends	0	0	0	0
<b>Total exchange interest and dividend revenue</b>	<b>374</b>	<b>415</b>	<b>326</b>	<b>(89)</b>

## Note 3 – Expenses

### Borrowing costs

All borrowing costs are recognised as an expense in the period in which they are incurred. Upper Hutt City Council does not capitalise its interest on borrowings.

### Grant expenditure

Non-discretionary grants are those grants that are awarded if the grant application meets the specified criteria and are approved and are recognised as expenditure when an application that meets those criteria is received. Discretionary grants are those grants where the 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 the Council's decision.

### Allocation of overheads to significant activities

The gross costs of Support Services have been allocated to individual significant activities. These overheads have been allocated at the most appropriate pre-determined basis e.g. actual usage, staff numbers, rates contribution, floor area etc. applicable to the service provided to each significant activity.

### Internal transactions

Each cost centre is stated with the inclusion of internal costs and revenues. In order to present a true and fair view in the financial statements these transactions have not been eliminated. This method has no effect on the operating result for the year.

### Income taxation

Upper Hutt City Council has a tax exemption in relation to the surplus or deficit for the period.

### 3A – Depreciation and amortisation expenses by group of activity

	Forecast Annual Plan Year 1 2018 – 19 (\$ 000)	Forecast LTP Year 2 2019 – 20 (\$ 000)	Forecast Annual Plan Year 2 2019 – 20 (\$ 000)	Forecast Variation Year 2 2019 – 20 (\$ 000)
Leadership	0	0	0	0
Land Transport	4,618	4,784	5,613	829
Water Supply	1,819	1,832	1,471	(361)
Wastewater	3,372	3,409	3,403	(6)
Stormwater	1,866	1,883	1,701	(182)
Sustainability	1	2	4	2
Planning and Regulatory Services	0	0	0	0

	Forecast Annual Plan Year 1 2018 - 19 (\$ 000)	Forecast LTP Year 2 2019 - 20 (\$ 000)	Forecast Annual Plan Year 2 2019 - 20 (\$ 000)	Forecast Variation Year 2 2019 - 20 (\$ 000)
Community and Recreation	1,709	1,768	2,051	283
Economic Development	0	10	9	(1)
<b>Total depreciation and amortisation expense</b>	<b>13,385</b>	<b>13,688</b>	<b>14,252</b>	<b>564</b>

### 3B – Other expenditure and items for disclosure

	Forecast Annual Plan Year 1 2018 - 19 (\$ 000)	Forecast LTP Year 2 2019 - 20 (\$ 000)	Forecast Annual Plan Year 2 2019 - 20 (\$ 000)	Forecast Variation Year 2 2019 - 20 (\$ 000)
Insurance	449	461	748	287
Disaster fund insurance	272	279	287	8
Audit fees	132	135	135	0
Audit fees – LTP	0	0	0	0
Rental	138	141	148	7
Loss on sale of assets	576	1,168	1,168	0
Consultants	949	921	769	(152)
Printing, photocopying and stationery	249	256	261	5
Telephone rental, mobile and tolls	117	119	106	(13)
Motor vehicle expenses	283	290	298	8
Electricity/gas energy costs (includes street lighting and maintenance)	1,048	1,074	1,061	(13)
Rates on Council properties	2,094	2,146	2,252	106
Land transport general maintenance	261	391	2,372	1,981
Water reticulation maintenance	707	724	721	(3)
Sewer maintenance	639	655	714	59
Drain maintenance	70	72	62	(10)
Other costs	16,166	15,551	15,370	(181)
<b>Total other expenses</b>	<b>24,150</b>	<b>24,383</b>	<b>26,472</b>	<b>2,089</b>

#### NOTE:

Penalty remission and rates remission have been removed and classified as part of the Rates Note 2A.

Upper Hutt City Council rates on properties, meter water charges and internal recoveries are included as part of the Prospective Statement of Comprehensive Revenue and Expense.



“Land transport general maintenance” is a new classification from NZTA which was previously included under other costs in the Long Term Plan.

### 3C – Operating leases

An operating lease is a lease that does not substantially transfer all the risks and rewards incidental to the ownership of an asset. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

## Note 4 – Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held on call with bank, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts.

Bank overdrafts are shown within borrowing in current liabilities in the Prospective Statement of Financial Position.

The estimated carrying value of short term deposits with maturity dates of three months or less approximates their fair value.

Refer to note 5 on estimated weighted average effective interest rate for cash and cash equivalents

The bank overdraft is unsecured. The facility totals \$600,000, (2018 \$600,000). The current interest rate on the facility is 11.75% per annum (2018 11.75% per annum).

This cash and cash equivalents table is estimated as the same for the purposes of the Prospective Cash Flow Statement.

Cash and cash equivalents	Forecast Annual Plan Year 1 2018 – 19 (\$ 000)	Forecast LTP Year 2 2019 – 20 (\$ 000)	Forecast Annual Plan Year 2 2019 – 20 (\$ 000)	Forecast Variation Year 2 2019 – 20 (\$ 000)
Cash on hand	4	4	4	0
Bank balances	391	327	278	(49)
Call account	300	300	300	0
Short term deposits maturing three months or less from date of acquisition	0	0	0	0
<b>Total cash and cash equivalents</b>	<b>695</b>	<b>631</b>	<b>582</b>	<b>(49)</b>

## Note 5 – Other financial assets

Upper Hutt City Council classifies its financial assets into the following four categories:

- financial assets at fair value through surplus or deficit;
- held to maturity investments;
- loans and receivables; and
- financial assets at fair value through other comprehensive revenue and expense.

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

Financial assets acquired principally for the purpose of selling in the short-term or part of a portfolio classified as held for trading are classified as a current asset. The current/non-current classification of derivatives is explained in the derivatives accounting policy below.

## 1. Financial assets at fair value through surplus or deficit

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

After initial recognition they are measured at their fair values. Gains or losses on re-measurement are recognised in the Prospective Statement of Comprehensive Revenue and Expense.

Financial assets in this category include shares and bonds.

Currently, Upper Hutt City Council does not hold any financial assets in this category.

## 2. Held to maturity investments

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that Upper Hutt City Council has positive intention and ability to hold to maturity.

They are included in current assets, except for maturities greater than 12 months after balance date, which are included in non-current assets.

After initial recognition they are measured at amortised cost using the effective interest method less impairment. Gains and losses when the asset is impaired or derecognised are recognised in the surplus or deficit.

Investments in this category include local authority and government stock. Currently, Upper Hutt City Council does not hold any financial assets in this category.

## 3. Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets except for maturities greater than 12 months after the balance date, which are included in non-current assets.

After initial recognition they are measured at amortised cost using the effective interest method less impairment. Gains and losses when the asset is impaired or derecognised are recognised in the surplus or deficit.

Loans, including loans to community organisations made by Upper Hutt City Council at nil, or below market value 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 face value and present value of expected future cash flow, of the loan is recognised in the surplus or deficit as a grant.

Investments in this category include term deposits, cash equivalents, debtors, community and related party loans.

When Council receives a payment it is policy for it to be paid against the oldest debt first.

#### **4. Financial assets at fair value through other comprehensive revenue and expense**

Financial assets at fair value through other comprehensive revenue and expense are those that are designated into the category at initial recognition or are not classified in any of the other categories above.

They are included in non-current assets unless management intends to dispose of share investment within 12 months of balance date or if the debt instrument is not expected to be realised within 12 months of balance date.

This category encompasses:

- investments that Upper Hutt City Council intends to hold long term but which may be realised before maturity; and
- shareholdings that Upper Hutt City Council holds for strategic purposes.

After initial recognition these investments are measured at their fair value.

Gains and losses are recognised directly in other comprehensive revenue and expense except for impairment losses which are recognised in the surplus or deficit.

On de-recognition, the cumulative gain or loss previously recognised in other comprehensive revenue and expense is reclassified from equity to surplus or deficit.

#### **5. Impairment of financial assets**

Financial assets are assessed for evidence of impairment at each balance date. Impairment losses are recognised in the surplus or deficit.

#### **6. Loans receivables, and held-to-maturity investments**

Impairment is established when there is evidence that the Council and group will not be able to collect amounts due according to the original terms of the receivable. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, receivership, or liquidation and default in payments are indicators that the asset is impaired. The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the original effective interest rate. For debtors and other receivables, the carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the surplus or deficit. When the receivable is uncollectible, it is written off against the allowance account. Overdue receivables that have been renegotiated are reclassified as current (that is, not past due). Impairment of term deposits, local authority stock, government bonds, and community loans, are recognised directly against the instrument's carrying amount.

## 7. Financial assets at fair value through other comprehensive revenue and expense

For equity investments, a significant or prolonged decline in the fair value of the investment below its cost is considered objective evidence of impairment.

For debt investments, significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, and default in payments are objective indicators that the asset is impaired.

If impairment evidence exists for investments at fair value through other comprehensive revenue and expense, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the surplus or deficit) recognised in other comprehensive revenue and expense is reclassified from equity to the surplus or deficit.

Equity instrument impairment losses recognised in the surplus or deficit are not reversed through the surplus or deficit.

If in a subsequent period the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed in the surplus or deficit.

<b>Breakdown of other financial assets</b>	<b>Forecast Annual Plan Year 1 2018 - 19 (\$ 000)</b>	<b>Forecast LTP Year 2 2019 - 20 (\$ 000)</b>	<b>Forecast Annual Plan Year 2 2019 - 20 (\$ 000)</b>	<b>Forecast Variation Year 2 2019 - 20 (\$ 000)</b>
<b>Current portion</b>				
<i>Loans and receivables</i>				
Short-term deposits with maturities of 4 - 12 months	11,869	11,991	6,934	(5,057)
<b>Total current portion</b>	<b>11,869</b>	<b>11,991</b>	<b>6,934</b>	<b>(5,057)</b>
<b>Non-current portion</b>				
LGFA Borrower Notes (Local Government Funding Agency)	0	0	928	928
<i>Fair value through equity- unlisted shares</i>				
Investment in Civic Assurance Ltd	46	46	78	32
Investment in Smartlinx <sup>3</sup> Ltd	30	30	43	13
Wellington Water Limited	80	80	80	0
<b>Total non-current portion</b>	<b>156</b>	<b>156</b>	<b>1,129</b>	<b>973</b>

Estimated carry value of short term equates to estimated fair value.

Valuation of unlisted shares is based on the carrying value which approximates their fair value.

As at 30 June 2019 the Council has 150 Class A voting only shares in Wellington Water Ltd. These shares carry no nominal value (2018 Nil).

As at 30 June 2019 the council has 40 Class b shares in Wellington Water Ltd and the latest sale value was \$2,000 share (2018 , 40 shares @\$2,000 per shares).

As at 30 June 2019 the Council has 51,209 shares in Civic Financial Services Ltd. and the latest sale value was \$1.53 per share (2018, 51,09 shares @1.53 per shares).

As at 30 June 2019 the council has 5,338 shares in Smartlinx<sup>3</sup> Ltd and the latest sale value was \$8.00 per share (2018, 5,338 @\$8.00 per share).

There were no impairment provisions for other financial assets.

LGFA = Local Government Funding Agency

The estimated maturity dates for all financial assets with the exception of equity investments are as follows:

<b>Estimated maturity analysis and effective interest rates</b>	<b>Forecast Annual Plan Year 1 2018 – 19 (\$ 000)</b>	<b>Forecast LTP Year 2 2019 – 20 (\$ 000)</b>	<b>Forecast Annual Plan Year 2 2019 – 20 (\$ 000)</b>	<b>Forecast Variation Year 2 2019 – 20 (\$ 000)</b>
The estimated maturity dates for all financial assets with the exception of equity investments are as follows:				
Short term deposits (with maturities 3 months or less)	0	0	0	0
Estimated weighted average effective interest rate	0.00%	0.00%	0.00%	0.00%
Short term deposits ( with maturities of 4-12 months or less)	11,869	11,991	6,934	(5,057)
Estimated weighted average effective interest rate	3.00%	3.00%	2.00%	(1.0%)
Call account	300	300	300	0
Estimated weighted average effective interest rate	1.75%	1.75%	1.50%	(0.25%)

## Note 6 – Derivative financial instruments

### Accounting for derivative financial instruments

Upper Hutt City Council uses derivative financial instruments to manage exposure to interest rate risks arising from financial activities. In accordance with its treasury policy, Upper Hutt City 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. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

### Risk management

The associated gains or losses on derivatives that are not hedge accounted are recognised in the surplus or deficit.

- Upper Hutt City Council has a series of policies providing risk management for interest rates and the concentration of credit risk. Upper Hutt City Council is risk averse and seeks to minimise exposure from its treasury activities. Upper Hutt City Council has an established Treasury Risk Management

Policy specifying what transactions can be entered into. The policy does not allow any transactions that are speculative in nature to be entered into.

- Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. This could particularly impact on the cost of borrowing or the return from an investment.
- The interest rates on Upper Hutt City Council investments are disclosed in Note 5; Notes to the Financial Statements.
- The actual management policies are set out in the separate policy document; Treasury Risk Management Policy.
- Credit risk is the risk that a third party will default on its obligation to Upper Hutt City Council, causing Upper Hutt City Council to incur a loss.
- The maximum amount of credit risk for each class is the carrying amount in the Prospective Statement of Financial Position.
- Upper Hutt City Council has minimal credit risk in its holdings of various financial instruments. These financial instruments include bank balances, local authority stock and accounts receivable.
- Upper Hutt City Council invests funds only in deposits with registered banks and local authority stock and limits the amount of credit exposure to any one institution or organisation. Accordingly, the Upper Hutt City Council does not require any collateral or security to support the financial instruments with organisations it deals with.
- Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable, willing parties, in an arm's length transaction.

### Interest rate swaps – Fair value

The fair values of interest rate swaps have been determined by calculating the expected future cash flows under the terms of the swaps and discounting these values to present values. The inputs into the valuation model are from independently sourced market parameters such as interest rate yield curves. Most market parameters are implied from instrument prices.

## Information about interest rate swaps

The notional principal amounts of the interest rate swap contracts for the Council as at 30 June 2019 is \$43M (2018 \$40.5M).

Interest rate swaps – fair value	Forecast Annual Plan Year 1 2018 – 19 (\$ 000)	Forecast LTP Year 2 2019 – 20 (\$ 000)	Forecast Annual Plan Year 2 2019 – 20 (\$ 000)	Forecast Variation Year 2 2019 – 20 (\$ 000)
<b>Current asset portion</b>	0	0	0	0
<b>Non-current asset portion</b>	0	0	0	0
<b>Current liability portion</b>	0	0	0	0
<b>Non-current liability portion</b>	0	0	(1,812)	(1,812)

## Note 7 – Trade and other receivables

### Receivables

Rates arrears and debtors, “Trade receivables” are initially measured at fair value less any provision for impairment.

A provision for impairment of receivables is established when there is objective evidence that Upper Hutt City Council will not be able to collect all amounts due according to the original terms of receivable. 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.

Loans, including loans to community organisations made by Upper Hutt City Council at nil, or below market value 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 face value and present value of expected future cash flow of the loan is recognised in the Prospective Statement of Comprehensive Revenue and Expense as a grant.

### Community Loans

The Council’s community loan scheme is designed to help not-for-profit organisations in the Upper Hutt community to develop or improve new or existing facilities and other major projects. Only organisations with the ability to repay are granted loans. Council may, at its discretion, require a qualifying body to provide security for a loan. Interest in the first year is 0%, Year 2 is 1%, Year 3 is 2%, and Year 4 and subsequent years is 3%. The fair value of loans at initial recognition has been determined using cashflows at a rate based on the loans recipient’s assessed financial risk factors.

There is no concentration of credit risk with respect to receivables outside the group, as the group has a large number of customers.

Upper Hutt City Council does not provide for any impairment on rates receivable as it has various powers under the Local Government (Rating) Act 2002 to recover any outstanding debts. Ratepayers can apply for payment plan options in special circumstances.

As at 30 June 2019 and 2018, all overdue receivables, except for the rates receivables have been assessed for impairment. Upper Hutt City Council holds no collaterals as securities or other credit enhancements over receivables that are either due or impaired.

The impairment provision has been calculated based on expected losses for Upper Hutt City Council's pool of debtors.

Expected losses have been determined based on an analysis of Upper Hutt City Council's losses in previous periods and review of specific debtors Upper Hutt City Council's losses and collective assessments.

The estimated carrying value of receivables (excluding community loans) approximates their fair value.

<b>Receivables</b>	<b>Forecast Annual Plan Year 1 2018 - 19 (\$ 000)</b>	<b>Forecast LTP Year 2 2019 - 20 (\$ 000)</b>	<b>Forecast Annual Plan Year 2 2019 - 20 (\$ 000)</b>	<b>Forecast Variation Year 2 2019 - 20 (\$ 000)</b>
Rates receivable	967	991	967	(24)
Sundry debtors	793	811	795	(16)
Community loans	0	0	0	0
GST	265	272	265	(7)
Accrued revenue	887	909	887	(22)
Prepayments	362	371	362	(9)
	<b>3,274</b>	<b>3,354</b>	<b>3,276</b>	<b>(78)</b>
Less impaired receivables	(51)	(52)	(52)	0
<b>Total receivables</b>	<b>3,223</b>	<b>3,302</b>	<b>3,224</b>	<b>(78)</b>
<b>Less non-current portion:</b>				
Community loans	0	0	28	28
<b>Total non-current portion</b>	<b>0</b>	<b>0</b>	<b>28</b>	<b>28</b>
<b>Current portion</b>	<b>3,223</b>	<b>3,302</b>	<b>3,196</b>	<b>(106)</b>
Fair value has been determined using cashflows discounted at a rate of 2.5% to 7.25%				
<b>Receivables from non-exchange transactions</b> – this includes outstanding amounts for rates, grants, infringements, and fees and charges that are partly subsidised by rates	2,336	2,393	2,337	(56)
<b>Receivables from exchange transactions</b> – this includes outstanding amounts for dogs charges, cemetery, and solid waste transactions	887	909	887	(22)
<b>Total</b>	<b>3,223</b>	<b>3,302</b>	<b>3,224</b>	<b>(78)</b>
<b>The fair value of community loans is:</b>	<b>0</b>	<b>0</b>	<b>48</b>	<b>48</b>
<b>The face value of community loans is:</b>	<b>0</b>	<b>0</b>	<b>31</b>	<b>31</b>



<b>Movements in the provision for impairment of receivables and community loans</b>	<b>Forecast Annual Plan Year 1 2018 – 19 (\$ 000)</b>	<b>Forecast LTP Year 2 2019 – 20 (\$ 000)</b>	<b>Forecast Annual Plan Year 2 2019 – 20 (\$ 000)</b>	<b>Forecast Variation Year 2 2019 – 20 (\$ 000)</b>
Opening balance as at 1 July	51	52	52	0
Additional provisions made during the year	0	0	0	0
Receivables written off during the period	0	0	0	0
<b>Closing balance as at 30 June</b>	<b>51</b>	<b>52</b>	<b>52</b>	<b>0</b>

<b>Estimated age of rates receivables. The age of rates receivables overdue that have not been impaired are as follows:</b>	<b>Forecast Annual Plan Year 1 2018 – 19 (\$ 000)</b>	<b>Forecast LTP Year 2 2019 – 20 (\$ 000)</b>	<b>Forecast Annual Plan Year 2 2019 – 20 (\$ 000)</b>	<b>Forecast Variation Year 2 2019 – 20 (\$ 000)</b>
Current 90 days over	831	872	848	(24)
1-2 years old	80	80	80	0
2-3 years old	28	28	28	0
Greater than 3 years old	28	11	11	0
<b>Carrying amount as at 30 June</b>	<b>967</b>	<b>991</b>	<b>967</b>	<b>(24)</b>

<b>Estimated age sundry debtors</b>	<b>Forecast Annual Plan Year 1 2018 – 19 (\$ 000)</b>	<b>Forecast LTP Year 2 2019 – 20 (\$ 000)</b>	<b>Forecast Annual Plan Year 2 2019 – 20 (\$ 000)</b>	<b>Forecast Variation Year 2 2019 – 20 (\$ 000)</b>
The age of sundry debtors overdue that have not been impaired are as follows:				
Current	543	561	545	(16)
1-30 days old	125	125	125	0
31-60 days old	25	25	25	0
Past due greater than 90 days	100	100	100	0
<b>Carrying amount as at 30 June</b>	<b>793</b>	<b>811</b>	<b>795</b>	<b>(16)</b>

## Note 8 – Non-current assets classified as held for sale

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

Any impairment losses for write down of non-current assets held for sale are recognised in the surplus or deficit.

Any increases in fair value (less cost 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.

The Council has identified two parcels of land as being made available for sale, one at Dun Craig Street and the other is Oaklands.

<b>Non-current assets held for sale</b>	<b>Forecast Annual Plan Year 1 2018 – 19 (\$ 000)</b>	<b>Forecast LTP Year 2 2019 – 20 (\$ 000)</b>	<b>Forecast Annual Plan Year 2 2019 – 20 (\$ 000)</b>	<b>Forecast Variation Year 2 2019 – 20 (\$ 000)</b>
<b>Non-current assets held for sale are:</b>				
Land	1,530	1,530	333	(1,197)
<b>Total non-current assets held for sale</b>	<b>1,530</b>	<b>1,530</b>	<b>333</b>	<b>(1,197)</b>

## Note 9 – Property Plant and Equipment and Intangible Assets

### Intangible assets

#### Software acquisition and development

Acquired computer software license 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 by Upper Hutt City Council, are recognised as intangible assets. Direct costs include software development employee costs and an appropriate portion of relevant overheads.

Staff training costs are recognised in the surplus or deficit when incurred.

Costs associated with maintaining computer software are recognised as an expense when incurred.

Costs associated with development and maintenance of the Council's website are recognised as an expense when incurred.

#### 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 charge for each period is recognised in the Prospective Statement of Comprehensive Revenue and Expense.

The useful life and associated amortisation rates of major classes of intangible assets have been estimated as follows:

- Computer software    3 years                    33%

## Note 9A – Intangible assets

	Forecast Annual Plan Year 1 2018 – 19 (\$ 000)	Forecast LTP Year 2 2019 – 20 (\$ 000)	Forecast Annual Plan Year 2 2019 – 20 (\$ 000)	Forecast Variation Year 2 2019 – 20 (\$ 000)
Balance at 01 July				
Cost	292	292	292	0
Accumulated amortisation and impairment	(292)	(292)	(292)	0
<b>Open carrying amount</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Year ended 30 June				
Additions	0	0	0	0
Amortisation charge	0	0	0	0
<b>Closing carrying amount at 30 June</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Cost balance at 30 June	292	292	292	0
Accumulated amortisation and impairment	(292)	(292)	(292)	0
<b>Total closing amount at 30 June</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

### Property, plant and equipment

Property, plant and equipment consists of operational assets, restricted assets and infrastructure assets.

Council has Asset Management Plans for all major assets. These plans have provided the base for development of the forecast financial statements.

Property, plant and equipment include:

- a. **Operational property, plant and equipment:** These include land, buildings, street trees, improvements, library books, plant and equipment and motor vehicles.
- b. **Restricted property, plant and equipment:** Restricted assets are parks and reserves owned by the Council which provide a benefit or service to the community and cannot be disposed of because of legal or other restrictions.
- c. **Infrastructure assets:** Infrastructure assets are the fixed utility network systems owned by Council and include roading, water, stormwater and wastewater piping. Each asset class includes all items that are required for the network to function.
- d. **Vested assets** are those assets where ownership and control is transferred to the Council from a third party (e.g. infrastructure assets constructed by developers and transferred to the Council on completion of a subdivision). Vested assets are recognised within their respective asset classes as above.
- e. **Heritage assets** are tangible assets with historical, artistic, scientific, technological, geophysical or environmental qualities that are held and maintained principally for their contribution to knowledge and culture. The Council does not recognise these assets within these financial statements or place a value on them, as they are generally irreplaceable and their value cannot be reliably measured.

## Investment properties

Properties leased to third parties under operating leases are classified as investment property unless the property is held to meet service delivery objectives, rather than to earn rentals or for capital appreciation.

Investment property is measured initially at its costs, including transactions costs.

After initial recognition, Upper Hutt City Council measures all investment property at fair value as determined annually by an independent valuer. Gains and losses arising from a change in the fair value of investment property are recognised in the surplus or deficit.

## Revaluation

Upper Hutt City Council accounts for revaluations of property, plant and equipment on a class of asset basis.

The results of revaluing are credited or debited to an asset revaluation reserve for that class of asset in other comprehensive revenue and expenses. Where this results in a debit balance in the asset revaluation reserve, this balance is expensed in the surplus or deficit. Any subsequent increase or revaluation that offset a previous decrease in value is recognised in the surplus or deficit up to the amount previously expensed, and then credited to the revaluation reserve for that class of asset under other comprehensive revenue and expenses.

Those asset classes that are revalued are valued on a valuation cycle as described below. All other asset classes are carried at depreciated historical costs. The carrying values of revalued items are reviewed at each balance date to ensure that those values are not materially different to fair value.

### • OPERATIONAL ASSETS

Land and Buildings have been revalued as at 30 June 2018 by Ken Tonks ANZIV SPINZ Principal Property, Plant & Machinery Valuer TSE Value Limited.

H<sub>2</sub>O Xtream's aquatic assets were revalued in 30 June 2015 by SPIRE Consulting Ltd. The valuer was Peter Olliver, BSc, BE (Civil), CPEng, FIPENZ, IntPE, MICE.

Plant & Equipment assets were revalued as at 30 June 2018 by Peter Olivier BSC BE (Civil) FIPENZ CPEng IntPE MICE – an independent valuer of Calibre Consulting Ltd.

The revalued assets were valued depending on their nature on either a depreciated replacement cost or optimised depreciated replacement basis.

Minor structures, vehicles, computers, furniture, minor plant items and minor miscellaneous office equipment are valued at historical cost.

### • INFRASTRUCTURE ASSETS

Roading assets were independently valued as at 30 June 2018 by Peter Olliver BSC BE (Civil) FIPENZ CPEng, IntPE MICE.

Water, stormwater and wastewater assets were valued by city engineers of Wellington Water Ltd. as at 30 June 2018.

- **HUTT VALLEY WASTEWATER SCHEME**

These assets were valued by AON Valuation services Ltd as at 31 December 2017. The majority of these assets are valued at Optimised Depreciated Replacement Cost (ODRC), and the remaining at Depreciated Replacement Cost. The valuer was Roger Khoo MPINZ. These assets are due to be revalued again in December 2020.

- **LAND UNDER ROADS**

Under PBE IPSAS reporting standards Upper Hutt City Council has elected to use the fair value of land under roads as 30 June 2004 as deemed cost. Land under roads is no longer revalued.

- **RESTRICTED ASSETS**

These are operational assets that cannot be disposed of because of legal and other restrictions. These assets have been revalued as at 30 June 2018 by Ken Tonks, ANZIVS PINZ Registered Valuer of TSE Value Limited and Peter Ollivier BSC BE (Civil) FIPENZ CPEng, IntPE MICE.

- **STREET TREES**

Street trees have been valued as at 30 June 2018 by Peter Olliver Bsc BE (Civil) FIPENZ CPEng, IntPE MICE an independent valuer of Calibre Consulting Ltd. The Council is currently bringing all Parks and Reserves assets into a more structured asset management regime and as part of this process has elected to value its stock of street trees and include them in its financial statements. Street trees typically have a long life and increase in size over this period. It is not generally possible to replace a large mature street tree on a like for like basis. Thus the Council has chosen to value all street trees on the typical cost that would be incurred for a young replacement tree. For this reason, street trees will not be depreciated and revaluations will be carried out five yearly.

- **LIBRARY COLLECTION**

The collection has been revalued at depreciated replacement cost as at 30 June 2015 in accordance with the guidelines released by the New Zealand Library Association and the National Library of NZ using the readily available market prices to determine fair value. The library collection and heritage book collection was revalued as at 30 June 2015 by the Upper Hutt City Library Content Team Leader. The valuation was independently checked by Peter Trewern in 2015. Revaluations are carried out four-yearly.

- **VESTED ASSETS**

Vested assets have been valued on the actual quantities of infrastructure components vested and the current in the ground cost of providing identical services. The vested assets have been valued by the developer's engineers and council's engineering staff.

- **WORKS OF ART**

Works of art are revalued every five years based on an estimate of current market value by an independent registered valuer. The Pumpkin Cottage collection was independently revalued as at 27 October 2015 by Suzanne Beere of Ngaio Fine Arts.

Revaluations are conducted more frequently if, at any balance date, the fair value differs materially from the carrying amount.

## Additions

The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential of the item will flow to Upper Hutt City Council and the cost of the item can be measured reliably. In most instances, an item of property, plant and equipment is recognised at its cost. Where an asset is acquired at no cost, or for a nominal cost, it is recognised at fair value as at the date of acquisition.

Work in progress is recognised at cost less impairment and is not depreciated.

In most instances, an item of property, plant, and equipment is initially recognised at its cost. Where an asset is acquired through a non-exchange transaction, it is recognised at its fair value as at the date of acquisition.

## 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 Expense. Where revalued assets are sold, the amounts included in asset revaluation reserves in respect of those assets are transferred to accumulated funds.

## Subsequent costs

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

The costs of day to day servicing of property, plant and equipment are recognised in the surplus or deficit as they are incurred.

## Impairment of property, plant and equipment, and intangible assets

Intangible assets subsequently measured at cost that have an indefinite useful life, or are not yet available for use and goodwill, are not subject to amortisation and are tested annually for impairment.

Property, plant and equipment, and intangible assets subsequently measured at cost that have an infinite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

If an asset's carrying amount exceeds its recoverable amount, the asset is regarded as impaired and the carrying amount is written-down to the recoverable amount. The total impairment loss is recognised in the surplus or deficit. The reversal of an impairment loss is recognised in the surplus or deficit in the Prospective Statement of Comprehensive Revenue and Expense.

## Value in use for non-cash-generating assets

Non-cash generating assets are those assets that are not held with the primary objective of generating a commercial return.

For non-cash generating assets, value in use is determined using an approach based on either a depreciated replacement cost approach, restoration cost approach, or a service units approach. The most appropriate approach used to measure value in use depends on the nature of the impairment and availability of information.

## Value in use for cash-generating assets

Cash-generating assets are those assets that are held with the primary objective of generating a commercial return.

The value in use for cash-generating assets and cash-generating units is the present value of expected future cash flows.

## Depreciation

All assets, except for land and road formations, have been depreciated on either a Straight Line or Diminishing Value basis at rates estimated to write off the cost of the assets over their estimated useful life.

Hutt Valley Wastewater Scheme assets are controlled by Hutt City Council. Upper Hutt City Council is entitled to a share in any sale proceeds of these assets. The Seaview wastewater treatment plant is depreciated over 20 years and sewerage pipelines over 40 – 80 years.

The specific rates of depreciation applied to major classes of property, plant and equipment are:

<b>Depreciation</b>		
<b>STRAIGHT-LINE DEPRECIATION</b>	<b>YEARS</b>	<b>RATE</b>
Buildings	10 – 100 years	1% – 10%
Buildings fitout and services	10 – 40 years	2.5% – 10%
Computer equipment	3 – 5 years	20% – 33.3%
Furniture and office equipment	5 – 15 years	6.67% – 20%
Library books	2 – 5 years	20% – 50%
Parks and reserves services	10 – 100 years	1% – 10%
Plant and equipment	4 – 50 years	2% – 25%
<b>INFRASTRUCTURE ASSETS</b>		
<b>Roading</b>		
Bridges	20 – 100 years	1% – 5%
Carparks	50 years	2%
Culverts	50 – 80 years	1.25% – 2%
Footpaths/accessways	30 – 60 years	1.67% – 3.33%
Roads (except land and formation)	4 – 30 years	3.33% – 25%
Road signs	10 years	10%



<b>Depreciation</b>		
<b>STRAIGHT-LINE DEPRECIATION</b>	<b>YEARS</b>	<b>RATE</b>
Roundabouts	50 years	2%
Stormwater channels	15 – 60 years	1.66% – 6.66%
Street and traffic lights	5 – 50 years	2% – 20%
Street furniture and other features	12 – 25 years	4% – 8.33%
Subways	80 years	1.25%
Sumps	60 years	1.66%
<b>Water</b>		
Civil Works	80 – 100 years	1% – 1.25%
Mechanical and electrical plant, outlets, pumps	20 – 50 years	1% – 5%
Pipe work, appurtenances and associated structures	50 – 100 years	1% – 2%
Reservoirs, intake structure	100 years	1%
<b>Stormwater</b>		
Civil works	80 – 100 years	1% – 1.25%
Mechanical and electrical plant, outlets, pumps	20 – 50 years	1% – 5%
Pipe work, appurtenances and associated structures	50 – 100 years	1% – 2%
<b>Wastewater</b>		
Civil works	80 – 100 years	1% – 1.25%
Electronic equipment	10 – 20 years	5% – 10%
Mechanical and electrical plant, outlets, pumps	15 – 50 years	1% – 7%
Pipe work, wastewater mains	50 – 100 years	1% – 2%
<b>Telemetry</b>		
Civil works	80 – 100 years	1% – 1.25%
Electronic equipment	10 – 20 years	5% – 10%
Mechanical and electrical plant, outlets, pumps	20 – 50 years	1% – 5%
Pipe work, appurtenances and associated structures	50 – 100 years	1% – 2%
<b>DIMINISHING VALUE DEPRECIATION</b>		
Furniture and office equipment	5 years	20%
Plant and equipment	4 – 50 years	2% – 25%
Vehicles and plant	5 – 105 years	10% – 20%

The residual value and useful life of an asset is reviewed, and adjusted if applicable, at each financial year-end.

### CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

In preparing these financial statements Upper Hutt City Council has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations or 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:

### INFRASTRUCTURAL ASSETS

There are a number of assumptions and estimates used when performing Depreciated Replacement Cost valuations over infrastructural assets. These include:

- The physical deterioration and condition of an asset, for example the 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 modelling assessments of underground assets;
- Estimating any obsolescence or surplus capacity of an asset; and
- 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 the useful lives do not reflect the actual consumption of the benefits of the asset, then Upper Hutt City Council could be over or under estimating the annual depreciation charge recognised as an expense in the Prospective Statement of Comprehensive Revenue and Expense under surplus or deficit. To minimise this risk Upper Hutt City Council infrastructural asset 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 the Upper Hutt City Council's asset management planning activities, which gives Upper Hutt City Council further assurance over its useful life estimates.
- Experienced independent valuers perform the Council's infrastructural asset revaluations.

Upper Hutt City Council has no flood protection or control works to disclose as this is covered by Greater Wellington Regional Council. Water has no treatment plants and facilities. Upper Hutt City Council Wastewater treatment plant and facilities is shared under a joint arrangement with Hutt City called the Hutt Valley wastewater scheme.

## Note 9B – Operational property, plant, and equipment

	Forecast Annual Plan Year 1 2018 – 19 (\$ 000)	Forecast LTP Year 2 2019 – 20 (\$ 000)	Forecast Annual Plan Year 2 2019 – 20 (\$ 000)	Forecast Variation Year 2 2019 – 20 (\$ 000)
Opening cost/ valuation as at 1 July	56,997	64,512	59,813	(4,699)
Accumulated depreciation and impairment charge	(4,687)	(4,305)	(3,098)	1,207
<b>Opening book value as at 1 July</b>	<b>52,310</b>	<b>60,207</b>	<b>56,715</b>	<b>(3,492)</b>
Current years additions	11,233	12,238	13,635	1,397
Current years disposals	(2,200)	0	0	0
Current year revaluation	16	350	38	(312)
Current year depreciation	(1,152)	(1,258)	(1,451)	(193)

	Forecast Annual Plan Year 1 2018 – 19 (\$ 000)	Forecast LTP Year 2 2019 – 20 (\$ 000)	Forecast Annual Plan Year 2 2019 – 20 (\$ 000)	Forecast Variation Year 2 2019 – 20 (\$ 000)
WIP transferred	0	0	0	0
<b>Closing book value as at 30 June</b>	<b>60,207</b>	<b>71,537</b>	<b>68,937</b>	<b>(2,600)</b>
Closing cost/valuation	66,046	77,099	73,487	(3,612)
Closing accumulated depreciation	(5,839)	(5,562)	(4,550)	1,012
<b>Closing book value as at 30 June</b>	<b>60,207</b>	<b>71,537</b>	<b>68,937</b>	<b>(2,600)</b>

The opening balance of Year 2 (2019 – 2020) may not agree to closing balance of Year 1 (2018 – 2019) due to council taking into account events occurring this year.

Consists of:	Year 1	Year 2	Year 2	Year 2
Land (includes trees)	19,337	19,687	19,175	(512)
Buildings	24,532	29,526	29,215	(311)
Furniture and equipment	172	169	181	12
Library books	1,262	1,296	1,186	(110)
Motor vehicles	154	691	669	(22)
Plant	14,750	20,168	18,511	(1,657)
<b>Total operational assets closing book value 30 June</b>	<b>60,207</b>	<b>71,537</b>	<b>68,937</b>	<b>(2,600)</b>

## Note 9C – Aquatic property, plant, and equipment

	Forecast Annual Plan Year 1 2018 – 19 (\$ 000)	Forecast LTP Year 2 2019 – 20 (\$ 000)	Forecast Annual Plan Year 2 2019 – 20 (\$ 000)	Forecast Variation Year 2 2019 – 20 (\$ 000)
Opening cost/ valuation as at 1 July	10,232	10,167	9,767	(400)
Accumulated depreciation and impairment charge	(414)	(512)	(574)	(62)
<b>Opening book value as at 1 July</b>	<b>9,818</b>	<b>9,655</b>	<b>9,193</b>	<b>(462)</b>
Current years additions	0	513	513	0
Current years disposals	0	0	0	0
Current year revaluation	0	53	0	(53)
Current year depreciation	(163)	(159)	(154)	5
WIP transferred	0	0	0	0
<b>Closing book value as at 30 June</b>	<b>9,655</b>	<b>10,062</b>	<b>9,552</b>	<b>(510)</b>
Closing cost/ valuation	10,232	10,733	10,280	(453)

	Forecast Annual Plan Year 1 2018 - 19 (\$ 000)	Forecast LTP Year 2 2019 - 20 (\$ 000)	Forecast Annual Plan Year 2 2019 - 20 (\$ 000)	Forecast Variation Year 2 2019 - 20 (\$ 000)
Closing accumulated depreciation	(577)	(671)	(728)	(57)
<b>Closing book value as at 30 June</b>	<b>9,655</b>	<b>10,062</b>	<b>9,552</b>	<b>(510)</b>

The opening balance of Year 2 (2019 - 2020) may not agree to closing balance of Year 1 (2018 - 2019) due to Council taking into account events occurring this year.

Consists of:	Year 1	Year 2	Year 2	Year 2
Land	8,142	8,503	8,234	(269)
Buildings	1,400	1,453	1,219	(234)
Plant & equipment	113	106	99	(7)
<b>Total restricted assets closing book value 30 June</b>	<b>9,655</b>	<b>10,062</b>	<b>9,552</b>	<b>(510)</b>

## Note 9D – Restricted property, plant, and equipment

	Forecast Annual Plan Year 1 2018 - 19 (\$ 000)	Forecast LTP Year 2 2019 - 20 (\$ 000)	Forecast Annual Plan Year 2 2019 - 20 (\$ 000)	Forecast Variation Year 2 2019 - 20 (\$ 000)
Opening cost/ valuation as at 1 July	42,088	41,856	47,169	5,313
Accumulated depreciation and impairment charge	(578)	(741)	(289)	452
<b>Opening book value as at 1 July</b>	<b>41,510</b>	<b>41,115</b>	<b>46,880</b>	<b>5,765</b>
Current years additions	0	0	0	0
Current years disposals	0	0	0	0
Current year revaluation	0	1,230	0	(1,230)
Current year depreciation	(395)	(363)	(459)	(96)
WIP transferred	0	0	0	0
<b>Closing book value as at 30 June</b>	<b>41,115</b>	<b>41,982</b>	<b>46,421</b>	<b>4,439</b>
Closing cost/valuation	42,089	43,086	47,169	4,083
Closing accumulated depreciation	(974)	(1,104)	(748)	356
<b>Closing book value as at 30 June</b>	<b>41,115</b>	<b>41,982</b>	<b>46,421</b>	<b>4,439</b>

The opening balance of Year 2 (2019 - 2020) may not agree to closing balance of Year 1 (2018 - 2019) due to Council taking into account events occurring this year.

Consists of:	Year 1	Year 2	Year 2	Year 2
Land	32,483	33,712	33,974	262
Buildings	4,032	3,829	4,411	582
Parks and reserves services	4,600	4,441	8,036	3,595
<b>Total restricted assets closing book value 30 June</b>	<b>41,115</b>	<b>41,982</b>	<b>46,421</b>	<b>4,439</b>

## Note 9E – Infrastructure assets

	Forecast Annual Plan Year 1 2018 – 19 (\$ 000)	Forecast LTP Year 2 2019 – 20 (\$ 000)	Forecast Annual Plan Year 2 2019 – 20 (\$ 000)	Forecast Variation Year 2 2019 – 20 (\$ 000)
Opening cost/valuation as at 1 July	624,003	648,137	668,734	20,597
Accumulated depreciation and impairment charge	(652)	(2,059)	(2,184)	(125)
<b>Opening book value as at 1 July</b>	<b>623,351</b>	<b>646,078</b>	<b>666,550</b>	<b>20,472</b>
Current years additions	27,729	25,961	27,547	1,586
Current years disposals	(576)	(1,168)	(1,168)	0
Current year revaluation	7,249	6,816	19,095	12,279
Current year depreciation	(11,675)	(11,908)	(12,188)	(280)
WIP transferred	0	0	0	0
<b>Closing book value as at 30 June</b>	<b>646,078</b>	<b>665,779</b>	<b>699,836</b>	<b>34,057</b>
Closing cost/valuation	648,137	669,270	703,368	34,098
Closing accumulated depreciation	(2,059)	(3,491)	(3,532)	(41)
<b>Closing book value as at 30 June</b>	<b>646,078</b>	<b>665,779</b>	<b>699,836</b>	<b>34,057</b>

The opening balance of Year 2 (2019 – 2020) may not agree to closing balance of Year 1 (2018 – 2019) due to Council taking into account events occurring this year.

Consists of:	Year 1	Year 2	Year 2	Year 2
Land under roads at cost	94,204	95,141	96,782	1,641
Roads	221,287	231,826	249,308	17,482
Stormwater	111,801	119,149	123,529	4,380
Telemetry	322	322	213	(109)
Wastewater	87,444	88,376	94,414	6,038
Water	91,231	91,626	98,487	6,861
Hutt Valley Wastewater	39,789	39,339	37,103	(2,236)
<b>Total infrastructure assets closing book value 30 June</b>	<b>646,078</b>	<b>665,779</b>	<b>699,836</b>	<b>34,057</b>

## Note 9F – Hutt Valley Wastewater Scheme

The Local Government (Wellington Region) Reorganisation Order 1989 transferred the functions of the Hutt Valley Drainage Board to the Hutt City Council. In so doing, the reorganisation provided for a joint committee to be established between Upper Hutt City Council (UHCC) and Hutt City Council (HCC) to consider the co-ordination of the two Councils in respect of matters affecting the Hutt Valley as a whole, and the disposal of wastewater via the wastewater treatment plant. The joint Hutt Valley Wastewater Scheme has been constructed to improve the operation of the system and the quality of the discharge. UHCC pays an annual levy to HCC, which manages the Wastewater system, based on an apportionment of between 26% and 32% for UHCC. UHCC is funding the Hutt Valley Wastewater Scheme in line with the Strategic Plan Funding model. While UHCC does not have any direct control over the Scheme it is entitled to a share of the proceeds from any sale of the Scheme's assets.

The Hutt Valley Wastewater Scheme was valued on the depreciated replacement value basis as at 31 December 2017. The valuation of these assets was independently carried out by Aon Global Risk Consulting.

UHCC now has an interest in the total assets of \$38.868 M (2018 \$38.868M) as recognised as part of Infrastructural assets.

This is the assessed net book value of the UHCC share.

	Forecast Annual Plan Year 1 2018 – 19 (\$ 000)	Forecast LTP Year 2 2019 – 20 (\$ 000)	Forecast Annual Plan Year 2 2019 – 20 (\$ 000)	Forecast Variation Year 2 2019 – 20 (\$ 000)
Drainage levy	2,849	2,920	2,750	(170)
Capital contributions	2,120	983	983	0
Trade waste income	(100)	(103)	(103)	0

## Note 10 – Payables and deferred revenue

### Payables

Short-term creditors and other payables are recorded at their face value.

### Provisions

A provision is recognised for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event, it is probable that expenditures will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

<b>Breakdown on payables and deferred revenue</b>	<b>Forecast Annual Plan Year 1 2018 - 19 (\$ 000)</b>	<b>Forecast LTP Year 2 2019 - 20 (\$ 000)</b>	<b>Forecast Annual Plan Year 2 2019 - 20 (\$ 000)</b>	<b>Forecast Variation Year 2 2019 - 20 (\$ 000)</b>
Trade creditors	5,397	5,531	5,397	(134)
Rates In advance	794	814	794	(20)
Greater Wellington Regional Council rates	427	438	427	(11)
Fees in advance	743	762	743	(19)
Accrued interest payable	273	273	273	0
Payroll liability	261	268	261	(7)
Other liabilities	535	535	535	0
Deposits and trust accounts	923	923	923	0
<b>Total payables and deferred revenue</b>	<b>9,353</b>	<b>9,544</b>	<b>9,353</b>	<b>(191)</b>
Payables and deferred revenue for non-exchange transactions	9,269	9,460	9,258	(202)
Payables and deferred revenue from exchange transactions	84	84	95	11
<b>Forecast Composition of payables</b>	<b>9,353</b>	<b>9,544</b>	<b>9,353</b>	<b>(191)</b>
<b>Provisions weathertightness claims</b>	<b>22</b>	<b>22</b>	<b>22</b>	<b>0</b>

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 approximates their value.

There is one claim lodged with the *Weathertightness Homes Resolution Service* (WHRS) under the Government Financial Assistance Package (FAP) scheme as at 30 June 2019 (one claim in 2018).

Last year's claim related to weathertightness issues of homes in the Upper Hutt area and name the Council as well as other parties. The WHRS is a central government service established under the Weathertightness Homes Resolution Services Act 2006. The FAP is only available to eligible homeowners. The Council has opted into the FAP scheme.

A provision for these claims has been established based at 20% on the actuarial assessment of claims based on historical average claim level and other information held. The Council has insurance in place that covers one claim over legal proceedings.

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 approximates their fair value.

## Note 11 – Employee entitlements

### Short term employee entitlements

Wages and salaries, annual leave and other entitlements that are expected to be settled within twelve months of reporting date are measured at nominal values on an actual entitlement basis at current rates of pay. Upper Hutt City Council recognises a liability for sick leave to the extent that absences in the coming year are expected to be greater than the sick leave entitlements earned in the coming year.

## Long term entitlements

Entitlements that are payable beyond twelve months, such as long service leave and retirement gratuity, have been calculated on an actuarial basis.

The calculations are based on:

- likely future entitlements accruing to staff, based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement and contractual entitlements information; and
- the present value of the estimated future cash flows.

The amount is calculated based on the unused sick leave entitlement that can be carried forward at balance date, to the extent that Upper Hutt City Council anticipates it will be used by staff to cover those future absences.

## Presentation of employee entitlements

Sick leave, annual leave, and vested long service leave are classified as a current liability. Non-vested long service leave and retirement gratuities expected to be settled within 12 months of balance date are classified as a non-current liability.

## Critical accounting estimates and assumptions

### ESTIMATING RETIREMENT AND LONG SERVICE LEAVE OBLIGATIONS

The present value of retirement and long service leave obligations depend on a number of factors that are determined on an actuarial basis. Two key assumptions used in calculating this liability include the discount rate and the salary inflation factor. Any changes in these assumptions will affect the carrying amount of the liability.

Expected future payments are discounted using forward discount rates derived from the 90-day call rate from RBNZ. The discount rates used have maturities that match, as closely as possible, the estimated future cash outflows. The salary inflation factor has been determined after considering historical salary inflation patterns and after obtaining advice from an independent actuary. A weighted average discount rate of 1.10% (2018: 1.10%) and an inflation factor of 1.752% (2018:1.752%) were used.

## Superannuation schemes

Obligations for contributions to KiwiSaver are accounted for as defined contribution superannuation schemes and are recognised as an expense in the surplus or deficit when incurred.

## Employee benefit liabilities

The present value of retirement and long service leave obligation depends on a number of factors that are determined on an actuarial basis. Two key assumptions used in calculating this liability include the discount rate and salary inflation factor. Any changes in these assumptions will affect the carrying amount of the liability.



<b>Breakdown of employee benefit liabilities</b>	<b>Forecast Annual Plan Year 1 2018 – 19 (\$ 000)</b>	<b>Forecast LTP Year 2 2019 – 20 (\$ 000)</b>	<b>Forecast Annual Plan Year 2 2019 – 20 (\$ 000)</b>	<b>Forecast Variation Year 2 2019 – 20 (\$ 000)</b>
Accrued pay	8	8	8	0
Annual leave	629	646	629	(17)
Sick leave	47	47	47	0
Long service leave	0	0	0	0
<b>Total current portion</b>	<b>684</b>	<b>701</b>	<b>684</b>	<b>(17)</b>
Non-current liabilities				
Retirement and long service leave	314	322	314	(8)
<b>Total non-current portion</b>	<b>314</b>	<b>322</b>	<b>314</b>	<b>(8)</b>
<b>Total employee entitlements</b>	<b>998</b>	<b>1,023</b>	<b>998</b>	<b>(25)</b>

## Note 12 – Borrowings and other financial liabilities

Borrowings are initially recognised at their fair value. After initial recognition, all borrowings are measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the council or group has an unconditional right to defer settlement of the liability for at least twelve months after balance date or if the borrowings are expected to be settled within twelve months of balance date.

### Fixed-rate debt

Upper Hutt City Council's secured debt of \$5 million 2019 (\$2018, \$5 million) is issued at fixed rates of interest.

### Floating-rate debt

Upper Hutt City Council's secured debt of \$38 million 2019 (2018, \$31.5 million) is issued at floating rates of interest.

### Interest free loan

Upper Hutt City Council has no interest-free loans.

### Security

The overdraft is unsecured. The maximum amount that can be drawn against the overdraft facility is \$600,000 (2018 \$600,000). There are no restrictions on the use of this facility.

Council has two multi-option credit facilities available that total \$10.2 million; one with a \$5 million limit expiring on 31 July 2023, and one with a \$5.2 million limit expiring on 30 June 2023.

From 27 June 2001 all current fixed term loan facilities are secured by the Council's Debenture Trust Deed with security over rates income.

Upper Hutt City Council has issued security stock to the value of \$65.350 million as at 30 June 2018, under its Debenture Trust Deed. This stock has been issued to five banking institutions, as security for existing committed funds of \$36.5 million and uncommitted facilities available to the value of \$914,158. Additional security stock is issued to cover all new debt.

Upper Hutt City Council manages its borrowing in accordance with its funding and financial policies, which include a Liability Management Policy.

These policies have been adopted as part of Upper Hutt City Council's Long Term Plan.

	Forecast Annual Plan Year 1 2018 - 19 (\$ 000)	Forecast LTP Year 2 2019 - 20 (\$ 000)	Forecast Annual Plan Year 2 2019 - 20 (\$ 000)	Forecast Variation Year 2 2019 - 20 (\$ 000)
<b>Note 12 - Breakdown of borrowings</b>				
Opening balance	35,521	53,417	48,000	(5,417)
Loans raised during the year	21,213	19,256	21,873	2,617
Less repayments during the year	(3,317)	(2,753)	(2,769)	(16)
<b>Balance as at 30 June</b>	<b>53,417</b>	<b>69,920</b>	<b>67,104</b>	<b>(2,816)</b>
Less current borrowings repayable in 12 months	(2,753)	(3,759)	(3,829)	(70)
<b>Closing balance for non-current borrowings</b>	<b>50,664</b>	<b>66,161</b>	<b>63,275</b>	<b>(2,886)</b>

The opening balance of Year 2 (2019 - 2020) may not agree to closing balance of Year 1 (2018 - 2019) due to Council taking into account events occurring this year.

	Forecast Annual Plan Year 1 2018 - 19 (\$ 000)	Forecast LTP Year 2 2019 - 20 (\$ 000)	Forecast Annual Plan Year 2 2019 - 20 (\$ 000)	Forecast Variation Year 2 2019 - 20 (\$ 000)
<b>Interest expenses rates</b>				
The weighted average interest rate on loans outstanding ( current and non-current) at 30 June is estimated as:	4.16%	4.06%	3.63%	(0.43%)

The loans are secured by a rate pursuant to Section 115 of the Local Government Act 2002 upon the rateable property of the City of Upper Hutt.

The carrying amounts of borrowing repayable approximate their fair value as the loans are re-priced every 90 days.

## Internal borrowings

The Council borrows on a whole-of-Council basis, hence statements of internal borrowing are not appropriate.

## Note 13 – Financial instruments

The financial instruments which expose the Council to credit risk are principally bank balances, investments, accounts receivable, creditors and term loans. The Council's main bank accounts are held with the Australian and New Zealand Bank (ANZ). The credit risk is reduced by ensuring that the balances in the accounts are at sufficient levels to fund day to day operations of the Council. Surplus funds are invested with trading banks and organisations with credit ratings of not less than AA-

The level and spread of accounts receivable minimises the Council's exposure to credit risk. Council does not engage in any material transactions in foreign currencies and therefore is not exposed to any material foreign currency risk. Council's term loans are borrowed at fixed and floating interest rates. The main interest rate risk Council is exposed to is that market interest rates will fluctuate during the currency of the loans. In addition, many of Council's term loans are refinanced before ultimate repayment. Council is exposed to a risk that interest rates will have increased at the time loans are refinanced. To minimise this risk, loans are structured to avoid a concentration of refinancing at one time, and a portion of the current loans are covered by interest rate swaps to the value of \$43 million 2019 (2018, \$40.5 million).

## Note 13A – Financial instrument categories

<b>A – Financial instruments categories</b>	<b>Forecast Annual Plan Year 1 2018 – 19 (\$ 000)</b>	<b>Forecast LTP Year 2 2019 – 20 (\$ 000)</b>	<b>Forecast Annual Plan Year 2 2019 – 20 (\$ 000)</b>	<b>Forecast Variation Year 2 2019 – 20 (\$ 000)</b>
<b>Financial assets</b>				
Fair value through surplus and deficit	0	0	0	0
<b>Derivative financial instruments assets</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Loans and receivables</b>				
Cash at bank and cash equivalents	695	631	582	(49)
Debtors and other receivables	3,274	3,354	3,276	(78)
<b>Other financial assets</b>				
- term deposits	11,869	11,991	6,934	(5,057)
- community loans	3	0	28	28
- LGFA borrow rates	0	0	928	928
<b>Total loans and receivables</b>	<b>15,841</b>	<b>15,976</b>	<b>11,748</b>	<b>(4,223)</b>
<b>Fair value through other comprehensive revenue and expense</b>				
- other financial assets	0	0	0	0
- unlisted shares	156	156	201	45
<b>Total fair value through other comprehensive revenue and expense</b>	<b>156</b>	<b>156</b>	<b>201</b>	<b>45</b>

	Forecast Annual Plan Year 1 2018 – 19 (\$ 000)	Forecast LTP Year 2 2019 – 20 (\$ 000)	Forecast Annual Plan Year 2 2019 – 20 (\$ 000)	Forecast Variation Year 2 2019 – 20 (\$ 000)
<b>A – Financial instruments categories</b>				
<b>Financial liabilities at amortised costs</b>				
Creditors and other payables	9,353	9,544	9,353	(191)
Borrowings				
- secured loans	53,417	69,920	66,504	(3,416)
<b>Total financial liabilities at amortised cost</b>	<b>62,770</b>	<b>79,464</b>	<b>75,857</b>	<b>(3,607)</b>

## Insurance risk clause 31A Schedule 10 Local Government Act 2002

- The total value of all above ground assets (excludes land roads) of the local authority that are covered by insurance contracts is \$122.939 million. The maximum amount to which they are insured is \$600 million for any one event, including business interruption. (Combined Group limit of five councils)
- The total value of all assets of the local authority that are covered by financial risk sharing arrangements is underground/infrastructure assets with a total value of \$520.549 million. The maximum amount available to the local authority under those arrangements is \$600 million split 60/40 between Central Government and commercial insurance. (Combined group limit of four councils)
- The total value of all assets of the local assets of the local authority that are self-insured is nil except for any insurance claims below the excess. Council has no funds maintained by the local authority for that purpose.

In the event of a natural disaster, central government may contribute up to 60% towards the restoration of water, drainage and sewerage assets, and provides a subsidy towards the restoration of roads.

Under Section 33.4.2 of the Guide to the National Civil Defence Emergency Management Plan 2006, the Government's policy to reimburse 60 percent of other eligible response costs, combined with essential infrastructure recovery repair costs, above a threshold of 0.0075 percent of the city's net capital value.

Council's threshold is \$648,193.

## Note 14 – Equity

Equity is the community's interest as measured as the difference between total assets less total liabilities. Public equity is disaggregated and classified into a number of reserves to enable clearer identification of specified uses that Council makes of accumulated surpluses.

Components of equity are:

- accumulated funds;
- restricted reserves;
- asset revaluation reserve; and
- fair value through other comprehensive revenues and expense.

<b>14A – Breakdown of accumulated funds</b>	<b>Forecast Annual Plan Year 1 2018 – 19 (\$ 000)</b>	<b>Forecast LTP Year 2 2019 – 20 (\$ 000)</b>	<b>Forecast Annual Plan Year 2 2019 – 20 (\$ 000)</b>	<b>Forecast Variation Year 2 2019 – 20 (\$ 000)</b>
Opening balance	234,737	235,195	236,500	1,305
Net operating surplus( deficit)	1,890	7,274	7,866	592
	236,627	242,469	244,366	1,897
<b>Transfer to:</b>				
Restricted reserves	(4,497)	(2,322)	(4,215)	(1,893)
Accounts restricted by law	0	0	0	0
Asset revaluation reserve on disposal of property, plant and equipment	0	0	0	0
	(4,497)	(2,322)	(4,215)	(1,893)
<b>Transfer from:</b>				
Restricted reserves	2,573	1,387	2,870	1,483
Accounts restricted by law	492	472	1,058	586
Asset revaluation reserve on disposal of property, plant and equipment	0	0	0	0
	3,065	1,859	3,928	2,069
<b>Closing balance as at 30 June</b>	<b>235,195</b>	<b>242,006</b>	<b>244,079</b>	<b>2,073</b>

The opening balance of Year 2 (2019 – 2020) may not agree to closing balance of Year 1 (2018 – 2019) due to Council taking into account events occurring this year.

## Fair value through other comprehensive revenue and expense

This reserve comprises the cumulative net change in the fair value of fair value through other comprehensive revenue and expense instruments.

## Restricted reserves

Reserves are a component of equity generally representing a particular use to which various parts of equity have been assigned. Reserves may be legally restricted or created by the council.

Restricted reserves are those reserves subject to specific conditions accepted as binding by the Council and which may not be revised by the council without reference to the Courts or third party. Transfers from these reserves may be made only for certain specified purposes or when certain specified conditions are met.

Council created reserves are reserves established by council decision. The Council is legally allowed to alter them without reference to any third party. Transfers to and from these reserves are at the discretion of the Council.

The Council's capital is its equity (or ratepayers' funds), which comprise retained earnings and reserves. Equity is represented by net assets.

The Local Government Act 2002 [the Act] requires the Council to manage its revenues, expenses, assets, liabilities, investment, and general financial dealings prudently and in a manner that promotes the current

and future interests of the community. Ratepayer's 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 the Council. Intergenerational equity requires today's ratepayers to meet the costs of utilising the Council's assets today and not expecting them to meet the full costs of long term assets that will benefit ratepayers in future generations.

The Act requires the Council to make adequate and effective provision in its Long Term Plan (LTP) and in its Annual Plan (where applicable) to meet the expenditure needs identified in those plans. And 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.

Upper Hutt City Council has the following Council reserves:

- other accounts restricted by law
- special funds reserves

Reserves for different areas of benefit are used where there is a discrete set of rate or levy payers as distinct from the general rate. Any surplus or deficit relating to these separate areas of benefit is applied to the specific reserves.

Special reserves are set up where Council has defined a specific purpose. Interest is added to these reserves where applicable and deductions are made where funds have been used for the purpose they were created.

	Forecast Annual Plan Year 1 2018 - 19 (\$ 000)	Forecast LTP Year 2 2019 - 20 (\$ 000)	Forecast Annual Plan Year 2 2019 - 20 (\$ 000)	Forecast Variation Year 2 2019 - 20 (\$ 000)
<b>14B – Restricted reserves</b>				
(1) Special funds	7,496	8,431	7,578	(853)
(2) Other accounts restricted by law	4,365	3,893	6,407	2,514
<b>Total restricted reserves</b>	<b>11,861</b>	<b>12,324</b>	<b>13,985</b>	<b>1,661</b>

	Forecast Annual Plan Year 1 2018 - 19 (\$ 000)	Forecast LTP Year 2 2019 - 20 (\$ 000)	Forecast Annual Plan Year 2 2019 - 20 (\$ 000)	Forecast Variation Year 2 2019 - 20 (\$ 000)
<b>14B (1) – Special funds</b>				
Opening balance	5,572	7,496	6,233	(1,263)
Transfer from net surplus	4,304	2,087	4,069	1,982
Transfer from accumulated funds	0	0	0	0
Transfers from trust	0	0	0	0
Interest received	193	235	146	(89)
	10,069	9,818	10,448	630
Transfer to accumulated funds	0	0	0	0

<b>14B (1) – Special funds</b>	<b>Forecast Annual Plan Year 1 2018 – 19 (\$ 000)</b>	<b>Forecast LTP Year 2 2019 – 20 (\$ 000)</b>	<b>Forecast Annual Plan Year 2 2019 – 20 (\$ 000)</b>	<b>Forecast Variation Year 2 2019 – 20 (\$ 000)</b>
Transfers to net surplus	(2,573)	(1,387)	(2,870)	(1,483)
<b>Total special funds balance as at 30 June</b>	<b>7,496</b>	<b>8,431</b>	<b>7,578</b>	<b>(853)</b>

The opening balance of Year 2 (2019 – 2020) may not agree to closing balance of Year 1 (2018 – 2019) due to Council taking into account events occurring this year.

<b>14B (1) – Special funds closing balances as at 30 June consists of:</b>	<b>Forecast Annual Plan Year 1 2018 – 19 (\$ 000)</b>	<b>Forecast LTP Year 2 2019 – 20 (\$ 000)</b>	<b>Forecast Annual Plan Year 2 2019 – 20 (\$ 000)</b>	<b>Forecast Variation Year 2 2019 – 20 (\$ 000)</b>
General reserve <sup>1</sup>	10	10	10	0
Amenities fund <sup>2</sup>	512	527	543	16
Civic amenities fund <sup>2</sup>	1	1	1	0
Plant renewal <sup>3</sup>	533	31	40	9
Reserve fund contribution <sup>4</sup>	3,464	4,066	4,276	210
Cash in lieu parking <sup>5</sup>	3	3	3	0
Property sales <sup>6</sup>	1,554	1,601	543	(1,058)
Sierra Way subdivision <sup>7</sup>	142	146	144	(2)
Harcourt Park maintenance fund <sup>8</sup>	8	11	8	(3)
Akatarawa roading levy <sup>7</sup>	125	149	200	51
Kaitoke roading levy <sup>7</sup>	70	122	122	0
Mangaroa roading levy <sup>7</sup>	271	295	296	1
Katherine Mansfield levy <sup>7</sup>	79	159	158	(1)
Blue Mountain levy <sup>7</sup>	102	145	144	(1)
Moonshine Hill levy <sup>7</sup>	5	5	5	0
Alexander Road levy <sup>7</sup>	10	11	10	(1)
Swamp Road levy <sup>7</sup>	17	34	34	0
Library development <sup>9</sup>	0	0	0	0
Cemetery development <sup>9</sup>	0	0	0	0
Trench resealing levy <sup>10</sup>	12	13	12	(1)
Kurth Crescent development levy <sup>11</sup>	48	49	49	0
H <sub>2</sub> O Xstream plant renewal fund <sup>12</sup>	16	270	202	(68)
Maidstone Park artificial turf renewal fund <sup>13</sup>	514	783	778	(5)
<b>Total special funds</b>	<b>7,496</b>	<b>8,431</b>	<b>7,578</b>	<b>(853)</b>

## Special Fund Purposes

The Council has Special Funds to cover the following situations and hold funds in investments to cover these funds:

1. **GENERAL RESERVE** – available for any appropriate purpose. Funds come from various different sources.
2. **AMENITY FUND(S)** – available for lending at concessional rates to community groups for the development/construction of assets that will generate a benefit for the overall community. Funds are from interest earned from the various loans over time.
3. **PLANT RENEWAL** – funds allocated from rates to replace/upgrade plant assets in the activity charged with the original allocation.
4. **RESERVE FUND CONTRIBUTIONS** – contributions levied on the developers of sub-divisions which are used to maintain and increase council provided community assets or fund interest costs and loan repayments in relation to providing such assets.
5. **CASH IN LIEU OF PARKING** – funds collected instead of requiring the provision of parking by developers and used for parking purposes.
6. **PROPERTY SALES** – profits generated by the sale of property and available to assist in the funding of council work programme.
7. **ROADING LEVIES** – funds raised from sub-divisions in specific catchments and available for roading projects only in the catchment that provide the funds.
8. **HARCOURT PARK MAINTENANCE** – funds collected from this fees and charges for this activity and only available for approved maintenance purposes in that park.
9. **LIBRARY AND CEMETERY DEVELOPMENT** – funds collected for or generated by the specific activity and only available for projects in that activity.
10. **TRENCH RESEALING LEVY** – funds collected to ensure the correct re-instatement of trenching work by third parties.
11. **KURTH CRESCENT DEVELOPMENT LEVY** – funds to be collected from developers to provide stormwater upgrade in Kurth Crescent.
12. **ARTS SCHOLARSHIP FUND** – funds collected by Expressions to provide an annual scholarship.
13. **H2O XTREAM PLANT RENEWAL RESERVE** – funds allocated from rates to replace/upgrade H2O Xstream plant and equipment.
14. **MAIDSTONE TURF RENEWAL** – funds allocated from rates to renew the Maidstone artificial turf.
15. **EXPRESSIONS BUILDING EXTENSION RESERVE** – funds received from sponsors conditional on the extension of the Expression building.



	Forecast Annual Plan Year 1 2018 – 19 (\$ 000)	Forecast LTP Year 2 2019 – 20 (\$ 000)	Forecast Annual Plan Year 2 2019 – 20 (\$ 000)	Forecast Variation Year 2 2019 – 20 (\$ 000)
<b>14B (2) – Other accounts restricted by law</b>				
Opening balance	4,857	4,365	7,465	3,100
Transfer from net surplus	0	0	0	0
Transfer from accumulated funds	0	0	0	0
	4,857	4,365	7,465	3,100
Transfer to accumulated funds	(492)	(472)	(1,058)	(586)
Transfers to net surplus	0	0	0	0
<b>Total other accounts restricted by law as at 30 June</b>	<b>4,365</b>	<b>3,893</b>	<b>6,407</b>	<b>2,514</b>

The opening balance of Year 2 (2019 – 2020) may not agree to closing balance of Year 1 (2018 – 2019) due to Council taking into account events occurring this year.

	Forecast Annual Plan Year 1 2018 – 19 (\$ 000)	Forecast LTP Year 2 2019 – 20 (\$ 000)	Forecast Annual Plan Year 2 2019 – 20 (\$ 000)	Forecast Variation Year 2 2019 – 20 (\$ 000)
<b>14B (2) – Other accounts restricted by law</b>				
Dog control account	0	0	0	0
Water rate account	899	817	729	(88)
Stormwater rate account	770	616	1,380	764
Wastewater rate account	2,696	2,460	4,298	1,838
<b>Total other accounts restricted by law</b>	<b>4,365</b>	<b>3,893</b>	<b>6,407</b>	<b>2,514</b>

## Asset revaluation reserves

This reserve relates to the revaluation of property, plant and equipment to fair value.

	Forecast Annual Plan Year 1 2018 – 19 (\$ 000)	Forecast LTP Year 2 2019 – 20 (\$ 000)	Forecast Annual Plan Year 2 2019 – 20 (\$ 000)	Forecast Variation Year 2 2019 – 20 (\$ 000)
<b>14C – breakdown of asset revaluation reserves</b>				
Opening balance	456,439	463,704	480,485	16,781
Change in asset revaluation	7,265	8,449	19,133	10,684
Less revaluation attributed to assets sold	0	0	0	0
<b>Closing balance as at 30 June</b>	<b>463,704</b>	<b>472,153</b>	<b>499,618</b>	<b>27,465</b>
<b>Consists of :-</b>				
General asset revaluation reserve	27,612	27,612	30,258	2,646
Land asset revaluation reserve	40,806	42,439	37,732	(4,707)
Roading asset revaluation reserve	124,965	127,621	144,470	16,849
Stormwater asset revaluation reserve	97,404	99,417	104,245	4,828
Hutt Valley Wastewater Scheme	28,965	28,965	28,955	(10)
Wastewater asset revaluation reserve	75,076	76,126	78,940	2,814

<b>14C – breakdown of asset revaluation reserves</b>	<b>Forecast Annual Plan Year 1 2018 – 19 (\$ 000)</b>	<b>Forecast LTP Year 2 2019 – 20 (\$ 000)</b>	<b>Forecast Annual Plan Year 2 2019 – 20 (\$ 000)</b>	<b>Forecast Variation Year 2 2019 – 20 (\$ 000)</b>
Water asset revaluation reserve	68,876	69,973	75,018	5,045
<b>Total asset revaluation reserves</b>	<b>463,704</b>	<b>472,153</b>	<b>499,618</b>	<b>27,465</b>

The opening balance of Year 2 (2019 – 2020) may not agree to closing balance of Year 1 (2018 – 2019) due to Council taking into account events occurring this year.

## Note 15 – Reconciliation of surplus/deficit after tax to net cashflow from operating activities

	<b>Forecast Annual Plan Year 1 2018 – 19 (\$ 000)</b>	<b>Forecast LTP Year 2 2019 – 20 (\$ 000)</b>	<b>Forecast Annual Plan Year 2 2019 – 20 (\$ 000)</b>	<b>Forecast Variation Year 2 2019 – 20 (\$ 000)</b>
<b>Surplus/ (deficit) before appropriations</b>	1,890	7,274	7,866	592
<b>Add/less non-cash items</b>				
Depreciation	13,385	13,688	14,252	564
Intangible assets amortisation	0	0	0	0
Vested assets	(4,561)	(4,675)	(6,210)	(1,535)
Community loans interest amortisation	0	0	0	0
Increase/(decrease) in bad debts	(2)	1	(1)	(2)
Loss on derivative	0	0	0	0
Gain on derivative	0	0	0	0
Amortisation of premium	0	0	0	0
	<b>8,822</b>	<b>9,014</b>	<b>8,041</b>	<b>(973)</b>
<b>Add/less items classified as investing or financing activities</b>				
Loss on disposal of fixed assets	576	1,168	1,168	0
Profit on sale of fixed assets	(2,200)	0	(1,713)	(1,713)
	<b>(1,624)</b>	<b>1,168</b>	<b>(545)</b>	<b>(1,713)</b>
<b>Movements in working capital items</b>				
(Increase)/decrease in trade receivables	(855)	(82)	82	164
(Increase)/decrease in inventories	0	0	0	0
Increase /(decrease) in employee Entitlements	237	25	(25)	(50)
Increase/(decrease) in trade and other payables	3,112	191	(191)	(382)
	<b>2,494</b>	<b>134</b>	<b>(134)</b>	<b>(268)</b>
<b>Net inflow/(outflow) from operating activities</b>	<b>11,582</b>	<b>17,590</b>	<b>15,228</b>	<b>(2,362)</b>

## Note 16 – Contingencies

### Guarantees

The value of guarantees disclosed as contingent liabilities reflects Upper Hutt City Council's assessment of any loans guaranteed by Council to local sporting groups.

### Expressions Extension

Council has agreed that if Expressions Art and Entertainment Trust is unable to fully cover its contribution of \$2.8 million funding that Council will cover the shortfall by loans once all avenues of external funding are exhausted. Council would not expect this amount to exceed \$1.2 million.

### Local Government Funding Agency

The Council is a guarantor of the New Zealand Government Funding Agency (LGFA). The LGFA was incorporated in December 2011 with the purpose of providing debt funding to local authorities in New Zealand and it has a current credit rating of Standard and Poor's of AA+. There are 30 local authority shareholders (80%), New Zealand Government (20%), and 15 local authority guarantors of the LGFA.

The uncalled capital of shareholders is \$20 million and that is available in the event that an imminent default is identified. Also, together with the shareholder's uncalled capital and guarantors, the Council is a guarantor of all of the LGFA's borrowings.

At 30 June 2018, the LGFA had borrowings totalling \$8.272 billion (2017, \$7.945 billion).

Financial reporting standards require the Council to recognise the guarantee liability at fair value. However, the Council has been unable to determine a sufficiently reliable fair value for the guarantee, and therefore has not recognised a liability. The Council considers the risk of the LGFA defaulting on repayment of interest or capital to be very low on the basis that:

- it is not aware of any local authority debt defaults events in New Zealand, and
- local government legislation would enable local authorities to levy a rate to recover sufficient funds to meet any debt obligation if further funds were required.

### Unquantified claims

In 2018, Upper Hutt City Council has three claims outstanding; two have proceedings issued on them. (2017 four claims, four proceedings)

### Contingent Liability Claim – Carter Holt Harvey

In April 2013, The Ministry of Education (MOE) initiated High Court Proceeding against Carter Holt Harvey (CHH) and others alleging inherent defects in the cladding sheets and cladding systems manufactured and prepared by CHH. Subsequently, in December 2016, CHH commenced third party proceedings against 48 councils, including Upper Hutt City Council (UHCC) alleging a breach of duty in the processing of building consents, undertaking building inspections and issuing Code of Compliance Certificates. The Councils have applied for orders setting aside and striking out CHH's claims against them. The MOE's claim against CHH is for 833 school buildings, 12 claims (one against UHCC was struck out in January 2018) in respect of 7

schools located in Upper Hutt. At present there is insufficient information to conclude on potential liability and claim quantum, if any.

## Contingent assets

Upper Hutt City Council operates a scheme whereby sports clubs are able to construct facilities (e.g. club rooms on reserve land).

The clubs control the use of these facilities and Upper Hutt City Council will only gain control of the asset if the club vacates the facility.

Until this event occurs these assets are not recognised as assets in the Statement of Financial Position.

As at 30 June 2019 there are 35 facilities, having an approximate value of \$6.710 million (2018, 35 facilities – \$6.710 million). This estimate has been based on government valuations for the area.

Contingent liabilities	Forecast Annual Plan Year 1 2018 – 19 (\$ 000)	Forecast LTP Year 2 2019 – 20 (\$ 000)	Forecast Annual Plan Year 2 2019 – 20 (\$ 000)	Forecast Variation Year 2 2019 – 20 (\$ 000)
	(A) Guarantees	0	0	0
(B) Other legal proceedings	1,120	1,120	1,120	0
<b>Total contingent liabilities</b>	<b>1,120</b>	<b>1,120</b>	<b>1,120</b>	<b>0</b>

## Note 17 – Discontinued activities

There are no discontinued activities within this Annual Plan or in the current LTP 2018 – 2028.

## Note 18 – Inflation

	Forecast Annual Plan Year 1 2018 – 19 (\$ 000)	Forecast LTP Year 2 2019 – 20 (\$ 000)	Forecast Annual Plan Year 2 2019 – 20 (\$ 000)	Forecast Variation Year 2 2019 – 20 (\$ 000)
Compounding average general inflation rate	0.00%	2.50%	0%	(2.50%)
BERL General Local Government inflation indice per year	1.90%	2.50%	0%	(2.50%)
<b>Comparison to :</b>				
General inflation Previous LTP 2015 – 2025	2.92%	3.08%	0%	(3.08%)
General inflation Previous LTP 2012 – 2022	3.38%	3.69%	0%	(3.69%)

Council uses the BERL local government cost inflation indices (LGCI) rather than CPI as these are more in line with our business sector, unless there is a specific reason not to. The average percentages, as shown above, have been applied to most items within the published accounts for the years shown. Refer also to the note on Inflation, Accounting Assumptions, Section 4 Policies, in the LTP 2018 – 2028.

**RATE LIMITS****BERL LOCAL GOVERNMENT COST INDEX INFLATION PLUS 2%**

Throughout the life of the Long Term Plan, Council resolved to keep rates changes within the weighted average local government cost index (BERL Local Government Cost Index) in any one year plus two percent for new or existing assets (development, growth or renewals). This means if the Local Government Cost Index (LGCI) inflation is forecast in a year at 3.5% then the permitted cap for rates increase is 5.5%. That does not mean it needs to be the maximum, nor that the Council or the public will accept the maximum 5.5%.

## Schedule of special funds

	LTP 2019 – 2020				Annual Plan 2019 - 2020						Variation Balance Year 2 30/06/20 (\$ 000)
	Forecast Balance Year 2 1/07/19 (\$ 000)	Forecast Transfers Year 2 In (\$ 000)	Forecast Interest Year 2 Income (\$ 000)	Forecast Transfers Year 2 Out (\$ 000)	Forecast Balance Year 2 30/06/20 (\$ 000)	Forecast Balance Year 2 1/07/19 (\$ 000)	Forecast Transfers Year 2 In (\$ 000)	Forecast Interest Year 2 Income (\$ 000)	Forecast Transfers Year 2 Out (\$ 000)	Forecast Balance Year 2 30/06/20 (\$ 000)	
General reserve	10	0	0	0	<b>10</b>	10	0	0	0	<b>10</b>	0
Amenities fund	512	0	15	0	<b>527</b>	532	0	11	0	<b>543</b>	16
Civic amenities fund	1	0	0	0	<b>1</b>	1	0	0	0	<b>1</b>	0
Plant renewal	533	31	10	(543)	<b>31</b>	542	35	6	(543)	<b>40</b>	9
Reserve fund contribution	3,464	1,335	111	(844)	<b>4,066</b>	3,640	1,650	78	(1,092)	<b>4,276</b>	210
Cash in lieu parking	3	0	0	0	<b>3</b>	3	0	0	0	<b>3</b>	0
Property sales	1,554	0	47	0	<b>1,601</b>	50	1,713	15	(1,235)	<b>543</b>	(1,058)
Sierra Way subdivision	142	0	4	0	<b>146</b>	141	0	3	0	<b>144</b>	(2)
Harcourt Park maintenance fund	8	3	0	0	<b>11</b>	5	3	0	0	<b>8</b>	(3)
Akatarawa roading levy	125	20	4	0	<b>149</b>	177	19	4	0	<b>200</b>	51
Kaitoke roading levy	70	49	3	0	<b>122</b>	70	50	2	0	<b>122</b>	0
Mangaroa roading levy	271	16	8	0	<b>295</b>	273	17	6	0	<b>296</b>	1
Katherine Mansfield	79	76	4	0	<b>159</b>	79	77	2	0	<b>158</b>	(1)
Blue Mountain levy	102	39	4	0	<b>145</b>	103	39	2	0	<b>144</b>	(1)
Moonshine Hill levy	5	0	0	0	<b>5</b>	5	0	0	0	<b>5</b>	0
Alexander Road levy	10	1	0	0	<b>11</b>	10	0	0	0	<b>10</b>	(1)
Swamp Road	17	16	1	0	<b>34</b>	17	16	1	0	<b>34</b>	0
Library development	0	0	0	0	<b>0</b>	0	0	0	0	<b>0</b>	0
Cemetery development	0	0	0	0	<b>0</b>	0	0	0	0	<b>0</b>	0
Trench resealing levy	12	1	0	0	<b>13</b>	12	0	0	0	<b>12</b>	(1)

	LTP 2019 - 2020				Annual Plan 2019 - 2020						
	Forecast Balance Year 2 1/07/19 (\$ 000)	Forecast Transfers Year 2 In (\$ 000)	Forecast Interest Year 2 Income (\$ 000)	Forecast Transfers Year 2 Out (\$ 000)	Forecast Balance Year 2 30/06/20 (\$ 000)	Forecast Balance Year 2 1/07/19 (\$ 000)	Forecast Transfers Year 2 In (\$ 000)	Forecast Interest Year 2 Income (\$ 000)	Forecast Transfers Year 2 Out (\$ 000)	Forecast Balance Year 2 30/06/20 (\$ 000)	Variation Balance Year 2 30/06/20 (\$ 000)
Kurth Crescent development levy	48	0	1	0	49	48	0	1	0	49	0
H <sub>2</sub> O Xtream plant renewal fund	16	250	4	0	270	0	200	2	0	202	(68)
Maidstone Park artificial turf renewal fund	514	250	19	0	783	515	250	13	0	778	(5)
<b>Total special funds</b>	<b>7,496</b>	<b>2,087</b>	<b>235</b>	<b>(1,387)</b>	<b>8,431</b>	<b>6,233</b>	<b>4,069</b>	<b>146</b>	<b>(2,870)</b>	<b>7,578</b>	<b>(853)</b>

# Schedule 4 – Annual plan disclosure statement

## Annual plan disclosure statement for year ending 30 June 2020

### What is the purpose of this statement?

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

The 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		Planned	Met [Yes/No]
Rates and affordability benchmark			
<ul style="list-style-type: none"> <li>income</li> </ul>	Quantified limit on rates = \$45,812,040	\$42,762,000	Yes
<ul style="list-style-type: none"> <li>increases</li> </ul>	LGCI* 2.5% plus 2% discretionary increase <sup>1</sup> , plus 2% growth in rating database of the city = 6.5%	6.88%	No <sup>2</sup>
Debt affordability benchmark	Quantified limit on borrowing = Council will stay within five debt parameters		
Net interest expense over total revenue will not exceed 10%.	10%	3.53%	Yes
Net external public debt will not exceed 175% of total revenue.	175%	113%	Yes
External public debt per capita will not exceed \$3,000 adjusted by the LGCI.	\$3,727.88	\$1,597.77	Yes
Net interest/annual rates revenue will not exceed 15%	15%	5%	Yes

<sup>1</sup> Up to 2% discretionary increase. During 2015 consultation, ratepayers were asked whether they would accept an additional rates increase to achieve growth. 2% was the accepted parameter by the majority of submissions.

<sup>2</sup> Per Table A of the Summary, The increase of 6.88% has been calculated by comparing the proportion of the total rate funding requirement funded by rates (as opposed to accumulated funds) between 2018 – 2019 and 2019 – 2020. If you compare the total rate funding requirement between 2018 – 2019 and 2019 – 2020, the increase is only 4.49% and therefore the benchmark would have been met.



Liquidity (external, term debt + committed funds + available liquid investment to existing external debt) will exceed 110%	110%	123%	Yes
Balanced budget benchmark	100%	99.66%	No <sup>3</sup>
Essential services benchmark	100%	175%	Yes
Debt servicing benchmark	10%	4.05%	Yes

\* LGCI = Local Government Cost Index as provided by Business and Economic Research Limited (BERL)

## Notes

### 1 RATES AFFORDABILITY BENCHMARK

(1) For this benchmark, the Council's planned rates income with a quantified limit on rates contained in the Financial Strategy included in the council's long-term plan. The quantified limit is the previous year's planned rates %, plus the Local Government Cost Index (LGCI) annual average percentage change, as provided by Business and Economic Research Limited (BERL\*), plus up to 2% growth to the discretionary increases in dollar terms, plus the proposed annual allowance of growth in the rates database.

(2) The Council meets the rates affordability benchmark if its planned rates income for the year equals or is less than each quantified limit on rates.

\* In this annual plan BERL is 2.5%, the growth in the database is 2%, and council has up to 2% discretionary increase.

Throughout the life of the Long Term Plan, Council resolved to keep rates changes within the weighted average local government cost index BERL Local Government Cost Index, in any one year plus two percent for new or existing assets (development, growth or renewals) plus growth in the rating database.

### 2 DEBT AFFORDABILITY BENCHMARK

(1) For this benchmark, the Council's planned borrowing is compared with a quantified limit that Council will stay within five debt parameters on borrowing contained in the Financial Strategy included in the Council's long-term plan. These are:

- net interest over total revenue will not exceed 10%,
- net debt over total revenue will not exceed 175% of total revenue,
- net interest over annual rates revenue will not exceed 15%,
- liquidity (external, term debt + committed loan facilities + available liquid investment to existing external debt) will exceed 110%, and
- external public debt per capita will not exceed \$3,000 adjusted by the LGCI.

<sup>3</sup> As covered in Council's Long Term Plan, Revenue and Financing Policy, Council has not funded depreciation as a separate fund. For that reason, operating revenues do not cover operating expenses including depreciation for several years of the plan i.e. the Council will run operating deficits. Operating revenues are set at such a level that they cover direct operating expenses (excluding depreciation), capital renewals for infrastructure, loan repayments and interest.

- (2) The Council meets the debt affordability benchmark if its planned borrowing is within each quantified limit on borrowing.

### **3 BALANCED BUDGET BENCHMARK**

- (1) 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).
- (2) The Council meets the balanced budget benchmark if its revenue equals or is greater than its operating expenses.

### **4 ESSENTIAL SERVICES BENCHMARK**

- (1) For this benchmark, the Council's planned capital expenditure on network services is presented as a proportion of expected depreciation on network services.
- (2) 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.

### **5 DEBT SERVICING BENCHMARK**

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

# Funding impact statement

## Funding impact statement for all activities

The following Funding Impact Statement (FIS) is in a format prescribed by regulation and is not GAAP compliant. The intention is to show how the operational and capital expenditure of the Council is funded. Some items included in the Statement of Comprehensive Revenue and Expenses are excluded and some items not in the Statement of Comprehensive Revenue and Expenses are included. Specifically capital expenditure is included in the FIS, as is transfers to and from special funds and loan receipts and repayments. Depreciation, loss on disposal of fixed assets and other (minor) non-cash items are excluded from the FIS as they are not funded. 'Aplan' indicates Annual Plan.

### All activities – Whole of Council

<b>Upper Hutt City Council: Funding Impact Statements for 30 June 2020 (Whole of Council)</b>	<b>Forecast Annual Plan Year 1 2018 – 19 (\$ 000)</b>	<b>Forecast LTP Year 2 2019 – 20 (\$ 000)</b>	<b>Forecast Annual Plan Year 2 2019 – 20 (\$ 000)</b>
<b>Sources of operating funding</b>			
General rates, uniform annual general charges, rates penalties	25,517	26,558	27,222
Targeted rates	15,372	16,418	15,540
Subsidies and grants for operating purposes	1,716	1,745	1,847
Fees, charges	7,766	11,071	10,032
Interest and dividends from investments	374	415	326
Local authority fuel tax, fines, infringement fees, and other receipts	1,312	1,521	427
<b>Total operating funding (A)</b>	<b>52,057</b>	<b>57,728</b>	<b>55,394</b>
<b>Applications of operating funding</b>			
Payments to staff and suppliers	41,518	42,054	44,430
Finance costs	2,044	2,802	2,541
Other operating funding applications	12	35	38
<b>Total applications of operating funding (B)</b>	<b>43,574</b>	<b>44,891</b>	<b>47,009</b>
<b>Surplus (deficit) of operating funding (A-B)</b>	<b>8,483</b>	<b>12,837</b>	<b>8,385</b>
<b>Sources of capital funding</b>			
Subsidies and grants for capital expenditure	1,990	5,264	5,557

<b>Upper Hutt City Council: Funding Impact Statements for 30 June 2020 (Whole of Council)</b>	<b>Forecast Annual Plan Year 1 2018 - 19 (\$ 000)</b>	<b>Forecast LTP Year 2 2019 - 20 (\$ 000)</b>	<b>Forecast Annual Plan Year 2 2019 - 20 (\$ 000)</b>
Development and financial contributions	218	218	1,868
Increase (decrease) in debt	10,325	16,320	19,104
Gross proceeds from sale of assets	2,200	0	1,713
Lump sum contributions	0	0	0
<b>Total sources of capital funding (C)</b>	<b>14,733</b>	<b>21,802</b>	<b>28,242</b>

<b>Upper Hutt City Council: Funding Impact Statements for 30 June 2020 (Whole of Council)</b>	<b>Forecast Annual Plan Year 1 2018 - 19 (\$ 000)</b>	<b>Forecast LTP Year 2 2019 - 20 (\$ 000)</b>	<b>Forecast Annual Plan Year 2 2019 - 20 (\$ 000)</b>
<b>Applications of capital funding</b>			
<b>Capital expenditure</b>			
- to meet additional demand	4,260	9,569	10,968
- to improve the level of service	8,899	17,691	17,691
- to replace existing assets	8,248	6,775	6,826
Increase (decrease) in reserves	1,435	189	816
Increase (decrease) of investments	374	415	326
<b>Total applications of capital funding (D)</b>	<b>23,216</b>	<b>34,639</b>	<b>36,627</b>
<b>Surplus (deficit) of capital funding (C-D)</b>	<b>(8,483)</b>	<b>(12,837)</b>	<b>(8,385)</b>
<b>Funding balance ((A-B)+(C-D))</b>	<b>0</b>	<b>0</b>	<b>0</b>

## Differential and targeted rating schedule

This schedule defines the detail that will apply for the 2019 – 2020 rating year and is to be read in conjunction with Council’s Revenue and Financing Policy and the rest of the Funding Impact Statement.

### General rates

General rates are calculated on the capital value of all rateable properties in the city and assessed on a differential basis. Under differential rating, all property is allocated to one or more of the following differential rating groups based on zoning or usage and a differential, based on a factor of 100 for the standard differential group, is used for the calculation of general rates as follows.

For 2019 – 2020 Council will apply the following differential factors:

Differential rating group <sup>1</sup>	Factor
Standard	100
Residential high value <sup>2</sup>	Scaled factor
Rural <sup>3</sup>	73
Rural high value <sup>3</sup>	Scaled factor
Business <sup>4</sup>	270
Utilities and three waters utilities <sup>4</sup>	230

### NOTES

<sup>1</sup> The categories are as defined in this document.

<sup>2</sup> Refer to the high value sub-group table below for the formula used to determine the relevant scaled factors.

<sup>3</sup> Council reviewed the Rural 33 differential rating category in December 2010 and will maintain the existing differential factor for general rates levied from this category in 2019 – 2020. In 2019 – 2020 Council will apply the same concessional arrangements applied to high value residential rating units to high value rural rating units where this is to the benefit of the ratepayer. Refer to the Rural High Value Sub-group explanation in the table below for the formula used to determine the relevant scaled factors.

<sup>4</sup> Council reviewed the Business and Utilities differential rating categories in February 2017 and will maintain the individual relativity of general rates levied from those categories.

**FORMULA**

For high value properties the Council will set the following values each year for general rating purposes:

1. A trigger value (x)
2. A rural 33 minimum eligibility value (y)
3. An excess percentage (z)
4. The factor to be used for general rating purposes will be applied on a step basis. The range of each step will be determined annually by the council.

The minimum value of the first high value step will be \$1,000 more than the standard trigger value.

The factor to be applied to high value properties for general rating purposes will be determined by a formula,  $T/Q \times 100$  where:

1.  $T = Q - S$
2.  $S = R \times Z$
3.  $R = Q - X$
4. Q = Minimum value of each step into which the capital value of a high value property fits into.

For the 2018-2019 rating year the Council proposes to set the following values:

1. Trigger value = \$1,199,000 (based on a rating unit capital value of \$1,200,000 less 1,000).
2. Rural 33 minimum eligibility value = \$1,650,000
3. Excess percentage = 0.9
4. High value step range = \$25,000.

Table A – this table illustrates the application of the High Value sub-group formula to the high value sub groups. It is only indicative.

**Note:** The “100” series of High Value sub-groups apply to qualifying properties in the Standard differential. The “200” series of High Value sub groups apply to qualifying properties in the Rural 31 and 32 differentials but only sub-groups 281 and higher apply to qualifying properties in the Rural 33 differential.

**TABLE A**

High Value Sub-groups	Capital Value Range		Differential Factor
	From	To	
136	1,200,000	1,224,999	99.93
141	1,225,000	1,249,999	98.09
146	1,250,000	1,299,999	96.33
151	1,300,000	1,399,999	93.01
156	1,400,000	1,449,999	87.08
161	1,450,000	1,474,999	84.42
166	1,475,000	1,499,999	83.16
167	1,500,000	1,524,999	81.94
171	1,525,000	1,549,999	80.76
176	1,550,000	1,649,999	79.62

High Value Sub-groups	Capital Value Range		Differential Factor
	From	To	
181	1,650,000	1,699,999	75.4
186	1,700,000	1,749,999	73.48
191	1,750,000	1,849,999	71.66
196	1,850,000		68.33
236	1,200,000	1,224,999	99.93
241	1,225,000	1,249,999	98.09
246	1,250,000	1,299,999	96.33
251	1,300,000	1,399,999	93.01
256	1,400,000	1,474,999	87.08
261	1,450,000	1,474,999	84.42
266	1,475,000	1,524,999	83.16
271	1,525,000	1,549,000	80.76
276	1,550,000	1,649,999	79.62
281	1,650,000	1,524,999	75.40
286	1,700,000	1,749,999	73.48
291	1,750,000	1,849,999	71.66
296	1,850,000		68.33

The revenue sought from this rate is \$26,980,000 plus GST.

The purposes to which this revenue will be applied are to meet the costs of land transport, parks and reserves, environmental services, community services and amenities, libraries, economic development, democratic participation, and management support of Council activities.

## Targeted rates

### 1.1 WATER

For 2019 – 2020 Council has resolved to collect the revenue needed for the water supply service on the following basis.

Of the total revenue, required for the water supply service, 20% has been identified as required for fire protection purposes. This will be raised by way of a set rate per dollar, on a capital value basis, for each property, differentiated by whether the property is serviced or serviceable. If the rating unit can be but is not supplied with water and is situated within 100 metres of any part of the water works ('a serviceable property') a 'serviceable' rate of 50% of the full 'serviced' rate will be made.

The revenue sought from this rate is \$1,305,000 plus GST (and is to contribute 20 percent of the total requirement needed for the costs of water supply).

Of the total revenue, required for the water supply service, 60% has been identified as required for general water supply, by way of uniform annual charges on each serviced or serviceable property. If the rating unit can be but is not supplied with water and is situated within 100 metres of any part of the water works ('a serviceable property') 50% of the full 'serviced' uniform annual charge will apply.

The revenue sought from this rate is \$3,922,000 plus GST and is to contribute approximately 60 percent of the total requirement needed for the costs of water supply.

Note for completeness: The remaining 20% of the revenue required to provide the general water supply, is raised by way of a user charge, based on the quantity of water used, as calculated by water meters installed on the properties concerned and authorised by the Water Supply Bylaw, and specified in the Schedule of Fees and Charges.

## 1.2 STORMWATER

For 2019 – 2020 Council has resolved to collect the revenue needed for stormwater purposes by way of a set rate per dollar on capital value, on a differential basis, with businesses having a differential factor of 140 and other properties a factor of 100. This rate will apply to all rating units contained within the Upper Hutt Urban Drainage District (shown as the shaded area on the attached map labelled Upper Hutt Urban Drainage District).

The revenue sought from this rate is \$2,930,000 plus GST and is to contribute to the costs of stormwater drainage and flood protection of the city.

## 1.3 WASTEWATER

The targeted rate for wastewater disposal will be a uniform annual charge, which will apply to all water-closets (pans) or urinals connected to a public sewage drain. Business properties will be assessed in accordance with Council's Revenue and Financing Policy. All residential properties separately used or inhabited parts are deemed to have not more than one pan or urinal under the Local Government (Rating) Act 2002 Schedule 3 Note 4. (A separately used or inhibited part is defined in Council's Revenue and Financing Policy).

For 2019 – 2020 with regard to schools in the city, Council has resolved to calculate the number of whole charges based on a formula which calculates the number of applicable charges as being the **lesser of**:

1. the assessed number as above for non-residential rating units, and
2. the number of charges based on the following formula:
  - a. Volume of water used per annum divided by 228,
  - b. (228 being the number of cubic metres assessed as being a standard residential unit annual usage).

The revenue sought from this charge is \$7,383,000 plus GST and is to be applied towards the cost of the sewerage reticulation and disposal of bulk sewage schemes.

## 1.4 RATES ON DEFENCE LAND

The rates described in general rates, water fire protection rates, and stormwater take into account the requirement to ensure that Defence Department land is not paying a higher amount of rates than would be payable under a land value rating system. This is in accordance with section 22 of the Local Government (Rating) Act 2002.

## 1.5 OTHER TARGETED RATES

There are currently no other targeted rates.



## 1.6 LUMP SUM CONTRIBUTIONS

Council will not invite lump sum contributions to targeted rates in 2019 – 2020.

## Funding Impact Statement – Differential definitions

For 2019 – 2020 Council has resolved to define its differential rating categories, to which all rateable property in the district of Upper Hutt shall be allocated, as follows:

### 1. RURAL

A rating unit or part rating unit will be allocated to the Rural Category for rating purposes to the extent that:

- a. it is situated in a rural zone; **and**
- b. has an area of 30ha or more.

If the Council is satisfied that:

- a. the same ratepayer is recorded as owner of more than one rating unit; **and**
- b. all the rating units are situated in a rural zone; **and**
- c. are being used as one property principally for a farming activity; **and**
- d. the rating units have a combined total area of 30ha or more

then the rating units will all be allocated to this category for rating purposes.

### 2. RURAL HIGH VALUE

A rating unit or part rating unit will be allocated to the Rural High Value Category for rating purposes to the extent that:

- a. it meets all the requirements for the Rural Category in (1) above; **and**
- b. has a capital value of \$1,650,000 or more; **and**
- c. contains a single dwelling only.

### 3. UTILITIES

Regardless of zoning and notwithstanding that it may meet the requirements for inclusion in another category, a rating unit or part rating unit will be allocated to the Utilities Category for rating purposes to the extent that:

- a. it is owned or operated by a utility operator and is being used, principally, as part of the utility infrastructure; **and**
- b. it is identified as a utility in the Upper Hutt City District Valuation Roll.

#### 4. THREE WATERS UTILITY

A rating unit or part rating unit will be allocated to the Three Waters utility category for rating purposes to the extent that it:

- a. meets the criteria in Utilities 3a and 3b above, **and**
- b. it is used solely for the purpose of:
  - i. draining stormwater, or
  - ii. draining wastewater from Upper Hutt city and its district into the bulk sewer line, or
  - iii. supplying potable water to Upper Hutt city and its district, but not used to carry water directly from the reservoirs owned by Greater Wellington Regional Council.

#### 5. BUSINESS

5.1. A rating unit or part rating unit in the Business zone or in the Special Activities zone will be allocated to the Business category for rating purposes, **unless:**

- a. it has been allocated to the Utilities category; **or**
- b. it has been allocated to the Standard category (or the Residential High Value or the Rural High Value category) because it is being used, principally, as a single residential dwelling (used principally for private residential purposes).

5.2. A rating unit or part rating unit will be allocated to the Business Category for rating purposes if it is situated in a Residential, Rural or Open Space zone and has not been allocated to the Utilities category but is being used, principally, for a business activity.

For the purposes of clause 5.2:

- a. where the business activity is the principal activity on a rating unit, the whole rating unit will be allocated to the Business category;
- b. where the business activity is not the principal activity on a rating unit, but takes place in a physically discrete part of the rating unit, that part will be allocated to the Business category.

5.3. For the purposes of this definition:

- a. the following are **not** business activities:
  - farming activities
  - intensive animal farming
  - forestry
  - Wellington Racing Club
- b. business activities include the following:
  - commercial sawmills and timber yards
  - farm products processing plants
  - retail nurseries and garden centres
  - veterinary hospitals and clinics
  - service stations

- 5.4. A rating unit or part rating unit that is occupied by or for the purposes of a penal institution or as a defense area will be allocated to this category for rating purposes unless:
- a. it has been allocated to the Utilities category; or
  - b. it has been allocated to the Rural category; or
  - c. it is used principally as a single residential dwelling (used principally for private residential purposes); or
  - d. it is being used principally for a farming activity but does not satisfy the criteria for inclusion in the Rural category.

## 6. RESIDENTIAL HIGH VALUE

A rating unit or part rating unit will be allocated to the Residential High Value Category for rating purposes if it contains a single dwelling only and has a capital value of \$1,200,000 or more **and**:

- a. is situated in a residential zone; or
- b. is situated in a rural zone and has an area of less than 30ha; or
- c. is situated in any other zone, and has an area of less than 30ha and is being used, principally, for a residential activity.

## 7. STANDARD

A rating unit or part rating unit will be allocated to the Standard Category to the extent that it does not meet all of the criteria for inclusion in any other category.

## 8. CONTIGUOUS RATING

The Council will apply the provisions of the Rating Valuations Act 1998, The Local Rating Act 2002, and any other relevant legislation to this situation.

## Funding Impact Statement – Rates remission

For 2019 – 2020 Council has resolved to set the following criteria for its Rates Remission for Economic Development policy.

1. New Employment Opportunities – developments for which remission is being sought are expected to create at least **20** full time equivalent jobs.
2. New Capital Investment - developments for which remission is being sought are expected to bring at least **\$1,000,000** (GST exclusive) of new capital investment into the city.
3. The maximum number of rating years for which rates remission on sub-divisions will be granted is **two**.
4. A subdivision is a Subdivision under the Rates Remission for Economic Development – Subdivisions Policy **if**:
  - a. Upper Hutt City Council has granted a Resource Consent for it, and
  - b. It creates no less than four additional Lots, as defined by the policy, and
  - c. No less than one Lot is defined as Bare Land in this Funding Impact Statement, and

5. Bare Land means any Lot that:
- a. does not have a building on it, or
  - b. the building or buildings are constructed in satisfaction of a condition of the subdivision Resource Consent, or
  - c. there is an existing building and a condition of the subdivision Resource Consent requires that the building or buildings be demolished, removed or relocated or
  - d. the Lot is zoned residential under the District Plan and any building on the Lot is not a dwelling, or
  - e. The Lot is zoned other than residential under the District Plan and the building is not a permitted use for the Lot under the District Plan.

The number of Lots (X) a granted remission will apply to is determined by the formula:

$X = N - A$ , where:

- a.  $N$  = total Lots of Subdivision
- b. In the case that all Lots are Bare Land:
 

$A$  = the Lot with the highest valuation, or

$A$  = One of the Lots with the highest valuation when the highest valuation applies to more than one Lot, OR
- c. In the case that one or more Lots are not Bare Land :
 

$A$  = all the Lots that are not Bare Land

## Definition of 'Separately used or inhabited parts' of a rating unit

Separately used or inhabited parts of a property that can be separately used or occupied in addition to the principal habitation or use, except where the use of the part is ancillary to principal use. In the situation where a rating unit contains both commercial or industrial uses, and a residential or agricultural use, they will be treated as two or more separate uses except where the residential part is occupied for the purposes of the principal use of the rating unit.

For example:

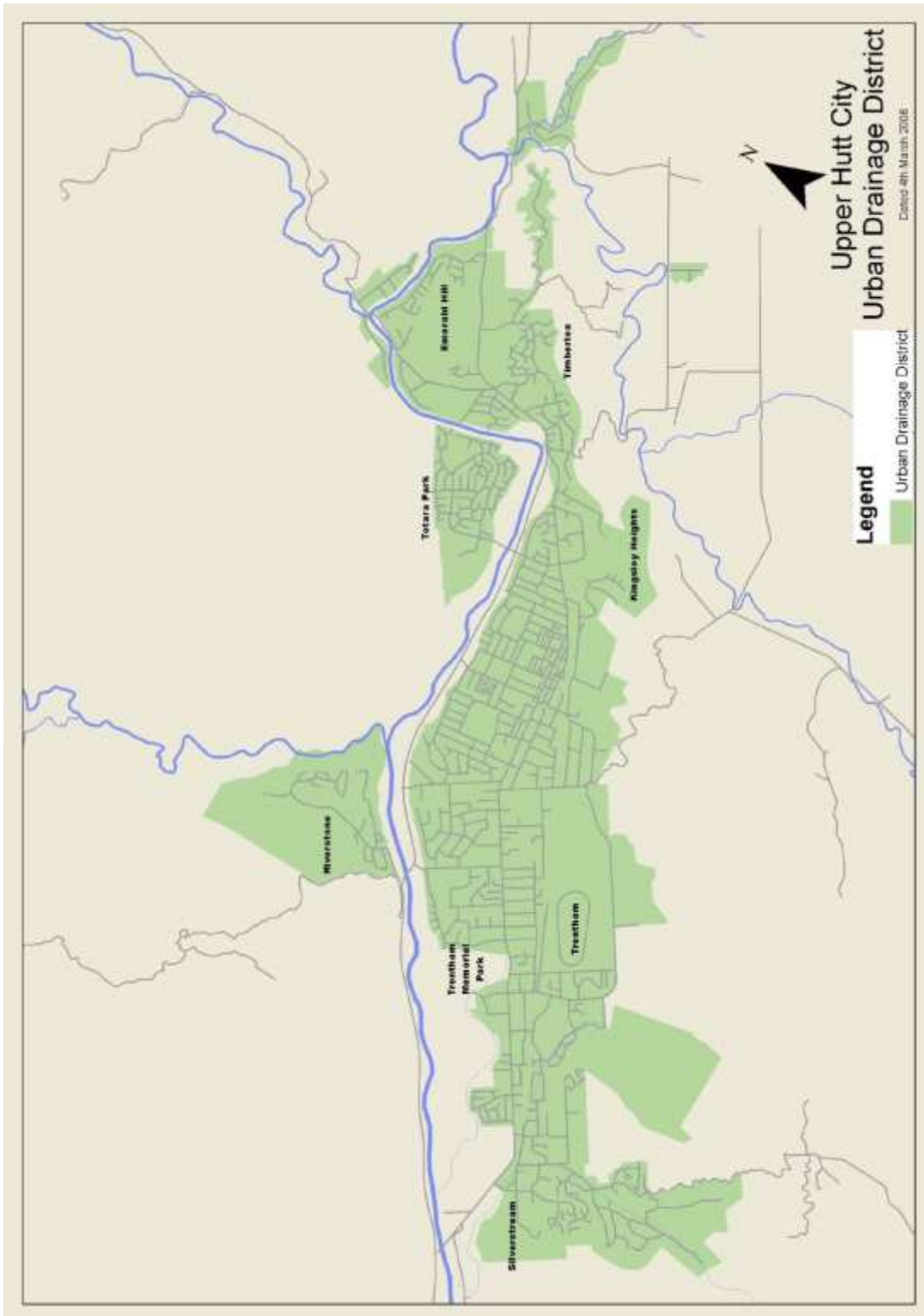
### **NOT SEPARATELY USED PARTS OF A RATING UNIT:**

- a residential sleep-out or 'granny flat' without independent kitchen facilities
- an hotel room with or without independent kitchen facilities
- a motel room with or without independent kitchen facilities
- rooms in a residential dwelling or hostel with common kitchens
- separately leased commercial areas with shared access reception or other facilities

### **THESE ARE SEPARATELY USED PARTS OF A RATING UNIT**

- flats, apartments and other residential units with independent kitchen facilities
- separately leased commercial access, sanitary or other facilities

# Upper Hutt urban drainage map used for stormwater rates



## Indicative rates

### Indicative rates – standard

	CV \$250,000	CV \$350,000	CV \$450,000	CV \$600,000	CV \$750,000
General rates	782	1,094	1,407	1,876	2,345
Water – uniform charge	268	268	268	268	268
Water - fire protection	55	77	99	132	165
Stormwater	119	167	215	286	358
Wastewater	467	467	467	467	467
<b>Total indicative rates [Upper Hutt City]<sup>1</sup></b>	<b>1,691</b>	<b>2,073</b>	<b>2,456</b>	<b>3,029</b>	<b>3,603</b>

### Indicative rates – business<sup>2</sup>

	CV \$750,000	CV \$900,000	CV \$1,000,000	CV \$1,200,000	CV \$1,400,000
General rates	6,330	7,596	8,440	10,128	11,816
Water – uniform charge	268	268	268	268	268
Water - fire protection	165	199	221	265	309
Stormwater	501	601	668	802	935
Wastewater	1,402	1,402	1,402	1,402	1,402
<b>Total indicative rates [Upper Hutt City]<sup>1</sup></b>	<b>8,666</b>	<b>10,066</b>	<b>10,999</b>	<b>12,865</b>	<b>14,730</b>

### Indicative rates – rural

	CV \$500,000	CV \$600,000	CV \$700,000	CV \$1,000,000	CV \$1,200,000
General rates	1,141	1,369	1,597	2,282	2,738
<b>Total indicative rates [Upper Hutt City]<sup>1</sup></b>	<b>1,141</b>	<b>1,369</b>	<b>1,597</b>	<b>2,282</b>	<b>2,738</b>

<sup>1</sup> Includes GST at the current rate of 15% but no Greater Wellington Regional Council rates

<sup>2</sup> Includes one water connection and three pan charges

CV = Capital value of the property

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Executive support



**Mike Ryan, DIRECTOR**

**COMMUNITY SERVICES**

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Upper Hutt City Libraries  
Expressions Whirinaki  
Recreation services  
H<sup>2</sup>O Xstream



**Richard Harbord, DIRECTOR**

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Building control, consents, and compliance  
Emergency response and management  
Resource consents and compliance  
Urban and rural planning  
Environmental health  
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Liquor licensing  
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Fleet management  
Civil Defence  
Property



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**PERFORMANCE AND CAPABILITY**

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**Vibhuti Chopra, DIRECTOR**

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Marketing and promotions  
Economic development  
Democratic services  
Strategy and policy  
Customer service  
Sustainability







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