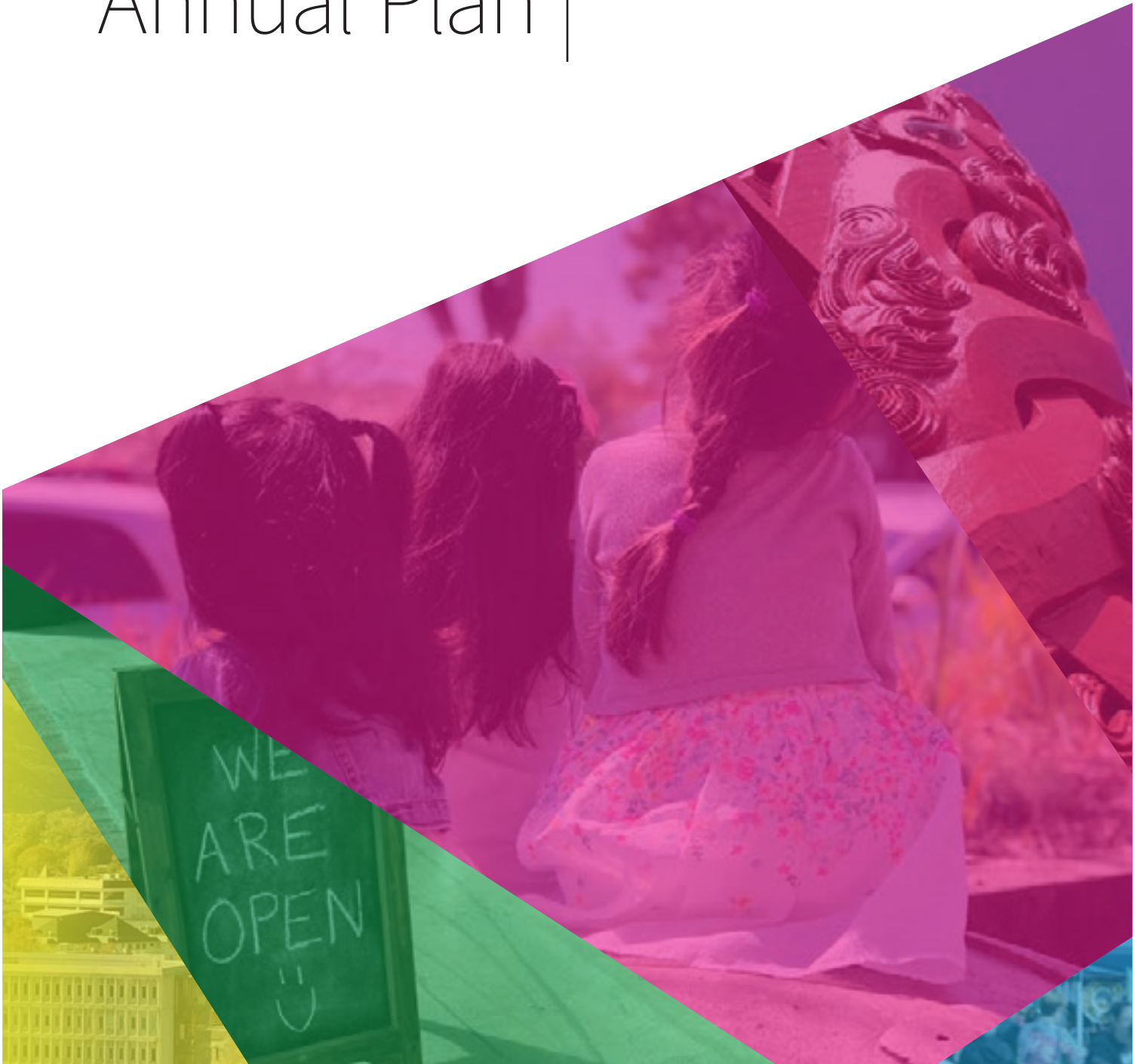




Mahere ā-Tau | 2020 – 2021 Annual Plan



Rārangi upoko | Contents

Nau mai	3	Welcome
Tō tātou whāinga	4	Our vision
Whakamāramatanga	5	About the Annual Plan
Whakarāpopototanga	6	Overview
Mana whakahaere	16	Leadership
Kaupapa pāpori me ngā mahi a te rēhia	19	Community and recreation
Ngā waka tūmatanui	22	Land transport
Ngā puna wai	25	Water supply
Waiparu	28	Wastewater
Waiāwhā	31	Stormwater
Whakauka	34	Sustainability
Ratonga whakamahere me te whakariterite	37	Planning and regulatory services
Whakawhanake ōhanga	40	Economic development
Ahumoni	43	Financials
Te Kaunihera o Te Awa Kairangi ki Uta	82	Upper Hutt City Council



Nau mai | Welcome

I roto i hēnei wā whakapōrearea nei, ka ū tonu mātou ki tō mātou whakatakanga—mā te amorangi, mā te hāpai ō, ka tino pai ai te noho a te tangata e koni ahi ana i Te Awa Kairangi ki Uta.

Nā runga i te mea ko ngā tāngata o Te Awakairangi ki Uta kei te pito o ngā whakaaroaro ā Te Kaunihera, e whakatikatika ana mātou kia pai tonu ai tā mātou tiaki i a tātou i roto i ngā tini wero a Te Mate Korona, me te aro tonu anō ki te ara—e whakamoua ai te pae tawhiti kia tata, kia mihia ngā whanaketanga hou, kia whāngaia tātou kia manawa tītī.

Ko tēnei Mahere ā-Tau e aro ana ki ngā tino ratonga, ki ngā poupou o te hāpori, ā, e tautoko tonu ana mātou i tō tātou pāpori, otinō, i tō tātou ōhanga kia hoki ora mai i tēnei te mate urutā. Kua aromatawaitia anō tā mātou mahere pūtea, ā mātou hōtaka mahi anō hoki mō te tau 2020 – 2021. Ka iti ake te piki a ā tātou tāke kaunihera kia ea ai te wāhi ki ō tātou ratonga pāpori, ka mutu, kia whakaaro nui tonu atu ki rātou e tāmia ana e ngā taumaha ahumoni. Nā reira, kua 1.5% noa iho te piki a ngā rēti kaunihera (I whakamanahia te 6.68% i mua atu [4.68% tāpiria te 2% whanaketanga])

Ahakoā, ka noho pea tēnei whakataunga hei wero mā ngā ratonga a Te Kaunihera, he harore rangi tahi noa tēnei kātū āhua, ka kore e karioi tāna noho.

Ka arotahi mātou te Kaunihera ki ngā whakatakanga, ki ngā mahi kua raupapatia i te tau tuatoru o te Mahere ā-Ngahurutanga 2018 – 2028, me ngā kaupapa hou hei tautoko i te iwi kāinga, i ngā pakihiki hoki e ngoikore nei i ngā tāmitanga o te mate urutā. Ko hēnei kaupapa hou e kōrerotia ake nei, he āwhina me ngā rēti, me ngā pakihiki, me te tautoko anō hoki i te taha whakatairanga, ka mutu he \$1 M taara mō te Ōhanga Whakamāui kia tautokona tō tātou pāpori i roto i ngā marama ngahuru mā rua e haere ake nei.

In this time of unprecedented change, our mission remains the same—to enhance the quality of life in Upper Hutt by providing leadership, support, and services to the community.

With the people of Upper Hutt at the centre of our purpose, Council is committed to making sure we're in the best position to support our community through the impacts of COVID-19 whilst maintaining a steady course—realising our vision, responding to growth, and building resilience.

This Annual Plan is focusing on continuing to deliver essential infrastructure and services, while supporting our community and economy to recover from these impacts. We have reassessed our budgets and work programmes for the 2020 – 2021 year. We're minimising our rates intake, balancing our responsibility to provide (and minimise impact on) core services, alongside our desire to help relieve some of the financial stress many in our community are feeling. As a result the rates intake will only increase by 1.5% (formerly planned at 6.68% [4.68% + 2% growth]).

While there is some impact on the services we provide, this will be temporary and not major.

We'll be working on projects and services outlined in Year 3 of our Long Term Plan 2018 – 2028, along with new initiatives to help residents and businesses deal with the impacts of the pandemic. These pandemic response initiatives include help with rates, business support and promotion, and a \$1 M Recovery Fund to support our community over the coming 12 months.



Wayne Guppy
KOROMATUA | MAYOR

Peter Kelly
TE TUMU WHAKARAE | CHIEF EXECUTIVE








Tō tātou whāinga | Our vision

Mouri tū. **Mouri ora!**

LIFE. LEISURE. **LIVE IT!**

Strategic priority areas for our city

HAPORI Community	TAIAO Environment	TE MANAWA City Centre	ŌHANGA Economy	TŪĀPAPA 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 We're connected.

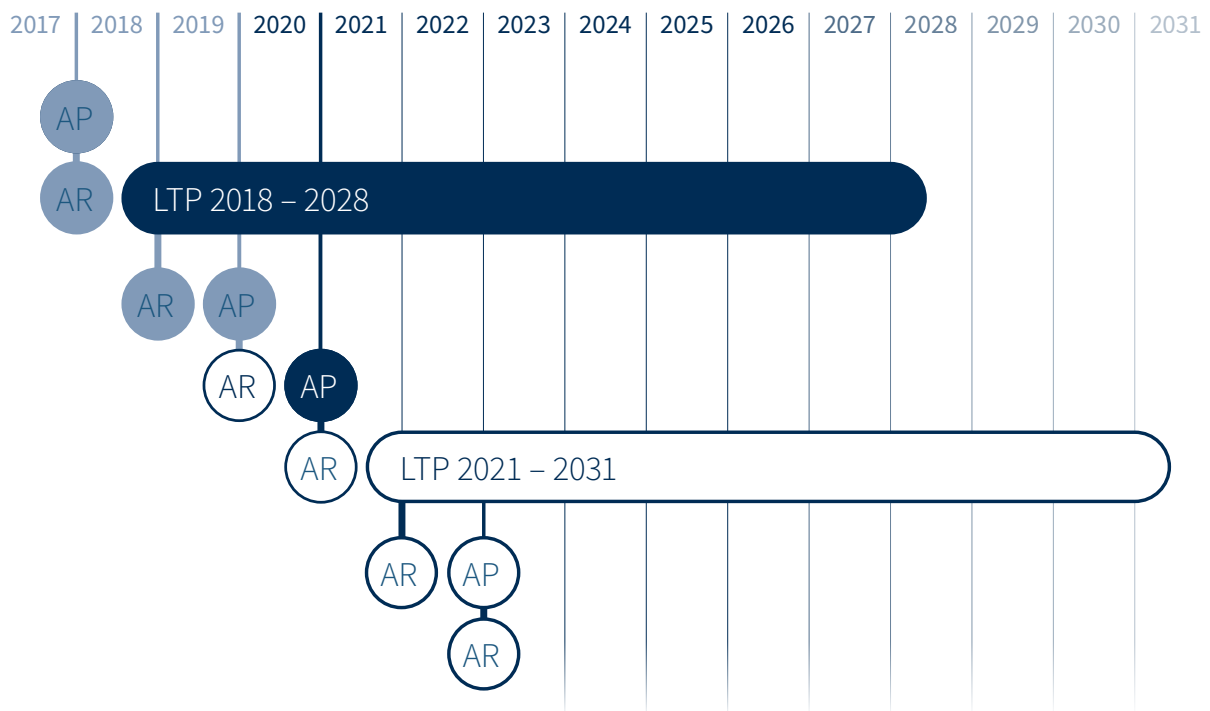
Measuring our vision/outcomes

Our vision statements articulate five strategic priority areas for our city. The vision is embodied through the services, initiatives, and projects in Council's nine major activity areas (see pages 16 – 42).

Whakamāramatanga | About the Annual Plan

Every year Upper Hutt City Council produces an Annual Plan. It is a work programme for a given financial year (1 July – 20 June). This Annual Plan covers the 2020 – 2021 financial year.

The diagram below demonstrates the relationship between the Annual Plans, Annual Reports, and the Long Term Plan. The Long Term Plan (LTP) is a forward-looking plan for activities and financial management for Council over a ten-year period. It includes the Annual Plan (AP) for 'Year 1' and is redeveloped every three years. Between LTP developments, Council produces Annual Plans for Years 2 and 3 of the LTP. An AP will detail any changes made to the corresponding LTP year along with any financial updates. The Annual Report (AR) tells the story of what Council actually did, comparing this actual performance against what was planned in the LTP and AP.



Whakarāpopototanga | Overview

As illustrated on the previous page, an Annual Plan is usually a continuation of the LTP identifying what we've set out for the next 12 months and any variations from our previous planning. This year we have changed our plans given the unprecedented economic and social stresses arising from COVID-19. Businesses and residents will be under pressure in the months ahead, and proceeding with business as usual is not an option.

This Annual Plan is very different to any plan we've prepared before.

Rates increase

In early March of this year (pre COVID-19), we were forecasting a rates increase of 4.68% (not including the 2% growth) in the 2020 – 2021 year which is in line with the forecast in the 2018 – 2028 Long Term Plan (LTP). However, we revisited our plans and budgets for the 2020 – 2021 year and have planned for a rates requirement increase of 1.5% (effectively keeping it below inflation). We have done this, keeping the needs of the community in mind in this unprecedented period of financial strain and uncertainty. This has been achieved by reducing the operating expenditure by \$1.7 M and reducing the debt repayment of \$3.8 M planned in the LTP for the 2020 – 2021 year. We usually include an additional 2% to allow for growth in the rating database, however, this has not been included for the 2020 – 2021 year, given the uncertainty around the economy and projected growth.

RATES REQUIREMENT	Long Term Plan	Annual Plan	Difference
Rates requirement	\$45,628,000	\$43,158,000	⬇️ \$2,470,000
Rates requirement increase	6.68%¹	1.50%	⬇️ 5.18%

1. 4.68% + 2% growth in the city.

Recovery Fund

We believe that as a Council it is our responsibility to not only support our ratepayers through the here and now, but also to plan for the future. We have considered the future recovery of our community as a whole and how to support these needs, and have decided to reprioritise \$1 M of the savings made in expenditure to establish a **Recovery Fund**. This fund will enable us to support multiple and varied recovery initiatives across the wider community and our city's economy over the coming 12 months. The details of where and how this fund will be spent is being developed. Council wants to be agile in meeting the needs of our community as they arise.

Cost reductions

So where has the expenditure been reduced and what are the implications? The key expenditure reductions within activity areas are summarised below. Inevitably, these reductions mean some of the planned works and services will not be delivered, but our intention is for these reductions to be temporary—for the coming year only. Any prolonged reductions will set us backward in meeting future challenges of sustainability as well as in meeting our growth ambitions.

Leadership	Remove Wellington Regional Amenities Fund budget.	\$106 K
Roading	Defer a number of works and projects which include carpark renewals and rural road upgrades.	\$168 K
Parks and reserves	Reduce track maintenance, and defer planting of new street trees. Reduce tree maintenance costs by re-tendering contract.	\$106 K
Community development and Activation	No Mesa Student exchange, reduced programmes (including graffiti prevention). Reduced promotions and advertising for Activation.	\$14 K
Library	Defer carpet replacement. Reduction in computer software license budget—no increase in level of service.	\$105 K
H2O Xtream	Reduced costs due to assumed closure—mostly in holiday programmes (offset by reduced income). Reduced promotions and merchandise.	\$77 K
HAPAI building	Savings through the closure of the HAPAI building, which is unlikely to be re-opened in 2020 – 2021.	\$52 K
Property	Deferral of Civic Centre building maintenance. Other maintenance cuts/deferrals.	\$313 K
Planning	Slower programme for plan changes, reprioritisation of District Plan Scheme Review.	\$201 K
Support services	Reduced staff cost increases, defer some new systems initiatives and replacement of computer equipment; reduced regional marketing; delayed completion of community infrastructure resilience scheme (WWL emergency supply of water).	\$446 K

Fees and Charges for 2020 – 2021

Council had adopted the draft Fees and Charges 2020 – 2021 and put them out for consultation in March 2020. The events of the COVID-19 pandemic shortly followed with unprecedented financial implications for businesses and residents. As a result, Council has decided that, unless unavoidable, we will maintain 2019 – 2020 fees and charges for the coming financial year, effectively a freeze on increases in fees and charges for one year.

Details of the Fees and Charges for 2020 – 2021 are available on our website: upperhuttcity.com/fees-charges

What we're delivering in 2020 – 2021

Leadership

LONG TERM PLAN 2021 – 2031

Every three years Council develops a Long Term Plan (LTP) to tackle the big issues, challenges and opportunities for our community. We will be developing the LTP in this coming year. There will be increased emphasis in our planning to the impacts of the COVID-19 pandemic and what will be required by our community in the future.

RECOVERY FUND

We have established a Recovery Fund of \$1 M in order to boost community wellbeing and mitigate the impacts of COVID-19 as Upper Hutt starts to recover from the pandemic over this coming year.

To determine and achieve the best use of the Recovery Fund, we have started recovery planning for effective local recovery outcomes. In line with national and regional direction, our planning will be focused on actions, initiatives, and projects that effectively achieve recovery outcomes in the economic, social, and cultural sectors most severely impacted by COVID-19.

Community

YOUTH STRATEGY

Youth hold important views on the future of Upper Hutt and the wider world we live in. A Youth Strategy will be developed this year to ensure Council provides meaningful opportunities and training for youth to be able to influence community development. The Youth Strategy will be developed with, and for youth, and will provide a best-practice guide for future youth development works at Council.

H₂O XTREAM UPGRADE

Community views sought during January 2020 gathered input on possible new features and other aspects of the H₂O Xtream upgrade. This feedback is being included in the design work to develop detailed options for Council consideration and decision-making. This process, along with further planning, will continue over the remainder of 2020. Physical works are scheduled to commence from mid-2021 onwards, kicking off a new chapter for our community's aquatic adventures.

EXPRESSIONS WHIRINAKI EXTENSION

Construction is well underway for the extension of Expressions Whirinaki Arts and Entertainment Centre, providing two new galleries, a community creative workshop and commercial kitchen. Construction will continue through until mid-2021.

Environment

SUSTAINABILITY INITIATIVES

Council's adoption of the Sustainability Strategy in June 2020 will provide guidance in progressing initiatives and actions to achieve our strategic goals. Our first action is to develop a carbon-reduction plan to ensure Council moves toward becoming a carbon neutral organisation by 2035. Expect to see sustainability take a higher profile as Council partners with the community to achieve the goals of the strategy together.

Economy

RECOVERY PLANNING

The impact on our local economy and in particular the city centre, due to COVID-19 alert level restrictions, will require short, medium, and long term planning. Economy will be a key focus area for Council this year.

BUSINESS DEVELOPMENT

We'll be looking at the direction for economic development as a part of the development of the Long Term Plan.

We will continue to organise workshops, and seminars, based on feedback from businesses, about what support they need to develop and realise their plans.

EVENTS STRATEGY

The 2020 – 2021 year will see the investigation of an Events Strategy, with the aim of growing community and economic capability and celebrating community initiatives.

Infrastructure

We will be working with Central Government on 'shovel ready' projects, focused on benefiting communities, as a part of the Government's COVID-19 response to support the construction industry.

MAIDSTONE MAX UPGRADE

Input from our community has shaped what will be an inclusive play area with something for everyone. Construction is expected to begin in the second half of 2020 and is planned to be completed by the end of the year.

PINEHAVEN STREAM

Improvement works to the stream are planned to start in early spring 2020.

Financial overview

What will it cost?

AP 2019 – 2020	COST OF SERVICES FORECAST	LONG TERM PLAN	ANNUAL PLAN	DIFFERENCE
\$21,868,000	Total operating revenue	\$20,362,000	\$20,524,000	⬆️ \$162,000
\$51,323,000	Total operating expenditure	\$49,235,000	\$52,962,000	⬆️ \$3,727,000
\$29,455,000	Net operating cost	\$28,873,000	\$32,438,000	⬆️ \$3,565,000
\$2,769,000	Loan borrowing repayments	\$3,759,000	0	⬆️ \$3,759,000
\$35,485,000	Total capital expenditure	\$35,490,000	\$39,684,000	⬆️ \$4,194,000
\$67,709,000	Total net expenditure	\$68,122,000	\$72,122,000	⬆️ \$4,000,000

In comparison to the LTP, there have been some cost increases this year which are explained below. Despite these increases, Council has decided to minimise the rates funding requirement increase due to the community impact of COVID-19. The agreed rates increase is 1.5%, which is significantly lower than the percentage that was forecast in Year 3 of the LTP (6.68%). To achieve this, Council has halted debt repayments for the year, and used funds previously accumulated through additional unbudgeted revenue and savings on expenses and projects. Additionally, Council has reduced costs where possible through realignment of priorities to the amount of \$1.7 M, and \$1 M of these savings have been redirected into a Recovery Fund.

The table above shows that the forecast total operating revenue for the 2020 – 2021 year is \$162 K more than the LTP forecast.

The main contributors to the difference in total operating revenue are:

- ⊕ An increase in subsidy revenue from Waka Kotahi NZ Transport Agency (NZTA) in the *Land transport* activity.
- ⊖ A decrease in forecast fees and charges revenue across several Council activities. Unless unavoidable, proposed price increases were revised back to the 2019 – 2020 fees and charges in a response to meeting community needs from the COVID-19 pandemic. We are also predicting a reduction in overall revenue due to reduced activity levels caused by the pandemic.

Council's forecast total operating expenditure for the 2020 – 2021 year is \$3.727 M higher than the LTP forecast.

The main contributors to the difference in total operating expenditure are:

- ⊕ Increase in the cost of water supply and additional expenditure for the growing need around sustainability and the increase in community uptake of the recycling drop-off station at the Park Street depot.
- ⊕ Additional expenditure is forecast for digital and information solutions (ICT) for maintenance, support and development costs as we realign this service from a shared service model with other local councils to allow for modernisation and future proofing of our business processes.

- + Additional personnel and staff support costs across several Council activities since 2018 (when the LTP was forecast), to meet growing demand in providing the city's services. Increases include: city planning policy; consents and compliance; building enforcement; finance services; digital and information services; legal services; Council policies and reporting; asset management and operations; strategy, partnerships, and growth; Māori liaison to assist us in meeting our engagement and Treaty of Waitangi responsibilities; and sustainability. We've also increased emergency management civil defence training to ensure we continue to be disaster ready.

Council's forecast loan borrowing repayments for the 2020 – 2021 year is \$3.759 M lower than the LTP forecast.

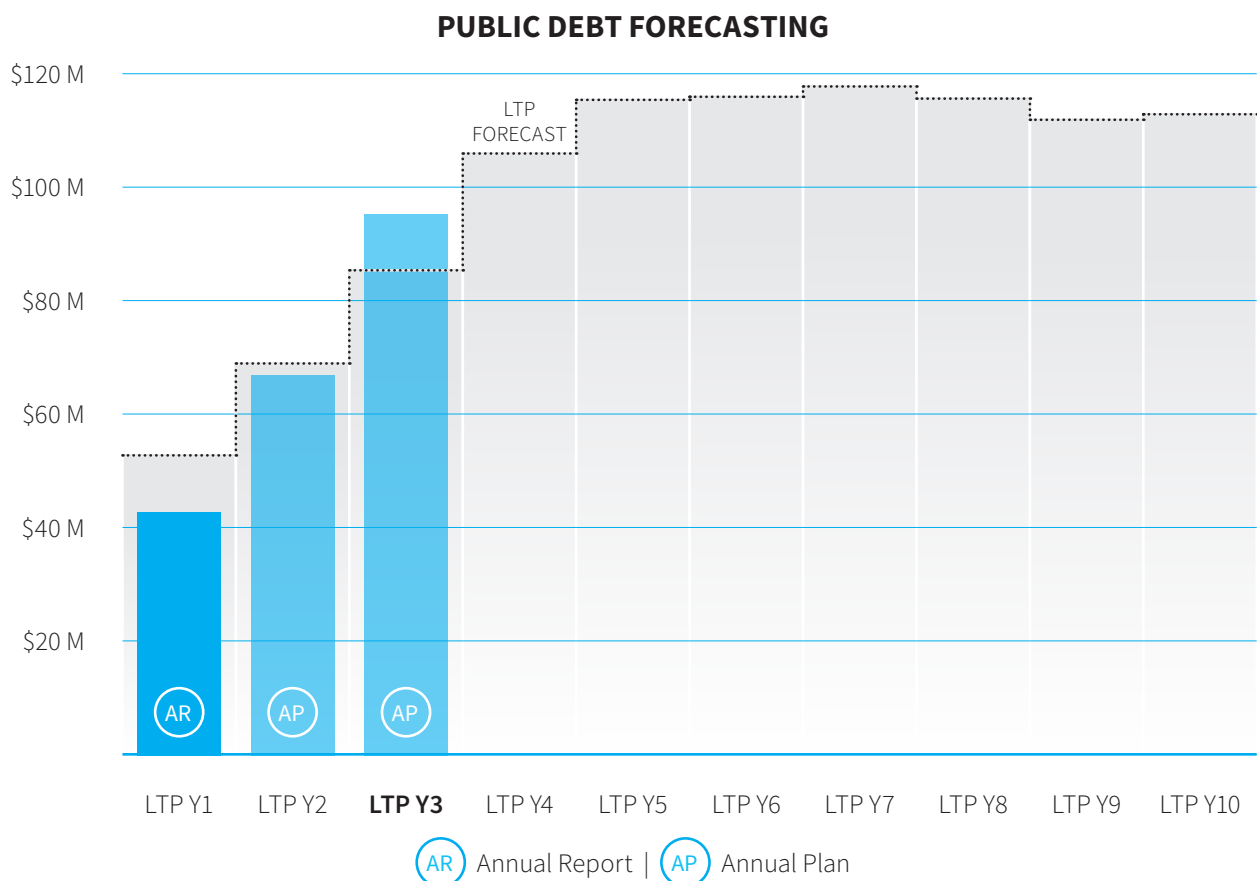
The main contributor to the difference in loan borrowing repayments is that Council will make no loan repayments across Council activities. This is part of our response to reduce the rates requirement for 2020 – 2021, easing the financial burden on the community which has been impacted by the COVID-19 pandemic.

The forecast capital expenditure for the 2020 – 2021 year is \$4.194 M higher than the LTP forecast.

The main contributors to the difference in capital expenditure are:

- + Extension of Expressions Whirinaki Arts and Entertainment Centre.
- + Upgrade of Maidstone Max.

Public debt



AP 2019 – 2020	FORECAST DEBT	LTP (Y3) 2020 – 2021	AP 2020 – 2021	DIFFERENCE
\$48,000,000	Opening balance ¹	\$69,920,000	51,000,000	⬇️ \$18,920,000
\$21,873,000	Loans raised during the year	\$19,884,000	44,438,000 ²	⬆️ \$24,554,000
(\$2,769,000)	Less repayments during the year	(\$3,759,000)	0	⬇️ \$3,759,000
\$67,104,000	Total public debt	\$86,045,000	95,438,000	⬆️ \$9,393,000

1. The opening Annual Plan balance of Year 3 (2020 – 2021) does not agree with the Annual Plan closing balance of Year 2 (2019 – 2020), because less loans were drawn down during the 2019 – 2020 financial year than were anticipated. The opening balance for 2021 – 2020 reflects the estimated public debt position as at 1 July 2020. For budgeting purposes, an assumption has been made that all budgeted loans will be drawn down during the year, including those not drawn down in the previous years.
2. Includes carry-overs of \$18.96 M.

The closing balance of loans for the 2020 – 2021 financial year is higher than the amount forecast in the LTP because in order to obtain a 1.5% rates increase, Council decided not to make any capital repayments in the 2020 – 2021 financial year.

The closing balance makes the conservative assumption that all budgeted loans will be drawn down during the year, including those not drawn down in the previous financial years.

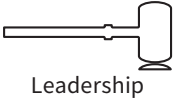

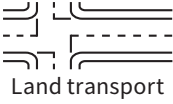
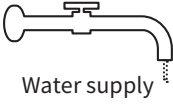

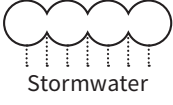



It is possible however, that we will only actually spend somewhere between 60% and 80% of this budget due to constraints on resources leading to a slow-down of capital projects.

It is likely that the closing balance of loans for the 2020 – 2021 financial year will be lower than what was forecast in the LTP as occurred in the 2019 – 2020 financial year.

Importantly, Council will still be within the debt limits as set in the 2018 – 2028 Financial Strategy.

One year of investment

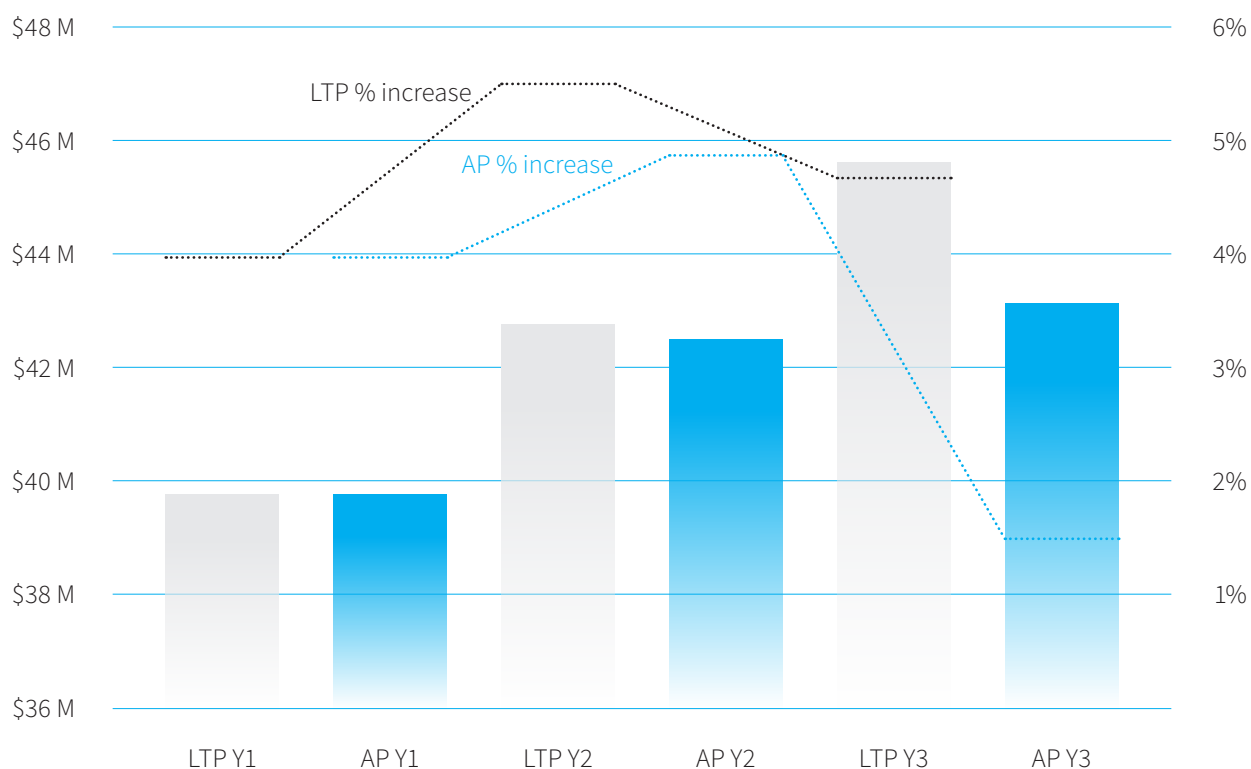
This page outlines the costs of each of Council’s nine main activities for 2020 – 2021, how these activities are funded, and the percentage of rates spending that each activity represents.

ACTIVITY	CAPEX	OPEX ¹	FUNDING SOURCES	PORTION OF RATES SPEND
 Leadership	\$0	\$4,162 K	Rates 94% Debt 0% Other ² 6%	9%
 Community and recreation	\$8,599 K	\$15,130 K	Rates 49% Debt 29% Other ² 22%	27%
 Land transport	\$11,053 K	\$6,376 K	Rates 31% Debt 24% Other ² 45%	12%
 Water supply	\$2,907 K	\$7,952 K	Rates 75% Debt 6% Other ² 19%	19%
 Wastewater	\$10,442 K	\$6,490 K	Rates 39% Debt 59% Other ² 2%	15%
 Stormwater	\$6,683 K	\$2,325 K	Rates 26% Debt 35% Other ² 39%	6%
 Sustainability	\$0	\$990 K ³	Rates 31% Debt 0% Other ² 69%	1%
 Planning and regulatory services	\$0	\$7,021 K	Rates 45% Debt 0% Other ² 55%	7%
 Economic development	\$0	\$2,516 K	Rates 71% Debt 20% Other ² 9%	4%

1. Operating expenditure excludes depreciation and includes loan repayments and transfer of funds.
2. Includes fees and charges, reserve funding, subsidies and grants, development and financial contributions, and funding from other agencies such as Waka Kotahi New Zealand Transport Agency (NZTA) and Greater Wellington Regional Council (GWRC).
3. Excludes sustainability initiatives funded under other activities such as Community and recreation (Council property).

What does this mean for your rates?

FORECAST RATE FUNDING REQUIREMENT AND PERCENTAGE INCREASE



AP 2019 – 2020		LTP (Y3) 2020 – 2021	AP 2020 – 2021	DIFFERENCE	
\$42,520,000	Rates requirement	\$45,628,000	\$43,158,000	↓	\$2,470,000
4.88%	Rates requirement increase	6.68%	1.50%	↓	5.18%

The total forecast rates revenue required for the 2020 – 2021 financial year is \$43.158 M (excluding GST).

The average overall increase over the previous year's (Annual Plan 2019 – 2020) rates revenue requirement is 1.50% while not taking into account any forecast rating database increases.

This is lower than the 6.68% increase forecast in the LTP 2018 – 2028.

STANDARD INDICATIVE RATES¹

CAPITAL VALUE (CV)	\$300,000	\$350,000	\$550,000	\$750,000	\$950,000
General rates	\$654	\$763	\$1,198	\$1,634	\$2,070
Water—uniform charge	\$419	\$419	\$419	\$419	\$419
Water—fire protection	\$68	\$80	\$125	\$170	\$216
Stormwater	\$83	\$97	\$152	\$207	\$262
Wastewater	\$411	\$411	\$411	\$411	\$411
Total indicative rates (UHCC)²	\$1,635	\$1,770	\$2,305	\$2,841	\$3,378

1. Includes one water connection charge and one pan charge.

2. Includes GST at the current rate of 15% but does not include Greater Wellington Regional Council rates.

BUSINESS¹

CAPITAL VALUE (CV)	\$350,000	\$550,000	\$750,000	\$950,000	\$1,150,000
General rates	\$2,211	\$3,475	\$4,739	\$6,002	\$7,266
Water—uniform charge	\$419	\$419	\$419	\$419	\$419
Water—fire protection	\$80	\$125	\$170	\$216	\$261
Stormwater	\$135	\$212	\$290	\$367	\$444
Wastewater	\$411	\$411	\$411	\$411	\$411
Total indicative rates (UHCC)²	\$3,256	\$4,642	\$6,029	\$7,415	\$8,801

RURAL

CAPITAL VALUE (CV)	\$350,000	\$550,000	\$750,000	\$950,000	\$1,150,000
General rates	\$557	\$875	\$1,193	\$1,511	\$1,829
Total indicative rates (UHCC)²	\$557	\$875	\$1,193	\$1,511	\$1,829

1. Includes one water connection charge and one pan charge.

2. Includes GST at the current rate of 15% but does not include Greater Wellington Regional Council rates.

Council activities

Council's full range of services and facilities are divided and budgeted for under nine significant activity areas (see page 13). These activities enable Council to meet the needs and aspirations of our city and community, as well as fulfill our statutory responsibilities. The following section contains the plans, projects, and work programmes identified for the 2020 – 2021 year for each activity area. It shows how the activities will be funded and highlights where the Annual Plan now differs from Year 3 of the Long Term Plan 2018 – 2028.



Mana whakahaere

LEADERSHIP



The **Leadership** activity contributes to our community outcomes through the following strategic priority areas:



HAPORI
Community



TAIAO
Environment



TE MANAWA
City Centre



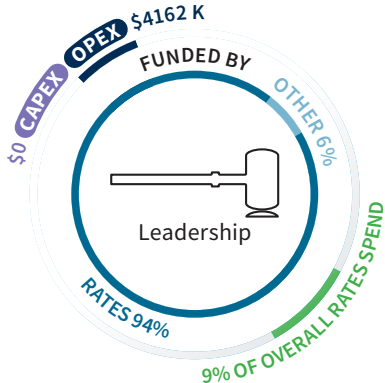
ŌHANGA
Economy



TŪĀPAPA
Infrastructure

What we do

The Leadership activity covers the role and functions of the Mayor and elected members of Council. This includes long and short term planning, policy and strategy development, monitoring and performance reporting.



Significant changes for 2020 – 2021

Council has established a \$1 M Recovery Fund within this activity area. This fund has been established in response to the COVID-19 pandemic crisis as a means of supporting our community in recovering from it. It will enable us to support multiple and varied recovery initiatives across the wider community and our city’s economy over the coming 12 months. The details of where and how this fund will be spent will be established as the community needs arising from COVID-19 become clearer. Council wants to be agile in meeting the needs of our community as they arise.

WORKS PROGRAMME

.....
Community Grants	Annual Report
.....
Long Term Plan development	Effective Māori Engagement Strategy
.....	
Policy and bylaw review and development	

What it will cost (\$000)

FORECAST AP 2019 – 2020 (LTP Y2)		FORECAST LTP Y3 (2020 – 2021)	FORECAST AP 2020 – 2021
140	Total operating revenue	39	47
2,998	Total operating costs excluding depreciation OPEX	2,705	4,162
2,858	Net operating cost/(surplus)	2,666	4,115
0	Capital expenditure CAPEX	0	0
2,858	Total net expenditure	2,666	4,115
Funded by			
0	Loans raised [debt]	0	0
0	Reserve funds	0	0
0	Accumulated funds	0	195
2,858	Rates revenue	2,666	3,920
2,858	Total funding	2,666	4,115
0	Depreciation [non-funded]	0	0

MAJOR VARIANCE BETWEEN THE ANNUAL PLAN AND LONG TERM PLAN FORECASTS

The major variances between the Annual Plan 2020 – 2021 forecast and Long Term Plan Year 3 (2020 – 2021) forecast are as follows:

- ⊕ The increase in total operating costs is due to internal overheads around staffing changes across council activities and the establishment of a Recovery Fund.
- The expenditure planned for the Wellington Regional Amenities Fund has been cancelled. This temporary change has been made to facilitate Council's COVID-19 relief objectives. The savings achieved have been reprioritised to establish the Recovery Fund.



Kaupapa pāpori me ngā mahi a te rēhia

COMMUNITY AND RECREATION



The **Community and recreation** activity contributes to our community outcomes through the following strategic priority areas:



**HAPORI
Community**



**TAIAO
Environment**



**TE MANAWA
City Centre**



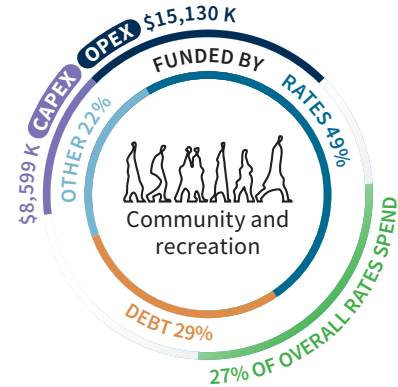
**ŌHANGA
Economy**



**TŪĀPAPA
Infrastructure**

What we do

This group of activities provides a number of initiatives and services that support the community. These include facilities and associated programmes, recreation and leisure offerings, and community support.



No significant changes for 2020 – 2021

Most planned activities are carrying on; some with reduced level of service or expenditure. Some projects have been deferred to 2021 – 2022.

WORKS PROGRAMME

Toilets	Library website redevelopment
Amenities replacement	Equipment replacements
New roading seal in parks	Leases—Library IT equipment (RFID)
Renewal roading resealing in parks	Library resources
Underground pipe replacement within park grounds	Extension to Expressions Whirinaki Arts and Entertainment Centre
Play equipment	CCTV security cameras (all city cameras)
Walkway asset replacement/refurbishment	Depot extraordinary (AMP) renewals
Regional cycle trails	Alterations to building and property—CAPEX
New large trees in reserves	Council buildings seismic upgrades
Native forest management programme	Youth strategy
Monitoring native bush	Safe and healthy cities
Park buildings upgrade (Harcourt and Whakatiki)	<i>Hutt Science</i> initiative
Walkway signage	H ₂ O Xtream upgrade
Maidstone Max upgrade	

What it will cost (\$'000)

FORECAST AP 2019 – 2020 (LTP Y2)		FORECAST LTP Y3 (2020 – 2021)	FORECAST AP 2020 – 2021
5,221	Total operating revenue	3,466	3,300
17,438	Total operating costs excluding depreciation OPEX	15,436	15,130
12,217	Net operating cost/(surplus)	11,970	11,830
14,148	Capital expenditure CAPEX	6,484	8,599
26,365	Total net expenditure	18,454	20,429
Funded by			
11,807	Loans raised [debt]	4,681	6,908
2,054	Reserve funds	1,430	1,945
0	Accumulated funds	0	0
12,504	Rates revenue	12,343	11,576
26,365	Total funding	18,454	20,429
2,050	Depreciation [non-funded]	1,874	3,116

MAJOR VARIANCES BETWEEN THE ANNUAL PLAN AND LONG TERM PLAN FORECASTS

The major variances between the Annual Plan 2020 – 2021 forecast and Long Term Plan Year 3 (2020 – 2021) forecast are as follows:

- ➖ The decrease in total operating costs is due to a decrease in maintenance costs across multiple park activities as well as staffing changes across support services.
- ➕ The increase in capital expenditure is due to the Maidstone Max upgrade and the extension of Expressions Whirinaki Arts and Entertainment Centre.
- ➕ Plan to start work on seismic strengthening of the HAPAI Building and Professionals Recreation Hall.
- ➖ Mesa Exchange programme deferred for a year due to COVID-19 travel restrictions.
- ➡ Other projects deferred including:
 - ➡ New walking and cycling links
 - ➡ Capex alterations to building and property
 - ➡ Planting of new trees



Ngā waka tūmatanui

LAND TRANSPORT



The **Land transport** activity contributes to our community outcomes through the following strategic priority areas:



HAPORI
Community



TAIAO
Environment



TE MANAWA
City Centre



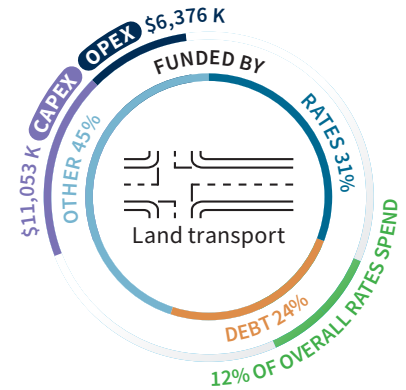
ŌHANGA
Economy



TŪĀPAPA
Infrastructure

What we do

This activity is responsible for a well-maintained network that ensures residents and visitors to Upper Hutt can move freely, efficiently and safely throughout the city.



No significant changes for 2020 – 2021

Most planned activities are carrying on; some with reduced level of service or expenditure. Some projects have been deferred to 2021 – 2022.

WORKS PROGRAMME

Street drainage

Resealing

Minor safety programme

Footpaths

Carparks

Structures component replacement

Traffic services renewals

Rural bridges seismic upgrade

Widening of Totara Park Bridge

Fergusson/Gibbons/Main intersection upgrade

Rural road high priority safety projects

What it will cost (\$'000)

FORECAST AP 2019 – 2020 (LTP Y2)		FORECAST LTP Y3 (2020 – 2021)	FORECAST AP 2020 – 2021
6,794	Total operating revenue	7,479	7,906
7,303	Total operating costs excluding depreciation OPEX	7,838	6,376
509	Net operating cost/(surplus)	359	(1,530)
10,358	Capital expenditure CAPEX	12,654	11,053
10,867	Total net expenditure	13,013	9,523
Funded by			
4,241	Loans raised [debt]	5,590	4,151
0	Reserve funds	0	0
6,626	Rates revenue	7,423	5,372
10,867	Total funding	13,013	9,523
5,613	Depreciation [non-funded]	5,001	5,198

MAJOR VARIANCES BETWEEN THE ANNUAL PLAN AND LONG TERM PLAN FORECASTS

The major variances between the Annual Plan 2020 – 2021 forecast and Long Term Plan Year 3 (2020 – 2021) forecast are as follows:

- ⊕ The increase in total operating revenue is due to a subsidy increase received from Waka Kotahi New Zealand Transport Agency for roading works.
- ⊖ A decrease in total operating costs is mainly due to reduced maintenance programmes. This temporary reduction has been made to facilitate Council's COVID-19 relief objectives. The savings achieved have been reprioritised to establish the Recovery Fund.
- ⊖ The decrease in capital expenditure is due to some deferred projects, as efforts are re-directed at completing other outstanding works programme projects. The deferred projects are:
 - CBD paving programme
 - Shared pathways project
 - Rural road upgrades



Ngā puna wai

WATER SUPPLY



The **Water supply** activity contributes to our community outcomes through the following strategic priority areas:



HAPORI
Community



TAIAO
Environment



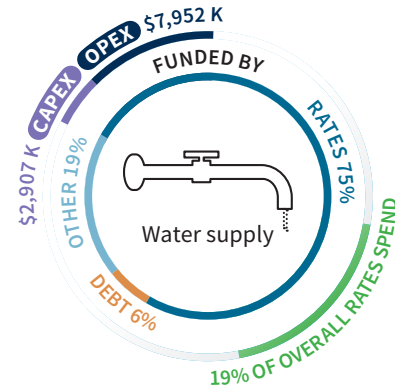
ŌHANGA
Economy



TŪĀPAPA
Infrastructure

What we do

This activity, contracted to Wellington Water Ltd (WWL), provides a high-quality, reliable, and resilient water supply service that ensures the health and safety of the community, and supports economic growth and development. Bulk water is purchased from Greater Wellington Regional Council (GWRC) and stored in Council’s reservoir prior to distribution to households and businesses in the supply area.



Focus for 2020 – 2021

While no changes have been made to the work programme for 2020 – 2021, we will focus on the following:

- Gaining understanding of water usage, and to actively reduce water leakage over time.
- Making sure reservoirs have appropriate access that meet health and safety requirements.
- Ensuring water safety plan improvements are actioned to reduce risk to potable water quality.

WORKS PROGRAMME

.....
Pipeline renewal upgrade
.....

.....
Reservoir upgrade
.....

.....
Miscellaneous works
.....

.....
Bridges seismic strengthening
.....

.....
Pressure management
.....

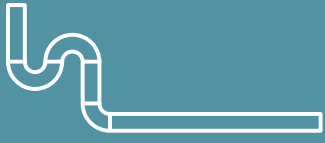
What it will cost (\$'000)

FORECAST AP 2019 – 2020 (LTP Y2)		FORECAST LTP Y3 (2020 – 2021)	FORECAST AP 2020 – 2021
1,398	Total operating revenue	1,454	1,423
6,087	Total operating costs excluding depreciation OPEX	7,083	7,952
4,689	Net operating cost/(surplus)	5,629	6,529
1,012	Capital expenditure CAPEX	1,457	2,907
5,701	Total net expenditure	7,086	9,436
Funded by			
266	Loans raised [debt]	286	695
208	Reserve funds	168	647
5,227	Rates revenue	6,632	8,094
5,701	Total funding	7,086	9,436
1,471	Depreciation [non-funded]	1,855	1,887

MAJOR VARIANCES BETWEEN THE ANNUAL PLAN AND LONG TERM PLAN FORECASTS

The major variances between the Annual Plan 2020 – 2021 forecast and Long Term Plan Year 3 (2020 – 2021) forecast are as follows:

- ⊕ The increase in total operating expenditure is due to an increase in the Wellington Water Ltd management fee.
- ⊕ The increase in capital expenditure is due to resources that are managed by Wellington Water Ltd, being reallocated towards the water supply pipe renewal programme and away from the stormwater pipe renewal programme. This change is also the main reason for the rates revenue increase.



Waiparu

WASTEWATER



The **Wastewater** activity contributes to our community outcomes through the following strategic priority areas:



HAPORI
Community



TAIAO
Environment



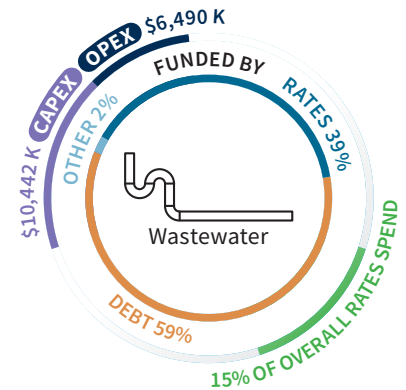
ŌHANGA
Economy



TŪĀPAPA
Infrastructure

What we do

This activity, contracted to Wellington Water Ltd (WWL), provides a secure, efficient, and resilient wastewater service that protects the health of the community and our waterways from the harmful effects of wastewater, and supports economic growth and development.



There are no significant changes for 2020 – 2021.

WORKS PROGRAMME

.....
Pipeline renewal upgrade

.....
Miscellaneous works

.....
Wastewater project capital

.....
Initiate Barber Grove wastewater project

What it will cost (\$'000)

FORECAST AP 2019 – 2020 (LTP Y2)		FORECAST LTP Y3 (2020 – 2021)	FORECAST AP 2020 – 2021
232	Total operating revenue	245	227
6,464	Total operating costs excluding depreciation OPEX	6,709	6,490
6,232	Net operating cost/(surplus)	6,464	6,263
2,779	Capital expenditure CAPEX	7,341	10,442
9,011	Total net expenditure	13,805	16,705
Funded by			
983	Loans raised [debt]	5,553	10,074
645	Reserve funds	258	56
7,383	Rates revenue	7,994	6,575
9,011	Total funding	13,805	16,705
3,404	Depreciation [non-funded]	3,409	3,593

MAJOR VARIANCES BETWEEN THE ANNUAL PLAN AND LONG TERM PLAN FORECASTS

The major variances between the Annual Plan 2020 – 2021 forecast and Long Term Plan Year 3 (2020 – 2021) forecast are as follows:

- ⊕ Initiate “Barber Grove” wastewater project.
- ⊕ Increase to loans raised and the decrease to rates revenue for the 2020 – 2021 year. These temporary changes to the capital works funding sources have been made to facilitate Council’s COVID-19 relief objectives. The savings achieved have been reprioritised to establish the Recovery Fund.



Waiāwhā

STORMWATER



The **Stormwater** activity contributes to our community outcomes through the following strategic priority areas:



HAPORI
Community



TAIAO
Environment



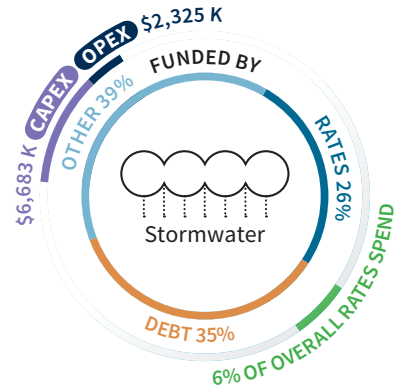
ŌHANGA
Economy



TŪĀPAPA
Infrastructure

What we do

This activity, contracted to Wellington Water Ltd (WWL), includes the provision of a stormwater service which efficiently manages and controls flows. Effective stormwater management protects the public and property from the effects of flooding, and minimises the impact of runoff on the environment.



There are no significant changes for 2020 – 2021.

WORKS PROGRAMME

.....
Pipeline renewal
.....

.....
Pinehaven Stream
.....

.....
Telemetry upgrade
.....

What it will cost (\$'000)

FORECAST AP 2019 – 2020 (LTP Y2)		FORECAST LTP Y3 (2020 – 2021)	FORECAST AP 2020 – 2021
3,111	Total operating revenue	3,187	3,184
2,133	Total operating costs excluding depreciation OPEX	2,510	2,325
(978)	Net operating cost/(surplus)	(677)	(859)
7,188	Capital expenditure CAPEX	7,504	6,683
6,210	Total net expenditure	6,827	5,824
Funded by			
3,075	Loans raised [debt]	3,150	3,150
205	Reserve funds	308	308
2,930	Rates revenue	3,369	2,366
6,210	Total funding	6,827	5,824
1,701	Depreciation [non-funded]	1,898	1,824

MAJOR VARIANCE BETWEEN THE ANNUAL PLAN AND LONG TERM PLAN FORECASTS

The major variance between the Annual Plan 2020 – 2021 forecast and Long Term Plan Year 3 (2020 – 2021) forecast is the decrease in capital expenditure due to resources that are managed by Wellington Water Ltd, being reallocated away from stormwater pipe renewal program towards the water supply pipe renewal programme. This change is also the main reason for the rates revenue decrease.



Whakauka

SUSTAINABILITY



The **Sustainability** activity contributes to our community outcomes through the following strategic priority areas:



HAPORI
Community



TAIAO
Environment



TE MANAWA
City Centre



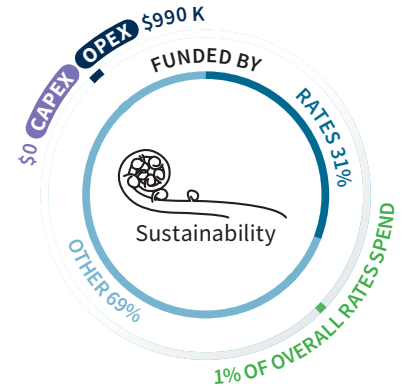
ŌHANGA
Economy



TŪĀPAPA
Infrastructure

What we do

This activity provides the management of the city’s solid waste. A range of refuse and recycling services are available to households and city centre businesses. Silverstream Landfill (within Hutt City) is the primary disposal site used by the community and by waste contractors operating in the city.



There are no significant changes for 2020 – 2021.

WORKS PROGRAMME

Waste Management and Minimisation Plan—Regional projects

Waste Management and Minimisation Plan—Upper Hutt projects

Sustainability Strategy programmes

Recycling drop-off station costs

What it will cost (\$'000)

FORECAST AP 2019 – 2020 (LTP Y2)		FORECAST LTP Y3 (2020 – 2021)	FORECAST AP 2020 – 2021
545	Total operating revenue	550	553
624	Total operating costs excluding depreciation OPEX	543	990
79	Net operating cost/(surplus)	(7)	437
0	Capital expenditure CAPEX	0	0
79	Total net expenditure	(7)	437
Funded by			
0	Loans raised [debt]	0	0
0	Reserve funds	0	129
79	Rates revenue	(7)	308
79	Total funding	(7)	437
4	Depreciation [non-funded]	2	5

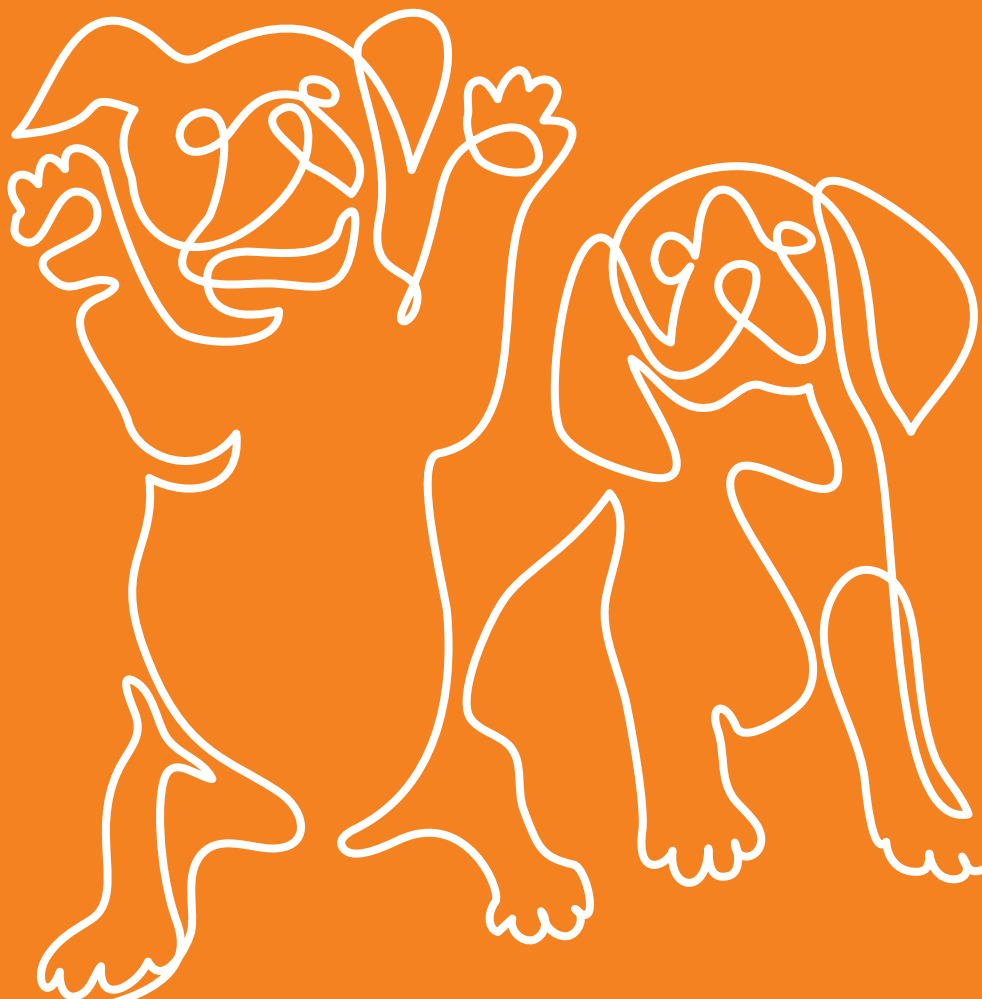
MAJOR VARIANCE BETWEEN THE ANNUAL PLAN AND LONG TERM PLAN FORECASTS

The major variance between the Annual Plan 2020 – 2021 forecast and Long Term Plan Year 3 (2020 – 2021) forecast is the increase in total operating costs due to an increase in the Park Street recycling drop-off station costs.



Ratonga whakamahere
me te whakariterite

PLANNING AND REGULATORY SERVICES



The **Planning and regulatory services** activity contributes to our community outcomes through the following strategic priority areas:



HAPORI
Community



TAIAO
Environment



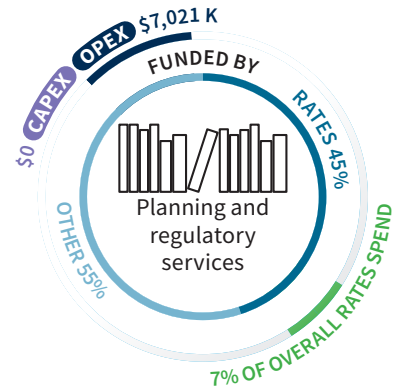
ŌHANGA
Economy



TŪĀPAPA
Infrastructure

What we do

The Planning and regulatory services function is responsible for a group of activities that range from regulatory, monitoring and enforcement, through to district planning, to ensure public safety, health and wellbeing.



There are no significant changes for 2020 – 2021.

WORKS PROGRAMME

Rural and residential plan change review

Natural hazards plan change

Biodiversity and landscapes plan change

Open spaces plan change

What it will cost (\$'000)

FORECAST AP 2019 – 2020 (LTP Y2)		FORECAST LTP Y3 (2020 – 2021)	FORECAST AP 2020 – 2021
4,402	Total operating revenue	3,893	3,858
7,819	Total operating costs excluding depreciation OPEX	6,727	7,021
3,417	Net operating cost/(surplus)	2,834	3,163
0	Capital expenditure CAPEX	0	0
3,417	Total net expenditure	2,834	3,163
Funded by			
500	Loans raised [debt]	0	0
0	Reserve funds	0	0
2,917	Rates revenue	2,834	3,163
3,417	Total funding	2,834	3,163
0	Depreciation [non-funded]	0	1

MAJOR VARIANCES BETWEEN THE ANNUAL PLAN AND LONG TERM PLAN FORECASTS

The major variances between the Annual Plan 2020 – 2021 forecast and Long Term Plan Year 3 (2020 – 2021) forecast are as follows:

- ⊕ The increase in total operating costs are due to an increase in staff requirements.
- ⊕ Council's plan change programme will slow down and there will be a reprioritisation of the District Plan Scheme Review. This temporary reduction has been made to facilitate Council's COVID-19 relief objectives. The savings achieved have been reprioritised to establish the Recovery Fund.



Whakawhanake ōhanga

ECONOMIC DEVELOPMENT



The **Economic development** activity contributes to our community outcomes through the following strategic priority areas:



HAPORI
Community



TE MANAWA
City Centre

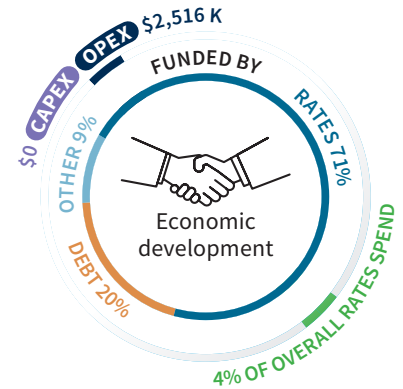


ŌHANGA
Economy

What we do

This activity delivers initiatives that foster economic growth and promotion of the city, its events and attractions.

There are no significant changes for 2020 – 2021.



WORKS PROGRAMME

Vacant property improvement programme

Upper Hutt Marketing Strategy

Business and resident opportunity support

City centre support

Regional marketing initiatives

The Great Ride Cycleway—continued support of

Economic Development Stimulus Policy—continue to implement

Business incubator programmes

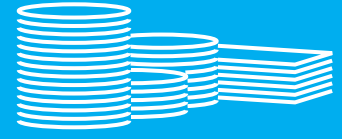
What it will cost (\$'000)

FORECAST AP 2019 – 2020 (LTP Y2)		FORECAST LTP Y3 (2020 – 2021)	FORECAST AP 2020 – 2021
25	Total operating revenue	49	26
3,226	Total operating costs excluding depreciation OPEX	3,443	2,516
3,201	Net operating cost/(surplus)	3,394	2,490
0	Capital expenditure CAPEX	50	0
3,201	Total net expenditure	3,444	2,490
Funded by			
1,000	Loans raised [debt]	1,050	500
0	Reserve funds	0	206
2,201	Rates revenue	2,394	1,784
3,201	Total funding	3,444	2,490
9	Depreciation [non-funded]	9	9

MAJOR VARIANCES BETWEEN THE ANNUAL PLAN AND LONG TERM PLAN FORECASTS

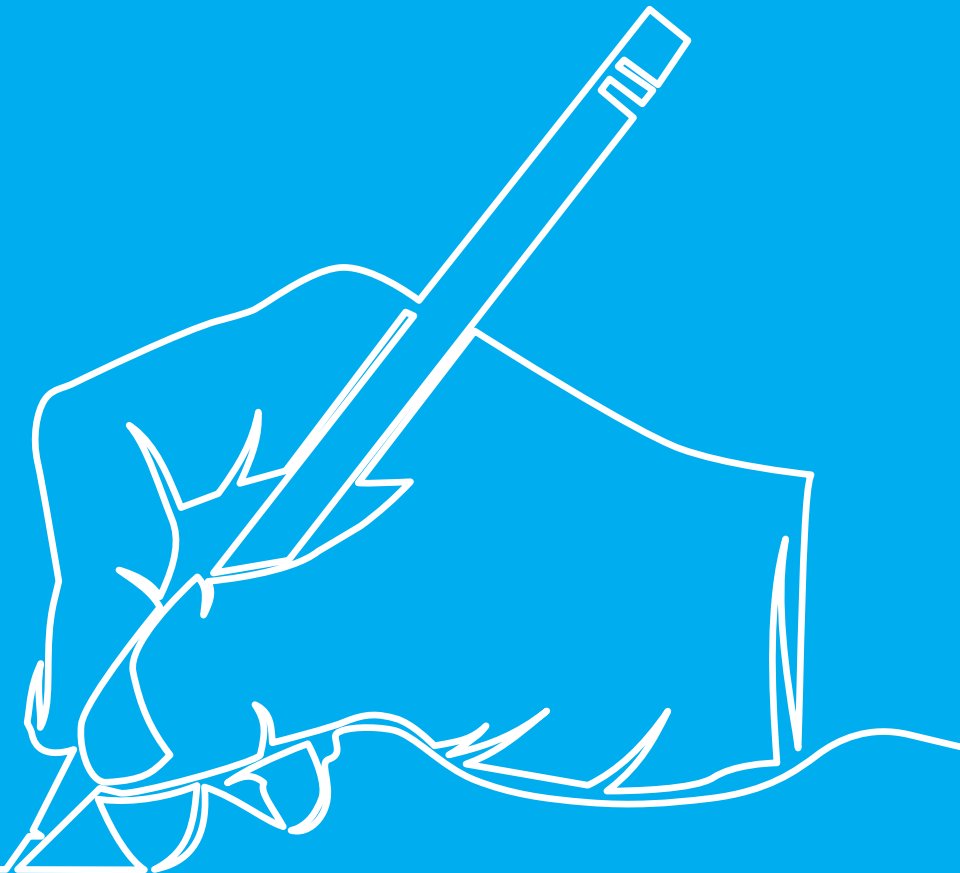
The major variances between the Annual Plan 2020 – 2021 forecast and Long Term Plan Year 3 (2020 – 2021) forecast are as follows:

- The decrease in total operating costs is mainly due to the Residential Stimulus Policy budget being deferred as efforts are re-directed at completing other funded projects. This change is also the main reason for the decrease in loans raised.
- The decrease in capital expenditure is due to the Flagpoles (Street decorations) project being deferred in order to reduce expenditure. This temporary reduction has been made to facilitate Council's COVID-19 relief objectives. The savings achieved have been reprioritised to establish the Recovery Fund.



Ahumoni

FINANCIALS



Statement of responsibility

The Exceptions Annual Plan 2020 – 2021 was adopted by Council on 30 June 2020.

The purpose of the plan is to provide a roadmap to Council and community on the planned activities and expenditure of Council over the next year. The use of this information for purposes other than for which it is prepared may not be appropriate.

Council is responsible for the prospective financial statements presented, including the appropriateness of the underlying assumptions and related disclosures. The prospective financial statements have been prepared in compliance with PBE FRS 42 Prospective Financial Statements.

The prospective financial statements of Upper Hutt City Council are for the period ending 30 June 2021. The prospective financial statements were adopted for issue by Council on 30 June 2020.

No actual financial results have been incorporated within the prospective financial statements.

Reporting entity

Upper Hutt City Council (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 Council's operations include the LGA and the Local Government (Rating) Act 2002.

Council 'Group' consists of Council and Expressions Whirinaki Arts and Entertainment Trust. For the purposes of the Annual Plan, Council is Upper Hutt City Council only.

Council has an interest in the Hutt Valley Wastewater Scheme. Council is a 12.24% shareholder in Wellington Water Limited (WWL). As this is a minority shareholding, the financial results of WWL are not consolidated into the Group's accounts. Instead, the shareholding is held as an investment. Council contracts WWL to carry out the maintenance and development of the Three Waters infrastructure on its behalf.

The primary objective of Council is to provide local infrastructure, local public services, and perform regulatory functions for the community. Council does not operate to make a financial return.

Accordingly, Council has designated itself a public benefit entity (PBE) in Tier 1 for the purposes of New Zealand equivalents to International Public Sector Accounting Standards (IPSAS).

Basis of preparation

The prospective financial statements are for Council as a separate legal entity. Consolidated prospective financial statements comprising Council and its controlled entities and associates have not been prepared.

Statement of compliance

The prospective financial statements have been prepared in accordance with the requirements of the Local Government Act 2002 (LGA), which includes the requirement to comply with generally accepted accounting practice in New Zealand (NZ GAAP).

The prospective financial statements comply with IPSAS, and other applicable Financial Reporting Standards, as appropriate for public benefit entities, in accordance with Tier 1 PBE accounting standards.

The accounting policies set out below have been applied consistently to all periods presented in these prospective financial statements.

Presentation Currency and Rounding

The prospective financial statements are presented in New Zealand dollars, rounded to the nearest thousand (\$000's), unless otherwise stated.

Changes in accounting policies

There have been no changes in accounting policies since the previous year.

Measurement basis

The measurement basis applied is historical cost, modified by the revaluation of land and buildings, certain infrastructure assets and financial instruments, and investment property. The accrual basis of accounting has been used unless otherwise stated.

Significant risks

It should be noted that:

- ① Actual results achieved during the 2020 – 2021 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.

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 Statement of Accounting Policies. Significant judgements and estimations include asset revaluations, impairments, certain fair value calculations and provisions.

Prospective statement of comprehensive revenue and expense

FORECAST (LTP Y2) AP 2019 – 2020 (\$000)		FORECAST LTP Y3 2020 – 2021 (\$000)	FORECAST ANNUAL PLAN 2020 – 2021 (\$000)	FORECAST VARIATION 2020 – 2021 (\$000)
Revenue				
42,762	Rates	45,880	43,377	(2,503)
18,234	Fees and charges	14,955	14,230	(725)
1,868	Development and financial contributions	1,583	1,518	(65)
7,552	Subsidies and grants	8,181	8,638	457
326	Interest and dividends	442	217	(225)
70,742	Total revenue	71,041	67,980	(3,061)
Expenditure				
13,383	Personnel costs	12,555	14,583	2,028
14,252	Depreciation and amortisation expense	14,048	15,632	1,584
2,541	Finance costs	3,686	2,571	(1,115)
2,750	Bulk drainage levy	2,991	2,671	(320)
3,478	Bulk water levy	4,401	3,934	(467)
26,472	Other expenses	24,013	26,454	2,441
62,876	Total operating expenditure	61,694	65,845	4,151
7,866	Surplus/(deficit) before tax	9,347	2,135	(7,212)
0	Income tax expense	0	0	0
7,866	Surplus/(deficit) after tax	9,347	2,135	(7,212)
Other comprehensive revenue and expense				
19,095	Gains /(losses) on infrastructure assets revaluation	8,142	15,666	7,524
0	Financial assets at fair value through equity	0	0	0
38	Gains on operational, aquatic and restricted assets revaluation	1,022	2,319	1,297
19,133	Total other comprehensive revenue and expenses for the year, net of tax	9,164	17,985	8,821
26,999	Total comprehensive revenue and expenses for the year	18,511	20,120	1,609

The accompanying accounting policies form part of these financial statements.

Prospective statement of financial position

FORECAST (LTP Y2) AP 2019 – 2020 (\$000)		FORECAST LTP Y3 2020 – 2021 (\$000)	FORECAST ANNUAL PLAN 2020 – 2021 (\$000)	FORECAST VARIATION 2020 – 2021 (\$000)
Equity				
244,079	Accumulated funds	251,241	246,337	(4,904)
13,985	Restricted reserves	12,436	15,253	2,817
499,618	Asset revaluation reserve	481,317	495,176	13,859
757,682	TOTAL EQUITY	744,994	756,766	11,772
Current assets				
582	Cash and cash equivalents	643	4,868	4,225
6,934	Other financial assets	11,681	8,402	(3,279)
3,196	Trade and other receivables	3,380	3,197	(183)
333	Assets held for sale	0	333	333
11,045	Total current assets	15,704	16,800	1,096
Non-current assets				
1,129	Non-current financial assets	156	1,129	973
29	Receivables	0	28	28
0	Intangible assets	0	0	0
68,937	Operational property, plant and equipment	80,026	74,567	(5,459)
9,552	Aquatic property, plant and equipment	8,622	15,580	6,958
46,421	Restricted property, plant and equipment	42,133	48,321	6,188
699,836	Infrastructure assets	695,180	707,942	12,762
825,904	Total non-current assets	826,117	847,567	21,450
836,949	TOTAL ASSETS	841,821	864,367	22,546
Current liabilities				
9,353	Payables and deferred revenue	9,734	9,353	(381)
684	Employee entitlements	718	684	(34)
3,829	Borrowings - current	5,119	5,189	70
13,866	Total current liabilities	15,571	15,226	(345)

The accompanying accounting policies form part of these financial statements.

FORECAST (LTP Y2) AP 2019 – 2020 (\$000)		FORECAST LTP Y3 2020 – 2021 (\$000)	FORECAST ANNUAL PLAN 2020 – 2021 (\$000)	FORECAST VARIATION 2020 – 2021 (\$000)
Non-current liabilities				
1,812	Derivative financial instruments	0	1,812	1,812
314	Employee entitlements	330	314	(16)
63,275	Borrowings - term portion	80,926	90,249	9,323
65,401	Total non-current liabilities	81,256	92,375	11,119
79,267	TOTAL LIABILITIES	96,827	107,601	10,774
757,682	NET ASSETS	744,994	756,766	11,772

Prospective statement on changes of equity

FORECAST (LTP Y2) AP 2019 – 2020 (\$000)		FORECAST LTP Y3 2020 – 2021 (\$000)	FORECAST ANNUAL PLAN 2020 – 2021 (\$000)	FORECAST VARIATION 2020 – 2021 (\$000)
730,683	Equity at the start of the year	726,483	736,646	10,163
26,999	Total comprehensive revenue and expenses	18,511	20,120	1,609
0	Total transfer to trust accounts	0	0	0
757,682	Prospective equity at end of year	744,994	756,766	11,772
244,079	Accumulated funds	251,241	246,337	(4,904)
499,618	Revaluation reserves	481,317	495,176	13,859
13,985	Restricted reserves	12,436	15,253	2,817
757,682	Total recognised revenues and expenses for the year	744,994	756,766	11,772

The opening balance of Year 3 (2020 – 2021) may not agree to closing balance of Year 2 (2019 – 2020) due to Council taking into account events occurring this year.

The accompanying accounting policies form part of these financial statements.

Prospective cashflow statement

FORECAST (LTP Y2) AP 2019 – 2020 (\$000)			FORECAST LTP Y3 2020 – 2021 (\$000)	FORECAST ANNUAL PLAN 2020 – 2021 (\$000)	FORECAST VARIATION 2020 – 2021 (\$000)
OPERATING ACTIVITIES					
Cash provided from					
62,574	Rates and other receipts		65,728	62,010	(3,718)
326	Interest received		442	217	(225)
62,900			66,170	62,227	(3,943)
Cash applied to					
(45,131)	Payments to suppliers and employees		(43,421)	(46,906)	(3,485)
(2,541)	Interest paid		(3,686)	(2,571)	1,115
0	Goods and services tax (net)		0	0	0
(47,672)			(47,107)	(49,477)	(2,370)
15,228	Net cash inflow (outflow) from operating activities		19,063	12,750	(6,313)
INVESTING ACTIVITIES					
Cash provided from					
1,713	Proceeds from sale of fixed assets		0	1,713	1,713
6,665	Decrease in investments		313	897	584
8,378			313	2,610	2,297
Cash applied to					
0	Increase in investments		0	0	0
(35,485)	Purchase of fixed assets		(35,489)	(39,685)	(4,196)
(35,485)			(35,489)	(39,685)	(4,196)
(27,107)	Net cash inflow (outflow) from investing activities		(35,176)	(37,075)	1,899
FINANCING ACTIVITIES					
Cash provided from					
21,873	Loans raised		19,884	25,478	5,594
Cash applied to					
(2,769)	Loan repayments		(3,759)	0	3,759
19,104	Net cash inflow (outflow) from financing activities		16,125	25,478	9,353

FORECAST (LTP Y2) AP 2019 – 2020 (\$000)		FORECAST LTP Y3 2020 – 2021 (\$000)	FORECAST ANNUAL PLAN 2020 – 2021 (\$000)	FORECAST VARIATION 2020 – 2021 (\$000)
(6,643)	Cash, cash equivalents and bank overdrafts as at 01 July	631	3,715	3,084
7,225	Net increase (decrease) in cash equivalents and bank overdrafts	12	1,153	1,141
582	Cash, cash equivalents and bank overdrafts as at 30 June	643	4,868	4,225

The opening balance of Year 3 (2020 – 2021) may not agree to closing balance of Year 2 (2019 – 2020) 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 form part of these financial statements.

Statement of accounting policies

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 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, 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 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 Greater Wellington Regional Council (GWRC) are not recognised in the financial statements as Council is acting as an agent for GWRC.

Rates remissions are recognised as a reduction of rates revenue when 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.

Grants and subsidies

WAKA KOTAHI NEW ZEALAND TRANSPORT AGENCY ROADING SUBSIDIES

Council receives government grants from New Zealand Transport Agency, which subsidise part of 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.

Fees and charges

INFRINGEMENTS AND FINES

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

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 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), Council immediately recognises that fair value of the asset as revenue. A liability is recognised only if Council expects that it will need to return or pass the asset to another party.

RESERVE FUND AND DEVELOPMENT CONTRIBUTIONS

The revenue is recognised when Council provides, or is able to provide the service for which the contribution was charged or when the subdivision is substantially complete. 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.

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 when the right to receive payment has been established. When dividends are declared from pre-acquisition surpluses, the dividend is deducted from the cost of the investment.

Expenses

Expenditure is recognised when Council has been supplied with the service or has control of the goods supplied.

FINANCE COSTS

All borrowing costs are recognised as an expense in the period in which they are incurred. 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 Council has no obligation to award on receipt of the grant application and are recognised as expenditure when a successful applicant has been notified of Council's decision.

INCOME TAXATION

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

DEPRECIATION AND AMORTISATION

Depreciation of property, plant and equipment and amortisation of intangible assets are charged on a *straight line* basis over the estimated useful life of the associated assets.

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*.

Other financial assets

SHORT TERM DEPOSITS

The carrying amount of short term deposits approximates their fair value.

UNLISTED SHARES

Shares (other than shares in subsidiaries) and listed bonds (other than those designated as held to maturity) are designated at fair value through other comprehensive revenue and expense.

After initial recognition, the shares and listed bonds are measured at their fair value, with gains and losses recognised in other comprehensive revenue and expense, except for impairment losses, which are recognised in

the surplus or deficit. When sold, the cumulative gain or loss previously recognised in other comprehensive revenue and expense is transferred to the surplus or deficit.

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

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

There were no impairment provisions for other financial assets.

Trade and other receivables

Short term receivables are recorded at the amount due, less any provision for uncollectability.

A receivable is considered to be uncollectable when there is evidence that the amount due will not be fully collected. The amount that is uncollectable is the difference between the amount due and the present value of the amount expected to be collected.

Receivables are generally short term and non-interest bearing. Therefore, the carrying value of receivables approximates their fair value.

Council does not provide for any uncollectability on rates receivable, as it has various powers under the Local Government (Rating) Act 2002 to recover any outstanding debts. These powers allow Council to commence legal proceedings to recover any rates that remain unpaid four months after the due date for payment. If payment has not been made within three months of the Court's judgment, then Council can apply to the Registrar of the High Court to have the judgment enforced by sale or lease of the rating unit.

Ratepayers can apply for payment plan options in special circumstances. Where such repayment plans are in place, debts are discounted to their present value of future payments if the effect of discounting is material.

A provision for impairment of receivables is established when there is objective evidence that 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 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.

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

COMMUNITY LOANS

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.

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.

Council has identified two parcels of land as being made available for sale, one at Duncraig Street and the other in Larchmont Grove.

Intangible assets

SOFTWARE ACQUISITION AND DEVELOPMENT

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

Costs associated with maintaining computer software are recognised as an expense when incurred. Costs that are directly associated with the development of software for internal use by 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 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%
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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 includes:

- 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 Council which provide a benefit or service to the community and cannot be disposed of because of legal or other restrictions.
- C Aquatic assets:** Building, plant, and equipment relating to the H₂O Xtream pool facility.
- D 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.

Infrastructure assets (except land under roads) are measured at fair value less accumulated depreciation and impairment losses. Land under roads is held at cost.

All property, plant, and equipment is shown at cost or valuation less accumulated depreciation and impairment losses.

REVALUATION

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 offsets 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.

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 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 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. 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:

STRAIGHT LINE DEPRECIATION	YEARS	RATE
Buildings	10 – 100 years	1% – 10%
Buildings fit-out 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%

STRAIGHT LINE DEPRECIATION—INFRASTRUCTURE ASSETS	YEARS	RATE
Roading		
Bridges	20 – 100 years	1% – 5%
Carparks	50 years	2%
Culverts	50 – 80 years	1.25% – 2%
Footpaths/access ways	30 – 60 years	1.67% – 3.33%
Roads (except land and formation)	4 – 30 years	3.33% – 25%
Road signs	10 years	10%
Roundabouts	50 years	2%
Stormwater channels	15 – 60 years	1.67% – 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%
Water supply		
Civil Works	80 – 100 years	1% – 1.25%
Mechanical and electrical plant, outlets, pumps	20 – 50 years	1% – 5%
Pipework, appurtenances and associated structures	50 – 100 years	1% – 2%
Reservoirs, intake structure	100 years	1%
Wastewater		
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%
Pipework, wastewater mains	50 – 100 years	1% – 2%
Stormwater		
Civil works	80 – 100 years	1% – 1.25%
Mechanical and electrical plant, outlets, pumps	20 – 50 years	1% – 5%
Pipework, appurtenances and associated structures	50 – 100 years	1% – 2%
Telemetry		
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%
Pipework, appurtenances and associated structures	50 – 100 years	1% – 2%

DIMINISHING VALUE DEPRECIATION	YEARS	RATE
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 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:

Infrastructure assets

There are a number of assumptions and estimates used when performing depreciated replacement cost valuations over infrastructure assets. These include:

- ▶ The physical deterioration and condition of an asset, for example Council could be carrying an asset at an amount that does not reflect its actual condition. This is particularly so for those assets which are not visible, for example water supply, wastewater, and stormwater 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 Council could be over-estimating 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, Council infrastructure asset useful lives have been determined with reference to the *New Zealand Infrastructure Asset Valuation and Depreciation Guidelines* published by National Asset Management Support, and have been adjusted for local conditions based on past experience. Asset inspections, deterioration, and condition modelling are also carried out regularly as part of Council’s asset management planning activities, which gives Council further assurance over its useful life estimates.

Experienced independent valuers perform Council’s infrastructure asset revaluations.

Upper Hutt City Council has no flood protection or control works to disclose as these are provided by Greater Wellington Regional Council. Council has no treatment plants and facilities. Council wastewater treatment plant and facilities are shared under a joint arrangement with Hutt City called the Hutt Valley Wastewater Scheme.

Payables and deferred revenue

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

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.

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.

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. 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 12 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 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

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.

Derivative financial instruments

Council uses derivative financial instruments to manage exposure to interest rate risks arising from financial activities. In accordance with its treasury policy, 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.

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.

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.

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 Council's Long Term Plan.

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.

INTEREST EXPENSE RATES

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.

Financial instruments

The financial instruments which expose Council to credit risk are principally bank balances, investments, accounts receivable, creditors and term loans. 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 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 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 \$30 M for 2020 (2019: \$43 M).

Equity

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 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 Council. Intergenerational equity requires today's ratepayers to meet the costs of utilising 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 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. The Act sets out the factors that 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 Council's LTP.

Components of equity are:

- ▶ Accumulated funds
- ▶ Restricted reserves (other accounts restricted by law and special funds)
- ▶ Asset revaluation reserve

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 Council.

Council has the following Council reserves:

- ▶ Other accounts restricted by law
- ▶ Special funds reserves

Other accounts restricted by law 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. Conditions applying to these reserves may not be revised by 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.

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

SPECIAL FUND PURPOSES

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 programmes.
- 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 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 Xtream plant and equipment.
- ⑭ **Maidstone turf renewal**—funds allocated from rates to renew the Maidstone artificial turf.
- ⑮ **Expressions Whirinaki building extension reserve**—funds received from sponsors conditional on the extension of the Expressions Whirinaki building.

Purpose of each fund

The income from fees or rates for each of these activities can only be expended on each specific activity. Any surpluses are transferred into these accounts and applied in future periods to mitigate income requirements.

Schedule of special funds—Long Term Plan 2018 – 2028 Year 3 (2020 – 2021) forecast

	BALANCE 01/07/2020 (\$000)	TRANSFERS IN (\$000)	INTEREST INCOME (\$000)	TRANSFERS OUT (\$000)	BALANCE 30/06/2021 (\$000)
General reserve	10	0	0	0	10
Amenities fund	527	0	16	0	543
Civic amenities fund	1	0	0	0	1
Plant renewal	31	33	2	0	66
Reserve fund contribution	4,066	1,365	119	(1,535)	4,015
Cash in lieu—parking	3	0	0	0	3
Property sales	1,601	0	48	0	1,649
Sierra Way subdivision	146	0	4	0	150
Harcourt Park maintenance fund	11	3	0	0	14
Akatarawa roading levy	149	19	5	0	173
Kaitoke roading levy	122	50	4	0	176
Mangaroa roading levy	295	17	9	0	321
Katherine Mansfield	159	77	7	0	243
Blue Mountain levy	145	39	4	0	188
Moonshine Hill levy	5	0	1	0	6
Alexander Road levy	11	0	0	0	11
Swamp Road	34	17	1	0	52
Library development	0	0	0	0	0
Cemetery development	0	0	0	0	0
Trench resealing levy	13	0	0	0	13
Kurth Crescent development levy	49	0	2	0	51
H ₂ O Xtream plant renewal fund	270	250	12	0	532
Maidstone Park artificial turf renewal fund	783	250	27	0	1,060
Total special funds	8,431	2,120	261	(1,535)	9,277

Schedule of special funds—Annual Plan 2020 – 2021 forecast

	BALANCE 01/07/2020 (\$000)	TRANSFERS IN (\$000)	INTEREST INCOME (\$000)	TRANSFERS OUT (\$000)	BALANCE 30/06/2021 (\$000)	BALANCE VARIATION 30/06/2021 (\$000)
General reserve	10	1,000	5	0	1,015	1,005
Amenities fund	548	0	6	0	554	11
Civic amenities fund	1	0	0	0	1	0
Plant renewal	273	43	3	0	319	253
Reserve fund contribution	4,922	1,300	45	(2,213)	4,054	39
Cash in lieu—parking	3	0	0	0	3	0
Property sales	137	0	15	(12)	140	(1,509)
Sierra Way subdivision	143	0	2	0	145	(5)
Harcourt Park maintenance fund	8	4	0	0	12	(2)
Akatarawa roading levy	212	19	2	0	233	60
Kaitoke roading levy	71	49	1	0	121	(55)
Mangaroa roading levy	286	17	3	0	306	(15)
Katherine Mansfield	120	77	2	0	199	(44)
Blue Mountain levy	104	39	1	0	144	(44)
Moonshine Hill levy	5	0	0	0	5	(1)
Alexander Road levy	10	0	0	0	10	(1)
Swamp Road	17	17	0	0	34	(18)
Library development	0	0	0	0	0	0
Cemetery development	0	0	0	0	0	0
Trench resealing levy	12	0	0	0	12	(1)
Kurth Crescent development levy	49	0	0	0	49	(2)
H ₂ O Xtream plant renewal fund	218	200	3	0	421	(111)
Maidstone Park artificial turf renewal fund	761	250	9	0	1,020	(40)
Total special funds	7,910	3,015	97	(2,225)	8,797	(480)

ASSET REVALUATION RESERVES

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

Schedule 4— Disclosure statement for year ending 30 June 2021

What is the purpose of this statement?

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

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

BENCHMARK	QUANTIFIED LIMIT/TARGET	PLANNED	MET
Rates and affordability benchmark			
Income	\$44,772,000	\$43,158,000	Yes
Increase	6.7%	1.5%	Yes
Debt affordability benchmark			
Council will stay within five debt parameters			
① Net interest expense over total revenue will not exceed 10%	10%	3.78%	Yes
② Net external public debt will not exceed 175% of total revenue	175%	150%	Yes
③ External public debt per capita will not exceed \$3,000 adjusted by the LGCI ¹	\$3,821.00	\$2,109.00	Yes
④ Net interest/annual rates revenue will not exceed 15%	15%	5.3%	Yes
⑤ Liquidity (external, term debt + committed funds + available liquid investment to existing external debt) will exceed 110%	110%	149%	Yes
Balanced budget benchmark	100%	95%	No
Essential services benchmark	100%	249%	Yes
Debt servicing benchmark	10%	4.13%	Yes

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

Notes

RATES AFFORDABILITY BENCHMARK

- ① For this benchmark, Council's planned rates income is compared with a quantified limit on rates contained in the Financial Strategy included in Council's Long Term Plan 2018 – 2028. 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 (BERL¹), + up to 2% growth to the discretionary increases in dollar terms, + the proposed annual allowance of growth in the rates database.

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

1 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* which is the BERL Local Government Cost Index in any one year + 2% for new or existing assets (development, growth or renewals) + growth in the rating database.

DEBT AFFORDABILITY BENCHMARK

- ① For this benchmark, 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 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.

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

BALANCED BUDGET BENCHMARK

- ① For this benchmark, 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 Council meets the balanced budget benchmark if its revenue equals or is greater than its operating expenses.

- ③ This benchmark will not be met for the 2020 – 2021 year because of the following:

- Council does not fund the depreciation of infrastructure assets. Council's view is that the renewal and replacement of infrastructure assets is better funded by a combination of rates, loans, and subsidies. This way the costs are more fairly met by those receiving the benefit, leading to intergenerational equity.

- Council resolved to use accumulated funds (surpluses from prior years) to offset some of the rates funding required for 2020 – 2021 in order to reduce the rates increase to 1.5%.

ESSENTIAL SERVICES BENCHMARK

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

DEBT SERVICING BENCHMARK

- 1 For this benchmark, 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 (whole Council)

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 Council is funded. Some items included in the *Statement of comprehensive revenue and expense* are excluded and some items not in the *Statement of comprehensive revenue and expense* 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.

FORECAST (LTP Y2) AP 2019 – 2020 (\$000)			FORECAST LTP Y3 2020 – 2021 (\$000)	FORECAST ANNUAL PLAN 2020 – 2021 (\$000)
	SOURCES OF OPERATING FUNDING			
27,222	General rates, uniform annual general charges, rates penalties	27,653	26,343	
15,540	Targeted rates	17,995	17,035	
1,847	Subsidies and grants for operating purposes	1,766	1,826	
10,032	Fees, charges	10,984	9,769	
326	Interest and dividends from investments	442	219	
427	Local authority fuel tax, fines, infringement fees, and other receipts	1,129	379	
55,394	Total operating funding (A)	59,969	55,571	

FORECAST (LTP Y2) AP 2019 – 2020 (\$000)	APPLICATIONS OF OPERATING FUNDING	FORECAST LTP Y3 2020 – 2021 (\$000)	FORECAST ANNUAL PLAN 2020 – 2021 (\$000)
44,430	Payments to staff and suppliers	43,529	45,952
2,541	Finance costs	3,686	2,572
38	Other operating funding applications	36	41
47,009	Total applications of operating funding (B)	47,251	48,565
8,385	Surplus (deficit) of operating funding (A – B)	12,718	7,006
SOURCES OF CAPITAL FUNDING			
5,557	Subsidies and grants for capital expenditure	6,263	6,692
1,868	Development and financial contributions	218	1,518
19,104	Increase (decrease) in debt	16,550	25,479
1,713	Gross proceeds from sale of assets	0	0
0	Lump sum contributions	0	0
28,242	Total sources of capital funding (C)	23,031	33,689
APPLICATIONS OF CAPITAL FUNDING			
	Capital expenditure		
10,968	– to meet additional demand	12,417	8,634
17,691	– to improve the level of service	10,406	19,169
6,826	– to replace existing assets	12,666	11,882
816	Increase (decrease) in reserves	(182)	791
326	Increase (decrease) of investments	442	219
36,627	Total applications of capital funding (D)	35,749	40,695
(8,385)	Surplus (deficit) of capital funding (C – D)	(12,718)	(7,006)
0	FUNDING BALANCE ((A – B) + (C – D))	0	0

Differential and targeted rating schedule

This schedule defines the detail that will apply for the 2020 – 2021 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 2020 – 2021 Council will apply the following differential factors:

DIFFERENTIAL RATING GROUP¹	FACTOR
Standard	100
Residential high value ²	Scaled factor
Rural ³	73
Rural high value ³	Scaled factor
Business ⁴	290
Utilities and three waters utilities ⁴	290

1. The categories are as defined in this document.
2. Refer to the formula below and Table A (page 73) for the method used to determine the relevant scaled factors.
3. Council reviewed the *Rural 33* differential rating category in April 2020 and will maintain the existing differential factor for general rates levied from this category in 2020 – 2021. In 2020 – 2021 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 formula below and note in Table A (page 73) for the method used to determine the relevant scaled factors.
4. Council reviewed the *Business* and *Utilities* differential rating categories in April 2020 and changed the differential for the business rating group from 270 to 290 and the utilities differential from 230 to 290. This is in order to maintain the individual relativity of general rates levied from those categories after the revaluation of the city.

FORMULA

For high value properties 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 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 2020 – 2021 rating year Council proposes to set the following values:

- ① Trigger value (X) = \$1,199,000 (based on a rating unit capital value of \$1,200,000 less 1,000).
- ② Rural 33 minimum eligibility value (Y) = \$1,650,000
- ③ Excess percentage (Z) = 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.

HIGH VALUE SUB-GROUPS	CAPITAL VALUE RANGE (\$)	DIFFERENTIAL FACTOR
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
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 \$26,122,000 + 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

WATER

For 2020 – 2021 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 \$1,884,000 + GST (and is to contribute 20% of the total requirement needed for the costs of water supply).

Of the total revenue, required for the water supply service, 66% 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 \$ 6,209,000 + GST and is to contribute approximately 60% of the total requirement needed for the costs of water supply.

Note for completeness: The remaining 14% 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.

STORMWATER

For 2020 – 2021 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 labelled *Urban drainage district* on the map on page 81).

The revenue sought from this rate is \$2,366,000 + GST and is to contribute to the costs of stormwater drainage and flood protection of the city.

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 inhabited part is defined in Council's *Revenue and Financing Policy*.

For 2020 – 2021 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:

Volume of water used per annum ÷ 228

(228 being the number of cubic metres assessed as being a standard residential unit annual usage)

The revenue sought from this charge is \$6,576,000 + GST and is to be applied towards the cost of the sewerage reticulation and disposal of bulk sewage schemes.

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.

OTHER TARGETED RATES

There are currently no other targeted rates.

LUMP SUM CONTRIBUTIONS

Council will not invite lump sum contributions to targeted rates in 2020 – 2021.

Funding impact statement—differential definitions

For 2020 – 2021 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:

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

If Council is satisfied that:

- Ⓐ the same ratepayer is recorded as owner of more than one rating unit; and
- Ⓑ all the rating units are situated in a rural zone; and
- Ⓒ are being used as one property principally for a farming activity; and
- Ⓓ 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:

- Ⓐ it meets all the requirements for the *Rural* category in (1) above; and

Ⓑ has a capital value of \$1,650,000 or more; and

Ⓒ 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:

Ⓐ it is owned or operated by a utility operator and is being used, principally, as part of the utility infrastructure; and

Ⓑ 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:

Ⓐ meets the criteria in Utilities 3a and 3b above, and

Ⓑ it is used solely for the purpose of:

Ⓘ draining stormwater; or

Ⓜ draining wastewater from Upper Hutt city and its district into the bulk sewer line; or

Ⓝ 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:

Ⓐ it has been allocated to the *Utilities* category; or

Ⓑ 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:

- Ⓐ is situated in a residential zone; or
- Ⓑ is situated in a rural zone and has an area of less than 30ha; or
- Ⓒ 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

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 2020 – 2021 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 subdivisions will be granted is two.
- ④ A subdivision is a Subdivision under the *Rates Remission for Economic Development – Subdivisions Policy* if:
 - Ⓐ Upper Hutt City Council has granted a Resource Consent for it; and
 - Ⓑ It creates no less than four additional lots, as defined by the policy; and
 - Ⓒ No less than one lot is defined as 'bare land' in this Funding impact statement.

- 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:

These are **not** separately used parts of a rating unit

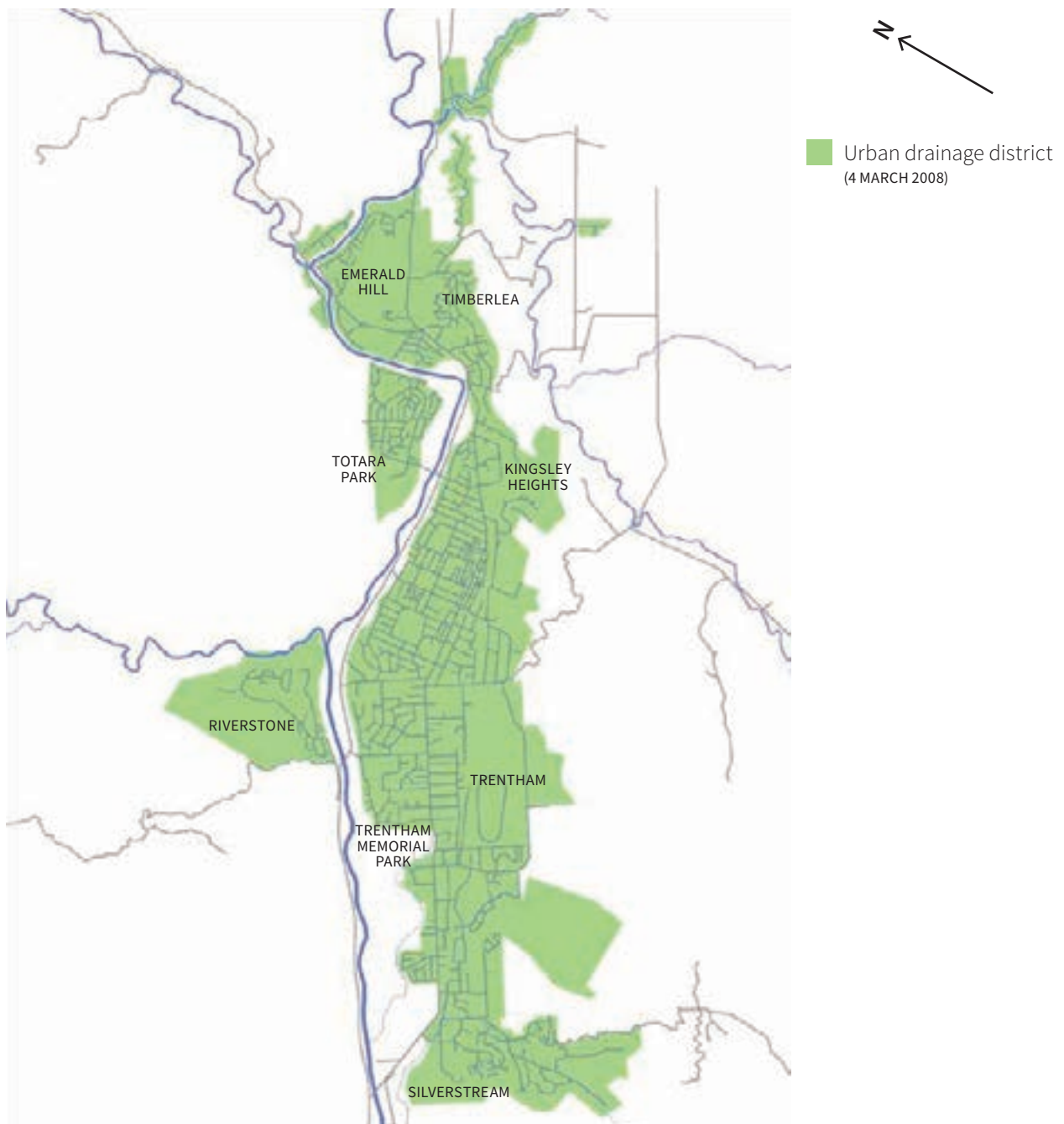
- ▶ A residential sleep-out or ‘granny flat’ without independent kitchen facilities
- ▶ An hotel room with or without independent kitchen facilities

- ▶ 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



Te Kaunihera o Te Awa Kairangi ki Uta | Upper Hutt City Council



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Upper Hutt City Libraries
Expressions Whirinaki
Recreation services
H₂O Xtream



**Richard Harbord, KAIHAUTŪ RATONGA
WHAKAMAHERE ME TE WHAKARITERITE |
DIRECTOR PLANNING AND REGULATORY SERVICES**

Building control, consents, and compliance
Emergency response and management
Resource consents and compliance
Urban and rural planning
Environmental health
Parking enforcement
Liquor licensing
Animal control



**Julia Fink, KAIHAUTŪ RATONGA
RANGATŌPŪ | CHIEF FINANCIAL OFFICER**
FINANCE, RISK, AND DIGITAL SOLUTIONS

Digital and information solutions
Legal services
Insurances
Finance



**Geoff Swainson,
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ASSET MANAGEMENT AND OPERATIONS**

Water supply, wastewater, stormwater
Solid waste and waste minimisation
Land development and engineering
Roads, footpaths, street lights
Asset management
Parks and reserves
Fleet management
Civil Defence
Property



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KAIHAUTŪ PŪMANAWA TANGATA |
MANAGER PERFORMANCE AND CAPABILITY**

Human Resources
Health and safety
Recruitment



**Vibhuti Chopra, KAIHAUTŪ RAUTAKI,
KŌTUITUI TANGATA, WHAKAWHANAKE
Ā-IWI | DIRECTOR STRATEGY,
PARTNERSHIPS, AND GROWTH**

Communications and engagement
Corporate planning and reporting
Takawaenga kaupapa Māori
Marketing and promotions
Economic development
Democratic services
Strategy and policy
Customer service
Sustainability

