

Notes to the financial statements

1	Rates	Forecast	Forecast	Forecast	Forecast
		Annual Plan	LTCCP	Annual Plan	Variation
		Year 1	Year 2	Year 2	Year 2
		2009/10	2010/11	2010/11	2010/11
		(\$ 000)	(\$ 000)	(\$ 000)	(\$ 000)
	General Rates	15,168	15,702	15,622	(80)
	Targeted Rates Water Fire Protection	1,015	1,003	999	(4)
	Targeted Rates Water Supply	2,979	2,899	2,884	(15)
	Targeted Rates Stormwater	1,701	2,130	2,132	2
	Targeted Rates Wastewater	5,100	5,470	5,401	(69)
	Targeted Rate Karapoti Bridge	2	2	2	0
	Rates Penalties	190	195	228	33
	Total Rates Income	26,155	27,401	27,268	(133)

Rates Remission

Rates revenue is shown net of rate remission.

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

	Forecast	Forecast	Forecast	Forecast	
	Annual Plan	LTCCP	Annual Plan	Variation	
	Year 1	Year 2	Year 2	Year 2	
	2009/10	2010/11	2010/11	2010/11	
	(\$ 000)	(\$ 000)	(\$ 000)	(\$ 000)	
	Total Gross Rates Revenue	26,367	27,617	27,488	(129)
	Less Rates remission				
	Land used for sport	88	91	91	0
	Rate penalties remission	20	21	25	4
	Remission Economic Development Policy	104	104	104	0
	Rates Revenue Net of Remissions	26,155	27,401	27,268	(133)

Non-rateable land

Under the Local Government (Rating) Act 2002 certain Properties cannot be rated for general rates.

These properties include schools, place of worship, public gardens and reserves.

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

Notes to the financial statements

2	Fees and Charges	Forecast	Forecast	Forecast	Forecast
		Annual Plan	LTCCP	Annual Plan	Variation
		Year 1	Year 2	Year 2	Year 2
	2009/10	2010/11	2010/11	2010/11	
	(\$ 000)	(\$ 000)	(\$ 000)	(\$ 000)	
	Metered Water Charges	1,059	1,090	1,091	1
	Property Rentals	967	275	123	(152)
	Permit and Licence Fees	1,539	1,654	1,714	60
	H ² O Xtream and Expression Charges	1,293	1,331	1,348	17
	Library, Parks, Cemetery and Community Charges	451	461	494	33
	Vested Assets	2,301	2,343	2,333	(10)
	Reserve & Rooding Development Fund Charges	565	644	371	(273)
	Solidwaste Charges	584	676	657	(19)
	Other Charges	522	659	567	(92)
	Total Fees and Charges Income	9,281	9,133	8,698	(435)

N.B.

1. Metered Water charges, although levied and recoverable under the Local Government (Rating) Act, are included with fees and charges as this more accurately represents the nature of the charge.

2. Metered properties are properties that consume more than 260 cubic metres of water per year.

3	Subsidies and Grants	Forecast	Forecast	Forecast	Forecast
		Annual Plan	LTCCP	Annual Plan	Variation
		Year 1	Year 2	Year 2	Year 2
	2009/10	2010/11	2010/11	2010/11	
	(\$ 000)	(\$ 000)	(\$ 000)	(\$ 000)	
	Rooding Subsidies – NZ Transport Agency (NZTA ¹)	2,155	2,399	4,237	1,838
	Petrol Tax (Crown)	155	159	155	(4)
	Public Transport Subsidies (GWRC ²)	32	33	0	(33)
	Rural Fire Subsidies (GWRC ² & NRFA ³)	8	8	8	0
	Subsidies for Activation	128	67	177	110
	Other Grants and Subsidies	423	436	531	95
	Total Subsidies and Grants Income	2,901	3,102	5,108	2,006

¹NZTA - NZ Transport Agency

³NFRA - National Rural Fire Authority

²GWRC - Greater Wellington Regional Council

Notes to the financial statements

4	Interest and Dividends	Forecast	Forecast	Forecast	Forecast
		Annual Plan	LTCCP	Annual Plan	Variation
		Year 1	Year 2	Year 2	Year 2
	2009/10	2010/11	2010/11	2010/11	
	(\$ 000)	(\$ 000)	(\$ 000)	(\$ 000)	
	Interest on General Funds	101	102	102	0
	Interest on Special Funds	178	154	79	(75)
	Total Interest and Dividend Income	279	256	181	(75)

5	Other Expenditure and Items for Disclosure	Forecast	Forecast	Forecast	Forecast
		Annual Plan	LTCCP	Annual Plan	Variation
		Year 1	Year 2	Year 2	Year 2
	2009/10	2010/11	2010/11	2010/11	
	(\$ 000)	(\$ 000)	(\$ 000)	(\$ 000)	
	Employees Costs - Salaries and Wages	7,559	7,606	7,942	336
	Increase/Decrease in employee benefit liabilities	75	0	0	0
	Local Government Association	30	31	32	1
	Employees Association	4	4	4	0
	Insurance	204	210	261	51
	Disaster Fund Insurance	55	57	54	(3)
	Entertainment	15	15	21	6
	Civic Functions	18	19	18	(1)
	Audit Fees	129	133	133	0
	Audit Fees - LTCCP	0	0	0	0
	Interest Expenses	1,532	1,574	1,637	63
	Rental	299	308	269	(39)
	Depreciation:				
	Individual components are:				
	Buildings (operational)	954	990	744	(246)
	Buildings (restricted)	62	66	96	30
	Furniture and Equipment (operational)	69	63	33	(30)
	Vehicle, Computer Equipment and Plant	605	599	335	(264)
	Library Books	283	264	302	38
	Investment Property	0	0	3	3
	Parks and Reserves Services	365	204	295	91
	Land Transport	3,536	3,559	4,255	696
	Stormwater	1,103	1,108	1,266	158
	Wastewater	1,290	1,294	1,463	169
	Water Supply	1,113	1,110	1,267	157
	Hutt Valley Wastewater Project	1,293	1,293	1,344	51
	Impairment of Receivable	14	14	7	(7)
	Loss on sale of assets	322	292	42	(250)
	Rates Remissions - sports clubs and other non profit bodies as per the Upper Hutt City Council Rates Remission or Postponement Polices	88	91	91	0
	Penalty Remissions	20	21	25	4
	Derivative Expenses	0	44	0	(44)
	Other Items for Disclosure				
	Derivative Income	(27)	(76)	0	(76)
	Profit on sale of assets	0	0	0	0

Notes to the financial statements

6	Cash and Cash Equivalents	Forecast	Forecast	Forecast	Forecast
		Annual Plan	LTCCP	Annual Plan	Variation
		Year 1	Year 2	Year 2	Year 2
	2009/10	2010/11	2010/11	2010/11	
	(\$ 000)	(\$ 000)	(\$ 000)	(\$ 000)	
	Cash on hand	4	5	4	(1)
	Bank Balances (overdrafts)	450	417	633	216
	Call Account	300	300	1,000	700
	Short term deposits maturing three months or less from date of acquisition	0	0	0	0
	Total Cash and Cash Equivalents	754	722	1,637	915

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

Refer to Note 7 on estimated weighted average effective interest rate for cash and cash equivalents

The bank overdraft is unsecured. The facility totals \$600,000. The current interest rate on the facility is 13.90% per annum.

In the table above in note 6, Cash and bank overdrafts are estimated as the same for the purposes of the Prospective Cash Flow Statement.

7	Other Financial Assets	Forecast	Forecast	Forecast	Forecast
		Annual Plan	LTCCP	Annual Plan	Variation
		Year 1	Year 2	Year 2	Year 2
	2009/10	2010/11	2010/11	2010/11	
	(\$ 000)	(\$ 000)	(\$ 000)	(\$ 000)	
	Current Portion				
	<i>Loans and receivables</i>				
	Short-term deposits with maturities of 4-12 months	6,723	6,044	7,579	1,535
	Total Current Portion	6,723	6,044	7,579	1,535
	Non-Current portion				
	<i>Loans and receivables</i>				
	PINS Security	7	7	7	0
	<i>Fair Value through Equity- Unlisted Shares</i>				
	Investment in Civic Assurance Ltd	51	51	51	0
	Investment in Smartlinx3 Ltd	175	175	265	90
	Total Non-Current Portion	233	233	323	90

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

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

PINS Investment has been written down to its current realizable value as at 30 June 2009.

There were no impairment provisions for other financial assets.

Notes to the financial statements

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

	Forecast Annual Plan Year 1 2009/10 (\$ 000)	Forecast LTCCP Year 2 2010/11 (\$ 000)	Forecast Annual Plan Year 2 2010/11 (\$ 000)	Forecast Variation Year 2 2010/11 (\$ 000)
Estimated Maturity Analysis and Effective Interest Rates				
The estimated maturity dates for all financial assets with the exception of equity investments are as follows:				
Short Term deposits (with maturities 3 months or less)	0	0	0	0
Estimated Weighted average effective interest rate	3.67%	4.17%	4.00%	-0.17%
Short term deposits (with maturities of 4-12 months or less)	6,723	6,044	7,579	1,535
Estimated Weighted average effective interest rate	3.67%	4.17%	4.00%	-0.17%
PINS Security (maturity 31/01/2014)	7	7	7	0
Estimated Weighted average effective interest rate	0%	0%	100%	100%
Call account	300	300	1,000	700
Estimated Weighted average effective interest rate	3.67%	4.17%	4.00%	-0.17%

	Forecast Annual Plan Year 1 2009/10 (\$ 000)	Forecast LTCCP Year 2 2010/11 (\$ 000)	Forecast Annual Plan Year 2 2010/11 (\$ 000)	Forecast Variation Year 2 2010/11 (\$ 000)
8 Derivative Financial Instruments				
Current asset portion	27	49	0	(49)
Non-current asset portion	58	9	0	(9)
Current liability portion	0	(44)	(44)	0
Non-current liability portion	(44)	0	(1,065)	(1,065)

The swaps mature 14 June 2011 (\$5.542M), 27 June 2011 (\$2.5M), 26 June 2011 (\$2.9M) and 27 March 2013 (\$2.895M).

Notes to the financial statements

9	Trade & Other Receivables	Forecast	Forecast	Forecast	Forecast
		Annual Plan	LTCCP	Annual Plan	Variation
		Year 1	Year 2	Year 2	Year 2
		2009/10	2010/11	2010/11	2010/11
		(\$ 000)	(\$ 000)	(\$ 000)	(\$ 000)
	Rates Receivable	727	727	727	0
	Sundry Debtors	935	960	959	(1)
	Community Loans	155	130	131	1
	GST	339	339	339	0
	Accrued Revenue	806	806	806	0
	Prepayments	212	212	212	0
		3,174	3,174	3,174	0
	Less Provision for Impairment of Receivables	(82)	(82)	(82)	0
	Total Trade and Other Receivables	3,092	3,092	3,092	0
	Less Non-current portion:				
	Community Loans	115	97	98	1
	Total Non-current portion	115	97	98	1
	Current Portion	2,977	2,995	2,994	(1)
	Fair value has been determined using cashflows discounted at a rate of 7.75%				
	The fair value of Community Loans over the 10 years is:	155	130	131	1
	The face value of Community Loans over the 10 years is:	185	144	155	11

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

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

Upper Hutt City Council does not provide for any impairment on rates receivable as it has various powers under the Local Government (Rating) Act 2002 to recover any outstanding debts.

Ratepayers can apply for payment plan options in special circumstances.

Upper Hutt City Council holds no collateral as security or other credit enhancements over receivables that are either past due or impaired.

Notes to the financial statements

Movements in the provision for impairment of receivables and community loans	Forecast	Forecast	Forecast	Forecast
	Annual Plan	LTCCP	Annual Plan	Variation
	Year 1	Year 2	Year 2	Year 2
	2009/10	2010/11	2010/11	2010/11
	(\$ 000)	(\$ 000)	(\$ 000)	(\$ 000)
Opening balance as at 1 July	82	82	82	0
Additional provisions made during the year	14	14	7	(7)
Receivables written off during the period	(14)	(14)	(7)	7
Closing balance as at 30 June	82	82	82	0

Estimated age of Rates Receivables	Forecast	Forecast	Forecast	Forecast
	Annual Plan	LTCCP	Annual Plan	Variation
	Year 1	Year 2	Year 2	Year 2
	2009/10	2010/11	2010/11	2010/11
	(\$ 000)	(\$ 000)	(\$ 000)	(\$ 000)
The age of rates receivables overdue that have not been impaired are as follows:				
Current 90 days over	625	625	625	0
1-2 years old	24	24	102	78
2-3 years old	5	5	0	(5)
2 Greater than 3 years old	73	73	0	(73)
Carrying Amount as at 30 June	727	727	727	0

10 (A) Operational Property, Plant and Equipment	Forecast	Forecast	Forecast	Forecast
	Annual Plan	LTCCP	Annual Plan	Variation
	Year 1	Year 2	Year 2	Year 2
	2009/10	2010/11	2010/11	2010/11
	(\$ 000)	(\$ 000)	(\$ 000)	(\$ 000)
Opening Cost/Valuation as at 1 July	46,612	48,896	44,493	(4,403)
Accumulated Depreciation and Impairment Charge	(5,686)	(7,406)	(1,404)	6,002
Opening Book Value as at 1 July	40,926	41,490	43,089	1,599
Current years Additions	2,984	1,299	2,425	1,126
Current years Disposals	(700)	0	0	0
Current Year Revaluation	0	0	0	0
Current Year Depreciation	(1,720)	(1,727)	(1,379)	348
WIP Transferred	0	0	0	0
Closing Book Value as at 30 June	41,490	41,062	44,135	3,073
Closing Cost/Valuation	48,896	50,195	46,918	(3,277)
Closing Accumulated Depreciation	(7,406)	(9,133)	(2,783)	6,350
Closing Book Value as at 30 June	41,490	41,062	44,135	3,073

Notes to the financial statements

10 (B) Restricted Property, Plant and Equipment	Forecast	Forecast	Forecast	Forecast
	Annual Plan	LTCCP	Annual Plan	Variation
	Year 1	Year 2	Year 2	Year 2
	2009/10	2010/11	2010/11	2010/11
	(\$ 000)	(\$ 000)	(\$ 000)	(\$ 000)
Opening Cost/Valuation as at 1 July	17,298	17,759	34,199	16,440
Accumulated Depreciation and Impairment Charge	(732)	(1,349)	(412)	937
Opening Book Value as at 1 July	16,566	16,410	33,787	17,377
Current years Additions	461	685	679	(6)
Current years Disposals	0	0	0	0
Current Year Revaluation	0	0	0	0
Current Year Depreciation	(617)	(460)	(428)	32
WIP Transferred	0	0	0	0
Closing Book Value as at 30 June	16,410	16,635	34,038	17,403
Closing Cost/ Valuation	17,759	18,444	34,878	16,434
Closing Accumulated Depreciation	(1,349)	(1,809)	(840)	969
Closing Book Value as at 30 June	16,410	16,635	34,038	17,403

11 Infrastructure Assets	Forecast	Forecast	Forecast	Forecast
	Annual Plan	LTCCP	Annual Plan	Variation
	Year 1	Year 2	Year 2	Year 2
	2009/10	2010/11	2010/11	2010/11
	(\$ 000)	(\$ 000)	(\$ 000)	(\$ 000)
Opening Cost/Valuation as at 1 July	464,293	473,978	470,243	(3,735)
Accumulated Depreciation and Impairment Charge	(10,081)	(18,416)	(8,911)	9,505
Opening Book Value as at 1 July	454,212	455,562	461,332	5,770
Current years Additions	10,007	9,277	14,179	4,902
Current years Disposals	(322)	(292)	(42)	250
Current Year Revaluation	0	0	0	0
Current Year Depreciation	(8,335)	(8,364)	(9,595)	(1,231)
WIP Transferred	0	0	0	0
Closing Book Value as at 30 June	455,562	456,183	465,874	9,691
Closing Cost/ Valuation	473,978	482,963	484,380	1,417
Closing Accumulated Depreciation	(18,416)	(26,780)	(18,506)	8,274
Closing Book Value as at 30 June	455,562	456,183	465,874	9,691

Notes to the financial statements

12 Hutt Valley Wastewater Scheme

The Local Government (Wellington Region) Reorganisation Order 1989 transferred the functions of the Hutt Valley Drainage Board to the Hutt City Council. In so doing, the reorganisation provided for a joint committee to be established between the Upper Hutt and Hutt City Councils to consider the co-ordination of the two Councils in respect of matters affecting the Hutt Valley as a whole, and the disposal of wastewater in particular.

The joint Hutt Valley Wastewater Scheme has been constructed to improve the operation of the system and quality of the discharge. Upper Hutt pays an annual levy to the Hutt City Council, which manages the Wastewater system, based on an apportionment of between 26% and 31% for Upper Hutt City Council.

Upper Hutt City Council is funding the Hutt Valley Wastewater Scheme in line with the Strategic Plan Funding model.

While Upper Hutt City Council does not have any direct control over the Scheme it is entitled to a share of the proceeds from any sale of the Scheme's assets.

The Hutt Valley Wastewater Scheme was valued on the depreciated replacement value basis as at 1 July 2006.

The valuation of these assets was independently reviewed by Graham Hughson, BE (Civil), DIP Mgmt, CPEng, MIPENZ, Senior Infrastructure Management Consultant of Maunsell Ltd.

Upper Hutt City Council has an equitable interest in the total asset as recognised as part of Infrastructural assets in Note 11.

This is the assessed net book value of the Upper Hutt City Council share.

	Forecast Annual Plan	Forecast LTCCP	Forecast Annual Plan	Forecast Variation
Hutt Valley Wastewater Scheme Transactions	Year 1 2009/10	Year 2 2010/11	Year 2 2010/11	Year 2 2010/11
	(\$ 000)	(\$ 000)	(\$ 000)	(\$ 000)
Drainage Levy	2,210	2,323	2,208	(115)
Capital Contributions	629	514	510	(4)
Trade Waste Income	(125)	(129)	(125)	4

Notes to the financial statements

13	Trade and Other Payables	Forecast	Forecast	Forecast	Forecast
		Annual Plan	LTCCP	Annual Plan	Variation
		Year 1	Year 2	Year 2	Year 2
		2009/10	2010/11	2010/11	2010/11
		(\$ 000)	(\$ 000)	(\$ 000)	(\$ 000)
	Trade Creditors	3,244	3,244	3,244	0
	Rates In Advance	403	403	403	0
	Greater Wellington Regional Council Rates	222	222	222	0
	Fees in Advance	850	850	850	0
	Accrued interest Payable	49	49	49	0
	Payroll Liability	106	106	106	0
	Other Liabilities	40	40	40	0
	Deposits and Trust Accounts	1,086	1,086	1,086	0
	Total Trade and Other Payables	6,000	6,000	6,000	0

14	Employees Entitlements	Forecast	Forecast	Forecast	Forecast
		Annual Plan	LTCCP	Annual Plan	Variation
		Year 1	Year 2	Year 2	Year 2
		2009/10	2010/11	2010/11	2010/11
		(\$ 000)	(\$ 000)	(\$ 000)	(\$ 000)
	Accrued Pay	100	100	100	0
	Annual Leave	425	425	425	0
	Sick Leave	25	25	25	0
	Long Service Leave	0	0	0	0
	Total Current Portion	550	550	550	0
	Non Current Liabilities				
	Retirement and Long service Leave	175	175	175	0
	Total Non-Current Portion	175	175	175	0
	Total Employee Entitlements	725	725	725	0

Notes to the financial statements

15	Borrowings	Forecast	Forecast	Forecast	Forecast
		Annual Plan	LTCCP	Annual Plan	Variation
		Year 1	Year 2	Year 2	Year 2
		2009/10	2010/11	2010/11	2010/11
		(\$ 000)	(\$ 000)	(\$ 000)	(\$ 000)
(a)	Opening Balance	17,979	19,621	18,642	(979)
	Loans raised during the year	2,204	1,408	3,638	2,230
	Less repayments during the year	(562)	(572)	(572)	0
	Balance as at 30 June	19,621	20,457	21,708	1,251
	Less Current Borrowings Repayable in 12 months	(572)	(609)	(617)	(8)
Closing Balance for Non-current Borrowings		19,049	19,848	21,091	1,243

Fixed-rate debt

Upper Hutt City Council's secured debt of \$2.074M (2010) is issued at fixed rates of interest.

Floating-rate debt

Upper Hutt City Council's secured debt of 18.139M (2010) is issued at floating rates of interest.

Security

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

Upper Hutt City Council has issued security stock to the value of \$21.365M at 30 June 2010, under its Debenture Trust Deed. This stock has been issued to three banking institutions, as security for existing committed funds of \$19.593M and uncommitted facilities available to the value of \$0.62M.

Interest Expenses Rates	Forecast	Forecast	Forecast	Forecast
	Annual Plan	LTCCP	Annual Plan	Variation
		Year 1	Year 2	Year 2
		2009/10	2010/11	2010/11

The weighted average interest rate on loans outstanding (current and non current) at 30 June 2010 is estimated as:

7.9%	7.7%	8.0%	0.3%
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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.

Notes to the financial statements

16 Financial Instruments

The financial instruments which expose the Council to credit risk are principally bank balances, investments, accounts receivable, creditors and term loans.

The Council's main bank accounts are held with the ANZ National Bank Limited. The credit risk is reduced by ensuring that the balances in the accounts are at sufficient levels to fund day to day operations of the Council. Surplus funds are invested with trading banks and organisations with credit ratings of not less than AA-.

The level and spread of accounts receivable minimises the Council's exposure to credit risk. Council does not engage in any material transactions in foreign currencies and therefore is not exposed to any material foreign currency risk.

Council's term loans are borrowed at fixed and floating interest rates. The main interest rate risk Council is exposed to is that 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 \$13.837M.

The swaps mature 14 June 2011 (\$5.542M), 27 June 2011 (\$2.5M), 26 June 2011 (\$2.9M) and 27 March 2013 (\$2.895M).

The fair value of other financial instruments (except for Stocks and Bonds) is equivalent to the carrying amount disclosed in the Prospective Statement of Financial Position.

	Forecast Annual Plan	Forecast LTCCP	Forecast Annual Plan	Forecast Variation
	Year 1	Year 2	Year 2	Year 2
17 Accumulated Funds	2009/10	2010/11	2010/11	2010/11
	(\$ 000)	(\$ 000)	(\$ 000)	(\$ 000)
Opening Balance	241,426	241,973	241,972	(1)
Net Operating Surplus (deficit)	(1,529)	(1,156)	(938)	218
	239,897	240,817	241,034	217
Transfer to:				
Restricted reserves	(1,537)	(893)	(565)	(328)
Accounts restricted by law	0	0	0	0
Asset revaluation reserve on disposal of Property, Plant and Equipment	0	0	0	0
	(1,537)	(893)	(565)	(328)
Transfer from:				
Restricted reserves	2,890	1,088	1,898	810
Accounts restricted by law	723	484	561	77
Asset revaluation reserve on disposal of Property, Plant and Equipment	0	0	0	0
	3,613	1,572	2,459	887
Closing Balance as at 30 June	241,973	241,496	242,928	1,432

Notes to the financial statements

18 Reserves

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

Equity is represented by net assets.

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

The objective of managing these items is to achieve intergenerational equity, which is a principle promoted in the Act and applied by the Council. Intergenerational equity requires today's ratepayers to meet the costs of utilising the Council's assets and not expecting them to meet the full costs of long term assets that will benefit ratepayers in future generations are not required to meet the costs of deferred renewals and maintenance.

The Act requires the Council to make adequate and effective provision in its Long Term Council Community Plan (LTCCP) and in its Annual Plan (where) applicable to meet the expenditure need identified in those plans, and the Act sets out the factors that the Council is required to consider when determining the most appropriate sources of funding for each of its activities. The sources and levels of funding are set out in the funding and financial policies in the Council's LTCCP.

Upper Hutt City Council has the following Council reserves:

Reserves for different benefit

Special Reserves

Reserves for different areas of benefit are used where there is a discrete set of rate or levy payers as distinct from the general rate.

Any surplus or deficit relating to these separate areas of benefit is applied to the specific reserves.

Special reserves are set up where Council has defined a specific purpose.

Interest is added to these reserves where applicable and deductions made when funds have been used for the purpose they were created.

		Forecast Annual Plan	Forecast LTCCP	Forecast Annual Plan	Forecast Variation
		Year 1	Year 2	Year 2	Year 2
18	Restricted Reserves Funds	2009/10	2010/11	2010/11	2010/11
		(\$ 000)	(\$ 000)	(\$ 000)	(\$ 000)
(A)	Special Funds	2,573	2,378	1,883	(495)
(B)	Other Accounts Restricted By Law	683	199	319	120
	Total Restricted Reserves	3,256	2,577	2,202	(375)

Notes to the financial statements

(A)	Special Funds	Forecast	Forecast	Forecast	Forecast
		Annual Plan	LTCCP	Annual Plan	Variation
		Year 1	Year 2	Year 2	Year 2
		2009/10	2010/11	2010/11	2010/11
		(\$ 000)	(\$ 000)	(\$ 000)	(\$ 000)
	Opening Balance	3,926	2,573	3,216	643
	Transfer From Net Surplus	1,359	739	486	(253)
	Interest Received	178	154	79	(75)
		5,463	3,466	3,781	315
	Transfers to Net Surplus	(2,890)	(1,088)	(1,898)	(810)
	Total Special Funds Balance as at 30 June	2,573	2,378	1,883	(495)
	Special Funds Closing balances as at 30 June consists of:				
	General Reserve	1	0	0	0
	Amenities Fund	227	245	237	(8)
	Civic Amenities Fund	263	25	0	(25)
	Plant Renewal	194	83	49	(34)
	Reserve Fund Contribution	1,213	1,298	759	(539)
	Property Sales	131	63	26	(37)
	Sierra Way Subdivision	107	113	108	(5)
	Harcourt Park Maintenance Fund	0	0	8	8
	Akatarawa Rooding Levy	48	52	38	(14)
	Kaitoke Rooding Levy	137	164	156	(8)
	Mangaroa Rooding Levy	127	118	71	(47)
	Katherine Mansfield Levy	15	17	15	(2)
	Blue Mountain Levy	50	61	24	(37)
	Moonshine Hill Levy	3	23	22	(1)
	Alexander Road Levy	57	116	112	(4)
	Library Development	0	0	223	223
	Trench Resealing Levy	0	0	35	35
	Total Special Funds	2,573	2,378	1,883	(495)

Notes to the financial statements

(B)	Other Accounts Restricted by Law	Forecast	Forecast	Forecast	Forecast
		Annual Plan	LTCCP	Annual Plan	Variation
		Year 1	Year 2	Year 2	Year 2
	2009/10	2010/11	2010/11	2010/11	
	(\$ 000)	(\$ 000)	(\$ 000)	(\$ 000)	
	Opening Balance	1,406	683	880	197
	Transfer From Net Surplus	0	0	0	0
	Transfer From Accumulated Funds	0	0	0	0
		1,406	683	880	197
	Transfer to Accumulated Funds	(723)	(484)	(561)	(77)
	Transfers to Net Surplus	0	0	0	0
	Total Other Accounts Restricted by Law as at 30 June	683	199	319	120

Other Accounts Restricted By Law	Forecast	Forecast	Forecast	Forecast	
	Annual Plan	LTCCP	Annual Plan	Variation	
	Year 1	Year 2	Year 2	Year 2	
Consists of:	2009/10	2010/11	2010/11	2010/11	
	(\$ 000)	(\$ 000)	(\$ 000)	(\$ 000)	
	Dog Control Account	43	26	27	1
	Water Rate Account	344	173	200	27
	Stormwater Rate Account	0	0	92	92
	Wastewater Rate Account	296	0	0	0
	Total Other Accounts Restricted By Law	683	199	319	120

19	Asset Revaluation Reserves	Forecast	Forecast	Forecast	Forecast
		Annual Plan	LTCCP	Annual Plan	Variation
		Year 1	Year 2	Year 2	Year 2
	2009/10	2010/11	2010/11	2010/11	
	(\$ 000)	(\$ 000)	(\$ 000)	(\$ 000)	
	Opening Balance	252,730	252,730	282,006	29,276
	Change in Asset Revaluation	0	0	0	0
	Less Revaluation Attributed to Assets Sold	0	0	0	0
	Closing Balance as at 30 June	252,730	252,730	282,006	29,276
	Consists of :-				
	General Asset Revaluation Reserve	21,922	21,922	25,489	3,567
	Land Asset Revaluation Reserve	3,355	3,355	23,362	20,007
	Roading Asset Revaluation Reserve	73,288	73,288	73,163	(125)
	Stormwater Asset Revaluation Reserve	54,651	54,651	54,651	0
	Hutt Valley Wastewater Scheme	17,269	17,269	23,132	5,863
	Wastewater Asset Revaluation Reserve	47,820	47,820	47,820	0
	Water Asset Revaluation Reserve	34,425	34,425	34,389	(36)
	Total Asset Revaluation Reserves	252,730	252,730	282,006	29,276

Notes to the financial statements

	Forecast Annual Plan Year 1 2009/10 (\$ 000)	Forecast LTCCP Year 2 2010/11 (\$ 000)	Forecast Annual Plan Year 2 2010/11 (\$ 000)	Forecast Variation Year 2 2010/11 (\$ 000)
20 Contingencies				
Contingent Liabilities				
(A) Guarantees	0	0	0	0
(B) Other Legal Proceedings	119	119	91	(28)
Total Contingent Liabilities	119	119	91	(28)

(A) Guarantees

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

Currently Upper Hutt City Council has made no guarantees.

(B) Unquantified Claims

Upper Hutt City Council has 5 claims outstanding: three have proceedings issued on them.

Contingent Assets

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

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

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

As at 30 June 2009 there are 17 facilities having an approximate value of \$4.887 million. This estimate is based on Government valuation for this area.

21 Discontinued Activities

Under this LTCCP Activation ceases in the fifth year 2013/14.

22 Expressions Arts and Entertainment Centre

Expressions Arts and Entertainment Centre is managed by an independent trust however Upper Hutt City Council owns the building assets.

Notes to the financial statements

23 Net Operating Surplus (Deficit)

In accordance with Section 100 of the Local Government Act 2002, Council must ensure that each year's projected operating revenues are set at a level sufficient to meet that years projected operating expenses.

However, Council may set projected operating revenues at a different level from that required by Section 100 if it resolves that it is financially prudent to do so, having regard to:

- (a) the estimated expenses of achieving and maintaining the predicted levels of service provision set out in the Long Term Council Community Plan (LTCCP), including the estimated expenses associated with maintaining the service capacity and integrity of assets throughout their useful life; and
- (b) the projected revenue available to fund the estimated expenses associated with maintaining the service capacity and integrity of assets throughout their useful life; and
- (c) the equitable allocation of responsibility for funding the provision and maintenance of assets and facilities throughout their useful life; and
- (d) the funding and financial policies adopted under Section 102.

As covered in Council's 2009-2019 Long Term Community Plan, Revenue and Financing Policy, Council has not expressly funded depreciation as a separate fund. For that reason operating revenues do not always cover operating expenses, including depreciation. Operating revenues are set at such a level that they cover direct operating expenses (excluding depreciation), capital renewals for infrastructure, loan repayments and interest.

The fact that recent revaluations (2007, 2008 and 2009) for all Council assets have been undertaken means that current depreciation expense (consumption of the economic benefits of an asset over its useful life) does not reflect intended replacement plans and the Council would be overfunding these assets if it was to 'fund' for depreciation on this basis.

24	Inflation	Forecast	Forecast
		Annual Plan	LTCCP
		Year 1	Year 2
		2009/10	2010/11
Compounding Average General Inflation rate		0.00%	2.88%
General Inflation per Year		0.00%	2.88%

The figure shown for inflation for the LTCCP is what was used for the plan. For the 2010/2011 Annual Plan a zero base approach has been taken.

Notes to the financial statements

25	Reconciliation of Surplus Before Appropriation to Cashflow from Operating Activities	Forecast	Forecast	Forecast	Forecast
		Annual Plan Year 1 2009/10 (\$ 000)	LTCCP Year 2 2010/11 (\$ 000)	Annual Plan Year 2 2010/11 (\$ 000)	Variation Year 2 2010/11 (\$ 000)
	Surplus/(Deficit) Before Appropriations	(1,529)	(1,156)	(938)	218
	Add Non Cash Items				
	Depreciation	10,672	10,550	11,402	852
	Vested Assets	(2,301)	(2,343)	(2,333)	10
	Loss on Derivative	0	44	0	(44)
	Gain on Derivative	(27)	(76)	0	76
		8,344	8,175	9,069	894
	Add/Less Items Classified as Investing or Financing Activities				
	Loss on disposal of Fixed Assets	322	292	42	(250)
	Profit on sale of Fixed Assets	0	0	0	0
		322	292	42	(250)
	Movements in Working Capital Items				
	(Increase)/Decrease in Trade Receivables	(1,081)	0	0	0
	(Increase)/Decrease in Inventories	0	0	0	0
	Increase/(Decrease) in Employee Entitlements	75	0	0	0
	Increase/(Decrease) in Trade and Other Payables	2,100	0	0	0
		1,094	0	0	0
	Net Inflow/(Outflow) from Operating Activities	8,231	7,311	8,173	862