

Financial statements



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Accounting Policies and Assumptions

Reporting entity

Upper Hutt City Council is a territorial local authority governed by the Local Government Act 2002.

The primary objective of Upper Hutt City Council is to provide goods or services for the local community or social benefit rather than making a financial return. Accordingly, Upper Hutt City Council has designated itself and the group as public benefit entities for the purposes of New Zealand equivalents to International Financial Reporting Standards (NZIFRS).

The Prospective Financial Statements of Upper Hutt City Council are for the year ended 30 June 2012. The Prospective Financial Statements are proposed to be adopted for issue by council on 22 June 2011.

Basis of preparation

Statement of compliance

The Prospective Financial Statements of Upper Hutt City Council have been prepared in accordance with the requirements of Local Government Act 2002: Part 6, Section 98 and Part 3 of Schedule 3 of Schedule 10, which include the requirement to comply with New Zealand's generally accepted accounting practices (NZ GAAP).

These Prospective Financial Statements have been prepared in accordance with NZ GAAP. They comply with NZIFRS, and other applicable Financial Reporting Standards, as appropriate for public benefit entities.

Measurement base

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

Functional and presentation currency

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

Foreign currency transactions

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

Changes in accounting policies

None.

Accounting Policies and Assumptions

Significant accounting policies

Consolidated financial statements

The published financial statements are those of the parent. The presentation of consolidated group statements, including the council controlled organisation, Expressions Arts and Entertainment Centre, would make no material difference to council's net surplus/(deficit) or net fixed assets over the term of the plan.

Budget figures

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

The financial statements, associated notes and accounting policies have been prepared under NZIFRS standards, as applying for a Public Benefit Entity ('PBE'). This is an entity whose primary objective is to provide goods or services for community or social benefit and where equity has been provided with a view to supporting that primary objective rather than for a financial return.

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

Significant risks

It should be noted that:

1. Actual results achieved during the 2010/11 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.

Revenue

Revenue is measured at the fair value of consideration received or receivable.

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

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

Revenue from water rates 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.

Accounting Policies and Assumptions

Traffic and parking infringements

Traffic and parking infringements are recognised when tickets are issued.

Government grants

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

Provision of services

Revenue from the rendering of services is by reference to the stage of completion of the transaction at balance date, and 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 assets

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

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.

Dividends are recognised on an accrual basis net of imputation credits.

Donations – permanent collection – Expressions

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

Reserve Fund and Development Contributions

The revenue is recognised when payment is made, which occurs when the subdivision is substantially complete. The contributions 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.

Borrowing costs

The council and group has elected to defer the adoption of NZ IAS 23 Borrowing Costs (Revised 2007) in accordance with its transitional provisions that are applicable to public

Accounting Policies and Assumptions

benefit entities. Consequently, all borrowing costs are recognised as an expense in the period in which they are incurred.

Grant expenditure

Non-discretionary grants are those grants that are awarded if the grant application meets the specified criteria and are recognised as expenditure when an application that meets the specified criteria for the grant has been received. Discretionary grants are those grants where the council has no obligation to award on receipt of the grant application and are recognised as expenditure when a successful applicant has been notified of the council's decision.

Allocation of overheads to significant activities

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

Internal transactions

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

Taxation

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

Cash and cash equivalents

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

Trade and other receivables

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

A provision for impairment of receivables is established when there is objective evidence that Upper Hutt City Council will not be able to collect all amounts due according to the original terms of receivable. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the effective interest method.

Goods and Services Tax (GST)

The Prospective 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.

Accounting Policies and Assumptions

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 Prospective 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 Prospective Statement of Cash Flows.

Commitments and contingencies are disclosed exclusive of GST.

Inventories

Inventories held for distribution or consumption in the provision of services that are not supplied on a commercial basis are measured at the lower of cost adjusted when applicable, for any loss or service potential or current replacement cost.

Where inventory is acquired at no cost or for nominal consideration, the cost is the current replacement cost at the date of acquisition.

The amount of any write-down for the loss of service potential or from cost to net realisable value is recognised in the surplus or deficit in the period of the write-down.

Financial assets

Other financial assets

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

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

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

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

Financial assets at fair value through other comprehensive income

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

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

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

Accounting Policies and Assumptions

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

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

The four categories for financial assets are:

- **financial assets at fair value through surplus or deficit**

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

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

Financial assets in this category include shares and bonds.

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

- **loans and receivables**

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

After initial recognition they are measured at amortised cost using the effective interest method less impairment. Gains and losses when the asset is impaired or derecognised are recognised in the surplus or deficit. Loans and receivables are classified as "Trade and Other Receivables" in the Prospective Statement of Financial Position.

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

The difference between face value and present value of expected future cash flow, of the loan is recognised in the surplus or deficit as a grant.

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

- **held to maturity investments**

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

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

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

Accounting Policies and Assumptions

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

- **financial assets at fair value through other comprehensive income**

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

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

This category encompasses:

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

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

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

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

Impairment of financial assets

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

Loans and other receivables, and held-to-maturity investments

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

Accounting for derivative financial instruments

Upper Hutt City Council uses derivative financial instruments to manage exposure to interest rate risks arising from financial activities. In accordance with its treasury policy, Upper Hutt City Council does not hold or issue derivative financial instruments for trading purposes.

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

Accounting Policies and Assumptions

Upper Hutt City Council has a series of policies providing risk management for interest rates and the concentration of credit risk. Upper Hutt City Council is risk averse and seeks to minimise exposure from its treasury activities. Upper Hutt City Council has an established Borrowing and Investment policy specifying what transactions can be entered into. The policy does not allow any transactions that are speculative in nature to be entered into.

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. This could particularly impact on the cost of borrowing or the return from an investment.

The interest rates on Upper Hutt City Council investments are disclosed in Note 7, Notes to the Prospective Financial Statements.

The actual management policies are set out in the separate policy document, 'Borrowing and Investment Management Policy'.

Credit risk is the risk that a third party will default on its obligation to Upper Hutt City Council, causing Upper Hutt City Council to incur a loss.

The maximum amount of credit risk for each class is the carrying amount in the Prospective Statement of Financial Position.

Upper Hutt City Council has minimal credit risk in its holdings of various financial instruments. These financial instruments include bank balances, local authority stock and accounts receivable.

Upper Hutt City Council invests funds only in deposits with registered banks and local authority stock and limits the amount of credit exposure to any one institution or organisation. Accordingly, the Upper Hutt City Council does not require any collateral or security to support the financial instruments with organisations it deals with.

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable, willing parties, in an arm's length transaction.

Investment properties

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

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

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

Non-current assets 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.

Accounting Policies and Assumptions

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.

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

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 Income.

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

- computer software 3 years 33%

Impairment of non-financial assets

Non-financial assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that have a finite useful life are reviewed for impairment whenever events or changes in circumstance indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amounts exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Value in use is depreciated replacement cost for an asset where the future service potential of the asset is not primarily dependent on the assets ability to generate net cash inflows and where the entity would, if deprived of the asset, replace its remaining future or service potential.

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

If an asset's carrying amount exceeds its recoverable amount the asset is impaired and the carrying amount is written down to the recoverable amount. For revalued assets the impairment loss is recognised against the revaluation reserve for that asset. Where it results in a debit balance in the revaluation reserve for that class of asset; that balance is recognised in the surplus or deficit. For assets not carried at a revalued amount, the total impairment loss is recognised in the surplus or deficit.

The reversal of an impairment loss on a revalued asset is credited to the revaluation reserve. However, to the extent that an impairment loss for that class was previously recognised in the surplus or deficit, a reversal of the impairment loss is also recognised in the surplus or deficit.

For assets not carried at revalued amount (other than goodwill) the reversal of an impairment loss is recognised in the surplus or deficit.

Accounting Policies and Assumptions

Property, plant and equipment

Property, plant and equipment include:

Operational property, plant and equipment: These include land, buildings, improvements, library books, plant and equipment and motor vehicles.

Restricted property, plant and equipment: Restricted property, plant and equipment are parks and reserves owned by the council which provide a benefit or service to the community and cannot be disposed of because of legal restrictions.

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.

Property, plant and equipment are shown at cost or valuation, less accumulated depreciation and impairment losses.

Additions

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

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

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 surplus or deficit. When revalued assets are sold, the amounts included in asset revaluation reserves in respect of those assets are transferred to accumulated funds.

Subsequent costs

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

Revaluations

- those assets classes that are revalued are valued on a five yearly valuation cycle on the basis 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
- land, buildings, plant, furniture and equipment have been revalued as at 30 June 2009 by Ken Tonks, Registered Valuer of TSE Group Limited, except for minor structures, vehicles, computers and minor miscellaneous office equipment. Minor structures, vehicles, computers and minor miscellaneous office equipment are valued at historical cost. The revalued assets were valued depending on their nature on either a depreciated replacement cost or optimised depreciated replacement basis. Land valuation under \$120,000 was not revalued. This land is based on Quotable Value valuation as at 1 August 2007

Accounting Policies and Assumptions

- infrastructure assets are the fixed utility network systems owned by council and include roading, water, stormwater, land under roads, reservoir reserve land and wastewater piping. These assets are valued on the depreciated replacement value basis as at 30 June 2010 by the City Engineers. The valuation of these assets was independently reviewed by two valuers as at 30 June 2008. Infrastructural Assets under Stormwater, Wastewater, Telemetry and Roading was independently reviewed by Graham Hughson, Sector Director, Advisory services of Maunsell Limited. Revaluations are carried out five yearly, however infrastructure assets are valued every year as at 30 June by city engineers. It is the assumption of this annual plan that Infrastructure assets will be revalued in the 2011/2012 period and peer reviewed to meet audit requirements.
- the Hutt Valley Wastewater Scheme was valued on the depreciated replacement value basis as at 1 July 2008. The valuation of these assets was valued by Capacity and independently reviewed by AECOM Limited as at 1 July 2008. The valuer was Graham Hughson, BE (Civil), DIP Mgmt, CPEng, MIPENZ
- land under roads was valued based on fair value. Under NZIFRS Upper Hutt City Council has elected to use the fair value of land under roads as at 30 June 2004 as deemed cost. Land under roads is no longer revalued
- restricted assets are assets that cannot be disposed of because of legal and other restrictions. These assets have been revalued as at 30 June 2009 by Ken Tonks, Registered Valuer of TSE Group Limited. Revaluations will be carried out five yearly
- library collection has been revalued at depreciated replacement cost as at 30 June 2007 in accordance with the guidelines released by the New Zealand Library Association and the National Library of NZ using the readily available market prices to determine fair value. Library valuations are performed by the City Librarian and the methodology is checked by Peter Trewern of New Zealand Book Auctions. The library collection and heritage book collection was revalued as at 30 June 2007 by the City Librarian. The valuation was independently checked by Peter Trewern in 2007. Revaluations are carried out four yearly
- vested assets have been valued on the actual quantities of infrastructure components vested and the current in the ground cost of providing identical services. The vested assets have been valued by the developer's engineers and council's engineering staff
- **works of art**

Works of art are revalued every three years based on an estimate of current market value by an independent registered valuer.

Revaluations are conducted more frequently if, at any balance date, the fair value differs materially from the carrying amount. Increases in the value of works of art are transferred to the asset revaluation reserve. A decrease in value is recognised in the surplus or deficit in the period it arises where it exceeds the increase previously recognised in the asset revaluation reserve. In subsequent periods, any revaluation surplus that reverses previous revaluation deficits is recognised as a credit to expenditure in the Statement of Comprehensive Income up to its original value.

Accounting for revaluations

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

The results of revaluing are credited or debited to an asset revaluation reserve for that class of asset in other comprehensive income. Where this results in a debit balance in the asset

Accounting Policies and Assumptions

revaluation reserve, this balance is expensed in the surplus or deficit. Any subsequent increase or revaluation that offset a previous decrease in value is recognised in the surplus or deficit up to the amount previously expensed, and then credited to the revaluation reserve for that class of asset under other comprehensive income.

Depreciation

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

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

The specific rates of depreciation applied to major classes of Property, Plant and Equipment are:

Depreciation	Years	Rate
Straight-line depreciation		
Bridges	20 to 100 years	1% to 5%
Buildings	10 to 100 years	1% to 10%
Buildings fitout and services	10 to 40 years	2.5% to 10%
Computer equipment	3 to 5 years	20% to 33.3%
Furniture and office equipment	5 to 15 years	6.67% to 20%
Library books	2 to 10 years	10% to 50%
Parks and reserves services	10 to 100 years	1% to 10%
Plant and equipment	4 to 50 years	2% to 25%
Infrastructure Assets		
Roading		
Carparks	50 years	2%
Culverts	50 to 80 years	1.25% to 2%
Footpaths / accessways	35 years	2.86%
Roads (except land and formation)	7 to 20 years	5% to 14%
Road formation	80 to 150 years	0.5% to 1.25%
Road marking	2 to 10 years	10% to 50%
Road signs	10 years	10%
Roundabouts	50 years	2%
Stormwater channels	35 to 60 years	1.66% to 2.8%
Street and traffic lights	5 to 50 years	2% to 20%
Street furniture and other features	15 to 25 years	4% to 6.67%
Subways	80 years	1.25%
Sumps	60 years	1.66%

Accounting Policies and Assumptions

Depreciation	Years	Rate
Straight-line depreciation		
Water		
Civil Works	80 to 100 years	1% to 1.25%
Mechanical and electrical plant, outlets, pumps	20 to 50 years	1% to 5%
Pipe work, appurtenances and associated structures	50 to 100 years	1% to 2%
Reservoirs, intake structure	100 years	1%
Stormwater		
Civil works	80 to 100 years	1% to 1.25%
Mechanical and electrical plant, outlets, pumps	20 to 50 years	1% to 5%
Pipe work, appurtenances and associated structures	50 to 100 years	1% to 2%
Wastewater		
Civil works	80 to 100 years	1% to 1.25%
Electronic equipment	10 to 20 years	5% to 10%
Mechanical and electrical plant, outlets, pumps	15 to 50 years	1% to 7%
Pipe work, wastewater mains	50 to 100 years	1% to 2%
Telemetry		
Civil works	80 to 100 years	1% to 1.25%
Electronic equipment	10 to 20 years	5% to 10%
Mechanical and electrical plant, outlets, pumps	20 to 50 years	1% to 5%
Pipe work, appurtenances and associated structures	50 to 100 years	1% to 2%
Diminishing Value Depreciation		
Furniture and office equipment	2 to 15 years	6.67% - 50%
Plant and equipment	4 to 50 years	2% to 25%
Vehicles and plant	5 to 15 years	6.67% - 20%

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

Employee entitlements

Short term employee entitlements

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

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.

Accounting Policies and Assumptions

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. The increase in the provision due to the passage of time is recognised as an interest expense and is included in "finance costs".

Long term entitlements

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

The calculations are based on:

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

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

Leases

Finance leases

A finance lease is a lease that transfers to the lessee substantially all the risks and rewards incidental to the ownership of an asset, whether or not title is eventually transferred. At the commencement of the lease term, Upper Hutt City Council recognises finance leases as assets and liabilities in the Prospective Statement of Financial Position at the lower of the fair value of the leased items or the present value of the minimum lease payments.

The finance charge is charged to the surplus or deficit over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability.

The amount recognised as an asset is depreciated over its useful life. If there is no uncertainty as to whether Upper Hutt City Council will obtain ownership at the end of the lease term, the asset is fully depreciated over the shorter of the lease term and its useful life.

Operating leases

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

Borrowings

Borrowings are initially recognised at their fair value net of transaction costs incurred. 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 12 months after balance date or if the borrowings are expected to be settled within 12 months of balance date.

Accounting Policies and Assumptions

Equity

Equity is the community's interest in Upper Hutt City Council and is measured as the difference between total assets less total liabilities. Public equity is disaggregated and classified into the following components.

Components of equity are:

- accumulated funds
- restricted reserves
- asset revaluation reserve
- fair value through other comprehensive income 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 the council.

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

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

Property revaluation reserves

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

Fair value through other comprehensive income reserves

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

Statement of cash flows

Operating activities include cash received from all income sources of council and record the cash payments made for the supply of goods and services. Investing activities are those activities relating to the acquisition and disposal of non-current assets. Financing activities comprise the change in equity and debt capital structure of the council.

Critical accounting estimates and assumptions

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

Accounting Policies and Assumptions

Infrastructural assets

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

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

Critical judgements in applying accounting policies

Management has exercised the following critical judgements in applying accounting policies for the future:

- none

Accounting and significant forecasting assumptions

The accounting and significant forecasting assumptions on which this document is based are set out in the next section headed respectively, '**Accounting Assumptions**' and '**Significant Forecasting Assumptions**'.

Link to the Long Term Council Community Plan 2009-2019

Link to the Council's Long Term Council Community Plan (LTCCP)

Policies and assumptions relevant to the Annual Plan are included in the LTCCP, as follows:

Financial Policies and Assumptions	Liability Management Policy
	Investment Policy
	Policy on Development Contributions
	Rates Remission and Postponement Policies
	<ul style="list-style-type: none">• General Remissions Policy• Policy on Remission and Postponement
	Policy on Remission of Rates on Maori Freehold Land
	Accounting Policies
	Accounting Assumptions
Other Policies and Assumptions	Significant Forecasting Assumptions
	Policy on Public – Private Partnerships
	Policy on Significance
	Quality Assurance Statement

Prospective statement of comprehensive income

		Forecast Annual Plan Year 2 2010-11 (\$ 000)	Forecast LTCCP Year 3 2011-12 (\$ 000)	Forecast Annual Plan Year 3 2011-12 (\$ 000)	Forecast Variation Year 3 2011-12 (\$ 000)
	NOTES				
Income					
Rates	1	27,268	28,752	28,750	(2)
Fees and charges	2	8,698	9,185	9,632	447
Subsidies and grants	3	5,108	3,554	2,603	(951)
Interest and dividends	4	181	241	241	0
Total Income		41,255	41,732	41,226	(506)
Expenditure					
Personnel costs	5	7,942	7,798	8,509	711
Depreciation and amortisation expense	5	11,402	10,560	10,878	318
Finance costs	5	1,637	1,624	1,883	259
Other expenses		21,212	22,763	22,078	(685)
Total operating expenditure		42,193	42,745	43,348	603
Surplus / (Deficit) before tax		(938)	(1,013)	(2,122)	(1,109)
Income tax expense		0	0	0	0
Surplus/(deficit) before and after tax	25	(938)	(1,013)	(2,122)	(1,109)
Other comprehensive income					
Gains on infrastructure assets revaluation	11	0	0	6,326	6,326
Financial assets at fair value through equity		0	0	0	0
Gains on operational and restricted assets revaluation	10 A and B	0	170	0	(170)
Total other comprehensive Income for the year, net of tax		0	170	6,326	6,156
Total comprehensive income for the year		(938)	(843)	4,204	5,047

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

Prospective statement of financial position

	Notes	Forecast Annual Plan Year 2 2010-11 (\$ 000)	Forecast LTCCP Year 3 2011-12 (\$ 000)	Forecast Annual Plan Year 3 2011-12 (\$ 000)	Forecast Variation Year 3 2011-12 (\$ 000)
Equity					
Accumulated funds	17	242,928	241,558	242,375	817
Restricted reserves	18	2,202	1,502	2,125	623
Asset revaluation reserve	19	282,006	252,900	327,377	74,477
Total equity		527,136	495,960	571,877	75,917
Assets					
Current assets					
Cash and cash equivalents	6	1,637	633	81	(552)
Other financial assets	7	7,579	4,969	5,191	222
Derivative financial instruments	8	0	0	0	0
Trade and other receivables	9	2,994	3,003	2,986	(17)
Inventories		0	0	0	0
Total current assets		12,210	8,605	8,258	(347)
Non-current assets					
Non-current financial assets	7	323	233	233	0
Derivative financial instruments	8	0	9	0	(9)
Trade and other receivables	9	98	89	106	17
Operational property, plant and equipment	10 (A)	44,135	39,960	44,993	5,033
Restricted property, plant and equipment	10 (B)	34,038	17,474	32,183	14,709
Infrastructural assets	11	465,874	457,681	517,498	59,817
Total non-current assets		544,468	515,446	595,013	79,567
Total assets		556,678	524,051	603,271	79,220
Liabilities					
Current liabilities					
Trade and other payables	13	6,000	6,000	6,000	0
Derivative financial instruments	8	44	0	0	0
Employee entitlements	14	550	550	550	0
Borrowings - current	15	617	617	641	24
Total current liabilities		7,211	7,167	7,191	24
Non current liabilities					
Derivatives financial instruments	8	1,065	0	0	0
Employee entitlements	14	175	175	175	0
Borrowings - term portion	15	21,091	20,749	24,028	3,279
Total non current liabilities		22,331	20,924	24,203	3,279
Total liabilities		29,542	28,091	31,394	3,303
NET ASSETS		527,136	495,960	571,877	75,917

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

Prospective statement on changes of equity

	Forecast Annual Plan Year 2 2010-11 (\$ 000)	Forecast LTCCP Year 3 2011-12 (\$ 000)	Forecast Annual Plan Year 3 2011-12 (\$ 000)	Forecast Variation Year 3 2011-12 (\$ 000)
Equity at the start of the year	528,074	496,803	567,673	70,870
Net surplus(deficit) for the year	(938)	(1,013)	(2,122)	(1,109)
Increase (decrease) in asset revaluation reserves	0	170	6,326	6,156
Total recognised revenues and expenses for the period	(938)	(843)	4,204	5,047
Total transfer to trust accounts	0	0	0	0
Prospective equity at end of year	527,136	495,960	571,877	75,917
Accumulated funds	242,928	241,558	242,375	817
Revaluation reserves	282,006	252,900	327,377	74,477
Restricted reserves	2,202	1,502	2,125	623
Prospective statement of financial position equity	527,136	495,960	571,877	75,917

Additions may be incorrect due to rounding

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

Prospective cash flow statement

	Notes	Forecast Annual Plan Year 2 2010-11 (\$ 000)	Forecast LTCCP Year 3 2011-12 (\$ 000)	Forecast Annual Plan Year 3 2011-12 (\$ 000)	Forecast Variation Year 3 2011-12 (\$ 000)
Cash flow from operating activities					
Cash was provided from:					
Rates and other receipts		38,741	39,110	38,740	(370)
Interest received	4	181	241	241	0
		<u>38,922</u>	<u>39,351</u>	<u>38,981</u>	<u>(370)</u>
Cash was applied to:					
Payments to suppliers and employees		(29,112)	(29,910)	(30,565)	(655)
Interest paid	5	(1,637)	(1,624)	(1,883)	(259)
Goods and services tax (net)		0	0	0	0
		<u>(30,749)</u>	<u>(31,534)</u>	<u>(32,448)</u>	<u>(914)</u>
Net cash inflow (outflow) from operating activities		8,173	7,817	6,533	(1,284)
Cash flow from investing activities					
Cash was provided from:					
Proceeds from sale of fixed assets		0	39	86	47
Decrease in investments		1,724	1,043	360	(683)
		<u>1,724</u>	<u>1,082</u>	<u>446</u>	<u>(636)</u>
Cash was applied to:					
Increase in investments		0	0	0	0
Purchase of fixed assets		(14,950)	(9,897)	(8,260)	1,637
		<u>(14,950)</u>	<u>(9,897)</u>	<u>(8,260)</u>	<u>1,637</u>
Net cash inflow (outflow) from investing activities		(13,226)	(8,815)	(7,814)	1,001
Cash flow from financing activities					
Cash was provided from:					
Loan raised	15	3,638	1,518	3,940	2,422
Cash was applied to:					
Loan repayments	15	(572)	(609)	(620)	(11)
Net cash inflow (outflow) from financing activities		3,066	909	3,320	2,411
Cash, cash equivalents and bank overdrafts as at 01 July		3,624	722	(1,958)	(2,680)
Net increase (decrease) in cash equivalents and bank overdrafts		(1,987)	(89)	2,039	2,128
Cash, cash equivalents and bank overdrafts as at 30 June		1,637	633	81	(552)

Notes to the financial statements

1 – Rates	Forecast	Forecast	Forecast	Forecast
	Annual Plan	LTCCP	Annual Plan	Variation
	Year 2	Year 3	Year 3	Year 3
	2010-11	2011-12	2011-12	2011-12
	(\$ 000)	(\$ 000)	(\$ 000)	(\$ 000)
General rates	15,622	16,836	16,254	(582)
Targeted rates water fire protection	999	1,096	1,076	(20)
Targeted rates water supply	2,884	3,241	3,282	41
Targeted rates stormwater	2,132	1,933	2,187	254
Targeted rates wastewater	5,401	5,443	5,717	274
Targeted rate Karapoti Bridge	2	2	2	0
Rates penalties	228	201	232	31
Total rates income	27,268	28,752	28,750	(2)

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 also covers general rates under selected criteria for the Upper Hutt City Council's Economic Development Policy.

Rates remissions	Forecast	Forecast	Forecast	Forecast
	Annual Plan	LTCCP	Annual Plan	Variation
	Year 2	Year 3	Year 3	Year 3
	2010-11	2011-12	2011-12	2011-12
	(\$ 000)	(\$ 000)	(\$ 000)	(\$ 000)
Total gross rates revenue	27,488	28,866	28,859	(7)
Less rates remission				
Land used for sport	91	93	94	1
Rate penalties remission	25	21	15	(6)
Remission economic development policy	104	0	0	0
Rates revenue net of remissions	27,268	28,752	28,750	(2)

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 2	Year 3	Year 3	Year 3
	2010-11	2011-12	2011-12	2011-12
	(\$ 000)	(\$ 000)	(\$ 000)	(\$ 000)
Metered water charges	1,091	1,118	999	(119)
Property rentals	123	282	147	(135)
Permit and Licence Fees	1,714	1,768	1,731	(37)
H ² O Xstream and Expression Charges	1,348	1,259	1,273	14
Library, Parks, Cemetery and Community Charges	494	473	531	58
Vested assets	2,333	2,332	2,245	(87)
Reserve and Rooding Development Fund Charges	371	685	457	(228)
Solidwaste charges	657	693	636	(57)
Other charges	567	575	1,613	1,038
Total Fees and charges income	8,698	9,185	9,632	447

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 2	Year 3	Year 3	Year 3
	2010-11	2011-12	2011-12	2011-12
	(\$ 000)	(\$ 000)	(\$ 000)	(\$ 000)
Rooding subsidies - NZ Transport Agency (NZTA ¹)	4,237	2,834	1,865	(969)
Petrol tax (Crown)	155	164	155	(9)
Public transport subsidies (GWRC ²)	0	34	0	(34)
Rural fire subsidies (GWRC ² and NRFA ³)	8	8	0	(8)
Subsidies for Activation	177	69	122	53
Other grants and subsidies	531	445	461	16
Total Subsidies and Grants Income	5,108	3,554	2,603	(951)

¹NZTA - NZ Transport Agency

²GWRC - Greater Wellington Regional Council

³NFRA - National Rural Fire Authority

Notes to the financial statements

4 - Interest and dividends	Forecast	Forecast	Forecast	Forecast
	Annual Plan	LTCCP	Annual Plan	Variation
	Year 2	Year 3	Year 3	Year 3
	2010-11	2011-12	2011-12	2011-12
	(\$ 000)	(\$ 000)	(\$ 000)	(\$ 000)
Interest on general funds	102	102	136	34
Interest on special funds	79	139	104	(35)
Dividends	0	0	1	1
Total Interest and Dividend Income	181	241	241	0

5 - Other expenditure and items for disclosure	Forecast	Forecast	Forecast	Forecast
	Annual Plan	LTCCP	Annual Plan	Variation
	Year 2	Year 3	Year 3	Year 3
	2010-11	2011-12	2011-12	2011-12
	(\$ 000)	(\$ 000)	(\$ 000)	(\$ 000)
Employees costs - salaries and wages	7,942	7,798	8,509	711
Increase/decrease in employee benefit liabilities	0	0	0	0
Local government association	32	32	33	1
Employees association	4	4	4	0
Insurance	261	216	400	184
Disaster fund insurance	54	58	243	185
Entertainment	21	16	16	0
Civic functions	18	19	18	(1)
Audit fees	133	136	122	(14)
Audit Fees - LTCCP	0	74	80	6
Interest Expenses	1,637	1,624	1,883	259
Rental	269	318	262	(56)
Depreciation:				
Individual components are:				
Buildings (operational)	744	1,005	731	(274)
Buildings (restricted)	96	71	79	8
Furniture and equipment (operational)	33	55	17	(38)
Vehicle, computer equipment and plant	335	614	267	(347)
Library books	302	293	220	(73)
Property available for sale	3	0	0	0
Parks and reserves services	295	46	276	230
Land transport	4,255	3,668	4,125	457
Stormwater	1,266	1,115	1,238	123
Wastewater	1,463	1,298	1,413	115
Water supply	1,267	1,102	1,206	104
Hutt Valley wastewater project	1,344	1,293	1,306	13

Notes to the financial statements

	Forecast Annual Plan Year 2 2010-11 (\$ 000)	Forecast LTCCP Year 3 2011-12 (\$ 000)	Forecast Annual Plan Year 3 2011-12 (\$ 000)	Forecast Variation Year 3 2011-12 (\$ 000)
Impairment of receivable	7	14	2	(12)
Impairment of property, plant and equipment	0	0	0	0
Loss on sale of assets	42	607	22	(585)
Rates remissions - sports clubs and other non profit bodies as per the Upper Hutt City Council	91	93	94	1
Penalty remissions	25	21	15	(6)
Derivative expenses	0	44	0	(44)
Other items for disclosure				
Derivative income	0	(49)	0	49
Profit on sale of assets	0	0	0	0
6 - Cash and cash equivalents				
	Forecast Annual Plan Year 2 2010-11 (\$ 000)	Forecast LTCCP Year 3 2011-12 (\$ 000)	Forecast Annual Plan Year 3 2011-12 (\$ 000)	Forecast Variation Year 3 2011-12 (\$ 000)
Cash on hand	4	3	4	1
Bank Balances (overdrafts)	633	330	7	(323)
Call account	1,000	300	70	(230)
Short term deposits maturing three months or less from data of acquisition	0	0	0	0
Total Cash and Cash Equivalents	1,637	633	81	(552)

The estimated carry value of short term deposits with maturity dates of three months of 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 (2011), \$600,000 (2010). The current interest rate on the facility is 11.40% 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.

Notes to the financial statements

7 - Other financial assets	Forecast Annual Plan Year 2 2010-11 (\$ 000)	Forecast LTCCP Year 3 2011-12 (\$ 000)	Forecast Annual Plan Year 3 2011-12 (\$ 000)	Forecast Variation Year 3 2011-12 (\$ 000)
Current Portion				
<i>Loans and receivables</i>				
Short-term deposits with maturities of 4-12 months	7,579	4,969	5,191	222
Total Current Portion	7,579	4,969	5,191	222
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 Smartlinx ³ Ltd	265	175	175	0
Total Non-Current Portion	323	233	233	0

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 2010.

There were no impairment provisions for other financial assets.

Notes to the financial statements

Estimated maturity analysis and effective interest rates	Forecast Annual Plan Year 2 2010-11 (\$ 000)	Forecast LTCCP Year 3 2011-12 (\$ 000)	Forecast Annual Plan Year 3 2011-12 (\$ 000)	Forecast Variation Year 3 2011-12 (\$ 000)
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	4.00%	4.83%	4.83%	0.00%
Short term deposits (with maturities of 4-12 months or less)	7,579	4,969	5,191	222
Estimated Weighted average effective interest rate	4.00%	4.83%	4.83%	0.00%
PINS Security (maturity 31/01/2014)	7	7	7	0
Estimated Weighted average effective interest rate	100%	0%	100%	100%
Call account	1,000	300	100	(200)
Estimated Weighted average effective interest rate	4.00%	6.50%	6.50%	0%

8 - Derivative financial instruments	Forecast Annual Plan Year 2 2010-11 (\$ 000)	Forecast LTCCP Year 3 2011-12 (\$ 000)	Forecast Annual Plan Year 3 2011-12 (\$ 000)	Forecast Variation Year 3 2011-12 (\$ 000)
Current asset portion	0	0	0	0
Non-current asset portion	0	9	0	(9)
Current liability portion	(44)	0	0	0
Non-current liability portion	(1,065)	0	0	0

The swap matures on 27 March 2013 (\$2.895M).

Notes to the financial statements

9 - Trade and other receivables	Forecast Annual Plan Year 2 2010-11 (\$ 000)	Forecast LTCCP Year 3 2011-12 (\$ 000)	Forecast Annual Plan Year 3 2011-12 (\$ 000)	Forecast Variation Year 3 2011-12 (\$ 000)
Rates receivable	727	727	727	0
Sundry debtors	959	977	951	(26)
Community loans	131	113	139	26
GST	339	339	339	0
Accrued revenue	806	806	806	0
Prepayments	212	212	212	0
	<u>3,174</u>	<u>3,174</u>	<u>3,174</u>	<u>0</u>
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	98	89	106	17
Total non-current portion	98	89	106	17
Current portion	2,994	3,003	2,986	(17)
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:	131	113	139	26
The face value of community loans over the 10 years is:	155	116	160	44

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 Annual Plan Year 2 2010-11 (\$ 000)	Forecast LTCCP Year 3 2011-12 (\$ 000)	Forecast Annual Plan Year 3 2011-12 (\$ 000)	Forecast Variation Year 3 2011-12 (\$ 000)
Opening balance as at 1 July	82	82	82	0
Additional provisions made during the year	7	14	2	(12)
Receivables written off during the period	(7)	(14)	(2)	12
Closing balance as at 30 June	82	82	82	0

Estimated age of rates receivables The age of rates receivables overdue that have not been impaired are as follows:	Forecast Annual Plan Year 2 2010-11 (\$ 000)	Forecast LTCCP Year 3 2011-12 (\$ 000)	Forecast Annual Plan Year 3 2011-12 (\$ 000)	Forecast Variation Year 3 2011-12 (\$ 000)
Current 90 days over	625	625	622	(3)
1-2 years old	102	24	100	76
2-3 years old	0	5	5	0
2 Greater than 3 years old	0	73	0	(73)
Carrying amount as at 30 June	727	727	727	0

10 (a) - Operational property, plant and equipment	Forecast Annual Plan Year 2 2010-11 (\$ 000)	Forecast LTCCP Year 3 2011-12 (\$ 000)	Forecast Annual Plan Year 3 2011-12 (\$ 000)	Forecast Variation Year 3 2011-12 (\$ 000)
Opening cost/ valuation as at 1 July	44,493	50,195	50,637	442
Accumulated depreciation and impairment charge	(1,404)	(9,133)	(5,120)	4,013
Opening book value as at 1 July	43,089	41,062	45,517	4,455
Current years additions	2,425	509	877	368
Current years disposals	0	0	0	0
Current year revaluation	0	170	0	(170)
Current year depreciation	(1,379)	(1,781)	(1,401)	380
WIP transferred	0	0	0	0
Closing book value as at 30 June	44,135	39,960	44,993	5,033
Closing cost/ valuation	46,918	50,704	51,514	810
Closing accumulated depreciation	(2,783)	(10,744)	(6,521)	4,223
Closing book value as at	44,135	39,960	44,993	5,033

Notes to the financial statements

10 (b) - Restricted property, plant and equipment	Forecast Annual Plan Year 2 2010-11 (\$ 000)	Forecast LTCCP Year 3 2011-12 (\$ 000)	Forecast Annual Plan Year 3 2011-12 (\$ 000)	Forecast Variation Year 3 2011-12 (\$ 000)
Opening cost/ valuation as at 1 July	34,199	18,444	32,378	13,934
Accumulated depreciation and Impairment charge	(412)	(1,809)	(416)	1,393
Opening book value as at 1 July	33,787	16,635	31,962	15,327
Current years additions	679	1,142	414	(728)
Current years disposals	0	0	0	0
Current year revaluation	0	0	0	0
Current year depreciation	(428)	(303)	(193)	110
WIP transferred	0	0	0	0
Closing book value as at 30 June	34,038	17,474	32,183	14,709
Closing cost/ valuation	34,878	19,586	32,791	13,205
Closing accumulated depreciation	(840)	(2,112)	(608)	1,504
Closing book value as at 30 June	34,038	17,474	32,183	14,709

11 - Infrastructure assets	Forecast Annual Plan Year 2 2010-11 (\$ 000)	Forecast LTCCP Year 3 2011-12 (\$ 000)	Forecast Annual Plan Year 3 2011-12 (\$ 000)	Forecast Variation Year 3 2011-12 (\$ 000)
Opening cost/ valuation as at 1 July	470,243	482,963	540,176	57,213
Accumulated Depreciation and Impairment Charge	(8,911)	(26,780)	(28,845)	(2,065)
Opening book value as at 1 July	461,332	456,183	511,331	55,148
Current years additions	14,179	10,581	9,215	(1,366)
Current years disposals	(42)	(607)	(86)	521
Current year revaluation	0	0	6,326	6,326
Current year depreciation	(9,595)	(8,476)	(9,288)	(812)
WIP transferred	0	0	0	0
Closing book value as at 30 June	465,874	457,681	517,498	59,817
Closing cost/ valuation	484,380	492,937	555,631	62,694
Closing accumulated depreciation	(18,506)	(35,256)	(38,133)	(2,877)
Closing book value as at 30 June	465,874	457,681	517,498	59,817

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 coordination 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 of \$37.081M (2011), \$37.081M (2010) which is recognised as part of Infrastructural assets.

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

Hutt Valley wastewater scheme transactions	Forecast	Forecast	Forecast	Forecast
	Annual Plan	LTCCP	Annual Plan	Variation
	Year 2	Year 3	Year 3	Year 3
	2010-11	2011-12	2011-12	2011-12
	(\$ 000)	(\$ 000)	(\$ 000)	(\$ 000)
Drainage levy	2,208	2,292	2,480	188
Capital contributions	510	527	599	72
Trade waste income	(125)	(132)	(126)	6

Notes to the financial statements

13 - Trade and other payables	Forecast Annual Plan Year 2 2010-11 (\$ 000)	Forecast LTCCP Year 3 2011-12 (\$ 000)	Forecast Annual Plan Year 3 2011-12 (\$ 000)	Forecast Variation Year 3 2011-12 (\$ 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 Annual Plan Year 2 2010-11 (\$ 000)	Forecast LTCCP Year 3 2011-12 (\$ 000)	Forecast Annual Plan Year 3 2011-12 (\$ 000)	Forecast Variation Year 3 2011-12 (\$ 000)
Accrued pay	100	100	100	0
Annual leave	425	425	425	0
Sick leave	25	25	25	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 – Public debt	Forecast	Forecast	Forecast	Forecast
	Annual Plan	LTCCP	Annual Plan	Variation
	Year 2	Year 3	Year 3	Year 3
	2010-11	2011-12	2011-12	2011-12
	(\$ 000)	(\$ 000)	(\$ 000)	(\$ 000)
Opening balance	18,642	20,457	21,349	892
Loans raised during the year	3,638	1,518	3,940	2,422
Less repayments during the year	(572)	(609)	(620)	(11)
Balance as at 30 June	21,708	21,366	24,669	3,303
Less current borrowings repayable in 12 months	(617)	(617)	(641)	(24)
Closing balance for non-current borrowings	21,091	20,749	24,028	3,279

Fixed-rate debt

Upper Hutt City Council's secured debt of \$7.584M (2011), \$5.18M (2010) is issued at fixed rates of interest.

Floating-rate debt

Upper Hutt City Council's secured debt of \$12.927M (2011), \$13.437M (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 \$24.258M as at 30 June 2011, \$20.869M (2010), under its Debenture Trust Deed. This stock has been issued to three banking institutions, as security for existing committed funds of \$23.638M (2011), \$20.294M (2010) and uncommitted facilities available to the value of \$0.62M (2011), \$0.62M (2010)

Interest expenses rates	Forecast	Forecast	Forecast	Forecast
	Annual Plan	LTCCP	Annual Plan	Variation
	Year 2	Year 3	Year 3	Year 3
	2010-11	2011-12	2011-12	2011-12
	(\$ 000)	(\$ 000)	(\$ 000)	(\$ 000)
The weighted average interest rate on loans outstanding (current and noncurrent) at 30 June 2011 is estimated as:	8.0%	7.6%	8.0%	0.4%

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 \$2.895M.

The swap matures on 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.

17 - Accumulated funds	Forecast	Forecast	Forecast	Forecast
	Annual Plan	LTCCP	Annual Plan	Variation
	Year 2	Year 3	Year 3	Year 3
	2010-11	2011-12	2011-12	2011-12
	(\$ 000)	(\$ 000)	(\$ 000)	(\$ 000)
Opening balance	241,972	241,496	242,929	1,433
Net operating surplus (deficit)	(938)	(1,013)	(2,122)	(1,109)
	241,034	240,483	240,807	324
Transfer to:				
Restricted reserves	(565)	(930)	(695)	235
Accounts restricted by law	0	0	0	0
Asset revaluation reserve on disposal of property, plant and equipment	0	0	0	0
	(565)	(930)	(695)	235
Transfer from:				
Restricted reserves	1,898	1,819	2,071	252
Accounts restricted by law	561	186	192	6
Asset revaluation reserve on disposal of property, plant and equipment	0	0	0	0
	2,459	2,005	2,263	258
Closing balance as at 30 June	242,928	241,558	242,375	817

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.

18 - Restricted reserves funds	Forecast Annual Plan Year 2 2010-11 (\$ 000)	Forecast LTCCP Year 3 2011-12 (\$ 000)	Forecast Annual Plan Year 3 2011-12 (\$ 000)	Forecast Variation Year 3 2011-12 (\$ 000)
(a) Special funds	1,883	1,489	1,019	(470)
(b) Other accounts restricted by law	319	13	1,106	1,093
Total restricted reserves	2,202	1,502	2,125	623

Notes to the financial statements

18(a) Special funds	Forecast Annual Plan Year 2 2010-11 (\$ 000)	Forecast LTCCP Year 3 2011-12 (\$ 000)	Forecast Annual Plan Year 3 2011-12 (\$ 000)	Forecast Variation Year 3 2011-12 (\$ 000)
Opening balance	3,216	2,378	2,395	17
Transfer from net surplus	486	791	591	(200)
Interest received	79	139	104	(35)
	3,781	3,308	3,090	(218)
Transfers to net surplus	(1,898)	(1,819)	(2,071)	(252)
Total special funds balance as at 30 June	1,883	1,489	1,019	(470)
Special funds closing balances as at 30 June consists of:				
General reserve	0	0	0	0
Amenities fund	237	267	286	19
Civic amenities fund	0	27	9	(18)
Plant renewal	49	84	55	(29)
Reserve fund contribution	759	571	230	(341)
Property sales	26	71	12	(59)
Sierra Way subdivision	108	122	115	(7)
Harcourt Park maintenance fund	8	0	0	0
Akatarawa roading levy	38	66	62	(4)
Kaitoke roading levy	156	55	56	1
Mangaroa roading levy	71	95	107	12
Katherine Mansfield levy	15	18	6	(12)
Blue Mountain levy	24	64	23	(41)
Moonshine Hill levy	22	4	4	0
Alexander Road levy	112	45	54	9
Library development	223	0	0	0
Trench resealing levy	35	0	0	0
Total special funds	1,883	1,489	1,019	(470)

Notes to the financial statements

18(b) Other accounts restricted by law	Forecast Annual Plan Year 2 2010-11 (\$ 000)	Forecast LTCCP Year 3 2011-12 (\$ 000)	Forecast Annual Plan Year 3 2011-12 (\$ 000)	Forecast Variation Year 3 2011-12 (\$ 000)
Opening balance	880	199	1,298	1,099
Transfer from net surplus	0	0	0	0
Transfer from accumulated funds	0	0	0	0
	880	199	1,298	1,099
Transfer to accumulated funds	(561)	(186)	(192)	(6)
Transfers to net surplus	0	0	0	0
Total other accounts restricted by law as at 30 June	319	13	1,106	1,093

Other accounts restricted by law consists of:	Forecast Annual Plan Year 2 2010-11 (\$ 000)	Forecast LTCCP Year 3 2011-12 (\$ 000)	Forecast Annual Plan Year 3 2011-12 (\$ 000)	Forecast Variation Year 3 2011-12 (\$ 000)
Dog control account	27	13	35	22
Water rate account	200	0	237	237
Stormwater rate account	92	0	269	269
Wastewater rate account	0	0	565	565
Total other accounts restricted by law	319	13	1,106	1,093

Notes to the financial statements

19 - Asset revaluation reserves	Forecast Annual Plan Year 2 2010-11 (\$ 000)	Forecast LTCCP Year 3 2011-12 (\$ 000)	Forecast Annual Plan Year 3 2011-12 (\$ 000)	Forecast Variation Year 3 2011-12 (\$ 000)
Opening balance	282,006	252,730	321,051	68,321
Change in asset revaluation	0	170	6,326	6,156
Less revaluation attributed to assets sold	0	0	0	0
Closing balance as at 30 June	282,006	252,900	327,377	74,477
Consists of :-				
General asset revaluation reserve	25,489	22,092	23,982	1,890
Land asset revaluation reserve	23,362	3,355	23,362	20,007
Roading asset revaluation reserve	73,163	73,288	101,829	28,541
Stormwater asset revaluation reserve	54,651	54,651	63,136	8,485
Hutt valley wastewater scheme	23,132	17,269	18,984	1,715
Wastewater asset revaluation reserve	47,820	47,820	54,806	6,986
Water asset revaluation reserve	34,389	34,425	41,278	6,853
Total asset revaluation reserves	282,006	252,900	327,377	74,477

20 - Contingencies	Forecast Annual Plan Year 2 2010-11 (\$ 000)	Forecast LTCCP Year 3 2011-12 (\$ 000)	Forecast Annual Plan Year 3 2011-12 (\$ 000)	Forecast Variation Year 3 2011-12 (\$ 000)
Contingent liabilities				
(a) Guarantees	0	0	0	0
(b) Other legal proceedings	91	119	871	752
Total contingent liabilities	91	119	871	752

(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 6 claims (2011), 5 claims (2010) outstanding: 5(2011), 3(2010) 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).

Notes to the financial statements

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 2011 there are 35 facilities, (17 in 2010) having an approximate value of \$7.35M (\$4.887M 2010). 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.

23 - Net operating surplus (deficit)

The fact that recent revaluations (2007, 2008, 2009 and 2010) 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 2	Year 2
	2011-12	2011-12
Compounding average general inflation rate	0.00%	5.53%
General inflation per year	0.00%	2.65%

The average percentages as shown above have been applied to most items within the published accounts for the years shown. Refer also to the note on Inflation, Accounting Assumptions, Book 2 Policies, in the LTCCP 2019.

Notes to the financial statements

25 - Reconciliation of surplus before appropriation to cashflow from operating activities	Forecast Annual Plan Year 2 2010-11 (\$ 000)	Forecast LTCCP Year 3 2011-12 (\$ 000)	Forecast Annual Plan Year 3 2011-12 (\$ 000)	Forecast Variation Year 3 2011-12 (\$ 000)
Surplus/ (deficit) before appropriations	(938)	(1,013)	(2,122)	(1,109)
Add non cash items				
Depreciation	11,402	10,560	10,878	318
Vested assets	(2,333)	(2,332)	(2,245)	87
Increase/(Decrease) in bad debts	0	0	0	0
Loss on derivative	0	44	0	(44)
Gain on derivative	0	(49)	0	49
Amortisation of premium	0	0	0	0
	9,069	8,223	8,633	410
Add/less Items classified as investing or financing activities				
Loss on disposal of fixed assets	42	607	22	(585)
Profit on sale of fixed assets	0	0	0	0
	42	607	22	(585)
Movements in working capital items				
(Increase)/decrease in trade receivables	0	0	0	0
(Increase)/decrease in inventories	0	0	0	0
Increase /(decrease) in employee entitlements	0	0	0	0
Increase/(decrease) in trade and other payables	0	0	0	0
	0	0	0	0
Net inflow/(outflow) from operating activities	8,173	7,817	6,533	(1,284)

Schedule of special funds

	LTCCP 2011-2012 YEAR				Annual Plan 2011-2012 YEAR				Variation Balance 30/06/12 (\$ 000)	
	Forecast Balance 1/7/2011 (\$ 000)	Forecast Transfers In (\$ 000)	Forecast Interest Income (\$ 000)	Forecast Transfer Out (\$ 000)	Forecast Balance 1/7/2011 (\$ 000)	Forecast Transfers In (\$ 000)	Forecast Interest Income (\$ 000)	Forecast Transfer Out (\$ 000)		Forecast Balance 30/06/12 (\$ 000)
General reserve	0	0	0	0	0	0	0	0	0	0
Amenities fund	245	4	18	0	267	12	16	0	286	19
Civic amenities fund	25	0	2	0	27	0	8	(247)	9	(18)
Plant renewal	83	102	6	(107)	84	117	3	(105)	55	(29)
Reserve fund contribution	1,298	524	65	(1,316)	571	300	44	(1,394)	230	(341)
Property sales	63	0	8	0	71	0	4	0	12	(59)
Sierra Way subdivision	113	0	9	0	122	0	7	0	115	(7)
Harcourt Park maintenance fund	0	3	0	(3)	0	4	0	(4)	0	0
Akatarawa roading levy	52	10	4	0	66	10	3	0	62	(4)
Kaitoke roading levy	164	17	7	(133)	55	17	6	(132)	56	1
Mangaroo roading levy	118	19	8	(50)	95	19	7	(50)	107	12
Katherine Mansfield levy	17	0	1	0	18	0	0	0	6	(12)
Blue Mountain levy	61	48	5	(50)	64	48	2	(50)	23	(41)
Moonshine hill levy	23	10	1	(30)	4	10	1	(31)	4	0
Alexander Road levy	116	54	5	(130)	45	54	3	(58)	54	9
Total special funds	2,378	791	139	(1,819)	1,489	591	104	(2,071)	1,019	(470)

Performance ratios

		Annual Plan Forecast Year 2 2010-11	LTCCP Forecast Year 3 2011-12	Annual Plan Forecast Year 3 2011-12
<u>Liquidity ratios:</u>				
These ratios measures the council's ability to meet its maturing short term obligations				
-Current ratio	Times	1.7 :1	1.2 :1	1.1 :1
This ratio measures the council ability to pay off short term obligations.				
<u>Leverage ratios:</u>				
This ratio measures the extent to which the council has been financed by debt.				
-Debt ratio	%	5.3%	5.4%	5.2%
This ratio, of total debt to total assets, measures the percentage of total funds provided by liabilities				
<u>Activity ratios:</u>				
This ratio measures how effectively the council is using its resources.				
-Average collection period	Days	27	26	27
This represents the average length of time the council must wait after making a charge before receiving payment.				
<u>Borrowing and investment policy ratios:</u>				
-Total interest expense will not exceed 10 percent of annual rates	%	6.0%	5.6%	6.5%
-Ratio of public debt to annual rates and levies will not exceed 150 percent	Times	52.6%	51.2%	59.8%
-Public debt per assessable ratepayer properties will not exceed \$2,500	\$	\$1,350	\$1,322	\$1,527
-Public debt per capita will not exceed \$1,000.	\$	\$529	\$521	\$602

Funding impact statement

		Forecast Annual Plan Year 2 2010-2011 (\$ 000)	Forecast LTCCP Year 3 2011-2012 (\$ 000)	Forecast Annual Plan Year 3 2011-2012 (\$ 000)	Forecast Variation Year 3 2011-2012 (\$ 000)
	NOTES				
Expenditure					
Operating expenses		42,193	42,745	43,348	603
Capital expenditure		14,950	9,899	11,415	1,516
Borrowing (loan repayments)	15	572	609	620	11
Total expenditure		57,715	53,253	55,383	2,130
Funding					
General rates and penalties	1	15,849	17,037	16,486	(551)
Targeted rates	1	11,419	11,715	12,264	549
Fees and charges and general interest		8,799	9,288	9,769	481
Subsidies and grants	3	5,108	3,554	2,603	(951)
Borrowing raised	15	3,638	1,518	3,940	2,422
Depreciation and unfunded items		9,201	8,929	8,648	(281)
Special funds (net)		3,701	1,212	1,673	461
Total funding		57,715	53,253	55,383	2,130

Funding impact statement

FUNDING IMPACT STATEMENT – Differential and targeted rating schedule

This schedule defines the detail that will apply for the 2011-2012 rating year and is to be read in conjunction with council's Revenue and Financing Policy and the rest of the Funding Impact Statement.

1. 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 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 2011/2012 council will apply the following differential factors:

DIFFERENTIAL RATING GROUP ¹	FACTOR
Standard	100
Residential high value ²	Scaled factor from 99.91 to 59.82
Rural ³	73
Rural high value ³	Scaled factor from 72.48 to 59.82
Business ⁴	265
Utilities ⁴	275

NOTES

1. The categories are as defined in this document
2. Refer to the Residential High Value Sub-group Table below for the scaled factors
3. Council reviewed the Rural 33 differential rating category in December 2007 and will maintain the existing differential factor for general rates levied from this category in 2011-2012. In 2011-2012 council will apply the same concessional arrangements applied to high value residential rating units to high value rural rating units where this is to the benefit of the ratepayer. Refer to the Rural High Value Sub-group Table below for the scaled factors
4. Council reviewed the Business and Utilities differential rating categories in December 2007 and will maintain the individual relativity of general rates levied from those categories.

Funding impact statement

Residential high value sub-group	Capital value range		Differential factor
101	1,025,000	1,049,999	99.91
106	1,050,000	1,074,999	97.77
111	1,075,000	1,099,999	95.73
116	1,100,000	1,124,999	93.78
121	1,125,000	1,149,999	91.92
126	1,150,000	1,174,999	90.14
131	1,175,000	1,199,999	88.43
136	1,200,000	1,224,999	86.80
141	1,225,000	1,249,999	85.23
146	1,250,000	1,299,999	83.73
151	1,300,000	1,399,999	80.89
156	1,400,000	1,449,999	75.83
161	1,450,000	1,474,999	73.56
166	1,475,000	1,524,999	72.48
171	1,525,000	1,549,999	70.43
176	1,550,000	1,649,999	69.46
181	1,650,000	1,699,999	65.85
186	1,700,000	1,749,999	64.21
191	1,750,000	1,849,999	62.66
196	1,850,000	over	59.82

Rural high value sub-group	Capital value range		Differential factor
166	1,475,000	1,524,999	72.48
171	1,525,000	1,549,999	70.43
176	1,550,000	1,649,999	69.46
181	1,650,000	1,699,999	65.85
186	1,700,000	1,749,999	64.21
191	1,750,000	1,849,999	62.66
196	1,850,000	over	59.82

2. Targeted rates

2.1 Water

For 2011-2012 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 percent 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 percent of the full "serviced" rate will be made
- of the total revenue, required for the water supply service, 60 percent 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

Funding impact statement

supplied with water and is situated within 100 metres of any part of the water works ("a serviceable property") 50 percent of the full "serviced" uniform annual charge will apply

- of the total revenue, required for the water supply service, 20 percent has been identified as required for general water supply, by way of a user charge set based on the quantity of water used as calculated by water meters installed on the properties concerned.

2.2 Stormwater

For 2011-2012 council has resolved to collect the revenue needed for stormwater purposes by way of a set rate per dollar on capital value, on a differential basis, with businesses having a differential factor of 140 and other properties a factor of 100. This rate will apply to all rating units contained within the Upper Hutt Urban Drainage District (shown as the shaded area on the attached map labelled Upper Hutt Urban Drainage District).

2.3 Wastewater

The targeted rate for wastewater disposal will be a uniform annual charge, which will apply to all water-closets (pans) or urinals connected to a public sewage drain. Business properties will be assessed in accordance with council's Revenue and Financing Policy. All residential separately used or inhabited parts are deemed to have not more than one part 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 2011-2012 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**:

- (a) the assessed number as above for non-residential rating units, and
- (b) the number of charges based on the following formula:

Volume of water used per annum divided by 260,

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

2.4 Other targeted rates

There is only one other targeted rate, the Karapoti Bridge rate. For 2011-2012 council has resolved to collect the Karapoti Bridge rate, by way of a rate per dollar on capital value. This will be set on land contained within Valuation References 15190-001-00-00, 15190-002-01-A0 and 15190-002-01-B0. The revenue sought from this rate is to be applied to meet the cost plus interest of monies advanced from Special Funds for the purposes of construction of the Karapoti Bridge for the benefit of the properties above.

2.5 Lump sum contributions

Council will not invite lump sum contributions to targeted rates in 2011-2012.

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FUNDING IMPACT STATEMENT – Differential definitions

For 2011-2012 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 will be allocated to the Rural Category for rating purposes if:-

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

If the council is satisfied that:-

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

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

2. Rural high value

A rating unit will be allocated to the Rural High Value Category for rating purposes if:

- a) it meets all the requirements for the Rural Category in (1) above; **and**
- b) has a capital value of \$1,475,000 or more; **and**
- c) contains a single dwelling only.

3. Utilities

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

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

4. Business

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

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

4.2 A 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 4.2:

Funding impact statement

- 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.
- 4.3 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
- 4.4 A rating unit that is occupied by or for the purposes of a penal institution or as a defence 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.

5. Residential high value

A 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 \$1,025,000 or more **and**:

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

6. Standard

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

Funding impact statement

FUNDING IMPACT STATEMENT – Rates Remission

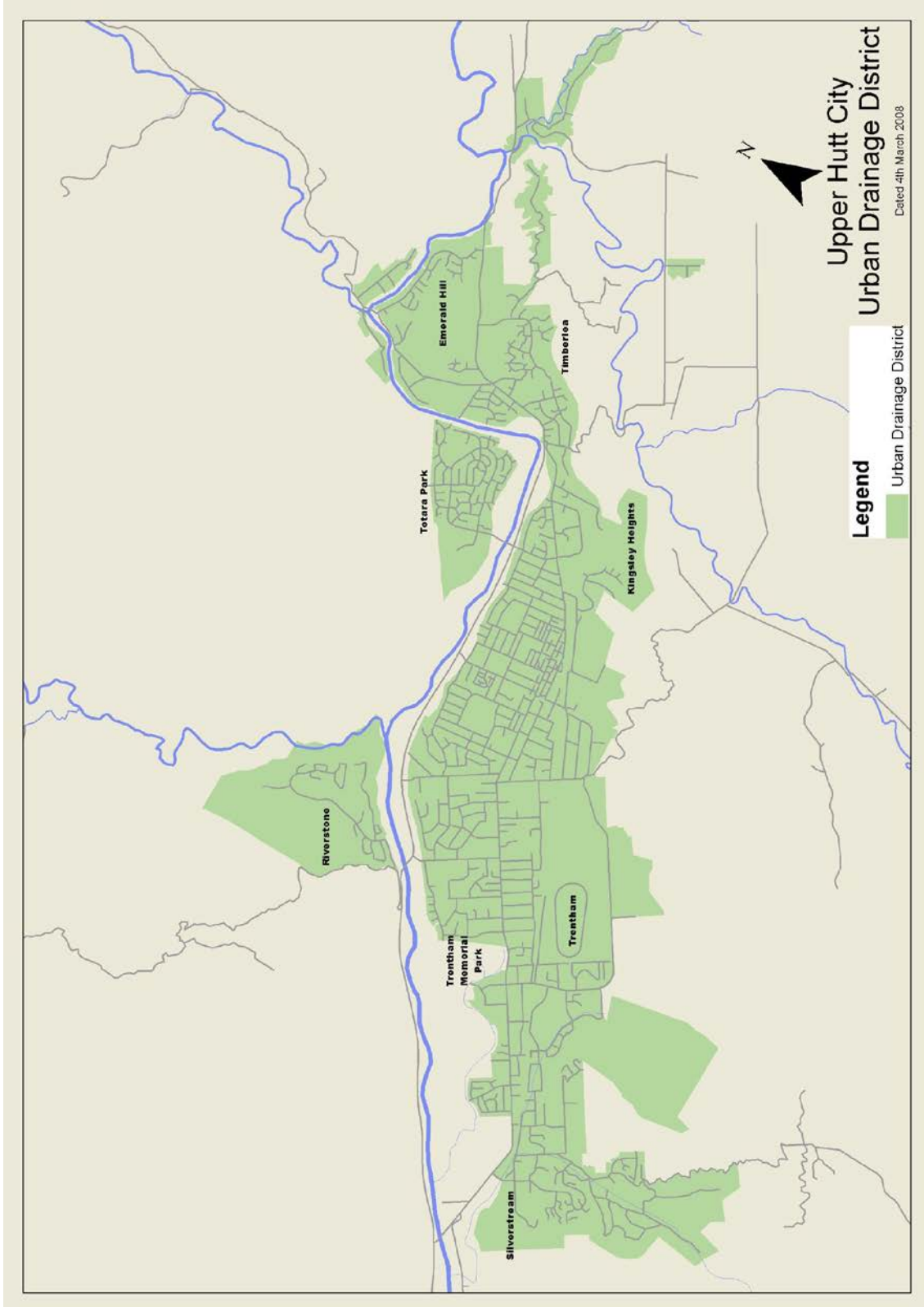
For 2011-2012 council has resolved to set the following criteria for its Rates Remission for Economic Development policy.

1. New Employment Opportunities – developments for which remission is being sought are expected to create at least **20** full time equivalent jobs.
2. New Capital Investment - developments for which remission is being sought are expected to bring at least **\$1,000,000** (GST exclusive) of new capital investment into the city.
3. The maximum number of rating years for which rates remission on sub-divisions will be granted is **two**.
4. A subdivision is a Subdivision under the Rates Remission for Economic Development – Subdivisions Policy IF :
 - a. Upper Hutt City Council has granted a Resource consent for it, and
 - b. It creates no less than **four additional** Lots, as defined by the Policy, and
 - c. No less than one Lot is defined as Bare Land in this Funding Impact Statement, and
5. Bare Land means any Lot that:
 - a. does not have a building on it, or
 - b. the building or buildings are constructed in satisfaction of a condition of the subdivision Resource Consent, or
 - c. there is an existing building and a condition of the subdivision Resource Consent requires that the building or buildings be demolished, removed or relocated or
 - d. the Lot is zoned residential under the District Plan and any building on the Lot is not a dwelling, or
 - e. The Lot is zoned other than residential under the District Plan and the building is not a permitted use for the Lot under the District Plan.
6. 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

“Separately Used or Inhabited Part” means any part of a rating unit used or inhabited by the ratepayer or any other person having a right to use or inhabit that part by virtue of a tenancy, lease, licence or other agreement. A “separately used or inhabited part” or SUIP is the basis by which Upper Hutt City Council calculates the uniform charges for each rating unit.

Funding impact statement

Upper Hutt urban drainage district map used for stormwater rates:



Indicative rates

INDICATIVE RATES – STANDARD	CV \$200,000	CV \$300,000	CV \$400,000	CV \$500,000	CV \$600,000
General rates	477	715	954	1,193	1,431
Water – uniform charge	238	238	238	238	238
Water - fire protection	48	72	96	120	144
Stormwater	93	140	187	233	280
Wastewater	385	385	385	385	385
Total indicative rates [Upper Hutt City]¹	1,241	1,550	1,860	2,169	2,478

INDICATIVE RATES – BUSINESS ²	CV \$500,000	CV \$700,000	CV \$900,000	CV \$1,000,000	CV \$1,200,000
General rates	3,160	4,424	5,688	6,320	7,584
Water – uniform charge	238	238	238	238	238
Water - fire protection	120	168	216	240	288
Stormwater	327	457	588	653	784
Wastewater	1,156	1,156	1,156	1,156	1,156
Total indicative rates [Upper Hutt City]¹	5,001	6,443	7,886	8,607	10,050

INDICATIVE RATES – RURAL	CV \$600,000	CV \$800,000	CV \$1,000,000	CV \$1,200,000	CV \$1,400,000
General rates	1,045	1,393	1,741	2,089	2,437
Total indicative rates [Upper Hutt City]¹	1,045	1,393	1,741	2,089	2,437

¹ Includes GST at the current rate of 15.0 percent but no Greater Wellington Regional Council Rates

² Includes one water connection and three pan charges

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UPPER HUTT CITY
Council

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Upper Hutt City - a great place to live

Council structure

