

Policy on Development Contributions

1. Introduction

1.1 This document sets out the Council's policy on development contributions under the Local Government Act 2002 ("LGA"). The Council is required under section 102(4) of the LGA to adopt a policy on development contributions or financial contributions as part of its Long Term Council Community Plan ("LTCCP").

1.2 Section 197 of the LGA defines a development contribution as a contribution:

- (a) provided for in a development contribution policy included in the Long-Term Council Community Plan of a territorial authority; and
- (b) calculated in accordance with the methodology; and
- (c) comprising:
 - (i) money; or
 - (ii) land, including a reserve or esplanade reserve (other than in relation to a subdivision consent), but excluding Maori land within the meaning of Te Ture Whenua Maori Act 1993, unless that Act provides otherwise; or
 - (iii) both.

1.3 This policy has been drafted to meet the requirements for development contribution policies set out in sections 106, 197-211, and Schedule 13 of the LGA. Broadly speaking the policy:

- identifies the Council activities which will be funded by development contributions (initially, only roading in eight specified roading "catchments" and water and wastewater infrastructure in one catchment specified for this purpose);
- summarises the capital expenditure on these activities that the Council expect to incur as a result of household growth in the district from 2006 to 2026;
- states the proportion of that capital expenditure that will be funded by development contributions, and the rationale for using this method of funding;
- describes conditions and criteria applying to exemption from, remission, postponement, and refund of development contributions;
- specifies the level of contribution payable in different parts of the City (catchments) the Council has defined;
- specifies when a development contribution will be required.

More specifically, the policy:

- Provides for the Council to take development contributions to fund capital expenditure on roading in eight specified catchments. This expenditure is required to address the effects on roading infrastructure of increased traffic in those catchments resulting from household growth or, in the case of the Alexander Road catchment, resulting from commercial development;
- Provides for the Council to take development contributions to recoup capital expenditure on reticulated water supply and wastewater networks in the Mangaroa catchment, which it has already incurred in anticipation of growth;
- For information purposes only, signals the Council's intention in the future to widen the policy to recoup the cost to the Council of providing capacity in roading, water supply, wastewater and stormwater networks for areas of new (greenfields) and infill subdivision.

1.4 This development contribution policy is distinct from, and should be read alongside, the provisions in the Upper Hutt District Plan regarding financial contributions under the

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Resource Management Act 1991. As well as requiring development contributions under the LGA and financial contributions under the Resource Management Act 1991, the Council will continue to seek to avoid, remedy, or mitigate adverse effects of subdivision and development through appropriate conditions of resource consent imposed under sections 108 and 220 of the Resource Management Act 1991.

2. Growth in Upper Hutt

- 2.1 The population of Upper Hutt City at the last census in 2006 was 38,916. The City population has been relatively stable throughout the past two decades, however, has experienced significant growth in the past six years, beyond the highest projections then available. Current predictions are for the population to grow to between 40,800 and 43,500 based on a medium and high population projection respectively. Population is projected to plateau thereafter. A low growth projection would see the population remain relatively constant, with a slight increase in population. For the purposes of this policy the Council has assumed the "medium" growth scenario under which the population of Upper Hutt City grows and plateaus at approximately 41,000 in 2021.
- 2.2 Correspondingly, there has been significant growth in the number of households in the City over the past decade, which has resulted in residential occupancy rates falling from an average of 2.92 persons per residential dwelling in 1991 to 2.75 persons per residential dwelling in 2001 and 2.6 in 2006. This occupancy is projected to drop to 2.4 by 2021. Based on the medium growth scenario outlined above, projections indicate that approximately 17,000 dwellings will be required in Upper Hutt at 2021. This is an increase from 14,253 (occupied dwellings) on Census night 2006. Under a high growth scenario the number of dwellings will be 18,125.
- 2.3 Even without population growth, household growth results in increased demand for Council-provided infrastructure. In particular, greenfields subdivision on the perimeters of the urban area, and continuing one-off subdivisions to create rural residential "lifestyle" blocks, result in pressure for the Council:
- in the case of new greenfields subdivision, to provide adequate water supply, wastewater and stormwater disposal and roading infrastructure to service those subdivisions;
 - in respect of rural residential lifestyle properties, to upgrade existing rural roads to accommodate increased traffic generated by subdivision and development of those properties.
- 2.4 New greenfields subdivision in particular also creates a demand for the provision of reserves, open space and leisure facilities in the vicinity of the new subdivision. The Council will continue to address this demand through financial contributions in the form of land, money, or both, taken in accordance with the provisions of the Upper Hutt District Plan and the Resource Management Act 1991.
- 2.5 Other activities undertaken by the Council include the provision of civic and recreational facilities such as halls, libraries, the aquatic centre H²O Xtream and the Expressions Arts and Entertainment Centre. Existing civic and recreational facilities are considered to be reasonably accessible to all residents of the district. Without population growth, it may be unnecessary to provide more of these facilities, or to increase the capacity of existing facilities. On the other hand, even with a stable population there may be a demand for improved levels of service in relation to civic and recreational facilities: but this would normally be funded out of rates. Accordingly this policy does not provide for a development contribution in relation to civic and recreational facilities.
- 2.6 In addition to greenfields and rural residential subdivision, there is also infill development of urbanised parts of the City. The impact of infill development on Council infrastructure is currently less significant than other forms of development because of the spare capacity

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that still exists in water supply, wastewater and roading infrastructure serving the urban area. However this will be reviewed for projected growth. There is no spare capacity in the Council's stormwater disposal infrastructure, but the vast majority of projected capital expenditure on stormwater infrastructure currently relates to improving the level of service (including the level of flood protection) provided by that infrastructure rather than increasing the capacity of the network for growth. For these reasons this policy does not currently provide for the Council to recover development contributions from infill subdivision and development in the urban area.

- 2.7 The Council will continue to require any adverse effects of infill subdivision and development to be addressed through appropriate conditions of resource consent, including works and services conditions imposed under section 108(2)(c) of the Resource Management Act 1991. In some circumstances this may involve undertaking off-site works and services to address the impact of the subdivision and development on Council infrastructure.

3. Funding the Costs of Growth

- 3.1 Because the Council provides reserves, roading, wastewater, stormwater, and water supply infrastructure to the population of Upper Hutt on an ongoing basis, household growth imposes costs on the Council in terms of providing new items of infrastructure, or increasing the capacity of existing infrastructure, to meet the needs of these new households.
- 3.2 Assuming it would be unacceptable for the Council not to provide reserves, roading and reticulated services to new households, the real choice is between on one hand funding growth costs through development contributions and/or financial contributions; and on the other hand funding these costs through general funding mechanisms such as borrowing and rates. Funding the cost of a development through development contributions and financial contributions is seen as the more equitable way of allocating costs to those responsible for the Council incurring those costs, and who benefit from the Council's capital expenditure.

4. Capital Expenditure in Response to Growth

- 4.1 Section 106(2)(a) of the LGA requires the Council's development contributions policy, in relation to the purposes for which development contributions may be required, to summarise and explain the capital expenditure identified in the LTCCP that the Council expects to incur to meet the increased demand for "community facilities" resulting from growth. Community facilities are defined in section 5 of the LGA, including reserves, network infrastructure (which includes roads, water, wastewater, and stormwater collection and management), and community infrastructure. Refer to the glossary to this policy for a full list of defined terms.
- 4.2 Section 106(2)(b) requires the development contributions policy to state the proportion of that capital expenditure that will be funded by development contributions and other sources of funding. In addition, section 106(2)(d) requires each activity for which a development contribution will be taken to be identified, along with the total amount of development contribution funding sought for that activity.
- 4.3 At this stage the only activities for which the Council will require development contributions are roading in the eight catchments specified in this policy and, in a single catchment (Mangaroa), water supply and wastewater. The information required under sections 106(2)(a), 106(2)(b) and 106(2)(d) is provided in the following table:

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20-Year Estimated Total Capital Expenditure and Funding for Growth

| | Total Cost of Capital Works | Other Sources of Funding | Total Improved Level of Service Component | Total Growth Component | Amount to be Funded through Development Contributions |
|---|-----------------------------|--------------------------|---|------------------------|---|
| Roading in Specified Catchments | \$12,882,678 | Rates/loans | \$6,819,697 | \$6,062,981 | \$4,899,165 |
| Wastewater & Water in Mangaroa Catchment | \$1,867,483 | Rates/loans | \$899,158 | \$968,325 | \$968,325 |

4.4 The Council intends in future years to widen the scope of this policy to allow for the taking of development contributions to recoup Council expenditure to purchase spare capacity in roading, stormwater, water supply and wastewater infrastructure in areas of greenfields and infill subdivision.

5. Rationale for Funding Growth through Development Contributions

5.1 Section 106(2)(c) of the LGA requires the development contributions policy to explain why the Council has determined to use development contributions as a funding source, by reference to matters referred to in section 101(3) of the LGA.

5.2 Community Outcomes

The following community outcomes have been identified for Upper Hutt City:

- Upper Hutt is the city of choice for people from all walks of life.
- Upper Hutt has a vibrant city heart.
- The economy is robust, innovative and growing.
- Upper Hutt offers a green and attractive living environment.
- The community is safe, healthy and strong.
- Leisure opportunities are outstanding.
- Upper Hutt is connected with the world.

5.3 Of these outcomes, the provision of roading infrastructure in the eight catchments specified, and the provision of wastewater and water infrastructure in the Mangaroa catchment (in each case funded through development contributions) contributes primarily to Upper Hutt being a city of choice; to offering a green and attractive living environment; to the community being safe, healthy and strong; and to Upper Hutt being connected with the world.

5.4 Distribution of Benefits

The Council considers it appropriate that development contributions are required to fund the addition of capacity in roading, stormwater, wastewater and water supply networks. The benefits of this additional capacity accrue to the residents of new households generating the demand for that capacity; development contributions paid by developers can be passed on through section prices to the residents of the new households who will benefit from the additional capacity. By contrast, existing landowners gain no benefit from the addition of capacity to existing networks that adequately meet their needs: accordingly they should not be required to fund the addition of that capacity through rates.

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5.5 The cost of maintaining or improving levels of service provided by Council infrastructure to the existing population has been stripped out of the capital expenditure to be funded out of development contributions, as this expenditure does not benefit developers or new households who will be bearing the cost of development contributions.

5.6 **The Period in which Benefits are Expected to Occur**

The benefits of capital expenditure to accommodate the effects of growth are likely to accrue beyond the 20-year timeframe of the development contributions policy, given the longevity of roads and piped networks. Nevertheless a 20-year period is seen as an adequate planning timeframe for the purposes of this policy.

5.7 **Extent to which Individuals contribute to a particular Activity**

The need to install new capacity in Council-provided roading, stormwater, wastewater and water supply networks is caused by those undertaking subdivision and development in the district resulting in the creation of new lots and household units. Accordingly it is appropriate for the costs of installing additional capacity to be passed on through development contributions payable by developers on the granting of resource or building consents.

5.8 **Costs and Benefits of Funding the Activity Distinctly from Other Activities**

Development contributions can be imposed at relatively little cost, with the major costs lying in the preparation of a suitable methodology for the assessment of contributions. The benefits of funding the addition of capacity in Council infrastructure to meet the effects of growth through development contributions include greater transparency through quantifying the cost of growth to the Council in terms of providing additional infrastructure, and then passing on that cost to developers through development contributions. The use of catchments also aids transparency by signalling the variations in the cost of providing infrastructure according to the characteristics of the particular locality and the nature of the works required.

5.9 **Overall Impact on Community Wellbeing**

Ensuring adequate sources of funding to provide appropriate infrastructure is central to promoting the social, economic, environmental and cultural wellbeing of the district. Funding the cost of providing increased capacity in Council infrastructure through development contributions ensures equity between existing residents and those responsible for the Council incurring these additional costs.

Council has decided that the rural roading development levy should be imposed only on subdivision and in respect of each new lot created. The Council has decided not to implement a proposal to impose a levy at the building consent stage, for a new dwelling, because it considers that those people owning rural land and intending to build are already paying through rates for services.

Council has set a cap on development contributions for rural roading in recognition of the potentially high individual new allotment costs arising from the difficult topography and limited potential for further subdivision within certain rural catchments and as they do not wish to stifle such development.

6. **Activities for which Development Contributions will be required**

6.1 **Roading**

Council funded capital works associated with the provision of a safe and efficient roading network in the following roading catchments (refer to the map at the end of this policy for the location and boundaries of these catchments):

- Akatarawa Rd
- Kaitoke

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- Mangaroa
- Katherine Mansfield extension
- Blue Mountains
- Moonshine Hill Rd
- Alexander Rd
- Swamp Rd

6.2 **Water and Wastewater**

Council funded capital works associated with the provision of reticulated water supply and wastewater networks in the Mangaroa catchment (refer to the map at the end of this policy for the location and boundaries of this catchment).

7. **How Development Contributions have been Calculated**

7.1 Section 201(1)(a) of the LGA requires the development contributions policy to include, in summary form, an explanation of and justification for the way each development contribution in the schedule to the policy is calculated.

7.2 In summary, each contribution (apart from the Alexander Road catchment roading contribution, and the Mangaroa water and wastewater contribution: see below) has been calculated in accordance with the methodology set out in Schedule 13 of the LGA, and then in respect of certain contributions applying an upper "cap", namely:

Stage 1:

The Council has first, within each catchment, estimated the number of new lots/household units likely to be created over the next 20 years. This is based on existing trends in population and household growth and the development potential of each catchment (see the table in paragraph 10.1 below).

Stage 2:

It has, within each catchment, identified the total cost of the capital expenditure it expects to incur on roading over the next 20 years (this figure is drawn from the Council's asset management documentation and is referred to in the Council's LTCCP).

Stage 3:

It has identified the share of that capital expenditure attributable to growth. This involves identifying whether the "driver" for individual items of capital expenditure (projects) is improvement in levels of service, the provision of additional capacity, or a mixture of both; and then aggregating the expenditure attributable to providing additional capacity on individual projects into a single figure for each catchment (the "growth component"). The Council intends the entire growth component to be funded out of development contributions.

Stage 4:

In each catchment the Council has divided the growth component by the projected number of new lots/households units in that catchment to derive a per lot/household unit contribution.

Stage 5:

Having assessed a theoretical development contribution per additional lot/household unit, Council then considered the impact of such a contribution on the wellbeing of the community, and modified the requirements for rural roading development contributions by:

- a] Resolving not to levy development contributions at the building consent stage.

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Council will now only impose the levy on new rural lots created by subdivision.

- b] Resolving to place a cap on the maximum levy payable in the Moonshine Hill road and Akatarawa road catchments at \$9,690 and noting that in the other catchments the property owner will pay the actual levy assessed.

Council will now only impose the levy on new rural lots created by subdivision.

- 7.3 The Mangaroa water and wastewater contribution has been calculated in the same way, with the exception that at stage 2 above, instead of apportioning the cost of future capital works attributable to growth over the next 20 years the Council has, in reliance on section 199(2) of the LGA, apportioned the cost of capital expenditure already incurred in anticipation of growth (see the table in paragraph 10.2 below).
- 7.4 The Alexander Rd roading contribution has also been calculated in a similar way to the methodology set out in paragraph 7.2 above. The difference is that at stage 1, instead of estimating the number of new lots/household units likely to be created over the next 20 years, because this is an area of anticipated commercial/industrial growth rather than residential growth, the Council has estimated the amount of developed commercial floor space. This has led to the basic unit of demand in this catchment being each additional 100m² of developed floor space created. Under stage 4, the Council has then divided the growth component of capital works in the Alexander Rd catchment amongst the amount of new floor space anticipated, to arrive at a contribution of \$256/each additional 100m² of developed floor space created.
- 7.5 Since households in the Katherine Mansfield extension and Swamp Road catchments also have to use the Mangaroa catchment for access their total levy is their own catchment plus Mangaroa.
- 7.6 The Council is required to adopt the methodology for calculating development contributions set out in Schedule 13 of the LGA; and considers it to be an appropriate way to fund the impact of household growth and, in the Alexander Road catchment commercial development, on the Council's roading infrastructure.

8. Significant Assumptions

- 8.1 Section 201(1)(b) of the LGA requires the development contributions policy to state significant assumptions underlying the calculation of the schedule of development contributions. This must include an estimate of potential effects, if there is significant uncertainty as to the scope and nature of those effects.

8.2 Population and household growth projections

The Council has relied on projections of households and population growth, as it is required to do under the LGA. In particular the Council has assumed that over the 20 year period of this policy, the population of Upper Hutt will grow and plateau at about 41,000; but that over that period, the number of household units will increase by 2,747. Assumptions have also been made about the increase in household units in each of the roading catchments, and the Mangaroa water and wastewater catchment, over the 20 year period of the policy.

8.3 Cost of individual items of capital expenditure

The Council has used the best information available at the time of developing this policy to estimate the cost of individual items of capital expenditure on roading that will be funded in whole or in part out of development contributions. It is likely that actual costs will differ from estimated costs due to factors beyond the Council's ability to predict such as changes in the price of raw materials, labour etc and the timing of capital works.

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The Council will review its estimates of capital expenditure at least every 3 years when it reviews its LTCCP.

8.4 Inflation

All figures are in today's dollars and development contributions from 2009/2010 onwards have been adjusted in accordance with the note under Accounting Assumptions.

9. Exemption, Remission, Postponement and Refund of Development Contributions

9.1 Exemptions

In accordance with section 200 of the LGA, the Council will not require a development contribution if, and to the extent that:

- (1) It has, under section 108(2)(a) of the Resource Management Act 1991, imposed a condition on a resource consent in relation to the same development for the same purpose; or
- (2) The developer will fund or otherwise provide for the roading infrastructure to which the development contribution relates; or
- (3) The Council has received or will receive funding from a third party.

9.2 Remission and postponement

The Council will not usually remit or postpone payment of a development contribution but reserves its right to do so in an exceptional case.

9.3 Refunds

The Council will refund a development contribution to the consent holder or to his or her personal representative in the circumstances set out in section 209 of the LGA, namely:

- (1) If the contribution was taken upon the granting of a resource consent, the resource consent lapses under section 125 of the Resource Management Act 1991 or is surrendered under section 138 of that Act; or
- (2) If the contribution was taken upon the granting of a building consent, the building consent lapses under section 41 of the Building Act 1991; or
- (3) The development or building in respect of which the resource consent or building consent was granted does not proceed; or
- (4) The Council does not provide the network infrastructure for which the development contribution was required.

10. Schedule of Development Contributions

10.1 Level of Contributions – Roading

The development contributions for roading payable for each additional unit of demand created are shown in the tables below:

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(1) Additional Lots

| Roading Catchment | Growth Component of 20 Year Capital Works Projects* | Total Units of Demand (Additional Lots) | Calculated Cost of Construction * (Per Additional Lot) | Development Contribution Charged * [Per Additional Lot] |
|---------------------------------------|---|---|--|---|
| Akatarawa Rd | \$1,148,290 | 65 | \$17,666 | \$9,690 |
| Kaitoke | \$562,564 | 68 | \$8,273 | \$8,273 |
| Mangaroa | \$690,894 | 293 | \$2,358 | \$2,358 |
| Katherine Mansfield Extn [^] | \$1,410,579 | 73 | \$19,323 | \$19,323 |
| Blue Mountains | \$724,650 | 75 | \$9,662 | \$9,662 |
| Moonshine Hill Rd | \$800,416 | 16 | \$50,026 | \$9,690 |
| Swamp Rd [^] | \$233,968 | 56 | \$4,178 | \$4,178 |

[^]Also incur the Mangaroa Levy

* GST exclusive

(2) Additional Floor Area

| Roading Catchment | Growth Component of 20 Year Capital Works Projects* | Total Additional Developed Floor Area | Development Contribution* (Per 100m ² of Additional Floor Area) |
|-------------------|---|---------------------------------------|--|
|-------------------|---|---------------------------------------|--|

| | | | |
|--------------|-----------|------------------------|-------|
| Alexander Rd | \$491,620 | 192,100 m ² | \$256 |
|--------------|-----------|------------------------|-------|

* GST exclusive

10.2 Level of Contributions – Water and Wastewater

The development contribution for water and wastewater payable for each additional unit of demand created in the Mangaroa catchment is shown in the table below:

| Water and Wastewater Catchment | Growth Component of 20 Year Capital Works Projects [^] | Total Units of Demand (Additional Lots/ House-Hold Units) | Development Contribution* (Per Additional Lot or Household Unit) |
|--------------------------------|---|---|--|
| Mangaroa | \$968,325 | 56 | \$17,292 |

[^]Capital expenditure already incurred by the Council in anticipation of growth

* GST exclusive

10.3 When Development Contributions Will Be Required - Roading

Development contributions will be imposed upon the granting of a resource consent for subdivision or development that authorises the creation of one or more additional lots in the catchments listed below:

- Akatarawa Rd
- Kaitoke
- Mangaroa
- Katherine Mansfield extension
- Blue Mountains
- Moonshine Hill Rd
- Swamp Rd

10.4 In accordance with section 208 of the LGA, until a development contribution has been paid the Council may:

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- In the case of a subdivision, withhold a certificate under section 224(c) of the Resource Management Act 1991; or
 - In the case of a development, prevent the commencement of a resource consent for the development under the Resource Management Act 1991.
- 10.5 Development contributions will be imposed upon the granting of building consent to create an additional 100m² or more of developed floor space (if not already imposed on the granting of resource consent) in the catchment listed below:
- Alexander Rd
- 10.6 In accordance with section 208 of the LGA, until a development contribution has been paid the Council may withhold a code compliance certificate in respect of building work to which the building consent relates under section 43 of the Building Act 1991.
- 10.7 **When Development Contributions will be Required – Water and Wastewater**
A development contribution for water and wastewater in the Mangaroo catchment will be required:
- upon the granting of a resource consent for subdivision or development that authorises the creation of one or more lots or household units in the Mangaroo catchment; or
 - upon the granting of a building consent regarding the creation of one or more household units in the Mangaroo catchment; or
 - upon the Council granting an authorisation for a existing lot or existing household unit in the Mangaroo catchment to connect to the Council's water supply or wastewater system.
- 10.8 In accordance with section 208 of the LGA, until a development contribution has been paid the Council may:
- In the case of a contribution required upon the granting of subdivision consent, withhold a certificate under section 224(c) of the Resource Management Act 1991; or
 - In the case of contribution required upon the granting of resource consent for a development, prevent the commencement of the resource consent under the Resource Management Act 1991; or
 - In the case of a contribution required upon the granting of building consent, withhold a code compliance certificate in respect of building work to which the building consent relates under section 43 of the Building Act 1991; or
 - In the case of a contribution required upon the granting of an authorisation to connect to the Council's water supply or wastewater system, withhold a connection to that system.

11. Glossary

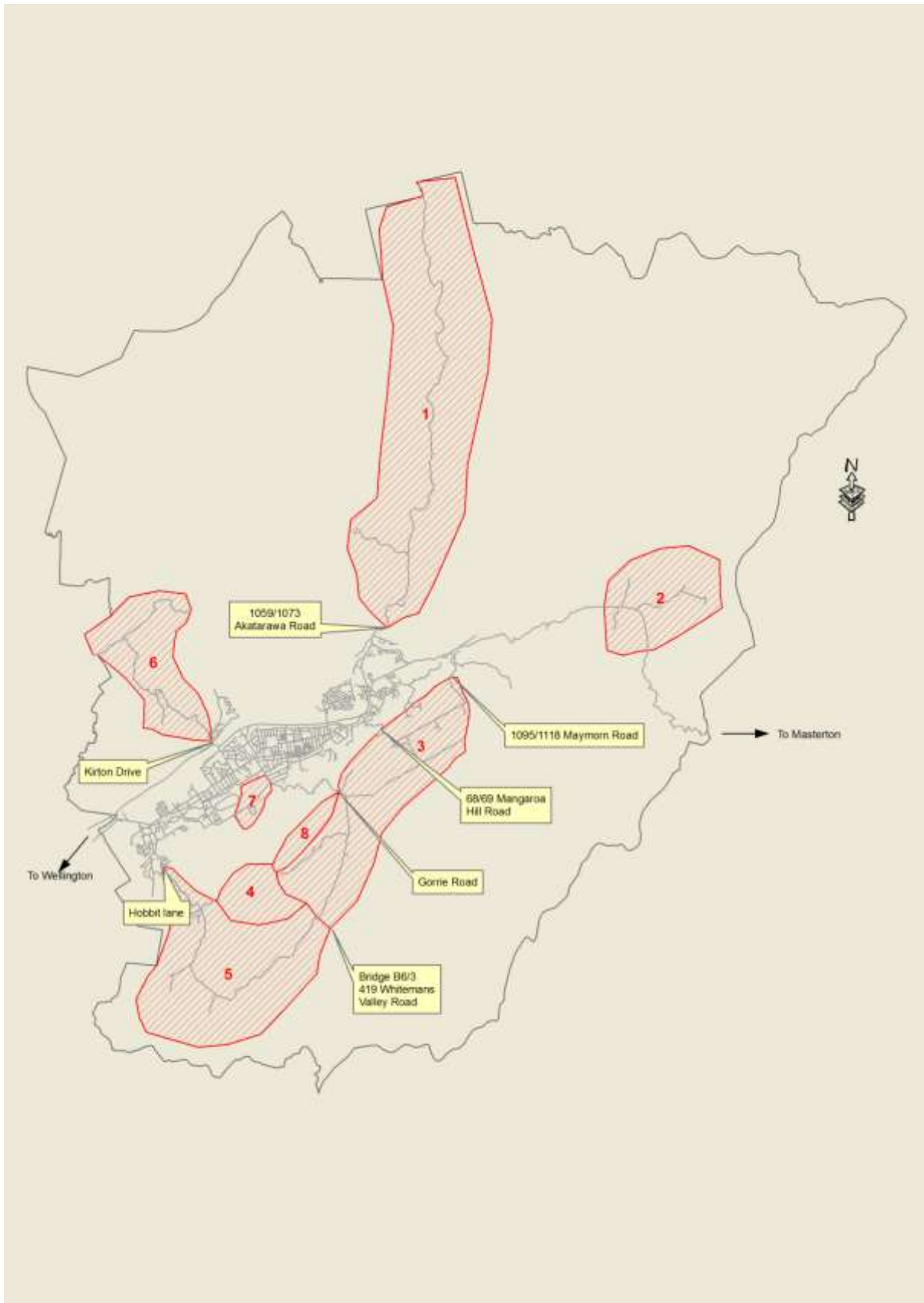
In this policy:

- **allotment** has the meaning given to it in section 218(2) of the Resource Management Act 1991, and lot has the same meaning;
- **community facilities** means reserves, network infrastructure, or community infrastructure for which development contributions may be required in accordance with section 199 of the LGA;

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- **community infrastructure** means:
 - (a) land, or development assets on land, owned or controlled by the Council to provide public amenities; and
 - (b) includes land that the Council will acquire for that purpose;
- **development** means:
 - (a) any subdivision or other development that generates a demand for reserves, network infrastructure, or community infrastructure; but
 - (b) does not include the pipes or lines of a network utility operator;
- **development contribution** means a contribution:
 - (a) provided for in this development contribution policy; and
 - (b) calculated in accordance with the methodology;
- **development contribution policy** means the policy on development contributions included in the long-term council community plan of a territorial authority under section 102(4)(d) of the LGA;
- **methodology** means the methodology for calculating development contributions set out in Schedule 13 to the LGA;
- **network infrastructure** means the provision of roads and other transport, water, wastewater, and stormwater collection and management;
- **network utility operator** has the meaning given to it by section 166 of the Resource Management Act 1991;
- **service connection** means a physical connection to a service provided by, or on behalf of, the Council.

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| Area | Comments |
|--|--|
| 1 Akatarawa Roding catchment | Resource consent levy from <ul style="list-style-type: none"> • Akatarawa Road • Crest Road • Karapoti Road |
| 2 Kaitoke roading catchment | Resource consent levy from the following roads <ul style="list-style-type: none"> • Gilbert Road • Kiwi Ranch Road • Marchant Road • Kaitoke Waterworks Road |
| 3 Mangaroa roading catchment | Resource consent levy from the following roads <ul style="list-style-type: none"> • Whitemans Valley (from Bridge B6/3, 419 Whitemans Valley Road) • Colletts Road • Flux Road • Gorrie Road • Leonards Road • Maymorn Road • SPCA Road • Wallaceville Road • Parkes Line Road • Mangaroa Valley Road • Mangaroa Hill Road • Swamp Road • Katherine Mansfield Drive (existing formed road) • Katherine Mansfield Drive extension |
| 4 Katherine Mansfield extension | Resource consent levy from <ul style="list-style-type: none"> • South of the existing sealed public road |

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| Area | Comments |
|--|--|
| 5 Blue Mountains catchment | Resource consent levy from the following roads <ul style="list-style-type: none"> • Avro Road • Avian Crescent • Avian Road • Blue Mountains Road • Cameron Road • Johnsons Road • Kakariki Way • Russells Road • Sierra Way • TVL Road • Whitemans Valley Road (to Bridge B6/3, 419 Whitemans Valley Road) |
| 6 Moonshine Hill Road | Resource consent levy from the following roads <ul style="list-style-type: none"> • Moonshine Hill Road • Moonridge Road • Bulls Run Road |
| 7 Alexander Road catchment | Building consent levy from development within the Business Industrial zone |
| 8 Swamp Road catchment | Resource consent from lots within the catchment |
| Mangaroa water and sewerage catchment | Resource consent or building consent or authorisation to connect levy from lots connecting to the water and sewerage reticulation in Parkes Line and Maymorn Roads |

Rates Remission or Postponement Policies

General Remissions Policy

In addition to mandatory remissions under Part 1 of Schedule One of the Local Government (Rating) Act 2002, that it is Council policy to grant a 30% remission on all rates and uniform charges levied on:

- a) land owned or occupied by or in trust for any society or association of persons, whether Incorporated or not, and used principally for games or sports other than racing, trotting and dog racing (First Schedule, Part 2, Clause 2).
- b) land owned or occupied by or in trust for any society or association or persons, whether incorporated or not, whose object or principal object or one of whose principal objects is to promote generally the arts or any purpose of recreation, health, education or instruction for the benefit or residents or any group or groups of residents of the district.

The schedules for categories of non-rateable land which are fully non-rateable and those categories which are 50% non-rateable are found in Schedule One of the Local Government (Rating) Act 2002.

Policy on Remission or Postponement

Objective

To enable the Council to act fairly and reasonably when rates have not been received by the due date.

Conditions and Criteria

1. Upon receipt of an application by a ratepayer, or if identified by the Council, Council may remit or postpone rates or penalties where it is demonstrated that the rates or penalty has been levied because of an error by the Council.
2. Upon receipt of an application from the ratepayer, and subject to the qualification below, the Council may remit a penalty where:
 - (a) the ratepayer has a two-year history of regular payment of rates or can demonstrate that the delay in payment is due to an extraordinary circumstance.
OR
 - (b) the ratepayer has entered into an agreement with the Council for the payment of rate arrears, and that agreement is being complied with.
OR
 - (c) the ratepayer has set up automatic payments set at such a level that the annual rates are paid over the financial year.
3. Upon receipt of an application by a ratepayer, or if identified by the Council, Council may postpone rates or penalties where it is demonstrated that the rates or penalty that have been levied are causing extreme financial hardship to the ratepayer.

Applications under this criteria will generally only be considered when applicants:

- (a) are unable to pay their rates because of personal circumstances,
- (b) have tried all other avenues to fund their rates,
- (c) have no significant assets,
- (d) are prepared to receive a legal charge to the Council over the property.

Rates Remission or Postponement Policies

Conditions

The Council reserves the right to impose conditions on the remission or postponement of rates or penalties.

Decisions

Decisions on the remission or postponement of rates and penalties are delegated to Council Officers. All delegations are recorded in the Council's delegation manual.

Rates Remissions Policy for Economic Development

Objectives of the Policy

To promote employment and economic development within the city by offering rates remission to:

- Assist new businesses to become established in the city
- Assist existing businesses in the city to expand and grow.

Conditions and Criteria

This policy applies to commercial and/or industrial development that involves the construction, erection or alteration of any building or buildings, fixed plant and machinery, or other works intended to be used for industrial, commercial or administrative purposes. Residential developments will not qualify for remission under this Policy.

In considering applications for remission Council will have regard to the extent applications meet the following guidelines:

- The development is of importance for the future economic development of the city. This may be demonstrated by the scale, type or nature of the development.
- The number of new employment opportunities the development will create. Generally development would be expected to create a minimum number of new full-time equivalent jobs (as defined in the Funding Impact Statement of Council's current Annual Plan).
- The amount of new capital investment the development will bring into the city. The amount of new investment should be not less *than* a minimum amount (as defined in the Funding Impact Statement of Council's current Annual Plan) unless the business falls within the criteria identified below. Consideration will be given to the extent that the new development would increase the rating base.

Council may be willing to consider cases where the business does not meet the guidelines as outlined above, when the development is of importance for the future economic development of the city and any of the following may apply:

- The business demonstrates a long term commitment to remain and operate in the city. Property ownership or a long-term lease of property may be accepted as a proof of commitment.
- The development protects or retains cultural aspects of the city e.g. maintains and protects a heritage building.
- The development adds new and/or visually attractive infrastructure/buildings to the city.
- It is likely that any remission granted would provide encouragement or impetus to proceed with the development.

The presentation of any such applications to Council will be at the discretion of the Chief Executive and Director of Business Services.

The discretion of Council will apply in every case and simply meeting the criteria does not create any entitlement to rates relief.

Policy on Remission and Postponement of Rates on Maori Freehold Land

Section 102(4)(f) of the Local Government Act 2002 requires that a local authority must adopt a policy on the remission and postponement of rates on Maori freehold land. Section 108 of the Local Government Act 2002 sets out the criteria with which a policy under section 102(4)(f) must conform.

The Upper Hutt City Council policy is that it will not remit or postpone rates on Maori freehold land.

In explanation, very little land within Upper Hutt City is held as Maori freehold land, and the issue of remission or postponement of rates on such land has not arisen. Should the situation change, then Council may review this policy.

Accounting Policies

Reporting Entity

Upper Hutt City Council is a territorial local authority governed by the Local Government Act 2002. These financial policies are prepared in accordance with the requirements of Section 98 of the Local Government Act 2002, which includes the requirement to comply with generally accepted accounting practices. The forecast financial statements are those which have been adopted by Council to meet the requirements of Clause 8 of Schedule 10 of the Local Government Act 2002.

The prospective financial statements of Upper Hutt City Council are for the period year ended 30 June 2010 to 2019. The financial statements were adopted for issue by Council on 26 June 2009.

Basis of Preparation

Measurement Base

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain fixed assets. The statements are based on New Zealand generally accepted accounting practice and comply with New Zealand equivalents of international reporting standards for the first time.

Accounting Policies

The particular accounting policies applied are as follows:

Forecast Figures

The forecast figures are those approved by Council at the beginning of the year after a period of consultation with the public as part of the 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 the 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 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 2008/09 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.

Accounting Policies

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

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

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

Revenue Recognition

Rates revenue is recognised when levied.

Rates revenue is 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.

Water billing revenue is recognised on an accrual basis. Unbilled sales, as a result of unread meters at year-end, are accrued on an average usage basis.

Traffic and parking infringements are recognised when tickets are issued.

Council receives government grants from Land Transport New Zealand, 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.

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

The 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.

Where a physical asset is acquired for nil or nominal consideration the fair value of the asset received is recognised as revenue. Assets vested in Upper Hutt City Council are recognised as revenue 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 income is recognised using the effective interest method.

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

Reserve Fund and Development Contributions

The revenue is recognised at the time of customer request for sub-divisional development. 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.

Accounting Policies

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

Trade and other Receivables

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

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

The difference between face value and present value of expected future cash flow, of the loan is recognised in the Prospective Statement of Comprehensive Income as a grant.

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 Financial Statements have been prepared exclusive of GST, with the exception of accounts payable and accounts receivable, which are stated as GST inclusive.

Where GST is not recoverable as an input tax then it is recognised as part of the related asset or expense.

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

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

Inventories

Inventories held for consumption in the provision of services that are not supplied on a commercial basis are recorded at the lower of cost or current replacement cost.

The write down from cost to current replacement cost is recognised in the Prospective Statement of Comprehensive Income.

Accounting Policies

Financial Assets

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

- financial assets at fair value through profit or loss
- held to maturity investments
- loans and receivables
- financial assets at fair value through equity.

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 and liabilities are initially measured at fair value plus transactions costs unless they are carried at fair value through profit or loss, in which case the transaction costs are recognised in the Prospective Statement of Comprehensive Income.

Purchases and sales of investments are recognised on trade-date, the date on which Upper Hutt City Council commits to purchases or sales of the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Upper Hutt City Council has transferred substantially all the risks and rewards of ownership.

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used is the current bid price.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. Upper Hutt City Council uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The four categories for financial assets are:

- **Financial assets at fair value through profit or loss**

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.

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

Accounting Policies

Prospective Statement of Comprehensive Income. Loans and receivables are classified as "Trade and Other Receivables" in the Statement of Financial Position.

Investments in this category include term deposits.

- **Held to maturity investments**

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

After initial recognition they are measured at amortised cost using the effective interest method. Gains and losses when the asset is impaired or derecognised are recognised in the Prospective Statement of Comprehensive Income.

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 equity**

Financial assets at fair value through equity are those that are designated as fair value through equity or are not classified in any of the other categories above.

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 equity except for impairment losses which are recognised in the Prospective Statement of Comprehensive Income. In the event of impairment, any cumulative losses previously recognised in equity will be removed from equity and recognised in the Prospective Statement of Comprehensive Income even though the asset has not been derecognised.

On de-recognition, the cumulative gain or loss previously recognised in equity is recognised in the Prospective Statement of Comprehensive Income.

Impairment of financial assets

At each balance sheet date Upper Hutt City Council assess whether there is any objective evidence that financial asset or group of assets is impaired. Any impairment losses are recognised in the Prospective Statement of Comprehensive Income.

Accounting for Derivative Financial Instruments

Upper Hutt City Council uses derivative financial instruments to hedge 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.

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.

Accounting Policies

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 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. At 30 June 2009, Upper Hutt City Council held no investment properties.

Gains and losses arising from a change in the fair value of investment property are recognised in the Prospective Statement of Comprehensive Income.

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 Prospective Statement of Comprehensive Income.

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

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

Accounting Policies

Intangible assets

Software acquisition and development

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

Costs associated with maintaining computer software are recognised as an expense when incurred. Costs that are directly associated with the development of software for internal use by Upper Hutt City Council, are recognised as intangible assets. Direct costs include software development employee costs and an appropriate portion of relevant overheads.

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 uses 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 economic benefits or service potential of the asset are not primarily dependent on the assets ability to generate net cash inflows and where the entity would, if deprived of the asset, replace it's remaining future economic benefits 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 that results in a debit balance in the revaluation reserve; that balance is recognised in the Prospective Statement of Comprehensive Income.

For assets not carried at a revalued amount, the total impairment loss is recognised in the Prospective Statement of Comprehensive Income.

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 Prospective Statement of Comprehensive Income, a reversal of the impairment loss is also recognised in the Prospective Statement of Comprehensive Income.

For assets not carried at revalued amount (other than goodwill) the reversal of an impairment loss is recognised in the Prospective Statement of Comprehensive Income.

Property, Plant and Equipment

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

Accounting Policies

Fixed assets include:

- (a) **Operational property, plant and equipment:** These include land, buildings, improvements, library books, plant and equipment and motor vehicles.
- (b) **Restricted property, plant and equipment:** Restricted assets are parks and reserves owned by the Council which provide a benefit or service to the community and cannot be disposed of because of legal or other restrictions.
- (c) **Infrastructure assets:** Infrastructure assets are the fixed utility network systems owned by Council and include roading, water, stormwater and wastewater piping.

Property, plant and equipment is 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.

Disposals

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are included in the Prospective Statement of Comprehensive Income. Where revalued assets are sold, the amounts included in asset revaluation reserves in respect of those assets are transferred to retained earnings.

Subsequent costs

Costs incurred subsequent to 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.

Valuations

- 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. See note under Accounting Assumption.
- Land, buildings, plant, furniture and equipment have been revalued as at 30 June 2003 by Ken Tonks, Registered Valuer of TSE Group Limited, except for minor structures, vehicles, computers and minor miscellaneous office equipment. Council has revalued land, building, plant and equipment of four Council assets known as Civic Administration Centre, Expressions, Library and H²O Xtream one year early than the programmed five yearly cycle. Civic Administration Centre, Expressions, Library and H²O Xtream were valued by Ken Tonks (ANZIV) and Richard A Papps (MPINZ) Registered Valuers of TSE Group Ltd on 31st July 2007. These asset valuations were greater than expected and will be included in the normal revaluations carried out on a five yearly basis. Minor structures, vehicles, computers and minor miscellaneous office equipment are valued at historical cost.
- 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 2008 by the City Engineers. The valuation of these assets was independently reviewed by two valuers. Infrastructural Assets under Stormwater, Wastewater, Telemetry and Roding was independently reviewed by Graham Hughson, Sector Director, Advisory services of Manusell Limited. Infrastructural Assets under Water was independently reviewed by Peter Ollivier of Duffill Watts Consulting Group. Revaluations are carried out five yearly. (see Accounting Assumptions).

Accounting Policies

- 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.
- 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 2003 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 five yearly. (See Accounting assumptions).
- 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.

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. Where this results in a debit balance in the asset revaluation reserve, this balance is expensed in the Prospective Statement of Comprehensive Income. Any subsequent increase or revaluation that offset a previous decrease in value is recognised in the Prospective Statement of Comprehensive Income up to the amount previously expensed, and then credited to the revaluation reserve for that class of asset.

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 revalued 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

| Straight-line Depreciation | Years | Rate |
|-----------------------------------|-----------------|--------------|
| Bridges | 10 to 100 years | 1% to 10% |
| 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 | 4 to 20 years | 5% to 25% |
| Library Books | 2 to 10 years | 10% to 50% |
| Parks and Reserves Services | 5 to 100 years | 1% to 25% |
| Plant and Equipment | 4 to 50 years | 2% to 25% |

Accounting Policies

Depreciation

Infrastructure Assets

Roading

| | | |
|-------------------------------------|----------------|--------------|
| Carparks | 50 years | 2% |
| Culverts | 50 years | 2% |
| Footpaths / Accessways | 35 to 45 years | 2.2% to 2.8% |
| Roads (except land and formation) | 3 to 20 years | 5% to 33% |
| Stormwater channels | 35 to 45 years | 2.2% to 2.8% |
| Street and Traffic Lights | 15 to 50 years | 2% to 6.7% |
| Street Furniture and other features | 25 years | 4% |
| Sumps | 50 years | 2% |

Water

| | | |
|--|----------------|-------------|
| Mechanical and electrical plant | 20 to 25 years | 4% to 5% |
| Pipe work, appurtenances and associated structures | 50 to 80 years | 1.25% to 2% |
| Reservoirs, intake Structure | 100 years | 1% |

Stormwater

| | | |
|--|----------------|-------------|
| Pipe work, appurtenances and associated structures | 50 to 80 years | 1.25% to 2% |
|--|----------------|-------------|

Wastewater

| | | |
|---|-----------------|-------------|
| Wastewater Main, pipe work, appurtenances and associated structures | 80 to 100 years | 1% to 1.25% |
|---|-----------------|-------------|

Telemetry

| | | |
|--|----------------|-------------|
| Electrical /electronic | 15 to 25 years | 4% to 6.67% |
| Telemetry huts, pipe work, appurtenances and associated structures | 50 to 80 years | 1.25% to 2% |

Diminishing Value Depreciation

| | | |
|--------------------------------|---------------|----------|
| Furniture and Office Equipment | 2 to 20 years | 5% - 50% |
| Vehicles and Plant | 4 to 20 years | 5% - 25% |

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

Employee Entitlements

Provision is made in respect of the Council's liability for annual leave, long service leave, sick leave and retirement gratuities.

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 rate of pay.

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

Accounting Policies

- the present value of the estimated future cash flows. The discount rate is based on the weighted average of Government interest rates for stock with terms to maturity similar to those of the relevant liabilities. The inflation factor is based on the expected long-term increase in remuneration for employees.
- an initial estimate has been made of Council's liability as required by NZIFRS.

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 recognised finance lease 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 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. After initial recognition, all borrowings are measured at amortised cost using the effective interest method.

Equity

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

Components of equity are:

- Retained earnings
- Restricted reserves
- Asset revaluation reserve

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.

Statement of Cash Flows

Cash means cash balances on hand, held in bank accounts, demand deposits and other highly liquid investments in which the Council invests as part of its day-to-day cash management.

Operating activities include cash received from all income sources of Council and record the cash payments made for the supply of goods and services.

Accounting Policies

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

Infrastructural assets

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

- The physical deterioration and condition of an asset, for example the Council could be carrying an asset at an amount that does not reflect its actual condition. This is particularly so for those assets which are not visible, for example stormwater, wastewater and water supply pipes 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 Prospective Statement of Comprehensive Income. To minimise this risk Upper Hutt City Council infrastructural asset useful lives have been determined with reference to the NZ Infrastructural Asset Valuation and Depreciation Guidelines published by the National Asset Management Steering Group, and have been adjusted for local conditions based on past experience. Asset inspections, deterioration and condition modelling are also carried out regularly as part of the Upper Hutt City Council's asset management planning activities, which gives Upper Hutt City Council further assurance over its useful life estimates.
- Experienced independent valuers perform the Council's infrastructural asset revaluations.

Changes in Accounting Policies

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**'.

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.

Accounting Assumptions

| Factor | Assumption |
|--|---|
| Inflation | <p>Provision has been made for inflation based on projections provided by Business and Economic Research Ltd. The indices have been applied on a weighted average cumulative basis over the financial years 2009/2010 to 2018/2019 and range from 2.63% to 2.88% on an annual basis.</p> <p>The price level change adjustors published in September 2008 have been used. The revised price level change adjustors published in March 2009 were reviewed, but the changes did not materially impact the indices originally applied and thus no subsequent adjustment was made.</p> |
| Rating Base | The Rating Base is expected to grow by varying amounts from 0.5% to 1.2% per year. |
| Term of Debt and Interest Rate | <p>The average term of debt is 20 years for loans other than the wastewater project.</p> <p>The wastewater project has a debt term of 40 years.</p> <p>The weighted average interest rate for loans is forecast at between 7% and 7.9%.</p> |
| Capital Works Funding | Capital works with a cost in excess of \$100,000 [other than renewals] will be funded from either rates, debt or cash reserves. Capital renewal will be funded fully from rates. Depreciation is not funded. |
| Expected Interest Rate on Investments | Interest on investments will be an average of 4%. |
| Income | Income figures are based on the Revenue and Financing Policy. |
| Economy | The current adverse economic conditions have been forecast to last for two years with gradual improvement after that. |
| Useful life of Significant Assets | Refer to Accounting Policy 10, Depreciation. |
| Sources of Funds for future replacement of Significant Assets | This will be a mixture of rate funding, debt funding and special reserves. |
| Re-valuation of Non-Current Assets | <p>Land and Buildings – 2009, 2014, 2019</p> <p>Library Books – 2011, 2016</p> <p>Infrastructure Assets – 2013, 2018</p> <p>Refer to Schedule 4 containing proposed amendments to financial statements arising from revaluation of assets.</p> <p>Current information held by Council is not certain enough to provide a basis for revaluation, as required by paragraph 17 of FRS-42, relating to prospective financial standards.</p> <p>Any adjustments to net asset values, as a result of revaluation would have no effect on rates funding, but would change depreciation expenses, the Prospective Comprehensive Income Statement and Prospective Statement of Financial Position.</p> |
| New Zealand Transport Agency Subsidy Rates | Will remain at current levels. |

Significant Forecasting Assumptions

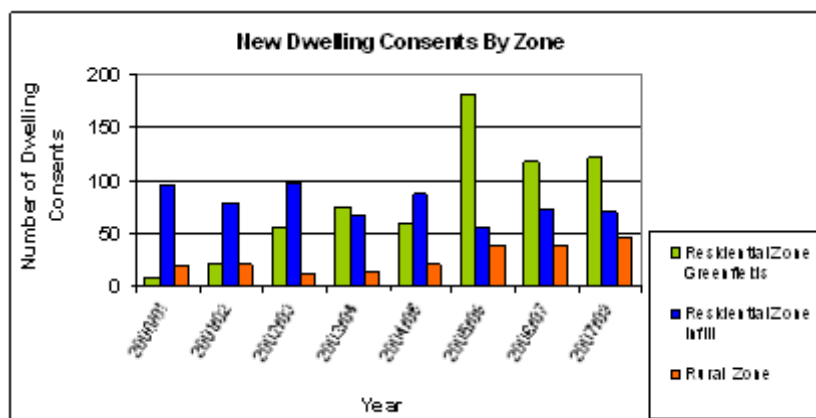
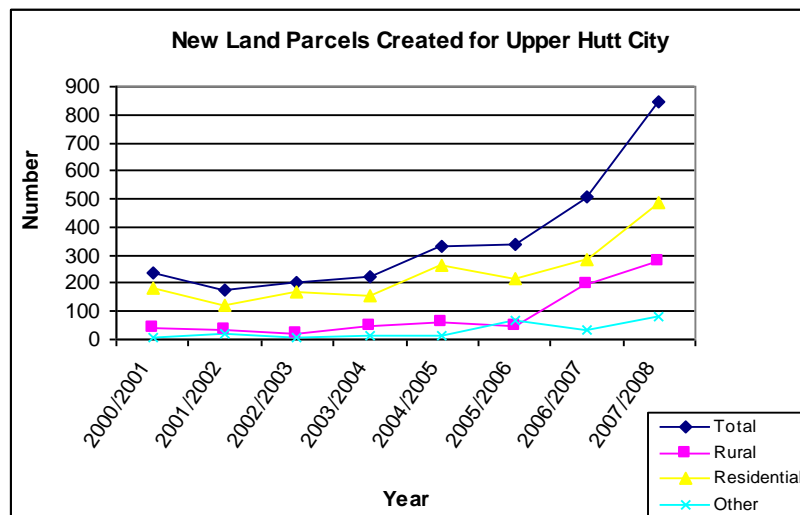
| Factor | Growth Assumption |
|--------|-------------------|
|--------|-------------------|

Population Growth

| | |
|---|--------|
| Census Night Population Statistics NZ 2006 | 38,916 |
| Estimated Resident Population Statistics NZ 2006 | 38,415 |
| Statistics NZ High Population Projection: 2006 (base) - 2021 | 43,500 |
| UHCC Population Possible Projection - 2021 | 41,000 |

Council expects Upper Hutt's population to grow slightly over the next ten years.

Council considers that a number of factors will contribute to the population increasing, including continuing subdivision and housing activity, which provides an excellent choice of housing options. While growth in subdivision and new dwellings is projected to slow over the next three years and then stabilise at a lower level, there will still continue to be growth.



- The cost of housing in Upper Hutt, especially for housing suitable for families, is very competitive within the Wellington metropolitan area. As shown in the graph below, the median sale price in Upper Hutt, for the last

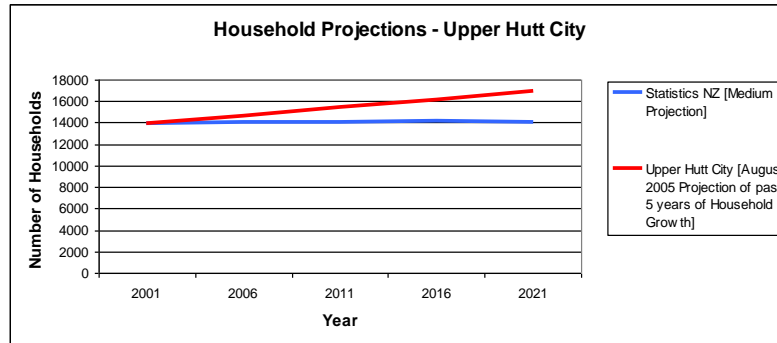
Significant Forecasting Assumptions

| Factor | Growth Assumption | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|--|---|--|---|---|--------|--|--------|---|--------|---|--------|-----|-----|------|-----|-----|------|-----|-----|------|-----|-----|------|-----|-----|------|-----|-----|------|-----|-----|------|-----|-----|------|-----|-----|
| | <p>10 years, has ranged from 10%-26% less than the rest of the Wellington Region.</p> <div data-bbox="443 405 1174 824" data-label="Figure"> <table border="1"> <caption>Upper Hutt Median Sale Price 1998-2008 (\$000)</caption> <thead> <tr> <th>Year</th> <th>Wellington Region - avg median sale price</th> <th>Upper Hutt City - median sale price</th> </tr> </thead> <tbody> <tr><td>1998</td><td>150</td><td>120</td></tr> <tr><td>1999</td><td>160</td><td>130</td></tr> <tr><td>2000</td><td>170</td><td>140</td></tr> <tr><td>2001</td><td>180</td><td>150</td></tr> <tr><td>2002</td><td>190</td><td>160</td></tr> <tr><td>2003</td><td>200</td><td>170</td></tr> <tr><td>2004</td><td>210</td><td>180</td></tr> <tr><td>2005</td><td>220</td><td>190</td></tr> <tr><td>2006</td><td>230</td><td>200</td></tr> <tr><td>2007</td><td>240</td><td>210</td></tr> <tr><td>2008</td><td>250</td><td>220</td></tr> </tbody> </table> </div> <ul style="list-style-type: none"> • There are a range of quality leisure attractions. • The environment, with the river, hills and trees is highly attractive. • Although current market conditions are of concern Council is still expecting positive economic growth in the medium term. Examples include the Alexander Road and Eastern Hutt Road industrial parks. • Additional land will be prepared with services for employment related activities in the near future. For example the Wallaceville industrial development at Alexander Road has not yet been completed, but subdivision consent has been granted for over 100 lots. • Overall, the attractiveness of the city will improve and more people will remain living here. | Year | Wellington Region - avg median sale price | Upper Hutt City - median sale price | 1998 | 150 | 120 | 1999 | 160 | 130 | 2000 | 170 | 140 | 2001 | 180 | 150 | 2002 | 190 | 160 | 2003 | 200 | 170 | 2004 | 210 | 180 | 2005 | 220 | 190 | 2006 | 230 | 200 | 2007 | 240 | 210 | 2008 | 250 | 220 |
| Year | Wellington Region - avg median sale price | Upper Hutt City - median sale price | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 1998 | 150 | 120 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 1999 | 160 | 130 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2000 | 170 | 140 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2001 | 180 | 150 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2002 | 190 | 160 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2003 | 200 | 170 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2004 | 210 | 180 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2005 | 220 | 190 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2006 | 230 | 200 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2007 | 240 | 210 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2008 | 250 | 220 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <p>Household Growth</p> | <table border="1"> <tbody> <tr> <td>Census Night Occupied Households Statistics NZ 2006</td> <td>14,253</td> </tr> <tr> <td>Estimated Occupied Households Statistics NZ 2006</td> <td>14,400</td> </tr> <tr> <td>Statistics NZ High Household Projection - 2021</td> <td>15,700</td> </tr> <tr> <td>Statistics NZ Med Household Projection - 2021</td> <td>14,600</td> </tr> <tr> <td>UHCC Household Possible Projection - 2021</td> <td>16,900</td> </tr> </tbody> </table> <p>The number of households is expected to increase, perhaps to 16,900 households by 2021, based on recent development trends, as shown in the following graph.</p> | Census Night Occupied Households Statistics NZ 2006 | 14,253 | Estimated Occupied Households Statistics NZ 2006 | 14,400 | Statistics NZ High Household Projection - 2021 | 15,700 | Statistics NZ Med Household Projection - 2021 | 14,600 | UHCC Household Possible Projection - 2021 | 16,900 | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Census Night Occupied Households Statistics NZ 2006 | 14,253 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Estimated Occupied Households Statistics NZ 2006 | 14,400 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Statistics NZ High Household Projection - 2021 | 15,700 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Statistics NZ Med Household Projection - 2021 | 14,600 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| UHCC Household Possible Projection - 2021 | 16,900 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

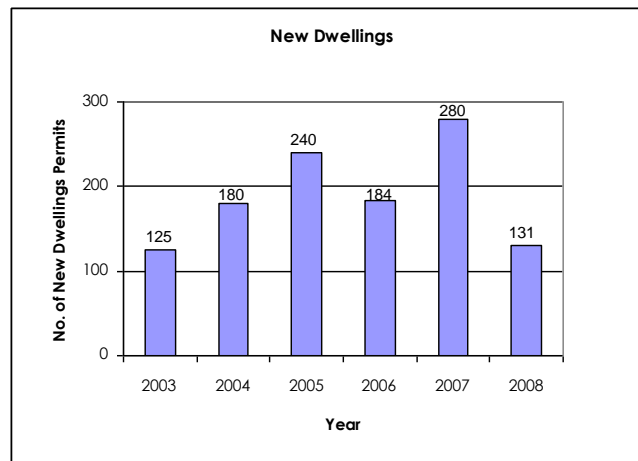
Significant Forecasting Assumptions

Factor Growth Assumption

Household Occupancy



An average of 190 new dwelling permits have been issued per year over the past six years – nearly four new dwellings per week are being created.



There were 2.6 persons per household in 2006.

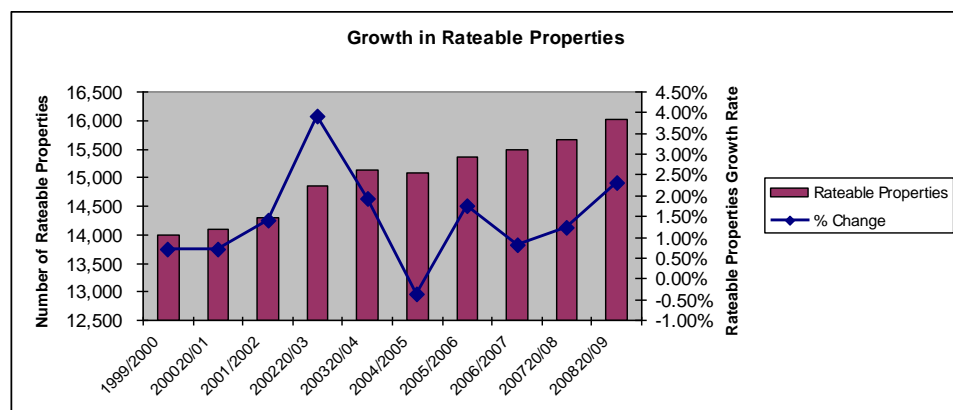
Statistics NZ medium population projections show occupancy dropping to 2.4 persons per household by 2021.

Business Growth

Continuing business growth is expected. Council expects that new business developments will generally not place undue additional demand on infrastructural services.

However, as part of the Urban Growth Strategy, there may be a need to address specific pressure points for roading, water, and wastewater. These will be reviewed, as appropriate, once the strategy is completed.

Rating Base: Number of Rateable Properties



Significant Forecasting Assumptions

| Factor | Growth Assumption |
|--|---|
| | Over the past ten years, the number of rateable properties has grown by an average of 1.44% per year. For forecasting purposes, and given the level of subdivision and building activity identified above, Council projects that the rating base will grow by an average 0.9% over the next ten years. |
| Factor | Level of Service Assumption |
| Parks and Reserves | The overall network will be improved to meet demands arising from the community. New areas of residential growth will need new reserves. |
| H²O Xtream | The facility will be improved to maintain its position as a regional market leader in aquatic fun. |
| Library | Detailed planning is to commence with the intention of carrying out a major upgrade of the library service to meet LIANZA standards. |
| Expressions Arts and Entertainment Centre | The facility is generally adequate to meet the demand from the growth forecast. |
| Akatarawa Cemetery | The facility is generally adequate to meet future demand arising from the growth forecast. |
| Land Transport | <p>Over the past ten years, traffic volumes have been increasing by approximately 2% per year and continuing growth in traffic volumes is expected over the next 20 years.</p> <p>The existing road network is generally adequate for current usage but the population growth predicted in the Urban Growth Study indicates deficiencies on roads such as Fergusson Drive and State Highway 2. The traffic growth predicted in the Urban Growth Strategy will be modelled. Any deficiencies which are identified will be addressed.</p> |
| Water Supply | <p>Water storage – 550 litres per head per day.</p> <p>The overall water supply network and storage will generally be adequate to meet future demand arising from the growth now forecast for Upper Hutt although development in some specific areas will require upgrade of the network. The growth predicted in the Urban Growth Strategy will be modelled and any deficiencies identified for mitigation. There will be a need to address specific pressure points, however over time the whole network is progressively upgraded.</p> <p>Council notes that the regional bulk water supply system is nearing capacity, and that this will impact on Upper Hutt customers if nothing is done. Options are currently being considered by the Greater Wellington Regional Council.</p> |
| Wastewater | Modelling of the network using the growth predicted by the Urban Growth Strategy had identified some areas that will need to be upgraded. These deficiencies have been included in the asset plan for mitigation. |
| Stormwater | <p>The demand on the stormwater system is expected to increase as a result of an increase in runoff from paved and built areas.</p> <p>The existing reticulated stormwater system is already under the current design standards in most of the older areas of the city and this situation</p> |

Significant Forecasting Assumptions

| Factor | Level of Service Assumption |
|-------------------------------|--|
| | may be further exacerbated by infill housing. The system will be modelled using the growth predicted in the Urban Growth Strategy and policies determined to deal with the lack of capacity. |
| Asset Management Plans | Council's assets will be maintained in accordance with the asset management plans. |

Policy on Public-Private Partnerships

Introduction

This policy outlines conditions under which the Council will enter into business partnerships with the private sector. Such a public-private partnership, as allowed for in the Local Government Act 2002, can be an arrangement involving grants, loans, investments, commitment or resources and guarantees.

Under stringent assessment criteria and conditions, each potential partnership is scrutinised. The Council will evaluate potential risks alongside forecast benefits and implement a risk management strategy where necessary.

Policy on Public - Private Partnerships

This policy outlines the conditions under which Council will consider entering into a Public-Private Partnership (PPP), as required under section 107 of the Local Government Act 2002 (LGA 2002).

1. Definition

A Public-Private Partnership includes any significant agreement or arrangement that is entered into between one or more local authorities and one or more persons engaged in business and does not include:

- a contract for the supply of goods or services to or on behalf of a local authority; or
- arrangements where the only parties are local authorities, or Council and Council controlled organisations.

A partnership is defined in the LGA 2002 as being any arrangement involving grants, loans, investments, commitments of resources or guarantees given to one or more persons engaged in business by one or more local authorities.

This policy sets out the processes that Council will adopt with respect to entering into a Public-Private Partnership.

2. Circumstances

The Council may consider entering into a Public-Private Partnership where an activity has been identified in the Council's Long Term Council Community Plan or Annual Plan as a community priority or desirable community outcome.

The circumstances where a Public-Private Partnership may be entered into are likely to be limited to one or more of the following:

- Where the Council may be unwilling or unable to bear all of the risk (usually though not always defined in terms of financial risks) of a particular project itself.
- Where the Council may believe a particular project is of significant community benefit, but may have legal restrictions on its power to participate fully in that project.
- Where neither the Council nor a private provider would otherwise provide the services or activity without the partnership.
- Where there are identifiable advantages in the project or activity being undertaken as a Public-Private Partnership rather than by either of the parties separately.
- Where the benefits to the community are greater than the costs of the Public-Private Partnership.

Partnerships are expected to provide benefit to both the local authority and the private sector.

Policy on Public-Private Partnerships

3. Conditions

The Council will enter into a partnership only where it expects that the partnership will help achieve the community outcomes or objectives in the Council Long Term Council Community Plan, but nothing in this policy commits the Council entering into such a partnership even if it will help achieve community outcomes or objectives.

Before entering into a Public-Private Partnership, the Council must be satisfied that:

- The partnership will help achieve the community outcomes or objectives identified in the Council Long Term Council Community Plan.
- The benefit from the partnership is greater than the costs and risks.
- The Council is satisfied that the partner has demonstrated an ability to meet the terms of any agreement.
- All necessary consents, licenses or other approvals have been obtained prior to any financial commitment by the Council.
- The partnership and its proposed business are lawful.
- A clear exit/termination strategy is agreed.
- Roles, responsibilities and liabilities of each partner are clearly defined.

The Council will not enter into a Public-Private Partnership where:

- The activity is primarily speculative in nature.
- The cost or risk of the partnership is judged to be greater to the community than the benefits that would accrue.

Other conditions may be imposed as considered appropriate by the Council.

4. Consultation

The Council will undertake consultation on any revision of this policy as part of a Council Long Term Council Community Plan.

Where the Council decides to undertake a Public-Private Partnership, it will not have to undertake further consultation. However, it may undertake additional consultation where:

- A partnership is assessed as being greatly beneficial, but falls outside the conditions or circumstances identified in this policy.
- The partnership would result in significant positive or negative changes in service levels, as defined in the Council's Significance Policy.
- The proposal would have a material impact on the Council's projected budgets, performance measures, outcomes or other objectives.
- Ownership or control of a significant asset (as defined in the Council's Significance Policy) is to be transferred to or from the Council.
- The proposed partnership is likely to attract considerable public interest in whether or not the partnership with the private sector should proceed.

Where practicable, consultation on Public-Private Partnerships under the above criteria will take place under the Annual Plan or Council Long Term Council Community Plan process. Alternatively, a separate special consultative procedure may be undertaken.

5. Risk Management

When considering a Public-Private Partnership, the potential risks to the Council will be outlined and where the risks are considered significant, the Council will assess the level of the risks against its benefits and management strategies.

Risks which may be considered are:

- Design and construction risk.
- Commissioning and operating risk.
- Service and under-performance risk.
- Maintenance risk.
- Risk of change to the legal or regulatory environment.
- Risk of legal challenge.

Policy on Public-Private Partnerships

- Technology obsolescence risk.
- Planning risk.
- Price risk.
- Taxation risk.
- Residual value risk.
- Demand or valuation risk.
- Occupational safety and health risk.
- The relative investment of the private sector partner.
- The level of experience/track record of the partner.
- Risk to the Council's reputation and that of Upper Hutt City generally.
- Insurance coverage and limitations.
- Risk to the capacity of the Council to carry out its activities, now and in the future.
- Risk to property.
- Protection of any intellectual property.
- Any other risks identified.

Where risks exist and a partnership is to be agreed, a risk management strategy will be put in place to minimise or provide cover for that risk to the Council's satisfaction. Risk management in any or all of the above areas may be specified as being the Council's responsibility or that of the partner.

6. Formation of a Public-Private Partnership

The formation of a Public-Private Partnership that meets the conditions of this policy will be by Council resolution.

7. Monitoring and Reporting

Progress reports on specific issues and financial performance will be presented regularly to the appropriate Council Committee.

The overall performance will be included in the Council's Annual Report.

Policy on Significance

Purpose

The general purpose of Council's Policy on Significance, prepared in accordance with s90 of the Local Government Act 2002 [the Act], is to set out:

- How Council will determine the degree of significance of a proposal or decision in relation to issues, assets, or other matters; and
- How Council will manage the decision-making process, including consultation and demonstrating transparency, as a result of that assessment of significance.

General Approach to Determining Significance

1. General Principles

At the earliest stage in the decision-making process, consideration must be given to the significance of an issue, proposal or other matter.

The Flowchart on the following page summarises the process.

When determining the significance of proposals and decisions in relation to issues, assets or other matters, Council will have regard to the extent to which these:

- Promote the social, economic, environmental, and cultural well-being of communities, in the present and for the future; or
- Have consequences or impacts on residents, ratepayers and businesses; or
- In relation to land or a body of water, have wide interest for Maori within Upper Hutt generally; or
- Have wide public interest within Upper Hutt City generally; or
- Have impacts on Council's capacity to meet its statutory responsibilities now and in the future; or
- Are set down in the Local Government Act 2002 as being significant [refer to section 3]; or
- Have been clearly described already in the Long Term Council Community Plan (LTCCP), including the nature and extent of the proposed action.

2. Levels of Significance

Council will then categorise and process the matter in one of three ways, namely:

(a) Operational Matters

The matter concerns the day-to-day operations of Council, is carried out under delegated authority and is in accordance with the Long Term Council Community Plan, Annual Plan or relevant legislation. No further assessment of significance is required.

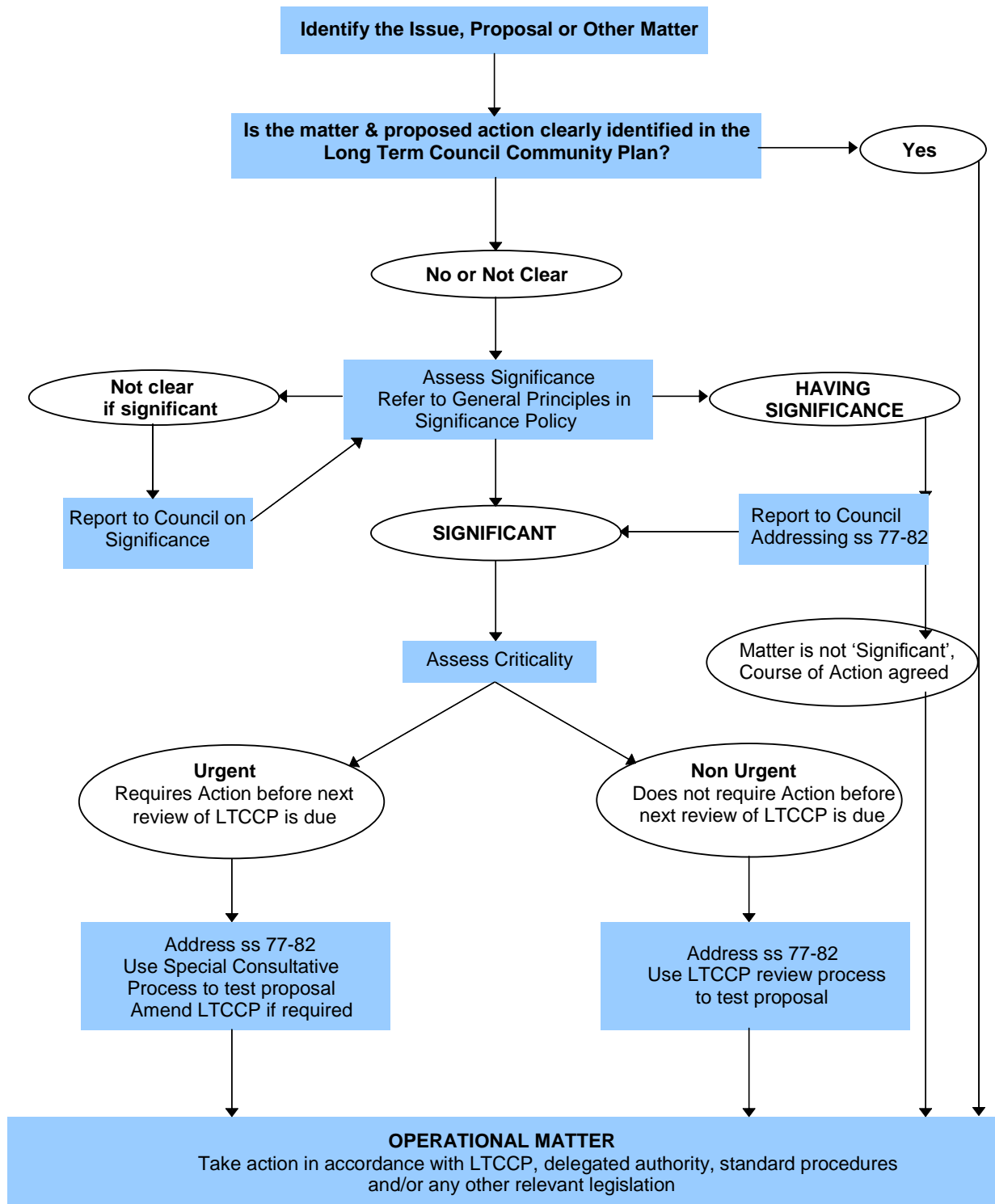
Procedure:

Where a decision is authorised by Council to be made under delegated authority, then Council will maintain an appropriate formal record, as required under the relevant Act.

Explanation:

By keeping a formal record, there is an opportunity for any affected person to check the basis on which the decision has been made, and to challenge if they consider the requirements of the relevant legislation have not been met.

Policy on Significance



Process for Assessing Significance

(b) Having Significance

The matter has significance, but is not sufficiently important to be 'significant', and requires a Council resolution before action may be taken.

Policy on Significance

Procedure:

Council is required to make decisions on those matters that are not already covered by the Long Term Council Community Plan, including where there is a material change from a proposed course of action.

Where a decision is to be made by Council resolution, the report put to Council, or to any Committee of Council, will address transparently the requirements identified in sections 77 to 82 of the Act.

When, following such deliberation, Council considers that the matter is 'significant', then the procedure for managing 'significant' matters, set out in 2.2(c), will be used.

Explanation:

By making the matters identified in sections 77 to 82 on the decision-making process transparent in the relevant report to the Council or any of its Committees, Councillors and the public at large will be able to assess if Council has sufficient information from which to make a decision.

(c) Significant

The matter is of the highest level of significance and requires a clear statement of the proposal, use of the special consultative procedure and a final Council resolution before action may be taken.

Procedure:

Generally, Council will endeavour to clearly identify and debate 'significant' proposals through the Long Term Council Community Plan process.

In special circumstances, where the 'significant' matter is unforeseen and a decision is required quickly, then Council will invoke the special consultative procedure at an appropriate time, by resolution. Where required by legislation, the relevant part of the Long Term Council Community Plan will be reviewed.

Where discretion is involved in categorising the matter as 'significant' rather than 'having significance', a report will be put to Council as soon as possible for a decision on its level of significance.

Explanation:

By requiring the special consultative process is used in decision-making, Council is meeting the highest requirement in the Act for informing the public of what it is proposing, and enabling formal submissions on the proposal to be heard. This will ensure Council has sufficient information from which to make a decision on the matter.

3 'Significant' Matters in the Act**3.1 Introduction**

The Local Government Act 2002 specifically identifies a number of situations that are effectively classed as being 'significant'. These are listed on the following page.

3.2 Strategic Assets

The following are considered to be strategic assets for Upper Hutt City Council in terms of the Act:

- Upper Hutt City roading network as a whole.
- Upper Hutt City Civic Complex, including the Library, Civic Administration Building, the Expressions Arts and Entertainment Centre and H²OXstream.
- Upper Hutt City reserves network as a whole, being reserves managed by Council and classified under the Reserves Act 1977.
- Upper Hutt City water supply system, as a whole.

Policy on Significance

- Upper Hutt City stormwater system, as a whole.
- Upper Hutt City wastewater system, as a whole, including the Upper Hutt City Council share of the Hutt Valley Wastewater System.
- Akatarawa Cemetery

For the removal of doubt, each strategic asset is listed as a whole entity, and the term 'strategic asset' does not apply to the individual elements of that asset.

Under section 97(1)(b) and (c) of the Act, the following types of decision are effectively 'significant', and a decision can only be taken if explicitly provided for in the long-term council community plan and the statement of proposal:

- A decision to transfer the ownership or control of a strategic asset to or from a local authority;
- A decision to construct, replace or abandon a strategic asset

3.3 Significant Activities

The following are considered to be significant activities for Upper Hutt City Council:

- Democratic Process, as a whole
- Recreation, Leisure, Community and Cultural Services, as a whole, including Parks and Reserves, Recreation and Community Affairs, Libraries and H²O Xstream
- Emergency Management, as a whole
- Environmental Services, as a whole
- Land Transport, as a whole
- Water Services, including water supply, wastewater and stormwater, as a whole

For the removal of doubt, each significant activity is listed as a whole entity, and the term 'significant activity' does not apply to the range of component activities carried out under each significant activity.

(a) Change in Intended Level of Service

Under section 97(1)(a) of the Act, the following type of decision is effectively 'significant', and a decision can only be taken if explicitly provided for in the long-term council community plan and the statement of proposal:

- A decision to alter significantly the intended level of service provision for any significant activity undertaken by or on behalf of the local authority, including the decision to commence or cease any such activity.

The following 'significant' thresholds shall apply for Upper Hutt City Council:

- Commencing or ceasing a significant activity
- Changing Council's total annual rates funding requirement by 10%, or 50% of the total annual rates funding for the significant activity, whichever is the lesser amount.

(b) Change in Mode of Delivery

Under section 88 of the Act, Council must use the special consultative procedure, or have already explicitly provided for the proposal in the long term council community plan and statement of proposal, where it wants to alter the mode by which a significant activity is undertaken by, or on behalf of Council, as follows:

- A change from delivery of the activity by the local authority itself to delivery of the activity by a council-controlled organisation in which the local authority is a shareholder; or
- A change from delivery of the activity by the local authority itself to delivery of the activity by another organisation or person; or
- A change from the delivery of the activity by a council-controlled organisation in which the council is a shareholder to delivery of the activity by another organisation or person.

Policy on Significance

3.4 Significant Alteration to Council's Capacity

Under section 97(1)(d) of the Act, the following type of decision is effectively 'significant', and a decision can only be taken if explicitly provided for in the long-term council community plan and the statement of proposal:

- A decision that will directly, or indirectly, significantly affect the capacity of the local authority, or the cost to the local authority, in relation to any activity identified in the long-term council community plan.

The following 'significant' thresholds shall apply for Upper Hutt City Council:

- Changing Council's total annual rates funding requirement by 10%, or 50% of the total annual rates funding for any activity, whichever is the lesser amount.

For the removal of doubt, the term 'activity' refers to the list of Council Activities identified in the Long Term Council Community Plan.

Quality Assurance Statement

The quality of Council's activities during the year will be demonstrated by:

1. **Level of Community Satisfaction**

This will be measured by a professionally designed survey to be conducted in February/March each year. The survey results provide an independent quality assessment of the levels of service and facilities provided for each of the major activities.

The benchmarks have been established from prior surveys. Measurement and actual results for the year's performance will be expressed as the percentage of the total respondents to the survey who expressed a satisfactory or better opinion.

The survey, conducted by telephone, interviews 400 randomly selected members of the community, and has a statistical accuracy of plus or minus 4.9%. The survey is a valuable and reliable tool in identifying the community's views on the quality of the various services and facilities provided by Council. The survey also questions what improvements could be made to improve the facility and/or service provided. In addition, it questions satisfaction levels around Council Communication, Councillor Performance and the City Vision. As well as satisfaction levels with eleven different aspects of living in Upper Hutt, such as safety, appearance and range of transport options available.

The results play an important role in helping Council to plan for future activities and in implementing initiatives to improve the services and facilities provided.

2. **Quality Assurance Programme**

The essential elements of this programme, followed by Council Officers, is to ensure that work is carried out to a required standard. The elements include:

(a) **Materials**

The quality of materials is achieved by ensuring that personnel, qualified in a particular field, are involved. At times, it may be necessary for the goods to be inspected, tested and certified at the factory. This is to ensure that they comply with appropriate NZ standards.

(b) **Supervision**

The work is supervised by a person with relevant qualifications. The work is checked while in progress and upon completion to ensure that it is carried out in accordance with drawings and specifications.

The progress payments are prepared, certified by the supervisor and verified by the Divisional Manager to ensure that the work has been carried out to the standard required.

(c) **Inspectoral Functions**

Inspectors with relevant qualifications certify that the work has been carried out in accordance with Statutory Requirements, Council Bylaws and other relevant Codes and Regulations.

(d) **Building Control Standards**

The Council's Building Control service is accredited under the Accreditation of Building Consent Authorities Regulations. This ensures that the service maintains required standards in terms of building consent processes, the technical qualifications of staff engaged in this activity, and document management.

Quality Assurance Statement

(e) **Contractual Work**

All contractors employed by Council are required to submit a Quality Assurance Plan prior to work commencing.

3. Audit

Audit NZ undertake an independent review of Council's Long Term Council Community Plan, the Annual Plan and the Annual Report. An Audit Report is provided at the front of each report that covers:

- the extent to which Council's complied with statutory obligations;
- the quality of information (including financial) and underlying assumptions; and
- the extent to which forecast information and performance measures provide a meaningful assessment of the actual levels of service to be provided.

Summary of the Assessment of Water and Sanitary Services 2005

Overview: Water Supply Assessment Summary

The primary goal of the Water Supply function is to provide a safe, reliable and potable supply of water for domestic, business and fire fighting purposes to urban and some rural residential areas within the Upper Hutt.

Urban and some rural residential areas of Upper Hutt are serviced by a fully reticulated water supply system provided by UHCC which distributes treated water purchased from the Greater Wellington Regional Council to homes and businesses.

There are seven private water supplies servicing parks (3), camps/ hostels (3) and a school. These supplies draw water from bores or streams. Individual rural and rural residential properties obtain their water supplies from roof runoff or, to a lesser extent, from streams and bores on their properties.

The key issue identified in the assessment for public water supply schemes is the possibility of the current level of security against raw water shortages being eroded with growth in the region.

The remainder of the district is generally supplied with water sourced from private rainwater tanks, bores or river sources. The way in which this water is stored, treated and reticulated varies widely, from single dwelling households with untreated tank supplies to small communities serviced by privately owned systems.

The key issues identified in this Assessment for the private water supply systems include:

- The need for education of private system operators and owners as to the appropriate operation and maintenance procedures for their water supply systems (including rainwater tanks).
- Limited knowledge regarding the management and operation of existing private supplies.

Overview: Wastewater Assessment Summary

The primary goal of the UHCC wastewater function is to provide a safe, reliable and cost effective reticulated system for urban and some rural residential areas, including households and businesses.

The UHCC system of pipes and pump stations discharges wastewater into the Hutt Valley trunk system, which transports wastewater for treatment at Seaview and eventual disposal at the Pencarrow outlet on the southern coast. The administration of the bulk wastewater treatment and disposal facilities is administered by the Hutt City Council and overseen by the Hutt Valley Services Committee, a joint group representing UHCC and Hutt City Council.

The key issue identified relating to public systems is the occurrence of sewage overflows due to excessive stormwater ingress to the wastewater system.

In rural and the unserved rural residential areas wastewater effluent is partially treated in septic tanks and disposed of into onsite soakage fields or evaporation/plant transpiration systems.

The key issue identified in the assessment relating to private wastewater systems is the inadequate design, operation and/or maintenance of on site disposal systems.

Overview: Stormwater Drainage Assessment Summary

The primary goals of the Stormwater function within Council are to provide an efficient, reliable and sustainable stormwater system that is safe and healthy for people and minimise risks to property.

Summary of the Assessment of Water and Sanitary Services 2005

Council provides and maintains stormwater drainage infrastructure in most urban areas of the district. This typically consists of a conventional gravity drainage stormwater system, comprising of a network of pipes and open channels which convey stormwater to natural watercourses. This means that pipes run downhill and are not intended to operate under pressure. In rural and undeveloped areas, public stormwater drainage systems are usually limited to those provided alongside the public road network.

In addition to the public system maintained by UHCC, the Greater Wellington Regional Council manages the main natural watercourses in the district, which include parts of the Pinehaven and Collins Streams, Hulls Creek and the Mangaroa, Akatarawa and Hutt Rivers.

The asset management and catchment management planning have already undertaken a significant amount of work identifying and prioritising stormwater issues in the district, and Council has a good knowledge of system capacity and condition.

The key issues identified in the Assessment are:

- Flooding due to overloading of the stormwater system.
- Flooding due to degradation of secondary flow paths.
- Flooding due to under-capacity of major streams and rivers maintained by the Regional Council.
- Flooding due to pipe blockage or collapses.
- Flooding due to impact of residential development.
- Climate change erodes level of protection offered by the stormwater system.
- Pollution of watercourses due to accidental spills of pollutants (industrial chemicals, oil, etc.).
- Degradation of watercourses due to contaminated stormwater run-off.

Overview: Public Toilets Assessment Summary

UHCC maintains 24 public toilets blocks across the City. There are also a significant number of toilets owned by other organisations and businesses that are available for public use. Public toilets are needed to provide for the comfort of visitors and travellers, users of public spaces and other public activity destinations such as shopping centres, events and other gatherings.

Council has completed a grading of public toilets as part of the Assessment so that it can prioritise the works needed to continue to ensure the protection of public health. Five toilets were identified as offering a lower level of service than desirable with respect to either condition and/or the design of the facility. Works are programmed to address these deficiencies, although the priorities will be reviewed in light of the gradings. An assessment of the ability of existing toilets to meet demand indicates there are sufficient facilities at various locations across the City. Visitor numbers and demand for access to the City's parks for recreational activities will continue to rise and are expected to increase demand for public toilets. Council will continue to monitor the use of public toilets in these locations to ensure that they can adequately meet demand.

In summary, key issues raised were:

- The need to consider the assessment grading scores when prioritising the upgrading or replacement works programme for public toilets.
- The need to continue to allocate funding in the LTCCP for toilet upgrades to enable Council staff to respond in a timely manner to any facilities needing urgent remedial works.
- Completion of a demand analysis and forecast examining the public toilet requirements in the district, particularly with respect to key destinations and travel routes.
- Monitoring of the use of public toilets, particularly those at popular destinations, to ensure that they are able to meet demand.
- Collection of information on all toilets available to the public.

Summary of the Assessment of Water and Sanitary Services 2005

Overview: Cemeteries and Crematoria Assessment Summary

UHCC operates a single cemetery at Akatarawa. There is a privately operated crematorium on the Akatarawa site. The capacity of the Akatarawa cemetery and crematorium can be shown to already adequately provide for the burial needs of the Upper Hutt community well beyond the 20 year planning horizon of the sanitary assessment.

As the level of public satisfaction with cemetery services is very high and no public health issues have been identified during the preparation of this assessment, UHCC considers that the provision of cemetery services in the district is adequate to protect public health.