

# Financial statements

## Upper Hutt City Council

**APRIL 2024**

# Financial statements

## Reporting entity

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

The Upper Hutt City Council 'Group' consists of Council, Whirinaki Whare Taonga Trust (Whirinaki) and Te Aka o te Kupenga Maidstone Park Trust (Te Aka o te Kupenga). For the purposes of the Long Term Plan, 'Council' is Upper Hutt City Council only. Whirinaki and Te Aka o te Kupenga do not materially impact the prospective financial statements, and therefore are not included.

Council has an interest in the Hutt Valley Wastewater Scheme.

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

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

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

## Basis of preparation

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

## Statement of compliance

The prospective financial statements have been prepared in accordance with the requirements of the LGA and the Local Government (Financial Reporting and Prudence) Regulations 2014 (LG(FRP)R) which includes the requirement to comply with generally accepted accounting practice in New Zealand (NZ GAAP).

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

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

## Presentation currency and rounding

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

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 recognized in the Prospective Statement of Financial Performance.

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

## Standards issued and not yet effective and not early adopted

## Measurement basis

### **Historical cost measurement basis**

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

### **Forecast figures**

The forecast figures are those approved by Council after a period of consultation with the public as part of the LTP 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 NZ IPSAS 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

<b>It should be noted that:</b>	<ol style="list-style-type: none"> <li>1. Actual results achieved during the 2023 – 2024 year are likely to vary from the forecasts presented in this document and the variations may prove to be material.</li> <li>2. The information in this document may not be appropriate for purposes other than as described herein.</li> <li>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.</li> </ol>
<b>Historical cost basis</b>	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).
<b>New Zealand currency</b>	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.
<b>Foreign currency</b>	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 recognized in the Prospective Statement of Financial Performance.

## Judgements and estimations

<b>Preparation and policy</b>	The preparation of prospective financial statements using PBE standards requires the use of judgements, estimates and assumptions. Where material, information on the main assumptions is provided in the relevant accounting policy.
<b>Justification</b>	The estimates and assumptions are based on historical experience as well as other factors that are believed to be reasonable under the circumstances. Subsequent actual results may differ from these estimates.
<b>Review</b>	The estimates and assumptions are reviewed on an ongoing basis and adjustments are made where necessary.
<b>Significant effects</b>	Judgements that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in the Statement of Accounting Policies. Significant judgements and estimations include asset revaluations, impairments, certain fair value calculations and provisions.



## Rate funding requirement

Rate funding requirement for each significant activity	Annual Plan Year 3 23/24 (\$000)	Forecast LTP Year 1 24/25 (\$000)	Forecast LTP Year 2 25/26 (\$000)	Forecast LTP Year 3 26/27 (\$000)	Forecast LTP Year 4 27/28 (\$000)	Forecast LTP Year 5 28/29 (\$000)	Forecast LTP Year 6 29/30 (\$000)	Forecast LTP Year 7 30/31 (\$000)	Forecast LTP Year 8 31/32 (\$000)	Forecast LTP Year 9 32/33 (\$000)	Forecast LTP Year 10 33/34 (\$000)
Leadership	4,191	2,037	5,266	5,595	5,804	6,278	6,422	6,129	6,259	6,199	6,326
Land transport	7,712	8,610	10,715	13,001	14,720	15,899	16,029	15,451	14,963	15,045	15,623
Water supply	7,749	11,962	13,933	14,220	15,062	15,953	17,679	19,319	21,297	23,733	25,359
Wastewater	6,866	9,875	10,922	14,288	16,363	17,718	21,949	26,437	31,348	32,756	40,167
Stormwater	1,891	3,722	4,396	4,919	5,236	5,589	6,802	7,945	9,148	10,698	12,155
Sustainability	570	324	478	2,789	3,055	3,199	3,314	5,253	5,514	5,684	5,849
Planning and regulatory services											
- City planning	2,738	2,435	2,772	2,952	3,041	3,146	3,028	2,894	2,906	2,983	3,009
- Building and compliance services	2,137	1,339	1,657	1,858	1,886	2,044	2,089	1,920	1,844	1,977	1,920
Community development											
- Community services	907	615	638	616	644	676	706	657	656	682	685
- Activation	585	397	464	507	537	548	571	535	534	551	552
- Emergency management	385	471	498	524	549	684	695	702	710	719	733

## Facilities

- Parks and reserves	4,906	6,641	8,388	10,848	11,092	11,267	10,868	10,524	10,723	9,795	9,865
- H2O Xstream	2,413	5,999	7,309	10,638	11,103	11,383	10,418	9,595	9,096	9,166	8,850
- Library	3,658	3,739	4,133	4,787	5,108	5,515	5,401	5,439	5,470	5,616	5,646
- Expressions	2,036	2,323	2,241	3,150	3,300	3,557	3,550	3,556	3,674	3,591	3,685
- Property	942	1,467	1,467	1,623	1,655	1,623	1,499	1,526	1,395	1,358	1,396
- Akatarawa cemetery	127	(19)	228	289	239	260	188	86	(22)	(134)	(236)
- Support services	(2)	0	0	0	0	0	0	0	0	0	(0)
Economic development	3,164	2,395	2,631	2,235	2,247	2,312	2,192	2,135	2,153	2,216	2,242
<b>Total Rate Funding Requirement</b>	<b>52,975</b>	<b>64,329</b>	<b>78,136</b>	<b>94,840</b>	<b>101,641</b>	<b>107,650</b>	<b>113,402</b>	<b>120,100</b>	<b>127,667</b>	<b>132,633</b>	<b>143,829</b>

## Funded By

Accumulated General Fund	0	0	0	0	0	0	0	0	0	0	0
Rates Revenue Requirement	52,975	64,329	78,136	94,840	101,641	107,650	113,402	120,100	127,667	132,633	143,829
<b>Total</b>	<b>52,975</b>	<b>64,329</b>	<b>78,136</b>	<b>94,840</b>	<b>101,641</b>	<b>107,650</b>	<b>113,402</b>	<b>120,100</b>	<b>127,667</b>	<b>132,633</b>	<b>143,829</b>
Change in Rating Requirement	7.31%	21.43%	21.46%	21.38%	7.17%	5.91%	5.34%	5.91%	6.30%	3.89%	8.44%
Forecast Growth in the Rating Database	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
<b>Forecast in Net change in overall rate funding requirement</b>	<b>5.81%</b>	<b>19.93%</b>	<b>19.96%</b>	<b>19.88%</b>	<b>5.67%</b>	<b>4.41%</b>	<b>3.84%</b>	<b>4.41%</b>	<b>4.80%</b>	<b>2.39%</b>	<b>6.94%</b>
Less Forecast Inflation # LGCI Berl	0.0%	0.0%	2.7%	2.0%	2.2%	2.2%	2.1%	2.1%	2.0%	2.0%	1.9%
<b>Forecast Real Change in Core Rates Funding Requirement</b>	<b>5.81%</b>	<b>19.93%</b>	<b>17.26%</b>	<b>17.88%</b>	<b>3.47%</b>	<b>2.21%</b>	<b>1.74%</b>	<b>2.31%</b>	<b>2.80%</b>	<b>0.39%</b>	<b>5.04%</b>

## Financial position

Prospective statement of financial position	Annual Plan Year 3 23/24 (\$000)	Forecast LTP Year 1 24/25 (\$000)	Forecast LTP Year 2 25/26 (\$000)	Forecast LTP Year 3 26/27 (\$000)	Forecast LTP Year 4 27/28 (\$000)	Forecast LTP Year 5 28/29 (\$000)	Forecast LTP Year 6 29/30 (\$000)	Forecast LTP Year 7 30/31 (\$000)	Forecast LTP Year 8 31/32 (\$000)	Forecast LTP Year 9 32/33 (\$000)	Forecast LTP Year 10 33/34 (\$000)
<b>EQUITY</b>											
Accumulated Funds	226,738	233,148	231,472	226,339	222,494	216,670	212,689	211,795	215,584	228,120	230,549
Restricted Reserves	23,708	26,659	25,071	31,940	41,337	50,657	60,877	69,830	83,732	86,571	95,776
Asset Revaluation Reserves	720,220	846,672	872,384	982,405	982,405	1,004,044	1,117,495	1,117,495	1,140,270	1,236,408	1,236,408
<b>Total Equity</b>	<b>970,666</b>	<b>1,106,479</b>	<b>1,128,927</b>	<b>1,240,683</b>	<b>1,246,235</b>	<b>1,271,371</b>	<b>1,391,062</b>	<b>1,399,120</b>	<b>1,439,586</b>	<b>1,551,098</b>	<b>1,562,734</b>
<b>ASSETS</b>											
Current Assets											
Cash and Cash Equivalents	7,521	10,707	9,965	9,762	8,988	10,475	9,435	8,416	8,039	7,443	7,557
Other Financial Assets	16,573	17,927	14,625	20,821	26,463	32,450	41,064	45,924	56,248	55,945	61,611
Derivative Financial Instruments	0	0	0	0	0	0	0	0	0	0	0
Trade and Other Receivables	7,828	7,345	7,552	7,706	7,875	8,043	8,200	8,358	8,508	8,658	8,800
Assets held for sale	206	600	600	600	600	600	600	600	600	600	600
Inventories	0	0	0	0	0	0	0	0	0	0	0
<b>Total Current Assets</b>	<b>32,128</b>	<b>36,578</b>	<b>32,741</b>	<b>38,889</b>	<b>43,926</b>	<b>51,567</b>	<b>59,298</b>	<b>63,297</b>	<b>73,394</b>	<b>72,646</b>	<b>78,569</b>



## Non-Current Assets

Non-Current Financial Assets	2,929	6,132	6,699	7,114	7,483	7,821	8,143	8,460	9,353	9,916	9,877
Derivative Financial Instruments	0	5,000	5,000	5,000	8,000	8,000	8,000	10,000	10,000	10,000	10,000
Trade and Other Receivables	22	15	11	7	3	0	0	0	0	0	0
Operational Property, Plant & Equipment	76,788	94,536	101,349	100,898	99,777	105,596	106,639	106,088	112,379	112,258	115,199
Aquatic Assets	42,540	63,648	66,310	63,635	60,970	63,942	61,285	58,625	72,773	72,678	70,036
Restricted Property, Plant & Equipment	117,987	147,935	159,191	157,924	157,151	166,548	167,245	167,274	177,460	178,382	176,964
Infrastructural Assets	885,931	1,003,793	1,039,230	1,172,968	1,187,515	1,201,604	1,331,195	1,349,500	1,386,544	1,529,956	1,527,692
Intangible Assets	2	0	0	0	0	0	0	0	0	0	0
<b>Total Non-Current Assets</b>	<b>1,126,199</b>	<b>1,321,058</b>	<b>1,377,791</b>	<b>1,507,546</b>	<b>1,520,900</b>	<b>1,553,511</b>	<b>1,682,507</b>	<b>1,699,948</b>	<b>1,768,509</b>	<b>1,913,189</b>	<b>1,909,768</b>
<b>Total Assets</b>	<b>1,158,327</b>	<b>1,357,637</b>	<b>1,410,532</b>	<b>1,546,435</b>	<b>1,564,826</b>	<b>1,605,078</b>	<b>1,741,806</b>	<b>1,763,245</b>	<b>1,841,903</b>	<b>1,985,835</b>	<b>1,988,336</b>

## LIABILITIES

## Current Liabilities

Payables and deferred revenue	9,900	16,400	16,843	17,171	17,532	17,892	18,237	18,581	18,909	19,237	19,549
Derivative Financial Instruments	217	0	0	0	0	0	0	0	0	0	0
Employee Entitlements	684	1,500	1,541	1,571	1,604	1,637	1,668	1,700	1,730	1,760	1,788
Borrowings - Current	12,816	11,763	12,617	13,753	14,671	15,202	16,251	17,228	19,402	20,989	25,596
<b>Total Current Liabilities</b>	<b>23,617</b>	<b>29,663</b>	<b>31,000</b>	<b>32,494</b>	<b>33,806</b>	<b>34,731</b>	<b>36,156</b>	<b>37,509</b>	<b>40,041</b>	<b>41,985</b>	<b>46,933</b>

Non Current Liabilities											
Derivatives Financial Instruments	2,457	0	0	0	0	0	0	0	0	0	0
Employee Entitlements	314	250	257	262	267	273	278	283	288	293	298
Borrowings - Term Portion	161,273	221,245	250,349	272,996	284,518	298,702	314,309	326,333	361,989	392,458	378,372
<b>Total Non Current Liabilities</b>	<b>164,044</b>	<b>221,495</b>	<b>250,605</b>	<b>273,257</b>	<b>284,785</b>	<b>298,975</b>	<b>314,587</b>	<b>326,616</b>	<b>362,277</b>	<b>392,751</b>	<b>378,670</b>
<b>Total Liabilities</b>	<b>187,661</b>	<b>251,158</b>	<b>281,606</b>	<b>305,752</b>	<b>318,591</b>	<b>333,706</b>	<b>350,744</b>	<b>364,125</b>	<b>402,318</b>	<b>434,737</b>	<b>425,603</b>
<b>NET ASSETS</b>	<b>970,666</b>	<b>1,106,479</b>	<b>1,128,927</b>	<b>1,240,683</b>	<b>1,246,235</b>	<b>1,271,371</b>	<b>1,391,062</b>	<b>1,399,120</b>	<b>1,439,586</b>	<b>1,551,098</b>	<b>1,562,734</b>

## Comprehensive revenue and expense

Prospective statement of comprehensive revenue and expense	Annual Plan Year 3 23/24 (\$000)	Forecast LTP Year 1 24/25 (\$000)	Forecast LTP Year 2 25/26 (\$000)	Forecast LTP Year 3 26/27 (\$000)	Forecast LTP Year 4 27/28 (\$000)	Forecast LTP Year 5 28/29 (\$000)	Forecast LTP Year 6 29/30 (\$000)	Forecast LTP Year 7 30/31 (\$000)	Forecast LTP Year 8 31/32 (\$000)	Forecast LTP Year 9 32/33 (\$000)	Forecast LTP Year 10 33/34 (\$000)
<b>Revenue</b>											
Rates	53,215	64,569	78,383	95,091	101,898	107,912	113,669	120,372	127,944	132,915	144,115
Fees and Charges	4,545	5,559	8,546	8,753	8,965	9,196	9,435	9,693	9,949	10,228	10,519
Development and Financial Contributions	2,608	1,950	3,598	2,618	1,924	1,964	2,002	2,039	2,075	2,111	2,146
Subsidies and Grants	12,619	9,381	8,129	7,129	9,528	6,726	9,201	8,842	16,044	16,369	6,855
Interest and Dividends	400	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Other revenue	9,208	7,989	5,756	5,722	5,266	4,890	4,799	4,806	4,918	4,821	4,827
<b>Total Revenue</b>	<b>82,595</b>	<b>90,449</b>	<b>105,412</b>	<b>120,313</b>	<b>128,581</b>	<b>131,688</b>	<b>140,106</b>	<b>146,752</b>	<b>161,930</b>	<b>167,444</b>	<b>169,462</b>
<b>Expenditure</b>											
Personnel Costs	19,340	18,421	20,108	20,488	20,918	21,349	21,760	22,171	22,562	22,953	23,325
Depreciation and amortisation expense	21,242	24,214	28,555	31,492	32,200	33,219	35,277	37,125	39,043	41,759	44,295
Finance Costs	6,775	9,395	11,798	13,343	14,571	15,213	15,972	16,831	17,502	19,454	21,108
Bulk drainage levy	3,296	3,996	4,143	4,251	4,359	4,491	4,620	4,566	4,667	4,774	4,887
Bulk water Levy	5,727	7,876	8,089	8,247	8,420	8,593	8,759	8,924	9,082	9,239	9,389
Other expenses	30,889	27,765	35,984	40,756	42,561	45,325	47,479	49,078	51,384	53,890	54,821
<b>Total Operating Expenditure</b>	<b>87,269</b>	<b>91,667</b>	<b>108,677</b>	<b>118,577</b>	<b>123,029</b>	<b>128,190</b>	<b>133,867</b>	<b>138,695</b>	<b>144,240</b>	<b>152,069</b>	<b>157,825</b>
<b>Surplus / (Deficit) before tax</b>	<b>(4,674)</b>	<b>(1,218)</b>	<b>(3,265)</b>	<b>1,736</b>	<b>5,552</b>	<b>3,498</b>	<b>6,239</b>	<b>8,057</b>	<b>17,690</b>	<b>15,375</b>	<b>11,637</b>
Revenue tax expense	0	0	0	0	0	0	0	0	0	0	0

<b>Surplus / (Deficit) before and after tax</b>	<b>(4,674)</b>	<b>(1,218)</b>	<b>(3,265)</b>	<b>1,736</b>	<b>5,552</b>	<b>3,498</b>	<b>6,239</b>	<b>8,057</b>	<b>17,690</b>	<b>15,375</b>	<b>11,637</b>
<b>Other comprehensive revenue</b>											
Gains / (Loss) on infrastructure assets revaluation	0	0	0	110,021	0	0	113,451	0	0	96,138	0
Financial assets at fair value through equity	0	0	0	0	0	0	0	0	0	0	0
Gains on Operational, Aquatic and restricted assets revaluation	0	0	25,712	0	0	21,640	0	0	22,774	0	0
<b>Total Other Comprehensive Revenue for the Year , net of tax</b>	<b>0</b>	<b>0</b>	<b>25,712</b>	<b>110,021</b>	<b>0</b>	<b>21,640</b>	<b>113,451</b>	<b>0</b>	<b>22,774</b>	<b>96,138</b>	<b>0</b>
<b>Total Comprehensive Revenue for the year</b>	<b>(4,674)</b>	<b>(1,218)</b>	<b>22,447</b>	<b>111,757</b>	<b>5,552</b>	<b>25,138</b>	<b>119,690</b>	<b>8,057</b>	<b>40,464</b>	<b>111,513</b>	<b>11,637</b>

## Cashflow

	Annual Plan Year 3 23/24 (\$000)	Forecast LTP Year 1 24/25 (\$000)	Forecast LTP Year 2 25/26 (\$000)	Forecast LTP Year 3 26/27 (\$000)	Forecast LTP Year 4 27/28 (\$000)	Forecast LTP Year 5 28/29 (\$000)	Forecast LTP Year 6 29/30 (\$000)	Forecast LTP Year 7 30/31 (\$000)	Forecast LTP Year 8 31/32 (\$000)	Forecast LTP Year 9 32/33 (\$000)	Forecast LTP Year 10 33/34 (\$000)
<b>Prospective cash flow statement</b>											
<b>OPERATING ACTIVITIES <sup>1</sup></b>											
Cash was provided from:											
Rates and Other Receipts	71,994	84,779	99,049	114,003	122,720	126,309	134,735	141,382	156,568	162,081	164,105
Interest Received	400	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
	<b>72,394</b>	<b>85,779</b>	<b>100,049</b>	<b>115,003</b>	<b>123,720</b>	<b>127,309</b>	<b>135,735</b>	<b>142,382</b>	<b>157,568</b>	<b>163,081</b>	<b>165,105</b>
Cash was applied to:											
Payments to Suppliers and Employees	(56,645)	(49,052)	(66,516)	(72,364)	(74,832)	(78,488)	(81,227)	(83,286)	(85,875)	(89,092)	(91,882)
Interest Paid	(6,775)	(9,395)	(11,798)	(13,343)	(14,571)	(15,213)	(15,972)	(16,831)	(17,502)	(19,454)	(21,108)
	<b>(63,420)</b>	<b>(58,448)</b>	<b>(78,314)</b>	<b>(85,708)</b>	<b>(89,403)</b>	<b>(93,700)</b>	<b>(97,199)</b>	<b>(100,118)</b>	<b>(103,377)</b>	<b>(108,546)</b>	<b>(112,990)</b>
<b>Net Cash inflow (outflow) from Operating Activities</b>	<b>8,974</b>	<b>27,332</b>	<b>21,736</b>	<b>29,295</b>	<b>34,317</b>	<b>33,609</b>	<b>38,536</b>	<b>42,264</b>	<b>54,191</b>	<b>54,535</b>	<b>52,115</b>
<b>INVESTING ACTIVITIES</b>											

Cash was provided from:											
Proceeds from Sale of Fixed Assets	0	0	0	0	0	0	0	0	0	0	0
Decrease in Investments	0	0	2,479	0	0	0	0	0	0	0	0
	<b>0</b>	<b>0</b>	<b>2,479</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Cash was applied to:											
Increase in Investments	(12,307)	(13,700)	0	(6,730)	(9,297)	(6,442)	(9,062)	(7,303)	(11,343)	(14)	(5,183)
Purchase of Fixed Assets	(43,108)	(78,117)	(54,914)	(46,551)	(38,234)	(40,396)	(47,170)	(48,980)	(81,055)	(87,172)	(37,340)
	<b>(55,415)</b>	<b>(91,817)</b>	<b>(52,435)</b>	<b>(53,281)</b>	<b>(47,531)</b>	<b>(46,838)</b>	<b>(56,232)</b>	<b>(56,283)</b>	<b>(92,398)</b>	<b>(87,186)</b>	<b>(42,523)</b>
<b>Net Cash inflow (outflow) from Investing Activities</b>	<b>(55,415)</b>	<b>(91,817)</b>	<b>(52,435)</b>	<b>(53,281)</b>	<b>(47,531)</b>	<b>(46,838)</b>	<b>(56,232)</b>	<b>(56,283)</b>	<b>(92,398)</b>	<b>(87,186)</b>	<b>(42,523)</b>
<b>FINANCING ACTIVITIES</b>											
Cash was provided from:											
Loan Raised	51,792	55,947	41,727	36,406	26,199	29,392	31,864	29,258	55,064	51,464	11,516
Cash was applied to:											
Loan Repayments	(5,703)	(9,389)	(11,770)	(12,623)	(13,759)	(14,677)	(15,208)	(16,257)	(17,234)	(19,408)	(20,995)
<b>Net Cash inflow (outflow) from Financing Activities</b>	<b>46,089</b>	<b>46,558</b>	<b>29,958</b>	<b>23,783</b>	<b>12,440</b>	<b>14,716</b>	<b>16,656</b>	<b>13,000</b>	<b>37,830</b>	<b>32,056</b>	<b>(9,479)</b>

Cash, Cash Equivalents and Bank Overdrafts as at 01 July	7,874	28,633	10,706	9,965	9,762	8,988	10,475	9,435	8,416	8,039	7,443
Net increase (decrease) in Cash Cash Equivalents and Bank Overdrafts	(352)	(17,927)	(742)	(202)	(774)	1,486	(1,040)	(1,019)	(377)	(596)	114
<b>Cash, Cash Equivalents and Bank Overdrafts as at 30 June</b>	<b>7,522</b>	<b>10,706</b>	<b>9,964</b>	<b>9,763</b>	<b>8,988</b>	<b>10,474</b>	<b>9,435</b>	<b>8,416</b>	<b>8,039</b>	<b>7,443</b>	<b>7,557</b>
<b>Composition of cash</b>											
Cash and bank balances	6,721	5,707	4,965	4,762	3,988	5,475	4,435	3,416	3,039	3,443	4,557
Call account	800	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	4,000	3,000
<b>Closing Cash Balance</b>	<b>7,521</b>	<b>10,707</b>	<b>9,965</b>	<b>9,762</b>	<b>8,988</b>	<b>10,475</b>	<b>9,435</b>	<b>8,416</b>	<b>8,039</b>	<b>7,443</b>	<b>7,557</b>

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

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

**Note(s):**

1. Prospective cash flow from operating activities excludes rates received for and payable to Greater Wellington Regional Council. The net effect of these transactions is \$0.

## Changes in equity

Prospective statement of changes in equity	Annual Plan Year 3 23/24 (\$000)	Forecast LTP Year 1 24/25 (\$000)	Forecast LTP Year 2 25/26 (\$000)	Forecast LTP Year 3 26/27 (\$000)	Forecast LTP Year 4 27/28 (\$000)	Forecast LTP Year 5 28/29 (\$000)	Forecast LTP Year 6 29/30 (\$000)	Forecast LTP Year 7 30/31 (\$000)	Forecast LTP Year 8 31/32 (\$000)	Forecast LTP Year 9 32/33 (\$000)	Forecast LTP Year 10 33/34 (\$000)
Equity at the start of the year	975,340	1,107,698	1,106,479	1,128,927	1,240,683	1,246,235	1,271,371	1,391,062	1,399,120	1,439,586	1,551,098
Total comprehensive income	(4,674)	(1,219)	22,448	111,757	5,552	25,136	119,691	8,057	40,466	111,513	11,635
<b>Prospective Equity at end of year</b>	<b>970,666</b>	<b>1,106,479</b>	<b>1,128,927</b>	<b>1,240,684</b>	<b>1,246,235</b>	<b>1,271,371</b>	<b>1,391,062</b>	<b>1,399,119</b>	<b>1,439,586</b>	<b>1,551,099</b>	<b>1,562,733</b>
Accumulated Funds	226,738	233,148	231,472	226,339	222,494	216,670	212,689	211,795	215,584	228,120	230,549
Asset Revaluation Reserves	720,220	846,672	872,384	982,405	982,405	1,004,044	1,117,495	1,117,495	1,140,270	1,236,408	1,236,408
Restricted Reserves	23,708	26,659	25,071	31,940	41,337	50,657	60,877	69,830	83,732	86,571	95,776
<b>Total recognised revenues and expenses for the period</b>	<b>970,666</b>	<b>1,106,479</b>	<b>1,128,927</b>	<b>1,240,684</b>	<b>1,246,236</b>	<b>1,271,371</b>	<b>1,391,061</b>	<b>1,399,120</b>	<b>1,439,586</b>	<b>1,551,099</b>	<b>1,562,733</b>

The opening balance of year one (2024 – 2025) may not agree to closing balance year zero (2023 – 2024) due to Council taking into account the actual transactions for the 2023 – 2024 year, and presenting a more accurate forecast of the opening balance.



## NOTE 1 | General accounting policies (forecast)

### Revenue

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

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

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

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

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

### SPECIFIC POLICIES

Specific accounting policies for major categories of revenue are outlined below.

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

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

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

Revenue from late payment penalties is recognised when they are incurred.

**Subsidies and grants** **Waka Kotahi - New Zealand Transport Agency roading subsidies**  
Council receives government grants from Waka Kotahi – New Zealand

Transport Agency (NZTA), which subsidises part of Council's costs in maintaining the local roading infrastructure and capital expenditure on the roading infrastructure.

The subsidies are recognised as revenue upon entitlement, as conditions pertaining to eligible expenditure have been fulfilled.

#### **Other grants received**

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

### **Fees and charges**

#### **Infringements and fines**

Revenue from fines and penalties (e.g. traffic and parking infringements) are recognised when tickets/infringement notice payment are paid.

#### **Metered water charges**

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

#### **Building and resource consent revenue**

Fees and charges for building and resource consent services are initially recognised at time of application with any additional charges being recognized prior to completion.

#### **Sale of goods**

Revenue from sale of goods is recognised when a product is sold to the customer. Sales are usually in cash or by credit card.

#### **Vested or donated physical assets**

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

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

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

#### **Reserve fund and development contributions**

The revenue is recognised when Council provides, or is able to provide the service for which the contribution was charged or when the subdivision is substantially complete. Contributions in advance are collected and

transferred into their respective special funds. These funds can only be used when the capital works in their respective areas can be fully funded.

### **Commission**

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

### **Interest and dividends**

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

Dividends are recognised when the right to receive payment has been established.

Dividends are recognised in surplus or deficit unless the dividend clearly represents a recovery as part of the cost of the investment.

## **Expenses**

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

### **Borrowing costs**

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

### **Grant expenditure**

Non-discretionary grants are those grants that are awarded if the grant applications meet the specified criteria and are approved. They are recognised as expenditure when an application that meets those criteria is received.

Discretionary grants are those grants where Council has no obligation to award on receipt of the grant application and are recognised as expenditure when a successful applicant has been notified of Council's decision.

### **Allocation of overheads to significant activities**

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

### **Internal transactions**

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

### **Income taxation**

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

<b>Personnel Costs</b>	Salaries and wages are recognised as an expense as employees provide services.  Employer contributions to KiwiSaver and the Government Superannuation Fund are accounted for as defined contribution superannuation schemes and are expensed in the surplus or deficit as incurred.
<b>Depreciation and amortisation</b>	Depreciation of property, plant and equipment and amortisation of intangible assets are charged on a straight-line basis over the estimated useful life of the associated assets.

## Cash and cash equivalents

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

<b>Bank overdrafts</b>	Bank overdrafts are shown within borrowing in current liabilities in the Prospective Statement of Financial Position.
<b>Short term-deposits</b>	The carrying value of short term-deposits with maturity dates of three months or less approximates their fair value.  Council holds unspent funds included in cash at bank, and term deposits that are subject to restrictions. These unspent funds relate to monies which are received or levied for a specific purpose or benefit a discrete group of users. These are contained within our restricted reserves and are detailed in Note 5.

## Other financial assets

<b>Recognition</b>	Council classifies its financial assets into the following three categories: <ul style="list-style-type: none"> <li>financial assets at fair value through surplus or deficit;</li> <li>financial assets at amortised cost; and</li> <li>financial assets at fair value through other comprehensive revenue and expense.</li> </ul> <p>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.</p>
<b>Financial assets at fair value through surplus or deficit</b>	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 surplus or deficit.

Financial assets in this category include shares, bonds, and derivatives.

**Financial assets at amortised cost**

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

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

Investments in this category include term deposits and borrower notes.

**Financial assets at fair value through other comprehensive revenue and expenses**

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

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

This category encompasses:

investments that Council intends to hold long term but which may be realised before maturity; and

shareholding that Council holds for strategic purposes.

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

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

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

## Impairment of financial assets

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

**Financial assets at amortised cost and held-to-maturity investments**

Impairment is established when there is evidence that Council and Group will not be able to collect amounts due according to the original terms of the receivable. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, receivership, or liquidation and default in payments are indicators that the asset is impaired.

The amount of the impairment is the difference between the assets carrying amount and the present value of estimated future cash flows, discounted using the original effective interest rate. For debtors and other receivables, the carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the surplus or deficit.

When the receivable is uncollectible, it is written off against the allowance account.

Overdue receivables that have been renegotiated are reclassified as current (that is, not past due).

Impairment of term deposits, local authority stock, government bonds, and community loans, are recognised directly against the instrument's carrying amount.

**Financial assets at fair value through other comprehensive revenue and expenses**

For shares, a significant or prolonged decline in the fair value of the shares below its cost is considered to be objective evidence of impairment. For listed bonds, significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, receivership or liquidation and default in payments is considered to be objective evidence of impairment. If impairment evidence exists, the cumulative loss recognised in other comprehensive revenue and expense is transferred to the surplus or deficit.

Impairment losses on shares recognised in the surplus or deficit are not reversed through the surplus or deficit. If in a subsequent period the fair value of listed bonds increases and the increase can be objectively related to an event after the impairment loss was recognised, the impairment loss is reversed in the surplus or deficit.

## Trade and other receivables

**Recording receivables**

Short-term receivables are recorded at the amount due, less an allowance for expected credit losses (ECL).

The ECL allowance has been calculated based on rate of actual bad debts written off plus forward adjustment factors to derive the forecast default rate. The forward adjustment factors used were the average Treasury forecasted unemployment rate, inflation rate, and GDP growth rate.

**Uncollectable receivables**

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

Receivables are generally short-term and not interest-bearing. Therefore, the carrying value of receivables approximates their fair value.

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

**Writing off rates**

Rates are written off:

when remitted in accordance with the Council's Rates Remission Policy; and  
in accordance with the write-off criteria of sections 90A (where rates cannot be reasonably recovered) and 90B (in relation to Māori freehold land) of the Local Government (Rating) Act 2002.

**Writing off other receivables**

Other receivables are written-off when there is no reasonable expectation of recovery.

**Payment plans**

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

**Impairment of receivables**

The impairment provision has been calculated based on expected losses for council's pool of debtors. Expected losses have been determined based on an analysis of Council's losses in previous periods, and a review of specific debtors.

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

**Loans**

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

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

**Carrying value**

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

**Community loans**

Council's community loan scheme is designed to help not-for-profit organisations in the Upper Hutt community to develop or improve new or existing facilities and other major projects. Only organisations with the ability to repay are granted loans. Council may, at its discretion, require a qualifying body to provide security for a loan.

Interest in the first year is 0%, year 2 is 1%, year 3 is 2%, and year 4 and subsequent years is 3%. The fair value of loans at initial recognition has been determined using cashflows at a rate based on the loans recipient's assessed financial risk factors.

## Non-current assets classified as held for sale

**Recognition**

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.

**Impairment losses**

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

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

**No depreciation or amortisation**

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale.

**Council land**

Council has identified two parcels of land as being made available for sale, one at Duncraig Street.

## Intangible assets

**Software acquisition and development**

Acquired computer software licenses are capitalized on the costs incurred to acquire and use the specific software.

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



intangible assets. Direct costs include software development employee costs and an appropriate portion of relevant overheads.

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

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

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

### Amortisation

The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised. The amortisation charge for each period is recognised in the *Prospective Statement of Comprehensive Revenue and Expense*.

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

Computer software: 3 years (33% per year)

## Property, plant, and equipment

### Property, plant, and equipment is divided into four major categories

**Operational property, plant, and equipment:** this includes land, buildings, street trees, improvements, library books, plant and equipment, and motor vehicles.

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

**Aquatic assets:** building, plant, and equipment relating to H2O Xstream aquatic centre.

**Infrastructure assets:** infrastructure assets are the fixed utility network systems owned by Council and include roading, water, stormwater, and wastewater piping. Each asset class includes all items that are required for the network to function.

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

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

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

**Revaluation**

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

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

Those asset classes that are revalued are valued on a set revaluation cycle and 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.

While assumptions are used in all revaluations, the most significant of these are in infrastructure. For example where stormwater, wastewater and water supply pipes are underground, the physical deterioration and condition of assets are not visible and must therefore be estimated. Any revaluation risk is minimised by performing a combination of physical inspections and condition modelling assessments.

**Additions**

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

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

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

**Disposals**

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are included in the *Prospective Statement of Comprehensive Revenue and Expense*. Where revalued assets are sold, the amounts

included in asset revaluation reserves in respect of those assets are transferred to accumulated funds.

#### **Subsequent costs**

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

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

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

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

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

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

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

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

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

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

#### **Value in use for cash generating assets**

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

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

## Depreciation

All assets, except for land and road formations, have been depreciated on either a straight line or diminishing value basis at rates estimated to write off the cost of the assets over their estimated useful life.

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

The specific rates of depreciation applied to major classes of property, plant, and equipment are detailed in the following table.

OPERATIONAL ASSETS	YEARS
Buildings	10 – 100
Buildings fit-out and services	10 – 40
Furniture and office equipment	5 – 15
Library books	3 – 5
Motor vehicles	5 – 25
Parks and reserves services	10 – 100
Plant and equipment	4 – 50
INFRASTRUCTURE ASSETS	YEARS
Water supply	
Civil works	80 – 100
Mechanical and electrical plant, outlets, pumps	20 – 50
Pipework, appurtenances, and associated structures	50 – 100
Reservoirs, intake structure	100
Wastewater	
Civil works	80 – 100
Electronic equipment	10 – 20
Mechanical and electrical plant, outlets, pumps	15 – 50
Pipework, wastewater mains	50 – 100
Stormwater	
Civil works	80 – 100
Mechanical and electrical plant, outlets, pumps	20 – 50
Pipe work, appurtenances, and associated structures	50 – 100
INFRASTRUCTURE ASSETS	YEARS
Telemetry	
Civil works	80 – 100
Mechanical and electrical plant, outlets, pumps	20 – 50
Pipework, appurtenances, and associated structures	50 – 100
Electronic equipment	10 – 20
Roading	
Bridges	20 – 100
Car parks	50
Culverts	50 – 80
Footpaths/accessways	30 – 60
Roads (except land and formation)	4 – 30
Roundabouts	50
Stormwater channels	15 – 60
Street and traffic lights	5 – 50
Street furniture and other features	12 – 25
Subways	80
Sumps	60
DIMINISHING VALUE DEPRECIATION	YEARS
Furniture and office equipment	5
Plant and equipment	4 – 50
Vehicles and plant	5 – 105

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

### **Critical accounting estimates and assumptions**

In preparing these financial statements Council has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and judgements are continually evaluated and based on historical experience and other factors, including reasonable expectations or future events. 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 fiscal year are discussed below.

### **Infrastructure assets**

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

The physical deterioration and condition of an asset, for example Council could be carrying an asset at an amount that does not reflect its actual condition. This is particularly so for those assets which are not visible, for example stormwater, wastewater and water supply pipes that are underground. This risk is minimized by Council performing a combination of physical inspections and condition modelling assessments of underground assets.

Estimating any obsolescence or surplus capacity of an asset.

Estimates are made when determining the remaining useful lives over which the asset will be depreciated. These estimates can be impacted by the local conditions, for example weather patterns and traffic growth. If the useful lives do not reflect the actual consumption of the benefits of the asset, then Council could be over or underestimating the annual depreciation charge recognised as an expense in the *Prospective Statement of Comprehensive Revenue and Expense* under surplus or deficit.

To minimise this risk, Council infrastructure asset useful lives have been determined with reference to the *New Zealand Infrastructure Asset Valuation and Depreciation Guidelines* (published by the New Zealand 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 Council's asset management planning activities, which gives Council further assurance over its useful life estimates.

Experienced independent valuers perform Council's infrastructural asset revaluations.

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

## Payables and deferred revenue

### **Recorded at the amount payable**

Short-term creditors and other payables are recorded at the amount payable.

Trade and other payables are non-interest bearing and are normally settled on 30-day terms, therefore the carrying value of trade and other payables approximates their value.

### **Provisions**

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

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

## Employee entitlements

### **Short-term employee entitlements**

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

### **Long-term entitlements**

Entitlements that are payable beyond 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.

- The present value of the estimated future cash flows.

### **Presentation of employee entitlements**

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

### **Critical accounting estimates and assumptions**

The present value of retirement and long service leave obligations depend on a number of factors that are determined on an actuarial basis. Two key assumptions used in calculating this liability include the discount rate and

the salary inflation factor. Any changes in these assumptions will affect the carrying amount of the liability.

Expected future payments are discounted using forward discount rates derived from the 90-day call rate from NZ Treasury. The discount rates used have maturities that match, as closely as possible, the estimated future cash outflows. The salary inflation factor has been determined after considering historical salary inflation patterns and after obtaining advice from an independent actuary.

## Financial instrument risks

**Fair value interest rate risk** Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. Borrowings and investments issued at fixed rates of interest expose Council and Group to fair value interest rate risk. The Council's Treasury Risk Management policy requires the use of a 'corridor approach,' whereby the percentage of fixed rate lending is required to stay within set minimum and maximum amounts for current and future years. Fixed to floating interest rate swaps are entered into to hedge the fair value interest rate risk.

**Cash flow interest rate risk** Cash flow Interest rate risk is the risk that cash flows from a financial instrument will fluctuate because of changes in market interest rates. Borrowings and investments issued at variable interest rates expose Council to cash flow interest rate risks.

Generally, Council and Group raises long-term borrowings at floating rates and swaps them into fixed rates using interest rate swaps in order to manage the cashflow interest rate risk. Such interest rate swaps have the economic effect of converting borrowings at floating rates into fixed rate that are generally lower than those available if Council or Group agrees with other parties to exchange, at specific intervals, the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional principal amounts.

**Credit risk** Credit risk is the risk that a third party will default on its obligations to Council causing Council to incur a loss. Due to the timing of its cash inflows and outflows, Council invests surplus cash into term deposits which gives rise to credit risk. Council's Investment policy limits the amount of credit exposure to any one financial institution or organisation. Council only invests with entities that have a S&P Global credit rating of at least A+ for short-term and A- for long-term investments.

Council has no collateral or other credit enhancements for financial instruments that give rise to credit risk.

## Borrowings and other financial liabilities

### **Borrowings**

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

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

### **Goods and services tax (GST)**

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

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

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

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

### **Interest expense rates**

Loans are secured by a rate pursuant to Section 115 of the LGA upon the rateable property of the City of Upper Hutt.

## Equity

### **Capital is equity, represented by net assets.**

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

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

The objective of managing these items is to achieve intergenerational equity, which is a principle promoted in the LGA and applied by Council.



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

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

Components of equity are:

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

### **Restricted reserves**

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

Council has the following restricted reserves:

- Other accounts restricted by law
- Special funds

Other accounts restricted by law are used where there is a discrete set of rate or levy payers as distinct from the general rate. Any surplus or deficit relating to these separate areas of benefit is applied to the specific reserves.

Conditions applying to these reserves may not be revised by Council without reference to the Courts or third party. Transfers from these reserves may be made only for certain specified purposes or when certain specified conditions are met.

Special funds are set up where Council has defined a specific purpose. Interest is added to these reserves where applicable and deductions are made where funds have been used for the purpose they were created. Special funds are reserves established by Council decision. Council is legally allowed to alter them without reference to any third party. Transfers to and from these reserves are at the discretion of Council.

### **Asset revaluation reserves**

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

## Note 2 | Other Revenue

<b>NOTE 2 Other Revenue</b>	<b>Annual Plan Year 3 23/24 (\$000)</b>	<b>Forecast LTP Year 1 24/25 (\$000)</b>	<b>Forecast LTP Year 2 25/26 (\$000)</b>	<b>Forecast LTP Year 3 26/27 (\$000)</b>	<b>Forecast LTP Year 4 27/28 (\$000)</b>	<b>Forecast LTP Year 5 28/29 (\$000)</b>	<b>Forecast LTP Year 6 29/30 (\$000)</b>	<b>Forecast LTP Year 7 30/31 (\$000)</b>	<b>Forecast LTP Year 8 31/32 (\$000)</b>	<b>Forecast LTP Year 9 32/33 (\$000)</b>	<b>Forecast LTP Year 10 33/34 (\$000)</b>
Cost reimbursement from other agencies	2,934	2,352	94	2	2	100	2	2	106	2	2
Vested Assets	5,789	5,160	5,160	5,160	4,696	4,213	4,213	4,213	4,213	4,213	4,213
Petrol Tax Subsidies	154	129	126	122	121	120	119	117	116	115	113
Parking & Vehicle Infringements	331	348	376	438	447	457	465	474	483	491	499
<b>Total Other Revenue</b>	<b>9,208</b>	<b>7,989</b>	<b>5,756</b>	<b>5,722</b>	<b>5,266</b>	<b>4,890</b>	<b>4,799</b>	<b>4,806</b>	<b>4,918</b>	<b>4,821</b>	<b>4,827</b>

## Note 3 | Depreciation and amortisation

<b>NOTE 3 Depreciation and amortisation</b>	<b>Annual Plan Year 3 23/24 (\$000)</b>	<b>Forecast LTP Year 1 24/25 (\$000)</b>	<b>Forecast LTP Year 2 25/26 (\$000)</b>	<b>Forecast LTP Year 3 26/27 (\$000)</b>	<b>Forecast LTP Year 4 27/28 (\$000)</b>	<b>Forecast LTP Year 5 28/29 (\$000)</b>	<b>Forecast LTP Year 6 29/30 (\$000)</b>	<b>Forecast LTP Year 7 30/31 (\$000)</b>	<b>Forecast LTP Year 8 31/32 (\$000)</b>	<b>Forecast LTP Year 9 32/33 (\$000)</b>	<b>Forecast LTP Year 10 33/34 (\$000)</b>
Leadership	0	0	0	0	0	0	0	0	0	0	0
Land Transport	5,705	6,709	6,747	7,516	7,628	7,710	8,197	8,249	8,288	8,893	9,306
Water Supply	2,558	2,895	3,003	3,452	3,556	3,627	4,072	4,199	4,297	4,691	4,869
Wastewater	4,907	6,063	7,067	8,616	9,778	10,520	11,798	13,197	14,337	16,350	18,217
Stormwater	2,713	3,034	3,160	3,572	3,624	3,645	4,096	4,153	4,173	4,537	4,596
Sustainability	26	33	39	45	119	120	119	120	169	166	153
Planning and Regulaotry Services	3	4	5	5	5	5	5	5	5	5	5
Community and Recreation	5,315	5,468	8,523	8,277	7,483	7,584	6,982	7,194	7,764	7,109	7,141
Economic Development	16	9	10	9	9	9	9	9	9	9	9
<b>Total Depreciation and amortisation expense</b>	<b>21,243</b>	<b>24,215</b>	<b>28,554</b>	<b>31,492</b>	<b>32,202</b>	<b>33,220</b>	<b>35,278</b>	<b>37,126</b>	<b>39,042</b>	<b>41,760</b>	<b>44,296</b>

## Note 4 | Other expenses

NOTE 4 Other expenses	Annual Plan Year 3 23/24 (\$000)	Forecast LTP Year 1 24/25 (\$000)	Forecast LTP Year 2 25/26 (\$000)	Forecast LTP Year 3 26/27 (\$000)	Forecast LTP Year 4 27/28 (\$000)	Forecast LTP Year 5 28/29 (\$000)	Forecast LTP Year 6 29/30 (\$000)	Forecast LTP Year 7 30/31 (\$000)	Forecast LTP Year 8 31/32 (\$000)	Forecast LTP Year 9 32/33 (\$000)	Forecast LTP Year 10 33/34 (\$000)
Insurance	1,176	1,813	2,234	2,444	2,677	2,932	3,207	3,506	3,828	4,179	4,671
Disaster Fund Insurance	914	910	1,096	1,311	1,570	1,879	2,247	2,685	3,205	3,825	4,664
Audit Fees	180	216	266	271	277	283	288	294	299	304	309
Audit Fees - LTP	105	0	0	126	0	0	151	0	0	181	0
Rental	360	375	386	393	402	410	418	426	434	442	449
Loss on sale of assets	814	1,649	1,212	897	909	754	882	945	1,331	1,647	640
Rates Remissions - sports clubs and other non profit bodies	200	200	205	209	214	218	222	227	231	235	238
Penalty Remissions	50	50	51	52	53	55	56	57	58	59	60
Consultants	1,385	1,236	1,287	1,312	1,190	1,276	1,238	1,261	1,284	1,306	1,399
Printing, photocopying and stationary	107	97	100	102	104	106	108	110	112	114	116
Telephone rental, mobile and tolls	12	10	10	10	10	11	11	11	11	11	11
Motor vehicle expenses	454	462	481	524	573	566	627	647	689	701	702
Electricity/ Gas energy costs (includes street lighting and maintenance)	718	1,020	1,295	1,328	1,364	1,400	1,436	1,471	1,505	1,538	1,569
Rates on Council properties	2,645	3,139	3,755	4,507	4,822	5,160	5,521	5,907	6,321	6,763	7,237
Land transport general maintenance	2,480	269	276	326	333	340	347	353	359	366	371
Water reticulation maintenance	2,272	2,769	3,414	2,899	2,960	3,021	3,079	3,137	3,193	3,248	3,301

Sewer maintenance	736	1,069	1,098	1,119	1,143	1,166	1,189	1,211	1,232	1,254	1,274
Drain maintenance	639	617	634	646	660	674	687	700	712	724	736
Other costs	15,642	11,865	18,184	22,278	23,300	25,075	25,766	26,130	26,581	26,994	27,074
<b>Total Other Expenses</b>	<b>30,889</b>	<b>27,766</b>	<b>35,984</b>	<b>40,754</b>	<b>42,561</b>	<b>45,326</b>	<b>47,480</b>	<b>49,078</b>	<b>51,385</b>	<b>53,891</b>	<b>54,821</b>

## Note 5 | Restricted reserves

	Opening balance	Total Deposits	Total Withdrawals	Closing Balance
SCHEDULE OF <b>SPECIAL FUNDS</b>	1 July <b>2024</b>	IN	OUT	30 June <b>2034</b>
General Reserve	5,770	2,771	0	8,541
Amenities Fund	628	302	0	930
Civic Amenities Fund	1	1	0	2
Plant Renewal	507	29	(537)	(1)
Reserve Fund Contribution	8,053	27,095	(6,780)	28,368
Cash In Lieu Parking	3	1	0	4
Property Sales	55	27	0	82
Sierra Way Subdivision	158	76	0	234
Akatarawa Roding Levy	309	148	0	457
Kaitoke Roding Levy	83	40	0	123
Mangaroa Roding Levy	343	165	0	508
Katherine Mansfield Levy	232	112	0	344
Blue Mountain Levy	110	53	0	163
Moonshine Hill Levy	27	13	0	40
Alexander Road Levy	30	15	0	45
Swamp Road Levy	444	213	0	657
Harcourt Park Maintenance Fund	14	55	0	69
Cemetery Development	0	0	0	0
Trench Resealing Levy	14	7	0	21
Kurth Crescent Development Levy	54	26	0	80
H2O Plant Renewal	895	173	(1,067)	1
Maidstone Park Turf Renewal	957	38	(995)	0
Library Vehicles Plant Renewal Reserve	110	4	(114)	0
DEPRECIATION Reserve	0	63,282	(54,671)	8,611
Roding DEPRECIATION Reserve (targeted)	0	50,746	(40,325)	10,421
<b>Water DEPRECIATION Reserve (targeted)</b>	<b>0</b>	<b>13,998</b>	<b>(11,396)</b>	<b>2,602</b>
<b>Stormwater DEPRECIATION Reserve (targeted)</b>	<b>0</b>	<b>13,506</b>	<b>(4,899)</b>	<b>8,607</b>

<b>Wastewater DEPRECIATION Reserve (targeted)</b>	<b>0</b>	<b>48,209</b>	<b>(39,499)</b>	<b>8,710</b>
<b>Total Special Funds</b>	<b>18,797</b>	<b>221,105</b>	<b>(160,283)</b>	<b>79,619</b>

	<b>Opening balance</b>	<b>Total Deposits</b>	<b>Total Withdrawals</b>	<b>Closing Balance</b>
<b>SCHEDULE OF SPECIAL FUNDS</b>	<b>1 July 2024</b>	<b>IN</b>	<b>OUT</b>	<b>30 June 2034</b>
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	<b>Opening balance</b>	<b>Total Deposits</b>	<b>Total Withdrawals</b>	<b>Closing Balance</b>
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<b>Wastewater DEPRECIATION Reserve (targeted)</b>	<b>0</b>	<b>48,209</b>	<b>(39,499)</b>	<b>8,710</b>
<b>Total Special Funds</b>	<b>18,797</b>	<b>221,105</b>	<b>(160,283)</b>	<b>79,619</b>

## Special fund purposes

Council has special funds to cover the following situations and holds funds in investments to cover these funds.

<b>1. General reserve</b>	available for any appropriate purpose.
<b>2. Amenity fund(s)</b>	available for lending at concessional rates to community groups for the development/construction of assets that will generate a benefit for the overall community.
<b>3. Plant renewal</b>	funds allocated from rates to replace/upgrade plant assets in the activity charged with the original allocation.
<b>4. Reserve fund contributions</b>	contributions levied on the developers of sub-divisions which are used to maintain and increase council provided community assets or fund interest costs and loan repayments in relation to providing such assets.
<b>5. Cash in lieu of parking</b>	funds collected instead of requiring the provision of parking by developers and used for parking purposes.
<b>6. Property sales</b>	profits generated by the sale of property and available to assist in the funding of council work programme.
<b>7. Rooding levies</b>	funds raised from subdivisions in specific catchments and available for roading projects only in the catchment that provide the funds.

<b>8. Harcourt Park maintenance</b>	funds collected from fees and charges for this activity and only available for approved maintenance purposes in that park.
<b>9. Library and cemetery development</b>	funds collected for or generated by the specific activity and only available for projects in that activity.
<b>10. Trench resealing levy</b>	funds collected to ensure the correct re-instatement of trenching work by third parties.
<b>11. Kurth Crescent development levy</b>	funds to be collected from developers to provide stormwater upgrade in Kurth Crescent.
<b>12. H2O Xstream plant renewal reserve</b>	funds allocated from rates to replace/upgrade H2O Xstream plant and equipment.
<b>13. Maidstone turf renewal</b>	funds allocated from rates and fees and charges to replace/upgrade the artificial turf.
<b>14. Library vehicles plant renewal</b>	funds allocated from rates to replace/upgrade library vehicles and plant and equipment.
<b>15. Arts scholarship</b>	funds collected to provide an annual scholarship
<b>16. General depreciation Reserve</b>	funds allocated from rates to replace/renew community assets and repay debt
<b>17. Roading depreciation Reserve</b>	funds allocated from rates to replace/renew roading assets and repay debt
<b>18. Water depreciation Reserve</b>	funds allocated from rates to replace/renew water assets and repay debt
<b>19. Stormwater depreciation Reserve</b>	funds allocated from rates to replace/renew stormwater assets and repay debt
<b>20. Wastewater depreciation Reserve</b>	funds allocated from rates to replace/renew wastewater assets and repay debt
<b>Purpose of each fund</b>	The income from fees or rates for each of these activities can only be expended on each specific activity. Any surpluses are transferred into these accounts and applied in future periods to mitigate income requirements.

## Other accounts restricted by law (\$000)

RESTRICTED ACCOUNT	OPENING 1 JULY 2024	DEPOSITS	WITHDRAWALS	CLOSING 30 JUNE 2034
Dog Control Account	114	0	0	114
Water Supply Rate Account	624	0	(589)	35
Wastewater Rate Account	5,260	0	(900)	4,360
Stormwater Rate Account	1,230	0	0	1,230
<b>TOTAL SPECIAL FUNDS</b>	<b>7,228</b>	<b>0</b>	<b>(1,489)</b>	<b>5,739</b>

## Funding impact statements

<b>Format</b>	All the Funding Impact Statements (FIS) are in a format prescribed by regulation and are not GAAP compliant.
<b>Intent, exclusions, and inclusions</b>	<p>The intention is to show how the operational and capital expenditure of Council is funded. Some items included in the <i>Statement of comprehensive revenue and expense</i> are excluded and some items not in the <i>Statement of comprehensive revenue and expense</i> are included.</p> <p>Specifically, capital expenditure is included in the FIS, as is transfers to and from special funds and loan receipts and repayments. Depreciation, loss on disposal of fixed assets, and other (minor) non-cash items are excluded from the FIS as they are not funded.</p>
<b>Finding the statements</b>	<p>The funding impact statement for all of Council follows in the next page. Funding impact statements for each group of activities are included in Section B: Groups of activities (beginning on <b>page X</b>).</p>

## Funding impact statement—all of Council

Whole of Council	Annual Plan Year 3 23/24 (\$000)	Forecast LTP Year 1 24/25 (\$000)	Forecast LTP Year 2 25/26 (\$000)	Forecast LTP Year 3 26/27 (\$000)	Forecast LTP Year 4 27/28 (\$000)	Forecast LTP Year 5 28/29 (\$000)	Forecast LTP Year 6 29/30 (\$000)	Forecast LTP Year 7 30/31 (\$000)	Forecast LTP Year 8 31/32 (\$000)	Forecast LTP Year 9 32/33 (\$000)	Forecast LTP Year 10 33/34 (\$000)
<b>Sources of operating funding</b>											
General rates, uniform annual general charges, rates penalties	36,468	29,648	37,644	47,875	49,712	51,932	50,372	50,368	50,321	49,799	49,912
Targeted rates	16,507	34,922	40,739	47,216	52,186	55,980	63,297	70,004	77,623	83,115	94,202
Subsidies and grants for operating purposes	180	2,475	2,035	2,647	2,374	2,466	2,591	3,215	5,582	5,684	2,651
Fees and charges	7,685	8,007	8,731	8,841	9,051	9,379	9,517	9,773	10,132	10,305	10,592
Interest and dividends from investments	400	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Local authority fuel tax, fines, infringement fees and other receipts	691	511	537	596	605	614	622	631	639	647	654
<b>Total operating funding (A)</b>	<b>61,931</b>	<b>76,562</b>	<b>90,686</b>	<b>108,175</b>	<b>114,928</b>	<b>121,370</b>	<b>127,400</b>	<b>134,991</b>	<b>145,297</b>	<b>150,550</b>	<b>159,011</b>
<b>Applications of operating funding</b>											
Payments to staff and suppliers	59,428	57,069	67,589	73,180	75,522	79,032	81,473	83,542	86,206	89,165	91,748
Finance costs	6,773	9,390	11,792	13,339	14,566	15,208	15,968	16,828	17,499	19,451	21,106
Other operating funding applications	54	0	0	0	0	0	0	0	0	0	0
<b>Total applications of operating funding (B)</b>	<b>66,255</b>	<b>66,459</b>	<b>79,381</b>	<b>86,518</b>	<b>90,088</b>	<b>94,240</b>	<b>97,441</b>	<b>100,369</b>	<b>103,705</b>	<b>108,616</b>	<b>112,853</b>
<b>Surplus (Deficit) of operating funding (A-B)</b>	<b>(4,324)</b>	<b>10,103</b>	<b>11,304</b>	<b>21,656</b>	<b>24,840</b>	<b>27,130</b>	<b>29,959</b>	<b>34,622</b>	<b>41,592</b>	<b>41,934</b>	<b>46,158</b>
<b>Sources of capital funding</b>											

Subsidies and grants for capital purposes	12,212	6,777	5,968	4,360	7,033	4,140	6,492	5,509	10,346	10,570	4,091
Development and financial contributions	2,608	1,950	3,598	2,618	1,924	1,964	2,002	2,039	2,075	2,111	2,146
Increase (decrease) in debt	46,102	46,558	29,958	23,783	12,440	14,716	16,656	13,000	37,830	32,056	(9,479)
Gross proceeds from sale of assets	0	0	0	0	0	0	0	0	0	0	0
Lump sum contributions	0	0	0	0	0	0	0	0	0	0	0
<b>Total sources of capital funding (C)</b>	<b>60,922</b>	<b>55,285</b>	<b>39,524</b>	<b>30,761</b>	<b>21,397</b>	<b>20,820</b>	<b>25,149</b>	<b>20,549</b>	<b>50,251</b>	<b>44,737</b>	<b>(3,242)</b>
<b>Applications of capital funding</b>											
Capital expenditure											
- to meet additional demand	4,612	1,530	1,417	1,445	192	661	5,031	3,024	12,508	12,728	215
- to improve the level of service	41,225	34,675	6,059	4,836	11,046	4,317	6,039	5,352	23,576	7,848	8,773
- to replace existing assets	18,569	29,349	45,864	40,270	26,995	35,516	36,325	40,716	44,971	66,794	28,353
Increase (decrease) in reserves	(7,808)	(166)	(2,512)	5,867	8,003	7,456	7,714	6,078	10,788	(699)	5,575
Increase (decrease) of investments	0	0	0	0	0	0	0	0	0	0	0
<b>Total applications of capital funding (D)</b>	<b>56,598</b>	<b>65,388</b>	<b>50,828</b>	<b>52,417</b>	<b>46,237</b>	<b>47,949</b>	<b>55,108</b>	<b>55,170</b>	<b>91,843</b>	<b>86,671</b>	<b>42,916</b>
<b>Surplus (deficit) of capital funding (C-D)</b>	<b>4,324</b>	<b>(10,103)</b>	<b>(11,304)</b>	<b>(21,656)</b>	<b>(24,840)</b>	<b>(27,130)</b>	<b>(29,959)</b>	<b>(34,622)</b>	<b>(41,592)</b>	<b>(41,934)</b>	<b>(46,158)</b>
<b>Funding balance ((A-B)+(C-D))</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

## Funding impact statement—differential and targeted rating schedule

This schedule defines the detail that will apply for the 2024 – 2025 rating year and is to be read in conjunction with Council’s Revenue and Financing Policy and the rest of the Funding Impact Statement.

### GENERAL RATES

#### Calculating general rates

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

For 2024 – 2025 Council will apply the following differential factors:

Differential rating group <sup>1</sup>	Factor
Residential or Standard	100
Rural	75
Business	290
Utilities and three waters utilities	300
Corrections facility	350
Commercial Forestry	500
Vacant land	500

The revenue sought for 2024 – 2025 from the general rate is \$29,647,870. The purposes to which this revenue will be applied are to meet the costs of parks and reserves, environmental services, community services and amenities, libraries, economic development, democratic participation, and management support of Council activities.

Council does not set a uniform annual general charge

#### NOTES:

1. The categories are as defined in this document.



## TARGETED RATES

### Water supply

For 2024 – 2025 Council has resolved to collect the revenue needed for the water supply service on the following basis.

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

The revenue sought from this rate is \$2,753,426 (and is to contribute 20% of the total requirement needed for the costs of water supply).

Of the total revenue, required for the water supply service, 60% has been identified as required for general water supply, by way of a targeted rate on each serviced or serviceable property.

A serviced property is one supplied with water and the rate is assessed per separately used or inhabited part of a rating unit. If a property can be but is not supplied with water (meaning it is situated within 100 metres of any part of the water works) it is considered serviceable and 50% of the serviced charge will apply per rating unit.

The revenue sought from this rate is \$9,209,046 and is to contribute approximately 60% of the total requirement needed for the costs of water supply.

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

### Stormwater

For 2024 – 2025 Council has resolved to collect the revenue needed for stormwater purposes by way of a set rate per dollar on capital value, on a differential basis, with businesses having a differential factor of 140 and other properties a factor of 100. This rate will apply to all rating units contained within the Upper Hutt Urban Drainage District (shown as the shaded area on the attached map labelled Upper Hutt Urban Drainage District).

The revenue sought from this rate is \$3,721,529 and is to contribute to the costs of stormwater drainage and flood protection of the city.

### Wastewater

The targeted rate for wastewater disposal will be an amount based on the number of water-closets (pans) or urinals connected to a public sewage drain.

A rating unit used primarily as a residence for one household is deemed to have not more than one pan or urinal under the Local Government (Rating) Act 2022 Schedule 3 Note 4.

For rating units other than those used primarily as a residence for one household, the rate will be assessed on the first pan or urinal, and for every second pan or urinal thereafter. If there is an odd number of pans the assessment is rounded down.

For 2024 – 2025 with regard to schools in the city, Council has resolved to calculate the number of whole charges based on a formula which calculates the number of applicable charges as being the lesser of:

- A. the assessed number as above for non-residential rating units, and
- B. the number of charges based on the following formula:

*Volume of water used per annum ÷ 228 (228 being the number of cubic metres assessed as being a standard residential unit annual usage).*

10% of the Wastewater activity is funded through fees and charges (trade waste charges, levied at businesses).

The revenue sought from this charge is \$9,875,177 and is to be applied towards the cost of the sewerage reticulation and disposal of bulk sewage schemes.

#### **Rates on Defence land**

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

#### **Other targeted rates**

Council have proposed two new targeted rates in the 2024 – 2034 LTP. The details are below.

#### **NEW - Land transport rate**

The targeted rate for land transport will be calculated on the capital value of all rateable properties in the city and assessed on a differential basis. Under differential rating, all property is allocated to one of the following differential rating groups based on zoning or usage and a differential, based on a factor of 100 for the standard differential group.

For 2024 – 2025 Council will apply the same differential factors for the targeted land transport rate as used in the general rate.

The revenue sought from this charge is \$8,609,666 and is to be applied towards the cost of maintain the transport network of the city.

**NEW –Government compliance rate**

The targeted rate for government compliance will be calculated on the capital value of all rateable properties in the city and assessed on a differential basis. Under differential rating, all property is allocated to one of the following differential rating groups based on zoning or usage and a differential, based on a factor of 100 for the standard differential group.

For 2024 – 2025 Council will apply the same differential factors for the targeted government compliance rate as used in the general rate.

The revenue sought from this charge is \$1,107,587 and is to be applied towards the costs of unfunded mandates being imposed by the central government and its agencies.

**Lump sum contributions**

Council will not invite lump sum contributions to targeted rates in 2024 – 2025.

**Funding Impact Statement—differential definitions**

For 2024 – 2025 Council has resolved to define its differential rating categories, to which all rateable property in the district of Upper Hutt shall be allocated, as follows.

**Rural**

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

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

If the Council is satisfied that:

- A) the same ratepayer is recorded as owner of more than one rating unit; and
- B) all the rating units are situated in a rural zone; and
- C) are being used as one property principally for a farming activity; and
- D) the rating units have a combined total area of 30 ha or more,

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

**Utilities**

Regardless of zoning and notwithstanding that it may meet the requirements for inclusion in another category, a

rating unit or part rating unit will be allocated to the Utilities category for rating purposes to the extent that:

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

**Three waters utilities**

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

A) meets the criteria in Utilities A and B above, and

B) it is used solely for the purpose of:

1. draining stormwater, or
2. draining wastewater from Upper Hutt city and its district into the bulk sewer line, or
3. supplying potable water to Upper Hutt City and its district, but not used to carry water directly from the reservoirs owned by Greater Wellington Regional Council.

**Business**

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

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

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

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

Where the business activity is the principal activity on a rating unit, the whole rating unit will be allocated to the Business category.

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

For the purposes of this definition,

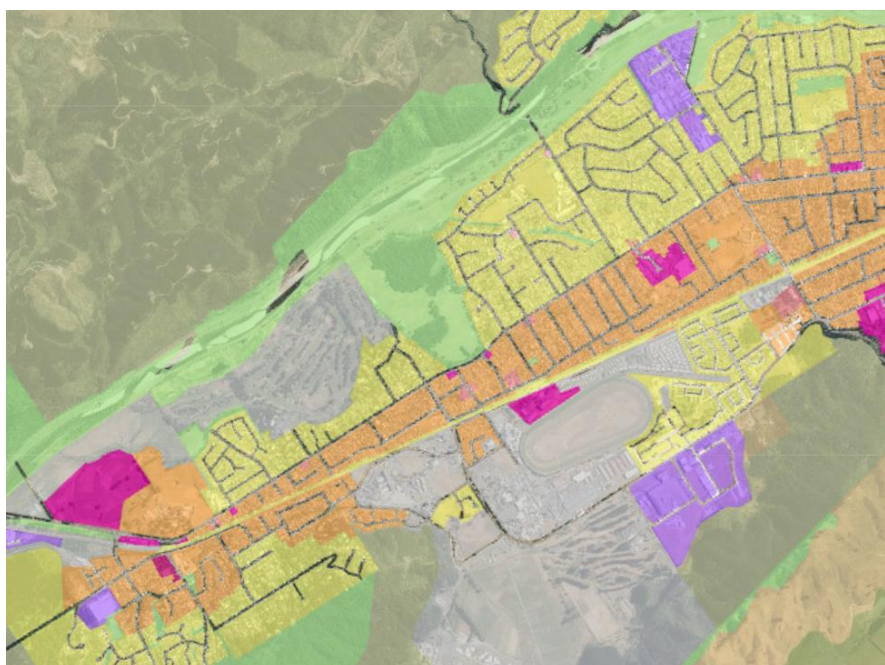
Business activities include:

- Commercial sawmills and timber yards
- Farm products processing plants
- Retail nurseries and garden centres
- Veterinary hospitals and clinics

Business activities **do not** include:

- Farming activities
- Intensive animal farming
- Wellington Racing Club

<b>Corrections facility</b>	A rating unit will be allocated to this category if it is used primarily by the Department of Corrections for the housing of inmates under their care.
<b>NEW - Forestry</b>	A rating unit will be allocated to this category if it is used primarily for commercial forestry
<b>New – Vacant land</b>	<p>A rating unit will be allocated to this category when it is within the City's walkable catchment as shown below and has either:</p> <ol style="list-style-type: none"> <li>a zero improvement value; or</li> <li>a positive improvement value but no permitted or consented activity underway, including improvements (such as buildings) which are unused and/or derelict.</li> </ol>



<b>Standard</b>	A rating unit or part rating unit will be allocated to the Standard Category to the extent that it does not meet all of the criteria for inclusion in any other category.
<b>Contiguous rating</b>	Council will apply the provisions of the Rating Valuations Act 1998, The Local Rating Act 2002, and any other relevant legislation to this situation.
<b>Definition of 'separately used or inhabited parts' (SUIP) of a rating unit</b>	<p>A separately used or inhabited part (SUIP) of a rating unit means any part of a rating unit which is:</p> <ol style="list-style-type: none"> <li>inhabited or used by an owner; or</li> <li>inhabited or used by any person other than an owner by tenancy or other agreement.</li> </ol>

For the avoidance of doubt, where an owner occupies the entirety of a rating unit, or tenants the entirety of a rating unit, there will be only one SUIP.

Council will consider the following when determining whether a part of a rating unit is a SUIP:

(a) a separately used or inhabited part of a rating unit does not need to be occupied in order to be categorised as separately used. Availability for separate use is sufficient.

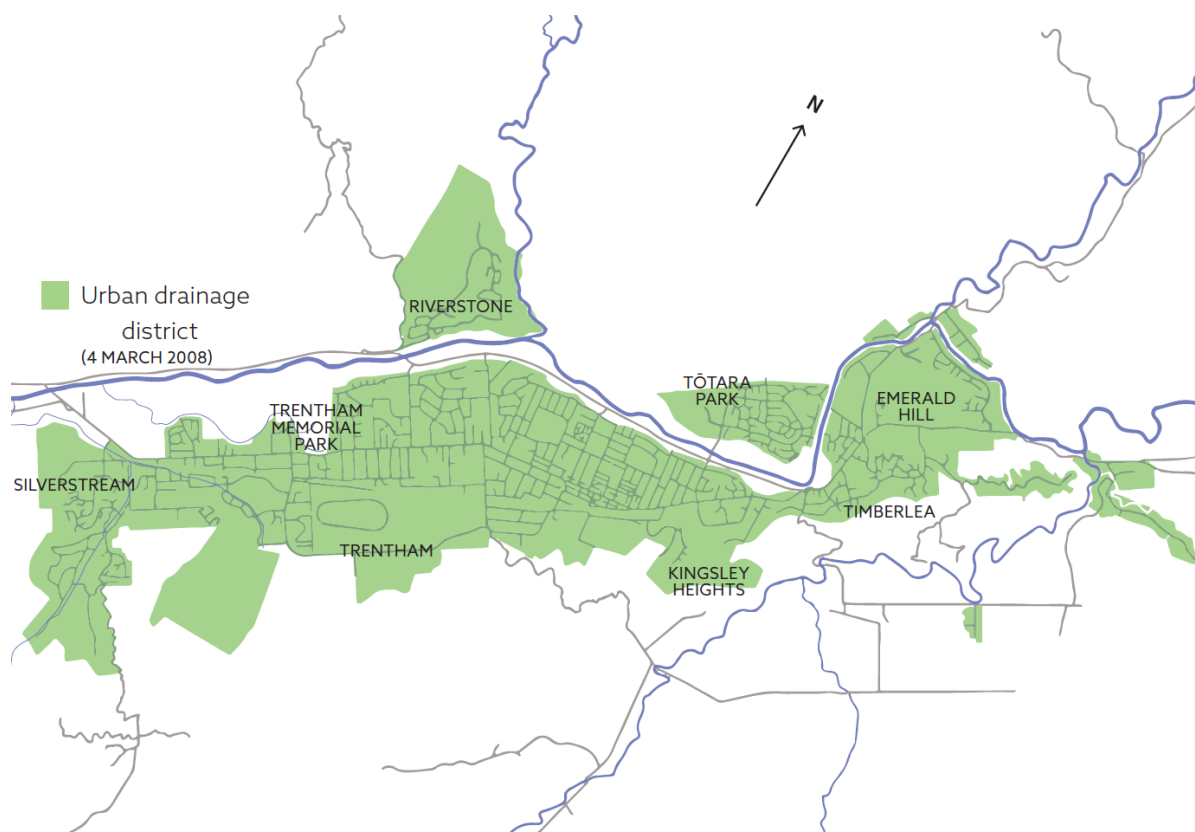
(b) In determining whether a part of a rating unit is used for accommodation Council will consider whether it has independent kitchen facilities (including cooking facilities) and separate toilet and sanitation, but these are not required, and a part of a rating unit made available for temporary accommodation may be a SUIP without these.

The following are some examples of rating units that are likely to comprise more than one separately used or inhabited part. Please note that these are illustrative only and not an exhaustive list:

- i. Single dwelling or business premises which includes separate accommodation.
- ii. A rating unit that includes a flat with a stove and separate living and toilet facilities.
- iii. A dwelling where part of the dwelling or an outbuilding is made available for rent.
- iv. Commercial building with multiple tenancies.

Individually surveyed lots of vacant land on one Record of Title offered separately for sale.

## Upper Hutt urban drainage map used for stormwater rates



## Indicative rates for sample properties

The following tables include figures outlining indicative rates for 2024 – 2025, for properties in Upper Hutt based on their capital value and rating differential categories (Standard, Business, and Rural). Figures are in dollars (\$) and include GST. The do not include Greater Wellington Regional Council rates.

Indicative residential rates (by CV)	\$550 K	\$750 K	\$950 K	\$1.15 M	\$1.3 M
General rates	881	1,200	1,521	1,841	2,081
Targeted water rates <sup>4</sup>	1,491	1,597	1,702	1,808	1,888
NEW targeted roading rate (Previously within the General rate)	272	371	470	569	643
NEW targeted compliance rate (Previously within the General rate)	34	47	59	71	81
<b>Total Indicative rates (UHCC only)</b>	<b>2,677</b>	<b>3,215</b>	<b>3,752</b>	<b>4,289</b>	<b>4,692</b>
Total Indicative rates from current year (Annual Plan 2023 – 2024)	2,129	2,616	3,102	3,589	3,678
\$ Increase per week	10.55	11.51	12.50	13.47	19.51

Indicative business rates (by CV)	\$550 K	\$750 K	\$950 K	\$1.15 M	\$1.3 M
General rates	2,553	3,482	4,410	4,693	6,081
Targeted water rates <sup>4</sup>	1,557	1,687	1,817	1,856	2,051
NEW targeted roading rate (Previously within the General rate)	816	1,113	1,410	1,500	1,944
NEW targeted compliance rate (Previously within the General rate)	99	135	171	182	236
<b>Total Indicative rates (UHCC only)</b>	<b>5,025</b>	<b>6,416</b>	<b>7,808</b>	<b>8,232</b>	<b>10,312</b>
Total Indicative rates from current year (Annual Plan 2023 – 2024)	4,380	5,685	6,990	7,388	9,340
\$ Increase per week	12.41	14.07	15.72	16.23	18.69

Indicative rural rates (by CV)	\$550 K	\$750 K	\$950 K	\$1.15 M	\$1.3 M
General rates	660	889	1,141	1,332	1,573
NEW targeted roading rate (Previously within the General rate)	272	366	470	549	648
NEW targeted compliance rate (Previously within the General rate)	26	34	44	52	61
<b>Total Indicative rates (UHCC only)</b>	<b>958</b>	<b>1,289</b>	<b>1,655</b>	<b>1,933</b>	<b>2,282</b>
Total Indicative rates from current year (Annual Plan 2023 – 2024)	876	1,178	1,512	1,767	2,086
\$ Increase per week	1.58	2.13	2.74	3.20	3.77

## Note

4. Water—targeted charge figures are based on the existence of only one water connection and one pan charge per property.

## Statement of responsibility

### Preparation

The Council and management of Upper Hutt City Council accept responsibility for the preparation of the Long Term Plan (LTP) prospective financial statements and the judgements used in them.

### Providing reasonable assurance

The Council and management of Upper Hutt City Council accept responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of prospective financial reporting presented in the Long Term Plan, including the



appropriateness of the assumptions underlying the prospective financial statements and all other required disclosures.

**Actual results**

The Long Term Plan does not include any actual financial results for years prior to the periods covered by the Long Term Plan 2024 -2034

**Longevity**

It is not intended that the Long Term Plan will be updated (outside of its 3-yearly cycle) unless there is a significant event, which fundamentally impacts the Long Term Plan.

**Authorisation**

This LTP, including the prospective financial statements, is authorised for issue by Upper Hutt City Council on XX June 2024.