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COUNCIL'S FINANCES

Report on Financial Policies

Council has a number of financial and other policies required by the Local Government Act 2002. While not a requirement of the legislation, Council considers it important to report its performance against these policies.

RATES REMISSION AND POSTPONEMENT POLICIES REPORT

Background

Council has adopted policies in relation to the remission and postponement of rates. There are a number of circumstances in which applications are considered.

Circumstances include where the ratepayer is a sporting or community organisation, a church, a school, a kindergarten or playcentre, or a hospital, provided the property is used for the benefit of the community and not for profit. Remissions are also granted on privately owned land protected for conservation purposes, or to businesses for economic development reasons, i.e. to encourage new businesses, increase the investment of existing businesses and to promote employment.

Results

No postponements were allowed in the 2012/2013 year. A summary of remissions allowed is shown in note 3 of the Financial Statements. Total remissions were \$276,000 (2012: \$272,000).

DEVELOPMENT AND FINANCIAL CONTRIBUTIONS POLICY REPORT

Background

The Development and Financial Contributions policy describes what financial contributions Council will require from developers when their property developments impose increased demand on Council Services. Council has previously chosen to rely on the financial contributions specified in chapter 12 of the district plan. The policy came into effect on 1 July 2006 and was reviewed as part of the 2012-2022 Long Term Plan.

Summary of Financial Contributions

Council received \$0.522 million (2012: \$0.127 million) in reserve and development contributions from developers this year. The Council also had as part of its development stimulus package remission on development contributions. Some \$160,000 was remitted by way of development contributions.

Council's Community Plan contains financial and other policies required by the Local Government Act 2002. While not a requirement of the legislation, Council considers it important to report its performance against the financial policies contained in the Community Plan.

FUNDING IMPACT STATEMENT REPORT

Background

The Funding Impact Statement describes the funding mechanisms the Council intends using each year. Among other things, this Statement explains in detail how rates are to be calculated.

Specific Targets

The following graph shows the proportion of funding forecast from each mechanism in the Funding Impact Statement and the actual funding received in 2012/2013.

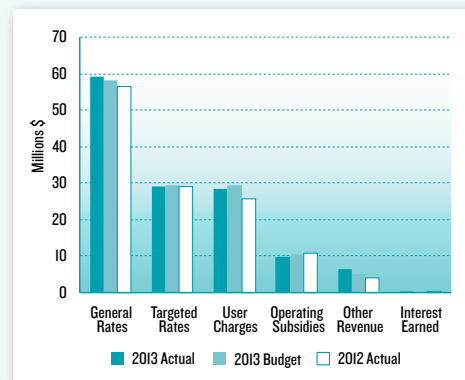


Figure 1: Comparison of 2012/2013 Budget to Actual Revenue with 2011/2012 Actual Revenue

LIABILITY MANAGEMENT POLICY REPORT

Background

The Liability Management Policy states Council's policies in relation to interest rate exposure, liquidity, credit exposure, debt repayment, specific borrowing limits and the giving of security.

Overall Performance

Council monitors compliance with the liability management policy on a monthly basis. There was compliance with most policy limits during 2012/2013. Council renewed its revolving credit facility during the year. The new facility agreement is in place from 1 October 2012 through to 2015. Council was in temporary breach of the refinancing risk of its policy up until the renewal of the facility. There are no other breaches of the policy.

Full details of the Council's debt, its maturity dates and interest costs are disclosed in note 22 of the Financial Statements. Further information in relation to interest rate risk and fair values of the Council's debt are disclosed in note 28 of the Financial Statements.

Borrowing Limits

The table below shows the limits on borrowing contained in the Council's Liability Management Policy and the actual position at 30 June 2013.

| RATIO | ACTUAL 30 JUNE 2013 | ACTUAL 30 JUNE 2012 | POLICY LIMIT |
|---|---------------------|---------------------|-----------------------------|
| Net Debt to equity | 5% | 6% | Below 20% |
| Net debt to income | 44% | 52% | Below 150% |
| Net interest to income | 3% | 3% | Below 10% |
| Net interest to rates income | 5% | 5% | Below 15% |
| Liquidity | 112% | 98% | Average of 100% |
| Net debt | \$58.1 million | \$67.402 million | Below \$100 million |
| Net debt per capita | \$595 | \$690 | Below \$1,000 |
| DEBT REFINANCING RISK SPREAD | | | |
| 0 to 3 years | 49% | 73% | 15% - 60% |
| 3 to 5 years | 36% | 13% | 15% - 60% |
| 5 years plus | 15% | 13% | 10% - 40% |
| FIXED RATE DEBT MATURITY PROFILE | | | |
| Overall fixed proportion | 62% | 67% | 55% - 90% |
| 1 to 3 years | 26% | 21% | 15% - 60% |
| 3 to 5 years | 36% | 32% | 15% - 60% |
| 5 to 10 years | 38% | 47% | 15% - 60% |
| Total financial guarantees | \$0.207 million | \$0.268 million | Not more than \$1.2 million |
| Largest single guarantee | \$0.179 million | \$0.238 million | Not more than \$0.3 million |

INVESTMENT POLICY REPORT

Background

The investment Policy states Council’s objectives in relation to financial and equity investments, and policies in relation to investment mix, acquisition, risk assessment, management and reporting.

Overall Performance

Council is a net borrower, and as such has minimised the amount of investments held to those necessary to meet specific business objectives. No breaches of the Investment Policy were reported during the 2012/2013 financial year.

Investment Limits

The Investment Policy does not contain specific financial limits against investment classes, but does refer to the following counterparty credit limits.

| COUNTERPARTY | MINIMUM CREDIT RATING | ACTUAL 30 JUNE 2013 | ACTUAL 30 JUNE 2012 | POLICY LIMIT |
|--------------------------------|-----------------------|---------------------|---------------------|---------------|
| NZ Government | A- | Nil | Nil | Unlimited |
| State Owned Enterprises | A- | Nil | Nil | \$5.0 million |
| NZ Registered Banks | | | | |
| Westpac | A- | \$5.20 million | \$3.4 million | \$15 million |
| ANZ | A- | \$6.05 million | \$2.85 million | \$15 million |
| Bank of New Zealand | A- | Nil | Nil | \$15 million |
| Corporate Bonds* | A- | Nil | Nil | \$2 million |
| Local Authority Funding Agency | A- | \$10.0 million | Nil | Unlimited |
| Local Govt Finance Corporation | | Nil | Nil | \$2 million |
| Local Govt Stock – rated** | A- | Nil | Nil | \$2 million |
| Local Govt Stock – unrated** | | Nil | Nil | \$0.5 million |

* Subject to a maximum of \$5.0 million investment in corporate/secured bonds at any one point in time.

** Subject to a maximum of \$15.0 million investment in Local Government stock at any one point in time, including Local Government Finance Corporation.

Credit Risk on interest rate risk management instruments is estimated by the following formula:

Credit Risk = notional value x years to maturity x 4.0%

Current credit ratings for are above the minimums required.

INDEPENDENT AUDITOR'S REPORT

To the readers of Hutt City Council and group's annual report for the year ended 30 June 2013

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

The Auditor-General is the auditor of the Hutt City Council (Council) and group. The Auditor-General has appointed me, Andy Burns, using the staff and resources of Audit New Zealand to audit:

- the financial statements of Council and group that comprise:
 - the statement of financial position as at 30 June 2013 on page 108;
 - the statement of comprehensive income, statement of changes in equity and cash flow statement for the year ending 30 June 2013 on pages 106 to 107 and 109;
 - the funding impact statement of Council on page 110;
 - the statements about budgeted and actual capital expenditure in relation to each group of activities of Council on pages 21 to 98; and
 - the notes to the financial statements that include accounting policies and other explanatory information about the financial statements on pages 111 to 152;
- the statement of service provision (referred to as the performance summaries) of Council and the funding impact statements in relation to each group of activities of Council on pages 21 to 98.

In addition, the Auditor-General has appointed me to report on whether Council and group's annual report complies with the Other Requirements of schedule 10 of the Local Government Act 2002, where applicable, by including:

- information about:
 - council-controlled organisations on pages 30 to 33;
 - reserve funds on pages 153 to 154
 - each group of activities carried out by Council on pages 21 to 98;
 - remuneration paid to the elected members and certain employees of Council on page 145;
 - employee staffing levels and remuneration on page 146; and
 - severance payments on page 146;
- a report on the activities undertaken by Council and group to establish and maintain processes to provide opportunities for Maori to contribute to the Council's decision making processes on pages 35 to 36; and
- a statement of compliance signed by the Mayor of the Council, and by Council and group's chief executive on page 105.

Opinion

Audited information

In our opinion:

- the financial statements of Council and group on pages 106 to 152:
 - comply with generally accepted accounting practice in New Zealand; and
 - fairly reflect:
 - Council and group's financial position as at 30 June 2013; and
 - the results of its operations and cash flows for the year ended on that date.
- the funding impact statement of Council on page 110, fairly reflects the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in Council's annual plan.
- the statements about budgeted and actual capital expenditure in relation to each group of activities of Council on pages 21 to 98, fairly reflects by each group of activities the capital expenditure spent as compared to the amounts budgeted and set out in Council's long term plan or annual plan.

- the performance summaries of Council on pages 21 to 98:
 - complies with generally accepted accounting practice in New Zealand; and
 - fairly reflects Council's levels of service for the year ended 30 June 2013, including:
- the levels of service as measured against the intended levels of service adopted in the longterm plan; and
- the reasons for any significant variances between the actual service and the expected service.
- the funding impact statements in relation to each group of activities of Council on pages 21 to 98, fairly reflects by each group of activities, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in Council's long term plan.

Compliance with the other requirements of schedule 10

In our opinion, which is not an audit opinion, Council and group's annual report complies with the Other Requirements of schedule 10 that are applicable to the annual report.

Our audit was completed on 18 October 2013. This is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Council and our responsibilities, and we explain our independence.

Basis of opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the information we audited is free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence readers' overall understanding of the financial statements. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the information we audited. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the information we audited, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to Council and group's preparation of the information we audited that fairly reflect the matters to which they relate. We consider internal control in order to design procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of Council and group's internal control.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by Council;
- the adequacy of all disclosures in the information we audited;
- determining the appropriateness of the reported service performance information within Council's framework for reporting performance; and
- the overall presentation of the information we audited.

We did not examine every transaction, nor do we guarantee complete accuracy of the information we audited.

When reporting on whether the annual report complies with the Other Requirements of schedule 10 of the Local Government Act 2002, our procedures were limited to making sure the information required by schedule 10 was included in the annual report, where relevant, and identifying material inconsistencies, if any, with the information we audited. This work was carried out in accordance with International Standard on Auditing (New Zealand) 720; The Auditor's Responsibilities Relating to Other Information in Documents Containing Audited Financial Statements. As a result we do not express an audit opinion on Council's compliance with the requirements of schedule 10.

We did not evaluate the security and controls over the electronic publication of the information we are required to audit and report on. We have obtained all the information and explanations we have

required and we believe we have obtained sufficient and appropriate evidence to provide a basis for our opinion.

Responsibilities of Council

The Council is responsible for preparing:

- financial statements and the performance summaries that:
 - comply with generally accepted accounting practice in New Zealand;
 - fairly reflect Council and group's financial position, financial performance and cash flows;
 - fairly reflect its service performance, including achievements compared to forecast;
- a funding impact statement that fairly reflects the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in Council's annual plan;
- funding impact statements in relation to each group of activities that fairly reflects by each group of activities the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in Council's longterm plan;
- statements about budgeted and actual capital expenditure in relation to each group of activities that fairly reflects by each group of activities the capital expenditure spent as compared to the amounts budgeted and set out in Council's longterm plan or annual plan; and
- the other information in accordance with the requirements of schedule 10 of the Local Government Act 2002.

Council is responsible for such internal control as it determines is necessary to ensure that the annual report is free from material misstatement, whether due to fraud or error. Council is also responsible for the publication of the annual report, whether in printed or electronic form.

Council's responsibilities arise under the Local Government Act 2002.

Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the information we are required to audit, and whether Council has complied with the Other Requirements of schedule 10, and reporting that opinion to you. Our responsibility arises under section 15 of the Public Audit Act 2001 and section 99 of the Local Government Act 2002.

Independence

When carrying out this audit, which includes our report on the Other Requirements, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board. Other than this audit, which includes our report on the Other Requirements, we have no relationship with or interests in Council or any of its subsidiaries.



Andy Burns, Audit New Zealand

On behalf of the Auditor-General
Christchurch, New Zealand

STATEMENT OF COMPLIANCE

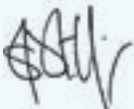
Statement of compliance and responsibility

The Council and management of Hutt City Council confirm that all statutory requirements in relation to the annual report, as outlined in the Local Government Act 2002, have been complied with.



Mayor
Ray Wallace

18 October 2013



Chief Executive
Tony Stallinger

18 October 2013

FINANCIAL STATEMENTS

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2013

| | NOTES | COUNCIL | | | GROUP | |
|---|----------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| | | ACTUAL 2013 \$000 | BUDGET 2013 \$000 | ACTUAL 2012 \$000 | ACTUAL 2013 \$000 | ACTUAL 2012 \$000 |
| REVENUE | 37. | | | | | |
| Rates, excluding targeted water supply rates | 3. | 88,325 | 87,596 | 85,454 | 88,053 | 73,499 |
| Fees, charges, and targeted rates for water supply | 4. | 28,273 | 29,470 | 25,569 | 31,800 | 40,599 |
| Development and financial contributions | | 522 | 708 | 127 | 522 | 127 |
| Subsidies and grants | 4. | 9,791 | 10,384 | 10,715 | 9,791 | 10,715 |
| Finance income | 5. | 244 | 285 | 258 | 92 | 95 |
| Other revenue | 4. | 5,742 | 4,246 | 3,997 | 6,073 | 4,233 |
| Gain on Disposal | 6. | - | - | - | - | 798 |
| Total revenue | | 132,897 | 132,689 | 126,120 | 136,331 | 130,066 |
| EXPENDITURE | | | | | | |
| Employee costs | 7. | 25,554 | 25,978 | 26,912 | 26,306 | 27,672 |
| Other expenses | 8. | 71,139 | 69,609 | 66,712 | 72,231 | 68,795 |
| Finance costs | 5. | 4,270 | 4,000 | 4,245 | 4,550 | 4,655 |
| Loss on Disposal | 6. | 116 | - | 13 | 59 | - |
| Depreciation and amortisation expenses | 15 - 17. | 30,170 | 31,688 | 29,847 | 31,280 | 30,993 |
| Total operating expenditure | | 131,249 | 131,275 | 127,729 | 134,426 | 132,115 |
| Share of associate's surplus/(deficit) | 18. | - | - | - | 19 | 32 |
| Surplus/(deficit) before tax | | 1,648 | 1,414 | (1,609) | 1,924 | (2,017) |
| Income tax expense/(benefit) | 9. | - | - | - | - | 31 |
| SURPLUS/(DEFICIT) AFTER TAX | | 1,648 | 1,414 | (1,609) | 1,924 | (2,048) |
| Other comprehensive income | | | | | | |
| <i>Items that will be reclassified to surplus/(deficit)</i> | | | | | | |
| Gain/(Loss) on revaluation of financial instruments | 6. | 1,485 | - | (1,975) | 1,485 | (1,975) |
| <i>Items that will not be reclassified to surplus/(deficit)</i> | | | | | | |
| Gain on property revaluations | | - | - | 101,740 | - | 101,740 |
| Impairment of property plant and equipment | | - | - | - | - | (110) |
| Deferred tax on revaluation | | - | - | - | - | - |
| Total other comprehensive income | | 1,485 | - | 99,765 | 1,485 | 99,655 |
| TOTAL COMPREHENSIVE INCOME | | 3,133 | 1,414 | 98,156 | 3,409 | 97,607 |

Explanations of the major variances against budget are provided in note 34.

The accompanying notes form an integral part of these financial statements

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2013

| | NOTES | COUNCIL | | | GROUP | |
|--|-------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| | | ACTUAL 2013 \$000 | BUDGET 2013 \$000 | ACTUAL 2012 \$000 | ACTUAL 2013 \$000 | ACTUAL 2012 \$000 |
| Balance at 1 July | | 1,247,261 | 1,247,743 | 1,149,105 | 1,249,516 | 1,151,909 |
| Total comprehensive income | | 3,133 | 1,414 | 98,156 | 3,409 | 97,607 |
| Balance at 30 June | | 1,250,394 | 1,249,157 | 1,247,261 | 1,252,925 | 1,249,516 |
| Total comprehensive income attributable to: | | | | | | |
| - Hutt City Council | | 1,250,394 | 1,249,157 | 1,247,261 | 1,248,673 | 1,245,324 |
| - Urban Plus Limited | | - | - | - | 1,693 | 1,955 |
| - Seaview Marina Limited | | - | - | - | 2,485 | 2,237 |
| - Community Facilities Trust | | - | - | - | 74 | - |
| Balance at 30 June | 26. | 1,250,394 | 1,249,157 | 1,247,261 | 1,252,925 | 1,249,516 |

The accompanying notes form an integral part of these financial statements.

Explanations of the major variances against budget are provided in note 34.

STATEMENT OF FINANCIAL POSITION

As at 30 June 2013

| | NOTES | COUNCIL | | | GROUP | |
|--|-------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| | | ACTUAL 2013 \$000 | BUDGET 2013 \$000 | ACTUAL 2012 \$000 | ACTUAL 2013 \$000 | ACTUAL 2012 \$000 |
| ASSETS | | | | | | |
| CURRENT ASSETS | | | | | | |
| Cash and cash equivalents | 10. | 11,309 | 5,536 | 6,430 | 11,820 | 6,519 |
| Debtors and other receivables | 11. | 13,088 | 11,413 | 12,493 | 13,712 | 13,004 |
| Inventories | 13. | 193 | - | 18 | 407 | 1,450 |
| Derivative financial instruments | 12. | 690 | 800 | 1,122 | 690 | 1,122 |
| Prepayments | | 169 | - | 69 | 181 | 80 |
| Other assets | 31. | 9,150 | - | 3,200 | - | - |
| Non-current assets held for sale | 14. | - | 2,560 | - | 1,552 | - |
| Total current assets | | 34,599 | 20,309 | 23,332 | 28,362 | 22,175 |
| NON-CURRENT ASSETS | | | | | | |
| Property, plant and equipment | 15. | 1,305,972 | 1,304,513 | 1,314,137 | 1,332,202 | 1,342,971 |
| Intangible assets | 16. | 5,164 | 6,302 | 5,286 | 5,173 | 5,297 |
| Assets under construction | | 6,479 | 1,990 | 2,746 | 6,825 | 2,798 |
| Investment in associate | 18. | 224 | 545 | 224 | 155 | 136 |
| Other financial assets | 19. | | | | | |
| - Investment in CCO's and other similar entities | | 17,555 | 14,545 | 14,545 | 260 | - |
| - Investment in other entities | | 494 | 3,441 | 486 | 494 | 486 |
| Total other financial assets | | 18,049 | 17,986 | 15,031 | 754 | 486 |
| Total non-current assets | | 1,335,888 | 1,331,336 | 1,337,424 | 1,345,109 | 1,351,688 |
| TOTAL ASSETS | | 1,370,487 | 1,351,645 | 1,360,756 | 1,373,471 | 1,373,863 |

| | NOTES | COUNCIL | | | GROUP | |
|----------------------------------|-------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| | | ACTUAL 2013 \$000 | BUDGET 2013 \$000 | ACTUAL 2012 \$000 | ACTUAL 2013 \$000 | ACTUAL 2012 \$000 |
| LIABILITIES | | | | | | |
| CURRENT LIABILITIES | | | | | | |
| Borrowings - current | 22. | 31,256 | 28,725 | 26,835 | 31,256 | 37,335 |
| Derivative financial instruments | 12. | 3,699 | 3,400 | 5,616 | 3,699 | 5,616 |
| Creditors and other payables | 21. | 23,333 | 19,033 | 18,976 | 23,474 | 19,052 |
| Employee entitlements | 23. | 2,351 | 2,426 | 2,392 | 2,391 | 2,444 |
| Other liabilities | 25. | 3,623 | 3,242 | 3,890 | 3,874 | 4,063 |
| Total current liabilities | | 64,262 | 56,826 | 57,709 | 64,694 | 68,510 |
| NON-CURRENT LIABILITIES | | | | | | |
| Borrowings | 22. | 50,010 | 40,000 | 50,018 | 50,010 | 50,018 |
| Employee entitlements | 23. | 783 | 842 | 858 | 804 | 878 |
| Provisions - non current | 24. | 5,038 | 4,820 | 4,910 | 5,038 | 4,910 |
| Deferred tax liability | 9. | - | - | - | - | 31 |
| Other liabilities | 25. | - | - | - | - | - |
| Total non-current liabilities | | 55,831 | 45,662 | 55,786 | 55,852 | 55,837 |
| TOTAL LIABILITIES | | 120,093 | 102,488 | 113,495 | 120,546 | 124,347 |
| NET ASSETS | | 1,250,394 | 1,249,157 | 1,247,261 | 1,252,925 | 1,249,516 |
| EQUITY | | | | | | |
| Accumulated funds | 26. | 739,099 | 738,779 | 739,119 | 736,195 | 736,271 |
| Other Reserves | 26. | 511,295 | 510,378 | 508,142 | 516,730 | 513,245 |
| TOTAL EQUITY | | 1,250,394 | 1,249,157 | 1,247,261 | 1,252,925 | 1,249,516 |

The accompanying notes form an integral part of these Financial Statements.

Explanations of the major variances against budget are provided in note 34.

STATEMENT OF CASHFLOWS

For the year ended 30 June 2013

| | NOTES | COUNCIL | | | GROUP | |
|---|-------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| | | ACTUAL 2013 \$000 | BUDGET 2013 \$000 | ACTUAL 2012 \$000 | ACTUAL 2013 \$000 | ACTUAL 2012 \$000 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | | |
| <i>Cash was provided from:</i> | | | | | | |
| Receipts from rates and levies - Council | | 88,490 | 87,596 | 85,358 | 88,218 | 85,088 |
| Receipts from rates and levies - GWRC* | | 20,452 | 19,108 | 18,893 | 20,452 | 18,893 |
| Receipts from user charges and other income | | 42,151 | 44,508 | 39,722 | 45,000 | 42,443 |
| Receipts from sales of commercial developments | | - | - | - | 1,659 | 2,572 |
| Interest received | | 244 | 285 | 258 | 92 | 95 |
| Dividends | | - | - | - | - | - |
| Net GST received from Inland Revenue** | | 97 | - | - | 29 | - |
| | | 151,434 | 151,497 | 144,231 | 155,450 | 149,091 |
| <i>Cash was applied to:</i> | | | | | | |
| Payments to employees | | (25,670) | (25,978) | (26,930) | (26,433) | (27,690) |
| Payments to suppliers | | (66,790) | (68,259) | (66,456) | (68,009) | (67,637) |
| Purchase of inventory held for commercial development | | - | - | - | (769) | (61) |
| Interest paid | | (3,843) | (4,000) | (4,086) | (4,156) | (4,463) |
| Net GST paid to Inland Revenue | | - | - | (461) | - | (461) |
| Rates and levies passed to GWRC* | | (20,366) | (19,108) | (18,572) | (20,366) | (18,572) |
| | | (116,669) | (117,345) | (116,505) | (119,733) | (118,884) |
| Net cash flows from operating activities | 27. | 34,765 | 34,152 | 27,726 | 35,717 | 30,207 |

* GWRC is the Greater Wellington Regional Council for which the Hutt City Council acts as a collection agency by including additional rates in its own billing processes. Once collected the monies are passed to GWRC.

** The GST (net) component of operating activities reflects the net GST paid and received with Inland Revenue. 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 notes form an integral part of these Financial Statements.

| | NOTES | COUNCIL | | | GROUP | |
|--|-------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| | | ACTUAL 2013 \$000 | BUDGET 2013 \$000 | ACTUAL 2012 \$000 | ACTUAL 2013 \$000 | ACTUAL 2012 \$000 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | | |
| <i>Cash was provided from:</i> | | | | | | |
| Receipts from sale of property, plant and equipment | | 1,549 | 1,500 | 24 | 1,549 | 24 |
| Other investment receipts | | 306 | 150 | 317 | 9,266 | 17 |
| | | 1,855 | 1,650 | 341 | 10,815 | 41 |
| <i>Cash was applied to:</i> | | | | | | |
| Purchase of property, plant and equipment | | (22,111) | (25,345) | (23,425) | (20,546) | (23,393) |
| - less UHCC capital contribution | | - | 666 | - | - | - |
| Purchase of assets under construction | | (3,733) | (2,000) | (2,306) | (4,027) | (2,345) |
| Purchase of intangible assets | | (1,050) | (1,835) | (640) | (1,051) | (649) |
| Other payments and investments | | (9,260) | (100) | (221) | (9,520) | (221) |
| | | (36,154) | (28,614) | (26,592) | (35,144) | (26,608) |
| Net cash flows from investing activities | | (34,299) | (26,964) | (26,251) | (24,329) | (26,567) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | | | |
| <i>Cash was provided from:</i> | | | | | | |
| Proceeds from borrowings | | 93,801 | 105,044 | 128,841 | 124,851 | 180,441 |
| <i>Cash was applied to:</i> | | | | | | |
| Repayment of borrowings | | (89,388) | (110,431) | (129,981) | (130,938) | (183,681) |
| Net cash flows from financing activities | | 4,413 | (5,387) | (1,140) | (6,087) | (3,240) |
| Net increase/(decrease) in cash, cash equivalents and bank overdrafts | | 4,879 | 1,801 | 335 | 5,301 | 400 |
| Cash, cash equivalents and bank overdrafts at the beginning of the year | | 6,430 | 3,735 | 6,095 | 6,519 | 6,119 |
| CASH, CASH EQUIVALENTS AND BANK OVERDRAFTS AT THE END OF THE YEAR | 10. | 11,309 | 5,536 | 6,430 | 11,820 | 6,519 |

The accompanying notes form an integral part of these Financial Statements.

FUNDING IMPACT STATEMENT

For the year ending 30 June 2013 (Whole of Council)

| | ACTUAL 2013 000S | BUDGET 2013 000S | ACTUAL 2012 000S | BUDGET 2012 000S |
|--|------------------------|------------------------|------------------------|------------------------|
| Sources of operating funding | | | | |
| General rates, uniform annual general charges, rates penalties | 62,301 | 61,913 | 61,059 | 60,572 |
| Targeted rates (other than a targeted rate for water supply) | 29,885 | 29,493 | 28,098 | 28,668 |
| Subsidies and grants for operating purposes | 6,262 | 6,272 | 5,827 | 6,104 |
| Fees, charges and targeted rates for water supply | 28,273 | 29,470 | 25,569 | 29,680 |
| Interest and dividends from investments | 244 | 285 | 258 | 350 |
| Local authorities fuel tax, fines, infringement fees, and other receipts | 5,103 | 3,646 | 3,390 | 3,281 |
| Total operating funding (A) | 132,068 | 131,079 | 124,201 | 128,655 |
| Applications of operating funding | | | | |
| Payments to staff and suppliers | 96,809 | 95,587 | 93,624 | 93,863 |
| Finance costs | 4,270 | 4,000 | 4,245 | 4,355 |
| Other operating funding applications | 3,222 | 3,210 | 3,108 | 3,255 |
| Total applications of operating funding (B) | 104,301 | 102,797 | 100,977 | 101,473 |
| Surplus (deficit) of operating funding (A-B) | 27,767 | 28,282 | 23,224 | 27,182 |
| Sources of capital funding | | | | |
| Subsidies and grants for capital expenditure | 3,529 | 4,778 | 4,888 | 5,721 |
| Development and financial contributions | 522 | 708 | 127 | 279 |
| Increase (decrease) in debt | (4,804) | (6,087) | 1,212 | (5,822) |
| Gross proceeds from sale of assets | - | 1,500 | - | 4,245 |
| Lump sum contributions | - | - | - | - |
| Total sources of capital funding (C) | (753) | 899 | 6,227 | 4,423 |
| Application of capital funding | | | | |
| Capital expenditure | | | | |
| - to meet additional demand | - | - | - | - |
| - to improve level of service | 11,125 | 12,281 | 12,076 | 15,114 |
| - to replace existing assets | 15,889 | 16,900 | 17,375 | 16,491 |
| Increase (decrease) in reserves | - | - | - | - |
| Increase (decrease) of investments | - | - | - | - |
| Total applications of capital funding (D) | 27,014 | 29,181 | 29,451 | 31,605 |
| Surplus (deficit) of capital funding (C-D) | (27,767) | (28,282) | (23,224) | (27,182) |
| Funding balance ((A-B)+(C-D)) | - | - | - | - |

NOTES TO THE FINANCIAL STATEMENTS

I. Statement of Accounting Policies

REPORTING ENTITY

The Hutt City Council (referred to as 'Council') is a territorial local authority governed by the Local Government Act 2002 and is domiciled in New Zealand. Council was first formed as Lower Hutt City Council on 1 November 1989 by the amalgamation of five local authorities. The name was changed to The Hutt City Council by a special Act of Parliament on 8 October 1991.

The group consists of Council, its subsidiaries, Seaview Marina Limited, Urban Plus Limited and Hutt City Community Facilities Trust (all 100% owned), the Silverstream Gas Joint Venture (7% owned) and associate Capacity Infrastructure Services.

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

The financial statements of the Council and group are for the year ended 30 June 2013. The financial statements were authorised for issue by Council on 18 October 2013.

BASIS OF PREPARATION

Statement of compliance

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

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

Measurement base

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).

Functional and presentation currency

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

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

Changes in accounting policies

There have been no changes in accounting policies during the financial year.

Standards, amendments, and interpretations issued that are not yet effective and have not been early adopted

Standards, amendments and interpretations issued but not yet effective that have not been early adopted, and which are relevant to the Council and group, are:

- NZ IFRS 9 Financial Instruments will eventually replace NZ IAS 39 Financial Instruments: Recognition and Measurement. NZ IAS 39 is being replaced through the following 3 main phases: Phase 1 Classification and Measurement, Phase 2 Impairment Methodology, and Phase 3 Hedge Accounting. Phase 1 on the classification and measurement of financial assets has been completed and has been published in the new financial instrument standard NZ IFRS 9. NZ IFRS 9 uses a single approach to determine whether a financial asset is measured at amortised cost of fair value, replacing the many different rules in NZ IAS 39. The approach in NZ IFRS 9 is based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets. The financial liability requirements are the same as those of NZ IAS 39, except for when an entity elects to designate a financial liability at fair value

through the surplus/deficit. The new standard is required to be adopted for the year ended 30 June 2016. However, as a new Accounting Standards Framework will apply before this date, there is no certainty when an equivalent standard to NZ IFRS 9 will be applied by public benefit entities.

The Minister of Commerce has approved a new Accounting Framework (incorporating a Tier Strategy) developed by the External Reporting Board (XRB). Under this Accounting Standards Framework, the Council is classified as a Tier 1 reporting entity and it will be required to apply full Public Benefit Entity Accounting Standards (PAS). These standards are being developed by the XRB based on current International Public Sector Accounting Standards. The effective date for the new standards for public sector entities is expected to be for reporting periods beginning on or after 1 July 2014. This means the Council expects to transition to the new standards in preparing its 30 June 2015 financial statements. As the PAS are still under development, the Council is unable to assess the implications of the new Accounting Standards Framework at this time.

Due to the change in the Accounting Standards Framework for public benefit entities, it is expected that all new NZ IFRS and amendments to existing NZ IFRS will not be applicable to public benefit entities. Therefore, the XRB has effectively frozen the financial reporting requirements for

I. Statement of Accounting Policies (continued)

public benefit entities up until the new Accounting Standards Framework is effective. Accordingly, no disclosure has been made about new or amended NZ IFRS that exclude public benefit entities from their scope.

Comparatives

To ensure consistency with the current year, certain comparative information has been reclassified where appropriate. This has occurred:

- where classifications have changed between periods, and
- where Council and group has made additional disclosure in the current year, and where a greater degree of disaggregation of prior year amounts and balances is therefore required.

SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The purchase method is used to prepare the consolidated financial statements, which involves adding together like items of assets, liabilities, equity, income and expenses on a line-by-line basis. All significant intra-group balances, transactions, income and expenses are eliminated on consolidation.

Subsidiaries

Council consolidates as subsidiaries in the group financial statements all entities where Council has the capacity to control their financing and operating policies so as to obtain benefits from the activities of the entity. This power exists where Council controls the majority voting power on the governing body or where such policies have been irreversibly predetermined by Council or where the determination of such policies

is unable to materially impact the level of potential ownership benefits that arise from the activities of the subsidiary.

Council measures the cost of a business combination as the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, in exchange for control of the subsidiary plus any costs directly attributable to the business combination.

Any excess of the cost of the business combination over Council's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities is recognised as goodwill. If Council's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised exceeds the cost of the business combination, the difference will be recognised immediately in the Statement of Comprehensive Income.

Council's investments in its subsidiaries are carried at cost in the Council's own "parent entity" financial statements.

These group financial statements include Council and its subsidiaries, except for Hutt Valley Youth Health Trust, which has not been consolidated. The effect of not consolidating Hutt Valley Youth Health Trust is immaterial.

All subsidiaries have 30 June balance dates except for Hutt Valley Youth Health Trust, which has a 30 September balance date.

Associates

Council accounts for an investment in an associate in the group financial statements using the equity method. An associate is an entity over which Council has significant influence and that is neither a subsidiary nor an interest in a joint venture. The investment in an associate is initially recognised at cost

and the carrying amount is increased or decreased to recognise Council's share of the surplus or deficit of the associate after the date of acquisition. Council's share of the surplus or deficit of the associate is recognised in Council's Statement of Comprehensive Income. Distributions received from an associate reduce the carrying amount of the investment.

If Council's share of deficits of an associate equals or exceeds its interest in the associate, Council discontinues recognising its share of further deficits. After Council's interest is reduced to zero, additional deficits are provided for, and a liability is recognised, only to the extent that Council has incurred legal or constructive obligations or made payments on behalf of the associate. If the associate subsequently reports surpluses, Council will resume recognising its share of those surpluses only after its share of the surpluses equals the share of deficits not recognised.

Council's share in the associate's surplus or deficits resulting from unrealised gains on transactions between the Council and its associates is eliminated.

Council's investments in associates are carried at cost in Council's own "parent entity" financial statements.

Council has one associate, Capacity, which has a balance date of 30 June. Audited financial statements of Capacity have been used in preparing the group financial statements.

Joint venture

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. For jointly controlled operations Council recognises in its financial statements the assets it controls, the liabilities and

expenses it incurs, and the share of income that it earns from the joint venture.

Council has a 7% interest in the Silverstream Gas Joint Venture, which has a balance date of 30 June. Unaudited financial statements of the Silverstream Gas Joint Venture have been used in preparing Council's group financial statements.

NZLGFA

Council is a shareholder of the New Zealand Local Government Funding Agency Limited (NZLGFA). The NZLGFA was incorporated in December 2011 with the purpose of providing debt funding to local authorities in New Zealand and it has a current credit rating from Standard and Poor's of AA+. Council is one of 19 shareholders of the NZLGFA. In that regard it has uncalled capital of \$20 million. When aggregated with the uncalled capital of other shareholders, \$20 million is available in the event that an imminent default is identified. Also, together with the other shareholders, Council is a guarantor of all of NZLGFA's borrowings. At 30 June 2013, NZLGFA had borrowings totalling \$835 million (2012: \$nil).

Financial reporting standards require Council to recognise the guarantee liability at fair value. However, Council has been unable to determine a sufficiently reliable fair value for the guarantee, and therefore has not recognised a liability. Council considers the risk of NZLGFA defaulting on repayment of interest or capital to be very low on the basis that:

- We are not aware of any local authority debt default events in New Zealand; and
- local government legislation would enable local authorities to levy a rate to recover sufficient funds to meet any debt obligations if further funds were required.

I. Statement of Accounting Policies (continued)

Revenue

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

Rates revenue

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 the rates have been set. Rates revenue is recognised when payable.

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

Revenue from water rates by meter is recognised on an accrual basis. Unbilled usage, as a result of unread meters at yearend, is accrued on an average usage basis.

Government grants

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

Provision of services

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

Vested assets

Where a physical asset is acquired for nil or nominal consideration the fair value of the asset received is recognised as revenue. Assets vested in Council and group are

recognised as revenue when control over the asset is obtained.

Sale of goods

Sales of goods are recognised when a product is sold to the customer. The recorded revenue is the gross amount of the sale, including credit card fees payable for the transaction. Such fees are included in other expenses.

Traffic and parking infringements

Traffic and parking infringements are recognised when tickets are issued.

Interest and dividends

Interest income is recognised using the effective interest method.

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

Development contributions

The revenue recognition point for development and financial contributions is at the later of the point when Council is ready to provide the service for which the contribution was levied, or the event that will give rise to a requirement for a development or financial contribution under the legislation.

Construction contracts

Contract costs are recognised as expenses by reference to the stage of completion of the contract at balance date. The stage of completion is measured by reference to the contract costs incurred up to balance date as a percentage of total estimated costs for each contract.

Contract costs include all costs directly related to specific contracts, costs that are specifically chargeable to the customer under the terms of the contract.

Where the outcome of a contract cannot be reliably estimated, contract costs are recognised as an expense as incurred.

Construction work in progress is stated at the aggregate of contract costs incurred to date.

Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

Grant expenditure

Non-discretionary grants are those grants that are awarded if the grant application meets the specified criteria and are recognised as expenditure when an application that meets the specified criteria for the grant has been received.

Discretionary grants are those grants where 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.

Foreign currency transactions

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

Income tax

Income tax expense comprises both current tax and deferred tax, and is calculated using tax rates that have been enacted or substantively enacted by balance date.

Current tax is the amount of income tax payable based on the taxable surplus for the

current year, plus any adjustments to income tax payable in respect of prior years.

Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses. Temporary differences are differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable surplus.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the entity expects to recover or settle the carrying amount of its assets and liabilities.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable surplus will be available against which the deductible temporary differences or tax losses can be utilised.

Deferred tax is not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of an asset and liability in a transaction that is not a business combination, and at the time of the transaction, affects neither accounting surplus nor taxable surplus.

Deferred tax is recognised on taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the company can control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Current tax and deferred tax is charged or credited to the Statement of Comprehensive Income, except when it relates to items

I. Statement of Accounting Policies (continued)

charged or credited directly to equity, in which case the tax is dealt with in equity.

Leases

Finance leases

A finance lease is a lease that transfers to the lessee substantially all the risks and rewards incidental to ownership of an asset, whether or not title is eventually transferred.

At the commencement of the lease term, Council and group recognises finance leases as assets and liabilities in the Statement of Financial Position at the lower of the fair value of the leased item or the present value of the minimum lease payments.

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

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

Operating leases

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

Cash and cash equivalents

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

Bank overdrafts are shown in current liabilities in the Statement of Financial Position.

Debtors and other receivables

Debtors and other receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

Derivative financial instruments

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

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently measured at their fair value at each balance date. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and, if so, the nature of the item being hedged.

The associated gains or losses of derivatives that are not hedge accounted are recognised in the surplus or deficit.

Council and group designates certain derivatives as either:

- hedges of the fair value of recognised asset or liabilities or a firm commitment (fair value hedge); or
- hedges of highly probable forecast transactions (cash flow hedge).

Council and group do not designate its derivative financial instruments as hedging instruments for accounting purposes.

Accordingly, derivative financial instruments are reported as fair value through surplus or deficit.

Financial assets

Financial assets and liabilities are initially measured at fair value plus transaction costs unless they are carried at fair value through surplus or deficit in which case the transaction costs are recognised in the Statement of Comprehensive Income.

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

Council classifies its financial assets into the following categories:

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

The classification depends on the purpose for which the investments were acquired.

Financial assets at fair value through surplus or deficit

Financial assets at fair value through surplus or deficit include financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives (e.g. interest rate swaps and options) are also categorised as held for trading unless they are designated as hedges (see above).

Financial assets acquired principally for the purpose of selling in the short-term or part of a portfolio classified as held for trading are

classified as a current asset. The current/non-current classification of derivatives is explained in the derivatives accounting policy above.

After initial recognition assets in this class are measured at their fair values with gains or losses recognised in the surplus or deficit.

Loans and receivables

Loans and receivables 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 balance date, which are included in non-current assets. Council and group loans and receivables comprise cash and cash equivalents, trade and other receivables, term deposits, community and related party loans.

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

Loans, including loans to community organisations made by Council at nil, or below-market 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 financial instrument. The loans are subsequently measured at amortised cost using the effective interest method. The difference between the face value and present value of expected future cash flows of the loan is recognised in the surplus or deficit as a grant.

Held to maturity investments

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that Council has the positive intention and

I. Statement of Accounting Policies (continued)

ability to hold to maturity. They are included in current assets, except for maturities greater than 12 months after balance date, which are included in non-current assets.

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

Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income are those that are designated into the category at initial recognition or are not classified in any of the other categories above. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance date or if the debt instrument is not expected to be realised within 12 months of balance date.

The Council and group includes in this category:

- investments that it intends to hold long-term but which may be realised before maturity; and
- shareholdings that Council holds for strategic purposes.

Council's investments in its subsidiary and associate companies are not included in this category as they are held at cost (as allowed by NZ IAS 27 *Consolidated and Separate Financial Statements* and NZ IAS 28 *Investments in Associates*), whereas this category is to be measured at fair value.

After initial recognition these investments are measured at their fair value, with gains and losses recognised in other comprehensive income, except for impairment losses, which are recognised in the surplus or deficit.

On derecognition the cumulative gain or loss previously recognised in equity is reclassified and recognised in the surplus or deficit.

Impairment of financial assets

At each balance date Council assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired. Any impairment losses are recognised in the Statement of Comprehensive Income.

Loans, receivables and term deposits

Impairment of a loan, receivable or term deposit is established when there is objective evidence that Council will not be able to collect all amounts due according to the original terms. Significant financial difficulties of the debtor/ issuer, probability that the debtor/issuer will enter into bankruptcy, and default payments are considered indicators that the asset is impaired. The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the original effective interest rate. For trade and other receivables, the carrying amount of the asset is reduced through the use of a provision account, and the amount of the loss is recognised in the Statement of Comprehensive Income. When the receivable is uncollectable, it is written off against the provision account. Overdue receivables that have been renegotiated are reclassified as current (i.e. not past due). For term deposits impairment losses are recognised directly against the instruments carrying amount.

Quoted and unquoted equity investments

For each equity investment classified as fair value through equity, a significant or prolonged decline in the fair value of the investment below its cost is considered an

indicator of impairment. If such evidence exists for investments at fair value through equity, the cumulative loss (measured as the difference between the acquisition costs and the current fair value, less any impairment loss on that financial asset previously recognised in the Statement of Comprehensive Income) is removed from equity and recognised in the Statement of Comprehensive Income. Impairment losses recognised in the Statement of Comprehensive Income on equity investments are not reversed through the Statement of Comprehensive Income.

Inventory

Inventory (such as spare parts and other items) held for distribution or consumption in the provision of services that are not supplied on a commercial basis is measured at the lower of cost, adjusted when applicable, for any loss of service potential. Where inventory is acquired at no cost or for nominal consideration, the cost is the current replacement cost at the date of acquisition.

Inventory held for use in the production of goods and services on a commercial basis is valued at the lower of cost and net realisable value. The cost of purchased inventory is determined using the FIFO method. The amount of any write-down for the loss of service potential or from cost to net realisable value is recognised in the surplus or deficit in the period of the write-down.

Non-current assets held for sale

Non-current assets held for sale 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 costs to sell.

Any impairment losses for write-downs of non-current assets held for sale are recognised in the Statement of Comprehensive Income. Any increases in fair value (less costs to sell) are recognised up to the level of any impairment losses that have been previously recognised.

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

Property, plant and equipment

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

Property, plant and equipment consist of:

Infrastructure assets

The fixed utility systems owned by Council and include resource consents. Each asset type includes all items that are required for the network to function. For example, sewerage reticulation includes reticulation piping and sewer pump stations.

Operational assets

These include land, buildings, landfill post closure, improvements, library books, plant and equipment and collection items.

Restricted assets

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.

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

I. Statement of Accounting Policies (continued)

benefits or service potential associated with the item will flow to Council and group 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.

Assets under construction are included at cost. The total cost of a project is transferred to the relevant capital class on its completion and then depreciated. Borrowing costs are not capitalised.

Costs incurred in obtaining any resource consents are capitalised as part of the asset to which they relate. If a resource consent application is declined then all capitalised costs are written off.

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 group and the cost of the item can be measured reliably.

Council costs that do not meet the criteria for capitalisation, or are below the thresholds of \$1,000 for information technology hardware and \$2,500 for other items, are charged to operating expenditure.

Disposal

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are reported net in the Statement of Comprehensive Income. When revalued assets are sold, the amounts included in asset revaluation reserves in respect of those assets are transferred to accumulated funds.

Depreciation

Depreciation is provided on a straight-line basis on all property, plant and equipment at rates that will write off the cost (or valuation) of the assets to their estimated residual values over their useful lives, except that art, museum collections and land are not depreciated.

Estimated economic lives

The expected useful economic lives have been estimated as follows:

| | YEARS | PERCENTAGES |
|---|----------|-------------|
| Operational assets | | |
| Buildings: | | |
| - Structure | 30 - 100 | 1 - 3.33 |
| - Roof | 40 - 55 | 1.82 - 2.5 |
| - Services | 35 - 55 | 1.82 - 2.86 |
| - Internal fit-out | 15 - 45 | 2.22 - 6.67 |
| - Plant | 30 - 35 | 2.86 - 3.33 |
| Landfill building assets | 50 - 100 | 1 - 2 |
| Library books | 2 - 14 | 7.14 - 50 |
| Plant and equipment: | | |
| - Office furniture | 5 - 20 | 5 - 20 |
| - Plant | 3 - 25 | 4 - 33.33 |
| - Computer equipment | 3 - 5 | 20 - 33.33 |
| - Playground equipment | 5 - 30 | 3.33 - 20 |
| - Recycling depots | 10 | 10 |
| Wharves | 15 - 40 | 2.5 - 6.67 |
| Landfill plant | 20 - 35 | 2.86 - 5 |
| Breakwaters | 100 | 1 |
| Parking meters | 10 - 25 | 4 - 10 |
| Other collection items | 10 | 10 |
| Infrastructure assets | | |
| Storm, supply and waste water utility assets: | | |

| | | |
|---|---------------------|--------------|
| - Pumping stations | 12 - 80 | 1.25 - 8.33 |
| - Pencarrow outfall tunnels | 500 | 0.2 |
| - Pencarrow outfall other assets | 25 - 62 | 1.61 - 4 |
| - Resource consents | Life of the consent | |
| - Silverstream river crossing structure | 60 | 1.67 |
| - Storage tanks | 15 - 50 | 2 - 6.67 |
| - Treatment plant | 5 - 100 | 1 - 20 |
| Landfill storm water | 100 | 1 |
| Landfill roading | 20 - 100 | 1 - 5 |
| Roading network: | | |
| - Berms | 20 | 5 |
| - Bridges | 80 - 100 | 1 - 1.25 |
| - Bus shelters | 30 - 50 | 2 - 3.33 |
| - Car parking | 8 - 80 | 1.25 - 12.5 |
| - Culvert and subways | 100 | 1 |
| - Debris fences | 25 | 4 |
| - Footpath walkway | 15 - 50 | 2 - 6.67 |
| - Kerbs and channel | 15 - 80 | 1.25 - 6.67 |
| - Pedestrian crossings | 40 - 50 | 2 - 2.5 |
| - Retaining walls | 15 - 100 | 1 - 6.67 |
| - Roading carriageway | 7 - 120 | 0.83 - 14.29 |
| - Seawalls | 60 - 90 | 1.11 - 1.67 |
| - Speed humps | 12 - 50 | 2 - 8.33 |
| - Street light support | 50 | 2 |
| - Street lights | 25 | 4 |
| - Sumps and leads | 80 | 1.25 |
| - Traffic barriers | 10 - 30 | 3.33 - 10 |
| - Traffic islands | 60 | 1.67 |
| - Traffic signals and signs | 5 - 30 | 3.33 - 20 |
| - Vehicle crossings | 80 | 1.25 |

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

Revaluation

Council assesses the carrying values of its revalued assets annually to ensure that they do not differ materially from the assets' fair values. If there is a material difference, then the off-cycle asset class is revalued.

Land, buildings (operational and restricted), library books, and infrastructural assets (except land under roads) are revalued with sufficient regularity to ensure that their carrying amount does not differ materially from fair value and at least every five years, on the basis described below. All other asset classes are carried at depreciated historical cost.

- Land and buildings have been valued at either optimised depreciated replacement cost or fair value.
- Infrastructure assets have been valued at optimised depreciated replacement cost. The exceptions are:
 - wharves, which are valued at indemnity value, reflecting their minimum residual value
 - traffic signs, which are stated at cost
 - land under roads, which is not revalued (historically they were valued at 45% of the average market value of adjacent land).
- Landfill assets are valued at depreciated replacement cost.
- Library literary assets are valued at depreciated replacement cost in accordance with draft guidelines released by the New Zealand Library Association and the National Library of New Zealand.

I. Statement of Accounting Policies (continued)

- Collections items are classified into relevant asset classes and are revalued on a cyclical basis.

All revaluations are carried out by independent valuers who specialise in the asset classes listed above. The exception is library literary assets, which are valued by staff with specialist knowledge in this area.

The results of revaluing are credited or debited to an asset revaluation reserve for that class of asset. Where this results in a debit balance in the asset revaluation reserve, this balance is expensed in the Statement of Comprehensive Income. Any subsequent increase on revaluation that off-sets a previous decrease in value recognised in the Statement of Comprehensive Income will be recognised first in the Statement of Comprehensive Income up to the amount previously expensed, and then credited to the revaluation reserve for that class of asset.

Upper Hutt City Council's interest in the bulk wastewater system

The Hutt Valley and Wainuiomata bulk wastewater system is managed by Council. Upper Hutt City Council pays an annual levy to the Hutt City Council based on an apportionment formula equating to between 26% and 33% of the funding requirements. While Upper Hutt City Council does not have legal ownership of the bulk wastewater system, it is entitled to a share of the proceeds from any sale of the assets.

Upper Hutt City Council's interest in the bulk wastewater system assets is deducted from the value of property plant and equipment recognised in the Statement of Financial Position. Funding contributions from Upper Hutt City Council are recognised as revenue

in the Statement of Comprehensive Income if the contributions are for the operation of the bulk wastewater system. Funding contributions for capital work are recognised as an increase in Upper Hutt City Council's interest in the bulk wastewater system assets.

Intangible assets

Software acquisition and development

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Costs that are directly associated with the development of software for internal use by Council and group, are recognised as an intangible asset.

Staff training costs are recognised as an expense when incurred.

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

Easements

Easements are recognised at cost, being the costs directly attributable to bringing the asset to its intended use. Easements have an indefinite useful life and are not amortised, but are instead tested for impairment annually.

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 Statement of Comprehensive Income.

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

| | | |
|-------------------|-------------|--------------|
| Computer software | 3 - 5 years | 33.33% – 20% |
|-------------------|-------------|--------------|

Impairment of property, plant and equipment and intangible assets

Assets that have an indefinite useful life, or are not yet available for use, are not subject to amortisation and are tested annually for impairment. Assets that have a finite useful life are reviewed for indicators of impairment at each balance date. When there is an indicator of impairment the asset's recoverable amount is estimated. 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.

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

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

If an asset's carrying amount exceeds its recoverable amount the asset is impaired and the carrying amount is written down to the recoverable amount. For revalued assets the impairment loss is recognised against the revaluation reserve for that class of asset. Where that results in a debit balance in the revaluation reserve, the balance is recognised

in the surplus or deficit. For assets not carried at a revalued amount, the total impairment loss is recognised in the surplus or deficit.

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

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

Creditors and other payables

Creditors and other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method.

Borrowings

Borrowings are initially recognised at their fair value net of transaction costs incurred. After initial recognition, all borrowings are measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless Council and group have an unconditional right to defer settlement of the liability for at least 12 months after the balance date.

I. Statement of Accounting Policies (continued)

Employee entitlements

Short-term benefits

Employee benefits that Council and group expect to be settled within 12 months of balance date are measured at nominal values based on accrued entitlements at current rates of pay. These include salaries and wages accrued up to balance date, annual leave earned to, but not yet taken at balance date, retiring and long service leave entitlements expected to be settled within 12 months, and sick leave.

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

Council and group recognise a liability and an expense for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation.

Long-term benefits

Entitlements that are payable beyond 12 months, such as long service leave and retiring leave, have been calculated on an actuarial basis. The calculations are based on:

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

The discount rate used is the current New Zealand Government long-term bond rate as at 30 June each year, and the inflation rate used is the annual Consumer Price Index. The discount rate is based on Council's long-term cost of funds. The inflation factor is based on the expected long-term increase in remuneration for employees.

Superannuation schemes

Defined contribution schemes

Obligations for contributions to defined contribution superannuation schemes are recognised as an expense in the Statement of Comprehensive Income as incurred.

Defined benefit schemes

Council belongs to the Defined Benefit Plan Contributors Scheme (the scheme), which is managed by the Board of Trustees of the National Provident Fund. The scheme is a multi-employer defined benefit scheme.

Insufficient information is available to use defined benefit accounting, as it is not possible to determine from the terms of the scheme, the extent to which the surplus/deficit will affect future contributions by individual employers, as there is no prescribed basis for allocation. The scheme is therefore accounted for as a defined contribution scheme. Further information on this scheme is disclosed in note 6.

Provisions

Council and group recognises a provision for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event, it is probable that expenditures

will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as an interest expense and is included in "finance costs".

Financial guarantee contracts

A financial guarantee contract is a contract that requires Council to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.

Financial guarantee contracts are initially recognised at fair value. If a financial guarantee contract was issued in a stand-alone arms length transaction to an unrelated party, its fair value at inception is equal to the consideration received. When no consideration is received a provision is recognised based on the probability Council will be required to reimburse a holder for a loss incurred, discounted to present value. The portion of the guarantee that remains unrecognised, prior to discounting to fair value, is disclosed as a contingent liability.

Financial guarantees are subsequently measured at the initial recognition amount less any amortisation, however if Council assesses that it is probable that expenditure will be required to settle a guarantee, then the provision for the guarantee is measured at the present value of the future expenditure.

Landfill post closure costs

As operator of the Silverstream and Wainuiomata landfill sites, Council has an obligation to ensure the ongoing maintenance and monitoring services at these landfill sites after closure. Council also has an obligation to monitor closed landfill sites previously operated by local authorities subsequently amalgamated to form the Hutt City Council.

A site restoration and aftercare provision has been recognised as a liability in the Statement of Financial Position. Provision is made for the present value of closure and post closure costs when the obligation for post closure arises. The calculated cost is based on estimates of closure costs and future site trade waste charges and monitoring costs. The estimated length of time needed for post closure care for Silverstream is 30 years and Wainuiomata is 28 years.

The calculations assume no change in the legislative requirements or technological changes for closure and post closure treatment. The discount rate used is a pre tax rate that reflects current market assessments of the time value of money and the risks specific to Council.

Amounts provided for closure and post closure costs are capitalised to the landfill asset where they give rise to future economic benefits, or if they are incurred to enable future economic benefits to be obtained. The capitalised landfill asset is depreciated over the life of the landfill based on the capacity used.

I. Statement of Accounting Policies (continued)

Equity

Equity is the community's interest in Council, measured by total assets less total liabilities. Equity is classified into a number of reserves to enable clearer identification of the specified uses that Council makes of their accumulated surpluses. The components of equity are:

- Accumulated funds;
- Council created reserves;
- Restricted reserves;
- Asset revaluation reserves.

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

Council created reserves are established by Council. They may be altered without reference to any third party or the courts. Transfers to and from these reserves are at the discretion of Council.

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

Goods and services tax (GST)

All items in the financial statements are stated exclusive of GST, except for receivables and payables, which are stated on a GST inclusive basis. Where GST is not recoverable as input tax then it is recognised as part of the related asset or expense.

The net amount of 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 and contingencies are disclosed exclusive of GST.

Budget figures

The budget figures are those approved by Council, as a separate entity, in the Annual Plan at the beginning of the year after a period of consultation with the public as part of the Community Planning process. The Annual Plan figures do not include budget information relating to the subsidiaries, associates or joint ventures. These figures do not include any additional expenditure subsequently approved by the Council outside the Annual Plan process. The budget figures have been prepared in accordance with generally accepted accounting practice and are consistent with the accounting policies adopted by Council for the preparation of these financial statements.

Operating statements included in the Statement of Service Performance

The operating statements report the net cost of services for significant activities of Council. Council has derived the net cost of services for each significant activity using the cost allocation system outlined below.

- Direct costs are charged directly to significant activities. Indirect costs are charged to the significant activities based on cost drivers and related activity or usage information.

- Each significant activity has been charged an internal interest cost. The net interest cost incurred by Council is allocated to each significant activity based on the net book value of property, plant and equipment used by the activity.

Critical accounting estimates, judgements and assumptions

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

Infrastructural assets

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

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

- estimating any obsolescence or surplus capacity of an asset; and
- estimates are made when determining the remaining useful lives over which the asset will be depreciated. These estimates can be impacted by the local conditions, for example weather patterns and traffic growth. If useful lives do not reflect the actual consumption of the benefits of the asset, then Council could be over or under estimating the annual depreciation charge recognised as an expense in the Statement of Comprehensive Income. To minimise this risk Council's infrastructural asset useful lives have been determined with reference to the NZ Infrastructural Asset Valuation and Depreciation Guidelines published by the National Asset Management Steering Group, and have been adjusted for local conditions based on past experience. Asset inspections, deterioration and condition modelling are also carried out regularly as part of the Council's asset management planning activities, which gives Council further assurance over its useful life estimates.

Experienced independent valuers perform the Council's infrastructural asset revaluations.

Judgments 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 relevant notes. Significant judgements and estimations include landfill post closure costs.

2. Summary Income and Expenditure for Group of Activities

| | COUNCIL | | |
|------------------------------|-------------------------|-------------------------|-------------------------|
| | ACTUAL 2013 \$000 | BUDGET 2013 \$000 | ACTUAL 2012 \$000 |
| Income | | | |
| Libraries | 693 | 817 | 581 |
| Museums | 550 | 783 | 604 |
| Aquatics and Recreation | 4,530 | 4,282 | 3,997 |
| Parks and Reserves | 2,762 | 1,997 | 1,551 |
| Community Development | 316 | 144 | 255 |
| Property | - | - | 1,100 |
| Road and Traffic | 11,864 | 12,087 | 12,338 |
| Water Supply | 14,261 | 14,460 | 2,262 |
| Wastewater | 19,936 | 20,187 | 19,085 |
| Stormwater | 89 | 280 | 89 |
| Solid Waste | 12,207 | 13,087 | 9,775 |
| Environmental Management | 3,896 | 3,532 | 3,292 |
| Emergency Management | 383 | 358 | 348 |
| Local Urban Environment | 304 | 308 | 212 |
| Economic Development | 540 | 668 | 595 |
| Elected Members | 6 | - | 6 |
| Advice and Support Services | - | - | - |
| Managing Services | 15,766 | 17,976 | 16,047 |
| <i>Total activity income</i> | 88,103 | 90,966 | 72,137 |
| Less internal income | (14,318) | (16,380) | (14,225) |
| General rates | 59,112 | 58,103 | 56,523 |
| Total income | 132,897 | 132,689 | 114,435 |

| | COUNCIL | | |
|------------------------------------|-------------------------|-------------------------|-------------------------|
| | ACTUAL 2013 \$000 | BUDGET 2013 \$000 | ACTUAL 2012 \$000 |
| Expenditure | | | |
| Libraries | 8,050 | 8,747 | 8,289 |
| Museums | 3,557 | 3,783 | 3,232 |
| Aquatics and Recreation | 9,978 | 10,040 | 8,659 |
| Parks and Reserves | 13,732 | 12,539 | 11,388 |
| Community Development | 3,901 | 3,317 | 2,718 |
| Property | - | - | 3,907 |
| Road and Traffic | 25,702 | 25,556 | 24,869 |
| Water Supply | 14,031 | 14,321 | 13,336 |
| Wastewater | 20,349 | 19,677 | 18,758 |
| Stormwater | 7,062 | 7,113 | 6,505 |
| Solid Waste | 6,476 | 6,256 | 6,271 |
| Environmental Management | 9,586 | 9,312 | 10,382 |
| Emergency Management | 1,119 | 1,190 | 1,208 |
| Local Urban Environment | 1,614 | 1,560 | 1,547 |
| Economic Development | 2,372 | 3,473 | 1,936 |
| Elected Members | 1,894 | 1,960 | 1,951 |
| Advice and Support Services | 3,821 | 4,107 | 4,140 |
| Managing Services | 12,323 | 14,704 | 12,858 |
| <i>Total activity expenditure</i> | 145,567 | 147,655 | 141,954 |
| Less internal expenditure | (14,318) | (16,380) | (14,225) |
| Total operating expenditure | 131,249 | 131,275 | 127,729 |

Each significant activity is stated gross of internal costs and revenues, and includes targeted rates attributable to each activities (refer note 3). In order to fairly reflect the total external operations for Council in the statement of comprehensive income, these transactions are eliminated as shown above.

3. Rates Revenue

| | COUNCIL | | GROUP | |
|---|---------------|---------------|---------------|---------------|
| | 2013 \$000 | 2012 \$000 | 2013 \$000 | 2012 \$000 |
| General rates | 59,112 | 56,523 | 58,840 | 56,253 |
| Targeted rates attributable to activities: | | | | |
| - water supply | 12,036 | 11,685 | 12,036 | 11,685 |
| - wastewater | 15,887 | 15,956 | 15,887 | 15,956 |
| - recycling | 1,180 | 1,180 | 1,180 | 1,180 |
| - jackson street programme | 110 | 110 | 110 | 110 |
| Total rates, excluding targeted water supply rates | 88,325 | 85,454 | 88,053 | 85,184 |

Council is required by the LGFA Guarantee and Indemnity Deed to disclose in its financial statements (or notes) its annual rates income. That Deed defines annual rates income as an amount equal to the total revenue from any funding mechanism authorised by Local Government (Rating Act) 2002 together with any revenue received by Council from other authorities for services provided by that Council for which those other Local Authorities rate. The annual rates income for Council for the year ended 30 June 2013 for the purposes of the LGFA Guarantee and Indemnity Deed disclosure is shown below:

| | COUNCIL | |
|--|---------------|---------------|
| | 2013 \$000 | 2012 \$000 |
| Rates, excluding targeted water supply rates | 88,325 | 85,454 |
| Targeted water supply rates | - | - |
| Lump sum contributions | - | - |
| | 88,325 | 85,454 |

Rates remissions

Rates revenue is shown net of rates remissions, totalling \$276,000 (2012: \$272,000). Council's rate remission policy (set out in detail in the LTCCP) allows Council to remit rates on condition of a ratepayer's extreme financial hardship, land used for sport, a hospital, and land protected for historical or cultural purposes, provided the property is used for community benefit and not for surplus. Rates remissions can also be considered for economic development reasons or where privately owned land is protected for conservation purposes.

Non-rateable land

Under the Local Government (Rating) Act 2002 certain properties cannot be rated for general rates. These properties include schools, places of religious worship, public gardens and reserves. These non-rateable properties may be subject to targeted rates in respect of sewerage, water, refuse and sanitation. Non-rateable land does not constitute a remission under Council's rates remission policy.

Rates Remissions

| | COUNCIL | | GROUP | |
|---|---------------|---------------|---------------|---------------|
| | 2013 \$000 | 2012 \$000 | 2013 \$000 | 2012 \$000 |
| Total gross rates, excluding targeted water supply rates | 88,601 | 85,726 | 88,329 | 85,456 |
| Rates remissions: | | | | |
| - Schools | 194 | 191 | 194 | 191 |
| - Kindergartens/playcentres | 7 | 11 | 7 | 11 |
| - Sports bodies | 3 | 3 | 3 | 3 |
| - Churches | 31 | 30 | 31 | 30 |
| - Hospitals | 18 | 18 | 18 | 18 |
| - Economic Development | - | - | - | - |
| - Other | 10 | 7 | 10 | 7 |
| - Flooding | - | - | - | - |
| - Penalty remissions | 13 | 12 | 13 | 12 |
| <i>Total rates remissions</i> | 276 | 272 | 276 | 272 |
| Rates (net of remissions), excluding targeted water supply rates | 88,325 | 85,454 | 88,053 | 85,184 |

4. User Charges and Subsidies Received

| | COUNCIL | | GROUP | |
|--------------------------------------|---------------|---------------|---------------|---------------|
| | 2013 \$000 | 2012 \$000 | 2013 \$000 | 2012 \$000 |
| USER CHARGES | | | | |
| Rent | 1,319 | 1,316 | 4,790 | 4,671 |
| Water by meter | 1,929 | 2,013 | 1,985 | 2,003 |
| Targeted water supply rates | - | - | - | - |
| Parking fees | 1,746 | 1,713 | 1,746 | 1,713 |
| Service and entry fees | 3,862 | 3,968 | 3,862 | 3,968 |
| Solid waste collection and disposal | 11,018 | 8,715 | 11,078 | 8,715 |
| Other user charges | 836 | 1,157 | 776 | 1,157 |
| Regulatory revenue | 4,044 | 3,710 | 4,044 | 3,710 |
| Penalties | 3,519 | 2,977 | 3,519 | 2,977 |
| Total user charges | 28,273 | 25,569 | 31,800 | 28,914 |
| SUBSIDIES AND GRANTS RECEIVED | | | | |
| Operating subsidies | 121 | 120 | 121 | 120 |
| New Zealand Transport Agency | 6,358 | 7,661 | 6,358 | 7,661 |
| Upper Hutt City Council | 2,921 | 2,539 | 2,921 | 2,539 |
| Other government | 46 | 63 | 46 | 63 |
| Capital subsidies | 345 | 332 | 345 | 332 |
| Total subsidies received | 9,791 | 10,715 | 9,791 | 10,715 |
| OTHER REVENUE | | | | |
| Dividends | - | - | - | - |
| Vested assets | 639 | 594 | 651 | 594 |
| Petrol tax | 392 | 434 | 392 | 434 |
| Sale of goods | 727 | 705 | 980 | 914 |
| Miscellaneous revenue | 3,984 | 2,264 | 4,050 | 2,291 |
| Total other revenue | 5,742 | 3,997 | 6,073 | 4,233 |

There are no unfulfilled conditions or other contingences attached to New Zealand Transport Agency and other subsidies recognised.

5. Finance Income and Finance Costs

| | COUNCIL | | GROUP | |
|--|---------------|---------------|---------------|---------------|
| | 2013 \$000 | 2012 \$000 | 2013 \$000 | 2012 \$000 |
| Finance revenue | | | | |
| Interest revenue | | | | |
| - call and term deposits | 80 | 79 | 92 | 95 |
| - related party deposits | 164 | 179 | - | - |
| - community loans | - | - | - | - |
| Total finance revenue | 244 | 258 | 92 | 95 |
| Finance costs | | | | |
| Interest expense | | | | |
| - interest on bank borrowings | 3,955 | 4,125 | 4,235 | 4,535 |
| - related party borrowings | - | - | - | - |
| - discount unwind on provisions (note 24) | 315 | 120 | 315 | 120 |
| Fair value gains on hedging instruments | | | | |
| - fair value hedging instruments | - | - | - | - |
| - fair value adjustment to bank borrowings | - | - | - | - |
| Total finance costs | 4,270 | 4,245 | 4,550 | 4,655 |
| Net finance costs | 4,026 | 3,987 | 4,458 | 4,560 |

6. Gains and Losses

| | COUNCIL | | GROUP | |
|--|---------------|----------------|---------------|----------------|
| | 2013 \$000 | 2012 \$000 | 2013 \$000 | 2012 \$000 |
| Non-financial instruments | | | | |
| Property, plant and equipment gains/(losses) on disposal | (116) | (13) | (59) | 798 |
| Total non-financial instruments gains/(losses) | (116) | (13) | (59) | 798 |
| Financial instruments | | | | |
| Fair value through equity investments gains on disposal | - | - | - | - |
| Gains/(Losses) on held for trading derivative financial instruments: | | | | |
| - interest rate swaps | 1,485 | (1,975) | 1,485 | (1,975) |
| Ineffectiveness on fair value hedges | - | - | - | - |
| Total financial instruments gains/(losses) | 1,485 | (1,975) | 1,485 | (1,975) |
| Total gains/(losses) | 1,369 | (1,988) | 1,426 | (1,177) |

7. Employee Costs

| | COUNCIL | | GROUP | |
|--|---------------|---------------|---------------|---------------|
| | 2013 \$000 | 2012 \$000 | 2013 \$000 | 2012 \$000 |
| Salaries and wages | 24,345 | 24,674 | 25,071 | 25,399 |
| Redundancy | 185 | 535 | 185 | 535 |
| Recruitment costs | 56 | 141 | 57 | 162 |
| Training | 396 | 560 | 409 | 563 |
| ACC | 111 | 247 | 119 | 258 |
| Other employee costs | 243 | 393 | 256 | 401 |
| Retiring and Long Service Leave | (29) | 61 | (27) | 62 |
| Defined contribution plan employer contributions | 363 | 310 | 363 | 310 |
| Increase/(decrease) in employee entitlements/liabilities | (116) | (9) | (127) | (18) |
| Total employee costs | 25,554 | 26,912 | 26,306 | 27,672 |

Employer contributions to defined contribution plans are the contributions to KiwiSaver and other superannuation plans.

8. Operating Costs

| | COUNCIL | | GROUP | |
|--|---------------|---------------|---------------|---------------|
| | 2013 \$000 | 2012 \$000 | 2013 \$000 | 2012 \$000 |
| Auditors' fees | | | | |
| - for auditing the financial statements | 153 | 150 | 188 | 177 |
| - for auditing the 2012 Long Term Plan | - | 88 | - | 88 |
| - for auditing the 2012 Long Term Plan Amendment | 2 | - | 2 | - |
| - for auditing the 2009 Long Term Council Community Plan Amendment | - | 2 | - | 2 |
| Audit fees for the financial statements - other auditors | - | - | - | - |
| Impairment of receivables | 1 | (82) | 9 | (65) |
| Directors' fees | - | - | 132 | 125 |
| Entertainment | 38 | 44 | 40 | 45 |
| Grants | 1,556 | 1,449 | 1,560 | 1,450 |
| Donations | 22 | 18 | 18 | 18 |
| Insurance | 2,468 | 1,818 | 2,655 | 1,962 |
| Inventories | 387 | 380 | 388 | 381 |
| Legal services | 313 | 462 | 335 | 483 |
| Other specialist services | 2,955 | 3,077 | 3,066 | 3,234 |
| Impairment of property, plant and equipment | - | - | - | - |
| Impairment of inventory | - | - | - | 950 |
| Total remuneration to councillors | 697 | 719 | 697 | 719 |
| Minimum lease payments under operating leases | 762 | 841 | 815 | 899 |
| Operational contracts | 24,574 | 24,849 | 24,091 | 24,406 |
| Maintenance | 10,471 | 9,111 | 10,865 | 9,563 |
| GWRC bulk water charges | 6,342 | 6,182 | 6,342 | 6,182 |
| Energy costs | 3,185 | 3,083 | 3,209 | 3,113 |
| Other expenses | 17,213 | 14,521 | 17,819 | 15,063 |
| Total operating costs | 71,139 | 66,712 | 72,231 | 68,795 |

9. Taxation

| | COUNCIL | | GROUP | |
|---|---------------|---------------|---------------|---------------|
| | 2013 \$000 | 2012 \$000 | 2013 \$000 | 2012 \$000 |
| Components of tax expense | | | | |
| Current tax expense | - | - | - | - |
| Adjustments to current tax in prior years | - | - | - | - |
| Deferred tax expense | - | - | - | 31 |
| Tax expense/(benefit) | - | - | - | 31 |
| Relationship between tax expense and accounting profit | | | | |
| Net surplus/(deficit) before tax | 1,648 | (1,609) | 1,924 | (2,017) |
| Tax at 28% | 461 | (451) | 539 | (565) |
| Plus/(less) tax effect of: | | | | |
| Non-deductible expenditure | - | - | - | 470 |
| Non-taxable income | (461) | 451 | (344) | (238) |
| Prior year adjustment | - | - | (45) | (1) |
| Group loss offset | - | - | - | 6 |
| Unrecognised temporary differences | - | - | 25 | - |
| Unrecognised tax losses | - | - | (86) | 374 |
| Tax losses recognised | - | - | - | - |
| Tax rate change | - | - | - | - |
| Tax losses not previously recognised | - | - | (89) | (46) |
| Deferred tax adjustment | - | - | - | 31 |
| Tax expense/(benefit) | - | - | - | 31 |

| DEFERRED TAX ASSET/(LIABILITY) | PROPERTY, PLANT AND EQUIPMENT | OTHER PROVISIONS | TAX LOSSES | DEFERRED TAX ASSET/ (LIABILITY) |
|--------------------------------|-------------------------------------|---------------------|--------------|---------------------------------------|
| Council | | | | |
| Balance at 30 June 2011 | - | - | - | - |
| Charged to income | - | - | - | - |
| Charged to equity | - | - | - | - |
| Balance at 30 June 2012 | - | - | - | - |
| Charged to income | - | - | - | - |
| Charged to equity | - | - | - | - |
| Change in tax rate | - | - | - | - |
| Balance at 30 June 2013 | - | - | - | - |
| Group | | | | |
| Balance at 30 June 2011 | (3,106) | 16 | 3,090 | - |
| Charged to income | 526 | 11 | (568) | (31) |
| Charged to equity | 31 | - | - | 31 |
| Balance at 30 June 2012 | (2,549) | 27 | 2,522 | - |
| Charged to income | 622 | (3) | (619) | - |
| Charged to equity | - | - | - | - |
| Change in tax rate | - | - | - | - |
| Balance at 30 June 2013 | (1,927) | 24 | 1,903 | - |

Generally, local authorities are exempt from taxation except for income derived from any Council Controlled Company or port activity per section CW 39 of the Income Tax Act 2007.

The 2010 deferred tax adjustment arose due to the legislation that removed the ability to recover depreciation on residential properties for tax purposes. This affected Council's Urban Plus subsidiary.

Council has unrecognised tax losses available to carry forward of \$2,745,230 (2012: \$3,009,000), with a tax effect of \$768,690 (2012: \$842,520). The losses are available for offset against future assessable income.

The Group has unrecognised tax losses available to carry forward of \$10,440,000 (2012: \$9,148,000), with a tax effect of \$2,932,000 (2012: \$2,561,000). The losses are available for offset against future assessable income.

10. Cash and Cash Equivalents

| | COUNCIL | | GROUP | |
|--|---------------|---------------|---------------|---------------|
| | 2013 \$000 | 2012 \$000 | 2013 \$000 | 2012 \$000 |
| Cash at bank and on hand | 11,309 | 6,430 | 11,820 | 6,519 |
| Term deposits with maturities less than three months | - | - | - | - |
| Cash and Cash Equivalents | 11,309 | 6,430 | 11,820 | 6,519 |

The carrying value of cash at bank and term deposits with maturities less than three months approximate their fair value.

The total value of cash and cash equivalents within restricted reserves that can only be used for specified purposes, (as outlined in the relevant trust deeds) is \$74,000 (2012: \$72,000), as shown in note 26.

Cash, cash equivalent and bank overdrafts include the following for the purposes of the statement of cash flows.

| | NOTE | COUNCIL | | GROUP | |
|--|------|---------------|---------------|---------------|---------------|
| | | 2013 \$000 | 2012 \$000 | 2013 \$000 | 2012 \$000 |
| Cash at bank and on hand | | 11,309 | 6,430 | 11,820 | 6,519 |
| Term deposits with maturities less than three months | | - | - | - | - |
| Bank overdraft | 22. | - | - | - | - |
| Total | | 11,309 | 6,430 | 11,820 | 6,519 |

11. Debtors and Other Receivables

| | COUNCIL | | GROUP | |
|--|---------------|---------------|---------------|---------------|
| | 2013 \$000 | 2012 \$000 | 2013 \$000 | 2012 \$000 |
| Rates receivable | 3,999 | 4,417 | 3,999 | 4,417 |
| Other receivables: | | | | |
| - Amounts due from related parties (note 31) | 231 | 75 | - | - |
| - GST receivable | 1,438 | 1,535 | 1,460 | 1,535 |
| - Other receivables | 7,684 | 6,750 | 8,547 | 7,360 |
| Total other receivables | 9,353 | 8,360 | 10,007 | 8,895 |
| Gross debtors and other receivables | 13,352 | 12,777 | 14,006 | 13,312 |
| Less provision for impairment | (264) | (284) | (294) | (308) |
| Total debtors and other receivables | 13,088 | 12,493 | 13,712 | 13,004 |

Fair value

Debtors and other receivables are non-interest bearing and receipts are normally on 30-day terms, therefore the carrying value of debtors and other receivables approximates their fair value.

Impairment

The carrying amount of receivables that would otherwise be past due or impaired, whose terms have been renegotiated is \$nil (2012: \$nil).

The status of receivables as at 30 June is detailed below:

| RATES RECEIVABLES | 2013 | | | 2012 | | |
|------------------------------------|---------------|------------------|---------------|---------------|------------------|---------------|
| | GROSS \$000 | IMPAIRMENT \$000 | NET \$000 | GROSS \$000 | IMPAIRMENT \$000 | NET \$000 |
| Council | | | | | | |
| Not past due | - | - | - | - | - | - |
| Past due 1-60 days | 1,866 | (13) | 1,853 | 2,373 | (14) | 2,359 |
| Past due 61-120 days | 1,236 | - | 1,236 | 1,339 | - | 1,339 |
| Past due >120 days | 897 | - | 897 | 705 | - | 705 |
| Total | 3,999 | (13) | 3,986 | 4,417 | (14) | 4,403 |
| Group | | | | | | |
| Not past due | - | - | - | - | - | - |
| Past due 1-60 days | 1,866 | (13) | 1,853 | 2,373 | (14) | 2,359 |
| Past due 61-120 days | 1,236 | - | 1,236 | 1,339 | - | 1,339 |
| Past due >120 days | 897 | - | 897 | 705 | - | 705 |
| Total | 3,999 | (13) | 3,986 | 4,417 | (14) | 4,403 |
| OTHER RECEIVABLES | | | | | | |
| Council | | | | | | |
| Not past due | 8,969 | (165) | 8,804 | 8,140 | (147) | 7,993 |
| Past due 1-30 days | 54 | - | 54 | 51 | - | 51 |
| Past due 31-60 days | 38 | (1) | 37 | 31 | (1) | 30 |
| Past due >60 days | 292 | (85) | 207 | 138 | (122) | 16 |
| Total | 9,353 | (251) | 9,102 | 8,360 | (270) | 8,090 |
| Group | | | | | | |
| Not past due | 9,541 | (134) | 9,407 | 8,593 | (147) | 8,446 |
| Past due 1-30 days | 73 | - | 73 | 70 | - | 70 |
| Past due 31-60 days | 48 | (4) | 44 | 41 | (4) | 37 |
| Past due >60 days | 345 | (143) | 202 | 191 | (143) | 48 |
| Total | 10,007 | (281) | 9,726 | 8,895 | (294) | 8,601 |
| Total receivables - Council | 13,352 | (264) | 13,088 | 12,777 | (284) | 12,493 |
| Total receivables - Group | 14,006 | (294) | 13,712 | 13,312 | (308) | 13,004 |

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 the Council's losses in previous periods, and review of specific debtors as detailed below:

| | COUNCIL | | GROUP | |
|---------------------------------------|------------|------------|------------|------------|
| | 2013 \$000 | 2012 \$000 | 2013 \$000 | 2012 \$000 |
| Individual impairment | 86 | 123 | 116 | 147 |
| Collective impairment | 178 | 161 | 178 | 161 |
| Total provision for impairment | 264 | 284 | 294 | 308 |

Individually impaired receivables have been determined to be impaired because of the significant financial difficulties being experienced by the debtor. An analysis of these individually impaired debtors is as follows:

| | COUNCIL | | GROUP | |
|------------------------------------|------------|------------|------------|------------|
| | 2013 \$000 | 2012 \$000 | 2013 \$000 | 2012 \$000 |
| Not past due | - | - | - | - |
| Past due 1-30 days | - | - | - | 3 |
| Past due 31-60 days | 1 | 1 | 2 | 2 |
| Past due > 60 days | 85 | 122 | 114 | 142 |
| Total individual impairment | 86 | 123 | 116 | 147 |

Movements in the provisions for impairment of receivables are as follows:

| | COUNCIL | | GROUP | |
|--|------------|------------|------------|------------|
| | 2013 \$000 | 2012 \$000 | 2013 \$000 | 2012 \$000 |
| At 1 July | 284 | 292 | 308 | 310 |
| Additional provisions made during the year | 203 | 165 | 218 | 201 |
| Provisions reversed during the year | (186) | (156) | (196) | (175) |
| Receivables written-off during the period | (37) | (17) | (36) | (28) |
| At 30 June | 264 | 284 | 294 | 308 |

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

12. Derivative Financial Instruments

| | COUNCIL | | GROUP | |
|--|----------------|----------------|----------------|----------------|
| | 2013 \$000 | 2012 \$000 | 2013 \$000 | 2012 \$000 |
| Current asset portion | | | | |
| Interest rate swaps - fair value hedges | - | - | - | - |
| Interest rate swaps - cash flow hedges | - | - | - | - |
| Interest rate swaps - held for trading | 690 | 1,122 | 690 | 1,122 |
| Total current asset portion | 690 | 1,122 | 690 | 1,122 |
| Non-current asset portion | | | | |
| Interest rate swaps - fair value hedges | - | - | - | - |
| Interest rate swaps - cash flow hedges | - | - | - | - |
| Interest rate swaps - held for trading | - | - | - | - |
| Total non-current asset portion | - | - | - | - |
| Total derivative financial instrument assets | 690 | 1,122 | 690 | 1,122 |
| Current liability portion | | | | |
| Interest rate swaps - fair value hedges | - | - | - | - |
| Interest rate swaps - held for trading | 3,699 | 5,616 | 3,699 | 5,616 |
| Forward foreign exchange contracts - held for trading | - | - | - | - |
| Total current liability portion | 3,699 | 5,616 | 3,699 | 5,616 |
| Non-current liability portion | | | | |
| Interest rate swaps - held for trading | - | - | - | - |
| Total non-current liability portion | - | - | - | - |
| Total derivative financial instrument liabilities | 3,699 | 5,616 | 3,699 | 5,616 |
| Total derivative financial instruments | (3,009) | (4,494) | (3,009) | (4,494) |

Fair value

The fair value of interest rate swaps has been determined using a discounted cash flows valuation technique based on quoted market prices.

Interest rate swaps

The notional principal amounts of the outstanding interest rate swap contracts for the Council were \$57 million (2012: \$62 million) and for the group were \$57 million (2012: \$62 million). At 30 June 2013, the fixed interest rates of cash flow hedges interest rate swaps vary from 2.64% to 7.11% (2012: 3.44% to 7.11%).

13. Inventories

| | COUNCIL | | GROUP | |
|--|---------------|---------------|---------------|---------------|
| | 2013 \$000 | 2012 \$000 | 2013 \$000 | 2012 \$000 |
| Commercial inventories held for sale: | | | | |
| Diesel | - | - | 6 | 2 |
| Emission trading units | 110 | - | 110 | - |
| Inventory | 83 | 18 | 83 | 18 |
| Commercial property developments | - | - | 208 | 1,430 |
| Total inventories | 193 | 18 | 407 | 1,450 |

No inventories are pledged as security for liabilities (2012: \$nil). However, some inventories are subject to retention of title clause.

Commercial inventories are valued at cost, as there are no impairments of the inventories.

14. Non-Current Assets Held for Sale

| | COUNCIL | | GROUP | |
|---|---------------|---------------|---------------|---------------|
| | 2013 \$000 | 2012 \$000 | 2013 \$000 | 2012 \$000 |
| Non-current assets held for sale are: | | | | |
| - land and buildings | - | - | 1,552 | - |
| - plant | - | - | - | - |
| Total non-current assets held for sale | - | - | 1,552 | - |

15. Property, Plant and Equipment

| | COST/ VALUATION \$000 | ACCUMULATED DEPRECIATION AND IMPAIRMENT CHARGES \$000 | CARRYING AMOUNT \$000 | CURRENT YEAR ADDITIONS \$000 | CURRENT YEAR DISPOSALS \$000 | CATEGORY ADJUSTMENTS TO COST \$000 | ACCUMULATED DEPRECIATION ON DISPOSALS AND REVALUATION \$000 | CURRENT YEAR IMPAIRMENT CHARGES \$000 | CATEGORY ADJUSTMENTS TO DEPRECIATION \$000 | CURRENT YEAR DEPRECIATION \$000 | REVALUATION SURPLUS/ IMPAIR CHARGES TO REVALUATION RESERVES \$000 | COST/ VALUATION \$000 | ACCUMULATED DEPRECIATION AND IMPAIRMENT CHARGES \$000 | CARRYING AMOUNT \$000 |
|--|-----------------------------|--|-----------------------------|------------------------------------|------------------------------------|---|--|--|--|---------------------------------------|---|-----------------------------|--|-----------------------------|
| Council 2013 | | | | | | | | | | | | | | |
| Operational assets | | | | | | | | | | | | | | |
| Land | 38,609 | - | 38,609 | 286 | (646) | 2,144 | - | - | - | - | - | 40,393 | - | 40,393 |
| Buildings | 62,615 | (1,890) | 60,725 | 1,442 | (686) | (2,159) | 113 | - | 14 | (3,361) | - | 61,212 | (5,124) | 56,088 |
| Landfill Building Assets | 4,262 | (36) | 4,226 | - | (7) | - | 1 | - | - | (73) | - | 4,255 | (108) | 4,147 |
| Library books | 6,953 | (3,930) | 3,023 | 878 | - | - | - | - | - | (688) | - | 7,831 | (4,618) | 3,213 |
| Plant and equipment | 15,918 | (7,100) | 8,818 | 2,481 | - | 4 | - | - | (4) | (1,553) | - | 18,403 | (8,657) | 9,746 |
| Landfill Plant | 11,718 | (98) | 11,620 | 2,115 | (1) | - | - | - | - | (163) | - | 13,832 | (261) | 13,571 |
| Wharves | 2,606 | (1,878) | 728 | 30 | - | - | - | - | - | (56) | - | 2,636 | (1,934) | 702 |
| Breakwaters | 5,786 | (32) | 5,754 | - | - | - | - | - | - | (65) | - | 5,786 | (97) | 5,689 |
| | 148,467 | (14,964) | 133,503 | 7,232 | (1,340) | (11) | 114 | - | 10 | (5,959) | - | 154,348 | (20,799) | 133,549 |
| Collection Assets | | | | | | | | | | | | | | |
| Paintings | 5,947 | - | 5,947 | 3 | - | - | - | - | - | - | - | 5,950 | - | 5,950 |
| Works on Paper (NZ) & International | 910 | - | 910 | - | - | - | - | - | - | - | - | 910 | - | 910 |
| Other Collection Items | 2,737 | - | 2,737 | 8 | - | - | - | - | - | - | - | 2,745 | - | 2,745 |
| Petone Settlers | 151 | - | 151 | - | - | - | - | - | - | - | - | 151 | - | 151 |
| Total collections | 9,745 | - | 9,745 | 11 | - | - | - | - | - | - | - | 9,756 | - | 9,756 |
| Total operational assets | 158,212 | (14,964) | 143,248 | 7,243 | (1,340) | (11) | 114 | - | 10 | (5,959) | - | 164,104 | (20,799) | 143,305 |
| Infrastructural assets | | | | | | | | | | | | | | |
| Waste water system | 241,376 | (4,649) | 236,727 | 3,195 | - | 186 | - | - | (35) | (8,245) | - | 244,757 | (12,929) | 231,828 |
| Less UHCC share in HVS assets | (43,082) | 830 | (42,252) | (546) | - | (186) | - | - | 35 | 1,480 | - | (43,814) | 2,345 | (41,469) |
| | 198,294 | (3,819) | 194,475 | 2,649 | - | - | - | - | - | (6,765) | - | 200,943 | (10,584) | 190,359 |
| Land | 161,362 | - | 161,362 | - | - | - | - | - | - | - | - | 161,362 | - | 161,362 |
| Landfill Land Asset | 4,026 | - | 4,026 | 70 | - | - | - | - | - | - | - | 4,096 | - | 4,096 |
| Storm water system | 177,459 | (1,444) | 176,015 | 2,677 | - | - | - | - | - | (2,952) | - | 180,136 | (4,396) | 175,740 |
| Storm water Landfill assets | 6,934 | (91) | 6,843 | - | - | - | - | - | - | (184) | - | 6,934 | (275) | 6,659 |
| Water supply system | 105,152 | (1,585) | 103,567 | 1,832 | - | - | - | - | - | (3,232) | - | 106,984 | (4,817) | 102,167 |
| Roading network | 420,642 | (5,335) | 415,307 | 7,866 | (361) | - | 155 | - | - | (9,759) | - | 428,147 | (14,939) | 413,208 |
| Roading Landfill Assets | 3,728 | (34) | 3,694 | - | - | - | - | - | - | (72) | - | 3,728 | (106) | 3,622 |
| Seawalls | 3,901 | (37) | 3,864 | - | - | - | - | - | - | (74) | - | 3,901 | (111) | 3,790 |
| Total infrastructural assets | 1,081,498 | (12,345) | 1,069,153 | 15,094 | (361) | - | 155 | - | - | (23,038) | - | 1,096,231 | (35,228) | 1,061,003 |
| Restricted assets | | | | | | | | | | | | | | |
| Land | 101,702 | - | 101,702 | - | (38) | - | - | - | - | - | - | 101,664 | - | 101,664 |
| Total restricted assets | 101,702 | - | 101,702 | - | (38) | - | - | - | - | - | - | 101,664 | - | 101,664 |
| Joint venture assets | | | | | | | | | | | | | | |
| Share of PPE | 164 | (130) | 34 | - | (164) | - | 130 | - | - | - | - | - | - | - |
| Total joint venture assets | 164 | (130) | 34 | - | (164) | - | 130 | - | - | - | - | - | - | - |
| Total property, plant and equipment | 1,341,576 | (27,439) | 1,314,137 | 22,337 | (1,903) | (11) | 399 | - | 10 | (28,997) | - | 1,361,999 | (56,027) | 1,305,972 |

15. Property, Plant and Equipment (continued)

| | COST/ VALUATION \$000 | ACCUMULATED DEPRECIATION AND IMPAIRMENT CHARGES \$000 | CARRYING AMOUNT \$000 | CURRENT YEAR ADDITIONS \$000 | CURRENT YEAR DISPOSALS \$000 | CATEGORY ADJUSTMENTS TO COST \$000 | ACCUMULATED DEPRECIATION ON DISPOSALS AND REVALUATION \$000 | CURRENT YEAR IMPAIRMENT CHARGES \$000 | CATEGORY ADJUSTMENTS TO DEPRECIATION \$000 | CURRENT YEAR DEPRECIATION \$000 | REVALUATION SURPLUS/ IMPAIR CHARGES TO REVALUATION RESERVES \$000 | COST/ VALUATION \$000 | ACCUMULATED DEPRECIATION AND IMPAIRMENT CHARGES \$000 | CARRYING AMOUNT \$000 |
|--|-----------------------------|--|-----------------------------|------------------------------------|------------------------------------|---|--|--|--|---------------------------------------|---|-----------------------------|--|-----------------------------|
| Council 2012 | | | | | | | | | | | | | | |
| Operational assets | | | | | | | | | | | | | | |
| Land | 41,692 | - | 41,692 | 577 | - | - | - | - | - | - | (3,660) | 38,609 | - | 38,609 |
| Buildings | 68,219 | (9,287) | 58,932 | 1,910 | - | - | 10,583 | - | - | (3,186) | (7,514) | 62,615 | (1,890) | 60,725 |
| Landfill Building Assets | 5,215 | (140) | 5,075 | 15 | - | - | 176 | - | - | (72) | (968) | 4,262 | (36) | 4,226 |
| Library books | 6,100 | (3,253) | 2,847 | 853 | - | - | - | - | - | (677) | - | 6,953 | (3,930) | 3,023 |
| Plant and equipment | 19,373 | (9,671) | 9,702 | 1,765 | (3,086) | (1,015) | 4,136 | - | (13) | (1,552) | (1,119) | 15,918 | (7,100) | 8,818 |
| Landfill Plant | 12,145 | (261) | 11,884 | 1,067 | - | (47) | 346 | - | (4) | (179) | (1,447) | 11,718 | (98) | 11,620 |
| Wharves | 2,606 | (1,822) | 784 | - | - | - | - | - | - | (56) | - | 2,606 | (1,878) | 728 |
| Breakwaters | 5,127 | (168) | 4,959 | - | - | - | 195 | - | - | (59) | 659 | 5,786 | (32) | 5,754 |
| | 160,477 | (24,602) | 135,875 | 6,187 | (3,086) | (1,062) | 15,436 | - | (17) | (5,781) | (14,049) | 148,467 | (14,964) | 133,503 |
| Collection Assets | | | | | | | | | | | | | | |
| Paintings | 3,792 | - | 3,792 | 10 | - | - | - | - | - | - | 2,145 | 5,947 | - | 5,947 |
| Works on Paper (NZ) & International | 1,196 | - | 1,196 | - | - | - | - | - | - | - | (286) | 910 | - | 910 |
| Other Collection Items | 2,609 | (5) | 2,604 | 30 | - | (152) | 7 | - | - | (2) | 250 | 2,737 | - | 2,737 |
| Petone Settlers | - | - | - | - | - | 151 | - | - | - | - | - | 151 | - | 151 |
| Total collections | 7,597 | (5) | 7,592 | 40 | - | (1) | 7 | - | - | (2) | 2,109 | 9,745 | - | 9,745 |
| Total operational assets | 168,074 | (24,607) | 143,467 | 6,227 | (3,086) | (1,063) | 15,443 | - | (17) | (5,783) | (11,940) | 158,212 | (14,964) | 143,248 |
| Infrastructural assets | | | | | | | | | | | | | | |
| Waste water system | 253,627 | (23,219) | 230,408 | 3,915 | - | 385 | 26,507 | - | 5 | (7,942) | (16,551) | 241,376 | (4,649) | 236,727 |
| Less UHCC share in HVS assets | (42,560) | 6,491 | (36,069) | (522) | - | - | (7,098) | - | - | 1,437 | - | (43,082) | 830 | (42,252) |
| | 211,067 | (16,728) | 194,339 | 3,393 | - | 385 | 19,409 | - | 5 | (6,505) | (16,551) | 198,294 | (3,819) | 194,475 |
| Land | 162,539 | - | 162,539 | - | - | - | - | - | - | - | (1,177) | 161,362 | - | 161,362 |
| Landfill Land Asset | 2,860 | - | 2,860 | 714 | - | - | - | - | - | - | 452 | 4,026 | - | 4,026 |
| Storm water system | 159,643 | (7,853) | 151,790 | 4,494 | - | 217 | 9,191 | - | 3 | (2,785) | 13,105 | 177,459 | (1,444) | 176,015 |
| Storm water Landfill assets | 7,383 | (117) | 7,266 | - | - | - | 154 | - | - | (128) | (449) | 6,934 | (91) | 6,843 |
| Water supply system | 105,587 | (8,913) | 96,674 | 2,250 | - | 461 | 10,432 | - | 9 | (3,113) | (3,146) | 105,152 | (1,585) | 103,567 |
| Roading network | 362,492 | (27,700) | 334,792 | 10,677 | - | - | 32,087 | - | - | (9,722) | 47,473 | 420,642 | (5,335) | 415,307 |
| Roading Landfill Assets | 4,265 | (116) | 4,149 | 181 | - | - | 152 | - | - | (70) | (718) | 3,728 | (34) | 3,694 |
| Seawalls | 3,524 | (184) | 3,340 | - | - | - | 216 | - | - | (69) | 377 | 3,901 | (37) | 3,864 |
| Total Infrastructural assets | 1,019,360 | (61,611) | 957,749 | 21,709 | - | 1,063 | 71,641 | - | 17 | (22,392) | 39,366 | 1,081,498 | (12,345) | 1,069,153 |
| Restricted assets | | | | | | | | | | | | | | |
| Land | 111,461 | - | 111,461 | 200 | - | - | - | - | - | - | (9,959) | 101,702 | - | 101,702 |
| Total Restricted assets | 111,461 | - | 111,461 | 200 | - | - | - | - | - | - | (9,959) | 101,702 | - | 101,702 |
| Joint venture assets | | | | | | | | | | | | | | |
| Share of PPE | 158 | (115) | 43 | 6 | - | - | - | - | - | (15) | - | 164 | (130) | 34 |
| Total joint venture assets | 158 | (115) | 43 | 6 | - | - | - | - | - | (15) | - | 164 | (130) | 34 |
| Total Property, plant and equipment | 1,299,053 | (86,333) | 1,212,720 | 28,142 | (3,086) | - | 87,084 | - | - | (28,190) | 17,467 | 1,341,576 | (27,439) | 1,314,137 |

15. Property, Plant and Equipment (continued)

| | COST/ VALUATION \$000 | ACCUMULATED DEPRECIATION AND IMPAIRMENT CHARGES \$000 | CARRYING AMOUNT \$000 | CURRENT YEAR ADDITIONS \$000 | CURRENT YEAR DISPOSALS \$000 | CATEGORY ADJUSTMENTS TO COST \$000 | ACCUMULATED DEPRECIATION ON DISPOSALS AND REVALUATION \$000 | CURRENT YEAR IMPAIRMENT CHARGES \$000 | CATEGORY ADJUSTMENTS TO DEPRECIATION \$000 | CURRENT YEAR DEPRECIATION \$000 | REVALUATION SURPLUS/ IMPAIR CHARGES TO REVALUATION RESERVES \$000 | COST/ VALUATION \$000 | ACCUMULATED DEPRECIATION AND IMPAIRMENT CHARGES \$000 | CARRYING AMOUNT \$000 |
|--|-----------------------------|--|-----------------------------|------------------------------------|------------------------------------|---|--|--|--|---------------------------------------|---|-----------------------------|--|-----------------------------|
| Group 2013 | | | | | | | | | | | | | | |
| Operational assets | | | | | | | | | | | | | | |
| Land | 38,609 | 0 | 38,609 | 286 | (646) | 2,144 | - | - | - | - | - | 40,393 | - | 40,393 |
| Buildings | 62,620 | (1,890) | 60,730 | 1,447 | (686) | (2,159) | 113 | - | 14 | (3,361) | - | 61,222 | (5,124) | 56,098 |
| Landfill Building Assets | 4,262 | (36) | 4,226 | - | (7) | - | 1 | - | - | (73) | - | 4,255 | (108) | 4,147 |
| Library books | 6,953 | (3,930) | 3,023 | 878 | - | - | - | - | - | (688) | - | 7,831 | (4,618) | 3,213 |
| Plant and equipment | 15,918 | (7,100) | 8,818 | 2,481 | - | 4 | - | - | (4) | (1,553) | - | 18,403 | (8,657) | 9,746 |
| Landfill Plant | 11,718 | (98) | 11,620 | 2,115 | (1) | - | - | - | - | (163) | - | 13,832 | (261) | 13,571 |
| Wharves | 2,606 | (1,878) | 728 | 30 | - | - | - | - | - | (56) | - | 2,636 | (1,934) | 702 |
| Breakwaters | 5,786 | (32) | 5,754 | - | - | - | - | - | - | (65) | - | 5,786 | (97) | 5,689 |
| Seaview Marina | 2,789 | (719) | 2,070 | 300 | - | - | - | - | - | (145) | - | 3,089 | (864) | 2,225 |
| Marina Service Centre | 3,680 | (189) | 3,491 | 83 | - | - | - | - | - | (101) | - | 3,763 | (290) | 3,473 |
| Piers and berths | 2,856 | (811) | 2,045 | 2 | - | - | - | - | - | (116) | - | 2,858 | (927) | 1,931 |
| Urban Plus land | 9,406 | (40) | 9,366 | - | (927) | - | - | 40 | - | - | - | 8,479 | - | 8,479 |
| Urban Plus buildings | 12,716 | (862) | 11,854 | 292 | (1,533) | - | - | 71 | - | (744) | 140 | 11,475 | (1,395) | 10,080 |
| Urban Plus other assets | 10 | (7) | 3 | - | - | - | - | - | - | (1) | - | 10 | (8) | 2 |
| Hutt City Community Facilities Trust equipment | - | - | - | 30 | - | - | - | - | - | - | - | 30 | - | 30 |
| | 179,929 | (17,592) | 162,337 | 7,944 | (3,800) | (11) | 114 | 111 | 10 | (7,066) | 140 | 184,062 | (24,283) | 159,779 |
| Collection Assets | | | | | | | | | | | | | | |
| Paintings | 5,947 | - | 5,947 | 3 | - | - | - | - | - | - | - | 5,950 | - | 5,950 |
| Works on Paper (NZ) & International | 910 | - | 910 | - | - | - | - | - | - | - | - | 910 | - | 910 |
| Other Collection Items | 2,737 | - | 2,737 | 8 | - | - | - | - | - | - | - | 2,745 | - | 2,745 |
| Petone Settlers | 151 | - | 151 | - | - | - | - | - | - | - | - | 151 | - | 151 |
| Total collections | 9,745 | - | 9,745 | 11 | - | - | - | - | - | - | - | 9,756 | - | 9,756 |
| Total operational assets | 189,674 | (17,592) | 172,082 | 7,955 | (3,800) | (11) | 114 | 111 | 10 | (7,066) | 140 | 193,818 | (24,283) | 169,535 |
| Infrastructural assets | | | | | | | | | | | | | | |
| Waste water system | 241,376 | (4,649) | 236,727 | 3,195 | - | 186 | - | - | (35) | (8,245) | - | 244,757 | (12,929) | 231,828 |
| Less UHCC share in HVS assets | (43,082) | 830 | (42,252) | (546) | - | (186) | - | - | 35 | 1,480 | - | (43,814) | 2,345 | (41,469) |
| | 198,294 | (3,819) | 194,475 | 2,649 | - | - | - | - | - | (6,765) | - | 200,943 | (10,584) | 190,359 |
| Land | 161,362 | - | 161,362 | - | - | - | - | - | - | - | - | 161,362 | - | 161,362 |
| Landfill Land Asset | 4,026 | - | 4,026 | 70 | - | - | - | - | - | - | - | 4,096 | - | 4,096 |
| Storm water system | 177,459 | (1,444) | 176,015 | 2,677 | - | - | - | - | - | (2,952) | - | 180,136 | (4,396) | 175,740 |
| Storm water Landfill assets | 6,934 | (91) | 6,843 | - | - | - | - | - | - | (184) | - | 6,934 | (275) | 6,659 |
| Water supply system | 105,152 | (1,585) | 103,567 | 1,832 | - | - | - | - | - | (3,232) | - | 106,984 | (4,817) | 102,167 |
| Roading network | 420,642 | (5,335) | 415,307 | 7,866 | (361) | - | 155 | - | - | (9,759) | - | 428,147 | (14,939) | 413,208 |
| Roading Landfill Assets | 3,728 | (34) | 3,694 | - | - | - | - | - | - | (72) | - | 3,728 | (106) | 3,622 |
| Seawalls | 3,901 | (37) | 3,864 | - | - | - | - | - | - | (74) | - | 3,901 | (111) | 3,790 |
| Total Infrastructural assets | 1,081,498 | (12,345) | 1,069,153 | 15,094 | (361) | - | 155 | - | - | (23,038) | - | 1,096,231 | (35,228) | 1,061,003 |
| Restricted assets | | | | | | | | | | | | | | |
| Land | 101,702 | - | 101,702 | - | (38) | - | - | - | - | - | - | 101,664 | - | 101,664 |
| Total Restricted assets | 101,702 | - | 101,702 | - | (38) | - | - | - | - | - | - | 101,664 | - | 101,664 |
| Joint venture assets | | | | | | | | | | | | | | |
| Share of PPE | 164 | (130) | 34 | - | (164) | - | 130 | - | - | - | - | - | - | - |
| Total joint venture assets | 164 | (130) | 34 | - | (164) | - | 130 | - | - | - | - | - | - | - |
| Total Property, plant and equipment | 1,373,038 | (30,067) | 1,342,971 | 23,049 | (4,363) | (11) | 399 | 111 | 10 | (30,104) | 140 | 1,391,713 | (59,511) | 1,332,202 |

15. Property, Plant and Equipment (continued)

| | COST/ VALUATION \$000 | ACCUMULATED DEPRECIATION AND IMPAIRMENT CHARGES \$000 | CARRYING AMOUNT \$000 | CURRENT YEAR ADDITIONS \$000 | CURRENT YEAR DISPOSALS \$000 | CATEGORY ADJUSTMENTS TO COST \$000 | ACCUMULATED DEPRECIATION ON DISPOSALS AND REVALUATION \$000 | CURRENT YEAR IMPAIRMENT CHARGES \$000 | CATEGORY ADJUSTMENTS TO DEPRECIATION \$000 | CURRENT YEAR DEPRECIATION \$000 | REVALUATION SURPLUS/ IMPAIR CHARGES TO REVALUATION RESERVES \$000 | COST/ VALUATION \$000 | ACCUMULATED DEPRECIATION AND IMPAIRMENT CHARGES \$000 | CARRYING AMOUNT \$000 |
|--|-----------------------------|--|-----------------------------|------------------------------------|------------------------------------|---|--|--|--|---------------------------------------|---|-----------------------------|--|-----------------------------|
| Group 2012 | | | | | | | | | | | | | | |
| Operational assets | | | | | | | | | | | | | | |
| Land | 41,692 | - | 41,692 | 577 | - | - | - | - | - | - | (3,660) | 38,609 | - | 38,609 |
| Buildings | 68,219 | (9,287) | 58,932 | 1,915 | - | - | 10,583 | - | - | (3,186) | (7,514) | 62,620 | (1,890) | 60,730 |
| Landfill Building Assets | 5,215 | (140) | 5,075 | 15 | - | - | 176 | - | - | (72) | (968) | 4,262 | (36) | 4,226 |
| Library books | 6,100 | (3,253) | 2,847 | 853 | - | - | - | - | - | (677) | - | 6,953 | (3,930) | 3,023 |
| Plant and equipment | 19,373 | (9,671) | 9,702 | 1,765 | (3,086) | (1,015) | 4,136 | - | (13) | (1,552) | (1,119) | 15,918 | (7,100) | 8,818 |
| Landfill Plant | 12,145 | (261) | 11,884 | 1,067 | - | (47) | 346 | - | (4) | (179) | (1,447) | 11,718 | (98) | 11,620 |
| Wharves | 2,606 | (1,822) | 784 | - | - | - | - | - | - | (56) | - | 2,606 | (1,878) | 728 |
| Breakwaters | 5,127 | (168) | 4,959 | - | - | - | 195 | - | - | (59) | 659 | 5,786 | (32) | 5,754 |
| Seaview Marina | 2,632 | (586) | 2,046 | 158 | (1) | - | - | - | 1 | (134) | - | 2,789 | (719) | 2,070 |
| Marina Service Centre | 3,623 | (89) | 3,534 | 57 | - | - | - | - | - | (100) | - | 3,680 | (189) | 3,491 |
| Piers and berths | 2,851 | (694) | 2,157 | 5 | - | - | - | - | (1) | (116) | - | 2,856 | (811) | 2,045 |
| Urban Plus land | 9,406 | - | 9,406 | - | - | - | - | (40) | - | - | - | 9,406 | (40) | 9,366 |
| Urban Plus buildings | 12,332 | - | 12,332 | 384 | - | - | - | (71) | - | (791) | - | 12,716 | (862) | 11,854 |
| Urban Plus other assets | 10 | (6) | 4 | - | - | - | - | - | - | (1) | - | 10 | (7) | 3 |
| | 191,331 | (25,977) | 165,354 | 6,796 | (3,087) | (1,062) | 15,436 | (111) | (17) | (6,923) | (14,049) | 179,929 | (17,592) | 162,337 |
| Collection Assets | | | | | | | | | | | | | | |
| Paintings | 3,792 | - | 3,792 | 10 | - | - | - | - | - | - | 2,145 | 5,947 | - | 5,947 |
| Works on Paper (NZ) & International | 1,196 | - | 1,196 | - | - | - | - | - | - | - | (286) | 910 | - | 910 |
| Other Collection Items | 2,609 | (5) | 2,604 | 30 | - | (152) | 7 | - | - | (2) | 250 | 2,737 | - | 2,737 |
| Petone Settlers | - | - | - | - | - | 151 | - | - | - | - | - | 151 | - | 151 |
| Total collections | 7,597 | (5) | 7,592 | 40 | - | (1) | 7 | - | - | (2) | 2,109 | 9,745 | - | 9,745 |
| Total operational assets | 198,928 | (25,982) | 172,946 | 6,836 | (3,087) | (1,063) | 15,443 | (111) | (17) | (6,925) | (11,940) | 189,674 | (17,592) | 172,082 |
| Infrastructural assets | | | | | | | | | | | | | | |
| Waste water system | 253,627 | (23,219) | 230,408 | 3,915 | - | 385 | 26,507 | - | 5 | (7,942) | (16,551) | 241,376 | (4,649) | 236,727 |
| Less UHCC share in HVS assets | (42,560) | 6,491 | (36,069) | (522) | - | - | (7,098) | - | - | 1,437 | - | (43,082) | 830 | (42,252) |
| | 211,067 | (16,728) | 194,339 | 3,393 | - | 385 | 19,409 | - | 5 | (6,505) | (16,551) | 198,294 | (3,819) | 194,475 |
| Land | 162,539 | - | 162,539 | - | - | - | - | - | - | - | (1,177) | 161,362 | - | 161,362 |
| Landfill Land Asset | 2,860 | - | 2,860 | 714 | - | - | - | - | - | - | 452 | 4,026 | - | 4,026 |
| Storm water system | 159,643 | (7,853) | 151,790 | 4,494 | - | 217 | 9,191 | - | 3 | (2,785) | 13,105 | 177,459 | (1,444) | 176,015 |
| Storm water Landfill assets | 7,383 | (117) | 7,266 | - | - | - | 154 | - | - | (128) | (449) | 6,934 | (91) | 6,843 |
| Water supply system | 105,587 | (8,913) | 96,674 | 2,250 | - | 461 | 10,432 | - | 9 | (3,113) | (3,146) | 105,152 | (1,585) | 103,567 |
| Roading network | 362,492 | (27,700) | 334,792 | 10,677 | - | - | 32,087 | - | - | (9,722) | 47,473 | 420,642 | (5,335) | 415,307 |
| Roading Landfill Assets | 4,265 | (116) | 4,149 | 181 | - | - | 152 | - | - | (70) | (718) | 3,728 | (34) | 3,694 |
| Seawalls | 3,524 | (184) | 3,340 | - | - | - | 216 | - | - | (69) | 377 | 3,901 | (37) | 3,864 |
| Total Infrastructural assets | 1,019,360 | (61,611) | 957,749 | 21,709 | - | 1,063 | 71,641 | - | 17 | (22,392) | 39,366 | 1,081,498 | (12,345) | 1,069,153 |
| Restricted assets | | | | | | | | | | | | | | |
| Land | 111,461 | - | 111,461 | 200 | - | - | - | - | - | - | (9,959) | 101,702 | - | 101,702 |
| Total Restricted assets | 111,461 | - | 111,461 | 200 | - | - | - | - | - | - | (9,959) | 101,702 | - | 101,702 |
| Joint venture assets | | | | | | | | | | | | | | |
| Share of PPE | 158 | (115) | 43 | 6 | - | - | - | - | - | (15) | - | 164 | (130) | 34 |
| Total joint venture assets | 158 | (115) | 43 | 6 | - | - | - | - | - | (15) | - | 164 | (130) | 34 |
| Total Property, plant and equipment | 1,329,907 | (87,708) | 1,242,199 | 28,751 | (3,087) | - | 87,084 | (111) | - | (29,332) | 17,467 | 1,373,038 | (30,067) | 1,342,971 |

15. Property, Plant and Equipment (continued)

Valuation

Operational and restricted land and buildings

At fair value as determined from market-based evidence by an independent valuer. The most recent valuations are as follows: land and buildings was performed by Angela Croad BBS(VPM), MPINZ, of Darroch, and the valuation is effective as at 31 December 2011. Wharves valuation was performed by Ian Macallan & Co Limited as at 30 June 1990.

Landfills

At fair value as determined from market-based evidence by an independent valuer. Wainuiomata and Silverstream landfills were valued by AECOM Limited as at 31 December 2011. The valuer was Colin Gerrard (BSc, MSc, GIPENZ) and was reviewed by Ian Martin (BSc, BE (Hons), CPEng, CEng (UK), MIPENZ, MCIWEM).

Infrastructural assets

At fair value as determined from market-based evidence by an independent valuer. Infrastructure land under roads was valued by Quotable Value New Zealand as at 30 June 2006. The valuer was Kerry Stewart Val Prof Urb MBA. PG Dip Env Auditing, Registered Valuer, ANZIV, SPINZ. Other infrastructure assets were valued by Capacity and independently reviewed by AECOM Limited as at 31 December 2011. The valuer was Colin Gerrard (BSc, MSc, GIPENZ) and was reviewed by Ian Martin (BSc, BE (Hons), CPEng, CEng (UK), MIPENZ, MCIWEM).

Library literary assets

Library literary assets were valued at fair value as determined from market-based evidence by library staff who are specialised in this area as at 30 June 2006.

Collection items

Painting and works on paper were valued as at 31 December 2011 by James Parkinson (MPINZ), Art+Object, cultural and forensic specialists contracted as independent valuers.

Assets held by Subsidiaries

Assets held by Seaview Marina Limited are recorded at deemed cost or actual cost and are not revalued.

Land and buildings assets held by Urban Plus Limited were revalued during the year. Land is valued as vacant and incorporates the influences of size, contour, quality, location, zoning, designation and current and potential usage. Buildings comprising residential dwellings have been valued in relation to market-based evidence. Market rents and capitalisation rates were applied to reflect market value while considering the highest and best use alternatives. The most recent valuation was performed by an independent valuer Kerry Buckeridge B.Agr.Sc, MBA, ANZIV, SPINZ of QV, and the valuation is effective as at 30 June 2011. The total valuation was for \$21,737,510.

16. Intangible Assets

| | COST/ VALUATION \$000 | ACCUMULATED DEPRECIATION AND IMPAIRMENT CHARGES \$000 | CARRYING AMOUNT \$000 | CURRENT YEAR ADDITIONS \$000 | CURRENT YEAR DISPOSALS \$000 | CATEGORY ADJUSTMENTS TO COST \$000 | ACCUMULATED DEPRECIATION ON DISPOSALS AND REVALUATION \$000 | CURRENT YEAR IMPAIRMENT CHARGES \$000 | CATEGORY ADJUSTMENTS TO DEPRECIATION \$000 | CURRENT YEAR DEPRECIATION \$000 | REVALUATION SURPLUS/ IMPAIR CHARGES TO REVALUATION RESERVES \$000 | COST/ VALUATION \$000 | ACCUMULATED DEPRECIATION AND IMPAIRMENT CHARGES \$000 | CARRYING AMOUNT \$000 |
|----------------|-----------------------------|--|-----------------------------|------------------------------------|------------------------------------|---|--|--|--|---------------------------------------|---|-----------------------------|--|-----------------------------|
| Council | | | | | | | | | | | | | | |
| 2013 | | | | | | | | | | | | | | |
| Software | 10,262 | (4,976) | 5,286 | 1,050 | - | 11 | - | - | (10) | (1,173) | - | 11,323 | (6,159) | 5,164 |
| | 10,262 | (4,976) | 5,286 | 1,050 | - | 11 | - | - | (10) | (1,173) | - | 11,323 | (6,159) | 5,164 |
| 2012 | | | | | | | | | | | | | | |
| Software | 12,595 | (6,293) | 6,302 | 664 | (2,997) | - | 2,974 | - | - | (1,657) | - | 10,262 | (4,976) | 5,286 |
| | 12,595 | (6,293) | 6,302 | 664 | (2,997) | - | 2,974 | - | - | (1,657) | - | 10,262 | (4,976) | 5,286 |
| Group | | | | | | | | | | | | | | |
| 2013 | | | | | | | | | | | | | | |
| Software | 10,347 | (5,050) | 5,297 | 1,051 | - | 11 | - | - | (10) | (1,176) | - | 11,409 | (6,236) | 5,173 |
| | 10,347 | (5,050) | 5,297 | 1,051 | - | 11 | - | - | (10) | (1,176) | - | 11,409 | (6,236) | 5,173 |
| 2012 | | | | | | | | | | | | | | |
| Software | 12,672 | (6,363) | 6,309 | 672 | (2,997) | - | 2,974 | - | - | (1,661) | - | 10,347 | (5,050) | 5,297 |
| | 12,672 | (6,363) | 6,309 | 672 | (2,997) | - | 2,974 | - | - | (1,661) | - | 10,347 | (5,050) | 5,297 |

17. Depreciation and Amortisation Expense by Group of Activity

| | COUNCIL | |
|---|-------------------------|-------------------------|
| | ACTUAL 2013 \$000 | ACTUAL 2012 \$000 |
| Directly attributable depreciation and amortisation expense by activity (group of activity) | | |
| Libraries | 1,348 | 842 |
| Museums | 471 | 302 |
| Aquatics and Recreation | 1,309 | 854 |
| Parks and Reserves | 1,535 | 972 |
| Community Development | 120 | 3 |
| Group People | 4,783 | 2,973 |
| Property | - | 1,559 |
| Road and Traffic | 9,739 | 9,781 |
| Water Supply | 3,248 | 3,133 |
| Wastewater | 6,819 | 6,604 |
| Stormwater | 2,935 | 2,761 |
| Solid Waste | 507 | 451 |
| Environmental Management | 8 | - |
| Emergency Management | 30 | 24 |
| Group Environment | 38 | 24 |
| Local Urban Environment | 227 | 204 |
| Economic Development | 24 | 24 |
| Group Economy | 251 | 228 |
| Elected Members | 4 | 4 |
| Advice and Support Services | - | - |
| Managing Services | 1,846 | 2,329 |
| Group Organisation | 1,850 | 2,333 |
| Total directly attributable depreciation and amortisation expense by group of activity | 30,170 | 29,847 |
| Depreciation and amortisation not directly attributable by group of activity | - | - |
| Total depreciation and amortisation expense | 30,170 | 29,847 |

18. Investment in Associate

Capacity Infrastructure Services (formerly Wellington Water Management Limited) was jointly created with Wellington City Council on 9 July 2003 and has a balance date of 30 June. The nature of the business is to jointly manage the water services for Lower Hutt and Wellington cities. The two Councils each own Class A and Class B shares in the company.

The Class A shares represent voting rights and are split evenly between the two councils. The Class B shares confer the level of contributions and ownership between each council. Hutt City Council holds 112 Class B shares, and Wellington City Council holds 188. The company is considered to be jointly controlled because of the equal share of voting rights conferred through the Class A shares and is therefore an associate of both Hutt City Council and Wellington City Council in accordance with IAS 28: Investments in Associates. Each Council will equity account for their respective ownership interest as determined by the proportionate value of Class A and Class B shares held. Hutt City Council's ownership interest in the company is 37%.

| | SHARES ON ISSUE | HUTT CITY COUNCIL | WELLINGTON CITY COUNCIL |
|---|--------------------|----------------------|----------------------------|
| Class A shares (voting entitlements) | 300 | 150 | 150 |
| Class B shares (financial entitlements) | 300 | 112 | 188 |

Capacity is an unlisted company and accordingly there are no published price quotations to determine the fair value of the Council's investment in Capacity.

| CAPACITY | COUNCIL | | GROUP | |
|--|---------------|---------------|---------------|---------------|
| | 2013 \$000 | 2012 \$000 | 2013 \$000 | 2012 \$000 |
| Balance at beginning of the year | 224 | 224 | 136 | 104 |
| New Shares issued | - | - | - | - |
| Share of operating surplus / (deficit) | - | - | 19 | 32 |
| Balance at end of the year | 224 | 224 | 155 | 136 |

| | TOTAL CAPACITY | | GROUP SHARE | |
|-----------------------------------|----------------|---------------|---------------|---------------|
| | 2013 \$000 | 2012 \$000 | 2013 \$000 | 2012 \$000 |
| Revenue | 7,620 | 7,798 | 2,819 | 2,885 |
| Expenditure | 7,646 | 7,715 | 2,829 | 2,855 |
| Assets | 2,160 | 1,865 | 799 | 690 |
| Liabilities | 1,744 | 1,502 | 645 | 556 |
| Surplus (Deficit) before taxation | (26) | 83 | (10) | 31 |
| Taxation (Expense)/ benefit | 79 | 4 | 29 | 1 |
| Surplus (Deficit) after taxation | 53 | 87 | 19 | 32 |

19. Other Financial Assets

| | COUNCIL | | GROUP | |
|---|---------------|---------------|---------------|---------------|
| | 2013 \$000 | 2012 \$000 | 2013 \$000 | 2012 \$000 |
| CURRENT PORTION | | | | |
| Loans to related parties (note 31) | 9,150 | 3,200 | - | - |
| Total other assets - current portion | 9,150 | 3,200 | - | - |
| NON-CURRENT PORTION | | | | |
| <i>Investment in CCO's and other similar entities</i> | | | | |
| Shares in subsidiaries | 14,545 | 14,545 | - | - |
| Loans to related parties (note 31) | 2,750 | - | - | - |
| Unlisted shares in LGFA | 100 | - | 100 | - |
| Borrower notes from LGFA | 160 | - | 160 | - |
| Total investment in CCO's and other similar entities | 17,555 | 14,545 | 260 | - |
| <i>Investment in other entities</i> | | | | |
| NZ Local Government Insurance Company | 455 | 432 | 455 | 432 |
| Smartlinx 3 Limited | 39 | 39 | 39 | 39 |
| Community and development loans | - | 15 | - | 15 |
| Total investment in other entities | 494 | 486 | 494 | 486 |
| Total other assets - non-current portion | 18,049 | 15,031 | 754 | 486 |
| Total other assets | 27,199 | 18,231 | 754 | 486 |

Urban Plus Limited and Seaview Marina Limited are 100% owned subsidiaries.

Unlisted shares

The fair value of the unlisted shares held in NZ Local Government Insurance Company has been determined using historical cost.

The fair value of the unlisted shares held in Smartlinx 3 Limited has been determined using the last share issue price.

Impairment

There has been an impairment provision change made on the investment in NZ Local Government Insurance Company due to the financial state of the company. Movements in the provision for impairment of NZ Local Government Insurance Company are as follows:

| | COUNCIL | | GROUP | |
|--|---------------|---------------|---------------|---------------|
| | 2013 \$000 | 2012 \$000 | 2013 \$000 | 2012 \$000 |
| At 1 July | (23) | (114) | (23) | (114) |
| Additional provisions made during the year | - | - | - | - |
| Provisions reversed during the year | 23 | 91 | 23 | 91 |
| At 30 June | - | (23) | - | (23) |

There has been an impairment provision made on the investment in Smartlinx 3 Limited due to the financial state of the company. Movements in the provision for impairment of Smartlinx 3 Limited are as follows:

| | COUNCIL | | GROUP | |
|--|---------------|---------------|---------------|---------------|
| | 2013 \$000 | 2012 \$000 | 2013 \$000 | 2012 \$000 |
| At 1 July | (426) | (426) | (426) | (426) |
| Additional provisions made during the year | - | - | - | - |
| Provisions reversed during the year | - | - | - | - |
| At 30 June | (426) | (426) | (426) | (426) |

Community and development loans

The fair value of community and development loans is \$3,000 (2012: \$4,500). Fair value has been determined using a financial risk factor of 25% (2012: 25%).

The face value of community and development loans is \$12,000 (2012: \$18,000).

Impairment

There have been impairments provisions made on community and development loans due to the financial risks of the payees. Movements in the provision for impairment of community and development loans are as follows:

| | COUNCIL | | GROUP | |
|--|---------------|---------------|---------------|---------------|
| | 2013 \$000 | 2012 \$000 | 2013 \$000 | 2012 \$000 |
| At 1 July | (3) | (3) | (3) | (3) |
| Additional provisions made during the year | (9) | - | (9) | - |
| Provisions reversed during the year | - | - | - | - |
| Loans written-off during the period | - | - | - | - |
| At 30 June | (12) | (3) | (12) | (3) |

20. Joint Venture

Council sold its 7% participating interest in the Silverstream Gas Joint Venture in August 2012. The principal activity of the joint venture is converting gas from the Silverstream landfill, owned by the Council, into electricity for the Hutt Valley, also reducing the emissions of gas.

The joint venture's unaudited results for the year ended 30 June 2012 are included in these Financial Statements under the classifications shown below:

| | COUNCIL | | GROUP | |
|--|---------------|---------------|---------------|---------------|
| | 2013 \$000 | 2012 \$000 | 2013 \$000 | 2012 \$000 |
| SHARE OF ASSETS EMPLOYED | | | | |
| Share of revenue | 11 | 53 | 11 | 53 |
| Share of expenses | (5) | (70) | (5) | (70) |
| Share of net surplus/(deficit) | 6 | (17) | 6 | (17) |
| Share of property, plant and equipment | - | 35 | - | 35 |
| Share of accounts receivable | - | 13 | - | 13 |
| Share of accounts payable | - | (14) | - | (14) |
| Total share of assets employed | - | 34 | - | 34 |

There were no capital commitments, contingent assets or contingent liabilities owing at balance date (2012: \$nil)

21. Creditors and Other Payables

| | COUNCIL | | GROUP | |
|--|---------------|---------------|---------------|---------------|
| | 2013 \$000 | 2012 \$000 | 2013 \$000 | 2012 \$000 |
| Deposits and bonds | 278 | 287 | 280 | 289 |
| Accrued expenses | 7,229 | 7,304 | 7,368 | 7,378 |
| Rates in advance | 745 | 998 | 745 | 998 |
| Amounts due to customers for contract work | 1,336 | 1,172 | 1,336 | 1,172 |
| Total creditors and other payables | 23,333 | 18,976 | 23,474 | 19,052 |

Creditors and other payables are non-interest bearing and are normally settled on 30 day terms, therefore the carrying value of creditors and other payables approximate their fair value.

22. Borrowings

These are loans raised by Council for its various activities and projects. The details are:

| | NOTES | COUNCIL | | GROUP | |
|----------------------------------|-------|---------------|---------------|---------------|---------------|
| | | 2013 \$000 | 2012 \$000 | 2013 \$000 | 2012 \$000 |
| Current portion | | | | | |
| Bank overdraft | 10. | - | - | - | - |
| Secured loans | | 31,256 | 26,835 | 31,256 | 37,335 |
| Total current portion | | 31,256 | 26,835 | 31,256 | 37,335 |
| Non-current portion | | | | | |
| Secured loans | | 50,010 | 50,018 | 50,010 | 50,018 |
| Total non-current portion | | 50,010 | 50,018 | 50,010 | 50,018 |
| Total borrowing | | 81,266 | 76,853 | 81,266 | 87,353 |

Maturity Profile

| | INTEREST COST | | COUNCIL | | GROUP | |
|--------------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | 2013 \$000 | 2012 \$000 | 2013 \$000 | 2012 \$000 | 2013 \$000 | 2012 \$000 |
| Years of Maturity | | | | | | |
| Under 1 year | 1,575 | 1,008 | 31,256 | 26,835 | 31,256 | 37,335 |
| 1 to 2 years | 660 | 433 | 20,001 | 10,016 | 20,001 | 10,016 |
| 2 to 3 years | 390 | 705 | 10,001 | 20,001 | 10,001 | 20,001 |
| 3 to 4 years | 40 | 461 | - | 10,001 | - | 10,001 |
| 4 to 5 years | 611 | 193 | 10,000 | - | 10,000 | - |
| Over 5 years | 679 | 1,325 | 10,008 | 10,000 | 10,008 | 10,000 |
| Total borrowing | 3,955 | 4,125 | 81,266 | 76,853 | 81,266 | 87,353 |

Secured loans

The Council's debt of \$81 million (2012: \$77 million) is issued at a range of maturities in accordance with the borrowing policy, at interest rates ranging from 2.61% to 7.11% (2012: 2.61% to 7.11%).

Security

A debenture trust deed has been established and Perpetual Trust Limited appointed as Trustee. All borrowing, other than \$18,000, (2012: \$35,000) is secured by a charge overall rating in favour of the Trustee.

Council has a \$20 million (2012: \$25 million expired on 30 September 2012) wholesale advance facility signed on 28 September 2012. As at 30 June a total of \$nil (2012: \$nil) had been drawn against this facility. The Facility is secured under the Debenture Trust Deed.

Internal borrowings

Council borrows on a consolidated level and as such does not use internal borrowing and therefore does not prepare internal borrowing statements.

23. Employee Entitlements

| | COUNCIL | | GROUP | |
|------------------------------------|---------------|---------------|---------------|---------------|
| | 2013 \$000 | 2012 \$000 | 2013 \$000 | 2012 \$000 |
| Current portion | | | | |
| Accrued Salaries and Wages | 515 | 478 | 515 | 478 |
| Time in lieu | 29 | 30 | 29 | 40 |
| Annual leave | 1,674 | 1,754 | 1,693 | 1,794 |
| Long Service Leave | 67 | 65 | 88 | 67 |
| Sick Leave | 66 | 65 | 66 | 65 |
| Total current portion | 2,351 | 2,392 | 2,391 | 2,444 |
| Non-current portion | | | | |
| Long Service Leave | - | 12 | 21 | 32 |
| Retirement gratuities | 783 | 846 | 783 | 846 |
| Total non-current portion | 783 | 858 | 804 | 878 |
| Total employee entitlements | 3,134 | 3,250 | 3,195 | 3,322 |

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 calculation of this liability include the discount rate and salary inflation factor. Any changes in this assumption will affect the carrying amount of the liability.

Expected future payments are discounted using forward discount rates derived from the yield curve of New Zealand Government bonds. The discount rates used have maturities that match, as closely as possible, the estimated cash outflows. The salary inflation factor has been determined after considering historical salary inflation patterns and after obtaining advice from independent actuary. A weighted average discount rate of 4.87% (2012: 6%) and an inflation factor of 3.0% (2012: 2.5%) were used.

24. Provisions

| | COUNCIL | | GROUP | |
|----------------------------------|---------------|---------------|---------------|---------------|
| | 2013 \$000 | 2012 \$000 | 2013 \$000 | 2012 \$000 |
| Provision for landfill aftercare | 5,038 | 4,910 | 5,038 | 4,910 |
| Financial guarantees | - | - | - | - |
| Total provisions | 5,038 | 4,910 | 5,038 | 4,910 |

Movements in provision

| | LANDFILL AFTERCARE | |
|--|--------------------|---------------|
| | 2013 \$000 | 2012 \$000 |
| Balance at beginning of the year | 4,910 | 4,820 |
| Discount unwinding | 315 | 120 |
| Amounts charged to provision during the period | (187) | (31) |
| Balance at end of the year | 5,038 | 4,910 |

Landfill aftercare costs

Council has resource consents to operate the Silverstream landfill, Wainuiomata Landfill was closed during the year. Council has responsibility under the resource consent to provide ongoing maintenance and monitoring of the landfill after the sites are closed. Closure responsibilities include final cover and application of vegetation, completing facilities for leachate collection, water quality and gas monitoring. The management of the landfills will influence the timing of recognition of some liabilities.

Council currently operates one landfills, Silverstream (stage 1 and 2). The stage 2 landfill is consented to be developed progressively with a total estimated airspace of 5.3 million cubic metres. The estimated available airspace in the completed section of the landfill is 150,000 cubic metres (2012: 85,000 cubic metres). Airspace usage is currently approximately 104,000 cubic metres per annum including cover material and an allowance for settlement. The life of stage two, which has been operating for three years, is projected to be approximately 50 years. Council is monitoring gas, leachate, and water for six closed landfills identified as potential risks.

The cash outflows for the closed landfills at Silverstream stage 1 and Wainuiomata are expected to continue for at least twenty to thirty years. The long term nature of the liability means that there are inherent uncertainties in estimating costs that will be incurred. The provision has been estimated taking into account existing technology and is discounted at a rate of 5.5% (2012: 6%). The accounting treatment of this provision is described in detail in the Statement of Accounting Policies.

25. Other Liabilities

| | COUNCIL | | GROUP | |
|--|---------------|---------------|---------------|---------------|
| | 2013 \$000 | 2012 \$000 | 2013 \$000 | 2012 \$000 |
| OTHER LIABILITIES - CURRENT PORTION | | | | |
| Accrued interest expenses | 451 | 339 | 451 | 372 |
| Third party funds | 192 | 199 | 192 | 199 |
| Miscellaneous current liabilities | 864 | 812 | 868 | 816 |
| Income earned in advance | 1,833 | 1,994 | 2,080 | 2,130 |
| Development contributions | 283 | 546 | 283 | 546 |
| Total other liabilities - current portion | 3,623 | 3,890 | 3,874 | 4,063 |
| OTHER LIABILITIES - NON-CURRENT PORTION | | | | |
| Total other liabilities - non-current portion | - | - | - | - |
| Total other liabilities | 3,623 | 3,890 | 3,874 | 4,063 |

26. Equity

| | NOTE | COUNCIL | | GROUP | |
|--|------|----------------|----------------|----------------|----------------|
| | | 2013 \$000 | 2012 \$000 | 2013 \$000 | 2012 \$000 |
| ACCUMULATED FUNDS | | | | | |
| Balance at beginning of the year | | 739,119 | 743,039 | 736,271 | 741,884 |
| Interest allocated to reserves | | (493) | (428) | (493) | (436) |
| Transfers from property revaluation reserves on disposal | | 568 | - | 236 | - |
| Other transfers to reserves | | (8,269) | (5,177) | (8,269) | (2,006) |
| Transfers from reserves | | 5,041 | 5,269 | 5,041 | 852 |
| Net surplus/(deficit) after tax | | 1,648 | (1,609) | 1,924 | (2,048) |
| Items from other comprehensive income | | 1,485 | (1,975) | 1,485 | (1,975) |
| Balance at end of the year | | 739,099 | 739,119 | 736,195 | 736,271 |
| COUNCIL CREATED RESERVES | | | | | |
| Balance at beginning of the year | | 18,025 | 17,684 | 19,272 | 17,684 |
| Transfers to accumulated funds | | (5,041) | (5,262) | (5,041) | (852) |
| Transfers from accumulated funds | | 8,269 | 5,177 | 8,269 | 2,006 |
| Interest earned | | 491 | 426 | 491 | 434 |
| Balance at end of the year | | 21,744 | 18,025 | 22,991 | 19,272 |
| RESTRICTED RESERVES* | | | | | |
| Balance at beginning of the year | | 72 | 77 | 79 | 77 |
| Transfers to accumulated funds | | - | (7) | - | - |
| Transfers from accumulated funds | | - | - | - | - |
| Interest earned | | 2 | 2 | 2 | 2 |
| Balance at end of the year | 10. | 74 | 72 | 81 | 79 |
| ASSET REVALUATION RESERVES | | | | | |
| Balance at beginning of the year | | 490,045 | 388,305 | 493,894 | 392,264 |
| Changes in asset value | | - | - | - | (110) |
| Valuation gains/(losses) taken to equity | | (568) | 101,740 | (236) | 101,740 |
| Deferred tax on revaluation | | - | - | - | - |
| Balance at end of the year | | 489,477 | 490,045 | 493,658 | 493,894 |

| | NOTE | COUNCIL | | GROUP | |
|---|------|------------------|------------------|------------------|------------------|
| | | 2013 \$000 | 2012 \$000 | 2013 \$000 | 2012 \$000 |
| Asset revaluation reserves consist of: | | | | | |
| <i>Operational Assets</i> | | | | | |
| Library books | | 706 | 706 | 706 | 706 |
| Buildings | | 15,740 | 16,017 | 18,040 | 18,161 |
| Land | | 8,900 | 9,110 | 10,780 | 10,815 |
| Collections | | 2,412 | 2,484 | 2,412 | 2,484 |
| <i>Infrastructure Assets</i> | | | | | |
| Land | | 74,256 | 74,256 | 74,256 | 74,256 |
| Wastewater | | 75,755 | 75,755 | 75,755 | 75,755 |
| Stormwater | | 86,666 | 86,666 | 86,666 | 86,666 |
| Water | | 36,708 | 36,708 | 36,708 | 36,708 |
| Road | | 140,715 | 140,715 | 140,715 | 140,715 |
| <i>Restricted Assets</i> | | | | | |
| Land | | 47,619 | 47,628 | 47,619 | 47,628 |
| Total asset revaluation reserves | | 489,477 | 490,045 | 493,657 | 493,894 |
| Total other reserves | | 511,295 | 508,142 | 516,730 | 513,245 |
| Total equity | | 1,250,394 | 1,247,261 | 1,252,925 | 1,249,516 |

* Restricted reserves relate to bequests and trust money for a specific purpose.

27. Reconciliation of Surplus After Tax with Cash Flows from Operating Activities

| | COUNCIL | | GROUP | |
|---|---------------|----------------|---------------|----------------|
| | 2013 \$000 | 2012 \$000 | 2013 \$000 | 2012 \$000 |
| Surplus after tax | 1,648 | (1,609) | 1,924 | (2,048) |
| <i>Add/(less) non-cash items:</i> | | | | |
| Depreciation and amortisation | 30,170 | 29,847 | 31,280 | 30,993 |
| Share of associates (surplus)/deficit | - | - | (19) | (32) |
| Net bad debts/impairment expense | 1 | (82) | (37) | (65) |
| Impairment of inventory | - | - | - | 1,122 |
| Landfill provision | 128 | 90 | 128 | 90 |
| Vested Assets | (639) | (594) | (639) | (594) |
| Assets held for sale | - | - | (1,552) | - |
| Transfer from assets under construction to expenses | - | - | - | - |
| Income tax expense | - | - | - | 31 |
| <i>Add/(less) movements in working capital:</i> | | | | |
| (Increase)/decrease in accounts receivable and other assets | (874) | (877) | 413 | 1,127 |
| Increase/(decrease) in creditors | 4,271 | 308 | 4,453 | 275 |
| Increase in provisions and other liabilities | (383) | 630 | (293) | 106 |
| Increase in deferred tax liability | - | - | - | - |
| <i>Add/(less) items classified as investing activities:</i> | | | | |
| Profit on sale of property, plant and equipment and other movements | 443 | 13 | 59 | (798) |
| Net cash inflows from operating activities | 34,765 | 27,726 | 35,717 | 30,207 |

28. Financial Instruments Risks

| | COUNCIL | | GROUP | |
|--|---------------|---------------|---------------|---------------|
| | 2013 \$000 | 2012 \$000 | 2013 \$000 | 2012 \$000 |
| FINANCIAL ASSETS | | | | |
| Fair value through profit and loss - Held for trading | | | | |
| Derivative financial instrument assets | 690 | 1,122 | 690 | 1,122 |
| | 690 | 1,122 | 690 | 1,122 |
| Loans and receivables | | | | |
| Cash and cash equivalents | 11,309 | 6,430 | 11,820 | 6,519 |
| Debtors and other receivables | 13,088 | 12,493 | 13,712 | 13,004 |
| Other financial assets: | | | | |
| Community and development loans | - | 18 | - | 18 |
| Loans to Related Parties | 11,900 | 3,200 | - | - |
| Total loans and receivables | 36,297 | 22,141 | 25,532 | 19,541 |
| Held to maturity | | | | |
| Other financial assets: | | | | |
| - NZ Local Government Insurance Company | 455 | 432 | 455 | 432 |
| - NZ Local Government Funding Agency | 260 | - | 260 | - |
| - local authority stock | - | - | - | - |
| Total held to maturity | 715 | 432 | 715 | 432 |
| Fair value through equity | | | | |
| Other financial assets | | | | |
| - local authority stock | - | - | - | - |
| - unlisted shares | 39 | 39 | 39 | 39 |
| - listed shares | - | - | - | - |
| Total fair value through equity | 39 | 39 | 39 | 39 |
| Total financial assets | 37,741 | 23,734 | 26,976 | 21,134 |
| FINANCIAL LIABILITIES | | | | |
| Fair value through profit and loss - Held for trading | | | | |
| Derivative financial instrument liabilities | 3,699 | 5,616 | 3,699 | 5,616 |
| | 3,699 | 5,616 | 3,699 | 5,616 |

28. Financial Instruments Risks (continued)

| | COUNCIL | | GROUP | |
|--|----------------|----------------|----------------|----------------|
| | 2013 \$000 | 2012 \$000 | 2013 \$000 | 2012 \$000 |
| Financial liabilities at amortised cost | | | | |
| Trade Creditors and other payables | 23,333 | 18,976 | 23,474 | 19,052 |
| Borrowings: | | | | |
| - bank overdraft | - | - | - | - |
| - secured loans | 81,266 | 76,853 | 81,266 | 87,353 |
| Total financial liabilities at amortised cost | 104,599 | 95,829 | 104,740 | 106,405 |
| Total financial liabilities | 108,298 | 101,445 | 108,439 | 112,021 |

Council has a series of policies to manage the risks associated with financial instruments. Council is risk averse and seeks to minimise exposures from its treasury activities. Council has established Council approved Liability Management and Investment policies. These policies do not allow any transactions that are speculative in nature to be entered into.

Market Risk

Price risk

Price risk is the risk the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices. Council is exposed to equity securities price risk on its investments, which are classified as financial assets held at fair value through equity. This price risk arises due to market movements in listed securities. The price risk is managed by diversification of Council's investment portfolio in accordance with the limits set out in Council's Investment Policy.

Currency risk

Currency risk is the risk that the fair value or future cash flows of the financial instruments will fluctuate due to changes in foreign exchange rates. As at 30 June Council does not have any foreign currency risk (2012: \$nil).

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 to fair value interest rate risk. Council's Liability Management Policy is to maintain approximately between 55% and 95% of its borrowings in fixed rate instruments. Fixed to floating interest rate swaps are entered into to hedge the fair value interest rate risk arising where Council has borrowed at fixed rates in excess of the policy target range.

Cash flow interest rate risk

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

Generally, Council raises long-term borrowings at floating rates and swaps them into fixed rates using interest rate swaps in order to manage the cash flow interest rate risk. Such interest rate swaps have the economic effect of converting borrowings at floating rates into fixed rates that are generally lower than those available if Council borrowed at fixed rates directly. Under the interest rate swaps, Council agrees with other parties to exchange, at specified 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 obligation to Council, causing Council to incur a loss. Due to the timing of its cash flows and outflows, Council at times invests surplus cash into bank and term deposits which gives rise to credit risk.

Council Investment Policy limits the amount of credit exposure to any one financial institution or organisation. The group only invest funds with entities that have a Standard and Poor's 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.

Financial instruments which potentially subject the group to credit risk principally consist of cash and/or cash equivalents, trade and other receivables, other assets, financial guarantees and interest rate swaps and options.

The maximum exposure to credit risk:

| | NOTES | COUNCIL | | GROUP | |
|--|-------|---------------|---------------|---------------|---------------|
| | | 2013 \$000 | 2012 \$000 | 2013 \$000 | 2012 \$000 |
| Cash, cash equivalents and term deposits | 10. | 11,309 | 6,430 | 11,820 | 6,519 |
| Debtors and other receivables | 11. | 13,088 | 12,493 | 13,712 | 13,004 |
| Other assets | 19. | 494 | 471 | 494 | 471 |
| Community and development loans | 19. | - | 15 | - | 15 |
| Loans to related parties | 19. | 11,900 | 3,200 | - | - |
| Financial guarantees | 33. | 207 | 268 | 207 | 268 |
| Derivative financial instrument assets (interest rate swaps and options) | 12. | 690 | 1,122 | 690 | 1,122 |
| Total credit risk | | 37,688 | 23,999 | 26,923 | 21,399 |

28. Financial Instruments Risks (continued)

The maximum exposures shown above are net of any recognised provisions for losses on these financial instruments. Council and the group hold security for certain amounts included in trade and other receivables and other assets.

Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to Standard and Poor's credit ratings (if available) or to historical information about counterparty default rates:

| | COUNCIL | | GROUP | |
|---|---------------|---------------|---------------|---------------|
| | 2013 \$000 | 2012 \$000 | 2013 \$000 | 2012 \$000 |
| COUNTERPARTIES WITH CREDIT RATINGS | | | | |
| Cash at bank and term deposits | | | | |
| AA | 11,309 | 6,430 | 11,820 | 6,519 |
| Total cash at bank and term deposits | 11,309 | 6,430 | 11,820 | 6,519 |
| Derivative financial instrument assets | | | | |
| AA+ | - | - | - | - |
| AA | 690 | 1,122 | 690 | 1,122 |
| Total derivative financial instrument assets | 690 | 1,122 | 690 | 1,122 |
| COUNTERPARTIES WITHOUT CREDIT RATINGS | | | | |
| Community and related party loans | | | | |
| Existing counterparty with no defaults in the past | 11,900 | 3,200 | - | - |
| Existing counterparty with defaults in the past | - | 18 | - | 18 |
| Total community, development and related party loans | 11,900 | 3,218 | - | 18 |

Debtors and other receivables mainly arise from Council's statutory functions, therefore there are no procedures in place to monitor or report the credit quality of debtors and other receivables with reference to internal or external credit ratings. Council has no significant concentrations of credit risk in relation to debtors and other receivables, as it has a large number of credit customers, mainly ratepayers, and Council has powers under the Local Government (Rating) Act 2002 to recover outstanding debts from ratepayers.

Liquidity Risk

Management of liquidity risk

Liquidity risk is the risk that Council will encounter difficulty raising liquid funds to meet commitments as they fall due. Prudent liquidity risk management implies maintaining sufficient cash, and the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Council aims to maintain flexibility in funding by keeping committed credit lines available.

Council manages its borrowings in accordance with its funding and financial policies. These policies have been adopted as part of Council's Long Term Plan. Council has a policy to maintain the overdraft facility to below \$250,000 at any one time, and has undrawn credit facilities totalling \$20 million (2012: \$25 million).

Contractual maturity analysis of financial liabilities

The table below analyses Council's financial liabilities into the relevant maturity groupings based on the remaining period at the balance date to the contractual maturity date. Future interest payments on floating rate debt are based in the floating rate on the instrument at balance date. The amounts disclosed are contractual undiscounted cash flows. Financial guarantees are included in the time band containing the earliest date they can be called upon.

28. Financial Instruments Risks (continued)

| | CARRYING AMOUNT \$000 | CONTRACTUAL CASH FLOWS \$000 | LESS THAN 1 YEAR \$000 | BETWEEN 1-3 YEARS \$000 | BETWEEN 3-5 YEARS \$000 | GREATER THAN 5 YEARS \$000 |
|------------------------------------|-----------------------------|------------------------------------|------------------------------|-------------------------------|-------------------------------|-------------------------------------|
| Council 2013 | | | | | | |
| Trade Creditors and other payables | 13,745 | 13,745 | 13,745 | - | - | - |
| Net settled derivative liabilities | - | - | - | - | - | - |
| Bank overdraft | - | - | - | - | - | - |
| Secured loans | 81,266 | 88,615 | 33,491 | 32,894 | 11,452 | 10,778 |
| Finance leases | - | - | - | - | - | - |
| Financial guarantees | 207 | 207 | 207 | - | - | - |
| Total | 95,218 | 102,567 | 47,443 | 32,894 | 11,452 | 10,778 |
| Group 2013 | | | | | | |
| Trade Creditors and other payables | 13,745 | 13,745 | 13,745 | - | - | - |
| Net settled derivative liabilities | - | - | - | - | - | - |
| Bank overdraft | - | - | - | - | - | - |
| Secured loans | 81,266 | 88,615 | 33,491 | 32,894 | 11,452 | 10,778 |
| Finance leases | - | - | - | - | - | - |
| Financial guarantees | 207 | 207 | 207 | - | - | - |
| Total | 95,218 | 102,567 | 47,443 | 32,894 | 11,452 | 10,778 |
| Council 2012 | | | | | | |
| Trade Creditors and other payables | 9,215 | 9,215 | 9,215 | - | - | - |
| Net settled derivative liabilities | - | - | - | - | - | - |
| Bank overdraft | - | - | - | - | - | - |
| Secured loans | 76,853 | 83,665 | 29,330 | 33,396 | 10,888 | 10,052 |
| Finance leases | - | - | - | - | - | - |
| Financial guarantees | 268 | 268 | 268 | - | - | - |
| Total | 86,336 | 93,148 | 38,813 | 33,396 | 10,888 | 10,052 |
| Group 2012 | | | | | | |
| Trade Creditors and other payables | 9,215 | 9,215 | 9,215 | - | - | - |
| Net settled derivative liabilities | - | - | - | - | - | - |
| Bank overdraft | - | - | - | - | - | - |
| Secured loans | 87,353 | 83,665 | 29,330 | 33,396 | 10,888 | 10,052 |
| Finance leases | - | - | - | - | - | - |
| Financial guarantees | 268 | 268 | 268 | - | - | - |
| Total | 96,836 | 93,148 | 38,813 | 33,396 | 10,888 | 10,052 |

Contractual maturity analysis of financial assets

The table below analyses the Council's financial assets into the relevant maturity groupings based on the remaining period at the balance date to the contractual maturity date.

| | CARRYING AMOUNT \$000 | CONTRACTUAL CASH FLOWS \$000 | LESS THAN 1 YEAR \$000 | BETWEEN 1-3 YEARS \$000 | BETWEEN 3-5 YEARS \$000 | GREATER THAN 5 YEARS \$000 |
|-----------------------------------|-----------------------------|------------------------------------|------------------------------|-------------------------------|-------------------------------|-------------------------------------|
| Council 2013 | | | | | | |
| Cash and cash equivalents | 11,309 | 11,309 | 11,309 | - | - | - |
| Debtors and other receivables | 13,088 | 13,088 | 13,088 | - | - | - |
| Net settled derivative assets | - | - | - | - | - | - |
| Other financial assets: | | | | | | |
| - community and development loans | - | - | - | - | - | - |
| - loans to related parties | 11,900 | 11,900 | 2,900 | 9,000 | - | - |
| Total | 36,297 | 36,297 | 27,297 | 9,000 | - | - |
| Group 2013 | | | | | | |
| Cash and cash equivalents | 11,820 | 11,820 | 11,820 | - | - | - |
| Debtors and other receivables | 13,712 | 13,712 | 13,712 | - | - | - |
| Net settled derivative assets | - | - | - | - | - | - |
| Other financial assets: | | | | | | |
| - community and development loans | - | - | - | - | - | - |
| - loans to related parties | - | - | - | - | - | - |
| Total | 25,532 | 25,532 | 25,532 | - | - | - |
| Council 2012 | | | | | | |
| Cash and cash equivalents | 6,430 | 6,430 | 6,430 | - | - | - |
| Debtors and other receivables | 12,493 | 12,493 | 12,493 | - | - | - |
| Net settled derivative assets | - | - | - | - | - | - |
| Other financial assets: | | | | | | |
| - community and development loans | 15 | 18 | 13 | 5 | - | - |
| - loans to related parties | 3,200 | 3,200 | 3,200 | - | - | - |
| Total | 22,138 | 22,141 | 22,136 | 5 | - | - |
| Group 2012 | | | | | | |
| Cash and cash equivalents | 6,519 | 6,519 | 6,519 | - | - | - |
| Debtors and other receivables | 13,004 | 13,004 | 13,004 | - | - | - |
| Net settled derivative assets | - | - | - | - | - | - |
| Other financial assets: | | | | | | |
| - community and development loans | 15 | 18 | 13 | 5 | - | - |
| - loans to related parties | - | - | - | - | - | - |
| Total | 19,538 | 19,541 | 19,536 | 5 | - | - |

28. Financial Instruments Risks (continued)

Sensitivity analysis

The tables below illustrate the potential surplus and deficit and equity (excluding retained earnings) impact for reasonably possible market movements, with all other variables held constant, based on Council's financial instrument exposure at balance date.

| COUNCIL | 2013 \$000 | | | | 2012 \$000 | | | |
|--|---------------|--------------|------------|--------------|----------------|--------------|--------------|--------------|
| | -100BPS | | +100BPS | | -100BPS | | +100BPS | |
| INTEREST RATE RISK | PROFIT | OTHER EQUITY | PROFIT | OTHER EQUITY | PROFIT | OTHER EQUITY | PROFIT | OTHER EQUITY |
| Financial assets | | | | | | | | |
| Cash and cash equivalents | - | - | - | - | - | - | - | - |
| Derivatives held for trading 1 | (1,741) | - | 1,652 | - | (1,965) | - | 1,849 | - |
| Financial liabilities | | | | | | | | |
| Borrowing: | | | | | | | | |
| - short term loans | 310 | - | (310) | - | 270 | - | (270) | - |
| - term loans 3 | 500 | - | (500) | - | 400 | - | (400) | - |
| Total sensitivity to interest rate risk | (931) | - | 842 | - | (1,295) | - | 1,179 | - |

| GROUP | 2013 \$000 | | | | 2012 \$000 | | | |
|--|---------------|--------------|------------|--------------|----------------|--------------|--------------|--------------|
| | -100BPS | | +100BPS | | -100BPS | | +100BPS | |
| INTEREST RATE RISK | PROFIT | OTHER EQUITY | PROFIT | OTHER EQUITY | PROFIT | OTHER EQUITY | PROFIT | OTHER EQUITY |
| Financial assets | | | | | | | | |
| Cash and cash equivalents | - | - | - | - | - | - | - | - |
| Derivatives held for trading | (1,741) | - | 1,652 | - | (1,965) | - | 1,849 | - |
| Financial liabilities | | | | | | | | |
| Borrowing: | | | | | | | | |
| - short term loans | 310 | - | (310) | - | 375 | - | (375) | - |
| - term loans | 500 | - | (500) | - | 400 | - | (400) | - |
| Total sensitivity to interest rate risk | (931) | - | 842 | - | (1,190) | - | 1,074 | - |

Explanation of sensitivity analysis

Derivative net financial assets and derivatives held for trading include interest rate swaps with a fair value liability totalling \$3,009,000 (2012 liability: \$4,494,000). A movement in interest rates of plus 1% has an effect of \$1,652,000 (2012: \$1,849,000) on the unrealised value of the derivatives and on realised receipts on the derivatives during the period of \$670,000 (2012: \$670,000).

No equity instruments are held.

Short term loans

Council has short term floating rate debt with a principal amount totalling \$31 million (2012: \$26 million). A movement in interest rates of plus or minus 1% has an effect on interest expense of \$310,000 (2012: \$260,000).

Term loans

Council has term floating rate debt with a principal amount totalling \$60 million (2012: \$50 million). A movement in interest rates of plus or minus 1% has an effect on interest expense of \$600,000 (2012: \$500,000). A movement in market interest rates on fixed rate debt \$10 million (2012: \$10 million) does not have any impact because secured loans are accounted for at amortised value using the effective interest method.

Fair value hierarchy disclosures

For those instruments recognised at fair value on the statement of financial position, fair values are determined according to the following hierarchy:

- Quoted market price (level 1) - Financial instruments with quoted prices for identified instruments in active markets
- Valuation technique using observable inputs (level 2) - Financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using where all significant inputs are observable.
- Valuation techniques with significant non-observable inputs (level 3) - Financial instruments valued using models where one or more significant inputs are not observable.

The following table analyses the basis of the valuation of classes of financial instruments measured at fair value on the Statement of Financial Position.

28. Financial Instruments Risks (continued)

| | 2013 | | | TOTAL | 2012 | | | TOTAL |
|------------------------------|---|--|---|-------|---|--|---|-------|
| | VALUATION TECHNIQUE | | | | VALUATION TECHNIQUE | | | |
| | LEVEL 1 QUOTED MARKET PRICE \$000 | LEVEL 2 OBSERVABLE INPUTS \$000 | LEVEL 3 SIGNIFICANT NON- OBSERVABLE INPUTS \$000 | | LEVEL 1 QUOTED MARKET PRICE \$000 | LEVEL 2 OBSERVABLE INPUTS \$000 | LEVEL 3 SIGNIFICANT NON- OBSERVABLE INPUTS \$000 | |
| COUNCIL | | | | | | | | |
| Financial assets | | | | | | | | |
| Derivatives | | 690 | | 690 | 1,122 | | 1,122 | |
| Shares | | | 754 | 754 | | 471 | 471 | |
| Financial liabilities | | | | | | | | |
| Derivatives | | 3,699 | | 3,699 | 5,616 | | 5,616 | |
| GROUP | | | | | | | | |
| Financial assets | | | | | | | | |
| Derivatives | | 690 | | 690 | 1,122 | | 1,122 | |
| Shares | | | 754 | 754 | | 471 | 471 | |
| Financial liabilities | | | | | | | | |
| Derivatives | | 3,699 | | 3,699 | 5,616 | | 5,616 | |

Valuation techniques with significant non-observable inputs (level 3)

The table below provides a reconciliation of the opening balance to the closing balance for the level 3 fair value measurements:

| | 2013 \$000 | 2012 \$000 |
|--|---------------|---------------|
| Balance at 1 July | 380 | 159 |
| Gain and losses recognised in the surplus or deficit | 114 | - |
| Gain and losses recognised in other comprehensive income | - | - |
| Purchases | 260 | 221 |
| Sales | - | - |
| Transfers into level 3 | - | - |
| Transfers out of level 3 | - | - |
| Balance at 30 June | 754 | 380 |

29. Remuneration

The Chief Executive received the following remuneration:

| | 2013 | | | | 2012 | | | |
|-----------------|--------------|------------------------|--------------------------------------|-----------------------------|--------------|------------------------|--------------------------------------|-----------------------------|
| | SALARY \$ | MOTOR VEHICLE \$ | POST EMPLOYMENT BENEFITS \$ | TOTAL REMUNERATION \$ | SALARY \$ | MOTOR VEHICLE \$ | POST EMPLOYMENT BENEFITS \$ | TOTAL REMUNERATION \$ |
| Chief Executive | 323,767 | 10,505 | 9,713 | 343,985 | 324,316 | 10,782 | 6,486 | 341,584 |

Elected Representatives received the following remuneration:

| | COUNCIL | GROUP TOTAL | | COUNCIL | GROUP TOTAL | | | | | | | |
|------------------------------|--------------------|---------------------|-----------------------------|--------------------|---------------------|-----------------------------|------|--|--|--|--|--|
| | 2013 | | | | | | 2012 | | | | | |
| | REMUNERATION \$ | DIRECTOR FEES \$ | TOTAL REMUNERATION \$ | REMUNERATION \$ | DIRECTOR FEES \$ | TOTAL REMUNERATION \$ | | | | | | |
| MAYOR AND COUNCILLORS | | | | | | | | | | | | |
| WR Wallace | 122,800 | - | 122,800 | 122,679 | - | 122,679 | | | | | | |
| D Bassett | 57,177 | - | 57,177 | 60,034 | - | 60,034 | | | | | | |
| L Bridson | 44,772 | - | 44,772 | 44,907 | - | 44,907 | | | | | | |
| MJ Cousins | 52,044 | - | 52,044 | 57,672 | - | 57,672 | | | | | | |
| A Finlayson | 50,315 | 14,960 | 65,275 | 52,562 | 14,960 | 67,522 | | | | | | |
| VR Jamieson | 50,315 | 12,467 | 62,782 | 52,281 | 12,467 | 64,748 | | | | | | |
| K Laban | 43,635 | - | 43,635 | 44,907 | - | 44,907 | | | | | | |
| M Lulich | 43,635 | - | 43,635 | 44,907 | - | 44,907 | | | | | | |
| G McDonald | 43,635 | - | 43,635 | 44,907 | - | 44,907 | | | | | | |
| C Milne | 43,635 | 12,467 | 56,102 | 44,907 | 12,467 | 57,374 | | | | | | |
| MJ Shierlaw | 50,678 | - | 50,678 | 51,644 | - | 51,644 | | | | | | |
| RW Styles | 50,315 | 14,960 | 65,275 | 52,581 | 14,960 | 67,541 | | | | | | |
| M Willard | 43,635 | - | 43,635 | 44,907 | - | 44,907 | | | | | | |
| Total | 696,591 | 54,854 | 751,445 | 718,895 | 54,854 | 773,749 | | | | | | |

Remuneration to Councillors includes annual salary payments and resource consent hearing fees.

Meeting attendance of Elected Representatives 2013

| MEETING | COUNCIL | POLICY | CITY & INFRASTRUCTURE | FINANCE & AUDIT | CITY DEVELOPMENT | COMMUNITY PLAN | HUTT VALLEY SERVICES |
|--------------------------------|-----------|----------|-----------------------|-----------------|------------------|----------------|----------------------|
| Number of meetings held | 13 | 6 | 6 | 6 | 7 | 4 | 4 |
| WR Wallace | 13 | 6 | 5 | 3 | 6 | 4 | 2 |
| D Bassett | 13 | 6 | - | 6 | 7 | 4 | - |
| L Bridson | 12 | 6 | 6 | - | 7 | 4 | - |
| MJ Cousins | 12 | 6 | - | 6 | - | 4 | - |
| A Finlayson | 12 | - | 6 | - | - | 3 | 4 |
| VR Jamieson | 13 | 5 | 6 | 5 | - | 4 | - |
| K Laban | 11 | 5 | 6 | - | 6 | 4 | - |
| M Lulich | 13 | - | 6 | 6 | 7 | 4 | - |
| G McDonald | 12 | 6 | - | - | - | 4 | 4 |
| C Milne | 12 | - | - | 5 | 6 | 4 | 2 |
| MJ Shierlaw | 13 | - | 6 | 5 | 7 | 4 | - |
| RW Styles | 12 | 5 | - | 5 | 7 | 3 | 1 |
| M Willard | 13 | 6 | 6 | - | 7 | 4 | - |

Meeting attendance of Elected Representatives 2012

| MEETING | COUNCIL | POLICY | CITY & INFRASTRUCTURE | FINANCE & AUDIT | CITY DEVELOPMENT | COMMUNITY PLAN | HUTT VALLEY SERVICES |
|--------------------------------|-----------|----------|-----------------------|-----------------|------------------|----------------|----------------------|
| Number of meetings held | 18 | 6 | 8 | 9 | 6 | 6 | 4 |
| WR Wallace | 17 | 3 | 5 | 4 | 5 | 6 | 3 |
| D Bassett | 17 | 6 | 1* | 9 | 6 | 5 | - |
| L Bridson | 17 | 6 | 7 | - | 6 | 5 | - |
| MJ Cousins | 18 | 4 | - | 8 | - | 6 | - |
| A Finlayson | 17 | - | 8 | - | - | 6 | 3 |
| VR Jamieson | 16 | 6 | 8 | 9 | - | 6 | - |
| K Laban | 15 | 5 | 8 | - | 5 | 5 | - |
| M Lulich | 17 | - | 8 | 9 | 6 | 6 | - |
| G McDonald | 15 | 6 | - | - | - | 6 | 4 |
| C Milne | 12 | - | - | 7 | 5 | 5 | 3 |
| MJ Shierlaw | 17 | - | 8 | 8 | 6 | 6 | - |
| RW Styles | 15 | 5 | - | 7 | 6 | 6 | - |
| M Willard | 18 | 3 | 6 | - | 3 | 5 | - |

*Attended as Acting Mayor

Note: Where no number is shown, the councillor named is not a member of that committee.

Employee Staffing levels and remuneration

| | COUNCIL | | GROUP | |
|--|---------------|---------------|---------------|---------------|
| | 2013 | 2012 | 2013 | 2012 |
| Full-time equivalent salaried employees | 321.61 | 328.39 | 329.61 | 336.39 |
| Full-time equivalent waged and temporary employees | 75.00 | 68.79 | 76.76 | 70.55 |
| Total Full Time Equivalent | 396.61 | 397.18 | 406.37 | 406.94 |
| Total number of staff | 454.00 | 467.00 | 465.00 | 478.00 |
| Definition: One Full-time equivalent employee is a person in an employment relationship with Hutt City Council or Group employed to work 40 hours per week for the year. | | | | |
| The number of employees earning per annum. | | | | |
| Salary range | | | | |
| \$320,000 - \$329,999 | 1 | 1 | 1 | 1 |
| \$210,000 - \$219,999 | 2 | - | 2 | - |
| \$150,000 - \$209,999 | 5 | 4 | 6 | 5 |
| \$130,000 - \$149,999 | 5 | 5 | 5 | 5 |
| \$110,000 - \$129,999 | 9 | 12 | 9 | 12 |
| \$100,000 - \$109,999 | 5 | 5 | 6 | 5 |
| \$80,000 - \$99,999 | 40 | 33 | 40 | 34 |
| \$60,000 - \$79,999 | 82 | 90 | 85 | 93 |
| Less than \$59,999 | 305 | 317 | 311 | 323 |
| Total | 454 | 466 | 465 | 478 |

No other employees earn over \$100,000 per annum.

30. Severance Payments

Severance payments include any consideration (monetary or non-monetary) provided to any employee in respect of the employee's agreement to the termination of their employment with Council.

| | COUNCIL | | GROUP | |
|---------------------|------------|------------|------------|------------|
| | 2013 \$000 | 2012 \$000 | 2013 \$000 | 2012 \$000 |
| Severance payments | - | 32 | - | 32 |
| Number of employees | - | 1 | - | 1 |

31. Related Parties Transactions

Council is the ultimate parent of the group and controls two entities, being Urbanplus Limited (formerly Hutt Holdings Limited) and Seaview Marina Limited, and has significant influence over Capacity Infrastructure Services (formerly Wellington Water Management Limited) as an associate.

Related Party Transactions With Subsidiaries, Associates, And Joint Venture:

With Seaview Marina Limited (the Marina)

For the year ended 30 June 2013, Council charged Seaview Marina Limited accountancy fees \$23,000 (2012: \$20,000), building and resource consents \$2,157 (2012: \$1,243), interest expense \$141,774 (2012: \$164,258) and rates and water \$81,315 (2012: \$100,434).

The total loan from Council to the Marina outstanding at 30 June 2013 amounted to \$2,900,000 (2012: \$3,300,000) and total advances from Council to the Marina outstanding at 30 June 2013 amounted to \$75,182 (2012: \$75,879). Borrowings from Hutt City Council are issued at the 3 month BKBM FRA Rate plus a margin of 200 basis points. The maximum amount to be advanced at any time during the term of loan shall not exceed \$3,500,000.

With Urban Plus Limited (Urban Plus)

At 30 June Urban Plus owed Council \$62,502 (2012: Council owed Urban Plus \$687). Interest is charged on outstanding advances at market rates, the net interest paid to Hutt City Council from Urban Plus was \$44,447 (2012: \$813).

During the year Urban Plus paid to Council \$179,939 (2012: \$180,107) for rates and water, \$45,000 (2012: \$45,000) management fee for services, \$26,996 (2012: \$nil) for land information, water connection and building and resource consents and \$1,025,000 (2012: \$nil) for the purchase of land and buildings. Council paid to Urban Plus \$531,583 (2012: \$509,950) for property services and project management and \$210,647 (2012: \$nil) for Council's share of property sale losses.

As at 30 June Urban Plus has no commitments to Hutt City Council (2012: \$nil).

Urban Plus Limited with Seaview Marina Limited

During the year Urban Plus provided consultancy services to Seaview Marina for the value of \$6,394 (2012: \$nil), these transactions where on normal business terms and conditions.

With Capacity Infrastructure Services (Capacity)

As at 30 June 2013 Council owed Capacity \$340,000 (2012: \$421,000).

As at 30 June 2013 Capacity owed Council \$nil (2012: \$nil).

During the year Capacity paid \$nil (2012: \$45,000) to the Council, for services provided.

During the year the Council paid \$1,630,000 (2012: \$1,701,000) to Capacity, for professional services, and \$2,570,000 for City Care Services (2012: \$2,409,000).

During the year Capacity paid directors fees to Councillor David Bassett \$15,000 (2012: \$15,000).

With Hutt City Community Faculties Trust (the Trust)

As at 30 June 2013 the Trust owed Council \$149,161.

During the year the Council paid \$100 as a contribution to the formation of the Trust.

With Silverstream Gas Joint Venture

During the year the Gas Joint Venture paid nil for goods and services (2012: \$83,840).

Material related party transaction – other organisations

NZ Local Government Funding Agency Limited (LGFA) The LGFA was incorporated on 1 December 2011 and was established to facilitate the efficient, and cost effective, raising of debt funding for local government authorities. There are currently 30 regional, district and city councils throughout New Zealand that own 80% of the issued capital, with Government holding the remaining 20%. The Council became a shareholder in the Council Controlled Organisation (CCTO) with an initial investment of \$0.100 million representing 0.4% of paid-up capital

Transactions with Key Management Personnel

Key management personnel include the Chief Executive, members of the strategic leadership team, the Mayor and Councillors.

| KEY MANAGEMENT PERSONNEL COSTS | COUNCIL | | GROUP | |
|---|---------------|---------------|---------------|---------------|
| | 2013 \$000 | 2012 \$000 | 2013 \$000 | 2012 \$000 |
| Salary and other short term benefits | 1,841 | 1,873 | 2,236 | 2,171 |
| Post-employment benefits | 16 | 16 | 25 | 25 |
| Other long-term benefits | - | - | - | - |
| Termination benefits | - | 32 | - | 32 |
| Total key management personnel costs | 1,857 | 1,921 | 2,261 | 2,228 |

The table above includes the remuneration of the Chief Executive, members of the strategic leadership team, the Mayor and Councillors.

During the year Councillors and key management personnel, as part of a normal customer relationship, engaged in minor transactions with Council (such as payment of rates, purchase of rubbish bags, etc). Except for the transactions listed below, and items of trivial nature, no other Councillors or key management personnel entered into any related party transactions with the group. All services supplied to Council were on normal commercial terms.

Mayor Ray Wallace is the Chair on Hutt Minoh House Friendship Trust During the year Council made payments to the trust of \$1,150 (2012: \$1,490) for venue hire.

Councillor Margaret Willard and community board member David Elliot are directors of Development Wainuiomata Incorporated. Council made payments of \$8,073 (2012: \$10,764) for cleaning services in Wainuiomata.

Councillors David Bassett and Ken Laban are elected members of the Hutt Valley District Health Board. The Council made payments of \$5,971 (2012: \$6,607) during the year. Council received \$197,660 for water charges and venue hire (2012: \$185,240 for the DHB's share of election costs, building consent fees and water charges).

Councillor Ken Laban is a director of the Wellington Rugby Football Union and Te Omanga Hospice, and chairman of Hutt City Sports Awards and during the year Council made payments of, respectively, \$nil (2012:\$5,141) for hire fees, \$4,610 (2012:\$5,595) for tickets to fundraising dinner and \$9,200 (2012 \$1,500) for tickets to the awards dinner.

Councillor David Bassett is a director and shareholder of Tour New Zealand Limited. During the year Council paid \$nil for promotions (2012: \$3,500).

Councillor Chris Milne is a director on the Seaview Marina Board and is a consultant of Zeald Limited, and during the year the Marina purchased services to the value of \$3,023 (2012: \$9,527). He is also a partner in Arcadia Associates, and during the course of the year services to the value of \$nil (2012: \$690) were purchased.

Councillor Margaret Cousins is a Trustee of the Hutt Council of Social Services. Council made payments of \$nil (2012: \$40 for membership).

Councillor Max Shierlaw and community board member Peter-Clinton Foese are trustees of Hutt Valley Youth Health Trust. Council made payments of \$1,698 (2012: \$4,654) to Hutt Valley Youth Health Trust as a contribution to programmes. \$6,704 was outstanding as at 30 June 2013 (\$2012: \$1,235).

Community board member Peter-Clinton Foese became a trustee of Youthwise Trust during 2012. Council made payments of \$135,869 (2012 \$126,030) for annual funding grant and services.

Community board members Peter-Clinton Foese, Heather Robb and Terry Stallworth are staff members of Hutt City Council.

Community board member Karl Dickson is the deputy chairman of the Wainuiomata Community Centre. Council made payments of \$57,733 (2012: \$59,237) to the Wainuiomata Community Centre as a contribution to running the community house.

Community committee member Leigh Sutton is the owner of River Side Media publishers. Council made payments of \$15,398 (2012: \$11,466) for document publishing and advertising/ column space in various local publications.

Community committee member Dina Awarau is the chairperson of the Taita Community Trust and Port Nicholson Block Settlement Trust. Council made payments of \$31,200, (2012: \$59,237) and \$34,500 (2012: \$46,000), respectively, for services under service level agreement and grants. As at 30 June 2013, there was \$250 and \$11,500, respectively outstanding.

Community committee member Robert Ashe is board member of The Family Centre. During the year the Council made payments of \$9,545 (2012: \$9,545) in grants.

Community committee member Ephraim Gazo is the secretary and youth project co-ordinator of the Hutt Multicultural Council Incorporated. During the year Council made payments of \$2,500 (2012: \$3,460) in grants and donations.

Community committee member Barbara Branch is employed by the Hutt Valley Chamber of Commerce as the CBD retail co-ordinator. During the year Council made payments of \$234,497 (2012: \$333,520) for service delivery, retail co-ordinator and attendance at Chamber events and workshops. There is a balance of \$345 (2012: \$6,212) outstanding for unpaid invoices at year-end.

There are close family members of key management personnel and community board members employed by Council and group. The terms and conditions of those arrangements are no more favourable than Council and group would have adopted if there were no relationship to key management or community boards.

During the year Council paid \$170,691 (2012: \$55,000) to Smartlinx 3 Limited for the provision of broadband, security and Wi-Fi services. There is a balance of \$458 (2012: \$81,000) outstanding for unpaid invoices at year-end.

32. Capital Commitments and Operating Leases

Capital commitments

Commitments for capital expenditure contracted, but not provided for:

| | COUNCIL | | GROUP | |
|----------------------------------|---------------|---------------|---------------|---------------|
| | 2013 \$000 | 2012 \$000 | 2013 \$000 | 2012 \$000 |
| Property, plant and equipment | 8,228 | 3,513 | 8,228 | 3,513 |
| Intangible assets | - | - | - | - |
| Investment property | - | - | - | - |
| Total capital commitments | 8,228 | 3,513 | 8,228 | 3,513 |

There are no capital commitments in relation to Council's interest in the Silverstream Gas Joint Venture.

Operating Leases as Lessee

Council leases property, plant and equipment in the normal course of its business. The majority of these leases have a non-cancellable term of 36 months. The future aggregate minimum leases payments payable under non-cancellable leases are as follows:

| | COUNCIL | | GROUP | |
|---|---------------|---------------|---------------|---------------|
| | 2013 \$000 | 2012 \$000 | 2013 \$000 | 2012 \$000 |
| Not later than one year | 496 | 547 | 528 | 579 |
| Later than one year and not later than five years | 728 | 612 | 738 | 622 |
| Later than five years | 137 | - | 137 | - |
| Total non-cancellable operating leases | 1,361 | 1,159 | 1,403 | 1,201 |

The total minimum future sublease payments expected to be received under non-cancellable subleases at balance date is \$nil (2012: \$nil).

Leases can be renewed at Council's option, with rents set by reference to current market rates for items of equivalent age and condition. Council does not have the option to purchase the asset at the end of the lease term.

There are no restrictions placed on Council by any of the leasing arrangements.

Operating Leases as Leasor

The Council leases property under operating leases. The majority of these leases have a non-cancellable term of 36 months, with the exception of housing leases that have a non-cancellable term of 22 working days. The future aggregate minimum leases payments payable under non-cancellable leases are as follows:

| | COUNCIL | | GROUP | |
|---|---------------|---------------|---------------|---------------|
| | 2013 \$000 | 2012 \$000 | 2013 \$000 | 2012 \$000 |
| Not later than one year | - | - | 152 | 252 |
| Later than one year and not later than five years | - | - | 164 | 316 |
| Later than five years | - | - | - | - |
| Total operating leases as leasor | - | - | 316 | 568 |

No contingent rents have been recognised in the Statement of Comprehensive Income during the period.

33. Contingencies

Contingent liabilities

| | COUNCIL | | GROUP | |
|-------------------------------------|---------------|---------------|---------------|---------------|
| | 2013 \$000 | 2012 \$000 | 2013 \$000 | 2012 \$000 |
| Financial guarantees | 207 | 268 | 207 | 268 |
| Waste water | 4,006 | 4,983 | 4,006 | 4,983 |
| Other legal proceedings | 1,411 | 316 | 1,411 | 316 |
| Total contingent liabilities | 5,624 | 5,567 | 5,624 | 5,567 |

Guarantees

The value of financial guarantees disclosed as contingent liabilities reflects the Council's assessment of the undiscounted portion of financial guarantees that are not recognised in the Statement of Financial Position to local community groups. The Council has recognised \$nil (2012: \$nil) financial guarantees in the Statement of Financial Position.

Local Authority Protection Programme (LAPP)

The Council owns significant infrastructural assets. In a catastrophe local authorities are required to meet 40% of the cost of the damage to these assets and central government will meet the other 60%. The contribution from central government is contingent on local authorities having a mechanism in place to fund their 40% share. Many councils, including Hutt City Council, have chosen to do this through membership of LAPP.

LAPP's funding was exhausted by the Christchurch earthquakes and it is now focused on rebuilding the fund. In order to do this the LAPP trustees decided, after consulting members, to introduce a degree of mutual liability to the operation of the fund.

In the event that claims from an event (in any member council's area) exhaust the fund again LAPP will have the ability to require all the member councils to contribute up to five times their annual premium per event, for up to two events in any one year, towards any claim shortfall.

For Council this represents a contingent liability of up to 3,325,600 for one event or up to \$6,651,200 for two events.

Wastewater

Council has entered into a cancellable contract for the operation of the wastewater treatment plant and associated facilities. The remaining term of the contract is 9 years and payments are calculated based on volume. The contingent liability is calculated based on the minimum payments due under the contract in the event of cancellation, using a discount factor of 6% (2012: 6%).

Other legal proceedings

No information has been disclosed as any disclosure may seriously prejudice the outcome.

Unquantified claims

The Council is a participating employer in the Defined Benefit Plan contributors Scheme (the scheme), which is a multi-employer defined benefit scheme. If the participating employers cease to participate in the scheme, the Council could be responsible for any deficit of the scheme. Similarly, if a number of employers cease to participate in the scheme, the Council could be responsible for an increased share of any deficit.

Joint venture contingent liabilities

There are no contingent liabilities associated with the Silverstream Gas Joint Venture (2012: \$nil).

Associate's contingent liabilities

There are no contingent liabilities associated with the Capacity associate (2012: \$nil).

Local Government Funding Agency

The Council is a guarantor of the New Zealand Local Government Funding Agency limited (LGFA). The LGFA was incorporated in December 2011 with the purpose of providing debt funding to local authorities in New Zealand and it has a credit rating from the Standard & Poor's of AA+. The council is one of 30 local authority shareholders and 8 local authority guarantors of the LGFA. In that regard it has uncalled capital of \$1 million. When aggregated with the uncalled capital of other shareholders, \$20 million is available in the event that an imminent default is identified. Also, together with the other shareholders and guarantors, the Council is a guarantor of all of LGFA's borrowings. At 30 June 2013, NZLGFA had borrowings totalling \$2.48 billion (2012: \$835 million).

Financial reporting standards require the Council to recognise the guarantee liability at fair value. However, the Council has been unable to determine a sufficiently reliable fair value for the guarantee, and therefore has not recognised a liability. The Council considers the risk of the LGFA defaulting on repayment of interest or capital to be very low on the basis that:

- It is not aware of any local authority debt default events in New Zealand; and
- Local authority legislation would enable local authorities to levy a rate to recover sufficient funds to meet any debt obligations if further funds were required.

Contingent assets

The Council operates a system whereby community services and sports clubs are able to construct facilities (e.g. club rooms) on reserve land. The community services and clubs control the use of these facilities and the Council will only gain control of the asset if the community service/club vacates the facility, no other organisation is willing to purchase the facility and it is not removed (per the lease agreement). Until these events occur these assets are not recognised as assets in the Statement of Financial Position.

34. Major Budget Variations

Explanations for major variations from Council's budgeted figures in the 2012/2013 Annual Plan are as follows:

The Statement of Comprehensive income discloses the financial performance of Council and the group for the financial year ended 30 June 2013. The statement shows the operating revenue and expenditure as well as other transactions that have impacted on the Council's and the group's wealth. The following are the significant variances:

- Council made a surplus after tax of \$1.648 million compared with a budgeted surplus after tax of \$1.414 million. The operating result was therefore \$0.212 million better than budget.
- Revenue of \$132,897 million is lower than budget of \$132.689 million with less user fees and charges, mainly in solid waste.
- Expenditure of \$131,249 million is lower than budget of \$131.275 million, across all expenditure classes. This resulted from holding staff numbers, good management of operating costs and depreciation lower with the capital works programme not fully completed.
- Other Comprehensive Gains and Losses:
 - A gain of \$1.485 million was incurred in the fair value of interest rate swaps. Council had budgeted no gain.

The Statement of Financial Position (that is what council own and owe) is as at 30 June 2013 (the end of each financial year). The following are significant variances in the Statement of Financial Position:

- Cash and cash equivalents is \$5.7 million higher than budget due to the level and timing of payments for year end works.
- Other assets includes internal loan to Urban Plus Limited of \$9 million.
- Investment in CCOs increased with Council joining Local Government Funding Agency and the establishment of the Hutt City Community Facilities Trust.
- Net debt ended the year at \$58.1 million compared to a budgeted position of \$59.9 million. Creditors is higher than plan due to the timing of payments at year end, which included additional works related to the storm in Wellington region in late June.

The following are significant variances in the Statement of Cashflows:

- Net cash from operating activities is comparable to budget and higher than last year due to reduced payments to suppliers.
- Net cash from investing is higher than budget due to internal loan funding to Urban Plus Limited. Asset purchases are lower than budget with \$7 million of projects carried forward to next year.
- Net cash from financing is lower than budget due to the borrowing of \$9 million for on lending to Urban Plus.

Explanations for further budget variations are shown at the end of the financial performance statement for each activity.

35. Capital Management

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

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

The objective of managing these items is to achieve intergenerational equity, which is a principle promoted in the Act and applied by Council. Intergenerational equity requires today's ratepayers to meet the costs of utilising Council's assets and not expecting them to meet the full cost of long term assets that will benefit ratepayers in future generations. Additionally Council has in place asset management plans for major classes of assets detailing renewal and maintenance programmes to ensure ratepayers in future generations are not required to meet the costs of deferred renewals and maintenance.

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

Hutt City Council has the following Council created reserves:

- reserves for different areas of benefit
- self insurance reserves
- trust and bequest reserves

Reserves for different areas of benefit are used where there is a discrete set of rate or levy payers as distinct from the general rate. Any surplus or deficit relating to these separate areas of benefit is applied to the specific reserves.

Self insurance reserves are built up annually from general rates and are made available for specific unforeseen events. The release of these funds generally can only be approved by Council.

Trust and bequest reserves are set up where Council has been donated funds that are restricted for particular purposes. Interest is added to Trust and bequest reserves where applicable and deductions are made where funds have been used for the purpose they were donated.

36. Events after the Balance Date

At the Urban Plus Board meeting on 25 July 2013 the Board decided to remove the rental properties at 990 High Street from the active sales market with the intention to actively market later in the next financial year. As at 30 June 2013 these properties were recognised as current assets held for sale. The effect on the 30 June 2013 Financial Statements, if they had been reclassified as property, plant and equipment are to reduce assets held for sale to nil, increase property, plant and equipment by \$1,552,478, and increase depreciation expense of \$4,953. The impact on the net surplus is a decrease of \$4,953.

37. Reclassification and Restatement

Reclassification

Council and group have changed the presentation of items within the income statement to comply with the new presentation requirements of the Local Government (Financial Reporting) Regulations 2011.

The effect of the changes to revenue are shown in the table below:

| | COUNCIL 2012 | | |
|--|-------------------------------------|---------------------------|------------------------------------|
| | BEFORE RECLASSIFICATION \$000 | RECLASSIFICATION \$000 | AFTER RECLASSIFICATION \$000 |
| REVENUE | | | |
| Rates revenue | 85,454 | (85,454) | - |
| Rates, excluding targeted water supply rates | - | 85,454 | 85,454 |
| Fees, charges, and targeted rates for water supply | 25,569 | - | 25,569 |
| Development and financial contributions | - | 127 | 127 |
| Subsidies and grants | 10,842 | (127) | 10,715 |
| Finance income | 258 | - | 258 |
| Other revenue | 3,997 | - | 3,997 |
| Gain on Disposal | - | - | - |
| Total revenue | 126,120 | - | 126,120 |

| | GROUP 2012 | | |
|--|-------------------------------------|---------------------------|------------------------------------|
| | BEFORE RECLASSIFICATION \$000 | RECLASSIFICATION \$000 | AFTER RECLASSIFICATION \$000 |
| REVENUE | | | |
| Rates revenue | 85,184 | (85,184) | - |
| Rates, excluding targeted water supply rates | - | 85,184 | 85,184 |
| Fees, charges, and targeted rates for water supply | 28,914 | - | 28,914 |
| Development and financial contributions | - | 127 | 127 |
| Subsidies and grants | 10,842 | (127) | 10,715 |
| Finance income | 95 | - | 95 |
| Other revenue | 4,233 | - | 4,233 |
| Gain on Disposal | 798 | - | 798 |
| Total revenue | 130,066 | - | 130,066 |

Reserve Funds

Reserves are held to ensure that funds received for a particular purpose are used for that purpose and any surplus created is managed in accordance with the reason for which the reserve was established. Surplus held in reserves are credited with interest. Council holds 13 reserves, with five being restricted reserves. Restricted reserves are reserves that have rules set by legal obligation that restrict the use that Council may put the funds towards. The remaining Council created reserves are discretionary reserves which Council has established for the fair and transparent use of monies. Reserves are not separately held in cash and the funds are managed as part of Council's treasury management.

The next page includes a list of current reserves outlining the purpose for holding each reserve and Council activity to which each reserve relates, together with summary financial balances for the 2012/2013 year:

| | OPENING BALANCE JULY 2012 \$000'S | DEPOSITS \$000'S | EXPENDITURE \$000'S | CLOSING BALANCE JUNE 2013 \$000'S |
|--|--|---------------------|------------------------|--|
| COUNCIL CREATED RESERVES – PURPOSE OF THE FUND | | | | |
| Reserve Purchase & Development (Parks and Reserves Activity) To provide for the purchase of land for reserves purposes or the development of existing reserves. The Fund is made up of financial contributions from subdivision and revenue from the sale of surplus reserve land. The main purpose of the Fund is to provide open space and recreational opportunity to offset the effects of land use intensification. | 5,329 | 792 | (324) | 5,744 |
| Election Fund (Managing Services Activity) To annually provide for the cost of Council elections and by-elections. | 541 | 55 | (449) | 147 |
| Landfills Reserve (Solid Waste Activity) To set funds aside for the longer term replacement of the landfill. | 10,144 | 6,454 | (4,144) | 12,827 |
| Waste Minimisation Reserve To encourage a reduction in the amount of waste generated and disposed of in New Zealand, and to lessen the environmental harm of waste. This reserve was created in 2009 as a result of the Waste Minimisation Act 2008. Funding is distributed to local authorities by the Ministry for the Environment and expenditure includes grants to others, waste minimisation initiative operating expenses and recycling contract. | 1,527 | 1,447 | (118) | 1,568 |
| Wingate Landfill Reserve (Parks and Reserves Activity) To provide for the development and major maintenance of the former landfill areas (top areas) at the end of Page Grove, Wingate, now managed as reserve land and used for various recreational activities. | 148 | 4 | (3) | 149 |
| Piano Replacement Reserve (Museums Activity) To provide funds for the replacement of the Steinway piano at the Little Theatre. | 72 | 2 | - | 74 |
| Wingate Park (Parks and Reserves Activity) To provide for the development and major maintenance of the former landfill areas (bottom areas) at the end of Page Grove, Wingate, now managed as reserve land and used for various recreational activities. | 152 | 4 | (3) | 153 |
| Ex Hillary Commission Funds (Aquatics and Recreation) To provide funding for sporting activities. Approval needs to be given by Sport New Zealand. | 112 | 2 | - | 114 |
| Totals | 18,025 | 8,760 | (5,041) | 21,744 |
| RESTRICTED RESERVES – PURPOSE OF THE FUND | | | | |
| Taita Cemetery - JV Bently (Parks and Reserves Activity) Council is contracted to maintain Plot 32/33 block 7, St James section in perpetuity. The plots contain Issac Young, Eliza Young and AG Talbut. | 2 | - | - | 2 |
| Lavelle Tree Bequest (Parks and Reserves Activity) To provide for the planting of trees in and around Hutt City on major thoroughfares. | 27 | 2 | - | 29 |
| JWT Adams Bequest (Museums Activity) To be utilised to establish and service a photographic collection for the Dowse. There is no specific expenditure plan for the coming ten years on the purchase of photographic items for the collection. | 18 | - | - | 18 |
| ML Talbut Bequest (Parks and Reserves Activity) To provide for the planting and maintenance of reserves. | 12 | - | - | 12 |
| Eastbourne Arts Trust (Museums Activity) To purchase for the Dowse Collection works of art created by Eastbourne artists, being artists who have or have had a significant association with Eastbourne. | 13 | - | - | 13 |
| Totals | 72 | 2 | - | 74 |

APPENDICES

Hutt City Profile

Hutt City (geographical name Lower Hutt) is located at the southern end of the North Island of New Zealand. It is the second largest city in the Wellington region and borders onto the capital city, Wellington. The city has an area of around 38,000 hectares and over 40 kilometres of coastline. Hutt City has a vitality and uniqueness that is enhanced by its beautiful natural setting – a combination of hills, valleys, rivers and the sea. This setting offers residents the best of both worlds – the facilities and services provided by a major urban centre, as well as a central location for residents to enjoy a variety of outdoor pursuits.

Summary Profile

| | |
|---|-----------------|
| Land area | 37,998 hectares |
| Population¹ | |
| Northern Ward | 15,065 |
| Eastern Ward | 16,665 |
| Western Ward | 14,747 |
| Central Ward | 17,087 |
| Wainuiomata Ward | 17,298 |
| Harbour Ward | 17,376 |
| Total population | 98,238 |
| Number of households² | |
| Northern Ward | 5,840 |
| Eastern Ward | 6,840 |
| Western Ward | 5,690 |
| Central Ward | 6,930 |
| Wainuiomata Ward | 6,320 |
| Harbour Ward | 7,460 |
| Total households | 39,080 |
| Age² | |
| 0 to 14 | 21.9% |
| 15 to 39 | 33.7% |
| 40 to 64 | 32.4% |
| 65 and over | 12.0% |
| Ethnicity² | |
| European | 71.8% |
| Māori | 18.5% |
| Pacific Peoples | 12.0% |
| Asian | 10.0% |

¹ Statistics from Statistics New Zealand 2013 Census

² Statistics from Statistics New Zealand Medium Series
Projections based on the 2006 Census

Hutt City Assets

| | |
|--|------------------------|
| Total council assets as at 30 June 2013 | \$1,363,346,000 |
| Area of parks and reserves | 3,760 hectares |
| Number of swimming pools | 6 |
| Number of libraries | 8 |
| Length of roads | 480 km |
| Length of footpaths | 728 km |
| Number of street lights | 13,618 |
| Length of wastewater pipes | 685 km |
| Length of stormwater pipes | 563 km |
| Length of water pipes | 681 km |
| Rating system | Capital |
| Rateable properties | 38,530 |
| Average rates per residential ratepayer | \$1,955 |
| Capital value of the city (30 June 2012) | \$17,951,677,850 |

Climate

- Temperature: mean daily maximum temperature of 22°C in January and 12°C in July
- Sunshine hours: around 2,000 hours of sunshine per year
- Rainfall: 1,300 - 1,350 mm of rainfall per year
- Wind: predominant wind 50% of the time is from between the north and west, and 30% of the time from between the southeast and southwest.

DEFINITIONS

These definitions are intended to define terms used in this Annual Report in plain English. For legal definitions see the Local Government Act 2002.

Annual Plan

A plan that describes the activities of the local authority, with a particular focus on the financial year for which the document is produced.

Appropriation/Appropriated

Money that has been set aside from, or brought into, an operating or revenue account.

Asset

Something of value that Council owns on behalf of the people of Hutt City, such as roads, drains, parks and buildings.

Asset Management Plan

A long term plan for managing an asset to ensure that its capacity to provide a service is kept up and costs over the life of the asset are kept to a minimum.

Capital Expenditure

Expenditure that will increase the value of Council's assets.

Capital Value

Value of land including any improvements.

Community Boards

Local elected bodies set up under the Local Government Act. Community boards are consulted by Council and can represent community concerns to Council. Hutt City Council has three community boards: Eastbourne, Petone and Wainuiomata.

Community Committees

Local committees set up by Council. Community committees are consulted by Council and can represent community concerns to Council. Hutt City Council had four community committees: Central, Western, Northern and Eastern.

Community Outcome

An outcome for the community that is identified as a priority.

Council-Controlled Organisations (CCOs)

Companies in which Council is at least 50% shareholder that independently manage facilities and deliver services and undertake developments on behalf of the Hutt City community. Where necessary, Council funds these organisations.

Council-Controlled Trading Organisations (CCTOs)

CCOs that operate a trading undertaking for the purpose of making a profit.

Employee Costs

Expenditure on staff. This includes wages, salaries and related taxes, training and recruitment costs. Remuneration of elected and appointed representatives is also included under this heading.

Financial Year

Council's financial year runs from 1 July to 30 June of the following year.

Forecast Financial Statement

This is a 10-year plan for Council's revenue and expenditure, cash flows, and borrowing programme.

Land Value

Value of land, excluding any improvements.

Local Government Act 2002

The key legislation that defines the powers and responsibilities of local authorities like Hutt City Council.

Long Term Plan (LTP)

A plan that describes the activities of the local authority, the community outcomes and long term focus for the decisions and activities of the local authority.

Maintenance Costs

Expenditure in relation to repairs and maintenance of Council's assets.

Mana Whenua

People with the mana of the land.

N/A

Not peer average available.

Operating Expenditure

Expenditure for the normal services of Council.

Operating Projects

Significant projects that do not result in the creation of Council assets.

Performance Measure

A measure that shows how well Council is doing in achieving the goals it has set for itself.

Port Nicholson Block Settlement Trust

A Trust established in August 2008 to receive and manage the settlement package for Taranaki Whanui ki Te Upoko o Te Ika who can whakapapa to Wellington at 1840.

Rates

Funds collected by Council from levies on property. These are based on the capital value of the property but the term is often used to also include Targeted Rates.

Significance

Degree of importance of the issue, proposal, decision or matter as assessed by the local authority in terms of its likely consequences for the current and future social, economic, environmental or cultural wellbeing of the community.

Significant Activities

The Annual Plan lists 18 separate significant activities that fall within five groups of activities.

Supplier Costs

Expenditure for the purchase of general goods and services.

Support Costs

The internal allocation of expenditure incorporated in the Managing Services activity.

Taonga

A highly prized resource.

Targeted Rates

Any rate levied other than the general rate, which is targeted at users of a service such as water supply, wastewater and the Jackson Street Programme.

Te Atiawa

Local tangata whenua with inherited land ownership and kinship to Northern Taranaki Te Atiawa.

Te Runanganui o Taranaki Whanui ki te Upoko o te Ika a Maui

A representative Māori Council made up from local tangata whenua and representing the eight Taranaki tribes within the Wellington region.

User Charges

Income to Council through fees paid by those who use specific services provided by Council.

Wellington Tenths Trust

Local tangata whenua with inherited land ownership in Wellington and Hutt Valley and kinship to Northern Taranaki Te Atiawa.

SOURCE OF INFORMATION FOR LEVEL OF ACHIEVEMENT

Our Annual Report indicates the source of information for each performance measure in the interests of improving accountability and transparency. A more detailed discussion of the main sources of information is provided below.

NRB Communitrak Survey

The National Research Bureau Limited undertakes these annual surveys for participating local authorities. The results also include national and peer group comparisons. Hutt City Council has commissioned these surveys since 1994. Our Communitrak survey utilises 500 telephone interviews, 100 more than the standard Communitrak survey, to ensure adequate representation from each ward. Randomised sampling methods are used to access residents over the age of 18 and weightings are applied to reflect the ward, gender and age proportions of the area. The maximum margin of error at the 95% level of confidence for Hutt City Council's survey is +/- 4% and the maximum level of significant difference at the 95% level of confidence is 6%. These maximums for the margin of error and significant difference will occur when the sample is split 50/50 on an issue. The level of achievement in terms of measuring satisfaction levels is calculated after excluding the responses of those unable to comment on the specific service being measured.

Management Reports

Management reports encompass a range of documentation and records, such as reports from internal service providers to asset managers and reports from contractors to managers. Quality assurance in the level of performance of Council is very important. For infrastructural renewal and capital programmes, management reports include quality assurance procedures such as certificates of completion verified by third parties. These certificates confirm that the appropriate technical standards and specifications have been met. For all regulatory services, ISO systems and procedures provide quality assurance in service delivery and achievement reporting. Internal and external audits also form part of Council's quality assurance programmes.

Best Workplaces Survey

We participate in the annual Kenexa Best Workplaces Survey, formerly known as the John Robertson & Associates' Best Places to Work Survey. This survey provides Council with important information on how staff view Council, and how this compares with other organisations.

CONTACT DETAILS

You can contact the Mayor or any councillor:

Address: Hutt City Council, Administration Building, 30 Laings Road, Lower Hutt
 Postal Address: Private Bag 31 912, Lower Hutt 5040
 Telephone: 570 6666, 0800 HUTT CITY
 Facsimile: 569 4290
 Email: contact@huttcity.govt.nz
 Website: huttcity.govt.nz
 Facebook: [facebook.com/HuttCityCouncil](https://www.facebook.com/HuttCityCouncil)
 Twitter: twitter.com/HuttCityCouncil

Strategic Leadership Team

| | POSITION | TELEPHONE | EMAIL |
|-----------------|---|-----------|--|
| Tony Stallinger | Chief Executive | 570 6773 | tony.stallinger@huttcity.govt.nz |
| Joycelyn Foo | General Manager Governance & Regulatory | 570 6736 | joycelyn.foo@huttcity.govt.nz |
| Kim Kelly | General Manager Strategic Services | 570 6949 | kim.kelly@huttcity.govt.nz |
| Matt Reid | General Manager Community Services | 570 6878 | matt.reid@huttcity.govt.nz |
| Bruce Sherlock | General Manager City Infrastructure | 570 6833 | bruce.sherlock@huttcity.govt.nz |

HUTT CITY COUNCIL

Address: Administration Building,
 30 Laings Road, Lower Hutt
 Postal Address: Private Bag 31 912,
 Lower Hutt 5040
 Telephone: 570 6666, 0800 HUTT CITY
 After Hours Emergencies: 570 6666
 Facsimile: 569 4290
 Email: contact@huttcity.govt.nz
 Website: huttcity.govt.nz
 Facebook: [facebook.com/HuttCityCouncil](https://www.facebook.com/HuttCityCouncil)
 Twitter: twitter.com/HuttCityCouncil

War Memorial Library

Address: Cnr Queens Drive & Woburn
 Road, Lower Hutt
 Telephone: 570 6633

Eastbourne Community Library

Address: Rimu Street, Eastbourne
 Telephone: 562 8042

Moera Community Library

Address: Cnr Randwick Road and
 Randwick Crescent, Moera
 Telephone: 568 4720

Naenae Community Library

Address: Hillary Court, Naenae
 Telephone: 567 2859

Petone Community Library

Address: Britannia Street, Petone
 Telephone: 568 6253

Stokes Valley Community Library

Address: Scott Court, Stokes Valley
 Telephone: 562 9050

Taita Community Library

Address: Taine Street, Taita
 Telephone: 567 2767

Wainuiomata Community Library

Address: Queen Street, Wainuiomata
 Telephone: 564 5822