



FINANCE AND PERFORMANCE COMMITTEE

13 October 2017

Order Paper for the meeting to be held in the
Council Chambers, 2nd Floor, 30 Laings Road, Lower Hutt,
on:

Wednesday 18 October 2017 commencing at 5.30pm

Membership

Cr C Milne (Chair)
Cr C Barry (Deputy Chair)

Deputy Mayor D Bassett
Cr J Briggs
Cr S Edwards
Cr L Sutton

Cr G Barratt
Cr M Cousins
Cr M Lulich
Mayor W R Wallace (ex-officio)

For the dates and times of Council Meetings please visit www.huttcity.govt.nz

FINANCE AND PERFORMANCE COMMITTEE

Membership:	10
Meeting Cycle:	Meets on a six weekly basis, as required or at the requisition of the Chair
Quorum:	Half of the members
Reports to:	Council

PURPOSE

To assist the Council execute its financial and performance monitoring obligations and associated risk, control and governance frameworks and processes.

Determine and monitor:

- Maintain an overview of work programmes carried out by the Council's organisational activities (excluding strategy and policy development).
- Progress towards achievement of the Council's objectives as set out in the LTP and Annual Plans.
- Revenue and expenditure targets of key City Development Projects.
- The effectiveness of the internal audit, risk management and internal control processes and programmes for the Council for each financial year.
- The integrity of reported performance information, both financial and non-financial information at the completion of Council's Annual Report and external accountability reporting requirements.
- Oversight of external auditor engagement and outputs.
- Compliance with Council's Treasury Risk Management Policy,
- Requests for rates remissions.
- Approval of overseas travel for both elected members and officers.
- Requests for loan guarantees from qualifying community organisations where the applications are within the approved guidelines and policy limits.

Consider and make recommendations to Council:

- The adoption of the budgetary parameters for the LTP and Annual Plans.
- The approval of The Statements of Intent for Council Controlled Organisations, and Council Controlled Trading Organisations, and monitoring progress against the Statements of Intent.
- The adoption of the Council's Annual Report.

General:

- Any other matters delegated to the Committee by Council in accordance with approved policies and bylaws.
- Approval and forwarding of submissions on matters related to the Committee's area of responsibility.

HUTT CITY COUNCIL

FINANCE AND PERFORMANCE COMMITTEE

Meeting to be held in the Council Chambers,
2nd Floor, 30 Laings Road, Lower Hutt on
Wednesday 18 October 2017 commencing at 5.30pm.

ORDER PAPER

PUBLIC BUSINESS

1. APOLOGIES

Cr Barry

2. PUBLIC COMMENT

Generally up to 30 minutes is set aside for public comment (three minutes per speaker on items appearing on the agenda). Speakers may be asked questions on the matters they raise.

3. CONFLICT OF INTEREST DECLARATIONS

4. RECOMMENDATIONS TO COUNCIL - 18 October 2017

a) Hutt City Council Annual Report to 30 June 2017 (17/1424)

Report No. FPC2017/4/249 (2) by the Corporate Planner 7

CHAIR'S RECOMMENDATION:

"That the recommendations contained in the report be endorsed."

b) Report on UrbanPlus Limited for the Year Ended 30 June 2017 (17/1514)

Report No. FPC2017/4/250 (2) by the Chief Financial Officer 11

CHAIR'S RECOMMENDATION:

"That the recommendation contained in the report be endorsed."

5. INFORMATION ITEM

Hydrocarbon Discharges to stormwater affecting Seaview Marina
(17/1516)

Report No. FPC2017/4/132 (2) by the Manager, Trade Waste 45

CHAIR'S RECOMMENDATION:

"That the recommendation contained in the report be discussed."

6. **QUESTIONS**

With reference to section 32 of Standing Orders, before putting a question a member shall endeavour to obtain the information. Questions shall be concise and in writing and handed to the Chair prior to the commencement of the meeting.

Annie Doornebosch

COMMITTEE ADVISOR DEMOCRATIC SERVICES



Finance and Performance Committee

18 September 2017

File: (17/1424)

Report no: FPC2017/4/249 (2)

Hutt City Council Annual Report to 30 June 2017

Purpose of Report

1. The purpose of this report is for the Committee to consider Council's Annual Report and Annual Report Summary for the year ended 30 June 2017, and recommend they are adopted by Council.

Recommendations

That the Committee recommends that Council:

- (i) approves the draft Annual Report and Annual Report Summary for the year ended 30 June 2017 attached as Appendices 1,2 and 3 to the report, both subject to satisfactory resolution of the following outstanding items:
 - (a) completion of final edit checking;
 - (b) completion of any final audit adjustments; and
 - (c) receipt of final audit clearance;
- (ii) notes that a public notice will be published in the Hutt News advising of the availability of the Annual Report Summary attached as Appendix 3 to the report, copies will be made available in the city's libraries, at the Customer Service Centre and on Council's website, copies will be posted to rural ratepayers who may not receive the Hutt News, and an alert will be sent to our 1,500 e-newsletter subscribers; and
- (iii) appoints a subcommittee to sign off the final documents by 8 November 2017.

Discussion

Annual Report

2. The purpose of the Annual Report is to report on the achievement of targets outlined in the Long Term Plan 2015-2025. The draft Annual Report is attached as Appendices 1 to 2 of the report. Any significant amendments requested by the auditors following publication of the order paper will be highlighted at the meeting.
3. The document has been structured around the rejuvenation of Hutt City in line with our four key strategies and community outcomes.
4. The Annual Report is complete, subject to final review following any changes requested by Council and any final audit adjustments. The signed audit opinion will be released once the Annual Report has been adopted by Council and the final edit review completed.
5. Officers from Audit New Zealand will be present at the Finance and Performance Committee meeting to provide an update on the status of the audit.

Summary Annual Report

6. The Annual Report Summary is attached as Appendix 3 of the report. If any significant amendments are requested by the auditors following publication of the order paper, updated copies will be tabled at the meeting.

Customer research

7. Providing the best local government services is a priority for Council. To achieve this we need to know how satisfied our customers are, how we can do better and what is most important to our customers so we can prioritise and deliver better value for the community. To answer these questions we changed our research approach and provider in 2016-17.
8. While the change in research approach has delivered the information we need to build on the service Council already offers, it has meant the 2016-17 results in this Annual Report are not directly comparable to previous years or targets. This has resulted in us not achieving some of the targets sourced from customer research.
9. In 2016 in preparation for the change in research approach and provider we did two separate resident surveys using the existing research provider (NRB) and the new research provider (Key Research). The results from the NRB survey were published in the 2015-16 Annual Report. As there is little difference in the Key Research results between 2016 and 2017 this suggests the difference in results is due to the change in research approach and provider rather than a change in performance.
10. We now have a strong research base for future years that will enable us to build consistent tracking data. Performance measures and targets will be reviewed as part of the 2018-2028 Long Term Plan process.

Legal Considerations

11. The Annual Report and Annual Report Summary have been prepared to meet the requirements of the Local Government Act 2002.
12. The Annual Report Summary must represent, fairly and consistently, the information regarding the major matters dealt with in the Annual Report.
13. The Local Government Act 2002 requires each Annual Report to be completed and adopted by resolution within four months after the end of the financial year to which it relates, i.e. by the end of October.
14. The Local Government Act 2002 further requires that the Annual Report and Annual Report Summary be made publicly available within one month of adoption.

Publicity Considerations

15. As in previous years, a segmented PDF online version of the Annual Report 2017 will be published on Council's website.
16. A public notice advising of the Annual Report's Summary availability will be published in the Hutt News. The Summary will be posted to rural ratepayers who may not receive the Hutt News. Copies will also be made available in Council's libraries, at the Customer Service Centre and online at www.huttcity.govt.nz. An alert will be sent to the 1,500 e-newsletter subscribers who have asked to be kept informed about annual plan-related information.
17. The Local Government Act 2002 requires copies of both documents to be provided to the Secretary, the Auditor General and the Parliamentary Library within one month of adopting the Annual Report. A small number of copies of the full Annual Report will be printed in-house for this purpose.

Financial Considerations

18. The cost of producing, printing and distributing the Annual Report and Annual Report Summary is provided for within current budgets.

Other Considerations

19. In making this recommendation, officers have given careful consideration to the purpose of local government in Section 10 of the Local Government Act 2002. Officers believe that this recommendation falls within the purpose of local government in that it meets the requirements as outlined in Part 3 of Schedule 10. It does this in a way that is cost-effective, publishing online with a small print run.

Appendices

No.	Title	Page
1⇒	Draft Annual Report 2016_17 (<i>Under Separate Cover</i>)	
2⇒	Statement of Financial Position with Prudence Reporting 2016_17 (<i>Under Separate Cover</i>)	
3	Annual Report Summary 2017 v7 (<i>Under Separate Cover</i>)	

Author: Josie Askin
Corporate Planner

Reviewed By: Wendy Moore
Divisional Manager, Strategy and Planning

Approved By: Kim Kelly
General Manager, City Transformation



Finance and Performance Committee

02 October 2017

File: (17/1514)

Report no: FPC2017/4/250 (2)

Report on UrbanPlus Limited for the Year Ended 30 June 2017

Purpose of Report

1. To provide the Committee with the Final Annual Report for Urban Plus Limited for the year ended 30 June 2017.

Recommendations

That the Committee recommends that Council receives the Annual Report for Urban Plus Limited (UPL) for the year ended 30 June 2017, attached as Appendix 1 to the report.

Background

2. It is a requirement of the Local Government Act 2002 that the Council Controlled Organisations deliver to the shareholders an annual report on the organisation's operations. This report is presented to this Committee for information.
3. A draft UPL Annual Report was provided to this Committee at the meeting held on 27 September 2017. At that stage, the audit had not been concluded and it was agreed at that meeting that the final UPL Annual Report including the audit opinion be provided to this meeting.

Discussion

4. Audit New Zealand has completed their audit work and has advised they will be issuing an unmodified audit opinion. The audited Annual Report (without the audit opinion) is attached as Appendix 1 to the report.

5. The Annual Report will be signed and the audit opinion will be issued on 17 October 2017. A copy of the audit opinion will be tabled at the Committee meeting.
6. Changes made to the draft Annual Report previously provided have primarily been made to comply with disclosure requirements. The Parent and Group surpluses before taxation of \$427k and \$334k are unchanged.

Legal Considerations

7. There are no further legal considerations required.

Financial Considerations

8. The audit has concluded and Audit New Zealand will be issuing an unmodified audit opinion.
9. The final management letter has not yet been received.

Other Considerations

10. In making this recommendation, officers have given careful consideration to the purpose of local government in section 10 of the Local Government Act 2002. Officers believe that this recommendation falls within the purpose of the local government in that it contributes to the achievement of current and future needs of the community by providing an affordable service to the community.

Appendices

No.	Title	Page
1 ↓	Urban Plus Limited 2017 Annual Report FINAL (unsigned)	13

Author: Brent Kibblewhite
Chief Financial Officer

Approved By: Tony Stallinger
Chief Executive



URBAN PLUS LIMITED

ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2017

CHAIRMAN'S REPORT

I am pleased to report on the performance of Urban Plus Limited (UPL) for the 2016/17 financial year. The Company had a strong year, exceeding its earnings targets for the year, positioning itself for its future growth by identifying and purchasing ideal development sites for earnings growth and the expansion of its social housing portfolio.

The Board and the Management team of UPL continued the strategic focus of the Company during 2016/17, where the emphasis is on:

1. Optimising property services for UPL and Hutt City Council's assets by exploiting economies of scale and best in class services;
2. Identifying and developing property on a large scale basis for the general market whilst adding to and refreshing UPL's social housing portfolio;
3. Effectively and efficiently managing clusters of property.

Two key actions supporting our strategy for 2016/17 focused on identifying sizable sites for the development of affordable social housing and the rationalisation of the property portfolio, achieved by selling properties that did not meet UPL's current or future social housing needs and continuing to focus on sites with "scale development potential".

These actions have been successful with the development of one large site underway and several others having been identified for development over the next two financial years.

During the year UPL sold 27 suboptimal rental properties and 3 development sites; 2 of which will settle in early 2017/18. These initiatives will allow UPL to continue to ensure the prudent and conservative management of its assets, cash and debt levels, whilst pursuing its growth related strategy.

Consequently, available cash at 30 June 2017 was \$4.2m compared with \$2.4m last financial year. There is also a further \$1.5m of property sales expected to settle in the 2017/18 financial year.

Financial Performance

The Company achieved a surplus after depreciation, but before tax, of \$427k compared with \$94k last financial year.

The result before Depreciation and net Gains on Sales reflects an operational surplus of \$192k compared to a budgeted surplus of \$90k with the variance due to expenses being lower than expected coupled with higher than planned finance revenue and property management fees.

The revaluation of the social housing portfolio to market value during the year resulted in an increase in value of \$6.055m.

For the future, we believe UPL will continue to grow its portfolio of residential dwellings, provide a range of professional property services to our shareholder, Hutt City Council, and will take on further projects and responsibilities for the Shareholder thereby cementing UPL as its "centre of property expertise".

General

My sincere thanks for the significant contribution of Angus Finlayson and Arthur Stewart to the UPL Board over the many years they have served as Directors. Their advice and wisdom has been appreciated by both fellow directors and the staff of UPL. They both retired from the Board during the financial year.

I would also like to welcome Hugh Mackenzie to the Board of Directors and thank David Basset for his service during the year. The Board's appreciation also goes to our Chief Executive Craig Walton and his dedicated team.

Brian Walshe
Chairman

CHIEF EXECUTIVE'S REPORT

UPL has continued to pursue its strategic intent as outlined in the Company's Statement of Intent. This has focused on the three key areas outlined below.

The three major areas of activity for Urban Plus Limited (UPL), including the year's highlights are:

1. Residential Housing: Property Management

The 'core business' of UPL involves the management of 151 residential housing units specifically aimed at the 'low-income elderly'.

During the 2016/17 financial year UPL sold 27 social housing properties. These properties did not meet our tenant's requirements, either because of their configuration or location and/or the type of construction of these properties, which had the potential to drive higher maintenance costs in the medium to longer term.

UPL has identified land that would add another 60 new units to its portfolio by the 2019/20 financial year. Property occupancy has been maintained at greater than 97% over the 12 month period. Maintenance has continued with our strategy to optimise spend that will provide the lowest long-run cost. Expenditure has been below budget in this area.

Residential housing achieved all its performance measures for the year, with the exception of the percentage of housing occupied by low income elderly. It is worth noting that the majority of UPL tenants are low income.

2. Property Services

UPL continues to assist Hutt City Council (HCC) and Seaview Marina Limited (SML) in the provision of professional property advice in terms of commercial property negotiations, leasing, property management and supporting major initiatives.

UPL's Facilities Management team has again been busy during the year leading and completing a number of one off capital projects in addition to the day to day management of the HCC facilities.

Major projects undertaken in 2016/17 include:

- War Memorial Library front entrance and exterior window refurbishment
- Little Theatre extensive refurbishment
- Dowse heating, ventilation and air conditioning capital upgrades
- Maungaraki Hall bathroom and roof replacement
- Eastbourne Library assorted upgrades
- Buick Street Toilet exterior refurbishment
- Moera Library new entrance
- Naenae toilet refurbishment
- Petone Service Centre interior upgrade
- Wainuiomata Library partial reroof
- Naenae Library heating upgrade
- Pavilion interior level one upgrade.

All operational maintenance and capital projects have been within budget and finalised on time. Our approach to long-term maintenance planning and execution continues to be a significant contributor to our success in this area, particularly our ability to prioritise works and their execution using formal project management disciplines.

Overall, Property Services achieved a surplus after depreciation of \$89,784, which was above budget by \$13,214. Operating expenses were kept within budget. All non-financial performance measures with the exception of resident satisfaction with public toilets were achieved for the year.

3. Property Development

UPL develops land and houses for the low income elderly and affordable housing in Lower Hutt. This is starting to shape up as the major revenue earner for the UPL business. It has the potential to return significant positive outcomes for the business. The two major activities included:

1. Selling surplus land for profit; and,
2. Developing housing for the general market and the low income elderly.

During the year UPL elected to sell our major green field development site at Shaftesbury Grove. UPL received an unsolicited offer for this site from a very experienced developer and given the reasonable offer price and the risk to UPL in developing such a large site the offer was accepted.

Furthermore, 47 Laings Road and 4-6 Langford Street were sold during the year. These were smaller development sites that didn't meet UPL's return requirement due to the relatively small size of these sites.

The Company purchased the Summit Road nursery site from the Hutt City Council during 2017. UPL has received resource consent for 20 houses on the Summit Road site, and has started the build of the single four bedroom house, 13 three bedroom houses and 6 two bedroom units. As at balance date, 12 of these properties had been sold off the plans.

Whilst property development made a loss for the year, this was lower than planned by \$206k, due to the sale of 4-6 Langford Street (a commercial development property) during the year.

General

The Market

The overall Wellington property market in 2016/17 continues to be particularly strong and reflects what is happening across a number of New Zealand provincial centres; as Auckland investors seek higher yields than those available in Auckland. Housing supply, particularly new houses, is tight. This combined with lower interest rates, has continued the upward pressure on market demand.

It is our view that the Lower Hutt market will remain 'strong over the next year', however it is uncertain as to when the housing market may soften. Our focus will therefore remain on prudent levels of debt and development choices that will enable us to manage through any softening in the market in the medium term.

We will be striving to achieve success in each of our businesses in the 2017/18 year.

Craig Walton
Chief Executive

INTEREST REGISTER

Urban Plus Limited	Fairfield Waters Limited	Interests
Brian Joseph Walshe (Chair)	Brian Joseph Walshe (Chair) (from 19/12/2016)	Advisory Board of Kenway Property Consultants Burdan's Gate Properties Limited Domet Investments Limited Pointhree Limited Chan Fung Buildings Limited Adelaide Commercial Limited Gracefield Investments (Hutt) Limited <i>(Removed 27/09/2016)</i> Seaview Marina Limited Laura Fergusson New Zealand Limited Laura Fergusson Trust Scratch Design (NZ) Limited City Stay Apartments Advisory Board Advisory Board of The Integral Group Limited Gary Baker Trustees Limited Director, Fairfield Limited Partnership Director, Fairfield Waters Limited Director, Urban Plus Limited Te Omanga Hospice Trust
David Bassett	David Bassett (from 19/12/2016)	Deputy Mayor, Hutt City Council Chair, Wellington Water Governance Committee Director, H ₂ O New Zealand Limited Director, The Terrace - Martinborough Limited Director, Guildford Pastoral Limited Tours New Zealand 2008 Limited <i>(Removed 14/10/2016)</i> Hutt City Auto Services Limited BJB Forestry Partnership Director, Fairfield Limited Partnership Director, Urban Plus Limited Director, Fairfield Waters Limited
Hugh Nicholas Mackenzie (from 1/04/2017)	Hugh Nicholas Mackenzie (from 1/04/2017)	Director, HMA Consulting Limited Director, Feeming Limited <i>(Removed 14/08/2017)</i> Medallion Trading Limited Director, Urban Plus Limited Director, Fairfield Waters Limited Director, Fairfield Limited Partnership Advisory Board of Kensway Property Group Advisory Board of St Pauls Apartments Body Corporate Board Member of the Christchurch Justice & Emergency Services Precinct's Disputes Advisory Board Board Member of Shandon Golf Club
Arthur Stewart (until 31/03/2017)	Arthur Stewart (from 19/12/2016 to 31/03/2017)	Director, Seaview Marina Limited Principal, Stewart Property Solutions Director, Fairfield Limited Partnership Director, Fairfield Waters Limited Director, Urban Plus Limited
Angus Finlayson (until 31/03/2017)	Angus Finlayson (from 19/12/2016 to 31/03/2017)	Director, Fairfield Limited Partnership Director, Fairfield Waters Limited Director, Urban Plus Limited

KEY PERFORMANCE INDICATORS

Measure	Target 2017	Achievement 2017	Target 2016	Achievement 2016
Property Services				
1.1. Operational expenditure within budget (1).	Operating \$333,825	Achieved \$313,423	Operating \$374,090	Achieved \$315,373
1.2. Capital expenditure within budget	Capital \$nil	Achieved Nil capital expenditure	Capital \$nil	Achieved Nil capital expenditure
1.3. Achieve not less than a 20% contribution margin	20% contribution margin	Achieved	20% contribution margin	Achieved
1.4. Resident satisfaction with public halls greater than or equal to peer average, subject to Council funding.	2016 Peer Average 94%	Achieved 95% The result excludes "Don't Know" responses.	2016 Peer Average 94%	Not Achieved 92% The result excludes "Don't Know" responses.
1.5. Resident satisfaction with public toilets greater than or equal to peer average, subject to Council funding.	2016 Peer Average 79%	Not Achieved 77% The result excludes "Don't Know" responses.	2016 Peer Average 79%	Achieved 80% The result excludes "Don't Know" responses.
1.6. Tenant satisfaction with Council-owned community buildings greater than or equal to 90%.	90%	Achieved 100% satisfied The result for satisfied is calculated using "neutral" and "above" responses.	90%	Achieved 100% satisfied The result for satisfied is calculated using "neutral" and "above" responses.
1.7. Council satisfaction with facilities management not less than 90%	90%	Achieved 92% satisfied	90%	Achieved 98% satisfied
Rental Housing				
1.8. Operational expenditure within budget. (1)	Operating \$974,703	Achieved \$879,120	Operating \$1,492,187	Achieved \$1,436,967
1.9. Capital expenditure within budget	Capital \$1,162,393	Achieved \$60,301	Capital \$1,089,223	Not Achieved \$1,462,475
1.10. A return on equity across the portfolio before depreciation and after interest and tax of greater than 5% (3.5% last year). (2)	5%	Achieved 7.4%	3.5%	Achieved 6.1%
1.11. Tenant satisfaction with the provision of the company's rental housing greater than or equal to 90%. (3)	90%	Achieved 94%	90%	Achieved 92%
1.12. Percentage of total housing units occupied by low-income elderly greater than or equal to 85%.	85%	Not Achieved 79% identified primary source of income NZ National Superannuation.	85%	Not Achieved 69% identified primary source of income NZ National Superannuation. A further 31% identified primary source of income as either invalids/disability benefit.
1.13. Rentals charged shall not be less than 90% of "market" rent.	90%	Achieved 92.1%	90%	Achieved 90.4%
1.14. Between 6 and 10 new units added to the portfolio aiming to increase portfolio size to 220 units by June 2019	Between 6 and 10 new units by June 2017	Not Achieved No new units added to the portfolio in 2016-17 financial year.	Between 6 and 10 new units by June 2016	Achieved 6 new units were added to the residential portfolio in 2015/16, bringing the total to 166 units as at 30 June 2016.

Measure	Target 2017	Achievement 2017	Target 2016	Achievement 2016
Property Development				
1.15. Operational expenditure within budget (1).	Operating \$484,675	Not Achieved \$887,094 Not achieved due to recognition of Cost of Sales associated with commercial property sales during 2016/17 (net gain on sales - \$99,745).	Operating \$496,722	Not Achieved \$500,627
1.16. Capital expenditure within budget	Capital \$1,642,861	Achieved \$34,965	Capital \$495,711	Achieved \$206,313
1.17. A return of not less than 10% after interest and tax on each project	10%	Not applicable in current year No commercial developments were completed in 2016/17.	10%	Not applicable in current year No commercial developments were completed in 2015/16.
Professional Property Advice				
1.18. Achieve a market return on additional services provided to the shareholder	Achieve a market return on additional services provided to the shareholder	Not applicable Additional services were not charged to the shareholder during 2016/17.	Achieve a market return on additional services provided to the shareholder	Not applicable Charges to shareholder ceased in the second half of the 2015/16.

(1) Operating expenditure before depreciation and tax expense

(2) This measure is based on the measure that has historically been reported against, and is different from the measure as reported in the 2016/17 Statement of Intent as that measure is not able to be reported.

(3) This measure is from a survey of tenants who on a 5 point rating scale, with 3 being 'neutral', rated their satisfaction as neutral or better.

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Independent Auditor's Report

[Page 1 of 4]

Independent Auditor's Report

[Page 2 of 4]

Independent Auditor's Report

[Page 3 of 4]

Independent Auditor's Report

[Page 4 of 4]

FINANCIAL STATEMENTS

Statement of Compliance and Responsibility

The board and management of Urban Plus Limited and Group confirm in relation to the Annual Report that all statutory requirements as outlined in the Local Government Act 2002, apart from the statutory deadline for publishing the annual report within three months of balance date, have been complied with.

Responsibility

The Directors and management of the Company accept responsibility for the preparation of the annual Financial Statements and the Statement of Service Performance and the judgements used in them.

The Directors have authority to sign these financial statements.

The Directors and management of the Company accept responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting.

In the opinion of the Directors and management of the Company, the annual Financial Statements and the Statement of Service Performance for the year ended 30 June 2017 fairly reflect the financial position and operations of the Company.

Brian Walshe
Chairman

David Bassett
Director

17 October 2017

17 October 2017

Statement of Comprehensive Revenue and Expenses for the Year Ended 30 June 2017

	Notes	PARENT			GROUP	
		Actual 2017	Budget 2017	Actual 2016	Actual 2017	Actual 2016
Revenue						
Property rents/leases		1,759,122	1,884,429	1,873,103	1,759,122	1,873,103
Finance revenue	2	102,867	10,000	50,474	83,452	50,474
Property management fees		514,675	507,000	513,480	499,500	513,480
Commercial development sales		504,558	-	-	504,558	-
Gain on sale of property, plant and equipment		491,606	648,064	285,121	491,606	285,121
Other revenue		9,520	9,500	25,470	9,520	25,470
Total revenue		3,382,349	3,058,993	2,747,648	3,347,758	2,747,648
Expenses						
Personnel expenses	3	626,186	608,950	650,850	626,186	650,850
Operating expenses	4	1,004,154	1,184,254	1,072,347	1,062,303	1,072,347
Finance expenses	2	519,500	527,500	520,923	519,500	520,923
Cost of commercial development sales		404,814	-	-	404,814	-
Asset write-offs		44,483	-	8,848	44,483	8,848
Impairment of inventory	8	-	-	-	-	-
Depreciation and amortisation	9 & 10	356,288	432,982	400,377	356,288	400,377
Total expenses		2,955,425	2,753,685	2,653,345	3,013,574	2,653,345
Surplus/(Deficit) before tax		426,923	305,308	94,303	334,184	94,303
Income tax expense / (benefit)	5	(214,494)	-	(177,646)	(236,212)	(177,646)
Surplus/(Deficit) after tax		641,417	305,308	271,949	570,396	271,949
<i>Surplus/(Deficit) attributable to:</i>						
Urban Plus Limited		641,417	305,308	271,949	570,396	271,949
Other comprehensive revenue and expenses						
<i>Items that will not be reclassified to surplus / (Deficit)</i>						
Gain on property revaluation		6,054,829	-	-	6,054,829	-
Less tax on revaluation		(951,472)	-	-	(951,472)	-
Total other comprehensive revenue and expenses		5,103,357	-	-	5,103,357	-
Total comprehensive revenue and expenses attributed to Urban Plus Limited		5,744,774	305,308	271,949	5,673,753	271,949

Explanations of major variances against budget are detailed in note 26. The accompanying notes form part of these financial statements.

Statement of Changes in Equity for the Year Ended 30 June 2017

	Notes	PARENT			GROUP	
		Actual 2017	Budget 2017	Actual 2016	Actual 2017	Actual 2016
Balance at 1 July		15,123,429	14,851,480	14,851,480	15,123,429	14,851,480
Total comprehensive revenue and expenses for the year		5,744,774	305,308	271,949	5,673,753	271,949
Balance at 30 June		20,868,204	15,156,788	15,123,429	20,797,183	15,123,429
<i>Total Comprehensive Revenue and Expenses Attributed to:</i>						
Urban Plus Limited		5,744,774	305,308	271,949	5,673,753	271,949

Explanations of major variances against budget are detailed in note 26. The accompanying notes form part of these financial statements.

Statement of Financial Position as at 30 June 2017

	Notes	PARENT			GROUP	
		Actual 2017	Budget 2017	Actual 2016	Actual 2017	Actual 2016
Current assets						
Cash and cash equivalents	6	4,189,691	3,526,841	2,438,159	4,198,059	2,438,159
Debtors and other receivables	7	32,540	12,958	12,960	32,540	12,960
Prepayments		-	-	84,974	-	84,974
Inventories	8	2,075,853	1,642,861	2,092,219	3,875,623	2,092,219
Non current related party receivables		-	-	-	-	-
Total current assets		6,298,084	5,182,660	4,628,312	8,106,222	4,628,312
Non current assets						
Property, plant and equipment	9	24,433,957	19,390,801	21,021,247	24,433,957	21,021,247
Intangible assets	10	4,754	4,603	5,853	4,754	5,853
Assets under construction		17,001	1,162,393	475,122	17,001	475,122
Other financial assets	16	1,500,000	-	-	-	-
Total non current assets		25,955,712	20,557,797	21,502,222	24,455,712	21,502,222
Total assets		32,253,796	25,740,457	26,130,534	32,561,934	26,130,534
Current liabilities						
Trade and other payables	11	182,022	152,611	152,609	343,964	152,609
Employee entitlements	13	30,764	30,413	30,413	30,764	30,413
Borrowings	12	5,000,000	-	-	5,000,000	-
Other liabilities	15	47,629	-	435,943	286,564	435,943
Total current liabilities		5,260,415	183,024	618,965	5,661,292	618,965
Non current liabilities						
Employee entitlements	13	26,285	26,227	26,226	26,285	26,226
Borrowings	12	4,000,000	9,000,000	9,000,000	4,000,000	9,000,000
Deferred tax liability		2,098,892	1,374,418	1,361,914	2,077,174	1,361,914
Total non current liabilities		6,125,177	10,400,645	10,388,140	6,103,459	10,388,140
Total liabilities		11,385,592	10,583,669	11,007,105	11,764,751	11,007,105
Net Assets		20,868,204	15,156,788	15,123,429	20,797,183	15,123,429
Equity						
Accumulated funds	14	(5,891,261)	(6,499,321)	(6,532,679)	(5,962,282)	(6,532,679)
Share capital	14	15,300,000	15,300,000	15,300,000	15,300,000	15,300,000
Revaluation reserve	14	11,459,466	6,356,109	6,356,108	11,459,466	6,356,108
Total equity		20,868,204	15,156,788	15,123,429	20,797,183	15,123,429

Explanations of major variances against budget are detailed in note 26. The accompanying notes form part of these financial statements.

Statement of Cash Flows for the Year Ended 30 June 2017

	PARENT			GROUP	
	Actual 2017	Budget 2017	Actual 2016	Actual 2017	Actual 2016
CASH FLOWS FROM OPERATING ACTIVITIES					
<i>Cash was provided from:</i>					
Receipts from rent and leases	1,753,429	1,906,102	1,867,825	1,753,429	1,867,825
Receipt for management fee	514,675	507,000	513,480	514,675	513,480
Receipts from other revenue	9,520	9,500	25,470	9,520	25,470
Interest received	102,867	10,000	50,474	83,451	50,474
Receipts from sales of property, plant and equipment	555,889	648,065	-	555,889	-
	2,936,380	3,080,667	2,457,249	2,916,964	2,457,249
<i>Cash was applied to:</i>					
Payments to employees	(625,776)	(608,950)	(643,362)	(625,776)	(643,362)
Payments to suppliers	(954,435)	(1,120,946)	(1,122,899)	(1,004,345)	(1,122,899)
Interest paid	(519,500)	(527,500)	(520,923)	(519,504)	(520,923)
Purchase of assets held for commercial developments	(34,965)	(687,274)	(206,190)	(1,696,203)	(206,190)
	(2,134,676)	(2,944,670)	(2,493,374)	(3,845,828)	(2,493,374)
Net cash flows from operating activities	801,704	135,997	(36,125)	(928,864)	(36,125)
CASH FLOWS FROM INVESTING ACTIVITIES					
<i>Cash was provided from:</i>					
Sale of property, plant and equipment	2,883,040	1,345,334	1,258,353	2,883,040	1,258,353
Other investment receipts	-	-	-	-	-
	2,883,040	1,345,334	1,258,353	2,883,040	1,258,353
<i>Cash was applied to:</i>					
Purchase and construction of property, plant and equipment	(44,898)	-	(1,433,158)	(44,898)	(1,433,158)
Loan to related parties	(1,500,000)	-	-	-	-
Purchase of intangible assets	-	-	(5,623)	-	(5,623)
	(1,544,898)	-	(1,438,781)	(44,898)	(1,438,781)
Net cash flows from investing activities	1,338,142	1,345,334	(180,428)	2,838,142	(180,428)
CASH FLOWS FROM FINANCING ACTIVITIES					
<i>Cash was provided from:</i>					
Capital contribution from Hutt City Council	-	-	79,088	-	79,088
Advance from Hutt City Council	-	-	-	-	-
Proceeds from borrowings	-	-	79,088	-	79,088
	-	-	79,088	-	79,088
<i>Cash was applied to:</i>					
Repayment of advance from Hutt City Council	(388,314)	(392,649)	-	(149,378)	-
	(388,314)	(392,649)	-	(149,378)	-
Net cash flows from financing activities	(388,314)	(392,649)	79,088	(149,378)	79,088
Net increase/(decrease) in cash, cash equivalents and bank overdrafts	1,751,532	1,088,682	(137,465)	1,759,900	(137,465)
Cash, cash equivalents and bank overdrafts at the beginning of the year	2,438,159	2,438,159	2,575,624	2,438,159	2,575,624
CASH, CASH EQUIVALENTS AND BANK OVERDRAFTS AT THE END OF THE YEAR	4,189,691	3,526,841	2,438,159	4,198,059	2,438,159
<i>Cash balance at end of the year comprises:</i>					
Cash and on call deposits	4,189,691	3,526,841	2,438,159	4,198,059	2,438,159
CASH, CASH EQUIVALENTS AND BANK OVERDRAFTS AT THE END OF THE YEAR	4,189,691	3,526,841	2,438,159	4,198,059	2,438,159

Explanations of major variances against budget are detailed in note 26. The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. Statement of Accounting Policies

REPORTING ENTITY

Urban Plus Limited (UPL) is a Council Controlled Trading Organization (CCTO), 100% owned by the Hutt City Council (HCC).

The Group consisted of the ultimate parent, UPL and its subsidiaries – Fairfield Waters Limited and Fairfield Waters Limited Partnership - all Council Controlled Organisations' and 100% owned by UPL.

UPL provides a portfolio of rental housing for the elderly and socially disadvantaged. UPL also provides professional property management services to HCC and will deal with any development property sold to it by HCC.

UPL is designated as a public benefit entity for financial reporting purposes.

The financial statements of UPL are for the year ended 30 June 2017. The financial statements were authorised for issue by the Board of Directors on 21 September 2017.

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). They comply with International Public Sector Accounting Standards (IPSAS) and other applicable Financial Reporting Standards, as appropriate for public benefit entities (PBE) that apply the Public Benefit Entity Standards Reduced Disclosure Regime. As UPL's total expenses are under \$30,000,000 and UPL does not have public accountability as defined by the External Reporting Board (XRB) it can elect to report under this framework.

The financial statements have been prepared on a going concern basis, and the accounting policies have been consistently applied throughout the period.

Measurement base

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

The financial statements have been prepared on a historical cost basis, modified by the revaluation of land and buildings.

The financial statements are presented in New Zealand dollars. The functional currency of UPL 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The consolidated Financial Statements are prepared by adding together like items of assets, liabilities, equity, revenue and expenses of entities in the Group on a line-by-line basis. All intragroup balances, transactions, revenue and expenses are eliminated on consolidation.

Subsidiaries/Council Controlled Entities (CCO's)

UPL consolidates in the Group Financial Statements all entities where UPL has the capacity to control their financial and operating policies so as to obtain benefits from the activities of the subsidiary/CCO. The power exists where UPL controls the majority voting power on the governing body or where such policies have been irreversibly

predetermined by UPL or where the determination of such policies is unable to materially affect the level of potential ownership benefits that arise from the activities of the subsidiary/CCO.

The Financial Statements of the controlled entities are prepared for the same reporting period as UPL, using consistent accounting policies. Controlled entities are fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is lost. Assets, liabilities, income and expenses of a controlled entity acquired or disposed of during the year are included in the Financial Statements from the date the Group gains control until the date the Group ceases to control the controlled entity.

Cash and cash equivalents

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

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.

Revenue

Revenue is measured at the fair value of consideration received.

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.

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.

Property sales are recognised on settlement date, along with the related expenses.

Interest income is recognised using the effective interest method.

Property, plant and equipment

Property, plant and equipment consist of the following asset classes: land, buildings, leasehold improvements, and furniture and office equipment.

Land is measured at fair value, and buildings are measured at fair value less accumulated depreciation. All other asset classes are measured at cost less accumulated depreciation and impairment losses.

Revaluation

Land and buildings are revalued with sufficient regularity to ensure that their carrying amount does not differ materially from fair value and at least every three years. All other asset classes are carried at depreciated historical cost. The carrying values of revalued assets are assessed 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 classes are revalued.

Revaluations of property, plant, and equipment are accounted for on a class-of-asset basis.

The net revaluation results are credited or debited to other comprehensive income and are accumulated to an asset revaluation reserve in equity for that class of asset. Where this would result in a debit balance in the asset revaluation reserve, this balance is not recognised in other comprehensive income but is recognised in the surplus or deficit. Any subsequent increase on revaluation that reverses a previous decrease in value recognised in the surplus or deficit will be recognised first in the surplus or deficit up to the amount previously expensed, and then recognised in other comprehensive income.

Additions

Expenditure of a capital nature of \$500 or more has been capitalised. Expenditure of less than \$500 has been charged to operating expenditure. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to UPL and the cost of the item can be measured reliably.

Disposals

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are recognised in the Statement of Comprehensive Income.

Subsequent costs

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

Depreciation

Depreciation is provided on a straight line basis on all property, plant and equipment at rates that will write off the cost (valuation) of the assets to their estimated residual values over their useful lives. The straight line depreciation rates are as follows:

Estimated economic lives	Years	Rate
Buildings	5 – 65	1.54% - 20.00%
Plant and equipment	8 - 11	9.09% - 12.50%
Leasehold improvements	4 - 5	20.00% - 25.00%

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

Intangible assets

Software acquisition and development

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

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:

Estimated economic lives	Years	Rate
Computer software	2.8	36%

Assets under construction:

Assets under construction are recognised at cost less impairment and are not depreciated.

Impairment of non-financial assets

Assets with a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. 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. The total impairment loss is recognised in the Statement of Comprehensive Revenue and Expenses.

Goods and services tax

All items in the financial statements are stated exclusive of GST, except for receivables and payables. 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.

Commitments and contingencies are disclosed exclusive of GST.

Employee entitlements

Short-term employee entitlements

Employee benefits that UPL expects 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.

UPL recognises a liability for sick leave to the extent that absences in the coming year are expected to be greater than the sick leave entitlements earned in the coming year. The amount is calculated based on the unused sick leave entitlement that can be carried forward at balance date, to the extent that UPL anticipates it will be used by staff to cover those future absences.

UPL recognises 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 employee entitlements

Employee benefits that are due to be settled beyond 12 months after the end of the period in which the employee renders the related service, such as long service leave and retirement gratuities, 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 entitlement information; and,
- the present value of the estimated future cash flows.

Presentation of employee entitlements

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

Borrowings

Borrowings are initially recognised at their fair value. After initial recognition, all borrowings are measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless UPL has an unconditional right to defer settlement of the liability for at least 12 months after balance date.

Borrowing costs

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

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.

Income tax

Income tax expense includes components relating to both current tax and deferred tax.

Current tax is the amount of income tax payable based on the taxable profit for the current year, and any adjustments to income tax payable in respect of prior years. Current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted at balance date.

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 profit.

Deferred tax is measured at tax rates that are expected to apply when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at balance date. 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 profits 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 or liability in a transaction that is not a business combination, and at the time of the transaction, affects neither accounting profit nor taxable profit.

Current and deferred tax is recognised against the profit or loss for the period, except to the extent that it relates to a business combination, or to transactions recognised in other comprehensive income or directly in equity.

Property intended for sale

Property previously held as property, plant and equipment but now being sold as it is no longer required is classified as a property held for sale. This classification is used where the carrying amount of the property will be recovered through sale, the property is available for immediate sale in its present condition and sale is highly probable.

Property held for sale is recorded at the lower of the carrying amount and fair value less costs to sell. From the time a property is classified as held for sale, depreciation is no longer charged on the improvements.

Inventory

Where development property is held for sale or for development for sale, in the ordinary course of business, it is classified as inventory. Such property is recorded at the lower of cost and net realisable value (selling price less costs to complete and sale costs). Any write-downs to net realisable value are expensed in the net surplus/(deficit) for the year.

Leased assets

Operating Leases

Leases where the lessor effectively retains substantially all the risks and rewards of ownership of the leased items are classified as operating leases. Payments made under these leases are expensed in the Statement of Comprehensive Revenue and Expenses on a straight-line basis over the term of the lease. Lease incentives received are recognised in the Statement of Comprehensive Revenue and Expenses as an integral part of the total lease payment.

Finance Leases

The Company has not entered into any material finance leases.

Financial instruments

The Company is party to financial instrument arrangements as part of its normal operation. Revenue and expenses in relation to all financial instruments are recognised in the Statement of Comprehensive Revenue and Expenses.

All financial instruments are recognised in the Statement of Financial Position on the basis of the Company's accounting policies. All financial instruments disclosed on the Statement of Financial Position are recorded at fair value other than those specifically identified in the Notes to the financial statements.

Budget figures

The budget figures are those approved by the Board at the beginning of the year. The budget figures have been prepared in accordance with Tier 2 standards, using accounting policies that are consistent with those adopted by the Board for the preparation of the financial statements.

Critical accounting estimates and assumptions

In preparing these financial statements, the Company has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of 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:

Estimation of the useful life and residual value of property, plant and equipment

At each balance date, the Company reviews the useful lives and residual values of its property, plant and equipment. Assessing the appropriateness of useful life and residual value estimates requires the Company to consider a number of factors such as the physical condition of the asset, expected period of use of the asset by the Company, and expected disposal proceeds from the future sale of the asset.

An incorrect estimate of the useful life or residual value will affect the depreciable amount of an asset, therefore affecting the depreciation expense recognised in the surplus or deficit and the asset's carrying amount. The Company minimises the risk of this estimation uncertainty by:

- Physical inspection of assets;
- Asset replacement programs;
- Review of second hand market prices for similar assets; and
- Analysis of prior asset sales.

The Company has not made significant changes to past assumptions concerning useful lives and residual values.

2. Interest revenue and finance costs

	Parent		Group	
	2017	2016	2017	2016
Interest revenue				
Call and term deposits	83,451	50,398	83,452	50,398
Related party deposits	19,416	76	-	76
Total interest revenue	102,867	50,474	83,452	50,474
Interest expense				
Interest on bank borrowings	-	-	-	-
Interest paid to related parties	519,500	520,923	519,500	520,923
Total finance expenses	519,500	520,923	519,500	520,923
	519,500	520,923	519,500	520,923
Net finance expenses	416,633	470,449	436,048	470,449

3. Personnel expenses

	Parent		Group	
	2017	2016	2017	2016
Salaries and wages	620,074	574,204	620,074	574,204
Recruitment expenses	-	31,144	-	31,144
Training	1,513	8,017	1,513	8,017
Other employee expenses	4,190	4,267	4,190	4,267
Retiring and long service leave	351	25,731	351	25,731
Increase/(decrease) in employee entitlements/liabilities	58	7,487	58	7,487
Total personnel expenses	626,186	650,850	626,186	650,850

4. Operating expenses

	Parent		Group	
	2017	2016	2017	2016
Audit related fees for assurance services	26,222	17,039	49,878	17,039
Impairment of receivables	2,757	575	2,757	575
Rent and lease costs	34,333	33,301	34,333	33,301
Professional services charges - Hutt City Council	45,000	45,000	45,000	45,000
Rates and waste water charges - Hutt City Council	177,620	187,434	179,659	187,434
Bank charges	83	229	102	229
Directors' fees	63,794	60,765	63,794	60,765
Insurance	87,557	88,024	87,557	88,024
Specialist services	132,375	122,997	132,375	122,997
Operational contracts	80,029	115,539	80,029	115,539
Building maintenance	257,682	294,676	257,682	294,676
Other expenses	96,702	106,768	129,135	106,768
Total expenses	1,004,154	1,072,347	1,062,302	1,072,347

5. Taxation

	Parent		Group	
	2017	2016	2017	2016
Net surplus/(deficit) before tax	426,923	94,303	334,184	94,303
Tax at 28%	119,539	26,405	93,572	26,405
Non deductible expenditure	926	1,050	926	1,050
Non taxable income	-	-	-	-
Prior year adjustment	(20)	(1,358)	(20)	(1,358)
Deferred tax adjustment	(334,939)	(203,743)	(330,690)	(203,743)
Tax expense	(214,494)	(177,646)	(236,212)	(177,646)
Current tax	-	-	-	-
Deferred tax	(214,494)	(177,646)	(236,212)	(177,646)

	Parent				Total
	Property, Plant & Equipment	Employee Entitlements	Other Provisions	Tax Losses	
Balance at 30 June 2015	(2,154,972)	13,172	5,907	596,333	(1,539,560)
Charged to surplus or deficit	239,027	2,687	294	(64,362)	177,646
Charged to other comprehensive income	-	-	-	-	-
Balance at 30 June 2016	(1,915,945)	15,859	6,201	531,971	(1,361,914)
Charged to surplus or deficit	306,297	115	(5,125)	(86,793)	214,494
Charged to other comprehensive income	(951,472)	-	-	-	(951,472)
Balance at 30 June 2017	(2,561,120)	15,974	1,076	445,178	(2,098,892)

	Group				Total
	Property, Plant & Equipment	Employee Entitlements	Other Provisions	Tax Losses	
Balance at 30 June 2015	(2,154,972)	13,172	5,907	596,333	(1,539,560)
Charged to surplus or deficit	239,027	2,687	294	(64,362)	177,646
Charged to other comprehensive income	-	-	-	-	-
Balance at 30 June 2016	(1,915,945)	15,859	6,201	531,971	(1,361,914)
Charged to surplus or deficit	306,297	115	(5,125)	(65,075)	236,212
Charged to other comprehensive income	(951,472)	-	-	-	(951,472)
Balance at 30 June 2017	(2,561,120)	15,974	1,076	466,896	(2,077,174)

6. Cash and cash equivalents

	Parent		Group	
	2017	2016	2017	2016
Cash at bank and on hand	4,189,691	2,438,159	4,198,059	2,438,159
Cash and cash equivalents	4,189,691	2,438,159	4,198,059	2,438,159

The carrying value of cash at bank and term deposits with maturities less than three months approximate their fair value. Urban Plus Limited does not hold funds (included in cash or cash equivalents) with restrictions specifying how the funds are to be spent.

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

	Parent		Group	
	2017	2016	2017	2016
Cash at bank and on hand	4,189,691	2,438,159	4,198,059	2,438,159
Total	4,189,691	2,438,159	4,198,059	2,438,159

7. Debtors and other receivables

	Parent		Group	
	2017	2016	2017	2016
Debtors and rent receivable	35,297	34,633	35,297	34,633
Other receivables:				
Other receivables	-	-	-	-
Related party receivables	-	-	-	-
Gross debtors and other receivables	35,297	34,633	35,297	34,633
Less provision for impairment	(2,757)	(21,673)	(2,757)	(21,673)
Total other debtors and receivables	32,540	12,960	32,540	12,960
Total receivables comprises:				
Receivables from the sale of goods and services (exchange transactions)	32,540	12,960	32,540	12,960
Receivables from grants (non exchange transactions)	-	-	-	-

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 (2016: \$nil).

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

	Parent		Group	
	2017	2016	2017	2016
At 1 July	21,673	21,097	21,673	21,097
Additional provisions made during the year	2,757	1,154	2,757	1,154
Provisions reversed during the year	-	-	-	-
Receivables written off during the period	(27,187)	(578)	(27,187)	(578)
At 30 June	(2,757)	21,673	(2,757)	21,673

8. Inventory

	Parent		Group	
	2017	2016	2017	2016
Commercial inventory:				
Property being developed for sale	2,075,853	2,092,219	3,875,623	2,092,219
Commercial property development at 30 June	2,075,853	2,092,219	3,875,623	2,092,219

Inventories are made up of commercial property developments that will be sold on completion. The write-down of commercial inventory to net realisable value amounted to \$nil (2016: \$nil). There have been no reversals of write-downs (2016: \$nil).

No inventory is pledged as security for liabilities (2016: \$ nil).

9. Property, plant and equipment

Parent/Group	Opening		Movements during the year							Closing			
	Cost or valuation	Accumulated depreciation and impairment	Carrying amount	Additions	Disposals	Accumulated depreciation and impairment on disposals	Impairment	Depreciation	Revaluation movement on disposal	Revaluation surplus	Cost or valuation	Accumulated depreciation and impairment	Carrying amount
2017													
	Operational assets												
	10,198,285	-	10,198,285	-	(1,520,000)	-	-	-	-	2,656,715	11,335,000	-	11,335,000
	11,346,271	(526,842)	10,819,429	105,199	(936,161)	65,650	-	(354,536)	815,728	2,581,690	13,097,000	-	13,097,000
	7,757	(4,224)	3,533	-	(1,143)	219	-	(652)	-	-	6,614	(4,657)	1,957
	21,552,313	(531,066)	21,021,247	105,199	(2,457,304)	65,869	-	(355,188)	815,728	5,238,405	24,438,614	(4,657)	24,433,957
Parent/Group	Opening		Movements during the year							Closing			
	Cost or valuation	Accumulated depreciation and impairment	Carrying amount	Additions	Disposals	Accumulated depreciation and impairment on disposals	Impairment	Depreciation	Revaluation movement on disposal	Revaluation surplus	Cost or valuation	Accumulated depreciation and impairment	Carrying amount
2016													
	Operational assets												
	10,508,285	-	10,508,285	-	(310,000)	-	-	-	-	-	10,198,285	-	10,198,285
	10,773,805	(188,778)	10,585,027	1,305,687	(733,221)	61,142	-	(399,206)	-	-	11,346,271	(526,842)	10,819,429
	7,170	(3,570)	3,600	587	-	-	-	(654)	-	-	7,757	(4,224)	3,533
	21,289,260	(192,348)	21,096,912	1,306,274	(1,043,221)	61,142	-	(399,860)	-	-	21,552,313	(531,066)	21,021,247

Valuation

Land is valued as vacant and incorporates the influences of size, contour, quality, location, zoning, designation and current potential usage. Buildings comprise of residential dwellings that 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 independent valuation was performed by Aon Valuation Services. The total valuation was for \$24,432,000.

[illegible]

11. Trade and other payables

	Parent		Group	
	2017	2016	2017	2016
Creditors and other payables	138,187	103,749	300,129	103,749
Revenue in advance	43,835	48,860	43,835	48,860
Total trade and other payables under exchange transactions	182,022	152,609	343,964	152,609

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.

12. Borrowings

These are loans raised by Urban Plus Limited for its various activities and projects. The details are:

	Parent		Group	
	2017	2016	2017	2016
Current portion				
Unsecured loans - current	-	-	-	-
Secured loans - Current	5,000,000	-	5,000,000	-
Total current portion	5,000,000	-	5,000,000	-
Non-current portion				
Unsecured loans - non current	4,000,000	9,000,000	4,000,000	9,000,000
Secured loans - Non-current	-	-	-	-
Total non-current portion	4,000,000	9,000,000	4,000,000	9,000,000
Total borrowings	9,000,000	9,000,000	9,000,000	9,000,000

Security

All borrowing is secured by a fixed charge over the issued but uncalled share capital of Urban Plus Limited.

13. Employee entitlements

	Parent		Group	
	2017	2016	2017	2016
Current portion				
Annual leave	30,764	30,413	30,764	30,413
Total Current portion	30,764	30,413	30,764	30,413
Non-current portion				
Retirement and long service leave	26,285	26,226	26,285	26,226
Total Non-current portion	26,285	26,226	26,285	26,226
Total employee entitlements	57,049	56,639	57,049	56,639

14. Equity

	Parent		Group	
	2017	2016	2017	2016
Accumulated funds				
Balance at beginning of year	(6,532,679)	(6,804,628)	(6,532,679)	(6,804,628)
Net surplus/(deficit)	641,418	271,949	570,396	271,949
Balance at year end	(5,891,261)	(6,532,679)	(5,962,283)	(6,532,679)
Share capital				
Balance at beginning of year	15,300,000	15,300,000	15,300,000	15,300,000
Movements during the year	-	-	-	-
Balance at year end	15,300,000	15,300,000	15,300,000	15,300,000
Asset revaluation reserve				
Balance at beginning of year	6,356,108	6,356,108	6,356,108	6,356,108
Movements during the year taken to equity	-	-	-	-
Movements during the year from revaluation	5,103,358	-	5,103,358	-
Movements during the year from asset disposal	-	-	-	-
Balance at year end	11,459,466	6,356,108	11,459,466	6,356,108
Asset revaluation reserve consist of:				
Buildings	4,489,563	2,042,921	4,489,563	2,042,921
Land	6,969,903	4,313,187	6,969,903	4,313,187
Total	11,459,466	6,356,108	11,459,466	6,356,108
Total equity				
Balance at beginning of year	15,123,429	14,851,480	15,123,429	14,851,480
Movements during the year	5,744,775	271,949	5,673,754	271,949
Balance at year end	20,868,204	15,123,429	20,797,183	15,123,429

15. Other liabilities

	Parent		Group	
	2017	2016	2017	2016
Due related parties	47,629	435,943	286,564	435,943
Total other liabilities - current portion	47,629	435,943	286,564	435,943
Total other liabilities - current portion	47,629	435,943	286,564	435,943

16. Other financial assets

After initial recognition, loans to subsidiaries are measured at amortised cost using the effective interest method.

	Parent		Group	
	2017	2016	2017	2016
Loans to subsidiaries	1,500,000	-	-	-
Total investment in subsidiaries	1,500,000	-	-	-

17. Remuneration

Key management personnel consist of the Chief Executive and Board members.

Senior management	Parent		Group	
	2017	2016	2017	2016
Total remuneration	193,364	205,775	193,364	205,775
Full-time equivalents	1.00	1.00	1.00	1.00

Remuneration of Board members	Parent		Group	
	2017	2016	2017	2016
B Walshe	22,515	22,515	22,515	22,515
A Stewart (to 31 March 2017)	11,258	15,010	11,258	15,010
A Finlayson (to 31 March 2017)	11,258	15,010	11,258	15,010
D Bassett (from 15 December 2015)	15,010	8,230	15,010	8,230
H Mackenzie (from 1 April 2017)	3,753	-	3,753	-
C Walton	-	-	-	-
Total Board remuneration	63,794	60,765	63,794	60,765
Number of Board members	3.75	3.58	3.75	3.58

Due to the difficulty in determining the full-time equivalent for Board members, the full time figure is taken as the number of Board members.

Total remuneration includes any non-financial benefits provided to employees.

A full time employee (FTE) is determined on the basis of a 40 hour working week.

Severance payments

For the year ended 30 June 2017, Urban Plus Limited made no severance payments, (2016: \$Nil).

18. Related party disclosures

Related party disclosures have not been made for transactions with related parties that are within a normal supplier or client/recipient relationship on terms and condition no more or less favourable than those that it is reasonable to expect Urban Plus Limited and its parent (Hutt City Council) would have adopted in dealing with the part at arm's length in the same circumstances.

19. Donations

No donations were made by Urban Plus Limited during the year ended 30 June 2017 (2016: \$nil).

20. Capital commitments and operating leases

Capital commitments

Capital commitments as at 30 June 2017 nil (2016: \$875,000) for the parent, and for Fairfield Waters Limited Partnership, nil (2016: Nil).

Operating leases as lessee

Urban Plus Limited 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 lease payments payable under non-cancellable leases are as follows:

	Parent		Group	
	2017	2016	2017	2016
Not later than one year	32,484	29,627	32,484	29,627
Later than one year and not later than two years	33,083	29,106	33,083	29,106
Later than two years and not later than five years	36,341	65,489	36,341	65,489
Later than five years	-	-	-	-
Total non-cancellable operating leases	101,908	124,222	101,908	124,222

The total minimum future sublease payments expected to be received under non-cancellable subleases at balance date is \$nil (2016: \$nil).

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

There are no restrictions placed on Urban Plus Limited by any of the leasing arrangements.

Operating leases as lessor

Urban Plus Limited leases housing properties under operating leases that have a non-cancellable term of 3 weeks.

No contingent rents have been recognised in the statement of comprehensive income during the period.

21. Contingencies

Contingent liabilities

As at 30 June 2017 there were nil contingent liabilities (2016: \$nil).

Contingent assets

As at 30 June 2017 contingent assets were \$nil (2016: \$nil).

22. Events after balance date

The following property sale has occurred since balance date – 47 Laings Road for \$750,000.

23. Statutory deadline for publishing the annual report

In accordance with Section 67 of the Local Government Act 2002, the Annual Report is required to be published within three months of balance date. The statutory deadline was met.

24. Capital management

Urban Plus Limited's capital is its equity, which comprises share capital and retained surpluses. Equity is represented by net assets. The statement of intent requires the Board of Directors to manage revenues, expenses, assets, liabilities, investments and general financial dealings prudently. Urban Plus Limited's equity is largely managed as a by-product of managing revenues, expenses, assets, liabilities and general financial dealings. The objective of managing Urban Plus Limited's equity is to ensure it effectively achieves its objectives and purpose whilst remaining a going concern.

25. Changes in the business of Urban Plus Limited

During the year ended 30 June 2017 there were no changes in the nature of business of Urban Plus Limited which includes the provision of residential housing and property services.

26. Variance explanations

Statement of Comprehensive Revenue and Expenses

Urban Plus Limited (the parent) achieved a surplus after depreciation and before tax of \$427k (2016: \$94k).

Revenue

Overall revenue was above budget by \$323k for the year. Whilst a number of poorer performing residential properties were sold, taking advantage of the buoyant property market, revenue from those sales fell short of budget by \$156k. However, sale of inventory properties (i.e. properties held for re-sale) resulted in gross sales of \$504k, thereby cushioning rental revenue forgone as a result of rental property sales during 2016/2017. All other revenue categories were above budget for the year.

Expenses

Expenses were above budget by \$225k. This was primarily due to expenses incurred in selling the inventory properties. The sale of these properties resulted in a net gain of almost \$100k. Operating expenses were lower than planned due to careful management of expenditure during the year, coupled with lower depreciation than planned due to the sale of some of the residential properties.

Statement of Financial Position

Total assets are higher than planned due to higher cash balances and inventories (properties bought for development to be on-sold), a revaluation of the residential portfolio, and a related party loan with Fairfield Waters Limited compared with budget.

Total liabilities are in line with budget.

Statement of Cash Flows

Net cash from operations are higher due to receipts from property sales and higher than planned interest revenue. Net cash flow from investing operations is lower than planned largely due to developments being slower to start. Net cash flow from financing is higher due to the related party loan.

02 October 2017

File: (17/1516)

Report no: FPC2017/4/132 (2)

Hydrocarbon Discharges to stormwater affecting Seaview Marina

Purpose of Report

1. This update was requested by the Finance and Performance Committee at its meeting held on 27 September 2017. It notes efforts to trace the contamination, efforts to remedy the discharges on two sites thus far identified and steps to identify protective devices to guard against future discharges within the Seaview catchment.

Recommendation

That the report be noted and received.

Background

2. As noted previously to the Committee, tracing contaminants in this system is not straightforward given its tidal nature and the large size of the catchment. On 27 September 2017 officers observed and sampled a low volume black odorous (burnt oil smell) material discharging out the 1200mm stormwater (SW) pipe into the Marina. Officers had checked the Marina earlier at 3pm (clear), then located and dug up a manhole upstream on the railway land as a future check point. This identified to us that the material had come from nearby and most likely from one of five or six sites. .
3. The names of the sites identified as discharging contaminants of interest are not included so as not to interfere with proper enforcement considerations between Greater Wellington Regional Council (GWRC) and Council. Both sites so far identified have been very cooperative and we expect improvements in the discharge.

Discussion

Site 1

4. The next morning officers again checked the final manhole on the 1200mm SW line. The manager of one of the local sites came out to see us, we showed him one of the samples taken the day prior and he immediately noted it was from the scrubber associated with their processing plant. Increased production from around June has resulted in more wastes being produced. The handling process for those wastes was flawed in that it relied on the contaminants being taken care of in an oil trap. Unfortunately the contaminants are not just oils, some are water miscible. Further, the discharge was to an open area which will then have rain derived flows capable in heavy rain of compromising the ability of the downstream oil trap to retain materials.
5. Note: Oil traps for tank farms or oil installations discharge to stormwater, provided the interceptors are sized appropriately and no water borne contaminants (e.g. antifreeze) and no emulsifying agents are used, should have no contamination issues, e.g. the interceptors on service stations all go to stormwater.
6. Remedial steps on this site include:
 - Immediately redirecting the scrubber discharge to storage rather than their trap. This action ceased any discharge of the material to SW;
 - Cleaning of the side drainage channels and pipework, sumps to remove any residue. This has occurred with a contractor removing the wastes;
 - They are to develop a plan to cover other protective measures needed;
 - They had just installed equipment which would have reduced clean valuable oil lost to their traps and hence available for flushing by rain flows; and
 - A Resource Management Act Advisory Notice has been issued and discussions are occurring as to any further actions.

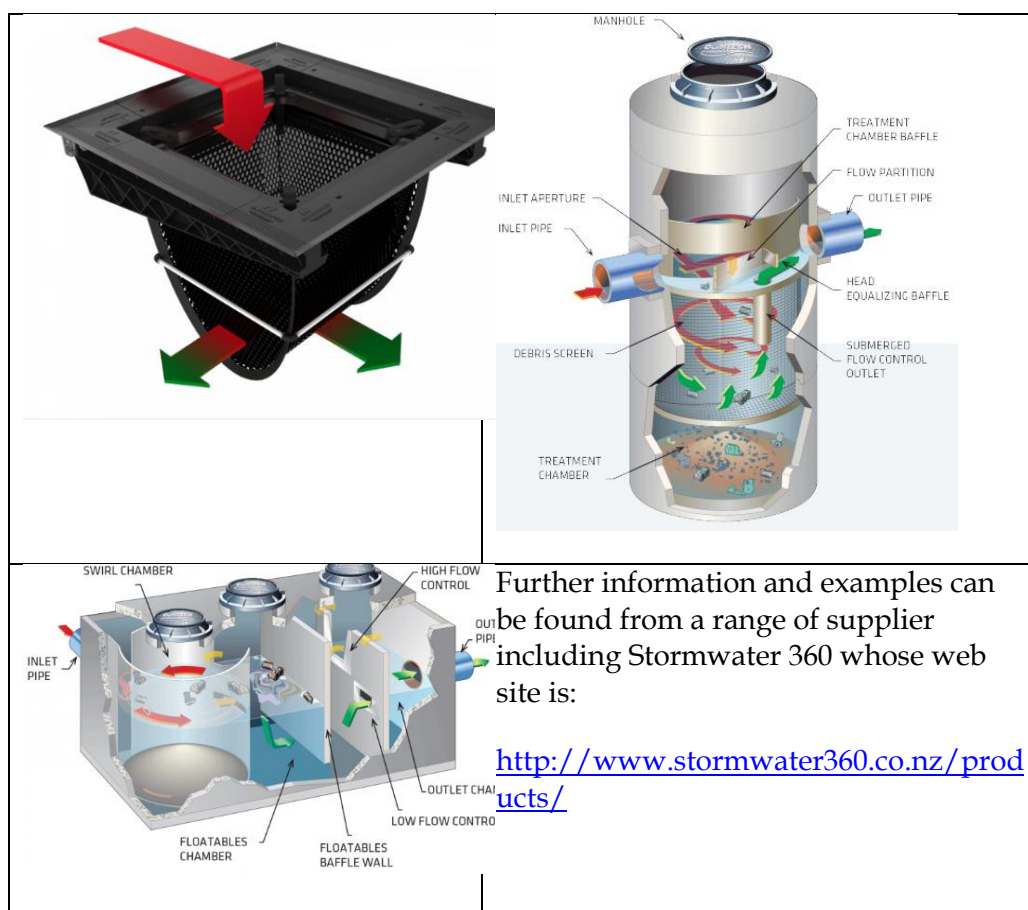
Site 2

7. On 21 September 2017 as part of tracking efforts officers identified that there were spill containment issues on one of the truck stops. The issues relate to user spills being either tracked off site by tyres or carried over the narrow strip drain by rain flows. Once off the protected (trapped) fill pad area there are routes for discharge to the stormwater system in part due to ground settlement. The site has been very cooperative, several meetings have occurred along with them seeking contractor assistance. We have discussed carryover management and closure options until works are completed.

Summary

8. Both of these sites will have caused issues for an extended period; however one site will have created more issues recently as a result of process changes. Neither site has, nor requires a Trade Wastes Discharge Consent as there are no process discharges to sewer hence they are infrequently visited. The fuel site would produce trace amounts of diesel during rainfall. The other site will have until mid-September likely released moderate volumes of fairly clean low odour oil along with occasional burnt oil by-products primarily during rainfall events. The oil would likely readily mix with diesel traces and give the appearance and odour of a moderate amount of diesel. The occasional burnt oil like by-products would be likely to cause offense and this may explain some of the odour complaints.
9. The discharges to the Marina have noticeably improved since late-September. However it needs to be noted that the overall discharge quality is dependent upon the behaviour of all of the people in the catchment and there are likely to still be some issues and none of our tracking efforts will make any difference to the litter in the SW system.
10. Enforcement options are open to GWRC and Council. However, it needs to be noted that immediate action had been taken to cease or mitigate the discharges. The business owners will each be expending reasonable sums remedying their sites, they provided very good cooperation and they were not aware of the issues they were contributing to.
11. We have continued in our efforts to find potential sources and also to better understand the network and some of its features including the syphon under Seaview Road (by #61) as this feature acts to some extent as a trap/delay in the system for some hydrocarbons and some floatable litter. Discussions have begun with an appropriate supplier (Stormwater 360) in an effort to identify devices (and associated costs) which may assist in protecting the Marina from hydrocarbons and litter.
12. Costs and options for a suitable device or devices is not known yet however officers should have some information after discussions on 24 October 2017 with representatives of Stormwater 360. Protecting the Marina is complicated by the tidal nature of the system and the size of the catchment (52 hectares). In place of one device it may be more cost effective to install several smaller devices which could then avoid the need to treat what are clean water flows from the hill to the east.
13. The contaminants affecting the Marina discharge are also present to varying degrees in discharges throughout the entire SW network. The industrial areas tend to produce the greatest hydrocarbon and heavy metal risks and the residential and commercial catchments the greatest litter and cleaning activity related risks. The litter risks generally consist of cigarette butts, food wrappers, foam cups and bottles discarded such that they can wash into street sumps (often via the large storm opening in the kerb). Kerbside recycling can also be a significant contributor to litter in our streams particularly on wet windy days. Recycling bin nets help.

14. Options to produce better outcomes for our streams, the river and the sea include education, treatment devices and enforcement. Enforcement is the least effective option as the sources are too dispersed, dischargers are often impossible to identify and the effort is nearly always reactive – i.e. post harm. Education can assist. Officers observations are that many residents and workers do not understand where SW drains go or that their actions can cause harm. Many hold misconceptions generated by product marketing, e.g. biodegradable detergents when the detergent itself is harmful let alone the removed grime. Most people do not want to cause harm to the environment and when made aware they usually change their behaviours.
15. Treatment options include litter basket type devices inserted into street sumps and much larger devices on network piping intended to treat whole catchments. These devices can be chosen to suit the contaminants of most interest at that location. Costs will vary starting in the low hundreds for the litter baskets and into the 10's of thousands and beyond for the larger devices. As noted previously costs will be better understood after the visit of one of the suppliers. Some examples are below:



16. All of the treatment options come with maintenance costs and care is needed to ensure that no upstream flooding issues are created. Most of the newer designs cater well for elevated flows but none cater for inadequate maintenance – e.g. failing to remove litter or debris normally directed to a stream will cause a device to block.

17. In terms of locations there are some priority locations we have identified over the years. The Marina, Hutt Park Road (Waiwhetu stream), Waddington Drive (Naenae commercial centre outfall to the Waiwhetu), Riddiford Gardens (Hutt CBD discharge). There are a number of sites which would benefit from litter baskets perhaps negating the need for larger treatment devices. Note: there was to be a device in the Riddiford Gardens project but cost trimming saw it removed.
18. Currently anything which lands on a Council road in rain or is present when it starts to rain stands a good chance of ending up in our streams. There are available devices which could reduce the loading of litter and hydrocarbons currently conveyed by our network to our streams and the sea. They will also assist in GWRC's pending Global SW Consent process. They all come with purchase, installation and maintenance costs. Currently the maintenance costs associated with litter and hydrocarbon removal are limited by virtue of those materials being discharged to sea. The Hon Nick Smith at the recent opening of Flight Plastics recycling plant noted that *"by 2050 there will be more plastic in the sea than fish"*.
19. Council and GWRC officers are also continuing their cooperative efforts to improve stormwater quality in Lower Hutt including education efforts to contractors and residents, media items whenever possible, joint visits, knowledge sharing and delegation of enforcement powers to Council officers.

Appendices

There are no appendices for this report.

Author: Gordon George
Manager, Trade Waste

Reviewed By: Geoff Stuart
Divisional Manager, Regulatory Services and Emergency Management

Approved By: Kim Kelly
General Manager, City Transformation