Ngā whakapae me ngā rautaki me nga ahumoni
Assumptions, strategies, and financials

C

Ngā matapae matua
Significant forecasting assumptions

Introduction

Context

In developing this Long Term Plan, Council considered the global, national, and local context that we operate in. We considered this through our environmental scan, and through workshopping assumptions with Council. This resulted in significant assumptions that set out the context on which we based our planning and levels of service for this Long Term Plan 2024 – 2034.

Information

These assumptions are based on the best information available at the time of developing this Long Term Plan. Wherever possible, we will use the most up-to-date information relating to any relevant factors noted in these assumptions to inform decision-making. This includes using the Annual Plan process in years between Long Term Plans to revisit any substantial changes to the assumptions if required.

Uncertainty and risk

Significant assumptions forecast for the 2024 – 2034 period are summarised in the table on the next page and discussed more completely in the pages that follow. The level of uncertainty for each assumption is noted, and where there is high uncertainty, comment is made on the potential effects in terms of financial risk resulting from this uncertainty on the Long Term Plan.

The main contributions of risk are identified as arising from the uncertainty and continued challenges of the economic landscape, the volatility of climate change (such as fire, drought, flood, and erosion) and natural hazard events (such as earthquakes), and continued Central Government changes to legislation and policy, which could impact the role of, and costs both explicit and implicit, for Local Government.

	Assumption	Level of uncertainty	Impact on integrity of the Long Term Plan
GLOBAL IMPACT	1 The impact of climate change and natural hazards could be felt over the Long Term Plan period.	Medium	Medium
	2 The impact of technological change or disruption will not adversely affect Council's ability to deliver services.	Medium-high	Medium
	3 Geo-Political—immigration, war/conflict, food shortages.	Low-medium	Medium
NATIONAL IMPACT	4 Three water assets will remain under Council ownership and control for the next 10 years.	High	High
	5 Central Government changes to policy and/or legislation.	Medium-high	Medium-high
	6 External changes—ongoing changes in policy direction.	Medium-high	Medium-high
	7 Weather related events and other natural disasters.	Medium	Medium
LOCAL IMPACT	8 Population growth in Upper Hutt will increase over the next 10 years.	Medium	Medium
	9 The impact of societal changes and population structure have been adequately planned for in the financial estimates.	Medium	Medium-high
	10 The annual return on investments will remain at or around current values.	High	Low

	Assumption	Level of uncertainty	Impact on integrity of the Long Term Plan
LOCAL IMPACT	11 Depreciation will affect our rate funding requirement forecasts.	High	High
	12 Council will be able to retain a credit rating of at least A+.	Medium	High
	13 Funding will be readily available through the Local Government Funding Agency (LGFA).	Medium	Medium
	14 Waka Kotahi NZ Transport Agency financial assistance rates will continue as set out by Waka Kotahi for at least the next three years	High	High
	15 The average debt interest rates for the next ten years will be 4.86% as projected by PwC.	High	High
	16 Inflation will occur as estimated in the BERL 2023 report for Local Government sector.	High	High
	17 The Capex programme planned for the 10 years 2024 – 2034 will be delivered as forecast	High	High
	18 Operational expenditure efficiencies will be identified and implemented by 1 July 2024.	Medium	Medium
	19 Asset revaluation amounts for water services and road assets will be significant different from the amounts included in the Long Term Plan	High	High

Assumptions in detail

1 Climate change and natural hazards

Assumption	Level of uncertainty	Impact on integrity of the Long Term Plan
The impact of climate change and natural hazards could be felt over the Long Term Plan period.	Medium	Medium

Potential impacts

Upper Hutt will likely experience the impacts of climate change through warmer temperatures, decreased rainfall, and extreme weather events.[23] These impacts include risks of fires, erosion, and flood events.

Social and economic impacts are also likely to be experienced in the longer term, such as:

- community cohesion and wellbeing issues from the displacement of individuals and families, exacerbating inequalities in the community;
- potential potable water shortages;
- growing population base due to the retreat away from coastal areas;
- financial implications with unexpected expenditure on insurance, disaster relief expenditure and the need for self-insurance.

Climate emergency and carbon neutrality

New Zealand has declared a climate emergency (2 December 2020) and committed to being carbon-neutral by 2050. In 2019, the Secretary-General of the United Nations categorised climate change as *"the defining challenge of our time."* The World Economic Forum has released its 2023 report on global risks.[24] It highlights the rapidly accelerating impacts of climate change, with the top four risks over the next 10 years being related to climate change.

Council's response

The community has an expectation that Council will engage on initiatives relating to climate change and sustainability. We will monitor impacts arising from climate change to ensure that we are planning flexibly enough to be able to adapt our plans to meet emerging needs as appropriate.

23 *environment.govt.nz/publications/our-atmosphere-and-climate-2023/state-of-our-atmosphere-and-climate/* —retrieved on 8 February 2024

24 World Economic Forum. The Global Risks Report 2023: 18th Edition—*weforum.org/docs/WEF_Global_Risks_Report_2023.pdf*

Increased risks to natural hazards are addressed by requirements in the District Plan for new development to avoid or mitigate natural hazard risks.

In addition, Council prepares to respond to any natural disasters as part of Regional Emergency Management activities. This must be undertaken in collaboration with, and in some circumstances led by, local communities.

Sustainability Strategy

Council adopted a Sustainability Strategy in 2020 with a key target to be a carbon-neutral organisation by 2035. To reduce uncertainty and the impact of climate change, we will focus our sustainability activities on internal organisational sustainability where we have the biggest control and influence.

2 Technological change

Assumption	Level of uncertainty	Impact on integrity of the Long Term Plan
The impact of technological change or disruption will not adversely affect Council's ability to deliver services.	Medium-high	Medium

The changing digital landscape

Our world is becoming increasingly digital, which is reshaping the economy of the city, the expectations of our community, and the way Council engages with, understands, and performs its role in the city. Our knowledge and a willingness to embrace technology over the next 10 years will be critical.

In the post-pandemic environment, accelerated changes around virtual working and collaboration continue to drive changes in how people live, work, and engage in their communities. The 'digital divide' between those who have access to digital technology and those that do not may continue to increase. Many people choose not to access information digitally. While technological change has the power to transform the nature of our work, we need to incorporate the preference for 'status quo' as well as respecting the need to transform the provision of our services.

Technological change can either enhance or disrupt Local Government function, it is the nature of technology that some of the downstream effects of innovation can be unintended. This uncertainty creates risk.

The use of social media, once an important communications tool for Council, is becoming a channel for community criticism. This has diverted staff into spending time moderating comments rather than doing other, more productive work.

The impact of Artificial Intelligence (AI) is unknown, some occupations will be automated in the short to medium term but activities within occupations are expected to transform more over time, at all skill levels. New technologies will likely dislocate some existing employees.

Council's response

By having an awareness of the opportunity and challenges that technology brings, we will use technological advancements to provide better, more efficient, tailored, services to the community while maintaining security and privacy. Deepening digital interactions can provide evidence-based insight in order to drive continuous improvement. We assess the level of uncertainty as medium-high as many members of the Upper Hutt community continue to prefer face-to-face interactions, meaning Council needs to cater for both.

Predicting future technological trends continues to be highly uncertain, therefore we make no specific assumptions about long term technological innovation or take up. We will observe technological change, ensuring that we plan flexibly enough to be able to adapt our work plans to meet changing needs as appropriate. We will continue to monitor technological innovation and related regulatory settings to adjust operations and policy over the next 10 years.

3 Geo-political change

Assumption	Level of uncertainty	Impact on integrity of the Long Term Plan
Geo-political—immigration, war/conflict, food shortages.	Low-medium	Medium

Uncertainty and the changing face of New Zealand

The global environment continues to be highly uncertain. Geo-political activity is causing wars and civil unrest in many parts of the world. It is assumed this will continue for some time and continue to have a disruptive impact on supply chains, global energy, constructions costs, food shortage and supply.

New Zealand immigration has grown rapidly since the COVID-19 global pandemic. It is expected that New Zealand will continue to be an attractive destination to move to. This will put pressure on the housing market, weekly rents, and wage growth, and will change the fabric of our communities.

Council's response

Council will continue to participate in multi-agency governance and operational forums at a national, regional, and local level to ensure appropriate involvement and planning occurs.

4 Three waters services

Assumption	Level of uncertainty	Impact on integrity of the Long Term Plan
Three waters assets will remain under Council ownership and control for the next 10 years.	High	High

Ownership, control, and central government influence

Council owns its three waters assets, and is a shareholder of a Council-Controlled Organisation (Wellington Water Limited) contracted for water service delivery. Our wastewater services are provided through a shared services arrangement with Hutt City Council, where we contribute a 30% share of the costs and recognise 30% ownership of the assets. Any fundamental change to this could result in significant resource, operational, and financial implications for Council.

In February 2024, as part of its 100-day plan, the Government introduced its new legislation to repeal the previous water reform model and to be enacted as soon as possible. On 30 May 2024, the draft *Local Government (Water Services Preliminary Arrangements) Bill* was released. Council is still developing an understanding as to what this eventual legislation will mean for the operation of the three water assets in Upper Hutt. Any new water services legislation may necessitate the need to undertake a Long Term Plan amendment. This amendment would incorporate any changes to the operating model, costings, and valuation matters as they relate to water services. At the time of adoption, nothing has been confirmed on the future of water services delivery, other than what is provided for in this Long Term Plan.

The Government's new approach to water services delivery, *Local Water Done Well,* recognises the importance of local decision-making and flexibility for communities and councils to determine how their water services will be delivered in the future, while still retaining a strong emphasis on water quality and infrastructure investment. It does not require the establishment and transition to new water services entities but may have elements of different or increased regional collaboration or similar models. It is not expected to include a fundamental change to the current funding of water services by local councils.

Taumata Arowai, the Water Services Regulator established in 2021, now provides oversight and enforcement of a new drinking water regulatory framework with an additional oversight role for wastewater and stormwater networks. As a result, levels of service for three waters may be standardised regionally or nationally or other regulatory improvements introduced.

Council's response

For the purposes of the preparation of this Long Term Plan, we have assumed that the ownership and control of three waters assets will remain with Council for the next 10 years. Asset management plans and debt forecasts have been calculated on this assumption. We consider this the most prudent approach at this stage.

Hutt Valley Wastewater Scheme delivers the vast majority of the communities wastewater needs. This arrangement is shared with Hutt City Council and is planned as a continuing activity for the next 10 years. Upper Hutt City Council does not control the shared services arrangement, nor the investment decisions and timing proposed by Hutt City Council. Upper Hutt is a 'price taker' for shared services delivered within this arrangement. This creates a high risk to Council.

5 National policy and legislation

Assumption	Level of uncertainty	Impact on integrity of the Long Term Plan
Central Government changes to policy and/or legislation.	Medium-high	Medium-high

Resource management changes

The Government as part of a broad-ranging suite of policy changes has announced the start of a three-phase reform to deliver a new package of resource management legislation that will ultimately replace the Resource Management Act 1991 (RMA). The Ministry for the Environment is undertaking a comprehensive review of the RMA indicating a period of significant change to the legislative environment. However, while some changes to freshwater, urban development and indigenous biodiversity have been signalled the extent and nature of this change is not yet known.

At the local level, Greater Wellington Regional Council is undertaking extensive changes to the Regional Policy Statement and the Natural Resources Plan. We'll need to develop plan changes to the District Plan to give effect to these changes.

Significant changes to policy or legislation on climate change response, the RMA, and iwi/Māori involvement in statutory decision-making will significantly impact the policy and regulatory environment in which Council operates. This could result in significant resource and financial implications for Council over the next 10 years.

Council's response

Although we have not factored in any matters that could result from any legislation review in this Long Term Plan, there is potential for legislative change to have a significant impact on the future activities, services, and funding of Councils. The scope and timing of this change is uncertain. Also note the pending legislation change for water services/assets outlined in assumption 4. In summary this is a medium to high impact risk to Council over the next 10 years.

6 External changes

Assumption	Level of uncertainty	Impact on integrity of the Long Term Plan
External changes—ongoing changes in policy direction	Medium-high	Medium-high

Delivering services in a changing environment

Changes in policy direction and community expectations can result in shocks to the resourcing and delivery of Council activities. Sudden policy changes can require particularly labour-intensive and highly reactive responses that impact the priority and delivery of Council activities. These external forces changing policy direction and Council activities also have a disruptive and unsettling effect on the community served by Council.

Other external forces such as social media have encouraged a global culture of expectation that change and improvement will occur 'here and now.' Business disrupters such as AirBNB and Uber can drive unforeseen change in policy and process matters for Council.

The frequency of change has increased in recent years, this is expected to continue. Councils have a unique position that is inherently close to their community and ratepayers, which gives them a good understanding of the 'mood' of the community.

This differentiates Councils from central government and leaves Councils as an interface between the community, where central government policy changes are directly felt, and central government itself. This role has an impact upon the way we prioritise work and can cause significant re-work which can impact productivity and prioritisation. Council is not unique in its position of being asked to regularly pivot. The election cycle of three years in New Zealand is short and is a factor that can mean central government policy changes occur every three years. We have assumed this will continue to add workload challenges over the next 10 years.

Council's response

We will continue to be responsive, work in a prioritised manner, be visible with our planning and expected timelines to ensure we meet statutory requirements and related deadlines. However, this does potentially have a significant prioritisation and cost impact on the activities the Council is able to undertake, such as planning and regulatory response to draft legislation and implementing new compulsory planning policy activities, etc. Therefore, this is a medium to high impact risk to Council over the next 10 years.

7 External events

Assumption	Level of uncertainty	Impact on integrity of the Long Term Plan
Weather related events and other natural disasters	Medium	Medium

Anticipated increase of events

As an impact of global climate change, we're expecting extreme weather events to increase in frequency and magnitude throughout New Zealand. There is a risk of increased closures on transport networks in low-lying or slip-prone areas. Increased resilience requirements for infrastructure has resulted in increases to infrastructure renewals and capital costs.

Floods, earthquakes, fire, and landslides remain a significant natural hazard risk[25] for Upper Hutt.

Cyclone Gabrielle showed that climate-fuelled disasters can directly inflate costs for items such as food and insurance. It is likely that the cost of money will continue to be permanently higher than in previous years and some insurance will be unsustainable and we will no longer be able to purchase previous levels of insurance.

25 Greater Wellington Regional Council (May 2019): Wellington Region Natural Hazards Management Strategy.

We have also assumed that it's unlikely that the Government will contribute to infrastructure rebuilds to the level seen in recent years.

Council's response

Our emergency management response is a statutory requirement under the Civil Defence Emergency Management Act 2002.

We will continue to set priorities and apply consistent risk reduction approaches to reduce risk from climate change and natural hazards. We will monitor climate change, natural hazard, and emergency management related regulatory settings to adjust operations and policy throughout the Long Term Plan period. Council also plans to migrate towards higher levels of self-insurance.

We'll continue to prioritise our capital expenditure to reduce our risk of exposure to any weather-related events. Council will ensure debt headroom remains available, with a 30 – 40% debt capacity to borrow emergency monies to fund any unexpected financial shocks.

Therefore, the level of uncertainty remains medium.

8 Population growth

Assumption	Level of uncertainty	Impact on integrity of the Long Term Plan
Population growth in Upper Hutt will increase over the next 10 years.	Medium	Medium

Modelling and projections

We have used the September 2023 Wellington Housing and Business Development Capacity Assessment[26] (HBA) as the most up-to-date population growth projection for our planning assumptions. The HBA projections indicate that Upper Hutt could expect population growth of 9,000 – 12,800 people between 2017 and 2047. Upper Hutt's current population base of 49,400 people, coupled with higher-than-expected demand for housing, indicates growth at the high end of this range is the most likely scenario.

In April 2022, Sense Partners prepared *Demographic and dwelling forecasts for the Wellington region*. This report was used to inform the 2023 HBA. The report indicates that strong population growth is expected in the Greater Wellington region over the next 30 years, and that Upper Hutt can expect to see annual growth of 1.3% between 2024

26 *wrlc.org.nz/wp-content/uploads/2023/10/Wairarapa-Wellington-Horowhenua-Housing-and-Business-Assessment-2023-Full-Report-excluding-Appendices.pdf*

and 2034. This is lower than the previous 2021 projection due to COVID-19 and border restrictions continuing to affect migration levels into Upper Hutt, the Wellington Region, and New Zealand as a whole. However, the latest StatsNZ data indicates that net immigration nationally increased to record levels in October 2023. Upper Hutt's growth rate is forecast to be one of the highest in the region, increasing by over 18,200 (35%) over 30 years, highlighting the significance of long-term housing, infrastructure, and employment sufficiency.

The HBA and population projections are updated regularly and may change over the next 10 years, however our planning and response to growth is adequately catered for in this plan and won't need to change as a result of the new information becoming available.

Further population and demographic information can be found on the People+Places website: *peopleandplaces.nz/upper-hutt*

In terms of the rating database, We've estimated that annual growth in the rating base will be 1.5% for the next 10 years. This is based on the historical trend (over the last 4 years) as well as our growth and housing forecasts. Consenting and building activities also support this assumption.

Council's response

We will continue to monitor population growth to ensure that we are planning flexibly enough to be able to adapt our plans to meet population growth needs as appropriate.

We are a partner in regional spatial planning known as the *Wellington Regional Growth Framework,* which has been developed by Local Government in partnership with Central Government and iwi in the Wellington-Wairarapa-Horowhenua region. The framework has been developed to provide an agreed regional direction for growth and investment and to deliver on the Urban Growth Agenda objectives of central government. The framework can be viewed on the Wellington Regional Growth Framework website (*wrgf.co.nz*). The Future Development Strategy 2023 for the Wellington Region has identified key areas for housing and business growth in Upper Hutt. This is primarily focused on intensification of existing urban areas rather than expanding urban development into existing rural areas.

9 Societal change factors

Assumption	Level of uncertainty	Impact on integrity of the Long Term Plan
The impact of societal changes and population structure have been adequately planned for in the financial estimates.	Medium	Medium-high

Demographics and their needs

The average age of Upper Hutt's population is 38.9 years—slightly higher than the national average of 37.4 years.[27] Approximately 25% of the population is under 15 years old and 11.5% is 70 years or over. Again, this is similar to the demographic composition of New Zealand. Upper Hutt's population of those aged 70 or over grew approximately 15.9% between 2018 and 2023, this growth is predicted to continue.[28]

An increasingly aging population will present with programme and service needs that differ to Upper Hutt's significant rangatahi (youth) population. This could result in moderate resource and financial implications for Council over the next 10 years. It could potentially result in an increased volunteer base and provide intergenerational engagement opportunities contributing toward enhanced social and cultural wellbeing in Upper Hutt's youthful and older populations.

Lifestyle changes

The societal shift towards a more sedentary, high-consumption, and technology-driven lifestyle presents a growing challenge to the health and wellbeing of Upper Hutt's residents. There are higher-than-average rates of preventable diseases in the Hutt Valley, including cardiovascular diseases,[29] respiratory diseases,[30] psychological distress,[31] and increasing rates of obesity[32] and type-2 diabetes.[33] This could result in moderate resource and financial implications for Council throughout the Long Term Plan period.

Accessible, multi-use, flexible facilities, joint ventures, co-design with communities, and collaboration with other agencies will remain important to ensure we are able to meet the needs of our youth and older populations, and to better understand and support the health and wellbeing needs of our community over the next 10 years.

27 StatsNZ Tatauranga Aotearoa. Place summaries: Upper Hutt City

28 Sense Partners, (2022) Demographic Projections for the Greater Wellington Region – Upper Hutt City. Summary population by District.

29 Cardiovascular Health – New Zealand Health Survey pooled year data 2014 – 2017.

30 Global surveillance, prevention, and control of chronic respiratory diseases. World Health Organisation (2007) *who.int/publications/i/item/global-surveillance-prevention-and-control-of-chronic-respiratory-diseases*

31 New Zealand Health Survey 2018/19.

32 Obesity statistics, Ministry of Health: *health.govt.nz/nz-health-statistics/health-statistics-and-data-sets/obesity-statistics*

33 Ministry of Health. Virtual Diabetes Register (Updated 2017): *health.govt.nz/our-work/diseases-and-conditions/diabetes/about-diabetes/virtual-diabetes-register-vdr*

Ethnic diversity	Upper Hutt has gradually becoming more ethnically diverse since 2013. However our community is less ethnically diverse than the New Zealand average. In 2018, 6,924 people (15.7% of the population) identified as Māori compared with 5,337 in 2013. 8.4% identified as Asian, 5.7% Pacific peoples, 1% Middle Eastern/Latin American/African, 81.2% European, and 1.7% other ethnicity.[34] To enhance community health and wellbeing outcomes, connectedness, and a sense of belonging, the changing ethnic diversity of our city will need to be reflected in the community programmes and services that we deliver and support. Planned activities will need to be reviewed for relevance throughout the period of the Long Term Plan.
Council's response	We consider that societal changes have been adequately catered for in this Long Term Plan. Any departure from this assumption can be addressed through the Annual Plan and Long Term Plan review process.

10 Forecast return on investment

Assumption	Level of uncertainty	Impact on integrity of the Long Term Plan
The annual return on investments will remain at or around current values.	High	Low

Council shareholdings	Council holds shares in companies for strategic rather than return on investment purposes. We currently hold three investments, none of which are expected to provide any investment income over the life of the Long Term Plan. One of these investments (Civic Assurance) will be divested in the early years of the Long Term Plan, this divestment will have no material impact upon Council's future financial activities.
Excess cash	We hold our excess cash on term deposit with several banks in accordance with the Council's Treasury Risk Management Policy. The Official Cash Rate (OCR) is 5.5%, indications are that the rate will stay the same in the immediate future and will slowly 'step' down. However, there is little indication that the OCR will return to the previous low levels. Rates are predicted to remain higher due to domestic inflationary costs being created by ongoing geo-political and climate change events. We have assumed we will receive significant interest income from term deposits for at least the first few years of the Long Term Plan, these deposits are timing related and comply with our Treasury Risk Management Policy and the requirement to meet financial benchmarks.

34 StatsNZ Tatauranga Aotearoa 2006 – 2018 Census data.

Council's response

Planning for the Long Term Plan 2024 – 2034 assumes that if we don't receive the predicted income from our investments, it will not have a material impact on our ability to deliver on the Long Term Plan. Therefore, the risk of any impact on the Long Term Plan is low.

11 Depreciation

Assumption	Level of uncertainty	Impact on integrity of the Long Term Plan
Depreciation will affect our rate funding requirement forecasts.	High	High

Depreciation affects our operating surplus/deficit

It is assumed that the same rates of depreciation will be applied as were applied in the previous Long Term Plan (2021 – 2031). The amount of depreciation may increase in relation to any revaluation of assets and the timing of the addition of new assets throughout the period of this Long Term Plan. This operating expense will affect our predicted level of surplus or deficit in the Prospective Statement of Comprehensive Revenue and Expense.

Council's response

In this Long Term Plan, Council has chosen to rate fund depreciation. This will impact on the level of funding required from the community. Funding of depreciation through rates will be introduced in a stepped approach over the Long Term Plan period (10 years), meaning it will impact on the level of funding required from the community. Rate funding of depreciation creates intergenerational equity. The percentage amount of depreciation, to be funded by rates each year is shown in the table below.

	Y1 [24|25]	Y2 [25|26]	Y3 [26|27]	Y4 [27|28]	Y5 [28|29]	Y6 [29|30]	Y7 [30|31]	Y8 [31|32]	Y9 [32|33]	Y10 [33|34]
Community assets	20%	40%	60%	80%	100%	100%	100%	100%	100%	100%
Subsidised roading assets	9.8%	19.6%	29.4%	39.2%	49%	49%	49%	49%	49%	49%
Non-subsidised roading assets	20%	40%	60%	80%	100%	100%	100%	100%	100%	100%
Water supply assets						20%	40%	60%	80%	100%
Wastewater under HVWS[35]						20%	40%	60%	80%	100%

35 Hutt Valley Wastewater Scheme—a joint venture between Upper Hutt City Council and Hutt City Council to deliver wastewater treatment services.

Moving to a balanced budget

We consider the funding of depreciation has been addressed in this Long Term Plan and will assist the Council with a move to a balanced budget. Council is aware that due to ratepayer affordability there is a limit to the level of deprecation which can be rates funded, as part of the Annual Plan development process Council will review the affordability of the level of rate funding of depreciation. There is a very high likelihood that depreciation funding will impact our annual rate funding requirements.

12 External credit rating

Assumption	Level of uncertainty	Impact on integrity of the Long Term Plan
Council will be able to obtain a credit rating of at least A+.	Medium	High

Our current S&P credit rating situation

In November 2021 Council obtained a S&P credit rating of A+ which was reconfirmed in November 2023. This rating enables Council, through the Local Government Funding Agency (LGFA), to have a borrowing limit at 280% of net revenue coupled with lower interest rates that reflect the lower risk profile of Council.

In February 2024 S&P advised that they had revised the trend of their institutional framework assessment for New Zealand local councils to weakening from stable. This resulted in Upper Hutt City Council's credit rating outlook being downgraded from A+ 'stable' to A+ 'negative.'

S&P advised us that:

> *"We could revise our rating outlook on Upper Hutt to stable if the New Zealand local government sector's overall commitment to strong finances improves.*
>
> *We could also revise the outlook to stable if Upper Hutt's budgetary performance is materially better than we presently expect. This could ease downward pressure on the council's liquidity metrics and lower its debt trajectory."*[36]

36 S&P Global Ratings – Various Actions Taken on New Zealand Local Councils on Weakening Institutional Framework Trend – February 18, 2024

Council's response

In developing this Long Term Plan we've focused on achieving a balanced budgeted both in-year and cumulatively across the 10 years of the plan. We believe that this change in focus addresses the issues raised by S&P in relation to budgetary performance, its flow on impact to liquidity metrics, and debt trajectory.

The financial strategy for 2024 – 2034 should enable Council to retain its credit rating of at least A+ from S&P. As well as being able to obtain a higher debt limit with LGFA the credit rating will also continue to provide Council with a lower interest rate as a reflection of lower risk.

As part of our Financial Strategy, we're going to reduce our percentage of debt to revenue ratios over the course of the Long Term Plan. While our current A+ credit rating with S&P allows us a borrowing debt:revenue limit of 280%, in the first year of the plan we're setting an internal limit of 250%. We'll reduce this limit further to 240% over the remaining 9 years of the Long Term Plan. This will provide Council with the financial headroom to borrow more money in the case of a community-wide emergency, such as a climate change induced weather event.

Whilst the level of uncertainty around this assumption is medium, the impact should Council not be able to retain its credit rating is high, because it would mean Council may not be able to borrow enough to fund its full capital plan.

13 Local Government Funding Agency funding

Assumption	Level of uncertainty	Impact on integrity of the Long Term Plan
Funding will be readily available through the Local Government Funding Agency (LGFA).	Medium	Medium

Funding availability

The LGFA provides more efficient funding costs and diversified funding sources for New Zealand local authorities.

Central government has reduced the use of using monetary policy as a mechanism to fund local government assets. The current central government has indicated that infrastructure funds available to local government will be limited. This is a change from previous government policy. Therefore, we have assumed that grants and subsidy revenue will not grow.

Council's response

Council considers that funding will remain readily available throughout our Long Term Plan 2024 – 2034. Any departure from this assumption can be addressed through the Annual Plan and Long Term Plan review process.

We have assumed that the current financial market 'gap' between borrowing and investing interest rates will remain but tighten. Taking interest rate swaps and debt rates into consideration mitigates the financial risk in a structured manner, however given the ongoing global financial volatility, we have assessed the level of uncertainty as medium.

14 Waka Kotahi NZ Transport Agency funding

Assumption	Level of uncertainty	Impact on integrity of the Long Term Plan
Waka Kotahi NZ Transport Agency financial assistance rates will continue as set out by Waka Kotahi for the next three years.	High	High

Cofunding for approved roading activities

For approved roading activities, central government provides cofunding from the Land Transport Fund, with a current financial assistance rate of 51%. Funding of approved activities is based on the Government's transport priorities as signalled by the Government Policy Statement (GPS).

A review of the GPS and central government priorities has been signalled, which may affect Council's land transport activities and levels of funding available. Minor changes to the subsidy rate, the funding cap, or the criteria for inclusion in the subsidised works programme would not materially impact our funding. However, any significant changes could impact funding.

Council's response

If significant changes materialise, service delivery and/or funding would need to be resolved through the Annual Plan and Long Term Plan review processes. Therefore, the level of uncertainty remains as a high risk to the Long Term Plan.

15 Interest on debt

Assumption	Level of uncertainty	Impact on integrity of the Long Term Plan
The average debt interest rates for the next ten years will be 4.86% as projected by PwC.	High	High

Advice from PwC

Council obtains expert treasury risk management advice from PwC. The advice provided is that interest rates are predicted to stay higher for the short-medium term. Political and financial uncertainty have continued post-pandemic. Debt interest rates remain volatile, such volatility has not been seen since the Global Financial Crisis.

Taking into account Council's debt profile and interest rate hedging requirements as per the Treasury Risk Management Policy, PwC has advised us that 4.86% per annum is an appropriate 'wholesale' interest rate to use for the Long Term Plan period. This includes the lower rates of interest on borrowings through the LGFA. Council will continue to access these lower interest rates by retaining its A+ credit rating.

Current indications are that interest rates will reduce to lower levels over a prolonged period of time. There will always be a level of uncertainty associated with interest rates, and if they should shift significantly, this will have a material impact on the financial forecasts as there is a significant existing borrowing in place and on any future borrowing required during the Long Term Plan. Therefore, the impact on the Long Term Plan will be high.

16 Inflation

Assumption	Level of uncertainty	Impact on integrity of the Long Term Plan
Inflation will occur as estimated in the BERL 2023 report for Local Government sector.	High	High

LGCI inflation modelling

Council uses the Local Government Cost Index (LGCI) as its proxy for inflation. The LGCI is specifically based on inputs to Local Government which often creates a higher cost profile than the Consumer Price Index. This is because Local Government has a higher proportion of costs associated with construction and infrastructure which rise at a higher rate than standard inflation due to demand on services and the cost of importing materials.

Based on Council's proposed borrowing profile a 0.1% movement in interest rates will increase or decrease annual interest expense by between $115 K to just over $400 K per annum across the 10-year period of this plan. The impact of this annual change could translate to an indicative rates impact of between 0.2% and 0.3%. Council has a robust Treasury Risk Management Policy in place to actively manage and mitigate this risk.

For this Long Term Plan, we obtained the LGCI figures from the report titled 'Cost adjuster 2023 final update' prepared by BERL in October 2023. We have used the 'consolidated LGCI,' meaning that it encompasses all areas of Council and both capital and operating expenditure to inflate the forecast numbers. The specific inflation percentages used are as follows.

Y1 [24|25]	Y2 [25|26]	Y3 [26|27]	Y4 [27|28]	Y5 [28|29]	Y6 [29|30]	Y7 [30|31]	Y8 [31|32]	Y9 [32|33]	Y10 [33|34]
3.5%	2.7%	2.0%	2.2%	2.2%	2.1%	2.1%	2.0%	2.0%	1.9%

It is difficult for the economists to predict how the economy will track in any climate, and it is likely that these scenarios may prove to be inaccurate. As a result, there is a high level of uncertainty and a high level of impact on the Long Term Plan forecasts if the actual costs indices turn out to be higher or lower than predicted. The area of most significant impact will be in the infrastructure/construction space where high costs which could escalate further pushing up the price of projects and impacting overall works programmes and borrowing repayment amounts. Therefore, the level of uncertainty is high.

17 Capital expenditure (capex)

Assumption	Level of uncertainty	Impact on integrity of the Long Term Plan
The capex programme planned for the 10 years from 2024 – 2034 will be delivered as forecast.	High	High

Past delivery of our capital programme

In recent years actual capital delivery achieved has been less than 50% of the capital delivery budgeted, with significant focus on community based capital projects in recent years, the advent of COVID, contractor availability and inflationary pressures there was a need to rescope and reconsult some of these projects, for example H_2O Xtream. This, has in recent years, resulted in significant Capex carry forwards. In [23|24] the seismic strengthening of Civic building and Te Kupenga o Rongomai projects were completed and H_2O Xtream will be completed in early 2025. Now that the Community projects are largely complete, going forward Council has planned that its investment focus will be on core infrastructure expenditure. Core infrastructure projects will normalise the capital delivery back to a higher completion rate per annum. To mitigate this risk and to better align delivery against capital expenditure programme and budget, Council implemented a range of interventions. These inventions are now well embedded into the operational practices of how Council delivers capital works. However, the infrastructure capital delivery remains an ongoing improvement opportunity. There is always uncertainty with the delivery of capital programme works and always issues that arise and are beyond the control of Council.

Council has completed a significant amount of the capital programme introduced and consulted upon in the last two Long Term Plan's. The 2024 – 2034 capital programme has a focus on the delivery of renewals, levels of service and growth-related infrastructure spend. In addition to Councils internal risk there are always risks that are beyond Councils control. The ability to deliver and resource the capital programme planned for 2024- 2034 Council will be reliant on continuing strong relationships with external contractors and service providers.

Council's response

Council has undertaken a risk assessment based on objective criteria as to the likelihood of Council being able to complete the capital programme as planned. Overall Council has assessed the level of uncertainty as high.

Land transport

In the land transport activity, Waka Kotahi NZ Transport Agency (Waka Kotahi) funding processes can impact on actual delivery timeframes. Some major works have been delayed in the past due to Waka Kotahi business case processes.

Water services infrastructure

For three waters, there is a consistent gap in Wellington Water's ability to deliver capital works programme in any given year. Our response has been to reduce budgets and programmes to what is considered a more achievable level (based on actuals) and based on assessed risks and priorities. All costings of the future capital programme are undertaken by Wellington Water and these costings are independent of the carrying value of Council's water assets shown in the statement of financial position.

Our capital expenditure on wastewater for the Hutt Valley Wastewater Scheme work has been programmed to match Hutt City Council's planning and budgets. Upper Hutt City Council has limited control over the timing and actual delivery of the works as we are a 30% participant in the shared services arrangement.

Financial practice

To ensure that delay in implementation of capital programmes does not unduly impact the ratepayers financially, we have continued the forecasting and financial process to only rate for repayments and interest in the year after the project has commenced. Therefore, the impact on the delivery of the Long Term Plan is high.

18 Operational expenditure (opex)

Assumption	Level of uncertainty	Impact on integrity of the Long Term Plan
Operational expenditure efficiencies are identified, and cost reductions implemented prior to 1 July 2024	Medium	Medium

Operational savings requested by elected members

In developing this Long Term Plan, elected members requested that the Chief Executive find savings. Additional operational savings requests were made over the December 2023 – January 2024 period. These savings are to be operational and achieved without impacting the levels of service. We are also required to ensure that services/activities are delivered more efficiently, whilst maintaining Council's compliance with legislation.

Council's response

The process to achieve these savings commenced in late January 2024. The process is to review the existing organisational operating model—including all systems and processes—to ensure they are fit-for-purpose and that the organisation is as efficient and effective as it can be to deliver Council's plan. Following the review process, a change management process and internal consultation on a new delivery model will be adopted and implemented.

There is a risk that the level of savings requested will not be able to be delivered in the timeframes set or to the quantity requested by Council. There is further risk that the savings do not deliver the efficiencies expected. The project will be monitored by a Council sub-committee and the Executive Leadership Team. To ensure these risks are mitigated, we have built in a level of financial resilience in the forecasting with the provision for rates funding in Year 2 and beyond. After these actions, the impact on the integrity of the Long Term Plan is assessed as medium.

19 Asset revaluation

Assumption	Level of uncertainty	Impact on integrity of the Long Term Plan
Asset revaluation amounts for water services and road assets will be significant different from the amounts included in the Long Term Plan	High	High

Assessing carrying values

It is Council's policy to assess the carrying value of its revalued assets annually to ensure they do not differ materially from the assets' fair value. Revaluations are carried out at least every three years. For further information refer to the general accounting policies (forecasts) in the Long Term Plan financial statements.

Council engaged a valuer to independently value various significant classes of Council assets in accordance with its accounting policies to support the preparation of the Annual report 30 June 2024. The valuation for Water services assets will not be finalised until late-July 2024—after the adoption of the prospective financial statements in the Long Term Plan. The risk is that the asset revaluation differs from the assumptions applied and that the asset values and depreciation charges resulting may differ from those included in the Long Term Plan.

The prospective Financial Statements include estimated revaluations across significant infrastructure classes at rates of:

- Roading assets between 7.3% and 24% based on BERL Local Government Cost Adjusters (roading).
- Water assets range between 7.9% and 12.04% based on BERL Local Government Price indices (CGI pipelines for water, the PPI inputs – water, sewer, drainage, and waste services).

The forecasted opening balances (1 July 2024) for infrastructure assets were valued based on a combination of external advice from the Councils valuers and BERL rates (above).

Any significant movements in the value of assets is highly likely to have an impact on the rates requirement, given the Council is moving towards rate-funding depreciation. The impact on the integrity of the Long Term Plan is assessed as high.

Rautaki Ahumoni
Financial Strategy

Purpose

Legislation

Under the Local Government Act 2002 (LGA), section 101A *"a local authority must as part of its long term plan, prepare and adopt a financial strategy for all of the consecutive financial years covered by the long term plan."*

The Financial Strategy sets the overall financial direction of the Long Term Plan and how we intend to fund both capital expenditure and levels of service. The legislated purpose of this financial strategy is to:

- Facilitate prudent financial management by Council, by providing a guide for Council to consider proposals for funding and expenditure against; and
- Provide a context for consultation on Council's proposals for funding and expenditure by making transparent the overall effects of those proposals on Council's services, rates, debt and investments.

The Financial Strategy must include:

1. A statement of the factors that are expected to have a significant impact on Council including changes in population and land use and the capital and operating costs of these changes.
2. Expected capital expenditure (capex) on infrastructure to maintain existing levels of service.
3. Other significant factors which will affect levels of service and meet additional demands for services.
    - A. Quantified limits on rates increases and borrowings.
    - B. An assessment of ability to maintain levels of service, and to meet additional demands within the rates limits.
    - C. A policy on the giving of securities for borrowing and the objectives for the holding of investments and securities.

Context

Financial stewardship and prudence

The context for this Long Term Plan's Financial Strategy is financial stewardship and prudence. Globally financial volatility continues. This ongoing uncertainty of the financial environment is a primary driver for a desire to implement a conservative approach for our financial strategy.

In developing the Financial Strategy Council has considered:

- Stewardship of the community for today and future generations.
- Delivering the Council's core services to ensure standard of living in the city is maintained and the community's contribution towards this.
- Financial stability and resilience
- Requirement to balance the budget both in year and cumulatively across years within the 10 years of the Long Term Plan.

Strategic considerations and drivers

The following strategic considerations and drivers provide detailed contextual information about specific issues that have fed into the development of this Financial Strategy and Long Term Plan. These will provide background information for the formulation of budgets and should be read in conjunction with the Significant Forecasting Assumptions (page 122) and the Revenue and Financing Policy (page 302).

Growth

Our growth projections for this Long Term Plan are based on the *Wellington Regional Housing and Business Land Capacity Assessment* (HBA). In April 2021, Sense Partners issued a report called *Demographic and dwelling forecasts for the Wellington region.* This report was used to inform the HBA 2023. The report by Sense Partners indicates that there is expected to be strong population growth over the next 30 years in Wellington, and in Upper Hutt specifically, we can expect to see growth of 1.3% per annum between 2024 and 2034.

The HBA indicates population growth in Upper Hutt of between 30 to 34% (based on census population in 2024 of 49,400) to 2047 (details in the Significant Forecasting Assumptions). Residential dwellings are expected to increase by 7,900 between 2021 and 2051. There were 19,317 residential dwellings in 2021 so that is an approximate increase of 29%.

Impacts

The significant growth predicted in Upper Hutt will impact on the Infrastructure Strategy which in turn will impact the financial requirements of Council. Council will need to be prepared for increased capital expenditure and ongoing maintenance associated with additional infrastructure, over and above development contributions.

Money has been set aside to prepare growth assessments in the first 3 years as the full extent of the infrastructure requirement is not yet known. At this stage, we estimate that investment of $524.3 M will be required to support growth and demand of the city for the next 30 years. This estimate has come from our Infrastructure Strategy (page 171).

Investment will be required in the areas of water supply, traffic, parking, public transport, and open space. As examples, significant capital expenditure detailed in the Infrastructure Strategy relating to growth are the Silverstream Bridge replacement, and the development of the Fergusson/Ward/Whakatiki intersections.

This Financial Strategy is not a standalone document, it should be read in conjunction with the Infrastructure Strategy.

Water services

In February 2024 the New Zealand Government passed new legislation by Royal Assent to repeal the previous water reform model as part of their initial '100-day plan.'

The Government's new approach to water services delivery, *Local Water Done Well,* recognises the importance of local decision-making and flexibility for communities and councils to determine how their water services will be delivered in the future, while still retaining a strong emphasis on water quality and infrastructure investment. It does not require the establishment or transition to new water services entities but may have elements of different or increased regional collaboration models. It is not expected to include a fundamental change to the current funding of water services by local councils.

Taumata Arowai, the Water Services Regulator established in 2021, now provides oversight and enforcement of a new drinking water regulatory framework, with additional oversight for wastewater and stormwater networks. As a result, levels of service for three waters may be standardised regionally or nationally or other regulatory improvements introduced.

For the purposes of the preparation of this Long Term Plan, we have assumed that the ownership and control of three waters assets will remain with Council for the next 10 years. Asset management plans and debt forecasts have been calculated on this assumption. In addition, we have separately identified the capital and operating costs for wastewater under the Hutt Valley Shared Services agreement between Upper Hutt City Council and Hutt City Council. Due to the material nature and legal requirements of this agreement, we consider this the most prudent approach at this stage.

Infrastructure Strategy

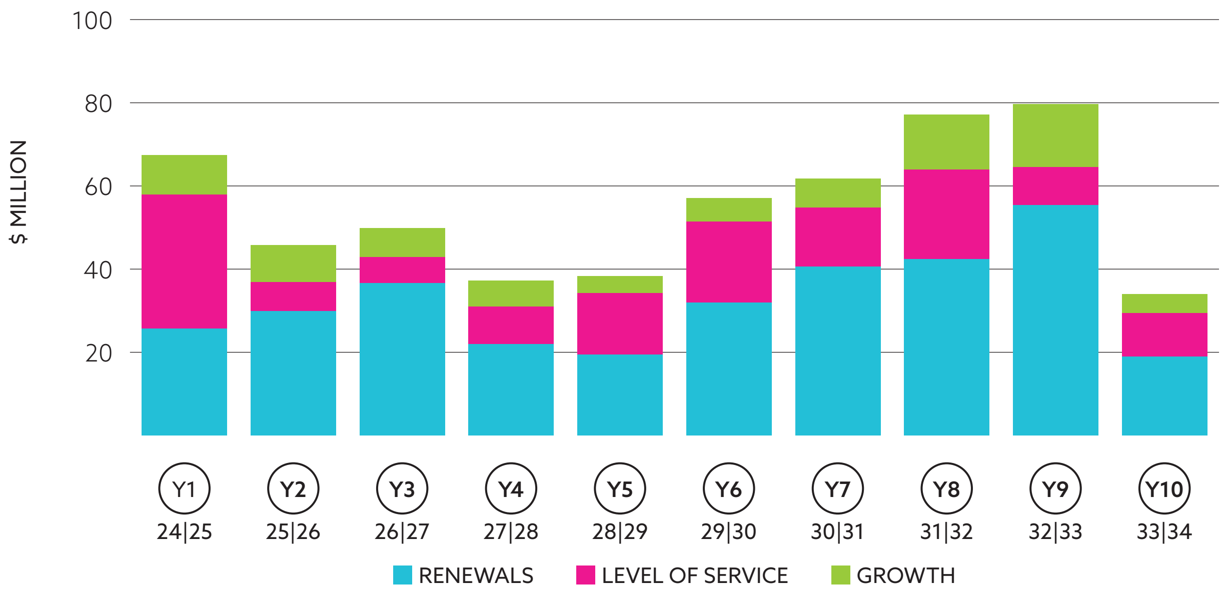
The Infrastructure Strategy assists Council to take a long-term view of the city's infrastructure needs. The Infrastructure Strategy and Financial Strategy work together to provide the desired outcomes to maintain levels of service and ensure adequate investment where required. There is cross-over between the two strategies and the external factors that have influenced the development of the Infrastructure Strategy are:

- Financial stewardship
- Three waters services
- A growing urban environment
- Adapting to a changing climate and building resilience
- Central government funding

The Infrastructure Strategy has focused on the Council's three challenges of maintaining existing assets, meeting changing expectations, and supporting growth and demand. The purpose of the Financial Strategy in a large part is to ensure that the Infrastructure Strategy can be carried out, by ensuring there is adequate financial resourcing through various funding mechanisms to ensure that the infrastructure goals can be achieved whilst remaining financially prudent.

The Infrastructure Strategy has resulted in a capital plan which has increased markedly from the Long Term Plan 2021 – 2031. Wellington Water Ltd and Council have been building capacity and capability over the last few years to improve delivery performance. The significant increase in the capital programme, particularly in water services, carries a level of uncertainty and there are risks associated with this. Any delays to our programme may result in not meeting planned levels of service which will impact our community and/or result in greater costs in the long term. The revised capex profile for this Long Term Plan is illustrated in the following graph.

CAPITAL EXPENDITURE (CAPEX) BY RENEWALS, LEVELS OF SERVICE, AND GROWTH



Hutt Valley Wastewater Scheme (HVWS)

Under the Hutt Valley Drainage Act 1967 a drainage district was established comprising both Lower Hutt (including Petone and Eastbourne) and Upper Hutt. A drainage board was required under the Act to be responsible for the drainage district. The purpose of the board was to provide for the disposal of sewage from the district and maintain the bulk water system that ran through the district.

In 1989 the reorganisation of Local Government transferred both the functions of the Hutt Valley Drainage Board and the asset ownership on a proportional basis to the Hutt City Council and Upper Hutt City Council. The Hutt Valley Services Committee has been set up between Upper Hutt City Council and Hutt City Council to oversee all shared services between the two councils including the Hutt Valley Wastewater Scheme. The Wastewater scheme refers to the Trunk Wastewater Network (including a large holding tank at Silverstream) and the treatment plant located in Seaview. Upper Hutt Council pays an annual levy to Hutt City Council (through Wellington Water), who have the administrative responsibility for the Wastewater system.

The above arrangement is based on an apportionment formula which ranges between 26% to 33% for the use of the network. For the purpose of this Long Term Plan, Upper Hutt City Council's contribution is 30%. Funding for the scheme is provided by both Hutt Valley councils. Financial budgets for the scheme are set by Hutt City Council as part of the administrative ownership. Upper Hutt is required then to provide funding for this capital expenditure. This makes Upper Hutt City Council a 'price taker' and required to provide budgets in the Long term Plan in line with Hutt City Council's forecasts. On this basis the total operating expenditure is $44.75 M and total Capital expenditure is $172.19 M over the 10 years of the Long Term Plan. Below is a breakdown over the 10 years, of the capital and operating forecasts for this wastewater scheme that have been included in our Long Term Plan.

	Y1 [24|25]	Y2 [25|26]	Y3 [26|27]	Y4 [27|28]	Y5 [28|29]	Y6 [29|30]	Y7 [30|31]	Y8 [31|32]	Y9 [32|33]	Y10 [33|34]
Operating expenditure ($M)	3.99	4.14	4.25	4.36	4.49	4.62	4.57	4.67	4.77	4.89
Capital expenditure ($M)	9.81	17.99	23.97	11.60	9.35	15.85	25.00	21.55	33.11	3.96

Service level changes

Council has scrutinised its spending and have considered all the different ways it can reduce operational costs. To develop this plan Council have reviewed and reduced its budgets where possible. Concurrently Council have reprogrammed some capital projects and investment to make the financial impact more affordable.

One of the ways Council proposes to achieve its financial stewardship priority, is to contain costs in core activities and reduce costs in some non-core activities.

Council is proposing to make the following targeted funding changes to five activity areas:

- Activation
- Economic development
- City marketing and events
- Community development
- Sustainability initiatives and projects

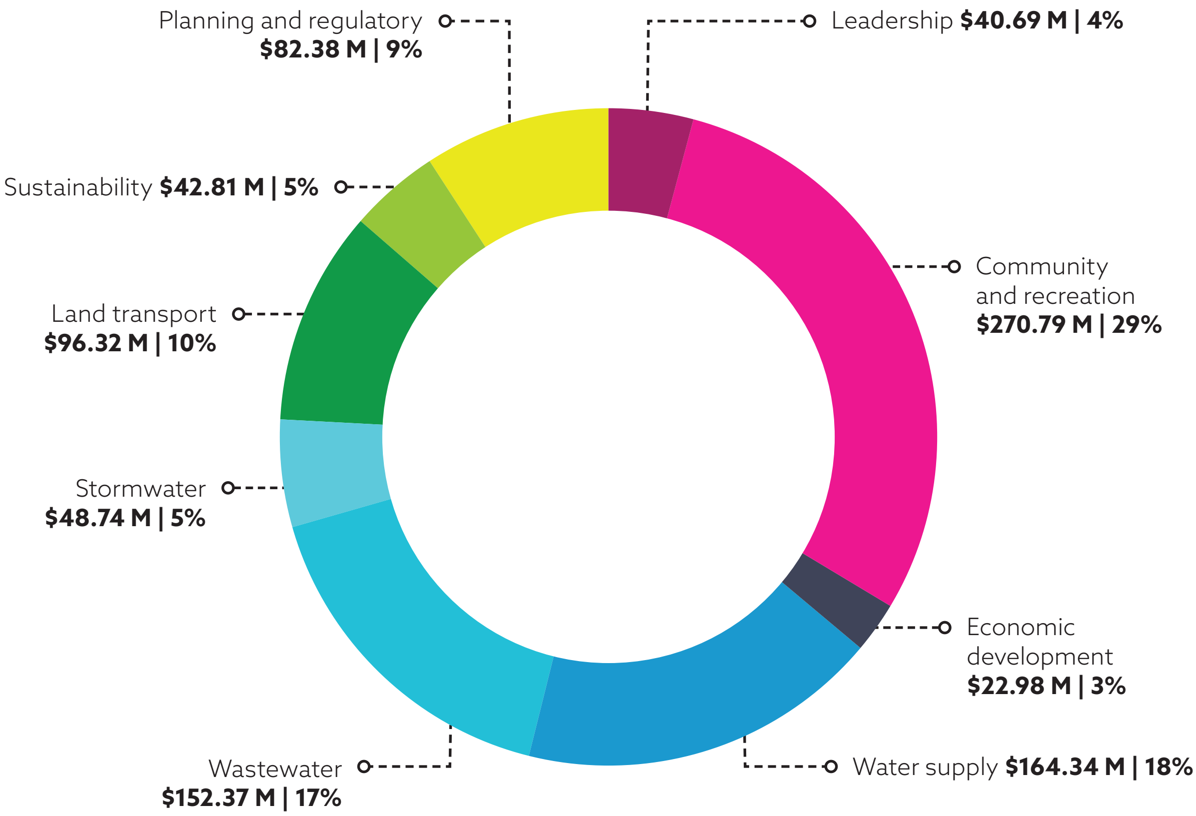
For the majority of these activities, Council has been doing and delivering a large amount of initiatives and projects ourselves. The proposed change in the scale of activity and role will shift to being one of enabling, advising, connecting, and collaborating which achieves some operational savings.

This core activity focus also includes removing a number of contestable grants which have not been budgeted for in the plan.

Fiscal prudence

The graph below shows the total operating expenditure by activity group over the 10 years of this Long Term Plan.

Total operating expenditure by activity



Council aims to balance asset management plan requirements, debt headroom, and rates affordability in developing a fiscally prudent approach. The aim is to strike the right balance between current rates affordability whilst not imposing deferred cost on future generations.

This Financial Strategy considers and discusses the increased debt headroom that may be required for current and future resilience risk, to fund unforeseen shocks. Debt headroom will enable access to funds in the event of earthquake damage or increasingly likely weather-related events.

The level of investment recommended by Wellington Water Limited (WWL) was an additional $363 M (inflated) over and above the amount proposed in the 10 years of this Long Term Plan, Funding the additional $363 M would see borrowing limits exceeded and add stress to rates affordability.

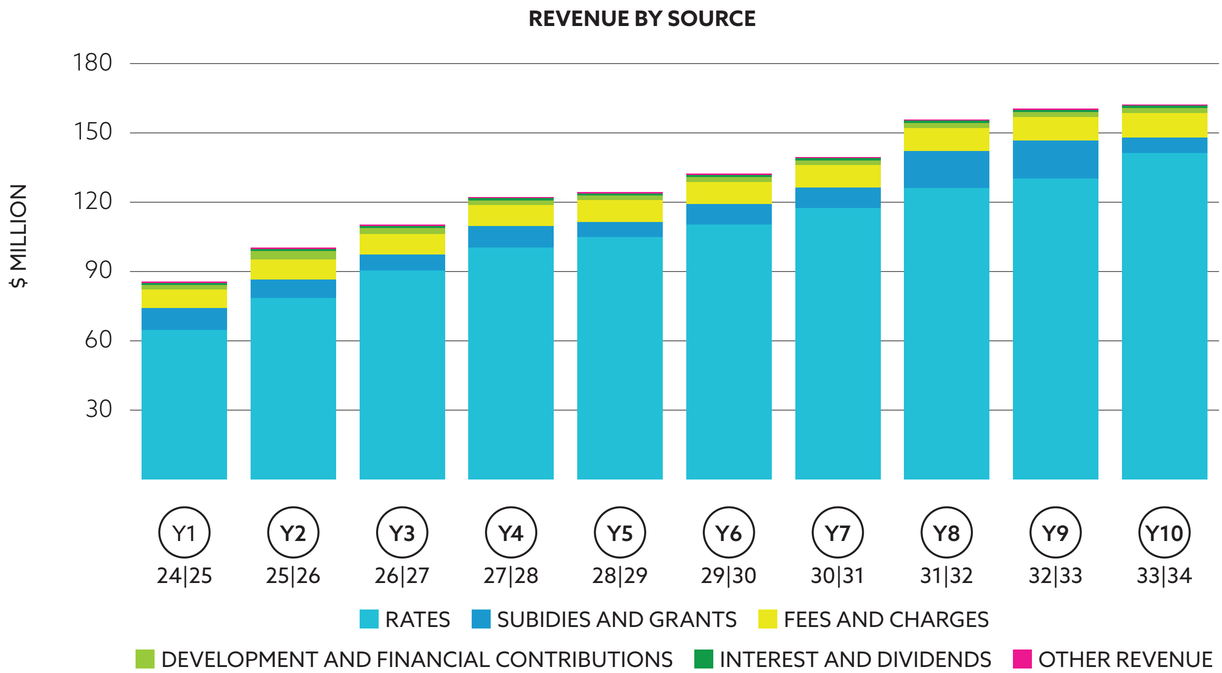
In balancing the affordability of rates, the legislative requirement for financial prudence, and the fiscal environment we have taken a constrained view of capital expenditure for the 10-year period. Council has done all we can (for example, moving to fully rate-funding depreciation), however there is future uncertainty, as infrastructure expenditure beyond Year 10 may create financial infrastructure challenges for ratepayers. Annually as part of the Annual Plan development Council will review the affordability of the level of rate funding of depreciation.

There are constraining factors when funding any Infrastructure Strategy. Taking the current funding mechanisms into account (including ratepayer affordability) results in the first 10 years of funding applied in the Infrastructure Strategy being constrained. The constraining factors of funding and affordability are yet to be fully applied to the investment required in Years 11 – 30 of the Infrastructure Strategy. It is most likely that when the constraining factors are applied it will highlight the significant funding gap currently facing Council.

Applying these current funding mechanisms available to Council and the current unconstrained forecasted expenditure from Year 11 onwards means it is highly unlikely Council would be able to fund this significant gap either via debt or rates. In order to deliver the unconstrained level of investment projected from Years 11 – 30, new funding mechanisms will highly likely be required. From Year 11 onwards, this creates significant uncertainty as to the level of rates, debt, and levels of service. To mitigate this, Council will continue to improve its assets' condition information to assist future investment decisions and is working across the wider region on the government's *Local Water Done Well* policy.

Revenue

Council is largely dependent on rates as a primary source of income as we do not have significant income generating investments or assets, such as property, that generate large sums of rental income. This means there is limited scope to reduce the impact on rates through other sources of revenue. However we have reviewed our Revenue and Financing Policy (page 302) as part of the development of this Long Term Plan, and Council has determined that the revised funding structure is the most appropriate.



Rates

Increasing rates requirement

In the first two years of this Long Term Plan, rate increases of 19.93% and 19.94% net of growth are forecasted. For Year 3, the forecasted increase is 13.63% and from year 4 onwards, the increases are in the range of 1.82% to 9.78% net of growth. Growth for rating purposes is forecasted at 1.5% per annum. Over the ten years of the Long Term Plan the average per annum increase is 8.96%.

These increases can be categorised into two areas:

- Financing of assets and funding of the capital programme
- Price changes

Financing of assets and funding of the capital programme

Investment in community assets

In Long Term Plans 2018 – 2028 and 2021 – 2031 a significant capital investment in community assets was committed to and endorsed by the community. These significant capital investments were funded through debt (the LTP 2021 – 2031 had these projects funded through debt and reserves). The majority of these projects have been completed or will be completed in the first year of this Long Term Plan.

Depreciation

In developing this Long Term Plan, Council has agreed to move to funding depreciation through rates and—while depreciation reserves are being established—to also rate-fund both principal and loan repayments. Funding depreciation and interest through rates aligns with the objective of intergenerational equity. This means that today's ratepayers pay their share of the amount of Council's assets that they consume, and the interest costs reflect the financing over time of these assets. In previous Long Term Plans, depreciation was not rate-funded. In the Long Term Plan 2021 – 2031, debt was raised to fund asset renewals.

Repayment of this debt will occur over the 10 years of this Long Term Plan. With the rate-funding of depreciation over time, reserves will be established to fund future renewals and to repay debt. Until sufficient reserve renewals have been established, principal repayments will also be rate-funded.

This additional rate funding is required during these earlier years to provide fiscal prudence. Rating for principal repayments while reserves are being established for renewals provides financial stability and resilience. The capex profile in the graph on page 151 shows that our year-by-year capital expenditure programme fluctuates. Funding levels for the capital programme must be in place to respond to this. The depreciation reserve will be a funding source for the renewals of the capital programme.

Over the 10 years the balance of the depreciation reserve will grow, however in responding to the timing of the capital programme the depreciation reserve balances within individual years will fluctuate. The growth of the depreciation is not planned as a linear growth path. Debt funding of renewals will continue over the Long Term Plan, however the use of debt to fund renewals decreases over the life of this plan, as one of the objectives is that in the long term no renewals will be debt funded.

Price changes

Inflation

Like all organisations, Council has been impacted by the change in the economic environment that has driven costs up. The CPI[37] inflation rate has increased from 1.5% (March 2021) to 4.0% (March 2024), this compounded year on year. Above the general inflationary pressure, Council has seen the major movements in costs, in the following:

- **Interest costs (average cost of money)**—4.86% in 2024 compared to 3.00% in 2021.
- **Bulk water levy**—increase of 89% in 2024 against 2021.
- **Insurance**—increase of 127% in 2024 against 2021.
- **Audit costs**—increase of 56% in 2024 against 2021.

37 CPI: Cost price index.

Rates increases

Annual percentage increases in rates

The proposed annual rates increases (in percentage) over the Long Term Plan are shown in the table below. Council has factored in forecast growth in rateable properties in ascertaining the rates increase impact for ratepayers. Council has estimated that the growth in the city's rating database will be 1.5% per year for the next 10 years. This is in line with the growth forecasts for our city—further detailed in the Significant Forecasting Assumptions (page 122). It also lines up with historical trends.

Limits on rates increases

Council will limit rates percentage increases to no more than 21.5% per year (20% net of growth) for the first 2 years of this Long Term Plan, 15.5% for years 3 and 4 (14% net of growth) and 8.5% (7% net of growth) from years 5 to 10, assuming there are no significant service level increases introduced. Council believes that this reflects the priorities of this Long Term Plan, in that it aligns with the creation of future financial sustainability and resilience.

	Y1 [24|25]	Y2 [25|26]	Y3 [26|27]	Y4 [27|28]	Y5 [28|29]	Y6 [29|30]	Y7 [30|31]	Y8 [31|32]	Y9 [32|33]	Y10 [33|34]
Proposed gross rates increase (%)	21.43	21.44	15.13	11.28	4.50	5.10	6.65	7.34	3.32	8.44
Growth through increase in rateable properties (%)	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5
Proposed rates increase net of growth (%)	**19.93**	**19.94**	**13.63**	**9.78**	**3.00**	**3.60**	**5.15**	**5.84**	**1.82**	**6.94**

Balanced budget

Our objective

Over the 10 years of this Long Term Plan, Council's objective is to balance the budget both in-year and cumulatively across years. LGA Section 100 requires local authorities to set revenue at a sufficient level to meet operating expenses **unless it is financially prudent not to.** For the last two Long Term Plans, Council agreed that it was financially prudent **not** to have a balanced budget due to the significant investment in assets. After ensuring liquidity benchmarks were met, and debt limits were not exceeded, we had prioritised rates affordability.

Over the last 6 years, along with core infrastructure renewals, we've completed a significant investment in community assets. Our focus for this Long Term Plan is core business and financial resilience. Taking this into account, for this Long Term Plan, we're committed to achieve a balanced budget.

Timing

Council will achieve an in-year balanced budget from Year 6 [29|30] of the Long Term Plan, and consistently maintain an in-year balanced budget for the four years after.

To achieve a balanced budget over the 10 years of the Long Term Plan, we're moving to fully rate-fund depreciation for community assets, non-subsidised roading assets, and water assets. [38]

For subsidised roading assets, depreciation will be funded net of the Waka Kotahi NZ Transport Agency's funding assistance rate (FAR). The FAR used for the Long Term Plan 2024 – 2034 is 51%, therefore rates will only fund 49% of depreciation.

The following table shows the percentage of depreciation which will be funded each year. It will take 5 years to fully rate-fund depreciation for community assets and roading assets (net of FAR) and 10 years to fully rate-fund water assets.

	Y1 [24|25]	Y2 [25|26]	Y3 [26|27]	Y4 [27|28]	Y5 [28|29]	Y6 [29|30]	Y7 [30|31]	Y8 [31|32]	Y9 [32|33]	Y10 [33|34]
Community assets	20%	40%	60%	80%	100%	100%	100%	100%	100%	100%
Subsidised roading assets	9.8%	19.6%	29.4%	39.2%	49%	49%	49%	49%	49%	49%
Non-subsidised roading assets	20%	40%	60%	80%	100%	100%	100%	100%	100%	100%
Water services assets						20%	40%	60%	80%	100%
Wastewater under HVWS						20%	40%	60%	80%	100%

Principal repayments

While Council progresses toward fully rate-funding depreciation, in order to meet our debt obligations, and to retain our required liquidity ratio, principal repayments will also be rate funded.

As the rating for depreciation increases, the rating for principal repayments will reduce for both community assets and roading assets. Water assets principal repayments will be rate-funded throughout the 10 years of this Long Term Plan.

The exception to this approach is in Years 9 and 10 for the Hutt Valley Wastewater Scheme (HVWS) assets under the Hutt Valley Shared Services Agreement due to rates affordability. This exception is to ensure Council has sufficient funds to allocate toward water renewals. In Years 9 and 10, due to rates affordability, the principal repayments for the HVWS are forecasted to be 100% funded from reserves.

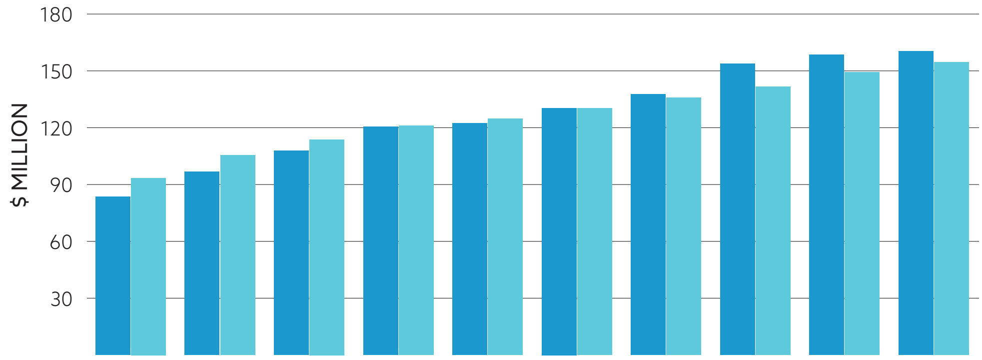
Rating for principal repayments is illustrated in the following table.

38 As part of the Annual Plan development process, Council will review the affordability of the level of rate funding for depreciation.

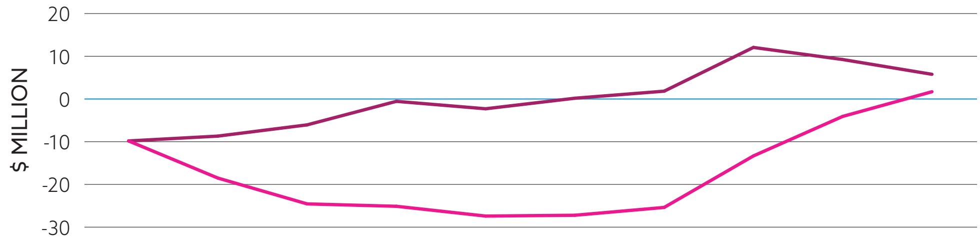
	Y1 [24/25]	Y2 [25/26]	Y3 [26/27]	Y4 [27/28]	Y5 [28/29]	Y6 [29/30]	Y7 [30/31]	Y8 [31/32]	Y9 [32/33]	Y10 [33/34]
Community assets	100%	100%	100%	100%	80%	60%	40%	20%		
Subsidised roading assets	100%	100%	100%	100%	80%	60%	40%	20%		
Non-subsidised roading assets	100%	100%	100%	100%	80%	60%	40%	20%		
Water services assets	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Wastewater under HVWS	100%	100%	100%	100%	100%	100%	100%	100%		

Operating revenue and expenditure

The following graphs and table illustrate the ratio of operating expenditure to operating revenue by year and cumulatively across years.



	Y1 [24/25]	Y2 [25/26]	Y3 [26/27]	Y4 [27/28]	Y5 [28/29]	Y6 [29/30]	Y7 [30/31]	Y8 [31/32]	Y9 [32/33]	Y10 [33/34]
Operating revenue[39] ($M)	83.6	96.7	107.7	120.4	122.4	130.4	137.6	153.8	158.5	160.2
Operating expenditure ($M)	93.5	105.4	113.8	120.9	124.7	130.2	135.8	141.7	149.2	154.5



Revenue/ expenditure (%)	89.5	91.8	94.7	99.5	98.2	**100.1**	**101.3**	**108.5**	**106.2**	**103.7**
Cumulative revenue/ expenditure (%)	89.5	90.7	92.1	94.2	95.1	96.0	96.9	98.6	99.6	100.1

39 For the purposes of the balanced budget benchmark—as per the Local Government (Financial Reporting and Prudence) Regulations 2014—'operating revenue' excludes development contributions, financial contributions, vested assets, gains on derivative financial instruments, and revaluations of property, plant or equipment.

Debt

Recent history and our capital programme

Historically Council has maintained a low level of debt. In Long Term Plans 2018 – 2028 and 2021 – 2031 Council, after consultation with the community, committed to a significant capital programme. This programme included seismic strengthening of the Civic Centre, upgrading of H_2O Xtream, the Te Kupenga o Rongomai - Maidstone Community Sports Hub (partially grant funded), Whirinaki and other capital assets. The collective cost of these assets, net of grants, was $87 M. Council has also over the period from 1 July 2018 to 30 June 2024 significantly increased its investment in Three Waters by a forecasted $66 M. This major investment in assets for the wellbeing of the community was predominantly funded through debt. This resulted in the net debt profile of Council growing from $35.5 M at 1 July 2018, 56% of net revenue to a forecasted closing position at 30 June 2024 of $158.1 M, 213% of net revenue.

Going forward

As previously discussed, the priority of Council through this Long Term Plan is to provide financial stewardship, stability and resilience for ratepayers and the organisation. This includes ensuring the debt burden of Council is sustainable over time and that today's costs are not passed to future generations of ratepayers.

Our credit rating

In November 2021, Council obtained a S&P credit rating of 'A+' which was reconfirmed in November 2023. This rating enables Council, through the Local Government Funding Agency (LGFA), to have a borrowing limit of 280% of net revenue, and lower interest rates reflecting the lower risk profile of Council.

In February 2024, S&P advised that they had revised the trend of their institutional framework assessment for New Zealand local councils from stable to weakening. This has resulted in the Council's credit rating outlook being downgraded from 'A+ stable' to 'A+ negative.'

S&P advised that:

> *"We could revise our rating outlook on Upper Hutt to stable if the New Zealand local government sector's overall commitment to strong finances improves.*
>
> *We could also revise the outlook to stable if Upper Hutt's budgetary performance is materially better that we presently expect. This could ease downward pressure on the council's liquidity metrics and lower its debt trajectory."*

In developing this Long Term Plan, we've focused on achieving a balanced budgeted both in-year and cumulatively across the 10 years of the plan. We believe that this change in focus addresses the issues raised by S&P in relation to budgetary performance, its flow on impact to liquidity metrics, and debt trajectory.

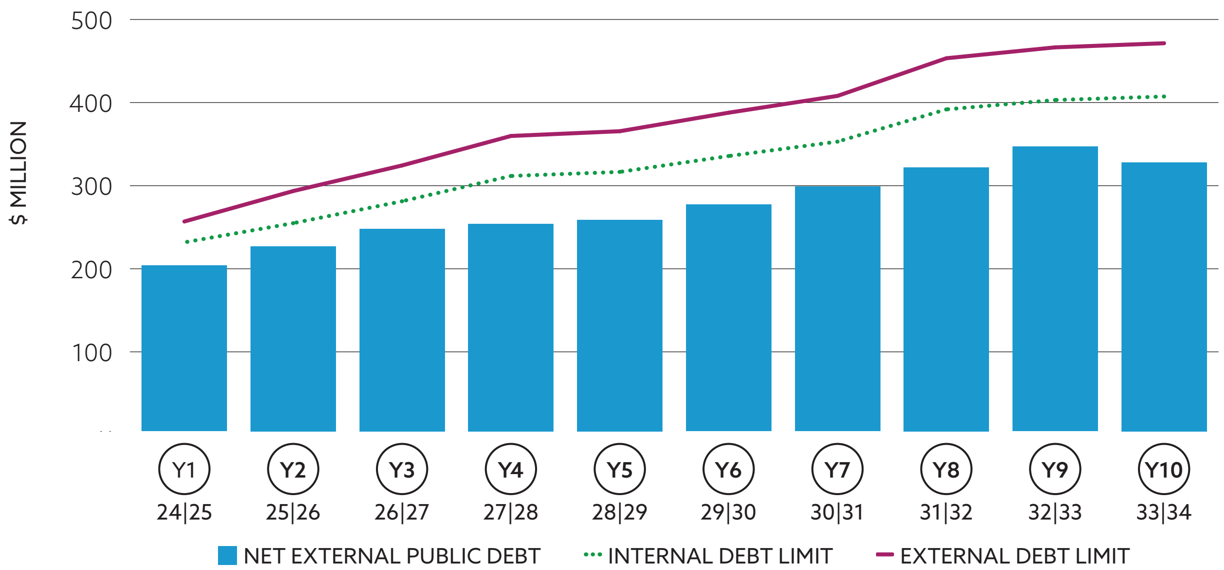
Our debt trajectory and limits

Through this Long Term Plan we're forecasting debt to peak at 244% of net revenue in Year 1, dropping to 205% of net revenue in year 10. Council is committed to a downward debt trajectory, maintaining internal debt limits at a maximum of 250% of net revenue in Year 1, and 240% of net revenue from Year 2 onwards.

Staying under the 280% LGFA debt cap provides Council with headroom to absorb unexpected financial shocks and to provide self-insurance capacity. These borrowing limits are reflected in Council's Treasury Risk Management Policy.

Council has a high level of confidence, that the assumptions and forecast in this Long Term Plan will enable the Council to return its credit rating to stable and maintain access to debt when required. Below is the debt forecast and debt limits for the ten years of this Long Term Plan.

DEBT LEVELS AGAINST DEBT LIMITS



Borrowing limits

Consistent with Council's direction that the levels of external debt remain prudent, reflect intergenerational stewardship, and are affordable for the ratepayers, Council will adhere to the following borrowing limits:

- Net external debt will not exceed 280% of total revenue. Council will operate an internal debt cap of 250% in year 1 then 240% from year 2 onwards to provide financial resilience and self-insurance for external shocks and unexpected events.
- Net interest will not exceed 15% of total revenue.
- Net interest will not exceed 17.5% of annual rates income.
- Liquidity (as defined in the policy) will exceed 110%.

The following table shows how Council is within these limits for 2024 – 2034.

	Y1 [24|25]	Y2 [25|26]	Y3 [26|27]	Y4 [27|28]	Y5 [28|29]	Y6 [29|30]	Y7 [30|31]	Y8 [31|32]	Y9 [32|33]	Y10 [33|34]
Net debt/ total revenue (%)	244	235	230	211	212	213	217	209	219	205
Net interest/ total revenue (%)	8.8	10.8	10.7	10.7	10.9	10.7	11.1	10.8	11.5	12.1
Net interest/ annual rates income (%)	11.4	13.4	12.8	12.8	12.8	12.7	13.0	13.1	14.0	13.7
Liquidity (%)	113	111	112	113	116	117	117	118	117	120

Council's borrowings are managed through its Treasury Risk Management Policy which includes the borrowing limits and parameters on managing credit risk, counter-party credit risk, and interest rate risk.

Investments

Council's excess funds are held in low-risk investments, mainly term deposits, until the funds are required and in accordance with the Treasury Risk Management Policy.

Council currently holds three share investments, and these are not held to provide financial returns, but rather for strategic purposes. Council does not have any current intention to hold and manage any additional financial investment or equity securities. For these reasons Council has not set a targeted return on equity.

Securities for borrowing

Council has secured its long-term debt by issuing security stock, under its Debenture Trust Deed, to the organisations who have lent money to it. This security stock gives these organisations the ability to have a special rate struck to repay monies owed to them, in the event that Council defaults on an interest payment or principal repayment. It is the intention of Council to continue to secure its long-term debt in this way.

In 2014, Council became a guaranteeing member of LGFA and has subsequently borrowed funds through the Agency. This will continue.

Financial position

The culmination of all of the considerations in this Financial Strategy result in a robust financial position throughout the life of the Long Term Plan as summarised in this table:

ANNUAL PLAN [23|24]		Y1 [24|25]	Y2 [25|26]	Y3 [26|27]	Y4 [27|28]	Y5 [28|29]	Y6 [29|30]	Y7 [30|31]	Y8 [31|32]	Y9 [32|33]	Y10 [33|34]
1,158	Assets ($M)	1,347	1,395	1,531	1,549	1,588	1,732	1,767	1,843	1,977	1,981
188	Liabilities ($M)	240	262	289	301	314	340	367	402	425	417
971	**Equity ($M)**	**1,107**	**1,133**	**1,242**	**1,248**	**1,274**	**1,392**	**1,400**	**1,441**	**1,552**	**1,564**

Equity

Council's equity will grow by $593 M over the course of the Long Term Plan compared to the Annual Plan [23|24]. This reflects our decision to move to a balanced budget over the 10 years of the Long Term Plan, supporting our objective of intergenerational equity and good financial stewardship. Council achieves this by moving from debt-funding renewals to rating for depreciation and initially rating for principal repayments until sufficient depreciation reserves are available.

Ngā paerewa
Benchmarks

The following benchmarks serve as Council's Long Term Plan disclosure statement for period commencing 1 July 2024. Council is required to include this statement in its Long Term Plan in accordance with the Local Government (Financial Reporting and Prudence) Regulations Act 2014. Refer to the regulations for more information—including definitions of some of the terms used.

The purpose of this statement is to disclose Council's planned financial performance in relation to various benchmarks to enable the assessment of whether Council is prudently managing its revenue, expenses, assets, liabilities, and general financial dealings.

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Projected benchmark results for Year 1

The following table shows the benchmarks, targets, and projected results for Year 1 [24|25] of the Long Term Plan 2024 – 2034.

Benchmarks	**Quantified limit/target**	**Planned**	**Met**
Rates affordability benchmark			
Income ($M)	$64.66 M	$64.33 M	Yes
Increase (%)	21.5%	21.4%	Yes
Debt affordability benchmark			
Net interest expense over total revenue will not exceed 15%	≤ 15%	8.8%	Yes
Net external public debt will not exceed 280% of total revenue	≤ 280%	244%	Yes
Net interest/annual rates revenue will not exceed 17.5%	≤ 17.5%	11.4%	Yes
Liquidity ([external, term debt + committed funds + available liquid investment]/[existing external debt]) will exceed 110%	> 110%	113%	Yes
Balanced budget benchmark	≥ 100%	89.5%	No
Essential services benchmark	≥ 100%	207%	Yes
Debt servicing benchmark	≤ 15%	11.3%	Yes

The following content illustrates how we are projecting to meet our benchmarks over the 10 years of the Long Term Plan 2024 – 2034.

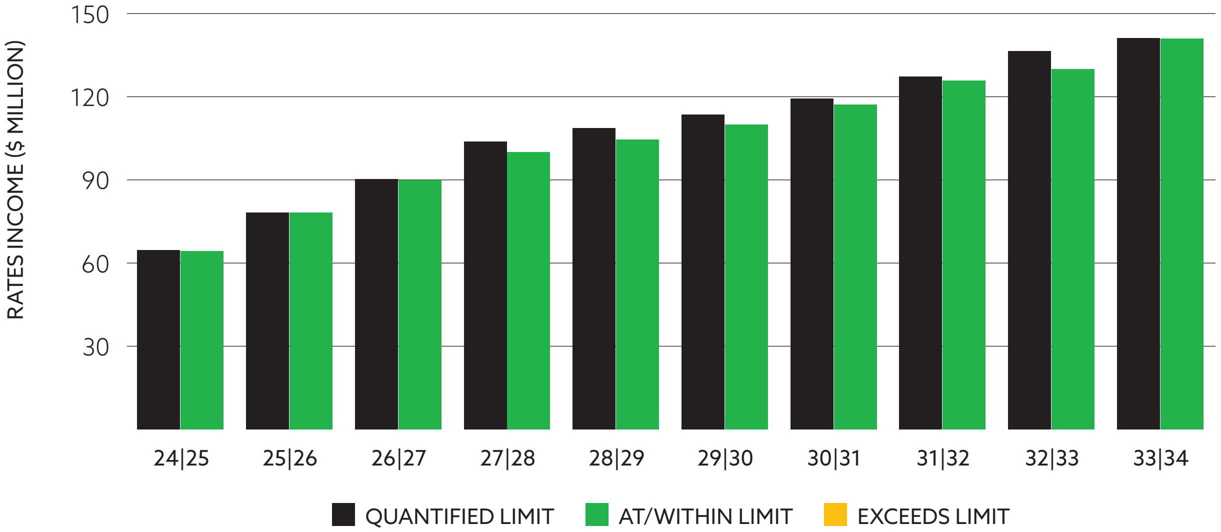
Rates affordability

Council meets the rates affordability benchmark if its planned rates income equals or is less than the previous year's rates plus:

- For years 1 – 2: an annual average 20% increase (plus an allowance for growth at 1.5%).
- For years 3 – 4: an annual average 14% increase (plus an allowance for growth at 1.5%).
- For years 5 – 10: an annual average 7% increase (plus an allowance for growth at 1.5%).

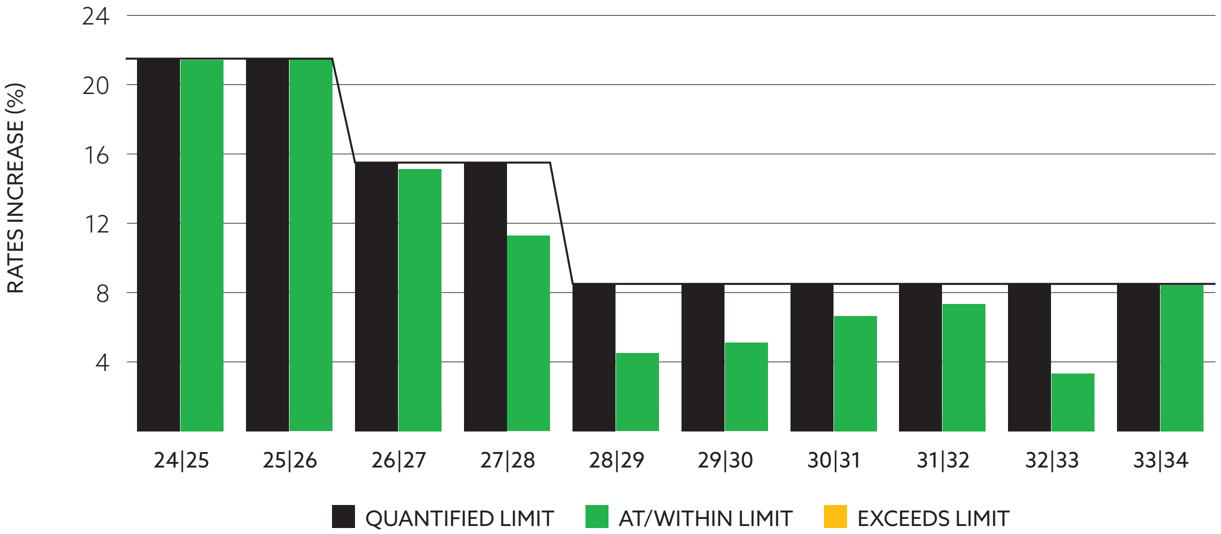
Rates (income) affordability

The following graph compares Council's planned rates income with the above quantified limits on rates increases contained in the Financial Strategy within this LTP.



Rates (increase) affordability

The following graph compares Council's planned rates increases with the above quantified limits on rates increases contained in the Financial Strategy within this LTP.



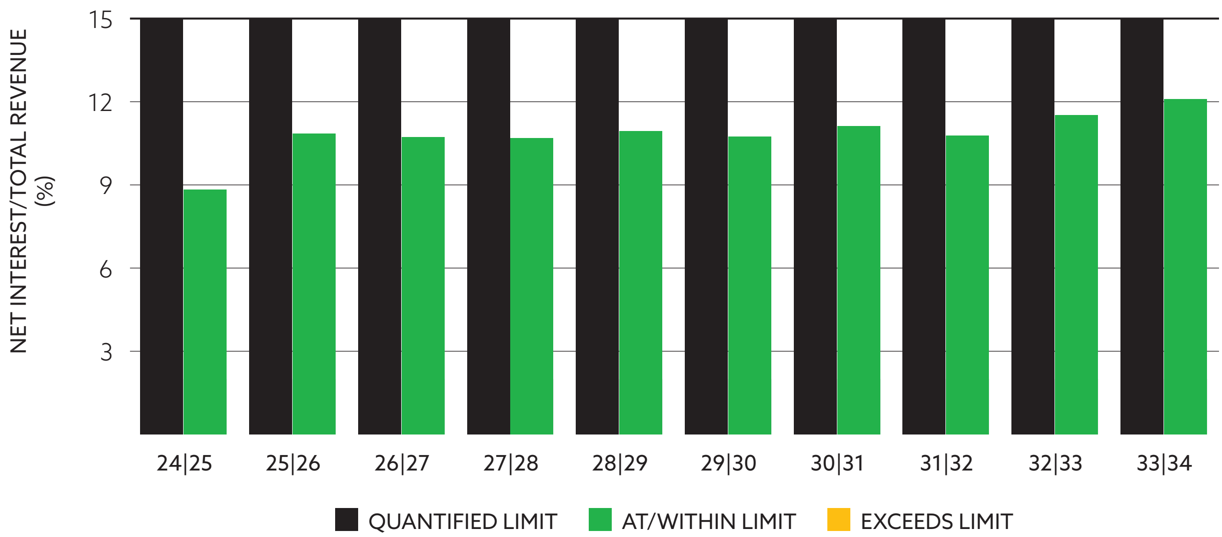
Debt affordability

Council meets the debt affordability benchmark if its planned borrowing is within each quantified limit on borrowing. The following limits on borrowing are:

- Net interest over total revenue will not exceed 15%.
- Net debt over total revenue will not exceed 280% of total revenue.
- Net interest over annual rates income will not exceed 17.5%.
- Liquidity [external term debt + committed loan facilities + available liquid investment] / [existing external debt] will exceed 110%.

Net interest over total revenue will not exceed 15%

The following graph compares Council's planned borrowing with a quantified limit on net interest over total revenue contained in the Financial Strategy included in this LTP. The quantified limit is net interest expense will not exceed 15% of total revenue.

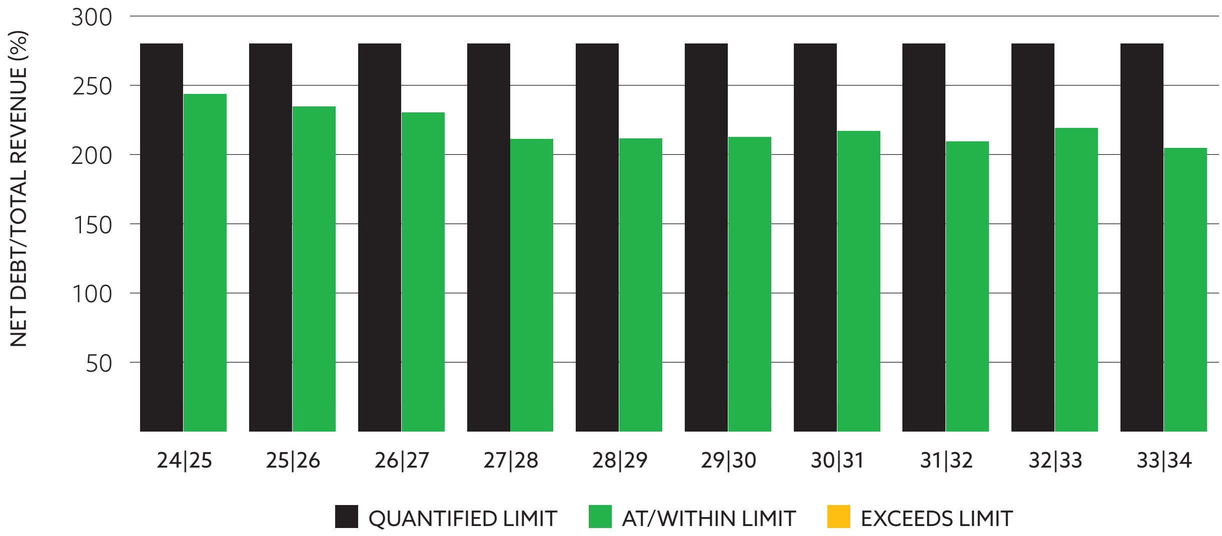


Net debt will not exceed 280% of total revenue

The following graph compares Council's planned borrowing with a quantified limit on net public debt to total revenue contained in the Financial Strategy included in this Long Term Plan.

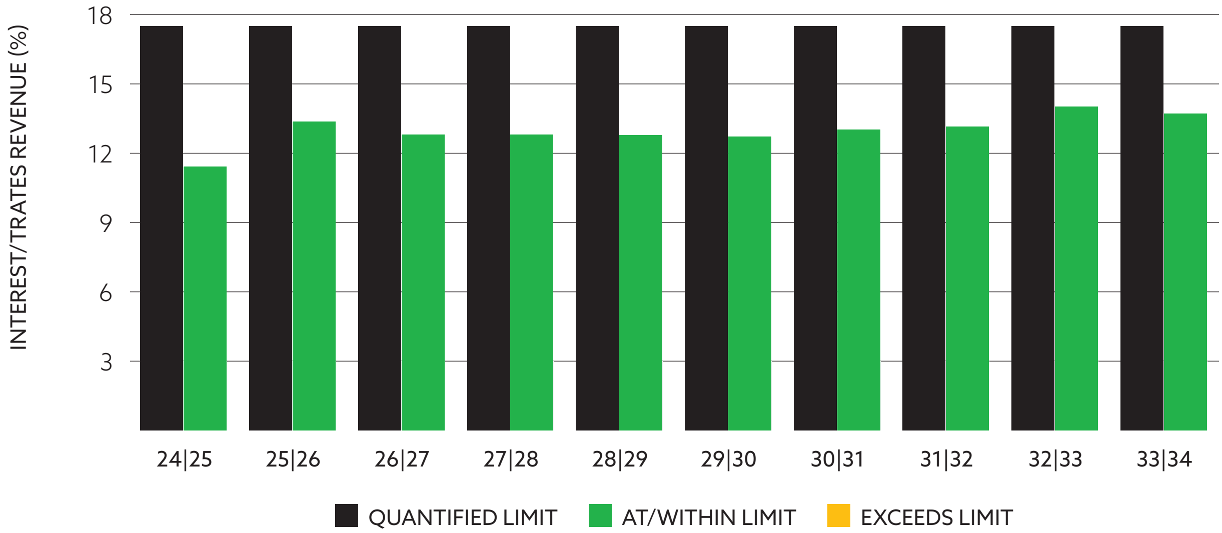
Council is able to set its own debt ratio parameters however it is also required to comply with ratios set by the Local Government Funding Agency (LGFA), the primary source of loan funding for Council.

The quantified limit is net external public debt will not exceed 280% of total revenue. For more information on our debt limits, refer to our Financial Strategy (page 146)



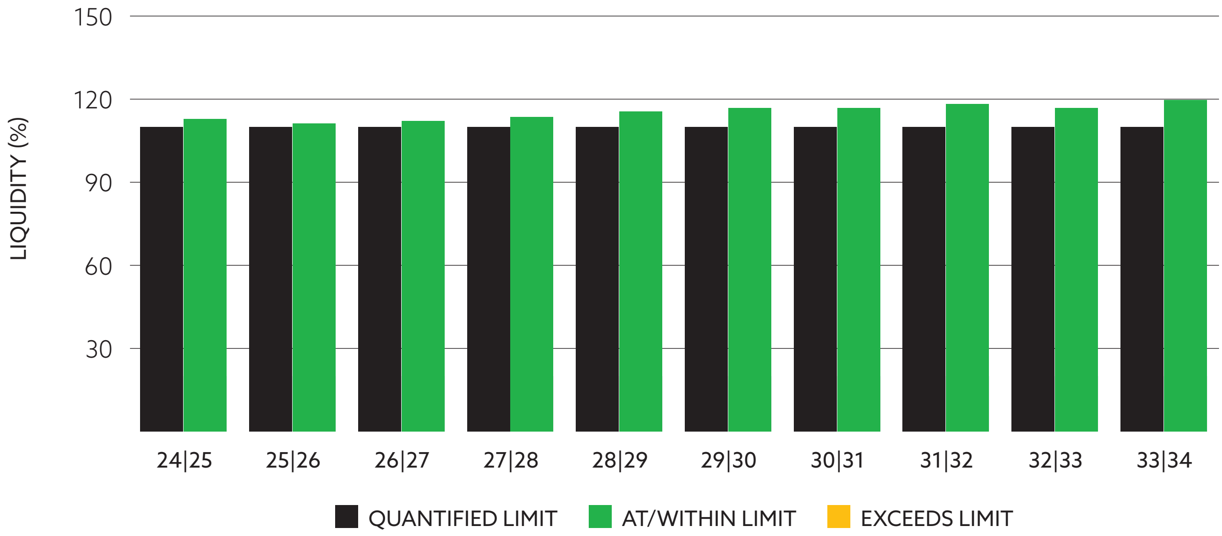
Net interest will not exceed 17.5% of annual rates revenue

The following graph compares Council's planned net debt with a quantified limit on borrowing contained in the Financial Strategy included in this LTP. The quantified limit is net interest will not exceed 17.5% of annual rates revenue.



Liquidity will exceed 110%

The following graph compares Council's planned debt with a quantified limit on borrowing contained in the Financial Strategy included in this LTP. The quantified limit is liquidity [external term debt + committed loan facilities + available liquid investments] / [existing external debt] will exceed 110%.

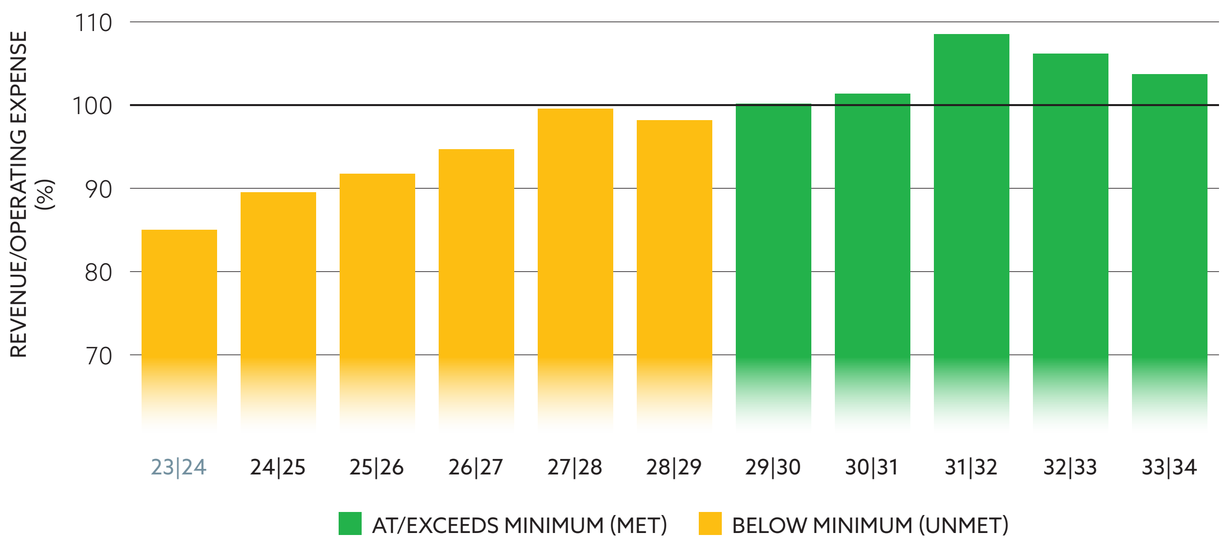


Balanced budget

Revenue as a proportion of operating expenses

The following graph displays Council's planned revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments, and revaluations of property, plant or equipment) as a proportion of planned operating expenses (excluding losses on derivative financial instruments and revaluations of property, plant or equipment).

Council meets the balanced budget benchmark if its planned revenue equals or is greater than its planned operating expenses.[40]

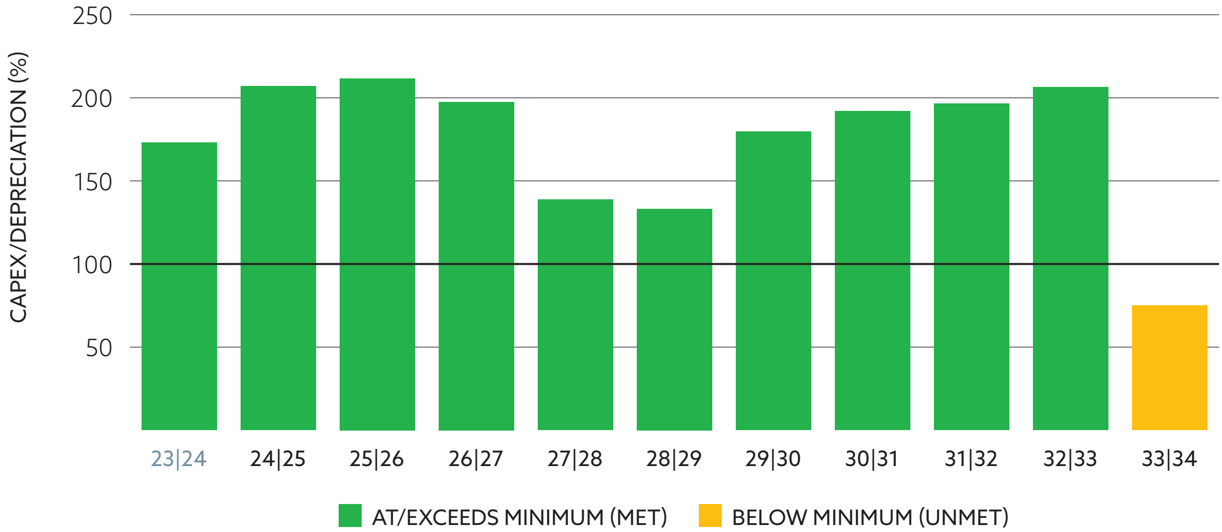


40 Council will achieve an in year balanced budget in 2029-30 year 6 of the LTP. Readers are referred to the Financial Strategy of this Long Term Plan 2024 – 2034 for more information. This outlines and explains Council's approach to the funding of depreciation and how it will achieve a balanced budget.

Essential services

Capex against depreciation on network services

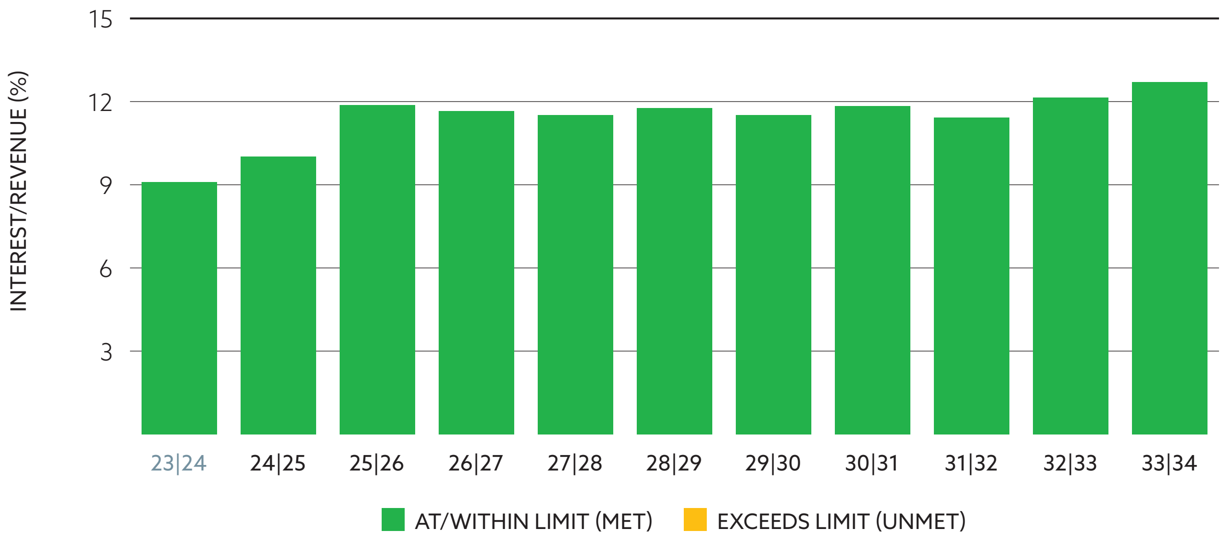
The following graph displays Council's planned capital expenditure on network service as a proportion of expected depreciation on network services. Council meets the essential service benchmark if its planned expenditure on network services equals or is greater than expected depreciation on network services.



Debt servicing

Borrowing costs as a proportion of revenue

The following graph displays Council's planned borrowing costs as a proportion of planned revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments, and revaluations of property, plant and equipment). Because StatsNZ projects that Upper Hutt's population will grow as fast as the national population, Council's debt servicing benchmark limit is 15%.



Rautaki Tūāhanga
Infrastructure Strategy

Introduction

The importance of well-managed infrastructure

Infrastructure plays a crucial role in people's lives and provides an important base for many of the activities we pursue. Infrastructure provides the foundation for our economy to prosper, our people to be healthy and our city to be safe. Due to the physical size, long life and financial cost, infrastructure plays a leading role in how our city looks, functions and operates.

Well-maintained infrastructure located in the right place and provided at the right time, with sufficient capacity and resilience is critical to the economic prosperity, and social wellbeing of people living, visiting, and working in Upper Hutt.

Providing and maintaining the Upper Hutt City Council's (Council) infrastructure requires good asset management practices and strategic thinking. The Infrastructure Strategy (the Strategy) assists Council in taking a long-term view of Upper Hutt's infrastructure needs. Council is required to prepare an Infrastructure Strategy for a period of at least 30 years to inform its Long Term Plan. The Infrastructure Strategy has been directly informed by the city's vision and goals, supporting strategies, and asset management plans, and sits alongside the Financial Strategy.

About this strategy

This is the fourth Infrastructure Strategy prepared by Council under section 101B of the Local Government Act 2002, and relates to the following Council documents:

- This Strategy forms part of the Long Term Plan.
- Growth and other assumptions in this Strategy are taken from Council's Asset Management Strategy.
- Levels of service, critical assets condition and performance, and mitigation of risk in the Strategy are informed by Council's Asset Management Plans for its infrastructure assets (excluding water).
- The 2021-51 Wellington Strategic Asset Management Plan, 2021-51 Regional Service Plan and other Council specific information provided as part of the 2024 Minimum Viable Product Asset Management Plan for water services.
- Financial considerations inform and are informed by Council's Financial Strategy.

This Strategy identifies significant infrastructure challenges for Council over the next 30 years and identifies the principal options for managing those challenges and the implications of those options.

The Strategy is an indicative estimate of Council's future infrastructure needs. It is not a budget and by itself does not commit Council to any future project, cost or timing. It is a statement of current assumptions and thinking on what infrastructure will be required to address the major issues facing the city over the next 30 years, what to prioritise, and to identify risks associated with infrastructure under-investment.

Our long-term approach is to ensure that our infrastructure is maintained to agreed levels of service that underpin the Long Term Plan's community outcomes, to ensure we are meeting all our legislative requirements and the needs and expectations of our community, now and into the future. This Strategy takes a 'multi-asset' approach – looking across different types of infrastructure, rather than within a single activity – to ensure that Upper Hutt is managing and building the right long-term infrastructure in the right place, at the right time.

Understanding our infrastructure environment

Upper Hutt snapshot

Upper Hutt, home to approximately 49,400 residents, and provides the Wellington Region with an expansive natural environment. Easy access to Te Awa Kairangi/Hutt River, regional parks, and the hills surrounding the city are part of our identity.

Upper Hutt is a family-orientated city, with spacious suburban housing development occupying approximately 4% of the land area, encompassed by trees and vegetation. Upper Hutt enjoys the character of a small city, while sitting on an area of approximately 54,000 hectares—the third largest area of a city council in New Zealand.

Asset portfolio

Council manages a substantial portfolio of infrastructure assets for the city. This Strategy outlines Council's approach to managing and investing in the city's infrastructure including what will be required, when, and how much it will cost.

It covers the following infrastructure categories:

- Three waters: water supply, wastewater, and stormwater.
- Land transport.
- Property.
- Parks and reserves.

Infrastructure networks in Upper Hutt are not isolated from activity occurring at a regional and national level, and some of our infrastructure is shared or co-managed with other organisations in the region, in particular with Wellington Water, Waka Kotahi NZ Transport Agency, and Hutt City Council. We collaborate with these organisations to ensure consistency, efficiency and effectiveness in our respective infrastructure work.

Activity-specific asset summaries are provided in the activity sections of the strategy.

External factors

There are many external factors that will impact how Council delivers infrastructure in the future. Although these factors are generally beyond the control of Council, it is important that we continue to monitor and respond to them to ensure that our infrastructure plans take advantage of new opportunities and remain fit for purpose.

Environmental scan

Council undertakes an environmental scan every three years to provide relevant context and information to assist with the development of the Long Term Plan and infrastructure management planning.

Our current environmental scan identifies the following factors that will impact infrastructure directly:

- Financial stewardship.
- Three waters services.
- Adapting to a changing climate and building resilience.
- Central government funding.
- A growing urban environment.

Financial stewardship

In recent years we've come through some major external shocks in the form of a global pandemic, continued uncertainty in the global political and financial sectors, and significant weather. This has changed our economic landscape at a national and local council level. The ongoing financial uncertainty has been a dominant part of our thinking as we prepare our Long Term Plan.

To build a financially sustainable future for everyone, minimising financial risk is the most prudent action we can take. Just like households throughout Upper Hutt, Council is facing financial challenges due to inflation, high interest rates, and construction costs. This means we need to be smart about how we use debt and find ways to increase revenue to cover the growing expenses of running our city. We have also placed a strong emphasis in this Long Term Plan that everyone pays their fair share through rates.

Our main goal is to build financial resilience for the city's future. We're taking a careful approach, concentrating on essential services that our community depends on. Our top financial priorities include managing core services and setting aside funds for potential unforeseen weather events. As part of our plan, Council has decided to limit our borrowings to a debt cap of 250% for Year 1 and 240% for Years 2 – 10, which is below Council's external borrowing limit of 280% of net revenue. This strategy creates 'headroom' to provide a financial buffer, helping us tackle unexpected costs and ensuring the stability of essential services for the community.

We will continue to be prudent and make sure we maintain financial sustainability while delivering the services and facilities expected of us. Balancing the budget isn't just about numbers, it's about responsible financial stewardship for the present and the future.

We will focus on core business activities like infrastructure, transport, and planning and regulatory services. By prioritising these core activities, and looking after what we have, we lay the groundwork for continued growth and prosperity.

This plan delivers our core services, looks after our critical infrastructure, and allows us to have some financial resilience to negative weather events.

Three waters services

In February 2024 the Government introduced its new legislation to repeal the previous water reform model and will be enacted as soon as possible as part of the Government's 100-day plan.

The Government's new approach to water services delivery, *Local Water Done Well,* recognises the importance of local decision-making and flexibility for communities and councils to determine how their water services will be delivered in the future, while still retaining a strong emphasis on water quality and infrastructure investment. It does not require the establishment of, and transition to, new water services entities but may have elements of different or increased regional collaboration or similar models. It is not expected to include a fundamental change to the current funding of water services by local councils.

Taumata Arowai, the Water Services Regulator established in 2021, now provides oversight and enforcement of a new drinking water regulatory framework with an additional oversight role for wastewater and stormwater networks. As a result, levels of service for three waters may be standardised regionally or nationally or other regulatory improvements introduced.

For the purposes of the preparation of this Long Term Plan, we have assumed that the three waters assets will remain in our control for the next 10 years, and our asset management plans and debt forecasts have been calculated on this assumption. We consider this the most prudent approach at this stage.

Water asset management

The water asset management lifecycle and renewals are based on an age-based profile and the target renewal rate in partnership with Wellington Water Limited (WWL). This does not take into account condition and is intended to ensure that at the end of 30 years, we will have removed the backlog of renewals and be able to reduce the rate of renewals to a long-term, sustainable level that aligns with the rate of deterioration.

Infrastructure deteriorates as it ages, increasing the likelihood of failures and disrupting service to customers. These failures also increase maintenance, operations and customer service costs. Planning to renew infrastructure that is reaching or at the end of its life reduces the risk of service interruptions and minimises maintenance costs.

Funding and uncertainty

To support our budget forecasts, WWL uses age-based asset information to prioritise the areas most in need of renewals. Over the next 30 years, our goal is to reduce the renewals backlog and address future needs. Council is also working to better understand the condition of our assets in order to reduce the level of uncertainty and improve our overall understanding of the condition and expected life of asset.

We received advice on our three waters assets based on the current information available to WWL. We are proposing to include a significantly higher capital budget for the maintenance, operations, and renewal of these assets based on this advice. We have not included budgets at the levels recommended by WWL due to the constraints on debt and rates funding. This means that the available budget will be used for the most urgent work, which could mean longer times and slower resolution of non-urgent work. The budgeted spend is however expected to result in improvements to the three waters network over the 10 years and maintain current levels of service.

Our plan to respond to this is discussed further from page 214.

Adapting to a changing climate and building resilience

Adapting to a changing climate and building resilience is continuing to grow in importance. It will become increasingly important to incorporate sustainability and resilience requirements into Council projects. This is likely to have funding implications.

While significant, climate change is not the only threat we face. We need to be prepared for natural hazards such as earthquakes and tsunamis, the health threats of pandemics, economic shocks caused by recessions and supply chain failures, cyber-attacks, and terrorism. Recent experience with COVID-19 clearly demonstrates the need for greater individual, community, and governmental resilience when faced with disruption, no matter where it comes from.

Building resilience requires a multi-pronged focus, such as:

- Investing in resilient infrastructure.
- Enhancing community capacity to withstand extreme events.
- Improving economic resilience to recessions and strengthening supply chains.
- Strengthening and future-proofing the labour force.

Regional work is underway to understand and plan for climate change:

- Wellington Region Climate Change Risk Assessment, followed by an adaptation plan.
- Wellington Region Emissions Reduction Plan.

Climate change challenges for Upper Hutt include:

- Increased likelihood of flood events (Te Awa Kairangi/Hutt River) affecting the economy, lifestyle, and transport.
- Population increase as people move away from coastal areas outside Upper Hutt which are subject to rising sea levels and risks from tsunamis.
- Increased costs relating to management of the effects on indigenous biodiversity.
- Vital regional infrastructure may be placed at risk by sea level rise.

Climate change mitigation and adaptation will be a growing issue for all councils and will bring significant planning, funding, and infrastructure implications. The impacts of a changing climate are likely to be felt in Upper Hutt through increased rainfall, extreme weather events, and the potential for severe flooding. Further work is needed to determine what climate change means for Upper Hutt and the actions that will be needed at a local level. This must be undertaken in collaboration with and, in some circumstances, led by local communities. This is a critical and ongoing issue for all Councils.

In conjunction with climate change mitigation and adaptation considerations, resilience and sustainability will need to be assessed and potentially built into future infrastructure projects. This may affect the viability of some projects and have funding implications for Council.

Central government funding

Given the devastating impacts of the Auckland flooding and Cyclone Gabrielle, central government budgets are likely to come under pressure for the next few years as infrastructure is not only replaced, but also improved to provide greater resilience. This may make funding for local infrastructure projects which receive central government funding (like roads), more difficult in the short to medium term.

The Government has signalled that billions of dollars of additional investment is going to be required not just to fix up what has been damaged, but to build more resilience to better cope with these types of events in the future.

We have assumed that it is unlikely that Central Government will contribute to infrastructure rebuilds to the level seen in recent years. We will continue to prioritise our capital expenditure and build financial headroom to reduce our risk of exposure to any weather-related events.

A growing urban environment

Upper Hutt's population is predicted to grow, particularly over the medium to longer term, although the extent and timing of this growth is currently uncertain. Council will need to ensure infrastructure is programmed into the Long Term Plan to support population growth at the appropriate time. Capital investment in growth-related infrastructure may though, be more challenging given the impacts of the cost-of-living crisis and the recovery from recent weather events.

A growing population will have impacts for the provision of infrastructure, services, and facilities. Upper Hutt is also facing a housing shortfall in the immediate and medium-to-longer term. Council will need to continue to use a number of tools to support equitable access to quality housing through, for example, its growth planning, regulatory tools and incentives, as well as advocacy for a broader range of housing typologies.

Council will also need to ensure that infrastructure is programmed into the Long Term Plan to support population growth at the appropriate time. This includes transport and water infrastructure, as well as open space and community facilities.

The Government's Infrastructure Acceleration Fund (IAF) is laying the foundation for new communities and neighbourhoods throughout Aotearoa New Zealand. Launched in June 2021, it is a fund of approximately $1 B designed to help councils, iwi, and developers overcome the first hurdle—funding for infrastructure—which includes necessary services like roading, three waters, and flood management that need to be completed before new homes in areas of high housing need can be built.

Administered by Kāinga Ora, the IAF is designed to help increase the pace and scale of housing delivery by funding critical infrastructure needed for developments. The IAF aims to address some of the underlying barriers to housing supply by:

- Opening up more land for housing development, particularly in areas close to jobs and other amenities.
- Helping to fund the critical infrastructure needed for that development.
- Allowing for a wider mix of housing, e.g. townhouses, units, apartments, and standalone houses, that is affordable for low to moderate-income households to own or rent.
- Freeing up development-ready land and accelerating housing development to moderate growth in house and land prices.

Council is eligible to receive $12.4 M from the IAF to fund critical transport upgrades in Upper Hutt and enable a large, high-density housing development planned within part of Trentham Racecourse—850 new homes within the mixed-use development that will include residential apartments, aged-care homes, and community amenities. It's expected the new infrastructure will provide the necessary capacity to support the development, while also increasing the resilience of the entire Upper Hutt transport network.

Funding will be through a 50/50 cost share model between IAF and Council once the physical works have been completed, with Council eligible for Waka Kotahi NZ Transport Agency funding assistance.

The initial funding agreement was based on the cost of a congestion mitigation solution for the Trentham Transit Oriented development project, but with a more detailed investigation and modelling now completed the scope and estimate has been revised to three intersections at a cost of approximately $3.7 M over three years starting in 2024 – 2025. Wastewater will be addressed by the developer who will be installing onsite holding facilities with a regulated discharge.

Community outcomes and infrastructure challenges

Our vision

We have an outstanding natural environment, leisure, and recreational opportunities, and we are a great place for families to live, work, and play.

Community outcomes

Council's four priority areas express our community outcomes and guide what we deliver for our city. They all have implications for the provision and maintenance of infrastructure within the city.

TAIAO **Environment**	We're immersed in natural beauty. We care for and protect our river, our stunning parks, and our natural environment.
PAPŌRI ME TE AHUREA **Social and cultural**	We celebrate our whānau, heritage, and culture. We're a caring, safe, and healthy community.
ŌHANGA **Economy**	We're a city of opportunity. We attract new investment and offer opportunities for people and businesses to prosper. Our city centre is alive, attractive, and vibrant.
TŪĀPAPA **Infrastructure**	We have reliable and efficient networks and infrastructure that support our city.

Identifying our infrastructure challenges

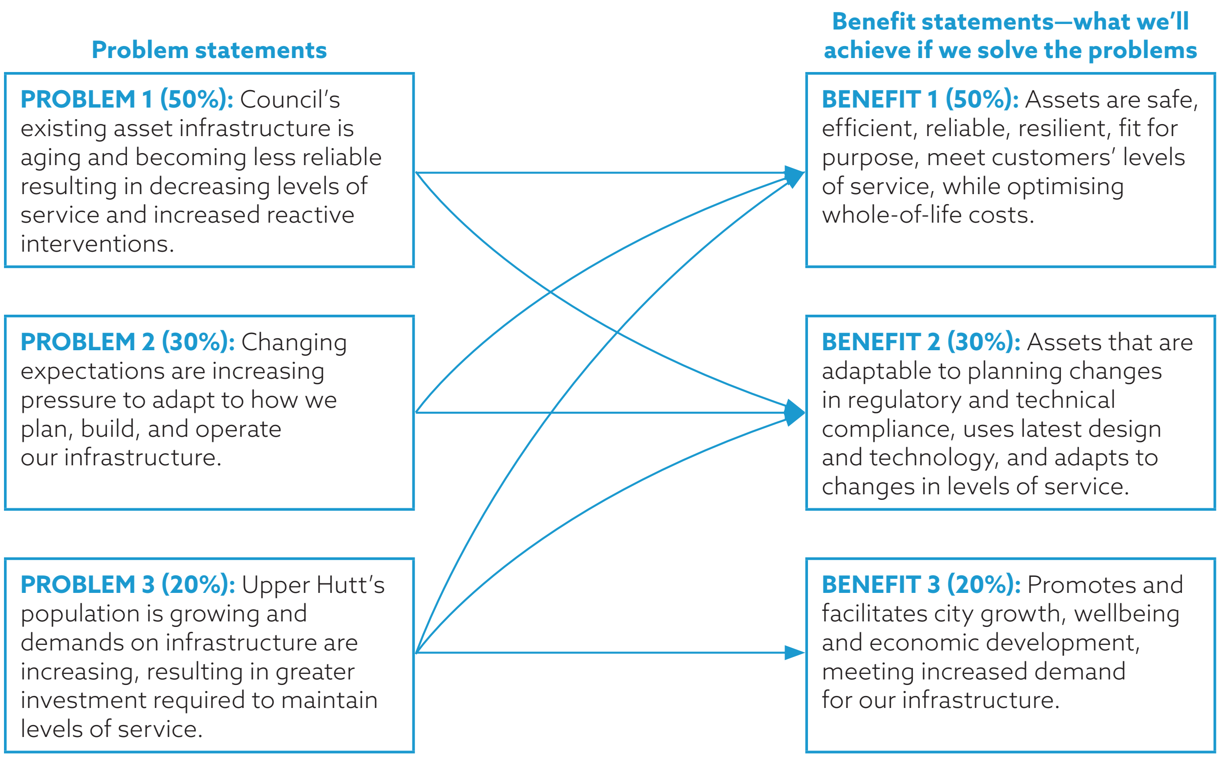
Better Business Case™ framework

Council has used the Better Business Case™ framework[41] as the basis for its asset management planning suite for the Long Term Plan 2024 – 2034. Using this framework provides objective analysis and consistent information to decision makers, enabling them to make smart investment decisions for public value.

41 Refer to Treasury guidance, accessed 12 Jan 2021: *treasury.govt.nz/information-and-services/state-sector-leadership/investment-management/better-business-cases-bbc*

The Infrastructure Strategy summarises the strategic investment case across all our assets. To set this strategic direction we have used an investment logic map approach to develop a set of common problem and benefit statements to justify our planned investment across our asset activities (see the following diagram).

By defining the high-level problems facing the city, we can target our asset investment across the entire portfolio and make informed decisions irrespective of asset. A problem presents an opportunity to change from the current state to a desired state.



Our response

Distilling our problems into basic challenges

This problem definition framework is used in the Asset Management Strategy and Activity Management Plans. The problem statements have been distilled into three challenges for Upper Hutt's infrastructure assets. They are:

1. Maintaining our existing assets
2. Meeting changing expectations
3. Supporting growth and demand

These challenges are a simple summary of the problems identified by the Better Business Case approach. The challenges have good alignment to the groupings required by the Local Government Act 2002 for capital expenditure specified in Schedule 10 for Long Term Plans.

We've assigned our community outcomes against these challenges in the following tables.

For each challenge, we've also identified several themes that help focus our responses to the challenges. These themes are a summary of common components drawn from our asset activity focus areas and are based on our proposed plans for responding to each challenge at the activity level.

	Community outcomes	Themes	Definition
1 **Maintaining our existing assets**	TŪĀPAPA **Infrastructure** ŌHANGA **Economy** PAPŌRI ME TE AHUREA **Social and cultural**	Develop an optimised renewals programme	Renewals are planned to maximise the service life without compromising the service provided.
		Improve resilience	Improving the ability of the asset to withstand disruption, absorb disruption, act effectively in a crisis, adapt to changing conditions, including climate change, and grow over time.
		Manage critical assets	Assets that are likely to result in a more significant financial, environmental, and social cost in terms of impact on the organisation.
		Improved asset data knowledge	Capture and validate asset data to accurately reflect the asset characteristics.

	Community outcomes	Themes	Definition
2 Meeting changing expectations	TŪĀPAPA **Infrastructure**; PAPŌRI ME TE AHUREA **Social and cultural**; TAIAO Environment	Changing customer expectations	Customers' service needs change over time.
		Management of demand	Actions taken to influence demand for services and assets.
		Managing the effects of climate change	The adaption of assets to meet the changes in the environment because of climate change.
		Standards and legislative requirements	Legislation and industry standards that govern the provision of the service.
		Sustainability	Meeting the needs of the future by balancing social, economic, and environmental needs when making decisions.
3 Supporting growth and demand	TŪĀPAPA **Infrastructure**; ŌHANGA **Economy**; PAPŌRI ME TE AHUREA **Social and cultural**	New population	Additional people coming to live in the city due to the creation of new residential lots.
		Change in demographics	The change in the makeup of the existing population, e.g., age, ethnicity, or sex.
		Modelling future growth	Predicting the extent of population change and timing of the change.

Our infrastructure challenges and themes

CHALLENGE 1 Maintaining our existing assets

Council maintains its assets through operations, maintenance, and renewals to ensure that they can provide the service that they are designed for.

How much will it cost?

Within the period of this Infrastructure Strategy, Council will require $2.092 B to renew its assets and maintain agreed levels of service.

Themes

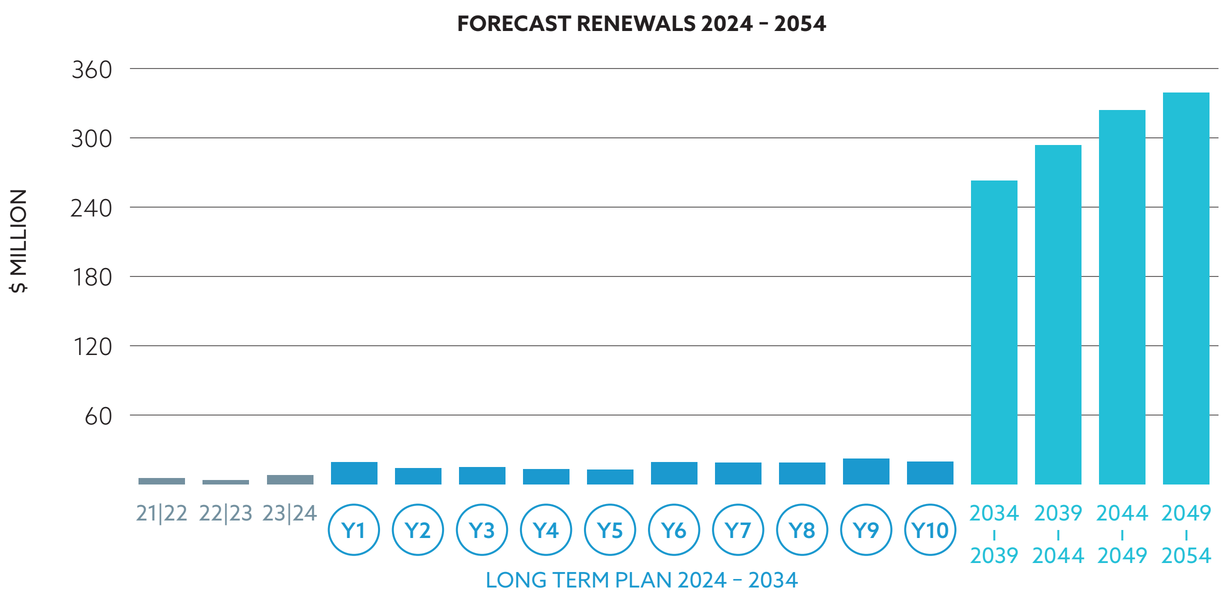
Council has identified four themes within this challenge:

- Develop an optimised renewals programme
- Improve resilience
- Managing critical assets
- Improved asset data knowledge

Develop an optimised renewal programme

Upper Hutt is a relatively young city that has developed over the last 58 years. The lives of assets are varied and can be affected by several factors. Council actively monitors asset condition and develops forward renewal programs to ensure that the maximum service life is achieved without compromising the service provided by the asset.

Coordination between activities must also be considered, as renewal of one asset often has impacts on other assets with other activities. An example of this is three waters infrastructure under roading pavement.



Improve resilience

A resilient network ensures that infrastructure operates safely or quickly resumes operation when placed under stress by an adverse event. The principal risks to infrastructure over the next 30 years that are likely to threaten the resilience of the Upper Hutt transport and three waters networks include earthquake, significant weather events, and loss of network electricity or gas. The effects of climate change are likely to increase these risks to network assets with increased frequency and intensity of severe weather events – both flooding (particularly impacting on the roading and stormwater networks) and drought (impacting on water supply).

Council's approach will continue to be to manage risk by treating natural hazards as a source of risk and putting into place controls to manage the failure to deliver a service and any consequences of the natural hazard event (e.g., Pinehaven Stream improvements). Renewals are prioritised with resilience being one of the key drivers alongside condition. Networks are renewed with more resilient materials or engineering solutions.

Council's water supply reticulation network is vulnerable to a major earthquake. Currently Upper Hutt has approximately 27 days storage at 20 litres per person per day based on 70% of water being held within seismic resilient reservoirs. Further to this the Community Infrastructure Resilience Programme lead by Wellington Water Limited (Wellington Water) has established a network of emergency community water supply facilities (three located in Upper Hutt), and Council owns twelve 5,000 L water tanks located on Upper Hutt Primary School sites to supply potable water.

Council checks the backbone of the three waters' networks for seismic resilience when determining the renewals programme and is currently a partner in developing a Regional Resilience Strategy with the other Wellington councils. There are also operational projects that are underway which are planned to improve preparedness and operational response. This illustrates that not all resilience gain is through capital investment and worthwhile improvements can also result from improvements in processes, systems, and planning.

Council includes additional design capacity to factor in climate change impacts when carrying out planned upgrades to the three waters networks.

The resilience of the roading network has been reviewed with the major concerns being the number of hilly rural roads that could be affected by major slips and some important access roads that could be affected by fallen overhead cables after a severe event whether it is seismic, or weather related. A plan has been prepared to assist in the recovery of these roads to a condition that would permit access for emergency services and access to essential services such as water reservoirs and pump stations as quickly as possible.

A number of bridges require upgrading to varying degrees to give them a better chance of surviving a large seismic event. Some of these structures have been upgraded and others are programmed for upgrading. The upgrading would be to at least a state where there was a good chance that they could be quickly opened again to emergency services. Council owned buildings have been assessed for seismic compliance and required upgrades have been programmed and implemented.

A snapshot of current, planned, resilience focused projects includes (but not limited to):

- More resilient pipes being utilised as part of water network renewals.
- The Silverstream Bridge replacement will contribute to transport network resilience.

Council has comprehensive insurance cover for asset replacement following a damaging event, and this is regularly reviewed.

Managing critical assets

Critical assets are assets that have a high consequence of failure. It is important after an unexpected event, critical assets remain, or are back up and running as soon as possible to ensure that public health and safety is maintained. Council has commenced identification of critical assets by activity. These are summarised in the Asset Management Plans.

Improving asset data knowledge	Asset data knowledge underpins Council's ability to plan for the future. Quality, timely data must be available, and held in systems that can be transformed into useful business decision making information. Council has reviewed its asset management capability and identified an improvement programme to provide a more consistent approach to operational management, and delivery of asset activities. The programme forms part of the asset management plans and includes improving data and systems to readily provide consistent data and information. Council has created an in-house asset management function to lead best practice and improvements. Across the asset activities, data inventory is generally good. Areas for improvement have been identified in asset performance and condition data. More detail is provided at the activity level later in this Strategy.

SIGNIFICANT CAPITAL EXPENDITURE (CAPEX) DECISIONS

The following tables show the significant capital decisions in the 30-year view of this Infrastructure Strategy. Significant decisions are those that involve a commitment of over $1.5 M in any one year of the 30 years between 2024 and 2054.

Timing	The timing of each decision is a key factor. The projects and programmes planned for the first three years have the most detail and confidence as the greatest amount of planning and option development has taken place – or some being largely committed to a clear preferred option. Ongoing programmes such as routine renewals, decisions on specific individual options or work completed can be relatively minor in scale and these are undertaken as part of business-as-usual. For these work programmes, further specific options for individual component projects may be developed and considered closer to the relevant decision points.

SIGNIFICANT CAPEX DECISION

THE RENEWALS PROGRAMME

Every three years

At each Long Term Plan Council needs to confirm the level of funding available to provide for the renewal of existing assets. A full programme is developed based on available condition information.

Council's preferred option that is budgeted for, is based on an affordable level of annual renewals which maintains or improves levels of service over time, and to minimise the risk of asset failure or unacceptable deterioration.

Key options for this decision

- **Do nothing**—not renewing core infrastructure assets does not meet Council's statutory obligations.
- **Run to failure**—this may be due to a change in demand or level of service which no longer requires the asset to be renewed.
- **Defer the renewal**—this may be based on condition assessments indicating sufficient life remaining in an asset to maintain levels of service.
- **Plan renewal**—the degree to which the forecast renewal requirements are funded through each Long Term Plan. There may be implications from the affordability of the renewal programme for the community.

As a programme of work, further specific options for individual component projects may be developed and considered closer to the relevant decision points.

Key relevant projects and programmes ($M)

PROJECT/PROGRAMME	TYPE	Y1 - Y3	Y4 - Y10	Y11 - Y20	Y21 - Y30
Water supply	Renewal	11.6	44.7	137.3	170.8
Wastewater	Renewal	11.7	10.4	223.9	151.5
Stormwater	Renewal	1.2	5.1	72.8	119.7
Land transport	Renewal	15.5	41.6	80.0	127.7
Property	Renewal	2.8	13.1	21.4	64.1
Parks and reserves	Renewal	5.3	10.1	21.2	29.1
TOTAL [42]		**48.2**	**125.1**	**556.6**	**662.9**

42 Note these exclude operational expenditure related to the renewals. Operational expenditure is identified at the activity level. Also note these costs are also included in the renewals programme.

SIGNIFICANT CAPEX DECISION

ARTIFICIAL TURF REPLACEMENTS

Every three years

The existing artificial turfs have a life of 12 years (for multi-sport, 15 years for tennis) and are due for replacement in 2024 - 2025 and 2035 - 2036. These turfs continue to have very high utilisation and extend the opportunity for recreational activity through greater consistency of playing surface. The demand for artificial turfs continues to remain high. This project has a high strategic fit because it delivers upon community recreational outcomes.

Council's preferred option that is budgeted for, is to renew at the recommended age.

Key options for this decision

- **Do nothing**—results in lower levels of service as existing artificial turfs will require additional maintenance, introducing safety risks, and potential increase to overall cost.
- **Renew at recommended age**—maintains levels of service, meets customer expectations, reduces potential safety risks, and reduces whole of life asset cost.
- **Delay the renewal**—this may be based on condition assessments indicating sufficient life remaining in an asset to maintain levels of service.
- **Renew when asset condition risks deteriorating levels of service**—this may be sooner than programmed.

Key relevant projects and programmes ($M)

PROJECT/PROGRAMME	TYPE	Y1 - Y3	Y4 - Y10	Y11 - Y20	Y21 - Y30
Capital	Renewal	1.4	2.6	5.9	5.4

SIGNIFICANT CAPEX DECISION

WASTEWATER TREATMENT RENEWALS PROGRAMME

Every three years

Council has a joint-venture agreement with Hutt City Council to manage the wastewater from Upper Hutt to the treatment station in Seaview. The cost to Council for this is significant, however the options for managing wastewater are within the constraints of the joint-venture agreement and are essentially outside of Council's control.

The preferred programme is budgeted for as shown below.

Key relevant projects and programmes ($M)

PROJECT/PROGRAMME	TYPE	Y1 - Y3	Y4 - Y10	Y11 - Y20	Y21 - Y30
Wastewater joint venture	Renewal/LOS/growth	51.8	120.4	154.5	299.3

PROJECT IN PROGRESS

The following project is already in progress and no further decisions will be made. Because it has financial implications for this Strategy and Long Term Plan, we have included it here for reference.

SIGNIFICANT CAPEX DECISION

CITY CENTRE PAVING REVITALISATION

Decided 2021

This project is underway—paused for [24|25]—resuming in [25|26].

Parts of the city centre (around the railway station, Main Street, King Street and Princes Street) has new paved footpaths and street furniture. Starting out as an asset renewal works to replace the red brick paving, this project seeks to continue to expand this new look and feel further.

Council's preferred option that is budgeted for, is based on an affordable level of renewal which will also enhance the level of service.

Key options for this decision

- **Do nothing**—results in lower levels of service as existing paving requires additional maintenance, introducing safety risks, and potential increase to overall cost.
- **Complete the programme as planned**—maintains levels of service, meets customer expectations, reduces potential safety risks, and reduces whole of life asset cost.
- **Delay the renewal**—could result in additional maintenance over period of delay, potential increases in safety risks, and potential increases in whole of life asset cost as renewal does not take place at optimal time

Key relevant projects and programmes ($M)

PROJECT/PROGRAMME	TYPE	Y1 - Y3	Y4 - Y10	Y11 - Y20	Y21 - Y30
Capital	Renewal/LOS	5.7			

CHALLENGE 2 Meeting changing expectations

Why expectations change

The expectations for the provision of council services change over time for many reasons. Some are driven by changes to legislation and standards that govern our operations. Other changes are in response to the expectations of the citizens and stakeholders. These expectations can be because of increased awareness of issues or because of technological advances that enable additional options for services.

How much will it cost?

Within the period of this Infrastructure Strategy, Council will require $1.239 B to meet changing expectations from central government, regulatory standards, and levels of service from our community.

Themes

Council has identified five themes within this challenge:

- Changing customer expectations.
- Management of demand.
- Managing the effects of climate change.
- Standards and legislative requirements.
- Sustainability.

Changing customer expectations

The expectations of customers evolve over time. With internet services more readily accessible, and more Council services available on-line, customer interaction has changed. Customers are no longer restricted to normal business hours and no longer need to visit the Council Service Centre to access some council-provided services.

The needs and expectations can further be driven by what is perceived to be a quality service, provided by other Local Authorities. Local services are constantly compared to neighbouring councils.

Managing demand

Demand for Council's infrastructure will increase over the life of this Strategy. Demand can be met by building additional capacity or by placing controls on existing capacity to ensure equitable delivery of services.

Demand is driven by population growth and changing trends. In some cases, options for additional capacity may not exist. Or the cost to deliver additional capacity may be beyond the ability of Council to fund. Demand is then managed by incentivising the use of facilities in non-peak times, or by charging a premium for peak use.

Water meters is another example of how demand can be managed. It has been proven that when meters are introduced enabling volumetric charging, water usage decreases.

Funding has been included for a business case investigating the use of residential water meters. This will help inform future consideration of and decision-making on this water demand management measure.

Managing the effects of climate change

The effects of climate change will create challenges for our assets during the life of this strategy. Changes in rainfall patterns and in particular the frequency of heavy rain events will continue to place strain on our assets. The opportunity however exists to build in resilience to cope with these events as our assets are initially built and subsequently renewed.

At the opposite end of the spectrum, increased droughts resulting from extreme weather will affect our water supply network. This may impact on the community in terms of requirements for demand management, including water restrictions, use of new demand management technology and in future, may require consideration of new water sources, which will have resulting cost implications and potential environmental effects.

Flooding and landslides from extreme weather events can also threaten some of our roading infrastructure, and these vulnerabilities are considered when prioritising resilience improvements to the network.

Standards and legislative requirements

Legislative minimum requirements and standards always evolve. These changes can place requirements on Council to comply immediately if requirements are retrospective. Or in the future when assets are replaced.

Major change has been signalled with waste management reform. These are likely to require Council to make significant changes during the lifetime of the strategy. Any change will be included in future reviews of this document.

Other legislative change that has impacted council's infrastructure include:

- Waste management reform.
- Emergency management review: the Trifecta programme.
- Changes to drinking water standards.
- Requirements for seismic strengthening of earthquake prone buildings.
- The handling of asbestos when undertaking construction work.

Waste management reform

The Government plans to replace the Waste Minimisation Act 2008 and the Litter Act 1979 with new legislation that promotes sustainability and reduction of harm to the environment. New legislation intends to improve consistency nationally how local authorities carry out and fund waste-related activities.

National waste standards will be introduced to set technical requirements for waste and resource recovery activities. This will ensure that pathways are available to enable recoverable materials to be consistently removed for the waste stream.

New legislation for kerbside recycling was introduced in February 2024 to standardise the requirements for all council. As Upper Hutt is one of eight councils that does not currently have kerbside recycling, at this time it is unclear when this will be required to be implemented.

Emergency management

The National Emergency Management Agency (NEMA) has established a Regulatory Framework Review Programme (also known as the Trifecta Programme). Changes proposed include enhancing the roles and responsibilities of those agencies covered by Emergency Management legislation. Work on the Trifecta Programme will align with the National Adaptation Plan and the National Disaster Resilience Strategy.

Water services

Taumata Arowai (the national regulator for water services) formally took over as the drinking water regulator on 14 November 2022 which saw significant changes to the rules that govern how the safety of drinking water is measured and reported. Taumata Arowai replaced the previous standards with new, more rigorous, standards which came into effect on 15 November 2022 with the reporting period for drinking water quality compliance beginning on 1 January 2023.

Taumata Arowai provide customers, councils, and mana whenua with the assurance that Wellington Water Limited (WWL) are doing what they are meant to be doing. Meeting regulatory requirements helps WWL earn the trust of its stakeholders and retain their social licence to provide water services to communities.

Seismic strengthening

The Building (Earthquake-prone Buildings) Amendment Act 2016 amended the Building Act 2004. It requires owners to assess potential earthquake prone buildings in high-risk Seismic Risk Areas by 1 July 2022. Then, if found to be earthquake prone, (less than 34% of the New Building Standard) the building needs to be strengthened as specified by the amendment within 15 years.

Asbestos

Asbestos has become a major hazard due to its ability to cause major health issues for those that come in contact with its fibres. Asbestos was extensively used post Second World War, in infrastructure pipework and in the building industry as it was cost effective, long lasting, had insulating and fire protection properties. It was further added to many products to provide strength. Asbestos was phased out in the late 1970s but remained available for many years.

Asbestos containing materials can be found in many Council buildings due to their age of construction. Therefore, Council must follow the Health and Safety (Asbestos Regulations) when dealing with asbestos and asbestos containing materials. When Council undertakes any works, it must have a management plan in place to ensure that asbestos is contained and safely removed off site. The cost of this is built into project estimates.

Sustainability

Our services must be sustainable to ensure that we can meet today's needs without compromising the ability of future generations to meet their own needs. It should be ensured for all projects that sustainability is considered to protect the environment, social, and cultural values that underpin Upper Hutt's economy.

Council adopted a Sustainability Strategy in 2020, with one of the goals being that Council aims to be carbon neutral by 2035. An implementation plan has been developed (Sustainability Plan 2021 - 2024) to focus on the Sustainability Goals 1 (Carbon reduction), 2 (Natural environment), 4 (Resilient and inclusive community) and 6 (Waste) which is aligned to funding in the Long Term Plan.

SIGNIFICANT CAPITAL EXPENDITURE (CAPEX) DECISIONS

The following tables show the significant capital decisions in the 30-year view of this Infrastructure Strategy. Significant decisions are those that involve a commitment of over $1.5 M in any one year of the 30 years between 2024 and 2054.

Timing

The timing of each decision is a key factor. The projects and programmes planned for the first three years have the most detail and confidence as the greatest amount of planning and option development has taken place, or some being largely committed to a clear preferred option. Ongoing programmes such as routine renewals, decisions on specific individual options or work completed can be relatively minor in scale and these are undertaken as part of business-as-usual. For these work programmes, further specific options for individual component projects may be developed and considered closer to the relevant decision points.

SIGNIFICANT CAPEX DECISION

RURAL LOW-COST LOW-RISK SAFETY PROGRAMME

Every year

Land use and service level demands continue in rural areas, affecting demands on the rural road network. This project has a high strategic fit because of the road safety benefits derived.

Council's preferred option that is budgeted for, is to complete a programme prioritised on safety benefits and aligned with other transport projects.

As a programme of work, some further specific options for individual component projects may be developed and considered closer to the relevant decision points..

Key options for this decision

- **Do nothing**—the implications of not proceeding with the programme leading to some sunk cost from investigations and work undertaken, potentially increase road safety risks, and the assets not meeting level of service expectations.
- **A low level of investment**—focusing on the highest priority roads which reduces some of the safety risk and does not meet customer expectations.
- **A moderate level of investment**—targeting high priority roads across the network – the preferred option which will contribute to meeting expectations.
- **A significant level of investment across the network**—which will provide safer travel for more people however with a significant additional cost that is not justified at this time.

Key relevant projects and programmes ($M)

PROJECT/PROGRAMME	TYPE	Y1 - Y3	Y4 - Y10	Y11 - Y20	Y21 - Y30
Capital	LOS/growth	2.6	6.7	13.0	16.0

SIGNIFICANT CAPEX DECISION

ACTIVE MODE TRANSPORT PROGRAMME

2024 – 2034

Council plans to continue developing our on-road and open space walking and cycling network. It supports the strong recreational focus of our city vision and is aligned to the goals and objectives of the Open Space Strategy, as well as promoting low carbon transport in line with our Sustainability Strategy. During year one of the Long Term Plan, Council will develop a consolidated plan for walking and cycling across the road and parks networks.

The existing walking and cycling network project across the Eastern Hills has been delayed due to difficulties with securing legal access across private property for the Cruickshank tunnel stage of this project. Other planned stages also cross private land, and the funding, has been reprogrammed over the coming five years as this is a more realistic delivery timeframe.

Council's preferred option that is budgeted for, is to complete a programme prioritised on safety benefits and aligned with other projects.

Key options for this decision

- **Do nothing**—would result in not meeting customer expectations and potentially increased risk around active mode user safety
- **Completing programme as planned**—preferred option meeting customer expectations and helping to reduce safety risk.
- **Delaying the programme**—resulting in some increased safety risk and not meeting customer expectations.

Key relevant projects and programmes ($M)

PROJECT/PROGRAMME	TYPE	Y1 - Y3	Y4 - Y10	Y11 - Y20	Y21 - Y30
Footbridge to River	LOS		9.6		
Walking and cycling network project	LOS		1.4		
Railway corridor	LOS/growth	1.5	4.0		
TOTAL		**1.5**	**15.0**		

TŌTARA PARK BRIDGE WIDENING

2024

Increased traffic on the state highway has created congestion exiting Tōtara Park, creating delays for both car and passenger transport. Future residential development will further increase those delays. The limited holding capacity for right turning vehicles, combined with the signal phasing, contributes to significant queues and delays for those exiting Tōtara Park.

This project will widen part of Tōtara Park Bridge to provide a longer length of two lanes at the traffic signals, which will increase the efficiency of traffic flow through the signals. This project has a high strategic fit because of the transport efficiency benefits derived

Council's preferred option that is budgeted for, is to widen the existing bridge as programmed.

Key options for this decision

- **Do nothing**—accept increasing delays and worsening levels of service, therefore not meeting customer expectations.
- **Construct a new bridge and intersection with SH2**—at higher cost and meeting customer expectations.
- **Widen the existing bridge**—at moderate cost and meeting customer expectations —the preferred option.
- **Consideration of funding options**—including wholly funded by Waka Kotahi NZ Transport Agency—to be considered prior to investigation.

Key relevant projects and programmes ($M)

PROJECT/PROGRAMME	TYPE	Y1 - Y3	Y4 - Y10	Y11 - Y20	Y21 - Y30
Capital	LOS/growth	3			

SIGNIFICANT CAPEX DECISION

FERGUSSON/GIBBONS/MAIN INTERSECTIONS

2024

There are deteriorating levels of service for people driving using these intersections. This project is to upgrade the intersection by realignment of the intersection to accommodate vehicle volumes, to cater for efficient passenger transport and an anticipated increase in heavy vehicles using this route. This project has a high strategic fit because of the transport efficiency and safety benefits derived.

Council's preferred option that is budgeted for, is to programme the completion of planning and investigation phases during the next three years, with construction in Year 4 of the Long Term Plan.

Key options for this decision

- **Do nothing**—accept increasing delays leading to not meeting customer expectations.
- **Complete investigations in [26|27] and look to construct [27|28]**—the preferred option which aligns with funding partner and will meet customer expectations.
- **Delay investigations**—risks commitment to project and results in not meeting customer expectations.

Key relevant projects and programmes ($M)

PROJECT/PROGRAMME	TYPE	Y1 - Y3	Y4 - Y10	Y11 - Y20	Y21 - Y30
Capital	LOS/growth/renewal	0.1	6.7		

SIGNIFICANT CAPEX DECISION

COMMUNITY HUB

2028

This project aims to create additional capacity for community groups by providing office space, and shared spaces for meetings, programmes, and activities. It will increase opportunities for and improve delivery of a wide range of community services and activities. Originally proposed in the Long Term Plan 2018 – 2028 to start in [21|22] and deferred to [24|25] in the Long Term Plan 2021 – 2031, the project is now scheduled to commence with an investigation in [31|32] and construction starting in [33|34].

The creation of a Community Hub will strengthen the delivery of services to the community. This project has a high strategic fit because it provides improved facilities for services and activities that enhance community wellbeing.

Council's preferred option that is budgeted for, is to initiate the investigation in Year 8 of the Long Term Plan, and to start construction in Year 10 of the Long Term Plan.

Key options for this decision

- **Do nothing**—not renewing core infrastructure assets does not meet Council's statutory obligations.
- **New community hub located in the civic precinct**—the preferred option is based on a proposed 2018 concept which co-locates the new hub adjacent to the Central Library.
- **Retain or replace the community buildings**—continuation of use of sub-optimal facilities which do not provide the benefits of a hub and hampers the ability to easily provide wrap-around services.
- **Build a hub at another location**—would need to consider if land is available in a suitable location, with potentially additional cost implications.
- **Locate services at other premises or facilities**—potential incompatibility between services and would require capacity to be constructed so not to reduce library levels of service.

Key relevant projects and programmes ($M)

PROJECT/PROGRAMME	TYPE	Y1 - Y3	Y4 - Y10	Y11 - Y20	Y21 - Y30
Capital	LOS/growth/renewal		5.0	12.5	

SIGNIFICANT CAPEX DECISION

CIVIC CENTRE UPGRADE

2031

The Civic Centre needs modernisation to enable Council to provide spaces, and services to the community, in a fit-for-purpose building. Minor refurbishments were undertaken as part of the seismic strengthening in [22|23]. The building is no longer earthquake prone and is safe to occupy, meeting current standards and expectations.

The overarching goal of the project is to deliver a resilient, modern, and fit-for-purpose building that is future-proof and flexible, to meet both the community's expectations for local government service delivery and Council's organisational needs for the next 40+ years. This would include a ground floor extension, addition of a fourth level, and a new Council Chambers at ground level.

Critical success factors include:

- Refurbish and refit the interior of the Civic Centre to a modern standard.
- Improve access to Council services and public interface.

Council's preferred option that is budgeted for, is to modernise the building to ensure it remains fit for purpose and enable ongoing provision of Council services.

Key options for this decision

- **Do nothing**—the building will continue to date and become increasingly difficult to accommodate the public's needs and meet developing building standards.
- **Complete capital improvements**—will provide a facility that meets future demand and community expectations however would put considerable financial strain on council with the current economic situation.
- **Defer capital improvements**—increased funding required to undertake required works at a later stage due to inflation, potential for higher standards that must be met, and potentially a higher level of risk and unplanned disruption to service.

Key relevant projects and programmes ($M)

PROJECT/PROGRAMME	TYPE	Y1 - Y3	Y4 - Y10	Y11 - Y20	Y21 - Y30
Capital	LOS/renewal		0.3	27.0	

SIGNIFICANT CAPEX DECISION

H_2O XTREAM UPGRADE: HYDROTHERAPY POOL

2031

Council proposes to take the opportunity during an extensive maintenance shutdown to construct a hydrotherapy pool. Originally included in the 2021 H_2O Xtream upgrade project, but due to financial constraints removed from scope.

H_2O Xtream continues to provide essential aquatic recreational opportunities and holds a niche position in the regional market. This project has a high strategic fit because it delivers upon the recreational needs of the community and fulfils Council's obligations to maintain ageing community assets.

Additional benefits of this project would be the ability to run better and more frequent learn to swim programmes, targeted rehabilitation sessions for the community and the ability to further generate revenue to help maintain and run the facility.

Council's preferred option that is budgeted for, is to construct the hydrotherapy pool as programmed to deliver the additional aquatic opportunity to meet the needs of the community and improve the level of service.

Key options for this decision

- **Do nothing**—does not meet community expectations and could lead to decreased customer satisfaction.
- **Upgrade the current facility to meet changing expectations**—the preferred option: will provide a facility that meets future demand and community expectations.
- **Delay construction**—risks commitment to project and results in not meeting customer expectations.

Key relevant projects and programmes ($M)

PROJECT/PROGRAMME	TYPE	Y1 - Y3	Y4 - Y10	Y11 - Y20	Y21 - Y30
Capital	LOS		13.1		

PROJECTS IN PROGRESS

The following projects are already in progress and no further decisions will be made. Because the have financial implications for this Strategy and Long Term Plan, we have included them here for reference.

SIGNIFICANT CAPEX DECISION

PINEHAVEN STREAM IMPROVEMENTS

2021

This project is underway.

Pinehaven Stream upgrade to address a long history of flooding within the catchment. The current level of service is well below Council's minimum service level. The project is designed to reduce the frequency of flooding to a 1 in 25 year event in the Pinehaven Stream catchment.

The protection of property and people from the adverse effects of floodwaters provides a strong strategic fit with protecting the health and well-being of the community.

Council's preferred option that is budgeted for covers investment in a range of complimentary works which will provide maximum benefit to achieve the project objectives – including a combination of stream works through to managed retreat.

Key options for this decision

- **Do nothing**—does not meet community expectations and is not considered a viable long term solution.
- **Invest in the upgrades as proposed below**—the preferred option.
- **Delay investment**—accepting existing levels of flooding protection, which do not meet levels of service.

Key relevant projects and programmes ($M)

PROJECT/PROGRAMME	TYPE	Y1 - Y3	Y4 - Y10	Y11 - Y20	Y21 - Y30
Capital	LOS	3.1			

SIGNIFICANT CAPEX DECISION

H_2O XTREAM UPGRADE

2021

This project is underway and has a forecast completion date of May 2025.

H_2O Xtream is almost 25 years old and in need of significant ongoing maintenance and a range of extensive asset renewal works. Council proposes to take the opportunity to significantly upgrade and expand the facility with the addition of new water space, improved slides and other attractions to enhance aquatic opportunities for the community. The proposed upgrade project was originally selected through public consultation on the Long Term Plan 2018 – 2028. Since 2018 it has advanced through the planning and design stages, with detailed proposed costs and two options were consulted on.

H_2O Xtream will continue to provide essential aquatic recreational opportunities and holds a niche position in the regional market. This project has a high strategic fit because it delivers upon the recreational needs of the community and fulfils Council's obligations to maintain ageing community assets.

Council's preferred option that is budgeted for, is to address extensive asset renewal works in conjunction with an upgrade to deliver more water space capacity and additional aquatic opportunities to meet the needs of the community and improve the level of service.

Key options for this decision

- **Do nothing**—potential interruption to levels of service due to unexpected failure. Higher operational costs dues to failures and longer periods for annual maintenance shutdowns. Potential inability to meet pool water quality standards, resulting in health and safety issues.
- **Upgrade the current facility to meet changing expectations**—the preferred option: will provide a facility that meets future demand and community expectations and reducing the risk of service disruption.
- **Undertake a limited facelift of the facility**—continue reactive maintenance including consideration of further closures—does not meet customer expectations and not considered a cost effective long term solution.

Key relevant projects and programmes ($M)

PROJECT/PROGRAMME	TYPE	Y1 - Y3	Y4 - Y10	Y11 - Y20	Y21 - Y30
Capital	LOS/growth/renewal	21.7			

AKATĀRAWA CEMETERY REDEVELOPMENT

2021

This project is underway.

Akatārawa Cemetery, jointly owned by Upper Hutt City Council and Hutt City Council, has an estimated capacity for a further five to six years, based on current interment trends. Further development of the cemetery, carried out in five stages, will provide interment options for a further 58 years.

Upper Hutt and Hutt City Councils have purchased a block of land adjacent to the Akatārawa Cemetery in order to meet future demands. Expanding the existing location was deemed to be more cost effective than development of a new facility at a new location.

The demand for land for burials will continue to rise as population increases and ages. This project has a high strategic fit because it delivers upon community cultural, compassionate and heritage outcomes.

Council's preferred option that is budgeted for, is to undertake development works to maintain interment options and ensure statutory compliance for sanitary services.

Key options for this decision

- **Do nothing**—statutory compliance issues as Council must ensure that there is provision for adequate services for burials and interments.
- **Complete the redevelopment as proposed**—the preferred option: while details are subject to further planning and investigation, the timing of the works is important to ensure the cemetery capacity is sustained to cater for future interments.
- **Develop an alternative site**—suitable land must be available, additional funding for purchase would need to be secured, designation and consenting would be required to enable use.
- **Encourage and provide alternatives to interment at the cemetery**—many alternative options are at variance to current legislation. Development of a new site brings consenting issues from adjoining land owners and stakeholders.

Key relevant projects and programmes ($M)

PROJECT/PROGRAMME	TYPE	Y1 - Y3	Y4 - Y10	Y11 - Y20	Y21 - Y30
Capital	LOS	3.4	0.1		

CHALLENGE 3 Supporting growth and demand

Our growth projections

Our city will continue to grow with an expected additional 18,200 people living within the city in the next 30 years (Sense Partners 2022 population forecast). Implementation of the National Policy Statement on Urban Development has seen further intensification, particularly around rapid transport stations, resulting in an uplift from previous medium to longer term predictions.

How much will it cost?

Within the period of this Infrastructure Strategy, Council will require $524.3 M to build assets to support growth and demand.

Council has identified three themes within this challenge:

- New population.
- Changing demographics.
- Modelling future growth.

New population

The resultant growth from the new population will have impact on services that supply new dwellings and in particular to water supply and pressure (for firefighting), as well as traffic, parking, and public transport and open space demands.

Changes in the National Policy Statement on Urban Development enable significant opportunities for intensification within existing urban areas that are in a walkable proximity to rapid transit stops, as well as around and within the city centre and metropolitan zones. For Upper Hutt, this change could result in development of at least six stories in the centre of the valley adjacent to the Hutt Valley Railway Line. This marked a significant change from previous development controls.

In response, Council will build and vest assets from subdivisions that provide services to the new population. The timing of the development of these assets is critical to ensure community safety and maintenance of levels of service. Asset Management plans are reviewed every three years to inform the Infrastructure Strategy, and this ensures that additional network capacity is available as growth occurs.

Council has the ability to levy Development Contributions to fund these works when the need for new network capacity is as a result of growth. In most cases these projects also have benefits to the existing community. Therefore, a cost allocation model must be developed to accurately allocate these costs.

Changing demographics	Demand can further be influenced by change in the existing population demographics, notable with more ageing residents or an increase of younger people having different needs for council services and infrastructure. New demands can be placed on assets and services. Consequently, as a result, demand of other services may reduce.
Modelling future growth	Modelling of predicted growth is essential to ensure that the right assets are available in the right place, in the right time, and with the right capacity to meet the needs of future communities. These forecasts require regular review to ensure that they remain accurate and relevant throughout the life of the Infrastructure Strategy. There is some uncertainty and a range of external factors influencing the exact locations, extent, and timing of growth—such as the regional growth framework discussed above. For the past three years we've had a focus on modelling predicted growth and the impact on our network assets and aspects such as traffic modelling. This work will help inform better understanding of the specific impact of growth and accordingly shape future decision-making on the capital expenditure required to service this growth.

SIGNIFICANT CAPITAL EXPENDITURE (CAPEX) DECISIONS

The following tables show the significant capital decisions in the 30-year view of this Infrastructure Strategy. Significant decisions are those that involve a commitment of over $1.5 M in any one year of the 30 years between 2024 and 2054.

Timing	The timing of each decision is a key factor. The projects and programmes planned for the first three years have the most detail and confidence as the greatest amount of planning and option development has taken place—or some being largely committed to a clear preferred option. Ongoing programmes such as routine renewals, decisions on specific individual options or work completed can be relatively minor in scale and these are undertaken as part of business-as-usual. For these work programmes, further specific options for individual component projects may be developed and considered closer to the relevant decision points.

SIGNIFICANT CAPEX DECISION

FERGUSSON/WARD/WHAKATIKI INTERSECTIONS

2028

Significant developments on Lane Street, Alexander Road, and Ward Street have resulted in a substantial increase in traffic using the Fergusson/Ward/Whakatiki intersections. Each intersection is currently roundabout controlled. We need to upgrade these intersections to be able to safely manage increased demand.

Council's preferred option that is budgeted for, is based on upgrading the intersections to traffic signals, including investigation and design phases.

Key options for this decision

- **Do nothing**—results in not meeting the forecast growth expectations potentially limiting the extent and timing of growth.
- **Improve intersections using traffic signals**—this is the preferred option and provides for the forecast growth.
- **Improve intersections using a multi-lane roundabout option**—potentially provides for forecast growth but at higher cost, to be confirmed through further investigation and planning.

Key relevant projects and programmes ($M)

PROJECT/PROGRAMME	TYPE	Y1 - Y3	Y4 - Y10	Y11 - Y20	Y21 - Y30
Capital	Growth/LOS/renewal	0	5.1		

SILVERSTREAM BRIDGE REPLACEMENT

2028

Council will decide whether to proceed with implementing improvements to the Silverstream Bridge. The bridge sits astride a major fault line and currently intrudes into Te Awa Kairangi/Hutt River floodway. It is nearing the end of its useful life, and operational issues include poor safety performance for general traffic and cyclists, increasing congestion, and delays.

The project will encompass associated improvements required to the adjacent Eastern Hutt Road, Fergusson Drive, and Field Street intersections. Significant growth is anticipated in this part of the city and this project includes assisting to provide for this growth. The bridge is a major connection to State Highway 2 (SH2) and a key, high value transport link from a resilience perspective.

The bridge is partly owned by Hutt City Council and carries the water main to Porirua. Any improvements to the bridge will need to be coordinated with SH2 improvements and so the actual timing of implementation of this project is dependent upon a number of other parties along with Upper Hutt City Council. Business case work to align stakeholders and define the project will occur through this Long Term Plan period. The Silverstream Bridge remains an essential connection to SH2.

This project has a high strategic fit because it contributes to the provision of a safe, resilient, and efficient transport network.

Council's preferred option that is budgeted for, is based on replacing the existing bridge with a higher capacity bridge.

Key options for this decision

- **Do nothing**—this would result in not meeting the forecast growth expectations potentially limiting the extent and timing of growth, likely reduced levels of service for road users, and may make this key asset vulnerable to natural hazards.
- **Replace with higher capacity bridge**—the preferred option provides for forecast growth and meets level of service expectations, as well as improving a key asset that is vital for resilience.

Key relevant projects and programmes ($M)

PROJECT/PROGRAMME	TYPE	Y1 - Y3	Y4 - Y10	Y11 - Y20	Y21 - Y30
Capital	Growth/LOS/renewal	0.2	27.8		

SIGNIFICANT CAPEX DECISION

THREE WATERS RESERVOIR AND STORAGE UPGRADE PROGRAMME

2031

The potential need for additional water storage to meet growth has been identified in the early plan period. The budgeted works are proposed in Year 11 of this Strategy but may need to be advanced subject to a detailed growth study providing further inform on the timing of these investments.

The actual rate of growth observed during the plan period will have to be closely monitored verses the expected growth, as it is this that drives the need for additional storage to meet performance requirements. This may mean the investment is required earlier than proposed. As the need for investment draws closer project and costing will be considered for updating.

Council's preferred option that is budgeted for is based on the timing of completion of the relevant growth studies and prioritising further asset condition assessment work in conjunction with this growth planning.

As a programme of work, some further specific options for individual component projects may be developed and considered closer to the decision point.

Key options for this decision

- **Do nothing**—not investing in these upgrades could potentially result in reduction in levels of service and insufficient supply to service growth.
- **Undertake the upgrades in Years 11 – 30, as shown in the table**—the preferred option budgeted for below.
- **Advance upgrades into the earlier Years 4 – 10 timeframe**—to meet any earlier growth demands—this could be based on updated information and costings becoming available and may impact on affordability in the shorter term.

Key relevant projects and programmes ($M)

PROJECT/PROGRAMME	TYPE	Y1 - Y3	Y4 - Y10	Y11 - Y20	Y21 - Y30
Capital	Growth			61.1	193.0
Capital	LOS			57.2	8.6
TOTAL				**118.3**	**201.6**

Council's plan

Our objective

Infrastructure asset management is an important core function in Council for a few reasons:

- Many of the services delivered by Council rely on assets to support their delivery.
- Assets represent a significant investment by the community that needs to be protected.
- Asset failure can have social, cultural, environmental, and economic effects on the community.

The objective of asset management is to meet the required level of service, in the most cost effective manner, through the management of assets for present and future ratepayers and residents. Good asset management is about achieving best value through the right balance between cost, risk, and performance.

Building on what we already have

This Strategy reflects on what has already been done and considers the best way to move forward to ensure efficient and effective management of these assets to achieve the outcomes the community requires. It identifies significant infrastructure challenges and opportunities for Upper Hutt over the next 30 years. Decisions made in regard to the most likely scenario for responding to these issues are reflected in budgets incorporated into the Long Term Plan.

At a high level, there is broadly a good infrastructure base across our asset activities. Historically, Council has taken a relatively austere approach to infrastructure spending, with work programmes being primarily budget-driven. In this round of asset management planning, programming has been based on asset lifecycle and condition ratings, and we have responded to previous under-investment in some areas. There are significant future challenges emerging, particularly pertaining to networks built around the same time that will require renewals with short periods of time between each.

Beyond this Strategy, more detail about Council's approach to the management of its infrastructure assets is set out in the Asset Management Strategy and relevant activity Asset Management Plans.

Asset management

Determining how we invest in and maintain assets

Asset management is used by Council to develop, direct, coordinate, and control asset management activities, and align those activities with organisational and service objectives to achieve its statutory functions. Elements of the asset management are viewed as a set of tools, including policies, plans, business processes, and information systems which are integrated to give assurance that the asset management activities will be delivered.

Council has been working to identify which aspects of asset management require interventions, and priority for work to be undertaken, namely:

- Asset data improvement activities to improve the quality and richness of asset information.
- Implementing the Waka Kotahi NZ Transport Agency *Asset Management Data Standard*.
- Updating the Asset Management Strategy to guide infrastructure asset management in Council.
- Updating the Asset Management Plans to drive common financial decision-making for the Long Term Plan and (30-Year) Infrastructure Strategy.
- Providing accessible and reliable asset data, which is devolved, repeatable, and timely.
- Applying smart thinking to core infrastructure in line with industry best practice.
- Providing in-house asset management expertise.

Internal asset management

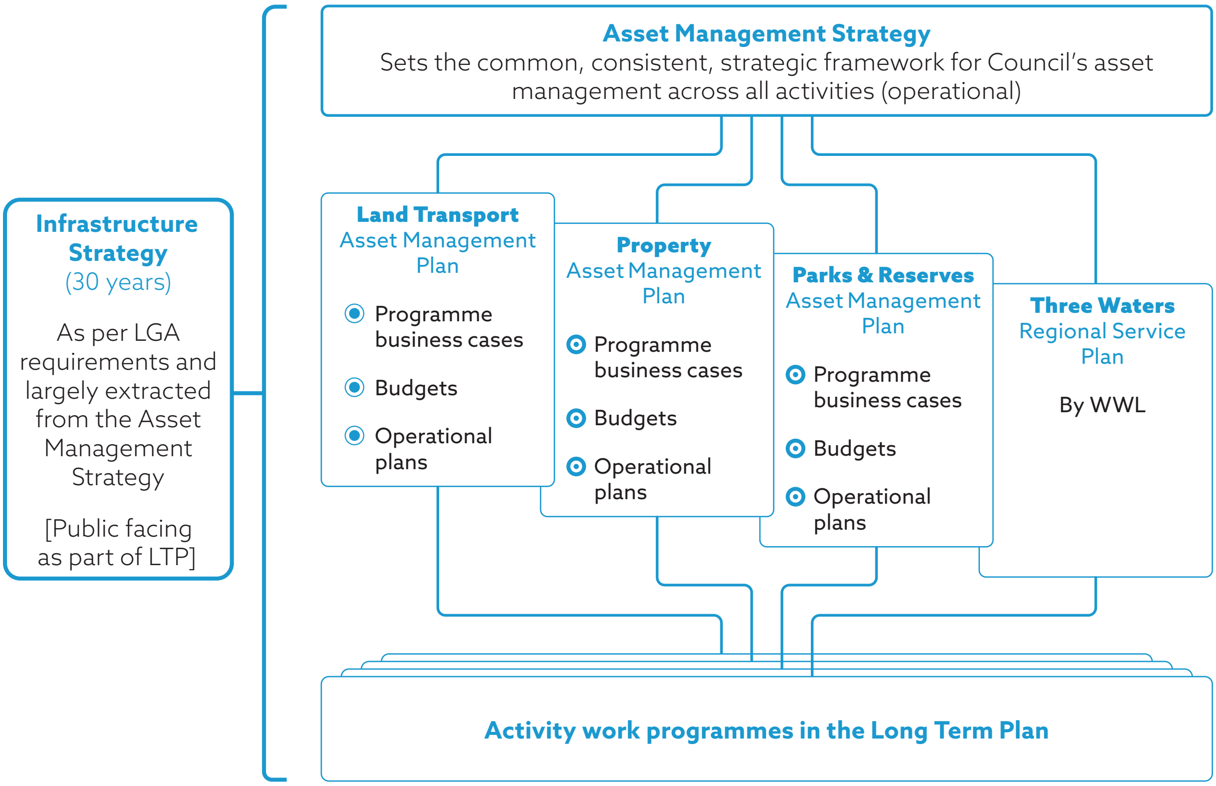
Asset Management Plans have been prepared for the land transport, property, and parks and reserves activities. These plans have been prepared based on standard industry practice and have been used to forecast the expenditure needed to operate, maintain, and renew assets.

Water services

For three waters activities, Wellington Water Limited (WWL) undertakes asset management planning for its six owner (client) councils, including Upper Hutt City Council. This encompasses a regional focus and a different suite of asset management documents, including the *2021-51 Strategic Asset Management Plan* and *2021-51 Regional Service Plan.*

The Regional Service Plan includes investment plans (by each council), and is the core component we considered in this strategy to determine the work programmes and budgets for the Long Term Plan.

For this Long Term Plan, the six client councils have agreed to WWL providing a *Minimum Viable Product Asset Management Plan* in the form of a suite of documents that provide updated information to support the *2021 Strategic Asset Management Plan* and *2021 Regional Service Plans*.



Improving asset management

Council is committed to improving the Asset Management Plans and places emphasis on improving asset management processes and systems. Further investment on improving asset management will be made in the future to make sure Council has the right information to make the best possible decisions on assets.

We collate and analyse information about infrastructure assets to ensure that we can meet the service expectations and current and future needs of our residents. This information can come in many forms, from legislative requirements (what we must do), regulations and guidelines (ensuring best practice), and community informed strategies and desires.

The asset work programmes are based on anticipated life-cycle renewals modified by asset inspections. By considering condition rating and performance as a modifying influence, work programmes can be focused on areas of highest need in terms of continuity of service level delivery. An example is a cluster of leakage complaints from customers, which may trigger a condition assessment in that location, and this may result in renewals being reprioritised to that location.

On occasion, Council also identifies assets that are no longer required. This is generally in conjunction with a decision to stop or reduce a level of service to the community. Council considers its service levels for the community as part of each Long Term Plan process.

Council continues to work with WWL to move from a primarily age-based work and renewals programme to a combination of condition, age, and performance criteria. This approach is recognised as best practice and gives a higher degree of certainty that investment needs are prioritised to provide best value.

Asset management roles and responsibilities

Effective asset management is critical to Council to enable the right decisions to be made in the most cost efficient manner. In 2018, Council decided to implement a more consistent approach across its infrastructure assets. The establishment of an in-house infrastructure assets management team has enabled the increase in the knowledge of assets and improved capability in asset management practice across the organisation.

Asset management leaders provide direction for asset management within Council and communicate this through the Asset Management Strategy. Council's asset management leaders foster a whole of organisation approach to ensure that staff are working towards aligned outcomes.

Service delivery teams work together towards the aligned asset management outcomes set by the asset management leaders. The service delivery teams manage the future state of the assets, as well as managing the present operations and maintenance of the assets. Council's internal service delivery teams (roads, parks, and property) are supplemented by WWL for the delivery of the three waters services – water supply, wastewater, and stormwater.

Wellington Water was established in September 2014 as a council-controlled organisation to take a regional, shared service approach to the delivery of the three waters services across the Wellington Region.

Infrastructure funding and affordability

Managing peaks and troughs in spending

The capital investment needed for infrastructure assets often requires substantial expenditure when they need replacing or require significant maintenance. However, the long life of most infrastructure assets means that significant peaks in expenditure are typically followed by long periods where relatively low expenditure is required.

The Long Term Plan balances the forecast spending needs with ratepayer affordability. This affordability has been determined by projected levels of rates, other income, and debt in the Financial Strategy.

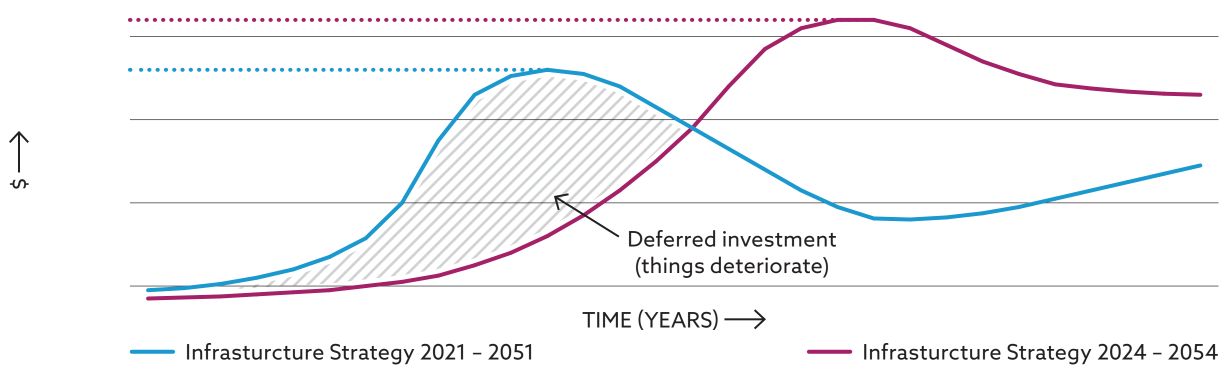
The purpose of the Financial Strategy in a large part is to ensure that the plan in the infrastructure strategy can be carried out. It does this by prescribing adequate financial resourcing through various funding mechanisms so that the infrastructure goals can be achieved in an affordable manner.

The Infrastructure and Financial Strategies work together to provide the desired outcomes that will maintain levels of service and ensure adequate investment where required. The significant strategic considerations or 'drivers' that have influenced the development of the Financial Strategy are growth, three waters services, and this Strategy.

In line with policy, Council uses development contributions as an additional funding source to invest in new public infrastructure assets and/or increase capacity in existing downstream assets.

It is usual that not all the identified spending requirements in the Asset Management Plans can be afforded within the funding available. In these cases, the budgeting process prioritises expenditure on maintaining and renewing existing assets before creating new ones. The cumulative effect of deferred investment creates a bow wave that is more costly to fund than the initial need, at greater risk of asset failure, and generally more reactive maintenance is required to keep assets in service.

INFRASTRUCTURE INVESTMENT PROFILE



Three waters investment decisions and potential risks

Council has decided to focus on and increase investment in renewals, but at a lower level of capital expenditure than requested by WWL for its work programmes. This was done to maintain affordability. It is also in line with our approach of responsible financial stewardship for the present and the future—minimising financial risk and ensuring resilience in our three waters infrastructure.

Over the last three years, WWL adopted a criticality framework to identify the criticality of assets and prioritise asset condition assessments. Council provided stimulus funding so WWL could undertake a significant amount of condition assessment work to better understand the risk of asset failures, and the resulting service failures, including the Very High Criticality Asset (VHCA) condition assessment activity. Final reports from this work were provided to Council in 2023, and the resulting investment recommendation considered in this Long Term Plan.

Potential risks resulting from not following WWL's recommended funding allocation could result in:

- Frequency of unplanned service disruptions increases and customer satisfaction decreases resulting in compounding reduction in level of service.
- Planned maintenance is deferred resulting in more reactive maintenance requirements.
- Delayed long term step change for operating costs is inevitable in later years.
- Non-compliances may result in increased dissatisfaction from mana whenua and regulatory bodies, and potential fines.
- Increased public dissatisfaction.
- Renewal backlog increases over the thirty years.
- The time horizon for investing in a new water source may not be able to be pushed out (dependent on the other metropolitan councils) or even may need to be bought forward.
- Impacts on the net carbon zero target being met.
- Freshwater quality gets worse, E.coli and other contaminants increase and wastewater overflows will increase. This includes the 2040 target of swimmable water quality is not achievable (relating to wastewater, and stormwater).

Where necessary, Council will manage these potential risks during the intervening period through its annual plan process, and reconsider future investment decisions.

Three waters services 30-year investment plan

The challenge we face in relation to the condition of our three waters infrastructure is the significant financial investment required over the long term and the region's capability to be able to deliver the necessary works. Council is particularly aware of the financial pressures on residents and businesses in the city, especially the impact of higher living costs on families. We have carefully considered affordability and community expectations in addressing the long-term funding.

Not all the identified spending requirements in the first 10 years can be afforded within the funding available. The priority will be on maintaining and renewing existing assets before creating new ones. Council has identified projects that are unable to fit within the financial provision set by the Financial Strategy.

The criticality of each project will be determined and, where appropriate, deferred—being cognisant that any deferred projects will create a bow wave that will be more costly to fund than the initial need in the future.

Council has increased investment in network renewals to address the backlog and keep pace with the renewals and will continue to work with WWL to maintain increased investment over the duration of this Strategy which together with non-asset opportunities could address the backlog within the 30-year timeline. We'll consider opportunities to deliver the currently unfunded projects in the first 10 years, including:

- The application of our *Development and Financial Contributions Policy* to invest in critical unfunded projects increasing capacity in existing downstream assets.
- Review the current WWL carryover budget and programme of works to identify where funding can be reallocated to service unfunded projects.
- Investigate the possibility of standardisation regionally or nationally including other regulatory improvements to the drinking water regulatory framework through Taumata Arowai, making projects easier to implement.
- Council has set aside money to prepare growth assessments in the first 3 years to determine the full extent of the infrastructure requirement.

Years 11 – 30

For the purposes of this Infrastructure Strategy, Council has included the cost estimates for these years based on information that was provided to the National Transition Unit (NTU) for the purposes of the previous government's Three Waters Reform Programme.

The financial information provided was an unconstrained view of the work required. The forecasts used to inform and develop a work programme are the sum of renewals due for replacement (on the basis of design life), responding to growth and climate change, and any level of service improvement.

This document includes this forecast expenditure, which is a significant increase from previous plans. The forecast expenditure is not affordable for Council based on current funding mechanisms. Council has therefore not been able to include the recommended investment levels for the first 10 years of this strategy. Without a change in the funding mechanisms, Council is highly unlikely to be able to fund the gap between the expenditure set out in Years 11 – 30. This creates significant uncertainty to the level of rates, debt, and levels of service over this period. To mitigate this, Council will continue to improve its assets condition information to assist future investment decisions, and work across the region on the new government's *Local Water Done Well* policy change.

Working with central government

Council will also work closely with the Government to maximise the potential benefits from the proposed new legislation.

The Government's approach of *'Local water done well'* has repealed the Three Waters reforms of the previous government. This policy is being implemented through new legislation over the course of 2024. This includes setting up regulatory backstop powers, to be used to meet the requirements to deliver financially sustainable and safe water services.

The Government has also appointed a technical advisory group who will provide advice on policy and legislation that would allow local councils to appropriately recover costs and access the long-term debt needed to fund the required investment in water infrastructure.

Delivery of the capital plan

Improving delivery outcomes

Council has a focus on improving overall delivery of our capital plan to ensure capital expenditure is undertaken in a timely manner. There is a range of factors creating challenges in this delivery, and these factors affect different components of the overall programme in different ways.

For example, a large component of recent years' underspends comprised a small number of major projects, most delayed due to dependence on third parties such as Waka Kotahi NZ Transport Agency funding or other external factors beyond Council's control (such as consenting and environment court).

Two significant projects underway—H_2O Xtream upgrade and Akatārawa Cemetery redevelopment—make up a substantial component of the planned capital spend in Year 1 of this Long Term Plan. These are being managed by the in-house project delivery function and are not subject to external party involvement.

These projects are also following the project delivery approach and methodology as were taken with the recent Whirinaki Whare Taonga, Maidstone Max, and Civic Centre seismic strengthening projects. Whirinaki Whare Taonga, and Maidstone Max were legacy projects which initially suffered from lack of scope definition and detailed cost estimates, and were delivered successfully within budget and on approved end date for Whirinaki Whare Taonga, however weather-delayed for Maidstone Max.

Three waters services delivery

Delivery of the three waters programme remains at medium risk due to dependence on WWL as the delivery agent. In this area, there has also been some historic underspend. Over the last three years, there have been unexpected external challenges that have further impacted delivery, including COVID lockdowns, material supply delays, and skilled labour shortages. However, each year has seen a further uplift in capacity to deliver the capital programme. In response to this we're focusing on improving decision-making through a better understanding of the condition of our assets. We're also not fully funding WWL's proposed ambitious capital programme. This will mitigate ongoing lack of delivery and underspends and ensure the programme is more realistic and achievable.

Financial implications for delayed delivery

In general, where delays occur in capital expenditure or programme delivery, the ultimate result is that if the work is completed within a reasonable timeframe, the benefits are achieved for the community regardless of the exact timeframes. Projects or works that are not completed at all would be significant, compared to delayed delivery.

To mitigate financial implications of any delivery delays for ratepayers, Council has changed its budgeting process so that any programme delivery delays will not have an impact on rates collected for that financial year. Examples are:

- Rating for loan repayments and interest in the next financial year after the loans have been drawn down instead of the year the work is forecast to happen.

- All capital expenditure is now funded via loans (not rates as previously the case for renewal works) to ensure intergenerational equity, but this also means the point above applies, and thus rates will only include loan repayments and interest once the works or project has commenced.

Changing our financial approach to the capital programme

The financing of assets and funding of the capital programme is changing from our previous approach. In the previous two Long Term Plans, significant capital investments were funded through debt and reserves. Most of these projects have been completed or will be completed in the first year of this Long Term Plan.

In this Long Term Plan, Council has agreed to move to funding depreciation through rates, and while depreciation reserves are being established, to rate fund both principal and loan repayments. Funding depreciation and interest through rates aligns with the objective of intergenerational. This reflects that today's ratepayers pay their share of the amount of the Council's assets that they consume, and the interest costs reflects the financing over time of these assets. As part of the Annual Plan process, Council will review the affordability of the level of rate-funding of depreciation on an annual basis.

In previous Long Term Plans, depreciation was not rate-funded, debt was raised to fund asset renewals, and the repayment of this debt will occur over the 10 years of this Long Term Plan. By rate-funding depreciation, over time, reserves will be established to fund future renewals and to repay debt. Until sufficient reserve renewals have been established, principal repayments will be rate-funded. Rating for principal repayments while reserves are being established for renewals provides financial stability and resilience. Debt-funding of renewals will continue but will decrease over the life of this Long Term Plan.

The level of investment required in Years 11 – 30 is likely to be considerably higher. This could result in a significant variation from the depreciation costs that are currently projected. If a significant increase in capital investment is required, Council will assess the appropriate level of rate-funded depreciation.

Most likely scenario

This Strategy provides an overview of Council's most likely scenario for the management of its infrastructure. The most likely scenario includes potential projects that may or may not proceed subject to funding decisions made through future long term and annual planning processes.

This scenario has been determined by:

- Including the funded capital and operating budget forecasts from the Long Term Plan 2024 – 2034. The timing of projects and budget provisions have been informed by the Asset Management Plans.

- Identifying projects through the Long Term Plan that are unable to fit within the financial provision set by the Financial Strategy. These projects are assumed to be required in the future and this is reflected in the Financial Strategy.
- Using the assumptions for levels of service, demand, and renewals as outlined in the Asset Management Strategy, Asset Management Plans, and the Wellington Regional Asset Management Plan for Water Services.
- The preferred options for the significant capital decisions discussed in this Strategy are those that are included in the Long Term Plan budget.

Detail and confidence

The plans and forecasts for the first three years have the most detail and confidence as the greatest amount of planning has taken place. The investments identified between Year 4 and Year 10 are an outline and have a reasonable degree of confidence. The forecasts beyond Year 10 should be viewed as indicative estimates and will be developed further as time passes and more information is obtained.

The changing infrastructure environment

Changes to the requirements and management of infrastructure is expected to occur and Council will consider the appropriate approach as part of the future relevant Long Term Plan process.

Forecast expenditure required in the Local Government Act 2002 (LGA) is:

Period of forecast expenditure	Description of required forecast in LGA
Years 1 – 3	In detail
Years 4 – 10	In outline
Years 11+	An indicative estimate

This uncertainty and need for ongoing refinement is acknowledged in the tiered framework for forecast expenditure contained in the LGA.

The forecast expenditure is significantly higher than historical expenditure.

Indicative estimates

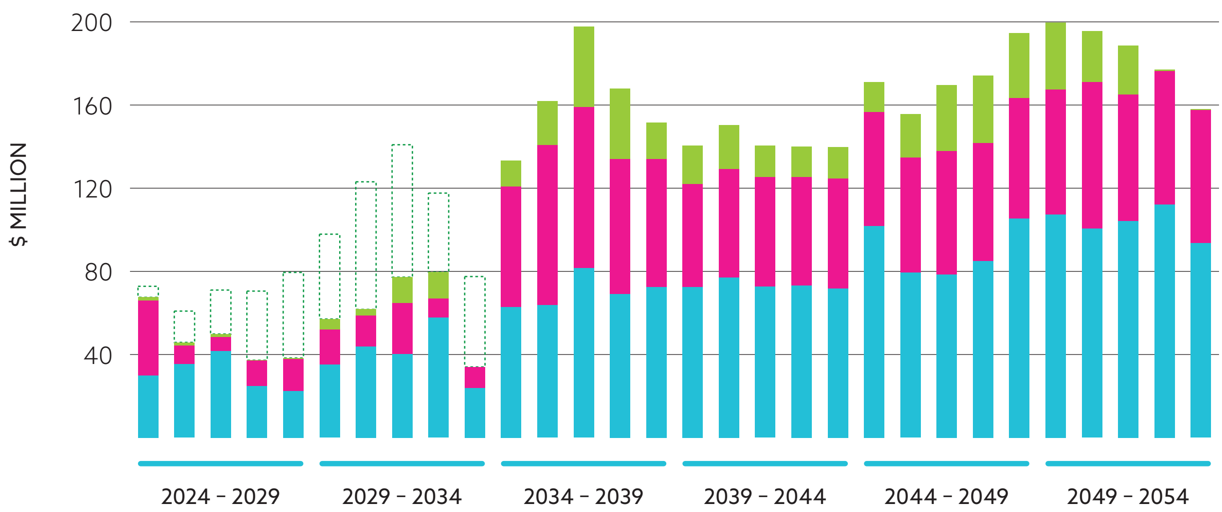
Capex and opex

The total projected capital expenditure (capex) for Council's infrastructure assets over the next 30 years is approximately $3.855 B. Over the same period, Council projects an operational expenditure (opex) of approximately $1.664 B for its infrastructure assets.

The allocation of (inflated) capex and opex across our infrastructure activities is as follows.

Infrastructure Activity	Capex ($)	Opex ($)
Water supply	818,625,722	545,006,455
Wastewater	1,894,842,604	428,212,006
Stormwater	452,569,534	131,798,608
Land transport	398,596,964	147,353,074
Property	201,986,005	258,780,872
Parks and reserves	88,518,194	152,770,742
TOTAL	**3,855,139,023**	**1,663,921,757**

FORECAST TOTAL CAPEX 2024 - 2054

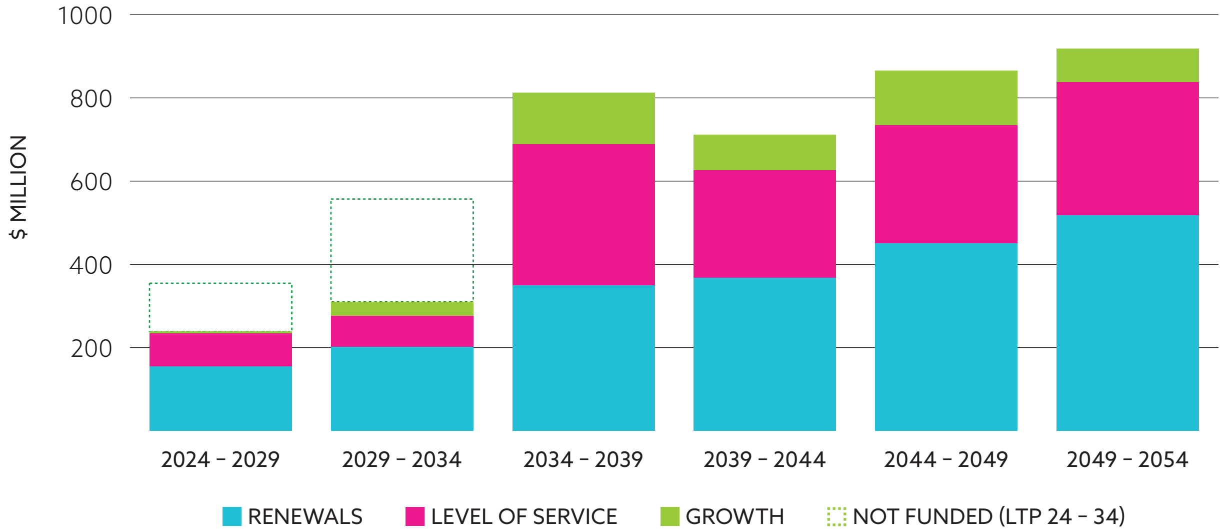


Key (all capex graphs)

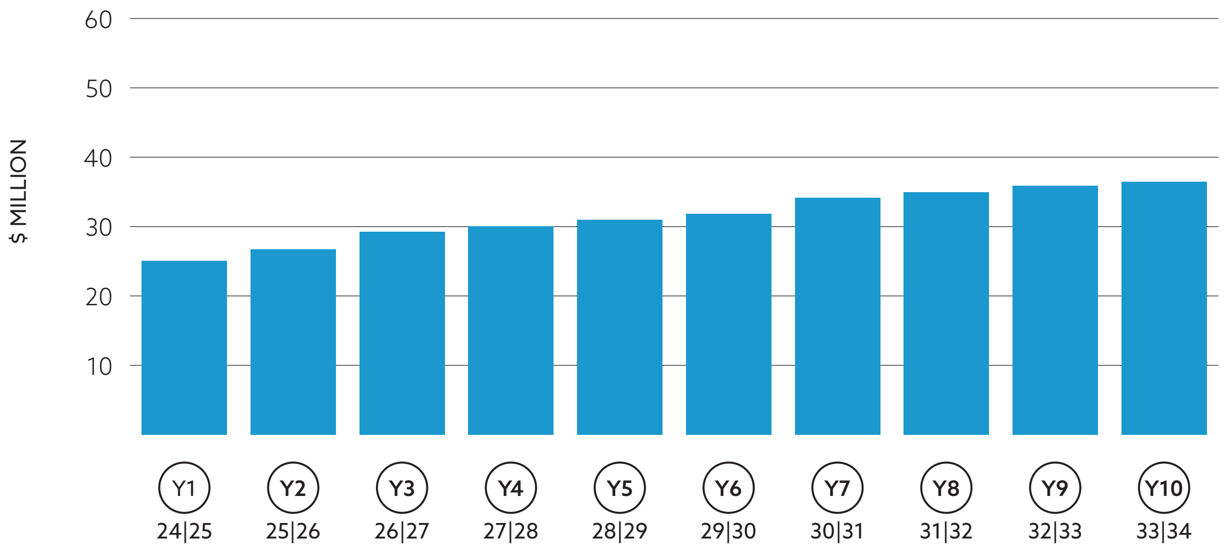
This key is used for all capex graphs in our Infrastructure Strategy:

- **Renewals**—includes all investment necessary to renew the condition and life of an asset and maintain the integrity of the existing network taking into account seismic upgrades.
- **Level of service (change)**—includes those capital investments required to improve/upgrade parts of the asset systems currently below existing target service standards, or to achieve increasing service standards due to increasing customer expectations/changes in technical standards or legislative requirements.
- **Growth (new)**—includes all capital investment resulting from changes in demand for the services delivered by the assets.
- **Not funded in Long Term Plan 2024 – 2034**

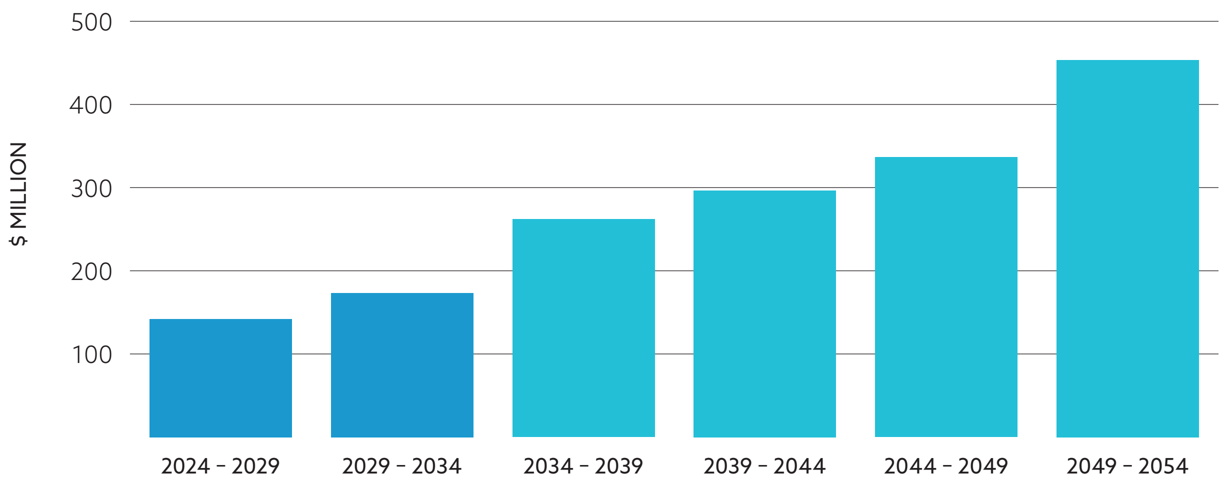
FORECAST TOTAL CAPEX 2024 – 2054 (5-YEAR PERIODS)



FORECAST TOTAL OPEX 2024 – 2034



FORECAST TOTAL OPEX 2024 – 2054 (5-YEAR PERIODS)



Water supply

Context

How water is acquired, treated, and managed	Wellington Water Ltd (WWL) on behalf of Council, is responsible for the treatment, storage, distribution, and management of the region's water supply including that for Upper Hutt City. Raw water comes from three sources; Te Awa Kairangi/Hutt River, the Waiwhetu Aquifer, and the combined flow of the Ōrongorongo and Wainuiomata rivers. It is then treated to ensure that the region's cities are provided a high standard of drinking water, fully complying with the New Zealand Drinking Water Standards for source and distribution. Under normal supply conditions, Upper Hutt City is supplied from Te Awa Kairangi/Hutt River via the Te Mārua water treatment plant. The treated water is pumped to reservoirs where it is distributed through a network of pipes to meet the needs of residential, commercial, and industrial properties.
Costs	Along with the other councils in the region, we purchase our water in bulk from Greater Wellington Regional Council (GWRC). The cost of this water is close to $4.9 M per annum for Upper Hutt and is largely outside Council's control or discretion. The actual costs represent Upper Hutt's share of the total regional water supply requirement, and the capital and operational costs incurred by GWRC to provide it. In addition, the cost of pumping, distributing, and maintaining the city infrastructure that transports water from Council's water reservoirs to taps is about another $7.43 M per annum.
Consumption	In Upper Hutt, total water consumption for [22|23] was averaging 450 litres per person per day, following an upward regional trend driven largely by increasing leakage. Whilst water conservation programmes are currently in place, a renewed focus on demand reduction and water loss management is required if impending major investment in a new water source is to be deferred due to this growing regional demand.
Assets and value	Upper Hutt's water supply network is valued at $116.2 M (2023), and includes 10 pump stations, 16 reservoirs, 287 km of water mains, approximately 17,500 service connections, 1,660 fire hydrants, and 3,781 valves.

Asset condition and performance

Awareness and risks

Improving and increasing information about the health and condition of the assets is a priority. There is a particular focus on understanding the condition and risk associated with the most critical assets, including all water storage reservoirs. Where these condition assessments identify significant risks, the intention is that these assets will be prioritised within the renewal programme.

Replacing ageing assets

The water supply pipeline assets are ageing and approximately 38% of these assets will need replacing within the 30-year period of this Strategy. The existing backlog of pipes that have already reached their nominal life is 4%. This is forecast to increase to 5% by 2033, and will continue to grow unless addressed. Opportunities Council will look at to deliver the backlog and currently unfunded projects are outlined on page 216 as part of our three waters services 30-year investment plan. Understanding the condition of lower-criticality assets relies on data collected from condition assessment activities conducted across the region.

Prioritising critical assets

Council has prioritised the assessment of critical assets through the Very High Criticality Assets (VHCA) programme. After this, WWL has been able to utilise the data from the detailed assessments made to develop a complete picture of the network condition and to inform future investment priority.

This assessment has indicated that 85% of the drinking water network is considered to be condition grades 1 – 3, with no structural defects or, some structural defects evident causing minor deterioration or, structural defects present with moderate deterioration. 10% is considered to be condition grade 4 (poor) with significant level of external or internal deterioration. 5% is considered to be condition grade 5 (very poor) with deterioration extending to a point where there is no reliable structural capacity and failure is imminent or has already occurred. As networks age and the condition deteriorates increased levels of planned and reactive activity can be anticipated.

With the increased need for asset renewals and growing backlog of 12,322 metres of water supply pipeline (5% of the network at condition grade 5), the amount of water lost through leaks continues to rise. We have exceeded our target of less than 20%, with the estimated water loss increasing from 21% to 44%.

The renewal of drinking water assets will be prioritised based on asset criticality and the best available understanding of asset condition.

Focus areas

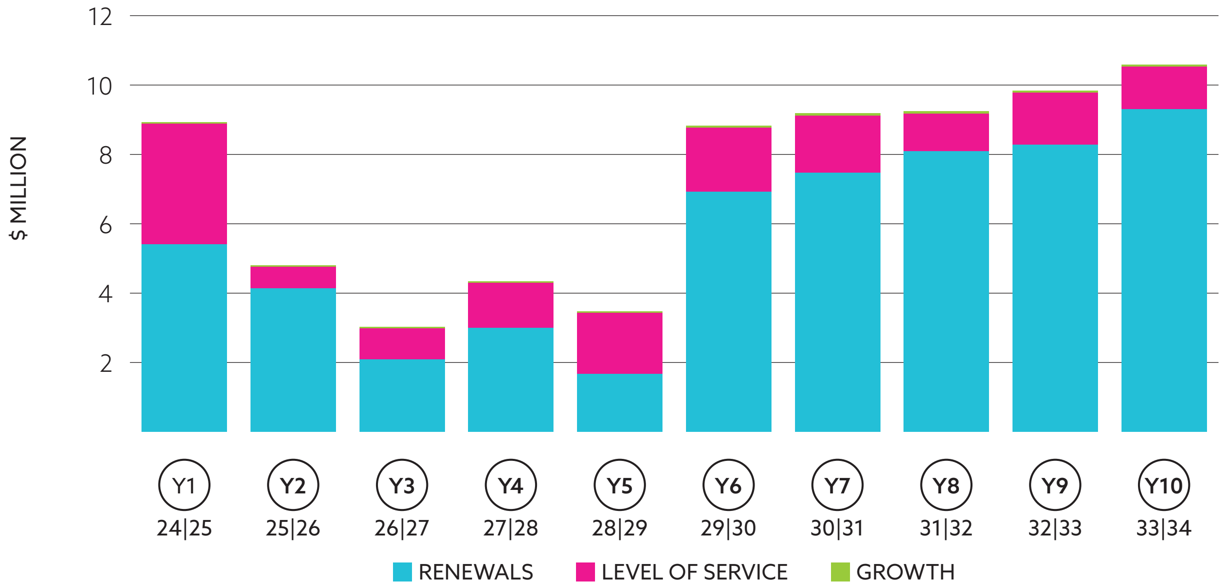
- Ensuring the water supply is resilient, efficient, safe, and assists in the delivery of Council's strategic goals.
- Looking after existing infrastructure (renewals, operations, and maintenance).
- Gaining asset condition knowledge to inform prioritisation of renewals programme.
- Ensuring critical services are maintained such as providing a safe drinking water supply.
- Reducing water demand to respond to acute water shortage risks, climate change impacts and improve resilience, including community education and proactive leak detection and repairs.
- Reducing carbon emissions through alternative design and construction techniques.
- Improving network resilience to natural disasters by using more resilient materials.

Indicative estimates

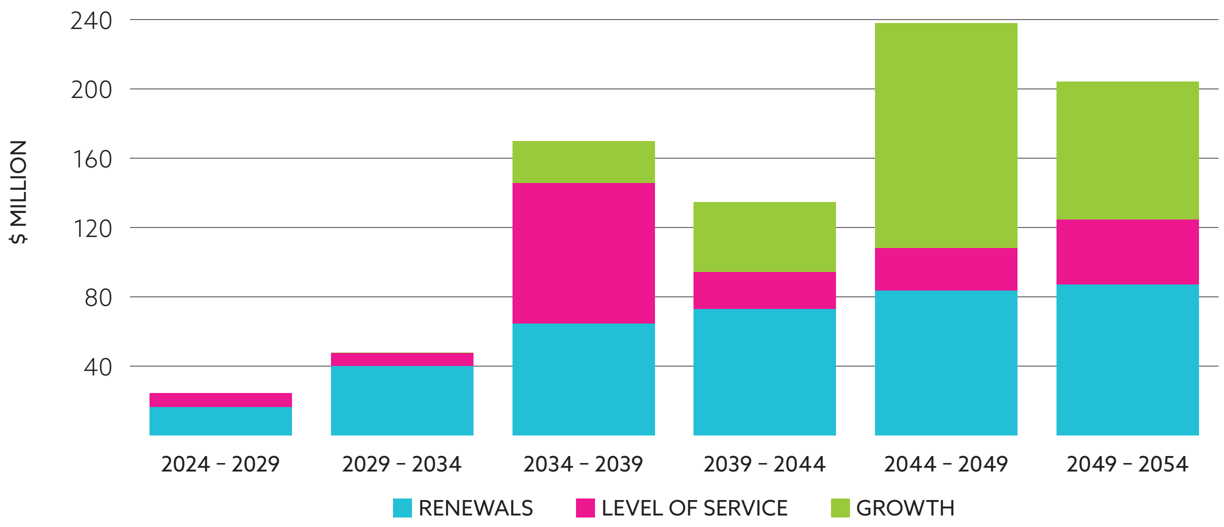
Capital expenditure (capex)

The estimated capital needs for the water supply activity have been prepared for the next 30 years. The forecast capital expenditure from 1 July 2024 – 30 June 2034 has been included in this Long Term Plan.

FORECAST CAPEX: WATER SUPPLY 2024 – 2034



FORECAST CAPEX: WATER SUPPLY 2024 – 2054 (5-YEAR PERIODS)

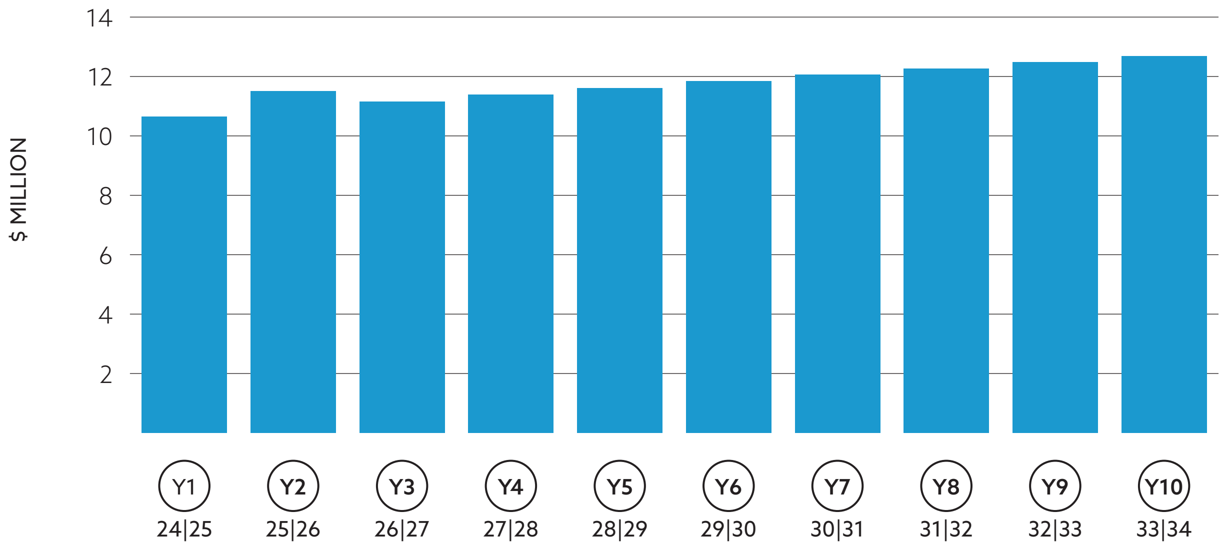


Operational expenditure (opex)

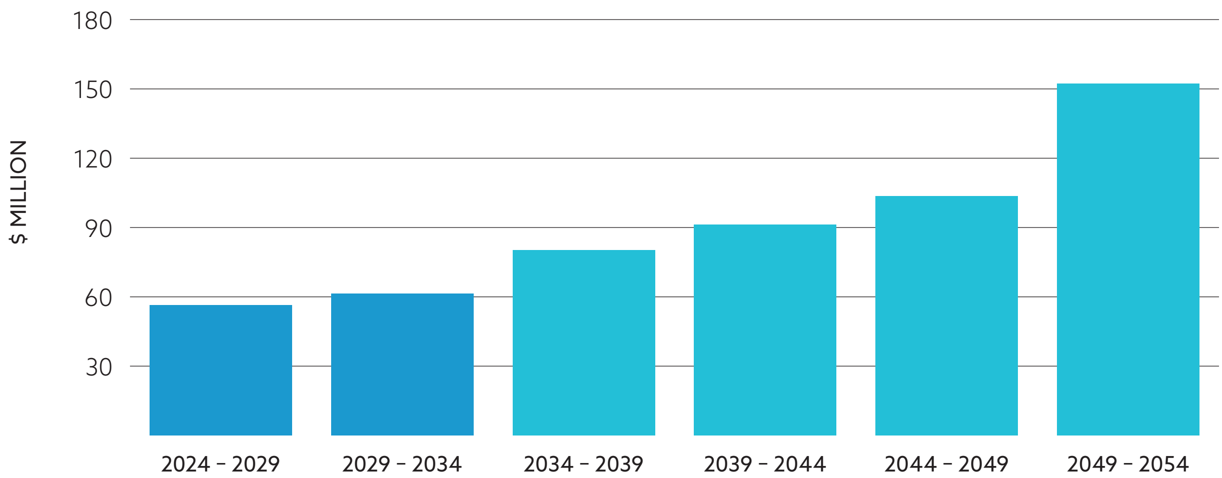
The forecast operational expenditure from 1 July 2024 – 30 June 2034 has been included in this Long Term Plan. Estimated expenditure beyond 2034 is based on the Year 10 forecast and then adjusted for anticipated growth of the city.

Operational expenditure includes indirect costs to provide the service to the community such as loan repayments, interest costs, and overheads. Forecast operational expenditure is shown as gross costs.

FORECAST OPEX: WATER SUPPLY 2024 – 2034



FORECAST OPEX: WATER SUPPLY 2024 – 2054 (5-YEAR PERIODS)



Wastewater

Context

How wastewater is treated and managed

Wellington Water Ltd (WWL) on behalf of Council, is responsible for collection, treatment, and disposal of Upper Hutt's wastewater and trade waste.

Upper Hutt's wastewater system removes about 12 million litres of wastewater from homes, shops, and business premises each day. Wastewater and trade waste are discharged from properties into a network of gravity and pressure pipelines, which take the wastewater to the treatment plant in Seaview. At the treatment plant, wastewater is treated before being discharged into Cook Strait off Bluff Point. Solids, removed as part of the treatment process, are currently composted off-site and reused.

Assets and value

Upper Hutt has 228 km of sewer mains, 4,987 wastewater manholes, 19 pump stations, one overflow chamber, and one pipe bridge. The wastewater assets are valued at $157 M (2023).

Hutt City Council is responsible for administration of the bulk wastewater system from Hutt City and Upper Hutt, conveying wastewater to the Seaview Wastewater Treatment Plant and the operation of the Wastewater Treatment Plant. Upper Hutt City Council pays an annual operating levy and Upper Hutt's share of capital works.

Upgrading the main trunk pipelines	Some localised upgrades have been identified to meet growth projections. The main trunk pipelines are ageing, particularly the pressure pipelines. Some of these were constructed as early as the 1950s and currently cannot be taken off-line for inspection or maintenance. There is a major programme of capital works proposed over the period of this Strategy to renew and provide some redundancy and resilience in these critical pipelines.
Inflow and infiltration	Parts of Upper Hutt's wastewater network experience issues with inflow (stormwater getting into the wastewater network via cross connections between the networks) and infiltration (groundwater getting into the wastewater network). Council's wastewater network is divided into 38 catchments for the purpose of sewer flow monitoring. This helps us to identify inflow and infiltration issues in the catchments and plan remedial works.
Central government standards	There are new environmental requirements for the operation of the network, that will need both operating and capital expenditure over the coming 30 years to reduce the amount and frequency of untreated wastewater contaminating freshwater bodies.

Asset condition and performance

Awareness and risks	Improving and increasing information about the health and condition of the assets is a priority. There is a particular focus on understanding the condition and risk associated with the most critical assets including wastewater trunk mains. Where these condition assessments identify significant risks, the intention is that these assets will be prioritised within the renewal programme.
Replacing ageing assets	The wastewater pipeline assets are ageing, and approximately 59% of these assets will need replacing within the 30-year period of this Strategy. The existing backlog of pipes that have already reached their nominal life is 6%. This is forecast to increase to 15% by 2033 and will continue to grow unless addressed. Opportunities Council will look at to deliver the backlog and currently unfunded projects are outlined on page 216 as part of our three waters services 30-year investment plan. Understanding the condition of lower-criticality assets relies on data collected from condition assessment activities conducted across the region.

Prioritising critical assets

Council has prioritised the assessment of critical assets through the Very High Criticality Assets (VHCA) programme. After this, WWL has been able to utilise the data from the detailed assessments made to develop a complete picture of the network condition and to inform future investment priority.

The assessment has indicated that 79% of the wastewater network is considered to be condition grades 1 – 3, with no structural defects or, some structural defects evident causing minor deterioration or, structural defects present with moderate deterioration. 21% is considered to be condition grade 4 (poor), with significant defects present with serious deterioration evident. None of the network is currently considered to be condition grade 5 (very poor), with deterioration extending to a point where structural failure is imminent or has already occurred. As networks age and the condition deteriorates increased levels of planned and reactive activity can be anticipated.

Condition and performance of the wastewater network

From an asset condition and performance perspective, the wastewater network can be addressed as two networks each with its own performance challenges:

- Upper Hutt City's wastewater network
- The bulk wastewater network from Upper Hutt and Hutt City conveying wastewater to the Seaview Wastewater Treatment Plant

Upper Hutt City's wastewater network performance appears to relatively static based on the DIA measures, improving over a three trend. Median response time to resolve a sewage overflow resulting from a blockage or other fault in the sewerage system has improved, however the median response time to attend a sewage overflow resulting from a blockage or other fault in the sewerage system has increased and is exceeding targets due to the increasing work volume and resource constraints. WWL continues to manage this by prioritising the highest risks and the available resources accordingly which has an impact on the response times.

The bulk wastewater network and Seaview Wastewater Treatment Plant performance should improve with the investment uplift as part of the Hutt Valley Wastewater Scheme included in this Long Term Plan which should result in improved asset performance, performance measure outcomes, and decreased regulatory actions.

The renewal of wastewater assets will be prioritised based on asset criticality and the best available understanding of asset condition.

Focus areas

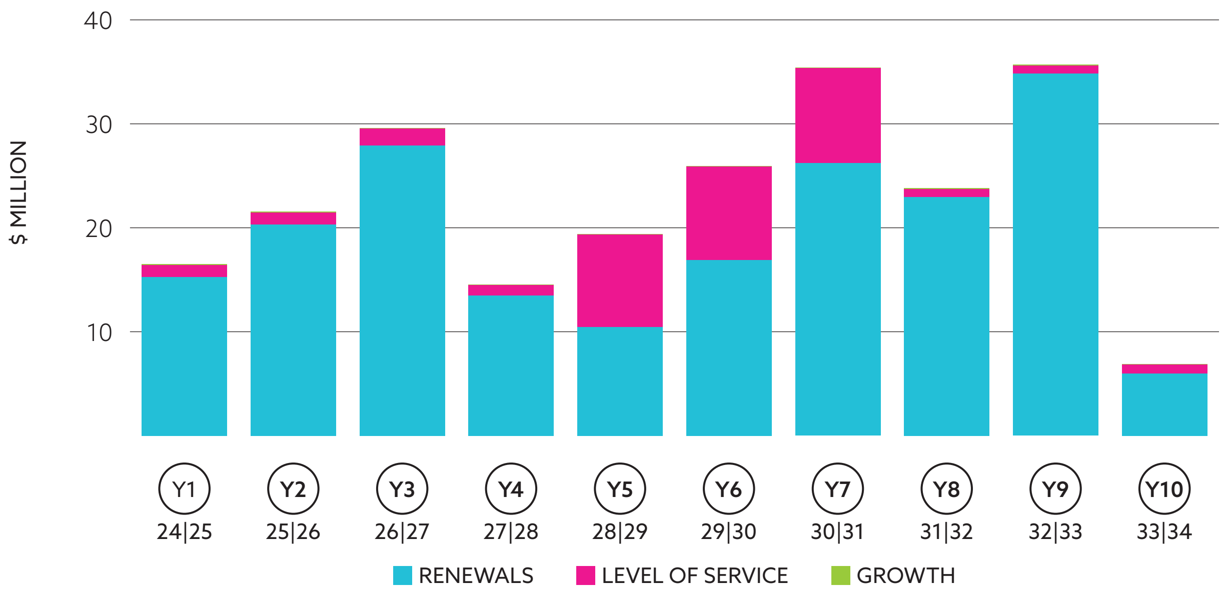
- Ensuring the wastewater network is resilient, efficient, effective, safe, and assists in the delivery of Council's strategic goals.
- Looking after existing infrastructure (renewals, operations, and maintenance).
- Gaining asset condition knowledge to inform prioritisation of renewals programme.
- Ensuring critical services are maintained to prevent overflows and manage risk to public health and environment.
- Improving understanding of network capacity and performance through monitoring and modelling.
- Managing demand and improving capacity to reduce network overflows and comply with newly issued network discharge consents.
- Reducing carbon emissions through alternative design and construction techniques and improved management of sludge.
- Improving network resilience by using more resilient materials.

Indicative estimates

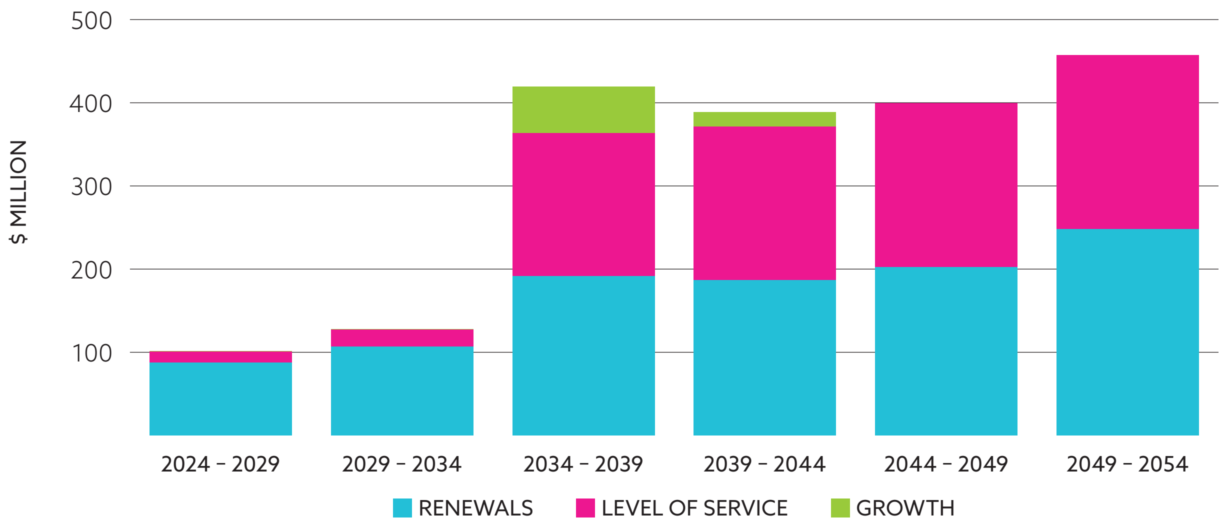
Capital expenditure (capex)

The estimated capital needs for the wastewater activity have been prepared for the next 30 years. The forecast capital expenditure from 1 July 2024 to 30 June 2034 has been included in this Long Term Plan.

FORECAST CAPEX: WASTEWATER 2024 – 2034



FORECAST CAPEX: WASTEWATER 2024 – 2054 (5-YEAR PERIODS)

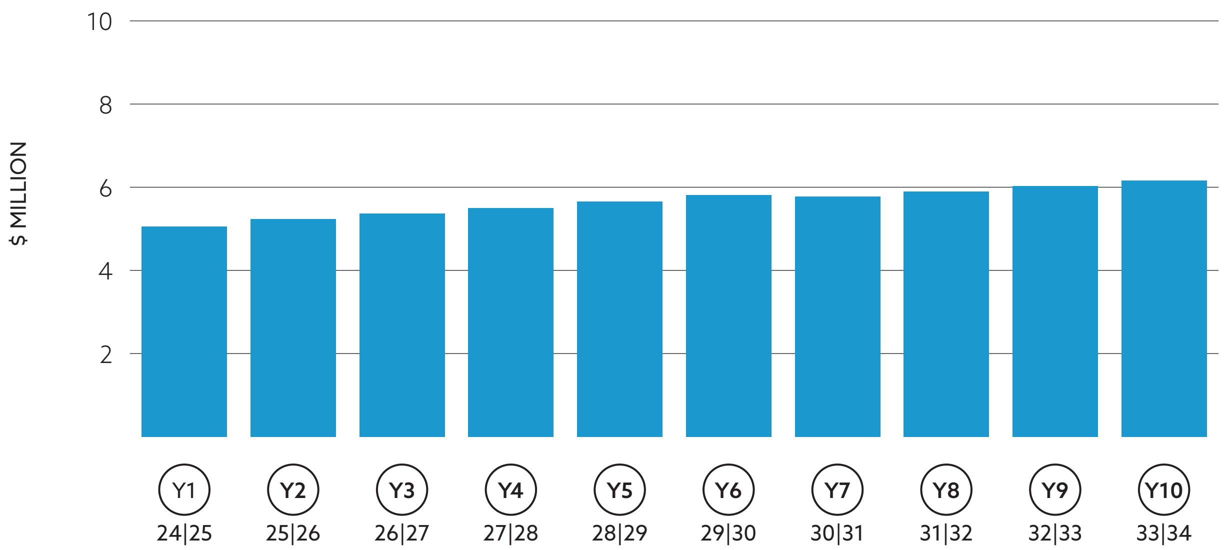


Operational expenditure (opex)

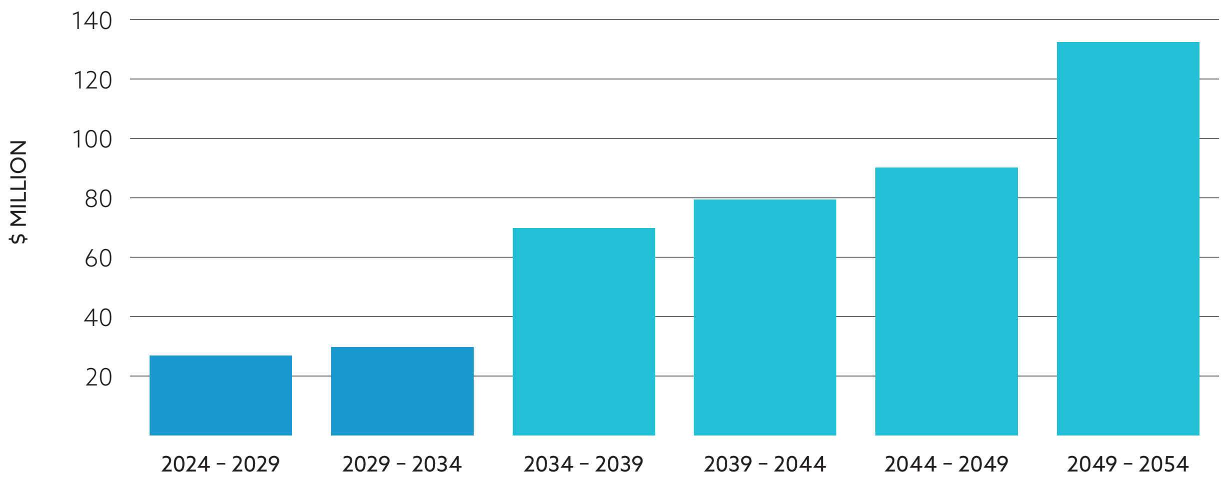
The forecast operational expenditure from 1 July 2024 to 30 June 2034 has been included in this Long Term Plan. Estimated expenditure beyond 2034 is based on the Year 10 forecast and then adjusted for anticipated growth of the city.

Operational expenditure includes indirect costs to provide the service to the community such as loan repayments, interest costs and overheads. Forecast operational expenditure is shown as gross costs.

FORECAST OPEX: WASTEWATER 2024 – 2034



FORECAST OPEX: WASTEWATER 2024 - 2054 (5-YEAR PERIODS)



Stormwater

Context

How stormwater is managed	The city's stormwater system is designed to manage the collection and disposal of stormwater within urban areas by a combination of reticulated pipes, pumps, open drains, and onsite soakage pits.
Assets and value	The stormwater system comprises 51 km of open drains, 160 km of stormwater mains, 3,546 stormwater manholes, 7 pump stations, 3 retention ponds (Wallaceville Reserve, Grants Bush, Brown Owl), and a stormwater dam (Heretaunga). The stormwater assets are valued at $168.6 M (2023).
Our stormwater standard and level of service	Council's current policy is to provide flood protection to a design standard of meeting a 1:25 year flood event if there is a secondary flow path, and for a 1:100 year event if there is no secondary flow path. This standard applies to all new development. While Council has no immediate plans to change the level of service for existing development, it needs to determine the level of flooding that people are willing to accept and the cost implications to achieve its design standards. Areas susceptible to 1:25 and 1:100 year flood events have been mapped to assist in decision-making. The Pinehaven Flood Management project is an example of Council working towards meeting both a stormwater design standard and associated channel improvements.

Climate change considerations

Increased rainfall because of climate change could increase stormwater flows thereby placing pressure on the network and impact the levels of service. Additional design capacity is allowed for, to factor in climate change impacts, when carrying out planned upgrades to the stormwater network and for development.

The level of service debate also emerges through the, yet to be determined, finite capacity of onsite soakage pits to absorb stormwater run-off both increasing frequent high intensity rainfall events and the demands that medium intensity development put on reducing areas of permeability.

New standards and costs

Greater Wellington Regional Council (GWRC) is implementing the National Policy Statement for Freshwater Management through updates to its Regional Plan. This creates a range of new environmental standards that will increase the cost of operating the stormwater network in a compliant manner.

Asset condition and performance

Awareness and risks

Improving and increasing information about the health and condition of the assets is a priority. There is a particular focus on understanding the condition and risk associated with the most critical assets including some stormwater assets. Where these condition assessments identify significant risks, the intention is that these assets will be prioritised within the renewal programme.

Replacing ageing assets

Approximately 88% of the stormwater pipeline assets have a nominal (age-based) life beyond the 30-year period of this Strategy. Understanding the condition of lower-criticality assets, such as the city's stormwater pipes, relies on data collected from condition assessment activities conducted across the region.

Prioritising critical assets

Council has prioritised the assessment of critical assets through the Very High Criticality Assets (VHCA) programme. After this, Wellington Water has been able to utilise the data from the detailed assessments made to develop a complete picture of the network condition and to inform future investment priority.

This assessment has indicated that 68% of the stormwater network is considered to be condition grades 1 – 3, with no structural defects or, some structural defects evident causing minor deterioration or, structural defects present with moderate deterioration. 32% is considered to be condition grade 4 (poor), with significant defects present with serious deterioration evident. None of the network is currently considered to be condition grade 5 (very poor) with deterioration extending to a point where structural failure is imminent or has already occurred. As networks age and the condition deteriorates increased levels of planned and reactive activity can be anticipated.

Condition and performance of the stormwater network

The stormwater system is performing adequately with all performance measures being met. Performance of the stormwater system is difficult to determine when assessing the Department of Internal Affairs measures. Its performance is relative to the extremity of the storm events in any given year. Additionally, we assume that because of climate change, the frequency and extremity of storm events will increase over time, rendering the network less able to deal with extreme events.

We have seen an increase in the number of complaints about stormwater performance over the past few years, not related to an increase in flooding events. This is due to the very narrow definition of flooding events under the DIA rules, along with the difficulty in obtaining this data.

The renewal of stormwater assets will be prioritised based on asset criticality and the best available understanding of asset condition.

Focus areas

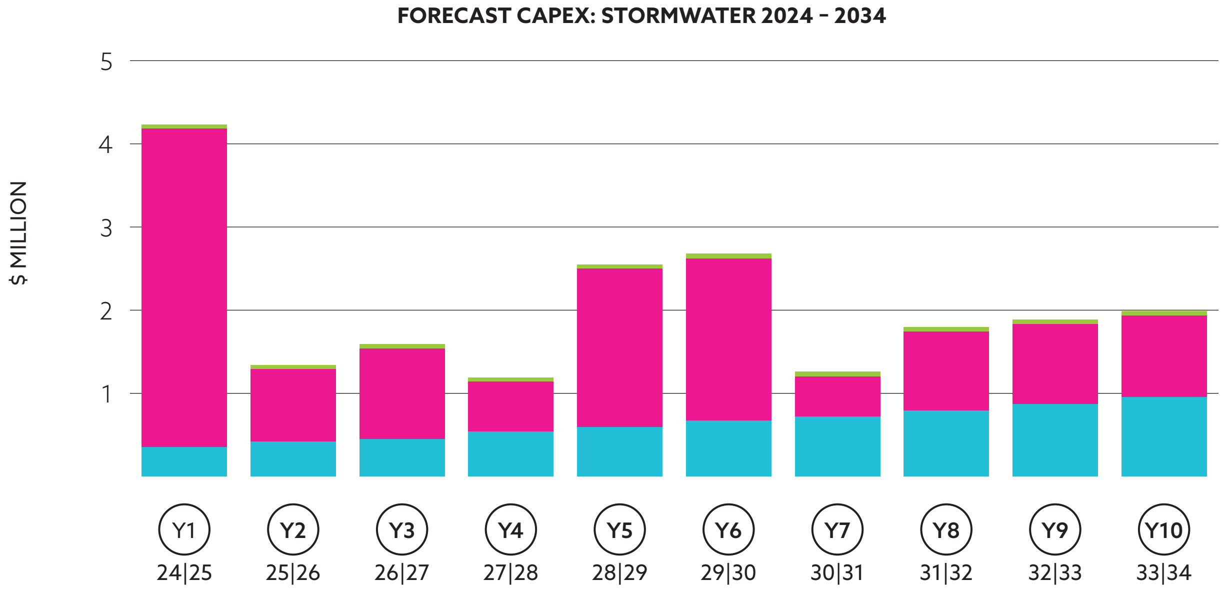
- Ensuring the stormwater network is resilient, efficient, effective, safe, and assists in the delivery of Council's strategic goals.
- Delivering services in an integrated catchment management approach.
- Looking after existing infrastructure (renewals, operations, and maintenance).
- Gaining asset condition knowledge to inform prioritisation of renewals programme.
- Ensuring critical services, such as control systems, are maintained.
- Completion of future growth study for the region to ensure services align to growth.
- Improving environmental water quality to comply with global discharge consents.
- Improving understanding of network capacity and performance through monitoring and modelling.
- Interventions in place to protect overland flow paths.

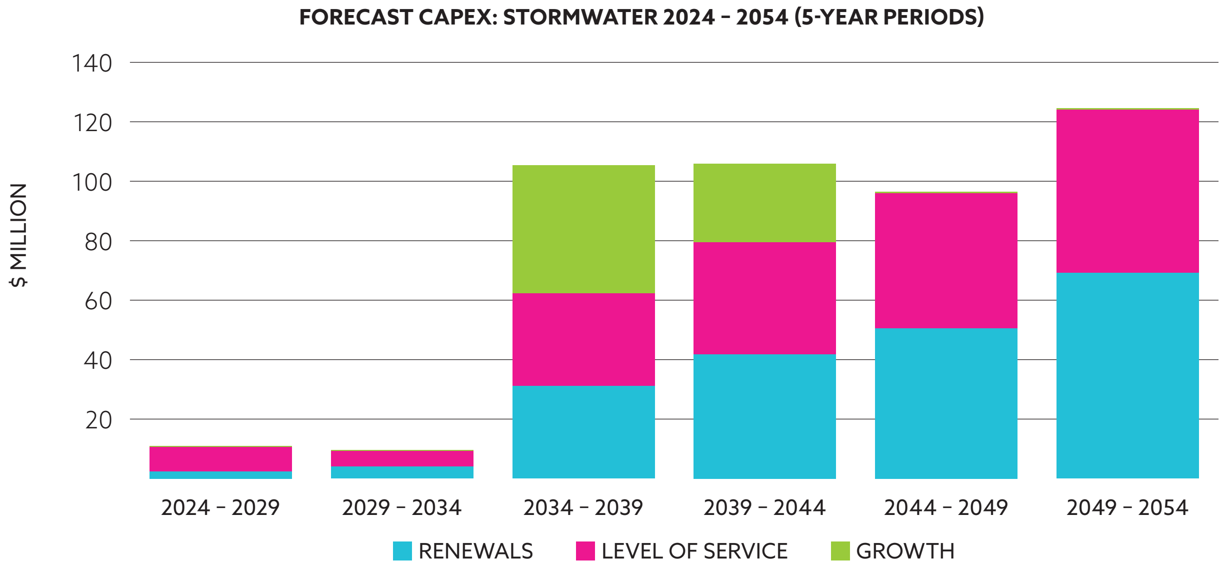
- Development controls such as hydraulic neutrality.
- Climate change factored in to planning and design of new works and development.

Indicative estimates

Capital expenditure (capex)

The estimated capital needs for the stormwater activity have been prepared for the next 30 years. The forecast capital expenditure from 1 July 2024 to 30 June 2034 has been included in this Long Term Plan.



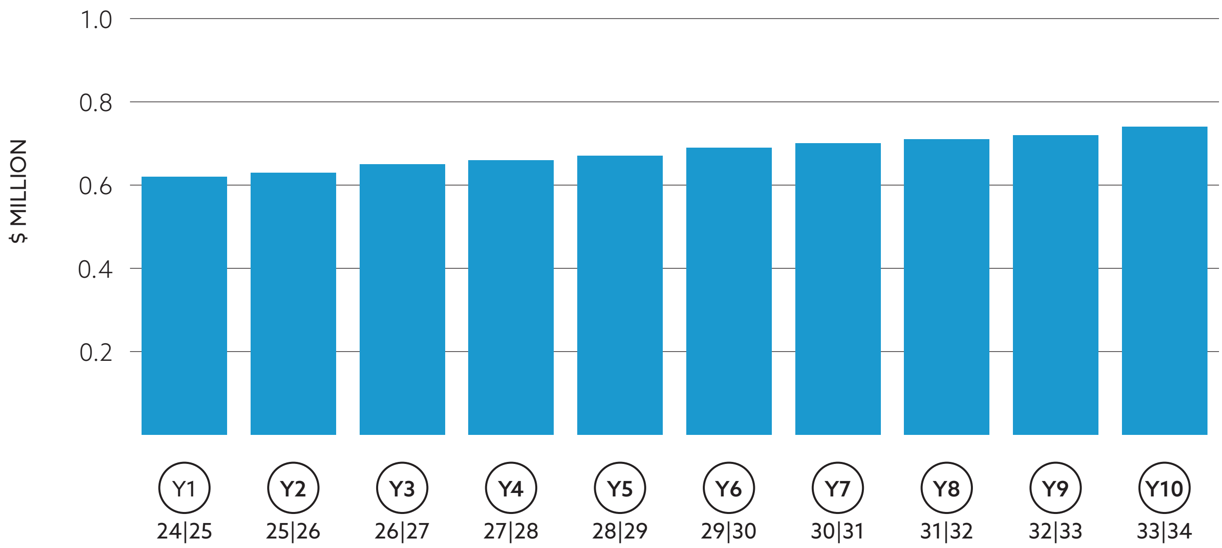


Operational expenditure (opex)

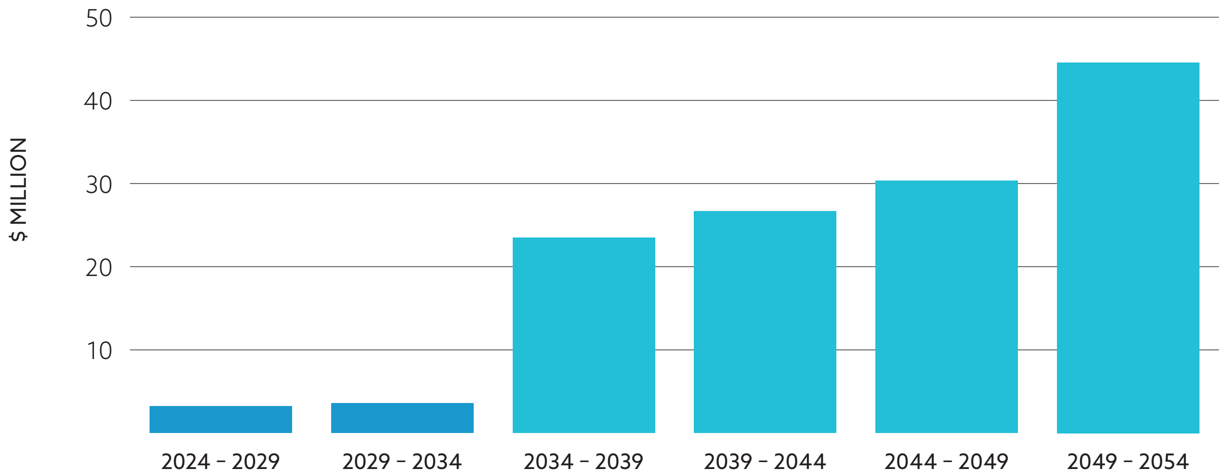
The forecast operational expenditure from 1 July 2024 to 30 June 2034 has been included in this Long Term Plan. Estimated expenditure beyond 2034 is based on the Year 10 forecast and then adjusted for anticipated growth of the city.

Operational expenditure includes indirect costs to provide the service to the community such as loan repayments, interest costs and overheads. Forecast operational expenditure is shown as gross costs.

FORECAST OPEX: STORMWATER 2024 - 2034



FORECAST OPEX: STORMWATER 2024 - 2054 (5-YEAR PERIODS)



Land transport

Context

Movement and access

The ability to move is fundamental to the quality of life in Upper Hutt. Council's land transport assets provide people with access to employment, services, education, tourism sites and recreation, as well as providing parking for residents and businesses, and the movement of goods to support a thriving economy. They enable residents and visitors to move freely, efficiently, and safely throughout the city.

Land transport covers the assets and infrastructure required to operate and manage the free movement of motor vehicles, public transport, commercial traffic, cyclists, and pedestrians within Upper Hutt and across city boundaries. The land transport network amounts to an annual 173.7 million vehicle kilometres of journeys travelled on the network.

Assets and value

Upper Hutt's transport network is valued at $343 M (2023). This includes 251 km of roads; 48 road bridges and 6 pedestrian/cycle bridges; footpaths, cycleways, and pedestrian crossings; signs, street lights, and traffic signals; public car parks, street furniture, and refuse bins; street planters and vegetation.

Partnership with central government and GWRC

The Government, through Waka Kotahi NZ Transport Agency, partners with Council by operating State Highway 2 that runs through Upper Hutt. It also co-invests with Council in transport infrastructure and services.

Bus and train services are provided and funded through the Greater Wellington Regional Council.

Asset condition and performance

Council has several processes and systems to inspect, investigate, and gather data on road assets. Undertaking these inspections, in a routine cyclic manner allows Council to continuously monitor the roading assets and identify the problems and hazards associated with them.

Formal road and footpath inspections

Annually, Council engages the services of a suitably qualified road and footpath condition rating service to undertake a full 100% inspection of the roading network. All results are checked for acceptable tolerance levels before inputting into Roading Assessment and Maintenance Management System (RAMM).

Inspections of contracted work	Other than the road and footpath condition rating survey, Council staff monitor all land transport assets through both formal and informal means. For activities such as rural cleaning, full inspections are carried out while random inspections are carried out for other activities, such as street cleaning. More detail on the methods and frequency of inspections are recorded in each Activity Plan.
Feedback from staff and the public	Formal, informal, and random monitoring is gathered from Council staff as they move through the city. We also gather data from public feedback and through requests for service.
Condition and performance of the roading network	The smooth travel exposure of the network has increased from 76% to 78% with additional funding allocated from 2022 – 2027 to carry out additional pavement rehabilitation on Fergusson Drive. This contributed to 43% of the [22|23] result. While the overall target (80%) has not been met, it does show improvement, which we expect to continue as the pavement work progresses. To achieve the required level of service and address the increase in the costs of work, over the next three years we've budgeted to increase the volume of pavement rehabilitation by 173% and resurfacing work by 17%. The existing programme is consistent with Council's long-term historic programme and deterioration rates are not expected to change. As such, operational expenditure is expected to continue similar to the current rate and levels of service are not expected to change. Increasing contract supervision through additional internal resources is expected to improve contractor delivery. This should in-turn increase levels of service and reduce the demand for operational expenditure repairs.
Focus areas	• Ensuring the road network is resilient, efficient, effective, and safe, and assists in the delivery of Council's strategic goals. • Reducing the vulnerability of the rural roading network to natural hazard events. • Addressing substandard rural carriageway widths and the impact on safety of motorists, cyclists, horse riders, and pedestrians on rural roads. • Delivering agreed levels of service as the city sustains a period of growth.

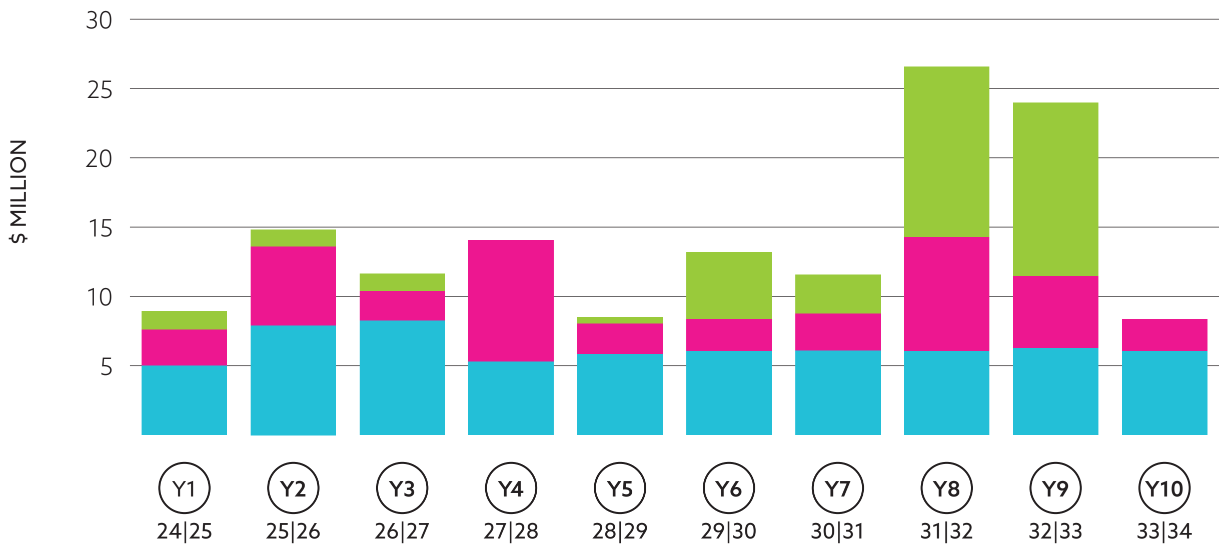
- Providing cycling and walking facilities to meet the agreed levels of service for all ages.
- Continue advocating with Greater Wellington Regional Council and Waka Kotahi NZ Transport Agency for capacity and safety upgrades of State Highway 2 and State Highway 58.

Indicative estimates

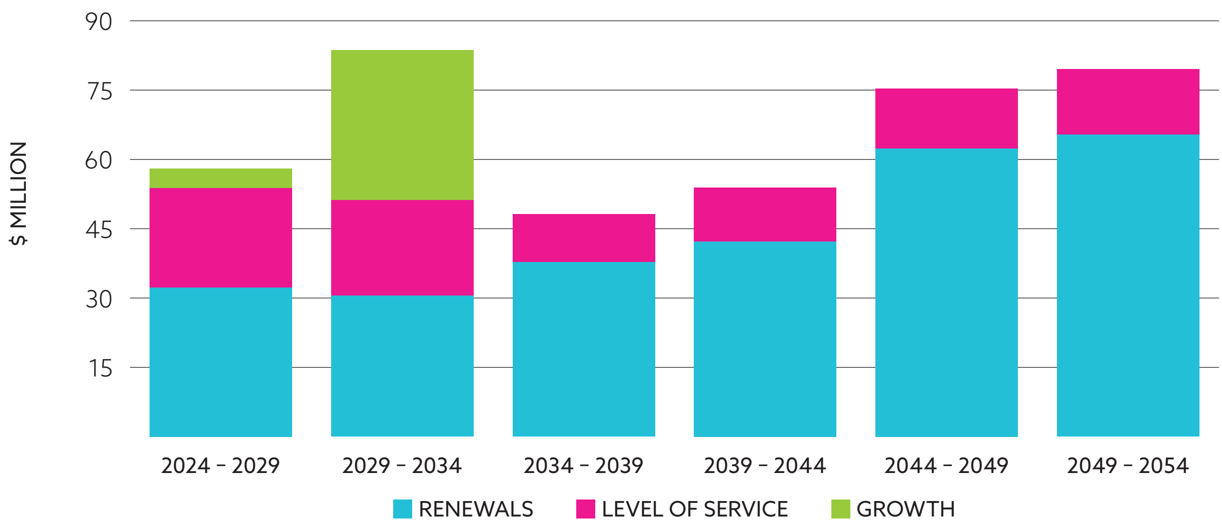
Capital expenditure (capex)

The estimated capital needs for the transport activity have been prepared for the next 30 years. The forecast capital expenditure from 1 July 2024 to 30 June 2034 has been included in this Long Term Plan.

FORECAST CAPEX: LAND TRANSPORT 2024 – 2034



FORECAST CAPEX: LAND TRANSPORT 2024 – 2054 (5-YEAR PERIODS)

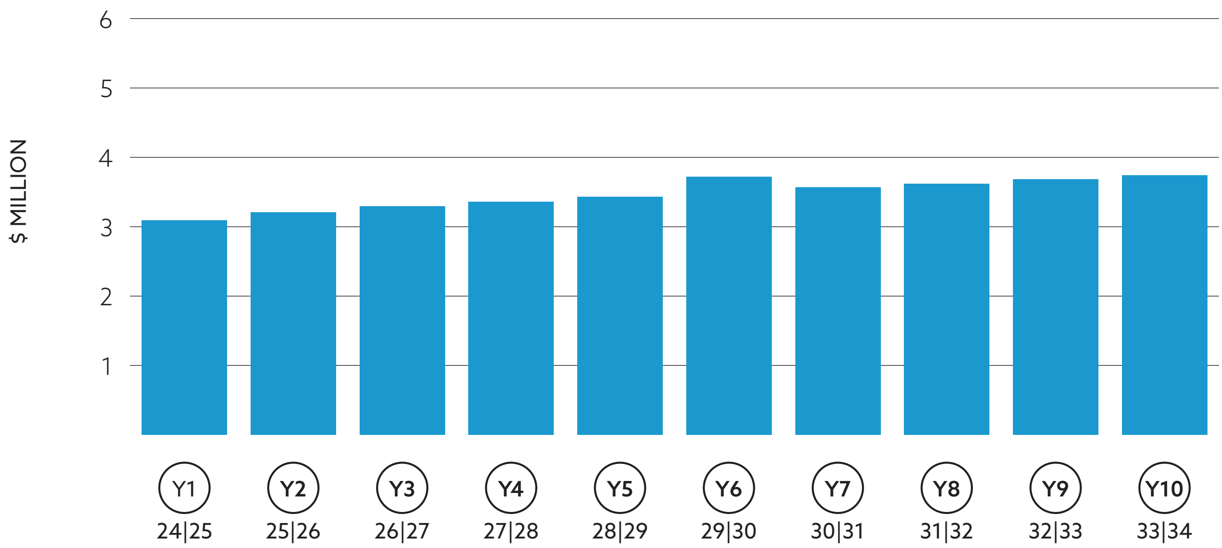


Operational expenditure (opex)

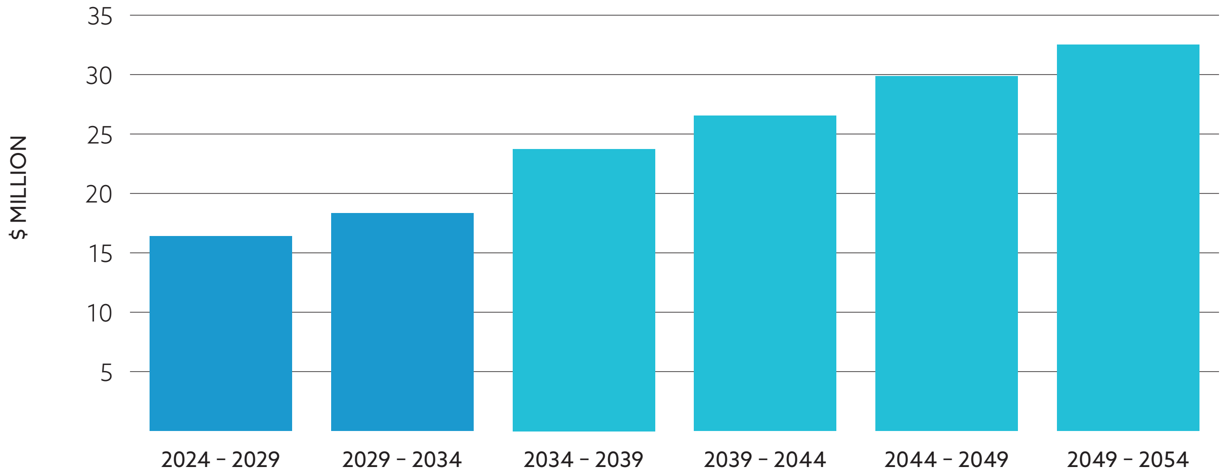
The forecast operational expenditure from 1 July 2024 to 30 June 2034 has been included in this Long Term Plan. Estimated expenditure beyond 2034 is based on the Year 10 forecast and then adjusted for anticipated growth of the city.

Operational expenditure includes indirect costs to provide the service to the community such as loan repayments, interest costs and overheads. Forecast operational expenditure is shown as gross costs.

FORECAST OPEX: LAND TRANSPORT 2024 - 2034



FORECAST OPEX: LAND TRANSPORT 2024 - 2054 (5-YEAR PERIODS)



Property

Context

Delivering services to the community

Council owns properties so that we can deliver services as defined in the LGA. Council is obligated to:

> *"meet the current and future needs of communities for good quality local infrastructure, local public services, and performance of regulatory functions in a way that is the most cost effective for households and businesses."*

The range of services Council delivers is varied, and so the property assets we hold is also diverse. Most of the services Council provides require a land-based asset infrastructure base. Consequently, Council must by reason of function, hold and maintain property assets as either owners, lessees, or in some other form such as stakeholders in trusts, or partnerships.

Assets and value

Council's properties are valued at $99 M (2023). They comprise 16 building complexes including administrative buildings (where day-to-day Council business is undertaken), leisure and recreation facilities, an arts and entertainment facility, community houses, a holiday park, and a works depot. These buildings range in age and use. Both asset condition and performance information are used to determine when a renewal is required for these facilities.

Council also holds approximately 1,174 ha of land, used for three waters services (15 ha), roading activities (426 ha), parks and reserves (671 ha) and civic activities (3 ha).

Asset condition and performance

Council has several processes and systems to inspect, investigate, and gather data on land and property assets. Undertaking these inspections, in a routine cyclic manner allows Council to continuously monitor the land and property assets and identify the problems and hazards associated with them.

Level of service reviews

Council reviews levels of service, customer expectations, and any other future developments around Upper Hutt, on an annual basis. More detail on the methods and frequency are recorded in each Activity Plan.

Feedback from staff and the public

Formal, informal, and random monitoring is gathered from Council staff as they move through the city. We also gather data from public feedback, and through requests for service.

The asset information is continuously updated, and will contribute to the improvement journey.

Focus areas

- Ensuring community facilities are maintained so that they are safe, fit for purpose, welcoming, and assist in the delivery of Council's strategic goals.
- Continuing with the upgrade and expansion of H_2O Xtream swimming pool.
- Complete required seismic strengthening works on Council buildings when considered appropriate.

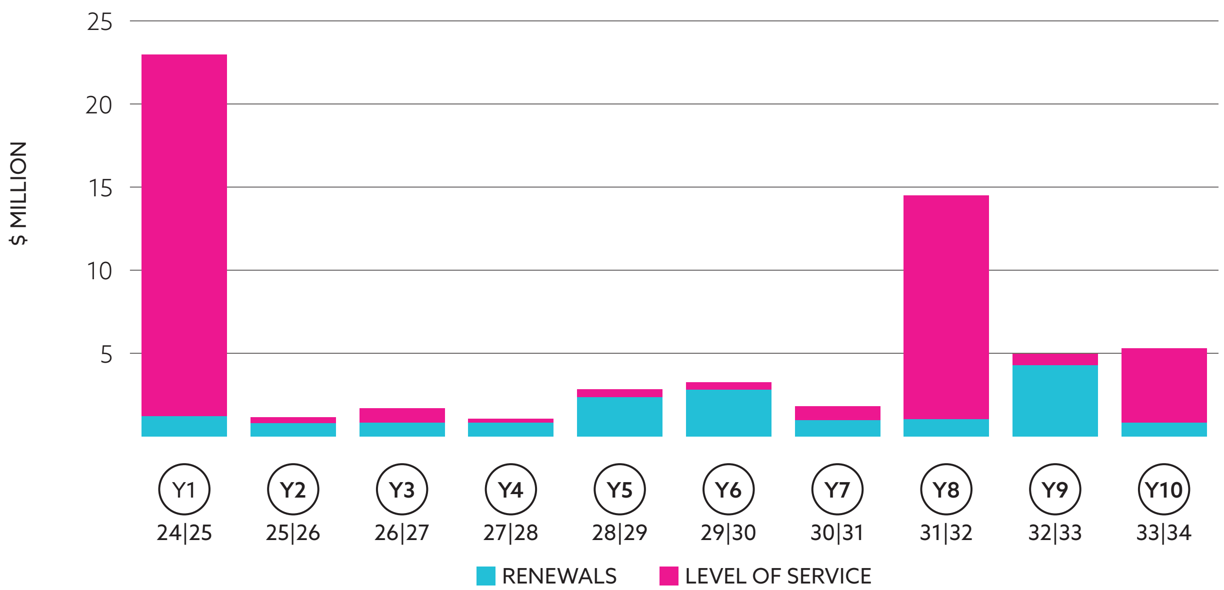
Indicative estimates

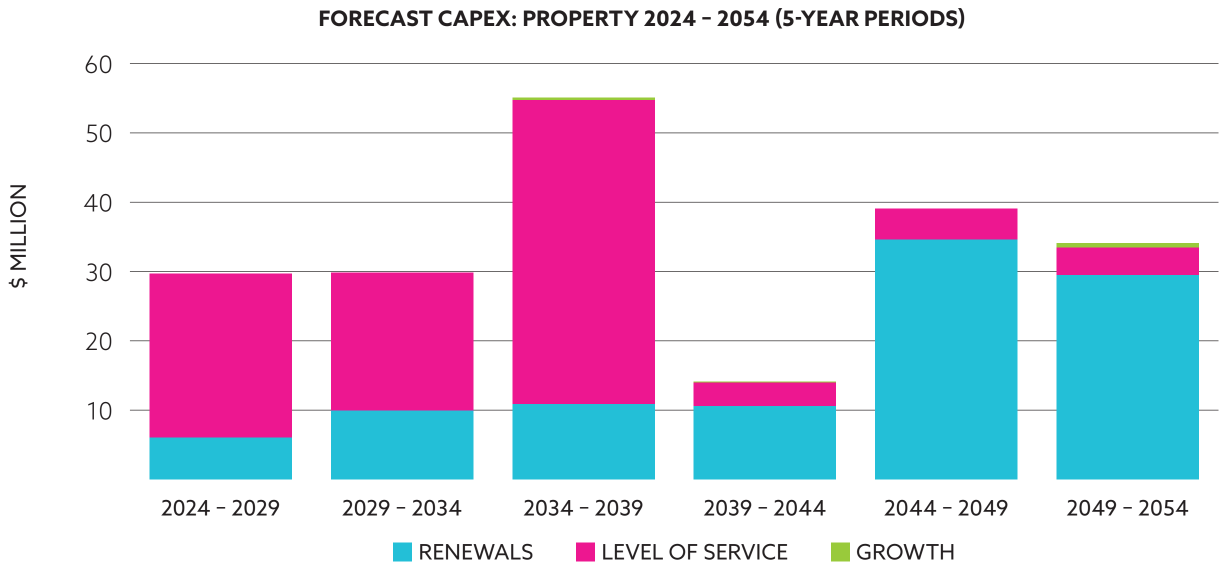
Capital expenditure (capex)

The estimated capital needs for the land and property activity have been prepared for the next 30 years. The forecast capital expenditure from 1 July 2024 to 30 June 2034 has been included in this Long Term Plan.

The H_2O Xtream upgrade will continue in Year 1 and is a significant component of the level of service improvements in this Long Term Plan.

FORECAST CAPEX: PROPERTY 2024 – 2034

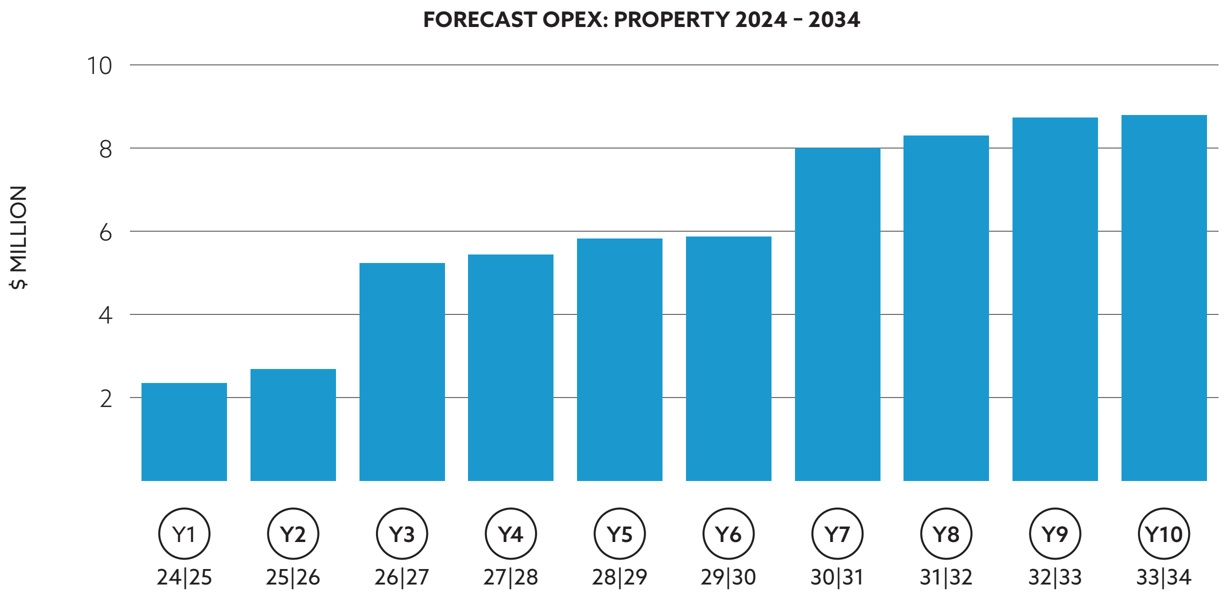




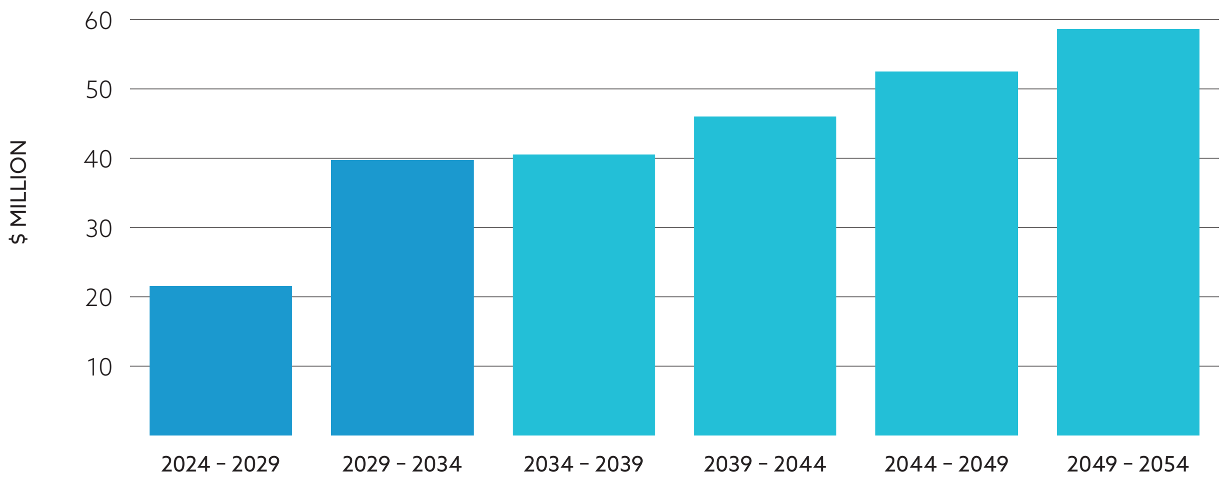
Operational expenditure (opex)

The forecast operational expenditure from 1 July 2024 to 30 June 2034 has been included in this Long Term Plan. Estimated expenditure beyond 2034 is based on the Year 10 forecast and then adjusted for anticipated growth of the city.

Operational expenditure includes indirect costs to provide the service to the community such as loan repayments, interest costs and overheads. Forecast operational expenditure is shown as gross costs.



FORECAST OPEX: PROPERTY 2024 – 2054 (5-YEAR PERIODS)



Parks and reserves

Context

Meeting local and regional recreation needs

Our parks and reserves provide passive and active recreation areas to meet the needs and expectations of our growing city.

Council owns and manages over 748 ha of open space. This includes destination parks, neighbourhood parks, sports parks, Akatārawa cemetery, and natural areas. 70% of the Wellington Region's parks and reserves are in Upper Hutt. Council has an Open Space Strategy which sets the long-term direction for open space in Upper Hutt.

Assets and value

Parks and reserves infrastructure assets are valued at $114 M (2023). This includes 39 ha of sports grounds, 31 regional and neighbourhood playgrounds, 16 park buildings, 24 toilet blocks, and 24 km of walking and cycling tracks.

Akatārawa Cemetery is also included in this portfolio and is jointly owned by Upper Hutt City Council and Hutt City Council, providing burial services for the Hutt Valley.

Open Space Strategy

Based on the Open Space Strategy, significant investment has been made in refreshing facilities such as Maidstone Max, taking into account the age of facility and the changing demand of users. A review of the Open Space Strategy is underway, the impact of which is uncertain.

Cycleways and ancillary infrastructure that add to or enhance the connection of regional and national cycleways, are expected to gain priority. Whilst considering affordability, we expect the Open Space Strategy will align with these levels of service as demand for cycleway connections increases.

Akatārawa Cemetery

While currently able to meet demand, Upper Hutt has an ageing population which is expected to have an impact on the requirements for burials in the next 10 to 15 years. The redevelopment of Akatārawa Cemetery budgeted for in 2018, is underway with provision to extend it in this Long Term Plan. The extension will be developed from a block of land adjacent to the Akatārawa Cemetery which has been purchased for cemetery purposes. The costs of development will be shared between the two cities on a ratio of one quarter Upper Hutt and three quarters Hutt City.

Asset condition and performance

Council has several processes and systems to inspect, investigate and gather data on open spaces assets. Undertaking these inspections, in a routine cyclic manner allows Council to continuously monitor the open spaces assets and identify the problems and hazards associated with them.

Annual reviews

Council reviews the levels of service, customer expectations of the Upper Hutt open spaces, and any other future developments around Upper Hutt, on an annual basis. Further detail on the methods and frequency are recorded in each Activity Plan.

Feedback from staff and the public

Formal, informal and random monitoring is gathered from Council staff as they move through the city. We also gather data from public feedback, and through requests for service.

The asset information is continuously improved, and audits completed in the previous Long Term Plan as well an asset re-categorisation in UniverusAssets contributed to the improvement journey.

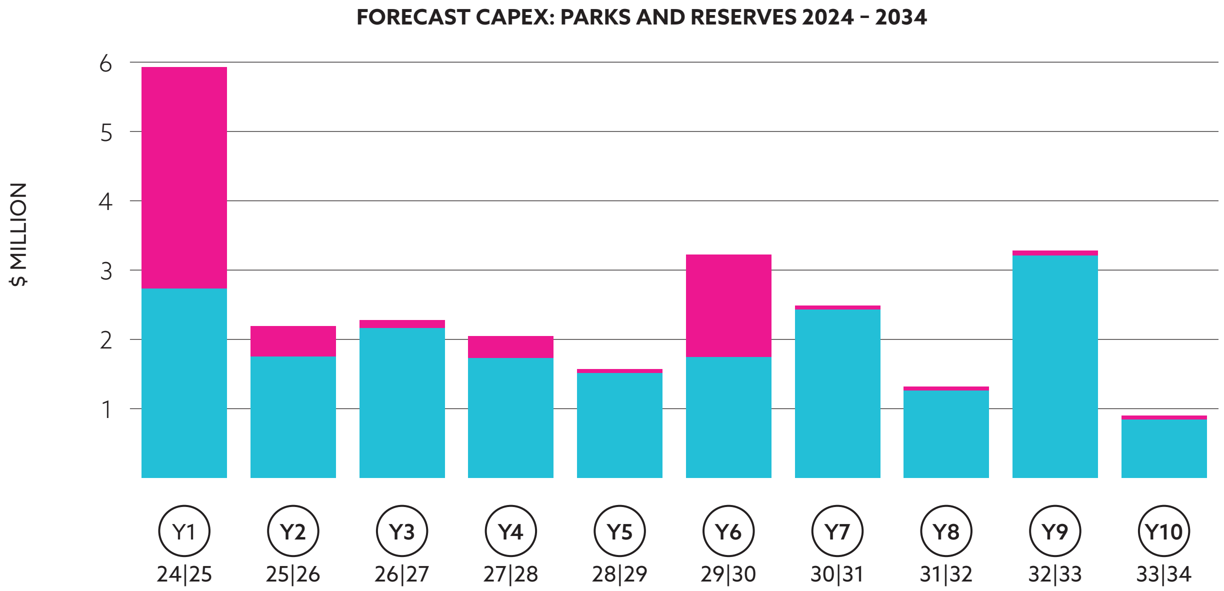
Focus areas

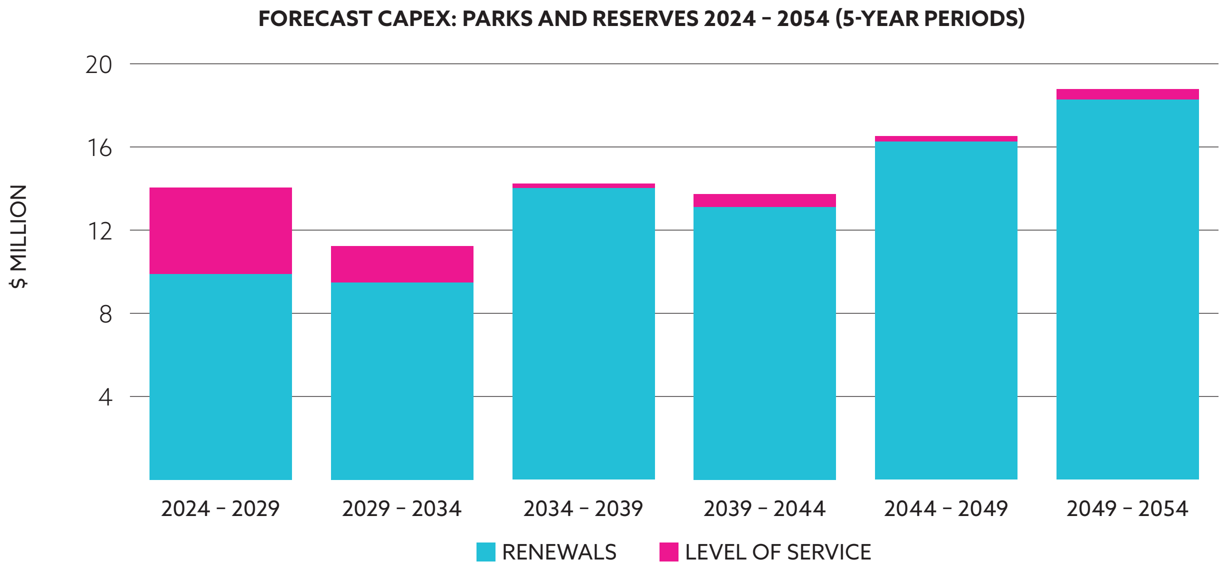
- Ensuring parks and reserves assets are resilient, effective, safe, meet the requirements of the community, and assists in the delivery of Council's strategic goals.
- Catering for anticipated future growth in burial requirements.
- Providing cycling and walking facilities to meet the agreed levels of service for all ages.
- Continuing to align work programmes and levels of service with the Open Space Strategy.

Indicative estimates

Capital expenditure (capex)

The estimated capital needs for the parks and reserves activity have been prepared for the next 30 years. The forecast capital expenditure from 1 July 2024 to 30 June 2034 has been included in this Long Term Plan.



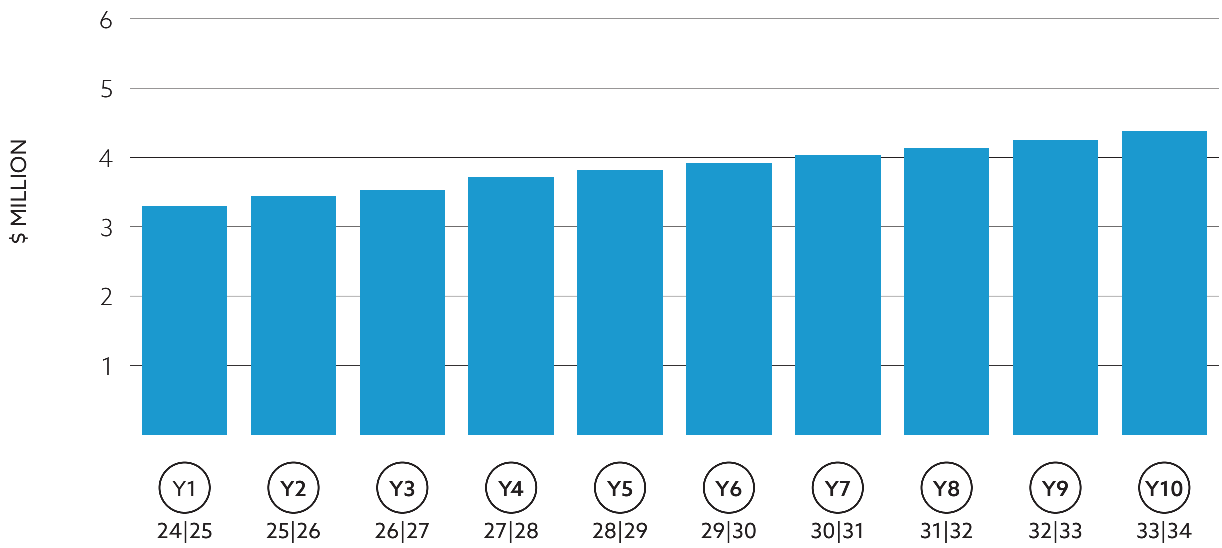


Operational expenditure (opex)

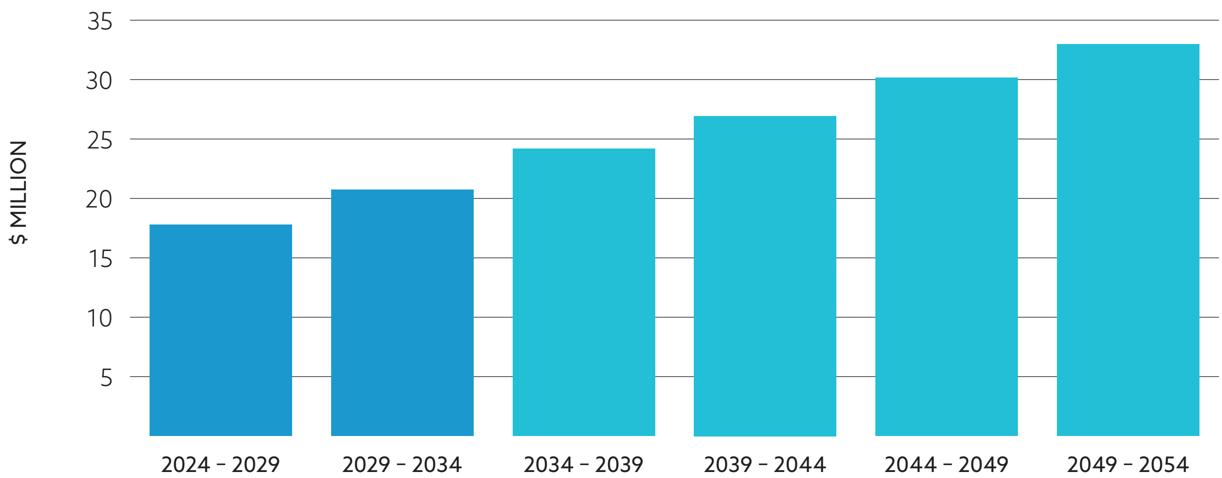
The forecast operational expenditure from 1 July 2024 to 30 June 2034 has been included in this Long Term Plan. Estimated expenditure beyond 2034 is based on the Year 10 forecast and then adjusted for anticipated growth of the city.

Operational expenditure includes indirect costs to provide the service to the community such as loan repayments, interest costs and overheads. Forecast operational expenditure is shown as gross costs.

FORECAST OPEX: PARKS AND RESERVES 2024 - 2034



FORECAST OPEX: PARKS AND RESERVES 2024 - 2054 (5-YEAR PERIODS)



General assumptions

The following assumptions are specific to the Infrastructure Strategy. This Long Term Plan includes other forecasting assumptions related to the overall development of the plan, which also apply to this Strategy, notably the following:

- Funding depreciation
- Interest rates
- Capex do-ability
- Governance

For more in formation, please refer to *Significant forecasting assumptions* (page 122).

Assumption	Level of uncertainty and potential impact
Inflation included	High degree of uncertainty as based on long-term inflation forecasts that are likely to change and would have a compounding effect over time. Changes in inflation rates would result in the need to change the available funding to continue to deliver the same service levels and programme of works. All financial information in this Strategy includes inflation unless stated otherwise.
Natural disasters	There is a high level of uncertainty as New Zealand is vulnerable to a wide range of shocks and stresses. These range from natural hazards such as earthquakes, tsunamis, floods, and pandemics. While we can't predict everything the future will bring, we do know that there's a high risk of some of these occurring, which can have a significant impact on infrastructure and financial requirements for remedial works. Council is insured for natural hazards, however this would not fully cover the costs of a severely damaging event.
No significant changes in levels of service	There is a high level of uncertainty on future level of service changes as service delivery within the current budgetary and economic environment is challenging as cost of living remains high. Service levels are generally assumed to remain the same for the period covered by this Strategy. Levels of service for the three waters may continue to be standardised across the Wellington Region, which in turn may affect the cost and programming of renewals and upgrades.
Natural Resources Plan changes	There is a high degree of uncertainty around this as the effect of this requirement is unknown. The Greater Wellington Regional Council *Natural Resources Plan* will require Council to hold stormwater discharge consents.

Assumption	Level of uncertainty and potential impact
No significant changes to legislation	There is a medium-high level of uncertainty as some legislative change is probable over the 30 years of the Strategy. The potential impact of future changes could result in additional required expenditure to comply with new standards, new funding opportunities/ mechanisms, or deliver higher service levels than planned at this point that could impact on the need for and nature of infrastructure.
Minimal compliance cost changes	Medium-high level of uncertainty on budgets for compliance costs for future legislative changes. Changes to legislation, regulations or rules that affect how we operate (usually through requiring compliance with new and higher standards) cannot be fully anticipated at this point. As a result, this Strategy has been developed based on current legislation, regulations, rules, and policy.
No significant changes to technology	Medium-high level of uncertainty as technological advancement is highly likely over the next 30 years. This could have a major impact on the scope, timing, and costs of anticipated projects as new technologies may deliver services in different ways through different types of infrastructure.
Full project costs identified	There is medium-high uncertainty over current projected project costs, with uncertainty increasing with increased time horizons. The costs shown in this document are full project costs irrespective of funding sources. The costs are present day values. Where studies or other funding are known to be available, these sources have been identified.
Waka Kotahi NZ Transport Agency subsidy constant	Medium degree of uncertainty that Waka Kotahi NZ Transport Agency subsidies will continue as currently provided at a rate of 51% subsidy for eligible works. Changes to rates or project eligibility criteria would have a large impact on the net cost of transport work for Council. If Council is unable to secure appropriate funding to maintain the assets through their lifecycle from Waka Kotahi then the shortfall will have to be rate payer funded, or work deferred.
Increasing resilience demands	Medium degree of uncertainty as we increase our knowledge and standards continue to evolve. The impacts of increasing resilience, climate change and environmental awareness, as well as growth have been factored into this Strategy based on current best knowledge. Successive iterations of this document will address how those assumptions align with future changes.

Assumption	Level of uncertainty and potential impact
Capacity and market resources available to undertake works	There is medium uncertainty regarding the wider market as there are high levels of forecast capital expenditure from government agencies, councils, and private sector entities involved in providing infrastructure services across New Zealand. Impact could be high, as construction and infrastructure sector continue to grow and with high demand budgets may not be sufficient to undertake the works as planned.
Water supply remains A1-a1	Council's water supply is currently rated A1-a1 and it is assumed with a high degree of certainty that any future changes to drinking water standards or legislation is not expected to alter this grading.
Asset economic lives	There is a medium degree of uncertainty as local knowledge and historical trends are supplemented by application-based data and forecasting. The long-standing asset data quality problem for below ground assets will continue in the medium term with remaining lives of assets being uncertain. See *Appendix 1—Useful life assumptions* (page 251)

Appendix 1—Useful life assumptions

The specific life cycles (rates of depreciation) applied to major classes of assets are:

Infrastructure Assets	Years
Water supply	
Civil works	80 – 100
Mechanical and electrical plant, outlets, pumps	20 – 50
Pipework, appurtenances, and associated structures	50 – 100
Reservoirs, intake structure	100
Wastewater	
Civil works	80 – 100
Electronic equipment	10 – 20
Mechanical and electrical plant, outlets, pumps	15 – 50
Pipework, wastewater mains	50 – 100
Stormwater	
Civil works	80 – 100
Mechanical and electrical plant, outlets, pumps	20 – 50
Pipe work, appurtenances, and associated structures	50 – 100
Telemetry	
Civil works	80 – 100
Mechanical and electrical plant, outlets, pumps	20 – 50
Pipework, appurtenances, and associated structures	50 – 100
Electronic equipment	10 – 20

Infrastructure assets	Years
Roading	
Bridges	20 – 100
Car parks	50
Culverts	50 – 80
Footpaths/accessways	30 – 60
Roads (except land and formation)	4 – 30
Roundabouts	50
Stormwater channels	15 – 60
Street and traffic lights	5 – 50
Street furniture and other features	12 – 25
Subways	80
Sumps	60

Operational assets	
Buildings	10 – 100
Buildings fit-out and services	10 – 40
Furniture and office equipment	5 – 15
Library books	3 – 5
Motor vehicles	5 – 25
Parks and reserves services	10 – 100
Plant and equipment	4 – 50

Diminishing value depreciation	
Furniture and office equipment	5
Plant and equipment	4 – 50
Vehicles and plant	5 – 105

Tauākī Ahumoni
Financial statements

Introduction

Reporting entity

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

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

Council has an interest in the Hutt Valley Wastewater Scheme.

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

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

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

Basis of preparation

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

Statement of compliance

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

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

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

Presentation currency and rounding

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

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

Changes in accounting policies

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

Measurement basis

Historical cost measurement basis

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

Forecast figures

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

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

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

Significant risks

It should be noted that:

1. Actual results achieved during the 2023 – 2024 year are likely to vary from the forecasts presented in this document and the variations may prove to be material.
2. The information in this document may not be appropriate for purposes other than as described herein.
3. The rate of inflation and interest rates may differ significantly from the assumptions used in preparing these forecast financial statements. The actual results are likely to vary materially depending upon other circumstances that arise during the period.

Historical cost basis

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

Judgements and estimations

Preparation and policy

The preparation of prospective financial statements using PBE standards requires the use of judgements, estimates, and assumptions. Where material, information on the main assumptions is provided in the relevant accounting policy.

Justification

The estimates and assumptions are based on historical experience as well as other factors that are believed to be reasonable under the circumstances. Subsequent actual results may differ from these estimates.

Review

The estimates and assumptions are reviewed on an ongoing basis and adjustments are made where necessary.

Significant effects

Judgements that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in the Statement of Accounting Policies. Significant judgements and estimations include asset revaluations, impairments, certain fair value calculations and provisions.

Rate funding requirement—by activity group (FORECAST $000)

23|24 Annual Plan	Groups of activities	24|25 Y1	25|26 Y2	26|27 Y3	27|28 Y4	28|29 Y5	29|30 Y6	30|31 Y7	31|32 Y8	32|33 Y9	33|34 Y10
4,191	Leadership	3,062	3,439	3,292	4,320	4,514	4,483	4,199	4,345	4,309	4,408
	Community and Recreation										
907	Community development	659	675	631	718	719	748	706	707	734	738
585	Activation	433	492	522	597	587	609	578	578	597	598
385	Emergency management	472	492	512	542	565	576	588	603	615	632
2,413	H_2O Xtream	5,718	9,296	10,988	11,665	11,784	10,728	9,845	9,276	9,223	8,909
3,658	Upper Hutt Libraries	3,963	4,210	4,776	5,402	5,650	5,534	5,600	5,637	5,790	5,823
2,036	Whirinaki Whare Taonga	2,357	2,160	3,005	3,259	3,472	3,456	3,468	3,586	3,508	3,599
942	Property	1,382	1,294	1,429	1,489	1,455	1,344	1,369	1,257	1,226	1,264
4,906	Parks and reserves	6,833	9,731	10,500	10,998	11,084	10,660	10,319	10,508	9,600	9,676
127	Akatārawa Cemetery	(4)	254	307	272	281	203	98	(14)	(131)	(233)
(2)	Support services	0	0	0	0	0	0	0	0	0	0
3,164	Economic Development	2,450	2,601	2,176	2,610	2,632	2,514	2,472	2,498	2,570	2,600
7,749	Water Supply	11,865	13,966	14,157	14,842	15,575	17,370	19,031	21,115	23,523	25,536
6,866	Wastewater	9,918	10,707	13,680	16,208	17,515	21,493	26,350	32,179	32,821	39,625
1,891	Stormwater	3,457	4,086	4,509	4,886	5,203	6,481	7,729	8,923	10,502	11,982
7,712	Land Transport	7,769	10,167	12,346	14,317	15,435	15,585	15,061	14,623	14,733	15,306
570	Sustainability	349	490	2,800	3,090	3,220	3,335	5,276	5,536	5,707	5,872
	Planning and Regulatory										
2,738	City planning	2,216	2,459	2,582	2,840	2,844	2,714	2,594	2,604	2,675	2,697
2,137	Building and compliance services	1,428	1,599	1,723	2,027	2,048	2,085	1,941	1,870	2,006	1,949
52,975	**Total rate funding requirement**	**64,326**	**78,117**	**89,937**	**100,082**	**104,585**	**109,917**	**117,224**	**125,831**	**130,007**	**140,982**

23|24 Annual Plan	Funded by	24|25 Y1	25|26 Y2	26|27 Y3	27|28 Y4	28|29 Y5	29|30 Y6	30|31 Y7	31|32 Y8	32|33 Y9	33|34 Y10
0	Accumulated General Fund	0	0	0	0	0	0	0	0	0	0
52,975	Rates revenue requirement	64,326	78,117	89,937	100,082	104,585	109,917	117,224	125,831	130,007	140,982
52,975	**Total**	**64,326**	**78,117**	**89,937**	**100,082**	**104,585**	**109,917**	**117,224**	**125,831**	**130,007**	**140,982**
7.31%	Change in rating requirement	21.43%	21.44%	15.13%	11.28%	4.50%	5.10%	6.65%	7.34%	3.32%	8.44%
1.50%	Forecast growth (in rating database)	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
5.81%	**Forecast net change in overall rate funding requirement**	**19.93%**	**19.94%**	**13.63%**	**9.78%**	**3.00%**	**3.60%**	**5.15%**	**5.84%**	**1.82%**	**6.94%**
0.0%	Less forecast inflation (LGCI) [43]	0.0%	2.7%	2.0%	2.2%	2.2%	2.1%	2.1%	2.0%	2.0%	1.9%
5.81%	**Forecast real change in core rate funding requirement**	**19.93%**	**17.24%**	**11.63%**	**7.58%**	**0.80%**	**1.50%**	**3.05%**	**3.84%**	**-0.18%**	**5.04%**

43 LGCI: Local Government Cost Index according to Berl.

Financial position (PROSPECTIVE STATEMENT $000)

23|24 Annual Plan	ASSETS	24|25 Y1	25|26 Y2	26|27 Y3	27|28 Y4	28|29 Y5	29|30 Y6	30|31 Y7	31|32 Y8	32|33 Y9	33|34 Y10
	Current assets										
7,521	Cash and cash equivalents	2,255	2,271	2,537	2,379	3,604	3,603	3,663	5,262	6,541	7,598
16,573	Other financial assets	15,424	14,039	19,545	24,785	31,218	39,100	43,859	53,511	50,207	59,394
0	Derivative financial instruments	0	0	0	0	0	0	0	0	0	0
7,828	Trade and other receivables	7,345	7,552	7,706	7,875	8,043	8,200	8,358	8,508	8,658	8,800
206	Assets held for sale	600	600	600	600	600	600	600	600	600	600
0	Inventories	0	0	0	0	0	0	0	0	0	0
32,128	**Total current assets**	**25,624**	**24,462**	**30,388**	**35,639**	**43,465**	**51,503**	**56,480**	**67,881**	**66,006**	**76,392**
	Non-current assets										
2,929	Non-current financial assets	6,132	6,699	7,114	7,483	7,821	8,143	8,460	9,353	9,916	9,877
0	Derivative financial instruments	5,000	5,000	5,000	8,000	8,000	8,000	10,000	10,000	10,000	10,000
22	Trade and other receivables	15	11	7	3	0	0	0	0	0	0
76,788	Operational property, plant, and equipment	94,536	101,349	100,898	99,777	105,596	106,639	106,088	112,379	112,258	115,214
42,540	Aquatic assets	63,658	66,321	63,646	60,981	63,953	61,296	58,636	72,798	72,703	70,061
117,987	Restricted property, plant, and equipment	147,946	159,218	157,954	157,186	166,584	167,281	167,311	177,499	178,421	177,003
885,931	Infrastructure assets	1,003,803	1,031,794	1,166,612	1,180,180	1,192,182	1,329,285	1,359,862	1,392,994	1,528,050	1,522,462
2	Intangible assets	0	0	0	0	0	0	0	0	0	0
1,126,199	**Total non-current assets**	**1,321,090**	**1,370,392**	**1,501,231**	**1,513,610**	**1,544,136**	**1,680,644**	**1,710,357**	**1,775,023**	**1,911,348**	**1,904,617**
1,158,327	**TOTAL ASSETS**	**1,346,714**	**1,394,854**	**1,531,619**	**1,549,249**	**1,587,601**	**1,732,147**	**1,766,837**	**1,842,904**	**1,977,352**	**1,981,009**

23|24 Annual Plan	LIABILITIES	24|25 Y1	25|26 Y2	26|27 Y3	27|28 Y4	28|29 Y5	29|30 Y6	30|31 Y7	31|32 Y8	32|33 Y9	33|34 Y10
	Current liabilities										
9,900	Payables and deferred revenue	16,400	16,843	17,171	17,532	17,892	18,237	18,581	18,909	19,237	19,549
217	Derivative financial instruments	0	0	0	0	0	0	0	0	0	0
684	Employee entitlements	1,500	1,541	1,571	1,604	1,637	1,668	1,700	1,730	1,760	1,788
12,816	Borrowings	12,124	12,771	13,923	14,782	15,507	16,584	17,927	20,034	21,419	25,596
23,617	**Total current liabilities**	**30,024**	**31,155**	**32,665**	**33,918**	**35,036**	**36,489**	**38,208**	**40,673**	**42,416**	**46,933**
	Non-current liabilities										
2,457	Derivatives financial instruments	0	0	0	0	0	0	0	0	0	0
314	Employee entitlements	250	257	262	267	273	278	283	288	293	298
161,273	Borrowings	209,449	230,672	256,276	266,583	278,280	303,488	328,369	360,833	382,504	369,495
164,044	**Total non-current liabilities**	**209,699**	**230,929**	**256,538**	**266,850**	**278,553**	**303,766**	**328,652**	**361,121**	**382,797**	**369,793**
187,661	**TOTAL LIABILITIES**	**239,723**	**262,084**	**289,203**	**300,768**	**313,589**	**340,255**	**366,860**	**401,794**	**425,213**	**416,726**
970,666	**NET ASSETS**	**1,106,991**	**1,132,770**	**1,242,416**	**1,248,481**	**1,274,011**	**1,391,893**	**1,399,975**	**1,441,108**	**1,552,140**	**1,564,282**

	EQUITY										
226,738	Accumulated funds	234,163	234,048	230,849	228,305	223,921	221,616	221,622	226,432	241,742	241,736
23,708	Restricted reserves	26,156	26,338	31,259	39,868	48,139	56,843	64,919	78,464	78,723	90,871
720,220	Asset revaluation reserves	846,672	872,385	980,308	980,308	1,001,951	1,113,435	1,113,435	1,136,212	1,231,675	1,231,675
970,666	**TOTAL EQUITY**	**1,106,991**	**1,132,771**	**1,242,416**	**1,248,481**	**1,274,011**	**1,391,893**	**1,399,975**	**1,441,108**	**1,552,140**	**1,564,282**

Comprehensive revenue and expense (FORECAST $000)

23|24 Annual Plan	Revenue	NOTE	24|25 Y1	25|26 Y2	26|27 Y3	27|28 Y4	28|29 Y5	29|30 Y6	30|31 Y7	31|32 Y8	32|33 Y9	33|34 Y10
53,215	Rates		64,666	78,467	90,293	100,338	104,847	110,184	117,496	126,108	130,289	141,268
4,545	Fees and charges		5,347	8,541	8,747	8,963	9,196	9,434	9,692	9,949	10,227	10,518
2,608	Development and financial contributions		1,950	3,598	2,618	1,924	1,964	2,002	2,039	2,075	2,111	2,146
12,619	Subsidies and grants		9,579	8,119	7,113	9,517	6,711	9,186	8,827	16,029	16,353	6,839
400	Interest and dividends		1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
9,208	Other revenue	2	8,201	5,761	5,728	5,272	4,895	4,805	4,812	4,923	4,827	4,833
82,595	**Total revenue**		**90,743**	**105,486**	**115,499**	**127,014**	**128,612**	**136,611**	**143,866**	**160,084**	**164,807**	**166,604**
	Operating expenditure											
19,340	Personnel costs		18,159	18,855	19,210	20,185	20,601	20,997	21,394	21,771	22,149	22,508
21,242	Depreciation and amortisation expense	3	24,154	28,645	31,552	32,213	33,181	35,287	37,218	39,200	41,875	44,359
6,775	Finance costs		8,384	11,489	12,555	13,856	14,399	15,003	16,296	17,572	19,253	20,372
3,296	Bulk drainage levy		3,996	4,143	4,251	4,359	4,491	4,620	4,566	4,667	4,774	4,887
5,727	Bulk water levy		7,889	8,089	8,247	8,420	8,593	8,759	8,924	9,082	9,239	9,389
30,889	Other expenses	4	30,868	34,198	37,962	41,917	43,460	45,547	47,386	49,439	51,949	52,948
87,269	**Total operating expenditure**		**93,450**	**105,419**	**113,777**	**120,950**	**124,725**	**130,213**	**135,784**	**141,731**	**149,239**	**154,463**
(4,674)	**Surplus/(deficit) before tax**		**(2,707)**	**67**	**1,722**	**6,064**	**3,887**	**6,398**	**8,082**	**18,353**	**15,568**	**12,141**
0	Tax expense		0	0	0	0	0	0	0	0	0	0
(4,674)	**Surplus/(deficit) after tax**		**(2,707)**	**67**	**1,722**	**6,064**	**3,887**	**6,398**	**8,082**	**18,353**	**15,568**	**12,141**

23|24 Annual Plan	Other comprehensive revenue	24|25 Y1	25|26 Y2	26|27 Y3	27|28 Y4	28|29 Y5	29|30 Y6	30|31 Y7	31|32 Y8	32|33 Y9	33|34 Y10
0	Gains/(loss) on infrastructure assets revaluation	0	0	107,923	0	0	111,484	0	0	95,463	0
0	Financial assets at fair value through equity	0	0	0	0	0	0	0	0	0	0
0	Gains on operational, aquatic, and restricted assets revaluation	0	25,714	0	0	21,643	0	0	22,778	0	0
0	**Total other comprehensive revenue for the year—net of tax**	**0**	**25,714**	**107,923**	**0**	**21,643**	**111,484**	**0**	**22,778**	**95,463**	**0**
(4,674)	**TOTAL COMPREHENSIVE REVENUE FOR THE YEAR**	**(2,707)**	**25,781**	**109,645**	**6,064**	**25,530**	**117,882**	**8,082**	**41,131**	**111,031**	**12,141**

Cashflow (FORECAST $000)

23|24 Annual Plan	Operating activities [44]	24|25 Y1	25|26 Y2	26|27 Y3	27|28 Y4	28|29 Y5	29|30 Y6	30|31 Y7	31|32 Y8	32|33 Y9	33|34 Y10
	Cash was provided from:										
71,994	Rates and other receipts	85,073	99,123	109,188	121,153	123,234	131,240	138,496	154,722	159,445	161,249
400	Interest received	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
72,394		**86,073**	**100,123**	**110,188**	**122,153**	**124,234**	**132,240**	**139,496**	**155,722**	**160,445**	**162,249**
	Cash was applied to:										
(56,645)	Payments to suppliers and employees	(51,606)	(63,708)	(68,268)	(73,492)	(75,879)	(78,349)	(80,658)	(83,372)	(86,617)	(89,321)
(6,775)	Interest paid	(8,384)	(11,489)	(12,555)	(13,856)	(14,399)	(15,003)	(16,296)	(17,572)	(19,253)	(20,372)
(63,420)		**(59,990)**	**(75,197)**	**(80,823)**	**(87,348)**	**(90,278)**	**(93,352)**	**(96,954)**	**(100,944)**	**(105,870)**	**(109,693)**
8,974	**Net cash inflow/(outflow) from operating activities**	**26,083**	**24,926**	**29,365**	**34,805**	**33,956**	**38,888**	**42,542**	**54,778**	**54,575**	**52,556**
	Investing activities										
	Cash was provided from:										
0	Proceeds from sale of fixed assets	0	0	0	0	0	0	0	0	0	0
0	Decrease in investments	0	644	0	0	0	0	0	0	3,103	0
0		**0**	**644**	**0**	**0**	**0**	**0**	**0**	**0**	**3,103**	**0**
	Cash was applied to:										
(12,307)	Increase in investments	**(437)**	**0**	**(5,998)**	**(8,877)**	**(6,926)**	**(8,320)**	**(7,109)**	**(10,514)**	**0**	**(8,640)**
(43,108)	Purchase of fixed assets	(89,565)	(47,424)	(49,857)	(37,252)	(38,228)	(56,853)	(61,598)	(77,236)	(79,453)	(34,028)
(55,415)		**(90,002)**	**(47,424)**	**(55,855)**	**(46,129)**	**(45,154)**	**(65,173)**	**(68,707)**	**(87,750)**	**(79,453)**	**(42,668)**
(55,415)	**Net cash inflow/(outflow) from investing activities**	**(90,002)**	**(46,780)**	**(55,855)**	**(46,129)**	**(45,154)**	**(65,173)**	**(68,707)**	**(87,750)**	**(76,350)**	**(42,668)**

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

23|24 Annual Plan	Financing activities	24|25 Y1	25|26 Y2	26|27 Y3	27|28 Y4	28|29 Y5	29|30 Y6	30|31 Y7	31|32 Y8	32|33 Y9	33|34 Y10
	Cash was provided from:										
51,792	Loan raised	57,533	34,002	39,533	25,095	27,210	41,797	42,815	52,504	43,095	12,594
	Cash was applied to:										
(5,703)	Loan repayments	(9,038)	(12,131)	(12,777)	(13,929)	(14,788)	(15,513)	(16,590)	(17,933)	(20,040)	(21,425)
46,089	**Net cash inflow/(outflow) from financing activities**	**48,495**	**21,871**	**26,756**	**11,166**	**12,422**	**26,284**	**26,225**	**34,571**	**23,055**	**(8,831)**
7,874	Cash, cash equivalents and bank overdrafts as at 1 July	17,679	2,255	2,271	2,537	2,379	3,604	3,603	3,663	5,262	6,541
(352)	Net increase (decrease) in cash, cash equivalents, and bank overdrafts	(15,424)	16	266	(158)	1,225	(1)	59	1,600	1,279	1,056
7,522	**Cash, cash equivalents, and bank overdrafts as at 30 June**	**2,255**	**2,271**	**2,537**	**2,379**	**3,604**	**3,603**	**3,662**	**5,263**	**6,541**	**7,597**

	Composition of cash										
6,721	Cash and bank balances	(2,745)	(2,729)	(2,463)	(2,621)	(1,396)	(1,397)	(1,337)	262	2,541	4,598
800	Call account	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	4,000	3,000
7,521	**Closing cash balance**	**2,255**	**2,271**	**2,537**	**2,379**	**3,604**	**3,603**	**3,663**	**5,262**	**6,541**	**7,598**

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

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

Changes in equity (FORECAST $000)

23|24 Annual Plan		24|25 Y1	25|26 Y2	26|27 Y3	27|28 Y4	28|29 Y5	29|30 Y6	30|31 Y7	31|32 Y8	32|33 Y9	33|34 Y10
975,340	Equity at the start of the year	1,109,698	1,106,991	1,132,771	1,242,416	1,248,481	1,274,011	1,391,893	1,399,975	1,441,108	1,552,140
(4,674)	Total comprehensive income	(2,707)	25,780	109,645	6,065	25,530	117,882	8,082	41,133	111,032	12,142
970,666	**Prospective Equity at end of year**	**1,106,991**	**1,132,771**	**1,242,416**	**1,248,481**	**1,274,011**	**1,391,893**	**1,399,975**	**1,441,108**	**1,552,140**	**1,564,282**
226,738	Accumulated Funds	234,163	234,048	230,849	228,305	223,921	221,616	221,622	226,432	241,742	241,736
720,220	Asset Revaluation Reserves	846,672	872,385	980,308	980,308	1,001,951	1,113,435	1,113,435	1,136,212	1,231,675	1,231,675
23,708	Restricted Reserves	26,156	26,338	31,259	39,868	48,139	56,842	64,918	78,464	78,723	90,871
970,666	**Total recognised revenues and expenses for the period**	**1,106,991**	**1,132,771**	**1,242,416**	**1,248,481**	**1,274,011**	**1,391,893**	**1,399,975**	**1,441,108**	**1,552,140**	**1,564,282**

The opening balance of Year 1 [24|25] may not agree with closing balance of [23|24] Annual Plan (Year 0). This is because Council is taking into account the actual transactions for the [23|24] year, which presents a more accurate forecast of the opening balance of Year 1.

NOTE 1 General accounting policies

Revenue

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

Exchange transactions

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

Non-exchange transactions

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

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

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

SPECIFIC POLICIES

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

Rates

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

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

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

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

Subsidies and grants	

Subsidies and grants

Waka Kotahi New Zealand Transport Agency roading subsidies

Council receives government grants from Waka Kotahi New Zealand Transport Agency (NZTA), which subsidises part of Council's costs in maintaining the local roading infrastructure and capital expenditure on the roading infrastructure.

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

Other grants received

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

Fees and charges

Infringements and fines

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

Metered water charges

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

Building and resource consent revenue

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

Sale of goods

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

Vested or donated physical assets

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

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

	For long-life assets that must be used for a specific use (e.g. land must be used as a recreation reserve), Council immediately recognises that fair value of the asset as revenue. A liability is recognised only if Council expects that it will need to return or pass the asset to another party.
Reserve fund and development contributions	The revenue is recognised when Council provides, or is able to provide the service for which the contribution was charged or when the subdivision is substantially complete. Contributions in advance are collected and transferred into their respective special funds. These funds can only be used when the capital works in their respective areas can be fully funded.
Commission	Where revenue is derived by acting for another party, the revenue that is recognised is the commission or fees on the transactions.
Interest and dividends	Interest income is recognised using the effective interest method. Interest revenue on an impaired financial asset is recognised using the original effective interest rate. Dividends are recognised when the right to receive payment has been established. Dividends are recognised in surplus or deficit unless the dividend clearly represents a recovery as part of the cost of the investment.

Expenses

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

Borrowing costs	All borrowing costs are recognised as an expense in the period in which they are incurred. Council does not capitalise its interest on borrowings
Grant expenditure	Non-discretionary grants are those grants that are awarded if the grant applications meet the specified criteria and are approved. They are recognised as expenditure when an application that meets those criteria is received. Discretionary grants are those grants where Council has no obligation to award on receipt of the grant application and are recognised as expenditure when a successful applicant has been notified of Council's decision.

Allocation of overheads to significant activities	The gross costs of Support Services have been allocated to individual significant activities. These overheads have been allocated at the most appropriate pre-determined basis e.g. actual usage, staff numbers, rates contribution, floor area etc. applicable to the service provided to each significant activity.
Internal transactions	Each cost centre is stated with the inclusion of internal costs and revenues. In order to present a true and fair view in the financial statements these transactions have not been eliminated. This method has no effect on the operating result for the year.
Income taxation	Council has a tax exemption in relation to the surplus or deficit for the period.
Personnel costs	Salaries and wages are recognised as an expense as employees provide services. Employer contributions to KiwiSaver and the Government Superannuation Fund are accounted for as defined contribution superannuation schemes and are expensed in the surplus or deficit as incurred.
Depreciation and amortisation	Depreciation of property, plant, and equipment and amortisation of intangible assets are charged on a straight-line basis over the estimated useful life of the associated assets.

Cash and cash equivalents

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

Bank overdrafts	Bank overdrafts are shown within borrowing in current liabilities in the *Prospective Statement of Financial Position* (page 258).
Short term-deposits	The carrying value of short term-deposits with maturity dates of three months or less approximates their fair value. Council holds unspent funds included in cash at bank, and term deposits that are subject to restrictions. These unspent funds relate to monies which are received or levied for a specific purpose or benefit a discrete group of users. These are contained within our restricted reserves and are detailed in Note 5 (page 285).

Other financial assets

Recognition

Council classifies its financial assets into the following three categories:

- financial assets at fair value through surplus or deficit;
- financial assets at amortised cost; and
- financial assets at fair value through other comprehensive revenue and expense.

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

Financial assets at fair value through surplus or deficit

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

After initial recognition they are measured at their fair values. Gains or losses on re-measurement are recognised in surplus or deficit.

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

Financial assets at amortised cost

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

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

Investments in this category include term deposits and borrower notes.

Financial assets at fair value through other comprehensive revenue and expenses

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

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

This category encompasses:

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

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

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

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

Impairment of financial assets

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

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

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

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

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

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

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

Financial assets at fair value through other comprehensive revenue and expenses

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

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

Trade and other receivables

Recording receivables

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

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

Uncollectable receivables

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

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

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

Writing off rates	Rates are written off: • when remitted in accordance with the Council's Rates Remission Policy; and • in accordance with the write-off criteria of sections 90A (where rates cannot be reasonably recovered) and 90B (in relation to Māori freehold land) of the Local Government (Rating) Act 2002.
Writing off other receivables	Other receivables are written-off when there is no reasonable expectation of recovery.
Payment plans	Ratepayers can apply for payment plan options in special circumstances. Where such repayment plans are in place, debts are discounted to their present value of future payments if the effect of discounting is material.
Impairment of receivables	The impairment provision has been calculated based on expected losses for council's pool of debtors. Expected losses have been determined based on an analysis of Council's losses in previous periods, and a review of specific debtors. Council does not provide for any impairment on rates receivable as it has various powers under the Local Government (Rating) Act 2002 to recover any outstanding debts. Ratepayers can apply for payment plan options in special circumstances.
Loans	Loans (including loans to community organisations) made by Council at nil, or below market value interest rates are initially recognised at the present value of their expected future cash flows, discounted at the current market rate of return for a similar asset/investment. They are subsequently measured at amortised cost using the effective interest method. The difference between face value and present value of expected future cash flow of the loan is recognised in the Prospective Statement of Comprehensive Revenue and Expense as a grant.
Carrying value	The estimated carrying value of receivables (excluding community loans) approximates their fair value.

Community loans

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

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

Non-current assets classified as held for sale

Recognition

Non-current assets held for resale are classified as held for sale if their carrying amount will be recovered principally through a sale transaction, not through continuing use. Non-current assets held for sale are measured at the lower of their carrying amount and fair value less cost of sales.

Impairment losses

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

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

No depreciation or amortisation

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

Council land

Council has identified a parcel of land as being made available for sale at Duncraig Street.

Intangible assets

Software acquisition and development

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

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

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

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

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

Amortisation

The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised. The amortisation charge for each period is recognised in the *Prospective Statement of Comprehensive Revenue and Expense* (page 260).

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

Computer software: 3 years (33% per year)

Property, plant, and equipment

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

- **Operational property, plant, and equipment:** this includes land, buildings, street trees, improvements, library books, plant and equipment, and motor vehicles.
- **Restricted property, plant, and equipment:** restricted assets are parks and reserves owned by Council which provide a benefit or service to the community and cannot be disposed of because of legal or other restrictions.
- **Aquatic assets:** building, plant, and equipment relating to H_2O Xtream aquatic centre.
- **Infrastructure assets:** infrastructure assets are the fixed utility network systems owned by Council and include roading, water, stormwater, and wastewater piping. Each asset class includes all items that are required for the network to function.

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

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

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

Revaluation

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

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

Those asset classes that are revalued are valued on a set revaluation cycle and all other asset classes are carried at depreciated historical costs. The carrying values of revalued items are reviewed at each balance date to ensure that those values are not materially different to fair value.

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

Additions

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

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

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

Disposals

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

Subsequent costs	Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to Council and the cost of the item can be measured reliably. The costs of day-to-day servicing of property, plant and equipment are recognised in the surplus or deficit as they are incurred.
Impairment of property, plant, and equipment, and intangible assets	Intangible assets subsequently measured at cost that have an indefinite useful life, or are not yet available for use and goodwill, are not subject to amortisation and are tested annually for impairment. Property, plant, and equipment, and intangible assets subsequently measured at cost that have an infinite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. If an asset's carrying amount exceeds its recoverable amount, the asset is regarded as impaired and the carrying amount is written-down to the recoverable amount. The total impairment loss is recognised in the surplus or deficit. The reversal of an impairment loss is recognised in the surplus or deficit in the *Prospective Statement of Comprehensive Revenue and Expense* (page 260).
Value in use for non-cash generating assets	Non-cash generating assets are those not held with the primary objective of generating a commercial return. For non-cash generating assets, value in use is determined using an approach based on either a depreciated replacement cost approach, restoration cost approach, or a service units approach. The most appropriate approach used to measure value in use depends on the nature of the impairment and availability of information.
Value in use for cash generating assets	Cash generating assets are those held with the primary objective of generating a commercial return. The value in use for cash-generating assets and cash generating units is the present value of expected future cash flows.

Depreciation

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

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

The specific rates of depreciation applied to major classes of property, plant, and equipment are detailed in Appendix 1 of the Infrastructure Strategy (page 251).

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

Critical accounting estimates and assumptions

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

Infrastructure assets

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

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

Estimates are made when determining the remaining useful lives over which the asset will be depreciated. These estimates can be impacted by the local conditions, for example weather patterns and traffic growth. If the useful lives do not reflect the actual consumption of the benefits of the asset, then Council could be over or under estimating the annual depreciation charge recognised as an expense in the *Prospective Statement of Comprehensive Revenue and Expense* (page 260 under surplus/deficit).

To minimise this risk, Council infrastructure asset useful lives have been determined with reference to the *New Zealand Infrastructure Asset Valuation and Depreciation Guidelines* (published by the New Zealand National Asset Management Steering Group) and have been adjusted for local conditions, based on past experience. Asset inspections, deterioration, and condition modelling are also carried out regularly as part of Council's asset management planning activities, which gives Council further assurance over its useful life estimates.

Experienced independent valuers perform Council's infrastructure asset revaluations.

Council has no flood protection or control works to disclose as this function is carried out by GWRC. Water supply has no treatment plants and facilities. Council's wastewater treatment plant and facilities are shared under a joint arrangement with Hutt City Council called the Hutt Valley Wastewater Scheme.

Payables and deferred revenue

Recorded at the amount payable

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

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

Provisions

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

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

Employee entitlements

Short-term entitlements

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

Long-term entitlements

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

The calculations are based on:

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

Presentation of employee entitlements

Sick leave, annual leave, and vested long service leave are classified as a current liability. 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.

Critical accounting estimates and assumptions

The present value of retirement and long service leave obligations depend on a number of factors that are determined on an actuarial basis. Two key assumptions used in calculating this liability include the discount rate and the salary inflation factor. Any changes in these assumptions will affect the carrying amount of the liability.

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

Financial instrument risks

Fair value interest rate risk

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

Cash flow interest rate risk

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

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

Credit risk

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

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

Borrowings and other financial liabilities

Borrowings

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

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

Goods and services tax (GST)

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

The net amount for GST recoverable from, or payable to the Inland Revenue Department (IRD) is included as part of receivables or payables in the *Statement of Financial Position* (page 258).

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 Cashflow* (page 262).

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

Interest expense rates

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

Equity

Capital is equity, represented by net assets.

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

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

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

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

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

Components of equity are:

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

Restricted reserves

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

Council has the following restricted reserves:

- **Other accounts restricted by law.** These accounts are used where there is a discrete set of rate or levy payers as distinct from the general rate. Any surplus or deficit relating to these separate areas of benefit is applied to the specific reserves. Conditions applying to these reserves may not be revised by Council without reference to the Courts or third party. Transfers from these reserves may be made only for certain specified purposes or when certain specified conditions are met.
- **Special funds.** These funds are set up where Council has defined a specific purpose. Interest is added to these reserves where applicable and deductions are made where funds have been used for the purpose they were created. Special funds are reserves established by Council decision. Council is legally allowed to alter them without reference to any third party. Transfers to and from these reserves are at the discretion of Council.

Asset revaluation reserves

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

NOTE 2 Other revenue (FORECAST $000)

23|24 Annual Plan		24|25 Y1	25|26 Y2	26|27 Y3	27|28 Y4	28|29 Y5	29|30 Y6	30|31 Y7	31|32 Y8	32|33 Y9	33|34 Y10
2,934	Cost reimbursement from other agencies	2,559	94	2	2	100	2	2	106	2	2
5,789	Vested assets	5,160	5,160	5,160	4,696	4,213	4,213	4,213	4,213	4,213	4,213
154	Petrol tax subsidies	129	126	122	121	120	119	117	116	115	113
331	Parking and vehicle infringements	353	381	444	453	462	471	480	488	497	505
9,208	**Total other revenue**	**8,201**	**5,761**	**5,728**	**5,272**	**4,895**	**4,805**	**4,812**	**4,923**	**4,827**	**4,833**

NOTE 3 Depreciation and amortisation (FORECAST $000)

23|24 Annual Plan		24|25 Y1	25|26 Y2	26|27 Y3	27|28 Y4	28|29 Y5	29|30 Y6	30|31 Y7	31|32 Y8	32|33 Y9	33|34 Y10
0	Leadership	0	0	0	0	0	0	0	0	0	0
5,315	Community and Recreation	5,468	8,523	8,277	7,483	7,584	6,982	7,194	7,764	7,109	7,141
16	Economic Development	9	9	9	9	9	9	9	9	9	9
2,558	Water Supply	2,892	3,032	3,475	3,550	3,607	4,026	4,185	4,297	4,689	4,869
4,907	Wastewater	6,067	7,063	8,589	9,753	10,461	11,794	13,248	14,444	16,408	18,232
2,713	Stormwater	3,022	3,142	3,542	3,586	3,605	4,069	4,131	4,147	4,514	4,570
5,705	Land Transport	6,659	6,832	7,610	7,708	7,790	8,283	8,326	8,365	8,975	9,380
26	Sustainability	33	39	45	119	120	119	120	169	166	153
3	Planning and Regulatory	4	5	5	5	5	5	5	5	5	5
21,243	**Total Depreciation and amortisation expense**	**24,154**	**28,645**	**31,552**	**32,213**	**33,181**	**35,287**	**37,218**	**39,200**	**41,875**	**44,359**

NOTE 4 Other expenses (FORECAST $000)

23|24 Annual Plan		24|25 Y1	25|26 Y2	26|27 Y3	27|28 Y4	28|29 Y5	29|30 Y6	30|31 Y7	31|32 Y8	32|33 Y9	33|34 Y10
1,176	Insurance	1,813	2,234	2,444	2,677	2,932	3,207	3,506	3,828	4,179	4,671
914	Disaster fund insurance	910	1,096	1,311	1,570	1,879	2,247	2,685	3,205	3,825	4,664
180	Audit fees	216	266	271	277	283	288	294	299	304	309
105	Audit fees (Long Term Plan)	0	0	126	0	0	151	0	0	181	0
360	Rental	375	386	393	402	410	418	426	434	442	449
814	Loss on sale of assets	1,888	1,071	980	884	711	1,076	1,197	1,254	1,493	574
	Rates remissions										
200	sports clubs and non-profit bodies	200	205	209	214	218	222	227	231	235	238
170	economic development	170	175	178	182	185	189	193	196	199	203
50	penalty remissions	50	51	52	53	55	56	57	58	59	60
1,385	Consultants	1,236	1,287	1,312	1,190	1,276	1,238	1,261	1,284	1,306	1,399
107	Printing, photocopying, and stationery	97	100	102	104	106	108	110	112	114	116
12	Telephone rental, mobile, and tolls	10	10	10	10	11	11	11	11	11	11
454	Motor vehicle expenses	462	481	524	573	566	627	647	689	701	702
718	Electricity/gas energy costs	1,020	1,295	1,328	1,364	1,400	1,436	1,471	1,505	1,538	1,569
2,645	Rates on Council properties	3,139	3,755	4,507	4,822	5,160	5,521	5,907	6,321	6,763	7,237
2,480	Land transport general maintenance	2,567	2,673	2,738	2,796	2,853	3,135	2,976	3,016	3,069	3,119
2,272	Water reticulation maintenance	2,769	3,414	2,899	2,960	3,021	3,079	3,137	3,193	3,248	3,301
736	Sewer maintenance	1,069	1,098	1,119	1,143	1,166	1,189	1,211	1,232	1,254	1,274
639	Drain maintenance	617	634	646	660	674	687	700	712	724	736
15,472	Other costs	12,260	13,967	16,813	20,036	20,554	20,662	21,370	21,859	22,304	22,316
30,889	**Total Other Expenses**	**30,868**	**34,198**	**37,962**	**41,917**	**43,460**	**45,547**	**47,386**	**49,439**	**51,949**	**52,948**

NOTE 5 Restricted reserves

Schedule of special funds (FORECAST $000)

	Opening balance 1 July 2024	Total deposits	Total withdrawals	Closing balance 30 June 2034
1 General reserve	5,770	2,771	0	8,541
2 Amenities fund	628	302	0	930
3 Civic amenities fund	1	1	0	2
4 Plant renewal	507	29	(537)	(1)
5 Reserve fund contributions	8,053	27,095	(6,780)	28,368
6 Cash in lieu of parking	3	1	0	4
7 Property sales	55	27	0	82
8 Sierra Way subdivision	158	76	0	234
9 Akatārawa roading levy	309	148	0	457
10 Kaitoke roading levy	83	40	0	123
11 Mangaroa roading levy	343	165	0	508
12 Katherine Mansfield levy	232	112	0	344
13 Blue Mountains levy	110	53	0	163
14 Moonshine Hill levy	27	13	0	40
15 Alexander Road levy	30	15	0	45
16 Swamp Road levy	444	213	0	657
17 Harcourt Park maintenance fund	14	55	0	69
18 Cemetery development	0	0	0	0
19 Trench resealing levy	14	7	0	21
20 Kurth Crescent development levy	54	26	0	80

	Opening balance 1 July 2024	Total deposits	Total withdrawals	Closing balance 30 June 2034
21 H_2O Xtream plant renewal	895	173	(1,067)	1
22 Maidstone Park turf renewal	957	38	(995)	0
23 Library vehicles plant renewal reserve	110	4	(114)	0
24 General depreciation reserve	0	63,282	(54,671)	8,611
25 Water supply depreciation reserve (targeted)	0	13,998	(11,396)	2,602
26 Wastewater depreciation reserve (targeted)	0	48,209	(39,499)	8,710
27 Stormwater depreciation reserve (targeted)	0	13,506	(4,899)	8,607
28 Roading depreciation reserve (targeted)	0	50,746	(40,325)	10,421
Total special funds	**18,797**	**221,105**	**(160,283)**	**79,619**

Special fund purposes

Our special funds are held in investments to cover the following situations.

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

Roading levies	8 – 16	Funds raised from subdivisions in specific catchments and available for roading projects only in the catchment that provided the funds.
Harcourt Park maintenance	17	Funds collected from fees and charges for this activity and only available for approved maintenance purposes in that park.
Library and cemetery development	18	Funds collected for or generated by the specific activity and only available for projects in that activity.
Trench resealing levy	19	Funds collected to ensure the correct reinstatement of trenching work by third parties.
Kurth Crescent development levy	20	Funds to be collected from developers to provide stormwater upgrade in Kurth Crescent.
H_2O Xtream plant renewal reserve	21	Funds allocated from rates to replace/upgrade H_2O Xtream plant and equipment.
Maidstone Park turf renewal	22	Funds allocated from rates and fees and charges to replace/upgrade the artificial turf.
Library vehicles plant renewal	23	Funds allocated from rates to replace/upgrade library vehicles and plant and equipment.
General depreciation reserve	24	Funds allocated from rates to replace/renew community assets, and to repay debt.
Targeted depreciation reserves	25 – 28	Funds allocated from targeted rates to replace/renew roading, water supply, wastewater, and stormwater assets, and to repay debt.

Purpose of each fund

The income from fees or rates for each of these activities can only be expended on each specific activity. Any surpluses are transferred into these accounts and applied in future periods to mitigate income requirements.

Other accounts restricted by law (FORECAST $000)

	Opening balance 1 July 2024	Total deposits	Total withdrawals	Closing balance 30 June 2034
1 Dog control account	114	0	0	114
2 Water supply rate account	624	0	0	624
3 Wastewater rate account	5,260	0	(1,100)	4,160
4 Stormwater rate account	1,230	0	0	1,230
Total special funds	**7,228**	**0**	**(1,100)**	**6,128**

Funding impact statements

Format

All the Funding Impact Statements (FIS) are in a format prescribed by regulation and are not GAAP compliant.

Intent, exclusions, and inclusions

The intention is to show how the operational and capital expenditure of Council is funded. Some items included in the Statement of comprehensive revenue and expense are excluded and some items not in the Statement of comprehensive revenue and expense are included.

Specifically, capital expenditure is included in the FIS, as is transfers to and from special funds and loan receipts and repayments. Loss on disposal of fixed assets, and other (minor) non-cash items are excluded from the FIS as they are not funded.

Finding the statements

The funding impact statement for all of Council follows in the next page. Funding impact statements for each activity group are included in *Section B: Groups of activities* (beginning on page 36).

Funding impact statement—all of Council (FORECAST $000)

23|24 Annual Plan	Sources of operating funding	24|25 Y1	25|26 Y2	26|27 Y3	27|28 Y4	28|29 Y5	29|30 Y6	30|31 Y7	31|32 Y8	32|33 Y9	33|34 Y10
36,468	General rates, uniform annual general charges, rates penalties	30,549	38,403	44,441	48,901	49,910	48,024	48,070	47,991	47,412	47,498
16,507	Targeted rates	34,117	40,064	45,852	51,437	54,937	62,160	69,426	78,117	82,877	93,770
180	Subsidies and grants for operating purposes	2,465	2,025	2,631	2,363	2,451	2,576	3,200	5,567	5,669	2,635
7,685	Fees and charges	8,007	8,731	8,841	9,055	9,383	9,522	9,778	10,137	10,310	10,597
400	Interest and dividends from investments	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
691	Local authority fuel tax, fines, infringement fees and other receipts	511	537	596	605	614	622	631	639	647	654
61,931	**Total operating funding (A)**	**76,648**	**90,760**	**103,360**	**113,361**	**118,295**	**123,905**	**132,105**	**143,451**	**147,914**	**156,154**
	Applications of operating funding										
59,428	Payments to staff and suppliers	60,951	65,511	70,586	74,786	77,194	79,610	81,841	84,482	87,407	89,961
6,773	Finance costs	8,379	11,484	12,550	13,851	14,395	14,999	16,293	17,568	19,250	20,369
54	Other operating funding applications	0	0	0	0	0	0	0	0	0	0
66,255	**Total applications of operating funding (B)**	**69,330**	**76,995**	**83,137**	**88,637**	**91,589**	**94,610**	**98,134**	**102,050**	**106,657**	**110,330**
(4,324)	**Surplus/(deficit) of operating funding (A-B)**	**7,319**	**13,765**	**20,224**	**24,724**	**26,707**	**29,295**	**33,971**	**41,401**	**41,257**	**45,824**

23|24 Annual Plan	Sources of capital funding	24|25 Y1	25|26 Y2	26|27 Y3	27|28 Y4	28|29 Y5	29|30 Y6	30|31 Y7	31|32 Y8	32|33 Y9	33|34 Y10
12,212	Subsidies and grants for capital purposes	6,985	5,968	4,360	7,033	4,140	6,492	5,509	10,346	10,570	4,091
2,608	Development and financial contributions	1,950	3,598	2,618	1,924	1,964	2,002	2,039	2,075	2,111	2,146
46,102	Increase/(decrease) in debt	48,494	21,871	26,756	11,165	12,422	26,284	26,225	34,571	23,055	(8,831)
0	Gross proceeds from sale of assets	0	0	0	0	0	0	0	0	0	0
0	Lump sum contributions	0	0	0	0	0	0	0	0	0	0
0	Other dedicated capital funding	0	0	0	0	0	0	0	0	0	0
60,922	**Total sources of capital funding (C)**	**57,429**	**31,437**	**33,734**	**20,123**	**18,526**	**34,778**	**33,774**	**46,992**	**35,736**	**(2,595)**
	Applications of capital funding										
	Capital expenditure										
4,612	to meet additional demand	9,468	8,909	6,981	6,219	4,091	5,705	6,872	13,326	15,072	4,587
41,225	to improve the level of service	32,301	7,020	6,268	9,092	14,859	19,395	14,281	21,525	9,140	10,458
18,569	to replace existing assets	25,680	29,848	36,596	21,931	19,361	31,949	40,545	42,349	55,415	18,941
(7,808)	Increase/(decrease) in reserves	(2,702)	(576)	4,112	7,604	6,921	7,023	6,048	11,193	(2,634)	9,244
0	Increase/(decrease) of investments	0	0	0	0	0	0	0	0	0	0
56,598	**Total applications of capital funding (D)**	**64,748**	**45,201**	**53,958**	**44,846**	**45,233**	**64,073**	**67,745**	**88,393**	**76,993**	**43,229**
4,324	**Surplus/(deficit) of capital funding (C-D)**	**(7,319)**	**(13,765)**	**(20,224)**	**(24,724)**	**(26,707)**	**(29,295)**	**(33,971)**	**(41,401)**	**(41,257)**	**(45,824)**
0	**Funding balance ((A-B)+(C-D))**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

Differential and targeted rating schedule

This schedule sets out the rates that the Council intends to set for each of the years covered by this plan, defines the detail that will apply for the 2024 – 2025 rating year and is to be read in conjunction with Council's Revenue and Financing Policy and the rest of the Funding Impact Statement.

This schedule states the revenue sought for the [24|25] rating year (LTP Year 1).

GENERAL RATES

Calculating general rates

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

For [24|25]—LTP Year 1, Council will apply the following differential factors:

Differential rating group [45]	Factor
Standard [46]	100
Rural	75
Business	290
Forestry (deferred until Year 2)	290
Utility and *Three Waters Utility*	300
Corrections Facility	350
Vacant land	500

The revenue sought for [24|25] from the general rate is $30,548,908. The purposes to which this revenue will be applied are to meet the costs of leadership, community development, facilities, parks and reserves, economic development, sustainability, licensing, city planning, and environmental health.

Council does not set a uniform annual general charge.

45 The categories are as defined in this document.

46 Previously in some documents called *Residential*.

TARGETED RATES

Water supply

For [24|25], Council has resolved to collect the revenue needed for the water supply service on the following basis.

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

   The revenue sought from this rate is $2,733,889 (approximately 20% of the total requirement needed for the costs of water supply).

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

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

   The revenue sought from this rate is $9,130,899 (approximately 60% of the total requirement needed for the costs of water supply).

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

Wastewater

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

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

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

For [24|25], with regard to schools in the city, Council has resolved to calculate the number of whole charges based on the extent of the provision of service (Schedule 3, clause 8), using a formula which calculates the number of applicable charges as being the lesser of:

(A) the assessed number as above for non-residential rating units, and

(B) the number of charges based on the following formula:

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

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

The revenue sought from this charge is $9,918,378 and is to be applied towards the cost of the sewerage reticulation and disposal of bulk sewage schemes.

Stormwater

For [24|25], Council has resolved to collect the revenue needed for stormwater purposes by way of a set rate per dollar on capital value, on a differential basis, with businesses having a differential factor of 140 and other properties a factor of 100. This rate will apply to all rating units contained within the Upper Hutt *Urban Drainage District* (shown as the shaded area in the map on page 298).

The revenue sought from this rate is $3,456,881 and is to contribute to the costs of stormwater drainage and flood protection of the city.

NEW Land transport rate

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

For [24|25], Council will apply the same differential factors for the targeted land transport rate as used in the general rate.

The revenue sought from this charge is $7,768,987 and is to be applied towards the cost of maintain the transport network of the city.

NEW Government compliance rate

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

For [24|25], Council will apply the same differential factors for the targeted government compliance rate as used in the general rate.

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

Rates on Defence land

The rates described in General rates, Water supply—(1) fire protection, Stormwater, Land transport rate, and Government compliance rate, take into account the requirement to ensure that Defence Department land is not paying a higher amount of rates than would be payable under a land value rating system. This is in accordance with section 22 of the Local Government (Rating) Act 2002.

Lump sum contributions

Council will not invite lump sum contributions to targeted rates in [24|25].

Differential definitions

For [24|25], Council has resolved to define its differential rating categories, to which all rateable property in the district of Upper Hutt shall be allocated, as follows.

Rural

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

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

If Council is satisfied that:

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

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

Utility	Regardless of zoning and notwithstanding that it may meet the requirements for inclusion in another category, a rating unit or part rating unit will be allocated to the *Utility* category for rating purposes to the extent that: • it is owned or operated by a utility operator and is being used, principally, as part of the utility infrastructure; **and** • it is identified as a utility in the *Upper Hutt City District Valuation Roll.*

Three Waters Utility	A rating unit or part rating unit will be allocated to the *Three Waters Utility* category for rating purposes to the extent that it:
	• Meets both the criteria in *Utility;* **and**
	• It is used solely for the purpose of:
	  ◦ Draining stormwater; **or**
	  ◦ Draining wastewater from Upper Hutt city and its district into the bulk sewer line; **or**
	  ◦ Supplying potable water to Upper Hutt City and its district, but not used to carry water directly from the reservoirs owned by Greater Wellington Regional Council.

Business	A rating unit or part rating unit in the Business zone or in the Special Activities zone will be allocated to the *Business* category for rating purposes, unless: • it has been allocated to the *Utility* category; **or** • it has been allocated to the *Standard* category because it is being used, principally, as a single residential dwelling (used principally for private residential purposes). A rating unit or part rating unit will be allocated to the *Business* category for rating purposes if it is situated in a Residential, Rural or Open Space zone and has not been allocated to the *Utility* category but is being used, principally, for a business activity. • where the business activity is the principal activity on a rating unit, the whole rating unit will be allocated to the *Business* category. • where the business activity is not the principal activity on a rating unit but takes place in a physically discrete part of the rating unit, that part will be allocated to the *Business* category.

For the purposes of our policy, we've defined business activities as follows.

INCLUDED **Business activities**	**EXCLUDED** **NOT business activities**
Commercial sawmills and timber yards	Farming activities
Farm products processing plants	Intensive animal farming
Retail nurseries and garden centres	Wellington Racing Club
Veterinary hospitals and clinics	

Corrections Facility

A rating unit will be allocated to this category if it is used primarily by the Department of Corrections for the housing of inmates under their care.

Forestry NEW

From 1 July 2025, a rating unit will be allocated to this category if it is used primarily for commercial forestry.

Vacant Land NEW

A rating unit will be allocated to this category when it is within the city's 'walkable catchment' as shown below and has either:

1. a zero improvement value; **or**
2. a positive improvement value but no permitted or consented activity underway, including improvements (such as buildings) which are unused and/or derelict.

More information along with a map indicating Upper Hutt's walkable catchment is included in the Revenue and Financing Policy (page 311)

Standard

A rating unit or part rating unit will be allocated to the *Standard* category to the extent that it does not meet all of the criteria for inclusion in any other category.

Contiguous rating

Council will apply the provisions of the Rating Valuations Act 1998, The Local Rating Act 2002, and any other relevant legislation to this situation.

Separately used or inhabited part (SUIP)

Definition

A separately used or inhabited part (SUIP) of a rating unit means any part of a rating unit which is:

1. inhabited or used by an owner; or
2. inhabited or used by any person other than an owner by tenancy or other agreement.

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

Assessment and determination

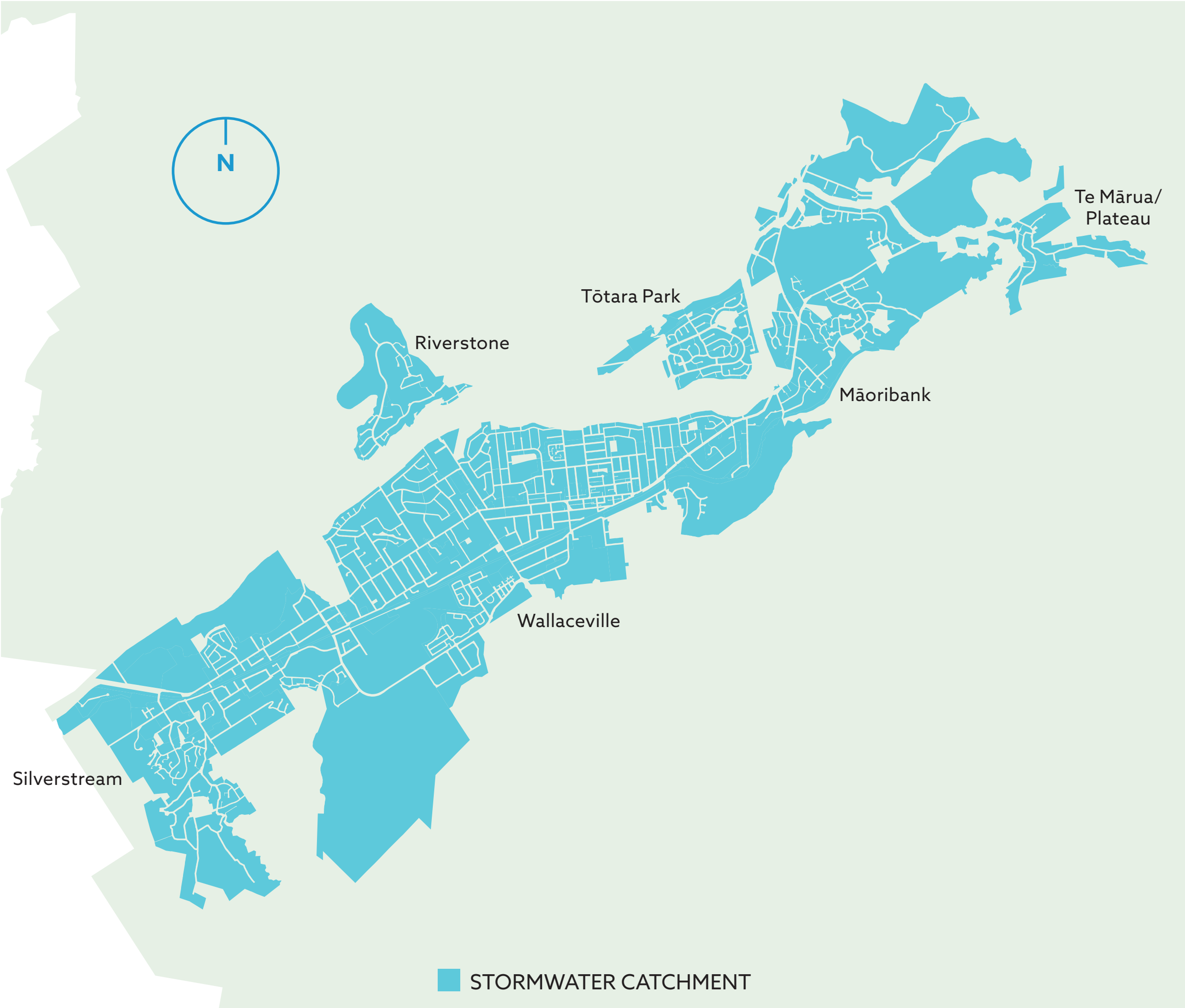
Council will consider the following when determining whether a part of a rating unit is a SUIP:

1. A SUIP does not need to be occupied in order to be categorised as separately used. Availability for separate use is sufficient.
2. In determining whether a part of a rating unit is used for accommodation, Council will consider whether it has independent kitchen facilities (including cooking facilities) and separate toilet and sanitation, but these are not required, and a part of a rating unit made available for temporary accommodation may be a SUIP without these.

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

- Single dwelling or business premises which includes separate accommodation.
- A rating unit that includes a flat with a stove and separate living and toilet facilities.
- A dwelling where part of the dwelling or an outbuilding is made available for rent.
- Commercial building with multiple tenancies.
- Individually surveyed lots of vacant land on one Record of Title offered separately for sale.

Upper Hutt urban drainage map used for stormwater rates



Indicative rates for sample properties

The following tables include figures outlining indicative rates for [24|25], for properties in Upper Hutt based on their capital value (CV) and rating differential categories (Standard, Business, and Rural). Figures are in dollars ($) and include GST. They do not include Greater Wellington Regional Council rates.

Indicative residential rates (by CV)	$550 K	$750 K	$950 K	$1.15 M	$1.3 M
General rates	936	1,276	1,617	1,957	2,213
Targeted water rates[47]	1,434	1,532	1,630	1,728	1,801
NEW Targeted roading rate (previously within the General rate)	236	322	408	494	559
NEW Targeted compliance rate (previously within the General rate)	34	46	58	70	80
Total Indicative rates	**2,640**	**3,177**	**3,713**	**4,250**	**4,653**
Total Indicative rates from previous year (Annual Plan 23|24)	2,129	2,616	3,102	3,589	3,678
Increase per week	9.82	10.78	11.76	12.71	18.74

Indicative business rates (by CV)	$550 K	$750 K	$950 K	$1.15 M	$1.3 M
General rates	2,715	3,702	4,689	5,676	6,466
Targeted water rates[46]	1,493	1,613	1,732	1,852	1,948
NEW Targeted roading rate (previously within the General rate)	686	935	1,184	1,434	1,633
NEW Targeted compliance rate (previously within the General rate)	98	133	169	204	233
Total Indicative rates	**4,991**	**6,383**	**7,774**	**9,166**	**10,279**
Total Indicative rates from previous year (Annual Plan 23|24)	4,380	5,685	6,990	8,296	9,340
Increase per week	11.75	13.42	15.08	16.74	18.07

Indicative rural rates (by CV)	$550 K	$750 K	$950 K	$1.15 M	$1.3 M
General rates	702	945	1,213	1,417	1,672
NEW Targeted roading rate (previously within the General rate)	177	239	306	358	422
NEW Targeted Government compliance rate (previously within the General rate)	25	34	44	51	60
Total Indicative rates	**905**	**1,217**	**1,563**	**1,826**	**2,155**
Total Indicative rates from previous year (Annual Plan 23|24)	876	1,178	1,512	1,767	2,086
Increase per week	0.55	0.75	0.97	1.13	1.32

47 Water—targeted rates figures are based on the existence of only one water connection and one pan charge per property, and being within the stormwater drainage district (see page 298).

Statement of responsibility

Preparation	The Council and management of Upper Hutt City Council accept responsibility for the preparation of the Long Term Plan prospective financial statements and the judgements used in them.
Providing reasonable assurance	The Council and management of Upper Hutt City Council accept responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of prospective financial reporting presented in the Long Term Plan, including the appropriateness of the assumptions underlying the prospective financial statements and all other required disclosures.
Actual results	The Long Term Plan does not include any actual financial results for years prior to the periods covered by the Long Term Plan 2024 – 2034
Longevity	It is not intended that the Long Term Plan will be updated (outside of its 3-yearly cycle) unless there is a significant event, which fundamentally impacts the Long Term Plan.
Authorisation	This Long Term Plan, including the prospective financial statements, is authorised for issue by Upper Hutt City Council on 27 June 2024.