

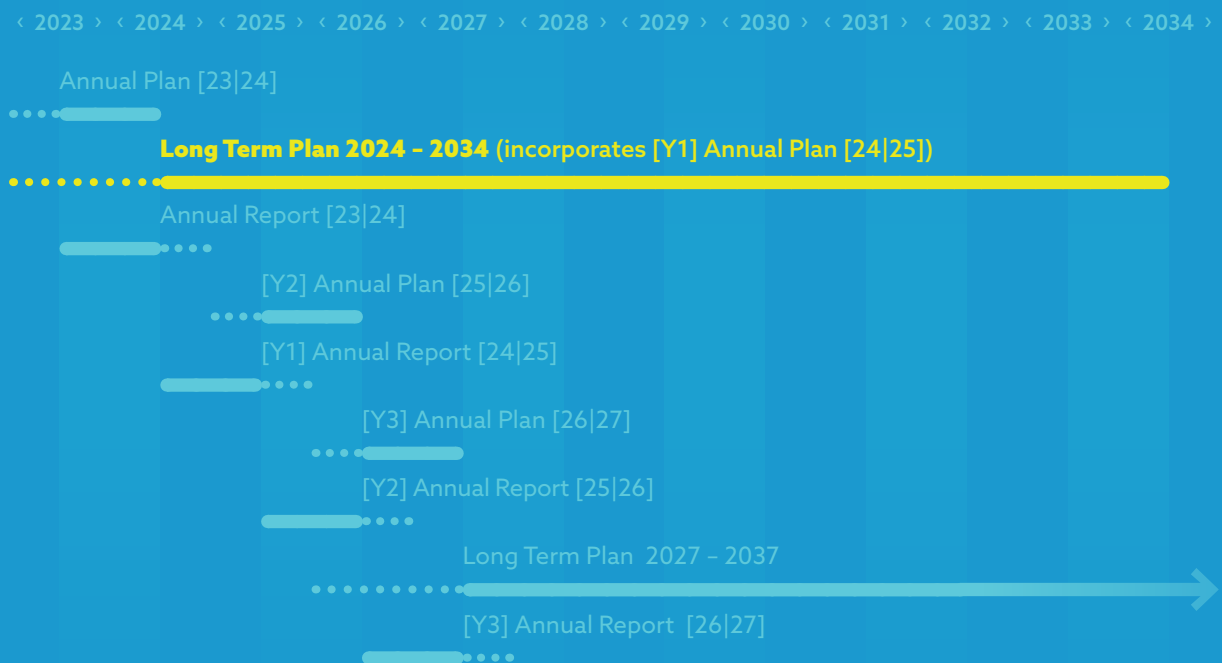
# Whakarāpototanga Overview



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# Nau mai ki te Mahere Pae Tawhiti Introducing the Long Term Plan

Council has a wide range of responsibilities and provides a variety of services to the community of Upper Hutt. We use detailed plans to guide our activities, maintenance of our assets, and responsible management of our financial resources. Our overarching plan is the Long Term Plan which covers a period of 10 years.



**Frequency**

Council develops a Long Term Plan (LTP) every three years. We prepare an Annual Plan for the two years in between to cover any decision and/or circumstantial changes.

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**Reporting**

Annual reports are prepared every year to provide updates on our financial situation and compare progress and performance against our commitments for the corresponding year.

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**What’s in a Long Term Plan?**

The LTP provides a long-term focus to Council’s activities and decision-making. It outlines the activities Council plans to undertake, the cost of delivering these, and how they will be paid for. It includes our vision, along with a number of assumptions, policies, and strategies—including our 30-year Infrastructure Strategy. We also include our methods and measurements for monitoring and evaluating, so we can report our progress to the community.

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**Our approach**

This LTP 2023 – 2034 was shaped through a significant process of planning, engagement, and consultation. However a number of circumstances and challenges have heavily influenced our decision-making which are outlined in this overview section. This plan represents our overarching strategy to meet these challenges over the next 10 years, while providing the levels of service that are expected of us by our community and by legislation.

# Tō tātou whāinga

## Our vision

Our vision is the desired future state of our city—what we, as a Council, are aspiring to achieve for our city. This vision was developed as part of our Long Term Plan 2021 – 2031 and remains unchanged for 2024 – 2034.

**WE HAVE** an

**outstanding** natural environment, leisure, and recreational **opportunities,**

**WE ARE** a **great** place for **families** to live, work, and play.

# Community outcomes

In working towards our vision, we're focusing on four outcomes we want to achieve for our community. These community outcomes guide our activities, projects, and service levels.



# Tā mātou whakakitenga

## What's driving our thinking

### Our operating environment

Like many councils throughout New Zealand, Upper Hutt City Council is navigating its way through a challenging time.

Major external shocks including political and financial uncertainty, rapid interest rate rises, and extreme weather events have added to increasing cost pressures. These events have changed our post-pandemic economic environment indefinitely.

We've heard from the community that we should focus on core business and this is our focus in the Long Term Plan.

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### Making tough decisions

Rates in Upper Hutt have been among the lowest in the country for some time. With significant cost increases, risk of severe weather events, and other heightened financial risks, it's no longer financially viable to keep rates at the level they have been without our infrastructure and facilities suffering.

Prioritising core activities, reviewing our operating model, and looking after what we have will enable us to build a strong financial foundation for our city into the future.

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### Our financial position

The financial environment we are operating in has changed dramatically. We've reassessed and reprioritised our activities and services. The key priority in this plan is core capital investments combined with a continued focus on rates affordability.

Everything we do is costing more. Higher costs of construction, higher interest rates, volatile inflationary pressures which have driven costs higher, all add to make the cost and amount of debt more expensive. In addition, we are required to invest more in resilience, meet increasing compliance standards, and respond to future weather events by holding self-insurance funds.

With this increased uncertainty, balancing the budget will greatly assist to reduce financial risk and increase certainty over Council's future financial position.

## **Completing major community investments**

In recent years we've been working to deliver major projects that make Upper Hutt an even better place to live, work, and play.

We're proud of the work on Maidstone Max, Whirinaki Whare Taonga, and Te Kupenga o Rongomai (Maidstone Sports Hub). The new and improved H<sub>2</sub>O Xstream will also be an incredible place for our community to enjoy, and a family destination for the wider Wellington region to visit.

Our focus is on continued prudent debt levels and interest management related to those projects, this has influenced the shape of other future investment plans. In this tougher economic climate, we will continue repaying the debt (borrowings) and interest that funded these projects over the next 10 years as planned.

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## **Continuing to look after our infrastructure**

Investment in our infrastructure helps build our city's resilience, supports growth, and ensures we are a place where our communities can thrive.

Recent events have shown that extreme weather will be a defining factor in our future. Climate change will impact every community in unknown ways and we must ensure our infrastructure is durable. Maintaining our infrastructure levels of service and continuing the renewal of our core assets is vital for our city to function and our community to thrive.

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## **Water services**

The Government has repealed the previous water reform started in 2021. We have prepared this Long Term Plan based on Council continuing to own our water assets and being responsible for funding and delivering water services to Upper Hutt.

We're expecting further changes during the early years of this plan, with the Government implementing its '*Local Water, Done Well*' policy through new legislation.

Water services infrastructure is a significant part of Council's core service, and it continues to have a major impact on our financial position.

Despite there being a constraint on how much we can afford to do, we have increased our spend on water services by almost 130% over the last decade. More than 40% of our total spend will go on water services infrastructure over the next 10 years.

## Our growing city

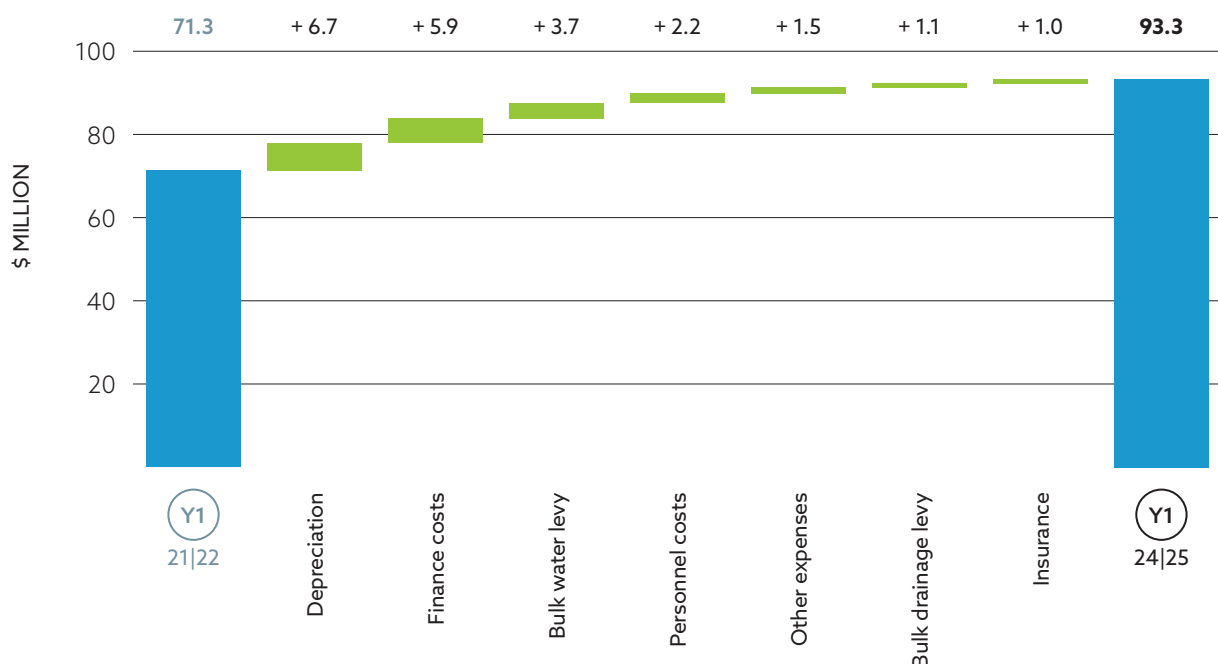
Upper Hutt’s population, housing demand, and the demand for business space is expected to grow over the next 30 years. The rising population places increasing demands on our infrastructure, services, and facilities. This includes utilities like pipes and roads, open spaces, and community amenities.

Managing growth sits with Council as a core responsibility. As our communities grow, we must enable the provision of enough affordable houses and business premises for people to buy or rent. Families are attracted to Upper Hutt because of our award-winning parks, playgrounds, facilities, and its proximity to Wellington City. Businesses are attracted to Upper Hutt because of our relative natural hazard resilience, available land, and growing population.

Funding this growth within the current local government funding model is challenging and expensive, and we have expanded and updated our Development and Financial Contributions policy to ensure those who benefit from growth pay their fair share.

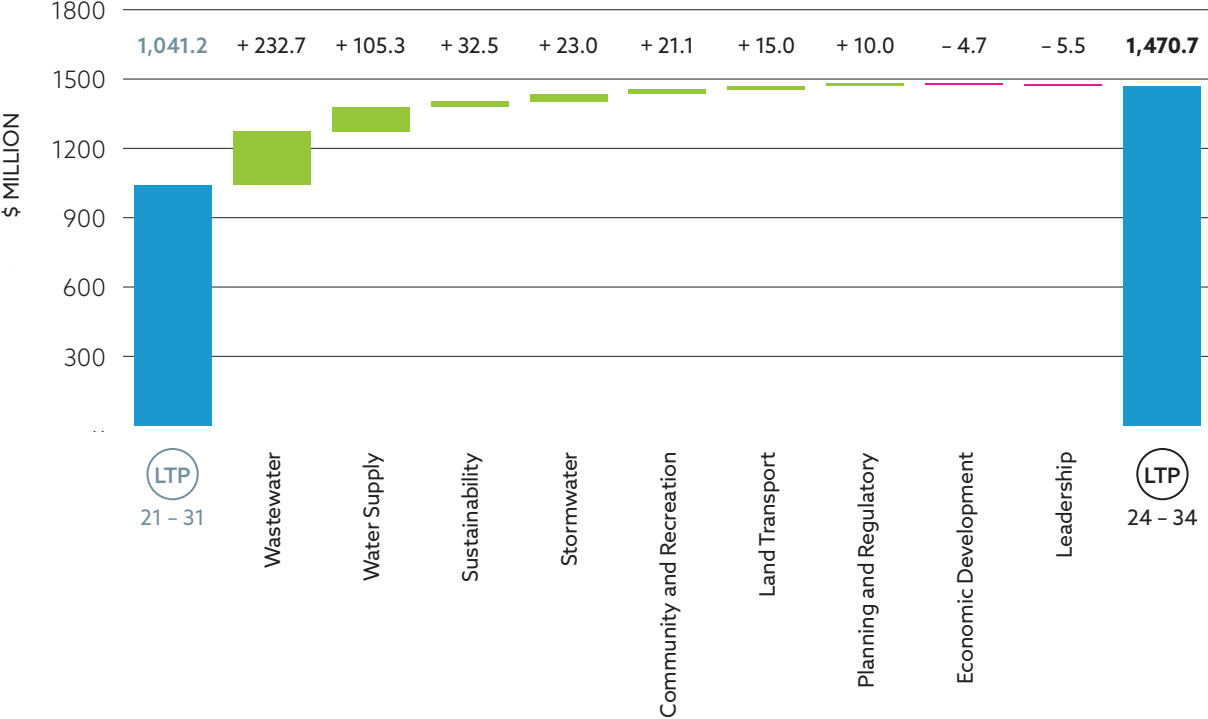
## How costs have changed

The following graph compares the change in yearly expenditure. The left-hand side shows \$71.3 M expenditure was required in Year 1 [21|22] of the last LTP. On the right-hand side is the expenditure (\$93.3 M) required for Year 1 of the LTP 2024 – 2034. The graph shows the costs which have driven the changed expenditure. For example, finance costs are now planned to be \$5.9 M more than in [21|22]. The requirement to fund these increases is reflected in the 2024 – 2034 Financial Strategy (page 146).





The following graph compares all Council expenditure in the LTP 2021 – 2031 (left side) to the total expenditure required for the LTP 2024 – 2034 (right side). Overall, the money needed to deliver similar activities has increased from \$1.041 B to \$1.470 B. The largest increases are in the areas of water and kerbside recycling (Sustainability)—for example, the cost of delivering wastewater has increased by \$232.7 M. The graph shows some costs have been reduced, Economic Development by \$4.7 M, and Leadership by \$5.5 M.



# Tā tātou mahere: kia arotahi atu ki ngā tino kaupapa

## Our plan: focusing on what matters most

This plan delivers our core activities, maintains stewardship of our infrastructure, and builds financial resilience.

### Balancing the books

**Today's income covers today's expenses**

In essence balancing the books means today's income covers today's expenses, and we don't push these costs out to be paid later. Like everyone else is experiencing, everything we do is costing more, so balancing the books will not be easy.

In developing this Long Term Plan, we've prioritised balancing the budget. This means our community pays for today's costs now, not in the future.

**Establishing financial 'headroom'**

Council has a history of having financial headroom, however in this plan we have formalised this as a funding requirement. This will help enable us to respond early and tackle unforeseen future events. We are acutely aware of the need to continue to be careful, ensuring we maintain financial sustainability while delivering the services and facilities the community expects.

**Funding depreciation over time**

Our Financial Strategy includes the long-term funding of depreciation via rates. This has been addressed in a way that will take time, and is a change to our previous approach to only rate for loan repayments. We will be moving to fully rate fund depreciation. The approach is reviewable, and Council acknowledges that a fully rate-funded model must consider ratepayer affordability.

**Intergenerational equity**

Assets have a multi-year lifespan and depreciation recognises the part-cost of the asset that is 'consumed' in a given year. In Year 1, we have commenced a small level of rating (3.6% of the total rates amount required) for this as an everyday cost. This will rise to a greater percentage of the total rates required over the life of this plan. It will help ensure future ratepayers do not carry the full burden of replacement costs—increasing intergenerational equity.

**Rates requirement**

The rate funding required is based on the our operational and infrastructure plans. These include the funding to deliver Council's core activity levels, maintain debt levels and fund borrowing and interest costs. The requirement for rates funding is set out in section 100 of the Local Government Act 2022.

Unless it is considered prudent not to do so, a Council must set rates at a level sufficient to meet the year's operating expenditure. For many years Council has not set its rates at a level which meets the expenditure, this is not considered financially prudent in the current and projected future environment.

**Forecast rates increases**

Rates are Council's main source of income. We do not own large assets such as an airport or port or other property that could be sold to help fund costs. In order to meet our financial commitments, we have to significantly increase rates in the early years of this plan. Previous plans were driven by rates affordability and capital investments. In developing this Long Term Plan, Council has prioritised balancing the budget. This means having to pay for everyday costs today, not later.

The first three years of this plan will see an average annual rate increase of 17.83%. This creates an average rate increase of 8.96% over the 10 years.

In response to community feedback, we have adjusted the rates increase in Year 3 to 13.63% and Year 4 to 9.78% (from the proposed 19.88% and 5.67% respectively) with the use of cash reserves, reprofiling, and re-forecasting of costs.

Historically, Upper Hutt's residential rates are among the lowest in the country.<sup>1</sup> Even with the proposed rates increases in this plan, this is likely to continue.

1 Not including regional council rates—New Zealand Taxpayers' Union [ratepayersreport.nz/council-rates-comparison](https://ratepayersreport.nz/council-rates-comparison)

**Alternative options**

Delivering all we have previously done and balancing the books in Year 1 would have required a significantly higher rates increase. We've spread this increase over the early years of the plan to avoid a higher single increase in the first year. We cannot spread this increase much beyond Year 3 if we are to deliver our planned infrastructure investment and maintain core services over the 10 years of this plan.

You can find more details in our Financial Strategy (page 146).

# Maintaining our infrastructure

**Responsible stewardship**

We'll continue to maintain our infrastructure and facilities on a tight budget, while prioritising some work programmes and their timeframes where necessary.

We have taken a responsible view of capital expenditure for the 10-year period, prioritising renewals and levels of service ahead of investment in other projects such as new assets or growth projects. These decisions have enabled us to spread our rates increases over the 10 years and are considered to be prudent.

We continue to balance Infrastructure Strategy needs and resilience with financial sustainability, and have increased our borrowing capacity to fund the delivery of a realistic capital programme.

**Funding and affordability**

Ratepayer affordability has historically been a heavily weighted consideration which has influenced the timing of the funding of Infrastructure. For this Long Term Plan, we gave equal weighting to debt levels to fund infrastructure and the affordability of rates.

The forecast capital investment is below what is recommended or needed due to ratepayer affordability constraints. There will be a level of deferred infrastructure expenditure in Years 11 – 20 which, under the current funding model, is difficult to afford.

This approach does come at a cost, as there is a greater risk of asset failure (such as water leaks and blockages or road damage) and more reactive maintenance may be needed.

**Our infrastructure programme**

The majority of the projects in this plan have been consulted on and funded in previous Long Term Plans (2018 and/or 2021).

The exception to this is the mandated kerbside recycling collection. This is included because it is expected to be legislated for by the Government from 2027 onwards.

Due to the long lead times for planning and delivery of infrastructure projects, the timing often changes and moves across multiple plans over multiple years. The projected costs and funding requirements are likely to also change.

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### **Asset renewal is a priority**

The largest components of the infrastructure programme are core asset renewals across water and transport assets driven by Council's required asset management planning. Any items identified as renewals are core infrastructure asset replacements (mostly near or at their end of life), these are not discretionary projects.

The renewals funding has been adjusted to manage and spread costs and affordability. Further reducing or failing to carry out the renewals programme would risk the degradation of assets such as roads, footpaths, and various water pipes and systems.

You can find more details on our infrastructure plans in our Infrastructure Strategy (page 171).

## **Back to basics**

### **Reducing operating costs**

We've considered a number of ways to reduce Council's operating costs.

With the exception of the provision of water services, we're lowering operating costs. We are and will continue to contain costs in core activities, whilst reducing and resetting costs in non-core activities. We've changed the funding or timing of many smaller operational projects and have reprioritised some of our capital projects. Further we won't be proceeding with our planned transport and city centre strategies at this time.

We've reviewed our operating model to reduce costs and ensure we are continuing to deliver value for money.

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### **Funding reductions**

We have targeted five non-core activity areas that will receive less funding, and consulted the community on these. We're also discontinuing most of our contestable grant funding, such as for events, sustainability, and economic development purposes.

## Core activity focus

We're going to focus on the following core activities:

### **Leadership**

Governance, communications, policy, strategy, and advocacy

### **Community and recreation**

Community facilities, emergency management, parks and reserves (including Akatārawa Cemetery)

### **Water services (three waters)**

Water supply, wastewater, and stormwater

### **Land transport**

Roads, footpaths, cycleways, street lights, and road safety

### **Sustainability**

Community resilience, waste minimisation, and implementation of the Sustainability Strategy

### **Planning and regulatory**

Animal management, building services, environmental health, planning, and consenting

# Whakahoki kōrero ā-hapori me ngā whakatau

## Community feedback and decisions

### Timing

From 2 April through 12 May 2024, we consulted with the public on a number of options we'd prepared for public feedback.

### What consultation is (and isn't)

It's important to note that public consultation is one of a number of considerations guiding our decision-making. It provides a degree of public sentiment towards the questions we ask but is not the same as a binding referendum. Council uses feedback to gauge support from the community and to highlight any issues and/or options that may not have been fully explored when preparing our proposals.

### The consultation material



For every Long Term Plan, we must prepare a Consultation Document to summarise our plans and proposals for the next 10 years and what the financial implications are. The consultation document was backed by more comprehensive supporting information. In order to keep costs lower, we did a limited print run of consultation booklets, opting to promote the consultation through a city-wide letterbox drop (brochure), alongside advertising on our community noticeboards and the Upper Hutt Leader newspaper, and promotion through our social media channels. Physical copies of all the consultation material were available at our local facilities and engagement events.

Our 'Let's kōrero' website was the online digital hub for all things consultation-wise, providing digital downloads of all the material as well as an interface for making submissions online.

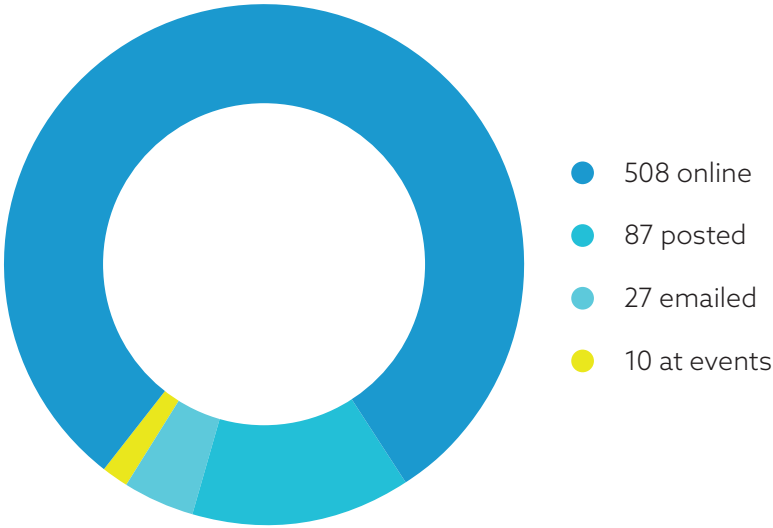
# The results

## Submissions and feedback

Councillors received informal feedback through face-to-face meetings with members of the community.

We formally received 631 submissions through our online submission form, mail-in paper forms, through email and at engagement events. We also received 1 late submission.

We held hearing meetings on 13, 14, and 21 May 2024, at which we heard from 68 submitters.



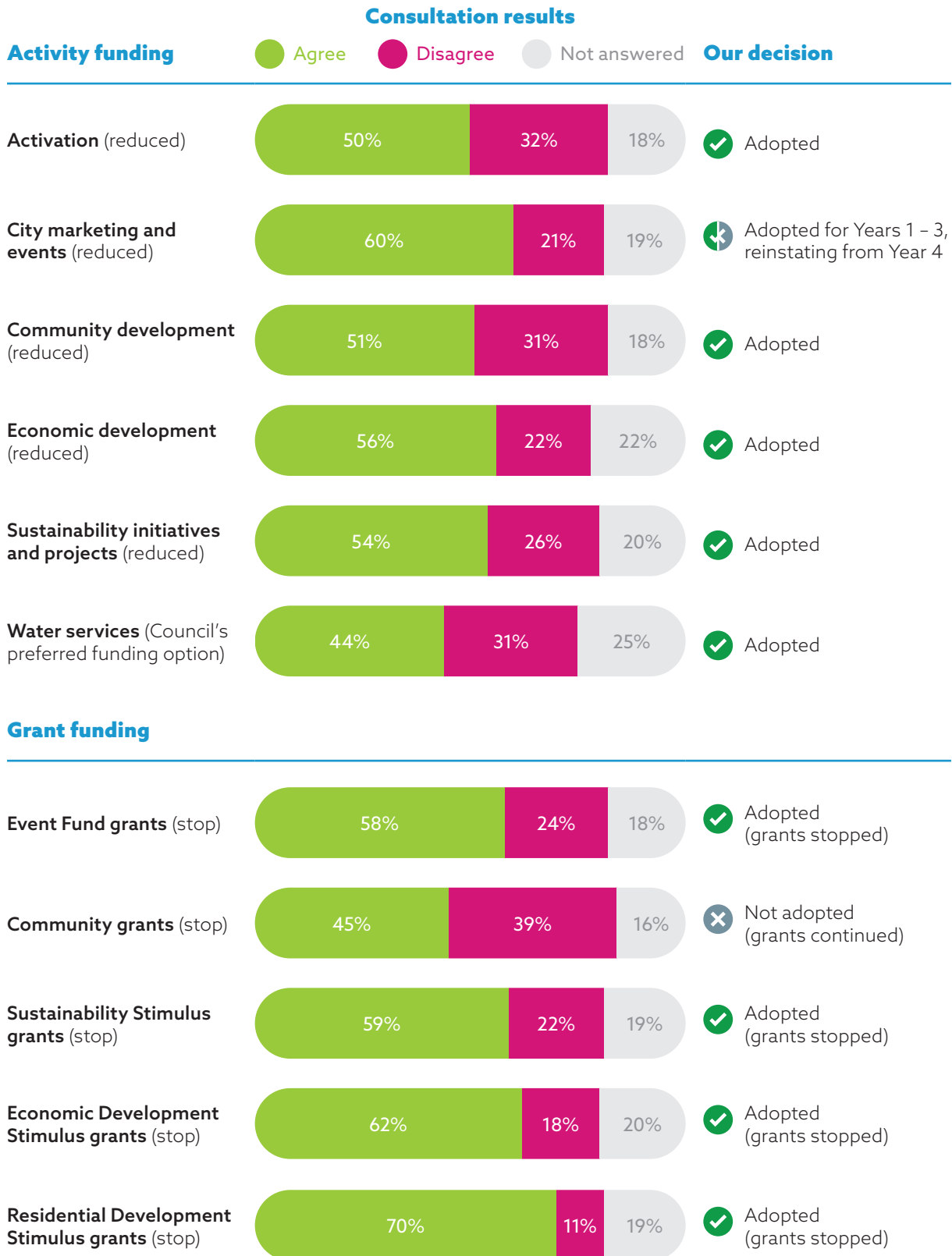
There was extensive engagement on our social media posts.

At our deliberations meeting, we also received a community-led petition with 2225 signatories.



# Funding decisions

The following table details specific funding decisions we consulted on, the logical results from the consultation, and Council's decision.



# Other items we consulted on

The following table details other items we consulted on, the logical results from the consultation, and Council's decision.

Other items	Consultation results			Our decision
	Agree	Disagree	Not answered	
Revenue and financing policy (changes)	34%	37%	29%	Adopted
Rating differentials	36%	36%	28%	Adopted (with change to <i>Forestry</i> )
Performance framework	36%	26%	38%	Adopted
Rates Remission and Postponement Policy (updates)	46%	25%	29%	Adopted
Significance and Engagement Policy (updates)	42%	24%	34%	Adopted
Development and Financial Contributions Policy (updates)	42%	27%	31%	Adopted
Fees and charges	31%	36%	33%	Adopted

# Whakarāpopoto ahumoni

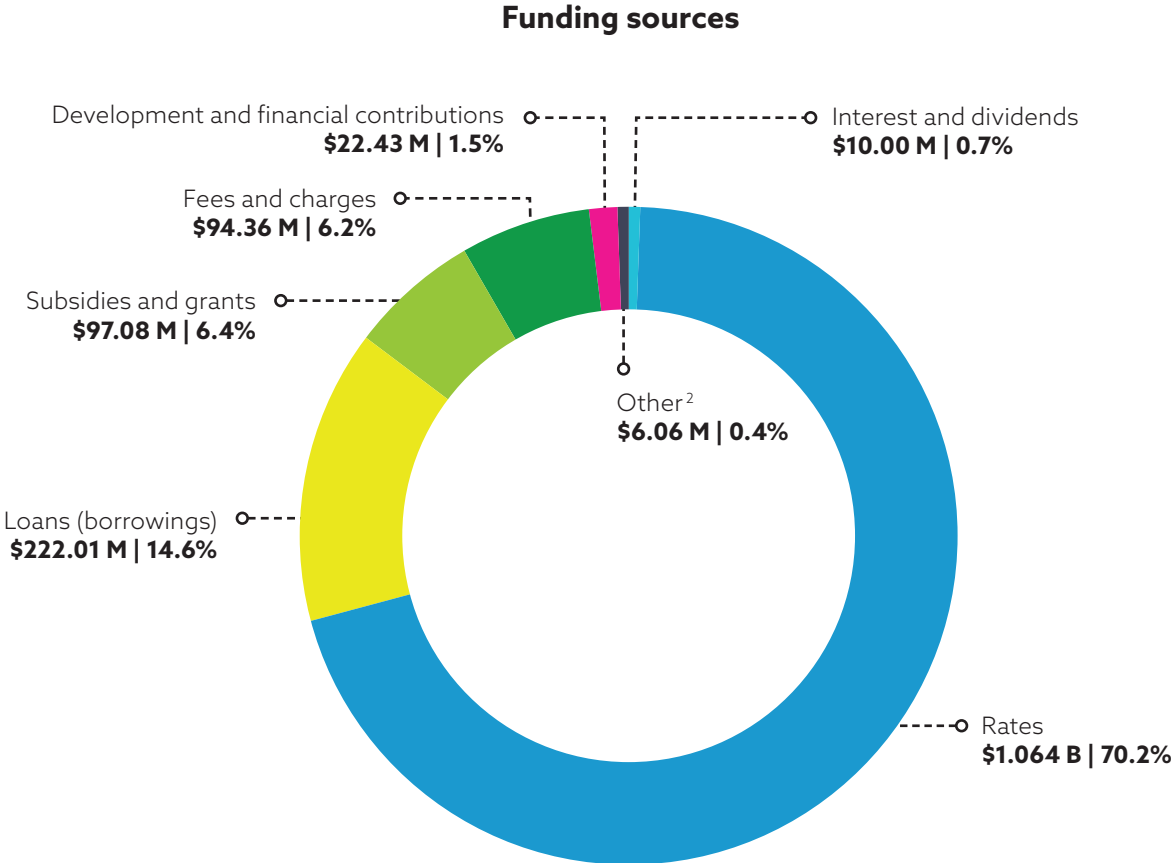
## Financial summary

The following is a basic summary of how our finances are projected to play out over the 10 years of the Long Term Plan. Any significant environmental changes that affect our finances will be resolved by iteration through the Annual Plan process and then the next review of the Long Term Plan.

You can find more details in our Financial Strategy (page 146) and financial statements (page 252).

### Where the money is coming from

The following graph illustrates our sources of funds over the next 10 years. The data is taken from our prospective funding impact statement (page 288).<sup>2</sup>

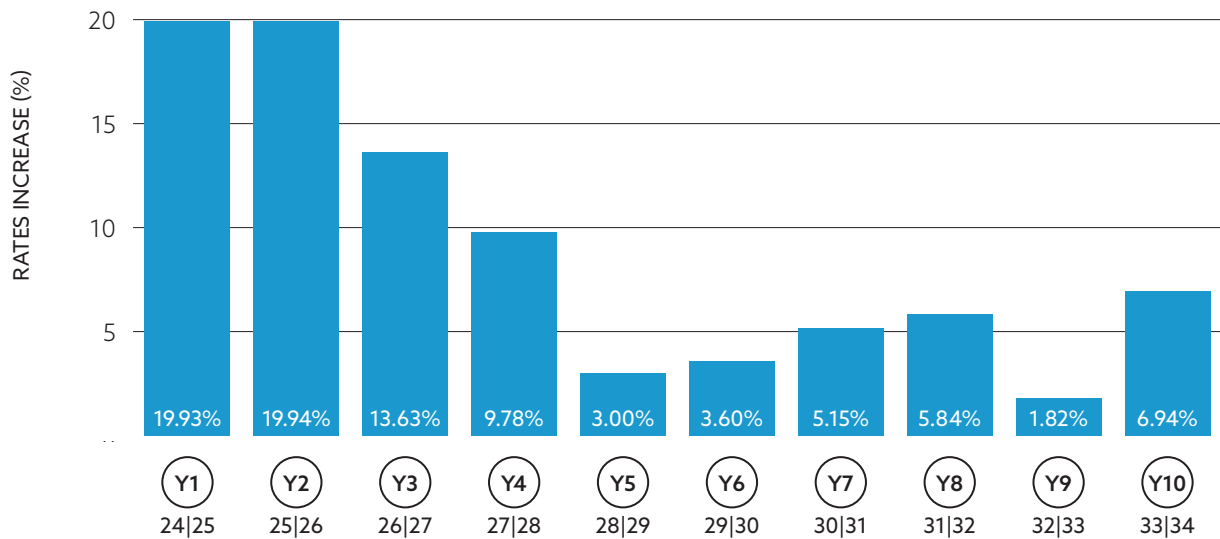


<sup>2</sup> Other revenue covers any revenue that does not fit into the six preceding categories. Other revenue includes (but is not limited to) vested assets, petrol tax, cost reimbursement from other agencies, and parking and vehicle infringements.

# Rates

## Average rates increase

The 'average rates increase' is the percentage increase in our total rate funding requirement from one financial year to the next. We've made this decision in order to provide for a financial resilient and sustainable future.



# Debt from loans (borrowing)

## Prioritising investment

Our priority is investment in infrastructure and maintaining core activities.

## 'Headroom'

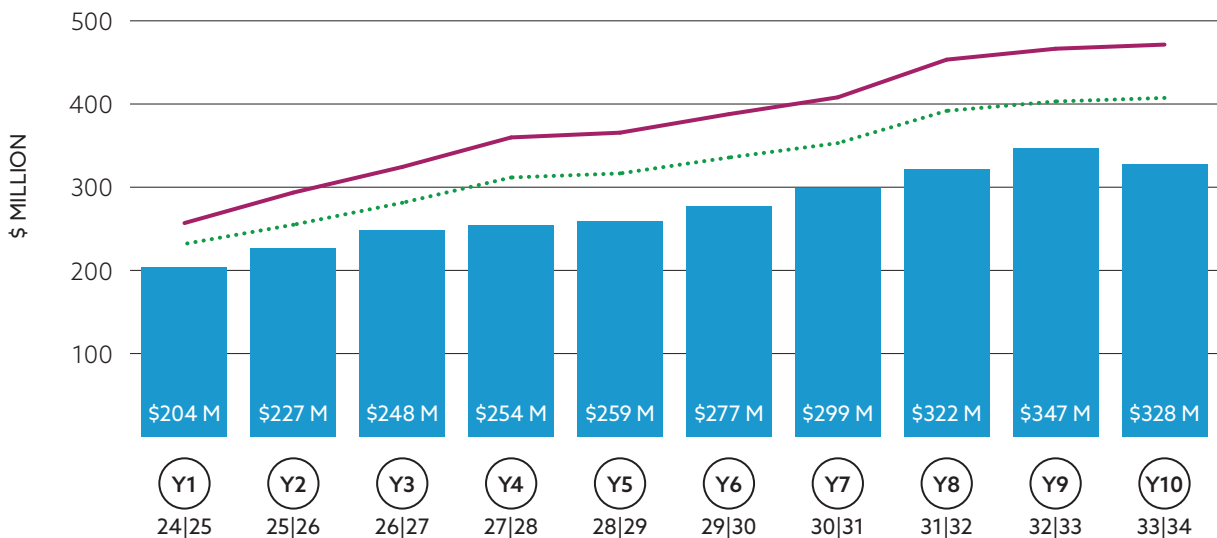
The Financial Strategy considers debt 'headroom' that may be required to fund unforeseen shocks such as weather-related events, that have increased in likelihood in recent years. We continue to balance Infrastructure Strategy needs and resilience with financial sustainability. We've increased our level of borrowing to fund delivery of a realistic capital programme.

We're starting with a net debt level of \$158 M, which is expected to peak at \$347 M in Year 9, before tapering off.

To borrow this amount, we need to retain our A+ credit rating, which enables us to borrow up to 280% of revenue. We have provided 'headroom' of 30 – 40% for unexpected financial shocks and self-insurance of our assets by self-imposing a lower internal debt limit. This means a debt cap of 250% in the first year, then a debt cap of 240% thereafter.

## Forecast net debt levels

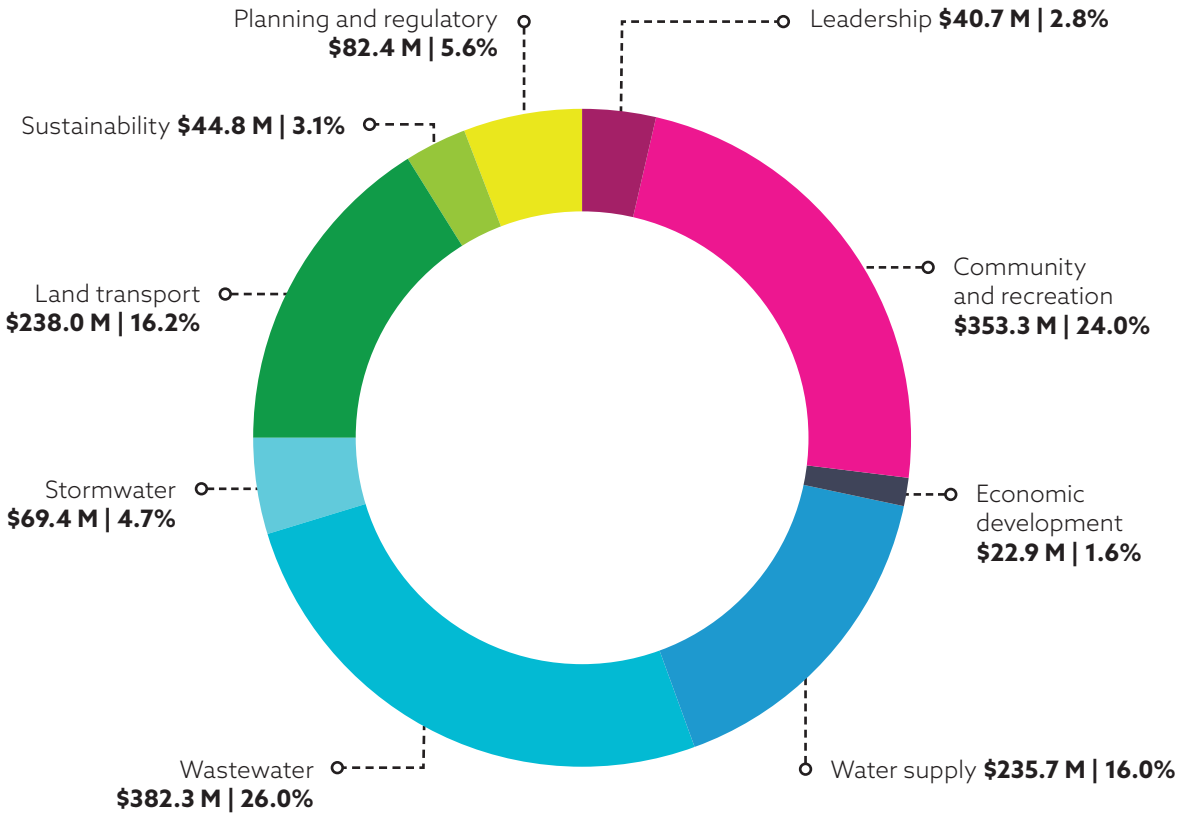
The following graph illustrates the cumulative forecast net debt levels per year compared to our forecast debt limit. It demonstrates that we will be below our forecast debt limits for each year of the plan. Figures are rounded to the nearest million dollars.



# Where the money is going

Council functions are organised under nine groups of activities. This is also the basis we use for planning and reporting. The following graph illustrates how we've allocated spending across these groups over the 10 years of the plan. The data is taken from our prospective activity group funding impact statements.

**Total operating and capital expenditure by activity**



**Groups of activities**

In the next section we discuss each activity group. This includes what the group does and why, how we measure performance and how we plan to fund it over the next 10 years.

## Our capex programme

The following table indicates where we'll be making significant investments with capital expenditure (capex) over the duration of this Long Term Plan. Some of these projects stretch beyond the next 10 years and will not be complete by 30 June 2034.

Fergusson/Ward/Whakatiki intersections	Y5 – Y6	\$5 M
Silverstream Bridge replacement	Y1, Y5, Y7 – Y9	\$28 M
Active mode transport programme	Y1 – Y10	\$17 M
Akatārawa Cemetery redevelopment	Y1 – Y4	\$3 M
Civic Centre	Y9	\$260 K
Community hub	Y5 – Y6, Y8 – Y10	\$5 M
Fergusson/Gibbons/Main intersection	Y3 – Y4	\$7 M
H <sub>2</sub> O Xtream upgrade	Y1 – Y2	\$22 M
H <sub>2</sub> O Xtream hydrotherapy pool	Y7 – Y8	\$13 M
Kerbside recycling	Y3 – Y10	\$850 K
Rural road high-priority safety projects	Y1 – Y10	\$9 M
Tōtara Park Bridge widening	Y2	\$3 M
Pinehaven Stream	Y1	\$3 M
Maidstone artificial turf replacements	Y1 – Y10	\$4 M
Wastewater treatment renewals programme	Y1 – Y10	\$172 M
City Centre paving revitalisation	Y2 – Y3	\$6 M
Renewals programme	Y1 – Y10	\$173 M