



TE KAUNIHERA O TE AWA KAIRANGI | HUTT CITY COUNCIL

Meeting to be held in the Council Chambers,
2nd Floor, 30 Laings Road, Lower Hutt on
Thursday 27 June 2024 commencing at 4.00pm.

SUPPLEMENTARY ORDER PAPER

PUBLIC BUSINESS

5. ADOPTION OF THE LONG TERM PLAN 2024-2034

Appendices

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Kate Glanville
SENIOR DEMOCRACY ADVISOR

Purpose of Memorandum

Subject:	DRAFT LONG TERM PLAN 2024-2034 - summary of changes to the Long Term Plan 2024-34
Date	21 June 2024
From:	Jenny Livschitz - Hutt City Council Group Chief Financial Officer
To:	Long Term Plan/ Annual Plan subcommittee

1. To provide the Long Term Plan/ Annual Plan subcommittee with a summary of changes to the Long Term Plan 2024-34 as a result of the audit process and related feedback. This memorandum is appendix 1 to the report, "Adoption of the Long term plan 2024-34" which contains the decisions being sought.

Background

2. The Long term Plan 2024-34 (LTP) has been updated for Council decisions on 4 June 2024 and related impacts on interest costs, rates revenue, depreciation etc. In addition, Audit NZ have carried out an audit of the LTP. This process has identified some additional disclosures and minor changes which are described below.

Audit opinion

3. As part of the preparation of the Annual Report 2023-24, an independent asset revaluation process is underway. The audit opinion for the LTP is qualified due to a limitation of scope on the value of three waters assets as follows:
"As outlined on page [...], the Council is in the process of obtaining an independent valuation of its three waters assets in preparation for its 2024 financial statements. There are indications that the increase in the value of these assets could be significantly higher than the assumptions applied in the Council's prospective financial statements. However, the valuer's work is not finalised.

Because the revaluation will only be completed after the date of the audit report, our work on the value of these assets was limited. There were no satisfactory audit procedures that we could adopt to determine the reasonableness of the value of these assets. We were therefore unable to determine whether the value required any adjustments and what flow on effects this could have on future depreciation costs and rates."

4. More information on this valuation work and disclosure made in the significant forecasting assumptions is discussed in paragraphs 6 -9 below.
5. The audit opinion also retains the two emphases of matters as follows. These are similar to what was included in the audit opinion for the draft LTP Consultation Document.
 - a) Uncertainty over the delivery of capital programme, given the significant increase in the programme. This references that Council has put in place a number of initiatives, there is an inherent level of uncertainty and risk that the Council may not be able to deliver on the programme, especially when it has increased substantially.
 - b) Uncertainty over the three waters renewals forecast. This references that forecasting for three waters assets is primarily based on age and investment is capped by what the Council considers is affordable. It comments that using mostly age-based information creates uncertainty over which assets to prioritise for renewal, the timing thereof, and the forecast amounts required, resulting in a risk of asset failure and reduced levels of service. It also

references that to reduce the risk, the Council has committed funding to repair the backlog of leaky pipes and is working to better understand the condition of its underground assets. This emphasis of matter is very similar to audit opinion on the draft LTP Consultation Document but is extended to reference the cap of funding due to affordability constraints.

Summary of changes

Valuation of assets:

6. Accounting standards and legislation requires Council to regularly revalue its significant assets to a fair value. This is done at least once every three years, unless there are indicators that fair values have moved significantly during the interim periods. The most recent valuations have been completed bi-annually being 31 May 2020 and 31 May 2022.

The last valuation was undertaken in May 2022 by Aon Valuation Services for Annual report 2021-22.

7. For the current valuation, WSP Global Inc.(WSP) was appointed to revalue the Three water assets, with the remaining assets sitting with Aon. Significant value increases have been identified in the draft report across the three water network. These increases are due to:
- Increases in quantity of assets (additions, renewals and vesting);
 - Increases in unit rates (material costs based on contract pricing and indexing);
 - Increase in on-costs (other materials, installation and fittings); and
 - Improved asset information gathered and used since the last valuation, including (and not limited to) pipe size, condition and depth assessments.
8. It should be noted, as at the date of this report, further work is being undertaken by Council officers, Wellington Water Limited (WWL) staff and WSP to validate the numbers as there are a number of unresolved queries. For this reason, we have not adjusted the LTP due to the uncertainty as to what the updated numbers will be.
9. As a result of this, the revaluation assumption under significant forecasting assumptions in the LTP has been revised as follows, with changed text highlighted in green (refer page 132 of LTP).

Asset revaluation				
Assumption	Risk	Level of uncertainty	Reason for uncertainty	Financial impact of the uncertainty
<p>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 every three years. For further information see council's accounting policies.</p> <p>Council engaged two valuers 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 valuers are only expected to finalise their work after the adoption of these prospective financial statements. There are indications that the value of three waters assets and future depreciation costs could increase significantly.</p>	<p>Asset revaluations differ from those budgeted; depreciation charges resulting may differ.</p>	<p>High</p>	<p>Market buoyancy and property pricing influences the value of the property assets. Contract and construction prices influence the value of infrastructure assets.</p>	<p>A higher level of asset valuation means more depreciation to use to fund asset renewals and some improvements, however this is limited by the actual level of depreciation funded through rates.</p> <p>Lower levels of valuation and depreciation reduce Council's ability to fund capital from depreciation and place more reliance on funding improvements from other funding mechanisms, such as debt or rates. Depreciation rates are contained in accounting policies.</p>

<p>Once the valuers' work is completed, we will undertake an extensive exercise to understand the information presented, the reasons for any significant increase in value and whether the results are reasonable.</p> <p>Following this exercise, it is expected that the report will be finalised and appropriately reflected in the Annual report for year ended 30 June 2024, due for publication in October 2024. At this time Council will consider the impacts and incorporate any changes required in the Annual Plan 2025-26 preparation. The prospective Financial Statements include estimated revaluations at a rate of 7.5% based on indicative information received from our valuers as at March 2024. This assumption is unchanged from the Draft Long Term Plan 2024-34 consulted on.</p>				
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Other changes:

10. Borrowing, interest and dividend projections have been updated for Seaview Marina Ltd and Urban Plus Limited to reflect their final Statement of Intent (SOIs) getting adopted in the separate reports in this agenda.
11. There have been some minor editorial changes to the wording in the Financial and Infrastructure Strategies, particularly around impacts of the Capital programme in years 11-30. There have also been updates to all relevant graphs and numbers to reflect Council decisions as at 4 June 2024.
12. Rates and funding impact statements have been updated to reflect Council decisions as at 4 June 2024.

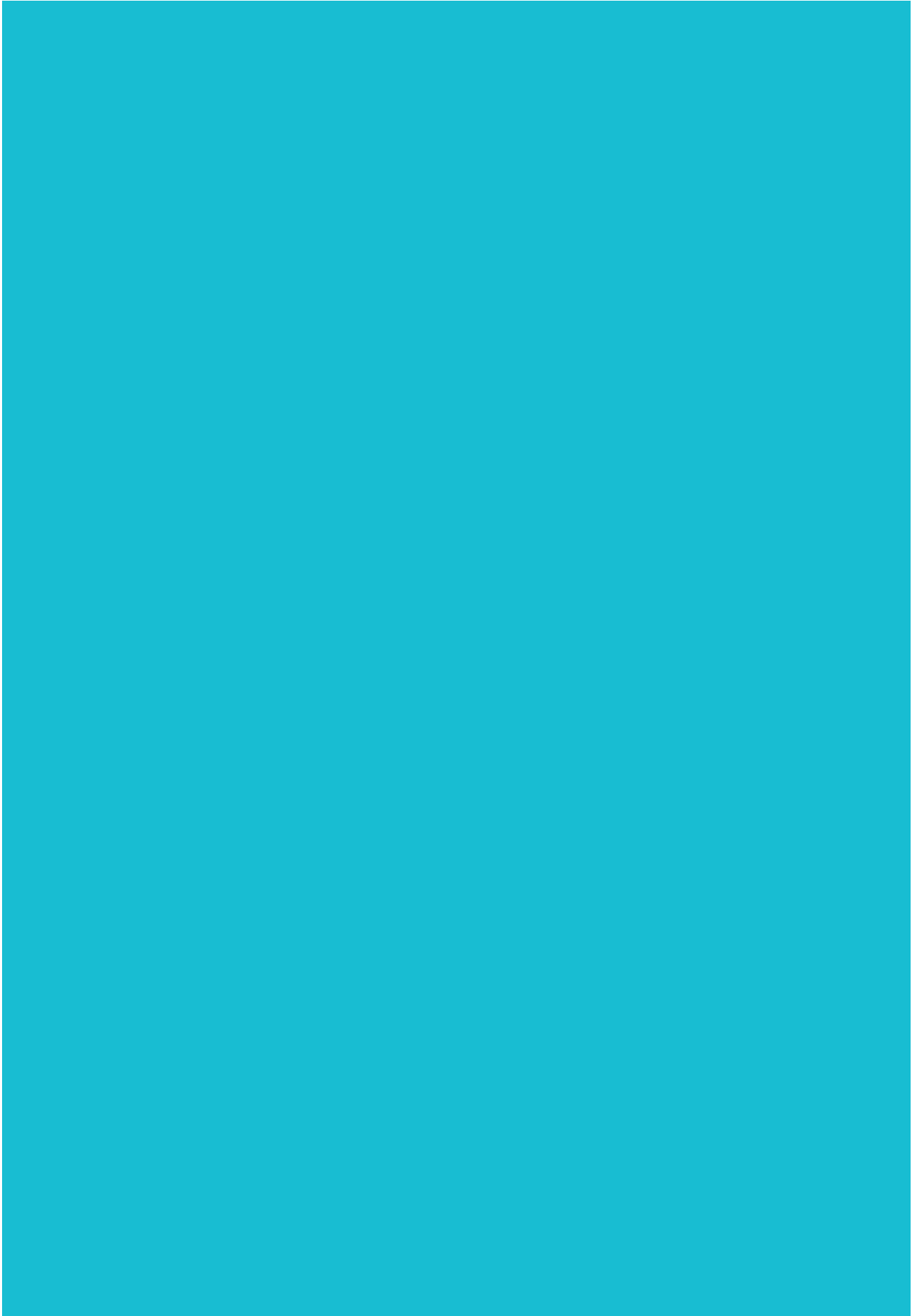


Whāia te pae tawhiti

Taking the next steps

Mahere Tekau Tau 2024–2034
Our 10 Year Plan 2024–2034





He mihi

Ko Te Awa Kairangi he pou herenga iwi, he pou herenga waka.

Here mai ko te kei o tō waka ki te tumu herenga waka o ngā pae mounga kua whakatūtūria nei e te hikuroa o Ngake Mai i Tararua ki Remutaka ki Pūrehurehu, ki Pōkai Mangumangu, ki Pareraho, ki Tirohanga, ki Tukutuku, ki Puke Tirotiro, ki Pukeariki, e whakamarumarutia nei Te Tatau o Te Pō a Ngāti Te Whiti, a Ngāti Tāwhirikura, ki Pukeatua, te tuahu tapu o Te Kāhui Mounga i te wā i a Māui ki te whakapuare i te wahanui o Te Ika Whakarau a Kutikuti Pekapeka.

I ahu mai i Te Wai Mānga, i a Rua Tupua, i a Rua Tawhito, Ko Ngake, ko Whātaimai. Ka timu ngā tai o Te Wai Mānga, ka pari mai ko Te Whanganui a Tara e pōkarekare mai ana.

Ka tū a Pukeatua ki runga i ngā wai e kato ana, i a Awamutu, i a Waiwhetū, kei reira a Arohanui ki te Tangata a Ngāti Puketapu, a Te Matehou, a Ngāti Hāmua e tū ana, tae noa atu rā ki ngā wai tuku kiri o te pūaha o te awa o Te Awa Kairangi.

Koia hoki te puna i heke mai ai he tangata. E kore e mimiti tēnei puna, ka koropupū, ka koropupū. Ko Te Awa Kairangi e rere iho mai ana i hōna pūtakenga i Pukemoumou i te paemounga o Tararua ki runga i hēnei whenua, ki runga i tēnei kāinga, hei āhuru mōwai ngā iwi.

Te Awa Kairangi is a rallying point for the many people and the many tribal affiliations that have made it their home.

Bind yourself to the many mountains of this place that were born from the lashing tail of Ngake. From Tararua to Remutaka, to Pūrehurehu, to Pōkai Mangumangu, to Pareraho, to Tirohanga, to Tukutuku, to Puke Tirotiro, to Pukeariki, to Te Korokoro o Te Mana which stands atop Te Tatau o Te Pō of Ngāti Te Whiti and Ngāti Tāwhirikura, to Pukeatua, the sacred altar of the Mountain Clan in the time of Māui.

It was here that the two ancient tūpuna, Ngake and Whātaimai, were summoned from the depths of the fresh water lake, tasked with prising open the mouth of the great fish.

It is Pukeatua that stands above the waters of Awamutu and Waiwhetū, the home of Arohanui ki te Tangata of Ngāti Puketapu, Te Matehou, and Ngāti Hāmua, flowing out to the life-giving waters at the mouth of Te Awa Kairangi.

This is the spring that gives life to the people. This spring which will never be diminished, it will continue to flow, it will continue to flourish. Te Awa Kairangi that flows down from its source at Pukemoumou in the Tararua ranges and over these lands as a sheltering haven for the people.

Ngā hua o roto

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He karere nā te Koromatua/ Tumu Whakarae

Message from the Mayor and Chief Executive



Kia ora, welcome to our 10 Year Plan 2024–2034.

Te Awa Kairangi ki Tai Lower Hutt is a growing city with dynamic and diverse communities.

We are home to thousands of businesses and innovators who drive our economy. We have a spectacular coastline, a beautiful river that flows through our city, and many green spaces for everyone to enjoy. It's easy to see why more and more people are choosing to call Lower Hutt home.

We want to do more to ensure that our city is a place where everyone can thrive. We're working hard to achieve this through the initiatives which are set out in this 10 Year Plan.

As our city grows there are challenges we need to plan for and opportunities we need to make the most of. Inflation and the rising cost of living are impacting all of us. At the same time, our Council is dealing with a backlog of historic underinvestment in our key infrastructure – shown in our ageing pipes and the risk of future water shortages.

Through our plans we need to strike the right balance between the investment needed and the cost impact on people. Fixing our pipes and investing in other water infrastructure are our top priorities. These have driven the rates set out in this 10 Year Plan.

We know that more investment is required in our three waters network and that even the \$1.6 billion investment will not get us entirely to where we need to be. We've balanced affordability for our ratepayers with the need for investment.

We are working with central government and colleagues across the region to find a better way of delivering water services and to secure investment to ensure they are fit for purpose.

We are continuing the future-proofing of our city through transport and resilience projects including Te Wai Takamori o Te Awa Kairangi (RiverLink), Eastern Hutt Road, and Tupua Horo Nuku (Eastern Bays shared path). Prioritising these projects ensures our city is a safe place where everyone can thrive for decades to come.

This 10 Year Plan has been very challenging to put together. We've gone through the budget to find savings, identify revenue opportunities, and made spending cuts before coming up with our proposals. Council are not willing to put off the investment that our city sorely needs, nor are we willing to make significant cuts to our core services. We've had to make some difficult calls, and after rigorous work we have made \$38 million in savings across the board. We've also had to ensure we're prioritising the investment needed to bring critical water and roading infrastructure up to scratch.

Thank you for your contribution to this plan that helps us build a connected, resilient, and inclusive city where all of our people thrive.

Ngā mihi nui,

Campbell Barry
Koromatua
Mayor

Jo Miller
Tumu Whakarae
Chief Executive



Tākai Here – Mana Whenua

Partnership with Mana Whenua

Manaaki whenua, manaaki tangata, haere whakamua.

If we take care of the land and take care of the people, we will take care of the future.

Kia ora koutou katoa,

Hutt City Council, Mana Whenua and hapori Māori (Māori communities) have strong and trusting relationships working collectively to support and enhance the wellbeing of everyone living and working in Te Awa Kairangi ki Tai Lower Hutt. This 10 Year Plan outlines many of the ways we seek to do this.

Central to Council's work with Mana Whenua are the Tākai Here. Through these partnership agreements we work together to create a more inclusive and sustainable future for all our people. We all acknowledge there is much work to do to address the inequities across our tāone so that all people living and working in Te Awa Kairangi ki Tai Lower Hutt thrive.

The community consultation-derived priorities for the 10 Year Plan are: fit-for-future infrastructure, financial sustainability, enhanced environment, liveable city, and vibrant communities, promoting wellbeing of all people, climate change, and working in partnership with stakeholders and communities. These focus areas speak to what Council should prioritise, how we do this and with whom we should work alongside.

Mana Whenua support these priorities, and especially the call to enhance both the wellbeing of whānau and te taiao. This aligns with the values and beliefs of Mana Whenua in Te Awa Kairangi ki Tai Lower Hutt.

The ambition to thrive outlined in the 10 Year Plan holds the interest of Mana Whenua and Māori at heart. The expression of kaitiakitanga, kotahitanga and manaakitanga throughout this document is supported by Mana Whenua and demonstrates the various ways Council is committed to keeping Te Tiriti o Waitangi and its legislative obligations at the heart of its work programme.

When all parts of our community are thriving, we are much better off as a city and community. This plan along with other strategies ensures the aspirations and outcomes for Māori to be a priority.

Ngā mihi nui

**Taranaki Whānui
ki Te Upoko o Te Ika
Trust Chair**
Te Whatanui Winiata

**Palmerston North
Māori Reserve
Trust Chair**
Liz Mellish

**Te Rūnanga o Toa
Rangatira Chair**
Callum Katene

**Wellington Tenth
Trust Chair**
Anaru Smiler

**Te Rūnanganui
o Te Āti Awa Chair**
Kura Moeahu

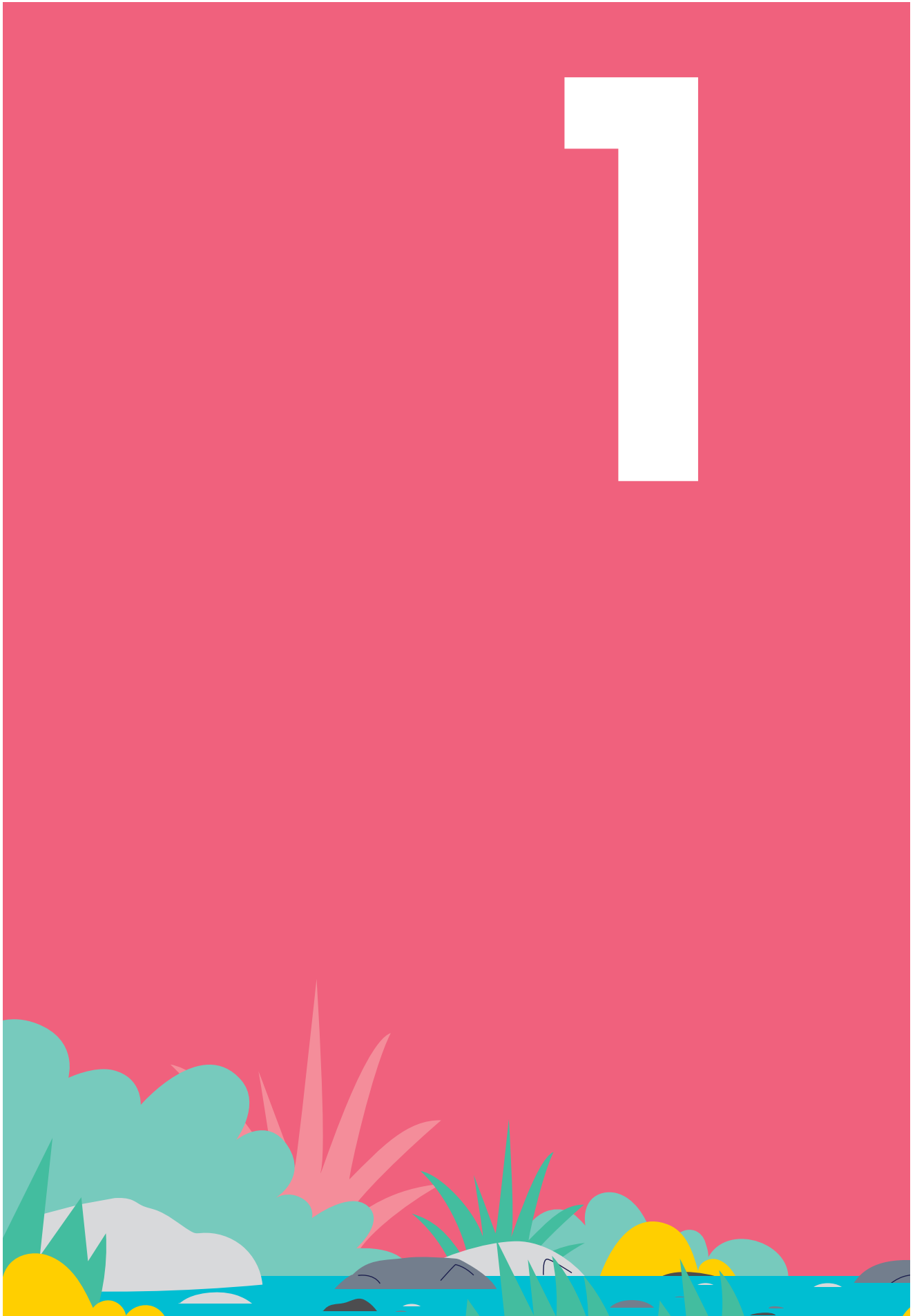


**More information
about Mana Whenua
partnerships can be at:
hutt.city/mana-whenua**

Nau mai ki tō tātou mahere tekau tau 2024–2034

Welcome to our
10 Year Plan 2024–2034





Whāia te pae tawhiti

Taking the next steps

Every three years, Hutt City Council prepares a 10 Year Plan that sets out the initiatives and services we plan to fund over the following 10 years. Council adopted our last 10 Year Plan in 2021, and this year it's time for us to review and adopt a new 10 Year Plan.

Over the last three years we have successfully focused on getting the basics right. Now we are taking the next steps in making Te Awa Kairangi ki Tai Lower Hutt a great place to thrive, now and into the future.

In 2021 it was clear there was a strong desire from the community to invest in the basics like water infrastructure, our transport network, housing, and resilience measures due to the changing climate and increasing severe weather events. Now Council is taking the next steps on our journey. We remain focused on our goal of providing fit-for-purpose infrastructure, enabling a more connected, resilient, and inclusive city where everyone can thrive.

The economic conditions have become much more challenging since 2021. Te Awa Kairangi ki Tai Lower Hutt is dealing with the consequences of historic underinvestment in ageing infrastructure, record population growth, and more frequent weather events that are disrupting the city and affecting the roading network. In addition, we are facing increasing costs across the board including higher interest rates, inflation, and extra insurance costs.

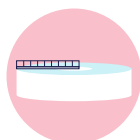
As you read this 10 Year Plan, you will see we have outlined the key infrastructure projects that will help Council address the challenges the community is facing. We are still focused on resilience and investing in core water and transport infrastructure but know that these will take time to fix properly. We have also carefully considered our other activities and services to ensure the budget reflects the economic climate and cost of living pressures.



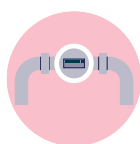
Upgrading our city's infrastructure remains a key area of focus, in particular our water services. Council's Infrastructure Strategy shows how we are taking a proactive approach to addressing our core issues:



Council will focus on fixing the parts of the water network that are in poor condition by repairing known leaks and increasing the number of kilometres of pipes that are renewed.



The Seaview wastewater treatment plant is nearing the end of its serviceable life, and we need to renew a number of the critical systems at the facility.



We are looking at ways to manage the increasing demand for water through initiatives such as universal smart meters and building the resilience of our reservoir network.



Completing the construction of Tupua Horo Nuku (Eastern Bays shared path) will provide more protection for the road out to Eastbourne from the ocean and extreme weather events.



Improving the resilience of our roading infrastructure by finishing the improvements to Eastern Hutt Road and making good progress on a new multi-modal transport corridor connecting Gracefield and State Highway 2 (the Cross Valley Connection project).



Making progress on the construction of Te Wai Takamori o Te Awa Kairangi (RiverLink) to provide protection from floods and further revitalise our city centre, improving public transport and addressing congestion.

Alongside investment in infrastructure, a priority is to focus on community wellbeing and supporting people to identify and be proud of where they live. This 10 Year Plan shows that we are taking steps to provide flexible, high-quality spaces and places where people can connect and access services and activities, including hubs and libraries, community halls, pools, and other facilities.

Our financial management remains strong, and our Financial Strategy continues to focus on achieving a balanced budget over the long-term. Like many other councils, we know there are financial challenges ahead and that we must continue to act prudently on behalf of ratepayers to balance wellbeing and ratepayer expectations.

A key focus of the 10 Year Plan is taking the next steps in facing the pressures of a growing population, ageing infrastructure, and the impacts of a changing climate. We must do this while also striking a balance between planned rates increases and including funding to progress key projects and avoid significant service reductions.

With financial sustainability and affordability front of mind Council is proposing an increase of 16.9% (after growth) in the total amount of rates revenue we collect for 2024-25 in order to fund the approved projects and services. Around 45% of this will go towards investment in infrastructure for water services and the remaining funds will cover costs for all the other services including roading, parks, community facilities, rubbish, and recycling.

In 2024-25 this rates increase equates on average to

\$10.81

per week per residential household.



Te pānui i tēnei mahere

How to read this plan

We have a wide range of responsibilities and provide a variety of services to the communities of Te Awa Kairangi ki Tai Lower Hutt.

To guide our activities and management of our finances and ratepayers' money responsibly, we work to detailed plans. This 10 Year Plan is also known as the Long-Term Plan.

This 10 Year Plan is aimed at providing a long-term perspective over Council's:

- ✓ activities and decision-making
- ✓ activities Council plans to undertake
- ✓ the cost of delivering these activities and how they will be paid for.

This 10 Year Plan was shaped through a comprehensive process of engagement, planning, consultation, and decision-making which will continue through the life of the plan. It outlines Council's vision for the future and contains plans to achieve that vision over time. It also highlights the challenges and opportunities facing Council and our strategy to meet these over the next 10 years in each activity area.

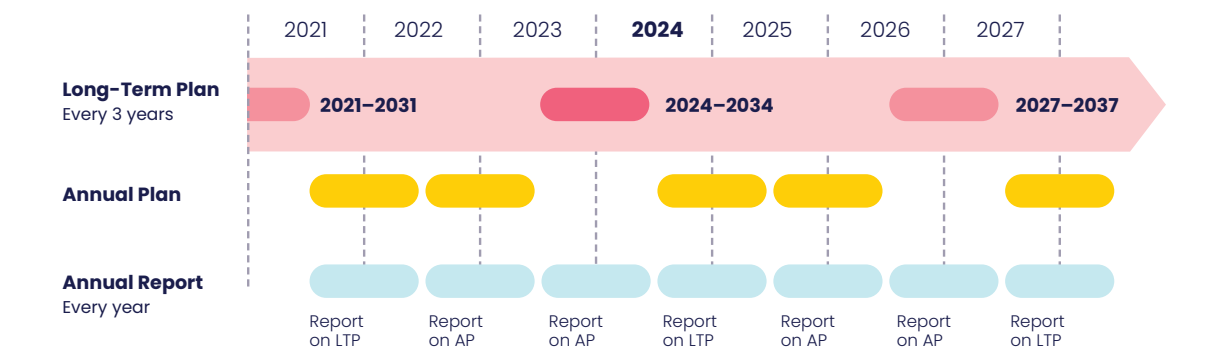
In addition to setting Council's direction, this 10 Year Plan sets out the basis for monitoring and evaluation, so we can report to the community on progress.

Here's a quick rundown of the Council planning and reporting cycle:

- ✓ The 10 Year Plan sets out the direction for Te Awa Kairangi ki Tai Lower Hutt over the following decade and outlines key projects and budgets for that period. The first year of the 10 Year Plan also serves as the Annual Plan for that year.
- ✓ In the two years following a 10 Year Plan, Council produces an Annual Plan each year.

In both the 10 Year Plan and Annual Plans we set goals across different activity areas to make sure Council is always striving to best serve the community. In Council's Annual Report, we compare the goals we set with how we performed that year. This document is then audited by the Office of the Auditor-General.

Council planning and performance monitoring cycle



Ngā wero o te wā

Challenges we are all facing

It's important to understand the challenges we are facing in this 10 Year Plan. This is one of our most challenging plans due to the growing population, challenging economic environment, changing climate, managing our assets, and dealing with past underinvestment in our water infrastructure. All these factors play a part in how we plan to take the next steps for our city.

A growing population

The current population of Te Awa Kairangi ki Tai Lower Hutt is about 113,000. We're expecting this figure to reach 125,000 by 2033, and 137,000 in 2043. Our population is also ageing. Rates of projected population growth are highest at ages 50 and over, while the share of the population aged over 70 is expected to rise from 11% to 14% over the next 30 years.

Population growth of this scale is putting huge pressure on our supply of houses and infrastructure like pipes and roads.



What we're doing:

Council is working in partnership with the government, community organisations, and the private sector to prepare for population growth. We want to deliver a city that is thriving and meets the needs of diverse businesses, residents, and visitors. We are proposing to continue our policy which requires developers of new houses to contribute to the cost of growth-related infrastructure such as the cost of the pipes and roads to help support our increasing population.

A challenging economic environment

Since setting our last 10 Year Plan in 2021, circumstances have changed a lot, with many factors creating the new economic environment.

Council knows the community is facing increasing cost burdens that are having a significant impact on day-to-day living. Council is also faced with economic pressures such as high inflation, the higher cost of borrowing due to increased interest rates, increasing insurance costs, and higher construction and resourcing costs. We need to strike the right balance between these cost pressures and the importance of investing in our city's infrastructure. Simply put, Council is facing much higher costs and the need to balance the budget is essential.



What we're doing:

Council is carefully considering the rating impact on our community who are affected by the rising cost of living. This means reviewing project budgets and working hard to find savings in our operating costs.

Looking after ageing infrastructure

Council is dealing with the consequences of historic underinvestment in our ageing infrastructure. When this is combined with population growth, higher costs across the board, and more frequent severe weather events, it presents us with some key questions to answer. We are also looking closely at providing sustainable transport choices to ease traffic congestion in the city.

This means that water services, transport options, and our resilience measures are all in the spotlight even more, with increasing demand and much higher levels of investment required. We also have a significant deferred work programme which needs to be dealt with in the years beyond this 10 Year Plan. This will be difficult to do with our current funding mechanisms.



What we're doing:

For this 10 Year Plan, we're taking the next steps with a clear commitment and strong focus on improving infrastructure. Most of our investment is going towards water and transport as well as projects focused on adapting to a changing climate. All this work is essential in building strong foundations for our future.

