2024-34 Long-Term Plan

DRAFT significant forecasting assumptions

Macro Assumptions

Three waters reform

This 2024-34 Long-Term Plan (LTP) reflects policy direction from the new National-led Government in relation to costs for water services delivery. In 2023 legislation was passed by the Labour-led Government to remove the costs of water services from councils (and transfer to the new organisations) in stages.

In its LTP budget, Hamilton City Council (Council) was legally required to remove waters costs from 2025. Following the 2023 election, the new Government announced this legislation would be repealed and water service delivery costs will remain with councils. This has had a significant impact on the draft LTP projections and has substantially wider implications for responsibility for water services costs post-2025.

The previous Government's planned Three Waters Reform introduced new regulatory requirements and intended to reduce some of the resulting cost impacts for councils and the public through economies of scale in regional organisations. The new Government has retained the new water quality regulations and has indicated further economic regulation will be introduced but has removed the mechanism to remove the resulting costs from councils and has not indicated any alternate funding support.

As a result, Council's water service delivery budgets face increasing pressure to maintain existing levels of service, address existing unfunded waters projects, provide increased funding for growth infrastructure, meet new regulatory and consenting requirements, provide resilience and response to climate change.

Government has indicated councils can look to work together to create regional or sub-regional entities to assist in managing these costs. Council has not allocated funding to investigate a CCO or similar partnership involving Hamilton. Establishment costs for any new entity would be significant and likely require a minimum three-year lead time before it could be operational.

There continues to be significant uncertainty around the Government's proposed changes to legislation, regulation and policy drivers which impact the way in which three water services and infrastructure are provided. This uncertainty means that there are likely to be future implications which are unfunded in this LTP, such as:

- any change required to meet new legislation and regulation, such as the economic regulation signalled by the Government;
- any change in levels of services that may be required in response to new performance measures;
- any investment required to explore alternative three waters delivery models; and
- the former water service reform included centrally-funded procurement for nationally-consistent digital architecture for asset management, service maintenance and customer relationships. Halting the reform programme means these costs will now fall on councils. Council has

made no provision to fund these upgrades and faces the future dilemma of establishing bespoke local upgrades or awaiting a potential regional entity to ensure local investment isn't wasted.
The change in government direction and advice since December 2023 has resulted in Three Waters LTP planning being undertaken within extremely condensed timeframes. Coupled with ongoing uncertainty as to future cost drivers, this means there is a reduced level of confidence in budget forecasts and a higher than usual risk that changes will be required to be considered in subsequent annual plan and long-term plans.
This LTP does not provide any funding to undertake work, investigate or develop any options or proposals in relation to the new Government's 'local water done well' model for water services delivery.

Resource Management Act 1991 reform

Our assumption is that the Resource Management Act 1991 (RMA) will continue to be the primary legislation under which Council operates in regard to resource management. Parliament has passed legislation repealing the Natural and Built Environment Act 2023 and the Spatial Planning Act 2023 as part of the Government's 100-day plan. While the repeal signals a reversion to the RMA, the Government will retain fast-track consenting provisions for now in advance of a separate bill to be introduced later in the 100-day period; and ensure Treaty settlements are upheld.

Future for Local Government

No substantive policy decisions about the future structure, roles, functions, or funding of the local government sector were made pursuant to the Future for Local Government review prior to the 2023 general election. Our assumption is that no changes will be introduced as a result of the review prior to the adoption of the Long-Term Plan.

Climate change

The climate in Hamilton Kirikiriroa is already changing, including longer summers, warmer temperatures, extreme rainfall and drought conditions. Waikato Regional Council's *Waikato Regional Climate Impacts Report* uses the latest climate modelling data to model the potential future climate for the region. It shows that over the next few decades we will likely experience:

- increase in rainfall intensity
- rising temperatures
- longer hot summer season
- increase in the number of hot nights
- increase in the number of hot days
- changes in wind directions
- increase in tropical cyclones

This future climate state was used in understanding the risks for our assets and services and the risks that were identified to be high or very high now or in 2050 have been included and adaptation responses integrated into the Long-Term Plan and Infrastructure Strategy.
In relation to emissions reduction, we have assumed that the current emissions target of net zero by 2050 (excluding biogenic emissions) and emissions budgets set by the government will remain for the duration of this Long-Term Plan.

Population growth

Population growth has been forecast for territorial authorities in the Waikato by the National Institute of Demographic and Economic Analysis (NIDEA), University of Waikato. On 14 June 2023 through the Strategic Growth Committee, Council adopted the NIDEA high projection (2021) to prepare this Long-Term Plan.

Population projections from this projection series have been used to help prepare 30-year demand forecasts for the Infrastructure Strategy.

As a result of the variability in immigration settings, there is a high degree of uncertainty around these projections. If government continues with a permissive immigration policy, then the rate of growth is likely to be higher than forecast. A move to a restrictive immigration policy would likely result in growth lower than projected. We monitor population growth and projections can be revised if immigration or growth settings change and growth diverges substantially from projected.

To ensure we have the best information available, we rebase our population projections annually when the latest Statistics New Zealand population estimates are released.

Total population at 30 June is projected to be:

2025	188,604
2026	191,538
2027	194,495
2028	197,471
2029	200,454
2030	203,441
2031	206,431
2032	209,491

2033	212,404
2034	215,379

New households at 30 June are projected to be:

2025	1,183
2026	1,183
2027	1,159
2028	1,248
2029	1,235
2030	1,250
2031	1,270
2032	1,244
2033	1,303
2034	1,284

Growth infrastructure investment

It is anticipated that all growth cells will be developed by us in partnership with those providing privately funded infrastructure.

As our current financial constraints do not allow for all growth infrastructure in all areas zoned for development, third party funding has been anticipated across all growth cells through the vesting of developer-provided infrastructure and the use of private development agreements (PDAs). Council will continue to explore the use of new funding and financing tools such as off-balance sheet structures provided by the Infrastructure Funding and Financing Act 2020.

It has been assumed we will generally make upsizing contributions to developers on an incremental marginal cost basis where these are required. It is also assumed that any strategic infrastructure upgrades required to service development outside of Councils priority development areas (i.e., Stage 1 growth area) will be funded by third parties. No allowance has been included in the Long-Term Plan for strategic network upgrades that may be needed to service increased densities in existing greenfield development areas (e.g., Peacocke, Ruakura, Rototuna, Rotokauri) from those assumed at the planning stages for those areas.

Settlement pattern | Where we're growing

Hamilton Urban Growth Strategy (HUGS), Future Proof Growth Strategy, Operative Waikato Regional Policy Statement and the Operative District Plan (ODP) outline the existing long-term settlement pattern for the city. This Long-Term Plan has been developed based on the following land use assumptions.
Key considerations as we grow include putting people at the heart, the health and wellbeing of the Waikato River, our environment, improved transport choices, climate change and working with our neighbouring councils.

Central city

The central city is the economic heart of the subregion. As well as providing a place for commercial, cultural and economic growth, the central city will be our primary growth area for residential intensification. To support this growth, Council has received an Infrastructure Acceleration Fund grant of $150.6 million to deliver some of the $334 million infrastructure investment required to support more homes in the central city. Council is prioritising investment in the three waters networks to enable intensification in the central city and walkable catchment areas (Stage 1) over other areas of the city.

Citywide intensification

Over time, we'll take a staged approach to enabling intensification in the other nearby centres and suburbs close to the central city. This means redevelopment to promote higher density growth with a range of housing choices, easy access to jobs, services, education, health, parks and open spaces and community facilities, using a range of transport choices.

Intensification will focus in the central walkable catchment areas (Stage 1). The programme of infrastructure investment focuses on investment at a strategic level including treatment plant headworks and bulk reticulation to support both greenfield and urban infill growth. Future public and private investment will be required locally within these areas to support individual development sites. Council has prioritised investment primarily focussed on addressing priority network performance issues across the city. Future investment will be required to provide for growth and intensification city wide.

Greenfield northeast

Rototuna strategic infrastructure is nearing completion and residential development is expected to be completed within this 10-year period.

Greenfield south

Peacocke Stage 1 residential development will continue and is expected to be completed within this 10-year period, with no further strategic infrastructure investment required. Peacocke Stage 2 will become the city's primary greenfield growth area for residential development following completion of the Housing Infrastructure Fund key strategic transport and wastewater infrastructure in the northern part of the growth area during 2024 and 2025.

No substantial growth is forecast in Templeview due to limitations associated with infrastructure capacity. No funding is included in the proposed Long-Term Plan for Council investment in three waters infrastructure to support development of the Templeview area.

Greenfield northwest

Residential growth in Rotokauri Stage 1 is currently limited by the need to invest in strategic stormwater and transport infrastructure. Work is under way with land developers to explore innovative infrastructure funding, financing and delivery options.

Rotokauri Stage 2 (Edin Park) and Te Awa Lakes have been zoned through Private Plan Changes and consents for residential development are in place. The Te Awa Lakes area is being developed by private developers.

Council is working with the major land owners in Te Rapa North on the potential of progressing a plan change for Te Rapa North area (Plan Change 10) to enable the release of deferred industrial land. No substantial growth is forecast until investment is made in the necessary new strategic three waters and transport infrastructure. No funding is included in the proposed Long-Term Plan for Council investment in three waters infrastructure to support development of the Te Rapa North area.

Greenfield east

The Ruakura growth area in the precinct around the Ruakura Superhub Development has been enabled through private, Hamilton City Council and central Government funding through the Provincial Growth Unit and Crown Infrastructure Partners. As well as providing the Ruakura Superhub, one of New Zealand's largest multi-use developments, the area will continue to provide residential homes.

Emerging areas

Hamilton City Council and Waikato District Council have a Strategic Boundary Agreement that provides for boundary extensions in relation to the growth areas of HT1 (Horsham Downs), R2 (Ruakura North) and WA (Wallace Road) when required by the City.

Hamilton City Council and Waipa District Council have a Strategic Boundary Agreement that provides for boundary extensions in relation to the growth areas of SL1 and SL2 (Southern Links 1 and 2).

There is no infrastructure allowance made for infrastructure provision for emerging areas. Developers will need to meet Council's HUGS out-of-boundary principles including provision of infrastructure and the associated treatment plants and stormwater upgrades and their new consents to ensure any out of boundary emerging areas contribute positively to achieving the city's vision.

Any boundary change will require decisions of both Hamilton City Council and the neighbouring district council, a Local Government Commission process, with any environmental and financial considerations reported in a future annual plan or Long-Term Plan . No funding is included in the proposed Long-Term Plan for Hamilton City Council investment in three waters infrastructure to support development of any emerging areas.

Infrastructure for prioritised development areas

Development of a revised connections policy in response to intensification, Proposed Plan Change 12 and funding constraints has assumed that Council will prioritise investment in strategic waters infrastructure needed to unlock priority development areas such as the Stage 1 development area.

Infrastructure to support new greenfield developments, emerging development area and priority development areas

No funding is included in the proposed Long-Term Plan for Hamilton City Council investment in three waters infrastructure to support development of the future greenfield development areas or emerging areas. Investment is targeted at enabling growth in selected priority development areas, addressing existing network performance issues, and ensuring that Council meet necessary levels of service.

Revenue

Ratepayer growth

Ratepayer growth considers the annual increases to the number of rating units, Separately Used or Inhabited Parts (SUIPs), land value, and capital value resulting primarily from subdivision and building works.

The ratepayer growth achieved from previous years is compared to the number of completed new dwellings and is projected using the number of total households forecast by NIDEA high.

Building and development activities are highly influenced by the economic climate, building industry, and housing market. Ratepayer growth is not linear from year to year and some variance from forecasts is expected.

As a result of this complexity there is a high degree of uncertainty around these forecasts. The percentage increase and additional revenue represent the increase from the previous year due to growth in the:

- general rate,
- UAGC,
- Government compliance rate,
- BID rate,
- council owned property remission,
- community organisation with retail shops remission,
- water, wastewater, and refuse collection services remission.

	Percentage increase	Additional revenue ($000)
2024-25	1.53%	4,488
2025-26	1.52%	5,248
2026-27	1.50%	6,075
2027-28	1.45%	6,871
2028-29	1.54%	8,542
2029-30	1.50%	9,213
2030-31	1.49%	9,791
2031-32	1.50%	10,452
2032-33	1.44%	10,743
2033-34	1.49%	11,824

Development contributions revenue

Future revenue has been projected using the Development Contributions (DC) Model and is based on the projects included in the funded infrastructure programme.

The DC revenue assumption considers projected growth from Hamilton City Council's Growth Model, assumed market response to high DC charges, the difference between forecast growth and growth that pays DCs, current and historical payment patterns, DC remissions, capping and phasing of DC charges, and takes consideration of growth modelling error margins.

Should Hamilton grow more quickly than expected, then DC revenue is likely to exceed these expectations. However, the increase in revenue will be offset over time by a need to accelerate growth-related core network infrastructure. Conversely, if growth is slower than expected DC revenue will be lower offset by new infrastructure that may be deferred until needed. In cases where infrastructure cannot be deferred, infrastructure is supplied ahead of need and the costs will be recouped as the demand (and DCs) is realised. The DC Model and its revenue projections is updated every Long-Term Plan to account for what has happened in the past three years.

This assumption has a high level of uncertainty. While DC revenue projections are made using the best information and peer reviewed models, the fact of that uncertainty arises because DC revenue projections themselves are based on inherently uncertain assumptions including long term growth projections, economic projections, and projected future land use and capital investments. The timing of the receipt of DCs and the capital spend related to the projects for which DCs have been collected, will impact the debt levels. Given the Council is closer to its Debt to Revenue threshold, this requires careful management of the timing of the capital programme to align it with revenue growth.

	Revenue estimate ($000)
2024-25	30,442
2025-26	32,877
2026-27	43,222
2027-28	55,341
2028-29	56,842
2029-30	53,444
2030-31	54,556

2031-32	52,154
2032-33	56,868
2033-34	53,798

City Investment Programme

External revenue projections are based on forecast maximum available funding in the current market pool from corporates, trusts and individuals. Targets assume approved priority projects aligned with donor and funder aspirations with at least 30% Council funding. Future central government funding is uncertain until the new government communicates priorities.

Central government partnerships

Council continues to advocate for a partnership funding deal with central government to deliver strategic infrastructure priorities (across the metro area). There is no deal currently in place, but key metro priorities have been identified that should be included in any funding deal that is developed.

Expenditure

Cost of growth

As Hamilton grows, costs increase for some services. We have assumed increases for contract escalations relating to the growing number of households as forecast by NIDEA high. This occurs only where the supplier agreement includes a set number of households and a contracted escalation if the number of households increase (an example is the household refuse collection contract). Many contracts do not include a contracted escalation clause. Further consequential cost of growth will be included in relevant activity budgets to reflect the cost of maintenance and operating new assets that are created.

Inflation treatment

Separate inflation rates have been used for the operational and capital budgets due to the different cost drivers that impact these types of cost.

Business and Economic Research Ltd (BERL) were contracted on behalf of the local government sector to provide information for the period of this Long-Term Plan. These forecasts are related to the types of costs that the local government sector is likely to incur. Council also utilised it's in-house economics team to finalise the inflation projections, reflecting local data and insights.

Operating expenditure (excluding personnel) and revenue inflation in financial modelling is:

	Operating inflation
2024-25	6.0%
2025-26	3.5%
2026-27	3.5%
2027-28	3.6%
2028-29	3.7%
2029-30	3.7%
2030-31	3.7%
2031-32	3.2%
2032-33	3.2%
2033-34	3.2%

Capital expenditure and revenue (capital subsidies, capital contributions) inflation used in financial modelling is:

	Capital inflation
2024-25	5.0%
2025-26	4.0%
2026-27	3.8%
2027-28	4.0%
2028-29	4.0%
2029-30	4.0%
2030-31	3.8%
2031-32	3.4%
2032-33	3.4%
2033-34	3.4%

Personnel inflation used in financial modelling is:

	Personnel inflation
2024-25	5.6%
2025-26	5.5%
2026-27	4.0%
2027-28	4.0%
2028-29	2.5%
2029-30	2.5%
2030-31	2.5%
2031-32	2.5%
2032-33	2.5%
2033-34	2.5%

Future Fit Programme

Enduring savings of $1 million per annum will be saved from Year 2 of the Long-Term Plan through the Future Fit Programme. This will be achieved through business improvement efficiencies which will be identified and implemented in Year 1 of the Long-Term Plan.

This is in addition to enduring savings of $7 million per year which has been implemented prior to this Long-term plan through the Future Fit programme.

Capital expenditure forecasts

The capital programme budgets have been developed using a base estimate plus a nominal contingency. This approach is consistent with previous long-term plans, and results in budget provisions which assume a risk management approach to actual costs.

The confidence levels in capital and consequential operational cost estimates vary for different projects based on the level of investigations that have been undertaken to date. Capital cost estimates for three waters and transport infrastructure are based on P50 cost estimates (the estimate of costs such that there is a 50 per cent probability of the project being delivered within that cost estimate). This approach is consistent with previous long-term plans and is appropriate for programmes of works which allow an 'overs and unders' approach to cost management. Consequential operational costs are based on the best available information at the time of budget setting. As project investigations are progressed, consequential operational costs may be impacted.

Availability of resources to deliver service levels and to complete the capital programme

Council has assumed that the market has the capacity to not only deliver the capital programme but also there exists sufficient confidence that the pricing is in line with the capital expenditure forecasts which have been developed using recent tender price information.

Interest rates

The interest rate applying to cash investments is 5.5%. It is estimated that an average cash balance of $50 million will earn approximately $2.75 million in interest per annum.

PwC provide these projections based on Council's projected debt portfolio, as part of their ongoing treasury advisory function.

	Interest rate
2024-25	4.54%
2025-26	4.45%
2026-27	4.41%
2027-28	4.49%

2028-29	4.60%
2029-30	4.78%
2030-31	4.98%
2031-32	5.13%
2032-33	5.29%
2033-34	5.67%

Property investment

Expect return on investment in property is based on the objective of maximising financial return. This is realised by operating property assets to achieve the market or better than market rates of return through maximum rental income, high levels of building occupancy and quality tenants. Rents have been set in line with prevailing market conditions.

Asset sales

The forecast financial statements include transactions to complete existing contracted asset sales. There are no other asset sales assumed. No financial impact is assumed from minor asset sales (e.g., disposal of surplus operational assets).

Revaluation of non-current assets

Revaluations on property, plant and equipment have been calculated on the preceding year's balance as disclosed in the Statement of Financial Position. This includes an inflationary allowance calculated in accordance with the GHD cost escalation report provided to Council as at 31 December 2023, in respect of the capital works programme.

This assumption has a high level of uncertainty due to the significant inflationary pressures on the capital programme in a high inflation economy, that has yet to settle. There is also demand pressure on capital resourcing with the additional resource demand caused by the Hawkes Bay and Auckland flood events. Should inflation be higher than the budgeted assumptions for revaluation, insufficient rates may be collected for debt repayment and for future renewals.

Useful lives of significant assets

Assets are depreciated on a straight-line basis over their useful lives with annual depreciation expense included in the total costs for each significant service. We have made numerous assumptions about the useful lives of our assets. These are disclosed in the depreciation note within the Statement of accounting policies, included in the Prospective financial statements.

Acquisition of significant assets

Capital expenditure to replace existing assets (renewal projects) it is recognised that projects will be completed throughout the year. It is assumed half of those projects are completed within the first six months. As such, depreciation is forecast based on six months' depreciation for renewal projects in the year the renewals are first budgeted. For each new capital project, staff have assessed the expected completion date for the project from which time the assets are depreciated.

Seismic rating of Council buildings

A programme of prioritised seismic assessments on Council buildings has been carried out over recent years on. Where a Detailed Seismic Assessment (DSA) has already been done on a building, this assessment is used to determine if a seismic upgrade is required. Asset Management Plans (AMPs) have included any known seismic upgrades needed to meet minimum legislative requirements. Where a DSA has not been undertaken, no provision has been made for seismic upgrade.

Investment properties

We revalue investment properties on an annual basis and an annual gain on investment property values of 2.5% has been assumed in each year of this Long-Term Plan

Vested assets

The level of vested assets has been determined using growth expectations and then compared to historical trends for reasonableness.

Infrastructure asset condition information

We are spending more on understanding the state of our assets as this helps us make better planning and budget decisions. We are working to improve what we know about our assets, including their age, how well they're performing, and their condition. We use this information to do our planning. As our data improves, we may need to reprioritise some assets for replacement to reduce to risk of unexpected asset failures.

Only having one water treatment plant and one wastewater treatment plant means if either was unable to operate, this would have a significant impact on the community. We lessen this risk by continuing to update our asset information, asset criticality, undertake condition assessments and monitor the performance of our assets. We will continue to use this information to reprioritise our replacement and preventative maintenance on our assets, and to ensure we manage the risk of failure for the most-critical infrastructure.

Activity specific assumptions

City planning and growth

Building control and planning guidance

Expected revenue is based on a combination of current growth projections and previous year actuals as approved by Council.

Transport

Third party funding

We have assumed that operating and capital expenditure programmes, which have in the past received NZ Transport Agency Waka Kotahi subsidies and/or satisfy the criteria required for subsidy, will continue to receive subsidy funding over the course of this Long-Term Plan.

We have further assumed that the NZ Transport Agency Waka Kotahi subsidy rates of 51% that has generally been applied will continue to apply.

This assumption is highly uncertain.

NZ Transport Agency Waka Kotahi provides confirmation of the programmes of work which will receive funding as part of its three yearly National Land Transport Programme (NLTP). Funding advice has not been received for the 2024-27 period and this is subject to the priorities of the new incoming government.

The government is proposing to change the approach to transport spending in New Zealand. The draft Government Policy Statement on land transport 2024 was released on 4 March 2024. While it is a draft at the time of writing, there is a high risk that NZ Transport Agency Waka Kotahi will reduce the amount of subsidy available for Council's capital transport programmes.

If funding from NZ Transport Agency Waka Kotahi is lower than we've assumed, we would need to review our planned work to ensure our programmes best align with the new criteria and therefore receive subsidy, or potentially fund any subsidy shortfall. Programmes that we had expected to receive subsidy for may be reassessed and the approved programmes may be adjusted in the final Long-Term Plan. In particular, we would need to be mindful of the implications for our Debt to Revenue ratio, which is already close to the limit set by the Local Government Funding Agency, in most years.

Three waters

Water safety plan

The Hamilton Drinking Water Safety Plan was submitted to Taumata Arowai as required in November 2022. This plan identifies potential risks associated with a water supply and details the controls in place to manage those risks.

It is assumed, that the current controls funded in this Long-Term Plan will be appropriate to manage drinking water safety risks and meet requirements of the Water Services Act 2021.

Drinking Water Standards

Taumata Arowai, the Water Services Regulator, released new quality assurance rules, drinking water standards, and aesthetic guidelines which came into effect from November 2022. Reporting against the new rules has been required since 1 January 2023.

The new water supply regulatory regime is in its infancy, there is a risk that as Taumata Arowai strengthens its monitoring and auditing functions further actions to strengthen water safety across the country may be identified.

Hamilton already has a high level of compliance with the Drinking Water Quality Assurance Rules and standards. It is assumed, that the current water supply infrastructure and operational methodologies funded in this Long-Term Plan will continue to meet compliance.

Freshwater quality standards

Te Ture Whaimana o te Awa o Waikato (Waikato River Vision and Strategy) is the primary direction setting document for activities in the Waikato River Catchment, and compels council to act in a manner that restores and protects the health and wellbeing of the Waikato River. Councils obligations under Te Ture Whaimana are a key driver for planned investment in three waters infrastructure.

The National Policy Statement for Freshwater 2020 sets targets for freshwater quality and Waikato Regional Council is progressing significant changes to the Regional Plan to better reflect Te Ture Whaimana and reflect the changing community expectations around freshwater management.

These changes are increasing emphasis on current Resource Consent compliance. It is assumed that the planned operational and capital interventions to address existing system performance challenges will meet the regulators compliance expectations for the remaining life of the key existing resource consents. Significant investment is included for Pukete WWTP to improve treated wastewater quality anticipated to be required through the consent renewal process (See resource consent assumptions for further information).

Project Watershed

Waikato Regional Council financially contribute to the maintenance and remediation of erosion in natural waterways within the City under the Project Watershed Service Level Agreement. This Service level agreement is currently under review however it is assumed that financial contributions will continue to be received from Waikato Regional Council under any new or revised agreement. These contributions are sourced from a Waikato Regional Council targeted rate for Project Watershed. We will apply these funds to projects meeting the criteria set out in the Project Watershed agreement between us and the Waikato Regional Council.

Mandatory performance measures

Under the Water Services Act 2021, Taumata Arowai is phasing in new mandatory requirements to monitor and report on the environmental performance of drinking water, wastewater, stormwater and Te Mana O Te Wai. It is assumed that reporting on new measures will utilise existing data and will not require additional investment.

Asset management interventions

The delivery of three waters services requires balanced investment between operational and capital interventions. Investment in capital interventions can decrease operational and maintenance demand, whilst investment in operational interventions such as condition assessment is required to ensure efficient capital investment, the two must be balanced to optimise investment.

It is assumed that any unfunded or rephased capital projects will not result in additional operational expenditure.

Emergency management

Three waters activities are based on the day to day needs of service provision. Funding to cover the potential costs associated with large scale incidents such as low river levels, critical asset failure, biosecurity responses or supply chain disruption or emergency events such as repeat major wet weather events, or natural disasters have not been included in this Long-Term Plan

Rubbish and Recycling

Emissions Trade Scheme and Waste Levy

The government sets the reserve price for the Emission Trade Scheme (ETS) and Waste Levy payable of waste disposed of nationally. The central government Waste Levy Scheme continues to be increased, and scope expanded (all classes of landfills to be included). There is also a proposal to review the Waste Minimisation Act. Any review may have an impact on the allocation of waste levy fund contributions. Current assumptions are that waste levy contributions will continue at levels set by the Ministry for the Environment (including increases related to growth), over the full term of the Long-Term Plan. The funds will be used to deliver on actions from the Waste Management and Minimisation Strategy.

Other specific assumptions

Infrastructure Funding and Financing Act

The Infrastructure Funding and Financing Act (IFF) enables Council to access a new off balance sheet funding mechanism to support the delivery of infrastructure projects. The structural elements (assumptions) of the funding are determined with Crown Infrastructure Partners (CIP) and Mafic Partners Limited who contract to Treasury. After investigating a possible IFF loan during 2023, at its 29 November 2023 Meeting Council withdrew its interest in pursuing this opportunity and advised CIP it was withdrawing, but expressed an interest in re-engaging CIP in the future potentially for an IFF to support 3-waters infrastructure or as part of a City Deal.

Unquantified legal claims

This Long-Term Plan does not assume any provision for legal claims which are currently in progress.

Future legislative change

The details of future legislative changes are unable to be anticipated with any level of certainty. The information that has been made available through various policy announcements to date suggests the potential risks to materially impact this Long-Term Plan are moderate in scale. However, given the lack of detail available on future legislative changes and their timing, our projects have been planned based on the current legislative regime except where explicitly stated in other assumptions.

Changes to other legislation, regulations or rules that affect how we operate (usually though requiring compliance with new and higher standards) cannot be anticipated at this point. As a result, this Long-Term Plan has been developed based on current legislation, regulations, rules and policy except where explicitly stated in other assumptions.

Resource consents

Council hold a number of resource consents for three water services. Key resource consents and the years they expire are:

- Wastewater Treatment Plant discharge – 2027
- Comprehensive stormwater consent - 2036
- Water Treatment Plant abstraction - 2044

It has been assumed that current resource consent conditions will continue for the remaining life of the resource consents.

It has also been broadly assumed that these key current resource consents and conditions will remain in place until new consents are secured. Resource consent conditions determine the level of infrastructure investment required.

The Wastewater Treatment Plant discharge consent will expire within the Long-Term Plan (LTP) period. It is assumed that securing a new discharge consent will require significant improvements in water quality in line with agreements made through the Metro Wastewater Detailed Business Case Memorandum of Understanding (2022). Accordingly significant investment allowances have been included in the LTP to upgrade the treatment plant to achieve improved discharge standards. The LTP assumes a continued discharge to that Waikato River, albeit with significantly improved treatment and provision for an improved discharge structure. Given that the plant must remain fully operational, the upgrade programme is planned over a 15 year period starting in Year 1. The programme assumes that new resource consents secured post 2027 will include a transition period to achieve the improved discharge standards. There is a medium level of uncertainty with this assumption.

Council has also included investment for a new wastewater treatment plant to meet the needs of Hamilton City in the LTP. Resource Consents are required for this activity.

Flood Hazard Risk

A number of programmes and projects have been identified to reduce and manage predicted critical flood hazards in events up to the 1% Annual Exceedance Probability in areas of the city. Council has prioritised funding to undertake works to will reduce flood hazard in several areas considered the most critical in the LTP. The full programme to reduce and manage known flood hazards across the city is not included in the Long-Term Plan.

Sensitivity analysis

Inflation and interest

A variance in the LGCI (Local Government Cost Index) operating expenditure rate of inflation by 1% would impact the budget by approximately $2.239 million per annum (including staff costs). A similar variance in the capital expenditure inflation rate would impact the capital programme by approximately $5.844 million per annum.

A 1% variance to interest rates would increase or decrease interest costs by approximately $13.480 million per annum based on expected 2023/24 debt levels assuming all of Council's debt is floating. Council currently has 56% of its borrowings at fixed rates, therefore the impact of a 1% variance would be $5.931 million.

Growth assumptions

In making these forecasting assumptions we have to be mindful the future may not unfold as expected. Many of our assumptions are based on the NIDEA High growth projections and the spatial distribution of this growth around the city via Council's Growth Model. As such, we need to prepare for variations to these projections. Our current growth assumptions show sustained growth over the next ten years. This matter has the greatest impact on our LTP. It results in more expenditure to run the city, more capital expenditure earlier to provide for the growing city and more revenue to pay for it. Growth affects most of our assumptions and it affects our resilience to manage certain types of assumptions, for example climate change. To be prepared for the possibility of growth happening other than planned, analysis has been done on the effects of a 15% change in growth.

15% higher than forecast growth

[to come once base data finalised]

15% lower than forecast growth

[to come once base data finalised]