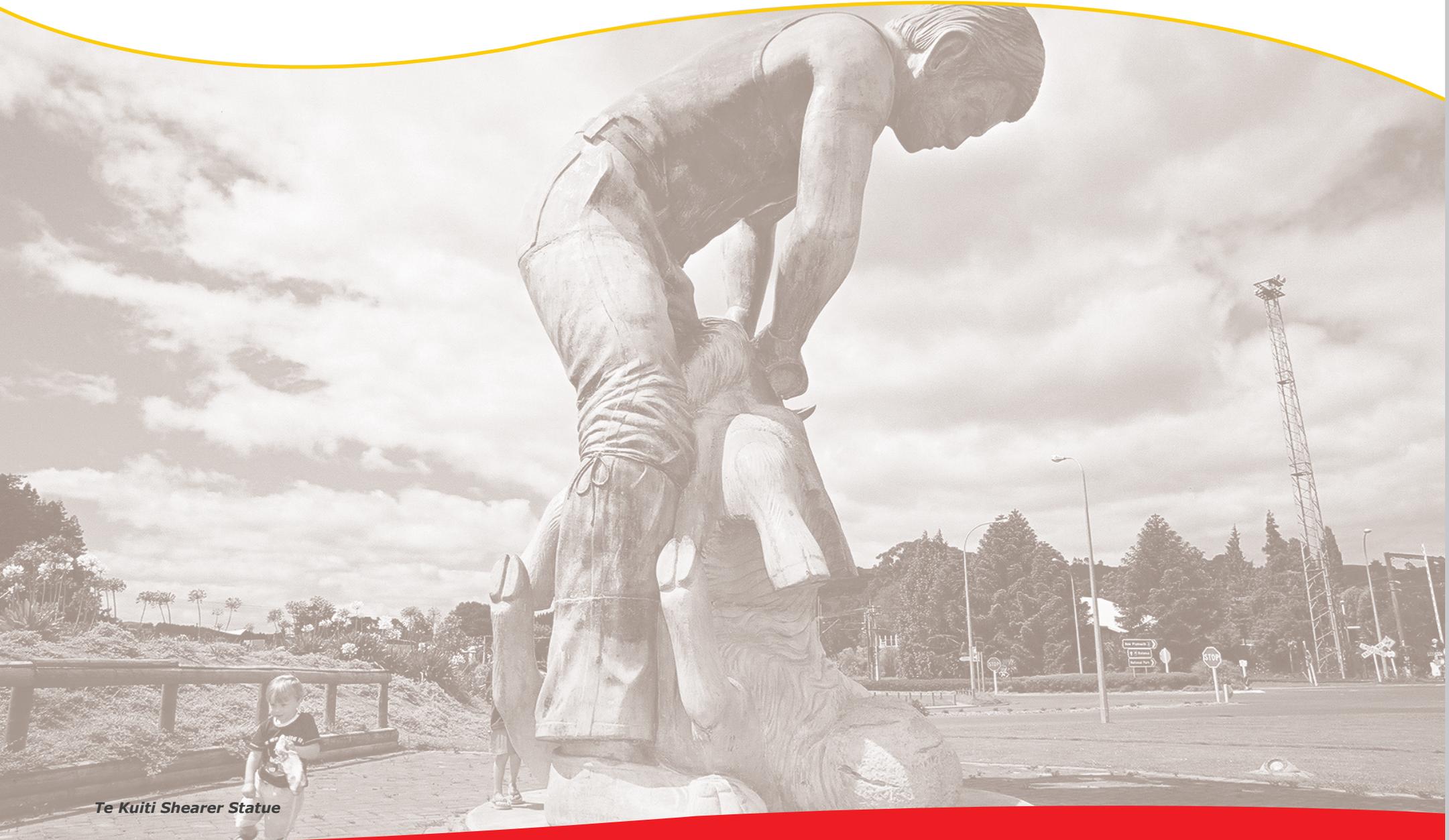


## 4.0 Planning Assumptions for 2009-19 Long Term Plan



Te Kuiti Shearer Statue

## 4.0 Planning Assumptions for 2009-19 Long Term Plan

### Introduction

The financial information in this 2009-19 Long Term Plan (LTP) is a forecast of Council's expenditure and funding needs. This section sets out the significant forecasting assumptions that have been used in the preparation of this 2009-19 LTP together with assessments of their perceived levels of risk to the integrity of the 2009-19 LTP.

Schedule 10 of the Local Government Act 2002 requires that, for high levels of uncertainty, Council is required to state the fact of the uncertainty and give an estimate of the potential effects of that uncertainty on the financial estimates provided in the 2009-19 LTP.

The significant forecasting assumptions are summarised in the table below and are discussed more fully in the pages that follow. The main contributions of risk are identified as arising from:

- Central Government changes to legislation and policy impacting on the role and compliance costs of local government.
- The rate, location and funding of growth within the District.
- Asset data – unknown information regarding the condition and performance of network infrastructure impacting on maintenance and renewal costs.
- The impact of a major natural disaster.

### Summary of Assumptions

No.	Assumption	Level of Uncertainty	Impact on Integrity of LTP
1	The impacts of climate change will be minimal over the LTP planning period.	Low	Low
2	Impact of currency movements on financial estimates will be no more than minor.	Low	Low
3	Actual rates of inflation will be within the range tabulated.	Low	Low
4	NZ Transport Agency subsidies will continue at their current levels.	Low	Low
5	Change in value of assets due to periodic revaluation will be in line with inflation.	Low	Low
6	The average annual interest cost on borrowings will be 6% over the first 2 years, 7% from years 3 to 6, and 8% over years 7 to 10.	Low	Low
7	Central Government changes to policy or legislation will have minimal impact on local government income or expenditure.	Medium	Low - Medium
8	Central Government's proposed amendments to the current Emissions Trading Scheme will have only minor impact on Council's budget forecasts.	Low	Low
9	Government funding will continue at current levels.	Low	Low
10	Council will be effective in securing and retaining the resourcing requirements necessary for implementation of the LTP.	Low	Low
11	Assumed lives for Council's assets will have minimum impact on financial estimates.	Low	Low
12	Depreciation reserves and subsidies will generally be adequate to fund asset renewal expenditure.	Low	Low
13	Renewal expenditure will have only a minor impact on operating budgets.	Low	Low

No.	Assumption	Level of Uncertainty	Impact on Integrity of LTP
14	The impact of population growth and structure has been adequately provided for in the financial estimates.	Low	Low
15	The impacts of societal changes and population structure have been adequately provided for in the financial estimates.	Low	Low
16	The annual return on investments will be a reduction over the first three years of the LTP compared with the 2008/09 budget before returning to historical levels.	High	High
17	The risk of Council's investment portfolio and inability to borrow is minimal.	Low	Low
18	Allowances for depreciation in financial estimates are adequate.	Low	Low
19	Resource consent acquisition and compliance processes are within estimated timeframes and expenditure estimates.	Medium	Low
20	The size of the rating base will not increase.	Low	Low
21	Impact of transfer of significant Council assets will be minor.	Low	Low
22	Changes to the scale of Council's asset inventory will be minor.	Low	Low
23	The impact of growth related capital expenditure will be offset by revenue from financial contributions.	Medium	Low - Medium
24	The provision for expenditure as a result of natural disasters is adequate.	Low	Medium

**Legend:**

- Blue** = Global impact
- Green** = National impact
- Yellow** = WDC impact

## Description of Assumptions

### 1. Potential climate change impacts

The impacts of climate change are expected to influence rainfall intensity along the west coast of the North Island. They may contribute to reduced stormwater pipe capacity, particularly at those beach communities where stormwater outlet points are within tidal zones, due to the now widely accepted predictions of rising sea level (up to 0.5m over the next 100 years).

Higher intensity rainfall will increase runoff and could impact on existing drainage capacity. The 2009-19 LTP makes provision for catchment assessment studies to be completed for the main urban areas, beginning with Te Kuiti. In May 2008, the Ministry for the Environment released a guidance document for Local Government, based on the Intergovernmental Panel on Climate Change (IPCC) and the National Institute of Water and Atmospheric Research (NIWA). This document will be referenced in Council's catchment planning work.

Climate change is also expected to present in the form of more frequent drought periods, particularly on the east coast of New Zealand. This may impact on the capacity of Council's water supplies, including the source and storage. Work is planned in the LTP to address these issues.

Higher rainfall could result in increased inflow and infiltration of Council's sewerage systems. Both matters are already major issues, particularly in Te Kuiti where a substantial programme of CCTV inspection and renewals has been proposed. The success of this work will go a long way towards mitigating the effects of climate change on Council's sewerage infrastructure.

If the IPCC forecasts prove to be inaccurate, overestimation may result in unnecessary expenditure. However an underestimation could impact on the Council through the need for emergency project works. Either scenario would affect ratepayers.

The climate changes are expected to be a long term process, with debate continuing amongst experts on the rate of change. It is considered there will be minimal impact over the 10 year period of the LTP.

Assumption	Level of Uncertainty	Impact on Integrity of LTP
The impacts of climate change will be minimal over the LTP planning period.	Low	Low

### 2. Currency movements and related asset values

Reliance on overseas markets for the export of products is impacted on by overseas exchange rates. With the exception of a small production forest, Council's involve-

ment in the export market has been assumed to have a minor effect on the overall value of Council's assets.

The impact of variations in currency movements on the tourism industry, being a strong contributor to the local economy, is a growth factor. However, the impact on the value of associated Council assets is considered to be minor.

Assumption	Level of Uncertainty	Impact on Integrity of LTP
Impact of currency movements on financial estimates will be no more than minor.	Low	Low

### 3. Future price changes – rates of inflation

The Society of Local Government Managers (SOLGM) commissioned a study to develop price level change adjustors for local authorities to use in estimating their future year expenses through to 2019. The following table shows the inflation forecasts developed for each significant adjustor impacting on local authorities (based on the BERL March 2009 report to SOLGM), with the exception of land transport. The latter has been based on the NZTA inflation adjustor of 3% pa across all categories of land transport. Inflation adjustment for Year 1 of the LTP has been factored into the budget forecasts:

Year Ending	Road (Land Transport)	Property Property and Facilities	Water Water, Sewerage and Stormwater	Energy Energy (Electricity and Gas)	Staff Staff	Other Other (Corporate overheads etc)
June 2011	3.0	2.8	2.3	2.6	2.4	3.4
June 2012	3.0	3.3	3.2	2.4	2.4	2.4
June 2013	3.0	2.6	3.0	2.8	2.7	2.4
June 2014	3.0	2.5	3.1	2.9	2.6	2.3
June 2015	3.0	3.0	3.3	3.3	2.6	2.4
June 2016	3.0	3.1	3.4	3.3	2.6	2.4
June 2017	3.0	2.5	3.3	3.4	3.1	2.4

Year Ending	Road (Land Transport)	Property Property and Facilities	Water Water, Sewerage and Stormwater	Energy Energy (Electricity and Gas)	Staff Staff	Other Other (Corporate overheads etc)
June 2018	3.0	2.4	3.4	3.4	3.2	2.5
June 2019	3.0	2.3	3.5	3.5	3.1	2.5

The above inflation assumptions have been applied to both capital and operating cost forecasts as the indices include a combined forecast of operating and capital costs. Because of this combination in the composition of the indices, they may either understate or overstate changes in the prices of operating and capital expenditure. Allowance for future inflation in Council's financial forecasts may also make it difficult to distinguish between money-terms and real terms of any figures and trends.

#### **Adjustment assumptions have been made for the following revenue categories:**

- Dividends – adjustments applied using the adjustors in the above table under the column headed "Other".
- Subsidies – proportional to cost based formula of relevant funding agency.
- Property revenue – proportional to percentage of property costs as per Revenue and Financing Policy.
- Land transport subsidy - proportional to percentage of land transport costs as per NZTA financial assistance rates.
- Water, stormwater and sewerage - proportional to percentage of costs as per Revenue and Financing Policy.

The above inflation forecasts do not make allowance for spikes in pricing that traditionally occur during retendering or renewal processes for medium to long term operating and maintenance contracts. These movements can be as large as 10% in the year immediately following contract retendering/renewal, due partly to the inherent increase in levels of service that is introduced to contract specifications, either consciously as a change to the scope of works or as a consequence of contract interpretation over previous years.

Rates of inflation greater than those assumed will impact in particular on future cost estimates and the ability of the community to afford the consequential rate increases. This can be mitigated by revising inflation estimates in conjunction with preparation of each Annual Plan and when the LTP is reviewed every three years.

Assumption	Level of Uncertainty	Impact on Integrity of LTP
Actual rates of inflation will be within the range tabulated.	Low	Low

#### 4. NZ Transport Agency subsidy rates

The roading subsidy received from NZ Transport Agency is Council's largest single source of revenue after rates. It has been assumed that the current base rate of 58% for maintenance and renewal activities and 68% for approved capital works will continue to be available through the term of the LTP, although the new funding regime introduced as a result of the Land Transport Management Amendment Act, effective 1 August 2008, has generated a level of uncertainty. Reduced subsidy would mean either an increased rating level to maintain levels of service, or reductions to expenditure programmes for similarly rated activities.

Assumption	Level of Uncertainty	Impact on Integrity of LTP
NZ Transport Agency subsidies will continue at their current levels.	Low	Low

#### 5. Re-valuation of non-current assets

Non-current assets are revalued by an independent valuer on a 5-yearly basis in accordance with the Accounting Policies. The last valuation was completed as at 1 July 2006. It has been assumed that any change in valuation will be in line with the assumed rates of inflation.

Assumption	Level of Uncertainty	Impact on Integrity of LTP
Change in value of assets due to periodic revaluation will be in line with inflation.	Low	Low

#### 6. Expected interest rates on borrowing

An average annual interest cost of 6% over the first 2 years, 7% over years 3 to 6, and 8% over years 7 to 10 on borrowings, has been assumed. A higher interest rate would increase the rating requirement. However, Council considers that this assumption carries a low risk as the actual interest rate is likely to vary over the term of the plan, and will be partly offset by interest on investments.

Assumption	Level of Uncertainty	Impact on Integrity of LTP
The average annual interest cost on borrowings will be 6% over the first 2 years, 7% over years 3 to 6, and 8% over years 7 to 10.	Low	Low

#### 7. Central Government changes to policy or legislation

Council has assumed that Central Government will provide a stable statutory framework for local government.

Successive governments have had a record of imposing additional responsibilities and costs on local government without associated funding, e.g. the planning and auditing processes under the Local Government Act 2002, resource management processes, gaming and prostitution law reform, waste minimisation, land transport management, emissions trading, animal control, emergency management, rural fire control. On top of that, a global economic recession in 2008 has resulted in a period of financial frailty, leading to, inter alia, recent and renewed calls from the business sector, reinforced by the Reserve Bank, for local government to maintain rate increases within the annual cost of inflation.

The 2008 general election resulted in a new coalition government headed by the National Party. Its coalition partners include the Act, United Future and Maori Parties, with the leader of the Act Party appointed as the new, outside of cabinet, Minister of Local Government. The National Party election manifesto included promises to reform the Resource Management Act to simplify and streamline resource consent processes, and to involve Local Government in the long term planning of national infrastructure.

The impact of further changes to the statutory framework could mean a higher level of rating, if the past trend is continued, potentially offset by a reduction to Council's role in furthering those community outcomes relying on Council funding. Beyond that and at this point in the tenure of the new coalition government, it is impossible to project with any confidence what may lie in store for local government.

Assumption	Level of Uncertainty	Impact on Integrity of LTP
Central Government changes to policy or legislation will have minimal impact on local government income or expenditure.	Medium	Low-medium

## 8. Emissions trading Scheme

Allowance has been made for the previous Government's carbon emissions levy at the rate of \$50 per kg of landfill gas. Using a modified gas conversion factor of 0.095kg of gas per kg of waste, this amounts to an additional \$28,500 plus GST per year from 1 July 2009.

The new Government has announced plans for the Emissions Trading Scheme (ETS) to be amended with a new scheme planned to be introduced on 1 January 2010. Until the amendments are known, it is impossible to forecast what effect they will have on Council business. In the meantime, and noting that the Government has not signalled an intention to revoke the current scheme, only to amend it, an additional expense in one form or other, remains likely. Council's allowance for this is considered adequate.

Assumption	Level of Uncertainty	Impact on Integrity of LTP
Central Government's proposed amendments to the current Emissions Trading Scheme will have only minor impact on Council's budget forecasts.	Low	Low

## 9. Renewability or otherwise of external funding

### Petrol Tax

Although only a relatively small source of Council revenue (budget \$150,000 in 2008/09), it has been assumed that the same or similar amount of income will continue on an annual basis.

### Sanitary Works Subsidy Scheme (SWSS)

Central Government injected an additional \$40 million into this fund in May 2008. The financial projections for the Benneydale wastewater scheme (already approved) assume that this subsidy will still be available. If it is not, the proposed works are unlikely to proceed.

### Water Supplies Capital Assistance Programme (CAP)

The Health (Drinking Water) Amendment Act came into force on 1 July 2008. The Act introduces higher mandatory standards for water supplies that will impact on all of Council's schemes. The financial projections for the necessary capital improvements planned for Council's water supply schemes at Te Kuiti, Benneydale, Piopio and Mokau assume eligibility for Ministry of Health subsidy assistance.

Assumption	Level of Uncertainty	Impact on Integrity of LTP
Government funding will continue at current levels.	Low	Low

## 10. Potential changes to Council capacity

Apart from targeted changes to the strategic capacity of Council's resources, the impact of these changes is expected to be minor in the context of Council's overall operating budget. This is partly due to the resourcing programme that has been implemented over the past three years as Council has set about re-establishing the organisation as a sustainable unit of local government. The possible delegation of additional duties and responsibilities to local government under the 2008 National coalition government is as yet unknown but may influence this, one way or the other. A higher level of resourcing will impact on rating requirements unless trade-offs can be found in other parts of the organisation.

Retention of skilled staff is an equally important issue. The Council operates from a modest resource base and is sensitive to disruption caused by organisational turnover.

This can cause delays to project deadlines and may impact on levels of service. This risk is mitigated to an extent by the following initiatives:

- A workforce planning process to estimate workforce demands for up to 10 years.
- Budgets being available for the utilisation of consultants to bridge gaps in workforce availability.
- Career advancement to encourage the retention of intermediate and senior professionals.

Council relies heavily on contractors for the delivery of maintenance and construction works. It has been assumed that the rates for this work will not alter significantly over successive contracts and that there is a sufficient breadth in the number of contractors to ensure competitive pricing.

It is assumed that no changes will be made to the strategic capacity of Council's resources.

Assumption	Level of Uncertainty	Impact on Integrity of LTP
Council will be effective in securing and retaining the resourcing requirements necessary for implementation of the LTP.	Low	Low

### 11. Useful lives of significant assets

Council has made a number of assumptions about the useful lives of its assets. The detail for each asset category is included in notes on depreciation of infrastructural assets in the Statement of Accounting Policies. The useful lives assumed in the Plan are consistent with the NZ Infrastructure Asset Valuation and Depreciation Guidelines prepared by the National Asset Management Steering (NAMS) Group and used by experienced asset valuers. Variations between actual and assumed useful asset lives will impact on the relevant asset replacement programme, with the overall financial effect expected to be self balancing. This will be reviewed on a 3-yearly basis in line with the LTP planning cycle to ensure depreciation funding is in line with asset renewal requirements and priorities adjusted accordingly.

Assumption	Level of Uncertainty	Impact on Integrity of LTP
Assumed lives for Council's assets will have minimum impact on financial estimates.	Low	Low

### 12. Sources of funding for the future replacement of significant assets

The funding needed for the future replacement of significant assets is set by Council's Revenue and Financing Policy. Renewal funding fits within the definition of capital expenditure as defined in the policy statement (refer to Clause 3.8 of the Revenue and Financing Policy) as it extends the lifetime of an existing asset. The Revenue and Funding Policy for funding of capital expenditure states that the following sources are available for Council to fund capital expenditure:

- Grants and subsidies
- Loans
- Rates
- Proceeds from asset sales
- Depreciation Reserves
- Financial contributions under the Reserve Management Act
- Development Contributions under the Local Government Act
- Other

Loan funding (borrowing) is managed by the provisions of Council's Liability Management Policy. The prospective financial statements, including the Statement of Public Debt, provide a forecast of public debt levels associated with loan funding.

Financial contributions as detailed in Council's District Plan do not apply to the funding of replacement expenditure.

Council has assumed that depreciation reserves and subsidies will generally be adequate to fund asset renewal expenditure.

Assumption	Level of Uncertainty	Impact on Integrity of LTP
Depreciation reserves and subsidies will generally be adequate to fund asset renewal expenditure.	Low	Low

### 13. Impact of renewals on operating budgets

Programmed renewal works are expected to result in some reduction to maintenance costs over time. As this reduction is difficult to quantify it has not been allowed for in the financial forecasts and is considered to be minor in the overall context of Council's operating budgets.

Assumption	Level of Uncertainty	Impact on Integrity of LTP
Renewal expenditure will have only a minor impact on operating budgets.	Low	Low

## 14. Projected growth change factors

### 14.1 Population Growth and Structure

Population growth may present in a variety of forms. It includes net population increase/decrease, changes in population structure and location, seasonal "immigration" due to visitor activities and holiday areas, and fragmentation of the population into smaller home occupancy.

Council has analysed recent population trends and indicators and has assumed that the District population will remain static over the next 10 years. This is illustrated in the following population projections prepared by Statistics NZ in which the 25 year growth projections for Waitomo District are compared with some of its neighbouring territorial local authorities (TLAs):

Projected Population of Territorial Authority Areas 2006-2031 (2006 - base)									
Territorial authority area (1)	Series (2)	Population at 30 June						Population Change 2006 - 2031	Average annual (4) (percent)
		2006 (3)	2011	2016	2021	2026	2031	Number	
Waipa District	High		46,700	49,400	51,900	54,300	56,400	12,700	1.0
	Medium	43,700	45,800	47,600	49,200	50,500	51,700	8,000	0.7
	Low		44,900	45,800	46,400	46,900	47,000	3,300	0.3
Otorohanga District	High		9,500	9,600	9,600	9,700	9,700	300	0.1
	Medium	9,300	9,200	9,100	8,900	8,700	8,400	-1,000	-0.4
	Low		9,000	8,600	8,200	7,700	7,100	-2,200	-1.1
South Waikato District	High		23,300	23,100	22,800	22,300	21,700	-1,600	-0.3
	Medium	23,200	22,700	21,900	20,900	19,800	18,400	-4,800	-0.9
	Low		22,000	20,600	19,000	17,300	15,300	-8,000	-1.7
Waitomo District	High		9,800	9,900	10,000	10,000	9,900	300	0.1
	Medium	9,700	9,600	9,400	9,200	9,000	8,600	-1,000	-0.5
	Low		9,300	8,900	8,500	7,900	7,400	-2,300	-1.1
Ruapehu District	High		13,900	13,900	13,700	13,400	13,100	-1,000	-0.3
	Medium	14,000	13,500	13,100	12,600	11,900	11,100	-2,900	-0.9
	Low		13,200	12,400	11,400	10,400	9,100	-4,900	-1.7

- (1) Boundaries at 30 June 2006.
- (2) Three alternative projection series have been produced using different combinations of fertility, mortality and migration assumptions for each area.
- (3) These projections have as a base the estimated resident population of each area at 30 June 2006.
- (4) Calculated as a constant rate of population change over the period.

Notes: All derived figures have been calculated using data of greater precision than published. Owing to rounding, individual figures may not sum to give the stated totals. While the medium projection shows a slight overall decline for the District, closer analysis has identified slight gains in different area units of the District during the 2001-2006 inter-census period, as summarised below:

### 2006 Census of Population and Dwellings

*Census Usually Resident Population Count for Area Units in the Waitomo District, 1996, 2001 and 2006*

Area Unit *	1996 Census Usually Resident Population Count	2001 Census Usually Resident Population Count	2006 Census Usually Resident Population Count	Change 1996 to 2001	Change 2001 to 2006	Change 1996 to 2006
531500 Piopio	489	468	468	-21	0	-21
531600 Taharoa	228	246	219	18	-27	-9
531710 Mahoenui	486	525	480	39	-45	-6
531720 Marokopa	1,650	1,587	1,608	-63	21	-42
531731 Waipa Valley	948	960	984	12	24	36
531732 Tiroa	81	72	84	-9	12	3
531800 Mokauiti	1,236	1,218	1,179	-18	-39	-57
532000 Te Kuiti	4,611	4,377	4,419	-234	42	-192
619201 Inlet-Waitomo District	-	-	-	0	0	0
<b>Total</b>	<b>9,729</b>	<b>9,453</b>	<b>9,441</b>	<b>-276</b>	<b>-12</b>	<b>-288</b>

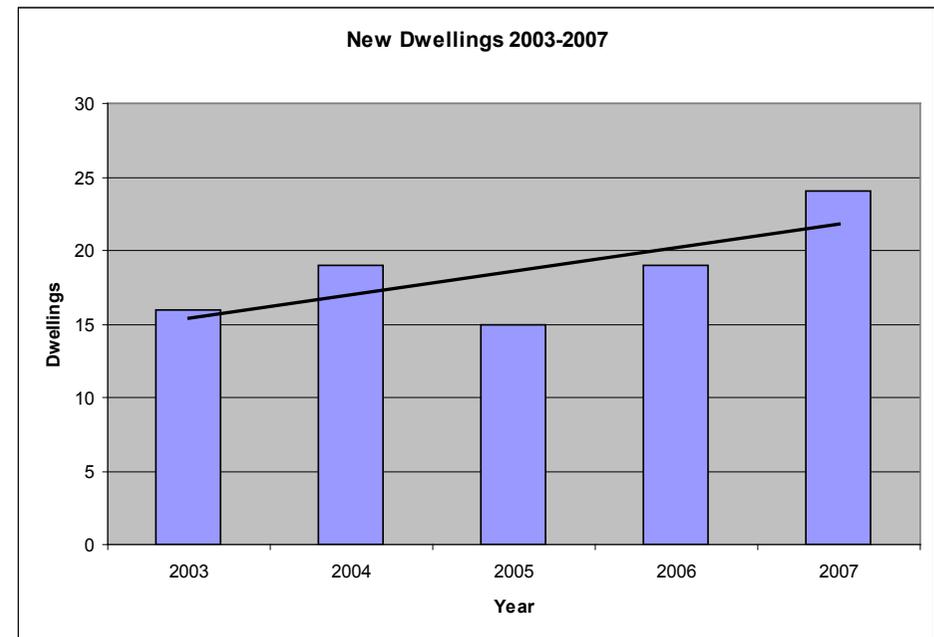
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### 14.2 Current Pattern of Building and Subdivisional Development

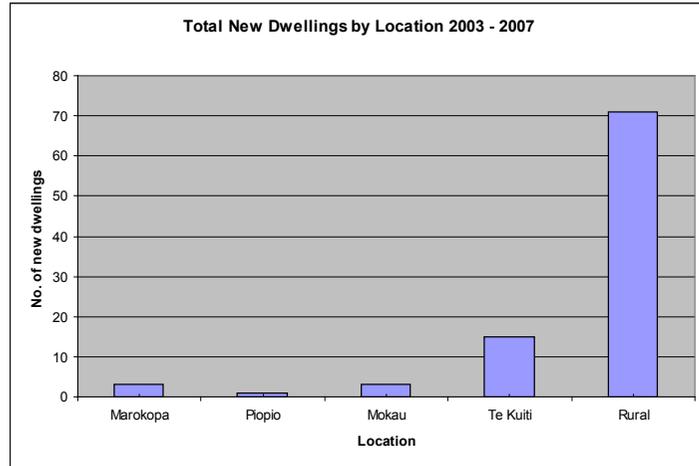
While the projected population growth for the District has been shown to be static, it is known that subdivisional and building activity is occurring in the form of modest lifestyle development around Te Kuiti, Waitomo Village, Mokau, Awakino and Te Waitere. It is predicted that this trend will continue.

This type of population "relocation" within the District may lead to demand for additional infrastructural capacity, (roading, water and wastewater), including the costs of increasing the capacity of the connecting infrastructure.

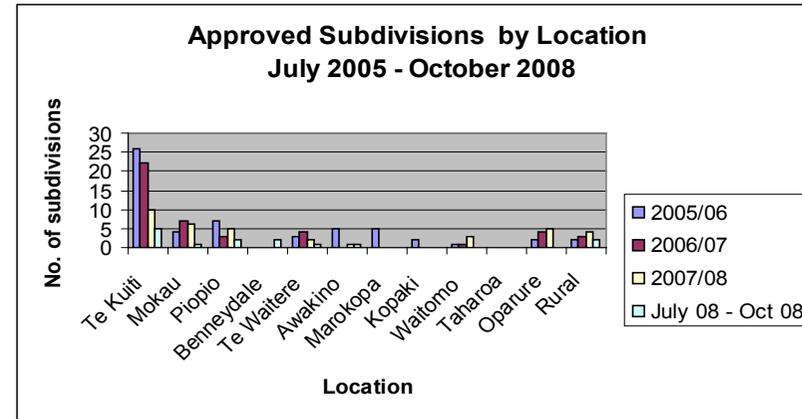
The above issues have been assessed during work completed over the past 12 months on updating and improving Council's draft activity management plans. It has been found that overall, the level of consented growth to date has been modest. Using the number of new dwellings across the District as a tangible indicator of growth, this has averaged just 19 new dwellings per year over the past five years, as illustrated in the following graph:



On a geographical basis, the above trend corresponds to the following pattern of location (over the past 5 years, 2003 – 2007 inclusive):

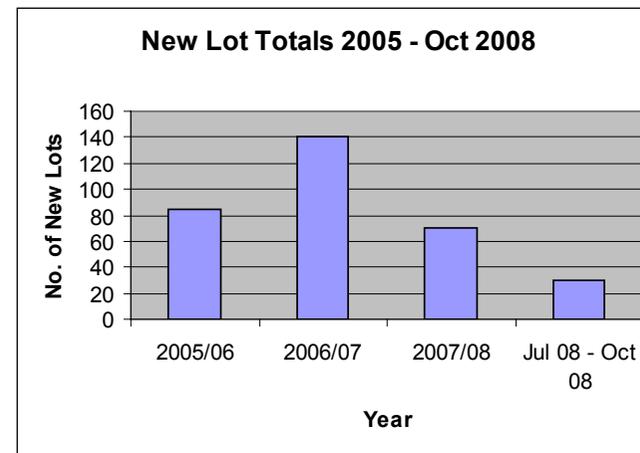
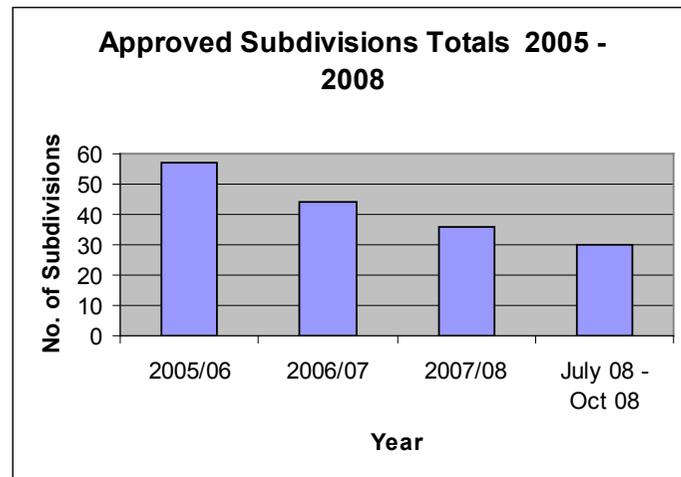


While the overall number of approved subdivisions is trending downwards, this varies by location as shown below, with development at Mokau, Piopia, Te Waitere and Oparure not following the same linear trend.



Information relating to the number and location of new subdivisional consents, as the foundation to the growth and location of new dwellings, has also been collected and analysed. The following graphs show the pattern of land use activity that has taken place over the past three years beginning 2005/06:

The number of new lots created over the same period as above follows a similar overall trend to the number of new subdivisions, with the exception of 2006/07. The spike in this year is mostly due to the 37-lot Parkside Subdivision in Te Kuiti and a 24-lot subdivision at Te Waitere. Other than that, the trend for the number of new lots is downwards, as illustrated below:

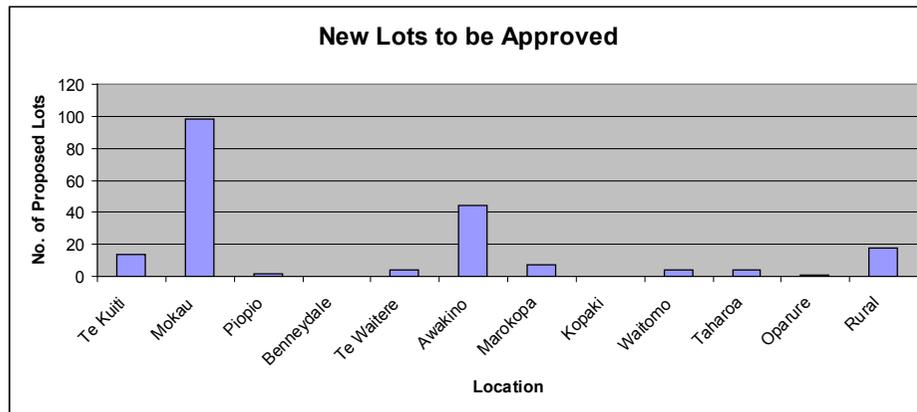


The data shows that the average number of new lots per subdivision over the above period was just over two, i.e. the average size subdivision was approximately three lots.

As expected, the rate of creation of new lots has exceeded the incidence of new dwellings. While this is partly due to the delay between subdivision approval and building construction, there is also a backlog of undeveloped lots in the District which need to be factored into planning considerations. The data shows that over the 2005 to 2008 period, 236 new lots were created, but only 58 new dwellings were consented.

### 14.3 Future Subdivisional Activity

From a recent, informal, desktop planning exercise, drawing from development proposals which are known to officers and/or are in the early stages of consent processing, it has been identified that further growth is likely to occur during the planning period at Mokau – Awakino, Te Waitere, and Waitomo Village. The nature of this growth is expected to exceed the capacity of the existing network infrastructure at these locations. The following graph illustrates the number of new lots attached to subdivisional consent applications awaiting approval as at November 2008, as an indication of the areas where additional residential growth is likely to occur. (In most instances, the applications are awaiting additional information requested by Council’s planning department).



Included in the above graph are two relatively large subdivisional consent applications that have been lodged with Council for Awakino (45 lots) and Mokau (40 lots off Te Mahoe Road) respectively. Immediately to the north of Mokau lies a 43-lot subdivisional application that was originally lodged in 2006 but has not

progressed. The overall effect of these three applications alone is to materially increase the size of these two small beach communities.

The financial projections make allowance for anticipated growth by specific capital expenditure programmes. Water supply, Wastewater and Stormwater services associated with managed development at the above beach areas, Te Waitere and Waitomo Village are the main activities where growth expenditure has been provided. In other cases, the capital expenditure is associated with improvements to levels of service rather than growth, e.g. improved drinking water standards due to new legislative requirements.

The main effect of a materially higher growth rate than has been assumed would be an increased demand on the capacity of these services. A more modest growth rate would have little effect on these LTP issues.

Assumption	Level of Uncertainty	Impact on Integrity of LTP
The impact of population growth and structure has been adequately provided for in the financial estimates.	Low	Low

### 15. Potential societal change factors

The demographic ageing of the population is a significant trend for the township areas and the District as a whole, particularly in the over 70 age group. By 2031, the percentage of the Waitomo District population over 65 years age is expected to be approximately 22%; just above the national average of approx 21%, and the 22nd lowest percentage across all 73 TLAs. This ageing is expected to result in a decreasing average occupancy per dwelling ratio (currently 2.7 persons per dwelling), and a greater demand for services relevant to the retired. This could impact on, for example, Council’s Elderly Person’s Housing activity.

Against this, Waitomo District is expected to have the 3rd highest percentage of people under the age of 15 years (22%) by 2031, out of all TLAs. The national median percentage, at that point in time, is expected to be about 17%.

The median age of Waitomo District is projected to increase from 35 years to 40 years by 2031, the 12th youngest of all TLAs at that point in time, and similar to Otorohanga.

The District’s population characteristics, which include a high proportion of Maori, can be expected to translate into demand for compatible services, e.g. community

infrastructure in the form of increased recreational and cultural facilities. Council considers these changes have been adequately catered for in its 2009-19 LTP. Any departure from this assumption can be addressed during the 3-yearly review of the Plan.

Assumption	Level of Uncertainty	Impact on Integrity of LTP
The impacts of societal changes and population structure have been adequately provided for in the financial estimates.	Low	Low

### 16. Forecast return on investments

Council is assuming that there will be a substantial reduction in the return received on its investments over the first three years of the LTP with no income projected for year one of the LTP, before returning to historical levels. All surplus investment income will be utilised prudently to accelerate retirement of term debt, instead of the previous policy of substituting investment income for rating income. This strategy mitigates the effects of variations in investment income on the financial integrity of this LTP.

Assumption	Level of Uncertainty	Impact on Integrity of LTP
The annual return on investments will be a reduction over the first three years of the LTP compared with the 2008/09 budget before returning to historical levels .	High	High

### 17. Credit rating of investment organisations

The recent global recession has highlighted the vulnerability of lending institutions to slumps in the economy of major countries. An understandable reaction at an international level has been a tightening of lending provisions including more stringent assessment of the credit ratings of potential borrowers. In Council's case, its credit rating is secure through its ability to generate an income from rates.

In the case of its term investments, the risk is mitigated by investing with credit worthy counter parties having a Standards and Poors rating of AA- or better, in

accordance with its Policy on Investments.

Council considers that the risk of its investment portfolio and inability to borrow is minimal.

Assumption	Level of Uncertainty	Impact on Integrity of LTP
The risk of Council's investment portfolio and inability to borrow is minimal.	Low	Low

### 18. Depreciation rates

Council has estimated future depreciation on the basis of recent asset valuations and planned capital expenditure, using straight line percentage calculations of depreciation on all property, plant and equipment other than land and land under roads, at rates that will write off the cost (or value) of the assets to their estimated residual values over their useful lives, as detailed in the Accounting Policies. These calculations could prove inadequate in the event of:

- new valuations.
- improved knowledge of asset age, condition and performance (e.g. the need to accelerate the rate of replacement of infrastructural assets- bridges etc - due to improved knowledge or higher than expected rate of deterioration of asset condition).
- changes to the capital expenditure programme.

The impact of higher depreciation could lead to a higher level of rating. An averaged percentage basis has been used to calculate future depreciation on planned asset purchases.

Assumption	Level of Uncertainty	Impact on Integrity of LTP
Allowances for depreciation in financial estimates are adequate.	Low	Low

### 19. Resource Consents

Council has assumed that the resource consents it requires for its infrastructural activities will be obtained and/or renewed within the nominated time frames with conditions that can be met within expenditure estimates.

The expenditure estimates have been prepared based on experience and trends

with past consent processes and standards. If the consent conditions are more stringent than expected then the levels of rating, debt, capital and maintenance expenditures will be higher and may require compensating reallocation of other expenditure priorities. Similarly, consent application processes that take longer than estimated could result in additional costs due to the need to extend existing operational arrangements.

The financial impact of consent issues is considered to be minor with time delays required to complete consent processes more likely to be a greater issue than additional costs over what has already been allowed for in the financial estimates.

Assumption	Level of Uncertainty	Impact on Integrity of LTP
Resource consent acquisition and compliance processes are within estimated timeframes and expenditure estimates.	Medium	Low

## 20. Rating Base

It has been assumed that there will be no increase in Council's rating base over the term of the LTP. This assumption is conservative to minimise the risk of understating average prospective rate increases. Any actual increase in the rating base will help to absorb average rate increases.

Assumption	Level of Uncertainty	Impact on Integrity of LTP
The size of the rating base will not increase.	Low	Low

## 21. Transfer of ownership of any significant assets

While Council has signalled its interest in exploring sustainable options for the future ownership and management of its two significant investment assets, namely the Waitomo District Landfill and Inframax Construction Ltd., it has been assumed for the purpose of this Plan that these assets will remain in Council ownership.

Council is currently in discussions with the owners of the water and wastewater infrastructure at Waitomo Village regarding the possible vesting of these assets in Council ownership. Allowance has been made to complete an investigation and

costing of this and option proposals, with it assumed that Council will assume responsibility for the provision of this infrastructure during the term of the LTP.

Assumption	Level of Uncertainty	Impact on Integrity of LTP
Impact of transfer of significant assets will be minor.	Low	Low

## 22. Vesting or disposal of assets

The scope of Council's infrastructural assets is subject to change over time as a result of vesting of new assets in Council (through subdivision activity), and disposal of redundant assets that have become obsolete or are surplus to requirements. As can be seen from the growth change factors in the section above, the projected increase to Council's asset base due to growth is likely to be modest in comparison to the current asset inventory. Based on subdivisional activity over the past three years, the number of new lots created averages approximately 100 lots per year. Approximately one third of these lots were located in areas without public water and wastewater services. The additional Council assets arising from this level of development will be in new condition and are not likely to add materially to maintenance and renewal costs over the period of this Plan.

Similarly, it is assumed that the level of planned asset disposal will be nil or minor over the period of the 2009-19 LTP.

Assumption	Level of Uncertainty	Impact on Integrity of LTP
Changes to the scale of Council's asset inventory will be minor.	Low	Low

## 23. Development contributions

Council intends to introduce a development contributions policy during the term of this 2009-19 LTP based on a structured approach to managing growth in the Mokau, Awakino, Te Waitere and Waitomo Village areas. The estimated cost of providing the network infrastructure at these areas in support of the projected growth is expected to be offset by revenue generated from application of the development contributions policy. It has been assumed that the capital outlay will not occur until there is evidence that the assumed growth is taking place. The timing of the capital works and incidence of growth will be reviewed in line with

the 3-yearly LTP planning cycle.

Assumption	Level of Uncertainty	Impact on Integrity of LTP
The impact of growth related capital expenditure will be offset by revenue from financial contributions	Medium	Low-medium

#### 24. Potential impact of natural disasters on planned costs

No additional funding has been made in the Plan for the financial implications of natural disasters. While expenditure on damage repairs from small events can be funded out of budgetary provisions, should significant adverse natural events occur, Council would need to obtain national funding assistance and/or reduce expenditure on some activities to allow for increased expenditure on recovery and rehabilitation work. Expenditure on such events could be major and lead to large sums of new debt which would reduce Council's capacity to pursue community outcomes at the rate provided for in the LTP.

Mitigation measures currently available include:

- Insurance covers where appropriate and practicable for above ground assets.
- Consideration and possible membership of LAPP following an internal risk assessment.
- Contingency plans for key assets and services.
- Civil defence and emergency management plans.
- Three yearly reviews of the 2009-19 LTP and opportunity for annual variations and amendments.

Assumption	Level of Uncertainty	Impact on Integrity of LTP
The provision for expenditure as a result of natural disasters is adequate.	Low	Medium