



*Kiritehere Beach*

# Section B: Planning Framework

*This section describes the planning context under which this Plan has been prepared.*

- Key Information on the Waitomo District - its people, economy and environment.
- Community Outcomes Council aims to achieve and Council's Vision.
- Sustainable Development.
- Planning Assumptions.

***Creating a better future with vibrant communities and thriving business.***



# About Waitomo District

## The District

Waitomo district encompasses 354,649 hectares of predominantly rural land on the west coast of the Central North Island. The western boundary is the Sea. It is adjacent to the Otorohanga District to the north, Taupo District to the east and Ruapehu and New Plymouth Districts to the south.

Te Kuiti is the administrative and main trading centre in the District, with approximately 45% of the District population residing in this town. There are several other smaller settlements located throughout the District, including the popular beach settlements of Mokau, Awakino, Marokopa, and Te Waitere. The main rural communities are Benneydale, Piopio and Waitomo Village.



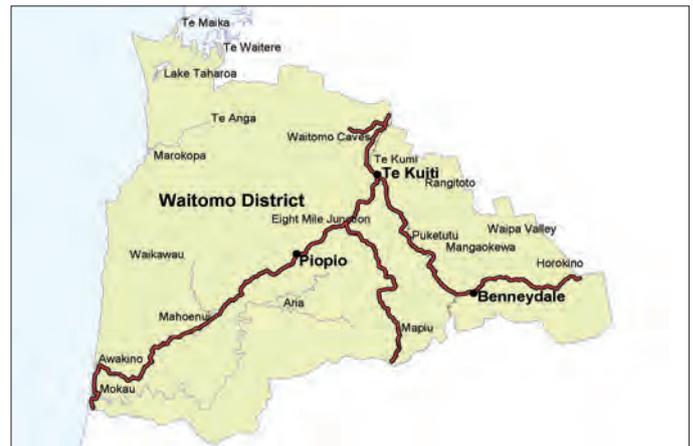
MAROKOPA

Benneydale Township is located 35 kilometres south-east of Te Kuiti. The village of Benneydale was established in the 1940's for housing coal miners and their families related to the new state-owned underground coal mine which opened at that time further up the valley.

Piopio lies in a picturesque part of the King Country amongst rolling farmland with impressive limestone formations, rugged hills and pockets of beautiful native bush. All the streets in Piopio's town centre are named after New Zealand native birds. Piopio itself is the name of an extinct native bird.

Waitomo Village is one of New Zealand's original tourist destinations and has been attracting visitors to its labyrinth of glowworm caves for over 100 years. The Village is located 15 minutes from Te Kuiti and 2 hours, 50 minutes from Auckland. Waitomo's eco-tourism and caving adventures are associated with its world famous limestone caves. For the adventurous there's cave abseiling or rappelling, Black Water Rafting and caving adventures. There are also fabulous free attractions from caves to coast.

While the District is predominantly contained within the Waikato Region, the south-eastern corner of the District is within the Manawatu-Wanganui (Horizons) Regional Council's jurisdiction.



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The District enjoys a favourable climate with an annual average of 1,750 hours of sunshine. The average temperature ranges between 18.5°C in the summer to 9.5°C in the winter. Frosts are experienced 47 days per year on average, with 1,473mm of rainfall annually.

## The People

The usual resident population for the District was 8,910 for the 2013 Census (9,441:2006 Census). This illustrates that the District is experiencing population shrinkage.

The Maori population for the 2013 Census was 3,531 (3,642:2006 Census).

The age distribution of people in the District is slightly larger than for New Zealand in the age group 16-65 and slightly lower in the age groups 65 and over and younger than 15.

By 2031, the District is expected to have the 3rd highest percentage of people under the age of 15 years (22%) out of all 73 territorial local authorities. The national median percentage, at that point in time, is expected to be about 17%.

The median age is projected to increase from 35 years to 40 years by 2031, the 12th youngest of all Districts at that point in time.

The median income of \$25,700 is slightly below the rest of NZ (\$23,300:2006 Census).

## The Environment

The landscape varies from inland forested areas overlaying limestone and papa deposits to coastal marine areas. The main rivers are the Mokau, Awakino and Marokopa, each having high recreational and fishery values. Additionally, Te Kuiti straddles the banks of the Mangaokewa Stream with Benneydale built alongside the Mangapehi Stream. The limestone caves at Waitomo Village are fed by the waters from the Waitomo Stream.

The District is characterised by extensive areas of hill country, some of it steep, particularly the Herangi Range to the west.



THE NATURAL BRIDGE - WAITOMO

## The Economy

The District has a strong agricultural base and also contains agricultural industry such as meat freezing works. Dairy farming is increasing in the District and is replacing some pastoral uses.

- Some 206,000 hectares of land in the District is being utilised for agricultural or horticultural purposes. This represents approximately 58% of the total land in the District.
- Approximately 113,000 hectares of the District is covered in indigenous vegetation. Indigenous forests are mainly located on the west coast within the Whareorino Forest and the north-western highlands in areas such as the Tawarau Forest.

The District supports a variety of visitor attractions. The attractions can be divided into three distinct and largely autonomous physical characteristics which provide different levels of use, types of recreation and tourism opportunity. All three are based on important natural features of the District. These types are:



KIRITEHERE BEACH

**The Coast:** The District includes about 80 kilometres of coastline stretching from Kawhia Harbour in the north to the Mokau River in the south. The attractions of this coastal environment are its sense of remoteness dominated by high energy wave action and coastal cliffs. Black, magnetite sands dominate the coast providing a contrast to the white sands of the east coast. The main types of coastal recreation are presently camping, fishing, surfing, diving and picnicking/day trips.

**Highland Forests:** The Waitomo district has some of the most extensive tracts of forested area in the Waikato Region. Two large western forests of significance to the tourist industry are the Whareorino and the Tawarau Forests. Whareorino Forest which is located 30 kilometres west of Waitomo Village, occupies a large area of land (15,903 hectares) which covers a complete altitudinal sequence of indigenous vegetation from close to sea level to the crest of the Herangi Range.

To the east, part of the massive Pureora Forest Park lies within the Waitomo district. A predominantly walking and cycling trail has been developed through the Pureora Forest park - The Timber Trail.

The Timber Trail is a two-day cycling experience however there are also opportunities for day trips and multi-day experiences for walkers. The Timber Trail has been accorded the highest of priorities amongst the Department of Conservation assets. It provides a new tourism asset to the Waitomo district to compliment other clusters of activity.



SWING BRIDGE - TIMBER TRAIL

Tawarau Forest located in proximity to Waitomo Village contains significant karst and cave features within the forest. It contains numerous “clean” caves as a result of the intact indigenous forest cover and includes what is probably the largest continuous tract of virgin forest remaining on karst topography in the North Island. The forest is in both private and public ownership and contains excellent examples of the dense rimu/miro forest type which once occurred throughout the region.

Within the forest there is a wide variety of fauna. There is an elevated viewing platform at Pureora. Of particular interest are the kokako predominantly at Mapara and Pureora, and the kaka. In other areas there are giant wetas, native bats and other species, but access is restricted to special interest groups.



KOKAKO

Karst, including Caves: Most of the tourism industry in Waitomo District has developed because of the karst landforms and cave formations of the area. In the Waitomo District the caves, in particular the glow-worm caves, of which Waitomo glow-worm cave is the most internationally and nationally known tourist cave. There are numerous other significant cave systems in the Waitomo area as well as other karst features of natural, scientific, educational and recreational interest including cliffs, natural tunnels and bridges, and fossil sites. In addition to the above areas of tourism there are also undeveloped wild caves, and various conventional forms of tourism development associated with the natural features.

The District’s main township Te Kuiti is branded as the sheep shearing capital of the world and hosts a variety of recreational opportunities, from sea and trout fishing to the Great New Zealand Muster. Hunting, tramping and mountain biking are all popular activities ideally suited to the Districts natural environment.

Mining also forms an integral part of the District economy as represented by extensive quarrying operations and mineral extraction from the black sand in the north western part of the District. Abundant quantities of roading aggregate, limestone and coal deposits are also available across the District.

An emerging pattern of land use development comprising residential subdivision is occurring at Council’s beach communities and in the form of rural lifestyle properties around the elevated perimeter of Te Kuiti.

# Community Outcomes

Council's vision for our District is **"Creating a better future with vibrant communities and thriving business"**. In moving towards this Vision, our aim is to make the district an attractive place that people will want to come and visit, work, and live in.

Community Outcomes provide an important framework for future planning and reflect the results that Council aims to achieve for the District in the future.

As part of the development of this LTP, the Community Outcomes were updated and as a result two Outcomes have been introduced under a new 'Effective Leadership' banner.

The Outcomes have been grouped under the four main headings below in order to better align them with Council's vision and ensure they are integrated to Council's areas of focus.

## Community Outcomes that we aim to achieve



### Vibrant Communities

1. A place where the multicultural values of all its people and, in particular, Maori heritage and culture is recognised and valued.
2. A place where all age groups have the opportunity to enjoy social, cultural and sporting activities within our District.
3. A place where young people have access to education, training and work opportunities.
4. A place where young people feel valued and have opportunities for input into the decisions for the District.
5. A place where we preserve the natural environment for future generations, ensuring that natural resources are used in a sustainable manner.



### Thriving Business

6. A place that attracts more people who want to live, work and play, and raise a family.
7. A place where wealth and employment are created through local businesses and tourism opportunities and facilities are developed, facilitated and encouraged.



### Effective Leadership

8. A place where the development of partnerships for the delivery of programmes and services is encouraged and pursued.
9. A place where the governance actively seeks to participate and take a leadership role in regional and national initiatives aimed at the development of the District.



### Sustainable Infrastructure

10. A place that provides safe, reliable and well managed infrastructure which meets the District community needs and supports maintenance of public health, provision of good connectivity and development of the District.

# Vision

Council's vision is put into practice by developing appropriate strategic goals for the groups of activities and in some cases for the individual activities where appropriate.



# Sustainable Development

In taking a sustainable development approach, Council needs to take account of -

- the social, economic and cultural interests of people and communities
- the need to maintain and enhance the quality of the environment, and
- reasonably foreseeable needs of future generations.

The concept of sustainability is closely interwoven in the fabric of Council's planning. This concept has been closely adhered to in developing the financial forecasts and ensuring debt levels are prudent and manageable and that rates are affordable for the present and into the future.

Sustainability has also been considered in the proposals developed and included for each activity area in this Plan.

The Activity Management Plans developed for all activities have ensured that the maintenance and development of assets are services are carried out in an optimal manner so that the facilities are available to be enjoyed both now and into the future.

# Planning Assumptions for 2015-25 Long Term Plan

## Introduction

In order to plan for the long term it is imperative to make assumptions about various aspects in the future. The significant assumptions made about the future form an important part of the planning framework.

It is also important to assess the estimated levels of uncertainty represented by the factors identified in the assumptions, so that the risk mitigation and planning can be appropriately carried out. The impact of the levels of uncertainty assessed on the integrity of this Plan has also been undertaken.

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 2015-25 LTP.

The significant forecasting assumptions are summarised in the following table 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
- Impacts of Climate Change
- NZ Transport Agency Subsidies
- Interest rate movements
- Annual Return on investment

## Summary of Assumptions

	No.	Assumption	Level of Uncertainty	Impact on Integrity of LTP
GLOBAL IMPACT	1	The impacts of climate change will be minimal over the LTP planning period.	Medium	Low
	2	Actual rates of inflation will be within the range tabulated.	Low	Low
NATIONAL IMPACT	3	NZ Transport Agency subsidies will continue at the levels set out by NZTA.	Medium	Medium
	4	The annual interest cost on borrowings will be 6.25% over the first 2 years and 6.5 % over years 3 to 10.	Medium	Low
	5	Impact of Central Government changes to policy or legislation on local government income or expenditure.	Medium - High	Medium - High
	6	Government funding will continue at current levels.	Low	Low
WDC IMPACT	7	The impact of population change has been adequately provided for in the financial estimates.	Low	Low
	8	The impacts of societal changes and population structure have been adequately provided for in the financial estimates.	Low	Low
	9	The annual return on investments is assessed at zero for the first three years of the 2015-25 LTP and thereafter at 200k per annum over the remaining period.	Medium	Low
	10	The risk of Council's investment portfolio and inability to borrow is minimal.	Low	Low
	11	Resource consent acquisition and compliance processes are within estimated timeframes and expenditure estimates.	Medium	Low
	12	The size of the rating base will not increase.	Low	Low
	13	Impact of transfer of significant Council assets will be minor.	Low	Low
	14	Changes to the scale of Council's asset inventory will be minor.	Low	Low
	15	Change in value of assets due to periodic revaluation will be in line with inflation.	Low	Low
	16	Assumed lives for Council's assets will have minimum impact on financial estimates.	Low	Low
	17	Depreciation reserves and subsidies will generally be adequate to fund asset renewal expenditure.	Low	Low
18	The impact of growth related capital expenditure will be offset by revenue from financial contributions.	Low	Low	

## Description of Assumptions

### Potential climate change impacts

The Ministry for the Environment provides a series of guidance manuals to assist local government to assess and manage the impacts of climate change in their planning and decision-making processes, as well as infrastructure and asset management. The most recent MfE guidance on climate change for New Zealand has been referenced in the Council's assessment of the potential impacts of climate change.

Climate change is expected to influence:

- the frequency and intensity of extreme rainfall. The intensity of extreme rainfall may increase by up to 5 per cent by 2040 and up to 10 per cent by 2090.
- average annual rainfall. In the Waitomo District average annual rainfall is expected to increase by up to 2.5% by 2040. Seasonally the district could expect increases in winter rainfall and decreases in spring rainfall.
- sea levels and functioning of estuaries.

The increased rate at which the sea level has risen over the last two decades has had a negative effect on the ability of estuaries to handle tidal changes and drain rivers. It is expected that sea levels will continue to rise in the foreseeable future although the rate of the rise cannot be accurately estimated at this stage.

Increased frequency and intensity of extreme rainfall events may contribute to reduced ability of stormwater systems to cope, particularly at those beach communities where stormwater outlet points are within tidal zones, where it is likely there will be additional pressure from rising sea levels, increased storminess and coastal erosion, and at Te Kuiti due to high river levels during high rainfall events. The tempo of erosion of land adjoining the estuaries could increase and lead to a loss of property and increased expectation by the affected communities for some form of intervention by Council.

Higher intensity rainfall events will increase runoff and could impact on existing drainage capacity. Consideration has been given to complete catchment assessment studies for the main urban areas.

Climate change is also expected to present in the form of more frequent drought periods, particularly on the east coast of New Zealand. By 2090, for the Waikato, the time spent in drought ranges from minimal change through to more than double, depending upon the climate model and emissions scenario considered. This may increase the demand for irrigation and impact on the capacity of Council's water supplies, including source and storage. Work has been done to address both of these issues, including initiatives to reduce water consumption in the District.

Higher rainfall could result in increased inflow and infiltration of Council's sewerage systems. In Te Kuiti a programme of CCTV inspection and renewals has been initiated. To date approximately 11,000m of the 50,000m of the reticulation network has been checked by Closed Circuit Television (CCTV). Whilst progress is being made

the implementation of this programme is limited by funding and affordability issues. The success of this work will go a long way towards mitigating any effects of climate change on Council's sewerage infrastructure over time.

There is much uncertainty about the extent of climate change and about social, economic and environmental change. That makes it necessary to consider a range of possible futures when assessing climate impacts, and whether adaptive responses are needed. A precautionary approach requires action based on our current understanding of the effect of climate change on flood risk. An overestimation of the impacts of climate change 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. Therefore decisions need to be based on a combination of advice from the best expertise and information available at the time, balanced with Council funding and planning processes and priorities. Responses should be flexible enough to take into account further improvements in understanding of climate change and not lock in options that minimise the ability to adapt at a later date.

Activity Management Plans for Water Supply, Waste Water, Storm Water and Roading and Footpaths have considered the longer term consequences of Climate Change, especially in consideration of new capital works in areas with potential to be affected. While limited population growth and land use change is expected in the current LTP period, the Resource Management activity does consider the longer term consequences of Climate Change as part of the resource consent process.

Given the initiatives already in progress to address the potential effects of Climate Change, it is considered there will be minimal impact over the 10 year period of the LTP. However, a distinguishing feature of climate change-related risks is that the underlying risks themselves change over time. In addition, ongoing research will continue to add to the understanding of the potential impacts of climate change. This means that from time to time the Council may need to reconfirm that our infrastructure and services will perform in the future climate.

Assumption 1	Level of Uncertainty	Impact on Integrity of LTP
The impacts of climate change will be minimal over the LTP planning period.	Medium	Low

### Future price changes - rates of inflation

The Society of Local Government Managers (SOLGM) commissioned a study by Business and Economic Research Limited (BERL) to develop price level change adjustors for local authorities to use in estimating their future year expenses through to 2025. The following table shows the inflation forecasts developed for each significant adjustor impacting on local authorities (based on the BERL October 2014 (amended) report to SOLGM). Inflation adjustments have been applied for years 2-10 of the planning period.

Year	Road	Property	Water	Energy	Staff	Other
Ending June	(Roads and Footpaths)	Property and Facilities	Water, Sewerage and Stormwater	Energy (Electricity and Gas)	Staff	Corporate Overheads etc.
2015	0.4	1.9	4.7	4.2	1.6	1.5
2016	1.2	2.2	5.2	3.5	1.8	2.3
2017	1.4	2.4	3.8	3.8	1.9	2.5
2018	2.2	2.5	3.0	3.9	2.0	2.6
2019	2.4	2.6	3.2	4.1	2.1	2.7
2020	2.5	2.8	3.3	4.3	2.2	2.9
2021	2.7	2.9	3.5	4.5	2.3	3.0
2022	2.8	3.0	3.7	4.7	2.4	3.1
2023	3.0	3.2	3.8	4.9	2.5	3.3
2024	3.1	3.3	4.0	5.1	2.6	3.4
2025	3.3	3.4	4.2	5.3	2.7	3.6

The 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 under the "Other" category.
- Subsidies – these are determined by the relevant funding agencies and no local adjustments can be made.
- Property revenue – adjustments applied using the adjustors under the "Property and Facilities" category.
- Water, Stormwater and Wastewater - adjustments applied using the adjustors under the "Water, Sewerage and Stormwater" category.

The above inflation forecasts do not make allowance for spikes in pricing that traditionally occur during re-tendering 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 re-tendering/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 2	Level of Uncertainty	Impact on Integrity of LTP
Actual rates of inflation will be within the range tabulated.	Low	Low

**NZ Transport Agency subsidy rates**

Roading subsidy from NZTA is Council's largest single source of revenue after rates. The amended subsidy levels for 2015/16 year onwards have been advised by NZTA. The funding rate for Council for the 2015-18 National Land Transport Programme (NLTP) period, and at the end of transition is set out in the table below:

Normal funding assistance rates for the 2015-18 NLTP and at end of transition.			
2015/16	2016/17	2017/18	2023/24
62%	63%	64%	71%

NZTA has been working on developing a road classification system and the associated customer levels of service. The implications of the customer levels of service on the technical aspects of roads maintenance or development, is unknown at the present time. It could have a potential impact on the overall level of funding assistance Council receives from NZTA. Prescribed levels of service and in turn the required level of investment will be monitored over time and changes made as required via the exceptions annual plan process or the three yearly review of the LTP.

Assumption 3	Level of Uncertainty	Impact on Integrity of LTP
NZ Transport Agency subsidies will continue at the levels set out by NZTA	Medium	Medium

**Expected interest rates on borrowing**

In recent years Council has reaped the benefit of historically low interest rates as the world economy has fought for recovery from the Global Financial Crisis. Whilst recovery from the Global Financial Crisis is fragile, growth is firming in advanced economies.

Within New Zealand rapid growth in house prices, strong growth in farm incomes (largely driven by the dairy sector) and increasing concerns around inflation has led to recent increases to the Official Cash Rate (OCR). It is assumed that such increases are likely to continue in the medium term in an effort to curb inflation in a strengthening economic environment.

An annual interest cost of 6.25% over the first 2 years and 6.5% over years 3 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 4	Level of Uncertainty	Impact on Integrity of LTP
The annual interest cost on borrowings will be 6.25% over the first 2 years and 6.5 % over years 3 to 10.	Medium	Low

### Central Government changes to policy or legislation

Council has assumed that Central Government will provide a reasonably stable statutory and policy framework for local government. However, Council is aware that further reform of the Local Government sector may occur in the short to medium term. For this reason the level of uncertainty has been increased to medium-high and the impact on the integrity of the LTP has been assessed as medium-high.

There is always the possibility that some form of amalgamation process will be put forward within the Waikato region over the life of the 2015-2025 Long Term Plan. Depending on the process and outcomes the impact on the District and Council could be substantial. However, given the level of uncertainty surrounding such an event the planning framework assumes Waitomo District Council will continue to provide for community needs in its present form.

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, animal control, emergency management, rural fire control, and the Building Consent Authority regime. On top of that, a global economic recession 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.

Assumption 5	Level of Uncertainty	Impact on Integrity of LTP
Impact of Central Government changes to policy or legislation on local government income or expenditure.	Medium - High	Medium - High

### Renewability or otherwise of external funding

#### Petrol Tax

Although only a relatively small source of Council revenue (budget \$120,000 in 2015/16), it has been assumed that the same or similar amount of income will continue on an annual basis.

#### 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 scheme at Te Kuiti assumes eligibility for Ministry of Health subsidy assistance that was re introduced in December 2010. The existing agreements in relation to Council's water supply scheme expire in 2016.

WATER SUPPLY AREA	CAP SUBSIDIES
Te Kuiti	\$780,000
<b>Total Subsidies</b>	<b>\$780,000</b>

Assumption 6	Level of Uncertainty	Impact on Integrity of LTP
Government funding will continue at current levels.	Low	Low

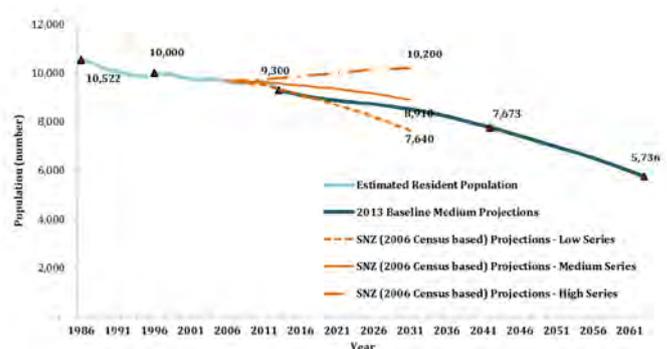
### Projected growth change factors

#### Population Growth and Structure

The population projection information has been developed by the National Institute of Demographic and Economic Analysis, University of Waikato (NIDEA) at territorial authority level for the Waikato region, in August 2014.

The graph below presents the 2013-base medium population projection for Waitomo District to 2063, along with historical population estimates from Statistics New Zealand back to 1991. The 2006-base Statistics New Zealand (SNZ) high, medium and low projections (October 2012 update) are also included for comparison.

The NIDEA projections show a continuing trend of declining population for Waitomo District with a projected population of 8,743 in 2025 (decrease by 557 persons). These projections show that the annualised population of Waitomo District as a whole will decline by 0.5% per year over the 2013 – 2031 period. This represents a 5.9% decrease over 10 years (medium projection and median stochastic).



### Current Pattern of Building and Subdivisional Development

As stated in the previous section the population growth for the District is projected to be in decline. Historic trends of pockets of sub divisional and building activity in the form of modest lifestyle development around Te Kuiti, Waitomo Village, Mokau, and Awakino are slowing. The sub divisional activity that was occurring in and around the

Te Waitere area has also slowed in recent years. Over the last five years there has been an average of 12 new dwellings constructed per year. In terms of subdivisions the average number of lots created over the same period has been 3. Whilst 151 new lots were consented over the last five years only 63 new dwellings were actually consented. 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.

### 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 unlikely to place pressure on the provision of Council services. Indications are the recent trends of development are likely to continue into the foreseeable future.

The demographic and development trends show that there is no demand for growth related infrastructure at the present time or in the foreseeable future. For the past few years Council has been working on improving the condition of its core infrastructure assets, particularly in the Water Supply and Sewerage activity areas, in order to support public health outcomes and to meet its resource consent and other legislative requirements. The growth and development trends support an approach which continues to upgrade and maintain existing assets as opposed to the development of new capacity driven infrastructure. There is currently enough capacity in the infrastructure network to allow for minimal growth should it occur.

Council does not anticipate any significant land-use changes during the period of the 2015-25 LTP.

Assumption 7	Level of Uncertainty	Impact on Integrity of LTP
The impact of population change has been adequately provided for in the financial estimates.	Low	Low

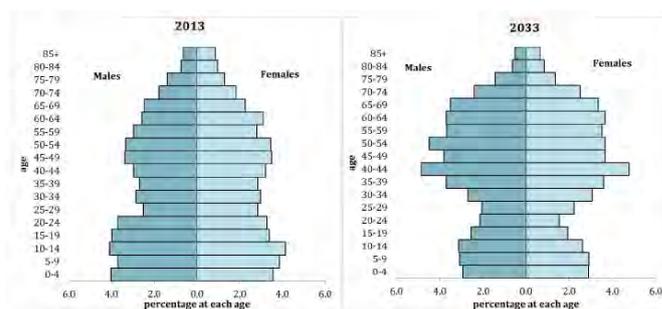
### Potential societal change factors

The age structure of the Waitomo District is among the more youthful in the Waikato Region (fourth- youngest in 2013) and experiences the least degree of population ageing.

In 2013, 14.2 percent of the population is aged 65 years and over, and this is projected to increase to 19.4 percent by 2043. The proportion of the population under 65 years of age is relatively high at 85.8 percent in 2013, 82.8 percent in 2033 and 68.7 by 2063.

The ratio of elderly persons to children increases slightly from 0.61 in 2013 to 0.98 in 2033, before increasing markedly to 2.71 in 2063.

### Age-Sex structure for Waitomo District, 2013 and 2033 (medium projection)



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 2015-25 LTP. Any departure from this assumption can be addressed during the 3-yearly review of the Plan.

Assumption 8	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

### Forecast return on investments

The annual return on Council’s investment in Inframax Construction Limited (ICL) is assessed at zero for the first three years of the LTP and thereafter at \$200k per annum over the remaining period. Surplus investment income will be utilised prudently to accelerate retirement of term debt.

Planning for the 2015-25 period assumes that if the forecast income from Council’s investment in ICL is not received, then this will not have a material impact on the LTP.

Assumption 9	Level of Uncertainty	Impact on Integrity of LTP
The annual return on investments is assessed at zero for the first three years of the 2015-25 LTP and thereafter at 200k per annum over the remaining period	Medium	Low

### 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 Council's Policy on Investments.

The borrowing options available to Council now include the bank, funding options provided by Bancorp and obtaining funds from the Local Government Funding Agency. Council considers that the risk of its investment portfolio and inability to borrow is minimal.

Assumption 10	Level of Uncertainty	Impact on Integrity of LTP
The risk of Council's investment portfolio and inability to borrow is minimal.	Low	Low

### 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. Time delays required to complete consent processes are more likely to be a greater issue than additional costs over what has already been allowed for in the financial estimates.

Assumption 11	Level of Uncertainty	Impact on Integrity of LTP
Resource consent acquisition and compliance processes are within estimated timeframes and expenditure estimates.	Medium	Low

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

### Transfer of ownership of any significant assets

For the purpose of the 2015-25 LTP period Council has assumed that there will be no transfer of ownership of significant assets, although Council intends to assess its investment portfolio for optimal use as part of its regular management practice.

The owners of the water and wastewater infrastructure at Waitomo Village are currently in the process of finalising their strategic position regarding the future ownership and operation of these assets. The Council is aware and continues to be part of the discussions between the affected parties. The option of Council ownership and operation of these assets is not without merit however a detailed and clear understanding of relevant issues including the future cost to the end users is fundamental to any such decision.

Assumption 13	Level of Uncertainty	Impact on Integrity of LTP
Impact of transfer of significant assets will be minor.	Low	Low

### 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 discussed earlier, the projected increase to Council's asset base due to growth is likely to be at best modest in comparison to the current asset inventory. Based on sub divisional activity over the past 3 years, the number of new lots created averages approximately 12 lots per year. A portion 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 minor over the period of the 2015-25 LTP.

Assumption 14	Level of Uncertainty	Impact on Integrity of LTP
Changes to the scale of Council's asset inventory will be minor.	Low	Low

### Re-valuation of non-current assets

Non-current infrastructure assets and land and buildings are revalued by an independent valuer on a 3-yearly basis in accordance with the Accounting Policies or earlier if required. Roads and Solid Waste assets were revalued at 30 June 2014.

Water, Wastewater, Stormwater infrastructure land and land and buildings were last revalued at 30 June 2012 and will be revalued at 30 June 2015. It has been assumed that any change in valuation will be in line with the assumed rates of inflation.

Assumption 15	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

Council revalues investment properties and properties held for sale annually. These revaluations occur for financial reporting purposes only. No provision has been made for increases or decreases in the value of investment properties or assets held for sale. There will be no cash flow implications or any impact on the levels of service provided by the Council's groups of activities if the actual revaluations are materially different.

### 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 a note 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 16	Level of Uncertainty	Impact on Integrity of LTP
Assumed lives for Council's assets will have minimum impact on financial estimates.	Low	Low

### 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. Renewing an existing asset extends the lifetime of such asset and is therefore capital expenditure. 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 Resource Management Act
- Development Contributions under the Local Government Act
- Other

Loan funding (borrowing) is managed by the provisions of Council's Treasury 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 17	Level of Uncertainty	Impact on Integrity of LTP
Depreciation reserves and subsidies will generally be adequate to fund asset renewal expenditure.	Low	Low

### Development/Financial Contributions

Council has resolved to reconsider the applicability of a Development Contributions Policy as part the review of the District Plan which will commence in the 2015-25 period. It has been assumed that capital outlay to cater for growth 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 18	Level of Uncertainty	Impact on Integrity of LTP
The impact of growth related capital expenditure will be offset by revenue from financial contributions.	Low	Low



