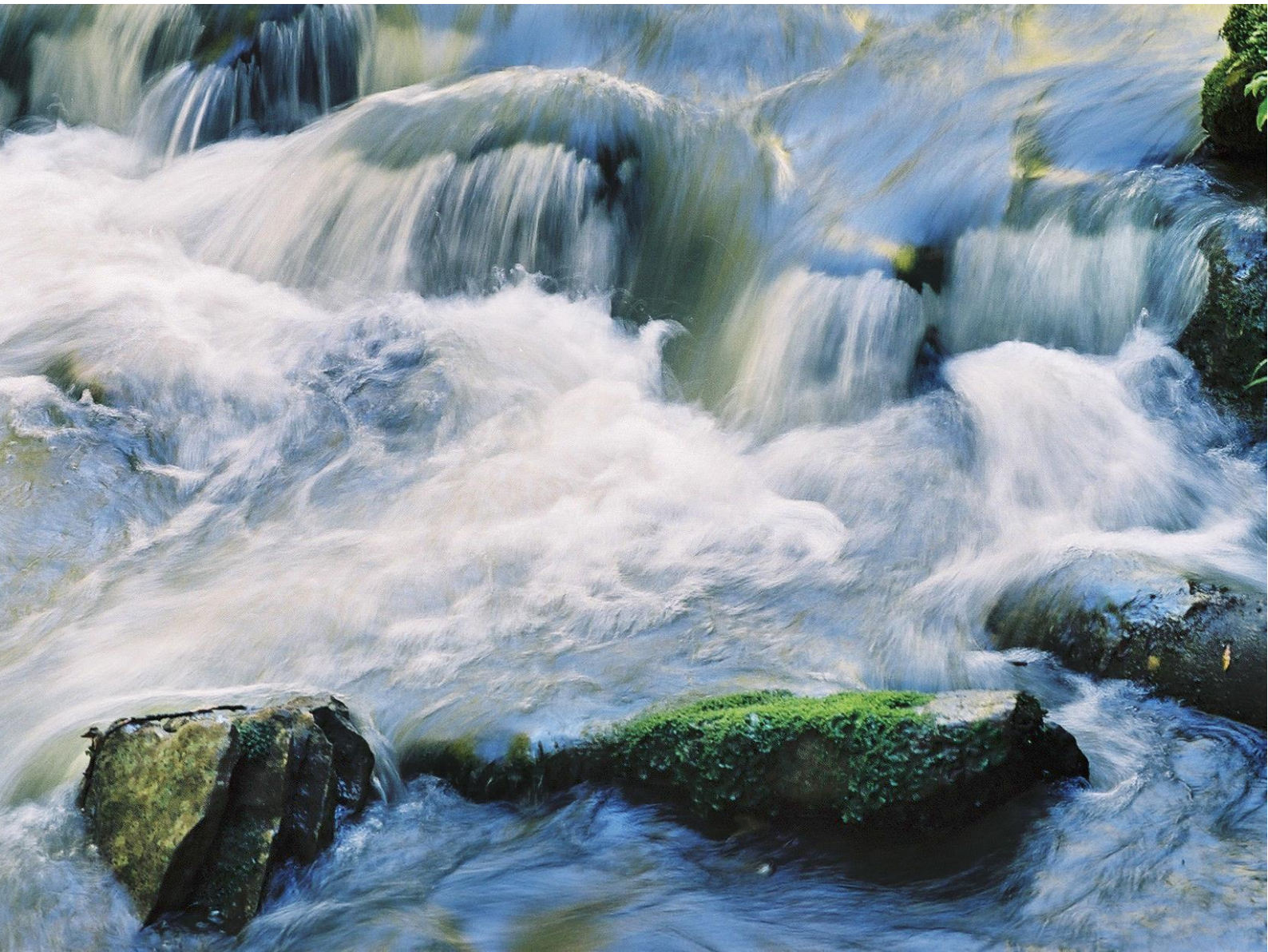


**DRAFT**

**2024-2034**

**Significant Forecasting Assumptions**

**Waitomo District Council**



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## **SECTION | INTRODUCTION**

In order to plan for the Long Term Plan (LTP), 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 assessed levels of uncertainty on the integrity of this plan has also been undertaken. Schedule 10 of the Local Government Act 2002 (LGA) 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 LTP 2024-2034 Consultation Document supporting information.

The significant forecasting assumptions are summarised in the table below and are discussed more fully in the pages that follow.

## SECTION | SUMMARY OF CURRENT ASSUMPTIONS

Assumption	Level of Uncertainty	Impact on Integrity of LTP
<b>Global Impact</b>		
1 The impacts of climate change will be minimal over this LTP planning period.	Medium	Medium
2 That the impact of technological change or disruption will not adversely affect Councils ability to deliver services.	Medium	Low-Medium
3 (a) Council will be able to deliver its core services at the current levels or at a reduced level during a global crisis or pandemic, with sufficient systems and procedures in place to ensure business continuity.  (b) Council will be able to adequately resource and support any Emergency Management response in the event of a global crisis or pandemic.	Medium	Low-Medium
<b>National Impact</b>		
4 Actual rates of inflation will be consistent with the projected inflation adjustors.	Medium	Low
5 NZ Transport Agency Waka Kotahi Financial Assistance Rates will continue to be received at 75% on qualifying road and footpath expenditure	Low - Years 1 – 3 Medium – Years 4-10	Medium
6 The annual interest rate on borrowings will be 4.90% for the period 1 July 2024 to 30 June 2027, 5.75% for 1 July 2027 to 30 June 2030 and 6.10% for 1 July 2030 to 30 June 2034.	Medium	Low
7 Impact of Central Government changes to policy or legislation on local government income or expenditure.	High	High
<b>Waitomo District Impact</b>		
8 Council is able to access external borrowing at levels forecast in the LTP	Low	Low
9 The impact of population and societal change has been adequately provided for in the financial estimates.	Low	Low
10 The annual financial return on investments is assessed at zero.	Medium	Low
11 Resource consent acquisition and compliance processes are within estimated timeframes and expenditure estimates. <ul style="list-style-type: none"> <li>• 3 Waters</li> <li>• Landfill and Other Activities</li> </ul>	Medium Medium	Low Medium
12 There is an increase in the rating base over the LTP time period that impacts on other LTP assumptions.	Medium	Low
13 The two major users of water and trade waste services will continue to operate within the district	Low	Low
14 There will not be transfer of ownership of significant assets	High	High
15 Asset revaluation amounts are based on the assumed rates of inflation.	Medium	Low
16 Assets will deliver the required level of service over their document useful life.	Low-Medium	Low
17 Subsidies and depreciation reserves will generally be adequate to fund asset renewal expenditure.	Low	Low
18 External funding assistance will continue to be received at present levels on qualifying expenditure.	Low	Low
19 No material growth related capital expenditure is expected.	Low	Low
20 Availability of contractors to complete capital programme	Low-Medium	Medium
21 Council will secure adequate insurance cover on council assets over the life of the plan.	Low	Low
22 There will be no local natural disasters over the life of the plan.	Medium	Medium
23 Waste tonnages, the default or unique emission factor and the carbon credit price will be consistent with the projected values.	Medium High – Carbon Price	Medium



## SECTION | GLOBAL IMPACT

### CLIMATE CHANGE

Projected climatic changes present significant implications for Waitomo district's environment, economy and the safety of our communities. Over the next century the Waikato region can expect:

- rising sea levels,
- more extreme weather,
- more droughts in the east,
- more intense rainfall and increased wind in the west,
- warmer, drier summers, milder winters and shifting seasons.

It is also expected that there will be increased risks to communities from natural hazards such as river and coastal flooding, coastal erosion, and severe weather.

Waitomo District Council approach to climate change will be to focus on our adaptation to these changes and where financially prudent for our ratepayers focus on mitigation.

Through the LTP and asset management planning process, Waitomo District Council has made provisions through its activity and asset planning to consider the consequences arising from climate change, including the consequence of new capital work occurring in areas with the potential to be impacted by climate change. The Infrastructure Strategy explicitly considers the resilience of infrastructure in the event of natural disasters, identifies, and provides for the management of risks relating to such disasters, and makes appropriate financial provision for those risks.

As part of the review of the Waitomo District Plan, Council is evaluating the potential risk of climate change on coastal areas and in respect of flood events. The purpose of this work is to help build intergenerational resilience to Climate Change within the District. Initial assessment indicates that an adaptive management strategy is required for coastal townships. Climate change scenarios have been used to model coastal erosion and coastal inundation for coastal towns, and flooding in Te Kuiti and Piopio. The Proposed District Plan provisions will be drafted to guide and manage the response which will further inform the planning and management phases.

The District has encountered recently more frequent and intense weather events, and the assumption is that this is expected to continue to be the case. The uncertainty levels now sits at medium with the difficulty in predicting when and where these events may occur and at what intensity. The impact level has also increased due to the significant impact these events have on people, infrastructure, and finances.

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

### TECHNOLOGICAL CHANGE

Technology is progressing quickly, at a rate that is, worldwide, overwhelming society's ability to adapt. Whereas technology in the past replaced muscle, today technology is replacing cognition, which may affect how the workforce of the future is structured through a shift in the demand of skills. Adaption of new technology by the council and our communities will require support to remove barriers to desirable change, the use of tools such as GPT Chat are already demonstrating the rapidly emerging uses of new technology.

Automation in areas such as agriculture, meat processing and mining are becoming more cost effective with the ever present labour shortage and staff costs. Automation in these sectors could have significant impact on the Waitomo District and the availability of employment. The likely timeframe for

this change could be in the latter years of this LTP however it is difficult to predict future commercial pressures that would result in this shift in the coming decade.

Use of new technology will be necessary to help provide communities with data, and a way to engage with council. Through technology, subject to cost, communities will be able to be increasingly involved in the council’s work in different ways and be empowered to act. It is important to note, it is the nature of technology that some of the downstream effects of innovation can be unexpected, and this uncertainty is where the potential for risk lies.

Disruption is, by definition, uncertain. The nature or timing of any disruption is unexpected and is outside the control of the council. However, council can manage this uncertainty by fostering a working environment which allows for agility in decision making and change at both a governance and operational level. For the purposes of these Long Term Plan 2024-2034 non-financial assumptions, this represents a low to medium risk for Waitomo District Council.

Assumption	Level of Uncertainty	Impact on Integrity of LTP
2. That the impact of technological change or disruption will not adversely affect Councils ability to deliver services.	Medium	Low - Medium

## GLOBAL CRISIS

A positive outcome of the COVID-19 pandemic is WDC has effective systems and procedures in place for many staff to be able to work remotely if needed, however some of the council’s activities simply cannot be performed remotely. The likelihood of another global isolation response has reduced however there will continue to be a level of risk and a resulting global economic downturn from future pandemics or global crises.

Our own state of emergency declared for the Waitomo District in January demonstrated how the Council may be required to stop or reduce many of its business-as-usual activities to focus resources on an Emergency Management response. This was also the case with the response to Cyclone Gabrielle when a National State of Emergency was declared, and WDC staff are made available to support the emergency response for other councils.

There is a medium level of uncertainty on whether another global crisis may eventuate in the next decade, there is reduced uncertainty with the COVID-19 pandemic having moved to an endemic phase.

Assumption	Level of Uncertainty	Impact on Integrity of LTP
3. (a) Council will be able to deliver its core services at the current levels or at a reduced level during a global crisis or pandemic, with sufficient systems and procedures in place to ensure business continuity.  (b) Council will be able to adequately resource and support any Emergency Management response in the event of a global crisis or pandemic.	Medium	Low- Medium

## SECTION | NATIONAL IMPACT

### FUTURE PRICE CHANGES – RATES OF INFLATION

For the first year of the LTP (2024/25), all financial statements have been prepared using the 2024 dollars. Price level adjustments for inflation, as prepared by Business and Economic Research Limited (BERL) in their report dated October 2023, have been included in all financial statements for the following nine years of the LTP.

The table below shows the per annum escalation adjustments applied to particular cost groups from year 2-10 of the LTP.

Planning Year	Cost Adjusters				Price indices		Cost Adjuster	
	Planning and regulation	Roads	Community activities	Water and environmental	All salary and wage rates - local government	Local Government Administration	Insurance	Local Government Cost Index (LGCI) Opex + Capex
Group of activities	Regulation Resource Management	Roads	Recreation and property Community and partnerships	Water, Wastewater, Stormwater, Solid Waste	Salaries and wages	Leadership	LGCI	
2025/26	2.1	2.0	2.0	2.5	2.2	2.1	10.0	2.2
2026/27	2.2	2.3	2.2	2.7	2.1	2.1	10.0	2.3
2027/28	2.1	2.3	2.2	2.6	2.1	2.0	2.4	2.3
2028/29	2.0	2.2	2.1	2.5	2.0	1.9	2.3	2.2
2029/30	1.9	2.1	2.0	2.3	1.9	1.9	2.2	2.1
2030/31	1.9	2.0	1.9	2.3	1.9	1.8	2.1	2.0
2031/32	1.9	2.0	1.9	2.2	1.9	1.8	2.0	2.0
2032/33	1.8	2.0	1.9	2.1	1.8	1.8	2.0	1.9
2033/34	1.8	1.9	1.8	2.1	1.8	1.7	1.9	1.9

#### Fees and charges and other revenue

Inflation is also applied to fees and charges and other revenue. The risk is that fees and charges revenue and other revenue does not grow as assumed in the plan and that has a negative impact on the surplus/deficit and the need for additional rates funding.

Inflation is not applied to interest revenue, alcohol licencing fees revenue, funding received for the maintenance of stock effluent facility and external funding arrangements (such as Mayors Taskforce for Jobs and Better Off Funding).

#### Operating and capital costs

The inflation assumptions will be applied to 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 the operating and capital expenditure.

For insurance costs, a cost adjuster applied to 2025/26 and 2026/27 of 10% based on advice received from the insurance brokers. For the remaining years an average of the BERL cost adjusters for Community activities and Water and Environmental has been applied.

The 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. From experience, contract tender prices can vary materially from the BERL factors due to the remoteness of parts of the district and the size of contracts that the Council will seek to place. Demand pressures created from economic recovery may also exacerbate this issue. These movements can be as large as 10-20% in the year immediately following contract re-tendering/renewal, due partly to the inherent increase in the levels of service that are introduced to the new contract specifications, either

consciously as a change to the scope of the works or as a consequence of contract interpretation over previous years.

The risk associated with this assumption is the rates of inflation may increase at a rate different to that forecast. Rates of inflation greater than those assumed will impact on future cost estimates and the ability of the community to afford the consequential rate increases. Higher than expected inflation may result in additional rates funding required to maintain the existing levels of service, a reduction in service levels or work rescheduled to later years. Higher costs relating to capital expenditure could result in higher debt levels and increased operating costs from interest expense leading to increases in rates.

This risk may be mitigated by revising budget estimates as part of each Annual Plan and inflation estimates when the LTP is reviewed every three years. A number of factors will affect economic performance and certainty around the inflation factors is difficult to judge. BERL has had many years of experience in providing cost adjusters to local government and is the best known source available. However, with volatility within the global economy and the difficulties in predicting inflation over a ten year period, the risk is considered medium.

Inflation rates used over years 11-30 of the infrastructure strategy is the average inflation rate used in this plan for the corresponding activity.

Inflation is not applied to interest expense, grants expenditure, waste minimisation levy expenditure, expenditure related to funding agreements (such as Better Off projects and Mayors Taskforce for Jobs).

Assumption	Level of Uncertainty	Impact on Integrity of LTP
4. Actual rates of inflation will be consistent with the projected inflation adjusters	Medium	Low

## NZ TRANSPORT AGENCY WAKA KOTAHI FINANCIAL ASSISTANCE

The Financial Assistance Rate (FAR) received from NZ Transport Agency Waka Kotahi (NZTA) for qualifying road and footpath expenditure is assumed to continue at the previous confirmed rate of 75% over the life of the plan. It is assumed that operating and capital expenditure programmes, which have in the past received NZTA subsidies, will continue to meet the criteria for funding of the life of the plan.

There is a risk that NZTA could change the subsidy contribution and/or the criteria for compliance for funding which could result in less or more revenue. If the actual subsidy revenue is lower than expected, there may be an increased cost to ratepayers or work may be deferred to future years. If the subsidy increases, then the work programme could be completed at a lower cost to the ratepayers.

Assumption	Level of Uncertainty	Impact on Integrity of LTP
5. NZTA Financial Assistance Rates will continue to be received at 75% on qualifying road and footpath expenditure.	Low – Years 1-3 Medium – Years 4 -10	Medium

## EXPECTED INTEREST RATES ON BORROWING

Interest costs are estimated by considering both forecast interest rates and projected debt levels. The forecast interest rates are calculated using the following inputs namely; the current debt portfolio, the projected movement in the size of that portfolio over time, interest rate swaps, the LGFA's floating rate note and fixed rate bonds, the inclusion of a margin for risk over future LGFA secured debt, an



assumed market forward track for the 3 month BKBM (Bank Bill Benchmark Rate) together with a conservative margin for risk. The conservative buffer margin is assumed of 0.25% from year 4 onwards of the plan.

The risk associated with this assumption is that interest rates may be different to those forecasts. Any increases in the interest rates above the interest rate forecast may result in increased operational costs and rates funding requirement in those years or alternatively a delay in the start date of some projects to keep overall costs contained within the annual budgets.

The Treasury Policy contains the parameters for external borrowings to limit interest rate risk and provides for the use of interest rate risk management instruments such as interest rate swaps to deliver greater certainty over interest costs.

Assumption	Level of Uncertainty	Impact on Integrity of LTP
6. The annual interest rate on borrowings will be 4.90% for the period 1 July 2024 to 30 June 2027, 5.75% for 1 July 2027 to 30 June 2030 and 6.10% for 1 July 2030 to 30 June 2034.	Medium	Low

### CENTRAL GOVERNMENT CHANGES TO POLICY OR LEGISLATION

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 that the potential risks to materially impact this LTP are medium to high in scale, particularly in regard to the government’s Affordable Water Reform.

Some impacts are known such as the Waste Minimisation Act 2008 amendments to kerbside and recycling services. The future for Local Government draft report gives some indication of more community focused and led governance but how this would be implemented, and the impact is still largely unknown. Post the General Election in October 2023 there is still uncertainty on reforms on ‘3 Waters’ , Resource Management Act and ‘Future for Local Government more detail on the approach from the political parties will be known once new Ministers are in place and direction is communicated to local authorities.

Changes to regulations or rules that affect how we operate are uncertain at this point especially the unknown details of the repeal of 3 Waters Reform and its impact on Council. The planning approach is to work on the basis of what has been agreed by Cabinet to repeal the 3 Waters Reform legislation and requiring Councils to include the delivery of 3 waters services in the LTP if adopting after the legislative change in February 2024..

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

## SECTION | WAITOMO DISTRICT IMPACT

### EXTERNAL BORROWING

Council joined the Local Government Funding Authority (LGFA) in 2017 as a borrower and guarantor and borrows substantially all its debt fund needs through the LGFA. Council's borrowing options include bank borrowing and obtaining funds from the LGFA.

If Council were not able to borrow any additional funding this would result in either project delays or reduced levels of service. Council considers the risk of not being able to access borrowing is minimal as security is provided through its ability to generate an income from rates. Council has a credit facility in place which is renewed annually, and Council is able to borrow through commercial banks and the LGFA.

Assumption	Level of Uncertainty	Impact on Integrity of LTP
8. Council is able to access external borrowing at levels forecast in the LTP.	Low	Low

### PROJECTED GROWTH AND SOCIETAL CHANGE FACTORS

A population projection report was prepared for the Waitomo District long term planning by Infometrics in September 2022. Waitomo District hit its lowest population point of 9340 in 2013. The population has been in steady low growth at an average of 0.1% for the last ten years. The population is projected to continue growing to reach a peak of 10,035 in 2039, thereafter easing back to 9,640 in 2054. This means that although growth is forecast over the next 20 years, by the end of the 30-year horizon, Waitomo is expected to have a similar population level to what it has today.

The key points are:

- The population is projected to continue to increase for the next 15 years, then decline to be back at today's numbers in 30 years.
- The trend toward an aging population continues. The proportion of people aged 65+ is forecast to increase from 15% in 2018 to 25% 2053.
- The proportion of the population under 15 years of age is forecast to decline from around 19% in 2018 to 17% 2053.
- Waitomo's average age has risen from 33 years in 1996 to 39 years in 2021 and is projected to rise to 45 years by 2054.

The result of this changing age structure is that the proportion of people aged between 15 and 64 years of age is forecast to decline. This may have a flow-on effect to the make-up of the workforce in the district. An ageing population also contributes to a decline in average household size, there is a slight decline predicted from 2.61 in 2021 to 2.55 in 2031.

In terms of geographic spread of growth, Te Kuiti is expected to experience the strongest growth with the availability of zoned land and employment opportunities. The population and number of dwellings is projected to grow in the Waitomo Rural Ward as international tourism sector recovers driving the need for more workers. Maniaiti/Benneydale is also expected to experience minor growth with strong employment in the area.

Growth is expected to be negative in the other rural communities due to challenges in rural employment and increasing regulation of the agricultural industry and land being converted to carbon farming. The aging population also contributes to the decline in the rural communities.

Population and dwelling growth flows through to rating units. The district’s rating units are predominantly Residential and Residential Lifestyle, with nearly two thirds of the total rating units falling under these two categories. Therefore, any rating unit growth is heavily dependent on dwelling growth.

Household growth and therefore rating units are predicted to grow across the district as the demographics cause household size to fall. This increases the need for more households in the district with 0.5%pa growth predicted for the next 10 years. However, this will only eventuate if suitable dwellings are available to meet demand.

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

### FORECAST RETURN ON INVESTMENTS AND INVESTMENT VALUE

The financial annual return on Council’s investment in Inframax Construction Limited (ICL) is assessed at zero for the term of the plan. Any investment income would be utilised prudently to accelerate retirement of debt. Due to the uncertainty in determining the future value of the investment, no increase or decrease in the value of the investment has been recognised over the life of the plan.

Assumption	Level of Uncertainty	Impact on Integrity of LTP
10. The annual financial return on investments is assessed at zero.	Medium	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 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.

With the uncertainty on 3 Waters Reform and potential impact of new comprehensive stormwater consent the impact has been raised to medium.

The new resource Consent for the Te Kuiti Landfill lapses on 24 September 2024 if we do not take up this consent. Options to activate our new Resource Consent and also expand into a new landfill cell are being considered. A Special Consultative Process with the community is planned for after the LTP is adopted to consider the viable options for the future of the landfill and the disposal of wastewater sludge.

Assumption	Level of Uncertainty	Impact on Integrity of LTP
11. Resource consent acquisition and compliance processes are within estimated timeframes and expenditure estimates.	Medium	Medium
<ul style="list-style-type: none"> <li>3 Waters</li> <li>Landfill and Other Activities</li> </ul>	Medium	Medium

## RATING BASE

It has been assumed that there will be an increase in Council's rating base (number of rateable assessments) over the term of the 2024-2034 LTP. The projected household growth rate of 0.5%pa can be assumed for rating unit growth. This assumption is dependent on availability of dwellings as discussed in the projected growth section.

Assumption	Level of Uncertainty	Impact on Integrity of LTP
12. There is an increase in the rating base over the LTP time period that impacts on other LTP assumptions.	Medium	Low

## REVENUE FOR WATER AND TRADE WASTE SERVICES

There are two major users of Council services built into the financial forecasts. These are the metered water revenue and trade waste revenue received from the two large meat processing companies within the district. The underlying assumption in Council's financial forecasts is that the companies will continue to operate within the District.

The risk associated with this assumption is that the loss of one or both of these companies would reduce the revenue forecast in the LTP for the first two years. There is no information to suggest the likelihood of the companies closing during the life of the LTP.

Assumption	Level of Uncertainty	Impact on Integrity of LTP
13. The two major users of water and trade waste services will continue to operate within the district	Low	Low

## TRANSFER OF OWNERSHIP OF STRATEGIC ASSETS

For the purpose of the 2024-2034 LTP period Council has assumed that there will not be a transfer of significant assets. Central Government's Local Water Done Well Programme and the subsequent legislation will see Council's 3 Waters assets (and associated debt) remain with Council. There will be a non-mandatory option to form Regional Council Controlled Organisations (CCO's) allowing transfer of assets (and associated debt) to the CCO's. There is currently high uncertainty as the legislative changes for this to occur at the time of developing the LTP are not completed.

The ownership of Council owned housing will be discussed during the LTP process.

Council also intends to assess its investment portfolio for optimal use as part of its regular management practice.

Assumption	Level of Uncertainty	Impact on Integrity of LTP
14. There will <b>not</b> be a transfer of ownership of significant assets	High	High

## ASSET REVALUATION

Asset revaluation amounts are based on the assumed rates of inflation within this plan.

Infrastructure and land and building assets are revalued by an independent valuer on a 3-yearly basis in accordance with the accounting policies. Asset revaluation cycles differ for each class of asset and the projections within this LTP assume a three yearly staggered revaluation cycle of asset classes. However the timing of the revaluation may differ due to the fair value requirement of the accounting standards. During periods of rapid cost/price increases, it is more likely that out of cycle revaluations may be required to ensure assets continue to be reflected at fair value.

If the value of the asset class increases at a higher rate than the assumed level of inflation this may require an increase in rates funding to ensure we fund the increased depreciation charge or alternatively may impact on the level of services able to be delivered within the forecast funding limits.

If the value of the asset class increases at a lower rate than the assumed level of inflation this may reduce the rates funding requirement as depreciation costs would be less.

No provision has been made in the plan for changes in value for investment properties or assets held for sale as there will be no cash flow implications or any impact on the levels of service provided by the Council's Groups of Activities due to the valuation.

Assumption	Level of Uncertainty	Impact on Integrity of LTP
15. Asset revaluation amounts are based on the assumed rates of inflation and asset classes revalued on a 3-yearly basis.	Medium	Low

## USEFUL LIVES OF ASSETS

Council has made a number of assumptions about the useful lives of its assets. The detail for each asset category is included in the Statement of Accounting Policies. The useful lives assumed in the 2024-2034 LTP are consistent with the NZ Infrastructure Asset Valuation and Depreciation Guidelines prepared by the National Asset Management Steering (NAMS) Group and adjusted for local conditions based on past experience. Experienced independent valuers review and confirm the useful lives for existing assets in the three yearly asset revaluation.

The risk associated with this assumption is that variations may occur between actual and assumed useful asset lives. An incorrect assumption of the useful life will impact on depreciation expense and the relevant asset replacement programme. If the asset useful life assumptions are incorrect, this may lead to asset failure or premature asset replacement. This risk is mitigated by physical inspection of assets, asset replacement programs and ongoing improvement to asset data quality. Council has developed an Infrastructure Strategy detailing the level of investment need to replace, renew or upgrade existing assets over the next 30 years for Roading infrastructure and two years of 3 Waters infrastructure.

The most significant level of uncertainty exists for bridge replacement programme however work on the future capital works projections on major Council owned buildings is also underway. The Forward Works Programme (FWP) is developed based on the age and condition of the bridges and their expected useful life.

The FWP is divided in three categories, a 3-Year, 10-Year and 30-Year programme. This programme is validated every three years based on bridge inspection outcomes within that three year period. When a bridge renewal on the FWP falls within a 10 year period, an investigation is undertaken to further understand options available to either extend asset life or to replace the



structure. This investigation can be costly and specialised tests are required to confirm the condition and integrity of the structure. If replacement is the preferred option, an end of life assessment (Present Value end-of-life PVEOL) is initiated. This confirms the replacement option or the alternative may be bridge strengthening. Funding for the future replacement and major works for bridges will be discussed during the LTP process.

Assumption	Level of Uncertainty	Impact on Integrity of LTP
16. Assets will deliver the required level of service over their document useful life.	Low-Medium	Low

## SOURCES OF FUNDING FOR FUTURE REPLACEMENT OF STRATEGIC ASSETS

The funding needed for the future replacement of significant assets is set by Council’s Revenue and Financing Policy, that incorporates the balanced budget and intergenerational principles. The funding sources used by Council for the renewal or replacement of assets are subsidies and grants, depreciation reserves and loan funding. Council does not fully fund depreciation on elderly housing and rural halls, roads assets and water and wastewater assets.

The risk associated with this assumption is that the required actual asset renewal funding varies from the forecast funding required. If asset consumption calculations are insufficient to cover the costs of renewing or replacing the asset, it may lead to reduction in service levels, additional loan funding or a higher rating requirement.

This risk may be mitigated through review of work programmes and revising budget estimates in conjunction with each Annual Plan. Council has also built depreciation reserves over time and generally these reserves have positive balances, so should be sufficient to fund renewals at least in the short term. Council has developed an Infrastructure Strategy detailing the level of investment need to replace, renew, or upgrade existing assets over the next 30 years.

Assumption	Level of Uncertainty	Impact on Integrity of LTP
17. Subsidy revenue and depreciation reserves will generally be adequate to fund asset renewal expenditure.	Low	Low

## OTHER SOURCES OF EXTERNAL FUNDING

Council is able to access central government funds in some situations to assist with delivery of projects and relies on this external funding to help deliver projects.

### Better Off Funding

A total of \$3.55 million was approved for a number of community projects which commenced in 2022 with a 5-year timeframe for completion. Projects include walkways, town gateways, social good partnerships and town amenity improvements. During the first three years of the LTP, Better Off Funding totalling \$1.8 million is forecast to be received to fund these projects.

There is a risk that if these projects is not completed by 2026, funding may no longer be available. If costs of the projects increase beyond what is forecast, the shortfall in funding would need to be funded by rates or increased borrowing, the project completion may be deferred to a later time or other external funding sources secured to finish the project.

### Mayor’s Taskforce for Jobs Programme

The Mayors Taskforce for Jobs programme is fully funded from central government. There is a risk that if the levels of funding reduce from current levels there would be an increase in rates to fund the shortfall, the programme scope would be reduced or the service would not be provided.

### Other external funding

A portion of the operation and maintenance of the stock effluent facility is partly funded by Waikato Regional Council. The plan assumes this funding will continue at the present levels. Specific waste minimisation initiatives are funded through the waste minimisation levy revenue including the public education workshops, Enviro-schools and E-waste recycling.

The plan assumes that funding will be in line with any planned increases in the waste minimisation levy. The risk of reduced external funding may mean an increase in rates to fund the shortfall, the programme scope reduced or the programmes deferred to operate within the forecast funding limits.

Assumption	Level of Uncertainty	Impact on Integrity of LTP
18. External funding assistance will continue to be received at present levels on qualifying expenditure and Council will meet the conditions of each funding agreement.	Low	Low

## DEVELOPMENT/FINANCIAL CONTRIBUTIONS

A Development Contribution Policy (DCP) pursuant to the Local Government Act 2002 is only appropriate where Council proposes to undertake significant new growth-related capital projects. In the absence of growth, the costs of developing and implementing a DCP significantly outweighs the benefits unless the opportunity for significant housing and industrial growth occurs.

The growth projections indicate that there is likely to be a small amount of growth in dwellings and in rating units, which may be stronger than population growth. This is, however, dependant on suitable dwellings being available for the increased demand from aging population and immigration returns to normal levels. Over the next decade the household growth is predicted to grow at 0.5%pa. in line with population growth peaking in 2039 at 3,900 households. From 2040s the trend will turn negative as the population begins to decline, therefore general stability can be anticipated, and the impact of growth is assumed to be low.

The Resource Management Amendment Act 2020 re-enacted the ability for councils to collect financial contributions from 1 July 2020, therefore financial contributions have been incorporated into the Proposed District Plan. This will allow Financial Contributions to be collected after the implementation of the District Plan. No budgets have been added for this potential revenue stream.

Assumption	Level of Uncertainty	Impact on Integrity of LTP
19. No material growth related capital expenditure is expected.	Low	Low

## AVAILABILITY OF CONTRACTORS TO COMPLETE CAPITAL PROGRAMME

It is assumed there is sufficient capacity within the professional services and physical works contractor market to undertake the capital programme.

There is a low to medium degree of uncertainty around this assumption as there are high levels of forecasted capital expenditure from other central and local government agencies in the North Island as well as strong ongoing (but now weakening) demand for new housing and development nationally. The impact of this on supply and demand on the contracting sector may impact on price competitiveness. Against that, the civil construction sector is seeing spill-over of out of district contractors seeking to establish local market foothold. The removal of the Tranche 2 funding for 3 Waters Reform has reduced the potential for labour and supply shortages within the timeframe of the LTP.

Assumption	Level of Uncertainty	Impact on Integrity of LTP
20. Availability of contractors to complete capital programme	Low - Medium	Medium

## INSURANCE

Significant weather events over the past two years has highlighted Council's exposure to increased risk on our infrastructure and other assets within the district. Globally, severe and adverse weather events and natural disasters continue to impact the insurance market.

There is a risk the insurance premiums may increase more than expected, which would require more funding from rates and fees and charges.

Council will continue to work with our insurance partners to stay abreast of, and to mitigate any material changes, and to ensure appropriate levels of insurance are in place with an acceptable tolerance of risk.

Assumption	Level of Uncertainty	Impact on Integrity of LTP
21. Council will secure adequate insurance cover on council assets over the life of the plan.	Low	Low

## NATURAL DISASTER EVENTS

There are no significant local natural disasters anticipated during the life of the plan.

The district is classified as a medium risk area for earthquakes, as outlined in the Building Act 2004, therefore there is a medium risk of an earthquake affecting our district. In extreme weather events there is also a risk that rainfall events will result in flooding and inundation of properties and our infrastructure.

There is a risk that a natural disaster may occur which will have a significant impact on our infrastructure, the ability to deliver services and the current planned expenditure within this plan. There may also be adverse effects on the community, population and local economy.

It is difficult to predict the likely financial impact of a significant natural disaster however to mitigate some of the risk, Council will continue to obtain insurance cover for key assets and infrastructure and assumes that Central Government will continue to maintain its 60% damage cost cover for local infrastructure. Waka Kotahi also provides an emergency repairs subsidy (FAR + 20%), once a threshold has been reached, for damage to the roading network from significant natural disasters.

Assumption	Level of Uncertainty	Impact on Integrity of LTP
22. There will be no significant local natural disasters over the life of the plan.	Medium	Medium

## EMISSIONS TRADING SCHEME

Through the operation of the district landfill, Council is a mandatory participant in the Emissions Trading Scheme (ETS). Council is required to surrender carbon credits annually to satisfy the obligations under ETS in May of each year for the emissions on waste disposed at the landfill in the

prior calendar year. The amount of the annual emissions obligation is determined by the total waste deposited at the landfill by the default emissions factor (DEF). Significant penalties are imposed if Council does not surrender sufficient carbon credits within the required timeframe. The price of carbon credits is volatile and is sensitive to government announcements around regulatory settings, which can see the price of carbon credits increase or decrease significantly.

The cost of carbon credits is difficult to forecast as changes in legislation or regulation settings can have a significant impact of the market. The price of carbon credits are assumed as follows across the life of the plan.

Assumption	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
ETS price	\$85	\$90	\$95	\$100	\$110	\$120	\$130	\$140	\$150	\$160

There is a risk that the price of carbon credits will be higher or lower than what is assumed in the plan. If the price of carbon credits is more than assumed, additional rates funding and fees and charges revenue may be required or less carbon credits may be purchased. If the carbon credits are less than assumed, less rates funding and fees and charges revenue may be required or more carbon credits may be purchased for future years obligations. There is a high level of uncertainty for the carbon credit price over the plan.

The waste tonnages are assumed at 8,600 tonnes per annum including 1,000 tonnes of sludge disposal. There is a risk that waste tonnages will be higher or lower than what is assumed in the plan. If waste tonnages are more than assumed, additional carbon credits will need to purchased to meet the surrender obligation which will increase rates funding and fees and charges revenue. If waste tonnages are lower, less carbon credits will be needed therefore reducing the rates funding and fees and charges revenue required.

With the forecast installation of gas flaring equipment at the landfill, Council intends to apply for a unique emissions factor (UEF). It is assumed that the UEF will be significantly less than the default emissions factor. The DEF of 1.023 is assumed for the first three years of the plan, reducing to 0.61 from Year 4-6, then 0.46 for the remaining years of the plan. There is a risk that the DEF and UEF will be higher or lower than what is assumed in the plan. This will result in more or less carbon credits required to satisfy the surrender obligation thereby increasing or decreasing the level of rates and fees and charges funding required each year.

Assumption	Level of Uncertainty	Impact on Integrity of LTP
23. Waste tonnages, the default or unique emission factor and the carbon credit price will be consistent with the projected values.	Medium  High – carbon credit price	Medium