

## 2021-2031 LTP SIGNIFICANT FORECASTING ASSUMPTIONS

ASSUMPTION	SOURCE	RISK	LEVEL OF UNCERTAINTY	IMPACT OF VARIATION	MANAGEMENT OF RISK	ACTIVITY
<b>POPULATION CHANGE</b>						
The Waimate District population will observe a gradual increase by 4.38% between 2020-2030. It is assumed that this increase will generate a relative impact on population-related metrics, such as the quantity of rateable properties.	Rationale	Population growth either significantly exceeds that of the projected percentage, or is significantly below the projected percentage.	Low	If population accelerates significantly above the given assumption, existing infrastructure may not be suitable to cope with the extra demand.	Council will monitor population measures provided for the district, and will respond to significant variations to assumptions, where possible.	All activity groups
<b>DEMOGRAPHIC CHANGES</b>						
Between 2020-2030, the district's population retains its comparatively high mean age, while observing a gradual and mild reduction in the mean age level, with the age group of 45-49 years likely to be the most frequent by 2030.	Rationale	The demographic make-up of the Waimate District changes significantly.	Low	If the district's demographic changes significantly from the predicted range, the existing infrastructure may not meet the needs of the relevant demographic classes.	Council will monitor demographic measures provided for the district and respond to significant variations to assumptions, where possible.	All activity groups
<b>OIL PRICE</b>						
Due to the instability of the international petroleum market (as caused by the effects of the COVID-19 pandemic), fuel prices are likely to fluctuate for a period of time. However, it is assumed the time period will be relatively short, as the petroleum market has historically demonstrated a tendency to stabilise rapidly, where possible.	WDC	There is a risk that fuel demand will be different to that assumed, and that significant changes in market price occur with greater frequency and/or greater severity.	Moderate	Increased fuel costs would have a particular impact on the costs of road maintenance, renewal, and improvement. This may affect Council's ability to carry out planned work without additional funding. It may also increase demand for alternative methods of transport.	Council will monitor the impact of fuel price on spending and aim to optimise spending.	All activity groups

ASSUMPTION	SOURCE	RISK	LEVEL OF UNCERTAINTY	IMPACT OF VARIATION	MANAGEMENT OF RISK	ACTIVITY
<b>CLIMATE CHANGE</b>						
<p>The effects of climate change are expected to manifest in three categories:</p> <p>a) gradual change in meteorological conditions (for example, change in temperature, more severe weather conditions and events, rising of sea level, coastal and inland erosion, among others), and</p> <p>b) general socio-economic consequences of such changes, and</p> <p>c) socio-economic consequences of policies/ measures designed to curb the adverse effects of climate change.</p>	WDC	Environmental changes may accelerate at a rate higher than predicted, and/or the socio-economic consequences of adaptation measures may exceed the anticipated range.	Moderate	If environmental changes were to accelerate, Council's infrastructure assets would be significantly impacted. This would result in further modifications or more regular repairs to relevant assets.	Council will monitor the operational and socio-economic effects of environmental changes and adapt its response where required, if possible.	All activity groups
<p>The Emissions Trading Scheme (ETS) became law in September 2008, resulting in minor cost increases. As the ETS grows, Council anticipates that the introduction of new areas will continue to have increases and that those increases are recognised in Council's inflation figures.</p>	Ministry for the Environment	There is a risk of legislative change, which could result in costs being higher or lower than assumed.	Moderate	Should the impact of the scheme exceed significantly from the given assumption, budget for additional cost may need to be considered.	Council will monitor the development of relevant legislation and review the impact of any significant changes in the Annual Plan.	Property, Roothing and Footpaths, Rural Water Supply, Urban Water Supply

ASSUMPTION	SOURCE	RISK	LEVEL OF UNCERTAINTY	IMPACT OF VARIATION	MANAGEMENT OF RISK	ACTIVITY
<b>WAKA KOTAHI NEW ZEALAND TRANSPORT AGENCY (NZTA) REVENUE</b>						
Roading expenditure comprises a significant portion of Waimate District Council's total expenditure, therefore using a significant portion of Council's overall rate take. The majority of Council's expenditure on the district's roads is eligible to attract an assistance rate from the Waka Kotahi New Zealand Transport Agency (NZTA). It is further assumed that the funding assistance rate received by Council for qualifying roading expenditure for maintenance and improvement projects is set at 64% for 2020/21 onwards.	NZTA	The subsidy rate may be subject to change, along with any variation in criteria for inclusion in subsidized works programmes.	Moderate	Changes to the funding priorities of NZTA remain outside Council control. Minor variations would impact significantly on forecasted financials.	Any impact of changes to the NZTA funding assistance rate will be applied to the relevant Annual Plan.	Roading and Footpaths
<b>GRANTS AND SUBSIDIES</b>						
It is assumed that all projects funded, or partially funded, from grants and subsidies will be available in the year the expenditure is planned. If the funding is not received, it is most likely that the project will not proceed in that year. Examples of projects where funding is assumed are roading maintenance and improvements, and bridge renewals.	WDC	Subsidies are not received and projects do not go ahead.	Moderate	Some projects have a more significant impact than others if they do not proceed in the planned year. The roading projects where Council rely on NZTA funding may result in reduced level of service.	Build robust business cases and regular liaison with the relevant funding bodies to ensure projects (with a high likelihood of receiving funding) are included in the Long Term Plan.	Roading and Footpaths, Property

ASSUMPTION	SOURCE	RISK	LEVEL OF UNCERTAINTY	IMPACT OF VARIATION	MANAGEMENT OF RISK	ACTIVITY
<b>NEW ZEALAND DRINKING WATER STANDARDS &amp; SERVICE DELIVERY</b>						
While it is assumed that there will be change to the ownership and delivery of Three Waters in the next ten years, Council is not able to predict with absolute certainty what those changes will be. It is unlikely that details will be known earlier than mid-to-late 2021. This LTP has been developed on a business-as-usual basis for the delivery of Three Waters; but the change is very likely to occur over the mid-term (3-5 years).	WDC  Central Government	Legislation changes under urgency in Parliament that must be implemented immediately.	Moderate	Changes are required to be implemented more quickly than anticipated, and/or changes are mandatory rather than voluntary.	Council closely monitors any and all developments, and responds accordingly.	Rural Water Supply, Urban Water Supply
<b>RESOURCE CONSENTS</b>						
The conditions of resource consents held by Council may be changed, and that Council will obtain the necessary resource consents for planned projects.	WDC	There is a risk that resource consent conditions are altered significantly.	Moderate	Advanced warning of likely changes is expected. The financial effect of any change to resource consent requirements would depend on the change.	Council will monitor the development of relevant standards and review the impact of any significant changes.	Roading and Footpaths, Sewerage, Stormwater, Waste Management, Urban Water Supply, Rural Water Supply
<b>WATER IRRIGATION SCHEMES</b>						
Council does not expect major irrigation schemes to be introduced into the district over the period of the Long Term Plan.	WDC	New major schemes are introduced.	Low	The introduction of a major irrigation scheme is likely to produce minimal impact on Council, but a more considerable impact on the district's agricultural sector.	Council will monitor the environment in regard to any potential development, and seeks to remain involved in discussions/proposals.	Roading and Footpaths, Rural Water Supply, Sewerage

ASSUMPTION	SOURCE	RISK	LEVEL OF UNCERTAINTY	IMPACT OF VARIATION	MANAGEMENT OF RISK	ACTIVITY
<b>EMERGENCY EVENT</b>						
Disruptive or destructive emergency events such as earthquakes, extreme weather events, and pandemics may occur to damage, disable, or destroy community infrastructure (for example, district roads, bridges, water supplies, among others), or community activities. It is further assumed that the cost of correcting such damage is met either by Council or its insurance providers, or by possible special government grants.	WDC	Inability to recover or continue business following a major event.	Moderate	If a major emergency event did occur, Council have some insurance for its infrastructure, and assistance would be offered from Central Government. To pay for additional emergency work not covered by the above, Council would increase internal/external borrowings.	Council undertakes business continuity plans for its own operation, and coordinates Civil Defence planning for the district. In doing so, Council attempts to prepare itself and the district for such events.	All activity groups
<b>DEVELOPMENT CONTRIBUTIONS</b>						
With the Resource Management Act 1991 able to revoke Council's ability to levy financial contributions (effective 18 April 2022), it is expected that Council will still be able to recover development contributions from that date onwards. It is further assumed that the level of funding recoverable under each system will be broadly similar.	WDC	There is a risk this change will result in significantly different funding levels.	Low	If the available funding levels change, this will have an impact on the rates required to address any shortfall/surplus.	Council will review its funding requirements prior to 18 April 2022 and ensure funding requirements match to demand.	All activity groups

ASSUMPTION	SOURCE	RISK	LEVEL OF UNCERTAINTY	IMPACT OF VARIATION	MANAGEMENT OF RISK	ACTIVITY
<b>DISTRICT ECONOMY</b>						
Despite the major impact of the COVID-19 crisis on the national economy, the Waimate District's economy is comparatively less negatively impacted, due to its specific characteristics as an area reliant on essential services and production.	WDC	Any significant reduction in income stream for any sector poses a risk.	Moderate	Drop in commodity prices - disposable spending cut back, loss of employment, closure of business. Increase in commodity prices- the reverse of the above occurs.	Council will consider the state of the district's economy when reviewing its Annual Plan and how this compares to the position assumed in the Long Term Plan.	All activity groups
<b>USEFUL LIVES OF SIGNIFICANT ASSETS AND DEPRECIATION</b>						
It is assumed reassessments of the useful lives of significant assets during the ten year period covered by this Long Term Plan will continue every three years. The detail of useful lives for each asset category is covered in the Statement of Accounting Policies.	New Zealand Asset Management Support  WDC asset revaluations	There is a risk that assets will wear out more quickly than forecasted and require replacement earlier than planned.	Moderate	If assets require replacement earlier than first considered, capital expenditure projects may need to be brought forward.	Regular review of the useful life of each asset category reduces the risk of significant inaccuracies.	Roading and Footpaths, Rural Water Supply, Urban Water Supply
<b>REVALUATION OF NON-CURRENT ASSETS</b>						
Council conducts asset revaluations every three years. The Long Term Plan assumes the following percentage increases to book value, for each of the following class of assets: Land: +10% Buildings: +10% Utilities (Water Schemes, wastewater, stormwater, Sanitation): +8% Roading: +6%	WDC	Revaluations will somewhat differ from those projected carrying values of the assets and depreciation expense.	Moderate	Variation in values is expected to be low unless the valuation methodology changes.	Regular revaluation of non-current assets reduces the risk of significant valuation shifts.	Roading and Footpaths, Rural Water Supply, Urban Water Supply, Sewerage, Property

ASSUMPTION	SOURCE	RISK	LEVEL OF UNCERTAINTY	IMPACT OF VARIATION	MANAGEMENT OF RISK	ACTIVITY
<b>FUNDS FOR FUTURE REPLACEMENT OF SIGNIFICANT ASSETS</b>						
In general, councils have some flexibility in the policies they may set with regard to sources of funds for the future replacement of significant assets. Council's flexibility centres on whether we should collect depreciation monies from ratepayers during the lifetime of the asset to build up a reserve that can fund the replacement of the asset when it comes to the end of its useful life, or when the asset comes to the end of its useful life which would compel Council to rely on borrowed money to replace it. Council considers that the most sensible approach is to collect depreciation during the life of an asset, therefore having reserve funds on hand at the time replacement is needed. See Council's 'Revenue and Financing Policy' and the 'Financial Strategy'.	WDC	Sufficient funds may not be available to pay for planned asset replacement.	Low	Funds may need to be borrowed or rated for, which may be a burden to either the Council or ratepayers in the future.	Council develops Asset Management Plans that determine the timing of asset replacements. Council uses these to forecast and prepare for future funding requirements.	Property, Roading and Footpaths, Rural Water Supply, Urban Water Supply, Sewerage
<b>RETURN ON INVESTMENT- ALPINE ENERGY</b>						
Alpine Energy returns will be in line with the company's FY2022-2024 Statement of Corporate Intent which includes a Dividend Policy of 6c per share, through to 31 March 2024. Thereafter it is assumed the dividend will remain at 6c.	WDC (in conjunction with its respective advisors)	There is a risk that returns on investments will be higher or lower than forecasted.	Low	Council is aware of the factors contributing to the changing nature of Alpine Energy's overall profit. If revenues are depressed for a sustained period, the company will be unlikely to maintain dividends at the proposed level.	Council plans to reduce its reliance on any dividend income that presently supports core operational activity.	Investments and Finance

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<b>FORESTRY ASSETS VALUES</b>						
It is assumed that the forestry asset values will increase annually over a rotation cycle of 30 years.	WDC	The value of forestry assets may sharply increase or decrease.	Low	A change in the value of the forestry asset will change Council's financial performance in the year of change occurring. However, it will not have a direct impact on the level of rates or expenditure.	Annual revaluation of forestry reduces the risk of significant valuation shifts.	Investments and Finance
<b>CAPITAL DELIVERY</b>						
Council plan to deliver 100% of all capital projects over the life of the Long Term Plan. The financial model was developed based on this assumption.	WDC	<p>There is a risk that improved levels of service in the Water Supply area will be delayed.</p> <p>There is a risk that the capital projects will not be completed in any given year, and carried over to subsequent years.</p>	Moderate	<p>Variation to planned improved levels of service for the Water Supply area, where any delay in projects relating to Drinking Water Standards New Zealand compliance will result in maintaining current levels of service.</p> <p>If projects are not completed on time, or are deferred, there may be reduced operational costs and depreciation expense impacts.</p> <p>There could also be an increase in required budget to complete the project if delayed.</p>	<p>Additional resourcing (1.5 FTE) has been engaged to ensure the timely delivery of proposed LTP and Stimulus Fund projects. All capital works have been scheduled for 2020/21 and 2021/22 and local contractors have been made aware of the timing. Council is aware of material sourcing and has addressed this issue by sourcing materials early and maintaining stock levels. Procurement is now completed through the Government Electronic Tenders System (GETS), notifying the wider contracting / consulting market of upcoming projects. In anticipation of a large capital programme in Year 1 (2022), a portion of these projects are likely to be tendered by 30 June 2021, or very early in the 2021/22 financial year.</p> <p>Due to the nature of the rates smoothing profile for the Water Supply activity, any delay in project completion will have no effect on the funding and rates required as planned.</p>	Water Supply & all other activities



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It is assumed that Council's cash investments will generate a 1% return based on the current economic climate. It is further assumed that the returns from Council's forestry investments for the duration of the Long Term Plan will be reflective of market conditions present at the time of preparation of this document.	WDC (in conjunction with its advisors)	Returns on investments will be higher or lower than forecasted.	Moderate	Higher interest rates received on cash investments or increased investment income could result in positive cash-flow enabling consideration of higher levels of service or reduced expenditure. Council does not heavily rely on interest revenue for running its operations, therefore the impact of lower investment returns on delivery of Council services would be minimal. Similarly, Council does not use its forestry investment returns to fund other Council operations or activities.	Council sets and maintains its internal interest to provide certainty to internal capital reserves. Council will manage its external investments to optimise returns (as described in the Council's Investment Policy).  Council will monitor the forestry market's conditions and review the impact of any significant change in forecasted returns through each subsequent Annual Plan process.	Investments and Finance																																																																																																
<b>INFLATION</b>																																																																																																						
Council, along with many other New Zealand Councils, calculates and applies inflation factors to its 10-year budget forecast, using predictions of future inflation levels from New Zealand [economic research company] Business and Economic Research Ltd (BERL).	Business and Economic Research Ltd.	Inflation will be higher or lower than anticipated.	Moderate	A difference between the inflation rates experienced and those assumed will change the cost base of Council, and therefore impact funding requirements.	Council has endorsed the rates produced by BERL as the most appropriate basis for accounting for the impact of inflation and preparing the Long Term Plan.  In the event of significant changes to the underlying costs supporting work in the activity areas, mitigation planning will feature in the Annual Plan.	All activity groups																																																																																																
<table border="1"> <thead> <tr> <th>Year</th> <th>Roading</th> <th>Property and Parks</th> <th>Water</th> <th>Staff</th> <th>Other</th> <th>Wastewater</th> <th>Capital Expenditure</th> </tr> <tr> <th></th> <th>%</th> <th>%</th> <th>%</th> <th>%</th> <th>%</th> <th>%</th> <th>%</th> </tr> </thead> <tbody> <tr> <td>June 2022</td> <td>3.3</td> <td>1.7</td> <td>7.2</td> <td>4.8</td> <td>1.7</td> <td>7.2</td> <td>4.0</td> </tr> <tr> <td>June 2023</td> <td>3.1</td> <td>2.0</td> <td>3.4</td> <td>2.4</td> <td>2.0</td> <td>3.4</td> <td>3.0</td> </tr> <tr> <td>June 2024</td> <td>3.0</td> <td>2.0</td> <td>2.1</td> <td>1.5</td> <td>2.0</td> <td>2.1</td> <td>2.6</td> </tr> <tr> <td>June 2025</td> <td>2.9</td> <td>1.9</td> <td>2.3</td> <td>1.7</td> <td>1.9</td> <td>2.3</td> <td>2.6</td> </tr> <tr> <td>June 2026</td> <td>2.9</td> <td>1.8</td> <td>2.6</td> <td>2.0</td> <td>1.8</td> <td>2.6</td> <td>2.7</td> </tr> <tr> <td>June 2027</td> <td>2.9</td> <td>1.8</td> <td>2.3</td> <td>2.2</td> <td>1.8</td> <td>2.3</td> <td>2.6</td> </tr> <tr> <td>June 2028</td> <td>2.9</td> <td>1.7</td> <td>3.0</td> <td>2.3</td> <td>1.7</td> <td>3.0</td> <td>2.8</td> </tr> <tr> <td>June 2029</td> <td>2.9</td> <td>1.7</td> <td>3.3</td> <td>2.4</td> <td>1.7</td> <td>3.3</td> <td>2.8</td> </tr> <tr> <td>June 2030</td> <td>2.9</td> <td>1.7</td> <td>3.3</td> <td>2.6</td> <td>1.7</td> <td>3.3</td> <td>2.9</td> </tr> <tr> <td>June 2031</td> <td>2.9</td> <td>1.6</td> <td>2.7</td> <td>2.7</td> <td>1.6</td> <td>2.7</td> <td>2.7</td> </tr> </tbody> </table>	Year	Roading	Property and Parks	Water	Staff	Other	Wastewater	Capital Expenditure		%	%	%	%	%	%	%	June 2022	3.3	1.7	7.2	4.8	1.7	7.2	4.0	June 2023	3.1	2.0	3.4	2.4	2.0	3.4	3.0	June 2024	3.0	2.0	2.1	1.5	2.0	2.1	2.6	June 2025	2.9	1.9	2.3	1.7	1.9	2.3	2.6	June 2026	2.9	1.8	2.6	2.0	1.8	2.6	2.7	June 2027	2.9	1.8	2.3	2.2	1.8	2.3	2.6	June 2028	2.9	1.7	3.0	2.3	1.7	3.0	2.8	June 2029	2.9	1.7	3.3	2.4	1.7	3.3	2.8	June 2030	2.9	1.7	3.3	2.6	1.7	3.3	2.9	June 2031	2.9	1.6	2.7	2.7	1.6	2.7	2.7						
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<b>BORROWING COSTS</b>						
Interest costs are estimated to be 3%. This refers to the internal cost of borrowing, along with the expected external cost of debt facilities (for example, Waimate Event Centre public debt) where costs are not known, and are required to be projected.	WDC (in conjunction with its financial advisors)	Interest rates will differ significantly from those estimated.	Low	If borrowing costs are greater than those assumed, Council may need to increase its rates or reduce its expenditure. Conversely, lower costs may mean rates are lower than they would otherwise have been.	Council will monitor its applicable rate and adjust it through the Annual Plan process to reflect a level best aligned to its external borrowing rate and ability to generate returns on internal debt.	Investment and Finance
<b>UNIDENTIFIED LIABILITIES</b>						
It is assumed that Council does not have any unidentified liabilities.	WDC	There is a risk of an unexpected liability occurring. For example, a claim against Council.	Low	If an unidentified liability arises it may increase Council's expenditure. This risk is mitigated by the Council's Risk Management and Insurance Policies.	Regular review of liabilities reduces against the risk of items being unidentified.	N/A

Note on Document Control:

This version of the 2021-2031 LTP Significant Forecasting Assumptions is the latest version of the document, produced after feedback from Audit NZ, and reproduced to comply with Audit's recommendations.

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