

LONG TERM PLAN 2021 – 31 ASSUMPTIONS

Infrastructure

Assumption	Implication	Source	Likelihood	Impact on financials
Not enough will be known about the government Three Waters Reform to be able to plan for anything other than status quo for three waters ownership and service delivery	Government sponsored reform to the provision of three waters services to local communities is underway. The exact form of the changes is under development through a consultation process between central government and TLA's. Once known, the Infrastructure Strategy will require review to reflect those changes.	Initial central government advice	High	Extreme
NZTA road funding rate will be fixed at 64% for each year – 2021-22 to 2023-24 NZTA undertaking a review of its funding assistance rate during the next three years and Council are assuming that there will be no change.	Reduction in Council's share for the land transport programme.	NZTA 2021-24 NLTP Funding Assistance Rates – National Land Transport Programme	High	Reduced Council funding for land transport
No major individual assets or asset groups (outside normal replacement) sales are planned.	Ongoing maintenance and renewal costs.	Initial central government advice	High	Status quo
An assumption on Pensioner Housing ownership will be developed during this LTP. Council holds industrial and residential land and some buildings that have been purchased as part of our programme to stimulate Economic Development in the future. It is anticipated that these properties will be purchased, developed and sold during the period of the LTP.	Money is budgeted for the purchase, sale and development of these properties.	LTP 2018-28	Definite	High

Assumption	Implication	Source	Likelihood	Impact on financials
Asset data assumptions contained in our asset management systems are valid. While the asset management information system is reliable for the land transport activity, improvements in the confidence of the three waters data will be the focus for this LTP.	Medium risk - accurate and timely data to support renewal programme. This may result in unbudgeted expenditure to replace assets sooner than expected. Low risk for land transport.	Asset Management Plans	Medium	Asset management improvement programme will require an increase to previously restricted budget.
Construction cost Use the BERL indices for capital and maintenance cost movement	During the annual plan process there is the opportunity to reassess forecasted budgets. This is an opportunity to mitigate the effects of this risk. Every three years during the LTP the budgets are reassessed and adjusted taking into account prevailing costs and BERL forecasts for inflation.	BERL	Low	Increase in budget to offset construction indices
Operational and Maintenance costs Use the BERL indices for operating and maintenance cost movement	Inflation factors have been applied to budgets over the next 30 years.	BERL	Low	Increase in budget to offset construction indices
Assumed lives of assets are reasonable	Risk that pipeline asset lives are inaccurate. Life can be modified based on condition assessments and performance. Most of the buried pipeline networks have not been condition assessed and some pipes may need renewing sooner than forecasted.	Based on industry standard design life and are best assessment of life currently available.	Buried Pipelines - Medium Other assets – Low	Minimum financial impact
Natural Disasters that there is no large natural disaster that requires additional funding to reinstate assets.	There is a low risk of a natural disaster occurring during the 30-year period which may require additional funding to reinstate assets.	Asset Management Plans	Low	Insurance cover is in place to manage the risk of natural disasters.

Assumption	Implication	Source	Likelihood	Impact on financials
Pandemics that there are no pandemic events which require additional funding to reinstate assets or to delay projects / programmes.	There is a medium risk of a continuation of COVID-19 and/or a recurrence of another global pandemic which affects programme activity	Crisis Management Plan	Medium	Slippage and/or increased costs of re-planning
Resources Adequate resources available to deliver programme of work	The current situation with Covid-19 is impacting the ability of some work to be completed on time due to restrictions in place. Council is planning on the basis that staff will be available to carry out assigned duties and contractors are available and able to provide services.	Business Continuity Plans	Medium	If the Covid-19 Alert Levels change then timeframes for some projects may need to be revised.
Climate change The effects of climate change will be low over the planning period	The likely effects of climate change have been factored into our forward planning of our infrastructure.	30-year Infrastructure Strategy	Low	Low
Growth in Demand Population growth is expected during the period of the Long Term Plan. It is assumed that the “urban areas” will experience the following growth: Tokoroa 0.3% Putāruru 1.0% Tirau 1.0% Arapuni 1.0%	Potential changes in demands due to population increase has been analysed and factored into our renewals and new assets programs.	SWDC Population Projection Report	Low	Low
Changes to level of service Expected changes to level of service are expected to be minor	Significant change to the level of service will require a review of the Council’s operating and capital budgets and may have implications for Council’s infrastructure strategy to assess the impact on infrastructure.	Council	Low	Low

Assumption	Implication	Source	Likelihood	Impact on financials
Council policy No significant policy changes that impact on assets.	Any significant policy change that impacts assets will trigger a review of the infrastructure strategy. The impact of future District Plan changes is deemed to have a minimal impact on assets at this point.	Council	Low	Low

Financials

Assumption	Implication	Source	Likelihood	Impact on financials
Council staffing (head count) remains similar to current levels	Any increase in head count would increase overheads and require the need for more operating costs (e.g. in Information Services)		Medium	Low
Contractor (head count) remains static	Any increase in contractors using Council systems would increase software, and operating costs.	IS Manager	Medium	Low
Information Services. Engagement, Communication and Project Management costs are included within programme budgets	Provide for better forecasting and allocation of resources.		Medium	Low
Business Improvement activities will increase automation and efficiency. This will reduce resources needed to provide information for Council decision-making. Increased data availability, accuracy and relevance; improved information security and record-keeping Reduction in Overhead Recovery for IS budgets. Increase in Project costs (capital)	Projects will be funded for record-keeping, impact (business analysis), training, development, and technical project management	IS Manager	High	Low

Assumption	Implication	Source	Likelihood	Impact on financials
The cost of energy is going to increase.	This will have financial impacts on Council's operations, this is likely to impact on the cost of roading and the provision of drinking water, the disposal of waste, and the operation of Council's swimming pools and event centre.	BERL		Low
Inflation on operating costs will be: 2021-22: 2.4% 2022-23: 2.3% 2023-24: 2.1% 2024-25: 2.2% 2025-26: 2.2% 2026-27: 2.2% 2027-28: 2.2% 2028-29: 2.2% 2029-30: 2.2% 2030-31: 2.1%	This will impact on Council's operating costs	BERL	High	High
Interest on borrowing will be: 2020-31: 2.5%	If the cost of servicing interest is significantly different than what was projected, then this will impose an additional burden on ratepayers.			Moderate

Assumption	Implication	Source	Likelihood	Impact on financials
Inflation on capital costs will be: 2021-22: 2.5% 2022-23: 2.4% 2023-24: 2.2% 2024-25: 2.3% 2025-26: 2.3% 2026-27: 2.2% 2027-28: 2.3% 2028-29: 2.3% 2029-30: 2.4% 2030-31: 2.2%	This will impact on Council's operating costs	BERL	High	High
Earning on investment income will be: 2030-31: 4%	This impacts how much we earn on our asset replacement reserves.		High	Low
Council will revalue its land and buildings and most classes of infrastructural assets on a 3-yearly basis.	Revaluation increments could either differ in value from the estimates in this model, or the timing could differ due to the fair value requirement of the accounting standards. Either of these situations will result in the Statement of Financial Position values differing from expectation and there will be flow-on impact on the levels of depreciation expense which are generally rates funded.	BERL - inflation	Moderate	Moderate
Capital projects will be completed when predicted in the Asset Management Plans.	If capital projects are not completed when predicted ie if they have to be brought forward or delayed, then there are significant financial implications.	Asset Management Plans	Low in the early years, moderate in later years.	Low/Moderate

Assumption	Implication	Source	Likelihood	Impact on financials
<p>Where applicable, an averaged life estimate has been used to calculate depreciation on a capitalised project. Where the asset is large and can be broken down into its sub-components, the asset will most likely be componentised with specific estimates attached to those sub-components.</p>	<p>This might change the level of depreciation / asset replacement rate funding required. Of larger significance is the potential for Council to move to a forecasted asset replacement funding model where we look to accumulate the enough funds to fully fund future asset replacements.</p>	<p>Averaged asset lives</p>	<p>High</p>	<p>High</p>

Economic and rating trends

Assumption	Implication	Source	Likelihood	Impact on financials
Foreign Exchange fluctuations are negligible over the life of the LTP (ie, there is no net For Exchange / shift in NZD value relative to world currencies) over the life of the LTP	Fluctuations in (for example) NZD-USD rates affect imports, cloud services and other technology		Low	Assumed to be nil
With the expected increase in population, subdivision and building development will no longer continue to be minimal and irregular.	There is likely to be a material increase in the number of rateable properties or ratepayers each year.		High	Moderate to High. Council is planning for the infrastructure requirements for more residential development in Putāruru and growth in our other towns.
That the number of rating units in the district will increase during the period of this LTP from 10,193 to 10,643 by 2030-31	The number of rating units will increase over the period of the Long Term Plan	Calculation of subdivision resulting from new dwelling demand based on population projection during the LTP period	High	Moderate
Actual impact of Healthy Rivers Wai Ora Waikato Regional Plan Change is assumed to not impact Council operations or ratepayers and users' ability to pay for services	There could be significant adverse impacts on economy of the district and the ability to use land productively from the rules created by the Healthy Rivers Wai Ora Waikato Regional Plan Change	Central and Regional Government	High	Medium
That the 2021 rating revaluation will result in a 10% increase in the capital value of the district. However the increase in capital value will not be spread evenly over the various property types. For example a 50% CV increase on residential properties but a 8% decrease on dairy farm properties.	The 2021 rating revaluation will cause substantial variation in rates changes for different types of property when the revaluation results are used in year 2 of the Long Term Plan	Data from Valuation Service Providers as at December 2020.	High	No impact on total rates revenue or financials. But a significant impact on majority of ratepayers

Other assumptions

Assumption	Implication	Source	Likelihood	Impact on financials
Population growth is expected during the period of this Long-Term Plan. It is assumed that the district will experience an increase of 1% per annum for Tīrau, Putāruru and Arapuni and 0.3% for Tokoroa. Business zone growth is also planned.	There will be an increase in demand for services and a potential increase in the rating base. There is also a need to review our District Plan and plan for additional infrastructure to cope with new residential development.	Asset Management Plans identify the need for new major capital expenditure.	Moderate	High
Legislation will continue to change	Council will continue to have increased mandate and community expectation with likely no additional central government funding	Central Government	High	Moderate
Levels of service expectation and difficulties in community enforcement will continue to rise due to societal change	Move from reactive to proactive shift and increased legal challenges may be necessary and health and safety issues for staff may escalate eg greater Building Act exemptions places obligation on owner similar to Food Act audits – risk and TA control minimal, aggression and noncompliance towards field staff, increase in ombudsmen escalation	Central Government	Moderate	Moderate
There will be continued actual impact on the South Waikato due to COVID-19	Ongoing adverse effects to district yet to be fully quantified and consequences to Council activity largely unknown. No change in resources are budgeted for this. Resources are reallocated as require and other risk management work is not undertaken	National Civil Defence Support Agencies	Moderate	Moderate
There will be no major environmental or civil defence events which could impact on the district and/or Council operations.	If a major environmental event does occur, then the impacts have not been provided for in the budgets or Council's work programme	Civil Defence	Moderate	Moderate

