

## 20. THE ASSUMPTIONS

### Nga whakaaroarotanga

This chapter sets out the forecasting assumptions (both financial and non-financial) that Council has used to prepare the Long Term Plan. If these assumptions need to be adjusted in the future, they can be amended through the Annual Plan process.

### 20.1. Infrastructure related assumptions

Assumption	Implication	Source	Likelihood	Impact on financials
Nationally there will continue to be concerns around the quality of our waterways which will result in stricter environmental regulation both nationally and regionally.	<p>It may become more difficult to obtain resource consents in the future for activities such as discharging wastewater or taking water for municipal supplies. During our current engagement with Waikato Regional Council and with iwi we are now considering alternative options for disposing of wastewater such as spray irrigation onto land, discharge to wetlands and more intense purification of water before discharge.</p> <p>There may also be further restrictions on how much water Council can take for its municipal supplies.</p>	This is an ongoing trend. Council is in the process of applying to the Waikato Regional Council to renew wastewater discharge resource consents. Stricter conditions will be imposed to comply with the Healthy Rivers Wai Ora Plan Change 1. Complying with stricter environmental conditions has an increased cost as estimated in the budget.	High	<p>High. Financials have considered the likely cost of complying with the conditions imposed on the wastewater resource consent. Costs have been included for the upgrades that will be required at all four wastewater treatment plants to meet the new standards for discharge but the exact solution has yet to be decided.</p> <p>Water extractions costs have been included for the second pipeline from Te Waihou to Putāruru and investigation costs for the future of the Putaruru Pinedale Reservoirs.</p>

Assumption	Implication	Source	Likelihood	Impact on financials
<p>The Tokoroa Landfill consent expires in October 2020. Also the existing landfill cell is expected to be full by 2021. Due to Health and Safety concerns at landfills, it is now common for waste to be disposed at transfer stations rather than directly by customers at a landfill tipface. In the early stages of the Long Term Plan a new transfer station will need to be constructed somewhere in Tokoroa. Also in the early stages of the Long Term Plan a decision will need to be made on whether to resource consent and build a new cell for solid at the existing site in Tokoroa or to manage all solid waste generated in the district via a transfer station and disposal of this waste to an out-of-district location. Council are in the early stages of planning for these options. Council is also undertaking its six year review of its Waste Minimisation Plan. The assumption included in the LTP is that a new Transfer Station will be constructed at Newell's Rd Tokoroa, and that a new landfill cell will be opened at the existing Tokoroa Landfill but further consultation will occur.</p>	<p>There will be changes to Council's revenue and operating costs for Solid Waste.</p>	<p>Monitoring data and discussion with neighbouring councils.</p>	<p>High</p>	<p>Moderate. The allowance made in the LTP should cover the likely options.</p>
<p>The cost of energy is going to increase.</p>	<p>This will have financial impacts on Council's operations, in particular 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.</p>	<p>BERL</p>	<p>High</p>	<p>Moderate</p>

Assumption	Implication	Source	Likelihood	Impact on financials
<p>There will be some significant impact from climate change over the next 10 years.</p>	<p>Climate change is likely to result in higher intensity flooding events. If our infrastructure cannot withstand these events then it will be damaged. Also the incidents of drought conditions are likely to place greater pressure on Council's water supply, and storm events will increase the volumes of wastewater being treated by the Council's wastewater treatment plants and also increase volumes of stormwater to be handled.</p>	<p>While historically there has been little impact on our infrastructure from flooding events, we are seeing an increase in abnormal flooding events. This is having an impact on Council's infrastructure. Overall our level of risk from climate change is lower than other councils who have urban settlements that are close to waterways and the sea. It has been noted that the effects are further compounded by the land use changes in the District from forestry to dairy as this is an increase the amount of runoff.</p>	<p>Moderate</p>	<p>Council has budgeted between \$100,000 and \$150,000 for each year of the LTP to accommodate for the impact of abnormal storm events.</p>

## 20.2. Economic and rating trends

Assumption	Implication	Source	Likelihood	Impact on financials
With the expected increase in population subdivision and building development will no longer continue to be minimal and irregular.	More people will place higher demands on Council's infrastructure and Council is planning for that. There will be an increase in the number of consents applied for and staffing in the Building Control area has been increased to cope with that. in	Infometrix Annual Economic Profile 2017 over last two years moderated by staff discussion around expectations around sustainable growth.	High	Moderate to High. Council is planning for the infrastructure requirements for more residential development in Putāruru. Budgets have been included to undertake modelling and design. There is no allowance for the additional infrastructure required because more work is needed before this estimate can be determined.
That the number of rateable units in the district will increase during the period of this Long Term Plan from 9,909 to 10,215 by 2027-28. 2018-19: 9,909 2019-20: 9,943 2020-21: 9,977 2021-22: 10,011 2022-23: 10,045 2023-24: 10,079 2024-25: 10,113 2025-26: 10,147 2026-27: 10,181 2027-28: 10,215	The number of rating units will increase over the period of the Long Term Plan. This will result in a larger number of rateable properties to spread the rating cost over.	Historically the increase in the number of rating units has only been minor. It is expected that any new rating units created as a result of subdivision and new residential subdivision. This will be slightly offset by the amalgamation of rating units, particularly in the rural area.	High	Moderate

Assumption	Implication	Source	Likelihood	Impact on financials
There are likely to be changes to legislation that will affect Council.	Changes to legislation could impose additional costs on Council. As we are not aware of any proposed changes, it is difficult to forecast any implications.	Recently Government has made amendments to legislation such as the Building Act and has imposed new legislation such as the Sale and Supply of Liquor Act 2012 which have imposed additional responsibilities and therefore cost onto Council.  Proposed changes in the definition of local government purpose in the Local Government Act to return to the four well-beings is likely to have minimal impact.	At the time of adopting the LTP, Council is not aware of any legislation changes (other than new requirements for earthquake-prone buildings) that could result in an additional burden for ratepayers therefore low over the first three years and moderate thereafter.	Moderate
That Central Government will impose new requirements for earthquake-prone buildings.	This will place a significant cost on owners of earthquake-prone buildings (including Council) and will also have cost implications for Council in terms of monitoring and enforcing.	Documents published by the Ministry of Business, Innovation and Employment.	Moderate	Moderate

### 20.3. Financial

Assumption	Implication	Source	Likelihood	Impact on financials
Inflation on operating costs will be: 2018-19: 0% 2019-20: 2.2% 2020-21: 2.3% 2021-22: 2.4% 2022-23: 2.5% 2023-24: 2.6% 2024-25: 2.8% 2025-26: 2.9% 2026-27: 3.1% 2027-28: 3.3%	This will impact on Council's operating costs. Council has allowed for forecasted inflation rates predicted by BERL. If the actual rates are lower or higher than the prediction, then that will have a positive or negative impact on the costs that Council incurs.	BERL	High	High

Assumption	Implication	Source	Likelihood	Impact on financials
Interest on borrowing will be: 2018-28: 5.0%	If the cost of servicing interest is significantly different than what was projected then this will impose an additional burden on ratepayers.	Current government policy around inflation is that it will stay within a range of 1-3%. This will have an impact on interest rates. Government financial policy around the official cash rate is also controlled and well managed.	Moderate. It is unlikely inflation or government policy will drive interest rates to be significantly higher than current interest rates.	Moderate
Inflation on capital costs will be: 2018-19: 0% 2019-20: 2.3% 2020-21: 2.3% 2021-22: 2.4% 2022-23: 2.6% 2023-24: 2.7% 2024-25: 2.9% 2025-26: 2.9% 2026-27: 3.2% 2027-28: 3.4%	This will impact on Council's operating costs. Council has allowed for forecasted inflation rates predicted by BERL. If the actual rates are lower or higher than the prediction, then that will have a positive or negative impact on the costs that Council incurs.	BERL	High	High
Earning on investment income will be: 2018-28: 6%	Council has predicted 6% return. If the actual return was higher or lower, that would affect the balance of our asset replacement reserves and the amount that we have invested with BNZ Private Bank.	BNZ Private Bank	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

Assumption	Implication	Source	Likelihood	Impact on financials
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 can be significant financial and staffing implications.	Asset Management Plans	Low in the early years, moderate in later years.	Low/Moderate
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.	The lives of the individual sub-components drive the actual depreciation expenses. If the actual lives differed from the lives predicted, that would have an effect on the depreciation expense, and the asset replacement reserves.	Averaged asset lives	High	High

## 20.4. Other assumptions

Assumption	Implication	Source	Likelihood	Impact on financials
Council will continue to have shares in Local Authority Shared Services (LASS) however there are unlikely to be significant further potential savings created through LASS.	As a member of LASS, Council is able to access shared services initiatives with other member Councils.	Historical	High	Low
Council staff numbers will grow.	Council has budgeted for new roles across the organisation including Services Engineers, Planning, Property and Communications. If these roles were not recruited for successfully, that could have an implication on the programme that Council has planned.	Council has budgeted new staff positions over the next two years to support growth and demand for services.	High	Moderate

Assumption	Implication	Source	Likelihood	Impact on financials
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 additional expenditure would be incurred that is not budgeted. It is likely that some Council staff would be required to assist with the event.	Historical	Low	Low
Population growth is expected during the period of this Long Term Plan. It is assumed that the "urban areas" will experience the following growth: Tokoroa 0.3% Putāruru 1% Tirau 1% Arapuni 1%  Per annum	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 subdivisions.	Asset Management Plans and the modelling of infrastructure required for proposed residential development will identify the need for new major capital expenditure. Growth has been based on Infometrix Annual Economic Profile 2017 over last two years moderated by staff discussion around expectations around sustainable growth.	Moderate	High
NZTA Subsidy (Funding Assistance Rate) increased so that the subsidy on funded activities will be 62% from 2018-19. Also footpaths and cycle ways will attract the FAR subsidy	The additional subsidy has reduced the overall rates requirement, and has enabled Council to budget for the full three year programme that was agreed with NZTA.	NZTA letter: 2018-21 National Land Transport Programme – indicative investment levels for continuous programmes and acceleration of transition of Financial Assistance Rates	High	Moderate



Assumption	Implication	Source	Likelihood	Impact on financials
<p>Due to delays in the National Land Transport Programme (NLTP), there is uncertainty in the amount of funding allocated to the Council.</p> <p>South Waikato District Council has received written endorsement on the Council's indicative investment on the local roads maintenance programme from NZTA. This is based on Council's Land Transport Asset Management Plan. While NZTA still needs to adopt the National Land Transport Plan there no indication that there will be any changes to NZTA's Regional or Local investment endorsement. Council has a low risk programme and typically there has been no change to previous funding applications. On this basis the there is a low level of uncertainty that the funding will change.</p>	<p>If the increase in subsidy was not received, that would reduce the amount of roading work that would be able to be completed in 18/19. The increased subsidy has also been used to lower the general rate increase so if it were not received, other projects may have to be deferred.</p>	<p>NZTA</p>	<p>Low</p>	<p>High</p>