Appendix 9: Forecasting assumptions

GREAT LAKE TAUPŌ
Taupō District Council

Taupō District Council's
Long-term Plan 2024-34

Significant Forecasting Assumptions

Significant forecasting assumptions provide the basis for the Long-Term Plan. These assumptions are significant because they have a material effect on Council's revenue, operating expenditure, assets, future operating and capital expenditure or levels of service. These significant assumptions identify important trends and projections, and assess their potential impact on our Council and our community.

#	ASSUMPTION	LEVEL OF UNCERTAINTY	RISK	CONSEQUENCE	MITIGATION
1	Population and growth projections	**Medium** Population projections occur in-line with the medium growth scenario developed using Council's in-house model. However, all long term growth projections carry a level of uncertainty. The figures used for this Long-term Plan are provided in Table 1.	Actual population growth occurs faster or slower than projected and/or growth occurs in different locations than anticipated.	**Medium** Delivering infrastructure too fast or too slow. This could lead to significant budgeting and servicing issues. If Council delivers infrastructure too fast and there is insufficient growth to match it, then there is likely to be an under collection of development contributions which would increase Council's debt and interest costs.	Population projections are reviewed and updated on an annual basis, and the underlying model is audited by an external consultant to ensure that it is as robust as possible. Any revisions to the projections are reflected in new infrastructure plans or capital expenditure, where possible.

TABLE 1 - POPULATION PROJECTIONS BY COMMUNITY CATCHMENT

	2024	2025	2030	2034	2035	2040	2045	2050	2055	2060
Taupō Township	27,000	28,000	30,000	32,000	32,000	35,000	38,000	41,000	44,000	48,000
Tūrangi	4,000	4,000	4,000	4,000	4,000	4,000	4,000	5,000	5,000	5,000
Marotiri	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000
Mapara	2,000	2,000	3,000	3,000	3,000	4,000	4,000	5,000	5,000	6,000
Northern Rural	3,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	5,000	5,000
Lake Taupō Bays	2,000	2,000	2,000	2,000	2,000	2,000	3,000	3,000	3,000	4,000
Eastern Rural	400	400	400	400	400	400	500	500	500	500
TOTAL	**41,400**	**43,400**	**46,400**	**48,400**	**48,400**	**52,400**	**56,500**	**61,500**	**65,500**	**71,500**

2	Peak Population	**Low** Peak population is driven by tourists, visitors and holiday home owners during the holiday season ort for large events such as Ironman. Peak population is expected to remain stable at 60,000 - 90,000 additional persons during this period.	Peak population during the holiday season is higher or lower than projected peak population.	**Medium** A higher peak population than projected would strain Council services, such as kerbside waste collection and risk exceeding current infrastructural capacity to provide water and wastewater services. This would prompt Council to issue warnings and to place limits on infrastructural use, leading to a lower level of service. A lower peak population has a negligible impact on infrastructure or service provision.	Peak population is reviewed and updated on an annual basis. Where possible, infrastructure plans and capital expenditure are revised accordingly, and Council services are scaled up (or down) to reflect peak population.

#	ASSUMPTION	LEVEL OF UNCERTAINTY	RISK	CONSEQUENCE	MITIGATION
3	Age Structure	**Low** The district's demographics, in terms of age and gender, will trend in accordance with those projected in the medium growth scenario. A significant aspect of Taupō's demographics is the proportion of population over the age of 65. Currently, around 25% of Taupō's population are elderly (65 year old and over). This is higher than the New Zealand average of 16%. The elderly population is projected to remain at this 25% share, however this cohort is expected to be made up of a higher proportion of very elderly (75 year old and over), as shown in Table 2.	The district's projected demographic structure is substantially different to those projected in the medium growth scenario.	**Medium** If the district's demographics are substantially different to those projected e.g. a larger share of elderly population, than the forecasted investments to meet the higher demand for infrastructure will need to be accelerated. This may result in unbudgeted costs and higher debt servicing. Conversely, if the elderly population is lower than projected, Council will need to accelerate investments in infrastructure required to meet the needs of a younger population with similar impacts on unbudgeted and servicing costs.	Projections of Taupō's demographic structure are reviewed and updated on an annual basis, or as new Census data is made available. Where possible, infrastructure plans and capital expenditure are revised accordingly.
4	Housing Development	**Low** Housing intensification will take place at a rate that doesn't exceed the infrastructure capacity beyond what is planned for in the LTP.	Housing intensification occurs at a faster rate than projected.	**Medium** More and faster housing intensification reduces infrastructure capacity and adversely impacts levels of service.	Review key housing indicators and periodically undertake Housing & Business Development Assessments to identify and keep track of mismatches in the residential housing market. Continue to develop urban design principles and identify strategic zones to facilitate intensification that meets acceptable design principles and are located in suitable areas.

TABLE 2: POPULATION PROJECTIONS BY AGE BAND

AGE BRACKET	2025	2030	2040	2050	2060
0 – 9	5,400	5,300	5,500	6,400	8,100
10 – 19	5,700	6,200	6,000	7,300	8,800
20 – 59	19,300	20,800	25,300	29,500	34,500
60 plus	11,500	12,800	14,500	15,900	17,500
TOTAL	**41,900**	**45,100**	**51,300**	**59,100**	**68,900**

Note: Totals are different from Table 1 because information on the age cohort of the smaller settlements is not produced.

Legislative reforms - Government has proposed several legislative reforms. If their impact on Taupō District Council is known, these are factored in the Long-term Plan. If the impact of these reforms is unknown, the assumption is that Taupō District Council will continue to operate under the current regulatory and legislative requirements and arrangements. The most substantive reforms that may impact the Council are set out in 5, 6, and 7 below.

#	ASSUMPTION	LEVEL OF UNCERTAINTY	RISK	CONSEQUENCE	MITIGATION
5	Three Waters Reform (Local waters done well)	**Medium** Current Government has restored council ownership and control of water services, and responsibility for service delivery. In this Long-term plan, it was assumed that Council will continue to deliver the three waters services.	Government has indicated future potential changes to three waters infrastructure management through the 'Local Water Done Well' direction. This direction could create future changes to water services and infrastructure management.	**High** Any changes to water service management and delivery made through the 'Local Water Done Well' could impact Council's long-term plans, particularly if new financing tools are developed.	Continue to closely monitor Government's water services policy and work with other councils and undertake the required changes, as more information is provided. By including three waters costs for the full 10 years in the initial planning Council will find it easier to remove that information later in the process if it is deemed necessary.
6	Resource Management Act (RMA) reform	**High** The Natural and Built Environment Act and the Strategic Planning Act were repealed in December 2023. The Government is expected to progress a replacement for the Resource Management Act that puts more emphasis on the enjoyment of property rights and the introduction of a fast-track consenting regime. In this Long-term plan it was assumed that the new resource management laws will be in place by the end of 2026 but with a long transition period of 3 to 5 years.	The new legislation replacing the RMA and the fast-track consenting regime might require significant changes to how Council undertakes planning and regulates land use and development.	**Medium** The uncertainty on the RMA reform going forwards might require a change to how District Plans will need to be prepared to give effect to the new legislation. This will, in turn, require significant resourcing from Council.	Continue to engage with Central Government and participate in forums (like LGNZ) to influence legislative proposals. Continue to collaborate with other district and regional councils to respond to change and to streamline plans, policies and strategies. Continue to monitor this reform and respond to changes, as more information is provided. Apply a rolling review approach to the District Plan so Council can make timely decisions on whether to continue, pause or stop work on the District Plan.
7	National Emissions Budget and the National Emissions Reduction Plan	**Low** The National Emissions Budget and the National Emissions Reduction Plan are required by the Climate Change Response Act 2022 and the 2019 Zero Carbon Act amendments. The Budget will set a limit on emissions over a set time period while the Plan is expected to outline pathways for sectors and industries to reach net zero greenhouse gas emissions by 2050. This Long-term Plan assumes that reducing emissions will be required over time to meet the reductions required under the National Emissions Budget and the National Emissions Reduction Plan.	The pace to reach net zero greenhouse gas emissions may need to be accelerated to meet the timeframes in reductions required under the National Emissions Budget and the National Emissions Reduction Plan.	**Low** Council may need to change some of its operations to reduce its greenhouse gas emissions at a faster rate than envisaged to meet its obligations under the National Emissions Budget and the National Emissions Reduction Plan.	Council has a climate change strategy and emissions-reduction target to reduce greenhouse gas emissions from Council-operations to net zero by 2050 that provides guidance on the pace of reductions required.
8	COVID-19 resurgence or new Pandemic	**High** It is not expected that there will be a resurgence of Covid-19 or a new variant requiring Government to institute significant restrictions or lockdowns. However, such an event cannot be predicted and hence it is highly uncertain. This Long-term Plan assumes that no new Covid-19 variant or new pandemic will occur.	A new Covid-19 variant or a new pandemic emerges leading Government to institute restrictions and/or lockdowns.	**High** Government restrictions and lockdowns would likely reduce Council's revenue or increase its costs.	In the event of Government imposed restrictions or lockdowns, the work programme would be scaled back, as appropriate.

#	ASSUMPTION	LEVEL OF UNCERTAINTY	RISK	CONSEQUENCE	MITIGATION
9	Economic Growth	**Medium** Taupō's economy is expected to continue to grow, particularly the tourism sector, notwithstanding the disruptions caused by supply chain constraints and the Covid-19 pandemic.	Economic growth is slower or faster than projections.	**Medium** If economic growth is slower than expected and it takes longer for the local economy to recover to pre-pandemic levels, then Council's ability to deliver its work programme in terms of scope and/or timing would need to be scaled back or pushed out in time. Conversely, if economic growth is faster than projected, Council's revenue would be higher than forecasted, resulting in lower rates increases.	Work programme and budget are reviewed annually to respond to changing economic conditions by either reducing or increasing the work programme and/or budget are reduced.
10	Climate change resilience	**High** Taupō district is likely to experience more frequent extreme events including intense precipitation and recurrent drought. The frequency and severity of climate change impacts on the Taupō district is highly uncertain.	The frequency and severity of climate change impacts are worse than predicted and existing infrastructure is not sufficiently resilient to cope with these events e.g., heavy rainfall events may overwhelm parts of the stormwater network.	**High** A disruption in key infrastructure, even temporarily, would negatively impact Taupō's communities, economy and/or the environment.	Review infrastructure resilience, including the potential impacts from climate change and identify mitigation responses. Ensure that Council has adequate insurance to cover the district's assets against such events. Maintain involvement with sub-regional emergency management activities and local emergency management.
11	Natural disasters	**High** Taupō district is at risk of a range of natural hazards such as earthquakes, flooding, large slips, fire, storms and volcanic activity. Natural disasters are unpredictable and cannot be forecasted. This Long-term Plan assumes that if a disaster were to occur, any costs would be funded from the existing disaster recovery reserve, insurance arrangements, undrawn credit lines with banks, the TEL fund or through Central Government disaster relief funds.	A significant natural disaster occurs within the Long-term Plan period.	**High** A significant natural disaster would have a major adverse impact on our communities, economy and/or the environment. It would result in large unforeseen costs, and place demands on Council's funding streams, largely through debt funding and possibly remitting rates. Although short-term lending opportunities are available with the Local Government Funding Agency, substantial funding support from Central Government would be required.	Continue carrying out resilience assessments and implement mitigation measures. Ensure that Council has adequate insurance, including self insurance, to cover the district's assets against such events. Maintain involvement with sub-regional emergency management activities and local emergency management. In the event of a natural disaster, Council's response will be immediate and appropriate resources are redirected for that purpose. Council continues to fund the disaster recovery reserve to assist with immediate response costs.
12	Service levels	**Low** Service levels will continue to be maintained over this Long-term plan notwithstanding changes to the method used to deliver some services e.g. kerbside waste collection.	Substantial unplanned changes to the level of service and/or method to deliver them.	**Medium** Under-delivering services or the quality of service levels would negatively impact our communities, economy and/or the environment.	All parts of the organisation will set realistic service levels that take into consideration current and expected constraints eg. high interest rates. Adequate financial and human resources are provided to delivery these service levels.

#	ASSUMPTION	LEVEL OF UNCERTAINTY	RISK	CONSEQUENCE	MITIGATION
13	Transport subsidies	**High** The Financial Assistance Rate (FAR) that Council receives from Waka Kotahi NZ Transport Agency will continue at the same rate. The overall average for FARs is 51%. Waka Kotahi funds specific programmes of work and agrees a three year funding schedule across maintenance and renewals for district roads in line with currently known Waka Kotahi work categories and classifications, and Transport Government Policy Statement and the National Land Transport Programme.	Waka Kotahi provides less funding than assumed in the LTP.	**High** The roading work programme will be slowed down and/or scaled back, adversely impacting the levels of service set out in the Long-term Plan. If the projects are essential then Council may need to make up for any shortfall.	Council will continue to engage with Waka Kotahi and the sector regularly in the lead up to Waka Kotahi budget decisions to advocate for information being received in a timely manner. Council will manage the financial impact by limiting expenditure on CAPEX and/or OPEX in the roading work program to be within Council's affordability of local share.
14	Solid waste subsidy	**Low** Council pays a levy to Central Government on the solid waste disposed in the landfill. Central Government pays back part of this levy to Council in the form of a subsidy. Both the levy and subsidy are currently known. In this Long-term plan it was assumed that the subsidy on solid waste disposal paid back by Central Government will remain unchanged.	Central government reduces the solid waste subsidy provided to Council.	**Low** If the subsidy is reduced, then Council's income is also reduced, which would impact the planned waste minimisation programme. This programme will either be scaled back or discontinued or the difference is funded by Council. In the latter case, this would impact Council costs and likely result in an increase in rates. A scaled back or discontinued waste minimisation programme would likely result in an increase in solid waste going to the landfill, which would increase the levy paid to Central government and higher costs to Council.	Continue to actively engage with Central Government on its waste minimisation legislative and policy proposals.
15	Price for carbon credits on landfill waste disposal	**High** Council is required to purchase carbon credits to offset greenhouse gas emissions from waste disposed at the local landfill. The unit carbon price has more than doubled in the last year and there is high uncertainty on the future carbon price movements. In this Long-term plan it was assumed that the price of carbon will not increase in a way that influences the refuse charges or rates applicable to dispose of waste at the landfill.	The price of carbon increases substantially to what is projected.	**Medium** A large increase in carbon price would require Council to increase the charges to dispose of waste at the landfill and/or rates	Continue to monitor the price of carbon and review refuse charges accordingly.

#	ASSUMPTION	LEVEL OF UNCERTAINTY	RISK	CONSEQUENCE	MITIGATION
16	Condition and lifecycle of significant assets	**Medium** The useful lives of assets is updated when these assets are revalued. Assets for roading, three waters infrastructure, land and buildings are revalued on a three yearly cycle. The condition of some underground assets, particularly for water supply and wastewater has not been assessed and their condition is unknown. In this Long-term plan, it was assumed that there will not be a major failure of an unassessed underground asset.	There is a risk of asset failure of some of the as-yet unassessed underground assets.	**Medium** An asset failure would result in Council taking remedial action and incurring unbudgeted costs if remedial actions exceed the redundancy factored in the renewal budget. Any increase in unplanned costs may delay other planned projects and increase Council's debt funding requirements.	Continue the programme of assessing the condition of underground assets to establish their condition and base renewal decisions accordingly.
17	Sources of funds for the future replacement of significant assets	**Medium** Council fully funds depreciation through rates and maintains this funding in depreciation reserves to fund renewals. The level of this funding is impacted by several factors including inflation, asset revaluations, external funding and borrowing. The Council is able to access borrowings at the levels forecasted in the Long-term Plan.	Changes to one or more factors that would constrain Council's ability to replace its significant assets or impacts other funding sources such as rates and borrowing.	**Medium** Council can partly fund depreciation on its significant assets and will need to defer collecting this shortfall through future rates. Consequently, rates increases would be higher.	Council will regularly review and update its depreciation reserves.
18	Inflation forecasts	**High** The Local Government Cost Index (LGCI) measures cost drivers specific to local government and projections are produced by the Business and Economic Research Limited (BERL). It is expected that the cost of future projects is consistent with the mid-scenario projections produced by BERL as shown in Table 3.	LGCI is higher than the BERL mid-scenario projections.	**Medium** Higher than projected LGCI would lead to higher costs and additional funding requirements to carry out the work programme, assuming the same level of service is maintained. Higher costs relating to capital expenditure would result in higher debt levels and increased operating costs from interest expense that will need to be recovered from higher rates.	Work programme and budget are reviewed annually to respond to changing economic conditions. If LGCI changes, then the programme and/or budget are reduced or increased, as appropriate.

TABLE 3 - LOCAL GOVERNMENT COST INDEX

	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Planning & Regulation	4.1	4.2	3.2	3.0	2.6	2.4	2.3	2.2	2.1	2.0	2.0
Roading	3.8	4.2	3.2	3.2	3.0	2.9	2.8	2.7	2.6	2.5	2.3
Transport	4.0	4.1	3.2	3.2	2.8	2.6	2.5	2.4	2.3	2.2	2.1
Community	3.9	3.2	2.5	2.7	2.5	2.4	2.3	2.2	2.2	2.1	2.0
Water & Environment	6.0	5.0	4.0	3.9	3.5	3.3	3.3	2.9	2.7	2.7	2.5

#	ASSUMPTION	LEVEL OF UNCERTAINTY	RISK	CONSEQUENCE	MITIGATION
19	Borrowing and interest rates	**Low** Access to loan funds is available at competitive rates and interest rates are in-line with the projections prepared by Council's financial advisors. Interest rates for investments are set at a margin compared to external debt rates. Council will meet its financial commitments and maintain its AA- Standard & Poors credit rating. This will provide Council access to lower interest rates on its borrowing through the NZ Local Government Funding Agency. Table 4 below sets out the borrowing interest rates.	Interest rates increase significantly from the rates used when preparing this plan.	**Medium** Significantly higher interest rates than projected would increase Council costs and impact future borrowing requirements and Council's ability to deliver the agreed work programmes, resulting in lower service levels and higher rates.	Manage changes in interest rates as set out in the Treasury Management Policy and take advantage of hedging, fixed rates, and swaps. Source debt from a combination of bank financing, commercial paper issuance and floating rate notes through NZLGFA with the majority overlaid with fixed rate swaps. This assists Council to minimise the impact of interest rate fluctuations.

TABLE 4 - PROJECTED BORROWING INTEREST RATES

2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
5.17%	4.46%	4.18%	4.27%	4.39%	4.51%	4.62%	4.71%	4.80%	4.90%

#	ASSUMPTION	LEVEL OF UNCERTAINTY	RISK	CONSEQUENCE	MITIGATION
20	Financial Ratios	**Medium** Council has a statutory obligation to set limits on its level of debt. These are measured by the financial ratios shown in Table 5. These ratios are set by Council in accordance with the Treasury Management Policy. External factors outside Council's control could impact Council's ability to remain within these pre-established limits. There is uncertainty around whether these external factors eventuate and what would be the impact on Council's debt.	External factors outside Council's control eventuate in a way that have a substantial impact on interest rates for borrowing or which result in uncontrolled operational or capital spending that would unfavourably impact financial ratios and debt limits.	**High** Exceeding financial ratios and debt limits could result in a downgrade of Council's credit rating by Standard and Poors. This would have a direct impact on the rates at which Council can borrow funds, leading to higher costs and rates increases.	Continue to monitor external factors and report financial ratios on a monthly basis.

TABLE 5 – FINANCIAL RATIOS

Ratio	Limit
Net External Debt / Total Revenue	Must not exceed 250%
Net Interest on External Debt / Total Revenue	Must not exceed 10%
Net Interest on External Debt / Annual Rates Revenue	Must not exceed 25%
Liquidity / Net External Debt	Must be greater than 110%

#	ASSUMPTION	LEVEL OF UNCERTAINTY	RISK	CONSEQUENCE	MITIGATION
21	Delivery of capital works programme	**High** The capital works programme has to meet the direction and policies set out in Council's Financial Strategy and Treasury Management policy, particularly around debt limits. The programme envisaged for this Long-term plan is substantial and internal factors (e.g. budgeting constraints) and external factors could influence its delivery. Table 6 sets out the impact on borrowings and interest cost to deliver the capital works programme. In this Long-term plan it was assumed that the capital works programme will advance in-line with Council's budgets.	The capital works programme is not delivered as planned to remain within Council's debt servicing and debt control benchmarks.	**High** The impact on our community depends on the capital project(s) that is delayed. Delaying key network infrastructure would negatively impact service levels.	Council will undertake a rationalisation exercise of its capital expenditure programme through annual plans, particularly on core infrastructure, to determine what can realistically be delivered within the timeframes and budgets. Council will continue to ensure project delivery resourcing is fit for purpose for the future capital programme.

TABLE 6 - DELIVERY OF CAPITAL PROGRAMME & IMPACT ON BORROWINGS AND INTEREST COST

	LTP 2024/25 ($000)	LTP 2025/26 ($000)	LTP 2026/27 ($000)	LTP 2027/28 ($000)	LTP 2028/29 ($000)	LTP 2029/30 ($000)	LTP 2030/31 ($000)	LTP 2031/32 ($000)	LTP 2032/33 ($000)	LTP 2033/34 ($000)
70% Delivery	51,225	60,769	55,504	69,709	61,284	81,400	70,570	39,133	42,273	34,030
Debt	32,440	37,780	30,917	33,713	27,981	51,639	44,705	13,490	15,419	11,012
Interest	839	842	646	720	614	1,164	1,033	318	370	270
90% Delivery	65,900	78,132	71,362	89,626	78,793	104,657	90,733	50,314	54,351	43,753
Debt	41,709	48,574	39,750	43,345	35,976	66,392	57,478	17,344	19,824	14,158
Interest	1,079	1,083	831	925	790	1,497	1,328	408	476	347
100% Delivery	73,222	86,813	79,291	99,584	87,549	116,285	100,814	55,904	60,390	48,614
Debt	46,343	53,971	44,167	48,161	39,973	73,769	63,864	19,271	22,027	15,731
Interest	1,199	1,204	923	1,028	877	1,663	1,475	454	529	385

#	ASSUMPTION	LEVEL OF UNCERTAINTY	RISK	CONSEQUENCE	MITIGATION
22	External funding support including central government grants, climate action loans, subsidies for large capital projects or operational programmes excluding transport subsidies	**Medium** Large capital projects or operational programmes that rely on government funding are included in the Long-term Plan only when there is a level of certainty that these funds will be granted. However, the actual funds that are granted could be lower than the expected amount. In this Long-term plan it was assumed that the expected government funding is fully provided.	External funding is denied or is substantially lower than expected.	**Medium** The capital projects or operational programmes that rely on external funding are unlikely be continued if this funding is denied or is substantially lower than expected. This would result in lower levels of service and loss of Council funds, if these cannot be recouped. Cancelling projects or programmes would also have a detrimental effect on Council's reputation.	Clearly established the cost of capital projects and operational programmes including by making realistic assumptions about access to external funding, taking into account the current economic environment.
23	Limit on rate increases	**Medium** The average rate increase for existing ratepayers will be no greater than the Local Government Cost Index (LGCI) plus 5 percent (excluding growth). Inflationary fluctuations or inaccurate LGCI forecast can result in breaches to this limit, due to timing or misalignment of inflationary impacts. External factors that result in unbudgeted costs would require an increase in rates that exceeds this limit.	Unplanned increases in rates that breach this limit for any given year in the Long-term Plan.	**Medium** Raising the average rate for existing ratepayers above the limit would be detrimental to Council's reputation.	Disclose the nature, timing and extent of any potential breach and Council's proposed action to address this matter at the earliest opportunity.
24	Development contributions revenue	**Medium** Revenue from development contributions used by Council to pay for new infrastructure depends on the projected growth and timing of new developments. The scale and timing of these developments is uncertain and are dependent on several external factors that are difficult to predict. In this Long-term plan it was assumed that development will occur in line with population and development projections, and the revenue collected from development contribution will pay for new infrastructure, as set out in the Development Contributions policy.	Revenue from development contributions is different from that projected.	**Medium** If revenue from development contributions is lower than projected then growth-dependant infrastructural projects and programmes will need to be scaled back or delayed.	Continue to monitor growth projections and development revenue against actual levels. Review and amend work programmes and related budgets, including development contribution rates, when significant changes occur.

#	ASSUMPTION	LEVEL OF UNCERTAINTY	RISK	CONSEQUENCE	MITIGATION
25	Income from the development and sale of surplus Council property	**High** Income from the development and sale of surplus Council property, as part of the East Urban Lands, will be received at the levels and timing indicated in the financial statements. The inflow from Stage 1A & 1B is expected to be $21.1M from the sale of 116 lots while the outflow to develop the site is estimated to be $7.5M. The outflows are expected to be incurred between 2024/25-2027/28 with inflows received between 2025/26-2027/28. For Stage 2 and for Block Sales, the outflows are estimated at $19.3M to develop 120 lots and 3 block sales with inflows of $41.6M. These will be incurred/obtained in 2025/26-2030/31 for Stage 2 and between 2027/28-2033/34 for the Block Sales. Other project outflows and interest costs amounting to $3.76M will be incurred over 2023/24-2033/34. Therefore, the total net cash flow from the EUL development is expected to be $32.2M between 2024/25-2033/34 on the sale of 116 lots (stages 1A & 1B), 120 lots (stage 2) and from 3 Block Sales.	If the estimated net sales proceeds are not achieved due to market pressures, or infrastructure costs are incurred at a higher level than planned, then the net cash flow will be reduced. Failure to achieve the projected number of property sales per year will also impact negatively on projected cashflows. Reduced cashflow or revenue would impact the planned repayment of debt with consequential impacts on debt financing cost and potential impacts on rates. The levels and timing of the expected income and costs are highly uncertain because the development agreement with the Council's development partner has not yet been signed, although commercial terms were agreed by each party which formed the basis of the draft development agreement. If the levels or the timing of expected income and costs differ significantly, debt might need to be increased, or debt repayments might need to be amended, depending on the circumstances. This could also have consequential impacts on rates.	**Medium** Any cash flow delays will require interim bridging in the form of additional borrowing and interest cost especially for projects which are dependent on funding from the development and sale of surplus Council property.	Monitor market conditions and the progress of our property sales programme and respond to any changed cash flow circumstances in each annual plan.

#	ASSUMPTION	LEVEL OF UNCERTAINTY	RISK	CONSEQUENCE	MITIGATION
26	Availability of staff and contractors	**Low** Sufficient internal and external resources will be available to undertake capital works and maintain operational needs in the years outlined in the financial statements, over and above resourcing required for business as usual responsibilities.	Qualified staff, contractors and consultants are difficult to employ or to contract, limiting the level of resource available and driving up costs.	**Low** If there is a shortage of resources, Council may not be able to complete projects in the timeframes indicated and for the costs budgeted.	Actively undertake workforce planning on an annual basis, reflecting resourcing needs for capital works projects and taking into consideration business as usual workloads. Ensure budgets and work programmes are adjusted accordingly.
27	Resource consent requirements	**Low** The resource consent required by planned capital projects are obtained on-time and without incurring significant costs of compliance. There is uncertainty in relation to the resource consent, enforcement and regulatory regime under a replacement to the RMA. That all existing resource consents will be renewed where appropriate. It is expected that the environmental standards requirements will increase, with corresponding requirements imposed through resource consents.	Consenting authorities may decline resource consents or impose less affordable conditions or take longer than anticipated to approve the consent. There is also the risk that consenting processes will change with changes to the RMA, which might impose additional costs or delay the implementation of some capital projects. That existing consents are not renewed or require us to meet significantly changed conditions.	**High** Some capital projects are scrapped or delayed, impacting service performance measures and service levels. If new developments are impacted, it would introduce funding uncertainties. Failure to renew existing consents, or the requirement to meet significantly higher consent conditions may require significant expenditure.	Continue to work with consenting authorities and key stakeholders to ensure that our consent applications address their concerns. Engage early with iwi and hapu, where relevant, prior to lodging applications. Monitor legislative change and work with central government and other councils around implementing any reform of the RMA. Budget revisions will take place where there are anticipated changes to consent requirements. Early communication with affected parties and resource consent issuing bodies may enable early identification of issues.
28	Forecast return on investments	**Medium** Interest rates for investments will be set at a margin compared to external debt rate and are in line with the projections prepared by Council's financial advisors. The estimated level of investments will be an outflow of cashflow modelling of cash inputs and outputs.	A change of 1% in forecast interest rates on Council's general fund investments would equate to approximately a $550k movement in interest revenue.	**Medium** A reduction in investment income could mean that less income is available to offset rates, which could require a rates increase the following year to cover the shortfall in investment income.	Monitor and manage cashflows in line with our Treasury Management Policy to maximise returns on investments with appropriate investment terms.

TABLE 7 – PROJECTED INVESTMENT RETURNS

	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
General Funds	4.73%	3.76%	3.74%	3.97%	4.18%	4.38%	4.53%	4.62%	4.68%	4.76%
TEL	6.01%	6.01%	6.01%	6.01%	6.01%	6.01%	6.01%	6.01%	6.01%	6.01%

#	ASSUMPTION	LEVEL OF UNCERTAINTY	RISK	CONSEQUENCE	MITIGATION
29	Income from the harvest of Council's forests	**High** Council obtains income from the sale of logs harvested from forestry blocks. The level of income is subject to the price of logs sold on the open market. Factors influencing this market, including foreign exchange fluctuations and worldwide demand for logs are unpredictable. In this Long-term plan it was assumed that the income obtained from the sale of logs will be in-line with projected income.	The market price for logs fluctuates substantially from projected and a lower income is obtained from the sale of logs.	**Low** A downwards movement in the price for logs or a drop in demand from one or more major buyer would negatively impact income from this activity. This would likely require deferring planned capital projects to access existing forestry blocks or establish new ones.	Continue to closely monitor the market price for logs and income levels derived from their sale.
30	Obligations under Local Government Funding Agency (LGFA) guarantee commitments	**Low** The risk of the LGFA defaulting on repayment of interest or capital is very low. If further funds are required, the local government legislation enables local authorities to levy a rate to recover sufficient funds to meet any debt obligations. In this Long-term plan it was assumed that the LGFA will not default on its repayment of interest or capital.	New Zealand Local Government Funding Agency defaults on an interest or loan repayment.	**High** If the New Zealand Local Government Funding Agency defaults, a call on the unpaid capital would be made, which for Council is $100,000. This call would raise $20m from all Councils. If the amount defaulted is more than $20m, Council is jointly liable with all other shareholder Councils and would be required to raise its share of funds to discharge the debt.	Continue to monitor New Zealand Local Government Funding Agency guarantee commitments and overall position as set out in its reports.
31	Insurance	**High** Localised and global impacts of events resulting in insurance claims may have an effect on the premiums council pays. In this Long-term plan it was assumed that no localised claims will occur that affect Council's insurance policy. The insurance rate paid in the first year will only be adjusted for inflation.	Localised claims affecting Council's insurance policies may have a flow on affect on premiums in the following years.	**Medium** The consequence on Council financing will depend on the unforseen increases to insurance claims. A 20% increase in premiums adds approximately 0.25% to rates.	Annually review the assets and other risks Council insures for and identefy the level of risk Council is willing to take.

#	ASSUMPTION	LEVEL OF UNCERTAINTY	RISK	CONSEQUENCE	MITIGATION
32	Depreciation rates	**Low** Council uses the depreciation rates within their accounting policies as the basis of the rates used in the LTP financial modelling. Where there are multiple rates the most likely rate is used based on the useful life of the overall asset. It is unknown with many large projects the type of assets that will eventually be created and the actual useful lives of each individual part which is why an average depreciation rate has been assumed for capital projects.	The depreciation rates used by Council in the calculation of the depreciation cost are different to the actual rates applied when the asset is capitalised which could mean an under recovery of cost from the ratepayer.	**Low** The consequence on Council financing will depend on the timing of the completion of capital projects and the mix of assets created in a project and the mix of projects that are completed in a year. The affect on the ratepayer in any given year is assumed to be low.	Council uses the depreciation rates in their accounting policies to calculate the budgeted depreciation on assets over their useful lives. These rates are regularly reviewed.
33	Asset Revaluation	**Medium** Global, national and localised events can impact the cost to build infrastructural assets, this consequently affects the valuation of our existing assets as they are valued at optimised depreciated replacement cost. The risk in times of increasing costs is that the revaluation of assets is higher than anticipated which increases the depreciation cost. Council has assumed that the relative BERL capex indices are a fair reflection of increased asset values over time.	The cost of building infrastructural assets increases more than assumed in our financial models increasing depreciation in future years	**Low** The consequence on Council financing will depend on the timing of the completion of capital projects and the mix of assets created in a project and the mix of projects that are completed in a year. The affect on the ratepayer in any given year is assumed to be low.	Council revalues its roading, three waters, land & buildings on three yearly cycles. In order to smooth the effect of these revaluations on the ratepayer, (via depreciation), Council has applied a growth factor year on year on these asset types in order to account for an increased level of depreciation due to revaluation every year instead of every three years.