



Kaipara District Council

Significant Forecasting Assumptions

2021-2031

February 2021



Kaipara te Oranganui

**Kaipara
DISTRICT**

Two Oceans Two Harbours

Forecasting Assumption	Risk	Level of Uncertainty	Reasons and Financial Effect of Uncertainty
Population and Demographic Assumptions			
<p>Population Growth: Kaipara District Council uses a set of Medium-High series population projections provided by Infometrics as an indication of future growth.</p> <p>This projected growth will slow over 2020 and 2021 with softer net migration and a decline in employment as a consequence of COVID-19. Population growth is projected to pick up from 2022 onwards, with the district growing steadily to reach a population of 32,600 in 2051.</p> <p>Most growth is projected to be centred in the Mangawhai area (as it has been historically) with other south-eastern areas such as Kaiwaka also growing rapidly.</p> <p>Strong growth is also projected for the Northwest of the District though not to the same extent as the Southeast.</p>	<p>Population growth does not occur as projected.</p> <p>The amount of development is a key consideration for Council when planning how it will fund the infrastructure required. If growth falls short of that projected, it may result in problems repaying debts raised to fund new infrastructure.</p>	Low/Medium	<p>Population growth is driven by the balance of births, deaths and net migration. Changing trends in the number of children per family, life expectancy and local job opportunities can therefore drive demographic change.</p> <p>The population projections prepared for Kaipara District Council by Infometrics are based on a number of assumptions around these trends and how they will change. If these trends deviate from the assumption's it will undermine the accuracy of the projections.</p> <p>The key drivers of growth in Mangawhai and Southeast Kaipara are the Auckland housing market and improvements in transport linkages with Auckland. High house prices in Auckland assist those nearing retirement age to cash up and move to Mangawhai. In addition, they encourage young families to seek affordable housing and lifestyle opportunities outside the city and commute back for work. The provision of additional services in Mangawhai further contributes to its appeal to migrants.</p> <p>The key variable likely to affect population growth in most other area of Kaipara (particularly Northwest Kaipara) is the level of local employment. Employment growth attracts workers and their families while economic downturn can force them to seek opportunities elsewhere.</p>
<p>Population Fluctuations: The populations of some coastal settlements in Kaipara fluctuate considerably throughout the year with regular influxes of holiday makers. Comparisons of the number of occupied dwellings and unoccupied dwellings as well as comparisons of wastewater volumes suggests the combined population of Mangawhai Village and Mangawhai Heads can more than double during holiday periods.</p> <p>Population fluctuations are expected to continue to be a feature of Kaipara's coastal communities. However, the level</p>	<p>Population fluctuations increase.</p> <p>The capacity of Council infrastructure needs to be capable of meeting the needs of the peak population not just the resident population. If the peak population increases to beyond the planned capacity of the infrastructure, there may be operational issues and unforeseen costs.</p>	Low	<p>A key downward driver on the proportion of holiday homes in Kaipara's settlements is New Zealand's aging population and their desire to retire by the sea. In addition, former holiday homes are increasingly being taken up by young families seeking more affordable housing. These drivers appear unlikely to change.</p> <p>The proportion of holiday homes in Kaipara's coastal settlements may be driven up if the level of disposable income available to the working age population in neighbouring Auckland and Whangarei increases relative to house prices. Such an increase could allow more people to</p>

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<p>to which they fluctuate is anticipated to decrease over time. A trend towards a greater proportion of occupied dwellings versus unoccupied dwellings is already evident in Mangawhai and this is anticipated to continue. This is partly driven by Mangawhai's improving commutability to Auckland and improving services. In Mangawhai and across the district this trend is also being perpetuated by New Zealand's aging population retiring to lifestyle destinations. In addition, some traditional bach communities are emerging as satellite suburbs of growing parent settlements, such as Baylys which is easily commutable to Dargaville.</p>			<p>purchase a holiday home in Kaipara. Infometrics economic forecasts suggest this is unlikely to occur, especially due to the COVID-19 recession.</p> <p>This suggests a reversal in the trend towards lower population fluctuations is unlikely over the near planning horizon.</p>
<p>Household Growth: Kaipara District Council uses a set of Medium-High series household projections provided by Infometrics as an indication of future growth.</p> <p>The ageing population of the district, combined with trends of greater life expectancy and smaller families, means that the average household size of the district is projected to ease from 2.37 individuals per household in 2019 to 2.14 individuals per household in 2051. The effect of this is to spread the same population over a greater number of households. Accordingly, household numbers are projected to grow faster than the population, from 10,000 in 2019 to 14,600 in 2051.</p> <p>All areas of the district are projected to have more households in 2051 than in 2021.</p>	<p>Household growth does not occur as projected.</p>	<p>Low</p>	<p>The age structure of Kaipara's population affects the kinds of services required from Council. In addition, pensioners are on fixed incomes and may struggle to afford rates increases.</p> <p>If population aging in Kaipara is too pronounced, it may lead to population decline in some areas or make rates increases unaffordable.</p> <p>The risk of more pronounced population aging appears low as the Mangawhai area (Kaipara's key growth area and key area for attracting older migrants) is already attracting a growing number of young migrants. These young migrants are attracted by more affordable housing and improving commuting times back to Auckland. As transport links are improved, this trend is anticipated to strengthen.</p>
<p>Rating Unit Growth: The assumption is that:</p> <ul style="list-style-type: none"> district rating units will increase by nearly 2,500 between 2021 and 2031 from just over 14,700 to 17,240 units, increasing by another 2,000 units to reach around 19,000 rating units by 2041 	<p>Rating Unit growth occurs at higher or lower rates than assumed.</p>	<p>Low</p>	<p>Economic conditions and the discretionary nature of the housing market can cause variations in Rating Unit growth from that assumed. Lower Rating Unit growth than anticipated would have a minimal impact on existing ratepayers</p> <p>Unforeseen fluctuations in economic conditions can affect the ability of people to invest in both business and residential development activity.</p>

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<ul style="list-style-type: none"> strongest growth will be in the southern parts of the district with Mangawhai, Rehia-Oneriri, Kaiwaka and Maungaturoto accounting for the majority of the 2,500 district rating unit increase between 2021 and 2031. rating unit growth in all other parts of the district will be small and in some cases may decline slightly in the LTP 2021-2031 period. <p>Rating units are expected to increase by the following amounts over the LTP 2021-2031:</p> <table border="1" data-bbox="105 719 545 824"> <thead> <tr> <th>Area</th> <th>2021</th> <th>2031</th> </tr> </thead> <tbody> <tr> <td>District</td> <td>14,775</td> <td>17,240</td> </tr> </tbody> </table>	Area	2021	2031	District	14,775	17,240			<p>Any significant deviation from rating unit projections will affect both rates revenue and development contribution revenue. Council should be cautious by monitoring rating unit growth and ensuring it remains close to or meets these projections.</p> <p>Council may be able to manage the impacts of any downward variation by changing the proposed timing of capital works projects which are required to support growth. Where the capital works projects have already been completed there will be increased finance costs as Council would have to fund these works without the rating revenue or development contributions revenue it anticipated.</p>																		
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<p>Development contribution connections to the Mangawhai wastewater scheme</p> <p>Only connections to the Mangawhai wastewater scheme on properties that have not paid a development contribution in the past, or a capital rate, will be liable to pay a development contribution upon connection. The assumption is that an annual average 84 properties will connect and pay the development contribution¹. See table below.</p> <table border="1" data-bbox="105 1323 545 1626"> <thead> <tr> <th>Year</th> <th>Number of connections with DC payable</th> <th>Year</th> <th>Number of connections with DC payable</th> </tr> </thead> <tbody> <tr> <td>2021/2022</td> <td>84</td> <td>2026/2027</td> <td>84</td> </tr> <tr> <td>2022/2023</td> <td>84</td> <td>2027/2028</td> <td>84</td> </tr> <tr> <td>2023/2024</td> <td>84</td> <td>2028/2029</td> <td>84</td> </tr> <tr> <td>2024/2025</td> <td>84</td> <td>2029/2030</td> <td>84</td> </tr> <tr> <td>2025/2026</td> <td>84</td> <td>2030/2031</td> <td>84</td> </tr> </tbody> </table>	Year	Number of connections with DC payable	Year	Number of connections with DC payable	2021/2022	84	2026/2027	84	2022/2023	84	2027/2028	84	2023/2024	84	2028/2029	84	2024/2025	84	2029/2030	84	2025/2026	84	2030/2031	84	<p>Connections paying a development contribution occur at a lesser rate than assumed</p>	<p>Medium/High</p>	<p>Development contributions income at Mangawhai assumes these levels of connection to the scheme. Because of the relatively high unit wastewater contribution at Mangawhai, even small variations from the projected numbers of paying connections could have a significant financial impact.</p> <p>Council may be able to manage the impacts of such a variation by changing the proposed timing of capital works projects going forward, particularly those which are required to support growth. Where the capital expenditure has already been incurred there will be increased finance costs which Council would expect to recover through future development contributions.</p>
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¹ Actual connections to the Mangawhai wastewater scheme in 2018/19, 2019/20 and 2020/21 were respectively 89, 92 and an estimated 101 (based on 42 connections in 5 months Jul-Nov for 2020/21). This gives an average 94 new connections annually. It is acknowledged that some of those additional connections will be to properties where a development contribution or a capital rate has already been paid, and which can connect as reticulation is extended. No development contribution will be payable in such cases. An assumed 10% reduction has been applied to take account of these properties. The development contributions model assumes 84 DC payable connections to the scheme annually over the period of the long term plan.

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<p>Absentee to Resident Ratepayers: The percentage of absentee ratepayers is anticipated to stabilise over the next ten years.</p> <p>Based on postal addresses, approximately 56% (74% in 2017) of ratepayers in the Kaipara district (excluding Mangawhai) reside within the district and 44% (26% in 2017) outside the district. For Mangawhai, 43% (47% in 2017) reside within the district and 57% outside the district. Of those Mangawhai ratepayers that reside outside the district 20% (48% in 2017) are in Auckland and 37% (5% in 2017) elsewhere.</p> <p>The environmental scan of the Kaipara District advises that Mangawhai's population (in particular Mangawhai Heads) greatly swells during holiday periods and that there are limited numbers of rental properties available in Dargaville.</p>	<p>The proportion of absentee ratepayers increases beyond expectations.</p>	<p>Low</p>	<p>The ability of the nation's working age population to afford a second home will probably be the greatest driver of uncertainty around this assumption.</p> <p>A high percentage of absentee residents has implications for Council services which must be able to deal with seasonal use. Flexibility can be built into contracts to allow higher or more frequent services to be delivered during the holiday periods.</p> <p>It is expected that the differing demands of resident and absentee communities can be managed and funded for the foreseeable future.</p>
<p>Affordability: The Assumption is that the average household income in Kaipara was \$85,884 in 2019 (Infometrics, 2020) however the COVID-19 Lockdown and ensuing economic recession have impacted heavily on some businesses and households. Council has therefore made the assumption that the community will have limited ability to absorb any significant rates increases over the first three years of the Long Term Plan.</p>	<p>Reduced ability to pay for Council services .</p>	<p>Low</p>	<p>Rise in general and/or targeted rates to pay for increased costs of assets management and capital works projects to maintain expected level of service. Key assumption that Council will catch up on its renewals and remedial work.</p>
<p>Climate Change</p>	<p>Increased risks leading to reducing property values</p>	<p>Medium</p>	<p>Increasing physical risks could lead to property value reduction, decreased insurability or increased cost to insure, increased compliance and design costs, reduced ability to develop property and restrictions on land use, and increased costs of repair and protection.</p>
<p>Staffing Assumptions</p>			
<p>Staff Recruitment and Retention: Adequate staffing levels are expected to be maintained and there are not expected to be any recruitment issues when replacing staff.</p>	<p>Kaipara District Council unable to recruit staff with appropriate skills and experience.</p>	<p>Medium</p>	<p>This may result in delays to project deadlines and impact on the level and quality of service.</p> <p>This risk can be mitigated by various initiatives, but these bring operating cost implications.</p>

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Asset Management Assumptions			
<p>Contracts: It is expected that there will be no changes in the availability of tenderers for Council contracts when they are tendered.</p>	<p>Contractors become very scarce and difficult to secure, limiting the range for selection and driving costs upward.</p>	<p>High</p>	<p>Planned expenditure to meet growth and renewals cannot be carried out.</p>
<p>Capital Works Cost: On average, costs of major capital works will not vary significantly from costs estimated at the concept stage.</p>	<p>Costs rise steeply above estimates.</p>	<p>Medium</p>	<p>Council has a higher level of confidence regarding capital project costs in the short term but less certainty in the longer term due to fluctuations in the economy and district growth trends.</p> <p>A 5% variation in a \$500,000 project would add \$25,000 to the project cost. Given the long useful life associated with many of Council's capital works projects such a variation would not have a significant rating impact.</p> <p>If Council was concerned about the increase in cost then it could look for alternative ways of completing the works and/or change the scope of the works to be completed. Should the cost be lower than estimated there would be a favourable impact on Council's budgets.</p> <p>In the long term there is uncertainty around the scale and degree to which infrastructure assets will need to be fortified and/or relocated and the associated cost for capital works projects. While a conservative 2021-2031 capital works programme may reduce financial risk in the short term, it may significantly increase risk to infrastructure assets in the long term and increase risk to ability to pay.</p> <p>There is also uncertainty around risk of cost to insure and insurability regarding exposed infrastructure assets and the timeframe regarding insurability. Changes to insurance costs and insurability may trigger capital works projects.</p>
<p>Climate change will bring an increase in the frequency and severity of extreme weather events impacting Council infrastructure assets.</p>	<p>Cost of capital works projects will reactively and sharply increase due to rising need for system upgrades, relocation and/or redesign to adapt to environmental changes.</p>	<p>Medium/High</p>	<p>Increasing physical risks could lead to property value reduction, decreased insurability or increased cost to insure, increased compliance and design costs, reduced ability to develop property and restrictions on land use, and increased costs of repair and protection.</p>

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<p>Property Designations - Resource Consents: Any new property designations or Resource Consents required for water, stormwater and wastewater systems, or for the significant upgrading of existing systems, will be able to be obtained, subject to conditions acceptable to Council. Any necessary land purchased, prior to the time that has been scheduled for the actual construction works.</p> <p>Council has assumed that there will be no significant changes to existing resource or discharge consent conditions that create significant additional costs.</p>	<p>The necessary designations or consents cannot be obtained, or the necessary land purchased, before the scheduled time of construction, resulting in works being delayed.</p>	<p>Medium</p>	<p>The risk can be minimised if Council always has a clear and detailed future forward work programme to which it is committed, for at least the next three years, enabling timely consent applications or timely land purchases. This will be achieved through Council's 30 year Infrastructure Strategy.</p>
	<p>Resource Consent standards lead to higher treatment standards which lead to higher cost</p>	<p>Medium</p>	<p>Higher treatment standards will lead to higher capital and operating costs. While Council can anticipate some of these changes and ensure that they are reflected in budgets the final impact will not be known until the Resource Consent is granted.</p>
	<p>Conditions attached to existing Resource Consents change, or Council is unable to renew these when they expire.</p>	<p>Low</p>	<p>A significant change could increase compliance costs which would need to be funded from increasing user charges or rates.</p>
<p>Drinking Water Standards</p> <p>There are proposed changes to the New Zealand Drinking Water Standards which the Council are unable to accurately quantify now.</p>	<p>New Drinking Water Standards lead to higher treatment standards which lead to higher cost.</p>	<p>Medium</p>	<p>Higher treatment standards will lead to higher capital and operating costs. Any impacts will not be known until revised Drinking Water Standards are published.</p>
<p>Significant Land Use Changes</p> <p>There will not be any major changes to land uses in the district that have consequential impacts on Council infrastructure needs.</p>	<p>Unforeseen land use, of a type that has potential significant effects, occurs.</p>	<p>Low</p>	<p>Council will need to assess the situation but this matter is not entirely within Council's hands.</p> <p>A third party may lodge an application for a plan change or non-complying consent at any time. This can lead to higher unforeseen costs in certain areas.</p> <p>Higher costs to Council to enable land use transitions. Litigation costs regarding land use transitions.</p>
	<p>The planned plan change based on the recently completed spatial plan opens areas for growth with no existing infrastructure.</p>	<p>Medium</p>	<p>Areas of potential growth based on the spatial plan and subsequently the District Plan will be financed through Development Contributions.</p>
<p>Climate change</p>	<p>Decreased capacity to adapt due to restrictive land designations and land use lock-in (where</p>	<p>Medium</p>	

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	costs are too high to change land use). Increased GHG emissions due to land use lock-in and increased costs of emissions off-setting.		
<p>Building Control: Council will continue to meet the requirements of being accredited by International Accreditation New Zealand in order to maintain its registration with the Department of Building and Housing as a Building Consent Authority.</p> <p>That Council will be faced with a significant leaky building claim is unlikely.</p> <p><i>Reference: Ministry of Business Innovation and Employment.</i></p>	<p>Loss of accreditation so Council could no longer grant Building Consents.</p> <p>A significant leaky building claim has the potential to affect the General Rates.</p>	Low	<p>Council has a continuous improvement programme to focus on ensuring standards are met. There has been investment in additional management resource to support this process. Council has consistently achieved compliance to date.</p> <p>Council has in the past had very limited exposure to leaky building claims, and the improvements to processes arising from accreditation make it even less likely for a substantial claim to arise in future.</p>
<p>District Leadership: The Local Government Act 2002 provisions relating to decision-making and the expectations which the community has on Council is assumed to remain unchanged.</p>	<p>Council is unable to meet community expectations.</p> <p>Changes to key legislation may require reviews on local governance.</p>	Medium	<p>There may be increased costs associated with quality assurance for decision-making processes.</p>
Climate Change	<p>Council unable to meet community expectations, including risk of community push-back on adaption and mitigation decisions or on lack of decisive action.</p> <p>Increased compliance risk for Council to meet legislative obligations and statutory requirements. Lack of clarity and guidance from central government and increased costs on navigating differing legislative guidance.</p>	High	<p>Higher costs to obtain legal advice, higher operating costs for policy and strategy development. Decreased success with resource consents and increased costs to obtain consents. Increased litigation costs.</p>
<p>Local Government structure for Northland and Auckland remains the same and no significant shared service or amalgamated service structures are put in place.</p>	<p>Amalgamation as a result of legislation or otherwise is introduced.</p>	Medium	<p>There is initial disruption and costs associated with any changing governance or representation structures, however longer-term efficiency in service delivery.</p>

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Council is aware of the 3 Waters programme of work, but it is too early to draw any future conclusions on impact of governance structures or representation.			
Emergency Management: It is assumed that there will be no natural disasters requiring emergency management work that cannot be funded out of the budgetary provisions.	A major natural disaster occurs.	Low/Medium	Significant additional "one-off" repair costs and rating impacts may be incurred as a result of emergency events.
Legislative changes are anticipated that may result in policy and procedural reviews.	Legislative changes result in general and specific costs for particular items such as tsunami warning systems.	Low/Medium	It could be expected that higher operating costs will be incurred because of public demands or legislative requirements for higher levels of readiness.
	Costs of policy and procedure reviews rise well above budget provisions	Low/Medium	
Climate Change	Increased frequency and/or severity of natural hazards will increase emergency management service requirements.	Medium	Significant increase in repair costs. Increased operational costs to match community needs and expectations.
Roading: There is sufficient provision in the LTP to cope with the effects of likely storm events.	Storms greater than average sized events will require a reprioritisation of expenditure in the LTP to accommodate the costs to repair the district's roads.	Medium	Not all costs may be able to be covered by existing budget constraints.
Climate change	Sea level rise and extreme weather events will increase spending on transportation networks repair and reduce level of service. Inability for Council to pay for transportation network (roading relocation in the long term.	Medium	Cost will be greater than budget. Delegated capital works projects on roading may create infrastructure lock-in and reduce adaptation opportunities and/or increase costs to relocate roads in the long term.
Flood Protection: Weather patterns and rain intensity are expected to increase	Predictions are under or over estimated.	Low	Significant additional "one-off" repair costs and rating impacts may be incurred as a

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steadily as are tidal sea levels in the future.			result of storm events. It could be expected that higher operating costs will be incurred because of public demands for higher levels of readiness.
Climate change	Increased severity of storm events, including extreme rainfall events will decrease ability of drainage schemes and stormwater networks.	Medium	Higher operating costs due to increased repair and maintenance costs. Lack of ability to insure/higher costs to insure assets due to increased exposure and risk. Increased costs for large-scale capital works projects to improve capacity of flood protection systems.
	Sea level rise and increased coastal flooding will decrease capacity for stop bank system and drainage system.	High	Maintenance costs increase, and lack of ability to insure/higher costs to insure assets due to increased exposure and risk.
	Lack of community's ability to pay for required infrastructure projects if adaptation response defaults to "one-off repair costs".	High	Council recognise that a basic investment in climate mitigation measures is necessary and the community will be consulted on regarding their appetite for a larger investment.
Libraries: Changes in the district's population demographics resulting in greater numbers of retirees and Maori youth, is expected to increase demand for library services. There is a growing demand for digital services. It is anticipated there will be ongoing demands for changes in the range and types of services that the district's libraries are expected to provide. This is expected to continue to increase.	Demand for services rise steeply or change in type and nature of services.	Low/Medium	The technology associated with reading and the role of libraries is changing. There will be additional costs associated with the new technology and services.
Open Spaces: It is assumed that expectations of reserve maintenance, the range and standard of facilities provided, safety and accessibility and compatibility will not change significantly.	Cost of operations and maintenance rise above expectations and start to undermine maintenance standards and community expectations.	Medium	If the increased expectation is to be met, it will increase costs.
Waste minimisation: It is assumed that all rubbish will continue to be disposed of outside the district and that the closed landfills will continue to meet Resource Consent conditions	Landfills outside the district can no longer be used. The district's closed landfills no longer meet Resource Consent standards.	Low	If Council needed to re-commission one or more closed landfills there would be significant extra cost and contingent liability for their operation.

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Climate Change	Operation cost of solid waste disposal services significantly increases.	Medium	Increased legislative requirements to reduce GHG emissions, off-set GHG emissions and increased costs of carbon credits will increase operation cost, including strategy development and reporting requirements, legal costs and level of service/implementation changes.
Stormwater: Demand for new stormwater systems or significant upgrades to stormwater systems are not expected to significantly impact on either asset requirements or operating costs.	That development demand exceeds forecasts and/or slows down significantly. That a severe weather event or more frequent events affects the integrity of a system.	Medium	If development increases significantly from forecasts, this may require increased expenditure to increase capacity to meet the demand. Storm damage or response to increased expectations for treatment and/or disposal of stormwater could increase rates within the affected catchment area.
Wastewater Demand: Demand increases will not exceed existing projections and projects in excess of those planned.	That development demand exceeds forecasts or slows down significantly.	Medium	The activity is confined to identified catchment areas, so financial impacts will be within the specific area. Due to the current and projected growth for eastern parts of Kaipara, Council will need to review its planning models more frequently.
Wastewater Treatment Plants: Resource Consents for major capital works are expected to be obtained without undue delays and consent compliance will therefore be achievable.	Resource Consents are appealed to the Environment Court resulting in significant delays.	Medium	There can be additional costs associated with complying with consent conditions as standards continue to increase. These additional costs will be borne by the catchment area serviced.
Water Supply Demand: Increase in demand over that forecasted for treated water is not expected to significantly impact on either asset requirements or operating costs.	Development demand exceeds forecasts.	Low	Water is charged on a volumetric basis and a change to volume used will be reflected in revenue.
Severe drought, resulting in water shortages, will not occur to the extent that water supply for human consumption and sanitation is compromised. Projects to meet increase in demand to manage water restriction have been added to the LTP.	Water shortages may result in emergency aid being required and losses in economic opportunities.	Low	Kaipara is projected to have longer dry periods, seasonal changes to rainfall patterns, and reduced flows in waterways and shallow groundwater.
The new rules from the National Environment Standards and the National Policy Statement for Freshwater Management put restrictions on increasing the volume of water takes. The hierarchy considered by the Regional Council is when assessing water takes is Environment comes first, then People and then Animals.	Council will not get sufficient water from water takes during droughts and may breach consents	High	Dargaville has historically experienced water shortages during droughts. Steps can be taken, however, to reduce demand and manage water resources more effectively (Drought Management Plans have been developed).

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3 Waters and Climate change impact	Lack of capacity of 3 Waters systems to cope with pressure from increased severity and/or frequency of coastal inundation, salination and rising groundwater, flooding, erosion and drought. Damage to infrastructure assets due to increasing coastal hazards.	High	Significantly increased costs to improve asset capacity and reduce exposure. Increased infrastructure repair and maintenance costs. Increased operational costs to develop and implement drought and water shortage adaption response actions.
Water Conservation: Water conservation measures are expected to be sufficient to counter the effects on demand arising from adverse drought conditions and high peak season water demand.	Conservation methods are not sufficient to counter the effects of a drought.	Medium	While demand can be managed by regulation, a reduced water supply would mean reduced income from those supply areas which pay by metered usage.
Climate change	Current water conservation methods are inadequate to meet increasing drought conditions, rainfall pattern changes and salination of low-lying freshwater sources	Medium	Increased costs to improve water storage infrastructure. Increases costs for consultation and/or other external expertise to help incorporate and set-up water conservation methods (i.e. grey water reticulation into infrastructure strategy and management plans.
Asset Management Plan Information: Council has developed Asset Management Plans for several of its activities. Council continues to improve its asset planning information - particularly in regard to asset condition and performance.	Asset conditions differ from the current information	High	Any need to increase maintenance budgets and/or renewals expenditure above planned levels would lead to increased costs (and therefore rating requirement) for Council. The extent of this risk cannot be quantified By conducting rigorous asset condition assessments and a continuous improvement program around asset data, condition and criticality the unknown and unquantifiable risks can be managed and reduced.
Infrastructure Capital Projects: The District's infrastructure has historically lacked investment at the appropriate time (due to budget constraints) which has resulted in a significant portion of assets aging and in need of costly renewals. Council is focused on updating its asset condition and performance information to support prioritisation of works into the future.	Information is not accurate or up to date to enable accurate prioritisation for projects.	High	Completing asset planning information related to the condition of assets is ongoing and budgeted for, and best estimates are used in the absence of accurate information.

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In some instance's contractors are in short supply which can impact delivery of the capital work programme.	Timing of work can be delayed where contractors cannot be secured.	High	The Infrastructure team has a procurement strategy that is focused on supplier relationships and collaboration with other councils. In support of this focus a supplier panel has been created recently which will mitigate this risk to some extent where the panel have made a commitment to support Council works.
Financial Assumptions			
Useful Lives of Significant Assets: It is assumed that no significant assets will fail before the end of their useful lives as determined in accordance with the depreciation rates set out in the accounting policies of Council.	Some assets may wear out and fail sooner or later than calculated.	Medium	There is no certainty that asset components will last exactly to their design or assessed lives. However, replacement is budgeted at the expected end of useful life and earlier replacement will result in a loss on disposal of any residual value. Earlier replacement may result in the deferral of other discretionary capital projects in order to remain within self-imposed debt limits as set out. Some assets are likely to last longer than their design lives which would help to balance the effects of any early replacement of assets.
Climate change	Sea level rise and increased frequency and/or severity of natural hazards will reduce the useful lives of significant infrastructure assets	Medium	Council needs to factor climate change scenarios into its asset maintenance and renewal planning assumptions.
Revaluation of Non-Current Assets: Revaluations are planned to be undertaken as follows: <ul style="list-style-type: none"> • Roading annually • 3 waters: every three years • Community and operational assets remain at cost It is assumed that these will be completed on a rotational basis i.e. not all revaluations will occur in one particular year. For the purposes of this LTP, the values of non-current assets have been increased using factors reflecting average annual movements.	The actual inflation rate may vary from the average annual movement information applied.	Medium	There is no certainty as to what the actual inflation rates will be over the next ten years. External influences beyond Council control can affect these rates. If the asset class is depreciable the depreciation will differ from that in the forecast.
Depreciation Rates on Planned Asset Acquisitions: Depreciation expenses on new assets acquired within the term of this Plan have been determined at the applicable rate defined within the accounting policies.	That the depreciation rate applied to acquire assets is inaccurate.	Low	The depreciation expense and funding would differ from that forecast.

Forecasting Assumption	Risk	Level of Uncertainty	Reasons and Financial Effect of Uncertainty
Climate change	Sea level rise and increased frequency and/or severity of natural hazards will increase pressure and damage to assets and accelerate depreciation rates.	Medium	
<p>Price Level Changes: The influence of Covid 19 has dramatically changed how Councils will forecast price level changes. Through Council's membership of the Society of Local Government Managers (SOLGM), economic advisors BERL have cast 3 price level change scenarios with identifying regional characteristics which will influence changing price level projections. The scenarios are 1. Stalled rebuild where GDP and employment grow more slowly, 2. BERL Mid and 3. Faster rebuild where GDP and employment grow more rapidly.</p> <p>Guidance on the characteristics of districts was provided for Councils to select the scenario most relevant.</p> <p>Due to Kaipara's dominant agricultural base, lower reliance on the most hard hit tourism sector and its high growth rate, BERL's 'Faster Rebuild' scenario has been adopted.</p> <p>The principal assumption made for the ten year period between 2021 and 2031 is that annual inflation will occur at rates in line with the 'Faster rebuild scenario' Local Government Cost Adjuster estimates and the Local Government Cost Index (LGCI) which have been prepared for local government use by SOLGM (see tables below).</p>	The price level changes will vary from those used.	High	<p>Based on a projected annual operating expenditure of \$50 million, a plus/ (minus) 1% movement in the forecast inflation rate would result in an approximate movement in operating costs of plus/ (minus) \$500,000. Similarly, with an annual capital works programme of \$40 million a plus/ (minus) 1% movement in the forecast inflation rate would result in an approximate movement in capital costs of plus/ (minus) \$400,000.</p> <p>If the impact of inflation on Council's budgets turns out to be higher than forecast and Council did not wish to generate additional revenue by increasing rates, then either additional operational efficiencies or reduction in service levels or planned capital expenditure would need to be considered.</p> <p>Should the impact of inflation turn out to be lower than forecast then there would be a favourable impact on Council's operating and capital expenditure budgets.</p>

Forecasting Assumption	Risk	Level of Uncertainty	Reasons and Financial Effect of Uncertainty
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Adjustors: % Per annum change

Local Government Cost Adjustor Forecasts Three scenarios
Mahuru 2020

Table 4.15 Local government cost adjustors, Faster rebuild scenario, % change on year earlier

	Faster rebuild scenario				
	Planning & Regulation	Roading	Transport	Community	Water & Environment
2019	3.2	2.3	2.8	2.0	3.8
2020	1.7	1.9	1.8	1.7	2.5
2021	1.4	1.5	1.4	0.7	-2.2
2022	2.6	3.3	2.7	3.1	4.1
2023	2.6	3.2	2.7	2.8	3.4
2024	2.5	3.2	2.7	2.8	3.4
2025	2.5	3.2	2.7	2.8	3.5
2026	2.5	3.1	2.6	2.8	3.5
2027	2.5	3.1	2.6	2.6	3.0
2028	2.5	3.1	2.6	2.8	3.4
2029	2.4	3.1	2.6	2.8	3.4
2030	2.4	3.1	2.6	2.8	3.4
2031	2.4	3.0	2.6	2.6	3.0
<i>20 year average %pa</i>	<i>2.2</i>	<i>2.6</i>	<i>2.3</i>	<i>2.2</i>	<i>2.6</i>

Table 4.16 Local government cost index LGCI, Faster rebuild scenario

	Faster rebuild scenario		
	OPEX	CAPEX	TOTAL
2019	3.0	2.9	3.0
2020	1.9	2.0	2.0
2021	0.4	0.1	0.3
2022	3.1	3.3	3.2
2023	2.9	3.0	2.9
2024	2.9	3.0	2.9
2025	2.9	3.0	2.9
2026	2.9	3.0	2.9
2027	2.7	2.8	2.8
2028	2.8	3.0	2.9
2029	2.8	3.0	2.9
2030	2.8	3.0	2.9
2031	2.7	2.8	2.7
<i>20 year average %pa</i>	<i>2.3</i>	<i>2.4</i>	<i>2.4</i>

NZ Transport Agency Subsidy Rate:

The NZTA's financial assistance rate (FAR) for Kaipara District Council has been increased from 61% to 62%. It is assumed that this FAR will remain for the life of the plan. It is also assumed that the level of subsidy will increase in proportion to increased costs.

There is a risk that subsidy rates will reduce within the 10 year period.

Medium

Roading activities dominate Council's expenditure. Any change in the subsidy rate has a direct impact on Council's budget, level of rating or level of service.

Forecasting Assumption	Risk	Level of Uncertainty	Reasons and Financial Effect of Uncertainty												
<p>Interest Rates on Borrowing: The forecast interest rates are the actuals for existing loans and swaps. The interest cost of the new debt or refinanced debt is assumed to be at a margin of 1.2% with a commitment fee of 0.5%, which is a conservative estimate, using the long term average forecasts assuming that we continue to borrow from the Local Government Funding Agency (LGFA). The combined all up of cost is assumed to range from 4% to 5%.</p>	<p>Interest rates will increase beyond those budgeted for in the 10 year LTP period.</p>	<p>Medium</p>	<p>Interest costs on borrowing.</p> <p>A 1% variation in interest rates would give the following increases in interest costs at the following levels of debt:</p>												
			<table border="1" data-bbox="850 398 1477 607"> <thead> <tr> <th data-bbox="850 398 979 454">Total Debt</th> <th data-bbox="986 398 1043 454"></th> <th data-bbox="1050 398 1153 454">\$65 million</th> <th data-bbox="1160 398 1264 454">\$60 million</th> <th data-bbox="1270 398 1374 454">\$50 million</th> <th data-bbox="1380 398 1477 454">\$45 million</th> </tr> </thead> <tbody> <tr> <td data-bbox="850 463 979 607">Interest \$ Variance with Movement of:</td> <td data-bbox="986 463 1043 607">1%</td> <td data-bbox="1050 463 1153 607">\$650,000</td> <td data-bbox="1160 463 1264 607">\$600,000</td> <td data-bbox="1270 463 1374 607">\$500,000</td> <td data-bbox="1380 463 1477 607">\$450,000</td> </tr> </tbody> </table> <p>A \$500,000 increase in interest costs equates to approximately a 1.5% increase in rates for 2020/2021.</p>	Total Debt		\$65 million	\$60 million	\$50 million	\$45 million	Interest \$ Variance with Movement of:	1%	\$650,000	\$600,000	\$500,000	\$450,000
Total Debt		\$65 million	\$60 million	\$50 million	\$45 million										
Interest \$ Variance with Movement of:	1%	\$650,000	\$600,000	\$500,000	\$450,000										
<p>Refinancing Term Loans/External Funding: External loans are managed on a portfolio basis and refinanced in accordance with the parameters of the LTP, the liability management policy and on the advice of Council's Treasury Advisors. Refinancing of external loans is assumed to be readily achieved.</p> <p>Council expects to maintain a significant lead-in time within which it can seek to lock in funding at acceptable margins.</p>	<p>Refinancing of external loans is difficult.</p>	<p>Low</p>	<p>The refinancing of Term Loans/External Funding may prove difficult to secure due to conditions within financial markets. This could lead to increased borrowing costs. Council will look to manage this risk by maintaining significant lead-in time before debt is needed.</p>												
<p>Internal Borrowing: Where activities undertake long term asset purchase or replacement, Council internally fund the expenditure from its cash on hand or debt facilities. Activities are separately charged on a principal and interest basis to recover funds used. Payment terms are made over five years for IT and similar short life expenditure, 10 years for the District Plan and 20 years for infrastructural assets except for the Mangawhai Wastewater Scheme which is over 30 to 40 years depending on the debt tranche. Operational reserves (cash on hand) are utilised in the first instance to minimise external debt funding. These reserves are effectively on call.</p>	<p>That the reserves are required in short timeframes and Council's liquidity facilities are insufficient.</p>	<p>Low</p>	<p>Expenditure is planned through the Annual and LTPs. Council operates within the parameters of its Treasury Policy which incorporates the liquidity and liability management policies.</p>												
<p>Lump Sum Payments: That a proportion of property owners connected to the Mangawhai Wastewater Scheme paying the Capital Contribution A-F targeted rate will pay for their share of the capital costs of building the Scheme via a lump sum rather than over the 30 year term as a targeted rate.</p>	<p>That the number of property owners taking up the lump sum option will be higher or lower than forecast.</p>	<p>Low</p>	<p>Any lump sums collected will be used to reduce debt.</p> <p>A property having paid the lump sum will also no longer be liable for paying a capital contribution via a targeted rate. Hence, any variance in the number of properties paying lump sums will not affect the targeted rate for capital costs payable by other properties.</p>												

Forecasting Assumption	Risk	Level of Uncertainty	Reasons and Financial Effect of Uncertainty
Council has assumed that take up of the offer is assumed to be minimal at this stage.			
Vested Assets: Council does expect to receive vested assets over the life of this Plan.	The value of vested assets is greater than predicted thereby increasing depreciation expense. That contributions in kind do not provide the cash resource required to undertake the growth projects set out in the LTP.	Medium	From time to time developers will seek to vest certain assets in Council in lieu of making payments for financial or Development Contributions.
Sources for Funds for Future Replacement of Significant Assets: It is assumed that funding for the replacement of significant assets will be obtained in accordance with Council's Revenue and Financing Policy.	The main risk is that budgets for some capital replacements may not have been included and sources may not meet requirements.	Low	There is little or no risk that sources of funds for replacement of significant assets will not be achieved. Funding of all asset replacements during the life of the LTP has been disclosed.
Other Assumptions			
Climate Change: Current and projected increase in global temperature and sea level rise, will increase frequency/severity of extreme weather events and natural hazards. Current costs structures will be impacted by climate change adaption and mitigation needs.	Sea level rise, extreme weather events, and slow on-set changes may lead to growing financial burdens, revenue, credit and investment impacts, lost productivity, increased emergency management costs, and unfunded contingent liabilities	Medium	Increasing damage by natural hazards will impact funding investments in infrastructure and increase emergency management requirements. Continued and increasing economic disruptions. Loss of asset values and insurance premium increases and withdrawals. Potential lost productivity – especially the land based primary sector. Reduction in revenue from rates linked to asset values affected by climate change. Increased need for large scale investments for adaption. Increased operational costs to implement need for early action. Lack of capacity of current investment appraisal approached (inappropriate for complexity and long term nature of climate change).
Emissions Trading Scheme: Council currently holds New Zealand units for pre-1990 forests but does not plan on surrendering or obtaining any units. With the sale of much of the woodlot these units may be available for sale.	In the event that pre-1990 forests are lost and could not be replanted or regenerated Council would need to surrender or purchase credits. The cost to purchase carbon credits will increase.	Low	As Council is not planning on deforesting any of its land, it would have the New Zealand Units available to meet any unforeseen events. As the cost of carbon will increase over time it will cost more for Council to meet future requirements to offset emissions.

Forecasting Assumption	Risk	Level of Uncertainty	Reasons and Financial Effect of Uncertainty
<p>COVID-19: KDC does not expect the impact of COVID-19 to have any material impact on its financial forecasts. Apart from the assumptions adopted from the BERL inflationary factors, the financial forecasts have been prepared on a consistent basis to previous LTP's.</p>	<p>That impacts of COVID-19 do affect the financial forecasts.</p>	<p>Medium</p>	<p>Any impact will be included in the subsequent years' annual plans.</p>
<p>Local Government Funding Agency (LGFA)</p>			
<p>Guarantee Obligations: Council has become a “guaranteeing local authority” in the LGFA when it joined the Agency. This means it will have guarantee obligations.</p> <p>At the year-end 2020 Council's exposure was \$8.6 billion.</p>	<p>Council is one of 44 local authorities that guarantee LGFA's borrowings. These could be called on if LGFA defaulted on repayments of interest or capital.</p>	<p>Low</p>	<p>The only borrowers from the LGFA are Local Authorities and there has been no default by a Local Authority in New Zealand. In the event of a default. The LGFA will immediately be able to appoint a receiver and assess a special rate against all ratepayers in the defaulting Local Authority's district.</p> <p>The LGFA has considerable sources of capital and liquidity available to meet any shortfall in timing of payments before any call is made under the guarantee.</p> <p>Operational risk is minimal due to the conservative borrowing and lending policies proposed as part of the LGFA scheme.</p>