

LTP 2015-2025: Assumptions and Data

The preparation of our work plan and budgets for the next ten years is based on a number of assumptions. While these assumptions may not happen exactly as we predict, we need to plan our costs and activities based on the most likely scenario. The actual events may differ substantially from these assumptions. If this occurs the result may be a significant change in costs and our work plan.

The following table gives you a summary of the assumptions we have made when preparing the Long Term Plan 2015-25 (LTP). It also identifies the risks that may affect the Council, the level of the risk and how we intend to mitigate the risk.

There are other assumptions which have been made about the expected lives and future replacement of significant assets. Further information on these assumptions can be found in the 'Our Costs in Detail' chapter.

Number	Title	Assumption	Risk	Level of Uncertainty	Mitigating the Risk
1	Legislative demands on Council	There will continue to be changes to legislation that will affect our work programme.	The risk is that there will be major unexpected changes to the legislation that will cause significant changes to how we operate, what we do, and who pays for things. Changes could have a significant financial impact on the way we operate.	High	We have set our work programme to take into account the expected outcome of legislative changes where possible. Legislative change is often progressed with a long lead in time, allowing Council to respond accordingly.
2	Rating base	The number of properties from which we receive rates is expected to increase by approximately 0.5% annually.	The rateable properties will not increase as expected. This may impact on growth related projects that draw on development contributions.	High	Figures are based on census data and are reviewed regularly. A realistic approach has been taken to ensure the Council does not over burden ratepayers. As a large portion of our rates is based on Capital Value, rather than fixed charges, the change in rating units is not considered material and has not been included in the Financial Statements as a matter of financial prudence.
3	Sale of assets	The planned sale of assets will be	Asset sales do not progress as planned, or	High	The expected income from the sale

		realised.	result in a lower return than anticipated. It may also impact on the Financial Strategy and Treasury Policy limits		of assets is based on a prudent and realistic sale price. While the intention is to use returns to reduce debt, this assumption is not included in the Financial statements as a matter of financial prudence.
4	Natural hazards	Our District is at risk of a range of natural hazards such as earthquakes, flooding, tsunami, debris flows, slips, tornado, fire and volcanic activity. We are unable to make an assumption on the occurrence of such events.	That there will be a disaster event needing emergency works that we cannot afford to fund within our current budget. The potential effect of a disaster on the Council's financial position depends on the scale, duration and location of the event.	High	We have developed a Policy to limit the impact of natural hazard events by building up contingency funds to pay for storm damage to roading and general disaster response and recovery. Our underground assets are also covered through the Council's insurance. Alongside the Council, Central Government also has a role in disaster recovery and restoration works after natural disasters have happened.
5	Council boundaries, structure and elections	There will be no change in the Council structure, including the Mayor and 10 Councillors. Delivery of Local Government will continue on the basis of current boundaries	There could be a change in the Council structure during the life of the LTP. The next representation review is scheduled for the 2014/15 year, and then every six years following. Local government amalgamation processes have been undertaken in other regions. Within ten years there may be changes to the boundaries and form of Local Government in the District. There would be associated financial and rating changes as a consequence.	High	Changes to the structure of Council must follow the due process outlined in the Local Electoral Act and allow for public input. The Local Government Commission will make the final decision. Any change to boundaries or the form of local government will have a long lead in time, allowing the Council to respond accordingly.
6	Human Resources	The Council will be able to attract and retain suitably qualified and able staff.	The risk is that the Council will not be able to recruit and retain the right staff. If the risk occurs then increased reliance may be	High	Human Resources have implemented recruitment process that focuses on the lifestyle offered

			placed on contractors with an impact on costs.		by Whakatāne District and ensures that remuneration reflects the market. Development of management and leadership capabilities is being undertaken.
7	Availability of contractors	We will be able to find skilled contractors to undertake the work we require, to the agreed standards, deadlines and cost.	The risk is that there will be a shortage of contractors, or that contractors will not deliver to the agreed standards and specification within the agreed time. If the risk occurs, it could result in an increase in the price of the project and may impact on the completion of projects and therefore levels of service.	Medium	We have a procurement manual which ensures we have robust contracts. Our contracts outline what we expect to receive from our contractors. If the work is not completed to the agreed standards and specifications then we have legal rights.
8	Population growth forecasting	Population growth across our District is expected to reflect the population projections provided by the National Institute of Demographic and Economic Analysis (NIDEA), The University of Waikato. (See table one)	Where actual growth differs substantially from the assumption, growth related projects and work programmes will need to be adjusted.	Medium	Particular allowance has been made to plan for growth in specific areas. The Council will monitor population increases through census information and the availability of residential land. The Council will look at measures to encourage growth.
9	Potential social changes	An aging population (table two) will put added pressures on specific services. The socio-economic structure of our District will not change significantly. The population proportion of Māori will increase and this may place added importance on working with iwi organisations.	Where social change differs substantially from expectations the projects and work programmes may need to be adjusted to better cater for community expectations and affordability.	Medium	The Council will monitor demographic changes through census information and other economic indicators.
10	Environmental issues	Our District is susceptible to many environmental processes, such as erosion, sediment build up, beach formation/destruction.	These natural processes may occur at a faster than anticipated rate with a greater impact on infrastructure and services than expected.	Medium	The District Plan includes provisions to protect against coastal hazards. The Council will monitor the latest research in this area.

		Climate change is likely to impact on various activities of the Council.	Our District may experience effects of climate change in the short term.		
11	Funding from other sources	External funding will be secured for projects, where indicated.	Changes to the criteria or level of funding available may change, resulting in less or no money being available for our projects. If this is the case, the relevant project will not be progressed or will need to be adjusted to meet the Council's ability to pay. This may impact on future levels of service.	Medium	We will continue to seek subsidies for projects where available. However, where funding becomes unavailable, we will reassess the viability of the project before progressing.
12	Borrowing and expected interest rates	We will continue to loan fund at varying rates of interest. Expected interest rates are outlined in table three.	In the future, interest rates may be higher than forecast.	Medium	The Council has a Liability Management Policy which contains strategies to protect ratepayers against significant fluctuations.
13	Renewability or otherwise of external funding	We will be able to negotiate favourable borrowing terms, for new projects.	We will be unable to get new loans with reasonable terms to pay for approved projects or to repay old loans that are maturing.	Medium	The Council has a Liability Management Policy which contains strategies to protect ratepayers against significant fluctuations.
14	Cost factors / Inflation	We use best estimates to predict what costs will be in the future, including inflation expectations. See table four.	The actual price of inputs and outputs will not increase at the rate assumed.	Medium	BERL price change estimates have been used to prepare the prospective financial statements. These are an industry recognised measure.
15	Revaluation of assets	We accurately estimate the value of our assets, for revaluation purposes. See table five.	There may be a big difference between how much we thought the asset would be worth and how much it is actually revalued at. This may be due to better information about the asset being available.	Medium	The Council frequently revalues its assets in accordance with its Significant Accounting Policies and uses a weighted average of BERL price adjustors (table four).
16	Project Management	Projects will be run within cost, quality and the timeframes specified.	That projects will be delayed due to things we can't predict or have cost or quality changes from that planned.	Medium	A comprehensive Project Execution Plan template is used across the Council and contingencies built into project plans. The Executive provide oversight to ensure projects are appropriately managed.
17	Environmental	When renewing resource consents, the	Renewed consents could include tougher	Medium	Where there is an anticipated

	consent requirements	majority of consent conditions will remain the same.	environmental conditions than expected, or could fail to be granted.		change in resource consent conditions, the Council will budget accordingly.
18	Funding growth related development	Infrastructure needed for growth related development will be paid for by development contributions and financial contributions.	Development contributions do not cover the cost of growth related infrastructure because there is less growth than expected or changes to the zoning of land in the Proposed District Plan are not progressed through decisions.	Medium	The Development Contributions Policy is based on the NIDEA growth projections, census data and the Proposed District Plan. The Policy uses Housing Equivalent Unit (HEU) projections and these are not the same as rating base projections, due to their differing natures and uses.
19	Service delivery options	We will continue to deliver our services to the community in the same way.	We will not be able to take advantage of more efficient and effective methods of delivering services because we are unable to exit the current method of service delivery.	Medium	The Council will pursue shared service options through BOPLASS and other methods, such as Public/Private Partnerships. The Council will carry out periodic service delivery reviews to assess options.
20	Preliminary cost estimates	Costs listed for some projects are initial estimates based on information available at the time. To allow for variations between our expected cost of a project, and the actual cost of a project, we allow for a contingency in our budgets. This may range between 10% for fully scoped projects up to 30% for projects in concept or preliminary design.	Should any project increase in costs significantly beyond our estimates, it may have an impact on the rates requirement.	Medium	Cost estimates are updated annually, when detailed design has been completed and when further information is available.
21	NZTA subsidies	We get subsidies from the NZ Transport Agency for the operation and upkeep of the local road network in the District. An assumption is made on the level of financial assistance that we will get. See table six.	That the Financial Assistance Rate (FAR) will be adjusted downward or that policy priorities change and affect the availability of some subsidies.	Medium	The roading programme would be reviewed and potentially adjusted, if required, as a result of unexpected changes in FARs.

22	Creation and realisation of investments, reserves and assets	We will continue to own investments and reserves in line with our current practice, unless stated in the LTP. The capital expenditure programme in the LTP represents new assets we are going to create.	Should we sell any assets to lower rates, the sale would only have a short term positive impact on rates.	Medium	The Council's 'Policy on Utilising the Proceeds from the Sale of Non-Operational Assets' sets out where proceeds should be applied.
23	Business continuity planning	We are able to continue operating to deliver essential services to the community in the event of a disaster.	If the Council's ability to function is severely disrupted in the event of a disaster affecting the District, we will be unable to provide the essential services.	Medium	Business Continuity Plans are being developed for core departments. Business Continuity and Disaster Recovery projects are underway to develop solutions.
24	Relationships with external bodies	The Council will maintain good relationships with several external bodies, including iwi, other Territorial Authorities and Central Government departments. The Council will continue to explore and collaborate with external partners where it is deemed suitable.	A lack of desire for collaboration may make cooperation difficult or unlikely. This could mean that the Council are unable to take advantage of potential efficiency savings or lose the support of important partners.	Medium	Regular communication between the Council and external bodies can mitigate the risks. The Council will build on the success of previous projects to look for further cooperation and develop relationships further. The Eastern Bay of Plenty Joint Committee, along with the Council's role in the Iwi Chairs Forum, plays an essential role in mitigating this risk.
25	Community buy-in	That the community will continue to support projects committed to through the LTP.	The community may no longer support a project after it has commenced. This may lead to the continuation of a project with little community backing, or the cancellation of a project with the associated costs not having created any benefits.	Medium	The risk can be mitigated by the formulation and implementation of a comprehensive Communication Plan. Similarly thorough community engagement through the LTP and alongside projects is needed.
26	Economic Growth	Economic growth in the Whakatāne District is expected to follow the medium 'Reality Check' projections, as outlined by BERL Economics in "Bay of Plenty Economic Scenarios: Exploring alternative futures" (November 2013). This predicts the generation of around	If economic growth does not proceed as expected, related infrastructure projects and work programmes may need to be amended.	Medium	The Council will continue to monitor progress and research on the topic to inform work plans. The Council will investigate projects to enable and facilitate economic growth.

		2500 jobs in the District by 2022 with an increase in levels of employment, personal wealth and potentially encouraging population growth. It is assumed that economic developments in Kawerau and Ōpōtiki are likely to have an impact on Whakatāne's economic situation.			
27	Land use	Demand for residential properties will be mainly focused around Whakatāne and Ōhope. Capacity for residential land will be sufficient for the next 30 years. Land-use elsewhere in the District is assumed to maintain the status-quo.	Infrastructure may be expanded or developed for residential growth that does not materialise. Demand for a certain type or location of property may out-strip the available land and therefore act as a limitation on growth. There is a risk that some changes in land-use elsewhere may place an unforeseen burden on Council infrastructure. This may particularly be the case with forestry to dairy conversions.	Medium	The proposed District Plan provides appropriately zoned land to enable future demand to be met. Changes to land use in the District will be monitored to inform work plans.
28	Lifecycle of assets	Our assets' lifecycle will be as long as we have estimated. These are covered in our Statement of Accounting Policies, in "Our Costs in Detail".	If an asset fails before its estimated lifetime, additional funding will be required to cover the cost of a replacement.	Low	Assets' residual lives are reviewed and adjusted if appropriate, at the end of each financial year.
29	Sources of funds for the future replacement of significant assets	The sources of funds for the replacement of assets are outlined in the Revenue and Financing Policy.	That a funding source is no longer available.	Low	The Council reviews its work plan annually and the Revenue and Financing Policy every three years, alongside the LTP.

Supporting Data

Table 1. – Projected Baseline Numbers and Annual Growth Rates Whakatāne District 2013-2063 ('SmartGrowth 2014 Review – Demographic and Employment Projections 2013-2036'; National Institute of Demographic and Economic Analysis, The University of Waikato)

Year	Population	Annual Growth Rate
2013	34230	
2014	34096	-0.4
2015	33992	-0.3
2016	33922	-0.2
2017	33870	-0.2
2018	33843	-0.1
2019	33838	0
2020	33843	0
2021	33862	0.1
2022	33884	0.1
2023	33906	0.1
2024	33929	0.1
2025	33940	0
2026	33933	0
2027	33912	-0.1
2028	33874	-0.1
2029	33815	-0.2
2030	33739	-0.2
2031	33649	-0.3
2032	33545	-0.3
2033	33408	-0.4
2038	32198	-0.73
2043	30345	-1.18
2048	28239	-1.43

Table 2. –Projected Baseline Numbers and Change by Broad Age Group, Whakatāne District ('SmartGrowth 2014 Review – Demographic and Employment Projections 2013-2036'; National Institute of Demographic and Economic Analysis, The University of Waikato)

Whakatane DC	Percentage by Broad Age Group					
	2013	2033	2063	2013	2033	2063
0-14	7,740	5,155	2,745	22.6	15.4	12.2
15-39	9,840	6,751	3,590	28.7	20.2	15.9
40-64	11,330	10,264	5,962	33.1	30.7	26.5
65+	5,320	11,238	10,210	15.5	33.6	45.4
Total	34,230	33,408	22,507	100.0	100.0	100.0
85+	590	653	1,192	1.7	2.0	5.3
Elderly:Children (Ratio)	0.69	2.18	3.72			

Table 3. – Borrowing and expected interest rates

2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
5.96	6.01	6.00	5.99	5.95	6.01	6.07	6.10	6.07	6.16

Table 4. - BERL Price Change Estimates – September 2014 Update

Table 3: Adjustors: % per annum change

Year ending	Road	Property	Water	Energy	Staff	Other	Earth-moving	Pipelines	Private sector wages
	%pa change								
Jun 12	5.2	3.3	6.0	15.4	2.3	2.4	4.7	3.1	2.1
Jun 13	1.1	1.7	-2.8	-1.8	2.1	2.9	2.1	-2.7	1.9
Jun 14	0.7	1.9	-2.1	1.3	1.9	1.8	2.8	-2.5	1.7
Jun 15	0.4	1.9	4.7	4.2	1.6	1.5	1.7	1.8	1.7
Jun 16	1.2	2.2	5.2	3.5	1.8	2.3	1.8	2.1	1.7
Jun 17	1.4	2.4	3.8	3.8	1.9	2.5	2.6	2.5	1.8
Jun 18	2.2	2.5	3.0	3.9	2.0	2.6	2.4	2.6	1.9
Jun 19	2.4	2.6	3.2	4.1	2.1	2.7	2.0	2.8	2.0
Jun 20	2.5	2.8	3.3	4.3	2.2	2.9	2.1	2.9	2.1
Jun 21	2.7	2.9	3.5	4.5	2.3	3.0	2.3	3.1	2.1
Jun 22	2.8	3.0	3.7	4.7	2.4	3.1	2.4	3.2	2.2
Jun 23	3.0	3.2	3.8	4.9	2.5	3.3	2.5	3.4	2.3
Jun 24	3.1	3.3	4.0	5.1	2.6	3.4	2.9	3.5	2.4
Jun 25	3.3	3.4	4.2	5.3	2.7	3.6	3.1	3.6	2.5
20-year ave %pa	3.2	2.9	3.5	4.7	2.4	3.0	3.0	3.0	2.2

Source:BERL

Table 5. Asset revaluation dates

Asset	Frequency
Investment property	Annually
Forestry	Annually
Land and Building	Three yearly
Museum assets	Three yearly
Library assets	Three yearly
Harbour assets	Three yearly
Water and sewerage	Annually
Roothing	Three yearly
Parks	Three yearly
All assets for insurance valuation only	Two yearly

Table 6. NZTA Roding Subsidies

Activity	NZTA Subsidy			
	2014/15	2015/16	2016/17	2017/18
OPEX				
Local Road Maintenance	49%	53%	54%	55%
Emergency works	49+%	53%*	54%*	55%*
Special Purpose Road Maintenance	100%	100%	100%	100%
Non Financially Assisted Road Maintenance	0%	0%	0%	0%
Studies	59%	53%*	54%*	55%*
Road safety/community programmes	64%	64%	64%	64%
Railway Crossing Maintenance	100%	53%	54%	55%
CAPEX RENEWALS				
Local Road Renewals	49%	53%	54%	55%
Special Purpose Road Renewals	100%	100%	100%	100%
Non Financially Assisted Road Renewals	0%	0%	0%	0%
CAPEX IMPROVEMENTS				
Local Road Improvements	59%	53%	54%	55%
Special Purpose Road Improvements	75%	75%	75%	75%
Non Financially Assisted Road Improvements	0%	0%	0%	0%

* The new funding rules mean Councils have to allow for the funding of emergency works within their own Council budgets and NZTA's subsidy will be the same as the general maintenance subsidy. Only if the cumulative value of an emergency events throughout the year exceeds 10% of Councils total maintenance budget, will NZTA provide funding at a higher rate of 20% above the base maintenance rate. WDC's, however as our total maintenance programme is around \$8M, an therefore the cumulative cost of events would have to cost amount to more than \$800,000 before this higher subsidy will apply.