

**DRAFT**  
FOR CONSULTATION



# Trends, influences and assumptions

*Ngā ia,  
aneane me ngā whakaaro*

SUPPORTING THE LONG TERM PLAN 2018-28  
CONSULTATION DOCUMENT

## *Introduction*

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Our communities, district and council organisation continue to face change. Changes to our climate, demography, economy, technology, policy environment and other aspects will impact our community and influence our strategy and planning as a local government entity. The assumptions we make for the future, how we prepare for change, and the decisions we make through the Council's strategy and planning processes today, will have implications for our communities for years to come.

'Part one' of this document explores the key influences and trends that are expected to impact our communities over the period of our Long Term Plan 2018-28 (LTP) and beyond.

'Part two' of this document sets out the significant forecasting assumptions and risks underlying the financial information set out in the Long-Term Plan (LTP) as required under Schedule 10 of the Local Government Act 2002.

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# PART 1 – Key trends and influences

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This document explores the *key* influences and trends that are expected to impact our communities over the period of our Long Term Plan 2018-28 (LTP) and beyond. Of note, when we consider the longevity of infrastructure and the longer term implications of some trends, this requires us to consider a time horizon of much more than ten years. In relation to the scale and nature of these trends, we will need to adapt to some while others we may be able to exercise greater influence.

# 1 Population projections

The current world population of 7.5 billion is expected to reach 8.5 billion by 2030, 9.7 billion in 2050 and 11.2 billion in 2100, according to the UN median projections.

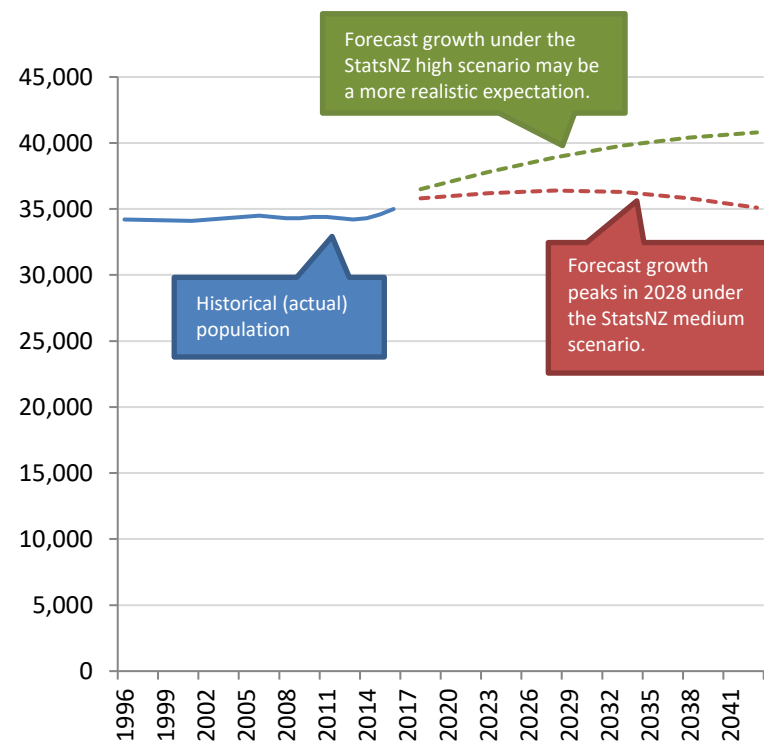
The population of New Zealand is approximately 4.7 million in 2017 and expected to increase to 5.4 million by 2028.

The Whakatāne District population is currently 34,600. The Statistics New Zealand 'medium' scenario forecasts that our population will peak in 2028 at 36,400 people and then start to decline from the mid-2030's. Of note, significant expected industry growth for the eastern Bay of Plenty over coming five year period is forecast to create 3,000 direct jobs which would substantially influence these population expectations (see item 9 – Industry Opportunities for more information). Council is currently updating growth assumptions through work on a 'Development Strategy' which will anticipate and sustainably plan for growth in our District. While this work is yet to be finalised, the expectations for real growth are more closely aligned to the Statistics New Zealand 'high' scenario.

Growth is not constant across our District. Some areas are facing decline already while others remain stable or continue to grow. Within our own district, 52% of the population (18,110 people) live in the Whakatāne Urban Ward including Whakatāne Town, Coastlands and Ōhope. This percent is expected to increase by 2030 with a continued decline of some rural areas and as planned residential developments in or adjacent to our main urban centre are realised.

Overall there is optimism for population growth for our district and the wider Eastern Bay of Plenty in relation to our lifestyle offering and economic development initiatives currently being progressed. At the same time, with some of our areas/ communities in decline we need to ensure that our planning is realistic and that services remain agile to adapt where needed.

Whakatāne District population growth expectations



## 2 Population aging

The aging of the 'baby boom' era will see significant changes in the age profile of our district over the coming decades.

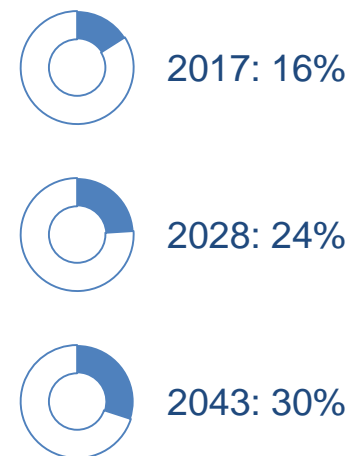
Currently, approximately 16% of our population is aged 65+. This percentage is expected to increase to 24% by 2028 and reach around 30% by 2043. Numbers of 85+ will increase, particularly from 2030. The longer term trend will see the baby boomer population 'bulge' dissipate.

In relation to this trend, the average household size in the Whakatāne District decreased from 2.8 people in 2006 to 2.7 in 2013 and will continue to decrease into the future. We will also see a continued decrease in the number of family households with children while one-person households will increase.

Some examples of implications for an aging population include a changing demand for our services, affordability due to limited incomes, labour availability, changes in demand for housing.

In relation to the age structure, our District continues to see young adults (in the 18-24 age group) leaving the district to further their education, look for work opportunities and seek life experiences. This cohort tends to be replaced by inward migration of the older age cohorts starting from the 35+ bracket.

### Population aged 65+



### 3 Māori population

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Maori make up a large portion of our population and have a much younger age structure.

At the last census 43.5% identified as Māori. This is expected to increase to 46.2% by 2028 and 48.2% by 2038. This compares to 14.9% for New Zealand as a whole (in 2013).

The Māori population of our District has a median age of 26.3 years. This compares to a median of 39.6 for our District overall. As at the 2013 census, just under a third of our Maori population was under the age of 15 years.

Our high Māori population reinforces our need to ensure strong relationships with Iwi and Māori that inform a culturally responsive approach to decision making and service delivery. It also has implications for labour availability for council and other sectors in the context of an aging population.

43.5% Māori in 2013

48.2% Māori by 2038



Māori median age 26.3 years

District median age 39.6 years

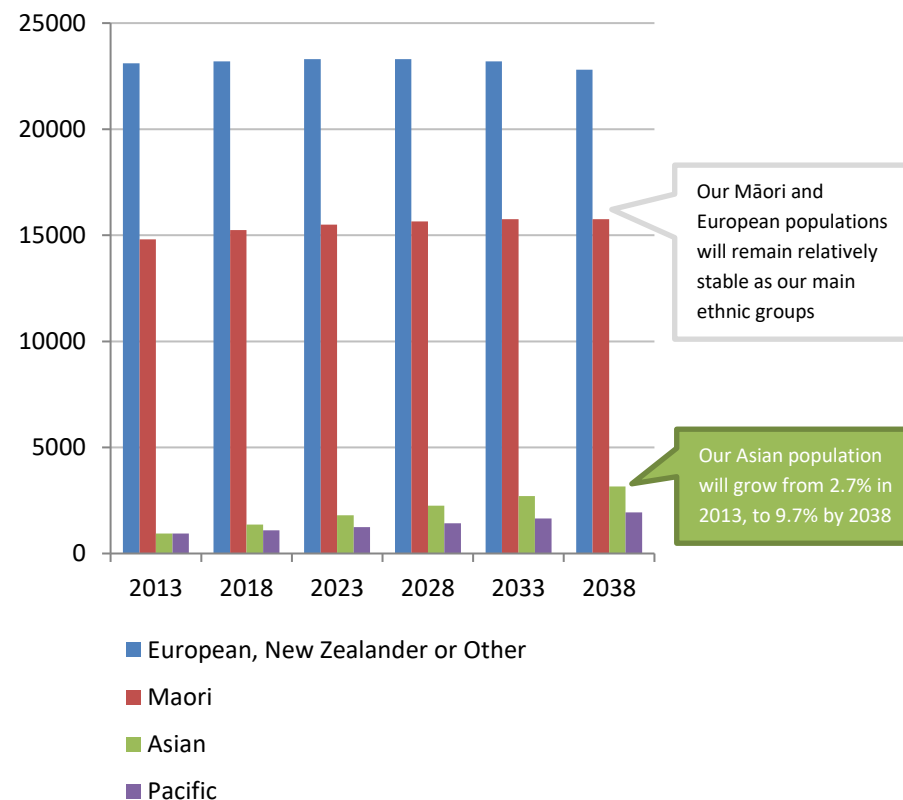
## 4 Immigration and ethnic diversity

The most populous nations in the world today are China (1.4 billion) and India (1.34 billion). While a significant amount of population growth rate will come from Africa over the coming century, the aforementioned nations will continue to dominate population statistics. Rising levels of wealth in these nations will have implications for New Zealand's ethnic diversity and economy, although this will be largely influenced by New Zealand's immigration and investment policy.

New Zealand is currently experiencing record high levels of net immigration. The largest number 'long term of arrivals' for the year ended March 2017 came from Australia (many of which are returning New Zealanders). This was followed by Britain, China and then India.

Locally, European and Māori are the largest ethnic groups represented in our District at 66.3% and 43.5% respectively (in 2013). It is predicted that these will continue to be our largest ethnic groups into the foreseeable future. While currently small in number our Asian population is increasing at the fastest rate.

Whakatāne District ethnic population projection (statsNZ)





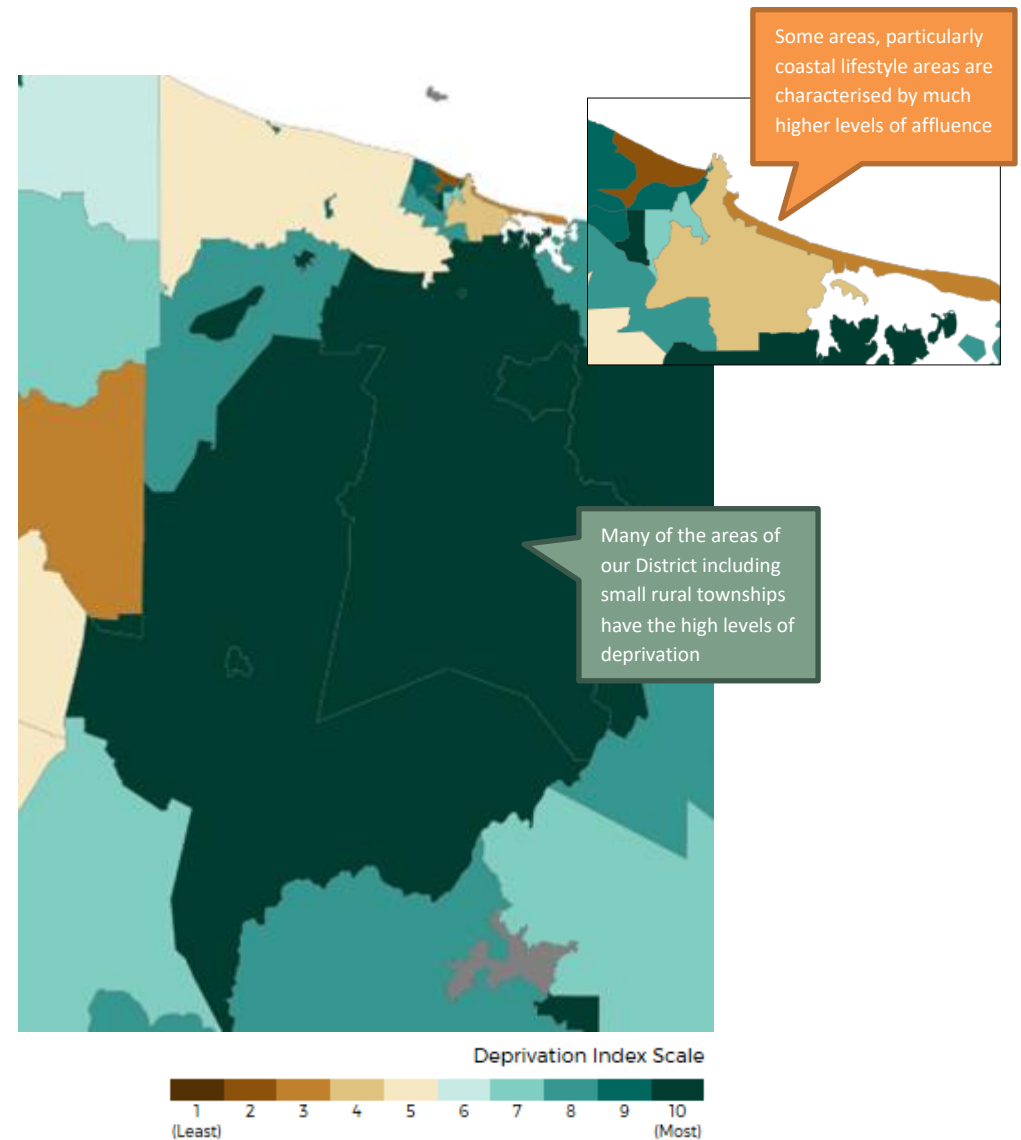
## 5 *Wealth inequality*

Trends indicate the wealth gap in New Zealand has been steadily increasing since the 1980s.

Within our District, we have high levels of relative deprivation (in comparison to New Zealand as a whole). 7 of our 19 census area units have the highest deprivation score of 10 (amongst the 10% most deprived areas of NZ). A further 5 census area units have the next highest deprivation level of 9. Together these areas capture 58% of our people. Implicit within these results are higher than average unemployment rates and lower than average income and qualifications (amongst other indicators). Of note - deprivation levels are considered to be a close proxy indicator for health outcomes.

At the same time we have a number of areas, particularly coastal lifestyle areas that are characterised by much higher levels of affluence.

From 2006 to 2013, five of our area units saw improvements in the index while two area units scored worse. The remaining 12 areas remained unchanged.



## 6 *Central government influence and direction*

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Councils operate within a complex legislative environment. Within this context, central government priorities significantly impact the Council's service delivery and resourcing.

Central government elections were concluded in September 2017. Following the elections and over the course of the three-year term, there will be changes to priorities, legislation, policy, service standards and availability of subsidies and grants as the Government seeks to deliver on its election promises.

This could present a risk to services and projects that aim to secure central government support and investment. On the other hand, there may be new opportunities where our priorities align with those of central government. Current areas of focus that could have a substantial impact on our District include:

- Freshwater reforms
- Three waters review
- Response to housing crisis
- Funding and subsidy regimes
- Legislated service standards such as for drinking water
- Continued reform of LGA and RMA
- Immigration and foreign economic policy

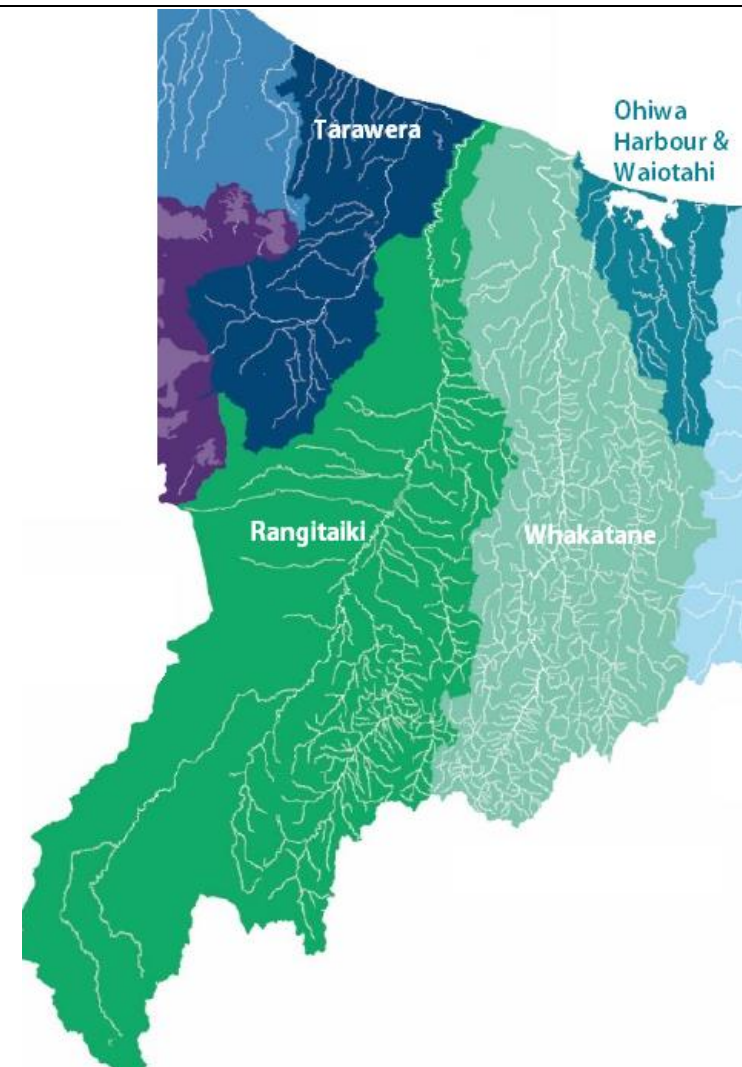
## 7 *The focus on freshwater*

Freshwater (our rivers, lakes, streams, wetlands and groundwater) is essential to life, work and play; it sustains the things we value.

Central government currently has a strong focus on freshwater water management and this is likely to increase into the future given the national and global value of this resource. In particular, water allocation, storm water and waste water discharges, and service standards will have much more stringent conditions in the future.

This will demand some significant upgrading of local infrastructure and services in the near future with many our wastewater, water and stormwater consents due for renewal by 2026. Alongside this challenge much of the Council's core infrastructure is ageing and the Council has a large number of renewals planned over the next 30 years.

For Māori, fresh water is a taonga. All iwi and hapū have strong connections with local lakes and rivers, reflected in their whakapapa and history. This relationship with water is recognised under the Treaty of Waitangi. Healthy fresh water also provides mahinga kai (customary food and resource gathering).



Water Management Areas in the Whakatāne District (BoPRC)

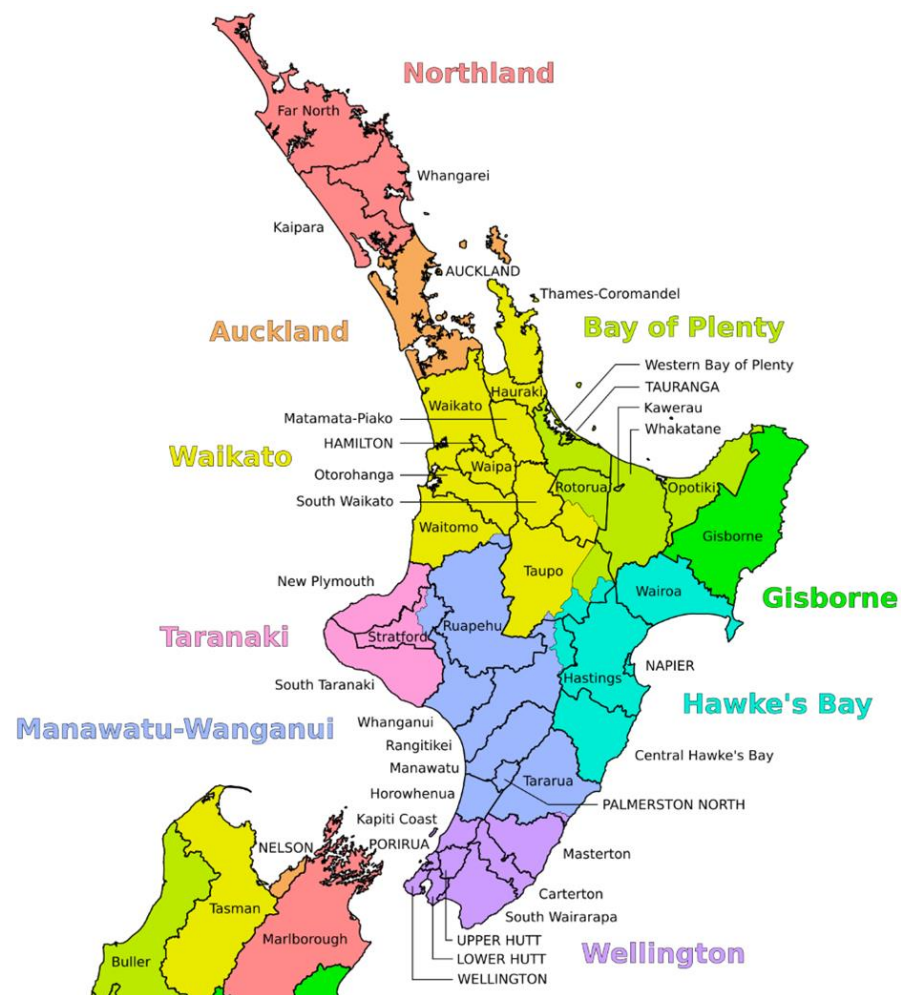
## 8 Structure of local government services

The 'better local government' reform process continues to explore opportunities for improved local government effectiveness and efficiency. While some other regions have seen amalgamations of local government administration as a result, the impacts of reform have not been significant for our Council to date. There is now much less focus on amalgamation than earlier in the reform programme. A greater focus is now on service efficiency (through 17A reviews) and the potential for more centralised service delivery through Council Controlled Organisations.

In particular, the department of internal affairs indicates that a 'three waters review' is currently underway. The review will explore how to improve the management of three waters to better support New Zealand's prosperity, health, safety and environment. The review will primarily focus on understanding the challenges associated with managing finances, infrastructure and compliance and monitoring systems. It will aim to identify how to make the most of the current regulatory settings, and support greater collaboration between local and central government. The review is expected to be completed in 2018.

Alongside these legislatively driven processes our Council has been exploring (and implementing) opportunities for improved service delivery through partnerships, such as those established with Ngāti Manawa in Murupara.

It is unlikely that changes to our administration or service delivery will be externally imposed over the term of the coming LTP. However, we could see greater collaboration and joint service delivery with iwi and/or other local partners, or across local government agencies within the Eastern Bay of Plenty or the Bay of Plenty Region.



Local government territories, North Island, New Zealand (Wikipedia)

## 9 Industry and economic growth

Economic growth in the Whakatāne District averaged 1.6% pa over 2006 - 2016 compared with an average of 1.8% pa in the national economy. This said, the future for the Eastern Bay of Plenty is bright with approximately \$1.5 billion in capital expenditure expected to be invested on new industry developments over the next 2-10 years. This would create an estimated 3,000 jobs of direct employment with a potentially significant multiplier effect for the sub-regional economy and population.

Within this context the Whakatāne District will look to advance a number of niche growth sector opportunities of its own - including for example tourism, residential and lifestyle development, marine industries, airport and port development – alongside supporting major industry developments in Opotiki and Kawerau. Communities, Iwi and Council are also starting to consider opportunities to keep our smaller centres buoyant. Significant opportunities may exist in terms of tourism and iwi led growth initiatives.

A challenge for economic development will be to ensure that the realisation of opportunities, and the use of District resources, adequately considers the balance of benefits back to the District. For example, tourism is growing and makes a substantial contribution to our local economy but also comes with increased demand for services that are ultimately funded by the community.



**Tourism growth:** The Whakatāne District has experienced a recent upswing in the district's popularity as a tourism destination and in particular in terms of international visitors. Guest nights in commercial accommodation by international visitors has increased by 94% over two years, from around 34,172 in 2015 to 66,297 in 2017.

## 10 Urban growth

Within our District, specific areas continue to see demand for residential development. Census figures indicate a 9.5% increase in dwelling over the period 2001 to 2013 – an average increase of around 0.79% per year. This growth was largely within Whakatāne Township, Ōhope, Coastlands and Orini (the northern part of the Rangitāiki Plains).

Demand for further development is expected to increase due to economic/industry development in the Eastern Bay of Plenty; our District's lifestyle appeal and proximity to major growth centres; and the continued trend for smaller households. The near future will see development of Opihi/Piripai, and residential subdivisions at Shaw Road, and Keepa Road (the later currently subject to a District Plan Change appeal).

Other areas may also provide potential for growth and will be considered as part of a 'Development Strategy' being developed this year. The Strategy will look to provide a sustainable pathway for continued urban development alongside economic growth expectations for the Eastern Bay of Plenty.

On a broader scale, the urban agglomeration trend continues to see Auckland City and Tauranga City experience significant population growth and urban expansion. Auckland in particular is expected to dominate New Zealand's population growth over the next two decades. This growth comes with some substantial social and affordability challenges as infrastructure and urban growth struggle to keep pace with population and this may provide opportunities for Whakatāne.



Shaw Road subdivision Whakatāne, 2017

3,000 new jobs in the eastern Bay – how will that impact our population?

Do we want to actively encourage development?

If so, where can/should we grow?

What infrastructure is needed, and how would it be funded?

## 11 *Iwi direction and economic growth*

Seven iwi have areas of interest that fall within the Whakatāne District. Ngāti Awa, Ngāti Mākino, Ngāti Manawa, Ngāti Tūwharetoa (Bay of Plenty), Ngāti Whare, and Ngāi Tūhoe have reached settlements with the Crown, with four of these settlements being reached in the past five years. Ngāti Rangitīhi is currently in negotiations with the Office of Treaty Settlements.

Iwi are actively involved in a wide variety of development activities throughout the District. Examples include the native plant nursery in Minginui; Kani Rangī Park development in Murupara; Waikaremoana Welcome Centre; Ruatāhuna Community Hub (pictured); and the recent purchase of White Island Tours by Ngāti Awa, to name a few.

Land ownership and economic resource secured through settlement will continue to provide iwi with a range of investment and development opportunities.

Council will have a role in enabling and facilitating economic growth and wealth creation arising from iwi settlements. The settlement landscape may also provide opportunities for Council to partner with iwi and other key stakeholders on development initiatives.



Concept Plan for "Te Tii" - Community Hub in Ruatāhuna (Tūhoe Manawarū)

## 12 Technology

Advances in science and technology continue to transform the way our society works. This provides some exciting new opportunities and solutions but also comes with risks. Governments will be challenged by demand to harness the benefits of technology while providing prudent oversight.

Some trends for technology include:

High-speed internet access to our communities (including geographically isolated areas) will improve.	Demand for online Council services will continue to increase.	Robotics and automation will change the way we work and provide new futures for manufacturing.
Opportunities will continue to emerge for different models of service delivery and connectedness.	Cybercrime will increase as will the related focus and resource requirements for security.	Dramatic changes to vehicle technology are coming - it's a question of when, not if. This could dramatically change our models of transport and vehicle ownership.
Advances in technology may provide alternative solutions to large scale network infrastructure challenges (such as waste water systems).	Advancement in the 'internet of things' provides opportunities for smarter and more responsive services.	3D printing (or additive manufacturing) will dramatically change the way we design, produce and distribute products.



### *Example: Telehealth*

Face-to-face appointments with a doctor could become increasingly rare as cost and convenience lead to more 'e-consultations' through a "telehealth" system.

Telehealth is the use of information and communication technologies to deliver health care when patients and care providers are not in the same physical location. This has the potential to be of enormous benefit across a range of different health care settings. For example, it can reduce the barriers of time and distance faced by rural patients needing specialist consultations, telehealth can also improve patient outcomes for chronic illnesses, lower hospital admissions, reduce travel budgets and boost productivity.

To be effective, telehealth relies on fast broadband internet services. Health care-related education, research and evaluation can also take place using telehealth and the Ministry of Business Innovation and Employment has identified health as a priority driver for faster broadband.



## 13 *Internet connectivity and online service demand*

Globally, the rate of internet access continues to grow extremely rapidly, boosted more recently by smartphone technology. In the year 2000 just under 6% of the world's population (370 million people) were internet users. This is expected to reach the 50% mark (3.8 billion) late in 2017.

For the Whakatane District, the 2013 census showed 67.1% of households having access to the internet, up from 52% in 2006. In the years since the census it is expected that those percentages will have continued to increase in line with continued expansion of broadband infrastructure and uptake of smartphone technology. Of note, in January 2017 central government announced additional investment that expects to see 87% of New Zealanders able to access UFB fibre by 2022. This investment will see fibre in 151 new towns and expansion of the network for 43 cities and towns that already receive fibre. In addition, the second round of the Rural Broadband Initiative (RBI2) and investment by Wireless Internet Service Providers (WISP) will further improve internet connectivity.

The Whakatane District Council continues to experience an increase in community engagement through this medium. Over the five years from 2012 to 2017 the number of visitors to our website has approximately doubled. Activity is increasingly coming from mobile platforms, with visits to the Council website via smart phones and tablets increasing from 5% to over 40% over the same period.

In response to demand, Council has continued to increase and improve the provision of online services such as payments methods, consents processes, property file digitisation and use of social media for example.



Whakatāne District Council has won the ALGIM Supreme Website Award against New Zealand's 78 Councils for the last three years in a row (2015, 2016 and 2017)

## 14 Energy direction

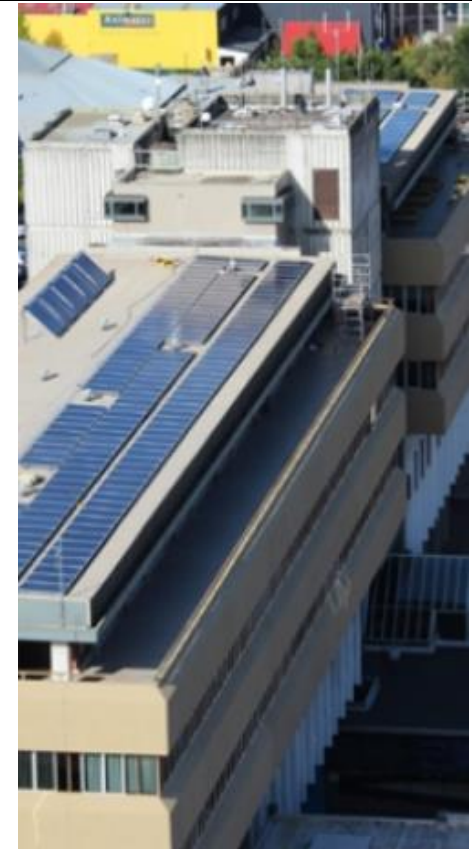
The world's energy landscape is changing both in relation to the pressures of climate change and as a result of community demand. With energy technologies becoming more and more advanced, effective and cheaper, there is increased public demand and political pressure for clean, renewable fuels and energy sources. An example of the implications of this trend is the increased uptake of electric vehicles and solar technology worldwide including in New Zealand and Whakatane. In Europe, CO2 taxation is already well established and a growing number of nations are moving to ban the sale of new petrol and diesel cars, some with timeframes as ambitious as 2025.

Locally, the Bay of Plenty Energy Strategy (2016) identifies that our wider region is rich in energy resources and has strong renewable energy opportunities, with ready access to geothermal, biomass and solar energy options. Locally there is acknowledgement of the unrealised opportunity for solar energy in particular, that leverages from Whakatane's high sunshine hours.

As a Council, we have started to implement initiatives including electric bikes and hybrid cars as part of the corporate vehicle fleet as well as partnering with the Eastern Bay Energy Trust to provide EV charging facilities.



St John Square, London - Solar tree: provides seating, lighting, shade, wifi and free charging for mobile devices



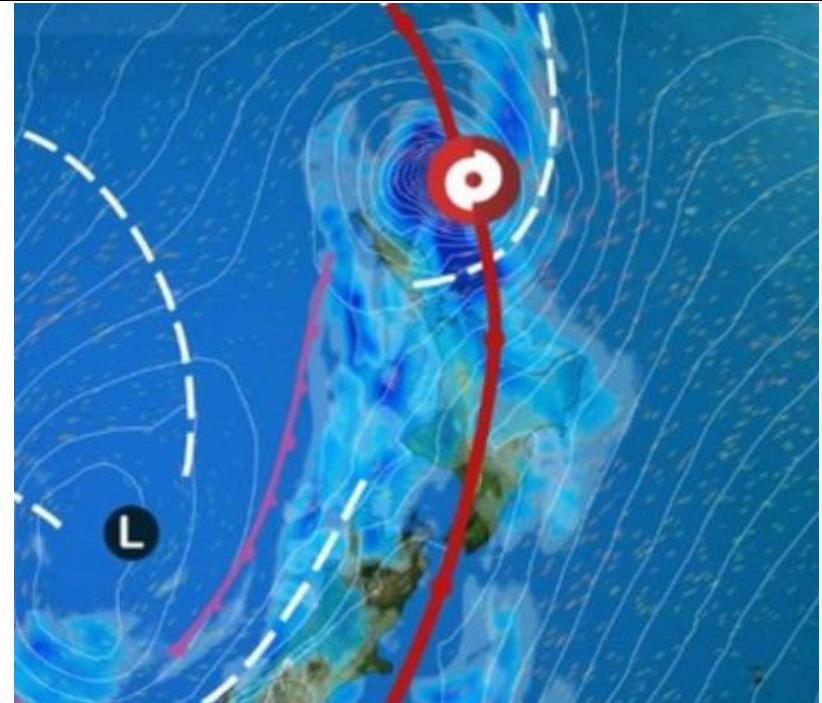
Palmerston North, New Zealand - 100kW PV Solar Farm on the roof of the City Council offices

## 15 *Natural hazards*

Our District is at risk from a range of natural hazards such as flooding, storm surges, earthquakes, volcanic activity, land slips, and tropical cyclones. Some events, flooding in particular, have a higher likelihood of occurring, while others events, like earthquakes, have a lower likelihood of occurring but potential to cause significant damage.

There are some characteristics of our district that increase our vulnerability. This includes road access restricted by bridge crossing points, a single line electricity network, remoteness of some communities, and vulnerability of some (historically) settled areas.

In the coming ten years, the impact of flooding in Edgecumbe and rural areas this year (2017) and the Matatā debris flow in 2005 will continue to have significant implications for our community and for the Council's work programme. The Council and the community are also faced with the substantial challenge of upgrading public buildings to meet earthquake strengthening requirements.



Ex Tropical Cyclone Cook approaches the North Island in April 2017

## 16 Climate change

Climate change is already impacting how our communities live and function, and these impacts are expected to increase in magnitude and extent over time.

NIWA mid-range estimates (RCP4) indicate sea levels will rise by 0.27m by 2040 and almost a meter by the end of this century. Temperatures will be on average 1.2 degrees higher by 2040 and in the range of 2.7-3.9 degrees warmer by 2090. Frosts will become increasingly rare over this time period. There will be increased chance of drought with a drier winter and spring. There will be more extreme 24-hour rainfall events and tropical cyclones of greater intensity. There is a risk that climate change estimates may be on the conservative side, and that a response may increasingly be compelled by events.

The medium and longer-term forecasts raise very serious implications for communities and the Council. Examples include: Increased risk to existing settlements and infrastructure in low lying coastal areas; Consideration for location of future growth areas and infrastructure solutions; Economic impact on horticulture and agriculture sector such as lack of frosts and need to store water and; Levels of service implications for storm water systems (WDC) and flood protection (BOPRC). Some of our communities will be heavily affected by these implications, while others may experience few direct effects at all. The differences in how our communities will be affected prompts questions around how the burden of climate change adaptation will be shared.

In furthering this agenda, our Mayor has recently joined many others in signing the LGNZ led 'Local Government Leaders Climate Change Declaration'.

At a national level, New Zealand has committed to playing its part in reducing carbon emissions by signing the Paris Agreement on climate change. Under the Paris Agreement, countries including New Zealand are expected to agree to implement measures to achieve net zero carbon emissions by mid-late this century, to hold the increase in the global average temperature to below 2°C. By 2030, New Zealand's stated goal is to reduce emissions to 30 per cent below 2005 levels.

### Our climate change future...

	Now	2040	2090
Annual days above 25°C	22 days a year	47 days a year	80 days a year
150mm rainfall within a 24 hour period	Is a 1-in-50 year event	Is a 1-in-29 year event	Is a 1-in-16 year event
Approximate annual frost occurrence	5 days a year	Once a year	Once every ten years
Sea level rise expectation	Current level	+0.27m	+0.9m

## 17 *Environmental stewardship*

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Our communities are very connected to the environment in a variety of ways. It is fundamental to our identity and way of life in an aesthetic, recreational and particularly in a cultural sense, but also to our economic well-being.

Throughout New Zealand, the continuing trend to more intensive land use comes alongside the growing awareness and demand for lifestyles that have a lower environmental impact. The challenge is globally recognized as needing to achieve environmentally smart futures - where economic and lifestyle goals are more complementary with environmental outcomes.

LGNZ recognises that New Zealand “faces an enduring challenge in building a consensus as a society about bottom lines for environmental prosperity and the trade-offs required to respect these”.

It is expected that Central Government and Regional Councils will continue to influence this direction through national and regional policy statements such as the current freshwater management reforms. However, there are opportunities for our community and Council to be more proactive with regards to sustainability and specifically socio-environmental outcomes.

## 18 *Community demand*

As our world, our district, and our communities change and evolve, so too does the demand for Council services. This change in demand relates to both 'what' Council's deliver but also 'how', 'how much' and 'how fast'. As a general observation, demand for Council services has matured over time beyond simply provision of services to keep towns and communities running. These core services are now a basic expectation. Councils are now place-makers, broadly responsible for advancing quality-of-life for their communities.

Through our Annual Perceptions Survey (Communitrak) and the recent Whakatane Ki Mua community vision engagement we are able to gain useful insight into community satisfaction, priorities and demand for services. These are not the only processes of insight – many of our activities have user groups, touch point surveys, or other useful mechanisms for feedback.

Communitrak and Whakatane Ki Mua show that our communities consider they have a very good quality of life (much higher than the national average) based largely on the cohesion of our communities and the recreation and leisure opportunities offered by our District. Both Communitrak and Whakatane Ki Mua indicate that economic development continues to be a key priority for our District. Other priorities include a focus on youth, opportunities for recreation and leisure – including events, and aspects of community safety for example.

The challenge for our services is to stay relevant into the future by understanding what our communities want and by adding value in a cost effective way.



Whakatane District Youth Council sharing their priorities as part of the 'Whakatane Ki Mua – Community Vision' engagement process

## PART 2 – Significant Financial Forecasting Assumptions

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Schedule 10 of the Local Government Act 2002 requires that the Council identifies the significant forecasting assumptions and risks underlying the financial information set out in the Long-Term Plan (LTP). Where there is a high level of uncertainty the Council is required to state the reason for that level of uncertainty, provide an estimate of the potential effects.

Assumption	Detail/Trend	Financial Risk	Risk level	Mitigating factors
<p><b>1. Strategic Direction and Level of Service</b></p> <p>The assumption for the LTP is that Council has a clear strategic direction for the future of the District and for Council services and that resources are applied to progress that direction.</p>	<p>The Council's budgets are set based on the strategic direction and priorities set for our District. The direction is informed by the community and set by the elected Council through several key documents including notably the Long Term Plan (and sub-strategies contained therein) District Plan, and economic development and tourism strategies for examples. A number of further key strategic documents are currently being drafted including a Development Strategy to guide growth, and the Whakatāne Ki Mua Community Vision.</p>	<p>Substantial changes in the strategic direction and level of service as a result of changing community and political priorities, or other contextual drivers, could result in increased cost and/or opportunity costs.</p>	<p>Uncertainty: Med</p> <p>Impact: Low</p>	<p>The strategic direction and services of Council are regularly monitored to ensure a clear, appropriate and realistic direction for the District. Any changes to the Council's strategic direction would be considered within the parameters of the Financial Strategy.</p>
<p><b>2. Whakatāne District Governance</b></p> <p>The Council is expecting to see the introduction of Māori seats through the 2019 LG election. Other governance assumptions are for the status quo.</p>	<p>While some other regions have seen amalgamations of local government administration over recent years. However, there has not been significant demand for reform within the Bay of Plenty. Over the coming ten years, the administration for the Whakatāne District is not expected to be significantly reformed. There is expected to be change to the Council structure with the introduction of Māori seats. There may be some minor boundary changes to allow for Industry growth in Kawerau.</p>	<p>Major changes to administration, political structure and boundaries of local government could be costly and significantly disruptive to the delivery of services during a transition phase.</p>	<p>Uncertainty: Med</p> <p>Impact: Med</p>	<p>Any changes to the structure of local government will be developed with a long lead in time and within consultation with Council and affected communities. This would allow our communities and the Council to influence the process ensuring an appropriate/beneficial outcome.</p>
<p><b>3. Structure of Whakatāne District Council services</b></p> <p>The LTP is based on the assumption of activities being delivered under the current structure, of note, including for water related services.</p>	<p>The 'better local government' reform process continues to explore opportunities for improved local government effectiveness and efficiency. There may be further focus on shared services as a result of the 2017 LGA amendments and continued 17A activity reviews. In particular, a central government review of 'three waters' is due to be completed by 2018 and could lead to changes in the current funding and management structures. Until the review provides recommendations, Council will continue to provide water related services under the status quo structure.</p>	<p>Major changes to the structure of service delivery could be costly and significantly disruptive to the delivery of services during a transition phase.</p>	<p>Uncertainty: Med</p> <p>Impact: Med</p>	<p>Any changes to the structure of local government services will be developed with a long lead in time and with consultation with Council and affected communities. This would allow our communities and the Council to influence the process and outcome and to plan for the financial implications accordingly</p>



Assumption	Detail/Trend	Financial Risk	Risk level	Mitigating factors
<p><b>4. Population growth and land-use projections</b></p> <p>The assumption for the LTP is based on population growth following the Statistics NZ 'medium' scenario - plus local adjustments for expected development at Piripai; Shaw/Huna Rd; (and possibly the Keepa Rd corner block - currently subject to a plan change application).</p>	<p>StatsNZ forecasts for our District population are relatively stable albeit with areas of urban growth alongside continued rural decline. Overall - population is forecast to peak in 2028 and then to decline from mid-2030 onwards.</p> <p>Alongside the StatsNZ forecasts, major economic opportunities are expected to be realised in the Eastern bay of Plenty in the coming 10-year period. These are expected to provide 3,000 new (direct) jobs which would have a substantial impact on population expectations.</p> <p>At the time of writing this report, research has been commissioned (Development Strategy) – but not yet available to inform this LTP - to provide updated local growth assumptions and options based on realistically expected economic drivers.</p>	<p>Major changes to population and land use projections will have implications for the level and scope of infrastructure related projects and services.</p>	<p>Uncertainty: Med</p> <p>Impact: High</p>	<p>The development of a 'Development Strategy' in 2017-18 will update Council's growth assumptions and is likely to indicate an alternative scenario than that set out by Statistics NZ.</p> <p>Implementation of the Development Strategy - including notably through the Council's Infrastructure Strategy will seek to remain agile in relation to actual growth to ensure a long-term sustainable delivery of services.</p>
<p><b>5. Rating base projections</b></p> <p>The financial assumption for the LTP is for no growth in the rating base.</p>	<p>The number of properties from which we receive rates is expected to increase in the coming years driven in part by current strong national population growth and by expected economic growth as a driver. A Development Strategy is currently being drafted but will not be completed in time to inform this LTP.</p> <p>The Council's rating base assumptions remains conservative (at no growth) and will be adjusted annually allowing for actual growth.</p>	<p>The risk is that the growth of rateable properties will be lower than expected.</p>	<p>Uncertainty: Low</p> <p>Impact: Med</p>	<p>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.</p>

Assumption	Detail/Trend	Financial Risk	Risk level	Mitigating factors
<p><b>6. Income from rates</b></p> <p>The assumption for the LTP is that the level of rates 'affordability' and 'willingness-to-pay' will be in keeping with current parameters as set out in the Financial Strategy.</p>	<p>Over the ten years ending 2012, the District saw some substantial average rates increases, the largest being 13.9% in 2005 and 12.2% in 2007. In the five years since 2013, rates increases have been far more conservative at an average of 3.07% annually.</p> <p>There is acknowledgement that our District will continue to have high levels of wealth disparity and that levels of rates affordability will vary accordingly throughout our district. Alongside this consideration an aging population will also have implications for rates affordability due to fixed incomes.</p>	<p>The risk is that the incidence of rates defaults could increase as rates affordability becomes more of a challenge alongside other rising costs, or</p>	<p>Uncertainty: Med</p> <p>Impact: Med</p>	<p>Affordability is a central theme and consideration throughout the development of the LTP. This is considered primarily through the Financial Strategy, Revenue and Financing Policy; Rates Review; and Rates Remission Policy for Financial Hardship. Council will continue to monitor the appropriateness of the rating burden on the community and annually adjusts overall expenditure accordingly. Council also notes the need to ensure that the community understands the value proposition of rates.</p>
<p><b>7. Income from Central Government subsidies</b></p> <p>The level of central government subsidy funding (in particular NZTA subsidies, but also others from others such as MoH, MoE, MBIE) will be in keeping with the current funding models and regimes.</p>	<p>The Council receives substantial subsidies from the NZ Transport Agency (FAR) for the operation and upkeep of the local road network in the District. We also receive significant grants from MoH for water related projects that improve health and sanitation particularly for rural communities.</p>	<p>The risk is that the level of subsidy funding available for services and projects is less than expected/budgeted.</p>	<p>Uncertainty: Low</p> <p>Impact: High</p>	<p>Central government subsidy regimes are generally changed only through consultation with the local government sector and with a period of transition. As such we will have substantial lead in time where subsidy changes are being made and would be able to review and adjust work programmes where necessary.</p>
<p><b>8. Income from development contributions</b></p> <p>Income received from development contributions is sufficient to fund growth related infrastructure, as per the Development Contributions Policy.</p>	<p>The Whakatāne District Council uses development contributions to recover from developers, a fair, equitable, portion of costs of capital expenditure needed to service growth. The Council's Development Contributions Policy is currently being reviewed. DCP are proposed to increase as a result.</p>	<p>The risk is that 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.</p>	<p>Uncertainty: Med</p> <p>Impact: Low</p>	<p>The Council's Development Contributions Policy is reviewed alongside the development of the LTP and conservatively based on latest available growth forecasts.</p>

Assumption	Detail/Trend	Financial Risk	Risk level	Mitigating factors
<p><b>9. Projects contingent upon external funding</b></p> <p>External funding will be secured for projects, where indicated.</p>	<p>The Council has a number of projects planned that are contingent upon a significant level of external funding alongside rates (sponsors, grants and fund raising from central government, regional government and community sources).</p>	<p>The risk is that the level of external funding available for services and projects is less than expected/budgeted.</p>	<p>Uncertainty: Med</p> <p>Impact: Med</p>	<p>The Council will continue to seek subsidies for projects where available. However, where funding becomes unavailable or is less than expected, the viability of the project will be reassessed before progressing.</p>
<p><b>10. Income from Investments</b></p>	<p>This LTP has minimal expectations for income from investments and related assumption are conservative. Council is will be reviewing its approach to investments in the near future including investigating opportunity for better investment of Harbour Fund and associated assets. This assumption may need to be updated when the review is complete.</p>	<p>The risk is that the expected level of income from investments is not realized and therefore not able to be applied as intended.</p>	<p>Uncertainty: Low</p> <p>Impact: Low</p>	<p>Risk of current investment activities is low.</p>
<p><b>11. Borrowing, renewability and Interest rates</b></p> <p>The assumption for the LTP is that Council will be able to negotiate favourable borrowing terms, and interest rates for borrowing will be in keeping with forecast expectations.</p>	<p>Council currently has a relatively conservative debt levels and limitations (cap), as set out within the Council's Financial Strategy. The cap is expected to increase with a major programme of work needed to support water related services over the coming ten years. This will have implications for borrowing terms, expected interest rates and level of exposure to rate fluctuations.</p>	<p>The risk is that we will not be able to access loan funding, or interest rates are higher than forecast. The Council will have a greater level of exposure to this risk with increases in Council's debt levels and cap likely to be required for water related services.</p>	<p>Uncertainty: Med</p> <p>Impact: Med</p>	<p>The Council has a Financial Strategy and Liability Management Policy which set parameters for Council debt and contain strategies to protect ratepayers against significant fluctuations.</p>
<p><b>12. Legislative demands on Council</b></p> <p>The assumption for the LTP is that legislative demands on Council are expected to increase over the coming ten-year period.</p>	<p>Freshwater management reforms are already here and expected to have a significant impact on Council service delivery and resourcing over the term of the LTP. Further priorities that may influence Council into the future could for example include direction in relation to national and international scale issues such as housing affordability, wealth disparity, aging and climate change. The 2017 election could result in a change in legislative demands depending on the policies of the new government.</p>	<p>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.</p>	<p>Uncertainty: Med</p> <p>Impact: High</p>	<p>We have and will continue to 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.</p>

Assumption	Detail/Trend	Financial Risk	Risk level	Mitigating factors
<p><b>13. Project cost estimates</b></p> <p>The assumption for the LTP is that the cost for projects will be in keeping with the project estimates including allowance for contingency.</p>	<p>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.</p>	<p>The risk is that project costs could be higher than initial estimates due to changes in market cost or project scope.</p>	<p>Uncertainty: Med Impact: Med</p>	<p>Cost estimates are updated annually through the Annual Plan process, and when detailed design has been completed, providing further accuracy to expected costs. Should costs change substantially from initial estimates, the viability of the project will be reviewed before progressing further.</p>
<p><b>14. Cost estimates for upgrade of three-water infrastructure</b></p> <p>Assumptions have been made in the LTP and Infrastructure Strategy for the cost of acquiring new resource consents and to upgrade infrastructure to meet new standards under those consents.</p>	<p>Within the next 10 years, most of the resource consents authorising Council's water take and treated wastewater discharge consents expire. Council will also be obtaining Comprehensive Stormwater Consents for our District's urban stormwater networks. It is expected infrastructure will need to be upgraded to comply with the new resource consents.</p> <p>Assumptions have been made in the LTP (including Infrastructure Strategy which is beyond the LTP ten year time frame) for the expected expenditure that may be needed to acquire new resource consents and to upgrade infrastructure to meet new standards under those consents. The assumption is that costs will be met by Council with minimal expectations for grants and subsidies.</p>	<p>The risk is that resource consent and infrastructure project costs could be higher than initial estimates.</p>	<p>Uncertainty: Med Impact: Med</p>	<p>Cost estimates will be adjusted as the project evolves and further information becomes available.</p> <p>While a conservative approach has been taken with regards to revenue for these projects, the opportunity for grants and subsidies may help offset the against the total cost of these projects.</p>
<p><b>15. Inflation forecasts</b></p> <p>The assumption for the LTP is that local government cost inflation will be in keeping with BERL forecasts.</p>	<p>The BERL local government cost index reflects the selection and relative importance of the goods and services which represent broadly the expenditure pattern of Local Authorities in New Zealand. This basket thus includes more directly relevant items including capital expenditure on pipelines, and earthmoving and site works, and operating expenditure such as local government sector salary and wage rates. Forecasts have been provided across specific activity groups; for capital expenditure versus operating expenditure and broadly overall as in the form of the LGCI.</p>	<p>The risk is that inflation is higher than forecast. This could impact the cost and affordability of Council services.</p>	<p>Uncertainty: Low Impact: Med</p>	<p>BERL price change estimates are an industry recognised measure. As these are updated annually, Council will review its financial strategy accordingly noting in particular the impact of any upward movement on affordability.</p>

Assumption	Detail/Trend	Financial Risk	Risk level	Mitigating factors
<p><b>16. Insurance</b></p> <p>Council's insurance premiums will increase by 6-10% per annum over the ten years of the LTP.</p>	<p>Insurance premiums change over time and in particular in relation to natural events resulting in major insurance pay-outs. Following the 2017 floods in Edgecumbe, Council's insurance premiums are set to increase, the initial increase is known and the assumption for subsequent annual increase is budgeted 6-10%.</p>	<p>The risk is that insurance premium increases are greater than 10% per annum.</p>	<p>Uncertainty: Med</p> <p>Impact: Low</p>	<p>The Council will review insurance on an annual basis and adjust premium repayments as required through the Annual Plan process.</p>
<p><b>17. Lifecycle of significant assets</b></p> <p>The useful life of assets will be in keeping with expectations as shown in the Statement of Accounting Policies.</p>	<p>Accurate condition assessments and knowledge of the lifespan of our assets are necessary to inform Council's asset maintenance and renewal programme. Accurate information on assets allows for timely and efficient maintenance and renewal that minimises service disruption and maximises lifespan. It is acknowledged that the accuracy of information on assets needs to be improved.</p>	<p>The risk is that the useful life of assets is substantially shorter or longer than our assumptions. This could result in service disruption and/or have financial implications due to changes to the capital works programme, or an inefficient renewal programme.</p>	<p>Uncertainty: Med</p> <p>Impact: Med</p>	<p>Condition assessments continue to be undertaken by the Council with condition information updated based on actual rather than theoretical expectations.</p>
<p><b>18. Funds for future replacement of significant assets</b></p> <p>Funding sources for the future replacement of significant assets will be available with a priority on core network infrastructure.</p>	<p>The sources of funds for the replacement of assets are outlined in the Revenue and Financing Policy and documented through the Activity Forecasts (internal) and Infrastructure Strategy. Generally, the replacement of assets is funded through a mix of depreciation reserves built up for that purpose and borrowing where the replacement offers an increased level of service.</p>	<p>The risk is that the funding sources are not available.</p>	<p>Uncertainty: Low</p> <p>Impact: High</p>	<p>The Council reviews its work plan annually and the Revenue and Financing Policy every three years, alongside the LTP. If funding is not available through the principle specified source, Council would need to reconsider priorities or consider alternative funding sources that are available such as borrowing.</p>
<p><b>19. Asset sales</b></p> <p>The LTP will set an assumption for income from asset sales but not assume to apply that income to any costs.</p>	<p>The Council is currently in the process of divesting a significant block of land at Bunyan Road, Opihi to allow for development. Other sales of non-strategic assets are expected to return relatively minor income over the course of the LTP. The income from the sale of land at Opihi will be transferred to reserve and has not at this stage been budgeted to fund LTP work programme or offset debt.</p>	<p>The risk is that asset sales do not progress as planned, or result in a lower return than anticipated.</p>	<p>Uncertainty: Low</p> <p>Impact: Low</p>	<p>The expected income from the sale 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.</p>

Assumption	Detail/Trend	Financial Risk	Risk level	Mitigating factors
<p><b>20. Asset (re)valuation</b></p> <p>The future value of assets is accurately estimated.</p>	<p>Assets are revalued three yearly in accordance with a revolving asset revaluation schedule.</p>	<p>The risk is that there is a significant shift in value between scheduled valuation cycles. In particular the risk is that the loss has not been recognised and assets are overvalued.</p>	<p>Uncertainty: Med</p> <p>Impact: Med</p>	<p>Impairment reviews will be undertaken in the intervening years between revaluations to reduce this risk.</p>
<p><b>21. Resource consent conditions</b></p> <p>When applying for resource consents, the conditions of consent and costs will be in keeping with our expectations.</p>	<p>Central government currently has a strong focus on freshwater water management and this is likely to increase into the future given the national and global value of this resource. In particular, water allocation, storm water and waste water discharges, and service standards will have much more stringent conditions in the future. This will demand some significant upgrading of local infrastructure and services in the future. With many our wastewater, water and stormwater consents due for renewal by 2026 some major infrastructure costs are expected just outside the term of this LTP. The Councils infrastructure strategy provides greater detail.</p>	<p>Renewed consents could include tougher environmental conditions than expected, or could fail to be granted resulting in increased costs and risks to service continuity.</p>	<p>Uncertainty: Med</p> <p>Impact: High</p>	<p>Council is assuming more stringent consent conditions will be required through the renewal/gaining of consents over the term of this LTP and has a specific stream of work addressing this challenge. LTP work programmes and budgets are developed in accordance with this expectation.</p>
<p><b>22. Climate Change</b></p> <p>The assumption for the LTP is that climate change will occur at a rate in keeping with forecasts under NIWA mid-range (RCP4) estimates.</p>	<p>Climate change is already impacting how our communities live and function and these impacts are expected to increase in magnitude and extent over time. Climate change assumptions are factored into Council strategies and plans including notably the District Plan and Infrastructure Strategy and can be seen for example, through projects such as the continued improvement of Council stormwater systems, Council's escarpment risk management work and the work to retreat development from high risk areas in Matatā. The Council is also a signatory to the 'Local Government Leaders Climate Change Declaration'.</p>	<p>Climate change is high on the political agenda, locally and nationally but there is concern that assumptions could be on the conservative side and that impacts may occur sooner or be more intense than predicted. This could result in increased costs due to an accelerated climate change response programme.</p>	<p>Uncertainty: Med</p> <p>Impact: High</p>	<p>Council is due to develop a climate change strategy which will provide further guidance on climate change assumptions and implications including mitigation and adaptation.</p>

Assumption	Detail/Trend	Financial Risk	Risk level	Mitigating factors
<p><b>23. Natural Hazards</b></p> <p>The LTP is prepared on the basis that minor storm and flood events are expected to continue to happen on a frequent (often annual) basis whereas significant high impact events cannot be accurately predicted.</p>	<p>Our District is at risk of a range of natural hazards such as earthquakes, flooding, tsunami, debris flows, slips, tornado, fire and volcanic activity. Storms and tropical cyclone events occur on a frequent basis often bringing high intensity rainfall but are generally manageable within existing work programmes and budgets. However, the return period for significant high impact events is very long and events are difficult to predict. A number of projects, plans and initiatives seek to reduce the risk associated with natural hazards. In the first instance these seek to reduce exposure to risk while the secondary focus is on community preparedness for response.</p>	<p>The risk is that our District and Council could face significant costs to respond to hazard events and/or that our District is unable to recover sufficiently or quickly enough in order to prevent long-term adverse effects on population or local economy.</p>	<p>Uncertainty: Med</p> <p>Impact: High</p>	<p>Council has a Policy build 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.</p>
<p><b>24. Skill shortages</b></p> <p>The Council will be able to attract and retain suitably qualified and able staff.</p>	<p>Many technical and knowledge based professions are forecasting future skills shortages. In part this is in recognition of an aging population particularly in instances where this is alongside flat or declining populations. Further, there is a need to retain suitably qualified staff to ensure efficient continuity of activities and minimise loss of institutional capacity and knowledge.</p>	<p>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 placed on contractors with an impact on costs or there may be a risk to continuity of service and loss of institutional knowledge.</p>	<p>Uncertainty: Low</p> <p>Impact: Med</p>	<p>Human Resources have implemented recruitment processes that focus on the lifestyle offering of the Whakatāne District and that provide a market based remuneration. A process to develop staff and grow leadership is also in place to meet organisational needs.</p>
<p><b>25. Contractor availability</b></p> <p>We will be able to find skilled contractors to undertake the work we require, to the agreed standards, deadlines and cost.</p>	<p>There are a number of emerging and forecast challenges with availability of contractors. These are associated with the current building boom and focus on major centres, as well as possible skill shortages within the contracting sectors themselves. These challenges may present to the Council in terms of availability, cost and quality of work. A certain amount of this risk is reduced with some services being brought in-house rather than contracted out.</p>	<p>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, timeframes, and/or quality.</p>	<p>Uncertainty: Low</p> <p>Impact: Med</p>	<p>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.</p>

# References and supporting information resources

WDC file reference:	Report/Data:
A1227094	2018-48 Draft Whakatāne District Council Infrastructure Strategy 2018-48
A1203514	2017 BERL Inflation Adjusters as at September 2017
A1185841	2017 Communitrak Survey Results
A1197513	2017 General Overview of Whakatāne Ki Mua Findings
A1170305	2016 LGNZ - The 2050 Challenge
A1172431	2016 Population estimates and projections 1996 - 2043
A1143742	2016 Whakatāne District Economic Profile
A1174995	2016 Eastern bay of Plenty Spatial Plan - Eastern Bay Beyond Today
A1174895	2015 Regional Land Elevation Maps BoP – re. sea level rise
A1175843	2014 KPMG future state 2030 - The global megatrends shaping governments
A433684	2014 NIDEA BOP population and employment projections
fA259169	2013 Quickstats by census area units (booklets for each census area unit)
A1124123	2013 deprivation index 2006-2013 comparison
A1126545	2013-38 district population projections by ethnicity
A1172964	2013-38 Household Composition Projections
A1172968	2013-43 Age Projections Statistics NZ
A1174256	2013, 2006, 2001 Dwelling Counts