
Significant Forecasting Assumptions

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Assumptions

A forecasting assumption is defined as something the Council accepts as being true for the purposes of future decisions and actions.

The Local Government Act 2002 requires councils to disclose in their 10 Year Plan the significant forecasting assumptions they have used to develop their Plan and the risks underlying the financial estimates. In cases where the level of uncertainty is assessed as being high, this has to be disclosed as well as an estimate of the potential effects on the financial estimates.

This section contains assumptions about the following matters:

Issue	Level of uncertainty of assumption	Significance of financial impact on overall position
1. Population & Household Growth	Medium	Medium
2. City Growth – Nature, Type & Location	Medium	High
3. Pandemics	Low	Low
4. Climate Change	Medium	Low
5. Natural Disasters & Adverse Weather Events	High	High
6. Services Provided by Council	High	High
7. Continuity of External Funding	High	Low
8. Sources of Funds for Future Replacement of Assets	Low	Low
9. NZTA Waka Kotahi Subsidy	Medium	Medium
10. Airport Shareholding, Dividends & Lines of Credit	Medium	Low
11. Revaluation of Property, Plant & Equipment Assets	Low	Low
12. Asset Lives	Low	Low
13. Depreciation	Low	Low
14. Inflation	Medium	Low
15. Interest Rates for	Medium	Medium

Issue	Level of uncertainty of assumption	Significance of financial impact on overall position
Borrowings		
16. Resource Consents (especially wastewater discharge)	High	High
17. Turitea Windfarm	Low	Low
18. Weathertight (Leaky) Homes Claims	Low	Low
19. Insurance	High	Medium
20. Earthquake-prone Buildings	High	High
21. Regional freight ring road including an additional Road Crossing of Manawatū River	Medium	High
22. Residential Subdivision	Medium	Medium
23. Drinking Water Quality Assurance Rules	Low	Low
24. 3 Waters Reform	High	High
25. Capital Expenditure Delivery	High	High
26. Infrastructure Funding & Financing (IFF) Levies	High	High
27. Alternative funding arrangements	High	High

2024-34 Long-term Plan (LTP) assumption	Risks	Level of uncertainty of assumption	Reasons and financial effect of uncertainty
<p>1. Population and household growth</p> <p>The population will increase as follows:</p> <ul style="list-style-type: none"> • 10-year projection 2024–34, 1,055 people per annum at 1.1% • 20-year projection 2024–44, 979 people per annum at 1.0% • 30-year projection 2024–54, 880 people per annum at 0.9% <p>The number of households will increase as follows:</p> <ul style="list-style-type: none"> • 10-year projection 2024–34, 399 households per annum at 1.1% • 20-year projection 2024–44, 366 households per annum at 1.0% • 30-year projections 2024–54, 329 households per annum at 0.9% <p>This is a hybrid medium growth population and household projection formulated by the Council (using Infometrics & Stats NZ data) plus the additional margins required by the National Policy Statement for Urban Development.</p> <p>These population projections assume the City will retain its status as having one of the lowest median ages (34.9 in 2023 compared with the national median age of 38.1) but, as is projected for the rest of New Zealand, there will be a gradual ageing of the population.</p> <p>Population and household growth are similar due to the assumption that the City will have an increasing number of larger households due to growing ethnic diversity. The ageing population</p>	<p>City growth is at significantly different rates than assumed.</p>	<p>Medium</p>	<p>If growth is less than predicted, then some projects will be deferred and expenditure will be lower than forecast. If growth is higher than predicted, then some projects will go ahead earlier than forecast and expenditure will be higher than forecast. Higher or lower expenditure will impact on debt levels, the total rates requirement and the timing of the receipt of development contributions.</p> <p>Actual growth and changes to the makeup of the city's population will be monitored and any changes will be reflected in subsequent Annual and Long-Term Plans.</p>

2024-34 Long-term Plan (LTP) assumption	Risks	Level of uncertainty of assumption	Reasons and financial effect of uncertainty
<p>will also increase the proportion of one person households across the City. The average household size is projected to remain above 2.6 people per household due to growth in the number of larger households resulting from the increasing ethnic diversity of our community. There will also be a greater number of one-person households as the over-65 population increases.</p> <p>Any change in the makeup of the city's population in terms of ethnicity or age will have minimal impact on the activities to be provided by the Council.</p>			<p>The City already comprises a wide range of ethnicities and has programmes and events designed to cater for them.</p>
<p>2. City growth – nature, type and location</p> <p>The Strategies and Plans assume that during years 1–10, greenfields residential growth will continue at Aokautere, be centred on the Whakarongo, Napier Road and Matangi areas and make a start in the Kakatangiata (stage 1, Kikiwhenua). New industrial growth will be focused on the extended northeast area of the city, the proposed KiwiRail freight hub and in Longburn.</p> <p>Owners of private infrastructure in Longburn are well along the path to upgrading infrastructure to the standards required for it to be vested in the Council. This will involve the Council undertaking some works itself to enable development and seek to recoup the costs through development contributions or a developer agreement.</p> <p>Housing demand estimates in Council's 2023 Housing and Business Needs Assessment estimates by type estimates short term preference being 40% greenfield, 55% infill and 5% rural. Over the medium term, 50% greenfield, 45% infill and 5% rural. Over the long</p>	<p>Privately initiated development is approved in areas other than those planned for by the Council or earlier than anticipated.</p>	<p>Medium</p>	<p>The Whakarongo and Napier Road residential areas are zoned and available for development – development is being led by the Council's own subdivision. A decision on a plan change to rezone further land for development in Aokautere is imminent. The newly zoned Matangi residential area and the about to be zoned Roxburgh Crescent area will provide additional short-term capacity. Kakatangiata is a large area that will provide significant growth capacity for the next 30 plus years. Stage</p>

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<p>term, 55% greenfield, 40% infill and 5% rural. Changes to how Council plans to fund some growth programmes in this LTP may mean the portion of infill or density may go up in the medium to long term.</p> <p>There will be no change to the City boundaries.</p>	<p>There will be a change to the City boundaries</p>		<p>one of Kakatangiata, Kikiwhenua, is about to be infrastructure ready and developed in the short term. Four small urban additions are being investigated at Ashhurst, however spreading of growth programmes means Ashhurst is now a long-term option rather than medium-term. High class soils, flooding, liquefaction risks and infrastructure costs will need to be weighed up against housing demand, and the requirement for Council to ensure there is sufficient capacity to meet projected demand. This will necessitate Council enabling and promoting higher density development opportunities to ensure efficient use of land and existing infrastructure, whilst avoiding or mitigating natural hazards and productive land constraints. While KiwiRail are in the process of securing land for the proposed freight hub, they are yet to secure funding to deliver it.</p>

2024-34 Long-term Plan (LTP) assumption	Risks	Level of uncertainty of assumption	Reasons and financial effect of uncertainty
			<p>If such development is approved and Te Utanganui expands the north-east industrial area, it may result in a need for increased infrastructural investment by the Council. This may lead to the Council needing to reprioritise other planned expenditure so that it can operate within its own prudent limits.</p> <p>It is difficult to predict how the market will respond to new housing choices and whether traditional infill is reaching a natural saturation point. A plan change to create a new medium density residential zone in 2024 under the NPS-UD will create significant opportunity for urban intensification.</p>
<p>3. Pandemics</p> <p>There will be no long-term significant economic or social disruption such as increased unemployment, homelessness, lack of income or reduced personal wellbeing that adversely affects residents of Palmerston North as a result of Covid-19 or any subsequent pandemic.</p>	<p>A variant of Covid-19 enters the community requiring a lockdown of the</p>	<p>Low</p>	<p>The Palmerston North economy is diverse and has significant activity funded by central and local government. To date this has helped shield</p>

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<p>There will be no lockdown for a significant period such as occurred in 2020 and if there were, the Council will continue to be able to deliver essential city services.</p> <p>Although there may be disruptions to the worldwide supply chains for some goods they will not be so significant as to disrupt the Council's ability to deliver essential services, and New Zealand's international borders stay open.</p>	<p>Manawatu region or more broadly.</p>		<p>the City from the worst of the economic impacts of the world-wide Covid-19 pandemic.</p> <p>Although the Council's revenue was reduced during the period of national lockdown in 2020 and subsequently most revenue streams (except dividends from Palmerston North Airport Ltd) have now been restored to near previous levels.</p> <p>The Council was able to redirect staff resources to cope with working from home and continue to deliver essential city services.</p> <p>If necessary, the Council has the ability to modify its priorities through the Annual Plan process each year.</p> <p>The City is not a significant international tourist destination so it has not been significantly impacted by the closure of international borders.</p>

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<p>4. Climate change</p> <p>It will be hotter and dryer in summer with more droughts, and wetter in winter with increased flood risk from very heavy rainfall events. Within these general trends, variability will increase, meaning that there could be large increases in the range of temperatures and the number of extreme events.</p> <p>(This is based on the midpoint of current Ministry for the Environment projections (2018). https://environment.govt.nz/publications/climate-change-projections-for-new-zealand/</p>	<p>That changes to climate will be different to what is assumed. Note: New MfE projections are expected in 2024.</p> <p>That new national targets are set and become a requirement for Councils.</p>	Medium	<p>Council has a Climate Change and Sustainability Plan to reflect its leadership role in ensuring that Palmerston North becomes a low-carbon, climate resilient city. The Plan focuses on actions to reduce the production of greenhouse gases from Council activities and by encouraging the members of the wider community to reduce their greenhouse gas production.</p> <p>Climate change has particular implications for Council's infrastructure. This is addressed through its asset management planning. The largest impact will be on new stormwater infrastructure but there are also likely to be additional peak stormwater flows in the existing network because of infill development. Changes to rainfall patterns could also lead to issues to for our sports fields and walkways because there will be more heavy downpours, leading to flooded surfaces and slips. In</p>

2024-34 Long-term Plan (LTP) assumption	Risks	Level of uncertainty of assumption	Reasons and financial effect of uncertainty
			<p>addition to more intense rainfall it is likely long dry periods, or drought events, will also occur more frequently.</p> <p>Because of the increasingly unstable and unpredictable weather, there is a risk that Council's actions are either too little or too much. Council will continue to grow its understanding of expected long-term changes from climate change and will incorporate this understanding into future Plans and asset management planning.</p>
<p>5. Natural disasters and adverse weather events</p> <p>There will be no significant natural disasters such as storms, floods, earthquakes and volcanic eruptions that damage city infrastructure.</p> <p>There will be no adverse weather events that cause significant damage to the city's infrastructure, including parks.</p>	<p>That there will be a significant natural disaster or adverse weather event.</p>	<p>High</p>	<p>The Council currently contributes to the Local Authority Protection Programme (LAPP) and has the ability to source commercial infrastructure insurance if required. The LAPP fund was designed to cover 40% of the repair costs for certain damaged infrastructure. In certain</p>

2024-34 Long-term Plan (LTP) assumption	Risks	Level of uncertainty of assumption	Reasons and financial effect of uncertainty
			<p>circumstances, central government may fund the remainder of the costs, although this is subject to review by the Government. Roads and bridges are not covered by this programme, with the only relief available being from NZTA, which funds some of these repair costs. In the event of a disaster, the Council has the flexibility to fund uninsured repair costs by re-prioritising its capital expenditure programme and utilising available lines of credit.</p> <p>If there is an adverse weather event, the Council will need to re-prioritise its operating budgets to cope or, in the short-term, utilise established lines of credit.</p>
<p>6. Services provided by council</p> <p>Unless otherwise stated in the individual activity sections, service levels are generally assumed to remain the same. Increases to service levels are shown in the individual activity sections as operating and capital programmes.</p> <p>It has been assumed there will be no unexpected changes to</p>	<p>That there will be some unexpected change to legislation or other factors.</p>	<p>High</p>	<p>The new coalition government has advised it plans to repeal legislation that would have seen the Council's 3 waters (drinking water, wastewater and stormwater) activities transferred to a new regional entity – refer to assumption 26.</p>

2024-34 Long-term Plan (LTP) assumption	Risks	Level of uncertainty of assumption	Reasons and financial effect of uncertainty
<p>legislation or other external factors that alter the nature of services provided by Council.</p> <p>The service reviews required under section 17A LGA 2002 will not lead to major changes to the governance, funding and delivery of Council's infrastructure or services.</p>	<p>That following the reviews, the Council may decide to change certain current service delivery arrangements.</p>	<p>Low</p>	<p>The reforms of the resource management legislation that would have led to a significant review of the roles and responsibilities of the Council are also to be repealed.</p> <p>Other possible government policy changes have been signaled but it is likely to take time for these to directly impact the Council in any significant way.</p> <p>Changes would be proposed only if they were expected to produce a more effective and efficient outcome for citizens and ratepayers. If a change is proposed, the Council will be able to decide on any transitional arrangements to be made. The nature and extent of any public consultation undertaken will be assessed against the Council's Significance and Engagement Policy.</p>
<p>7. Continuity of external funding</p>	<p>That there is a material change</p>	<p>High</p>	<p>Any changes to the way Council services are charged</p>

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<p>Unless otherwise stated in the individual activity sections, it is assumed that external funding sources will continue at present levels for the duration of the LTP.</p> <p>It is also assumed that the Council will be able to borrow at the assumed levels.</p>	<p>to the way Council services are used or charged for that adversely impacts on revenue.</p> <p>That qualifying criteria or subsidy rates will be changed and/or the Council's access to borrowing becomes restricted.</p>		<p>for will be planned with consideration for the Revenue and Financing Policy and the impact on revenue. Use patterns are monitored and any change in use that impacts on revenue will be considered in subsequent Annual and Long-Term Plans. Lower external operating revenue would lead to an increased rates requirement.</p> <p>Qualifying criteria and subsidy ratios have traditionally been stable and there is no indication they are likely to be changed. If they are, Council will reassess its commitment to undertaking the projects concerned.</p> <p>The Council has strong relationships with the financial markets and access to the Local Government Funding Agency to raise cost-effective funding, and will manage its financial arrangements in a manner designed to protect its AA S&P Global credit rating.</p>

2024-34 Long-term Plan (LTP) assumption	Risks	Level of uncertainty of assumption	Reasons and financial effect of uncertainty
<p>8. Sources of funds for future replacement of assets (renewals)</p> <p>Funding will be progressively increased to replace assets at optimum timing. The funding approach is detailed in the Revenue and Financing Policy.</p>	<p>Lack of planned funding could lead to deterioration in asset condition and adversely impact on service delivery and increased maintenance costs</p>	<p>Low</p>	<p>As the Council operates a central treasury function, should one source of funding be unavailable for asset replacement, a further option would be available.</p>
<p>9. NZTA Waka Kotahi subsidy</p> <p>The present NZTA financial assistance rate for the Council is 51% of qualifying expenditure. NZTA subsidies have been assumed at this rate throughout the term of the LTP and for the 30 years of the Infrastructure Strategy. A conservative view has been taken about which programmes will meet the qualifying criteria for subsidy.</p>	<p>Changes in subsidy rate and variation in criteria for inclusion in subsidised works programmes.</p>	<p>Medium</p>	<p>In the past, the Government has demonstrated a long-term commitment to funding roading infrastructure that meets the funding agency's benefit/cost ratios. However, in recent times NZTA has had revenue constraints and significant commitments to a number of very large projects throughout NZ, meaning it has been more difficult to obtain funding for capital projects in other areas.</p> <p>Over the 10 years of the LTP, it has been assumed that \$481 million of new capital programmes will attract NZTA funding of \$209.9 million)</p> <p>In the event this funding is not secured, the Council will review</p>

2024-34 Long-term Plan (LTP) assumption	Risks	Level of uncertainty of assumption	Reasons and financial effect of uncertainty
			its priorities and may choose to delay projects until funding can be obtained.
<p>10. Airport shareholding, dividends & line of credit</p> <p>Palmerston North Airport Ltd (PNAL) will pay a dividend of 10% of Net Profit after tax in 2024/25 (relating to the 2023/24 year) increasing to 20% the following year & 40% for the remainder of the LTP.</p> <p>The Council will contribute no additional share capital to PNAL over the 10 years of the LTP and that PNAL will be successful in attracting additional funding from other partners and stakeholders.</p> <p>The Council has provided PNAL with a line of credit of up to \$50m subject to review each year through the adoption of its Statement of Intent. The Council relies on LGFA's assessment that the sums borrowed and on-lent to PNAL will not be taken into account in the calculation of Council's net debt to revenue ratio & therefore will not impact Council's borrowing headroom.</p>	<p>That PNAL's financial position will mean it does not have the financial capacity to pay dividends at the levels assumed.</p> <p>That the company requires additional capital & is unsuccessful in obtaining it from other sources.</p>	<p>Medium</p> <p>Medium</p> <p>Medium</p>	<p>PNAL's ability to pay dividends depends on the company's net surplus each year.</p> <p>PNAL has plans for significant capital development for the terminal and for development of non-airside property. Current expectations are that the company will be capable of funding the terminal development through additional borrowing though servicing this will impact on the company's operating surpluses in the short to medium term.</p> <p>PNAL is seeking funding partners for the non-airside development.</p>

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<p>11. Revaluation of property, plant and equipment assets</p> <p>Property, plant and equipment assets will be revalued using the following cycle:</p> <p>Community activities – years 3, 6 and 9 Roothing and parking – years 2, 5 and 8 Water and waste – years 2, 5 and 8 Property – years 1, 4, 7 and 10</p> <p>The revaluations have been based on current industry pricing and the Business and Economic Research Ltd (BERL) forecasts of price level change adjusters. Revaluation movements will be shown in the Statement of Comprehensive Revenue and Expense.</p>	<p>Actual revaluation results differ from those in the forecast.</p>	<p>Low</p>	<p>Where the actual inflation rate is different from what has been forecast, the actual revaluation will be different from the forecast. This would lead to depreciation being higher or lower than forecast, but as the Council does not directly fund depreciation, there will be no direct impact on ratepayers.</p> <p>Annual Plans will reflect the outcomes of actual revaluations, as will the new LTP produced every three years.</p>
<p>12. Asset lives</p> <p>Useful lives of assets are as recorded in asset management plans or based on professional advice. These are summarised in the depreciation note within the accounting policies. The 30 Year Infrastructure Strategy also contains summarised information about the roading, water, wastewater, stormwater, recreation and built property assets.</p>	<p>That assets wear out or are decommissioned earlier than estimated.</p> <p>Due to funding constraints there is pressure to sweat asset lives leading to unexpected asset failure.</p>	<p>Low</p>	<p>Asset life is based on estimates of engineers, valuers and asset managers.</p> <p>In the event that assets need to be replaced in advance of the assumption, depreciation and interest costs may increase. The extent of the increase will depend on the nature and value of the asset. The renewal programme is reviewed annually, and any changes to planned timing of renewals will be reflected in the Annual</p>

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			Plan, with adjustments to funding arrangements if required.
<p>13. Depreciation</p> <p>Depreciation has been calculated on asset values at their latest revaluation date, and on additions at cost afterwards. It is assumed that:</p> <ul style="list-style-type: none"> existing depreciation rates will continue new assets' depreciation will be the result of their estimated lives and values depreciation on new and renewal programmes will impact in the year following the capital programme. 	<p>That more detailed analysis of planned capital works once complete may alter the depreciation expense.</p> <p>That asset lives may be extended due to new technology improving asset lives, or reduced due to assets being decommissioned sooner than originally assumed.</p>	Low	<p>Council has asset management planning and upgrade programmes in place. Asset capacity and condition is monitored, with replacement works planned according to standard asset management and professional practices. Actual depreciation is calculated according to normal accounting and asset management practices, which require depreciation to start once an asset is commissioned. However, the planning assumption is considered reasonable given the level of uncertainty about the likely timing of the commissioning of each asset. Also, from a funding perspective, the Council bases its funding decisions on the forecast average levels of renewals, so the forecast level of depreciation does not affect this.</p>
14. Inflation	That actual	Medium	Where the actual inflation rate

2024-34 Long-term Plan (LTP) assumption					Risks	Level of uncertainty of assumption	Reasons and financial effect of uncertainty																																																												
<p>Costs and revenues for 2024/25 have been predicted. Beyond this, inflation has been included in the LTP using the BERL legacy series (including waters) forecasts of cost adjustors, issued in October 2023, as follows:</p> <table border="1"> <thead> <tr> <th>Year ending</th> <th>Roading</th> <th>Planning & regulation</th> <th>Water & environment</th> <th>Community activities</th> </tr> </thead> <tbody> <tr> <td>Jun 2025</td> <td>2.9%</td> <td>2.6%</td> <td>3.6%</td> <td>2.7%</td> </tr> <tr> <td>Jun 2026</td> <td>2.0%</td> <td>2.1%</td> <td>2.5%</td> <td>2.0%</td> </tr> <tr> <td>Jun 2027</td> <td>2.3%</td> <td>2.2%</td> <td>2.7%</td> <td>2.2%</td> </tr> <tr> <td>Jun 2028</td> <td>2.3%</td> <td>2.1%</td> <td>2.6%</td> <td>2.2%</td> </tr> <tr> <td>Jun 2029</td> <td>2.2%</td> <td>2.0%</td> <td>2.5%</td> <td>2.1%</td> </tr> <tr> <td>Jun 2030</td> <td>2.1%</td> <td>1.9%</td> <td>2.3%</td> <td>2.0%</td> </tr> <tr> <td>Jun 2031</td> <td>2.0%</td> <td>1.9%</td> <td>2.3%</td> <td>1.9%</td> </tr> <tr> <td>Jun 2032</td> <td>2.0%</td> <td>1.9%</td> <td>2.2%</td> <td>1.9%</td> </tr> <tr> <td>Jun 2033</td> <td>2.0%</td> <td>1.8%</td> <td>2.1%</td> <td>1.9%</td> </tr> <tr> <td>Jun 2034</td> <td>1.9%</td> <td>1.8%</td> <td>2.1%</td> <td>1.8%</td> </tr> <tr> <td>Remaining 20 years of Infrastructure Strategy</td> <td>2.6%</td> <td>2.4%</td> <td>3.1%</td> <td>2.4%</td> </tr> </tbody> </table>					Year ending	Roading	Planning & regulation	Water & environment	Community activities	Jun 2025	2.9%	2.6%	3.6%	2.7%	Jun 2026	2.0%	2.1%	2.5%	2.0%	Jun 2027	2.3%	2.2%	2.7%	2.2%	Jun 2028	2.3%	2.1%	2.6%	2.2%	Jun 2029	2.2%	2.0%	2.5%	2.1%	Jun 2030	2.1%	1.9%	2.3%	2.0%	Jun 2031	2.0%	1.9%	2.3%	1.9%	Jun 2032	2.0%	1.9%	2.2%	1.9%	Jun 2033	2.0%	1.8%	2.1%	1.9%	Jun 2034	1.9%	1.8%	2.1%	1.8%	Remaining 20 years of Infrastructure Strategy	2.6%	2.4%	3.1%	2.4%	inflation differs from what has been predicted and that decisions are made based on predicted inflation levels.		is different from what has been forecast, the cost of projects and expenditure will be different from the forecast. In the two years following the adoption of the LTP, this will be addressed through the Annual Plan process, and in the third year a new LTP is produced.
Year ending	Roading	Planning & regulation	Water & environment	Community activities																																																															
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<p>15. Interest rates for Borrowings</p> <p>Interest on term debt is calculated using an interest rate of 5.2%. To allow for anticipated timing of capital expenditure, interest is provided for on only 50% of forecast new loan amounts in the year of the capital expenditure, but on the full amount in each year</p>					That the interest rate will differ from what has been used in the calculations.	Medium	This will be managed through the Treasury (incorporating Liability Management and Investment) Policy. The Council has hedging strategies to protect against upward movement in interest																																																												

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thereafter.			<p>rates. It currently has an AA S&P Global credit rating and utilises the Local Government Funding Agency – both arrangements mean the Council has access to markets at prime rates. If the average cost of borrowing increased by 0.5% the interest expense for each year of the LTP would increase as follows:</p> <p>2024/25 \$1.43 million 2025/26 \$1.77 million 2026/27 \$2.25 million 2027/28 \$2.65 million 2028/29 \$2.91 million 2029/30 \$3.09 million 2030/31 \$3.15 million 2031/32 \$3.13 million 2032/33 \$3.14 million 2033/34 \$3.12 million</p> <p>There would be an equivalent reduction in each year if the average cost of borrowing was 0.5% lower than assumed.</p>
<p>16. Resource consents (especially wastewater discharge)</p> <p>Conditions of resource consents held by the Council will not be altered significantly, except for the discharge consent for the wastewater plant. In this case, it has been assumed that the new</p>	That resource consent conditions are altered in a way that is different	High	Council's most significant resource consent is for the discharge from the main wastewater treatment plant to the Manawatū River, which

2024-34 Long-term Plan (LTP) assumption	Risks	Level of uncertainty of assumption	Reasons and financial effect of uncertainty
consent will require the Council to invest significantly to upgrade the plant with consequential ongoing operating cost impacts.	from what was assumed.		<p>is due to expire in 2028. A resource consent application has been lodged with Horizons Regional Council.</p> <p>For the purpose of this LTP, it has been assumed that a capital investment of \$647 million (including inflation) will be required between years 4 and 8. There is a high level of uncertainty regarding this sum.</p> <p>The Council does not have sufficient borrowing capacity and it has been assumed this programme will need to be funded in another manner – refer to assumption 26.</p>
<p>17. Turitea Windfarm</p> <p>Mercury's 60 turbine windfarm (with 30 on Council's Turitea Reserve land) will consistently generate sufficient electricity so that Mercury will pay the Council royalties of at least \$1.2 million p.a. It is recognised this revenue assumption is at the higher end of revenue expectations.</p> <p>Any such revenue received from Mercury is planned to be used to fund operating costs for city reserves – this complies with the purposes outlined in the Reserves Act 1977.</p>	That windfarm energy production is lower than assumed and/or wholesale electricity prices are lower than assumed.	Low	<p>The windfarm assumption is the 30 turbines will generate 420 Gwh p.a. A minimum annual payment of \$0.76 million would be payable based on a 12-month rolling average wholesale price of \$62 per Mwh.</p> <p>If they generated only 350 Gwh the minimum annual</p>

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			<p>payment would be \$0.63 million.</p> <p>The current rolling average wholesale price is approximately \$89 per Mwh and at this rate revenue would total \$1.1 million (for 420 Gwh) or \$0.9 million for 350 Gwh.</p>
<p>18. Weathertight (leaky) homes claims</p> <p>The Council may receive claims relating to leaky homes and that it will be required to pay contributions toward settlement.</p> <p>It is expected the Council will also receive calls from RiskPool (a mutual local government insurance vehicle that the Council previously belonged to) to assist it fund deficits as a result of on-going claims relating to years when the Council was a member.</p> <p>Any uninsured claims will be an unbudgeted expense.</p>	<p>That the number of claims and/or the level of settlement per claim is significantly higher than the levels assumed.</p>	<p>Low</p>	<p>The Council's exposure to new claims is uninsured.</p> <p>For several years, the Council funded a provision for future claims. The level of the provision as at 30 June 2024 will be reviewed following the recent payment of a call from RiskPool. If the Council is faced with paying more than remains in the provision in any particular year, it will determine at the time whether it has the financial capacity to fund from operations or whether short-term borrowing will be required. The appropriateness of the level of expenditure assumed will be reviewed in each year's</p>

2024-34 Long-term Plan (LTP) assumption	Risks	Level of uncertainty of assumption	Reasons and financial effect of uncertainty
			Annual Plan.
<p>19. Insurance</p> <p>The Council will continue to be able to obtain adequate insurance cover for its infrastructure and property assets as well as for public liability and professional indemnity at terms and cost that are affordable.</p> <p>The Council will need to accept loss limits for material damage cover & accept higher levels of self-insurance than in the past.</p> <p>Material damage re-instatement cover will not be obtainable for the Council's properties that are classified as earthquake prone.</p>	<p>That the terms of insurance cover available become unreasonably restrictive and/or the premium cost is significantly higher than assumed.</p>	<p>High</p>	<p>The significant earthquakes and weather-related events in New Zealand in the last decade have impacted on the terms and cost of insurance cover. Insurance companies are becoming less willing to provide full cover.</p> <p>To date, the Council has retained its membership of the Local Authority Protection Programme, but each year it assesses other market options for underground infrastructure insurance.</p> <p>There continues to be uncertainty about the future basis of calculating fire service levies to fund Fire and Emergency New Zealand.</p> <p>Due to the number and nature of claims against local government it is becoming more difficult to obtain affordable liability cover for professional indemnity.</p>

2024-34 Long-term Plan (LTP) assumption	Risks	Level of uncertainty of assumption	Reasons and financial effect of uncertainty
			The Financial Strategy sets a debt/revenue policy limit of 250%. This is less than the present 280% covenant set by LGFA (Council's primary source of borrowing) and provides headroom in the event of needing to fund an uninsured loss.
<p>20. Earthquake-prone buildings</p> <p>The Council will need to incur significant expenditure to address any shortcomings in the standard of its buildings in relation to earthquakes.</p> <p>The Council will upgrade each of its buildings to a minimum of 34% of the New Build Standard (NBS) and that this will be done progressively over a 15-year period.</p> <p>Currently 26 of the Council's buildings and facilities have been assessed as earthquake prone and it is planned that the following eight critical buildings will be attended to over the next 10 years; the Civic Administration Building, Te Manawa, The Regent theatre, the central library, crematorium, Caccia Birch house, wastewater treatment plant and water treatment plant. The remainder will be attended to over the following five years.</p> <p>\$124 million of funding for the programme of work will be obtained from external sources through co-funding or public private partnerships</p>	<p>That when the upgrade work starts, the actual cost will be significantly more than is currently contemplated.</p> <p>External funding cannot be obtained within</p>	<p>High</p> <p>High</p>	<p>All of Council's properties have been assessed and indicative assessments made of what work needs to be done to at least bring them up to a minimum standard.</p> <p>At this stage it has been assumed it will cost over \$200 million to complete the work and that \$170 million of this relates to the eight buildings programmed to be completed over the 10 years.</p> <p>The outcomes of the civic and cultural precinct masterplan work will influence decisions about the nature of the investments to be made in relation to the library and Te Manawa.</p>

2024-34 Long-term Plan (LTP) assumption	Risks	Level of uncertainty of assumption	Reasons and financial effect of uncertainty
	the timeframes required to enable the buildings to be upgraded within the legislative timeframes.		At all times the Council will have regard for the safety of occupiers and public users of the properties.
<p>21. Provision of a regional freight ring road including an additional road crossing of the Manawatū River</p> <p>There will be progress made with the Palmerston North Integrated Transport Initiative (PNITI) to guide investment in strategic transport.</p>	That regional economic growth may be hindered by the lack progress with implementing the PNITI.	Medium	Council has been collaborating with NZTA, Horizons and neighbouring local councils on the proposed regional freight ring road for more than a decade. NZTA have developed the Palmerston North Integrated Transport Initiative (PNITI) to guide investment in strategic transport in the city. PNITI is a package of interventions to support freight and distribution potential of the region, assist in building the region's resilience and provide a safer, more cost-effective connection between some of the regions key industrial areas whilst improving access and safety for Palmerston North residents. PNITI considers a programme of investment

2024-34 Long-term Plan (LTP) assumption	Risks	Level of uncertainty of assumption	Reasons and financial effect of uncertainty
			<p>including a regional freight ring road, an additional Manawatu River crossing, improvements around Bunnythorpe, connections to the North East Industrial Zone, accessibility and safety improvements throughout the city.</p> <p>Council's initial focus is on delivering the regional freight ring road. Delivering the PNITI and a further river crossing will only be viable for the Council with assistance from NZTA.</p>
<p>22. Residential subdivision</p> <p>The Council will progressively sell the remaining sections in stage one of its Tamakuku Terrace residential subdivision in Whakarongo and then develop and sell the 35 sections in stage 2 – any returns (after taking into account holding costs) will be used to fund progressive renewal of the Council's social housing portfolio.</p> <p>Options are currently being sought from external partners for the development for social housing on the former bowling club site in Summerhays Street.</p> <p>Longer term plans will assess the best mechanism for developing a further 50 or more residential units on the Council owned site on</p>	<p>That development costs are higher than assumed (with additional requirements identified through detailed design or higher contracting costs).</p> <p>That the variability of the housing market</p>	Medium	<p>Construction of stage 1 of Council's subdivision in Whakarongo (Tamakuku Terrace) is complete and some sections sold. Due to market changes sales have been slower than originally assumed.</p> <p>Construction of the second stage will commence once an appropriate sales threshold for stage 1 has been achieved.</p>

2024-34 Long-term Plan (LTP) assumption	Risks	Level of uncertainty of assumption	Reasons and financial effect of uncertainty
<p>the corner of Fitzherbert Avenue and Park Road.</p> <p>Other land owned by the Council will be assessed for potential development for residential housing.</p>	<p>will impact on the sale price and period taken to sell.</p> <p>Partners cannot be found to make further housing development financially viable for the Council.</p>		
<p>23. Drinking water quality assurance rules</p> <p>The Council has made adequate financial provision to accommodate changes required as a result of the latest review of the NZ drinking water quality assurance rules.</p>	<p>That future changes to the rules will impose requirements that are more expensive and/or needed sooner than provided for.</p>	Low	<p>The city's water supply comes from the Turitea Dam in the Tararua ranges and a number of bores around the City. It is fully chlorinated. Provision has been made for programmes to add an additional layer of barrier protection (UV treatment) and additional reservoirs to some bore sites over the next year. In the meantime two bores have been switched off.</p>
<p>24. Three Waters Reform</p> <p>Council will continue to have legislative responsibility for delivering the water, wastewater and stormwater activities over the term of the LTP.</p>	<p>That responsibility for some or all of these activities will transfer to another entity.</p>	High	<p>Parliament has repealed the legislation that would have seen the 3 waters activities transferred to a new regional entity in 2026.</p>

2024-34 Long-term Plan (LTP) assumption	Risks	Level of uncertainty of assumption	Reasons and financial effect of uncertainty
			It is expected there will be further assessment of the pros and cons of more regional collaboration in the delivery of water activities and any future proposal for significant change will be the subject of future public consultation.
<p>25. Capital Expenditure Delivery</p> <p>Council will have adequate resources to initiate and manage the significant capital expenditure programme within the timeframes assumed.</p> <p>The construction industry will have the capacity to undertake the Council's programmes in addition to the other large public and private projects planned for the next 10 years.</p> <p>Interruptions to international supply chains will not materially adversely impact on the Council's ability to complete the planned capital expenditure programme.</p>	That there will not be sufficient capacity to undertake the work within the timeframes or budgets that have been assumed	High	<p>There is a huge pipeline of projected public and private work scheduled for the region. The Council is already experiencing some difficulty obtaining contractors for programmed works.</p> <p>Council will be proactively working with contractors to find ways of reducing the level of uncertainty.</p> <p>Delays in undertaking capital expenditure mean there is a risk that when the work is actually done it will cost more than previously assumed and therefore require more borrowing. Council will assess</p>

2024-34 Long-term Plan (LTP) assumption	Risks	Level of uncertainty of assumption	Reasons and financial effect of uncertainty
			<p>the impacts of this on a case by case basis and, if necessary, reassess priorities and possibly defer other works. Such delays would mean raising new debt later than programmed with consequential short-term savings in interest expense. As borrowing is undertaken as required this is not an issue.</p> <p>Delays in undertaking capital renewal expenditure mean there is an increased risk that unplanned maintenance may be required. The Council believes this risk is manageable and that if required other works could be re-prioritised.</p>
<p>26. Infrastructure Funding & Financing (IFF) Levies</p> <p>It has been assumed that the Wastewater Treatment & Disposal programme (Nature Calls) will be fully funded using the Infrastructure Funding & Financing Act (IFF). The legislation enables Council to borrow money in a way that enables the debt to remain off the Council's financial statements.</p> <p>The funding is treated as capital revenue on receipt from the</p>	<p>That the programmes planned to be funded do not meet the qualifying criteria meaning an alternate funding arrangement will have to be</p>	<p>High</p>	<p>At this stage the cost of the Nature Calls project is a preliminary estimate.</p> <p>Once there is more certainty of the nature and cost of the project more specific funding proposals will be developed. In the meantime it is intended to discuss further with Crown</p>

2024-34 Long-term Plan (LTP) assumption	Risks	Level of uncertainty of assumption	Reasons and financial effect of uncertainty
<p>special purpose funding vehicle (SPV). Ratepayers would service and repay the debt through a levy over 30 years and this would be charged on the rates invoice.</p> <p>It has also been assumed that a number of capital growth programmes will be partially funded under the Infrastructure Funding & Financing legislation.</p>	<p>developed to enable the projects to proceed</p>		<p>Infrastructure Partners (the government agency responsible for administering the IFF arrangements) the possible terms of any funding solution.</p> <p>In an effort to reduce the sum needing to be borrowed we will be investigating alternate funding possibilities such as central government or local businesses or organisations who currently manage their own wastewater treatment and discharge, to consider joining us.</p> <p>If an IFF arrangement cannot be put in place then the project would unlikely be able to proceed in its present form and such arrangements as public/private partnerships will need to be investigated.</p> <p>If the IFF structure does not prove to be practical for the growth related project then other mechanisms such as developer agreements will need to be investigated.</p>

2024-34 Long-term Plan (LTP) assumption	Risks	Level of uncertainty of assumption	Reasons and financial effect of uncertainty
<p>27. Alternative funding arrangements</p> <p>That Council will be successful in making alternate funding arrangements such as public/private partnerships or leasing rather than owning some of its assets in order so that the proposed capital programmes can be delivered.</p> <p>The LTP assumes \$256m of the capital programme will be funded this way. \$124m of this relates to earthquake prone buildings.</p>	<p>That the funding arrangements are not able to be put in place</p>	<p>High</p>	<p>In the event the arrangements are not successfully implemented the project will either be delayed or other projects will need to be re-prioritised.</p>