

Significant Forecasting Assumptions

Ngā Matapae Tāpua

Significant Forecasting Assumptions

The table below identifies the Significant Forecasting Assumptions that Council has made for this Long Term Plan (LTP) and the risks and the level of uncertainty associated with each assumption as well as the potential effects/impact of this uncertainty.

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3. Household Growth
4. Household Occupancy
5. Legislative Changes
6. Three Waters Review
7. Pandemics (COVID19)
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28. Delivery of the Capital Expenditure Programme
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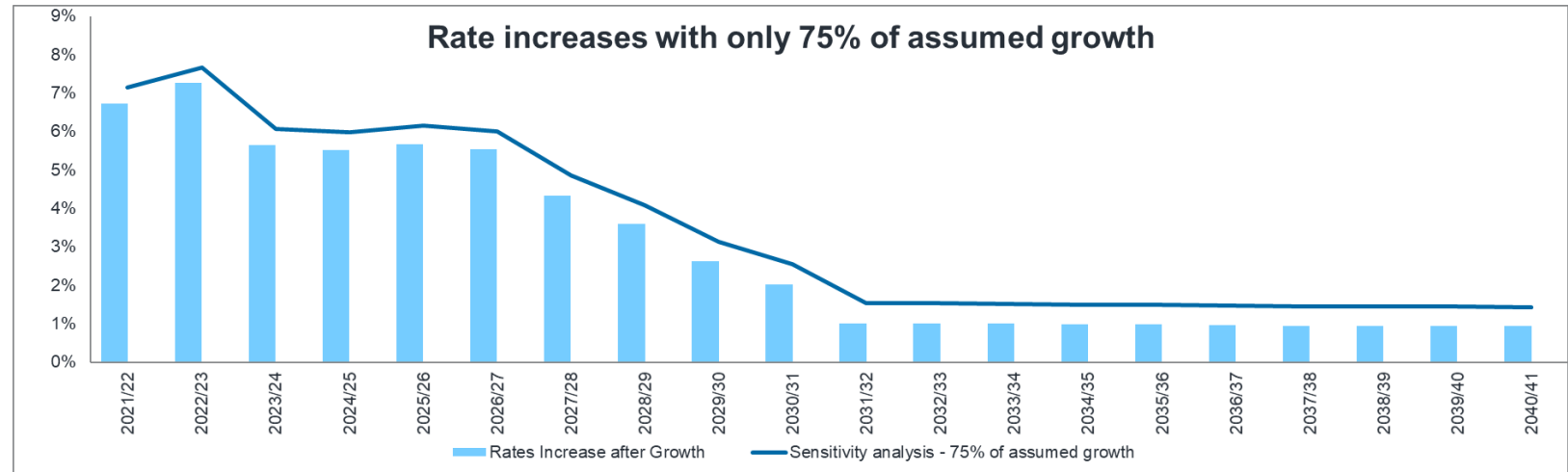
1. Population Growth

Assumption	Population growth is assumed at an average rate of 2.6% per year between 2021 and 2031 and 2.9% per year between 2031 and 2041.																																																																		
Detailed Forecasts	<p>Council has adopted the 95th percentile from the Horowhenua Socio-Economic Projections, prepared by Sense Partners.</p> <p>The 95th percentile projections identify the annual average population growth rate will be:</p> <p>2.6% per annum until 2031 2.9% per annum until 2041</p> <p>By June 2041 the Horowhenua will have:</p> <p>A total population of 62,716. An increase of 26,008 people between June 2021 and June 2041.</p> <p>The socio-economic projections used have factored in the impact of the COVID-19 pandemic that may influence population growth, such as border closures and an economic shock.</p> <table border="1" data-bbox="465 831 2078 1121"> <thead> <tr> <th></th> <th></th> <th>Yr 1</th> <th>Yr 2</th> <th>Yr 3</th> <th>Yr 4</th> <th>Yr 5</th> <th>Yr 6</th> <th>Yr 7</th> <th>Yr 8</th> <th>Yr 9</th> </tr> </thead> <tbody> <tr> <td>19/20</td> <td>20/21</td> <td>21/22</td> <td>22/23</td> <td>23/24</td> <td>24/25</td> <td>25/26</td> <td>26/27</td> <td>27/28</td> <td>28/29</td> <td>29/30</td> </tr> <tr> <td>35,887</td> <td>36,708</td> <td>37,532</td> <td>38,431</td> <td>39,360</td> <td>40,368</td> <td>41,444</td> <td>42,621</td> <td>43,810</td> <td>44,968</td> <td>46,202</td> </tr> <tr> <th>Yr 10</th> <th>Yr 11</th> <th>Yr 12</th> <th>Yr 13</th> <th>Yr 14</th> <th>Yr 15</th> <th>Yr 16</th> <th>Yr 17</th> <th>Yr 18</th> <th>Yr 19</th> <th>Yr 20</th> </tr> <tr> <td>30/31</td> <td>31/32</td> <td>32/33</td> <td>33/34</td> <td>34/35</td> <td>35/36</td> <td>36/37</td> <td>37/38</td> <td>38/39</td> <td>39/40</td> <td>40/41</td> </tr> <tr> <td>47,355</td> <td>48,562</td> <td>49,905</td> <td>51,246</td> <td>52,792</td> <td>54,362</td> <td>55,674</td> <td>57,481</td> <td>59,010</td> <td>60,772</td> <td>62,716</td> </tr> </tbody> </table>			Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Yr 6	Yr 7	Yr 8	Yr 9	19/20	20/21	21/22	22/23	23/24	24/25	25/26	26/27	27/28	28/29	29/30	35,887	36,708	37,532	38,431	39,360	40,368	41,444	42,621	43,810	44,968	46,202	Yr 10	Yr 11	Yr 12	Yr 13	Yr 14	Yr 15	Yr 16	Yr 17	Yr 18	Yr 19	Yr 20	30/31	31/32	32/33	33/34	34/35	35/36	36/37	37/38	38/39	39/40	40/41	47,355	48,562	49,905	51,246	52,792	54,362	55,674	57,481	59,010	60,772	62,716
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Risk	The population growth across the district occurs at a significantly different rate (much faster or slower) than assumed. The likelihood of this risk occurring is considered very likely. The rate of growth depends on many variables, most of which are outside of Council's control.																																																																		
Level of Uncertainty	Moderate / High																																																																		

If growth occurred at only 75% of what we are projecting, there would be the following impacts:

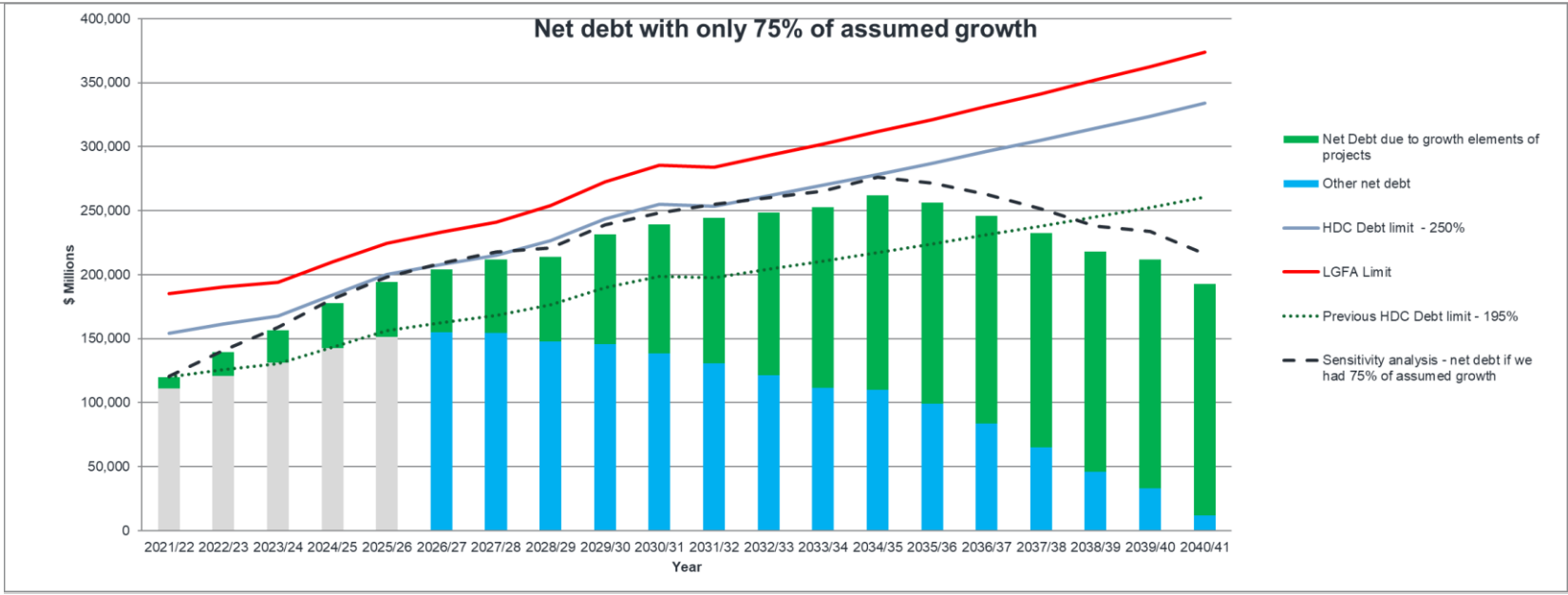
Rates

Because we set rates after growth, if growth is lower than expected, the rates increases for existing householders will be higher as there would be fewer households to share the increasing costs between.



Debt

If growth is lower than planned we would receive a lower level of contributions towards growth related expenditure. If this occurs then the Council would need to reprioritise up to \$6m of its capital programme to ensure that we do not breach our self-imposed borrowings limit.



Data Source

Sense Partners – Socio-Economic Projections Update Report May 2020
 Horowhenua District Council

2. Demographics

Assumption	The majority of growth in the Horowhenua District’s population will occur in the 15-39 years old range.																																																						
Detailed Forecasts	<p>This assumption is based on the 95th percentile from the Horowhenua Socio-Economic Projections, prepared by Sense Partners.</p> <p>By June 2041, the age profile of the Horowhenua population will be:</p> <p>0-14 years old: 20.43% 15-39 years old: 28.32% 40-64 years old: 28.93% 65 years old or over: 22.32%</p> <p>Each age group will increase by the following number of people between June 2021 and June 2041:</p> <p>0-14 years old: 5,816 15-39 years old: 8,005 40-64 years old: 6,862 65 years old or over: 4,846</p> <p>The number of people in each age group each year is shown in the table below.</p> <table border="1" style="margin-left: auto; margin-right: auto; border-collapse: collapse; text-align: center;"> <thead> <tr style="background-color: #2c2c5c; color: white;"> <th>LTP Year</th> <th>Financial Year</th> <th>0-14 years</th> <th>15-39 years</th> <th>40-64 years</th> <th>65+ years</th> </tr> </thead> <tbody> <tr style="background-color: #e0e0e0;"> <td></td> <td>19/20</td> <td>6,746</td> <td>9,329</td> <td>11,269</td> <td>8,981</td> </tr> <tr style="background-color: #e0e0e0;"> <td></td> <td>20/21</td> <td>7,014</td> <td>9,329</td> <td>11,269</td> <td>8,981</td> </tr> <tr style="background-color: #e0e0e0;"> <td>Yr 1</td> <td>21/22</td> <td>7,014</td> <td>9,786</td> <td>11,309</td> <td>9,176</td> </tr> <tr style="background-color: #e0e0e0;"> <td>Yr 2</td> <td>22/23</td> <td>7,513</td> <td>10,536</td> <td>11,550</td> <td>9,509</td> </tr> <tr style="background-color: #e0e0e0;"> <td>Yr 3</td> <td>23/24</td> <td>7,777</td> <td>10,874</td> <td>11,629</td> <td>9,752</td> </tr> <tr style="background-color: #e0e0e0;"> <td>Yr 4</td> <td>24/25</td> <td>8,036</td> <td>11,208</td> <td>11,756</td> <td>9,975</td> </tr> <tr style="background-color: #e0e0e0;"> <td>Yr 5</td> <td>25/26</td> <td>8,363</td> <td>11,550</td> <td>11,892</td> <td>10,231</td> </tr> <tr style="background-color: #e0e0e0;"> <td>Yr 6</td> <td>26/27</td> <td>8,676</td> <td>11,906</td> <td>12,041</td> <td>10,497</td> </tr> </tbody> </table>	LTP Year	Financial Year	0-14 years	15-39 years	40-64 years	65+ years		19/20	6,746	9,329	11,269	8,981		20/21	7,014	9,329	11,269	8,981	Yr 1	21/22	7,014	9,786	11,309	9,176	Yr 2	22/23	7,513	10,536	11,550	9,509	Yr 3	23/24	7,777	10,874	11,629	9,752	Yr 4	24/25	8,036	11,208	11,756	9,975	Yr 5	25/26	8,363	11,550	11,892	10,231	Yr 6	26/27	8,676	11,906	12,041	10,497
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	Yr 7	27/28	9,015	12,208	12,249	10,771
	Yr 8	28/29	9,378	12,511	12,467	11,027
	Yr 9	29/30	9,708	12,824	12,776	11,250
	Yr 10	30/31	10,023	13,122	13,111	11,500
	Yr 11	31/32	10,302	13,415	13,520	11,723
	Yr 12	32/33	10,621	13,728	13,894	11,981
	Yr 13	33/34	10,994	14,059	14,303	12,245
	Yr 14	34/35	11,221	14,540	14,743	12,504
	Yr 15	35/36	11,444	15,016	15,203	12,759
	Yr 16	36/37	11,698	15,504	15,697	13,017
	Yr 17	37/38	11,920	16,076	16,243	13,271
	Yr 18	38/39	12,180	16,626	16,852	13,518
	Yr 19	39/40	12,536	17,166	17,500	13,781
Yr 20	40/41	12,830	17,791	18,171	14,022	
Risk	Population growth in different age groups is substantially different from what is assumed.					
Level of Uncertainty	Low - Moderate					
Financial impact	<p>If there is a greater increase in the younger age ranges there could be increased demand for facilities or services that are targeted to the needs of a younger population (e.g. playgrounds or aquatic facilities) and increased demand on Council's infrastructure (as younger demographics are more likely to have more people living in each house). A higher level of demand on infrastructure could result in Council needing to replace or upgrade assets faster than anticipated and this may mean a need to reprioritise spending, increase rates or increase debt.</p> <p>If there is a greater increase in the older ranges than anticipated then this could increase pressure for facilities or services that are targeted more specifically to the needs of an ageing population (e.g. a hydrotherapy pool or library services) which would mean that Council would either need to reprioritise funds from other projects, increase rates, or borrow to pay for these facilities or services.</p>					

3. Household Growth

Assumption	There will be an increase of 11,209 dwellings in the Horowhenua District between June 2021 and June 2041.
Detailed Forecasts	<p>This assumption is based on the 95th percentile from the Horowhenua Socio-Economic Projections, prepared by Sense Partners.</p> <p>The district is assumed to have 16,606 dwellings at June 2021. This figure is based on:</p> <p>Census 2018: 15,804 dwellings, Building consents issued for 2018/2019: 271 Building consents issued for 2019/2020: 266 Forecast¹ for 2020/2021: 265</p> <p>It is assumed the Dwelling Occupancy Rate for the District will be approximately 90%. The dwelling occupancy rate for the 2018 Census was 85%. However, due to the District’s rapid growth, an assumed increase in permanent residents at the coastal settlements and increased pressure on housing the number of dwellings occupied is anticipated to increase.</p> <p>There will be an additional 11,209 dwellings required between June 2021 and June 2041 (a total of 27,815 dwellings). Of the total number of dwellings in the district by June 2041, there will be:</p> <p>Occupied: 25,033 Unoccupied: 2,703</p> <p>This growth will result in an average number of dwellings being constructed per year as follows:</p> <p>2021 – 2031: 434 2031 – 2041: 686</p> <p>The table below shows the forecasted number of dwellings (occupied and unoccupied) for the life of this LTP.</p>

¹ Based on the average of building consents issued for the past 3 years.

		Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Yr 6	Yr 7	Yr 8	Yr 9
19/20	20/21	21/22	22/23	23/24	24/25	25/26	26/27	27/28	28/29	29/30
16,341	16,606	16,958	17,299	17,668	18,073	18,508	18,932	19,426	19,906	20,414
Yr 10	Yr 11	Yr 12	Yr 13	Yr 14	Yr 15	Yr 16	Yr 17	Yr 18	Yr 19	Yr 20
30/31	31/32	32/33	33/34	34/35	35/36	36/37	37/38	38/39	39/40	40/41
20,951	21,497	22,055	22,655	23,308	23,951	24,638	25,384	26,175	26,981	27,815

Where will the growth occur?

Residential 85% of growth

Rural 15% of growth

Location	Residential (75%)	Greenbelt Residential (25%)	Combined (85%)	Number per year 2021 – 2031	Number per year 2031 – 2041
Levin	64.5%	37.5%	51.8%	213	337
Foxtton Beach	10.0%	15.0%	10.0%	42	66
Foxtton	5.5%	6.5%	7.5%	21	34
Waitārere	7.0%	8.0%	10.5%	27	42
Ōhau	2.0%	25.0%	7.6%	29	45
Waikawa	1.0%	2.0%	4.6%	5	7
Manakau	5.0%	5.0%	3.9%	18	29
Shannon	3.5%	0.0%	3.4%	10	15
Tokomaru	1.0%	1.0%	0.4%	4	6
Hōkio Beach	0.5%	0.0%	0.4%	1	2
Rural	15%			65	103
Total				434	686

Risk

The future growth in the number of dwellings and the location of the new dwellings varies substantially (much higher/lower).

Level of Uncertainty	Moderate / High
Financial impact	<p><u>Lower level of growth</u></p> <p>A lower level of growth in the number of dwellings would result in higher rates increases, as the total rates income would be split across less properties. This would have a flow on effect of either increasing the cost of rates per ratepayer for the delivery of services, or Council would need to fund some services and/or planned projects through loans, or it would need to reprioritise some of the planned projects.</p> <p><i>The implication for rates and debt if population growth was only 75% of what is assumed is shown in the population growth assumption.</i></p> <p><u>Higher level of growth</u></p> <p>A higher level of growth would increase demand for services and could mean that services need replacing or upgrading earlier than anticipated, however, Council would have a larger rate base to collect rates from to fund the replacement/upgrade of services. Higher than anticipated growth in one part of the District could require upgrading and renewal projects to be prioritised over other parts of the District.</p>
Data Source	<p>Sense Partners – Socio-Economic Projections Update Report May 2020</p> <p>Horowhenua District Council</p> <p>Statistics New Zealand Census 2018</p>

4. Household Occupancy

Assumption	The average number of occupants per dwelling will be 2.5 over the life of the LTP.
Detailed Forecasts	<p>This assumption is based on the 95th percentile from the Horowhenua Socio-Economic Projections, prepared by Sense Partners.</p> <p>By 2041: 25,033 occupied dwellings x 2.5 people per house = 62,583. Note this is 133 less people than the assumed population which is 62,716 due to rounding for the average number of people per dwelling.</p>
Risk	The average number of occupants per household varies substantially (significantly higher or lower) than assumed.
Level of Uncertainty	Low to Moderate
Financial impact	<p>A lower average number of occupants per dwelling could result in there being a reduction in the demand for services and facilities. This could mean that some of the planned upgrade or replacement of assets may be able to be delayed and this could result in a reduction in rates or Council borrowing. It could result in more land for housing being required to meet the housing needs of the anticipated population growth.</p> <p>A higher average number of occupants per dwelling would result in an increase in demand for services and could mean that services may need replacing or upgrading earlier than anticipated. Council may have to increase rates or borrowing more than assumed to fund the replacement and/or upgrade of these services and facilities. It could result in less land for housing being required to meet the housing needs of the anticipated population growth.</p>
Data Source	Sense Partners – Socio-Economic Projections Update Report May 2020

5. Legislative Changes

Assumption	Changes in legislation will not significantly affect Council's finances or Levels of Service.
Detailed Forecasts	<p>There are a number of upcoming legislative changes that Council is aware of. These include:</p> <p><u>Resource Management Reform</u></p> <p>Current known changes incorporated into the Long Term Plan budgets include implementation of the National Planning Standards, National Policy Statement on Urban Development, the National Policy Statement for Indigenous Biodiversity and the National Policy Statement for Freshwater.</p> <p>Further national direction is anticipated (National Policy Statement on Highly Productive Soils), in addition to comprehensive review of the resource management system.</p> <p><u>Building (Building Products and Methods, Modular Components, and Other Matters) Amendment Bill</u></p> <p>May require changes to the Building Consent Authority's systems, policies, procedures and processes in relation to buildings constructed from modular components.</p> <p><u>Kainga Ora – Urban Development Act 2020</u></p> <p>The Urban Development Act enables Kainga Ora to initiate, facilitate or undertake urban development. They can request bylaw changes, request Council incorporates maps into planning processes, may transfer consenting functions for specific developments and can require Council to set targeted rates for specified development projects.</p> <p><u>Infrastructure Funding and Financing Act 2020</u></p> <p>To provide a funding and financing model for the provision of infrastructure and housing. The Act enables the imposition of a levy via an Order in Council to fund eligible costs related to eligible infrastructure.</p> <p><u>Local Government (Rating of Whenua Maori) Amendment Bill</u></p> <p>The Bill proposes to extend non-rateable categories of land.</p> <p><u>Burial and Cremation Act 1964 Review</u></p>

	<p>If proposed changes are progressed this could make Council responsible for managing monuments, imposing maintenance standards at cemeteries, requiring Council to maintain cemeteries where managers declare they are 'no longer in the cemetery business', requiring Council to prepare cemetery management plans, making Council responsible for managing disinterments, and making Council responsible for agreeing to and overseeing crematoriums.</p> <p><u>Water Services Bill 2020</u></p> <p>Proposes to reform the drinking water regulatory system, with targeted reforms to improve the regulation and performance of wastewater and stormwater networks. The bill proposes requirements such as the duty to supply safe water, duty to provide sufficient drinking water, the requirements for water safety plans and the risk assessment and monitoring of source water.</p> <p>There could be further changes in legislation, currently unknown at this stage that could have an impact on Council's finances or levels of service. Council Officers will closely monitor future changes to legislation.</p> <p><i>Note: The assumption around the 3 Waters Review is provide separately.</i></p>
Risk	<p>Whilst we have a good understanding of the implications that the recent amendments to legislation are likely to have for Council in the near future, there is uncertainty about what amendments might be made in the future. This LTP covers a period of 20 years and with this comes less certainty as there could be changes in government or other contributing factors that result in amendments being made to legislation.</p> <p>Such amendments could require Council to implement legislative changes to its plans, bylaws, regulatory processes and/or infrastructure requirements. There is uncertainty around the likely cost implications and timing to undertake such changes although there is high expectation that the implementation requirements would fall within the 20 year life of this LTP.</p>
Level of Uncertainty	Moderate
Financial impact	Changes in legislation may result in a requirement to increase Levels of Service, implement policy, and regulatory changes which may not have been foreseen or accurately budgeted for. Some changes could require additional funding from rates or an increase in fees and charges to implement the legislative changes as directed and within the required timeframes.
Data Source	Horowhenua District Council

6. Three Waters Review

Assumption	Council will retain ownership and management of its three waters assets for the life of the Long Term Plan.
Detailed Forecasts	<p>The Three Waters Reform Programme has been developed by Central Government to transform the delivery of the three waters services across New Zealand. Most recently, this has seen the creation of Taumata Arowai, the new water services regulator. The Government is proposing the creation of multi-regional entities to take over the delivery of the three waters functions from local government.</p> <p>The timeframes for the reform have been identified as follows:</p> <p>2021</p> <ul style="list-style-type: none"> • Sector and iwi/Māori engagement on options. • Cabinet makes decision on suite of reform proposals. • Public communication about proposals. • Councils make decisions about participation in the reforms (September – December). <p>2022</p> <ul style="list-style-type: none"> • Preparation for the formation of water services entities. <p>2023</p> <ul style="list-style-type: none"> • Preparation for operation of new water services entities
Risk	Large scale entities will be set up to take over the three waters assets for the Horowhenua District.
Level of Uncertainty	High
Financial impact	If large scale entities are created that take over the three waters assets for the Horowhenua District, there will be a significant impact on Council's finances. An amendment to the LTP would be required.

Scenario 1 – transfer of 3 waters assets and debt to the multi-regional agency before 30 June 2024 (local body elections).

Under this scenario Council would transfer its assets and debt to the multi-regional agency before 30 June 2024. Council would no longer fund this asset meaning significant changes to Council’s budgets for; capital and operational expenditure, debt servicing, overhead costs, employee expenses, equipment.

The effects of this change are outlined below:

Total **debt** associated with 3 Waters June 2025: \$78,670,503.00

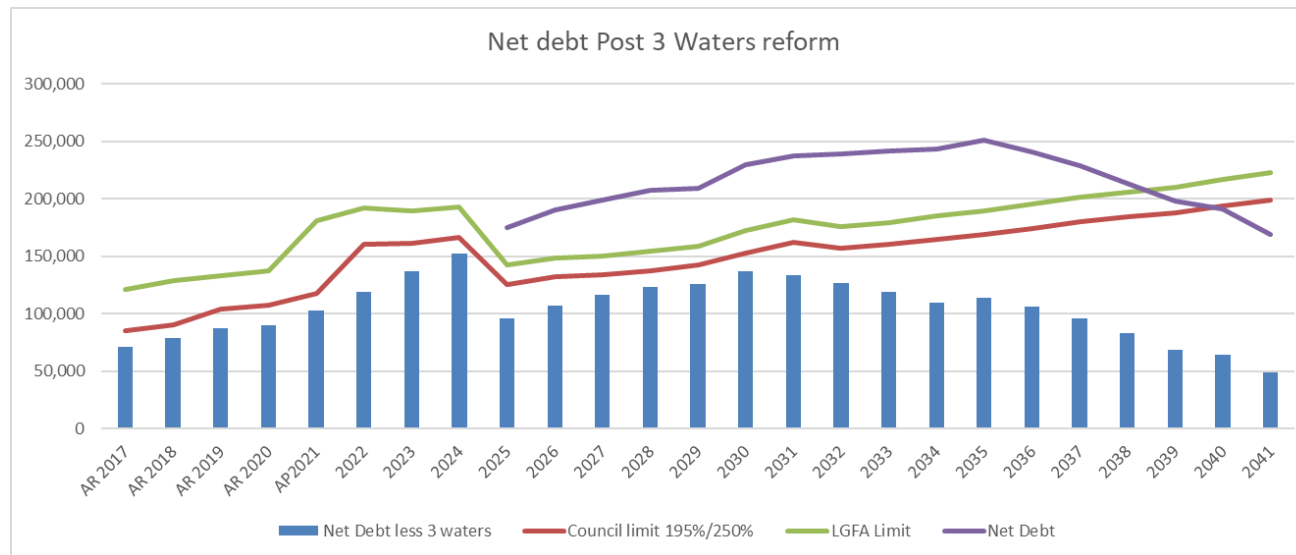
Total **income** associated with 3 Waters June 2025: \$ 23,235,968.00

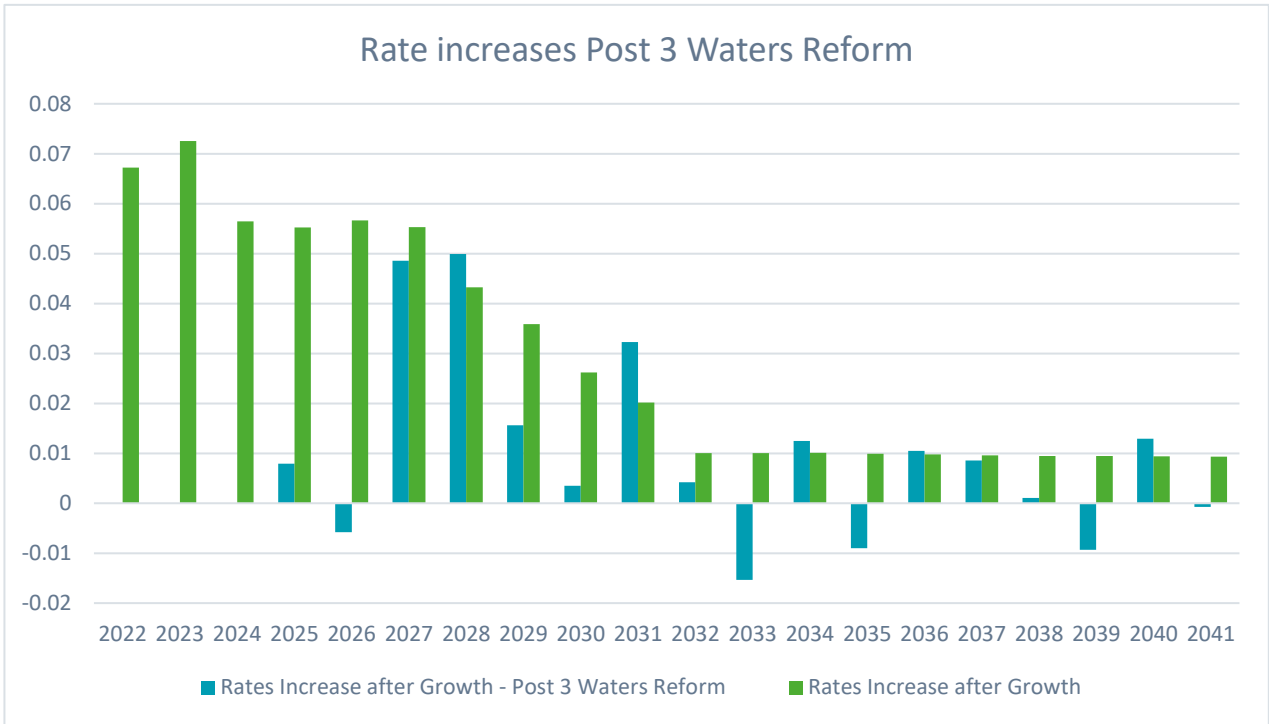
Total **expenditure** associated with 3 Waters June 2025: \$21,317,237.00

Total **value** of 3 Waters Infrastructure Assets June 2025: \$284,758,008.27

Total **Rates** associated with 3 Waters June 2025: \$20,177,274.00

Rates increase without 3 waters 2024/25 financial year would reduce to 2.6%





Data Source

Department of Internal Affairs
 Horowhenua District Council

7. Pandemics (COVID-19)

Assumption	There will be no pandemics (including the current COVID-19 pandemic) requiring the implementation of Alert Level 2 to 4 restrictions for the purpose of the forecast budgets.
Detailed Forecasts	<p>There has been no assumed reduction in revenue or increases in expenses associated with the current COVID-19 pandemic or any future pandemics.</p> <p>The New Zealand response to the worldwide COVID-19 pandemic resulted in an Alert level system being introduced that has increasing levels of restrictions. Council's previous response to these restrictions is outlined below.</p> <p>In Alert Level 1</p> <p>All Council services are operational (rubbish and recycling, water supply, wastewater, stormwater, governance and decision-making, civil defence and emergency management, parks, reserves, cemeteries, playgrounds, public toilets, library services, swimming pools, community centres, animal control, planning, regulatory licensing and compliance, building consents, noise control, roading, parking, strategic planning, finance and information management).</p> <p>In Alert Level 2</p> <p>All Council services are operational (rubbish and recycling, water supply, wastewater, stormwater, governance and decision-making, civil defence and emergency management, parks, reserves, cemeteries, playgrounds, public toilets, library services, swimming pools, community centres, animal control, planning, regulatory licensing and compliance, building consents, noise control, roading, parking, strategic planning, finance and information management). Maximum 100 people at one time at council facilities to maintain safe distancing. Some restrictions in place to ensure safe distancing and contact tracing. Increased cleaning is in place.</p> <p>In Alert Level 3</p> <p>All customer service and contact centres are closed to walk-ins, service operating remotely. The following services are operational, although may be occurring remotely; kerbside rubbish and recycling collection, waste transfer stations open, but not accepting recycling, water supply, wastewater and stormwater services, civil defence and emergency management, Council, Foxton Community Board and committees of Council meeting remotely, parks,</p>

reserves and cemeteries, noise control, roading services, information management, strategic planning, community development, finance, online library services, planning consents, regulatory, licencing and compliance, building consents, The following are closed; playgrounds, sports grounds and most public toilets, Aquatic Centres, parking services, community halls.

In Alert Level 4

All customer service and contact centres are closed to walk-ins, service operating remotely.

The following services are operational, although may be occurring remotely; kerbside rubbish collection, water supply, wastewater and stormwater, civil defence and emergency management, parks reserves and cemeteries, litter bins, online library services, animal control, processing planning consents and building consents, noise control, roading services, finance, community development, strategic planning, information management.

The following services are closed; kerbside recycling collection, waste transfer stations, playgrounds, public toilets, mowing and general maintenance, Aquatic Centres, building inspections, planning site visits.

Data from Infometrics shows that Horowhenua's economy is showing clear signs of bounce back after the lockdown induced slump in the June 2020 quarter. There is a provisional estimate of GDP growth of 1.5% in the September 2020 quarter, compared with the same quarter in 2019.

Over the 12 months to September 2020 GDP declined by 1.1%, compared to a decline of 3.3% nationally.

Growth in consumer spending shows evidence of economic recovery. Spending in the September quarter was up 6.3% compared to the same quarter in 2019.

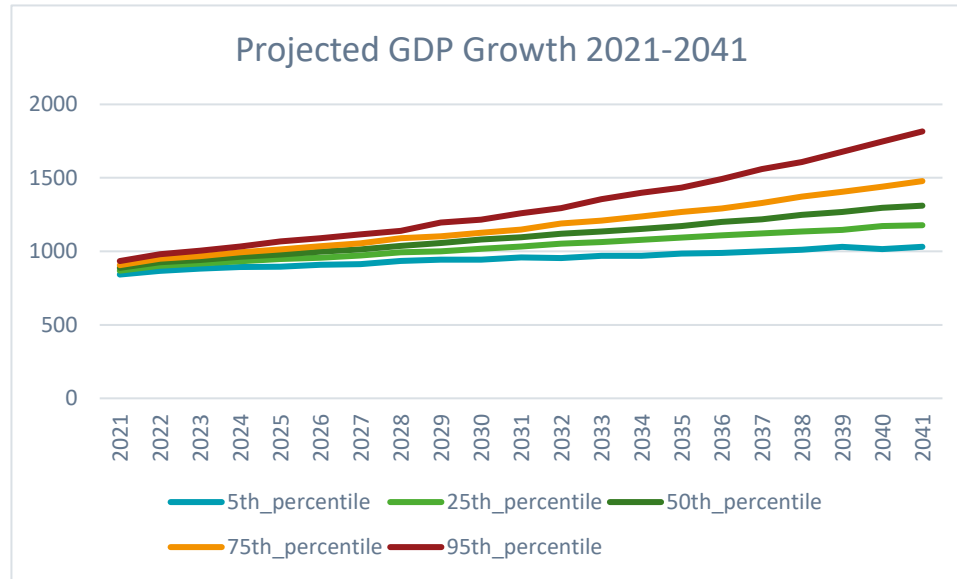
Horowhenua has benefitted from Wellington commuters spending more time working from home and spending more locally.

The Horowhenua housing market is under pressures, with the average house value for the 12 months to September 2020 increasing to \$432,851, up 17% compared to the previous 12 months. More than 250 houses were sold in Horowhenua in the September quarter which is the highest level since 2016. Although the number of residential building consents issued in Horowhenua dropped below 50 in the September quarter (compared to a quarterly average of about 70 over the past three years) it is anticipated the number will rise again due to rocketing house values.

Non-residential building consents are running at a level nearly double the 10-year average.

Horowhenua’s agriculture and food processing sectors are a key source of strength in the district. The district’s dairy farmers are expected to reap \$120m this coming season, down slightly from \$127m last season.

Sense Partners has projected slow GDP growth for the district over the next 20 years as shown by the figure below.



Risk

If New Zealand increases its alert level, Council may incur additional costs or lose potential revenue. Decisions made by the Government such as the decision through Waka Kotahi NZTA to provide an extension for vehicle registrations and Warrant of Fitness can impact on the revenue for Council.

Level of Uncertainty

High

Financial impact

It is anticipated that further Level 3 & 4 Alert level restrictions would have a minimal financial impact for Council. The financial impact in 2020 was approximately \$200,000 to \$300,000 from a decrease in revenue from public facing activities - Aquatics, Libraries, Resource Planning, Parking and Community Centres. There was no effect on rates revenue collection, assets valuations, and treasury management. Some subsidised capital roading projects were delayed.

Data Source

Horowhenua District Council

Infometrics

8. Local Government Structure

Assumption	<p>The boundaries of the Horowhenua District will remain unchanged.</p>
Detailed Forecasts	<p>The Local Government Commission received an application on 4 October 2018 from the “Tokomaru Opiki Boundary Change Group” to change the boundary between Horowhenua District Council and Palmerston North City Council to transfer the areas of Tokomaru and Opiki to Palmerston North City Council. At its meeting on 29 November 2018, the Commission determined the application met the necessary statutory tests and agreed to assess the application.</p> <p>The Local Government Commission released a public notice inviting alternative applications for a change to the boundary on 4 April 2019 and received one alternative proposal.</p> <p>At its meeting on 23 July 2020, the Commission adopted a reorganisation process document for its investigation into the proposed boundary change. This document was updated in November 2020.</p> <p>The Commission undertook consultation with the affected areas of Tokomaru and Opiki on 13 October 2020. Following this engagement the Commission considered all information it had about communities of interest, impacts on the affected local authorities and community views.</p> <p>The Commission released its public consultation document for the second phase of consultation on the request in early March calling for feedback and submissions. The consultation document discusses the potential impacts of the requested alteration and the issues that the Commission must consider as part of the decision request. Feedback and submission are open until 7 April 2021. A hearing is provisionally scheduled for later in April 2021.</p> <p>A final decision on whether to develop and adopt a reorganisation plan has been signalled for May 2021.</p>
Risk	<p>The reorganisation process could result in a boundary realignment that removed Tokomaru and Opiki from the Horowhenua District Council boundaries to the Palmerston North City Council boundaries.</p> <p>This would mean Council would need to make amendments to the LTP to give effect to these changes. This will include the removal of projects from the LTP in the affected area such as the Tokomaru Wastewater Treatment Plant, maintenance and development of parks and reserves in the area, and roading maintenance in the affected area</p>

Level of Uncertainty	High
Financial impact	<p>If Tokomaru / Opiki were no longer part of the Horowhenua District, services would no longer be required to be provided to these ratepayers, and no rates income would be taken.</p> <p>Number of rating units: 610</p> <p>Rates income from the rating units: 2021/22 \$1,818,596</p> <p>Water Supply</p> <p><u>Description:</u></p> <p>Water Treatment Plant and reticulation network.</p> <p>206 connections of a total of 13,136 connections in the district, or 1.56%.</p> <p><u>Value of Assets:</u> \$3,528,372</p> <p><u>Capital Expenditure 20 year plan:</u> \$966,639</p> <p><u>Operational Expenditure 20 year plan:</u> \$13,472,000</p> <p><u>Operational Expenditure 2021/22</u></p> <ul style="list-style-type: none"> • Opex costs of \$500,817. • Due to district wide rating for water the Tokomaru ratepayers connected to water would be paying \$110,421. • This means a district subsidy of \$390,296. • If Tokomaru was no longer part of the Horowhenua District, the remaining residents connected to water would pay \$28.94 less. <p><u>Debt December 2020:</u> \$433,000</p>

Wastewater

Description:

Wastewater Treatment Plant and reticulation network.

148 connections of a total of 12468 connections in the district, or 1.19%.

Value of Assets: \$3,731,684

Capital Expenditure 20 year plan: \$11,812,142 planned for the 20 year period (reticulation inflow and infiltration, Wastewater Treatment Plant renewals, consent/effluent disposal).

Operational Expenditure 20 year plan: \$13,460,000

Operational Expenditure 2021/22

- Opex costs of \$277,700.
- Due to district wide rating for water the Tokomaru ratepayers connected to waste water would be paying \$104,653.
- This means a district subsidy of \$173,047
- If Tokomaru was no longer part of the Horowhenua District, the remaining residents connected to wastewater would pay \$13.22 less.

Debt December 2020: \$ \$878,000

Land Transport

Description:

9km of unsealed roads.

65km of sealed roads.

2% of the district.

Street lights: 41

Drainage: 256

Bridges: 5

Footpaths: 1,605 metres

Signs: 518

Retaining walls: 28

Value of Assets: \$6,511,956.59

Operational Expenditure 2019/20

- Opex costs of \$63,753.11
- \$242,000 income.
- Rest of district \$179,130
- Without Tokomaru the rest of the district would pay an extra 0.00002 cents per dollar of capital value. This would be an additional \$2 for every \$100,000 of Capital Value throughout the district.

Community Infrastructure

Description:

Berm maintenance

litterbin emptying

Tree management

Horshoe Bend including toilets

Makerua Reserve

SH 57 Tokomaru Riverbank Reserve

SH 57 Tokomaru Triangle Reserve

Tokomaru Domain

Tokomaru Hall Reserve

Tokomaru Post-Office Reserve

Value of Assets: \$625,000

Property

	<p><u>Description:</u></p> <p>Makerua Road Segregation Strip x2 Makerua Road Utility Reserve Tokomaru Hall Carpark Tokomaru Oxidation Pond (2 parcels) Tokomaru Wastewater (8 parcels) adjacent to Tokomaru Domain Tokomaru Water Holding (2 parcels)</p> <p><u>Value of Assets:</u> \$2,110,000</p>
Data Source	<p>Horowhenua District Council</p> <p>Local Government Commission</p>

9. Climate Change

<p>Assumption</p>	<p>It is assumed that climate change will occur in line with the atmospheric projections based on simulations undertaken for the International Panel on Climate Change's (IPCC) 5th Assessment. Climate change will affect the Horowhenua District in a range of ways, including by an increase in temperature, change in annual precipitation patterns and rising sea levels.</p> <p>It is assumed there will not be significant impacts to Council's activities or the community as a result of climate change.</p>
<p>Detailed Forecasts</p>	<p>The National Institute of Water and Atmospheric Research (NIWA) has predicted the following changes in temperature, precipitation (rainfall) and sea level rise using the Intergovernmental Panel on Climate Change (IPCC)'s 5th Assessment.</p> <p>Representative Concentration Pathways (RCPs) have been developed by the IPCC to represent different climate change mitigation scenarios, from a low emissions, effective mitigation scenario (RCP2.6) through to a high scenario (RCP8.5). An additional scenario is provided for sea level rise based on the 83rd percentile of RCP8.5 (upper end of the likely range) to cover the possibility of polar ice sheet instabilities not factored into the IPCC projections.</p> <p>Temperatures in the Manawatū-Whanganui Region could increase by an annual mean of between 0.7°C (RCP 2.6) and 1.1°C (RCP 8.5) at 2040 (2031-2050 average);</p> <p>Projected changes in precipitation for 2040 (2031-2050 average relative to 1986-2005 average):</p> <p>The annual change for Foxton, Levin, Shannon and the Tararua Ranges is between 1% (RCP 2.6) and 2% (RCP 8.5). Projected changes in precipitation vary seasonally (and between RCPs 2.6 and 8.5, and between Levin, Foxton and Shannon) with slight decreases projected for summer (-1% to 0%), autumn (1% to 0%) and spring (1% to 2%), and an increase projected for winter (4% to 7%).</p> <p>Projected changes in precipitation vary seasonally (and between RCPs 2.6 and 8.5) for the Tararua Ranges with slight decreases projected for summer (-2% to 0%), autumn (2% to 1%) and spring (0% and 2%), and an increase projected for winter (3% to 6%).</p> <p>Extreme rainfall intensity events are likely to increase.</p> <p>Short duration rare events increase in intensity by ~14% per degree of warming for a 1 hour, 1 in 100 year event.</p>

By 2041 **sea level rise** (relative to 1986-2005) for New Zealand is projected to be under 0.3 metres. The approximate years when specific sea level rise increments (metres above 1986-2005 baseline) could be reached for New Zealand are provided in the table below up to a 1.0m metre sea level rise.

Lea Level Rise (metres)	Year achieved for RCP8.5 (83%ile)	Year achieved for RCP8.5 (median)	Year achieved for RCP4.5 (median)	Year achieved for RCP2.6 (median)
0.3	2045	2050	2060	2070
0.4	2055	2065	2075	2090
0.5	2060	2075	2090	2110
0.6	2070	2085	2110	2130
0.7	2075	2090	2125	2155
0.8	2085	2100	2140	2175
0.9	2090	2110	2155	2200
1.0	2100	2115	2170	>2200

While climate change is not anticipated to have a significant impact on our district, Council is planning a number of projects in the three waters activities to increase our resilience to natural hazards and a changing climate including:

- Improving resilience in the water network \$0.5-\$1 million per annum.
- Taking into account potential impacts from climate change when planning or future water storage options for Levin wider project is \$18.3 million over the 30 year period (note: this cost is largely to increase capacity to supply a growing population).
- Improving resilience in the wastewater networks and wastewater treatment plants approximately \$0.2 million per annum.
- Implementing a programme of stormwater improvements in accordance with catchment management plans approximately \$200,000 per annum.

	<ul style="list-style-type: none"> Increased investment in active transport \$1 million per year for cycling and \$350,000 for walking, but only a \$40,000 per year increase to Council share due to co-funding by Waka Kotahi (note: this cost is largely driven by a low level of community use and satisfaction with the active transport infrastructure, rather than as a direct result of climate change). <p><i>For further information on the challenge and our response to climate change see Council's Infrastructure Strategy.</i></p>
Risk	Climate change occurs at a different rate to what has been projected with greater or lesser implications for the Manawatū-Whanganui Region and the Horowhenua District.
Level of Uncertainty	Moderate to High
Financial impact	If climate change results in changes that are more significant or which occur sooner than currently projected then this could place strain on some of Council's core infrastructure, e.g. less rain may mean that some water supplies may not be sufficient in the driest months of the year; or if there is an increase in heavy rainfalls then this could place additional pressure on Council's stormwater system. If infrastructure needs to be upgraded then this may result in unbudgeted expenditure which could result in an increase in borrowing, the use of Council reserves, or an increase in rates.
Data Source	<p>NIWA – 'Climate Change and Variability – Horizons Region'. (September 2016)</p> <p>Horizons Regional Council – 'Climate Change Implications for the Manawatū-Whanganui Region'. (June 2019)</p>

10. Property

Assumption	<p>Council will continue the programme of disposing of 'non-core' property, where possible, by 2028.</p> <p>Earthquake-prone properties will be strengthened, or demolished where required unless identified for disposal as non-core assets.</p> <p>Property retained by Council for the delivery of core property activities, will be maintained in a fit for purpose condition.</p>
Detailed Forecasts	<p>Property portfolio will continue to be assessed as core/non-core and readied for sale as necessary.</p> <p>Where property is to be disposed of, Council will aim to achieve the best price possible given the specific set of circumstances.</p>
Risk	<p>Council disposes of more or less property than assumed above, or fails to achieve the appropriate sale prices given the specific set of circumstances, resulting in debt levels that are higher or lower than forecast. The likelihood of these risks occurring is considered unlikely*.</p>
Level of Uncertainty	<p>Moderate</p>
Financial impact	<p>If Council disposes of less property than forecast, or if it does not receive the expected income from sales given the specific set of circumstances, then debt and interest will be higher than forecast, and Council may need to rely on other funding sources to progress Council priorities that may otherwise have been funded through income generated by property sales. If sales do not occur as assumed then there may be ongoing operational and maintenance costs incurred that have not been budgeted.</p> <p>If Council disposes of more property than forecast, or if it receives higher income from sales than expected given the specific set of circumstances, then debt and interest will be lower than forecast, and Council may have greater capacity to progress Council priorities that may otherwise have been funded through debt funding or other sources.</p> <p>If Council does not dispose of its non-core property then it will need to borrow additional money to maintain them in a state 'fit for purpose'.</p>
Data Source	<p>Horowhenua District Council</p>

11. Waka Kotahi NZTA Subsidy (Funding Assistance Rate)

Assumption	<p>It is assumed that the roading Funding Assistance Rate that Council receives from Waka Kotahi NZ Transport Agency (NZTA) will be:</p> <p>2021/22: 62% 2022/23: 61% 2023/24: 60%</p>
Detailed Forecasts	<p>Council received a subsidy of 62% (recalculated figure) of qualifying land transport activities from 1 July 2018 to 30 June 2021 in accordance with the 2018-2021 National Land Transport Programme (NLTP).</p> <p>Council also assumes that the updated Land Transport work programme will be approved by NZTA.</p>
Risk	<p>That NZTA revise the FAR subsidy when they review the National Land Transport Programme. The FAR is set every three years by NZTA as part of the National Land Transport Programme. The risk of a changed FAR rate increases over time.</p>
Level of Uncertainty	<p>2021/22 to 2023/24 – Low 2025/26 to 2040/41 – Moderate</p>
Financial impact	<p>If NZTA does not approve the requested subsidy in any one year, then Council will have to either increase the funds available for non-subsidised road works which would result in an increase in rates or an increase in borrowing to what Council has initially projected. Alternatively Council would have to reduce the amount of road works that it had intended to undertake.</p> <p>If the FAR was increased there would be a positive financial impact on Council. If the FAR rate was reduced, there would be a negative financial impact on Council. Council would need to decide whether to increase the local share funding to retain the planned level of capital works, or reduce the capital works programme. An increase in the budget would be funded from either a rates increase and/or from increased borrowing.</p>
Data Source	<p>Waka Kotahi NZTA Horowhenua District Council</p>

12. Activity Management Plans

Assumption	The timing and cost of capital projects and operating costs are undertaken in accordance with the Activity Management Plans for Water, Wastewater, Stormwater, Land Transport (Roads and Footpaths), Solid Waste, Community Infrastructure, Property and Community Facilities
Detailed Forecasts	<p>Forecasts for Capital and Operational expenditure in Wastewater, Water, Stormwater, Roading, Solid Waste, Community Infrastructure, Property and Community Facilities Activities are based on the information in the Activity Management Plans.</p> <p>The Asset Management Plans are based on the best information currently available to Council. Council's information on the condition of its underground assets is continually improving and as this information improves Council will have a better understanding of what assets require renewal and replacement and by when.</p>
Risk	That assets need to be managed differently than outlined in the Activity Management Plans, particularly regarding renewals.
Level of Uncertainty	Moderate
Financial impact	<p>Activity Managers perform due diligence while finalising/identifying assets for renewals by performing condition assessments, assess asset performance and also considering the risk of asset failure.</p> <p>Increased certainty on the condition of underground assets may result in changes to planned replacement programmes and changes to funding requirements.</p>
Data Source	<p>Water, Wastewater, Stormwater data is from IPS/Geographical Information System (GIS) based registers (Horowhenua District Council).</p> <p>Roading data and some Stormwater data are from the Road Assessment and Maintenance Management (RAMM) system (Horowhenua District Council).</p>

Solid Waste, Community Infrastructure, Property and Community Facilities data is in spreadsheet registers and in SPM Assets (Horowhenua District Council).

13. Useful Lives of Assets

Assumption	Assets will last as long as estimated in Council's Asset Management Plans and Infrastructure Strategy. The estimated useful lives are shown in the Statement of Accounting Policies.
Detailed Forecasts	<p>Asset lives are based on the National Asset Management Steering Group "Valuation and Depreciation Guidelines" 2002 and have been used in Council's Asset Management Plans and Asset Valuation report.</p> <p>Remaining useful lives are adjusted based on condition assessments.</p> <p>The useful lives of assets adopted are industry best practices and condition assessments are performed to identify assets for renewal.</p> <p>Council has estimated the useful lives of its assets on the best information available to it currently. As Council's information improves over time, these estimates will become more certain.</p>
Risk	That assets deteriorate at a faster or slower rate than anticipated.
Level of Uncertainty	Low
Financial impact	<p>If assets deteriorated faster than anticipated unbudgeted expenditure may be required, which could result in an increase in borrowing, use of Council reserves, or an increase in rates.</p> <p>If assets take longer to deteriorate than anticipated Council would have more time to set aside funds for the replacement of assets and would therefore borrow less when assets eventually did require replacement.</p> <p>Changes in timing around the requirement to replace assets could also result in the cost of replacing an asset changing (i.e. being more or less expensive than anticipated). In this situation, Council would either need additional funding sources if the cost of the project had increased or Council could borrow less if replacement costs had decreased.</p>
Data Source	<p>National Asset Management Steering Group "Valuation and Depreciation Guidelines" (2002).</p> <p>Horowhenua District Council – Activity/Asset Management Plans.</p>

14. Resource Consent Requirements

Assumption	Council will obtain any resource consents that are required to ensure that it's Water, Wastewater, Stormwater and Solid Waste Activities (and any other activity) can continue to operate. The consents we apply for are granted within assumed project timeframes and within anticipated expenditure.
Detailed Forecasts	Expenditure estimates for resource consents have been prepared based on experience with and observations of trends of previous resource consent processes and standards with contingency funds included. These costs have been built into the overall costs of each specific project.
Risk	It may cost more than anticipated to obtain the required resource consents, or conditions that are imposed on the consents may be more stringent than expected requiring a higher level of ongoing monitoring that incur higher ongoing costs associated with maintaining the consent. The time taken to obtain a resource consent could be longer than anticipated and delay the implementation or construction of the project associated with the consent. There could also be a change in consenting processes/requirements that we are unable to account for at this time.
Level of Uncertainty	Moderate
Financial impact	<p>If the cost to obtain the required resource consents is more than anticipated and/or if the consent conditions imposed are more onerous on Council (particularly conditions with ongoing costs such as monitoring) than anticipated, and/or the legal processes involved with the consent are more protracted, the overall cost of the project may be higher than budgeted. The additional funding requirements would be met from borrowing, rates, user fees and charges, or other sources.</p> <p>If the consent process takes longer than anticipated then the costs for the implementation of the project may need to be carried forward to later years than specified in the Long Term Plan, particularly if the assumed construction season is missed.</p> <p>If projects that are delayed due to resource consent requirements seek to improve levels of service, these levels of service improvements will be delayed.</p>

Data Source

Horowhenua District Council

15. Availability of Contractors

Assumption	It is assumed there is sufficient capacity within the professional services and contractor market to undertake the capital programme.
Detailed Forecasts	There is a high level of forecasted capital expenditure occurring in the region, including from local government, central government and as a result of strong demand in the housing sector and central government's focus on enabling infrastructure. This may put pressure on the contractor market to deliver the capital programme.
Risk	That there is insufficient capacity within the professional services and contractor market to deliver the capital programme, which may create project delays or increase costs.
Level of Uncertainty	Moderate
Financial impact	If projects are delayed this will have an impact on the capital expenditure programme. If costs are increased Council will need to consider deferring or altering projects, or look for additional funding sources from borrowing, external funding sources, rates, or other sources.
Data Source	Horowhenua District Council

16. Asset Revaluations

Assumption	Council is assuming that the impact of the periodic revaluation of assets will be in line with the assumed rates of inflation relevant to local government goods and services and cost fluctuations relevant to each infrastructure sector.
Detailed Forecasts	<p>Asset revaluations take place as follows:</p> <ul style="list-style-type: none"> • Roading: Every 2 years starting 2022/23 • 3 Waters: Every 2 years starting 2021/22 • Land & Buildings: Every 3 years starting 2022/23 <p>This is done in accordance with the accounting standards applicable to each class of asset.</p> <p>Infrastructure asset valuations are based on Council's own recent contract prices where relevant work has been undertaken, and compared with unit rates from other Councils in HDC's peer group and region. Inflation adjustments have been made to reflect changes to construction cost indices applicable to each activity.</p>
Risk	Asset valuations could be higher or lower than assumed. Key impacts on the valuation of infrastructure assets are oil prices and regional economic activity within each relevant sector.
Level of Uncertainty	Low
Financial impact	<p>Increases in valuations would require a higher level of depreciation funding as the cost of renewals would increase. To fund a higher level of depreciation Council would either need to reduce spending in other areas or increase rates.</p> <p>A change in asset valuation would also impact on the long term renewals expenditure projections.</p> <p>Decreases in valuations would require less in depreciation funding as cost of renewals would decrease.</p>
Data Source	Horowhenua District Council

17. Ōtaki to North of Levin Expressway

Assumption	The development of the Ōtaki to North of Levin Expressway will occur as scheduled and the relevant sections of existing State Highways 1 and 57 will be revoked.
Detailed Forecasts	<p>Waka Kotahi NZ Transport Agency (NZTA) have confirmed their intention to construct a new four lane expressway (approx. 24km in length) from Ōtaki to north of Levin. This project is part of the Wellington Northern Corridor project which is making improvements State Highway 1 from Wellington airport to north of Levin.</p> <p>In October 2019, NZTA committed to developing the detailed business case and lodging the notice of requirement to designate the new route for the Expressway. NZTA have indicated construction of the road will begin in 2025 and be completed in 2029.</p> <p>Once the proposed Expressway is constructed by NZTA the existing sections of State Highways 1 and 57 which are bypassed by the new road, will be revoked and vested to Council.</p>
Risk	<ol style="list-style-type: none"> 1. The Ōtaki to north of Levin Expressway may be delayed due to unforeseen implementation issues, resulting in the revocation of the existing State Highways to be also delayed. 2. That it may cost more or less than anticipated to maintain the existing state highway sections once it is revoked and vested in Council.
Level of Uncertainty	<ol style="list-style-type: none"> 1. Low 2. Moderate
Financial impact	If the sections of the existing State Highway 1 and 57 are revoked, Council will be required to manage the asset. Council's budgets include provision for the ongoing management of this asset.
Data Source	<p>Horowhenua District Council</p> <p>Waka Kotahi NZ Transport Agency</p>

18. External Funding / Revenue

<p>Assumption</p>	<p>That external funding will be secured for the following projects:</p> <p>The Waitārere Beach Surf Life Saving Club: \$300,000 contribution from the Levin Waitārere Surf Life Saving Club.</p> <p>Council will receive income from the following projects:</p> <p>Levin Water Storage Project: revenue of \$2 million. Forbes Road Subdivision: revenue of \$2.5 million. Gladstone Road Subdivision: revenue of \$1.2 million.</p>
<p>Detailed Forecasts</p>	<p>Waitārere Beach Surf Life Saving Club</p> <p>It is assumed external funding will be sourced through the Levin Waitārere Surf Lifesaving Club. They have already started fundraising for the project and anticipate contributing to the project.</p> <p>Levin Water Storage Project</p> <p>Council assumes revenue from the sale of gravel associated with the construction of a water reservoir will be received across years 2025/26 and 2026/27.</p> <p>Forbes Road Subdivision</p> <p>Council forecasts revenue from the sale of sections will be received across years 2023/24 through to 2027/28.</p> <p>Gladstone Road Subdivision</p> <p>Council forecasts revenue from the sale of sections will be received across years 2023/24 and 2024/25.</p>
<p>Risk</p>	<p>Waitārere Beach Surf Life Saving Club</p> <p>The Surf Club is unable to raise the \$300,000 indicated.</p> <p>Levin Water Storage Project</p>

	<p>The costs associated with the project are lower or higher than assumed, or the sale price of gravel is higher or lower than assumed.</p> <p>Forbes Road Subdivision & Gladstone Road Subdivision</p> <p>The cost of subdivision are higher or lower than assumed, section prices are higher or lower than assumed, or the number of sales are not achieved on the forecasted date.</p>
Level of Uncertainty	<p>Waitārere Beach Surf Life Saving Club: Low.</p> <p>Levin Water Storage Project: Moderate.</p> <p>Forbes Road Subdivision: Moderate.</p> <p>Gladstone Road Subdivision: Moderate</p>
Financial impact	<p>Waitārere Beach Surf Life Saving Club</p> <p>If the Surf Club is unable to raise the \$300,000 Council will need to decide whether to fund this portion of the project (and the funding mechanism) or re-scope the project to reduce costs.</p> <p>Levin Water Storage Project</p> <p>If costs are higher, or Council does not receive the expected income from sales, then debt and interest will be higher than forecast.</p> <p>If costs are lower, or Council receives higher than expected income from sales, then debt and interest will be lower than forecast.</p> <p>Forbes Road Subdivision & Gladstone Road Subdivision</p> <p>If costs are higher, or Council does not receive the expected income from sales, then debt and interest will be higher than forecast.</p> <p>If costs are lower, or Council receives higher than expected income from sales, then debt and interest will be lower than forecast.</p>

19. Natural Hazards – Response and Recovery

Assumption	Council has the capacity to borrow any funds it may require to respond to, and recover from, natural hazard events should they occur during the 20 year period covered by this LTP.
Detailed Forecasts	<p>The Horowhenua District is susceptible to a range of natural hazards including flooding and river erosion, coastal erosion, extreme wind events, and inundation (e.g. storm surges and tsunami), land instability (e.g. slips, slumps and runoff), seismic activity (e.g. ground rupture, shaking and liquefaction) and volcanic activity.</p> <p>Council must have the capacity to borrow funds to respond to a natural hazard event quickly and to be able to provide necessary relief. Council retained its A+ credit rating from Standard and Poors in August 2020. Council’s debt limit of 250% (under the LGFA limit of 300% initially, decreasing to 280% from 2025/26) provides Council with an adequate buffer to respond and recover from natural hazard events if necessary.</p> <p>Council does not have any reserve funds to cover the impact of unexpected natural disasters and therefore, would have to use any borrowings capacity between its 250% limit and the LGFA limit.</p>
Risk	There is a risk that a natural hazard event, or series of events, could occur and that cost of recovering from the damage caused would be greater than the funds that are available to Council if it was to stay within its current debt limit. Some natural hazards are more likely to occur than others in the Horowhenua District. However, there is a relatively high level of uncertainty around when or what type of natural hazard event may occur.
Level of Uncertainty	Low to Moderate
Financial impact	<p>If Council required more funds to recover from a natural hazard event than what would be available to Council if it was to stay within its current debt limit, then Council would have to borrow funds at a higher interest rate. This could potentially result in Council having to increase rates or reprioritise its work programme to cover the cost of servicing loans.</p> <p>It is noted that the New Zealand Transport Agency (NZTA) provides funding for emergency works required to be done on roads as a result of damage caused by qualifying (natural hazard) events. The NZTA provides assistance at Council’s normal Funding Assistance Rate (FAR) for cumulative claims for the costs of emergency works up to 10% of Council’s approved maintenance programme for the year. For the portion of cumulative claims of the total costs of emergency works that exceed</p>

	10% of Council's approved maintenance programme for the year, the NZTA will provide funding at the normal FAR plus an additional 20%.
Data Source	Horowhenua District Council New Zealand Transport Agency

20. Sources of Funds for Replacement of Significant Assets

Assumption	It is assumed that funding for the replacement of significant assets will be in accordance with Council’s Revenue and Financing Policy, and Financial and Infrastructure Strategies.
Detailed Forecasts	<p>Funding sources used to finance capital expenditure (i.e. replacement of significant assets) are as per the Revenue and Financing Policy (in order of hierarchy):</p> <p>Third party sources: These are sources that relieve the burden on ratepayers generally. These include development contributions, any government subsidies for water and wastewater schemes and third party donations.</p> <p>Asset Sales: In the first instance sales will be applied to the activity to which the asset is attributed to.</p> <p>Rates: This reflects a prudent tendency on Council's part to ensure that special purpose reserves are only utilised on a selective basis on relatively significant works in the context of long term planning, rather than on minor works over a shorter term, and a prudent reluctance to increase loan indebtedness unless necessary.</p> <p>Reserves: In particular, funds that may be held for larger capital works in specific activities. An example includes water, wastewater, roading and property works financed from the Foxtan Beach Freeholding Fund.</p> <p>Borrowing: This reflects a prudent reluctance to increase loan indebtedness unless necessary. Although it is the last option considered, the LTP provides for substantial new borrowing to achieve an element of intergenerational equity in the financing of a range of major capital expenditure works.</p> <p>Note: loan funding is also used for infrastructural asset renewals where the rate generated reserves are inadequate due to the level of renewals in any one year.</p>
Risk	That there are insufficient funds available for the replacement of significant assets.
Level of Uncertainty	Moderate

Financial impact	If the assumed funding sources were not available and a significant asset needed to be replaced then Council would either have to borrow funds and incur higher than usual interest on this loan or defer other planned works that are of lower priority and use the funds that were initially allocated to them to replace the significant asset.
Data Source	Horowhenua District Council – Revenue and Financing Policy

21. Interest Costs

Assumption	Council is assuming for the 20 year period of this LTP that the interest rate for new borrowing will be 2.75% for the life of the LTP.																																																		
Detailed Forecasts	The table below identifies the assumed interest costs over the 20 year life of this LTP.																																																		
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Risk	Interest rates can vary subject to market conditions and could fluctuate beyond what is anticipated, however, 2.75% is considered to be a conservative projection.																																																		
Level of Uncertainty	Moderate.																																																		
Financial impact	<p>As the assumption on interest costs is fundamental to the information underlying the LTP, the below scenarios have been provided. The scenarios outline the financial implications if the interest costs occur higher or lower than anticipated. Each scenario is modelled independently and is compared to the baseline figures from the Financial Strategy.</p> <p>Increase/Decrease in interest costs (1% higher or lower than assumed)</p> <table border="1" style="width: 100%; border-collapse: collapse; text-align: center;"> <thead> <tr style="background-color: #2c2c4c; color: white;"> <th>Year</th> <th>2021/22</th> <th>2022/23</th> <th>2023/24</th> <th>2024/25</th> <th>2025/26</th> <th>2026/27</th> <th>2027/28</th> <th>2028/29</th> <th>2029/30</th> <th>2030/31</th> <th>2031+</th> </tr> </thead> <tbody> <tr> <td>Proposed Rate increase (after growth)</td> <td>6.7%</td> <td>7.3%</td> <td>5.6%</td> <td>5.5%</td> <td>5.7%</td> <td>5.5%</td> <td>4.3%</td> <td>3.6%</td> <td>2.6%</td> <td>2.0%</td> <td>1.0% Average</td> </tr> <tr> <td>1% higher interest</td> <td>9.27%</td> <td>7.47%</td> <td>5.78%</td> <td>5.52%</td> <td>5.83%</td> <td>5.58%</td> <td>4.27%</td> <td>3.53%</td> <td>2.50%</td> <td>2.12%</td> <td>0.9% average</td> </tr> </tbody> </table>											Year	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031+	Proposed Rate increase (after growth)	6.7%	7.3%	5.6%	5.5%	5.7%	5.5%	4.3%	3.6%	2.6%	2.0%	1.0% Average	1% higher interest	9.27%	7.47%	5.78%	5.52%	5.83%	5.58%	4.27%	3.53%	2.50%	2.12%	0.9% average				
Year	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031+																																								
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	1% lower interest	4.17%	7.03%	5.50%	5.53%	5.50%	5.49%	4.38%	3.65%	2.74%	1.91%	1.1% average
Data Source	Horowhenua District Council Bancorp Treasury Services Limited											

22. Funding Asset Renewals

Assumption	By 2026 the cost of future asset renewals will be fully funded by rates.
Detailed Forecasts	Rates increases in the first few years of the LTP to increase the proportion of rates funding of asset renewals.
Risk	To keep rates affordable, rates may be decreased through future Annual Plan or Long Term Plan processes.
Level of Uncertainty	Moderate
Financial impact	If the rates funding does not increase to the level required, then borrowings will increase. This may mean the need to re-prioritise the capital expenditure programme to ensure debt limits can be met.
Data Source	Horowhenua District Council

23. Local Government Funding Agency

Assumption	<p>The Local Government Funding Agency (LGFA) remains in existence and is Council's preferred source of debt funding.</p> <p>The deed guarantee obligations on default of any Council under the deed will not occur.</p> <p>The LGFA Covenants will not be breached.</p> <p>Refinancing of existing loans will be available on similar terms.</p>
Detailed Forecasts	<p>The LGFA is a Council-Controlled Organisation (CCO) that was established to raise debt on behalf of local authorities on terms that are more favourable to them than if they raised the debt directly.</p> <p>Council is a shareholder of the LGFA and each of the shareholders are party to a deed of guarantee, whereby the parties to the deed guarantee have obligations to the LGFA in the event of default.</p> <p>The LGFA sets Financial Covenants that Council has to comply with in order to be provided with favourable lending rates.</p>
Risk	<p>The risk of the LGFA failing is very low.</p> <p>The risk of Council breaching its LGFA Covenants is low.</p> <p>The risk that new borrowings cannot be accessed to fund future capital requirements is low.</p> <p>If there was a default by the LGFA, each guarantor would be liable to pay a proportion of the amount owing. The proportion to be paid by each guarantor is set in relation to each guarantor relative rates income. The risk of a local authority borrower defaulting is extremely low and highly unlikely especially given that all of the borrowings by a local authority from the LGFA are secured by rates.</p>
Level of Uncertainty	Low
Financial impact	There is an extremely low likelihood of the event of default by a local authority borrower, the financial impact would be based on the value of the default and the shareholders in the scheme at the time.

	If new borrowings cannot be accessed to fund future capital requirements, then Council will need to reprioritise its capital expenditure programme and consider other sources of funding.
Data Source	Horowhenua District Council

24. Investment Revenue

Assumption	Council is assuming that dividends will be zero (or immaterial) and that the rate of interest earned on all future investments for the life of this LTP will be 2.75%.
Detailed Forecasts	Most of Council's interest revenue is tagged to special funds and is not a direct supplement to rating revenue or offset against rates requirements. The proposed utilisation of these special funds does not rely unduly on accumulations of interest earnings.
Risk	The assumed rate is in the range of rates experienced in recent and current prevailing economic environments. There is potential for interest earned to be higher or lower than estimated.
Level of Uncertainty	Low to Moderate
Financial impact	Lower interest rates on Council's investments would lead to lower revenue. However, investment revenue is not significant and as such there would be only a minimal financial impact for Council if these rates were lower than anticipated.
Data Source	Horowhenua District Council Bancorp Treasury Services Limited

25. Inflation

Assumption	Annual increases in inflation will be in accordance with the inflation adjusters 'mid-scenario' that have been provided by Business and Economic Research Ltd (BERL) and endorsed for use by the Society of Local Government Managers (SOLGM).																																																											
Detailed Forecasts	<p>BERL prepare scenarios for cost adjusters to be used by councils in their planning. They have provided three scenarios, which are consistent with the economic forecasts published by the Reserve Bank of New Zealand.</p> <p><u>Mid-scenario</u> – likely to be relevant to most regions. Areas with a high public sector employment and a growing, young population.</p> <p><u>Stalled rebuild scenario</u> – where GDP and employment grow more slowly. Areas with a high reliance on tourism and retail, or shrinking, aged, population.</p> <p><u>Faster rebuild scenario</u> – where GDP and employment grow more rapidly. Higher proportion of knowledge and agricultural employment.</p> <p>The table below details the inflation adjusters that have been used for each category, they are based on the mid-scenario.</p> <p>Adjustors: % per annum change</p> <p>Years 1-10</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr style="background-color: #4b4b8b; color: white;"> <th></th> <th>Planning and Regulation</th> <th>Roading</th> <th>Transport</th> <th>Community Activities</th> <th>Water and Environmental</th> </tr> </thead> <tbody> <tr style="background-color: #e0e0e0;"> <th>Year ending June</th> <th colspan="5">% change (on year earlier)</th> </tr> <tr> <td>2023</td> <td>2.5</td> <td>3.1</td> <td>2.6</td> <td>2.7</td> <td>3.5</td> </tr> <tr> <td>2024</td> <td>2.3</td> <td>3.0</td> <td>2.4</td> <td>2.5</td> <td>2.6</td> </tr> <tr> <td>2025</td> <td>2.2</td> <td>2.9</td> <td>2.4</td> <td>2.4</td> <td>2.7</td> </tr> <tr> <td>2026</td> <td>2.2</td> <td>2.9</td> <td>2.4</td> <td>2.5</td> <td>2.9</td> </tr> <tr> <td>2027</td> <td>2.2</td> <td>2.9</td> <td>2.4</td> <td>2.4</td> <td>2.8</td> </tr> <tr> <td>2028</td> <td>2.2</td> <td>2.9</td> <td>2.4</td> <td>2.5</td> <td>3.2</td> </tr> <tr> <td>2029</td> <td>2.2</td> <td>2.9</td> <td>2.4</td> <td>2.6</td> <td>3.3</td> </tr> </tbody> </table>							Planning and Regulation	Roading	Transport	Community Activities	Water and Environmental	Year ending June	% change (on year earlier)					2023	2.5	3.1	2.6	2.7	3.5	2024	2.3	3.0	2.4	2.5	2.6	2025	2.2	2.9	2.4	2.4	2.7	2026	2.2	2.9	2.4	2.5	2.9	2027	2.2	2.9	2.4	2.4	2.8	2028	2.2	2.9	2.4	2.5	3.2	2029	2.2	2.9	2.4	2.6	3.3
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	2031	2.2	2.9	2.4	2.4	3.1
	Years 11-20					
		Planning and Regulation	Roading	Transport	Community Activities	Water and Environmental
	Year ending	% change (on year earlier)				
20 year average %pa	2.0	2.5	2.2	2.1	2.5	
Risk	<p>Actual inflation will be significantly different to assumed.</p> <p>Council uses standard BERL adjusters, however, these are predictions and future rates of inflation are subject to a large number of variables which are beyond Council's control and are difficult to forecast.</p>					
Level of Uncertainty	Moderate					
Financial impact	<p>A lower inflation rate would mean lower rates income increase and total rates income.</p> <p>A higher inflation rate would mean a higher rates income increase and total rates income necessary to deliver the proposed work programme. Council would need to decide whether to increase rates, or reprioritise projects.</p>					
Data Source	Local Government Cost Adjustor Forecasts Three Scenarios 2020: Business and Economic Research Limited (BERL).					

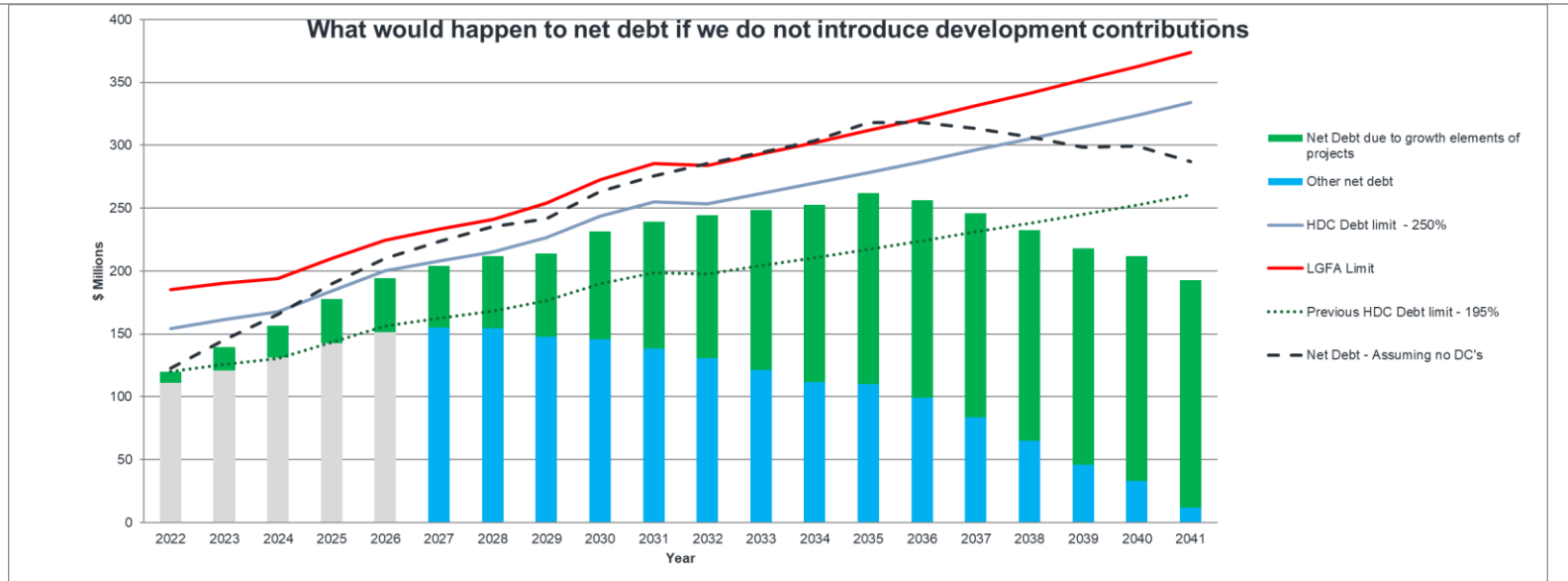
26. Levin Landfill

Assumption	The Levin Landfill will remain operating through to the consent expiry in May 2037.
Detailed Forecasts	<p>The Levin Landfill gained resource consent in 2002 for 35 years. The consent was reviewed by Horizons Regional Council in 2015. This review was appealed to the Environment Court. As a result of this process a Landfill Agreement was signed with the parties subject to the appeal that identifies the Chief Executive will recommend to Council a closure date for the Levin Landfill of 31 December 2025 at the latest. However, the Agreement recognises the decision to close the landfill will be made by Council.</p> <p>Significant technical work is being undertaken to understand the implications of different closure dates on the wellbeing of the community (social, environmental, economic and cultural), and the logistics of landfill contract management. This technical work will be completed in late 2021 to form the basis of community consultation prior to Council making a final decision.</p> <p><i>Note: If Council decides to close the landfill after 31 December 2025, the parties may resume their appeal.</i></p>
Risk	That Council decides to close the Levin Landfill earlier than May 2037.
Level of Uncertainty	Moderate
Financial impact	Investigations are being completed into different closure options to inform a Council decision. The financial impact of early closure of the landfill will be available for community consultation which will occur prior to Council making a decision.
Data Source	Horowhenua District Council

27. Infrastructure Funding (Development Contributions)

<p>Assumption</p>	<p>That Council will implement the use of development contributions through the Development Contributions Policy to support the funding of growth infrastructure.</p> <p><i>Note: Council is consulting on whether to re-introduce development contributions. The budgets provided in the Consultation Document and supporting information have been developed on the basis that development contributions are introduced.</i></p>																																										
<p>Detailed Forecasts</p>	<p>The projected annual revenue from development contributions is approximately \$3 million per year initially, rising to \$7 million per year in the second decade. The revenue is calculated based on assumed growth in number of dwellings.</p> <div data-bbox="459 619 2018 1114" data-label="Figure"> <table border="1"> <caption>Projected annual revenue from Development Contributions</caption> <thead> <tr> <th>Year</th> <th>Revenue (Approximate)</th> </tr> </thead> <tbody> <tr><td>2022</td><td>\$2,800,000</td></tr> <tr><td>2023</td><td>\$2,800,000</td></tr> <tr><td>2024</td><td>\$3,000,000</td></tr> <tr><td>2025</td><td>\$3,400,000</td></tr> <tr><td>2026</td><td>\$3,600,000</td></tr> <tr><td>2027</td><td>\$3,500,000</td></tr> <tr><td>2028</td><td>\$4,100,000</td></tr> <tr><td>2029</td><td>\$4,000,000</td></tr> <tr><td>2030</td><td>\$4,200,000</td></tr> <tr><td>2031</td><td>\$4,500,000</td></tr> <tr><td>2032</td><td>\$4,600,000</td></tr> <tr><td>2033</td><td>\$4,700,000</td></tr> <tr><td>2034</td><td>\$5,000,000</td></tr> <tr><td>2035</td><td>\$5,400,000</td></tr> <tr><td>2036</td><td>\$5,300,000</td></tr> <tr><td>2037</td><td>\$5,700,000</td></tr> <tr><td>2038</td><td>\$6,200,000</td></tr> <tr><td>2039</td><td>\$6,600,000</td></tr> <tr><td>2040</td><td>\$6,800,000</td></tr> <tr><td>2041</td><td>\$7,000,000</td></tr> </tbody> </table> </div>	Year	Revenue (Approximate)	2022	\$2,800,000	2023	\$2,800,000	2024	\$3,000,000	2025	\$3,400,000	2026	\$3,600,000	2027	\$3,500,000	2028	\$4,100,000	2029	\$4,000,000	2030	\$4,200,000	2031	\$4,500,000	2032	\$4,600,000	2033	\$4,700,000	2034	\$5,000,000	2035	\$5,400,000	2036	\$5,300,000	2037	\$5,700,000	2038	\$6,200,000	2039	\$6,600,000	2040	\$6,800,000	2041	\$7,000,000
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<p>Risk</p>	<p>There is a risk that Council does not decide to implement development contributions for the funding of growth infrastructure following community consultation.</p>																																										

	<p>Or if they are adopted that the growth does not meet the level detailed in the growth assumptions, delaying funding and resulting in increased borrowing to cover the shortfall.</p> <p>That the reintroduction of development contributions could negatively impact on growth rates. While this is a possibility, adjoining Councils including Kāpiti, Palmerston North and Manawatū charge development contributions, therefore, Horowhenua will not be at a comparative disadvantage.</p>
Level of Uncertainty	High
Financial impact	<p>The proposed capital programme cannot be funded within debt limits without the use of development contributions.</p> <p>If development contributions are not implemented, Council would need to do one of the following (or a combination):</p> <ul style="list-style-type: none"> • increase rates; • find an alternative funding source, such as the introduction of targeted rates, voluntary contributions from developers; • reduce the growth capital works programme. <p>If Council used rates instead of development contributions to fund our growth infrastructure without reducing the capital works programme, it would increase average rates by a further 7.3% to 14% on top of that is already projected.</p>



If population growth does not occur as fast as assumed, development contributions will not be collected as quickly. *The implication for rates and debt if population growth was only 75% of what is assumed is shown in the population growth assumption.*

Data Source

Horowhenua District Council.

28. Delivery of the Capital Expenditure Programme

Assumption	<p>It is assumed that 85% of the capital programme will be completed each year, with the 15% deferred to the following year. <i>Note: Tara-Ika is not accounted for in the capital programme when considering debt as part of this assumption as it is assumed this project will be funded and delivered externally (see assumption #29).</i></p>
Detailed Forecasts	<p>The proposed capital expenditure programme is an average of \$46M per year over the 20 year period. This is an increase compared with the previous capital project delivery of approximately \$20M to \$25M per year in the past few years. The increase in the capital expenditure programme is a result of a number of factors, and often as a result of significant, one-off projects, but notably the increase in capital expenditure requirements is associated with meeting the needs of a rapidly growing population.</p> <p>Council has put in place the following to achieve 85% of the capital expenditure programme:</p> <ul style="list-style-type: none"> • Creation of the Infrastructure Development Team to deliver major capital expenditure projects (alongside the Infrastructure Operations team that largely focuses on renewals and levels of service improvements). This gives Council two group managers and two teams focused on delivering the infrastructure capital works programme. The development of the Infrastructure Development Team has provided increased internal capacity and capability. • Long Term Procurement Plan – This will outline a 3 year work programme to ensure contractors and suppliers are resourced to implement the capital programme. Opportunities with neighbouring councils are being explored to gain efficiencies in procurement and project management in the clustering of contracts. <p>Assuming 85% of the capital programme will be completed each year reduces the assumed level of borrowing by approximately \$4m to \$5m per year.</p>
Risk	<p>That the capital programme is completed above the 85% assumption, requiring extra borrowing.</p> <p>That less than 85% of the capital programme will be completed, meaning capital projects are delayed.</p>

Level of Uncertainty	High
Financial impact	<p>If 100% of the capital programme is completed each year, borrowing will be increased borrowing by approximately \$4 to \$5m. This will impact on Council being able to meet its debt limits.</p> <p>If less than 85% of the capital programme is completed each year, this will decrease borrowing, but has the potential to increase reactive maintenance costs (due to breakage) and increase project costs due to inflation. Delays in one year, have the potential to create a cascade effect on subsequent years unless the source of the delay is addressed.</p>
Data Source	Horowhenua District Council

29. Tara-Ika Infrastructure

Assumption	<p>Provision of key public infrastructure to accelerate development of the Tara-Ika Growth Area will be delivered and funded externally and will not be funded by Council debt.</p> <p>This means the assets created from the development will be vested with Council on completion in 2025/26.</p> <p>The project will be completed within project timeframes at estimated costs.</p>
Detailed Forecasts	<p>The total value of the project is \$38 million (uninflated) and \$39.5m inflated. The majority of the project will be completed within the first four years of the LTP, with \$4.5m of the project being completed during 2020/21.</p> <p>It includes the construction of lead-infrastructure for the Tara-Ika growth area including for; roading, reserves wastewater, stormwater and water.</p>
Risk	<p>External sources are not able to be secured for the entire project.</p>
Level of Uncertainty	<p>Moderate to High</p>
Financial impact	<p>In the event that the project is not funded and delivered completely externally, the project will be funded as follows:</p> <ul style="list-style-type: none"> • Government Grant: \$12.55M (Crown Infrastructure Partners) • Government Loan: \$12.55M at 0% interest over 15 years (Crown Infrastructure Partners) which would be added to Council's debt. • Council Co-funding (debt): \$14.50M <p>If this situation occurs, tools such as developer agreements, development contributions (if implemented by Council) or a targeted rate will be used to fund the Government loan and Council co-funding portions of the project.</p> <p>Council does not currently have room in the debt profile for the whole of the government loan and the co-funding portion of the project. Therefore, if the project is not able to be funded externally, Council will reprioritise the timing of the capital programme to ensure our projected borrowings remain within the limit of 250% of operating income. This is regardless</p>

	<p>of what other funding source is used (e.g. development contributions), as the income from the other sources will be received after the construction of the assets.</p> <p>This would mean the reprioritisation of approximately \$19 million of capital spending from the first seven years of the plan into future years. This would not impact current levels of service, but could delay the implementation of improvements to levels of service by seven years. It is not proposed that renewals would be impacted. If significant, Council will undertake this reprioritisation through Annual or Long Term Planning processes.</p> <p>In Year 1 the rates impact would be 0.1%.</p>
Data Source	Horowhenua District Council

30. Depreciation

Assumption	That depreciation is funded for asset lives for each of the activities as identified below.
Detailed Forecasts	<p>The useful lives identified are used to calculate depreciation and are based on activity. The depreciation rate used is the average rate for that activity.</p> <p>Wastewater: 50 years Water Supply (Tokomaru, Manakau, Ohau, Waitarere Beach, Waikawa Beach, Hokio Beach, Foxton Beach,): 50 years Water Supply (Foxton, Shannon, Levin): 70 years Solid Waste Management: 20 years Stormwater: 70 years Land Transport (shared pathways, unsubsidised roading, footpaths): 70 years Land Transport (subsidised roading): 40 years Representation and Community Leadership: 15 years Property (general): 80 years Property (endowment): 50 years Property (camp grounds): 20 years Community Infrastructure (public toilets): 50 years Community Infrastructure (halls, Sportsgrounds, Reserves, Cemeteries, Urban Cleansing, Beautification): 20 years. Community Facilities (Aquatic Centres): 20 years Community Facilities (Libraries and Community Centres): 15 years Planning & Regulatory: 15 years Community Support: 15 years Treasury & Support: 15 years</p>
Risk	That the assets depreciate at a slower or faster rate than assumed.
Level of Uncertainty	Moderate
Financial impact	Underfunding of depreciation would result in increased borrowing requirements.

	<p>If the actual asset lives are shorter than budgeted, the Council would not collect enough depreciation funding and there is potential that the Council would not have the borrowings capacity to fund the asset renewals when they are needed.</p> <p>Overfunding of depreciation would result in higher rates collected and Council reduced borrowings.</p>
Data Source	Horowhenua District Council