

# **PROPOSED SIGNIFICANT FORECAST ASSUMPTIONS**

## Significant forecast assumptions

| Assumption   | Level of financial risk | Impact for high risk assumptions | Level of uncertainty | Financial impact for assumption with high level of uncertainty |
|--|-------------------------|----------------------------------|----------------------|--|
| <b>General assumption</b>  |                         |                                  |                      |  |
| <b>District growth</b><br>Population statistics have been sourced from Statistics New Zealand. The population of the Far North is estimated at 2020 at 71,000 and is projected to increase at a rate of 0.5% per annum between now and 2043 to an estimated population of 78,000.<br><br>Growth is expected to be isolated to larger urban areas, particularly Kaitiāia, Kaikohe, Kerikeri and Paihia, and the Doubtless Bay area.<br><br>The population structure of the Far North is likely to change over the next 30 years, with the over 65 age group becoming a dominant demographic. This is likely to be the result of longer life expectancy and the baby boom generation reaching retirement.<br><br>Demographic changes will occur slowly over time, so we are unlikely to see any great change in expectation from our communities within the next 10 years as a result.<br>Deprivation levels throughout the District are expected to remain unchanged from current levels.<br><br>Council has used .id as a basis for deprivation mapping across our District. For a description of how deprivation is measured go to <a href="http://www.profile.idnz.co.nz/far-north/deprivation-index">www.profile.idnz.co.nz/far-north/deprivation-index</a> . The map of deprivation in the Far North is at <a href="http://www.atlas.idnz.co.nz/far-north">www.atlas.idnz.co.nz/far-north</a> . From Map Selector choose income and well-being then deprivation index. | Medium                  | Not applicable                   | Medium               | Not applicable   |
| <b>COVID-19</b><br>Ongoing infections continue in the region and across New Zealand. The government has now lifted all remaining mandatory COVID-19 restrictions.  | Low                     | Not applicable                   | Low                  | Not applicable   |
| <b>Security of water supply:</b> Water shortages due to drought conditions over the past two summers will continue to be addressed in collaboration with the Government. Projects to establish secure water storage assets are advanced, and Council assumes ongoing governmental funding assistance.  | Medium                  | Not applicable                   | Medium               | Not applicable   |
| <b>Building activity</b>   | Medium                  | Not applicable                   | Low                  | Not applicable   |

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| Council estimates building activity will fall due to the reduction in lower house prices, sales and with interest rates predicted to remain high until at least 2025. It is assumed that residential consents will amount to approximately 360 new dwellings being expected to be constructed each year, while non-residential consents values remaining high for the next three years.   |                         |                                  |                      |  |
| <b>Climate change</b><br>The severe climate events of 2023 highlight the urgency to build resilience to the effects of ongoing climate change in council and in Tai Tokerau communities. The Ministry for the Environment (MfE) climate change scenarios align with IPCC's Sixth Assessment Report (AR6) March 2023. Northland assumes the following climate change effects based on the MfE Report "Our atmosphere and climate 2023": <ul style="list-style-type: none"> <li>• Extreme weather events will become increasingly severe and frequent, leaving less time for recovery between events.</li> <li>• Our taonga species, natural and rare ecosystems will be increasingly threatened.</li> <li>• Increased risk of new infectious diseases and pests will spread threatening our biodiversity, food security, health, and overall wellbeing.</li> <li>• Increased frequency, severity and spatial patterns of rainfall and drought with significant impacts on our primary industries.</li> <li>• Vulnerable people will be disproportionately affected through increased flooding, extreme weather events and sea level rise.</li> </ul> Delay in implementing adaptation and emission reductions will impede climate resilient development, resulting in more costly climate impacts and greater scale of adjustments.<br>Council is seeing significant impacts now and planning to build resilience in communities is accelerating and building momentum within Te Tai Tokerau.<br><br>Council is implementing the Climate Change Roadmap adopted in 2020 and the Te Tai Tokerau Climate Action Strategy (TTCAS) adopted in 2022. Council continues to be an active member of the regional Climate Action Te Tai Tokerau (CATT) technical reference group, the regional Joint Climate Change Adaptation Committee (JCCAC) and national organisations Aotearoa Climate Action Network (ACAN) and Aotearoa Council Climate Network (ACCN). | Medium                  | Not applicable                   | Medium               | Not applicable   |

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| <p><b>Subdivisions and Land Use Consents</b></p> <p>The assumption has been made that ongoing subdivisions in the Far North District will cause additional pressures on 3 waters infrastructure resulting in Council not being able to provide infrastructure for some developments. It is worth noting that significant developments can be managed through developer agreements but most developments are not of a scale which warrants private funding of infrastructure upgrades.</p> <p>Significant negative effects on environmental wellbeing can result in the form of environmental issues associated with increased development. The Council mitigates these effects through a sustainable development approach to regulation and planning. Council's District Plan and Resource Management Act functions help ensure that new development meets the required environmental standards for sustainable development.</p> <p><b>Emerging Issues and Expected Legislative Changes</b></p> <p>The challenges for this Activity are centred on the need to adequately respond to legislative and other changes whilst meeting statutory timeframes for the processing of consents and providing a fair, cost effective and consistent service to the community. As a geographically large territorial authority, the Council is responsible for processing a constantly fluctuating work flow, including a number of applications of a complicated nature, particularly those involving large housing developments.</p> <p>The reform of New Zealand's resource management system will bring significant changes to Council's responsibilities for resource management. The repeal of the Resource Management Act and the replacement of new legislation proposed may require different roles and responsibilities for Council and other agencies involved in the resource management area.</p> <p>The number of applications being processed by the team has risen consistently since 2017. Reaching a peak in 2022 of 1545 RMA applications. For the 2023 financial year the number dropped to 1147. The number of applications spiked in 2022 with notification of the Proposed Far North District Plan on 26 June 2023.</p> | High                    | Medium                           | Medium               | High   |

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| The last few years have shown that reliance on consultants is tenuous and that the council should expect additional staffing costs as we seek to reduce this load to reliable levels.   |                         |                                  |                      |   |        |        |        |                |        |                |
| <b>Rating base</b><br>The number of properties we receive rates from is conservatively expected to increase by approximately 0.5% in year 2 and 3. The total number of units over the 3 years is predicted to increase by 383 units<br><table><tr><td>Area</td><td>2024/25</td><td>2026/27</td></tr><tr><td>District</td><td>38,128</td><td>38,511</td></tr></table>  | Area                    | 2024/25                          | 2026/27              | District  | 38,128 | 38,511 | Medium | Not applicable | Medium | Not applicable |
| Area  | 2024/25                 | 2026/27                          |                      |   |        |        |        |                |        |                |
| District  | 38,128                  | 38,511                           |                      |   |        |        |        |                |        |                |
| <b>Levels of service:</b> Levels of service will remain static for the period of the LTP. Council is investing in work that maintains its ability to deliver the level of service to the Community (for example, meeting local government standards or creating resilience) and this work is deemed not to be renewal related investment.   | Low                     | Not applicable                   | Low                  | Not applicable  |        |        |        |                |        |                |
| <b>Inflation</b><br>Future cost increases align with BERL forecasts published in October 2023, retrieved from Business and Economic Research Limited (BERL)   | Medium                  | Not applicable                   | High                 | If inflation is higher than forecast, the cost of goods and services will rise accordingly. |        |        |        |                |        |                |
| <b>Expenditure assumptions</b>  |                         |                                  |                      |   |        |        |        |                |        |                |
| <b>Unfunded depreciation</b><br>Council does not fund depreciation on transportation assets to the extent that Waka Kotahi NZ Transport Agency funds renewals. The current subsidy rate is 69%. Council has decided to not fund 24% of strategic asset depreciation for the first three years of the plan and then to scale back to 100% over the next 10 years.  | Low                     | Not applicable                   | Low                  | Not applicable  |        |        |        |                |        |                |
| <b>Capital borrowings</b><br>Borrowings for capital expenditure are assumed to be repaid over 20 years.   | Medium                  | Not applicable                   | Low                  | Not applicable  |        |        |        |                |        |                |
| <b>Capital achievability</b><br>The capital works programme is considered to be achievable in the timeframe stated. Usual delays, such as consenting and weather, have been factored into timeframes and phasing. Wherever possible, works are based on known asset condition and have been prioritised to ensure critical assets are renewed on time. Where asset condition is uncertain the best information available has been used. Timing of renewals programmes reflects the expected delivery of asset condition assessment (i.e. increased certainty of condition | Medium                  | Not applicable                   | High                 |   |        |        |        |                |        |                |

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|--|--------------------------------|--|-----------------------------|---|
| information over time). Council expects a minimal amount of projects carried forward due to delays.  |                                |  |                             |   |
| Waka Kotahi NZ Transport Agency funding: Waka Kotahi NZ Transport Agency requirements and specifications for the performance of subsidised work will not alter to the extent that they impact adversely on operating costs.  | High                           | The recent change in Government will result in a Government Policy Statement that reduces the amount of subsidy provided.  | High                        | Variations in subsidy rates will increase / decrease Council subsidy revenue. This may necessitate Council to review and amend its roading programme.   |
| <b>Revenue assumptions</b>   |                                |  |                             |   |
| <b>Subsidies</b><br>Council will apply for and receive Government subsidies for applicable projects. Indicative allocations for the first three years of the plan are \$17m less than the original bid and this has been adjusted against renewal work as Waka Kotahi NZ Transport Agency is unable to provide work class detail until after the LTP has been adopted. Any further shortfall in funding from what was applied for would see a reduction/ reprioritisation in the capital projects and subsequent reduction in Council's subsidy funding. | High                           | Council may not receive the funding or receive a lesser amount resulting in Council being unable to deliver the project as planned, including the requirement of additional consultation with affected stakeholders. | High                        | If external funds are not received, Council will consider rescheduling other projects to allow the original project to proceed without the subsidy, or explore alternative cost-effective and affordable options. Costs to the ratepayer will be subject to consultation as required. |
| <b>Funding sources</b><br>Future replacement of significant assets is assumed to be funded in line with the Revenue and Financing Policy.  | Low                            | Not applicable   | Low                         | Not applicable  |
| <b>User fees</b><br>Increases are based on expected cost increases (inflation). This is expected to be sufficient for funding purposes.  | Low                            | Not applicable   | Low                         | Not applicable  |
| <b>Far North Holdings Limited (FNHL)</b><br>It is assumed that Council will receive dividends from FNHL throughout the term of the plan and that the business of FNHL will not significantly change.   | Medium                         | Council may not receive the level of dividend expected due to unforeseen   | Medium                      | If an economic shock, such as COVID-19, occurs then FNHL will amend the dividend payment to council. This could result in reduced income in the year and  |

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|  |                         | economic impacts                 |                      | may require an amendment to future year plans                  |
| <b>Development contributions</b><br>In 2015 Council resolved to suspend Development Contribution charges in light of the economic downturn. No decision has been made to re-commence the charging of Development Contributions for the term of this LTP, and therefore no income from source is assumed.   | Low                     | Not applicable                   | Low                  | Not applicable   |
| <b>Asset assumptions</b>   |                         |                                  |                      |  |
| <b>Useful lives</b><br>Depreciation rates for each asset group have been calculated using rates included in the Accounting Policies.<br>Depreciation rates are based on the expected useful life analysis performed by registered valuers in line with the requirements of Accounting Standards. Renewal of assets is based on a mixture of condition and operational indicators, being maintenance and repair data, and Council has confidence that it will achieve the renewal works in line with the timeframes in this plan. | Medium                  | Not applicable                   | Low                  | Not applicable   |
| <b>Asset lifecycle</b><br>Lifecycles of significant assets, including underground assets, are optimised to strike the best balance between maintenance, operations and renewals costs.   | Medium                  | Not applicable                   | Low                  | Not applicable   |
| <b>Asset age</b><br>Council has previously used asset age as an effective proxy for the condition of an asset. In the current plan, condition information has been used alongside operational information from asset managers to determine a priority for renewal of assets. A programme of work is in place to increase the level of asset condition information to provide a basis for future planning.  | Medium                  | Not applicable                   | Low                  | Not applicable   |
| <b>Infrastructure asset revaluations</b><br>An assumption has been made that revaluation of infrastructure assets will continue to occur as follows: <ul style="list-style-type: none"> <li>• roading and maritime assets - annually</li> <li>• remainder of assets – biannually, with water and wastewater one year and District Facilities the next.</li> </ul>  | Medium                  | Not applicable                   | Low                  | Not applicable   |
| <b>Forestry assets</b><br>An assumption has been made that forestry assets will be held for the duration of the plan and no harvesting will take place   | Low                     | Not applicable                   | Low                  | Not applicable   |
| <b>Liability assumptions</b>   |                         |                                  |                      |  |

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| <b>Borrowings</b><br>It is assumed that Council will have the facilities to secure funding as required throughout the term of this LTP.   | Low                            | Not applicable  | Low                         | Not applicable  |
| <b>Other assumptions</b>  |                                |   |                             |   |
| <b>Northern Transportation Alliance (NTA)</b><br>A shared services agreement between all four council's within Northland (Kaipara, Far North, Northland Regional and Whangarei) and works collaboratively with NZTA (Waka Kotahi) which was established in 2016. The NTA is Council's Rooding and Transport department covering local roads. Council has made provision for gaining subsidy for the NTA activities for the subsidised projects throughout the term of this LTP. | Low                            | Not applicable  | Low                         | Not applicable  |
| <b>Strategic assets</b><br>Council has not planned for the disposal or transfer of ownership of any strategic assets during the term of this LTP, although it is consulting the public on the divestment of its Housing for the Elderly portfolio.  | Low                            | Not applicable  | Low                         | Not applicable  |
| <b>Currency movement</b><br>Council does not have any significant exposure to currency movements and consequently has not specifically taken them into account.   | Low                            | Not applicable  | Low                         | Not applicable  |
| <b>Emissions trading scheme (ETS)</b><br>Council covers its liability for carbon emissions through fees and charges. Council has assumed no changes to carbon credit prices during the term of this LTP.  | Low                            | Not applicable  | Low                         | Not applicable  |
| <b>Local government reforms</b><br>There will be no significant changes to the structure of Local Government in the Northland region, except for the repealing of the three waters reform legislation. Councils in the region continue to work together in a variety of shared services and will continue to explore opportunities in this area.  | Medium                         | The future shape of local government could change, which may have consequences for how services are provided and by whom. | Medium                      | Not applicable  |
| <b>Repealing of three waters legislation</b><br>This plan assumes that Council will continue to deliver these services for the foreseeable future.  | High                           | That local authorities maintain exclusive responsibility for  | High                        | Financial ramifications pertaining to these services would encompass various aspects, including but not confined to, operational revenues, direct |



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|------------|-------------------------|----------------------------------|----------------------|--|
|            |                         | delivering these services.       |                      | operational expenses, and the accrued debt value utilized for funding these activities. Additionally, secondary impacts are anticipated, which the Council will evaluate as part of the proposal analysis in due course. |