



# Kaipara District Council

## Significant Forecasting Assumptions

**2024 – 2027**

**February 2024**



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### Key to table format

**Forecasting assumption:** The assumption made in preparation of this Long Term Plan 2024–2027 (LTP). May also include the source of the information the assumption is based on.

**Risk:** The risk/s associated with this assumption if it is incorrect.

**Level of uncertainty:** The uncertainty around the assumption itself. What are the chances that this assumption is right or wrong? (Not the topic it relates to or the risks.)

**Reasons and financial effect of uncertainty:** What are the reasons for the uncertainty and what the effect will be on council finances if the assumption proves to be wrong.

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<b>Population and Demographic</b>																																																							
<p><b>Population growth:</b>  Kaipara District Council uses a set of population projections provided by Infometrics as an indication of future growth. Growth will generally be in accordance with the Infometrics medium scenario projections prepared for Kaipara District Council in February 2023. Kaipara District’s population is projected to grow steadily in the medium scenario, reaching 35,700 in 2054. This amounts to an additional 8,500 residents between 2022 and 2054. Kaipara’s strong historical growth, particularly in the past ten years, increased the districts population by 9,400 between 1996 and 2022.</p> <table border="1" data-bbox="107 574 761 1021"> <thead> <tr> <th colspan="4">Medium Series Projection</th> </tr> <tr> <th>Population - June</th> <th>2025</th> <th>2026</th> <th>2027</th> </tr> </thead> <tbody> <tr> <td>Kaipara Coastal</td> <td>4,389</td> <td>4,413</td> <td>4,436</td> </tr> <tr> <td>Maungaru</td> <td>2,012</td> <td>2,020</td> <td>2,029</td> </tr> <tr> <td>Dargaville</td> <td>5,415</td> <td>5,462</td> <td>5,504</td> </tr> <tr> <td>Ruawai-Matakohe</td> <td>2,856</td> <td>2,872</td> <td>2,887</td> </tr> <tr> <td>Otamatea (Kaipara district)</td> <td>2,028</td> <td>2,043</td> <td>2,056</td> </tr> <tr> <td>Maungaturoto</td> <td>1,515</td> <td>1,533</td> <td>1,551</td> </tr> <tr> <td>Kaiwaka</td> <td>2,824</td> <td>2,864</td> <td>2,905</td> </tr> <tr> <td>Mangawhai Rural</td> <td>3,345</td> <td>3,463</td> <td>3,582</td> </tr> <tr> <td>Mangawhai Heads</td> <td>2,978</td> <td>3,044</td> <td>3,108</td> </tr> <tr> <td>Mangawhai</td> <td>1,472</td> <td>1,515</td> <td>1,557</td> </tr> <tr> <td><b>Total</b></td> <td><b>28,834</b></td> <td><b>29,230</b></td> <td><b>29,614</b></td> </tr> </tbody> </table>	Medium Series Projection				Population - June	2025	2026	2027	Kaipara Coastal	4,389	4,413	4,436	Maungaru	2,012	2,020	2,029	Dargaville	5,415	5,462	5,504	Ruawai-Matakohe	2,856	2,872	2,887	Otamatea (Kaipara district)	2,028	2,043	2,056	Maungaturoto	1,515	1,533	1,551	Kaiwaka	2,824	2,864	2,905	Mangawhai Rural	3,345	3,463	3,582	Mangawhai Heads	2,978	3,044	3,108	Mangawhai	1,472	1,515	1,557	<b>Total</b>	<b>28,834</b>	<b>29,230</b>	<b>29,614</b>	<p>Population growth does not occur as projected.</p> <p>The amount of development is a key consideration for Council when planning how it will fund the infrastructure required.</p> <p>If growth falls short of that projected, it may result in problems repaying debts raised to fund new infrastructure.</p>	<p>Low/Medium</p>	<p>The population projections prepared for Kaipara District Council by Infometrics are based on a number of assumptions around these trends and how they will change. If these trends deviate from the assumptions, it will undermine the accuracy of the projections.</p> <p>Population growth is driven by the balance of births, deaths and net migration. Changing trends in the number of children per family, life expectancy and local job opportunities can therefore drive demographic change.</p> <p>The key drivers of growth in Mangawhai and southeast Kaipara are the Auckland housing market and improvements in transport linkages with Auckland. High house prices in Auckland assist those nearing retirement age to cash up and move to Mangawhai. In addition, they encourage young families to seek affordable housing and lifestyle opportunities outside the city and commute back for work. The provision of additional services in Mangawhai further contributes to its appeal to migrants.</p> <p>The key variable likely to affect population growth in most other area of Kaipara (particularly northwest Kaipara) is the level of local employment. Employment growth attracts workers and their families while economic downturn can force them to seek opportunities elsewhere.</p>
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<p><b>Household growth:</b>  Kaipara District Council uses a set of household projections provided by Infometrics as an indication of future growth. Growth is assumed to be generally in accordance with the Infometrics medium series projections prepared for Kaipara District Council in February 2023. In the medium scenario, households are projected to grow at 1.6% per annum</p>	<p>Household growth does not occur as projected.</p>	<p>Low/Medium</p>	<p>As with population growth, trends affecting the comparative affordability of housing in Auckland together with local job opportunities will drive trends in the number of households in Kaipara.</p>																																																				

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<p>between 2022 and 2030, 0.9% between 2030 and 2040, and 0.4% between 2040 and 2054. Households are projected to grow to 15,000 in 2054.</p> <table border="1" data-bbox="116 311 757 758"> <thead> <tr> <th colspan="4">Medium Series Projection</th> </tr> <tr> <th>Household - June</th> <th>2025</th> <th>2026</th> <th>2027</th> </tr> </thead> <tbody> <tr> <td>Kaipara Coastal</td> <td>1,826</td> <td>1,832</td> <td>1,837</td> </tr> <tr> <td>Maungaru</td> <td>809</td> <td>812</td> <td>814</td> </tr> <tr> <td>Dargaville</td> <td>2,179</td> <td>2,193</td> <td>2,205</td> </tr> <tr> <td>Ruawai-Matakohe</td> <td>1,177</td> <td>1,182</td> <td>1,186</td> </tr> <tr> <td>Otamatea (Kaipara district)</td> <td>864</td> <td>870</td> <td>876</td> </tr> <tr> <td>Maungaturoto</td> <td>594</td> <td>602</td> <td>610</td> </tr> <tr> <td>Kaiwaka</td> <td>1,137</td> <td>1,156</td> <td>1,175</td> </tr> <tr> <td>Mangawhai Rural</td> <td>1,473</td> <td>1,533</td> <td>1,594</td> </tr> <tr> <td>Mangawhai Heads</td> <td>1,316</td> <td>1,348</td> <td>1,379</td> </tr> <tr> <td>Mangawhai</td> <td>655</td> <td>674</td> <td>694</td> </tr> <tr> <td><b>Total</b></td> <td><b>12,029</b></td> <td><b>12,203</b></td> <td><b>12,369</b></td> </tr> </tbody> </table>	Medium Series Projection				Household - June	2025	2026	2027	Kaipara Coastal	1,826	1,832	1,837	Maungaru	809	812	814	Dargaville	2,179	2,193	2,205	Ruawai-Matakohe	1,177	1,182	1,186	Otamatea (Kaipara district)	864	870	876	Maungaturoto	594	602	610	Kaiwaka	1,137	1,156	1,175	Mangawhai Rural	1,473	1,533	1,594	Mangawhai Heads	1,316	1,348	1,379	Mangawhai	655	674	694	<b>Total</b>	<b>12,029</b>	<b>12,203</b>	<b>12,369</b>			<p>The more households in the district, the more Council expenses can be split, thereby reducing the rates burden on each individual household. If growth is less than projected, the rates increase per household may be higher.</p>
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<p><b>Absentee ratepayers to resident ratepayers:</b>  <b>The percentage of absentee ratepayers is anticipated to stabilise over the next ten years. Based on postal addresses, approximately 74% (56% in 2020) of ratepayers in the Kaipara district (excluding Mangawhai) reside within the district and 26% (44% in 2020) outside the district. For Mangawhai, 56% (43% in 2020) reside within the district and 44% outside the district. Of those Mangawhai ratepayers that reside outside the district, 85% (20% in 2020) are in Auckland and 15% (37% in 2020) elsewhere.</b></p> <p><b>These figures suggest the populations of some Kaipara settlements have a high proportion of holiday homes may experience considerable population influxes during holiday periods. This includes Mangawhai's population (in particular Mangawhai Heads). That said, the proportion of holiday homes in Mangawhai can be seen to be decreasing. This reflects Mangawhai's ongoing transition from a coastal holiday/bach destination to a more permanent residential town.</b></p>	<p>The proportion of absentee ratepayers is higher or lower than predicted which impacts on services that Council has not budgeted for.</p>	<p>Low</p>	<p>Improving road connections to Auckland, the advance of employment opportunities onto Auckland's North Shore and a greater acceptance of working from home are all contributing to more people wanting to live permanently north of the Auckland border/in southeastern parts of Kaipara.</p> <p>A high percentage of absentee residents means services must be able cater to fluctuating seasonal use. Flexibility can be built into contracts to allow higher or more frequent services to be delivered during the holiday periods.</p> <p>It is expected that the differing demands of resident and absentee communities can be managed and funded for the foreseeable future.</p>																																																				
<p><b>Affordability:</b>  <b>The average household income in Kaipara was \$92,176 in 2022 (Infometrics, 2023). Recent rapid inflation and interest rate challenges faced by households, coupled with ex-tropical Cyclone Gabrielle inflicted damage and economic losses across the primary sector</b></p>	<p>Reduced ability to pay for Council services.</p>	<p>Medium</p>	<p>Limited ability for Council to raise general and/or targeted rates to pay for increased costs of assets management and capital works projects to maintain expected level of service. Council's ability</p>																																																				

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are assumed to limit the ability of households to absorb major rates increases over the first three years of this plan.			to catch up on its renewals and remedial work may be impacted. If double digit increases occur then rates may be difficult for ratepayers to budget for payments.
<b>District Leadership, Finance and Internal Services</b>			
<b>Staffing Assumptions</b>			
<b>Staff recruitment and retention:</b> <b>Adequate staffing levels are expected to be maintained and there are not expected to be any recruitment issues when replacing staff.</b>	Kaipara District Council unable to recruit staff with appropriate skills and experience. This may result in delays to project deadlines and impact on the level and quality of service, both of which have reputational risk.	Medium	This council has had recruitment challenges for some time due to skills shortages and geographical location of candidates. This risk can be mitigated by various initiatives that have operating cost implications.  Lowered levels of service can mean council does not meet statutory requirements and community expectations.  Delayed projects cost time and money.
<b>Emergency Management</b>			
<b>There will be no natural disasters requiring emergency management work that cannot be funded out of Council limited budgets or primarily central government funding.</b>	Ability to afford response and recovery to an emergency, extreme weather event or multiple/compounding extreme weather events.	Low/Medium	Emergencies are unpredictable.  Significant additional one-off repair costs and rating impacts may be incurred as a result of emergency events.  Increased operational costs to match community needs and expectations could be required.  This could increase debt if required to be utilised for emergency events.  Council is already in a position where it cannot fund response, recovery and adequate risk reduction, and is heavily reliant on central government in these situations.

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<b>Climate Resilience and Natural Hazards</b>			
<p>The Council follows New Zealand Government advice about anticipated changes and is meeting legal obligations placed on the Council to consider the impacts of climate change.</p> <p>The financials have been prepared to meet the minimum work required to carry out our climate change responsibilities and requirements, which come from resource management, natural hazards and risk management obligations,</p>	<p>That financial and physical mitigations are not in place to cover climate eventualities.</p> <p>Increased numbers or severity of hazard events may lead to increased costs for Council in both responding to events and recovering from events. Scheduled work programmes impacted by emergency or recovery works.</p> <p>Cost of capital works projects will increase due to rising need for system upgrades, relocation and/or redesign to remediate damage, or to protect, accommodate or relocate from the hazard.</p>	Medium	<p>Natural hazard events and the impacts of a changing climate on natural hazards is difficult to predict.</p> <p>By doing minimal work, if there is an increase in events, this could lead to Council not planning ahead to eliminate or mitigate risks. This has potentially far reaching impacts for Council and the community, including costs of emergencies and recovery, reduced property values, decreased insurability or increased cost to insure, increased compliance and design costs, reduced ability to develop property and restrictions on land use, and increased costs of repair and protection.</p> <p>In the event that Government advice is overstated, councils and the community could spend unnecessarily on climatic adaptation measures.</p>
<p>Provision in budgets is adequate for costs arising from natural disasters. Cashflow, lending power and insurance will cover most eventualities. No other funding is set aside for this purpose.</p>	<p>Emergencies or climate impacts require work that cannot be funded by insurance or normal budgetary provisions.</p>	Medium	<p>Climate is difficult to predict.</p> <p>An event that exceeds expectation could mean cashflow, lending and insurance do not cover all costs.</p>
<p>Emissions Trading Scheme: Council currently holds New Zealand units for pre-1990 forests but does not plan on surrendering or obtaining any units. With the sale of much of the woodlot these units may be available for sale.</p>	<p>In the event that pre-1990 forests are lost and could not be re-planted or regenerated Council would need to surrender or purchase credits.</p> <p>The cost to purchase carbon credits will increase.</p>	Low	<p>As Council is not planning on deforesting any of its land, it would have the New Zealand Units available to meet any unforeseen events.</p> <p>As the cost of carbon will increase over time it will cost more for Council to meet future requirements to offset emissions.</p>
<b>Legislative Changes</b>			
<p>Anticipated legislative changes result in minor policy and procedural reviews.</p>	<p>Legislative changes result in general and specific costs for</p>	Low/Medium	<p>It is unclear what legislation will require. It could be expected that higher operating costs</p>

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	<p>particular items.</p> <p>Costs of policy and procedure reviews rise well above budget provisions</p>		<p>will be incurred because of public demands or legislative requirements.</p>
<b>Local Water Done Well (previously Affordable Waters, Three Waters)</b>			
<p><b>'Three Waters' legislation was repealed in February 2024, returning ownership and control of water supply, stormwater and waste water to councils. These activities are included in this LTP.</b></p> <p>Legislation for 'Local Water Done Well' is scheduled to be introduced mid-2024. There is minimal detail available on this legislation therefore no planning included.</p>	<p>Cost of reworking activity planning and council budgets with repeal and again for any new legislation.</p>	<p>Low</p>	<p>There has been a significant programme of work to transition three waters for the original Entity A, and subsequent repeal legislations. There are additional costs for this.</p>
<p><b>That three waters activities (water supply, stormwater, and wastewater) remain in Council ownership for the duration of this LTP.</b></p>	<p>Risk of affordability for Council and ratepayers. (Refer to each activity for any further significant assumptions.)</p>	<p>Low</p>	<p>Significant risk to Council finances to fund renewals and repairs to the extent required. The three waters activity programmes have had to be reduced and could still be unaffordable for our Council.</p>
	<p>That Council cannot meet its maintenance standards as costs increase.</p>	<p>Low</p>	<p>There will be increased breakdowns If preventative maintenance and needed renewals are not completed.</p>
<b>Future for Local Government (FFLG)</b>			
<p><b>The Final Report on the Review into the Future for Local Government was established by the Minister of Local Government in 2021 at the request of the local government sector. The Final Report builds on the Draft Report and associated local government and community submissions to set out final recommendations which are to be worked through with members of Local Government New Zealand by mid-2024.</b></p> <p><b>That the business and structure of local government in Kaipara will not alter within the lifetime of the LTP.</b></p> <p><b>We recognise the future is highly uncertain in this space and we could have reasonably assumed that the local government sector will undergo significant change over the next ten years. We are keeping a close watch on how regulation develops to ensure we are prepared for whatever happens.</b></p>	<p>Local government amalgamation processes have been undertaken in other regions. Within ten years there may be significant changes to the boundaries of local government in our region.</p>	<p>Medium/High</p>	<p>There is no clear direction from central government on this.</p> <p>The effect may be high, depending on the level of change. There could be significant restructuring, reorganisation or establishment costs incurred. There would be associated financial and rating changes as a consequence.</p> <p>It is expected any reorganisation process would take place over a period of time. This would allow the Council to fully prepare. The Council will proactively monitor and engage in discussions of this nature.</p>

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<b>Regulatory Functions</b>			
<b>Building Control</b>			
<p><b>Council will continue to meet the requirements of being accredited, as assessed by International Accreditation New Zealand in order to maintain its accreditation with Ministry of Business, Innovation and Employment (MBIE) as a building consent authority (BCA).</b></p>	<p>Loss of accreditation so Council could no longer grant building consents.</p>	<p>Low</p>	<p>Council has a quality assurance system that ensures the BCA continues to meet its obligations under the Building Act and other regulations. There has been investment in additional management resource to support this process. Council has consistently achieved compliance to date.</p>
<b>Asset Management</b>			
<p><b>Asset Management Plan information:</b>  <b>Council has developed Asset Management Plans (AMPs) for several of its activities. Council continues to improve its asset planning information - particularly in regard to asset condition and performance.</b></p>	<p>Asset conditions differ from the current information</p>	<p>High</p>	<p>Any need to increase maintenance budgets and/or renewals expenditure above planned levels would lead to increased costs (and therefore rating requirement) for Council. The extent of this risk cannot be quantified. By conducting rigorous asset condition assessments and a continuous improvement program around asset data, condition and criticality the unknown and unquantifiable risks can be managed and reduced.</p>
<p><b>Contracts:</b>  <b>There will continue to be difficulties in some work areas in the availability of tenderers for Council contracts when they are tendered.</b></p>	<p>Contractors become very scarce and difficult to secure, limiting the range for selection and driving costs upward.</p>	<p>High</p>	<p>Planned expenditure to meet growth and renewals cannot be carried out. Procurement methodologies need to be flexible enough to allow for this and use more local contractors.</p>
<p><b>Significant land use changes:</b>  <b>There will not be any major changes to land uses in the district that have consequential impacts on Council infrastructure needs.</b></p>	<p>Unforeseen land use, of a type that has potential significant effects, occurs.</p>	<p>Low</p>	<p>Council will need to assess the situation but this matter is not entirely within Council's hands. A third party may lodge an application for a plan change or non-complying consent at any time. This can lead to higher unforeseen costs in certain areas. Higher costs to Council to enable land use transitions. Litigation costs regarding land use transitions.</p>



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<p><b>Asset condition and prioritisation:</b>  <b>Council is focused on updating its asset condition and performance information to support prioritisation of works into the future.</b></p>	<p>Information is not accurate or up to date to enable accurate prioritisation for projects.</p>	<p>High</p>	<p>Completing asset planning information related to the condition of assets is ongoing and budgeted for, and best estimates are used in the absence of accurate information.</p>
<p><b>That design standards used in the past for assets already in place, and those now built under current engineering standards, are adequate to cover current day events, and therefore do not alter scheduled times of ‘useful life’ (reduce) and additional repair, maintenance, and renewal of significant infrastructure assets.</b></p>	<p>That the standards were and are too low compared to reality necessitating additional repair, renewal or complete new builds in different places.</p> <p>That the standards were too high, causing additional cost in the beginning, albeit it is a mitigation standard which can assist with assurances and insurances, reducing costs in these areas.</p> <p>Risk of reducing the useful life of assets, and additional maintenance and renewal costs at more frequent intervals across asset life.</p> <p>Increased costs and resourcing impacts.</p>	<p>Medium/High</p>	<p>Council uses the current engineering standards to scope, build and maintain infrastructure assets which may be over or under engineered for unpredictable occurrences.</p> <p>Asset Management Plans are prepared for each asset based on a ‘normal’ life, guarantees, maintenance, parts replacement and renewals.</p> <p>Any impacts from environmental impacts exceeding past and current levels in the engineering standards eg: sea level rise, coastal and river flooding, extreme weather and erosion/land slips may not be factored in and could cause the need to ‘review’ assets, amend asset management plans and likely increase costs and resourcing requirements.</p> <p>Council does not currently apply climate scenarios testing and risk-based approaches into its asset maintenance and renewal planning assumptions which could impact assets built under previous standards.</p>
<p><b>Assets are scoped and built to the resource consent and regulatory standards of the time. eg: drinking water</b></p>	<p>That regulatory standards are too low or high for the situation.</p> <p>That conditions exceed the parameters of the standards.</p> <p>That the regulatory environment is becoming more stringent and as standards rise, the costs to upgrade assets to comply will increase.</p>	<p>Low</p>	<p>Any impacts from exceeding past and current levels in the regulatory standards may not be factored in and could trigger the need to review assets, amend asset management plans and likely increase costs and resourcing requirements.</p>

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<b>Infrastructure Capital Projects</b>			
<b>Contractor supply:</b> <b>In some activities contractors are in short supply, impacting delivery of the capital work programme.</b>	Timing of work can be delayed where contractors cannot be secured. Community expectations not met when projects are postponed.	High	Extreme weather events in 2023 have put pressure on the skills base required for infrastructure projects. The infrastructure team has a procurement strategy that is focused on supplier relationships and collaboration with other councils. To support this a supplier panel has been created which will mitigate this risk to some extent. Council is also looking at local procurement.
<b>Capital works cost:</b> <b>On average, costs of major capital works will not vary significantly from costs estimated at the concept stage.</b>	Costs rise steeply above estimates.	Medium	Council has a higher level of confidence regarding capital project costs in the short term but less certainty in the longer term due to fluctuations in the economy and district growth trends.  A 5% variation in a \$500,000 project would add \$25,000 to the project cost. Given the long useful life associated with many of Council's capital works projects such a variation would not have a significant rating impact.  In the long term there is uncertainty around the scale and degree to which infrastructure assets will need to be fortified and/or reallocated and the associated cost for capital works projects and risk the ability to pay for the project
<b>Infrastructure Activity Management</b>			
<b>Roading and Footpaths</b>			
<b>Network damage as a result of an emergency eg effects of storm events, coastal hazards and landslips/erosion, will be managed via existing LTP budgets, central government emergency funding, or temporary measures.</b>	Storms greater than average sized events require a reprioritisation of expenditure in the LTP to accommodate the costs to repair the district's roads.  If funding is not available from	Medium	Storms and emergencies are unpredictable, council is reliant on NIWA and Ministry for the Environment information.  Financial effect of uncertainty is that extra budget has not been allowed for.

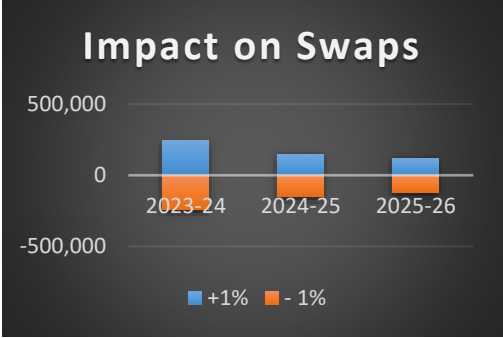
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	<p>central government, the capital and operational programmes would require reprioritisation to make funds available.</p> <p>Projects that were scheduled may not go ahead due to reprioritisation.</p> <p>Not all costs may be able to be covered by existing budget constraints.</p>		<p>Delegated capital works projects on roading may create infrastructure lock-in and reduce adaptation opportunities and/or increase costs to relocate roads in the long term.</p>
<b>Flood Protection and Land Drainage</b>			
<p><b>Weather patterns, rain intensity, and future tidal sea levels are expected to increase in frequency and intensity (NIWA and Ministry for the Environment data).</b></p>	<p>Predictions are under or over estimated.</p> <p>Drainage capacity overwhelmed by extreme weather and higher tidal levels.</p> <p>Lack of community's ability to pay for required infrastructure projects if adaptation response defaults to one-off repair costs.</p>	<p>Low/Medium</p>	<p>Storms and emergency events are difficult to predict.</p> <p>Council recognises that a basic investment in climate mitigation measures is necessary, and the community will be consulted on regarding their appetite for a larger investment.</p> <p>Significant additional one-off repair costs and rating impacts may be incurred as a result of extreme weather events.</p> <p>It could be expected that higher operating costs will be incurred because of public demands for higher levels of readiness.</p> <p>Lack of ability to insure/higher costs to insure assets due to increased exposure and risk.</p> <p>Increased costs for large-scale capital works projects to improve capacity of flood protection systems.</p>

Forecasting assumption	Risk	Level of uncertainty	Reasons and financial effect of uncertainty
<b>Water Supply</b>			
<p><b>With the repeal of the Three Waters legislation, upgrades to water treatment plants and supply have been deferred to limit the otherwise significant rates increase.</b></p>	<p>Development demand exceeds water availability.</p> <p>Water restrictions will continue.</p> <p>We are limited by resource consent limits.</p>	<p>High</p>	<p>Reduced water availability may limit development opportunity.</p> <p>Water is charged on a volumetric basis and a change to volume used will be reflected in revenue.</p> <p>A sum of \$31.6m was included in the Entity A, AMP over 3 years. Council has been forced to reduce this to \$7.8m, now that the Three Waters Legislations are being repealed.</p>
<b>Stormwater</b>			
<p><b>That development tracks with the growth forecasts and there are no severe or more frequent weather events affecting the integrity of the system.</b></p>	<p>That development demand exceeds forecasts and/or slows down significantly. That a severe weather event or more frequent events affects the integrity of a system.</p>	<p>Medium</p>	<p>Storms and emergency events are difficult to predict.</p> <p>A sum of \$28.2m was included in the Entity A, AMP over 3 years. Council has been forced to reduce this to \$8.7m, now that the Three Waters Legislations are being repealed.</p>
<b>Wastewater</b>			
<p><b>With the repeal of the Three Waters legislation, upgrades to wastewater treatment plants and network integrity have been deferred to limit the otherwise significant rates increase.</b></p>	<p>Council may not treat wastewater flows due to increase in growth.</p> <p>Resource consent standards lead to higher treatment standards which lead to higher cost.</p>	<p>High/Medium</p>	<p>A sum of \$94.5m was included in the Entity A, AMP over 3 years, Council has been forced to reduce this to \$15.5m, now that the Three Waters Legislations are being repealed.</p> <p>Higher treatment standards will lead to higher capital and operating costs. While Council can accommodate small changes, there are no funds available for any significant compliance requirements.</p>

Forecasting assumption	Risk	Level of uncertainty	Reasons and financial effect of uncertainty
<b>Open Spaces and Facilities</b>			
Reserve maintenance, the range and standard of facilities provided, safety and accessibility and compatibility will not change significantly. Additional vegetation management is allowed for removal of pest plants or dangerous trees.	That Council cannot meet its maintenance standards as costs increase.	Medium	If there is increased service level expectation to be met, it will increase costs.
No allowance has been made for potential impacts on recreational spaces and facilities in the event of sea level rise, coastal and river flooding, extreme weather, and erosion/land slips. Esplanade reserve is considered the natural buffer. The erosion or inundation of esplanade reserves will not overly affect the functionality of the recreational space.	Coastal hazards will impact coastal recreational spaces and facilities, including esplanade reserves and coastal access.  Permanent removal of affected land assets after storm surges and cyclones.	Medium	The impact of storm surges and cyclones are difficult to predict.  The ratio of available space for recreation will reduce per head of population creating potential need to purchase land for this purpose.
Libraries: Changes in the district's population demographics resulting in greater numbers of retirees and Māori youth, and the fast growing population in Mangawhai.  Increase demand for library services: Demand continues to increase for changes in the range and types of services that the district's libraries are expected to provide, including digital services.	Demand for services rises or falls steeply or there is a change in type and nature of services.	Low/Medium	The technology associated with reading and the role of libraries is changing. There will be additional costs associated with the new technology and services.
<b>Solid Waste</b>			
All rubbish will continue to be disposed of outside the district and that the closed landfills will continue to meet resource consent conditions.	Landfills outside the district can no longer be used. The district's closed landfills no longer meet resource consent standards.	Low	If Council needed to re-commission one or more closed landfills there would be significant extra cost and contingent liability for their operation.
Emissions mitigation and waste reduction requirements remain the same.	Operation cost of solid waste disposal services significantly increases.	Medium/High	Increased legislative requirements to reduce greenhouse gas emissions in waste management services may increase operation cost, including strategy development and reporting requirements, legal costs and level of service/implementation changes.

Forecasting assumption	Risk	Level of uncertainty	Reasons and financial effect of uncertainty
<b>Financial Assumptions</b>			
<p><b>Useful lives of significant assets:</b>  <b>No significant assets will fail before the end of their useful lives as determined in accordance with the depreciation rates set out in the accounting policies of Council.</b></p>	<p>Some assets may wear out and fail sooner or later than calculated.</p>	<p>Medium</p>	<p>There is no certainty that asset components will last exactly to their design or assessed lives. However, replacement is budgeted at the expected end of useful life and earlier replacement will result in a loss on disposal of any residual value. Earlier replacement may result in the deferral of other discretionary capital projects in order to remain within self-imposed debt limits as set out.</p> <p>Some assets are likely to last longer than their design lives which would help to balance the effects of any early replacement of assets.</p>
<p><b>Revaluation of non-current assets:</b>  <b>Revaluations are planned to be undertaken as follows:</b></p> <ul style="list-style-type: none"> <li>- <b>Roading annually</b></li> <li>- <b>Community and operational assets remain at cost</b></li> <li>- <b>Three waters services - every three years</b></li> </ul> <p><b>For the purposes of this LTP, the values of non-current assets have been increased using factors reflecting average annual movements.</b></p>	<p>The actual inflation rate may vary from the average annual movement information applied.</p>	<p>Medium</p>	<p>There is no certainty as to what the actual inflation rates will be over the next ten years. External influences beyond Council control can affect these rates. If the asset class is depreciable the depreciation will differ from that in the forecast.</p>
<p><b>Depreciation rates on planned asset acquisitions:</b>  <b>Depreciation expenses on new assets acquired within the term of this LTP have been determined at the applicable rate defined within the accounting policies.</b></p>	<p>That the depreciation rate that is funded may vary from the forecast rate</p>	<p>Low</p>	<p>The depreciation expense has to be considered as part of the affordability to ratepayers but may result in an insufficient balance in the funded depreciation reserve to fund replacements. Council is funding depreciation on assets as follows:</p> <ul style="list-style-type: none"> <li>• Water services (water supply, storm water, wastewater) 100%</li> <li>• Other assets 50% in the first year increasing 25% thereafter</li> <li>• Depreciation on roading assets is not funded.</li> </ul>
<p><b>Impairment:</b>  <b>No allowance for any increasing natural hazards</b></p>	<p>Increased frequency and/or severity of flooding, coastal hazards, erosion and extreme heat may increase damage to assets and accelerate depreciation rates.</p>	<p>Low</p>	<p>As these things cannot be predicted, it would not be possible to estimate an impairment on affected assets.</p>

Forecasting assumption	Risk	Level of uncertainty	Reasons and financial effect of uncertainty																									
<p><b>Inflation has been calculated on costs each year, the relevant statistics provided primarily by BERL (Business and Economic Research)</b></p> <table border="1" data-bbox="112 268 761 513"> <thead> <tr> <th>Activity/Item</th> <th>25/26</th> <th>26/27</th> <th>27/28</th> <th>Source of information</th> </tr> </thead> <tbody> <tr> <td>Roading</td> <td>3.8%</td> <td>2.9%</td> <td>2%</td> <td>BERL</td> </tr> <tr> <td>Three Waters</td> <td>5%</td> <td>3.6%</td> <td>2.5%</td> <td>BERL</td> </tr> <tr> <td>Other Activities</td> <td>3.5%</td> <td>2.7%</td> <td>2%</td> <td>BERL</td> </tr> <tr> <td>Employee Salary Costs</td> <td>4%</td> <td>4%</td> <td>3%</td> <td>Strategic Pay</td> </tr> </tbody> </table>	Activity/Item	25/26	26/27	27/28	Source of information	Roading	3.8%	2.9%	2%	BERL	Three Waters	5%	3.6%	2.5%	BERL	Other Activities	3.5%	2.7%	2%	BERL	Employee Salary Costs	4%	4%	3%	Strategic Pay	<p>The actual price of our inputs and outputs will not increase at the rate assumed.</p>	<p>Medium</p>	<p>Low to high, depending on the level of variation. Changes could have a significant impact on our costs.</p> <p>BERL price change projections have been used to prepare the prospective financial statements. These are an industry recognised measure. Council will monitor annual updates and may respond if there are significant changes.</p>
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<p><b>New Zealand Transport Agency (NZTA) subsidy rate: NZTA financial assistance rate (FAR) for Kaipara District Council will remain at 62% for the life of this LTP. This level of subsidy will increase in proportion to increased costs.</b></p> <p><b>Emergency works subsidies are expected to decrease from 100% to approximately 82% from 1 July 2024 to compensate from the 2023 storm impact.</b></p>	<p>There is a risk that subsidy rates will reduce within the 10 year period.</p>	<p>Medium</p>	<p>Roading activities dominate Council’s expenditure. Any change in the subsidy rate has a direct impact on Council’s budget, level of rating or level of service.</p>																									
<p><b>Interest rates on borrowing:</b> Forecast interest rates are the actuals for existing loans and swaps. The interest cost of the new debt or refinanced debt is assumed to be at 6%.</p>	<p>Interest rates will increase beyond those budgeted for in the 10 year LTP period.</p>	<p>Medium</p>	<p>Interest costs on borrowing are mitigated by swaps.</p> <p>Current debt falling due in the next three years is \$7m pa. The debt impact if interest rises 1% in the next three years would be \$425k, \$285k, \$185k.</p> <div data-bbox="1585 954 2085 1236"> <table border="1"> <caption>Debt impact</caption> <thead> <tr> <th>Year</th> <th>+1% Impact</th> <th>-1% Impact</th> </tr> </thead> <tbody> <tr> <td>2023/24</td> <td>\$425k</td> <td>-\$425k</td> </tr> <tr> <td>2024/25</td> <td>\$285k</td> <td>-\$285k</td> </tr> <tr> <td>2025/26</td> <td>\$185k</td> <td>-\$185k</td> </tr> </tbody> </table> </div>	Year	+1% Impact	-1% Impact	2023/24	\$425k	-\$425k	2024/25	\$285k	-\$285k	2025/26	\$185k	-\$185k													
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Forecasting assumption	Risk	Level of uncertainty	Reasons and financial effect of uncertainty								
			<p>These costs would be offset by swaps we hold over the next three years \$241k, \$149k, \$120k.</p>  <p>New debt will be impacted by rising interest rates.</p> <p>A 1% variation in interest rates would give the following increases in interest costs:</p> <table border="1" data-bbox="1585 850 2007 991"> <thead> <tr> <th>Additional debt</th> <th>1% interest increase</th> </tr> </thead> <tbody> <tr> <td>\$10,000,000</td> <td>100,000</td> </tr> <tr> <td>\$20,000,000</td> <td>200,000</td> </tr> <tr> <td>\$30,000,000</td> <td>300,000</td> </tr> </tbody> </table> <p>A \$600k increase in interest would be a 1.2% increase to rates.</p>	Additional debt	1% interest increase	\$10,000,000	100,000	\$20,000,000	200,000	\$30,000,000	300,000
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<p><b>Refinancing term loans/external funding:</b> External loans are managed on a portfolio basis and refinanced in accordance with the parameters of the LTP, the Treasury Policy and on the advice of Council’s Treasury Advisors. Refinancing of external loans is assumed to be readily achieved.</p> <p>Council expects to maintain a significant lead-in time within which it can seek to lock in funding at acceptable margins.</p>	<p>Refinancing of external loans is difficult.</p>	<p>Low</p>	<p>The refinancing of Term Loans/External Funding may prove difficult to secure due to conditions within financial markets. This could lead to increased borrowing costs. Council will look to manage this risk by maintaining significant lead-in time before debt is needed.</p>								
<p><b>Internal borrowing:</b> Where activities undertake long term asset purchase or replacement, Council internally fund the expenditure from its cash on hand or debt facilities. Activities are separately charged on a principal and interest basis to recover funds used. Payment terms are made over five years for IT and similar short life expenditure, 10 years for the District Plan and</p>	<p>That the reserves are required in short timeframes and Council’s liquidity facilities are insufficient.</p>	<p>Low</p>	<p>Expenditure is planned through the Annual and LTPs. Council operates within the parameters of its Treasury Policy which incorporates the liquidity and liability management policies. Council would need to take out more debt if there was no surplus</p>								



Forecasting assumption	Risk	Level of uncertainty	Reasons and financial effect of uncertainty
<p>20 years for infrastructural assets. Debt for water services will be over 30 years unless it relates to pumps or reticulation which will be over 20 years. Operational reserves (cash on hand) are utilised in the first instance to minimise external debt funding. These reserves are effectively on call.</p>			<p>cash in the bank.</p>
<p><b>Development Contributions:</b>  <b>Council invests in many large infrastructure projects to meet the needs of current population and future growth. Initially debt is used to fund development contributions however Council budgets income to reflect the new properties connecting to the various schemes and new subdivisions contributing to specific projects eg roading or community.</b></p>	<p>Properties paying a development contribution occur at a lessor rate than assumed.</p>	<p>High</p>	<p>If the subdivision growth is lower than predicted then this will mean development contribution income is less. Where there are the projects forecast to built to support growth, then these may be able to be constructed at a future date. Where the capital expenditure has already been incurred there will be increased finance costs which Council would expect to recover through the development contributions. For the Mangawhai Community Wastewater Scheme 50% of the interest is absorbed by the general ratepayer.</p>
<p><b>Vested assets:</b>  <b>Council does expect to receive vested assets for the period of this LTP.</b></p>	<p>The value of vested assets is greater than predicted thereby increasing depreciation expense. That contributions in kind do not provide the cash resource required to undertake the growth projects set out in the LTP.</p>	<p>Medium</p>	<p>From time to time developers will seek to vest certain assets in Council in lieu of making payments for Financial or Development Contributions.</p>
<p><b>Sources for funds for future replacement of significant assets:</b>  <b>It is assumed that funding for the replacement of significant assets will be obtained in accordance with Council’s Revenue and Financing Policy.</b></p>	<p>The main risk is that budgets for some capital replacements may not have been included and sources may not meet requirements.</p>	<p>Low</p>	<p>There is little risk that sources of funds for replacement of significant assets will not be achieved. Funding of all asset replacements during the life of the LTP has been disclosed.</p>
<p><b>Local Government Funding Agency (LGFA)</b></p>			
<p><b>Guarantee obligations:</b>  <b>Council has become a “guaranteeing local authority” in the LGFA when it joined the Agency. This means it will have guarantee obligations.</b></p> <p><b>At the year-end 2023 Council’s exposure was \$18.57 billion.</b></p>	<p>Council is one of 44 local authorities that guarantee LGFA’s borrowings. These could be called on if LGFA defaulted on repayments of interest or capital.</p>	<p>Low</p>	<p>The only borrowers from the LGFA are Local Authorities and there has been no default by a Local Authority in New Zealand. In the event of a default. The LGFA will immediately be able to appoint a receiver and assess a special rate against all ratepayers in the defaulting Local Authority’s district.</p> <p>The LGFA has considerable sources of capital and</p>

Forecasting assumption	Risk	Level of uncertainty	Reasons and financial effect of uncertainty
			<p>liquidity available to meet any shortfall in timing of payments before any call is made under the guarantee.</p> <p>Operational risk is minimal due to the conservative borrowing and lending policies proposed as part of the LGFA scheme.</p>