Significant Planning Assumptions

Supporting documentation for the
2021-31 Long Term Plan Consultation Document

NAPIER
CITY COUNCIL
Te Kaunihera o Ahuriri

SIGNIFICANT PLANNING ASSUMPTIONS

Introduction

In order to plan for the long term, it is imperative to make assumptions about various aspects in the future. The significant assumptions made about the future form an important part of the planning framework.

Schedule 10 of the Local Government Act 2002 requires that the Council identifies the significant forecasting assumptions and risks underlying the financial information set out in the LTP. Where there is a high level of uncertainty the Council is required to state the reason for that level of uncertainty and provide an estimate of the potential effects on the financial assumptions. The level of uncertainty is determined by reference to both the likelihood of occurrence and the financial materiality.

The significant planning assumptions are listed on the following pages.

<table>
<tr><th>Assumption</th><th>Level of Uncertainty</th><th>Risk</th><th>Risk Likelihood</th><th>Consequence of uncertainty/ risk on the integrity of the LTP</th><th>Mitigation</th></tr>
<tr><td colspan="6">INFLATION</td></tr>
<tr><td>
<table>
<tr><th rowspan="2">Year</th><th colspan="2">Annual Cost Adjustors</th></tr>
<tr><th>LGCI Operating</th><th>LGCI Capital</th></tr>
<tr><td>2022/23</td><td>2.9</td><td>3.0</td></tr>
<tr><td>2023/24</td><td>2.5</td><td>2.6</td></tr>
<tr><td>2024/25</td><td>2.5</td><td>2.6</td></tr>
<tr><td>2025/26</td><td>2.5</td><td>2.7</td></tr>
<tr><td>2026/27</td><td>2.5</td><td>2.6</td></tr>
<tr><td>2027/28</td><td>2.6</td><td>2.8</td></tr>
<tr><td>2028/29</td><td>2.7</td><td>2.8</td></tr>
<tr><td>2029/30</td><td>2.7</td><td>2.9</td></tr>
<tr><td>2030/31</td><td>2.6</td><td>2.7</td></tr>
</table>
</td><td>Low

Inflation rates have been estimated using the BERL Local Government Cost Adjustor Forecasts (September 2020). We also assume that the Reserve Bank will use monetary controls to keep CPI within the 1.5 percent to 3 percent range.</td><td>Actual inflation rates and industry movements will vary from these forecasts.</td><td>Unlikely</td><td>Minor to Moderate

Incorrect adjustor forecasts could result in Council over or underfunding operational and capital costs.

At the point in time of writing the LTP, construction i.e., year on year adjustments for capital movements were higher than inflation which may impact on the capital budget requirements set out in the plan.</td><td>Preparing an annual budget and resetting rates combined with a triennial review of the LTP mitigates this risk and effect aging</td></tr>
</table>

Assumption	Level of Uncertainty	Risk	Risk Likelihood	Consequence of uncertainty/ risk on the integrity of the LTP	Mitigation
POPULATION GROWTH					
Council are considering potential options for future long-term growth in and around Napier as part of the Heretaunga Plains Urban Development Strategy (HPUDS) review. The review of HPUDS will commence in 2021 and expected to finalise in early 2022. The review of HPUDS will provide opportunity for stakeholders and interested parties to provide their views on any options that are within the agreed scope of the review. The outcomes of the review will be used for informing the Infrastructure Strategy and capital programme for the LTP 2024-2034. HPUDS objective is to preserve the fertile soils in the Heretaunga Plains and therefore promotes intensification rather than greenfield development.					
(see table below)	Moderate Projections are based on Statistics NZ population estimates from 2013 census data given the delays in analysis of the 2018 census data.	The actual population growth and its composition could differ	Possible It is possible that the population estimates from Stats NZ based on the 2018 census data will somewhat differ from the estimates based on the 2013 census data.	Moderate Development of Council's Capital Plan and Infrastructure Strategy take into account population growth; unless the population growth is substantially above or below the medium high scenario there are no major impacts on the capital plan. A slower than projected rate of growth could see lower than anticipated revenue generation (from development levies, resource consents and financial contributions). Growth assumptions also affect planned levels of service for Council activities and influence asset management planning (particularly in terms of new growth-related infrastructure and renewals). Significantly higher growth would mean that activities and infrastructure face unsustainable pressure and may fail to deliver levels of service.	Forecasted growth can be accommodated within the levels of service outlined in this plan. Where higher levels of growth create demand for new infrastructure, Council can collect financial contributions to meet a portion of the costs of new or upgraded investment.

Year	Total Napier City	Annual Growth Rate
2020	63,500	
2021	63,900	0.63
2022	64,300	0.63
2023	64,700	0.62
2024	65,050	0.54
2025	65,400	0.54
2026	65,750	0.54
2027	66,100	0.53
2028	66,450	0.53
2029	66,750	0.45
2030	67,050	0.45
2031	67,350	0.45
Year 11 to 30		
2036	68,610	0.32
2041	69,620	0.27
2046	70,540	0.26
2051	71,140	0.11

<table>
<tr><th>Assumption</th><th>Level of Uncertainty</th><th>Risk</th><th>Risk Likelihood</th><th>Consequence of uncertainty/ risk on the integrity of the LTP</th><th>Mitigation</th></tr>
<tr><td colspan="6">HOUSEHOLD GROWTH</td></tr>
<tr><td>The projected increased in household units for the LTP 2021-2031 period are 1,853. The projections are halfway between Medium and High Statistics NZ projections from 2016.
<table>
<tr><th rowspan="2">Year</th><th rowspan="2">Total house-hold num-bers</th><th colspan="3">Development Split</th></tr>
<tr><th>Infill</th><th>Greenfield</th><th>Rural</th></tr>
<tr><td>2020</td><td>25929</td><td>20236</td><td>4845</td><td>848</td></tr>
<tr><td>2021</td><td>26093</td><td>20306</td><td>4932</td><td>855</td></tr>
<tr><td>2022</td><td>26256</td><td>20376</td><td>5019</td><td>861</td></tr>
<tr><td>2023</td><td>26419</td><td>20445</td><td>5106</td><td>868</td></tr>
<tr><td>2024</td><td>26562</td><td>20484</td><td>5207</td><td>871</td></tr>
<tr><td>2025</td><td>26705</td><td>20523</td><td>5309</td><td>873</td></tr>
<tr><td>2026</td><td>26848</td><td>20562</td><td>5410</td><td>876</td></tr>
<tr><td>2027</td><td>26991</td><td>20600</td><td>5511</td><td>879</td></tr>
<tr><td>2028</td><td>27573</td><td>20973</td><td>5703</td><td>896</td></tr>
<tr><td>2029</td><td>27697</td><td>21003</td><td>5795</td><td>899</td></tr>
<tr><td>2030</td><td>27822</td><td>21032</td><td>5888</td><td>902</td></tr>
<tr><td>2031</td><td>27946</td><td>21062</td><td>5980</td><td>905</td></tr>
<tr><td colspan="5">Year 11 to 30</td></tr>
<tr><td>2036</td><td>28587</td><td>21241</td><td>6428</td><td>918</td></tr>
<tr><td>2041</td><td>28888</td><td>21166</td><td>6804</td><td>918</td></tr>
<tr><td>2046</td><td>30669</td><td>22310</td><td>7387</td><td>972</td></tr>
<tr><td>2051</td><td>30530</td><td>22155</td><td>7404</td><td>971</td></tr>
</table>
Napier City Council is preparing the development of a Napier Spatial Plan in preparation of the Heretaunga Plains Urban Development Strategy (HPUDS) review which is due later in 2021 early 2022. The HPUDS review will provide the opportunity to assess new greenfield areas for development as well as identifying the priority areas for intensification or infill. The forecast mix of residential growth is as follows:
<table>
<tr><th>Development type</th><th>Napier City</th><th>HPUDS – regional target split by 2045</th></tr>
<tr><td>Intensification (infill and brownfields)</td><td>73%</td><td>60%</td></tr>
<tr><td>Greenfield</td><td>24%</td><td>35%</td></tr>
<tr><td>Rural</td><td>4%</td><td>5%</td></tr>
</table>
</td><td>Moderate

Projections are based on Statistics NZ population estimates from 2013 census data given the delays in analysis of the 2018 census data.</td><td>Actual physical growth could differ</td><td>Possible</td><td>Variations in population growth could impact upon the demand for community facilities and level of service for infrastructure over time. Changes may require acceleration or slow-down of growth-related projects. Council's Financial Strategy outlines how such projects are to be funded. Impacts on individual ratepayers will not be significant unless growth is significantly above or below that forecast</td><td>Close monitoring of population growth through the National Policy Statement on Urban Development Capacity will mitigate expected risks.</td></tr>
</table>

Assumption	Level of Uncertainty	Risk	Risk Likelihood	Consequence of uncertainty/ risk on the integrity of the LTP	Mitigation
AGEING POPULATION					
Napier's population is ageing, with 28% of the population projected to be 65 years or over by 2033 (compared to 22.9% in 2023).	Moderate This is the medium projection from Stats NZ. These projections have the estimated resident population of the area at 30 June 2013 as a base in lieu of the updated statistics from the 2018 census.	Actual population aged over 65 years could differ	Possible	Minor If the population ages at a faster rate than anticipated, this could create unanticipated demand for services for older people, higher demand for secure housing for older persons, and result in a higher than anticipated proportion of ratepayers on a fixed income.	Council will monitory demographic changes through census information and other economic indicators. Planned project related to retirement housing and implementing Napier City Council's Positive Ageing Strategy can be delayed or brought forward as updated demographic projections become available.
GROWTH IN RATING BASE					
Growth in the rating base (number of properties from which council collects rates) is driven by growth in the number of households and industrial\commercial expansion Based on historic data and the growth assumptions in this LTP an allowance of 0.3% per annum has been included for additional rates revenue as a result of growth in the rating base. This represents a conservative estimate relative to the potential income from the projected increase in households. Clause 15A of Schedule 10 of the Local Government Act 2002 requires the projected number of rating units to be outlined for each year covered by the plan. These projections can be found in the table below:	Moderate The growth allowance represents a conservative estimate relative to the potential income from the projected increase in households.	Actual growth in the rating base could differ.	Possible	Moderate The rate of growth will impact on the average rates increase for existing ratepayers	Income from rating will be reviewed and adjusted as population projections become more certain.

NCC Projected Rating Units

Year Beginning June	Rating Units	% Change
2020	26325	
2021	26516	0.73%
2022	26709	0.73%
2023	26902	0.72%
2024	27074	0.64%
2025	27246	0.64%
2026	27418	0.63%
2027	27590	0.63%
2028	27762	0.62%
2029	27914	0.55%
2030	28066	0.54%

Assumption	Level of Uncertainty	Risk	Risk Likelihood	Consequence of uncertainty/ risk on the integrity of the LTP	Mitigation
CAPITAL PROGRAMME DELIVERABILITY					
Programmes and projects are assumed to be delivered within budget and on time. The plan includes a significant increase in capital expenditure, particularly in the first two years as this is supported by the availability of Government funding.	Moderate Unforeseen interruptions to business as usual, such as that experienced during the COVID19 lockdown, can result in overspend or slippage of timeframes for Council projects.	The risk is that the capital programme is not able to be delivered on time and within the budget available.	Possible The risk of falling short on delivery of the Capital Plan will remain relatively low as long as NCC is able to hire and engage the right employees and contractors with the capacity to deliver (discussed in assumption 7 below).	The implication of any shortfall in project delivery are: • Projects may cost more than planned due to inflation • Less funds will need to be borrowed in the short term. Delaying new borrowing will impact on the timing of financing costs • Delays in proposed improvements to services	Council will be working proactively to plan for the delivery of major projects proposed in the plan. A greater lead time will improve the chances of delivery on time and on budget. Council does have an in-house civil works capability that will be utilised to deliver projects wherever possible. Where projects are not able to be completed as scheduled within any given year Council will carry forward the budget and funding.
CONTRACTOR AVAILABILITY					
That Council will be able to find skilled contractors to undertake the work programmed in this plan. Currently there is very little surplus capacity in the contracting market due to the housing boom and the increased level of capital works proposed my many local authorities.	Moderate	The risk is that there is not sufficient contractor capacity to deliver the capital programme on time or that contract prices increase significantly so that works cannot be delivered within the budget available.	Possible	Challenges in procuring services impact on Council's ability to deliver on time and to budget, ultimately affecting the longevity and durability of this plan.	Council will proactively work with the local contractor community to procure major works. Where projects are not able to be completed as scheduled within any given year Council will carry forward the budget and funding.
RESOURCE CONSENTS					
Conditions for existing resource consents held by Council will not be significantly altered. Any resource consents due for renewal during the 10 year period will be renewed accordingly, such as the consent for the Wastewater Treatment Plant. Significant initiatives that will require new consents include the wastewater outfall and discharge location into the ocean. It is assumed that all necessary consents will be granted when required with reasonable conditions	Low Advance warning of likely changes is anticipated.	Conditions of Resource Consents may be altered significantly or Council may not secure resource consents required for new activities or be unable to renew existing resource consents upon expiry.	Possible	Moderate Material changes to resource consent conditions can result in a need for upgrade to assets and changes to the manner in which they are operated. This would have financial implications for Council.	Constant monitoring of the regulatory environment and performance against existing conditions provide a record of compliance to support future processes and renewals.
THE RESOURCE MANAGEMENT ACT 1991					
In responding to the Randerson review of the Resource Management Act 1991, the Government has announced its intention to replace it with three new pieces of legislation: Natural and Built Environments Act Strategic Planning Act Climate Change Adaptation Act It is assumed that new legislation will require more serviced land available for development in the next 3 to 5 years.	Low Advance warning of likely changes is anticipated and a transitional period is likely. More detail about the changes will be available later in 2021.	Conditions of Resource Consents may be altered significantly or Council may not secure resource consents required for new activities or be unable to renew existing resource consents upon expiry.	Possible	Moderate Material changes to resource consent conditions can result in a need for upgrade to assets and changes to the manner in which they are operated. This would have financial implications for Council.	Constant monitoring of the regulatory environment and performance against existing conditions provide a record of compliance to support future processes and renewals.

Assumption	Level of Uncertainty	Risk	Risk Likelihood	Consequence of uncertainty/ risk on the integrity of the LTP	Mitigation
LEVELS OF SERVICE					
There are no significant changes to the level of core or essential services within the plan. In the longer term, Council's investment programme in support of growth will potentially increase certain levels of service incrementally over time.	Low Level of service changes are generally triggered by increased community expectations or demand or new legislative requirements imposed by central government. Resident Satisfaction Surveys and other engagement strategies generally support the levels of service planned in this LTP.	A change in services or levels of service delivered may be demanded by the community or necessitated by a change in primary legislation.	Unlikely	Moderate An increase or decrease in Council's levels of service usually have a direct impact on Council's rates requirement. Increased levels of service inevitably require more resourcing.	Any future changes to service levels are subject to consultation with our community.
SERVICE DELIVERY					
Section 17A of the LGA requires a review of the cost effectiveness of current arrangements for meeting the needs of the community for good quality local infrastructure, local public services and performance of regulatory functions. No assumption has been made in this LTP regarding the cost implications of implementing any recommendations from section 17A reviews. At this point in time no significant impacts are expected as a result of s17A reviews.	Moderate	Local Government Act, Section 17A reviews may recommend a change of method of delivery of Council services or funding requirement.	Possible	Minor Since section 17A reviews are based on cost effectiveness, any changes will potentially lower projected rates increases for ensuing years. However there is a risk that recommended changes to funding, governance or service delivery arrangements for an activity will result in costs that are not accounted for in current budget.	Section 17A reviews will only be conducted as scheduled, with a clearly defined scope and objectives. A summary of any review and recommendations will be put to Elected Members for consideration and decision. Any changes will be consulted on in accordance with the Significance and Engagement Policy and included in subsequent Annual Plans and / or Long Term Plans.
USEFUL LIVES OF SIGNIFICANT ASSETS					
The assumed useful life of significant assets as outlined in the Statement of Accounting Policies determine the annual charge for the consumption or wearing out of assets (depreciation).	Low Asset lives are based upon estimates made by engineers and registered valuers.	Useful life may be shorter/longer than expected which may result in unbudgeted cost, or replacing an asset prematurely.	Unlikely	Minor Depreciation and interest costs would increase if capital expenditure was required earlier than anticipated. However, these impacts could be mitigated as capital projects could be reprioritised in the event of early expiration of assets.	Asset capacity and condition is continually monitored, with replacement works being planned accordingly. Preparing an annual budget and resetting rates combined with a triennial review of the LTP mitigates the risk of inaccurate asset-lifecycle estimates.

Assumption	Level of Uncertainty	Risk	Risk Likelihood	Consequence of uncertainty/ risk on the integrity of the LTP	Mitigation
DEPRECIATION					
Depreciation rates applying to existing assets are outlined in the Statement of Accounting Policies and is based on the assumed useful lives of assets. Depreciation on new major infrastructural assets is calculated on actual expected rates commencing from expected time of completion of the project. The depreciation of other items is based on actual expected depreciation rates with a half year applied in the year of purchase. Depreciation is calculated on book values projected at 30 June, plus new capital.	Low	The cost adjustor forecasts could be incorrect. Capital projects could take longer to complete than budgeted. To some extent these factors mitigate each other.	Unlikely	Insignificant The impact of applying incorrect depreciation rates is not considered material in the context of the LTP.	Depreciation rates and useful lives of assets are reviewed on a regular basis to ensure accuracy of depreciation expense
SOURCES OF FUNDS FOR FUTURE REPLACEMENT OF SIGNIFICANT ASSETS					
It is assumed that significant infrastructural assets will be subject to continual renewal, and funded in the LTP. The source of funding any replacement of other significant assets is determined and disclosed. Refer also to the Funding of Capital Expenditure in the Revenue and Financing Policy, the Financial Strategy and the Infrastructure Strategy.	Low	Levels and sources of funding differ from those forecast, meaning Council needs to find other ways fund continual renewal of significant infrastructure assets	Unlikely	Minor User charges have been set at previously achieved levels. Depreciation is funded through rates.	If sufficient funds are not available for asset renewal within any given year, Council, due to its strong balance sheet, is able to borrow funds to meet its expenditure requirements.
ASSET REVALUATIONS					
Roading, Library and Investment Property assets are assumed to be revalued annually. Restricted assets relating to Sportsgrounds, Grandstands and Halls, Buildings on Reserves, Swimming Pools and Inner Harbour are assumed to be revalued three yearly using the inflation rates outlined in Assumption 1. Operational assets relating to Land and Buildings are assumed to be revalued three yearly using the inflation rates outlined in Assumption 1. Water, Wastewater and Stormwater Below and Above Ground assets are assumed to be revalued three yearly using the inflation rates outline in Assumption 1.	Low	The forecast revaluation could be incorrect, affecting the validity of the estimates.	Unlikely	Minor Variances in depreciation charge following revaluation would impact on the operating expenditure projections.	Council has the ability to smooth the impact of any changes on rates subject to meeting or explaining any variance from the balanced budget requirements. Triennial reviews of the LTP provide for regular opportunities to update forecasts.

<table>
<tr><th>Assumption</th><th>Level of Uncertainty</th><th>Risk</th><th>Risk Likelihood</th><th>Consequence of uncertainty/ risk on the integrity of the LTP</th><th>Mitigation</th></tr>
<tr><td colspan="6">INVESTMENTS</td></tr>
<tr><td><table>
<tr><th>Year</th><th>Investment Interest Rate</th></tr>
<tr><td>2022/23</td><td>0.8%</td></tr>
<tr><td>2023/24</td><td>0.8%</td></tr>
<tr><td>2024/25</td><td>0.8%</td></tr>
<tr><td>2025/26</td><td>2.6%</td></tr>
<tr><td>2026/27</td><td>2.6%</td></tr>
<tr><td>2027/28</td><td>2.6%</td></tr>
<tr><td>2028/29</td><td>2.6%</td></tr>
<tr><td>2029/30</td><td>2.6%</td></tr>
<tr><td>2030/31</td><td>2.6%</td></tr>
</table></td><td>Moderate</td><td>Changes in market interest rates and average levels of cash on deposit or invested may differ significantly from the plan. Investment income on the commercial and industrial land portfolio may grow at a different rate to the applied inflation factors.</td><td>Possible</td><td>Moderate

Lower than assumed rates of return could result in Council receiving less than forecast investment income.</td><td>The possible effect is mitigated by Council taking a conservative approach to rates of return.</td></tr>
<tr><td colspan="6">INTEREST ON LOANS</td></tr>
<tr><td>Interest rates on borrowed funds are largely influenced by factors external to New Zealand's environment. The annual interest rate assumption on all new external loans and the average cost of external debt is based on the Local Government Funding Agency (LGFA)'s long term borrowing yield interest rates for Unrated Guarantors and are as follows:<table>
<tr><th>Year</th><th>Annual Interest Rate Assumption</th><th>Average Cost of External Loans</th></tr>
<tr><td>2022/23</td><td>0.70%</td><td>0.70%</td></tr>
<tr><td>2023/24</td><td>0.70%</td><td>0.70%</td></tr>
<tr><td>2024/25</td><td>0.70%</td><td>0.89%</td></tr>
<tr><td>2025/26</td><td>1.47%</td><td>1.16%</td></tr>
<tr><td>2026/27</td><td>2.23%</td><td>1.47%</td></tr>
<tr><td>2027/28</td><td>3.00%</td><td>1.69%</td></tr>
<tr><td>2028/29</td><td>3.00%</td><td>1.85%</td></tr>
<tr><td>2029/30</td><td>3.00%</td><td>1.98%</td></tr>
<tr><td>2030/31</td><td>3.00%</td><td>2.08%</td></tr>
</table></td><td>Low</td><td>Interest rates on borrowed funds are largely influenced by factors external to New Zealand's environment.
A significant change to interest rates would affect the validity of the estimates.</td><td>Possible</td><td>Major

A 1% increase in interest rates would increase total rate funded interest costs (for both internal and external debt) by approximately $1.2m in 2021/22 rising to impact of $4m in 2030/31.

The impact of this level of increase in interest costs on rates is 1.8% in 2020/21, rising to 4.2% in 2025/26 and reducing to 3% in 2030/31 as debt is repaid in years 6 - 10.</td><td>Such increases are mitigated in terms of Council's overall rating requirement as exposure to external rates of interest is reduced via the use of internal loans.</td></tr>
</table>

Assumption	Level of Uncertainty	Risk	Risk Likelihood	Consequence of uncertainty/ risk on the integrity of the LTP	Mitigation
Council applies an average cost of capital when charging activities for funds borrowed. This includes external borrowing, the use of cash reserves and other funds (internal borrowing).					

Year	Investment Interest Rate
2022/23	0.70%
2023/24	0.70%
2024/25	0.89%
2025/26	1.16%
2026/27	1.47%
2027/28	1.69%
2028/29	1.85%
2029/30	1.98%
2030/31	2.08%

Assumption	Level of Uncertainty	Risk	Risk Likelihood	Consequence of uncertainty/ risk on the integrity of the LTP	Mitigation
NEW ZEALAND TRANSPORT AGENCY					
It is assumed that the level of subsidies received through the NZTA is 51% for both maintenance works and new construction and renewal works.	Low	That the level of NZTA subsidies changes	Unlikely	Moderate A change in subsidy level could affect the validity of the estimates by way of funding available for subsidised work and potentially the level of service delivered. Total NZTA subsidy of $58.2m has been provided for in this plan. A 3% reduction in the assumed subsidy rate would mean Council receives about $287,850 less than the forecast subsidy in 2021/22 and about $286,266 less in 2030/31. A 6% reduction in the assumed subsidy rate would mean Council receives about $575,699 less than the forecast subsidy in 2021/22 and about $572,532 in in 2030/31. If the subsidy was amended to only fund maintenance, operations and renewals (rather than improvement activities), Council would receive around $790,500 less than the forecast summary in 2021/22 and about $1.1m in 2030/31.	Council has little influence over a decision to reduce the subsidy. If subsidy revenue is less than expected, Council may be required to change to levels of service and/or find unbudgeted funding to cover capital and operating costs.

Assumption	Level of Uncertainty	Risk	Risk Likelihood	Consequence of uncertainty/ risk on the integrity of the LTP	Mitigation
LEGISLATION					
Legislation impacting on local government will continue to evolve, particularly in light of COVID-19, the 2020 report New Directions for Resource Management in New Zealand and indications of increasing climate change intervention such as a proposed policy for managed retreat. [Note that potential changes in legislation associated with 3 Waters is being considered as a separate assumption] It is assumed that Central Government will work with councils to ensure that any legislative changes are managed appropriately and to ensure benefits from its commitment to partnership with the local government sector are realised. For the purpose of this plan, the assumption is that any legislative reform or amendments will not require Council to assume responsibilities that require additional resources and hence additional cost.	Moderate Reforms impacting on the local government sector have been ongoing (reintroduction of wellbeings into the Local Government Act, establishment of a new water regulator, for example). Unexpected regulatory changes may arise from national or international events	Government policy shifts may significantly affect services delivered by Council, result in unforeseen costs, or not allow for reasonable implementation/transition	Possible	Moderate Changes to Local Government Legislation are ongoing and issues currently flagged include Three Waters (discussed separately), repeal and replacement of the Resource Management Act, water fluoridation, amendments to the Building Act 2004, zero carbon transition and standardising kerbside recycling. New or amended legislation may require changes to levels of service or unbudgeted capital and/or operating expenditures.	Council will keep a watching brief on policy proposals and the progress of legislative amendments through the House to predict (as far as possible) any financial and procedural impacts. Financial impact resulting from a need to respond to significant legislative/policy amendments could be met by rates increases or fees and charges.
EMISSIONS TRADING SCHEME					
It is assumed that the Emissions Trading Scheme is retained in its current form and that ETS charges can be met through Napier City Council's interest in the Omarunui Landfill. Emissions obligations have been hedged by way of forward purchase agreements and the cost is recovered by landfill refuse charges.	Moderate	Changes could be made to the scheme by the government that have an adverse impact on NCC, or the carbon price could be higher or lower than expected.	Possible	Minor Some additional ETS charges have been allowed for in this plan and any further increases would impact on financial forecasts.	The risk of Council facing additional charges is mitigated by the inclusion of LGCI adjustors. Triennial LTP review allows for adjustment as required.
WASTE DISPOSAL LEVY					
This plan has been prepared on the assumption that the Government proposal, announced by then Associate Minister for the Environment in July of 2020, to increase the waste disposal levy applicable to Class 1 (Municipal) landfills will be implemented as indicated according to the following draft schedule. This implementation schedule would see the levy progressively increase from $10 per tonne to $60 per tonne of household waste disposed to landfill. An increase in levy money collected by the Ministry for the Environment would result in larger levy money payments back to Napier City Council in accordance with section 31 of the Waste Minimisation Act 2008. This money has not been factored into forecast financial statements due to uncertainty.	Moderate	The increase to the waste disposal levy may be larger or smaller than signaled, or the phased implementation may differ from that scheduled, particularly given a change in Associate Minister for the Environment following the 2020 General Election.	Possible	Because an increase in the waste levy would result in higher operating cost for Council (kerbside waste, transfer station operation, litter control etc), this increased cost would need to be met with increased rates and fees/charges. This plan has been prepared in anticipation of the levy increases indicated in July 2020. Changes to the proposal would impact on the projected operating budget for the Waste Minimisation Activity group and would likely require changes to projected rates increases.	Council to keep a watching brief on developments. Adjustments can be pursued through an Annual Plan if required.

Assumption	Level of Uncertainty	Risk	Risk Likelihood	Consequence of uncertainty/ risk on the integrity of the LTP	Mitigation
NATURAL DISASTERS					
It is assumed that Napier will not face any major natural disasters or events causing significant harm will occur which cause widespread or catastrophic damage to our community or infrastructure.	High Natural disasters are inherently unpredictable, and severe weather events forecast to become stronger and more damaging as a result of climate change.	One or more natural disasters occur, resulting in injury or death and/or damage to property and infrastructure.	Possible	Major to Severe Damage and injury impacts on Council's ability to deliver planned levels of service and/ or increase operating expenses to ensure business continuity and community welfare. Damage to infrastructure may require uninsured or unbudgeted repairs.	Napier City Council takes a continuous improvement approach to emergency preparedness and business continuity planning. A key focus for this plan will be improving the city's resilience. There will be a number of earthquake strengthening and resilience projects aimed at helping us mitigate the adverse impact of a significant event and manage our event insurance costs.
EARTHQUAKE PRONE BUILDINGS					
Council has carried out a program of detailed seismic assessments of major Council owned buildings over several years. Most major buildings have now been assessed. Several buildings have been strengthened as a result. It is assumed that strengthening work will be carried out on the following buildings (currently assessed as earthquake prone): Taradale Plunket Rooms – Building is unoccupied. Strengthening work will be carried out subject to a business case identifying the future use of this building Henry Charles Village Hall – Separate budget for Strengthening and refurbishment is provided for in year 1 and 2 of the Plan. Faraday Centre – Current funding is available for strengthening and resolution of ownership issues subject to a business case. It is assumed that budget set aside over the 10 years of this plan ($3.3 million excluding the Civic and Library buildings, Henry Charles Hall and Faraday Centre which are provided for separately) is sufficient for remedial work on any other buildings found to be earthquake prone upon completion of future assessments during the lifetime of this plan. It is assumed that the budget included in this plan will cover the full cost of ensuring any development on the Civic Precinct site is quake-resistant. Options for future accommodation for the public library, governance, customer services and office accommodation will be determined based on a masterplan for the Civic Precinct along with a full business case.	Moderate	Costs relating to strengthening and refurbishment works or rebuilding may exceed the provisions in the LTP	Possible	Moderate If additional buildings are identified as requiring strengthening, the cost of that remediation could surpass the $3.3 million set aside in years 3 and 4 of this plan. Cost is ultimately determined by the scale of the works required, which aren't known. Council may need to find unbudgeted money to cover the cost, or look to reducing levels of service (such as closing a building or relocating services) until work can be carried out.	To mitigate the risk of overspend on the Civic Precinct, work will be preceded by preparation of detailed business cases, including reconsidered strengthening options or rebuild options, and updated costings with adequate contingency provisions.

Assumption	Level of Uncertainty	Risk	Risk Likelihood	Consequence of uncertainty/ risk on the integrity of the LTP	Mitigation
CLIMATE CHANGE					
Napier City Council is assuming that the climate change impacts on the City will fall somewhere between the medium and high concentration pathway scenarios from the Hawke's Bay Regional Council, Gisborne District Council and Envirolink commissioned NIWA report 'Climate Change Projections and Impacts for Tairāwhiti and Hawke's Bay' (November 2020) As part of this assumption, Napier City Council acknowledges the regional context for climate change management and adaptation; with Hawke's Bay Regional Council having declared a Climate Emergency in June of 2019.	Medium The pathway scenarios have been developed by NIWA based on global climate models updated for the publication of the Intergovernmental Panel on Climate Change Fifth Assessment Report in 2013 and 2014. The pathway scenarios do not take into account possible new mitigation activities like actively reducing gas emissions or increasing carbon sinks.	There is a risk that climate changes (including increased temperature, changes in rainfall patterns, increased frequency and severity of extreme weather events, and sea level rise) happen sooner than, or are worse than, expected. This would mean city infrastructure is not prepared to cope with the effects. Conversely, climate changes may happen slower than predicted (either due to uncertainty in forecasts, or increased mitigatory action) meaning that changes to services and infrastructure happen prematurely.	Possible	Major If the impacts of climate change have been underestimated or timeframes are too conservative, Council will fail to meet levels of service across many activities, but particularly in regards to Three Waters, public amenities in waterfront areas and parks and reserves. Quality of life in Napier will reduce as a result, and the integrity of property will be compromised. Increased pressure on, and potential damage to key infrastructure could place pressure on Council finances. Should the effect have been overestimated, there is little impact on the period of this Plan, but it could result in unnecessary spending in the long term.	Council activities will build appropriate mitigation responses into infrastructure development. The Council will continue to monitor climate change science and the response of central government and adapt its response where required.
PARKLANDS RESIDENTIAL DEVELOPMENT					
The budget for the LTP assumes the sale of 305 residential lots in the Parklands development. This is based on the past sales and the amount of Council owned land zoned for the development. The land available is expected to be exhausted in year 6 (2026/27) of this plan and revenue from the development will cease at this point.	Low	That the sales are higher or lower than the annual forecast compared to the Long Term Plan.	Unlikely	Moderate Customer demand and availability of builders has a direct impact on the number of lots offered and the actual sales completed. These factors are indirectly impacted by the national economy for better or worse. Higher or lower sales than budgeted will impact on revenue and cash reserves. Special projects for Council that are funded from this source may be delayed if this funding is not available.	Sale data will be regularly reviewed, with supply and pricing reviewed if necessary.

Assumption	Level of Uncertainty	Risk	Risk Likelihood	Consequence of uncertainty/ risk on the integrity of the LTP	Mitigation
DEVELOPMENT AND FINANCIAL CONTRIBUTIONS					
The LTP budgets assume the revenue from infill, greenfield and rural lots levied under the District Plan will come from Financial Contributions. The contribution received are to fund the growth/capacity cost of development. Council may choose to incentivise residential developments in the CBD/CD fringe by reducing the Financial Contributions charged for inner city living where there is no additional demand on services. This will encourage the strategic outcome of City Living supporting a vibrant CBD. The desirability of Development Contributions may be revisited once the Heretaunga Plains Urban Development Strategy review is complete.	Low	That the number of subdivisions actioned are higher or lower than the annual forecast Council funds infrastructure in growth areas and growth does not eventuate.	Possible	Moderate Slower subdivision rates than projected will impact the revenue from Development Levies/ Financial Contributions and consents and may result in some of the cost of providing the development being met by ratepayers	Council will manage the financial implications as far as possible by monitoring subdivision approvals and timing.
THREE WATERS					
The Government is reviewing how to improve the regulation and supply arrangements of drinking water, wastewater and stormwater. While there is still significant uncertainty about the outcomes of the review, it is assumed that Council will deliver Three Waters services over the life of the LTP.	High	It is highly likely that new regional entities will be established to take responsibility for waste water and water supply during the period of this plan. It has been signaled that Stormwater is to be included but the scope of this is not decided.	Likely	Major With the Government's focus on the three waters reform it is possible in the long term that local authorities will no longer be responsible for these activities.	Council has signed the Three Waters Memorandum of Understanding which will ensure we keep abreast of policy and legislative developments and should be able to plan for any financial and procedural impacts.
WATER STANDARDS					
The Government has produced Exposure Drafts for the new Drinking Water Standards. It is expected that these will go through largely unchanged and this will have implications on treatment and monitoring for the supply	High	It is highly likely that Council will need to comply with the new standards within one year of the new standards coming into force. This is likely to force Council to provide additional treatment at all bores. If this is not achieved the supply could become non-compliant and further action from the regulator could result.	Likely	Major This leads to discussion around short and long term options for configuration of councils supply. I.e. implementing short term treatment solutions at existing bore sites or fast tracking outcomes for Councils Water Master Plan and providing a robust solution that provides for a resilient, future proofed network.	Council is progressing with some of the required improvements as part of the 3W Reform Tranche 1 funding which will start Council on the journey. Additionally alternatives are being provided in the LTP to determine which is the best way forward.

Assumption	Level of Uncertainty	Risk	Risk Likelihood	Consequence of uncertainty/ risk on the integrity of the LTP	Mitigation
COVID-19 ALERT LEVELS AND BORDER RESTRICTIONS					
This plan assumes that New Zealand is able to contain any further significant community transmission of COVID19, and remains at Alert Level 1 throughout 2021. It is assumed that vaccination of essential staff and border workers will begin in the second quarter of 2021, and vaccination of the general public to begin in the second half of the year. As in the Pre-election Update, border restrictions are assumed to start easing from 1 July 2021 and to be lifted on 1 January 2022. Is it predicted that international visitor numbers will not recover to pre-COVID-19 levels until 2023.	Moderate	That significant community transmission is detected either in New Zealand or in Hawke's Bay, and the New Zealand Government moves either the whole country or the Hawke's Bay region is subject to further lockdowns and restrictions on movement. This would impact upon both Council activities and services, and the emotional, physical and financial wellbeing of our community.	Possible	Major A majority of Council's workforce be required to work from home. Essential service personnel working (predominantly out of Napier City Council's depot, but also including staff at specific facilities like the Aquarium) would be require increased levels of PPE and possibly need to change times and places of work in order to effectively socially distance. Both situations would disrupting business and usual and reduce productivity. Staff time and resources would likely need to be diverted to helping residents in acute difficulty due to business closures, job losses or poor health. Initiatives may include rates remissions/ postponements, support for social services, emergency funding and welfare calls and visits.	Napier City Council can mitigate impacts on organisational productivity to an extent by having a workforce equipped to quickly transition to working from home. Napier City Council will take a continuous improvement approach to emergency preparedness and business continuity planning. There is a national vaccine programme being undertaken to reduce the level of infection across the community in the future.
COVID-19 ECONOMIC RECOVERY					
While the COVID-19 restrictions saw a quarterly decline in GDP of 12.2% in the June quarter of 2021, recovery has been swift. This plan assumes New Zealand's economy recovers to pre-COVID-19 levels of activity by early 2022, as per the Reserve Bank's Monetary Policy Statement of November 2020. It is assumed that the national unemployment rate will peak at a forecast 6.9% by the end of 2021. Once border restrictions are eased and economic activity continues to recover, the unemployment rate is forecast to fall gradually, reaching 4.0% by the end of 2025, as per the Half Year Economic and Fiscal Update (December 2020) from The Treasury.	High New Zealand's economic outlook is highly uncertain and will be dependent on global health outcomes and the return of international tourism.	The risks are twofold; that GDP recovery is slower than anticipated and/or that the peak national unemployment rate exceeds 6.9%.	Possible	Moderate If GDP recovery is slower than predicted, the Napier community could face longer periods of lower incomes, high unemployment and low investment. This impacts on people's ability to pay rates, reduces revenue for Council-owned business and tourism activities and could stagnate new residential development and business innovation. Projected rates rises may need to be revisited, or significant capital projects either rescheduled, rephrased or alternative funding sought.	Preparing an annual budget and resetting rates combined with a triennial review of the LTP mitigates this risk and potential effects.

Assumption	Level of Uncertainty	Risk	Risk Likelihood	Consequence of uncertainty/ risk on the integrity of the LTP	Mitigation
COVID-19 IMPACTS ON COUNCIL BUDGET					
No significant financial impacts have been noted from Covid-19 in the LTP. This is based on actual results since the pandemic closures began in March 2020 when local and national visitor numbers have increased and offset most of the international gap.	Moderate There has been very little financial impact on the tourism business units since returning to COVID19 Alert Level 1	NZ returns to COVID19 alert level 4 for a considerable period of time. That international visiting groups that are booked at the Municipal Theatre are unable to enter the country due to restrictions. That Alert Levels impact on conferences and events being held at the Napier War Memorial Centre.	Possible	Major ($1m-$5m) A return to COVID19 alert level 3 or 4 would impact the tourism business units (depending on the period of the lockdown). Lower visitor numbers would result in lower revenue	Council can use loan funding to minimize any financial impact and/or reduce levels of service.
HAWKE'S BAY REGIONAL AIRPORT					
It is assumed that Hawke's Bay Airport will not experience any further significant reductions in passenger numbers as a result of COVID19 travel restrictions, however will continue to operate at a loss for 2020/21 and 2021/21 and mean that shareholders do not receive dividends for the foreseeable future. The Hawke's Bay Airport Statement of Intent for the 2021 Financial Year states that "HBAL is forecasting losses for the first two years of the post Covid-19 recovery period which makes the prospect of any dividend payments unlikely until FY2022/23". Napier City Council's forecast anticipates that dividend payments will not commence again until 2025.	Low	Community transmission of Covid19 resulting in further lockdowns within the community, reducing traveller numbers and extending the period of time during which the airport continues to operate at a loss.	Possible	Moderate Napier City Council holds a 26% share in the airport along with the Crown and Hastings District Council, and usually receives an annual dividend. In 2019, the total dividends paid was $577,990, however no dividends were paid in 2020 due to the economic impact of COVID19. The Airport is predicting that further dividends will not be payable until 2022/23; Napier City Council has taken a more conservative approach and is not anticipating dividend payments until 2025. Future lockdowns and disruption to tourism could push this timeframe back even further.	New Zealand is implementing stringent border controls for international arrivals to manage the risk of community transmission, and is assumed that public vaccination will begin in the second half of 2021. Napier City Council has not anticipated receiving dividend money until 2025.