



**SOUTH WAIRARAPA
DISTRICT COUNCIL**
Kia Reretahi Tātau

Significant Assumptions

Date of Approval	xx June 2025
Next Review	30 June 2027

Forecasting Assumptions

1. General Forecasting Assumptions

Preamble

The Long Term Plan (LTP), along with all forward planning documents, are subject to the risks associated with making assumptions about the future.

Council has taken care to ensure the forecasts are as accurate as possible; the significant forecasting assumptions are discussed below.

Considering the above observations, actual results may vary from that forecast.

Users should note that the information contained in this LTP may not be suitable for other purposes.

Governance

Following the general election in 2023, a new coalition Government has been formed. The new Government has made several changes to legislation, including the removal of Affordable Waters, replacing it with Local Waters Done Well. In August 2024, the Government announced that it would be removing the four wellbeing's from the Local Government Act 2002 which is the premise of the current purpose of Local Government. It has yet to determine what the replacement purpose is but has signalled that it will relate to core services rather than "nice to have" services. Work is also underway to reform the Resource Management Act 1991, but this is being staged and at the time of writing, details are yet to be circulated to Councils. **The assumption in this LTP is therefore that Council will continue to work within the legislation in currently place and that any amendments that substantively change how Council operates will be accommodated at a suitable point in the planning process.**

Population Growth

Census data shows that the population in the district increased by 11.7% from 10,575 in 2018 to 11,811 in 2023. This represents an average annual change over the 5-year period of 1.8%. By comparison, population projections used for our last LTP indicated an average annual change of 2.2% over the period. However, at the time of the last LTP the impact of Covid-19 on population growth was uncertain.

Census data also notes that growth has been lower over the last five years than prior to Covid-19. Average annual growth slowed from 2021 (2.1%) to 2023 (1.0%). Statistics New Zealand notes that South Wairarapa's 2023 annual change was made up of 8% natural increase, with 92% net internal migration and -8% net international migration.

Population projections for the period 2023 to 2053 have been obtained from the median population projections provided by Sense Partners. Forecast information projects how the population, age structure and household types will change between now and 2053. The projections were compiled in March 2023 and considered the impact of economic and population forecasts.

The LTP is based on the Sense Partners median growth projections. We are not a high or medium growth district for the purposes of the National Policy Statement for Urban Development and in terms of local economic growth. However, predictions are that South Wairarapa will grow 1.4 times more than the average of the Wellington Region, and 1.2 times the national average. The medium growth scenario is therefore more likely over the life of this LTP considering previous trends and the local economy.

South Wairarapa's population growth is predicted to increase slightly over the period of the LTP, mostly from strong internal migration from within New Zealand.

Sense Partners' projections indicate that the district's resident population will grow from 11,811 in 2023 to 13,011 in 2032 and 14,811 by 2052. This represents an average annual growth of 1.1% from 2023 to 2032 over the life of this LTP and 1.3% from 2023 to 2052.

By comparison, projections used for our last LTP indicated a population of 12,733 by 2043 and an average annual growth rate of 0.9 % from 2018 to 2028 and 0.7% from 2018 to 2043.

Migration to the district is influenced by the local and national housing market and development potential. Housing is becoming increasingly unaffordable in the district and is less affordable than the New Zealand average. The Housing Affordability Percentage Measure tells us whether households are spending more or less than 30 percent of their income on housing costs. In December 2018, the share of potential first home buyer households in the South Wairarapa who would be spending over 30 percent of their income on housing costs was 79%, higher than the national level of 75%. This compares to 38% of South Wairarapa renter households spending over 30 percent of their income on housing costs, again higher than the national level of 31%.

The average property value to average annual household income ratio has also increased to 5.5 in Q2 2020 compared to the district average of 4.0 over the period 2004/2020. The district is the least affordable in the Wairarapa with Masterton's Q2 2020 value to income ratio of 5.0 and Carterton's of 5.2. The district's population is increasingly influenced by migration from the wider Wellington region and affordability is worse in the Kapiti Coast with a ratio of 7.1 and Wellington City and Lower Hutt City with a ratio of 6.0.

The Council's 30-year Spatial Plan identifies areas for future growth across the district's three towns to respond to issues of housing affordability and to provide choice for existing and future residents.

RISK	Growth occurs at a different rate than assumed
LEVEL OF UNCERTAINTY	Medium to High
REASONS AND FINANCIAL EFFECT OF UNCERTAINTY	<p>The population growth assumption is based on the Sense Partners medium growth projections. There is inherent uncertainty in the base assumptions for population movement, labour market, economic conditions, and development potential.</p> <p>Growth may occur at a faster rate than assumed due predominantly to the proximity to Wellington for employment and relative housing affordability. Net migration may increase as people are attracted to the lifestyle the district offers and as future growth opportunities are opened.</p> <p>We are investing in our infrastructure over the life of this LTP to address previous under-investment. However, this investment is focused on renewing (38%) and improving (52%) assets to maintain compliance with regulations. Investment in network capacity (10%) is planned to take place later during the Long Term Plan period and beyond. Although this may constrain growth in Greytown and Martinborough in particular, this decision has been made for reasons of affordability and availability of delivery contractors.</p>

Household Growth

In terms of future projections, Sense Partners' medium growth scenario indicates that the number of households in the district will increase from 5,333 in 2023 to 6,177 in 2033 and 7,504 in 2051. This represents an average annual growth of 1.6% from 2023 to 2033 over the life of this LTP and 1.4% from 2023 to 2053.

Household growth demand is projected to be concentrated in the three urban areas, in particular Greytown and Featherston due their desirability for commuting by rail, with lesser growth in Martinborough. This is consistent with the planning direction proposed in the Wellington Regional Growth Framework which encourages Transit Oriented Developments around existing train stations. The Framework identifies Featherston as a “growth node” and an area around Woodside Station in Greytown as a longer-term growth option.

Note that the number of households will be lower than the number of dwellings or rateable properties as “households” are the permanent population, and the latter includes second and holiday homes and other unoccupied properties.

Sense Partners’ notes that the growth in the number of households is due to the growing population and steady average household size.

As is the case for most of New Zealand, the population in South Wairarapa is projected to see an aging population over the next 25 years. The population aged 70 years and older is projected to grow by from 16.6% in 2023 to 17.6% in 2033, and 18.2% in 2048. As a result, the average age is projected to rise slightly from 44.5 in 2023 to 45 in 2033, and 45.6 in 2048.

The working age population is projected to decrease from 59.7% of the population to 57.6% in 2048. Furthermore, the labour force (number of working age people participating in the labour force) is predicted to grow by only 1.6% annually over the 10 years of the LTP, and those in employment by 1.4% over the same period.

The aging population is one component of the increase in smaller households, along with increasing life expectancy and societal trends towards smaller families. Infometrics projects a decline in the average household size going from 2.3 in 2019 to 2.19 in 2051. The strongest growth in household types takes place in one person households and couples without children but growth is expected in every household type as the overall population grows. One person households make up 25% of all households in 2019 and 29% in 2051 and couples without children make up 34% of all households in 2019 and 34% in 2051. The proportion of couples with children declines over the period with 26% of all households in 2019 and 23% in 2051.

The combined population growth and demographic changes have implications for the district’s infrastructure and housing needs and the social and cultural wellbeing of our ageing community. The Council’s 30-year Spatial Plan identifies areas for future growth across the district’s three towns to provide choice for existing and future residents. As Featherston is a priority growth area, a Masterplan for Featherston has been completed, with a 30-year outlook for the future of the town.

RISK	Growth and demographic change occur at a different rate than assumed
LEVEL OF UNCERTAINTY	Medium to High
REASONS AND FINANCIAL EFFECT OF UNCERTAINTY	<p>The population growth assumption is based on the Sense Partners’ medium growth projections. There is inherent uncertainty in the base assumptions for population movement, labour market, economic conditions, and development potential.</p> <p>Growth may occur at a faster rate than assumed due predominantly to the proximity to Wellington for employment and relative housing affordability. Net migration may increase as people are attracted to the lifestyle the district offers and as future growth opportunities are opened up.</p> <p>The district's water supply and wastewater infrastructure is currently operating near capacity, and only 10% of the planned capital investment over the next nine years will be allocated to expanding this capacity. Despite a clear demand for growth, the limited investment means that</p>

there will be minimal capacity for expansion, particularly in Greytown and Martinborough, where infrastructure constraints are most pronounced. However, Featherston still has some room for growth, offering a potential area for development within the district. This situation necessitates careful planning and prioritisation to ensure sustainable growth and efficient use of available resources. The primary reasons for not investing more into growth are affordability and the uncertainty surrounding water reform in New Zealand, which complicates long-term planning and resource allocation.

Although unlikely to stall completely, demand for housing growth may occur at a slower rate than assumed. This is not likely to have a significant impact on our service or funding levels.

Number of Rateable Properties Growth

The number of rateable properties is assumed to be 8,289 by 2034 from the 2024 year (7,443).

YEAR	FORECAST ANNUAL GROWTH IN DWELLINGS	FORECAST RATING UNITS
2024	1.1%	7,494
2025	1.1%	7,577
2026	1.1%	7,661
2027	1.0%	7,738
2028	1.0%	7,816
2029	1.0%	7,895
2030	1.0%	7,975
2031	1.0%	8,055
2032	1.0%	8,136
2033	1.0%	8,218
2034	0.9%	8,289

RISK	Growth does not meet assumption
LEVEL OF UNCERTAINTY	Medium
REASONS AND FINANCIAL EFFECT OF UNCERTAINTY	The growth has been based on figures from Sense Partners and considers ongoing development in the district. Should such growth not continue then some projects will not go ahead, and expenditure will be lower than forecast. If the growth is greater than predicted, then some projects will go ahead earlier than forecast, and expenditure will be higher than forecast.

Waka Kotahi New Zealand Transport Agency

Subsidies from Waka Kotahi New Zealand Transport Agency (NZTA) have been included at the approved rates for the two years from July 2025 to June 2027. NZTA confirmed the subsidy rate for most local roads will remain at 51%, and

that the classification of Cape Palliser Road as a Special Purpose Road (SPR), with 100% subsidy, will remain until June 2027.

The change in Government in October 2023 resulted in a revised Government Policy Statement for Land Transport (GPS) and has affected the total funding available nationally for distribution by NZTA. NZTA has now amended the investment categories in line with the new Government direction to invest in pothole prevention and reduce the cost of traffic management using a risk-based approach. The category referred to as Low Cost/Low Risk, which previously funded growth work for Councils has been drastically reduced in the latest funding round, although we continue to apply for funding, particularly for investment in resilience.

RISK	Changes in criteria for inclusion in subsidised works programmes, and changes in the allocation levels in the final notification
LEVEL OF UNCERTAINTY	Medium
REASONS AND FINANCIAL EFFECT OF UNCERTAINTY	The government has, as part of its plan for Land Transport, revised the Government Policy Statement for Land Transport. The figures in this plan are based on the approvals received in October 2024. A +/- change of 5% of programmed work would represent a change in subsidy income of \$239k for operational work and \$322k for capital work in 2025/26.

Water Metering

Charging for water use through universal metering of the district's drinking water supply is in place. Prices for water used in excess of the current threshold of 250m³ will be charged per cubic metre at a rate inflated each year by the local government rate of inflation for water, with the base rate being \$2.50 (including GST) for the 2024/25 year.

There are several external factors that impact delivery of water services, particularly in changes of legislation. Changes of this nature are usually flagged well in advance and can be incorporated in planning documents.

RISK	Water meters do not generate the level of revenue anticipated.
LEVEL OF UNCERTAINTY	Low
REASONS AND FINANCIAL EFFECT OF UNCERTAINTY	<p>As the overall fixed charge for water is high, the impact of water by meter revenue being low will not have a material impact on water supply.</p> <p>Legislative changes are hard to predict, however the length of time prior to enacting legislation allows the organisation to plan adequately.</p> <p>External Factors</p> <p>There will be no unexpected changes to legislation or other external factors that alter the nature of services provided by Council.</p> <p>We are monitoring the progress of water reform legislation and have incorporated the draft Local Government (Water Services) Bill issued in December 2024 into our planning. The Bill currently includes volumetric water charging as a core component but, as this legislation is still under commentary phase, there may be minor changes made prior to enactment.</p>

Levels of Service

Unless otherwise stated in these assumptions or individual activity sections, service levels are assumed to remain the same through the life of the LTP. Any changes to the services other than those forecast in the LTP will impact on costs.

Capital Programme

RISK	The capital expenditure (capex) programme in South Wairarapa will not be delivered as forecast over the 9-year period (2025–2034).
LEVEL OF UNCERTAINTY	High
REASONS AND FINANCIAL EFFECT OF UNCERTAINTY	<p>Whilst the history of delivering the Land Transport capital programme is good, there have been delays in Community projects, such as parks & recreational facilities, and in Water Supply, Wastewater, and Stormwater assets.</p> <p>Any delays in capital works will postpone the timing of borrowing, which in turn defers borrowing costs.</p>

The capital programme in this Plan is aligned to our Infrastructure Strategy (for roading and waters) and community needs for other assets.

Wellington Water, our current delivery partner for Water Supply, Wastewater, and Stormwater, has prepared the waters capital programme and set a prioritised plan that is necessary to:

- Comply with legislation and regulatory standards.
- Improve network resilience.
- Support growth in the district.

There has been an historical performance issue that shows a consistent shortfall in capital programme delivery over the past five years. The factors contributing to past delays include COVID-19 disruptions, contractor availability,

changes in regulatory standards (e.g., wastewater treatment compliance), community pushback, and inflationary pressures. These factors have in some cases required project rescoping and community consultation, such as in the case of the Greytown Water Supply project. Given these factors, while Wellington Water asserts that future delivery is achievable, we consider the likelihood of programme delays remaining high.

Under the Local Water Done Well process, it is clear that the current model of delivery will no longer be suitable and that water services will transition to a Water Services Council-Controlled Organisation (WSCCO). This entity would assume responsibility for delivering water-related capital projects. As consultation on the Local Waters Done Well (LWDW) options is taking place concurrently, the full nine-year plan includes water services investment for transparency with the community. To mitigate financial risk to ratepayers, the Council will continue its practice of borrowing only for actual capital expenditure rather than forecasted amounts. Rates required to fund borrowing costs will be based on borrowing for the actual programme timing, rather than budgeted estimates.

Council’s investment focus will remain on core infrastructure, prioritising roading, and non-water-related community infrastructure. The capital delivery rate is expected to improve, but risks remain in delivering projects outside of water services.

Water Reform

This plan has been prepared with water services (Water Supply, Wastewater, and Stormwater) included for the full nine years (2025–2034), for transparency as consultation on the Local Waters Done Well (LWDW) options is taking place concurrently with the LTP Consultation document.

LEVEL OF UNCERTAINTY	Medium
REASONS AND FINANCIAL EFFECT OF UNCERTAINTY	<p>It is understood that the existing model of delivery will not continue and water services will transition to a Water Services Council-Controlled Organisation (WSCCO) of some form from 1 July 2026. The final structure, governance arrangements, and funding model remain under development and will be determined through consultation with the community and neighbouring councils (Masterton, Carterton, and Tararua District Councils). The Water Services Delivery Plan (WSDP) is required by legislation and must be submitted by September 2025.</p> <p>As the water information remains within the plan for transparency purposes, the financial assumptions include water assets and liabilities for the full nine-year period. It is anticipated that the water assets will transition to an a new CCO and the removal of water assets and liabilities from the Council's balance sheet would improve debt capacity but may also alter future operational funding requirements.</p> <p>Council will continue to engage with the community throughout the transition process to ensure a smooth handover, if required, and a clear understanding of future service delivery responsibilities and costs.</p>

Resource Management Reforms

Government has given notice that it will repeal the amendments made to replace the Resource Management Act (RMA). The immediate outcome is that the sector will now revert to the RMA 1991, until such time as the Government passes any other amendments or legislation.

We do however anticipate that the review of the Wairarapa Combined District Plan will be adapted to reflect the change to the RMA reforms. The district plan budget allows for a certain degree of flexibility to ensure that the Plan remains relevant in the future.

LEVEL OF UNCERTAINTY	Medium
REASONS AND FINANCIAL EFFECT OF UNCERTAINTY	<p>The Government has signaled its commitment to reform, but specific legislative changes, implementation timeframes, and transitional requirements remain uncertain.</p> <p>Potential impacts include increased compliance costs, changes in land-use planning requirements, and adjustments to infrastructure investment planning. If reforms lead to faster consents and streamlined processes, there may be efficiency gains, but uncertainty remains regarding funding and resourcing needs.</p>

Climate Change

Climate change will continue in line with national and regional forecasts, with increasing intensity and frequency of extreme weather events. This assumption is based on:

- NIWA projections informed by the Intergovernmental Panel on Climate Change (IPCC) reports.
- The 2020 National Climate Change Risk Assessment.
- The Greater Wellington Regional Council's (GWRC) Climate Change Strategy for mitigation and adaptation in Wellington and Wairarapa.
- The Ruamāhanga Strategy, developed in partnership with Carterton District Council has also prepared a localised climate change response strategy for roading.

There remains a moderate risk that the effects of climate change occur more rapidly than anticipated, and there is uncertainty about how quickly the effects will be felt and where. Predictions are that weather extremes will be more common and of a greater scale. Climate projections indicate the following changes in the Wairarapa:

- Hotter temperatures, increasing the frequency and severity of droughts.
- More frequent and severe storms, leading to greater flood risks, wind damage, and landslides.
- Changing rainfall patterns, affecting water supply reliability, increasing erosion, and impacting agriculture.
- Higher fire risk due to prolonged dry periods and extreme heat events.
- Increased storm surge and coastal erosion (where applicable)

Internationally, successive IPCC reports have historically underestimated the rate and severity of change. The impacts of climate change have been considered in each of the infrastructure asset management plans and in the infrastructure strategy. The Council will keep this subject under review as it will continue to be relevant for future ten-year plans. Council plans to continually reassess its risk and capability to deal with significant adverse weather events. Council is prepared to respond to climate change effects over the life of the plan but impacts of climate change on Council activities will be more significant long term.

Climate change will have significant social, economic, environmental, and infrastructure implications for the community. Specific areas of concern include:

Transport & Roads:

- More frequent heavy rainfall and storms will lead to landslides, road damage, and erosion, increasing maintenance costs.
- Improved drainage and flood-resilient infrastructure will be required.

Drinking Water Supply:

- Increased investment in water storage and leak detection will be needed to ensure reliability.

Wastewater & Stormwater Management:

- More intense rainfall will cause higher stormwater infiltration into wastewater systems, increasing treatment demands.
- Stormwater systems may become overwhelmed, requiring expanded capacity and improved drainage solutions.

Emergency & Disaster Response:

- Increased frequency of extreme weather events (floods, droughts, storms, fires) may require emergency works beyond normal budget provisions. Council will need to work with regional partners on operational resilience to respond effectively.

Economic & Social Impacts:

- More frequent climate events may drive higher insurance costs or reduce access to affordable insurance for residents.
- Climate adaptation pressures may influence long-term land use, urban development, and infrastructure investment.

Risk Mitigation & Council Response

To manage climate risks and build resilience, the Council will:

- Integrate resilience into the Long Term Plan infrastructure programme.
- Adopt proactive measures, such as:
 - Preventing stormwater infiltration into wastewater systems.
 - Developing stormwater models and upgrading drainage infrastructure.
 - Investing in water storage facilities, and improved water treatment systems.
 - Enhancing road infrastructure to withstand more frequent and intense weather events, particularly in coastal areas prone to erosion.
- Collaborate with regional and national climate initiatives, including:
 - The Greater Wellington Regional Council's Climate Change Strategy.
 - Government agencies, including NIWA, to ensure access to the latest climate projections.
- Consider climate change impacts in land-use planning, district plan reviews, and growth strategies.
- Development of a risk and resilience landscape plan to better understand our level of emergency preparedness and respond to emergency events, conducted in partnership with Carterton and Masterton District Councils.

2. Financial Forecasting Assumptions

Significant forecasting assumptions and risks underlying the financial estimates in this Long Term Plan 2025/2034 cover the following.

Revaluation of Non-Current Assets

Revaluation assumptions have been included in the Plan. These have been done following the Business & Economic Research Limited (BERL) forecasts of price level change adjusters.

Revaluation movements will be shown in the statement of financial position and the statement of other comprehensive revenue and expense. Revaluations are carried out at two-year intervals.

RISK	Actual revaluation results differ from those in the forecast.
LEVEL OF UNCERTAINTY	Medium
REASONS AND FINANCIAL EFFECT OF UNCERTAINTY	Where the actual inflation rate is different from that forecast, the actual revaluation will be different from that forecast. The LTP for each subsequent year is reviewed by way of the Annual Plan round and a new LTP is produced every three years.

Interest Rates

The range of interest rates on term debt is calculated at 4.32% to 5.00%. To allow for anticipated timing of capital expenditure, on selected loans interest expenditure is provided for on only 50% of forecast new loan amounts each year.

Interest on investments is calculated at 4.50% for 2025/26 decreasing incrementally to 3.00% by 2033/34. As SWDC's policy for funding capital investment has changed from 1 July 2024, it is not anticipated that SWDC will hold significant investments, and minimal interest income has been budgeted. Existing investments will be used to reduce debt as they come due, with the exception of balances held for trusts, which will be held as current investments.

RISK	That the interest rate will differ from those used in the calculations.
LEVEL OF UNCERTAINTY	Medium
REASONS AND FINANCIAL EFFECT OF UNCERTAINTY	This will be managed through the Treasury Management Policy. A 1% movement in interest rates on borrowings would affect operating budgets by \$0.59million in 2025/26, and if interest rates moved by 1% across all 9 years of the plan the total impact on operating budgets would be \$16.69million.

Depreciation

Over the term of the Plan, Council has elected to fully fund depreciation on most assets except for land transport (where approximately 49% of depreciation is funded), and specific community facilities that Council has identified would not be replaced or replacement would be funded by borrowing and/or insurance (includes playgrounds, swimming pools, housing, and community buildings such as Ngawi Hall, Waihinga Centre, ANZAC/Kiwi Hall, & Greytown Town Centre) at the time required.

Water and wastewater assets are funded at 72% of depreciation for the first two years of the plan, increasing to full funding by year six of the plan.

Depreciation has been calculated on asset values at their latest revaluation date, and on additions at cost afterwards.

It is assumed that:

- **Existing Assets:** For assets that are already in place and continue to be used at the same level, the depreciation budget remains consistent. This means that the ongoing use of these assets does not change the depreciation expense.
- **Capital Investment for Renewals:** When Council invests in renewing existing assets, this does not impact the depreciation budget. Renewals are necessary to keep assets in good working condition, so the budget for depreciation expense remains unchanged.
- **Capital Investment for Improvement or Growth:** When Council invests in improving or expanding its assets, this results in an increase in the depreciation budget. The new or improved assets will start to depreciate in the year following their implementation, adding to the overall budget for depreciation expense.
- **Adjustments for Estimated Increases in Asset Fair Values:** The depreciation budget will be adjusted to reflect any estimated increases in the value of assets. This means that if the value of the assets is expected to rise, the depreciation expense will be recalculated to account for this change.

RISK	That more detailed analysis of planned capital works once complete may alter the depreciation expense. That asset lives may alter due to new technology improving asset lives.
LEVEL OF UNCERTAINTY	Medium
REASONS AND FINANCIAL EFFECT OF UNCERTAINTY	Council has asset management planning and upgrade programmes in place. Asset capacity and condition is monitored with replacement works being planned in accordance with standard asset management and professional practices. Depreciation is calculated in accordance with normal accounting and asset management practices.

Asset Lives

Useful lives of assets are based on professional advice. These are summarised in the depreciation note within the accounting policies.

RISK	That assets wear out earlier than estimated.
LEVEL OF UNCERTAINTY	Medium
REASONS AND FINANCIAL EFFECT OF UNCERTAINTY	Asset life is based on estimates of engineers, valuers, and asset managers. Capital projects can be brought forward in event of early expiration of assets (this would affect depreciation and interest of which the amounts are unknown).

Asset Condition

Activity and asset management plans (AMPs) have been prepared for Land Transport activities and include renewal and capital programmes for all major infrastructural assets. However, AMPs have not been prepared for Water Supply, Wastewater, and Stormwater assets. Condition assessments for water assets are based on asset age rather than physical inspections.

The AMPs for Land Transport include assessments of asset condition, lifecycle, and demand management, providing a structured approach to asset renewal and upgrade planning. This planning information is considered by Council to be reasonable and supportable. There are no substantial asset disposals or acquisitions that will impact significantly on the plan.

RISK	Asset Management Plans are incomplete. Condition ratings and life cycle demand assumptions are erroneous.
LEVEL OF UNCERTAINTY	Medium
REASONS AND FINANCIAL EFFECT OF UNCERTAINTY	<p>Asset management plans are updated annually following 'best practice' as prescribed by the New Zealand Infrastructure Asset Management Manual. However, as AMPs have not been prepared for water assets, and condition assessments are based on asset age rather than inspections, there is a higher level of uncertainty regarding the accuracy of asset renewal timing and funding requirements.</p> <p>For instance, for roading asset inventories and condition ratings are stored and maintained in the RAMM database and in the AMP. The new AMP was audited by NZTA in late 2023 and found to be adequately maintained.</p>

Sources of Funds for Future Replacement of Assets

This is detailed in [Part 3](#) Significant Activities under each significant activity. Sources of funding are also included in the Revenue and Financing Policy. The funding of the replacement of future assets is based on the following assumptions:

The funding for the replacement of any individual asset will be funded from the following sources in the following order of priority:

- » from prior year credit depreciation reserve balances;
- » from the current year's cash arising from the funding of depreciation;
- » loan funding; and
- » special funds set aside for specific purposes identified by Council.

RISK	That a particular funding source is unavailable.
LEVEL OF UNCERTAINTY	Low
REASONS AND FINANCIAL EFFECT OF UNCERTAINTY	As the Council does not fully fund depreciation, the availability of reserves for asset replacement may be limited, increasing reliance on loan funding or alternative financial mechanisms. While the Council operates a central treasury function, which allows for financial flexibility, increased borrowing may have implications for debt levels and future funding requirements.

Inflation

Inflation – Operating Revenues and Expenses

Inflation has been included in the LTP. Inflation has been predicted using the mid-scenario BERL (Business & Economic Research Limited) forecasts of price level change adjusters and are as follows.

Where a contractual inflation rate is stipulated in agreements with suppliers and differs from the above economic inflation forecasts, the contractual inflation rate has been applied to project operating costs. This ensures alignment with contractual obligations and provides a more accurate estimate of future expenditures.

Insurance premiums do not follow other inflationary rates, particularly since global claims related to natural disasters have impacted the insurance market in recent years. Insurance expenses have been inflated based on historical trends and advice from our brokers on the likely trends over the LTP period.

YEAR	PLANNING & REGULATION	ROADING	COMMUNITY ACTIVITIES	WASTE	WATER	LOCAL GOVT WAGES	OPERATING (AGGREGATE)	INSURANCE
2025/26	2.7%	3.0%	3.0%	3.5%	2.5%	3.5%	3.0%	12.4%
2026/27	2.7%	3.1%	2.9%	3.4%	2.8%	3.2%	3.0%	11.9%
2027/28	2.5%	3.0%	2.7%	3.2%	2.5%	2.8%	2.8%	11.7%
2028/29	2.2%	2.7%	2.5%	2.9%	2.1%	2.6%	2.5%	11.4%
2029/30	2.1%	2.6%	2.4%	2.8%	2.0%	2.4%	2.4%	11.2%
2030/31	2.1%	2.5%	2.3%	2.6%	2.0%	2.2%	2.3%	11.2%
2031/32	2.0%	2.4%	2.2%	2.5%	2.0%	2.1%	2.2%	11.2%
2032/33	2.0%	2.4%	2.1%	2.4%	2.0%	2.0%	2.1%	11.2%
2033/34	1.9%	2.2%	2.0%	2.3%	2.0%	1.9%	2.1%	11.2%

Inflation – Capital Expenditure

Inflation on capital investments has been included in the LTP. Inflation has been predicted using the mid-scenario BERL (Business & Economic Research Limited) forecasts of price level change adjusters and are as follows.

YEAR	EARTHMOVING & SITEWORKS	PIPELINES	RECLAMATION & RIVER CONTROL	WATER, SEWER, DRAINAGE & WASTE	CAPITAL (AGGREGATE)
2025/26	3.4%	3.5%	1.6%	5.6%	3.1%
2026/27	3.6%	3.6%	1.8%	5.3%	3.1%
2027/28	3.5%	3.3%	1.8%	5.0%	2.9%
2028/29	3.3%	3.1%	1.9%	4.6%	2.6%
2029/30	3.2%	2.9%	1.8%	4.2%	2.5%
2030/31	3.0%	2.8%	1.8%	3.4%	2.4%
2031/32	2.9%	2.6%	1.7%	3.0%	2.3%
2032/33	2.8%	2.5%	1.7%	2.4%	2.2%
2033/34	2.6%	2.4%	1.7%	2.3%	2.1%

RISK	That actual inflation differs to that predicted. That decisions are made based on predicted inflation levels.
LEVEL OF UNCERTAINTY	Medium
REASONS AND FINANCIAL EFFECT OF UNCERTAINTY	Where the actual inflation rate is different from that forecast, the cost of projects and expenditure will be different from that forecast. The LTP for each subsequent year is reviewed by way of the annual plan round and a new 10-year plan is produced every three years.

Commitments and Contingencies

There are no commitments or contingencies that the Council is aware of that have not been included in this Long Term Plan.

Opening Balance Sheet

To provide a more accurate forecast, the opening balance sheet figures are based on a forecast closing balance sheet, not the closing 2024/25 Enhanced Annual Plan figures.

Rounding Differences

Due to the complexities of the financial model, there are some insignificant rounding differences in the financial statements.

Maintenance, Renewal and Capital Programme

The maintenance, renewal and capital expenditure programme for Council's core assets is based on the information in Council's asset/activity management plans. This information is the best information available to Council about these assets. For some assets, (e.g. underground pipes) the information around age, type and quality is reliable, however, it is acknowledged that information around condition has some limitations. Where these limitations exist, the information will be reviewed as new information becomes available updated information could result in changes to the costs of timing of planned expenditure.

Insurance

Insurance costs have fluctuated in recent years. Council's insurance broker advises that while risk-based adjustments to premium prices are stabilising, insurance costs are expected to continue rising over the Long Term Plan period. Council participates in group insurance arrangements with neighbouring and nationally spread councils to leverage better purchasing power. Above-ground assets such as buildings and vehicles are fully covered in in a group with Carterton and Masterton district councils. Below ground infrastructural assets have limited cover through the Local Authority Protection Programme Disaster Fund (LAPP), where central government cover 60% and LAPP member councils pool a fund to cover the remaining 40%.

The assumption used in the LTP is that insurance cover will be available at similar levels (cost and coverage). Any significant change in the insurance market may impact both the forecast insurance cost, and potentially the level of coverage. Council may alter the level of coverage if circumstances deem this to be the best course of action.

Risk of reinsurance costs escalating beyond forecast budgets are moderate. To mitigate this risk, we have inflated our insurance cost forecast by a rate based on industry advice, rather than the rates provided by BERL for other operating costs. There is also a risk that insurance cover may not be available for certain assets or risks, such as indemnity cover, which is becoming more challenging to obtain.

Significant natural disasters in New Zealand over the next decade could drive up insurance renewal costs. If insurance premiums exceed forecasts, the Council may face unbudgeted expenditure. The Council will need to assess the balance between self-insurance and higher premiums, ensuring financial sustainability while maintaining appropriate risk protection.

LEVEL OF UNCERTAINTY	High
REASONS AND FINANCIAL EFFECT OF UNCERTAINTY	<p>Based on historical trends and the insurance market outlook, premium increases and stricter coverage conditions are expected.</p> <p>Higher premiums may place financial strain on operational budgets. If access to insurance for certain assets is restricted or costs become prohibitive, Council may need to increase self-insurance reserves or reprioritize spending to account for greater financial risk exposure.</p>

Authorisation for Issue

The Council is responsible for the prospective financial statements, underlying assumptions and other related disclosures. This document was authorised by Council on **XX June 2025**.