2024-34 LTP Amendment Significant Forecasting Assumptions

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Significant forecasting assumptions

The tables below outline the specific forecasting assumptions to be used in the preparation of the 2024-34 LTP amendment and associated documents. It notes their data source(s), key challenges and risks around the assumption including commentary on how the risk will be managed.

Population

Assumption

The long-term population forecast for Wellington City is growth of between 50,000 to 80,000 over the next 30 years. This is the forecast growth projection that underpins our Spatial Planning.

Year	50th Percentile (median) projection
2023	212172
2024	213269
2025	215128
2026	217102
2027	218932
2028	220658
2029	222647
2030	224449
2031	226226
2032	228252
2033	230057
2034	231463
2035	233550
2036	236056
2037	237845
2038	240286
2039	242918
2040	244952
2041	246215
2042	248706
2043	250022
2044	251758
2045	254252
2046	257294
2047	258790
2048	260445
2049	262237
2050	263400
2051	265573
2052	267534
2053	269452
2054	271288

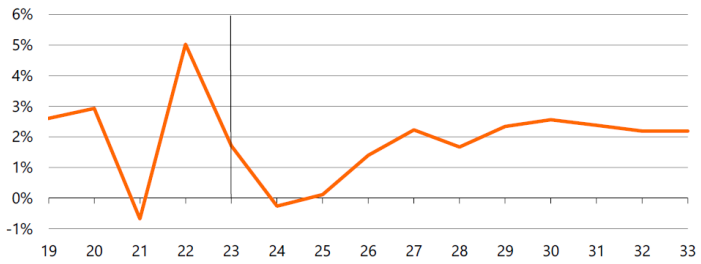
	Projections are the median (50th percentile) projections from Sense Partners The 30-year growth in the table (2023-2053) is approx. 57,000 within a forecast growth range of 50,000-80,000 over the next 30 years. This planning range is at the median growth level up to around the 64th percentile. This assumption reflects the view of Sense Partners and the Wellington Region that a future scenario which assumes a continuation of recent trends and rates of population growth is a more plausible future for the purpose of infrastructure planning. Differential growth rates between different age groups is expected to lead to an aging population over the next 30 years. The biggest impact of the change is expected to be on the 60+ and 20-39 age groups. Residents aged 60+ make up 16.7% of the population in 2023 and are expected to make up 19.7% of the population in 2054. This growth is largely at the expense of an expected decline in the proportion in the 20-39 age group (from 36.7% in 2023 to 32.5% in 2054).		
Data source	Sense Partners		
Level of certainty	Moderate		
Key risks	***Risk*** Underestimation of future growth (e.g. higher than expected net migrations for significant periods).	***Effect of risk*** Higher than expected pressure on council infrastructure & services. 3 Waters and Land transport will likely have the most significant impact with greater demand. Parts of the network(s) that are currently near capacity may breach capacity.	***Mitigation*** Moderate growth accommodated within present service levels. Development contributions help to meet portion of the costs of new or upgraded infrastructure.
	Overestimation of future growth (e.g. migration does not increase to levels we are forecasting (for various reasons including policy settings and relative attractiveness of NZ))	Over investment in the short term but impact short-term if growth continues to meet the level of in	Monitoring of population will occur on a regular basis and changes will be made to infrastructure investment programmes or service levels as required.

Growth in ratepayer base

Assumption	Ratepayer base growth is assumed at 0.77% for year one, then 0.6% p.a. over the remainder of the LTP period.
Data source	Ratepayer base growth is based on current property information from Council valuation service provider (Quotable Value Ltd), historic and forward looking consenting trends and expected population growth assumptions provided by Informed Decisions Ltd.
Level of certainty	Low

Key risks	***Risk*** The growth in the ratepayer base is higher or lower than projected.	***Effect of risk*** If growth is higher than forecasted, average rates funding increase will be reduced by an equivalent amount as there is a greater number of ratepayers across which the rates funding requirement will be allocated. If growth is lower than forecasted, the average rates increase for the ratepayer will be higher.	***Mitigation*** We will measure and report on growth in the rating base and review the projections and underlying strategy on a regular basis. Ratepayer growth assumptions are reconfirmed through each Annual Planning exercise and provide the opportunity to adjustment plans based upon updated growth projections.

Economic growth

Assumption	That the Wellington City economy GDP will remain lower than March 2020 levels until 2024. Over the ten years of the Long-term Plan we assume that economic activity reverts to conforming with long-term historic trends of around 2% GDP growth pa, as shown in the chart below. *CHART: Infometrics Wellington City GDP forecast, Jul 23, annual % growth*  		
Data source	RBNZ – Monetary Policy Statement Infometrics *State of Wellington Economy* commissioned report		
Level of certainty	High		
Key risks	***Risk*** Economic growth is lower than forecast. This may be due to factors such as: • the impacts of higher inflation being more severe or lasting longer than anticipated • political change may target public service jobs in Wellington as a way of balancing government's books • competition from the region for housing that limits the City's attractiveness for	***Effect of risk*** Lower levels of economic growth will impact the affordability of Council plans: • ratepayer base growth assumptions will be inaccurate (see later assumption) • the affordability of Council services will be lower for households, businesses and users of services	***Mitigation*** Monitoring of economic trends will occur on a regular basis with an ability to adjust Council plans through Annual and Long-term Planning cycles.

	investment by residential developers • University students continue to study elsewhere		

Climate change - physical impacts on WCC assets

Assumption	Climate change will have physical impacts for the Council (damage to assets and disruption of services) with cascading impacts in the social and economic domains, in line with Ministry for the Environment's global emissions scenarios as informed by the Intergovernmental Panel on Climate Change (IPCC). Wellington is projected to experience increased risks of coastal storm surge, an increase in hot days, a rise in annual average temperatures, higher frequency and magnitude of flooding events, both exacerbated by sea level rise and increased volumes of water during rainfall events. The financial impact of physical risks to WCC assets is still uncertain. We continue to update known risks and the financial implications of these in WCC's assets management plans and infrastructure planning as we gather better information. Where the physical impacts are already occurring and the financial impacts are known, these costs have been incorporated into WCC asset management plans and infrastructure planning.		
Data source	Assumptions are directly informed by 1) Ministry for the Environment's (MfE) projections for the Wellington and Wairarapa region and GWRC climate change maps; 2) NIWA reports for Wellington City regarding sea level rise and coastal hazards; 3) Table 3 from the MfE Interim Guidance on Sea Level Rise Guidelines informs our base assumptions for planning for the minimum allowances for Sea Level Rise using NZ-wide sea level rise scenarios. For detailed guidance please refer to the full Guidelines.		
Level of certainty	Medium – while there is certainty on the direction of change, there is uncertainty as to the speed at which the climate and related risks will change.		
Key risks	***Risk*** That climate change impacts (sea level rise, coastal inundation, and more frequent and severe extreme weather events) may occur faster or slower than planned for.	***Effect of risk*** If physical impacts happen slower than assumed, then the investments we are planning in this LTP for increasing our resilience to extreme weather may be delivered earlier than required. The impacts of this are likely to be short-term as sea levels are projected to continue rising over the longer-term. If physical impacts happen faster than assumed then we will have increased levels of service interruption, including to	***Mitigation*** Council's Te Atakura Strategy outlines various activities to reduce carbon emissions, and to adapt to the impacts. Identifying, reviewing, and disclosing our climate-related financial risks and opportunities continues to be a work programme informing key climate related decisions impacting our investments both in near- longer-term. We have put in place an internal Te Atakura strategy reference group to monitor and report progress against Te Atakura.

		storm water and transport services.	

Climate change - commitment to climate action (transitional risk)

Assumption	There will be continued commitment from residents, businesses and central government to the climate actions required to meet local and national greenhouse gas emissions related targets and improve resilience to climate change impacts.		
Data source	Current attitudes: WCC's "Residents Survey on Climate Change" • 86% of respondents believed that we needed to act now to start reducing Wellington's carbon emissions, with over half of the opinion that we should make significant reductions straight away. • 60% of respondents are "not at all confident" that enough action is being taken to prepare Wellington for the impacts of climate change. • Local and central government are the top two ranked for who is responsible for climate change response.		
Level of certainty	Medium - Wellingtonians support for climate action has been consistent over many years and is likely to continue, particularly with media coverage of recent extreme weather events. Central government funding, financing and regulatory mechanisms to support local government climate change response is not as certain and has varied over the past two decades.		
Key risks	***Risk*** That support for climate action may be higher or lower than we anticipate.	***Effect of risk*** If climate action support reduces then we may not support the city's transition of its social, economic and physical systems fast enough to minimise both physical impacts and transition impacts on residents and local businesses. If climate action support increases, then we may be subject to litigation or reputational risk for not supporting the city to take a higher level of action.	***Mitigation*** Council's Te Atakura Strategy outlines various activities to engage with and inform Wellingtonians on climate change impacts and potential responses, to make climate change relatable and local. This includes reporting on progress of the City and Council towards Te Atakura goals, and the contribution towards those goals of the activities outlined in the Strategy. We have also put in place an internal Te Atakura strategy reference group to monitor progress against Te Atakura.

Inflation

Assumption

Inflation rates have been estimated using the BERL Forecasts of Price level Change Adjustors 2024 final update for 2027 onwards. For 2026, LTP inflation rates have been retained with any differences between the LTP and updated BERL rates absorbed as a cost saving measure.

We also assume that the Reserve Bank will use monetary controls to keep CPI within the 1.5 percent to 3 percent range.

Cost adjustors

Adjustors %	25/26	26/27	27/28	28/29	29/30	30/31	31/32	32/33	33/34	20 yr av
Planning and regulation	2.7	2.7	2.6	2.3	2.2	2.1	2.0	2.0	1.9	2.6
Roading	3.0	3.1	3.0	2.7	2.6	2.5	2.4	2.4	2.2	2.8
Transport	2.9	2.9	2.7	2.5	2.4	2.3	2.2	2.1	2.0	2.7
Community Activities	3.0	2.9	2.7	2.5	2.4	2.3	2.2	2.1	2.0	2.7
Water and Environmental Management	2.5	2.8	2.5	2.1	2.0	2.0	2.0	2.0	2.0	3.0

Council HR cost adjustor – 2026 adjustors are based on multiple factors (e.g. union negotiations and living wage) and do not reflect BERL indices.

Interest revenue – forecast to remain constant. Interest rates do not increase annually in line with rates of inflation.

Data source

Inflation rates applied – Inflation rates have been estimated using the BERL Forecasts of Price level Change Adjustors 2024 final update. We also assume that the Reserve Bank will use monetary controls to keep CPI within the 1.5% to 3% range.
Inflation is affected by external economic factors, many of which are outside of the Council's control and influence.

Level of certainty

Low

At a high level our BERL's methodology creates a "basket" of goods that local authorities purchase, as measured by producer price input indices. The model behind the forecasts utilises a process based on past observations of a given variable to explain present and forecast future observations. This process means that uncertainty in early forecast periods ripples through later forecast periods and is amplified as it does so.

Key risks

Risk	***Effect of risk***	***Mitigation***
That actual inflation will be significantly different from the assumed inflation.	The Council's costs and the income required to fund those costs will increase by the rate of inflation unless efficiency gains can be made. Where efficiency gains can't be made, the higher costs has an impact on rates revenue required leading to affordability issues for ratepayers. The first few years of the forecasted cost adjustors are reasonably likely, however the latter period are only indicative.	Annual review through the annual plan process.

		A 1% increase in inflation would increase annual operating expenditure by $8m (based on annual operating costs of $800m) and capital expenditure by $4m (based on an annual capital budget of $400m).	

Interest rates- cost of borrowing

Assumption	The Council borrowing rates for debt will change as per the table below.		
Data source	Assumption reflects Council actual borrowing rates along with forecast rates based on hedging position and range of economic forecasts.		
Level of certainty	High - There is relative higher levels of certainty over short-term borrowing rates for Council debt in the short term given hedging policies. Longer-term, certainty levels are lower as interest rates are subject to wide range of factors		
Key risks	***Risk*** That interest rates will differ significantly from those estimated. That interest rates will fluctuate significantly.	***Effect of risk*** Based on Council's hedging profile, a 0.1 percent movement in interest rates will increase/decrease annual interest expense by between $800,000 and $1,900,000 per annum across the 10-year period of this plan. The impact of this annual amount (discussed above) would translate to potential 0.2% – 0.4% rates increase.	***Mitigation*** Interest rates are largely driven by factors external to the New Zealand economy. The Council manages its exposure to adverse changes in interest rates through the use of interest rate swaps. At any time Council policy is to have a minimum level of interest rate hedging equivalent to 50 percent of core borrowings.

	25/26	26/27	27/28	28/29	29/30	30/31	31/32	32/33	33/34
Effective Interest Rate	3.75%	3.94%	3.80%	4.07%	4.32%	4.64%	5.24%	5.34%	5.53%

Asset revaluations

Assumption	Assumed growth in asset values are outlined in the table below. Growth in Council asset values are key drivers of forecasting increasing capital investment and depreciation. For the purpose of the financial model, all assets are revalued annually for depreciation purposes in order to reduce the distraction of year-on-year peaks and troughs in revenues and expenditure that are generated by these revaluations.

	25/26	26/27	27/28	28/29	29/30	30/31	31/32	32/33	33/34
Buildings	5%	5%	5%	5%	5%	5%	5%	5%	5%
Three Waters & Treatment Plants	6%	6%	6%	6%	6%	6%	6%	6%	6%
Roading	4%	4%	4%	4%	4%	4%	4%	4%	4%
Library Collections	2%	2%	2%	2%	2%	2%	2%	2%	2%

Depreciation and revaluation of property, plant, and equipment (including water and transport assets)

	Financial forecasts in this Long-Term Plan include a 3-yearly estimate to reflect the change in asset valuations for property, plant, and equipment in accordance with the Council's accounting policies. Council's policy is to value assets triennially, and each year a different category is valued by an independent valuer. The valuation timetable is as follows: • Operational land and buildings 30 June 2026, 2029 & 2032 • Infrastructure land 30 June 2025, 2028 & 2031 • Infrastructure assets 30 June 2025, 2028 & 2031 • Three waters 30 June 2024, 2027 & 2030 The following assumptions have been made for this LTP: • The Council will continue its policy of fully funding depreciation which is affected by asset revaluations except for Three Waters assets, and assets we do not expect to replace at the end of their useful lives. • The value of non-depreciable assets (such as land) is forecast to remain constant		
Data source	Asset revaluation assumptions are based off historical revaluation increases and estimates.		
Level of certainty	Medium – the medium level of uncertainty on how Council asset values will change over time related to the currently high inflation impacting input / construction costs.		
Key risks	***Risk*** Assets are under/overstated and therefore the balance sheet does not reflect accurately the value of Council owned assets. Depreciation based on incorrect valuations will mean that too much or too little revenue is collected to cover costs of renewal over time.	***Effect of risk*** Asset value growth at higher rates than assumed will lead to increasing pressure on rates and borrowing levels. This risk has impacted the Council's planning in recent years as asset value growth has exceeded budgeting assumptions. Asset value growth also impacts the depreciation expense and the rates revenue required. If mitigations for this increase are not possible, then higher rates increases and impacts ratepayer affordability may result.	***Mitigation*** As well as regular revaluation of assets as part of the normal accounting and annual reporting process there is a high level review of asset values undertaken on an annual basis. The LTP yearly budgets are inflated by forecast inflation for the particular assets in question, based on independent professional advice. In each annual plan following the LTP year, depreciation and asset values are adjusted for new assets, and any actual revaluations. In non-revaluation years an assessment is made as to whether asset values may have moved significantly and therefore whether an out of cycle revaluation is appropriate. Depreciation is adjusted annually to reflect the above adjustments to asset values

Three Waters Infrastructure Asset Values

Assumption	The assumed value of three waters infrastructure assets is based on the valuation completed by WSP New Zealand Limited as at 30 June 2024, and updated to reflect forecast additions, disposals, depreciation, and impairment.

	The unit rates used in the revaluation were a fair refection of the optimised depreciated replacement cost of the three water assets based on current contract pricing from actual suppliers. Based on reports issued following a review of both Wellington Water's financial systems and processes, and analysis of panel costs and valuation unit rates, there is significant uncertainty pertaining to the unit rates used in the revaluation.		
Data source	Assumption informed by WSP Valuation Report as at 30 June 2024 and reports issued following a review of both Wellington Water's financial systems and processes, and analysis of panel costs and valuation unit rates.		
Level of certainty	Low - The future review of procurement arrangements and changes to the region's water services delivery model could lead to changes in construction costs, which increases the uncertainty over the estimated fair value of these assets.		
Key risks	***Risk*** Assets are under/overstated and therefore the balance sheet does not reflect accurately the value of Council owned assets. Depreciation based on incorrect valuations will mean that too much or too little revenue is collected to cover costs of renewal over time.	***Effect of risk*** Asset value growth at higher rates than assumed will lead to increasing pressure on rates and borrowing levels. This risk has impacted the Council's planning in recent years as asset value growth has exceeded budgeting assumptions. Asset value growth also impacts the depreciation expense and the rates revenue required. If mitigations for this increase are not possible, then higher rates increases and impacts ratepayer affordability may result.	***Mitigation*** As well as regular revaluation of assets as part of the normal accounting and annual reporting process there is a high level review of asset values undertaken on an annual basis. The LTP yearly budgets are inflated by forecast inflation for the particular assets in question, based on independent professional advice. In each annual plan following the LTP year, depreciation and asset values are adjusted for new assets, and any actual revaluations. In non-revaluation years an assessment is made as to whether asset values may have moved significantly and therefore whether an out of cycle revaluation is appropriate. Depreciation is adjusted annually to reflect the above adjustments to asset values.

Waka Kotahi NZ Transport Agency subsidies

Assumption	That recent reductions in the number of Transport projects funded by Waka Kotahi NZ Transport Agency funding assistance rate (FAR) subsidy will remain in place in the short term, before returning to the previous FAR subsidy rates in and will be funded through the next LTP 2028. The overall average for FAR is 51%.

	Waka Kotahi NZ Transport Agency funds specific programmes of work and agrees 3-year funding envelopes across such items as maintenance operations and renewals and low cost/low risk programme, as well as funding for specific roading projects.		
Data source	The Waka Kotahi business case model is administered nationally and is the mode of operation for the operations, maintenance, renewals and new capital investment. The model is mature and is the national delivery framework.		
Level of certainty	Medium - Whilst there has been a recent shift in the level of funding some projects such as those delivered under our Bike Network Plan and some resilience and safety projects, The FAR is likely to stay around 51% maintenance and renewals. Funding decisions for maintenance, renewal and new safety and resilience programmes of work have been finalised for 2026 and 2027 .		
Key risks	***Risk*** Changes to Waka Kotahi NZ Transport Agency road prioritisation may impact on future funding. Total funding levels may be less than assumed in the LTP.	***Effect of risk*** If the actual funding from Waka Kotahi NZ Transport Agency is significantly less than forecast, the Council will need to look for alternative funding through rates or borrowings and this may limit the viability of some projects. If the project does not proceed, this may have impacts on the level of service of lower risk roads. If the returns were greater then Council would have additional revenue above forecasts. A 5-percentage point change in the level of NZTA subsidy over our transport programme would represent approximately $3.3m increase or decrease in revenue each year.	***Mitigation*** Retain an agile approach to changing GPS & FAR Rates. Maintenance of a positive relationship with Waka Kotahi NZ Transport Agency allows frequent communication and the awareness of issues in advance. Ensure Annual Plan and LTP are updated to reflect any changes.

Three Waters Legislative Reform

Legislative process

Assumption	Local Water Done Well is the Coalition Government's plan to address New Zealand's long-standing water infrastructure challenges.
	
	The Local Government (Water Services) Bill establishes the enduring settings for the new water services system. The objectives of the Bill are to ensure water services are safe, reliable, environmentally resilient, customer responsive and delivered at the least cost to consumers and businesses.
	
	The Bill was introduced to Parliament in December 2024. It reflects key policy decisions announced by the Government in August 2024. The Bill sets out key details relating to the water services delivery system, the economic regulation and consumer protection regime for water services, and changes to the water quality regulatory framework.
	
	It provides for:
	
	• Arrangements for the new water services delivery system, including:
	• Structural arrangements for water services provision such as establishment, ownership, and governance of water organisations
	• Operational matters such as arrangements for charging, bylaws, and management of stormwater networks
	• Planning, reporting, and financial management
	• A new economic regulation and consumer protection regime based on the existing economic regulation regime in Part 4 of the Commerce Act which currently applies to electricity lines services, gas pipeline services, and airport services.
	• Changes to the water quality regulatory framework and the water services regulator, including:
	  ○ Changes to the Water Services Act 2021 to reduce the regulatory burden of the drinking water quality regime and improve proportionality in the application of regulatory powers.
	  ○ A change in approach to Te Mana o te Wai
	  ○ A new single standard for wastewater and stormwater environmental performance.
	
	The LTP amendment will be finalised prior to the completion of the legislative process being completed which creates a level of uncertainty as to the final transition arrangements.
	
	The financial sustainability of a water service organisation is based on sufficient revenue, ringfencing to fund investment and funding for growth. Five Councils in the Wellington metro area are looking to address water reform through the establishment of a jointly owned Water Services Council Controlled Organisation. Wellington City Council are also exploring the possibility of establishing a sole council Water Services Council Controlled Organisation, should the multi council model not proceed and/or WCC withdraws.

Data source	

Level of certainty	High – The Government has introduced the relevant legislation to the House and the discussions and planning for a multi council Council Controlled Organisation model are advanced.		
Key risks	***Risk*** Future changes to water service delivery due to changes to 'Local Water Done Well' legislation before enactment could create change to Wellington City Council's long-term plans as new service delivery models and financing tools or new rules for water services and infrastructure investment are developed	***Effect of risk*** . Any changes to waters infrastructure structure and funding is likely to have significant impact on Wellington City Council's long-term plan.	***Mitigation*** Maintain visibility of Government's water services policy development and the progress with other councils in our region to progress the development of a new regional Water Services Delivery model. Significant changes created through amendments to legislation is likely to require decision making through a future long-term plan process or long-term plan amendment process.

Future Structure of 3 Waters

Assumption	The delivery of all 3 Waters related Operating activities and assets will transition to a Council Controlled Organisation. Our interest in a new water services delivery entity will not be known until the water services delivery plan is finalised.		
Data source	LTP&F Committee meeting, 11 December 2024.		
Level of certainty	Moderate – While Wellington City Council's preferred options are a 3 Waters Water Services Delivery Entity, either jointly with other Wellington metro Councils, or a Wellington City Council only Water Services Delivery Entity, it is possible final legislation may require Councils to retain responsibility for Storm Water Infrastructure. The delivery of all 3 Waters related Operating activities and assets will transition to a Council Controlled Organisation. We will not know the exact structure and Councils interest in the new regional water services entity (CCO) until the water services delivery plans have been developed by September 2025.		
Key risks	***Risk*** Changes in legislation or Wellington City Council Water Services Delivery Plan could result in responsibility for Storm Water Infrastructure and operations remaining with Council, and a 2 Water entity being established.	***Effect of risk*** Any changes to waters infrastructure structure and funding is likely to have significant impact on Council's long-term plan	***Mitigation*** Maintain visibility of Government's water services policy development and the progress with other councils in our region to progress the development of a new regional Water Services Delivery Water Services Delivery Entity model. Significant changes created through amendments to legislation is likely to

			require decision making through a future long-term plan process or long-term plan amendment process

Transition Date

Assumption	That 3 Water operating activities, assets, revenue and liabilities will transition to the new Wellington metro council Council Controlled Organisation on 1 July 2026 at which time the current agreement with Wellington Water Limited will also be terminated.		
Data source	Wellington Regional Advisory Oversight Group meeting papers 13 December 2024		
Level of certainty	High – The Government has introduced the relevant legislation to the House and the discussions and planning for a multi council CCO model are advanced.		
Key risks	***Risk*** A delay in the transition date would result in Wellington City Council retaining ownership of 3 Water assets for longer than anticipated. It would also necessitate extending funding and management agreements with Wellington Water Limited to maintain 3 Waters delivery.	***Effect of risk*** Any changes to waters infrastructure transition timing is likely to have significant impact on Wellington City Council's long-term plan.	***Mitigation*** Maintain visibility of the progress with other councils in our region to progress the development of a new regional Water Services Delivery Entity model. Significant changes to the proposed operating model is likely to require decision making through a future long-term plan process or long-term plan amendment process

Operating and Capital Activities Transfer

Assumption	That all 3 Water operating activities and capital projects will transfer to the New Water Services Delivery entity, and the current operating agreements with Wellington Water Limited will be terminated.
Data source	
Level of certainty	Moderate – While Wellington City Council preferred options are a 3 Waters Water Services Delivery Entity, either jointly with other regional Councils, or a Wellington City Council only Water Services Delivery Entity, it is possible final legislation way require Councils to retain responsibility for Storm Water Infrastructure.

Key risks	***Risk*** Changes in legislation or Wellington City Council Water Services Delivery Plan could result in responsibility for Storm Water Infrastructure and operations remaining with Council, and a 2 Water entity being established. This could necessitate extending funding and management agreements with Wellington Water Limited to maintain Storm Waters delivery.	***Effect of risk*** Any changes to waters infrastructure transition structure is likely to have significant impact on Council's long-term plan	***Mitigation*** Maintain visibility of the progress with other councils in our region to progress the development of a new regional Water Services Delivery model. Significant changes to the proposed operating model is likely to require decision making through a future long-term plan process or long-term plan amendment process

Asset Transfer

Assumption	That all 3 Waters assets will be vested in the established Water Services Delivery Entity at the 30 June 2026 Book Value. Any costs relating to these assets will be transferred to the new Water Services Delivery entity.		
Data source	None		
Level of certainty	High – the regional model Water Service Delivery Plan is well progressed		
Key risks	***Risk*** That the approach to asset transfers is changed to a sale and purchase approach.	***Effect of risk*** A change in approach would materially impact Wellington City Council's Prospective Financial statements.	***Mitigation*** Maintain visibility of the progress with other councils in our region to progress the development of a new regional Water Services Delivery model.

Debt Repayment

Assumption	That the transfer of 3 Waters Activities and assets will not compromise Wellington City Council's ability to maintain debt to revenue ratios and to repay 3 Waters related debt on 1 July 2026. Wellington City Council will transfer all debt to the Water Services Delivery Entity on 1 July 2026 with revenue received to facilitate the repayment of Wellington City Council debt.
Data source	None
Level of certainty	Moderate - Wellington City Council has resolved to only join a Regional Water Services Model if agreement is reached on debt transfer.

Key risks	***Risk*** It is possible that the new Water Services Delivery Entity will not provide sufficient revenue to enable Wellington City Council to repay all 3 Waters related debt.	***Effect of risk*** Insufficient revenue to repay 3 Waters related debt will impact on Wellington City Councils ability to borrow sufficient funds to maintain insurance and emergency funding headroom and fund the Capital Programme..	***Mitigation*** Wellington City Council has resolved to only join a Regional Water Services Model if agreement is reached on debt transfer. Failure to reach such an agreement will likely result in the establishment of a Wellington City Council only entity where greater certainty exists.

Rating Assumption – Collection of Water Rates

Assumption	That Council will not collect any Rates relating to 3 Waters from 1 July 2026.		
Data source	None		
Level of certainty	Moderate – the regional model Water Service Delivery Plan is well progressed		
Key risks	***Risk*** Wellington City Council could be required to collect 3 Waters Rates on behalf of the Water Services Delivery Entity beyond 1 July 2026	***Effect of risk*** Material impact on prospective Cashflow Statement Additional administrative burden to process rates payments	***Mitigation*** Wellington City Council already has systems and processes in place for collecting rates and levies on behalf of third parties

Other forecasting assumptions

Resource consents

Assumption	Conditions for existing resource consents held by the Council will not be significantly altered. Any resource consents due for renewal during the 10-year period of this plan will be renewed accordingly and this will not have a significant impact on timing.		
Data source	Great Wellington Regional Council is consenting agent for these matters https://www.gw.govt.nz/		
Level of certainty	Moderate- there is some uncertainty around consenting conditions for the renewal of some Council consents: • Landfill consents expire in 2026. Given the Southern Landfill consenting conditions are substantially about the management of leachate, there is a likelihood that conditions will be substantially more rigorous. • Contaminated Soil - Retrospective consent for the disposal of contaminated soil on Stage 2, specifically, discharge of contaminants to water and to land where they may enter water. • Sludge minimisation plant: have obtained all resource consents required for construction (list and IDs available if required). Outline Plan Report accepted by WCC so the Change of Designation process required for the operational authorization of the plant is complete. Construction is under way and currently progressing well for a 2026 completion.		
Key risks	***Risk*** Conditions of resource consents are altered significantly. That significant delays to projects are experienced due to the resource consent process. The Council is unable to renew existing resource consents upon expiry	***Effect of risk*** The financial effect of any change to resource consent requirements would depend upon the extent of the change. Delays to projects may have material cost implications. Failure to renew existing consents, or a significant change in requirements could result in the Council needing to spend additional funds to enable compliance.	***Mitigation*** Generally, the Council considers that it is fully compliant with existing resource consents. Changing consenting conditions will be inputs into planning individual projects- for example in the scoping of any landfill or sludge minimisation investment. Budget revisions will take place where there are anticipated changes to consent requirements.

Sludge minimisation facility and collection of levy

Assumption	The sludge minimisation facility will be a Council asset; however, the funding does not sit on Council's balance sheet. The FSPV which is not controlled by WCC will provide funding of up to $400 million for the construction of the facility. In July 2024, the Council will be introducing a new sludge levy to fund the cost of the new Moa Point Sludge Minimisation Facility. This was approved under the Infrastructure Funding and Finance Act 2020 (IFFA). We consulted on this option through 2021/2022 and received support from the New Zealand Government (Cabinet and the Minister of Housing) in August 2023. We are collecting the levy on behalf of the special purpose vehicle owned by Crown Infrastructure Partners.

Data source	Infrastructure Funding and Financing Funding and Administration Agreement (IFFFAAA)		
Level of certainty	Medium		
Key risks	***Risk*** Construction costs and timeline deviate materially from the current estimates and the requirements of the IFFFAAA.	***Effect of risk*** Where cost escalations occur, the funding (over and above that allocated from IFF) will need to be provided from Council's already constrained balance sheet. Where there are significant delays in delivery of the project, at a minimum, Council will be in breach of resource consents and may have to consider costly alternatives to the one provided for by the SMF. If cost escalations occur this will require the Council to borrow more debt to be paid back over the life of the facility.	***Mitigation*** The construction contract includes a Liquidated Damages (LD) mechanism, agreed with the construction partner, which will apply if late completion was to occur. Robust contract management and proactive risk identification, mitigation and management, closely monitored through appropriate Governance mechanisms is in place. In addition to the LD regime the construction contract includes mechanisms to support and enable compliance with the required programme for example early procurement of items critical to programme.

Cost of carbon

Assumption

Council assumes that the cost of carbon will inflate over the coming years as per the table below.

Table 1: Estimated Forecast Cost of a NZU from 2025 to 2034

Assumption: We have used the market forward contract last/fix price for NZUs for April 2025 to April 2028 in Table 4. For the 2029 to 2034, we have assumed that the cost of an NZU continues to increase, at 7.8% per year (based on the average increase in the market forward contract last/fix price for NZUs from April 2025 to April 2028).

Year	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
	$80.95	$86.82	$93.12	$99.90	$107.69	$116.09	$125.15	$134.91	$145.43	$156.77

This assumption directly informs the carbon unit costs related to the Southern Landfill. More broadly the growing cost of carbon will have implications on the investment profile of individual projects and design of Council services, these impacts will be considered through the establishment of frameworks the Council will use in future project investment analysis and service review.

Data source	**Price ceiling and price floor** The Climate Change Commission provided advice to government that has been accepted, to set a trigger price for the release of additional units into the market. This in effect acts as a price ceiling. The Commission also advised on the minimum price the govt can set in an auction of units. While the market price can sit below this, it is likely that this sets the price floor, and the forward contract prices are all sitting above this auction price, lending weight to this assumption.

Table 2: Climate Change Commission's Recommended Cost Containment Reserve from 2024 to 2028.

	Fixed and cannot be changed		Updated recommendations		
Cost containment reserve	2024	2025	2026	2027	2028
Trigger price, including inflation	$91.61	$103.24	$205.00	$215.00	$226.00

Reference: He Pou a Rangi Climate Change Commission | Advice on NZ ETS unit limits and price control settings for 2024-2028

Note: The Climate Change Commission states: "Our advice is that significantly higher trigger prices are justified to put them well outside where the market may need to operate to be consistent with meeting emissions budgets. We judge it unlikely that any potential magnet effect would be sufficiently strong to cause prices to rise to that level."

Table 3: Climate Change Commission's Recommended Auction Reserve Price from 2024 to 2028.

Auction reserve price	Fixed and cannot be changed		Updated recommendations		
	2024	2025	2026	2027	2028
	$35.90	$38.67	$72.00	$75.00	$79.00

Reference: He Pou a Rangi Climate Change Commission | Advice on NZ ETS unit limits and price control settings for 2024-2028.

Table 4: Market forward contract last/fix price for NZUs for April 2025 to April 2028.

Contract	Last/Fix (Forward Contracts as of 15 September 2023)
NZUs – April 2024	$75.47
NZUs – April 2025	$80.95
NZUs – April 2026	$86.82
NZUs – April 2027	$93.12
NZUs – April 2028	$99.90

Reference: Carbon News NZ, website accessed September 15th 2023.

Level of certainty	Moderate – The certainty of the cost estimate for a NZU is moderate. A range of factors including the pace of technological change and level of economic activity could significantly affect both the medium and long-term trend and year on year costs.

	Risk	***Effect of risk***	***Mitigation***
Key risks	That actual increase in NZU price will be significantly different from the assumed increase, contributing to ETS costs at the landfill and underlying inflation of input fuel costs to Council.	The Council's direct NZU costs (through our ownership of Southern Landfill) and indirect NZU costs (through our use of natural gas, petrol and diesel) could be higher than forecast. For example, at the landfill our current liability is forecast to increase by roughly a third by 2028, however govt settings would allow the cost to increase by 300%.	Annual review of the budget through the annual plan process. We also have projects in place under our Te Atakura climate action strategy to minimise our exposure to the price of carbon: better methane capture and destruction technology at the landfill; diversion of organic matter from the landfill; removing natural gas (also known as "fossil gas") used for heating indoor spaces and water heating from Council owned buildings including our pools; and converting our vehicle fleet and equipment to electricity.

Significant Asset Lifecycles

Assumption	The estimated useful lives of significant assets will be as shown in the Statement of Accounting Policies. The asset life of key assets (three waters and transport is included below). The majority of the significant

assets will continue to be revalued every three years. It is assumed that assets will be replaced at the end of their useful life. Ranges in average ages relate to the variability of component parts of assets and changing material and design of assets over time.

Key Asset – Pipes	Asset life in years	Asset life from 2022 3W Valuation
Water pipes	50-95	40-128
Water reservoirs	40-100	90-117
Water pumping stations	20-100	100-104
Sewer pipes and tunnels	60-110	60-128
Sewer pumping stations	20-80	100
Stormwater pipes	50-130	40-130
Stormwater pump stations	20-100	100

Key Asset – Roads	Asset life in years	Asset Life from 2022 Transport Assets Valuation
Surface	10	6-50
Base	50	35-40
Bridges	80	95-105
Footpaths	20-50	15-50
Retaining walls	50-75	35-80
Sea walls	80-100	100
Kerbs and channels	70-120	10-60

It is also assumed that:

- the majority of the significant assets will continue to be revalued every 3 years.
- assets will be replaced at the end of their useful life.
- planned asset acquisitions (as per the capital expenditure programme) shall be depreciated on the same basis as existing assets.

Data source

Assumptions of asset lives are informed by guidance on the Useful Life of Infrastructure from the NAMS Council and Council actual condition information of assets.

Level of certainty

Mixed – The level of certainty of useful lives of assets ranges across different asset types. Underground assets that are not easily accessible have lower levels of confidence on their current condition and therefore expected remaining useful lives

Key risks

Risk	*Effect of risk*	*Mitigation*
That assets wear out earlier or later than estimated.	Depreciation and interest costs would increase if capital expenditure was required earlier than anticipated. The financial effect of the uncertainty is likely to be immaterial. In the event that useful lives are overestimated, renewals would fall earlier than anticipated. This would result in additional capital expenditure earlier than anticipated, impacting depreciation and interest costs. Conversely, in the event that useful lives are underestimated, we will forecast a higher renewal programme of capital expenditure than necessary.	Generally, we have the ability to prioritise work programmes should assets wear out earlier or later than estimated. In addition, we are continuously improving data integrity on our assets. We are actively investing in improving the quality of asset condition information including of our three waters assets, to reduce the likelihood of this risk.

		This could also result in the overcollection of depreciation in the earlier years of an assets life. The likely financial impact of this is minor.	

Ability to deliver capital programme

Assumption	We assume that there will be market capacity to deliver our planned capital programme. This will be supported by careful programme planning, investment in internal capability, including that of Wellington Water.		
Data source	N/A		
Level of certainty	Moderate – There is always an inherent level of risk in delivering a capital programme. Although we have plans to manage this risk there remains uncertainty. In the short-term this is linked to significant cost escalation of labour and materials. In the longer-term this relates to the ability of the supplier market to respond to regional investment and demand on infrastructure service providers.		
Key risks	***Risk*** That our capital programme is not able to be delivered as planned.	***Effect of risk*** If we are unable to deliver the planned capital programmes, then the benefits of investment will be delayed. For projects aimed at enabling growth, this could constrain the pace of growth. There will also be delays to our planned capital expenditure profile with flow on impacts on borrowing and operating expenditure projections.	***Mitigation*** Regular monitoring of our capital programme progress, and adjustments to plans through the formal Annual Planning process. Strong procurement processes ensuring the market can respond positively to opportunities. Careful programme planning and monitoring, investing in internal capability, including that of Wellington Water Limited. If unable to deliver the capital programme, Council will prioritise renewals work (to prevent asset failure and resulting service interruptions) and critically review the planned capital upgrade work programme including identifying opportunities for deferral of works.

Level of service

Assumption	For this 10-year plan we assume that the current demand for Council services and customer expectations regarding business as usual levels of service will not significantly change during the planning period beyond what is specifically planned for and identified in this 10-year plan. As a result it is assumed that there will be no significant additional impact from level of service changes on asset requirements or operating expenditure.
Data source	N/A

Level of certainty	Low – it is highly likely that demand for Council service levels will change to some degree over the course of the next ten-years, however these changes are not currently predictable and as such not about to be built into the underlying assumptions of this long-term plan.		
Key risks	***Risk*** That there are significant changes in residents' demand for services or levels of service beyond those planned in this plan.	***Effect of risk*** If residents begin to expect a higher level of service than planned, then either Council will face unbudgeted additional cost to meet that higher level of service, or Council will be unable to meet changed resident expectations and would see a decrease in residents' satisfaction with Council services.	***Mitigation*** The Council has defined service levels for its planned activities, which have been reviewed as part of the 10-year plan process. The regular 3 year Long-term Planning cycle provides the opportunity for service levels to be regularly reassessed for changes in demand.

Vested Assets Received

Assumption	No vesting of assets into Council ownership is forecasted across this ten-year plan.		
Data source	N/A		
Level of certainty	Low		
Key risks	***Risk*** That there will be assets vested thereby increasing the depreciation expense in subsequent years.	***Effect of risk*** The level of vested assets fluctuates considerably from year to year and is unpredictable. The recognition of vested assets revenue in the Statement of Financial Performance is non-cash in nature and has no impact on rates. The financial effect of the uncertainty is assessed as low.	***Mitigation*** Annual review of the budget through the annual plan process.

Funding sources - asset divestment

Assumption	That some assets, including long-term ground leases for multiple sites will be divested. Any proceeds forecasted from asset divestment will be reinvested in accordance with our Treasury Management Policies unless otherwise directed by Council resolution.
Data source	
Level of certainty	High – When considering the sale of ground leases it is important to consider: • Where the ground lease sits within the 21-year cycle • Ground lessees' ability to make an acceptable offer • Impact on the parcel of land that the ground lease sits on • Revenue stream that the ground lease provides • Potential revenue from the sale of the ground lease

Key risks	***Risk*** That the sale proceeds and rate of return is not achieved and/or we are unable to find buyers.	***Effect of risk*** If the sale of long-term ground leases a are delayed or at a lower value, this may impact Council's debt position and may lead to a breach of the proposed debt to revenue limits. This would also reduce the amount available to invest in the Perpetual investment fund.	***Mitigation*** Council's Annual Planning process will review this assumption.

Development Contributions

Assumption	Revenue from Development Contributions is not materially different from that forecast in the LTP.		
Data source	N/A		
Level of certainty	Moderate – the level of Development Contribution revenue is broadly in line with actual levels of revenue over the previous three financial years. This LTP includes a review of the DC policy and supporting processes. The impact of the review will follow the adoption of the LTP.		
Key risks	***Risk*** The level of development contributions collected and the timing could result in insufficient income to cover the costs of required growth infrastructure.	***Effect of risk*** If the level of development contribution income is less than forecasted, this would mean the debt is not paid off as quickly as planned, and therefore interest costs relating to this debt would be marginally higher than planned	***Mitigation*** Council's Annual Planning process provides a process whereby reprioritisation of budget can be undertaken.

Availability of insurance

Assumption	The Council will maintain or increase its current level of insurance from all sources. This may include introduction of new sources. Council can currently fund 32% of the 1-1,000 year earthquake loss estimate.		
Data source	Earthquake is considered to be the largest single risk for the Council asset portfolios. Earthquake loss estimates are used to assess the risk to the portfolio, subsequently informing strategic decisions to manage risk. The data for a 1-1,000 year event loss informs the amount of risk funding required and the excess risk accepted by Council. Loss estimates are modelled by Aon and GNS – refer to earthquake risk assumption below.		
Level of certainty	Low - traditional insurance capacity is increasingly squeezed as values, inflation and claims are elevated. Availability of alternative risk funding is currently unknown but under investigation.		
Key risks	***Risk*** That the financial loss to the assets in a major event is significantly greater than estimated.	***Effect of risk*** An inability to adequately fund the assumed risk or actual losses exceeding estimated loss would mean	***Mitigation*** The assumptions that drive the 1-1,000 year loss estimates will be updated using the new NSHM(2022) to ensure up-to-

	That the increasing costs of holding insurance exceeds available budget.	that not all assets would be able to be repaired or replaced post a significant earthquake event. Meeting increasing costs of insurance to maintain coverage would have direct impacts on rates and fees and user charges. The chosen mix of risk funding methods does not meet Council's needs. Every additional $10m of insurance cover has less than a 2% impact on rates.	date asset information is understood. Incorporating resilience measures into our loss estimates will increase the certainty around the level of risk funding required. e.g. buildings that are base isolated and unlikely to take material damage. Council has prioritised resilience work in all asset portfolio's within the capital programme. Council Officers will also work on the "Insurance Roadmap", which aims to instate alternative risk funding methods and improve Council's post event outcomes. The Roadmap identifies a 3-6 year timeframe to fully understand and begin implementation of new strategies.

Local Government Funding Act - Deed of Guarantee

Assumption	Each of the shareholders of the LGFA is a party to a Deed of Guarantee, which provides a guarantee on the obligations of the LGFA and the other participating local authorities to the LGFA, in the event of default. Council assumes no default event occurring during this Long-Term Plan.		
Data source	N/A		
Level of certainty	High – Given the LGFA structure and the conservative nature of the financial covenants they place on all Councils, the level of certainty that there will not be a default event during the period of the LTP, in Council's view, is high. The likelihood of a local authority borrower defaulting is extremely low and all of the borrowings by a local authority from the LGFA are secured by a rates charge.		
Key risks	***Risk*** In the event of a default by the LGFA, each guarantor would be liable to pay a proportion of the amount owing. The proportion to be paid by each respective guarantor is set in relation to each guarantor's relative rates income.	***Effect of risk*** Payment would be required by Wellington ratepayers for the relevant amount in default, for the most part via equity investments already held on behalf of Council by the LGFA	***Mitigation*** The structure and makeup of the LGFA through the foundation documents sets out the protections and processes of guarantees and defaults. The LGFA Risk management committee, reporting framework, key performance indicators and variance at risk all mitigate the risk eventuating. Council also maintains conservative internal policies to ensure we are not the council at risk of default. This is

			demonstrated in our recently reaffirmed AA+ rating from S&P.

Renewal of existing funding

Assumption	It is assumed that the Council will be able to renew existing borrowings on similar terms.		
Data source	N/A		
Level of certainty	High		
Key risks	***Risk*** That new borrowings cannot be accessed to fund future capital requirements.	***Effect of risk*** Future capital programmes may be delayed and the Council improvement programmes/infrastructure assets may not receive the required investment. If funding is no longer available existing debt will need to be repaid, capital expenditure will cease and the council would be at risk of default under lending agreements.	***Mitigation*** Council maintains internal policy settings that allow for prefunding up to 18 months to manage refinancing risk. Council issues long term funding that is well spread over multiple maturity dates to ensure intergenerational equity requirements as set out in the Local Government Act 2002 are being met. Council sources debt from the LGFA which has the highest possible credit rating available demonstrating strong management and governance practices in place. The LGFA is a very well run, risk averse organisation that has sound risk management practices in place to continue to fund the local government sector over the long term. Access to the LGFA will continue to be the most appropriate way for Council to fund its balance sheet.

Weathertight homes

Assumption	The Council will continue to spread the cost incurred by settling weathertight homes claims by funding claims from borrowings and spreading the rates funded repayment across a number of years. This 10-year plan assumes that the Council's weathertight homes liability will be fully settled by 2039 and the associated borrowing repaid over the 24–year period.
Data source	Actuarial Valuation of Weathertight Claims as at 30 June 2023

Level of certainty	High		
Key risks	***Risk*** That the level of the claims and settlements is higher than provided for within the 10-year plan.	***Effect of risk*** The weathertight homes liability is an actuarial calculation based on the best information currently available. The liability provided for within the Council's financial statements is $24 million, a 1 percent change in this figure would equate to $0.24 million.	***Mitigation*** N/A.

Earthquake risk

Assumption	The assumed risks of a significant earthquake are in line with Wellington lifelines planning and relate to likelihood of earthquakes at different scales on the Modified Mercalli intensity (MMI) scale. Likelihood captured in the table below. **MMI level** / **Average return period** MMI7 / ~30 years MMI8 / ~120 years MMI 9 / ~400 years MMI 10 / ~1350 years		
Data source	Wellington Lifelines report 2019 and NZ NSHM (gns.cri.nz)		
Level of certainty	Low		
Key risks	***Risk*** That a significant event occurs during the period of the Long-Term Plan. That the scale and impact of a significant event is much larger than anticipated.	***Effect of risk*** The city is damaged to an extent that significantly impacts daily operation and liveability. If Council is unable to recover sufficiently or quickly enough to prevent long-term adverse effects on the population or local economy, Council's income streams, may not support it's commitments to repay debt. The city is damaged significantly more than expected and recovery funding is inadequate to prevent adverse long-term effects.	***Mitigation*** Council holds insurance cover and debt provision to fund losses in a significant event. - Council is improving the resilience of its infrastructure and building portfolio. - Council emergency response staff are regularly trained. - Development in areas subject to natural hazard risk is restricted. - Council regulates the remediation of earthquake prone buildings in the city.

Local Government reform

Assumption	That our current structure, role, and functions will continue, except where this has been clearly stated in the LTP. The range and nature of our services will remain unchanged. The Review into the Future for Local Government has published its final report, He piki tūranga, he piki kōtuku. The report poses proposes 17 recommendations to shape a more community focused, citizen-centred local governance system. The report does not explicitly recommend the allocation of roles and functions between central and local government and notes that decisions relating to the allocation of roles and functions cannot be made without understanding how they will be funded, and whether local government has the capacity and expertise to carry them out.		
Data source			
Level of certainty	High - while the Future for Local Government review recommends and discusses changes to what local government is and does, it is unlikely that any recommendations could take effect by 1 July 2024		
Key risks	***Risk*** That the structure of Local Government will change, and the Council moves to unitary, combined or other governance model. Within ten years there may be significant changes to the boundaries of local government in our region. That central government will allocate or remove responsibility for services to local government, and/or the Regional Council will allocate responsibility for additional services or standards to local government in the Bay of Plenty Region that requires immediate addressing and affects our capacity to deliver.	***Effect of risk*** Effect depends 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. Changes in the purpose and role of local government may have substantial impacts on budgets and financial forecasts and may require an amendment to the LTP.	***Mitigation*** A reorganisation process would take place over a sizeable period of time, this would allow the Council to fully prepare. The Council will proactively monitor and engage in discussions of this nature. We will continue to keep a watching brief on the local government sector and central government's response to the Future for Local Government review.

Resource Management reform

Assumption	That during the life of this LTP, the Resource Management Act 1991 (RMA) will remain until new legislation is prepared. The Natural and Built Environment Act 2023 (NBA) and the Spatial Planning Act 2023 (SPA) were repealed in December 2023. The government has signalled an intent to introduce new resource management laws based on the enjoyment of property rights.
Data source	**Resource management system reform | Ministry for the Environment**
Level of certainty	Low – The new Government 100-day plan includes repeal of the Spatial Planning and Natural and Built Environment Act and introduction of a fast-track consenting regime

Key risks	***Risk***	***Effect of risk***	***Mitigation***
	That the resulting change in approach to resource management to a system based on the enjoyment of property rights, rather than sustainable management, requires significant changes to how Council undertakes planning and regulates land use and development.	There is uncertainty about the exact form that reform of resource management may take, however it is possible that a new District Plan (or equivalent) will need to be prepared to give effect to new legislation. This will require significant resourcing from Council, likely similar to the District Plan review process currently underway.	We will continue to keep a watching brief on the review and any resulting legislative changes.