Significant Forecasting Assumptions 2021-31

HAWKES BAY
REGIONAL COUNCIL

TE KAUNIHERA Ā-ROHE O TE MATAU-A-MĀUI

Significant Forecasting Assumptions 2021-31

Forecasting Assumption\Issue for 2021-31 LTP	Risk	Level of Risk	Comment on the potential impact of any uncertainty\risk
Financial Presentation The main purpose of prospective financial statements in a Long Term Plan is to provide users with information about the core services that Council intends to provide to ratepayers and the expected cost of those services and consequentially how much Council needs by way of rates to fund the intended levels of service. The level of rates funding required is not affected by any Council subsidiary entities such as HBRIC, which manages Council's 55% shareholding in the Port of Napier, except to the extent that Council obtains distributions from, or further invests in, those subsidiaries. Council has not presented group prospective financial statements because it believes that parent prospective financial statements are more relevant to users.	The presentation of financial statements for the parent entity only will not provide readers with a sufficient level of information	Low	Parent only financial statements are more meaningful for most ratepayers. In addition, neither Council nor HBRIC is not able to access detailed 10- year financial projections for Napier Port as the company is listed on the stock exchange.
Population HBRC has taken into account forecast changes in population and rateable properties. The regional projection reflects the combined projections from the main territorial authorities in the region (Hastings District, Napier City, Central Hawke's Bay District and Wairoa District). The projections, for growth in population and households, are set out in the following table:	The forecast change in the HB population will be greater or lower than forecast.	Low	No significant programmes, expenditure or revenue changes are being driven by changes in population.

Table 1 Hawkes Bay Population Projections

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
HB Population	176,694	178,042	179,397	180,696	182,001	183,313	184,632	185,938	187,239	188,527	189,672
Change		1,348	1,355	1,299	1,305	1,312	1,319	1,326	1,281	1,288	1,145
%age change		0.76%	0.76%	0.72%	0.72%	0.72%	0.72%	0.72%	0.69%	0.69%	0.61%
No of Households	66,838	67,367	67,906	68,415	68,934	69,473	70,002	70,521	71,029	71,527	72,065
Change		529	539	509	519	539	529	519	508	498	538
%age Change		0.79%	0.80%	0.75%	0.76%	0.78%	0.76%	0.74%	0.72%	0.70%	0.75%

Covid-19 Economic Impact The Covid-19 pandemic that swept the world in 2020 has had a significant impact on the New Zealand and Hawke's Bay economy. Different sectors of the Hawke's Bay community have been affected by a downturn in tourism and business confidence and demand. Council responded quickly to the pandemic by deferring the proposed rate increase for 2020-21. As well as the HB community HBRC has been directly impacted through a reduction in the amount of investment income it has to offset the amount required from rates. A combination of the deferral of the proposed rate increase and reduced income from other sources meant that Council used its strong financial position to borrow $7.5m in 2020-21 to bridge the funding gap. The Covid-19 pandemic will have an enduring impact on the pace of the NZ and of the Hawke's Bay economy will have a major bearing on the 2021-31 Long-term Plan.	HBRC will underestimate the extent economic impact of Covid-19.	Medium	If the impact on the HB economy is greater than anticipated HBRC's forecast financial position may be worse and the forecast revenues may be lower than those forecast in this plan. In addition, if the ability of the ratepayers in the region to absorb increases in HBRC rates is affected to a greater degree than anticipated Council may respond by modifying its revenue and expenditure plans during the period of this LTP. Any significant change will be consulted on as part of an annual plan or LTP amendment.
Environment Increased expectations for better environmental outcomes, particularly related to freshwater, are bringing a stronger focus and attention on Council's functions. The Government's Essential Freshwater package introduced new rules and regulations to: • stop further degradation of New Zealand's freshwater resources and improve water quality within five years • reverse past damage and bring New Zealand's freshwater resources, waterways and ecosystems to a healthy state within a generation. Adequate resources to implement the Essential Freshwater policies and regulations that come into force on 3 September 2020 are difficult to estimate. The NPSFM 2020 requires Regional Councils to give effect to Te Mana o te Wai. In doing so the Council must develop a plan for maintaining and improving the state of freshwater in the region. Te Mana o Te Wai is the fundamental concept which underpins the NPSFM 2020 and the Council must: • set a long term vision for water informed by the aspirations of tāngata whenua and communities • actively involve tāngata whenua in freshwater management such as the preparation of policy statements and plans; and • investigate options for tāngata whenua involvement in other RMA processes. By 31 December 2024 Councils must notify changes to policy statements and plans to give effect to the NPSFM 2020. Alongside the development of the freshwater catchment plans both the Hawkes Bay Regional Resource Management Plan and the Regional Coastal Environment Plan are due for review (commencing in 2021). In order to deliver on all of these elements of the Policy &	There could be new environmental or resource management issues requiring work that cannot be resourced and funded out of normal budgetary provisions.	Low	The potential effect of any new environmental or resource management issues is dependent on the scale, type, location, and impact on the environment. Each issue will be addressed on its merits and any resourcing or funding requirement will be addressed and if necessary, consulted on as part of an annual plan or LTP amendment.

Forecasting Assumption\Issue for 2021-31 LTP	Risk	Level of Risk	Comment on the potential impact of any uncertainty\risk
Planning work programme it is proposed to combine the RRMP and RCEP, as well as the NPSFM freshwater catchment polices into one plan 'Kotahi'. Increased funding has been included in the Policy and Planning and Maori Partnerships teams project planning to ensure that Kotahi will meet the statutory obligations. However, it is unclear what , if any financial assistance will be provided to Council by Central Government to meet these new and challenging timeframes. Nor is it clear what funding or resourcing will be made available to tāngata whenua to support their active involvement in these planning processes.			
Land Use Changes HBRC assumes that the current use of land will not change significantly over the course of this LTP. Hawke's Bay's economy is largely a rural economy dominated by export orientated primary production including value added processing and is therefore exposed to significant environmental (e.g. climatic) and international market fluctuations. In general, changes to higher value land are limited in Hawke's Bay due to the availability of water to irrigate. One area of anticipated land use change is from hill country pasture to afforestation. In this plan, council is continuing to invest in a significant tree planting programme targeting the worst eroding land in the region. This complements a central government initiative to plant 1 billion trees a year. This initiative will have positive impacts on water quality, carbon sequestration and soil health.	Changes in land use impact on HBRC's programmes and on the environment.	Low	We would expect that any changes in land use will be gradual with any significant changes being very obvious giving Council time to review and alter programmes and consult with the community if required.
Natural Disasters A significant disaster event, particularly a flood, may have a major impact on the work programmes set out in this Long-Term Plan. As these events cannot be predicted they have been excluded from the Plan. Following such an event, HBRC will focus on response to community needs and recovery. Any major issues would be included in subsequent Annual Plans or Long-Term Plan Amendments.	A significant natural disaster occurs during the period covered by this LTP.	Low	A major event is unlikely however the potential impact if one does occur could be significant.
Climate Change The Regional Council announced a climate emergency for the Hawke's Bay region on 26 June 2019, recognising that we have a small window of time to act to avoid the most damaging effects of the climate crisis in the longer term. In declaring a climate emergency, the Regional Council is making climate change a focus in all its decision-making and relevant work programmes. The climate emergency declaration recognises that the climate crisis is an urgent and pervasive threat to human and ecological wellbeing. A build-up of too many 'greenhouse gases' like carbon dioxide and methane leads to too much heat being trapped in turn causing the climate to change. Local government has responsibilities for adaptation to and mitigation of the effects of climate change under the Resource Management Act and Local Government Act, whereas central government leads policy to mitigate (reduce) greenhouse gas emissions. As such climate change adaptation and mitigation is a key component of the Regional Council's proposed work programme in this LTP. HBRC has allowed for a response to climate change throughout its work programmes and levels of service. In November 2020, the most comprehensive and wide-ranging assessment of climate change impacts on the region to date was released. The report was commissioned by HBRC, Gisborne District Council and Envirolink, and conducted by the National Institute for Water and Atmosphere (NIWA). NIWA used modelling from the Intergovernmental Panel on Climate Change (IPCC), including a mid-range emission and high emission scenario, to describe changes that could occur over the 21st Century. This report provides the best information to hand and the findings justify our approach to managing for climate change impacts. The report projects direct impacts of: • annual average temperatures are projected to go up between 0.5 °C and 1 °C by 2040, and between 1.5 °C and 3 °C by 2090. This comes on top of the 1°C increase over the last century. • coastal areas could have five fewer frosty days and inland areas 20 fewer frosty days by 2040. This could increase to 50 fewer frosty days for inland areas by 2090. • heat waves, defined as three or more days above 25°C, will become increasingly common, with increases of between 10-20 days by 2040, and 20-60 days by 2090. • annual rainfall is projected to drop up to 5% by 2040, and up to 15% in parts of Hawke's Bay by 2090. • more intense storms • sea level rise of up to 0.4m in 40 years and worsening coastal erosion (under the extreme worst-case scenario). Broader impacts on the community include: • increasing temperatures will impact the primary sector through a growth in pests and diseases, which will impact the quality and quantity of fruit and vegetable crops, as well as the productivity of forestry and pasture. • more droughts will likely decrease our agricultural production and the health of our rivers, which will also affect our drinking water supplies. • less rainfall will impact rivers in the region, resulting in a projected 20% decrease in flow by 2090. • sea level rise plus storm surges will inundate orchards, vineyards and other crops, roads, buildings with a significant financial impact.	Climate change causes impacts on land, sea and\or the environment.	Low	Most of Council's proposed actions around climate change are linked to possible impacts on land and water rather than on Council assets. We do not anticipate any significant impacts from Climate change, on key Council assets, over the next 10 years. If events occur that require any significant change to Council's response Council will consult with the community through an annual plan or LTP amendment process.

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<tr><th>Forecasting Assumption\Issue for 2021-31 LTP</th><th>Risk</th><th>Level of Risk</th><th>Comment on the potential impact of any uncertainty\risk</th></tr>
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- positive impacts including increased pasture and plant productivity of select plants, less frost damage, and longer summers for tourists.

Several projects in this LTP are in direct response to climate change including accelerating upgrades to the Heretaunga Plains Flood Protection Scheme and gravel extraction in the Upper Tukituki to keep communities safe from floods, the continuance of the Coastal Hazards Strategy 2120 which takes a Joint Committee approach to apply solutions to coastal hazards and sea level rise and the Regional Water Security Programme.
The Council's Regional Water Security Programme has an ambition to deliver freshwater supply and demand solutions/interventions to ensure the sustainable management of this most critical resource. Council is also working to mitigate climate change through its regional planting programme and on-demand transport.

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Cost Adjusters
All expenditure projections in the financial statements for year 1 (2021-22) of the Long-Term Plan are stated without cost adjusters. From year 2 (2022-23) cost adjusters have been used to allow for the effect of inflationary pressures. These cost adjuster assumptions are set out in the table 2 below:
The rates have been provided by BERL economic forecasts in September 2020.

Table 2: Cost Adjusters

Year	Salary Related Costs		External Expenditure	
	Annual (%)	Cumulative (%)	Annual (%)	Cumulative (%)
2021-22	1.60	1.60	1.50	1.50
2022-23	2.50	4.14	2.90	4.44
2023-24	2.30	6.54	2.50	7.05
2024-25	2.20	8.88	2.50	9.73
2025-26	2.20	11.27	2.50	12.47
2026-27	2.20	13.72	2.50	15.29
2027-28	2.20	16.22	2.60	18.28
2028-29	2.20	18.78	2.70	21.48
2029-30	2.20	21.39	2.70	24.76
2030-31	2.20	24.07	2.60	28.00

</td><td>Changes in HBRC costs are greater or less than predicted</td><td>Medium</td><td>Changes to the cost adjusters (inflation) will impact on Council's costs and revenues and on the projected future rate increases.

The difference between the assumptions in the 3 BERL scenarios would result in cumulative cost increases being 5.6% lower over 10 years under the "Stalled Recovery" scenario or 3.3% higher under the "Faster Recovery" scenario.

Based on the total external expenditure of $93m in 2021-22 the potential impact, for every 0.1% movement in the cost index is $93,000.

Budgets are modified each year as part of the Annual Plan and any significant changes will result in consultation with the community on the proposed budget and rates requirement.</td></tr>
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Asset Value Adjusters
All applicable assets are revalued at various stages during the LTP. Table 3 below sets out the asset value adjusters used in the Long-Term Plan.

</td><td>The changes in HBRC asset values are greater or lower than anticipated.</td><td>Low</td><td>Changes to the cost adjusters (inflation) will impact on the replacement cost or market value of Council's assets.

Valuation changes do not result in a significant change to Council's operating costs and revenues.

An increase in the value of assets such as land and buildings and Infrastructure assets will result in an increase in the depreciation expense that forms part of the annual budget.

An increase in the value of investment assets does not result in a change in the budgeted revenue from the investments as the revenue, used for budgeting purpose, reflects the expected</td></tr>
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<tr><th>Forecasting Assumption\Issue for 2021-31 LTP</th><th>Risk</th><th>Level of Risk</th><th>Comment on the potential impact of any uncertainty\risk</th></tr>
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Table 3: Asset Value Adjusters

Year	Land & Buildings (%)	Forestry Assets (%)	Investment Property (%)	Infrastructure Assets (%)	Hydro Assets (%)	HBRIC Ltd Shares (%)
2021-22	6.00	3.00	6.00	4.00	6.00	5.00
2022-23	2.00	3.00	2.00	3.00	3.50	5.00
2023-24	2.00	3.00	2.00	2.60	2.60	5.00
2024-25	3.00	3.00	3.00	2.60	2.70	5.00
2025-26	5.00	3.00	4.50	2.70	2.90	5.00
2026-27	5.00	3.00	4.50	2.60	2.80	5.00
2027-28	5.00	3.00	4.50	2.80	3.20	5.00
2028-29	5.00	3.00	4.50	2.80	3.30	5.00
2029-30	5.00	3.00	4.50	2.90	3.40	5.00
2030-31	5.00	3.00	4.50	2.70	3.10	5.00

The above rates for Infrastructure Assets and Hydrological Assets are based on the capex inflation indices provided by BERL economic forecasts in September 2020.
The rates used for Land & Buildings, Investment Property and HBRIC Ltd Shares were provided by Council's investment advisors (PWC).
The rate for forestry assets is a conservative estimate of an average growth in value which is similar to the growth in Hydro and Infrastructure assets.
• Property and Forestry Crops are revalued every year
• HBRIC Ltd shares are revalued every year (market to market)
• Operational Land and Buildings and Hydrological Assets are revalued every three years starting in the 2021-22 year.
• Infrastructure Assets are revalued every three years starting in the 2022-23 year.

</td><td></td><td></td><td>dividends received or actual rentals or proceeds from forest harvesting that are received each year.</td></tr>
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Capital Programme Delivery
Programmes and projects are assumed to be delivered within budget and on time.
The plan includes a significant increase in capital expenditure, particularly in the first two years as this is supported by the availability of Government funding.

</td><td>The risk is that the capital programme is not able to be delivered on time and within the budget available.</td><td>Medium</td><td>Council will be working proactively to plan for the delivery of major projects proposed in the plan. A greater lead time will improve the chances of delivery on time and on budget. Council does have an in-house civil works capability that will be utilised to deliver projects wherever possible.
Where projects are not able to be completed as scheduled within any given year Council will carry forward the budget and funding. The implication of any shortfall in project delivery are:
• Projects may cost more than planned due to inflation
• Less funds will need to be borrowed in the short term. Delaying new borrowing will impact on the timing of financing costs
• Delays in proposed improvements to services</td></tr>
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Contractor Availability
That Council will be able to find skilled contractors to undertake the work programmed in this plan.
Currently there is very little surplus capacity in the contracting market due to the housing boom and the increased level of capital works proposed my many local authorities. This may provide Council with challenges in procuring services to deliver on time and to budget.

</td><td>The risk is that there is not sufficient contractor capacity to deliver the capital programme on time or that contract prices increase significantly so that works cannot be delivered</td><td>Medium</td><td>Council will proactively work with the local contractor community to procure major works.
Where projects are not able to be completed as scheduled within any given year Council will carry forward the budget and funding. The implication of any shortfall in project delivery are:
• Projects may cost more than planned due to inflation
• Less funds will need to be borrowed in the short term. Delaying new borrowing will impact on the timing of financing costs</td></tr>
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Forecasting Assumption\Issue for 2021-31 LTP	Risk	Level of Risk	Comment on the potential impact of any uncertainty\risk
	within the budget available.		• Delays in proposed improvements to services
Interest Rates We are currently experiencing historic lows in the financial markets due to the impact of covid-19 on world economies. These low interest rates are expected to continue for some time. External Borrowing The interest rate assumptions for external borrowing for inclusion in the plan are set out below: • For the 2021-22 financial year 1.5% • For the 2022-23 financial year 2.0% • For the 2023-24 financial year 2.5% • For the remainder of the plan until 30 June 2031 2.5%	Borrowing costs are higher than expected	Low	Council's external borrowings are managed in accordance with Council's treasury policy. This ensures that only a portion of existing debt will need to be refinanced in any one year. Each 1% change in interest rates could add $10,000 to HBRC costs for every $1m borrowed. This could potentially add $1.2m to costs when external debt is expected to peak at $122m in 2025/26.
Interest on Deposits The interest rate assumptions for interest on deposits for inclusion in the plan are set out below: • For the 2021-22 financial year 1.0% • For the 2022-23 financial year 1.0% • For the 2023-24 financial year 1.5% • For the remainder of the plan until 30 June 2031 1.5%	Interest received on deposits is lower than expected.	Low	Only a small proportion of investment revenues is driven by returns on cash deposits. Most revenue is linked to returns on managed funds which are discussed separately.
Managed Funds Council has allocated funds from the proceeds of the sell down of the HBRIC shareholding in the Napier Port and funds previously set aside for investment in RWSS to be placed into managed funds so that these assets should work harder and provide more returns. The total estimated managed funds are $165m as at June 2021. These are held by HBRIC ($48m) and HBRC ($117m) Based on advice from Council's advisors this LTP assumes an average annual return of 5.16%. This is based in averaging the historical returns and the future 20 years projected returns provided by the fund managers. On average 2% of the total returns will be added to the funds balance to ensure that the funds, and the annual revenues available to offset rates grow in line with forecast growth in costs. Each year a budget assumption of 3.16% on the funds balance will be used to offset the general rates requirement. Any income over the combined revenue projections for managed funds and HBRIC dividends are to be transferred to an Investment Income Equalisation reserve and will earn interest in line with interest on deposits stated above to cover market fluctuation risks. These investments may include any of the investment classes included in the investment policy.	Returns from Council's investments in managed funds are lower than expected	High	HBRC has traditionally relied on combined investment income of at least $13m per annum for the portfolio of managed funds and HBRIC Dividends to subsidise the cost of its activities and reduce the amount required to be collected from rates. Each 0.6% reduction or increase in the projected return on managed funds equates to $1 million in revenue that would be lost or gained. Council is able to use its' borrowing facilities or the Investment equalisation reserve to smooth the impact of any short-term shortfall in revenues. If the average return, over time, is lower than projected each 0.6% change in the average return will represent $10 million in additional or reduced income over the life of this LTP. Every $260,000 in reduced income from investments would result in a 1% increase in the amount needed from rates or other sources.
HBRIC Ltd HBRIC Ltd, the Council's investment company, commenced activities in February 2012. Its principal investment is 55% ownership of Napier Port Holdings Ltd which in turn owns Port of Napier Limited (PONL), which owns and operates Napier Port. In addition HBRIC maintains a portfolio of managed funds (estimated to be $48m as at June 2021). Dividends payable to HBRC will derived from a combination of PONL dividends plus returns on managed funds.	Returns from Council's investment in HBRIC (Napier Port) are lower than expected	High	HBRC has traditionally relied on combined investment income of at least $13m per annum for the portfolio of managed funds and HBRIC Dividends to subsidise the cost of its activities and reduce the amount required to be collected from rates. Every $260,000 in reduced income from investments would result in a 1% increase in the amount needed from rates or other sources.

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The annual HBRIC dividend comprises the dividends from the HBRC's 55% share of PONL) after costs of administering HBRIC. Based on advice from Council's investment advisors, PWC, the projected dividend revenues from PONL to HBRIC are grow by between 4% and 5% per annum.
For the LTP budgets we have assumed growth of 4% per annum.

Estimated PONL Dividends to HBRIC
<table>
<tr><th>Year</th><th>$'000</th></tr>
<tr><td>2021-22</td><td>9,100</td></tr>
<tr><td>2022/23</td><td>9,464</td></tr>
<tr><td>2023/24</td><td>9,843</td></tr>
</table>
From 2024-2031 dividends grow by 4% per annum

Any income over the combined revenue projections for managed funds and HBRIC dividends is to be transferred to an Investment Income Equalisation reserve and this will earn interest in line with interest on deposits stated above to cover market fluctuation risks associated with the investment portfolio.
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Leasehold Properties

Napier
HBRC owns leasehold endowment property within and around Napier City. Ground rents paid by lessors have been predominantly set at 5% of current land value, or "fair annual ground rental" and reviewed every 21 years.
From 1 July 2013, HBRC sold the annual rentals due from this portfolio over the next 50 years (i.e. until July 2063) to ACC for a lump sum of $37.8 million. As the annual rents have been sold this LTP assumes that the income received will be paid out as an expense with a small margin to be kept by HBRC as an administration fee.
The underlying properties continue to be owned by HBRC and sales to lessors have continued, and may continue in the future, in the same way as they have done in the past. HBRC has invested these funds in investments specified in HBRC investment policy and will continue to do so in respect of net proceeds, (after disbursements to ACC), of sales of freehold interests to lessors.

Wellington
HBRC holds a portfolio of 12 leasehold properties in Wellington which were purchased from the historic proceeds of the sale of Napier leasehold properties. These leases currently provide a return of $840,000 per annum with leases renewed every 14 years.
</td><td>Returns from Council's investments in leasehold properties are lower than expected.</td><td>Low</td><td>The annual value of budgeted revenues from leasehold property is $1,400,000 .

Leasehold revenues are primarily linked to long-term leases, so the revenue streams are reasonably stable.</td></tr>
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Forestry
HBRC has an existing forestry portfolio consisting off:
<table>
<tr><th>Site Name</th><th>Area (ha)</th><th>Assumptions</th></tr>
<tr><td>CHB</td><td>168</td><td>No material investment, maintenance only, no harvesting in LTP period</td></tr>
<tr><td>Mahia</td><td>36</td><td>No material investment, maintenance only, no harvesting in LTP period</td></tr>
<tr><td>Waihapua</td><td>213</td><td>No material investment, maintenance only, no harvesting in LTP period</td></tr>
</table>
</td><td>Returns from Council's investments in forestry are lower than expected or the harvesting dates are later than expected.</td><td>Medium</td><td>Forestry returns are subject to market fluctuations driven by international demand for wood products. The actual impacts from any market fluctuations will not be known until such time as Council's areas of forest are harvested. Harvest can be delayed to some extent in an attempt to align with high log prices, but particularly in the Covid 19 environment doing so is very speculative and not sure to be successful, and there are limits in the ability to delay due to the need to stage harvest over time to manage environmental risk.</td></tr>
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<table><tr><td>**Tutira**</td><td>114</td><td>Harvesting proposed over the period from 2021 to 2027. Replanting after Harvest</td></tr><tr><td>**Tutira Manuka Honey**</td><td>90</td><td>Maintenance continues with yearly honey income of $7,000 assumed</td></tr><tr><td>**Tangoio**</td><td>330</td><td>Second tranche of harvesting proposed in 2023 (first tranche was in 2020-21) Replanting after Harvest</td></tr></table> Return on the forestry investments are determined by the harvest revenue received. Tangoio forestry is treated differently from all the other forestry investment as HBRC does not own the land but does have responsibility for the management and control of the forest. Any income received from harvest is kept in a reserve to fund the continuing maintenance programme and is not available for the funding of general HBRC operations.			
Carbon Carbon credits accrued on areas Council of forestry will continue to have a value based on an active market. Prices are expected to continue to hold at similar levels to the June 2020 value of $31.90 per tonne.	That the pricing of carbon changes significantly or the market disappears entirely.	Low	It is probable that the value of carbon will continue to be strong as governments and the community continue to put an increasing emphasis on the environment and climate change. The total value of carbon held was $3.7m on 30 June 2020.
Assets Infrastructure Assets All infrastructure assets (river, flood control and drainage schemes) will be operated, maintained and improved as set out in the asset management plans that have been prepared for each of the river, flood control and drainage schemes. Schemes are funded to a level that ensures levels of service set for each scheme in the relevant asset management plan are achieved and maintained over the life of the assets. For the purposes of projecting annual movement in the values of this asset category to fair value, the property price adjusters covering projected movement in asset construction (Local Government cost index, capex) as set out by BERL have been used. Refer to the Infrastructure Strategy for further details on the lifecycle of infrastructure assets and funding of the replacement of significant assets. The useful life of each category of asset is shown in the Statement of Significant Accounting Policies included in this plan.	That the funding in the LTP is not sufficient to adequately maintain Council's infrastructure assets	Low	The budgets are based on the funding requirements set out in the various Asset Management Plans (AMPs). If additional funding is needed this will impact on balance of reserves held and potentially on the level of the various targeted rates charged for Council's flood control schemes.
Plant, Property and Equipment including Intangible Assets It is assumed that HBRC's other fixed assets continue to be provided at the level required to carry out its activities. The useful life of each category of asset is shown in the Statement of Significant Accounting Policies included in this plan. For the purposes of projecting annual movement in the values of this asset category to fair value, the Local Government cost index, capex as set out by BERL have been used.	That Council does not set aside or expend the funds required to maintain or improve Councils Plant, Property and Equipment to the level needed for Council to fulfil its functions.	Low	The budgets are based on the estimated costs to maintain and improve assets. If necessary some assets may be able to be operated longer or on a reduced scale without an immediate impact on the organisation's ability to deliver services.
Insurance of Infrastructure Assets HBRC currently provides cover for its infrastructure assets through a hierarchy of insurance and other available funding as follows. HBRC uses a commercial insurer to cover 40% of infrastructure value base on a total claim amount of up to $65 million, with an excess of $1.5 million. This means HBRC would receive up $26m (40%) with an excess of $0.6m from an insurer with the balance (60%) expected to be paid by the Government. The insurance will cover up to 2 events in any one year.	That Council does not have sufficient insurance or reserves to recover\rebuild after a major adverse event.	Low	Council believes it has sufficient insurance cover to fund the costs of any major event. In addition, Council does have the ability to call upon its significant investment portfolio is required. There would be an impact on future rate funding requirements if Council needs

Forecasting Assumption\Issue for 2021-31 LTP	Risk	Level of Risk	Comment on the potential impact of any uncertainty\risk
Central Government, under the National Civil Defence Recovery Plan, will meet 60% of the value of infrastructure assets critical to the functioning of the community, above 0.002% of regional capital value and provided HBRC has taken demonstrable steps to meet the remainder of the cost. Each flood control and drainage scheme has access to a disaster reserve account. The scheme disaster reserves are designed to meet the costs of damage that may occur in any relatively minor flood event. A Regional Disaster Damage Reserve which has been set up to provide "last resort" funding for: • Cost of responding to and managing an event • Any difference between the deductible (excess on insurance) and the threshold for eligibility for Central Government assistance • Cost of reinstatement of any uninsured assets (e.g. pathways on top of stopbanks) • Contribution towards the cost of reinstatement of infrastructure assets to an equivalent standard to that in place before the damage was incurred • The possibility of contributing to the cost of reinstating the level of service provided by an asset being considerably more than the optimised replacement value. The Regional Disaster Reserve has a target of maintaining a balance of between $2.75M and $3.75M of investments.			funds beyond what it can recover from insurance or the regional disaster reserve.
Subsidy Rates Funding assistance will be provided by Crown agencies, primarily the New Zealand Transport Agency NZTA - Operations funding assistance rates NZTA provide various subsidies for the following services: • Bus services 51% of costs • Total Mobility scheme 60% of costs • Road Safe Community Programmes 74% of costs • Regional Land Transport Planning 74% of costs • Super Gold Cards. Up to $240,000 per year	NZTA changes the subsidy rate applicable to HBRC	Medium	If any significant change is made to the NZTA subsidy rate HBRC may need to review the level of service for this activity. If any significant change is made to the NZTA subsidy rate HBRC may need to review the level of service for this activity. This would be consulted on as part of an annual plan or LTP amendment.