

# Draft Significant forecasting assumptions

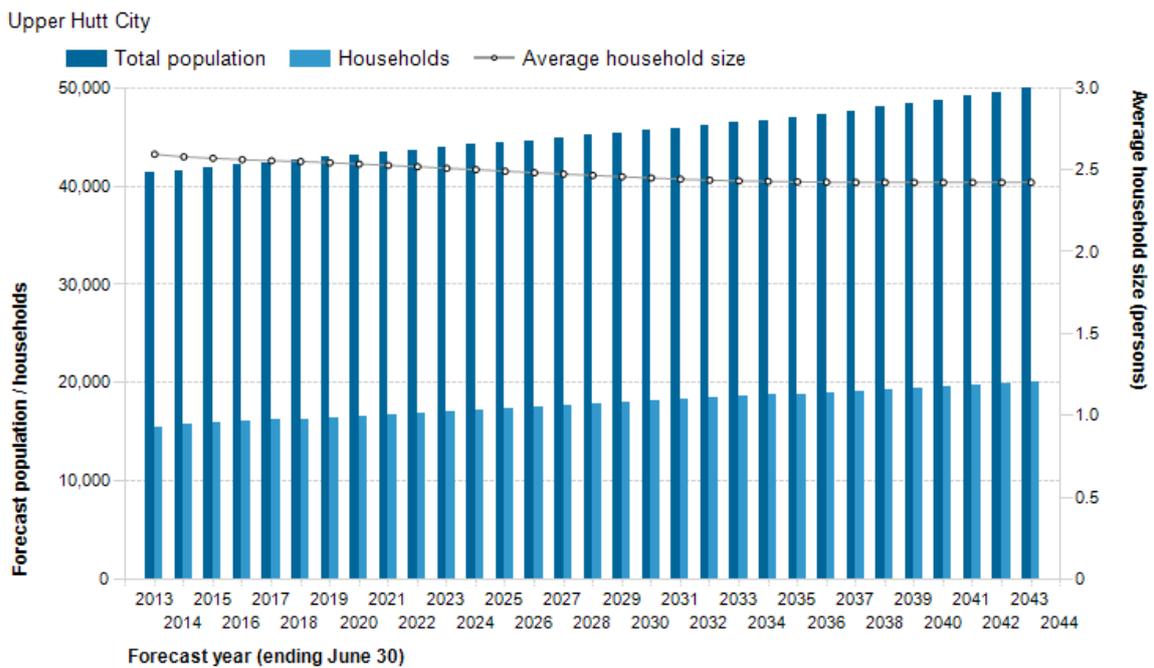
In developing this Long Term Plan, Council has considered the regional and local context that we operate in. This consideration has led to a series of forecasting assumptions that set out the conditions on which we have based our planning and levels of service. We are required to include these assumptions in the Long Term Plan and these are updated every three years.

With future planning comes inevitable uncertainty and risk, and these assumptions are based on the best information available at the time. Wherever possible Council will use the most up to date information relating to any relevant factors noted in these assumptions to inform its decision-making. This includes using the Annual Plan process in years between Long Term Plans to revisit any substantial changes to the assumptions if required.

Council is required to state the level of uncertainty for each assumption, and where there is high uncertainty, to note the potential effects in terms of financial risk resulting from this uncertainty.

## UPPER HUTT DEMOGRAPHIC SNAPSHOT AND FORECAST TO 2043

### Forecast population, households and average household size



Population and household forecasts, 2013 to 2043, prepared by .id the population experts, November 2016.



Factor	Assumptions
<p><b>Population growth</b> Level of uncertainty: Low</p>	<p>Council relies on Forecast ID to derive population growth forecasts. Forecast ID figures are developed from the most recent Census data (currently 2013), and include updated modelling of births, deaths and migration at both regional and small area level. Forecasts will be regularly revised to take into account other data including building activity and demolitions.</p> <p>Between 2006 and 2013 the Upper Hutt population increased by 1,764 (an increase of 4.5%) and the 2018 estimated population is 42,630<sup>1</sup>.</p> <p>This 2018 estimated resident population is less than the projected population for 2018 in the 2016 Land Use Strategy (43,500)<sup>2</sup>. The 2016 Land Use Strategy, in conjunction with 'Forecast ID' data, informs Council's approach to ensure that growth is appropriately accommodated.</p> <p>The 2016 Land Use Strategy identifies areas for future residential development, encourages diversity in housing typologies and seeks to ensure that development is sustainable and meets the needs of existing and future residents. The infrastructure strategy relies on Forecast ID, and the Land Use Strategy to ensure that key infrastructure, facilities and services have the capacity to accommodate more people living in Upper Hutt.</p> <p>The Land Use Strategy accommodates a population of 46,500 by 2028 based on a moderated growth rate of 0.6%<sup>3</sup>. Based on the latest Forecast ID modelling, the projected increase in population by 2028 is 45,132 – an increase of around 2,500 people over the life of the Long Term Plan.</p> <p>It is expected that the population of Upper Hutt will continue to grow to 49,905 by 2043<sup>4</sup>.</p>
<p><b>Aging population</b> Level of uncertainty: Low</p>	<p>The most significant trend for Upper Hutt is an aging population seeing an almost doubling of those in the 65+ age range over the next 30 years<sup>5</sup>.</p> <p>The Council expects that an aging population will impact on the type of recreational and social facilities the council provides, the timing and extent of any upgrade to Akatarawa cemetery and transport accessibility (passenger transport and access for the less mobile/ transport disadvantaged)<sup>6</sup>.</p>

<sup>1</sup> Forecast ID November 2016.

<sup>2</sup> Land Use Strategy 2016 – 2043.

<sup>3</sup> Land Use Strategy 2016 – 2043.

<sup>4</sup> Forecast ID November 2016.

<sup>5</sup> Land Use Strategy 2016 – 2043.

<sup>6</sup> Infrastructure Strategy 2018 – 2048.

Factor	Assumptions
<p><b>Household size and number</b> Level of uncertainty: Low</p>	<p>Household size is falling across New Zealand as a result of smaller family sizes and an aging population. Around 58% of Upper Hutt households are 1-2 persons and these household types are the fastest growing segment. It is expected that the average number of people per household will fall from the current 2.6 to 2.47 by 2028<sup>7</sup>.</p> <p>Over the next ten years, the number of households is expected to increase by 1,534, from 16,270 in 2018 to 17,804 in 2028<sup>8</sup>.</p> <p>It is assumed that Upper Hutt will need to ensure sustainable residential development to provide for the increase in number of households and that a greater range of high quality housing typologies are available to the community in the future to accommodate the changes in household structure.</p>
<p><b>Number of dwellings</b> Level of uncertainty: Low</p>	<p>In 2018 there were an estimated 16,812<sup>9</sup> dwellings in Upper Hutt. Current modelling predicts an additional 1,559<sup>10</sup> dwellings in Upper Hutt by 2028. The upper end of the Land Use Strategy forecast population increase of an additional 5,100 – 8,100 people by 2043 was projected to require up to an additional 4500 dwellings.</p> <p>This increase will result in changes to water consumption levels and the volume of wastewater discharged and increased demands on other infrastructure. It is assumed that Upper Hutt will need to ensure sustainable residential development and provision of infrastructure to provide for the increase in number of dwellings. This is considered in more detail in the Land Use Strategy and Infrastructure Strategy.</p>
<p><b>Government Policy</b> Level of uncertainty: Moderate</p>	<p>It is assumed that the central government policy framework will provide a relatively stable working environment and statutory framework for local government. The risk is that large scale government policy amendments result in new legislation that results in significant resource and financial implications for local authorities, who must then either find efficiencies, reduce levels of service or pass these additional compliance costs onto rate payers. This may include areas such as resource management, building standards and drinking water standards.</p>

<sup>7</sup> Forecast ID November 2016

<sup>8</sup> Forecast ID November 2016

<sup>9</sup> Forecast ID November 2016

<sup>10</sup> Forecast ID November 2016

Factor	Assumptions
<p><b>Regional Governance</b> Level of uncertainty: Low</p>	<p>It is assumed that any significant change to regional governance is unlikely to happen within the next three years. Hence any impacts or implications on this Long Term Plan are expected to be minimal.</p> <p>Council will continue to participate in regional governance and joint working on significant and complex challenges in land transport, land use and infrastructure planning across the Wellington region. Other important cross-boundary issues that may benefit from close council collaboration include housing affordability, economic growth, infrastructure resilience, and climate change adaptation.</p>
<p><b>Use of appropriate organisational structures</b> Level of uncertainty: Low</p>	<p>Council will continue to ensure the most appropriate structures are used to achieve its commitments to the community. In many situations, it will be more appropriate for Council to directly undertake the activity. In certain situations, it is expected a better outcome for the community will be achieved by using other structures to deliver services, including Council Controlled Organisations (CCOs). An example of this is the regional CCO, Wellington Water which manages Council's three waters infrastructure.</p>
<p><b>Economic context</b> Level of uncertainty: Moderate</p>	<p>In the year to March 2017 the Wellington region had a GDP growth of 2.5% compared to 3.6% nationally<sup>11</sup>. Whilst the Wellington region's wider economy has been recovering following the 2008 recession, it has been slower in comparison to other major centres where significant economic drivers such as relatively high population growth, housing shortages and earthquake recovery rebuild are present (such as Auckland and Christchurch).</p> <p>While significant regional transport projects (Northern corridor, Petone to Grenada, the proposed airport runway extension, etc.) and the work of the Wellington Regional Economic Development Agency (WREDA) are very likely to accelerate the region's wider economic activity, this cannot be counted on to deliver significant growth in Upper Hutt over and above what the city is already experiencing (i.e. in the next ten years). Therefore, this plan assumes the region's current and more modest economic recovery trend will continue as the trickle down situation for Upper Hutt. This is also in line with population growth projections for Upper Hutt.</p>

<sup>11</sup> Infometrics Wellington Region Annual Economic Profile 2017

Factor	Assumptions
<p><b>Business development</b> Level of uncertainty: Low</p>	<p>Upper Hutt has a range of locations where business development can occur. While regional growth may not be as rapid, based on the current positive trend it assumed Council will need to ensure that enough land is available to meet the needs of the local and regional economy over the next twenty to thirty years.</p> <p>Over recent years, there has been a conversion of industrial and commercial premises to accommodate small and medium business and more high-tech industries. There are also competing demands on business land from other uses such as residential.</p> <p>Upper Hutt needs to ensure that the viability of key business areas are protected against incompatible uses occurring, suitable facilities are available or enabled for future uses, and that areas of business land that may be suitable for alternative uses, are identified.</p>
<p><b>Residential development</b> Level of uncertainty: Low</p>	<p>Upper Hutt has a range of development options and opportunities available to provide for both population and economic growth. These opportunities need to be carefully managed to grow a prosperous and efficient city in an environmentally sensitive manner. Failing to adequately plan for new development could result in poor outcomes for the city and both existing and future communities. This could increase pressure on our environment and ultimately undermine our values.</p> <p>The Land Use Strategy provides the future planning platform to deliver the right balance of housing and business development opportunity, while maintaining Upper Hutt's 'great outdoors' character and amenity.</p> <p>Based on current information<sup>12</sup>, Council has allowed for growth in the rating base<sup>13</sup> of 1% per year over the next 10 years.</p>

<sup>12</sup> Statistics New Zealand medium projection from 2006 base (44,700) and BERL 2013 report (44,100 to 46,600). 2013 base projections available from 19 Feb 2015.

<sup>13</sup> Growth in rating base relates to 'rateable properties' which is slightly higher than population growth projections for Upper Hutt on account of new developments anticipated over the life of the plan, e.g. at Wallaceville, and an aging population resulting in a lower occupancy rate.

<b>Factor</b>	<b>Assumptions</b>
<p><b>Retail and city centre</b> Level of uncertainty: Low</p>	<p>The city centre focused around Main Street acts as the heart of the city, providing access to a range of employment, retail and cultural activities. Since 2015, economic activity has picked up and vibrancy is returning to Main Street, largely influenced by the introduction of the Economic Stimulus Policy in 2014. The retail vacancy rate has continued to drop over the last few years and retail diversity has grown significantly. Council will continue to have a city centre focus in line with the city vision strategic priority area to invest in and support activities that bring vibrancy and diversity to the city centre.</p> <p>Suburban centres and neighbourhood shops are important to local communities and the sustainable development of the city, providing a local hubs for services and activities. The Council will continue to focus on fostering local centres through implementation of the Land Use Strategy 2016 – 2043.</p>
<p><b>Income stream</b> Level of uncertainty: Moderate</p>	<p>There is inevitable uncertainty around Council's income streams, as a result of a range of external factors, including projected growth, wider economic conditions and legislative change. Any variation against budgeted income may result in an adverse effect on Council's financial position.</p>
<p><b>Bulk water levy</b> Level of uncertainty: Low</p>	<p>The planned increase to the bulk water levy will be set by Greater Wellington Regional Council as part of its Long Term Plan, and once confirmed, will be included in this Long Term Plan.</p>

Factor	Assumptions
<p><b>Adverse events (including climate change impacts)<sup>14</sup></b></p> <p>Level of uncertainty: High</p> <p>Level of financial risk: Moderate</p>	<p>To ensure consistency in our planning, Council uses the following assumptions from Greater Wellington Regional Council for the Wellington Region as reference:</p> <p><i>“There will be in an increase in adverse events in the region including earthquakes. Events that are driven primarily by climatic factors such as floods, erosion, slips, pest incursions etc. will increase. This will impact on the region’s infrastructure, vulnerable communities (particularly those near the coast or on flood plains) and our ability to access services.</i></p> <p><i>NZ will remain a signatory to international agreements designed to reduce emissions.</i></p> <p><i>Policies changes designed to achieve this end will affect the economy in the Wellington region.”</i></p> <p>The occurrence of a natural disaster and the rate of regional climate change impacts are uncertain. It is however predicted that the impact of climate change could mean intense rainfall events are more frequent. Key infrastructure projects have been planned to build resilience to adverse events including consideration of seismic strengthening, additional water storage, replacement or upgrades to key transport links and increasing capacity of stormwater networks. This is discussed in more detail in the Infrastructure Strategy.</p> <p>The risk is that the impacts of climate change and natural disaster events may require significant emergency work that cannot be funded out of normal budgetary provisions.<sup>15</sup> It is assumed that Council will be able to manage and cope with the adverse effect of climate change and/or in the event of a natural disaster, that any emergency work that is required can be funded out of normal budgetary provisions.</p> <p>Council will continue to ensure that an appropriate civil defence emergency response system is operational and that the community is prepared to ensure the city can adequately respond following a major disaster. This is, however, highly dependent on the scale, duration and location of such an event.</p>

<sup>14</sup> Council owns significant infrastructural assets. In a catastrophe local authorities are required to meet 40% of the cost of the damage to these assets and central government will meet the other 60%. The contribution from central government is contingent on local authorities having a mechanism in place to fund their 40% share. In association with its insurance broker and neighbouring councils (Hutt City, Porirua, and Kapiti Coast) Council has been able to secure commercial insurance for (underground) infrastructure assets from 1 July 2014.

<sup>15</sup> In the case of climate events, Council buildings are adequately insured. The likely financial impacts upon Council are much lower than for a major earthquake. However, it is predicted that climate change could mean some events are frequent and intense. The potential effect of such a disaster on Council’s financial position is dependent on the scale, duration, and location of the event, and the degree to which un-programmed work is commissioned to mitigate further risks from a repetition of such an event.

Factor	Level of Service Assumptions
<p><b>Infrastructure Strategy</b> Level of uncertainty: Moderate</p>	<p>The Infrastructure Strategy sets out the detailed assumptions and levels of service, and expected asset lives for the infrastructure activities covered by it:</p> <ul style="list-style-type: none"> <li>• Land transport</li> <li>• Water supply</li> <li>• Wastewater</li> <li>• Stormwater</li> <li>• Parks and reserves</li> <li>• Council property</li> </ul> <p>Council's most likely scenario for the management of the Council's infrastructure assets over the next 30 years is based on the following assumptions:</p> <ul style="list-style-type: none"> <li>• There are currently no significant changes in customer expectations regarding demand for services or levels of service other than those identified within the strategy.</li> <li>• Levels of service for three waters may be standardised across the Wellington Region, which may affect the cost and programming of renewals and upgrades.</li> <li>• Council's water supply is currently rated A1-a1 and it is assumed that any future changes to drinking water standards or legislation is not expected to alter this grading.</li> <li>• The Greater Wellington Regional Council Natural Resources Plan will require the Council to hold stormwater discharge consents. The effect of this is unknown.</li> <li>• There will be minimal impact on Council services during the lifetime of the Strategy as a result of the implementation of the Land Use Strategy. That is areas of growth have been identified in the Land Use Strategy and are allowed for within this document.</li> <li>• The overall condition of the asset networks will not change significantly over the next 30 years (see renewal strategies), and therefore the level of maintenance required will not increase. However new assets associated with growth will by necessity increase maintenance costs.</li> <li>• Traffic growth will occur at a rate 1 to 1.5% per annum.</li> <li>• The NZ Transport Agency Financial Assistance Rate (FAR) will not change significantly over the lifetime of the Strategy.</li> <li>• All values in the Strategy are present day values.</li> <li>• The impacts of increasing resilience, climate change and environmental awareness, as well as growth have been factored into the Strategy based upon current best knowledge. Successive iterations of this document will address how those assumptions align with future changes.</li> <li>• The costs shown in the strategy are full project costs irrespective of sources of funding.</li> </ul>
<p><b>Asset Management Plans</b> Level of uncertainty: Low</p>	<p>Council's assets will be maintained in accordance with the asset management plans.</p>