Significant forecasting assumptions

A forecasting assumption is defined as something the Council accepts as being true for the purposes of future decisions and actions.

The Local Government Act 2002 requires councils to disclose in their 10 Year Plan the significant forecasting assumptions they have used to develop their Plan and the risks underlying the financial estimates. In cases where the level of uncertainty is assessed as being high, this has to be disclosed as well as an estimate of the potential effects on the financial estimates.

This section contains assumptions about the following matters:

Issue	Level of uncertainty of assumption	Significance of financial impact on overall position
1. Population & Household Growth	Medium	Medium
2. City Growth – Nature, Type & Location	Medium	High
3. Worldwide Economic Position	Low	Low
4. Social Change	Low	Low
5. Climate Change	Low/Medium	Low
6. Energy Price Change	Low	Low
7. Natural Disasters & Adverse Weather Events	High	High
8. Services Provided by Council	Medium	Low
9. Continuity of External Funding	Low	Low
10. Sources of Funds for Future Replacement of Assets	Low	Low
11. NZTA Subsidy	Low	Medium
12. Airport Shareholding & Dividends	Low	Low
13. Revaluation of Property, Plant & Equipment Assets	Low	Low
14. Asset Lives	Low	Low
15. Depreciation	Low	Low
16. Inflation	Low	Medium
17. Interest Rates for Borrowings	Low	Medium
18. Resource Consents (especially wastewater discharge)	High	High
19. Turitea Windfarm	Low	Low
20. Weathertight (Leaky) Homes Claims	Low	Low
21. Insurance	Low	Low
22. Earthquake-prone Buildings	Medium	Low
23. Additional Road Crossing of Manawatū River	Medium	High
24. Legal Expenses	Low	Low
25. Delivery of Services Reviews	Low	Low
26. Residential Subdivision	High	Medium
27. Drinking Water Standards	Medium	Low
28. Te Manawa Upgrade	High	High

2018-28 10YP assumption	Risk	Level of uncertainty of assumption	Reasons and financial effect of uncertainty
1. Population and household growth The population will increase as follows: • 10-year projection 2018–28, 940 people per annum at 1.0% • 20 year projection 2018–28, 710 people per annum at 0.7% • 30 year projection 2018–48, 598 people per annum at 0.6% The number of households will increase as follows: • 10-year projection 2018–28, 460 households per annum at 1.3% • 20 year projection 2018–28, 378 households per annum at 1.0% • 30 year projections 2018–48, 315 households per annum at 0.8% This is a hybrid growth scenario based on a specific Palmerston North high-growth projection for years 1–10 and a Statistics New Zealand medium-growth projection for years 11–30, which also accommodates the additional margins required by the National Policy Statement for Urban Development Capacity for the household projections, but not the population projections. These population projections assume the city will retain its status as having one of the lowest median ages (33.6 in 2017 compared with the national median age of 37.0) but, as is projected for the rest of New Zealand, there will be a gradual ageing of the population.	City growth is at significantly different rates than assumed.	Medium	If growth is less than predicted, then some projects will be deferred and expenditure will be lower than forecast. If growth is higher than predicted, then some projects will go ahead earlier than forecast and expenditure will be higher than forecast. Higher or lower expenditure will impact on debt levels, the total rates requirement and the timing of the receipt of development contributions. Actual growth and changes to the makeup of the city's population will be monitored and any changes will be reflected in subsequent Annual and 10 Year Plans.

2018-28 10YP assumption	Risk	Level of uncertainty of assumption	Reasons and financial effect of uncertainty
The difference between population and household growth is because of the reduction in average household size and the additional margins required by the National Policy Statement for Urban Development Capacity. Any change in the makeup of the city's population in terms of ethnicity or age will have minimal impact on the activities to be provided by the Council. Employment growth of 1.9% per annum (1,000 jobs) for the first 10 years and 0.9% per annum (566 jobs) for the next 20 years			
2. City growth – nature, type and location The Strategies and Plans assume that during years 1–10, greenfields residential growth will continue at Aokautere, be centred on the Whakarongo area and make a start in the City West area. New industrial growth will be focused on the extended northeast area of the city and in Longburn. The types of residential development are assumed to remain constant throughout the next 30 years, based on a preference for greenfields development of 55%, infill development of 33%, and rural residential development of 12%. These percentages exclude the construction of apartments and housing units in retirement villages.	Privately initiated development is approved in areas other than those planned for by the Council or earlier than anticipated.	Medium	The Council's plans for longer-term residential growth rely heavily on final assessments of the appropriateness of the land for affordable development (especially in the City West area). The results of final assessments of residential growth options may require increased infrastructure investment by Council. If such development is approved, it may result in a need for increased infrastructural investment by the Council. This may lead to the Council needing to reprioritise other planned expenditure so that it can operate within its own prudential limits.
3. Worldwide economic position There will be no long-term significant economic or social threats such as increased unemployment, homelessness, lack of income or reduced personal wellbeing that	That a worldwide economic crisis will be a significant threat to people in Palmerston North.	Low	The impact of a worldwide economic crisis is unknown. As a people-focused council, the impact and effects on residents of any downturn will be monitored. If necessary, the Council has the ability to modify its priorities

2018-28 10YP assumption	Risk	Level of uncertainty of assumption	Reasons and financial effect of uncertainty
adversely affects residents as a result of a worldwide economic crisis.			through the Annual Plan process each year.
4. Social change There are no major changes in social structures, nor any large-scale social disruption.	That there is a major change in social order that affects social stability in the city.	Low	Any major changes to social structures would be a national phenomenon and therefore central government would be the key level of government involved.
5. Climate change Any climate changes will not be significant during the 10 Year Plan period, but revised design approaches to cope with change, especially for stormwater, are incorporated in capital renewal and new programmes.	That changes to climate will be more significant than assumed.	Low	Climate change is a long-term phenomenon but an important part of Council's asset management planning and in particular AMPs, which have a 30-year timeframe. The projected impacts of climate change are likely to become more noticeable towards the end of this period, particularly for water, stormwater and wastewater assets. The Ministry for the Environment predicts that Manawatū–Whanganui will become warmer and subject to more extreme events (such as heavy rainfall and droughts). Climate scientists estimate that by 2040 the average temperature in the region could be up to 0.9^{0}C warmer than in 1990 with 2% more rainfall and significant seasonal variability. Council monitors changing weather patterns and takes this into account in designing new and upgraded infrastructure.
Efforts will be made to reduce Palmerston North's greenhouse gas emissions by 25% over the next 10 years, in line with targets set by Council and central government.	That new levels of service and/or standards of living expectations will require a significant expansion in energy use and hence emissions. That the targets set	Medium	Work is required to better understand the greenhouse gas emissions profile of Palmerston North, and to better understand what actions are required to meet the set targets. Further, while new technologies such as LED lights and electric vehicles (EVs) create significant opportunities for greater energy efficiency and, therefore, cost and emission reductions, many emerging technologies are emission-intensive and will require significant offset if implemented widely. Palmerston North's emissions will also depend on future commodity

2018-28 10YP assumption	Risk	Level of uncertainty of assumption	Reasons and financial effect of uncertainty
	will become more ambitious and enforced, as is intended under the COP21 Paris Accord signed by New Zealand.		prices, particularly for oil, and whether the current trend of falling EV and renewable energy prices continue.
6. Energy price change There will be no major social changes arising from increased energy prices. The cost to Council of energy price increases is built into the BERL forecasts of price level adjustors (refer to assumption 16).	That major increases in energy prices, especially for transport, have marked effects on people's living, work and recreation patterns.	Low	Changed living, work and recreation patterns could change the types and location of services that residents expect from Council. The Council monitors these expectations and provides appropriate services through its strategies.
7. Natural disasters and adverse weather events There will be no significant natural disasters such as storms, floods, earthquakes and volcanic eruptions that damage city infrastructure. There will be no adverse weather events that cause significant damage to the city's infrastructure, including parks.	That there will be a significant natural disaster or adverse weather event.	High	The Council currently contributes to the Local Authority Protection Programme (LAPP) and has the ability to source commercial infrastructure insurance if required. The LAPP fund was designed to cover 40% of the repair costs for certain damaged infrastructure. In certain circumstances, central government may fund the remainder of the costs, although this is subject to review by the Government. Roads and bridges are not covered by this programme, with the only relief available being from New Zealand Transport Agency, which funds some of these repair costs. In the event of a disaster, the Council has the flexibility to fund uninsured repair costs by re-prioritising its capital expenditure programme and utilising available lines of credit. If there is an adverse weather event, the Council will need to reprioritise its operating budgets to cope or, in the short-term, utilise established lines of credit.

2018-28 10YP assumption	Risk	Level of uncertainty of assumption	Reasons and financial effect of uncertainty
8. Services provided by council Unless otherwise stated in the individual activity sections, service levels are generally assumed to remain the same. Increases to service levels are shown in the individual activity sections as operating and capital programmes. It has been assumed there will be no unexpected changes to legislation or other external factors that alter the nature of services provided by Council.	That there will be some unexpected change to legislation or other factors.	Medium	In the past, changes have usually taken time to be developed then passed into legislation. There continues to be debate about the structure of local government (for example, the possibility of larger regional groupings) and the possible centralisation of some resource management functions but these have not developed to specific proposals in this region. Other possibilities for change include the water and roading activities. If these are to be progressed, costs and benefits will be assessed and appropriate consultation undertaken, including an amended 10 Year Plan if necessary.
9. Continuity of external funding Unless otherwise stated in the individual activity sections, it is assumed that external funding sources will continue at present levels for the duration of the 10 Year Plan. It is also assumed that the Council will be able to borrow at the assumed levels.	That there is a material change to the way Council services are used or charged for that adversely impacts on revenue. That qualifying criteria or subsidy rates will be changed and/or the Council's access to borrowing becomes restricted.	Low	Any changes to the way Council services are charged for will be planned with consideration for the Revenue and Financing Policy and the impact on revenue. Use patterns are monitored and any change in use that impacts on revenue will be considered in subsequent Annual and 10 Year Plans. Lower external operating revenue would lead to an increased rates requirement. Qualifying criteria and subsidy ratios have traditionally been stable and there is no indication they are likely to be changed. If they are, Council will reassess its commitment to undertaking the projects concerned. The Council has strong relationships with the financial markets and access to the Local Government Funding Agency to raise cost-effective funding, and will manage its financial arrangements in a manner designed to protect its AA S&P Global credit rating.
10. Sources of funds for future replacement of assets	That a particular funding source is unavailable.	Low	As the Council operates a central treasury function, should one source of funding be unavailable for asset replacement, a further option would be available.

2018-28 10YP assumption	Risk	Level of uncertainty of assumption	Reasons and financial effect of uncertainty
Adequate funding will be provided to replace assets as scheduled. The funding approach is detailed in the Revenue and Financing Policy.			
11. NZTA subsidy The present New Zealand Transport Agency (NZTA) financial assistance rate for the Council is 51% of qualifying expenditure. NZTA subsidies have been assumed at this rate throughout the term of the Plan and for the 30 years of the Infrastructure Strategy. A conservative view has been taken about which programmes will meet the qualifying criteria for subsidy.	Changes in subsidy rate and variation in criteria for inclusion in subsidised works programmes.	Low	In the past, the Government has demonstrated a long-term commitment to funding roading infrastructure that meets the funding agency's benefit/cost ratios. However, in recent times NZTA has focused more of its funding on 'roads of national significance', meaning it has been more difficult to obtain funding for capital projects in other areas. At this stage it is not known whether the new Government will mean a change of focus for NZTA funding. Over the 10 years of the Plan, it has been assumed that $60 million of new capital programmes will attract NZTA funding of $32 million. In the event this funding is not secured, the Council will review its priorities and may choose to delay projects until funding can be obtained.
12. Airport shareholding and dividends A dividend of $0.5 million will be received from Palmerston North Airport Ltd (PNAL) in 2018/19, increasing by $50,000 per annum for the following three years and staying at that level for the remaining period of the 10 Year Plan. No additional share capital will be required by the company in the foreseeable future.	That the actual dividends may be lower than assumed. That the company requires additional capital.	Low Low	PNAL's ability to pay dividends depends on the company's net surplus each year. To maintain and grow its position in the market could involve the company in significant capital expenditure. Servicing the borrowings required could impact on the company's operating surpluses in the short to medium term. The financial effect of the uncertainty is unknown, but is not material for the Council. Based on the current financial projections of the company the dividend assumption is conservative. PNAL had a debt to equity ratio of 19:81 at 1 July 2017 and this is forecast to move to 21:79 over the next three years. The Council has the ability to consider business cases put forward by the company and to reorganise its priorities in future Annual and 10 Year Plans.
13. Revaluation of property, plant and equipment	Actual revaluation	Low	Where the actual inflation rate is different from what has

2018-28 10YP assumption	Risk	Level of uncertainty of assumption	Reasons and financial effect of uncertainty
assets Property, plant and equipment assets will be revalued using the following cycle: Leisure assets – years 1, 4, 7 and 10 Roading and parking – years 2, 5 and 8 Water and waste – years 2, 5 and 8 Property – years 1, 4, 7 and 10 The revaluations have been based on the Business and Economic Research Ltd (BERL) forecasts of price level change adjusters, and revaluation movements will be shown in the Statement of Comprehensive Revenue and Expense.	results differ from those in the forecast.		been forecast, the actual revaluation will be different from the forecast. This would lead to depreciation being higher or lower than forecast, but as the Council does not fund depreciation, there will be no direct impact on ratepayers. Annual Plans will reflect the outcomes of actual revaluations, as will the new 10 Year Plan produced every three years.
14. Asset lives Useful lives of assets are as recorded in asset management plans or based on professional advice. These are summarised in the depreciation note within the accounting policies. The 30 Year Infrastructure Strategy also contains summarised information about the roading, water, wastewater, stormwater, recreation and built property assets.	That assets wear out or are decommissioned earlier than estimated.	Low	Asset life is based on estimates of engineers, valuers and asset managers. In the event that assets need to be replaced in advance of the assumption, depreciation and interest costs may increase. The extent of the increase will depend on the nature and value of the asset. The renewal programme is reviewed annually, and any changes to planned timing of renewals will be reflected in the Annual Plan, with adjustments to funding arrangements if required.
15. Depreciation Depreciation has been calculated on asset values at their latest revaluation date, and on additions at cost afterwards. It is assumed that: • existing depreciation rates will continue • new assets' depreciation will be the result of their estimated lives and values • depreciation on new and renewal programmes will	That more detailed analysis of planned capital works once complete may alter the depreciation expense. That asset lives may be extended due to new technology	Low	Council has asset management planning and upgrade programmes in place. Asset capacity and condition is monitored, with replacement works planned according to standard asset management and professional practices. Actual depreciation is calculated according to normal accounting and asset management practices, which require depreciation to start once an asset is commissioned. However, the planning assumption is considered reasonable given the level of uncertainty about the likely timing of the commissioning of each asset. Also, from a funding

<table>
<tr><th>2018-28 10YP assumption</th><th>Risk</th><th>Level of uncertainty of assumption</th><th>Reasons and financial effect of uncertainty</th></tr>
<tr><td>impact in the year following the capital programme.</td><td>improving asset lives, or reduced due to assets being decommissioned sooner than originally assumed.</td><td></td><td>perspective, the Council bases its funding decisions on the forecast average levels of renewals, so the forecast level of depreciation does not affect this.</td></tr>
<tr><td>16. Inflation
Costs and revenues for 2018/19 have been predicted. Beyond this, inflation has been included in the 10 Year Plan using the BERL forecasts of price level change adjustors, issued in September 2017, as follows:
<table>
<tr><th>Year ending</th><th>Roading</th><th>Planning & regulation</th><th>Water & environ ment</th><th>Community activities</th></tr>
<tr><td>Jun 2019</td><td>2.0%</td><td>2.0%</td><td>2.3%</td><td>1.7%</td></tr>
<tr><td>Jun 2020</td><td>2.2%</td><td>2.1%</td><td>2.5%</td><td>2.0%</td></tr>
<tr><td>Jun 2021</td><td>2.2%</td><td>2.1%</td><td>2.3%</td><td>2.1%</td></tr>
<tr><td>Jun 2022</td><td>2.3%</td><td>2.1%</td><td>2.4%</td><td>2.1%</td></tr>
<tr><td>Jun 2023</td><td>2.4%</td><td>2.2%</td><td>2.4%</td><td>2.2%</td></tr>
<tr><td>Jun 2024</td><td>2.4%</td><td>2.3%</td><td>2.5%</td><td>2.3%</td></tr>
<tr><td>Jun 2025</td><td>2.5%</td><td>2.3%</td><td>2.6%</td><td>2.3%</td></tr>
<tr><td>Jun 2026</td><td>2.6%</td><td>2.4%</td><td>2.6%</td><td>2.4%</td></tr>
<tr><td>Jun 2027</td><td>2.7%</td><td>2.4%</td><td>2.7%</td><td>2.4%</td></tr>
<tr><td>Jun 2028</td><td>2.8%</td><td>2.5%</td><td>2.8%</td><td>2.6%</td></tr>
<tr><td>Remaining 20 years of Infrastructure Strategy</td><td>2.5%</td><td>2.3%</td><td>2.6%</td><td>2.3%</td></tr>
</table></td><td>That actual inflation differs from what has been predicted and that decisions are made based on predicted inflation levels.</td><td>Low</td><td>Where the actual inflation rate is different from what has been forecast, the cost of projects and expenditure will be different from the forecast. In the two years following the adoption of the 10 Year Plan, this will be addressed through the Annual Plan process, and in the third year a new 10 Year Plan is produced.</td></tr>
<tr><td>17. Interest rates for Borrowings

The interest rate on term debt is calculated at 5.7%. To allow for anticipated timing of capital expenditure,</td><td>That the interest rate will differ from what has been used in the calculations.</td><td>Low</td><td>This will be managed through the Treasury (incorporating Liability Management and Investment) Policy. The Council has hedging strategies to protect against upward movement in interest rates. It currently has an AA S&P Global credit</td></tr>
</table>

2018-28 10YP assumption	Risk	Level of uncertainty of assumption	Reasons and financial effect of uncertainty
interest expenditure is provided for on only 50% of forecast new loan amounts in the year of the capital expenditure, but on the full amount in each year thereafter.			rating and utilises the Local Government Funding Agency – both arrangements mean the Council has access to markets at prime rates. If the average cost of borrowing increased by 0.5% the interest expense for each year of the 10 Year Plan would increase as follows: 2018/19 $0.62 million 2019/20 $0.76 million 2020/21 $0.93 million 2021/22 $1.07 million 2022/23 $1.15 million 2023/24 $1.24 million 2024/25 $1.41 million 2025/26 $1.62 million 2026/27 $1.75 million 2027/28 $1.77 million There would be an equivalent reduction in each year if the average cost of borrowing was 0.5% lower than assumed.
18. Resource consents (especially wastewater discharge) Conditions of resource consents held by the Council will not be altered significantly, except for the discharge consent for the wastewater plant. In this case, it has been assumed that the new consent will require the Council to invest significantly to upgrade the plant with consequential ongoing operating cost impacts.	That resource consent conditions are altered in a way that is different from what was assumed.	High	Council's most significant resource consent is for the discharge from the main wastewater treatment plant to the Manawatū River, which is due to expire in 2028. A condition of the consent is that the Council will complete a best practicable option review for its wastewater treatment and disposal by June 2021 and lodge a complete consent application by June 2022. Financial provision of at least $0.7 million has been made in each year until 2023/24 to undertake investigations and manage the consent application process relating to this project. The range of potential operating and capital costs is unknown at this stage and will not be known until completion of the best practicable option investigation review and the granting of the consent.

2018-28 10YP assumption	Risk	Level of uncertainty of assumption	Reasons and financial effect of uncertainty
			The Council does not wish to prejudge which option might be chosen (or imposed through the regulatory process), but is required to make adequate financial provision for whatever the final outcome is. A number of factors will influence the final outcome, and it is likely that national and regional policy for water quality will change before a final decision is made. It is assumed that whatever option is chosen, it will have a significant impact on the Council's debt levels and rates requirements. For the purpose of the 10 Year Plan, it has been assumed that a solution will be provided with a capital outlay of $110 million (plus inflation) and that the expenditure will be incurred between 2023 and 2028. This is based on significantly improving the treatment of wastewater and continuing to discharge the treated water into the river. It is simply a budget provision as it is not known what other options might cost. It is also not signaling a preferred option, as this will be determined in consultation with the community once options are known. Options could include disposal to land or the ocean and could cost between $250 and $300 million. In addition, it has been assumed there will be additional operating costs of $4 million per annum from 2028 on top of the debt servicing and repayment costs. The Council has been conscious of the potential scale and financial impact of this project and has considered this when programming its other likely commitments. If the final option chosen costs more than has been assumed, the Council may need to review its debt and rates policy limits and priorities for other projects in later years of the Plan.
19. Turitea Windfarm Any revenue received from Mercury (previously called Mighty River Power) resulting from a contract relating to	That Mercury will determine the constraints imposed on the consent make a windfarm unviable.	Low	In September 2011, Mercury obtained a resource consent (subject to conditions). Mercury has a 10-year lapse period to give effect to the consent. As there is a high level of uncertainty about Mercury's future plans, the Council has taken a conservative approach and not included any lease

2018-28 10YP assumption	Risk	Level of uncertainty of assumption	Reasons and financial effect of uncertainty
the lease of land in the Council's Turitea water reserve will be used for the purposes outlined in the Reserves Act 1977. Any expenditure proposals to utilise the revenue will be the subject of a specific resolution of the Council. The proposed lease enables Mercury to operate a windfarm from the site, provided it is successful in obtaining the necessary resource consents. No revenue has been included in the 10 Year Plan and no expenditure programmes utilising this revenue have been included.			income in the 10 Year Plan. Due to the restrictions on the use of any lease revenue, the revenue, if received, will have only minimal impact on the Council's day-to-day operations. Proposals for utilising the revenue will be separately considered by the Council if the revenue source becomes more certain.
20. Weathertight (leaky) homes claims The Council will continue to receive claims relating to leaky homes and that it will be required to pay contributions toward settlement. Any uninsured claims that are paid will be charged against the balance of the previously funded provision.	That the number of claims and/or the level of settlement per claim is significantly higher than the levels assumed.	Low	The Council's exposure to new claims is uninsured. For several years, the Council funded a provision for future claims. The balance of this provision (expected to exceed $1 million at 1 July 2018) is expected to be adequate to cope with claims in the foreseeable future. If the Council is faced with paying more than remains in the provision in any particular year, it will determine at the time whether it has the financial capacity to fund from operations or whether short-term borrowing will be required. The appropriateness of the level of expenditure assumed will be reviewed in each year's Annual Plan.
21. Insurance The Council will continue to be able to obtain adequate insurance cover for its infrastructure and property assets at terms and cost that are affordable.	That the terms of insurance cover available become unreasonably restrictive and/or the premium cost is significantly higher than assumed.	Low	The significant earthquakes in New Zealand in the last decade have impacted on the terms and cost of insurance cover. The market had recently largely stabilised following the impact of the Canterbury earthquakes, but the more recent Kaikoura and Wellington claims have had an adverse impact on reinsurance costs, and therefore premiums. To date, the Council has retained its membership of the Local Authority Protection Programme, but each year it assesses other market options for underground infrastructure insurance. Significant increases to fire service levies were made from 1

2018-28 10YP assumption	Risk	Level of uncertainty of assumption	Reasons and financial effect of uncertainty
			July 2017 to fund the new Fire and Emergency New Zealand. Although further increases to levies are not anticipated, a change to the basis of calculation is expected from 1 July 2019.
22. Earthquake-prone buildings The Council will need to incur significant expenditure to address any shortcomings in the standard of its buildings in relation to earthquakes. The Council will upgrade each of its buildings to a minimum of 34% of the New Build Standard (NBS) and that this will be done progressively over a 10-year period.	That when the upgrade work starts, the actual cost will be significantly more than is currently contemplated.	Medium	Council's properties have been assessed, beginning with those that are the most significant (in terms of size and public exposure) and those considered to be the most likely to be at risk. Preliminary assessments have been made of the forecast cost of upgrading the buildings to meet a minimum of 34% of the NBS. Given what is known about the buildings at this stage, a proposed programme of works has been prepared to progressively upgrade the buildings over a 10-year period. As more information becomes available, the Council will reassess budget priorities. At all times the Council will have regard for the safety of occupiers and public users of the properties.
23. An additional road crossing of the Manawatū River Business case planning will be undertaken in conjunction with NZTA to determine the location of and justification for a downstream bridge forming part of the strategic regional roading network. The Council will not be required to provide any capital funding during the 10-year period.	That regional economic growth may be hindered by the lack of a bridge. That there will be pressure from stakeholders to advance provision of the bridge and for the Council to be	Medium	The strategic roading route is facing a number of challenges, particularly as a result of the closure of the highway through the Manawatū Gorge. NZTA is engaging with stakeholders to assess options for a long-term replacement route. The option chosen may have a significant impact on the strategic roading options for the city and region. Business case planning is under way for the northeast leg of the rural freight ring road (Kairanga–Bunnythorpe Road/ Ashhurst–Bunnythorpe Road). Council is engaging with owners of the Longburn industrial estate about upgrading and vesting of infrastructure. The NZ Defence Force is reviewing its master plan for the Linton Army Camp. NZTA

2018-28 10YP assumption	Risk	Level of uncertainty of assumption	Reasons and financial effect of uncertainty
	required to make some financial contribution.		is also giving strong consideration to these planning matters, as they influence a review of the state highway routes in and around Palmerston North and the extent of its financial investment. It is important for all these matters to be progressed, as they strongly influence the business case for a downstream bridge. The Council has the ability to review its priorities through the annual and 10-year planning processes to address any prospective funding contribution from the Council. The Council will not be in a position to make a significant contribution to the bridge.
24. Legal expenses The Council will not be required to incur significantly more legal expenses than has been the case in recent years.	That the Council needs to incur more legal expenses than assumed.	Low	The nature of Council's activities (especially in the resource management and regulatory areas) means legal expenses are often incurred to develop and/or defend Council's position. The actual position will be monitored and, if necessary, changes made to operating budgets to cope.
25. Delivery of services reviews The service reviews required under section 17A LGA 2002 will not lead to major changes to the governance, funding and delivery of Council's infrastructure or services.	That following the reviews, the Council may decide to change certain current service delivery arrangements.	Low	Changes would be proposed only if they were expected to produce a more effective and efficient outcome for citizens and ratepayers. If a change is proposed, the Council will be able to decide on any transitional arrangements to be made. The nature and extent of any public consultation undertaken will be assessed against the Council's Significance and Engagement Policy.
26. Residential subdivision The Council will progressively develop and sell 9.63ha of its land in the Whakarongo growth residential zone and that the subdivision will provide a net return of more than $10 million during the 10-year period.	That development costs are higher than assumed (with additional requirements identified through detailed design or higher contracting costs).	High	At this stage, the assessment is based on a concept design and preliminary estimates only. These may be subject to revision during detailed design. The Council has yet to determine which layout option it prefers and the specific nature of the proposed development. There is always a relatively high level of risk in greenfields subdivision. As the project is staged over a number of years, the Council has the ability to revise the proposed timing of construction if sales are not as high as assumed.

2018-28 10YP assumption	Risk	Level of uncertainty of assumption	Reasons and financial effect of uncertainty
	That the variability of the housing market will impact on the sale price and period taken to sell.		
27. Drinking water standards The Council has made adequate financial provision to accommodate any changes that may be made as a result of the latest review of the NZ Drinking Water Standards.	That the expected changes to the standards will impose requirements that are more expensive and/or needed sooner than provided for.	Medium	The city's water supply is fully chlorinated. Provision has been made in the 10 Year Plan for programmes to add an additional layer of barrier protection (UV treatment) to its water treatment to maintain compliance with the standards. It may be necessary to add storage to the city's bore sites so that free available chlorine contact time can be provided to the water from the bores. The provisions will be reviewed when the updated standards are known, and the Council will be able to reassess the timing and/or scope of the work required when preparing future Annual and 10 Year Plans.
28. Te Manawa upgrade The Te Manawa Museums Trust's proposal to redevelop the facilities will be undertaken at a cost of $69 million ($58 million plus inflation) with a maximum Council contribution of $17.9 million ($15 million plus inflation).	That the project is unable to be delivered in the form expected for $69 million or less. That the Trust is unable to raise the external funding assumed.	High	The proposal to upgrade the facilities is being driven by the Trust which is confident it will be able to raise the external funding required. In the event this does not happen there are several options available including scaling down the project or delaying the timing. The project will not be committed until funding is secured. The Council will review its assumptions when preparing future Annual and 10 Year Plans.