

# Long Term Plan 2021-31 - Summary of Significant Forecasting Assumptions

The following significant general and financial forecasting assumptions are assumed for the life of this Long Term Plan (2021-31)

Assumption		Source of base info
<b>General Assumptions</b>		
1.1	Population Change	Timaru District projections Infometrics October 2020
1.2	Household Change	Timaru District projections Infometrics October 2020
1.3	Demographic Change	Timaru District projections Infometrics October 2020
1.4	Covid-19	New Assumption
1.5	Useful Life of Significant Assets	Activity Management Plans
1.6	Joint Venture or Shared Service Arrangements/Council Controlled Organisations (CCOs)	Statement updated to reflect current status
1.7	Legislative Requirements on Council	Statement updated to reflect current status
1.8	Climate Change	Ministry for the Environment, Environment Canterbury, Timaru District Coastal Inundation Assessment report – NIWA July 2020, Water security analysis – Jacobs February 2021, Canterbury Mayoral Forum – climate change regional risk assessment working group
1.9	Resource Consents	Statement updated to reflect current status as reported in Activity Management Plans
1.10	Service Levels	Statement updated to reflect current status based on Council discussions and any consultation
1.11	Demand	Statement updated to reflect current status as reported in Activity Management Plans
1.12	Availability of Contractors and Materials	Statement updated to reflect current status as reported in Activity Management Plans
1.13	Natural Hazards/ Natural Disasters	Statement updated to reflect current status
1.14	Earthquakes – Alpine Fault	Statement updated to reflect current status
1.15	Strategic Assets	Statement updated to reflect current status
1.16	Council Political Structure	Statement updated to reflect current status
1.17	Economic, Industry, and Employment Growth	Infometrics Population projections October 2020 – Employment by Industry, with February 2021 employment projection updates
1.18	Impact of Technology Advances	Statement updated to reflect current status
1.19	Income Levels/Affordability	Statement updated to reflect current status
1.20	Three Waters Reforms	New Assumption
<b>Financial Assumptions</b>		
2.1	Inflation	BERL Economics (SOLGM prepared)
2.2	Interest Rates on Borrowing	Bank information
2.3	Return on Investments	Portfolio advisors + TDHL
2.4	Funding Sources	Statement updated to reflect current status
2.5	Credit Availability	Statement updated to reflect current status
2.6	Costs	Statement updated to reflect current status
2.7	NZ Transport Agency (NZTA) Funding Assistance	NZTA
2.8	Emissions Trading Scheme	Market basis
2.9	Revaluation of significant assets	Statement updated to reflect current status

<b>Assumption</b>		<b>Source of base info</b>
2.10	Rating Base	Rating database
2.11	Capital Delivery	New Assumption
2.12	Landfill Aftercare	Redruth Landfill and Annual review

## Significant General Forecasting Assumptions

Assumption	Level of uncertainty (High, Medium, Low)			Risk statement	Risk Level (How likely risk will occur) (High, Medium, Low)			Consequence of variation to assumption	Approach to mitigation of risk
	H	M	L		H	M	L		
<p><b>1.1 Population Change</b>  <b>Assumption:</b> The District's population is projected to increase to 52,861 by 2031 (0.7% average annual increase), reaching 57,130 in 2051 (0.3% average annual increase).  Population growth is expected to slow over 2021-23 due to COVID-19. From 2023 onwards, population growth is projected to resume at a steady rate and will continue growing steadily until the late 2030s. A lower rate of growth is projected in the 2040s as employment growth wanes, reaching a population of 57,155 in 2051.</p> <p><i>Comment: Population projections do not represent forecasts but indicate what the future size and structure will be if the underlying assumptions regarding births, deaths and migration prevail.</i>  <i>In recent years the 'natural' population increase has been slightly negative, and this trend is expected to deteriorate further. This reflects the age makeup of the Timaru District population. Growth will be reliant on net migration.</i>  <i>Although the forecast dip in employment has been revised February 2021, this is not expected to have an effect on population forecasts. While there may be some job losses there isn't expected to be an abundance of jobs in other areas, so people will not necessarily migrate out of the district. The forecast slowdown in population growth in the early 2020s is largely driven by the forecast for a reduction in international net migration.</i>  <i>Based on medium population projections prepared for TDC by Infometrics October 2020 and a February 2021 employment projection update</i></p>		✓		Population change across the district occurs at a higher or lower rate than expected			✓	<p>A significant and consistent decline in population may adversely affect the ability of the Council to set rates at a level that is affordable to the community.  A significant and consistent rise in population may adversely affect the ability of Council to deliver some services to existing service levels.</p> <p>Council will continue to monitor population change in the District. Generally, small increases in population can be managed within the existing level of service. Declines in population will not necessarily result in a lower number of ratepayers as the number of people per household is declining.  Where growth requires additional infrastructure (e.g. subdivisions), Council can currently require financial contributions for this work. Costs over this amount may result in additional Council expenditure which is likely to be funded out of debt.</p>	

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<p><b>1.2 Household Change</b></p> <p><b>Assumption:</b> The number of District's households is projected to increase from 20,142 in 2020 to 22,409 in 2031 and 24,759 in 2051.</p> <p>The average household size will decrease from 2.34 individuals per household in 2021 to 2.30 in 2031 and 2.22 individuals per household in 2051.</p> <p><i>Comment: Timaru District household change has historically been characterised by steady growth of households, with pockets of stronger growth in some locations and communities. Household size is declining due to a combination of factors including an aging population, increasing life expectancy and societal trends including couples having fewer children. Household projections do not represent forecasts, but indicate what future households will be if the underlying assumptions prevail.</i></p> <p><i>Based on medium population projections prepared for TDC by Infometrics October 2020</i></p>		✓		Household change across the district occurs at a higher or lower rate than expected.			✓	<p>A slower rate of household growth may mean some activities have overinvested in infrastructure (i.e. have too much capacity too soon). A higher rate of growth in households may mean some activities have underinvested in infrastructure and services (i.e. lack of capacity when services are required).</p> <p>Council will continue to monitor household change in the District. Existing infrastructure is being managed to address specific growth factors associated with an activity (e.g. traffic demand) which may be generated from an increase in households. Where growth requires additional infrastructure (e.g. subdivisions), Council can currently require financial contributions for this work.</p>	

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<p><b>1.3 Demographic Change</b></p> <p><b>Assumption:</b> The District's population will age significantly over the next thirty years. The District will become more ethnically diverse over the next thirty years.</p> <p><i>Comment: The number of youth (aged below 15 years) is projected to grow from 5,759 in 2021, peaking at 6,211 in 2037, before easing back to 5,824 in 2051. The working age population (15-64 years of age) is expected to grow slightly from 32,070 in 2021 to 32,828 in 2051. The 65 years and older age group is the fastest growing age group expanding from 10,881 in 2021 to 18,478 in 2051. The majority of this growth takes place in the next twenty years as the relatively large 'baby boomer' cohort moves into the 65 years and older age group. Ethnically, the population is expected to remain largely NZ European/New Zealander with a slowly increasing Maori, Asian and Pacific Islands population. Although the forecast dip in employment has been revised February 2021, this is not expected to have an effect on population forecasts. While there may be some job losses there isn't expected to be an abundance of jobs in other areas, so people will not necessarily migrate out of the district. The forecast slowdown in population growth in the early 2020s is largely driven by the forecast for a reduction in international net migration. Based on medium population projections prepared for TDC by Infometrics October 2020 and a February 2021 employment projection update.</i></p>			✓	Demographic changes across the district occur at a higher or lower rate than expected			✓	Changes to projected demographics may place pressure on some Council services due to increased demand over time, leading to provision of a lower level of service. It could also lead to a mismatch of service levels to the community expectations. As the population ages, this may lead to increasing affordability issues due to increasing numbers of residents on fixed incomes.	Council will continue to monitor demographic change in the District and adapt or redirect service levels and activity provision to meet needs where possible within reasonable costs. It will consult with targeted groups on service levels where necessary. Options exist where affordability issues may arise including rates postponement.

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<p><b>1.4 Covid-19</b>  <b>Assumption:</b> It is assumed that New Zealand avoids a widespread outbreak of Covid-19 and the Timaru District is at Alert Level 1 for the majority of 2021 and 2022. Stringent border restrictions remain in place until the end of 2021 and a Covid-19 vaccine is widely available in 2021.</p>		✓		Widespread community transmission and significant periods of lockdown lasting into 2022		✓		<p>Widespread community transmission and ongoing lockdowns would have a significant negative impact on Council and the economic and social wellbeing of our communities.</p> <p>Council would face lost revenue and additional costs due to further lockdowns. The economic impact will increase pressure to reduce rates increases and more application for rates remissions and postponements, and more late payments and non-payments of rates.</p> <p>Council may need to invest more in services that provide economic and community support.</p> <p>Some of Council's activities may not be able to meet expected levels of service.</p> <p>Completing capital works programmes may become more difficult due to lockdown restrictions and disrupted supply chains.</p>	<p>Council will keep a close watching brief on all Covid-19 developments and maintain Business Continuity Plans across all business units.</p> <p>All guidance from the Ministry of Health will be followed to reduce the risk of Covid-19 transmission within Council.</p> <p>Council will continue to work closely with Venture Timaru and other economic and community development groups across the District to ensure our communities are prepared and resilient in the case of further lockdowns or community transmission.</p>

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<p><b>1.5 Useful Life of Significant Assets</b></p> <p><b>Assumption:</b> It is assumed that asset information is reliable and reflects the condition and performance of the assets. It is assumed that no significant assets will fail before the end of their useful lives as determined by the depreciation rates included in the accounting policies.</p> <p><i>Comment: Useful lives are detailed for significant assets in Asset/Activity Management Plans. These provide information to support replacement and renewal plans. Useful lives used in the calculation of depreciation are stated in the Council's Accounting Policies under Depreciation. Significant Assets refer to key infrastructure assets such as sewer, water supply, stormwater, waste minimisation, roading and key community facilities.</i></p>		✓		Significant assets fail sooner or later than estimated			✓	<p>A major change in the useful life of a significant asset may have significant financial and community repercussions, including the cost of repairing or replacing the asset to current or improved service levels and the loss of use of the asset for the period it is out of action.</p> <p>If a new entity was established to look after existing Council assets, there is likely to be a loss of control of data and information.</p>	<p>Asset life is based on the estimates of engineers and valuers. These are regularly reviewed through asset monitoring and testing and regular revaluations.</p> <p>Where an asset wears out earlier than anticipated, mitigation may also involve reprioritisation of the capital work programme. Negative impacts are likely to be at least partially offset by some assets lasting longer than estimated.</p> <p>Council will continue to invest in and gather good quality asset data. Where there is potential for failure of an asset, intensive data work should be funded.</p> <p>Council will continue to operate a risk management system across all of its activities.</p>

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<p><b>1.6 Joint Arrangements or Shared Service Arrangements/Council Controlled Organisations (CCOs)</b></p> <p><b>Assumption:</b> Existing joint arrangements or shared service arrangements or Council Controlled Organisations (CCOs) are expected to remain over the life of this plan. New joint arrangements, shared service arrangements or CCOs are likely over the life of this plan.</p> <p><i>Comment: The three water reforms are likely to result in changes to joint arrangements/shared service arrangements. Further details on these reforms will be known once three water reforms entity legislation has been enacted (scheduled for 2021/22)</i></p>		✓		New arrangements are proposed due to circumstances beyond the Council's control or existing arrangements being no longer tenable.			✓	<p>Additional costs may be created as the result of the failure of an existing arrangement, or the desire or need for a new arrangement. Efficiencies may be made through the use of shared services and CCOs.</p> <p>Joint arrangements or shared service arrangements or CCO creation are undertaken following analysis of the potential benefits and costs and any proposed changes are subject to robust analysis.</p> <p>Council will have a robust performance management system in place for all joint or shared service or CCO arrangements. Where government legislation is involved, this will be monitored for any impacts on joint or shared service arrangements. Under Section 17A of the Local Government Act 2002, Councils are required to review the cost-effectiveness of current arrangements including governance, funding and delivery of activities every six years. The next full review is due in 2023.</p>	

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<p><b>1.7 Legislative Requirements on Council</b></p> <p><b>Assumption:</b> Government legislation relating to some activities that Councils are involved in will lead to increasing legislative and regulatory compliance requirements or lead to significant impacts on delivery of certain activities over the period of the Long Term Plan.</p> <p><i>Comment: A number of legislative changes have occurred or been signalled which will impact local government to various degrees, including:</i></p> <ul style="list-style-type: none"> <li>• <i>Three waters reform, with the Water services regulator, Taumata Arowhai, established and the post Covid-19 stimulus funding package to support reform of water services delivery announced in July 2020. Three waters reform legislation is expected to be passed in 2021/22.</i></li> <li>• <i>Zero Carbon Amendment Act, which will result in emission reduction targets and require regular reporting from local authorities</i></li> <li>• <i>The Productivity Commission report on Local Government Funding and Financing has proposed wide ranging recommendations that if approved by central government will result in numerous changes Council will need to respond too.</i></li> <li>• <i>National policy statements - including Freshwater Management, Urban Development, Indigenous Biodiversity</i></li> <li>• <i>The Resource Management Amendment Act 2020 is focused on reducing the complexity of the RMA and improving consenting, enforcement processes as well as improving freshwater management and responding to climate change. Further reform of the Resource Management Act has also been signalled.</i></li> </ul>			✓	<p>The impact of government legislation is more or less than expected. New or additional legislation is introduced that further alters the nature and scope of one or more Council activities.</p>		✓		<p>Unrealised impacts of legislation and unfunded mandates may create greater than expected impacts on Council operations, including on operating budgets, staff workloads, and on programme delivery. Lesser impacts may mean some operational review is required. Either of these may lead to additional or less cost for the resident or ratepayer.</p>	<p>Council will monitor the wider legislative and policy landscape and consider the impacts of proposals on Council activities. Council may submit or advocate on specific proposals (including regionally) to minimise or improve impacts on Council operations. Where new requirements are confirmed, Council may need to reprioritise its strategic priorities.</p>

<p><b>1.8 Climate Change</b>  <b>Assumption:</b> Over the period of this Long Term Plan the effects of climate change are expected to impact on the social, economic, environmental, and cultural wellbeing of our communities including the physical and built environment of the Timaru District, Council’s activities and service delivery and potentially Council’s financial position such as increased debt to cover costs of damage to infrastructure, changes in the rate take due to changes in land use as a result of changes in climatic conditions.</p> <p>Specific impacts on Council activities and services are likely to include:</p> <ul style="list-style-type: none"> <li>- three waters services – this includes security of water supply issues, water shortages, reduction in water quality, increased wastewater overflows from heavy rainfall, and flood protection assets not working;</li> <li>- the transportation network – disruption from sea-level rise or flooding and landslides leading to increased maintenance costs;</li> <li>- coastal infrastructure and property – sea-level rise causing coastal erosion that will put property and assets at risk, and some places might become uninsurable; and</li> <li>- biodiversity and pest management – changes in type and distribution of pest species.</li> </ul> <p>More information on the potential impacts of climate change on Council services and on community wellbeing is detailed in the Infrastructure Strategy.  Council is prioritising gathering information on the effects of climate change effects on the Timaru District and on the services Council provides.  The implementation of the Climate Change Response Act will require Council to provide information to the Climate Change Commission on Council’s climate change adaptation.  <i>Comment: Climate change effects on Timaru District are likely to include an increase in temperature, stronger winds, sea level rise, coastal inundation, longer dry periods and more intense rainfall events.</i>  <i>In addition to Canterbury wide data available from Ministry for the Environment and Environment</i></p>		✓	<p>The impacts of climate change across the district occur differently and/or at a faster or slower rate than expected.</p>	✓		<p>Unrealised effects of climate change are likely to create additional costs to mitigate their impacts, such as improving protection of critical infrastructure.  More severe weather events resulting from climate change may increase damage to infrastructure and place pressure on Council finances.</p>	<p>Funding and resources will be provided through the 2021 LTP to</p> <ul style="list-style-type: none"> <li>• obtain further Timaru district specific climate change effects and risks to enable appropriate planning</li> <li>• develop a strategy to prepare for the impacts of climate change in the district</li> <li>• progressively build up funds for work or actions that may be required as a result of the effects of climate change</li> <li>• initiate adaptive planning conversations with affected communities</li> </ul> <p>Council’s Infrastructure Strategy will address the likely effects of climate change on the lifecycle of significant infrastructure; growth or decline in demand; increases in decreases in levels of service.  Provide for borrowing/rating to cover recovery and resilience costs in the Financial Strategy.  Maintain and establish relationships with key partners, including iwi, Environment Canterbury, NZTA, Kiwi Rail and TransPower to proactively plan for the effects of climate change on key assets in the district.</p>
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<p><b>1.9 Resource Consents</b></p> <p><b>Assumption:</b> The conditions of new and renewed resource consents required by Council during the period of this plan will be more rigorous.</p> <p><i>Comment: Resource consents due for renewal can be found within the relevant Activity Management Plan for individual activities. There are six major water take resource consent renewals during the 10 year period of this Long Term Plan.</i></p> <p><i>It is likely that the Canterbury Land and Water Regional Plan Change 7 (developed to respond to emerging resource management issues, to give effect to relevant national direction, to implement recommendations from the Zone implementation programmes Hinds Drains' Working Party, and to implement recommendations in the Waimakariri and Orari-Temuka-Opihi-Pareora (OTOP) Zone Implementation Programme Addenda (ZIPA)) will impact on the renewal of these consents.</i></p>			✓	A resource consent is not obtained or renewed or conditions imposed are unacceptable.			✓	<p>The non-granting or non-renewal of a major resource consent for a Council activity would have significant impacts on costs and the ability to provide that activity.</p> <p>A major non-renewal may mean an entirely new approach to the activity would be required.</p> <p>Non-granting of resource consents may delay project benefits.</p>	<p>Appropriate planning for resource consent applications/renewals should ensure that they are obtained. All project planning will include planning and a risk assessment of resource consenting. Council will maintain the Infor resource consent database. Monitoring of compliance with existing resource consent conditions will provide a record of compliance for future processes and renewals. The renewal of consents is dependent upon the legislative and environmental standards and expectations that exist at that time.</p>

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<p><b>1.10 Service Levels</b></p> <p><b>Assumption:</b> Levels of service will remain at current levels or incrementally increase.</p> <p><i>Comment: Service level changes may be initiated from increased community expectations or demand, a need to vary levels of service within the district due to local expectations, or changes required as a result of government legislation, regional or district policy. Legislative change may also impose significant new service levels on the Council. The way that services are provided may change but this may have not significant effect on service levels.</i></p>		✓		<p>Significantly enhanced or increased service levels are demanded by the community or required by the government on local authorities in one or more areas of activity.</p> <p>Levels of service decrease due to the impacts of climate change, where the cost of maintaining the level is prohibitive, or due to physical changes the service is no longer possible.</p>		✓		<p>Increased or improved service levels require additional cost and/or resources to provide them.</p> <p>The Council regularly monitors existing service provision within its operations and reviews and sets levels of service through activity management planning and corporate planning processes. Service levels may change due to technology enhancements.</p> <p>Minor changes may be made to service levels where budget, contracts and resources allow. These will generally occur within existing budgets.</p> <p>Significant changes in service levels will be confirmed with the community via consultation. These may require increases to fees or rates, depending on how the service involved is funded.</p>	
<p><b>1.11 Demand</b></p> <p><b>Assumption:</b> Actual demand will remain within projected levels.</p> <p><i>Comment: The impact of demand on Council activities will vary. Activities will be influenced by factors specific to them (e.g. a rise in building consents for building control). Activities may also be influenced by broader factors or trends (e.g. population change, demographic changes, household changes).</i></p>		✓		<p>Changes in demand are significantly higher or lower than expected. Demand significantly reduces for one or more activity so that they are no longer financially viable.</p>			✓	<p>Significant and consistent variation from projected demand levels may adversely affect TDC's ability to meet levels of service at an affordable cost</p> <p>Increased or improved service levels require additional cost and/or resources to provide them.</p> <p>Council will continue to monitor demand factors, growth and development changes across its activities and adapt or redirect activity provision to meet needs within reasonable costs.</p> <p>Updated demand information and projections where available will be incorporated into future planning work</p>	

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<p><b>1.12 Availability of Staff, Contractors and Materials</b></p> <p><b>Assumption:</b> Appropriately skilled staff and contractors and necessary materials will be available to undertake the work required to agreed standards, deadlines and cost.</p> <p><b>Comment:</b> <i>The availability of skilled staff and contractors and the ready supply of materials could be affected by the ongoing global impact and recovery from COVID-19.</i></p>		✓		<p>Projects could be delayed if there is a shortage of contractors or materials or contractors cannot deliver to agreed standards, costs and timeframes.</p> <p>Council's work programme and the delivery of community outcomes could be negatively impacted if key roles within Council are vacant.</p>		✓		<p>Might increase cost and/or delay projects or mean services are delivered to a lesser level of service.</p>	<p>Spread delivery of capital projects to reasonable timeframes.</p> <p>Monitor Council's overall programme delivery, including delivery challenges</p> <p>Continue to engage with contractors.</p> <p>Ensure robust contracts are in place.</p> <p>Look at alternative resources.</p> <p>Ensure robust internal recruitment practices and business continuity processes are in place</p>

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<p><b>1.13 Natural hazards/ natural disasters</b></p> <p><b>Assumption:</b> The increasingly magnified effects of climate change and regular occurrence of natural hazard events means it is prudent to assume that Council is likely to need to respond to the effects of natural hazard events during the term of this Long Term Plan.</p> <p><i>Comment: The district is at risk from natural hazards such as flooding, earthquakes, storms, tsunami and wildfire. These events can strike without warning, but are being increasingly magnified by the effects of climate change.</i></p>		✓		Natural hazard events occur that have a significant impact on the district and Council services		✓		<p>A natural hazard event can potentially cause significant unbudgeted costs, beyond the capacity of the Council to cope.</p> <p>Council is a member of the Local Authority Protection Programme Disaster Fund Trust (LAPP) and has a variety of insurance cover which would cover some emergency works. Council also has a Disaster Relief Fund for the replacement of infrastructural assets excluding roading in the event of a natural disaster. It is likely that Council will need to consider increasing contributions to this fund over time.</p> <p>Through its Activity Management Plan process and project planning, Council aims to increase the resilience of critical assets, to limit effects of natural disaster and enable their reinstatement or replacement. Central government has a role in disaster recovery after a natural disaster, including funding support.</p>	

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<p><b>1.14 Earthquakes – Alpine Fault</b></p> <p><b>Assumption:</b> A significant earthquake in the region will cause major damage, displacement and disruptions across the district, including to Council assets and services within predicted probabilities.</p> <p><i>Comment:</i>  <i>The Alpine Fault Magnitude 8 (AF8) Study, 2016 confirms a 30% probability of a magnitude 8.0 or above event within the next 50 years.</i></p> <p><i>Scientific modelling notes that a severe earthquake on the South Island Alpine Fault is likely within the lifetime of most of us, or our children. Planning for the effects of such an event needs to be included in this and future Long Term Plans.</i></p>		✓		An Alpine Fault event occurs earlier or later than predicted.		✓		<p>If an event occurs earlier than predicted there is a risk that Council and the community are underprepared for the event, and not well placed for recovery.</p>	<p>In addition to mitigations outlined above:  Continue to maintain CDEM readiness for response and recovery; Adopt resilient infrastructure standards through asset management plans and practises; Council existing and above ground facilities are upgraded to current building code requirements; All new facilities meet current code requirements; Making appropriate District Plan provisions in relation to known active faults; Providing for borrowing to cover recovery/resilience costs in the Financial Strategy.  Council is involved in the AF8 collaboration - planning and preparing a coordinated response across the South Island.</p>

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<p><b>1.15 Strategic Assets</b>  <b>Assumption:</b> Council will remain involved in all activities involving strategic assets* and continue to own and control strategic assets.  <i>*as listed in the Significance and Engagement policy</i></p> <p><i>Comment: Legislatively driven changes affecting water services (a strategic asset) have been signalled during the 2021-31 LTP period. Any changes of this nature would be subject to a legislative process and potentially local consultation processes.</i></p>		✓		Changes in control or ownership of strategic assets could have implications for Council staffing and community influence in any decision making process.			✓	Changes in control or ownership of strategic assets could affect the level of service provided to the community, and the ability of Council for input into decision making.	Currently changes in control or ownership of strategic assets must occur as part of an LTP development or amendment, with a formal process required through the Local Government Act.  Any new legislation in relation to water service assets could override this requirement.
<p><b>1.16 Council Political Structure</b>  <b>Assumption:</b> There will be no significant changes to the Council political structure (i.e. Council Elected Members and Community Boards).</p>			✓	Changes in the Council political structure are made			✓	Changes in the political structure could either be minor or major depending on the nature of the changes. For example, an amalgamation will have a significant impact on the delivery of Council services.	Any changes in political structure will occur through either representation review processes or formal processes driven either by the community, Council or central government. Council will monitor the community and legislative sentiment regarding changes to political structure.

<p><b>1.17 Economic, Industry, and Employment Growth</b>  <b>Assumption:</b> Employment rates will drop in the short term as a result of the COVID-19 economic shock, with a projected slight drop in employment for the year ended March 2021 of -0.8% .  As at February 2021 it appears that the regional economic impact of COVID – 19 has not been as severe as initially forecast. Forecast employment growth Timaru District to 2025 is:</p> <table border="1"> <thead> <tr> <th>2021</th> <th>2022</th> <th>2023</th> <th>2024</th> <th>2025</th> </tr> </thead> <tbody> <tr> <td>-0.8%</td> <td>0.3%</td> <td>2.3%</td> <td>1.5%</td> <td>1.8%</td> </tr> </tbody> </table> <p>Stronger growth is then expected through the late 2020s. From 2030 onwards, more stringent environmental regulation and carbon pricing is likely to weigh on the primary sector and impact on employment growth overall in the district. Over the period to 2051 strong employment growth is forecast in education and training, as well as healthcare and social assistance. Over the same period, we expect employment will slowly decline in agriculture, forestry and fishing, and retail trade.</p> <p><i>Comment: This is an area of high uncertainty due to the immediacy, the evolving nature of COVID and the unknown impact on employment, the economy – locally, nationally and internationally.</i></p> <p><i>Although the forecast dip in employment has been revised February 2021, this is not expected to have an effect on population forecasts. While there may be some job losses there isn't expected to be an abundance of jobs in other areas, so people will not necessarily migrate out of the district. The forecast slowdown in population growth in the early 2020s is largely driven by the forecast for a reduction in international net migration.</i></p> <p><i>Based on medium population projections prepared for TDC by Infometrics October 2020 and a February 2021 employment projection update RM8 #1340672 and #1341115</i></p>	2021	2022	2023	2024	2025	-0.8%	0.3%	2.3%	1.5%	1.8%	✓		<p>Economic, Industry and Employment growth is lower or higher than forecast due to external factors, such as a slower/quicker than predicted global recovery from COVID-19, or other limitations to accessing the global market affecting export demand for primary produce, and limiting overseas migration which the primary sector relies on for staff.</p>	✓		<p>Changes to projected growth may impact on the demand for certain Council services (e.g. water supply, sewer). This may impact on the cost of the service or provision of over/under capacity (depending on the nature of the change)</p>	<p>Council to be positioned to support changes to the industry profile of the district.  Ongoing monitoring of the economic climate of the Timaru District  Ongoing support for an Economic Development Agency to support the local economy</p>
2021	2022	2023	2024	2025													
-0.8%	0.3%	2.3%	1.5%	1.8%													

Assumption	Level of uncertainty (High, Medium, Low)			Risk statement	Risk Level (How likely risk will occur) (High, Medium, Low)			Consequence of variation to assumption	Approach to mitigation of risk
	H	M	L		H	M	L		
<p><b>1.18 Impact of Technology Advances</b>  <b>Assumption:</b> Technological advances will continue to enhance our delivery of services</p> <p><i>Comment: Technological advances have enabled Council to deliver services differently. These advances can occur on many levels across many of our services (e.g. improvements to water treatment techniques, implementation of new systems to replace manual Council processes, digitisation of documents, self-checkout of library books).</i></p> <p><i>Motivation for implementing technological advances can come from an ongoing desire to improve our level of service, efficiency gains or from community expectations. Advances can impact on cost of delivery, job roles and resources.</i></p>			✓	Council will not be able to fully utilise technological advances			✓	Implementation of technological advances is subject to consideration of their benefits and costs and enhancements provided to service delivery	Development of a Digital Strategy Level of service reviews Activity Management Planning
<p><b>1.19 Income Levels/Affordability</b>  <b>Assumption:</b> Ratepayers will be able to continue to afford to pay all rates set.</p>			✓	An increasing number of ratepayers are unable to afford to pay all rates set.			✓	Council will not collect the required amount of rates income to meet funding needs for service delivery	Regular review of Revenue and Financing Policies. Environmental scans of the District's economy are completed every three years. Debtor numbers are monitored.

Assumption	Level of uncertainty (High, Medium, Low)			Risk statement	Risk Level (How likely risk will occur) (High, Medium, Low)			Consequence of variation to assumption	Approach to mitigation of risk
	H	M	L		H	M	L		
<p><b>1.20 Three Waters Reform</b></p> <p><b>Assumption:</b> Timaru District Council will continue to own and directly operate the three waters networks (water supply, sewer and stormwater) for at least the duration of the Long-Term Plan.</p> <p><i>Comment: The Government is proposing to restructure the Three Waters sector with major decisions being made mid-year 2021. While final decisions are yet to be made, the likely outcome of this reform is the formation of several large 'multi-regional' delivery entities to deliver three water services. On the 11 August 2020, the Timaru District Council signed a Memorandum of Understanding (MoU) with the Government over the proposed 3Waters Reforms. The MoU requires Council to actively engage with Government over the Three Waters Reforms and in return Council received \$6.86m of stimulus funding for projects not included in the 2020/21 Annual Plan. While signing the MOU does not commit Council to the final reforms, the government has agreed that the reforms will be an opt-out approach. This is expected by the end of 2021. It is understood that a comprehensive Nationwide public information and education programme will be carried out in the May to August 2021 timeframe.</i></p>	✓			Three Waters reform does not follow the government's planned programme and/or the final shape of the reform is significantly different to that expected.		✓		<p>Transfer of Council's Three Waters assets and activities will have a significant impact on Council finances and operations. For the 2019/20 year, Three Waters services made up a substantial portion of Council's assets and costs and revenues, as follows:</p> <ul style="list-style-type: none"> <li>• Total Operating Costs: \$18.73M (approximately 22% of Council's total costs. There are currently 24.3 FTEs involved with Three Waters delivery).</li> <li>• Value of Three Waters Assets including the Downlands water supply network: \$1,180 Million</li> <li>• Value of Debt to fund three waters activities: \$119 Million</li> </ul> <p>If enacted, the activity will no longer exist within Council operations with a corresponding impact on the overall position of TDC, and across the rest of TDC operations (e.g. due to the need to reallocate overhead activities across other Council activities, rating). Council may choose to 'opt out' of the reforms.</p>	<p>Council will continue to actively participate in the three waters reform programme.</p> <p>In the meantime, Three Waters services will continue to be provided by Council until a final outcome of the reform process is known. The continued provision of these activities is included in the LTP 2021-31 forecasts, as outlined in the LTP information.</p>

## Significant Financial Forecasting Assumptions

Assumption	Level of uncertainty (High, Medium, Low)			Risk statement	Risk Level (How likely risk will occur) (High, Medium, Low)			Consequence of variation to assumption	Approach to mitigation of risk																																												
	H	M	L		H	M	L																																														
<p><b>2.1 Inflation</b>  <b>Assumption:</b> The LTP is prepared on the inflation rates assumed in the table below for periods beyond 2021/22 which is based on Local Government Cost Index (LGCI) <b>Mid scenario</b> prepared by BERL. BERL quote the index at 30 June for each year:</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Operational</th> <th>Capital</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>2021/22</td> <td>3.60%</td> <td>4.00%</td> <td>3.70%</td> </tr> <tr> <td>2022/23</td> <td>2.90%</td> <td>3.00%</td> <td>2.90%</td> </tr> <tr> <td>2023/24</td> <td>2.50%</td> <td>2.60%</td> <td>2.50%</td> </tr> <tr> <td>2024/25</td> <td>2.50%</td> <td>2.60%</td> <td>2.50%</td> </tr> <tr> <td>2025/26</td> <td>2.50%</td> <td>2.70%</td> <td>2.60%</td> </tr> <tr> <td>2026/27</td> <td>2.50%</td> <td>2.60%</td> <td>2.50%</td> </tr> <tr> <td>2027/28</td> <td>2.60%</td> <td>2.80%</td> <td>2.60%</td> </tr> <tr> <td>2028/29</td> <td>2.70%</td> <td>2.80%</td> <td>2.70%</td> </tr> <tr> <td>2029/30</td> <td>2.70%</td> <td>2.90%</td> <td>2.70%</td> </tr> <tr> <td>2030/31</td> <td>2.60%</td> <td>2.70%</td> <td>2.60%</td> </tr> </tbody> </table>	Year	Operational	Capital	Total	2021/22	3.60%	4.00%	3.70%	2022/23	2.90%	3.00%	2.90%	2023/24	2.50%	2.60%	2.50%	2024/25	2.50%	2.60%	2.50%	2025/26	2.50%	2.70%	2.60%	2026/27	2.50%	2.60%	2.50%	2027/28	2.60%	2.80%	2.60%	2028/29	2.70%	2.80%	2.70%	2029/30	2.70%	2.90%	2.70%	2030/31	2.60%	2.70%	2.60%			✓	The rate of inflation differs from that assumed		✓		A significant change in inflation will result in changed revenue and expenditure. This could be significant and may adversely affect the ability of the Council to set rates at a level that is affordable to the community.	The Council will review its budget annually through the LTP/Annual Plan process and may adjust work programmes/budgets where necessary.
Year	Operational	Capital	Total																																																		
2021/22	3.60%	4.00%	3.70%																																																		
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<p><b>2.2 Interest Rates on borrowing</b>  <b>Assumption:</b> Interest on borrowing is assumed to be between 2.5% and 3.0%  <b>Comment:</b> For each \$10 million of borrowing a 1% increase in interest rates increases Council's borrowing costs by \$100,000.</p>		✓		Forecast interest rates on borrowing are higher or lower than forecast		✓		Council costs could increase or decrease as interest rates fluctuate up and down. Based on Council's projected debt levels, interest cost would increase/decrease by \$(tba) and (tba) per year for each 1% movement in effective interest rate.	Council hedges interest rate exposures as per the Liability Management Policy.																																												
<p><b>2.3 Return on investments</b>  <b>Assumptions:</b></p> <ul style="list-style-type: none"> <li>Bank deposits and bond portfolio assumed return is between 1.1% and 1.5%</li> <li>Timaru District Holdings Limited assumed dividend is \$1M per annum.</li> <li>Forestry assumed return is \$0 over the 10 years</li> </ul>	✓			Forecast returns are higher or lower than forecast		✓		Council income could increase or decrease as investment returns fluctuate up and down.	Council maintains a long term investment portfolio with fixed interest rates which minimises fluctuations. Investments are also managed using the Investment Policy to minimise risks. Changes in investment returns are generally partially offset by a change in borrowing costs.																																												

Assumption	Level of uncertainty (High, Medium, Low)			Risk statement	Risk Level (How likely risk will occur) (High, Medium, Low)			Consequence of variation to assumption	Approach to mitigation of risk
	H	M	L		H	M	L		
<p><b>2.4 Funding Sources</b></p> <p><b>Assumption:</b> Current Funding sources (including external funding sources) do not change over the first three years of this plan.</p> <p><i>Comment: Funding sources are specified in the Revenue and Financing Policy and Financial Strategy. This applies to user fees, charges and external funding towards projects and assets. It is assumed that Council will seek to develop and introduce a policy for the collection of Development Contributions. However Development Contributions income have not been budgeted.</i></p>		✓		<p>Projected revenue from user charges or financial assistance is not achieved.</p> <p>Levels and sources of funding differ from those forecast.</p>		✓		<p>Revenue could reduce without the ability to reduce expenditure proportionately. In this event, the account would run in deficit, with charges reviewed for the next financial year.</p> <p>Project and asset funding could result in projects being revised or alternative funding sources used.</p>	<p>Levels of revenue from user charges have been set at realistic levels in accordance with the ratios outlined in the Revenue and Financing Policy.</p> <p>There is a concentration of risk associated with a small number of industrial consumers for some revenue streams (e.g. extraordinary water charges and trade waste charges). Regular liaison is maintained with these consumers.</p> <p>Funding for projects and assets is considered before the commencement of each project or asset.</p> <p>A significant impact from changes in funding or funding sources may result in a revised capital work programmes, or changes in the level of user fees and charges, borrowing or rating requirements.</p>
<p><b>2.5 Credit availability</b></p> <p><b>Assumption:</b> Credit can be obtained from financial markets on competitive terms and conditions.</p>	✓			<p>Required credit cannot be obtained from financial institutions</p>		✓		<p>Funding would need to be obtained from alternative sources or work programmes adjusted.</p>	<p>Council is a borrower from LGFA and that institution has a level of government support made available evident in the COVID-19 responses.</p> <p>Prudent debt levels are maintained to mitigate risk for financial institutions.</p> <p>Relationships are maintained with various financial institutions and Council regularly monitors credit markets. A credit rating is maintained.</p>

Assumption	Level of uncertainty (High, Medium, Low)			Risk statement	Risk Level (How likely risk will occur) (High, Medium, Low)			Consequence of variation to assumption	Approach to mitigation of risk
	H	M	L		H	M	L		
<b>2.6 Costs</b> <b>Assumption:</b> Costs will remain stable over the period of the Long Term Plan (refer also to inflation assumption). <i>Comment: Maintenance expenditure has been based on historical trends.</i>			✓	Costs are higher or lower than anticipated		✓		Variability of prices, such as for oil, could cause variability in costs.	The Council and management will review its budget annually through the LTP/Annual Planning process and may adjust work programmes/budgets where necessary.
<b>2.7 NZ Transport Agency Financial Assistance</b> <b>Assumption:</b> There will be no further changes to the financial assistance approach for transport funding administered by the New Zealand Transport Agency (NZTA), including funding criteria and NZTA funding. <i>Comment: The funding assistance rate is a flat rate of 51%.</i>		✓		Changes in NZTA Subsidy rates or to criteria for roading and footpath projects have a positive or negative effect on Council's transport budget		✓		Funding would need to be obtained from alternative sources or work programmes adjusted. Levels of service may need to be adjusted. If sufficient funding is not available, it may mean that projects are delayed or scrapped.	The budget is reviewed annually through the LTP/Annual Plan process and may require adjusted work programmes/budgets where necessary.
<b>2.8 Emissions Trading Scheme</b> <b>Assumptions:</b> The price for NZUs increases to \$50 in year 1 of the LTP, with the market price beyond this uncertain. <i>Comments: TDC has ETS liability each year (a requirement to surrender NZUs) in relation to its landfill operation. Some NZU's will be surrendered over the term of the LTP for deforestation. It will cost \$2m per tonne of waste based on a price of \$50 per NZU and using the default emissions factor for landfill emissions.</i>		✓		The carbon price could be higher or lower than expected.		✓		Council could hold more or less NZU's for forestry assets. Landfill costs could vary resulting in changing landfill user charges.	Forestry assets are maintained with a long term view but programmes are reviewed annually. Any sale of forestry land will compensate for the loss of NZUs and associated benefits. Landfill costs and waste volumes are monitored continuously.
<b>2.9 Revaluation of significant assets</b> <b>Assumption:</b> The Council historically used deemed cost as its approach to revaluation. In February 2019 Council resolved to move to 'fair value' as a measurement basis for its property, plant and equipment assets. Water, wastewater and stormwater (including Downlands) classes of assets were revalued as at 1 July 2019 and roading and footpaths assets as at 1 July 2020 using depreciated replacement cost.	✓			Minimal risks as asset revaluations will occur in the future for property, plant and equipment			✓	If a revaluation does not occur, this may mean that the Council's forecasted funding requirements may not sufficiently cover the full replacement of assets.	Revaluation affects the carrying value of fixed and infrastructural assets and the depreciation charge in the years subsequent to the revaluation. Annual revaluations are undertaken for investment properties and forestry assets.

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	H	M	L		H	M	L		
<p><b>2.10 Rating Base</b>  <i>Assumption:</i> There will be a modest increase in the rating base over the 10 years of this LTP, given predicted increase in household growth – specifically more smaller housing units as a result of a growth in the 1-2-person household numbers. *</p> <p><i>Refer Infometrics Population projections October 2020</i></p>	✓			Rating units could grow/contract at an increased rate.			✓	An increase in the overall rating base could result in a decrease in rates for rating units as the total rates are spread across a larger base. If the rating base was to reduce, there could be an increase in rates.	The rating base is reviewed annually when determining the rates for the year.
<p><b>2.11 Capital Delivery</b>  <i>Assumption:</i> For any given year in the 10-year 2021-31 Long Term Plan period, 90% of the capital work programme will be delivered. The financial model was developed based on this assumption.</p>	✓			The delivery of the capital work programme is below 90%.		✓		<p>If less than 90% is delivered, this may result in the creation of a backlog of capital projects that will delay the completion of other capital projects in the next Annual Plan or LTP period. Potential for increased budget required for capital projects, due to delays in completion. Increased operating expenditure due to increase in the maintenance costs as not all planned renewals are completed.</p> <p>Risk of losing grant / subsidy due to non-delivery and therefore increase in borrowings required to complete the project and finance cost.</p>	<p>Close and regular monitoring and reporting of the work programme internally. Ongoing liaison with the construction sector to ensure resources availability and responsiveness of the market. Renewal plan prepared in a conservative way and based on asset condition and useful life of asset to ensure assets are being replaced before they pose a significant risk of failure. Include renewals as part of maintenance and renewals contracts to mitigate risk of non-delivery for renewals programme. Resourcing has been allocated for all large projects with dedicated managers overseeing key projects. Ongoing monitoring and re-forecast of project delivery if required. External project support where required.</p>

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<p><b>2.12 Landfill Aftercare provision</b></p> <p><i>Assumption:</i> Council has budgeted \$270,000 per annum to monitor and undertaken any remedial work required on its closed landfills. It is assumed no significant restoration work is required on its closed landfills beyond what has been budgeted and provided for.</p> <p>In respect of Redruth Landfill, which has an estimated life of 28 years, Council assumes that there has been no material changes to the assessments for Redruth's post closure costs since it was last reviewed in September 2011. Redruth is a consented and managed landfill with active monitoring of all cells.</p>		✓		Landfill restoration work is required earlier than planned or higher than budgeted			✓	Landfill restoration work being required earlier than planned could result in a higher funding requirement earlier than anticipated.	Council reviews the basis for the provision it makes for these costs on an annual basis. Active monitoring of landfill cells to enable ongoing landfill aftercare post closure. Review of possible impacts on closed landfills via climate change work in next three years.