



**SIGNIFICANT  
FORECASTING  
ASSUMPTIONS  
LTP 2024-34**

# Summary of Significant Forecasting Assumptions

The 10 Year Plan and its supporting documents rely on certain assumptions about the anticipated changes in our district. However, it's important to note that all assumptions inherently carry a degree of uncertainty. The level of uncertainty depends on two key factors: the likelihood of the assumed event occurring and its potential financial impact. Consequently, the reliability of the forecasts within our plan may vary across different aspects. In preparing our financial projections, we have made several significant assumptions, drawing upon industry expertise and best practices.

The financial information presented is based on the best available estimates and assumptions about potential future events, economic shifts, and the overall domestic and global economic climate. These estimates and assumptions represent our most informed projections given the current circumstances.

The cost forecasts were based on price change projections from BERL and Infometrics, who provide such forecasting services for councils' long-term plans. Their price indices were used to adjust both operating and capital budgets to account for expected future cost increases. The assumptions for borrowing and investing interest rates were derived from projections provided by Bancorp Treasury, a financial advisory firm specialising in such forecasts. Additional assumptions have been made by considering data and projections from Statistics New Zealand (Stats NZ) and Infometrics. The significant forecasting assumptions we have employed aim to provide a consistent and well-justified foundation for the development of our 10-year plan.

The following significant general and financial forecasting assumptions are assumed for the life of this Long Term Plan (2024-34):

Population & Growth Assumptions					
	Assumption	Source of Base Information	Confidence Level	Risk Level	Uncertainty Level
1.1	Population Growth	Stats NZ & Infometrics	High	Low	Low
1.2	Demographic Change	Stats NZ & Infometrics	High	Low	Low
1.3	Household Change	Stats NZ & Infometrics	Moderate	Low	Low
1.4	Economic, Industry & Employment Growth	Infometrics, Venture Timaru, Dot Loves Data	Low	Moderate	High
Council Operational Assumptions					
2.1	Council Political Structure	Future for Local Government Review	High	Low	Low
2.2	Joint or Shared Service Arrangements/CCOs	Statement updated to reflect current status & Parliament	Moderate	Moderate	Moderate
2.3	Levels of Service	Statement updated to reflect current status	High	Moderate	Moderate
2.4	Resource Consents	Statement updated to reflect current status	High	High	Low
2.5	Staffing Levels & Accommodation	New Assumption	High	High	Moderate
2.6	Strategic & Significant Assets	Activity Management Plans (AMPs)	Moderate/High	Low	Low

## External Assumptions

	Assumption	Source of Base Information	Confidence Level	Risk Level	Uncertainty Level
3.1	Three Waters Service Models	Local Water Done Well Policy	Moderate/Low	Moderate	Moderate
3.2	Legislative Requirements on Council	Parliament, Taituarā Guidance for Local Government Series	High	Moderate	Moderate
3.3	Climate Change	NIWA Climate Change Projections, IPCC Assessment Meteo	High	Moderate	Moderate
3.4	Pandemics	World Health Organisation R&D Blueprint for Epidemics	High	High	High
3.5	Natural Hazards & Emergency Events	Ministry of Civil Defence & Emergency Management	High	High	Moderate
3.6	Disruptive Technology/4 <sup>th</sup> Industrial Revolution	National Cyber Security Centre (Te Tira Tiaki)	High	Moderate	Moderate
3.7	Resource Availability	International Monetary Fund (IMF) and Ministry Foreign Trade & Enterprise (MFTE)	High	Moderate	Moderate

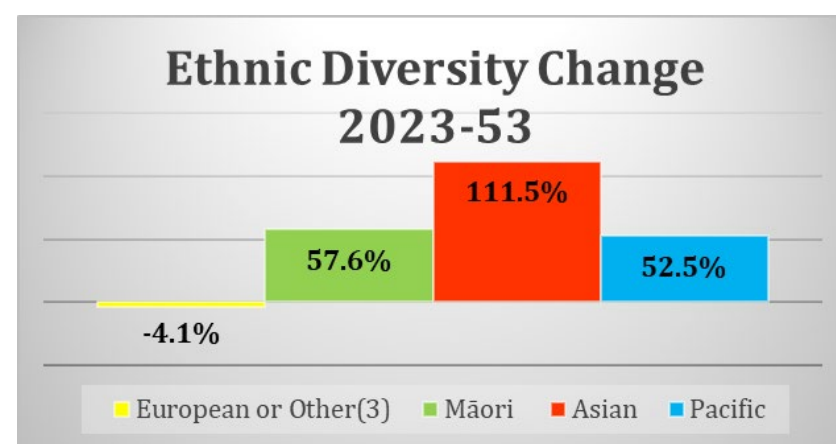
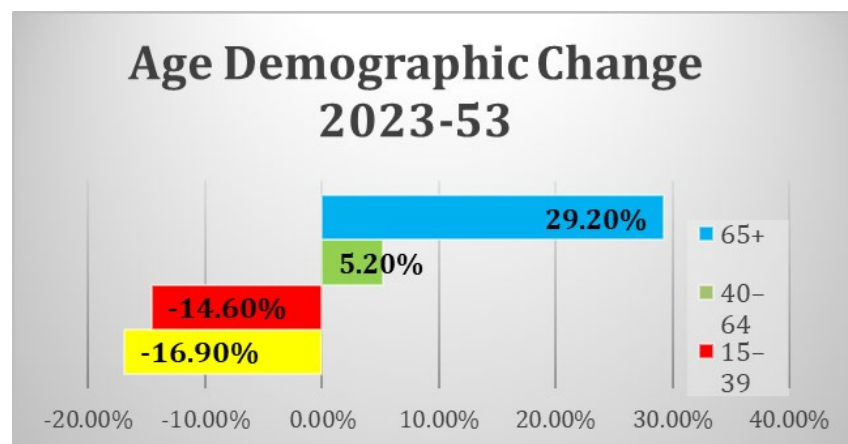
## Financial Assumptions

4.1	Inflation	BERL Economics (Taituarā prepared)	Moderate	Moderate/High	Moderate
4.2	Interest Rates on Borrowing	Bank Information	Low	Moderate	Moderate
4.3	Return on Investments	Portfolio advisors and TDHL	Low	Moderate	Low
4.4	Funding Sources	Statement updated to reflect current status	Moderate	Moderate	Low
4.5	NZTA Waka Kotahi Funding Assistance	NZTA Waka Kotahi	Moderate	Moderate	Moderate
4.6	Credit Availability	Statement updated to reflect current status	Moderate	Low	Low
4.7	Rating Base	Rating Database	Moderate	Low	Low
4.8	Landfill Aftercare (Closed Landfills)	Statement updated to reflect current status, WOL modelling	Moderate	Moderate	High
4.9	Emissions Trading Scheme	EPA & Market basis	High	Moderate	Moderate
4.10	Costs	Statement updated to reflect current status	Moderate	Low	Moderate
4.11	Capital Delivery	Statement updated to reflect current status; AMPs	Moderate	Moderate	Moderate

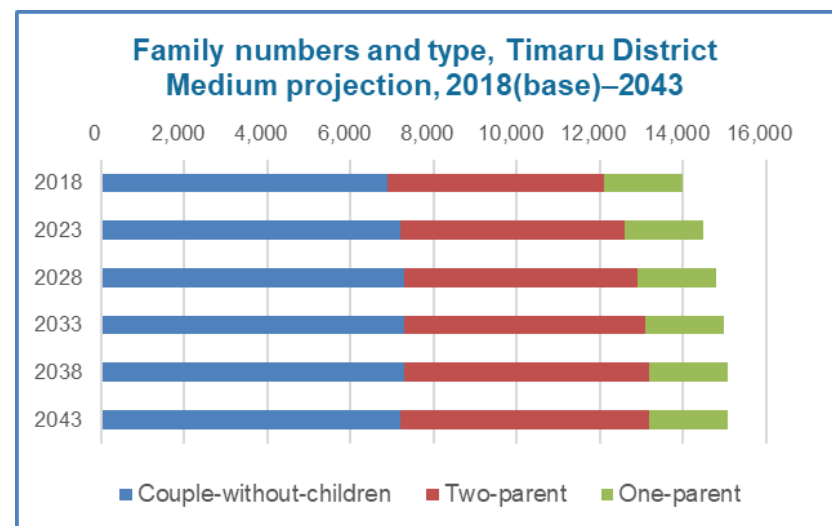
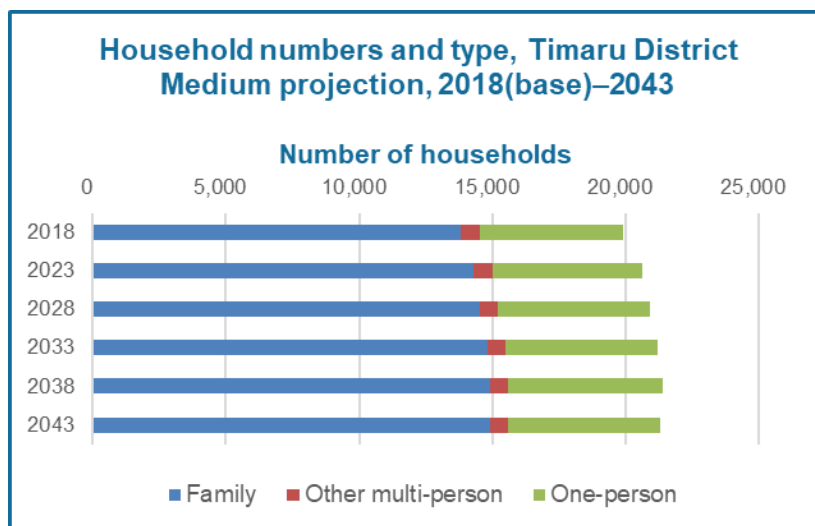
## Significant Forecasting Assumptions: Population & Growth

Population & Growth Assumption	Risk statement	Consequence of variation to assumption	Approach to mitigation of risk
<p><b>1.1 Population Growth</b></p> <p><b>Assumption: Timaru's population is projected to increase to 49,700 by 2033, reaching 51,600 in 2053 (0.2% average annual increase).</b></p> <p>Population growth has been slow in the Timaru District with an increase of 5,000 people over the past 27 years. After peaking at 1.6% in 2016, it has slowed significantly from 2021-23 due to COVID-19 impacts, resulting in zero growth for 2022 calendar year, but rising to 0.8% YoY to Sept 2023. As immigration picks up, population growth is projected to resume but will likely be at a slower rate than previous projections. A lower rate of growth is projected in the 2040s as employment growth wanes, reaching an estimated population of 51,600 in 2053.</p> <p>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.</p> <p>In recent years the 'natural' population increase has been negative, with the number of deaths exceeding births. This reflects the age makeup of the Timaru District population. Growth will be reliant on net migration, which was at 0.00% in 2021-22 (attributed to the effects of Covid-19 with closed international borders) but did increase to 0.8% in 2022-23.</p> <p>Based on medium population projections from Stats NZ (2018 Census data updated in December 2022)</p>	<p>Population change across the district occurs at a higher or lower rate than expected, or shows no change at all</p>	<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 stable population with no significant or consistent growth may impact on future service provisions, requiring Council to consider changes in service levels to maintain affordable rates for the existing population. 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.</p> <p>Where growth requires additional infrastructure (e.g. subdivisions), Council can currently require financial contributions for this work.</p> <p>Costs over this amount may result in additional Council expenditure which is likely to be funded out of debt.</p>

Population & Growth Assumption	Risk statement	Consequence of variation to assumption	Approach to mitigation of risk
<p><b>1.2 Demographic Change</b></p> <p><b>Assumption: The District's population will age significantly and become more ethnically diverse over the next thirty years.</b></p> <p>Timaru District has a higher than average aging population compared to all of New Zealand, showing a projected increase of close to 30% of seniors aged 65+yrs. The consecutive decrease of younger people, particularly those in the workforce from ages 15-39, has implications for delayed retirements and burdens on aged care services, including housing stock, health care, and pensions. Ethnic diversity will increase with the largest projections for Asian peoples; however increases of ethnic populations will not change their minority status, as 85% of the population in 2053 is projected to be European or Other.</p> <p>Based on medium population projections from Stats NZ (2018 Census data updated in December 2022).</p>	<p>Demographic changes across the district occur at a higher or lower rate than expected.</p>	<p>Changes to projected demographics may place pressure on some Council services due to increased demand over time, leading to provision of a lower levels 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.</p>	<p>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.</p> <p>Council's Ageing Together Strategy will provide frameworks to alter services to suit the changing demographic profile of the community. Options exist where affordability issues may arise including rates postponement.</p>



Population & Growth Assumption	Risk statement	Consequence of variation to assumption	Approach to mitigation of risk
<p><b>1.3 Household Change</b></p> <p><b>Assumption: The number of households in the district is projected to increase from 21,000 in 2023 to 23,800 in 2043. The average household size will decrease from 2.34 individuals per household in 2023 to 2.30 in 2043.</b></p> <p>Timaru District household change has historically been characterised by steady growth of households, with pockets of stronger growth in urban centres in Timaru, Geraldine, Temuka, and Pleasant Point. 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.</p> <p>Based on medium population projections from Stats NZ (2018 Census data updated in December 2022).</p>	<p>Household change across the district occurs at a higher or lower rate than expected.</p>	<p>A slower rate of household growth may mean some activities have overinvested in infrastructure resulting in over-capacity. A higher rate of growth in households may mean some activities have underinvested in infrastructure and services resulting in having a lack of capacity for the community.</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>



Population & Growth Assumption	Risk statement	Consequence of variation to assumption	Approach to mitigation of risk
<p><b>1.4 Economic, Industry &amp; Employment Growth</b></p> <p><b>Assumption: Economic growth will continue to stay strong in Timaru District, driven by local industry and contributing to the District's low unemployment levels.</b></p> <p>Economic projections are highly uncertain due to the extenuating global and national factors that have impact on the local economy. Government regulations can, and do, change with changes in governments and these have trickle down effects in areas like Timaru that rely heavily on the primary sector for its GDP and employment.</p> <p>In 2022, Timaru's GDP growth was greater than the NZ national figures, up 5.8% from the previous year. Unemployment figures were lower than the national average, with a 14.3% drop in 2023 from the previous year to a low of 3.4% on the job seeker support.</p> <p>Disparity exists in the disproportionate number of Māori and Pasifika on either the means-tested benefit or single parent support, which shows no sign of reduction over time. It is projected that employment in the healthcare, education, training, and social assistance sectors will grow over the next thirty years. This reflects the shift from other industries that adopts more technology to replace manual labour, which will require education and training to upskill into new career pathways, and the projected growth in the health industry with an aging population.</p> <p>Based on projections from Infometrics 2020 Timaru Report, Venture Timaru's Economic Development Strategy 2021, and Dot Loves Data Community Compass Quarterly Report for Timaru District (March 2023)</p>	<p>Economic, Industry and Employment growth is lower or higher than forecast due to external factors, such as a slower or quicker than predicted global recovery from the global recession (lingering Covid-19 supply chain issues which have been exacerbated by the Russian invasion of Ukraine), or other limitations to accessing the global market affecting export demand for primary produce, and limiting overseas migration which the primary sector relies upon for workers.</p>	<p>Changes to projected growth may impact on the demand for certain Council services (e.g. water supply, sewer, waste). 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 continues to support employment growth and address disparities through the Mayoral Taskforce for Jobs initiative. Ongoing monitoring of the economic climate of the Timaru District to help position Council to support any changes to the industry profile. Council supporting local industry through the Business Improvement District initiative for Central Timaru businesses.</p>

## Significant Forecasting Assumptions: Council Operational

Council Operational Assumption	Risk statement	Consequence of variation to assumption	Approach to mitigation of risk
<p><b>2.1 Council Political Structure</b></p> <p><b>Assumption: The outcome of the Representation Review in 2023 will result in no significant changes to the Council's political structure and there will not be any amalgamation with other councils within the next ten years.</b></p> <p>Representation Reviews are required every six years and Timaru has shown to have adequate representation for its population in previous reviews. Due to the lack of population growth, It is unlikely that there will be any need to adjust the representation numbers. With the low Māori population in the District (~10%), it is not thought that the threshold to establish a Māori Ward is feasible for this Representation Review.</p> <p>The Future for Local Government Review outlines 17 recommendations including adopting a four-year election term, lowering the thresholds for Māori wards, appointing Māori representation onto councils, and changing voting systems to lower the voting age to 16 and adopting the universal STV system for all councils. However, amalgamation is not amongst the recommendations, and it is unlikely this will be pushed by any government for this LTP period.</p> <p>Based on the Review into the Future for Local Government Report (2023) He piki tūranga, he piki kotuku.</p>	<p>Changes in the political structure are made either through amalgamation with other councils, legislative changes to the LGA, the community votes for changes through the Representation Review, or a Māori Ward is established.</p>	<p>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.</p>	<p>Any changes in political structure will occur through either the 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>



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<p><b>2.2 Joint or Shared Service Arrangements/CCOs</b></p> <p><b>Assumption: Existing joint arrangements or shared service arrangements or Council Controlled Organisations (CCOs) are expected to remain and new joint arrangements, shared service arrangements or CCOs are likely to happen over the life of this LTP.</b></p> <p>The findings of the Coalition Government’s Working Advisory Group (WAG) for the Local Water Done Well Policy may result in joint/shared service arrangements for drinking water, waste water, and/or stormwater services. Should legislation be passed to empower councils to voluntarily establish joint entities (such as CCOs) that enables better borrowing capacity for core water infrastructure, it is possible this could be seriously considered as an option for Timaru to join with neighbouring councils.</p> <p>Based on current legislation and the Local Water Done Well Policy.</p>	<p>New joint arrangements are proposed due to circumstances beyond the Council’s control or existing arrangements become no longer tenable.</p>	<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 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. 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.</p> <p>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 full review for water services due in 2023 has been deferred until 2024/25 due to resource constraints and lack of capacity.</p>

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<p><b>2.3 Levels of Service</b></p> <p><b>Assumption: The services levels will likely change for some activities to reflect value for money to ratepayers, with rating adjustments made accordingly to enable the delivery of those services at those levels.</b></p> <p>Service level increases may be initiated from increased community expectations or demand, or there may be a need to reduce levels of service within the district due to affordability issues, or significant service level changes may be required as a result of government legislation, regional or district policy. The way that services are provided or delivered may change and this may subsequently have a significant effect on service levels.</p> <p>Based on Council discussions and community feedback.</p>	<p>Changed service levels are demanded by the community or required by the government on local authorities in one or more areas of activity, which may also be driven by focusing on the value for money in some services. Levels of service may 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>Service levels continue to rise without consideration of value for money, which increases rates and need for additional resources.</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.</p> <p>Service levels may change due to technology enhancements. 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, or by reducing the levels of service to stay within current budget limits.</p>

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<p><b>2.4 Resource Consents</b></p> <p><b>Assumption: The conditions of new and renewed resource consents required by Council during the period of this plan will be more rigorous and will likely take longer to obtain.</b></p> <p>Resource consents due for renewal can be found within the relevant Activity Management Plans for individual activities. National Policy Statements and National Environmental Standards have increased the work required to process consents, and compounded with staff attraction and retention issues, has resulted in a backlog of consents and significant delays in processing.</p> <p>With legislation changes on the horizon from the Coalition Government around RMA, the professional development requirements to stay abreast of new processes and legislative changes will put further pressure on planning professionals and could impact consent processing times and increase costs.</p>	<p>A resource consent is not obtained or renewed or conditions imposed are unacceptable.</p>	<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. Non-granting of resource consents may delay project benefits or increase Council's risk.</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 resource consent database.</p> <p>Monitoring 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>

Council Operational Assumption	Risk statement	Consequence of variation to assumption	Approach to mitigation of risk
<p><b>2.5 Staffing Levels and Accommodation</b></p> <p><b>Assumption: Staff numbers will increase to more FTEs being needed by the end of 2033/34, associated with changing local government responsibilities, economic growth, and increasing customer expectations.</b></p> <p>Timaru District Council has experienced challenges with recruitment and retention in a tight labour market during times of low unemployment within the District. This has resulted in Council contracting external support as necessary to ensure statutory deadlines are met and key milestones on capital and operational projects are achieved; however Timaru has fewer staff and consultants than neighbouring councils or councils of a similar size throughout the country.</p> <p>With the current growth in staff numbers due to increased responsibilities and legislative standards to be met, pressures on accommodating staff are evident and space is at a premium with a high number of vacancies in positions. Council's current office buildings are not adequate to meet the need for existing staff to operate productively and the future growth in staff numbers. No budget provision has been made for a substantial change for the current building footprint for the King George Place facilities, with earthquake strengthening required for the South Block building.</p> <p>With the uncertainty about the long-term future of the Three Waters portfolio being out of Council, it cannot be assumed that the office space pressures will be alleviated by the relocation of the Three Waters units. If Council continues to offer hybrid working-from-home arrangements, space pressures can be managed but it is not likely this can be sustained indefinitely as more staff are needed for future requirements.</p>	<p>Staffing requirements grow to a lesser extent or more slowly because of efficiencies, improved information technology, or changes to Council's functions; alternatively, the staffing requirements grow to a greater extent or more rapidly than assumed.</p>	<p>If the staffing level remains as is currently with several vacancies and the staffing numbers grow slowly, earthquake strengthening, and potential expansion/refurbishment of the South Block could occur to expand available office space.</p> <p>If staffing levels increase more rapidly, there will be an urgent need to supplement existing capacity through additional office accommodation. This may have to be funded either through increased rates or borrowing for capital expenditure to earthquake strengthen and refurbish South Block or defer another capital works project to accommodate this need.</p>	<p>Council will continue to monitor the office space allocation and allow for flexible working arrangements to relieve pressures of needing desk space.</p> <p>A workforce planning assessment to help determine the staffing and space needs, with a timeline, will be conducted in 2024/25 to better inform future civic office needs.</p>

Council Operational Assumption	Risk statement	Consequence of variation to assumption	Approach to mitigation of risk
<p><b>2.6 Strategic and Significant Assets</b></p> <p><b>Assumption: Council will retain its involvement in the management of strategic and significant assets (as listed in the Significance and Engagement Policy), including the Three Waters assets post-July 2026. Council will maintain various reserve funds for cash-funded depreciation of assets, addressing extreme weather events damage, and will borrow if there is a shortfall in the total funding required for asset renewals, upgrades, or replacements..</b></p> <p>The management of assets will include maintaining the asset information to ensure it is reliable and accurately reflects the condition and performance of those assets. It is assumed no assets will fail but will require ongoing renewal and upgrades before being replaced at the end of their economic life, save for damage from extreme weather events.</p> <p>Council has moved to a fair value measure for its revaluation system of property, plant, and equipment assets. Useful lives of significant assets are detailed in Asset Management Plans which provide information to support the replacements and renewal of Council infrastructure. Useful lives used in the calculation of depreciation are stated in the Council’s Accounting Policies under depreciation.</p> <p>Significant Assets refer to key infrastructure assets such as sewer, water supply, stormwater, waste minimisation, roading and key community facilities.</p>	<p>Significant assets fail sooner or later than estimated or are not adequately covered for the replacement cost during revaluation, or there is a change made in legislation around the ownership of assets (such as water assets).</p>	<p>A major change in the useful life of a significant asset or a flawed revaluation may have significant financial and community repercussions, including increasing 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. If a new entity was established to look after existing Council water assets, such as a CCO, 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 many are subject to regular “fair value” revaluations. Annual revaluations are undertaken for investment properties and forestry assets.</p> <p>Where an asset wears out earlier than anticipated, mitigation may also involve reprioritisation of the capital work programme.</p> <p>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. Council will continue to operate a risk management system across all its activities and is planning on its water assets remaining in its control</p>

## Significant Forecasting Assumptions: External Factors

External Factors Assumption	Risk statement	Consequence of variation to assumption	Approach to mitigation of risk
<p><b>3.1 Three Waters Service Models (Local Water Done Well)</b></p> <p><b>Assumption: Timaru's Three Waters assets ownership and management will remain within Council's control for the life of this LTP.</b></p> <p>The changes made to legislation over the past few years has been tumultuous for long-term planning over Water Services within councils; however, the repeal of the previous government's acts has resulted in Timaru's plan to keep all three water activities within its LTP to be prudent.</p> <p>Currently the Coalition Government has established a Local Water Done Well Working Advisory Group to help implement its policy for local authorities to explore different ways to deliver water services that will meet the higher standards, including joint service delivery arrangements or establishing CCOs.</p> <p>Timaru is well positioned to retain full ownership and management of its water assets, establish its own CCO to manage it on its behalf, or to consider shared service models with neighbouring councils either through joint arrangements or a jointly-owned CCO.</p>	<p>Legislation changes are passed under urgency in Parliament that Council must implement immediately.</p>	<p>Legislative changes require a set service delivery method for water services that does not serve the Timaru community's best interests. If a reform goes ahead that removes the control of these assets from Council, it will have a significant impact on the services that are provided and therefore potentially the funding available.</p>	<p>We are planning for the future of water services assets in this Long-Term Plan under the assumption that we will continue to own and operate them, albeit with higher standards of both water quality and reduction in environmental impact, and asset management practices. We will continue to monitor proposed changes as they develop.</p>

External Factors Assumption	Risk statement	Consequence of variation to assumption	Approach to mitigation of risk
<p><b>3.2 Legislative Requirements on Council</b></p> <p><b>Assumption: The dynamic landscape around legislative changes will have implications for the potential increase in responsibilities of Council to implement and manage these changes.</b></p> <p>The new Coalition Government has a 100-day plan that signals changes (and reversal of planned changes) to legislation. These changes may have a significant impact on Council's day-to-day work, so agility and adaptability is paramount. We also facing more pressure to comply with increasing standards The costs of meeting these changes can be significant, such as the upgrades to our drinking water treatment plants that are required to meet health standards or health and safety regulations that require immediate implementation.</p> <p>Changes made to the Waste Minimisation Act require additional commitment from Council to allocate almost six times the total of Waste Levy Funds for Waste Minimisation initiatives for the Timaru District. Climate Change legislation is requiring stricter reporting requirements on Council's carbon footprint and how it is reducing this to meet New Zealand's commitment to meet its carbon reduction targets, and new Building Act and Building Code legislation strengthen safety requirements.</p> <p>Based on reform legislation currently passed by Parliament and Taituarā's Guidance for Local Government Series.</p>	<p>Legislation changes passed under urgency in Parliament that Council must implement immediately.</p>	<p>Council will need to adjust quickly to new requirements by either hiring additional resource or contracting support services in order to meet legislative requirements.</p>	<p>Where legislation requires review of our processes or staffing, we will seek to achieve the most efficient and cost-effective way forward. However, if we are required to provide additional services or increased levels of service, this may require increases to rates or user fees.</p> <p>We will submit on legislation where appropriate to encourage reduced or improved impacts on our operations and value for money for ratepayers. We will also continue to participate in the planning, development, revision, implementation, monitoring and reporting related to regional strategies and policies and to represent the district's interests and contribution to the region.</p> <p>Any changes in political structure will occur via the representation review processes or through formal processes driven either by the community, Council, or central government.</p>

External Factors Assumption	Risk statement	Consequence of variation to assumption	Approach to mitigation of risk
<p><b>3.3 Climate Change</b></p> <p><b>Assumption: There will be an increase of extreme weather events that will challenge traditional expectations and responses; hence Council is integrating the risks of climate change and mitigating actions in all its relevant activities and infrastructure management.</b></p> <p>Timaru's climate is becoming warmer, with record high temperatures in autumn 2023, an average 1.5°C increase in July, and projections showing further warming expected. There is also an increase in heavy rainfall events.</p> <p>This climate change makes Timaru susceptible to infrastructure damage like bridges, roads and utilities being impacted during extreme weather. Coastal areas, farmland and infrastructure face threats from rising sea levels and increased coastal flooding.</p> <p>Some communities may struggle to adapt due to limited land availability for retreat and financial constraints like higher energy and insurance costs.</p> <p>The agricultural sector may need to transition as traditional crops become less viable and pest control needs increase, though new opportunities could emerge.</p> <p>Recent floods have damaged bridges, roads and exposed landfill waste near rivers. Coastal erosion also threatens old landfills near the shoreline.</p> <p>With Timaru's coastal location, sea level rise severely threatens residents and the port, jeopardizing major local industries.</p> <p>Based on NIWA Climate Change Projections for NZ (IPCC Assessment), Meteo.com Timaru Climate Change information.</p>	<p>Climate change impacts on Council critical infrastructure, public utilities, and core services across the district at a higher and more severe rate than expected.</p>	<p>A higher rate of climate change effects may mean Council has underinvested in infrastructure protection, so facilities and assets are not able to withstand higher temperatures and/or severe weather events.</p> <p>Poor planning for business continuity, or not taking the threats of climate change seriously, could result in disrupted services that creates a lack of capacity for the community, with vulnerable people more at risk of suffering the consequences.</p>	<p>Council has in-house climate change resource to track data and measure the council's carbon footprint, with the goal of reducing greenhouse gas emissions. Council aims to protect communities through asset management, CDEM planning, and district planning that accounts for extreme weather events.</p> <p>Emergency planning focuses on developing community response plans across the district. There are fewer risks to critical infrastructure from sea level rise since most assets are not coastal, aside from Redruth Landfill. River mouth communities have evacuation plans for flooding.</p> <p>The district plan considers increased coastal hazards and localized climate risks, including improving stormwater infrastructure in flood-prone areas. The council adopted a Climate Change Response Policy and is developing an action plan. It funded a Climate Change Strategy to coordinate a multi-agency approach to reducing climate risks and meeting emission reduction targets.</p> <p>All council divisions have evaluated climate risks and mitigation for their planning over the LTP period, and will work to incorporate climate change mitigation into daily operations.</p>



External Factors Assumption	Risk statement	Consequence of variation to assumption	Approach to mitigation of risk
<p><b>3.4 Pandemics</b></p> <p><b>Assumption: Viral and bacterial outbreaks creating global pandemics will occur again.</b></p> <p>The World Health Organisation (WHO) has identified the nine viruses and bacteria with pandemic potential that it is advising governments and organisations to prepare for in future. These include the Nipah virus, Crimean–Congo haemorrhagic fever, Lassa fever, Rift Valley fever, Zika, Ebola &amp; Marburg viruses, MERS, SARS, and allowing for future genetic mutations the WHO highlights potential for an as-yet unknown disease to become a pandemic that it calls Disease X.</p> <p>New Zealand’s experience with the Covid-19 pandemic was an effective but costly response that saw the mortality rate far below other developed countries, including island nations. The high vaccination rate helped to limit the spread and reduce the mortality rate, but showed the flaws in the public health system.</p> <p>The WHO recommend the bolstering of the public health system by the governments for all countries, and for organisations to have adequate planning to accommodate future pandemics with regards to workforce pressures, vaccinations, and business continuity measures in place as much as practicable should universal lockdowns occur in future.</p> <p>Based on World Health Organisation R&amp;D Blueprint for Epidemics, 2022.</p>	<p>Pandemics occur more frequently and interrupt business operations and wider society through preventative measures to contain spread.</p>	<p>International lockdowns and immigration freezes impact adversely on Council’s resourcing (for staff and materials due to supply chain issues), plus sickness and quarantines impact on Council’s ability to deliver services.</p> <p>Demand for service levels change and could create more logistical mechanisms to help contain disease spread which creates more demand on staff resources.</p> <p>Lockdowns and business closures could increase unemployment which could impact on ratepayer’s ability to pay their rates, creating financial downturns and further impacting on Council’s ability to maintain service delivery.</p>	<p>Council will continue to work on its pandemic planning and business continuity planning, and maintain monitoring global trends and health updates as necessary.</p>

External Factors Assumption	Risk statement	Consequence of variation to assumption	Approach to mitigation of risk
<p><b>3.5 Natural Hazards &amp; Emergency Events</b></p> <p><b>Assumption: Natural hazards such as flooding, erosion, drought and other extreme weather events will be regular occurrences and make up a large part of civil defence emergencies throughout New Zealand, and particularly for Timaru’s braided rivers and river mouth communities..</b></p> <p>Timaru District is prone to natural hazards due to its proximity to the Alpine Fault (a 75% probability in next 50 years) and being located on the Canterbury Plains which has always been susceptible to flooding and erosion. Communities are becoming more challenged by regular events directly impacting their own wellbeing or by witnessing extended whanau being displaced or impacted by the economic realities of increased insurance costs or other fiscal requirements.</p> <p>Emergency Management’s role is increasing with the need to support other agencies in coordination during complex events. Flooding events in the past few years have had impacts on the District’s infrastructure programme, requiring repairs and replacement of critical infrastructure as well as support for displaced residents who have had to be evacuated from their homes.</p> <p>As these events can occur suddenly without warning, Council has had to provide for emergency funding and interrupt its normal service delivery programme on many occasions to respond to the immediate and urgent needs of the community, compromising the likelihood of being able to deliver levels of service for normal activities. Additionally, staff wellbeing for personnel undertaking EOC duties on top of normal workloads in high stress response situations is a critical aspect that impacts on service delivery.</p> <p>Based on information from Ministry of Civil Defence and Emergency Management and CDEM Canterbury.</p>	<p>Emergency events due to natural hazards or pandemics could occur more frequently and more severely than expected.</p>	<p>Council is unable to respond adequately to the increased needs of its community during emergency events from flooding, erosion, drought, earthquakes, tsunamis, or pandemics and cannot complete its planned work programme or sustain levels of service to the community without additional support from central government.</p>	<p>Council will continue to protect the community through its asset management, CDEM, and district planning activities. The vulnerability of any infrastructure to coastal erosion or inundation is taken into account in all asset planning and replacement, and coastal communities have evacuation plans in place to help in times of flooding.</p> <p>Community resilience and facilities will continue to be strengthened by education and strategic improvements. Council also monitors the geological science updates from GNS (i.e. Project AF8) and is an active member of the Canterbury CDEM Group.</p> <p>The Local Authority Protection Programme Disaster Fund Trust (LAPP) which Council belongs to provides a level of assurance in addition to Council’s insurance cover that emergency works and infrastructure repairs (except for roads) will be done as necessary.</p> <p>Council would also expect in extreme emergencies under declaration that central government support would be provided.</p>

External Factors Assumption	Risk statement	Consequence of variation to assumption	Approach to mitigation of risk
<p><b>3.6 Disruptive Technology (4<sup>th</sup> Industrial Revolution)</b></p> <p><b>Assumption: Technology will continue to improve and develop at a pace faster than the public sector can keep up with, presenting challenges for cybersecurity and data integrity.</b></p> <p>Technology is progressing at a rate that is faster than local government's ability to adapt, and in the Fourth Industrial Revolution the technological advances are replacing cognition instead of replacing physical labour as in previous times. Some technologies such as Artificial Intelligence (AI) like ChatGPT, Virtual Reality (VR), or cybersecurity attacks may disrupt Council's processes if not adequately safeguarded against. Tools such as ChatGPT or VR have legitimate uses to enhance or streamline some communication tactics, but without clear protocols of how and when they can be used, they may misrepresent information to or about the Council as there are no security measures to ensure accuracy or truthfulness in these technologies at present time.</p> <p>Cybersecurity attacks are becoming more sophisticated and diverse; they can potentially cost millions (on average they cost \$16m per year of financial loss nationally) and shut down core systems which can affect Council's levels of service. The Russian invasion of Ukraine presents the most significant threat to New Zealand is through an indirect malicious cyberattack that affects a critical supply chain. New Zealand has also been the recipient of Chinese state- sponsored cyberattacks that affected Microsoft emails of local national organisations; with the GCSB identifying 30% of serious malicious cyber activity attributed to various state-sponsored actors.</p> <p>Based on National Cyber Security Centre (Te Tira Tiaki) Cyber Threat Report 2021/22.</p>	<p>Council could suffer from a cybersecurity attack to its IT systems which may result in a compromise of personal privacy or financial records and/or is inadequately prepared to manage the transition towards the Fourth Industrial Revolution.</p>	<p>If Council does not commit the resource into enhancing the IT unit's function, it could potentially be vulnerable to misuse of data or a misrepresentation of information from advanced technologies such as ChatGPT or VR.</p> <p>Cyber security threats are evolving as the international political landscape becomes more volatile and Council's IT systems could be compromised by malicious malware, ransomware, phishing/credential harvesting, scams and fraud, and unauthorised access.</p>	<p>Council will continue to keep abreast of technological developments and use the appropriate systems to help provide communities with data and give them a way to engage with Council safely. By ensuring the cyber security protocols are adhered to (updated licences, staff training on phishing and email scams, etc.),</p> <p>Council can help reduce the risks posed by external cyber-attacks and help to protect Council's data. Council needs to ensure sufficient resourcing is invested into IT to enable the agility to respond to new technologies appropriately over the next ten years.</p>

External Factors Assumption	Risk statement	Consequence of variation to assumption	Approach to mitigation of risk
<p><b>3.7 Resource Availability (Contractors and Materials)</b></p> <p><b>Assumption: Resources will be under pressure for a considerable amount of time due to the lengthy issues with supply chain logistics, having enough contractors, and the availability of materials.</b></p> <p>Supply chain issues arose from the Covid-19 pandemic which caused disruption to shipping routes and the supplying of goods to remote places like New Zealand. The Russian invasion of the Ukraine has exacerbated the supply chain issues, creating a long-term situation where shortages of materials from overseas is a dominant theme for most contractors.</p> <p>Additionally, with low unemployment and the lack of international migration of workers, most organisations and contract companies face staff shortages and delays in the delivery of projects.</p> <p>Project management for all infrastructure activities, including vertical infrastructure, must now allow for delays of arrivals of materials or increased prices, and take this into account when determining timelines and milestones.</p> <p>Based on International Monetary Fund and Ministry of Foreign Trade and Enterprise information.</p>	<p>Council is unable to deliver key projects or programmes of work on time or on budget due to supply chain issues, the unavailability or increased costs of materials, and lack of staffing by contractors’.</p>	<p>Supply chain issues delay projects for extended periods of time as necessary materials cannot be supplied to meet key project milestones, and/or contracting staff shortages create delays to projects or work programmes and impact on Council’s levels of service.</p>	<p>Council will update its procurement information to keep up-to-date with supply chain issues, and ensure adequate project planning allows for variations of materials (if possible) or incorporates longer supply timeframes within projects.</p> <p>Enhanced contract management will enforce minimum staffing levels needed for contracted projects to ensure milestones are met and the levels of service are maintained.</p>

## Significant Forecasting Assumptions: Financial

Financial Assumption	Risk statement	Consequence of variation to assumption	Approach to mitigation of risk
<p><b>4.1 Inflation</b></p> <p><b>Assumption: The LTP is prepared on the inflation rates assumed in the table below for periods beyond 2024/25 which is based on Local Government Cost Index (LGCI) legacy scenario prepared by BERL.</b></p> <p>This scenario is modelled using the previous 'basket of goods' and assumes Councils will retain 3 waters functions, ie status quo for the life of the LTP.</p> <p>BERL quote the index at 30 June for each year.</p>	<p>The rate of inflation differs from that assumed.</p>	<p>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.</p>	<p>The Council will review this financial assumption when it reviews its budget annually through the LTP/Annual Plan process and may adjust work programmes/budgets where necessary.</p>

Year	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
Operational	2.9%	2.2%	2.3%	2.3%	2.2%	2.1%	2.0%	2.0%	1.9%	1.9%
Capital	3.0%	2.2%	2.4%	2.3%	2.2%	2.1%	2.1%	2.0%	2.0%	1.9%
Total	2.9%	2.2%	2.3%	2.3%	2.2%	2.1%	2.0%	2.0%	1.9%	1.9%

Financial Assumption	Risk statement	Consequence of variation to assumption	Approach to mitigation of risk
<p><b>4.2 Interest Rate on Borrowing</b></p> <p><b>Assumption: Interest on borrowing is assumed to be between 4.8% and 6.2%.</b></p> <p>For each \$10 million of borrowing a 1% increase in interest rates increases Council's borrowing costs by \$100,000.</p>	<p>Interest rates on borrowing are higher or lower than forecast.</p>	<p>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 \$3.5M per year for each 1% movement in effective interest rate.</p>	<p>Council hedges interest rate exposures as per the Treasury Management Policy.</p>
<p><b>4.3 Return on Investments</b></p> <p><b>Assumption: Bank deposits and bond portfolio assumed return is between 5.4% and 5.7%. Timaru District Holdings Limited assumed dividend is \$1M per annum. Forestry assumed return is \$0 over the 10 years due to the growth cycle of current forest plots.</b></p> <p>This scenario is modelled using the previous 'basket of goods' and assumes Councils will retain 3 waters functions, ie status quo for the life of the LTP.</p> <p>BERL quote the index at 30 June for each year.</p>	<p>Forecast returns are higher or lower than forecast.</p>	<p>Council income could increase or decrease as investment returns fluctuate up and down.</p>	<p>Council maintains a long-term investment portfolio with fixed interest rates which minimizes fluctuations.</p> <p>Investments are also managed using the Treasury Management Policy to minimise risks. Changes in investment returns are generally partially offset by a change in borrowing costs.</p>

Financial Assumption	Risk statement	Consequence of variation to assumption	Approach to mitigation of risk
<p><b>4.4 Funding Sources</b></p> <p><b>Assumption: Current funding sources (including NZTA as the external funding source for Land Transport) do not change over the first three years of this plan.</b></p> <p>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 Council currently does not collect Development Contributions.</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. 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. 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. 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>4.5 NZTA Waka Kotahi Funding Assistance</b></p> <p><b>Assumption: The Funding Assistance Rate (FAR) received from NZTA Waka Kotahi for qualifying and approved road works remains at 51% for the 2024-34 period, but Council budgets for less due to historical trends. Future reviews will occur within the LTP cycle.</b></p> <p>We will not know for certain the Waka Kotahi funding approved for the District until after this LTP is adopted due to the different time frames for the NZTA Waka Kotahi budget process and the development of this LTP. Previous funding requests versus the actual revenue received from NZTA Waka Kotahi show the amount to be closer to 30-40% of the approved project costs. This enables Council to refocus the available investment from NZTA onto continuous programme activities without needing to do plan variations.</p>	<p>Changes in subsidy rates or to criteria for roading and footpath projects have a positive or negative effect on Council's transport budget.</p> <p>Further changes in Waka Kotahi FAR will affect Council's transport budget.</p>	<p>Funding would need to be obtained from alternative sources or work programmes adjusted. Levels of service may need to be adjusted.</p> <p>If sufficient funding is not available, it may mean that projects are delayed or scrapped.</p>	<p>The budget is reviewed annually through the LTP/Annual Plan process and may require adjusted work programmes/budgets where necessary.</p>

Financial Assumption	Risk statement	Consequence of variation to assumption	Approach to mitigation of risk
<p><b>4.6 Credit Availability</b></p> <p><b>Assumption: Credit can be obtained from financial markets on competitive terms and conditions.</b></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 which is winding down.</p> <p>Prudent debt levels are maintained to mitigate risk for financial institutions. Relationships are maintained with various financial institutions and Council regularly monitors credit markets. Council's AA- credit rating is maintained.</p>
<p><b>4.7 Rating Base</b></p> <p><b>Assumption: 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 because of a growth in the 1-2-person household numbers.</b></p> <p>Council's Financial Strategy is based on a modest 0.5% annual growth in the rating base for smaller housing units and industrial and/or commercial properties.</p> <p>Based on medium population projections from Stats NZ (2018 Census data updated in December 2022).</p>	<p>Rating units change across the district occurs at a higher or lower rate than expected.</p>	<p>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.</p>	<p>The rating base is reviewed annually when determining the rates for the year.</p>

Year	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
Rating Units (Estimated projections)	23,167	23,283	23,399	23,516	23,634	23,752	23,871	23,990	24,110	24,231	24,352



Financial Assumption	Risk statement	Consequence of variation to assumption	Approach to mitigation of risk
<p><b>4.8 Landfill Aftercare (Including Closed Landfills)</b></p> <p><b>Assumption: Council assumes there will be significant restoration work on the most vulnerable closed landfills in the district but Redruth Landfill has no material changes to post-closure costs as all landfill cells are actively monitored.</b></p> <p>Council has budgeted \$100k for Years 1-2 to address closed landfill planning, but should removal and restoration be required, there may need to be additional funding allocated which will be consulted on at that time with the community.</p>	<p>Landfill restoration work is required earlier than planned or higher than budgeted.</p>	<p>Landfill restoration work being required earlier than planned could result in a higher funding requirement earlier than anticipated.</p>	<p>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.</p>
<p><b>4.9 Emissions Trading Scheme</b></p> <p><b>Assumption: The price for NZUs increases to \$79 in Year 1, with the market price beyond this likely to rise.</b></p> <p>TDC has ETS liability each year (a requirement to surrender NZUs) in relation to its landfill operations, and in some years due to deforestation. Council surrenders approximately 45,000 NZUs annually for its operations and purchases units at ETS auctions when able rather than the secondary market to reduce costs. The landfill gas capture system at Redruth enables Council to apply for a Unique Emissions Factor to also reduce the cost of carbon credits.</p>	<p>The carbon price could be higher or lower than expected.</p>	<p>Council could hold more or less NZU's for forestry assets and landfill costs &amp; user charges could vary.</p>	<p>Forestry assets are maintained with a long term view but programmes are reviewed annually.</p> <p>Any sale of forestry land will compensate for the loss of NZUs and associated benefits.</p> <p>Landfill costs and waste volumes are monitored continuously.</p>

Financial Assumption	Risk statement	Consequence of variation to assumption	Approach to mitigation of risk
<p><b>4.10 Costs</b></p> <p><b>Assumption: Costs will remain stable over the period of the Long Term Plan (refer also to inflation assumption) with maintenance expenditure based on historical trends.</b></p> <p>For each \$10 million of borrowing a 1% increase in interest rates increases Council's borrowing costs by \$100,000.</p>	<p>Costs are higher or lower than anticipated.</p>	<p>Variability of prices, such as for oil, could cause variability in costs which would result in Council either having to borrow to make up the shortfall of funding, or defer projects to the next financial year.</p>	<p>The Council and management will review its budget annually through the LTP/Annual Planning process and may adjust work programmes/budgets where necessary.</p>
<p><b>4.11 Capital Delivery</b></p> <p><b>Assumption: For any given year in the 10-year 2024-34 LTP period, 100% of the capital work programme will be delivered and the financial model was developed based on this assumption.</b></p> <p>Council's capital works programme has increased in recent years, going from approximately \$30M of CAPEX spend per annum to over \$50M in 2022/23. In Year 1 of the LTP this is raised higher with two community projects being delivered as well as the increase in water services projects for resilience. With increased pressures around aging infrastructure, increasing costs, and limited capacity of contractors, Council rationalises and prioritises its capital delivery programme to ensure critical services are maintained for the district.</p>	<p>The delivery of the capital work programme is below 100%.</p>	<p>If less than 100% 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. Risk of losing grant / subsidy due to non-delivery and therefore increase in borrowings required to fully fund and complete the project, resulting in higher costs to ratepayers.</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.</p> <p>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>