

Significant Forecasting Assumptions

Key Strategic Assumptions

‘what’ strategic issue	‘so what’ Assumption for the LTP	Level of Uncertainty	Risk if the assumption is incorrect	‘now what’ Application in the LTP Strategies and Policies
<p>Demographics:</p> <ul style="list-style-type: none"> population - population growth affects the demand for Council’s services and infrastructure, as well as the ability to cover the cost of services and infrastructure. ageing - a significantly ageing population has implications for the viability and wellbeing of communities within the District. immigration - The District’s population is growing at a slower rate than New Zealand population as a whole is growing, which is partly due to the Southland District having a lower rate of 	<p>The estimated resident population of the District in 2017 was 30,300.</p> <p>This is projected to grow to 36,700 by 2043 (source: BERL Detailed Southland population projections).</p> <p>Te Anau and Winton will see the largest growth in total population between 2013 and 2043, with each township growing by between 400 and 500 people.</p> <p>Monowai, Nightcaps, Riversdale, Tokanui, and Otautau are projected to either maintain their 2013 population through to 2043 or see a small decline.</p> <p>The population projections show that between 2013 and 2043 all townships will see an increase in people aged over 65. In addition, a number of townships will see a decline in those aged under 15 and people aged 15 to 64 years of age.</p> <p>There is projected to be a significant tightening of the labour market between 2018 and 2033, to a point where demand for labour demand exceeds the entire population aged from 15 to 64 years old (BERL Stage 3</p>	Very low	<p>LOW</p> <p>The population growth rate may be significantly different than that assumed.</p> <p>Proportion of the population over 65 of age may vary from the prediction.</p> <p>Economic growth in the District may be held back due to labour shortages.</p>	

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international immigration.	report). The rate of volunteering is also expected to decrease.			
<p>Tourism</p> <p>Provision of appropriate visitor infrastructure and increase range of tourism related opportunities.</p>	<p>There will increased impacts on services such as libraries and public toilets which can be met within the scope of the planned infrastructure upgrades within this LTP.</p> <p>Alternatively, environmental quality and the visitor experience in parts of the District declines due to lack of appropriate infrastructure. Whilst Milford Sound is one of NZ's most important attractions, currently the local economy does not harness the full potential from the flow of visitors to this location.</p> <p>Visitor numbers to Milford Sound have almost doubled in the past 5 years from 556,000 in 2014 to 932,000 in 2018. The assumption is that these numbers will continue to increase.</p> <p>The increase in visitors to Stewart Island/Rakiura will put corresponding pressure on jetties and infrastructure on the Island.</p> <p>The ongoing impact of Covid-19 on tourism has created significant uncertainty in the sector and the wider business sector as whole. The biggest impact will be as a result of the border closure effectively ceasing international tourism overnight. Given the</p>	High	<p>MEDIUM</p> <p>There may be a need to accelerate infrastructure upgrades.</p>	<p><i>Continuing support for regional development initiatives.</i></p>

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	global impact of Covid-19 this may be in place for some time to come.			
<p>Climate change Planning may not adequately account for climate change impacts.</p>	<p>Sea level rise progressively impacts low lying coastal areas affecting ecology and settlements. Water availability in some areas becomes scarce, extreme weather events are larger and more frequent, communities become more resilient to climate change. Transition to a low carbon future</p> <p>Changes and associated impacts such as risk based insurance will influence investment in built development (ie. coastal and flood plain development) and types of farming.</p> <p>Climate change will have a significant impact on the coastal settlements within Southland District. It is known that areas of Colac Bay, Orepuki, Fortrose and Stewart Island/Rakiura are subject to coastal processes that are causing erosion resulting in loss of land and council roading infrastructure.</p> <p>Sea level rise is expected to be between 0.2-0.3 m above present levels by 2040 and increasing to 0.4-0.9 m by 2090.</p> <p>The projected Southland temperature changes increase with time and emission scenario. Future annual average warming spans a wide range: 0.5-1°C by 2040, and 0.7-3°C by 2090.</p>	Moderate	<p>MEDIUM</p> <p>A 2018 NIWA report projects increases for all of Southland in sea level, temperature, overall precipitation and the frequency of dry days.</p> <p>There is an increasing likelihood of sea surge, coastal inundation, drought and large severe weather events.</p>	<p><i>LIDAR flights are currently being undertaken and is expected to be completed within 12 months depending on weather. Once the data outlined above has been captured, LIDAR modelling will be undertaken to enable the flood modelling to be run.</i></p> <p><i>There is proposed funding outlined in the LTP for a specific role within the Policy Planning team to lead the next stage of our climate change analysis.</i></p>

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	<p>Floods are expected to become larger across the District.</p> <p>The central-northern part of the Southland Region is projected to experience the largest increases in drought.</p> <p>The occurrence of heat waves will double by 2040.</p>			
<p>Significant, unplanned adverse events</p> <p>Significant earthquakes, flooding, tsunami and other hazards outside of expected risk assessments.</p> <p>Assume that none of these events will occur but we need to be prepared.</p>	<p>Borrowing 'headroom' to fund Council's share of a rebuild in relation to a 'maximum probable loss' scenario is provided for within Council's Financial Strategy.</p> <p>There will be community disruption and displacement as well as localised infrastructure and facilities damage.</p> <p>The next severe earthquake on the Alpine Fault is likely to occur within the lifetime of most of us or our children. We are assuming that it will not occur within the ten years covered by this LTP.</p> <p>Under almost every climate change scenario, storms and therefore flooding will become more frequent and intense and communities will feel the effects more regularly and intensively. It is assumed that these events can be managed within current budgets.</p>	Low	<p>HIGH</p> <p>Work to date has shown that a major alpine fault movement would have significant consequences for Southland communities and district infrastructure. Other than planning around the initial response phase no other planning has been undertaken to assess the potential impact on council infrastructure</p>	<p><i>All of these natural disasters highlight the importance of robust emergency management systems and Business Continuity Planning (BCP). These include:</i></p> <ul style="list-style-type: none"> <i>-Alpine Fault Magnitude 8; a South Island wide project to save lives by planning and preparing a coordinated response across the South Island after a severe earthquake on the Alpine Fault.</i> <i>-Environment Southland's flood warning system and Group Tsunami Plan</i> <i>- Emergency Management Southland</i>

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				<i>Any new development should be undertaken with a view to mitigating exposure to natural disasters.</i>
<p>Environmental standards, resource consents and land use</p> <p>Council may be required to undertake significant capital works in relation to drinking, stormwater and wastewater.</p>	<p>Changing delivery models and increasing standards impacts Council's regulatory, monitoring and infrastructure requirements. This poses uncertainty to service delivery in this area.</p> <p>There will be a change to the regulatory standards for drinking water and a new regulatory agency has been formed Allowance has been made for meeting the expected new standards. It is assumed that Council will continue to be responsible for the delivery of its existing range of water, wastewater and stormwater services.</p> <p>The Proposed Water and Land Plan for Southland and the Freshwater National Policy Statement will have a continuing impact on the regulatory environment for agricultural land use. This may alter the way that investment decisions are made and therefore the land use changes that will occur.</p> <p>Land use changes as a result of climate change (e.g. flood plain zone changes).</p> <p>The amendment to the Climate Change Response (Zero Carbon) Bill may alter the delivery of Council activities. This may</p>	Low	<p>LOW</p> <p>Highly likely to be large scale changes to national requirements and how drinking, storm and waste water are managed.</p>	<p><i>New and revised consenting requirements set by Land and Water Plan are reflected in the proposed works programme. Council will continue to work closely with ES and other relevant agencies that may be formed in the future.</i></p> <p><i>Asset management plans are updated.</i></p>

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	impact land use and transport across the District.			
<p>General economic growth trends</p> <p>Long term economic growth may not continue to be consistent with trends.</p> <p>Potential for significant downturn in global dairy prices as well as other primary sector goods.</p> <p>Changes to the primary sector occurring at a faster rate than businesses in the District (automation, niche products, synthetic alternatives to meat and milk products, etc).</p>	<p>The economy maintains current prospects.</p> <p>The median personal income in the Southland District is growing at a faster rate than the median income across NZ.</p> <p>There is an enduring trend that local businesses in the District hire smaller numbers of people (compared the rest of New Zealand).</p> <p>Home ownership rates in the District are falling.</p> <p>Half of the businesses operating in Southland District are in the primary sector.</p> <p>98% of these primary sector businesses operate in the industries of agriculture or forestry (BERL – Compendium Report 2018). BERL estimate that 18.3% of total employment (measured in Full-time Equivalents) in the District is in dairy farming.</p>	Moderate	<p>LOW</p> <p>If there is a persistent downturn in economic prospects may mean the District is not able to sustain continued growth in income. Ratepayers are unable or unwilling to support maintaining Council levels of service. Dependency on primary sector and dairy farming in particular makes some communities vulnerable to a decline in global dairy prices or a major livestock disease outbreak.</p> <p>It is unlikely that there will be major changes in current land use patterns and economic activity across the district as a whole which will lead to significant change in</p>	

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			demand for current Council services.	
Legislative Changes New/amended legislation or government policy comes into force that has a significant impact on Council to respond or impact on cost to administer by Council; or results in a change to the services delivered by the Council.	It is assumed there will be no major legislative changes or change in government policy that will significantly impact Council aside from the legislative changes identified under the Environmental Standards, Resource Consents and Land Use assumption. Given the recent three waters reform announcements, this plan assumes the delivery of the three waters activities will remain with Council at the same level of service as currently provided.	Moderate	MEDIUM Legislative or government policy changes are expected to have a medium effect on Council's finances and/or levels of service.	
Technology Changes in technology will impact the delivery of our key activities.	It is assumed there will be increased access to fibre connectivity will mean more use of online digital services. There may be less demand for face-to-face customer service as technology provide alternative methods for answering questions and resolving issues. It is assumed automated technology and artificial intelligence alters the way that council delivers its service. Chorus will have rolled out full internet connectivity throughout the district by the end of 2021.	Low	LOW There is a low consequence due to council being able to react to changes prior to them negatively impacting levels of service or customer expectations.	
Resource Constraints Ability to find procure contractors and resources will	It is assumed that due to increased work across the district (e.g. Invercargill city centre development, Dunedin Hospital build, etc)	Moderate	MEDIUM Resource constraints may disrupt delivery of	

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<p>be diminished due to other work underway across the district.</p> <p>40% of the Southland District Council workforce are born between 1943 and 1966 and are likely to retire in the next 10 years. This may result in the loss of staff resource and knowledge to deliver projects.</p>	<p>there will be a shortage of workers and resources across the lower South Island.</p> <p>The retirement of the ageing workforce of Southland District Council will impact the delivery of the LTP work programme.</p>		<p>the Long Term Plan work programme and meeting the established levels of service.</p>	
<p>Three Waters Reforms</p> <p>In July 2020 the government released its three waters reform, a three-year programme to change the way drinking water, wastewater and stormwater are delivered to improve public health, environmental and economic outcomes.</p>	<p>An overarching regulator, Taumata Arowai, will oversee the sector, and is proposing a small number of larger regional entities providing these services rather than the 67 individual councils that currently do.</p> <p>At the same time, a multi-million-dollar stimulus funding package was announced to maintain and improve three waters infrastructure and support the introduction of the reform programme. Funding has been given to councils that agreed to participate in the programme's first stage, including Southland District Council. Our share is being used to carry out pipe replacement and improve treatment across the District as well as carry out condition assessments of sewerage and stormwater assets.</p> <p>There is still a lot of information to come about what the reforms mean for Southland</p>	<p>High</p>	<p>Low</p> <p>By assuming that Council will continue to manage the assets over the life of this plan, any changes for how these services are provided in the medium to long term are minimised by this assumption.</p>	<p><i>The community will need three waters services whether the council delivers them or not. These activities are reflected in the financial, strategy and the infrastructure strategy and other information that is included in the CD and supporting information.</i></p> <p><i>The purpose of this is to present the community with as a complete and accurate a set of information on the medium-term and long-term for those activities.</i></p>

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	<p>before we have to decide whether to opt in or out of the process later this year.</p> <p>It is assumed that the council will deliver these services over the life of the LTP.</p>			
<p>Covid-19</p> <p>The Covid-19 pandemic has created a lot of change and economic uncertainty nationwide in the past year. In Southland District, Fiordland has been impacted most by the closure of New Zealand's borders as international tourists are its main source of income. This affects more than just tourism businesses – it has brought financial hardship to the whole community. Domestic visitors have had a cushioning effect on other destinations such as Stewart Island/Rakiura and the Catlins.</p>	<p>The Southland economy has weathered the storm relatively well because of its base of food production.</p> <p>It is assumed that this should continue as long as international exports continue and we're able to receive imported components like pipes for our own capital works. Given that much of this plan is about investing in infrastructure to maintain our services over the long term, that work still needs to progress despite Covid-19.</p>	High	<p>Moderate</p> <p>Council may need to prioritise works should economic conditions worsen and affect the capacity of our communities to pay rates.</p>	<p><i>Council is consulting over changes to its rates remission and postponement policy to have greater flexibility to provide relief from rates during unexpected events.</i></p>

Key Financial Assumptions

Financial issue/risk	Assumption for the LTP	Level of Uncertainty	Risk if the assumption is incorrect
<p>Price level changes</p> <p>Inflation may vary significantly than that allowed for in the Long Term Plan.</p>	<p>Inflation is included using projections prepared by Business and Economic Research Limited (BERL), which are based on October 2020 published values, as summarised in Appendix 1.</p>	<p>Low</p>	<p>MEDIUM</p> <p>Inflation is affected by external economic factors and therefore actual inflation increases will vary from those used in developing this plan.</p> <p>The result of any variation (up or down) will result in a higher or lower rates requirement, and may therefore also impact on the levels of service, particularly in relation to roading, water, wastewater and stormwater.</p>
<p>Cost estimates</p> <p>Cost of operating and maintenance contracts as well as major capital works costs may vary significantly from costs estimated in this plan</p>	<p>When contracts are renewed there are no significant variations allowed for and any annual cost adjustment is in line with the relevant BERL inflation percentage, except for the specific matters listed below:</p> <p>Water – based on inflation, except for a potential increase in the renewal of the operations and maintenance contract.</p> <p>Wastewater – based on inflation, except for a potential increase in the renewal of the operations and maintenance contract as well as additional allowance for any</p>	<p>Low</p>	<p>MEDIUM</p> <p>Greater than anticipated cost increases, especially in construction, capital works and contracting rates, increase the overall cost of the capital and maintenance programs, in turn having an impact on debt servicing costs and rates.</p>

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	<p>new/upgraded schemes (Te Anau and Winton).</p> <p>Waste management - based on inflation, except for a potential increase in waste disposal costs to recover waste disposal levy increases, as well as a potential increase for the waste disposal contract.</p> <p>Community facilities – mowing and other contract increases are based on approved contracts. Where new contracts are not currently in place at September 2020, the prices received through the direct negotiation process have been used which include a level of increase in addition to inflation.</p>		
<p>Useful lives of significant assets</p> <p>The useful life of assets determines when an asset is expected to be renewed and the calculation of depreciation. This will impact on the timing of replacements and the amount of rates collected for funding depreciations.</p>	<p>That the useful life of significant assets will be the same as set out in the accounting policies of Council.</p>	<p>High</p>	<p>MEDIUM</p> <p>The timing of renewal projects is inaccurate and will need to be completed earlier/later as required. This will change the timing of funding requirement as shown in Council’s revenue and financing policy (including rates).</p> <p>The amount of depreciation being inaccurate will impact on either over/under collecting rates in the relevant years due to the funding of depreciation.</p>

Financial issue/risk	Assumption for the LTP	Level of Uncertainty	Risk if the assumption is incorrect
			The financial impact of a 1% change in depreciation would result in a change in depreciation of \$272,126 in 2021/2022 to \$382,440 in 2030/2031.
<p>Vested assets</p> <p>Vested assets are assets that are gifted/donated to Council and as a result associated operating costs and future asset replacement costs become the responsibility of Council.</p>	No significant vested assets are forecast across the 10 years of this plan.	Moderate	<p>MEDIUM</p> <p>The level of vested assets fluctuates from year to year and is unpredictable. Historical levels have not been material. The recognition of vested assets is non-cash in nature and therefore have no effect on rates. However receipt of any vested assets will increase depreciation and operating costs in future years and therefore may also result in additional rates.</p>
<p>Infrastructural asset revaluation</p> <p>Asset revaluation may be higher or lower than estimated.</p>	In the LTP, Council has revalued its significant infrastructural assets on a yearly basis in line with the relevant BERL inflation rate taking into account planned additions.	Very high	<p>HIGH</p> <p>If price level changes are greater or lesser, depreciation and the funding of depreciation, could be under or overstated.high (virtually certain to be wrong).</p> <p>The financial impact of a 1% change in the water depreciation would result in a change in depreciation of \$18,719 in 2021/2022 to \$27,380 in 2030/2031.</p> <p>The financial impact of a 1% change in the wastewater depreciation would result in a change in depreciation of \$27,065 in 2021/2022 to \$44,431 in 2030/2031.</p> <p>The financial impact of a 1% change in the roading depreciation would result in a change in depreciation of \$194,134 in 2021/2022 to \$263,356 in 2030/2031.</p>
<p>Forestry assets</p> <p>Fluctuations in the forestry asset revaluation and returns.</p>	Council has forecast the revaluation of forestry assets and operating results on a yearly basis taking into	Moderate	<p>MEDIUM</p>

Financial issue/risk	Assumption for the LTP	Level of Uncertainty	Risk if the assumption is incorrect
	account planned harvesting and replanting.		The recognition of forestry assets is non-cash in nature and therefore has no effect on rates. However fluctuations in operating results may impact rates.
Emission Trading Scheme Fluctuation in the value of Council's investment in emission trading units.	Council will retain its investment in the Emission Trading Scheme (105,632 units) at a value of \$32.10 per unit across the 10 years of the plan.	Moderate	LOW Emission trading unit holdings and value increases/decreases over the life of the plan. This movement is a non-cash impact and therefore no impact on rates.
Investments in other entities Fluctuation in the value of Council's investment in other entities, joint ventures and associates. This includes Milford Sound Tourism Ltd, Civic Assurance, WasteNet, Southland Regional Development Agency, Emergency Management Southland and Southland Regional Heritage Committee.	Council will retain its investment in these entities and associates at the current level and will assume an annual dividend across the 10 years of the plan where there is a history of dividends. No income from associates is forecast.	Moderate	LOW Investment value increases/decreases over the life of the plan. This movement is a non-cash impact and therefore no impact on rates. If dividends received differ from forecast this may either impact rates.
Funding of future replacement of significant assets Due to the large amount of ageing infrastructure, funding renewals through reserves or loans is inconsistent with good practice. In the 2015-2025 LTP Council commenced a phasing in depreciation funding to build up funds for replacement of assets whilst maintaining affordable rates increases.	We have assumed that Council will continue to incrementally increase funding depreciation of the following assets classes: roading, water, wastewater, council buildings, information technology, wheelie bins, public toilets and solid waste. Funding depreciation of these activities (except water and wastewater) will be phased over the next 10 years as follows: 2021/2022 70%	Low	MEDIUM The level of depreciation being funded is inaccurate and will result in either over/under collecting rates in the relevant years. Additionally any shortfalls will need to be funded by other sources (such as rates, reserves or loans) which may also result in additional rates.

Financial issue/risk	Assumption for the LTP	Level of Uncertainty	Risk if the assumption is incorrect
	<p>2022/2023 80%</p> <p>2023/2024 90%</p> <p>2024/2025 onwards 100%</p> <p>Funding depreciation of water and wastewater activities will be phased over the next 10 years as follows:</p> <p>2021/2022 65%</p> <p>2022/2023 70%</p> <p>2023/2024 75%</p> <p>2024/2025 80%</p> <p>2025/2026 85%</p> <p>2026/2027 90%</p> <p>2027/2028 95%</p> <p>2028/2029 onwards 100%</p> <p>Motor vehicles and SIESA assets are funded 100% for the 10 years of the plan.</p>		
<p>Subsidies for roading</p> <p>Sufficient funds may not be available to pay for the planned capital projects and operational/maintenance costs.</p>	<p>It is assumed that Waka Kotahi NZ Transport Agency (NZTA) will meet our requested funding requirements on a 3 yearly cycle.</p> <p>It is assumed that the level of financial assistance received from NZTA will be 52% for the period of the LTP. Funding assistance for large capital transport works would be achieved on a case by case basis with NZTA.</p>	Moderate	<p>Medium</p> <p>There is a risk that sufficient funds will not be available to pay for the planned capital projects. For example, because the community considers that required rates are not affordable.</p> <p>There is also additional risk that over the uncertainty of a component of funding from Waka Kotahi being available due to an over-subscription nationally.</p>

Financial issue/risk	Assumption for the LTP	Level of Uncertainty	Risk if the assumption is incorrect
	NZTA funding will be awarded for 3 year periods and that the following 7 years will be funded in a similar manner.		
Sources of funds That sources of funds are not achievable.	Sources of funds (being user fees/charges, grants, subsidies and borrowings) for both operating and capital expenditure are obtained in accordance with the Revenue and Financing Policy.	Low	MEDIUM If revenue sources are not achievable, the levels of service may be reduced or an alternate funding source required. Alternate funding sources may result in additional rates.
Return on investment/reserves Return on investments may vary from the amount included in the ten year plan.	<p>Return on financial investments has been calculated at 5.5% per annum, for funds invested externally for the life of the plan. This is on the basis of a balanced managed fund with approximately 50/50 investment in income and growth assets.</p> <p>Fund administration costs associated with these investments are calculated at 1.10% per annum and are deducted from the fund capital.</p> <p>The first \$750,000 of return on investments is used to offset rates requirements.</p> <p>Interest on reserves is allocated as follows:</p> <p>Restricted reserves 4.4% per annum Local reserves 2.0% per annum</p>	Moderate	MEDIUM A decrease in investment interest rates may require Council to collect more rates to cover the shortfall of interest used to offset rates.

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	Strategic asset reserve 2.0%		
Interest rates on borrowing The interest rates paid on borrowing will vary over the 10 year period.	Interest on new and existing internal and external borrowings is allowed for at 2.0% per annum over the term of the borrowing.	Moderate	MEDIUM An increase in interest rates may require Council to collect more rates to cover the additional interest payments.
Local Government Funding Agency (LGFA) Guarantee Each of the shareholders of the LGFA is a party to a Deed of Guarantee, whereby the parties to the deed guarantee the obligations of the LGFA and the guarantee obligations of the other participating local authorities to the LGFA, in the event of default.	Council believe that the risk of the guarantee being called on and any financial loss arising from the guarantee is low and therefore nothing has been included in the forecasts for the term of the plan.	Low	LOW In the event of a default, Council will be required to pay a proportion of the amount owing. The proportion to be paid by each respective guarantor is set in relation to each guarantors' relative rates income.
External borrowing All external borrowing will be sourced from LGFA.	The borrowings are interest only. Repayments collected from rates will be held in a restricted reserve until the end of the loan term. The term of all borrowings are planned to exceed the term of the LTP.	Low	Medium In the event that Council are unable to borrow from LGFA, Council may be required to borrow from other external lenders with the risk of higher interest rates and different repayment terms.
Capital expenditure delivery Programmes and projects are assumed to be delivered on time.	The Long Term Plan assumes that the timing and cost of capital projects and associated operating costs are as determined through the Council's activity management planning process.	High	Medium There is a risk that capital projects may not be delivered as planned. This could be due to a variety of factors as outlined below: <ol style="list-style-type: none"> 1. Further Covid-19 lockdowns 2. Capacity of local market to deliver due to <ol style="list-style-type: none"> a. Lack for resources

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			<ul style="list-style-type: none"> b. Lack of skilled resources for specialist works c. Demand on other local projects in Southland d. Local and International supply chain constraints <ol style="list-style-type: none"> 3. High demand on contractors resulting in higher project costs and need to rescope causing delays to spending 4. High demand on consultancy services 5. Demand on councils to complete resource and building consents affecting project delivery. <p>Delays/deferrals on the level of capital works completed on time will impact future depreciation (which is, in most instances, funded by rates). Funding of capital works is typically by reserves and loans, therefore will impact future interest and principle repayments, which are funded by rates. There may also be an increase in maintenance costs as a result of any delay of delivering capital works, which will also have an impact on rates.</p> <p>A 1% change in the capital programme ranges from \$452,000 in 2021/2022 to \$458,000 in 2030/2031.</p> <p>If \$1 million of capital works is delayed, there would be a \$50,000 saving per annum in future loan repayments (assuming 30 year term), and accordingly rates, however this saving may potentially be consumed with additional maintenance costs from extending the asset past its useful life.</p>

	Uncertainty Description	Description	Likelihood of the risk occurring if the assumption is incorrect
Assumption	Very high uncertainty	A very low level of information/confidence in the assumption	Highly likely
	High uncertainty	A poor level of information/confidence in the assumption	Likely
	Moderate uncertainty	A moderate level of information/confidence in the assumption	Possible
	Low uncertainty	A good level of information/confidence in the assumption	Unlikely
	Very low uncertainty	A very good level of information/confidence in the assumption	Rare

Likelihood	Consequence				
	Insignificant	Minor	Moderate	Major	Catastrophic
Highly likely	Low	Medium	High	Very High	Very High
Likely	Low	Medium	High	Very High	Very High
Possible	Low	Medium	Medium	High	Very High
Unlikely	Low	Low	Medium	Medium	High
Rare	Low	Low	Low	Medium	Medium

Risk thresholds

	Insignificant	Minor	Moderate	Major	Catastrophic
Strategic	<p>No significant adverse public comment</p> <p>No impact on achievement of LTP objectives</p> <p>Key stakeholder relationships unaffected</p>	<p>Adverse comment in local or social media</p> <p>Letters to CEO, complaints to Crs</p> <p>May slow achievement of LTP objectives</p> <p>Minor impact on key stakeholder relationships</p>	<p>National media coverage</p> <p>Will impact achievement of one or more LTP objectives</p> <p>Negative impact on key stakeholder relationships</p>	<p>National media coverage 2-3 days</p> <p>Will significantly impact the achievement of multiple LTP objectives</p> <p>Significant impact on multiple key stakeholder relationships</p>	<p>Coverage in national media 3+ days</p> <p>Commission of Inquiry/ Parliamentary questions</p> <p>Stakeholder relations irreparably damaged</p> <p>Cannot deliver on most LTP objectives</p>
Operational	<p>No loss of operational capability</p> <p>Minimal change to service levels</p> <p>Minimal loss of internal capacity</p>	<p>Loss of operational capability in some areas</p> <p>Some disruption to service levels</p> <p>Internal capacity lost for up to 1 week</p>	<p>Serious loss of operational capability for over 6 weeks and/or</p> <p>Disruption to service levels for 4-6 weeks</p> <p>Loss of internal capacity 1-3 weeks</p>	<p>Serious loss of operational capability for over 8 weeks and major disruption to service levels and/or</p> <p>Loss of internal capacity 4-6 weeks</p>	<p>Serious loss of operational capability for 3-4 mths and serious disruption to service levels and</p> <p>Loss of internal capacity for more than 6 weeks</p>
Financial	<p>No impact on financial targets</p>	<p>Up to 1% impact on financial targets</p>	<p>Up to 5% impact on financial targets</p>	<p>Up to 10% impact on financial targets</p>	<p>More than 10% impact on financial targets</p>

Appendix 1: BERL inflation rates for Long Term Plan 2031

Year	22/23	23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31
Property maintenance	2.90%	2.50%	2.50%	2.50%	2.50%	2.60%	2.70%	2.70%	2.60%
Roading	3.10%	3.00%	2.90%	2.90%	2.90%	2.90%	2.90%	2.90%	2.90%
Property capital	3.00%	2.60%	2.60%	2.70%	2.60%	2.80%	2.80%	2.90%	2.70%
Energy	2.90%	2.50%	2.50%	2.50%	2.50%	2.60%	2.70%	2.70%	2.60%
Water	3.50%	2.60%	2.70%	2.90%	2.80%	3.20%	3.30%	3.40%	3.10%
Other	2.90%	2.50%	2.50%	2.60%	2.50%	2.60%	2.70%	2.70%	2.60%
Staff costs	2.40%	1.50%	1.70%	2.00%	2.20%	2.30%	2.40%	2.60%	2.70%