

Significant Forecasting Assumptions

Assumptions for LTP 34

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Document Revision

Date	Amendment	Amended by	Approved by	Approval date
05.05.23	Prepared document	Robyn Laidlaw	Fran Mikulicic	May 2023
July	updated	Robyn Laidlaw	Anne Robson	August 2023
January 24	Updated with new legislation	Robyn Laidlaw	Anne Robson	February 2024
April 24	updated	Robyn Laidlaw	Anne Robson	May 2024

Non-financial Assumptions

Legislation	
Resource Management Act (RMA)	
Strategic issue	<p>Following the election in October 2023 the newly formed coalition government has repealed the Resource Management Act (RMA) and stopped all work that was underway on the natural built environment act and the spatial planning act. The new government has also called for a cease on the implementation of the significant natural areas.</p> <p>The Government has announced its intention to develop a permanent fast-track consenting regime in its first 100-days in office. Long-term goal is to change RMA legislation to make it easier to develop new housing and infrastructure, enable primary industry, and better balance environmental protection</p> <p>https://environment.govt.nz/news/rm-reform-update-december/</p>
Assumption for the LTP	Council will stop work as per the 100-day plan and consider any new direction as it comes from the government – climate adaptation framework, funding, Legislation is due mid 2024.
Risk if the assumption is incorrect. (impact)	LOW
Level of uncertainty (Likelihood)	LOW
Application of the assumption within the LTP	Council will wait until there is clear direction on how Council is to implement any central government changes.
Climate change legislation	
Strategic issue	Changes to legislation and policy pertaining to climate change are anticipated within the coming three years which will impact Council's activities

<p>Assumption for the LTP</p>	<p>In relation to the climate change mitigation, the government has not indicated an intention to introduce or amend legislation.</p> <p>The government has made policy commitments with relevance to Council’s climate change response, including amendment of the Resource Management Act 1991 (RMA) to increase renewable energy generation, grow the forestry sector, and enable housing development, which will be supported by the introduction of fast-track consenting processes. RMA amendments are expected to be introduced within the coming Parliamentary term, and it is anticipated that the effects of these reforms will be felt in the coming three years, leading to increased demand on Council’s planning and consenting resource.</p> <p>The assumption is that the new fast-track consenting process will come into effect during the coming three years. It is likely that the Council will see an increase in consenting applications for renewable energy projects such as wind farms, and will continue to see a growth in forestry unless regulatory change is introduced into the District Plan.</p> <p>Amendments to the RMA passed in November 2022 create obligations and scope for local authorities to consider greenhouse gas emissions in planning and consenting. The effects of these changes are expected to be seen in the coming three years, with greater consideration of greenhouse gas emissions required in asset planning, projects, environmental planning, and consenting.</p> <p>With regards to climate adaptation, a Proposed National Policy Statement for Natural Hazards Decision-Making (NPS-NHD) was consulted on in late 2023 but there is not yet any indication of whether this will be progressed. If introduced, it may come into immediate effect. It is also anticipated that the Climate Change Adaptation Bill will be introduced in this Parliamentary term and more clarity regarding how climate adaptation activities will be funded.</p> <p>It is assumed that Council can respond to legislative changes during the next three years without the need for significant additional resources.</p>
<p>Risk if the assumption is incorrect. (impact)</p>	<p>MEDIUM</p> <p>The risk is that Council is unable to meet its additional obligations, due to insufficient resources having been allocated ahead of time, leading to non-compliance and/or litigation risk.</p>
<p>Level of uncertainty (Likelihood)</p>	<p>MEDIUM</p> <p>Changes to legislation are usually notified ahead of time, providing the opportunity for Council to adapt. However, the government’s reform plans are uncertain. If the Proposed NPS-NHD is introduced, it may come into immediate effect.</p>
<p>Application of the assumption within the LTP</p>	<p>Council will stay up-to-date with the process of legislative reforms, and provide staff training opportunities to develop the skills and expertise</p> <p>Climate mitigation and adaptation activities will be progressed, in partnership with other Southland councils, mana whenua and the community</p>

Emergency management	
Strategic issue	<p>The Emergency Management Bill replaces the Civil Defence Emergency Management Act 2002 (the 2002 Act). This Bill builds on the 2002 Act, and retains the existing functions and powers, it provides for managing emergencies at local, regional, and national levels.</p> <p>Ministerial Review: Better Responses to Natural Disasters and Other Emergencies in New Zealand Department of the Prime Minister and Cabinet (DPMC)</p> <p>The National Emergency Management Agency is delivering the largest change to Emergency Management policy in a generation. This includes bringing the legislation and its implementation into the 21st Century, ensuring it is fit for purpose for future needs across all 4Rs – risk reduction, readiness, response and recovery – and the whole emergency management system.</p> <p>The act proposes to clarify roles and responsibilities, enabling a provider to issue warnings, establishing the NZ emergency management assistance team (EMAT) in legislation, protecting volunteers from civil liability, enabling nationwide controller or recovery Manager, providing greater integration, recognition and understanding of Iwi perspective, providing opportunities for people with disabilities to be involved in emergency management and updating existing incentives and sanctions for ensuring greater compliance.</p> <p>Subject to Ministerial and Cabinet Decisions, the Bill will be introduced to the House of Representatives before the end of 2022 or early 2023.</p>
Assumption for the LTP	<p>This bill is late, however likely to proceed following cyclone Gabrielle, this may also prompt changes to the amendment bill.</p> <p>This is not likely to have a material impact on the LTP.</p>
Risk if the assumption is incorrect. (impact)	<p>MEDIUM</p> <p>Any impact on the 24-34 LTP is likely to be via submission – therefore diversion of staffing resource.</p>
Level of uncertainty (Likelihood)	<p>LOW</p>
Application of the assumption within the LTP	<p>Appropriate policy updates. https://legislation.govt.nz/bill/government/2023/0225/latest/whole.html</p>
Local Government official information act amendment bill	
Strategic issue	<p>This bill brings into law governing disclosure of information about natural hazards on LIMS. LIMs under the principal Act are the main source of property information for the public and are a key tool for communicating natural hazard information to buyers so they can make informed decisions.</p> <ul style="list-style-type: none"> • clearer requirements to provide natural hazard information in a LIM (including the impacts of climate change): • a statutory responsibility for regional councils to provide natural hazard information (including about the impacts of climate change) and support to territorial authorities: • a specific purpose for providing natural hazard information: • provisions to develop regulations for providing natural hazard information in LIMs:

	<ul style="list-style-type: none"> • limitation of legal liability for local authorities when disclosing natural hazard information in good faith. These amendments are aimed at achieving the key objectives of— • ensuring that LIMs provide natural hazard information to property buyers that is clear, concise, nationally consistent in its presentation, and easily understood: <p>providing certainty for local authorities about sharing</p>
Assumption for the LTP	<p>The proposed limitation of local authority liability will incentivise greater sharing of natural hazard information, while preserving the ability to bring legal action against local authorities where natural hazard information is known but has not been provided. This will provide local authorities with a similar level of protection to that they currently have when sharing other official information under the principal Act. Affected parties may still bring complaints to the Ombudsman and apply for judicial review.</p> <p>The new statutory responsibility for regional councils will ensure that regionally held natural hazard information is included in the LIM. Regional councils often hold significant natural hazard information and have access to technical expertise. This new responsibility will formalise existing information sharing between regional councils and territorial authorities. Territorial authorities will retain the sole responsibility for processing LIM applications.</p>
Risk if the assumption is incorrect. (impact)	<p>LOW</p> <p>There is little risk of the assumption being incorrect. Council will need to be aware of Natural hazard information and be able to share that as appropriate</p>
Level of uncertainty (Likelihood)	<p>LOW</p>
Application of the assumption within the LTP	<p>Council will need to ensure information is available on LIMS</p> <p>This assumption needs to be considered alongside the climate change legislation and environment assumptions</p>
Waters Reform	
Strategic Issue	<p>Newly elected government will introduce legislation to repeal the Water Services Entities Act 2022 in first 100 days. https://assets.nationbuilder.com/nationalparty/pages/18468/attachments/original/1701229692/100_Day_Plan.pdf?1701229692</p> <p>The Act is to be replaced with the Local Water Done Well plan which will...</p> <ol style="list-style-type: none"> 1. restore council ownership and control, but with stronger central government oversight 2. set strict rules for water quality, and for investment in infrastructure 3. ensure water services are financially sustainable so that future generations don't inherit outdated or failing infrastructure. Financial sustainability means there's enough money coming in, either from rates or from user-pays, to cover the maintenance and depreciation of infrastructure and investment in new assets. We'll require councils to ringfence money for water infrastructure, instead of spending it on other services. New infrastructure is expensive but has a long life so it's appropriate that it's funded by debt, and paid back over time out of rates or user revenues <p>https://www.national.org.nz/local_water_done_well</p> <p>Replace the National Policy Statement for Freshwater Management 2020 and the National Environmental Standards for Freshwater https://assets.nationbuilder.com/nationalparty/pages/18466/attachments/original/1700778597/NZFirst_Agreement_2.pdf?1700778597</p>

	<p>Replace the National Policy Statement for Freshwater Management 2020 to allow district councils more flexibility in how they meet environmental limits and seek advice on how to exempt councils from obligations under the National Policy Statement for Freshwater Management 2020 as soon as practicable</p> <p>https://assets.nationbuilder.com/nationalparty/pages/18466/attachments/original/1700778592/National_ACT_Agreement.pdf?1700778592</p> <p>LTP considerations</p>
Assumption for the LTP	Council is preparing LTP 34 with the assumption the waters assets and service will remain with council for the next 10 years.
Risk if the assumption is incorrect. (impact)	HIGH At the time of updating this document there was no clear direction from government
Level of uncertainty (Likelihood)	HIGH
Application of the assumption within the LTP	Waters services activity and asset management plans will be updated along to include assets remaining for the 10 years of this long term plan
Other legislative changes	
Strategic issue	<p>Coming up</p> <p>Highly productive land National will re-focus the NPS-HPL by maintaining protection of the most productive soils (LUC 1 & 2), while excluding LUC-3 category land https://assets.nationbuilder.com/nationalparty/pages/17928/attachments/original/1685403005/Going_for_Housing_Growth.pdf?1685403005</p> <p>BIOTECH End the effective ban on GE and GM in New Zealand. Create a dedicated regulator to ensure safe and ethical use of biotechnology. Streamline approvals for trials and use of non-GE/GM biotech https://assets.nationbuilder.com/nationalparty/pages/17968/attachments/original/1686385900/Biotech_Policy.pdf?1686385900 <i>Supported by Act and NZ First Coalition Agreements</i></p> <p>Agricultural emissions Split gas approach to keep agriculture out of the ETS Prices set to reduce emissions without sending agricultural production overseas. Review methane targets for consistency with no additional warming from agriculture. https://assets.nationbuilder.com/nationalparty/pages/17970/attachments/original/1686528015/Reducing_Agricultural_Emissions.pdf?1686528015 15 Enable farmers and landowners to offset sequestration against their on-farm emissions https://assets.nationbuilder.com/nationalparty/pages/18466/attachments/original/1700778592/National_ACT_Agreement.pdf?1700778592</p> <p>Advancing New Zealands Energy Strategy (added 10 August)</p>

	<p>A package of five discussion documents on clean energy. An overview of the proposals is available at https://www.mbie.govt.nz/dmsdocument/26910-advancing-new-zealands-energy-transition-pdf</p> <p>Forestry</p> <p>Boost wood processing by introducing one-year consents to establish new wood processing facilities, streamlining re-consents, and investigating Emissions Trading Scheme credits for wood processors for embedded carbon in their products</p> <p>Restore the stability of Emissions Trading Scheme revenues for the sector.</p> <p>Mitigate slash and other environmental challenges with new rules for managing forests.</p> <p>Reverse the changes introduced by Labour to require council consents for all new forestry planting, rather than simply being clear about areas where planting should not happen</p> <p>Scrap the ute tax and deliver reliable road infrastructure to facilitate the movement of forestry products</p> <p>Include forestry in National’s Rural Regulation Review Panel which will consider every local and central government regulation affecting primary producers and advise central government on solutions</p> <p>Require local and central government to assess the costs of all new rules on the forestry sector and publish the findings https://assets.nationbuilder.com/nationalparty/pages/18426/attachments/original/1695866984/Forests_for_a_Strong_Economy.pdf?1695866984</p> <p>Amend the National Environmental Standards for Plantation Forestry (NES-PF) regulations to place a duty upon harvesters to contain and remove post-harvest slash https://assets.nationbuilder.com/nationalparty/pages/18466/attachments/original/1700778597/NZFirst_Agreement_2.pdf?1700778597</p> <p>Place limits on farm conversions to forestry on high-quality land to protect local communities and food production.</p> <ul style="list-style-type: none"> - From 2024, whole-farm conversions to forestry for entry into the ETS will not be permitted on high-quality LUC 1-5 land and will be limited on LUC 6 land - Ban foreign-backed farm conversions to forestry for carbon farming - Forests already in the ETS will not be affected by this change <p>https://assets.nationbuilder.com/nationalparty/pages/18385/attachments/original/1694654258/Primary_Sector_Growth_Plan.pdf?1694654258</p> <p>Lifting the Resilience of New Zealand’s Critical Infrastructure (added 23 June) https://www.dpmc.govt.nz/news/lifting-resilience-new-zealands-critical-infrastructure</p> <p>Recognising this, consistent with the Government’s response to Rautaki Hanganga o Aotearoa, the New Zealand Infrastructure Strategy, the Government has today commenced consultation on work to increase the resilience of New Zealand’s critical infrastructure.</p>
<p>Assumption for the LTP</p>	<p>Staff can assume there will be continued review that may require flexible and agile responses in relation to content and submission timeframes</p>
<p>Risk if the assumption is incorrect. (impact)</p>	<p>MEDIUM</p> <p>Legislative or government policy changes are expected to have a medium effect on Council’s finances and/or levels of service</p> <p>Reforms can have an immediate and intensive effect on Council Staff in relation to the timing of the release and expectation of submission, data gathering and/or implementation</p>

Level of uncertainty (Likelihood)	LOW
Application of the assumption within the LTP	Council staff and Elected members to be aware of legislation under reform, review – open for submission. List from Taituara will be emailed to General Managers.
Social	
Pandemic planning	
Strategic issue	The Covid-19 pandemic has created both social and economic change nationwide over the past few years. SDC is well planned and communicated resources for staff should another pandemic happen. Staff are set up to work from home with the right technology and access to SDC databases and software. Staff are offered home office set up where appropriate. In Southland District, the recovery from the nationwide lock downs has seen the return of overseas visitors but not quite to the numbers prior to 2020. However, numbers are predicted to increase – by 2029 to be surpassing pre COVID levels.
Assumption for the LTP	Southland has a worker shortage, this is impacting on the recovery of the tourism operators across the region. SDC has business continuity plans that will support any further pandemics.
Risk if the assumption is incorrect. (impact)	LOW Council may need to priorities works should another pandemic eventuate in New Zealand
Level of uncertainty (Likelihood)	LOW
Application of the assumption within the LTP	Teams will continue with previous planning – working from home as necessary.
Demographics	
Strategic Issue	2023 Census data is not available and won't be available for the preparation of LTP 34. The assumptions presented are based on modelling completed by Informetric commissioned by Great South (June 2023) for the beyond 2025 long term plan preparation. Southland is predicted to remain mainly the same within its population projections with an increase/decrease range from -0.4-0.7% a variation of 11,900 people, and a midline of an increase of 5,700 people in the next 25 years. The important consideration in this data is where will the increase or decrease happen? The other consideration is the age of the population. Projections suggest the population is ageing, therefore care for older less mobile people will need to be given. Beyond 2025 data suggests making sure Southland is the place our younger people and working aged adults will come back to.

Assumption for the LTP

From Informetric southland region forecasting scenarios – June 2023 - **Region’s population predicted to reach over 120,000 by 2054.**

Southland Region’s population is estimated to be 102,400 as at 2022, up from 95,800 in 2012. The population is expected to reach 110,492 by 2034 and grow at a diminishing rate to 120,929 at 2054. We expect that in Invercargill City, the region’s major urban hub, population growth will remain positive throughout the forecast period, while population growth in **Southland District** and Gore District will turn negative in the 2040s. This differential reflects a differential in the employment forecasts, with a stronger outlook for jobs in Invercargill than the rest of the region **Southland Region households reach over 50,110.**

The population of **Southland District**, estimated to be 32,592 in 2022, will increase slowly to a peak of 35,086 in 2043, and begin declining thereafter to 34,725 in 2054.

The total number of households in Southland Region in 2022 is estimated to be 41,689, 56% of which are in Invercargill City, and **31% in Southland District.** We expect the number of households in Invercargill City to climb from 23,256 in 2022, to 26,087 in 2034, and reach 30,034 in 2054. This growth will bring Invercargill’s share of the region’s households to 60%. Suggesting reduced numbers living in rural townships in **Southland District.** In total, the number of households in the region will reach just over 50,110

Southland Region forecasting scenarios (June 2023)

Informetric data assumes Southland will grow to a population of 120,929 from 102,400 by 2054. The main growth will be in Invercargill City 56,800 – 73,006

The aged population 65+ is predicted to grow from 19% to 27%. It is expected the working age population will decline from 60% in 2023 to 57% in 2054.

The number of over 65’s in the SDC area is predicted to increase from 5790 to 9575 SDC’s share of 65+ population from 18%-29%

Southland District is expected to see the largest percentage point increase in the share of over 65s across the three territorial authorities. The number of over 65s in Southland District is expected to increase by from 5,790 to 9,575 between 2023 and 2054, lifting their share of the total population from 18% to 28%. The number of 30–64- year-olds is expected to fall from 15,419 to 14,766 over this period, reducing their share of the total population from 47% to 43%. This decline, in addition to a fall in the number of 15-29-year-olds from 5,231 to 4,724, will see the overall working age population fall by over 1,100 people. The share of the population

Table 5

Sub-district population

Stats NZ estimates, Infometrics baseline projection

Area	Population level			Population growth (annual % change)	
	2022	2034	2054	2022-2034	2034-2054
Gore district	13,000	13,418	13,198	0.3%	-0.1%
Gore	8,216	8,654	8,844	0.4%	0.1%
Mataura	1,717	1,722	1,578	0.0%	-0.4%
Gore rural	3,066	3,034	2,775	-0.1%	-0.4%
Southland district	32,600	34,715	34,725	0.5%	0.0%
Te Anau	2,982	3,311	3,439	0.9%	0.2%
Manapouri	245	291	318	1.5%	0.4%
Winton	2,453	2,583	2,748	0.4%	0.3%
Riverton	1,679	1,930	2,169	1.2%	0.6%
Tuatapere	537	493	379	-0.7%	-1.3%
Otautau	774	792	756	0.2%	-0.2%
Edendale/Wyndham	1,252	1,387	1,499	0.9%	0.4%
Lumsden	541	565	571	0.4%	0.0%
Riversdale	430	448	433	0.3%	-0.2%
Wallacetown	766	904	1,007	1.4%	0.5%
Stewart Island	321	427	515	2.4%	0.9%
Invercargill city	56,800	62,359	73,006	0.8%	0.8%
Bluff	1,861	1,956	2,075	0.5%	0.3%

	<p>aged under 30 will fall from 36% to 30% over 2023-54 as the number of 15–29-year-olds falls by almost 500, and the number of 0-14-year-olds by over 800.</p> <p>Stronger growth in Fiordland Stronger population growth is projected in Fiordland than Southland District overall, reflecting the stronger employment outlook for tourism than agriculture across the district. Te Anau’s population is projected to grow 0.9%pa over 2022-2034 (0.5%pa across Southland District) and 0.2%pa over 2034-2054 (0%pa across Southland District). Manapouri is projected to grow 1.5%pa over 2022-2034, then 0.4%pa over 2034-2054. Towns which are proximate to Invercargill, such as Edendale/Wyndham and Wallacetown are also projected to fare better, reflecting the availability of jobs nearby with a relatively strong employment outlook for Invercargill City. Winton is buoyed a strong established commuting pattern into Invercargill, as well as a degree of critical mass, particularly compare to some of the district’s smaller rural towns. Riverton is projected to continue growing steadily, reflecting established commuting patterns into Invercargill, strong recent historical growth and intentions to move there noted in the household survey Across the rest of Southland District, softer growth is projected in more agriculturally focused and remote settlements, reflecting the weaker outlook for employment in agriculture. Tuatapere, Riversdale and Otautau are projected to decline over 2034-2054. Winton is projected to fare slightly better, reflecting its scale gives it a degree of critical mass despite the strong influence of agriculture on the town.</p> <p>Beyond 2025</p> <p>The Beyond 2025 Report identifies the slower population rate, the aging population and the increased diversity of the Southland population (pg 38) Beyond 2025)</p> <p>Stats NZ March 2022</p> <p>“The Māori population has relatively high proportions of tamariki and rangatahi, and a lower proportion of kaumātua,”</p> <p>“These differences in age structure, combined with higher birth rates, result in faster projected growth for the Māori population compared with the total population overall.”</p>
<p>Risk if the assumption is incorrect. (impact)</p>	<p>LOW</p> <p>It is unlikely there will be a rapid increase or decrease of population. Infrastructure assets need to consider where the population is, how its moving, how its ageing, what additional needs are appearing within that changing population.</p>
<p>Level of uncertainty (Likelihood)</p>	<p>LOW</p>
<p>Application of the assumption within the LTP</p>	<p>Is public transport needed?</p> <p>Are community hubs something to consider in the future</p> <p>Health care and home help</p> <p>Footpaths are safe and flat</p> <p>Use of electric powered scooters and other vehicles</p> <p>Services available at place.</p>
<p>Housing</p>	




Strategic Issue	<p>(Beyond 2025)</p> <p>A lack of availability of fit for purpose rentals and social housing is displacing whānau and local people, creating barriers for businesses to grow. For the past 10 years, there have been fewer rental properties in the region (15%) compared to nationally (32%).</p> <p>Social housing demand has grown quicker than the rest of the country with a lower number of houses to meet demand. Southland District is the country's second worst served region for public investment in Public Housing ranked at 62nd of 63 and has the third highest relative waiting list. 52% of large employers identified housing as a barrier to recruiting staff.</p> <p>Limited housing choices is creating stress around long-term housing options for the ageing population and whānau.</p> <p>Planning rules, sector capacity and cost of building are hampering new homes (especially smaller) being built.</p> <p>Growing population of elderly who are looking for smaller, warmer homes.</p> <p>Less availability of small, attached and large homes with 53% of all stock medium sized, 3-bed homes.</p> <p>The existing housing stock is old, poor quality and lacks diversity resulting in a lack of housing options and potentially poor health outcomes. 72% of homes were built prior to 1980 compared to 37% in Central Otago and 47% nationally.</p> <p>Just over 20% of Māori live in moldy homes and it's likely to be families.</p> <p>Areas with high tourism have a high percentage of short-term accommodation (e.g. Te Anau has 13% as AirBnB)</p>
Assumption for the LTP	Council will support a regional housing strategy and workstreams associated with the strategy
Risk if the assumption is incorrect. (impact)	<p>LOW</p> <p>Council has a role in supporting a regional housing strategy, enabling discussion for the future of community housing.</p>
Level of uncertainty (Likelihood)	LOW
Application of the assumption within the LTP	<p>Recommended in the Beyond 2025 report (pg 29)</p> <p>Establishment of a regional housing forum</p> <p>Development of a regional digital housing portal</p> <p>A focus on housing innovation (kitset, tiny homes, employer built, mobile housing for construction projects and seasonal workers</p> <p>That there is a review of existing housing stock with a focus on incentivizing brownfield development and supporting Southland homeowners (initiatives to modernize)</p> <p>Development of new social, community and pāpakainga housing with a particular focus on housing for our ageing population.</p>
Technology	
Strategic Issue	Changes in technology will impact the delivery of our key activities
Assumptions for the LTP	It is assumed that the increased access to fast internet services, through fibre and satellite internet services will mean more use of online digital services. There may be less demand for face to face customer service as technology provides an alternative method for answering questions and resolving issues. Improvements to internal systems and processes will be required to maximise efficiency of online services

	<p>It is assumed automated technology and artificial intelligence alters the way that council delivers its service.</p> <p>Emerging technologies like ChatGPT and the metaverse will influence how council works and the expectations that our communities place on council.</p> <p>Improvements in the availability and commercialisation of satellite imagery will allow for better spatial planning with more up to date information.</p> <p>Improvements in the technologies used in construction will put pressure on council to become more agile in the adoption of these technologies.</p> <p>Communities may benefit from faster construction and better housing opportunities but there will be an impact on how we deliver our infrastructure services to meet the demand.</p>								
<p>Risk if the assumption is incorrect. (impact)</p>	<p>LOW</p> <p>There is low consequence due to council being able to react to changes prior to them negatively impacting levels of service or customer expectations</p>								
<p>Level of uncertainty (Likelihood)</p>	<p>LOW</p>								
<p>Application of the assumption within the LTP</p>									
<p>Environmental</p>									
<p>Climate Change</p>									
<p>Strategic issue</p>	<p>The current statutory and policy framework requires Council to consider climate change in its planning and decision-making. Without adaptation, climate-related changes are projected to have substantial impacts on water resources, coastal ecosystems, infrastructure, health, agriculture, and biodiversity (NIWA report, p23).</p> <p>Projections are revised from time to time as climate science knowledge is further refined and the rate of climate change is confirmed.</p> <p>Despite there being some uncertainty regarding how climate change will impact our District, Council must make use of the best available information to inform its long-term planning.</p>								
<p>Assumption for the LTP</p>	<p>Council will use mid- and high-range emissions scenarios for its planning, based on the International Governmental Panel on Climate Change (IPCC) Shared Socioeconomic Pathways (SSPs) and Representative Concentration Pathways (RCPs).</p> <p>The RCP8.5 high-range emissions trajectory will be used for planning in coastal areas to allow for a precautionary approach when screening for climate change impacts. The RCP4.5 emissions trajectory will be used for inland development.</p> <p>It is assumed that the frequency of extreme (peak) events such as severe flooding, drought and rural fires will increase in the future, with corresponding negative impacts on social, cultural, environmental and economic wellbeing of communities and increased demand on Council resources. The assumption for this Long Term Plan is that these peak events are still some way off and will not occur during the upcoming three year period, providing Council with time to prepare.</p> <table border="1" data-bbox="508 1426 2069 1465"> <thead> <tr> <th data-bbox="508 1426 1050 1465">Climate parameter</th> <th data-bbox="1059 1426 1238 1465">Scenario</th> <th data-bbox="1247 1426 2069 1465">Projected change</th> </tr> </thead> <tbody> <tr> <td> </td> <td> </td> <td> </td> </tr> </tbody> </table>			Climate parameter	Scenario	Projected change			
Climate parameter	Scenario	Projected change							

	Temperature [annual mean temperature]	RCP4.5	By 2050: +0.5-0.75°C for most of Southland, and +0.75-1°C in northern areas By 2100: +1-1.25°C for most of Southland, and +1.25-1.5°C in northern areas
		RCP8.5	By 2050: +0.5-1°C By 2100: +2-2.5°C for most of Southland, and up to +3°C in northern areas
	Average number of hot days per year [maximum temperature $\geq 25^{\circ}\text{C}$] (<i>relative to previous measured average 7.6 hot days per year for Southland region per NIWA report</i>)	RCP4.5	By 2050: 10.5 hot days per year on average By 2100: 13.1 hot days per year on average
		RCP8.5	By 2050: 11.3 hot days per year on average By 2100: 24 hot days per year on average
	Heat wave days [three or more consecutive days with maximum temperature $\geq 25^{\circ}\text{C}$]	RCP4.5	By 2050: Negligible increase in heatwave days per year for most of Southland of 0-5 days per year, 5-15 more heatwave days per year for northern parts of Ōreti and Mataura catchments. By 2100: +5-10 heatwave days per year for most of inland Southland, +15-20 heatwave days per year in parts of northern Mataura catchment.
		RCP8.5	By 2050: Negligible increase in heatwave days per year for most of Southland of 0-5 days per year, +5-15 heatwave days per year for northern parts of Ōreti and Mataura catchments. By 2100: ≥ 10 heatwave days per year for most inland Southland (excluding Fiordland), ≥ 35 heatwave days per year for northern Mataura catchment.
	Annual rainfall	RCP4.5	By 2050: Up to +5% for most of Southland By 2100: +5-10% for most of Southland, +10-15% in parts of northern Fiordland
		RCP8.5	By 2050: +5-10% By 2100: +10-20% for most of Southland, +30-40% in Milford Southland and +20-30% in the rest of Fiordland

	<p>Maximum 1-day rainfall</p>	<p>RCP4.5</p>	<p>By 2050: ≤10 mm decrease for the centre of the Southland region, +≤10 mm for most of Southland, +≤40 mm increase in Fiordland By 2100: +10-40mm in Fiordland, +≤20mm for the rest of Southland.</p>
<p>Sea level rise [regional average] (<i>relative to 2020 mean sea level per Great South report</i>)</p>	<p>SSP5-8.5 M</p>	<p>By 2090: +0.62m By 2130: +1.13m</p>	
<p>Sources: https://niwa.co.nz/sites/niwa.co.nz/files/Southland%20climate%20change%20report%202018.pdf https://environment.govt.nz/assets/Publications/Files/Climate-change-projections-2nd-edition-final.pdf https://www.southlanddc.govt.nz/assets/Environment-Climate-Change/231204-Southland-SLR-and-ESL-exposure_COMPLETE_for_web.pdf</p>			
<p>Risk if the assumption is incorrect. (impact)</p>	<p>HIGH Climate change may occur at a faster or slower rate than anticipated. The greatest risks are associated with higher than projected climate change, including:</p> <ul style="list-style-type: none"> - An increased cost of adaptation in the short to medium term, and risk of maladaptation; - Increased demand on Council resource to support emergency response and recovery; - Reduction in levels of service, negatively impacting community wellbeing; - Less time for engagement and planning with the community. 		
<p>Level of uncertainty (Likelihood)</p>	<p>MEDIUM Climate change may occur at a faster or slower rate than anticipated. The greatest risks are associated with higher than projected climate change.</p>		
<p>Application of the assumption within the LTP</p>	<p>Climate change will be considered in renewal of assets under the Infrastructure Strategy. Natural hazard risk assessments will be undertaken in collaboration with Environment Southland. These will be used, together with updated climate risk assessments, to inform spatial planning activities, review of the District Plan and asset management. Continued participation in the Regional Climate Change Working Group will ensure a joined up regional response to climate change in Murihiku Southland, and support effective and efficient use of Council resources</p>		

Emissions reduction	
Strategic Issue	New Zealand has made international commitments to reduce and offset its national greenhouse gas emissions in order to achieve net zero emissions by 2050, and Council is expected to reduce its gross and net greenhouse gas emissions in order to support achievement of these targets.
Assumptions for the LTP	<p>The government has stated a commitment to New Zealand meeting its international obligations by achieving net zero emissions by 2050. A second emissions reduction plan for 2026-2030 is currently being prepared. The assumption is that during the next three years, there will be no changes to emissions reduction targets.</p> <p>Council has identified a 5% year on year reduction of its organizational greenhouse gas emissions is required to reach the 2050 net zero target. It is assumed that it will be possible for Council to undertake emissions reductions activities during the next three years without the requirement for significant additional resources.</p> <p>Greater consideration of greenhouse gas emissions will be required in asset planning, projects, environmental planning, and consenting, leading to a high demand on relevant Council resources.</p>
Risk if the assumption is incorrect. (impact)	<p>LOW</p> <p>The risk is that Council is unable to meet its additional obligations, due to insufficient resources having been allocated ahead of time, leading to non-compliance and/or litigation risk, reputational damage, and impacts on service delivery.</p>
Level of uncertainty (Likelihood)	<p>LOW</p> <p>The ability to achieve emissions reductions is dependent on a “business as usual” scenario with availability of new technology (i.e. low carbon transport), and no growth in Council staffing levels, operations and projects. The government may impose emissions reductions requirements on local government.</p>
Application of the assumption within the LTP	<p>The Infrastructure Strategy enables emissions reduction be considered in renewal of assets to enable Council to achieve carbon neutrality in line with the national target.</p> <p>Council will continue to measure organisational emissions and will develop a plan to reduce its emissions. A staff climate change working group will facilitate climate mitigation activities across the Council. Council will collaborate with other local agencies and the wider community to achieve Southland’s net zero goals.</p> <p>Spatial planning activities and asset management decisions will consider climate mitigation opportunities.</p>
Unplanned adverse events – Emergency planning	

<p>Strategic issue</p>	<p>Climate change and sea-level projections anticipate more extreme weather events in southland - including flooding, prolonged droughts and coastal inundation. This will impact nature-based livelihoods, primary industry and infrastructure.</p> <p>Along with climate change Southland sits at the Southern end of the AF8 fault line (Alpine fault line)</p> <p>https://storymaps.arcgis.com/stories/424c14ec8d5a4c32829d21fde9244818</p> <p>While we can't predict when earthquakes will occur, scientific research indicates there is a 75% probability of an Alpine Fault earthquake occurring in the next 50 years, and that there is a 4 out of 5 chance that it will be a magnitude 8+ event. Geological evidence also shows that the Alpine Fault has a remarkably regular history of producing large earthquakes. Over the last 8000 years, the Alpine Fault has ruptured 27 times, on average that's every 290 years. The last significant quake on the Alpine Fault was in 1717. (305 years ago) The next severe earthquake on the Alpine Fault is likely to occur within the lifetime of most of us, or our children.</p>
<p>Assumption for the LTP</p>	<p>SDC has been borrowing headroom as a means of funding any significant natural event.</p> <p>The risk assessment of a landslide generated tsunami in Fiordland has been declared a hazard of national significance.</p> <p>AF8 Earthquake ground shaking resulting in extensive areas of liquefaction around the Invercargill and coastal southland, major lifelines infrastructure damage, utility failure impacting on quality of life, utility failure causing injury or death, information communication technology failure causing major financial and social impacts, disruption to food supply causing significant shortages and social impact</p> <p>Biological animal epidemic/disease causing financial and psychosocial impacts. A large quake could generate a Tsunami.</p> <p>Southland could see increased flooding, predictions of 100year floods will occur every 3-5 years,</p> <p>Intense rainfall is predicted to increase and temperatures continue to rise causing draught in the northern parts southland and this could also lead to fires</p>
<p>Risk if the assumption is incorrect. (impact)</p>	<p>VERY HIGH:</p> <p>With a Tsunami, the lack of accurate ground height data makes it difficult to define evacuation areas, predicted tsunami at high threat level (>3 meters) causing marine warning and level three evacuation. Earthquake a major earthquake resulting in major damage across the whole South Island the risk is</p> <p>Flooding, draught, fires and intense rainfall will cause disruptions, that could me major.</p>
<p>Level of uncertainty (Likelihood)</p>	<p>MEDIUM</p>
<p>Application of the assumption within the LTP</p>	<div style="display: flex; justify-content: space-around; align-items: center;"> <div style="text-align: center;">  2017-southland-gr oup-plan-update-20 </div> <div style="text-align: center;">  af8-safer-framewor k-2018-lr (2).pdf </div> <div style="text-align: center;">  southland-cdem-gr oup-recovery-plan1 </div> </div>
<p>Emerging technologies</p>	
<p>Strategic Issue</p>	<p>Following the global pandemic the technology emerging is interesting and innovative, providing an opportunity to think very differently about how Council provides services to communities.</p> <p>Some of that tech includes</p> <p>Drones and air taxi's, including drones that can fly past the line of sight.</p>

	<p>https://www.mbie.govt.nz/science-and-technology/science-and-innovation/international-opportunities/new-zealand-r-d/innovative-partnerships/airspace-integration-trials/</p> <p>https://www.1news.co.nz/2023/03/09/solar-powered-stratospheric-plane-could-save-lives/</p> <p>https://www.ruralnewsgroup.co.nz/rural-news/rural-machinery-products/is-the-day-of-the-drone-closer-than-we-think</p> <p>https://www.wcdhb.health.nz/media-release/drone-technology-set-to-provide-valuable-support-to-the-delivery-of-health-care-services-on-the-west-coast/</p> <p>https://www.mbie.govt.nz/science-and-technology/science-and-innovation/international-opportunities/new-zealand-r-d/innovative-partnerships/airspace-integration-trials/</p> <p>https://www.rnz.co.nz/news/business/481222/red-tape-keeps-drones-and-air-taxis-grounded-for-now</p> <p>Drone parcel delivery</p> <p>https://www.theverge.com/2023/2/2/23582294/amazon-prime-air-drone-delivery</p> <p>https://www.euronews.com/next/2022/07/23/faster-cheaper-greener-are-drone-deliveries-the-future-of-logistics</p> <p>https://www.transport.govt.nz/consultations/enabling-drone-integration/</p> <p>Driverless cars</p> <p>https://www.transport.govt.nz/area-of-interest/technology-and-innovation/autonomous-vehicles-work-programme/</p> <p>https://www.transport.govt.nz/assets/Uploads/MOT-LTIB-2022.pdf</p> <p><u>Biotech</u></p> <p>https://www.mcguinnessinstitute.org/wp-content/uploads/2021/04/106.-New-Zealand-Biotechnology_Strategy_2003.pdf</p> <p>https://www.ruralnewsgroup.co.nz/rural-news/rural-general-news/johne-s-test-could-be-a-major-saver</p> <p><u>3D printed houses</u></p> <p>https://d39d3mj7qio96p.cloudfront.net/media/documents/1_1218_2022.pdf</p> <p>https://www.constructionaccord.nz/good-practice/beacon-projects/case-study-gorox-3d-printing/</p> <p>https://www.jll.nz/en/trends-and-insights/investor/3d-printed-buildings-push-construction-boundaries</p> <p>https://www.canterbury.ac.nz/news/2022/building-a-more-sustainable-future-with-3d-concrete-printed-homes.html</p> <p>https://www.callaghaninnovation.govt.nz/customer-stories/press-print</p> <p>Metaverse</p> <p>https://www.newshub.co.nz/home/technology/2022/05/metaverse-101-why-our-future-is-meta-and-you-should-be-excited.html</p>
<p>Risk if the assumption is incorrect. (impact)</p>	<p>Technology has the ability to move rapidly and at time the change seems to be upon us without a lot of lead in. For this LTP Council needs to be aware of what technologies are emerging, what ratepayers, particularly tech savvy ratepayers may demand in the future, and how technology can assist council now and in the future.</p>
<p>Level of uncertainty (Likelihood)</p>	<p>LOW</p> <p>Key for Council is to stay aware of new technology and to investigate when and where new technology can be implemented to reduce costs and make doing business easier.</p>

Level of uncertainty	LOW
Application of the assumption within the LTP	There could be opportunities for technology to assist council in doing business, and also in developing/problem solving.
Economic	
Tourism	
Economic Issue	Meeting the needs of residents, ratepayers and tourists in a fair and equitable manner Considerations for the LTP
Assumptions for the LTP	<p>Southland will have recovered to pre COVID Tourism levels by the end of 2023, as predicted in the Beyond 2025 long term plan</p> <p>Scenario 1 Big World (Beyond 2025 pg 57) International travel returns to pre-COVID levels through more affordable travel options increased connectivity and by Aotearoa New Zealand being viewed as a premium destination to visit</p> <p>Scenario 2 Small world A combination of impacts make travel beyond short haul destinations severely constrained. This results in greater focus on domestic and Australian tourists who are expected to stay longer within the region. The biggest issue for Southland tourism areas is the availability of staff for the tourism infrastructure.</p> <p>Infrastructure Housing Transportation Te Anau Airport</p>
Risk if the assumption is incorrect. (impact)	LOW
Level of uncertainty (Likelihood)	MEDIUM
Application of the assumption within the LTP	<p>Big World – by the end of 2023 Visit Southland will have fully recovered to pre-COVID levels due to high percentage of domestic tourism. Visit Fiordland will take until the end of 2025 to fully recover pre-COVID levels due to the delayed reoppping of the Asian market. By 2029 guest nights are expected to reach 165% for Visit Southland and 142% Visit Fiordland pre-COVID levels.</p> <p>Small World - By the end of 2023 Visit Southland is expected to have fully recovered to pre-COVID levels. Visit Fiordland will take until the end of 2026 to fully recover to pre-COVID levels. By 2029 guest nights are expected to reach 160% Visit Southland and 136% Visit Fiordland pre-COVID levels</p>
General economic growth trends	
Economic Issue	Identified in the Beyond 2025 regional plan the district is potentially facing some changes in population, industry and housing. Population projections see an increase in the 65+ population, a decrease in the working population, along with inappropriate housing stock, and the potential for carbon forestry to have an impact on the district.

	The Beyond 2025 report has modelled increased economic growth through the development of aquaculture. The report suggests additional demand for housing in the townships close to Invercargill i.e. Edendale, Woodlands, and Riverton.
Assumptions for the LTP	Infometrics modelling suggests a decrease of population in the region as retirees move into Invercargill to access health care.
Risk if the assumption is incorrect. (impact)	MEDIUM
Level of uncertainty (Likelihood)	MEDIUM
Consideration/Applications in the LTP strategies and Policies	Longer term thinking about infrastructure in district townships, services and facilities that can be accessed by an ageing population. Consideration for community housing, maybe a need for additional housing in towns that could become hubs.
Employment	
Economic Issue	In relation to the aging population the district may see a decline in the available working population. Infometrics data and modelling suggests that the reduction in primary industry jobs will coincide with the retiring population – therefore may not be an issue. However - with increased tourism there may be an increased need for service industry workforces and with the ageing population an increase in care giving workforce. The predictions also suggest a decrease in the available specialist workforce.
Assumptions for the LTP	Less specialist workforce may require SDC to go further afield with contractors and to use more consultants for some projects. This could incur more costs to council for the same service level
Risk if the assumption is incorrect. (impact)	LOW There is a low risk of the assumption being incorrect, due to data and modelling predictions
Level of uncertainty (Likelihood)	LOW
Application of the assumption within the LTP	Thinking in a more innovative way for service provision being more automated and electronic. Applying different thinking to succession planning past retirement age.

Financial Assumptions

Financial	
Price level change	
Financial Issue	Council is required to incorporate price level changes into its LTP financial forecasts under the Local Government Act. Financial forecasts must be prepared in line with accounting standards PBE FRS 42 Prospective Financial Information. This requires the forecasts to be based on the best information and assumptions available at the time the plan is prepared, which incorporates an allowance for anticipated changes to price levels including inflationary factors. This requires a level of crystal ball gazing to anticipate what the price level changes may be. Council has the option to prepare its own price level estimates based on its own information and expectations or use independently sourced estimates.

Assumptions for the LTP	Inflation is included using projections prepared by Business and Economic Research Limited (BERL) as follows: Inflation continues to decline, falling to <u>5.6 percent</u> in the year to 30 September 2023. However, the consequence of RBNZ's efforts to bring inflation under control has been a further increase to the unemployment rate to <u>3.9 percent</u> in September 2023.
Risk if the assumption is incorrect. (impact)	MEDIUM Inflation is affected by external economic factors and therefore actual inflation increases will vary from those used in developing this plan. 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
Level of uncertainty (Likelihood)	MEDIUM
Application of the assumption within the LTP	Council's financial forecasts have a starting point amount based on the dollars expected to be paid in 2024/2025. Council's financial system adjusts these amounts for the remaining years using the relevant forecast price level changes (inflation rates) shown above. Financial statements including all operating and capital expenditure and associated income
Cost estimates	
Financial Issue	Council sets the base level cost estimates for the LTP from which inflationary price level changes will then be applied to generate future financial forecasts. Council must also consider whether there will be any additional changes to costs resulting from changes to levels of services, demand and contract renewals during the plan period that may impact future forecasts.
Assumptions for the LTP	In establishing the base cost estimates Council will use known commitments where appropriate and/or current market indices or external market indicators When contracts are renewed there are no significant variations allowed for and annual cost adjustments is in line with the relevant BERL inflation percentage
Risk if the assumption is incorrect. (impact)	MEDIUM Greater than anticipated cost increases especially in construction, capital works and contracting rates, increase the overall cost of the capital and maintenance programmes in turn having an impact on debt servicing costs and rates
Level of uncertainty (Likelihood)	LOW
Application of the assumption within the LTP	The cost estimates will be based on the above assumptions. Actual annual changes will be incorporated into future Annual Plans and Long Term Plans. Financial statements including all operating and capital expenditure and associated income
Useful lives of significant assets	
Financial Issue	The useful lives of assets determine when an asset is expected to be renewed and the calculation of depreciation. This will impact the timing of replacements and the amount of rates collected for funding depreciation.
Assumptions for the LTP	That the useful lives of significant assets will be the same as set out in the accounting policies of Council.
Risk if the assumption is incorrect. (impact)	LOW

	<p>The timing of renewal projects is inaccurate and will need to be completed either earlier or later than indicated. This will change the timing of funding requirements as shown in Councils Revenue and Financing Policy (including rates) and financial statements.</p> <p>The actual amount of depreciation will be different (higher or lower) meaning rates collected may be either insufficient or in excess of what is required. Given that Council's significant infrastructure assets (roading and three waters) are revalued annually and depreciation is calculated on the replacement cost, the impact is considered low.</p> <p>The financial impact of a 1% change in depreciation would result in a change in depreciation of \$xxx in 2024/2025 to \$xxx in 2034/2035.</p>
Level of uncertainty (Likelihood)	LOW
Application of the assumption within the LTP	<p>Activity Management Plans</p> <p>Statement of financial position</p> <p>Depreciation funding requirements</p> <p>Revenue and financing policy</p>
Vested assets	
Financial Issue	Vested assets are assets that are gifted or donated to Council which increase operating costs and future asset replacement costs once the asset become the responsibility of Council.
Assumptions for the LTP	The level of vested assets fluctuates from year to year and is unpredictable. Historical levels have not been material
Risk if the assumption is incorrect. (impact)	LOW 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.
Level of uncertainty (Likelihood)	LOW
Application of the assumption within the LTP	<p>Southland district is unlikely to experience high growth and as such the implications of any assets vested to Council is expected to have a minimal financial impact.</p> <p>No allowance for vested assets have been made across the 10 years of this plan</p>
Infrastructure assets revaluation	
Financial Issue	Actual asset revaluations may be higher or lower than estimated. This will impact the statement of financial position in terms of the value of Council's assets and also the amount of depreciation that is funded in any year from rates.
Assumptions for the LTP	Significant infrastructural assets (roading and three waters) are revalued on a yearly basis in line with the relevant BERL inflation rate considering planned additions.

Risk if the assumption is incorrect. (impact)	HIGH If price level changes are greater or lesser, depreciation and the funding of depreciation, could be under or over stated. The financial impact of a 1% change in depreciation would have the following financial impact: Water: \$xxx in 2024/2025 to \$xxx in 2034/2035 Wastewater: \$xxx in 2024/2025 to \$xxx in 2034/2035 Roading: \$xxx in 2024/2025 to \$xxx in 2034/2035
Level of uncertainty (Likelihood)	VERY HIGH
Application of the assumption within the LTP	Depreciation and assets shown in statement of financial performance and position Depreciation funding requirements
Forestry assets	
Financial Issue	Council uses net forestry returns to offset funding requirements from rates. Any change in the market returns or expenditure requirements to run the activity will increase or reduce the amount of funds available to offset rates.
Assumptions for the LTP	Forestry revenue has been based on a forestry strategy developed in late 2022. Council will receive the income indicated and incur the costs planned at the estimates indicated. That no further investment in forestry will occur.
Risk if the assumption is incorrect. (impact)	MEDIUM- HIGH The recognition of forestry assets is non-cash in nature and therefore has no effect on rates. However, fluctuations in operating results and any subsequent surplus income may impact the amount of rates required by Council to fund its activities.
Level of uncertainty (Likelihood)	MEDIUM
Application of the assumption within the LTP	The net forestry returns are accumulated for the period of the plan and then considering the life cycle of the forestry asset are returned as a fixed amount to offset rates in order to smooth the impact. Income and expenditure in statement of financial performance with flow-on to rates required
Emissions trading scheme	
Financial Issue	That the value of Council's investment in emission trading units will be less or more than what is reflected in the statement of financial position.
Assumptions for the LTP	Council will not actively trade its units in the emissions trading scheme as these are principally held for the forestry business commitment.
Risk if the assumption is incorrect. (impact)	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.
Level of uncertainty (Likelihood)	MEDIUM
Application of the assumption within the LTP	No change will be made to the number of units or the value of the units over the ten years. Council's investment of 109,673 units will be retained at \$41.75 per unit (based on the value at 30 June 2023).

	Cash and asset value shown in statement of financial position
Investments in other entities	
Financial Issue	There is a fluctuation in the value of Council's investment in other entities, joint ventures and associates. This includes Milford Sound Tourism Ltd, Civic Assurance, Waste Net, Southland Regional Development Agency, Emergency Management Southland and Southland Regional Heritage Committee.
Assumptions for the LTP	Council will retain its investment in these entities and associates at the current level and will assume an annual dividend across the ten years of the plan where there is a history of dividends. No income from associates is forecast in this Long Term Plan.
Risk if the assumption is incorrect. (impact)	LOW Investment value increases/decreases over the plan period. This movement is a non- cash impact with no rates impact. If actual dividends received differ from forecast this may impact rates.
Level of uncertainty (Likelihood)	MEDIUM
Application of the assumption within the LTP	Given the fluctuating and small levels of returns from Councils investment in other entities, no returns will be forecast. This will mean that the variance in each Annual Report will be the actual share of the return from the entities. Financial information shown in statement of financial position
Funding for future replacement of significant assets [to be confirmed]	
Strategic Issue	Because Southland has a 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.
Assumptions for the LTP	[Yet to be confirmed] It is 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: [insert proportions to be agreed]
Risk if the assumption is incorrect. (impact)	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
Level of uncertainty (Likelihood)	LOW
Application of the assumption within the LTP	Depreciation and assets shown in statement of financial performance and position Depreciation funding requirements
Subsides for roading – Waka Kotahi funding	

Financial Issue	Councils roading programme is significant. Central Government contributes funding towards Councils roading programme through its entity Waka Kotahi NZ Transport Agency (Waka Kotahi). This contribution is a percentage in the dollar and a total programme over three years.
Assumptions for the LTP	Waka Kotahi have confirmed that for the three years commencing 1 July 2024, it will contribute 55% of the agreed programme with Council. This LTP also assumes that the following seven years will be funded in the same manner.
Risk if the assumption is incorrect. (impact)	HIGH There is currently a risk over the level of the programme for the first three years that will be agreed by Waka Kotahi, this will hopefully be confirmed with them by adoption of the Long Term Plan. It is premature to anticipate the level of funding that might be available in years 4 through 10. The impact of any funding change by Waka Kotahi will be assessed as part of the next LTP process.
Level of uncertainty (Likelihood)	VERY HIGH
Application of the assumption within the LTP	The budgets will reflect the agreed programme of works and the level of funding confirmed. Income and expenditure in statement of financial performance with flow-on to rates required Revenue and Financing Policy
Sources of funds	
Financial Issue	Council obtains funding through a variety of sources which can fluctuate for a variety of reasons including: <ul style="list-style-type: none"> • change in demand from customers purchasing services (e.g. consent fees, registration fees etc) • change in ability to access grants and subsidies from government and other funders • inability to access borrowings Should the forecast source of funding not be available, Council may still have to fund the expenditure commitment.
Assumptions for the LTP	That the sources of funds indicated in the LTP will eventuate to match the level of expenditure committed.
Risk if the assumption is incorrect. (impact)	MEDIUM If revenue sources are not achievable, the levels of service may be reduced or an alternative funding source will be required to maintain service levels, including additional rates.
Level of uncertainty (Likelihood)	LOW
Application of the assumption within the LTP	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. Income and expenditure in statement of financial performance with flow-on to rates required Revenue and Financing Policy
Return on investments/resources	

Financial Issue	The return on investments may vary from the amount included in the LTP. This will result in either more or less funds being received. Lower funds will mean that Council will need to consider how to fund the shortfall. This may be from reserves or borrowings which will also require future annual/long term plans to be adjusted to incorporate the flow on impact of any changes.
Assumptions for the LTP	The 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. Fund administration costs associated with these investments are calculated at 1.10% per annum and are deducted from the fund capital. The first \$750,000 of return on investments is used to offset rates requirements. Interest on reserves is allocated as follows: <ul style="list-style-type: none"> restricted reserves at 4.4% per annum local reserves at 2.0% per annum
Risk if the assumption is incorrect. (impact)	MEDIUM A decrease in investment interest rates may require Council to collect more rates to cover the shortfall of interest used to offset rates. Level of uncertainty
Level of uncertainty (Likelihood)	HIGH
Application of the assumption within the LTP	The above assumption will be incorporated into the financial budgets of the LTP. Income and expenditure in statement of financial performance with flow-on to rates required
Interest rates on borrowing	
Financial Issue	Council needs to make allowance for the impact of interest paid on borrowings over the term of the plan.
Assumptions for the LTP	Interest on new and existing internal and external borrowings is allowed for at 5.67% per annum over the term of the borrowing. This interest rate is applied in line with Council's borrowing strategy as set out in the liability section of the Investment and Liability Management Policy.
Risk if the assumption is incorrect. (impact)	MEDIUM An increase in interest rates may require Council to collect more rates to cover the additional interest payments.
Level of uncertainty (Likelihood)	MEDIUM
Application of the assumption within the LTP	The interest rate will be applied as noted in the assumption above. Changes to this rate will be considered by Council as part of each annual plan. Expenditure in statement of financial performance with flow-on to rates required
Local Government Funding Agency (LGFA) local guarantee	
Financial Issue	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.
Assumptions for the LTP	That the LGFA will not experience any payment defaults that result in a call on Council for funds.
Risk if the assumption is incorrect. (impact)	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.
Level of uncertainty (Likelihood)	LOW
Application of the assumption within the LTP	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. Statement of financial position
External borrowing	
Financial Issue	Council's cashflow requirements exceeds its revenue collection and therefore external borrowings are required. Council's liability policy enables Council to borrow from the LGFA or another financial institution.
Assumptions for the LTP	All external borrowing will be sourced from LGFA.
Risk if the assumption is incorrect. (impact)	LOW 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.
Level of uncertainty (Likelihood)	LOW
Application of the assumption within the LTP	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(s) of all borrowings are planned to exceed the term of the LTP. Capital expenditure and debt in statement of financial performance with flow-on to rates required
Capital expenditure delivery	
Financial Issue	Council indicates through its activity management planning process the capital expenditure required to meet level of service, demand or renewal requirements. Based on this Council estimates the timing and impact of works for inclusion in the LTP. If delivery does not occur as planned it can have flow-on consequences for the ability to obtain resources and/or contractors to deliver the works, as well as increased costs either in relation to the project or additional maintenance.
Assumptions for the LTP	Programmes and projects are assumed to be delivered on time.
Risk if the assumption is incorrect. (impact)	MEDIUM There is a risk that capital projects may not be delivered as planned. This could be due to a variety of factors including: <ol style="list-style-type: none"> 1. issues with the capacity of local markets to deliver due to: <ol style="list-style-type: none"> a. lack for resources b. lack of skilled resources for specialist works c. demand on other local projects in Southland d. local and International supply chain constraints 2. high demand on contractors and consultant services resulting in higher project costs and need to rescope causing delays to spending. Delays/deferrals on the level of capital expenditure completed on time will impact future depreciation (which is, in most instances, funded by rates). Because funding of capital expenditure is typically via reserves and loans there will be an impact on future interest and principle repayments,

	<p>which are funded by rates.</p> <p>There may also be an increase in maintenance costs as a result of any delay of delivering capital expenditure, which will also have an impact on rates.</p> <p>A 1% change in the capital programme ranges from \$xxx in 2024/2025 to \$xxx in 2034/2035.</p> <p>Assuming 30 year loan term, if \$1 million of capital expenditure is delayed there would be a \$xxx reduction in expenditure per annum and accordingly rates. However this saving may potentially be consumed with additional maintenance costs from extending the asset past its useful life.</p>
Level of uncertainty (Likelihood)	HIGH
Application of the assumption within the LTP	<p>Consideration will be given to the timing of projects to ensure that they are deliverable and the necessary adjustments to other expenditure will be made accordingly.</p> <p>Property, plant and equipment (asset) information in statement of financial position with flow-on to the timing of when reserves, borrowing and rates required</p>