

## Significant Forecasting Assumptions

The financial information included in this Long-Term Plan is a forecast based on assumptions that the Council can reasonably expect to occur, along with the actions it reasonably expects to take, as at the date the forecast was prepared. We recommend caution to readers if this prospective financial information is used for any purpose other than as a Long-Term Plan prepared under the Local Government Act 2002.

The assumptions include an assessment of certain factors that might impact on the Council and the community, including consideration of how the population might change over the next 30 years, funding of Council services, and financial environment, and external factors such as climate change, local government reform, and government legislation.

The actual results are likely to vary from the information disclosed, and such variations may be material. Particularly, there is a great deal of uncertainty surrounding the status of COVID-19 restrictions and the return of visitors to the district. There is also significant uncertainty about the form and function of any government-initiated reforms, particularly the three-waters reform. Both issues are so uncertain, and potentially have such an impact on the Council and our community, that there is little option but to assume status quo until there is more certainty upon which to plan.

The main assumptions underlying the forecast information, based on predictions from both internal and external sources, are as follows.

Assumption	Risk	Level of uncertainty	Impact
<b>Population growth and demographic changes</b>			
It is assumed (because of a lack of firm evidence to the contrary) that the resident population of the Kaikōura district in 2024 is similar to that at the 2018 census, but that the population will in future grow at an annual rate of approximately 1.5%, based on projected house construction numbers, an assumption of an average of 2.7 persons per household and that two-thirds of dwellings are permanently occupied.	If population growth is higher than what is assumed, the Council and community may face challenges in obtaining the required resources (in particular staff resources) to effectively respond to it.	Medium	Shortages of suitably qualified staff may adversely impact service delivery and result in increased costs to ratepayers.

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<p>Such projected population increase is not dissimilar to the 'High' projection for the District from Statistics NZ. Stronger growth than previous is expected because of increased proposed housing developments. The most significant demographic change will be an increase in the proportion of residents aged over 65, forecast to increase by around 40% over 10 years (an extra 300 people in this age group). Approximately two-thirds of dwellings in the district will be permanently occupied, with most of the remainder being holiday homes. We consider that at least 75% of population growth will be within the existing Kaikōura urban area or within two kilometres of it.</p>	<p>If population growth is higher than what is assumed it is likely to create challenges associated with greater proportions of older residents.</p>		<p>If population decreases, the Council can lower the financial impacts by slowing its capital spend, and/or revising its annual budgets.</p>
	<p>If population growth is less than expected, revenue from development contributions, user fees, and other revenue may be less than forecast.</p>		<p>The increase in the proportion of residents aged over 65 can be accommodated within available properties, although there is currently no specialist private aged care provider, due to the medical complexities and costs for a provider within a small population. Unless this changes, high-needs elderly will likely need to use facilities in other districts.</p>
<p><b>Subdivisions and housing development</b></p>			
<p>A new 67-lot subdivision at Mt Fyffe Road/Ludstone Road has recently been granted consent and is linked with a further 315-lot subdivision which extends the residential area of Ocean Ridge. Both</p>	<p>If subdivision and housing growth is higher than assumed, then revenue from development contributions could be higher than forecast, and there would be more rateable properties in the district to absorb future rates requirements.</p>	<p>Medium</p>	<p>The IAF project is substantial for Kaikōura and requires the developer to create new roads, footpaths, streetlights, water and wastewater assets and recreational areas.</p> <p>The Council is, however, looking into the benefits of extending the existing Kaikōura urban water services to Ocean Ridge, to</p>

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<p>subdivisions are referred to as the IAF<sup>1</sup> project. Due to the nature of subdivisions, the timing of the new lots being created could be as much as eight years from the date the consent is granted. We assume that the new lots will be phased in over time (averaging 29 per annum).</p> <p>The building of new dwellings usually doesn't occur in the same year as new lots are created – for various reasons; the lot may need to be sold, building designs need to be finalised, building consent needs to be granted, and only then can construction begin (which can take over a year). We assume that new dwellings will also be ongoing and averaging 30 per annum (this includes building on existing bare land). We also assume that over two-thirds of all building in the district will be at the two IAF sites, which is similar to the assumption that population growth will occur within the existing Kaikōura township or within 2km of it.</p>	<p>If growth is lower than assumed, then development contribution revenue could be lower than forecast, which potentially may result in the Council raising loans to meet the cost of some growth-related projects. Note the IAF project is subject to a separate developer agreement and the contributions will not be less than stated in that agreement.</p>		<p>ensure a secure supply to the expanded area.</p> <p>Subdivisions and new dwellings on existing road, water and wastewater networks generally don't require new assets to be developed, but incrementally this growth places additional demand on existing assets that therefore could need increased capacity in the future.</p> <p>For now, Kaikōura's urban water and wastewater assets can serve a community of 7,500 people, which should be more than adequate for the foreseeable future.</p>
<b>Land use &amp; development</b>			
<p>We assume the Kaikōura economy will have a “slightly positive” outlook, and that agriculture and tourism-related activities continuing to be dominant elements of the district's economy. Agriculture will remain largely unchanged, with the</p>	<p>The local economy will slow due to factors outside of Council control. A slowing of the local economy will impact on environmental, social,</p>	<p>Low/Medium</p>	<p>There are no obvious economic drivers that raise concern about our communities existing infrastructure to service development. A steady increase</p>

<sup>1</sup> Infrastructure Acceleration Fund

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<p>effects of climate change resulting in increased risk from storm events offsetting any potential gains from the warmer climate.</p> <p>The tourism sector – although buoyant – is still very dependent on international travellers. International economic conditions will have a key influence on tourist numbers. Current Ministry of Business Innovation &amp; Employment data shows visitor arrivals to New Zealand are expected to grow 4.0 per cent a year. Domestic tourism within Kaikoura is also expected to increase with the recently completed Kaikōura Zipline Adventures adding much needed land-based activities.</p> <p>Future projected land-based tourist activities for Kaikoura include Wakatu Quay Development, a Great Walk multi-day tramping track between Molesworth and Waiiau-toa/Clarence River, the completion of the Whale Trail and the Kaikōura Springs Ltd proposed hot pool along the Esplanade. Although uncertainty exists about the completion dates, they will result in increased domestic tourism.</p> <p>The increase in tourism will result in additional demands on other businesses. Additional business growth will be adequately meet by Kaikoura Business Park Limited who are in the</p>	<p>cultural and economic effects. It is very difficult to predict.</p>		<p>in both international and domestic tourism is expected. The proposed new light industrial area south of Kaikōura is likely to attract some new businesses as well as freeing up land for redevelopment within the urban area of Kaikōura.</p>

Assumption	Risk	Level of uncertainty	Impact
process of rezoning 20ha of rural land to light industrial land to support the growth of Kaikōura.			
<b>Staffing</b>			
We assume we will be at or near fully resourced over the forecast period and that we have access to the necessary human, financial, and technological resources to execute our planned initiatives.	That key service personnel may leave and not be replaced readily. Ideally with peoples notice period there is some ability to find replacement staff or ensure suitable cover is in place. With the limited population size and restricted availability of houses to rent, attracting new staff expediently can be difficult.	Medium	Loss of key technical, regulatory, compliance or accounting/finance functions could have a major impact on our ability to carry out required functions. Mitigation of this risk would include collaboration with neighbouring councils for shared service support and/or use of consultants and contractors for critical service requirements. The use of external resources would likely be at a premium to any budgeted staff costs and put pressure on rates or debt.
<b>COVID-19 and other pandemics</b>			
Our forecasts rest on the assumption that no pandemics will disrupt global operations within the next 10 years, allowing for a stable and predictable business environment.	Another pandemic outbreak causing the lockdown of the countries borders would be devastating for a tourism reliant economy only just seeing the recovery from Covid-19. Despite the experiences gained from the Covid-19 pandemic the possibility of another virus that is more virulent remains a major risk.	Very High	With a large dependence on tourism, the borders being closed again for extended times and or domestic travel being restricted would see an impact to budgeted user charges and potentially impact on the ability of rate payers to pay their rates across all sectors.

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<b>Geo-political tensions and war</b>			
<p>We anticipate no significant escalation in geopolitical tensions or war events that could adversely impact our operations or market dynamics required to secure resources.</p>	<p>An escalation of tensions and or war in the Middle East or Europe due to events in Israel, Yemen or Ukraine. This would likely see fuel costs substantially increase putting further pressure on inflation and interest rates as well as severely curtail the tourism sector.</p> <p>Escalations in the Middle East region as Yemen conflict escalates off the back of the Israel / Palestine conflict creates further fears of additional countries being sucked in if Iran or USA becomes directly involved. China's purchase of Russian oil may ease the sanctions pressure on Russia allowing them ability to resource their efforts in Ukraine and escalate the conflict to other NATO members.</p>	<p>Very High</p>	<p>High fuel costs, higher interest rates, reduced demand for sustainable products and a likely reduction in tourism.</p>
<b>Supply chains</b>			

Assumption	Risk	Level of uncertainty	Impact
<p>Our supply chains will exhibit resilience and reliability, ensuring business continuity over the next 10 years. This assumes that suppliers will maintain stable production and distribution processes, mitigating potential disruptions. We rely on the assumption that our supply chain partners will adopt robust risk management strategies, incorporating measures to address potential challenges such as natural disasters, geopolitical shifts, or economic fluctuations. Additionally, we anticipate advancements in technology and logistics that will contribute to the efficiency and adaptability of supply chains, allowing for quick responses to emerging challenges.</p>	<p>Lingering supply chain disruptions from border closures are not resolved and that isolated yet major events in key supplier countries has a knock on effect to our ability to source key materials or staff.</p>	<p>Medium/Low</p>	<p>Currently are not reliant materially on supply of materials from overseas whilst the COVID-19 experience has forced many businesses to reconsider their supply chain risk and minimise single supplier hubs.</p> <p>If this becomes a reality the mitigation options would be to consider any inventory that can be repurposed, deferral of projects, or stopping certain projects, to ensure critical BAU continues.</p>
<p><b>Legislative reform – Water, Wastewater &amp; Stormwater (Three-waters)</b></p>			

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<p>National prioritised investment in three waters is likely to occur. The establishment of the \$1.2 billion Regional Infrastructure Fund is likely to see a push for additional capital works. Given that the earthquake rebuilds improved the resilience of our three water systems additional substantial central government funding for three waters is unlikely. It is possible a push for PPP, Tolling and value capture rating to fund infrastructure over the current government term. Central Government’s 100-day plan requires repeal of Three Water Legislation and immediate stop-work notice to be placed on Three Waters.</p>	<p>Council receives little to no additional funding for three waters. With annual civil construction cost inflation exceeding 15% per annum in December 2022 cost of renewals of services will increase</p>	<p>Low</p>	<p>If the current rating models stay as is ratepayers will be forced to meet the increase in civil construction costs.</p>
<p><b>Legislative reform – the Resource Management Act (the RMA)</b></p>			
<p>The coalition agreements require a review of the Resource Management Act which includes the need for farmers to farm, to get more houses built, and to enhance the primary sector. Objectives speak of simplifying the planning system and related statutes including the Public Works Act and the Reserves Act, streamlining the plan preparation process in Schedule 1 of the RMA. Proposals include amend the Building Act and the Resource Consent system to make it easier to build granny flats or other small structures up to 60sqm requiring only an engineer’s report, and to cease implementation of new Significant Natural Areas and seek advice on the operation of existing</p>	<p>Uncertainty exists as to the final structure of the resource management reform. Current legislation must be complied with and work programmes and resources will be committed to resulting in work programmes being significantly altered as a result of new legislation</p>	<p>Medium</p>	<p>RMA reform requires additional unprogrammed work resulting in additional unforeseen costs</p>



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<p>Significant Natural Areas as part of the Government's programme to reform the Resource Management Act. The agreement goes as far as including a need to Replace the Resource Management Act 1991 with new resource management laws premised on the enjoyment of property rights as a guiding principle</p>			
<p><b>Legislative reform – Future for Local Government</b></p>			
<p>The recent national elections resulted in a move from centre left to centre right. Philosophically this should result in a move from centralisation to devolution, resulting in more decisions made at a local level. Coalition agreements seek to introduce financial incentives for Councils to enable more housing, including considering sharing a portion of GST collected on new residential builds with councils</p>	<p>Current funding models change</p>	<p>High</p>	<p>Uncertainty is created within rating models</p>
<p><b>New drinking water standards and reporting requirements</b></p>			
<p>We assume that the technical requirement for compliance with the NZ Drinking Water Standards (DWS) are not further increased, but that compliance with those standards will be more vigorously pursued (potentially by a new drinking water regulator).</p>	<p>If the technical requirements were to increase, such as to include a mandatory requirement for fluoridation of drinking water for example, the cost of those requirements would need to be added to the Council's LTP budgets and funded by loans and/or targeted rates.</p>	<p>Low</p>	<p>The Council has already moved to address many recommendations of the Havelock North Inquiry in the projects undertaken in 2021, and in its infrastructure planning.</p>

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<b>Grants &amp; Subsidies</b>			
<p><b>Waiau-Toa (Clarence River) Bridge</b> We assume that NZTA will provide 95% funding of a project to construct a new bridge over the river at Glen Alton to replace that lost in the 2016 earthquake.</p>	<p>Complex technical issues combined with opposition from some parties has resulted in substantial delays in project delivery and ongoing uncertainty, which could potentially result in NZTA withdrawing its support for the project or not 95% funding all of the associated cost.</p>	<p>Very High</p>	<p>Because of the likely high cost of the project (in excess of \$13 million) any limitations on NZTA's 95% subsidy would have a major financial impact on the Council, and when combined with the potential for significant ongoing maintenance costs after construction, could make the project unaffordable, which could in turn result in other liabilities falling on Council.</p>
<p><b>Waka Kotahi (NZTA) funding</b> Every three-years, Waka Kotahi (NZTA) funds most of the Council's roading expenditure currently at a rate of 51%. The LTP forecasts are based on the assumption that NZTA will not fund the entire proposed roading programme, but instead will fund 80% by value of the Council's submitted 2024-27 NLTP programme, excluding the Waiau-Toa Clarence River Bridge, and 80% of the Council's total roading programme each year thereafter.</p>	<p>The risk is that the funding received is significantly less than 80% of the submitted program value.</p> <p>It is known that a substantial shortfall exists between NZTA's available funding for the Canterbury region and the applications for that funding which have been received.</p> <p>To receive subsidy on 80% of KDC's program would be substantially better than the region wide average.</p> <p>Whilst it is considered that the Council has a strong case for above average proportional funding, previous experience has been disappointing.</p>	<p>High</p>	<p>A lower proportion of the program being funding would increase the financial burden on the Council and/or require the extent of program works to be reduced.</p>

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<b>Climate Change</b>			
<p>We assume that climate change will have significant effects on the district (such as temperature or rainfall) during the term of this LTP; although not as extreme as other areas within Canterbury based on the technical reports to date. We assume that any significant effects on the district could not realistically be mitigated by actions taken by the Council. We assume that climate change predictions do not differ materially from current expert reports. **</p> <p>The 2016 earthquake caused uplift of the coastal areas of the district that might otherwise have been vulnerable to rises in sea-level. The topography of the district can cause significant issues in wet weather events. The Council will consider climate change impacts in planning for infrastructure assets.</p> <p>The Council has significantly increased its budgeted spend on drainage maintenance and renewal, to increase the capacity of roadside drainage and stormwater systems, and to undertake regular clearing of these systems to ensure high rainfall events do not result in overflows or damage to roads and properties. We have also committed to setting funds aside to accumulate a larger emergency resilience fund to respond to emergency events, and to contributing to Environment Canterbury's Climate Action Plan.</p>	<p>If a severe climate-related event were to occur, the Council may not have adequate asset or hazard planning in place.</p> <p>The Council has taken account of current climate change predictions in its District Plan natural hazards chapter.</p>	<p>Medium</p>	<p>The Council will consider climate change impacts in planning for infrastructure assets. The Council always has in place a minimum of \$2 million buffer in its borrowing capacity, to facilitate the Council's response to a natural disaster, including a severe weather event. Waka Kotahi (NZTA) would likely provide funding assistance at a higher subsidy rate than the usual 51%, for emergency repairs to district roads and bridges. Additional funding for major costs to remedy damage to Council infrastructure will, where necessary, be debt funded.</p>

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<p><b>** Sea Level rise Impact:</b></p> <p><i>MfE (2017) presents current sea level rise projections. For Canterbury, the projected increases in sea level from a 1986-2005 baseline out to 2120 range from 0.55 – 1.06 m (under the same RCP scenarios used for the temperature increase projections). Most of the Kaikōura rivers have relatively steep gradients, thus any increases in sea level, due to climate change, should not have a significant impact on flood levels upstream of river mouths. By comparison, Lyell Creek has a relatively gentle gradient making it more susceptible to sea level increases. However, during the November 2016 Kaikōura Earthquake Sequence, ground levels at the Lyell Creek mouth uplifted by around 0.8 m relative to sea level. Therefore, any impacts on flooding due to sea level rise are likely to be minimal – especially since the SH1 bridge over Lyell Creek acts as a constriction to flood flows, limiting the flow able to be conveyed along Lyell Creek to the sea</i></p> <p><i>Most of the Kaikōura rivers have relatively steep gradients, thus any increases in sea level, due to climate change, should not have a significant impact on flood levels upstream of river mouths. By comparison, Lyell Creek has a relatively gentle gradient making it more susceptible to sea level increases. However, during the November 2016 Kaikōura Earthquake Sequence, ground levels at the Lyell Creek mouth uplifted by around 0.8 m relative to sea level. Therefore, any impacts on flooding due to sea level rise are likely to be minimal – especially since the SH1 bridge over Lyell Creek acts as a constriction to flood flows, limiting the flow able to be conveyed along Lyell Creek to the sea</i></p> <p><b>Kaikoura Fans Flood Modelling investigation report – Ecan February 2020 report No. R20/15</b></p> <p><b>Air temperature</b></p> <p><i>MfE (2016) presents projected changes in annual mean temperature for four scenarios of future radiative forcings, known as ‘Representative Concentration Pathways (RCPs)’. These represent different pathways of human development and greenhouse gas emissions. For Canterbury, the average projected increases in annual mean temperature from a 1986-2005 baseline out to 2101-2120 range from 0.7 – 3.6 °C.</i></p> <p><b>Kekerengu, Hāpuku and Oaro floodplain investigation Report No. R19/04 January 2019</b></p> <p><b>Rainfall</b></p> <p><i>In general, rainfall varies more significantly spatially and temporally than temperature. For the east coast of the South Island, summer is likely to become wetter, and winter and spring drier (MfE, 2016).</i></p> <p><b>Kekerengu, Hāpuku and Oaro floodplain investigation Report No. R19/04 January 2019</b></p>			

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<b>Capital projects</b>			
<p>We assume that capital projects will be delivered in accordance with the scheduled timeframes set out in the LTP.</p>	<p>Project management and delivery resources are insufficient or otherwise inadequate, contributing to delays in project initiation. There may be unforeseen changes in project scope, delays in obtaining resource consents or other unforeseen and uncontrollable factors that create delays in project completion</p>	<p>Low for most projects Medium for IAF funded works, High for Waiau-Toa/ Clarence Bridge project</p>	<p>Delays in renewals may potentially have adverse effects of levels of service.  Delays may reduce public and partner confidence in Council.</p>
<p>We assume that capital projects will be delivered within the budgets indicated in the LTP.</p>	<p>That costs exceed estimates due to potential combinations of initial underestimation, higher than expected inflation and lack of competition for works. Because of the small scale and isolation of KDC's infrastructural activities there is often not recent comparable works upon which to base estimates, and limited competition for smaller works does not provide well defined 'market rates' for these items.</p>	<p>Medium</p>	<p>Higher project costs likely to translate into higher rates and debt, potential adverse effect on community perceptions of Council.  A potential doubling effect of financial impact where higher costs are in NZTA subsidised roading projects as cost overruns are likely to require 100% local funding.</p>

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<b>Asset revaluation</b>			
<p>Council-owned land and buildings, roading, and three-water assets are subject to a revaluation of their carrying value every three years. These revaluations are assumed to be adjusted per the rates of inflation specified below.</p>	<p>If these assets were to be revalued higher or lower than forecast, or the assets remaining useful life were to be different to the current useful life predictions, then the depreciation expense is likely to be higher (or lower) than forecast.</p>	<p>Low</p>	<p>The Council does not fund depreciation, so there would be no impact on the rates requirement. Instead, there would only be an impact on asset values and depreciation expense. If depreciation were to be higher than currently forecast, this would increase the operating deficits of the Council (or reduce its surpluses if applicable), but would have no cash impact.</p>
<b>Significant assets</b>			
<p>That the revaluation of roading and 3 waters assets as at 30 June 2022 reasonably reflects the likely cost of future asset renewals once adjusted for inflation.</p>	<p>The revaluation of assets at 30 June 2022 underestimates the actual cost of future asset renewals even when adjusted for inflation.</p> <p>The 2022 revaluation was peer reviewed and based upon new sets of estimated unit cost rates provided by WSP consultants which were very substantially higher than what had been adopted in previous revaluations, and which were in some cases significantly higher than what had been achieved in recent works</p>	<p>Low</p>	<p>An underestimation of asset replacement costs would likely translate into increased levels of Council debt.</p>

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<b>Asset condition</b>			
<p>That assessments based on informal observation of poor condition assets and a linkage between estimated asset age and condition for other assets will provide an acceptably reliable approach to asset condition assessment.</p>	<p>Use of asset age as an indicator of condition may not be entirely reliable, resulting in over or underestimation of longer-term renewal requirements and levels of service.</p>	<p>Medium</p>	<p>Limited to medium/long term effects because short term renewal or improvement programmes are ground-truthed by inspections of assets.</p>
<b>Asset life</b>			
<p>Useful life of assets is recorded in asset management plans or based upon professional advice (the Statement of Accounting Policies details the useful lives by asset class).</p>	<p>If the useful life of an asset is significantly shorter than expected, then the asset will need to be replaced sooner than planned and budgeted for. If the useful life of an asset is longer than expected, then the asset could be replaced sooner than it needed to be.</p>	<p>Medium / Low</p>	<p>The Council maintains its asset database with the latest known condition. Ideally assets are replaced just in time. Earlier replacement would put more pressure on the Council's capital programme, financing costs, and rates requirement. Late replacement can lead to more urgent repairs and higher operating costs. The Council will only replace an asset where its condition and/or performance have been affected, rather than replace an asset that is deemed to still be functioning well regardless of remaining useful life.</p>

Assumption	Risk	Level of uncertainty	Impact
<b>Sources of funds for replacing assets</b>			
The sources of funds will occur as projected.	If funding is not received as projected, then the Council would need to borrow instead.	Low	If required, the Council is well placed to borrow as required and remain within its LGFA covenants. An increase in loan servicing costs of \$107k is a 1% increase to rates, and that cost would remain until the loan(s) are repaid.
<b>Securing external funding</b>			
New, or refinancing of existing, borrowings can be achieved on acceptable terms (from funding sources that comply with the Council's Treasury Management Policy).	If new borrowing cannot be accessed to refinance existing debt or for new loans (such as the Council was in breach of its LGFA covenants and was unable to borrow from LGFA or a suitably graded bank), then the Council would need to borrow from unconventional sources or default on its debts.	Very Low	The Council is well placed to borrow as required and remain within its LGFA covenants. There is plenty of lending capacity to also secure a further lending facility from banks if this is necessary.
<b>Emissions Trading Scheme (ETS)</b>			
That Council's application for an exemption in respect of the carbon credit liabilities in respect of the harvesting of the South Bay Forest will be successful.	If the application is not successful Council could face a substantial financial liability for carbon credits if the forest is not replanted within 5 years.	Medium	Financial liability upwards of \$500,000 if exemption not granted and replanting in suitable species does not occur.
<b>Relationships</b>			
The Council aims to retain an open, transparent, and respectful relationship with Te Rūnanga O Kaikōura.	That the relationship stagnates or deteriorates.	Medium	Changes to key management personnel at either organisation could have an impact on the future relationship and, in



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			addition, changes to government legislation could result in an unintended shift due to government mandate.
<b>Resource consent compliance</b>			
That Council's operational activities are conducted in compliance with conditions of associated resource consents and that achieving such compliance does not result in higher than expected capital or operational cost.	That current non-compliances with resource consent conditions in respect of wastewater treatment and the former landfill site require greater cost to resolve than is currently expected.	Low  Reliant on decisions of Environment Canterbury	Modest additional costs may impact on rates and debt levels.  Potential damage to Council's reputation if compliance is not achieved.
<b>Economic Development projects</b>			
Wakatu Quay	That the project does not receive the stated government subsidies. MBIE have committed to providing the remaining funds for the project subject to key milestones. The most critical milestone was the investor funding of \$0.8m which Council has committed to cover via loan funding	Low	Very High The full cost of the project is in excess of \$10m which would be unlikely for Council to afford through rates or through debt and stay within covenant levels.
Hot Pools	That the project does not go ahead, and the Council loses a forecast revenue stream. The project has so far received very positive indicative community support, is still to go through the relevant legislation processes however which could cause either delays or project closure.	Medium	Medium The largest impact will be on the multiplier effect to the community by having a seasonally diversified tourist attraction. For the Council, if the project does not go ahead, the impact will be the loss of a revenue stream independent of rates and potentially an increase

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			in costs to remediate the site or attempt the process again.
<b>Interest rates</b>			
<p>The Council borrows from the Local Government Funding Agency (LGFA) and is therefore able to borrow at interest rates much lower than retail. We assume the following average rates of interest on borrowing:</p> <p>Existing loans are at the current weighted average interest rate of 4.0%</p> <p>July 2024 to June 2025 6.5%</p> <p>July 2025 to June 2026 6.0%</p> <p>July 2026 to June 2034 5.00%</p> <p>We assume interest rates on deposits will be 2.75%</p>	<p>If interest rates increase to levels higher than forecast, the cost of borrowing would increase. The Council reviews its budgets annually and so any increase in borrowing costs would be reflected in the subsequent year's increase to rates for ratepayers. It is considered unlikely that interest rates would ever increase significantly without strong signals in the economy triggering the Council's ability to adjust its budgets.</p>	<p>Low</p>	<p>The Council's planned level of debt is not expected to exceed \$10 million in the next ten years. A one percent increase in the loan interest rate is a \$10,000 annual cost for every \$1 million the Council borrows, or up to \$100,000 per year. If there were to be much higher interest rate than predicted, the Council has the option to delay some loan-funded projects.</p>
<b>Inflation</b>			
<p>The financial information is based on the adjustments for inflation detailed in the following pages. The Council has used the Business &amp; Economic Research (BERL) forecasts of price level changes to adjust future year's variable costs and revenues, relative to the type of activity (operational or capital). Further details about the specific assumptions for inflation are stated below.</p>	<p>If inflation were to be higher than the BERL economic forecasts, then all the following items will be underestimated in dollar terms:</p> <ul style="list-style-type: none"> <li>• User fees &amp; charges</li> <li>• Operating expenses (excluding loan interest and depreciation)</li> <li>• Capital expenses</li> </ul> <p>If these items were to be underestimated then this has a flow on</p>	<p>Medium/Low</p>	<p>Dependent upon the extent of the variation from actual costs to budget, an increase inflation beyond the BERL forecast could result in an increase in rates and debt servicing, and/or a slowing of the capital work programme.</p>

Assumption	Risk	Level of uncertainty	Impact
	effect to all the financial statements in this document.		

## Inflation

### Local government cost adjustors, per annum % changes

	Planning & regulation	Roading	Community	Water & environment	Local Government Cost Adjustor - Opex	Local Government Cost Adjustor - Capex
2025	0.0	0.0	0.0	0.0	0.0	0.0
2026	2.1	2.0	2.0	2.5	2.2	3.0
2027	2.2	2.3	2.2	2.7	2.3	2.2
2028	2.1	2.3	2.2	2.6	2.3	2.4
2029	2.0	2.2	2.1	2.5	2.2	2.3
2030	1.9	2.1	2.0	2.3	2.1	2.2
2031	1.9	2.0	1.9	2.3	2.0	2.1
2032	1.9	2.0	1.9	2.2	2.0	2.1
2033	1.8	2.0	1.9	2.1	1.9	2.0
2034	1.8	1.9	1.9	2.1	1.9	2.0

### Local government cost adjustors, cumulative % change

	Planning & regulation	Roading	Community	Water & environment	Local Government Cost Adjustor - (LGCI) Opex	Local Government Cost Adjustor - (LGCI) Capex
2025	0.0	0.0	0.0	0.0	0.0	0.0
2026	2.1	2.0	2.0	2.5	2.2	3.0
2027	4.35	4.35	4.24	5.27	4.55	5.27
2028	6.54	6.75	6.54	8.0	6.96	7.79
2029	8.67	9.09	8.77	10.7	9.31	10.27
2030	10.73	11.39	10.95	13.25	11.6	12.7
2031	12.84	11.39	13.06	15.86	13.84	15.06
2032	14.98	13.61	15.21	18.4	16.11	17.48
2033	17.05	15.89	17.4	20.89	18.32	19.83
2034	19.16	18.2	19.51	23.43	20.57	22.23

In applying each of the above inflation factors, the following categories have been used:

	Roading	Water & environment	Community activities	Planning & regulatory	LGCI Opex
Roads & bridges	X				
Footpaths & streetlights	X				
Water supplies		X			
Wastewater		X			
Stormwater		X			
Refuse & recycling		X			
Parks & reserves			X		
Facilities & properties			X		
Airport			X		
Harbour			X		
Forestry			X		
Leadership & governance					X
Building control				X	
Statutory planning				X	
Animal control				X	
Regulatory functions				X	
Community development			X		
Emergency management			X		
Library services			X		
Grants & events			X		
District planning & policy				X	
Tourism & marketing					X
Economic development					X

Note we have used these cost indices for both operating and capital expenses, and have used the LGCI capex table for all revaluation movements.