

FORECASTING ASSUMPTIONS

TASMAN'S 10-YEAR PLAN 2024-2034

This document provides the significant forecasting assumptions underlying the financial estimates in the Tasman District Council 10-Year Plan 2024-2034.

The Council's 10-Year Plan 2024-2034 is required to contain information on the significant forecasting assumptions underlying the information contained in the consultation document and supporting information. These assumptions will include assessments of a number of factors that might impact on the Council and the community, including anticipated changes in the population over the next 30 years, the economic and financial environment, how the Council will provide services over the next 30 years, and external factors such as climate change and Government legislation.

Actual results might differ, and these differences could potentially be significant. Therefore, each assumption includes an assessment of how likely the actual results could vary from the assumptions. For assumptions with greater uncertainty, there is also an assessment of the impact the variances would have on the Council.

The quality of assumptions and modelling are of high interest for the 10-Year Plan auditors. The auditor is required to express a view on the quality of the forecasting assumptions in their report.

Significant forecasting assumptions need to be:

- realistic
- evidence-based - especially where assumptions are outside industry norms
- internally consistent with other assumptions
- applied consistently across the 10-Year Plan and supporting documents (unless there is good reason not to and the difference in treatment and reason are both explained).

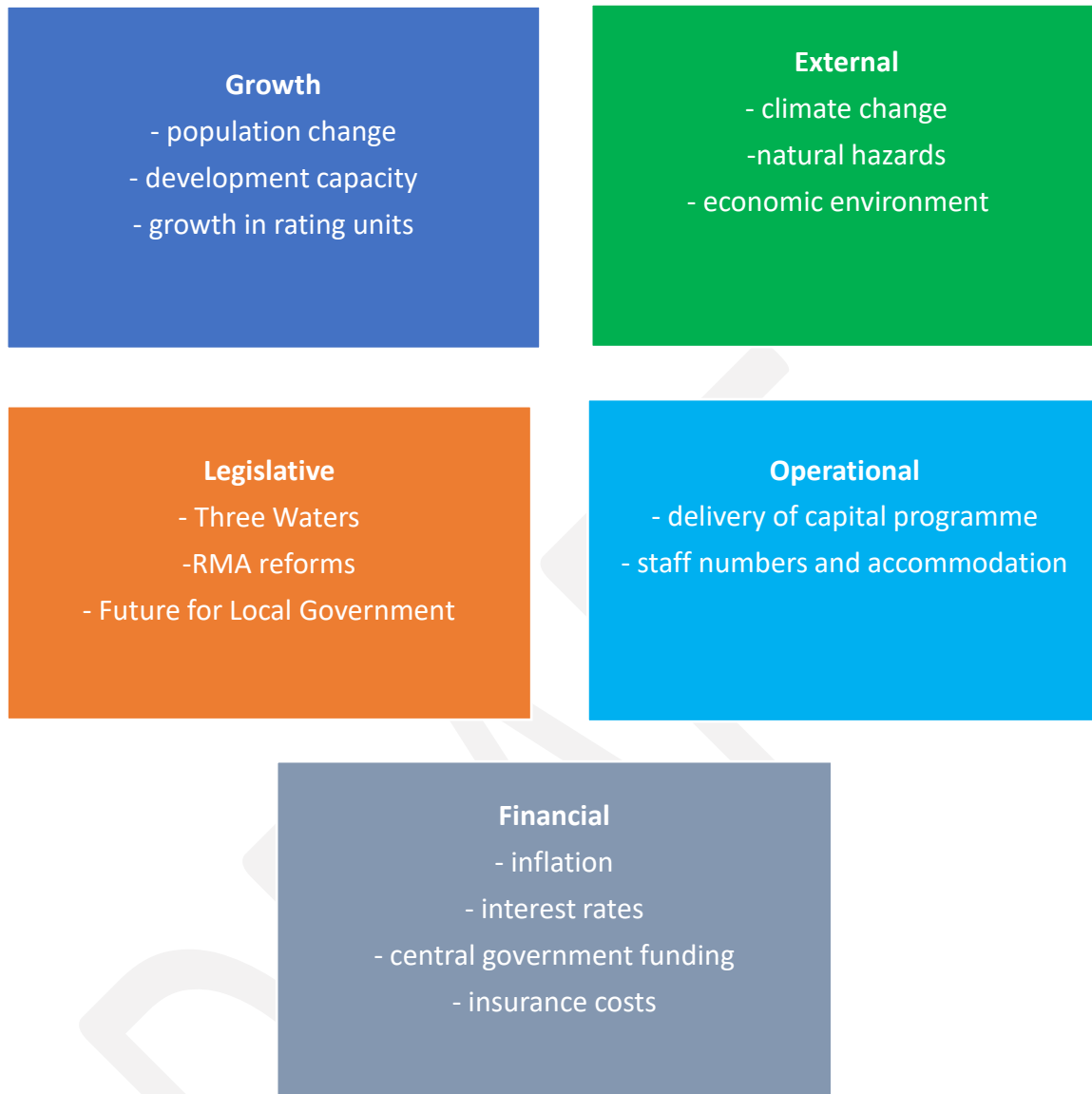


Figure 1: Key 10-Year Plan Assumptions

1 GROWTH ASSUMPTIONS

1.1 Population growth

ASSUMPTION	BRIEF DESCRIPTION OF RISK	LEVEL OF UNCERTAINTY	POTENTIAL EFFECTS OF UNCERTAINTY ON FINANCIAL ESTIMATES, AND HOW COUNCIL WILL MANAGE THE EFFECTS
<p>That the overall population of Tasman increases by 7,400 residents between 2024 and 2034, to reach 67,900. The District will experience ongoing population growth over the next 30 years but the rate of growth will slow over time¹.</p> <p>Based on these assumptions, Council is planning a further 4,200 dwellings and 13 hectares of business land will be required by 2034.</p> <p>The growth assumption also considers non-resident demand for holiday home properties and assumes the current proportion of</p>	<p>That population growth and development are higher or lower, due to a range of factors, including migration patterns, housing demand, and landowner/developer decisions.</p> <p>Positive net migration is the major contributor to the District's population growth and increasingly offsets natural decrease (more births than deaths). It has historically been highly variable and therefore difficult to predict.</p> <p>Migration patterns could be affected by:</p> <ul style="list-style-type: none"> • An increase in the number of returning New Zealanders • House prices and incomes relative to other regions and countries 	Medium	<p>Council will continue to monitor growth and demand.</p> <p>If population growth is higher than assumed, debt incurred by Council to fund the growth-related portion of infrastructure will be repaid more quickly than assumed. Higher growth than planned could also result in an insufficient amount of serviced land (including infrastructure) for development and a worsening of housing affordability. Council may be required to undertake further changes to the Tasman Resource Management Plan and/or increase its investment in infrastructure to make more land for development available. Some infrastructure may need to come forward.</p> <p>If population growth is lower than assumed it may take longer for Development Contributions to pay off debt incurred to fund growth related infrastructure. Council may need to revise its capital programme for growth related infrastructure. The forecast increases</p>

¹ Dot Consulting, [Projections for Nelson and Tasman](#), 2023, Medium Scenario

ASSUMPTION	BRIEF DESCRIPTION OF RISK	LEVEL OF UNCERTAINTY	POTENTIAL EFFECTS OF UNCERTAINTY ON FINANCIAL ESTIMATES, AND HOW COUNCIL WILL MANAGE THE EFFECTS
<p>dwellingings will continue to be used as holiday homes.</p> <p>For further information on the 10-Year Plan Growth Projections, please refer to Tasman Growth Projections 2024-2054.</p>	<ul style="list-style-type: none"> Housing supply in other regions, particularly Nelson City. <p>The demand and supply of new commercial and industrial buildings are influenced by a range of factors, including the economic and employment trends.</p>		<p>in rates and development contributions may be smaller than anticipated.</p>

1.2 Ageing population

ASSUMPTION	BRIEF DESCRIPTION OF RISK	LEVEL OF UNCERTAINTY	POTENTIAL EFFECTS OF UNCERTAINTY ON FINANCIAL ESTIMATES
<p>That the proportion of the population aged 65 years and over is projected to increase from 23% in 2024 to 28% by 2034 (medium scenario).</p> <p>This is likely to mean more residents on limited incomes, for whom rates affordability is a significant issue. The ageing population is also likely to mean a reduction in average household size, as more people live alone or as couples without children, and an increased demand for housing, particularly smaller, accessible housing. An increase in the number of residents with disabilities and health issues is likely to increase demand for more accessible facilities, information and services.</p>	<p>Once a population has more than 20 per cent aged 65+ years it is usually approaching the end of natural increase. Tasman reached that threshold in 2016 and has experienced relatively low natural increase in recent years.</p> <p>The proportion aged 65+ years is projected to increase to 29% by 2034 (low scenario) or to 26% (high scenario).</p>	Low	<p>If the population ages faster than assumed, Council may reduce levels of service and/or future investment in infrastructure and facilities in order to reduce future rates increases. Due to an associated reduction in the average household size, it may also be necessary to consider servicing additional land for development to meet the increased demand for housing. This could require increased borrowing. Council may also need to reconsider the mix of services, facilities and infrastructure it provides to meet the needs of the older population structure.</p> <p>If the population ages more slowly than assumed, Council may consider selective increases in levels of service and/or future investment in infrastructure and facilities with the likely consequence of increased future rates rises. Due to an associated lower demand for housing, Council may also reduce its investment in infrastructure to support the growth in land for development (which would reduce debt) and may need to reconsider the mix of services, facilities and infrastructure it provides to meet the needs of the younger population structure.</p>

1.3 Sufficient Development Capacity

ASSUMPTION	BRIEF DESCRIPTION OF RISK	LEVEL OF UNCERTAINTY	POTENTIAL EFFECTS OF UNCERTAINTY ON FINANCIAL ESTIMATES
<p>That Council won't meet ss.30 and 31 of the Resource Management Act to ensure there is sufficient development capacity within the next ten years in relation to housing and business land to meet the expected demands of the urban area, with demand based on the population growth assumption discussed above. While Council planning allows for additional capacity in Tasman's urban environment, this is not as much as required by the National Policy Statement on Urban Development 2020 (NPS UD). Further information is available in the Tasman Housing and Business Assessment.</p>	<p>Due to financial constraints and the increased cost of infrastructure, Council expects there will be enough zoned and service development capacity to meet demand for residential and business land in the urban environment, but not sufficient to meet the additional margin required by the NPS UD.</p> <p>The main risk is that there is not the right type of capacity according to need. The housing and business needs of the region may be different to those Council has assumed, due to factors relating to the population growth, housing preferences and economic situation assumptions. The growth infrastructure projects may not be completed in time to provide the sufficient housing and business capacity required by the NPS Urban Development. There is a risk that landowners won't choose to develop land that is zoned and serviced.</p>	<p>Low in Years 1-3, Medium in Years 4-10</p>	<p>The effects are the same as those noted above, in relation to the uncertainty of the growth assumption.</p> <p>If there is insufficient capacity of the right type, Council will need to immediately notify the Minister for Environment.</p> <p>Council may need to investigate alternative funding mechanisms for growth infrastructure in order to service further areas for development. This could increase Council borrowing and/or impact Development Contribution levels.</p>

1.4 Growth in rating units

ASSUMPTION	BRIEF DESCRIPTION OF RISK	LEVEL OF UNCERTAINTY	POTENTIAL EFFECTS OF UNCERTAINTY ON FINANCIAL ESTIMATES
That the number of rating units will increase from 26,060 in 2024 to 30,800 in 2034, with an average annual increase of 1.7%.	That actual growth in rating units is lower or higher than assumed. Economic conditions, demographic factors, and landowner/developer decisions can cause variations in rating unit growth.	Medium	Any significant variance from rating unit projections will affect rates revenue and development contributions revenue. Lower than projected growth could result in marginally higher rates increases. Council has taken a conservative approach in its estimated growth in the rating base so that the risks are relatively low.

1.5 Development Contributions (DCs) and Reserve Financial Contributions (RFCs)

ASSUMPTION	BRIEF DESCRIPTION OF RISK	LEVEL OF UNCERTAINTY	POTENTIAL EFFECTS OF UNCERTAINTY ON FINANCIAL ESTIMATES
<p>That Council collects Development and Financial Contributions based on the population growth assumption above. The Council expects to collect \$146 million in Development Contributions over the next 10 years. Council expects to collect in \$31 million in RFC's over the next 10 years.</p> <p>That Council calculates and collects Development Contributions to fund growth infrastructure for the</p>	<p>That Council receives development contributions more slowly than assumed.</p> <p>That Council will borrow to fund a significant amount of growth infrastructure in Years 1 -10, which will be recovered from Development Contributions as growth occurs over the next 30 years.</p>	Low in Years 1-3, Medium in Years 4-10	If development contributions are received more slowly, Council will hold debt for growth related infrastructure investment for longer. This may put pressure on Council's net debt limit in its Financial Strategy. It will also raise the cost of future development contributions as interest accumulates. Council may have to consider either reducing other debt, or revising the debt limit in its Financial Strategy.

next 30 years (to meet NPS UD requirements).

Refer to the Development and Financial Contributions Policy for more detail.

2 EXTERNAL ASSUMPTIONS

2.1 Climate change

See our website [here](#) for the NIWA reports and further information on the impacts and implications of a changing climate.

ASSUMPTION

The following key assumptions have been made regarding the potential impacts of climate change on the Tasman District community and the Council's activities:

That Tasman's climate will change based on the NIWA-modelled climate change projections for Tasman District. The scenarios our assumptions are based on are expressed as a range, from higher emissions to lower emissions, for several climate-related parameters. Two climate scenarios are used across the 2015 and 2019 NIWA reports and are referred below:

- RCP 8.5: "business as usual", where greenhouse gas emissions continue at current rate.
- RCP 4.5: scenario where global action is taken towards mitigating climate change (e.g. Paris climate change agreement).

That it is not possible to reduce the mid-century warming, due to the amount of greenhouse gas emissions already accumulated in the atmosphere – i.e. that the projections for mid-century are already 'locked in'.

That different climate change scenarios apply depending on the context:

- For infrastructure planning, subdivision, consenting and similar planning purposes, Council assumes the climate change scenario of RCP 8.5 or (for sea level rise) SSP5-8.5². This represents a "worst-case" scenario for the impacts of climate change. It is prudent to base design criteria and decision-making on the worst-case scenario, to avoid the risk of having to replace undersized infrastructure or abandon buildings or subdivisions.

² RCP = Representative Concentration Pathway. SSP = Shared Socioeconomic Pathway.

RCP scenarios are based on how future greenhouse gas concentrations will change.

Shared Socioeconomic Pathways (SSPs) are scenarios of projected socio-economic global changes up to 2100. They are used to derive greenhouse gas emissions scenarios with different climate policies and in response to socio-economic indicators such as population, economy, land use, and energy change.

ASSUMPTION

- For other matters, such as planning Council's proposed mitigation actions, a low-emissions scenario such as RCP 4.5 may be used as a baseline. This scenario assumes that global greenhouse gas emissions peak in the next few years and decline rapidly thereafter, leading to a global temperature increase of around 1.5°C by the end of the century.

That sea levels will continue to rise and are likely to rise at an accelerated rate over time. The Tasman District is particularly vulnerable to sea level rise due to its extensive coastline. For low lying coastal land there will be increasing inundation and erosion from sea level rise and storm surge.

Our plans assume sea-level rise (SLR) of:

- 0.32m by 2050
- 0.9m by 2090
- 1.66m by 2130, and
- 2.02m by 2150

(using 1995-2014 baseline (mid-point 2005)).

This is based on the SSP5-8.5H+ (83rd percentile) which is in line with the Ministry for the Environment's Coastal Hazards and Climate Change Guidance (February 2024) and was sourced from the NZ SeaRise: Te Tai Pari O Aotearoa platform.

For coastal subdivisions, greenfield developments, major new infrastructure, changes in land use, and redevelopment (intensification and upzoning), Council is planning for 1.66m SLR by 2130, and also factoring in the relevant rate of vertical land movement locally (as per the MfE 2022 and 2024 guidance). The Tasman coastline is generally subsiding with rates typically in the order of -1.0mm to -4.0mm/year (i.e. -0.10 metres to -0.40 metres per 100 years) which will further exacerbate SLR.

These assumptions were based on the Ministry for the Environment's Interim Guidance on the use of New Sea-level Rise Projections (August 2022) and are also consistent with the updated Coastal Hazards and Climate Change Guidance (February 2024).

That there will be an increased frequency and intensity of extreme weather events: Climate change is expected to lead to more frequent and severe extreme weather events such as storms, heatwaves, and droughts. This could impact the community through damage to property, disruption of services, and increased health risks.

ASSUMPTION

That there will be changes in water availability: Climate change is expected to lead to changes in water availability, including more frequent and severe droughts. This could impact the community through restrictions on water use, reduced agricultural productivity, and impacts on biodiversity.

That biodiversity will be impacted: Climate change is likely to lead to changes in the distribution and abundance of species in the Tasman District. This could result in changes in ecosystem services, impacts on cultural and recreational activities, and increased risks to human health.

NIWA is currently developing updated national climate projections for Aotearoa New Zealand and this is expected to be completed in 2024. This information will be used to inform Council work once available (see: <https://niwa.co.nz/climate/research-projects/updated-national-climate-projections-for-aotearoa-new-zealand>).

BRIEF DESCRIPTION OF RISK	LEVEL OF UNCERTAINTY
There is an overall risk that the effects of climate change are more <u>or less</u> severe than the scenarios Council's assumptions are based on and/or sea level rise is higher than the Ministry for the Environment (MfE) predicted advice levels.	<p>High</p> <p>The Council acknowledges that there is a high level of uncertainty associated with climate change projections. While scientific models provide valuable insights into potential impacts, it is difficult to predict with certainty the exact nature and extent of these impacts. As a result, it is important to build flexibility and adaptability into the 10-Year Plan.</p>

POTENTIAL EFFECTS OF UNCERTAINTY ON FINANCIAL ESTIMATES

There will be social, cultural, economic and environmental implications of climate change for individuals, landowners, businesses, iwi, and the wider community, in addition to the broader implications for the District. Examples of types of impacts include: damage to/loss of assets, property, infrastructure and facilities from coastal storm inundation events, sea level rise, flooding and/or wildfire; issues with water supply security; increased wastewater overflows; inadequate flood protection structures; increased biosecurity incursions and impacts on biodiversity. Climatic events increase Council's costs for both responding to events and building greater resilience into infrastructure and our communities.

The 2019 NIWA report details the impacts and implications of the specific climate change scenarios our assumptions are based on. The financial cost to Council of responding to these impacts has not been quantified yet but is likely to be significant. If the impacts are more severe than anticipated, the financial costs will be even higher. A wide range of Council's services and planned infrastructure provision may be affected, particularly in coastal areas.

Council will need to monitor the effects of climate change and sea level rise over time and review its budgets, programme of work and levels of service accordingly.

The Council acknowledges that there is a range of potential impacts associated with climate change, and that these impacts may vary depending on the specific location within the Tasman District. A detailed regional climate change risk assessment is underway to identify the key areas of vulnerability (utilising coastal hazards guidance, local government risk assessment guidance, national adaptation plan and national climate change risk assessment, national disaster resilience strategy). The next step will be to develop appropriate strategies and adaptation plans to mitigate these risks.

Council's business must respond to climate change now to ensure a level of preparedness for future impacts. Failure to respond will lead to significant future challenges and costs.

The Council will continue to set priorities and apply consistent risk reduction approaches to reduce risk from climate change and natural hazards. Council will monitor climate change, natural hazard, and emergency management related regulatory settings to adjust operations and policy throughout the Long Term Plan period.

2.2 Natural hazards

ASSUMPTION	BRIEF DESCRIPTION OF RISK	LEVEL OF UNCERTAINTY	POTENTIAL EFFECTS OF UNCERTAINTY ON FINANCIAL ESTIMATES
<p>Natural Hazards:</p> <p>That there will be damaging natural hazard events during the term of Tasman's 10-Year Plan 2024–2034³. Since 2000, Tasman District has been impacted by at least 10 costly weather-related events⁴ of varying scales and it is reasonable to expect the next 10 year period to be similar. The frequency and severity of damaging weather-related events will increase into the future, due to climate change.</p>	<p>That there is a modest or larger natural hazard event and/or a series of more localised events during the period of Tasman's 10-Year Plan 2024–2034. The effects of climate change increases the likelihood of damaging weather-related events (their frequency and severity is also expected to increase).</p> <p>The Nelson Tasman Civil Defence Emergency Management (CDEM) Plan states that the natural hazards with the</p>	Medium	<p>Council needs to maintain sufficient Emergency Reserves to fund more regular events.</p> <p>Council has sufficient borrowing capacity above its self-imposed debt cap to be able to use in the case of a natural hazard event where costs exceed its emergency reserves.</p> <p>Following a larger, more widespread, damaging natural hazard event, or a series of more localised events, Council may have to review its levels of service, financial limits and</p>

³ [Nelson Tasman Civil Defence Group Plan 2018](#)

⁴ Damaging weather-related events affecting Tasman District over the past two decades include:

- 2001 Major drought across the region.
- 2005 Upper Motueka flooding, particularly Motupiko.
- 2010 Very large flood in Aorere Valley. Extensive damage to farmland and the Wangapeka and Murchison areas. Extensive repairs needed to river protection works.
- 2011 Golden Bay and Richmond Hills - extensive landslips and debris flows (\$45m of damage).
- 2013 Richmond and Hope - major flooding, heaviest rainfall seen in Tasman District during one hour (\$45m of damage).
- 2014 Wind caused extensive damage to plantation forestry, as well as trees in urban areas.
- 2018 Cyclone Fehi caused coastal inundation. Cyclone Gita caused flooding damage and extensive landslips/road damage, with the highway over Tākaka Hill closed for many weeks and restricted travel for three years.
- 2019 Major drought across the region and a large damaging fire in Pigeon Valley.
- 2021 Motueka River flooding - extensive river-bank damage requiring repair work.
- 2022 Landslips in Golden Bay, moderate flooding across northern part of the District.

ASSUMPTION	BRIEF DESCRIPTION OF RISK	LEVEL OF UNCERTAINTY	POTENTIAL EFFECTS OF UNCERTAINTY ON FINANCIAL ESTIMATES
<p>There is a high likelihood of localised damaging events, such as from flooding, slope failure, strong winds, coastal erosion, wildfire etc. occurring within the next 10 years, and some of these will be costly (the 2013 Richmond flood was estimated to cost \$45m). There remains a modest chance of larger more widespread damaging events, such as flooding across multiple catchments, drought or a damaging earthquake, occurring over this time, with long-lasting effects such as the damage to the Takaka Hill roading system after Cyclone Gita.</p> <p>Council assumes that 60% of the repairs to underground assets will be funded by central government and 51% of repairs to roading assets will be funded by Waka Kotahi NZ Transport Agency. If the assets sustain storm damage, then the current arrangement with Waka Kotahi NZ Transport Agency is that the funding assistance rate increases with the scale of damage.</p>	<p>highest residual risk (i.e. risk that remain after treatment) for Nelson Tasman are: earthquakes (infrequent but significant impact), plant and animal pests/diseases, high winds, large scale slope failure and drought.</p>		<p>its investment in facilities and infrastructure to support the response and recovery of the District.</p>

2.3 Emissions Trading Scheme (ETS)

ASSUMPTION	BRIEF DESCRIPTION OF RISK	LEVEL OF UNCERTAINTY	POTENTIAL EFFECTS OF UNCERTAINTY ON FINANCIAL ESTIMATES
<p>That the Council's carbon unencumbered units (which are available for sale) are valued at circa \$76-\$80 per unit.</p> <p>The Council's forestry activity produces sufficient committed units (ETS credits) which are valued at \$0 as they are credits obtained through forest growth which must then be surrendered on harvest.</p> <p>The Council will have no permanent forests in the Emissions Trading Scheme.</p> <p>The Regional Landfill Business Unit can purchase ETS units as required to meet its obligations.</p>	<p>That ETS costs are higher than assumed, costing the Council more than forecast through the Regional Landfill Business Unit.</p> <p>The trigger price for the release of additional ETS credits (NZU, carbon units) to the market has been set at:</p> <ul style="list-style-type: none"> • \$38.67 per NZU for 2024/2025 • \$41.45 per NZU for 2025/2026 • \$44.35 per NZU for 2026/2027.⁵ <p>The demand for carbon credits is expected to increase exponentially, especially driven by the surge of corporate climate pledges that will boost activities in the voluntary market.</p>	Medium	<p>If the increase in ETS costs are materially higher than assumed, Council may need to increase waste management fees and charges further or increase rates to fund these costs.</p> <p>IF NZU prices are higher than estimated then Council's unencumbered NZU credits will have a higher book value. This value will only be realised if they are sold.</p>

⁵ [Proposed changes to NZ ETS limit and price control settings for units for 2022 - Ministry for the Environment - Citizen Space](#)

2.4 Economic environment

ASSUMPTION	BRIEF DESCRIPTION OF RISK	LEVEL OF UNCERTAINTY	POTENTIAL EFFECTS OF UNCERTAINTY ON FINANCIAL ESTIMATES												
<p>That Tasman’s economy will grow at a similar rate to the long-run average for New Zealand, with negative growth in 2024 before returning to positive growth from 2025.</p> <p>Treasury has forecast NZ GDP per capita to increase as follows to 2027⁶</p> <table><tr><th>Year</th><th>Average Annual % Change</th></tr><tr><td>2024</td><td>-0.7</td></tr><tr><td>2025</td><td>-0.1</td></tr><tr><td>2026</td><td>1.5</td></tr><tr><td>2027</td><td>1.8</td></tr><tr><td>2028</td><td>1.5</td></tr></table> <p>Although New Zealand’s economic growth is expected to be stronger in the near term, high-for-longer interest rates means a more delayed recovery in activity is forecast.</p>	Year	Average Annual % Change	2024	-0.7	2025	-0.1	2026	1.5	2027	1.8	2028	1.5	<p>The timing and extent of the economic downturn and subsequent recovery may be lower or higher than forecast due to:</p> <ul style="list-style-type: none">the level of central government investment in the NZ economythe extent and timing of changes to the Official Cash Ratethe global economic situation and other national or international factors.	Medium	<p>The demand for various Council services and several sources of Council revenue are dependent on the incomes of residents and businesses.</p> <p>There is a risk that the economic downturn is worse or longer than expected, having a negative impact on rates affordability and various parts of Council’s business and revenue streams, including rates, fees and charges, dividends, and revenue from commercial activities. Council may be called upon to deliver higher levels of service in areas such as community support and working with central government to deliver economic stimulus packages which could require a need to re-direct Council resources or to increase borrowing.</p>
Year	Average Annual % Change														
2024	-0.7														
2025	-0.1														
2026	1.5														
2027	1.8														
2028	1.5														

⁶ Half Year Economic and Fiscal Update 2023 (published 20 December 2023, Treasury)

ASSUMPTION	BRIEF DESCRIPTION OF RISK	LEVEL OF UNCERTAINTY	POTENTIAL EFFECTS OF UNCERTAINTY ON FINANCIAL ESTIMATES
<p>GDP in Tasman District measured \$2,925 million in the year to March 2022, up 5.9% from a year earlier. This was higher than the national growth rate for New Zealand (5.3%) and Tasman District accounted for 0.8% of national GDP in 2022.</p> <p>Economic growth in Tasman District averaged 4.6% annually over the 10 years to 2022, compared with an annual average of 3.0% for New Zealand.</p> <p>The RBNZ's action to increase interest rates to reduce the inflation rate is expected to shrink household disposable incomes, suppress confidence and suppress consumer spending in 2023 and 2024⁷.</p> <p>However inflation is expected to be within the 1-3% range in the second half of 2024⁸ with interest rates easing and the economy starting to grow more normally.</p> <p>Around 12%⁹ of Tasman's economy is focused on agriculture and other primary industries. These are</p>			<p>There is a risk that the economic situation recovers faster than expected and Council may have reduced budgets more than necessary.</p>

⁷ BERL Cost adjustors Nov 2022

⁸ RBNZ MPS November 2022.

⁹ Tasman Economic Profile 2021. Infometrics.

ASSUMPTION	BRIEF DESCRIPTION OF RISK	LEVEL OF UNCERTAINTY	POTENTIAL EFFECTS OF UNCERTAINTY ON FINANCIAL ESTIMATES
<p>expected to grow by 4% in 2023 followed by falling by 1% in 2024 (driven largely by inflationary pressures)¹⁰.</p> <p>Tourism is an important component of the Tasman economy and has been affected by Covid 19 restrictions in recent years. Visitor arrivals to New Zealand are expected to grow an average of 4.0 per cent each year, reaching 5.1 million visitors in 2025. Spend growth is forecast to grow slightly higher than the growth of visitor numbers, suggesting that spend per visitor will increase¹¹.</p>			

¹⁰ Source: Situation and Outlook for Primary Industries-SOPI December 2022, Ministry of Primary Industries

¹¹ International Tourism Forecasts 2019-2025. MBIE

2.5 Covid-19 and other epidemics

ASSUMPTION	BRIEF DESCRIPTION OF RISK	LEVEL OF UNCERTAINTY	POTENTIAL EFFECTS OF UNCERTAINTY ON FINANCIAL ESTIMATES
That New Zealand avoids another widespread outbreak of Covid-19 (or any other pandemic) and no further lockdowns or border restrictions are required in relation to COVID. However, it is assumed that new and different pandemics and other epidemics may emerge which could require time to adapt to.	The occurrence of pandemics or epidemics is difficult to predict but may result in lockdowns or border restrictions.	Medium	<p>For periods of time, Council may only need to provide essential services and may reduce some discretionary services, or continue by remote working.</p> <p>Completing capital works programmes may become more difficult to achieve due to social distancing measures. The economic impact would increase pressures for Council to limit rates increases, potentially at the expense of lower levels of service.</p>

3 LEGISLATIVE ASSUMPTIONS

3.1 Three Waters activities

ASSUMPTION	BRIEF DESCRIPTION OF RISK	LEVEL OF UNCERTAINTY	POTENTIAL EFFECTS OF UNCERTAINTY ON FINANCIAL ESTIMATES
<p>That delivery of the Council's three waters activities, including Council's shares in the Waimea Community Dam, will remain with Tasman District Council.</p> <p>In 2022 and 2023, the Labour-led Government passed legislation to establish publicly owned water services entities and to enable the transfer of the water services assets and liabilities from Councils to the water services entities by 1 July 2026.</p> <p>In February 2024, the National-led government repealed that legislation and has indicated an intention to introduce replacement legislation by mid-2025 that would allow Councils to voluntarily form their own groupings and Council-Controlled Organisations.</p>	<p>That new legislation is passed which makes significant changes to the delivery or funding of water services.</p>	<p>Medium</p>	<p>Transfer of the Council's three waters assets and activities to another entity will have significant impact on Council's finances and operations.</p>

3.2 Resource Management Act (RMA) reform

ASSUMPTION	BRIEF DESCRIPTION OF RISK	LEVEL OF UNCERTAINTY	POTENTIAL EFFECTS OF UNCERTAINTY ON FINANCIAL ESTIMATES
<p>That there will continue to be obligations on Council to develop, implement and maintain strategic growth and resource management plans. Council will continue to have a role in the regulatory environment, as well as monitoring and compliance functions.</p> <p>In 2023, the Labour-led government passed the Spatial Planning Act and the Natural and Built Environment Act. In December 2023, the National-led government repealed that legislation and signaled a second reform phase to make amendments to the RMA before a third reform phase to replace the RMA.</p>	<p>There is a risk that work to develop the new resource management plans and strategies will have to be discarded and repeated under new legislation.</p> <p>That new legislative requirements to carry out the development, monitoring and review of resource management plans and strategies require additional funding.</p>	Medium	<p>Until the legislative changes are finalised it is difficult to estimate the likely impact on Council. The current legislation brings with it financial obligations on Council to fund the new regionally based planning system.</p> <p>Indications are that there will be significant increased costs associated with the new system in activities such as monitoring.</p> <p>The Council will make any adjustments necessary to respond to changes to local government legislation through annual plans and the Long-Term Plan 2027-2037.</p>

3.3 Future for Local Government

ASSUMPTION	BRIEF DESCRIPTION OF RISK	LEVEL OF UNCERTAINTY	POTENTIAL EFFECTS OF UNCERTAINTY ON FINANCIAL ESTIMATES
That the existing role and functions of Council will continue through the term of the Long Term Plan 2024–2034.	<p>In 2021 the Minister of Local Government announced that they had established a Ministerial Inquiry into the Future for Local Government. In June 2023 the Review Panel presented its final report, He piki tūranga, he piki kōtuku, to the Minister and Local Government New Zealand.</p> <p>While the final report may recommend significant changes to what local government is and does, the Minister is not required to adopt any of the recommendations from the panel and it is unclear what recommendations are likely to be adopted or when.</p> <p>The Council considers it unlikely that any recommendations could take effect before 1 July 2024, particularly for changes to roles or functions.</p>	Medium	<p>Until the Government has made its intentions clear it is difficult to estimate the likely impact on Council.</p> <p>The Council will make any adjustments necessary to respond to changes to local government legislation through annual plans and the Long-Term Plan 2027–2037.</p>

3.4 Amalgamation and shared services

ASSUMPTION	BRIEF DESCRIPTION OF RISK	LEVEL OF UNCERTAINTY	POTENTIAL EFFECTS OF UNCERTAINTY ON FINANCIAL ESTIMATES
That the Council will continue through the term of Tasman's Long Term Plan 2024–2034 as a separate unitary authority based on existing boundaries. The Council will continue to work with other Councils and entities, (particularly Nelson City Council), to develop shared services, including through Council Controlled Organisations, where this provides economic and social benefits to the community.	<p>That the Nelson and Tasman Councils amalgamate to form one combined Council for the wider region or the Council does not continue in its current form.</p> <p>That some shared services arrangements are discontinued during the 10-Year Plan 2024-2034.</p>	Low	<p>Amalgamation of the two councils or Councils' organisational form changing in another way would involve a fundamental reconsideration of the levels of service, capital programme, and finances under a new amalgamated Council.</p> <p>Shared services are in place because there are financial, coordination or other benefits to the parties involved. If some of these are discontinued, there could be increased costs for the Council and/or lower levels of service.</p>

3.5 Government legislation

ASSUMPTION	BRIEF DESCRIPTION OF RISK	LEVEL OF UNCERTAINTY	POTENTIAL EFFECTS OF UNCERTAINTY ON FINANCIAL ESTIMATES
That Council will be affected by changes to Government legislation. However, as the nature of these changes is not known, no financial provision has been made for them except where noted elsewhere in these forecasting assumptions. It is assumed that the Council will have the opportunity to submit on legislation likely to affect it and that Government will work with councils to ensure that any legislative changes are managed appropriately.	That Government legislation increases Council costs or reduces its ability to raise revenue.	Medium	If the increase costs from changes in legislation are material, Council may need to increase rates or fees and charges to fund these or consider reducing discretionary levels of service.

4 OPERATIONAL ASSUMPTIONS

4.1 Council resource consents

ASSUMPTION	BRIEF DESCRIPTION OF RISK	LEVEL OF UNCERTAINTY	POTENTIAL EFFECTS OF UNCERTAINTY ON FINANCIAL ESTIMATES
That the resource consents held by the Council will not be significantly altered, and any that are due to expire during the next 10 years will be replaced with similar consents if required.	<p>That the resource consents held by the Council are significantly altered, or the rules significantly changed increasing the consent condition requirements and cost.</p> <p>That the resource consents held by the Council cannot be replaced.</p>	Low	<p>If consent conditions or planning rules are significantly altered, increased compliance costs are expected. The Council may need to consider changing the way it provides the consented activity, or review the fees, charges and/or rates charged in order to cover the additional costs of compliance.</p> <p>If new resource consents for an activity are not approved or are approved for a shorter term, the Council will need to consider the implications in terms of cost and level of service.</p>

4.2 Delivery of the Council's Capital Programme

ASSUMPTION	BRIEF DESCRIPTION OF RISK	LEVEL OF UNCERTAINTY	POTENTIAL EFFECTS OF UNCERTAINTY ON FINANCIAL ESTIMATES
<p>That capital projects will be delivered within the budgets prepared for the Long Term Plan.</p> <p>That contractors and materials will be available to undertake the work required to agreed standards, deadlines and to budget.</p> <p>The Council also appreciates that issues occur that mean that all projects will not be delivered on time. As a result, a capital lag of 10% of the following activities capital spend has been built into the plan:</p> <ul style="list-style-type: none"> • Water • Wastewater • Stormwater • Property • Reserves spend funded by Reserve Financial Contributions. <p>This recognises that certain projects will not be completed on time but acknowledges that Council is unsure which project or projects this will relate to.</p>	<p>The Council competes with Central Government and the private sector for the available contractor resources (materials and labour).</p> <p>For various reasons, there may be delays in the delivery of projects in the capital programme greater than the 10% lag assumed.</p> <p>Alternatively, there may be more projects in the capital programme that are delivered on time than assumed through the 10% lag.</p> <p>Co-funded projects may be delayed or cancelled if co-funding is not available or delayed.</p>	Medium	<p>If contractors or materials are not available, the Council's programme of work would have to be reduced and/or amended. This would impact the levels of service for a number of activities and the cost of providing them, as well as potentially slowing growth.</p> <p>Most Council capital expenditure is funded through borrowing. The risk of not spending the forecast level of capital is that the Council does not reach its projected net debt figure in the Financial Strategy.</p> <p>In addition, delays in delivering capital projects will result in lower than planned operational costs associated with the creation of these assets being later. These then flow on into the Profit and Loss account as a surplus because interest and operational costs are lower than planned. As a result, the Council will collect more in rates than necessary.</p> <p>If more projects are delivered on time than anticipated, Council's debt will be</p>

ASSUMPTION	BRIEF DESCRIPTION OF RISK	LEVEL OF UNCERTAINTY	POTENTIAL EFFECTS OF UNCERTAINTY ON FINANCIAL ESTIMATES
			<p>higher than forecast with an associated increase in interest costs.</p> <p>\$1 million more or less in debt equates to a rating impact of plus or minus \$80,000 per annum.</p>

4.3 Digital Innovation Programme -transition to software as a service

ASSUMPTION	BRIEF DESCRIPTION OF RISK	LEVEL OF UNCERTAINTY	POTENTIAL EFFECTS OF UNCERTAINTY ON FINANCIAL ESTIMATES
That the transition to purchasing software as a service and leasing IT related equipment will continue. The impact of this is a move from loan funded capital expenditure to operational expenditure.	<p>If the transition is delayed, the change from requiring capital expenditure to funding as operational expenditure will be delayed.</p> <p>Loan funding of operational costs is not supported.</p>	Low	<p>The capital and operational estimates may vary significantly from those in the 10-Year Plan budgets.</p> <p>The Council's debt levels and financing costs may be under- or over-stated.</p>

4.4 Staff numbers

ASSUMPTION	BRIEF DESCRIPTION OF RISK	LEVEL OF UNCERTAINTY	POTENTIAL EFFECTS OF UNCERTAINTY ON FINANCIAL ESTIMATES
That staff numbers (Full Time Equivalents ((FTEs)) will increase from 421 in Year 1 of the 10-Year Plan to 474 in Year 10. This is based on new and existing roles identified for Years 1-3, and assuming six extra FTEs each year after that. Specific roles beyond 2027 are yet to be determined.	<p>The assumed FTE numbers provide sufficient resourcing to meet the Council's operational, regulatory and legislative requirements, based on the legislation assumptions noted. The Council's staffing requirements could grow to a greater or lesser extent, grow more rapidly or slowly, as a result of significant change in these requirements, improved information technology or changes to the Council's functions.</p> <p>Underestimating staff numbers may mean more expenditure is needed for consultants or contractors.</p> <p>Workforce analysis by an external expert has indicated Council may need up to 538 FTEs by 2026/2027.</p>	Medium	<p>If the number of staff employed increases less than anticipated, the Council may be able to reduce rates or fees and charges revenue or consider increasing discretionary levels of service.</p> <p>If the number of staff employed increases more than anticipated, the Council may need to increase rates or fees and charges revenue to fund these or consider reducing discretionary levels of service.</p>

4.5 Richmond office

ASSUMPTION	BRIEF DESCRIPTION OF RISK	LEVEL OF UNCERTAINTY	POTENTIAL EFFECTS OF UNCERTAINTY ON FINANCIAL ESTIMATES
<p>That the Richmond office will need an accommodation solution implemented around 2027/2028 to meet the June 2033 deadline to mitigate the seismic risk.</p> <p>The accommodation solution will be consulted on as part of the Long Term Plan 2027-2037.</p> <p>\$3.4M from year 8 operating costs for rental of leased premises and \$1.7M (loan funded) in year 7 capex cost for fitout be included in the Long Term Plan.</p>	<p>The Richmond office is a priority earthquake-prone building and has a deadline of June 2033 to mitigate the seismic risk. On 26 October 2023, Council resolved that the preferred solution for the Richmond office accommodation solution be consulted on as part of the Long Term Plan 2027-2037.</p> <p>The timing of the decision is entirely dependent on the preferred solution that the Council chose. The various solutions already considered by the Council ranging from build and own to build and leasing would require lead times of up to 48 months. This could be longer as it is entirely dependent on the prevailing construction supplier market at the time.</p> <p>The changes in work practices and the uncertainties around local government reform, plus the Council's current financial constraints may require a rethink on whether the Council reconsider refurbishing and strengthening the current Richmond Office.</p> <p>There may become an urgent need to relocate from the Richmond office more</p>	Medium	<p>If Council has to relocate from the Richmond office earlier than assumed, it could be necessary to increase borrowing (if the Council owns the replacement building) and/or rates (to either lease a building or service the debt).</p> <p>If the Council has to carry out the additional earthquake strengthening work on the Richmond office building it may need to increase debt levels and/or reprioritise other capital projects.</p>

ASSUMPTION	BRIEF DESCRIPTION OF RISK	LEVEL OF UNCERTAINTY	POTENTIAL EFFECTS OF UNCERTAINTY ON FINANCIAL ESTIMATES
	<p>quickly than anticipated or supplement the existing capacity through additional office accommodation.</p> <p>The Council may continue to occupy the Richmond office building and have to carry out the necessary additional earthquake strengthening work.</p>		

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5 FINANCIAL ASSUMPTIONS

5.1 Inflation/price changes

ASSUMPTION	BRIEF DESCRIPTION OF RISK	LEVEL OF UNCERTAINTY	POTENTIAL EFFECTS OF UNCERTAINTY ON FINANCIAL ESTIMATES
<p>In preparing Tasman's 10-Year Plan 2024–2034 the Council has used the inflation factors as set out in the table below.</p> <p>The Council has generally used the inflation figures provided by BERL. The Council has used BERL's overall average operating and capital local government cost indices, apart from salaries which it has adjusted to reflect the Council's expected future costs. The non-rates revenue inflation factor is calculated as an average of the operating and salary adjustor, except Year 1 has been set at 10% and Year 2 at 7.5% to reflect the expected rates increases.</p>	<p>Inflation is higher than assumed resulting in budgets being inadequate to deliver the programme of investment in facilities and infrastructure, and to deliver the levels of service in Tasman's 10-Year Plan 2024–2034.</p>	<p>Medium</p>	<p>If inflation for the goods and services that the Council purchases is higher than assumed, the Council will be required to consider increasing rates and charges, reducing its programme of investment in facilities and infrastructure, increasing debt and/or reducing levels of service.</p> <p>If inflation for the goods and services that the Council purchases is lower than assumed, the Council costs will be lower and the Council will consider reducing rates and/or fees and charges or selectively increasing levels of service.</p> <p>If movements in the consumer price index (CPI) are substantially lower inflation for the goods and services that the Council purchases, then there will be increasing pressure on the Council to reduce any planned rates or fees and charges increases.</p>

Year ended June	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	Ten Year Average
Revenue	10.0%	7.5%	2.7%	2.7%	2.6%	2.5%	2.5%	2.4%	2.4%	2.4%	3.77%
Employee costs	4.5%	3.0%	3.2%	3.2%	3.1%	3.0%	3.0%	2.9%	2.9%	2.9%	3.17%
Maintenance	2.9%	2.2%	2.3%	2.3%	2.2%	2.1%	2.0%	2.0%	1.9%	1.9%	2.18%
Energy	2.9%	2.2%	2.3%	2.3%	2.2%	2.1%	2.0%	2.0%	1.9%	1.9%	2.18%
Other Operating Expenses	2.9%	2.2%	2.3%	2.3%	2.2%	2.1%	2.0%	2.0%	1.9%	1.9%	2.18%
Capital	3.0%	2.2%	2.4%	2.3%	2.2%	2.1%	2.1%	2.0%	2.0%	1.9%	2.22%

5.2 Interest rates

ASSUMPTION	BRIEF DESCRIPTION OF RISK	LEVEL OF UNCERTAINTY	POTENTIAL EFFECTS OF UNCERTAINTY ON FINANCIAL ESTIMATES
<p>The Council has assumed borrowing costs for each year based on forecasts from Councils Treasury adviser PwC.</p> <p>These borrowing costs include the cost of both funds already borrowed and anticipated new debt at anticipated future borrowing rates.</p> <p>The Council will review the interest rate assumption with our treasury advisors, PwC, while out for consultation. Interest rates are</p>	<p>That borrowing costs are higher than assumed, resulting in the Council's cost of borrowing being higher than anticipated.</p>	<p>Medium/High</p>	<p>If actual interest rates are higher than the assumed rate, this cost would be met by increasing rates or adjusting down future borrowing requirements.</p> <p>A 1% increase in borrowing costs increases finance costs by approximately \$100,000 per annum per \$1 million of borrowing.</p>

ASSUMPTION	BRIEF DESCRIPTION OF RISK	LEVEL OF UNCERTAINTY	POTENTIAL EFFECTS OF UNCERTAINTY ON FINANCIAL ESTIMATES
<p>volatile at present and the Council will ensure the most up-to-date rates are used.</p> <p>In February 2024, the Standard and Poors (S&P) Global Ratings agency revised their outlooks on 15 Councils from negative to stable, including Tasman.</p>			<p>A degree of protection against fluctuating interest rates has been provided through the use of interest rate swaps.</p> <p>The Council is also a member of the Local Government Funding Agency which provides access to borrowing at a lower rate than the Council could obtain directly from banks.</p> <p>The Council is exposed to deposit interest rates through its prefunding activities and cash reserves. These interest rates are impacted by the Government's monetary policy settings in particular the OCR (Official Cash Rate).</p> <p>S&P may decide to raise or lower our current rating. This will have a flow on positive or negative effect on the Council's new borrowings.</p>

Borrowing Rate	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	Ten Year Average
	4.72%	4.66%	4.81%	5.25%	5.25%	5.00%	5.00%	4.75%	4.75%	4.75%	4.86%

5.3 Waka Kotahi NZ Transport Agency funding

ASSUMPTION	BRIEF DESCRIPTION OF RISK	LEVEL OF UNCERTAINTY	POTENTIAL EFFECTS OF UNCERTAINTY ON FINANCIAL ESTIMATES
<p>That the Government financial assistance through Waka Kotahi NZ Transport Agency Financial Assistance Rate will remain at 51% for the 2024–2034 period.</p> <p>That the agreed National Land Transport Plan is provided by Waka Kotahi NZ Transport Agency for 2024-2027 and that the following seven years will be funded in a similar manner.</p>	<p>That the Government Policy Statement on Land Transport set by the new National-led government has different priorities that affect the National Land Transport Plan.</p> <p>That Waka Kotahi NZ Transport Agency financial assistance rates are lower than assumed, and/or that Waka Kotahi NZ Transport Agency does not fund the full National Land Transport Fund (NLTF) request thereby increasing the Council's costs for transportation related activities.</p>	High	<p>If Waka Kotahi NZ Transport Agency financial assistance rates are lower than assumed, and/or Waka Kotahi NZ Transport Agency does not fund the full NLTF request, the Council may need to consider increasing rates and/or debt and/or reducing its programme of transport infrastructure investment. This may result in levels of service being reduced.</p> <p>The Council can choose to commit its full share of funding accepting that the total funding available will be reduced. As a consequence, the Council will need to prioritise work available within available funds and this may negatively impact the condition of the roading network.</p>

5.4 Central government funding

ASSUMPTION	BRIEF DESCRIPTION OF RISK	LEVEL OF UNCERTAINTY	POTENTIAL EFFECTS OF UNCERTAINTY ON FINANCIAL ESTIMATES
<p>That government funding will be received for applications where a formal funding agreement has been entered into.</p> <p>The Council has applied for government funding through a range of funds to improve community well-being. In most cases there is a requirement that the Council also contributes funding towards the projects, there are specific timeframes for completion and at times there are project management and accountability costs not covered by the external funding. A number of applications are still pending.</p> <p>With the exception of Waka Kotahi NZ Transport Agency funding, the Council has only included government funding in its revenue forecasts where a formal funding agreement has been entered into. The Council negotiates project management costs to be covered by the funding received wherever possible. Any further project management and accountability costs have been provided for where a formal funding agreement has been entered into.</p>	<p>That the Council is successful in accessing further government funding for programmes and projects with specific timelines for completion.</p>	<p>Medium</p>	<p>If the Council receives funding for specific programmes or projects, it may be necessary to change the timing of some work to access the government funding available and change when the Council's contribution will be required. This could lead to changes in the timing of other projects to accommodate those attracting government funding.</p> <p>Receiving additional central government funding could impact operating expenditure, operating revenue, levels of service and debt levels.</p>

5.5 Marine farms not liable for rates

ASSUMPTION	BRIEF DESCRIPTION OF RISK	LEVEL OF UNCERTAINTY	POTENTIAL EFFECTS OF UNCERTAINTY ON FINANCIAL ESTIMATES
That marine farms operating in the sea space within the Council's boundary will not be liable to pay rates. This is the case under existing rating legislation and the Council assumes no change for the duration of Tasman's Long Term Plan 2024–2034.	Central Government could change legislation to enable the Council to rate marine farming industries.	Low	The Council cannot currently rate marine farmers to use the coastal marine area. Any rates revenue from this activity would help to generate additional revenue for the Council to fund related infrastructure and services (e.g. roading and Port Tarohe). This contribution would ease the level of rates incidence across the District and/or allow for increased levels of service.

5.6 Fixed Asset Revaluation

ASSUMPTION	BRIEF DESCRIPTION OF RISK	LEVEL OF UNCERTAINTY	POTENTIAL EFFECTS OF UNCERTAINTY ON FINANCIAL ESTIMATES
<p>The Council re-values fixed assets on a three yearly cycle. It is assumed that the following types of fixed assets will increase in value in Year 3 by the Business and Economic Research Ltd (BERL) Capital index (and every three years thereafter): Water Supply, Wastewater, Stormwater, Solid Waste, Roothing, Rivers, Coastal. Land and Buildings are assumed to increase in value, by the BERL capital index, from Year 1 and every 3 years thereafter. Commercial property will be revalued each and every year using the BERL capital index.</p> <p>The revaluation amount is depreciated over a weighted average of 50 years. This is derived from the average life of capital expenditure over the next ten years.</p>	<p>If the revaluation of the Council assets is higher than assumed, the costs of funding depreciation increase.</p>	<p>Low</p>	<p>These assumptions affect the depreciation charges contained within the Council's proposed budgets. The detail for each asset category and the Council's asset depreciation rates are in the Statement of Accounting Policies.</p> <p>If the revaluation of assets is higher/lower than assumed, the Council may need to consider increasing/decreasing fees and charges and/or rates to pay for the different cost of funding depreciation and/or increasing/decreasing capital expenditure for renewals.</p>

5.7 Credit availability

ASSUMPTION	BRIEF DESCRIPTION OF RISK	LEVEL OF UNCERTAINTY	POTENTIAL EFFECTS OF UNCERTAINTY ON FINANCIAL ESTIMATES
That credit can be obtained from financial markets on competitive terms and conditions.	That credit is not available on competitive terms and conditions.	Low	<p>If credit is not available on competitive terms and conditions, there are likely to be impacts on the cost of borrowing or in extreme circumstances the ability of the Council to borrow at all.</p> <p>The Council may have to increase rates to pay for the increased costs of borrowing. Council may have to reduce its investment in infrastructure and facilities and consider reducing levels of service.</p>

5.8 Useful lives of significant assets

ASSUMPTION	BRIEF DESCRIPTION OF RISK	LEVEL OF UNCERTAINTY	POTENTIAL EFFECTS OF UNCERTAINTY ON FINANCIAL ESTIMATES
That the Council assets have standard useful lives, except where there is good quality information that contradicts this. In Tasman's 10-Year Plan 2024–2034, the Council has made a number of assumptions about the useful life of its assets (refer Infrastructure Strategy) These assumptions affect the depreciation charges contained within the Council's proposed budgets. The Council has an ongoing programme to obtain improved information on the age and condition of its assets.	That the lives of assets are materially shorter than assumed, necessitating renewal or replacement at an earlier date.	Low	If the life of assets are materially shorter than those contained within the Plan, the Council may need to increase borrowing with a consequential impact on increasing rates.

5.9 Return on investments

ASSUMPTION	BRIEF DESCRIPTION OF RISK	LEVEL OF UNCERTAINTY	POTENTIAL EFFECTS OF UNCERTAINTY ON FINANCIAL ESTIMATES
<p>That the return on investments in Council Controlled Trading Organisations and retained earnings on subsidiaries will continue in line with the relevant organisation's Statement of Intent. This includes 50% of the dividend returns from Infrastructure Holdings Limited, forecast to be \$5.6 million in 2024, \$6.3 million in 2025, and \$7.9 million in years 2026 through to 2034.</p> <p>That the return on Enterprise Activity investments will be in line with the Enterprise Activity Investment Strategy 2023.</p> <p>The long-term goal of the investments assigned to the Enterprise Activity is to <i>retain</i> and reinvest 75% of the net income generated and release 25% of net income generated to off-set rates or other Council expenditure each year.</p>	<p>That returns are lower than assumed reducing the revenue from this source.</p>	<p>Low/Medium</p>	<p>There is increased uncertainty about the ongoing economic situation which could negatively affect the return on Council's investments.</p> <p>If revenue from the return on investments is lower than assumed, the Council may need to consider increasing rates and/or reducing levels of service.</p>

5.10 Insurance costs

ASSUMPTION	BRIEF DESCRIPTION OF RISK	LEVEL OF UNCERTAINTY	POTENTIAL EFFECTS OF UNCERTAINTY ON FINANCIAL ESTIMATES
<p>That insurance cover for Council assets will be available throughout the life of Tasman's Long Term Plan 2024–2034 and that premiums will rise faster than the rate of inflation. The Council expects insurance base cost to rise by 15-20% plus the impact of inflation on asset values in those years. Coverage may be limited.</p> <p>The current difficulties obtaining full cover for forestry assets and Port Tarakohe will likely continue and may expand to encompass other higher risk assets and activities.</p>	<p>Due to the physical risks to climate-exposed assets (e.g. infrastructure at risk from sea level rise), insurance premiums will substantially increase or insurance cover will not be available for assets in locations known to be vulnerable. These trends are already happening throughout New Zealand.</p> <p>That insurance cover will not be available for some or all Council assets for at least a period during the life of Tasman's 10-Year Plan 2021–2031. This is particularly likely for coastal and port assets.</p> <p>That insurance premiums will increase beyond the anticipated level due to increasing material damage from natural hazard and weather related events driving increasing claim levels to insurance companies.</p> <p>The Council is facing a hardening insurance market that will drive</p>	Medium	<p>If insurance cover is either not available or premiums are above tolerable limits, the Council may have to assume more of the risks. This requires reserves and /or sufficient borrowing capacity to be able to replace damaged Council assets following a disaster event or similar. Maintaining this increased level of available borrowing capacity may mean the Council has to reduce other borrowing by reviewing its investment in facilities and infrastructure, reviewing its levels of service and/or revising its debt limit in the Financial Strategy.</p> <p>The Council may need to provide additional reserve funds to cover self- insurance risks.</p>

ASSUMPTION	BRIEF DESCRIPTION OF RISK	LEVEL OF UNCERTAINTY	POTENTIAL EFFECTS OF UNCERTAINTY ON FINANCIAL ESTIMATES
	<p>increases in deductibles and reduction in cover limits.</p> <p>The Council may need to increase its level of self-insurance if cover is restricted or becomes unaffordable.</p>		

5.11 Collection of levies via rates for central government

ASSUMPTION	BRIEF DESCRIPTION OF RISK	LEVEL OF UNCERTAINTY	POTENTIAL EFFECTS OF UNCERTAINTY ON FINANCIAL ESTIMATES
<p>The Council will not incur costs from collecting additional rates or levies to fund central government functions.</p> <p>The Urban Development Act 2020 and the Infrastructure Funding and Financing Act 2020 provide for central government to set rates or levies for local authorities to collect on its behalf.</p>	<p>That the Council will be required to collect one or more rates or levies on behalf of central government and the costs are not fully recovered. In this scenario additional Council rates would be required to fund the outstanding costs.</p>	Medium	<p>If the Council is required to collect rates on central government's behalf for one or more of these purposes, changes will be required to the Council's rating systems and significant administration costs will be incurred on an annual basis to collect and account for this revenue.</p> <p>If the community generally considers the increase in rates to fund the central government functions are attributable to the Council, it is likely that those concerned about rates affordability will become more vocal and public pressure on rates levels could further limit Council's scope to increase rates to pay for the services it delivers. This could lead to reduced levels of service and/or delays in the provision of infrastructure or other capital projects.</p>

5.12 Non-rateable land and trees

ASSUMPTION	BRIEF DESCRIPTION OF RISK	LEVEL OF UNCERTAINTY	POTENTIAL EFFECTS OF UNCERTAINTY ON FINANCIAL ESTIMATES
That there is no change to legislation that defines the categories for non-rateable land, including Māori freehold land. This means a significant proportion of the District remains as non-rateable land. Similarly, there is no change to legislation meaning that rates cannot be charged on the capital value of trees in commercial forests.	<p>Legislation is enacted that increases the categories for non-rateable land (including changes to the rateability of Māori freehold land).</p> <p>Legislation is enacted that enables the value of trees to be included in the capital value of commercial forests for rating purposes.</p>	Low	<p>Approximately 66 % of the land area in Tasman is currently non rateable. This includes at least 60% Department of Conservation land - mostly the national parks. If more land becomes unratable, this will have implications for the Council's rate take, meaning the rates would need to increase on the remaining ratepayers to offset this loss.</p> <p>If more land becomes rateable there would be an effect of increasing the incidence of rates on the owners of this land and reducing the incidence of rates on other rate payers. Similarly, if rates could be charged on the value of trees in commercial forest, the effect would be that commercial forest rate payers would pay a larger proportion of rates and other rate payers a lower proportion.</p>

5.13 Transition to funding depreciation

ASSUMPTION	BRIEF DESCRIPTION OF RISK	LEVEL OF UNCERTAINTY	POTENTIAL EFFECTS OF UNCERTAINTY ON FINANCIAL ESTIMATES
<p>That Council's share of depreciation will be fully funded by 2029/2030.</p> <p>As part of its approach to funding infrastructure renewals, Council began funding depreciation from 2015/2016. Because of the large revaluation increases for this 10-Year Plan, the Council has extended the timeframe that Council's share of depreciation will be fully funded. The Council doesn't depreciate the portion of transport infrastructure which is funded by Waka Kotahi NZ Transport Agency.</p>	<p>That the Council's share of depreciation is not fully funded by 2029/2030.</p>	<p>Low</p>	<p>The Council would have to increase its borrowing to fund the portion of depreciation not funded through rates. This may reduce the Council's capacity to borrow for other purposes within its debt cap in the Financial Strategy. The Council may need to review its programme of investment in facilities and infrastructure.</p> <p>The level of funding for depreciation directly impacts on Council rates and other fees and charges.</p>

5.14 Major Industrial Water Users (IWU) and provision of water to some Nelson properties

ASSUMPTION	BRIEF DESCRIPTION OF RISK	LEVEL OF UNCERTAINTY	POTENTIAL EFFECTS OF UNCERTAINTY ON FINANCIAL ESTIMATES
That the volume of water supplied to the residential and industrial properties in the Nelson City Council area will remain relatively static over a 10-year period. Charges will be levied in accordance with the 2021 Engineering Services Agreement between Nelson City Council and Tasman District Council, and will approximate the daily and volumetric charges levied in Richmond.	That the Council's revenue from providing water to major industrial water users and/or residential properties in Nelson South is lower than assumed.	Low	If the amount of water required decreases significantly the Council will need to reassess the water storage and conveyance needs for the urban water supply system. A large reduction in the volume provided might also affect the cost of water provided to other urban water supply users, including Tasman residential properties. The reason for this is that most of the costs of supplying water are fixed, and a change in the volume provided would also change the average cost per cubic metre. If there is a large reduction in the volume of water provided, the Council may need to consider increasing rates and/or reducing levels of service.

5.15 Community funding towards Community Facilities

ASSUMPTION	BRIEF DESCRIPTION OF RISK	LEVEL OF UNCERTAINTY	POTENTIAL EFFECTS OF UNCERTAINTY ON FINANCIAL ESTIMATES
<p>That the investment in the following facilities will be funded by a contribution fundraised by the local community, with the balance funded by the Council.</p> <ul style="list-style-type: none"> • Waimea South Community Facilities (in Wakefield and Brightwater) – 23% community-funded • Motueka Swimming Pool – 22% community-funded • Tapawera Community Hub – 33% community-funded • Murchison Sport, Recreation and Cultural Centre – Stage 2 – 27% community-funded. 	<p>That the community is unable to fundraise the level of funding required by the time the facility development is planned.</p>	<p>High</p>	<p>If the community is unable to contribute the level of fundraising expected for any of these community facilities, the Council will make decisions on how to proceed. The broad options open to the Council are to delay the project to allow more fundraising to take place, explore other funding options, or, as a last resort, cancel the project.</p> <p>The risk will not increase the financial estimates without a specific decision by the Council to increase its share of the funding.</p>