

Significant Forecasting Assumptions 2024-2034

Updated Post Audit March 2024

Assumptions provide an ‘agreed way forward’ when there is some uncertainty in the planning process. The level of undertainty and consequence has been updated based on recent central government changes which are impacting the development of the LTP.

Primary impact areas												
Activity	AM Group	Assumption Area	Source of Info	Stated Assumption	Risk	Level of Uncertainty	Potential Impact/Consequence if assumption wrong	Consequence rating	Timeline	Financial	Quality/ Scope	Reputation
All	Organisational	No major adverse events	The Council	It assumed that there will be no major impact from an adverse event, should one occur during the period covered by the Long Term Plan, for example, earthquake, pandemic or significant flood. While events may occur at any time, Council’s planning will focus on operational resilience and Emergency Management.	There is a risk that a major adverse event will occur and result in damage to assets and additional costs to the Council.	High	Any major adverse event will have a significant impact on the Council and the community. The Council seeks to mitigate this risk through its Civil Defence, Risk Management and Insurance Policies.	High	✓	✓	✓	-
All	Financial	Funding of capital expenditure	Development Contributions	Development Contributions will remain available to fund network infrastructure commensurate with growth forecasts.	There is a risk that policy implementation and methodology restrictions will affect the ability to collect Development Contributions or the method by which contributions are calculated.	Low	If Development Contributions are less than assumed, the Council may need to increase its rates to cover any shortfall or delay upgrade works.	Moderate	✓	✓	-	-
All	Growth & Planning	Selwyn 2031 / Future Selwyn (District Wide Strategy)	The Council	No significant changes in the management of infrastructure assets, reserves and community facilities are expected in the short term. Actions required in the 2024-27 period can be accommodated within current forecasts.	There is a risk that the visions and initiatives identified through the District wide strategy process cannot be accommodated through current planning, funding and delivery mechanisms.	Low	Changes in service (demand, performance, condition, resourcing) may be required as a result of decisions resulting from the Strategy. Changes to Activity Planning including funding may be required.	Low	-	✓	✓	-

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Waste	Legislation	Climate change-driven legislation and national direction - NZ Waste Strategy	MfE	<p>In line with the new NZ Waste Strategy and Transforming Waste Programme: Industry and consumers will increasingly bear the costs of waste disposal in order to encourage greater waste minimisation, linked to the recent threefold cost increase and expansion of the waste disposal levy.</p> <p>Of the total household waste placed at the kerbside (excluding garden waste), councils will need to divert 30 per cent by 2026, 40 per cent by 2028 and 50 per cent by 2030.</p>	There is a risk that Council will be unable to implement measures to meet the 2030 diversion target, or will incur increased costs and/or experience community pushback due to insufficient prior action and/or engagement being undertaken with communities.	Low	Communities may not be properly prepared for new collection schemes and increased waste disposal costs, leading to community resentment and less buy-in waste minimisation and diversion.	Low	-	✓	-	✓
Resource Management	Legislation	Resource Management Reform	Natural and Built Environment Act 2023 and Spatial Planning Act 2023	It is unlikely SDC will be a first tranche council under the new legislation.	There will be no funding available to fund the regional planning committee and associated secretariat	Low	Funding will need to be found from existing budgets, or sought through annual plan processes	Low	✓	✓	✓	✓
All	Legislation	Emissions Trading Scheme	The Council	It is assumed that any costs or actions required in regard to the Emissions Trading Scheme are adequately incorporated into the relevant AcMPs, Sustainability Strategies and the Long Term Plan.	There is a risk that costs or actions have not adequately addressed.	Low	Any increase or decrease in costs or actions will need to be resourced differently to the approach planned.	Moderate	-	✓	✓	-
All	Legislation	Earthquake Prone Building Legislation	The Council	Council has an in-depth understanding of the seismic strength of its buildings and, that where buildings have been identified for seismic strengthening or removal, the costs and programmes identified in the LTP are sufficient to undertake the work within the required timeframes.	There is a risk that Council could acquire additional buildings that will require earthquake strengthening or there is strengtehnign required greate than anticiapted	Low	Significant capital expenditure may be required to strengthen buildings where costs have not been forecast.	Low	-	✓	✓	-

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All	Legislation	Earthquake Prone Building Legislation	The Council	No buildings requiring seismic upgrading will be transferred to Council ownership nor will Council undertake seismic upgrading works on buildings it does not own (unless specifically signalled in the LTP).	.There is a risk that Council could acquire additional buildings that will require earthquake strengthening or there is strengtehnign required greate than anticiapted	Low	Significant capital expenditure may be required to strengthen buildings where costs have not been forecast.	Moderate	-	✓	✓	-
All	Organisational	Significance Policy	The Council	That the amendments to Council's Significance and Engagement Policy, including the identification of strategic assets will remain unchanged until water reforms are progressed in 2026	There is a risk that other activities will become more prominent and a desire for more comprehensive planning for those activities emerges as the focus shifts from water services	Low	Council priorities and the approach to engagement are misaligned	Moderate	-	✓	✓	-
All	Climate Change	Impacts of Climate Change	The Council	Changes in the climate in Selwyn District will generally follow recognised publications as reported by Aqualink (2023). This includes: - Warmer Temperatures -An increase in extreme rainfall events -Sea level rise affecting Te -Waihora, land drainage systems and coastal communities and infrastructure	Despite forecasts, adaptation and mitigation strategies there is risk of extreme events which cannot be predicted	Moderate	Council priorities and Budgets may need to be redirected to address any unforeseen risks and issues, climate changes are likely to be adopted to as part of future LTPs if the assumption is wrong.	Moderate	✓	✓	✓	✓
All	Financial	Asset lives and depreciation	NAMS	It is assumed asset lives will be as set out in the statement of accounting policies.	There is a risk that assets will wear out more quickly than forecast and require replacement earlier than planned.	Moderate	If assets require replacement more quickly than forecast, renewal or capital expenditure projects may need to be brought forward. The Council will consider the funding implications of any early replacements as they occur. Early replacement will result in a write off of the book value of the asset, increasing expenditure in the year it occurs.	Moderate	✓	✓	✓	-

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All	Financial	Investment in Orion NZ Ltd and Corde Ltd	Corde Ltd, Orion NZ Ltd, the Council	The Council revalues its investment in Orion NZ Ltd, and Corde Ltd so that the carrying value is maintained at fair value. It is assumed that the value of the investment will be maintained at its relative dollar value, with the investment increasing in line with general price levels in line in line with price increases forecast by BERL.	There is a risk that the value of the investment may increase or decrease. Impact of 3 water reform is not yet fully know.	Moderate	A change in the value of the investment in Orion NZ Ltd, and Corde Ltd will change the Council's equity but will not have a direct impact on revenue or expenditure.	Moderate	-	✓	-	-
All	Financial	Return on investments	The Council in conjunction with its financial advisors	Council's cash investments will generate an average return as advised in the respective Statements of Intent of 5% p.a as forecast by PWC.	There is a risk that returns on investments will be higher or lower than forecast because actual investment balances and interest rates may vary from those used in the forecast.	Moderate	If investments returns are lower than those assumed, the Council may need to increase its rates or reduce expenditure. Conversely, higher investment returns mean rates may be lower than they would otherwise have been.	Moderate	-	✓	-	-
All	Financial	Timing and level of capital expenditure	The Council	The Long Term Plan assumes that the timing and cost of capital projects and associated operating costs are as determined through the Council's activity management planning process. The financial impact of changes to timing of capital expenditure would be impacted by inflation, cost of borrowing and in the case of facilities, savings in operating costs for the period the capital expenditure is delayed.	There is a risk that capital projects may not occur as planned. This may have an impact on the costs of the project. In periods of high inflation and cost escalations there is also the risk that actual project costs will vary from those forecasts. The GPS on Transport provides the direction for national transort funding allocations which can change. Transport projects seeking subsidy will need to be developed through a Business Case approach to NZTA which may change originally anticipated outcomes	High	If projects do not occur as planned, capital expenditure in any year may differ from that forecast and delay may also change the cost of individual projects. The Council will consider the impact of any change as part of the annual budget process and consider the funding implications of any cost changes.	High	✓	✓	✓	✓

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All	Financial	Pandemics	The Council	It is assumed that there will be no major financial impact from COVID-19 or other pandemics on the operation of Council.	There is a risk that a further outbreak of COVID-19 in New Zealand will occur and result in significant financial and operational impact to the Council.	Moderate	Any further outbreak of COVID-19 in New Zealand will have a significant impact on the Council and the community. The Council seeks to mitigate this risk through its Civil Defence function, Risk Management, Business Continuity Planning and financial resilience to maintain delivery of critical services.	Low	✓	✓	-	-
Transportation	Financial	NZTA Revenue	The Council and Waka Kotahi (published information)	<p>It is assumed that funding from Waka Kotahi will be as follows:</p> <ol style="list-style-type: none"> 1. The financial assistance rate of 51% will apply to all maintenance, operations and renewals works included in the submission to the Land Transport Programme. 2. The financial assistance rate of 51% will apply to all capital works included in the submission to the Land Transport Programme, unless an alternative (enhanced or targeted) rate has been approved. 3. Emergency works funding above the funding programme will be provided to remedial works whenever qualifying events occur. 4. if NZTA-approved budget is less than requested, council funds allocated to cover the council share under the initial request remains available for MOR. 5. In addition, council has budgeted an unsubsidized supplemental transport funds that can be used to cover the shortfall resulting reduced NZTA subsidy. 6. If the shortfall is too large (beyond \$3m/year), additional funding will be sought from the council. 7. As a last resort, MOR programs will be reprioritised to fit the budget, with the reduced level of service. 8. The overall value of the funding estimated for the Land Transport Programme shall be based on the activity management plan/programme business case, informed by published guidance from Waka Kotahi 	There is a risk that sufficient funds will not be available to pay for the planned capital projects. For example, subsidy is not available from national transport funding sources or because growth does not provide sufficient funding from development contributions or the community considers that required rate rises are not affordable. The full range of funding expected initially in a NLTP may be reduced during its period if NZTA face significant national cost increases requiring a reprioritization of NZTA funding which may result in capital projects being deferred for funding.	High	The Council will assess the availability of NZTA funds as part of the annual budget process and if funds are not available, it may revise its roading and transport programme that is set out in the Long Term Plan. This may include deciding to defer activities or providing further funding.	High	✓	✓	✓	✓

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All	Financial	Insurance	The Council	That an appropriate level of insurance will be secured by Council for its property and 5 waters infrastructure assets and facilities. That the premiums to be paid are affordable. That Central Government will provide a sufficient share for post event works as per the National Civil Defence Emergency Management Plan. Underground assets will be partly self- insured and that sufficient emergency funding will be available from NZTA for damage to roading assets caused by extraordinary events. That increases in Insurance Premiums will be similar to CPI.	There is a risk that insurance will be difficult to secure and that NZTA will not provide adequate emergency funding to reinstate damaged services. There is a risk that insurance premiums will rise more rapidly than expected.	Moderate	Council's assets may not be able to be insured in a similar manner to the current approach and different options may need to be considered. This includes increasing reserve funds and higher excess sums. Premiums will exceed budget allocation and savings will be required in insurance policies or funds will need to be reallocated from other areas of expenditure.	High	-	✓	✓	-
All	Financial	Asset Values	BERL	The Council revalues its assets so that carrying values are maintained at fair value based on condition. It is assumed that revaluations will take place a minimum of every three years and that replacement value of the assets will reflect construction costs. (October 2023 released)	There is a risk that price level changes will be greater or lower than those assumed and that revaluation movements will be higher or lower than forecast.	Moderate	If price levels increase by more than forecast, the value of the Council's assets and the associated depreciation charge will increase. If price levels increase by less than that forecast, the value of the Council's assets and associated depreciation will increase less quickly. The impact of any such changes on rates will depend on whether the depreciation charge is funded by rates. Renewals are funded and spread over a long timeframe.	Moderate	-	✓	-	-
All	Financial	Borrowing Costs	PWC	Interest on term debt is assumed to range between 3.84% and 5% p.a. throughout the period of the Long Term Plan.	There is a risk that interest rates will differ from those assumed and that borrowing costs will be higher than those assumed.	Moderate	If borrowing costs are greater than those assumed, the Council may need to increase development contribution charges, rates or reduce expenditure. Conversely, lower borrowing costs may mean rates are lower than they would otherwise have been.	Moderate	-	✓	-	-

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All	Financial	Dividends	SOI from Corde and Orion	It is assumed that dividends from Orion NZ Ltd, and Corde Ltd will be as per the respective companies Draft Statement of Intent. Thereafter it is assumed that dividends will increase in line with general price increases. (March 2024).	There is a risk that dividends will be higher or lower than forecast depending on the performance of these companies.	Moderate	If dividends are lower than those assumed, the Council may need to increase its rates or reduce expenditure. Conversely, higher investment returns may mean rates are lower than they would otherwise have been.	Moderate	-	✓	-	-
All	Financial	Funding of capital expenditure	The Council	The Council funds capital expenditure from a number of sources: development contributions; lump sum contributions; government subsidy; rates; dividends; interest from investments; reserves; external borrowing	There is a risk that sufficient funds will not be available to pay for the planned capital projects. For example, because growth does not provide sufficient funding from development contributions or the community considers that required rate rises are not affordable.	Moderate	The Council will assess the availability of funds as part of the annual budget process and if funds are not available, it may revise the capital programme that is set out in the Long Term Plan.	Moderate	-	✓	✓	-
All	Financial	Funding of capital expenditure	The Council	Assumptions have been made on how each capital project included in the Long Term Plan will be funded. The Council's policy in relation to the funding of capital expenditure is set out in the Revenue and Financing Policy that is included in the Long Term Plan.	There is a risk that sufficient funds will not be available to pay for the planned capital projects. For example, because growth does not provide sufficient funding from development contributions or the community considers that required rate rises are not affordable. There is also a risk that depreciation funds will be utilised affecting funding for renewals.	Moderate	The Council will assess the availability of funds as part of the annual budget process and if funds are not available, it may revise the capital programme that is set out in the Long Term Plan.	Moderate	-	✓	✓	-

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All	Financial	Funding of capital expenditure	Financial Contributions	Financial Contributions will not be collected to fund network infrastructure commensurate with growth forecasts.	Council are not accessing a potential income source. Development contributions are seen to be sufficient at this point	Moderate	Low risk for Council. If Council have the opportunity to collect Financial Contributions in the future, an additional income source becomes available to spend in a targeted way. A district plan change is required to enable council to access this income source and potentially amendment to LTP.	Low	-	✓	-	-
All	Financial	Inflation	Taituara / BERL forecasts	The level of prices is assumed to increase over the period of the Long Term Plan for each activity area as forecast by BERL in October 2023. The level of increase assumed in the Long Term Plan is set out in the Table 2 below. The assumed increases include general prices, pay costs and construction costs.	There is a risk that price level changes will be greater or lower than those assumed and that costs and revenues will be higher or lower than forecast.	Moderate	Should the price level change differ from those assumed, expenditure, capital costs and revenues may differ from those forecast. The Council mitigates this risk by setting its rates and fees and charges each year based on its forecast costs for the following year.	Moderate	-	✓	-	-
All	Growth and Planning	Greater Christchurch Spatial Plan and Our Space	The Council	The adopted strategies and action plans contain a preferred medium to long-term urban development pattern for the greater Christchurch area. The Greater Christchurch Partnership will continue to promote collaborative planning and project implementation across the partner agencies.	There is a risk that coordinated effort will cease or become fragmented as priorities vary. There is a potential for competition for growth investment. Mandated amalgamation remains a concern.	Moderate	Planning and funding initiatives require reprioritisation	Moderate	✓	✓	-	-

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All	Growth and Planning	Population Change	FThe Council with its population advisor and economic advisors	The Selwyn District population will continue to grow at a high rate (around 3%) as outlined in our Growth and Demand Report, similar to that experienced over the past ten years. Growth will be focused in Rolleston and the Eastern Selwyn area, with moderate rates elsewhere. Details of the population and household numbers are included in the accompanying report.	There is a risk that the level of population growth will be higher or lower than the projections and that the timing of population growth will differ from that in the model.	Moderate	The Council has based its plans for the management and expansion of its infrastructure on the population projections. Should growth occur at different rates, it can respond by accelerating, delaying or revising planned capital works. The level of revenue from development contributions will vary from that forecast if actual growth differs from the projections, but any variation will tend to mirror the need for capital expenditure, thereby mitigating the risk to the Council of any shortfall. If growth occurs at a different rate from the projections, the forecasts for the cost of service provision will differ from the actual. Any impact on the Council's financial performance will be mitigated because the change in forecast revenue from rates and	Moderate	✓	✓	✓	✓
All	Growth and Planning	Population demographics	The Council (informed by Statistics New Zealand)	Population and demographic structure will remain similar for the district progressing to an aging population pattern similar to the NZ median. Details of the population and demographic trends are included in the accompanying report.	<p>There is a risk that the assumptions are not correct meaning the age and household structures modelled are incorrect.</p> <p>This could also lead to lesser mis-alignment between the population and the services planned for.</p>	Moderate	The Council has based its plans for the management and expansion of its infrastructure on the population projections assumptions. Should the nature of growth change (e.g. more older people), the type of council investment will need to change.	Low	-	✓	✓	-
All	Implementation	Resource and Building Consents for council works	The Council	Consents will continue to be able to be processed in statutory timeframes.	There is a risk that the consent are delayed or that consent will not be obtained for the Council projects. If consenting timeframes are not met there is a risk the Council will lose its building consent authority accreditation status which would impact on operational and financial functions	Moderate	If consent conditions change, expenditure may increase to comply with the conditions and this may have an impact on rate levels. If consents cannot be obtained for planned projects, the project may be delayed or may not go ahead	Moderate	✓	✓	-	✓

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All	Legislation	Water Reform	Water Services Entities Act 2022	Council will continue to operate Water Supply, Wastewater and Stormwater services until 1 July 2026.	There is a risk that there will be significant change resulting from Local Waters Done Well or Council decision to progress a CCO delivery model, including potential alignment with neighbouring TAs or that legislative change could have an impact on the Council's asset base and revenue streams.	High	Assets & liabilities of part or the whole of the Council's Five Waters activity could be transferred to another body with financial forecasts and capital programme outlined in this document being the responsibility of the new body. If assets and debt are not transferred, there will be higher debt servicing costs on Council.	High	✓	✓	✓	-
All	Legislation	Water Reform	Water Services Entities Act 2022	Activity Management Planning and Long Term Plans will reflect the two years (2024/25 and 2025/26) prior to the transfer of responsibility to the new entity, 10 year plans will be developed due to uncertainty	Planning is required for a different timeframe if at all.	High	Planning for management of these services will be unnecessary and Council will need to advocate for community expectations. Planning can be updated as part of future Annual or LTP's.	Moderate	✓	✓	✓	-
Water	Legislation	Water Reform	Water Services Entities Act 2022	That Council will continue to be responsible for Land Drainage and Water Races	These are incorporated into the three waters reform	Moderate	Planning for management of these services will be unnecessary and Council will need to advocate for community expectations.	Low	✓	✓	✓	-

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All	Organisational	LGA Reform	Taituara	No substantial policy changes will occur from Future of Local Government Reform Programme	There is a risk that amalgamation of Councils (in whole or part) is initiated	Moderate	Significant changes will occur to Council's planning and operations, potentially the existence of Selwyn District as an individual entity	High	✓	✓	✓	✓
All	Organisational	Delivery of Capital Program	The Council	That the capital works program will be delivered as scheduled in the LTP.	Despite recent control environment changes to improve timeliness of capital project completions such as the establishment of an EPMD function, formation of a dedicated Capital Works Delivery Team there may be unforeseen time lag for when benefits are realised and improved practices is embedded in the Council.	Moderate	Growth will be delayed. Potential impact on borrowing and debt levels	High	✓	✓	-	✓
Transportation	Growth and Funding	Unallocated transport capital projects - forecasting assumption	The Council	That the level of capital spend will continue through the entire period of the LTP.	Capital spend is greater or less than that predicted for the later years in the LTP.	Moderate	This assumption affects estimation of transportation capital spend in years 4-10 of the LTP. The capital spend starting from 2027 will be revisited in the next LTP process.	Low	-	-	-	-