

ASSUMPTIONS

Council's Long Term Plan 2018-2028 is required to contain information on the significant forecasting assumptions underlying the information contained in the document. These assumptions include assessments of a number of factors that might impact on Council and the community, including consideration of how the population will probably change over the next 30 years, funding of Council services, the financial environment, how Council will provide services over the next 30 years and external factors such as climate change and Government legislation.

The assumptions are based on current information, but actual results might differ and these differences might be large. Council has, therefore, included an assessment of how likely the actual may vary from the assumptions and what impact the variances would have on Council and the community.

These are the overarching assumptions relating to Council's activities. In addition to these assumptions, activity specific assumptions are found in each of the activity sections and Activity Management Plans which are available as separate documents.

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ASSUMPTION	BRIEF DESCRIPTION OF RISK	LEVEL OF UNCERTAINTY	REASONS AND IMPACT
POPULATION CHANGE AND GROWTH ASSUMPTIONS			
<p>Population growth:</p> <p>Council has undertaken a detailed assessment of the likely population increase for all of the District’s main settlements as well as rural areas outside of these settlements. The overall population of Tasman is expected to increase by 4,420 residents between 2018 and 2028, to reach 55,690. The District will experience ongoing population growth over the next 30 years but the rate of growth will slow over time. After considering recent estimated population and dwelling growth rates, Council has used Statistics New Zealand’s high growth projections for Richmond, Brightwater, Wakefield, Motueka, and Mapua/Te Mamaku/Ruby Bay and medium growth projections for the rest of the District for the period 2018-2028. Medium growth projections have been used for the whole District for 2028-2048.</p> <p>Council planning also considers non-resident demand for holiday home properties and assumes that we will maintain the current proportion of dwellings which are used as holiday homes.</p> <p>Based on these assumptions, Council is planning a further 3,000 dwellings and 243 new business lots will be required. Rates income and Development Contributions revenue are generally based on this level of demand. Infrastructure planning and zoning requirements allow for a higher level of growth, based on factors such as consented subdivisions, approved Special Housing Areas, developer intentions, and to ensure an additional margin of feasible development capacity in Richmond, as required by the National Policy Statement – Urban Development Capacity.</p>	<p>Population growth is higher than assumed resulting in there being insufficient serviced land (including infrastructure) for development and housing affordability being reduced.</p> <p>Population growth is lower than assumed resulting in there being a surplus of serviced land for development.</p>	<p>Medium</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. Council may be required to undertake further changes to the TRMP and/or increase its investment in infrastructure to make more land for development available.</p> <p>If population growth is lower than assumed it may take longer for debt incurred to invest in growth related infrastructure to be repaid through Development Contributions. Council may need to revise its capital programme to reduce the amount of infrastructure projects it provides and there may be less need to carry out TRMP changes. Rates income increases and Reserve Financial Contributions income may also be less than assumed.</p>

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<p>Ageing population:</p> <p>The median age in the Tasman District in 2013 was 44. This is expected to increase to 53 (high projection) /54.1(medium projection) by 2043. The proportion of the population aged 65 years and over is expected to increase from 18% in 2013 to 36% (high projection)/ 37% (medium projection) by 2043.</p> <p>The increasing age of the population is likely to have an impact on some residents' ability to pay for services and also the services that they require. The reduction in average household size associated with an ageing population is likely to increase the demand for housing and a number of other Council services.</p>	<p>The population ages faster than assumed exacerbating issues of rates affordability, further increasing the demand for land for development and requiring the adaptation of Council services more rapidly.</p> <p>The population ages more slowly than assumed reducing issues of rates affordability, easing the demand for land for development and slowing the need to adapt Council services.</p>	<p>Low</p>	<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, Council may also need to consider servicing additional land for development to meet the increased demand for housing. 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 and may need to reconsider the mix of services, facilities and infrastructure it provides to meet the needs of the younger population structure.</p> <p>Demographic projections and the ageing of the population is well defined and likely to be similar to that forecast by Statistics New Zealand. Projections are updated on a regular cycle. Council has taken projected demographic changes into consideration as part of the development of this Plan, for example increased demand for community services such as libraries.</p>

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<p>Business Land:</p> <p>Council also assumes there will be continued growth in demand for business land which has been modelled using the same population growth assumptions outlined above. Council commissioned the development of an economic model that forecasts the area of serviced business land required to meet demand over time. The model incorporates national and regional economic and demographic trends to project employment growth and land requirements by activity (industrial, office, retail and services). The assumption is that the demand forecast by the model is accurate.</p>	<p>Business growth is higher than assumed resulting in there being insufficient serviced land for business development and the costs of business land increasing.</p> <p>Business growth is lower than assumed resulting in there being excess serviced land for business development.</p>	<p>Medium</p>	<p>If business growth is higher than assumed debt incurred by Council to fund the growth related portion of infrastructure to service business land will be repaid more quickly than assumed. Council may be required to undertake further changes to the TRMP and/or increase its investment in infrastructure to make more business land for development available.</p> <p>If business growth is lower than assumed It may take longer for debt incurred to invest in growth related infrastructure to be repaid through Development Contributions. Council may need to revise its capital programme to reduce the amount of infrastructure projects it provides and there may be less need to carry out TRMP changes. Rates income increases and Reserve Financial Contributions income may also be less than forecast</p>
<p>Rates Affordability:</p> <p>As noted in the Ageing Population section the median age of residents is expected to increase over the next 20 years. Some older residents who are no longer in employment will be less able to fund increases in rates for new services/infrastructure. Council assumes that the number of rate payers for whom rates affordability is a significant issue will increase as our population ages.</p>	<p>That the ability of residents to afford rates is less than assumed requiring Council to consider lowering rate increases in the future.</p> <p>That the ability of residents to afford rates is higher presenting the opportunity for Council to consider increasing rate increases in the future.</p>	<p>Low</p>	<p>Council may reduce levels of service and/or future investment in infrastructure and facilities in order to reduce future rates increases.</p> <p>Council may selectively increase levels of service and/or future investment in infrastructure and facilities.</p>

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<p>Development contributions:</p> <p>Full assumptions on development contributions are included in the Development Contributions Policy – copies of this are available on the Council’s website. Council expects to collect \$76.7 million in development contributions over the next ten years.</p>	<p>That development contributions are received more slowly than assumed requiring Council to hold debt for longer than anticipated.</p>	<p>Medium</p>	<p>The debt and the financing costs will eventually be re-paid when development takes place. Holding the debt for longer may put pressure on Council’s debt limit in its Financial Strategy. Council may need to consider either reducing other sources of debt or revising the debt limit in its Financial Strategy.</p>
<p>Reserve Financial Contributions (RFC’s):</p> <p>That RFC’s will continue to be received until April 2022. It is assumed that after this date Council will fund the growth component of reserve development under the Local Government Act through Development Contributions.</p>	<p>The growth component of reserve development are not funded by Development Contributions after April 2022.</p>	<p>Low</p>	<p>If the Council is unable to fund the growth component of reserve development through Development Contributions it may need to increase debt with a consequential increase in fees and charges and/or rates. Council may also need to reduce the levels of service in this activity.</p>
<p>Reserve Financial Contributions (RFC’s):</p> <p>That the Council will receive \$4.057 million in 2018/2019 from RFC’s and a total of \$12.471 million by 30 June 2021, before they are discontinued in April 2022.</p>	<p>That less is received in RFCs than forecast, either across the District as a whole or in specific locations.</p>	<p>Medium</p>	<p>Council may be required increase debt to fund a portion of reserve development with a consequential increase in fees and charges and/or rates. Council may also need to reduce the levels of service in this activity.</p>
OPERATIONAL ASSUMPATIONS			
<p>Going Concern:</p> <p>The financial information that supports the LTP assumes that Council will continue through the term of the LTP. Council will continue to work with Nelson City Council to develop shared services where this provides economic and social benefits to our communities.</p>	<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>Low</p>	<p>Amalgamation of the two councils or Council’s 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>

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<p>Council Resource consents:</p> <p>It is assumed that resource consents held by Council will not be significantly altered and any that expire during the life of the Plan can be replaced with similar consents.</p>	<p>That consents held by Council are significantly altered increasing the conditions required.</p> <p>That resource consents held by Council cannot be replaced.</p>	<p>Low</p>	<p>If consent conditions are significantly altered there are likely to be increased compliance costs for Council. Council may need to consider changing the way it provides the activity covered by the consent or fees and increase charges and/or rates to cover the additional costs of compliance.</p> <p>If resource consents cannot be replaced Council may need to consider changing the way it provides the activity covered by the consent.</p>
<p>Availability of contractors and materials:</p> <p>Contractors and materials will be available to undertake the work required to agreed standards, deadlines and cost.</p>	<p>That contractors and/or materials are not available to undertake the planned work.</p>	<p>Low</p>	<p>If contractors or materials are not available, Council's programme of work would have to be reduced and/or slowed down. This would impact the levels of service for a number of activities, and the cost of providing them.</p>
EXTERNAL ASSUMPTIONS			
<p>Climate Change:</p> <p>It is assumed that as a consequence of climate change natural disasters will occur with increasing frequency. This has been the experience of recent years and is consistent with predictions of climate change impacts. It is assumed that for low lying land there will be an increasing risk of inundation from sea level rise and storm surge. Council relies on Ministry for Environment (MfE) guidelines in estimating sea level rise.</p> <p>The official advice is to plan for a sea level rise (SLR) of up to 0.8 by 2090 and 1.0 m for the period to 2115, based on the 1980-1999 average levels. For sensitive infrastructure, plan for 1.9 m by 2150.</p>	<p>That the effects of climate change are more severe or sea level rise takes place to a greater extent than in the MfE advice.</p>	<p>Medium</p>	<p>A wide range of Council's services and planned infrastructure provision would be affected. Council will need to monitor the effects of climate change and level of sea level rise over time and review its budgets, programme or work and levels of service accordingly.</p>

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<p>Natural Hazards:</p> <p>It is assumed, that there will be some minor natural hazard events during the term of this Plan for example flooding, but that these events will not be significant. However it is also assumed that there is a modest chance of a medium sized event.</p>	<p>That there is a modest or larger event during the period of the LTP 2018-2028.</p> <p>The Nelson Tasman Civil Defence Emergency Management Plan states that the most significant natural hazards for Tasman are: earthquakes (greatest impact) and flooding (most likely).</p> <p>There is an expected 30% chance of an Alpine Fault rupture in the next 50 years. The Wairau segment of the Alpine Fault presents a hazard to the Tasman region. The other major active fault within the Tasman area, the Waimea-Flaxmore Fault System, has a much lower rupture frequency, but being closer, still presents a high consequence natural hazard.</p>	<p>Low</p>	<p>In the event of a medium or larger event Council's emergency reserves may not be adequate. Council may have to review its levels of service, its investment in facilities and infrastructure and consider exceeding the limits in its Financial Strategy to support the recovery of the District.</p>
<p>Emissions Trading Scheme (ETS):</p> <p>Council assumes that ETS costs will arise mainly as a result of its participation in the regional solid waste joint venture. The potential ETS liability from the Nelson Tasman Regional Landfill Business Unit is combined with that of Nelson City Council.</p>	<p>That ETS costs are higher than assumed costing Council more than forecast.</p>	<p>Low</p>	<p>Any increase in ETS costs will be shared with Nelson City Council through the Nelson Tasman Regional Landfill Business Unit. If the increase in ETS costs are material, Council may need to increase rates or fees and charges to fund these.</p>
<p>Government legislation:</p> <p>Particularly with the election of a new Government, it is assumed that that there will be changes to Government legislation that affect Council, however the nature of these changes is not known at this time. 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. Nothing has been provided for in the financial forecasts for the associated cost of any future legislative changes.</p>	<p>That Government legislation increases Council costs or reduces its ability to raise income.</p>	<p>Medium</p>	<p>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 levels of service.</p>

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FINANCIAL ASSUMPTIONS			
<p>Funding depreciation:</p> <p>Council began funding depreciation from 2015/2016. It is assumed that after a further seven years Council's share of depreciation will be fully funded (for an explanation of the term 'Council's share of depreciation', refer to Council's Financial Strategy, Revenue and Financing Policy and Infrastructure Strategy).</p>	<p>That the Council's share of depreciation is not fully funded by the end of the 2024/2025 year requiring Council to fund a portion of the renewal of assets from borrowing beyond 2024/2025.</p>	<p>Low</p>	<p>Council will have to increase its borrowing to fund the portion of depreciation not funded through rates beyond 2024/2025. This may reduce Council's capacity to borrow for other purposes within its debt cap in the Financial Strategy. Council may need to review its programme of investment in facilities and infrastructure.</p>
<p>Revaluation:</p> <p>Council revalues the following fixed assets on a three yearly cycle. It is assumed that the following types of fixed assets will increase in value by the percentages indicated over three years.</p> <p>Stormwater – Yr 2 (and every three years thereafter) 6.5%</p> <p>Solid Waste – Yr 2 (and every three years thereafter) 6.5%</p> <p>Roading – Yr 2 (and every three years thereafter) 6.5%</p> <p>Water Supply – Yr 2 (and every three years thereafter) 6.5%</p> <p>Wastewater – Yr 2 (and every three years thereafter) 6.5%</p> <p>Rivers – Yr 2 (and every three years thereafter) 6.5%</p> <p>Coastal – Yr 2 (and every three years thereafter) 6.5%</p> <p>Land – Yr 2 (and every three years thereafter) 6.5%</p> <p>Buildings – Yr 2 (and every three years thereafter) 6.5%</p> <p>These assumptions affect the depreciation charges contained within Council's proposed budgets. The detail for each asset category and Council's asset depreciation rates are in the Statement of Accounting Policies.</p>	<p>That the revaluation of Council assets is higher meaning that the costs of funding depreciation increase.</p>	<p>Low</p>	<p>Council may need to consider increasing fees and charges and/or rates to pay for the increased costs of funding depreciation.</p>

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<p>Waimea Community Dam:</p> <p>In July 2017 Council confirmed that the Waimea Community Dam was the most cost-effective alternative for augmenting the water supply for the urban areas. It undertook consultation on three key aspects of this project. At its 1 and 2 February 2018 Dam deliberations meeting, Council resolved to include the proposed funding and governance options into the LTP Consultation Document and supporting information.</p> <p>It is assumed that the Waimea Community Dam will provide a source of community water supply for the Waimea Plains area from 31 July 2021.</p> <p>\$26.8 million of capital funding is provided for the Waimea Dam in the LTP and approximately \$715,000 per annum for operational costs. It is assumed that Nelson City Council will contribute \$5 million and Waimea Irrigators Ltd will contribute \$15 million to the capital costs of the Waimea Community Dam.</p>	<p>That the Waimea Community Dam does not proceed, requiring the development of an alternative source of potable water for settlements on the Waimea Plains.</p> <p>That the Waimea Community Dam proceeds more slowly than anticipated, resulting in a delay to increased potable water supplies being available.</p>	<p>Medium</p>	<p>If the Waimea Community Dam does not proceed, it is anticipated that an alternative urban water source will have higher costs for Council. It will be necessary to borrow more with consequential impacts on increased rates. Council may have to reduce its investment in other infrastructure and facilities and consider reducing levels of service.</p> <p>If the Dam is not constructed within the timeframes proposed, there will be limited urban water supply meaning that there will be a delay in making additional land available for development in the Waimea Plains. This may reduce housing affordability and result in higher levels of growth outside of the Waimea Plains area in the short term. Water restrictions will be introduced in the Waimea Area until the Dam is completed.</p>

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<p>Inflation/Price changes:</p> <p>In preparing the LTP we use the most up to date Business and Economic Research Limited (BERL) Inflation figures.</p> <p>Council has generally used the figures provided by Business and Economic Research Limited (BERL). Variable annual rates have been applied to six cost groups across the model. We have used BERL's overall average operating and capital local government cost indices, apart from salaries which we adjust to reflect Council's expected future costs. The non-rates income inflation factor is calculated by a cost weighted averaging exercise.</p> <p>In preparing this LTP we will use the inflation factors as set out in the table below;</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 the LTP.</p>		<p>Medium</p>	<p>If inflation is higher than assumed Council would need to consider increasing rates and charges, reducing its programme of investment in facilities and infrastructure, increasing debt and/or reducing levels of service.</p>							
	Jun-19	Jun-20	Jun-21	Jun-22	Jun-23	Jun-24	Jun-25	Jun-26	Jun-27	Jun-28	Ten Year Average
Income	2.30%	2.40%	2.50%	2.50%	2.60%	2.60%	2.70%	2.80%	2.80%	2.90%	2.6%
Salaries	2.60%	2.60%	2.70%	2.80%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	2.8%
Operating Expenses	2.00%	2.20%	2.20%	2.20%	2.30%	2.30%	2.40%	2.50%	2.50%	2.60%	2.3%
Capital	2.00%	2.20%	2.20%	2.20%	2.30%	2.40%	2.40%	2.50%	2.60%	2.70%	2.4%

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<p>Interest rates: In preparing the LTP Council has assumed interest rates as set out in the table below.</p>	<p>That interest rates are higher than assumed resulting in Council's cost of borrowing being higher than anticipated.</p>		<p>Medium/ high</p>	<p>The interest rates used are based on advice from Price Waterhouse Cooper and includes the cost of both funds already borrowed and anticipated new debt at anticipated future interest rates. If actual interest rates are higher than the assumed rate, this cost would be met by increasing rates or adjusting future borrowing requirements. A degree of protection against fluctuating interest rates has been provided through the use of interest rate swaps. Council is also a member of the Local Government Funding Agency which provides access to loans at a lower rate than Council could obtain directly from banks.</p>							
	Jun-19	Jun-20	Jun-21	Jun-22	Jun-23	Jun-24	Jun-25	Jun-26	Jun-27	Jun-28	Ten Year Average
Interest Rate	5.08%	4.88%	4.91%	4.82%	4.93%	5.05%	5.11%	5.05%	5.10%	5.14%	5.01%
<p>Credit availability Credit can be obtained from financial markets on competitive terms and conditions.</p>	<p>That credit is not available on competitive terms and conditions resulting in Council's cost of borrowing being higher than anticipated.</p>		<p>Low</p>	<p>In recent years credit has been available from the financial markets at competitive rates and conditions. Should this change dramatically through a global financial crisis there could be significant impacts on the cost of borrowing or in extreme circumstances the ability of the Council to borrow at all. 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>							

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<p>Useful lives of significant assets:</p> <p>We are assuming standard useful lives for Council assets except where we have good quality information that contradicts this. In LTP's Council has made a number of assumptions about the useful life of its assets (refer Infrastructure Strategy in Part x of Volume 2). These assumptions affect the depreciation charges contained within Council's proposed budgets. Council has an ongoing programme to obtain improved information on the age and condition of its utilities assets.</p>	<p>That the lives of assets are materially shorter than assumed, necessitating renewal or replacement at an earlier date.</p>	<p>Low</p>	<p>If the life of assets are materially shorter than those contained within the Plan, Council may need to increase borrowing with a consequential impact on increasing rates.</p>
<p>NZTA funding:</p> <p>An underlying assumption of the budget figures contained in the Transportation, Roads and Footpaths Activity is that the government financial assistance through the NZ Transport Agency's Co-investment Rate will remain unchanged during the Long Term Plan. Funding rates used for the preparation of the LTP are based on information from the NZ Transport Agency and are set at 51%.</p>	<p>That NZTA financial assistance rates are lower than assumed increasing Council's costs for transportation related activities.</p>	<p>Medium</p>	<p>Council may need to consider increasing rates and/or reducing its programme of transport infrastructure investment. This may result in levels of service being reduced.</p>
<p>How is capital funded?</p> <ul style="list-style-type: none"> ● Loans ● Subsidy ● Development Contribution ● Reserve Financial Contributions ● Reserves ● Rates 	<p>There is a risk that sources of funds for some capital projects may not eventuate. It is assumed that is external funds are not available the project will not proceed.</p>	<p>Medium</p>	<p>If external funding is not received, the capital programme may have to be revised or Council may have to draw down more debt assuming no financial limits are breached.</p>

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<p>Insurance costs:</p> <p>It has been assumed that insurance cover for Council assets will be available throughout the life of the LTP and at premiums that are within a tolerable range around level of premiums paid for cover in 2017/2018 plus inflation. These costs are subsequent to the Kaikoura/Hurunui earthquakes.</p>	<p>That insurance cover will not be available for some or all Council assets for at least a period during the life of the LTP.</p> <p>That insurance premiums will increase beyond tolerable limits such that Council moves to self-insurance for some or all assets.</p>	<p>Medium</p>	<p>If insurance cover is either not available or premiums are above tolerable limits Council may have to self-insure. This requires having sufficient borrowing capacity to be able to replace damaged Council assets following a disaster event or something similar. Maintaining this increased level of available borrowing capacity may mean Council has to reduce other borrowing by reviewing its investment in facilities and infrastructure and/or revise its debt limit in the Financial Strategy.</p>
<p>Return on investments:</p> <p>It is assumed that the return on investments, including dividends from Council Controlled Trading Organisations and retained earnings on subsidiaries will continue at current levels plus inflation or in line with the relevant organisation's Statement of Intent.</p>	<p>That returns are lower than assumed reducing the revenue from this source.</p>	<p>Low</p>	<p>Council may need to consider increasing rates and/or reducing levels of service.</p>
<p>Major Industrial Water Users (IWU) and provision of water to some Nelson South properties:</p> <p>The figures in the LTP assume that the IWUs and properties in Nelson South will continue to require the same amount of water that is currently being provided until 2021 when the current agreement with NCC finishes.</p> <p>Beyond 2021 Council has assumed that the same volume of water will be provided to IWU and Nelson South, whether the renewed contract be directly between the Council and the IWU or the Council and NCC.</p>	<p>That Council's income from providing water to major IWUs and Nelson South is lower than assumed.</p>	<p>Low</p>	<p>Council may need to consider increasing rates and/or reducing levels of service.</p> <p>If the amount of water required increases or decreases significantly Council will need to reassess the water storage and conveyance needs for the urban water supply system. A large change 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.</p>

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<p>Limits on Rates and Rate increases:</p> <p>The level of Council limits on rates and rate increases, as required by the Local Government Act 2002, are set out in the Financial Strategy. This Plan assumes that Council will remain within these limits.</p>	<p>That rates levels and/or rate increases are above the limits set in the Financial Strategy.</p>	<p>Low</p>	<p>There is no legislative requirement for Council to remain within the rates limit and the forecasts in this Plan provide a margin for unexpected events.</p> <p>The Council may need to reconsider the limits in its Financial Strategy or alternatively decide to breach them for a short period and provide a good rationale for doing so. A breach of this sort would be noted in the Annual Report and (on an election year) in the pre-election report.</p> <p>If the breaches were extensive or continued over an extended period of time they could affect Council's credit rating with a likely increase in borrowing costs. This in turn may require Council to consider reducing its borrowing, raising rates and/or reducing levels of service.</p>
<p>Activity/Transaction Increases</p> <p>Generally we do not inflation adjust non-rate income. Given past trends however, we use a 1% increase in activity levels in consents and license workloads as a basis for adjustments.</p>	<p>That expected levels of transactions do not eventuate or that activity levels exceed expectations</p>	<p>Medium – a lot of the transactions are client driven in terms of timing and number</p>	<p>Depending on activity levels, non-rate income will be affected in the form of user charges. If income is less we will have to make costs savings elsewhere. If activity levels are higher, we will have to out-source or increase resources to respond, especially where compliance with statutory processing times are concerned.</p>