

Risk Matrix

In order to obtain insight into the risks facing the Council over the 2025-2034 Long-Term Plan cycle, the risks have been viewed through the lens of the 'risk matrix'. The matrix is comprised of two key parameters – likelihood and consequence of the assumption occurring – and five subparameters within each key parameter. These are given below.

Risk Matrix Settings	
Likelihood	Consequence
Rare	Insignificant
Unlikely	Minor
Possible	Moderate
Likely	Major
Almost Certain	Extreme

These parameters are then graphed on a matrix, with consequences on the y-axis and likelihood on the x-axis. This is depicted below.

We have determined that the risks we face can fit into five broad risk categories. These include:

- Demographic
- Legislative and Policy
- Environmental
- Operational
- Economic

Risk Matrix						
Consequences	5 Extreme	Moderate	High	High	Extreme	Extreme
	4 Major	Moderate	Moderate	High	High	Extreme
	3 Moderate	Low	Moderate	Moderate	High	High
	2 Minor	Low	Low	Moderate	Moderate	Moderate
	1 Insignificant	Low	Low	Low	Moderate	Moderate
		1 Rare	2 Unlikely	3 Possible	4 Likely	5 Almost Certain
		Likelihood				

With this matrix, we can match up what level we think our risks will be. For instance, if it was possible that something was going to happen but have insignificant consequences, then it would be deemed a 'low risk'.

We have compartmentalised our assumptions into **four risk baskets**. These baskets are:

1. Low
2. Moderate
3. High
4. Extreme

Presently, risks facing the Gore District Council and its community are deemed to be moderate to extreme. This is a result of the implications and uncertainty associated with the risks identified. These risks can be understood through the risk matrix.

From left to right, the first column details our assumption, the second column describes the risk associated with the assumption, the third column details the likelihood of the assumption, the fourth column describes the consequences of the assumption and the counterfactual scenario, and the last column gives the total risk level.

The assumptions made demonstrate several key themes. First, there is a high degree of uncertainty for the Council over the next decade. Second, the Gore District Council is operating in a presently high-risk environment. These risks are on many different fronts. This is especially true of the financial risks faced by the Council. These risks will require us to be pragmatic and be aware of alternative sources of funding over and above rates and grant income. Third, assumptions that are likely/almost certain to occur (as at the time of writing) will most certainly impact significantly on the Council and its operations.

Demographic				
Assumption	Description of Risk	Likelihood of Assumption Occurring	Consequence of Assumption/Impact of Counterfactual (Incorrect Assumption)	Risk Level
The population of the Gore District is likely to continue to age.	The Gore District's population will continue to age. According to Stats NZ Population Projections (Low Estimate: 2018 Base), Gore's Working Age Population (15-64) will decrease from 61% to 59% of the total population by 2048. Over the period of the 2025-2034 LTP, the working age population is expected to decrease from ~61% to ~59% of the total population. This represents a nominal decline of ~9% in the	Likely	Moderate Demographic change will have a moderate impact on infrastructure, the rating base and the local labour market. These factors will impact on the economic viability of the District and its future liveability and future capital development. To ameliorate the potentially adverse effects of demographic changes, the Council is engaging with stringent planning and District Marketing. If our assumption is incorrect, then Gore's labour market will be positively impacted with impacts potentially arising in the Council's other operations.	High

	working age population between 2025 and 2034.			
--	---	--	--	--

Legislation and Policy				
Assumption	Description of Risk	Likelihood of Assumption Occurring	Consequence of Assumption/Impact of Counterfactual	Risk Level
There will be sizable changes in legislation and policy direction	Examples of these changes, such as the Resource Management Act, and Water Services Act. These have the potential to affect how the Council operates, including the possibility of shared services with other local authorities.	Likely	Major There are major consequences arising from legislation and policy direction changes. These consequences arise from changes in what we are responsible for, impacting on the way we fund and finance our activities. If our assumption is incorrect, then there will likely be little operational impact on the Council. Both changes could require councils to work with other local authorities, around delivery of these services in the future.	High
Changes to our funding partnership with Waka Kotahi NZTA. Contribution used to forecast in the LTP:	There is lack of long-term certainty in funding available from Waka Kotahi.	Possible	Major While the Government pursues austerity for the first three years of the LTP (at least), it is unlikely to result in changes to road funding given the importance of roading to the Government's transport agenda.	High

61% LTP years 1-2 (confirmed) 55% LTP years 3-9 (conservative estimate)			If our assumption is incorrect and subsidisation from the National Land Transport Fund (NLTF) is to change substantially, then we will require more funding to undertake our roading operations. This will necessitate rates increases. The alternative is a decrease in the level of service.	
Resource Management Act reform	We have no certainty over what Resource Management Reform will look like now that the Natural and Built Environment Act has been repealed.	Possible	Minor Changes to the Resource Management system will likely be well signalled with minimal adverse consequences expected to Council operations over the LTP Cycle. If our assumptions are incorrect, there is likely to be minimal change in how the Council operates.	Moderate
Conditions of resource consents held by the Council will not be altered significantly.	There is a risk that existing consent conditions will be revised or that the conditions in new consents will be more onerous than expected.	Possible	Major If conditions are more onerous, greater costs may be involved in complying with conditions or obtaining consents. Alternatively, the consent may not be renewed, for example water related consent, due to the NPSFM.	High
Three Waters Reform legislative changes	Reform to the Three Waters System of funding and delivery pose a significant organisational change for the Council, staff, and the public.	Almost Certain	Extreme If the Government commits to reform under the 'Local Water Done Well' framework, then we will face nearly insurmountable funding challenges in maintaining and upgrading water infrastructure – even with a potential regional CCO.	Extreme

	However, we are uncertain of what form these changes may take. Therefore, the budgets remain with Council for this Long Term Plan.			
--	--	--	--	--

Environmental				
Assumption	Description of Risk	Likelihood of Assumption Occurring	Consequence of Assumption/Impact of Counterfactual	Risk Level
National environmental compliance standards are likely to change.	National environmental standards will continue to be changed, with the Council having to adapt to these changes.	Likely	Moderate The consequences of environmental compliance are likely to be moderate. This is owing to the added costs of compliance and the resulting impact on service provision and infrastructure. If our assumption is incorrect and there are no changes in environmental compliance standards, then there will be little to no impact on the Council's operations.	High
That climate change will continue to pose a significant risk to infrastructure and economic activity within the District, while also posing	There is difficulty in predicting climatic events means unbudgeted expenditure from a significant weather event is a strong possibility.	Likely	Major A significant weather event could severely damage infrastructure within the District. The NIWA Report indicates that Gore will likely be warmer and drier but suffer from more significant rainfall events.	High

operational challenges for the Council.			If our assumption is incorrect, then Gore will not suffer too much from the impacts of climate change with positive impact on our finances and infrastructure.	
It is assumed that there will be no major adverse events during the period covered by the LTP, for example earthquake, flood or pandemic. While events may occur at any time, the Council's planning will focus on operational resilience and supporting Emergency Management Southland.	There is a risk that a major adverse event will occur and result in damage to assets, the disruption of the Council's services, and additional costs to the Council.	Possible	Major 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. It will also ensure that it has appropriately trained staff to support Emergency Management Southland. The Council is also looking to start to build up a reserve to address on the ground costs of an emergency that would not otherwise be covered by insurance.	High
Emissions Trading Scheme (ETS) – The legislative requirement under the Climate Change	Government policy changes as the result of international protocols changing and placing more obligation on the Council beyond the	Unlikely	Minor The financial impact which will be met by on-charging at the gate or through rates increases.	Low

Response Act is for landfill operators to report emissions from January 2013 and surrender units for the period January – December 2013 in January 2014 (and yearly after that). The Gore District Council does not directly own the landfill used to dispose of local waste. This is owned and operated by an independent third party who charges the Council for the use of their facilities. With this in mind the Council has prepared this LTP under the assumption that the only effect	current affordable level.			
--	----------------------------------	--	--	--

the above law will have on Council operations is an indirect increase in the costs for waste disposal to the landfill.				
--	--	--	--	--

Operational				
Assumption	Description of Risk	Likelihood of Assumption Occurring	Consequence of Assumption/Impact of Counterfactual	Risk Level
Inaccuracy of asset data and information	Inaccuracy of asset data and condition assessment information may impede our ability to provide adequate maintenance to our assets.	Unlikely	Moderate Accuracy of information on our critical infrastructure is high. This can be deemed to have minor consequences on the Council's operations over the duration of the Long-Term Plan. If unmanaged, the Council will suffer from an inability to support a managed approach to dealing with relevant asset data and useful life estimates Mitigation – ongoing programme of condition assessments of key assets will provide better information that will inform maintenance and replacement assets.	Moderate

Financial constraints impacting on maintenance and levels of service	Less money would threaten potential maintenance and required increases to levels of service and necessitate rates increases.	Likely	Major Financial constraints restrict our ability to pay for necessary maintenance and Level of Service upgrades if needed. This would impede on our ability to maintain the four wellbeings as required by law. If our assumption is incorrect, then we are unlikely to face the same financial constraints which will impact positively on us and our ratepayers.	High
Potential volatility in the capital works programme	Fluctuations in costs will be higher than during previous LTP cycles. There is also the potential for cost decreases, which is an upside. Inflationary assumptions for construction/contract costs may be incorrect, or priorities change.	Possible	Moderate Given the declining increases in input costs, it may be the case that volatility in the capital works programme is declining with minimal effects on the Council's level of service. If there is no volatility in the capital works programme, then this will have a positive impact on our finances and our operational capacity to provide infrastructure.	Moderate
We assume assets will be valued higher	Given the inflationary period, the uncertainty and volatility of markets over recent years mean revaluations are likely to be inaccurate and be higher than what we expect.	Possible	Moderate Given that asset valuations have risen with CPI inflation in recent years, there is a chance that asset valuations have reached their peak during this economic cycle. If our assumption is incorrect, then some of our insurance and other operational costs will have to be amended.	Moderate

The LTP assumes that the capital expenditure programme is deliverable, taking into account affordability, contractor capacity in the local market, and the availability of materials.	That there is not enough capacity in the local market to deliver the programme, that materials are not available in the timeframes required, or capital costs are underestimated therefore affecting affordability.	Possible	Moderate Delays in the delivery of the capital expenditure programme.	Moderate
---	---	----------	--	----------

Economic				
Assumption	Description of Risk	Likelihood of Assumption Occurring	Consequence of Assumption/Impact of Counterfactual	Risk Level
There will be continued economic uncertainty with global trade and price increases complicating the Council's operations	There is likely to be a continuation of elevated interest rates and elevated prices (albeit potentially decreasing in the near term).	Likely	Major The Council will continue to face funding challenges and pursue higher rates to meet financial obligations (i.e., interest). If our assumptions are incorrect and economic uncertainty is to dissipate in the near term, then our ability to respond to events with more long-run certainty will increase.	High

Financial				
Assumption	Description of Risk	Likelihood of Assumption Occurring	Consequence of Assumption/Impact of Counterfactual	Risk Level
Inflation – The prospective financial information is based on the following adjustments for inflation. Council has used the BERL forecasts of price level changes to calculate the inflation rate for each year of the plan. Note – inflation rate differs slightly for each core activity within the following ranges: Year 1 2.5% - 5.6% Year 2 2.5% - 5.3%	That actual inflation will be significantly different from assumed inflation.	Likely	Moderate Inflation is affected by external economic factors. Council's costs and the income required to fund those costs will increase by the rate of inflation unless efficiency gains can be made. While individual cost indices will at times vary from what has been included in this plan, the Council has relied on the Reserve Bank us of monetary controls to keep inflation within the 1.5% - 3.0% range.	High

Year 3 2.2% - 5.0% Year 4 1.9% - 4.6% Year 5 1.9% - 4.2% Year 6 1.8% - 3.4% Year 7 1.8% - 3.0% Year 8 1.8% - 2.4% Year 9 1.7% - 2.3%				
Insurance costs will increase and remain high.	As above, elevated insurance premia will place an elevated financial burden on the Council.	Likely	Major The Council will continue to face funding challenges and pursue higher rates to meet financial obligations. Ameliorating this risk may also involve the review insurance policies on specific assets. If insurance costs do not increase as assumed, then this will impact less on the finances of the Council.	High
Interest on externally borrowed debt is calculated between 5.0% - 5.75% throughout the nine-year period.	The interest rates will change from those forecasted.	Likely	Moderate Interest rates on borrowed funds are largely influenced by factors external to the New Zealand economy. The uncertainty of the global economy means that the financial materiality has been assessed as moderate, particularly given the Council's reliance on debt to fund major infrastructure projects.	High
Debt is repaid through scheduled repayments, and	The operating budgets are exceeded, leaving no	Likely	Moderate If debt is unable to be repaid as forecasted, then the impact will be higher interest costs and extended loan	High

for infrastructure assets, it will also be repaid from surplus depreciation funds.	funds for budgeted loan repayments. That the surpluses in depreciation funding do not occur as forecast to repay debt.		terms. It may also lead to an increase in rates required to be set for ratepayers.	
The Council will fully fund depreciation from 2028/29.	The depreciation is not fully funded, and the Council is not on the pathway to financial sustainability	Possible	Moderate If depreciation is not fully funded then the Council is not providing sufficient funding to replace assets at end of life, risking that the assets will have a catastrophic failure. It also means that debt is not being able to be paid down, and therefore the cost of borrowing will remain higher and more rates will need to be collected.	Moderate
That the Council will obtain a credit rating to increase debt ceiling to 280% revenue.	The Council does not receive a credit rating and will not have access to a higher debt ceiling to enable the delivery of the planned infrastructure expenditure.	Unlikely	Extreme The Council would not be able to deliver the infrastructure programme. There would be a risk to not being compliant in the water and wastewater areas.	High
The Council will revalue its assets at least every three years to reflect the change in asset	There is a risk that there will be an increase (or decrease) in the value of assets beyond what the	Likely	Moderate The costs for funding depreciation will be greater (or less) than that budgeted. This risk will reduce the more the Council understands its assets and the condition of them.	High

valuations. The Council has assumed that asset values will increase at the rate of inflation projected in the BERL estimates.	BERL estimates forecast.			
---	--------------------------	--	--	--