Nelson City Council
te kaunihera o whakatū

Draft 2021/31 Financial Strategy

This section outlines Nelson City Council's Financial Strategy (the Strategy) for the 2021-31 Long Term Plan (LTP). Council must, under the Local Government Act 2002, manage its revenues, expenses and assets, liabilities, investments and general financial dealings prudently. It must manage these in a manner that sustainably promotes the community's current and future interests.

The Financial Strategy demonstrates how Council will:

- Provide for growth in its region and manage changes in land use
- Ensure that the level of rates and borrowing are financially sustainable and are kept within pre-set limits
- Be accountable for maintaining the assets that it owns on behalf of the community
- Fund network infrastructure and maintain levels of service
- Obtain pre-set returns on financial investments and equity securities
- Give securities on borrowing.

The overall direction of this strategy is to:

- Keep the overall rates increases to the Local Government Cost Index (LGCI) + 2.5% across the LTP (previously LGCI + 2%)
- Manage Council's work programme to remain comfortably within a debt to revenue ratio of 175%.

In preparing the LTP and this Strategy, Council has considered:

- Service levels, costs of these services, and money required to achieve these services
- Priorities for expenditure across all activities, including capital expenditure on network infrastructure
- Setting rates and charges across the full 10 year period of this LTP and how to minimise these while achieving the targeted levels of service
- The level of debt that current and future ratepayers would need to fund
- The level of growth and changes in use of land that are expected over the next 30 years and beyond.

Overall, Council considers this LTP to be financially sustainable and will support the most important services to residents, businesses and visitors.

STRATEGIC DIRECTION OF COUNCIL

Council has developed a vision, priorities and community outcomes to guide decision making. More information on these is available on Council's website.

FACTORS THAT INFLUENCE HOW ACTIVITIES ARE FUNDED

The following factors are expected to have a significant impact on the LTP:

COVID-19

COVID-19 is one of the biggest challenges the Council has had to face. This Strategy has been developed taking into account issues and potential risks that COVID-19 has presented including the impact on Council's finances, lower economic activity, unknown border restrictions and economic changes. Council has continued to invest in projects that will reinvigorate the economy through job creation.

Providing for existing levels of service and meeting additional demand

Council assessed the funding requirements to meet the levels of service set for each activity and considers that the proposed capital and operating expenditure is sufficient to achieve the planned levels of service.

Council's focus is on leadership, mitigation of greenhouse gas emissions, and adaptation to climate change hazards. Climate change is embedded across all of Council's activities, it is now a critical part of business as usual.

Major capital expenditure planned to maintain or increase levels of service includes the majority of projects in the following Council activities:

- Transport projects
- Water supply
- Wastewater
- Stormwater
- Flood protection, including adaptation to climate change
- Community facilities, including the Elma Turner Library redevelopment.

Major operating expenditure changes to maintain or improve levels of service include:

- Data collection and structure inspection/maintenance in the transport activity
- Public Transport
- Monitoring of the environment
- City development
- Meeting legislative requirements and changes.

This Strategy has been prepared assuming that there will be a continuing provision of water services by Council. The current central government work programme proposes that new entities be established to manage the Three Waters services (water, waste water and stormwater) by July 2022. If this is implemented, Council will incorporate changes into relevant plans and strategies.

Growth and changes in population

The number of people in Nelson, where they choose to live, and growth in economic activity directly affects demand for infrastructure, Council services and land for development. This growth underpins land use planning, infrastructure developments, where and when new services or facilities are required, and how much things will cost. An increased number of ratepayers also helps to spread costs so that collectively a greater range of facilities and services can be afforded.

The assumptions section of the LTP describes Council's population estimates, which are based on an expectation that the population will grow by just under 2,500 between 2021 and 2031 for a total population of 57,180. The rate of increase for the first three years of the LTP is expected to be low, increasing to medium growth for the subsequent seven years. There are a large number of variables associated with COVID-19 which will impact migration into and out of Nelson.

Council takes a generally conservative approach in applying population growth estimates in its infrastructure planning, which are updated as new data becomes available.

Council's intention is that the costs of growth be recovered through Development Contributions, primarily from subdivision developments. More information is set out in the proposed Development Contributions Policy, which is available on Council's website.

Council is conscious of the many variables affecting the rate of development in Nelson. For the purposes of calculating income from Development Contributions we have taken a conservative approach. Rather than make calculations on the basis of high growth, we have assumed a more modest amount in line with historical Development Contribution income and made adjustments for the anticipated longer term impacts of COVID-19, as the effects of growth and timing of revenue do not necessarily directly align with the overall growth forecasts. The costs of meeting demand for services as a consequence of growth have been included in the LTP. Growth rates will be reviewed when new population projections, based on the 2023 census, are provided by Stats NZ.

Any variance between the budget and actual Development Contributions received for each activity is stated in the Annual Report. In the short term, between LTPs, any shortfall or surplus are offset by higher or lower borrowings (serviced by rates). These variances flow through to the three-yearly Development Contributions recalculations.

Summary by activity of growth component of capital projects [to come when Development Contributions Policy is finalised]

Activity	**$ per HUD[1] (excl GST)**
Stormwater	
Wastewater	
Water Supply	
Transport	
Community infrastructure	
General Reserves	
Total	

Land use changes

Although some population increases can be met from improved and more intensive land use which is already zoned for residential and business use, there is a requirement to provide further land for houses and businesses. A change in land zoning requires using the Resource Management Act 1991 processes to change the Nelson Resource Management Plan.

Council is part way through a full review of the Draft Nelson Plan (Whakamahere Whakatū Nelson Plan). This review is considering growth and includes focus on:

a) encouraging greater infill in existing residential areas (minimising the cost of growth)
b) enabling greater utilisation of space above ground floor for residential activities in

[1] Household Unit of Demand

the city centre (minimising the cost of growth)

c) using the Future Development Strategy to guide locations for the future residential and commercial zones.

Information on projects with a growth component is included in the schedules attached to the proposed Development Contributions Policy.

Other factors

In addition to those outlined above, the following factors will also be important:

- **Urban area** - Nelson City Council covers a relatively compact urban area and a small rural area. This means that the funding of services is largely provided by general rates rather than through rates targeted at separate communities
- **External factors** - These are factors outside Council's control that have an impact on how we fund our activities. For example, changes in road and transport funding provided by Central Government affect what projects Council carries out
- **Affordability** - Many residents have low incomes and rates affordability is an important focus for many households. Council looks for every opportunity to reduce costs while not setting back Nelson's progress
- **Goods and services** - The cost of goods and services that Council provides may increase at a higher rate than the Consumer Price Index (CPI). For example, roading costs are dependent on oil based products
- **Private/Public split** - Council aims to have costs and fees that are an appropriate reflection of the balance of individual benefit versus public good.

The consequences of these factors are:

- It is not financially sustainable to provide all the services and activities wanted by the community at the same time. Therefore Council has to prioritise its work programme
- Council has spent the last 12 months reviewing its work programme and services to prioritise the needs of the community
- Costs to maintain and deliver Council services will continue to increase in the foreseeable future, mainly due to inflation, managing infrastructure for growth and environmental improvement, interest, and other operating costs associated with capital expenditure.

FINANCIAL PRUDENCE

Council is required to ensure each year's projected operating revenues are set at a level sufficient to meet that year's projected operating expenses, i.e. Council must demonstrate financial prudence. Council may set projected operating revenues at a different level from that required, if Council resolves it is financially prudent to do so.

COVID-19 has had a significant impact on Council's finances. Council has resolved to have an unbalanced budget (projected operation expenditure exceeding projected operating income) for years 2 and 3 of the LTP to maintain services and integrity of assets. This shortfall will be funded using Council's balance sheet (debt). Council considered a number of options before deciding to operate a scheduled unbalanced budget for these years including:

- Fully funding costs in the respective years. This would result in Rates increases for the first three years of 7.4%, 5.4% and 4.4% respectively, and an average of

3.5% for the remaining seven years. Net Debt at the end of the ten years would be higher at $315.9 million.
- Spreading the repayment of the loan over more or fewer years
- Increasing fees and charges
- Reducing levels of service in some activities.

In assessing a financially prudent position, consideration has been given to:

- The estimated expenses of achieving and maintaining the targeted levels of service. This includes estimated expenses associated with maintaining the service capacity and integrity of assets throughout their useful life
- The projected revenue available to fund estimated expenses associated with maintaining the service capacity and integrity of assets
- The equitable allocation of responsibility for funding the provision and maintenance of assets and facilities throughout their useful life
- The funding and financial policies and this Financial Strategy.

During the development of the information to support the LTP, Council considered how to balance its existing asset renewal programme, increased levels of service, providing for growth and the effects of climate change.

Depreciation and renewals

Council notes that depreciation is greater than renewals and appreciates that this position is not sustainable in the long term. Council's current approach is to repay debt using funding for depreciation, and Council acknowledges that borrowing for renewals will need to be made when this is required.

Following the two yearly revaluation of infrastructure assets performed as at 30 June 2020, the increase in depreciation will be not funded in the first year and spread over the following five years in equal amounts. An exception has been made for the 2021-31 LTP due to the effect of COVID-19 on Council finances and rates affordability. Instead of a one-off increase, spreading the increase will reduce the effect of the revaluation on rates by $8.1 million across the years 2021/22-2026/27.

Council's Infrastructure Strategy considers how we will provide and pay for infrastructure to enable growth. This includes network developments for waste, storm and drinking water, flood protection and transport. Planned operational and capital expenditure shown in the Infrastructure Strategy for years 2031-51 is outside the time period of this Financial Strategy, however Council intends to ensure that these important infrastructure projects can be funded by drawing on depreciation reserves (funded by debt).

Debt vs Rates

Council understands the need to invest in infrastructure, including social infrastructure to support our City to grow and develop. Increasing levels of capital expenditure, as outlined in the Infrastructure Strategy, will lead to increasing debt levels. Because of the growth in the region and the demands for more Council-delivered infrastructure and services, Council is continually looking at how to best fund these demands while keeping rates affordable. Council needs to balance the need for investment now, and the ability for todays and future generations to pay for this investment.

Council is proposing to increase its debt limits to a Debt to Revenue ratio of 175% from 150% to fund this infrastructure investment. This significant capital expenditure programme includes social and community infrastructure such as libraries and other community facilities, transport and water infrastructure.

In order to keep debt at lower levels than it would otherwise be at Year 10, and comfortably under the Debt to Revenue ratio of 175% (which will peak at 152% in Year 8), it is proposed to set annual rates increases at the new rates cap of LGCI + 2.5%, except for Year 1. In Year 1 the overall rates increase is proposed to be 5.7% (vs 6.2%, which it would be at LGCI +2.5%).

What this results in, is borrowing from the Emergency Fund in years 1-5 to keep the rates increases smooth and lower than they otherwise would be. In years 6-10, Council will repay the Emergency Fund which will come back into funds in Year 8, by having higher rates increases than they otherwise would be (and higher operating surpluses).

SUMMARY OF PLANNED 10 YEAR FINANCIAL PERFORMANCE

As part of developing the supporting information for the LTP, Council considered key issues and how to address them. Council looked at how to meet expected population growth, to enhance the environment, respond to climate change and meet the community's social and cultural needs. Council then prioritised the potential activities and projects.

The financial information in the LTP supporting information reflects the activities and projects Council identified as priorities, and is planning to deliver over the next 10 years, while keeping within its limits for rates increases and borrowing.

Council is forecasting capital expenditure of $631 million, of which $230 million would be for renewals, and operating expenditure of $1,611 million over the 10 years of this Long Term Plan. Council's total income, after inflation, would increase from $142 million in 2021/22 to $214 million in 2030/31, Year 10.

RATES, OVERALL INCREASE IN RATES REQUIRED AND RATES INCREASE LIMIT

Council has to weigh up requests for more and improved services with keeping rates and charges affordable. According to what is proposed, average overall increase in rates required in the first three years, adjusted for the impact of growth, would be 5.7%, 5.4%, and 5.0%, respectively. Over the following seven years, the overall increase in rates required including growth would average 5.1%.

A reduction in the commercial differential would change the distribution of the rates but not the overall average.

This increase includes an assumption of 0.60% yearly growth in the rating unit base.

The rates rises are greater than the predicted rate of inflation in all years, reflecting:

- Cost increases faced by Council, particularly for insurance and construction, which are projected to increase at a higher rate than the Consumer Price Index

- Depreciation and interest payments – the increased value of Council's assets and higher capital expenditure programme will mean that there will be a corresponding increase in depreciation and interest charges
- An increased work programme, including changes arising from new central government policies, e.g. Environmental Policy Statements, and community expectations
- Reduce debt to remain under the debt to revenue ratio of 175%
- To rebuild the Emergency Fund for future unexpected events.

Council will continue to consider affordability issues each year when setting rate levels. The Local Government Act 2002 requires a statement on quantified limits on rates increases. Council will limit the increase in Council's 'Total Rate Requirement'[2] to no more than the forecast[3] percentage increase of the Local Government Cost Index (LGCI) plus 2.5% (previously LGCI plus 2%) in each of the 10 years, including an assumption of a 0.60% rating unit base growth per year. Using the LGCI rather than CPI is considered more realistic as LGCI reflects the higher local government costs realities - the cost of doing Council business.

From time to time, Council will need to increase the level of service that it is providing to meet, for example, community expectations.

Individual properties may experience smaller or larger increases depending on movements in property values, the services received, location and the proposed reduction in the commercial differential.

TOTAL RATES AND DEBT

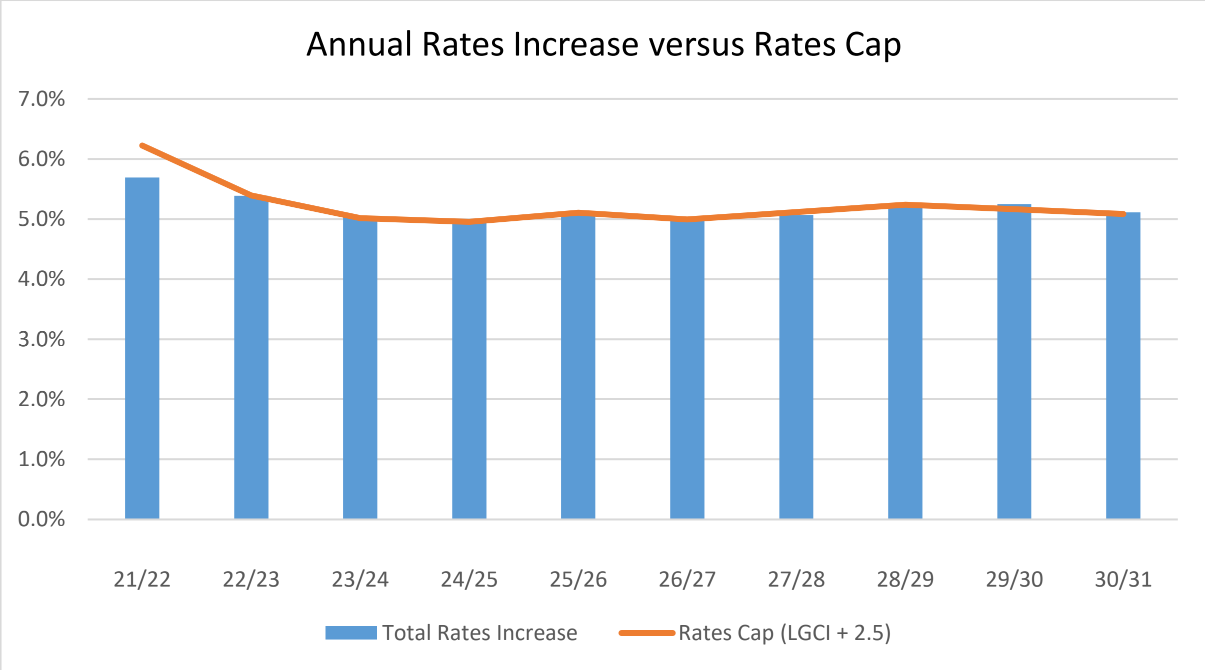
General rates, targeted rates, total rates and total net debt

	Annual Plan 2020/21	LTP Year1 2021/22	LTP Year2 2022/23	LTP Year3 2023/24	LTP Year4 2024/25	LTP Year5 2025/26	LTP Year6 2026/27	LTP Year7 2027/28	LTP Year8 2028/29	LTP Year9 2029/30	LTP Year10 2030/31
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
General Rates	50,519	53,563	55,980	58,875	62,050	65,856	69,296	73,509	77,845	83,487	88,152
Targeted Rates	27,451	28,988	31,599	33,644	35,610	37,368	39,746	41,715	44,110	45,605	48,316
Total Rates	77,970	82,550	87,579	92,519	97,661	103,224	109,042	115,224	121,955	129,092	136,467
Total Net Debt	115,651	124,638	159,105	192,742	226,864	240,900	260,410	275,119	285,914	291,949	295,632

Net debt, debt/revenue ratio, rates and rates cap

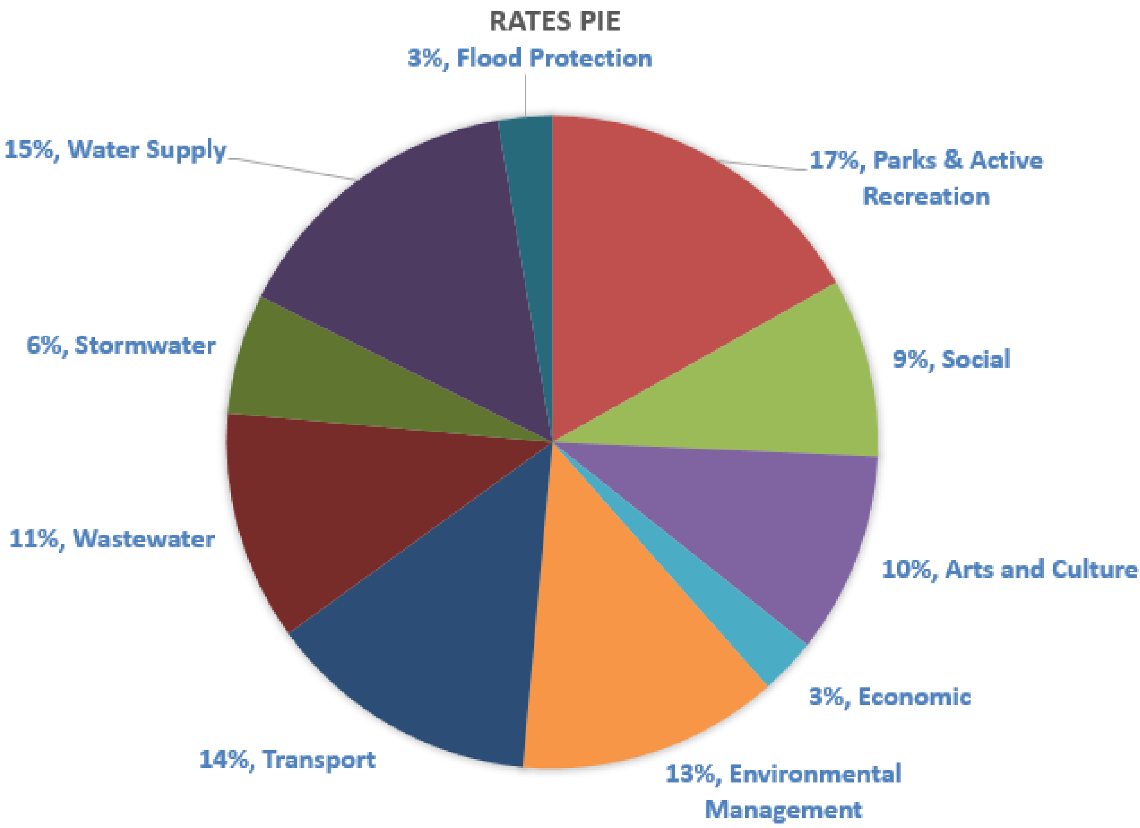
	Annual Plan 2020/21	LTP Year1 2021/22	LTP Year2 2022/23	LTP Year3 2023/24	LTP Year4 2024/25	LTP Year5 2025/26	LTP Year6 2026/27	LTP Year7 2027/28	LTP Year8 2028/29	LTP Year9 2029/30	LTP Year10 2030/31
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Net Debt	115,651	114,672	149,336	180,829	215,704	230,824	250,393	265,497	276,556	283,414	290,919
Debt to Revenue Ratio	97%	83%	106%	126%	142%	141%	148%	151%	152%	148%	143%
Total Rates Increase	0.0%	5.7%	5.4%	5.0%	5.0%	5.1%	5.0%	5.1%	5.2%	5.2%	5.1%
Rates Cap	4.2%	6.2%	5.4%	5.0%	5.0%	5.1%	5.0%	5.1%	5.2%	5.2%	5.1%

[2] The 'Total Rate Requirement' includes both general and targeted rates such as water, wastewater, stormwater and flood protection.
[3] As provided by Business and Economic Research Limited (BERL)



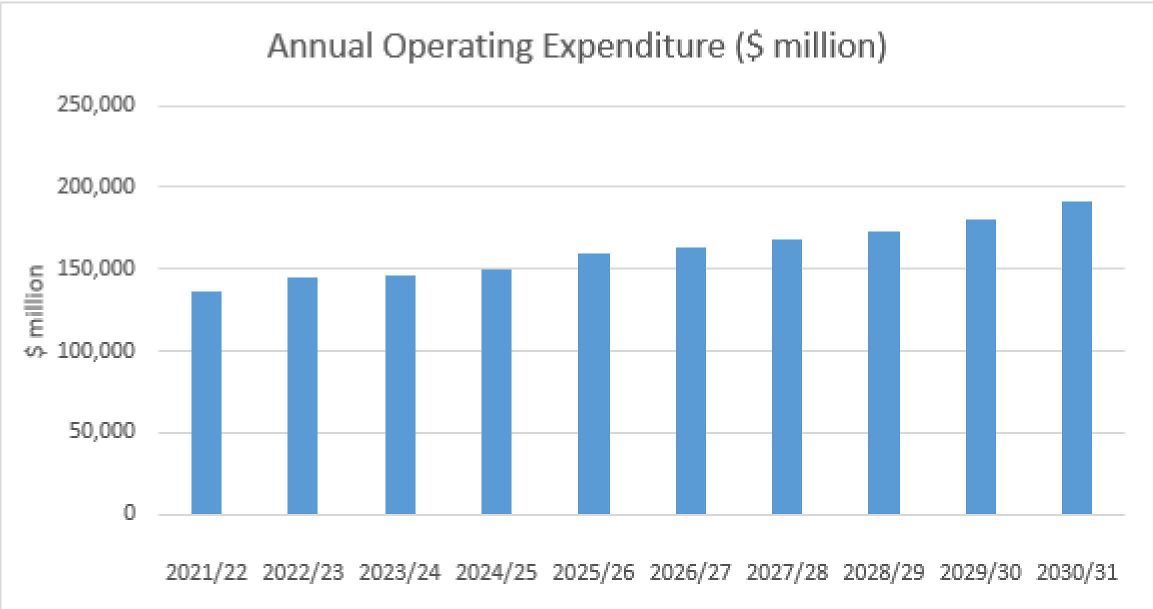
Where the money will go

The following diagram shows the proportion of rates anticipated to be collected for Council services over the next 10 years.



Note: this pie chart shows the rates requirement for all activities. Some activities have income from other sources and therefore are not included in the pie chart, for example, Solid Waste receives 100% user charges to cover operations, Corporate receives interest and dividends and Environmental Management receives building and resource consent fees and charges.

Total operating expenditure is budgeted to increase from $127 million in 2021/22 to $181 million in 2030/31, a 40% increase including inflation over the ten years of the Long Term Plan. This is shown in the following graph.



Funding expenditure

Council funds operating expenditure from the following sources:

- Council levies fees and charges or targeted rates on the basis of direct user pays for the benefit received, however in some cases targeted rates are levied as a proxy for direct user pays
- Council will claim for government grants or subsidies where it is providing services that are part of national programmes or where the government provides subsidies to Council to provide certain services
- Other sources of funding include interest and dividends received, and other operating revenue such as rent received
- A general rate where there is a deemed general benefit across the city.

Each activity uses different sources of funding depending on the services it delivers. All operating costs are funded, with the exception of depreciation on the Waka Kotahi share of subsidised transport projects and some minor assets. However, exceptions can be made to this approach when it is necessary to avoid significant fluctuations in rates on a year to year basis or when an operating expenditure item has multiple year benefits.

MANAGING RISKS FROM NATURAL HAZARDS

In the 2020/21 Annual Plan, Council adopted a 0% rates rise in response to COVID-19. This decision required a drawdown from the Emergency Fund. The fund was projected to be $4.3 million overdrawn at 30 June 2021.

To respond to the ongoing financial impacts of COVID-19 and to spread the impacts of rate movements, Council proposes to draw down a further $5.4 million from this fund in the first five years of the Long Term Plan. In years 6-10, Council will contribute $29.2 million to the fund, with a view to achieving a robust balance of $20.3 million at the end of the period. This reserve is not held as cash.

The timing of disaster and emergency events cannot be known and extreme weather events are expected to increase as a result of climate change. Should an event occur and the Emergency Fund has insufficient funds, Council has made sure it has the ability to borrow the shortfall, which would be repaid from the fund in future years. Council may reconsider, from time to time, the amount transferred to this fund from rates, particularly if a significant event should occur. It is important to note that even with the reserve built up to the desired level, Council will continue to hold appropriate levels of insurance for assets.

BORROWING

Capital expenditure is funded in the following priority order:

- Financial Contributions and Development Contributions (if a growth project)
- Grants and subsidies, for example from Waka Kotahi, Tasman District Council, or community groups
- Cash surpluses after meeting the costs of renewals expenditure, which arise from Councils funding of depreciation
- Loans.

Because the level of borrowing is planned to increase, the management of interest costs is very important.

Council's Treasury Management Policy includes the Investment and Liability Management Policies. These are published separately and are available on Council's website. Council has determined maximum amounts and limits of debt.

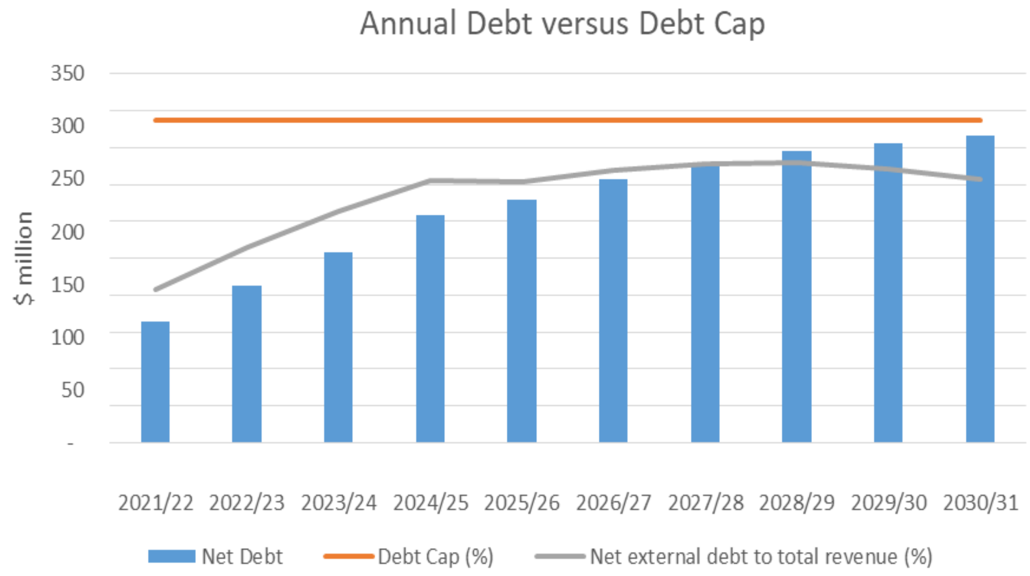
The borrowing limits table shows a comparison of the limits in the Treasury Management Policy compared with those set in this Long Term Plan. The policy limits were determined in association with Council's bankers and Treasury Advisor and the Local Government Funding Agency (LGFA). The table also shows that Council is operating within the guidelines contained in the Treasury Management Policy.

Borrowing Limits

The borrowing limits are set as:

- Net external debt[14] not to exceed 175% of total revenue[5] % (see graph below)
- Net interest expense on external debt as a % of total revenue to be less than 15%
- Net interest expense on external debt as a % of total rates income to be less than 20%.

The following graph shows that Council's net external debt is not expected to exceed 175% of total revenue for the ten years of the LTP.



The table below shows the net debt, and debt to revenue, interest on external debt to revenue, interest on external debt to rates income over the life of this plan so that they can be compared to the limits set.

Net debt, net external debt, and net interest expense as a % of total rates income

	Annual Plan 2020/21	LTP Year1 2021/22	LTP Year2 2022/23	LTP Year3 2023/24	LTP Year4 2024/25	LTP Year5 2025/26	LTP Year6 2026/27	LTP Year7 2027/28	LTP Year8 2028/29	LTP Year9 2029/30	LTP Year10 2030/31
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Net Debt	115,651	114,672	149,336	180,829	215,704	230,824	250,393	265,497	276,556	283,414	290,919
Net external debt not to exceed 175% of total revenue	97%	83%	106%	126%	142%	141%	148%	151%	152%	148%	143%
Net interest expense on external debt as a % of total revenue to be less than 15%	2.3%	2.0%	2.5%	3.0%	3.5%	3.9%	4.2%	4.4%	4.6%	4.6%	4.5%
Net interest expense on external debt as a % of total rates income to be less than 20%	3.9%	3.3%	3.9%	4.5%	5.3%	6.0%	6.5%	6.7%	6.8%	6.7%	6.6%

Nelson City Council is a Guaranteeing Local Authority in the LGFA. Access to the LGFA means Council can achieve lower borrowing cost, and therefore funding.

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[4] Net external debt is defined as total debt less cash, term deposits and borrower notes.

[5] Total revenue is defined as cash earnings from rates, government grants and subsidies, user charges, interest, dividends, and excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments and revaluations of property, plant or equipment.

Council must ensure that its net interest to rates revenue ratio is below 30% and Net Debt to Total revenue is less than 280% in order to retain the ability to borrow through LGFA.

To fund the LTP capital works programme, net borrowings would peak at $291 million during 2030/31. The borrowing programme is within the three limits imposed under the Liability Management Policy which is available on Council's website.

Although interest rates are currently low, Council has budgeted for average interest rates paid on loans to increase over LTP within a range between 2.67% and 3.19%. Base interest rate assumptions use the most recent market implied 90-Day Bank Bill Rate (BKBM) curve for the next 10 years. This curve exhibits the current market pricing for the forward BKBM rate over the next 10 years. A credit margin is then added to this BKBM rate. Council's all-up interest rate cost includes the current fixed rate borrower swap hedge portfolio and assumptions regarding future credit margins. In addition to obtaining lower borrowing rates through the LGFA, Council manages the cost and risk of borrowing through its Liability Management Policy.

INVESTMENTS

Nelson City Council has a portfolio of investments comprising:

- Equity investments.
- Asset investments.
- Associated organisations.

Council's Investment Policy is published separately and available on Council's website. It contains information on the reasons for holding these investments.

Council's main investments are shareholdings of Council Controlled Trading Organisations, commercial property and forestry investments as outlined below.

COVID-19 has had a significant effect on the dividends and income from Council's investments.

It is acknowledged that in cash terms the investments of Port Nelson Ltd, Nelson Airport Ltd, and the Civic Financial Services Limited will return less than Council's overall objective of receiving a return equal to or greater over time than the average costs of Council borrowing. Council will review the expected return on investments again prior to the 2024-2034 Long Term Plan.

Investment	**Target return**
Port Nelson Limited	Annual dividend of not less than 50% of net profit after tax (shared between two Councils)
Nelson Airport Limited	Annual dividend not less than $850k (shared between two Councils)
Nelmac Limited	Either 50% of taxable profit by way of subvention payment and dividend or 50% of tax paid profit by way of dividend

Civic Financial Services Limited	No return on shareholders' funds

Council also has approximately 610 hectares of commercial forestry which generate a return, while providing recreational opportunities.

SECURITIES FOR BORROWING

Council's external borrowings and interest-rate risk management instruments will generally be secured by way of a charge over rates and rates revenue offered through a Debenture Trust Deed. Under these Deeds, Council's borrowing is secured by a floating charge over all Council rates levied under the Local Government (Rating) Act 2002. The security offered by Council ranks equally or '*pari passu*' with other lenders, which means on equal terms in all respects, at the same rate, or proportionately.

From time to time, with Council and Trustee approval, security may be offered by providing a charge over one or more of Council's assets.

Physical assets will be charged only where:

- There is a direct relationship between the debt and the purchase or construction of the asset that it funds, for example an operating lease or project finance.
- Council considers a charge over physical assets to be appropriate.
- Any pledging of physical assets must comply with the terms and conditions contained within the Debenture Trust Deed.

For further information on Council's approach to borrowing, please refer to the Liability Management Policy (part of the Treasury Management Policy).

CONTINGENCY FUNDING

Council builds appropriate contingency funding into all of its capital expenditure projects. Contingency funding manages the risk of cost escalations and covers potential cost estimate shortfalls which may arise as a result of unexpected delays, contract complexities and unforeseen conditions that may be encountered on site. Contingency funding is used to improve our financial stability and our ability to fund projects within their budgets. When projects go through their lifecycle, and as the designs are refined, the need for contingency funding is accordingly reduced to suit.

Based on historical trends of project over and underspends, a larger contingency has been built into capital projects for the 2021-31 LTP. Council has made an overall downward adjustment to the total capital programme of approximately 10% per year. This adjustment acknowledges that Council is unlikely to use the full amount of contingency in the programme for every project and enables Council to avoid overfunding the activities.

VARIATION BETWEEN THE LONG TERM PLAN AND ACTUAL RESULTS

Actual financial results achieved for the period covered by the Long Term Plan may vary from the information presented and the variations may be material.

This means that, while Council will do its best to keep to what is set out in the Long Term Plan, there are legitimate reasons why the final results in the Annual Report at the end of each financial year might be different. Variables include unanticipated changes in interest rates, market conditions or a disaster event. The Long Term Plan can only be a best estimate of the costs Council will face. Factors outside its control can affect project completion.