

## **Forecasting Assumptions**

### **Forecasting Assumptions and Risk Assessment for the 2012-2022 Ten Year Plan**

The forecasting assumptions are presented in three parts:

- Part 1: Demographics, economic and general assumptions
- Part 2: Operational and engineering assumptions
- Part 3: Financial assumptions

**PART 1: DEMOGRAPHICS, ECONOMIC AND GENERAL ASSUMPTIONS**

Topic	Forecasting Assumption	Risk	Level of Uncertainty	Reasons and Financial Effect of Uncertainty
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**GROWTH & POPULATION PROJECTIONS**

The growth projections for population, dwellings and rating units at district, community board and settlement level, were the subject of a comprehensive review carried out in 2010 by Business and Economic Research Limited (BERL) completed on 19 November 2010<sup>1</sup>. While taking account of district population growth as a whole, the review has considered a range of factors influencing dwelling and rating unit growth, including the economic climate and outlook, demographic changes in the resident population and the high and potentially changing proportion of unoccupied dwellings.

The BERL review presents two growth scenarios:

- Scenario 1 using historic growth trends but where none of the key settlements exceed their known capacities by 2042
- Scenario 2 taking account of a number of consented or proposed major developments occurring in the 10-15 year timeframe where a number of settlements exceed their known capacities by 2042.

The principal growth assumption is one of more moderate growth in the 2012-22 LTP period than in previous years, particularly in the first 3 to 5 years. Scenario 1 has been selected as the most likely assumption.

In general, the BERL projections show dwelling and population projections below those provided in the last review in 2009.

Population growth	The population growth assumptions refer to the usual resident population who live in the District throughout the year.			
	The assumption is of a very slow rate of permanent population growth in the LTP period and in the ten years following it to 2022.			
	Under Scenario 1, the usual resident population of the District is expected to increase by fewer than 100 persons from 26,129 in 2012 to reach 26,225 by 2022. From 2022 to 2032 the population is expected to remain almost constant.			
	Population growth in the LTP period represents a relatively low increase of just 0.4% overall and an average annual increase of just 0.05% per annum.			
	The BERL population projections indicate that only Mercury Bay Community Board area will gain significant population with just over 600 new residents gained in the LTP period and 700 between 2022 and 2032. Coromandel-Colville Community Board area is expected to show some growth but all other community board areas are expected to show a decline in permanent population by 2032 due to factors such as:	Population growth across the District, each community board areas and each settlement occurs at a higher rate than the relatively low rates assumed.		
	a) the increasing share of unoccupied (holiday) homes; b) a drop in the average number of residents per household in line with national and historic district trends; and c) outward migration of working age families.			
	The population of some of the main settlements may also decline. Only Whitianga is expected to gain any significant numbers of permanent population, with increases of around 620 persons in the LTP period and the following 10 years respectively. Matarangi and Thames South show some growth but all other settlements are expected to lose permanent population.			

Thames/Coromandel District Population	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
District	26377	26511	26129	26110	26129	26189	26202	26208	26214	26220	26226	26232	26238	26244	26250	26256	26262	26268	26274	26280	26286	26292
Increase in population	27	14	17	17	17	17	17	17	17	17	17	17	17	17	17	17	17	17	17	17	17	
Coromandel Colville Community Board	2305	2287	2283	2283	2283	2283	2283	2283	2283	2283	2283	2283	2283	2283	2283	2283	2283	2283	2283	2283	2283	2283
Mercury Bay Community Board	1177	1177	1177	1177	1177	1177	1177	1177	1177	1177	1177	1177	1177	1177	1177	1177	1177	1177	1177	1177	1177	1177
Thames Community Board	2342	2348	2348	2348	2348	2348	2348	2348	2348	2348	2348	2348	2348	2348	2348	2348	2348	2348	2348	2348	2348	2348
Whangaparaoa Community Board	5324	5324	5324	5324	5324	5324	5324	5324	5324	5324	5324	5324	5324	5324	5324	5324	5324	5324	5324	5324	5324	5324
Coromandel	1538	1540	1545	1545	1545	1545	1545	1545	1545	1545	1545	1545	1545	1545	1545	1545	1545	1545	1545	1545	1545	1545
Costa Beach Ferry Landing	300	297	297	297	297	297	297	297	297	297	297	297	297	297	297	297	297	297	297	297	297	297
Hakau	485	483	483	483	483	483	483	483	483	483	483	483	483	483	483	483	483	483	483	483	483	483
Matarangi	284	281	281	281	281	281	281	281	281	281	281	281	281	281	281	281	281	281	281	281	281	281
Whangaparaoa	125	123	122	121	119	118	116	114	112	110	108	107	106	104	103	102	101	100	99	98	97	96
Whitianga	4125	4130	4137	4143	4151	4160	4170	4181	4193	4206	4220	4235	4250	4266	4282	4299	4317	4335	4354	4373	4393	4413
Thames	726	724	721	719	717	715	713	711	709	707	705	703	701	699	697	695	693	691	689	687	685	683
Tairā	1261	1258	1254	1250	1246	1242	1238	1234	1230	1226	1222	1218	1214	1210	1206	1202	1198	1194	1190	1186	1182	1178
Thames	7267	7271	7271	7271	7271	7271	7271	7271	7271	7271	7271	7271	7271	7271	7271	7271	7271	7271	7271	7271	7271	7271
Thames Coast	1329	1324	1323	1322	1321	1320	1319	1318	1317	1316	1315	1314	1313	1312	1311	1310	1309	1308	1307	1306	1305	1304
Thames South	1312	1307	1306	1305	1304	1303	1302	1301	1300	1299	1298	1297	1296	1295	1294	1293	1292	1291	1290	1289	1288	1287
Oceana	1317	1315	1314	1313	1312	1311	1310	1309	1308	1307	1306	1305	1304	1303	1302	1301	1300	1299	1298	1297	1296	1295
Whangaparaoa	5328	5311	5307	5303	5299	5295	5291	5287	5283	5279	5275	5271	5267	5263	5259	5255	5251	5247	5243	5239	5235	5231
TOTAL Settlements	27748	27800	27858	27918	27982	28050	28122	28198	28278	28362	28450	28542	28638	28738	28842	28950	29062	29178	29298	29422	29550	29682

Rating unit growth	The BERL rating unit projections show District rating units increasing by:			
	a) between 0.1% and 1.4% per annum in the LTP period to 29,482 units by 2022, an overall increase on 2012 rating units of 11.5%; and b) 1.4% per annum in the following ten years to 33,875 by 2032, an increase on 2022 rating units of 14.7%.	Rating unit growth occurs at higher or lower rates than assumed in the District, in the community board areas or particular settlements		
	The assumption is that District rating units will grow by less than 1% per annum (between 0.1% and 0.7%) until around 2016 when stronger growth will start.			
	Mercury Bay Community Board area is expected to see significantly larger gains in rating units than the other board areas with growth of nearly 1600 units in the LTP period (160 per annum) and over 2000 in the following 10 years. By comparison the other board area will see growth in the order of between 260 and 415 in the LTP period (26 to 41 units per annum) and between 358 and 560 in the following 10 years.			

<sup>1</sup> Business and Economic Research Limited BERL, Thames-Coromandel District Council, Revised rating units, dwellings and population projections to incorporate capacity constraints, 19 November 2010

**PART 1: DEMOGRAPHICS, ECONOMIC AND GENERAL ASSUMPTIONS**

Topic	Forecasting Assumption	Risk	Level of Uncertainty	Reasons and Financial Effect of Uncertainty
	Of the settlements only Whitianga is expected to see substantial growth in rating units, gaining over 1000 units in the LTP period and over 1300 units in the following ten years.			<p>It can result in increased debt levels and associated interest expense for capital projects.</p> <p>However, rating unit projections and the resulting revenue from new development for the LTP period are conservative, with low growth in the first 3 to 5 years.</p> <p>Council should be able to make adjustments to infrastructure delivery to account for variations.</p> <p>Predictions by BERL of increased rating unit growth a 2013 may avoid project deferral as the pace of development increases over time.</p> <p>A further impact would be a lower number of rateable properties than is currently forecast over which to spread the rating burden over than forecast in this ten year period.</p>

Transit-Coromandel District Rating Units	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Urban	26,373	23,471	24,342	23,846	18,528	17,113	17,204	17,576	17,743	18,233	18,342	13,964	25,432	27,473	23,711	31,737	31,153	31,923	28,511	32,497	32,547	33,975	32,875
Increase in rating units	16	31	100	139	163	100	372	372	372	372	372	410	410	410	410	410	410	410	440	440	440	440	400
Coromandel Coastal Community Board	2,729	2,729	2,733	2,678	2,702	2,678	2,634	2,636	2,636	2,636	2,636	2,636	2,636	2,636	2,636	2,636	2,636	2,636	2,636	2,636	2,636	2,636	2,636
Hamilton Community Board	3,911	3,762	3,762	3,661	3,661	3,661	3,661	3,661	3,661	3,661	3,661	3,661	3,661	3,661	3,661	3,661	3,661	3,661	3,661	3,661	3,661	3,661	3,661
Hamilton Community Board	4,243	4,543	4,333	4,332	4,424	4,424	4,424	4,424	4,424	4,424	4,424	4,424	4,424	4,424	4,424	4,424	4,424	4,424	4,424	4,424	4,424	4,424	4,424
Whangapoua Community Board	4,163	5,044	4,155	5,075	4,344	4,423	4,423	4,423	4,423	4,423	4,423	4,423	4,423	4,423	4,423	4,423	4,423	4,423	4,423	4,423	4,423	4,423	4,423
Whangapoua Community Board	6,257	7,187	4,431	5,471	4,426	4,423	4,423	4,423	4,423	4,423	4,423	4,423	4,423	4,423	4,423	4,423	4,423	4,423	4,423	4,423	4,423	4,423	4,423
Coromandel	117	118	118	118	118	118	118	118	118	118	118	118	118	118	118	118	118	118	118	118	118	118	118
Cooks Beach Ferry Landing	173	173	173	173	173	173	173	173	173	173	173	173	173	173	173	173	173	173	173	173	173	173	173
Hamilton	683	683	683	683	683	683	683	683	683	683	683	683	683	683	683	683	683	683	683	683	683	683	683
Whangapoua	149	149	149	149	149	149	149	149	149	149	149	149	149	149	149	149	149	149	149	149	149	149	149
Whangapoua	318	318	318	318	318	318	318	318	318	318	318	318	318	318	318	318	318	318	318	318	318	318	318
Whangapoua	2629	2629	2629	2629	2629	2629	2629	2629	2629	2629	2629	2629	2629	2629	2629	2629	2629	2629	2629	2629	2629	2629	2629
Peninsula	2463	2469	2423	2444	2456	2427	2398	2333	2359	2362	2332	2359	2367	2714	2742	2769	2789	2829	2855	2889	2915	2931	2931
Tairāwhiti	177	157	1673	1671	1573	1573	1567	1674	1673	1673	1673	1673	1673	1673	1673	1673	1673	1673	1673	1673	1673	1673	1673
Thames	2975	3047	2938	3071	2973	2975	2937	2977	2977	2977	2977	2977	2977	2977	2977	2977	2977	2977	2977	2977	2977	2977	2977
Thames Coast	162	176	1192	1192	1192	1192	1192	1192	1192	1192	1192	1192	1192	1192	1192	1192	1192	1192	1192	1192	1192	1192	1192
Thames South	514	514	514	514	514	514	514	514	514	514	514	514	514	514	514	514	514	514	514	514	514	514	514
Otago	393	393	393	393	393	393	393	393	393	393	393	393	393	393	393	393	393	393	393	393	393	393	393
Whangapoua	4767	4767	4771	4790	4839	4773	4847	4831	4815	4847	4837	4846	4837	4846	4837	4846	4837	4846	4837	4846	4837	4846	4837
TOTAL Settlements	23,683	23,683	23,736	23,736	23,413	23,584	23,586	23,579	23,579	24,554	24,632	25,146	25,425	25,941	26,391	26,737	27,083	27,329	27,574	27,820	28,065	28,310	28,555

**DEMOGRAPHICS**

<b>Age demographics</b>	<p>There will continue to be significant in-movement of retirees to the District, bringing demands for particular services, facilities and commercial services. There will continue to be a decline in the younger 20-39 working age groups because of the lack of employment opportunities. It is assumed that employment opportunities in larger centres such as Auckland, Hamilton, Christchurch and Australia will continue to draw working families away from the Coromandel.</p> <p>As well as creating skills shortages in the local economy, the loss of working families could have effects on school rolls and reduce the volunteer workforce.</p>	Population in young and young working family age groups rises significantly as a proportion of resident population.	Low	Any significant variation to the assumed aging population profile may result in certain sectors of the community experiencing lower than expected levels of service. The Council may have to redirect funding to particular activities to suit a younger population.
<b>Affordability</b>	<p>Affordability refers to the ability of the community to pay for Council services. Affordability in some communities will remain a concern with some communities earning much less than others. Council assumes that absentee ratepayers are less likely to face affordability issues. Income levels of the usual resident population (already below the New Zealand average) will remain low.</p> <p>Housing prices will continue to be influenced by the demand from absentees making it difficult for a sector of the resident population (such as workers, tradespersons and apprentices) from accessing affordable housing</p>	Affordability issues affect rating revenue and result in unforeseen expenditures by Council	Low/Medium	Affordability is a key factor in determining rating level increases and will influence decision making. Council may be called upon to fund or become involved in certain community activities outside its core services.
<b>Population fluctuations</b>	<p>The resident population will continue to fluctuate during the year, with a significantly higher population including many visitors in residence during peak holiday periods. From having just 51% of all dwellings occupied for much of the year, most dwellings can be expected to be occupied at peak times with an average of 8 persons per dwelling.</p> <p>These population peaks will continue to bring increased demands on infrastructure (roads, water supply, wastewater, parks and reserves, harbours) and services such as solid waste disposal and bylaw enforcement.</p> <p>There is the possibility of an emerging semi-permanent population on the Coromandel Peninsula with people working in Hamilton, Auckland and beyond for a few days of the week, returning for 3 to 4 days to Peninsula. The success or otherwise of Broadband rollout may influence the pace of any emerging semi-permanent population.</p>	Population fluctuations increase in scale between peak and quiet times	Low	Population peaks demand particular infrastructure and services which are largely unused for much of the year. This can place pressure on capital and operating budgets. It is expected that peak demands can be managed and funded for the foreseeable future
<b>Absentee-to-resident Ratepayers</b>	<p>Although the growth projections for dwellings and rating units have been moderated, they will take place against an almost static District population, potentially declining in some places. This means that the proportion of absentee ratepayers as part of the whole ratepayer body is expected to increase over the long term.</p> <p>In 2009, the percentage of unoccupied dwellings (an indicator of the proportion of absentee ratepayers) was 50.8%. This proportion is expected to rise.</p>	The differing needs of the resident and absentee populations continue to widen	Low	It is expected that the differing demands of resident and absentee communities can be managed and funded for the foreseeable future.
<b>Diversity of communities</b>	The trend of different communities across the District, with different needs and priorities, is expected to continue.	Community needs become widely different	Low	The need to widen the range of infrastructure and services

**PART 1: DEMOGRAPHICS, ECONOMIC AND GENERAL ASSUMPTIONS**

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		and unable to be met		provided and to deal with differing levels of service for each community can place pressure on capital and operating budgets.
<b>ECONOMIC</b>				
<b>Economic</b>	The economic climate is expected to improve slowly but steadily. The Auckland economy – which is important for the local economy – will recover steadily.	Economic recovery stalls or is slower than expected	Medium	A slow economy has the effect of perpetuating affordability issues, slowing development and delaying cost recovery through rates and development contributions in particular.  The risk can be managed through sound debt management and prudent financial planning.
	There will be ongoing challenges in ensuring that the local economy develops in a balanced and sustainable way. Property development, which is expected to pick up in the LTP period, while bringing consumption led growth, a bigger rating base and some jobs, will not necessarily bring wealth to the local community.  The changing social structure of the community through ageing and possible working age group loss as well as the growing proportion of absentee ratepayers will make it increasingly difficult for businesses to survive throughout the year.	Economic activity becomes less and less sustainable and the aging and in some cases declining permanent population causes high rates of business failure	Medium	Business failures undermine the rating base place more burden on remaining residents and businesses and the absentee ratepayer base. Council measures to facilitate economic growth and sustainability initiatives in the Coromandel Peninsula Blueprint will go some way to mitigate this risk.
	The economic recession and Canterbury earthquakes are likely to see a strengthening of the Government’s tight fiscal approach and leaner business practices in the private sector.  For the District this means that Government funding will be increasingly limited and powers may be devolved to local government. The availability and price of insurance may be affected. The ability to get contractors at reasonable prices is expected to become more difficult.  It is assumed that the growth projections will not be affected. See <b>Operating Challenges</b> .	More burden placed on Council to involve in/ provide certain services.  Costs of private sector services rise steeply	Medium	Operating budgets in particular may come under pressure over time by having to pick up functions not previously anticipated.
	Owing to the Canterbury earthquake, the The Local Authority Protection Programme Disaster Fund (LAPP) insurance for below-ground assets will no longer be available. There is an assumption therefore that the Council will incur higher insurance premiums.	More financial burden placed on the Council.	Medium.	Operating budgets in particular may come under pressure
	Distributive and non-government related service industries (accommodation, cafes, retailing, health services, property and business services) will continue to grow at a higher rate than the productive primary and secondary sector. The tourism industry will remain a singularly important sector.	There is too high a reliance on the service sector and the sector, particularly tourism, goes into decline	Low/ Medium	Service sector business failures undermine the rating placing more burden on remaining residents and businesses and the absentee ratepayer base.  Council measures to facilitate economic growth and sustainability initiatives in the Coromandel Peninsula Blueprint will go some way to mitigate this risk.
	The productive industries (forestry and agriculture) are expected to remain important sectors of the economy. While it is not yet clear how Iwi will respond economically to the Treaty Settlements, changes may be seen in forestry practices (such as a move from clear felling of pinus radiata to selective logging of native species), agricultural practices (such as dairy conversions and a focus on water quality in agriculture) and to coastal practices (such as an increase in aquaculture and a focus on sustainability of harbours).  Aquaculture is expected to grow significantly and have “spin- off” effects for tourism. There will be increased Government support for aquaculture with legislative changes bringing amongst other things, reduced consenting requirements and in some cases extending rights for fishing and aquaculture.  See <b>Legislative changes, Resource Management Act 1991 and Marine and Coastal Area (Takutai Moana) Act 2011</b>  The prospects for aquaculture are tempered by the challenges for transportation and the availability and deliver of land for the land based side of the industry. The Council will be expected to play its part.	Productive sector remains flat, does not diversify or declines further in importance  Council cannot meet demands for the sector for infrastructure if it grows strongly  Aquaculture industry does not grow according to expectations  Land supply and land-based infrastructure bottlenecks slow growth in aquaculture	Medium	Productive sector stagnation undermines any expectation of a widening rating base placing more burden on existing residents and businesses and the absentee ratepayer base.  A prudent approach that does not depend on any immediate strong increases in the productive sector to mitigate this risk.  Strong demands from the aquaculture sector for infrastructure and land may place unforeseen demand on capital and operating budgets (planning).  Council measures to facilitate economic growth and sustainability initiatives in the Coromandel Peninsula Blueprint will go some way to mitigating these risks.
<b>GENERAL</b>				
<b>Public interest and expectations</b>	It is assumed that while there is still public interest in climate change, the focus will be on recent earthquake and tsunami events in Christchurch and Japan and the state of the New Zealand and local economy for some time to come. The Council’s will be expected to position itself and respond to these areas of interest. See <b>Extreme events – Storm and seismic damage</b> .	Community pressures bring higher than anticipated demands and expectations on a range of important issues	Medium	Capital and operating budgets may come under pressure attending to a wider range of matters.  Changes to the LTP will need to be considered and funded provided in various activities (as necessary) to meet p

**PART 1: DEMOGRAPHICS, ECONOMIC AND GENERAL ASSUMPTIONS**

Topic	Forecasting Assumption	Risk	Level of Uncertainty	Reasons and Financial Effect of Uncertainty
<b>Effects of climate change</b>	Upcoming reports from the Intergovernmental Panel on Climate Change (IPCC) and National Institute of Water and Atmospheric Research (NIWA) on climate change will almost certainly influence the Government's position and the Council will need to be flexible to respond either to an increasing or decreasing emphasis on climate change as the case may be. The Council may find it has overestimated or underestimated its responses	Climate change reports cause Government to alter its position significantly and this places greater or lesser pressures on the Council to respond	Medium	demands Either Government response scenario could affect capital and operating budgets. It is premature to alter the Council's current approach to climate change
<b>Extreme events - Storm and seismic damage</b>	The Coromandel Peninsula will remain susceptible to extreme natural events. These events will become of increasing interest and concern to the community, particularly with recent events elsewhere. The Council can expect a number of moderate (storm, wind and inundation) events in the LTP period and a more extreme event cannot be ruled out. Natural events already influence Council operations and expenditure and can be expected to continue to do so.	More severe weather events may be experienced and the risk of seismic events increases community demands for response		Significant additional "one-off" repair costs and rating impacts may be incurred as a result of storm events.  Whilst the Council has a disaster relief fund to combat more regular storms, if there was a more severe event there may not be sufficient funds to meet the costs.  It is expected that higher operating costs will be incurred because of public demands for higher levels of readiness
<b>Energy</b>	The assumption is that energy supplies and costs will not limit development but may affect the affordability/viability of some businesses and communities if prices rise too steeply	Fuel and energy costs continue to rise steeply	Medium	Higher fuel and energy costs will place pressure on operating budgets but are expected to be manageable. Higher costs may affect resident and business affordability with implications for rates
<b>Sustainability</b>	The assumption is that the Council will be expected to concern itself and become more involved in a number of sustainability issues particularly as a result of its commitments to the Coromandel Peninsula Blueprint.	Threats to sustainability become more severe	Low/ Medium	Council's commitments under the Coromandel Peninsula Blueprint bring with them costs for addressing sustainability issues. These may increase over time if issues become more severe
<b>Tourist and visitor growth</b>	Tourists and visitors will continue to be a major element of the economy and continue to grow in numbers over time.	Too much reliance is placed on tourism and visitor numbers fall to levels that undermine the local economy. Tourist and visitor numbers reach levels that put pressures on facilities and the environment.	Low/ Medium	Falling visitor numbers may undermine the economy affecting user charges, rates revenue and development contributions  However, very high visitor numbers may place pressure on additional funding of activities such as harbours, park reserves and public conveniences.
<b>Treaty of Waitangi settlements</b>	The Hauraki Treaty Settlement process is expected to change the way Council has traditionally operated with Iwi in these matters, with the prospect of co-management regimes and co-governance roles  Maori will play an increasingly important role in both the economic and social development of the District as land owner and joint manager of the District's most valuable assets – in aquaculture, tourism and forestry (with the possibility of being given forestry rights in the DOC Estate as part of a long-term shift away from clear fell forestry).  The resolution of Treaty Settlements could bring opportunities for growth in some sectors such as forestry and aquaculture bring a new social dynamic to the Coromandel	The operating environment changes beyond any expected by the Council	Low/ Medium	There will be new demands on operating budgets of various Council activities in order to be able to respond effectively to a new operating environment
<b>Legislative changes</b>	Legislative changes generally will continue to create significant work for territorial authorities and cause them to incur more costs. The devolution of responsibility from central to local government is expected to continue and mandatory health and environmental standards will increase Councils costs and obligations steadily over time.	Devolution of powers and legislative changes continue or increase significantly	Medium	Changes to legislation will require significant amount of work and new expenditure across a range of council activities over the LTP period.
<b>Resource Management Act 1991 (RMA)</b>	Further changes to the Act will come from the Phase 2 RMA reforms process, which will bring further costs and obligations on the Council.	The Phase 2 reform process brings significant changes to the RMA than anticipated.	Medium/ High	A number of activities rely on and operate with the RMA. Further significant changes will affect operations across the Council as a whole. This will have time, resource and cost implications that cannot yet be quantified.
<b>Local Government Act 2002 (LGA)</b>	The full implications of recent TAFM review reforms are not yet known. Although essentially a streamlining provision, it still places new obligations on territorial authorities. The assumption is that the changes can be managed with current frameworks and resources.	Reforms bring more significant changes to the work of Council than expected	Medium	All activities and operate with the framework of the LGA. The changes will affect operations across the Council as a whole. This will have time, resource and cost implications that cannot yet be quantified.
<b>Emissions Trading Scheme (ETS)</b>	Indications are that the Government is intent on moderating advances towards its full obligations under an (ETS).  With other national priorities, the anticipated effects of the ETS on Council costs and operations may not be as onerous as previously expected.	Changes to the ETS are more or less significant for Council than previously expected	High	Any changes to the Government's approach to the ETS remain difficult to anticipate what effect they will have on Council business and what to budget for.

**PART 1: DEMOGRAPHICS, ECONOMIC AND GENERAL ASSUMPTIONS**

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<b>Marine and Coastal Area (Takutai Moana) Act 2011</b>	It is expected that the Act will have implications for the District, which are not yet fully known, particularly the potential for expansion of the aquaculture industry.	As the Act is implemented, the operating environment changes beyond any expected by the Council	Medium	The effect of the new Act will have time, resource and other implications for Council that cannot yet be fully quantified.
<b>Aquaculture Legislation Amendment Bill</b>	The Aquaculture Reform Bill will bring changes to assist and facilitate aquaculture and it is expected the Council will be required to play its part supporting the industry.	Changes as a result of the new legislation transform the aquaculture industry more rapidly than expected	Medium	Council will be expected to play its part particularly in activities that facilitate the land supply and infrastructure side of the industry (land use planning, transportation, harbour facilities) and this will bring capital and operational cost implications

**PART 2: OPERATIONAL AND ENGINEERING ASSUMPTIONS**

Topic	Forecasting Assumption	Risk	Level of Uncertainty	Reasons and Financial Effect of Uncertainty
<b>Staff recruitment and retention</b>	There will continue to be challenges in recruiting and retaining staff with the necessary skills. Personnel costs as a proportion of rates and total expenditure will remain fairly steady as has been the case since 2005	High national and in some cases international demand results in the inability to fill positions in a timely manner.	Medium	This may result in delay in project deadlines and impact on levels of service.  This risk can be mitigated by various initiatives but these bring operating costs implications.
<b>Contracts</b>	It is expected that there will be no significant changes in the availability of tenders for contracts, although events in Christchurch and major infrastructure initiatives in Auckland over the next 10 years may influence availability and cost to some degree.	Contractors become very scarce and difficult to find, limiting the range for selection and driving costs upward.	Medium	Planned capital expenditure to meet growth and renewals cannot be carried out.
<b>Capital works costs</b>	Costs of new or replacement infrastructure will be driven upward by cost escalation and higher environmental and health standards.  However on average, costs of major capital works will not vary significantly from costs estimated at the concept stage to costs at completion	Costs rise steeply above estimates	Medium	The Council has a higher level of confidence regarding capital project costs in the short term but less certainty in the longer term due to fluctuations in the economy and District growth trends
<b>Resource consent standards/ Property designations</b>	Resource consent standards for water sources and for stormwater and wastewater discharges from Council infrastructure will increase steadily over time, but consents will be obtained without appeal and consent compliance will be achievable. The drinking water standards will be achievable	Resource consents are appealed to the Environment Court resulting in significant delays.	Medium	Recent reforms have sped appeal processes up. However, consenting processes can still be costly.
	Any new property designations or resource consents required for new wastewater, water, stormwater and solid waste systems, or for the significant upgrading of existing systems, will be able to be obtained, subject to conditions acceptable to the Council, and any necessary land purchased, prior to the time that has been scheduled for the actual construction of works, in this LTP	Stringent resource consent conditions and standards lead to high treatment standards being imposed which lead to high costs.	Medium	Higher treatment standards being imposed will lead to higher operating and maintenance costs. In the term of the plan eight (out of 20) wastewater activity consents expire and seven (out of 21) water activity consents expire.
		Designations or consents cannot be obtained, or the necessary land purchased, before the scheduled time of construction. Work is delayed.	Medium	Designation processes have been streamlined but can still be costly. The risk can be minimised if the Council always has a clear and detailed future forward programme to which it is committed, for at least the next three to four years.
<b>Significant land use changes</b>	The District Plan review is underway and will give effect to the Coromandel Peninsula Blueprint: Framework for our Future, influencing land use changes but there will not be any substantial (either general or localized) changes to land uses in the District during the ten year period, that have consequential impacts on Council infrastructure needs, that have not been foreseen.  It is too early to assume any major land use effects of the increasing economic role of iwi in forestry, aquaculture and agriculture following the Treaty settlement	Significant unforeseen land use occurs of a type that has potential significant effects.	Low	The Council will need to assess the situation but this matter is not entirely within the Council's hands. A third party may lodge an application for a plan change or non-complying consent at any time. This can lead to higher unforeseen costs in certain areas. The risk is however minimised by the fact that the Council is able to impose appropriate conditions at the time of resource (or other planning) consent to minimise effects - including the power to require work to be done, or money to be paid, to fund the cost of addressing the direct impacts. Development contributions may be able to be obtained.
<b>Operating challenges</b>	The Council will continue to face calls for the same range of services as larger territorial authorities in spite of its limited rating base. Community expectations for higher quality services and facilities and a lower tolerance of service failures will drive operating costs upward  Outputs from the Coromandel Peninsula Blueprint will be carried through to the District Plan and a range of Activity Plans.  There will be increasing demands on local government to play a more significant role in Government service delivery at the local level (oversight and monitoring of centrally funded but locally delivered services. There will be less financial help from Government and the potential for loss or reduction of some local services	Operating demands increase significantly more as a result new service demands, expectations and Government influences	Medium	This risk has implications for the operating budget. While responses to the Coromandel Peninsula Blueprint can now be evaluated and quantified, the implications of changing community and Government expectations may be less easily understood.

**PART 3: FINANCIAL ASSUMPTIONS**

Topic	Forecasting Assumption	Risk	Level of Uncertainty	Reasons and Financial Effect of Uncertainty																																																																																																			
Useful lives of significant assets	It is assumed that no significant assets will fail before the end of their useful lives as determined in accordance with the depreciation rates set out in the accounting policies of the Council.	Some assets may wear out and fail sooner, or later, than calculated.	Medium	There is no certainty that asset components will last exactly their design lives. However, replacement is budgeted at the expected end of useful life and earlier replacement will result in a loss on disposal of any residual value. Earlier replacement may result in the deferral of other discretionary capital projects in order to remain within self imposed debt limits as set out in Council's Liability Management Policy.																																																																																																			
Price level changes	<p>Costs of providing local government services will increase at a higher rate than inflation. Overall the Local Government Cost Index has risen faster than the CPI since 1999 at annual rates of 3.6% and 2.7% respectively. Cost structures faced by local government will continue to differ significantly from the CPI "basket".</p> <p>In order to produce this Ten Year Plan all operating unit budgets and overhead allocation to the Council activities had to be completed by July 2011. As such:</p> <ol style="list-style-type: none"> <li>Inflation predictors for Council's Operating Units were based upon Inflation predictions provided by Business and Economic Research Limited (BERL) in October 2010. These are reproduced below.</li> <li>The BERL Inflation predictors used June 2010 as the base year as such these tables were modified to a June 2011 base year.</li> <li>As the October 2010 BERL Inflation predictors were only until June 2020, they had to be extrapolated out to 2022 based on the movement between 2019/2020</li> </ol> <p>Price level changes have been calculated using projections prepared by (BERL). The following table based upon the October 2010 report of June 2010 values, depicts cumulative price levels changes:</p> <table border="1"> <thead> <tr> <th>Year Ending</th> <th>Jun-13</th> <th>Jun-14</th> <th>Jun-15</th> <th>Jun-16</th> <th>Jun-17</th> <th>Jun-18</th> <th>Jun-19</th> <th>Jun-20</th> <th>Jun-21</th> <th>Jun-22</th> </tr> </thead> <tbody> <tr> <td></td> <td>4.00%</td> <td>6.40%</td> <td>8.90%</td> <td>11.50%</td> <td>14.10%</td> <td>16.75%</td> <td>19.50%</td> <td>22.30%</td> <td>25.10%</td> <td>27.90%</td> </tr> </tbody> </table> <p>The inflation projections supplied by BERL are for the year ending 30 June. Therefore in calculating the price levels changes for each individual year of the Ten Year Plan, the Council has applied the cumulative inflation projection to the end of the prior year (as provided by BERL) and 50% of the projected inflation for the appropriate year.</p> <table border="1"> <thead> <tr> <th>Year Ending</th> <th>Road</th> <th>Property</th> <th>Water</th> <th>Energy</th> <th>Staff</th> <th>Other</th> </tr> </thead> <tbody> <tr> <td>Jun-13</td> <td>4.15%</td> <td>4.70%</td> <td>6.35%</td> <td>0.60%</td> <td>4.00%</td> <td>5.60%</td> </tr> <tr> <td>Jun-14</td> <td>7.00%</td> <td>7.55%</td> <td>10.10%</td> <td>13.95%</td> <td>6.40%</td> <td>8.85%</td> </tr> <tr> <td>Jun-15</td> <td>9.95%</td> <td>10.50%</td> <td>14.05%</td> <td>19.60%</td> <td>9.90%</td> <td>12.25%</td> </tr> <tr> <td>Jun-16</td> <td>12.00%</td> <td>13.50%</td> <td>18.10%</td> <td>25.55%</td> <td>11.50%</td> <td>15.75%</td> </tr> <tr> <td>Jun-17</td> <td>15.70%</td> <td>16.60%</td> <td>22.35%</td> <td>31.75%</td> <td>14.10%</td> <td>19.35%</td> </tr> <tr> <td>Jun-18</td> <td>18.75%</td> <td>19.80%</td> <td>26.80%</td> <td>38.20%</td> <td>16.75%</td> <td>23.05%</td> </tr> <tr> <td>Jun-19</td> <td>21.90%</td> <td>23.05%</td> <td>31.45%</td> <td>44.95%</td> <td>19.50%</td> <td>25.85%</td> </tr> <tr> <td>Jun-20</td> <td>25.20%</td> <td>26.40%</td> <td>36.25%</td> <td>52.05%</td> <td>22.30%</td> <td>30.80%</td> </tr> <tr> <td>Jun-21</td> <td>28.60%</td> <td>29.80%</td> <td>41.15%</td> <td>59.35%</td> <td>25.10%</td> <td>34.80%</td> </tr> <tr> <td>Jun-22</td> <td>32.00%</td> <td>33.20%</td> <td>46.05%</td> <td>66.65%</td> <td>27.90%</td> <td>39.80%</td> </tr> </tbody> </table>	Year Ending	Jun-13	Jun-14	Jun-15	Jun-16	Jun-17	Jun-18	Jun-19	Jun-20	Jun-21	Jun-22		4.00%	6.40%	8.90%	11.50%	14.10%	16.75%	19.50%	22.30%	25.10%	27.90%	Year Ending	Road	Property	Water	Energy	Staff	Other	Jun-13	4.15%	4.70%	6.35%	0.60%	4.00%	5.60%	Jun-14	7.00%	7.55%	10.10%	13.95%	6.40%	8.85%	Jun-15	9.95%	10.50%	14.05%	19.60%	9.90%	12.25%	Jun-16	12.00%	13.50%	18.10%	25.55%	11.50%	15.75%	Jun-17	15.70%	16.60%	22.35%	31.75%	14.10%	19.35%	Jun-18	18.75%	19.80%	26.80%	38.20%	16.75%	23.05%	Jun-19	21.90%	23.05%	31.45%	44.95%	19.50%	25.85%	Jun-20	25.20%	26.40%	36.25%	52.05%	22.30%	30.80%	Jun-21	28.60%	29.80%	41.15%	59.35%	25.10%	34.80%	Jun-22	32.00%	33.20%	46.05%	66.65%	27.90%	39.80%	That price level changes will vary from those used. There is a risk that yearly expenditure is not always evenly spread throughout the year.	High	<p>Provided the Reserve Bank of New Zealand is required to keep general inflation under 4% per annum, the projected changes in price levels will vary only slightly. The effect of any variation up, or down, will result in a higher or lower rates requirement.</p> <p>Actual Expenditure within each year of the 10-year plan is not spread evenly. If expenditure is higher in the first half of the year than the second then forecast inflation adjusted expenditure levels would be overstated and vice versa.</p> <p>Based on a projected Total Expenditure (Operating and Capital) of \$100million a plus/(minus) 1% movement in the forecast inflation rate would result in an approximate movement in total costs of plus/(minus) \$1million. This would then have a flow on effect into all of the remaining years of the ten-year plan.</p>
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NZTA subsidy rates	<p>Subsidies have been included at the approved rate of 43% maintenance and 53%** construction for the 2012/13 year. For the remaining nine years it is assumed that the level of subsidy will increase in proportion to increased costs and that the percentage of subsidy to cost, in each category, will not change.</p> <p>**NB: Under the NZTA rules currently only minor safety projects and bridge replacements qualify for the increased construction subsidy of 53%.</p>	No risk in 2012/13. For remaining nine years there is a risk that subsidy rates will change	Medium	It is unlikely this commitment to improve roads will change in the near to medium future.																																																																																																			
Interest rates on borrowing	<p>Interest on existing and new borrowing is forecast as follows:</p> <ol style="list-style-type: none"> <li>2012/13 - 2014/15 7.0%</li> <li>2015/16 - 2017/18 8.0%</li> <li>2019/20 - 2021/22 8.5%</li> </ol> <p>In calculating these rates the Council has taken into account interest rate swaps held and the forecast interest rate at 28 April 2011</p> <p>The table below indicates the cost per annum to the Council given a 1% increase in the interest rate at a range of assumed borrowing levels.</p> <table border="1"> <thead> <tr> <th></th> <th>\$25 Million</th> <th>\$50 Million</th> <th>\$75 Million</th> <th>\$100 Million</th> </tr> </thead> <tbody> <tr> <td>Interest Cost</td> <td>\$250,000</td> <td>\$500,000</td> <td>\$750,000</td> <td>\$1,000,000</td> </tr> </tbody> </table>		\$25 Million	\$50 Million	\$75 Million	\$100 Million	Interest Cost	\$250,000	\$500,000	\$750,000	\$1,000,000	Interest rates will increase beyond those budgeted for the 10 year LTP period	Low	<p>Current forecasts are for interest rates to increase over the 10-year LTP period. The current forecast interest rates are based upon market analysis as at 28 April 2011.</p> <p>Council manages the risk of interest rate rises through internal borrowing and interest rate risk management instruments for external debt.</p> <p>The actual amount of external borrowings by Council will impact on the predicted interest rates above as Council has a mix of Hedged and un-hedged debt.</p>																																																																																									
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Refinancing Term Loans/External	Loan servicing is calculated on a table basis over 30 years for infrastructure, with early repayment if surplus depreciation reserves are available. Refinancing of external	Refinancing of external loans is difficult	Low	This matter is covered in the Council's Liability																																																																																																			

**PART 3: FINANCIAL ASSUMPTIONS**

Topic	Forecasting Assumption	Risk	Level of Uncertainty	Reasons and Financial Effect of Uncertainty
<b>Funding</b>	loans is assumed to be readily achieved.  The Council expects to maintain a significant lead-in time within which it can seek to lock in alternative funding sources.			Management Policy dealing with debt maturity. There is little risk, as local government is perceived to be a low credit risk. Internal borrowing can absorb any early repayments. Interest expense will be impacted (reduced) if repayment rates are higher than budgeted.
<b>Vested assets</b>	The level of vested assets from resource consents issued is assumed to be at levels over the past five years during which there has been slower growth than in previous years and which is more likely to reflect growth into the LTP period.	The value of vested assets is greater than predicted thereby increasing depreciation expense	Medium	Vested assets fluctuate considerably from year to year. The financial effect of this uncertainty is unable to be quantified
<b>Currency movements and related asset values</b>	Some components of works in the Ten Year Plan may be sourced from overseas. It is assumed that all input components (whether sourced in New Zealand or abroad) will be assessed in New Zealand dollars.	Currency exchange rates will significantly fluctuate.	Low	It is not possible to determine (until project tender stage) that certain inputs will need to be sourced from outside New Zealand and will be subject to currency fluctuations. The likelihood is that all components can be sourced locally. Where components need to be sourced overseas, Council will assess the currency exchange on the day. No provision is made to mitigate this risk.
<b>Forestry</b>	The value of log prices is anticipated to increase in the future. These prices are affected by demand, by the foreign exchange rate, and whether or not the trees have been irrigated.	That the prices will continue to be low for the life of the Plan and that the quality of irrigated trees will reflect in a lower log price.	Medium	The Council is adopting a cautious approach to harvesting Tairua forest. Only 1-2 hectares will be harvested at this stage. The forest is pre-1990 and consequently the Council's main concern is primarily with the value of logs at harvesting time with a secondary concern being the cost of replanting following the harvesting. The payment for carbon credits under the emissions trading scheme only becomes a cost if the Council decides not to replant. With regards to future log quality the proposed irrigation area is approximately 65 of 233 hectares of productive land.