## Draft key forecasting assumptions

Supporting information for the proposed Long Term Plan 2024-2034 Consultation Document



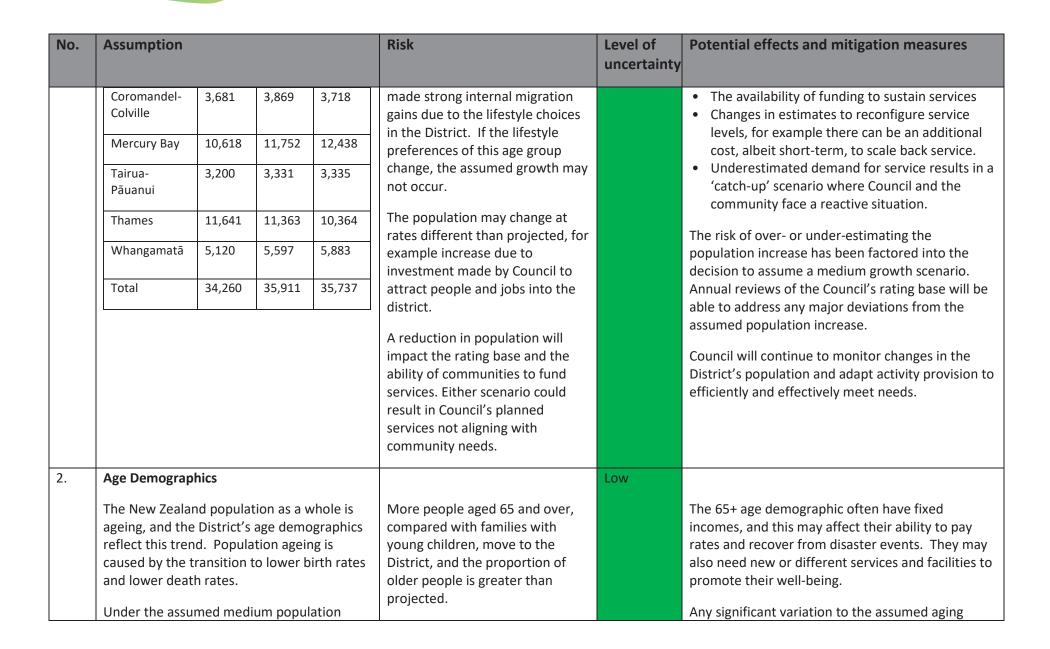
## Draft key forecasting assumptions

The table below identifies potential key assumptions for the 2024-34 LTP which have been informed by the environmental scan. The assumptions will inform the 2024-34 LTP and will be included as part of the consultation document and draft LTP for community consultation.

Please note:

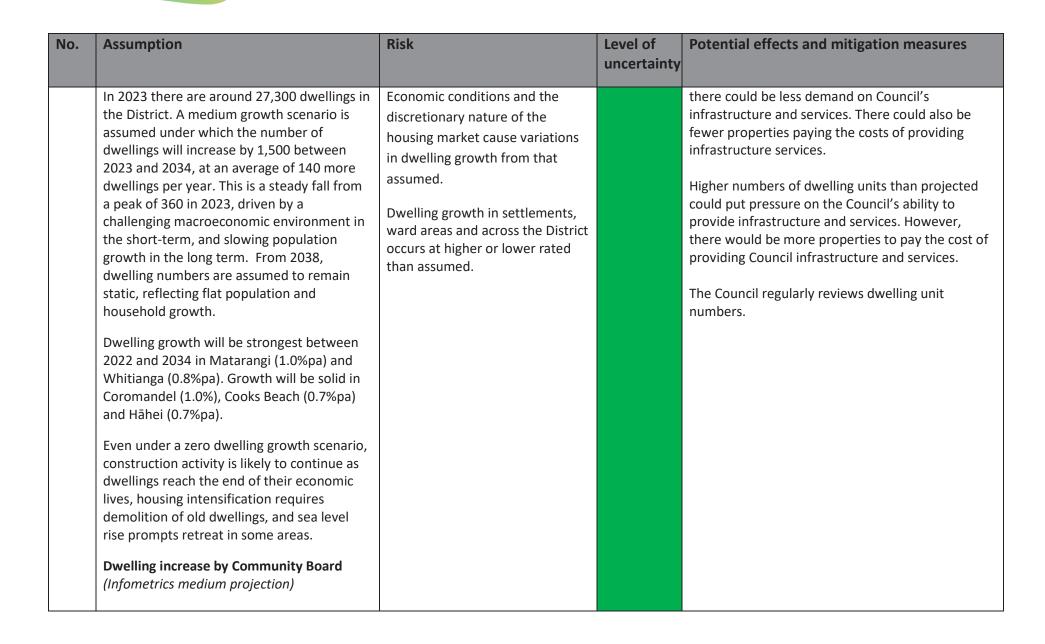
- 1. Actual results will likely vary from the information presented, but the assumptions are based on the best information known at the time. These assumptions have been developed specifically for the Council's ten year planning purposes.
- 2. "NEW" before an assumption title indicates the assumption is not in the 2021-2031 Long-term Plan, but is proposed to be included in the 2024-2034 Long-term Plan.
- 3. The 'Level of Uncertainty' column is colour coded to indicate the level of uncertainty: red = high, amber = medium, green = low.

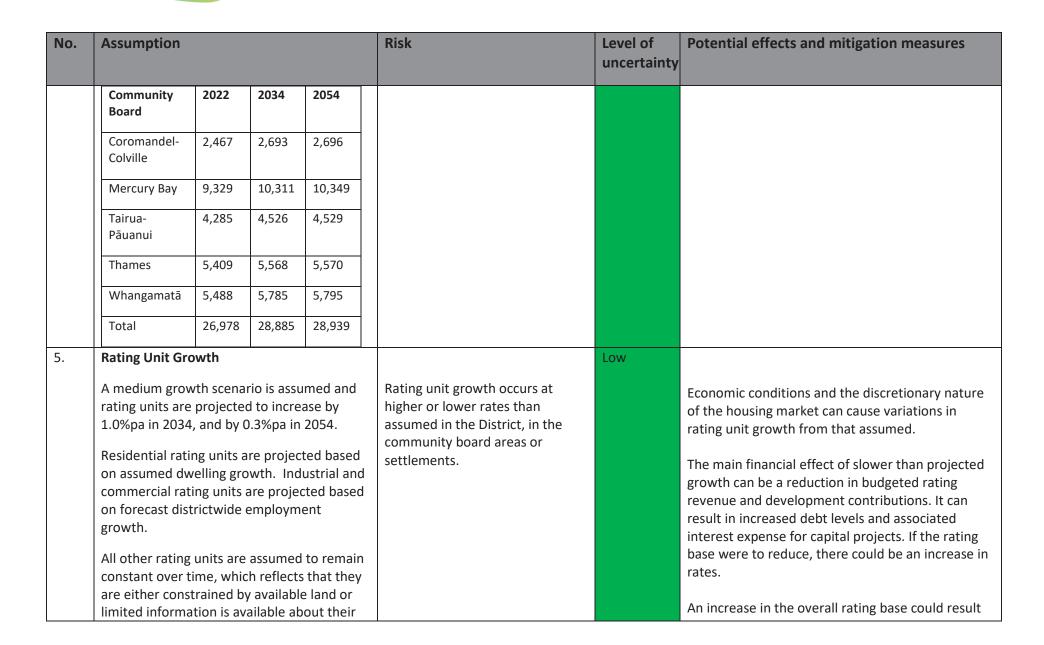
No.	Assumption				Risk	Level of uncertainty	Potential effects and mitigation measures
The pro	Demographics         The projection data for this topic were produced by Infometrics Lt for Thames-Coromandel District covering the period 2022-2054. Ct         1.       Our Population Growth						
	A medium grov which the Distr 0.4%pa over 20 2034 to 2054. <sup>-</sup> to around 35,9 slightly to arou <b>Population by</b> (Infometrics me	rict's popu D23 to 203 The popula 00 people Ind 35,700 <b>Communi</b>	lation will 4 and 0%p ation will in in 2034, ti people in <b>ty Board</b>	grow at ba over ncrease hen ease	Population growth across the district, each community board area and settlement occurs at a higher rate than the relatively low rates assumed. The assumed population growth is mainly driven by the District continuing to attract new residents in or near the 65-years- and-older age group.		Slower or faster population increases may affect service levels, infrastructure expansion, renewal programmes, and costs (where there are an increased or decreased rates requirements). These effects would be exacerbated by the demands on infrastructure and services during the peak holiday periods. Over or underestimating the demand for services based on planned growth (positive or negative) can have a significant effect on financial estimates.
	Community Board	2023	2034	2054	Historically this has been the age group in which the District has		The potential effects include:





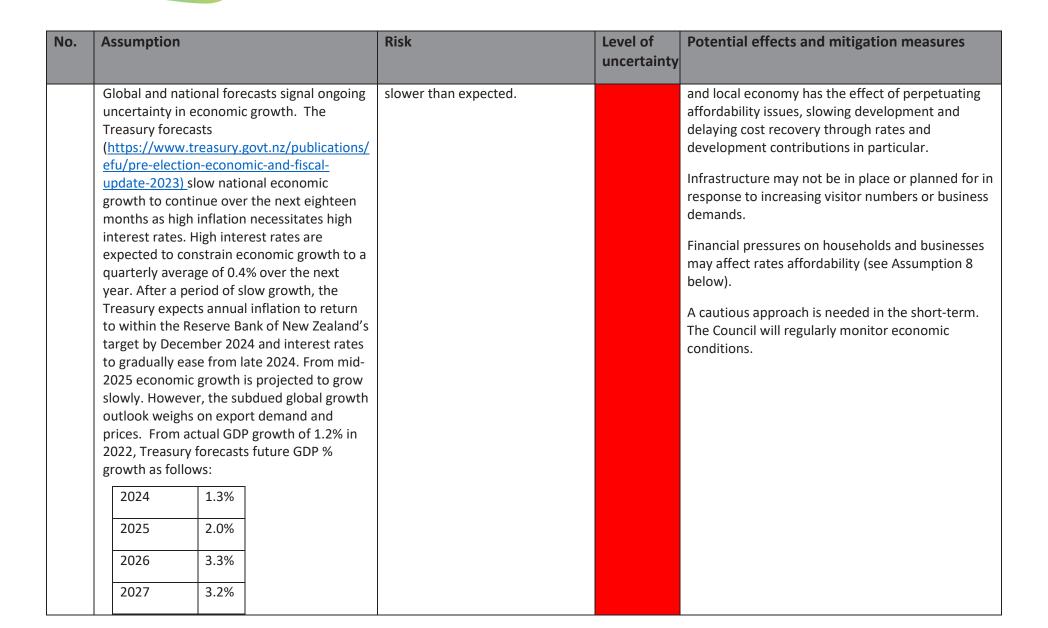
No.	Assumption	Risk	Level of uncertainty	Potential effects and mitigation measures
	growth scenario, the population aged 65 years and older is projected to increase from 34% of the District's total population in 2023 to 41% in 2033 and 43% in 2053. This means that from 2033 onwards, over two out of every five residents will be aged 65 years or older. The proportion of the population aged 20-64 years of age will drop from 48% of the population in 2023 to 43% in 2033.	A lesser risk is that more young and young working family age groups move to the District, significantly increasing this age group as a proportion of resident population.		<ul> <li>population profile may result in certain sectors of the community experiencing lower than expected levels of service.</li> <li>If the proportion of younger people grows, the Council may have to redirect funding to particular activities to suit a younger population.</li> <li>The Council will continue to monitor demographic change and adapt or redirect activities to meet those needs where possible, within reasonable costs.</li> </ul>
3.	<ul> <li>Peak Population</li> <li>The District will continue to attract a summer population increase of around five times the number of permanent residents. Although the COVID-19 pandemic and the damage to roads caused by severe weather events in early 2023 reduced the numbers of visitors for a few years, the 'peak population' numbers are assumed to grow again over the medium to long term (3-10 years).</li> <li>The highest proportion of visitors to the District over the peak summer period (22 December to 5 January) will continue to be from the Auckland and Waikato regions.</li> </ul>	Further damage to roads, delays with repairing the roading network and other economic or other drivers could significantly decrease visitor numbers in the short term (1-3 years). The key travel routes for visitors are the state highways that are not managed by the Council.	Medium	Visitors' needs for services and facilities at peak periods put pressure on the Council's infrastructure and services because they are far in excess of what the usually resident population requires and raise expected operating expenditure. Council needs to balance its residents' and ratepayers' needs for infrastructure and services with those of visitors who are here during peak population periods. Any significant change in peak population visitors would require a review of funding mechanisms.
4.	Dwelling Growth		Low	If dwelling numbers grow slower than is projected,

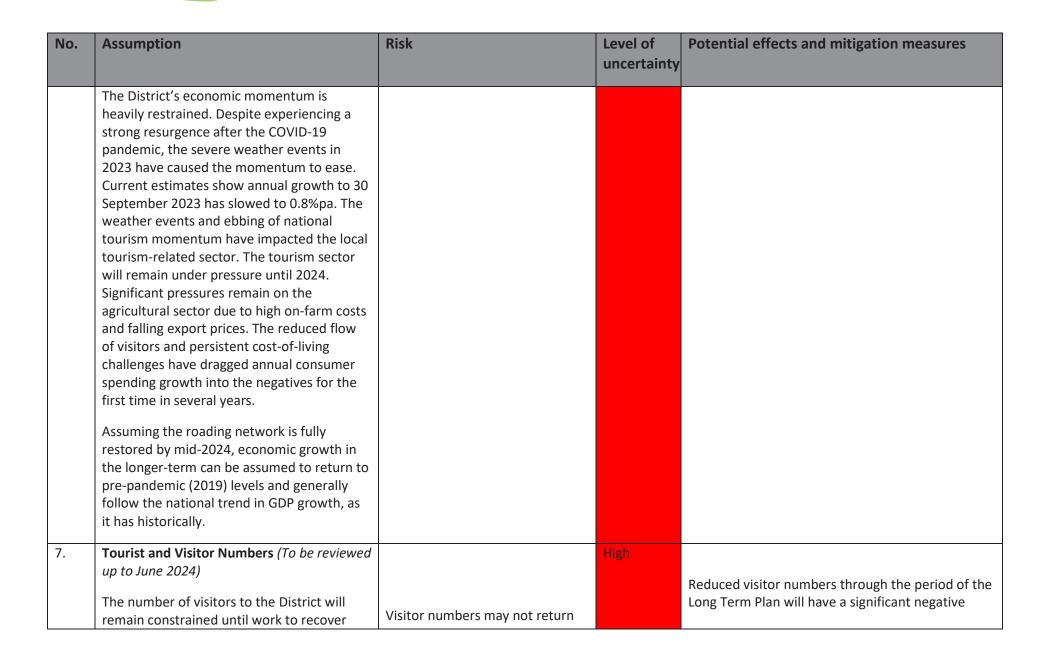






No.	Assumption		Risk	Level of uncertainty	Potential effects and mitigation measures
	growth trend. The forecast for rating units over the next ten years is shown on the table below. Year Total number of		ra pr pr	in a decrease in rates for rating units as the total rates are spread across a larger base. Higher than projected rateable units could put pressure on the provision of some infrastructure, such as wastewater, water supply and stormwater.	
	2023	rating units           28,210           28,480	_		The Council regularly reviews rating unit numbers.
	2025	28,694	_		
	2027	29,061	_		
	2029	29,396	_		
	2031	29,613	_		
	2032 2033	29,701 29,781			
Exte	2034 rnal Factors	29,832			
6.	Economic Outloc June 2024)	<b>bk</b> (To be reviewed up to	Economic growth stalls or is	High	Ongoing uncertainty in the international, national







No.	Assumption	Risk	Level of uncertainty	Potential effects and mitigation measures
	from the severe weather events in January and February 2023, including repairs to the District's roading network, is completed. An increase in visitors is unlikely in the short- term, while the District's roading and other infrastructure remains in a state of repair and recovery. In the medium to long term visitor numbers will return to pre-pandemic levels.	to pre-pandemic levels in the medium to longer term. Reduced visitor numbers in the medium to longer term will continue to have consequential negative effects for the District's economy and well-being.		<ul> <li>impact on the District's economy.</li> <li>The Council's Recovery Plan for the 2023 weather events includes actions to support local businesses with grants and other services to keep them sustained until infrastructure repairs are completed.</li> <li>The implications from increasing or decreasing visitor numbers will be considered in Council's future planning.</li> </ul>
8.	<ul> <li>[NEW] Rates affordability</li> <li>Average household income will remain static, and the individual share of national GDP over previous 30 years will continue to decrease.</li> <li>The average household income in the District was \$73,500 in 2023, which was lower than the New Zealand average of \$125,177. It is assumed economic affluence will not be a key driver of demand for increased Council services from the majority of the community.</li> </ul>	A combination of the ageing population and short-term slow economic growth mean rates affordability is unlikely to change in the medium-long term.	Low	Matters affecting people's income are largely outside the Council's control, a cautious approach is needed in the short-term.
9.	Covid-19 Pandemic It is assumed that New Zealand will avoid significant effects from any resurgence of the Covid-19 virus, and that no further	COVID-19 response measures require a lockdown of the District, Waikato region or more	High	A new COVID-19 variant may substantially reduce the functionality of some Council activities with



No.	Assumption	Risk	Level of uncertainty	Potential effects and mitigation measures
	<ul> <li>lockdowns or major border restrictions will be necessary.</li> <li>The effects of the global Covid-19 pandemic will continue to be felt in the short-term (1-3 years) and the pandemic is likely to have as yet unknown longer term consequences.</li> <li>These effects include: <ul> <li>Economic impacts – on key sectors such as tourism and related services, on the rural sector due to labour shortages and processing disruptions.</li> <li>Transport impacts – disruption of global supply chains with flow-on effect to local freight and distribution patterns.</li> </ul> </li> <li>Travel/work behaviour patterns – more people working from home and more flexible working arrangements; travel demand and customer desire are driving changes that could be embedded in the long term.</li> </ul>	broadly. Community expectations about the pandemic being over will have been affirmed by pandemic- related restrictions no longer being in force. Those expectations may flow on to all other aspects of life returning to business-as-usual sooner than is realistically possible. It may also lead to criticism of the Council if progress on Council's work programme is not seen to be being made quickly enough.		consequential negative impacts on revenue. The Council's has operational resilience practices in place to ensure essential activities continue to function in the event of a lockdown, and non- essential services have the capacity to operate as fully as is safely possible. The Government continues to monitor for new variants arriving from overseas.
10.	Treaty of Waitangi Settlements (To be reviewed up to June 2024) Legislation currently before Parliament, scheduled to be passed in 2024, will implement three settlements with mana whenua in the District. The settlements are for Ngāti Hei, Ngāti Paoa and Ngāti Tara	There will be pressure on the Council's resources to implement the settlements.	Low	Council will need to respond effectively to new ways of working with iwi. There will be new demands on operating budgets to achieve this. The Council will monitor progress of the legislation



No.	Assumption	Risk	Level of uncertainty	Potential effects and mitigation measures
	Tokanui and include returning some Council reserves to iwi and some reserves being co- managed with iwi.			through Parliament and continue to engage with mana whenua in the District about their aspirations.
11.	Availability of Staff and Contractors		Medium	
	It is assumed that we will be able to retain and find skilled staff and contractors to undertake work that is required, to the agreed standards, deadlines and cost.	Due to labour market conditions, some staff vacancies will not be able to be filled in a timely manner. The demand for contractors will also be high and impact their availability.		Council will continue to take measures, including offering employment arrangements such as flexible work options, competitive remuneration, a range of benefits and relocation support, to both retain and attract skilled staff and contractors as required. Roles that can be performed remotely could potentially be more easily filled, though the number of workers who are willing to live remotely from their jobs is limited.



No.	Assumption	Risk	Level of uncertainty	Potential effects and mitigation measures
12.	Significant Land Use Changes In some areas of the district, there is insufficient land zoned to meet demand for housing and business activities. Spatial planning initiatives will identify areas where significant land use changes are needed. Changes to the District Plan will be needed to provide for future development indicated in spatial plans. The district plan will become fully operative by the end of 2024, making it easier for private plan changes to be progressed.	Rezoning of land cannot be progressed efficiently, due to appeals on changes to the District Plan. Continuing shortage of land for housing- and business activities impact negatively on economic growth and community well- being.	Medium	The Council will need to be proactive and initiate district plan changes to provide appropriately zoned land to enable new growth. It will also need to be ready to respond to any potential private district plan changes.
Clim	ate Change			
13.	Climate Change Risks and Impacts		Moderate	
	The expected risks of climate change for Thames-Coromandel District are based on climate science and projections from the Intergovernmental Panel on Climate Change, National Institute of Water and Atmospheric Research (NIWA) and governmental advice from the Ministry for the Environment. Climate change will affect the District at least in line with predicted national changes such as higher temperatures, sea level rise, longer dry periods and more intense rainfall	There is risk that negative effects associated with climate change occur at a faster rate and with more detrimental effects. If projections are not considered in Council planning, this could impact on asset management, community resilience and legal liabilities.		The Council will continue to implement current climate change work in several areas, including the Shoreline Management Pathways project. A Climate Change Strategy will be developed during the first three years of the LTP to identify, integrate and co-ordinate further mitigation and adaptation measures required across Council and the community. Included in the new Climate Change Strategy will be the development of a Climate Change Risk



No.	Assumption	Risk	Level of uncertainty	Potential effects and mitigation measures
	and storm events. Regional projections assume increases in the amount and frequency of rainfall could cause more river flooding in some areas, while longer periods without rainfall will cause drought. Predicted sea level rise and increased storm surges will affect low-lying areas and estuaries and could threaten Council and community infrastructure, affect aquifers by saline intrusion into existing water supply bores, and reduce the efficiency of land drainage in coastal and estuarine areas. This will worsen coastal erosion and flooding and may accelerate long term erosion.			Assessment to inform planning of future mitigation and adaptation/resilience actions.
14.	[NEW] Greenhouse Gas Emissions Current policies (as set out in Aotearoa New Zealand's Emissions Reduction Plan) will be implemented and New Zealand's (and the Council's) emissions will reduce in line with emissions budgets.	Government policy may change or alter significantly and require the Council to adjust its operations accordingly. This is unlikely due to cross-party support for reducing emissions.	Low	<ul> <li>The Council will include the development of an Emissions Reduction Plan for its own greenhouse gas emissions in its new Climate Change Strategy, and will continue current work to track its progress towards reduction targets, such as:</li> <li>promoting electric vehicle use</li> <li>upgrading streetlights to cut electricity use</li> <li>partnering with Waikato Local Authority Shared Services energy management programme to monitor energy use at all sites, investigate opportunities for energy efficiency improvements and increase the use renewable energy</li> </ul>



No.	Assumption	Risk	Level of uncertainty	Potential effects and mitigation measures
				<ul> <li>working with community groups to improve walking and cycling infrastructure; and</li> <li>putting in place an affordable bus service in Thames.</li> </ul>
15.	[NEW] New Zealand Emissions Trading Scheme The New Zealand Emissions Trading Scheme (NZ ETS) costs will rise in the medium to long term as a result of amendments to the Climate Change Response Act 2002, including changes in the NZ ETS settings. The Council will continue its existing waste collection arrangements and maintain the existing network of Refuse Transfer Stations and community resource recovery centres. The Council's participation in the NZ ETS will remain limited to its waste management operations.	Government policy may change or alter significantly and require the Council to adjust its operations accordingly. This is unlikely due to the cross-party support for the Emissions Trading Scheme.	Low	No effect unless there is a major change to the ETS that affects Council's carbon accounting.
16.	[NEW] Natural Hazard/Emergencies Land instability and the resulting slippage is a serious and widespread natural hazard for the District. Coastal erosion also puts many of our communities at risk, particularly if there is a serious weather event. There will be at least one serious weather event every year which will require a State	Increased rainfall volumes and intensities will cause land instability and more land slippages. Temporary sea water inundation of land, and permanent coastal erosion, will cause risks to life and property, economic and community	Medium	Potential effects include: loss of life; ill-health (physical and mental); partial or complete loss or damage to property; impacts on local businesses, the District's economy and delivery of services; damage or loss of Council and community assets and infrastructure; and insurance premiums increased or withdrawn.



No.	Assumption	Risk	Level of uncertainty	Potential effects and mitigation measures
	of Emergency to be declared.	wellbeing.		Mitigation measures include: increased Council investment in services and asset renewals and replacement in order to return services to pre- impact capacity; and increased resourcing of Council's recovery operations and future planning.
17.	<ul> <li>[NEW] Roading Recovery (To be reviewed up to June 2024)</li> <li>The following milestones in the Recovery Plan will be implemented and achieved: <ul> <li>for state highways, the partnership with Waka Kotahi is formed and formalised, 50 priority sites to repair and or build resilience are identified, with work planned and funded by central government to proceed.</li> <li>for local roads, all 114 identified repair sites have initial geotechnical assessments completed to assess ongoing risk. Detailed designs and consents are being progressed. A work programme is in place, and estimated budgets/funding confirmed, including the FAR contribution to funding from Waka Kotahi. Repairs to Tapu-Coroglen, Colville and Kennedy Bay Roads are 100% funded by the Crown from the Waka Kotahi RSR programme.</li> </ul> </li> </ul>	Further severe weather events may cause more damage to the already fragile roading network, hampering recovery in affected communities and requiring additional repair works. Funding for Waikato Regional Council and central government contributions to the Recovery Plan may be reduced following, respectively, completing of the long term planning process and the general election.	Medium	Achievement of some of the milestones for state highways is outside Council's control because it is dependent on central government work and funding. Council will continue to monitor and keep under review. The Council will continue to work with Waikato Regional Council and central government to confirm funding, and include substantial contingencies in budgets for repair of local roads.



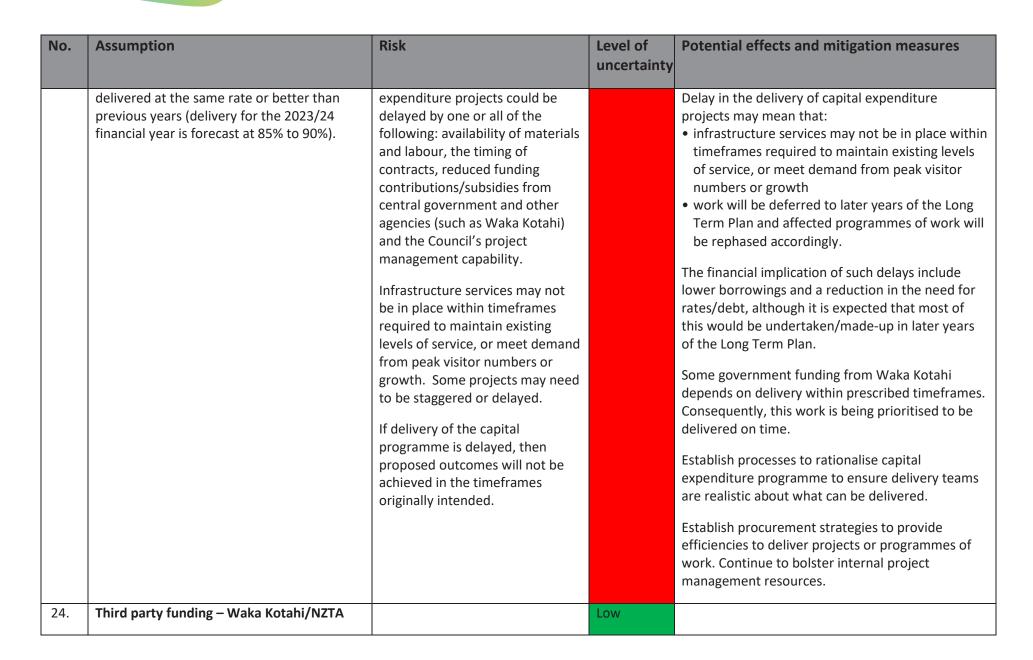
No.	Assumption	Risk	Level of uncertainty	Potential effects and mitigation measures
Legis	lative Reform			
18.	Resource Management Reform (To be reviewed up to June 2024)The Natural and Built Environments Act 2023 and Spatial Planning Act 2023 have been repealed. The provisions of the Resource 	The Government has not announced what the planning framework and system in the replacement legislation will be, or when the new legislation will be enacted.	High	A watching brief will be kept on the changing legislative and resource management policy direction of the new Government.
19.	<ul> <li>Future for Local Government Review (To be reviewed up to June 2024)</li> <li>It is unknown whether (or to what extent) central government will accept the final recommendations of the Review, released in June 2023.</li> <li>It is assumed that: <ul> <li>the existing role and functions of local government will remain unchanged during the 2024-2034 Long Term Plan</li> </ul> </li> </ul>	The changes to the role and function of local government recommended by the Future for Local Government Review will be implemented sooner than anticipated, and there will be significant changes to the role and functions of the Council, and	High	The Council will keep a watching brief on central government's intentions about acceptance and implementation of the Review's recommendations.



No.	Assumption	Risk	Level of uncertainty	Potential effects and mitigation measures		
	<ul> <li>timeframe;</li> <li>the Council will not change its current governance model; and</li> <li>there will be no significant change to the range or nature of services .</li> </ul>	the services it provides. Substantial costs would likely be required to implement the necessary restructuring or establishment costs. Changes in the purpose and role of local government may have substantial impacts on budgets and financial forecasts.				
20.	Water Services Reform Programme (To be reviewed up to June 2024) Water services will continue to be managed by the Council in all ten years of the 2024- 2034 Long-term Plan. [The Water Services Acts Repeal Act 2024 reversed the reforms made by the previous Government, but alternative legislation to change how councils will manage water services has not yet been announced].	Any new legislation will not provide for water services to continue to be managed by the Councilfor all ten years of the 2024-2034 Long Term Plan.	High	If new legislation removes management of water services from the Council's responsibility, the 2024-2034 Long-term Plan and other Council planning documents will need to be amended. A watching brief will be kept on the Government's policy direction.		
Signi	Significant Assets					
21.	Lifecycle of significant assets The useful asset life reflects the best estimate available as at forecast date and is based on current asset information held.	Some assets may wear out and fail sooner, or later, than calculated.	Medium	There is no certainty that asset components will last their design lives exactly. However, replacement is budgeted at the expected end of useful life and earlier replacement will result in a		



No.	Assumption	Risk	Level of uncertainty	Potential effects and mitigation measures
	The useful life of each class of asset is outlined in the Statement of Accounting Policies for Prospective Financial Statements - Depreciation. Some assets may wear out and fail sooner, or later, than calculated.	There may be inadequate replacement reserves.		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 Financial Strategy.
22.	Resource consent standards/property designations		Medium	
	All projects in the Long Term Plan that are required to gain resource consent will do so in a timely manner, within the cost estimates provided. Any new property designations required for new wastewater, water, stormwater and solid waste systems, or for the significant upgrading of existing systems, will be able to be obtained prior to the time that has been scheduled for the actual construction of works in this plan.	Resource consents are appealed to the Environment Court resulting in significant delays. Stringent resource consent conditions and standards lead to high treatment standards being imposed with consequential high costs. Delays due to designations or consents not being obtained, or necessary land purchased, before the scheduled time of construction.		While recent reforms have expedited appeal processes, consenting processes can still be costly. Designation processes have been streamlined but can still costly. Risk can be minimised if the Council always commits to a clear and detailed future forward work programme for at least the next three to four years.
Finar	ncial Assumptions			
23.	Capability to deliver projects		High	
	Capital expenditure projects will be	The delivery of capital		





No.	Assumption	Risk	Level of uncertainty	Potential effects and mitigation measures
25.	subsidy The NZTA funding assistance rate has been included at the rate of 51%. The Funding Assistance Rate has been set for a three year period from 2024/25. This will be reviewed in 2026 for the following three years. Third party funding – Crown funding for roading resilience projects	There is a risk that the subsidy rates may change.	Medium	A 1% movement in the funding assistance rate would result in total costs of \$210,000.
	The Coromandel Bypass and Tapu-Coroglen, Colville and Kennedy Bay Road projects will be 100% funded by the Crown from the Waka Kotahi Resilience Strategic Response (RSR) programme.	The Crown will not fund the programme. The Crown will partly fund the programme.		The projects would not proceed if the Crown did not fund the resilience programme. A lower level of Crown funding for the programme would result in delay in the delivery of these projects and the entire programme. Council will continue to actively engage with transport network users to retain their support, and work in partnership with Waka Kotahi on the implementation of the resilience programme.
26.	Third party funding for Coastal Hazards projects A third party funding (Crown and or other agency funding) assistance rate has been included at the rate of 60%. The funding assistance rate has been set for the 2024 LTP	The Crown will not fund the programme. The Crown will partly fund the	High	The Coastal Hazards projects may not be able to proceed if third party funding is not secured for the works programme. A lower level of third party funding for the



No.	Assumption	Risk	Level of uncertainty	Potential effects and mitigation measures
	period. However, this will be reviewed in three years time as part of the next LTP.	programme.		programme would result in delays in the delivery of these projects and or the scale/scope of the programme being revised.
				Council will continue to actively engage with third party funding agencies to secure funding for the proposed Coastal Hazards programme.
				Council will continue to take an adaptive management approach with the Coastal Hazards programme as proposed in the adopted SMP.



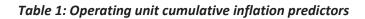
No.	Assumption			Risk	Level of uncertainty	Potential effects and mitigation measures			
27.	Interest rates on borrowingInterest rates will increase beyond those budgeted for in the 10 year Long Term Plan. Interest on existing and new borrowing is forecast as follows:Average 		Interest rates will increase beyond those budgeted for in the 10 year Long Term Plan	Medium	Ŭ				
28.	Loan servicing is calculated on a table basis		Significant changes in funding or funding sources may result in a revised capital work programme	Low	The Council expects to maintain a significant lead- in time within which it can seek to lock in alternative funding sources. The Council is a				



No.	Assumption	Risk Level unce		Potential effects and mitigation measures		
	Refinancing of external loans is assumed to be readily achieved. The Council will take advantage of external funding opportunities where applicable to augment revenue received from rates.	or changes in levels of service.		guarantor and borrower from the Local Government Funding Agency (LGFA) therefore refinancing risk is low.		
29.	Vested assets The level of vested assets from resource consents issued is assumed to be at levels over the past ten years during which there has been variable levels of growth, with the average likely to reflect growth into the Long Term Plan period. The value of vested assets may be greater than predicted thereby increasing depreciation expense.	The value of vested assets is greater than predicted thereby increasing depreciation expense.	Medium	Should the level of vested assets be higher than estimated, there will be an increased depreciation expense in the following years. The value of projected Vested Assets is regularly monitored and any material movements that will impact depreciation are built into forecasted deprecation projections.		
30.	Sources for funds for future replacement of significant assets It is assumed that funding for the replacement of significant assets will be obtained from the appropriate sources as set out in the Council's Revenue and Financing Policy.	The main risk is that budgets for some capital replacements may not have been included and sources may not meet requirements.	Low	There is little or no risk that sources of funds for replacement of significant assets will not be achieved. Funding of all asset replacement during the life of the Long-term Plan has been disclosed.		
31.	Currency movements and related asset values Some components of works in the Long-term Plan may be sourced from overseas. It is assumed that all input components (whether	Currency exchange rates will significantly fluctuate	Low	Variations in pricing for large components will have limited impact on rates as these costs are debt-		



No.	Assumption	Risk	Level of uncertainty	Potential effects and mitigation measures		
	sourced in New Zealand or abroad) will be assessed in New Zealand dollars.			funded and repaid over the life of the assets.		
32.	<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.	Prices will continue to be low for the life of the Long erm Plan and the quality of irrigated trees will be reflected in a lower log price.	Medium	While this assumption has a medium level of uncertainty, it has very a low impact because returns from log sales are projected to be a minimal source of income.		
33.	<ul> <li>Price level changes – rate of inflation</li> <li>The Local Government Cost Index measures the cost drivers specific to local government (e.g. concrete, reinforcing steel, bitumen, roading chip, building materials, energy, wages etc.). This differs significantly from the inflation pressures that affect households and measured by the Consumer Price Index (CPI).</li> <li>BERL were commissioned to provide an independent report to local authorities with the forecast inflation on key cost drivers - BERL (Business &amp; Economic Research Ltd) Cost adjusters 2023 final update report. The measure of inflation is forecast at 2.3% - 3.8% annually.</li> </ul>	Price level changes will vary from those used.	Medium	Inflation is affected by external factors, most of which are outside the Council's control and influence. Actual individual indices will at times vary from what has been assumed in the Long- term Plan. The Council has relied on the Reserve Bank's use of monetary control to keep inflation within the range of 1% to 3%. The effect of any variation up or down will result in a higher or lower rates requirement. Based on projected total expenditure (operating and capital) of \$100 million a plus/(minus) 1% movement in the forecast inflation rate would result in an approximate movement in total costs of plus/(minus) \$1 million. This would then have a flow on effect into all of the remaining years of the Long-term Plan.		



Year ending	June 2025	June 2026	June 2027	June 2028	June 2029	June 2030	June 2031	June 2032	June 2033	June 2034
Percentage inflation increase	3.00%	5.30%	7.80%	10.30%	12.80%	15.20%	17.60%	20.00%	22.40%	24.80%