

General Assumptions

Assumptions and Risk Assessment

Schedule 10 (section 11) of the Local Government Act 2002 contains provisions relating to 'Significant Forecasting Assumptions'. The Act requires that Council identifies the significant forecasting assumptions and risks underlying the financial estimates. Where there is a high level of uncertainty Council is required to state the reason for that level of uncertainty and provide an estimate of the potential effects on the financial assumptions.

The Council has made a number of assumptions in preparing this transitional HCP. These assumptions are necessary as the planning term for the HCP is 10 years and the assumptions ensure that all estimates and forecasts are made on the same basis.

There are two categories of assumptions:

- General,
- Finance.

The General assumptions and Financial assumptions are listed below.

Forecasting Assumptions - General	Risk	Level of Uncertainty	Reasons and Financial Effect of Uncertainty
Population Growth – The population of the District will remain relatively static or grow slightly during the period of the plan.	That population growth is higher than projected putting increased pressure on Council to provide additional infrastructure and services.	Low	Population projections are based upon a standard set of demographic assumptions that do not tend to change quickly (fertility, mortality and migration).
	That population is lower than projected putting pressure on Council to maintain existing infrastructure and services.	Low to Medium	There are however additional non-demographic factors (re-zoning of land, anticipated land use changes) that may have an influence on the future projected population of some Wards/settlements.
Consultation – There will be increasing levels of community consultation required as a result of the provisions of the Local Government Act 2002.	Increased resources required to meet legal requirements. Increased community expectations regarding consultation and engagement.	Medium	Increased legislative requirements around the need for consultation are occurring and more such legislation is being considered.
Levels of Service: Changes in customer expectations regarding levels of service will not significantly change so that they impact on asset requirements or operating costs unless otherwise stated in the text.	There are significant changes in customer expectations regarding levels of service.	Low	Most communities have already defined the levels of service they expect, and what they are prepared to pay for that level of service. While customer expectations may change the practicality of meeting these changes through changes to contracts and level of service agreements would be a longer-term process.

Forecasting Assumptions - General	Risk	Level of Uncertainty	Reasons and Financial Effect of Uncertainty
Council Policy - There will be no significant changes to Council policy as summarised in this plan.	New legislation is enacted that requires a significant policy response from Council. Election of a new Council with different objectives to the current Council.	Medium Medium	Changes to Council policy to deal with new legislative and Council requirements are part of normal business. Any significant change to Council policy would be assessed in terms of impact upon Council's financial position.
Governance – The structure of the elected representation on Council will not change from that adopted for the 2004 elections.	There will be applications made to Council for representation reviews.	Low	Council has just completed a representation review and would be unlikely to go through the process again in the near future.
Resource Consents - Conditions of resource consents held by Council will not be altered significantly.	Conditions of resource consent are altered significantly and without sufficient warning.	Low	Although there are increasing community expectations regarding the performance of Council infrastructure (particularly environmental performance), Environment Waikato is aware of the significant costs involved with upgrading infrastructure and would provide advanced warning of likely changes.
Natural Disasters: There will be no natural disaster requiring emergency work that cannot be funded out of the budgetary provisions.	That there will be natural disaster event(s) requiring emergency work that cannot be funded out of normal budgetary provisions.	Low to Medium	Although Council has faced natural disaster events in the past, and coped adequately, climate change predictions are that some events could become more frequent and more intense. The potential effect of a natural disaster on Council's financial position is dependent upon the scale, duration and location of the event.
Transfund requirements and specifications for the performance of subsidised work will not alter to the extent that they impact adversely on operating costs.	Changes in subsidy rate and variation in criteria for inclusion in subsidised works programme.	Low	Transfund and Transit New Zealand funding priorities may change as a result of the Land Transport Management Act 2003. Variations in subsidy are possible given the new Government priority given to Auckland roads. The financial effect is unable to be quantified at this point.
Replacement Assets - The replacement of existing assets does not mean an increased level of service, unless otherwise stated in the text.	That the replacement of existing assets increases the level of service due to technological changes or through adoption of best practice.	Low	In most cases increased levels of service are associated with construction of new assets. Council asset managers have already adopted known best practice techniques.
New Assets - The construction of new assets increases level of service and/or capacity, unless otherwise stated in the text.	That the construction of new assets does not meet the agreed level of service and/or does not provide adequate capacity.	Low	For most new assets there are relatively long project planning and design phases. Wherever possible asset managers design and construct new assets with future levels of service and capacity in mind.

Forecasting Assumptions - General	Risk	Level of Uncertainty	Reasons and Financial Effect of Uncertainty
<p>Contracts There will be no significant variations in terms of price from the re-tendering of operation and maintenance contracts and renewal of service level agreements.</p>	<p>There is a significant variation in price from re-tendering contracts and renewal of service level agreements.</p>	<p>Medium</p>	<p>A buoyant economy has led to surplus work for contractors leading to less competition between tenders, in turn leading to higher prices. If contract prices were to increase significantly then Council would review the amount of work programmed and undertaken.</p>
<p>External Factors - There will be no unexpected changes to legislation or other external factors that alter the nature of services provided by Council.</p>	<p>There are unexpected changes that alter the services provided by Council.</p>	<p>Low</p>	<p>Most changes to legislation are programmed and known about in advance. Only in extraordinary circumstances (such as public outcry over a particular incident) would unexpected changes to legislation be promoted.</p>