

# 11. Growth and Demand

## Introduction

This section discusses growth and demand trends, and their impact on the other content of the LTCCP. Resolving growth and demand issues over the ten-year period can have significant implications for cost and for other levels of service. This is part of the right debate.

## Why is growth and demand information so important?

An understanding of current and predicted future levels of growth and demand is critical to your LTCCP. The implications of growth and changes in demand are major drivers of expenditure requirements, and play a key role in your choice of funding instruments (especially development contributions).

Growth has three components, population growth, growth in properties and growth in economic activity. These are quite different and can have different impacts. For example, some local authorities have experienced significant depopulation but have also experienced growth in the forestry industry and accelerated demand for renewal type work, bridge replacement to cope with increased volumes of high axle weight traffic etc. Growth in particular sectors of the community can also create demands for different services.

Growth is not always a district wide phenomenon. Even those local authorities with low growth, or even decline may be experiencing growth in some areas and thus may find growth is a significant issue. It is likely that growth will occur unevenly over time – a simple linear projection for the ten year period may be insufficient.

## How do growth and demand relate to the legislation?

Growth and demand levels are both significant forecasting assumptions, and must be disclosed. The impact of changes to demand on assets will also form part of your activity statements. Identification of growth and the costs meeting the demand from growth are important parts of your policy on development contributions.

*What does this mean?*

There is a need to describe how your local authority is addressing changes in demand for services in your LTCCP. This includes reductions in demand.

The requirement includes all strategies for addressing demand including the provision of additional capacity, techniques for demand management (leak detection services, peak hour charging, regulation, demand substitution etc). Further information on these strategies can be found in section 3.9 of the International Asset Management Manual.

There is also a need to describe how your local authority is addressing changes to service levels. Costs associated with additional capacity need to be split between demand and changes to service levels – especially, though not exclusively, in the policy on development contributions.

## What information sources are used to determine levels of growth and demand?

The primary information source will be your growth projections (in terms of population and economic activity). Identifying this information is a corporate activity which needs to be consistently applied throughout the organisation. All activity planning should be based on the same base growth and demand assumptions.

Responses to the impact of changes in demand (including demand management techniques) will be sourced from:

- asset management plans
- assessments of water and sanitary services
- catchment management plans
- waste management plans
- recreation strategies
- economic development strategies
- land transport strategies, and
- the district plan or regional policy statement.

## Who should be involved in preparing growth and demand information?

This information is best prepared by asset/activity managers, finance personnel, and planners working collegially. It is important that base growth and demand information is treated as a significant forecasting assumption and that elected members are kept informed of the assumptions. There are advantages to working with your neighbouring local authorities (including the regional council) to establish a consensus as to likely growth across the district. You may also need to refer to your local authority's economic development people and to Statistics New Zealand.

## When should growth and demand information be prepared?

Growth and demand information needs to be prepared as soon as possible after the LTCCP process starts as:

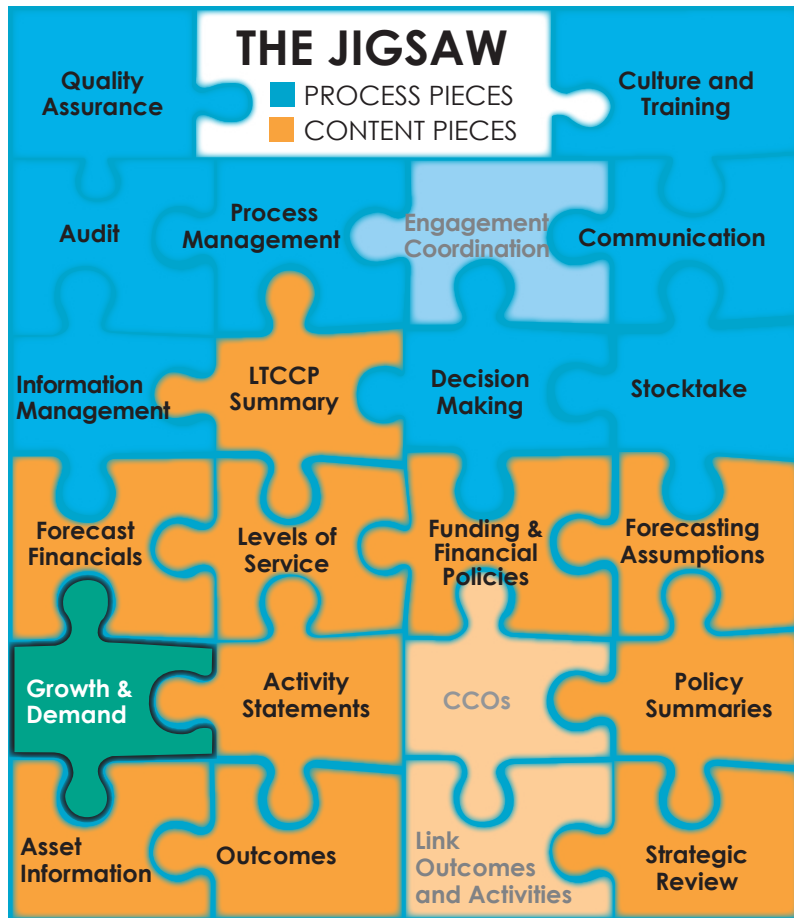
- growth and demand levels are a significant forecasting assumption, and
- growth and the costs of meeting growth-driven needs are one of the key determinants of the size of the financial 'envelope' available for other needs (such as non-growth related levels of service improvements).

## Where should growth and demand information appear in the LTCCP?

Growth and demand information should be included in the significant forecasting assumptions as part of the base information on which the LTCCP is prepared and then the effect on assets and infrastructure reflected in the particular part of the group of activity statements.

Growth and demand may need to be discussed as one of the strategic issues 'at the front' of the LTCCP and in the LTCCP summary.

## What other processes are linked with growth and demand information?



## What were the weaknesses apparent with growth and demand information in 2006?

Some local authorities focussed on population growth and appear to have not considered the impact of economic growth on demand for services.

Growth and demand information tended to be very general and not well linked with activity information.

Some local authorities did not discuss whether the impact of growth/demand could be met within existing capacity or had not considered demand management options.

Some local authorities disclosed growth assumptions on a 'district wide' basis when growth is very much a service catchment by service catchment item.

Effects of declining population or demand were not well identified and discussed.

Some plans lacked a consistent view on growth (especially in statements of proposal).

Capital expenditure information in activity statements did not distinguish between that arising from changes in levels of service and that arising from growth and demand.

## Good practice tips/what good practice information is available?

Sections 3.3 (Demand Forecasting) and 3.9 (Demand Management) of the NAMS *International Infrastructure Management Manual*.

*Growth and demand information issues to consider when preparing financial forecasts*

- is new capital differentiated between growth and changes in levels of service?
- is the capital spends new capital or more appropriately classified as renewals – and are there clear rules to distinguish the two?
- is there a case for use of development contributions or more targeted tools such as targeted rates?
- are operating costs linear to demand or are they 'stepped'?
- incorporate the costs of demand management techniques (where relevant).