

**2024/25 Annual Plan – review of significant assumptions from 2021-31 Long Term Plan**

Topic	2021-2031 LTP Assumption - updated as relevant	Level of uncertainty	Risk	Mitigation	2024/25 update
Climate change	That the Waipā district can expect warmer temperatures and more frequent extreme weather events (drought and heavy rainfall) with little change in the average annual rainfall.	Medium	The impacts of climate change could be felt sooner and be greater than expected. The design of our existing infrastructure may not sufficiently account for the localised effects of climate change such as increased rainfall or drought conditions. The increased frequency of drought conditions may lead to water shortages, increased demand for irrigation, increased road roughness on roads with an underlying peat base, and higher risk of wildfires. Heavy rainfall events may also overwhelm parts of the stormwater network. As a result, our environment, communities and economy could be negatively impacted.	Take steps to reduce Council’s greenhouse gas emissions profile and identify the risks and opportunities arising from climate change. Continue to ensure, where appropriate, that infrastructure design includes allowance for climate change as required by legislation. Details of our planning for the impacts of climate change and how it will affect Council’s operations, levels of service and responses can be found in our Activity Management Plans. We believe Council’s water supply and stormwater activities will be the most affected.	No material change
Global crisis or pandemic	That Council will be able to maintain its level of service during a global crisis or pandemic, with sufficient systems and procedures in place to ensure business continuity, and that Council will be able to adequately resource and support any emergency management response in the event of a global crisis or pandemic.	Medium – high	The effect of a crisis or pandemic on the Council will be greater than assumed, and levels of service will be significantly affected. The full impact of the COVID-19 pandemic in New Zealand and specifically in the Waipā district is as yet unknown. Even if the COVID-19 pandemic does not end up having a significant impact on the council’s activities and levels of service, it is unknown when another pandemic or other crisis might occur.	Maintain Council systems and procedures in place so staff can work remotely if appropriate, however some of the Council’s activities cannot be performed remotely. Reprioritise some Council business-as-usual activities to focus resources on a major emergency management response if required. Widespread self-isolation, quarantine or complete lockdown would have an impact on customer-facing, direct contact activities. There would likely also be a significant negative impact on Council’s revenue due to reduced activity levels, and some ratepayers’ and residents’ ability to pay rates, user fees and charges.	No material change
Significant emergency events	That no significant emergency events (natural disasters) affecting our district will occur during the period of this plan, that cannot be funded out of the budgetary provisions or met by insurance arrangements. We also assume that 60% of the costs associated with damage to Council’s underground infrastructure assets from a significant emergency event will be provided by the central government for the portion of the cost of damage in excess of \$10 million.	High due to the unpredictable nature of such events. Due to the high degree of uncertainty associated with the occurrence of a significant emergency event it is not possible to quantify the financial implications.	A significant emergency event occurs during the 10-year period which Council cannot afford to fund within the current budgets.	Ensure that we have adequate insurance to cover the district’s assets against such events. Ensure that the commercial insurances are at a level to cover the district’s assets against such events when taking into consideration central government’s role in disaster recovery and restoration. Continue to give focus and attention to our involvement with sub-regional emergency management activities, and local emergency management and business continuity planning. In the event of an emergency, Council’s response will be immediate, with appropriate resources redirected for that purpose. If a significant event occurred this would result in unforeseen costs, which would place demands on Council’s funding streams, in this case, mainly debt funding. A committed cash advance facility of \$5 million is available to be called upon in the event of a natural disaster, and short-term lending opportunities exist with the Local Government Funding Agency.	No material change

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Changes in legislation	That we will continue to see legislative change and reform as a result of central government initiatives to influence economic, social, cultural and environmental outcomes. This will include changes in the areas of planning and resource management, changes through the Local Water Done Well framework and changes to transport funding and priorities.	High	Compliance with such diverse, fragmented, and in some cases, very historical legislation and regulatory requirements is a very challenging task for councils. New or amended legislation frequently involves additional regulation, reporting, resources, and expertise, as well as community input into the development of associated policies or bylaws. Legislation may require significant change to the way we currently perform by either adding new functions, removing existing ones and/or changing the nature of how these are undertaken.	Continue to work with central government through LGNZ and other forums to influence policy and legislative change and to make submissions. Continue to collaborate as a region or sector in responding to change, and to streamline plans, policies, and strategies. Continue to monitor changes in legislation and, where changes are proposed, provide input regarding the effects and implications. Develop a district-wide spatial plan to deliver economic, social, cultural and environmental benefits, and create a shared plan for investment and development. Following development of the spatial plan we will review our work programmes and budgets and amend these accordingly.	Material change – amended
Local government shared services	That the Waikato Mayoral Forum, Waikato Local Authority Shared Services (WLASS) and Future Proof will continue to progress the collaborative initiatives they have initiated, aimed at improving the efficiency and effectiveness of local government in the Waikato region. These include Waikato Means Business, the Waikato Plan, Shared Rating Valuation Database, shared policy and planning, shared Health and Safety Contractor pre-qualification system, shared learning and development project, and shared roading management. Benefits of shared services will often present as either reduced (shared) costs for expert advice, or as an improvement in the effectiveness in the project output (not usually a financial measure).	Medium	That significant efficiencies are not achieved through collaborative processes.	Continue to work with central government, the Mayoral Forum and WLASS to ensure we maximise the gains of working collaboratively with other councils.	No material change
Water demand	That active water demand management will reduce the amount of water used per household in Cambridge and Te Awamutu from 250 litres per person per day to 190 litres.	High	The risk is that the demand targets are not maintained at 190 litres/person/day and capital infrastructure will need to be brought forward to match demand. There is also a risk that the cost of water will increase; less water used but same revenue will be required.	Ensure that a demand management programme continues to be resourced in the Long Term Plan 2021-2031 to actively drive a change in behaviour around water use. If capital infrastructure is brought forward to meet demand there will be consequential increases in capital expenditure which will have to be funded through debt, development contributions and depreciation. These increases would need to be considered in relation to the prudent limits set out in the Financial Strategy.	No material change
Water revenue	That the amount and timing of water revenue has been calculated in line with the growth in	Medium	That the water revenue is lower than projected. This could result in a shortfall in the funding of budgeted	Monitor costs to provide safe drinking water and revenue to ensure expected costs are met from	Material change – amended

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	water consumption expected from additional properties and with the intent to fully recover the cost of providing safe drinking water.		costs. Loan funding would be required for any shortfall. That the water revenue is higher than projected. This would result in additional funds being available for expenditure in future years.	projected revenue. We will also measure and report on increases in the metered water revenue annually as part of the Annual Plan.	Reflects the move away from using a model to more accurately ensuring revenue meets the costs of providing safe drinking water to our community.
Lifecycle of significant assets	That the useful lives of assets are revised as part of the cyclical revaluation process for each asset class where infrastructural assets are normally revalued two-yearly and buildings every three years. Further detail on the useful lives of assets is tabulated under the accounting policies section of this plan.	Medium for underground water supply, wastewater, and storm water infrastructural assets due to the limited extent of the networks covered by condition assessments. Low for all other assets.	Actual asset lives are shorter than expected resulting in unbudgeted remedial maintenance costs and/or earlier than expected asset renewal. A service failure may also occur if the asset unexpectedly fails. Early renewal of assets will also result in a shortfall in the depreciation funded to 'replace' the asset. Actual asset lives may be longer than expected. This could result in funding of unnecessary renewal budgets.	Continue our programme of asset condition assessments and update affected activity management plans. Update asset records and renewal forecasting to reflect any changes to useful lives. Assess and confirm assets that require replacement before work occurs.	No material change
Revaluation of non-current assets	That our land and buildings will be revalued every three years, our roads and Three Waters will be revalued every second year, and investment properties will be revalued annually. The valuations will be consistent with the Business and Economic Research Limited inflated values outlined in our inflation assumption.	Medium for underground water supply, wastewater, and storm water infrastructural assets due to the difficulty of asset condition assessments. Low for all other assets.	If actual valuations are different to that predicted, we will need to reflect this in our Statement of Financial Position. There will be an impact on the level of depreciation in the Statement of Comprehensive Revenue and Expense and funding through rates and user fees and charges.	Monitor value projections against actuals. The cost of replacing or constructing assets will vary each year from the estimates according to market forces. Significant differences will be reflected in budget forecasts and annual plans.	No material change
Sources of funds for future replacement of significant assets	That depreciation reserves will fund the renewal of assets, and loans will fund any additional replacement costs if depreciation funding has been exhausted.	Low	Sufficient funds, both from depreciation reserves and loans, are not available to replace assets at the time required.	Consider any changes to replacement of significant assets during the Annual Plan process (if required).	No material change
Economic environment	That the economic environment will continue to be uncertain. The very high levels of inflation that we have experienced over the past two to three years are reducing, however interest rates remain relatively high. Economic activity has reduced, with most recent GDP information confirming New Zealand is in an economic recession. We are seeing evidence of this in the level of	High	Economic factors vary significantly from the assumptions in this plan which then affects our ability to deliver on the agreed work programmes, either in terms of the scope or timing of the work.	Review work programmes and budgets annually, or as required due to the changing conditions. If conditions change, then appropriate reductions or increases will be made and signalled in future annual plans.	Material change – amended  Change in economic activity

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	resource and building consent activity and in the level of vested assets and development contributions. Unemployment will increase in the short-term and we anticipate continuing economic volatility.				
Demographic changes	That the district’s demographics will trend in accordance with the University of Waikato age/sex projections as growth occurs. A significant aspect of the projections is an increasing proportion of our population over the age of 65 over the next 40 years. Here in Waipā, one-third (33 per cent) of the district’s population is likely to be aged over 65 by 2033, up from 17 per cent in 2013. By 2063 that proportion is projected to be even greater, around 43 per cent.	Medium	If demographic changes do not trend as currently projected, there will be different housing and business demands than we presently anticipate. Our planning for growth at the structure plan level will remain flexible to provide for a range of housing types. As the overall district population ages, the proportion of ratepayers on fixed incomes increases, affecting the affordability of rates increases and raising the necessity of finding alternative funding sources for the services and infrastructure needed to support our growing and changing communities.	Continue to monitor population projections against actual changes confirmed through census data and housing market demand. In this regard, the urban development capacity monitoring and three-yearly capacity assessments will help keep the Council informed as to changes and trends in housing and business demand. This monitoring information will also enable changes to be made through the Annual Plan and Long Term Plan review process. Regularly review our services, work programmes and budgets to reflect any significant changes in district demographics as part of the long-term planning cycle. Give careful consideration for rates increases with a view to those on fixed incomes.	No material change
Population Growth	<p>Waipā District Council uses the NIDEA high growth scenario population projections. This scenario is the best fit for our district as the Future Proof sub-region is identified as a high growth area, this scenario supports the creation of spare development capacity to fulfil NPS-UD requirements, it provides positive signals for strategic and spatial planning, and reflects the existing backlog of demand for housing. Population projections are based on the 2018 Census.</p> <p>In the 2020 National Policy Statement on Urban Development (NPS-UD) Waipā is defined as part of the Hamilton Tier 1 urban environment. As such, Council is required to enable the supply of 20 per cent (short and medium terms) or 15 per cent (long-term) more land than the forecast demand in order to attempt to provide market choice and alleviate house price pressures.</p>	High. A rapid rise in one and two-person households is predicted; however, there is significant uncertainty about how this will be observed in the types of housing choices people make. The COVID-19 pandemic also increases the uncertainty here, for example with regards to reduced migration potentially slowing population growth.	If future growth varies significantly from our assumptions, our ability to fund and deliver the agreed work programmes in a timely manner is likely to be seriously affected. Should actual growth be less than forecast, a risk is building infrastructure without the ability to recover costs quickly via development contribution revenue. Should growth be higher than expected, there is both a construction inflation risk and a risk that we will struggle to procure resource to deliver against demand.	Monitor growth and the housing market demand and supply in accordance with the NPS-UD directives. Where the population or market behaves differently than forecasted, we will review the timing of infrastructure development and the staged rezoning of land and structure plan development as per the guidelines of our Waipā 2050 Growth Strategy. Changes will be signalled in future Annual Plans and Long Term Plan reviews	<p>Material change – amended</p> <p>Moved from medium to high growth scenario. 2018 census now used.</p>
Increase in rating units and capital value	That based on the projected population increase over the 10 years of the Long Term Plan, there will be an increase in the district’s rating units and capital value. This increases the rating base and shields existing	Medium	If the increase in rating base is higher than projected, the average rating impact will be reduced as there are a greater number of ratepayers and higher property value across which the rates requirement will be allocated. If the increase in rating base is lower than projected, the average	Monitor development projections against actual levels and review the projections on a three-yearly basis. Measure and report on increases in the rating base annually as part of the Annual Plan.	No material change

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	ratepayers from the full impact of increases in rating requirement.		rating impact will be higher (assuming levels of service are maintained).		
Inflation	That the cost of future projects included in this plan will be consistent with the Business and Economic Research Limited (BERL) 'mid-scenario' projections for the local government sector. Expert advice (Infometrics) noted that the mid-scenario projections were the most reasonable for inclusion in this plan. Table 3 below shows the inflation rates for each activity. The salary assumption for market movement is set each year. It is not part of the inflation rates but has been included in the table as an internal assumption based on history and indications from the market.	Medium	Price level changes increase significantly from those used in preparing the work programmes and associated budgets. Higher costs could result in additional funding being required to maintain the existing levels of service. Higher costs relating to capital expenditure could result in higher debt levels and increased operating costs from interest expense leading to increases in rates. Should price level changes decrease from those used to prepare the budgets, then there would be a favourable impact on Council's operating and capital expenditure budgets and rates.	Monitor cost projections against actuals, with significant differences and associated responses such as changes in levels of service reflected in budget forecasts and annual plans. Inflation will increase both the costs and the targeted rates cap of Local Government Cost Index plus two percent in the first three years of the plan, and plus three percent for the remaining years of the plan, mitigating the possible breach of the rate cap for operational spend.	No material change
Borrowing and interest rates	That there will be ready access to loan funds at competitive rates. Interest rates will track in line with the projections prepared by our financial advisors. Interest rates for investments will be set at a margin compared to external debt rates. Council will meet its financial commitments and maintain its AA-Fitch credit rating. This will provide Council access to lower interest rates on its borrowing through the Local Government Funding Agency.	Medium	Our credit rating could decline, or interest rates will increase significantly from the rates used in preparing this plan, in both cases this would increase financing costs for Council. This could have an impact on rates increases, future borrowing requirements, and on our ability to deliver the agreed work programmes.	Manage changes in interest rates as set out in our Treasury Management Policy, taking advantage of hedging, fixed rates and swaps.	Changes made to the assumption
Obligations under Local Government Funding Agency (LGFA) guarantee commitments	That Council will not be called upon to meet its guarantee obligations to the LGFA.	Very low. A local authority default is considered extremely remote.	Council is called upon to fulfil one or more of the LGFA obligations which are: In the case of Guaranteeing Local Authorities, a call is made under the Guarantee (this means that participating councils could potentially be called on to pay their share of another council's or the LGFA's debts. The chance of this is considered extremely remote due to the fact that no local authority has ever defaulted on a loan and the LGFA will hold substantial cash reserves and committed liquidity facilities); In the case of Guaranteeing Local Authorities, a call is made for a contribution of additional equity to the LGFA; and In the case of all Shareholding Local Authorities, the LGFA is not able to redeem its Borrower Notes.	Undertake annual reviews of the Statement of Intent of the company to determine if its business forecasts will potentially trigger one or more of these obligations and decide and report on these matters at the earliest opportunity.	No material change
Central government grant	That Council will continue to receive grants and subsidies from central government	Low	Subsidy or grant payments are significantly reduced from the expected levels. If the subsidy or grant is	Review our work programmes, such as roading and waste management, should any changes occur to the	No material change

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and subsidy payments	agencies to assist with the expenditure programme. The level of subsidies from Waka Kotahi NZ Transport Agency will remain at 51 per cent for qualifying projects. The level of subsidies from Ministry for the Environment Waste Minimisation Levy will remain at levels similar to that currently received on a per population basis.		reduced, the ability to complete the budgeted work programmes will be compromised, either requiring a greater share of costs to be funded by the ratepayers or a reduction in the level of service provided.	expected level of subsidy or grant. Any changes will be included in future annual plans.	
External fundraising	That external fundraising will be successful so that the particular projects proceed as planned.	High	Projects requiring community funding are not able to proceed because fundraising is unsuccessful either in terms of reaching the agreed target or timeframe. Projects dependent on successful fundraising initiatives include Te Ara Wai and the Pirongia – Ngā Roto – Te Awamutu cycling connection.	Monitor the progress of planned community fundraising and assess how it impacts affected projects. Assess the likelihood of successful achievement of external fundraising targets and any impact of a potential shortfall on the viability of a project before resolving to proceed with detailed design and/or construction contracts. Where Council is supporting a community-led project that also relies upon other fundraising sources, Council's financial support will be contingent on other fundraising sources making a minimum contribution to make the project viable.	No material change
Limit on rate increases	That the average rate increase for existing ratepayers will be no greater than the Local Government Cost Index plus two per cent for the first three years of the plan, and plus three per cent for the remaining years of the plan forecasted for that year (excluding water and wastewater).	Low	The increase in rates will breach this limit for any given year in the long term plan.	Disclose the nature, timing and extent of the potential breach and Council's proposed action to address this matter at the earliest opportunity.	Material change – assumption not realised in 2024/25  The proposed rates increase of 14.8% significantly exceeds the limit set in the current Financial Strategy.  Mitigation measures have been applied.
Development contributions revenue	That the amount and timing of development contributions revenue to be received has been calculated consistent with the development contributions model and assumptions.	Medium	The amount and timing of development contribution revenue is dependent on growth and timing of subdivisions. Growth factors vary significantly from our assumptions and affect our ability to fund growth-related work programmes.	Monitor growth projections and development revenue against actual levels. Where significant changes occur, work programmes and budgets will be reviewed and amended accordingly, including the recalculation of development contribution rates. Changes will be signalled in future annual plans.	No material change
Income from the development and sale of surplus Council property.	That income from the development and sale of surplus Council property will be received at the levels and timing indicated in the financial statements.	Medium	That any cash flow delays will require interim bridging in the form of additional borrowing and interest cost especially for projects which are dependent on funding from the development and sale of surplus Council property.	Monitor market conditions and the progress of our property sales programme, responding to any changed cash flow circumstances in each annual plan or 4 monthly reforecasts.	No material change

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Insurance	That Council will continue to work with the Co-Lab Insurance Advisory Group for the best value for money insurance policies. This includes the use of commercial insurance markets where these markets provide the best value for money for the shared service and individual councils. Insurance premiums are inflation adjusted for the 10-year period, including increases every year in material damage insurance and underground infrastructure insurance due to valuation changes of the underlying assets.	Medium	Insurance costs increase significantly more than expected. Increases in insurance costs are usually funded by rates and this will impact on rate increases.	Monitor projected insurance costs against actuals, with significant differences and associated responses reflected in budget forecasts and annual plans. Savings in insurance expense due to market conditions will be transferred to the insurance reserve to fund insurance excess.	No material change
Availability of staff and contractors	That sufficient internal and external resources will be available to undertake capital works and maintain operational needs in the years outlined in the financial statements, over and above resourcing required for business as usual responsibilities. Any legislative change around mandated sharing of services and functions will provide opportunities around shared workforces and shared procurement.	High	Suitably qualified staff, contractors and consultants can at times become scarce and difficult to find, limiting the level of resource available and driving costs upwards. There is a high level of uncertainty around the availability of external contractors due to high levels of forecasted capital expenditure from other central and local government agencies in the upper North Island, as well as strong ongoing demand for new housing and development. If there is a shortage of resources, we may not be able to complete projects in the timeframes indicated and for the costs budgeted.	Actively undertake workforce planning on an annual basis, reflecting resourcing needs for capital works projects and taking into consideration business as usual workloads; ensure budgets and work programmes are adjusted accordingly. Respond positively to any mandated legislative changes for shared services to realise opportunities early.	No material change
Resource consents	That where projects require a resource consent, this will be obtained without incurring significant costs of compliance. We also assume there will continue to be a resource consent, enforcement and regulatory regime in some form, even under a replacement to the RMA.	Low/medium	Consenting authorities may either decline consents or impose less affordable conditions than we had anticipated. There is also risk that the consenting and enforcement systems will change under any RMA reform, with transition and implementation risks, as well as opportunities.	Continue to work with consenting authorities and key stakeholders to ensure that our consent applications address their concerns. Monitor legislative change and work with central government, WLASS and other councils around implementing any reform of the RMA.	No material change