

Department of Internal Affairs
45 Pipitea Street
Wellington

Teena koutou katoa,

Waikato District Council submission: Rates Capping Proposal

Introduction

Waikato District Council supports the Government's focus on improving affordability for ratepayers and strengthening fiscal responsibility in local government. We are broadly aligned with the direction of a rates capping framework, provided it is designed to be fit for purpose and does not create unintended consequences that reduce essential services, undermine growth enablement, or compromise long term infrastructure and service delivery.

Waikato District is a predominantly provincial and rural district with New Zealand's second highest projected growth rate. Positioned between the country's largest city and its fastest growing city, and with key towns in the heart of the Golden Triangle, our district plays an essential role in enabling regional and national economic performance. Any rates capping proposal must therefore balance affordability with the realities of supporting growth and delivering infrastructure at scale. Council has worked hard to retain both affordability and a high credit rating (AA-) and the balance between these objectives is a delicate one.

If Government proceeds with a rates cap, the framework must:

1. provide clear exemptions for mandated and extraordinary costs
2. align indexation to council cost drivers rather than consumer inflation
3. define and measure growth consistently and transparently
4. avoid settings that unintentionally increase borrowing costs or reduce borrowing capacity
5. include strong communications and defined flexibility for statutory planning and community mandates.

Waikato District Council is committed to working with Central Government and our communities to ensure a balanced approach that delivers affordability of core services and enables supporting growth and protecting long-term financial sustainability. We welcome further engagement to refine exemptions, indexation settings, growth definitions and communications to minimise unintended consequences.

Further information

1. Should DIA require clarification on the submission or any additional information, please contact Paul Condor on paul.condor@waikatodc.govt.nz

Recommendations

1. Establish clear exemptions for statutory, mandated, and extraordinary costs

The framework must exempt or automatically adjust for expenditure councils cannot avoid, including disaster recovery, emergency response and costs arising from mandated compliance under legislative or reform obligations.

- Disaster recovery and emergency response costs have been significant in recent years and cannot be deferred.
- Mandated compliance obligations related to water, wastewater and other reforms create new cost baselines that councils have no ability to absorb or reduce.

2. Review central and local government funding and taxation settings to improve affordability at the source

A formal review of funding and taxation settings should be undertaken to strengthen affordability and enable councils to invest in essential services and infrastructure that underpin regional and national prosperity. This would materially improve affordability for communities and more fairly share the costs of building and maintaining Council assets and infrastructure.

- If central government properties in Waikato District were rated, the burden on local ratepayers would reduce by an estimated one million dollars each year.
- Returning or rebating GST on rates would retain approximately nineteen million dollars locally to support core services and growth infrastructure.

3. Stage or delay implementation until the impacts of major reforms are understood

Implementation should occur only once cost implications of Resource Management Act reform, water reform and wider local government system changes (including establishment of CTB's) are sufficiently clear to establish a stable baseline. A meaningful conversation about affordability for ratepayers requires a clear, evidence-based assessment of the scale, timing, and distribution of those benefits.

- A cap introduced before reform cost impacts are known risks conflicting objectives, uncertainty in revenue models and pressure to defer essential work, ultimately increasing long term costs for communities.

4. Define growth clearly and provide consistent methods for calculating and auditing growth adjustments

Growth must be recognised in a way that reflects actual service demand and supports high growth councils. Definitions and methodologies must be clear, consistent, and auditable.

- A new dwelling built on an already subdivided section increases service demand but may not be treated as growth if the rating unit does not change.
- Additional dwellings such as granny flats increase demand on council services including wastewater, waste, and transport services but may also be unrecognised under a rating unit-based approach.

Both scenarios can lead to rate increases that exceed the proposed cap, yet the cap does not account for this type of development within existing rating units.

5. Incorporate financing impacts to avoid increasing long term costs for ratepayers

Financing impacts must be explicitly considered in the methodology.

- A one notch downgrade to a council credit rating can increase borrowing costs by approximately five basis points, significantly increasing the cost of financing infrastructure over time. For example, triggered by the change to Council's balance sheets as a result of Local Water Done Well changes.
- Reduced rates revenue could unintentionally constrain Council borrowing capacity and therefore limit investment for growth or productivity infrastructure.

6. Use indexation that reflects council cost drivers and include depreciation transparently

A CPI based cap will not reflect infrastructure driven cost pressures. The methodology must use sector relevant indices and explicitly provide for depreciation so councils can fund renewals and maintain service levels. This includes construction and capital inflation and depreciation pressures.

7. Deliver a national communications strategy in partnership with local government

A jointly developed communications programme is essential to maintain trust and set realistic expectations for communities.

- A headline cap figure can be misleading if major elements such as water related charges or fees and charges fall outside it.
- Valuation changes can lead to individual properties experiencing increases outside the headline range, which requires clear explanation to avoid public misunderstanding.

8. Provide defined flexibility to meet Long Term Plan obligations and uphold community mandates

Flexibility must be included to allow councils to meet statutory Long Term Plan obligations and avoid deferring critical projects. It should also protect community chosen targeted rates for higher levels of service adopted through consultation.

- Community hall targeted rates are often supported directly by local ratepayers and hall committees to deliver locally agreed outcomes that are not council driven.

Ngaa mihi,



Mayor

Council Approval

This submission was approved by the Submission Forum on 4 Feb 2026