RANGITĪKEI
DISTRICT COUNCIL

3/02/2026

Rates Capping Consultation
Department of Internal Affairs
45 Pipitea Street
Wellington 6011

***Submitted via email to**: ratescapping@dia.govt.nz*

Tēnā Koutou,

**Submission from the Rangitīkei District Council on proposed Rates Target Model for New Zealand**

## 1. Introduction

1.1. Thank you for the opportunity to comment on the proposed rates target model for New Zealand. The significance of the proposal means that enabling feedback from those impacted is important as part of the policy development process.

1.2. The Rangitīkei District is a small rural council. Our population of 15,300 residents is distributed over a large land area of around 4,900km$^2$. We have a large number of small towns, each with their own unique needs and identity.

1.3. Our roading network is extensive, with 1,224km of roading network (803km of that sealed), 250 bridges, 88 large culverts, 1,213km of open stormwater channel (within the roading network), and 5,315 culverts. We also have three libraries, two swimming pools and an extensive network of parks and open spaces.

1.4. Maintaining a significant number of assets, serving a small population is challenging. However, Council has always put ratepayer affordability at the forefront of its decision making. For the 2025/25 financial year roading contributed to 42.78% of operational costs (with three waters another 23.27%).

## 2. General comments

2.1. Council is aligned with the Government's desire to ensure rates remain affordable for our ratepayers. Council does not support a rates cap, as the true costs council faces exceed the proposed rates cap levels identified, the cap is likely to have unintended consequences and overall reduces local democratic decision-making.



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2.2. The purpose of local government is changing, and Council is yet to receive final direction on this purpose or the definition of core services. This shows the lack of vision by Government in the implementation of its reform programme. The positioning of the commentary has been misleading and is dictatorial without an understanding of rural New Zealand.

2.3. Our elected members are closely connected with our communities and have a strong understanding of local community aspirations and views. Our elected members are key people in our communities, part of local service groups, sporting groups and societies. They are on the ground talking to ratepayers and understanding needs every day. It is these democratically elected people who are accountable to their communities who are best placed to make decisions on funding local infrastructure and appropriate rates increases for their communities.

2.4. Council notes that there have been significant costs placed on local government as a result of Government policy decisions and seem set to continue. These includes costs associated with the reform of the management of the three waters assets, resource management reform, and additional reporting requirements across the organisation, but notably in the regulatory space. Council is already paying levies to Taumata Arowai ($64,800 for 2025/26), and the Commerce Commission ($20,389 for 2025/26). In addition, the remuneration authority has provided an additional allowance for the installation of security systems for elected members. Additional reporting requirements in the infrastructure space are creating significant additional costs, and the huge volume of legislative change is creating additional costs for council to understand and respond to. Further, local water done well has added additional auditing costs, which will expand as the Council Controlled Organisation (CCO) will need to be audited as well as Council as the owner of a CCO.

2.5. In the near future there will also be significant costs associated with Government policy such as developing and then implementing regional reorganisation plans, implementing the new resource management system (particularly proposals around regulatory relief), and in paying for the regulator responsible for oversight of the rates target model system. It is not reasonable that Council may need to cut existing services in the future to meet rates capping constraints where additional costs are being generated as a result of Government mandated requirements. We request that costs borne from Government change or reporting requirements are excluded from rates capping limits. We support the position by Taituarā that local government would become unwilling to implement central government policy directions that create additional costs, without also receiving funding from central government.

2.6. Council also supports the points raised by Taituarā regarding the incentivisation of the use of non-rates revenue and the risks that this could create. The biggest risk is likely to be in the recreational and facilities spaces. These spaces and facilities often have a high public good element (for example supporting health, community safety and education outcomes), that results in councils often funding a portion or majority of their costs via rates. A shift towards rates capping could lead council needing to recover increased costs via fees and charges which may make the use of these community facilities unaffordable to those who will benefit most and an overall reduction in use of community facilities. Councils are best placed to understand where the balance of user fees versus rates funding for these activities sit.

2.7. Council is also concerned about the loss of local democracy to choose increased levels of service. Rates increase decisions are made by democratically elected members, who are elected every three years. There are robust consultation requirements in the Local Government Act 2002 that require councils to consult on long term plans and changes to levels of service. Removing the ability to decide on higher rates increases or levels of service, following community consultation reduces local democratic decision-making.

2.8. Council supports the implementation of an adequate transition period, noting that transitioning to the cap is appropriate to be considered during the development of the 2027-2037 long term plan process.

## 3. Response to Consultation questions

***Do you agree with the proposed economic indicators to be included in a formula for setting a rates target?***

3.1. Council acknowledges the intent to anchor targets in long-term economic indicators. Using inflation and GDP as benchmark indicators provides a broad economic context. However, we do not agree that these indicators are appropriate.

3.2. National GDP and CPI do not reflect local cost drivers for local government. Often core expenditure categories such as construction materials, have inflation rates above headline CPI. A closer indicator would be the inflation rates generated by BERL.

3.3. In addition, the economic indicators do not factor in contributors to local government cost increases such as depreciation (which may increase solely as a result of asset revaluation), interest costs, or cost of insurance. For the Rangitīkei District Council, electricity costs increased by 40% in the 2025/26 financial year. These are costs that cannot be reduced if councils are to achieve financial prudence. The risk is that councils will choose not to fund depreciation as a result which will increase unbalanced budgets and increase debt. In addition, funds that support financial prudence are likely to become minimal e.g. reserves to cover costs associated with emergency events and councils may choose increased risk such as increasing insurance excess values, or decreasing insurance cover.

3.4. Council notes that fixed costs, such as depreciation and interest expenses, along with associated insurance costs etc can take time to reduce. Depreciation is for the life of an asset, which can be forty, fifty years or more. In addition, depreciation is impacted by revaluation of assets, if we wish to exercise good financial management of our assets and prepare adequately to replace them. Interest costs are for the tranche of the debt. To speed up the payment means increasing rates to make the payments. Interest costs are also at the mercy of interest movements/increases.

3.5. There are also the costs Council cannot control such as audits of annual reports and long term plans. Not a lot of difference in costs across the Councils, but the smaller rate-paying base means these councils feel the impacts greater and it has a greater percentage increase due to the smaller starting base

3.6. Council supports the Taituara position that a growth component of a rates capping model should apply to all councils.

***If not, what economic indicators do you suggest be included and why?***

a) ***Does setting the minimum of the target in line with inflation ensure that councils can maintain service standards? If not, why not?***

3.7. As outlined above, setting inflation as the minimum of the target does not ensure council can maintain service standards due to the wide range of cost increases the local government sector are faced with that occur outside of them. These include items such as depreciation funding, interest rates, insurance costs, and unfunded mandates from government.

3.8. Council suggests indicators are used that more closely align with the cost increases the local government sector faces, such as BERL inflation rates, or the Producers Price Index (Construction) as a measure of movement in asset costs.

***Does the maximum of the target account for council spending on core services?***

3.9. No, see commentary above as outlined in sections above. Using GDP as a basis for the upper bound risks over-simplifying the relationship between national economic growth and local core service cost growth.

3.10. Council requests that roading, as an essential and core service must be excluded from the proposed rates cap. Increased frequency of weather events and ongoing maintenance requirements as a result of forestry harvesting (which is cyclical), increasingly heavy vehicles on the road, mean that adequate maintenance of the roading network will not be able to occur within the cap.

***What council spending will not be able to take place under this target range? Why?***

3.11. As outlined above we consider the following areas of risk:

3.11.1. Expenditure that is a result of unfunded government mandates.

3.11.2. Increases to depreciation costs (particularly those that arise due to revaluations), interest costs and insurances.

3.11.3. Expenditure that occurs in concentrated bursts and are not easily smoothed within a narrow annual percentage limit. e.g. upgrades to community facilities, bridge renewals.

3.11.4. External costs that council cannot control e.g. audit fees, fees charged by regulators.

3.11.5. Investment required in response to severe weather events.

***Are changes to the target needed to account for variations between regions and councils? What changes do you propose and why?***

3.12. Yes, Council considers that variations between councils should be accounted for. Council encourages consideration of the impacts of the proposal on small rural councils. The challenges the Rangitīkei District faces in meeting a rates cap is significant and much different to the challenges that cities with higher populations face. A one size all approach is not fit for purpose and is unlikely to create positive outcomes for our communities. Further it does not take the learnings from the experience in New South Wales. Lower total income should allow greater variation, as inflation has a greater impact on smaller budgets. Rate of population growth should be a consideration. Land area should be a consideration (particularly in relation to population).

Ngā mihi,

Andy Watson
**Mayor of the Rangitīkei**