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Christchurch City Council submission on the rates target model for New Zealand

Introduction

1. Christchurch City Council (the Council) thanks the Department of Internal Affairs (DIA) for the opportunity to provide feedback on the proposed rates target model for New Zealand.
2. The Council recognises the financial pressure on households. We make decisions to increase rates only when essential to sustain services, renew infrastructure, and meet growth and legislative obligations. We reject any assertion that Christchurch City Council lacks fiscal discipline.
3. A statutory rates cap is a significant and enduring intervention. International experience shows such caps are difficult to unwind and can have unintended, long-term consequences for asset condition, debt, and intergenerational equity.
4. The Council is concerned at the limited analysis accompanying this proposal, particularly given the simultaneous and substantial reforms affecting local government. The combined impacts of a rates cap, resource management changes, 'Simplifying Local Government' reforms, and the Local Government (System Improvements) Amendment Bill must be transparently evaluated and communicated.
5. In this submission we respond to the five consultation questions and recommend essential design changes. Our bottom line is clear: a rates cap must not slow Christchurch's momentum or degrade our community services.

Executive Summary

6. The proposed rates cap, while well-intentioned, is unrealistic and unworkable in its current form and requires significant refinement to ensure it is economically sound, financially sustainable and responsive to local needs. The Council cannot support the target range and methodology as currently drafted.
7. Rates cap policies tend to be enduring so it is important that they are well-considered, use the best evidence and indicators available, and reduce risks to local government. The Council is not confident that the policy meets these standards.
8. To make the policy workable, sustainable and reflective of local government conditions, the Council makes the following recommendations:

- That central government refrains from implementing policies that have a material impact on council finances and resources without providing financial support for those policies. Robust Regulatory Impact Statements should quantify the financial impact of central government policies on local government.
- That central government offers additional financial support to councils to manage the transitional and cumulative costs of the suite of local government reforms underway and to manage the risk of future underinvestment in infrastructure. For example, Australia has a federal Financial Assistance Grant for local government. Financial support mechanisms should be agreed and in place before a rates cap is implemented.
- A rates cap policy should be accompanied by other central government support measures, such as paying rates on government properties, and removing or refunding (in full or in part) GST on rates.
- The government should sequence the timing of the rates cap policy to better align with the Long-Term Plan process and the associated Audit NZ requirements to avoid uncertainty.
- A rates cap based on an inflation measure must accurately reflect local government cost pressures. The Consumer Price Index is not a robust method for measuring council inflation. The Producer Price Index or Capital Goods Price Index should be included within the methodology.
- Gross Domestic Product should not be used to measure demand for council services. Using local indicators would provide a more accurate and evidence-based way to assess growth demand for council services.
- A rates cap must be based on the rates increase for existing ratepayers, not the nominal increase, to avoid disincentivising growth and undermining operational and capital requirements. It must also not be applied against each individual existing rate specifically, but the total rates collected for existing ratepayers.
- All 'three waters' rates and charges should be excluded from the rates cap to align with Local Water Done Well ringfencing and to avoid fragmentation of water funding settings.
- Allow councils to continue to fully fund renewals/depreciation through rates. This could be achieved through a carve-out from the rates cap policy. This would also recognise that a rates cap will reduce a council's debt headroom.
- A rates cap policy must be flexible enough to reflect local conditions (such as levels of growth, hazard exposure, age of assets, and debt levels), with transparent criteria for special variations.
- A rates cap policy must be able to work alongside other financial tools available to councils and be flexible enough to reflect the different ways councils pay for growth (for example, cost recovery for building growth infrastructure).

Submission

9. The Council acknowledges the policy intent of a rates cap system, which is to ease rates increases for households. A rates cap would have this effect and would increase assurance to ratepayers by providing a transparent and accountable limit for annual rates increases. However, the proposed methodology introduces material risks to service levels, asset condition, and prudent financial management that must be addressed before any legislation proceeds.

Christchurch City Council is financially responsible

10. The Council has recently had to increase rates, largely in response to market pressures, such as inflation (particularly in the construction sector) and interest rates. Decisions to increase Christchurch's rates are driven by unavoidable cost pressures and statutory obligations, not discretionary or "frivolous" spending. For the year 2025/26, the Council plans to spend approximately 93% of its rates revenue on what the Local Government (System Improvements) Amendment Bill considers is a "core service", and this year, like the year before, we have been reviewing our Annual Plan budget line-by-line over many weeks to identify savings opportunities.
11. The Council is mindful of the importance of investing in infrastructure and is focused on delivering key infrastructure for our city. This is a large proportion of our spending. For example, in our 2025/26 Annual Plan, the Council is spending:
 - \$435.6 million on water services expenditure, which is 28% of our total funding
 - \$260.6 million on transport expenditure, which is 17% of our total funding
 - \$148.2 million on parks, heritage and coastal environment expenditure, which is 10% of our total funding.
12. We also note that when compared to the other large metropolitans (using DIA's grouping), our Council has only the fifth highest per capita rates (\$1,815) out of the ten councils and the third lowest per capita percentage increase since 2018. This has been achieved while Christchurch's population has grown by 9.2% and the Council has been undertaking a major post-earthquake repair and rebuild programme. This demonstrates that we are a fiscally responsible council that is prudently and successfully managing the challenges of growth across our district.
13. Before responding to the five consultation questions, the Council has identified several broader points regarding the rates cap policy and the impact of central government.

Impact of central government policy on local government

14. The Council is concerned about the impact of central government policies on local government, especially those that impact rates. Councils are increasingly being expected to deliver infrastructure and shoulder the responsibility for implementing the policy decisions of central government without effective funding or transitional support, directly shifting the cost to ratepayers – a point noted by the Productivity Commission in its local government funding and financing report¹. Some recent examples include:
 - the government required our Council to chlorinate our water supply which has come at a cost despite the Council's opposition to this policy. Between 2024-2026, the Council is expected to spend \$6.95 million on chlorinating Christchurch's water supply.
 - the Taumata Arowai levy and the levy to recover Commerce Commission costs of regulating water. These two levies were centrally determined and transfer costs directly onto local ratepayers without councils having an ability to influence or reduce this cost. This undermines local accountability and fiscal management and sets a concerning precedent. These levies are estimated to impact rates by approximately 0.27%.

¹ <https://www.treasury.govt.nz/sites/default/files/2024-05/pc-inq-lgff-final-report-local-government-funding-and-financing.pdf>

- changes to the requirements KiwiRail demands of Road Controlling Authorities at crossing points has led to significant cost increases to upgrade several level crossings for which the Council has had to bear the cost. For example, in 2026, the Council is planning to spend \$1.91 million with KiwiRail on the Scruttons Road Crossing and the Halswell Junction Road Extension projects.
 - speed limit changes that required councils to undertake costly and time-consuming processes to comply with government policy.
 - implementing national policy statements on urban development and medium residential standards which required significant Council resource, as it will for many other councils. Between 2024-2026, the Council estimates spending \$9.98 million on Government directed plan change costs.
15. The Council is also required to meet the cost of the many regulatory functions we undertake, which are functions that councils do not have discretion over, and we are required to respond to significant government policy changes, such as Plan Change 14 and other local government reforms.
16. The Council is required to meet these costs, which has an impact on finances and resources. Unfunded mandates combined with a rates cap are untenable. Moreover, when the government imposes unfunded mandates, it effectively absolves itself from exercising the fiscal restraint it is seeking to impose on councils. We ask that the government considers the impact of any future policies that are unfunded and the impact that this will have on the Council. Implementing a rates cap policy while requiring the Council to spend money on policies it has not planned for undermines our ability to be fiscally responsible. Regulatory Impact Statements should quantify the impact of policies on local government and rates, and central government should not introduce new unfunded costs to council while simultaneously constraining council revenue.
17. The Council is also concerned about the impact of a rates cap policy being implemented at the same time the Government is requiring us to reconsider the form of local government through the 'Simplifying Local Government' reforms, adapt to the reforms outlined in the Local Government (System Improvements) Amendment Bill, and manage the significant changes to the resource management system. The transitional, compliance and cumulative costs of these reforms are substantial and must be funded or offset for a rates cap to be viable.
18. Updating our plans and processes to meet the new resource management legislation will be a cost on the Council over several years. Restructuring local government in Christchurch and Canterbury will additionally incur significant costs, as the Auckland experience of local government reform demonstrated. The government has signalled councils should absorb these costs, which is inconsistent with the objective of easing ratepayer burden.
19. The Council asks that the Government is more strategic in its approach and works with local government to find appropriate solutions. If central government does not contribute to the transition costs being imposed on local government, communities and residents will pay the price. Mechanisms to support funding should be agreed and in place before a rates cap is implemented.
20. The Government should consider how it can use its position to assist our Council transition during these reforms and ease the load on ratepayers, which is the objective of the rates cap policy and the 'System Improvements' Bill. For example, the government could: provide funding to councils to assist with paying

for the reforms; pay rates on government properties; remove GST from rates; or return the full or partial GST paid on rates back to councils. Without supporting measures, meeting the target is unlikely without service reduction or higher debt.

21. We note that in Australia, where rates caps are in place in several states and which this government has looked to as an example for rates caps, there is a scheme where the federal government annually provides local government with a Financial Assistance Grant. For 2025/26, these grants total \$3.4 billion and include a large 'general purpose' component that can be used to fund the local priorities determined by councils (and specifically include council amalgamations). The objective of this fund is to improve the capacity, efficiency and effectiveness of local government. A rates cap system in New Zealand should be accompanied by similar funding support.

Risk of continued underinvestment and increased future burden for ratepayers

22. The overseas experience has demonstrated that there is a risk that a rates cap policy can cause asset decay and underinvestment in infrastructure because councils do not have enough funding to maintain assets and meet the pressures related to growth. Councils may risk having insufficient funding available to provide and maintain core services to levels expected by the community. Councils must have a range of effective funding and financing tools. A rates cap that does not reflect actual cost inflation will lead to deferred renewals, growing backlogs, and lower maintenance. These are costs that compound and fall on future ratepayers.
23. A common criticism of both central and local government is that there has been underinvestment in critical assets and core services over recent decades. The Treasury and the Office of the Auditor General both report that years of underinvestment in infrastructure have created a situation where councils are being required to now increase rates so they can invest in capital programmes to try to close the investment deficit. The Treasury says that promises to keep rates low and keep rates increases to a minimum are responsible for much of this underinvestment. It is difficult to understand how a rates cap policy will close the investment deficit and a poorly designed rates cap system risks repeating the very dynamics that created the deficit.
24. There appears to be an implicit assumption in the proposed policy that only current infrastructure expenditure is required to be funded. Clearly this is incorrect and the infrastructure deficit requires substantial expenditure, as highlighted by both the Treasury and the Office of the Auditor General. The rates cap policy does not address how councils will fund the infrastructure expenditure required to reduce the infrastructure deficit, which is a significant driver of the current rates increases.
25. Additionally, the starting point for a rates cap is that it applies to the existing base. For councils that have previously exercised fiscal restraint, a disproportionate and unintended consequence is that these councils are stuck in a lower rates cycle, as past decisions to keep rates low means rates cap increases are calculated from a lower starting point. This effectively limits the ability to fund infrastructure investment compared to councils that have higher existing rates.
26. Councils are also required to identify climate risks, undertake adaptation planning and finance the adaptation measures required to ensure that communities can continue to function. The impacts of climate change are expected to worsen over time, making the adaptation of assets increasingly expensive in the future. More council funding over the coming years and decades will be required to manage Christchurch's climate risks, such as upgrading assets and building new infrastructure. With a rate cap in

place, it will become increasingly difficult for the council to manage this risk. Restricting revenue growth now will make future transitions more costly and abrupt.

27. In New South Wales and the United Kingdom where similar rates cap policies are present, there are increasing concerns about their impact on council finances and levels of service delivery. The Australian experience is that rates caps very rarely keep up with the cost of infrastructure or demand on councils, so over time projects get deferred or delayed, renewal backlog grows, and levels of maintenance decrease. DIA's research shows that 127 of 128 councils in New South Wales have applied for a special variation to increase rates above the cap since 2010. A 2023 New South Wales Parliamentary inquiry into their rates peg system found that the rates peg failed to match the cost increases borne by local government and failed to recognise diverse cost pressures. A redesign of the New South Wales system was recommended. New Zealand should learn from this experience and design flexibility in the system from the outset.
28. We would expect that a rates cap system is put in place where variations are not needed to be sought. However, given the potential for councils to request variations to the rates cap, and noting the regular requests for variations in Australia, it is important that the process for seeking variations is timely, not complex and does not become a costly administrative burden.
29. Deferrals and underinvestment can lead to intergenerational issues, with the compounding and increasing cost of repairs and maintenance being transferred to future ratepayers, rather than being funded today – a risk that The Treasury has also raised with the government.
30. If councils need to increase spending on infrastructure and service delivery, they will likely have to turn to increasing their debt. In their 2024 *'Insights into Local Government'* report, the Office of the Auditor General notes that across New Zealand councils have been borrowing at record levels. Councils' debt rose to \$29.9 billion in 2023/24 which is a 15% increase from the previous year (\$25.9 billion). A rates cap is likely to increase the reliance on debt which raises long-term costs for ratepayers by having to repay higher levels of debt over a long period of time. Relying on increased debt to fund infrastructure investment in a rates-constrained environment is an unsustainable measure and will only add more pressure to credit ratings, further driving up debt servicing costs.

Scope and timing of the proposed rates cap policy

31. If a rates cap is introduced, it should apply to the rate increase for existing ratepayers, rather than a nominal rates increase. This approach properly accounts for population growth and the associated operational and capital requirements. A rates cap on the nominal rates increase risks disincentivising growth because increases in population could mean the council is required to increase operational and capital expenditure to match the growth, but would not have a means of funding it (without further decreasing services for existing ratepayers).
32. The cap must also not be applied against each individual existing rate specifically, but the total rates collected for existing ratepayers. If the rates cap is on each individual rate set by the Council, then it will negatively impact the Council's ability to introduce new targeted rates or move from capital value based rates to fixed rates, for example, the Central City Business Association (CCBA) targeted rate which was introduced to fund and support the CCBA. In addition, a rates cap on each individual rate will impact the Council's ability to maintain the distribution of rates between sectors (residential, business and rural) following a revaluation.

33. The Council understands that although the proposed policy excludes water charges and water-related targeted rates, that stormwater and flood activities will still be captured within the rates cap policy. The Council proposes that water-related rates and charges for all ‘three waters’ are excluded. The Council, like all others, has fundamental Local Water Done Well reforms underway. Consistent and clear rules regarding the funding and financing of all water-related activities is valuable and practical, as all three water activities will be ringfenced in the new system. Having stormwater captured by the rates cap will also put significant pressure on the Council’s ability to meet the target range.
34. The Government intends to align the implementation of the rates cap policy with the next Long-Term Plan (LTP) process. The advice we have received is that the rates cap legislation is planned to be enacted by December 2026, with the transition phase effective from 1 January 2027, and fully in effect by July 2029. This timing intersects with LTP development and audit in a way that creates uncertainty. The Council will be well-advanced in LTP discussions by the time the new legislation is enacted in December 2026. The proposed timing creates uncertainty about what the final legislation will consist of during the time the Council is developing the LTP. It is also not clear how Audit NZ will audit our process, as we will be required to meet the audit requirements of the legislation that is in force at the time, but the new legislation may change the focus. We seek further consideration and clarification of the timing of the rates cap policy with the LTP process. Audit NZ protocols must be clear and stable throughout LTP preparation and legislation should not change requirements mid-process.

Response to consultation questions

Question 1 – Do you agree with the proposed economic indicators to be included in a formula for setting a rates target?

Question 2 – If not, what economic indicators do you suggest be included and why? Does setting the minimum of the target in line with inflation ensure that councils can maintain service standards? If not, why not?

35. The Council is not confident in the formula provided for setting a rates target and has several concerns with the methodology, outlined below. The Council also would have preferred to see more of the analysis and the options considered by the government presented in the consultation material to enable better understanding and analysis.

Using inflation to inform the minimum rate

36. The minimum rate increase of 2% is based on the midpoint of the Reserve Bank’s inflation target. According to the government, this target should ensure that councils can maintain service standards. The 2% minimum will not maintain service standards in Christchurch. This target is not supported by evidence and is based on flawed analysis.
37. The inflation measure used is based on the Consumer Price Index (CPI), which is used to measure the average household consumer prices. This is not a robust method for measuring the impact of inflation on councils. Council spending is not the same as an average New Zealand household and most of the indicators that sit within the CPI measure are not relevant to councils and are not causing increases to rates. Councils do not purchase a “basket of goods”, as the CPI expects. Vegetables, fruit, meat, drinks, cigarettes, alcohol etc are not the focus of council spending. Councils undertake activities like construction, laying pipes, repairing roads, building community facilities, maintaining assets, professional

services, and servicing debt – categories poorly captured by CPI. The difference between CPI and council spending is acknowledged in analysis and research by economic advisors, such as BERL and Infometrics.

38. If the government wants to use inflation as a measure for rates, there are other ways that the government can do this that are more appropriate and a better reflection of the realities of council spending. The Council recommends adopting a local government inflation index. For example, the local government inflation index developed by BERL incorporates the Producer Price Index (PPI) in its calculations, with transparent publication and methodology. PPI measures inflation based on the price businesses pay for inputs and the price businesses receive for their outputs. Similarly, the Capital Goods Price Index (CGPI) measures price changes for capital assets purchased by producers. The CGPI measures the price changes for things such as land, buildings, roads, bridges, pipes, plant and machinery. This is far more relevant than CPI to network infrastructure and building programmes. Both the PPI and the CGPI are indexes produced regularly by the government and should be included within the government’s methodology if inflation is to be used as a measure to cap rates.
39. Research undertaken by Infometrics² shows the difference between using the CGPI compared to CPI, which is that the cost of civil construction was much higher than CPI. Across three years (2021-2023), CPI increased by 19%, but the cost of building bridges increased by 38%, the cost of building sewers increased by 30%, and the cost of roads and water supply increased by 27%. A rates cap tied to CPI will therefore lag actual costs and drive deferrals.
40. Inflation is also variable and susceptible to external economic influences. There can be extended periods of high inflation and it is unlikely that inflation will remain around 2%. The proposed policy says the rates target will be reviewed every three years, but this could be too long during periods of higher inflation. For example, in recent years, general inflation has been as high as 4-7%. Periods of high inflation (such as 7%) will add significant and immediate pressure to council finances. Based on this, the target range of 2-4% and, in particular, the minimum 2% seems low, inflexible and risky for councils.

Using GDP as a proxy for council growth

41. The maximum end of the rates target range (4%) is determined by a formula that uses GDP as a way to measure growth demand for council services. The maximum is intended to allow councils to manage growth over the long term. The Council does not consider GDP to be a valid way to measure demand for council services.
42. An assumption that demand for council services grows at the same rate as national GDP is poorly founded. We have been unable to identify any evidence to suggest this is accurate. Every council across New Zealand is different – some are rural councils, some are urban; some are growing fast (like Christchurch) and others are not growing at all; some are recovering from disasters and others are not. Using an average of the national nominal GDP growth is unlikely to reflect any of these differences between councils. This is a very blunt measure that captures none of the localism of local government. It will not reflect the growth circumstances of many councils and therefore will not reflect the demand for council services. Local indicators better reflect the demand for council services, such as population growth, dwelling consents, development contribution volumes, network load metrics, hazard exposure and insurance costs.
43. While the government considers nominal GDP growth to be 5.4% on average, GDP growth in recent years is much lower than this. In Christchurch, demand for our services has increased significantly over recent

² *“Analysing increases in local government costs for Local Government New Zealand”*, published February 2024.

years with high levels of growth, so it is hard to be confident in the relationship between GDP and council growth given our real-life experience. If the government wants to set a rates cap to account for growth, it must be much more flexible, evidence-based, and reflect local characteristics.

Question 3 – Does the maximum of the target account for council spending on core services?

44. The Council cannot guarantee that the 4% maximum will be sufficient to enable spending on core services. The Council will be required to make significant savings to meet this target. Preliminary modelling indicates it is unlikely to be sufficient without significant changes to services. Decisions on what savings will be made have not yet been taken by the Council, so we cannot comment on whether core services will be impacted.
45. Our initial analysis shows that if a 4% rates cap was implemented on the Council's rates revenue (excluding all 'three waters' rates) in 2029/30, the Council would need to reduce rates revenue by \$28.8 million (which is equivalent to 4.5% of non-water rates charges). Due to the cumulative effect of the rates cap, the Council would need to reduce rates revenue by \$62.2 million by 2033/34 (which is equivalent to 8% of non-water rates charges). These reductions would materially affect our ability to maintain current service levels and renew assets on prudent cycles.
46. Implementing a 4% rates cap would impact the Council's strategic position on using rates to fund infrastructure renewals. The Council has been increasing over time the proportion of renewals that are funded by rates, rather than debt. The aim is to have renewals fully funded by rates by 2032 to ensure that the Council is in a stronger financial position and can reduce debt repayments and interest costs that fall on ratepayers. This strategy generates long-term savings for ratepayers in exchange for higher short-term rates. To implement this policy, our rating for renewals is approximately 10%. There is a risk that a 4% rates cap could undermine this strategy and cost ratepayers more money over the long term. Alternatively, the Council would likely need to scale back infrastructure renewals.
47. We consider using rates to fund infrastructure renewals to be a fiscally responsible approach, which would no longer be possible under a rates cap. We think councils should be able to continue to fully fund renewals/depreciation through rates, which, for example, could be achieved through a carve-out from the rates cap policy. A carve out to enable infrastructure expenditure that address councils' infrastructure deficit would also be useful for councils.
48. We also note that the proposed policy does not address how growth infrastructure is paid for by councils. While development contributions (or the proposed development levies) are intended for 'growth to pay for growth', they are essentially a cost recovery mechanism for councils. To build infrastructure, councils must first bear the cost, which is managed through either collecting rates or increasing debt. The cost is then recovered by councils through development contributions. Under the new resource management reforms, councils will be unable to block development because of a lack of infrastructure and is required to deliver infrastructure in a timely manner. This will increase the pressure on councils to meet the upfront costs of building infrastructure, which will impact council rates and/or council debt. A rates cap policy must acknowledge this and be able to work alongside other government reforms, so that councils have greater flexibility in the financial tools available to pay for growth.

Question 4 – What council spending will not be able to take place under this target range? Why?

49. It is too early to say what council spending will not take place under this target range, as decisions by the Council about what savings will be made to meet this target have not been taken. However, restricting rates revenue will constrain renewals and service levels unless offset by support measures.
50. A rates cap in this target range could have a negative impact on our Council's ability to access and repay debt, which could risk our Council's ability to fund some activities. Revenue impacts a council's ability to access and service debt. Rates are generally considered a stable and key source of revenue for councils, with an ability to be adjusted if required. A rates cap will limit both the revenue available to councils and the ability for councils to adjust rates, which reduces the Council's available debt headroom and could impact our credit rating.
51. The rates cap reduces the Council's debt headroom because a council's ability to access debt is linked to a council's total revenue. A rates cap reduces council revenue and therefore reduces the available debt headroom. We estimate that a 4% rates cap commencing in 2029/30 would reduce the Council's debt headroom by \$174.1 million by 2033/34. This materially constrains our capacity to fund growth and resilience projects and negatively impacts the Council's key funding source for managing any major events in the city, which could be problematic.
52. The Council's credit rating could also be impacted, which would result in a negative impact on rates. The risk of a credit downgrade has been raised by S&P Global Ratings and in advice by The Treasury. If the Council receives a credit downgrade, this will have an impact when debt is renewed or new debt is acquired. We estimate, under current conditions, that a credit rating downgrade would lead to an increase in interest rates on new borrowing by approximately 0.05%, which is approximately an increase of \$1.3 million per year or a 0.16% impact on rates. This amount would have to be accounted for within a rates cap.
53. In 2025/26, approximately \$59.6 million of the rates we collect relate to activities that could be considered non-core services under the 'System Improvements' Bill. Under most rates capping scenarios, this does not provide sufficient savings to address a rates cap target. Also, \$27.3 million of the rates spent on these non-core services relates to interest and debt repayments on non-core services, which cannot be easily eliminated. Eliminating all non-core spend would not make the cap achievable.
54. The Council will also have to consider what the rates cap will mean for the fees collected for the services we provide, such as pools, recreation facilities, and libraries. Increasing fees is a possible way for Council to raise revenue under a rates cap, however the Council is mindful of the risk that fee increases may reduce usage and patronage, and may create an accessibility barrier to some in our community.

Question 5 – Are changes to the target needed to account for variations between regions and councils? What changes do you propose and why?

55. The Council thinks that a rates cap target should account for variations between regions and councils, for example through a more flexible target range or variation criteria. A one-size-fits-all rates cap policy will not

reflect local realities. Councils across the country have different characteristics that are unique and impact the rates that they collect. Key differences between councils include:

- Rates of growth – Some councils, like Christchurch and our neighbouring districts Selwyn and Waimakariri, are experiencing high levels of growth (i.e. an increasing number of residents and ratepayers). This requires councils to spend more on updating and building infrastructure and increasing service levels. Other councils are not growing, or growing very slowly. These councils will be less driven to spend on new infrastructure in comparison to high growth councils. It is important that Christchurch is not penalised for having a growing and thriving city.
 - Asset lifecycles – Councils have different infrastructure and asset needs. Some councils require significant investment to renew older core assets and infrastructure as their lifecycle is coming to end. For other councils, this issue is less pressing and only minor maintenance will be needed.
 - Risk profiles – New Zealand is highly susceptible to natural hazards, climate risks and natural disasters, for example coastal and river erosion, flooding, large storm events and earthquakes. In Christchurch, the earthquakes have had a long impact on the city and its circumstances like this that can be considered. In regard to climate risks, the level of exposure differs across environments, with some areas such as Christchurch being highly exposed, particularly to flood risks. Mitigating these risks and/or managing the aftermath of events is primarily the responsibility of local government, with central government support not assured. Our hazards modelling indicates that the scale and frequency of impacts on our infrastructure cannot be absorbed into business-as-usual funding streams, and the Council will need to find funding to manage these risks to enable communities to adapt. Central government could assist with these costs but if not, a rates cap policy could make infrastructure upgrades cost prohibitive.
- Councils also have different financial risk profiles. For example, some councils have very high levels of debt, some have low or no ratepayer growth, and some councils have high and increasing insurance costs.

56. A broad, one-size-fits-all rates cap policy is a blunt instrument and does not take into account these local differences. It is likely that the broad approach being proposed will not reflect the realities that many councils face and will not be suitable.

Conclusion

57. The Council is currently experiencing growth levels higher than many other councils in New Zealand. We have an increasing number of residents and ratepayers, tourism is growing, and we have made significant progress revitalising our city following the Canterbury earthquakes. We have been managing this growth and the rebuild in a financially responsible way and recent rates increases have largely reflected the market pressures on council, such as high inflation, interest rates and insurance premiums.

58. The proposed rates cap policy will keep rates increases within a 2-4% target limit and provide some certainty for ratepayers. However, the methodology behind the target range does not accurately reflect the cost drivers for recent rates increases and the realities that councils face. The target limit is likely to force further deferrals, increase debt and degrade services over time.

59. The Council cannot support the target range and methodology as currently drafted. Rates caps policies tend to be enduring and difficult for governments to remove once implemented, so it is important that a rates cap policy is well-considered, using the best evidence and indicators possible, so that risks can be

minimised. The Council suggests the government revisits the methodology used to create a target range for rates caps.

60. The Council also asks the government to consider the impacts of its policies on local government. Councils are increasingly being expected to deliver infrastructure and shoulder the responsibility for implementing the policy decisions of central government without effective assistance from the government. On top of this, there are major local government reforms underway, the full impact of which is unclear, including with respect to council finances and resourcing.
61. The Council asks that the government is more strategic in its approach and works with local government to find appropriate solutions. This could include providing funding assistance to councils or for the government to reconsider its own impact on rates, such as paying rates on government properties or removing or sharing the GST collected on rates.
62. A rates cap policy does carry risk and our Council is not confident from the analysis available to date that the real and full impact of the proposed rates cap on councils is well understood. Christchurch City Council is focused on delivering high quality services for its residents and to ensure that we can maintain doing this, we would happily work with the government to find a system that works and reduces the risks of the current proposal. We will continue to prioritise the key services and investment that our community expects while doing what we can to reduce the burden on ratepayers.

Thank you for the opportunity to provide this submission.

For any clarification on points within this submission please contact Tom Lee, Principal Policy Advisor at Thomas.Lee@ccc.govt.nz

Ngā mihi,



Phil Mauger
Mayor of Christchurch