

Various Rating Actions Taken On New Zealand Councils On Lower Institutional Framework Assessment

March 18, 2025

- New Zealand's local government sector is heavily indebted due to councils' consistently increasing capital investments. We believe the sector's revenue and expenditure balance and predictability of policy have weakened.
- On Feb. 24, 2025, we lowered our institutional framework assessment for New Zealand local councils to very predictable and well balanced, the second highest assessment on our six-point scale. The trend of our institutional framework assessment is stable.
- As a result, we lowered by one notch our ratings on 18 councils and three council-controlled organizations. We also affirmed our ratings on two councils.

MELBOURNE (S&P Global Ratings) March 18, 2025--S&P Global Ratings today lowered by one notch its ratings on 18 New Zealand local councils and three council-controlled organizations. Outlooks on three of these councils and two council-controlled organizations are negative. Outlooks on the remaining 15 councils and one council-controlled organization are stable. We also affirmed our ratings on two councils. The outlook on one is stable and the outlook on the other is negative (see list below).

The rating actions follow our revision of our institutional framework assessment for New Zealand local councils to very predictable and well balanced from extremely predictable and supportive (see "Institutional Framework Assessments For Local And Regional Governments Outside Of The U.S.," published Feb. 24, 2025).

In our view, the local council sector's revenue is insufficient to fund its growing expenditure responsibilities. We are witnessing substantially larger cash deficits and structurally higher debt levels than we have previously seen.

Average deficits after capital accounts breached 20% of total revenue in fiscal 2024. Our forecasts point to these deficits remaining around this level over the next three years. Councils have increased their capital budgets to deliver infrastructure for growth, improve quality, and cover rising costs.

The sector's debt increased significantly since the pandemic. Total tax-supported debt rose to 197% of operating revenue in fiscal 2024. To cater for rising indebtedness in the system, in August 2024 the New Zealand Local Government Funding Agency Ltd. announced changes to its borrowing protocols, including higher debt covenants for "high growth" councils. Increasing the

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debt ceiling will generally be negative for credit quality across the sector.

We also view the policy environment as more volatile than in the past. This reflects factors including the quick passage and repeal of several key laws governing local councils, the cancellation of various Crown grant programs, an increase in unfunded mandates, and recent announcements about infrastructure financing options. These changes can materially affect councils' financial outcomes, making it difficult for S&P Global Ratings and the sector to accurately forecast financial outcomes.

Negative outlooks on four councils and two council-controlled organizations reflect continued downward pressure on the councils' individual credit profiles. We affirmed our ratings on two councils because we observe countervailing improvements in their economic assessments.

Ratings and outlooks on entities affected by the lowering of our institutional framework

Entity	Issuer credit rating (as of March 18, 2025)	Outlook (as of March 18, 2025)	Previous issuer credit rating	Previous outlook
Bay Of Plenty Regional Council	AA-	Stable	AA-	Stable
Christchurch City Council	AA-	Stable	AA	Negative
Christchurch City Holdings Ltd.	AA-	Stable	AA	Negative
Dunedin City Council	AA-	Negative	AA	Negative
Dunedin City Treasury Ltd.	AA-	Negative	AA	Negative
Greater Wellington Regional Council	AA	Negative	AA+	Negative
WRC Holdings Ltd.	AA	Negative	AA+	Negative
Hamilton City Council	A	Stable	A+	Negative
Hastings District Council	A+	Stable	AA-	Negative
Hutt City Council	A+	Stable	AA-	Negative
Kapiti Coast District Council	AA-	Stable	AA	Negative
Marlborough District Council	AA-	Stable	AA	Negative
Nelson City Council	AA-	Stable	AA	Negative
New Plymouth District Council	AA	Stable	AA+	Negative
Palmerston North City Council	AA-	Stable	AA	Negative
Porirua City Council	A+	Stable	AA-	Negative
South Taranaki District Council	AA-	Stable	AA	Negative
Tasman District Council	AA-	Stable	AA	Negative
Taupo District Council	AA	Stable	AA+	Negative
Waimakariri District Council	AA-	Stable	AA	Negative
Wellington City Council	AA-	Negative	AA	Negative

Ratings and outlooks on entities affected by the lowering of our institutional framework (cont.)

Entity	Issuer credit rating (as of March 18, 2025)	Outlook (as of March 18, 2025)	Previous issuer credit rating	Previous outlook
Western Bay Of Plenty District Council	AA	Negative	AA	Negative
Whanganui District Council	AA-	Stable	AA	Negative

Bay of Plenty Regional Council

The stable outlook reflects our view that Bay of Plenty Regional Council's weak budgetary outcomes will improve from fiscal 2026 (ended June 30, 2026) as the council winds down its capital expenditure (capex) and realizes revenue from asset sales.

Downside scenario

We could lower our ratings on Bay of Plenty if the council's budgetary outcomes do not improve and debt remains very high. This could occur if Bay of Plenty drops planned increases in rates revenue, increases capex, or delays asset sales.

Upside scenario

We could raise our ratings on Bay of Plenty if the council's budgetary and debt metrics improve substantially, demonstrated by stronger balances after capital accounts and a lower ratio of debt to operating revenue. This could occur, for example, if lot sales from the council's Rangiuru business park development or a potential sale in the council's shareholding in the Port of Tauranga improve credit metrics structurally.

Christchurch City Council

The stable outlook reflects our view that Christchurch City Council's wealthy economy will help it sustain moderate deficits after capital accounts over the next two years.

Downside scenario

We could lower our ratings on Christchurch if its budgetary outcomes underperform our expectations, resulting in a higher ratio of debt to operating revenue or structurally weaker liquidity coverage.

Upside scenario

We could raise our ratings on Christchurch if we consider its financial management is strengthening and it delivers deficits after capital accounts of less than 5% of total revenue structurally.

Christchurch City Holdings Ltd.

The stable outlook on Christchurch City Holdings Ltd. reflects that on our rating on Christchurch's council.

Downside scenario

We would lower our ratings if we downgrade Christchurch or if we believe Christchurch City Holdings' role or link to the council is weakening.

Upside scenario

We would raise our ratings on the entity if we upgrade Christchurch and we believe Christchurch City Holdings' role for and link to the council remain the same.

Dunedin City Council

The negative outlook reflects our view that Dunedin City Council's budgetary outcomes could underperform our expectations over the next two years, resulting in higher debt and weaker liquidity.

Downside scenario

We could lower our ratings on Dunedin if its deficits after capital accounts do not narrow as we expect. This could drive total tax-supported debt above 240% of operating revenue or interest expenses above 10% of operating revenue. Wider deficits could also drive the council's debt service coverage ratio below 80% structurally.

Upside scenario

We could revise our outlook on Dunedin to stable if the council's fiscal outlook improves broadly in line with our forecasts. Such improvements could stabilize total tax-supported debt and interest expenses as a proportion of operating revenue and ensure the council's debt service coverage ratio is structurally more than 80%.

Dunedin City Treasury Ltd.

The negative outlook reflects that on our rating on Dunedin's council.

Downside scenario

We would lower our ratings if we downgrade Dunedin or if we believe Dunedin City Treasury's role or link to the council is weakening.

Upside scenario

We could revise the rating outlook to stable if we take the same action on Dunedin and we believe Dunedin City Treasury's role for and link to the council remain the same.

Greater Wellington Regional Council

The negative outlook reflects our view that Greater Wellington Regional Council's operating performance could underperform our forecasts over the next two years.

Downside scenario

We could lower our ratings on Greater Wellington if we believe its financial management is weakening. This could occur if the council's operating performance does not improve as we expect.

Upside scenario

We could revise our outlook on Greater Wellington to stable if we believe the council can sustain stronger operating performance in line with our forecasts. Such improvements would lead to a narrowing of the council's overall cash deficits and slow growth in total tax-supported debt as a proportion of operating revenue.

WRC Holdings Ltd.

The negative outlook on WRC Holdings Ltd. reflects that on our rating on Greater Wellington Regional Council.

Downside scenario

We would lower our ratings on WRC Holdings if we were to downgrade Greater Wellington or if we believed WRC Holdings's role or link to the council was weakening.

Upside scenario

We could revise the outlook on WRC Holdings to stable if we were to take the same action on Greater Wellington and we believed WRC Holdings' role for and link to the council remain the same.

Hamilton City Council

The stable outlook reflects our view that Hamilton City Council will maintain its sound liquidity coverage during a period of very weak financial outcomes over the next two years.

Downside scenario

We could lower our ratings on Hamilton if we believe its financial management is weakening. This could occur if deficits after capital accounts or debt rise well beyond our forecasts or if management allows liquidity coverage to weaken during a period of elevated spending.

Upside scenario

We could raise our ratings on Hamilton if deficits after capital accounts are structurally less than 25% of total revenue. This could ease Hamilton's debt and interest burdens.

Hastings District Council

The stable outlook incorporates our view that large increases in Hastings District Council's rates revenue and ongoing extraordinary financial support from the Crown will help to offset very high infrastructure spending over the next two years.

Downside scenario

We could lower our ratings on Hastings if we believe financial management is weakening or if, contrary to our expectation, deficits after capital accounts do not narrow and structurally exceed 25% of total revenue. These scenarios could materialize if Hastings increases its capital spending beyond our expectations.

Upside scenario

We could raise our ratings on Hastings if deficits after capital accounts narrow significantly. This could lower its debt burden and improve its liquidity coverage.

Hutt City Council

The stable outlook reflects our view that Hutt City Council's strong revenue growth will help fund its large infrastructure program and contain its rising debt.

Downside scenario

We could lower our ratings on Hutt if its budgetary outcomes do not improve, resulting in deficits after capital accounts exceeding 25% of total revenue structurally. This could occur if the council increases capex without offsetting revenue growth or if it drops planned increases in rates revenue.

Upside scenario

We could raise our ratings on Hutt if our view of its financial management strengthens. Stronger management could drive better budgetary outcomes, leading to improved liquidity coverage or lower debt as a proportion of operating revenue.

Kapiti Coast District Council

The stable outlook reflects our view that Kapiti Coast District Council's budgetary outcomes will improve over the next two years, supported by large increases in rates revenue and slowing growth in expenses.

Downside scenario

We could lower our ratings on Kapiti if its budgetary forecasts perform below our base case. This could occur if the council drops planned increases in rates or continues to increase capex.

Upside scenario

We could raise our ratings on Kapiti if its deficits after capital accounts narrow. This could lead to a structurally lower ratio of debt to operating revenue and strong liquidity coverage.

Marlborough District Council

The stable outlook reflects our view that Marlborough District Council's strong financial management will remain a key credit strength as the council incurs moderate deficits after capital accounts over the next two years.

Downside scenario

We could lower our ratings on Marlborough if we consider its financial management to be weakening, which could be shown by fiscal outcomes or liquidity coverage deteriorating compared with our forecasts.

Upside scenario

We could raise our ratings on Marlborough if its budgetary outcomes strengthen compared with our expectations. This could drive a fall in debt burden and interest expenses as a ratio of operating revenue and contribute to stronger liquidity coverage.

Nelson City Council

The stable outlook reflects our view that Nelson City Council's deficits after capital accounts will narrow as it completes storm recovery works and increases rates. We expect Nelson to maintain its exceptional liquidity coverage.

Downside scenario

We could lower our ratings on Nelson if operating margins narrow across our forecasts because of lower rate increases than we expect. This could weaken our view of the council's budgetary performance, debt, or liquidity.

Upside scenario

We could raise our ratings on Nelson if its budgetary performance improves substantially, driving its debt much lower than we forecast. Such developments might enhance our view of the council's financial management.

New Plymouth District Council

The stable outlook reflects our expectation that New Plymouth District Council will prudently manage its budgetary performance and debt burden as it increases its capex. Although debt will rise, the council's large investment fund helps sustain a very high level of liquidity.

Downside scenario

We could lower our ratings on New Plymouth if deficits after capital accounts rise. This could occur if the council doesn't implement large property rate increases it has proposed or planned operational savings, or if its capex exceeds our expectations.

Upside scenario

We could raise our ratings on New Plymouth if we see a sustained upturn in its budgetary performance, leading to a declining debt burden.

Palmerston North City Council

The stable outlook reflects our expectation that Palmerston North City Council will maintain debt levels in line with peers' over the next two years. We also expect the council's liquidity coverage to remain sound as it incurs large deficits after capital accounts.

Downside scenario

We could lower our ratings on Palmerston North over the next two years if the council's deficits after capital accounts are larger or more prolonged than we expect, leading to much higher debt levels or weaker liquidity coverage. This could eventuate if, for example, Palmerston North allows a large uptick in capex without an accompanying increase in revenue. Such a scenario could also lead us to reassess our view of the council's strong financial management.

Upside scenario

We could raise our ratings on Palmerston North over the next two years if the council's financial metrics improve significantly relative to our forecasts, for example through much narrower deficits after capital accounts and stronger liquidity.

Porirua City Council

The stable outlook reflects our view that Porirua City Council's strong financial management will keep its deficits after capital accounts within our forecasts over the next two years as the council works through a large backlog of infrastructure.

Downside scenario

We could lower our ratings on Porirua if we believe its financial management is weakening. This could occur if property rates do not increase as much as we expect or capex continues to increase beyond our forecasts. This could result in deficits widening beyond 25% of total revenue structurally.

Upside scenario

We could raise our ratings on Porirua if its deficits after capital accounts narrow significantly, leading to lower debt and improving liquidity coverage.

South Taranaki District Council

The stable outlook reflects our view that South Taranaki District Council's very strong liquidity and budgetary flexibility will continue to counterbalance its high gross debt. We expect elevated capex to lead to sizable deficits after capital accounts.

Downside scenario

We could lower our ratings on South Taranaki if its deficits after capital accounts widen or are more prolonged than we expect, causing them to remain structurally more than 25% of total revenue.

Upside scenario

We could raise our ratings on South Taranaki if budgetary performance improved substantially, with lower deficits after capital accounts reducing its debt burden.

Tasman District Council

The stable outlook reflects our view that Tasman District Council will rein in deficits after capital accounts and stabilize its debt burden as capex moderates following completion of construction of the Waimea Community Dam.

Downside scenario

We could lower our ratings on Tasman if its financial outcomes are weaker than we forecast. This could lead to larger borrowing requirements, driving debt higher and liquidity lower.

Upside scenario

We could raise our ratings on Tasman if its budgetary performance improves, resulting in substantially lower debt than we forecast. Such developments might enhance our view of the council's financial management.

Taupo District Council

The stable outlook reflects our expectation that Taupo District Council's wider deficits after capital accounts will moderate and the council's strong management will contain its debt levels and ensure liquidity remains ample.

Downside scenario

We could lower our ratings on Taupo over the next two years if the council's financial management weakens. This could occur if the council keeps capex elevated without offsetting it with increases in revenue, driving the budget into persistently large deficits after capital accounts. This could, in turn, push debt and interest expenses higher.

Upside scenario

We could raise our ratings on Taupo over the next two years if the council's financial metrics improve substantially, with sustained surpluses resulting in debt falling considerably below our forecasts.

Waimakariri District Council

The stable outlook reflects Waimakariri District Council's moderate deficits after capital accounts and relatively steady debt burden.

Downside scenario

We could lower our ratings on Waimakariri if the council's deficits after capital accounts are larger or more prolonged than we expect, resulting in a persistent rise in its debt burden. This could occur, for example, if the council adds to its infrastructure spending pipeline without accompanying revenue increases.

Upside scenario

We could raise our ratings on Waimakariri if we observe a sustained upturn in its budgetary performance, leading to a declining debt burden or stronger liquidity coverage.

Wellington City Council

The negative outlook reflects our view that Wellington City Council's financial management could weaken, particularly if budgetary outcomes underperform our expectations over the next two

years.

Downside scenario

We could lower our ratings on Wellington City if we consider the council's financial management is weakening. This could occur if large deficits after capital accounts persist because revenue or expenses do not meet our forecasts. This could also weaken the council's liquidity coverage.

Upside scenario

We could revise our outlook on Wellington City to stable if its budgetary outcomes improve over the next two years, leading to stabilization of its debt as a proportion of operating revenue.

Western Bay of Plenty District Council

The negative outlook reflects our view that Western Bay of Plenty District Council's fiscal and debt metrics may underperform our forecasts or liquidity may weaken.

Downside scenario

We could lower our ratings on Western Bay if its budgetary performance weakens or debt and interest burdens rise because the council displays less ability to raise revenue or reduce expenditure than we believe it can. This could pressure the council's liquidity coverage.

Upside scenario

We could revise our ratings on Western Bay to stable if its budgetary performance is better than we forecast, reducing the council's debt and interest expense trajectory. This could cause us to reassess our view of the council's financial management.

Whanganui District Council

The stable outlook reflects our view that Whanganui District Council's financial position will remain a key strength and limit the size of its deficits after capital accounts.

Downside scenario

We could lower our ratings on Whanganui if management deviates from its financial strategy, resulting in larger and persistent deficits after capital accounts. This could also weaken liquidity coverage.

Upside scenario

We could raise our ratings on Whanganui if the council were to achieve consistently strong financial outcomes. A sustained upturn in budgetary performance driving its debt burden substantially lower than we forecast could demonstrate this.

Webinar

S&P Global Ratings will host a webinar and Q&A at 2pm Auckland time, on Thursday, March 20, 2025, to discuss today's rating actions. Details on the webcast will shortly be available on the following weblink:

<https://event.on24.com/wcc/r/4901525/CCEAE0B2F734FD7D445565A406FAC6D4?partnerref=MR>

New Zealand Councils--Ratings score snapshot

Entity	Institutional framework	Economy	Financial management	Budgetary performance	Liquidity	Debt burden	Stand-alone credit profile	Long-term issuer credit rating	Outlook
Bay Of Plenty Regional Council	2	2	2	4	1	5	aa-	AA-	Stable
Christchurch City Council	2	1	3	3	2	4	aa-	AA-	Stable
Dunedin City Council	2	2	2	4	2	4	aa-	AA-	Negative
Greater Wellington Regional Council	2	1	1	4	1	4	aa	AA	Negative
Hamilton City Council	2	1	3	4	2	5	a	A	Stable
Hastings District Council	2	2	2	4	2	5	a+	A+	Stable
Hutt City Council	2	2	3	4	2	4	a+	A+	Stable
Kapiti Coast District Council	2	2	2	3	2	5	aa-	AA-	Stable
Marlborough District Council	2	2	1	3	2	4	aa-	AA-	Stable
Nelson City Council	2	2	2	4	1	4	aa-	AA-	Stable
New Plymouth District Council	2	2	2	3	1	4	aa	AA	Stable
Palmerston North City Council	2	2	2	3	2	4	aa-	AA-	Stable
Porirua City Council	2	2	2	4	2	5	a+	A+	Stable

New Zealand Councils--Ratings score snapshot (cont.)

Entity	Institutional framework	Economy	Financial management	Budgetary performance	Liquidity	Debt burden	Stand-alone credit profile	Long-term issuer credit rating	Outlook
South Taranaki District Council	2	3	2	3	1	4	aa-	AA-	Stable
Tasman District Council	2	2	2	3	1	4	aa-	AA-	Stable
Taupo District Council	2	2	1	2	1	4	aa	AA	Stable
Waimakariri District Council	2	2	2	3	2	4	aa-	AA-	Stable
Wellington City Council	2	1	2	3	1	5	aa-	AA-	Negative
Western Bay Of Plenty District Council	2	2	2	3	1	4	aa	AA	Negative
Whanganui District Council	2	3	2	3	1	4	aa-	AA-	Stable

Related Criteria

- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- Criteria | Governments | International Public Finance: Methodology For Rating Local And Regional Governments Outside Of The U.S., July 15, 2019
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- General Criteria: Rating Government-Related Entities: Methodology And Assumptions, March 25, 2015
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- New Zealand Local Governments Face Rising Fiscal Imbalances And Less Certain Policy Settings, March 17, 2025
- New Zealand Councils' Institutional Framework Lowered On Rising Debt, Feb. 26, 2025
- Institutional Framework Assessments For Local And Regional Governments Outside Of The U.S., Feb. 24, 2025

Ratings List

***** Bay Of Plenty Regional Council *****

Ratings Affirmed

Bay Of Plenty Regional Council

Issuer Credit Rating	AA-/Stable/A-1+
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***** Christchurch City Council *****

Downgraded; CreditWatch/Outlook Action; Ratings Affirmed

To	From
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Christchurch City Council

Christchurch City Holdings Ltd.

Issuer Credit Rating	AA-/Stable/A-1+	AA/Negative/A-1+
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***** Dunedin City Council *****

Downgraded; Ratings Affirmed

To	From
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Dunedin City Council

Dunedin City Treasury Ltd.

Issuer Credit Rating	AA-/Negative/A-1+	AA/Negative/A-1+
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***** Greater Wellington Regional Council *****

Downgraded; Ratings Affirmed

To	From
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Greater Wellington Regional Council

Issuer Credit Rating	AA/Negative/A-1+	AA+/Negative/A-1+
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WRC Holdings Ltd.

Issuer Credit Rating

Local Currency	AA/Negative/A-1+	AA+/Negative/A-1+
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***** Hamilton City Council *****

Downgraded; CreditWatch/Outlook Action; Ratings Affirmed

To	From
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Hamilton City Council

Issuer Credit Rating	A/Stable/A-1	A+/Negative/A-1
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***** Hastings District Council *****

Downgraded; CreditWatch/Outlook Action

To	From
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Hastings District Council

Issuer Credit Rating	A+/Stable/A-1	AA-/Negative/A-1+
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***** Hutt City Council *****

Downgraded; CreditWatch/Outlook Action

	To	From
Hutt City Council		
Issuer Credit Rating	A+/Stable/A-1	AA-/Negative/A-1+

***** Kapiti Coast District Council *****

Downgraded; CreditWatch/Outlook Action; Ratings Affirmed

	To	From
Kapiti Coast District Council		
Issuer Credit Rating	AA-/Stable/A-1+	AA/Negative/A-1+

***** Marlborough District Council *****

Downgraded; CreditWatch/Outlook Action; Ratings Affirmed

	To	From
Marlborough District Council		
Issuer Credit Rating	AA-/Stable/A-1+	AA/Negative/A-1+

***** Nelson City Council *****

Downgraded; CreditWatch/Outlook Action; Ratings Affirmed

	To	From
Nelson City Council		
Issuer Credit Rating	AA-/Stable/A-1+	AA/Negative/A-1+

***** New Plymouth District Council *****

Downgraded; CreditWatch/Outlook Action; Ratings Affirmed

	To	From
New Plymouth District Council		
Issuer Credit Rating	AA/Stable/A-1+	AA+/Negative/A-1+

***** Palmerston North City Council *****

Downgraded; CreditWatch/Outlook Action; Ratings Affirmed

	To	From
Palmerston North City Council		
Issuer Credit Rating	AA-/Stable/A-1+	AA/Negative/A-1+

***** Porirua City Council *****

Downgraded; CreditWatch/Outlook Action

	To	From
Porirua City Council		
Issuer Credit Rating	A+/Stable/A-1	AA-/Negative/A-1+

Various Rating Actions Taken On New Zealand Councils On Lower Institutional Framework Assessment

***** South Taranaki District Council *****

Downgraded; CreditWatch/Outlook Action; Ratings Affirmed

	To	From
South Taranaki District Council		
Issuer Credit Rating	AA-/Stable/A-1+	AA/Negative/A-1+

***** Tasman District Council *****

Downgraded; CreditWatch/Outlook Action; Ratings Affirmed

	To	From
Tasman District Council		
Issuer Credit Rating	AA-/Stable/A-1+	AA/Negative/A-1+

***** Taupo District Council *****

Downgraded; CreditWatch/Outlook Action; Ratings Affirmed

	To	From
Taupo District Council		
Issuer Credit Rating	AA/Stable/A-1+	AA+/Negative/A-1+

***** Waimakariri District Council *****

Downgraded; CreditWatch/Outlook Action; Ratings Affirmed

	To	From
Waimakariri District Council		
Issuer Credit Rating	AA-/Stable/A-1+	AA/Negative/A-1+

***** Wellington City Council *****

Downgraded; Ratings Affirmed

	To	From
Wellington City Council		
Issuer Credit Rating	AA-/Negative/A-1+	AA/Negative/A-1+

***** Western Bay of Plenty District Council *****

Ratings Affirmed

Western Bay of Plenty District Council

Issuer Credit Rating	AA/Negative/A-1+
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***** Whanganui District Council *****

Downgraded; CreditWatch/Outlook Action; Ratings Affirmed

	To	From
Whanganui District Council		
Issuer Credit Rating	AA-/Stable/A-1+	AA/Negative/A-1+

AUSTRALIA

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