

Submitted via email

SUBMISSION TO THE DEPARTMENT OF INTERNAL AFFAIRS ON THE PROPOSED RATES TARGET MODEL

Thank you for the opportunity to provide feedback on the proposed target rate model (the proposal).

Queenstown Lakes District Council (QLDC or Council) is supportive of the government's aim to address cost-of-living issues but has several points of concern regarding the proposal and its efficacy in reducing the financial burden on ratepayers.

High level feedback on the proposal is summarised below.

- QLDC broadly supports the submissions of Taituarā and Local Government New Zealand (LGNZ),
- QLDC brings attention to the wide range of local government reforms impacting the sector, and the consequences the introduction of a rate target band may have during times of uncertainty,
- QLDC calls for the inclusion of region-specific indicators to the target rate formula, these include:
 - The cost of accommodating visitors and population fluctuations (particularly at peak seasons),
 - The accurate rate of local population and economic growth,
- The impact alpine geography and natural hazard risks have on infrastructure costs and the long-term consequences deferring spending may have on future generations,
- The consideration of external price shocks outside of councils' control, such as inflation, rising asset and construction costs into the proposed formula,
- QLDC also brings the following to Ministers' attention:
 - the potential fiscal consequences of introducing a target rate model on council credit ratings, and
 - other avenues where cost-of-living concerns for ratepayers can be alleviated, such as through:
 - charging of rates to large areas of land managed by Department of Conservation (DOC) and Land Information New Zealand (LINZ) in the district,
 - allowing high visitation councils (such as QLDC) to more directly recover the costs of providing services to visitors through accommodation levies,
 - the benefit of an increased proportion of the International Visitor Levy (IVL) going towards local authorities and Department of Conservation (DOC) to fund visitor related activities.

Due to the consultation timeline, this submission will be ratified by Council retrospectively at the next Council meeting.

Thank you again for the opportunity to comment.

Yours sincerely,



John Glover
Mayor



Mike Theelen
Chief Executive

SUBMISSION ON THE PROPOSED RATES TARGET MODEL

1.0 General feedback on the proposal and outline of submission

- 1.1 Queenstown Lakes is a large alpine district that is both one of the fastest growing districts in the country, and New Zealand's most sought-after visitor destination. Considering the local context of tourism and growth is essential to understanding the pressures facing the district. For this reason, a 'one-size-fits-all' rate target formula that does not incorporate Queenstown Lakes characteristics is opposed by Council.
- 1.2 This submission details how the proposed formula can better reflect local conditions and provides feedback on the proposal in general. These recommendations support and expand on submissions made by Taituarā and LGNZ.
- 1.3 It is worth noting that the feedback on the proposal reflects the time and detail that was provided to councils. Presenting policy proposals that practically outline implementation details, methodologies, as well as allowing sufficient time for input, will increase both the quality and usability of feedback provided.
- 1.4 As a more general point regarding the efficacy of the proposed model, assuming a 'steady state', where New Zealand's infrastructure deficits are addressed by July 2029, does not represent reality. As detailed in several reports and briefings, New Zealand's infrastructure deficit is significant, and would require a variety of tools and approaches to address over decades¹. A target on rates that assumes New Zealand's infrastructure deficit will be addressed places significant pressure on councils and does not allow sufficient time to address deficits. The target date's artificial timeline is also likely to push up procurement prices as councils compete for scarce resources in construction and procurement.
- 1.5 A 'rates target model' coupled with other financing reforms may also be ineffective in reducing cost-of-living for New Zealanders in aggregate. While proposed changes to councils' funding 'toolkit', such as the Infrastructure Funding and Financing Act (IFFA), provides tools to fund infrastructure intergenerationally; New Zealanders are still ultimately required to foot the bill through other means/mechanisms. This is particularly the case in high growth councils (such as Queenstown Lakes) where cost of living is unlikely to be alleviated through increased supply of housing. Considering the proposals primary policy objective is to reduce cost of living, other policy solutions may prove more effective to achieve this aim.
- 1.6 QLDC encourages the Minister to continue pursuing policy solutions outside of increasing the regulatory burden on councils, such as through the regional deal framework. It is through the maturation of these additional policy tools that will allow councils' to 'provide the basics brilliantly' and reduce cost of living. Policy and funding solutions such as accommodation levies and redirecting an increasing proportion of the IVL to local authorities, which can only be enabled by central government support, also prove promising as ways to provide real relief to local ratepayers in high visitation districts.
- 1.7 QLDC also brings attention to the competing, and often contradicting, demands on local governments. Calls to focus on 'the basics' are also met with demands to increase services, in areas such as recreational and

¹ <https://media.umbraco.io/te-waihangā-30-year-strategy/lh5m5gou/new-zealand's-infrastructure-challenge-quantifying-the-gap.pdf>

cultural facilities, by communities, government agencies, and local members of parliament. Negotiating these trade-offs is central to the local democratic process. A target rate model reduces council's already limited capacity in providing services in areas with strong support, such as social infrastructure, as well as its ability to negotiate these decisions at a local level. Council calls for policy levers that enhance, not replace, the role communities play in shaping investment priorities - whilst national standards can be used as regulatory standards ensure the basics are provided.

- 1.8 QLDC urges the Minister to consider the wide range of reforms currently impacting local government when phasing implementation of rates targeting and providing clarity to councils ahead of their long-term planning. Responding to, and implementing, a once in a generation series of local government reforms is stretching council resources, diverting capacity from essential services, and making it difficult to undertake long-term planning. Constraints on council revenue sources places pressure on organisational capacity, adding more complexity and pressure on the sector which is undergoing multiple-change processes.

2.0 The Queenstown Lakes context of tourism, growth and geography

Tourism and economic growth should be incorporated into the formula

- 2.1 Queenstown Lakes is New Zealand's premier domestic and international tourism destination². There are, on average, 0.5 visitors per resident in the district, and at peak times this increases to 1.25³. This means that the district's population (both residents and visitors) fluctuates between approximately 80,000 and 120,000 people depending on the time of year. This is more than double the typical resident population quoted in the Department of Internal Affairs (DIA's) council profile. In comparison to other districts, Queenstown Lakes has 87 guest nights for every local resident annually, while across New Zealand there are just 7.5 visitor guest nights per capita. This comparison does not consider visitors staying in short term rentals (such as Airbnb and Bookabach) which would inflate the figure further.⁴
- 2.2 This context means the typical resident population in rates target model for Queenstown Lakes would underestimate QLDC's service level burden, particularly during population peaks. While QLDC acknowledges that the district is an outlier, having a model which does not consider outliers risks penalising certain councils with high growth and visitation levels. This is especially the case when there are currently limited practicable funding mechanisms to charge visitors directly for infrastructure usage, such as visitor/accommodation levy at a local level.
- 2.3 The proposed formula also doesn't capture the need to protect and enhance the visitor experience and provide for high rates of growth. Growth necessitates proactive investment in capital intensive infrastructure and the acquisition/holding of land and assets, adding further to borrowing costs. Providing for growth proactively is also required for councils under the various pieces of legislation and the National Policy Statement on Urban Development (NPS-UD). The backwards looking nature of the indicators, as highlighted by Taituarā's early input, may further delay QLDCs ability to undertake essential projects proactively,

² <https://teic.mbie.govt.nz/teiccategories/datareleases/ivs/>

³ <https://www.qldc.govt.nz/community/population-and-demand/>

⁴ <https://webrear.mbie.govt.nz/theme/guest-nights-per-capita/map/timeseries/2025/new-zealand?areatype=ta&right-transform=absolute>

encouraging a more reactive approach to infrastructure spending. In this sense, a reactive spending model would be inimical to the governments objectives of increasing economic growth, as well as the quality of services for residents, through its impact on growth councils' ability anticipate the infrastructure demands that come with growth.

- 2.4 To better reflect the district's population characteristics, QLDC has developed its own demand projections.⁵ These projections more accurately represent population (including visitors), the rate of growth experienced, and forecasts population seasonality peaks. QLDC recommends that regional datasets and methodologies, such as QLDC's demand projections, are incorporated into rates target formula to better reflect the need to provide infrastructure in a high growth district.

The proposal does not appropriately accommodate high growth councils

- 2.5 Queenstown Lakes District has the highest average Gross Domestic Product (GDP) growth in the country over the last 24 years. Queenstown Lakes average real GDP growth rate of 5.98%, from 2000 to 2024, far outpaces the 2.74% average across the country⁶. Factoring in local GDP, as opposed to using national averages, will ensure the proposed rate target formula accounts for differential rates of growth seen across the country accurately.
- 2.6 In addition to economic growth, the average population growth in Queenstown Lakes over the last 10 years was 4.9%, this is more than double the 1.5% per annum across the rest of New Zealand⁷. Considering the rapid pace of population growth is also essential, this is especially the case when many national statistical datasets underestimate the rate of growth in Queenstown Lakes.
- 2.7 Funding growth has necessitated building large capital-intensive infrastructure projects, which comes with high levels of borrowing. This adds to the cost of living and exposes high growth councils to market shocks, such as inflation, interest rate changes and commodity price spikes. As highlighted in the Taituarā and LGNZ's submissions, infrastructure costs have increased faster than inflation, putting pressure on councils' bottom lines. This is particularly relevant for asset heavy growth councils, such as QLDC, which saw a marked rise in three waters infrastructure and transport valuations. QLDC calls for the addition of relevant cost indices and incorporation of external price shocks and inflation to be included in the formula to better reflect real cost pressures experienced by the sector. These indices can take the form of an independently created 'local government inflation metric', or some other indicator, which more accurately reflects real costs of providing services (such as materials to build infrastructure etc.) and can be incorporated alongside existing elements in the formula.
- 2.8 Due to the fiscal pressures of growth, tourism and rising costs, QLDC has taken the approach of 'getting the basics right' in its 2024-34 Long-Term Plan (LTP), prioritising essential infrastructure and choosing not to take on discretionary projects. The DIAs performance comparison shows QLDC allocated ~90% of its capital expenditure towards three waters and roading related activities alone⁸, the second highest proportion in the

⁵ <https://www.qldc.govt.nz/community/population-and-demand/>

⁶ <https://regions.infometrics.co.nz/queenstown-lakes-district/economy/growth?compare=new-zealand>

⁷ [Regional Economic Profile | Queenstown-Lakes District | Economic growth](#)

⁸ [local government performance metrics - dia.govt.nz](#)

large metro group⁹. With an already high proportion of both operational and capital expenditure going towards infrastructure, interest payments, and funding depreciation, a limit on rate rises may further reduce fiscal headroom for QLDC. This may result in many councils, including QLDC, not appropriately funding depreciation, effectively deferring the burden of funding infrastructure maintenance and renewals onto future generations.

- 2.9 Growth related fiscal pressures may also impact QLDCs credit ratings and its ability to borrow. This may, again, necessitate a reduction in service provision and appropriately funding depreciation. The ability for councils to raise revenue through rates is often referred to as an indication of credit worthiness by rating agencies. Reducing councils' ability to raise revenue would run the risk of ultimately increasing the price of infrastructure further, limiting councils' ability to address infrastructure deficits. Both the NZ Treasury and Taituarā have raised similar implications, either through cabinet papers, reports or submissions to relevant Ministers¹⁰.
- 2.10 The ability to request exceptions to exceed the target rate band through variations is welcomed by QLDC as a necessary process, particularly for high growth councils. However, creating an additional process through this variation, that relies solely on regulatory discretion, minimises the voice of local elected decision makers. Councils already consult with their communities closely on spending during their long-term planning and are held accountable through the democratic process, as well as through a large range of national standards, regulations and audits. The creation of additional regulations and oversight may again be inimical to the governments objectives of providing regulatory relief, promoting local decision making and reducing costs in both central and local government. Council calls for more autonomy to determine their own budgets and greater funding and financing tools to better fund essential services in response to community needs as determined by the democratic process.

Geographical characteristics should also be incorporated into the proposed formula

- 2.11 At 8,719 square kms QLDC's land area is more than double the next biggest council in the DIA's large metro group (Dunedin at 3,286 square kms).¹¹ This large land area, coupled with mountainous alpine terrain and seismic/climate risks means that complex and costly infrastructure projects are needed to ensure visitors and residents can travel safely. Not considering the need to improve natural hazard resilience, as well as QLDCs terrain and low population density would misrepresent the service burden on local ratepayers.
- 2.12 QLDCs ability to finance the renewal of this essential infrastructure is exacerbated by rating exemptions for large areas of land in the district that are managed by Government agencies, such as DOC and LINZ. Queenstown Lakes has and has a significant proportion of government managed land and government payment rates would therefore reduce the burden on the district's ratepayer base. QLDC calls for the exploration of these opportunities, as well as local accommodation levies, and allocating a greater proportion of the International Visitor Levy (IVL) to local authorities, as means to provide cost-of-living relief to local ratepayers in high visitation districts.

⁹ local.government.performance.metrics-dia.govt.nz

¹⁰ <https://www.treasury.govt.nz/sites/default/files/2025-08/oia-20250515.pdf>

¹¹ [dia.govt.nz/diawebsite.nsf/Files/Local-council-performance--metrics/\\$file/Large-Metro-Group-\(M\)-July-2025-v2.pdf#page=12.99](http://dia.govt.nz/diawebsite.nsf/Files/Local-council-performance--metrics/$file/Large-Metro-Group-(M)-July-2025-v2.pdf#page=12.99)

Recommendations

R1. QLDC calls for greater clarity in the proposal to better understand their implications on the district and formulate practicable points of feedback for government agencies.

R2. Consider tourism-related metrics that are often undercounted, including non-commercial accommodation and freedom camping activity, to capture the true scale of visitor demand on infrastructure and services.

R3. Recognise the pressures on high-growth councils and the district's rapid population increases are often underestimated by national statistics. Formulas should use local and regional datasets/methodologies, these include localised population growth rates and local GDP growth rates.

R4. Account for external price shocks in the formula, such as inflation, construction cost escalation, interest rate volatility, and other factors outside council control through the inclusion of local-government-specific cost indices.

R5. Provide sufficient fiscal headroom in the model so councils can fund essential infrastructure, depreciation, and renewals.

R6. Avoid adding regulatory processes that override or duplicate local democratic accountability, ensuring any variation process supports, not replaces, the role of elected members.

R7. Incorporate geographical characteristics, such as alpine terrain, large land area, low population density, and natural hazard risk/resilience requirements, to ensure the formula accurately reflects service cost drivers.

R8. Explore other avenues to provide relief to ratepayers in high visitation councils; these include, rating of Crown-owned land (DOC and LINZ), introduction of local accommodation levies, and allocating a greater proportion of the IVL to high visitation councils.

R9. Prioritise partnership-based approaches, including regional deals, as a constructive alternative to additional regulatory controls and a means to developing region-appropriate funding solutions.