

**Full Council**

**13 February 2025**

**Report for Agenda Item | Rīpoata moto e Rāraki take [1]**

**Department: Corporate Services**

**Title | Taitara: Annual Plan 2025-2026 Consultation**

**Purpose of the Report | Te Take mō te Pūroko**

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The purpose of this report is to recommend that the Annual Plan 2025-2026 does not require formal consultation. The report does however recommend informing the community on the Annual Plan and Development Contributions changes. This will provide the opportunity for community feedback. A consultation process for fees and charges changes will be conducted.

**Recommendation | Kā Tūtohuka**

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That the Council:

1. **Note** the contents of this report;
2. **Confirm** the recommendation not to undertake formal consultation on the 2025/26 Annual Plan, on the basis that the proposed Annual Plan includes no significant or material differences from the content of the Long Term Plan (Year 2);
3. **Agree** to informing the community on the Annual Plan 2025-2026 and providing opportunity for feedback;
4. **Agree** that proposed changes to fees and charges will be subject to a public consultation process 21 March - 30 April 2025; and
5. **Agree** to include proposed changes to Development Contributions on an informing basis noting these changes are not subject to consultation.

**Prepared by:**



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4 February 2025

**Reviewed and Authorised by:**

**Reviewed and Authorised by:**



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4 February 2025



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## Context | Horopaki

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1. As per the Local Government Act 2002 (LGA), Queenstown Lakes District Council (QLDC) is required to adopt a Long Term Plan (LTP) once every three years and in the two intervening years Council is required to prepare and adopt an Annual Plan. The purpose of an Annual Plan includes: setting out budgets for the coming financial year, identifying any variations from the financial statements and funding impact statement included in the LTP for the relevant year (Year 2), and providing the basis for Council striking the rates.
2. QLDC adopted its LTP 2024-2034 in September 2024. This was approximately three months later than the standard requirement to adopt an LTP by 30 June because the process was extended by Central Government. It directed the re-inclusion of three waters throughout the full ten years of the plan in December 2023. LTP and Annual Plan documents are normally required (LGA) to be adopted before the commencement of the financial year(s) to which they relate.
3. The LGA provides that local authorities must consult with the public during the Annual Plan process if the Annual Plan includes *significant* or *material* differences from the content of the LTP for the financial year to which the proposed Annual Plan relates. However, under s95(2A) of the LGA, where there are no significant or material differences from the content of LTP and the financial year to which an Annual Plan relates, the Council is not required to consult as part of the development of the Annual Plan.
4. Council's Significance and Engagement Policy sets out the degree of significance attached to particular Council issues, proposals, decisions and activities and provides direction about when communities can expect to be engaged in the decision-making process.
5. As a reminder, the LTP 2024-2034 had very little discretionary spend in the first three years and was built using a "getting the basics right first" approach. This approach enabled QLDC to stay within the borrowing limits and considered rates affordability.
6. Annual Plans in the intervening years between LTPs are an opportunity to make adjustments to the LTP. This paper proposes that community engagement be undertaken in the form of an informing campaign (with an opportunity to provide feedback) on the plan for 2025-2026 and to update LTP projects. It is proposed to seek feedback during April 2025.
7. In accordance with the Significance and Engagement Policy, Council will provide the public with balanced and objective information to assist them in understanding the information contained within the plan and progress since the LTP 2024-2034 was adopted. This would involve the distribution of an information booklet, both in hard copy and online, and an advertising campaign to generate awareness. The community would be encouraged to discuss any concerns directly with their local councillor or share general comments using an online forum tool on the Let's Talk platform. This community engagement is not using the process under s82 of the LGA (i.e. formally consulting). There is no opportunity for formal submissions and hearings. Consultation always remains an option, though the council is not proposing any new programmes of projects or major changes in funding requirements that would normally be the basis of formal consultation.

## Analysis and Advice | Tatāritaka me kā Tohutohu

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### LTP Year 2 Adjustments

8. Since the LTP was approved in September 2024, some financial adjustments for operating income and expenditure have been made for Year 2 (2025-2026). Some of these result from externalities beyond Council's control, and others have been made in order to manage budgets. The average rates increase for 2025-2026 is not expected to exceed 13.5% as indicated in year 2 of the LTP, based on the projection of 34,727 rating units.
9. There is no change proposed to any levels of service from the LTP 2024-2034. The adjustments below maintain the levels of service.
10. The adjustments are:
  - a. **Infrastructure maintenance.** Infrastructure maintenance costs to QLDC have increased by \$4M in 2025-2026 relative to what was in Y2 of the LTP. This includes a \$1.5M increase in cost due to Central Government Emissions Trading Scheme changes. The remainder relates to increased costs for various infrastructure maintenance contracts relating to roading and waste management.
  - b. **NZTA subsidy.** The NZTA National Land Transport Programme 2024-2027 which was announced post the LTP being approved resulted in a decrease of NZTA OPEX subsidy to QLDC of \$0.6M in 2025-2026 relative to what was in the LTP.
  - c. **Salary and wages.** A robust review was undertaken for salaries and wages which significantly reduced the projected uplift in the 2025/26 budget. The challenging focus has been to ensure staffing levels are appropriate (e.g. Property and Infrastructure and Planning and Development reviews) and maintain market parity, which includes living wage and updating the parental leave policy. The remuneration approach is aligned with the workforce strategy, that is, continuing to be a good employer and employer of choice. For 2025/26, Strategic Pay provided more up-to-date projections compared to the ten-year projected salary increases that were provided by Business and Economic Research Limited (BERL), at the time of the LTP. Inclusive of the staff reviews, living wage and parental leave commitments the salaries and wages expenditure shows \$0.8M increase in 2025-2026, compared to the LTP.
  - d. **Electricity.** Electricity expenditure is expected to increase by \$0.5M for 2025-2026 relative to what was in the LTP.
  - e. **Depreciation.** Depreciation expenditure is expected to increase by \$1.5M in 2025-2026 relative to what was in the LTP. A significant portion of this is due to an increase in the value of vested assets to QLDC in the prior year from developers.
  - f. **Dividends.** Dividend revenue is expected to increase by \$0.5M in 2025-2026 relative to what was in the LTP. This is due to a larger dividend forecast in the Queenstown Airport Corporation Statement of Intent. Note dividends repay borrowings and do not reduce rates (apart from some interest savings associated with debt repayment).

- g. **Professional Services.** A review of expenditure on professional services has resulted in a \$1.6M decrease in 2025-2026 relative to what was in the LTP.
  - h. **Traffic and parking infringements.** Traffic and parking infringements expected to result in \$1.2M additional operating income to QLDC in 2025-2026 relative to what was in the LTP. This is due to Central Government parking fee changes and is separate to any revenue resulting from parking fee increases proposed by QLDC for 2025-2026 which is included in the roading and transport activity.
  - i. **Interest rate updates.** Updated Bancorp projected interest rates for 2025-2026 are less than those that were used in the LTP. This results in decreased operating expenditure of \$2M in 2025-2026 to what was in the LTP.
  - j. **Proposed changes to fees and charges and development contributions.** Proposed increases to fees and charges. Largely in line with CPI inflation of 2.6% plus rounding. At time of writing, fee increases outside of CPI are proposed for parking, planning and development, dog registration and sport and recreation. Development contributions are to increase in line with the Stats NZ Producers Price Index, as allowed in the LGA.
  - k. **Average rates increase.** Financial funding analysis is ongoing at the time of writing. There are possible updates that may impact the rates increase for 2025-2026.<sup>1</sup> The average rates increase for 2025-2026 is not expected to exceed 13.5% as indicated in year 2 of the LTP, based on the projection of 34,727 rating units.
11. Each of the items outlined above have been considered against the statutory test for a significant and material difference from what was planned for 2025-2026 in the LTP. The criteria outlined in the Significance and Engagement Policy were applied. This assessment concludes that the changes are not significant or material. It is therefore recommended that formal consultation on the Annual Plan 2025-2026 is not legally required, in line with s95(2A) of the LGA.
12. No changes proposed affect policies which automatically trigger consultation (irrespective of significance or materiality) under the LGA.

#### *Fees and charges*

13. The proposed changes to fees and charges are intended to be released for public consultation 21 March – 30 April 2025 through a Statement of Proposal (SOP). Hearings and Deliberations on the submissions will be scheduled for late May 2025.
14. Annual inflationary updates to Development Contributions in line with the Producers Price Index are permitted without consultation under LGA s106(2B) and (2C). QLDC intends to undertake such an update to its Development Contributions for 2025-2026, as indicated in the LTP. Information on the proposed changes to Development Contributions will be provided as part of the fees and charges consultation to inform the community.

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<sup>1</sup> Average rates increases are subject to the standard yearly process of assessing the actual number of rateable units in the District against that number as planned in the LTP, and in 2025, the three-yearly QV revaluation process taking place across the District.

### *Capital expenditure*

15. Adjustments to the timing of expenditure on QLDC capital projects are approved through reforecast decisions by Council. Two reforecasts for capital projects were approved by Council in October and December 2024. There will be a further reforecast of capital projects prior to the adoption of Annual Plan 2025-2026 in June. The Annual Plan will present capital project information for 2025-2026 resulting from Council reforecast decisions, with emphasis on how any expenditure timings differ from what was planned in the LTP.
16. No adjustments impact on existing levels of service, they are not significantly or materially different from what was included in the LTP capital programme, and no projects included in the LTP are being removed.
17. The overall quantum of current planned changes to capital expenditure in 2025-2026, compared to the LTP, is a decrease of \$3.5M.<sup>2</sup>

### *Options*

18. Notwithstanding the recommendation that there is not a legal requirement for consultation on QLDC's Annual Plan 2025-2026, it remains a decision of Elected Members.
19. This report identifies and assesses the following reasonably practicable options for assessing the matter as required by section 77 of the LGA.
20. Option 1 – Undertake formal consultation with the community on Annual Plan 2025-2026

#### *Advantages:*

- Provides members of the community the opportunity to make formal submissions and hold hearings on the draft Annual Plan for 2025-2026.

#### *Disadvantages:*

- The Council is not proposing any substantive change in its year 2 programme and is therefore not actively seeking community feedback on any new programme or funding options, which makes full consultation unnecessary.
- Formal consultation incurs a higher cost to ratepayers than other options.
- The shortened timeframe between deferred LTP consultation in June-July 2024 and the consultation of this Annual Plan in March-April 2025 would likely result in consultation fatigue in relation to QLDC's high level LTP and Annual Plan documents.

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<sup>2</sup> In 2024-2025 dollars.

21. Option 2 – Inform the community on Annual Plan 2025-2026

*Advantages:*

- Enables the community to be reacquainted with Councils agreed LTP and Year 2 programme.
- Avoids creating the expectation that substantive change is proposed or able to be accommodated in the plan and confirms the (LTP) approach adopted in September 2024.
- The community will be able to engage with the Annual Plan and have the opportunity to share their views through feedback.
- Is more cost effective than developing and running a full consultation process.

*Disadvantages:*

- There may be some existing expectation of a formal consultation, submission and hearing process.

22. Option 3 – No formal consultation or informing the community on Annual Plan 2025-2026

*Advantages:*

- Avoids inviting submissions when no other activities can be accommodated within 2025-2026. This option also precludes unnecessary workload and assists with the reduction in consultation fatigue.

*Disadvantages*

- Not providing for either formal consultation or informing the community on the Annual Plan provides an option that is too closed off to the community. It misses an opportunity to inform the community on the progress being made to implement plans for 2025-2026 as articulated in the LTP.

23. This report recommends **Option 2** for addressing the matter because the advantages outweigh the disadvantages.

Consultation Process | Hātepe Matapaki

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**Significance and Engagement | Te Whakamahi I kā Whakaaro Hiraka**

24. This matter is of low significance, as determined by reference to the Council's Significance and Engagement Policy 2024.

25. The persons who are affected by or interested in this matter are residents/ratepayers of the Queenstown Lakes district community.

26. The Council adopted the LTP 2024-2034 after extensive consultation with the community and a public process of hearings and deliberations in between June – July 2024.

#### **Māori Consultation | Iwi Rūnaka**

27. The Council engage with Te Ao Marama Incorporated and Aukaha as representatives of our treaty partnership with Kāi Tahu as part of the LTP process. There are no changes planned in 2025-2026 that engage any issues raised by Te Ao Marama or Aukaha through that process.

#### **Risk and Mitigations | Kā Raru Tūpono me kā Whakamaurutaka**

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28. This matter relates to the Regulatory/Legal/Compliance risk category. It is associated with RISK10013 Unexpected change in cost or funding within the QLDC Risk Register. This risk has been assessed as having a very high residual risk rating.

29. The approval of the recommended option will allow Council to avoid the risk. There is little opportunity to change the 2025-2026 Annual Plan due to the tight financial constraints as the basics is all that can be afforded within the debt limits and rate increase limits.

#### **Financial Implications | Kā Riteka ā-Pūtea**

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30. As indicated in paragraph 10 of this report, there have been some proposed financial changes to Y2 of the LTP.

#### **Council Effects and Views | Kā Whakaaweawe me kā Tirohaka a te Kaunihera**

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31. The following Council policies, strategies and bylaws were considered:

- Long Term Plan 2024-2034
- Significance and Engagement Policy
- Revenue and Financing Policy
- Fees and Charges Policy
- Development Contributions Policy

32. The recommended option is consistent with the principles set out in the named policies.

#### **Legal Considerations and Statutory Responsibilities | Ka Ture Whaiwhakaaro me kā Takohaka Waeture**

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33. A review was undertaken of other Council approaches, Taituarā guidance material and legal advice. The approach that has been taken is common practice for Councils when the LTP has only just been approved.

34. There is no audit requirement for Annual Plans.



Local Government Act 2002 Purpose Provisions | Te Whakatureture 2002 o te Kāwanataka ā-Kiaka

35. Section 10 of the LGA states the purpose of local government is (a) to enable democratic local decision-making and action by, and on behalf of, communities; and (b) to promote the social, economic, environmental, and cultural well-being of communities in the present and for the future. The recommendation in this report is appropriate and within the ambit of Section 10 of the Act.

36. The recommended option:

- Can be implemented through current funding under the LTP and Annual Plan;
- Is consistent with the Council's plans and policies; and
- Would not significantly alter the intended level of service provision for any significant activity undertaken by or on behalf of the Council or transfer the ownership or control of a strategic asset to or from the Council.