

Smart Finance Committee

17 March 2026

Report for Agenda Item | Rīpoata moto e Rāraki take [5]

Department: Assurance, Finance & Risk

Title | Taitara: Investment Update

Purpose of the Report | Te Take mō te Pūroko

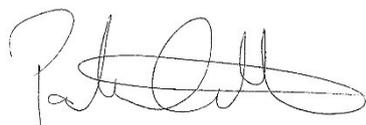
The purpose of this report is to provide an overview of Queenstown Lakes District Council's (QLDC's) current Balance Sheet Reserves Funds held for a specific purposes, recommended reserve treatments and next steps for future reporting on QLDC investments.

Recommendation | Kā Tūtohuka

That the Smart Finance Committee:

1. **Note** the contents of this report including the Capital Reserves held for a specific purpose balances;
2. **Recommend to Council** that the sale proceeds of 6 Merioneth Street, Arrowtown be allocated to the Arrowtown Endowment Land Reserve (\$0.4M), in line with the share of the original purchase price, and to repay general debt (\$1.6M);
3. **Recommend** that Council officers review further applications of use for the Queenstown Carpark reserve (\$1.1M), Queenstown Asset Sale Reserve (\$0.2M) with this potential use to be part of the 2027 – 2037 Long Term Plan process;
4. **Recommend** that Council officers review the appropriate accounting treatment for the Lakes Leisure fund of \$3.3M.

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26 February 2026

Reviewed and Authorised by:



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26 February 2026

Context | Horopaki

1. This is the first Investment Report presented under the new Smart Finance Committee structure, which includes responsibility for oversight of QLDC investments. This report provides a summary of QLDC's Capital Reserves funds that are held for a specific purpose and outlines recommended treatments for specific historical reserves.
2. QLDC has total Balance Sheet Reserves of \$44.7M, comprising:
 - a. Development Contributions Reserve – \$15.5M
 - b. Depreciation Reserves – \$14.5M
 - c. Transport Improvement Funds – \$4.2M
 - d. Several smaller historic or purpose specific reserves
3. These amounts reflect the 2024/25 Annual Report (Note 19).

Application of Development Contributions, Depreciation Reserves and the Transport Improvement Funds

4. The intent is for Council officers to make more proactive and transparent use of the Balance Sheet in future financial decision making.
5. The Council is allocating the Development Contributions to essential infrastructure – spanning roads, three waters, and community facilities – to service growth, while applying these funds to pay against growth loans to ensure the cost of new capacity is debt-serviced by development rather than the general ratepayer.
6. The Depreciation Reserves balance is getting allocated against renewal and replacement of long-term capital assets across infrastructure for the current 2025/26 financial year.
7. Also within the Balance Sheet Reserves is the Transport Improvement Funds balance as at 30 June 2025 of \$4.2M. This funding is reinvested into public and active transport improvements and is also used to help reduce the impact of transport-related rates. This has been applied to the 2025/26 Annual Plan and 2026/27 draft Annual Plan setting.

Sale of 6 Merioneth St, Arrowtown net proceeds

8. Elected Members requested a review of the \$2.1M sale proceeds from the recent sale of 6 Merioneth Street, Arrowtown.

9. The original acquisition was approved in a public excluded part of a Council Meeting held on 8 February 2007. As settlement has been achieved, QLDC is able to disclose the proposed funding for the purchase. This included an Arrowtown Endowment Land Reserve contribution of \$429,552.
10. Bearing in mind the Government Valuation at the time of purchase, 6 Merioneth Street was 29% of the purchase price of the historic Arrowtown Properties.
11. Returning the net sale proceeds to the Arrowtown Endowment Land Reserve is recommended to refund the amount contributed to the original purchase.
12. With net sales proceeds at \$2,054,008, 21% of this is proposed to be returned to the Arrowtown Endowment Land Reserve, being \$441,152.
13. The balance of the net proceeds (\$1,612,857) will stay as originally proposed and be allocated to repay debt.

Queenstown Asset Sale and Carpark Reserve:

14. Within the Balance Sheet reserves there are balances for Queenstown Carpark Reserve (\$1.1M) and Queenstown Asset Sale Reserves (\$0.2M). The background for these two reserve balances are:
 - a. Queenstown Carpark Reserve \$1.1M is an historic reserve made of previous sale of carparking land. The balance may be used to fund new carparking development or repay carparking debt.
 - b. The Queenstown Asset Sale reserve \$207k is an historic reserve made of previous sale of surplus Queenstown land. The balance may be used to fund new Queenstown community services capex (level of service (LOS) portion) or repay debt on Queenstown community services debt (LOS portion).
15. It is expected that officers will make use of these funds during the 2027 – 2037 Long Term Plan (LTP) financial setting process.
16. Within the Balance Sheet Reserves there is a balance of \$3.3M relating to Lakes Leisure Reserve. The background for this is:
 - a. Historic reserve made up of equity transferred from Lakes Leisure when it was wound up. This was required by the Trust Deed. The balance is not available to fund projects as no cash was transferred.
17. It is expected that officers will look to complete the appropriate accounting entries to reduce this balance to nil as part of the Annual Report 2025/26 process.

18. Within the Balance Sheet Reserve there is also a balance of \$4.8M for the Wānaka Asset Sale Reserve. This is managed by having any applications for use needing to be recommended by the Wānaka-Upper Clutha Community Board to Council.
19. Council receives a regular dividend from Queenstown Airport Corporation (QAC) via its 75.01% ownership stake. This dividend from QAC is allocated to repay generally funded debt.
20. For the June SMART Finance Committee, the Investment Report update will provide an overview of the following QLDC Assets within:
 - a. Investment Property;
 - b. Development Property;
 - c. Heritage Assets.
21. For the June SMART Finance Committee, the Investment Report will also provide an update on its working capital management and this alignment to council's Treasury Management.

Analysis and Advice | Tatāritaka me kā Tohutohu

Overview

22. This report provides an overview of QLDC's current Balance Sheet Reserves and Trust Funds and sets out clarifying actions for several historic reserves to improve transparency ahead of the 2027–2037 LTP.
23. The total Balance Sheet Reserves are \$44.7M, including major components for Development Contributions (\$15.5M), Depreciation Reserves (\$14.5M) and Transport Improvement Funds (\$4.2M). Development Contributions and Depreciation Reserves are being applied to growth projects and renewals respectively in 2025/26.
24. Transport Improvement Funds support public/active transport improvements and help offset transport related rates. These are noted here for completeness; no decision is sought on their deployment as part of this paper.
25. Queenstown Carpark Reserve (\$1.1M) and Queenstown Asset Sale Reserve (\$0.2M) Both are historic, purpose specific reserves. The Carpark Reserve can be used to fund new carparking development or repay carparking debt. The Queenstown Asset Sale Reserve can be used for Queenstown community service LOS capex or to repay LOS debt. Officers propose to develop options and bring recommendations through the 2027–2037 LTP process so decisions can be made in the context of broader capital priorities.

26. Lakes Leisure Reserve \$3M. This balance is noncash equity transferred when the Lakes Leisure Trust was wound up and retained for accounting continuity under the Trust Deed; no cash is available to fund projects.
27. Officers will complete the accounting entries in the 2025/26 Annual Report process to reduce this balance to nil. This corrects presentation and removes confusion about available funding.

Options for the allocation of the residual Sale Proceeds — 6 Merioneth Street, Arrowtown

28. Attachment C is the Council report from 20 March 2025 which provided delegation to sell this property. The financial implications stated that the proceeds will be used to repay debt or fund the purchase of new assets.
29. This report identifies and assesses the following reasonably practicable options for allocating the residual net proceeds (\$2,054,008) from the sale of 6 Merioneth Street, Arrowtown, after returning the 21% share (\$441,152) to the Arrowtown Endowment Land Reserve, reflecting the original contribution of the Arrowtown Endowment Lane Reserve to the purchase price. The remainder of the purchase price was mainly funded from debt.
30. Option 1 Allocate the residual to an existing Whakatipu based reserve (e.g., Queenstown Asset Sale Reserve)

Advantages

- Retains proceeds within the broader Wakatipu area, which may be seen as consistent with community expectations as the bulk of the funding of the purchase price was through a Wakatipu debt.
- Uses an established reserve with clear and appropriate purposes (e.g., LOS debt or capex).
- Avoids creating a new reserve.

Disadvantages

- May limit wider organisational flexibility compared with a district-wide allocation.
- Reserve purpose may not perfectly align with any future Arrowtown specific priorities.

31. Option 2 Create a new dedicated reserve for the residual proceeds

Advantages

- Provides the highest level of transparency and ring-fencing if Elected Members want the residual proceeds retained for a specific purpose (e.g., Arrowtown, Wakatipu, or district-wide community outcomes).

- Allows future LTP processes to set a tailored purpose and funding criteria.

Disadvantages

- Creates a new administrative workload for monitoring, reporting and auditing.
- May add unnecessary complexity if the reserve ends up functioning like an existing one.
- Elected Members would need to agree a clear purpose and scope to avoid ambiguity.

32. Option 3 Repay debt and split with Arrowtown Endowment Land Reserve in accordance with capital value at time of purchase

Advantages

- Continues to reduce interest costs and thereby rates.
- In line with the original resolution and LTP Financial Strategy that asset sales are used to repay debt and is in line with the original purchase which used debt to part fund the purchase.
- Creates debt headroom.

Disadvantages

- This benefits all ratepayers in the District. However, the Arrowtown Endowment Land Reserve would gain more financially under this option.

33. Option 4 Repay debt and split with Arrowtown Endowment Land Reserve in accordance with original contribution at time of purchase

Advantages

- Continues to reduce interest costs and thereby rates. Under this option, the reduction to interest costs will be higher than in Option 3.
- In line with the original resolution and LTP Financial Strategy that asset sales are used to repay debt and is in line with the original purchase which used debt to part fund the purchase.
- Creates debt headroom.

Disadvantages

- This benefits all ratepayers in the District.

Preferred Option

34. The preferred option is **Option 4** as it is consistent with other asset sales and is in line with the Financial Strategy.

Consultation Process | Hātepe Matapaki

Significance and Engagement | Te Whakamahi I kā Whakaaro Hiraka

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

- a. it relates to the internal allocation and accounting treatment of existing reserves,
- b. it does not materially impact levels of service, and
- c. it does not involve decisions affecting strategic assets.

36. The persons who are affected by or interested in this matter are Persons affected or interested include:

- a. District residents and ratepayers;
- b. Elected Members; and
- c. Community associations linked to the original reserve purposes.

37. No further engagement is required.

Māori Consultation | Iwi Rūnaka

38. The Council has not specifically consulted iwi on the matters contained in this report.

Risk and Mitigations | Kā Raru Tūpono me kā Whakamaurutaka

39. This matter relates to the Financial risk category. It is associated with RISK10014 Ineffective Financial Strategy within the QLDC Risk Register. This risk has been assessed as having a moderate residual risk rating.

40. The approval of the recommended option will allow Council to avoid the risk. This will be achieved by:

- a. Ensuring compliance with legislative and trust obligations
- b. Improving transparency of reserve balances

- c. Supporting sound financial planning for the Long Term Plan

Financial Implications | Kā Riteka ā-Pūtea

41. There are no changes to budgets or funding requirements arising from this report. All adjustments relate to the classification and accounting treatment of existing reserves.

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

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

- Reference alignment with and consideration of the principles of the Strategic Framework including the Vision Beyond 2050: Our Strategic Framework | Queenstown Lakes District Council;
- Long Term Plan financial management objectives;
- The purpose provisions of the Local Government Act 2002 (Section 10).

43. This matter is included as part of the Long Term Plan/Annual Plan financial setting.

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

44. There are no legal risks arising from the recommended actions; accounting treatments will be completed as part of the Annual Report process.

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

45. Section 10 of the Local Government Act 2002 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. As such, the recommendation in this report is appropriate and within the ambit of Section 10 of the Act.

46. The recommended option:

- Can be implemented through current funding under the Long Term Plan 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.

Attachments | Kā Tāpirihaka

A	Table of Reserve Balances
B	Calculation - Net Sale proceeds – 6 Merioneth St, Arrowtown
C	Council report 20 March 2025 - Disposal of Merioneth Street, Arrowtown
D	8 February 2007 Council Meeting minutes re purchase of cottages