

Item 1: Long Term Plan Steering Group 12 – 17 September 2026

SESSION TYPE: Workshop

PURPOSE/DESIRED OUTCOME:

- The workshop will cover three key areas of Long Term Plan development: Visitor Economy, the Revenue and Financing review and Growth Infrastructure Funding and Financing.
- Elected members are asked to consider the information provided, test the proposed approaches and principles, and provide feedback to inform the next stage of Long Term Plan development.
- Visitor Economy
 - The purpose of this item is to present the findings of the Visitor Economy workstream to inform Long Term Plan decision-making, including the ratings approach.
- Revenue and Financing
 - The purpose of this workshop is to review the outcomes of the Funding Needs Analysis, consider any proposed changes, and confirm the preferred direction before progressing to the next stage of the Revenue and Financing Review.
 - Building on the Funding Needs Analysis, the next step is to develop the ratings approach through consideration of a high-level rates modelling framework, including UAGC and rating differential options.
 - Feedback from this workshop will be used to refine the funding approach and inform the development of detailed rates modelling and funding scenarios for consideration at future workshops.
- Growth Infrastructure Funding and Financing
 - The purpose of this item is to discuss the findings of the Growth Funding workstream and the wider programme of work to strengthen growth infrastructure funding, governance, and decision-making processes.

DATE/START TIME:

Thursday 17 September 2026, 1.00pm

TIME BREAKDOWN:

Presentation: 2 hours

Discussion and questions: 2.5 hours

PRESENTERS:

Revenue and Financing Policy

Katherine Harbrow – General Manager, Assurance Finance & Risk

Tanea Hawkins – Finance Director

Vanessa Fauth – Financial Controller

Philip Jones – Rating Consultant

Visitor Economy

Pennie Pearce – Acting General Manager, Strategy and Policy

Campbell Guy – Senior Policy Advisor

Growth Infrastructure Funding and Financing

Pennie Pearce – Acting General Manager, Strategy and Policy

Natalie McClew – Infrastructure Funding Consultant

Prepared by:



Name: Ian Dunbar

Title: Organisation Performance Manager

8 September 2026

Reviewed and Authorised by:



Name: Meaghan Miller

Title: General Manager, Corporate Services

8 September 2026

ATTACHMENTS:

A	LTP Workshop 17 September 2026 PowerPoint presentation
B	Draft Growth Funding and Financing Framework
C	Funding and Financing Process Map

Long Term Plan Council Steering Group

Workshop 12 - Revenue

17 September 2026

Agenda

Item	Owner	Time
1. Revenue and Financing Policy review Step 2 continued – Funding Needs Analysis and principles	Philip / Vanessa	1hr 30mins 1-2:30pm
2. Visitor economy final output	Pennie	30 mins 2:30-3pm
3. Revenue and Financing Policy review Step 2 continued – rates review	Philip / Vanessa	1hr 45mins 3-4:45pm
4. Growth Infrastructure Funding review	Natalie	45mins 4:45-5:30pm

Revenue and Financing Policy review step 2 continued – Funding Needs Analysis and Principles

Agenda

- Recap of process including Revenue and financing policy requirements
- Review of Funding Need Analysis (FNA) that was considered in last workshop & modify for technical requirement and your considerations
- Provide directions as to tools to be used including types of rates
- Where to from here?

Outcomes of Today

- Have a compliant Funding Needs Analysis
- Using the completed a review of the Funding Needs Analysis
 - Provide clear direction on which tools can be used, accounting for the high-level impacts across different groups
 - Agree in principle how ratepayers should be grouped
- Agreement as to direction and next steps

Current known issues

Assessment considerations

- Parking public, transport costs, and recovery
- Unrecoverable direct costs from Tourism and visitors Tourism Fees & charges
- Dividend \$12M ex airport
- Impact different parts of the district – e.g. Wanaka and rural areas & different communities' accessibility
- Accommodation loading - Residential vs Hotels
- Peak demand
- Vacant Land
- Absentee landowners
- Less regressive

Current known issues

Other

- Socialised costs
- Planning goals do not equal incentive
- Housing affordability
- Lack of understanding rating and tools

Rating and other tools

As per LGA section 103 - Revenue and financing policy

The sources referred to in subsection (1) are as follows:

- | | |
|---|--------------------------------|
| (a) general rates , including — | <i>LGRA sections 13 to 15</i> |
| (i) choice of valuation system; and | <i>LGRA section 13 (3)</i> |
| (ii) differential rating; and | <i>LGRA section 14</i> |
| (iii) uniform annual general charges: | <i>LGRA section 15</i> |
| (b) targeted rates : | <i>LGRA sections 16 to 18</i> |
| (ba) lump sum contributions: | <i>LGRA sections 117A to N</i> |
| (c) fees and charges : | |
| (d) interest and dividends from investments: | |
| (e) borrowing : | |
| (f) proceeds from asset sales: | |
| (g) development contributions : (development levies) | |
| (h) financial contributions under the Resource Management Act 1991: | |
| (i) grants and subsidies : | |
| (j) any other source. | |

Calculating targeted rates

Can be:

- A fixed dollar amount per rating unit
- A fixed charge per factor, e.g. per dollar of property value
- A differential charge per factor, e.g. different rates per dollar, per hectare, per number of connections

If a targeted rate is levied differentially,

- Must comply with both schedule 2 and
 - (matters or **who**) that may be used to define categories of rateable land)
- Schedule 3
 - (factors or **how much**) that may be used in calculating liability for targeted rates)

Summary of changes to FNA

LTP Activity Group	LTP Activity (existing)	Existing	New	LTP Activity (new)
Community Service & Facilities	Community Development	Targeted	General	Community Partnerships & Grants
	Community Grants	Targeted/General		
	Community Facilities	Targeted	General	Sport, Recreation & Community Facilities
	Aquatics	Targeted		
	Libraries	Targeted	General	Libraries
	Parks & Recreation Facilities	Targeted	General	Parks and Recreation Facilities
	Public Toilets	Targeted		
	Cemeteries	General		
Environmental Management	District Plan	Targeted	General	Strategic Growth
	Resource Consents	Targeted	General	Resource Consents
		General	General	Resilience and Climate Action
Infrastructure	Roading	Targeted	Targeted/General	Transport
	Waste Management	Targeted	Targeted/General	Waste Management
	Refuse collection	Targeted		
	Community Assets	Targeted/General	General	Property
	Waterways Facilities	General		
Economic Development		Targeted	Targeted	Economic Diversification
		Targeted	Targeted	Events
	Tourism Promotion	Targeted/General	Targeted	Destination Management
Regulatory Functions & Services	Bylaw & General Enforcement	Targeted/General	General	Regulatory & Enforcement
	Parking Administration	Targeted		
	Environmental Health	Targeted		
	Liquor Licensing	Targeted		
	Animal Control	Targeted		
	Waterways Control	Targeted		
	Building Consent Administration	Targeted	General	Building Services
Local Democracy & Emergency Management	Community Leadership	Targeted	General	Democracy Services
	Emergency Management	General	General	Emergency Management
Enabling Services	Community Development	Targeted	General	Communications
	Strategic Functions	Targeted	General	Strategic Functions

Visitor Economy

Revenue and Financing Policy review step 2 continued – Rating review

Current groups and proposed groups

- | | |
|----|----------------------------|
| 1 | Residential |
| 2 | Residence plus Flat |
| 3 | Hydro Electric/Utilities |
| 4 | Vacant Sections |
| 5 | Accommodation |
| 6 | CBD Accommodation |
| 7 | Commercial |
| 8 | CBD Commercial |
| 9 | Primary Industry |
| 10 | Country Dwelling |
| 11 | Country Dwelling plus Flat |
| 12 | Other |
| 13 | Mixed Use Apportioned |

PJ's Suggestion only

- | | |
|---|--------------------------|
| 1 | Residential & Lifestyle |
| 2 | Commercial & industrial |
| 3 | Rural |
| 4 | Accommodation |
| 5 | Hydro Electric/Utilities |
| 6 | Other |

Current State

Targeted Rates
Aquatic Centre
CBD Transport
Governance
Governance & Regulatory
Recreation
Recreation & Events
Regulatory
Roading
Sports Halls & Libraries
Tourism Promotion
Waste

Differential Type
50%
50% Comm
Accomm
CBD Accomm
CBD Comm
Comm
Country Dwell
Country Dwell plus flat
Hydro/Utility
MUse Accomm
MUse Accomm Country Dwell
MUse Accomm Country Dwell w/ Flat
MUse Accomm Res
MUse Accomm Res w/ Flat
MUse Accomm w/ Flat
MUse CBD Comm
MUse Comm
MUse Comm Country Dwell
MUse Comm Res
MUse Res Comm
Other
Primary Industry
Res
Res 50%
Res/Country Dwell plus Flat
Residence plus Flat
Rural
Vacant

Why it matters

Many targeted rates and differential categories combine to make the current rating structure complex to administer and explain.

Differential Counts

Rate Type	Differential
General rate	20
Governance	20
CBD Transport	13
Tourism Promotion	24
Recreation	20
Regulatory	20
Roading	42
Aquatic Centre	6
Governance & Regulatory	10
Recreation & Events	14
Sports Halls & Libraries	3
UAGC	2
Waste	3
Total	197

470K

charges spread over ~35K ratepayers

Name	Covers
UAGC	Cemeteries, Community Development Grants, Property including housing, airport, and 50% to defend legal claims related to alleged building defects, and a general contribution to the promotion of the district

Options to consider

1. General rate fixed or differential
Who, what and why (rationale) - e.g. commercial, 2.00 because of the impacts
2. Level of UGAC – a leveling tool but it is regressive
3. What targeted rates do what consider?

Impacts based on FNA - Existing

Existing	Total	Residential	Accommodation	Utilities	Commercial	Rural	Other
Capital value	74,128,440,000	50,663,510,000	9,529,395,000	1,421,577,000	9,901,088,000	2,004,723,500	608,146,500
SUIPs	36,643	27,425	4,985	51	3,643	319	220
General Rate	392,340	267,888	54,746	3,584	51,057	12,056	3,008
Aquatic Centre	7,465,249	6,496,882	566,452	3,277	283,355	79,304	35,979
CBD Transport	783,713	63,429	404,791	13	313,954	-	1,527
Governance	15,672,302	10,761,551	2,251,517	156,092	2,125,366	327,279	50,497
Governance & Regulatory	8,070,647	5,387,967	1,283,610	12,959	1,220,509	123,896	41,706
Recreation	24,514,400	12,805,980	8,560,921	208,041	2,759,429	128,648	51,380
Recreation & Events	6,128,599	3,486,220	2,091,170	4,906	491,293	34,782	20,228
Regulatory	16,610,289	11,294,294	2,435,663	172,555	2,311,310	343,473	52,996
Roading	28,605,511	14,024,193	8,177,575	96,517	5,805,915	424,558	76,753
Sports Halls & Libraries	20,029,605	17,429,311	1,538,314	8,644	743,492	208,779	101,065
Tourism Promotion	7,821,976	62,936	3,566,086	191,091	4,001,862	-	-
UAGC	9,811,883	7,344,083	1,334,923	13,657	975,551	85,424	58,244
Waste	12,453,897	9,871,232	1,464,570	11,716	904,172	126,859	75,348
Total rates	158,360,409	99,295,966	33,730,337	883,053	21,987,266	1,895,057	568,731
Percentage of total rates		62.7%	21.3%	0.6%	13.9%	1.2%	0.4%
Percentage of capital value		68.3%	12.9%	1.9%	13.4%	2.7%	0.8%
Percentage of SUIPs		74.8%	13.6%	0.1%	9.9%	0.9%	0.6%
Other rates							
Sewerage	34,970,663						
Stormwater	13,452,284						
Water	23,402,374						
	230,185,730						

Present high level modelling to work
through UAGC and differentials

Next steps required

Workshop scheduled for 17 September

- Impact Assessment and Development of Preferred Options

Between 17 September and 13 October workshop

- Modelling of options

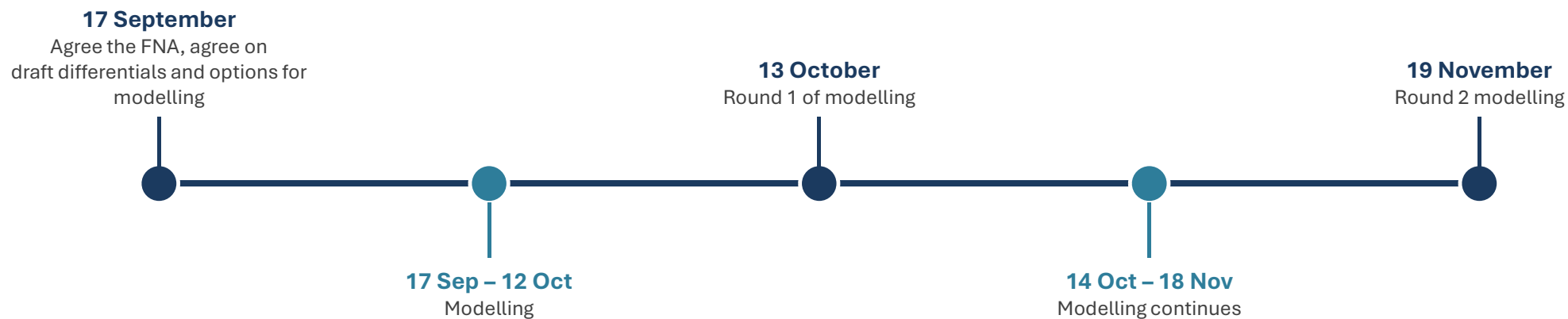
Workshop scheduled for 13 October

- Modelling of preferred options

To be confirmed

- Update policy, consultation, hearings and final adjustments

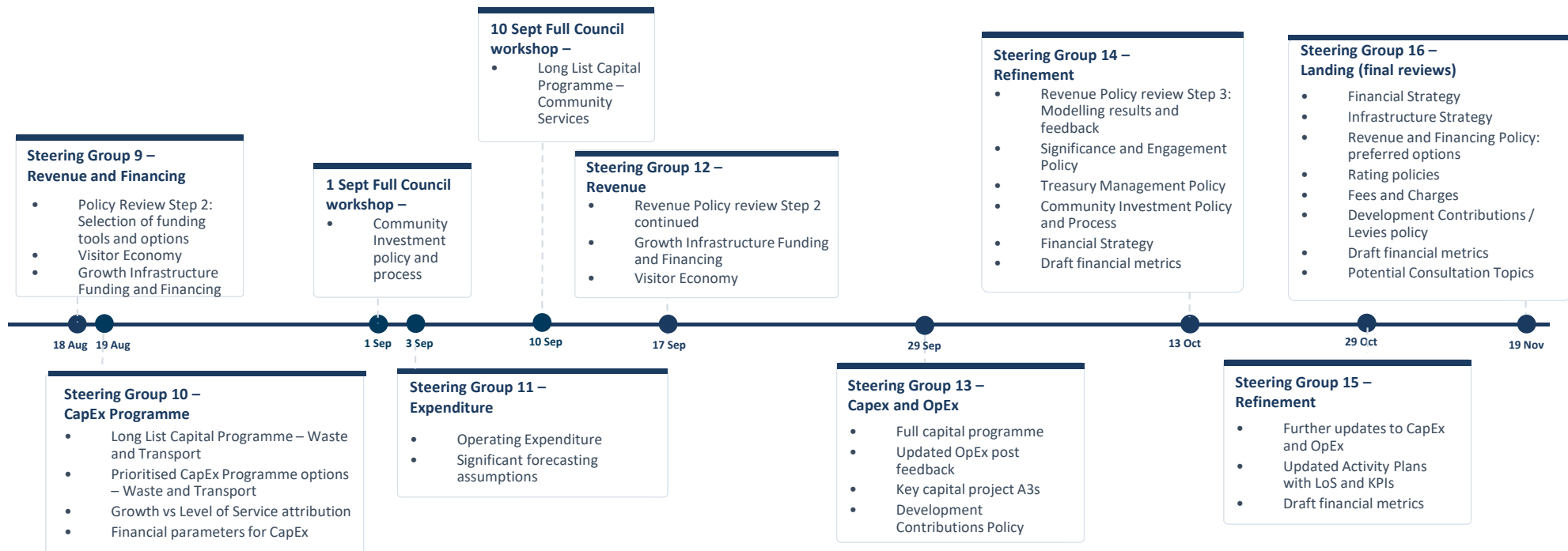
Timeline



Growth Infrastructure Funding review

Steering Group work plan

LTP27 Steering Group Work Programme – 9 Sep 2026



Growth funding and financing framework

Queenstown Lakes District Council

A practical, principle-based framework to support better decision making and ensure that the beneficiaries of growth investment are fairly contributing to the associated costs.

FINAL

28 August 2026

Contents

This report was prepared based on the agreed Services Agreement Contract between Aeira Partners and Queenstown Lakes District Council and purpose set out on the following page. It has been informed by reviewing information provided by the Council and interviews and workshops held with staff. The findings also reflect feedback provided by the Water Services Council Controlled Organisation.

INTRODUCTION	Purpose and Scope of Report	Page 3
DEFINITION	Define ‘Growth Pays for Growth’	Pages 4 – 6
CURRENT STATE DIAGNOSITC	Current Approach Historic Review – Has Growth Paid for Growth Constraints	Pages 7 – 11
GROWTH FRAMEWORK	Context QLDC Objectives Framework Principles Decision Framework and Process Map	Pages 12 – 26
APPENDICES	Key Terms of Business and Restrictions Glossary Documents Reviewed, Workshops and Interviews	Pages 27 – 30

Purpose and scope

Outlines the purpose and scope of the report

Purpose and scope

The purpose of this report is to outline a growth funding and financing framework (the “**Growth Framework**”) that Queenstown Lakes District Council (“**QLDC**”) can use to inform the development and implementation of relevant financial policies and associated decisions.

This report outlines:

Section 1: Definition – What is meant by ‘growth pays for growth’?

Section 2: Current state diagnostic – How does QLDC currently fund and finance growth? Has Growth paid for Growth?

Section 3: Growth Framework

- **Legislative, policy and sector context:** Legislative framework and strategic hierarchy for QLDC’s financial decision making, and relevant sector and legislative change.
- **QLDC objectives:** Our understanding of QLDC’s current constraints and financial objectives in relation to growth investment and desired financial settings.
- **Policy choices:** Summary of available tools and choices available in relation to growth funding and financing.
- **Framework principles:** Recommended set of principles to guide decision making.
- **Decision framework:** ‘Step-by-step’ approach to decision making, including outlining the end-to-end process and critical inputs.

It is intended to be a ‘live’ framework, which is reviewed (and updated if required annually) tri-annually through the Long Term Plan (“**LTP**”) planning process to ensure it remains relevant and fit for purpose.

The Growth Framework was developed for QLDC. However, we engaged with the Queenstown Lakes Water Services Council Controlled Organisation (“**WSCCO**”) with the objective of integrating and aligning the frameworks between the two organisations.

Limitations

The development of the Growth Framework was based upon feedback obtained from QLDC management and elected members following a series of interviews and workshops sessions, as well as a review of key legislation, available policy documents, and QLDC information.

Access to data and information

The Growth Framework reflects information provided by QLDC and other relevant publicly available information. The information provided by QLDC included population projects (developed by StatsNZ), its Development Contribution Policy (“**DC Policy**”), its Cost Driver Calculation Process Map, and its Water Supply DC Model (Excel). We note that we have not received updated financial information or forecasts, so have relied on audited Annual Reports and the 2024 LTP.

As noted in our Growth Funding and Development Contribution Review Report, QLDC currently has limited documented policy and guidance to support its DC Policy and growth funding decisions, which impacted what information could be provided to inform the development of the Growth Framework.



Access to staff and personnel

Senior QLDC staff from across the organization were interviewed through the development of the Growth Framework, including across its Planning and Investment, Finance, and Development teams, as well as member of the Executive Team. We also interviewed a couple of external contractors that are involved in critical relevant workstreams (e.g. the contractor responsible for building and updating the DC Policy and DC Models).

We also attended two of QLDC’s Elected Member Workshops held through its LTP planning process, including attending a session where QLDC presented the findings of its ongoing Revenue Review.



Section 1: What do we mean by 'growth pays for growth'?

What do we mean by ‘growth pays for growth’?

DEFINITION

Growth pays for growth when the capital revenues from developers and future landowners are set to fully recover all the growth-related capex required to enable the development, including infrastructure required to address the incremental impacts of growth. It also means that new ratepayers fund the marginal increase in operating and maintenance costs.



What are the incremental costs of growth?

DEFINITION

Councils across New Zealand are generally effective at recovering the direct costs associated with growth, but often under-recover for the incremental costs of growth. Detailed long-term spatial and structure planning, and a willingness to use the full extent of existing legislative and policy frameworks, are required if there is a desire to ensure developers are fairly contributing to incremental infrastructure.

The incremental costs of growth arise where there is infrastructure required to address long-term capacity that is caused by the cumulative impact of multiple stages of development, but that cannot as easily be attributed to individual developments. For example, future provision of community facilities that occurs significantly after early development, or major arterial road upgrades to address congestion on the local collector roads constructed to manage the impact of individual developments.

Explanation of the problem

The following hypothetical example illustrates how and why ratepayers often subsidise the incremental cost of growth.



Private infrastructure solution managed privately

Existing properties are primarily responsible for managing their required infrastructure, which only serve their property (e.g. dirt roads, bore hole for water, septic tanks, etc.).

Property pays rates for any council infrastructure connected to cover the costs associated with operating and maintaining the assets that the council incurs.



Direct enabling infrastructure paid by developers

Direct enabling infrastructure is identified and agreed (e.g. wastewater treatment, connections to watermains, collector roads).

Developers, typically, fund these local upgrades and pay a DC to cover any capacity from the existing network that is consumed through their development.



Lag infrastructure and wider network capacity upgrades

Late-stage developers fund direct enabling infrastructure and pay DCs for wider network capacity upgrades. However, the **calculated growth proportion**, which is often based on the ratio of the expected growth population to the total population, **is generally low (i.e. 50/50) because the 'current population' includes the growth from Stage 2, despite the early growth also contributing to the need for the upgrade.**

Case study – Auckland’s approach for Drury

Auckland Council (“AC”) significantly changed its approach to DCs in greenfield growth nodes to directly account for the incremental impact of staged growth.

The key changes and high-level rationale are summarised below.

- **Full infrastructure provision included in DC Policy:** AC’s DC Policy includes the total infrastructure costs to ‘full-build-out’, including all planned upgrades (e.g. 2-lane collector to a 4-lane arterial) and ‘lagged’ community infrastructure delivered 20-30 years later. The DCs for all developers from now through to ‘full-build-out’ are sized based on this full programme, even through a portion of the infrastructure is not planned for or included in the LTP. This means early developers are contributing to future capacity upgrades required to address cumulative growth and infrastructure delivered significantly after their development.
- **Consistently high growth allocation:** Growth allocations were calculated from the original DC Policy date through to ‘full-build-out’ (approx. 30 years), rather than the start of construction and asset capacity life, which had previously been used (and what QLDC uses). Combined with the full infrastructure provision included, this meant that growth allocations above ~90% were applied to future upgrades and community infrastructure, which under the standard approach would have been ~50-60%.

This approach materially increased the growth contribution being recovered and is being rolled out across the region for other greenfield growth nodes.

To implement this approach, AC invested significant time and resources undertaking **detailed spatial and structure planning for greenfield areas and completed a beneficiary assessment and full cost estimation exercise**. It also relied on **established infrastructure provision policies** to evidence that the identified infrastructure requirements, which was critical given some of these works are unplanned, unfunded, and outside the LTP.

Section 2: Current state diagnostic

- How does QLDC currently fund and finance growth?
- Has growth paid for growth?
- Why hasn't growth paid for growth – What are the constraints?

How does QLDC currently fund and finance growth infrastructure?

QLDC raises debt to pay for growth infrastructure, which is repaid by development contribution revenue collected as growth occurs over time.

Typical approach – Growth debt repaid via DCs

QLDC currently uses an ‘infrastructure banker’ model, where it raises debt to pay for the upfront capital costs associated with delivering growth infrastructure. The ‘growth-related debt’ is serviced and repaid via DCs collected from developers as growth occurs over time.

At a project level, the growth-related debt and DC revenues is determined based on the cost allocation approach specified in QLDC’s Development Contribution Policy (“**DC Policy**”), which attributes costs between Growth, Level of Service, and Renewals.

Generally, QLDC uses the following approach to allocate capital expenditure to growth²:

- 1. **Determine primary cost driver** – Does the project deliver additional capacity, improve services, or remediate and renew an existing asset, or is it a combination?
- 2. **Primary 100% allocation** – If the project is solely about delivering additional capacity, then 100% of the costs are allocated to growth.
- 3. **Growth proxy allocation** – If the project delivers a combination of additional capacity and improved services (or partially renews an asset), then a proportional split is used considering the relative increase in capacity or equivalent (e.g. proportion of future growth serviced).

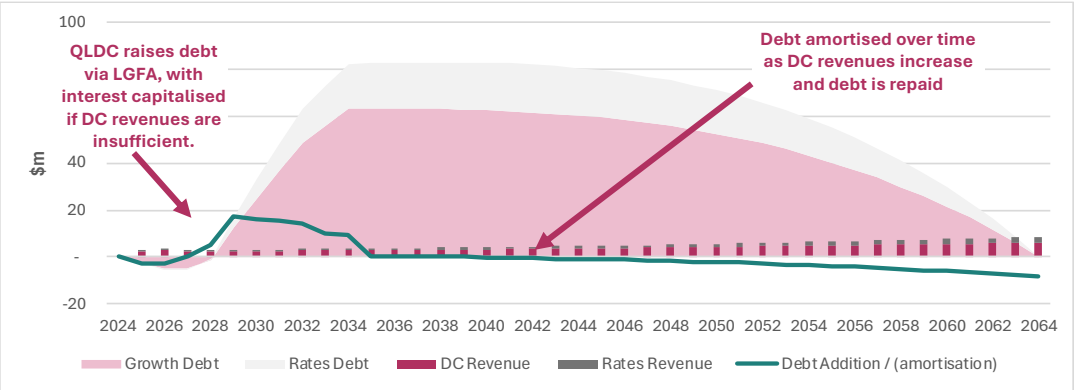
Note: If the growth expenditure benefits multiple different catchments, the capital costs are attributed between catchments based on the proportion of benefits derived by each catchment. The growth attributed is calculated separately for each catchment.

The DC charges are then calculated by:

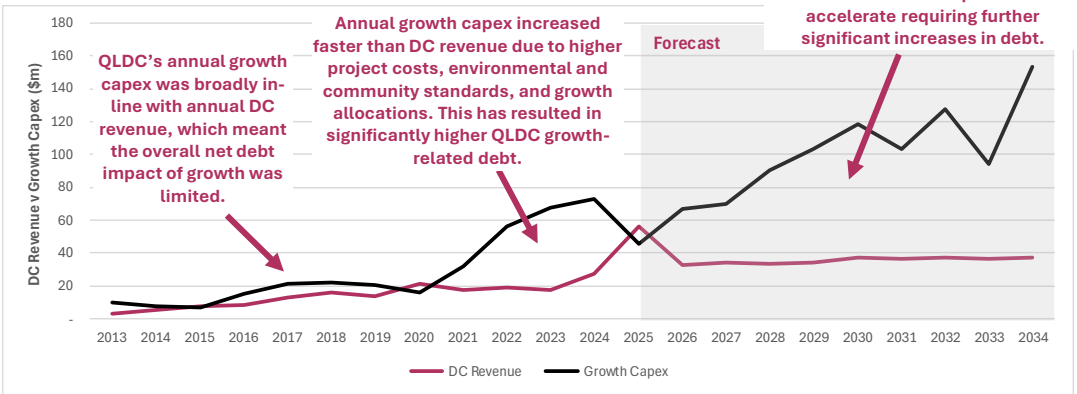
- 1. **Allocation to LTP period** – Growth capex is allocated to the ten-year LTP (and DC Policy) period based on the proportion of growth forecast during the ten-year period.
- 2. **Estimate interest costs** – The interest costs for debt associated with the growth capex is estimated based on QLDC’s borrowing costs.
- 3. **Discounted into current dollars** – The growth costs including interest costs are discounted into current dollars (i.e. expressed in real terms).
- 4. **Dwelling Equivalent charge** – The growth costs in the ten-year window are divided by the number of Dwelling Equivalents (“**DE**”) forecast to determine the individual charge.
- 5. **Aggregation** – DCs for each project are summed together to determine the total DC charge.

A hypothetical worked example is shown below based on a \$100m growth project, with an 80% allocation to growth and 30-year service life. In this example, debt is raised upfront and then amortised over the full year period.

Hypothetical Worked Example : 80% Growth Cost Allocation³



QLDC Overall Portfolio – Growth Capex and DC Revenue⁴



Aeira

2. Approach is a simplification of the cost allocation flow diagram prepared by Utility and shared by QLDC.

3. The modelling was undertaken by Aeira and is outlined in the QLDC Calcs.xlsx worksheet. The modelling is a high-level approximation using available population information, assumed borrowing rates from the Water Supply DC Worksheet provided by QLDC, and a goal seek macro, which solves debt to zero by the end of the 30-year evaluation period.

4. Sourced from QLDC’s historic annual reports and 2024-34 LTP.

Current state: Private Development Agreements

Growth infrastructure is also directly financed and delivered by developers under Private Development Agreements for infrastructure solutions targeted towards specific developments.

Private Development Agreements

QLDC currently has ~140 Private Development Agreements (“PDA”) in place, where a developer agrees to finance and deliver infrastructure to enable their developments, rather than QLDC financing and delivering the infrastructure and charging a DC.

PDAs are typically used for infrastructure that only mitigates the effects of an individual development(s) or where there is insufficient financing capacity for the council to deliver the project. This often occurs when major developments progress ahead of planned infrastructure delivery (i.e. some Fast Track developments).

PDAs typically outline what infrastructure will be delivered, when it will be delivered, who will own, operate, and maintain the infrastructure; and how it will be paid for. All these dimensions depend on the project specific circumstances; however, it is critical that decisions are transparent, consistent, and treat all developers fair and equitably.

There are two primary arrangements under PDAs, which reflect how the infrastructure will be used:

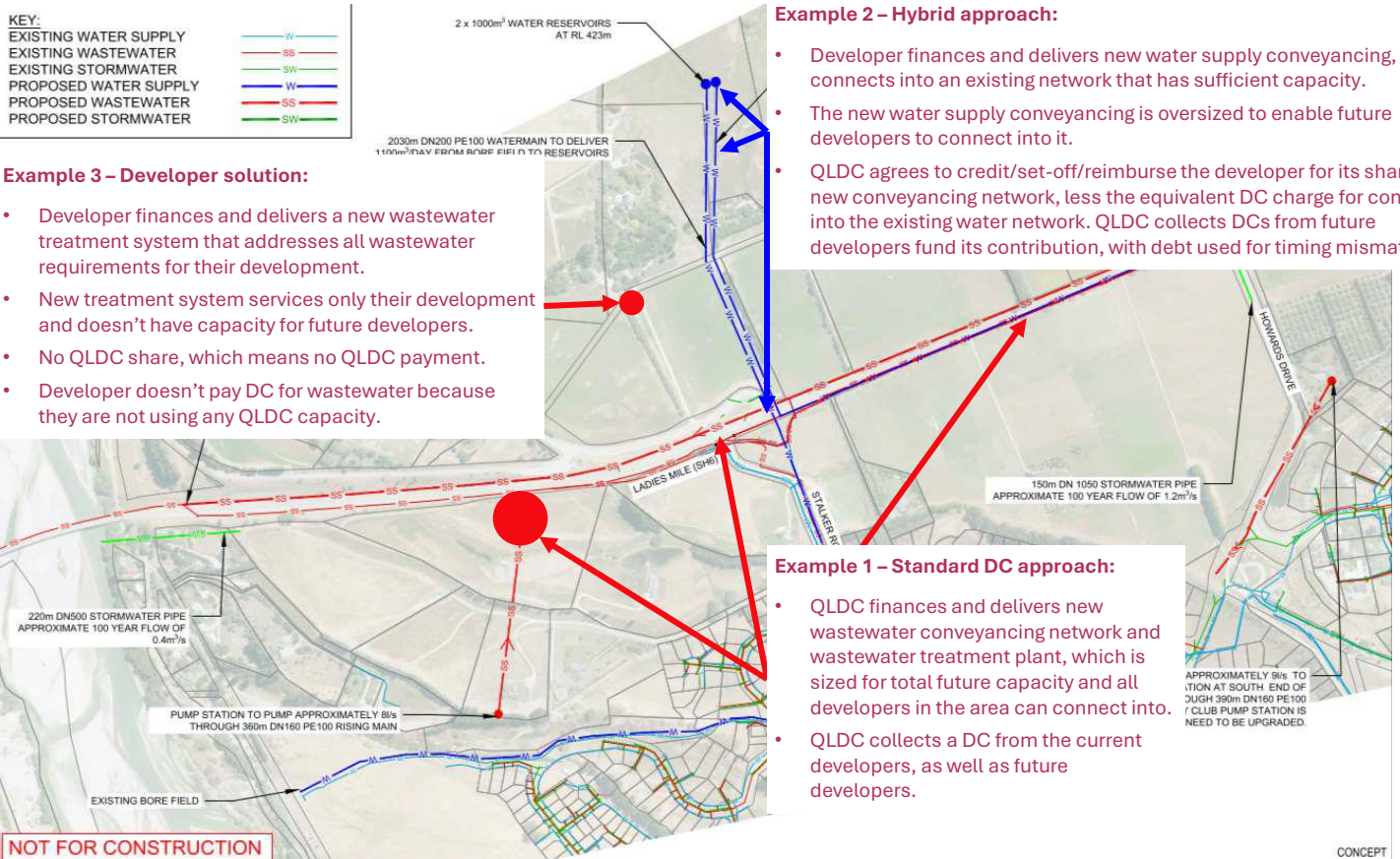
1. **Development-specific infrastructure** – Infrastructure delivered directly by the developer solely to serve their own development, which is funded 100% by the developer and may vest in the council.
2. **Oversized infrastructure** – In some cases, QLDC requires a developer to ‘overbuild’ the infrastructure solution so that there is additional capacity to service future development. In this scenario, the allocation of capital costs is negotiated between the developer and the council, which can involve DC credits, DC set off, and/or reimbursement from the council to the developer.

Feedback received through diagnostic interviews:

- PDAs seek to address debt capacity constraints, but these are so acute, QLDC is struggling to finance even its share.
- A framework would ensure consistency and accelerate negotiation.
- Sufficiency of network planning is a key limitation

Three hypothetical worked examples are shown below to illustrate the different ways that PDAs can be used to deliver growth infrastructure. The Growth Framework provides guidance on when the different approaches may be most appropriate.

Illustrative Worked Example: Application of a PDA to Three Waters Infrastructure⁵



Example 3 – Developer solution:

- Developer finances and delivers a new wastewater treatment system that addresses all wastewater requirements for their development.
- New treatment system services only their development and doesn't have capacity for future developers.
- No QLDC share, which means no QLDC payment.
- Developer doesn't pay DC for wastewater because they are not using any QLDC capacity.

Example 2 – Hybrid approach:

- Developer finances and delivers new water supply conveyancing, which connects into an existing network that has sufficient capacity.
- The new water supply conveyancing is oversized to enable future developers to connect into it.
- QLDC agrees to credit/set-off/reimburse the developer for its share of the new conveyancing network, less the equivalent DC charge for connecting into the existing water network. QLDC collects DCs from future developers fund its contribution, with debt used for timing mismatches.

Example 1 – Standard DC approach:

- QLDC finances and delivers new wastewater conveyancing network and wastewater treatment plant, which is sized for total future capacity and all developers in the area can connect into.
- QLDC collects a DC from the current developers, as well as future developers.

Has growth paid for growth?

Our analysis indicates that QLDC is unlikely to have fully recovered the costs of growth from developers, with ratepayers likely having to cover the shortfall. This analysis is detailed in the supporting Growth Funding and Development Contribution Review.

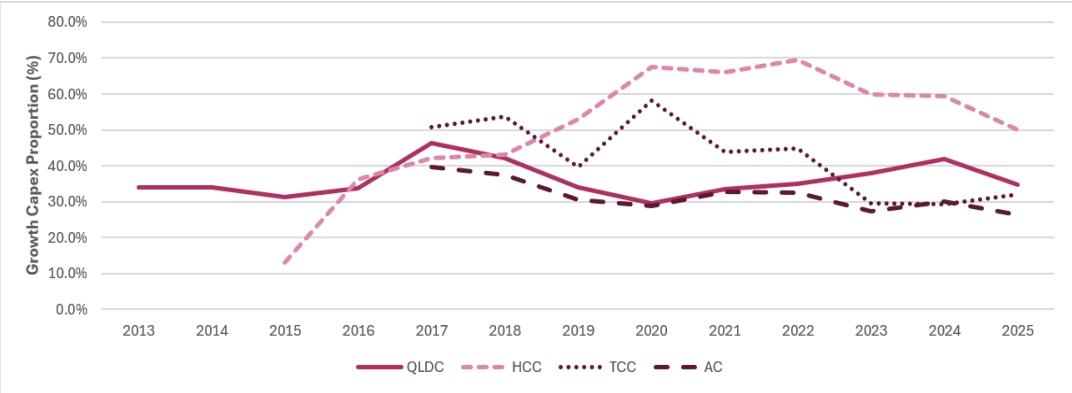
Analysis of historic performance

Our analysis indicates that QLDC is unlikely to have fully recovered the cost of growth over the past decade from developers and new ratepayers, which has resulted in ratepayers having to cover the shortfall.

Reason 1: Growth allocations were historically too low

QLDC’s average growth allocations over the past decade have been materially lower than comparative high-growth councils such as Tauranga City Council (“**TCC**”) and Hamilton City Council (“**HCC**”), despite experiencing significantly more relative growth over that period. For example, QLDC’s average growth allocation was 36% since 2013 for an 81% increase in population, whilst HCC’s average growth allocation was 51% over the same period to support a 34% increase in population.

Growth Capex as a Percentage of Total Capex for High-Growth Councils⁶



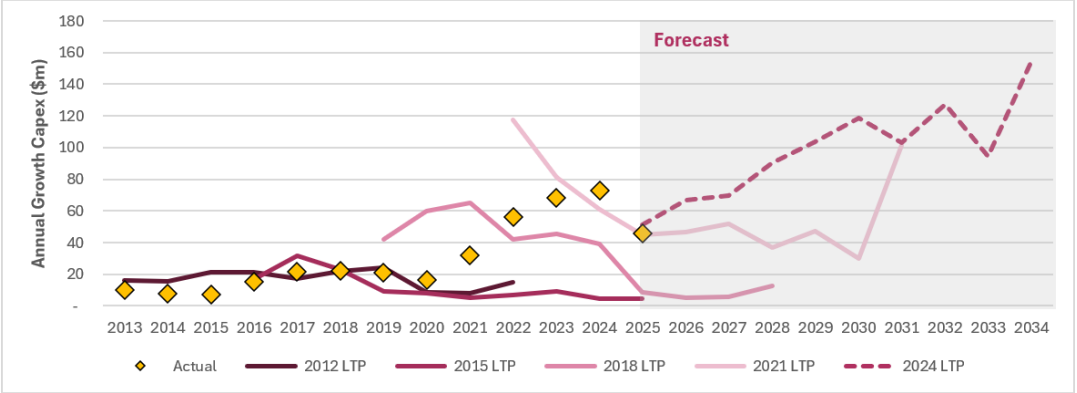
Feedback received from QLDC staff through the diagnostic interviews indicate that the lower growth allocations likely reflect a combination of underestimating growth and deficiencies in the cost allocation methodology. We note that QLDC has undertaken steps to resolve both these issues through progressive enhancements to the DC Policy (we understand more are underway) and working with StatsNZ to develop a new baseline growth forecast for the district. As a result of these changes, QLDC’s weighted average growth allocation has increased to 49%, which is in-line with HCC (53%) and TCC (52%).

Reason 2: Significant increases to capex forecasts

DC charges are sized to recover the growth capex required to enable growth over the long-term⁷, and therefore, full recovery relies on accurate capex forecasting. DCs are assessed based on the DC Policy operative at the time a consent was submitted and are not updated to reflect higher cost estimates. When there are sharp increases to growth capex forecasts, the additional costs can only be applied to future developments, which results in an under-recovery from DC revenue.

The rapid increase in growth capex observed since the 2018 LTP is likely to have led to under-recovery. Over that period, the growth capex per enabled DE has increased by 173%⁸ after adjusting for long-term construction cost escalation and is forecast to continue increasing through the next LTP period.

Annual Growth Capex LTP Forecasts Compared to Actuals⁹



The significant increase in growth capex reflects significant construction cost escalation (62% increase in the PPI index since 2013), higher environmental and community standards for infrastructure, and the increase in growth allocations over the period.

The scale of growth in these forecasts and flow-through impact on growth cost recovery also emphasises the importance of QLDC undertaking detailed spatial, structure, and growth planning to reduce the risk of growth capex forecasts.

Why hasn't growth paid for growth – What are the key constraints?

There are four primary constraints that prevent councils from recovering the full costs associated with growth, which are outlined below.

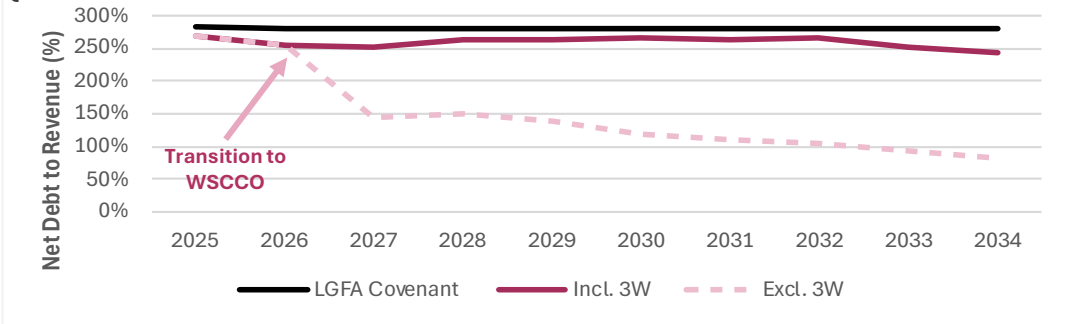
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Financing and balance sheet capacity

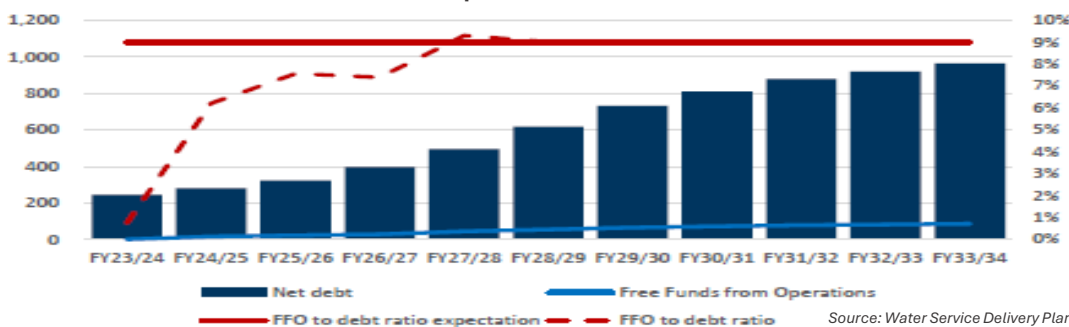
While economically neutral over 30-years, most growth revenue tools (such as DCs) require QLDC to raise and maintain external borrowings for up to 30-years, which has a significant balance sheet impact. Borrowing constraints are acute, particularly for the WSCCO¹⁰, which means there is very limited capacity to finance new growth investment or accelerate planned investment for out-of-sequence development (i.e. due to a Fast Track Application). Note that while the below shows net debt:revenue tracking down, the cumulative effect of QLDC plus WSCCO charges will remain.

Further, DC Policies with higher growth allocations have a more significant balance sheet impact because DC revenue is excluded in the LGFA's definition of revenue.

QLDC: LGFA Covenant – Net Debt to Revenue¹¹



WSCCO: LGFA Covenant – Funds From Operations to Net Debt



2

Forecasting uncertainty

DC charges rely on the accuracy of long-term forecasts, which carry significant risk. The most material assumptions are capex forecasts, growth forecasts (which set cost allocations), build-out timeframes, interest rate costs, and cost escalation.

There is a very high proof-of-cost burden placed on councils to charge DCs, which often results in conservative estimates that under-recover against growth. Ultimately, ratepayers carry these risks because if the conservative estimates transpire to be too low, it is often too late to increase DCs to address shortfalls, and if the estimates are too high, councils are required to reimburse developers.

3

Cost recovery – Revenue capped at costs incurred

Councils are prohibited from collecting more revenue from DCs and rates than the costs they incur (or are expected to incur). Instead, councils are required to apportion their costs between different groups (e.g. growth/developers) based on the distribution of benefits and extent that the group causes the need for the investment.

The framework also applies the cost allocations to the costs incurred by the council (rather than capex as a whole), which means that Government and third-party revenue streams are unable to target the non-growth portion of an investment¹².

4

Operative DC Policy timeframes

Under the current DC regime, DCs must be assessed under the DC Policy that was operative as at the time a developer has submitted its subdivision consent application. There were multiple examples in QLDC where DCs are being assessed based on DC Policies from 5+ years earlier than the latest policy because of this and paying substantially lower DCs. This is a consistent issue across the sector.

We understand that the Government is seeking to address this through the new Development Levy regime.

10. WSCCO is forecasting to be operating right at its 9% Funds From Operations (“FFO”) to Debt from 2028, indicating there is unlikely to be any further capacity for growth infrastructure over the next decade.

11. LGFA is the Local Government Funding Agency, which is QLDC and the WSCCO’s primary source of external financing. The LGFA covenant analysis with 3W excluded was calculated by deducting 3W revenues and 3W debts from the Whole of Council revenues and debts. Data was sourced from the 2024 LTP Funding Impact Statements (“FIS”). 3W debts were calculated by setting the opening debt balance (based on the Water Service Delivery Plan – August 2025) and rolling debt forward using the change in debt outlined the 2024 LTP FISs for each of the 3Ws.

12. Some councils are separating larger projects into discrete components that focus on non-growth to try and resolve this issue. However, this remains legally untested and introduces significant complexity.

Section 3: Growth Framework

- Legislative, policy and sector context
- QLDC objectives
- Framework principles
- Decision framework

Legislative and policy context

The Growth Framework is intended to be a strategic QLDC document that addresses the requirements of the Local Government Act and delivers upon the Financial Strategy and Infrastructure Strategy. It is operationalised through QLDC’s operational policies and project level funding decisions.

Legislative and policy requirements

QLDC – LGA requirements



Cost recovery

Funding for a project must be sized based on expenditure requirements and cannot exceed actual costs incurred.



Beneficiary pays

Costs should be apportioned between different beneficiaries of an investment based on the distribution of benefits received by those beneficiaries.



Causation principle

Those causing council expenditure should pay for that expenditure.



Balanced budget

Each year’s projected operating revenues are set at a level sufficient to meet that year’s project operating expenses.



Transparency and accountability

A high-standard for transparency is imposed, which requires councils to publish decisions with clearly articulated rationale.

WSCCO – Local Government (Water Services) Act

The Local Government (Water Services) Act 2025 largely adopts the same financial framework as what is set out in the LGA. This includes enabling the use of Development Contributions (“DC”) on a similar basis to councils and a requirement to have a Development Contribution Policy.

Strategic hierarchy Key legislation and QLDC strategic and policy instruments

Legislative

Local Government Act 2002

Funding needs must be met from sources QLDC determines to be appropriate based on the **community outcomes** delivered, **distribution of benefits**, **benefit timeframes**, extent a group **causes the need, costs and benefits** of the approach, and **transparency and accountability**. QLDC must also consider the **overall community impact** of funding decisions.

Strategic

Long Term Plan

Overall strategic framework for financial and infrastructure decision making and specifies key policy parameters.

Financial Strategy (LGA s101A)

Infrastructure Strategy (LGA s101B)

Growth Framework

QLDC Growth Framework

- Defines the **principles** that used to determine funding and financing approaches for growth infrastructure.
- Outlines the **funding and financing tools** available for delivering growth infrastructure.
- Prescribes the **decision-making framework** used when making funding and financing decisions, including the end-to-end process and key inputs.

Operational

Revenue and Financing Policy (LGA s103)

Outlines how **opex and capex will be funded**.

Development Contribution Policy (LGA s106)

Outlines how **DCs** will be collected to fund growth infrastructure.

Investment and Liability Management Policy (LGA s104 & 105)

Outlines approach to managing **liquidity** and **borrowing/debt profile**.

Project decision making

Business Case and Funding Approvals

Documentation of financial decisions, including **strategic rationale**, **financial appraisal**, **compliance** with strategic and policy framework, and supporting analysis (e.g. **beneficiary allocation**).

Major sector reform

The Growth Framework has been designed with reference to the ongoing sector reform, including the planned ‘Development Levies’ and reorganisation of council functions. While the reform creates uncertainty, the underlying approach to funding and financing growth infrastructure is expected to remain the same, which reinforces the importance of adopting a practical framework adaptable to change.

WSSCO establishment

QLDC has established a WSSCO to take responsibility for the district’s drinking water, wastewater and stormwater services. QLDC will retain ownership over the WSSCO, however it will be governed by an independent, skills-based board.

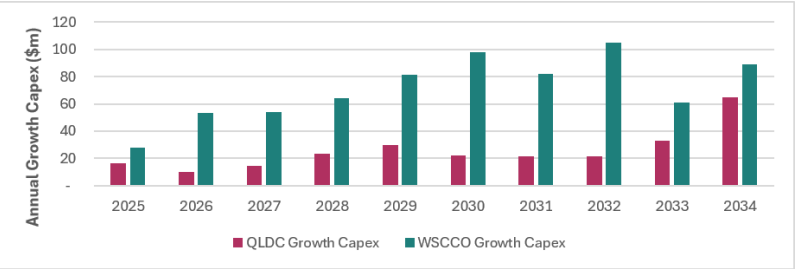
The WSSCO’s legislative framework for funding growth infrastructure closely resembles the current LGA, with the WSSCO able to adopt a DC Policy and collect DCs for costs incurred by the WSSCO to service and additional or increased demand on water services infrastructure¹³.

The legislative framework adopts the same ‘beneficiary’ and ‘causation’ principles from the LGA and provides from the same assessment triggers¹⁴. It also specifically contemplates the WSSCO using the relevant provisions from the council’s existing DC Policy for its initial policy.

It is critical that the growth planning and financial frameworks are aligned between the two organisations to provide transparency, certainty and consistency to stakeholders.

This is particularly critical given the WSSCO is expected to deliver approximately 74% of the growth infrastructure across the district over the next decade, which means its DCs are likely to comprise most of the total DCs paid by developers.

QLDC and WSSCO Growth Capex Forecasts¹⁵



New legislative tool – Development Levies

The Government is seeking to replace DCs with a new growth funding tool – Development Levies (“DL”). The objective of the new DL system is to deliver greater consistency across the country and reduce the complexity in setting and administering the DC system. It also seeks to resolve some current issues with the DC system.

The DL system is being designed for both QLDC and the WSSCO to use going forward, with the Government seeking to pass the legislation in early 2027 and the transition period starting from as early as July 2028. However, there is significant risk and uncertainty in these timeframes (e.g. Government Election).

The Government consulted on a preliminary draft of the new Bill in late 2025, which has been analysed to assess the potential implications for QLDC and the WSSCO.

The DL framework has six underlying principles, which are generally aligned to the DC framework (**necessity** – development requires additional capacity, **proportionality** – reflect the proportion attributable to growth, **particularity** – DLs used for growth costs in and for the benefit of the levy area, **transparency, economic efficiency** – encourages the creation of efficient networks, **sufficiency** – enables full recovery of growth costs)¹⁶.

Key changes identified are:

- **Framework focus / scope:** DLs focus on aggregate cost of development across a wider area, rather than location-specific charges with a close link between the investment and growth. Councils can still apply higher charges in targeted areas that have a particularly “high cost to service”.
- **Separate levies:** Separate levy for each infrastructure service.
- **Prescribed methodology:** Greater definition of how DLs will be determined.
- **Specification:** Linked to the Infrastructure Strategy, rather than individual projects.
- **Planning focus:** Intended to change the focus for councils from predicating growth in specific areas to planning for the infrastructure required for growth across the levy area, with a direct link to the Infrastructure Strategy.

We also understand credit rating agencies are considering including DL revenue in financial metric calculations, a change from the approach for DCs, which may impact the LGFA covenant calculation methodology.

Sector amalgamation¹⁷

QLDC has resolved to work with Dunedin City Council (“DCC”) to develop and submit a Head Start Proposal for potential future amalgamation.

The current proposal involves the establishment of two unitary authorities (Inland Otago and Coastal Otago), which would deliver regional council functions through an appropriate shared services agreement.

Significant further work is required to progress the proposal, which will involve working with local and central government stakeholders, Ngāi Tahu and communities.

As with the WSSCO establishment, we recommend the current focus is on ensuring future alignment between any reorganised local authority entities. This is because the fundamental principles and processes for funding growth infrastructure should remain the same, irrespective of what entity is implementing the framework.

Aeira

13. Part 3, Subpart 2 of the Local Government (Water Services) Act 2025.

14. Local Government (Water Services) Act 2025 s 112.

15. QLDC growth capex calculated by subtracting the growth capex for the 3W from the whole of council growth capex forecasts. Sourced from the FIS from the 2024-34 LTP. WSSCO growth capex forecasts sourced from the Water Services Delivery Plan. Note the 3W growth forecasts in the 2024-34 LTP are very similar to the Water Services Delivery Plan.

16. Section 211B, Local Government (Infrastructure Funding) Amendment Bill 2026.

17. QLDC announcement on its Head Start Proposal – 3 August 2026.

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Our understanding of QLDC’s financial objectives

We understand that QLDC is seeking to have a robust financial framework that fairly allocates the costs of growth to those causing and benefiting from the growth and enhances QLDC’s financial sustainability.

Primary QLDC objectives

We understand from conversations with QLDC staff and Elected Members that the primary objectives for the Growth Framework are to ensure that all financial decision making for growth investment is:

- 

Legally robust
Financial decisions can withstand scrutiny and legal challenge.
- 

Financially sustainable – No covenant or local government benchmark breaches
QLDC and WSCCO remain financially sustainable and continue to meet all LGFA (or other) covenants and local government benchmarks¹⁸.
- 

‘Growth pays for growth’
Cost allocations are fair and ensure that those causing and benefiting from growth investment make an appropriate contribution.
- 

Rates remain affordable
Growth infrastructure is funded and financed in a way that appropriately manages long-term affordability for ratepayers.
- 

Aligned and integrated
QLDC and WSCCO use a similar methodology and process to determine how to fund, finance and deliver growth infrastructure.
- 

Transparent and well-signalled
Charges are transparent and well-signalled to the market, which provides predictability to and ensure QLDC can demonstrate that charges are fair and proportionate.
- 

Social license
Growth framework and associated charges have general support from the ratepayer base.

These objectives formed the basis of the decision framework principles recommended for the Growth Framework (refer next page).

Ancillary objectives

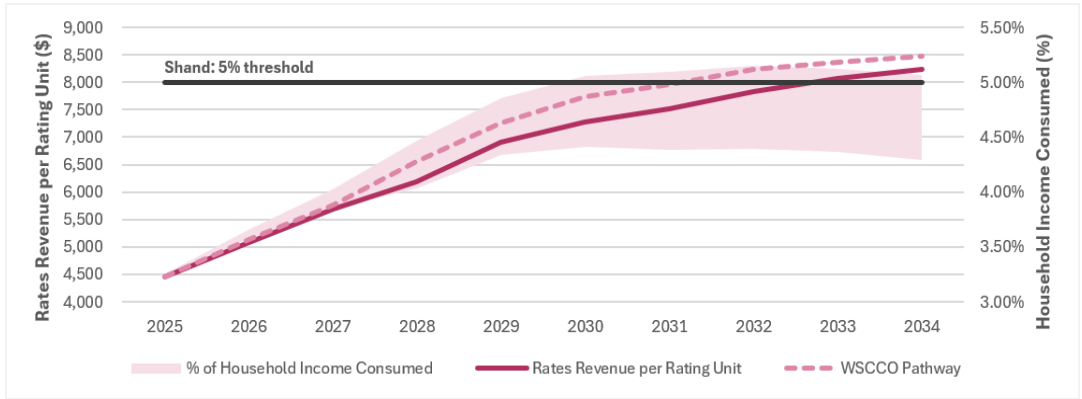
The Growth Framework also responds, within legal and policy constraints, to the following ancillary objectives that were signalled from QLDC:

- flexibility is maintained to respond to sector reform and long-term changes;
- ensure that the visitor economy is fairly contributing to costs; and
- supports the development of affordable housing.

Ratepayer affordability – Managed through fair growth allocations

Ratepayer affordability is expected to become more of an issue over the next decade, with both QLDC and WSCCO forecasting significant increases in rates and charges. Any under-recovery from growth that results in higher rates will exacerbate affordability issues, with total QLDC and WSCCO charges likely to be near the 5% common reporting threshold (depending on income forecasts).

Rates Affordability – Rate Revenue per Rating Unit and Median Household Income¹⁹



Aeira

18.

Local government benchmarks include reporting against debt and rates affordability, rates increases, and performance against budget. The requirements are defined in the Local Government (Financial Reporting and Prudence) Regulations 2014.

19.

Rate Revenue per Rating Unit is calculated using the 2024 LTP FIS. Median Household Income is based on StatsNZ forecasts for the Queenstown District from the 2023 Census, escalated into 2025 and the annually increased under a 3.8% (long-run average wage inflation) and 2. 2% (long-run LCI).

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Growth Framework principles

GROWTH FRAMEWORK

The guiding principle for the Growth Framework is that growth should equitably contribute to the costs of growth within the available legislative and policy frameworks, including the six principles for the new Development Levy regime. These principles also reflect our understanding of QLDC's financial objectives.

Growth Framework principles

1

Necessity – Growth charges are for only for growth infrastructure

Growth charges will only be imposed where the effects of a development (or cumulative effects of multiple developments) creates additional demands on the network.

3

Proportionality – Growth allocation reflects distribution of benefits

Cost allocations to growth should be proportional to the additional growth capacity provided by the infrastructure.

5

Transparency – Clearly communicated

All available information that shows how growth charges were calculated and how they will be used to fund growth infrastructure will be made available, and QLDC/WSCCO will communicate the long-term costs of growth and how this will impact growth charges.

7

Intergenerational equity – Fairness between generations

Growth charges will be designed to ensure that allocations are fair between current and future generations. Growth costs will be shared over the asset lives to ensure equitability.

9

Prioritisation – Debt capacity used for network assets

QLDC/WSCCO will prioritise the use of available debt capacity for network assets that enable growth across the wider district. Debt capacity will only be used for out-of-sequence development if it serves the interests of the wider community.

11

Delivery arrangements decoupled from funding and financing

Growth infrastructure should be delivered by the party that can do it most efficiently, irrespective of how the project is being funded and financed. QLDC will consider the overall risk positions when determining delivery arrangements.

2

Sufficiency – Growth pays for growth

Growth charges will be set to ensure they fully recover the costs of servicing growth over the long-term when considering interest, cost escalation, and all other relevant costs.

4

Particularity – Growth revenue used for relevant infrastructure

Revenue received from growth charges will be used to pay for growth infrastructure within the relevant catchment and for the benefit of that catchment. QLDC will monitor revenue received and infrastructure delivered.

6

Economic efficiency – Support efficient networks

Growth costs will be distributed between growth beneficiaries in a way that incentivises the creation of efficient infrastructure networks. It will also inform the use of QLDC/WSCCO borrowing capacity.

8

Financially sustainable – Fully compliant with covenants

Financing for growth-related infrastructure will only be used where the financial impact does not result in any covenant breaches. Alternative funding tools such as IFF levies will be considered to manage revenue risk.

10

Marginal cost – QLDC/WSCCO share limited to the marginal cost of additional capacity

When negotiating cost splits for infrastructure delivered by developers under PDAs, QLDC/WSCCO should only be paying for the marginal costs associated with providing capacity above what the developer(s) requires for their development(s).

12

Integration – Growth charges and framework aligned between QLDC/WSCCO

Framework used for determining growth allocations and sizing growth charges should be consistent between QLDC and the WSCCO. QLDC and the WSCCO will also collaborate on growth planning and sequencing to provide certainty to stakeholders.

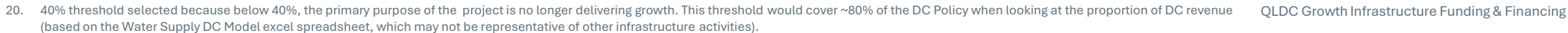
Policy choices for elected members

Key policy choices in determining the use and application of the Growth Funding Framework

Policy choice	Option A		Option B	Implication
1 Definition of 'growth pays for growth'	Full use of legislative flexibility ★ Maximise growth cost recovery using the legislation to its fullest extent. Requires significant upfront spatial and structure planning, dedicated capability and stronger documentation.	↔	More moderate / status quo Stay closer to current settings, with lower implementation effort but less opportunity to improve recovery.	Trade-off: Stronger recovery vs implementation effort
2 Council-led vs developer-led	Limited use of PDAs PDAs only used in a limited set of circumstances and bound by detailed parameters, templates and supporting documentation.	↔	Actively using PDAs ★ Greater use of PDAs to reduce funding and financing burden on QLDC. However, these will have defined boundaries (e.g. baseline commercial positions, minimum requirements and rely on standardisation).	Trade-off: Control over infrastructure delivery v financial capacity
3 High-cost area signalling	Explicit signalling ★ Funding, financing and prioritisation clearly communicated to stakeholders. Developers will be expected to deliver out-of-sequence and bear the true cost of growth infrastructure delivery (e.g. through DCs, IFF levies, and direct developer funding).	↔	Less explicit signalling Address high-cost areas more reactively. Retains discretion but provides less upfront clarity to developers and purchasers.	Trade-off: Upfront market clarity vs flexibility and case-by-case discretion
4 Use of IFF levies	Greater use of IFF levies ★ Increase use of IFF levies and SPV financing structures to reduce balance sheet impact on QLDC and provide long-term revenue certainty. Clear guidance on expectations for QLDC will work with developers will on IFF to finance enabling infrastructure.	↔	Use selectively as issues arise Consider these tools later or only where needed. Reduces early signalling, which may limit proactive financing planning.	Trade-off: QLDC balance sheet impact v future levy / rates burden for impacted properties
5 Approach to private proposals (i.e. transport)	Framework-led approach ★ Embed alternative tools in a beneficiary pays / user pays framework. Set expectations on evidence, benefits, consultation and when non-standard infrastructure may justify support.	↔	Case-by-case assessment Assess private proposals individually as they arise. Retains flexibility but creates less certainty about QLDC expectations before considering support.	Trade-off: Clear decision rules vs flexibility for unique proposals

GROWTH FRAMEWORK

Infrastructure and growth planning	Determine cost driver	Categorise infrastructure	Determine structural solution	Determine funding tool	Determine financing arrangements	Rescope / reprioritise
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Infrastructure and growth planning	Determine cost driver	Categorise infrastructure	Determine structural solution	Determine funding tool	Determine financing arrangements	Rescope / reprioritise
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QLDC has an operative Spatial Plan and undertakes structure planning for major growth areas, including for the Te Tapuae Southern Corridor, Central & Southern Wānaka, Te Pūtahi Ladies Mile, and Kingston Village Special Zone. However, feedback received through the diagnostic interviews highlighted that some of the outputs from these structure plans were out-of-date and/or used inconsistently across different financial and planning processes.

Key recommendations for ensuring the infrastructure and growth planning function is fully integrated with financial decision making are shown below, which are likely to become more critical once the DL framework is in place.

 Dedicated internal ‘owner’ of the Framework	 Detailed calculation methodology	 Documentation of project decisions	 Regular review and update of key assumptions	 Project definition – Cost focus and “right sizing”
The Finance Team holds overall responsibility for the DC Policy and supporting framework. However, the diagnostic review identified general uncertainty over roles and responsibilities for individual inputs, assumptions, and workings within the framework, as well as ongoing updates. This was partially a result of recent staff turnover in key roles overseeing the DC Policy and reliance on external support. <i>Establishing clear responsibilities for the end-to-end process is critical to reduce this risk and ensure that the process is fully integrated in spatial and growth planning, wider financial decision making, and developer negotiations. We recommend there is a single dedicated internal owner that oversees the full process.</i>	The review identified that supporting documentation for cost allocation methodologies was not consistently available or easy to trace, particularly in relation to how methodologies apply across different infrastructure activities and project types. Feedback from interviews indicated that understanding of these methodologies varies across the organisation. Strengthening guidance, documentation and internal ownership would help reduce the risk of inconsistent application and provide greater assurance that future cost allocation decisions are made on a clear and transparent basis. <i>We understand that QLDC is preparing project summaries to support each cost allocation, which would address this.</i>	The diagnostic review highlighted that cost allocation decisions are not well documented, which has made it difficult for QLDC to explain allocations and in some cases, caused resulted in assumptions being used inconsistently. <i>QLDC should clearly document (at a minimum) the following for each cost allocation:</i> <i>strategic rationale for the project;</i> <i>methodology applied;</i> <i>inputs and assumptions (and sources);</i> <i>calculations and workings; and</i> <i>growth allocation determined.</i>	The diagnostic review identified multiple examples where key assumptions used for calculating growth allocations were materially out-of-date (e.g. density assumptions in structure plans and growth forecasts). Having accurate and up-to-date assumptions is critical to the integrity of funding decisions, because of the materiality of the potential impact. For example, increasing the assumed DEs from 4,000 to 6,000 for a current population of 2,000, increases the growth allocation from 50% to 67%, and reduces the annual rates impact by \$103 p.a. over a 30-year period²¹. <i>QLDC should regularly review all key assumptions at least tri-annually as part of the LTP process to ensure they remain accurate.</i>	Cost management must be embedded from the outset through project definition, rather than treated as a later-stage optimisation exercise. Infrastructure requirements should be developed within QLDC/WSCCO financial capacity constraints, with assets right-sized against demand forecasts, service-level expectations, and capacity assumptions. These requirements should be challenged and validated throughout project development to ensure the proposed solution achieves an appropriate balance between performance, resilience, scalability, and cost.

GROWTH FRAMEWORK

Infrastructure and growth planning	Determine cost driver	Categorise infrastructure	Determine structural solution	Determine funding tool	Determine financing arrangements	Rescope / reprioritise
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- 1. Understand the project**
 - a) Review available project information and consider if there are individual components that need to be assessed separately.
- 2. Consider project outcomes**
 - a) Review the strategic rationale for the project and outcomes to determine who benefits from the project.
- 3. Calculate the cost driver percentages**
 - a) *Growth assessment*: Does the project provide new or additional capacity or need to be completed to enable growth?
 - a) If growth is not the main driver, apply the Asset Capacity Formula²² or the Benefits Formula²³.
 - b) *Level of service assessment*: Does the project benefit the existing community?
 - a) If no, use the Existing Community Formula²⁴.
 - c) *Renewal assessment*: Does the project replace or renew an existing asset?
 - a) If no, apply the Depreciation Formula²⁵ or the Asset Age formula²⁶.
- 4. Calculate cost allocation: Growth = 100% less Level of Service less Renewal**
- 5. Sense check: Does the allocation feel right?**

Generally, the cost allocation approach used under the current DC Policy is robust and broadly in-line with other high-growth councils. It primarily uses established quantification methods and approaches, which have survived legal challenge.

- **Benefits Formula – Construction Date:** Use current population (DEs) rather than the DEs at Construction Date because asset capacities are sized based on future growth, including growth that occurs during the planning phases and ahead of construction. A clear beneficiary nexus can also be drawn because growth often occurs in advance of, but anticipation for, infrastructure delivery.
- **Benefits Formula – Capacity Date:** Consider using the total DEs at full-build-out in greenfield development areas where infrastructure is planned and sized for the estimated population at full-build-out, even if there are staged solutions (e.g. the same Capacity Date should be used for both the current and future stages of a planned infrastructure solution so beneficiaries across the full-time horizon are contributing fairly).
- **Existing Community Formula:** As with the Benefits Formula, current population (DEs) should be used rather than DEs at Construction Date.
- **Renewals Assessment:** Consider developing rules of thumbs for the cost of replacement based on a cost estimation exercise or long-term estimates (e.g. cost of renewals per km of road), which can be applied instead of using the Depreciation and Asset Age Formulas. These can be better approximations of the actual cost of renewing the asset.
- **Units of Demand:** Review units of demand to ensure they accurately reflect the actual likely demand from different development types, including whether to differentiate between the number of bedrooms for residential development and confirming visitor accommodation demands capture the full extent of capacity used and planned for.
- **Guidance and rules of thumb:** Potential to develop more detailed guidance and rules of thumb to drive consistency and standardisation.

22. $\text{Growth \%} = (\text{Capacity}_{\text{New}} - \text{Capacity}_{\text{Existing}}) / \text{Capacity}_{\text{New}}$
 23. $\text{Growth \%} = (\text{DE}_{\text{Capacity Date}} - \text{DE}_{\text{Construction Date}}) / \text{DE}_{\text{Capacity Date}}$
 24. $\text{Level of service \%} = \text{DE}_{\text{Construction Date}} / \text{DE}_{\text{Capacity Date}}$

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Infrastructure and growth planning	Determine cost driver	Categorise infrastructure	Determine structural solution	Determine funding tool	Determine financing arrangements	Rescope / reprioritise
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The table provides baseline classifications and practical starting positions. Apply project-specific judgement, particularly the asset’s strategic importance to QLDC/WSCCO, the geographic sphere of benefit, who drives demand, and whether the investment creates shared or system-wide capacity.

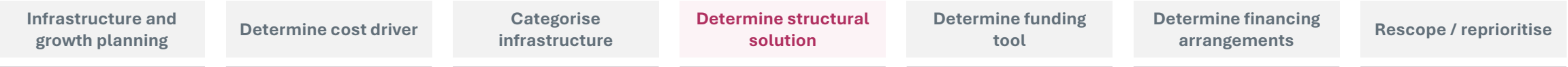
Definitions and baseline starting positions

Classification	Definition	Roading	Public Transport	Community Facilities	Parks and Reserves	Water Supply	Wastewater	Stormwater
Local (Greenfield)	Primarily serves one site or development; needed to connect or mitigate its direct effects. Limited wider benefit or spare capacity.	Internal/access roads and collector roads; frontage works; development-specific intersection.	Stops, shelters and walking links primarily serving the development.	Neighbourhood facility or land primarily required by one development.	Small park, playground or reserve primarily serving the development.	On-site/local reticulation and connection; local upgrade driven by the development.	On-site/local reticulation and connection; local upgrade driven by the development.	On-site treatment, pipes, swales or pond serving the development.
Bulk (Greenfield)	Shared catchment or growth-node asset serving multiple current or future developments and adding material common capacity.	Smaller arterial roads, bridge or key intersection serving several developments.	Interchange, park-and-ride or bus-priority works serving a growth node.	Community centre or library serving several neighbourhoods or a growth area.	Sports park, civic park or open space serving several communities.	Trunk main, pump station or reservoir serving a growth catchment.	Trunk sewer, pump station or storage serving a growth catchment.	Catchment pond/ wetland, trunk drain or culvert serving multiple developments.
Network / strategic	Forms part of the strategic district/sub-regional network; broad service area, system integration or resilience benefit. May serve existing and future communities.	Major arterial roads, strategic corridors, major bridge, district walking/cycling link.	Rapid-transit corridor, major hub or district-wide public transport facility.	District hub, aquatic/ event facility or specialised facility, which is expected to be used by the wider community.	District park, strategic trail, ecological corridor or destination reserve.	Treatment plant, major transmission main, interconnector or resilience asset.	Treatment plant, major interceptor, outfall or system resilience asset.	Major flood-protection scheme, waterway or strategic blue-green network.

Note: All brownfield upgrades should be financed and delivered by QLDC/WSCCO because they are best placed given the interface with existing assets. Having control over all elements of delivery is critical for QLDC/WSCCO to manage the associated risks.

Determining the structural solution

Network infrastructure that enables wider district growth and bulk infrastructure that unlocks major growth in areas prioritised under the Spatial Plan should be prioritised for council-led solutions because these assets best deliver community outcomes across the district and help QLDC/WSCCO achieve the desired long-term vision for the district.



Developer-led solution

Summary of approach

Developer(s) fund, finance, and deliver the infrastructure required for its development, which only serve their development(s). QLDC/WSCCO agrees the required standards, delivery timeframes, and associated triggers. Assets are vested to QLDC/WSCCO for nil consideration. Developer still pays DCs/DLs for connections to network infrastructure.

Key trade-offs

Pros: Protects council debt capacity for other investments, aligns cost, timing and delivery risk with the party creating demand; and can support faster and more efficient delivery.

Cons: Can result in a less efficient network outcome, particularly where multiple developments all have sub-optimal private solutions. Long-term operations and maintenance risk still sits with QLDC/WSCCO.

Applicability: Local infrastructure

Best suited to local infrastructure because demand and benefits are primarily attributable to that development(s), with limited wider benefit or spare capacity.

Hybrid solution

Summary of approach

Developer-led delivery of the base infrastructure required for the development, which is sized and scoped to provide additional capacity for future (or other) growth in the area. Required capacity, standards and scope agreed between QLDC/WSCCO and the Developer via a PDA. Council pays the marginal cost of additional capacity, which it recovers from future growth.

Key trade-offs

Pros: Reduces council debt impact for the developer portion, delivers more efficient long-term growth solution (than developer-led), brings forward shared capacity, and minimises the council contribution.

Cons: Council has less control over delivery than if it delivered the works itself and may not achieve the full outcomes sought; QLDC/WSCCO carries future-demand risk for its cost share.

Applicability : Bulk infrastructure

Best suited to bulk infrastructure, where the primary benefit of the infrastructure is to enable the developer(s) development to progress, but where there are clear efficiencies that can be achieved through over-building the solution to cater for future growth.

Council-led solution

Summary of approach

QLDC/WSCCO scopes, funds, finances, procures and delivers the asset. Council raises debt upfront and recovers the growth allocation over time through DCs; renewals and service-level components use the relevant non-growth funding sources.

Key trade-offs

Pros: Enables integrated network planning, consistent standards, whole-of-life optimisation and coordination across beneficiaries, and provide QLDC/WSCCO with the most control over outcomes.

Cons: Consumes the most debt headroom, and exposes council to all the financial risks associated with capital costs, programme, and DC-revenue timing risk. If fiscally constrained, it can also delay development.

Network / strategic: Bulk infrastructure

Best suited to network / strategic infrastructure with broad district or system benefits, material integration or resilience value, and where it cannot efficiently be delivered by one developer.

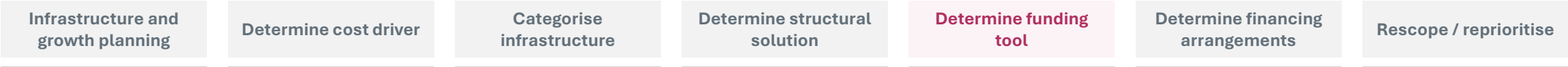
Sequenced bulk infrastructure in priority growth areas: Case for a council-led solution

QLDC/WSCCO may consider delivering bulk infrastructure through a council-led solution where the works unlock significant growth in areas priority growth areas identified in the Spatial Plan, and are planned for and sequenced in accordance with key QLDC/WSCCO plans (e.g. structure plans, LTPs, etc.). The key benefit of delivering these works under a council-led solution is that QLDC/WSCCO can have greater control over how prioritised growth areas are built-out and serviced by infrastructure.

Given current fiscal constraints, bulk infrastructure should only be delivered by council where it is consistent with the growth ambitions and sequencing outlined in QLDC and WSCCO strategic planning documents (Spatial Plan, Long Term Plan, Infrastructure Strategy, etc.). Opportunities should be considered on a case-by-case basis and prioritised against the wider capital programme based on the extent it delivers outcomes to the wider community, aligns to strategic planning documents, provides value for money, and can be managed within fiscal constraints.

Selection of funding tool

Local government funding toolkit



Local government funding toolkit

There are few effective revenue tools that QLDC/WSCCO can use to target the beneficiaries of growth infrastructure. The DC/DL regime is the most effective funding solution; however, it requires QLDC/WSCCO to have sufficient debt capacity to finance the upfront contribution.

Where QLDC/WSCCO has insufficient debt capacity to finance the DC/DL charges, an IFF levy can be imposed on targeted properties, which raises external financing via an SPV structure, mitigating debt impacts on QLDC/WSCCO.

High-level funding tool assessment

Funding tool	QLDC share	Explanation
Development Contribution		Designed specifically to target the beneficiaries of growth. However, QLDC/WSCCO has to raise the upfront financing, which requires debt capacity.
Development Levy		Specifically targeted to growth beneficiaries. Once established, the DL regime will replace the current DC framework. QLDC/WSCCO is required to raise upfront financing, which requires debt capacity.
IFF Levy		Can be specifically targeted at new properties to ensure it is growth beneficiaries paying the levy. Provides an off-balance sheet debt solution through the SPV financing structure and delivers long-term revenue certainty.
Targeted Rate		Similar incidence to the IFF levy, but does not deliver the same level of certainty or the balance sheet relief through the SPV financing structure.
General Rate		Inconsistent with the ‘growth pays for growth’ and beneficiary pays principles, given it all ratepayers across the district are required to pay it.
Fees and Charges		Inconsistent with the ‘growth pays for growth’ principle because it is paid by new and existing properties, which means it is not targeting growth beneficiaries.

IFF case study – Te Awa Lakes (Hamilton City Council)²⁷

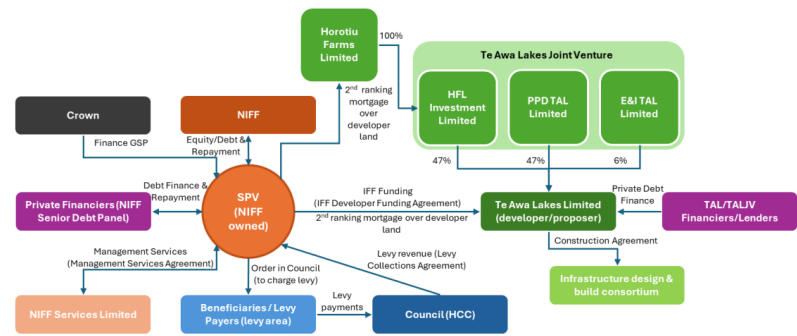
Three developers in Hamilton utilized the IFFA to pay for critical enabling infrastructure that unlocked 1,500 new properties, underpinned by finance to spread the cost over time.

Under the arrangement, a 30-year levy was established on all properties within the levy area (see figure below), which enabled a new SPV to raise \$50m of external financing to pay for large stormwater lakes, roading upgrades, an internal spine road and bridge, as well as smaller three water infrastructure (e.g. a new pump station). All SPV financing was ‘off-balance sheet’ for HCC, which accelerated the timing for infrastructure delivery and development.

Levy area



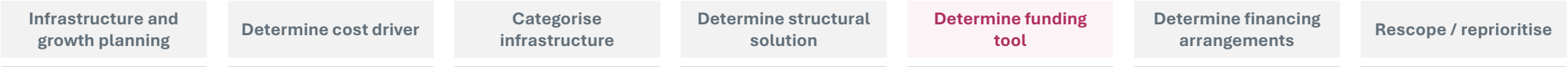
Commercial structure



- SPV raises external debt, which is paid to the developer JV as a grant (no repayment obligation).
- HCC collects levy revenue on behalf of the SPV through its rates collection process. Levy revenue is passed to SPV.
- Crown Support Package for tail-risks (e.g. judicial review).
- Contracts impose obligations on developer JV.

Selection of funding tool (cont'd)

Prioritisation and debt capacity assessment

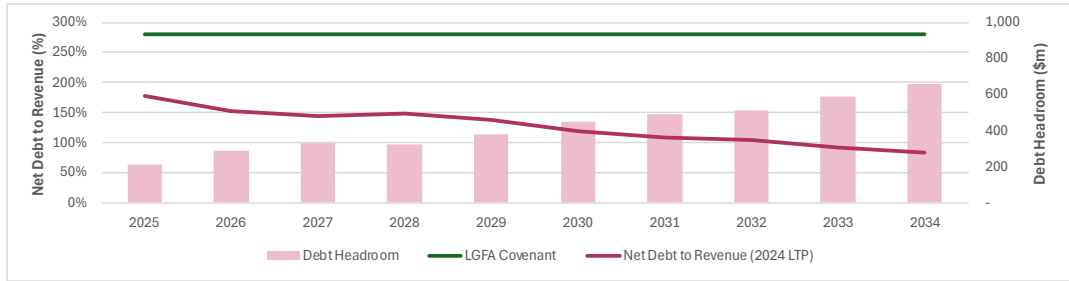


Assessing debt capacity

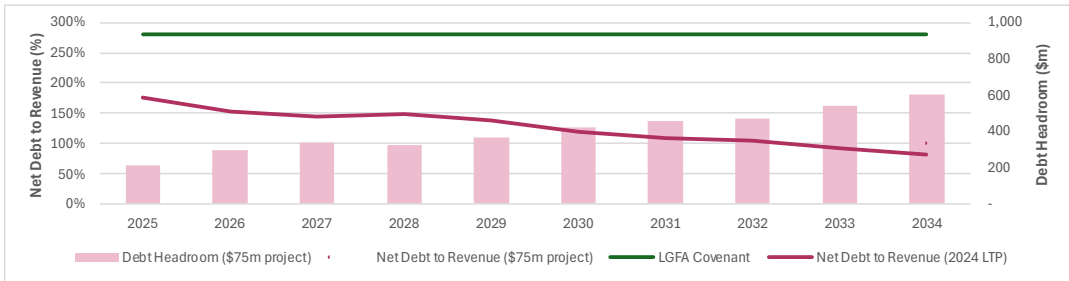
The WSCCO is forecasting to be highly fiscally constrained over the next decade, with no headroom under its FFO to Net Debt LGFA covenant. QLDC’s borrowing capacity will improve post the 3W transition; however, still has a significant borrowing programme. Accordingly, capacity to finance growth infrastructure is likely to require prioritisation of growth projects, as well as wider capital investment (e.g. service upgrades, renewals programme, etc.).

Debt capacity should be assessed based on QLDC/WSCCO’s primary financial covenants (e.g. Net Debt to Revenue (QLDC) and FFO to Net Debt (WSCCO)).

Baseline Capacity – QLDC: LGFA Covenant – Net Debt to Revenue²⁸



Illustrative example – New \$75m growth project: LGFA Covenant – Net Debt to Revenue²⁹



The debt capacity analysis should be based on the current QLDC/WSCCO forecasts, which are developed through the tri-annual LTP process. This ensures elected members continue to have oversight over investment prioritisation and sets a consistent baseline for all projects. Scenario analysis is required for new projects to assess the financial impact and confirm there are no covenant or prudential policy breaches. This isn’t required for projects in the LTP, because the associated debt is already captured in the baseline financial assumptions.

The high-level impact of the different structural options and funding tools is shown below.

	Developer-led solution	Hybrid solution	Council-led solution
Developer share	No QLDC/WSCCO impact	No QLDC/WSCCO impact	N/a
Development Contribution	N/a	QLDC/WSCCO share	Total external debt
Development Levy	N/a	QLDC/WSCCO share	Total external debt
IFF Levy	No QLDC/WSCCO impact	Future development ³⁰	No QLDC/WSCCO impact

Where there is insufficient debt capacity (i.e. financing the project(s) would result in a covenant breach), prioritisation will be required, which should assess the following factors.

Factors to consider for Prioritisation:

Consistent with the Growth Framework’s principles, growth projects should be prioritised against the following criteria:

- alignment to Spatial Plan, Infrastructure Strategy, and QLDC/WSCCO strategic direction;
- enables significant growth in a high-priority area;
- delivers benefits to the wider Queenstown community;
- consistent with planned infrastructure delivery and sequencing of development; and
- achieves value for money (consider outcome relative to QLDC/WSCCO capacity used).

Outputs from the prioritisation should be clearly documented and communicated to stakeholders to maintain high standards of transparency and accountability.

²⁸. Information sourced from QLDC 2024-34 LTP. Net debt and revenue figures are exclusive of the three waters infrastructure activities.

²⁹. Hypothetical \$75m growth project, with a 100% allocation to growth and 30-year growth horizon starting from construction commencement. DC revenue was solved to have a zero-debt balance by 2064 using a goal seek macro, and constant (but indexed) DC charge.

³⁰. The IFF levy cannot recover the QLDC/WSCCO share of infrastructure from properties in the developer’s development, because their share is being paid through the developer share. It can only target the future development utilising the additional capacity, which is the what the QLDC/WSCCO is based on.

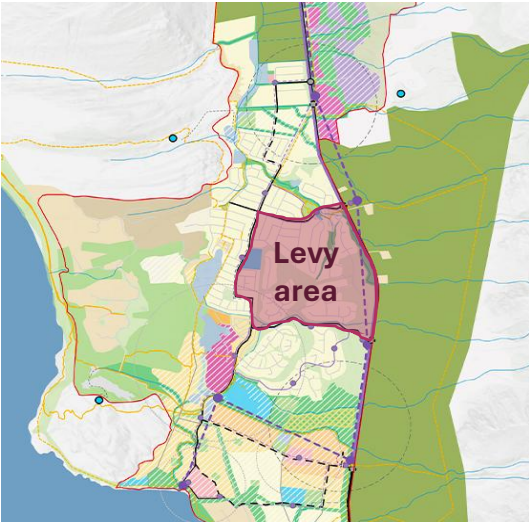
Selection of funding tool (cont'd)

Utilisation of the IFF levy tool

Infrastructure and growth planning	Determine cost driver	Categorise infrastructure	Determine structural solution	Determine funding tool	Determine financing arrangements	Rescope / reprioritise
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Developer-led solution

IFF solution should be developer-led. Simple establishment process if landowners support. Financing reflects smaller levy catchment.



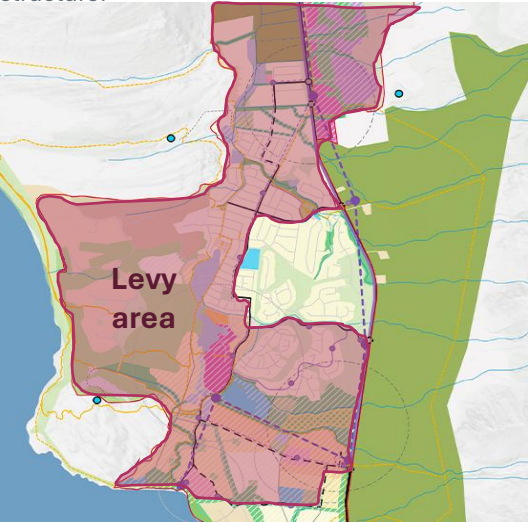
Hybrid solution (developer share)

Same as developer-led solution. Doesn't resolve QLDC/WSCCO debt capacity constraints. Financing reflects smaller levy catchment.



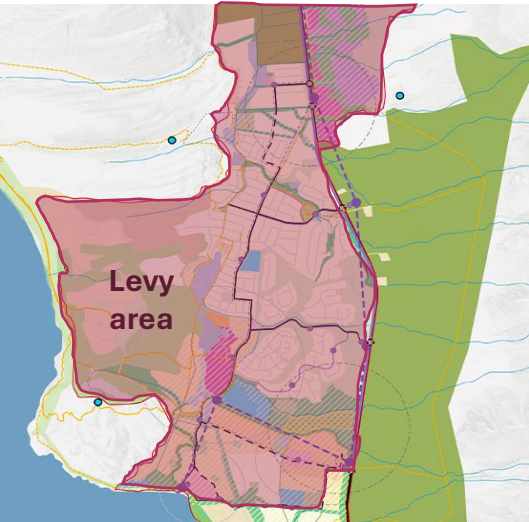
Hybrid solution (council share)

Levy area targets future growth enabled by the over-built solution. Less certainty on growth timeframes, which increases levy risk, but this can be resolved using a government-backed structure.



Council-led solution

Council-led proposal for IFF over a wider area. Larger number of properties, but still limited certainty on overall growth, which impacts levy risk.



Securing support for the IFF levy

QLDC's statutory role in the IFF levy framework is limited to **'proposing'** the establishment of the levy, **'endorsing'** that the levy won't unduly constrain its ability to collect future rates, the technical specifications of any vested assets are compatible with the network, and that it can afford to operate and maintain vested assets; and **'collection'** of the levy revenue. Ultimately, establishment of an IFF levy is subject to Minister decision making on the recommendation of the Ministry of Housing and Urban Development (**"MHUD"**). Support from landowners, NIFFCo (assumed equity provider, unless developer or other provides equity), and financiers is also required for a proposal to be successful. QLDC/WSCCO should collaborate early with all of these parties to obtain early signals of support to avoid wasted effort (i.e. developing a solution that is ultimately unable to be taken forward).

Private Development Agreements

Private Development Agreements form a significant part of the funding and financing solution under the proposed Growth Framework, which means they need to be negotiated and managed in a consistent and transparent manner.

PDA scope and negotiation framework

Consistency and transparency is fundamental to the integrity of PDAs and delivering confidence to internal and external stakeholders.

We recommend QLDC establishes a framework for PDAs, which sets out:

- end-to-end process for assessing, negotiating, and executing PDAs (incl. evaluation criteria, documentation requirements, and approvals processes);
- baseline commercial positions and minimum requirements; and
- standard form contracts (to the extent possible).

For consistency, PDAs should be negotiated on the same underlying principles as outlined in the Growth Framework, including the following baseline positions:

- infrastructure provision should fully mitigate all growth impacts within the development and consider alignment to QLDC’s Spatial Plan;
- developers are responsible for all greenfield local infrastructure;
- developers should greenfield bulk infrastructure, where the bulk infrastructure primarily services the associated development, with the required specifications ensuring capacity for future developer;
- cost allocations should be determined based on the incremental cost of the additional capacity (supported by independent price verification);
- all works must comply with QLDC/WSCCO’s design and engineering standards and be independently certified by a qualified professional prior to any assets vesting; and
- assets are delivered by the party best able to manage the delivery and associated risks, which may differ between the assets encompassed by the PDA.

The PDA should also clearly articulate the following (non-exhaustive):

- all infrastructure delivered under the arrangement, including QLDC/WSCCO infrastructure;
- agreed cost shares for each asset;
- any QLDC/WSCCO assets subject to a DC and agreed funding arrangements (e.g. offset).

QLDC/WSCCO need to evaluate and prioritise any debt capacity consumed by the PDA arrangements in accordance with the general principle that debt capacity will be used for strategic and network assets in the first instance, and then where bulk infrastructure aligns to planned and sequence development and infrastructure.

Cost allocation – Setting the QLDC/WSCCO share

The allocation of costs should be determined on a **marginal cost basis**. Under this approach, the developer pays the same cost it would incur if it delivered its own solution, with the incremental cost of upsizing paid by QLDC/WSCCO and oncharged to future development.

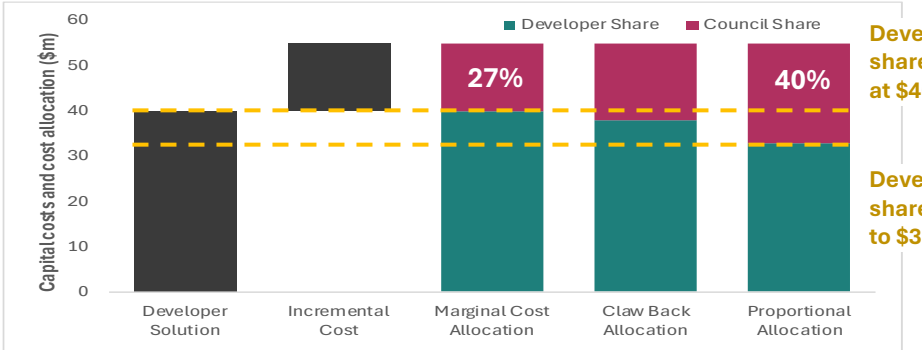
Typically, the marginal cost of upsizing an asset is lower than the average cost, which means there is a financial benefit (i.e. a lower cost for capacity). However, while the approach is successfully used by Watercare, it departs from the ‘proportionality’ principle that underpins QLDC’s DC Policy and requires agreement with developers.

Developers are reluctant to accept a marginal cost allocation if other developers in the area can obtain a competitive cost advantage through accessing the lower cost for the infrastructure. This issue can be addressed in two ways:

- developers in the area negotiate cost-sharing arrangements between them (i.e. Riverhead Retirement Village);
- a “claw back” mechanism is included in the PDA, where the developer receives a payment for any new development in the area within a time bound window (5-10 years) to neutralise the cost advantage between the two developers.

The three approaches are shown below for a \$40m project with a \$15m incremental cost (total \$55m) and where future growth consumes 40% of the capacity.

Illustrative example – Cost shares under the different approaches



Appendix

This review is subject to the agreed Services Agreement Contract dated 24 June 2026 and the associated terms and conditions. It has been prepared solely for the purpose set out in the Services Agreement Contract and should not be relied upon for any other purpose.

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We have not independently verified the accuracy of information provided to us, and have not conducted any form of audit in respect of Queenstown Lakes District Council. Accordingly, we express no opinion on the reliability, accuracy, or completeness of the information provided to us and upon which we have relied. The statements and opinions expressed herein have been made in good faith, and on the basis that all information relied upon is true and accurate in all material respects, and not misleading by reason of omission or otherwise. The statements and opinions expressed in this report are based on information available as at the date of the report.

We reserve the right, but will be under no obligation, to review or amend our report, if any additional information, which was in existence on the date of this report was not brought to our attention, or subsequently comes to light.

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Glossary and terms

Term / abbreviation	Explanation
AC	Auckland Council
Aeira	Aeira Partners Limited
CAGR	Compound Annual Growth Rate
Capex	Capital Expenditure
DC	Development Contribution
DCC	Dunedin City Council
DC Policy	Development Contribution Policy
DE	Dwelling Equivalent
DIA	Department of Internal Affairs
DL	Development Levy
FFO	Funds From Operations
FIS	Funding Impact Statement
Growth Framework	QLDC Growth Funding and Financing Framework
HCC	Hamilton City Council
IFF	Infrastructure Funding and Financing Levy
IGC	Infrastructure Growth Charge

Term / abbreviation	Explanation
LGA	Local Government Act 2002
LGFA	Local Government Funding Agency
LoS	Level of Service
LTP	Long Term Plan
MHUD	Ministry of Housing and Urban Development
NIFFCo	National Infrastructure Funding and Financing Company
Opex	Operating Expenditure
P&I	Planning and Investment Team
PDA	Private Development Agreement
PPI	Producers Price Index (Outputs) - Construction
QLDC	Queenstown Lakes District Council
TCC	Tauranga City Council
UCWWS	Upper Clutha Wastewater Conveyance Scheme
WSCCO	Water Services Council Controlled Organisation

Documents reviewed

Document	Content
Long Term Plan (2012-2024)	Financial and capital expenditure forecasts
Development Contribution Policy 2026-27	DC Framework and approach
QLDC Demand Projections Summary Methodology 2026	Approach to forecasting demand and population
QLDC Demand Projects to 2057 May 26 (Excel)	Outlines demand forecasts
DC Assessment Tool 2026-2027 (Excel)	DC Assessment
Water Supply DC Model 2025 v6 (Excel)	Example worksheet for DC calculations
Annual Plans (2013-2025)	Financial performance
Development Contributions – Elected Member Intro	QLDC DC Framework and wider context
Infrastructure Commission – Paying it back	Wider context
Cost Driver Calculation Process Map	QLDC DC Framework
Upper Clutha Wastewater Conveyance Scheme Cost Drivers (Excel)	Example workings from precedent project
2024 LTP Steering Group DCs Presentation	Outline of key DC Policy changes made by QLDC in 2024
Upper Clutha Wastewater Conveyance Scheme Investment Case	Investment Case for the Upper Clutha Scheme, including Strategic Case (project rationale) and Financial Case (funding and financing approach)
Producer Price Index (Output – Construction) – StatsNZ	Long-term data series for PPI
Southern Corridor Water and Wastewater Cost and Growth Allocation inputs	Example workings from precedent project

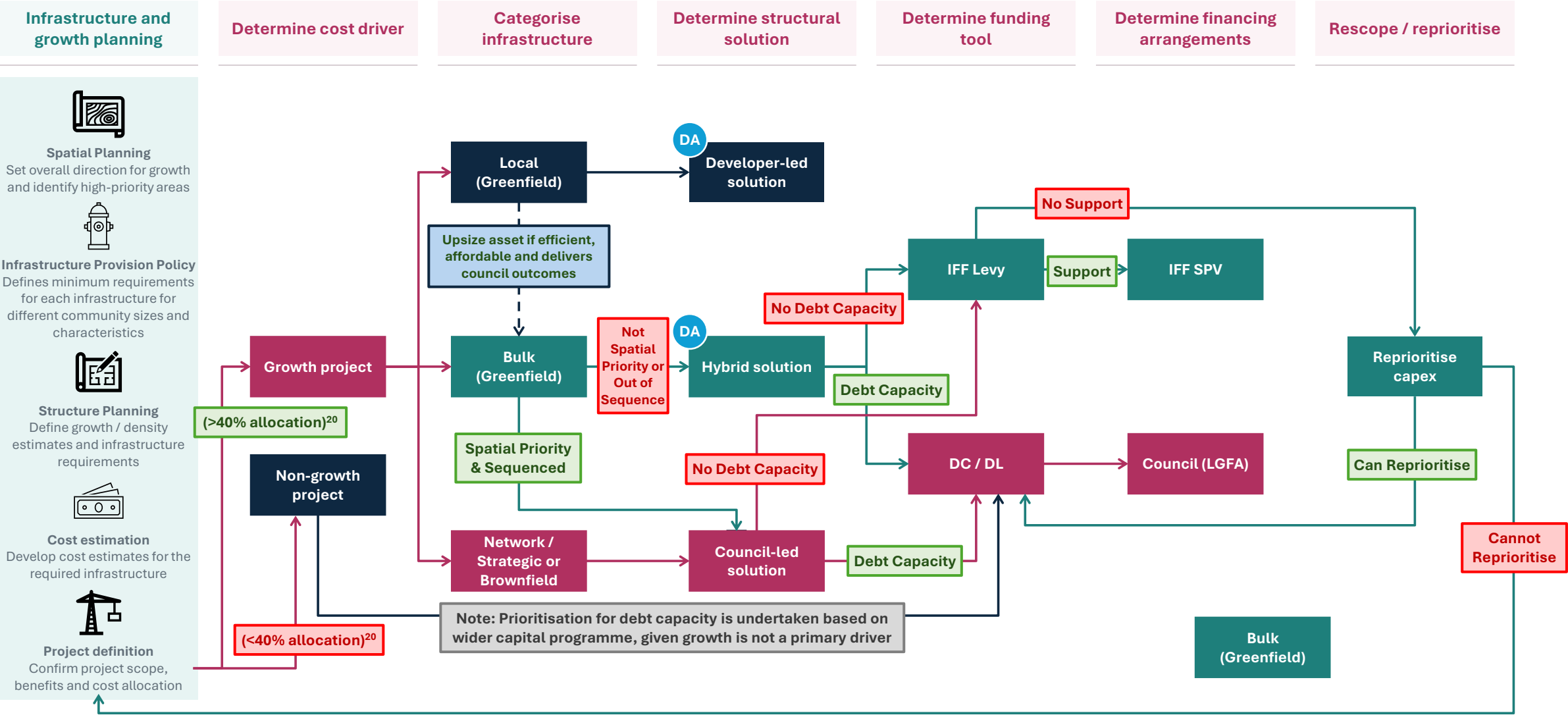
Workshops and interviews

Workshop / meeting	Attendees	Date
Growth Infrastructure Review Workshop	Pennie Pearce, Mark Baker, Jesse Taylor, Anita Vanstone, Liz Simpson, Dominic London, Hayden Bed, Paddy Cribb, Vanessa Fauth, Tanea Hawkins, Peter Edie, Jeannie Galavazi, Ian Dunbar	30 June 2026
Interview	Mark Baker (QLDC) Jesse Taylor (QLDC)	1 July 2026
Interview	Anita Vanstone (QLDC) Liz Simpson (QLDC) Luke Place (QLDC)	1 July 2026
Interview	Vanessa Fauth (QLDC) Philip Jones (PJA)	6 July 2026
Interview	Paddy Cribb (QLDC) Jeremy Payze (QLDC)	6 July 2026
DC Policy Workshop #1	Walter Clarke (Utility)	9 July 2026
Interview #2	Ian Dunbar (QLDC)	14 July 2026
DC Policy Workshop #2	Walter Clarke (Utility)	14 July 2026
Case study on Upper Clutha	Jesse Taylor (QLDC), Dominic London (QLDC)	15 July 2026
Interview #3	Brent Pearce (QLDC)	15 July 2026
Interview #4	Tanea Hawkins (QLDC)	15 July 2026
Development Agreements	Robert Galvin (QLDC), Andrew Monteith (Monteith Advisory)	23 July 2026

Attachment C: Funding and Financing Process Map

End-to-end process

An end-to-end process for determining how funding and financing decisions are made is recommended below, with further detail on each step provided on the following pages. The effectiveness of this process relies on QLDC/WSCCO proactively undertaking further detailed spatial and structure planning, which will provide the critical inputs into the process.



20. 40% threshold selected because below 40%, the primary purpose of the project is no longer delivering growth. This threshold would cover ~80% of the DC Policy when looking at the proportion of DC revenue (based on the Water Supply DC Model excel spreadsheet, which may not be representative of other infrastructure activities).