

Growing cost of living challenges

Energy bills

More than two-thirds of homeowners are worried about their electricity bills. 140,000 households took out loans to cover electricity costs last year, with 38,000 households disconnected due to unpaid bills.

Rates bills

As rates (and other local government charges) continue to rise alongside other costs of living, an increasing number of households are struggling to pay their rates.

Councils are hearing from ratepayers who are choosing to give up heating their homes and giving up balanced diets rather than not pay rates.

Expensive housing

NZers need about 19 years of disposable income to afford a house, against an OECD average of 10 years.

The shortage of housing is a major contributor, with upfront costs including council Development Contributions (of \$20-30k+ per property) a factor.

Existing approaches not cutting it

Swapping retailers to save 5% when bills have gone up 20% barely helps, while energy retailers recommend households go without to lower bills (shorter showers, another blanket). Various Government energy payments and grants are meeting **less and less** of households' energy bills. Existing bank green loans have limited eligibility and therefore limited impact.

Council rates postponement schemes are **inconsistent, inefficient and risky**. The more "successful" they are, the less councils can spend.

When first introduced in 1973, the maximum **Rates Rebate** covered around 60% of the average rates bill (100% of the rates bill for many homes). Over time this has **diminished** and it now covers around 20% of the average home's rates bill.

NZ **reverse mortgage** interest rates are very high (currently ~8% p.a.)

Current reforms moving to a Development Levy System may see the equivalent of Development Contributions rise, as the burden of additional infrastructure costs is rebalanced to those benefiting, away from general ratepayers.

Councils have limited financial capacity to spread these costs over time for ratepayers.

RAS products

Energy IMPACT loans

Ratepayers can choose to install solar, home batteries, hot water heat pumps, and/or heat pumps, at the very attractive RAS interest rate and at terms that largely match the expected lifetime of the upgrades.

Rates postponement

Ratepayers 55+ (and those eligible for Rates Rebate) can defer repayment of their council rates until they sell their property. Can decide to do each year.

Deferred development contributions

Allowing the upfront infrastructure payments to councils for new housing, often \$30-60,000+, to be spread over 30 years

Significant benefits

Immediate energy bill relief

Rewiring Aotearoa estimates the average household installing a decent size solar system can save around **\$1,000 a year**, and with solar, batteries and upgrading to space and hot water heat pumps will save well in excess **\$2,000 a year** under the RAS. Including all loan repayment and financing costs. Wider energy and sustainability benefits will follow.

Tangible, immediate rates relief

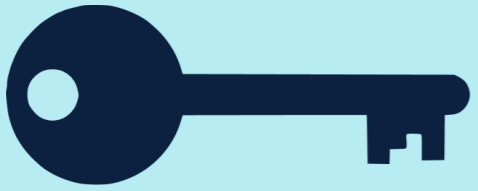
Seniors and New Zealanders on fixed/low incomes will be able to keep an average around **\$4,000 a year** in their pockets (avoiding hardship / mitigating cost of living challenges), repayable on sale of their home.

These homes will also be able to choose to fully defer repayment of energy IMPACT loans (above), meaning a potential \$7,000-\$8,000 a year to meet the costs of living.

More housing unlocked

Upfront costs from councils for new housing including **granny flats** will be able to be spread over 30 years.

It is expected that \$150-200 million a year in these loans will be borrowed.



Central Government unlock



The ask of Government...

- Legislative change as early as feasible in 2026 (see next page)
- One-off \$6-7m shareholding investment (20%), with remaining 80% from councils and the NZ Local Government Funding Agency (LGFA)
- Stand-by liquidity facility
- Central government investment and support is required to secure further local government sector funding, and to help demonstrate central government "proximity" to the RAS to ensure it can obtain a very high credit rating

What is it?

- Affordable, accessible long-term finance for ratepayers.
- Extension (and activation) of existing local government powers, but significantly more efficient and effective, and 'off balance sheet'.
- National shared service available to all local authorities in NZ, removing existing administrative burden and centralising the specialist capabilities required.
- Enables billions of private capital from NZ and overseas to easily flow to deliver public and private outcomes for NZ.
- A mechanism to efficiently access significant residential property equity (currently ~\$1.2 trillion) to achieve public and private benefits
- Builds on success of NZ Local Government Funding Agency (LGFA).
- Focussed on delivering public benefits (including sustainability), rather than maximising profit.
- RAS is part of local government sector's response to central government's request for sector innovation/solutions to sector challenges

RAS background

- Eight councils (Auckland, Hamilton, Tauranga, New Plymouth, Palmerston North, Hutt City, Wellington and Queenstown Lakes) have funded development to this stage, with leadership from Local Government NZ.
- Active support additionally from LGFA, Energy Efficiency and Conservation Authority, and Rewiring Aotearoa.
- Lead advisor is Cameron Partners, supported by PwC and Simpson Grierson
- Minister Watts' strong signal of support in early 2025 encouraged councils to fund further development and undertake the significant work of the last six months.

The organisation

- A Council Controlled Organisation jointly owned and governed by councils, LGFA and Government
- LGFA expected to provide debt financing directly to RAS until around \$1billion in loans. RAS may then issue debt in its own name, managed by LGFA who have the established processes and expertise.
- Largely following the proven organisational model of the LGFA.
- IT-heavy, keeping costs down.
- EECA is expected to be "implementation partner" for Energy IMPACT Loans: providing installer and product assurance, and providing for a positive and informed customer journey.

A few more things to know...

- Councils decide which RAS products to make available to their ratepayers
- Ratepayers "opt in" to use RAS products and (among other criteria) must have at least 20% equity in the property.
- Early repayment available without any penalty.

Ratepayer Assistance Scheme Act

RAS Act is required to:

- Enable lawful and flexible RAS levy creation
- Define RAS levy operation
- Ensure transparency, fairness and coordination with council systems
- Provide necessary tax and regulatory exemptions and protections

Quite simple drafting, with Local Government Borrowing Act 2011 and Infrastructure Funding and Financing Act a model / precedent.

Regulatory exemptions required to enable efficient financing and administration and are extension of exemptions already available to councils.

International precedents

British Columbia's long-running property tax deferral scheme provides a highly successful precedent.

IMPACT loans align with Global Property Linked Finance Initiative Principles

While precedents exist, the efficiencies of RAS (and in turn interest rates available to ratepayers across RAS products) will be globally leading in its offerings and efficiency.

How are the interest rates low?

RAS is expected to offer finance at around 2% below banks' floating mortgage rates (and most often below their 1 or 2 year "specials") due to the involvement and support of local and central government, alongside:

- Strong underlying security against properties
- Layers of liquidity support
- Diversification of loans across many ratepayers and geographies
- A Joint and Several guarantee from local authorities

If the RAS were in operation today (November 2025), it would likely be offering an interest rate around 3.5% to 3.8% (depending on product). Current bank floating rates around 5.8-6.09% and most "specials" around 4.49% and reverse mortgage rates around 8%

RAS interest rates will initially be floating and calculated quarterly.

The ongoing evolution of the RAS

- New products can join the RAS, following local government-sector and Cabinet processes.
- These can include entirely new types of charges, and also expand existing IMPACT Loan offerings. For example:
 - Water IMPACT Loans could be offered for things like septic tank replacement and home water tanks, which could reduce the need for \$100s of millions in council infrastructure spending.
 - Larger community investment projects are possible such as seawalls and flood protection

The Ratepayer Assistance Scheme: How the RAS stacks up



The RAS stacks up financially

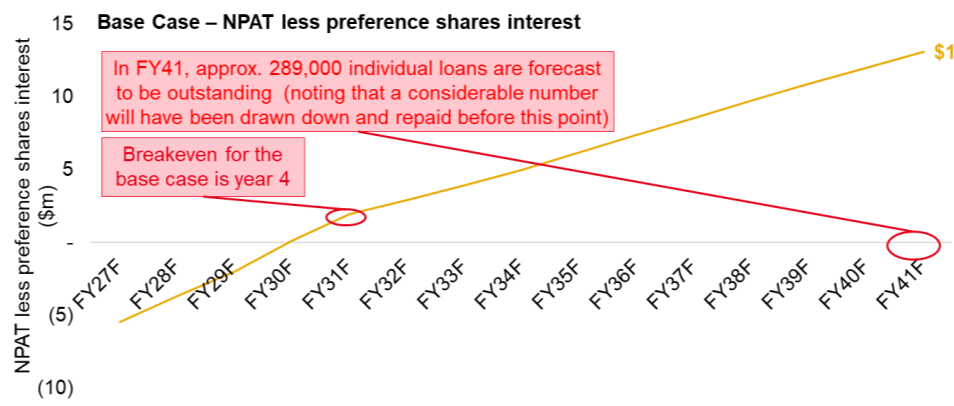
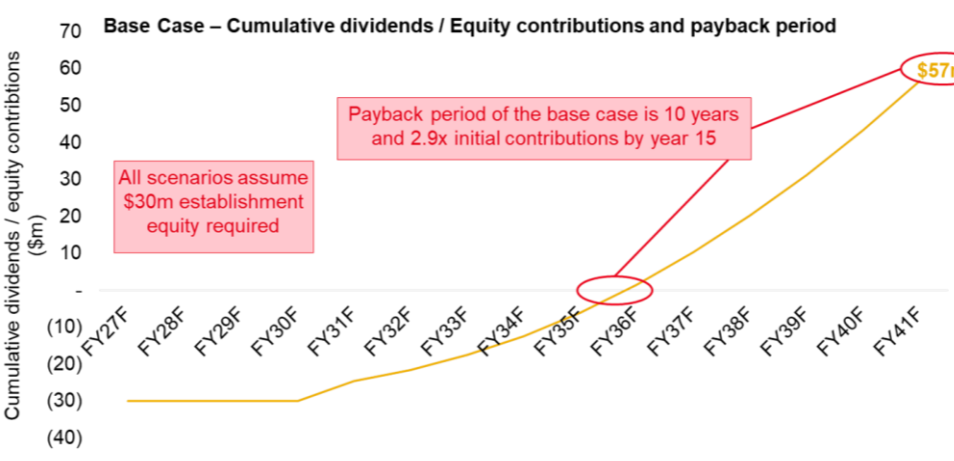
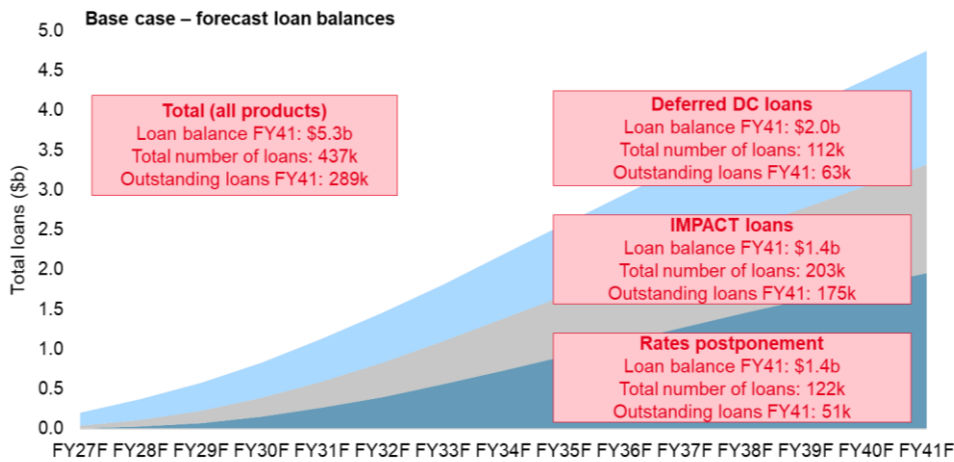
- Comprehensive Business Plan analysis, with the Base Case demonstrating:
 - RAS is expected to issue over 430,000 loans over first 15 years
 - break-even at year 4
 - full pay-back of initial equity capital by year 10
 - returns around 3 times initial investment by year 15.
- The base case is considered conservative. Eleven additional scenarios are shown in the business case and provide various insights. RAS costs met from a ~1% interest margin (with differential rates between products reflecting risk).

Wide benefits are expected

- The RAS is expected to contribute very large public benefits relative to the modest Government investment and indirectly contribute to Rebuilding the Economy and Improving Productivity by enabling equity tied up in housing to be invested in the economy, and by improving energy productivity.
- Significant positive externalities from those who **install energy upgrades**
- More energy for NZ:** conservative estimate of 65,000 additional solar installations unlocked through the RAS in the first 15 years (80% more than all current solar installs) will provide significant additional energy generation, with more than half of this likely to flow beyond the house producing, reducing the need for large-scale generation investment.
- Enhanced energy security:** through reduced reliance on imported fuels.
- Lower power bills for all:** in addition to saving money for the household, EECA estimates that the 41,700 batteries installed under the RAS are expected to deliver around \$50 million in the first 15 years in grid benefits nationally by reducing peak electricity demand and the need for costly grid upgrades, benefitting all consumers
- Improved energy productivity:** EECA estimates that by swapping 40,000 gas hot water heaters to hot water heat pumps, more than 850 Gigawatts of energy would be saved in the first 15 years, with associated cost savings of around \$50 million.
- Reduced pressure on NZs industrial sector:** which is undermined by rising electricity prices.
- Sustainability:** improved air quality and reduced carbon emissions.

Risks have been explored

- Significant work identifying and mitigating establishment and operational risks has been undertaken.
- Most significant establishment risks relate to not obtaining full **central government support**.
- The most significant operational risk relates to **IT operating costs** materially higher than forecast, which is mitigated through robust procurement involving independent experts, and a large contingency for IT.



Feedback and support

- The eight **Funding Councils** have provided significant at risk funding and been heavily involved in all aspects of the RAS development process, recommending the Business Case, subject to Government support as outlined.
- The RAS **Strategic Advisory Group** comprising Mayor Dr Nick Smith, Cameron Bagrie and Stuart Henderson intend to write a letter to the Minister for Local Government to note:
 - RAS is a robust, efficient platform that could be used for additional delivery of additional public value in future
 - RAS can help NZ make the most out of our untapped, unproductive property equity.
 - Assessment of financials in the business plan is conservative
 - Regulatory exemptions, and water being included, are crucial.
- PwC, Simpson Grierson and Cameron Partners** have been closely involved in RAS development and consider it robust, having raised no major issues.
- Councils beyond just those providing funding have indicated support.
- The **Property Council, UDINZ** and several large residential developers have come out in support of the Deferred Development Contributions product and GHD estimates uptake will be significantly above the Base Case forecasts.
- Rewiring Aotearoa** considers that the Ratepayer Assistance Scheme is the most impactful of 60 policies considered to accelerate electrification of the economy and drive down consumer power bills.

Next steps

Clear indication sought from Ministers (with Minister Watts responsible as Local Government Minister) as early in 2026 as practicable regarding their intent to take RAS to Cabinet for approval. This will enable Councils and LGFA to commence confirming further financial support. Assuming Cabinet approval, it will take 6-9 months before the first loans are available.

Once central government financial and non-financial support committed:

- RAS establishment board and establishment process will begin
- Councils and LGFA finalise the further required funding.