

Minutes of a Full Council Workshop

Tuesday 1 April 2025
Council Chambers, 10 Gorge Road, Queenstown

Present:	Mayor G Lewers (Chair)	Councillor C Ferguson
	Councillor G Bartlett	Councillor Q Smith
	Councillor B Bruce	Councillor C Tucker
	Councillor L Cocks	Councillor M White
	Councillor E Whitehead	Councillor M Wong
Apologies:	Councillor L Guy (on leave)	
	Councillor N Gladding	
In attendance:	Mike Theelen	Bill Nicoll
	Sophie Millar	Katherine Harbrow
	Alison Tomlinson (online)	Hayden Bed (online)
	Sean Gillespie	Pennie Pearce
	Dave Wallace	Meaghan Miller
	Tony Avery	Simon Mason
	Jesse Taylor	Katie Church
	Michelle Morss (in person item 1, online item 2)	Warren Ulesele, Department of Internal Affairs (online)
	Dr Leslie Van Gelder, Climate Reference Group Chair	Charlotte Reed, Commerce Commission (online)
	Anita Vanstone	Stephen Leslie
Media	One	
General Public	Three	

No.	Agenda Item	Actions
1.	<p><u>Draft 2025-2028 Climate & Biodiversity Plan</u></p> <p>Bill Nicoll introduced the item and spoke to the PowerPoint.</p> <p>This workshop provided an overview of the draft structure and key content of the proposed Queenstown Lakes 2025-2028 Climate & Biodiversity Plan. Councillor discussion and input was sought to help refine the approach before finalising the plan for broader public engagement.</p>	<p>Committee to receive Adaptations Futures paper for UN conference in October once it is complete.</p> <p>Members requested all numbers and statistics around</p>

No.	Agenda Item	Actions
	<p>Key Discussion Points:</p> <ul style="list-style-type: none"> • Plan Structure – Overview of development process, proposed plan structure, new priority areas, key overarching themes and design layout recommendations. • Proposed Actions – Overview of proposed actions with focus on those that are specific to Councils commitment to ambitious leadership. • Councillor Feedback – Opportunity for discussion on strategic focus, feasibility, and alignment with other Council priorities. <p>Key points discussed, and questions asked:</p> <ul style="list-style-type: none"> • It was noted that the slides presented slightly differed to those distributed prior to the workshop. • Dr Van Gelder spoke to the Climate Reference Group involvement in planning, reviewed and gave feedback on the previous plan, and noted that meetings had quadrupled to facilitate partnership better. • Dr Van Gelder spoke to the intersection of climate and heritage, and the creation of output reference model ‘weaving knowledge together’. • Members noted the Adaptation Futures United Nations conference in October, the focus being on indigenous adaptation to climate change. Members expressed an interest in seeing the final paper to ascertain possible application to the community. • Michelle Morss noted that the rangatahi aspects of the plan need to be very intentional as they are resource intensive • Noted word changing within the proposed action framework slide. • Existing projects. Discussion on how this compares with other projects e.g. Queenstown Gardens, and why these other projects are not included. • It was noted the Queenstown Gardens is a well understood and managed site, other areas included are in a state of transition so have been included i.e. Ben Lomond, not stable with wildfire risk. • Discussion on criteria for selection of existing projects, why were some included but not others? • Each project present unique opportunities i.e. Mt Iron. Discussion on timeframes, 3-year window and selection of projects. Members noted the need to manage expectations, some projects are intergenerational. • Feral cat management. A collective has formed that includes animal welfare as well as conservation. Discussion of cat 	<p>monitoring for agrichemicals, noting data collection started 2 years ago.</p> <p>Members recommended the FAQ for LWDW on the website be updated (last update was 2024).</p> <p>Charlotte Reed from the Commerce Commission to come back to Council on ringfencing queries for LWDW (whether non-water assets can pay for water asset development and vice versa). Charlotte to also circulate slides from LWDW session.</p> <p>Staff to come back on questions of QLDC obligations in separation of balance sheet with LWDW.</p>

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	<p>bylaw – other districts have one so would be an oddity for Queenstown Lakes District Council (QLDC) not to explore this when looking for appropriate solutions.</p> <ul style="list-style-type: none"> • Predator and pest plant control projects discussion. Build upon last three years and understand fully the role that Council has here. • Agrichemical reduction. Where are monitoring sites? Contractors required to report on agrichemicals, not on specific sites. Chemicals being monitored where they are being used but not beyond, no sensors in place. • Discussion on QLDC standing at ‘the front of the pack’ in terms of Climate & Biodiversity Plan. The system has moved with QLDC over last 6 years. Much of it is becoming industry standard. • Wording in Climate & Biodiversity Plan needs to be embedded at governance table, discussion of risk and professional development in Governance in understanding ‘risk’, push for professional development at beginning of term. • Impact of risk vs. cost. Balancing act, big risk = worth cost, lower risk = not worth cost. QLDC can’t afford to do everything so risk must be weighed. • Discussion on new builds and capability, optimising use of solar in the future. On supercharge residential solar through regional deal; levers are limited, more funding models through deal, regional deal provides optimism. • Transport. Applied any critique to regional deal, a lot of assumptions there, Council doesn’t have comprehensive understanding on what ‘mass rapid transport’ is, as well as ‘embedded carbon’. Currently in a real ‘wait and see period’, hoping regional deal will provide clarity once it goes through. • Economy. Changing funding in terms of procurement of funding for community groups, is climate aspect being explored? How does funding align with our plan? • Draft action plan. Friday to deliver draft plan to members. Feedback sought from members. Questions of priority in projects. May 29 tracking for final draft, followed by 4 weeks of public engagement and feedback. • Overview of Climate Reference Group given to finish item discussions. <p>Attachments: <i>Attachment A: CBP Development slidedeck (see attachment)</i></p>	

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2.	<p><u>Local Water Done Well</u></p> <p>Pennie Pearce introduced the item alongside Simon Mason, Jesse Taylor, and Charlotte Reed (Commerce Commission).</p> <p>The purpose of this workshop was to cover three topics:</p> <ol style="list-style-type: none"> 1. Briefing from the Commerce Commission on the proposed future regulatory regime for water services, based on the recently released discussion papers (attached) 2. Briefing from legal advisors Simpson Grierson on key legal elements of current and proposed future legislation including, but not limited to, the differences between a CCO established under the Local Government Act versus Local Government (Water Services) Bill (Bill) and consultation requirements. 3. Discussion of, and feedback on, short list of future water service delivery model options, including high-level design elements of these options. <p>Discussion key points and questions asked:</p> <ul style="list-style-type: none"> • Charlotte Reed (Commerce Commission) spoke to economic regulation and the Commerce Commission involvement in Local Water Done Well (LWDW). • Discussion of customisation of price pathing, discussion of other options out there. • Members noted potential tension in not targeting prices to those that cause cost, unfair for consumers for price flattening. Some cost more to service than others? No guidance in the Bill on pricing principles, organisations don't need to align pricing when joining LWDW. • Quality and price table discussion. What is the view of economic regulation if entity (QLDC) chooses to go above & beyond national standard/ level of service, incurring higher cost for consumers? How will commission view this? Entity will need to demonstrate community is willing to pay higher price for increased quality. Discussion of cost and where Commerce Commission comes in for regulation. Will have clarity on this once Bill passes. • Discussion on how application of economic regulation differs between inhouse and Council Controlled Organisation (CCO) options for LWDW. CCO decision-making across council i.e. asset management planning, higher expectations from regulator. 	

No.	Agenda Item	Actions
	<ul style="list-style-type: none"> • Ringfencing discussion. Suggestion to stop water assets paying for non-water asset development, and whether non-water assets can pay for water asset development. • Discussion of responsibilities and accountabilities for elected members under Commerce Act. What do liabilities look like in-house vs. CCO? • Briefing from legal advisors Simpson Grierson didn't go ahead. Miscommunication with timing, will set up for next session. • Discussion on confirming shortlist of water service delivery models. • Further discussion of inhouse vs. CCO model, key differences (model, decision making, accountability, administration, finances) • How are CCO finances linked to model? Obligations in separation of balance sheet? Is it a contingent liability? Staff unsure, to come back to members on these queries. Still question of whether Department of Internal Affairs can 'require' this – still in discussion with Simpson Grierson. • Discussed the fact that costs and revenue for water services are already effectively ringfenced, including allocation of charges for internal services. Confirmed that these charges can't be structured under either scenario for Council to profit from them • Discussion around existing contracts rolling over to CCO (if CCO is the chosen model for LWDW). • Level of additional cost with admin associated with having a CCO. Cost associated will be part of modelling done in next phase. • Sensitivity testing for independent committee (if in-house model). Independent committee would be subject to the Local Government Act. Big assumption here that Mayor of the day agrees to establish such a committee. • Similar analysis being done by other regions? Looking at what other councils are doing; we have the advantage of others being ahead of us in the process. • Discussion on how criteria scoring, including sensitivity scoring would occur and whether all variables would be given the same weight. Confirmed that the analysis would initially be based on balanced weighting, but that scenarios with different weightings would also be presented for discussion in the next session. • If restructuring in-house was more efficient wouldn't we be doing this already? Testing an "enhanced" inhouse model is 	

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	<p>about testing whether it gives more benefits than the status quo in the context of the new reform outcomes, which isn't only about efficiency</p> <ul style="list-style-type: none"> • Discussion of analysis of assumptions that will have to be made during the option assessment. Document assumptions clearly. • Discussion of resourcing challenges. • Discussion of split costing. Impact on organisation and financial modelling that will be part of next workshop. • Discussion of balance sheet. transfer of assets, concern with pace of transfer (if transfer is necessary). • Discussion of process for 'proposed' option when going out for consultation. • What happens if elected members prefer the option that is not the option proposed in the report? Ultimately it will be a Council decision regardless of report content. <p>Attachments: <i>Attachment A: Economic Regulation of Water Services - Information Disclosure (Discussion Paper), (see workshop agenda)</i> <i>Attachment B: Economic Regulation of Water Services - Information Disclosure (Technical Discussion Paper), (see workshop agenda)</i> <i>Attachment C: Short List Options High-Level Design (see attachment)</i></p>	

The workshop concluded at 12.12pm.

1 PURPOSE

To discuss and obtain feedback on the process to identify and assess future water service delivery model options including:

1. Process to determine shortlist.
2. Confirmed shortlist of options to be assessed.
3. Updated criteria to be used to assess the shortlist of reasonably practicable options.

Work is continuing completing the outstanding financial sustainability tests for the Water Service Delivery Plan in parallel with option development. An update on this will be brought to a future Workshop.

2 IDENTIFICATION AND ASSESSMENT OF LONGLIST

A range of potential options were identified, considered and refined using Critical Success Factors, resulting in the narrowing of a longlist of options to a shortlist.

The longlist was developed based on the approach outlined below. At each step of the process the options were assessed (pass / fail) against two Critical Success Factors to ensure only viable options were advanced for further consideration.

Critical Success Factors:

- *Economic Viability:* Whether the option offers economic benefits (e.g. access to financing, economies of scale, delivery efficiencies) relative to the status quo.
- *Achievability:* Whether the option can be successfully designed and understood to enable informed decision making within the time available.

Option Identification and Assessment Process:

Step 1: **Where could a future water services provider deliver services?** Local Water Done Well aims to ensure the future financial sustainability of water services and provides for this to be achieved either by territorial authorities on their own or for groups of territorial authorities to join. We need to understand whether it is viable for QLDC to join with other districts to deliver water services at this time.

Options were assessed against the Critical Success Factors. This assessment determined that joining with others was not practicable at this time. Accordingly, subsequent option development and assessment steps were completed in relation to district-level water services provision only.

Step 2: **What combination of three waters services would a future water services provider deliver?** Water supply, wastewater, and stormwater are all water services that must comply with the new regulatory and legislative regime. However, the legislation acknowledges that it may be beneficial for some territorial authorities to transfer ownership of only their water supply and wastewater assets to an alternative service provider, retaining the ownership and management of stormwater networks in house. We need to understand whether it

makes sense to keep the provision of the district's three waters services together (managed by one party) or if there are benefits in separating the provision of these services.

Options were again assessed against the Critical Success Factors. This assessment determined that separation of stormwater from water supply and wastewater is not a practicable option for the district at this time.

Step 3: Who could be the district's water services provider? Local Water Done Well provides a for a range of delivery models including retaining services within territorial authorities, transferring responsibilities to a Water Services Council Controlled Organisation (WSCCO) or transferring responsibilities to a Consumer Trust. We need to understand which of these models makes sense for the future delivery of the district's water services.

Based on assessment against the Critical Success Factors, only options to either (a) retain water services within QLDC, or (b) establish a WSCCO, were deemed to be viable.

Refer Appendix A for detail supporting the longlist assessment process.

3 CONFIRMED SHORTLIST

The process outlined in the previous section identified two reasonably practicable options and these will be taken forward for full assessment. There are some variables within each of these options that will be sensitivity tested during the assessment of the shortlist, as outlined below.

1. **QLDC Inhouse:** Water assets continued to be owned, and water services continue to be delivered, by QLDC. Variables to be sensitivity tested are:
 - Governance arrangements, particularly the impact of establishing a Water Services Committee with independent members appointed based on merit.
 - Management structure, particularly the impact of establishing a standalone Water Services directorate reporting to the Chief Executive.
 - Debt structuring, particularly the impact of imposing the WSCCO Free Funds from Operations to Debt ratio requirements to ringfenced inhouse water services.
2. **WSCCO wholly owned by QLDC:** All three waters assets are transferred to, and services are delivered by, a (QLDC only) WSCCO. Variables to be sensitivity tested are:
 - Extent of autonomy, particularly the impact of Council retaining decision making over the Water Services Strategy and requiring the WSCCO to purchase corporate support services from the Council.
 - Extent of community engagement, particularly the impact of Council requiring the WSCCO to consult with the community on the Water Services Strategy.

The Local Government (Water Services Preliminary Arrangements) Act requires consultation on, at a minimum, remaining with the existing approach and establishing a WSCCO (single council or joint). We have not identified any reasonably practicable options in addition to the Act's minimum requirements.

Refer Appendix B for a more detailed description of the features of the two options and the variables that will be sensitivity tested.

4 ASSESSMENT OF SHORTLIST

The criteria discussed at the previous workshop have been updated based on feedback from that discussion and have been further refined to remove overlaps and to clarify the critical components for consideration. These criteria will be used to assess the shortlist to identify the proposed future services delivery model.

Refer Appendix C for the updated shortlist assessment criteria and assessment approach for each.

5 NEXT STEPS

1. Financial modelling to support options analysis [UNDERWAY]

- Review and QA of existing modelling that has been completed by DIA.
- Building on the work completed by DIA complete financial modelling for:
 - a financially sustainable in-house option, and
 - a QLDC owned WSCCO.

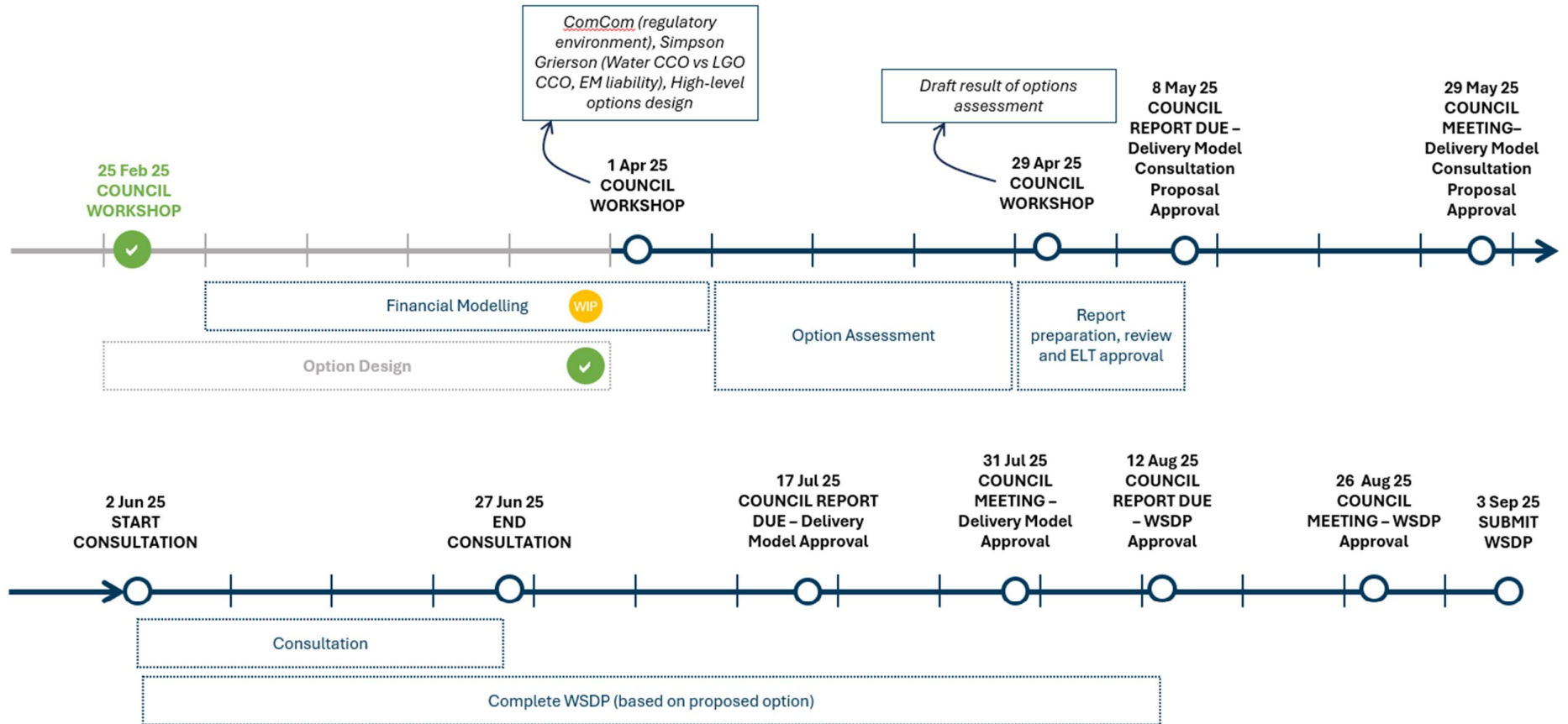
Financial modelling will be completed against required financial metrics and desirable metrics (e.g. assuming the CCO FFO requirements are applied to in house models). Desired and required metrics will be confirmed with DIA and Simpson Grierson prior to modelling activities commencing.

- Review current arrangements to confirm any changes required to ensure QLDC meets water services financial ringfencing requirements.

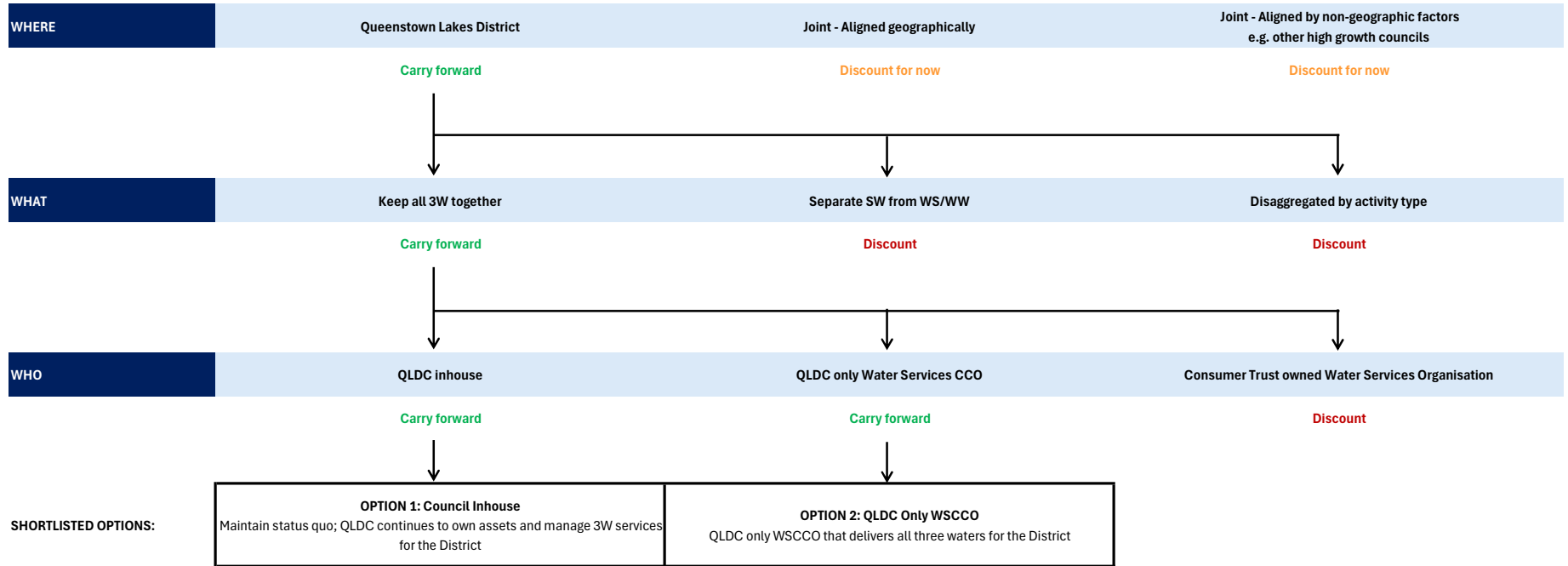
2. Shortlist option assessment and decision making:

- Complete Multi Criteria Assessment of the two shortlisted options using the assessment criteria (attached as Appendix C), including indicated sensitivity analysis (attached at Appendix B). *This includes consideration of the expected cost profile associated with each option, and the impact on both water services and the balance of QLDC.*
- Prepare supporting commentary for each option discussing the advantages, disadvantages, key assumptions and rationale for scoring.
- Identify potential implementation pathways showing how each option may evolve over time.
- Identify proposed model on which QLDC will consult (using the alternative consultation process outlined in the Local Government (Water Services Preliminary Arrangements) Act).

6 INDICATIVE TIMELINE



SUMMARY OF LONGLIST OPTION ASSESSMENT



WHERE

What are we asking? Future water service provision could be delivered at varying scales, from our status quo of service provision across the QL district to a broader arrangement that may offer some economies of scale. Any broader scale would ultimately be reflected in the location a provider delivers services to (be that geographically aligned or otherwise). Here we are asking **where could service provision be viable and potentially beneficial?**

Why are we asking this? Local Water Done Well aims to ensure the future financial sustainability of water services, and provides for this to be achieved either by territorial authorities on their own, or for groups of territorial authorities to join together. It is important to consider whether joining with others could be beneficial for our district's future water services, and if so, whether that is viable at this time.

Critical Success Factors	Options		
	(1) Queenstown Lakes District	(2) Joint - Aligned geographically	(3) Joint - Aligned by non-geographic factors e.g. other high growth councils
<p>Economic viability</p> <p>Considers: whether the option offers economic benefits (e.g. access to financing, economies of scale, delivery efficiencies) relative to the status quo.</p>	<p>Pass</p>	<p>Possible</p>	<p>Possible</p>
	<p>Represents the status quo</p>	<p>Joining together the water services of multiple councils would be reasonably expected to match or improve the economic benefits of the status quo. However, the geographic location and financial performance of the other councils could undermine this. This would be dependent on the specific partners.</p>	<p>Joining together the water services of multiple councils would be reasonably expected to match or improve the economic benefits of the status quo. However, if these councils were geographically dispersed these benefits could be undermined. This would be dependent on the specific partners.</p>
<p>Achievability</p> <p>Considers: whether the option can be successfully designed and understood within the time available.</p>	<p>Pass</p>	<p>Fail</p>	<p>Fail</p>
	<p>Provision of district-wide 3W services is already in place and well understood.</p>	<p>Partnering could deliver a range of benefits to the district's residents and ratepayers. To leverage these benefits, QLDC needs to find the right partners and take time to robustly work through how an enduring and successful partnership would be structured and implemented. Some key principles underpinning any partnership should include:</p> <ul style="list-style-type: none"> • There is strong alignment of objectives and priorities between parties • The partnership would be beneficial for our district's current and future residents and ratepayers • Meaningful scale would be achieved • The partnership is likely to be enduring <p>There is insufficient time to robustly identify all possible, and willing, partners and assess the potential benefits. Within the timeframes available there were three potential groupings identified. None of these groupings are considered reasonably practicable for the purposes of taking them forward into the assessment process:</p> <ol style="list-style-type: none"> 1. All of Otago Southland: This was initially modelled but as some councils opted out it is not an option that is available. 2. Smaller grouping with Central Otago, Clutha, Gore, Waitaki: Initial modelling for QL's inclusion showed that a joint entity with QL would be more expensive for other districts. The group faces different challenges, with QL's assets being newer and investment focused on growth, while other councils deal with older assets and compliance issues. Aligning investment priorities would be difficult, and the combined entity wouldn't achieve significant efficiencies, as 65% of the capital program would be QL's investment. 3. Joint entity with other growth councils: some early exploration of this approach occurred in recognition of potential benefits, but there are no viable partnerships available at this time. <p>Council may wish to proactively explore potential partnerships into the future with a view to joining or sharing services at a later date - proceeding with a district-level scale for now does not preclude a future partnership model.</p>	
Results	<p>Carry forward</p>	<p>Discount for now</p>	<p>Discount for now</p>

WHAT

What are we asking? Our assessment of potential scale has determined that, at this time, the only reasonably practicable options for QLDC's consideration are at a district level. In this context, we need to understand whether it makes sense to keep the provision of the district's three waters services together (managed by one party) or if there are benefits in separating the provision of some or all of these services. Here we are asking **what combination of 3W services could work for our district?**

Why are we asking this? While water supply, wastewater, and stormwater are all deemed to be types of water services and must comply with associated legislative and other requirements, the legislative and regulatory environment acknowledges that it may be beneficial for some territorial authorities to transfer ownership of only their water supply and wastewater assets into an alternative service provision arrangement, retaining the management of stormwater networks in house.

Critical Success Factors	Options		
	(1) Keep all 3W together	(2) Separate SW from WS/WW	(3) Disaggregated by activity type
Economic viability Considers: whether the option offers economic benefits (e.g. access to financing, economies of scale, delivery efficiencies) relative to the status quo.	Pass	Fail	Fail
	Represents the status quo	Separating SW from WW and WS would reduce scale of both services, add complexity and cost relative to options that keep three waters provision together. Given the size of QLDC's three waters function, the scale of SW on its own could not be resourced as efficiently or cost-effectively relative to the status quo (the full suite of asset management lifecycle capabilities and accompanying management structure would need to be established for both WS&WW and SW - creating local competition for limited expertise and duplicating costs/capabilities across 3W services). Additionally, there would be high interface burden and administrative effort in maintaining alignment between the activities, which could otherwise be directed towards improving performance. Separation of the services requires both providers to be inherently more responsive to the actions/decisions of each other - increasing the risk of diverting resources away from long-term investment plans & intentions.	As per option 2, but further resourcing inefficiencies and greater administrative burden and inefficiency in managing three separate activities.
Achievability Considers: whether the option can be successfully designed and understood within the time available.	Pass	N/A - failed previous CSF	N/A - failed previous CSF
	3W assets and services are currently owned/managed together.		
Results	Carry forward	Discount	Discount

WHO

What are we asking? Our assessment of potential scale and scope has determined that, due to the district's relatively small size and the strong interdependence between wastewater and stormwater network planning/management, the only reasonably practicable option is to retain the ownership and management of all three waters services together. Here we are asking **who could be the district's water services provider?**

Why are we asking this? Local Water Done Well provides a for a range of delivery models including retaining services within territorial authorities, transferring responsibility to a Water Services Council Controlled Organisation (WSCCO) or transferring responsibilities to a Consumer Trust. We need to understand which of these models makes sense for the future delivery of the district's water services.

Critical Success Factors	Options		
	(1) QLDC inhouse	(2) QLDC only Water Services CCO	(3) Consumer Trust owned Water Services Organisation
Economic viability Considers: whether the option offers economic benefits (e.g. access to financing, economies of scale, delivery efficiencies) relative to the status quo.	Pass	Pass	Fail
	Represents the status quo	The scale of a single Council WSCCO, that includes all three waters, would be the same as that of an inhouse function. As such it is reasonable to assume that a WSCCO would offer at least the same economic benefits as the status quo. Whether this option delivers greater economic benefits can only be determined through a more detailed assessment.	A new water organisation, owned by a new Consumer Trust, would not have access to LGFA borrowing and would lack a track record of financial performance and creditworthiness. These factors would make it considerably harder to access financing options as favourable as those available through other models, including the status quo. In addition, ability to secure borrowing would require detailed financial planning and negotiations with potential funders and DIA.
Achievability Considers: whether the option can be successfully designed and understood within the time available.	Pass	Pass	N/A - failed previous CSF
	Represents the status quo	As a joint WSCCO has been discounted (for now), work to design and understand the implications of a WSCCO is required under the Local Government (Water Services Preliminary Arrangements) Act.	
Results	Carry forward	Carry forward	Discount

	1. QLDC Inhouse		2. QLDC Only Water Services Council Controlled Organisation (WSCCO)	
	Water services continue to be delivered inhouse by QLDC		All three waters assets are transferred to, and services are delivered by, a (QLDC only) WSCCO	
	Base Case	Variables to sensitivity test ¹	Base Case	Variables to sensitivity test ¹
Governance arrangements	Governance membership and responsibilities remain relatively unchanged, except that the responsibilities of the Assurance, Finance and Risk Committee would be reviewed to take account of new requirements under the economic regulation regime and planning and accountability framework.	The assessment will be sensitivity tested to determine the impact of establishing a Water Services Committee with responsibility for overseeing water services performance, that has independent, decision-making members appointed on the basis of their competency to perform the role. For the purposes of sensitivity testing it is assumed that the: - Committee would take over the responsibilities of both the Audit, Finance and Risk Committee and Infrastructure Committee as it relates to water services. - Full Council would delegate all decision making that is legislatively possible to the Water Services Committee.	WSCCO is governed by an Independent Board of Directors, appointed by QLDC as the shareholder. Directors are appointed on the basis of their competency to perform the role and do not include QLDC Councillors or staff.	None
Decision Making and Control	QLDC makes decisions, including the decision of what level of decision making is delegated to Committees, the Chief Executive, General Managers and officers. The Water Services Strategy must be aligned with the LTP, publicly consulted, and adopted by the Full Council. This means Council (elected members) are the decision-makers about water services priorities, performance, funding, financing, and expenditure.	No sensitivity analysis will be undertaken in relation to the Water Services Strategy because, in line with the LGA requirement that Full Council not delegate the power to set rates, borrow money, or adopt LTP, it is assumed the Committee would not have the power to adopt the Water Services Strategy. This means Full Council would adopt the Water Services Strategy and Council (elected members) remain the decision-makers about water services priorities, performance, funding, financing, and expenditure.	QLDC establishes the WSCCO based on retaining the minimum amount of control allowable within the legislative and regulatory framework ² . QLDC will ensure that the Statement of Expectations covers the minimum requirements ³ (listed below) but will not include any other matters that are not required. SoE must include: - QLDC's expectations of the WSCCO, including how the shareholders expect the WSCCO to meet the objectives set out in section 15 and to perform its duties and functions and exercise its powers - QLDC's strategic priorities for the WSCCO - the outcomes that QLDC expect the WSCCO to achieve by delivering water services - requirements relating to the QLDC's resource management planning and land-use planning that are relevant to the WSCCO's service area - a requirement that the WSCCO must act in accordance with any relevant statutory obligation that applies to QLDC - the information that the WSCCO must include in its water services half-yearly report. The Water Services Strategy will be approved by the Board and will not be consulted on. The Constitution will define that QLDC is able to provide comments on the draft water services strategy but will not have the power to require changes or approve the final strategy ⁵ .	The assessment will be sensitivity tested to determine the impact of QLDC establishing a WSCCO based on retaining the maximum amount of control allowable within the legislative and regulatory framework ² . In addition to ensuring that the Statement of Expectations covers the minimum requirements QLDC will also include these additional matters ⁴ : - how QLDC requires the WSCCO to conduct its relationships with QLDC, the community or any specified stakeholders within the community, hapū, iwi, and other Māori organisations, consumers in the water organisation's service area - performance indicators and measures that QLDC will use to monitor the WSCCO - a requirement to undertake community or consumer engagement, and the contents of that engagement - expectations in relation to collaborating with QLDC and other parties when providing water services - a requirement that part or all of the water organisation's water services strategy must be independently reviewed. The assessment will be sensitivity tested to determine the impact of QLDC retaining decision making on the Water Services Strategy. In this scenario the Constitution will define that QLDC is able to provide comments on the draft water services strategy, will require the WSCCO to amend the draft strategy, and will approve the final strategy ⁶ .
Accountability	Water Services Act: Councillors are exempt from the duty to exercise due diligence and therefore are exempt from any liability under this Act. Councillors are the decision makers under this model, but do not carry the liability for the consequences of decisions. Commerce Act: Councillors are liable for inaccurate information disclosures made to the Commerce Commission ie there is no carve out for elected members like is the case under the Water Services Act. The base level of economic regulation (Information Disclosure) requires annual regulatory reports, including regulatory financial statements using alternative financial reporting principles, and annual demonstration of financial ringfencing of three waters (including method of overhead cost allocation). The Commerce Commission has the power to consider information on wider Council operations if they think that his impacting on decisions relating to water services. Local Government Act: Councillors are accountable to their communities for decision making through the election process. Local Government (Water Services) Bill: QLDC is required to consult with the community on the Water Services Strategy.	Water Services Act: None; Councillor liabilities remain the same with a Committee in place. Commerce Act: None; Councillor liabilities remain the same with a Committee in place. Local Government Act: The assessment will be sensitivity tested to determine the impact of having independent, appointed, (quasi) decision-making Committee members that have no direct accountability to the community. Local Government (Water Services) Bill: None; community consultation requirements remain the same with a Committee in place.	Water Services Act: Directors can be held liable for the consequences of decisions that do not reflect the duty to exercise due diligence. In this case the Directors are the decision makers and carry the liability for the consequence of decisions. Commerce Act: Directors are liable for inaccurate information disclosures made to the Commerce Commission. As Council has delegated all decision making to the WSCCO Councillors have no liability. The base level of economic regulation (Information Disclosure) requires annual regulatory reports, including regulatory financial statements using alternative financial reporting principles. Demonstration of financial ringfencing only occurs once, upon establishment of WSCCO. The Commerce Commission's powers are limited to considering the performance of the WSCCO. Local Government Act: LGA does not apply to the WSCCO, and are no alternative mechanisms for direct community engagement or accountability, but the regulatory regime is designed to protect the interests of consumers. Local Government (Water Services) Bill: A WSCCO is not required to consult with the community on the Water Services Strategy.	Water Services Act: The assessment will be sensitivity tested to determine the impact of Council retaining responsibility for key decisions on the Directors' duty to exercise due diligence under the Water Services Act. In this case the Directors are not the decision makers but carry the liability for the consequence of decisions. Councillors are exempt from this liability. Commerce Act: The assessment will be sensitivity tested to determine the impact of Council retaining responsibility for decisions about capital and operating expenditures and the level of charges or revenue recovery (as would be the case if Council is approving the Water Services Strategy). This will consider the impact on Councillor and Director liabilities and the impact of the ability of the Commerce Commission to consider wider Council operations. Local Government Act: None, does not apply. Local Government (Water Services) Bill: The assessment will be sensitivity tested to determine the impact of QLDC requiring the WSCCO to consult with the community on the Water Services Strategy.
Management structure	The structure remains the same; water services continue to be delivered by the Property and Infrastructure directorate, which integrates water and other infrastructure services, reporting to the Chief Executive. The functional structure within P&I is retained.	The assessment will be sensitivity tested to determine the impact of creating a separate water services directorate that reports directly to the Chief Executive. It is assumed for this assessment that the separate function includes all water related roles within the P&I directorate (strategy and planning, asset management, investment, business support, PMO, operations).	To be set out by the Chief Executive and Board of the WSCCO. Will likely take the functional approach of a typical water services provider business; planning (strategic, asset, investment), delivery (project, operations), corporate / support services.	None

1. QLDC Inhouse		2. QLDC Only Water Services Council Controlled Organisation (WSCCO)	
Water services continue to be delivered inhouse by QLDC		All three waters assets are transferred to, and services are delivered by, a (QLDC only) WSCCO	
Base Case	Variables to sensitivity test ¹	Base Case	Variables to sensitivity test ¹
Support services	The structure remains the same; water services continue to be supported by other services from across QLDC (including finance, risk, assurance, legal, human resources, information technology and management, communications).	None, it is assumed that support services from across QLDC will be accessed in the same way for a standalone directorate as for P&I.	<p>To be set out by the Chief Executive and Board of the WSCCO. Will likely take the functional approach of a typical "self contained" water services provider business; planning (strategic, asset, investment), delivery (project, operations), and support services.</p> <p>There may be opportunities for the WSCCO to purchase support services from QLDC. The assessment will be sensitivity tested to determine the impact if the following services were purchased from QLDC:</p> <ul style="list-style-type: none"> - Development Engineering - Risk and Assurance - Finance - Legal - Human Resources - Information Technology and Management - Communications - Anything else?
Funding	Borrowing arrangements remain unchanged; QLDC can access LGFA financing of up to 280% of Council's revenue (covenant can be updated to increase this to 350%). While repayment of debt is ringfenced, LGFA does not consider debt:revenue for individual services. This means that QLDC can decide to utilise a higher proportion of available debt for water services, as long as this borrowing is not needed for non-water services. This impacts on Council's ability to access lending for other activities. Continuing the status quo would require a decision on the appropriate level of revenue:debt for three waters, and this is required to be disclosed in the Water Service Delivery Plan.	The assessment will be sensitivity tested to determine the impact of applying the WSCCO Free Funds from Operations to Debt ratio requirement to ringfenced inhouse water services.	<p>A WSCCO can access LGFA financing based on an Free Funds from Operating to Debt ratio, assumed to be 10 - 11% (roughly 400% - 500% debt:revenue). Council would need to provide a guarantee for that borrowing or issue uncalled capital to the value of borrowing. Three waters debt would not be part of Council's overall borrowing.</p> <p>None</p>

¹ This does not represent a proposed future design, these are indicative variables to determine the sensitivity of the assessment criteria to certain conditions.

¹ Based on the Local Government (Water Service Preliminary Arrangements) Act an Local Government (Water Services) Bill which is currently under Select Committee review and as such may change

² Local Government (Water Services) Bill Section 187(1)

³ Local Government (Water Services) Bill Section 187(2)

⁴ Local Government (Water Services) Bill Section 196(2)(b)

⁵ Local Government (Water Services) Bill Section 196(2)(a)

Criteria	Asks (how likely is the model to...)	ID	Key considerations (how well the model will...)	Scoring Guide
People & capability	Attract and retain the best people to govern and provide water services	PC1	Appeal to high-quality governance candidates with the best skills and experience to oversee water services	<p>Subjective - Appeal is expected to be higher where (a) control and accountability are aligned, (b) organisational reputation and sector visibility are positive, (c) there is good ability to influence organisational direction and performance, and (d) remuneration is competitive.</p> <p>1 = low appeal 2 = moderate appeal 3 = high appeal</p>
		PC2	Achieve a high-performing and resilient resourcing model across all aspects of the asset management lifecycle	<p>Subjective - Likelihood of achieving this is expected to be higher where (a) staff have a good ability to influence direction of water services and performance, (b) professional development for individuals is prioritised, (c) workforce development is prioritised, (d) there are opportunities for advancement and broadening of experience, and (e) remuneration is competitive.</p> <p>1 = low likelihood of achieving 2 = moderate likelihood of achieving 3 = high likelihood of achieving</p>
Operational efficacy	Provide for the effective and efficient conduct of all aspects of water services management and delivery	OE1	Ensure reliable delivery of water services to a standard consumers can reasonably expect	<p>Subjective - Likelihood of achieving this is expected to be higher where (a) there is a core focus on three waters with few competing priorities, (b) there is a strong emphasis on leadership, performance, and risk management, and (c) there is a direct and proportionate relationship between control and accountability.</p> <p>1 = low likelihood of achieving 2 = moderate likelihood of achieving 3 = high likelihood of achieving</p>
		OE2	Enable alignment and integration of interdependent activities (e.g. urban development planning, holistic engineering assessments for new developments, roading network operations and improvements, emergency response, etc)	<p>Subjective - Ability to align interdependent activities is expected to be higher where there is (a) a clear mandate for alignment, (b) clear understanding of the interdependencies and why they are important, and (c) clear delineation between (and definition of) interdependent functional responsibilities.</p> <p>1 = low ability to align 2 = moderate ability to align 3 = high ability to align</p>
		OE3	Readily enable requirements to be fulfilled to a high standard (e.g. ringfencing of costs, information disclosures, long-term work planning and financial forecasting etc) - minimising ongoing administrative complexity associated with these activities.	<p>Subjective - Ability to enable this is expected to be higher where (a) there is a clear understanding of the ongoing requirements, (b) staff do not have to work under multiple sets of requirements or expectations, and (c) the administrative complexity is lower compared to other options.</p> <p>1 = low ability to enable 2 = moderate ability to enable 3 = high ability to enable</p>
Economic efficiency	Optimise the utilisation of finite resources, maximising public value and minimising waste across the 3W asset lifecycle	EE1	Maximise outputs with available inputs – do more for the same (effectiveness) or the same for less (efficiency).	<p>Subjective - Ability to maximise outputs with available inputs is expected to be higher where there is (a) efficient distribution and utilisation of resources, (b) adoption of advanced technologies and innovative practices, (c) streamlined decision making processes, and (d) clear alignment of operations with organisation objectives and priorities.</p> <p>1 = low ability to maximise 2 = moderate ability to maximise 3 = high ability to maximise</p>
		EE2	Achieve certainty and clarity of long-term investment priorities, enabling the optimal allocation of resources to maximise benefits	<p>Subjective - Likelihood of achieving this is expected to be higher where there is (a) a clear and well-defined strategic vision and long-term objectives that are not vulnerable to political cycles, (b) comprehensive understanding and forecasting of future risks, issues, opportunities and trends, (d) clear linkage between investment priorities and resource allocation, and (e) regular evaluation against, and review of, investment outcomes.</p> <p>1 = low likelihood of achieving 2 = moderate likelihood of achieving 3 = high likelihood of achieving</p>
		EE3	Be positioned to leverage cost efficiencies through commercial partnerships and contracting models	<p>Subjective (scored relative to other options)</p> <p>1 = most steps/obligations associated with contracting any aspect of water services provision 2 = fewer steps/obligations relative to the most onerous option 3 = high degree of flexibility and autonomy in leveraging commercial opportunities</p>

Criteria	Asks (how likely is the model to...)	ID	Key considerations (how well the model will...)	Scoring Guide
Community interest	Enable community interests and priorities to be meaningfully recognised and reflected in the ongoing provision of water services	CI1	Provide for transparency and accountability to the community	<p>Subjective - Transparency and accountability is likely to be higher where (a) there is regular, clear and comprehensive communication with the community about decisions and strategic direction, (b) there is good access to detailed financial, operational performance and regulatory reporting, and (c) there are robust mechanisms for the community to hold decision makers directly accountable.</p> <p>1 = low quality 2 = moderate quality 3 = high quality</p>
		CI2	Enable community priorities and views to be reflected through water services planning and delivery	<p>Subjective - Community views and priorities are most meaningfully reflected when there are requirements or other mechanisms in place to ensure (a) standards and quality of water services are aligned to community expectations, (b) key water services plans and decisions are aligned with the district's guiding strategic documents e.g. VB2050, QLSP/FDS, CBAP, and (c) water services plans and service standards are consistent with local iwi expectations and aspirations for the district.</p> <p>1 = little to no opportunity or requirement for alignment 2 = some requirements/safeguards for alignment and/or meaningful opportunities for community participation 3 = relative to the lowest participation option, a range of meaningful opportunities/mechanisms available</p>
Agility & adaptability	Prepare/enable successful responses to changing external circumstances without major disruption	AA1	Adapt/respond to changing conditions, emerging opportunities, and arising challenges related to the provision of 3W services - particularly to further changes in the 3W legislative and/or regulatory environment	<p>Subjective (scored relative to other options) - Nimbleness is considered to be highest when (a) organisational structures and processes provide for quick and effective responses to change/opportunity, and (b) responsiveness, innovation, and flexibility is balanced with appropriate controls to ensure potential risks and consequences are appropriately contemplated before acting.</p> <p>1 = least nimbleness of any option 2 = some increased nimbleness relative to the lowest scoring option 3 = high nimbleness relative to the lowest scoring option</p>
		AA2	Enable Council to respond to existing/emerging non-water community priorities and needs	<p>Prescribed (scored relative to the lowest residual QLDC borrowing capacity at time of implementing the option)</p> <p>1 = option with the lowest residual borrowing capacity, and any options within 20% of this value 2 = 20-50% more borrowing capacity than the lowest value 3 = >50% more borrowing capacity than the lowest value</p>
Costs to Consumer	Minimising the total cost to households resulting from the new three waters regime	CC1	Minimise the impact on household 3W charges	<p>Prescribed (scored relative to the highest NPV of household 3W charges over a ten year horizon)</p> <p>1 = 68 - 100% of highest NPV 2 = 34 - 67% of highest NPV 3 = 0 - 33% of highest NPV</p>
		CC2	Minimise QLDC's exposure to stranded costs that need to be recovered from ratepayers	<p>Prescribed (scored relative to the highest value of stranded costs)</p> <p>1 = 68 - 100% of highest value 2 = 34 - 67% of highest value 3 = 0 - 33% of highest value</p>