

# Local Water Done Well - Future Delivery Models

Council Workshop

29 April 2025

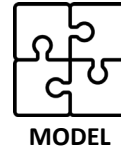
## We shortlisted two options...

### OPTION1: QLDC INHOUSE

### KEY DIFFERENCES

### OPTION 2: QLDC WATER SERVICES CCO

Council continues to own 3W assets  
No major changes to governing structures  
Water services remain on Council's balance sheet



CCO owns 3W assets; Council is sole shareholder  
Independent Board appointed by Council  
Water services removed from Council's balance sheet

Council adopts Water Services Strategy  
Water Services Strategy must be aligned with LTP  
**Council is the decision-maker**



Council issues a Statement of Expectations  
CCO Board approves Water Services Strategy  
**CCO Board is the decision-maker**

WSA: Councillors exempt, staff liable  
Commerce Act: Councillors liable  
WS Bill: must consult on Water Services Strategy



WSA: Board members and staff liable  
Commerce Act: Board members liable  
WS Bill: no consultation requirement for Strategy

No changes to organisational structures  
Ongoing requirement for cost allocation & ringfencing  
3W supported by broader QLDC functions



Structure set down by CCO CE & Board  
One-off cost allocation/ring-fencing on establishment  
Provides own support functions

Borrowing arrangements unchanged  
QLDC can utilise higher proportion of debt for 3W  
Council decides appropriate debt:revenue ratio



CCO has bespoke funding arrangement with LGFA  
Based on FFO (assumed 10-11%)  
Council provides guarantee or issues uncalled capital

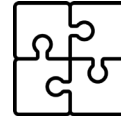
## ...and identified a range of variables to sensitivity test.

### OPTION 1: QLDC INHOUSE

### KEY VARIABLES

### OPTION 2: QLDC WATER SERVICES CCO

Would introducing a Water Services Committee with independent decision-making members appointed change the assessment of an inhouse model?



MODEL



DECISION-  
MAKING

Does a CCO make sense if Council chooses to retain the maximum amount of control allowable within the legislative and regulatory framework?

Would a Water Services Committee with independent membership reduce Council's direct accountability to the community?



ACCOUNTABILITY

Does the legislative accountability of Councillors, Board members, and officers of both organisations change if Council retains the maximum level of control?

What impact would a dedicated 3W directorate within QLDC have?



ADMINISTRATION

What impact would Council requiring the CCO to purchase support services from QLDC indefinitely have?

How does an inhouse model perform if the WSCCO FFO requirement is applied?



FINANCES

We used Multi-Criteria Analysis to assess the options. Quantitative and qualitative inputs were used depending on the criterion.

Each criterion has 2-3 considerations

Consideration	Option A	Option B
Appeal to high-quality governance candidates with the best skills & experience to oversee water services	1	2
Achieve a high-performing & resilient resourcing model across all aspects of the asset management lifecycle	3	1
Input for People & Capability criterion:	2	1.5

Options were scored on a scale of 1-3 against each consideration. Some scores were based on prescribed quantitative inputs, others were qualitative.

Scores were then averaged to provide the criterion's MCA input

Adjustments were made to scores if options are sensitive to the variables described earlier

	People & capability	Operational efficacy	Economic efficiency	Community interest	Agility & adaptability	Cost to consumer	Combined Result	Sensitivity scenario 1	Sensitivity scenario 2
Option A	2	-	-	-	-	-	2	-	-
Option B	1.5	-	-	-	-	-	1.5	-	-

The option with the highest total score is likely the better water services delivery model for the district.

The preferred option may change depending on the materiality of variables.

The draft assessment was completed using the MCA approach outlined on the previous slide

		Option 1 Status Quo	Test 1: Status Quo + Committee	Test 2: Stand alone inhouse function	Test 3: Status Quo + 9% FFO enforced	Option 2 WSCCO, minimum control	Test 1 WSCCO, maximum control	Test 2 WSCCO, purchased services
People & capability	Attract and retain the best people to govern and provide water services	1.50	No impact	No impact	No impact	2.00	Negative impact	No impact
Operational efficacy	Provide for the effective conduct of all aspects of water services management and delivery	2.00	No impact	Negative impact	No impact	2.33	Negative impact	Negative impact
Economic efficiency	Optimise the utilisation of finite resources, maximising public value and minimising waste across the 3W asset lifecycle	1.33	No impact	1.67	No impact	2.67	Negative impact	Negative impact
Community interest	Enable community interests and priorities to be meaningfully recognised and reflected in the ongoing provision of water services	3.00	No impact	No impact	No impact	2.00	2.50	No impact
Agility & adaptability	Prepare/enable successful responses to changing external circumstances without major disruption	1.00	No impact	1.50	1.50	3.00	Negative impact	Negative impact
Costs to Consumer	Minimising the total cost to households resulting from the new three waters regime	3.00	No impact	No impact	No impact	2.00	No impact	3.00

# Today's discussion will focus on areas where there were notable results between options

		Option 1 Status Quo	Test 1: Status Quo + Committee	Test 2: Stand alone inhouse function	Test 3: Status Quo + 9% FFO enforced	Option 2 WSCCO, minimum control	Test 1 WSCCO, maximum control	Test 2 WSCCO, purchased services
People & capability	Attract and retain the best people to govern and provide water services	1.50	No impact	No impact	No impact	2.00	Negative impact	No impact
Operational efficacy	Provide for the effective conduct of all aspects of water services management and delivery	2.00	No impact	Negative impact	No impact	2.33	Negative impact	Negative impact
Economic efficiency	Optimise the utilisation of finite resources, maximising public value and minimising waste across the 3W asset lifecycle	1.33	No impact	1.67	No impact	2.67	Negative impact	Negative impact
Community interest	Enable community interests and priorities to be meaningfully recognised and reflected in the ongoing provision of water services	3.00	No impact	No impact	No impact	2.00	2.50	No impact
Agility & adaptability	Prepare/enable successful responses to changing external circumstances without major disruption	1.00	No impact	1.50	1.50	3.00	Negative impact	Negative impact
Costs to Consumer	Minimising the total cost to households resulting from the new three waters regime	3.00	No impact	No impact	No impact	2.00	No impact	3.00

		Option 1 Status Quo	Test 1: Status Quo + Committee	Test 2: Stand alone inhouse function	Test 3: Status Quo + 9% FFO enforced	Option 2 WSCCO, minimum control	Test 1 WSCCO, maximum control	Test 2 WSCCO, purchased services
<b>Economic efficiency</b>	<b>Optimise the utilisation of finite resources, maximising public value and minimising waste across the 3W asset lifecycle</b>	<b>1.33</b>	<b>1.33</b>	<b>1.67</b>	<b>1.33</b>	<b>2.67</b>	<b>1.67</b>	<b>2.00</b>
EE1	<p>Maximise outputs with available inputs – do more for the same (effectiveness) or the same for less (efficiency)</p> <p>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>	1	No impact	2	No impact	3	Negative impact	Negative impact
EE2	<p>Achieve certainty and clarity of long-term investment priorities, enabling the optimal allocation of resources to maximise benefits</p> <p>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>	2	No impact	No impact	No impact	3	Negative impact	No impact
EE3	<p>Be positioned to leverage cost efficiencies through commercial partnerships and contracting models</p> <p>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>	1	No impact	No impact	No impact	2	Negative impact	No impact

# What happens if we assume all models are as economically efficient as each other?

TEST IDENTIFIER	WEIGHTED BASE CASE	SCORING ADJUSTMENT #3
Summary description of the test's focus	Even weightings applied across all criteria	Scores equalised to reflect consistent EE results across models
Options	Rank	Score
Option 2 – WSCCO minimum control (core model)	1	2.33
Option 2 – WSCCO purchases services from QLDC (variation 2)	2	2.08
Option 1 – IN-HOUSE standalone business unit (variation 2)	3	2.06
Option 1 – IN-HOUSE 9% FFO applied (variation 3)	3	2.06
Option 1 – IN-HOUSE status quo (core model)	5	1.97
Option 1 – IN-HOUSE w/ water services committee (variation 1)	5	1.97
Option 2 – WSCCO maximum control (variation 1)	7	1.89

- 100% total weighting split equally across all six criteria – giving each criterion a weighting of 16.7%
- **Minimum control WSCCO is highest ranked**

- Economic Efficiency scores equalised to the highest score of any given option (2.67) to test whether the highest rank option changes if all options achieve the best assessed Economic Efficiency result.
- All other scores remain as per the base case.
- Weightings from the base case apply.
- **Minimum control WSCCO remains highest ranked**; however, there is little difference in scoring (0.05) relative to 2<sup>nd</sup> ranked model.



		Option 1 Status Quo	Test 1: Status Quo + Committee	Test 2: Stand alone inhouse function	Test 3: Status Quo + 9% FFO enforced	Option 2 WSSCO, minimum control	Test 1 WSSCO, maximum control	Test 2 WSSCO, purchased services
Agility & Prepare/enable successful responses to changing adaptability external circumstances without major disruption		1.00	1.00	1.50	1.50	3.00	2.00	2.50
AA1	<p>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> <p>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>	1	No impact	2	No impact	3	Negative impact	Negative Impact
AA2	<p>Enable Council to respond to existing/emerging non-water community priorities and needs</p> <p>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 = &gt;50% more borrowing capacity than the lowest value</p>	1	No impact	No impact	2	3	No impact	No impact

# What happens if we assume all models are as agile and adaptable as each other?

## Of if we assume Council will not utilise any additional debt headroom created?

TEST IDENTIFIER	WEIGHTED BASE CASE		SCORING ADJUSTMENT #5			SCORING GUIDELINES ADJUSTMENT #2		
Summary description of the test’s focus	Even weightings applied across all criteria		Scores equalised to reflect consistent A&A results across models			QLDC debt headroom consideration removed from A&A scoring		
Options	Rank	Score	Change	Rank	Score	Change	Rank	Score
Option 2 – WSCCO minimum control (core model)	1	2.33	.	1	2.33	.	1	2.33
Option 2 – WSCCO purchases services from QLDC (variation 2)	2	2.08	↓	6	2.17	↓	3	2.00
Option 1 – IN-HOUSE standalone business unit (variation 2)	3	2.06	↑	2	2.31	↑	2	2.14
Option 1 – IN-HOUSE 9% FFO applied (variation 3)	3	2.06	↑	2	2.31	↓	4	1.97
Option 1 – IN-HOUSE status quo (core model)	5	1.97	↑	2	2.31	↑	4	1.97
Option 1 – IN-HOUSE w/ water services committee (variation 1)	5	1.97	↑	2	2.31	↑	4	1.97
Option 2 – WSCCO maximum control (variation 1)	7	1.89	.	7	2.06	.	7	1.72

- 100% total weighting split equally across all six criteria – giving each criterion a weighting of 16.7%
- **Minimum control WSCCO is highest ranked**

- Agility & Adaptability scores equalised to the highest score of any given option (3.00) to test whether the highest rank option changes if all options achieve the best assessed Agility & Adaptability result.
- All other scores remain as per the base case.
- Weightings from the base case apply.
- **Minimum control WSCCO remains highest ranked**; however, there is little difference in scoring (0.02) relative to 2<sup>nd</sup> ranked models.

- Scoring guidelines adjusted to remove QLDC residual debt headroom from Agility & Adaptability to test impact of Council opting not to utilise.
- All other scores and definitions remain as per the base case.
- Weightings from the base case apply.
- **Minimum control WSCCO remains highest ranked**

Costs to Consumer	Minimising the total cost to households resulting from the new three waters regime
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CC1	<p>Minimise the impact on household 3W charges</p> <p>Scored relative to the highest NPV of household 3W charges over a ten-year horizon</p> <p>1 = 68 - 100% of highest NPV</p> <p>2 = 34 - 67% of highest NPV</p> <p>3 = 0 - 33% of highest NPV</p>
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CC2	<p>Minimise QLDC's exposure to stranded costs that need to be recovered from ratepayers</p> <p>Scored relative to the highest value of stranded costs</p> <p>1 = 68 - 100% of highest value</p> <p>2 = 34 - 67% of highest value</p> <p>3 = 0 - 33% of highest value</p>
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Option 1 Status Quo	Test 1: Status Quo + Committee	Test 2: Stand alone inhouse function	Test 3: Status Quo + 9% FFO enforced	Option 2 WSSCO, minimum control	Test 1 WSSCO, maximum control	Test 2 WSSCO, purchased services
3.00	3.00	3.00	3.00	2.00	2.00	3.00
3	No impact	No impact	No impact	3	No impact	No impact
<p>&gt; Over a ten-year horizon an inhouse model has the lowest annual household costs and a WSSCO has the highest.</p> <p>&gt; But over ten years the difference is small; the NPVs for all options were within 5% of each other.</p> <p>&gt; Over ten years households are projected to pay \$1,738 more (in total) under the highest option (WSSCO) than the lowest option (inhouse)</p> <p>&gt; By year 10 the annual household cost is approximately the same between all models.</p> <p>&gt; In years 11-30 the pattern reverses and the WSSCO has the lowest annual household cost and inhouse the highest.</p> <p>&gt; This is because of the requirement for a WSSCO to meet a 9% FFO ratio; the WSSCO must increase revenue in the short term (relative to an inhouse model) to meet this, but it isn't spending any more, so the additional revenue repays debt. The WSSCO then has less debt and therefore lower interest and debt repayments in the longer term enabling lower revenue requirements.</p>						
3	No impact	No impact	No impact	1	No impact	3

# What happens if we assume all models have the same Cost to Consumer as each other? Or if we change how Cost to Consumer is assessed?

TEST IDENTIFIER	WEIGHTED BASE CASE		SCORING ADJUSTMENT #6			SCORING GUIDELINES ADJUSTMENT #1		
Summary description of the test’s focus	Even weightings applied across all criteria		Scores equalised to reflect consistent CTC results across models			Scoring guidelines for CTC changed to emphasise household charges		
Options	Rank	Score	Change	Rank	Score	Change	Rank	Score
Option 2 – WSCCO minimum control (core model)	1	2.33	•	1	2.50	•	1	2.17
Option 2 – WSCCO purchases services from QLDC (variation 2)	2	2.08	•	2	2.08	↓	6	1.92
Option 1 – IN-HOUSE standalone business unit (variation 2)	3	2.06	•	3	2.06	↑	2	2.06
Option 1 – IN-HOUSE 9% FFO applied (variation 3)	3	2.06	•	3	2.06	↓	5	1.97
Option 1 – IN-HOUSE status quo (core model)	5	1.97	↓	6	1.97	↑	3	1.97
Option 1 – IN-HOUSE w/ water services committee (variation 1)	5	1.97	↓	6	1.97	↑	3	1.97
Option 2 – WSCCO maximum control (variation 1)	7	1.89	↑	3	2.06	•	7	1.72

- 100% total weighting split equally across all six criteria – giving each criterion a weighting of 16.7%
- **Minimum control WSCCO is highest ranked**

- Cost to Consumer scores equalised to the highest score of any given option (3.00) to test whether the highest rank option changes if all options achieve the best assessed Cost to Consumer result.
- All other scores remain as per the base case.
- Weightings from the base case apply.
- **Minimum control WSCCO remains highest ranked**

- Scoring guidelines for the household charges component of 'Cost to Consumer' changed as follows:  
*3 = lowest household charge or within 2% over 10Y period assessed*  
*2 = 2-5% more than lowest charge*  
*1 = >5% more than lowest charge*
- All other scores remain as per the base case.
- Weightings from the base case apply.
- **Minimum control WSCCO remains highest ranked**

**23 sensitivity tests were run across the different models.**

**These tests adjusted weightings, scores, or criteria (or a combination).**

**In 20/23 tests, a minimum control CCO (Option 2) ranked 1<sup>st</sup>.**

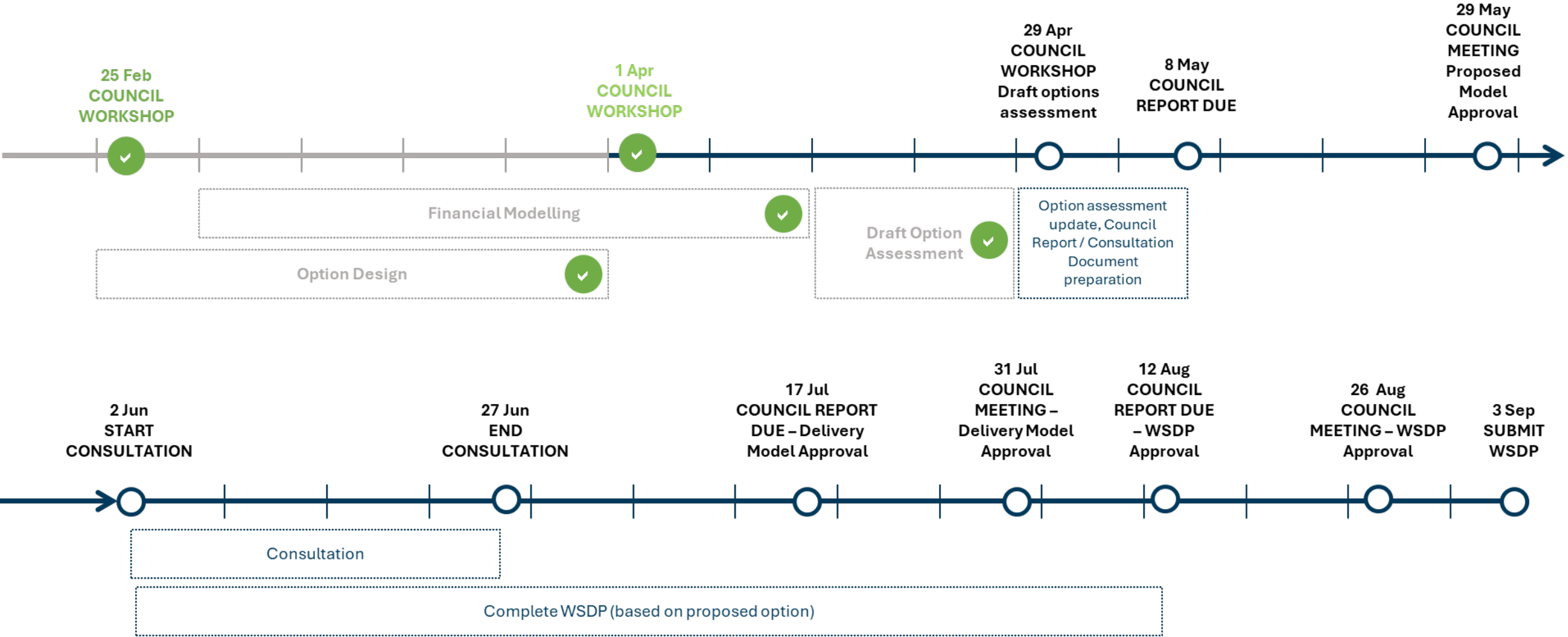
Options & % of ranking (combined variants into two core models)	% of times option ranked						
	1st	2nd	3rd	4th	5th	6th	7th
Option 1 variants combined - IN-HOUSE	22	73	86	64	89	35	0
Option 2 variants combined - WSCCO	78	27	14	36	11	65	100

- **WSCCO models rank 1<sup>st</sup> in 78% of testing.** Of these, a minimum control WSCCO performs best.
- **In-house models rank 1<sup>st</sup> in 22% of testing.** Of these a standalone business unit performs best

Options & count of ranking	Ranks 1st equal with another option	Ranks 1st alone	Ranks 1st alone with <0.1 score difference	Ranks 1st alone with >0.1 score difference
Option 2 - WSCCO minimum control (WSCCO core model)	0	20	7	13
Option 2 - WSCCO purchases services from QLDC (WSCCO variation 2)	1	0	0	0
Option 1 - IN-HOUSE standalone business unit (IN-HOUSE variation 2)	1	2	1	1
Option 1 - IN-HOUSE 9% FFO applied (IN-HOUSE variation 3)	1	0	0	0
Option 1 - IN-HOUSE status quo (IN-HOUSE core model)	1	0	0	0
Option 1 - IN-HOUSE with water services committee (IN-HOUSE variation 1)	1	0	0	0
Option 2 - WSCCO maximum control (WSCCO variation 1)	0	0	0	0

- WSCCO models rank 1<sup>st</sup> alone in 87% of testing.
- Inhouse models rank 1<sup>st</sup> alone in 9% of testing.
- In one test, inhouse and WSCCO models scored 1<sup>st</sup> equal (the other 4% of testing).
- In 61% of tests, there was clear separation in scoring (>0.1) between 1<sup>st</sup> and 2<sup>nd</sup> ranked options.
  - Of these, 93% are a WSCCO.

# Next Steps



\* Note that the actual design of future options will occur closer to the time that the agreed option is implemented and the detail of that option’s design will be agreed at that time. This timeline does not involve designing the future model, only on consulting and agreeing whether the model will be inhouse or a WSCCO

ATTACHMENT 1: OPTION DESCRIPTION

	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 <sup>1</sup>	Base Case	Variables to sensitivity test <sup>1</sup>
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 <sup>2</sup> . QLDC will ensure that the Statement of Expectations covers the minimum requirements <sup>3</sup> (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 <sup>5</sup> .	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 <sup>2</sup> . In addition to ensuring that the Statement of Expectations covers the minimum requirements QLDC will also include these additional matters <sup>4</sup> : - 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 <sup>6</sup> .
Accountability	<b>Water Services Act:</b> 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. <b>Commerce Act:</b> 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. <b>Local Government Act:</b> Councillors are accountable to their communities for decision making through the election process. <b>Local Government (Water Services) Bill:</b> QLDC is required to consult with the community on the Water Services Strategy.	<b>Water Services Act:</b> None; Councillor liabilities remain the same with a Committee in place. <b>Commerce Act:</b> None; Councillor liabilities remain the same with a Committee in place. <b>Local Government Act:</b> 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. <b>Local Government (Water Services) Bill:</b> None; community consultation requirements remain the same with a Committee in place.	<b>Water Services Act:</b> 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. <b>Commerce Act:</b> Directors are liable for inaccurate information disclosures made to the Commerce Commission. As Council has delegated all decision making 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. <b>Local Government Act:</b> 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. <b>Local Government (Water Services) Bill:</b> A WSCCO is not required to consult with the community on the Water Services Strategy.	<b>Water Services Act:</b> 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. <b>Commerce Act:</b> 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. <b>Local Government Act:</b> None, does not apply. <b>Local Government (Water Services) Bill:</b> 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

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	Base Case	Variables to sensitivity test <sup>1</sup>	Base Case	Variables to sensitivity test <sup>1</sup>
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.	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.	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: - 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.	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.	None

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

<sup>1</sup> 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

<sup>2</sup> Local Government (Water Services) Bill Section 187(1)

<sup>3</sup> Local Government (Water Services) Bill Section 187(2)

<sup>4</sup> Local Government (Water Services) Bill Section 196(2)(b)

<sup>5</sup> Local Government (Water Services) Bill Section 196(2)(a)



ATTACHMENT 2: SHORTLIST ASSESSMENT RESULTS

Part 1: Summary of Assessment Results

ASSESSMENT OF SHORTLIST								
		Option 1 Status Quo	Option 1, Test 1 Status Quo + Water Services Committee	Option 1, Test 2 Stand alone inhouse water function	Option 1, Test 3 Status Quo + 9% FFO enforced	Option 2 WSCCO, minimum control	Option 2, Test 1 WSCCO, maximum control	Option 2, Test 2 WSCCO, purchases support services from QLDC
People & capability	Attract and retain the best people to govern and provide water services	1.50	1.50	1.50	1.50	2.00	1.50	2.00
Operational efficacy	Provide for the effective conduct of all aspects of water services management and delivery	2.00	2.00	1.67	2.00	2.33	1.67	1.00
Economic efficiency	Optimise the utilisation of finite resources, maximising public value and minimising waste across the 3W asset lifecycle	1.33	1.33	1.67	1.33	2.67	1.67	2.00
Community interest	Enable community interests and priorities to be meaningfully recognised and reflected in the ongoing provision of water services	3.00	3.00	3.00	3.00	2.00	2.50	2.00
Agility & adaptability	Prepare/enable successful responses to changing external circumstances without major disruption	1.00	1.00	1.50	1.50	3.00	2.00	2.50
Costs to Consumer	Minimise the total cost to households resulting from the new three waters regime	3.00	3.00	3.00	3.00	2.00	2.00	3.00
TOTAL SCORE (AVERAGE OF ALL CRITERIA)		1.97	1.97	2.06	2.06	2.33	1.89	2.08

## Part 2: Detailed Assessment Results

ASSESSMENT OF SHORTLIST								
		Option 1 Status Quo	Option 1, Test 1 Status Quo + Water Services Committee	Option 1, Test 2 Stand alone inhouse water function	Option 1, Test 3 Status Quo + 9% FFO enforced	Option 2 WSSCO, minimum control	Option 2, Test 1 WSSCO, maximum control	Option 2, Test 2 WSSCO, purchases support services from QLDC
<b>People &amp; capability</b>	<b>Attract and retain the best people to govern and provide water services</b>	1.50	1.50	1.50	1.50	2.00	1.50	2.00
<b>PC1</b>	<b>Appeal to high-quality governance candidates with the best skills and experience to oversee water services</b> <i>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.</i> 1 = low appeal 2 = moderate appeal 3 = high appeal	1	1	1	1	2	1	2
<b>PC2</b>	<b>Achieve a high-performing and resilient resourcing model across all aspects of the asset management lifecycle</b> <i>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.</i> 1 = low likelihood of achieving 2 = moderate likelihood of achieving 3 = high likelihood of achieving	2	2	2	2	2	2	2
<b>Operational efficacy</b>	<b>Provide for the effective conduct of all aspects of water services management and delivery</b>	2.00	2.00	1.67	2.00	2.33	1.67	1.00
<b>OE 1</b>	<b>Ensure reliable delivery of water services to a standard consumers can reasonably expect</b> <i>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.</i> 1 = low likelihood of achieving 2 = moderate likelihood of achieving 3 = high likelihood of achieving	2	2	2	2	3	2	1
<b>OE2</b>	<b>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)</b> <i>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.</i> 1 = low ability to align 2 = moderate ability to align	3	3	2	3	1	1	1
<b>OE3</b>	<b>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.</b> <i>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.</i> 1 = low ability to enable 2 = moderate ability to enable 3 = high ability to enable	1	1	1	1	3	2	1

ASSESSMENT OF SHORTLIST								
		Option 1 Status Quo	Option 1, Test 1 Status Quo + Water Services Committee	Option 1, Test 2 Stand alone inhouse water function	Option 1, Test 3 Status Quo + 9% FFO enforced	Option 2 WSCCO, minimum control	Option 2, Test 1 WSCCO, maximum control	Option 2, Test 2 WSCCO, purchases support services from QLDC
<b>Economic efficiency</b>	<b>Optimise the utilisation of finite resources, maximising public value and minimising waste across the 3W asset lifecycle</b>	1.33	1.33	1.67	1.33	2.67	1.67	2.00
EE1	<b>Maximise outputs with available inputs – do more for the same (effectiveness) or the same for less (efficiency)</b> <i>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.</i> 1 = low ability to maximise 2 = moderate ability to maximise 3 = high ability to maximise	1	1	2	1	3	2	1
EE2	<b>Achieve certainty and clarity of long-term investment priorities, enabling the optimal allocation of resources to maximise benefits</b> <i>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.</i> 1 = low likelihood of achieving 2 = moderate likelihood of achieving 3 = high likelihood of achieving	2	2	2	2	3	2	3
EE3	<b>Be positioned to leverage cost efficiencies through commercial partnerships and contracting models</b> <i>Scored relative to other options</i> 1 = most steps/obligations associated with contracting any aspect of water services provision 2 = fewer steps/obligations relative to the most onerous option	1	1	1	1	2	1	2
<b>Community interest</b>	<b>Enable community interests and priorities to be meaningfully recognised and reflected in the ongoing provision of water services</b>	3.00	3.00	3.00	3.00	2.00	2.50	2.00
CI1	<b>Provide for transparency and accountability to the community</b> <i>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.</i> 1 = low quality 2 = moderate quality 3 = high quality	3	3	3	3	2	2	2
CI2	<b>Enable community priorities and views to be reflected through water services planning and service delivery</b> <i>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.</i> 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	3	3	3	3	2	3	2

ASSESSMENT OF SHORTLIST								
		Option 1 Status Quo	Option 1, Test 1 Status Quo + Water Services Committee	Option 1, Test 2 Stand alone inhouse water function	Option 1, Test 3 Status Quo + 9% FFO enforced	Option 2 WSSCO, minimum control	Option 2, Test 1 WSSCO, maximum control	Option 2, Test 2 WSSCO, purchases support services from QLDC
<b>Agility &amp; adaptability</b>	<b>Prepare/enable successful responses to changing external circumstances without major disruption</b>	1.00	1.00	1.50	1.50	3.00	2.00	2.50
<b>AA1</b>	<b>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</b> <i>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.</i> <i>1 = least nimbleness of any option</i> <i>2 = some increased nimbleness relative to the lowest scoring option</i> <i>3 = high nimbleness relative to the lowest scoring option</i>	1	1	2	1	3	1	2
<b>AA2</b>	<b>Enable Council to respond to existing/emerging non-water community priorities and needs</b> <i>Scored relative to the lowest residual QLDC borrowing capacity at time of implementing the option</i> <i>1 = option with the lowest residual borrowing capacity, and any options within 20% of this value</i> <i>2 = 20-50% more borrowing capacity than the lowest value</i> <i>3 = &gt;50% more borrowing capacity than the lowest value</i>	1	1	1	2	3	3	3
<b>Costs to Consumer</b>	<b>Minimise the total cost to households resulting from the new three waters regime</b>	3.00	3.00	3.00	3.00	2.00	2.00	3.00
<b>CC1</b>	<b>Minimise the impact on household 3W charges</b> <i>Scored relative to the highest NPV of household 3W charges over a ten year horizon</i> <i>1 = 68 - 100% of highest NPV</i> <i>2 = 34 - 67% of highest NPV</i> <i>3 = 0 - 33% of highest NPV</i>	3	3	3	3	3	3	3
<b>CC2</b>	<b>Minimise QLDC's exposure to stranded costs that need to be recovered from ratepayers</b> <i>Scored relative to the highest value of stranded costs</i> <i>1 = 68 - 100% of highest value</i> <i>2 = 34 - 67% of highest value</i> <i>3 = 0 - 33% of highest value</i>	3	3	3	3	1	1	3

ATTACHMENT 3: SENSITIVITY TESTING RESULTS

SENSITIVITY TEST TYPE 1: Adjusting weightings						
TEST IDENTIFIER	WEIGHTED BASE CASE	WEIGHTING ADJUSTMENT #1	WEIGHTING ADJUSTMENT #2	WEIGHTING ADJUSTMENT #3	WEIGHTING ADJUSTMENT #4	
Summary description of the test's focus	Even weightings applied across all criteria	Increase 'Economic Efficiency' and 'Cost to Consumer' weightings to reflect increased focus on costs	Increase 'Operational Efficacy' weighting to reflect increased focus on effective 3W service provision and management	Increase 'Community Interest' and 'Agility & Adaptability' weightings to reflect increased focus on community interest/responsiveness (both 3W and non-3W)	Increase 'People & Capability', 'Operational Efficacy', 'Economic Efficiency', and 'Agility & Adaptability' weightings to reflect increased focus on future-readiness	
Options	RankScore	ChangeRankScore	ChangeRankScore	ChangeRankScore	ChangeRankScore	
Option 2 - WSCCO minimum control (WSCCO core model)	12.33	•12.33	•12.33	•12.35	•12.43	
Option 2 - WSCCO purchases services from QLDC (WSCCO variation 2)	22.08	•22.29	↓61.87	↓42.13	•21.96	
Option 1 - IN-HOUSE standalone business unit (IN-HOUSE variation 2)	32.06	•32.19	•31.98	↑22.19	↓41.77	
Option 1 - IN-HOUSE 9% FFO applied (IN-HOUSE variation 3)	32.06	↓42.11	↑22.04	↑22.19	↓51.77	
Option 1 - IN-HOUSE status quo (IN-HOUSE core model)	51.97	•52.07	↑31.98	•52.07	↓61.66	
Option 1 - IN-HOUSE with water services committee (IN-HOUSE variation 1)	51.97	•52.07	↑31.98	•52.07	↓61.66	
Option 2 - WSCCO maximum control (WSCCO variation 1)	71.89	•71.86	•71.84	•72.05	↑31.78	
<div>Note: Rank reflects the relative ranking of each option based on the total score under each test. An indicator shows whether the option's overall <u>ranking</u> has moved when compared to the evenly weighted base case: ↓ Option ranks lower under the test conditions ↑ Option ranks better under the test conditions. • Option ranking doesn't change under the test conditions.</div>	<div>• 100% total weighting split equally across all six criteria - giving each criterion a weighting of 16.7%. • <b>Minimum control WSCCO model is the highest ranked.</b></div>	<div>• Weightings for Economic Efficiency and Cost to Consumer increased (+100%) to place greater priority on minimising costs to consumers. • Weightings of remaining criteria reduced proportionately to maintain 100% total. • <b>Minimum control WSCCO model remains highest ranked</b>; however, there is little difference in scoring (0.04) relative to 2nd ranked model (WSCCO purchases QLDC support services).</div>	<div>• Weighting for Operational Efficacy increased (+100%) to place greater emphasis on water services provision &amp; performance. • Weightings of remaining criteria reduced proportionately to maintain 100% total. • <b>Minimum control WSCCO model remains highest ranked.</b></div>	<div>• Weighting for Community Interest increased (+100%) to place greater emphasis on community interests and priorities. • Weighting for Agility &amp; Adaptability increased (+50%) to place greater empahsis on availability of QLDC debt headroom to support investment in other non-3W emerging priorities/needs. • Weightings of remaining criteria reduced proportionately to maintain 100% total. • <b>Minimum control WSCCO model remains highest ranked.</b></div>	<div>• Weightings for People &amp; Capability, Operational Efficacy, Economic Efficiency, and Agility &amp; Adaptability increased (+30%) to place greater emphasis on future-readiness and likelihood of being enduring. • Weightings of remaining criteria reduced proportionately to maintain 100% total. • <b>Minimum control WSCCO model remains highest ranked.</b></div>	
TEST IDENTIFIER	WEIGHTED BASE CASE	WEIGHTING ADJUSTMENT #5	WEIGHTING ADJUSTMENT #6	WEIGHTING ADJUSTMENT #7		
Summary description of the test's focus	Even weightings applied across all criteria	Increase 'Economic Efficiency', 'People & Capability', and 'Operational Efficacy' weightings to reflect increased focus on commercial performance	'Cost to Consumer' is the only criterion tested to reflect a singular focus on cost-based impacts to households over the 10-year period assessed.	Reverse engineer weightings to understand what conditions need to apply for an in-house model to rank highest.		
Options	RankScore	ChangeRankScore	ChangeRankScore	ChangeRankScore		
Option 2 - WSCCO minimum control (WSCCO core model)	12.33	•12.36	↓62.00	↓52.24		
Option 2 - WSCCO purchases services from QLDC (WSCCO variation 2)	22.08	•21.83	↑13.00	↓62.20		
Option 1 - IN-HOUSE standalone business unit (IN-HOUSE variation 2)	32.06	•31.76	↑13.00	↑12.32		
Option 1 - IN-HOUSE 9% FFO applied (IN-HOUSE variation 3)	32.06	↓41.74	↑13.00	↑22.32		
Option 1 - IN-HOUSE status quo (IN-HOUSE core model)	51.97	•51.71	↑13.00	↑32.26		
Option 1 - IN-HOUSE with water services committee (IN-HOUSE variation 1)	51.97	•51.71	↑13.00	↑32.26		
Option 2 - WSCCO maximum control (WSCCO variation 1)	71.89	↑51.71	↑62.00	•71.99		
<div>Note: Rank reflects the relative ranking of each option based on the total score under each test. An indicator shows whether the option's overall <u>ranking</u> has moved when compared to the evenly weighted base case: ↓ Option ranks lower under the test conditions ↑ Option ranks better under the test conditions. • Option ranking doesn't change under the test conditions.</div>	<div>• 100% total weighting split equally across all six criteria - giving each criterion a weighting of 16.7%. • <b>Minimum control WSCCO model is the highest ranked.</b></div>	<div>• Weighting for Economic Efficiency increased (+100%) and weightings for People &amp; Capability and Operational Efficacy increased (+50%) to place greater emphasis on key commercial performance elements of the model. • Weightings of remaining criteria reduced proportionately to maintain 100% total. • <b>Minimum control WSCCO model remains highest ranked.</b></div>	<div>• The only criterion assessed is 'Cost to Consumer' with a total weighting of 100% to place emphasis exclusively on impact to households over the ten-year period assessed. • All other weightings reduced to 0% to maintain 100% total. • <b>All in-house variants and a WSCCO that purchases support services from QLDC become the highest ranked.</b> • <i>NB: This test gives equal importance to household 3W charges and stranded costs. Sensitivity Test Type 4 category runs further analysis around relative importance of household charges.</i></div>	<div>• Weightings are adjusted to achieve conditions in which an in-house model ranks highest. This involved reducing People &amp; Capability, Operational Efficacy, Economic Efficiency, and Agility &amp; Adaptability to a weighting of 12% or less (-28%). • Community Interest and Cost to Consumer weightings increased proportionately to maintain 100% total. • <b>In-house standalone business unit becomes highest ranked</b>; however, there is little difference in scoring (&lt;0.1) relative to 2nd-5th ranked models (in-house 9% FFO, in-house status quo, in-house water services committee, and WSCCO minimum control)</div>		

SENSITIVITY TEST TYPE 2: Equalise scoring for any given criterion

TEST IDENTIFIER
Summary description of the test's focus
Options
Option 2 - WSCCO minimum control (WSCCO core model)
Option 2 - WSCCO purchases services from QLDC (WSCCO variation 2)
Option 1 - IN-HOUSE standalone business unit (IN-HOUSE variation 2)
Option 1 - IN-HOUSE 9% FFO applied (IN-HOUSE variation 3)
Option 1 - IN-HOUSE status quo (IN-HOUSE core model)
Option 1 - IN-HOUSE with water services committee (IN-HOUSE variation 1)
Option 2 - WSCCO maximum control (WSCCO variation 1)

Note:  
Rank reflects the relative ranking of each option based on the total score under each test. An indicator shows whether the option's overall ranking has moved when compared to the evenly weighted base case:  
↓ Option ranks lower under the test conditions  
↑ Option ranks better under the test conditions.  
· Option ranking doesn't change under the test conditions.

WEIGHTED BASE CASE	
Even weightings applied across all criteria	
Rank	Score
1	2.33
2	2.08
3	2.06
3	2.06
5	1.97
5	1.97
7	1.89

- 100% total weighting split equally across all six criteria - giving each criterion a weighting of 16.7%.
- **Minimum control WSCCO model is the highest ranked.**

SCORING ADJUSTMENT #1		
Scores equalised to reflect consistent People & Capability results across models		
Change	Rank	Score
·	1	2.33
↓	4	2.08
↑	2	2.14
↑	2	2.14
·	5	2.06
·	5	2.06
·	7	1.97

- People & Capability scores equalised to the highest score of any given option (2.00) to test whether the highest rank option changes if all options achieve the best assessed People & Capability result.
- All other scores remain as per the base case.
- Weightings from the base case apply.
- **Minimum control WSCCO remains highest ranked.**

SCORING ADJUSTMENT #2		
Scores equalised to reflect consistent Operational Efficacy results across models		
Change	Rank	Score
·	1	2.33
·	2	2.31
·	3	2.17
↓	4	2.11
·	5	2.03
·	5	2.03
·	7	2.00

- Operational Efficacy scores equalised to the highest score of any given option (2.33) to test whether the highest rank option changes if all options achieve the best assessed Operational Efficacy result.
- All other scores remain as per the base case.
- Weightings from the base case apply.
- **Minimum control WSCCO remains highest ranked;** however there is little difference in scoring (0.02) relative to 2nd ranked model

SCORING ADJUSTMENT #3		
Scores equalised to reflect consistent Economic Efficiency results across models		
Change	Rank	Score
·	1	2.33
↓	6	2.20
·	3	2.22
↑	2	2.28
↑	4	2.20
↑	4	2.20
·	7	2.06

- Economic Efficiency scores equalised to the highest score of any given option (2.67) to test whether the highest rank option changes if all options achieve the best assessed Economic Efficiency result.
- All other scores remain as per the base case.
- Weightings from the base case apply.
- **Minimum control WSCCO remains highest ranked;** however there is little difference in scoring (0.05) relative to 2nd ranked model

SCORING ADJUSTMENT #4		
Scores equalised to reflect consistent Community Interest results across models		
Change	Rank	Score
·	1	2.50
·	2	2.25
·	3	2.06
·	3	2.06
·	5	1.97
·	5	1.97
↑	5	1.97

- Community Interest scores equalised to the highest score of any given option (3.00) to test whether the highest rank option changes if all options achieve the best assessed Community Interest result.
- All other scores remain as per the base case.
- Weightings from the base case apply.
- **Minimum control WSCCO remains highest ranked.**

TEST IDENTIFIER
Summary description of the test's focus
Options
Option 2 - WSCCO minimum control (WSCCO core model)
Option 2 - WSCCO purchases services from QLDC (WSCCO variation 2)
Option 1 - IN-HOUSE standalone business unit (IN-HOUSE variation 2)
Option 1 - IN-HOUSE 9% FFO applied (IN-HOUSE variation 3)
Option 1 - IN-HOUSE status quo (IN-HOUSE core model)
Option 1 - IN-HOUSE with water services committee (IN-HOUSE variation 1)
Option 2 - WSCCO maximum control (WSCCO variation 1)

Note:  
Rank reflects the relative ranking of each option based on the total score under each test. An indicator shows whether the option's overall ranking has moved when compared to the evenly weighted base case:  
↓ Option ranks lower under the test conditions  
↑ Option ranks better under the test conditions.  
· Option ranking doesn't change under the test conditions.

WEIGHTED BASE CASE	
Even weightings applied across all criteria	
Rank	Score
1	2.33
2	2.08
3	2.06
3	2.06
5	1.97
5	1.97
7	1.89

- 100% total weighting split equally across all six criteria - giving each criterion a weighting of 16.7%.
- **Minimum control WSCCO model is the highest ranked.**

SCORING ADJUSTMENT #5		
Scores equalised to reflect consistent Agility & Adaptability results across models		
Change	Rank	Score
·	1	2.33
↓	6	2.17
↑	2	2.31
↑	2	2.31
↑	2	2.31
↑	2	2.31
·	7	2.06

- Agility & Adaptability scores equalised to the highest score of any given option (3.00) to test whether the highest rank option changes if all options achieve the best assessed Agility & Adaptability result.
- All other scores remain as per the base case.
- Weightings from the base case apply.
- **Minimum control WSCCO remains highest ranked;** however, there is little difference in scoring (0.02) relative to 2nd ranked options

SCORING ADJUSTMENT #6		
Scores equalised to reflect Cost to Consumer results across models		
Change	Rank	Score
·	1	2.50
·	2	2.08
·	3	2.06
·	3	2.06
↓	6	1.97
↓	6	1.97
↑	3	2.06

- Cost to Consumer scores equalised to the highest score of any given option (3.00) to test whether the highest rank option changes if all options achieve the best assessed Cost to Consumer result.
- All other scores remain as per the base case.
- Weightings from the base case apply.
- **Minimum control WSCCO remains highest ranked.**



SENSITIVITY TEST TYPE 3: Adjust testing to reflect potential overlaps identified in Morrison Low's independent review of the assessment framework

TEST IDENTIFIER	WEIGHTED BASE CASE	POTENTIAL OVERLAP ADJUSTMENT #1	POTENTIAL OVERLAP ADJUSTMENT #2	POTENTIAL OVERLAP ADJUSTMENT #3																																																																																								
Summary description of the test's focus	Even weightings applied across all criteria	People & Capability score matched to highest contributing consideration score for each option to test for potential overlap between considerations.	Operational Efficacy and Economic Efficiency combined into a single criterion to test for potential overlap between considerations.	Overlap adjustment tests 1 & 2 combined to test for sensitivity to all potential overlapping considerations.																																																																																								
Options	<table><tr><th>Rank</th><th>Score</th></tr><tr><td>1</td><td>2.33</td></tr><tr><td>2</td><td>2.08</td></tr><tr><td>3</td><td>2.06</td></tr><tr><td>3</td><td>2.06</td></tr><tr><td>5</td><td>1.97</td></tr><tr><td>5</td><td>1.97</td></tr><tr><td>7</td><td>1.89</td></tr></table>	Rank	Score	1	2.33	2	2.08	3	2.06	3	2.06	5	1.97	5	1.97	7	1.89	<table><tr><th>Change</th><th>Rank</th><th>Score</th></tr><tr><td>·</td><td>1</td><td>2.33</td></tr><tr><td>↓</td><td>4</td><td>2.08</td></tr><tr><td>↑</td><td>2</td><td>2.14</td></tr><tr><td>↑</td><td>2</td><td>2.14</td></tr><tr><td>·</td><td>5</td><td>2.06</td></tr><tr><td>·</td><td>5</td><td>2.06</td></tr><tr><td>·</td><td>7</td><td>1.97</td></tr></table>	Change	Rank	Score	·	1	2.33	↓	4	2.08	↑	2	2.14	↑	2	2.14	·	5	2.06	·	5	2.06	·	7	1.97	<table><tr><th>Change</th><th>Rank</th><th>Score</th></tr><tr><td>·</td><td>1</td><td>2.30</td></tr><tr><td>·</td><td>2</td><td>2.20</td></tr><tr><td>·</td><td>3</td><td>2.13</td></tr><tr><td>·</td><td>3</td><td>2.13</td></tr><tr><td>·</td><td>5</td><td>2.03</td></tr><tr><td>·</td><td>5</td><td>2.03</td></tr><tr><td>·</td><td>7</td><td>1.93</td></tr></table>	Change	Rank	Score	·	1	2.30	·	2	2.20	·	3	2.13	·	3	2.13	·	5	2.03	·	5	2.03	·	7	1.93	<table><tr><th>Change</th><th>Rank</th><th>Score</th></tr><tr><td>·</td><td>1</td><td>2.30</td></tr><tr><td>↓</td><td>4</td><td>2.20</td></tr><tr><td>↑</td><td>2</td><td>2.23</td></tr><tr><td>↑</td><td>2</td><td>2.23</td></tr><tr><td>·</td><td>5</td><td>2.13</td></tr><tr><td>·</td><td>5</td><td>2.13</td></tr><tr><td>·</td><td>7</td><td>2.03</td></tr></table>	Change	Rank	Score	·	1	2.30	↓	4	2.20	↑	2	2.23	↑	2	2.23	·	5	2.13	·	5	2.13	·	7	2.03
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<p>Note:</p> <p>Rank reflects the relative ranking of each option based on the total score under each test. An indicator shows whether the option's overall <u>ranking</u> has moved when compared to the evenly weighted base case:</p> <p>↓ Option ranks lower under the test conditions</p> <p>↑ Option ranks better under the test conditions.</p> <p>· Option ranking doesn't change under the test conditions.</p>	<ul style="list-style-type: none"><li>• 100% total weighting split equally across all six criteria - giving each criterion a weighting of 16.7%.</li><li>• <b>Minimum control WSCCO model is the highest ranked.</b></li></ul>	<ul style="list-style-type: none"><li>• Matched total People &amp; Capability score for each option to the highest score given to either of the contributing considerations. This is to test for potential overlap between the two contributing considerations.</li><li>• All other scores remain as per the base case.</li><li>• Weightings from the base case apply.</li><li>• <b>Minimum control WSCCO remains highest ranked.</b></li></ul>	<ul style="list-style-type: none"><li>• Operational Efficacy and Economic Efficiency criteria combined into single criterion. The average of each options Operational Efficacy and Economic Efficiency scores was used as the each option's score for the combined criterion.</li><li>• All other scores remain as per the base case.</li><li>• Weightings were adjusted proportionately to maintain 100% (even weightings across all criteria maintained).</li><li>• <b>Minimum control WSCCO remains highest ranked.</b></li></ul>	<ul style="list-style-type: none"><li>• Potential overlap adjustment tests 1 &amp; 2 combined. This tests for the combined effect of adjusting for potential overlaps within People &amp; Capability and across Operational Efficacy and Economic Efficiency.</li><li>• All other scores remain as per the base case.</li><li>• Weightings adjusted proportionately to maintain 100% (even weightings across all criteria maintained).</li><li>• <b>Minimum control WSCCO remains highest ranked;</b> however, there is little difference in scoring (0.07) relative to 2nd ranked options (in-house standalone business unit <u>and</u> in-house 9% FFO)</li></ul>																																																																																								

SENSITIVITY TEST TYPE 4: Adjust scoring guidelines

TEST IDENTIFIER	WEIGHTED BASE CASE	SCORING GUIDELINES ADJUSTMENT #1	SCORING GUIDELINES ADJUSTMENT #2	SCORING GUIDELINES ADJUSTMENT #3	SCORING GUIDELINES ADJUSTMENT #4
Summary description of the test's focus	Even weightings applied across all criteria	Household charge component of Cost to Consumer scoring guidance changed to emphasise importance of minimising household charges.	Residual QLDC debt headroom consideration removed from Agility & Adaptability to test for impact of Council opting not to utilise.	Scoring guidelines adjustments #1 and #2 combined to test for combined impact of emphasising household charges and Council opting not to utilise residual debt headroom.	Stranded costs consideration removed from Cost to Consumer to emphasise importance of minimising household charges.
Options	RankScore	ChangeRankScore	ChangeRankScore	ChangeRankScore	ChangeRankScore
Option 2 - WSCCO minimum control (WSCCO core model)	12.33	·12.17	·12.33	·12.17	·12.50
Option 2 - WSCCO purchases services from QLDC (WSCCO variation 2)	22.08	↓61.92	↓32.00	↓61.83	·22.08
Option 1 - IN-HOUSE standalone business unit (IN-HOUSE variation 2)	32.06	↑22.06	↑22.14	↑22.14	·32.06
Option 1 - IN-HOUSE 9% FFO applied (IN-HOUSE variation 3)	32.06	↓51.97	↓41.97	↓51.89	·32.06
Option 1 - IN-HOUSE status quo (IN-HOUSE core model)	51.97	↑31.97	↑41.97	↑31.97	↓61.97
Option 1 - IN-HOUSE with water services committee (IN-HOUSE variation 1)	51.97	↑31.97	↑41.97	↑31.97	↓61.97
Option 2 - WSCCO maximum control (WSCCO variation 1)	71.89	·71.72	·71.72	·71.56	·32.06
Note: Rank reflects the relative ranking of each option based on the total score under each test. An indicator shows whether the option's overall <u>ranking</u> has moved when compared to the evenly weighted base case: ↓ Option ranks lower under the test conditions ↑ Option ranks better under the test conditions. · Option ranking doesn't change under the test conditions.	• 100% total weighting split equally across all six criteria - giving each criterion a weighting of 16.7%. • <b>Minimum control WSCCO model is the highest ranked.</b>	• Scoring guidelines for the household charges component of 'Cost to Consumer' changed as follows: 3 = <i>lowest household charge or within 2%</i> 2 = <i>2-5% greater than lowest household charge</i> 1 = <i>&gt;5% greater than lowest household charge</i> • All other scores remain as per the base case. • Weightings from the base case apply. • <b>Minimum control WSCCO remains highest ranked.</b>	• Scoring guidelines adjusted to remove QLDC residual debt headroom from Agility & Adaptability criterion. • All other scores and definitions remain as per the base case. • Weightings from the base case apply. • <b>Minimum control WSCCO remains highest ranked.</b>	• Scoring guidelines for the household charges component of 'Cost to Consumer' changed as per Scoring Guidelines Adjustment #1. • Scoring guidelines adjusted to remove QLDC residual debt headroom from Agility & Adaptability criterion. • All other scores and definitions remain as per the base case. • Weightings from the base case apply. • <b>Minimum control WSCCO remains highest ranked</b> ; however, there is little difference in scoring (0.03) relative to 2nd ranked option (in-house standalone business unit).	• Scoring guidelines changed to remove stranded costs from Cost to Consumer criterion. • All other scores and definitions remain as per the base case. • Weightings from the base case apply. • <b>Minimum control WSCCO remains highest ranked.</b>

TEST IDENTIFIER	WEIGHTED BASE CASE	SCORING GUIDELINES ADJUSTMENT #5	SCORING GUIDELINES ADJUSTMENT #6	SCORING GUIDELINES ADJUSTMENT #7
Summary description of the test's focus	Even weightings applied across all criteria	Scoring guidelines adjustments #1 and #4 combined to further emphasise importance of minimising household charges.	Scoring guidelines adjustments #3 and #4 combined to maximise importance of minimising household charges.	Increase 'Cost to Consumer' weighting and apply Scoring Guidelines Adjustment #6 conditions to reflect increased focus on minimising household charges, and decreased focus on all other criteria.
Options	RankScore	ChangeRankScore	ChangeRankScore	ChangeRankScore
Option 2 - WSCCO minimum control (WSCCO core model)	12.33	·12.17	·12.17	↓41.93
Option 2 - WSCCO purchases services from QLDC (WSCCO variation 2)	22.08	↓61.75	↓61.67	↓61.53
Option 1 - IN-HOUSE standalone business unit (IN-HOUSE variation 2)	32.06	↑22.06	↑22.14	↑12.31
Option 1 - IN-HOUSE 9% FFO applied (IN-HOUSE variation 3)	32.06	↓51.89	↓51.81	↓51.84
Option 1 - IN-HOUSE status quo (IN-HOUSE core model)	51.97	↑31.97	↑31.97	↑22.18
Option 1 - IN-HOUSE with water services committee (IN-HOUSE variation 1)	51.97	↑31.97	↑31.97	↑22.18
Option 2 - WSCCO maximum control (WSCCO variation 1)	71.89	·71.72	·71.56	·71.44
Note: Rank reflects the relative ranking of each option based on the total score under each test. An indicator shows whether the option's overall <u>ranking</u> has moved when compared to the evenly weighted base case: ↓ Option ranks lower under the test conditions ↑ Option ranks better under the test conditions. · Option ranking doesn't change under the test conditions.	• 100% total weighting split equally across all six criteria - giving each criterion a weighting of 16.7%. • <b>Minimum control WSCCO model is the highest ranked.</b>	• Scoring guidelines for the household charges component of Cost to Consumer changed per Scoring Guidelines Adjustment #1. • Scoring guidelines changed to remove stranded costs from Cost to Consumer criterion. • All other scores and definitions remain as per the base case. • Weightings from the base case apply. • <b>Minimum control WSCCO remains highest ranked.</b>	• Scoring guidelines for the household charges component of Cost to Consumer changes as per Scoring Guidelines Adjustment #1. • Scoring guidelines changed to remove stranded costs from Cost to Consumer criterion. • Scoring guidelines adjusted to remove QLDC residual debt headroom from Agility & Adaptability criterion. • All other scores and definitions remain as per the base case. • Weightings from the base case apply. • <b>Minimum control WSCCO remains highest ranked</b> ; however, there is little difference in scoring (0.03) relative to 2nd ranked option	• Scoring guidelines of Cost to Consumer and Agility & Adaptability changes as per Scoring Guidelines Adjustment #6. • Weighting for Cost to Consumer increased (+100%) to place greatest emphasis on direct 3W household charges. • Weightings of remaining criteria reduced proportionately to maintain 100% total. • All other scores and definitions remain as per the base case. • <b>Inhouse standalone business unit becomes the highest ranked.</b>



SUMMARY RESULTS

Options & count of ranking (all model variants)
Option 2 - WSCCO minimum control (WSCCO core model)
Option 2 - WSCCO purchases services from QLDC (WSCCO variation 2)
Option 1 - IN-HOUSE standalone business unit (IN-HOUSE variation 2)
Option 1 - IN-HOUSE 9% FFO applied (IN-HOUSE variation 3)
Option 1 - IN-HOUSE status quo (IN-HOUSE core model)
Option 1 - IN-HOUSE with water services committee (IN-HOUSE variation 1)
Option 2 - WSCCO maximum control (WSCCO variation 1)

Number of times option ranked						
1st	2nd	3rd	4th	5th	6th	7th
20	0	0	1	1	1	0
1	8	1	4	0	9	0
3	10	9	1	0	0	0
1	8	4	4	6	0	0
1	2	6	2	9	3	0
1	2	6	2	9	3	0
0	0	3	0	2	1	17

% of times option ranked						
1st	2nd	3rd	4th	5th	6th	7th
87%	0%	0%	4%	4%	4%	0%
4%	35%	4%	17%	0%	39%	0%
13%	43%	39%	4%	0%	0%	0%
4%	35%	17%	17%	26%	0%	0%
4%	9%	26%	9%	39%	13%	0%
4%	9%	26%	9%	39%	13%	0%
0%	0%	13%	0%	9%	4%	74%

Ranks 1st equal with another option	Ranks 1st alone	Ranks 1st alone with <0.1 score difference	Ranks 1st alone with >0.1 score difference
0	20	7	13
1	0	0	0
1	2	1	1
1	0	0	0
1	0	0	0
1	0	0	0
0	0	0	0

Options & % of ranking (all model variants)
Option 2 - WSCCO minimum control (WSCCO core model)
Option 2 - WSCCO purchases services from QLDC (WSCCO variation 2)
Option 1 - IN-HOUSE standalone business unit (IN-HOUSE variation 2)
Option 1 - IN-HOUSE 9% FFO applied (IN-HOUSE variation 3)
Option 1 - IN-HOUSE status quo (IN-HOUSE core model)
Option 1 - IN-HOUSE with water services committee (IN-HOUSE variation 1)
Option 2 - WSCCO maximum control (WSCCO variation 1)

Proportionately redistribute to total 100% per ranking						
74	0	0	7	4	6	0
4	27	3	29	0	53	0
11	33	31	7	0	0	0
4	27	14	29	22	0	0
4	7	21	14	33	18	0
4	7	21	14	33	18	0
0	0	10	0	7	6	100

Options & count of ranking (combined variants into two core models)
Option 1 variants combined - IN-HOUSE
Option 2 variants combined - WSCCO

% of times option ranked						
1st	2nd	3rd	4th	5th	6th	7th
22	73	86	64	89	35	0
78	27	14	36	11	65	100