Full Council

31 July 2025

Report for Agenda Item | Rīpoata moto e Rāraki take [1]

Department: Property & Infrastructure

Title | Taitara: Future Water Services Delivery Model

Purpose of the Report | Te Take mō te Pūroko

The purpose of this report is to provide an overview of the Local Water Done Well consultation process, feedback received and provide a recommendation on Council's future water service delivery model, as required by the Local Government (Water Services Preliminary Arrangements) Act 2024.

Executive Summary | Whakarāpopototaka Matua

Local Water Done Well is the current Government's policy to address New Zealand's water infrastructure challenges and seeks to put an increased focus on long term financial sustainability. While Local Water Done Well is different to the previous Government's reform programme, the focus of both reforms was to improve the structure, accountability and framework that supports water service delivery, and introduce more commercial delivery models.

Council has now consulted with the community on two possible arrangements for the future delivery of water services:

1. A Water Services Council Controlled Organisation wholly owned by Queenstown Lakes District Council (proposed, and now recommended for confirmation); and
2. Retaining water services in house.

Community consultation was held between 2 June and 6 July. A total of 118 submissions were received, with 27 in favour of the recommended option of a Water Services Council Controlled Organisation and 89 in favour of the option to retain water services inhouse. While most submissions supported an in-house model, concerns raised are largely addressed by the incoming regulatory regime, the original analysis or appropriate implementation.

The strategic and legislative environment for water reform has continued to evolve since consultation began and officers consider that this provides additional support for the case to establish a Water Services Council Controlled Organisation, further strengthening the advantages of the model and mitigating some of the model's disadvantages. Of note, amendments to the Local Government (Water Services) Bill introduce requirements for Water Services Council Controlled Organisation's to consult with the community on matters of significance, and proposed changes to the resource management reform will strengthen requirements for integrated infrastructure and land use planning.

In accordance with the requirements of the Local Government (Water Services Preliminary Arrangements) Act, a decision on the district's future water services delivery model is required now so that Council can finalise its Water Services Delivery Plan before the 3 September 2025 submission deadline.

Recommendation | Kā Tūtohuka

That the Council:

1. **Note** the contents of this report;

2. **Approve** that the future water services delivery model for the Queenstown Lakes District will be an asset owning Water Services Council Controlled Organisation that is wholly owned by Queenstown Lakes District Council; and

3. **Agree** that the Chief Executive will develop a transition approach and plan, as well as governance processes for transition planning, to be agreed by Council by the end of December 2025.

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18 July 2025

Reviewed and authorised by:

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Title: General Manager Property & Infrastructure
18 July 2025

Context | Horopaki

Local Water Done Well (LWDW) is the current Government's plan to address New Zealand's water infrastructure challenges through an increased focus on long term financial sustainability.

1. LWDW aims to deliver a future water services system that emphasises balance between economic, environmental and water quality outcomes, while enabling local communities and councils to determine how water services will be delivered.

2. The first piece of legislation to support LWDW, the Local Government (Water Services Preliminary Arrangements) Act 2024 (WSPA Act), was enacted in September 2024. The WSPA Act sets out several transitional provisions, including a requirement for all councils to prepare and submit a Water Services Delivery Plan (WSDP) to the Government by 3 September 2025. A WSDP must describe the current state of water assets and services as well as the future arrangements for delivery of water services and must how demonstrate financial sustainability of water services will be achieved.

While LWDW is different to the previous Government's reform programme, both the current Government and Opposition continue to support the delivery of water services through a new framework and using a more commercially focussed approach.

3. A major catalyst for water services reform was the 2016 Havelock North contamination incident, which exposed serious deficiencies and led to a comprehensive government inquiry. This prompted the Three Waters Review (2017-2019), and the subsequent Labour Government's Three Waters Reform Programme launched in 2020, which sought to centralise water services management in regional water entities. The establishment of Taumata Arowai in 2021 marked a key step in regulating drinking water quality. In 2024, the current National-led coalition government repealed the previous legislation, replacing it with LWDW.

4. While LWDW places a greater emphasis on local council ownership of water assets, as the details of the reform programme have progressively been developed, it is clear that councils' scope to make substantive decisions about the future direction of water services will be narrowed.

5. While the two reform programmes are different in the detail of how they are to be implemented, they both have the same effect of reducing "control" of water services from Councils. Under the previous Three Waters Reform programme, councils were forcibly required to transfer water services and assets to new joint water entities over which they had limited influence. While the current reform programme allows councils to retain ownership of water services, the scope for making substantive decisions is significantly constrained. Increasingly prescriptive economic, quality, and performance regulations mean that councils will be required to operate within a tightly defined framework, leaving limited room to influence key service delivery outcomes or investment decisions.

In accordance with the WSPA Act, Council has now consulted with the community on two possible arrangements for the future delivery of water services.

6. The WSPA Act required councils to explore and consult on at least one alternative to their existing approach for water service delivery. That alternative was to be either a Water Services Council Controlled Organisation (WSCCO) or a joint local government arrangement. In consulting with the community, the WSPA Act required councils to identify a proposed water service delivery model.

7. A detailed option development and assessment process was followed to inform the proposed water service delivery model recommended for consultation. This assessment indicated that a WSCCO model was likely to perform better than an in-house service delivery model. The supporting 29 May 2025 Council Report '*Proposed Future Water Service Delivery Model*' provided a comprehensive overview of the strategic context and relevant legislation, options assessment process, and financial implications, and is appended to this report as Attachment A. The assessment process was independently reviewed and verified by Morisson Low.

8. On 29 May 2025, Council resolved to consult on a WSCCO that is wholly owned by Queenstown Lakes District Council (QLDC) as the proposed future water service delivery model for the district. The options consulted on were:

    - *Option 1 QLDC Wholly Owned WSCCO.* QLDC will establish a WSCCO under new water legislation. Responsibility for the district's water services, along with ownership of QLDC's water assets and associated debt and liabilities, will be transferred to the WSCCO. The WSCCO will be responsible for planning, funding, and delivering water services in accordance with new legislative and regulatory requirements.

    - *Option 2 QLDC Inhouse.* QLDC will continue to own water assets and deliver the district's water services. Water assets, and associated debt and liabilities, will be retained by QLDC. As a Water Services Provider, QLDC will be required to adhere to new statutory objectives and financial management principles, meet separate water services planning and reporting requirements, and provide water services in accordance with a new economic regulatory regime. While water services will be retained in-house, significant organisational change will be required to meet the new requirements.

9. Both options as presented achieve financial sustainability as required by the WSPA Act.

10. The council's consultation approach is described in the *Consultation Process* section of this report and included direct communication, via email or mail, to all ratepayers as well as social media and print media campaigns. Consultation was open between 2 June and 6 July[1] and over this period there were 1,030 unique visitors, who visited 1,300 times, to the Let's Talk page. 407 of these opened a document or the FAQs, the consultation document was downloaded 198 times, and the summary booklet was downloaded 126 times.

[1] Note the consultation was originally scheduled to be closed on 29 June but was then reopened until 6 July. Three additional submissions were received during this period.

Summary of feedback received through submissions:

11. QLDC received 118 public submissions with 27 (23%) in favour of the proposed option of a WSCCO and 89 (77%) in favour of retaining water services in house, two submitters did not indicate a preference. While most submissions supported an in-house model, concerns raised are largely addressed by the incoming regulatory regime or the original analysis or are manageable through appropriate implementation.

12. The key themes arising from submissions during the consultation were:
    - Costs to households in the medium term;
    - Costs to implement and operate a WSCCO;
    - Accountability and transparency;
    - Community involvement;
    - Creation of bureaucracy and duplication; and
    - Distrust in QLDC's ability to manage a separate entity effectively.

13. An explanation of the key themes, and officer responses to the key themes, are outlined below.

Costs to households in the medium term:

14. Submitters expressed concern that the WSCCO model would place additional financial pressure on ratepayers, particularly those on limited incomes, and questioned whether the promised long-term savings would materialise, citing scepticism about the reliability of financial modelling and future cost projections.

15. Household charges under a WSCCO model are estimated to be higher in the medium term[2]. By 2034, modelling estimates that costs will align at around $4,900 per annum under both models. However, to meet a stricter 9% Free Funds from Operations (FFO) to debt ratio required to secure funding, a WSCCO must charge more in the medium term. As a result, households are estimated to pay an average of $174 per annum than under the inhouse model over the medium term. The higher revenue collected in the early years allows the WSCCO to repay debt more quickly, reducing interest costs and repayments over time. The WSCCO would deliver the same services with the same capital programme, but with more efficient debt management. This results in significantly lower projected household costs in the long term, estimated at $491 per annum less on average.

16. The key consideration for this decision is the cost difference between models, not the absolute figures. Both assume similar long-term capital and operational costs, with the WSCCO benefiting from a more efficient debt management approach, leading to lower interest and repayments. Therefore, the accuracy of cost projections is not critical to the comparison.

17. The modelling assumes immediate implementation of the 9% FFO ratio, but the Local Government Funding Agency allows a five-year transition. If a WSCCO were to incrementally work

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[2] Medium term is defined as the period covered by the Long Term Plan (July 2024 – June 2034). Long term is defined as the ten years following the period of the Long Term Plan (July 2034 – June 2044).

towards a 9% FFO ratio over five years the cost to households over the medium term is estimated to reduce by $373 to $1,364 ($136 per annum), while still preserving the long term savings.

Costs to implement and operate a WSCCO:

18. Some submitters raised concerns about duplicated functions and the associated estimated $1.9 million in stranded costs to QLDC (~$51 per rating unit). Duplication of functions and stranded costs can be managed if the WSCCO purchases support services from QLDC for a transitional period[3]. Stranded costs could be reduced to $545,000 (~$15 per rating unit) if the WSCCO purchases support services. While options to reduce this further were not included in the previous report or consultation document, the remaining stranded costs could be offset through efficiencies in QLDC's organisational restructure.

19. Some submitters expressed concern about the immediate financial impact of establishing a WSCCO and questioned the justification for these upfront expenses, especially given the lack of guaranteed long-term savings and the already rising cost of living. These submitters highlighted the estimated $8 million setup cost and noted that household water charges would rise in the early years of implementation. The estimated establishment costs for the WSCCO are proposed to be debt-funded and repaid over a 30-year period. This results in an average increase of approximately $21 per household per year. It is important to note that this figure is a conservative estimate and does not represent a detailed establishment budget. Certain components of the establishment cost, such as establishment of separate IT systems, may be able to be removed or deferred depending on the purchased services arrangements agreed. Council would seek to minimise establishment costs wherever practicable, ensuring that expenditure is targeted and efficient.

20. Some submitters raised doubts about whether a WSCCO would deliver value for money, citing risks of waste, lack of cost control and absence of performance incentives. The proposed planning and accountability framework is expressly designed to introduce built in safeguards to ensure cost effectiveness, with this being one of the focuses of economic regulation[4]. It is also expected that a commercially based board that is scrutinised by multiple regulators is likely to be more focussed on efficiency than a large multi-purpose organisation such as a council[5].

Accountability and transparency:

21. Submitters expressed concern that establishing a WSCCO could reduce public accountability and transparency in water service delivery. Key issues raised included the potential loss of direct oversight by elected representatives and diminished visibility into decision-making processes. There was apprehension that WSCCOs, operating at arm's length from councils, might prioritise commercial or technical objectives over community interests, and that governance structures could lack sufficient mechanisms for public scrutiny and democratic input.

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[3] As outlined in paragraph 36 of the 29 May 2025 Council Report: Proposed Water Service Delivery Model and page 8 of the consultation document.
[4] As outlined in paragraph 8 of the 29 May 2025 Council Report: Proposed Water Service Delivery Model and on page 3 of the consultation document.
[5] As outlined in paragraph 43 of the 29 May 2025 Council Report: Proposed Water Service Delivery Model.

22. The Local Government (Water Services) Bill (LGWS Bill) proposes a strengthened planning and reporting framework for water service providers, replacing certain provisions of the Local Government Act 2002[6]. The new planning and accountability framework provides clear mechanisms to ensure that visibility into decision making, and financial performance is improved, and that where water organisations are established, elected representatives (of the shareholder council/s) can set a Statement of Expectations as well as monitor whether these expectations are being met. The Statement of Expectations has a greater role than under the LGA, as the water organisation will be required to "give effect" to it, which should address some of the concerns around loss of oversight or control.

23. In addition, the regulatory oversight regime[7] is designed to ensure that community interests are met through the provision of water services that are safe, reliable, of a quality that meets consumer expectations, and are cost effective.

Community involvement:

24. Concerns raised during consultation about limited public engagement in water service planning under a WSCCO model will be substantively addressed through amendments to the LGWS Bill proposed by the Select Committee (refer Attachment B). These changes introduce a statutory requirement for water organisations to develop and adopt their own significance and engagement policies, modelled on section 76AA of the Local Government Act 2002 but tailored to the water services context. These changes assist with providing a clear and enforceable framework for community participation, ensuring that water organisations remain accountable to the communities they serve, even as they operate with greater independence from council governance. In addition, through the Statement of Expectations, the Council as shareholder can set expectations as to how the water organisation will conduct its relationships with the community and may also require that community engagement occur for certain types of decisions. This could, for example, include consultation on the water services strategy (or parts of).

Creation of bureaucracy:

25. Submitters raised concerns that creating a separate organisation would introduce unnecessary layers of management and increase overheads leading to higher operational costs and administrative inefficiencies and indicated a preference for improving existing systems rather than creating new bureaucracy.

26. A WSCCO, governed by a professional board with technical and financial expertise, operates with a focused mandate on water services[8]. This will enable streamlined, evidence-based decision-making, free from the broader bureaucratic demands and political pressures that affect councils

[6] As outlined in paragraphs 6 – 7 of the 29 May 2025 Council Report: Proposed Water Service Delivery Model and page 5, 8 of the consultation document.
[7] As outlined in paragraph 8 of the 29 May 2025 Council Report: Proposed Water Service Delivery Model and on page 3 of the consultation document.
[8] As outlined in paragraph 43 of the 29 May 2025 Council Report: Proposed Water Service Delivery Model and page 6 of the consultation document.

(and elected members), allowing for more agile and long-term strategic planning. Purchasing of shared services from QLDC prevents duplication of functions.

27. Some submitters suggested that a standalone internal water function within Council could achieve a similar singular focus as a WSCCO. While this may be true operationally, such a model would still face the same inefficiencies identified in concerns about a WSCCO, without the benefits of expert governance or reduced administrative complexity. Additionally, it would remain subject to political decision-making and competing priorities, which may limit its effectiveness.

Distrust in QLDC's ability to manage a separate entity effectively:

28. Some submitters expressed mistrust in QLDC's ability to manage a WSCCO responsibly. This mistrust appears to be based on perceptions of past performance issues and lack of transparency, concerns about governance and accountability and fear of future privatisation.

29. The proposed planning and accountability framework for WSCCOs is expressly designed to introduce a focused, expert led delivery model for water services and to provide built in safeguards to ensure transparency, accountability and responsiveness[9]. This framework is designed to ensure that the WSCCO remains accountable to Council and the community while benefitting from independent, expert governance and a sole focus on water services. In addition, the legislation introduces a new regulated framework that the WSCCO directors will need to be operating in accordance with, which is a further safeguard against ineffectiveness. The legislation also expressly precludes the option of privatisation.

The strategic and legislative environment for water reform has continued to evolve since consultation began and this further supports the case to establish a WSCCO.

30. Since the consultation began, the Government's water reform, and wider reform, programme has continued to evolve. This reflects the dynamic nature of the policy development that is occurring in response to government priorities and Select Committee review processes. For water reform specifically, the government is still designing the future system as they are asking us to implement it. As a result, some aspects of the reform have changed or become clearer since the consultation was initiated. These changes are consistent with the government's view that water services would be more efficiently delivered by WSCCOs.

31. The changes that are most relevant to this decision are set out in Attachment B.

[9] As outlined in paragraphs 6 – 7 of the 29 May 2025 Council Report: Proposed Water Service Delivery Model and page 5, 8 of the consultation document.

Analysis and Advice | Tatāritaka me kā Tohutohu

32. To finalise and submit a WSDP within legislated timeframes, Council must confirm the district's future water service delivery model. This report identifies and assesses the following reasonably practicable options for addressing the matter as required by section 77 of the Local Government Act 2002.

33. For consistency, advantages and disadvantages of both options are set out below as per the 29 May 2025 Council Report on the matter. Where applicable, updates to the original analyses reflecting changes in the strategic and legislative environment are provided.

34. <u>Option 1: WSCCO</u>

Advantages:

- *Expert governance with greater independence and appropriate accountability:* A professional board will be appointed based on skill and expertise best suited to governing water services in a regulated environment and would focus exclusively on the performance and enduring sustainability of the district's water services. Clear and proportionate alignment of control and liability will ensure 'best-for-water' decision-making, and a degree of independence will mean decisions are less vulnerable to political influences and competing priorities from non-water activities.

- *Dedicated water services organisation:* The singular focus of a WSCCO will ensure water services requirements are comprehensively understood and met. Direct alignment between organisational priorities and water services activities is expected to achieve greater consistency and continuity of long term service planning and the corresponding allocation of resources.

- *Streamlined processes and lower administrative complexity:* Systems, processes, and workforce composition will be tailored specifically to the needs of water services - providing for more streamlined decision-making and service provision. Relevant legislation and regulation impose fewer ongoing requirements and obligations on a WSCCO relative to those where services are provided directly by a council.
    - Update: Recent emphasis from the Commerce Commission on transparency, benchmarking, and potential regulatory interventions signals a shift towards more rigorous oversight. Given QLDC's relatively high cost of service delivery and high water usage per connection, it may be subject to closer scrutiny, particularly if these factors are not matched by strong service performance. A WSCCO will be better placed to respond to increased regulatory requirements as it only has one set of requirements to manage. The increased likelihood of more intensive regulatory interventions further supports the previously stated advantage.

- *Increased QLDC borrowing capacity:* Residual borrowing capacity available to QLDC is 606% higher than if water services are retained inhouse.[10]

- *Lower household charges in the long term:* By 2034, household water charges are expected to be similar across both models, with a WSCCO then delivering lower household water charges relative to an inhouse model in the long term.

- *Agility to respond to emerging opportunities and future changes:* A WSCCO is expected to be the most-readily adaptable to any further reform directions from current or future government (such as establishing joint WSCCOs), and more streamlined processes and decision-making is expected to support better uptake of emerging opportunities.

Disadvantages:

- *Separation of water services from other related activities:* The separation of water services from dependent and interrelated functions within QLDC (e.g. land use planning, consenting, development engineering, etc) will require more purposeful interaction to ensure objectives remain aligned, creating a greater interface burden than that of an inhouse model.
  - Update: Proposed requirements under the Resource Management Act (RMA) (and instruments under it), and foreshadowed repeat and replacement of the RMA, will impose requirements to ensure the integration of urban development and infrastructure planning across councils and WSCCOs. This reduces the impact of the stated disadvantage.
  - Update: Amendments to the LGWS Bill will introduce a requirement for WSCCOs to support growth and urban development. This reduces the impact of the stated disadvantage.

- *Less direct iwi and community participation:* The planning and accountability framework in which the WSCCO would operate under the LGWS Bill does not require community or iwi involvement in setting the priorities for long term planning. While a WSCCO will have the ability to gather community views, it will not in all cases be required to consult with the community on the Water Services Strategy. The community will rely on its elected Council to provide direction to the WSCCO on water services priorities.
  - Update: Amendments to the LGWS Bill will require WSCCOs to adopt a significance and engagement policy (if the council as a shareholder requires consultation) and ensure that its Water Services Strategy is the subject of community and iwi engagement in accordance with that policy. This will remove the stated disadvantage.

- *Higher household water charges in the medium term:* Until 2033/34, average annual household water charges will be slightly higher than that of an inhouse model.

- *QLDC will have stranded costs to manage:* It is estimated that shifting water services into a WSCCO will leave recurring stranded costs that QLDC will need to address.

[10] It was noted by Councillors and submitters that this is not necessarily an advantage, however as it was a stated advantage in the previous analysis on which the consultation was based, this is still included.

35. <u>Option 2: Inhouse</u>

Advantages:

- *Alignment of, and responsibility for, interdependent activities:* Retaining water services in house provides the greatest opportunity for two-way integration with a range of dependent/related activities under QLDC control, with one elected body and senior leadership team responsible for ensuring that integration and alignment occurs.

- *Organisational scale and capability:* Water services will be supported by QLDC's established assurance and administrative functions, scaled to the breadth and complexity of the organisation and its activities and appealing to a wide range of potential staff and governance candidates.

- *Broad community reach and participation:* Council will consider community views in setting long term objectives and priorities through direct community consultation on the Water Services Strategy, and the community can directly influence who governs water services through local elections. The typical practice of conducting Council business in public forums provides for transparency beyond prescribed reporting and accountability for water service organisations. Water services will benefit from Council's well-established relationships that will readily enable a constructive and partnered approach to setting aspirations for the district and priorities for the district's water services.

- *Lower household water charges in the medium term:* Compared to a WSCCO, annual household water charges are expected to be lower under an inhouse model until 2033/34.

- *No stranded costs:* Council will have nil or negligible stranded costs to be addressed under an inhouse model.

Disadvantages:

- *Misaligned control and accountability:* Council will continue to make decisions about water services prioritisation and investment but remains exempt from the liability associated with the consequences of those decisions (which instead sit with staff) due to an exemption for Elected Members under the Water Services Act. This weakens an imperative for decision-making to be on a 'best-for-water' basis.

- *Diluted focus across many priority areas:* Councillors and staff are required to be across a broad range of QLDC activities, with no one at a senior staff or governance level fully focussed on performance and delivery of water services. Other activities of QLDC will continue to compete with water services for investment and resources, continuing to put performance under pressure.

- *Distributed responsibility and administrative complexity:* Responsibility for, and understanding of, water services requirements will remain distributed across a wide range of QLDC functions and directorates. This is likely to create significant administrative complexity and interface burden to manage. As an inhouse water services provider, QLDC will have additional obligations to meet that do not exist for a WSCCO, particularly around Information Disclosure and Water Services Strategy preparation.

- *Higher household water charges in the long term:* Compared to a WSCCO, annual household water charges are expected to be higher beyond 2033/34 under an inhouse model.

- *Limited QLDC capacity to invest in emerging non-water activities:* Retention of water services on QLDC's balance sheet means there is limited debt headroom accessible for emerging non-water investment needs and opportunities due to the large amount of water debt.

36. This report recommends the adoption of **Option 1**. Proceeding with the proposed water services delivery model is consistent with the previous analysis that demonstrates that a WSCCO was most suited to providing water services for the district under the new legislative and regulatory regime. The changes made to the strategic and legislative environment further strengthen the stated advantages and address some of the disadvantages of the WSCCO model. Concerns raised by community consultation are considered to have been addressed through the analysis supporting the advantages and disadvantages, will be addressed by proposed changes to the regulatory environment, or can be managed through strategic direction issued to the WSCCO board mor approach to implementation of the WSCCO.

Consultation Process | Hātepe Matapaki

Significance and Engagement | Te Whakamahi I kā Whakaaro Hiraka

37. The WSPA Act (sections 61-64) prescribes the consultation process that must be followed for decision-making regarding the future water service delivery model (as set out in the *Legal Considerations and Statutory Responsibilities* section below). These requirements (named the "alternative arrangements"), rather than the equivalent provisions the Local Government Act 2002 (LGA), have been applied in determining the consultation approach for this proposal.

38. For completeness, officers consider the decision to be significant in terms of Council's Significance and Engagement Policy (and it is noted that the decision involves strategic assets of the Council), noting that Council is required to use the alternative requirements provided under the WSPA Act for consultation.

39. The WSPA Act requires councils to identify and assess future water service delivery model options, and to consult with persons affected by, or interested in[11], those options. The WSPA Act requires councils to undertake consultation only once.

[11] The persons affected by and interested in the future water service delivery model are the ratepayers and consumers of water services in the Queenstown Lakes District.

40. Council has now consulted on a future water service delivery model in accordance with the WSPA Act using the following approach:
    - Consultation was open between Monday 2 June and Sunday 6 July.[12]
    - A consultation document was prepared and made publicly available and captured all the information required by section 64 of the WSPA Act (refer Attachment C).
    - The consultation document was made available on QLDC's "Let's Talk" online engagement platform and was available in hard copy (at no cost) from QLDC's Gorge Road and Ardmore Street offices and at QLDC public libraries.
    - The consultation was promoted through QLDC social media channels and radio, as well as more direct-to-household communications.

41. The WSPA Act does not expressly require hearings to be held. Due to the dependency of the WSDP on this future service delivery model consultation, and the WSDP's due date of 3 September, no hearings were held on this matter.

Māori Consultation | Iwi Rūnaka

42. While mana whenua were not formally engaged during the consultation phase of the proposed water service delivery model, Council acknowledges the importance of their partnership in the governance and delivery of water services. Should Council proceed with the establishment of a WSCCO, mana whenua will be actively involved in the design and implementation of the entity. This includes contributing to the development of the Statement of Expectations and ensuring that the WSCCO reflects the values, priorities, and aspirations of iwi. Council is committed to building a collaborative and enduring relationship with mana whenua as part of the next phase of work.

Risk and Mitigations | Kā Raru Tūpono me kā Whakamaurutaka

43. This matter relates to the Regulatory/Legal/Compliance risk category. It is associated with RISK10021 Ineffective operations and maintenance of property or infrastructure assets within the QLDC Risk Register. This risk has been assessed as having a very high residual risk rating.

44. The changes to the regulatory environment for water services are designed to mitigate this risk. While both options set out in this report can deliver to the new regulatory requirements, and therefore can assist in mitigating this risk, the implementation of the proposed option (a WSCCO) is likely to be more successful in doing so.

Financial Implications | Kā Riteka ā-Pūtea

45. Estimated financial implications of both options were presented in the 29 May 2025 Council Report (Attachment B refers). Should Council approve the recommended option to establish a WSCCO, detailed financial planning will occur as part of the establishment phase.

[12] Note the consultation was originally scheduled to be closed on 29 June but was reopened until 6 July. Three additional submissions were received during this period.

46. Through the WSCCO establishment phase, a Transfer Agreement will be developed. The LGWS Bill sets out requirements for Transfer Agreements. The Agreement will specify, in detail, all matters that are to transfer from the council to the WSCCO in relation to the district's water services, including amongst other things, ownership of infrastructure and related assets, liabilities, and contracts (including service agreements). The Agreement will also set out interim arrangements for charging and revenue collection for water services.

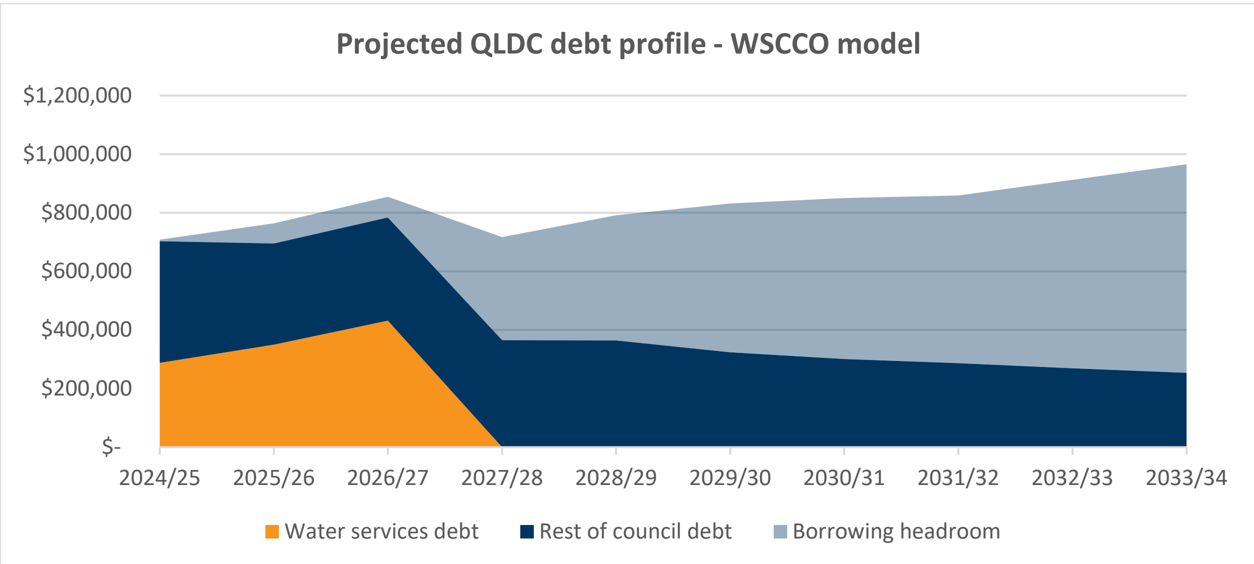
47. Indicative financial implications associated with proceeding with a WSCCO are summarised below; these will be continually refined as part of the WSCCO design and establishment process and formalised through the Transfer Agreement which will be presented to Council in due course.

48. For analysis included in this and previous Council reports, an indicative start date of 1 July 2027 has been used for the WSCCO. A start date will be confirmed through the WSDP, which will be presented to Council for approval on 26 August 2025.

Impact of recommended option on Debt

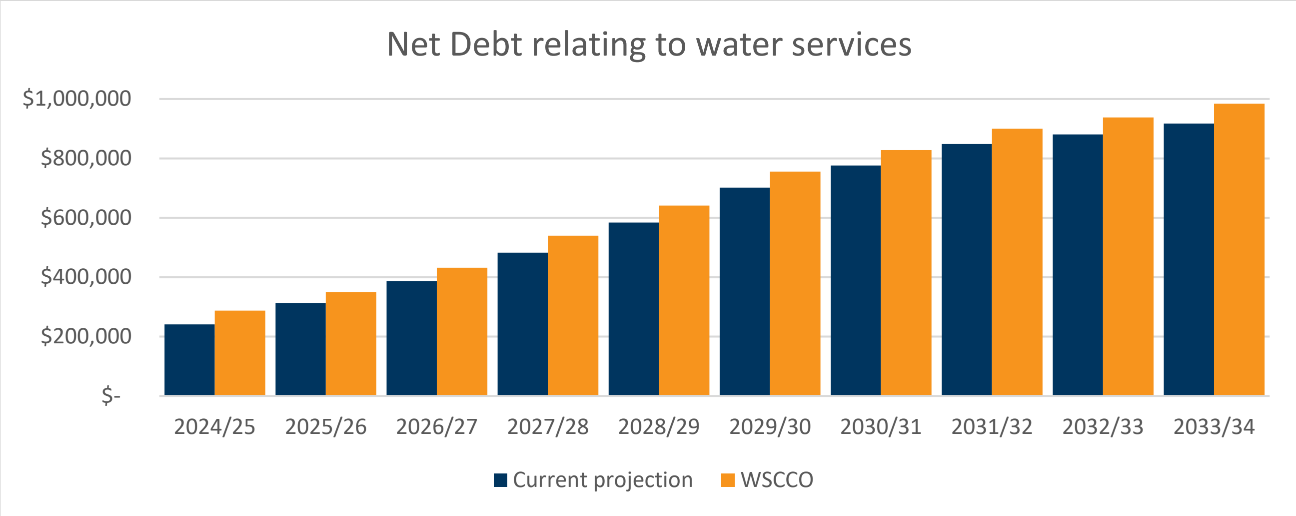
49. QLDC currently has a high level of debt and has planned a significant capital programme over the medium term. QLDC has planned to finance this capital programme through borrowing at levels near to the maximum debt to revenue ratio of 280% allowed by the Local Government Funding Agency (LGFA)[13].

50. Under option 1 (WSCCO), ownership of water assets and responsibility for delivering water services would sit with a WSCCO, and so would the associated debt. This means that the amount of debt carried by QLDC is estimated to decrease by $418 million at the time of transfer. The transfer of water related debt to the WSCCO will result in estimated borrowing (debt) capacity for QLDC of $3.9 billion over the medium term.



[13] As a high growth council, QLDC can apply for an increase to 350%, however the modelling for this decision has been completed assuming the limit remains at 280%.

51. Under option 1 (WSCCO), water related debt[14] is estimated to be $66 million higher than currently projected over the medium term, to enable compliance with the new financial sustainability requirements and to operate in a new, more complex regulatory environment.



52. It is anticipated that the WSCCO will be eligible to raise finance from the LGFA. LGFA offers finance to the local government sector, including Councils and CCOs. As part of LGFA's financing arrangements for CCOs, QLDC would be required to provide either a guarantee or uncalled capital to the WSCCO. It is anticipated that QLDC would provide a guarantee and that QLDC would disclose this via a contingent liability note in QLDC's financial statements. It is not anticipated that QLDC would record the guarantee as a liability on the balance sheet because it isn't "probable" that default would occur to invoke the guarantee. This isn't probable because a WSCCO could increase water charges to cover any costs required to repay the loan and will be regulated to ensure they do so.

53. LGFA will measure financial covenants at the parent level and will not consolidate the debt of a WSCCO with that of the Council. However, external credit rating agencies may consolidate WSCCO and Council debt for a wholly owned WSCCO. If QLDC utilised the available headroom and increased debt for non-water activities in future, or the WSCCO increased its debt, this could result in a rating downgrade. This would not affect availability of borrowing with the LGFA but would affect the interest rate at which QLDC could borrow. For example, if QLDC's credit rating were downgraded from its current AA- to either A or A+, this would increase the interest rate by 5 basis points (this doesn't apply to commercial paper and only applies to new debt) for both QLDC and the WSCCO and lead to ~$300,000 per annum more interest over the medium term.

Impact of recommended option on Household charges for water

54. Water reform has been driven by the underinvestment in water infrastructure across local government. The focus on "catching up" to the infrastructure deficit has already led to significant projected increases in household charges for water across the motu. This is true for QLDC as it is for many councils, and this led to a significant proportion of the projected rates increases indicated in QLDC's 2024-34 Long Term Plan.

[14] This debt sits with QLDC until the establishment of the WSCCO and then sits with the WSCCO.

55. Based on the expenditure outlined in the Long Term Plan, taking into account adjustments from the 2025 Annual Plan, QLDC is already projecting that average annual household costs for water would increase from ~$1,500 today to ~$4,500 by 2034. Under option 1 (WSCCO), household costs would increase further to enable new financial sustainability requirements and to operate in a new, more complex regulatory environment regardless of the delivery model in place. This report does not cover what measures could be taken to reduce water expenditure and therefore household costs for water. Note that household costs would also increase if water services were retained inhouse.

56. Modelling estimates that average annual household charges for option 1 (WSCCO) over the period to 2034 will be $3,943 more, in total, than current projections. Note that household charges for option 2 (inhouse) are estimated to be $2,207 more than current projections. Rating projections don't extend past the period of the Long Term Plan so a longer term comparison of costs cannot be made. However, the household costs over the following ten years (2025-2044) for option 1 (WSCCO) are estimated to be $4,906 lower than under option 2 (inhouse).

57. Water charges are higher under option 1 (WSCCO) in the medium term and lower under option 1 (WSCCO) in the long term due to LGFA borrowing requirements for WSCCOs. A WSCCO must increase revenue in the medium term to meet the LGFA requirement, but it isn't spending any more, so the additional revenue repays debt. The WSCCO then has less debt and therefore lower interest and debt repayments in the longer term requiring less revenue.

58. Water services are currently funded through specific water related rates that are set, and spent, separately to rates for other activities. Under option 2 (WSCCO), water services would be funded through a water charge that would be billed by the WSCCO[15]. QLDC rates would reduce by the value of the water related rates. Any charge set by a WSCCO will need to be in accordance with the water services strategy, which provides the shareholder Council will oversight of the charging framework.

Costs associated with implementing and operating option 1 (WSCCO)

59. WSCCO establishment will result in an estimated $1.9 million per annum in stranded costs to QLDC, which translates to, on average, an additional cost per rating unit of ~$51. Stranded costs would be at this level at the outset but can be reduced over time through the normal cycles of business change and could be reduced to around $545,000 per annum (or ~$15 per rating unit) through the WSCCO purchasing support services from QLDC through a transition period. While options to reduce this further were not included in the previous report or consultation document, the remaining stranded costs could be offset through efficiencies in QLDC's organisational restructure.

60. The cost to establish a WSCCO is estimated at $8 million. All reasonable costs associated with the establishment of the WSCCO would be recorded as water debt and transferred to the WSCCO in accordance with the Transfer Agreement. Establishment costs have been included in the financial

[15] There would be a transitional period where QLDC would still charge residents on a rates basis to allow the WSCCO time to establish an appropriate charging method and billing system

modelling completed for the WSCCO (i.e. are reflected in the household charges presented). The estimated establishment costs for the WSCCO are proposed to be debt-funded and repaid over a 30-year period. This results in an average increase of approximately $21 per household per year.

61. It is important to note that the implementation costs estimate is conservative and is not based on a detailed establishment budget. Certain components of the establishment cost, such as establishment of separate IT systems, may be able to be removed or deferred depending on the purchased services arrangements agreed. Council would seek to minimise establishment costs wherever practicable, ensuring that expenditure is targeted and efficient.

62. There is a general expectation from Central Government that a WSCCO would drive efficiencies in operating costs as well as efficiencies that could result in deferral of investment. The modelling has assumed that there is insufficient scope and scale to drive significant operating efficiencies; incorporates operating efficiencies of 0.36% and capital efficiencies of 0.38% year on year.

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

63. The proposal supports QLDC's ability to deliver on the outcomes and priorities set out in QLDC's strategic framework, and the objectives and actions to address significant issues set out in QLDC's 2024-54 Infrastructure Strategy.

64. The proposal would require additional funding to implement and would require the transfer of a strategic group of assets to the WSCCO. As such an amendment to the Long Term Plan would be required if the proposed option is adopted. The consultation summarised in this report is considered to satisfy the consultation requirements that can authorise an amendment to the Long Term Plan to provide for the transfer of the strategic assets (based on the requirements of the WSPA Act).

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

65. The WSPA Act sets out a modified process that councils must comply with when they consider future delivery models for water as set out below. These obligations apply instead of equivalent obligations under the Local Government Act 2002 (LGA).

- Alternative requirements of WSPA Act Section 61 (decision making):
  - Applies in place of section 77(1)(a) and (b) of the LGA.
  - Council must explicitly make a decision on the future service delivery model for water services.
  - In making this decision, Councils must consider both remaining with the existing approach and establishing or joining a WSCCO or joint local government arrangement.
  - Council may identify additional options for delivering water services.
  - Council must assess the advantages and disadvantages of all options identified.

- Alternative requirements of WSPA Act Section 62 (consultation):
  - Applies in place of section 56(1) of the LGA.
  - Councils are required to undertake consultation on the future service delivery model only once.

    - This applies despite anything to the contrary in the council's significant and engagement policy.

- Alternative requirements of WSPA Act Section 63 (consultation on amendment to long-term plan):
    - Applies in place of sections 93(5) and 97(2)(b) of the LGA
    - Applies if the council is required to amend its long-term plan to give effect to an anticipated or proposed future water services delivery model.
    - Councils are not required to consult on the amendment if:
        - Consultation on the proposed future service delivery model has already taken place.
        - Council is satisfied that its community has a good understanding of the implications of the proposed model.
        - Council is satisfied that it understands the communities view on the proposed model.
    - This applies despite anything to the contrary in the council's significance and engagement policy.

- Alternative requirements of WSPA Act Section 64 (information requirements for consultation):
    - Applies in place of section 82(2) of the LGA
    - In consulting on the future water service delivery model, the Council must make the following information publicly available:
        - The proposal, an explanation of the proposal and the reasons for the proposal (where the proposal is the proposed future service delivery model).
        - An analysis of the reasonably practicable options, including the proposal, which must be those options identified under section 61.
        - How proceeding with the proposal is likely to affect council's rates, debt and levels of service as well as charges for water services.
        - How not proceeding with the proposal is likely to affect council's rates, debt and levels of services as well as charges for water services.
        - If the proposal involves transferring ownership and control of a strategic asset to a WSCCO, a description of the accountability and monitoring arrangements council will use to assess performance of the WSCCO.

66. There are further obligations that may yet apply in the LGWS Bill, if future changes are considered by the Council. The Select Committee has considered this Bill, but it has not yet been enacted. Any additional, or different, obligations imposed by the LGWS Bill will only apply after the LGWS Bill is passed into law, which is expected to be after the Council has made its decision on its future water service delivery model and adopted its WSDP.

67. This report sets out QLDC's approach to meeting these alternative requirements by identifying future water services delivery model options, summarising the assessment of those options and setting out the approach to and results of consulting with the community on those options.

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

68. Section 10 of the Local Government Act 2002 states the purpose of local government is (a) to enable democratic local decision-making and action by, and on behalf of, communities; and (b) to promote the social, economic, environmental, and cultural well-being of communities in the present and for the future.

69. One of the core drivers of Local Water Done Well is to provide communities and councils flexibility to determine the most appropriate delivery model for water services, rather than having this mandated by central government. This report outlines the analysis of different options for delivering water services in the future and the results of the consultation process to obtain community views on those models, both of which will inform Council's decision on which model will be adopted. As such, the recommendations of this report clearly align with local government's purpose to enable democratic local decision-making and action by, and on behalf of, communities.

70. The other core driver is to enable financially sustainable water services that balance economic outcomes with environmental and water quality outcomes. As such, the recommendations made in this report is considered to align with local government's purpose to promote economic, social and environmental well-being of communities in the present and for the future.

71. The recommendations of this report:

- would require additional funding to implement and would require the transfer of a strategic group of assets to a WSCCO, as such an amendment to the Long-Term Plan would be required if the proposed option is adopted. The consultation outlined in this report covers the consultation requirements to amend the LTP for the transfer of the strategic assets under the requirements of the WSPA Act (as outlined in the *Legal Considerations and Statutory Responsibilities* section above).

- would impact QLDC plans and policies; a comprehensive review of these would need to be undertaken if the proposal is adopted to identify the changes required. For example, the Revenue and Financing Policy and Development Contribution Policy would need to be updated to reflect the transfer of the strategic water assets to the WSCCO. This is expected to be undertaken in parallel with the development of the first Water Services Strategy for the WSCCO.

- would not significantly impact the intended level of service provision for water services; the recommended option would (a) deliver services that meet nationally set quality and economic performance requirements as the quality and economic regulatory regimes are designed to ensure this, and (b) the WSCCO will be required to deliver services in accordance with the approved WSDP.

Attachments | Kā Tāpirihaka

A	29 May 2025 Council Report: Proposed Future Water Service Delivery Model
B	Changes to strategic and legislative environment
C	Consultation Document
D	Submissions

Attachment A circulated separately

ATTACHMENT B: CHANGES TO STRATEGIC AND LEGISLATIVE ENVIRONMENT

1. Since the consultation began, the Government's water reform, and wider reform, programme has continued to evolve. Outlined below are the changes that relate to, and should be considered when making, the decision outlined in this report.

Regional Deal Negotiations

2. Otago Central Lakes has been selected to negotiate on a Regional Deal with Government. A Regional Deal will address significant challenges for the Queenstown Lakes district and is critical to enabling delivery of the Queenstown Lakes Spatial Plan so that the district can "grow well". Many of the elements of the proposed Regional Deal have been long standing priorities for the district that have been unable to be delivered through traditional mechanisms. Without a Regional Deal it is unlikely that these key priorities will be delivered under current settings.

3. The Regional Deal is currently in the negotiation phase, and this means that the commitment to a Regional Deal from Government is not assured. Government has made clear that its expectation is that we use the full range of tools made available to councils to improve the delivery of water services, particularly the implementation of a WSCCO.

Resource Management and Going for Housing Growth Reform

4. The government has released the next tranche of its resource management and Going for Housing Growth reforms. These reforms signal significant changes in the future resource management system. It is proposed that future spatial and infrastructure planning will be required to be integrated to ensure that housing growth, land use planning and infrastructure provision are aligned.

Select Committee Amendments to Local Government (Water Services) Bill

5. The Finance and Expenditure Committee has issued its report on the Local Government (Water Services) Bill and has recommended several changes to the Bill that are relevant to the decision about the future water service delivery model.

6. The Select Committee recommended the following key changes to the Statement of Expectation (SOE):

    - Replace the clause requiring shareholders to directly set the strategic priorities of the water organisation with an option for shareholders to set expectations for strategic priorities. The report has retained the mandatory requirement to set outcomes that the shareholders expect the water organisation to achieve.

    - Remove the requirement to direct the WSCCO on how to perform statutory duties or powers.

- Add an exclusion that prevents shareholders from directing a WSCCO to achieve specific outcomes for individuals or groups, unless explicitly allowed in the organisation's founding documents.

- Add a requirement for shareholders to provide a WSCCO board the opportunity to review and comment on the draft SOE and consider the board's feedback before finalising the SOE.

7. Submitters to the Select Committee raised concerns that the SOE provisions as initially introduced in the Bill could give councils excessive control or influence over water organisations when compared to the existing Local Government Act 2002 (LGA) provisions applying to Council Controlled Organisations (CCOs). The Select Committee noted that these differences were deliberate and reflect that water organisations are not intended to be like other (LGA type) CCOs. Simpson Grierson has advised that the amendments made will continue to ensure that Council can set clear expectations that must be given effect to by a WSCCO. The SOE will be required to include expected outcomes for water services and requirements relating to resource management planning and land use, while also giving the opportunity to align with Council priorities. The effect of these provisions is that the SOE will have a significant role in guiding and informing the operations of the WSCCO, and the development of its Water Services Strategy.

8. The Select Committee recommended the following new requirements related to community engagement for water organisations:

   - Water organisations must prepare and adopt their own Significance and Engagement Policy, like those required under section 76AA of the LGA.

   - When preparing the Policy, a water organisation must engage with its shareholders, consumers, communities, and any specific communities identified by shareholders such as iwi, hapū, and other Māori organisations. The organisation must also obtain shareholder approval of the proposed Policy.

   - The Policy must be tailored to the governance structure of the water organisation and their shareholders, outlining when and how communities will be engaged, which proposals require consultation, and how community views will be considered. The shareholders will be able to include, in the SOE, whether consultation and engagement is required in relation to the Water Services Strategy.

   - The Policy must be reviewed and amended if the water organisation's responsibilities change, ensuring ongoing relevance and responsiveness.

   - Councils and water organisations must work together to minimise duplication and ensure consistency between their respective engagement policies.

- The Policy will apply to the development of the Water Services Strategy, meaning that if it is required by shareholders, community engagement will now be embedded in strategic planning.

9. Other significant amendments recommended by the Select Committee are outlined below:

- Add a requirement for water service providers to implement the "most cost effective" solution for wastewater infrastructure and treatment. This sits alongside the proposed "maximum" wastewater national environmental standard and the economic regulation requirements to focus on efficiency and affordability for consumers.

- Updates to the objectives for water service providers to reflect that they are expected to provide water services in a manner that:

  - is cost-effective and financially sustainable, including by using water resources efficiently when providing water supply services.

  - supports housing growth and urban development in its service area.

- Require water service providers to publish all capacity utilisation and asset details known to the water service provider. The published information must be, at all times, as up to date as practicable. This is in addition to the existing requirement under the Bill publish to maps of their water networks, including pipe locations and connection points.

Guidance on Economic Regulation

10. The Commerce Commission wrote to all Council Chief Executives in July to make clear some key elements councils should be considering as they prepare for future economic regulation.

11. The Commerce Commission reiterated that it would assess and publicly comment on the performance of water service providers and that this would include looking at levels of investment and revenue, approaches to customer pricing, and overall service performance. Their focus will be on ensuring the right outcomes for customers over the long term. This review would be used to determine if other tools, including price quality regulation, would be applied to each council. It is worth noting that Watercare, touted as good practice for water service delivery, has a specific legislated regulatory path which commences price quality regulation from July 2028.

12. The Commerce Commission provided the following examples of situations where they would expect to apply additional tools:

- If charges appear relatively high while service performance is low, the Commerce Commission could set a price-quality path.

- Where customers are not getting a minimum standard of service, the Commerce Commission could set infrastructure quality standards for aspects such as interruptions to supply.

- If a water service provider plans a large investment without clear justification, the Commerce Commission could require that they seek their approval to proceed.

- If customers are unclear about the level of service they should expect, or if complaint information suggests they are not well protected, the Commerce Commission can create a compulsory customer service quality code.

- If evidence suggests a water service provider is not recovering enough revenue to cover costs in the long term the Commerce Commission could set a minimum revenue threshold.

13. The Commerce Commission also noted that:

- it will initially require audit or certification, as well as public disclosure, of detailed financial and asset management information,

- a WSCCO will make ongoing regulatory reporting easier when compared to councils that retain water services inhouse, and

- it will use published information to compare water service providers to each other and show trends over time to enable customers, stakeholders and third parties to consider and challenge water service providers performance.

It is worth noting that Taumata Arowai's latest Network Performance Report, released in June, shows that QLDC's cost of service delivery is the fifth highest and that QLDC supplies the fourth highest volume of water per connection.

Attachment C: Consultation Document

OUR WATER DONE WELL

CONSULTATION DOCUMENT

JUNE 2025

STATEMENT OF PROPOSAL
This consultation document is a statement of proposal for the purpose of section 83(1)(a)(i) of the Local Government Act 2002

QUEENSTOWN LAKES DISTRICT COUNCIL

OUR WATER DONE WELL

Section 1: Proposed model for future delivery of water services

As required by the Local Government (Water Services Preliminary Arrangements) Act 2024 (WSPA Act), Queenstown Lakes District Council (QLDC) is consulting on its proposed future water services delivery model. This consultation document describes the options identified by QLDC, and seeks your feedback on the proposal identified, which is to set up a new Water Services Council Controlled Organisation (WSCCO) owned by QLDC.

1 OUR PROPOSAL

Set up a Water Services Council Controlled Organisation (WSCCO) owned by QLDC to deliver water services.

2

Continue to deliver water services in-house.

Context for this consultation

Water reforms have already led to significantly increased investment and corresponding significantly increased rates (current and proposed) related to water services, as outlined in the Council's approved Long Term Plan 2024-2034 (LTP). The cost to deliver water services will be significantly more in the future and will continue to rise to meet increasing expectations and new regulatory requirements.

While QLDC could continue to deliver financially sustainable water services through an in-house arrangement, the singular focus of a dedicated water organisation, governed by a board made up of experts is considered to provide the greatest opportunity to deliver high quality, resilient, sustainable and reliable water services, and provide certainty for our communities in relation to the provision of water services.

Please provide feedback on QLDC's proposal to establish a WSCCO for the management and delivery of wastewater, drinking water and stormwater services (collectively referred to as "water services" throughout this document).

Further legislation supporting the Government's reforms is currently progressing and will introduce new planning and accountability requirements and a new regulatory regime. The proposed regulatory regime, together with the existing legislative requirements, will set a baseline level of performance regardless of the delivery model chosen. Our assessment of the options available to QLDC for its future delivery of water services has considered how each option may be impacted by the new legislation, and sought to identify which option would perform better in new regulated environment.

Things that will remain constant across both models include:

FINANCIAL SUSTAINABILITY:
To meet the financial sustainability requirements of the WSPA Act, both options would deliver financially sustainable water services that result in higher water charges than what QLDC has currently projected.

LEVELS OF SERVICE:
Both options would deliver services that meet nationally set quality and economic performance requirements.

Section 2: Setting the scene

Reform of how we deliver water services has been underway in Aotearoa New Zealand for almost a decade, reflecting ongoing efforts by successive governments to ensure safe, reliable, and sustainable water services.

A major catalyst for water services reform was the 2016 Havelock North contamination incident, which exposed serious deficiencies and led to a comprehensive government inquiry. This prompted the Three Waters Review (2017-2019), and the subsequent Three Waters Reform Programme launched in 2020, which sought to centralise water services management in regional water entities. The establishment of Taumata Arowai in 2021 marked a key step in regulating drinking water quality. This led to the introduction of higher environmental quality standards for water services and an associated quality regulation regime to enforce them. These higher standards have required a significant investment across Aotearoa New Zealand and in large part have contributed to the increasing cost of water services delivered by QLDC.

Local Water Done Well is the current Government's policy to address Aotearoa New Zealand's water infrastructure challenges and places an increased focus on long term financial sustainability. Local Water Done Well aims to deliver a future water services system that emphasises balance between economic, environmental, and water quality outcomes, while enabling local communities and councils to determine how these services are delivered.

The Local Government (Water Services Preliminary Arrangements) Act 2024 (WSPA Act) was enacted in September 2024. The WSPA Act sets out several transitional provisions, including a requirement for all councils to prepare and submit a Water Services Delivery Plan (WSDP) to the Government. A WSDP must describe the current state of water assets and services and identify the future arrangements for delivery of water services and how financial sustainability of water services will be achieved.

The WSPA Act requires all territorial councils to consult on at least two delivery models, one of which must be the existing approach (albeit subject to modification), and the other required to be either a Water Services Council Controlled Organisation (WSCCO) or a joint local government arrangement. The WSPA Act provides an opportunity for QLDC to review its current delivery arrangements and consider whether there are better alternatives to provide sustainable and efficient water services, addressing current challenges and laying the foundation for future improvements.

As no viable option current exists for QLDC to partner with another council, QLDC is not consulting on a joint arrangement. However, if QLDC decides to adopt a WSCCO model, and other councils express an interest in formally collaborating, this would be considered and worked through at that time.

To ensure the financial sustainability of water services, and to improve transparency and accountability, the Government will introduce a new planning and accountability framework and economic regulation of water services.

The Local Government (Water Services) Bill (LGWS Bill) is currently before parliament and proposes to set up a framework for managing and delivering water services in Aotearoa New Zealand. This includes a different mechanism for planning for the long-term needs of water services and economic regulation by the Commerce Commission. The Commerce Commission will also have various regulatory tools to ensure fair and cost-reflective water charges and adequate revenue for investment. QLDC expects initial Commerce Commission requirements will be "light touch" with more stringent regulations, including price setting, being imposed if water service providers consistently fail to meet expectations and remain unresponsive to the Commission's efforts to address concerns.

WATER IN QUEENSTOWN LAKES DISTRICT

Drinking water

18.8 years
AVERAGE AGE OF ASSETS

15 TREATMENT PLANTS

710km OF PIPES

10 SCHEMES

41 PUMPS

44 RESERVOIRS

21,365 CONNECTIONS

13,809,893m^3
OF WATER SUPPLIED

Wastewater

21.1 years
AVERAGE AGE OF ASSETS

4 TREATMENT PLANTS

563km OF PIPES

11 SCHEMES

74 PUMPS

23,378 CONNECTIONS

7,448,670m^3
WASTEWATER TREATED

Stormwater

15.8 years
AVERAGE AGE OF ASSETS

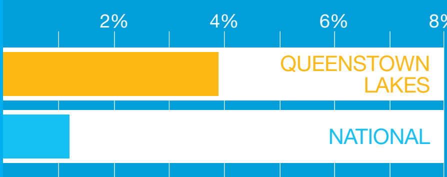
410km OF PIPES

11 SCHEMES

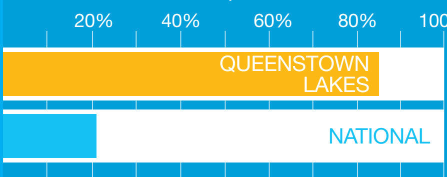
21,606 CONNECTIONS

Queenstown Lakes is a high growth district

Our resident population grew from 42,500 in 2018 to 51,500 in 2023, averaging 3.9% annually. The national population grew by 1.2% p.a. over the same period.

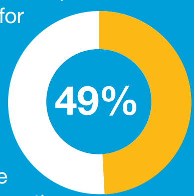


Our resident population is projected to increase by 85% by 2053, reaching 94,440. The national population is forecast to grow 21% over the same period.



Our district consistently builds the highest number of new houses per 1,000 residents in NZ (29 in 2024 compared to the NZ average of 5). Over the past five years, more than 1,300 new residential dwellings have been consented per year, which is more than double the national average.

49% of QLDC's capital programme for water services relates to investment in water infrastructure to support growth.

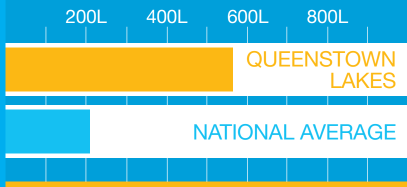


QLDC is investing heavily in water services

Total capital investment in water services over the ten years of the Long Term Plan 2024-2034 is $1.49 billion, which accounts for 60% of overall QLDC capex. This will result in a significant increase in household charges related to water services, regardless of whether any changes are being made to how water services are delivered. Under the current model, water related rates are projected to be approximately $4,500, on average, by 2034.

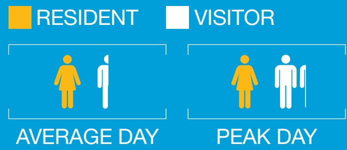
Our district is a high user of water

Households in Queenstown Lakes use, on average, 565 litres per day, compared to the national average of 211 litres per day.



Queenstown Lakes has high visitor numbers and infrastructure to support visitors is largely paid for by ratepayers

There are, on average, 0.5 visitors per resident in the district on any given day, and at peak times this increases to 1.25 visitors per resident.



Around $75 million per year of QLDC's expenditure is attributable to visitors and this is funded by ratepayers.

Section 3: Proposed model – a water services council controlled organisation

We are proposing a new Water Services Council Controlled Organisation (WSCCO) as our future delivery model for water services.

A WSCCO is a Council Controlled Organisation specifically established to manage and deliver wastewater, drinking water, and stormwater services. A WSCCO established under the new water legislation will have a bespoke set of oversight and accountability requirements, which reflects the intention of the reforms to provide more transparent information about water service delivery planning and financing. In particular:

> Councils are required to prepare a Statement of Expectations (SOE) for a WSCCO, which must include strategic priorities and outcomes. WSCCOs must then give effect to the SOE.

> WSCCOs are required to prepare (and publish) a Water Services Strategy, that includes full financial forecasts, and Annual Budgets. Council shareholders are at minimum required to review and provide comment on these. Councils can decide to require the WSCCO to incorporate their feedback or to give the council the final approval of a Water Services Strategy.

> Councils can set expectations that require the WSCCO to consult with the community on aspects of its Water Services Strategy, and undertake other specific community consultation.

The proposed WSCCO would be fully owned by QLDC, but the organisation would be governed by its own independent specialist board and management. QLDC would be the only shareholder and would appoint board members based on the skills and experience needed for proper governance of the new organisation.

The developing legislation, through the LGWS Bill, will prevent a WSCCO from being privatised which means that the WSCCO will remain wholly owned by QLDC.

The WSCCO would be responsible for delivery of all water services and would own QLDC's current water assets and associated debt and liabilities. As these are currently strategic assets of QLDC, the transfer of these assets to the WSCCO would need to be provided for in QLDC's Long-Term Plan. The WSPA Act allows QLDC to amend its Long-term Plan without undertaking a full Long-term Plan amendment process, on the basis that this consultation will also cover the transfer of water services (strategic) assets.

It is expected the WSCCO would access borrowing through the Local Government Funding Agency (LGFA), which provides finance to the local government sector at preferred rates. QLDC would need to support these borrowings, either by way of a guarantee or an uncalled capital facility, which could potentially be called on in the unlikely event of a default. This support would be identified in our financial notes but not listed as a debt because it's unlikely the WSCCO would default. If needed, the WSCCO would increase water charges to repay the loan, in line with legislative financial sustainability requirements. The WSCCO is required to cover its costs; it will not be profit making and it will not pay dividends.

If this option is adopted, we will then design an establishment operating model, set an implementation date, and develop a transition plan, which would be incorporated into our Water Service Delivery Plan.

Advantages of a WSCCO

INDEPENDENT EXPERT GOVERNANCE:
A skilled, professional board would govern water services, ensuring decisions are made in the best interests of water management, removed from direct political influence.

FOCUSED WATER SERVICES ORGANISATION:
The WSCCO would prioritise water services, ensuring consistent and long-term planning and resource allocation.

STREAMLINED PROCESSES:
Tailored systems and processes would simplify decision-making and service provision, with reduced decision-making obligations to the Local Government Act 2002 compared to council-managed services.

INCREASED QLDC BORROWING CAPACITY[1]:
QLDC's borrowing capacity would be 606% higher than current limits if water services are managed by the WSCCO.

LOWER LONG-TERM WATER CHARGES:
Over the longer term (2035 – 2044), household water charges are expected to be on average $491 (11.2%) lower each year than an in-house delivery model.

ADAPTABILITY TO CHANGE:
The WSCCO is expected to be more adaptable to future government reforms and emerging opportunities, as it is most closely aligned with Government's likely future direction.

Disadvantages of a WSCCO

SEPARATION OF SERVICES:
Splitting water services from other QLDC functions (like land use planning) would require more coordinated efforts between the WSCCO and QLDC, which may lead to added complexity compared to an in-house model.

REDUCED COMMUNITY INVOLVEMENT:
The WSCCO wouldn't be required to directly involve the community or iwi in long-term planning, relying instead on the Council to set priorities.

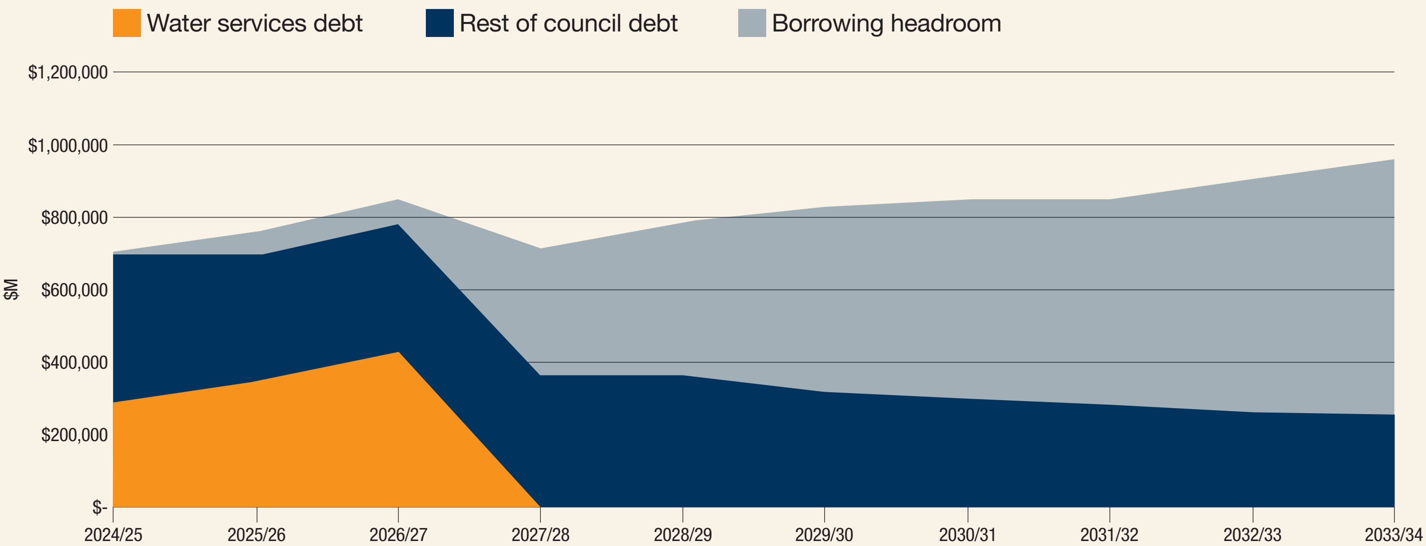
HIGHER SHORT-TERM WATER CHARGES:
Until approximately 2034, household water charges are expected to be on average $174 (5.2%) higher each year than with an in-house model.

STRANDED COSTS FOR QLDC
Moving water services to a WSCCO would leave some ongoing costs related to currently shared functions, like Human Resources and Finance. These costs could be managed by gradually transitioning affected functions to the WSCCO and having the WSCCO utilise the existing services from QLDC in the meantime via a shared services or contract arrangement.

Impact on debt

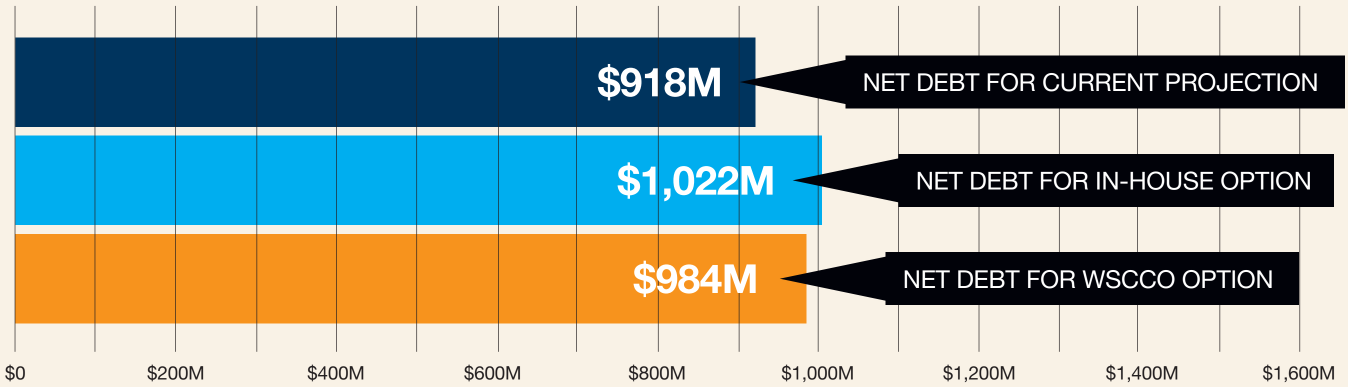
A large portion of QLDC's current and future debt is tied to water services. Our proposal recommends transferring ownership of water assets and the responsibility for water services to a WSCCO, along with the associated debt. Currently, QLDC uses revenue from all activities to secure debt for water services, which is repaid through water-specific rates. This limits the debt capacity available for other QLDC activities. By moving water services to a WSCCO, QLDC would have significantly more debt capacity for non-water related investments.

Option 1 (WSCCO): Projected QLDC debt profile



[1] We can currently have debt with LGFA of up to 280% our revenue in any given year. As a high growth council QLDC is able to apply to have this limit increased to 350%, but we have not yet done so, and all modelling outlined in this document is based on the current 280% debt limit.

WSCCOs have different borrowing requirements from the LGFA compared to councils, which would require higher water charges initially. As the WSCCO would still deliver the same services and capital projects as currently planned, this means it would generate more revenue while costs remain the same, meaning debt can be repaid more efficiently. By 2034, the WSCCO is estimated to have $37 million less debt than the in-house model, reducing the combined debt of QLDC and the WSCCO by $37 million.



Whether water services are delivered by the proposed WSCCO or in-house, debt levels will increase beyond current projections over the next ten years. This is because under both options further borrowing will be required to enable to meet new financial sustainability requirements and to operate in a new, more complex regulatory environment with added compliance costs.

Impact on rates and charges for water services

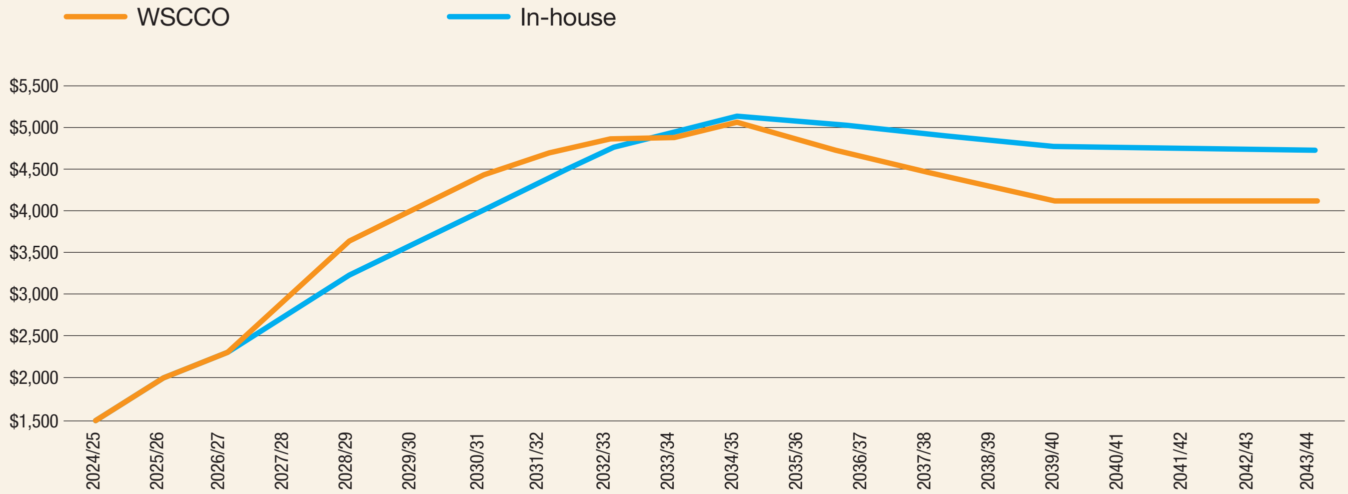
Water reform has been driven by under-investment in water infrastructure. The focus on meeting this infrastructure challenge has already led to significant projected increases in household charges for water services across Aotearoa New Zealand. This is true for QLDC as it is for many councils, and led to a significant proportion of the projected rates increases indicated in QLDC's Long Term Plan 2024-2034.

Based on expenditure outlined in the Long Term Plan and considering adjustments from the Annual Plan 2025, QLDC is already projecting average annual household costs for water could increase from approximately $1,500 today to $4,500 by 2034, regardless of which delivery model for water services is selected. Household costs would increase further under both delivery models to meet new financial sustainability requirements and for either model to operate in a new, more complex regulatory environment.

Ratepayers in the Queenstown Lakes District currently pay specific water rates that are set, and spent, separately to rates for other activities. Under the proposed WSCCO option, these rates would be replaced by statutory charges set by the WSCCO in accordance with its Water Services Strategy.

Water charges are anticipated to be higher under a WSCCO in the short term, but lower under a WSCCO in the longer term due to LGFA borrowing arrangements. As mentioned above, a WSCCO must increase revenue in the short term to meet the LGFA requirement, but because it isn't spending any more than is already planned, the additional revenue will repay debt faster. The WSCCO then has less debt and therefore lower interest and debt repayments in the longer term, which will require less revenue.

Projected average three waters household charge per connection (incl GST)



2025

In 2025:

Average annual household cost:

$1,500

2034

In 2034:

Under a WSCCO, the average household cost is:

$4,889

The average household cost based on current LTP projections is:

$4,500

2035 – 2044

In the long term (2035-2044):

Under a WSCCO, the average annual household cost over this period is:

$4,386

Delivery of water services through the proposed WSCCO would also result in approximately $1.9 million per annum in additional ongoing costs to QLDC, which translates to an average additional cost to households of $51 per annum. These annual costs relate to the funding of shared functions, and can be reduced significantly if the WSCCO purchased support services from QLDC.

Establishment considerations

Under our proposal, QLDC would put in place appropriate accountability and monitoring arrangements to assess the performance of the WSCCO, including at a minimum:

STATEMENT OF EXPECTATIONS:

QLDC would outline its expectations for the WSCCO on a regular basis. This document would detail expectations around strategic priorities, desired outcomes, resource management and land use planning, expectations in relation to collaboration with QLDC, and engagement with the community and consumers. It can also emphasise the Council's commitment to partnering with Kāi Tahu in delivering water services. The WSCCO will be required to adhere to these expectations.

PERFORMANCE INDICATORS AND MEASURES:

QLDC would establish performance indicators and measures to monitor the WSCCO's performance aligned with the Statement of Expectations.

ANNUAL PERFORMANCE REVIEW:

QLDC would conduct an annual review of the WSCCO's performance in implementing the requirements of the Statement of Expectations and Water Services Strategy. This review will use specific performance indicators and measures to assess progress.

Please note: As mentioned above, the Commerce Commission will use various regulatory tools to ensure water charges are fair, cost-reflective, and transparent.

Section 4: Alternative model considered: QLDC retains water services in-house

Under this alternative option QLDC would continue to deliver water services in-house. However, this model would also be subject to various new requirements which will be introduced by the LGWS Bill – including meeting statutory objectives and financial principles (ringfencing and financial sustainability requirements), separate planning and reporting requirements for water services, and being subject to a new economic regulation regime.

Changes would have to be made to maximise QLDC's ability to comply with the new legislative and regulatory frameworks for water service delivery. This could include establishing a separate water services directorate with a General Manager that reports directly to the Chief Executive. Analysis of this option, and comparison to the WSCCO option, has assumed that changes to optimise performance are made.

Advantages of retaining water services in-house

INTEGRATED ACTIVITIES:
Keeping water services in-house would allow easier coordination with other QLDC functions, managed by one elected body and leadership team. Functions where integration is critical include strategic growth and land use planning, transport infrastructure planning and delivery, and consenting for new subdivisions.

ORGANISATIONAL SCALE:
Water service delivery may benefit from QLDC's established administrative functions, attracting a wide range of staff and governance candidates.

COMMUNITY INVOLVEMENT:
Council would directly consult the community on water services, with local elections influencing governance. Public forums ensure transparency and accountability.

LOWER SHORT-TERM WATER CHARGES:
Household water charges are expected to be lower under an in-house model until around 2034.

Disadvantages of retaining water services in-house

MISALIGNED ACCOUNTABILITY:
The Council makes water service decisions but isn't liable for their outcomes, weakening decision-making incentives.

DILUTED GOVERNANCE AND FOCUS:
Councillors and staff juggle many different QLDC decisions and activities, which dilute their ability to focus on water services specifically, and can lead to competition for resources (including funding).

COMPLEX ADMINISTRATION:
Water service responsibilities are spread across QLDC, increasing administrative complexity and obligations. QLDC staff and Councillors would need to continue to manage and have a comprehensive understanding of the different and changing requirements that apply to water services as well as those that apply to the rest of QLDC's services.

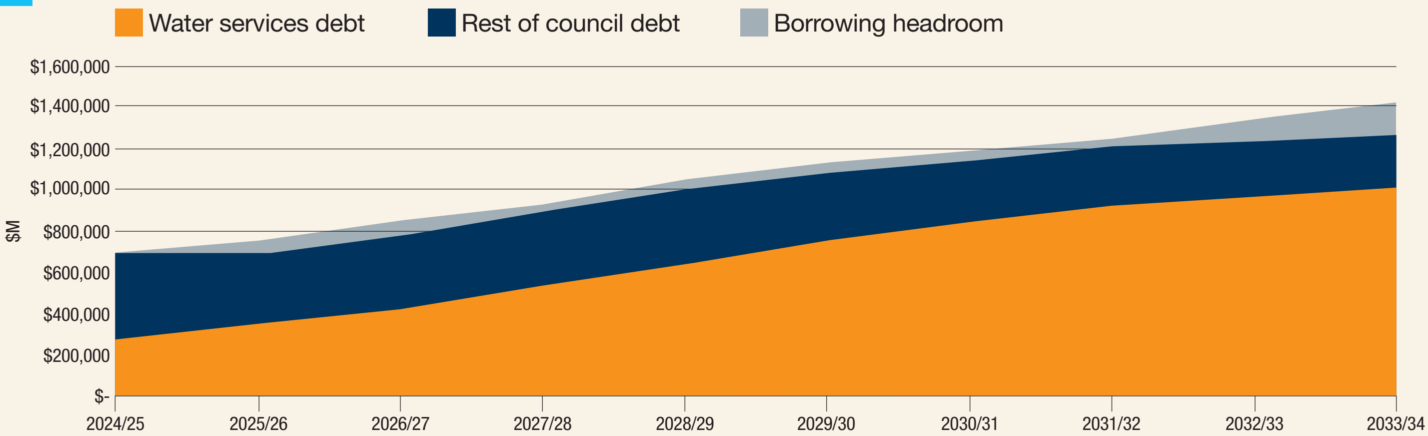
HIGHER-LONG TERM CHARGES:
Household water charges are expected to be higher from 2034 compared to a WSCCO model.

LIMITED INVESTMENT CAPACITY FOR OTHER SERVICES:
Keeping water services in-house would limit QLDC's ability to invest in new non-water related projects due to existing water debt.

Impact on debt

We currently have a high level of debt and plan to finance a significant capital programme over the next ten years through borrowing, close to the maximum allowed by LGFA[2]. If QLDC keeps water services in-house, we are able to secure enough debt for necessary water investments. However, this would limit our ability to invest in other non-water services.

Option 2 (In-house): Projected QLDC debt profile



Impact on rates and charges for water services

Under this scenario ratepayers in the Queenstown Lakes District would continue to pay specific water rates that are set, and spent, separately to rates for other activities. Modelling shows that from 2024/25 to 2033/34, households will save approximately $1,738 overall on water services with an in-house model. By 2034, the annual cost for water will be similar for both options. However, from 2034/35 to 2043/44, households would pay approximately $4,906 more overall for water services with an in-house model.

2025

In 2025:

Average annual household cost:

$1,500

2034

In 2034:

Under an in-house model, the average household cost is:

$4,933

The average household cost based on current LTP projections is:

$4,500

2035 – 2044

In the long term (2035-2044):

Under an in-house model, the average household cost over this period is:

$4,877

[2] We can currently have debt with LGFA of up to 280% our revenue in any given year. As a high growth council QLDC is able to apply to have this limit increased to 350%, but we have not yet done so, and all modelling outlined in this document is based on the current 280% debt limit.

Section 5: Comparison of our two options

Model that performed best for each element

WSCCO

Advantages:

- Independent Expert Governance
- Focused Water Services Organisation
- Streamlined Processes
- Increased QLDC Borrowing Capacity
- Lower Long-Term Water Charges
- Adaptability to Change

Disadvantages:

- Separation of Services
- Reduced Community Involvement
- Higher Short-Term Water Charges
- Stranded Costs for QLDC

Level of debt:

By 2034 QLDC would have debt of $254 million and the WSCCO would have debt of $984 million, resulting in total debt across the two entities of $1,238 million.

Rates and Water Charges 2024 – 34:

- Average annual household cost over this period: $3,522
- 2034 average household cost: $4,889
- In 2034 households would pay approximately the same under either option

Rates and Water Charges 2034 – 44:

- Average annual household cost over this period: $4,386
- 2044 average household cost: $4,120
- Over this period, on average households would pay ~$491 pa less than under an in-house model.
- In 2044 households would pay ~$600 pa less than under an in-house model.

Headroom available for non-water expenditure[3]:

Over the period 2024-2034 QLDC would have debt capacity of $3,906 million to invest in non-water services.

IN-HOUSE

Advantages:

- Integrated Activities
- Organisational Scale
- Community Involvement
- Lower Short-Term Water Charges

Disadvantages:

- Misaligned Accountability
- Diluted Focus
- Complex Administration
- Higher Long-Term Charges
- Limited Investment Capacity for Other Services

Level of debt:

QLDC would have water debt of $1,022 million and overall debt of $1,276 million.

Rates and Water Charges 2024 – 34:

- Average annual household cost over this period: $3,349
- 2034 average household cost: $4,933
- Over this period, on average households would pay ~$174 pa less than under a WSCCO, and ~$221 pa than current projections

Rates and Water Charges 2034 – 44:

- Average annual household cost over this period: $4,877
- 2044 average household cost: $4,730

Headroom available for non-water expenditure:

Over the 2024-2034 period QLDC would have debt capacity of $643 million to invest in non-water services or unplanned water services expenditure.

[3] Any use of additional headroom created by the WSCCO for other projects by Council would reduce that headroom and increase costs to service that debt.

Section 6: Share your feedback

We would like to know:

If you support our proposal to establish a Water Services Council Controlled Organisation for the management and delivery of wastewater, drinking water and stormwater services (Option 1).

If you prefer that we retain water services in-house (Option 2), albeit recognising that changes would need to be made to the way we operate to enable us to respond to the new regulatory environment.

Any other comments you may have on our proposal to establish a WSCCO outlined in this consultation document.

How to provide feedback

Any person or organisation can share feedback on this proposal, and we encourage everyone with an interest to do so. **Feedback can be shared in any of the following ways:**

ONLINE: Using the feedback form available at **letstalk.qldc.govt.nz**.

BY EMAIL: Sent to **letstalk@qldc.govt.nz**, *subject line: Your Water Done Well.*

BY POST: Sent to Queenstown Lakes District Council, Private Bag 50072, Queenstown 9348, Freepost 191078, *Attention: Your Water Done Well.*

Copies of this consultation document will be available at no cost from either of the Council offices at 10 Gorge Road, Queenstown, 47 Ardmore Street, Wānaka, or any public library.

Feedback must be received digitally or in writing by Sunday 29 June 2025.

All written feedback received by QLDC will be acknowledged and made available to the public. Any personal contact details will not be published.

The Council intends to make decisions about the proposal in a Council meeting on Thursday 31 July 2025. This meeting will be open to the public.

Timeline and next steps

Below is the timeline for consultation:

MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER
29 May 2025: Council adopted the proposal for consultation	**2 June 2025:** Public consultation period starts	**27 June 2025:** Public consultation period ends	**31 July 2025:** Council considers consultation feedback and makes a decision on the future service delivery model	**3 September 2025:** Council must prepare and submit a Water Services Delivery Plan (WSDP) to Department of Internal Affairs (DIA), describing the current state of water assets and services as well as the future arrangements for delivery of water services.	

Attachment D: Submissions

First name:	Last name:	Which model do you prefer?	Explain your preference	Additional Comments
Chris	Bowie	Option 1 WSCCO	Take long-life assets out of short-term political decision making cycles. These are highly technical assets that warrant being managed and overseen by staff and governance who have relevant technical capability and experience to ensure value-for-money is achieved on behalf of current and future ratepayers.	
Jekabs	Rozitis	Option 1 WSCCO	Water Service delivery needs to be uncoupled as much as possible from the short-term political cycle, and allowed to operate independently and professionally.	
Nick	Page	Option 2 Inhouse	I see no value in option 1 over option 2. Option 1 is more expensive to us as ratepayer for at least 10 years. It established a cost plus organisation almost independent of QLDC with an expensive overhead structure. The published information shows option 1 to be more expensive to ratepayers for the foreseeable future. Any possible long term future savings are purely hypothetical, and given that QLDC has shown absolutely no ability to accurately forecast long term cost, borrowing, growth trends etc in any of its previous Long Term Planning I see absolutely no reason to believe that these long term benefits will ever accrue. Option 1 immediately exposes us as ratepayer to almost 10 million dollars of unnecessary establishment costs, and ongoing unnecessary organisational costs inherent in having g a separate board and systems. Option 1 provides absolutely no incentive for cost control, or consequences for non performance and no incentive for prudence and cost minimisation. Retaining the services in house avoids establishment costs, avoids the cost of an unnecessary additional layer of governance and provides an opportunity for the community to have direct influence on future decisions, which I believe is our right as ratepayers. Creating a quasi independent monopoly which no constraint on its costs and expenditure can only be a formula for waste and excess, unchecked by the democratic process.	In the Long list assessment 2 of the 3 options are noted as "discount for now" and the detailed assessment behind these statements seems to basically say that those options are in the too hard basket only due to the time available to prepare the report. Given the gravity of this issue and its impact on the future of the region, and our future costs of living in the region, I think this is entirely unacceptable. If they have been "discounted for now" when are they going to be considered? Never of course and why? Simply because the parties preparing the report are not prepared to push hard enough to include them. Those option, widening the scope of an alternative organisation and potentially in the process delivering economies of scale, have been denied to us an option only because they are considered "to hard". Sorry no good enough. Economies of scale may actually be a valid reason for change, unlike the current WSCCO proposal.
Andrew	STRAHAN	Option 1 WSCCO	Best of the two options - more efficient delivery and option to join with other CCOs in the future to get further scale efficiencies	
Michael	Hanna	Option 2 Inhouse	The independent organization seems too likely to be controlled by friends and family of QLDC. Given even the mayors appetite to run it. QLDC do not have sufficient trust or clearly the ability to appoint yet another sub department	See above sort out your existing issues first. Stop spending funds you do not have Appoint qualified managers not the very average performers currently running our infrastructure
Aftaab	Sandhu	Option 1 WSCCO	The QLDC should amalgamate with the Central Otago Council regarding delivering water services to lower the risk profile, become more efficient and create better savings for the end user. Thank you.	The QLDC should amalgamate with the Central Otago Council regarding delivering water services to lower the risk profile, become more efficient and create better savings for the end user. Thank you.
Justin	Hamilton	Option 1 WSCCO	Council needs to collaborate broader geographically to bring scale to water services. This can't be done in-house.	Queenstown should be bringing their water services together with others broader in the region to create an organisation of greater scale. The entire Central Otago area is growing rapidly and significant investment in water and waste will be required to provide effective and efficient services.
Peter	Deacon	Option 2 Inhouse	Do not trust qldc to manage and implement reforms as outlined	The history and evidence of qldc to manage infrastructure is very poor. There is no evidence to suggest qldc could manage the reforms as outlined
bev	nicholson	Option 2 Inhouse	other parts of the country have already tried contracting out water. hugh increase in costs to individual house holds and no accountability for poor workmanship. the cost NEVER GOES DOWN the rate payer has had enough of paying more and more for less and less councils core job water sewage rubbish thats it. If we pay another bill for water there must be a significant reduction in our rates to council	

First name:	Last name:	Which model do you prefer?	Explain your preference	Additional Comments
BLAKE	ROUND	Option 2 Inhouse	Thank you for the opportunity to provide feedback on the proposed future water services delivery model. I have concerns regarding the proposal to establish a Water Services Council Controlled Organisation (WSCCO). While I understand the intention to improve service quality and efficiency, I worry that creating a separate organisation could be a political move designed to shift responsibility and accountability away from the Council itself. It is important to me, as a ratepayer, that our elected representatives remain directly accountable for essential services like water. Setting up a new entity risks creating confusion about who is responsible for decision-making and service outcomes, and could make it easier for the Council to deflect blame if problems arise. If the WSCCO model is adopted, I urge the Council to put strong measures in place to ensure transparency, clear lines of accountability, and ongoing public oversight. The community must be able to see who is responsible for water service decisions and hold them to account.	
Tracy	Strachan	Option 2 Inhouse	I do not have trust in the current QLDC not to waste money. Developments/projects going on all over Queenstown and surrounds and it is a complete mess without accountability. Money is spent like it's water, the Rate Payer's money. We've got the most ridiculous by-pass at an eye watering price, we've got buildings that passed building consents that leak, we've got fast tracked development that we can't even keep up (and Queenstown infrastructure can't keep up with). And not forget the Shotover waste water treatment plant. You then talk about a new council building. It's all too much and I'm not sure who is doing all this but by goodness, their pen must be about out of ink for signing off deals at the ratepayer's expense.	
Aaron	Chinnery-Brown	Option 2 Inhouse	I can't imagine the WSCCO being cheaper long term, instead it looks like a degree of separation that will allow someone to rinse the council of money in the form of consulting fees etc. Your claim that a WSCCO can be free from political influence is a cop-out. Any decision the council makes should be entirely based on what is best for the district and ratepayers, not swayed by todays childish politics.	The QLDC project delivery team has burned so much of our hard earned cash in the past few years, and the nonchalance with which you state the increase in service costs shows just how disconnected QLDC is from the harsh realiy of the cost of living crisis affecting many people. There is no reason the council can't improve it's existing model and significantly reduce costs. No matter what option is chosen, I suspect it'll mirror the disastrous arterial road project, while all involved pat themselves on the back.
Duncan	Wood	Option 1 WSCCO		
Michael	Tierney	Option 1 WSCCO	While I have some reservations about a CCO, I have greater reservations about a council being influenced by the elected members who some in the past have exhibited irrational ideas and have obstructed council from getting work done. A CCO would be protected from interference from such councillors. Also the ability to raise finance via loans would be greater than that of QLDC Providing the makeup of the board was robust and consisted of business experienced members, Ibwould agree to a WSCCO	

First name:	Last name:	Which model do you prefer?	Explain your preference	Additional Comments
Chris	Neuenfeldt	Option 2 Inhouse	I do not support the proposed Water Services Council Controlled Organisation (WSCCO). I believe QLDC should retain in-house control of water services, or explore more community-responsive models. Concerns about the WSCCO model: •Loss of direct accountability: Transferring water services to a WSCCO introduces a layer of governance that is not directly answerable to voters. While the board may be "expert," it lacks the democratic accountability that elected representatives provide. •Increased short-term costs: The model results in a 5.2% higher cost to households by 2034, with only modest long-term savings. For many residents, particularly renters and those on fixed incomes, these near-term cost increases are unsustainable. •Asset and debt transfer risks: Transferring $485 million in assets and significant debt to a new entity is a complex move with potential long-term financial risks. Ratepayers deserve more clarity on what this means for their future liabilities and for council borrowing power. •Unproven model in local context: There's insufficient evidence that this model will outperform a well-resourced internal team. Previous water quality issues (e.g. the cryptosporidium outbreak) were due more to deferred investment and oversight failures than governance structure.	Alternative suggestions: •Retain water services within council but establish a specialist internal unit with clear performance reporting and oversight. •Strengthen transparency and investment in current systems, including proactive public reporting of water quality data (especially in light of wastewater discharges into the Shotover). •Push for national-level support, including fairer funding from central government for infrastructure in high-growth, high-visitor regions like Queenstown. •Community-led advisory panels could provide local input on priorities and ensure ratepayer voices continue to guide water decisions. While I acknowledge the intention to future-proof our water systems, I don't believe a WSCCO is the right path for our district. We need transparent, democratically accountable, and community-driven water governance, with stronger investment in infrastructure and clearer communication. Let's fix the problems without handing them off to a separate company. Thank you for the opportunity to share this feedback.
Troy	Shepherd	Option 2 Inhouse	Separate water service entities require a minimum of 50,000 connections required for cost effectiveness. Third party information (Supplied by Stantec) indicates that QLDC does not reach this threshold. It may be a future growth projection (which is probably double current connection count) but no information has been provided int terms of when that might align to this proposal and the timeframe indicated. This would suggest that until such time it would be the obligation of current and future connection holders to cover an increased charge until this threshold has been achieved. This does not take into consideration inflation which would drag this threshold upwards over time. My evaluation of the connection count facts would suggest that the intent to pursue a separate water services entity is not a financially responsible decision to make at this time due to not meeting critical mass to make such a proposal feasible. Continuing to retain water services within the council does not mean you can't change this at some point in the future. Having a limit to the ability to carry increased debt is not a bad thing - households can't change the rules to try increase their ability to borrow and this would be an irresponsible approach for a council to take as well. The debt holder is still the ratepayer.	
Steven	Rowden	Option 2 Inhouse	I do not believe that WSCCO will be a cheaper option, now or in the long run, no matter what QLDC consultants say. We have seen how accurate QLDC consultants have been in the past on all infrastructure projects in the region. I do not trust you council to pick the correct people to run and control WSCCO, or do I trust QLDC to not make this about Ngai Tahu and, or hand over our council water resources that Rate payers have paid for many years to Ngai Tahu. And considering I am part Maori, that is saying something. And this also feels like WSCCO is more about the QLDC moving our water resources and water infrastructure in Queenstown towards privatization, which I strongly oppose.	

First name:	Last name:	Which model do you prefer?	Explain your preference	Additional Comments
Malcolm	I'Anson	Option 2 Inhouse	The primary driver for the WSCCO method is to reduce debt on QLDC's balance sheet but at what cost? The consultation document is a complete Furphy because it is dependent on charging more than QLDC in-house would charge for ten years and assumes "costs remain the same". QLDC can charge more, too, in-house, if it chose to do so; and the costs of running the additional organisation are demonstrably substantially more, both in terms of the costs of establishment and the ongoing board oversight and role duplication, costs alluded to in the consultation document itself. The disconnect between the WSCCO and the community is a big governance negative, too. The financial defects in the WSCCO proposal analysis are skipped over with wishy-washy text. The establishment costs look very thin and I'd bet the contingency allowance would be thoroughly trashed; and who would carry the can on this whole financial nonsense when the water rates reductions did not materials ten years from now?	
Dave	Brown	Option 2 Inhouse	Just stop. We need an option 3 as you assumptions are assumptions. Show the raw data that got to these assumptions. The council focus needs to go back to basics. There seems to be enough money to do non essential services, build new offices and not enough to focus on simple things like waste and water. The world knows you cannot drink Queenstown water it got out of control a few years ago and there is still contamination in Wanaka that damages my commercial machinery forcing us to use separate filtration. The Carbon free target Queenstown is aiming for seems to be contrary to being able to drink clean water and not have sewage in our rivers. You can be aspirational but you do not want to get caught out aiming high to the detriment of basic human rights as a ratepayer. There is a very real reputational risk and the unspoken word is out that if you can avoid Queenstown do it or spend less time there. The administration is choking the future of what could be a benchmark destination. We are living on a Pre Covid reputation. Please be cautious as a leadership group as you your legacies are being judged.	Please publish the raw data. I would prefer an outside objective body reviewed what has, is and will happen. If it is an internal review of a small data sample it seems it is the people who are not performing that are making broad assumptions. You will never get support as there is currently no support for anything council is doing regarding water/sewage or any visibility of the long term planning for the region.

First name:	Last name:	Which model do you prefer?	Explain your preference	Additional Comments
Catkin	Bartlett	Option 1 WSCCO	Water management is the most important thing the council can do. It is increasingly complicated and sophisticated with the need for better treatment processes with increasing appreciation of how and why water is of paramount important, our greatest treasure, especially with an ever growing population and competing utilities. This requires specialist dedicated governance which is not influenced by local politics. It is important that decisions about investment in infrastructure and charges for services are not politicised. I prefer a governance model which includes Iwi representation, locally elected ratepayer representatives (e.g. a councillor), infrastructure governance expert, regional council representation (possibly both operational and councillor) with strong local accountability. It is very important to safeguard against it becoming a profit making organisation, being privatised and loss of local accountability/ influence. Having the service managed in house is not going to serve the region in the future and a dedicated separate entity is a sensible solution.	Recognition by the community of the costs to provide water services is lost in the annual rates setting dance and the importance of adequately funding water services is constantly undermined by the desire to keep rates rises to a minimum
Justin	Chisholm	Option 2 Inhouse	I struggle to understand the basic concept. By introducing another layer of governance this will reduce our costs . Yes I understand the model proposed but you are still adding another layer of of governance. Surely the current layer is enough.	
Peter	Goldsmith	Option 1 WSCCO	I think a dedicated Organisation should provide a better product	The risk is the organisation duplicates a lot of cost, eg. finance, building rent etc. The learnings from the Auckland CCOs is that some back office shared services should be centralised
David	Allard	Option 2 Inhouse	I do not believe that the WSCCO will deliver any savings at all. Establishing such an organisation will add a significant layer of cost with the appointment of a CEO, Senior Staff, and Board. Not to mention the cost of accommodation. Current staff delivering water to the region cannot be transferred against their will, and so on. History shows that few if any such organisations deliver any of the projected savings.	
Shaun	Kelly	Option 1 WSCCO	I would only select option 1 if this model represents an opportunity to improve services, decrease long-term costs, and has regulatory oversight that would ensure it is the better model over the current model. QLDC has an issue with public perception and transparency, and there is a concern that the WSCCO model would enable an opportunity to 'pass the buck' on provided services. Whilst QLDC might remain the primary shareholder, ultimately there needs to be robust checks/balances, penalties for mis-management, transparency and enthusiastic communication regardless of the model chosen to win back constituent/shareholder confidence.	

First name:	Last name:	Which model do you prefer?	Explain your preference	Additional Comments
Geoff	Patton	Option 2 Inhouse	Although a recent arrival in the district, my experience in previous locations is that a CCO does not necessarily provide a better organization and tends to be too far removed from the ratepayers who are paying for it. Council departments are large enough to hire the appropriate staff to manage the local water requirements. Hiring the appropriate staff is the key. Another fancy board of directors does not necessarily provide efficiency in an organization. Council has departments like payroll and HR, planning and building control so no need to duplicate. Ratepayers have better access to the directors of a council department - that is the councilors - elected to do just that job.	
Conway	Powell	Option 1 WSCCO	This appears to be the better option - BUT subject to how rural properties (such as our Paeonie Farm at 953 Mt Barker Rd, Wanaka) are determined for any water-related capital or ongoing annually applied costs	As a well-established rural property at 953 Mt Barker Rd, Wanaka, we have set up and paid for the original capital costs of: 1 - fresh water via an ORC consented water bore; and 2- waste water disposal via a professionally designed septic tank and associated dispersal field on our 4.4 hectare property, with the dispersal field situated over 400m away from the nearest water way (the Cardrona River); and 3 - storm water management through professionally designed seepage pit - once again situated over 400m away from the nearest water way. Our house, garage and packing shed are located approximately 9km from Wanaka, at the very southern end of Mt Barker Rd, Apart from 5 other neighbouring rural general properties), our property is approximately 1 km away from the other rural properties further to the north on Mt Barker Rd. Accordingly, it is my firm expectation that: 4- rural properties such as ours will NOT be involved and included in any changes to the delivery of fresh, waste or storm water services that would be put in place for the urban properties in Wanaka; and that 5- Accordingly, properties such as ours will NOT incur any of the water services upgrade costs(whether one-off capital or ongoing annual rates imposed). 6 - I would like to speak to my concerns, as part of the QLDC consultation process.
DUNCAN	FEA	Option 1 WSCCO	Separating the critical infrastructure from council provides commercial drivers and decisions being considered all while acting in the long-term best interests of all residents/community. The model is proven. QAC being an example locally. Commercial tension can be brought to bear and once in place decisions made taking account of the districts needs.	
Allen	Voss	Option 2 Inhouse	The competencies required are equally available to the Council, as they are to a WSCCO. I have no faith in the financial costs modelled for establishing the WSCCO and believe that from an organisational-development perspective, the risks and cost of retaining an in-house structure are less. Further, I believe that the weighting given to each option assessment exhibits a bias toward the WSCCO option, when practically there can be no substantive basis to support that bias.	
darryn	melrose	Option 2 Inhouse	Queenstown is too small to be burdened with an additional organisation to perform these water services, that will incur new governance and administration costs from this additional layer. As ratepayers we need greater efficiency of local Government costs and should not be incurring new levels of cost that contribute very little 'value-add' to the status quo.	

First name:	Last name:	Which model do you prefer?	Explain your preference	Additional Comments
Allen	Sheehan	Option 2 Inhouse	I've witnessed ceaseless council empire building, lazy excess and cost blowouts over a lifetime and this new entity will inevitably beam effulgent powered by the same ineptitude. The recent 9-5, weekends-off, unbridled cost eruptions, infrastructure debacle of the last few years has completely stripped QLDC of all remaining credibility. You say your proposed new toy will cost 5.2% more for 2024-34 but 10.1% less in the 2034-44 decade. What absolute bullshit. You haven't a clue, it's all estimates and models, smoke and mirrors, that you've proven yourselves wrong in actual cost-runaways in every project to date. You are only talented enough to stem the bleeding of what we've got, not the haemorrhage of a whole additional autonomous division with it offices, buildings, equipment and machines, director, managers, engineers, overseers, foremen and staff. No thanks, stick to Option 2 but get someone smart that know's what their doing to run it.	Don't touch it.
Andrew	Swan	Option 2 Inhouse	Creating a CCO creates additional (double-up) costs over and above the existing in house arrangement with a new board, CEO and executive, website etc. There is also the high likelihood of Council retaining control (through the SOI) in name only. A good example of where this is currently not working is Auckland Transport. I suggest Queenstown is not large enough to justify the additional cost of a CCO and suggest you investigate other ways of financing 3-waters in the future such as increasing developer contributions.	
Lynda	Walsh-Pasco	Option 1 WSCCO	Need to drastically decrease cost to ratepayers, while this model proposes increases both models need to look at other funding sources such as taxing visitors as we can not keep charging ratepayers for the cost when so many visitors are coming to our area.	Why are there only two Clayton's choices, both requiring the ratepayers to cover the costs with an unacceptable increase from $1500 to over $4,000.00.Developers and businesses who benefit from visitors should bare more of the costs. Many ratepayers are retired and the constant increases of rates is unsustainable when their payments do not meet the increases.Visitors need to be charged for using water, toilets etc not ratepayers including visitor accomodation.
Jason	Climo	Option 2 Inhouse	As our neighbouring council SDC has invited community feedback via a consultation period over a much longer period of time than QLDC and the fact SDC is also standalone. It feels more comfortable that the service remains in house, seeing what over 200 responders have said elsewhere but also establishing a Waco adds more cost, removes at arms length public and elected councillor feedback. There is insufficient time to fully understand QLDC alternatives as we are pretty much last cab off the rank to consult!	I don't support it, if QLDC were to combine services then maybe, but you're just adding more cost, more tape and lining pockets of consultants to jump on boards.

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Andrew	Millar	Option 2 Inhouse	I strongly favour the in-house model. In the discussion document favouring the WSCCO model, I believe that the list of Advantages are heavily outweighed by the supposed Disadvantages, especially with Community Involvement, transparency and accountability being such a vital part of our democratic model. I am also concerned about the duplication of administrative staffing, and the inevitably inflated salaries which have accompanied the establishment of almost every new government body that I can think of. Furthermore, I can see no reason at all why almost all of the listed Advantages for the WSCCO model cannot also be achieved with an in-house water services department; esp expert and professional staffing, focus on current and longer term water issues, performance standards and oversight etc etc. Yes there would need to be some adjustments to how things are done at present, but achievement of such things should not be seriously problematic (unless QLDC choose to make it so). The claimed reduction of longer term costs under a WSCCO over a twenty year time frame are very modest, and in my opinion hardly to be relied upon given the recent past history of project cost estimations gone wrong. I do not see an increase of 606% in QLDC borrowing capacity as an advantage.I would view it as a dangerous temptation.	Do not do it! Our community is already seriously concerned about lack of transparency, involvement and oversight in relation to Council affairs, such as have been expressed in every recent Lifestyle/community satisfaction survey, and the establishment of another heavyweight bureaucracy which steps even further away from that community oversight would be an irreversible and unwelcome move .
Tim	dennis	Option 2 Inhouse	The use of CCO's has been around for a long time and history would show that despite best intentions, these CCO's are very hard to control and are not, despite assurances, answerable to the people who pay for them. And while the current Council leadership team may at times appear to also not be accountable, we do get to elect them every 3 years.	As John Key would say, At the end of the day…., i believe most residents want good quality water delivered with great value. There is nothing to show that a CCO will necessarily achieve either of these better than Council. As Ashley Bloomfield would say, What we can say is.. that if there is no emphasis or KPI about delivering great value within this Council the ratepayer will continually be paying above and beyond the market for much of its services. Current thinking in this and many Council's around NZ is to use only the biggest consultants and contractors that leads to the ratepayer footing the bill while the global players line their own pockets. Sure, this could continue under the present Council delivery model, but at least we can elect someone else in 3 years time, while a CCO remains behind a fire wall protecting it from its decisions for ever.
Ronald	Thompson	Option 2 Inhouse	Keep things simple. Stop building the bureaucracy.	
Phil	Wilson	Option 1 WSCCO	It will be better and cheaper in the long term to hand the management to a WSCCO	
Brian	Sephton	Option 2 Inhouse	The preferred option is to continue to deliver water supply, wastewater, and stormwater services through the council via an internal water services business unit or cost centres, and to explore establishing a joint water services organization to improve economies of scale.	Refer attached (content too long to include here)
Peter	King	Option 2 Inhouse	I consider that the new Council organization will have a higher cost structure than the existing one and therfore cost ratepayers more. The current organization is poorly run and the CEO is to blame for this. But this can be fixed. Why have two highly paid people when one will do.	
Margot	Anderson	Option 2 Inhouse	More expensive and bureaucratic option in the medium term with parallel decrease in customer satisfaction and focus	

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Chris	Radford	Option 2 Inhouse	1. Higher short term charges when rates already far too high and continue to get higher and higher 2. Separation of land use planning from water infrastructure planning 3. Rates would still subsidise WSCCO staff costs 4. Short and Long Term Plans can still have 3 water based SoE, Strategy and Action Plans - these are not exclusive to WSCCOs. The whole approach seems to be a way for Councils to odd load 3-Water debt responsibilities to get more borrowing headroom, to then increase capital expenditure on more projects that residents/rate payers dont want: Road to Nowhere, centralised Council Office Block, Frankton Bus interchange etc	Continuing the current approach would enable more integrated approach to solve some key problems: 1. Since 49% of planned investment is "growth" oriented, claw invested $ back earlier when subdivided sections are sold, and similarly increase the Development Contribution 2. Massively increase rates on undeveloped sections surrounded by expensive infrastructure, to force them to be developed and make it less profitable to speculate in the land value 3. Introduce metered rates in selected areas to make use of the thousands of water meters paid for under the RC process and being stockpiled with Veolia, gradually expand these areas citywide to make ratepayers water demand conscious to bring down the exorbitant demand/household average for the District 4. Introduce an additional rate to irrigate gardens, golf courses etc; as this is a total waste of expensively treated (and distributed) water
Phil	De La Mare	Option 1 WSCCO	the budget/expenditure is separate from the rest of rated expenditure, so a direct measure of performance can be made. the use of independent directors is essential for proper governance which has been lacking to date.	I fully agree with the legislation that it cannot be privatised, which is essential for a publicly owned monopoly. The debt burden shouldn't be front loaded as this will disadvantage retirees on a fixed income. It is too difficult to measure long term savings in rates in 10 or 20 years time. Rates will never go down.
Pamela	Hillyer	Option 2 Inhouse	Having spent many years as a resident in Auckland City, I have witnessed the burgeoning bureaucracy that is Water Care Services, from inception to now. It's a 'business' that if privately run would be a failure. A team of over-paid, under delivering, non-elected bureaucrats who establish monuments to themselves, viz huge glossy buildings and plush offices. During multiple water crises the various CEOs and their team have completely failed to deliver an adequate water supply to the city of greater Auckland, it has no water safety or security practices instilled, ignores the growth of the city and the infrastructure required to manage this scenario. And when the books (unbelievably, they are supposed to be responsible, experienced professionals) don't balance, they use the ratepayer as a 'cash cow'. Or faint with the 'stress of doing their jobs'. Not forgetting their bonuses collected as they depart for greener fields, in abject failure. The council should have complete governance and control of water safety, security and supply...that is part of the core council business and when they fail in their endeavours, be held to account by the voting public. Recalling also the recent, embarrassing debacle of wastewater in the river! And the public fallout re that! Things have to be better delivered, accountability clear and transparent. Forget funding pretty light shows and stick to the basic plumbing needs of what is a growing (rapidly) area.	
Alastair	Clifford	Option 2 Inhouse	I cannot see, and QLDC have not sufficiently explained how a new entity would provide services more efficiently than if they were completed in house. Projecting savings by 2034 is simply too far into the future to be meaningful. Creating a new entity would appear to create a duplication of senior staff, and an additionally Governance board.	The managers, consultants and contractors need to be held more accountable for the delivery of water services.
Glenda	Sherriff	Option 2 Inhouse	Option one will add another layer of bureaucracy and middle management	
Lance	Davis	Option 1 WSCCO	I prefer option one if the sole focus is better outcomes for the consumer- not other groups	It will be important that over time the Board doesn’t get influenced by political opinions and is focused on water - done well for the consumers
Ross	Blackmore	Option 2 Inhouse	I don't understand the need to change	
Gaye	Henderson	Option 1 WSCCO	A singular focus and professional board would see timely investment and reduce issues.	
Anna	Langford	Option 2 Inhouse		

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Emberly	Wetherall	Option 2 Inhouse	Severing community involvement in how our water (the most essential element for life!) is managed shouldn't be an option. This past year we have watched the horrifying mismanagement of waste water by council polluting our greatest asset and we now know that accountability by the community is fundamental to a well managed system.	
Terri	Porter	Option 2 Inhouse		
jurg	muff	Option 2 Inhouse	Going on previous record on how CCO's were established. No thank you.	
Nick	Verlaan	Option 2 Inhouse		
Rod	Macleod	Option 2 Inhouse	I have concerns regarding set up cost for a WSCCO, staff retention in water services, separation of staff from the remaining 2 of the 3 waters departments and from the wider Council planning departments, lack of public contact with Councillors regarding service issues and public liability in the event of failures in delivery, lack of monitoring by Council of new residential developments (water infrastructure). QLDC has a relatively small population base (c.f. NZ cities) with two distinct regions to service. Further fragmentation of resources (staff) in a district where long term retention of experienced staff is difficult, will lead to ongoing under resourcing of a stand alone WSCCO.	QLDC with good intentions some years ago set up Lakes Environmental but were compelled to return LE to in-house Council department(s). Council should avoid the disruption associated with WSCCO set up. Water metering to limit consumption will provide some reduction in demand. However infrastructure for firefighting purposes will dictate capital works construction.
Murray	Grace	Option 2 Inhouse	By continuing to deliver water services in house I believe you will be better positioned to plan and deliver services as the consented housing developments and others to come in the future will place extreme pressure on an already overloaded system.By retaining the planning and development in house the ratepayers will hopefully have more direct influence on decisions that need to be made.	Having a WSCCO may lead to employing more "experts" on very high salaries that don`t necessarily produce better results than in house staff.
Girol	Karacaoglu	Option 1 WSCCO	It is the most effective and efficient option - clear governance and accountabilities - will deliver better service at a lower cost ion the long run.	
Wayne	Tuck	Option 2 Inhouse	water is a core job of the council, and the rate payers should have full control of their assets and outcomes. Employ the correct skilled people to do the job and get rid of the hanger ones and make believe experts. Make all the so called experts responsible for the outcomes (like the Soak ponds fiasco)	
Amanda	Sherson	Option 2 Inhouse	As a rural resident who has a water bore and a septic tank there is absolutely no advantage to me in paying more rates for something which is not used by me. I also feel that passing the buck to another organisation when the mess that we are currently in sits fairly and squarely with QLDC and that QLDC should be the organisation to sort out the mess. If water management is passed to a private body there is absolutely no guarantee that the household charges actually WILL be lower in the long term - it will simply mean that QLDC will be able to say 'not me'. I am extrememly cynical about this proposed change.	
HAIJUN (DAVID)	WANG	Option 2 Inhouse	Cost Effiiciency	

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Emily	Olson	Option 2 Inhouse	I think option 1 will allow unnecessary costs to rate payers by allowing the water service to have more control to raise costs that qldc could say are out of their control. I also think it would essentially be the handover of responsibilities to the current contractor qldc already uses (veolia) so qldc would not get direct blame for when things do go wrong which is pretty much already the case. I don’t think this is a fair way to operate and adds too many layers to the organization.	
John	Fisher	Option 2 Inhouse	As a ratepayer I have lost belief in the current council and its administration from the CEO down for its ability to perform at any level. The failures of its management to control the excesses of the various departments beggars belief. I have been in business for over 50 years and have never seen a more disgraceful management performance than we have witnessed from the QLDC.	Stop spending our money it is not yours to spend.
Duncan	Ritchie	Option 1 WSCCO	QLDC have proved incapable of doing water well -Shotover waste ponds/Lake Hawea development waste water facilities or lack of them etc. therefore there is only one other option	Rural properties are NOT 'connected' (wording from Summary document) therefore it would be good to know how they would be treated in this 200% increase in only 10years. If on a private sewage and water bore, own stormwater disposal they should not have to pay the same level of increases as urban households. Agreed we do use some 3 water facilities -water in town, sewage disposal services etc. so some charges are expected under General rates/regulatory country charge? etc. We would appreciate this Rural household aspect being clarified
Eddie	Gapper	Option 1 WSCCO		
Edward	Spearing	Option 2 Inhouse		
Jim	Ledgerwood	Option 2 Inhouse	Please use the current staff, no more to be introduced or promoted to take care of this work in house. To say costs	
Andrew	Clark	Option 2 Inhouse	Option 1 enables council to sell at some stage. Keeping it in-house should mean that if you get a great water engineer, they can assist managers of other departments. Option 2 also makes councilors and the mayor responsible and accountable. Option 1 is a cop out of responsibility.	
Lewis	Grant	Option 2 Inhouse	The lower household charges will not happen.I have seen how the levels of increases of water rates charges perpetually continue rise here in New Zealand and in Australia, through ownership of various properties in both countries. The WSCCO will, over time, become an overstaffed, inefficient, expensive organisation,concentrating more on outcomes to justify its existence rather than outputs that are useful, sensible and of measurable benefit to all ratepayers.It will eventually become its own master and elected councillors could become irrelevant. It will have no direct accountability to ratepayers and local body elections will have no impact on it. Is this really just change for change sake?	

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Michael	Farrier	Option 2 Inhouse	Option 1, A Water Services Organisation adds several more layers of management to confuse responsibility and consequently accountability of the services provided. The current Council and its officers have not demonstrated that they have any responsibility for the services provided through the Council whether it be potable water of waste water. Potable water is one of the basic requirements for good health and one of the tasks that the Council should already be involved in is protecting potable water sources. There is no evidence of this in regard to bodies of fresh water or during the disposal of waste water and storm water. Treatment of water for drinking has now become a necessity at increasing cost to the ratepayers. The new structure will not solve this issue. Option1 costs will be eventually greater than Option 2 if Option 1 is chosen since the Council will need to employee internal expertise in order to ensure that conditions of the contract are met. It should not be necessary to employ consultants without internal knowledge or accountability to do auditing, etc.. It is not logical that management through a new organisation will be less expensive particularly when teh Council is overseeing the Organisation. The roading projects that have recently been completed demonstrated that the Council cannot manage Council Controlled Organisations. The roading consortium cost ratepayers a substantial amount. The Council need to keep the management of the three waters in-house and employ suitably qualified staff who know the properties of water and how to suitably treat it for disposal. The current waste water treatment facility is not fit for purpose and disposing to land on river flat with an associated aquifer is not logical. It would be unfair to hand this facility to a Council Controlled Organisation on the basis that it is fit for purpose. The Council should ensure all plant is fit for purpose before any water management changes are made. The QLDC need to demonstrate that the current infrastructure is suitable for purpose before a change is made. A new management arrangement will not solve the current "water" issues.	
Trent	Beckman-Cross	Option 2 Inhouse	I can understand the merits of option 1 but would like more information to support the decision and have the following additional queries below.	What level of certainty can be applied to the modelling? The cost savings a 10 years away. What is the risk that the costs savings are not realised and ratepayers end up paying more under the WSCCO model? The new WSCCO would require and entirely new board, and management structure. These functions are carried across all property and infrastructure types at Council. As a result, there is likely to be duplication of resources and additional cost associated with an expert board and new CEO, GM etc. How does WSCCO provide at least the same economic benefits as the status quo? Why not maintain the status quo or adjusted status quo to enable more time to pursue a joint WSCCO with other similar Councils? That way QLDC and its ratepayers would avoid the estimated $7m establishment cost for the WSCCO. What is the total rate cost likely to be under the WSCCO model? Will creating more borrowing capacity for other services result in a higher rate bill as Council borrows more for non-3W activities combined with the WSSCO costs? What are benefits that will be realized by releasing funding for non-3W investments? Can you reference case studies of where the WSCCO model has been implemented successfully? The WSCCO model seems to assume that superior performance long-term will come from hiring superior senior management and directors. Private sector organisations typically out-perform public sector ones, but that is because of superior incentives, rather having smarter senior leadership. The two main sources of incentives for private-sector senior leaders to perform are removed in the WSCCO proposal. The business is set up so it can’t be privatised, and the Council is guaranteeing the debt. So, neither of the sources of funding is applying normal private sector disciplines.How will the WSCCO model drive typical levels of private sector performance? In the Financial Modelling Assumptions, the NPV Rate is 2% real (4.04% nominal). This appears to be a discount rate from Treasury. It looks very low and given that there are up-front costs to WSCCO to be offset with hoped-for long-term benefits, the discount rate will be critical. Treasury recommends testing the conclusions with a real discount rate of 8%. What effect does this discount rate have on the recommendation?

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Nicola	Tristram	Option 1 WSCCO	Kingston Village Limited as a ratepayer (and a future vester of water assets to QLDC) would support the proposed restructure subject to further information with regards to the WSCCO and its implication to developer ratepayers and any existing contractual obligations, provided there was assurance that the implementation of a new structure does not simply provide an extra level of complexity and additional parties to deal with, when ratepayers/developers are engaging with QLDC on water matters.	
Leea	King	Option 2 Inhouse	I do not support the set up costs and management fees to startup a new organisation - within the body that is already paid to manage this for us.	
John	Glover	Option 2 Inhouse	Retaining the services in house will avoid costs associated with setting up and operating a CCO and enable direct governance of them by locally accountable elected representatives.	I consider work should have been done to identify how governance could be improved whilst continuing with an in house model.
Elizabeth	Ross	Option 1 WSCCO		
Bruce	McDonald	Option 2 Inhouse	CCO's have been done before and didn't go well. Don't need an extra layer of costs. CCO's will not be accountable to the ratepayer.	NO to the WSCCO
Phillip Gregory	Newsome	Option 1 WSCCO	The current council organisation structure and personnel tasked with managing, scoping, delivery and control of these assets/works This feedback is based on 45 plus in delivery of projects and programs of work around the globe in the capacity of a Tier 1 service provider for some of major mining/ refining and Energy corporations.	Please ensure if this structure is adopted that rigorous vetting of personnel are undertaken to eliminate cronyism and that the leadership team had the appropriate commercial, technical capacity, capability and competencies to develop high performances lean teams that drive outcomes in line with the communities needs.
Lyn	Wells	Option 2 Inhouse	I would have thought that you already employ people that are qualified in the understanding of having good drinking water/waste water disposal/stormwater disposal. It’s the responsibility of the Heads of all Departments to make sure that their staff do as they are employed to do.	We don’t need to create another identity.
Neil	Anderson	Option 2 Inhouse	Because I don't want the water in nz to be able to be owned by an entity, eg moari. Once the water is separated from the council new legislation can come in regardless of how sound the option 1 sounds	
Adam	Dowsett	Option 2 Inhouse	QLDC is not a large organisation, nor is it covering a globally comparable large number of households - therefore it should be able to manage water services in-house rather than creating a separate organisation to do so. Many larger councils around NZ and internationally adequately provide water services in-house; creating a separate organisation feels to create further layers of bureaucracy, infrastructure and processes. That said, if directly taxing international tourism-related ventures & accommodation to pay for the extra costs of a water services organisation in the short & longer term, this may gain broader support. 2034-2044 forecasting of water services costs is unrealistic to have firm confidence in that far out, in a fast-evolving region like QLDC. i.e. in 2005 forecasting QLDC costs (increases or savings) for water services in 2014-2024 would have been significantly off what eventuated in those years.	
Jess	Griffin	Option 2 Inhouse	QLDC are spending too much money, rates are too high as it is, this is another money wasting QLDC venture I do not support	
Dean	Mcdonald	Option 2 Inhouse	Qldc does not have good history in contracting out services ie civiccorp, lakes contracting, imtech engineers. A chance to loose control, increased costs, new layer of mgt, less accountability. There will be greater costs to come from either option but feel the status quo is best.	

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Simon	Morahan	Option 2 Inhouse	The WSCCO sounds suspiciously like the Queenstown Airport Company, which at the time of setting up, was promised by all concerned to never to be let out of the Queenstown ratepayers ownership. We were all lied to, and 25% was secretly sold to the Auckland Airport Company, very much against what the ratepayers would have wanted had they had any knowledge of, or say in the deal. Maybe some of the changes that have to be made to enable inhouse operation would involve competent leaddership and management.	You are not proposing the WSSCO. you are asking for feedback on which option we prefer. This question alone makes me think that all the consultants fees and my time have been wasted, when the decisionmakers minds have already been made up.
Erna	Spijkerbosch	Option 2 Inhouse	In the past this has been operated outside of council and didn't work any better than within council. Council needs to step up and be more professional and create a strong well qualified small team to be in charge.	
Fleur	Kinsella	Option 2 Inhouse		
Marie	Fitchett	Option 2 Inhouse	We do not need more bureaucracy. QLDC are responsible for providing clean water, wastewater & sewage for our communities. This is a core function for the council. Another entity is going to create higher costs for this region due to additional overheads & management. I do not support WSCCO.	
Michael	Ramsay	Option 2 Inhouse	Not enough information to make informed decisions. Not all water schemes are the same and not all come from a single source. Delivering in-house sounds much better than a new bureaucracy with its attendant costs. Some ratepayers might prefer to opt out of any council supplied water but as far as I am aware we are denied that choice.	
Patricia	Spedding	Option 2 Inhouse	There are enough other council projects underway that will affect our rates in times that are tough. In-house should be the way to go until our population increases enough/ rate payer base/ to pay for costs for a new entity. I don’t believe Lake Wānaka and Lake Hāwea townships have reached that stage yet. This is a project for ten years down the track	
Patsy	Johnston	Option 2 Inhouse	I don't want to see another organisation take control of our water. It just means more consultants, more money, who says they have any more knowledge than the Councillors who all should want clean chemical free water for us all. It would be a good idea to concentrate on the basics of the area , eg water, sewage, kerbing growth if you can't supply basic services and not worry about new buildings offices etc beautifying lakefronts. etc. That is all very nice but we need basic services. No Councils want to keep control they either want to pass the buck or join with other Councils, take control of your mess.	
Lisandra	Rossi Macaes	Option 2 Inhouse	Community involvement is top priority to me.	
Pamela	Hancox	Option 2 Inhouse	History shows local govt outsourcing results in increased costs for users not increased efficiency.	
Cameron	Rigby	Option 2 Inhouse	By creating a separate entity with a separate board, you will be increasing our rates to cover board members inflated salaries. While not improving the delivery of our water service. Auckland have already done what you propose with watercare and their water rates are eyewatering with ceos on 800-900k salary. There is nothing wrong with the water services provided, you should be increasing development contribution costs and introducing a bed tax to meet our infrastructure needs not increasing overheads and another level of bureaucracy.	

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Donella	Fleming	Option 2 Inhouse	We do not need another organisation that is too heavy with management and consultants who do not listen to what the ratepayers have to say. Paying one set of rates that are over inflated is enough. This council has long done their own thing and I don't expect that this will bring anything different if a new organisation is bought into	
Vijay	Krishnaswa	Option 2 Inhouse		
Gary	Foot	Option 2 Inhouse	Having been involved in numerous businesses over the past 40 years designing and delivering products and services on a global scale when I read these types of proposals I cringe at the prospect of setting up ANOTHER level of bureaucracy to manage what should be a core fundamental activity undertaken and managed efficiently within the present scope and resources of QLDC. Suggesting establishing a WSCCO will increase costs short term but save long term is misleading – I would argue Central and Local Government rarely look retrospectively as to the comparative outcomes. There are far too many future variables and the reality is the short term (pain) increases become the long term reality. The idea that somehow establishing a separately entity will "attract and retain the best staff, adapt to changing requirements without disruption, provide for effective and efficient management and delivery of water services, maximise public value and minimise waste, and enable community interests and priorities" – are these not the goals and deliverables expected by rate payers from within QLDC today? And if QLDC are unable to perform to meet these expectations, due to inflexible staff, high staff turnover, disruptions, and excess waste shouldn't QLDC be looking internally at how to resolve these issues rather than outsourcing their problems at the rate payers expense? In the event QLDC decided to proceed with option 1, irrespective of customer feedback, would QLDC restructure its existing organisation to cut costs and ensure these changes were "cost neutral" to the customer (rate payer)? I very much doubt it. So in that regard I am NOT in favour of establishing a new bureaucracy (option 2) designed to effectively take over some of QLDC existing responsibilities which are more than adequately funded by rates payers today.	
JK	Wilton	Option 1 WSCCO	As a non resident holiday house owner at 101 Noema terrace Lake Hawea I favour option 1 as the best long term solution. Being aged 82 option 2 where water services stay in house would be better on my wallet but for the long term option 1 is best for the district.	
Bruce	Dowland	Option 2 Inhouse		
Cath	Gilmour	Option 2 Inhouse	Refer to attached submission; content is too long to include here.	
Carly	Stewart	Option 2 Inhouse		

First name:	Last name:	Which model do you prefer?	Explain your preference	Additional Comments
Clinton	Rowe	Option 2 Inhouse	Privatising public assets and infrastructure historically has resulted in higher costs and charges as time matures. These costs are passed directly to residents and businesses with no government oversight or intervention. Increases are also well above CPI and inflation. The outcome is a prioritised approach to parent companies and investors for profitability with a reduction in services. Queenstown has a high density of tourism all year round and it is important to limit the impact of increases in rates and utility charges to residents given their contribution to the tourism sector. Without locals, there is no tourism. A recommendation could be a levy (bed tax) on tourists who enjoy our facilities. Proceeds could fund improvements in services and delivery.	
Julie & Tre	Thorpe	Option 2 Inhouse	Within 10 years from now, there is a significant rate payer base and revenue to fund water services and other QLDC expenditure. A WSCCO entity at great cost and projected savings are not proven other than QLDC will have increased borrowing ability which the rate payer will fund anyway.	
Mick	Hollyer	Option 1 WSCCO	We support Option 1 (WSCCO) provided there are no employees/consultants of QLDC on the Board of the CCO.	
Grace	Liu	Option 2 Inhouse	Creating a new entity like a WSCCO will increase short-term costs and add unnecessary complexity. QLDC can still recruit experts and improve performance without setting up a separate organisation. Keeping services within council also ensures better transparency and accountability. Please retain and improve the current in-house model instead of establishing a new structure.	
Monica	Theriault	No View	Advice provided as required under the Pae Ora (Healthy Futures) Act 2022 and Health Act 1956	
Alan	Dippie	Option 2 Inhouse	Refer to attached submission; content is too long to include here.	
Maryann	Williams	Option 2 Inhouse	I see the words “three waters” appearing in ‘Attachment B Option’ , … is this WSCCO framework sourced from UN Sustainable Development Goals? If so, I do not wish that some global body (who is unelected and not familiar with local needs) directs what happens here. I support Option 1 QLDC in house. The WSCCO seems to add layers and layers of complexity. I have not gone deep enough into detail as to whether the addition of fluoride to drinking water is part of Our Water Done Well. I do not support the addition of fluoride to Wanaka area drinking water.	

First name:	Last name:	Which model do you prefer?	Explain your preference	Additional Comments
Murray	Gifford	Option 2 Inhouse	Councils have managed water for many years and it should be second nature to continue to manage water services, and be held responsible to do so every 3 years. A new organisation will cost to set up from scratch and add to the excessive increases in rates. It is a given it will be filled with high salaried personel with little guarantee of results. A new organisation will give residents little say over how the services are delivered, reducing the value of our voting rights. Unfortunately QLDC don't seem to be able to deliver wastewater treatment in Queenstown and have to empty 5 swimming pools of treated waste every day into the headwaters of the Clutha polluting the river for over 250 km. Southland constituents have voted 97% in favour of a Council inhouse initiative. This provides a clear indication of public sentiment. In May, the Invercargill City Council also voted to keep its delivery in-house.	
Bruce	Steenson	Neither	I want to comment on the proposal for Local Water Done Well but I am not prepared to choose from the 2 options QLDC have considered. I believe that a 3rd option (which QLDC has dismissed) would be significantly better. However the Project feedback form forces me to choose one option or the other and does not allow me to provide feedback without choosing. I am therefore making my comment here. If there is another way I can more effectively make this comment, please let me know. I support a model where our water assets are managed in partnership with other geographically similar regions. This approach offers the potential for operational efficiencies, shared expertise, and stronger governance. However, the partnership options considered so far by QLDC assume a simplistic model: all assets, liabilities and future investments are pooled, and costs going forward are shared proportionally. This disadvantages QLDC ratepayers, whose assets are relatively new, compared to those of potential partners with older, more depreciated infrastructure. Rather than abandoning the concept of shared services, we should focus on developing a fair and balanced operating model—one that recognises differences in asset condition and investment history, while still delivering the benefits of consolidated management. Spreading limited technical and management expertise thinly across every council in the country risks weakening capability. Grouping councils intelligently could deliver stronger, more professional water services, and that makes the case for a well-designed partnership model very compelling.	
Lindsay	Coulter	Option 2 Inhouse	Hello Garry, I totally endorse your comments, The QLDC and other councils seem to have lost their way, when it comes to core services and values. Surely water services and delivery cant be considered anything other than a core service. Setting up another entity will achieve nothing other than increasing cost. If the QLDC cannot deliver the outcomes required, they either don't have the right staff, or are their too bogged down with non-core activities, like the meaningless Maorification of all things known to man, along with truck loads of other woke activities to include rainbow crossings.	
Colin	Ashby	Option 1 WSCCO		
EP	Walker	Option 1 WSCCO		

First name:	Last name:	Which model do you prefer?	Explain your preference	Additional Comments
Rob	Hoy	Option 2 Inhouse	Provision of water is a core council function and should remain directly under council management. The community and the rate payers are unlikely to be best-served by the proposed change. A council controlled entity cannot provide the same level of service and value for money to the rate payer in the short-term or in the long-term. The addition of management salaries as well as the on-going over-sight, monitoring and governance of the council controlled entity adds a layer of 'fat' into both the entity system and to the council system resulting in additional costs that will most likely increase dramatically over time. Whilst not glamorous, water is one of the services at the heart of a community and can only be best supplied by the council entity using ratepayers funds.	
Jana	Braasch	Option 2 Inhouse		
Philip	Turley	Option 2 Inhouse	I feel QLDC does not save the ratepayer on the basis of the increases in rates over the last 10years however, establishing a separate Quango will just increase the costs and I doubt it will make any difference to the quality of supply etc. It will just create another Bill to pay on top of the already exorbitant rates now charged. We have an alternative residence in Brisbane, Australia, that a number of years ago this council moved water and sewerage to a separate conglomerate. Rates weren't saved but certainly the water and sewerage costs rose significantly, mainly due to all the standing charges on the account. Your'e also duplicating the paperwork, as the Organisation has to establish it's customers as a list and separately bill people on a regular basis, whereas, the Council already bills it's customers on the Rates notices and so there is no doubling of beauoracy, thus increasing costs. Those that control the Water Supply in the Council would just be transferred to this new Organisation and your'e just doubling everything up.	
Shaun	Gilberston	Option 2 Inhouse		

First name:	Last name:	Which model do you prefer?	Explain your preference	Additional Comments
John	Brimble	Option 2 Inhouse	Fundermentaly we are opposed to the formation of a CCO. My experience is that this leads to a lack of accountability and increased costs in establishing another entity with tiers of highly paid staff and use of consultants with little or no oversight by those elected to govern the District. Further a projected 5.2% increase in cost to the already overburdened ratepayer is unacceptable within the current economic environment. One would have to seriously question the validity of councils modelling. It would have been interesting to see a break down of current in-house costs both operationally and in terms of projected future charges to commercial and residential sectors. All though Councils track record in managing major infrastructure projects is not great and we cannot be confident that the formation of a CCO will lead to improvement. At a time when a number of Councils within NZ are looking to bring water and other services back in-house so that greater control and local knowledge is maximised why would QLDC favour establishing a seperate company with all the associated increased costs and likely unintended consequences . The creation of a separate entity could burden ratepayers and reduce direct Council governance oversight. Provision of Water, roading, drainage/sewerage and refuse are core council functions it is inherently irresponsible for those elected to Govern to potentially contract out of this core responsibility. We would hope that council has been responsible in previous appointments to ensure expertise is currently avaliable to them and distancing themselves from core responsibility would appear neglectful and would lead to question if the role of councilors and executive employees should be diminished. Consequently we would advocate for the retention of water services in-house.	
Reid	Mossman	Option 2 Inhouse	I want my submission to count. I oppose the proposed seperate council controlled water organisation proposal. I prefer the better option of keeping it in house mainly to keep accountability & costs down.	
Kristan	Stalker	Option 2 Inhouse	understand it is a challenging time due to the lack of investment into the 3 waters infrastructure however it is very unclear what the actual benefit to the ratepayer is in spinning off all 3 waters assets and liabilities at a cost of $5million with a possible rate reduction in 10 or more years and a guaranteed increase in rates immediate. More transparency sought regarding around how councils debt levels may or may not change in regards to LGFA when you add the WSCCO to the mix, does the QLDC LGFA limit decrease? Or do we add more debt when WSCCO and QLDC co-exist? If it is a investment related exercise then suggest we look to levy the users - we had the green light for the bed tax - we can't keep squeezing the rate payers.	
Alan	Wild	Option 2 Inhouse	In 2010 when Auckland became a Supercity and water charges were transferred from council to Watercare Services Ltd the effective increase in cost (rates + water) was about 25% and this increased every year. I think the percentages you are outlying are on the conservative side especially at the 5 year mark	
John	Dickison	Option 2 Inhouse	Your forecast for the next 10 years shows the current approach to be more cost-effective — and any forecast for 10-20 years in the future has very low credibility. Also, an ‘independent’ body fully owned by and with its directors chosen by QLDC can never be truly independent, and sounds like a quango — just another layer of bureaucracy ultimately under the thumb of the council of the day.	

Submission from Brian Sephton:

My response: I do not support the proposal; I object to it. The preferred option is to continue to deliver water supply, wastewater, and stormwater services through the council via an internal water services business unit or cost centres, and to explore establishing a joint water services organization to improve economies of scale.

Subject: "Why we're proposing a WSCCO... introduces independent expert governance"

My comment: The management and delivery of wastewater, drinking water and stormwater services is a straightforward utility function that does not require, and is unlikely to benefit from, "independent expert governance". Effective management and delivery is best supported by proper funding including metered charges for drinking water, and operated by a competent engineering-led in-house team. The government-led push for corporatization is a distraction from any necessary improvements that could be implemented to QLDC's current management and delivery of services.

Subject: "Minimising the cost to households for water services in the long term"

My comments: (1) The costs presented in the proposal documents seem to depend on water charges and loan repayments that differ in the in-house versus corporatized options. The document "Our Water Done Well in the Queenstown Lakes District, Summary June 2025" states "With less debt and less costs associated with interest on borrowing, household water charges with a WSCCO are estimated to drop below the in-house model." The documents don't explain why different water charges and loan repayments were assumed for the two options. Why cannot QLDC implement the water charges and loan repayments that are assumed for the corporatized option?
(2) The establishment and operation of a new corporation to manage and deliver wastewater, drinking water and stormwater services will incur additional costs of directors, executive officers, managers, and all the support functions that a corporation needs (HR, etc.). These additional costs will be covered by water charges, which means that the cost to households is likely to increase if like-for-like debt scenarios are assumed.

Subject: "Other considerations included a solution's ability to attract and retain the best staff, adapt to changing requirements without disruption, provide for effective and efficient management and delivery of water services, maximise public value and minimise waste, and enable community interests and priorities"

My comment: The study is based on an unstated and unjustified opinion that a small corporate organization would be capable of, and will choose to do, all of the itemized things better than a council organization. That opinion is faulty. The proposed corporation would be small and would lack the efficiency of scale of QLDC (even though QLDC is itself a comparatively small organization). QLDC would also suffer a permanent reduction in economies of scale, which the consultation documents only tangentially cover under the subject of stranded assets.

Subject: "free from political influence"

My comment: There is a total absence of explanation in the consultation documents on this topic. Maybe it is a criticism of councilors currently or potentially interfering with QLDC's management functions. In this case, it is a matter that applies to all of QLDC's management functions and the solution should be to try to reduce any harmful political influence within the QLDC itself across all of its functions. On the other hand, when one considers parliamentary political influence, corporatization of water services can be seen as preparation for a future politically-motivated mandate from the government to sell this public service corporation to private interests. That would merely require an amendment to the Local Government (Water Services Preliminary Arrangements) Act 2024. As that action aligns with the known ideology of at least one of the present coalition government's constituent parties, it is a foreseeable risk that should have been considered in the consultation study but was neglected. This consideration would have flipped the conclusion on political influence from positive to negative for the corporatization proposal. There is strong public opinion in New Zealand against privatization because privatization of public services has led to poor outcomes in other instances. Regardless of the wording of the current legislation, this must be considered.

Subject: "household water charges with a WSCCO are estimated to drop below the in-house model"

My comment: This estimate depends on differing assumptions on water charges and debt repayments, which are not clearly justified in the documents. The conclusion could be reversed simply by applying different assumptions on water charges and debt repayments by QLDC versus a corporation. Therefore the purported benefit of a corporation seems to have no real basis. See also my comments above on a similar purported benefit presented on the web page https://letstalk.qldc.govt.nz/our-water-done-well.

Subject: "Local Water Done Well is the current Government’s policy to address Aotearoa New Zealand’s water infrastructure challenges"

My comment: It seems inadvisable to make expensive and irreversible politically-motivated changes to QLDC's management and delivery of wastewater, drinking water and stormwater services based on legislation introduced to overturn a previous reform, as this reform may itself be overturned by a subsequent government. Nothing in the consultation documents leads to a conclusion that the current management and delivery organization is fundamentally flawed. The better option is to maintain the current management and delivery organization and make incremental improvements where possible.

Subject: "Our district is a high user of water"

My comment: While I suppose a significant reason for high water usage is the large amount of tourist accommodation, effective management and delivery is best supported by proper funding including metered charges for drinking water, and operated by a competent engineering-led in-house team. Metered charges for drinking water with progressive unit rates would provide fair allocation of charges to the various classes of consumers. Any improvements in this aspect of management are best managed by QLDC rather than a corporation, which might tend to favour major customers over households, and not reward reduction in water usage. A corporation would also tend to favour revenue-generating activities and neglect other aspects, perhaps stormwater infrastructure for example.

Subject: "The proposed WSCCO... would be governed by its own independent specialist board and management"

My comment: An obvious consequence of having an independent board and management is the cost of paying the board members and managers. These costs have been obfuscated by the focus in the consultation documents on the costs of the (arbitrary) borrowing assumptions. If the provision of water services is corporatized, these added costs will be passed on to the residents and businesses that use water services.

Subject: "The developing legislation, through the LGWS Bill, will prevent a WSCCO from being privatised"

My comment: Full ownership would be the initial condition, but would be subject to any future government's legislative change to divest the holding. The establishment of a corporate entity is a precursor for such a divestment and should be acknowledged as such.

Subject: "QLDC’s current water assets... are currently strategic assets of QLDC"

My comment: Much of the opposition to the previous government's proposed three-waters reforms was centred on the loss by councils of their water assets and how this would hollow out the council organizations and inhibit their asset-backed (or revenue-backed) borrowing. Now, in the consultation documents, the transfer of QLDC's water-related assets and revenue to a new corporation is mooted to improve borrowing capability, even though QLDC will have to underwrite the new entity's borrowing. If borrowing rules are impeding the provision of water services, then QLDC should advocate for amendment of the rules rather than drastic restructuring.

Subject: Advantages of a WSCCO - INDEPENDENT EXPERT GOVERNANCE

My comment: QLDC already governs and manages water services and other public services. The addition of another layer of governance would be an expensive extravagance. Any contention that it would not only pay for itself but also ultimately reduce costs to water services users is highly speculative, possibly politically motivated, and possibly quite wrong.

Subject: Advantages of a WSCCO - FOCUSED WATER SERVICES ORGANISATION

My comment: The proposed fragmentation of the provision of public services will result in a loss of scale and inevitably reduce management cost efficiency for both QLDC and the new corporation.

Subject: Advantages of a WSCCO - STREAMLINED PROCESSES

My comment: Redistribution of responsibilities and non-compliance with existing control systems is not an advantage but is instead a major risk for this proposal. Numerous past case studies could be drawn upon to see the potential for failure.

Subject: Advantages of a WSCCO - INCREASED QLDC BORROWING CAPACITY
My comment: (1) See my comment above on the subject "QLDC’s current water assets... are currently strategic assets of QLDC". In the consultation documents, the transfer of assets and revenue collection is claimed to improve QLDC's borrowing capability, even though QLDC will not just lose water-related assets and revenue but will also have to underwrite the new entity's borrowing. The rationale is unclear and seems to be based on manipulation of borrowing rules rather than on fiduciary duties and real risk considerations. (2) It seems that currently QLDC doesn't plan to increase borrowing and as noted in a footnote of the consultation document QLDC can have its debt limit increased substantially at any time, so the consultation documents' focus on borrowing seems to be largely irrelevant.

Subject: Advantages of a WSCCO - LOWER LONG-TERM WATER CHARGES
My comment: Charges for water services and debt rundown can be set at selected levels by the water services provider, whether it is QLDC or a new corporation. The assumption that a new corporation would set particular levels is arbitrary and therefore not a definite advantage.

Subject: Advantages of a WSCCO - ADAPTABILITY TO CHANGE
My comment: Perhaps here we see the crux of the proposal: "The WSCCO is expected to be more adaptable to future government reforms and emerging opportunities, as it is most closely aligned with Government’s likely future direction." This is a political statement. A future right-wing government might, by legislative change, cause QLDC to divest the holding. The establishment of a corporate entity is a precursor for such a divestment and should be acknowledged as such. Whether this outcome is seen as an advantage or disadvantage depends on one's political leaning, but past instances show that there are significant risks in proceeding along this road, not addressed in the consultation documents. Retaining in-house provision of water services would provide the most flexibility to adapt to any future change other than privatization.

Subject: Disadvantages of a WSCCO - SEPARATION OF SERVICES
My comment: A new corporate entity would not only add complexity compared to an in-house mode, but diminishment of direct accountability and higher costs.

Subject: Disadvantages of a WSCCO - REDUCED COMMUNITY INVOLVEMENT
My comment: Less control and less direct accountability to the community.

Subject: Disadvantages of a WSCCO - HIGHER SHORT-TERM WATER CHARGES
My comment: This is just a guess about how corporate managers might go about their business. Actually corporatization often leads to higher costs for users of public services, so an assumption of higher water charges in both short- and long-term would be more reasonable.

Subject: Disadvantages of a WSCCO - STRANDED COSTS FOR QLDC
My comment: Fragmentation of an organization providing public services (QLDC) would inevitably create inefficiencies. If corporatization of water services would really be beneficial, why stop there? Why not do the same for roading and transport services, parks and recreation services, and QLDC's other functions?

Subject: Impact on debt
My comment: (1) The perceived benefit of corporatization is entirely dependant on central government-imposed debt rules, which are currently contrived to favour corporatization in order to align with the current government's ideology. Another government could choose to amend the rules to provide a level playing field for councils and council-owned corporations. Therefore this perceived benefit of corporatization is unreliable and should be given minimal weighting, if not totally discounted. (2) QLDC should increase water charges to cover debt drawdown, just as the consultation proposal anticipates a new corporation would do.

Subject: Advantages of retaining water services in-house - INTEGRATED ACTIVITIES
My comment: As noted, integration is critical (not just nice to have) for many of the council's key functions.

Subject: Advantages of retaining water services in-house - ORGANISATIONAL SCALE
My comment: QLDC's current advantages of scale would be decimated by the proposed fragmentation, leading to higher costs to ratepayers.

Subject: Advantages of retaining water services in-house - COMMUNITY INVOLVEMENT
My comment: Local democracy is important, even though it leads to some inefficiencies.

Subject: Advantages of retaining water services in-house - LOWER SHORT-TERM WATER CHARGES
My comment: I advocate metered supply charges for drinking water at progressive unit rates that are sufficient to properly fund the water services.

Subject: Disadvantages of retaining water services in-house - MISALIGNED ACCOUNTABILITY
My comment: Corporatization will provide even more dispersed accountability and opportunity for people to point their fingers at others.

Subject: Disadvantages of retaining water services in-house - DILUTED GOVERNANCE AND FOCUS
My comment: This is confusing. A dispersion of accountability is a disadvantage of

corporatization, not of in-house provision of services.

Subject: Disadvantages of retaining water services in-house - COMPLEX ADMINISTRATION
My comment: Carving out water services would simplify and shrink QLDC, but the costs include loss of scale and an overall increase in managers and staff when those of the new corporation are added to those of QLDC. Administration would actually be more complex for the corporate option due to several more layers of governance and management overall.

Subject: Disadvantages of retaining water services in-house - HIGHER-LONG TERM CHARGES
My comment: This outcome appears to be entirely predicated upon different assumptions on repayment of debt, that could equally well be applied to QLDC as to a corporation.

Subject: LIMITED INVESTMENT CAPACITY FOR OTHER SERVICES
My comment: As noted in a footnote of the consultation document, QLDC can have its debt limit increased substantially at any time. Presumably QLDC has not done so because QLDC doesn't have a pressing need to increase borrowing capacity.

Subject: Impact on debt. Option 2 (In-house): Projected QLDC debt profile
My comment: The chart of QLDC debt profile shows that from 2031/32 QLDC's borrowing headroom would increase steadily, and by 2033/34 total debt would level off (and presumably fall thereafter). Noting that 2031/32 is only four years after management and delivery of water services would have alternatively been transferred to a corporation (in 2027/28), the debt consideration is a relatively short-term matter and should not be a driving factor. And QLDC could pay down debt more quickly, funded by increasing water-services-related revenue, if it so chose.

Subject: Impact on rates and charges for water services
My comment: Rates and charges for water services are adjustable to attain any desired outcome regardless of which service delivery model is selected. The corporate model will have greater overhead costs, which would be built in to rates and charges for water services.

Subject: Section 5: Comparison of our two options - Level of debt
My comment: Where did these numbers come from? The numbers are totally unrelated to the charts presented in Sections 3 and 4. This inconsistent presentation of data implies that parts of the document may have been edited to present a certain outcome, which is very concerning.

Subject: Section 5: Comparison of our two options - Rates and Water Charges 2024 – 34 / 2034 – 44 / Headroom available for non-water expenditure
My comment: As per comments of Sections 3 and 4 of the document, rates and water charges can be set to achieve a desired outcome regardless of corporatization or retention in-house.

Subject: Summary of Option Assessment
My comment: Presumably QLDC previously assessed the previous government's proposed three-waters reorganization and had substantive discussions with other councils on

implementation. I assume such a reorganization is still an option if QLDC and other councils agreed to combine their resources in that manner. It would have been interesting to see this option compared to others in the consultation document.

Subject: Decision Making and Control
My comment: It appears that a major perceived advantage of corporatization is that councillors would take a hands-off approach to the provision of water services (rather than suppressing revenue as they apparently do now). However, the document "Our Water Done Well Consultation Document, June 2025" Section 3 states "Councils can decide to require the WSCCO to incorporate their feedback or to give the council the final approval of a Water Services Strategy". So there seems to be no guarantee that councillors will not influence or dictate limits on revenue collection, and therefore this major argument for corporatization is invalid.

My comment: There is a perceived bias in the scoring. Examples: (1) "Appeal to high-quality governance candidates" is irrelevant because QLDC is an established entity with built-in governance without a need for additional governance overhead, so this subject should be a negative for the WSCCO option; (2) "Ensure reliable delivery of water services" is an unjustified assumption that continued in-house provision would be substandard instead of on a par with the WSCCO option; (3) "Readily enable requirements to be fulfilled to a high standard" implies that the council organization’s future performance would be substandard, but future performance will be subject to oversight (and possible intervention) by the central government, so a significant shortfall is unlikely; (3) "Maximise outputs with available inputs" assumes that a smaller organization will be more efficient, but a small single-purpose corporation will have no flexibility to reallocate staff and resources across departments to match fluctuations in demand, so will be less efficient. And so on for every item where in-house is scored lower than WSCCO.

Subject: 2. COMBINED RESULTS and 3. MODEL DESIGN SENSITIVITIES
My comment: Results are subject to the debatable scoring of the individual assessment subjects and therefore could be quite different if a different bias (or no bias) was applied.

Reference: ATTACHMENT F: ADDITIONAL TESTING RESULTS
My comment: This sensitivity study shows that even with the debatable scoring of the individual assessment subjects, relatively minor tweaks to the methodology can result in a reversal of the conclusion such that sometimes in-house options out-perform corporatization.

Concluding comments
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(1) The consultation documents contain several instances of the unexplained phrase "political influence". Am I right to guess that the perceived problem is suppression of water-services revenue and funding by some councillors? I disagree that fragmenting the council's operations

is a good workaround to any councillors' opposition to increasing water-services charges. As per my comment above on the subject "Decision Making and Control", avenues for disruptive political influence remain in the corporatization proposal, and as commented above on the subject "free from political influence", national-level political influence is a major risk of the corporatization proposal.

(2) The consolidation of water services into larger organizations as proposed in the three-waters reforms would keep prices lower by achieving economies of scale. The current corporatization proposal would achieve the opposite outcome, and is the worst of all options.

(3) Other councils also considered the option of setting up a water services organization but rejected the option because benefits would be unlikely and higher costs would be incurred associated with running a separate water services organization. This is an obvious conclusion. QLDC's consultation documents do not provide sound justification why QLDC should not concur with the obvious conclusion.

Submission from Cath Gilmour:

Thanks for the opportunity to make this submission.

I opposed the recommendation contained in the consultation document and instead would support an in-house system, substantially improved from the existing one, with clear guidance that staff should also seek collaboration with other councils to reduce costs and share expertise.

Briefly, my reasons for opposition include:

Cost:

The cost of a separate board and new entity, both in initial planning and implementation and ongoing opex would be higher than an in-house model.

Control:

Loss of community and governance control.

Transparency and accountability;

LGOIMA does not define CCO responsibilities under this vital tool for transparency and accountability and the proposed water services delivery bill appears to reduce them. It is problematic enough with Council, when agendas are public, meetings are open and recorded and LGOIMA responses are supposed to be full and timely. To lose this would aggravate the current state of distrust in Council, which would not be good for governance, council staff or our community. The ability to delegate decision-making to subcommittees, which are then not subject to LGOIMA requirements, is antithetical to transparency, accountability and democracy.

Singular focus mitigates against full context decisions:

QLDC has a wide range of functions, many of which are essential, including three waters. However, by splitting out three waters investment decisions, it would risk unwise long-term decisions that do not take the full context of local government responsibilities and indebtedness into account.

Hiding of debt levels:

Removing three waters debt from the Council balance sheet does not remove liability for that debt from our community. It just hides it. Which potentially leads to unwise levels of overall debt, without full governance or community cognizance. And yet our community, through our council, remains the final guarantor for that debt should things go belly up.

This liability is cutely expressed and then dismissed by the statement "this support could be identified in our financial notes but not listed as a debt because it's unlikely the WSCCO would default".

Rather than opt for this option to allow greater debt to be taken on, QLDC should lobby for government to better fund the services it requires our small community to provide for the good of the national economy. Bed tax, share of GST… not long-term financial unsustainability.

SOE/SOI process is inadequate and opaque:

Every year, we see the inadequacy of the statement of expectations and statement of intent process when this occurs with QAC. There is little opportunity for governance to shape either statement of expectation or intent. And almost zero for the community. So the CCO runs the roost and decides the objectives. As we have seen with QAC, they (CCO's and CCTO's have similar controls in this respect) can fundamentally ignore governance directives contained in the statement of expectations. And then, despite Councillors' powers under the LGA to compel CCO's to obey their governance directives (in terms of both financial and non-financial strategic objectives), they do not. Primarily, perhaps, because the agenda items on the SOE/SOI do not acknowledge this power and ELT staff strongly resist any suggestion councillors should exercise it. Which leaves the CCO as rule and map maker, with QLDC bending the knee to its supposedly greater knowledge. Nor, judging from our QAC experience, has the community consultation been run in an independent and objective manner – feedback it does not agree with their objectives is ignored and left out. If this model does go ahead, consultation should be run by the council not by the CCO which is not an independent, disinterested party.

Response to consultation document re-supposed advantages/disadvantages of each model (in the order given)

Advantages of WSCCO response:

- Independent advisers could, if necessary, still be employed to advise councillors to ensure the same skill level, but operating within a more holistic district context. For example, knowing where and when roads are being built/dug up so that pipes can be worked on/installed at the same time. Or where swales would work better. Based on grounded knowledge of Spatial Plan et cetera.
- Same as above – that is what the Long Term Plan and Infrastructure Plan is about. But again, this long-term planning and resource allocation should be within the picture of Council's overall mandated responsibilities.
- Streamlined processes should be applied within Council also.
- I seriously query whether the ability to increase QLDC's borrowing capacity by 606% is more of a benefit than a threat.
- Adaptability to change – there is no reason why council could not be equally closely aligned with government's likely future direction, but also perhaps able to influence it if this is counter to district interests.

Disadvantages of WSCCO response:

- Separation of services – this is a serious issue. Water services are an important local government service, but they are just one part of the overall planning/implementation picture. Separating their strategy and management out from Council would seriously fragment holistic planning and implementation.
- Reduced community involvement is antithetical to Treaty of Waitangi obligations and LGA principles of democratic community participation. The ongoing toxic outfall fallout clearly shows that the current system is far from ideal, but a WSCCO would risk even worse opacity and consultation.
- In 10 year plan horizons, the first three years' forecast is reasonably good, but from then on, it's fairly hypothetical. To base a decision on supposed reduced costs a decade ahead is unwise.
- There seems to be no quantifying of stranded costs and the gradual transition model is inherently vague, in terms of costs and impacts.
- It's interesting that the only time the reality of a joint debt (QLDC and WSCCO) is when the staff-preferred model might be saving money.

It's also interesting that under "establishment considerations" reference is made only to the statement of expectations, not statement of intent, which would be the formal agreement. This process has not worked well with QAC. For instance, the timing of the final SOI being accepted does not give time for meaningful input from either community or council. And the ability to "require" adherence to the SOI has never been applied, largely because the senior management team has advised against ruffling the commercial board's feathers.

QLDC retention of water services

It is good to see in the second paragraph that analysis of this option "has assumed that changes to optimise performance are made". Thank goodness for that.

First, because this recognises that the current in-house water service provision is far from optimal. And secondly, that it could be done well within Council, given the right staff/management, the right objectives and the right governance.

Although commentary on the LGWS bill is vague, we should be able to assume that the same statutory objectives and financial principles would apply whether it be a WSCCO or an in-house model. So it's just a question of whether those changes made to comply with the new legislative and regulatory frameworks would be done within Council, with visibility to councillors and community, or behind the closed doors of a CCO.

Advantages of retaining water services in-house response

- I agree with the integrated activities advantage, which is substantial and necessary.

- Agree with organisational scale advantage, and also continuity of staff/systems.
- Community involvement shouldn't be just councillors, nor only at election time. The current disposal field outfall saga, and the negative impact that has had on community trust of Council (staff and contractors, not just councillors), shows this has to be better handled going forward. There is more chance of this if it is retained in-house than if it is handed over to an opaque body not subject to local government transparency and objectives.
- Agreed.

Disadvantages of retaining water services in-house response

- This argument of "misaligned accountability" is absolutely false. Council is liable for water service decisions, as shown by the recent ORC fines imposed for the treatment plant/outfall failures. It is also more publicly accountable to the community – even if only eventually, mostly, and after a lot of public and media pressure. WSCCO liability is underwritten by the requirement that Council pay debt should it fail. Which is not really a liability for the WSCCO at all. There would be little if any visibility of WSCCO water service decisions, because they are not subject to full LGOIMA requirements.
- Diluted governance and focus – staff focus can be ensured through the suggested separate water services directorate. And the governance job is to oversee the entire context, which does require juggling and competition for resources. The point is, local government is responsible for the whole picture, and decisions should be made within that context.
- Complex administration – so the answer surely is, focus those responsibilities in the water services directorate as suggested. If the current model doesn't work, change it. Not all staff need to understand those "different and changing requirements" – just those responsible for it. Surely there should be some respect for the capacity of your staff and our councillors to juggle more than one ball at a time?
- As already said, little credence should be given to forecast charges/income a decade ahead. Many things will have changed by then. Council's LTP process always recognises this, by explicitly acknowledging that forecasts beyond the three year horizon are not reliable.
- Limited investment capacity for other services – this might indeed be an issue, but equally, the opposite. The capacity to take on excessive debt because of the pretence that this debt doesn't actually rest with Council is far more serious. This also provides an impetus for council to advocate strongly to government that other income opportunities are required. For instance, bed tax and/or a share of the GST that we disproportionately raise for the country.

What's missing from your advice?

I'm sure there's quite a bit, but not having an extra week to delve deep, I will just mention the obvious one.

I don't see any suggestions in this consultation document that there are other options that could improve water service delivery in terms of costs and efficacy. Some have been suggested, for instance, in a report for the Dunedin City Council covered in today's Otago Daily Times. This suggested:

- sharing some services with Christchurch,
- bulk procurement of smart meters, chemicals and pipes,
- sharing expertise,
- peer reviewing documents to reduce reliance on contractors and consultants,
- creation of standardised documentation for project management to streamline operations,
- joint development of water safety plans to avoid duplication,
- collaborative work on condition assessment of ageing infrastructure.

These could best be done under a WSCCO.

Perhaps a salutary lesson, in terms of the need to retain Council and community control over water services, comes from Thames Water. I acknowledge this is privatised rather than a CCO, but it does stand as a warning of what can happen when local government objectives, governance, transparency and community input is removed. The result in this case is £20 billion of debt, crumbling infrastructure, ongoing sewage outfalls:
https://www.bbc.com/news/articles/cgeg5vy9q8eo

In conclusion, I ask that councillors reject the WSCCO and instead opt for an in-house delivery model, with substantial improvements on the current model and instruction to look at additional steps to improve efficiency and efficacy through collaboration, as per the above suggestions.

Thank you for your consideration.

Ngā mihi

Cath Gilmour

Submission from Alan Dippie

Fundamentally, Willowridge believes water services should be a core function of a District Council. The three water services (water, wastewater and stormwater) already constitute a large part of Council operations and overlap with many other functions of Council. Setting up a new Water Services Council Controlled Organisation (WSCCO) would be an entirely inefficient approach to managing these services resulting in a fragmented overall service, unnecessary duplication of staff resources and overall costs and would ultimately end in failure. As QLDC learnt through the Lakes Environmental CCO exercise, Councils core functions such as water services, roading, policy and planning and so inextricably linked the only effective way of managing them is in-house.

Willowridge has reviewed the consultation documents and considers them to be woefully scant on detail considering the importance of the decision the community as being asked to provide feedback on. The consultation documentation does not, for example, consider the impact on developers. It does identify that there are 'efficiencies' in the in-house approach in terms of resource consents and land development. Willowridge submits that these 'efficiencies' are a critical part of planning and development in the District. Building a subdivision, from the planning stages to issue of title, is a complicated, expensive and drawn-out process. By moving water services to a CCO, this process will no doubt become even more complicated, more expensive and time consuming. There are a huge number of synergies between water services and other areas of Council when it comes to subdivision and development. To separate water services into a separate organisation would be disastrous. The consultation document does not go into any detail on these.

Issues that need to be considered are:

- Time and charges for resource consent processing;
- Overlap with other engineering aspects, such as road design;
- Subdivision inspections;
- Development contributions – how will these be paid, will there be any transparency in spending, will developers be consulted on or have the opportunity to challenge development contribution levy's;
- Vesting and management of stormwater reserves or multi-purpose reserves i.e. access and stormwater.

The whole slant of the consultation documentation seems to be the cost saving benefits of the CCO. Ultimately, this cost saving to the ratepayers seems to be long-term, marginal and is based on unreliable and narrow inputs. Willowridge considers a more likely outcome will be increased costs to the ratepayers. Willowridge strongly suspects a driving force behind the establishment of a CCO is an attempt to deflect risk and responsibility away from both Council staff and other elected officials whom have faced increased scrutiny over several infrastructural failures in recent times.

The establishment of a CCO merely blurs the lines of the above factors and should not be considered. Willowridge is wholly opposed to the creation of a CCO and supports the retention of water services in-house