

Full Council

23 July 2026

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

Department: Property & Infrastructure

Title | Taitara: Water Demand Management Programme Business Case

Purpose of the Report | Te Take mō te Pūroko

The purpose of this report is to summarise the Water Demand Management Programme Business Case (PBC) and gain Council agreement in principle to the direction and preferred scenario set out in the Water Demand Management PBC. The preferred scenario has five projects, and the report seeks Council direction to officers and the Water Services Council-Controlled Organisation on each of these.

Recommendation | Kā Tūtohuka

That the Council:

1. **Note** the contents of this report;
2. **Agree in principle** to Option 2 Scenario 2 as set out in the Water Demand Management Programme Business Case;
3. **Note** that aspects of the Water Demand Management Programme Business Case will be subject to Water Services Council-Controlled Organisation decision-making;
4. **Note** that Water Demand Management Programme Business Case sets out five projects:
 - a. **Direct** officers implement Project 1 (Council Measures) including water audits for open space irrigation and Council facilities;
 - b. **Direct** officers progress Project 2 (Education) to develop a communications strategy, as a part of this officers will agree communications responsibilities between Queenstown Lakes District Council and the Water Services Council-Controlled Organisation, for both water conservation generally and communications specific to volumetric charging;
 - c. **Direct** officers progress Project 3 (Regulation) with report back to Council by June 2027 on approach to increasing active management and enforcement of the excessive use clauses under the Integrated Three Waters Bylaw 2021 and Administration Manual;

- d. **Direct** officers progress Project 4 (Active Leak Management) with procurement for District Metering Area improvements, leak detection and repair; and that Council and Water Services Council-Controlled Organisation work through hand over of this work as a part of the establishment programme;
 - e. **Note** Project 5 (Universal Metering) will be led by the Water Services Council-Controlled Organisation, and direct officers to work with the WSCCO to support progressing this project including development of a detailed business case for metering roll out by the WSCCO;
5. **Note** that Council officers and the Water Services Council-Controlled Organisation will work collaboratively over FY27 to progress the projects within the Water Demand Management Programme Business Case: and
6. **Note** that over FY27 Council will progress accelerated works within existing Long Term Plan capital funding, with an initial focus on the Lake Hayes scheme due to extremely high leakage, and that this work be progressed in a way to ensure learnings that can be applied by the Water Services Council-Controlled Organisation in broader metering implementation.

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6 July 2026

Context | Horopaki

1. The Queenstown Lakes District is one of Aotearoa New Zealand's fastest growing regions and its per capita water consumption, at an average of over 500 litres per person per day, is one of the highest in the country. This high demand places significant pressure on our water supply infrastructure and a substantial financial burden on communities. The excessive demand for drinking water over the peak summer period jeopardises our ability to supply safe drinking water to communities.
2. Council has historically addressed increased demand through upgrading water supply infrastructure with new intakes, bigger reservoirs and increased reticulation. It is costly to address excessive demand by adding capacity; and sizing infrastructure to meet peak summer demand means that water assets are under-utilised for most of the year. Some schemes are limited by the availability of raw water supply (particularly our bore water sources) and consent limits have been breached¹ over the summer period.
3. The current water charging model provides no incentive for efficient water use and the cost of meeting peak water demand is inequitably distributed across customers and communities. Findings from the Hāwea Smart Meter Pilot indicate that, in 2025, 9% of meters were extraordinary water users (more than 2000 litres per day) and accounted for 44% of residential water consumption, while 30% of meters used less than 300 litres per day. Most schemes follow this pattern where a small number of customers with very high water demand consume a disproportionate percentage of the peak water use.
4. This business case was commissioned in response to escalating pressures on water supply in the district driven by seasonal peak demand, high levels of network leakage, population growth and tourism. It supports Council's transition toward universal metering and demand-based management ahead of the establishment of a Water Services Council Controlled Organisation (WSCCO) in July 2027.
5. The purpose of the PBC is to identify, assess and recommend a package of demand management measures that deliver the best value for money while supporting statutory, service-level and long-term sustainability objectives for water supply services.
6. A Programme Control Group (PCG), with representatives from Property & Infrastructure, Finance, Policy and Communications, has been consulted throughout the business case development to provide strategic direction, technical oversight and support decision-making. The Programme Director and the establishment team for the WSCCO have been briefed and Council officers will continue to work collaboratively with the establishment team over the next 12 months. The Asset and Infrastructure Committee received an update on the water demand management programme at its workshop on 2 June 2026 (Attachment A).

¹ [Quarterly Highlight Report December 2024](#), [Quarterly Highlight Report June 2025](#), [QLDC Infrastructure Compliance Update to Asset & Infrastructure Committee \(5 March 2026\)](#)

Analysis and Advice | Tatāritaka me kā Tohutohu

7. A rigorous, staged options analysis process was undertaken with PCG oversight, in line with Treasury Better Business Case Guidance. This was done to ensure that Council can demonstrate to regulators that it is choosing the best value for money option to solve the water demand problems faced by the District.
8. An initial long-list of 56 potential water demand management measures was narrowed down through screening and multi-criteria analysis, resulting in 15 shortlisted measures as listed below:
 - Education on outdoor use for residential properties;
 - Customer communications to raise awareness, improve water literacy, and build a conservation ethic;
 - Management of excessive use under the bylaw – update to enable better management and enforcement of the excessive use, leakage and wastage clauses;
 - Council open space irrigation audit and retrofit;
 - Improve monitoring, leak detection and repair;
 - Mandatory school water use audits;
 - Voluntary hotel audits;
 - Metering and volumetric charging – rollout to prioritise schemes with highest summer peak demand and/or exceeding consented water take;
 - Leak repairs and remission policy – remission of volumetric charges on proof of repair;
 - Council open space irrigation optimisation;
 - Network pressure management – prioritise schemes with highest leakage;
 - Non-potable water for construction;
 - Mandatory Council facility audits;
 - Water efficient landscape design standards; and
 - Mandatory irrigation audits for large users.

9. The shortlisted measures were further evaluated using cost benefit analysis and their contribution to other water supply network objectives. The measures were then placed into four programme scenarios of increasing pace and ambition, as outlined in the options section. The selected measures for the recommended programme (Scenario 2) are grouped into five projects:
- a. **Council measures:** Council open space irrigation audit and retrofit; Council open space irrigation optimisation; and Mandatory council facility water audits including operational use.
 - b. **Education:** Residential outdoor water efficiency education programme; and Customer communication programme.
 - c. **Regulatory:** Excess water use and enforcement; and Leak repair and remission policy.
 - d. **Active leak management:** District Meter Area monitoring improvements and proactive leak detection and repair.
 - e. **Universal metering:** Universal customer metering and volumetric charging.
10. Water charge reform was assessed separately, with programme scenarios developed by combining the strongest measures to identify the most effective and cost-efficient demand management approach. See the Economic Case for details on the options analysis process (Attachments B and C). The costs are presented for the full programme over the next 30 years.

Roles and responsibilities of Council and the WSCCO across the five projects

11. The Council and the Executive Leadership Team (ELT) is responsible for programme governance and management until 1 July 2027, when the WSCCO is operational. The Annual Plan has budget of \$5.5 million for this work. From 1 July 2027 onwards, responsibility for the programme transfers to the WSCCO.
12. Clear delegation and good communication across the Programme Manager, Property & Infrastructure Governance, ELT and the WSCCO Board over the next year will support timely decisions on scope, budget, procurement, resourcing, costs, schedule and risk. A collaborative approach is essential to maintaining momentum as decision making responsibility shifts from the Council to the WSCCO.
- **Project 1 – Council measures** – led by Council and fully implemented by Council;
 - **Project 2 – Education** – initiated by Council, communications strategy to be developed by Council and WSCCO, to be implemented by the WSCCO;
 - **Project 3 – Regulatory** – bylaw responsibility remains with Council therefore updates to the Integrated Three Waters Bylaw will be led and implemented by Council, however, some administration and enforcement functions may later be delegated to the WSCCO;

- **Project 4 – Active leak management** – led and implemented by Council (building on existing initiatives and focusing on high priority schemes) and then handed over to the WSSCO;
- **Project 5 – Universal metering** – led by the WSSCO, Council to update Code of Practice for new development to require smart meters, Council and WSSCO to initiate Detailed Business Case for smart meter rollout, WSSCO to implement universal metering and volumetric charging.

13. This report identifies and assesses the following reasonably practicable options for assessing the matter as required by section 77 of the Local Government Act 2002.

14. Option 1 Scenario 1 – Basic: Non-metering only; leakage management, enforcement, Council-led measures. Foundational demand management measures that can be implemented ahead of WSSCO establishment, focussing on strong cost-effectiveness with immediate impact and low implementation complexity. All council-focused measures are included so that Council is leading by example.

Advantages:

- Lowest total cost at approximately \$20.5 million.
- Highest benefit-cost ratio (8.5), reflecting the lower cost base.

Disadvantages:

- Lowest water demand reduction (1.4 million m³/year).
- Will not sufficiently mitigate the risks to the supply of safe water over the summer peak demand period.
- Does not respond to Government policy direction and new legislation that strongly emphasises metering and volumetric charging.

15. Option 2 Scenario 2 – Basic, plus metering: Scenario 1 plus universal metering and leak repair remission. Metering is staggered across five, one-year phases, from July 2028, at a rate of 3,500 per annum.

Advantages:

- Delivers much higher water savings, at 4 million m³/year.
- Mitigates risks to the supply of safe and reliable drinking water services over the peak summer demand period.

- Aligns with policy, regulatory and legislative signalling towards metering and volumetric charging.
- Represents a strong balance between affordability, impact, and deliverability.

Disadvantages:

- Cost with the addition of metering increases almost fivefold to \$99.7 million.
- Implementing metering and volumetric charging creates a higher risk profile with uncertainty as to infrastructure readiness and impact on revenue.

16. Option 3 Scenario 3 – Do more: Broader coverage including mandatory audits (schools, irrigation, hotels), at a rate of one customer type per annum, and pressure management on a scheme-by-scheme basis. Metering roll out rate same as Scenario 2. Continue with assessment for all identified options.

Advantages:

- Same water saving and strategic alignment advantages as Scenario 2, with annual water savings higher still at 4.2 million m³/year.
- Broader coverage of measures, e.g., audits in school, irrigation and hotels, could increase community awareness and buy-in.

Disadvantages:

- Same cost and risk disadvantages as Scenario 2, with costs increasing to \$118.6 million.

17. Option 4 Scenario 4 – Do more, faster: Same as Scenario 3 but accelerated delivery timetable. Metering is staggered across three, one-year phases at a rate of 5,000 per annum. Audits are implemented simultaneously.

Advantages:

- Same water saving and strategic alignment advantages as Scenario 2, with annual water savings higher again at 4.3 million m³/year.
- Faster rollout yields marginal efficiency and cost gains compared to Scenario 3.

Disadvantages:

- Same cost and risk disadvantages as Scenario 2, with costs increasing to \$119.1 million.
- Faster rollout introduces higher delivery risk.

18. This report identifies and assesses the reasonably practicable programme scenario options as required by section 77 of the Local Government Act 2002. A 'do minimum' scenario, i.e., continuing with the status quo, was ruled out for failing to meet the Council's core legislative requirements as set out in the Strategic Case. The costs are presented for the full programme over the next 30 years.
19. This report recommends **Option 2 Scenario 2 – Basic, plus metering** for addressing the matter because:
- It is consistent with the Council's 2025 Water Services Delivery Plan, approved by the Department of Internal Affairs in November 2025, which signals a clear commitment to volumetric charging;
 - Universal customer metering with volumetric charging delivers the largest absolute water savings of any shortlisted measure by a significant margin, and metering enhances efficacy of other measures such as leak detection, excessive use and enforcement, and water audits;
 - The reduction in drinking water consumption contributes to both public health and environmental benefits; and
 - Scenario 2 has the highest benefit-cost ratio of the metering scenarios, delivering high water savings for the lowest cost.
20. Scenario 2 also has lower complexity than the other metering scenarios, which reduces risk profile through delivery.

Consultation Process | Hātepe Matapaki

Significance and Engagement | Te Whakamahi I kā Whakaaro Hiraka

21. This matter is of low significance, as determined by reference to the Council's Significance and Engagement Policy 2024 because while future decisions on volumetric charging may be of high community interest, this report is not requesting a decision from Council in this regard. Projects (1) through (4) are not considered to have a large impact on the significance criteria such as community interest and importance to the district. Project (5) (metering) may be assessed as high significance due to high anticipated community interest and impacts on Council/WSCCO capacity and capability. However, this project will be carried out by the WSCCO, with public consultation planned to precede, and inform, the detailed business case.
22. The persons who are affected by or interested in this matter are residents and ratepayers of the Queenstown Lakes district community, local businesses and schools, Council facilities and visitors. Community consultation is anticipated in advance of final WSCCO-led decisions on the future water charging model.

Māori Consultation | Iwi Rūnaka

23. It is acknowledged that Mana Whenua have a high interest in water management. The Council will consult with Kāi Tahu rūnaka in addition to the public consultation outlined above.

Risk and Mitigations | Kā Raru Tūpono me kā Whakamaurutaka

24. Two risk workshops were held with the PCG to identify Programme delivery risks. The main risks have been placed in a risk register (Attachment C) with risk owners, mitigations and controls in place.

- The risk of technical incompatibility could delay implementation and early engagement with the market, using the lessons learned from the smart meter pilots, is required; and
- The risk of unexpected revenue impacts from the introduction of volumetric charging will need to be managed by the WSCCO and will likely be mitigated through financial modelling scenarios, shadow billing trials, iterative pricing adjustments and phased rollouts.

25. 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 (and linked to RISK20014 Extreme demand event results in core infrastructure being insufficient to meet demand). This risk has been assessed as having a very high residual risk rating.

26. This matter is also associated with RISK10006 Ineffective planning for property and infrastructure within the QLDC Risk Register. This risk has been assessed as having a high residual risk rating.

27. Approval of the recommended option will allow Council to reduce the likelihood of this occurring by managing peak demands so that the consumption of water is within the capacity of the water supply network and through the optimisation of existing assets. This will be achieved by reducing excessive use during the summer period, and increased investment in proactive leak detection and repair (across the Council network and on the customer side).

Financial Implications | Kā Riteka ā-Pūtea

28. The total programme cost is estimated at \$131.7 million in real terms over 30 years, equivalent to approximately \$101.9 million present value using a 2% discount rate.² This includes:

- \$60.0 million capital expenditure (capex) over FY26-FY35, including
 - i. \$5.5 million in the approved Annual Plan for Council to deliver water demand management initiatives, working collaboratively with the WSCCO;

² The \$2.1 million difference between Scenario 2 costs in the full programme business case is due to discounted capitalised council project overheads (additional FTE).

ii. \$2.4 million additional project-related Full Time Equivalent resource that will be capitalised

- \$71.7 million operational expenditure (opex) over FY26-FY56.

29. Capex covered by this Council decision is fully funded via 2024-34 Long Term Plan allocations. The remaining gap and largest cost component—metering—is to be resolved through future WSCCO funding arrangements and Detailed Business Case decisions.

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

30. The recommended option is consistent with the principles set out in the named policies:

- Strategic Framework including the Vision Beyond 2050: Our Strategic Framework | Queenstown Lakes District Council
- Significance and Engagement Policy 2024
- Enforcement Strategy and Prosecution Policy 2021
- Travel to a thriving future - A Regenerative Tourism Plan
- QLDC Climate and Biodiversity Plan 2025-2028
- QLDC 30 Year Infrastructure Strategy

31. There is a significant amount of Council and Government policy related to this subject, as outlined in the Strategic Case under Strategic alignment (Attachment C). Water demand management is strongly aligned with legislative and regulatory requirements, particularly the Local Government (Water Services) Act 2025, Commerce Commission information disclosure requirements, and Taumata Arowai standards.

32. The preferred way forward is considered to be the most strategically aligned to Council's policies and strategies as outlined in the Strategic Case.

33. This matter is included in the Long Term Plan 2024-2034, in the Infrastructure | Tūāhaka section.

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

34. There are legislative requirements under the Local Water Done Well reforms, as set out in the Strategic Case, under strategic alignment (Attachment C). This includes the statutory obligation to transition away from rateable-value based charging under the Local Government (Water Services) Act 2025. This Act requires water service providers to use water efficiently and deliver reliable, cost-effective, and financially sustainable services, with requirements monitored by the Commerce Commission.

35. The Water Demand Management Programme has been designed to align with and address relevant legislative requirements.

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

36. 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. The recommendation in this report is appropriate and within the ambit of Section 10 of the Act.

37. The recommended option:

- Can be implemented through current funding under the Long Term Plan and Annual Plan, as actions covered by *this* Council decision are fully funded via the Long Term Plan. Longer term decisions on metering will need to be made by the WSCCO;
- Is consistent with the Council's plans and policies; and
- Would not significantly alter the intended level of service provision for any significant activity undertaken by or on behalf of the Council or transfer the ownership or control of a strategic asset to or from the Council.

Attachments | Kā Tāpirihaka

A	Water Demand Management Briefing 2 June 2026
B	Water Demand Management Programme Business Case – Executive Summary
C	Water Demand Management Programme Business Case (Detailed)

Attachment C is circulated separately.