

Full Council

25 June 2026

Report for Agenda Item | Rīpoata moto e Rāraki take [5]

Department: Strategy & Policy

Title | Taitara: Transition Agreement with QLDC3Waters Limited

Purpose of the Report | Te Take mō te Pūroko

The purpose of this report is to seek Council approval of the Transition Agreement between Queenstown Lakes District Council (the Council/QLDC) and the soon to be incorporated QLDC 3Waters Limited (the Company). The Transition Agreement establishes the decision making and transition framework that will apply from incorporation until the transfer of water services to the Company on 1 July 2027.

Recommendation | Kā Tūtohuka

That the Council:

1. **Note** the contents of this report;
2. **Approve** the Transition Agreement between Council and the Company (attached as Attachment A to this report);
3. **Authorise** the Mayor and Chief Executive to execute the Transition Agreement on behalf of Council; and
4. **Delegate** authority to the Chief Executive to approve any minor drafting, administrative or technical amendments required prior to execution, provided such amendments do not materially alter the intent or effect of the agreement.

Prepared by:



Name: Pennie Pearce

Title: General Manager, Strategy & Policy (Acting)
18 June 2026

Reviewed and Authorised by:



Name: Maseina Koneferenisi

Title: Programme Director (WSCCO)
18 June 2026

Context | Horopaki

1. As part of Council's accepted Water Services Delivery Plan and in accordance with the requirements of the Local Government (Water Services) Act 2025, Council has established the Company as a wholly owned water services council-controlled organisation.
2. The Company will assume responsibility for the delivery of drinking water, wastewater and stormwater services from 1 July 2027 (Day One).
3. Between incorporation and Day One, Council will remain the statutory water services provider and retain responsibility for the delivery of water services, while the Company prepares to assume responsibility for those services.
4. Given the scale and complexity of the transition, a formal framework is required to establish how Council and the Company will work together during the establishment period, including decision-making arrangements, funding principles, governance interfaces and operational support arrangements.
5. A workshop was held with elected members on 5 May 2026 to present the proposed transition framework and the process for development of the Transition Agreement. Following that workshop, and discussions with Council's Executive Leadership, the Transition Agreement was developed with a draft presented to Elected Members at the 16 June 2026 workshop.
6. Feedback from that workshop has been incorporated into the attached agreement. For ease of reference, the agreement is provided with tracked changes, showing the amendments made.
7. The Transition Agreement represents the culmination of discussions undertaken since May 2026 and establishes the framework through which Council and the Company will coordinate activities and manage key decisions during the establishment period.
8. As Council is aware, the agreement is distinct from the Transfer Agreement required under the Local Government (Water Services) Act 2025. The Transition Agreement governs the establishment period, whereas the Transfer Agreement will be agreed between the parties during the establishment period and will identify the transfer of assets, liabilities, responsibilities and operational arrangements effective from Day One.

Analysis and Advice | Tatāritaka me kā Tohutohu

9. This report seeks Council approval of the attached Transition Agreement.
10. The agreement has been developed to provide a clear framework for the relationship between Council and the Company during the establishment period. It establishes a number of key principles that will guide the transition, including:
 - a. Acting in good faith;

- b. Maintaining open communication and a "no surprises" approach;
 - c. Prioritising continuity of water services;
 - d. Supporting timely and effective establishment of the Company; and
 - e. Focusing on long-term community outcomes.
11. The agreement confirms that Council retains responsibility and decision-making authority for water services until Day One, while recognising the Board's responsibility to govern the Company and prepare it for operational commencement.
12. The agreement establishes a Transition Interface Model (TIM) to support coordination between Council and the Company during the establishment period. The TIM provides a structured mechanism for engagement, issue resolution and programme oversight while preserving the respective governance responsibilities of each organisation.
13. A key feature of the agreement is the establishment of a framework for engagement on Major Decisions. This framework requires early engagement with the company where decisions may materially affect:
- a. The future business or financial position of the Company;
 - b. Water service delivery or sustainability;
 - c. Assets, liabilities or transfer arrangements; or
 - d. The Company's ability to operate effectively from Day One.
14. The agreement also establishes the principles that will guide development of the future Transfer Agreement and the preparation of assets, liabilities, information and operational arrangements for transfer.
15. Council support arrangements are addressed, including access to systems, information, operational support, secondments and corporate services necessary to support establishment activities.
16. The agreement records Council's commitment to provide establishment funding consistent with Council's Water Services Delivery Plan and establishes a framework for managing funding requirements during the establishment period.
17. Officers consider that the agreement appropriately balances Council's ongoing accountability for water services with the need to ensure the Company is adequately prepared for operational commencement on Day One and therefore recommend approval of the Transition Agreement.

Consultation Process | Hātepe Matapaki

Significance and Engagement | Te Whakamahi I kā Whakaaro Hiraka

18. This matter is of low significance, as determined by reference to the Council's Significance and Engagement Policy 2024 because the agreement establishes governance and transition arrangements and does not itself transfer assets, alter levels of service or amend Council policy.
19. The persons who are affected by or interested in this matter are residents/ratepayers of the Queenstown Lakes district community.
20. The Council has consulted on its preferred future water services delivery model and the establishment of the Company. The current agreement is implementing that option.

Māori Consultation | Iwi Rūnaka

21. Approval of the Transition Agreement does not alter existing arrangements with mana whenua. Ongoing engagement will continue throughout the establishment programme and transition process. The Transition Agreement recognises the importance of relationships with mana whenua and iwi and requires both parties to engage appropriately in relation to their respective responsibilities.

Risk and Mitigations | Kā Raru Tūpono me kā Whakamaurutaka

22. This matter relates to Council's strategic risks associated with the successful establishment of the Company and the transfer of responsibility for water services. This risk has been assessed as having a low residual risk rating.
23. Key risks include lack of clarity regarding roles and responsibilities and insufficient co-ordination between Council and the Company. Approval of the Transition Agreement mitigates these risks by providing clear governance arrangements, decision-making processes, escalation pathways and accountability mechanisms.

Financial Implications | Kā Riteka ā-Pūtea

24. The agreement does not create funding commitments beyond those already contemplated through Council's approved Water Services Delivery Plan and establishment programme.
25. Any future funding requests outside approved budgets would require separate consideration and approval by Council.

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

26. The following Council policies, strategies and bylaws were considered:
 - a. Water Services Delivery Plan;

b. Significance and Engagement Policy 2024

27. This matter forms part of Council's approved programme to establish a water services council-controlled organisation and implement Council's Water Services Delivery Plan.

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

28. The Transition Agreement has been developed in the context of Council's obligations under the Local Government (Water Services) Act 2025.

29. The agreement does not alter statutory responsibilities held by Council during the establishment period and preserves Council's decision-making authority in relation to water services until Day One.

30. Legal advice has informed the preparation of the agreement.

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

31. 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 Transition Agreement supports these purposes by providing a clear decision making and co-ordination framework for the establishment of the Company while maintaining continuity of water services and protecting community interests throughout the transition period.

Attachments | Kā Tāpirihaka

A	Transition Agreement
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