

ATTACHMENT E: ASSESSMENT RESULTS

1. ASSESSMENT – RATIONALE AND SCORING

This section sets out the considerations and scoring guideline for each criterion, the result of the scoring undertaken by QLDC and the rationale supporting that scoring.

A. Costs to Consumers: How likely is the model to minimise the total cost to households arising from the new 3W regime?

Assessment considered how well the model will...	Inhouse	WSCCO
Minimise the impact on household 3W charges Scoring guideline: Prescribed (scored relative to the lowest NPV of household 3W charges over a ten-year horizon) 1 = 68-100% higher than the lowest NPV; 2 = 34-67% higher than the lowest NPV; 0-33% higher than the lowest NPV	3	3
Minimise QLDC's exposure to stranded costs that need to be recovered from ratepayers Scoring guideline: Prescribed (scored relative to the highest value of stranded costs) 1 = 68-100% of the highest value; 2 = 34-67% of the highest value; 0-33% of the highest value	3	1
Cost to Consumers Score	3.00	2.00
Model design sensitivities?	-	✓

Inhouse	WSCCO
✓ Lowest NPV and annual household water charges until FY34.	✓ Lowest household water charges in the long term
✓ Nil/negligible stranded costs	✗ Highest household water charges in the medium term (\$77 more per year on average).
✗ In the long term annual household water charges will be higher than a WSCCO.	✗ Leaves QLDC with stranded costs of ~\$1.9M per annum after WSCCO establishment

B. People and Capability: How likely is the model to attract and retain the best people to govern and provide water services?

Assessment considered how well the model will...	Inhouse	WSCCO
Appeal to high-quality governance candidates with the best skills and experience to oversee water services Scoring guideline: Subjective - Appeal is expected to be higher where (a) control and accountability are aligned, (b) organisational reputation and sector visibility are positive, (c) there is good ability to influence organisational direction and performance, and (d) remuneration is competitive. 1 = Low appeal; 2 = Moderate appeal; 3 = High appeal	1	2
Achieve a high-performing and resilient resourcing model across all aspects of the asset management lifecycle. Scoring guideline: Subjective - Likelihood of achieving this is expected to be higher where (a) staff have a good ability to influence direction of water services and performance, (b) professional development for individuals is prioritised, (c) workforce development is prioritised, (d) there are opportunities for advancement and broadening of experience, and (e) remuneration is competitive. 1 = Low likelihood of achieving; 2 = Moderate likelihood of achieving; 3 = High likelihood of achieving	2	2
People & Capability Score	1.50	2.00
Model design sensitivities?	-	✓

Inhouse:

- ✓ Governance and workforce appeal: Council retain strategic control through Water Services Strategy and Long Term Plan approval, and staff can influence performance through operations and advice. Governance and career opportunities are attractive due to broad impact and the district's rapid growth.
- ✓ Development opportunities: Being part of QLDC offers staff cross-departmental collaboration and diverse development pathways, especially valuable for leadership growth beyond water services.
- ✗ Accountability gap: Council makes key decisions, but liability rests with staff under the Water Services Act. This misalignment may discourage staff and weakens incentives for water-focused decision-making.
- ✗ Workforce development constraints: Few dedicated water roles hinder succession planning and technical growth. QLDC's scale restricts tailored development for individual disciplines, and budget pressures may reduce future investment in staff development.

WSCCO:

- ✓ Aligned accountability: A WSCCO aligns decision-making with accountability, ensuring Water Services Act liability also rests with decision-makers.
- ✓ Expert governance: Directors would be selected for their expertise, focussed solely on water service performance and sustainability, and free from political influence.
- ✓ Attractive pay and development: Director roles offer strong pay with lighter workloads than Councillors. A WSCCO could provide more flexible staff salaries and targeted water sector training, guided by technically informed directors.
- ✗ Governance and reputation risks: While the Board may operate independently, Council retains reputational exposure and influence, which can limit true autonomy and deter prospective board members and staff.
- ✗ Talent attraction challenges: The WSCCO's small scale and narrow focus may limit its appeal to governance and professional candidates seeking broader scope and complexity – especially amid high sector-wide demand.

C. Operational Efficacy: How likely is the model to provide for the effective conduct of all aspects of water services management and delivery?

Assessment considered how well the model will...	Inhouse	WSCCO
Ensure reliable delivery of water services to a standard consumers can reasonably expect Scoring guideline: Subjective - Likelihood of achieving this is expected to be higher where (a) there is a core focus on three waters with few competing priorities, (b) there is a strong emphasis on leadership, performance, and risk management, and (c) there is a direct and proportionate relationship between control and accountability. 1 = Low likelihood of achieving; 2 = Moderate likelihood of achieving; 3 = High likelihood of achieving	2	3
Enable alignment and integration of interdependent activities Scoring guideline: Subjective - Ability to align interdependent activities is expected to be higher where there is a (a) clear mandate for alignment, (b) clear understanding of the interdependencies and why they are important, and (c) clear delineation between (and definition of) interdependent functional responsibilities. 1 = Low ability to align; 2 = Moderate ability to align; 3 = High ability to align	3	1
Readily enable requirements to be fulfilled to a high standard - minimising ongoing administrative complexity associated with these activities. Scoring guideline: Subjective - Ability to enable this is expected to be higher where (a) there is a clear understanding of the ongoing requirements, (b) staff do not have to work under multiple sets of requirements or expectations, and (c) the administrative complexity is lower compared to other options. 1 = Low ability to enable; 2 = Moderate ability to enable; 3 = High ability to enable	1	3
Operational Efficacy Score	2.00	2.33
Model design sensitivities?	✓	✓

Inhouse	WSCCO
<ul style="list-style-type: none"> ✓ Organisational capability: QLDC's scale offers strong access to leadership development and specialist functions (e.g. finance, assurance, investment, infrastructure delivery). ✓ Integration: Keeping water services inhouse enables better coordination with related functions like planning, consenting, and infrastructure delivery, overseen by one governing body and senior leadership team. ✗ Competing priorities: Water decisions must be balanced against broader community and political priorities, creating tension as water is regulated while other services are not. These competing needs reduce incentives to consistently prioritise water investment. ✗ Fragmented responsibility: Responsibility for water service requirements is spread across multiple teams, increasing the risk of misalignment, misunderstanding, and rework. This fragmentation will require staff to navigate complex, overlapping requirements across regulated water and unregulated non-water functions. ✗ Additional obligations: Inhouse models have obligations like consultation and ringfencing, unlike WSCCOs. They must handle various water regulation requirements, such as regulatory accounts and a separate Water Services Strategy, necessitating new systems for efficient compliance and reporting. 	<ul style="list-style-type: none"> ✓ Singular focus: A WSCCO is dedicated solely to water services, enabling decisions without competing non-water priorities, though still influenced by broader planning contexts. All staff are focused on water, ensuring clear ownership and understanding of requirements. ✓ Aligned accountability: Decision-makers are incentivised to act in the best interest of water services, ensuring a focus on effectiveness. ✓ Less administrative complexity: WSCCOs face less administrative burden than in-house model; ringfencing is a one-time setup, and ongoing requirements (e.g. Water Services Strategy development) are lighter. ✗ Limited capacity: Due to the WSCCO's small scale, key functions like finance, assurance, and HR would be lean, potentially limiting organisational resilience despite its water-only focus. ✗ Reduced integration: Separation from QLDC's planning and infrastructure functions may hinder alignment and complicate processes e.g. splitting Development Engineering could become inefficient, increase costs, and create delays for developers.

D. Economic Efficiency: How likely is the model to optimise the utilisation of finite resources, maximising public value and minimising waste across the 3W asset lifecycle?

Assessment considered how well the model will...	Inhouse	WSSCO
Maximise outputs with available inputs – do more for the same (effectiveness) or the same for less (efficiency). Scoring guideline: Subjective - Ability to maximise outputs with available inputs is expected to be higher where there is (a) efficient distribution and utilisation of resources, (b) adoption of advanced technologies and innovative practices, (c) streamlined decision making processes, and (d) clear alignment of operations with organisation objectives and priorities. 1 = Low ability to maximise; 2 = Moderate ability to maximise; 3 = High ability to maximise	1	3
Achieve certainty and clarity of long-term investment priorities, enabling the optimal allocation of resources to maximise benefits Scoring guideline: Subjective - Likelihood of achieving this is expected to be higher where there is (a) a clear and well-defined strategic vision and long-term objectives that are not vulnerable to political cycles, (b) comprehensive understanding and forecasting of future risks, issues, opportunities and trends, (d) clear linkage between investment priorities and resource allocation, and (e) regular evaluation against, and review of, investment outcomes. 1 = Low likelihood of achieving; 2 = Moderate likelihood of achieving; 3 = High likelihood of achieving	2	3
Be positioned to leverage cost efficiencies through commercial partnerships and contracting models Scoring guideline: Subjective (scored relative to other options) - in relation to the number of steps/obligations associated with contracting any aspect of wate service provision. 1 = Most steps/obligations; 2 = Fewer steps/obligations; 3 = High degree of flexibility/ autonomy	1	2
Economic Efficiency Score	1.33	2.67
Model design sensitivities?	✓	✓

Inhouse	WSSCO
<ul style="list-style-type: none"> ✓ The proposed regulatory regime and planning and accountability framework will improve focus on effectiveness, efficiency, as well as certainty and clarity on long-term investment priorities under all models. ✗ Inefficient processes and higher compliance burden: Political influence, competing priorities, and broad stakeholder engagement slow decision-making and reduce efficiency. Council faces more complex legislative and procurement obligations than a WSSCO, creating extra administrative overhead. ✗ Limited innovation: Low investment in water-specific tech and a preference for enterprise-wide solutions hinder adoption of advanced or emerging practices. ✗ Uncertain investment: Broad organisational goals don't directly reflect water services. QLDC's wide focus, political cycles, and shifting priorities undermine long-term certainty of water investment and resource allocation. 	<ul style="list-style-type: none"> ✓ Strategic alignment: A WSSCO ensures direct alignment between organisational goals and water service delivery, guided by a skilled, sector-experienced Board. ✓ Efficient governance: A professional, politically independent Board will enable faster, more commercially focused decision-making with less bureaucracy. ✓ Innovation-driven: Sector expertise on the Board is expected to increase openness to advanced technologies and innovative practices. ✓ Reduced compliance burden: WSSCOs face fewer procurement and contracting obligations compared to Council-run services.

E. Community Interest: How likely is the model to enable community interests and priorities to be meaningfully recognised and reflected in the ongoing provision of water services?

Assessment considered how well the model will...	Inhouse	WSCCO
Provide for transparency and accountability to the community Scoring guideline: Subjective - Transparency and accountability is likely to be higher where (a) there is regular, clear and comprehensive communication with the community about decisions and strategic direction, (b) there is good access to detailed financial, operational performance and regulatory reporting, and (c) there are robust mechanisms for the community to hold decision makers directly accountable. 1 = Low quality; 2 = Moderate quality; 3 = High quality	3	2
Enable community priorities and views to be reflected through water services planning and delivery Scoring guideline: Subjective (scored relative to other options) - Community views and priorities are most meaningfully reflected when there are requirements or other mechanisms in place to ensure (a) standards and quality of water services are aligned to community expectations, (b) key water services plans and decisions are aligned with the district's guiding strategic documents e.g. VB2050, QLSP/FDS, CBAP, and (c) water services plans and service standards are consistent with local iwi expectations and aspirations for the district. 1 = Little to no opportunity or requirement for alignment; 2 = some requirements/safeguards for alignment and/or meaningful opportunities for participation; 3 = Range of meaningful opportunities/mechanisms available	3	2
Community Interest Score	3.00	2.00
Model design sensitivities?	-	✓

Inhouse	WSCCO
<ul style="list-style-type: none"> ✓ Transparency: Council conducts its business publicly, ensuring open decision-making. ✓ Community representation: Council must consult the community on the Water Services Strategy. Elected members can directly reflect community views in setting long-term water service priorities. ✓ Integrated decision-making: Being part of Council allows water planning to incorporate feedback from Long Term Plan / Annual Plan consultations and other engagement. ✓ Established partnerships: Council's strong relationships, especially with iwi, support collaborative district-wide goal setting. ✓ Community accountability: Public Council Meetings / Workshops and elections allow communities to hold decision makers to account. 	<ul style="list-style-type: none"> ✓ Council viewpoint is reflected in water planning: A WSCCO must follow Council's Statement of Expectations and can be directed to amend its Water Services Strategy. ✓ Enhanced accountability: the WSCCO remains accountable to Council and must meet Council's expectations on behalf of the community. Council can directly intervene in cases of poor WSCCO performance, including removing Board members—potentially offering more responsive oversight than an inhouse model. Board members are also directly accountable for their decisions under the Water Services Act. ✗ Limited community input: Water service organisations aren't required to involve iwi or the public in long-term planning and don't need to consult on the Water Services Strategy. ✗ Indirect community accountability: the WSCCO is accountable to Council, not directly to the community. ✗ Public pressure: WSCCO directors may lack community ties, leading the public to seek Councillor intervention on unpopular decisions.

F. Agility and Adaptability: How likely is the model to prepare/enable successful responses to changing external circumstances without major disruption?

Assessment considered how well the model will...	Inhouse	WSSCO
Adapt/respond to changing conditions, emerging opportunities, and arising challenges related to the provision of 3W services - particularly to further changes in the 3W legislative and/or regulatory environment Scoring guideline: Subjective (scored relative to other options) - Nimbleness is considered to be highest when (a) organisational structures and processes provide for quick and effective responses to change/opportunity, and (b) responsiveness, innovation, and flexibility is balanced with appropriate controls to ensure potential risks and consequences are appropriately contemplated before acting. 1 = Least nimble of any option; 2 = Some nimbleness; 3 = High nimbleness	1	3
Enable Council to respond to existing/emerging non-water community priorities and needs Scoring guideline: Prescribed (scored relative to the lowest residual QLDC borrowing capacity at time of implementing the option) 1 = option with lowest residual borrowing capacity, and any options within 20% of this value; 2 = 20-50% more borrowing capacity than the lowest value; 3 = >50% more borrowing capacity than the lowest value	1	3
Agility & Adaptability Score	1.00	3.00
Model design sensitivities?	✓	✓

Inhouse	WSSCO
<ul style="list-style-type: none"> ✓ Can call on QLDC's debt headroom to respond to unplanned water investment needs without needing to immediately uplift revenue to access it. ✗ Limited QLDC borrowing capacity: QLDC's average debt headroom over the medium term is \$64M; ranging from \$5M to 158M in any given year. ✗ Organisational complexity: multi-disciplinary focus of P&I and distribution of support functions across the organisation reduce agility to respond to future water changes. Any water-related change will also need to be revalidated through ringfencing processes. 	<ul style="list-style-type: none"> ✓ Greater QLDC borrowing capacity: QLDC's average debt headroom in the medium term under a WSSCO model is \$454M ✓ High adaptability: a WSSCO is best positioned to respond to future reforms and regulatory changes due to its streamlined decision-making and strong alignment with government policy direction. ✗ Will not have debt headroom to call on if an unbudgeted need arises; to maintain the FFO ratio, revenue will need to be increased to access additional borrowing.

2. COMBINED RESULTS

This section outlines the overall results of the assessment based on the unweighted scoring reflected in the previous section.

Criteria	Inhouse	WSCCO
Costs to Consumer	3.00	2.00
People & Capability	1.50	2.00
Operational Efficacy	2.00	2.33
Economic Efficiency	1.33	2.67
Community Interest	3.00	2.00
Agility & Adaptability	1.00	3.00
Total Score (average of all criteria)	1.97	2.33

3. MODEL DESIGN SENSITIVITIES

This section outlines the permutations of each option that were tested during the assessment to determine whether they had any impact on the assessment result.

Options → ↓ Criteria	Inhouse				WSCCO		
	Base Case	Variable 1	Variable 2	Variable 3	Base Case	Variable 2	Variable 3
	Status Quo	+ Water Committee	Separate 3W Directorate	9% FFO Applied	Minimum control	Maximum control	Buy QLDC services
Cost to Consumers	3.00	3.00	3.00	3.00	2.00	2.00	3.00
People & Capability	1.50	1.50	1.50	1.50	2.00	1.50	2.00
Operational Efficacy	2.00	2.00	1.67	2.00	2.33	1.67	1.00
Economic Efficiency	1.33	1.33	1.67	1.33	2.67	1.67	2.00
Community Interest	3.00	3.00	3.00	3.00	2.00	2.50	2.00
Agility & Adaptability	1.00	1.00	1.50	1.00	3.00	2.00	2.50
Total	1.97	1.97	2.06	1.97	2.33	1.89	2.08

Inhouse Models
Inhouse Variable 2 (Separate Water Directorate)
<p>↓ Operational Efficacy: A separate 3W directorate is assessed as negatively impacting the integration and alignment benefits of retaining water services in house as it would increase the number of parties that need to align and/or participate in processes, and would remove some of the alignment already occurring across activities within P&I.</p> <p>↑ Economic Efficiency: Increased focus of a 3W directorate will improve effectiveness & efficiency by reducing managerial context switching, increasing visibility, aligning KPIs with requirements, and enhancing operational focus on water-specific priorities.</p> <p>↑ Agility and Adaptability: A 3W directorate will be simpler to adapt if further changes in govt. direction occur; however, transferring services will still require significant effort and change across the organisation.</p>
WSCCO Models
WSCCO Variable 1 (Council retains 'maximum control' over WSCCO)
<p>↓ People and Capability: A 'maximum control' model is assessed as reducing appeal to high-quality governance candidates and would dilute/complicate the alignment of decision-making and accountability that would be achieved under a lesser-control model.</p> <p>↓ Operational Efficacy: Reliability may suffer under a maximum control model as the Board is liable for Council decisions under the WSA while Councillors are exempt – creating a disconnect between authority and accountability. Maximum control would require the WSCCO to develop the WSS, and Council to consult on and approve it (each with their own requirements). This will demand extensive coordination across both entities and external parties.</p> <p>↓ Economic Efficiency: More Council involvement may complicate decision-making, blur accountability, and prioritise other interests over water. Council will make decisions but have less information (when compared to inhouse) due to limited operational insight. More Council control will risk continuity of long-term investment priorities and resource allocation due to the influence and uncertainty resulting from political cycles.</p> <p>↑ Community Interest: It is assumed under a 'maximum control' scenario Council would impose the same requirements on the CCO as are in place for the Council.</p> <p>↓ Agility and Adaptability: A 'maximum control' scenario will involve more bureaucratic processes than other models as significant changes would require additional layers of approval (both Council and WSCCO governing bodies and executives).</p>
Variable 2 (WSCCO purchases support services from QLDC)
<p>↓ Costs to Consumers: Purchasing support services from QLDC would reduce stranded costs to around \$108,000 p/a.</p> <p>↓ Operational Efficacy Reliability may suffer under a purchased service scenario due to support functions lacking a water focus, generic systems not being tailored to water/WSCCO needs, and split control and accountability between the two entities. Purchasing services from QLDC would spread responsibilities across functions and organisations, create overlapping demands for staff, and require ongoing ringfencing disclosures – reducing efficiency and clarity.</p> <p>↓ Economic Efficiency: Purchasing services from QLDC will limit effectiveness by reliance on external information/input, lack of Board influence over core support functions, and lessen engagement of support service teams that may feel detached from the WSCCO.</p> <p>↓ Agility and Adaptability: Reliance on support services from Council is less aligned with government's preferred model and may require further changes in future. Purchasing corporate services from QLDC under a minimum control model complicates decision-making as regulatory changes would require coordination across both organisations.</p>