

Full Council

4 September 2025

Report for Agenda Item | Rīpoata moto e Rāraki take [10]

Department: Property & Infrastructure

Title | Taitara: C-25-169 Three Waters Operations & Maintenance (O&M) Contract 2027 Procurement Plan

Purpose of the Report | Te Take mō te Pūroko

The purpose of this report is to present for Queenstown Lakes District Council's (QLDC) approval the Procurement Plan for QLDC's next Three Waters O&M Contract.

Recommendation | Kā Tūtohuka

That the Council:

1. **Note** the contents of this report;
2. **Approve** the Three Waters District-wide Operations & Maintenance Contract 2027 Procurement Plan;
3. **Delegate** authority to the Chief Executive to enter into a contract up to a maximum value, term, and scope as defined within the Procurement Plan; and
4. **Authorise** the Chief Executive to negotiate final terms with the successful party and execute the contract for the initial term of 5 years, and award either of the extensions.

Prepared by:




Name: Simon Mason

Title: Infrastructure Operations Manager

1 August 2025

Reviewed and Authorised by:



Name: Tony Avery

Title: General Manager – Property & Infrastructure

7 August 2025

Context | Horopaki

1. QLDC uses external contracting services to operate and maintain its Three Waters Infrastructure network which supplies water, wastewater and stormwater services to connected properties within the district.
2. The Drinking Water network consists of twelve water supply schemes supplying around 80% of the dwellings in the district (Arrowtown, Arthurs Point, Cardrona, Glenorchy, Lake Hāwea, Lake Hayes, Luggate, Queenstown, Shotover Country, Corbridge, Wānaka and Wānaka Airport). These schemes comprise a total of approximately 710 km of reticulation pipework, 15 treatment plants and 41 pumping stations.
3. Currently QLDC provides wastewater reticulation to around 86% of the dwellings in the district, discharging to four treatment plants in Queenstown, Wānaka, Lake Hāwea and Cardrona. The serviced areas include: Arrowtown, Arthurs Point, Cardrona, Glenorchy, Lake Hāwea, Lake Hayes, Luggate, Queenstown, Shotover Country, Wānaka and Wānaka-Project Pure. The wastewater conveyance network includes approximately 560 km of pipework and 74 pump stations.
4. QLDC maintains public reticulated stormwater systems throughout the district, the serviced areas include Albert Town, Arrowtown, Arthurs Point, Cardrona, Glenorchy, Lake Hāwea, Lake Hayes, Luggate, Queenstown, Shotover Country and Wānaka. The stormwater network is made up of 541 km of pipes and open channels. The collected stormwater travels through the stormwater system eventually discharging (currently untreated) into the receiving environment (i.e. water or land).
5. At a high level, the existing contract scope covers the inspection, programming and maintenance of assets such as pump stations, pipe networks and treatment plants. The scope also includes 24/7 reactive maintenance provisions for matters such as water leaks, sewer overflows and flooding. Some other key aspects include corrective maintenance and emergency response as well as some asset data collection and input. Further detail on the scope is included in the attached Procurement Plan.
6. The principal objectives of the proposed contract are to provide a safe, functional and sustainable Three Waters Infrastructure network that is well maintained in an efficient and cost-effective manner.
7. The existing supplier is Veolia Water Services (ANZ) Pty Limited, under CT15-002, which commenced on 8 June 2015 and expires on 30 June 2027. The annual value of this contract is currently approximately \$11.2m/annum.
8. A new contract is required to ensure continuity of these services. In accordance with QLDC's Procurement Policy, to determine the financial threshold, the whole of life cost must be considered, and because of the value estimated at up to \$20M per annum (inclusive of renewals) and up to \$210M over the life of the contract, this Procurement Plan requires Full Council approval. A breakdown of these costs is included in the Procurement Plan, with the increase

compared to the existing costs being predominantly related to the forecast new network assets in turn requiring ongoing maintenance.

9. Consideration of Local Government Act 2002 Section 17A (in regard to this Three Waters Infrastructure network O&M contract) has been fulfilled through the studies and work concluded under the Local Water Done Well project.
10. It is the Council's intent to procure the services of an expert operations and maintenance contractor who can demonstrate that they understand and can deliver exceptional asset management outcomes, optimise the performance of complex treatment facilities and networks, and respond effectively to faults, with the ultimate goal of providing a safe, reliable and cost-effective Three Waters infrastructure network now and in the future.
11. Council envisages awarding a contract with an initial five-year term, with potential for two further terms of three years each, depending on performance. This initial term allows for a return on the investment period required for the contract establishment leading to greater market interest and competitive pricing, while the potential extensions provide efficiencies from long-term relationships and network infrastructure knowledge.
12. The existing contract is a traditional model, based on the NZS3917:2013 standard. The contract allocates risk and responsibilities, enables price certainty for Council via a schedule of prices, target costs and lump sums. The contract includes some performance-based aspects, introducing an incentive for contractor innovation within Lump Sum components.
13. Alternative models such as alliancing serve to encourage collaboration and incentivise innovation. They share risks and decisions jointly. They require strong adherence to alliance principles to see success, requiring a high level of client involvement. The risks such as exposure to cost overruns and lack of price tension were not seen as outweighing the benefits for a relatively well prescribed maintenance contract.
14. Officers have concluded that the existing contract model is generally delivering effectively and recommend that the new contract should take a similar form. However, to encourage competition and enable specialisation it is proposed that network reticulation is separated from treatment plant operations and maintenance through two separable portions within the contract. This will allow for contractors to elect to price either or both separable portions, which is anticipated to generate appeal to a broader range of contracting organisations.
15. Various opportunities identified through the market engagement exercises will be explored and concluded through the detailed tender documentation, with a desire to ensure the contract facilitates innovation and collaboration as appropriate within a traditional model, through mechanisms like the Key Performance Indicators (KPIs).
16. An external subject matter expert has been engaged through the engineering panel process to complete the detailed specification documentation. The expert commenced work in August 2025 and will target completion of the contract documentation preparation by the end of December.

17. Procurement would commence early in 2026 with a view to awarding a contract in September 2026, allowing for at least nine months lead time for establishment activities before the new contract commences on 1 July 2027.

Analysis and Advice | Tatāritaka me kā Tohutohu

18. 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 (LGA 2002).

19. Option 1 Approve the Procurement Plan as proposed

Advantages:

- Allows contract procurement to proceed per programme, ensuring adequate time for document preparation, tendering, evaluation and mobilisation of contractors before commencement;
- Provides increased certainty of a positive tender response and enhances market confidence via early clarity on the contract model;
- Reduces delivery risk maintaining continuity of Three Waters services when the current contract expires in 2027;
- Builds on a proven contract model, with refinements to address lessons learned and opportunities identified through market engagement.

Disadvantages:

- None identified.

20. Option 2 Do not approve the current Procurement Plan and direct staff to undertake further investigation of alternative contract models

Advantages:

- Allows time to explore alternative delivery models if Council has an appetite to shift away from a traditional contract model.

Disadvantages:

- Delays progress and will compress timeframes for document preparation, tendering, evaluation and mobilisation of contractors before commencement;
- Introduces uncertainty around the future contract model, taking time and resources to resolve and increasing the risk of failure to award before the current contract expires.

21. This report recommends **Option 1** for addressing the matter because it provides timely assurance of the contract model in turn maximising time available for officers to develop quality tender documentation, and for the supplier market to submit bids and the appointed contractor to establish.

Consultation Process | Hātepe Matapaki

Significance and Engagement | Te Whakamahi I kā Whakaaro Hiraka

22. This matter is of medium significance, as determined by reference to the Council's Significance and Engagement Policy 2024. Although the contract value is significant, it is consistent with existing strategy and service levels, and budget has already been allocated through the Long Term Plan.
23. The persons who are affected by or interested in this matter are the residents/ratepayers of the Queenstown Lakes district community, and any visitors that use the Three Waters networks.
24. The Council will undertake informal engagement with the supplier market and will also issue an advance notice on the Government Electronic Tender Service (GETS) to build supplier interest and encourage market readiness to bid.

Māori Consultation | Iwi Rūnaka

25. No specific iwi consultation has been undertaken for this matter, as it aligns with existing infrastructure strategy and service levels.

Risk and Mitigations | Kā Raru Tūpono me kā Whakamaurutaka

26. This matter relates to the Strategic/Political/Reputation risk category. It is associated with RISK10021 Ineffective operations and maintenance of property or infrastructure assets. This risk has been assessed as having a very high residual risk rating. Also relevant is RISK10028 Ineffective procurement 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 retain the risk at its current level. This will be achieved by engaging appropriately qualified contractors with sufficient lead in time to ensure uninterrupted delivery of service.

Financial Implications | Kā Riteka ā-Pūtea

28. The anticipated costs are as follows:
- a. Opex - \$134,200,000 (across eleven years)
 - b. Capex - \$55,000,000 (across eleven years)
 - c. Total - \$189,200,000 (across eleven years)

29. As the contract spans several Long Term Plan periods with plans not yet adopted, it is anticipated that the associated budgets will be amended over time to account for cost fluctuations and district growth. Both of these are managed under established mechanisms aligned to industry within the existing contract and will feature with enhancements in the proposed contract. The budgets above are uninflated, in today's dollars and do not account for these factors as they are unknown at this point in time. As a result, future budget costs will be higher than reflected in the estimates provided.
30. When escalated for inflation (at 2.5%) and growth (at 3%) the total opex spend would be approx. \$178.6M, the capex spend would be \$73.2M and total contract whole of life spend \$251.8M.
31. The anticipated costs are aligned with the proposed Water Services Delivery Plan which is due for adoption by Council on 26 August 2025.

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

32. The following Council policies, strategies and bylaws were considered:
- Alignment with and consideration of the principles of the Strategic Framework including the Vision Beyond 2050: Our Strategic Framework
 - QLDC Water Services Delivery Plan
 - QLDC Three Waters Asset Management Plan
 - QLDC Procurement Policy
 - QLDC Climate and Biodiversity Plan
33. The recommended option is consistent with the principles set out in the named policies.
34. This matter is included in the Long Term Plan/Annual Plan

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

35. Section 17A of LGA 2002 requires that a local authority must review the cost-effectiveness of current arrangements for meeting the needs of communities within its district or region for good-quality local infrastructure, local public services, and performance of regulatory functions.
36. A comprehensive Section 17A review has not been completed, on the basis that the provision of these services has been explored in detail as part of QLDC's response to Local Water Done Well. This is consistent with the legislation under 17A(3)(b) which allows the local authority not to undertake a review if it is satisfied the benefits do not justify the costs of undertaking the review.

37. The legislative environment around water services has been dynamic over the past few years, with the current coalition government implementing three key pieces of legislation in the past two years as part of their Local Water Done Well plan:
- a. Water Services Acts Repeal Act 2024 - Enacted in February 2024, this Act repealed the previous government’s Three Waters legislation, including the Water Services Entities Act 2022, Water Services Legislation Act 2023, and Water Services Economic Efficiency and Consumer Protection Act 2023, effectively restoring local council control over water services.
 - b. Water Services Acts Repeal Act 2024 - Passed and received Royal assent in September 2024, this Act established the framework and preliminary arrangements for the new water services system under Local Water Done Well. It requires councils to develop and submit Water Services Delivery Plans (WSDPs) by 3 September 2025, outlining future delivery arrangements, financial sustainability, and baseline data, while also enabling interim economic regulation and streamlined decision-making.
 - c. Local Government (Water Services) Bill - Introduced in December 2024 and having had its third reading on 19 August 2025, this Bill sets out the enduring legislative framework for water services deliver.
38. The approach outlined in the Procurement Plan is consistent with the Local Water Done Well legislative framework.

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

39. Section 10 of LGA 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. Water and waste networks are essential to all of these factors. As such, the recommendation in this report is appropriate and within the ambit of Section 10 of the Act.
40. The recommended option:
- Can be implemented through current funding under the Long Term Plan and Annual Plan;
 - 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	Three Waters District-wide Operations & Maintenance Contract 2027 - Procurement Plan
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