

17 June Draft

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Transition Agreement

PARTIES

QLDC 3Waters Limited
The Company

Queenstown Lakes District Council
Council

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AGREEMENT DATED June 2026

PARTIES

1. **QUEENSTOWN LAKES DISTRICT COUNCIL (Council)**
2. **QLDC 3WATERS LIMITED** (New Zealand company number []) **(the Company)**

PURPOSE AND SHARED VISION

- A. Once incorporated, the Company will be a water services council-controlled organisation and a Water Organisation, as that term is defined in the Local Government (Water Services) Act 2025 (**LG(WS) Act**). The Company will be wholly owned by Council.
- B. Council has incorporated the Company for the purpose of transferring responsibility for providing drinking water, wastewater and stormwater services (**Water Services**) to it on 1 July 2027 (**Day One**). This is in accordance with the Council's accepted water services delivery plan and the LG(WS) **Act**.
- C. The establishment of the Company supports Council's long-term vision for:
 - a. safe, reliable and sustainable water services for its community
 - b. strong stewardship of public assets
 - c. a future-ready organisation able to meet regulatory and growth challenges.
- D. The Parties acknowledge that the transition to the Company requires coordinated action across governance, delivery, and operational readiness. During the period between incorporation of the Company and the Company being transferred responsibility for the Water Services (**Establishment Period**), Council will remain the water service provider under the LG(WS) **Act** and continue to deliver water services, while the Company will prepare to assume responsibility from Day One. The Council and the Company will cooperate throughout the Establishment Period on matters necessary to facilitate an orderly and effective transition, including key decisions required before Day One. The structure of this Agreement reflects that approach:
 - a. **Part A** sets out the decision making and co-ordination framework
 - b. **Part B** sets out the support to be provided by Council
 - c. **Part C** general provisions.

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THE PARTIES AGREE THAT:

1. NATURE OF THIS AGREEMENT

- 1.1 This Agreement establishes a high-level transition decision-making framework between the parties during the Establishment Period.
- 1.2 It is intended to:
 - (a) set out the principles, roles, and accountabilities that will guide the transition of Water Services to the Company and the conduct of those who represent each party during that process
 - (b) provide clarity on decision-making, funding, and support arrangements
 - (c) enable coordinated delivery of the Establishment Programme,

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1.3 The Parties acknowledge that:

- (a) detailed operational processes, operating arrangements, and service delivery mechanisms will be developed and agreed by the Chief Executive of each Party (or their delegates)
- (b) such arrangements will be documented appropriately
- (c) this Agreement does not seek to prescribe those detailed arrangements, except where necessary to give effect to its purpose.

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2. ESTABLISHMENT PRINCIPLES

2.1 The Parties commit to working collaboratively throughout the Establishment Period.

2.2 This Agreement reflects a shared commitment to collaborate. Success depends on:

- (a) open communication
- (b) mutual respect
- (c) early engagement on key issues
- (d) focus on long-term community outcomes

2.3 In particular, the Parties will:

- (a) Act in good faith - recognising the shared public purpose underpinning this work
- (b) Operate on a "no surprises" basis
- (c) Prioritise continuity of water services - always maintaining safe and reliable delivery (current levels of service are not negatively altered)
- (d) Target minimal outward change for customers
- (e) Consider the lowest impact options to QLDC for Day One, and for the initial 3 years after Day One
- (f) Provide clarity for affected staff as early as possible
- (g) Support timely and effective establishment - so the Company is fully operational and capable from Day One
- (h) Deliver a seamless transition to full operations from Day One through early and ongoing collaboration between Council and the Company on key operational activities and decision-making
- (i) Act consistently with any relevant statutory obligations - including all relevant legislation and governance frameworks
- (j) Recognise that the Company is being established as an independent Water Organisation, and that the Board has been appointed by the Council to independently govern and prepare the Company for a successful transition within the parameters of the LG(WS) Act, which includes the direction provided by the Council through the Statement of Expectations and the Companies Act 1993.

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(k) Recognise the importance of relationships with mana whenua and iwi. Each Party will be responsible for developing and maintaining its own relationships with mana whenua and iwi in relation to its respective functions and responsibilities and will engage with the other Party on matters of mutual interest to support coordinated and effective engagement.

- (l) Open communication - maintain open communication and, where appropriate, coordinate public statements and stakeholder communications relating to the Establishment Programme, Water Services, and transition

matters, while recognising each Party's legal, governance, statutory, and fiduciary obligations.

- 2.4 Each Party will use reasonable endeavours to keep the other informed, through the Transition Interface Model (TIM) or otherwise, of any material non-Water Services initiatives, programmes, or decisions that may be expected to have a material impact on the Establishment Programme.

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3. TRANSFER PRINCIPLES

- 3.1 The transfer of Water Services must reflect legislative requirements, Council's intent to protect community interests and the purpose for which the Company has been established.

- 3.2 To implement the transfer, the parties will enter into a transfer agreement that meets the requirements of the LG(WS) Act. In developing and agreeing the terms of the Transfer Agreement, the parties will work together to develop a policy that establishes the framework and parameters for considering land transfers. In determining the parcels of land that will transfer and / or respective rights over parcels of land, the parties will be guided by that policy and the following principles (**Transfer Principles**):

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- (a) only assets that predominantly relate to Water Services may transfer
- (b) only liabilities that wholly relate to Water Services may transfer
- (c) mixed-use assets will transfer only where predominantly for Water Services (unless otherwise agreed)
- (d) if land does not transfer, Council will work with the Company to ensure the Company has appropriate rights to access land on which Water Services assets are located
- (e) all necessary approvals will, as far as practicable, transfer to the Company on the Transfer Date
- (f) Council retains full responsibility until the Transfer Date, subject to the engagement obligations for Major Decisions set out in this agreement
- (g) asset value and service capability must not be degraded during the Establishment Period
- (h) third-party rights must be preserved where practicable
- (i) financial arrangements must align with policy intent
- (j) full cooperation and information sharing is required

PART A – DECISION MAKING AND COORDINATION

4. DECISION MAKING AND COORDINATION FRAMEWORK

- 4.1 **Overview:** During the Establishment Period, decision making will operate in three distinct ways:

- (a) Council:
 - (i) Elected Members: Acts in its shareholder, water service provider and local authority roles. Decisions that are required to be made by Elected Members will remain with Elected Members. This includes Elected Member oversight and direction on key transition deliverables relevant to council business including the form and content of the Transfer Agreement, Local Government Funding Agency arrangements, and other matters requiring formal council approval. The Parties will seek to align governance and decision-making timetables to support timely

consideration of such matters. For the avoidance of doubt, nothing in this clause limits or otherwise affects the engagement, information-sharing, consultation, or governance interactions between Elected Members (acting as Council) and the Board as contemplated by the Constitution and the LG(WS) Act.

(ii) Council staff: Many decisions relating to water services are made within staff delegations, responsibility for these decisions will remain with the relevant delegated staff.

(b) Board: Responsible for all decisions relating to all Company matters.

(c) The Transition Interface Model (**TIM**) has layered functions acting as the primary interface forum between Council and the Company at an Executive level in relation to activity that is required to be undertaken in a co-ordinated manner as part of the Establishment plan implementation

4.2 **Council decision-making:** Council retains ultimate decision-making authority in relation to:

(a) shareholder matters, including approval of:

(i) the Constitution (and any amendments)

(ii) the Statement of Expectations

(iii) the Transfer Agreement

(iv) key funding and financing arrangements

(v) matters reserved for shareholder decision-making under legislation and the Constitution

(b) The provision of Water Services during the Establishment Period, subject to existing delegations and the Establishment principles set out in this Agreement.

4.3 **Board decision-making:** The Board:

(a) is the ultimate decision-maker in relation to all Company matters

(b) governs the Company in accordance with its Constitution

(c) prepares the Company to assume full operational responsibility

(d) will adopt a delegations policy confirming the scope of authority delegated to the Chief Executive or equivalent

4.4 **TIM:** as the primary interface forum between Council and the Company in relation to Establishment plan implementation activity, the TIM supports coordination of decision-making, operational activities and transition activities between Council and the Company. It does this through a formal relationship mechanism for respective Officers and staff to engage, discuss progress and escalate issues or decisions. The model incorporates the following co-ordinated forums:

(a) **The Leadership Interface**, between Council Chief Executive and/or appropriate member/s of the Executive Leadership Team) and the Company Chief Executive and/or Programme Director

(b) **The Transition Interface**, between the Interface Manager and Programme Management Office Lead of the Company and the Council Transition Lead.

4.5 Supporting the above, will be operational working groups where Workstream Leads (or delegates) on the Company Establishment team and Subject Matter Experts at Council will engage with each other on operational matters.

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- 4.6 The overall TIM:
- (a) supports coordination and alignment between Council and the Company
 - (b) provides visibility of Establishment programme activities and emerging issues
 - (c) enables early engagement where matters may impact either Party
 - (d) supports a “no surprises” approach

4.7 Each Party remains responsible for its own decision-making and obligations.

5. MAJOR DECISIONS

- 5.1 **General Principle:** During the Establishment Period:
- (a) Council retains decision-making authority for water services
 - (b) Council will make decisions where they:
 - (i) are within approved plans and budgets
 - (ii) maintain service continuity
 - (iii) do not materially affect the future Company
 - (c) the Board does not make Water Services decisions before the Transfer Date, but is responsible for preparing the Company to assume those responsibilities and for providing input on matters that may affect successful delivery from Day One
 - (d) the Company must be informed and given the opportunity to provide input where a decision is a Major Decision
 - (e) both Parties must work collaboratively to support Day One readiness in accordance with the Establishment Principles

- 5.2 A **Major Decision** is any decision that materially affects:
- (a) the future business, strategy, or financial position of the Company;
 - (b) the scope, delivery, or sustainability of water services, including any material change to resource consent requirements, conditions, compliance obligations, or consented service outcomes;
 - (c) the assets, liabilities, or arrangements to be transferred to the Company; or
 - (d) the Company’s ability to operate effectively from Day One.

- 5.3 **Process:** The detailed processes for engagement on Major Decisions will be agreed at the Leadership Interface. The process must ensure that for decisions that may materially affect the future organisation:
- (a) Early engagement with the Company is required
 - (b) Relevant information must be shared
 - (c) The Company must be given sufficient time to provide input to the Council, noting that timeframes for some processes will be dictated by external parties (e.g. Environment Court)
 - (d) Council must genuinely consider that input
 - (e) Where Council chooses a different course of action, the reasons will be clearly documented and shared

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6. TRANSFER PREPARATION

6.1 Council will:

- (a) identify and prepare assets and liabilities for transfer in conjunction with the Establishment Team.
- (b) ensure asset condition and service performance are maintained throughout the Establishment Period
- (c) ensure contracts and consents remain current and effective
- (d) contribute to the development of the Transfer Agreement

6.2 The Company (supported by the Establishment Team) will:

- (a) lead preparation to assume full operational responsibility
- (b) assess operational, financial, and organisational requirements, including as part of its development of a Water Service Strategy
- (c) drive the development of the Transfer Agreement, with engagement and input from Council

6.3 These activities will be undertaken in a collaborative manner between the Council and the Establishment Programme supporting a smooth transition, with no disruption to services and full operational readiness from Day One.

6.4 As noted at clause 4 above, the Parties acknowledge that successful transition requires engagement at both officer and governance levels. The development of the Transfer Agreement and other key transition arrangements will be undertaken in a manner that enables ongoing engagement with, and input from, both Council Elected Members and the Board. Where decisions are required in relation to key transition matters, including the Transfer Agreement, LGFA funding arrangements, and other matters requiring formal approval, those decisions will continue to be considered through the relevant governance processes. The Parties will seek to align governance and decision-making timetables to ensure elected members and the Board are appropriately informed, engaged, and able to provide direction throughout the transition process.

7. BYLAWS AND REGULATORY INTERFACE

7.1 Council retains responsibility for all bylaws, including compliance with the requirements of the LG(WS) Act. Council is required to review its water services bylaws by 27 August 2027 to confirm whether they are consistent with legislative requirements.

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7.2 As part of the Establishment Programme, the Parties will work together to deliver a coordinated Bylaw Review. This will include:

- (a) developing an inventory of relevant bylaws
- (b) undertaking an initial review to identify any inconsistencies
- (c) assessing the nature, extent, and risk of any inconsistencies
- (d) determining an appropriate programme of amendments or replacements

7.3 The Company will:

- (a) be actively engaged in the Bylaw Review process

- (b) provide advice and recommendations based on operational and future service requirements
- 7.4 Council will:
- (a) consult with the Company throughout the review
 - (b) genuinely consider the Company's advice as part of its decision-making
 - (c) retain responsibility for all formal decisions, including whether to confirm, amend, revoke, or replace bylaws
- 7.5 Where changes to bylaws are proposed during the Establishment Period, the Parties will work collaboratively to ensure alignment with:
- (a) the Establishment Programme
 - (b) operational readiness of the Company
 - (c) statutory requirements
- 7.6 This approach recognises that some bylaws may require amendment over time and supports a staged and practical transition, while maintaining service continuity and managing any risks arising from misalignment.

PART B – COUNCIL SUPPORT TO THE COMPANY

8. PROGRAMME DELIVERY AND TRANSITION SUPPORT

- 8.1 The Parties will work together to deliver a comprehensive Establishment Programme that enables a smooth and successful transition. This includes:
- (a) agreeing the joint steps required to establish the Company
 - (b) preparing each organisation for the transfer of assets, staff and operations
 - (c) monitoring progress and risks
 - (d) proactively addressing issues as they arise
- 8.2 The scope, timing, and delivery of transition support will be agreed between the Parties at an operational level, consistent with the Establishment principles set out in this Agreement.
- 8.3 Council will provide the support necessary to ensure the Company can effectively implement the Establishment programme. This includes:
- (a) back-office and corporate services, including accounts payable for the Company
 - (b) access to systems and data
 - (c) operational support
 - (d) secondments of staff
- 8.4 These arrangements are intended to ensure the Company is fully supported to implement the Establishment programme within agreed budgets.
- 8.5 **Secondments:** Secondments may be used to support the establishment of the Company and ensure continuity of capability and knowledge transfer. Council may make staff available to the Company on a secondment basis
- (a) secondments will support programme delivery, operational readiness, and continuity of service
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- (b) secondees will remain employees or contractors of Council unless otherwise agreed
- 8.6 The support services provided by Council will be delivered to a standard no less than that applied by Council to its own operations, unless otherwise agreed.

9. ESTABLISHMENT FUNDING

- 9.1 Establishing the Company requires a strong and credible financial foundation.
- 9.2 The Council will support the Company throughout the Establishment Period to support programme delivery and readiness for the Transfer Date.
- 9.3 As provided for in its Water Services Delivery Plan, Council has committed initial funding to support establishment activities up to \$8 million (**Initial Committed Funding**). In addition, the Company will require operating capital to meet operating costs incurred during the Establishment Period between the date of incorporation and the date on which the Company is able to borrow funds through the LGFA (**Company Operating Costs**). Estimated Company Operating Costs are \$2.016 million, with the detail informing this estimate set out in Schedule 1.
- 9.4 The Board will have oversight of the Initial Committed Funding and Company Operating Costs in accordance with its approved delegated authority framework and budgets.
- 9.5 Should Additional Funding (being funding over and above the Initial Committed Funding and Company Operating Costs) be required by the Company to ensure liquidity, the Company may request such Additional Funding by submitting a request in writing from the Company Chief Executive to the Council Chief Executive setting out the basis for the Additional Funding, the amount and seeking Council approval (not to be withheld unreasonably).
- 9.6 Parallel to the above, the Council will incur costs in its own right on matters (**Transition Activity Costs**) that relate to the Council transferring its Waters Services business to the Company. The parameters of what constitutes Transition Activity Costs will be agreed between the parties as part of the Establishment programme. [For the purposes of this Agreement, Transition Activity Costs are intended to include the reasonable and directly attributable costs incurred by the Council in preparing for and implementing the transition of water services assets, liabilities, responsibilities, information, systems, and personnel to the Company up to an agreed ceiling. These costs may include, legal, financial and technical advisory services, due diligence activities, asset and data validation, records and information management, staff time dedicated to transition activities, governance and reporting requirements, stakeholder engagement, and other activities reasonably required to support the establishment of the Company and the transfer of water services functions.](#)
- 9.7 The total of Initial Committed Funding (any Additional Funding), the Company Operating Costs and the agreed Transition Activity Costs will become repayable by the Company to the Council on the earlier of the Company being able to drawdown funds from the LGFA or Day One.

10. ENDURING FUNDING

- 10.1 Long-term funding is critical to the Company's operational and financial readiness.
- 10.2 The Council will support the Company in establishing appropriate funding arrangements, including signing such documentation (including guarantees) as required for the Company to accede to the LGFA Multi-Issuer Deed.
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- 10.3 These arrangements will be implemented in a manner consistent with the framework set out in Clause 4.

PART C – INFORMATION AND DEFINITIONS

11. INFORMATION

- 11.1 **LGOIMA:** Each party will notify the other party promptly if it receives any request for the release of information pursuant to LGOIMA that relates to the Establishment programme. Without limiting in any way the steps which the parties must take to comply with LGOIMA, they will endeavour to co-ordinate their responses to any such request. The Company will not respond to LGOIMAs about operational Water Services matters.
- 11.2 **Confidentiality:** Each party will always maintain as confidential, and will not at any time, directly or indirectly:
- (a) disclose or permit to be disclosed to any person;
 - (b) use for itself; or
 - (c) use to the detriment of the other party,
- any Confidential Information except:
- (d) as required by law (including LGOIMA);
 - (e) as is already or becomes public knowledge, otherwise than because of a breach, by the party disclosing or using that Confidential Information, of any provision of this agreement;
 - (f) as authorised in writing by the other party; or
 - (g) to the extent reasonably required to give effect to this agreement.

12. DEFINITIONS

- 12.1 In this agreement, unless the context indicates otherwise:
- Board** means the board of directors of the Company
- Business Day** means any day except Saturdays, Sundays and statutory public holidays in Otago and excluding any day in the period beginning on 25 December in any year and ending on 15 January in the following year;
- Company** means QLDC 3Waters Limited
- Confidential Information** means any information relating to a party (including any of its assets or undertakings) (**Party A**):
- (a) disclosed by Party A to the other party on the express basis that such information is confidential; or
 - (b) which is, by its nature, commercially sensitive for Party A or which might otherwise be expected by either party (acting reasonably) to be confidential to Party A,

and, for the avoidance of doubt, any information received by a Seconded in the course or as an incident of his or her secondment to the Company under this agreement will be deemed to be confidential information relating to the Company;

Constitution means the Constitution of the Company as available on Companies Office.

Council means Queenstown Lakes District Council

Day One means 1 July 2027 (being the intended Transfer Date)

Establishment Period means the period from incorporation to Day One

Establishment Programme means the programme of work required to establish the Company as identified in the supporting establishment plan

Intellectual Property means any form of intellectual property, whether registered or unregistered, including the goodwill and all rights of actions associated with such intellectual property

LGOIMA means the Local Government Official Information and Meetings Act 1987

Initial Funding Committed has the meaning set out in clause 9.3 above

LGFA means the Local Government Funding Agency

LG(WS) Act has the meaning in Recital A above.

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LGOIMA means the Local Government Official Information and Meetings Act 1987

Major Decision has the meaning set out in clause

Strategic Asset means any land, infrastructure asset, facility, easement, access arrangement, or operational site relating to Water Services that may materially affect the operation, maintenance, or future delivery of Water Services.

TIM means the Transition Interface Model as set out in clause

Transfer Agreement means the agreement governing transfer of Water Services required under the LG(WS) Act

Transfer Date means the date the Transfer Agreement is completed and is intended to be Day One.

Transfer Principles means the principles set out in clause 3

Transition Activity Costs means all costs reasonably incurred by Council in connection with establishing the Company and enabling the transfer of Water Services, including costs related to programme delivery, organisational and operational readiness, systems and data, advisory services, and staff resourcing (including secondments).

Water Services means drinking water, wastewater, and stormwater services as defined in the LG(WS) Act.

SIGNATURES

QUEENSTOWN LAKES DISTRICT COUNCIL

By:

Name of Authorised Signatory

Signature of Authorised Signatory

In the presence of:

Signature of witness

Name of witness

Occupation

City/town of residence

QLDC 3WATERS LIMITED

By:

Signature of Director

Signature of Director

Name of Director

Name of Director

SCHEDULE 1
COST ESTIMATES

Establishment of WSCCO by 1 July 2027		
Establishment Programme	\$ 2,290,848	
Workstream estimates		
Governance, Regulatory, Partnerships and Planning	\$ 702,000	
Finance, Commercial & Risk	\$ 646,400	
Digital Systems & Processes	\$ 1,385,000	
Ops, Service Delivery & Compliance	\$ 356,111	
Customer, Comms & Engagement	\$ 447,500	
Org, People & Transition	\$ 600,000	
	\$ 6,427,860	
Contingency (set aside for resources to be identified)	\$ 1,285,572	
ESTABLISHMENT Estimate	\$ 7,713,432	Council funding, debt transfer on Day 1. Applied over 30 years
General application of funding		
Resources		
Advisory Services		
Digital system allowance \$1M		
Legal		
QLDC of the future contribution \$300k		
Post incorporation - company operating costs	\$ 2,016,500	Council funding, debt transfer on Day 1.
(CAPEX for fitout \$650k)		
Directors Fees & Insurance		
Salaries (first Execs)		