

ATTACHMENT B: OPTION DESCRIPTION

	Option 1: QLDC Inhouse	Option 2: WSCCO
Governance Arrangements	<p>Existing Council sub-committees remain (Infrastructure Committee, Assurance, Finance and Risk Committee) and responsibilities / Term of Reference reviewed to take account of new economic regulation and planning and accountability requirements.</p> <p><i>Sensitivity test: Water Services Committee. Determine the impact of establishing a Water Services Committee with responsibility for overseeing water services performance, that has independent members appointed based on their competency to perform the role.</i></p>	<p>WSCCO is governed by an Independent Board of Directors, appointed by QLDC as the shareholder. Directors are appointed based on their competency to perform the role and do not include QLDC Councillors or staff.</p>
Decision Making and Control	<p>QLDC makes decisions, including the decision of what level of decision making is delegated to Committees, the Chief Executive, General Managers and officers.</p> <p>The Water Services Strategy must be aligned with the LTP, publicly consulted, and adopted by the Full Council. This means Council (elected members) are the decision-makers about water services priorities, performance, funding, financing, and expenditure.</p>	<p>QLDC establishes a WSCCO based on retaining the minimum amount of control allowable within the legislative and regulatory framework, as set out below:</p> <ul style="list-style-type: none"> • The Statement of Expectations covers minimum requirements only: <ul style="list-style-type: none"> ○ QLDC's strategic priorities for the WSCCO. ○ the outcomes that QLDC expect the WSCCO to achieve by delivering water services. ○ requirements relating to QLDC's resource management planning and land-use planning. ○ the information that the WSCCO must include in its water services half-yearly report. • The Water Services Strategy will be approved by the Board and will not be consulted on. The Constitution will define that QLDC is able to provide comments on the draft water services strategy but will not have the power to require changes or approve the final strategy. <p><i>Sensitivity test: QLDC retains maximum control of the WSCCO. Determine the impact of QLDC establishing a WSCCO based on retaining the maximum amount of control allowable within the legislative</i></p>

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		<p><i>and regulatory framework, as set out below:</i></p> <ul style="list-style-type: none"> • <i>Statement of Expectations additionally covers:</i> <ul style="list-style-type: none"> ○ <i>how QLDC requires the WSCCO to conduct its relationships with QLDC, the community or specified stakeholders within the community, iwi, and consumers</i> ○ <i>performance indicators and measures that QLDC will use to monitor the WSCCO</i> ○ <i>a requirement to undertake community or consumer engagement, and the contents of that engagement</i> ○ <i>expectations in relation to collaborating with QLDC and other parties when providing water services</i> ○ <i>a requirement that part or all of the water organisation's water services strategy must be independently reviewed.</i> • <i>QLDC will retain decision making on the Water Services Strategy. The Constitution will define that QLDC is able to provide comments on the draft water services strategy, will require the WSCCO to amend the draft strategy, and will approve the final strategy.</i>
Accountability	<p>Accountability remains the same:</p> <ul style="list-style-type: none"> • Water Services Act: Councillors are exempt from the duty to exercise due diligence and therefore are exempt from any liability under this Act. Councillors are the decision makers under this model, but do not carry the liability for the consequences of decisions. • Commerce Act: Councillors are liable for inaccurate information disclosures made to the Commerce Commission i.e. there is no carve out for Elected Members like is the case under the 	<ul style="list-style-type: none"> • Water Services Act: Directors can be held liable for the consequences of decisions that do not reflect the duty to exercise due diligence. In this case the Directors are the decision makers and carry the liability for the consequence of decisions. • Commerce Act: Directors are liable for inaccurate information disclosures made to the Commerce Commission. As Council has delegated all decision making to the WSCCO Councillors have no liability. The base level of economic regulation (Information Disclosure) requires annual regulatory reports,

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	<p>Water Services Act. The base level of economic regulation (Information Disclosure) requires annual regulatory reports, including regulatory financial statements using alternative financial reporting principles, and annual demonstration of financial ringfencing of three waters (including method of overhead cost allocation). The Commerce Commission has the power to consider information on wider Council operations if they think that this is impacting on decisions relating to water services.</p> <ul style="list-style-type: none"> Local Government Act: Councillors are accountable to their communities for decision making through the election process. Local Government (Water Services) Bill: QLDC is required to consult with the community on the Water Services Strategy. <p><i>Sensitivity test: Water Services Committee. Determine the impact on accountability under indicated legislation of having independent members on a Water Services Committee.</i></p>	<p>including regulatory financial statements using alternative financial reporting principles. Demonstration of financial ringfencing only occurs once, upon establishment of WSCCO. The Commerce Commission's powers are limited to considering the performance of the WSCCO.</p> <ul style="list-style-type: none"> Local Government Act: LGA does not apply to the WSCCO and there are no alternative mechanisms for direct community engagement or accountability, but the regulatory regime is designed to protect the interests of consumers. Local Government (Water Services) Bill: A WSCCO is not required to consult with the community on the Water Services Strategy. <p><i>Sensitivity Test: QLDC retains maximum control of the WSCCO.</i></p> <ul style="list-style-type: none"> <i>Water Services Act: Determine the impact of Council retaining responsibility for key decisions on the Directors' duty to exercise due diligence under the Water Services Act. In this case the Directors are not the decision makers but carry the liability for the consequence of decisions. Councillors are exempt from this liability.</i> <i>Commerce Act: Determine the impact of Council retaining responsibility for decisions about capital and operating expenditures and the level of charges or revenue recovery (as would be the case if Council is approving the Water Services Strategy). This will consider the impact on Councillor and Director liabilities and the impact of the ability of the Commerce Commission to consider wider Council operations.</i> <i>Local Government (Water Services) Bill: Determine the impact of QLDC requiring the WSCCO to consult with the community on the Water Services Strategy.</i>

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Management Structure	<p>The structure remains the same; water services continue to be delivered by the Property and Infrastructure directorate, which integrates water and other infrastructure services, reporting to the Chief Executive.</p> <p><i>Sensitivity test: Separate water services directorate. Determine the impact of creating a separate water services directorate that reports directly to the Chief Executive.</i></p>	<p>To be set out by the Chief Executive and Board of the WSCCO. Will likely take the functional approach of a typical water services provider business; planning (strategic, asset, investment), delivery (project, operations), corporate / support services.</p>
Support Services	<p>The structure remains the same; water services continue to be supported by other services from across QLDC (including finance, risk, assurance, legal, human resources, information technology and management, communications).</p>	<p>To be set out by the Chief Executive and Board of the WSCCO. Will likely take the functional approach of a typical "self-contained" water services provider business; planning (strategic, asset, investment), delivery (project, operations), and support services.</p> <p><i>Sensitivity test: Purchase support services from QLDC. Determine the impact if the certain services were purchased from QLDC.</i></p>
Funding	<p>Borrowing arrangements remain unchanged; QLDC can access LGFA financing of up to 280% of Council's revenue (covenant can be updated to increase this to 350%). While repayment of debt is ringfenced, LGFA does not consider revenue:debt for individual services. This means that QLDC can decide to utilise a higher proportion of available debt for water services, if this borrowing is not needed for non-water services. This impacts on Council's ability to access lending for other activities. Continuing the status quo would require a decision on the appropriate level of revenue:debt for three waters, and this is required to be disclosed in the Water Service Delivery Plan.</p>	<p>A WSCCO can access LGFA financing based on a Free Funds from Operating to Debt ratio, assumed to be 9%.</p> <p>Council would need to provide a guarantee for that borrowing or issue uncalled capital to the value of borrowing. Three waters debt would not be part of Council's overall borrowing.</p>