

**OUR WATER DONE WELL**  
**Consultation Document – June 2025**

## SECTION 1: PROPOSED MODEL FOR FUTURE DELIVERY OF WATER SERVICES

*As required by central government's Local Government (Water Services Preliminary Arrangements) Act 2024 (WSPA Act), Queenstown Lakes District Council (QLDC) considered the following future service delivery models for water services:*

- > Set up a Water Services Council Controlled Organisation (WSCCO) to deliver water services (proposed).*
- > Continue to deliver water services in-house.*

*Water reforms have already led to significantly increased investment and correspondingly significantly increased water related rates, as outlined in the Council's approved LTP. The cost to deliver water services will be significantly more into the future and will continue to rise to meet government expectations. This consultation is about what is the best model to govern and deliver water services under these evolving expectations.*

*While QLDC could continue to deliver financially sustainable water services through an in-house function, the singular focus of a dedicated water organisation, governed by a board made up of experts would provide the greatest opportunity to deliver high quality, resilient, sustainable and reliable water services and provide certainty for our communities on the provision of water services.*

*Please provide feedback on the proposal to establish a WSCCO for the management and delivery of wastewater, drinking water and stormwater services (collectively referred to as "water services" throughout this document). If, following community consultation, Council decides to set up a WSCCO, we will then design an establishment operating model, set an implementation date and develop a transition plan.*

Legislation to introduce new planning and accountability requirements and a new regulatory regime is currently being considered by parliament, and our assessment of options for future delivery of water services in the Queenstown Lakes District has considered how each of these may be impacted. The proposed regulatory regime, together with the existing legislative requirements, will set a baseline level of performance regardless of the delivery model chosen. Our assessment of the two options mentioned above focused on which one would perform better in Aotearoa New Zealand's future regulated environment.

Things that will remain constant across both models include:

- > Financial sustainability: To meet the financial sustainability requirements of the WSPA Act, both options would deliver financially sustainable water services that result in higher water charges than what QLDC has currently projected.
- > Levels of service: Both options would deliver services that meet nationally set quality and economic performance requirements.

## SECTION 2: SETTING THE SCENE

**Consideration of water reform has been underway in Aotearoa New Zealand for almost a decade, reflecting ongoing efforts by successive governments to ensure safe, reliable, and sustainable water services.**

A major catalyst for water services reform was the 2016 Havelock North contamination incident, which exposed serious deficiencies and led to a comprehensive government inquiry. This prompted the Three Waters Review (2017-2019), and the subsequent Three Waters Reform Programme launched in 2020, which sought to centralise water services management in regional water entities. The establishment of Taumata Arowai in 2021 marked a key step in regulating drinking water quality. This led to the introduction of higher environmental quality standards for water services and an associated quality regulation regime to enforce them. These higher standards have required a significant investment across Aotearoa New Zealand and in large part have contributed to the increasing cost of water services already indicated by local government.

**Local Water Done Well is the current Government's plan to address Aotearoa New Zealand's water infrastructure challenges through an increased focus on long term financial sustainability. The plan aims to deliver a future water services system that emphasises balance between economic, environmental, and water quality outcomes, while enabling local communities and councils to determine how these services are delivered.**

The Local Government (Water Services Preliminary Arrangements) Act 2024 (WSPA Act) is the first legislation to support Local Water Done Well and was enacted in September 2024. The WSPA Act sets out several transitional provisions, including a requirement for all councils to prepare and submit a Water Services Delivery Plan (WSDP) to the Government. A WSDP must describe the current state of a council's water assets and services as well as the future arrangements for delivery of water services and must demonstrate how financial sustainability of water services will be achieved. The WSPA Act provides an opportunity for councils to review current arrangements and to consider whether there are better alternatives to provide sustainable and efficient water services, addressing current challenges and laying the foundation for future improvements.

**To ensure the financial sustainability of water services, and to improve transparency and accountability, Local Water Done Well also introduces a new planning and accountability framework and economic regulation of water services.**

Further draft legislation, the Local Government (Water Services) Bill (LGWS Bill), is currently before parliament, and will provide a framework for managing and delivering water services in Aotearoa New Zealand once enacted. This includes a different mechanism for planning for the long-term needs of water services and economic regulation by the Commerce Commission. The Commerce Commission will use various regulatory tools to ensure fair and cost-reflective water charges and adequate revenue for investment. Initial requirements will be "light touch" with more stringent regulations, including price setting, if water service providers consistently fail to meet expectations and remain unresponsive to the Commission's efforts to address concerns.

**In focusing on long term financial sustainability, councils are required to consider and consult with their community on at least two arrangements for the future delivery of water services.**

The WSPA Act requires councils to consult on at least one alternative to their existing approach to delivering water services. That alternative must be either a Water Services Council Controlled Organisation (WSCCO) or a joint local government arrangement.

Council is not consulting on a joint WSCCO as no viable option currently exists to join with other councils. If the establishment of a QLDC WSCCO proceeds and other councils express an interest in integrating later, this would be considered and worked through at that time.

## Water in Queenstown Lakes District

- > Drinking water: Average age of assets 18.8 years, 15 treatment plants, 710km of pipes, 10 schemes, 41 pumps, 44 reservoirs, 21,365 connections, 13,809,892.71m<sup>3</sup> of water supplied.
- > Wastewater: Average age of assets 21.1 years, 4 treatment plants, 563km of pipes, 11 schemes, 74 pumps, 23,378 connections, 7,448,670 m<sup>3</sup> wastewater treated.
- > Stormwater: Average age of assets 15.8 years, 410km of pipes, 11 schemes, 21,606 connections.
- > Our district is a high user of water: Households in Queenstown Lakes use, on average, 565 litres per day, compared to the national average of 211 litres per day.
- > Queenstown Lakes is a high growth district:
  - Our resident population grew from 42,500 in 2018 to 51,500 in 2023, averaging 3.9% annually. The national population grew by 1.2% p.a. over the same period.
  - Our resident population is projected to increase by 85% by 2053, reaching 94,440. The national population is forecast to grow 21% over the same period.
  - Our district consistently builds the highest number of new houses per 1,000 residents in NZ (29 in 2024 compared to the NZ average of 5). Over the past five years, more than 1,300 new residential dwellings have been consented per year, which is more than double the national average.
  - 49% of QLDC's capital programme for water services relates to investment in water infrastructure to support growth.
- > Queenstown Lakes has high visitor numbers and infrastructure to support visitors is paid for by ratepayers:
  - There are, on average, 0.5 visitors per resident in the district on any given day, and at peak times this increases to 1.25 visitors per resident.
  - Around \$75 million per year of QLDC's expenditure is attributable to visitors and this is funded by ratepayers.
- > QLDC is investing heavily in water services: Total capital investment in water services over the ten years of the Long Term Plan 2024-2034 is \$1.49 billion, which accounts for 60% of overall QLDC capex. This will result in a significant increase in household charges related to water services, regardless of whether any changes are being made to how water services are delivered or not. Water related rates are projected to be approximately \$4,500, on average, by 2034.

### **SECTION 3: PROPOSED MODEL – A WATER SERVICES COUNCIL CONTROLLED ORGANISATION**

We are proposing a new Water Services Council Controlled Organisation (WSCCO) as our delivery model for future water services.

A WSCCO is a Council Controlled Organisation specifically established to manage and deliver wastewater, drinking water, and stormwater services. A WSCCO established under the water legislation has a bespoke oversight and accountability model that reflects the reform intent of councils retaining ownership of water assets. In particular:

- > Councils are required to prepare a Statement of Expectation (SOE) for a WSCCO, this must include strategic priorities and outcomes, and WSCCOs must give effect to it.
- > WSCCOs are required to prepare (and publish) a Water Services Strategy, that includes full financial forecasts, and Annual Budgets and councils are at minimum required to review and provide comment on these. Councils can choose to require the WSCCO to incorporate their feedback or to be the ultimate approver.
- > Councils can require the WSCCO to consult with the community on its Water Services Strategy and to undertake other specific community consultation.

The proposed WSCCO would be fully owned by QLDC, and legislation specifically prevents it from being privatised or paying a dividend, but the organisation would operate independently with its own specialist board and management. QLDC would be the only shareholder and would appoint board members based on skills and experience specific to the needs of the new organisation and governance of regulated water services.

The WSCCO would be responsible for delivery of all elements of water services and would own water assets and associated debt and liabilities. As these are currently strategic assets of QLDC, the transfer of these assets to the WSCCO would need to be provided for in a Long-Term Plan amendment. In accordance with the WSPA Act, this consultation will cover the consultation requirements for that amendment.

It is expected the WSCCO would receive funding from the Local Government Funding Agency (LGFA), which provides finance to the local government sector. QLDC would back this loan with a guarantee. This guarantee would be identified in our financial notes but not listed as a debt because it's unlikely the WSCCO would default. If needed, the WSCCO would increase water charges to repay the loan, in line with legislative financial sustainability requirements.

If this option is adopted, we will then design an establishment operating model, set an implementation date, and develop a transition plan.

#### Advantages of a WSCCO:

- > **INDEPENDENT EXPERT GOVERNANCE:** A skilled, professional board would govern water services, ensuring decisions are made in the best interest of water management, free from political influence.
- > **FOCUSED WATER SERVICES ORGANISATION:** The WSCCO would prioritise water services, ensuring consistent and long-term planning and resource allocation.
- > **STREAMLINED PROCESSES:** Tailored systems and processes would simplify decision-making and service provision, with fewer regulatory obligations compared to council-managed services.
- > **INCREASED QLDC BORROWING CAPACITY:** QLDC's borrowing capacity would be 606% higher than current limits if water services are managed by the WSCCO.

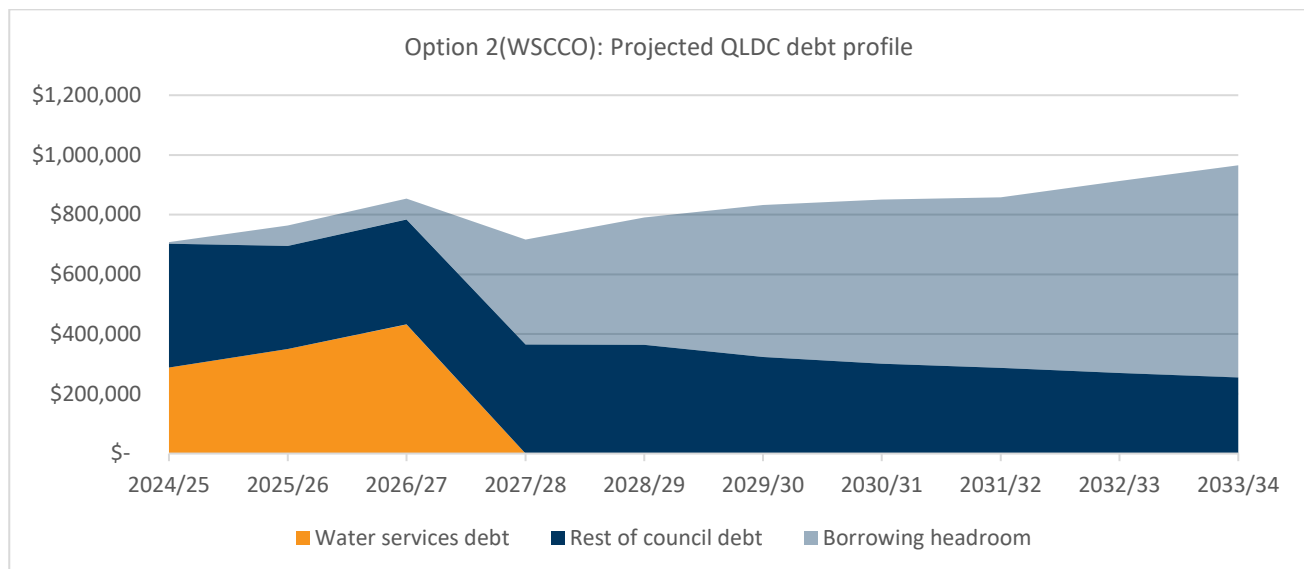
- > **LOWER LONG-TERM WATER CHARGES:** Over the longer term (2035 – 2044), household water charges are expected to be on average \$491 (11.2%) lower each year than with an in-house model.
- > **ADAPTABILITY TO CHANGE:** The WSCCO would be more adaptable to future government reforms and emerging opportunities as it is most closely aligned with Government's likely future direction.

#### Disadvantages of a WSCCO:

- > **SEPARATION OF SERVICES:** Splitting water services from other QLDC functions (like land use planning) would require more coordinated efforts, increasing complexity compared to an in-house model.
- > **REDUCED COMMUNITY INVOLVEMENT:** The WSCCO wouldn't be required to involve the community or iwi in long-term planning, relying instead on the Council to set priorities.
- > **HIGHER SHORT-TERM WATER CHARGES:** Until approximately 2034, household water charges are expected to be on average \$174 (5.2%) higher each year than with an in-house model.
- > **STRANDED COSTS FOR QLDC:** Moving water services to a WSCCO would leave some ongoing costs related to currently shared functions, like Human Resources and Finance. These costs could be managed by gradually transitioning affected functions to the WSCCO and having the WSCCO purchase these services from QLDC in the meantime.

#### Impact on debt:

A large portion of QLDC's current and future debt is tied to water services. This proposal suggests transferring ownership of water assets and the responsibility for water services to a WSCCO, along with the associated debt. Currently, QLDC uses revenue from all activities to secure debt for water services, which is repaid through water-specific rates. This limits the debt capacity available for other QLDC activities. By moving water services to a WSCCO, QLDC would have significantly more debt capacity for non-water related investments.



WSCCOs have different borrowing requirements from the LGFA compared to councils, which would require higher water charges initially. As the WSCCO would still deliver the same services and capital projects as currently planned, this means it would generate more revenue while costs remain the same, meaning debt can be repaid more efficiently. By 2034, the WSCCO is estimated to have \$37 million less debt than the in-house model, reducing the combined debt of QLDC and the WSCCO by \$37 million.

Whether QLDC delivered water services with the proposed WSCCO or inhouse, debt levels would be higher than currently projected over the next ten years. This is to enable us to comply with new financial sustainability requirements and to operate in a new, more complex regulatory environment regardless of the delivery model in place.

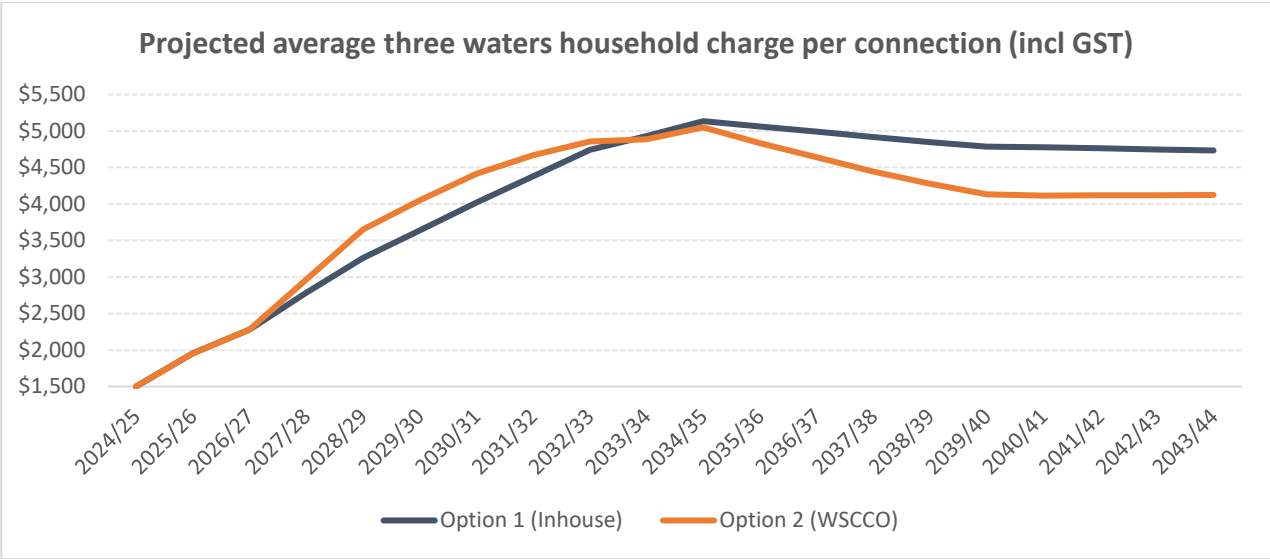
Impact on rates and charges for water services:

Water reform has been driven by underinvestment in water infrastructure across local government. The focus on meeting this infrastructure challenge has already led to significant projected increases in household charges for water across Aotearoa New Zealand. This is true for QLDC as it is for many councils, and led to a significant proportion of the projected rates increases indicated in QLDC’s Long Term Plan 2024-2034.

Based on expenditure outlined in the Long Term Plan and considering adjustments from the Annual Plan 2025, QLDC is already projecting average annual household costs for water could increase from approximately \$1,500 today to \$4,500 by 2034, regardless of which delivery model for water services is selected. Household costs would increase further under both delivery models to meet new financial sustainability requirements and for either model to operate in a new, more complex regulatory environment.

Ratepayers in the Queenstown Lakes District currently pay specific water rates that are set, and spent, separately to rates for other activities. Under the proposed model of a WSCCO, your rates bill would reduce by the amount of the water rates, and the WSCCO would charge you that amount instead.

Water charges are anticipated to be higher under a WSCCO in the near term and lower under a WSCCO in the longer term due to LGFA borrowing requirements for WSCCOs. As mentioned above, a WSCCO must increase revenue in the short term to meet the LGFA requirement, but because it isn’t spending any more, the additional revenue repays debt. The WSCCO then has less debt and therefore lower interest and debt repayments in the longer term requiring less revenue.



In 2025:	In the medium term (now - 2034)	In the long term (2035 – 2044):
Average annual household cost: \$1,500	> Average annual household cost: \$3,522	> Average annual household cost: \$4,386
	> Total cost to households: \$35,224	> Total cost to households: \$43,864

Delivery of water services through the proposed WSCCO would additionally result in approximately \$1.9 million per annum in ongoing costs to QLDC, which translates to, on average an additional cost to households of \$51 per annum. These recurring costs relate to shared functions and can be reduced significantly if the WSCCO purchased support services from QLDC.

Establishment considerations:

Under this proposal QLDC is required to put in place appropriate accountability and monitoring arrangements to assess the performance of the WSCCO, including at a minimum:

- > **STATEMENT OF EXPECTATIONS:** QLDC would outline its expectations for the WSCCO in a Statement of Expectation. This document will detail expectations around strategic priorities, desired outcomes, resource management and land use planning, collaboration with QLDC, and engagement with the community and consumers. It will also emphasise the Council's commitment to partnering with Kāi Tahu in delivering water services. The WSCCO will be required to adhere to these expectations.
- > **PERFORMANCE INDICATORS AND MEASURES:** QLDC would establish performance indicators and measures to monitor the WSCCO's performance aligned with the Statement of Expectation.
- > **ANNUAL PERFORMANCE REVIEW:** QLDC would conduct an annual review of the WSCCO's performance in implementing the Statement of Expectation and Water Services Strategy. This review will use specific performance indicators and measures to assess progress.

**Please note:** As mentioned above, the Commerce Commission will use various regulatory tools to ensure water charges are fair, cost-reflective, and transparent.



## **Alternative model considered: QLDC retains water services inhouse**

Under this alternative option QLDC would continue to deliver water services inhouse. However, this model will be subject to all the requirements in the Bill that apply to water service providers – including meeting statutory objectives and financial principles (ringfencing and financial sustainability requirements), separate planning and reporting requirements for water services, and being subject to a new economic regulation regime.

Changes would have to be made to maximise our ability to respond to the new legislative and regulatory frameworks for water services. This could include establishing a separate water services directorate with a General Manager that reports directly to the Chief Executive. Our analysis of this option, and comparison to the WSCCO option, has assumed that changes to optimise our performance are made.

### Advantages of retaining water services inhouse:

- > **INTEGRATED ACTIVITIES:** Keeping water services in-house would allow better coordination with other QLDC functions, managed by one elected body and leadership team. Functions where integration is critical include strategic growth and land use planning, transport infrastructure planning and delivery, and consenting for new subdivisions.
- > **ORGANISATIONAL SCALE:** Water services would benefit from QLDC's established administrative functions, attracting a wide range of staff and governance candidates.
- > **COMMUNITY INVOLVEMENT:** Council would directly consult the community on water services, with local elections influencing governance. Public forums ensure transparency and accountability.
- > **LOWER SHORT-TERM WATER CHARGES:** Household water charges are expected to be lower under an in-house model until around 2034.

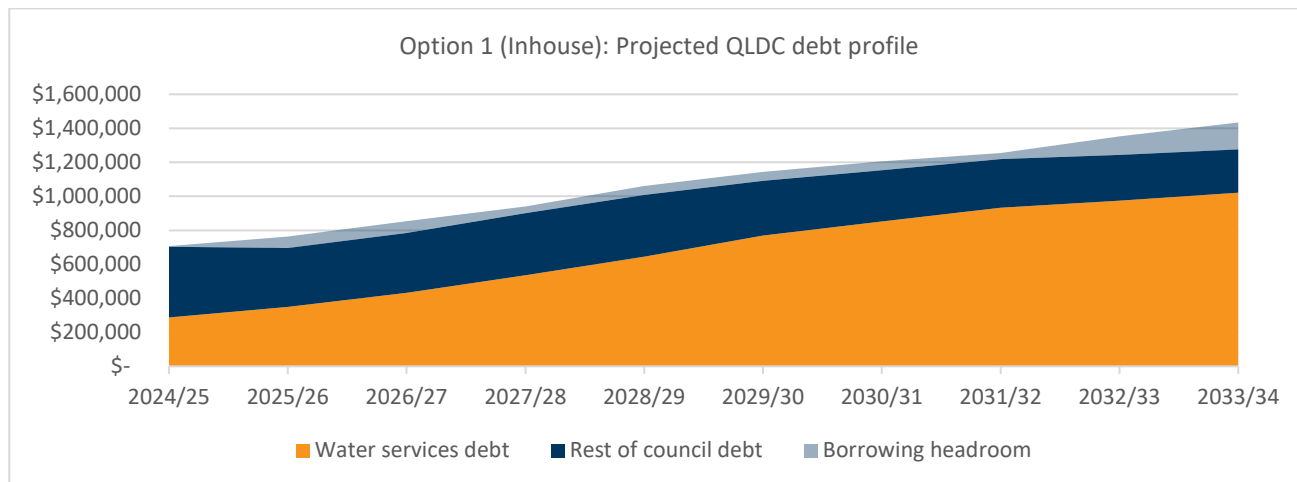
### Disadvantages of retaining water services inhouse:

As well as the advantages noted, there are several disadvantages associated with this model, including:

- > **MISALIGNED ACCOUNTABILITY:** Council makes water service decisions but isn't liable for their outcomes, weakening decision-making incentives.
- > **DILUTED FOCUS:** Councillors and staff juggle many QLDC activities, affecting focus on water services and competing for resources.
- > **COMPLEX ADMINISTRATION:** Water service responsibilities are spread across QLDC, increasing administrative complexity and obligations. QLDC staff and Councillors would need to continue to manage and have a comprehensive understanding of the different and changing requirements that apply to water services as well as those that apply to the rest of QLDC's services.
- > **HIGHER-LONG TERM CHARGES:** Household water charges are expected to be higher from 2034 compared to a WSCCO model.
- > **LIMITED INVESTMENT CAPACITY FOR OTHER SERVICES:** Keeping water services in-house would limit QLDC's ability to invest in new non-water related projects due to existing water debt.

### Impact on debt:

We currently have a high level of debt and plan to finance a significant capital programme over the next ten years through borrowing, close to the maximum allowed by LGFA<sup>1</sup>. If QLDC keeps water services in-house, we can secure enough debt for necessary water investments. However, this would limit our ability to invest in other non-water services.



### Impact on rates and charges for water services:

Under this scenario ratepayers in the Queenstown Lakes District would continue to pay specific water rates that are set, and spent, separately to rates for other activities. Modelling shows that from 2024/25 to 2033/34, households will save approximately \$1,738 on water services with an in-house model. By 2034, the annual cost for water will be similar for both options. However, from 2034/35 to 2043/44, households would pay approximately \$4,906 more for water services with an in-house model.

In 2025:

> Average annual household cost: \$1,500

In the medium term (now - 2034)

> Average annual household cost: \$3,349

> Total cost to households: \$33,488

In the long term (2035 – 2044):

> Average annual household cost: \$4,877

> Total cost to households: \$48,770

### **Comparing the two options**

#### **Advantages:**

#### **WSCCO:**

Independent Expert Governance  
Focused Water Services Organisation  
Streamlined Processes  
Increased QLDC Borrowing Capacity  
Lower Long-Term Water Charges  
Adaptability to Change

#### **Inhouse:**

Integrated Activities  
Organisational Scale  
Community Involvement  
Lower Short-Term Water Charges  
Borrowing Capacity for Unexpected Water Costs

<sup>1</sup> We can currently have debt with LGFA of up to 280% our revenue in any given year. As a high growth council QLDC is able to apply to have this limit increased to 350%, but we have not yet done so, and all modelling outlined in this document is based on 280%

	WSCCO:	Inhouse:
<b>Disadvantages:</b>	Separation of Services Reduced Community Involvement Higher Short-Term Water Charges Stranded Costs for QLDC Limited Borrowing Capacity for Unexpected Water Costs	Misaligned Accountability Diluted Focus Complex Administration Higher Long-Term Charges Limited Investment Capacity for Other Services
<b>Headroom available for non-water expenditure:</b>	Over the period 2024-2034 QLDC would have debt capacity of \$3,906 million to invest in non-water services.	Over the 2023-2034 period QLDC would have debt capacity of \$643 million to invest in non-water services or unplanned water services expenditure.
<b>Level of debt:</b>	By 2034 QLDC would have debt of \$254 million and the WSCCO would have debt of \$984 million, resulting in total debt across the two entities of \$1,238 million.	QLDC would have water debt of \$1,022 million and overall debt of \$1,276 million.
<b>Rates and Water Charges 2024 – 34:</b>	Average annual household cost: \$3,522 Total cost to households: \$35,224 2034 annual household cost: \$4,889 In 2034 households would pay approximately the same under either option.	Average annual household cost: \$3,349 Total cost to households: \$33,488 2034 annual household cost: \$4,933 On average households would pay ~\$174 pa less than under a WSCCO, and ~\$221 pa than current projections
<b>Rates and Water Charges 2034 – 44:</b>	Average annual household cost: \$4,386 Total cost to households: \$43,864 2044 annual household cost: \$4,120 On average households would pay ~\$491 pa less than under an inhouse model. In 2044 households would pay ~\$600 pa less than under an inhouse model.	Average annual household cost: \$4,877 Total cost to households: \$48,770 2044 annual household cost: \$4,730

## SECTION 4: SHARE YOUR FEEDBACK

*We would like to know:*

- > *If you support the proposal to establish a Water Services Council Controlled Organisation for the management and delivery of wastewater, drinking water and stormwater services.*
- > *Or, if you prefer that we retain water services inhouse, recognising that changes would need to be made to enable us to respond to the new regulatory environment.*
- > *And any other comments you may have on the proposed model outlined in this consultation document.*

### How to provide feedback

Any person or organisation can share feedback on this proposal, and we encourage everyone with an interest to do so.

Feedback can be shared in any of the following ways:

- > Online: Using the feedback form available at <https://letstalk.qldc.govt.nz>.
- > By post: Sent to Queenstown Lakes District Council, Private Bag 50072, Queenstown 9348, Freepost 191078, *Attention: Your Water Done Well*.
- > By email: Sent to [letstalk@qldc.govt.nz](mailto:letstalk@qldc.govt.nz), *subject line: Your Water Done Well*.

Copies of this consultation document will be available at no cost from either of the Council offices at 10 Gorge Road, Queenstown, 47 Ardmore Street, Wānaka, or any public library.

***Feedback must be received digitally or in writing by Sunday 29 June 2025.***

All written feedback received by QLDC will be acknowledged and made available to the public. Any personal contact details will not be published.

Decisions about the proposal will be made in a Council meeting on Thursday 31 July 2025. This meeting will be open to the public.

### Timeline and next steps

Below is the timeline for consultation:

- > 29 May 2025: Council adopted the proposal for consultation
- > 2 June 2025: Public consultation period starts
- > 27 June 2025: Public consultation period ends
- > 31 July 2025: Council considers consultation feedback and makes a decision on the future service delivery model