

### Full Council

5 February 2026

#### Report for Agenda Item | Rīpoata moto e Rāraki take [3]

**Department:** Assurance, Finance & Risk

**Title | Taitara:** Queenstown Lakes District Council Water Services Council-Controlled Organisation Board Appointment Process

#### Purpose of the Report | Te Take mō te Pūroko

The purpose of this report is to obtain Council approval for the arrangements required to commence recruitment of the Queenstown Lakes District Council (QLDC) Water Services Council-Controlled Organisation (WSCCO) establishment board<sup>1</sup>, including confirmation of the delegated group responsible for overseeing the recruitment of the board, and the key governance settings such as board size, director terms, and the approach to the board skills matrix, enabling timely incorporation and progression of WSCCO Establishment Programme.

#### Recommendation | Kā Tūtohuka

That the Council:

1. **Note** the contents of this report;
2. **Agree** to a one-off approach for appointing the WSCCO establishment board (scope, option 1), with the Appointment and Remuneration of Directors Policy updated later;
3. **Agree** to establish an appointment panel of five elected members to oversee the establishment board appointment (delegated panel option 1) with membership to be confirmed at this meeting;
4. **Appoint** five Councillors (to be named) to a panel to undertake the initial recruitment for the QLDC WSCCO establishment board, supported by the appointed recruitment advisor (Sheffield), and to make recommendation to Council for approval of the establishment board appointments and associated remuneration;
5. **Agree** that the WSCCO establishment board will comprise a full board of up to five directors appointed from the outset (board size, option 3);

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<sup>1</sup> "Establishment board" will be referred to throughout this paper and is defined to mean the first tranche of directors appointed to the QLDC WSCCO board and that will be in place when the WSCCO becomes the water services provider on 1 July 2027.

6. **Agree** that establishment directors be appointed for a fixed three-year term with one right of renewal and staged reappointment provisions to ensure continuity and succession (director term length, option 1); and
7. **Agree** that the WSCCO establishment board skills matrix be maintained as a stand-alone document approved by the delegated appointment panel (skills matrix location, option 2).

**Prepared by:**



**Name:** Pennie Pearce  
**Title:** Strategy & Reform Manager  
28 January 2026

**Reviewed and Authorised by:**



**Name:** Katherine Harbrow  
**Title:** Assurance, Finance & Risk General Manager  
28 January 2026

### Context | Horopaki

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1. In July 2025, the Queenstown Lakes District Council resolved to establish a wholly owned Water Services Council-Controlled Organisation (WSCCO) as the district's future water services delivery model, following a comprehensive assessment of service delivery options, public consultation, and consideration of the requirements of the Local Water Done Well (LWDW) reforms. This decision confirmed Council's intention to transition water service delivery to a dedicated, specialist entity that would provide stronger governance, clearer accountability, and improved long-term financial and operational sustainability.
2. Since that decision, Council has been progressing the WSCCO Establishment Programme, which includes eight workstreams responsible for standing up the company ahead of "Day 1" on 1 July 2027. Key early deliverables now underway include incorporation activities, development of the WSCCO Constitution, an interim Statement of Expectations, and preparation for the recruitment of the inaugural Chief Executive and establishment board.
3. To enable the company to be incorporated and to begin shaping its strategic direction, Council is now required to make a series of decisions relating to the establishment of the first WSCCO Board (the "establishment board"). This includes confirming the process by which directors will be appointed, determining the delegated panel that will oversee that process, and agreeing on key governance settings such as board size, director term lengths, and the location of the board skills matrix.
4. These decisions are needed at this time to allow the recruitment process for the establishment board to commence, ensuring that the WSCCO has the necessary governance capability in place to guide the development of core strategic documents, support the appointment of the inaugural Chief Executive, and provide early oversight during the establishment phase. Providing direction now also ensures alignment with the wider establishment timeline and avoids delays that could impact the company's ability to meet regulatory, organisational, and operational readiness milestones ahead of 1 July 2027.
5. The process for appointing directors to QLDC's CCO's is currently governed by QLDC's Appointment and Remuneration of Directors Policy (refer Attachment A). This Policy assumes that a dedicated Governance Subcommittee is responsible for managing all aspects of director appointments, including agreeing the skill mix.
6. The current decision-making structure of Council does not include a Governance Subcommittee. As indicated in the report on *Appointment of Committees and Chairs and Approval of Community Appointments* at the 27 November 2027 Council meeting, "the former Governance Subcommittee was ... responsible for the process for expressions of interest, shortlisting and interviewing to appoint directors to a Council-controlled organisation/Council-controlled trading organisation under the Policy on the Appointment and Remuneration of Directors. In the absence of this subcommittee it is recommended a panel should be convened to oversee that process at such a time as it is required..."

7. Consistent with this recommendation (for a panel to oversee CCO board appointments), several options presented to councillors at the 22 January 2026 Council Workshop involved the creation of a panel to oversee the appointment of the WSCCO establishment board. At that workshop elected members indicated a preference for the creation of a “panel of 3 – 5 elected members appointed by Council resolution” with membership to be confirmed at the 5 February Council meeting. The recommendation in this report is consistent with that direction.
8. At the 27 November 2025 Council meeting, Council took a similar approach (of appointing a small panel of elected members) for the purposes of recruitment and recommendation to Council on the appointment of independent committee members. As noted in the aforementioned report, this approach was recommended in “the interests of efficiency” given the absence of a Governance Subcommittee.

### Analysis and Advice | Tatāritaka me kā Tohutohu

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9. 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.

#### WSCCO Board Appointment Process – Scope

10. Option 1 one-off approach to appointing WSCCO establishment board (recommended):  
A temporary, bespoke process used only for establishing the WSCCO board, while the wider Appointment and Remuneration of Directors Policy is updated later.

#### *Advantages:*

- Faster implementation: Enables Council to begin recruiting and appointing the WSCCO establishment board immediately without waiting for a full policy review, which may take longer given complexity and consultation.
- Flexible, purpose-built process: Allows Council to design an ad-hoc arrangement suited specifically to WSCCO establishment needs.

#### *Disadvantages:*

- Risk of misalignment: The one-off approach may not fully reflect the eventual policy settings, leading to inconsistencies between the establishment board and future appointments.
- Duplicate work: Council must design a temporary process and still undertake a policy review afterwards.
- Potential for perceived lack of transparency: A bespoke approach may be seen as less robust than following a fully updated, formally adopted policy.

11. Option 2 Wider Policy Update: Council updates the Appointment and Remuneration of Directors Policy before commencing WSCCO board recruitment.

*Advantages:*

- Creates a consistent, enduring framework: One policy governs all future director appointments for both WSCCO and QAC, reducing confusion and improving transparency.
- Avoids misalignment later: Ensures the first WSCCO appointments are made under the same rules that will apply long-term.

*Disadvantages:*

- Delays WSCCO establishment: Recruiting the establishment board cannot begin until the policy review is completed, which may slow the programme's momentum.
- Higher upfront effort: Requires full policy revision and adoption before any appointments can occur.

12. This report recommends **Option 1 (one off approach for WSCCO establishment)** for addressing the matter to ensure that recruitment for the establishment board can commence in a timely manner, and so that sufficient time can be taken to work through the options for a permanent approach for future appointments that suits both the WSCCO and QAC board appointment processes.

**WSCCO Board Appointment Process – Panel delegated to oversee establishment board appointment**

13. Whether Council pursues a one-off approach or a broader policy update, several models for the appointment process are available. Outlined below are options for consideration if Council adopts the recommended approach of taking a one-off approach.

14. Option 1 Appointment Panel made up of a subset of Councillors (recommended): Establish a panel of five elected members, appointed by Council resolution, to oversee the appointment of the inaugural WSCCO Board.

*Advantages:*

- Democratic Oversight: Appointment process is led by elected representatives, preserving community accountability.
- Agile Decision-Making: A smaller panel can move faster and coordinate more efficiently than the full Council.
- Targeted Governance: Reduces workload for all councillors and enables focused attention on WSCCO board appointment.

### *Disadvantages:*

- Limited Perspectives: A small panel may not capture the full range of Council viewpoints.
- Unclear Mandate Risk: Poorly defined delegation could create confusion or disputes about decision-making authority.
- Perception of Politics: An unbalanced or opaque process may be seen as politically influenced or lacking transparency.

15. Option 2 Appointment Panel made up of independent chair and Councillors: Constitute a panel that includes both elected members and an independent governance expert as chair.

### *Advantages:*

- Enhanced Credibility: Combining elected members with an independent governance expert increases confidence in the fairness and robustness of the process.
- Reduced Politicisation: An independent chair helps ensure decisions are merit-based and grounded in best-practice governance.
- Stronger Transparency: External oversight brings objective scrutiny while still retaining councillor involvement and community representation.

### *Disadvantages:*

- Higher Cost: Engaging an independent governance expert introduces additional remuneration and administrative expenses.
- Potential Delay: Finding a suitably qualified and genuinely independent chair may slow the recruitment process if not managed efficiently.
- Reduced Councillor Influence: Some elected members may feel their role in appointments is diluted due to greater reliance on an external expert.

16. Option 3 Delegation to Chief Executive (CE) with Councillor Oversight: The Council could delegate the appointment process to the CE, with one or two councillors providing oversight and reporting back to Council.

### *Advantages:*

- Streamlined Process: Delegating to the CE with councillor oversight speeds up the appointment process and reduces time demands on elected members.

- **Maintained Accountability:** Councillors retain an oversight role, ensuring transparency and clear reporting back to the full Council.
- **Reduced Workload:** Less administrative burden on councillors, allowing them to focus on broader governance priorities while staying involved in key decisions.

#### *Disadvantages:*

- **Reduced Democratic Oversight:** Delegating to the CE may lessen direct elected-member involvement in key appointment decisions.
- **Perception of Limited Transparency:** The process may appear less open or robust than one led directly by elected members.
- **Potential Accountability Concerns:** Some councillors may feel their influence and visibility in the appointment process are diminished.

17. This report recommends **Option 1 (appointment panel made up of a subset of Councillors)**, with the members to be nominated and selected in this meeting, as this option maintains democratic oversight while reducing the workload for the fully Councils and ensuring that the process can commence in a timely manner.

### **WSCCO Establishment Board Size**

18. Option 1 single director, followed by full board: One establishment director is initially appointed followed by a full board. This is the minimum requirement of the Companies Office.

#### *Advantages:*

- **Cost-Effective:** Represents the lowest administrative and remuneration cost, making it the most economical option during the early establishment phase.
- **Fast to Implement:** A single-director model can be set up quickly, enabling the WSCCO to begin transition and operational planning without delay.
- **Simple Governance:** Keeps the initial governance structure streamlined and straightforward, reducing early complexity while foundational work is underway.

#### *Disadvantages:*

- **Limited Expertise:** One director cannot realistically cover the full spectrum of strategic, financial, operational and governance perspectives required for effective oversight.
- **Concentrated Risk:** Decision-making and accountability rest with a single individual, increasing vulnerability and reducing checks and balances.



- Weak Governance Perception: May be viewed as insufficiently robust or transparent, particularly for a publicly owned entity expected to demonstrate strong governance.
- Poor Scalability: Transitioning from a sole director to a full board later can be disruptive and risks losing continuity or momentum.
- Unsustainable Workload: Places heavy and potentially unreasonable demands on one individual during a critical establishment period

19. Option 2 small initial board focussed on establishment, followed by full board: Small Board of three members with skills focused on establishment and foundation. Followed by later appointment of full board.

*Advantages:*

- Balanced Expertise: A small board can bring together legal, financial, governance and sector-specific skills, providing a well-rounded foundation for early decision-making.
- Agile Governance: With fewer members, the board can make decisions quickly while still maintaining appropriate checks and balances.
- Strong Foundations: Focuses early effort on developing core governance frameworks, policies and strategic direction needed to stand up the WSCCO effectively.
- Cost-Efficient: Delivers stronger governance than a single-director model while keeping remuneration and administrative costs lower than a full board.

*Disadvantages:*

- Limited Diversity: A smaller board reduces the range of perspectives and experience available compared with a full board.
- Complex Transition: Future expansion to a full board may require restructuring or careful onboarding, creating potential disruption during the establishment phase.
- High Workload: A small group must carry a broad set of responsibilities, placing significant demands on individual members during a critical early period.

20. Option 3 full board (recommended): Full board of up to five directors appointed from the outset.

*Advantages:*

- Comprehensive Governance: Provides a full breadth of strategic, financial, operational and sector-specific skills from the outset, enabling robust decision-making across all aspects of WSCCO establishment and early operations.



- **High Stakeholder Confidence:** Signals strong and transparent governance from day one, reinforcing public trust and confidence in the new entity and its oversight arrangements.
- **Continuity and Stability:** Establishing a full board immediately avoids the disruption, onboarding demands and potential loss of momentum associated with later expansion.
- **Strategic Depth:** A larger and more diverse board is better equipped to navigate complex issues, support long-term planning, and provide sustained direction through the establishment phase.

### *Disadvantages:*

- **Higher Cost:** Involves full remuneration and administrative overhead from the outset, requiring a greater upfront investment than smaller board models.
- **Reduced Agility:** Larger boards can be slower to make decisions during early establishment, when issues may require rapid response and iteration.
- **Risk of Over-Engineering:** A full board may be more governance than the early establishment phase strictly requires, potentially adding unnecessary complexity.
- **Challenging Recruitment:** Securing the right mix of directors with the necessary skills, experience and availability at the same time can be demanding and may extend recruitment timeframes.

21. This report recommends **Option 3 (full board)**, as this option delivers full governance strength from day one, providing the breadth of expertise, stability, and stakeholder confidence needed to guide a complex establishment process without the disruption of later board expansion.

### **WSSCO Establishment Director Term Length**

22. Option 1 fixed term with staged reappointment terms (recommended): Establishment directors are appointed for an initial fixed term of three years, with one right of renewal, and the second term length adjusted to enable staggered rotations.

### *Advantages:*

- **Predictable Governance Cycle:** Provides clarity around appointment timing and renewal, allowing Council and the board to plan governance activities with confidence.
- **Supports Succession Planning:** Staged reappointment opportunities encourage orderly succession and continuity, reducing the risk of sudden gaps in governance capability.
- **Flexible for Establishment:** The model accommodates the evolving needs of the WSSCO during its formative phase, allowing adjustments as the organisation matures.

- **Better Alignment of Skills:** Regular, planned renewal points help ensure the board's skills remain matched to long-term organisational needs and emerging priorities.

*Disadvantages:*

- **Less Responsive During Transition:** Fixed terms may limit agility if the organisation requires governance changes sooner than the cycle allows, particularly in early establishment stage.
- **Potential Over-Retention:** Directors may remain in place longer than required during the setup phase, reducing flexibility to bring in new or specialised skills at key moments.

23. Option 2 fixed term, staggered appointments: Appoint establishment directors progressively, for a fixed term of three years with one right of renewal, so terms overlap and end at different times.

*Advantages:*

- **Continuity and Stability:** Staggered appointments help maintain consistent governance through planned turnover, supporting steady leadership during the WSCCO's early development.
- **Smooth Skill Onboarding:** As the organisation grows, new directors can be brought in progressively, allowing skills to be added in a deliberate, well-timed way.
- **Lower Transition Risk:** Overlapping terms reduce the likelihood of multiple directors leaving at once, helping safeguard governance capability during key transitions.

*Disadvantages:*

- **Complex Planning Required:** Staggering appointments demands careful scheduling to ensure the right skills remain at the table and no gaps in expertise emerge.
- **Administrative Burden:** Managing multiple appointment cycles and renewal points can be inefficient and resource-intensive compared with simpler term-setting approaches.

24. Option 3 fixed term, same appointment date: All establishment directors appointed at once, for a fixed three-year term with one right of renewal. Subsequent terms are the same length.

*Advantages:*

- **Predictable Governance Cycle:** A single fixed-term appointment structure provides clarity and consistency, making it easier to plan governance activities and renewal points.
- **Administrative Simplicity:** All directors being appointed on the same cycle reduces complexity and makes the overall process straightforward to administer.

*Disadvantages:*

- **Inflexible During Transition:** A uniform appointment cycle limits adaptability if the WSCCO requires governance changes at different stages of establishment or early operation.
- **Skill Gaps Risk:** Recruiting all required expertise at once can be challenging, increasing the likelihood of gaps if suitable candidates are not available at the same time.
- **Administrative Peaks:** Renewal and appointment work clusters at a single point, creating spikes in workload rather than distributing it more evenly.
- **Continuity Risks:** If multiple directors do not renew at the same time, the board may experience significant turnover, potentially leaving temporary gaps in capability.

25. This report recommends **Option 1**, as this option provides a predictable governance cycle, supports succession planning and continuity, offers flexibility during the establishment phase, and mitigates the risk of misaligned board skills over the long term.

**Location of WSCCO Board Skill Matrix**

26. **Option 1 Constitution:** Included directly in the Constitution, can only be amended by Shareholder Resolution.

*Advantages:*

- **Stable Governance:** Embedding the skills matrix in the Constitution ensures changes occur only at formally defined intervals, providing stability and predictability for governance processes.
- **Clear Amendment Process:** Managing the matrix through Shareholder Resolution creates a straightforward, well-structured process for updates, reinforcing rigour and consistency.

*Disadvantages:*

- **Slow to Update:** Because any change requires a Shareholder Resolution, the matrix cannot be quickly adjusted in response to emerging needs or organisational changes.
- **Risk of Skill Gaps:** If directors step down unexpectedly or choose not to renew, the inflexible update process may leave temporary gaps in essential board skills.
- **Administrative Burden:** Amending the Constitution is more involved than updating a standalone document, resulting in additional time, coordination and procedural effort.

27. **Option 2 Stand-alone document (recommended):** Skills matrix for establishment directors to be captured in a stand-alone document, approved by the delegated appointment group (per paragraphs 3 – 13 above, assuming the recommended approach is agreed).

### *Advantages:*

- **Easy to Update:** The skills matrix can be adjusted quickly as organisational needs evolve, without requiring a formal Shareholder Resolution.
- **Lower Administrative Effort:** Updating a stand-alone document is simpler and faster than amending the Constitution, reducing procedural overhead.
- **Responsive to Skill Gaps:** The delegated appointment group can rapidly address emerging gaps in board capability, maintaining effective governance.
- **Direct Oversight:** Delegated approval ensures closer alignment with strategic priorities during the establishment phase.

### *Disadvantages:*

- **Reduced Formal Rigour:** Without constitutional amendment processes, updates may be less structured, risking weaker alignment with long-term governance objectives.
- **Less Shareholder Input:** Changes overseen by the delegated group may limit direct shareholder oversight and involvement.
- **Potential Misalignment:** Managing the skills matrix outside the Constitution may reduce integration with broader governance frameworks, creating the risk of inconsistencies over time.

28. This report recommends **Option 2 (stand-alone document)** because it enables rapid and flexible approval of the establishment board skills matrix, maintaining appropriate democratic oversight while reducing administrative complexity.

### Consultation Process | Hātepe Matapaki

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### Significance and Engagement | Te Whakamahi i kā Whakaaro Hiraka

29. This matter is of medium significance, as determined by reference to the Council's Significance and Engagement Policy 2024 because it relates to Council's decision-making structure and opportunities for public participation through public meetings and public forum.

30. The persons who are affected by or interested in this matter are elected members of the Queenstown Lakes District Council, Council officers, and the community.

31. The Council will note undertake community consultation on this matter.

### Māori Consultation | Iwi Rūnaka

32. Discussions are currently underway to establish the role of mana whenua in appointing the WSCCO establishment board.

### Risk and Mitigations | Kā Raru Tūpono me kā Whakamaurutaka

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33. This matter relates to the Strategic/Political/Reputation risk category. It is associated with RISK10015 Ineffective Governance within the QLDC Risk Register. This risk has been assessed as having a moderate residual risk rating.

34. The approval of the recommended option will allow Council to retain the risk at its current level. This will be achieved by implementing a clearly defined decision-making structure for appointment of the QLDC WSCCO establishment board.

### Financial Implications | Kā Riteka ā-Pūtea

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35. The remuneration of the WSCCO directors will be determined by the appropriate delegated group (per paragraphs 3 – 13). In the period between appointment and the transfer of water services to the WSCCO QLDC will fund directors fees via the establishment work in progress balance sheet code which will be recovered from the WSCCO on transfer date.

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

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36. The following Council policies, strategies and bylaws were considered:

- Significance and Engagement Policy 2024
- Policy on the Appointment and Remuneration of Directors

37. The recommended option is consistent with the principles set out in the named policies.

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

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38. Section 10 of the Local Government Act 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. As such, the recommendation in this report is appropriate and within the ambit of Section 10 of the Act.

39. The recommended option:

- Can be implemented through current funding under the Long-Term Plan and Annual Plan with ongoing costs to be incurred by the WSCCO through the Water Services Strategy;
- Is consistent with the Council's plans and policies; and

- Relates to a prior Council decision to transfer the ownership of strategic assets related to water services (water supply, wastewater, stormwater) from Council to a wholly owned WSCCO.

Attachments | Kā Tāpirihaka

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A	Appointment and Remuneration of Directors Policy
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