

Item 1: QLDC 3Waters – Transfer Principles

SESSION TYPE: Workshop

PURPOSE/DESIRED OUTCOME:

To build on the work already presented to Elected Members and introduce the next layer of detail to the proposed Transfer Principles and Land Transfer Framework, in accordance with the Transition Agreement.

Note: the framework is also being presented to the Board of QLDC 3Waters and an updated version that contains Council and Board feedback will be presented at respective next Governance meetings.

DATE/START TIME:

Thursday, 13 August 2026 at 11.00am

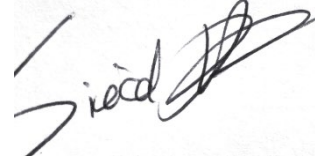
TIME BREAKDOWN:

Presentation and Discussion: 90 minutes

PRESENTERS:

Pennie Pearce – Acting General Manager (GM), Strategy and Policy (QLDC)
Sinead Hart – Governance Lead (QLDC 3Waters Limited)

Prepared by:



Name: Sinead Hart
Title: QLDC 3Waters – Governance Lead
6 August 2026

Reviewed and Authorised by:



Name: Pennie Pearce
Title: Acting Strategy and Policy GM
7 August 2026

ATTACHMENTS:

A	Presentation Slides
B	Land Asset Transfer Framework (Draft)

Attachment A: A Presentation Slides

Land Asset Transfer Framework

Determining ownership and control of land for Water Services, building on Project Bob

Why this matters for the community



Why it is proposed land needs to transfer

- Needed so QLDC 3Waters can safely and reliably deliver essential services as the statutory provider
- Assessed against clear tests - critical infrastructure, operational need, practicality - not transferred by default
- Where transfer isn't needed, Council keeps the land and grants access rights instead



This is not a sell-off

- Transferred land stays publicly owned through Council's shareholding in QLDC 3Waters
- Purpose of transfer is operational control, not disposal
- Future disposal is governed by QLDC 3Waters' Constitution, legislation, and its Significance and Engagement Policy

Public ownership is retained throughout. Land only transfers where genuinely needed to deliver water services - and any future disposal decision remains governed by QLDC 3Waters' own constitutional and significance safeguards.

Why ownership is preferred to any lease arrangement



Leasing costs without benefit

- Recurring valuation, legal and review costs - funded ultimately through water charges either way
- Ownership is a one-off transfer; leasing is a permanent, compounding cost for no operational gain



The lessor may not remain QLDC

- With Local Government Reform, QLDC may not remain the lessor
- A lease ties security of tenure to whoever holds the head lease after any future restructure

Communities are best served when the operator owns the ground beneath its lifeline assets. Splitting land ownership from operational accountability creates a dependency on a third party whose interests - or existence in that form - isn't guaranteed over the decades these assets need to operate.

Three Waters

Project Bob

Project Bob was QLDC's review of land associated with above-ground water assets, completed July 2024. It achieved:



Right-sizing designations

- 26 designations corrected under cl 16(2) RMA
- Mapping aligned to actual asset footprints



Removing designations

- 4 designations removed (s182 RMA)
- Gorge Road, McFarlane Tce +2
- No longer required for water assets



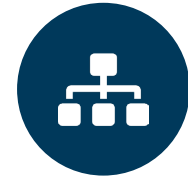
Priority Sites

- 8 sites reviewed for right-sizing district-wide



Cost and funding

- \$223,711 total cost; \$60,437 recovered from Transition funding



Lessons learned

- Keeping up with law reform - shaped which designations to amend as reform moved from compulsory to voluntary.
- A diverse team and GIS support keep this kind of work on track

Why this Framework isn't starting from scratch

Significant work was done locally (Project Bob) and nationally (National Transition Unit) as part of the Three Waters reform. The Land Asset Transfer Framework builds on these foundations, reducing unnecessary duplication

This Framework builds on Project Bob to establish:

- Land already right-sized against 26 water asset designations
- Surplus land identified for Council retention
- Operational access preserved through easements
- Eight Priority Sites reviewed district-wide
- A consistent, weighted methodology for every asset
- Clear treatment of single-use land
- A predominant-purpose test for mixed-use land
- Tailored rules for stormwater's mixed functions
- A path forward for designated land
- Public ownership retained through Council's shareholding
- A direct line into the Transfer Agreement

Local Water Done Well

Establishment of QLDC 3Waters

Overarching Transfer Principles

The Transition Agreement included the following overarching Transfer Principles:



PREDOMINANT USE

Only assets that predominantly relate to Water Services may transfer.



MIXED-USE ASSETS

Transfer only where predominantly for Water Services, unless otherwise agreed.



ACCESS PRESERVED

Where land does not transfer, Council will work with QLDC 3Waters to ensure it has appropriate rights to access the land its assets sit on. The full set of Transfer Principles is set out in the Transition Agreement.



NO DEGRADATION

Asset value and service capability must not be degraded during the Establishment Period.

The Land Asset Transfer Framework gives guidance to the application of these principles

Giving effect to the Transition Agreement

Land Asset Transfer Framework

Purpose of the Land Asset Transfer Framework



WHAT IT DOES

Determines whether land should transfer to QLDC 3Waters or remain with Council, and what enduring rights are needed either way.



GIVES EFFECT TO

The Transfer Principles agreed by Council and QLDC 3Waters in the Transition Agreement (25 June 2025)



CONSISTENT METHODOLOGY

One methodology for every asset — so land, easements and access rights are assessed the same way, everywhere in the district.



PUBLIC OWNERSHIP RETAINED

Land transferred to QLDC 3Waters stays publicly owned through Council's 100% shareholding. Any future change in use decisions remains subject to QLDC 3Waters' own governance framework.

THE METHODOLOGY

Determining what transfers

Drinking water and wastewater assets

Generally presumed to transfer where land is needed to deliver safe, reliable and resilient services



Critical infrastructure

- Contains critical operational infrastructure
- Underpins day-to-day service delivery



Operational need

- Safe, efficient operation
- Future maintenance and renewal
- Statutory or regulatory obligations



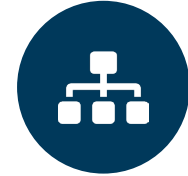
Practical separation

- Can it be practically separated from surrounding Council land?



Presumption to transfer

- Where land is required, it generally transfers to QLDC 3Waters



If no transfer, legal rights granted

- Enduring legal rights - easements, licences or covenants apply instead of a transfer.
- These still let QLDC 3Waters perform its statutory role

The objective is to give QLDC 3Waters the ownership or enduring rights it needs to safely, efficiently and resiliently deliver Water Services — not to maximise the amount of land transferred.

Single-use and mixed-use land



Single-use land

Land used solely for the provision of Water Services:

- Generally transfers to QLDC 3Waters
- No predominant-use assessment required



Mixed-use land

- Supports Water Services while also serving another Council or community purpose.
- Requires predominant-use assessment

Predominant use decides — not the Water Services function alone. The presence of a Water Services function does not, by itself, determine ownership. Where practicable, the Water Services component is separated out; otherwise the predominant purpose of the land is assessed using the methodology in this Framework.

Identifying predominant use of mixed-use land

Nine factors are considered - not all carry equal weight



History and current use

- Historic use of the asset
- Current day-to-day function



Future and physical form

- Future or planned use
- Operational responsibility
- Physical form and layout



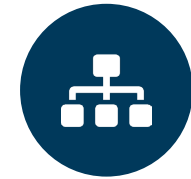
Regulatory obligations

- Legal, consent-related or compliance-driven requirements



Countervailing uses

- The nature and weight of other non-water uses on the asset



Public value and cost

- Public access and community function - the amenity, recreation, cultural or community value the asset provides.
- Financial: water's share of opex/capex

Historic use, current use and operational responsibility are primary indicators. Future use, physical characteristics and regulatory obligations carry secondary weight. Countervailing uses, public access and financial factors provide context but aren't determinative on their own.

Stormwater assets: a different approach



Maximise land transferred to QLDC 3Waters



Retain land regardless of service impact



Treat all stormwater like pipes and pumps



Balance both parties' statutory roles



Serve long-term community interests



Treat pipes and pump stations as before



Apply the predominant-purpose test



Gives the non-owning party enduring rights and interests



Statutory status isn't determinative

Some water services land carries statutory classifications or designations. Those classifications don't, by themselves, determine whether the land should transfer.



Framework first, process after

Ownership and control are determined under this Framework first. Any required statutory process — building on the approach tested through Project Bob — is then undertaken to give effect to that outcome.

Process and agreement



1

Identify

- Identify all land associated with Water Services assets
- Classify as single-use or mixed-use



2

Apply the Framework

- Assess mixed-use land against the weighted predominant-use factors.
- Consider separation of land, e.g. subdivision, where practicable



3

Determine arrangements

- Determine the appropriate ownership or enduring legal rights so QLDC 3Waters can lawfully own, access, operate and maintain the assets it needs.



4

Present to governance

- Property arrangements are documented and given effect through the Transfer Agreement, presented to Council and Board for approval

Asset transfer framework

1 PURPOSE

The purpose of this Framework is to give effect to the Transfer Principles in the Transition Agreement (dated 25 June 2025) as agreed between Queenstown Lakes District Council (**Council**) and QLDC 3Waters Limited (**QLDC 3Waters**). The principles assist the parties in determining the appropriate ownership and control arrangements for land associated with water services assets as part of the transfer of water services under the Local Government (Water Services) Act 2025.

In applying this Framework, the parties recognise that QLDC 3Waters will become the statutory provider of drinking water, wastewater and stormwater services for the district. As a lifeline utility responsible for delivering essential public services, QLDC 3Waters must have sufficient ownership of, or enduring rights over, land to enable it to safely, efficiently and resiliently deliver those services in the long-term interests of the communities it serves.

The Framework provides a consistent methodology for determining whether land should transfer to QLDC 3Waters or remain in Council ownership and, where appropriate, the enduring legal rights required to support the delivery of Water Services.

The intent is to enable and support the continued operation of water services on land already associated with water assets. The parties acknowledge that where land is transferred to QLDC 3Waters, it remains publicly owned through Council's shareholding in the company. The purpose of transferring land is to ensure QLDC 3Waters has the ownership or control necessary to perform its statutory functions. Any future proposal to dispose of significant land assets would remain subject to the governance framework applying to QLDC 3Waters, including any reserved matters under its Constitution, applicable legislation and its Significance and Engagement Policy. That oversight exists to ensure decisions continue to be made in the long-term interests of the communities receiving Water Services and the public assets held on their behalf.

2 CONTEXT

Council incorporated QLDC 3Waters on 1 July 2026 to prepare for the transfer of responsibility for the district's drinking water, wastewater and stormwater services from 1 July 2027.

The parties must now negotiate and enter into a Transfer Agreement to provide for the transfer of Water Services assets, liabilities and associated rights and obligations. As part of its previous review of land associated with water services infrastructure (**Project Bob**), QLDC undertook a comprehensive assessment of land and designations supporting above-ground water services assets. That work identified opportunities to right-size operational land, retain surplus land for wider community purposes, preserve operational access through easements and other legal mechanisms, and ensure designations reflected operational requirements.

This Framework builds on that work and will support the development of the Transfer Agreement.

3 PROJECT BOB

Project Bob was a QLDC project established to review land associated with above-ground water services assets in preparation for future water reform. Its purpose was to ensure that:

- land required for the operation of water services was appropriately identified;
- designations accurately reflected operational requirements;
- surplus land could be retained by Council where it was not needed for water services; and
- operational access was preserved through easements or other legal mechanisms where ownership of the surrounding land was unnecessary.

Following the repeal of the previous Three Waters reforms, the project continued because the work remained valuable in preparing QLDC for Local Water Done Well and ensuring land holdings were appropriately configured for any future transfer to a water organisation.

4 OVERARCHING TRANSFER PRINCIPLES

The Transfer Agreement will be developed in accordance with the Transfer Principles set out in the Transition Agreement. This Framework gives effect to those principles in relation to the ownership and control of land associated with Water Services assets. The Transfer Principles are reproduced in full at **Appendix 1**. The following transfer principles are of particular relevance:

- (a) only assets that predominantly relate to water services may transfer;
- (b) mixed-use assets will transfer only where predominantly for Water Services (unless otherwise agreed); and
- (c) 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.

5 LAND ASSOCIATED WITH DRINKING WATER AND WASTEWATER ASSETS

Drinking water and wastewater assets are generally located on dedicated operational sites or within defined utility corridors. Where land is necessary for the operation of those services, there will generally be a presumption that the land transfers to QLDC 3Waters so it has the ownership or enduring legal rights necessary to fulfil its statutory responsibilities and deliver safe, reliable and resilient Water Services.

When assessing whether land should transfer, consideration should be given to whether the land:

- contains critical operational infrastructure;
- is required for the safe and efficient operation of the asset;
- is required for future maintenance, renewal or expansion;
- is necessary to meet statutory or regulatory obligations; and / or
- can practically be separated from surrounding Council land without affecting either party's ability to perform its functions.

Where ownership is not required to achieve these outcomes, enduring legal rights, such as easements, licences or covenants will be required to enable QLDC 3Waters to perform its statutory responsibilities.

6 STORMWATER ASSETS

Stormwater assets present different considerations because they are frequently integrated with land that also performs wider recreational, environmental, transport, ecological or flood management functions. As recognised through Project Bob, stormwater infrastructure often forms only one component of a broader public asset and therefore requires a more flexible approach to ownership and control.

Accordingly, the objective is not to maximise the transfer of land to QLDC 3Waters, nor to retain land in Council ownership where this would compromise the effective delivery of Water Services. Rather, the appropriate ownership and control arrangements should be determined by balancing the statutory responsibilities of both organisations in the long-term interests of the communities they serve.

In applying this Framework:

- **Engineered stormwater assets**, such as pipes, pump stations and other dedicated operational infrastructure, will generally be treated in the same manner as drinking water and wastewater assets.

- **Stormwater assets located on mixed-use land** should be assessed in accordance with the mixed-use methodology set out in this Framework.

Where land remains in Council ownership but is required for the operation, maintenance, renewal or future development of the stormwater network, QLDC 3Waters should be granted appropriate legal rights to ensure it can fulfil its statutory responsibilities.

The detailed property arrangements necessary to give effect to these principles will be addressed through the Transfer Agreement and any associated easements, leases, licences, covenants or other property instruments.

7 SINGLE-USE AND MIXED-USE LAND ASSETS

As a starting point, land associated with Water Services should be classified as either:

- **Single-use land**, being land used solely for the provision of Water Services; or
- **Mixed-use land**, being land that supports Water Services while also serving another Council or community purpose.

Single-use land associated with Water Services will generally transfer to QLDC 3Waters.

Where land is mixed-use, the existence of a Water Services function does not, of itself, determine ownership. Instead, the predominant purpose or use of the land should be assessed using the methodology set out below.

7.1 IDENTIFYING PRIMARY PURPOSE OR PREDOMINANT USE OF MIXED-USE LAND ASSETS

Where practicable, consideration should first be given to separating the Water Services component of a mixed-use site (for example, by subdivision or boundary adjustment) so that only the land reasonably required for Water Services transfers to QLDC 3Waters. This reflects the principles established through Project Bob of right-sizing operational land while retaining surplus land for wider community purposes where appropriate.

Only where separation is not reasonably practicable should the predominant purpose of the land determine whether ownership transfers to QLDC 3Waters.

In assessing whether an asset's primary purpose or predominant use is the provision of water services, the following should be considered (to the extent relevant):

- These factors are not of equal weight. Historic use, current use and operational responsibility are treated as primary indicators of predominant purpose. Future use, physical characteristics and regulatory or statutory obligations carry significant secondary weight. Countervailing uses, public access and community function, and financial considerations provide relevant context but are not, on their own, expected to be determinative.
- **Historic use:** how the asset has been used over time, including the reasons for any changes in use and whether those changes were temporary, incidental, or enduring.
- **Current use:** the asset's present-day functions, including the extent to which water-related activities form part of its day-to-day operation.
- **Future use:** any planned, anticipated, or reasonably foreseeable changes to the asset's use, whether formally adopted or informally signalled through strategic planning, infrastructure programmes, or community expectations.

- **Operational responsibility:** which Council team currently holds primary responsibility for managing, maintaining, or operating the asset, and whether that responsibility aligns more closely with the delivery of water services or another Council function.
- **Countervailing uses:** the nature and significance of other non-water uses of the asset, and the relative weight those uses should carry. For example, a sports field has a stronger countervailing recreational use than a small reserve if both form part of the stormwater network.
- **Physical characteristics:** the physical form, layout, and embedded infrastructure within the asset, including whether water-related structures or elements dominate or are incidental.
- **Regulatory or statutory obligations:** any legal, consent-related, or compliance-driven requirements that influence how the asset must be used or maintained.
- **Public access and community function:** the extent to which the asset provides public amenity, recreation, cultural, or community value.
- **Financial considerations:** the proportion of operating and capital expenditure attributable to water-related functions compared with other uses.

Example: a reserve providing flood storage as part of the stormwater network, but predominantly used and maintained by Council's Parks team as public open space with only incidental water infrastructure, would generally be assessed as predominantly for community use and remain in Council ownership, with QLDC 3Waters granted an easement over the flood storage function. Conversely, a former reserve site now occupied predominantly by a pump station with fenced operational access and no public use would generally transfer.

8 LAND ASSESSMENT METHODOLOGY

Determining the appropriate ownership and control arrangements for land associated with Water Services.



In addition to any formal legal rights granted to QLDC 3Waters, it is recognised that effective stewardship of mixed-use land assets that remain with Council may require further procedural rights. These may include rights for QLDC 3Waters to

be consulted, informed, or otherwise engaged when Council proposes to take actions that could materially affect QLDC 3Waters' use, access, or operational reliance on the asset. In agreeing to such rights, the parties will act transparently, reasonably and in good faith.

For completeness it is noted that there may be circumstances in which land transfers to QLDC 3Waters and subsequent legal rights are required to be granted back to Council.

9 DESIGNATED LAND

Some land associated with Water Services may be subject to statutory classifications, designations or other statutory restrictions that require additional statutory processes before a transfer can occur.

Those statutory requirements do not, of themselves, determine whether land should transfer to QLDC 3Waters. The appropriate ownership and control arrangements should be determined in accordance with this Framework, with any required statutory processes being undertaken thereafter.

Appendix 1

Transfer Principles (as set out in Transition Agreement)

- 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