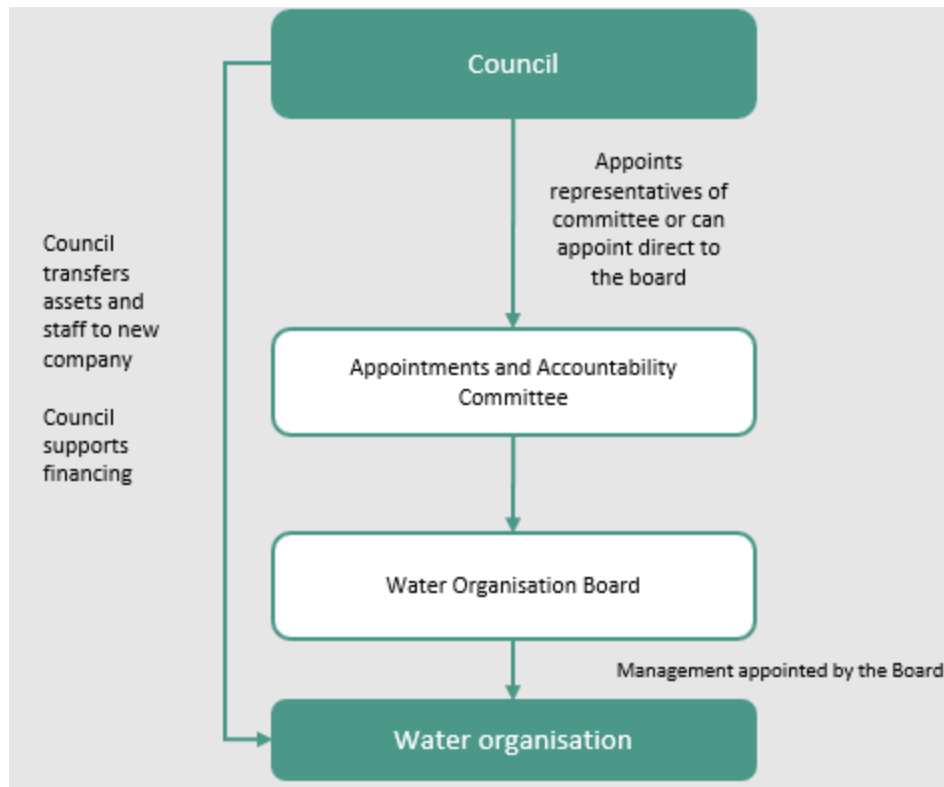
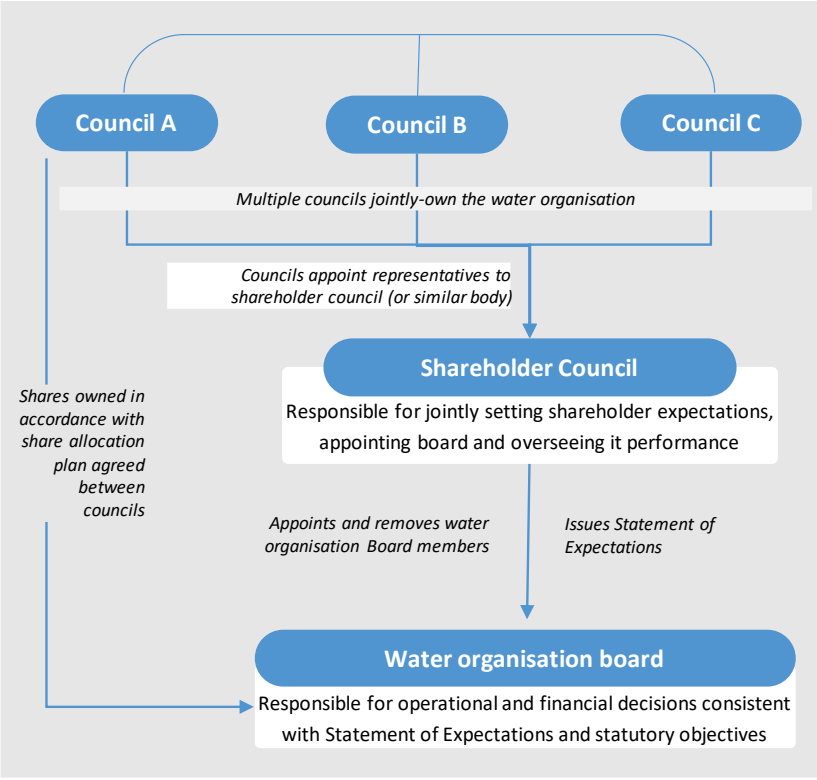


Overview of water services delivery models – illustrative examples

This document provides an overview of the proposed water services delivery models available under Local Water Done Well. It is based on Cabinet decisions announced by the Minister of Local Government in August 2024, and is subject to change through the Parliamentary process. Further detailed information is available in the *Water services delivery models: Guidance for local authorities* available on the Department of Internal Affairs' website.

Features	Internal business unit or division of council	Single council-owned water organisation	Multi-council owned water organisation	
Structure				
Ownership	- Part of council - No new organisation is established	- Limited liability company 100% owned by council - Ownership arrangements and rights set out in constitution	- Limited liability company with share allocation agreed between shareholding councils. - Councils jointly approve Constitution	
Governance	Internal business unit responsible to Council through mechanisms under the Local Government Act 2002	- Council appoints and removes board members - Governed by independent, professional directors who are responsible for all operational and financial decisions	- Shareholder Council established to appoint and remove board members - Governed by independent, professional directors who are responsible for all operational and financial decisions	
Strategic direction	Council must prepare a Water Services Strategy	- Shareholding council issues Statement of Expectations - Water organisation prepares Water Services Strategy	- Parent councils jointly issue Statement of Expectations - Water organisation prepares Water Services Strategy	
Accountability	- Council must act consistently with statutory objectives - Water business unit reports through to council - Council prepares separate annual reporting and audited financial statements - Subject to economic regulation	- Water organisation must act consistently with statutory objectives - Reports regularly to shareholders on performance (e.g., quarterly) - Must produce annual report containing audited financial statements - Subject to economic regulation	- Water organisation must act consistently with statutory objectives - Reports regularly to shareholders on performance (e.g., quarterly) - Must produce annual report containing audited financial statements - Subject to economic regulation	
Financing	Borrowing undertaken by council (e.g., via LGFA in most cases) with water activity groups meeting their share of financing costs	Borrowing via council or from Local Government Funding Agency directly supported by council guarantee or uncalled capital	Borrows via LGFA if parent council provides guarantee and satisfies LGFA lending requirements	Can borrow from banks and/or capital markets without council support, subject to achieving investment grade credit rating (challenging for some regions)
Balance sheet treatment	On balance sheet	On balance sheet	Contingent liability (impact on council credit rating depends on council and water organisation revenue and debt)	Contingent liability (unlikely to impact council credit rating)



Overview of water services delivery models – illustrative examples (continued)

Features	Mixed council/consumer trust owned water organisation	Consumer trust owned water organisation
Structure	The diagram illustrates a mixed ownership model. At the top, 'Council' (One or more councils own part of the shares) and 'Water consumers' (Households and businesses with a water connection) are shown. The Council 'Appoints representatives to shareholder council'. Water consumers 'Elect trustees (similar to local body elections)' to form a 'Consumer Trust' (Consumer trust owns part of the shares). The Consumer Trust 'Appoints shareholder council representatives'. Both the Council and the Consumer Trust appoint representatives to the 'Shareholder council(s)', which is 'Responsible for setting statement of expectations, appointing board directors, and monitoring performance'. The Shareholder council(s) appoints the 'Water company Board', which is 'Responsible for operational and financial decisions consistent with Statement of Expectations and statutory objectives'.	The diagram illustrates a 100% consumer trust ownership model. At the top, 'Council' and 'Water consumers' are shown. The Council 'Council transfers responsibility for water services delivery to entity owned by Consumer Trust'. Water consumers 'Elect trustees (similar to local body elections)' to form a 'Consumer Trust' (Consumer Trust established to own shares of the water organisation). The Consumer Trust is 'Responsible for appointing board and monitoring performance'. The Council 'Council enters into transfer agreement, which provides for transfer of assets, liabilities, employees, and other undertakings'. The Consumer Trust 'Appoints Board members' to the 'Water company Board', which 'Owns 100% of the shares' and is 'Responsible for operational and financial decisions consistent with statement of expectations and statutory objectives'.
Ownership	- Limited liability company owned by a consumer trust, with one or more councils owning the remainder of the shares - Ownership arrangements and rights set out in constitution and/or shareholder agreement	- Limited liability company 100% owned by consumer trust - Councils jointly approve Constitution
Governance	- Council(s) and consumer trust appoint a shareholder council to appoint board directors - Governed by independent, professional directors who are responsible for all operational and financial decisions	- Trustees appoint and removes board members - Governed by independent, professional directors who are responsible for all operational and financial decisions
Strategic direction	- Shareholders agree the process for issuing a joint Statement of Expectations - Water organisation prepares Water Services Strategy	- Trustees issue Statement of Expectations - Water organisation prepares Water Services Strategy
Accountability	- Water organisation must act consistently with statutory objectives - Reports regularly to shareholders on performance (e.g., quarterly) - Must produce annual report containing audited financial statements - Subject to economic regulation	- Water organisation must act consistently with statutory objectives - Reports regularly to shareholders on performance (e.g., quarterly) - Must produce annual report containing audited financial statements - Subject to economic regulation
Financing	- Borrows independently of local authorities (e.g., from banks or capital markets), subject to achieving sufficient credit-quality and track record - No council financial support to water services organisation	- Borrows independently of local authorities (e.g., from banks or capital markets), subject to achieving sufficient credit-quality and track record - No council financial support to water services organisation
Balance sheet treatment	Contingent liability (likely no impact on council credit rating)	Off balance sheet