



Clutha District Council



Southern water done well

Join the conversation about the future delivery of water services in your District under the Government's Local Water Done Well legislation.

Share your thoughts by
Friday 6 June

GO RURAL
DISTRICT COUNCIL
CITY RE LIVING

 **Waitaki**
DISTRICT COUNCIL
TE KAUNIHERA A ROHE O WAITAKI


Clutha District Council


CENTRAL OTAGO
DISTRICT COUNCIL

Your wai, your way

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Water is the lifeblood of our community

How we look after it and who will deliver water services in the future is one of the most important decisions we will have to make for many years.

The Government has made its expectations clear in the Local Water Done Well legislation - doing what we've always done isn't an option. Transformational change has been mandated, and the result is that the shape of water services delivery must change with it.

Why is change coming?

For years, councils nationwide have struggled with rising water services costs and under-investment in asset renewals and upgrades. It's widely acknowledged that we need a new approach to ensure safe, reliable, and financially sustainable water services.

Local Water Done Well requires councils to deliver water services that are fit for purpose and financially sustainable. There is also more oversight and regulation on quality and cost.

The Government has strongly indicated that collaboration among councils is a vital part of Local Water Done Well.

We have partnered with three other councils that have similar values and challenges - Gore District, Central Otago District, and Waitaki District - to form Southern Water Done Well. Together, we have been investigating water services delivery solutions that work best for our communities.

One thing that has stood out is the more people who share the cost of water services, the more affordable they become for everyone.

There's no denying the cost of treating and delivering water services to our communities is significant and will continue to increase. This is due to a range of things, such as:

- ✓ Compliance with new water and wastewater standards
- ✓ Replacing or upgrading ageing infrastructure
- ✓ Increased regulation from the Commerce Commission and Taumata Arowai
- ✓ The need to provide new infrastructure to service population growth and new development
- ✓ Climate change mitigation measures

Our current water services delivery approach would impose significant financial barriers on the Council and impact service levels for our other activities.

It's simply unaffordable and unsustainable for our communities and the Council.

Combined debt for the four Southern Water Done Well councils is projected to rise from \$236 million to \$598 million by 2034

(based on current LTPs)

Water services rates are projected to double, on average, and potentially triple in some areas

(based on current LTPs)

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What's the Plan

As we move into a new era of water services delivery, we need to set out how we will comply with all the legal, financial and regulatory requirements of Local Water Done Well.

We achieve this by first preparing a Water Services Delivery Plan.

These new plans, which must be submitted to the Government by early September, set out how we will deliver water services and build resilient, financially sustainable networks to serve future generations.

The plan will include our proposed model for delivering water services, and whether we will enter into an arrangement with other councils or will continue to deliver water services alone.

If we do nothing, or our delivery plan doesn't meet the new legislative requirements, the Government can step in and make decisions for us.

So, please take the time to read this consultation document or jump online to learn more about Southern Water Done Well and let us know what you think.

Copies of all documents and feedback forms are available at Council's Rosebank office, your local community library, or the Clutha iSite Visitor Information Centre.



The easiest way to have your say is online!

Scan the QR code to submit your feedback online.

Giving Feedback is Easy

You can ...

 Fill out the submission form online:
www.cluthadc.govt.nz/southern-water

 Fill in the form at the end of this document. Or you can pick up a form from our offices and libraries or download a copy from the Southern Water Done Well page on our website.

Email to:
help.desk@cluthadc.govt.nz

Subject line:
SWDW Consultation

 **Post to:** PO Box 25, Balclutha 9240

 **Drop off at:** Our community libraries or Council's main office, 1 Rosebank Terrace, Balclutha 9230.

Mayoral Foreword

Thank you for taking the time to assist us in considering the next crucial manoeuvre as councils and our communities grapple with the enormity of Three Waters reforms.

This has proven to be a very complex task, and we appreciate that most New Zealanders are over this subject. But this issue needs to be resolved because maintaining present structures is no longer viable, and change is inevitable.

There are some fundamentals that have remained constant throughout deliberations to date that you need to consider:

- Going alone consigns communities to further financial hardship.
- The almost decade long chops and changes to these reforms have only weakened councils and cost ratepayers. It's imperative that this matter is brought to a head.
- Every council has their own strengths and weaknesses.
- With every additional council joining in the discussions, we have found a reduction in the risk profile, and savings from critical mass.
- If you are not prepared to concede that the advantages will vary between councils, then collaborative talks are pointless.

- Long term intangibles are hard to define but require consideration.

Complicating matters is the Central Government's 'Local Water Done Well' directive for councils to formulate their own collaborative arrangements, has not been embraced to the extent many hoped, and we now find ourselves tasked with implementing the necessary changes while having a less-than optimal number of councils in discussions.

That said the collaborative work undertaken by Central Otago, Gore, Waitaki and Clutha District Councils gives our ratepayers a viable option that is preferred by all four councils.

In conclusion, while the collaborative option will not entirely solve our collective dilemma there are advantages that need to be balanced against the alternatives. This is the task we face, and we thank you for your assistance, and look forward to your feedback.



Bryan Cadogan
Clutha District
Council Mayor

A handwritten signature in black ink, appearing to read 'B. Cadogan'.

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What is Local Water Done Well?

Local Water Done Well legislation is the Government's plan to address New Zealand's long-standing water infrastructure challenges.

It recognises the importance of local decision-making by aiming to ensure water assets stay under council ownership, directly or indirectly, and to let each council decide the best way to provide water services to its communities.

Irrespective of the delivery model we choose, Local Water Done Well legislation says we must:

- Meet new financial requirements, ensuring water services are financially sustainable and ring-fenced (i.e. water services assets, revenue, expenses and debt are separate from the rest of council finances).
- Invest in infrastructure to address long-standing issues and support growth.
- Meet all regulatory standards for drinking water, wastewater and stormwater.
- Set fair prices that reflect the cost of delivering water services.
- Develop a fit-for-purpose Water Services Delivery Plan by early September, outlining how we will meet these requirements.

The four Southern Water Done Well councils are projected to invest \$760 million by 2034 in water services

(based on current LTPs)



What we do now

In the Clutha District, our Water Services team looks after:



Drinking water

The clean water that flows from your taps

- 8,270 drinking water connections
- 16 water treatment plants
- 22 rural and urban schemes
- 35 pump stations
- 2,523 km of pipeline

Did you know:

- We have 3 water connections per kilometre, making us one of the longest reticulated water networks in the country.
- We own and manage 9 rural water schemes for domestic/stock consumption and have just one stock-only scheme.



Wastewater

Everything that goes down the drain - such as toilets, sinks, and showers - is collected and treated before being safely returned to the environment

- 5,274 connections
- 12 schemes
- 2 complex treatment plants
- 10 oxidation ponds (5 with Biofiltro and 2 with membranes)
- 28 pump stations
- 3 wetlands
- 213km of wastewater pipes



Stormwater

Is the rainwater that runs off roads, roofs, and driveways, managed through drainage systems to prevent flooding and protect waterways

- 5,662 connections
- 81km of stormwater pipes
- 6 pumping stations

43% of rates*

for an urban Clutha property funds water, wastewater and stormwater.

**On average.*

In urban townships rates pay for all three waters. These are a fixed charge per service charged for each separately used or inhabited part or a rating unit.

If you're connected to a rural water scheme the unit rate you will pay will depend on the scheme you are connected to.

You will pay this unit rate multiplied by the number of units you receive.

In Clutha, due to old, leaking pipes, 28% of water from our network is lost before it reaches properties.

We estimate we will spend \$160 million of planned investment based on re-forecasted figures for nine years.

Significant investments to date

Over the past four years, investment in our three waters infrastructure has been a priority, resulting in substantial progress. Key projects we've been working on include:

Milton to Waihola pipeline

- Construction of the Milton to Waihola pipeline to help meet the future residential growth and support development in the Milburn area - \$6.4M.

Balmoral/Tuapeka Rural Water Scheme

- A new water source and construction of pipeline from near the Clydevale Bridge through the rural area to Tuapeka West, including Lawrence, to improve the quality of drinking water and the reliability of supply to the schemes and townships affected. It also has additional capacity to future proof water supply for the area - \$22.1M.

Milton main street upgrade

- Upgrade of aged and critical infrastructure underneath Milton's main street and help address long-standing flooding issues - \$7.3M.

The challenges we're facing

Compliance

Delivering drinking water that is compliant with the higher water treatment standards (introduced by Central Government in late 2022) has been a challenge in Council's rural mixed-use schemes. 6,221 people connected to schemes had consumer advisory notices in place in 2023.

Council has also had several abatement and infringement notices issued for its wastewater treatment plants in the past few years.

Expiring consents

Council has 45 resource consents across its 27 water and wastewater treatment plants. We currently have three water supply consents that have expired and 11 consents due to expire in the years to 2030.

Low connection density

With one of the longest reticulated networks in the country, means we consequently have the lowest connection density in New Zealand.

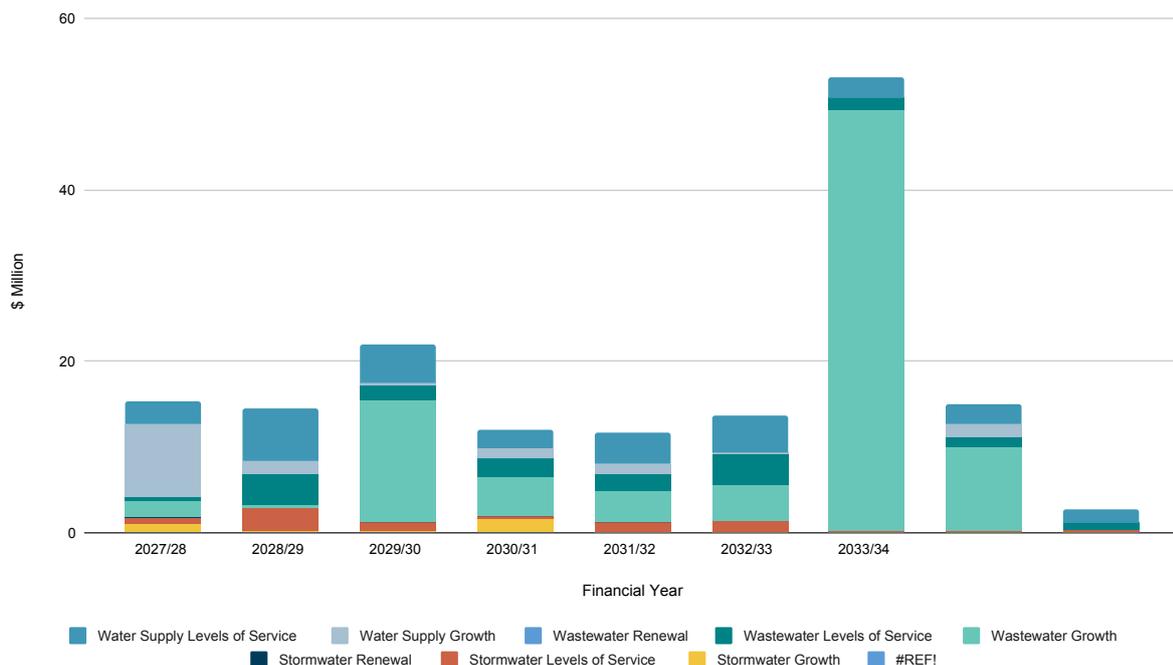
Low connection density results in high costs to operate and maintain a network that services a wide area.

Demand management

Some of Clutha's existing surface water takes already have low flows, particularly during the summer months.

Any future increases to minimum water flow levels that may be imposed as part of future consent renewals may require investigations into alternative water sources.

Capital Expenditure Projections



Rural Water Schemes (the fourth water)

Rural water schemes play a vital role in provincial communities. While they operate differently from urban water systems, they're just as important. They are the lifeblood of many rural communities and underpin much of our agricultural productivity.

In fact, rural water is so essential some would argue it deserves to be recognised as the fourth water service - right alongside drinking water, wastewater, and stormwater.

The Clutha District Council has been working closely with its nine scheme committees to understand their aspirations and what they see as barriers to success under Local Water Done Well.

Local knowledge is key to effectively managing rural water schemes. Ensuring this is retained within whatever service delivery model is chosen will be among the decisions we'll have to make in partnership with rural water scheme users.

The current rural schemes are Moa Flat, Glenkenich, Waipahi (stock water only), Clydevale Pomahaka, Richardson North and South, South Bruce, Wangaloa, North Bruce and Balmoral/Tuapeka.

The Balmoral/Tuapeka Rural Water Scheme is a new scheme. It combines the Balmoral 1 and 2, Tuapeka West and East schemes, including Waitahuna and Lawrence. The new scheme will be serviced by new bores coming from near the Clutha River when it is commissioned later this year. Apart from Lawrence, these schemes have been on a long-term boil water notice due to non-compliant water and will remain on notice until the new scheme is fully commissioned and operational.

We have also had numerous aluminium advisories issued for our rural water schemes and while the risk to consumers from these exceedances is considered low, under the current regulations we are required to report and communicate this to consumers affected and to the regulator.

Here are some of the reasons why supplying water to rural communities is quite different from urban water supply:

- The level of treatment can vary depending on where the water is sourced from throughout the Clutha District.
- Most of the water is used for things other than drinking.
- All rural schemes use low-pressure, trickle-feed systems rather than on demand supply.
- The networks cover large areas but serve fewer people per kilometre of pipe.
- A small number of users consume large amounts of water.
- Charging is often based on entitlement units rather than fixed or metered pricing.
- Management is often more hands-on, with local committees overseeing the system.

Doing things differently

Local Water Done Well gives councils flexibility to choose a water services delivery model that will best serve the needs of their community, provided it is financially sustainable and meets the new economic, environmental and quality standards.

The legislation also introduces new requirements for managing water services, including:



Minimum requirements

Local government water services providers must now comply with new legal requirements, such as governance and regulatory reporting.



Economic regulation

The Commerce Commission will oversee local government water services, making sure consumers are protected and keeping an independent check on affordability.



Urban stormwater regulation

Urban stormwater management is being improved with updated approaches to handling overland flow paths and watercourses in urban areas.



Drinking water regulation

Changes are being introduced to improve the efficiency and effectiveness of drinking water management. This includes updates to how the water services authority, Taumata Arowai, oversees and regulates the system.



Wastewater standards

New national standards and engineering design requirements are being implemented to improve wastewater management, ensure proper system design, and enhance environmental protection.



Water Services Delivery Plan

Local Water Done Well emphasises community-driven decision-making and flexibility. The plan must show how the council will comply with all legal and regulatory requirements in the delivery of water services in its district.

Monitoring performance

The Government is creating a new oversight system led by the Commerce Commission to add an extra layer of accountability. Think of this as a watchdog that closely monitors how water services are run and how money is spent. It would have several essential tools to ensure everything is fair and efficient.

The Commerce Commission would do this by requiring water service providers (i.e. councils and water organisations) to be completely transparent about their finances and operations.

Water service providers will need to disclose detailed information about how they're:

- spending money
- investing in infrastructure
- setting prices

This approach is designed to protect consumers and ensure the funds collected through rates and water charges are used responsibly.

The goal is to give everyone - from residents to elected members - confidence that water infrastructure is being managed professionally, efficiently, and with the community's best interests at heart.

We have considered a range of factors when deciding on which option is right, including:

- the financial impact on water users
- the strategic advantages and disadvantages of each option

We've done our homework

Before preparing a Water Services Delivery Plan, we need to decide on the best water services delivery model for our District.

We know that prudent and efficient investment and affordability are key concerns for our communities.

However, the new rules and regulations under Local Water Done Well legislation will increase the costs of water services delivery in the future, no matter which model we choose.

Over the past year, we have looked at available options, both individually and with our neighbouring Southland and Otago councils.

We've been supported by Morrison Low, a company with vast water reform knowledge and experience under both the previous and current governments.

After investigating various options to deliver water services that will serve us today, tomorrow and into the future, we have narrowed it down to:

Option 1 - A Jointly owned Council Controlled Organisation 

- **Option 2 - A Stand-alone Council Controlled Organisation**
- **Option 3 - An in-house business unit** (*this is similar to our existing approach to delivering water services in the District, but with significant changes to meet legislative requirements*).

Waitaki District Council has also decided to ask its community about a jointly owned CCO with its northern neighbours, Timaru, Waimate, and Mackenzie district councils.

Important Things to Know

Before reading through the delivery model options we're proposing, there are some things you should know.

\$ The Government requires that any assets, revenue, expenses and debt associated with water services be kept separate or 'ring-fenced' from wider Council services, irrespective of the service delivery model.

🏠 Legislation has clear rules for borrowing money depending on whether councils keep their water services in-house or form a Council-Controlled Organisation (CCO) to deliver water services.

💬 Collectively, SWDW councils have been talking with Ngāi Tahu about the role of iwi within a new water services organisation. There's been no decisions on what that role would look like to date. However, it has been agreed the role should be meaningful but not reach as far as the previous reform.





It's Complicated

Given the magnitude and complexity of the proposed changes, the content provided in this consultation is indicative. It may change as we work through further implications of finalised legislation, compliance requirements, investment priorities, community affordability, and the CCO composition.

We have been conservative when quantifying the efficiencies likely to be gained by a jointly owned CCO. A review of our modelling suggests that efficiencies may be considerably higher.

We have had to make a range of assumptions to model potential costs. These include projects after 2035, inflation, interest rates, the size of the organisation, revenue, etc. Because of those assumptions, it's important to note that the costs we refer to are very high-level.

You can learn more about our modelling in the Morrison Low report. Scan the QR code to read our Southern Water Done Well consultation.



Option One

A Jointly Owned Council Controlled Organisation.

This is our preferred option for numerous reasons, which we've covered in our 'upside' key points. In short, the option offers clear long-term benefits for financially sustainable water asset management and environmental standards that meet community expectations and new Government regulations.

It is proposed we would jointly own the organisation with our Southern Water Done Well partners: Central Otago District Council, Gore District Council, and Waitaki District Council. The organisation's composition may change in the future, depending on the consultation outcome or whether other councils want to join or leave the group.

As a multi-council water services delivery organisation, we would be able to access significantly more funding for water services through the Local Government Funding Agency (LGFA) - up to 500% of operating revenues, subject to meeting prudent credit criteria.

This is a much higher borrowing limit than what individual councils can access if they manage water services on their own.

We could improve water infrastructure faster and more efficiently by developing a smart funding strategy and accelerating investment. This would mean better network performance, quicker upgrades, and more reliable services for our communities.

Most importantly, this model ensures that the money collected for water services will be spent on maintaining and improving the system. It gives consumers confidence that water infrastructure is properly funded, meets all public health and environmental protection regulatory standards, and secures long-term service delivery.

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Central Otago

26,500
population

10,500
drinking water
connections

469km
length of water
pipelines

Gore

13,200
population

5,044
drinking water
connections

169km
length of water
pipelines

Clutha

19,300
population

8,270
drinking water
connections

2,523km
length of water
pipelines

Waitaki

25,100
population

11,975
drinking water
connections

1,626km
length of water
pipelines

How would it work?

 **Ownership** - Council-controlled organisation (CCO) jointly owned by the Clutha, Central Otago, Gore and Waitaki district councils. Water, wastewater and stormwater assets would be transferred to the CCO but remain in public ownership through the councils' shareholding. Shareholding would be allocated evenly - each council owning the same number. Legislation prevents assets from being privatised.

 **Governance** - The organisation would have an independent board responsible for overseeing operations, ensuring efficiency, and meeting service standards. Councils would jointly appoint board members and set clear expectations for performance and accountability.

 **Control** - Councils would retain strategic oversight by setting expectations, priorities and strategic directions for the organisation

that will guide and inform decision making. The organisation would be required to perform and report against those expectations. Councils could also review and adjust the organisation's strategic direction if needed.

 **Funding** - Financially separate from councils. Water revenues will pay for borrowing costs and all investment requirements. Consumers will pay water charges to the water services organisation for the services they use.

 **Borrowing** - Separate from Councils. The water services delivery organisation would borrow from banks or the Local Government Funding Agency under its own terms, and its debt won't be counted against each council. To access this funding, the Council would have to provide a guarantee or issue uncalled capital to the water services delivery organisation.

Monitoring a CCO's performance

The new water services organisation would be carefully monitored to ensure it's working effectively and responsibly.

While the water services organisation would manage the day-to-day operations, local councils would still play an important role by setting strategic direction and performance expectations. This means they'll define success, even if they're not handling the nuts and bolts of water service delivery.

The new system aims to balance local input with professional management and rigorous accountability by creating clear reporting requirements and independent oversight.

Key monitoring mechanisms include:

 **Governance:** The CCO would operate under a constitution and shareholding

agreement, which define its purpose, structure, and decision-making processes.

 **Strategic direction:** Councils would issue a Statement of Expectations (SOE) to guide outcomes and priorities, and the CCO responds with a Water Services Strategy, prepared every three years and supported by an annual budget.

 **Regular reporting:** The CCO must report to its shareholding councils quarterly, provide an audited annual report, and act consistently with statutory objectives. These measures ensure councils maintain oversight while enabling the CCO to deliver efficient and financially sustainable water services.

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The Upside

- Consumers would pay less for water services than under our other two options.
- Bigger is better! Spreading costs across multiple councils makes water services more affordable for communities than if each council managed them alone.
- A larger, well-structured entity is better equipped to meet strict water services regulations and reporting requirements.
- Councils remain directly involved through the shareholders' group, ensuring a community voice and that the organisation's activities reflects community priorities.
- A combined organisation can attract top industry expertise, operate more efficiently, and standardise service delivery.
- Would be able to access higher levels of debt funding from the Local Government Funding Agency (LGFA).
- Strategic procurement - buying in bulk and establishing longer-term contracts.
- Standardisation of asset management systems, practices and data will improve planning across the Districts.
- A shared workforce increases resilience to staff vacancies and provides improved career opportunities across the Districts.

- 'First mover advantage' for Councils forming the CCO to design a solution that works for them.
- Financial separation of water debt (and revenue). This will reduce pressure on council balance sheets and free up more investment capacity for each council should they wish to use it.



The Downside

- Establishing a jointly owned CCO to serve multiple locations will be complex and expensive. However, establishment costs would be debt-funded to ensure they are shared equitably between today's and tomorrow's customers.
- Potential loss of jobs, internal council expertise, and understanding of water services over time.
- No hands-on council control over managing water assets and how services are delivered.

This model keeps decision-making local while benefitting from shared expertise, cost savings, and improved service delivery.

Option Two

Stand-alone Council Controlled Organisation.

The Council would set up a separate Council Controlled Organisation (CCO) to manage water services. While the CCO could still initially source some services from us, it would operate independently.

There are some similarities with a jointly owned CCO. However, going it alone means we would lose out on critical benefits such as economies of scale, strategic procurement, workforce resilience, and standardised asset management.

This new organisation would have its own CEO, board, and management team. This would mean higher set-up and operational costs for the Council as costs would not be shared with other councils. Consequently, consumers would face higher water charges than our preferred option - a jointly owned CCO.

Finding skilled board members could be challenging due to high competition and a limited talent pool. This could lead to higher board fees, difficulty filling positions, or appointing less qualified members compared to a jointly owned CCO.

How would it work?

 **Ownership** - The Clutha District Council would be the only shareholder of the CCO. Water, wastewater and stormwater assets would be transferred to the CCO but would remain in public ownership through the Council's shareholding of the CCO. Legislation prevents assets being privatised.

 **Governance** - The CCO would have an independent board appointed by the Clutha District Council responsible for overseeing operations, ensuring efficiency, and meeting service standards. We would set clear expectations for performance and accountability.

 **Control** - The community still influences decision-making through the Council. As the sole shareholder, we would set the priorities and monitor performance.

 **Funding** - Financially separate from Council. The CCO and the economic regulator (Commerce Commission) would determine funding, which would be independent of council influence. Consumers would pay water charges to the organisation.

 **Borrowing** - Separate from Council. The water services delivery organisation would borrow from banks or the Local Government Funding Agency under its own terms, and its debt won't be counted against its parent council. To access this funding, the Council would have to provide a guarantee or issue uncalled capital to the water services delivery organisation. Borrowing would be on less favourable terms than a jointly owned water services delivery organisation.

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The Upside

- We would wholly own the CCO, keeping us closely connected and allowing the organisation to focus solely on the Clutha District.
- The CCO would set its budgets and control all the risks of delivering three waters services.
- Would be able to access higher levels of debt funding from the New Zealand Local Government Funding Agency (LGFA).
- The CCO would be financially independent from the council, allowing it to more easily meet the future requirements to produce separate financial statements and water services strategies.
- It would be solely accountable to its customers/communities for the setting of water charges.
- There would be the certainty of long-term funding, which creates an opportunity to develop long-term, consistent pipelines of projects, creating some efficiencies.
- Core capability and higher wage jobs remain in the District compared to a jointly owned CCO.
- Independence and a singular focus on the delivery of three waters services means that the CCO can be better aligned to meet the requirements of economic regulation and deliver the right infrastructure at the right time.



The Downside

- Consumers would pay more for water services than under the other two options.
- There would be less financial and workforce resilience, as it will be smaller than existing councils and have a smaller revenue base.
- Capacity and capability challenges - smaller organisations have less opportunity to attract skilled, technical staff to specialist roles, so this model doesn't increase our resilience and capacity to monitor compliance, respond to emergencies, manage risks, and adapt to future challenges like climate change.
- Additional costs and complexities of establishing a CCO are created, but a stand-alone CCO does not have the scale of benefits that a joint CCO creates.

This option offers some financial benefits, like greater borrowing capacity, but doesn't fully address long-term funding, affordability, or the advantages of being part of a larger specialist organisation.



Option Three

In-house business unit.

This would see us continue managing and delivering water services on our own.

This option is similar to how we currently operate, but with some significant differences to ensure the new legislative requirements can be met. As such, it is not the status quo.

Some of the key differences are:

- Water service costs/income must be ring-fenced (kept separate) from our other finances, which would require internal operational and staff changes.
- New financial reports and statements would have to be created.
- We'd need to develop a water services strategy, maintain separate water service accounts, and prepare an annual budget and report.
- An economic regulator would have a say in setting water service prices and could require councils to invest in their water networks.
- Increased oversight from national regulators - the Commerce Commission and Taumata Arowai.
- We'd face new reporting requirements, with penalties for non-compliance.

How would it work?



Ownership - The Clutha District Council would own the business unit. Water, wastewater and stormwater assets would remain in public ownership.



Governance - As an internal business unit it would be responsible to the Council through established mechanisms under the Local Government Act 2022.



Control - The community can influence decision-making through the Council. The Council must prepare a water services strategy, maintain separate water service accounts and prepare an annual budget and report.



Funding - Financially separate from the Council. Consumers would pay water services charges to the business unit.



Borrowing - The Council would borrow as usual to fund essential water infrastructure. However, over time, water-related borrowing would take up an increasing share of the Council's total debt, leaving less money to fund other projects like roads or community facilities.

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The Upside

- The in-house business unit's sole focus would be Clutha District.
- With no significant changes to the day-to-day operational model, existing jobs could be retained.
- We would maintain oversight and control over the work programme and investment prioritisation (subject to regulatory requirements).

This option would lead to much higher water bills on top of rates, fewer services, and a significant drop in investment across all infrastructure.

It forms part of our consultation because the Government says we must include the Council's existing approach to providing water services in the district.



The Downside

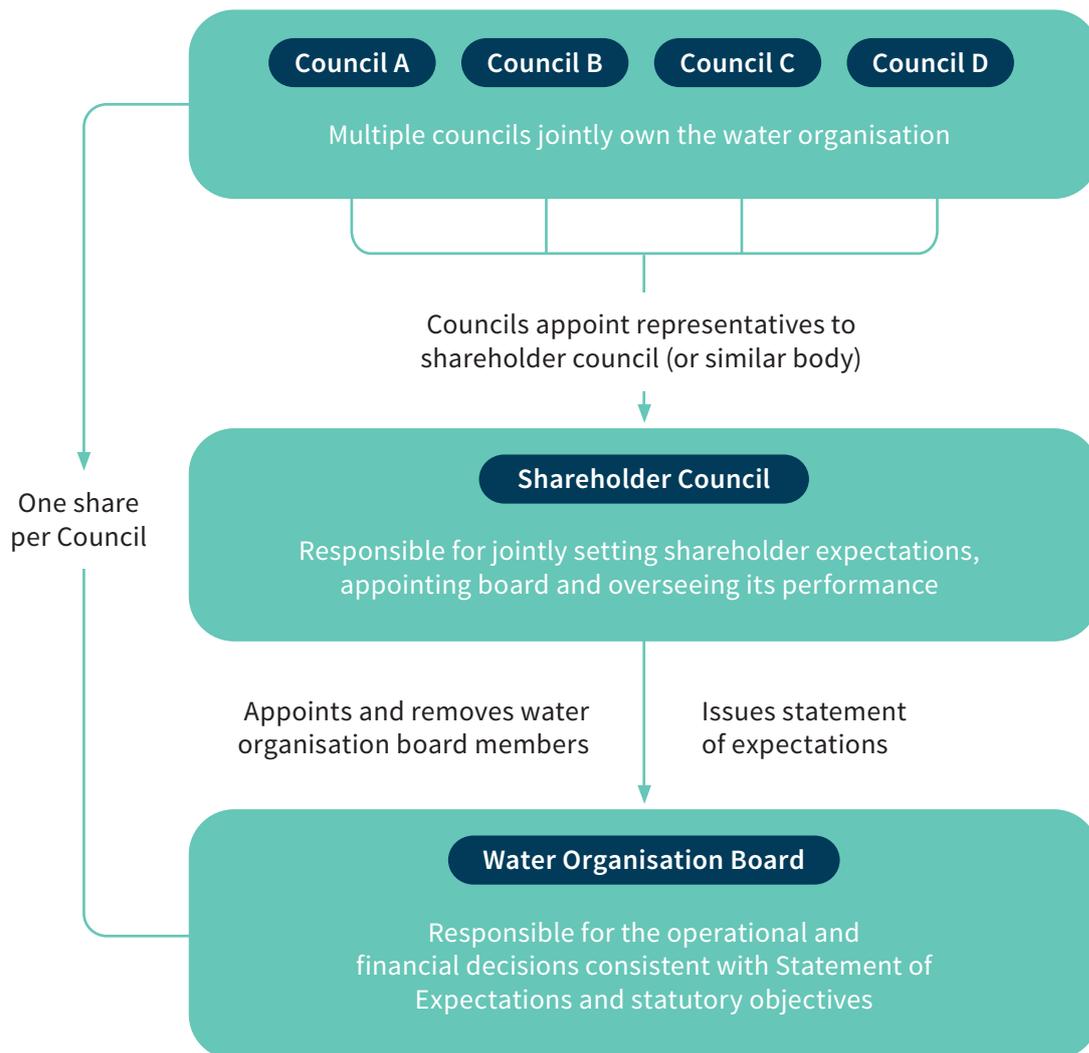
- Higher water charges than a jointly owned CCO.
- Significant additional financial costs in administration and staff requirements to meet financial and regulatory obligations.
- Would have difficulty meeting infrastructure investment needs without significantly increasing rates.
- Unable to access enhanced financing options.
- We would struggle to fund other important council projects because we would need to borrow heavily for water infrastructure.
- It would be harder to attract and keep skilled workers, as the current model is less appealing to people looking for career growth.
- Limited flexibility to control water pricing and investment decisions, under economic and environment regulation.

Comparing the Options

Option One

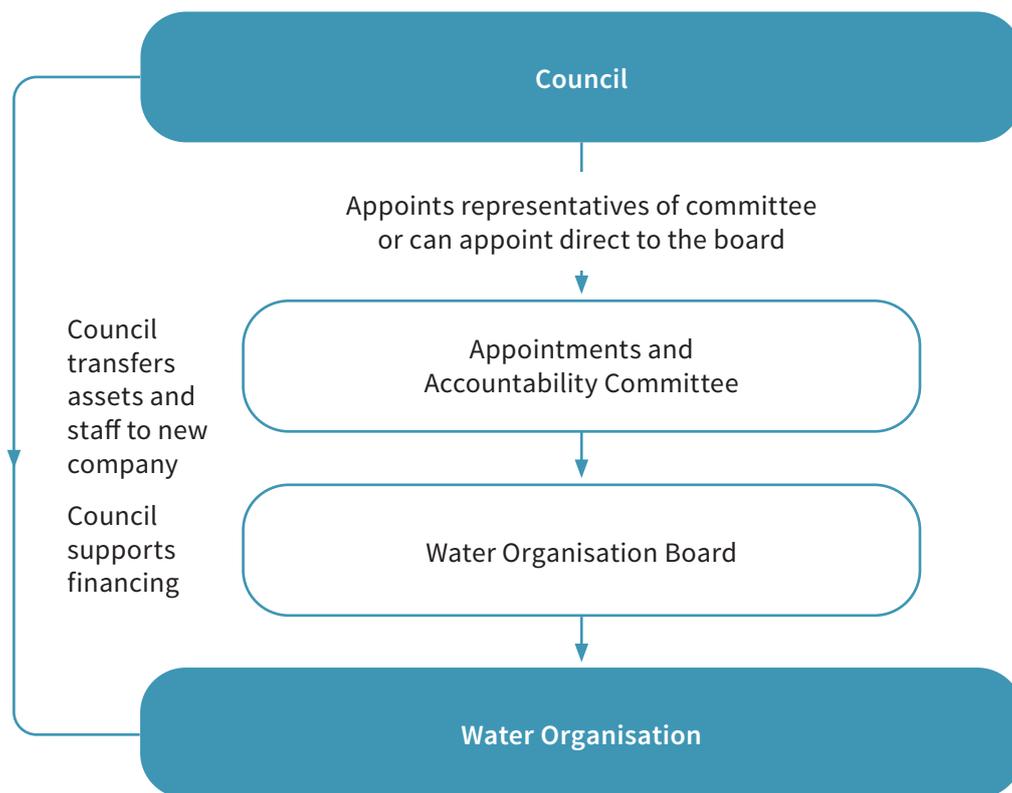
✓ Preferred Option

A Jointly owned Council Controlled Organisation.



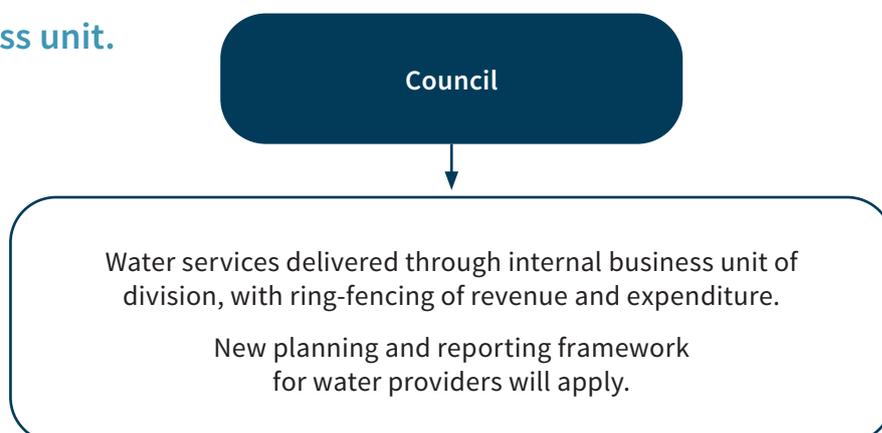
Option Two

Stand-alone Council Controlled Organisation.



Option Three

In-house business unit.



How do our Options compare?

Here's an overview of how our options for water services delivery compare:

	Option 1 ✓	Option 2	Option 3
Delivery Model	Jointly owned Council Controlled Organisation <i>(our preferred option)</i>	Stand-alone Council Controlled Organisation	In-house business unit <i>(status quo but with significant changes)</i>
Who owns the asset?	The assets would be transferred to a CCO but still belong to the public through the councils' shareholding. The CCO would manage the assets. Councils would jointly appoint board members. The law prevents privatisation.	The assets would be transferred to a CCO but still belong to the public through the council's shareholding. The CCO would manage the assets. Councils would appoint board members directly. The law prevents privatisation.	Councils would continue to own and manage three waters assets.
Who makes the decisions?	The organisation would have an independent board responsible for overseeing operations, ensuring efficiency, and meeting service standards. Councils jointly set clear expectations for performance and accountability through the Statement of Expectations.	The organisation would have an independent board responsible for overseeing operations, ensuring efficiency, and meeting service standards. Councils will set clear expectations for performance and accountability through the Statement of Expectations.	Councils would continue to make decisions as they do now. The three-year election cycle has the potential to impact decision-making.
Legal compliance	Meets legal requirements but would be subject to significant compliance and economic oversight.	Meets legal requirements but would be subject to significant compliance and economic oversight.	Subject to significant compliance and economic oversight. May not meet financial sustainability requirements.
Consumer costs	Water services costs will increase regardless of the delivery model. However, consumers would pay less for water services under a joint CCO than under the other two options.	Water services costs will increase regardless of the delivery model. A stand-alone CCO would produce the highest costs for consumers.	Water services rates are projected to double, on average, and potentially triple in some areas.
Environmental outcomes	The advantages of scale, improved efficiencies, and increased borrowing capacity could lead to better environmental outcomes. Regulations also protect our environment.	With no advantages of scale or improved efficiencies, environmental outcomes other than those legislated by new regulations are unlikely to change.	With no advantages of scale or improved efficiencies, environmental outcomes other than those legislated by new regulations are unlikely to change.

Social impact	Positive social impact, as councils would have financial capacity for community investment.	Positive social impact, as councils would have financial capacity for community investment.	Reduced social impact due to financial constraints.
Levels of service	Would meet legal requirements. Due to scale, water services would likely be improved over the long term.	Would meet legal requirements.	Would meet legal requirements.
Growth and development	By working together, councils can plan water services more effectively, creating a steady pipeline of projects. The efficiencies, secure funding, and scale mean better infrastructure, which helps attract businesses, support growth, and boost the local economy.	Working alone means the CCO would likely lack financial and workforce resilience, as it would be smaller than existing councils and have a smaller revenue base. The limitations are unlikely to attract businesses or support growth.	Due to more limited lending capacity, the ability to financially prepare for and manage future growth needs would be reduced.
Impact on other council services	Removing three waters debt from the books means Council would have the capacity to continue investing in parks, roads, community facilities, and other important services if it wanted to.	Removing three waters debt from the books means Council would have the capacity to continue investing in parks, roads, community facilities, and other important services if it wanted to.	Could severely impact other services due to the level of investment in water services pushing Council's debt up to or through its debt-to-revenue limit, and new legislation requiring ring-fencing for water services revenue.
Civil defence response	The CCO would be responsible for managing water services and restoring water supplies. Councils would continue to look after people during a response. This would work similarly to how the Council works with a power company during a storm.	The CCO would be responsible for managing water services and restoring water supplies. Councils would continue to look after people during a response. This would work similarly to how the Council works with a power company during a storm.	Councils would continue to look after water and communities in an emergency.
Climate change mitigation	More climate change mitigation would be possible given the advantages of scale, improved efficiencies and an increased borrowing capacity.	An increased borrowing capacity may allow more climate change mitigation. However, there are no advantages of scale.	Challenging due to cost pressures.

Levels of Service

As part of Morrison Low's analysis, we looked at how each of the three options would affect the water services that people in our Districts receive.

In the short term (the next five to 10 years), we expect that water users will continue to get the same quality, amount, and pressure of water, no matter which option is chosen.

Over the longer term, a larger water services organisation would likely have some key advantages. It would be easier to hire and keep staff, including people with specialised skills. It would also be better placed to borrow money, manage assets more effectively, and focus fully on water services.

These strengths should lead to better investment in the network - meaning fewer breakdowns, quicker repairs, and better overall service for everyone.

A larger, jointly owned, council-controlled organisation could also work more efficiently. It would have access to a broader range of expertise than the other options, which could improve resilience and reduce the need to hire outside consultants.

Money Matters

Understanding Water Service Costs

Water Services costs are going to increase whatever the service delivery option adopted.

Why costs will increase

Several key factors driving these increases are:

- Expiring wastewater treatment resource consents
- Ageing infrastructure that needs renewal
- Significant local population growth (may not be applicable for all 4 councils)
- Stricter environmental regulations

What's the cheapest option?

The preferred jointly owned CCO option helps keep these cost increases more manageable than if each council continued to handle services separately. By working together, costs are shared and operations become more efficient over time.

The jointly owned CCO model also supports local pricing. That is, the debt and investment needs of each District would be reflected in the water services prices for that area and the benefits distributed across the four councils' communities.

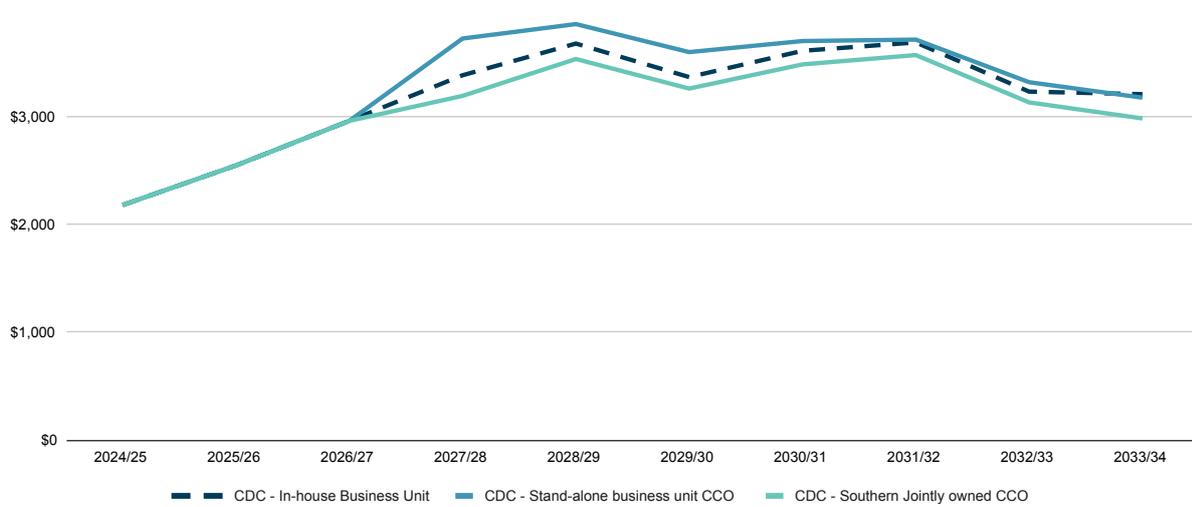
Three waters rates across Southern Water Done Well (SWDW) councils are predicted to rise significantly over the next 10 years. Based on Long-Term Plans, by 2034 some councils' three water rates will be more than double what they are now.

In Morrison Low's report, the modelling predicts consumers in our District will save \$191 a year in water charges with a jointly owned CCO compared to an in-house business unit in 2027/28. The savings increase to \$226 a year in 2033/34.

This table shows our predicted future water charges, per household, under the three delivery models.

Delivery Model	2027/28 Financial Year	2033/34 Financial Year
 Option 1 Joint-council CCO <i>(preferred option)</i>	\$3,195	\$2,985
Option 2 Stand-alone CCO	\$3,727	\$3,178
Option 3 In-house business unit	\$3,386	\$3,211

Average Three Waters household charge including GST



Rural Water Schemes and pricing

Given the complexity of Clutha’s different rural water schemes, we are unable to provide indicative pricing like we have for our urban users.

As work progresses on further developing arrangements for the Southern Water Joint CCO, decisions will need to be made in consultation with rural water scheme boards and their users including:

- Pricing principles and methodology for rural and urban water. The Joint CCO is currently proposed to be able to set different charges based on the level of service received and geographic location. This may see rural schemes ring-fenced (kept separate) with a different fee structure.
- Rural water schemes will need to be worked through and engaged with on a scheme-by-scheme basis.

Investment and Borrowing

Councils borrow money to pay for new infrastructure for growth, replace failing old infrastructure, and increase service levels. This ensures future generations (including new properties) pay their share of the cost of the new assets they will use.

Impact on Residents

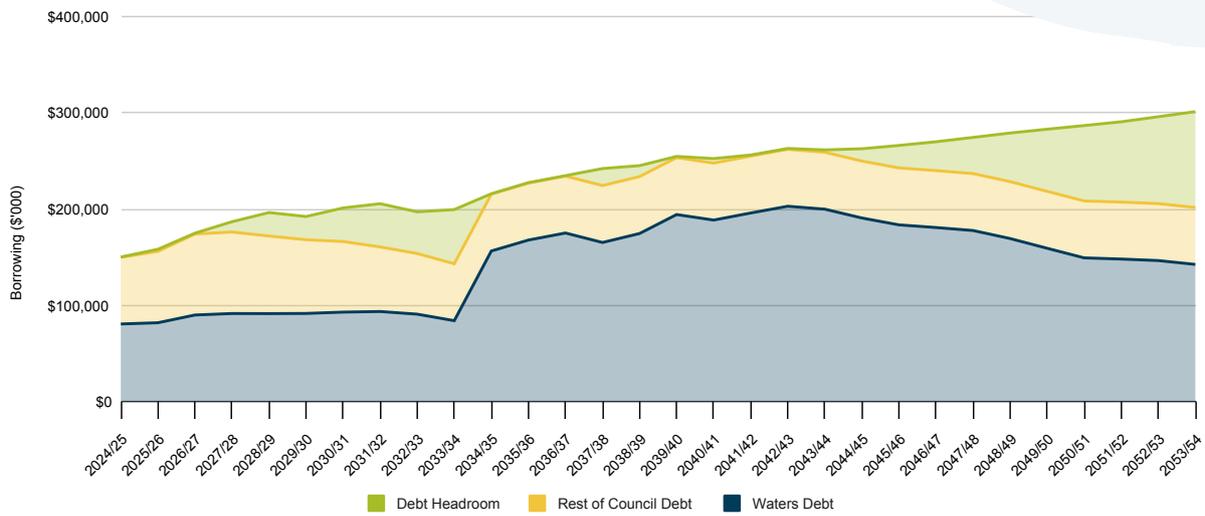
Water infrastructure combined debt across four SWDW councils is expected to increase substantially on a per-person basis under each council’s existing delivery model.

- **Current average debt across four councils: \$2,843 per person**
- **Projected (2034): \$6,926 per person**

Irrespective of the delivery model, we have to borrow significantly to upgrade and maintain our water infrastructure to meet the new legal standards.

SWDW councils will need to collectively borrow \$598 million over the next 10 years to fund a combined investment programme of \$760 million.

Total Council debt breakdown and remaining borrowing capacity (@ 250%)



New rules for borrowing

Local Water Done Well legislation sets clear rules on how councils can borrow money for water services. The borrowing limits depend on whether councils form a council-controlled water organisation or stay with an in-house model.

If councils form CCOs (Options 1 and 2)

New water organisations will be allowed to borrow more for infrastructure.

While the graph shows 250% currently we (Clutha District Council) can borrow up to 2.8 times our revenue (a 280% debt-to-revenue ratio).

Under a CCO water services delivery organisation, the limit increases to around five times revenue (a 500% debt-to-revenue ratio), subject to meeting prudent credit criteria. This would make it easier to fund significant water projects.

If councils keep managing water services in-house (Option 3)

This option may not meet legislative requirements for financial sustainability as councils would be forced to breach their debt caps to fund three waters investment in either the short or long term. It would also force significant and untenable cost increases onto ratepayers.

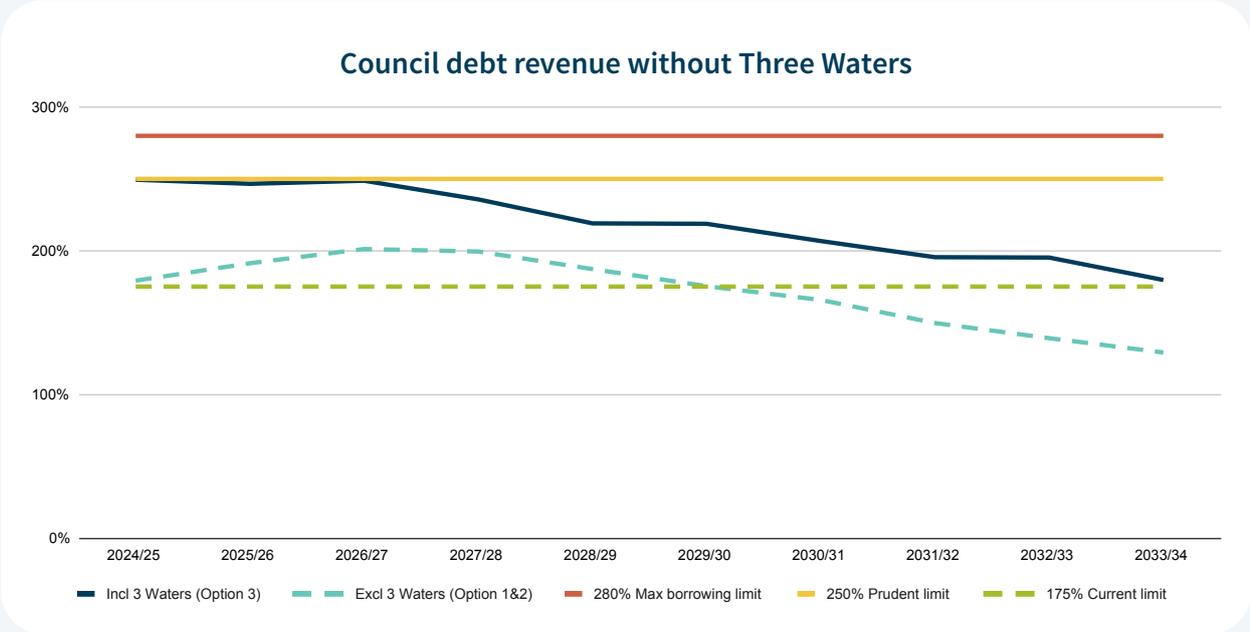
Significantly increasing infrastructure investment would likely see less investment in community assets.

The SWDW councils current combined Three Waters debt is \$236 million.

The Government requires that all water-related assets, revenue, expenses, and debt be kept separate (or 'ring-fenced') from other council services.

This benefits ratepayers as it frees up more investment capacity for each council, should it wish to use it.

The graph below shows how much debt would be taken off our books without three waters debt and the additional investment capacity we would have.



We'd have to spend some money to set up a new organisation

The initial costs of setting up a new water services organisation would be high as the organisation needs to be well-resourced to ensure efficiencies, better service delivery, and improved asset management for the long term.

Establishment costs would include transferring legal responsibilities and assets, setting up an office, buying software, hiring staff, work vehicles, billing processes, customer service, and much more. Estimates are around \$13.8 million for a jointly owned CCO, which would be shared among the partner councils.

Estimates for a Stand-alone CCO range between \$3 million and \$4.5 million, which would be carried by each council alone.

It's important to understand that these estimates are for financial modelling purposes and are not a formal budget. Actual costs are likely to be refined as work progresses.

For a Joint CCO, water charges are lower for all ratepayers, even with these establishment costs.

Making an Informed Decision

We recognise the delivery of our water services is a complex topic with significant long-term implications for our community.

The decisions we make today about how we structure and fund these essential services will affect infrastructure quality, environmental outcomes, and household costs for decades to come.

We encourage you to learn more about the options by visiting our website www.cluthadc.govt.nz/southern-water, where you'll find detailed reports, financial projections, and frequently asked questions.

Our team is available to answer your questions at community information sessions or via email.

Most importantly, we want to hear your thoughts - please provide your feedback by making a submission before 5:00pm Friday 6 June.

A hearing will be held on Wednesday 18 June.

Your input is valuable in helping us make the right decision for our District.



The easiest way to have your say is online!

Scan the QR code to submit your feedback online.

You can learn more about our Southern Water Done Well partners on their consultation websites:



Gore District Council
www.goredc.govt.nz/water



Central Otago District Council
www.lets-talk.codc.govt.nz/southern-water-done-well



Waitaki District Council
www.letstalk.waitaki.govt.nz/swdw

Timeline

Friday 6 June
Consultation Closes



Thursday 3 July
Councils consider public submissions and decide on a future water services delivery model



By 3 September 2025
the Water Services Delivery Plan is adopted and submitted to the Government



1 July 2027
Establishment of proposed Jointly owned CCO Water Services Organisation



Friday 9 May
Consultation Open



Wednesday 18 June
Hearing



Wednesday 30 July
Councils approve the Water Services Delivery Plan



From December 2025
Government advises on the acceptability of the Water Services Delivery Plan



By 1 July 2028
Water Services Organisations or council must demonstrate delivery of financially sustainable water services



Southern Water Done Well feedback form

You can use this form to give us your thoughts, or use our online feedback form at: www.cluthadc.govt.nz/southern-water. Feedback is due by 5:00pm Friday 6 June.

Scan and email to: help.desk@cluthadc.govt.nz Subject line: SWDW Consultation	Post to: SWDW Consultation Clutha District Council PO Box 25 Balclutha 9240	Drop off at: Our community libraries or Council's main office 1 Rosebank Terrace Balclutha 9230	Need more room? You can add extra pages if there's not enough space on this form.
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Tell us a bit about yourself

Full Name:.....

Are you submitting as an individual, or on behalf of an organisation?

Individual Organisation A group of individuals

Postal Address:.....

Town/City:..... Postcode:.....

Contact Phone Number:.....

Email: (For submission communication purposes)

You are welcome to speak to your submission at Council. A hearing will be held on Wednesday 18 June.

Would you like to speak to your submission at a council hearing?

Yes No

Preferred method of contact:

Phone Email

Are you currently a consumer on a Rural Water Scheme?

Moa Flat Glenkenich
 Waipahi Clydevale/Pomahaka
 Wangaloa Richardson North and South
 South Bruce Balmoral/Tuapeka*
 North Bruce

(*Previously Balmoral 1 and 2, Tuapeka West and East and Waitahuna rural water schemes.)

What age group are you in?

(We're asking people's age as this is a decision that will impact our district for decades, and different age groups may have different opinions.)

0 - 20
 21 - 30
 31 - 40
 41 - 50
 51 - 60
 61 - 70
 71 plus



Privacy Statement

Public information: All submissions (including your name and contact details) will be provided to Council staff for administration and analysing feedback, and to those who are involved in decision making on the consultation.

All submissions, including submitter names (unless you request otherwise by contacting us at help.desk@cluthadc.govt.nz or 0800 801 350) but not contact details, will be publicly available online. The body of your submission and any attachments will not be checked for personal information and you should assume that anything included in these will be made public. Submission accompanied by multiple signatures or as a petition will be processed as a single submission.

For details on how we collect, store and use your personal information, including how to request a copy of any personal information we hold about you and to ask for any corrections, please see Clutha District Council’s Privacy Policy www.cluthadc.govt.nz/council/privacy or contact us at help.desk@cluthadc.govt.nz or 0800 801 350.

Please note: Council reserves the right to redact any offensive or derogatory language used in the written submissions received prior to making submissions public.

Q1: Do you support the collaboration between councils to deliver water services.

- Support
- Neutral
- Oppose

Q2: What are your main concerns about councils working together? *(Select all that apply)*

- Loss of local control
- Increased costs
- Changes in water quality
- Lack of transparency
- Other *(please specify)*:.....
.....
.....
.....
.....

Q3: What benefits do you see from councils working together? *(Select all that apply)*

- Improved water quality
- Cost savings
- Better infrastructure
- Enhanced sustainability
- Other *(please specify)*:.....
.....
.....
.....
.....

Southern
Water
Done Well
your
wai
your way







Clutha District Council



GO RURAL
DISTRICT COUNCIL
RE CITY
LIVING

 **Waitaki**
DISTRICT COUNCIL
TE KAUNIHERA A ROHE O WAITAKI


Clutha District Council


CENTRAL OTAGO
DISTRICT COUNCIL