



Southern water done well

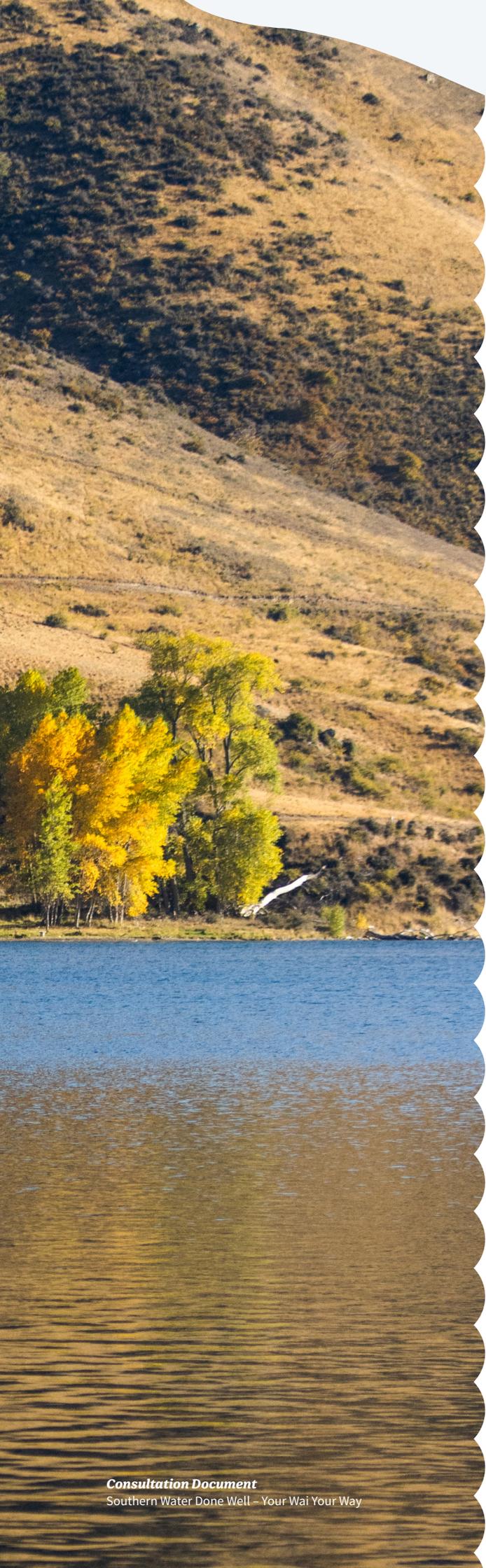
Join the conversation about the future delivery of water services in your District under the Government's Local Water Done Well legislation.

Share your thoughts by **Friday 6 June**



Contents

3	Why is change coming
5	What's the plan
6	Mayoral Message
7	What is Local Water Done Well
8	Setting the Scene - our current water services and the challenges
12	Doing things differently
16	Option One ✓ Jointly owned Council Controlled Organisation (preferred option)
20	Option Two Stand-alone Council Controlled Organisation
22	Option Three In house business unit
24	Comparing the Options
28	Levels of Service
29	Money Matters
34	Timeline
35	Submission Form



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 Council, Clutha District Council, and Waitaki District Council - 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)

Share your thoughts by
Friday 6 June

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 main office, and any library or service centre.

Giving Feedback is Easy

You can ...

 Fill out the submission form online:
www.lets-talk.codc.govt.nz/southern-water-done-well

 Fill in the form at the end of this document, pick up a form from our offices or libraries or download one from our Southern Water Done Well page and:

Email to: info@codc.govt.nz

Subject line:
SWDW Consultation

 **Drop off at:** Council's main office, 1 Dunorling Street, Alexandra, and any service centre or library.

Mayoral Foreword

Drinking water from the tap is a simple joy many Kiwis don't think twice about, but the costs of providing this are now swamping local councils around the country. Add in wastewater, stormwater and general degradation of our lakes and rivers and it's no wonder the system is considered "broken".

Now is the time for us to have a meaningful conversation about what providing water services looks like into the future, and we appreciate your attention to this important topic. Conversations that have gone before over the past few years have led to mistrust, fear and a reluctance to change. The fundamental issues that remain highlight the need to consider how we could deliver more efficient and cost-effective solutions:

- Going alone consigns communities to further financial hardship and substantial increased debt
- Our Council does not have the expertise or capacity to manage what is required in the future with an in-house model
- The continual changing of direction from both central and local government is costing our people time and money, we need to take the politics out of something as important as water

- The more councils who join the discussion, the more the risk profile is reduced. We're asking to start with four willing partners - more may follow
- So long as everyone benefits, we can accept that the advantages will vary case by case, and year by year
- Each council and system have their own strengths and weaknesses, as well as priorities
- Long term intangibles, such as attracting and retaining a quality board of directors and staff expertise, are hard to define but require consideration

It's important to prioritise our residents and ratepayers, but it is also important to consider what is the best option forward for our family and friends nearby. The four councils collaborating in this document have set aside egos, parochial views and patch protection mentality to work towards a solution that will

provide water services that are fit for purpose into the future. We are confident that this preferred option is also the most financially sustainable for you, and the generations that will come next.

No solution is perfect. We ask you to weigh up the advantages and balance them against the alternatives.

This task is for all of us - we look forward to your feedback.



Tamah Alley
Central Otago
District Mayor

A handwritten signature in black ink, appearing to be 'Tamah Alley', written in a cursive style.

Share your thoughts by
Friday 6 June

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

We provide water and wastewater services for the townships of Pisa (CODC-owned supply - Pisa Moorings is a private supply), Cromwell, Bannockburn, Clyde (partial for wastewater), Alexandra, Lake Roxburgh Village, Roxburgh, Omakau, Naseby, Ranfurly, and Patearoa (water only).



Drinking water

The clean water that flows from your taps

- 10,560 drinking water connections
- 8 water treatment plants
- 4 bore fields, 4 surface water takes
- 18 treated water reservoirs and tank farms
- 16 pump stations
- 469km of pipeline

Did you know on average we deliver:

- 14 million litres of treated water a day to Central Otago residents.



Wastewater

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

- 9,170 connections
- 7 treatment plants
- 40 pump stations
- 284km of pipeline

Did you know on average we treat:

- 3.6 million litres of wastewater a day throughout the district.



Stormwater

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

- 9 stormwater management systems
- 58km of pipeline
- 1,015 manholes

40% of rates* for an individual property fund water, wastewater and stormwater.

**On average.*

27% of water from our network is lost and not billed to properties through volumetric charging.

This figure includes water lost from leakage, unmetered connections, and meters under reading due to their age.

There's no external funding for water services.

Rates and development contributions pay for all three waters costs - wastewater and stormwater are rated through uniform annual charges. Water is rated partly through uniform annual charges, and partially through volumetric charges. All water connections have a meter. Development contributions are used to fund the increased capacity required on capital projects to cater for future growth demand.

We estimate we will spend \$404 million over the next nine years on three waters capital and operational activities.

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 finished include:

Water Supply

- Lake Dunstan Water Treatment Plant - combining the Clyde and Alexandra networks, with water piped 8km to Alexandra from a new membrane treatment plant adjacent to Lake Dunstan. This supplies water which is fully compliant with the New Zealand Drinking Water Standards and will provide capacity for growth.
- Cromwell Water Treatment Upgrade - to meet growth and drinking water standards commenced with construction of a new raw water pipeline from the borefield to the reservoir site. Construction of a new treatment plant at

the reservoir site, and an upgraded borefield in 2025 will complete this project.

- New 4000m³ reservoir at Alexandra.
- Increased protection of the public water supply through our ongoing backflow prevention programme.
- Water main renewals in Roxburgh and Clyde.

Wastewater

- Backup generators and emergency storage at key wastewater pump stations to reduce overflows.
- Desludging of Roxburgh wastewater ponds.
- Earnsclough Road Wastewater Pump Station upgrade.

- Stage 1 of the Clyde wastewater reticulation connecting 181 properties to the Alexandra treatment plant.
- Clyde main pump station and pipeline to Alexandra which enabled greenfield growth at Clyde and will facilitate future reticulation of the remaining areas of Clyde.
- Replacement of membranes and aerators at the Cromwell wastewater treatment plant.
- Installation of mechanical screening at all wastewater treatment plants.
- Wastewater main renewal in Ranfurly.

The challenges we're facing

Due to significant growth in our District and developers vesting new assets over the last decade, the average age of our pipe networks is low when compared to other Districts. This means we do not have a backlog of ageing pipes.

Water Treatment Upgrades for Compliance

Council has three treatment plants that do not meet the drinking water requirements for protozoa treatment: Cromwell, Ranfurly, and Patearoa.

The Cromwell water treatment upgrade commenced with the construction of a new raw water pipeline from the bore field to the reservoir site in 2024. Construction of a new treatment plant at the reservoir site and an upgraded bore field in 2025 will complete this project.

Package treatment plants are being installed at Patearoa and Ranfurly in 2025 to provide protozoa treatment for these supplies.

The Omakau treatment plant is at the end of its life, and we need to build a new plant to fully meet the drinking water standards. The Roxburgh treatment plant also needs an upgrade to fully comply with the standards.

Omakau, Naseby, Ranfurly, and Patearoa are supplied from rivers that become dirty during high rainfall. This impacts the ability to treat the water and can result in boil water notices. Upgrades are required to make these supplies more resilient.

The population of Naseby increases from 150 people to over 2000 in the summer. This plant struggles to keep up with demand and requires increased capacity and storage to meet this demand.

Wastewater Treatment Upgrade for Compliance and Ageing Assets

The proposed new wastewater performance standards are expected to require additional nitrogen removal at Cromwell and a discharge to land at Ranfurly.

The Alexandra wastewater treatment has a single processing line, which consists of an activated sludge reactor, a clarifier, and UV treatment. This plant is nearing the end of its life and is at high risk of breakdown.

The network has only eight hours of storage available, and no alternative treatment option is available. Breakdowns result in non-compliant discharges to the Clutha Matau River. A significant upgrade is required to duplicate the existing process and renew the existing infrastructure to increase capacity and resilience to plant outages.

The Omakau wastewater ponds are in a flood zone and have been inundated twice in the last five years. Therefore, an alternative location for wastewater treatment is required for Omakau.

Growth

Council has adopted new spatial plans for Cromwell, Clyde, and Alexandra and new water and wastewater infrastructure will be required to service the significant growth occurring in these areas.

In addition to new infrastructure, the existing pipe networks, reservoirs, treatment plants, and pump assets will need to be replaced to provide increased capacity to service this growth.

The costs of work to service growth are intended to be recovered from development contributions where appropriate.

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.

While our council doesn't operate any rural water schemes, two of our partner councils - Clutha District and Waitaki District - do. They have been working closely with their scheme committees.

It is clear that 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 that will have to be made in partnership with rural water schemes users.

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, especially if the water isn't intended for drinking.
- Most of the water is used for things other than drinking.
- Many 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

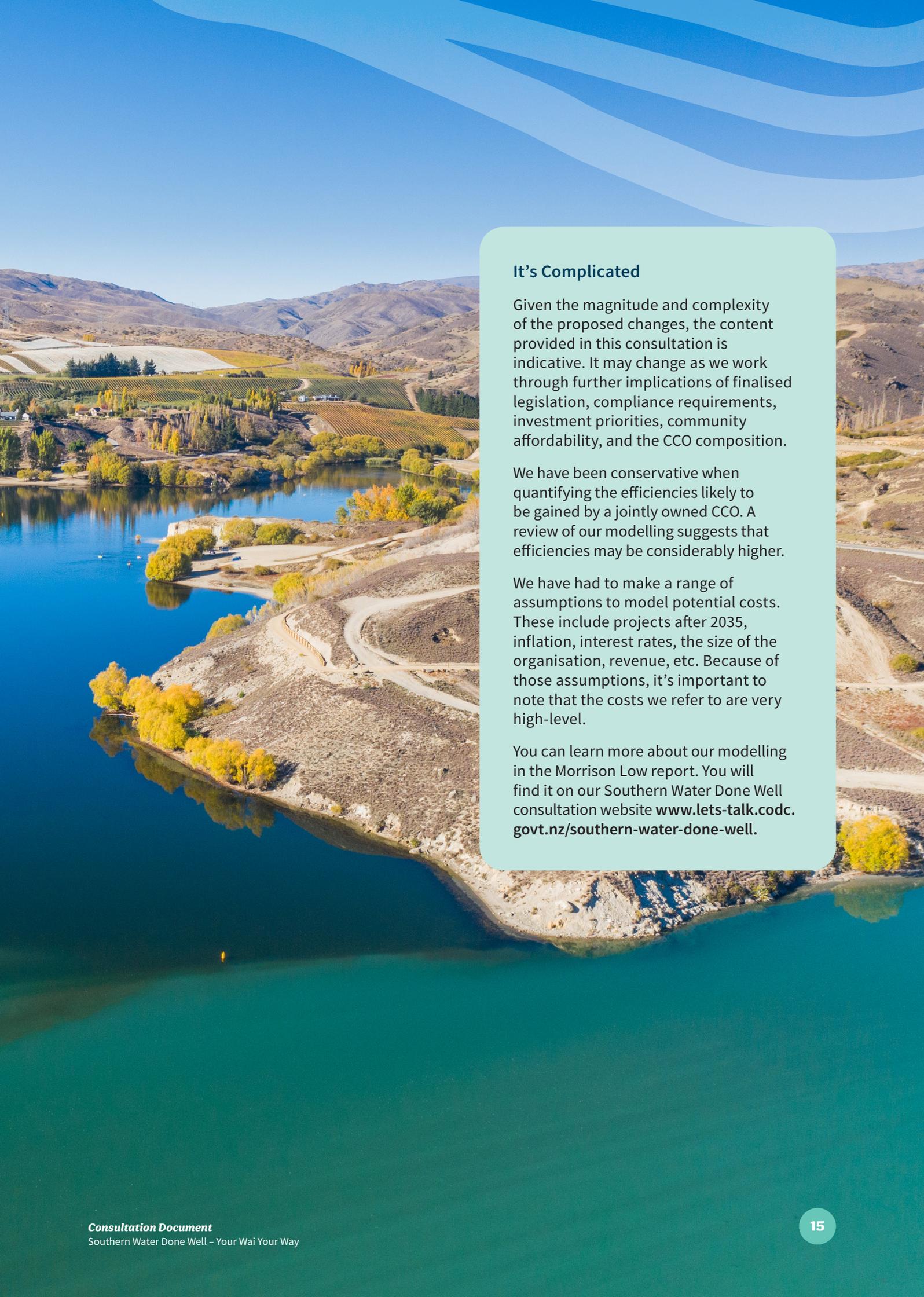
Before reading through the delivery model options we're proposing, there are some things you should know.

\$ 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.



An aerial photograph of a scenic landscape. In the foreground, a large, clear blue lake reflects the sky. The shoreline is rocky and sparsely vegetated. In the middle ground, there are several vineyards with rows of grapevines, some of which are showing autumnal colors. The background features rolling hills and mountains under a clear blue sky. The overall scene is bright and sunny.

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. You will find it on our Southern Water Done Well consultation website www.lets-talk.codc.govt.nz/southern-water-done-well.

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: Gore District Council, Clutha 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.



Share your thoughts by
Friday 6 June

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 Gore, Central Otago, Clutha 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.

Share your thoughts by
Friday 6 June



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 Central Otago 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 Central Otago 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.

Share your thoughts by
Friday 6 June



The Upside

- We would wholly own the CCO, keeping us closely connected and allowing the organisation to focus solely on the Central Otago 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 Central Otago 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.

Share your thoughts by
Friday 6 June



The Upside

- The in-house business unit's sole focus would be Central Otago 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

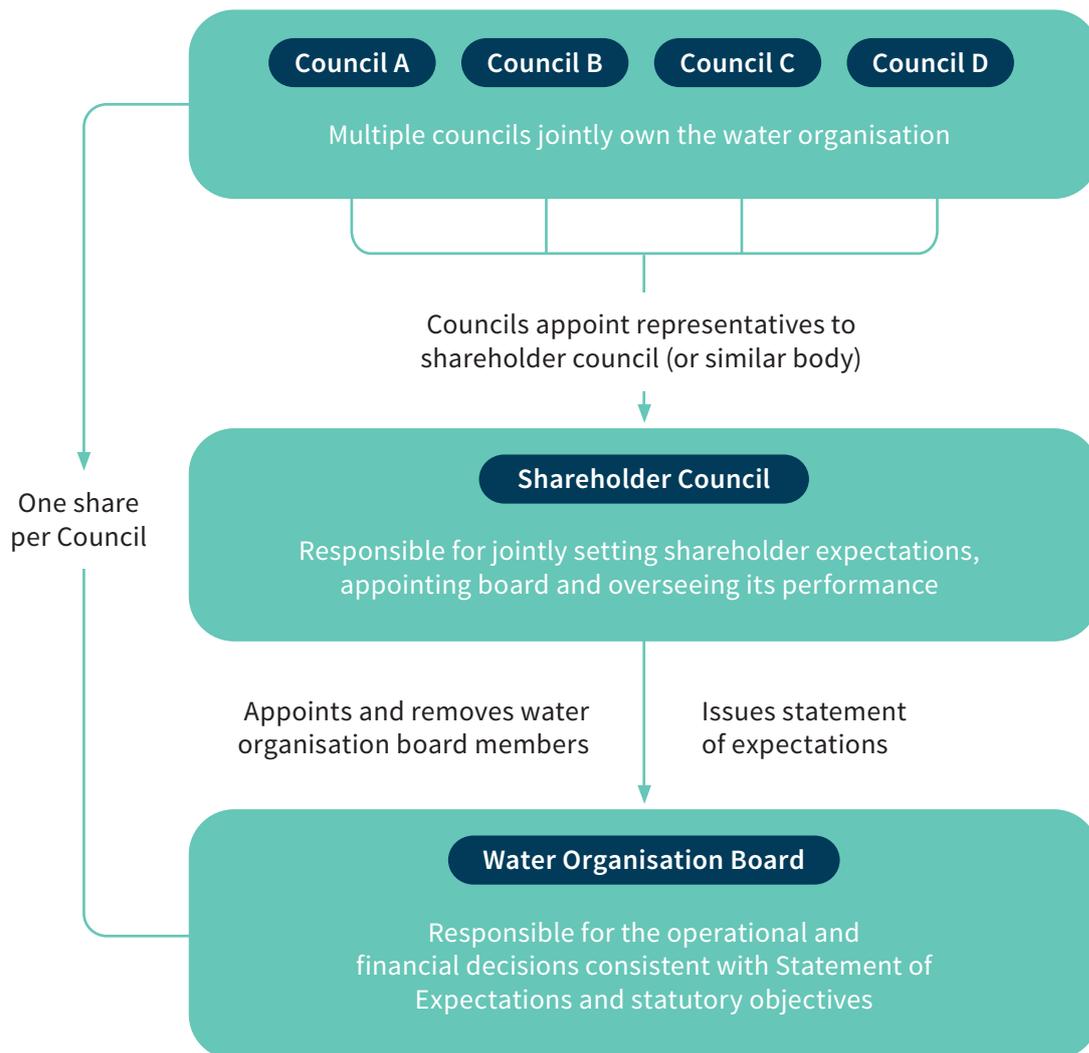
- Higher water charges than a jointly owned CCO.
- Significant additional financial costs in administration and staff requirements to meet financial and regulatory obligations.
- Would have difficulty meeting infrastructure investment needs without significantly increasing rates.
- Unable to access enhanced 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

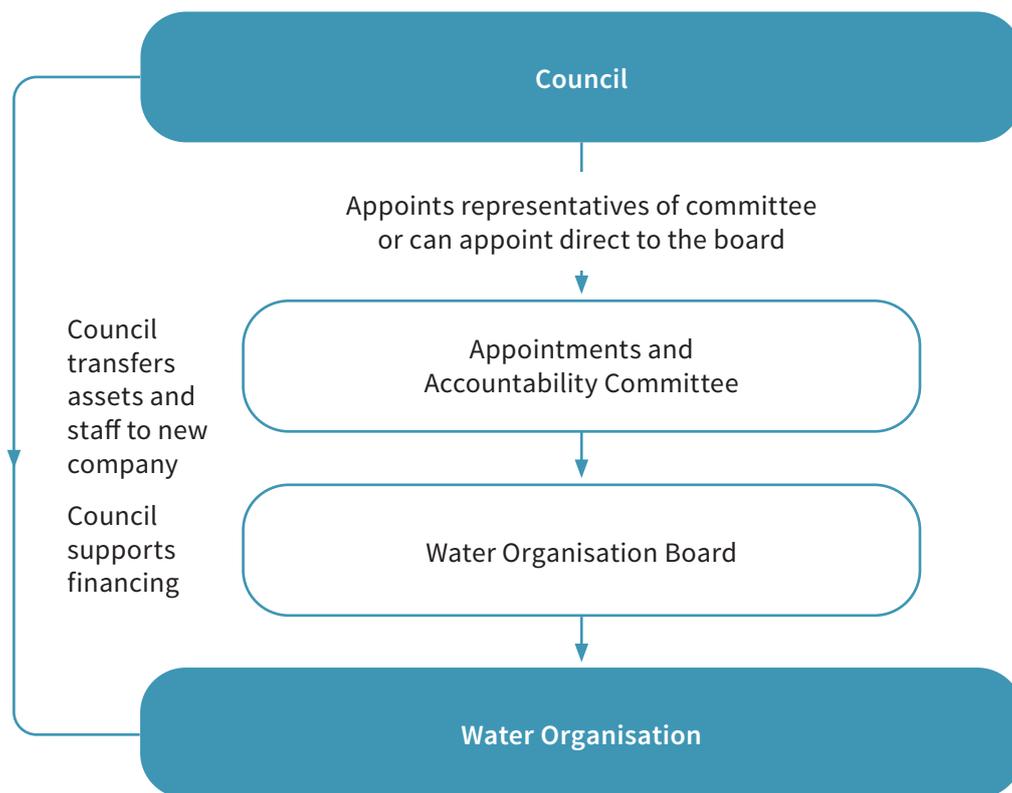
✓ Preferred Option

A Jointly owned Council Controlled Organisation.



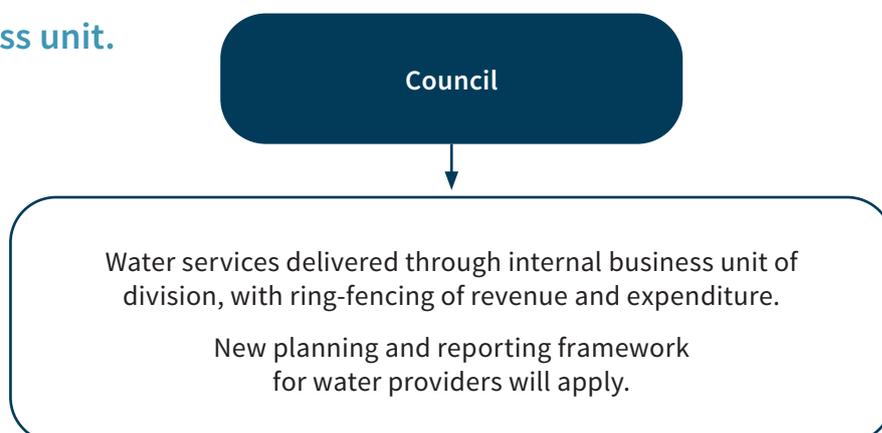
Option Two

Stand-alone Council Controlled Organisation.



Option Three

In-house business unit.

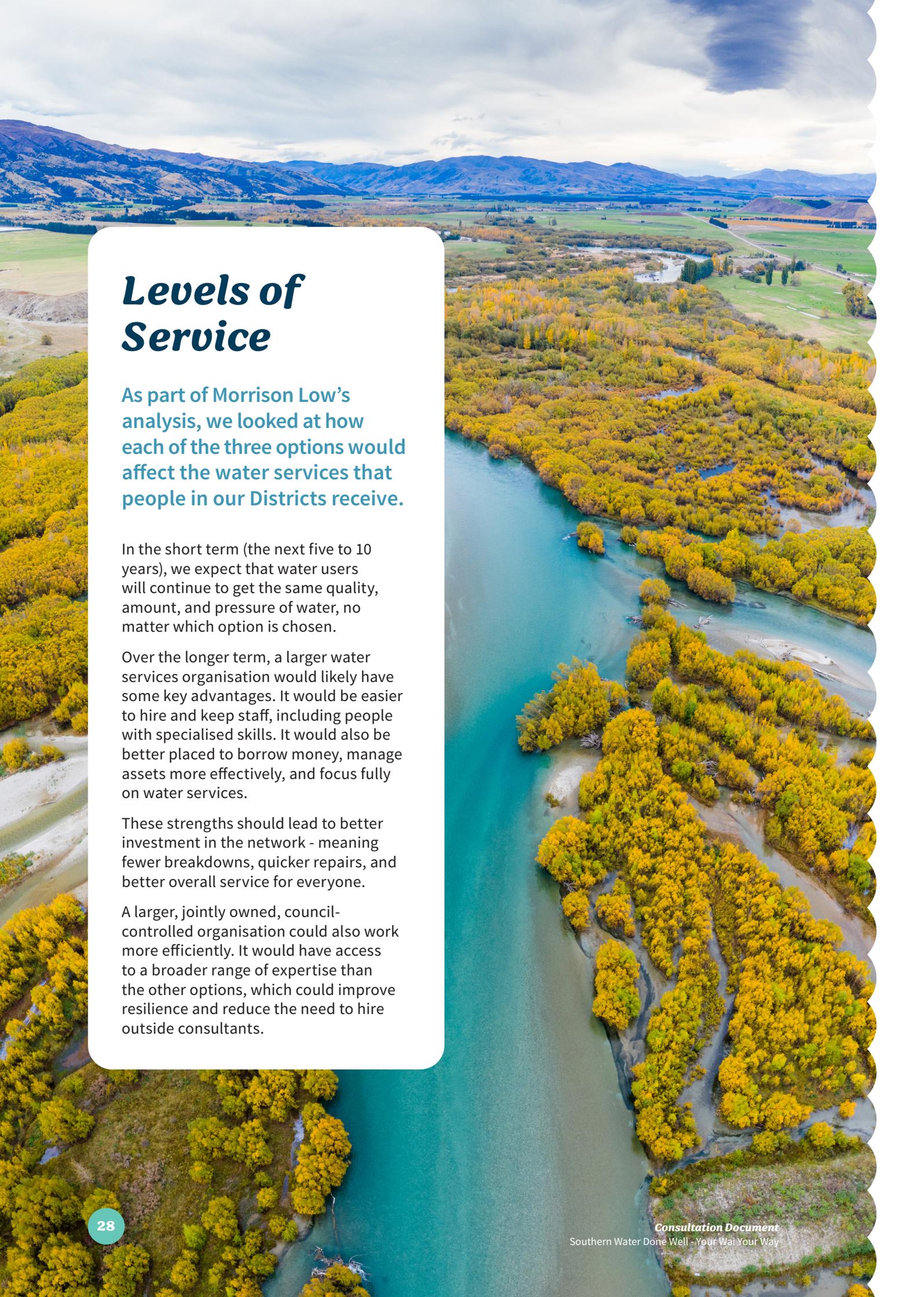


How do our Options compare?

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 water 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 three times higher than they are now.

The Morrison Low modelling predicts Central Otago's future water charges per household, will be:

Delivery Model	2027/28 Financial Year	2033/34 Financial Year
 Option 1 Joint-council CCO <i>(preferred option)</i>	\$2,645	\$3,775
Option 2 Stand-alone CCO	\$3,094	\$4,266
Option 3 In-house business unit	\$2,780	\$4,047

Below is average annual cost to ratepayers for a home connected to our waters services (GST inclusive).



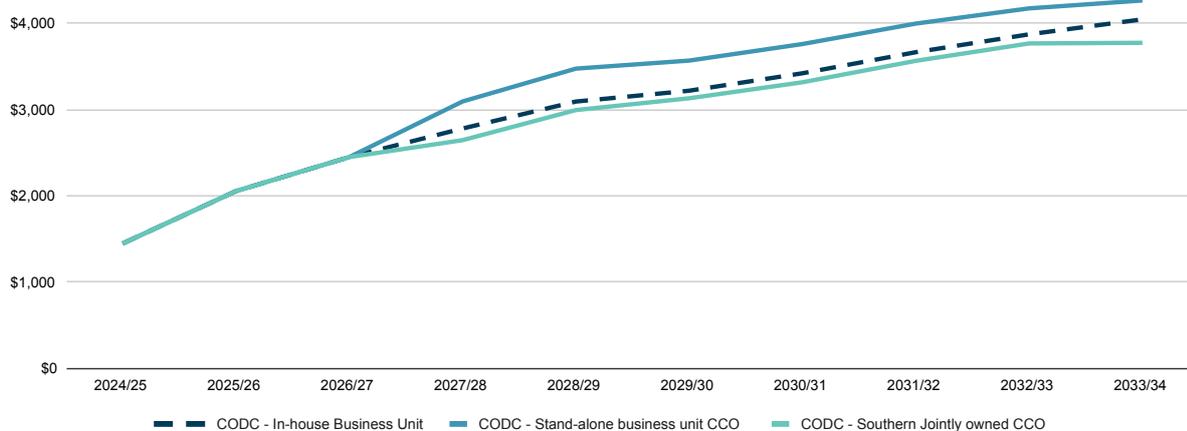
Total \$1,445

Household charges

The chart below shows the result of modelling for Central Otago. It highlights that:

- A jointly owned Southern CCO provides a slightly lower price path for water consumers in the Central Otago District, but it is generally within the range of the internal business unit.
- A stand-alone CCO is likely to be more expensive for CODC water consumers than an in-house delivery model.

Average Three Waters household charge including GST



Investment and Borrowing

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

Previously, we could borrow 175% of defined revenue. Based on this year's revenue, this equates to \$138 million borrowing capacity.

However, our new AA credit rating means we can now borrow up to 280% of revenue from the Local Government Funding Agency, equating to \$220m.

The Council anticipates requiring \$131 million in the upcoming financial year and \$141 million in 2026/27.

While the credit rating is unlikely to be needed in the next two financial years (bar a significant natural disaster), it is very close to the debt cap (\$138m).

If water services delivery remains with the Council from 2029/30, the current debt headroom would be insufficient, and it would likely consistently breach current debt caps over three years.

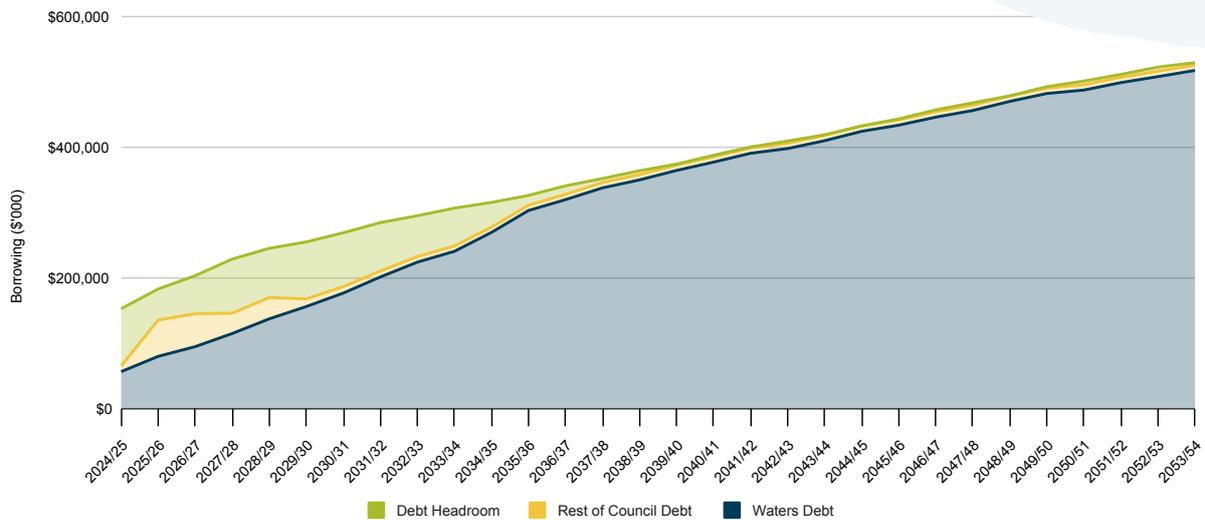
Impact on Residents

Water infrastructure combined debt across the four SWDW councils is expected to increase substantially on a per-person basis:

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

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

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.

Under a 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.

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

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

The chart below compares total Central Otago District Council debt to revenue with and without including Three Waters debt.

Please note that for the purposes of assessing borrowing capacity, Council’s revenue and cash reserves from endowment funds have been excluded.

Both the stand-alone CCO and the jointly owned Southern CCO would result in

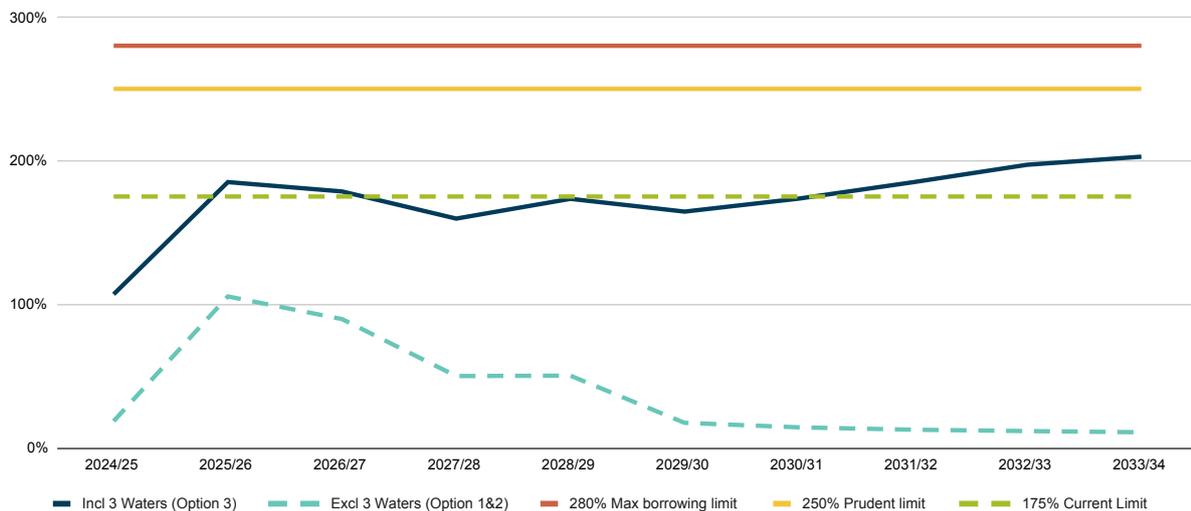
three waters debt and revenue no longer impacting the Council’s borrowing limits.

It shows that, without three waters’ debt and revenue, CODC would improve its debt-to-revenue ratio from 203% to 11% by 2034.

This represents an increase in potential borrowing headroom of \$120 million.

Without a transfer of three waters, Council’s borrowing capacity will become increasingly strained.

Council debt revenue without Three Waters



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.lets-talk.codc.govt.nz/southern-water-done-well, 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 (council-specific content).

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

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



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



Clutha District Council

Clutha District Council

www.cluthadc.govt.nz/southern-water



Gore District Council

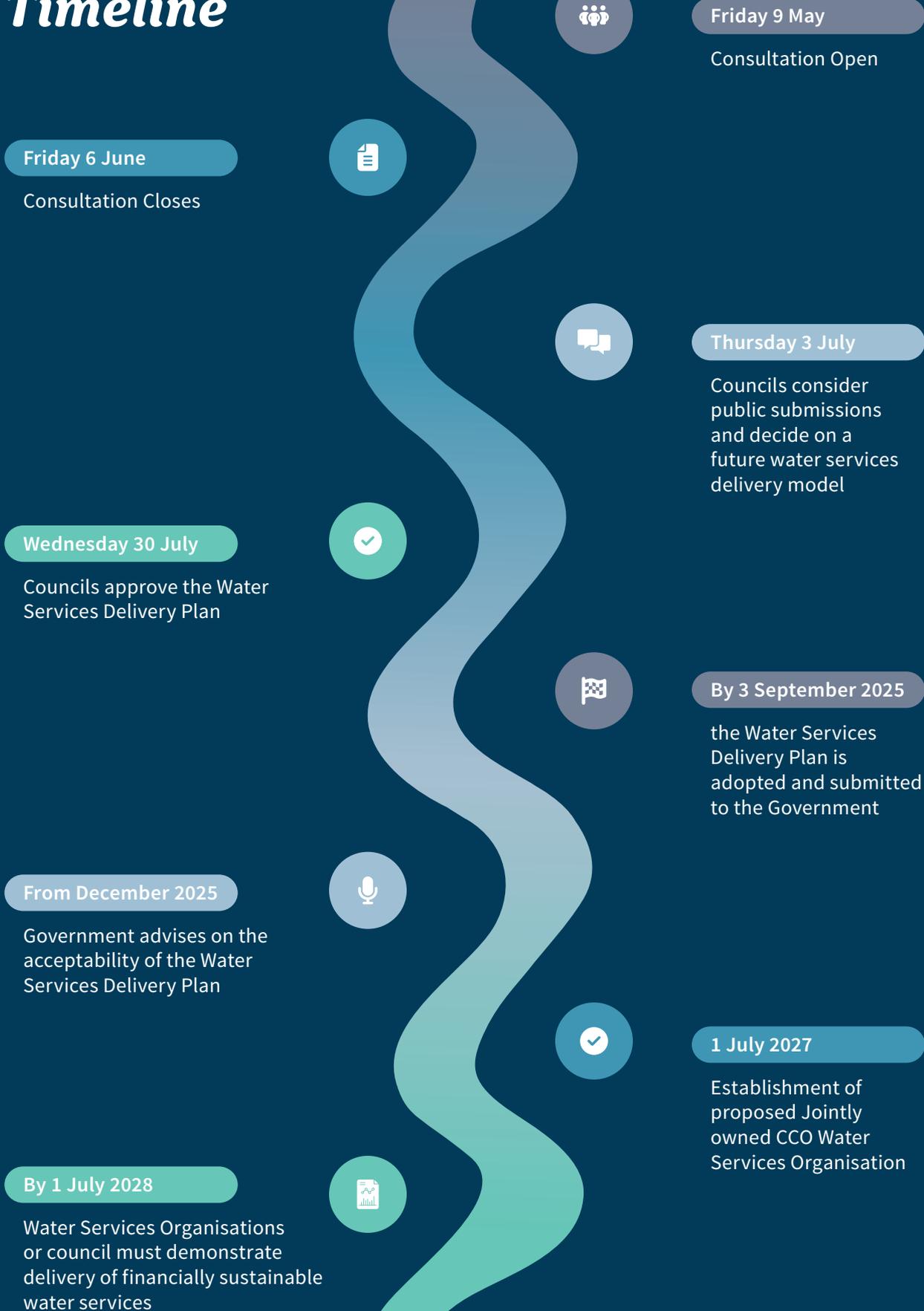
www.goredc.govt.nz/water



Waitaki District Council

www.letstalk.waitaki.govt.nz/swdw

Timeline



Southern Water Done Well feedback form

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

Scan and email to: info@codc.govt.nz Subject line: SWDW Consultation	Hand Deliver to: Central Otago District Council 1 Dunorling Street, Alexandra And any service centre or library	Need more room? You can add extra pages if there's not enough space on this form.
---	---	---

Tell us a bit about yourself

Full Name:.....

Are you submitting as an individual, or on behalf of an organisation? *(please tick which one)*

- Individual
- Organisation *(please include organisation name):*.....
- A group of individuals *(please include names):*

Postal Address:.....

Town/City:..... Postcode:

Contact Phone Number:.....

Email: *(For submission communication purposes)*

Which Council water scheme are you on?

- Pisa Cromwell Clyde / Alexandra
- Roxburgh Omakau Naseby
- Ranfurly Patearoa None

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.

This information, 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.

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 Central Otago District Council's Privacy Policy: <https://www.codc.govt.nz/privacy> or contact us (details above).

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)*:.....

Q4: Which of these is your preferred option for the future delivery of water services and maintaining and renewing infrastructure?

- Option 1: A Jointly owned Council Controlled Organisation**
(our preferred option based on the financial impact on our customers, the long-term sustainability for our environment and community. It provides a ‘whole of region’ approach to achieve the best return on investment for capital expenditure and the best use of resources.)
- Option 2: A Stand-alone Council Controlled Organisation**
(this option has the highest water services charges. While offering some financial benefits, like greater borrowing capacity, it doesn’t fully address long-term funding, affordability, or the advantages of being part of a larger specialist organisation.)
- Option 3: In-house business unit to deliver water**
(this option is close to the Council’s existing approach, but with some significant differences. It is unlikely to meet legal requirements for financial sustainability. The Government says we must include an existing approach option in our consultation.)

Are there any other comments you’d like to make?

.....

.....

.....

.....

.....