



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

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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 Council, Clutha District Council, and Central Otago District Council - to form Southern Water Done Well (SWDW). Together, we have been investigating water services delivery solutions that work best for our communities.

In addition, we have been working with the three South Canterbury Councils (Timaru, Mackenzie and Waimate) on an alternate joint arrangement. This is included in this material as an option for comparative purpose however, as this is not as advanced as the Southern option a full comparison is not possible.

One thing that has stood out is that 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.

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

(based on current Long Term Plans)

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 Long Term Plans)

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

(based on current Long Term Plans)

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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 the options 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:
<https://www.letstalk.waitaki.govt.nz/swdw>

 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: letstalk@waitaki.govt.nz

Subject line:
SWDW Consultation

 **Post to:** Private Bag 50058
Ōamaru 9444

 Drop off at: Council's main office,
20 Thames Street, Ōamaru.

Mayoral Foreword

“Nothing in life is certain, except death and taxes.” Given the events of the past six years, I think we can add to that saying, “and that the cost of water services will increase significantly”.

Councils in New Zealand are facing the same challenges. The need to invest more in water upgrades and maintenance is common to all.

Waitaki has done a good job over the years, but we still need to invest hundreds of millions of dollars over the next 30 years.

Our focus must be on how we can do that in the most cost-effective way to benefit our ratepayers. The challenges we face are clear:

- Keeping water services in-house will still see a loss of control as the water and economic regulators direct Councils on what they must do and charge
- Current inefficiencies will bring higher debt levels, and more Waitaki households will face financial hardship
- We simply don't have all of the expertise or resources to manage future requirements on our own
- The constant changes in direction from central government are costing our councils and ratepayers

Our response is to partner with other Councils to keep water as affordable as possible for all ratepayers and residents.

- By joining with Central Otago, Clutha, and Gore, we reduce our collective risk
- Each Council brings different strengths and weaknesses to the table
- The benefits will vary between partners, but every District stands to gain
- Rural water supplies will need their own solutions in the partnership model
- If we do this right, more Councils will join and the benefits to each increase

We know many people have concerns. Please take the time to read the following information to see how those concerns can be dealt with and how we can deliver excellent and affordable services in Waitaki.



Gary Kircher
Waitaki District
Council Mayor

A handwritten signature in black ink, appearing to read 'Gary Kircher', written in a cursive style.

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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.



What we do now

In the Waitaki District, our Assets team looks after: Ōamaru, Waihemo, Duntroon, Otematata, Ōmārama, Lake Ohau, Kurow, Lower Waitaki, Stoneburn and Bushy Creek. The supplies at Kauru Hill, Tokarahi, Awamoko and Windsor are owned by Waitaki District Council and managed by Corriedale Water Management Ltd.



Drinking water

The clean water that flows from your taps

- 9,749 residential and 2,226 non-residential drinking water connections
- 12 water treatment plants
- 5 bore fields
- 2 dams
- 40 water storage reservoirs
- 20 pump stations
- 1,626 km of pipeline

Did you know on average we deliver:

- 16 million litres of water a day to customers across our different schemes in the year to 30 June 2024.



Wastewater

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

- 7,593 connections
- 8 wastewater systems and treatment plants
- 2,138 manholes
- 29 pump stations
- 204km of pipeline

Did you know on average we treat:

- 5.4 million litres of wastewater a day across our different schemes in the year to 30 June 2024.



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

30% of rates* for a (town/district) property goes to water, wastewater and stormwater.

**On average.*

There's no external funding for water services.

Rates, or borrowing paid off by ratings in future, pay for all three waters – some are paid using fixed charges and a portion is via the general rate.

Across the district, we are losing between 30% and 50% of water from our networks before it gets to properties due to old, leaking pipes.

We estimate we will need over \$188m over the next nine years to fix and maintain water services.

The challenges we're facing

Much of our three waters infrastructure is approaching the end of its useful life, so maintenance isn't an option. It needs to be replaced.

Coastal erosion

We recently discussed in the Long Term Plan that Council has some assets at risk from coastal erosion. The Orwell Street Pump Station is fewer than 10 metres from the shoreline and is flooded with saltwater during storm events. It carries wastewater from Ōamaru Central, South Hill, Weston and Kakanui to the treatment plant at TY Duncan Road to the North of the town.

Moving this site to somewhere better protected from coastal erosion, will also require the realigning of our main wastewater pipeline. This comes at a cost, estimated at around \$20,000,000 across 2032/2033 and 2033/2034.

Replacing ageing infrastructure

Council has invested in mains water replacement in the last decade, but our network is over 1600km of reticulated pipework. Reducing leakage by replacing and repairing the network also reduces the strain on both the pipework and the water treatment plants, extending the life of our infrastructure.

Much of our wastewater network in urban areas relies on clay-pipes, much of which is over 100 years old. The depth at which these pipes are buried, often below 2 metres, makes the task of replacing them a vital but long-term project. A secure wastewater pipe network will also reduce infiltration from stormwater during rain events, which will ensure wastewater can be effectively treated.

Increasing standards

In the last 18 months, Council has invested in upgrading its Water Treatment Plant at Ōmārama and installing a new treatment plant at Lake Ohau Village. This was to meet a direction from the water regulator, Taumata Arowai, regarding supplies which were deemed non-compliant either through a lack of chlorination or filtering or both.

Council has responsibility for several other supplies in the District, often serving small and rural communities, and is working with Taumata Arowai to find acceptable solutions for those smaller supplies. The plants at Ōmārama and Lake Ohau Village cost in excess of \$5 million dollars in total.

Consenting these supplies, and getting new consents for both our water intake, treatment plants, wastewater treatment plants, and wastewater outflow for treated water to meet the standards are also challenges facing us in the future.

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.

In Waitaki District we have eight schemes.

Duntroon, Lower Waitaki, Stoneburn and Bushy Creek. The supplies at Kauru Hill, Tokarahi, Awamoko and Windsor are managed by Corriedale Water Management Ltd.

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.

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 with Gore, Clutha and Central Otago district councils



- **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*).
- **Option 4** - 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. This relies on separate modelling undertaken by Martin Jenkins.

Important Things to Know

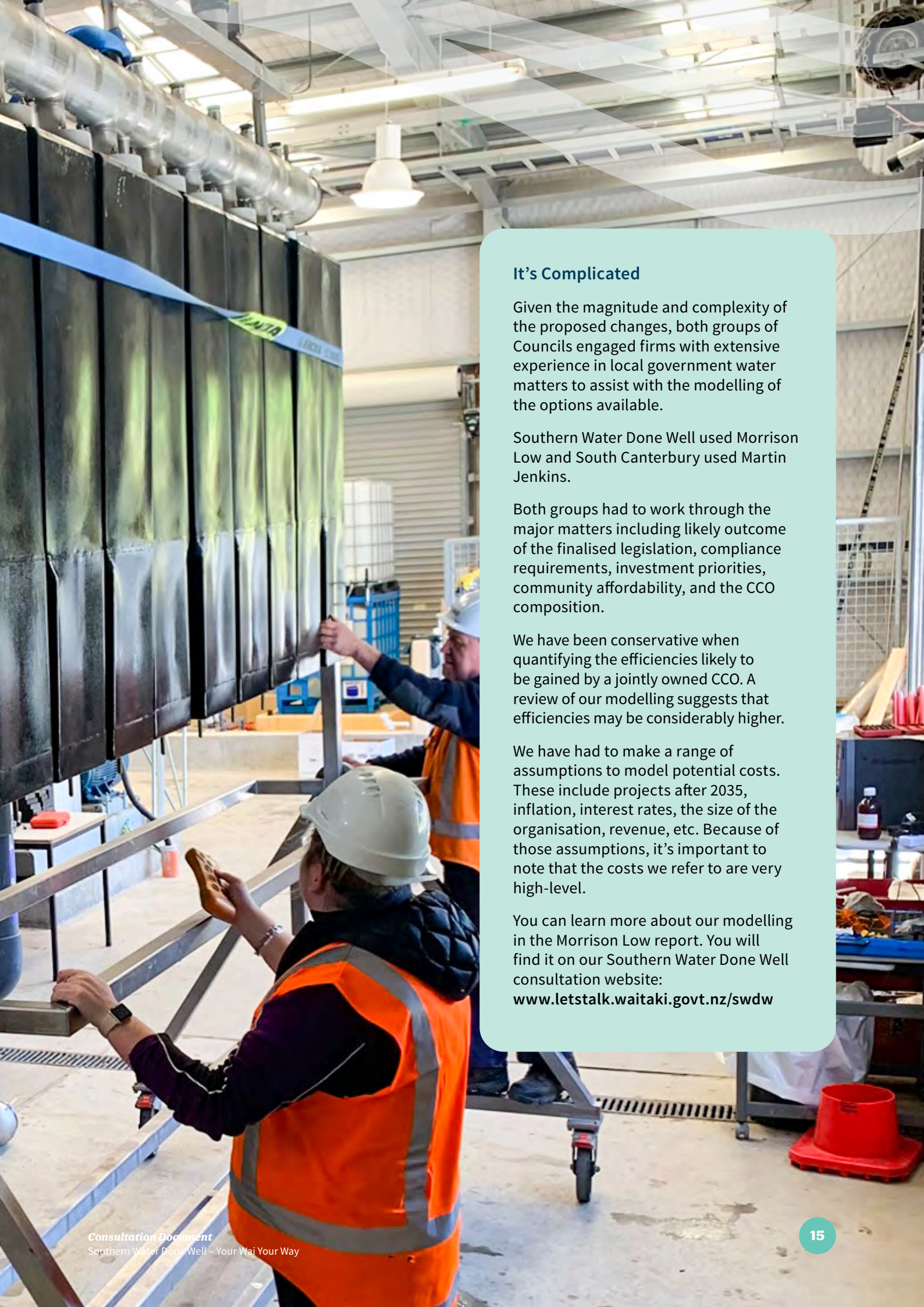
Before reading through the delivery model options we're proposing, there are some things you should know.

\$ 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, both groups of Councils engaged firms with extensive experience in local government water matters to assist with the modelling of the options available.

Southern Water Done Well used Morrison Low and South Canterbury used Martin Jenkins.

Both groups had to work through the major matters including likely outcome of the 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.letstalk.waitaki.govt.nz/swdw

Option One

A Jointly Owned Council Controlled Organisation with Southern district councils – Central Otago, Gore and Clutha.

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

Waitaki

25,100
population

11,975
drinking water
connections

1,626km
length of water
pipelines


Clutha


19,300
population


8,270
drinking water
connections

2,523km
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.

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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 Waitaki 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 Waitaki 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 Waitaki 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 Waitaki 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 Waitaki 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).



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.

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.



Option Four

A Jointly Owned Council Controlled Organisation with South Canterbury district councils – Timaru, Mackenzie and Waimate.




The work undertaken by this group of Councils also indicated that a Joint CCO is the most desirable of the three options available (though this is not the preferred option for all the councils in this group).

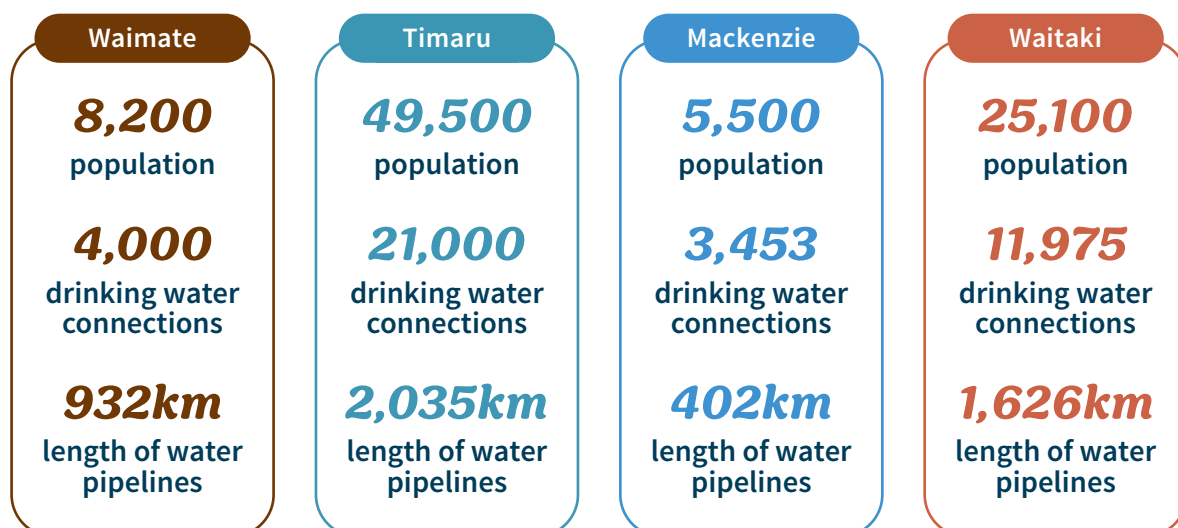
Although much of the information noted in Option One applies to this option as well, there are some key matters that are not as well developed or where the individual Councils are still to make a decision.

Waimate District Council's preferred option is for an In-House Business Unit, and their second option is a Joint CCO with Timaru and Mackenzie, not Waitaki.

Timaru and Mackenzie District Council's preferred option is a Joint CCO, but have not stated if that is a 3 Council with Waimate, or a 4 Council with Waimate and Waitaki.

The key areas where greater clarity is needed are:

-  **Ownership** - Expected to be one Council, one vote.
-  **Control** - No discussion on how the four Councils will work together to determine matters like director appointment and creating a single Statement of Expectation.
-  **Pricing** - Councils have agreed to individual, not harmonised pricing.



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Other factors that were considered as to why the Southern model was preferred over the South Canterbury model are set out below:

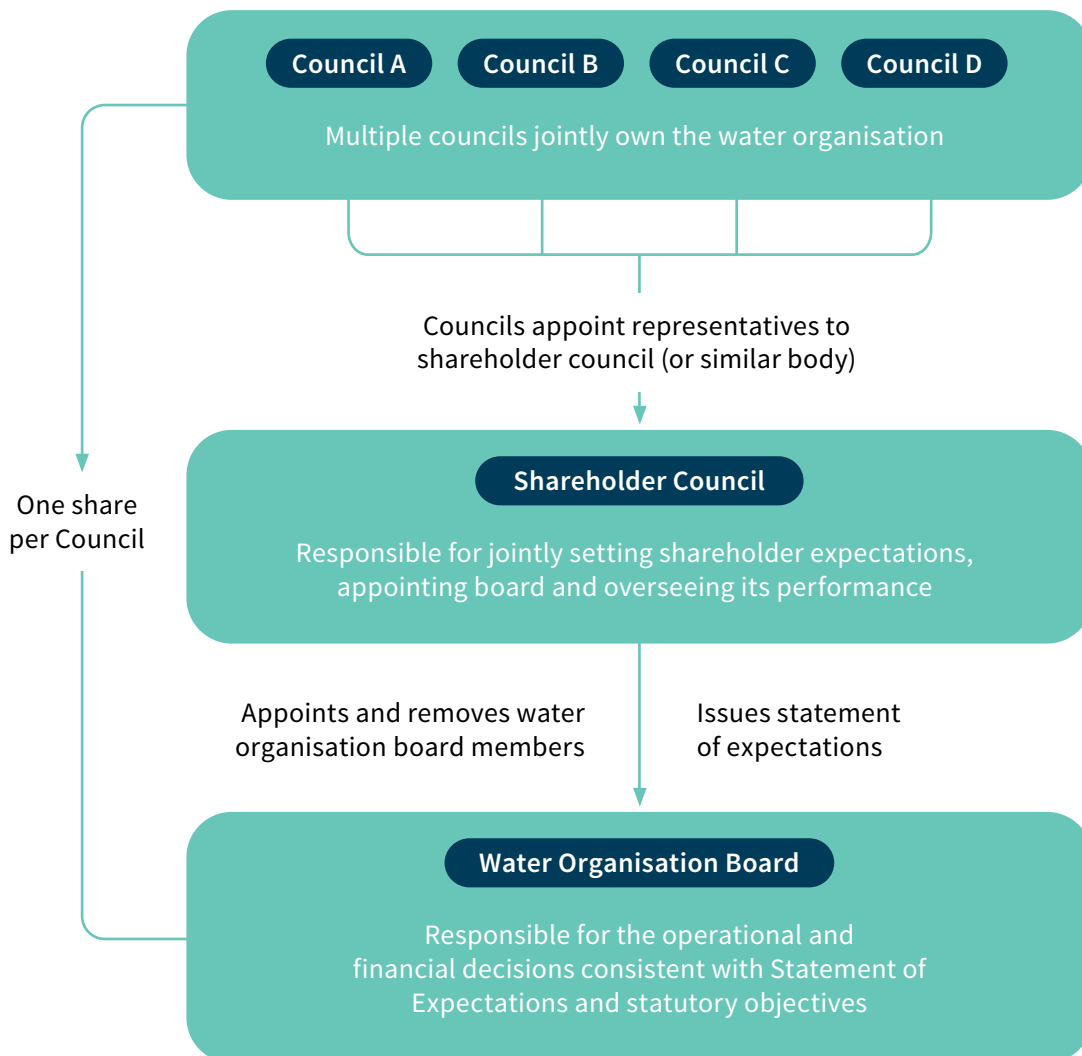
	Option 1	Option 4
Delivery Model	Jointly owned Council Controlled Organisation with Southern Water Done Well councils	Jointly owned Council Controlled Organisation with South Canterbury councils
Stage of development	Full project plan in place to deliver WSDP by the required date. Project Governance in place including Boards and teams established and meeting weekly.	No project plan in place. Meetings on an ad hoc basis with no formal project governance.
Resourcing	Resources secured and in place for project management, communications and engagement, legal, modelling and scenario building, data review, and advice re operation in a regulated industry.	Resources secured and in place for modelling and scenario building only.
Commitment	Formal commitment agreement signed by all four Councils.	No agreement has been drafted or considered.
Comparability	Good. Similar sized Councils, issues, nature and number of systems and customer mix.	Limited. Significant differences in size and scope of services delivered.
Existing relationships	Numerous matters with Central Otago district Council. Limited with other. All actively participated in the wider Otago Southland exercises undertaken in relation to water reform. Otago Regional Council main wastewater regulator.	Various service delivery relationships between Timaru, Mackenzie and Waimate district councils and all three have shareholding in an existing entity. No service with Waitaki although options have been investigated but not accepted. ECAN wastewater regulator for Timaru, Mackenzie and Waimate district councils and five Waitaki schemes. Zone committee memberships.
Preferred Option	All four Councils aligned on preferred option	This is not the preferred option for Waitaki or Waimate District Councils. A Joint CCO is preferred by Mackenzie and Timaru District Councils (but have not stated if that is a 3 Council with Waimate, or a 4 Council with Waitaki).

Comparing the Options

Option One

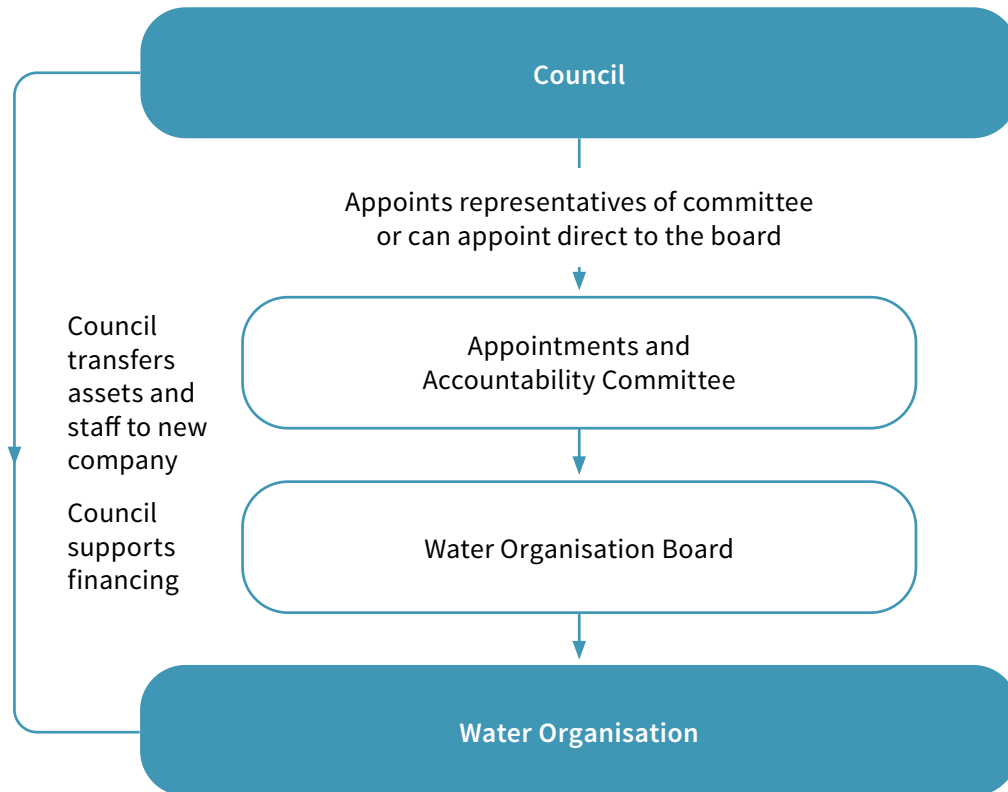
✓ Preferred Option

A Jointly owned Council Controlled Organisation with Clutha, Central Otago and Gore district councils.



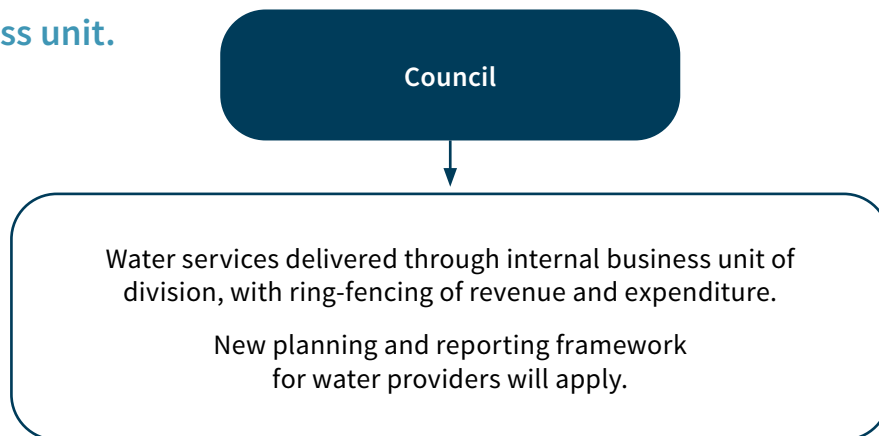
Option Two

Stand-alone Council Controlled Organisation.



Option Three

In-house business unit.



Option Four

A Jointly owned Council Controlled Organisation with Timaru, Waimate and Mackenzie district councils (see diagram for Option One)

How do our Options compare?

Here's an overview of how our options for water services delivery compare. Council's preferred option is Option One - a jointly owned Council Controlled Organisation with Clutha, Central Otago and Gore district councils.

	Option 1 & Option 4	Option 2	Option 3
Delivery Model	Jointly owned Council Controlled Organisation	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 first 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.

The equivalent analysis work has not yet been done for the South Canterbury option.



Money Matters

While Council has worked with both Southern and South Canterbury Councils, the Southern Water Done Well option has been more collaborative for a longer period of time.

That means the information is more developed and be the main focus of this section. It is also why the Southern option is the preferred option.

Both groupings though, despite different advice and assumptions, concluded that a joint CCO arrangement will produce greater benefits with reduced risk and cost compared to other options.

In this section we have included information on both options where we can, using the information available to us. We also provide a more detailed comparison at the end of this section. .

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.

The Morrison Low modelling predicts Waitaki'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>	\$2,168	\$2,894
Option 2 Stand-alone CCO	\$2,466	\$3,754
Option 3 In-house business unit	\$2,269	\$3,093

The Martin Jenkins modelling for the South Canterbury is also included with comparative pricing modelling:

Delivery Model	2027/28 Financial Year	2033/34 Financial Year
Option 2 Stand-alone CCO	N/A	N/A
Option 3 In-house business unit	\$2,041	\$2,924
Option 4 Joint-council CCO	\$1,905	\$3,707

Below is the current annual cost for homes connected to our water services (GST inclusive).



\$1406.45
water supply



\$49.89
stormwater disposal

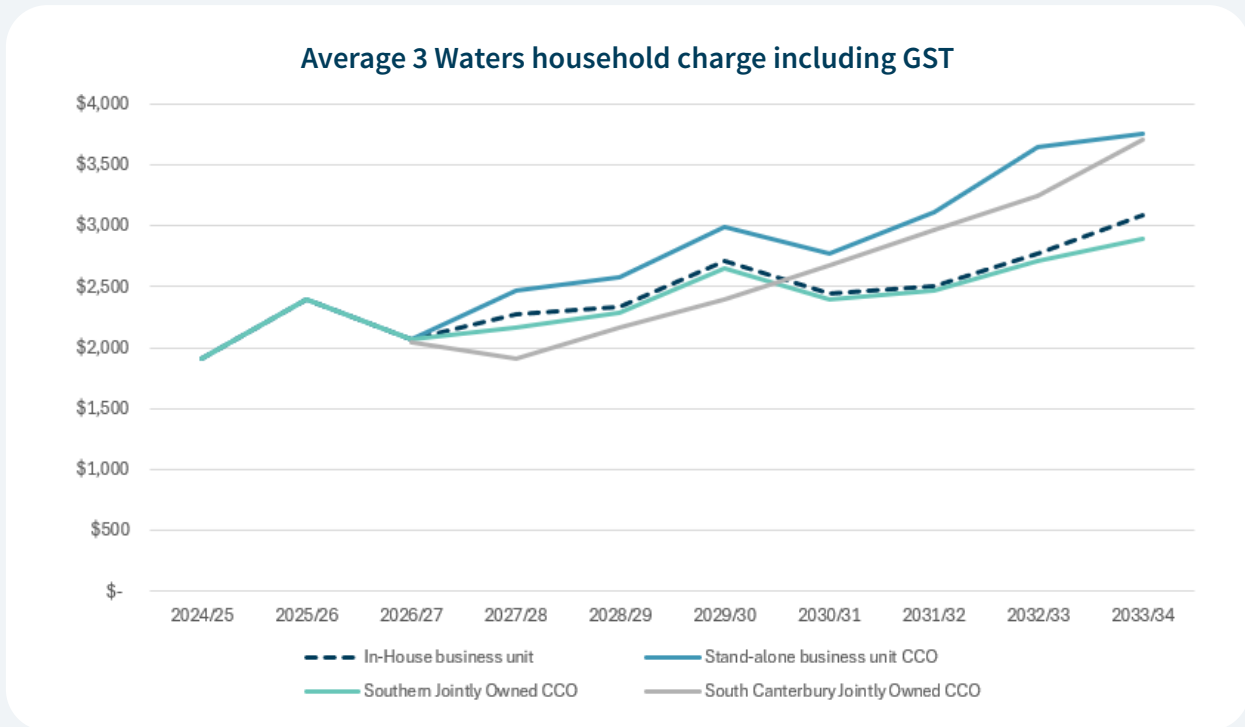


\$456.66
wastewater treatment

Total \$1913

Household charges

The chart below shows the result of modelling for Waitaki for all options.



Investment and Borrowing

Councils borrow money to pay for new infrastructure for growth, 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.

For the Waitaki District, we estimate our borrowing to fund infrastructure maintenance and renewals will be \$188 million.

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

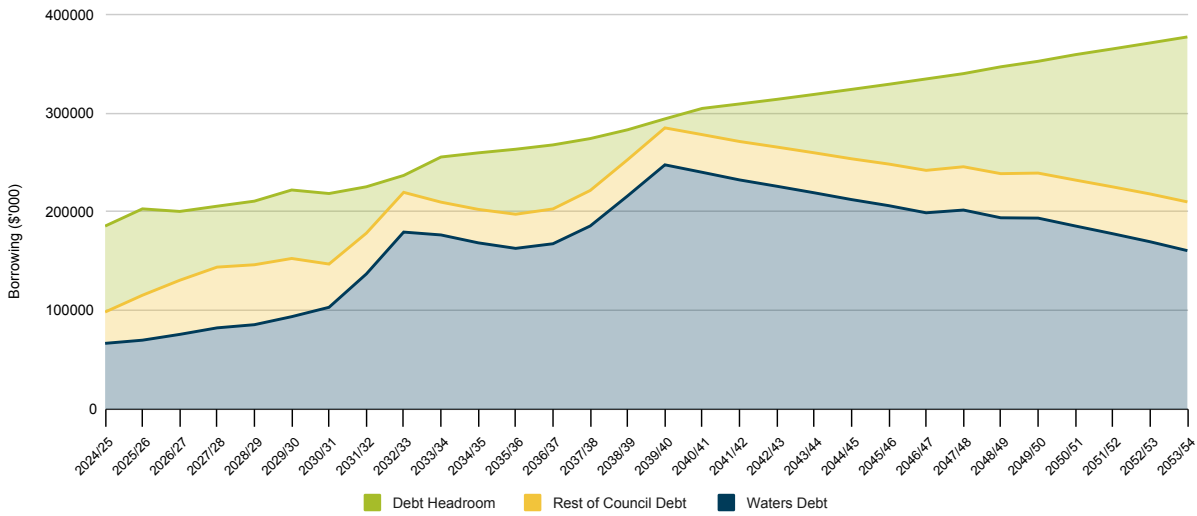
Impact on Residents

Water infrastructure combined debt across the 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.

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.

Currently, we can borrow up to 1.75 times our revenue (a 175% 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.

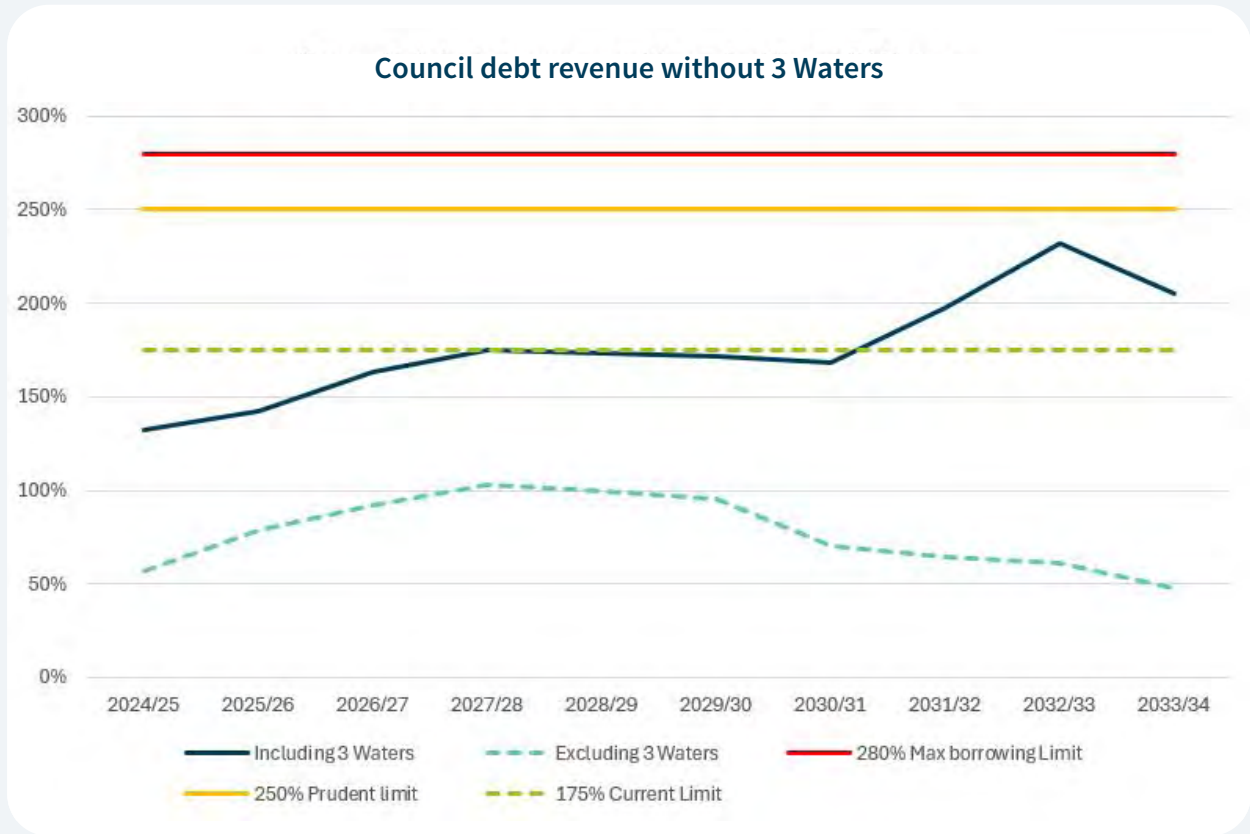
Significantly increasing infrastructure investment would likely see less investment in community assets.

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.

How are the 'Southern Water Done Well' and 'South Canterbury' options different?

The Morrison Low report is the result of an agreed partnership between the four Councils in Southern Water Done Well.

While the South Canterbury option involves four Councils, it has only be further developed in the last few weeks to include inflation, so we can compare them.

It suggests that in the medium to longer term the Southern LWDW option could produce lower prices for Waitaki consumers. However, what is causing this variance needs to be reviewed in a little more detail.

The key to all modelling exercise like the ones undertaken, is the information that the model is based on, and the assumption that are applied to forecast that information into the future.

There are a variety of differences in the assumptions and adjustments made in the two models that produce these prices. These areas of difference include debt to revenue ratios and compliance with them, household versus connections, establishment costs, efficiency gains, and inflation.

If you are interested in a more detailed comparison of the two reports, please go to:
letstalk.waitaki.govt.nz

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.letstalk.waitaki.govt.nz/swdw, where you'll find detailed reports, financial projections, and frequently asked questions.

To help inform you we'll be holding drop-in sessions and Facebook live conversations.

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.

Southern
Water
Done Well
your
wai
your way



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



Central Otago District Council

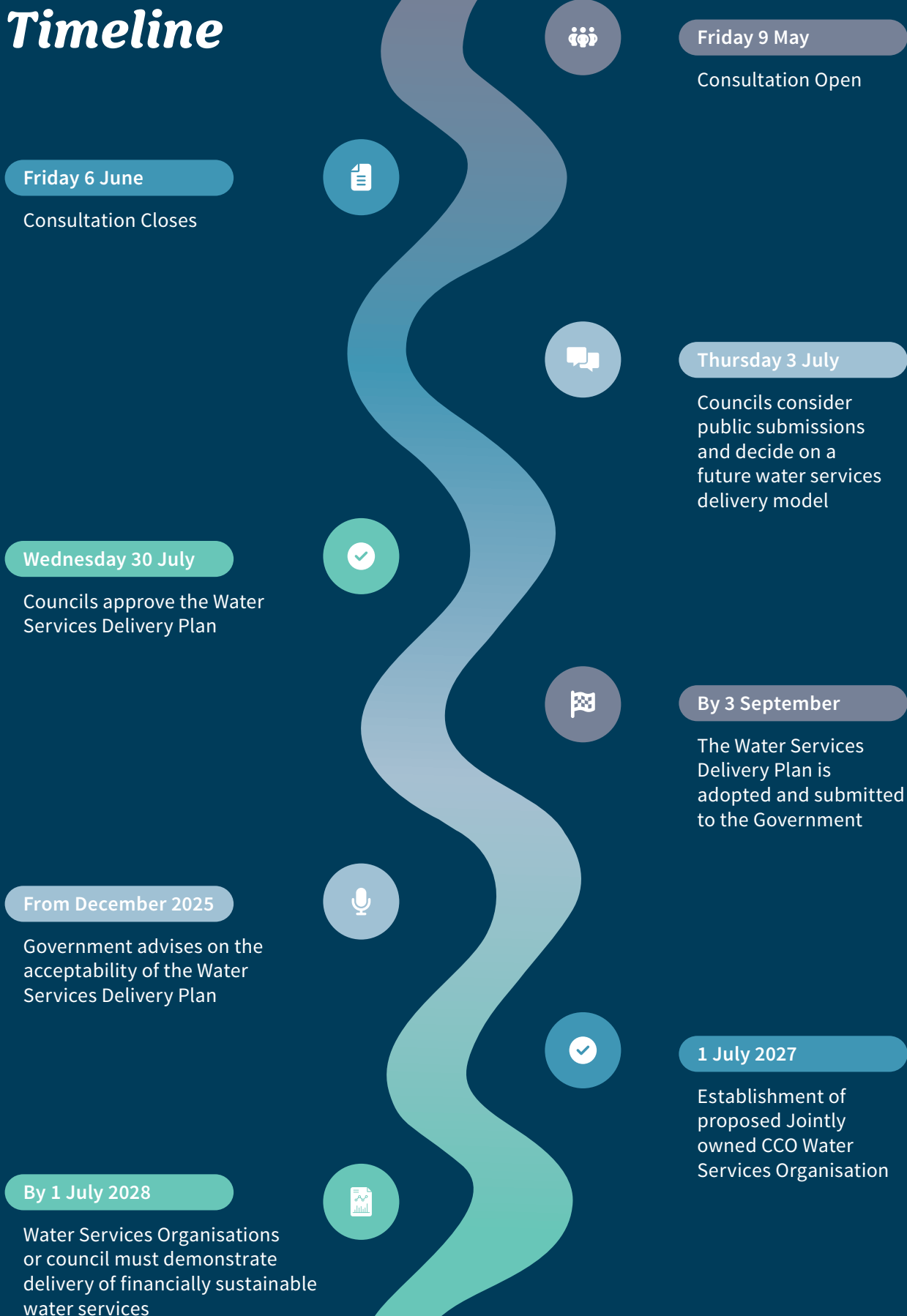
www.lets-talk.codc.govt.nz/southern-water-done-well



Gore District Council

www.goredc.govt.nz/water

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.letstalk.waitaki.govt.nz/swdw. Feedback is due by 5:00pm Friday 6 June.

Scan and email to: letstalk@waitaki.govt.nz	Post to: SWDW Consultation Waitaki District Council Private Bag 50058 Ōamaru 9444	Hand Deliver to: Waitaki District Council 20 Thames Street Ōamaru	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)

Preferred method of contact:

Phone Email

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)

Are you currently a consumer on a Rural Water Scheme?

Duntroon Lower Waitaki Stoneburn
 Stoneburn and Bushy Creek Kauru Hill
 Tokarahi Awamoko Windsor

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 letstalk@waitaki.govt.nz or 0800 108 081) 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 Waitaki District Council's Privacy Policy www.waitaki.govt.nz/Privacy-Policy or contact us at letstalk@waitaki.govt.nz or 0800 108 081.

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: Please rank your preferred option for the future delivery of water services and maintaining and renewing infrastructure from 1 to 4 *(with 1 being your most preferred and 4 your least preferred)*

- Option 1: A Jointly owned Council Controlled Organisation with Southern Water Done Well – Gore, Clutha and Central Otago district councils**
(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.)
- Option 4: A Jointly owned Council Controlled Organisation with South Canterbury – Timaru, Mackenzie and Waimate district councils**
(Waimate District Council’s preferred option is for an In-House Business Unit, and their second option is a Joint CCO with Timaru and Mackenzie, not Waitaki. Timaru and Mackenzie District Council’s preferred option is a Joint CCO, but have not stated if that is a 3 Council with Waimate, or a 4 Council including Waitaki.)

