

Notice of Meeting:

I hereby give notice that an ordinary meeting of the Dunedin City Council will be held on:

Date: Wednesday 26 March 2025
Time: 10.00 am
Venue: Council Chamber, Dunedin Public Art Gallery, The Octagon,
Dunedin

Sandy Graham
Chief Executive Officer

Council
SUPPLEMENTARY AGENDA

MEMBERSHIP

Mayor
Deputy Mayor

Mayor Jules Radich
Cr Cherry Lucas

Members

Cr Bill Acklin	Cr Sophie Barker
Cr David Benson-Pope	Cr Christine Garey
Cr Kevin Gilbert	Cr Carmen Houlahan
Cr Marie Laufiso	Cr Mandy Mayhem
Cr Jim O'Malley	Cr Lee Vandervis
Cr Steve Walker	Cr Brent Weatherall
Cr Andrew Whiley	

Senior Officer

Sandy Graham, Chief Executive Officer

Governance Support Officer

Lynne Adamson

Lynne Adamson
Governance Support Officer

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***Note:** Reports and recommendations contained in this agenda are not to be considered as Council policy until adopted.*

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REPORTS

DRAFT CONSULTATION DOCUMENT FOR LOCAL WATER DONE WELL: WATER SERVICES DELIVERY MODEL

Department: 3 Waters

EXECUTIVE SUMMARY

- 1 This report recommends the Council considers and approves the draft Consultation Document at Attachment A. The Consultation Document provides information on the delivery model options for the future delivery of water services in the city.
- 2 Information on the anticipated or proposed model for delivering water services must be included in Council's Water Services Delivery Plan (WSDP). Council is required to adopt and submit a WSDP to the Secretary for Local Government by 3 September 2025.
- 3 The Consultation Document has been prepared in accordance with the requirements of the Local Government (Water Services Preliminary Arrangements) Act 2024 (Preliminary Act). The Consultation Document outlines and seeks the community's feedback on two possible water services delivery models for Dunedin as decided by Council at its meeting on 26 February 2025:
 - a) In-House delivery of three waters services (the In-House model); and
 - b) An asset owning council-controlled organisation for delivery of three waters services, with Council as the sole shareholder (the CCO model).
- 4 The In-House model was determined as the Council's preferred model. The Consultation Document explains both models, gives reasons for the Council's preferred model, and provides financial and non-financial analysis allowing comparisons between the models. The Consultation Document asks for community feedback on their preference. Council's preferred model is referred to in the Consultation Document as the 'proposal' in accordance with the Preliminary Act.
- 5 Public consultation on the water services delivery model options is expected to run in parallel with consultation on Council's draft 9 year plan 2025-34 (9YP) from 31 March 2025 to 30 April 2025.

RECOMMENDATIONS

That the Council:

- a) **Considers and approves** the draft Consultation Document at Attachment A for public consultation.

- b) **Delegates** the Chief Executive the authority to make any minor editing required to the approved Consultation Document.

BACKGROUND

- 6 The Council is required under the Preliminary Act to prepare and submit a WSDP to the Secretary for Local Government by 3 September 2025.
- 7 A key content requirement of the WSDP is “the anticipated or proposed model or arrangements for delivering water services (including whether the territorial authority is likely to enter into a joint arrangement)”. This requirement is referred to as the Water Services Delivery Model (WSDM) in this report.
- 8 The Council considered a report on WSDM options at its meeting on 26 February 2025 and decided on its preferred model. Council resolved as follows:

Moved (Mayor Jules Radich/Cr Jim O'Malley):

That the Council:

- a) **Decides** to consult on the following two options under the Local Government (Water Services Preliminary Arrangements) Act 2024:
- i. *In-House delivery of 3 Waters (the In-House Option); and*
 - ii. *An asset owning CCO for 3 Waters, with Council as the sole shareholder (the CCO Option).*
- b) **Determines** that its Preferred Option for consultation was the In-House Option.
- c) **Notes** that there would be a report to Council on 18 March 2024 asking Council to consider the water options consultation document.

Motion carried (CNL/2025/074)

- 9 The Preliminary Act prescribes the process that Council must use for consultation on the WSDM. Council is not required to comply with the corresponding requirement in the Local Government Act 2002 (LGA 2002) where an alternative process under the Preliminary Act applies.
- 10 Staff have prepared the Consultation Document to support community engagement and participation in the Council’s decision-making processes relating to the WSDM.

DISCUSSION

Process

- 11 During consultation, in accordance with the Preliminary Act, Council must make the following information publicly available:
- a) The proposal (being the preferred option), an explanation of the proposal and the reasons for the proposal.
 - b) An analysis of the reasonably practicable options (including the proposal), which must include:

- the option to remain with the existing approach for delivering water services; and
 - the option to establish, join or amend (as the case may be) a water services CCO or a joint local government arrangement.
- c) How proceeding (or not) with the proposal is likely to affect Council's rates, debt, levels of service and water services charges.
- d) Community implications (if joint) and accountability/monitoring arrangements (if assets transferred).
- e) Any other relevant implications of the proposal that Council considers will be of interest to the public.
- 12 Council is only required to consult once but may decide to undertake further consultation before deciding on a WSDM.
- 13 Consultation on the WSDM is a separate process from the 9YP consultation process. Consultation on the WSDM will be under the Preliminary Act whereas consultation on the 9YP will be under the LGA 2002.
- 14 There will be one consultation document for the 9YP and another consultation document for the WSDM. Each consultation document will cross reference the other.
- 15 It is anticipated in the Consultation Document that submissions will open at 9am on 31 March 2025 and close at 12 noon on 30 April 2025.
- 16 Given that a decision on the WSDM has the potential to impact the 9YP, there will be combined Hearings in May for both the 9YP and the WSDM.
- 17 It is intended that Council would make a decision on the WSDM after consultation with the public in mid-May 2025 to enable staff to continue preparation of the WSDP to meet the statutory deadline in September 2025.

Consultation Document

- 18 The Consultation Document explains the Council's proposals for the future delivery of Dunedin's water services. Its content is based on the decisions made at the Council meetings on 26 February 2025, and requirements of the Preliminary Act and the Local Government (Water Services) Bill. The Local Government (Water Services) Bill is currently going through the legislative process so is subject to further amendment.
- 19 The Consultation Document asks the community to have their say about the future of water services and whether they agree with Council's preferred In-House model option or whether they would prefer the alternative, the CCO model option.
- 20 The Consultation Document provides:
- a description of Local Water Done Well reform and key principles
 - the water services delivery models being consulted on and Council's preference
 - an overview of the two models

- financial and non-financial comparisons
- reasons for and against each model
- an outline of what the choice means for residents
- information on current water services and infrastructure.

21 If changes to the Consultation Document are recommended by Council, these will be incorporated into the document prior to being graphically designed and published alongside the 9YP on 31 March 2025.

OPTIONS

22 There are no options as Council need to comply with statutory timeframes for submitting the WSDP. If Council was not to approve the Consultation Document, then this would delay the process for preparing the WSDP.

NEXT STEPS

23 Staff will update the Consultation Document if required following this Council meeting, prior to being graphically designed and published. The formal consultation period commences on 31 March 2025 to 30 April 2025.

Signatories

Authoriser:	David Ward - General Manager, 3 Waters and Transition
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Attachments

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SUMMARY OF CONSIDERATIONS

Fit with purpose of Local Government

This decision enables democratic local decision making and action by, and on behalf of communities, and promotes the social, economic, environmental and cultural well-being of communities in the present and for the future.

Fit with strategic framework

	Contributes	Detracts	Not applicable
Social Wellbeing Strategy	✓	<input type="checkbox"/>	<input type="checkbox"/>
Economic Development Strategy	✓	<input type="checkbox"/>	<input type="checkbox"/>
Environment Strategy	✓	<input type="checkbox"/>	<input type="checkbox"/>
Arts and Culture Strategy	<input type="checkbox"/>	<input type="checkbox"/>	✓
3 Waters Strategy	✓	<input type="checkbox"/>	<input type="checkbox"/>
Future Development Strategy	✓	<input type="checkbox"/>	<input type="checkbox"/>
Integrated Transport Strategy	<input type="checkbox"/>	<input type="checkbox"/>	✓
Parks and Recreation Strategy	<input type="checkbox"/>	<input type="checkbox"/>	✓
Other strategic projects/policies/plans	✓	<input type="checkbox"/>	<input type="checkbox"/>

This report has been prepared with reference to the Dunedin strategic framework.

Māori Impact Statement

The Consultation Document records that Council is committed to working closely with mana whenua to shape the future of water services in Ōtepoti Dunedin. Council will be consulting on the models directly with iwi .

Sustainability

A key focus of the Preliminary Act is ensuring financial sustainability. Regardless of which WSDM is chosen Council must ensure delivery of water services will be financially sustainable by 30 June 2028.

Zero carbon

The impact on emissions and zero carbon is likely to be similar under either WSDM model.

LTP/Annual Plan / Financial Strategy /Infrastructure Strategy

This report notes the Consultation Document will be issued at the same time as consultation on the 9 year plan 2025-34.

Financial considerations

Financial considerations are discussed in depth in the Consultation Document.

Significance

The decision on the future WSDM is considered significant in terms of the Council’s Significance and Engagement Policy and therefore is going out for public consultation in accordance with the Preliminary Act.

Engagement – external

There will be extensive external engagement on Dunedin’s future WSDM through this Consultation Document from 31 March 2025 to 30 April 2025.

SUMMARY OF CONSIDERATIONS

Engagement - internal

Staff from Legal, Finance, 3 Waters, Communications and Marketing, and the Executive Leadership Team have contributed to the Consultation Document.

Risks: Legal / Health and Safety etc.

Council must complete a WSDP by September 2025. A decision on the Council's model is a critical decision in preparing the WSDP.

Conflict of Interest

There are no known conflicts of interest.

Community Boards

Community Boards will have an opportunity to participate during the consultation and submission phases of the process.

Let's kōrero

Have your say about the future delivery of water services

drinking water

&

wastewater

&

stormwater

Local Water Done Well – Ōtepoti Dunedin Consultation document

Tell us what you think by

12 noon, Wednesday 30 April 2025

dunedin.govt.nz/LWDW

(DCC logo)

Page 1

How to have your say

We want to hear from you

This consultation document sets out two different options on how DCC delivers and manages its water services.

Bubble

‘Water services’ includes drinking water supply, wastewater and stormwater services. This is sometimes known as ‘three waters’.

The two options are:

Two Bubbles:

Option One - In-house model (our proposal) – the DCC continues to own water infrastructure and be responsible for the delivery of water services, with some changes to ensure we meet new regulatory and financial requirements.

OR

Option Two - Water Services Council Controlled Organisation model (CCO) – the DCC sets up a new company to own water infrastructure and be responsible for the delivery of water services. The DCC would be the sole shareholder in the company.

To help us decide what the best option is for our city, it is important to hear what you think about the future of drinking water, wastewater and stormwater service delivery in Ōtepoti Dunedin.

There are many ways to join the conversation

Online

Go to dunedin.govt.nz/LWDW
and complete the online feedback form

Written feedback

Write a letter or use the paper feedback form at the end of this booklet and post to:
Local Water Done Well
Dunedin City Council
PO Box 5045
Dunedin 9054

Face to face kōrero

Come and talk to us at an event or public place near you. You can find details on where and when on our website

Hearings

Present your feedback directly to Councillors at the hearings held on 5, 6, 7 and 8 May.

You can find an overview of activities and events and all the ways you can join the conversation at dunedin.govt.nz/LWDW

Feedback will open at 9am, 31 March and close at **12 noon**, Wednesday 30 April 2025.

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What is Local Water Done Well?

Local Water Done Well (LWDW) is a Government-led reform aimed at addressing long-standing drinking water, wastewater and stormwater infrastructure challenges across the country. It is intended to address inconsistencies in water services delivery and promote access by the community to safe, reliable and sustainable water services.

While the reforms provide some local flexibility on how this is achieved, it puts a strong emphasis on compliance with central government rules and regulations.

LWDW requires all councils to prepare a Water Services Delivery Plan by September 2025. But first, as part of forming the Plan, we need to identify a proposed water services delivery model.

The DCC has been preparing for this type of reform for several years. We have invested in our people and processes, and we have proactively set up our contracts to allow for the delivery of water services in ways that would work under either model.

Over the past four years, the DCC has become one of the few councils that can deliver on its planned work programme.

Under the in-house model, the DCC can deliver its capital programme within current debt levels while still allowing debt headroom. We are in the fortunate position where we don't have to change from our current model (in-house), but we could choose to.

Bubble

The previous Government's 'Three Waters Reform' was later renamed the 'Affordable Waters' programme. The 'Affordable Waters' programme has now been repealed by the current Government and replaced with a new programme called 'Local Water Done Well Reform'.

We are consulting with you now to ask your view on what water services delivery model we should choose.

What water services delivery models are we consulting on?

We have considered several potential water services delivery models to make sure we end up choosing one that is right for Ōtepoti Dunedin.

Two models have emerged as being potentially suitable:

Option One - In-house model (our proposal) – the DCC continues to own water infrastructure and be responsible for the delivery of water services, with some changes to ensure we meet new regulatory and financial requirements.

OR

Option Two - Water Services Council Controlled Organisation model (CCO) – the DCC sets up a new company to own water infrastructure and be responsible for the delivery of water services. The DCC would be the sole shareholder in the company.

Bubble:

We are **committed to working closely with mana whenua** to shape the future of water services in Ōtepoti Dunedin. Prioritising the health and wellbeing of water will remain central to our decision-making processes. As kaitiaki (guardians), mana whenua play a vital

role in ensuring water services reflect cultural values, promote environmental sustainability, and support the needs of our communities, now and for future generations.

An overview

This consultation document provides details and comparisons of the two models at a high level:

Under the in-house model:

- **DCC ownership and responsibility** – DCC owns and manages around \$4 billion of water assets. DCC would retain ownership of these assets and continue to be responsible for the delivery of water services.
- **integrated management** – the delivery of water services would be financially ringfenced and managed alongside other DCC functions, ensuring consistency and alignment with other functions (e.g., urban planning and transport). It would be easier to co-ordinate water services with other DCC services.
- **control and accountability** – the DCC (through its elected members) would continue to have direct control over water services, and direct community involvement and accountability
- **debt limit of 280%** – the DCC would have less access to debt than a CCO. The CCO could borrow up to 500% of its revenue, compared to DCC’s current borrowing limit of 280% of revenue.
- **less debt and interest costs** – based on the same amount of work being done under each model, the in-house model is forecast to require less debt over the next 9 years than the CCO model (\$157 million less) because DCC would be charging more to customers over the next 9 years. Under the in-house model, interest costs are forecast to be \$35 million less than under the CCO model over the next 9 years.

Under the CCO model:

- **ownership and responsibility** – water assets would be transferred to the CCO, and the CCO would be responsible for the delivery of water services. DCC would still be the *indirect* owner of the assets being the sole shareholder.
- **integrated management** – the CCO would solely provide the delivery of water services. There would need to be careful management to ensure that the CCO’s delivery of water services aligns with DCC’s other functions (e.g., urban planning and transport).
- **control and accountability** – the DCC would not have direct control over water services, but it would have *indirect* control as the sole shareholder in the CCO. The CCO would be accountable to DCC as its shareholder.
- **debt limit of 500%** – the CCO would have greater access to debt at 500% of revenue compared to the DCC’s current limit of 280% of revenue
- **more debt and interest costs** – based on the same amount of work being done under each model, the CCO model is forecast to require more debt over the next 9 years than the in-house model (\$157 million more). Interest costs are forecast to be \$35 million more over the next 9 years.

Costs to customers:

Under both models, the amount you pay for water services will rise. The cost could perhaps even double over the next 9 years no matter which model we go with.

We don't know if the way we charge now will be the same in coming years (e.g., if government regulators require change).

When using a per connection charge (which includes all connections for households, businesses and other properties), the annual water services charge over the next 9 years is forecast to:

- increase from \$2024 to \$4280 under the in-house model
- increase from \$2024 to \$4202 under the CCO model.

Note that this calculation does not reflect the current method of charging.

However, if the way we charge remains the same then:

- for households, the annual water services charge over the next 9 years is forecast to increase from \$1366 to \$2814 under the in-house model and to \$2765 under the CCO model.

Financial modelling contains uncertainties and requires certain assumptions. The figures quoted above are therefore subject to change. They do, however, provide an indication of the level of expected cost increases.

Financial modelling also indicates that the revenue from customers in the next 9 years is lower under the CCO model than under the in-house model. This is because the CCO would be charging customers less by taking on more debt. The total forecast savings across all customers over the next 9 years is \$114 million. The additional CCO debt is forecast to be \$157 million over the same period.

It is unclear which model will be cheaper in the long term. Although the modelling indicates lower charges under the CCO model until 2034, the gap between the two models narrows at the end of the 9-year period. Costs are likely to increase over time for the CCO because it is expected to take on more debt (approximately \$157 million by 2034), meaning that it would have higher interest costs.

The financial forecasts are discussed in detail later in this consultation document, including charts and bar graphs.

Under both models:

1. **The amount you pay** for water services is expected to increase over the next 9 years.
2. **Service levels** (day-to-day supply of water services at the tap and drain) will stay the same or be improved under both models.
3. **High-quality, reliable, and efficient water services** can be achieved.
4. **Delivery of water services will be financially sustainable** by 30 June 2028. This will include **ringfencing of water services** to ensure revenue collected for water services is spent on water services and will be enforced by the Commerce Commission.
5. Change will be required as there are new legislative requirements and standards, such as those set by Taumata Arowai - Water Services Regulator and the Commerce Commission. Even if water services remain in-house, **there will need to be new ways of working and certain rules that we will need to comply with.**
6. As part of the new ways of working, there may be **opportunities to further enhance the effectiveness, efficiency, and community responsiveness** of water services. No matter which model is chosen, we will be looking to implement any potential efficiencies.
7. **Reform does not mean privatisation.** Even if the water assets are transferred to a CCO, the DCC would be the CCO's sole shareholder, therefore the assets remain in public ownership. This could only be changed by an Act of Parliament.

Bubble

What is 'ringfencing' and why is it a requirement of Local Water Done Well?

No matter which one of the water services delivery models is chosen for Ōtepoti Dunedin, LWDW reform states that 'ringfencing' of water services is critical for financial sustainability and revenue sufficiency.

Ringfencing requires that:

- A. All water revenues be spent on water services; and
- B. All water services charges and expenses be transparent and accountable.

Bubble

A financially sustainable water services delivery model means:

- A. The revenue from the DCC's delivery of water services is sufficient to ensure its long-term investment in delivering those water services; and
- B. The DCC is financially able to meet all regulatory standards and requirements for its delivery of those water services.

Find out more about the financial requirements LWDW places on all Water Services Delivery models at www.dunedin.govt.nz/LWDW.

Your influence

- The in-house model keeps governance and decision-making directly within the DCC, ensuring strong local accountability through the DCC's decision-making processes and better alignment with community priorities.
- The CCO model would introduce a separate governance structure and a professional board. DCC oversight would remain at a strategic level through governance arrangements and key accountability documents, which could impact how local concerns are addressed and prioritised.

Note: For both the in-house and the CCO models, it is likely that from 1 July 2027 most of the planning information relating to water services that you currently see in the DCC's Long Term Plan and Annual Plan will start to be in different documents. These new documents will be called the 'Water Services Strategy' and the 'Water Services Annual Budget'.

Your water services charges

Your water services charges are further discussed under the above heading "Costs to customers", and later in this consultation document.

At the moment, all customers are charged for their water services through rates, and some organisations are charged a metered component based on the volume of drinking water used (e.g., businesses and schools). Under both models, there may be a change to the method used to charge you for water services.

The Local Government (Water Services) Bill requires that CCOs transition to charging that is not based on property valuation within 5 years of establishment, although allows flexibility for the CCO to collect charges via DCC rates.

Tell us what you think

Your feedback will help us choose which option is best for delivering water services in Ōtepoti Dunedin.

Bubble:

There's a lot of things to think about, and lots of factors for you to consider.

For the in-house model, factors that you might like to consider include:

- direct ownership, control and management remains with DCC
- easier co-ordination with other DCC services and functions
- direct community involvement and accountability
- less DCC debt
- the forecast difference in water charges, with the in-house model forecast to have higher water charges in the first 9 years
- the potential costs in the long term.

For the CCO model, factors that you might like to consider include:

- separate governance and management by a CCO of water services delivery
- higher debt limit – with the CCO being able to take on 500% of revenue, compared to DCC's limit of 280%

- the forecast difference in water charges, with the CCO model forecast to have lower water charges in the first 9 years.
- the potential costs in the long term.

Of course, your choice may be influenced by other factors.

You will find a digital copy of this document, as well as more information and a submission form to have your say at www.dunedin.govt.nz/LWDW

Bubble

Some of the information in this document is based on the Local Government (Water Services) Bill. This Bill is currently going through the legislative process and is subject to change.

What water services do we deliver?

Water services delivery involves managing three essential areas, sometimes referred to as ‘three waters’:

- drinking water supply
- wastewater
- stormwater.

The DCC is responsible for planning, funding, building and maintaining the infrastructure and processes that help us provide these services. This includes ensuring the services:

- meet community needs
- comply with environmental and quality standards
- address challenges such as population growth and climate change.

Our water services assets

We own and manage around \$4 billion of water services infrastructure, including pipes, pumps and treatment plants. Under the in-house model, these assets will remain owned by DCC. Under the CCO model the assets would be owned by the CCO, and the DCC would be the indirect owner as sole shareholder in the company.

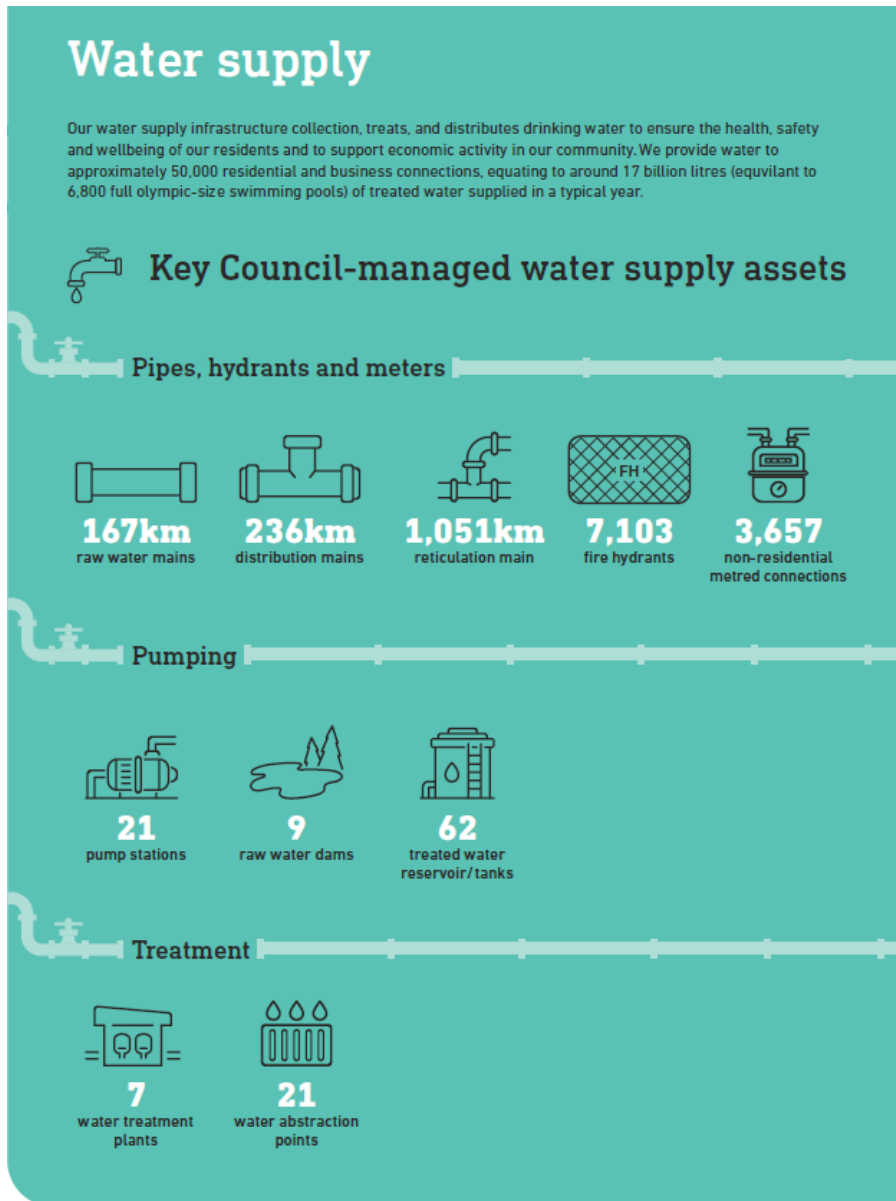
Ōtepoti Dunedin is one of the oldest cities in Aotearoa New Zealand and has water supply, stormwater and wastewater plant and pipe networks of widely ranging age and condition.

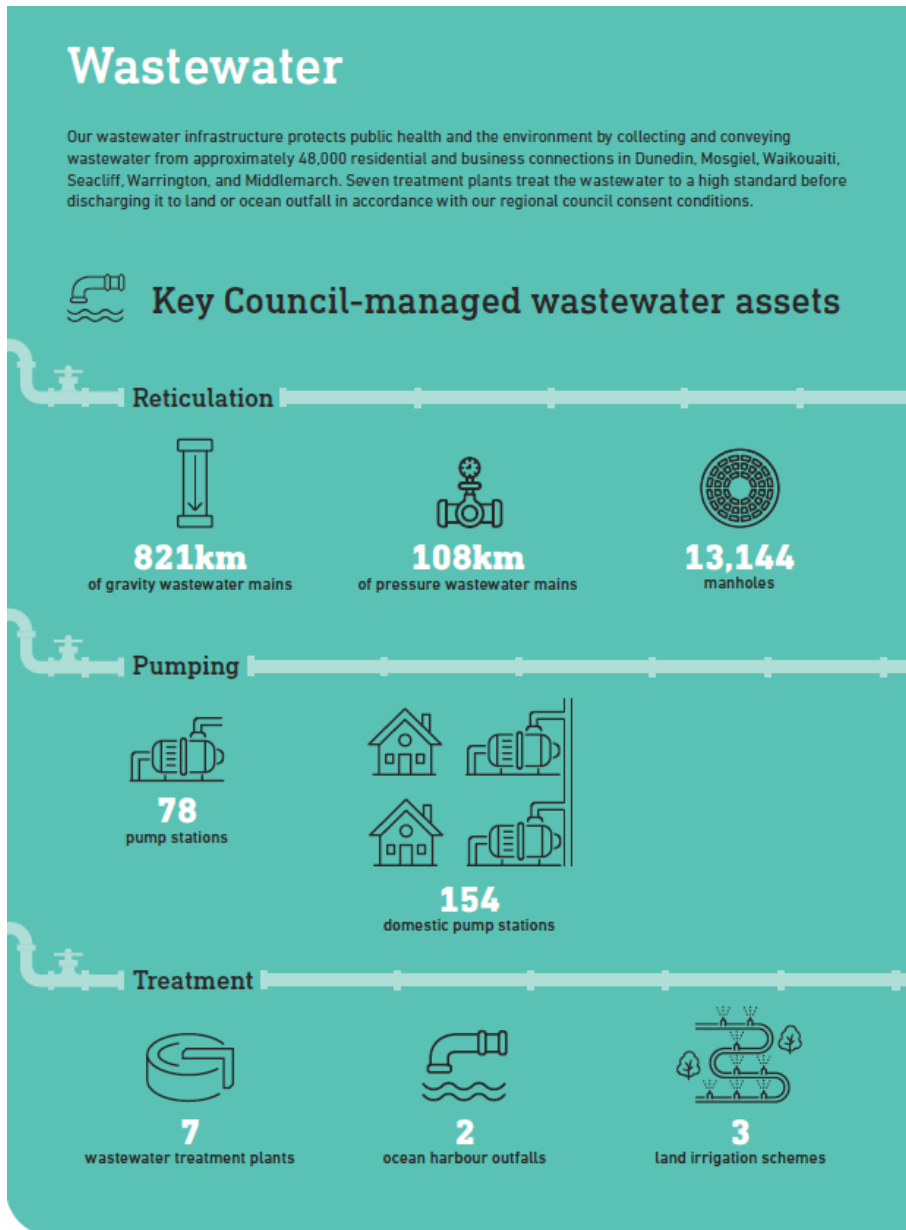
Historically, our city’s investment in replacing aging infrastructure failed to keep up with the work that needed to be done. As a result, like many other councils across the motu, there is a backlog of renewals work required on our water services assets.

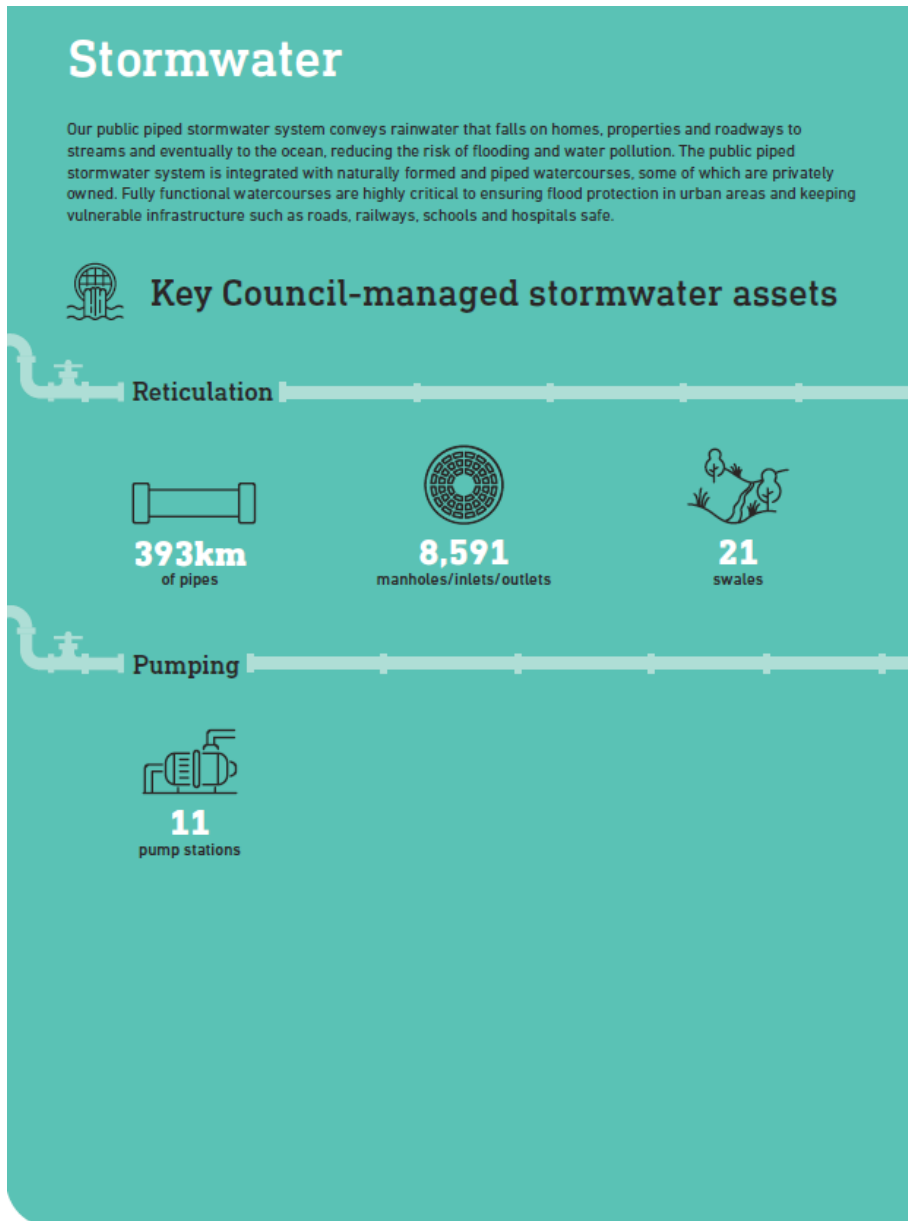
However, we are one of the first councils to not only recognise this, but to design and implement a work programme that addresses the issue. We are well placed to deliver the planned work programme and can do so under current debt levels.

‘Bubble’

The term ‘reticulation’ refers to the pipes that convey water, wastewater or stormwater from one place to another.







Key principles of Local Water Done Well reform

At its core, the LWDW reform is guided by a few key principles:

- water services must be financially sustainable, with sufficient revenue for long-term investment
- water services delivery models should be fit-for-purpose, with the right structure and governance to meet both the compulsory requirements and local needs
- there is an expectation that new, stricter rules for water services and infrastructure quality will drive investment.

How did the DCC decide upon the two options?

We considered several possible models for delivering water services before deciding to consult on the in-house model and the CCO model.

You can see further information on the other options and how we reached our decision to consult on these two models at www.dunedin.govt.nz/LWDW.

Additionally, we have provided details on the CCO as an alternative option.

Deciding on the right delivery model involves more than simply meeting legal requirements. It is important that we thoroughly assess and compare various approaches to determine the option that best fits the unique needs of communities across Ōtepoti Dunedin. This includes how best to address flooding and climate change issues across the city, e.g., in South Dunedin.

(BUBBLE)

Full details of the information that we used to decide upon the two options were presented in reports at meetings in November 2024 and February 2025. See this background information at www.dunedin.govt.nz/LWDW.

Our proposal - In-house model (preferred option)

Our proposal is to keep managing water services within the DCC organisation, as we do now, but we would have a new way of working to ensure we meet the objectives of LWDW.

Under our proposed model, the DCC would continue to directly manage and provide water supply, wastewater, and stormwater services to the community.

With this model:

- all aspects of water services, including strategic planning, day-to-day operations, and infrastructure management would remain within the DCC's control
- we would also retain full accountability for ensuring that these services meet the community's needs and comply with all relevant regulations
- the DCC can leverage its existing expertise, resources, and relationships to deliver efficient, effective, and integrated water services that align with the city's broader goals and plans.

The in-house model is not a continuation of the status-quo as it would need to meet the new requirements of the LWDW reform.

How the in-house model would work

DCC ownership and responsibility

All assets, infrastructure, and operations related to water services would remain under the control and ownership of the DCC directly.

Community accountability

As water services would remain under the DCC's governance, the community could engage directly with elected representatives. Additionally, the community could engage through Council's decision-making processes when the Water Services Strategy and other planning and reporting documentation are being prepared. Currently, the Local Government (Water Services) Bill requires consultation with the community when preparing the Water Services Strategy, just like we would do under the DCC Long Term Plan. Under LWDW reform, the DCC's Water Services Strategy will essentially become our Long Term Plan for water.

Integrated management

The delivery of water services would continue to be managed alongside other DCC functions. This would ensure consistency and alignment with broader initiatives like urban planning and transport.

For example, our recent George Street and Bath Street 3 waters pipe upgrade projects took an integrated approach. While upgrading the pipes we were able to take the opportunity to enhance flood protection and improve above ground amenities.

Why the in-house model is our proposal

The in-house model offers a balanced approach that meets known regulatory requirements, ensures financial sustainability, and maintains local accountability. By choosing this model, Ōtepoti Dunedin can:

- capitalise on its existing strengths
- maintain direct control over water services

- preserve direct community involvement and accountability
- seamlessly coordinate water services with other DCC responsibilities such as urban planning and transport.

The in-house model also means that the DCC Group is expected to have \$157 million less debt over the next 9 years than it would have under the CCO model, and \$35 million less in interest costs.

The Government requires improvements to water services, and the in-house model provides the DCC with the necessary flexibility and control to adapt these changes to the specific needs of Ōtepoti Dunedin residents.

By leveraging established systems and governance structures, this approach:

- allows for a cohesive and integrated approach to water management
- aligns closely with the city's long-term objectives
- ensures a smooth transition and minimal disruption
- lowers short-term transition costs compared to other models.

Note that this is a summary. See www.dunedin.govt.nz/LWDW for more details.

The alternative option - Water Services Council-Controlled Organisation model (CCO)

A water services CCO would involve establishing a separate company to deliver our water services. The CCO would be directly owned by DCC as sole shareholder. The diagram below shows where the water services CCO would fit in the DCC Group of companies.



Under this model, the CCO would assume full responsibility for delivering water services, i.e., drinking water, wastewater and stormwater, and the DCC would provide strategic direction as the sole shareholder.

(bubble)

What is a water services CCO?

To find out more about what a water services CCO is and how it would be accountable to its owner, the DCC, go to [page XX](#)

How the CCO would work

Independent governance and management

The CCO would have its own governance and management structure, with the sole function of water services delivery separate from other DCC responsibilities.

DCC ownership

The CCO would operate separately as a company, but the DCC would, as the sole shareholder, retain ownership and strategic oversight through governance and accountability arrangements, including a statement of expectations. While the CCO would be responsible for preparing the Water Services Strategy, the DCC as sole shareholder can request involvement in preparing and finalising this.

The DCC would have the power to appoint and remove board directors.

Service delivery

The CCO would manage day-to-day operations, compliance with regulatory standards, and infrastructure investment planning.

It would have the ability to assess, set and collect water services charges from consumers, and could charge developers where additional demand or growth is created.

Why a CCO is not our proposal

This is not the DCC's preferred option for Ōtepoti Dunedin at this time because:

- although the charges may be less over the next 9 years (\$114 million in total), it is not clear that the CCO model will be the cheapest for customers in the long term. This is because the CCO would be charging less by taking on more debt. As that CCO debt increases, so will its interest costs.
- the CCO model would take on an additional estimated \$157 million of debt by 2034 for the same amount of work
- although DCC would be the sole shareholder, it would not have direct control over water services
- there is the potential for less accountability to the community
- it would be more difficult to ensure that there is co-ordination with other DCC functions, such as urban planning and transport.

However, once the Water Services Delivery Plan is adopted and accepted, and if the city's requirements evolve, the CCO model could be reconsidered assuming central government makes no other changes in the meantime.

Note that this is a summary. See www.dunedin.govt.nz/LWDW for more details:

Comparing the water services delivery models

Both the in-house and the CCO models have been evaluated against various financial and non-financial considerations. The following tables are for the non-financial considerations. Financial considerations are below (under the heading “Financial Assessment”).

Note that this is a summary. See www.dunedin.govt.nz/LWDW for more details, in particular the report to Council on 26 February 2025.

Ownership of Water Services Assets

This table evaluates the ownership of water services assets.

In-house	CCO	Summary
The DCC continues to own the water services assets directly.	A new company set up as a water services CCO owns the water services assets.	The in-house model gives DCC direct ownership of the water services assets.
	The DCC would be the sole shareholder of the company, so it would still indirectly own the water services assets.	The CCO model gives DCC indirect ownership of the water services assets as the sole shareholder of the CCO.
		Under both models the water services assets remain in public ownership.

Integrated management

This table evaluates the integration of water services with other DCC functions, such as urban planning and transport.

In-house	CCO	Summary
Aligned service delivery supports coordination with other DCC functions.	Separation from other DCC functions may create coordination challenges with DCC services unless effectively managed.	The in-house model provides better integrated service delivery.
Potential competing demands across other DCC functions.		The CCO model would need effective management to ensure integration with other DCC functions is coordinated.

Governance, control, and accountability

This table examines the level of oversight, control, and accountability under the two models.

In-house	CCO	Summary
Retains full local control, enabling better alignment with strategic goals and community priorities.	The CCO would have independent governance and management.	The in-house model provides the highest level of DCC control.

In-house	CCO	Summary
<p>Direct DCC oversight ensures democratically elected accountability and transparency through local government decision-making processes.</p> <p>Political cycles and influences may pose risks to long-term consistency.</p> <p>Supports community involvement in decision-making through local government decision-making processes (e.g., public consultation).</p> <p>DCC has potential mechanisms to ensure specialist skills at a governance level e.g., use of a specific water committee within the Council.</p>	<p>Separate company potentially makes decision-making easier without the local government layers.</p> <p>Reduced DCC oversight may risk misalignment with DCC priorities. Strong governance and accountability mechanisms are required to minimise this.</p> <p>Professional and competency-based board.</p>	<p>The CCO model decentralises oversight, but strong accountability measures can be put in place to give DCC further oversight.</p> <p>The CCO would have independent governance and management.</p>

Regulatory compliance

This table assesses the ability to meet existing and future water quality, environmental, and economic regulations.

In-house	CCO	Summary
<p>Established governance frameworks facilitate strong compliance with regulations.</p> <p>Alignment with other DCC services supports a coordinated approach. However, future regulatory requirements may require new ways of working.</p>	<p>A separate company could make it easier to respond to regulation because it only deals with water services.</p> <p>Setting up new compliance systems introduces risk during the transitional period and requires strong collaboration with the DCC.</p>	<p>Both models are capable of meeting known regulatory requirements. It could be that the CCO may find it easier to respond to regulatory requests because of its defined separate status.</p>

Implementation feasibility

This table considers the complexity, cost, and risks associated with transitioning to each model.

In-house	CCO	Summary
<p>Lower transition costs and minimal disruption to existing services.</p> <p>However, increased costs and changes will be necessary to meet new regulatory requirements.</p>	<p>Higher initial set-up costs and complexity due to establishing a new company and governance changes.</p> <p>Longer implementation timeline compared to the in-house model.</p>	<p>The in-house model offers the simplest and most cost-effective implementation.</p> <p>The CCO model has initial set up costs, short-term disruption and complexity.</p>

Financial assessment

The impact of both models on rates and charges, debt, borrowing capacity and long-term sustainability has been evaluated. We have assessed whether the two delivery models are financially sustainable and capable of meeting Ōtepoti Dunedin's water services delivery needs without compromising service levels or financial stability.

Please note that this financial assessment is based on several key assumptions. Each model uses a different funding approach which has different financial outcomes. For more financial information, including key modelling assumptions see www.dunedin.govt.nz/LWDW

In summary

The in-house model replicates the DCC's draft 9 year plan (9yp). The CCO model is based on both the Department of Internal Affairs' guidance and the 9yp information.

The CCO model would charge less and borrow more to do the same amount of work. The financial modelling assumes that there will be the same level of spending on water services delivery under both models.

The CCO has higher borrowing capacity than the in-house model.

The figures below are from financial forecasting for the 10 years 2024-2034.

	In-house	CCO
Rates and Charges	Requires \$114 million more in water charges than the CCO model over 10 years to 2034. Annual increases are higher in the three years from 2025/26 to 2027/28.	Requires \$114 million less in water charges than the in-house model over 10 years to 2034. Accomplished by borrowing more. From the 2028/29 year annual increases are higher compared to the in-house model.
Debt	Debt is \$157 million lower than the CCO model by 2034. This is because the in-house model will charge more.	Debt is \$157 million higher than the in-house model by 2034. This is because the CCO model will charge less.
Borrowing capacity	The capacity to borrow is lower than the CCO model.	The CCO can borrow more than the in-house model.
Interest costs	Lower debt means \$35 million less in interest costs over 10 years than the CCO model.	Higher debt means \$35 million more in interest costs over 10 years than the in-house model.
Additional expenditure	Additional costs required to comply with regulatory and ringfencing requirements.	Additional costs required to comply with regulatory, ringfencing and CCO-related operational costs. Estimated to be \$9 million higher than in-house option. There will also be transitional costs to establish the CCO, which are yet to be determined.

