Drinking water | Wastewater | Stormwater

Let's kōrero

Have your say about the future of our water services

Local Water Done Well – Ōtepoti Dunedin Consultation document

Tell us what you think by
12 noon, Wednesday 30 April 2025
dunedin.gov.nz/LWDW

DUNEDIN CITY COUNCIL | kaunihera a-rohe o Ōtepoti

How to have your say

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

We want to hear from you

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

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

The two options are:

Our proposal

OPTION ONE

In-house model

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.

Alternative option

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.

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:

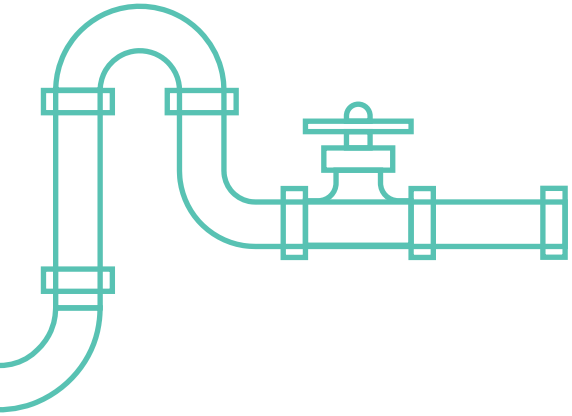
Local Water Done Well
Dunedin City Council
PO Box 5045
Dunedin 9054

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

You can also speak to all Councillors at the hearings on **5–8 May**. Let us know when you fill out the form if you wish to speak at the hearings.



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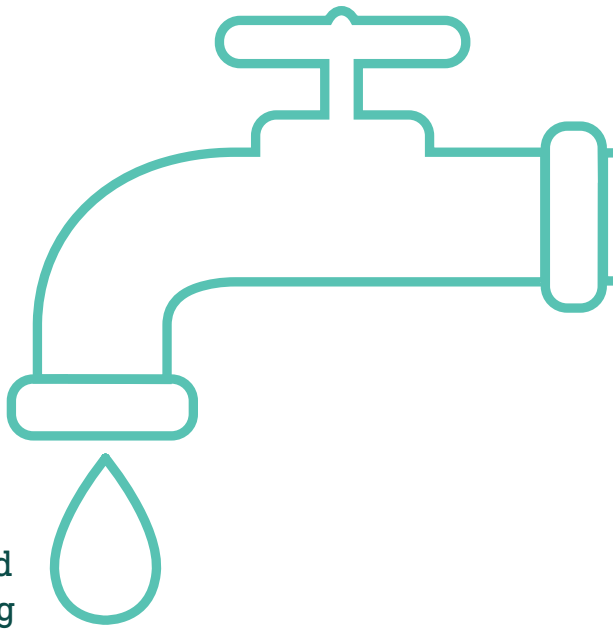


What is Local Water Done Well?

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.

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

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.

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:

Our proposal

OPTION ONE

In-house model

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.

Alternative option

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.

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.

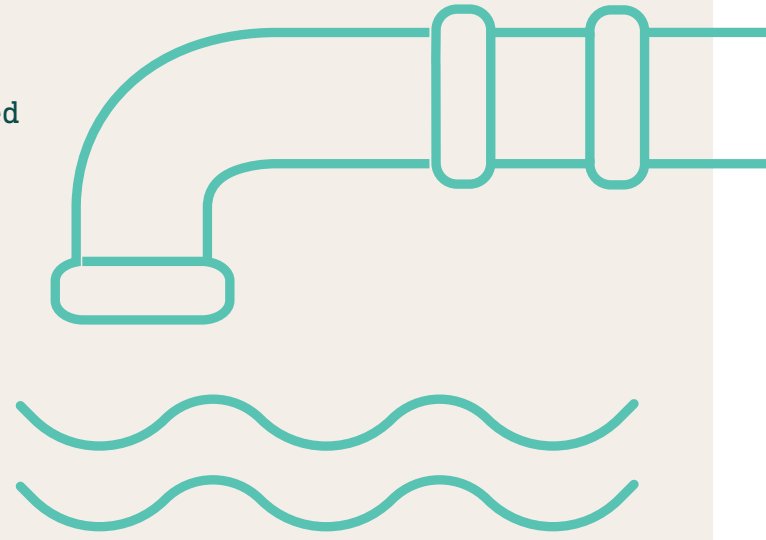
3. **High-quality, reliable, and efficient water services** can be achieved.

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.



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

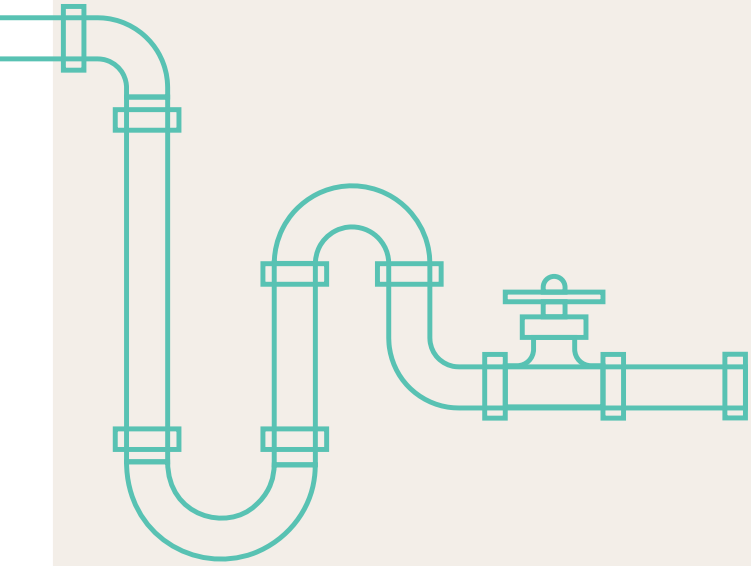
b. All water services charges and expenses be transparent and accountable.

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 **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 discussed under the heading "Costs to customers" (page 5), 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.

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 influenced by other factors.

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

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.

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

Water supply

Our water supply infrastructure collects, treats, and distributes drinking water to ensure the health, safety and wellbeing of our residents and to support economic activity in our community. We provide water to approximately 50,000 residential and business connections, equating to around 17 billion litres (equivalent to 6,800 full olympic-size swimming pools) of treated water supplied in a typical year.

Key Council-managed water supply assets

Pipes, hydrants and meters

167km
raw water mains

236km
distribution mains

1,051km
reticulation mains

7,103
fire hydrants

3,657
non-residential metred connections

Pumping

21
pump stations

9
raw water dams

62
treated water reservoirs/tanks

Treatment

7
water treatment plants

21
water abstraction points

Wastewater

Our wastewater infrastructure protects public health and the environment by collecting and conveying wastewater from approximately 48,000 residential and business connections in Dunedin, Mosgiel, Waikouaiti, Seacliff, Warrington, and Middlemarch. Seven treatment plants treat the wastewater to a high standard before discharging it to land or ocean outfall in accordance with our regional council consent conditions.

Key Council-managed wastewater assets

Reticulation

821km
of gravity wastewater mains

108km
of pressure wastewater mains

13,144
manholes

Pumping

78
pump stations

154
domestic pump stations

Treatment

7
wastewater treatment plants

2
ocean outfalls

3
land irrigation schemes

Stormwater

Our public piped stormwater system conveys rainwater that falls on homes, properties and roadways to streams and eventually to the ocean and harbour, reducing the risk of flooding and water pollution. The public piped stormwater system is integrated with naturally formed and piped watercourses, some of which are privately owned. Fully functional watercourses are highly critical to ensuring flood protection in urban areas and keeping vulnerable infrastructure such as roads, railways, schools and hospitals safe.

Key Council-managed stormwater assets

Reticulation

393km
of pipes

8,591
manholes/inlets/outlets

21
swales

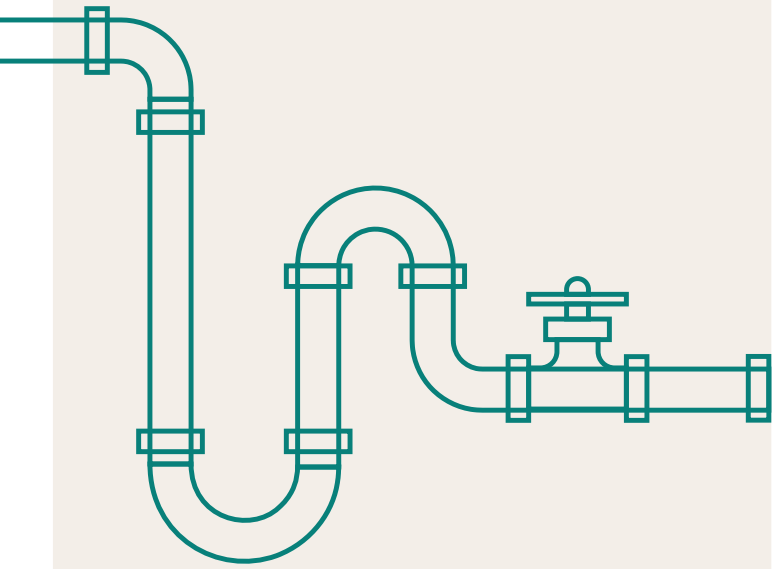
Pumping

11
pump stations

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.

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.

find out more
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.

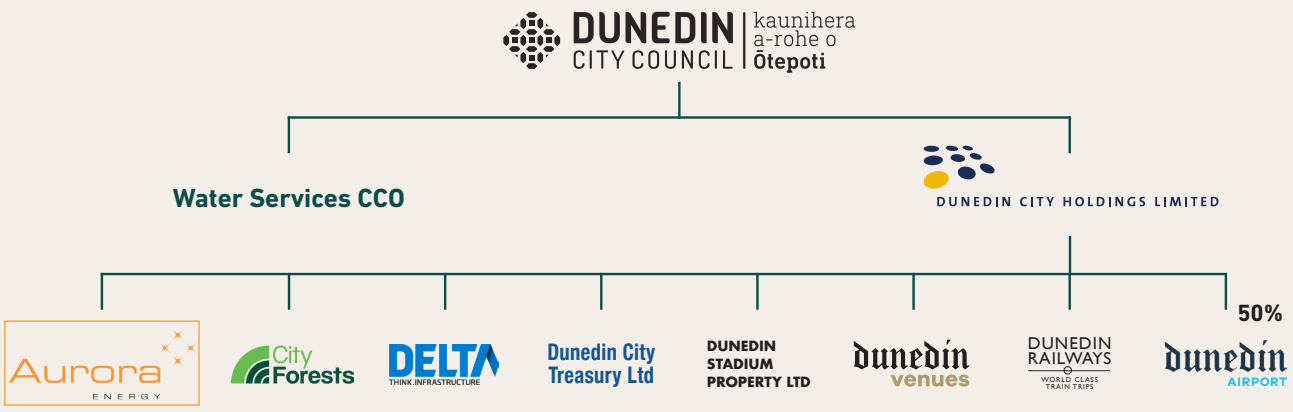
By leveraging established systems and governance structures, this approach:

- 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.

find out more
dunedin.govt.nz/LWDW

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.

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 27.

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.

find out more
dunedin.govt.nz/LWDW

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 on page 21 (under the heading "Financial Assessment").

find out more, in particular the report to Council on 26 February 2025
dunedin.govt.nz/LWDW

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 DCC would be the sole shareholder of the company, so it would still indirectly own the water services assets.	The in-house model gives DCC direct ownership of 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. Potential competing demands across 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. 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. Direct DCC oversight ensures democratically elected accountability and transparency through local government decision-making processes. Political cycles and influences may pose risks to long-term consistency. Supports community involvement in decision-making through local government decision-making processes (e.g. public consultation). DCC has potential mechanisms to ensure specialist skills at a governance level e.g. use of a specific water committee within the Council.	The CCO would have independent governance and management. Separate company potentially makes decision-making easier without the local government layers. Reduced DCC oversight may risk misalignment with DCC priorities. Strong governance and accountability mechanisms are required to minimise this. Professional and competency-based board.	The in-house model provides the highest level of DCC control. The CCO model decentralises oversight, but strong accountability measures can be put in place to give DCC further oversight. The CCO would have independent governance and management.

Regulatory compliance

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

In-house	CCO	Summary
Established governance frameworks facilitate strong compliance with regulations. Alignment with other DCC services supports a coordinated approach. However, future regulatory requirements may require new ways of working.	A separate company could make it easier to respond to regulation because it only deals with water services. Setting up new compliance systems introduces risk during the transitional period and requires strong collaboration with the DCC.	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.

Implementation feasibility

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

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

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 ***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.

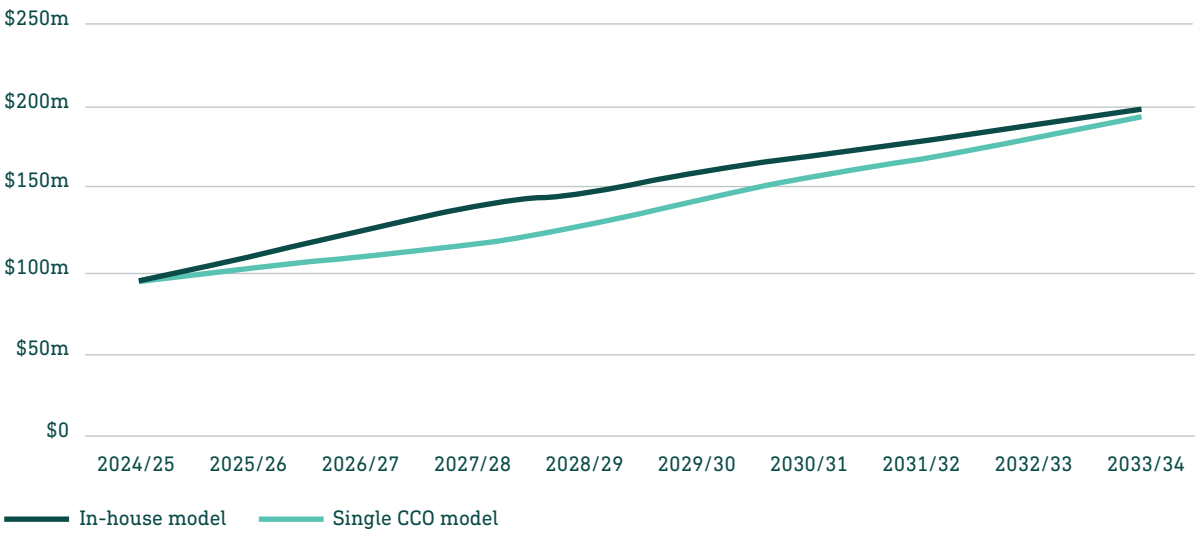
Rates and charges

In-house model	CCO model	Summary
The DCC currently retains the ability to determine how water services are charged, whether through rates, fixed charges, or volumetric pricing (charges based on the amount you use). The draft 9-year plan budget provides 15% per annum rate increases for the first three years leading to a balanced budget (for water services) by the 2027/28 year. Cumulative increases in water charges are expected to reach 143% by 2033/34. In the 2033/34 year, total water services revenue from rates and charges is $198 million. Requires $114 million more in water charges over 10 years than the CCO model.	The Local Government (Water Services) Bill requires that CCOs transition to charging that is not based on property valuation within five years of establishment, although allows flexibility for the CCO to collect charges via DCC rates. This change could shift costs more directly to users based on consumption, potentially increasing costs for higher water users while benefiting those with lower usage. Annual water charge increases are comparatively lower until the 2027/28 year. From then onwards, annual increases are higher than the in-house model, as debt and therefore interest costs increase. Cumulative increases in water charges are expected to reach 139% by 2033/34. In the 2033/34 year, total revenue is $194 million. Requires $114 million less in water charges over 10 years than the in-house model because the CCO borrows more for capital expenditure.	Both models are projected to be financially sustainable over the period modelled. The CCO model may result in more noticeable changes for customers due to the required shift away from using property valuations for charging. The CCO model results in lower charges for customers over the period modelled. However, by year 10, the gap between the two models closes.

Rates and charges compared

Total revenue from rates and charges for each model is shown in the chart below. In the 2033/34 year, total revenue is $198 million in the in-house model and $194 million in the CCO model.

Total revenue from rates and charges

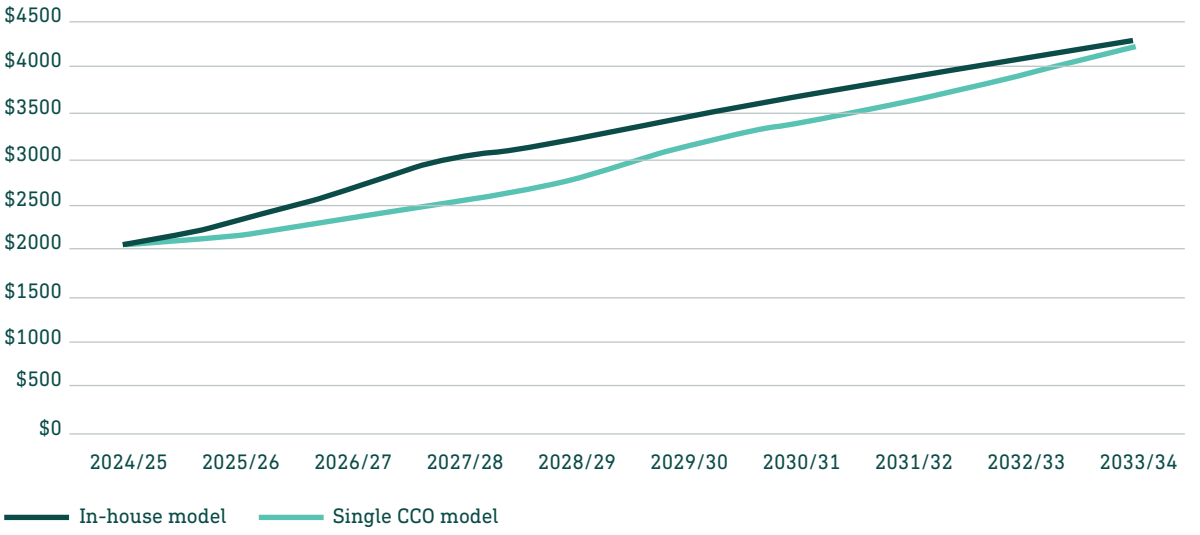


Average charge per connection compared

The chart below shows what an average per connection charge could be under both options. The "per connection charge" includes all connections (including households, businesses and other properties). While this does not reflect the current charging model, it provides a comparison of the direction charges are likely to go.

This charge is simply the total amount of rates revenue required each year divided by the number of connections. For all connections (which includes households, businesses and other properties), the annual per connection charge over the next 9 years is forecast to increase from $2024 to $4280 under the in-house model and from $2024 to $4202 under the CCO model.

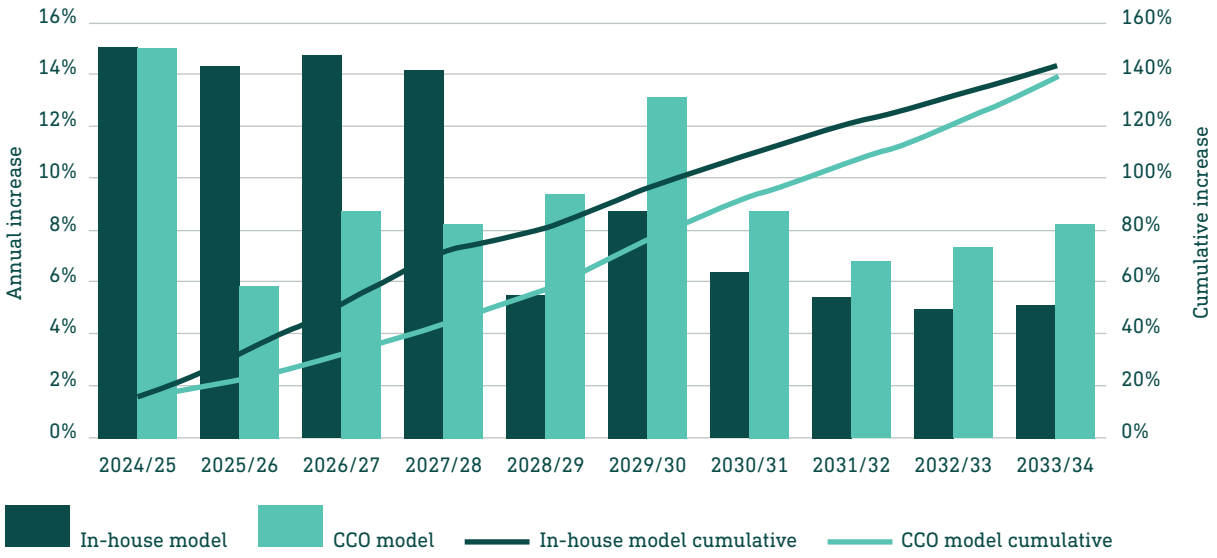
Average charge per connection (incl GST)



Annual increases in charges compared

Annual increases in charges for water services are higher for the in-house model for the three-year period from 2025/26 to 2027/28. From the 2028/29 year, the annual increases in charges are higher in the CCO model. Cumulative increases in water charges are expected to reach 143% by 2033/34 for the in-house model and 139% for the CCO model. This is illustrated in the chart below.

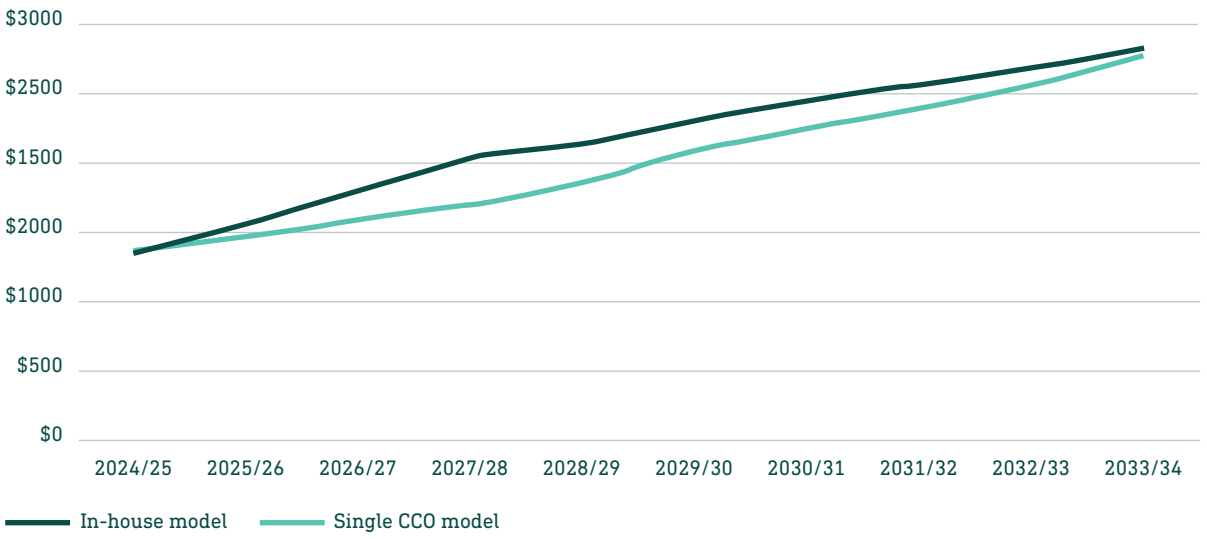
Annual increases in charges



Household charges compared

The following chart shows what household charges could be under both options. While this does reflect the current charging model for residential properties, it may not be the charging model used by the CCO. Again, it provides a comparison of the direction charges are likely to go. The average charge per household is lower in the CCO model; however, the difference (saving) reduces as more debt is raised.

Household charge (incl GST)



Sample charges, for a range of rating valuations, for commercial properties, are provided on the DCC website, **dunedin.govt.nz/LWDW**.

Debt

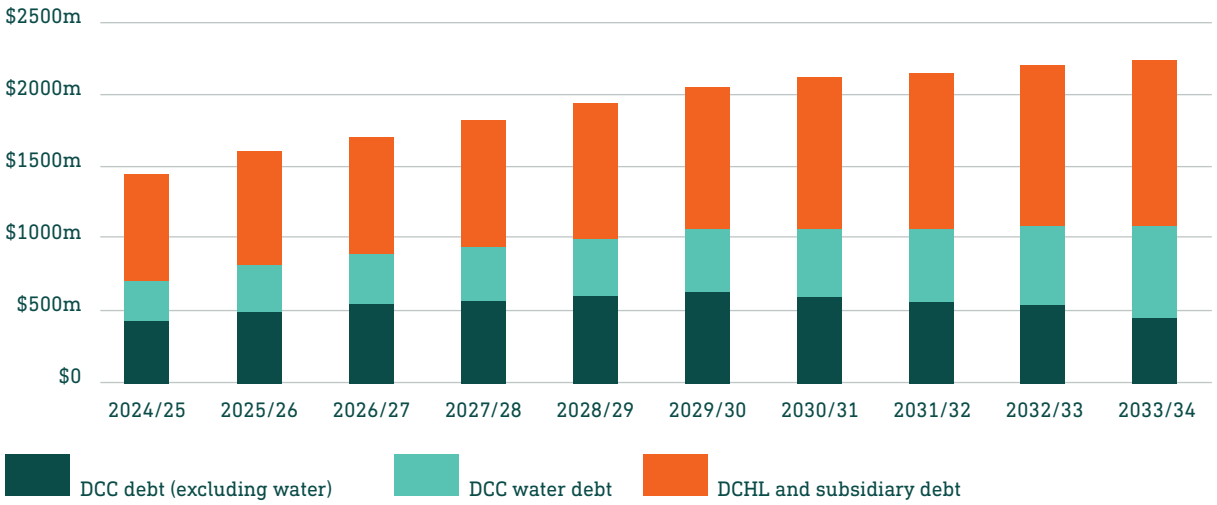
In-house model	CCO model	Summary
Operates within DCC's borrowing limit and the Local Government Funding Agency (LGFA) borrowing limit of 280% of revenue. The draft 9-year plan budget provides sufficient borrowing headroom below this limit, providing flexibility to address unforeseen circumstances while funding planned investments. Debt for water services reaches $630 million by 2033/34. Annual interest expense for water services reaches $30 million by 2033/34. DCC will need to monitor Group debt more closely under the in-house model, because it has less access to debt.	Allows borrowing from LGFA of up to 500% of revenue, significantly increasing the capacity to fund large-scale infrastructure upgrades. This could accelerate the delivery of critical infrastructure but comes with higher debt and therefore higher debt-servicing obligations. Debt reaches $787 million by 2033/34, $157 million higher than the in-house model. Annual interest expense reaches $37 million by 2033/34.	Both models are expected to be financially sustainable over the period modelled. The CCO model offers enhanced borrowing capacity (access to more debt). Both models have sufficient borrowing headroom to achieve the current capital expenditure programme and unforeseen costs. In the CCO option debt-servicing obligations increase with $157 million additional borrowing resulting in $35 million more in interest costs over the 10-year period. Annual interest expense is $7 million higher in the CCO model by 2033/34. DCC will need to monitor Group debt more closely under the in-house model.

Under the CCO model, debt is $157 million higher than the in-house model due to less revenue from rates and charges and the additional interest and operating costs. The charts below show the level of debt for water services for each option.

Debt under an in-house model

The chart below shows forecast debt levels for the DCC, DCC debt for water services and DCC-owned company debt (Dunedin City Holdings Limited [DCHL] and subsidiaries). Total Group debt forecast by the 2033/34 year is $2.257 billion.

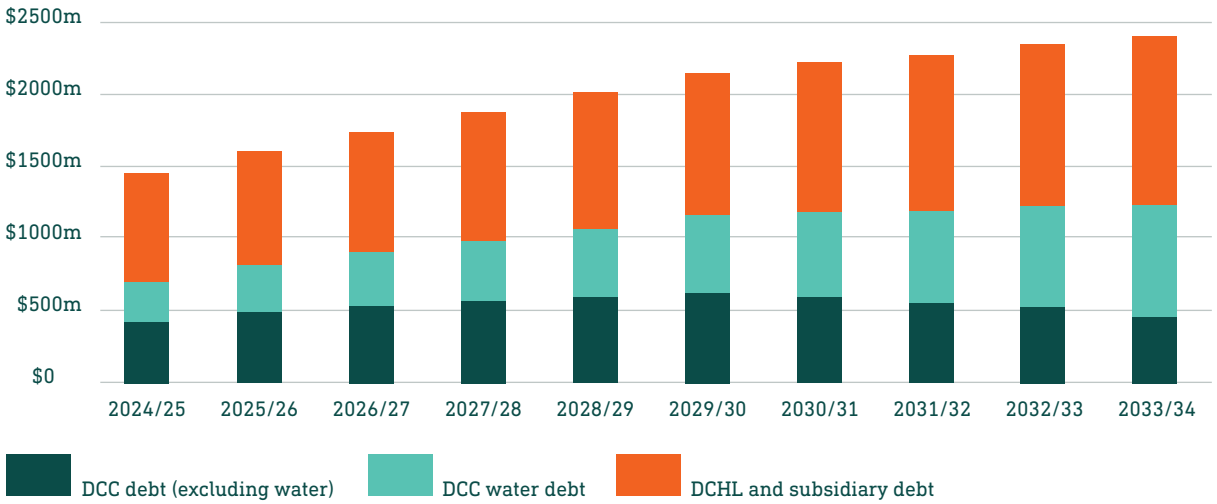
Group debt in-house model

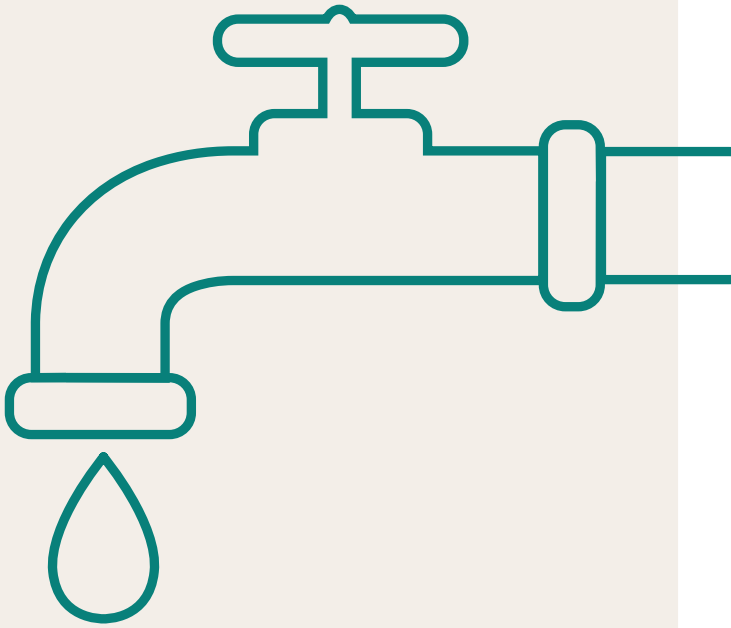


Debt under a CCO model

The chart below shows forecast debt levels for the DCC, DCC debt for water services and DCC-owned company debt (DCHL and subsidiaries). Total Group debt forecast by the 2033/34 year is $2.416 billion. This is $157 million higher than the in-house model.

Group debt CCO model





What is a water services Council-Controlled Organisation (CCO)?

The Local Government (Water Services) Bill provides that a water services CCO must (subject to certain exemptions):

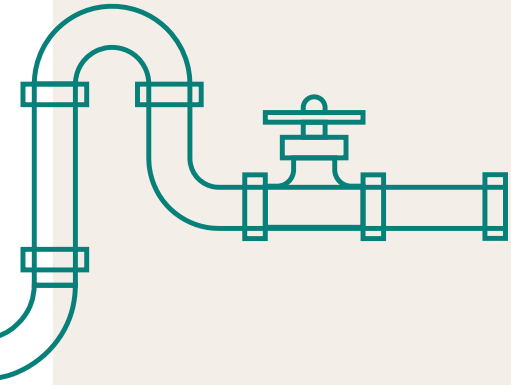
- be owned by a council(s) and/or trustees of a consumer trust(s)
- be a company (and therefore covered by the Companies Act 1993)
- have an independent, competency-based board, which cannot include people who are elected members or employees of a council that is a shareholder in the organisation.

The objectives of a water services CCO are set out in the Local Government (Water Services) Bill and its permitted activities (unless it has an exemption) are limited to:

- providing water services in accordance with the Bill
- undertaking activities related to, or necessary for, providing water services (for example, the management or maintenance of water services networks).

The Bill sets out a new planning and accountability framework for water services. The DCC, as sole shareholder, would be required to prepare a statement of expectations and the water services CCO must prepare a Water Services Strategy, annual budget and annual report.

A water services CCO is required to give effect to the DCC's statement of expectations. While the CCO will be responsible for preparing the Water Services Strategy, DCC (as sole shareholder) can decide its level of involvement in its preparation in accordance with the legislation.



How would the DCC ensure a water services CCO delivers the right services for Ōtepoti Dunedin?

Although the DCC is proposing the in-house model, if we were to pursue the water services CCO, we would ensure robust accountability to DCC as shareholder to protect community interests and provide continued oversight.

Day-to-day water service responsibilities would be transferred to the CCO. However, the DCC would put measures in place to maintain effective monitoring, performance reporting and alignment with strategic objectives. Examples of these measures (including those required by legislation) include:

- responsibilities of the CCO as specified in a transfer agreement
- rules and governance arrangements set out within the CCO's constitution
- a Statement of Expectations
- the CCO producing a Water Services Strategy and Annual Budget
- an Asset Management Plan prepared by the CCO and reviewed by the DCC to ensure sound long-term management of water infrastructure
- regular performance reporting from the CCO to the DCC on finances, service levels and major projects, including through its water services annual report
- protections to ensure strategic assets continue serving community needs
- DCC input on key CCO governance appointments
- the DCC being able to initiate strategic reviews of the CCO's performance
- ongoing partnership between the DCC and CCO to maintain strategic alignment.

The DCC would develop and formalise these measures through the process of transitioning water services to a CCO.

If the DCC set up a new water services CCO, would the DCC's water services assets be transferred to that CCO?

Yes, if the CCO model was chosen, the DCC's water services assets would be transferred to it.

The reasons for a CCO to own the assets include:

- the CCO would then have full management of all water services assets it needs to run as independently from the DCC as possible within the legislation. It would be able to deal with all matters around contracting, maintenance, repair, replacement of assets/infrastructure without having to ask the DCC to undertake these works.
- the capacity to borrow from the Local Government Funding Agency would be almost twice as much as if the infrastructure assets stayed with the DCC. Note: this would lead to the CCO having higher debt levels which would have to be serviced by the CCO.

However, remember that even if the water services assets are transferred to the CCO, the CCO is still solely owned by the DCC, and the Local Government (Water Services) Bill prohibits the privatisation or sale of water services assets.

Are the DCC and Christchurch City Council considering sharing some aspects of water services delivery with each other?

A shared services arrangement between the DCC and Christchurch City Council (CCC) is being investigated to identify if there could be reduced costs and enhanced water service delivery for both councils.

Could this affect our need to choose between in-house or CCO models for Ōtepoti Dunedin water services delivery?

No, we still need to make a choice about which model should deliver our water services. The investigation into a shared services arrangement with CCC does not affect that need. Any arrangement would not affect the ownership of each council's existing water assets. It would be managed through a contract rather than a shared entity, so it is possible under both the in-house and CCO models.

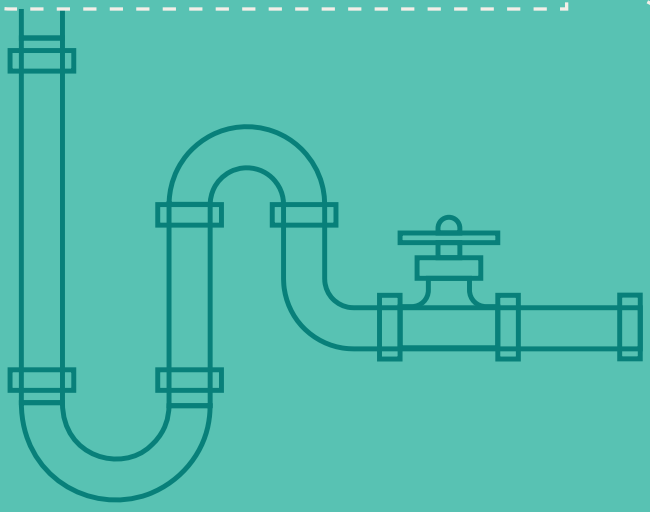
How does this consultation relate to the DCC's 9 year plan?

Our draft 9 year plan (9yp) is out for public consultation at the same time as this LWDW consultation.

Under the 9yp the DCC has budgeted to spend $1.015 billion on renewals and growth to improve water supply resilience, water use efficiency, and to upgrade wastewater and stormwater networks.

Note that if a CCO is chosen as the model for delivering future water services, the CCO may reassess individual projects when developing its Water Services Strategy.

However, remember this LWDW public consultation is about choosing the model for future water services delivery across the city. If you want to have your say on individual water projects, please do so through the draft 9yp consultation process, also open for submissions from 31 March 2025 – 30 April 2025. **dunedin.govt.nz/9yp**



find out more
dunedin.govt.nz/LWDW

Have your say about the future delivery of water services

Feedback closes at **12 noon on Wednesday 30 April 2025.**

Local Water Done Well feedback form

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.

Here are the two options:

Our proposal

OPTION ONE

In-house model

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.

Alternative option

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.

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

You can also speak to all Councillors at the hearings on **5–8 May**. Let us know when you fill out the form if you wish to speak at the hearings.

Which option do you support?

◯ **Option one:** In-house model (our proposal)

◯ **Option two:** Water Services Council-Controlled Organisation model (CCO)

Why did you choose this option?

Do you have any other feedback related to this LWDW consultation?

Hearings

The hearings are being held on:

• Monday, 5 May • Tuesday, 6 May • Wednesday, 7 May • Thursday, 8 May

Do you want to speak to Councillors at the hearings? If yes, please tick your preferred session:

◯ **No** ◯ Yes – **in person, morning** session ◯ Yes – **online**, **morning** session

◯ Yes – **in person, afternoon** session ◯ Yes – **online**, **afternoon** session

If you wish to speak at the hearings, please ensure you provide your contact details. Speakers will usually be allocated five minutes. However, depending on how many people wish to speak, time limits may be adjusted.

Contact details (required if you wish to speak at a hearing)

Name: .....

Phone number: .....

Organisation (if applicable): .....

Postal address: .....

..... Postcode: .....

Email address: .....

The Council is also asking for your age group and ethnicity. This information will be used to help us understand where we get our feedback from and help us plan for the future.

Age: ◯ under 15 years ◯ 15 – 19 ◯ 20 – 29 ◯ 30 – 39 ◯ 40 – 49 ◯ 50 – 59 ◯ 60 – 69 ◯ 70+

Ethnicity: ◯ Māori Iwi/hapū ..... ◯ New Zealand European

◯ European ◯ Pacific People ◯ Asian ◯ Middle Eastern/Latin American/African (MELAA)

◯ Other (please state) .....

If selected other for ethnicity please specify: .....

Privacy statement

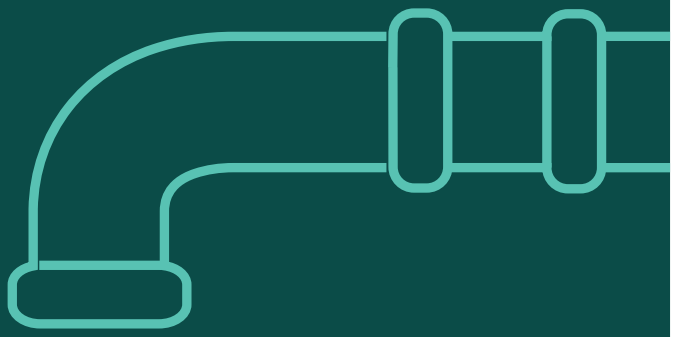
The provision of your personal information is optional, however, should you provide this information please note your name and organisation may be included in papers for the public and media. Information you have provided will only be used for the purpose of this consultation process.

The DCC is also asking for your age (in age bands) and ethnicity. This information will be used to help us understand where we get our feedback from and help us plan future engagements.

The DCC will collect, use and store your information in accordance with the Privacy Act 2020 and DCC's Privacy Policy. A copy of our Privacy Policy can be found on the DCC's website www.dunedin.govt.nz/privacy-policy. If you would like a copy of the personal information we hold about you, or to have the information corrected, please contact us at dcc@dcc.govt.nz or 03 477 4000.

Remember, your feedback needs to reach the Council by 12 noon on Wednesday, 30 April 2025.

Thank you for your feedback.



For advice or information

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