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Attachments:

1. Southern Waters introduction Slides 050226.pdf
2. ML_Water Services Delivery Options report 170226.pdf
3. ML_Water Services Delivery Presentation 180226.pdf

Purpose: Following the appointment of Mayor Melanie Tevendale and Councillor Frans Schlack as the Waitaki Representative Steering Team (**'WRST'**) to a Water Services Delivery Steering Group consisting of representatives of Waitaki, Timaru and Mackenzie Districts, the WRST reports to Waitaki District Council on their findings and recommendations following several workshops and meetings to consider the various options of forming a Council Controlled Organisation (**'CCO'**) with Timaru and Mackenzie District Councils and those Districts that already made up the Southern Waters CCO, e.g. Clutha, Gore and Central Otago District Councils.

Background

Together with the rejection of the Waitaki District Council's water services delivery plan, the Department of Internal Affairs (**'DIA'**) made the recommendation to Waitaki District Council (**'WDC'**) to explore other delivery models instead of in house.

Mackenzie District Council (**'MDC'**) also had their water services delivery plan rejected by DIA. In January 2026, MDC resolved to form a CCO with TDC who in the same month resolved to accept a partnership with MDC, TDC already had their water services delivery plan approved, to form a CCO.

An all WDC, TDC and MDC's Mayors and Councillors, together with representatives of the DIA and Morrison Low Advisory, meeting was conducted in Timaru on the 21st of January '26 to explore the various options of forming a Council Controlled Organisation between the three districts and, as an option, with the already established Southern Waters CCO between Clutha, Gore and Central Otago District Councils.

During this meeting it was recommended to form a Steering Group consisting of two members of each District Council to explore the CCO Options, raise questions, identify (non-) synergies, etc. and concluding in recommendations from each Representative Steering Team to their respective councils. For WDC Mayor Melanie Tevendale and Waihemo Councillor Frans Schlack were nominated to represent WDC.

CONTEXT/RISK/SYNERGIES/ECONOMICS/RECOMMENDATIONS

Context

Various meetings and workshops were conducted and attended by the WRST either ‘in person’ or ‘online’:

21/01/2026: All WDC, TDC & MDC mayors & councillors conducted in Timaru resulting in the formation of a Steering Group;

04/02/2026: WDC, TDC & MDC Steering Group Workshop #1 which (in part) was attended by representatives of the Southern Waters CCO to answer any queries around the operation their CCO;

05/02/2026: The WDC, TDC & MDC Steering Group Representatives attended a meeting organised by the Southern Waters CCO (SW) in which the SW presented the principles which form the bases of their CCO and their activities to date;

13/02/2026: Meeting between WDC Councillors and representatives of the SW provided an opportunity for WDC Elected Members to directly raise questions to the SW representatives;

13/02/2026: WDC, TDC & MDC Steering Group Workshop #2 which (in part) was attended by representatives of the SW; and

18/02/2026: All WDC, TDC & MDC mayors & councillors and SW representatives conducted in Timaru culminating in each district providing the meeting with the recommendations that would be presented at their upcoming decision-making meeting on 24/02/26

Morrison Low Advisory (**‘MLA’**) provided for every meeting an updated presentation on the CCO Options. The final update was provided just prior to the last meeting conducted in Timaru 18/02/2026 and is attached to this report as Attachment 2.

These meetings and workshops created a good opportunity for all attendees to raise questions and provide answers on behalf of their respective organisations. The WRST raised several questions to the SW during Workshop #1 which were, soon after the conclusion of that workshop, answered openly and clearly. A question raised by the WRST to the TDC/MDC representatives in this first meeting requesting to identify to the Steering Group any “*showstoppers*” that TDC/MDC foresaw in joining into a CCO made up by a combination of WDC and the SW. A response was provided during Workshop #2.

The meeting organised by the SW in Alexandra was focused on the founding principles of this CCO and the work that this CCO had already undertaken to date. Besides all the districts’ Steering Group members, all mayors of the Clutha, Gore and Central Otago districts were in attendance together with the SW’s Establishment Chair, Mr Bruce Gemmell and its Programme Director, Ms Fiona Smith.

This meeting presented the founding principles of this CCO and in particular:

- High Level Time Frames;

- Shareholding councils equal voting rights;
- Recognition of Rural Water Schemes as a “*Fourth Water*”;
- Tangata Whenua (invited) participation as a stakeholder with equal voting rights; and
- That the inclusion of additional councils will be welcomed.

The SW presentation is attached to this report as Attachment 1.

Of particular note in this presentation is the clear statement by the SW that “*no consumers pay more than they otherwise would have (under an in-house model) for the same level of service and investment.*”

The second Steering Group Workshop was attended by the WRST ‘online’. All district’s Steering Group representatives were in attendance together with SW representatives. During this workshop TDC/MDC identified priorities projects as potential showstopper for creating a 6-district CCO made up between TDC & MDC & WDC and the already formed SW.

Their particular concern appeared to be focused on delays on the execution growth projects that, in their view, should be prioritised by the 6-District CCO. In response, the SW representatives made it clear that the prioritisation of projects will be the responsibility of the SW board and management and therefore no concessions can be made on prioritisation of any district’s projects. Expectations around priorities could be set through the Statement of Expectation from the Shareholder’s Group to SW. In addition, SW highlighted that their plans were based around implementation of the whole of each districts programme.

During the final meeting conducted in Timaru 18/02/2026 all districts’ Mayors & Councillors were provided with ML’s final presentation on the CCO options with the chance to ask questions. The meeting was well attended by all districts either ‘in person’ or ‘online’.

The issue of prioritisation remained a particular prohibitive factor for TDC/MDC to join into a 6-District CCO. As a result, TDC’s Mayor expressed at the end of the meeting that the recommendations from TDC and MDC meetings on 24/02/26 were not to join in a 6-District CCO but they remained ‘open’ for WDC to join a TDC/MDC CCO.

Risk

Throughout this process SW representatives have been ‘open’, ‘transparent’ and have shown enthusiasm and willingness for any district to join their CCO. However, they made it clear that they have set their foundation principles, which are wholly in line with

what WDC agreed when it was part of the partnership, and do not want to deviate, or make exceptions for a particular district, from those.

Furthermore, they have started the formation and preparations for integrating the water services for their districts Clutha, Gore and Central Otago and are well positioned towards an operational SW by 1 July 2027.

On the other hand, TDC/MDC have not provided any indications on the foundation principles of any CCO. Considering that these principles are scheduled to be concluded and incorporated into their CCO's constitution by 31/02/2026, WDC would take a considerable risk by committing to such a CCO without an understanding of its founding principles.

Synergies

During the final meeting of 18/02/2016, TDC questioned the importance SW places on 'Rural Water'.

TDC remain unconvinced of the need for Rural Water to be treated by SW as a "Fourth Water". They drew a comparison to TDC & MDC and Waimate District's large, but shared, rural *Downlands* water scheme.

The WRST believes the Downlands water scheme differs somewhat from the several and independently operated rural water schemes WDC and the SW must take in consideration.

From a 'synergy' perspective, the issues around the management of rural water schemes are much more comparable between WDC and the SW rural schemes than TDC/MDC's.

Economics

Attachment 3 represents the MLA presentation presented to all districts' Mayors and Councillors during the 18/02/2026 meeting.

From this presentation it is clearly demonstrated that the 6-District CCO option (“3” and “Group of six”) would be the most economically established and operated of the CCO options. This is best reflected in the below reproduced slides:

Key financial performance differences

Option	1a Mackenzie + Timaru CCO	1b Waitaki + Southern Waters	2 Joint model	3 Join Southern Waters
Capital efficiencies (total 10 years)	3.6%	8%	8%	15%
Operating efficiencies (total 10 years)	3.8%	9%	9%	16%
FFO: debt covenant	9%	9%	9%	8%
% Development contributions included	50%	50%	50%	75%
Establishment costs (per connection)	\$215	\$280	\$245	\$205
Corporate overhead (per connection)	\$190	\$190	\$180	\$175

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Charge per residential connection (incl GST) in 2034

Council	Mackenzie + Timaru	Southern Waters + Waitaki	South Canterbury grouping	Group of six
Mackenzie*	\$2,706	N/A	\$2,680	\$2,583
Timaru	\$2,158	N/A	\$2,121	\$2,042
Waitaki	N/A	\$3,149	\$3,110	\$2,936

* Mackenzie charges reflect charge per connection, not residential connection, and therefore are overstated for residential customers.

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Considering TDC/MDC's indication that they are likely not to form a CCO with the combination of WDC and the SW, the next marginally more economical option would be for WDC to join into a CCO with TDC/MDC.

Recommendations

Based on the DIA's assessment reports over all districts' Water Services Delivery Reports, Timaru, Mackenzie, Waitaki, Clutha, Gore and Central Otago districts will invest in total over \$820 million in water infrastructure projects over the next 10 years.

MLA's financial analysis clearly demonstrates that a 6-District CCO will provide the lowest setting-up and operational cost per connection/consumer.

Moreover, the synergies between the water infrastructure principles and requirements between our Waitaki District and the partners in the SW Clutha, Gore and Central Otago would, in the Waitaki Representative Steering Team's view, match more closely than the Timaru/Mackenzie combination.

Waitaki, Clutha, Gore and Central Otago Districts will invest in total over \$475 million in water infrastructure projects over the next 10 years.

It is this Waitaki Representative Steering Team's view that a partnership between districts to form a CCO responsible for such a large investment in infrastructure and its consequences on the local economy and its residents, must reflect synergies and trust between the partners but must also enter in such a partnership with a clear understanding of risk.

SW have established their foundation principles, are already operating under it and are in the process of legalising their constitution and corporate processes that are well understood, and acceptable, to WDC.

To date, TDC/MDC have not provided WDC with any indications on what the foundation principles of their CCO will consist of. WDC would take a considerable risk by committing to a CCO without an understanding of its founding principles.

Considering that WDC decided last year on an in-house model, the Waitaki Representative Steering Team expects SW's commitment to that "*no consumers pay more than they otherwise would have (under an in-house model) for the same level of service and investment.*" will mitigate the costs to consumers currently estimated by MLA to be not more costly than under WDC's in-house model.

It is therefore recommended by the Waitaki Representative Steering Team that:

- Waitaki District Council's makes it known that its preferred CCO option is to form a 6-District CCO and
- If this option is not achievable, WDC requests the SW's stakeholders to allow Waitaki District join the Southern Waters CCO.