



TE KAUNIHERA Ā-ROHE O
ŌTOROHANGA
DISTRICT COUNCIL

Open Agenda

ŌTOROHANGA DISTRICT COUNCIL EXTRA-ORDINARY MEETING

12 August 2025

Notice is hereby given that an extra-ordinary meeting of the Ōtorohanga District Council will be held in Waikōwhitiwhiti (Council Chambers), Ōtorohanga District Council, 17 Maniapoto Street, Ōtorohanga on Tuesday, 12 August 2025 commencing at 11.00am.

Tanya Winter, Chief Executive

6 August 2025

OPEN TO THE PUBLIC AGENDA

Ōtorohanga District Council membership

Chairperson	His Worship the Mayor, Max Baxter
Deputy Chairperson/Kāwhia Tihiroa Councillor	Deputy Mayor, Annette Williams
Kāwhia Tihiroa Councillor	Kit Jeffries
Kio Kio Korakonui Councillor	Rodney Dow
Ōtorohanga Councillor	Katrina Christison
Ōtorohanga Councillor	Steve Hughes
Rangiātea Councillor	Jaimee Tamaki
Rangiātea Councillor	Roy Willison
Waipā Councillor	Roy Johnson
Wharepūhunga Councillor	Cathy Prendergast

All attendees at this meeting are advised that the meeting will be electronically recorded (audio and video) for the purpose of webcasting to the ŌDC's YouTube channel. Every care will be taken to maintain individuals' privacy however attendees are advised they may be recorded as part of the general meeting proceedings.

For use in both opening and closing meetings

A Member will provide the words of their preference or may choose to use the following:

Mā te whakapono	<i>By believing and trusting</i>
Mā te tūmanako	<i>By having faith and hope</i>
Mā te titiro	<i>By looking and searching</i>
Mā te whakarongo	<i>By listening and hearing</i>
Mā te mahi tahi	<i>By working and striving together</i>
Mā te manawanui	<i>By patience and perseverance</i>
Mā te aroha	<i>By all being done with compassion</i>
Ka taea e tātou	<i>We will succeed</i>

For use in blessing food

A Member will provide the words of their preference or may choose to use the following:

Nau mai e ngā hua o te wao	<i>I welcome the gifts of food from the forest</i>
O te ngakinga	<i>From the cultivated gardens</i>
O te wai tai	<i>From the sea</i>
O te wai māori	<i>From the fresh waters</i>
Hei oranga mō tātou	<i>For the goodness of us all</i>
Tūturu whakamaua	<i>Let this be my commitment to all!</i>
Kia tina! Tina! Hui e! Tāiki e!	<i>Drawn together and affirmed!</i>

Opening formalities	Ngā tikanga mihimihi	
Commencement of meeting	Te tīmatanga o te hui	5
Opening prayer/reflection/words of wisdom	Karakia/huitao/whakataukī	5
Apologies	Ngā hōnea	5
Late items	Ngā take tōmuri	5
Declaration of conflict of interest	Te whakapuakanga pānga taharua	5

Decision reports	Ngā pūrongo whakatau	
Item 268 - Water Services Delivery Plan adoption		7

Information only reports	Ngā pūrongo mōhiohio anake	
There are no reports.		

Public excluded	Take matatapu	
There are no reports.		

Closing formalities	Ngā tikanga whakakapi	
Closing prayer/reflection/words of wisdom	Karakia/huritao/whakataukī	250
Meeting closure	Katinga o te hui	250

This Open Agenda was prepared by Manager Governance, Kaia King and approved for distribution by Chief Executive, Tanya Winter on 6 August 2025.

Commencement of meeting**Te tīmatanga o te hui**

The Chairperson will confirm the livestream to YouTube is active then declare the meeting open.

Opening prayer/reflection/words of wisdom**Karakia/huitao/whakataukī**

The Chairperson will invite a member to provide opening words and/or prayer/karakia.

Apologies**Ngā hōnea**

A Member who does not have leave of absence may tender an apology should they be absent from all or part of a meeting. The meeting may accept or decline any apologies. For clarification, the acceptance of a members' apology constitutes a grant of 'leave of absence' for that specific meeting(s).

Should an apology be received the following is recommended: *That Ōtorohanga District Council receive and accept the apology from ... for (non-attendance, late arrival, early departure).*

Late items**Ngā take tōmuri**

Items not on the agenda for the meeting require a resolution under section 46A of the Local Government Official Information and Meetings Act 1987 stating the reasons why the item was not on the agenda and why it cannot be dealt with at a subsequent meeting on the basis of a full agenda item. It is important to note that late items can only be dealt with when special circumstances exist and not as a means of avoiding or frustrating the requirements in the Act relating to notice, agendas, agenda format and content.

Should a late item be raised, the following recommendation is made: *That Ōtorohanga District Council accept the late item due to to be heard*

Declaration of conflict of interest**Te whakapuakanga pānga taharua**

Members are reminded to stand aside from decision making when a conflict arises between their role as an elected member and any private or external interest they may have.

A conflict can exist where:

- The interest or relationship means you are biased; and/or
- Someone looking in from the outside could have reasonable grounds to think you might be biased.

Should any conflicts be declared, the following recommendation is made: *That Ōtorohanga District Council receive the declaration of a conflict of interest from for item ... and direct the conflict to be recorded in Ōtorohanga District Council's Conflicts of Interest Register.*

Decision reports**Ngā pūrongo whakatau**

DISCLAIMER: The reports attached to this Open Agenda set out recommendations and suggested resolutions only. Those recommendations and suggested resolutions DO NOT represent Ōtorohanga District Council policy until such time as they might be adopted by formal resolution. This Open Agenda may be subject to amendment either by the addition or withdrawal of items contained therein.

Item 268 Water Services Delivery Plan adoption

To Ōtorohanga District Council

From Mark Lewis, Group Manager, Engineering and Assets

Type **DECISION REPORT**

Date 12 August 2025



1. Purpose | Te kaupapa

- 1.1. To adopt the Water Services Delivery Plan (WSDP) ahead of submission to the Secretary for Local Government (refer to Appendix 1 for Draft WSDP).

2. Executive summary | Whakarāpopoto matua

- 2.1. Ōtorohanga District Council (ŌDC) is required under the Local Government (Water Services Preliminary Arrangements) Act 2024 (WSPAA), to adopt a WSDP certified by the Chief Executive for submission to the Secretary for Local Government by 3 September 2025. A central component of the WSDP is the model ŌDC has selected for water services and the evidence that this model will meet the viability tests in the legislation for the delivery of water services.
- 2.2. After consulting the community, ŌDC decided¹ on 24 June 2025 to deliver water supply and wastewater services via Waikato Waters Ltd (WWL). Stormwater services, it was agreed, would continue to be delivered 'in-house'. This was followed by a decision² on 23 July 2025 to adopt the incorporation documents for WWL and sign the shareholder agreement (SHA).
- 2.3. ŌDC's decisions relating to water services have been incorporated into the district's WSDP. The Plan provides a detailed assessment of current and projected asset states, levels of service, regulatory compliance, financial statements, and revenue and investment requirements. It demonstrates that the proposed arrangements are viable and pass the legislative financial sustainability tests.

¹ Resolution C395

² Resolution C404

- 2.4. As required, the WSDP includes an implementation plan for transferring its water and wastewater assets and business to WWL. Arrangements for achieving full financial separation of stormwater services and prepare for economic regulation are also covered.
- 2.5. External consultants Beca, MARTINJENKINS and mafic have assisted ŌDC to assess its water services. Beca have reviewed the final draft WSDP and have provided a letter of assurance with respect to its contents (refer to additional information section of the draft WSDP).
- 2.6. Having satisfied the requirements of the legislation, it is recommended that ŌDC adopts the attached WSDP and directs the Chief Executive to certify and submit it to the Secretary for Local Government prior to the deadline of 3 September 2025.

3. Staff recommendation | Tūtohutanga a ngā kaimahi

That Ōtorohanga District Council:

- a) Notes that the Chief Executive is satisfied that, to the best of her knowledge, the information contained in the Ōtorohanga Water Service Delivery Plan (the Plan) complies with the Local Government (Water Services Preliminary Arrangements) Act 2024 and is true and accurate.
- b) Adopts the Plan, attached as Appendix 1 to this report and instructs the Chief Executive to certify and submit the Plan to the Secretary for Local Government.
- c) Authorises the Chief Executive to make minor changes to the Plan, if required, prior to its submission.

4. Context | Horopaki

Legislative Requirements

- 4.1. Under the WSPAA councils must prepare a WSDP for submission to the Secretary for Local Government no later than 3 September 2025. This is a 'one-off' requirement and the mechanism for councils to demonstrate that by 30 June 2028, water services for their district will be delivered in a way that—
 - a) Ensures all relevant regulatory quality standards for water services are met
 - b) Is financially sustainable
 - c) Ensures all drinking water quality standards will be met
 - d) Supports the housing growth and urban development, as specified in the council's long-term plan.

4.2. Specifically, WSDPs are to provide the following information covering a minimum 10-year period from 1 July 2024 to 30 June 2034:

- a) A description of the current state of its water services, current levels of water services provided, and the areas serviced
- b) The extent of compliance with regulatory requirements
- c) Required capital and operational expenditure
- d) Assessment of the current condition of the water services network
- e) Financial projections for at least the next 10 years
- f) The asset management approach being used
- g) Any issues, risks or constraints that impact on delivering water services
- h) An explanation of how revenue from water services will be separated from the council's other functions and activities
- i) A proposal to ensure that delivery of water services will be financially sustainable by 30 June 2028
- j) An implementation plan for delivering the proposed model for delivering water services
- k) The anticipated or proposed model or arrangement for delivering water services, and the consultation undertaken around this.

4.3. Prior to submission to the Secretary for Local Government the WSDP is required to be adopted by ŌDC and certified by the Chief Executive that the information it contains is true, accurate and compliant with the WSPAA.

Preferred Model Selection

4.4. Central to the WSDP are the decisions councils make for the future delivery of water services. Prior to developing its WSDP, ŌDC carried out a comprehensive analysis of its existing water services and future delivery options. In brief, this included:

- a) An independent assessment of the viability and sustainability of ŌDC's existing water services delivery arrangements and scoping of an in-house model with some refinements referred to as Enhanced Status Quo (ESQ)³ that complied with the government's Local Water Done Well (LWDW) policy directives and subsequent legislation

³ Prepared by BECA, MARTINJENKINS & mafic.

- b) Joining with six other councils under the banner of WWDW to investigate the merits of aggregating water services, regionally or sub regionally.
 - c) Setting clear objectives for water services and carrying out a three-step analysis to compare and analyse the advantages and disadvantages between the available water service models. The three-step process filtered the options available under the WSPAA based on ability to comply with the viability thresholds in the legislation (step 1) then analysed viable options against a set of weighted criteria (step 2). The third step in the process was analysing the viable options from a financial perspective.
- 4.5. After consulting the community⁴, ŌDC decided on 24 June 2025 to deliver water supply and wastewater services via Waikato Waters Ltd (WWL) because of the advantages of this model for the district. Stormwater services, it was agreed, would continue to be delivered 'in-house'. These decisions have informed the preparation of the WSDP.
- 4.6. Shortly after confirming its preferred model for the future delivery of water services ŌDC adopted the incorporation documents for WWL and signed the shareholder agreement (SHA).

5. Discussion | He kōrerorero

WSDP Development

- 5.1. ŌDC's draft WSDP (refer Appendix 1) has been developed utilising the template supplied by the Department of Internal Affairs (DIA). The Plan has been completed in-house with the support of Beca Engineering and Consultancy Services and having made the decision for water supply and wastewater to be delivered by WWL, ŌDC staff have working closely with the Waikato Water Done Well Establishment Team (WWDW Team) to populate the template.
- 5.2. The template is comprised of the following five sections which help ensure that the legislative requirements are sufficiently covered and allow the DIA to formally review and assess the proposals in the WSDP:
- a) Part A: statement of financial sustainability, delivery model, implementation plan and assurance
 - b) Part B: network performance
 - c) Part C: revenue and financing arrangements
 - d) Part D: financial sustainability assessment

⁴ Consultation was undertaken between 9 April and 6 May 2025.

e) Part E: projected financial statements for water services

- 5.3. Information in the WSDP has been collated from various documents including ŌDC's 2024/34 Long Term Plan (LTP), Infrastructure Strategy, 3 Waters Asset Management Plans and the Viability and Sustainability assessment undertaken by Beca/MARTINJENKINS/mafic. The WWDW Team have supplied both text relating to WWL and its establishment and financial information from 2027 onwards based on their modelling for the water supply and wastewater components of the WSDP.
- 5.4. As the transfer date for water and wastewater to WWL is not until 1 July 2027, ŌDC will retain responsibility for these services up until this date. Furthermore, ŌDC does not intend at this stage to have a service level agreement with WWL for stormwater (but this may be a matter for consideration in future years. In order to delineate these different arrangements in the WSDP, information relating to stormwater is discussed separately and the plan has two part D's – one for water supply and wastewater and the second part D for stormwater.

Assurance

- 5.5. As noted in 4.3 above, the WSDP is required to be adopted by ŌDC and certified by the Chief Executive that the information it contains is true, accurate and compliant with the legislation.
- 5.6. The development of the WSDP has been prepared with due care and diligence. In addition to undertaking a thorough process to select its preferred arrangement for water service, the information contained in the WSDP has been subject to various reviews by external parties.
- 5.7. External reviews undertaken in relation to the information supplied by the WWDW Team have included:
- a) An independent review of the financial model by the economic consultancy firm Infometrics. Key findings of this review were that the model meets government requirements, allows for better collaboration, provides for stronger negotiating power, enables costs to be spread over time (and users over time), shows that water infrastructure can be debt financed, and saves money⁵.
 - b) The information supplied by WWDW for inclusion in participating council's WSDPs has been submitted to DIA for preliminary feedback and minor amendments have subsequently been incorporated into the respective council's plans.

⁵ www.waikatowaters.co.nz/assets/Infometrics-Slide-Deck-Final-2025-05-07-WWDW.pdf

- 5.8. ŌDC staff have had the support of Beca⁶ during the preparation of its WSDP. The final draft version of the plan has also been reviewed by Beca and they have provided a letter of assurance to accompany the ŌDC WSDP (refer to additional information section of the Draft WSDP).
- 5.9. Pending adoption, it is proposed that all councils participating in WWDW will submit their WSDPs as one bundle to the Secretary for Local Government in mid-August 2025, which will help streamline the DIA's review process.

6. Considerations | Ngā whai whakaarotanga

Significance and engagement

- 6.1. Adoption of the WSDP is a matter of high significance. While there is no requirement under the WSPAA to consult on the WSDP, there is a requirement to consult on ŌDC's proposed model or arrangement for the delivery of water services.
- 6.2. Public consultation was undertaken on ŌDC's proposed model/arrangement between 9 April and 6 May 2025 using the streamlined 'alternative' process provided for in the WSPAA. Although streamlined, the consultation process and the engagement tools used by ŌDC were aligned with section 82 of the Local Government Act 2002 (LGA) – Principles of Consultation – to ensure the community had ample opportunity to participate in this important decision.

Impacts on Māori

- 6.3. ŌDC acknowledges the significance of water for Iwi/Māori and has sought to ensure that its future arrangements for the delivery of water services provide avenues for Iwi to be able to influence decisions relating to water (albeit within the confines of the legislation set by the government). The delivery model outlined in the WSDP supports this kaupapa.
- 6.4. The consortium of councils involved in WWDW have been united in their desire to strengthen and build on existing relationship with Iwi/Māori. An objective of these councils in the transition to the new service delivery regime is that there is an opportunity for WWL to:
- a) Benefit from strategic relationships with Iwi partners to deliver on its purpose
 - b) Build upon existing co-governance entities/authorities of the region.

⁶ Engineering and consultancy services.

Risk analysis

- 6.5. Risks associated with the WSDP are detailed in the draft Plan (refer to attached WSDP, risks and assumptions section).

Policy and plans

- 6.6. As discussed in 4.1 above, ŌDC must prepare a WSDP which must include the anticipated or proposed model or arrangements for delivering water services. Development of ŌDC's WSDP and submission, by the due date, to the Secretary for Local Government fulfils this requirement.
- 6.7. The Draft WSDP draws on and is aligned with from ŌDC's current LTP, Infrastructure Strategy and relevant asset management plans.

Legal

- 6.8. The Draft WSDP has been prepared in accordance with the requirements of the WSPAA.

Financial

- 6.9. Preparation of the Draft WSDP, including staff time, has been funded from Central Government funding, 'transition' funding.

7. Options analysis | Ngā kōwhiringa**Option 1: Adopt water services delivery plan**

- 7.1. This option complies with the legislation and ensures that ŌDC will meet statutory deadline of 3 September 2025 for submission of its WSDP to the Secretary for Local Government.

Option 2: Do not adopt water services delivery plan

- 7.2. This option breaches the legislative requirements of the WSPAA.

Recommended option and rationale

- 7.3. The preferred option is option 1. In recommending this option, staff are confident that the draft WSDP not only meets legislative requirements, it will also provide a solid foundation for the future delivery of water services for the district. This view is supported by the thorough process undertaken to prepare the plan and the independent scrutiny and subsequent endorsement by external parties of the final draft document.

8. Appendices | Ngā āpitihanga

Number	Title
1	Draft Water Services Delivery Plan - Ōtorohanga District Council



TE KAUNIHERA Ā-ROHE O
ŌTOROHANGA
DISTRICT COUNCIL

DRAFT WATER SERVICES DELIVERY PLAN

ŌTOROHANGA DISTRICT COUNCIL

DATE

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Overview of plan

1. As required by the Local Government Water Services (Preliminary Arrangements) Act 2024 (**PAA**), this water services delivery plan is submitted to the Department of Internal Affairs (**DIA**) to demonstrate council's current and future commitment to delivering financially sustainable and regulatory compliant water services.
2. In summary, the future services delivery model that has been adopted by this council is the Waikato Water Done Well model (**WWDW**). This is the largest grouping of councils coming together in the country. The Minister has recognised the leadership position that WWDW councils have taken in implementing Government policy. The approach taken to agree this model has been principle-based. Strong foundations for the model were set back in December 2024 with the signing of a Heads of Agreement by seven councils.
3. Under this model, this council will transfer responsibility for the delivery of drinking water and wastewater services to a water organisation that is jointly owned by the following councils:
 - Hauraki District Council
 - Matamata-Piako District Council
 - Ōtorohanga District Council
 - South Waikato District Council
 - Waipā District Council
 - Waitomo District Council
 - Taupō District Council¹

These councils (with the exception of Taupō District Council) are referred to as the **WWDW councils** in this plan.

4. This plan is materially based on the DIA water services delivery template with the following modifications:
 - Inclusion of an introductory section: giving context to how Waikato Water Done Well came into being
 - The duplication of Section D: one covers drinking water and wastewater services (prepared by WWDW for years 2027/28 to 2033/34) and the other covers stormwater services (prepared by Ōtorohanga District Council)

¹ Although Taupō District Council is a shareholder in the water organisation, it is under a particular share structure (described later below) and it has not committed to transferring responsibility for water services to the entity.

Introduction to Waikato Water Done Well

1. The Waikato is known nationally for its leadership in managing water to help ensure better long-term outcomes for the Waikato and Waipā rivers, Hauraki Coromandel rivers and Tīkapa Moana/Hauraki Gulf.
2. In July 2023, what is now referred to as Waikato Water Done Well was initiated by Waikato Iwi Chairs and Waikato Council Mayors². From this, the combined forum of Waikato Iwi Chairs and Mayors was formed (**Joint Forum**) and the Waikato Water Done Well programme of work was mandated. Over almost the last two years, councils have reflected on how they can strategically approach the delivery of water services to maximise both local and regional benefits.
3. Concurrently, under Local Water Done Well, all councils in New Zealand were required to develop a financially sustainable and regulatory-compliant model for delivering water services to their communities. Councils have been encouraged to consider how to meet the requirements of Local Water Done Well, including whether creating a jointly owned water organisation is the optimal structure for their communities.
4. To collectively address the identified common challenges, under Waikato Water Done Well, Waikato councils co-designed a proposed model for the delivery of water services. This model is centred around the vision of *Te Mana o Te Wai, Te Mana o Te Tangata | Healthy Water, Healthy People*. The vision establishes a foundation for strategic, results-oriented water services governance and delivery under which community benefits in the long term. The vision is captured in the company constitution of Waikato Waters, which has been established to deliver on the following strategic outcomes:
 - a) **Financial sustainability:** create scale and change (including through further Company expansion opportunities) to enable the significant investment required to deliver efficient and financially sustainable water services that comply with regulatory requirements and enable urban and commercial development.
 - b) **Leading workforce:** create the conditions to build and sustain a highly skilled, adaptable and world-leading water workforce that can innovate and collaborate to drive outcomes for the part of the Waikato region serviced by the Company (and in collaboration (where practicable) with other service providers in the wider region).
 - c) **Customer focus:** be customer-focused, leveraging new technologies, while also building customer awareness of their role in the water system and the value of water.
 - d) **Local influence:** ensure local voice is represented in critical decision-making around water investment and management across the region, including decisions in relation to water takes and water discharges.
 - e) **Delivering on expectations:** meet the expectations of key partners and stakeholders including those represented in Treaty settlements and applicable joint management agreements.
 - f) **Health and the environment:** protecting public health and the environment.
5. At the core of the model is a move towards a catchment-based approach to the health of water. By working together, there is the opportunity to get a better return on financial investment and achieve better outcomes in terms of the health of water bodies.
6. Waikato Waters provides a future-focused opportunity that transcends boundaries, allowing councils to show leadership in water services delivery for generations to come, with a unified voice and increased scale. This

² This included the Chair of the Waikato Regional Council.

strategic opportunity to work together for the benefit of communities and the wider region was recognised during negotiations with reference to the whakatauhāki by the late King Tāwhiao:

“Ki te kotahi te kākaho, ka whati; ki te kāpuia,
e kore e whati.”

When a reed stands alone it is
vulnerable, but a group of reeds together is
unbreakable.

7. Following public consultation, each of the WWDW councils have adopted the WWDW service delivery model and established the multi-council owned limited liability company, Waikato Waters, for the purpose of providing drinking water and wastewater services across their respective service area.
8. To manage the risk of multiple council businesses coming together in Waikato Waters, the WWDW councils have agreed that they will transfer their respective water services business into Waikato Waters in a staggered manner over a 12-month period from 1 July 2026 to 1 July 2027. Although transfer will be staged, the framework for transferring will be consistent as each WWDW council has committed via the Shareholders Agreement to:
 - a) entering into a template transfer agreement with Waikato Waters within an agreed timeframe before a council is due to transfer its business to Waikato Waters
 - b) completing that agreement in accordance with set transfer principles.
 - c) Ōtorohanga District Council has resolved to transfer to Waikato Waters on 1 July 2027
9. An objective of the WWDW councils is that, as part of the transition into Waikato Waters, there is an opportunity for Waikato Waters (and its shareholding councils) to:
 - a) benefit from strategic relationships with Iwi partners to deliver on its purpose (and identify cost effective solutions to resource consents); and
 - b) build upon existing co-governance entities / authorities of the region.

Part A: Statement of financial sustainability, delivery model, implementation plan and assurance

Statement that water services delivery is financially sustainable

Statement that water services delivery is financially sustainable

Financially sustainable water services provision

Drinking Water and Wastewater Services

Ōtorohanga District Council has determined that drinking water and wastewater services will be provided in its district by it transferring responsibility to a multi-council owned water organisation. The water organisation is a limited liability company with the name Waikato Waters. It was incorporated on 24 July 2025. The company constitution is available online [New Zealand Companies Register](#). At the date of submission of this plan, Waikato Waters is equally owned by the following councils:

- Hauraki District Council
- Matamata-Piako District Council
- Ōtorohanga District Council
- South Waikato District Council
- Waipā District Council
- Waitomo District Council
- Taupō District Council³

These councils and the company have entered into a shareholders' agreement (**SHA**) documenting their respective rights and obligations as shareholders. A copy of the SHA is attached as **Appendix 1**.

Waikato Waters is the delivery model that will deliver drinking water and wastewater services across council's service area in a manner that is financially sustainable by 30 June 2028.

The financial sustainability projected by Waikato Waters is supported by:

- Detailed financial modelling carried out to support council decision-making
- An independent review carried out by Brad Olsen of Infometrics
- Detailed information included in Parts B and Part D of this plan.

The findings of the independent review of the Waikato Water Done Well financial model by Infometrics for drinking water and wastewater are that the model:

- Meets government requirements
- Reasonably reflects the financial benefits of collaboration means stronger negotiating power
- Enables costs to be spread over time (and users over time)
- Shows that water infrastructure can be debt financed, and most importantly saves money.

³ Although Taupō District Council is a shareholder in the water organisation, it is under a particular share structure (described later below) and it has not committed to transferring responsibility for water services to the entity.

Statement that water services delivery is financially sustainable

Transitional arrangements:

Each council committed to transferring its water services business into the entity will enter into a transfer agreement which will have a completion date. The completion dates are staged with the first three councils completing their transactions (and transferring their business) on 1 July 2026, a further in October 2026 and the last two transferring on 1 July 2027.

The intended completion dates (also referred to as Agreed Transfer Dates) for each council are set out in section 2 below. Until a council transfers its water services business into Waikato Waters, the council remains responsible for the delivery of water services in accordance with its Long-Term Plan or relevant Annual Plan. In addition, between now and the date of transfer, councils have made contractual commitments in the SHA to continue to operate their water services in a manner that complies with all statutory obligations and to engage with Waikato Waters in relation to matters that are defined as “**Major Decisions**” (a framework for this is set out in a schedule to the SHA). This ensures Waikato Waters is aware of any Major Decisions that occur between the SHA and the date a business is transferred to it and so there are ‘no surprises’.

Waikato Waters will be governed by an independent Board of Directors who will provide governance oversight in relation to the implementation of a detailed establishment plan and adherence to shareholding council obligations to ensure the financially sustainable position is safeguarded.

Ōtorohanga District Council can confirm that Waikato Waters is projected to meet the financial sustainability requirements, in accordance with Part D (drinking water and wastewater), specifically:

- Proposed waters revenue is sufficient to cover the costs of delivering (and servicing of increased borrowing capacity) the relevant services, including sufficient infrastructure investment and best positions councils to meet increasing regulatory requirements.
- The proposed level of investment outlined in this water services delivery plan is sufficient to meet the level of service, regulatory requirements and provide for growth. The proposed level of investment can be funded through the forecast revenues and increased debt headroom. The ability to deliver the capital delivery programme is dependent upon the ability of the civil contracting market to respond. As noted by Brad Olsen in his review of WWL, by aggregating with other councils, there is greater negotiating leverage and Waikato Waters becomes a more attractive contracting partner, as well as having the scale to drive future development of the local supply chain.

The projected borrowings for Waikato Waters are within the covenants WWDW understand will apply to it under LGFA guidance.

Stormwater Services

Ōtorohanga District Council will continue to deliver operations and maintenance activities for both urban and rural stormwater services. Minor capital works (fitting, mechanical and electrical) are expected to be delivered internally while major capital projects will be outsourced with in-house project management. External providers may include Waikato Waters Limited or other suitably qualified providers.

The financial sustainability projected by Ōtorohanga District Council for the stormwater activity is supported by:

- Detailed financial modelling carried out to support council decision making (viability and sustainability report carried out by Martin Jenkins and Beca).
- Detailed information included in Part B and D of this plan.

The financial modelling confirms that the stormwater activity will meet legislative requirements and be financially sustainable by 30 June 2028.

Proposed delivery model

Proposed model to deliver financially sustainable water services

The proposed model to deliver water services

Description of Delivery Model - Water and Wastewater

As noted above, Waikato Waters is a limited liability company that is owned by the councils listed in section 1. It is established as a water organisation within the meaning of the relevant legislation. As a council owned entity, Waikato Waters is a council-controlled organisation (CCO).

The overarching purpose of Waikato Waters is to achieve specific strategic outcomes (as set out in the Introduction section above) and provide consistent and improving water service levels and resilience across the whole of the area serviced by it. The vision for establishing Waikato Waters is Te Mana o Te Wai Te Mana o Te Tangata | Healthy Water Healthy People.

Waikato Waters provides the legal structure into which the relevant people, processes and systems will transfer from each council (on their respective pre-agreed date) and start working together to operationally deliver water services.

The transfer of council businesses into Waikato Waters will be staggered. The date on which each council (including this council) will transfer its business is:

1 July 2026	1 Oct 2026	1 July 2027
Waipā DC	Matamata-Piako DC	Hauraki DC
South Waikato DC		Ōtorohanga DC
Waitomo DC		

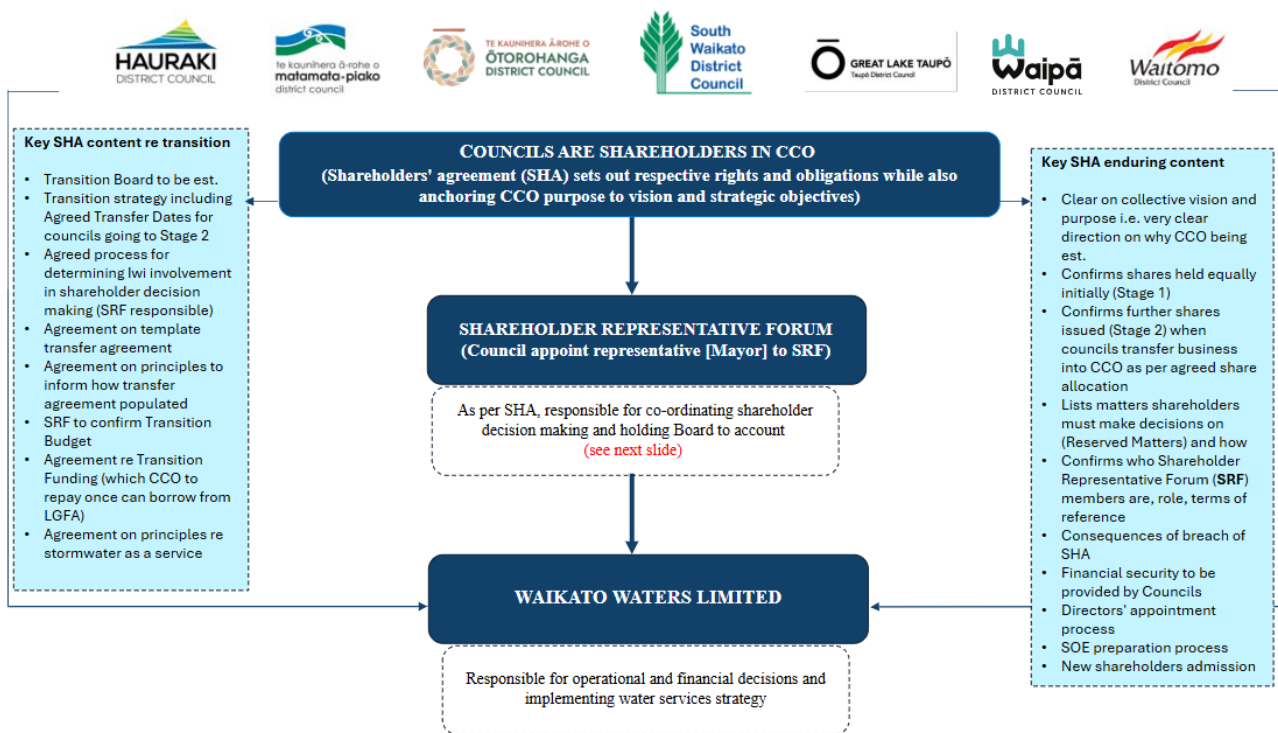
In accordance with legislative requirements, the transfer of responsibility will be implemented through a transfer agreement setting out the infrastructure, related assets and liabilities (including debt) transferring from the council to Waikato Waters. There is also a process to transition identified employees. The organisational structure is still under development and cannot be provided at this time.

To ensure a smooth and safe transition of each council's business into the CCO, planning for each transfer will be undertaken in accordance with agreed principles and processes. A detailed establishment plan provides the framework for ongoing preparation for the "go-live" date of 1 July 2026.

Within the Waikato Waters Shareholding Agreement (SHA), each council has acknowledged that the success of Waikato Waters rests on each complying with their commitments to it and each other (including the development and delivery of their respective water delivery plans). Further details of what has been agreed are included, where relevant further below in this plan.

From the transfer date, Waikato Waters will become the water services provider responsible for water services in councils service area. Further shares will be issued to council at that time based on the total number of water connections in their service area. This will be reviewed in a manner set out in the SHA to ensure the allocation of shares remains current.

Proposed model to deliver financially sustainable water services



The focus of Waikato Waters in the first decade will be on building capability, capacity, resilience and stability for future success. This water entity positions councils to work smarter for customer and environmental benefits by changing how things are currently done to achieve better outcomes for their communities. A diagram of the structure and a summary of the content of the SHA is included above.

Why was Waikato Water Done Well chosen

For some time, it has been clear that the manner in which water services are delivered needs to change. With increased regulation and ring-fencing requirements, across several districts, rates affordability is getting stretched. Furthermore, costs of infrastructure are rising and there is an increased need for infrastructure to meet the growing population and for timely renewals to replace aging plant and pipes. With the future in mind, it became evident to a number of Waikato councils that the status quo was no longer sustainable.

These factors led to the genesis of Waikato Water Done Well with councils and lwi coming together to identify how to collectively address shared challenges and maximise the ability to realise opportunities. The agreed solution to these challenges and opportunities was the co-design of a joined-up approach for drinking water and wastewater services.

The financial modelling shows that an aggregated approach, bringing together water services across much of the region, can deliver water services at a lower per-household cost than going it alone. In addition to the financial benefits, Waikato Waters provides a future-focused opportunity that transcends boundaries, allowing councils to show leadership in water services delivery for the benefit of generations to come, with a unified voice and scale.

At the core of the model is a move towards a catchment-based approach to the health and wellbeing of water. This is referred to as Smart Consenting. By working together, there is the opportunity to get a better return on financial investment and achieve better outcomes in terms of the health of water bodies and ensuring that public health is protected.

Proposed model to deliver financially sustainable water services

A significant factor in the design of the Waikato Water Done Well model has been its ability to address local concerns and to be customer focused – this includes making water services comparatively more affordable for the community, while meeting compliance standards. Two key components to managing affordability are:

- a) the long-term efficiencies that can be generated across operating and capital costs by aggregating several councils' water activities together. The efficiencies that can be achieved from scale are greater than those that a standalone council can generate
- b) the ability of Waikato Waters to access greater borrowing and so unlock additional financing over and above what a standalone council can unlock. The access to higher debt levels enables the cost of investments to be spread over long life assets (some of which have a lifespan of 75-100 years) and across the generations who use them.

Achieving statutory objectives is expected of all water services providers (whether it be a council or a CCO). The design of the Waikato Water Done Well CCO aligns with the new water service delivery model under Local Water Done Well. This means Waikato Waters is well positioned to meet the statutory objectives of a water service provider and operate under the new water services system in a transparent and accountable manner.

All councils will have to invest in operational change to align with the new water services system. The Waikato Water Done Well CCO allows councils to strategically plan for this change in a way that meets regulatory requirements but more so, enables the councils to collectively borrow more, combine long-term work programmes to create efficiency and invest in infrastructure that is needed now without having to increase rates significantly.

By taking a collective approach and being able to draw in and use a catchment of assets, efficiencies can be gained. Through scale, the value of the work on offer to the contracting market is also larger, meaning a jointly owned entity will have more leverage to negotiate with its suppliers.

In summary, this model was chosen as it is better for our people, our places and our communities:

1. better water and wastewater delivery
2. better public health and environmental outcomes
3. better affordability
4. better data and analysis
5. better value for investment
6. better work planning

Water services revenue – ring-fenced and future revenue

Water services revenues for drinking water and wastewater will be ringfenced as this will be the sole source of revenue for Waikato Waters.

Waikato Waters will only start to charge for drinking water and wastewater services once councils have transferred their business into it. Accordingly, from a ring-fencing perspective, the following stages will apply:

- **1 July 2025 to 1 July 2026:** water services will be provided and charged for by councils in accordance with council Long Term Plans or Annual Plans.
- **From a council's agreed date of transfer through to application of the first water services strategy (no later than 1 July 2027):** Waikato Waters will (subject to exceptions set out in the SHA) implement pricing as follows:
 - Maintain differential pricing across shareholding councils who have completed the transfer of their business)

Proposed model to deliver financially sustainable water services

- Ensure Drinking water and wastewater charges are no higher than forecast by the shareholding council for the purpose of financial modelling (assuming the same operating environment)
- Billing continues consistent with how the shareholding council currently bills.
- **By December 2026** (i.e. 6 months before the first water services strategy is due) shareholders will agree a combined Statement of Expectations to inform the water services strategy.
- A core shareholder expectation is that when setting prices in the first water services strategy, the Board will target a price path lower than the status quo projected by a shareholder in its enhanced status quo.
- **No later than 1 July 2027:** the water services strategy (including pricing) will be adopted by the Board for the period up until 30 June 2030 (informed by Statement of Expectations).

Billing arrangements

Under the template transfer agreement, it is agreed that councils will bill customers on behalf of Waikato Waters and collect charges including development contributions and development agreements for drinking water and wastewater. The charges will then be passed to Waikato Waters in accordance with the services agreement which forms part of the transfer agreement. This is expected to be a short-term arrangement until the CCO implements its own billing system. Costs of shared services will be ring-fenced by council and charged to Waikato Waters in accordance with the terms of the service agreement.

Councils will bill using existing invoice templates and Waikato Waters will ensure that the amount being charged for water is transparent and publicly available. It will also be published annually as required by legislation.

Description of Delivery Model - Stormwater

Ōtorohanga District Council delivers stormwater services to both Ōtorohanga and Kāwhia. Services are also provided to a limited extent to the community of Aotea.

- The Ōtorohanga stormwater network is made up 20.5kms of pipes and 4.5kms of open drains which works in tandem with the Ōtorohanga Flood Protection Scheme's stopbanks and pump stations to protect property and prevent erosion.
- The Kāwhia stormwater system consists of 3.4km of pipes, 0.5km of open drains and one small pump station located in a low-lying area.
- Aotea's stormwater assets consist mainly of soakage devices and overland flow soaking through the sand base.

Across the district, directing stormwater from/under roads is managed as a part of our land transport group of activities.

Council is retaining the delivery of stormwater activities and will continue to perform this service in-house in the following manner:

- Minor capital works (fitting, mechanical and electrical) are to be delivered internally
- Major capital projects will be outsourced with in-house project management. External providers may include Waikato Waters Limited or other suitably qualified providers.

Stormwater services revenue – ring-fenced and future revenue

The stormwater activity is currently ringfenced and meets regulatory requirements.

- Stormwater revenues are spent on stormwater services

Proposed model to deliver financially sustainable water services

- Stormwater charges and expenses are transparent and accountable – charges and expenses include all operational expenditure including depreciation and interest along with allocated overheads as per Ōtorohanga's overhead allocation model.

This is achieved by:

- Financial statements for stormwater are consistent and reconcilable
- Revenue (including rates) for stormwater are separately identifiable from other revenues
- Stormwater revenues are spent on stormwater services, not other council business
- Any cash surpluses for stormwater are retained for future expenditure on stormwater (via separate balance reserve).
- Stormwater internal borrowing is repaid via stormwater revenue i.e. stormwater depreciation and stormwater development contributions.

Why was In-house delivery chosen

Unlike water and wastewater services, the delivery of stormwater is catchment specific requiring detailed local knowledge of both terrain and microclimate. Stormwater also inextricably linked with Council's flood protection assets, parks and drainage related to the roading network. Together these assets protect people and property from the effects of flooding and other forms of water damage.

With good local knowledge and strong relationships between Council's teams, it was thought that the current arrangements with respect to stormwater would provide for a more integrated approach for the delivery of this activity.

Although the activity will be retained in-house Ōtorohanga, as with all the other Waikato Waters Ltd shareholder councils, have the option to have their stormwater functions delivered by Waikato Waters Ltd, via a service level agreement.

Billing arrangements

No significant changes are anticipated to the way stormwater revenue is currently charged and collected. Revenue will continue to be collected via a targeted rate (90-100%) and development contributions (0-10%). The only change will likely be the use of a specific targeted rate, rather than through a more general targeted rate.

Implementation plan

Implementing the proposed service delivery model

The proposed model to deliver water and wastewater

- Waikato Waters has been incorporated with strong foundational documentation (SHA and constitution) in place.
- By signing the SHA, the WWDW councils have contractually committed to:
 - transferring their water business on an agreed transfer date
 - completing a Transfer Agreement with Waikato Waters based on a common template that will be populated in accordance with agreed transfer principles
 - continuing to operate water services until their transfer date in compliance with statutory obligations and their relevant LTP (or latest annual plan)
 - between the date of signing the SHA and the date of transfer, engage with Waikato Waters in relation to specific matters (set out in the Major Decisions schedule to the SHA) so that councils and Waikato Waters are operating in accordance with the principle of no surprises
- Schedule 3 of the SHA includes the Establishment Strategy which sets out the establishment objectives and principles to inform the establishment plan.
- Based on this, a detailed establishment plan has been developed and approved, together with an establishment budget approved by the Shareholder Representative Forum. The establishment plan includes a consistent approach to change management including governance leadership, impact and readiness assessments, and regular monitoring and management of change, and stakeholder management.
- An independent establishment Board has been appointed to provide governance oversight over the establishment plan implementation.
- An establishment team has been established with a single focus on ensuring all steps are taken for Waikato Waters to become operational on 1 July 2026.

Albeit that each of the WWDW councils are submitting a single water services delivery plan, the following matters are noted in relation to the joined-up approach to water services:

- Assets and debt associated with stormwater will remain with councils, but it is expected that Waikato Waters will undertake stormwater management functions under a service agreement with those councils who seek this.
- Councils will continue to set the strategic priorities and direction for Waikato Waters. These matters will be captured in the combined Statement of Expectations.
- Waikato Waters has the following structure (which aligns with legislative requirements):
 - Shares can only be held by a council: they cannot be sold or transferred and so the water organisation cannot be privatised.
 - A visual of the ownership structure and how Shareholding Councils will hold the Waikato Water Done Well CCO to account is included in section 2 above.
 - Waikato Waters will be / is governed by a professional board of directors with the necessary skills, knowledge and experience to guide it and contribute to the achievement of its strategic outcomes and objectives.

- Other than the initial directors, all board appointments have been competency based informed by a board skills matrix. A copy of the matrix agreed by councils is appended to the SHA.
- A Shareholder Representative Forum has been established at which each council has a voice. This forum is working with Iwi chairs to develop a proposal regarding their role in shareholder decision-making for each council's approval.
- A decision-making framework has been developed to ensure there is clarity on:
 - a) matters that will be brought to Shareholding Councils for decision making
 - b) how the shareholders will make those decisions at the Shareholder Representative Forum
 - c) there is a strong emphasis on decisions being made by consensus. If consensus is not achieved, then depending on the matter for decision making, voting is by number of shareholders or percentage of votes or both.
- Waikato Waters sees the value in working with others at the right time. There is an agreed process for other councils to join the entity as shareholders where all existing Shareholding Councils agree.

The proposed model to deliver stormwater services

Operational services and minor capital works for stormwater will continued be delivered by Council in-house. Major capital works will be contracted out to appropriate providers project managed by Council staff. Provision will made to ensure that these services are ringfenced as discrete activities prior to 30 June 2028.

Consultation and engagement

Consultation and engagement undertaken

Waikato Water Done Well

WWDW is the outcome of 18 months collaboration by participating councils and the Iwi Chairs Forum – initially begun as a conversation about how to better deliver water services across the Waikato region.

The seven participating councils signed a Heads of Agreement in December 2024 to explore the WWDW model so they could put it forward as ONE of the options being considered for the future delivery of water services in their district.

Following public consultation, seven councils have adopted the WWDW service delivery model and established the resulting entity⁴ Waikato Waters. The company will provide drinking water and wastewater services across the service area of each of the councils once they transfer their business to it. Taupō District Council has not committed to transferring its business to Waikato Waters but is a shareholder of Waikato Waters in a limited capacity. This enables it to gain some of the benefits of the waters CCO but also gives other councils the benefit of scale. They are keeping water services delivery in-house until their decision is revisited within the next two years. Each of the participating councils identified and assessed at least two options and made this information available in their consultation documents.

None of the councils are intending to undertake any additional consultation on their chosen option (other than Taupō District Council who has committed to reviewing its position in 2 years).

A generic website (www.waikatowaters.co.nz) supporting consultation was made available for all councils and public to access more detailed WWDW information including the WWDW Heads of Agreement, CCO proposal, financial modelling, and the background and legislative requirements of LWDW.

Ōtorohanga District Council

Following the enactment of the WSPAA ŌDC developed a communication plan and set up a web page to inform and engage the community about LWDW and the action Council was taking to prepare its WSDP. It also took the opportunity to brief key stakeholders such as mana whenua and rural water scheme users as opportunities arose. Having completed its analysis of water service options, formal consultation on its preferred option (WWDW) was undertaken from 9 April to 6 May 2025. A range of engagement tactics were deployed immediately prior to and during the consultation period including:

- Publication of a consultation document (CD) titled 'Kōrero Wai – Let's Talk Water, Local Water Done Well'
- Mayoral and Elected Member led public meetings at Arohena, Ōtorohanga and Kāwhia as well as targeted briefings for mana whenua and Rural Water Scheme Committees
- A set of Frequently Asked Questions (FAQs) for succinct answers to common questions on LWDW and ŌDC's proposed water service delivery arrangements were also provided via the website.
- Newspaper and social media channels were also used to alert the public that consultation was being undertaken.

⁴ Again, noting that Taupo DC is a shareholder in a limited capacity.

Consultation and engagement

Hearings were held on 27 April and all submissions were deliberated on 10 June with Council making its final decision on the water service delivery model for inclusion in its WSDP on 24 June 2025. Essentially, its decision was to:

- a) Become a Stage One shareholder in WWL
- b) Transition to becoming a Stage Two shareholder for the delivery of water supply and wastewater services in 2027/28 on the proviso that the district was no worse off - financially and operationally than it would be under its enhanced in-house model (Enhanced Status Quo Model)
- c) Continue delivering district stormwater services 'in-house' in a manner compliant with legislative requirements.

The caveat of 'no worse off' relating to transitioning to becoming a Stage Two shareholder was based on preliminary information and modelling which suggested the WWDW model was less advantageous for the district under a worst-case scenario. Council's reasoning for making the proviso was fully disclosed to the WWDW Project Team and its council colleagues.

The Heads of Agreement (HoA) initially signed by the participating Waikato councils and preliminary drafts of the shareholders agreement (SHA) would have allowed some room for ŌDC's to exercise its caveat should circumstances require. However, during the development of the foundation documents for WWL, which were not finalised until after the consultation process was complete, the collective thinking on the basis for councils joining or leaving WWDW were further refined. As a consequence, the ability for ŌDC to fully exercise its caveat with respect to becoming a Stage Two shareholder diminished and, although possible, is likely to come with substantive costs.

To enable WWL to be incorporated, participating councils were required to sign the SHA in July 2025. ŌDC took the view that although the worst-case scenario modelled by WWDW presents some risk for Council, this scenario is not anticipated and the significant advantages of WWDW for the district outweighed the possible threat this scenario may pose. On the 23rd of July 2025, Council resolved⁵ to approve the incorporation of WWL with ŌDC being one of the shareholders of that company. In doing so it acknowledged that the final SHA presented did not contain a clause that would specifically allow for its caveat, as previously resolved on 24 June.

ŌDC, alongside its colleagues, is now a shareholder of WWL.

⁵ Refer to Ōtorohanga District Council resolution C404 for full wording.

Assurance and adoption of the Plan

Assurance and adoption of the Plan

Council resolution to adopt the Plan

This plan was adopted by the Ōtorohanga District Council on 12 August 2025. A copy of the resolution passed in relation to the adoption of this plan is attached as **Appendix 2**. For completeness, a copy of the resolution agreeing to the establishment of Waikato Waters Limited dated 23 July 2025 is attached as **Appendix 3**

Certification of the Chief Executive of Ōtorohanga District Council

Ōtorohanga District Council has prepared its WSDP in-house, working closely with the Waikato Water Done Well programme team.

In order to determine its preferred model for the delivery of water services Council has undertaken its own three-step analysis to compare and analyse the differences and similarities between the water service models investigated. The three-step process filtered the water service delivery options available under the Local Government (Water Services Preliminary Arrangements) Act 2024 on the basis of ability to comply with the viability thresholds in the legislation (step 1) then analysed the viable options against a set of weighted criteria (step 2). The third step in the process was analysing the viable options from a financial perspective.

Information in this Plan has been collated from various documents including Council's 2024/34 Long Term Plan, Infrastructure Strategy, and relevant Asset Management Plans. In preparing this plan, Council has been supported by Beca, MartinJenkins and Mafic. This included an independent assessment of viability and sustainability of Council's existing water services and modelling of an option for Council based on the delivery of water services in-house with some refinements to comply with the LWDW legislation (Enhanced Status Quo model). Beca has also reviewed this WSDP and the scope of the services performed is included in **Appendix 3**.

In relation to drinking water and wastewater, Council has also been supported by the Waikato Water Done Well programme team in the completion of specific aspects of this plan namely, Part A, relevant Parts of C(1) and (2) and Part D (drinking water and wastewater). The risks to the delivery of these water services are set out in the relevant section below, together with the mitigating actions that are being taken. The ability to deliver on this water services delivery plan is dependent upon these mitigating actions being effective. This will be a matter for the Board of Waikato Waters and the executive leadership to drive. Waikato Waters has been created to put each shareholding council in a better position to address the challenges than if it were to go it alone.

Subject to the above, I certify that to the best of my knowledge, and after having made all reasonable enquiry (including the assurance set out above), the information contained in this water services delivery plan:

- complies with the Local Government (Water Services Preliminary Arrangements) Act 2024, and
- is true and accurate.

Signed: _____
Name: Tanya Winter
Designation: Chief Executive
Council: Ōtorohanga District Council
Date: _____

Part B: Network performance

Investment to meet levels of service, regulatory standards and growth needs

Investment required in water services

Serviced population

Current population serviced by Ōtorohanga District Council

The district population is largely rurally based (69.9%), supported by the two main urban areas - Ōtorohanga township and the Aotea/Kāwhia community. District population in 2023 was estimated to be 10,900. Population growth is expected to continue albeit gradually. By 2048, resident population is projected to be 12,656 with a corresponding growth in households from 3,872 in 2024 to 4,644 by 2048 (20% increase) (LTP 2024-2034).

Recent developments are expected to add to residential growth in Ōtorohanga town:

1. The completion of the Waikeria Prison expansion, this facility is to the north of Ōtorohanga and the district's comparably low property values, (against neighbouring Waipā District), will may appeal to the new permanent workforce.
2. Completion of stage 1 and 2 of the NKC subdivision on Harper Avenue will see the start of construction of an additional 80 dwellings and with the expected completion of stage 3 and 4 in 2024-25 an additional 40 homes will be built.

For Kāwhia township, the number of permanent residents is estimated to be 339 people. Holiday season populations are however much higher. While accurate data is not currently available, the best assessment of the temporary peak population is in the order of 3,000 residents for the two to three weeks of Christmas, and often 2,000 during other holiday periods. (Ōtorohanga DC Wastewater and Stormwater AMP 2024).

Unserviced communities

Aotea, population of approximately 78, is the only small community that is not serviced by Council except for a small amount of stormwater roading infrastructure. The community does have a small private water supply servicing part of the coastal village but no wastewater services, relying on septic tank systems.

Similarly, Kāwhia has no wastewater system although it is serviced with reticulated water and stormwater. Over the last few years, the provision of wastewater services has been investigated but this work has not progressed beyond the feasibility/concept stage given the substantive cost to install the service and the difficulties with disposal of treated effluent, which most likely needs to be land based.

Investment required in water services

Table 1: Water Supply Projected Service Populations

Projected serviced population	FY2024/25	FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30	FY2030/31	FY2031/32	FY2032/33	FY2033/34
Serviced population	6024	6045	6068	6089	6112	6233	6156	6180	6201	6224
Total residential connections (including rural households)	2,317	2,325	2,334	2,342	2,351	2,359	2,368	2,377	2,385	2,394
Total non-residential connections	290	290	290	290	290	290	290	290	290	290

Table 2: Wastewater Projected Service Populations

Projected serviced population	FY2024/25	FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30	FY2030/31	FY2031/32	FY2032/33	FY2033/34
Serviced population	3606	3619	3632	3647	3660	3673	3686	3699	3712	3725
Total residential connections	1,387	1,392	1,397	1,403	1,408	1,413	1,418	1,423	1,428	1,433
Total non-residential connections	160	160	160	160	160	160	160	160	160	160

Table 3: Stormwater Projected Service Populations

Projected serviced population	FY2024/25	FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30	FY2030/31	FY2031/32	FY2032/33	FY2033/34
Serviced population	5202	5203	5203	5204	5204	5205	5206	5206	5208	5207
Total residential connections	1823	1823	1823	1823	1823	1823	1824	1824	1824	1824
Total non-residential connections	178	178	178	178	178	178	178	178	178	178

Data Sources: 2024 LTP projections

Investment required in water services

Serviced areas

Serviced areas and asset overview

Water supply

Ōtorohanga District Council's water supply networks, currently serve the Ōtorohanga and Kāwhia urban communities and the defined rural supply areas (RWS) of Waipā, Tihiroa and Arohena. Council also administers a stock-water only rural scheme in the Ranginui area

The urban areas of Kāwhia and Ōtorohanga have their own water schemes – around 1500 connections in Ōtorohanga and 470 in Kāwhia – a total of 114.2 km of pipeline and 7 reservoirs (capacity 4,100m³). The Ōtorohanga water supply is drawn from the Waipā River and treated. The Kāwhia water supply is drawn from local springs and treated.

The four rural water schemes collectively supply 232 properties and are comprised of 165 km of pipeline, and 11 reservoirs with a total capacity of 2,993m³. Water is supplied on a controlled ('trickle-feed') basis. The Waipā Rural Water Scheme is supplied via the Ōtorohanga Treatment Plant, with the other schemes drawing water from local rivers/streams.

Council has identified five issues that will have a significant impact on the way water supply is managed into the future:

1. Climate Change – weather patterns, natural hazards and resilience.
2. Growth – the impact of a growing community.
3. Asset Data Capture – understanding what we have so we can make informed decisions.
4. Resourcing - to advance an ambitious capital works programme.
5. Affordability – meeting government expectations of compliance continues to increase cost to Council to operate water supplies, especially in the rural areas with small rating base. Assets reaching the end of useful life over the next 10 years will require continued investment.

The schematic below shows the layout of the water supply systems. Note: Ranginui is non potable – stock water only and is excluded from the WSDP.

Otorohanga District Water Supplies

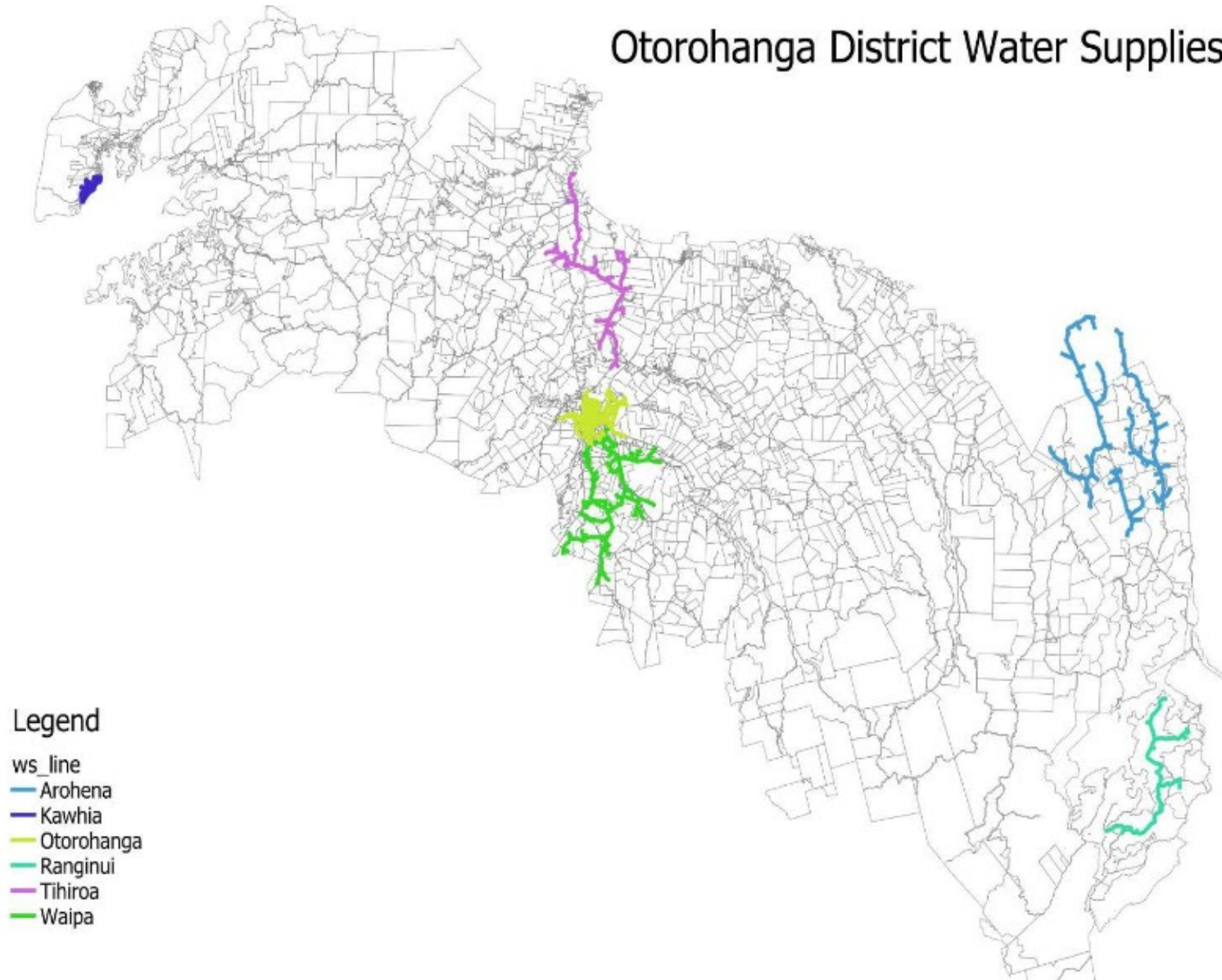


Figure 1: Ōtorohanga District Water Supply Network

Investment required in water services

Stormwater

The Ōtorohanga stormwater system and the Kāwhia stormwater system, in general, service only the defined community area. In Ōtorohanga Township the system includes the flood protection scheme. Drainage outside of the urban communities is managed by Waikato Regional Council.

The Ōtorohanga stormwater system is comprised of 4 main catchments covering a total area of 166Ha (population circa 2,000). Stormwater is drained by gravity into the Waipā River via 20.5km of pipes and 4.5km of open drains unless river levels are high and then discharge is pumped through flood pumps under the stopbanks at three main locations - Huipūtea Drive, Mair Street and Ōtewā Road.

The Kāwhia stormwater system is comprised of 5 main catchments with a total area of 150Ha (population circa 384). Stormwater is drained by gravity to the Kāwhia Harbour via 3.4km of pipes and 0.5km of open drains, with one small pump station in a low-lying area.

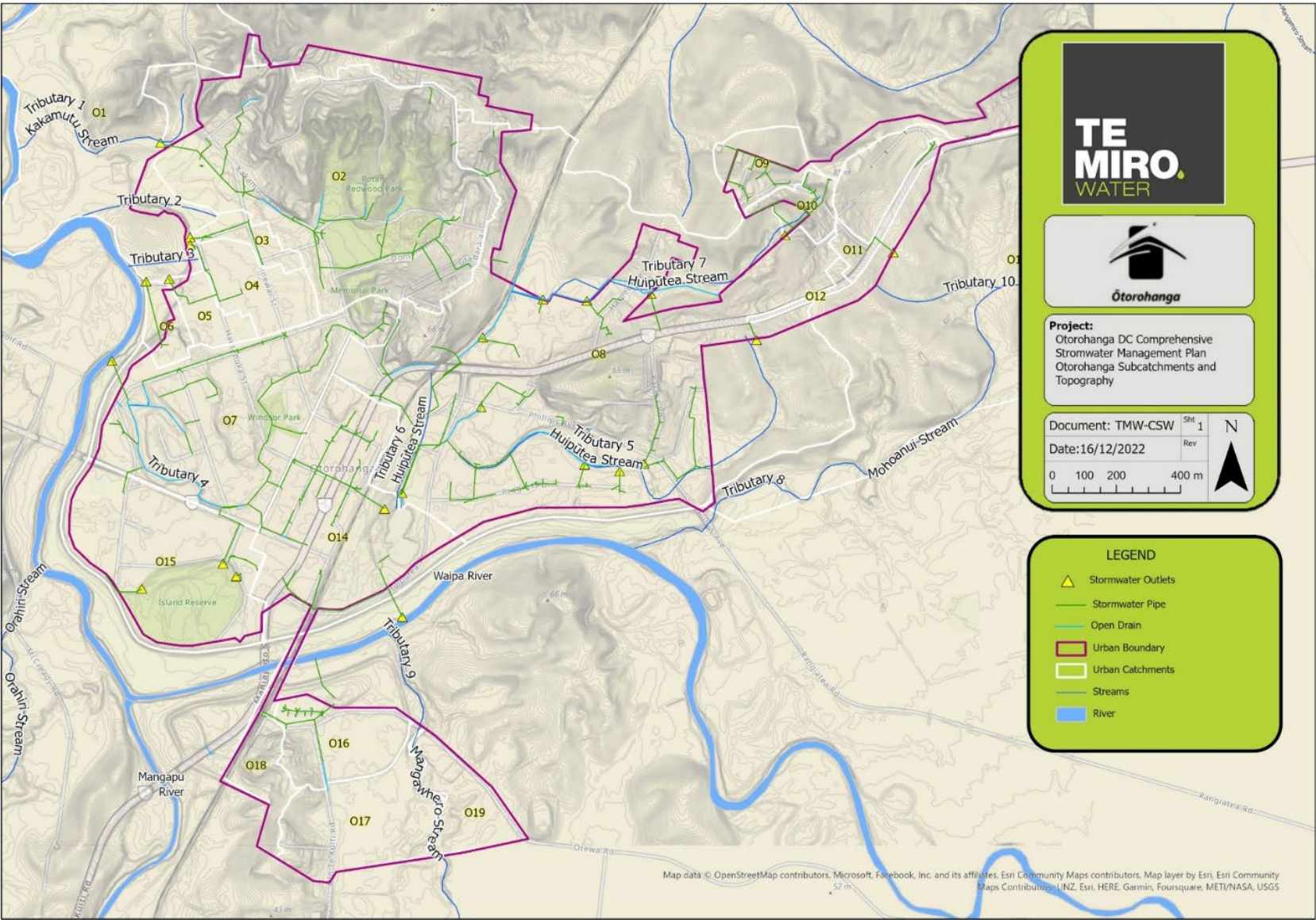


Figure 3: Ōtorohanga Stormwater Catchments and System



Figure 4: Kāwhia Stormwater Catchments and reticulated stormwater network

Levels of service

The following tables summarise performance against levels of service and non-financial DIA mandatory performance measures.

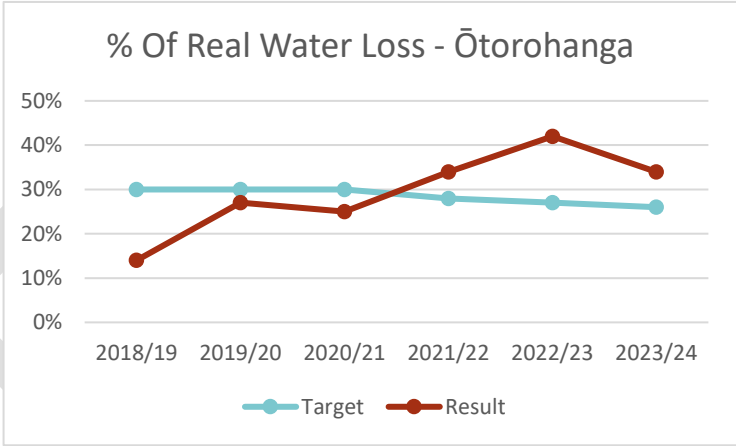
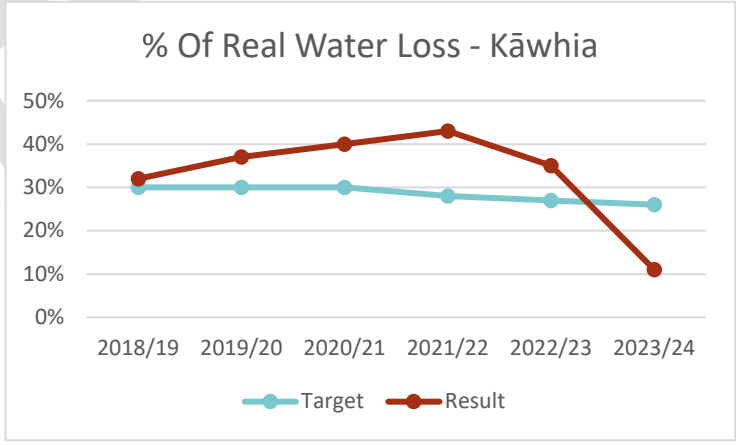
Water supply

Overall, customer complaint levels are consistently higher than the target. Investment in mains renewals is underway to reduce complaints related to breaks. Many of the complaints are related to water quality and pressure which are often resolved via flushing or repairs.

Table 4: Water Supply Levels of Service Performance

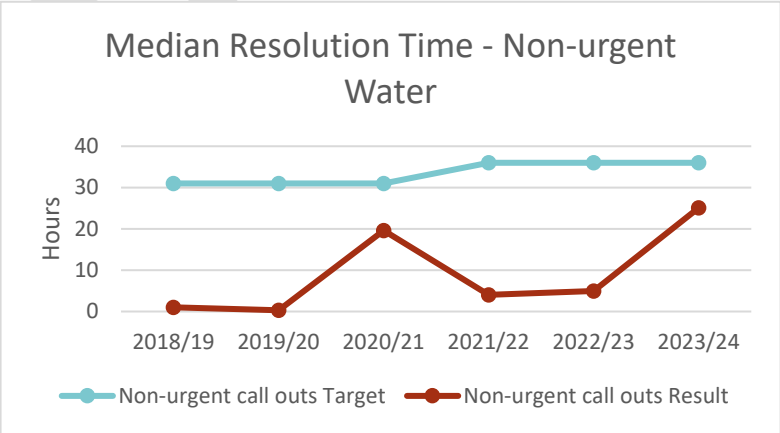
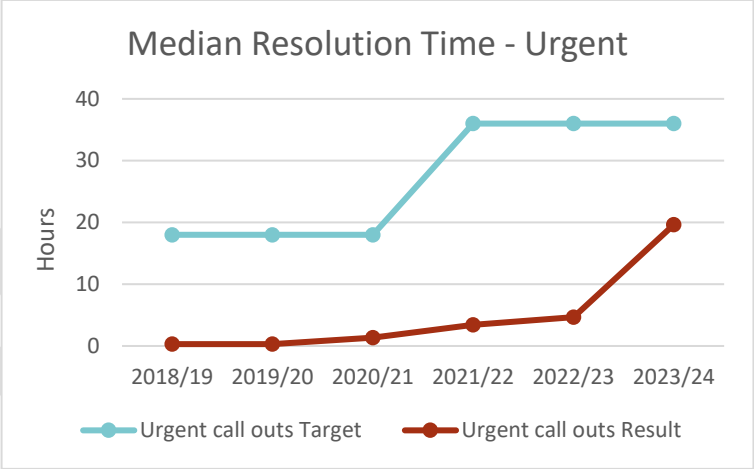
Level of Service	Performance Measure	2022/23 Result	2023/24 Result	Target 2024-2034
Safety of drinking water	DIA measure: The extent to which the local authority's drinking water supply complies with: Part 4 of the drinking- water standards (bacteria compliance criteria); and Part 5 of the drinking- water standards (protozoal compliance criteria).	Partially achieved. The year was split into two using both the DWS & DWQAR's. Ōtorohanga and Kāwhia were both partially non-compliant due to technical issues with the sampling schedule. Tihiroa RWS was compliant for both protozoal and bacterial compliance under the DWS but was non-compliant under DWQAR's. Kahorekau, Huirimu & Taupaki supplies were non-compliant at the treatment plant but compliant in the distribution zone under the DWS, under the DWQAR's the supplies are non-compliant. All 3 supplies are under permanent boil water notice	Partially achieved. Ōtorohanga - Complies with Part 4 and Part 5 Kāwhia - non-compliant with Part 4 and Part 5 DWQAR - Tihiroa was partially compliant for the reporting year, compliant in the distribution zone but non-compliant at the treatment plant. Kahorekau, Huirimu & Taupaki were partially compliant for the reporting year, compliant in the distribution zone but non-compliant at the treatment plant	No public health Incidents related to drinking water quality

Investment required in water services

Maintenance of the reticulation network	<p>DIA measure:</p> <p>The percentage of real water loss from the local authority's networked reticulation system (including a description of the methodology used to calculate this)</p>	<div><p>% Of Real Water Loss - Ōtorohanga</p><table border="1"><thead><tr><th>Year</th><th>Target</th><th>Result</th></tr></thead><tbody><tr><td>2018/19</td><td>30%</td><td>15%</td></tr><tr><td>2019/20</td><td>30%</td><td>28%</td></tr><tr><td>2020/21</td><td>30%</td><td>25%</td></tr><tr><td>2021/22</td><td>28%</td><td>35%</td></tr><tr><td>2022/23</td><td>27%</td><td>42%</td></tr><tr><td>2023/24</td><td>26%</td><td>34%</td></tr></tbody></table></div> <p>Percentage of real water loss in Ōtorohanga has not met the target due to leaks in the network. A large leak detection project was done in 2023/24 has started to bring this down. Further work in the network continues to locate leaks to repair.</p> <div><p>% Of Real Water Loss - Kāwhia</p><table border="1"><thead><tr><th>Year</th><th>Target</th><th>Result</th></tr></thead><tbody><tr><td>2018/19</td><td>30%</td><td>32%</td></tr><tr><td>2019/20</td><td>30%</td><td>37%</td></tr><tr><td>2020/21</td><td>30%</td><td>40%</td></tr><tr><td>2021/22</td><td>28%</td><td>43%</td></tr><tr><td>2022/23</td><td>27%</td><td>35%</td></tr><tr><td>2023/24</td><td>26%</td><td>11%</td></tr></tbody></table></div> <p>In the past the Kāwhia network has not met the percentage of real water loss due to leaks in the network. In 2023/24, a leak detection programme was carried and leaks were reduced to below target. A large number of the leaks were found to be on private property, only discoverable once water meters were installed.</p>	Year	Target	Result	2018/19	30%	15%	2019/20	30%	28%	2020/21	30%	25%	2021/22	28%	35%	2022/23	27%	42%	2023/24	26%	34%	Year	Target	Result	2018/19	30%	32%	2019/20	30%	37%	2020/21	30%	40%	2021/22	28%	43%	2022/23	27%	35%	2023/24	26%	11%
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<p>Fault response times</p>	<p>DIA measure:</p> <p>Where the local authority attends a call-out in response to a fault or unplanned interruption to its networked reticulation system, the following median response times are measured:</p> <p>Time between call and site attendance for urgent and non-urgent call-outs:</p> <p>Time between call and actual resolution of urgent and non-urgent call-outs</p>	<div data-bbox="1160 113 1892 611"> <h3>Median Attendance time - Urgent</h3> <table border="1"> <thead> <tr> <th>Financial Year</th> <th>Urgent call outs Target (Hours)</th> <th>Urgent call outs Result (Hours)</th> </tr> </thead> <tbody> <tr> <td>2018/19</td> <td>3.5</td> <td>1.0</td> </tr> <tr> <td>2019/20</td> <td>3.5</td> <td>0.4</td> </tr> <tr> <td>2020/21</td> <td>3.4</td> <td>1.2</td> </tr> <tr> <td>2021/22</td> <td>1.5</td> <td>2.5</td> </tr> <tr> <td>2022/23</td> <td>1.5</td> <td>1.0</td> </tr> <tr> <td>2023/24</td> <td>1.5</td> <td>2.2</td> </tr> </tbody> </table> </div> <p>Attendance times are not meeting target for the urgent call outs due to inconsistent or incomplete recording of details in the service request system.</p> <p>Response times for non-urgent call outs and resolutions times for all call outs are consistently meeting targets.</p>	Financial Year	Urgent call outs Target (Hours)	Urgent call outs Result (Hours)	2018/19	3.5	1.0	2019/20	3.5	0.4	2020/21	3.4	1.2	2021/22	1.5	2.5	2022/23	1.5	1.0	2023/24	1.5	2.2
Financial Year	Urgent call outs Target (Hours)	Urgent call outs Result (Hours)																					
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2022/23	1.5	1.0																					
2023/24	1.5	2.2																					
		<div data-bbox="1151 782 1899 1249"> <h3>Median Attendance time - Non-urgent</h3> <table border="1"> <thead> <tr> <th>Financial Year</th> <th>Non-urgent call outs Target (Hours)</th> <th>Non-urgent call outs Result (Hours)</th> </tr> </thead> <tbody> <tr> <td>2018/19</td> <td>26</td> <td>65</td> </tr> <tr> <td>2019/20</td> <td>26</td> <td>12</td> </tr> <tr> <td>2020/21</td> <td>25</td> <td>6</td> </tr> <tr> <td>2021/22</td> <td>18</td> <td>2</td> </tr> <tr> <td>2022/23</td> <td>18</td> <td>1</td> </tr> <tr> <td>2023/24</td> <td>18</td> <td>3</td> </tr> </tbody> </table> </div>	Financial Year	Non-urgent call outs Target (Hours)	Non-urgent call outs Result (Hours)	2018/19	26	65	2019/20	26	12	2020/21	25	6	2021/22	18	2	2022/23	18	1	2023/24	18	3
Financial Year	Non-urgent call outs Target (Hours)	Non-urgent call outs Result (Hours)																					
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2022/23	18	1																					
2023/24	18	3																					

Investment required in water services



Investment required in water services

Customer satisfaction	<p>DIA measure:</p> <p>The total number of drinking water complaints per 1000 connections received by the local authority about any of water clarity; water taste; pressure or flow; continuity of supply; and the local authority’s response to any of these issues</p>	<p>Complaints per 1000 connections Water</p> <table border="1"><thead><tr><th>Year</th><th>Target</th><th>Result</th></tr></thead><tbody><tr><td>2018/19</td><td>5</td><td>32</td></tr><tr><td>2019/20</td><td>5</td><td>20</td></tr><tr><td>2020/21</td><td>5</td><td>23</td></tr><tr><td>2021/22</td><td>5</td><td>45</td></tr><tr><td>2022/23</td><td>5</td><td>19</td></tr><tr><td>2023/24</td><td>5</td><td>18</td></tr></tbody></table>	Year	Target	Result	2018/19	5	32	2019/20	5	20	2020/21	5	23	2021/22	5	45	2022/23	5	19	2023/24	5	18
Year	Target	Result																					
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Demand Management	<p>Average consumption of drinking water per day per resident within the Ōtorohanga District</p>	<p>Average consumption L per day Water</p> <table border="1"><thead><tr><th>Year</th><th>Target</th><th>Result</th></tr></thead><tbody><tr><td>2018/19</td><td>380</td><td>280</td></tr><tr><td>2019/20</td><td>380</td><td>380</td></tr><tr><td>2020/21</td><td>300</td><td>400</td></tr><tr><td>2021/22</td><td>300</td><td>260</td></tr><tr><td>2022/23</td><td>300</td><td>270</td></tr><tr><td>2023/24</td><td>300</td><td>290</td></tr></tbody></table> <p>Water meters were installed in 2016 in Ōtorohanga and install was completed for Kāwhia in 2024.</p>	Year	Target	Result	2018/19	380	280	2019/20	380	380	2020/21	300	400	2021/22	300	260	2022/23	300	270	2023/24	300	290
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2023/24	300	290																					

Investment required in water services

Wastewater

The performance of wastewater reticulation in Ōtorohanga is good, with failures or blockages of main sewers being moderate. All significant wastewater pump stations are monitored by telemetry and have back-up pumps, and hence, pump failures normally have little impact on performance. Sewerage overflows are rare, (typically one event per year), and are of limited volume and generally result from very abnormal circumstances such as severe floods, electrical supply failures or damage from careless contractor.

Odour, system faults and response to issues are all within target acceptance levels and have improved in recent years. An abatement notice was received for Ōtorohanga WWTP in 2023/24 for the unauthorised discharge of contaminants. Actions were undertaken to resolve the issues in the notice and an improvement programme is in place with the wastewater plant now consistently meeting compliance targets.

Table 5: Wastewater Levels of Service Performance

Level of Service	Performance Measure	2022/23 Result	2023/24 Result	Target 2024-2034																					
Safe, reliable wastewater treatment and disposal system which minimises public health risks and environmental impact.	<p>DIA measure:</p> <p>The number of dry weather sewerage overflows from the territorial authority’s sewerage system, expressed per 1000 sewerage connections to that sewerage system</p>	<div><p>Number of dry weather overflows per 1000 connections Wastewater</p><table><tr><th>Year</th><th>Result</th><th>Target</th></tr><tr><td>2018/19</td><td>0</td><td>0</td></tr><tr><td>2019/20</td><td>3</td><td>0</td></tr><tr><td>2020/21</td><td>0</td><td>0</td></tr><tr><td>2021/22</td><td>2</td><td>0</td></tr><tr><td>2022/23</td><td>5</td><td>0</td></tr><tr><td>2023/24</td><td>0</td><td>0</td></tr></table></div> <p>Number of dry weather overflows per 1000 connections has not met target in the past due to blockages in the wastewater network. With the recent and ongoing work to renew and upgrade the wastewater network reductions are expected.</p>			Year	Result	Target	2018/19	0	0	2019/20	3	0	2020/21	0	0	2021/22	2	0	2022/23	5	0	2023/24	0	0
Year	Result	Target																							
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Investment required in water services

	<p>DIA measure:</p> <p>Compliance with consents for discharge from the Ōtorohanga sewerage system measured by the number of:</p> <ul style="list-style-type: none">a) Abatement noticesb) Infringement noticesc) Enforcement ordersd) Convictions, received by council in relation to those resource consents.	0 non-compliance actions	1 non-compliance actions	0 non-compliance actions																					
<p>We will provide emergency response to sewage overflows, to minimise risk of safety to persons or damage to property.</p>	<p>DIA measure:</p> <p>Where the territorial authority attends to sewerage overflows resulting from a blockage or other fault in the territorial authority’s sewerage system, the following median response times are measured:</p> <ul style="list-style-type: none">a) Attendance time: from the time that the territorial authority receives notification to the time that service personnel reach the site	<div><p>Median Response Time - Attendance</p><table><tr><th>Financial Year</th><th>Attendance Target (Hours)</th><th>Attendance Result (Hours)</th></tr><tr><td>2018/19</td><td>0.5</td><td>1.0</td></tr><tr><td>2019/20</td><td>0.5</td><td>0.5</td></tr><tr><td>2020/21</td><td>0.5</td><td>1.3</td></tr><tr><td>2021/22</td><td>0.5</td><td>1.2</td></tr><tr><td>2022/23</td><td>0.5</td><td>1.3</td></tr><tr><td>2023/24</td><td>0.5</td><td>1.5</td></tr></table></div> <p>Attendance times are not meeting target due to inconsistent or incomplete recording of details in the service request system. Resolution times are consistently meeting the target (refer to graph below).</p>			Financial Year	Attendance Target (Hours)	Attendance Result (Hours)	2018/19	0.5	1.0	2019/20	0.5	0.5	2020/21	0.5	1.3	2021/22	0.5	1.2	2022/23	0.5	1.3	2023/24	0.5	1.5
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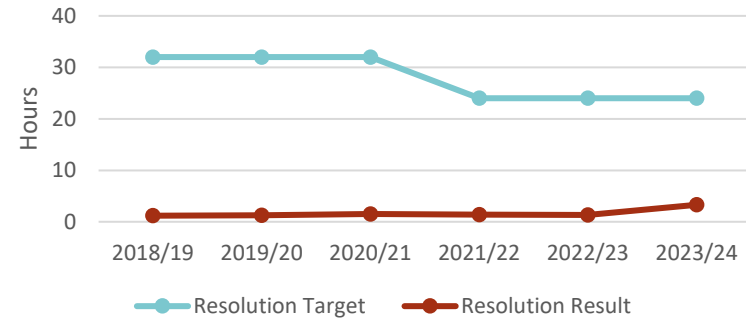
Investment required in water services

DIA measure:

Where the territorial authority attends to sewerage overflows resulting from a blockage or other fault in the territorial authority's sewerage system, the following median response times are measured:

- b) resolution time: from the time that the territorial authority receives notification to the time that service personnel confirm resolution of the blockage or other fault

Median Response Time - Resolution



We will provide satisfaction to our customers

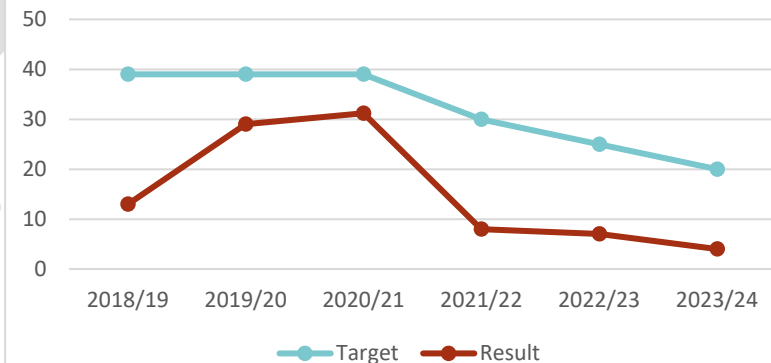
DIA measure:

The total number of complaints received by the local authority for any of the following:

- a) Sewage odour;
- b) Sewerage system faults
- c) Sewerage system blockages
- d) The council's response to issues with the sewerage system.

These are expressed per 1,000 connections to the Council's sewerage system.

Total Complaints per 1000 Connections



Investment required in water services

Stormwater

No flood events were recorded in the 2022/23 and 2023/24 years. The number of complaints is within the target acceptance levels.

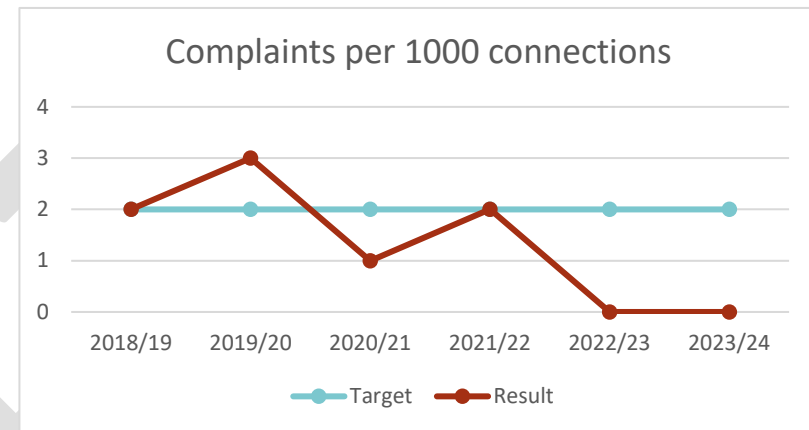
Table 6: Stormwater Levels of Service Performance

Level of Service	Performance Measure	2022/23 Result	2024 Result	Year 2-10 LTP Target
Provision of a safe and reliable stormwater system which minimises flooding and environmental impact.	DIA measure: The number of flooding events that occur in a territorial authority district. A flooding event refers to an overflow of stormwater that enters a habitable floor (meaning a building, including a basement, but does not include garden sheds or garages).	Achieved (0 events)	Achieved (0 events)	0 Flooding events
	DIA measure: For each flooding event, the number of habitable floors affected. (Expressed per 1000 properties connected to the territorial authority's stormwater system.)	Achieved (no habitable floors affected)	Achieved (no habitable floors affected)	0 Habitable floors affected
	DIA measure: The median response time to attend a flooding event, measured from the time that the territorial authority receives notification to the time that service personnel reach the site.	N/a – no flooding events	N/a – no flooding events	<4hrs 30min

Investment required in water services

DIA measure:

The number of complaints received by a territorial authority about the performance of its stormwater system, expressed per 1000 properties connected to the territorial authority's stormwater system (.).



DIA measure:

Council's stormwater compliance with resource consents for discharge from its stormwater system measured by the number of:

- a) abatement notices;
- b) infringement notices;
- c) enforcement orders;
- d) convictions received in relation to those resource consents

Achieved

Achieved

0 non-compliance actions

Investment required in water services

Assessment of the current condition and lifespan of the water services network

Table 7: Asset Current Condition and Network Lifespan

Parameters	Drinking supply	Wastewater	Stormwater
Average age of Network Assets	25.0 years	31.2 years	24.65 years
Critical Assets	Treatment Plants, Supply Reservoirs, Trunk Mains supplying a major portion of customers	1 Treatment Plant and Wetlands, 14 Pump Stations,	Stopbanks, pump stations
Above ground assets <ul style="list-style-type: none"> • Treatment plant/s • Percentage or number of above ground assets with a condition rating • Percentage of above –ground assets in poor or very poor condition 	6 Potable water treatment plants 95.9% 0.7%	1 wastewater treatment plant 92.4% 1.5%	16 stormwater pump stations 32% 0.0%
Below ground assets <ul style="list-style-type: none"> • Total Km of reticulation • Percentage of network with condition grading • Percentage of network in poor or very poor condition 	242.3km 79.8% 7.8%	50.5km 94.5% 0.4%	29.8km pipes, 5.0km open drains 90.8% 0.9%

Average Age

The average age of water services network assets is based on average pipeline age. Much of the pipework was installed in the 70's and 80's.

Condition of Network Assets

Renewals planning for pipes is determined mostly on the theoretical end of life of the asset and CCTV inspections for wastewater

Investment required in water services

Water Supply

Operations teams identify any poor condition above ground assets such as pump stations, reservoirs, pipe bridges and treatment plants.

Based on age, very few water mains need to be replaced in the next 10 years as much of the pipework was installed in the 70's and 80's. Most pipes requiring replacement in the next 30 years are made from Asbestos cement (AC). AC pipes pose a resilience problem for council as they become brittle with age and are prone to longitudinal cracking making repairs difficult.

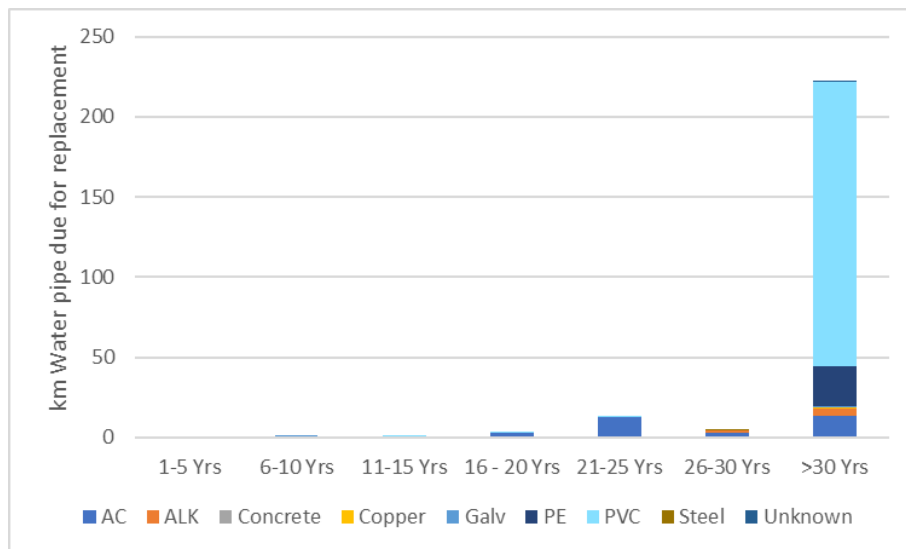


Figure 5: Drinking water network replacement requirements by pipe type

Wastewater

The assets have been condition rated through a desktop assessment, with some pipes also assessed via CCTV inspections. Critical assets such as pipe bridges, pump stations and treatment plants have condition assessments completed regularly. Within the network few wastewater pipes are due for replacement based on age but 15km of Earthenware (GEW), steel and AC pipe are expected to require replacement in 11-15 years time. Significant wastewater upgrades took place between 2021-2025 with two new pump stations and 3km of sewer main either replaced or relined.

Investment required in water services

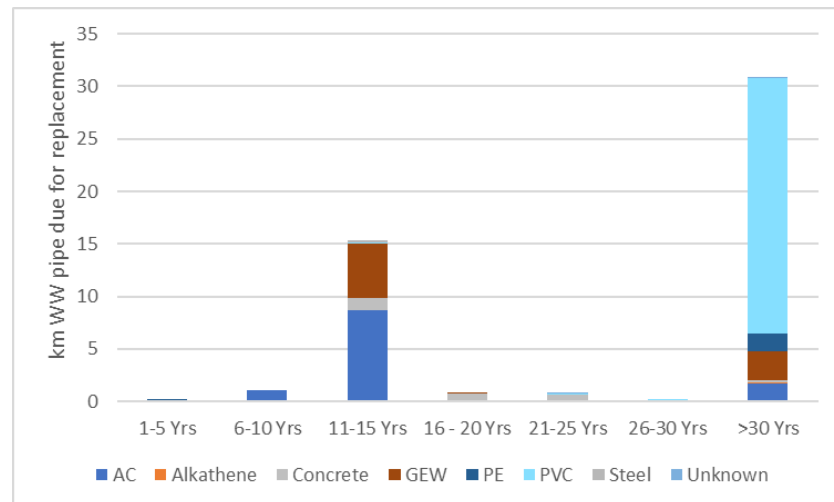


Figure 6: Wastewater network replacement requirements by pipe type

Stormwater

The stormwater network is the newest of the three waters, with minimal pipe reaching the end of its life over the next 10 years. There is some missing information on the condition and material for the stormwater assets. Most of the pipe network is concrete.

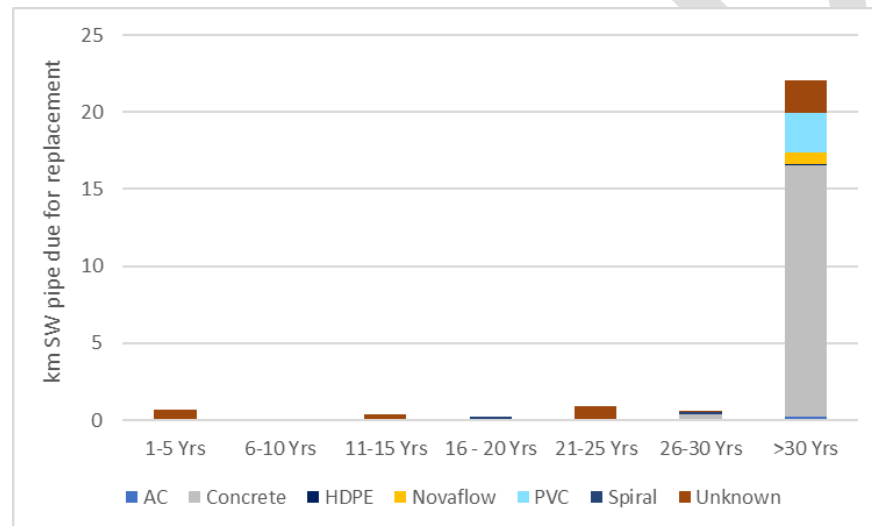


Figure 7: Stormwater network replacement requirements by pipe type

Critical Water Services Assets

Council developed a process to prioritise and programme asset renewals. Verifying, correcting and improving the data contained in the AssetFinda programme has enabled staff to align renewal budgets with long run averages in a scientific manner thus improving budgeting accuracy and confidence levels.

Water Supply

Water treatment plant and pump station assets have been proactively upgraded to meet the Drinking Water Quality Assurance Rules through a combination of government stimulus funding and continued locally funded investment. All assets receive routine planned maintenance, and except for critical water safety assessment tools such as Chlorine Analysers or UV bulbs that are replaced as per manufacturers recommendations, components are replaced typically based upon evidence of impending failure, or other observed performance deficiencies.

Water reticulation assets such as water mains and associated valves and hydrants receive programmed maintenance such as periodic flushing (pipes) and open-close operation (valves). Renewals of these items are based upon observed performance deficiencies or other evidence of advanced deterioration.

Since 2014, the water services team have used an Asset Information Officer (previously Technical Services Officer), whose principal role is to make use of asset management software to manage asset management and replacement in a more effective manner. This improvement has been driven by a desire to meet level of service requirements and more effectively manage operating and maintenance costs.

Wastewater

Pump Station and Wastewater Treatment Assets are subject to routine planned maintenance and inspection, and are renewed on an 'as needed' basis, typically based upon evidence of impending failure, or other observed performance deficiencies. The extent to which assets are allowed to approach failure before renewal is dependent on asset type, with failure of smaller, non-critical or easily replaced assets being considered acceptable.

Since all pump stations have relatively small duplicate pumps, for which replacement units or parts can be easily sourced, it is not considered unacceptable for such units to work to the point of failure. However, this does not mean that maintenance is not carried out to get the most useful life out of pumps.

There has been a focus to have consistency in design, make and model of pumps so Council has the ability to move pumps around the network if needed to in an emergency situation to reduce the risk on overflows during pump failures.

Council has not evaluated each pipe link or pump station in terms of the individual risk failure they would create. Instead, Council uses the criteria below to determine the priorities for replacement or redundancy, (enabling an alternative flow path), where budgets limit which pipes can be replaced in any financial year:

- Pipe diameter and depth of the mains. Trunk mains are a higher priority than laterals, and pipes in trenches over 1.5m deep require significantly more time and controls to replace than those in 1.4m or shallower trenches.
- Health and safety impacts, e.g. loss of service to medical centre, emergency services, schools, playgrounds, parks, community halls, etc.

Investment required in water services

Stormwater

Stormwater has not had significant renewal programmes over the last few years but there have been improvements carried out during developments. Over the next 10 years renewals will continue at a modest rate.

CCTV of wastewater reticulation will continue as part of the stormwater infiltration investigation, or where regular problems have occurred in some sections of pipeline.

Investment required in water services

Asset management approach

Existing service delivery mechanisms

Existing service delivery mechanisms are:

- In-house – All water services operations are primarily managed by the Water Services team located within the Council's Engineering & Assets Group. A Water Services Manager leads a team delivering operations and maintenance, and compliance. Asset Management is done by the Asset & Technical Support team and project management is done by the Projects Team.
- Outsourced delivery
 - Co-Lab shared services provides sampling and analysis for water, wastewater and stormwater
 - Specialist services such as electrical and mechanical repairs, backflow testing and CCTV
 - Contracts for renewals and upgrades.

Proposed service delivery mechanisms

Water Supply and Wastewater

From 1 July 2027 the service delivery model for water supply and wastewater will be the responsibility of Waikato Waters. As part of the establishment phase Waikato Waters will be developing and implementing an asset management policy and strategy. The Asset Management Policy will be Waikato Waters commitment to manage its assets. It will describe the principles and responsibilities that the entity applies to its asset management practices.

Implementation of the Asset Management Policy will support the delivery of Waikato Waters strategic outcomes. The Strategy will guide how the entity will manage assets, in order to deliver drinking water and wastewater services to the community. It will set asset management objectives and describe the asset management system.

Investment required in water services

Stormwater

Under the proposed delivery model, day-to-day stormwater management would be integrated into either Community Facilities or Roothing, both of which currently include stormwater functions within their operational scope. Specifically, rooding would continue to manage the stormwater assets within rooding area, while community facilities would oversee flood protection measures and stormwater retention areas.

Capital Works Planning

Major capital works will be coordinated by the project delivery team, or undertaken jointly with neighbouring councils or Waikato Waters Ltd. The exact structure of this collaboration is still under consideration, but a plan will be in place by 1 July 2027.

Contracted Services and Service Level Agreements

It is expected that a portion of routine operations will be outsourced to local water firms under formal service level agreements. This includes assessing the potential incorporation of the Waikato Waters Ltd service level agreement.

Monitoring and Resource Allocation

Sampling and monitoring functions will continue to be managed by Co-Lab. Additional staff resources will be evaluated and potentially deployed as plans are refined in the lead-up to 1 July 2027.

Existing and proposed asset management systems

Asset information is captured and stored in the AssetFinda software programme, valuations are also run through the AssetFinda system. AssetFinda is an advanced Asset Management System that utilises three key interfaces: Web, GIS and mobile devices e.g. iPads and smart phones, to help us improve our asset management practices. AssetFinda is fully compliant with National Asset Management Standards (NAMS) and national asset accounting standards. Operational technologies include SCADA systems and Water Outlook.

Ōtorohanga District Council has also invested in a dedicated Asset Team to ensure the asset management system and planning around it are fully utilised. There are no plans to change asset management systems, but this will be reviewed as part of the new service delivery arrangements.

Stormwater

Asset management responsibilities will remain within the Engineering Group, consistent with the current arrangements for stormwater.

Supporting asset management policy or framework

The infrastructure strategy sets out Ōtorohanga District Councils approach to asset management. Our approach is to apply a sound management philosophy and to keep the wheels turning while paying attention to resilience.

Investment required in water services

Criteria for asset renewal

When deciding to renew an asset several factors are considered, but not all factors are necessary to reach a decision, it may only be one factor that determines the renewal or not. Criteria for renewal include:

- Criticality
- Age, condition, cost
- Service requests, poor performance, community feedback and staff input
- Consideration of other projects, road renewals, developments
- Risk of failure

Although a lot of asset management is data driven, it still requires a sense check by staff to make sure the data is accurate and onsite assessment validates the data. Our data for the three waters is fair to good. The creation of the new asset team has started the process to achieve ideal industry standards of asset management.

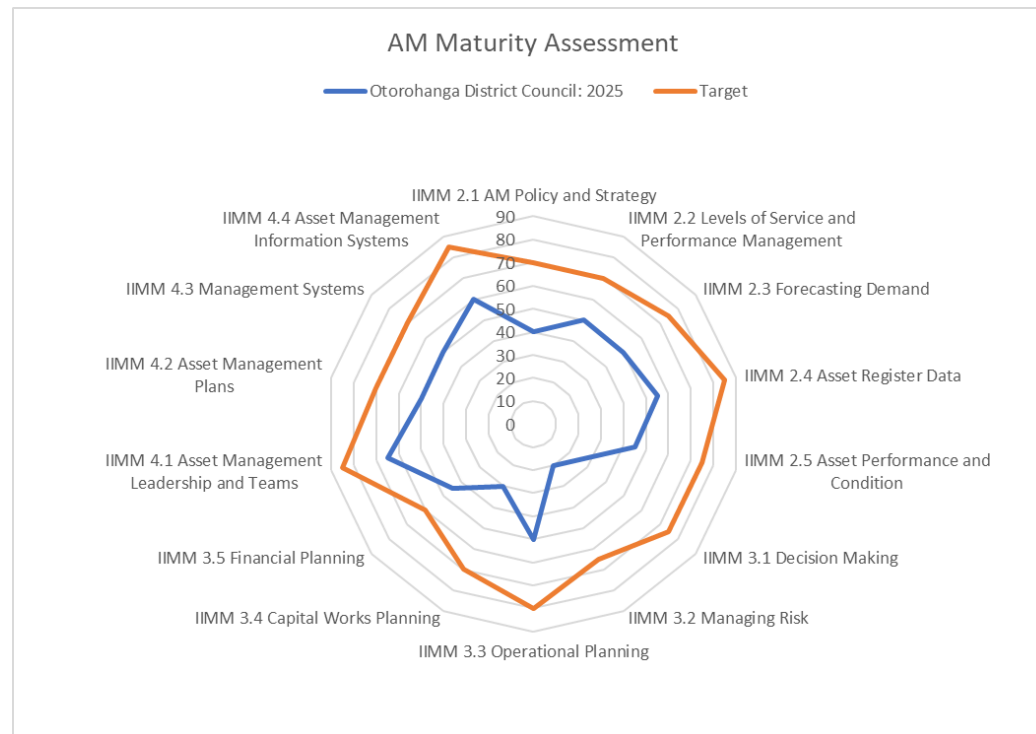
Asset Management Maturity Assessment

In 2025, Ōtorohanga District Council staff carried out a self-assessment using the International Infrastructure Management Manual 2020 (IIMM) asset management maturity framework. The figure below shows the results of the asset management maturity assessment in 16 areas, with an average score of 46/100. Recent improvements have included developing a dedicated Asset Management team recognising the resourcing needed for the organisation. This has led to a more consistent approach for all asset classes and processes. Other improvements have been made to asset register data and standard operating procedures.

Priority areas identified for improvement include:

- Asset Performance and condition
- Capital Works Planning
- Managing risk

Investment required in water services



Investment required in water services

Statement of regulatory compliance

Resource Consents Overview

Ōtorohanga currently has 15 consents across the district for three waters.

Water Supply

There are 8 consents associated with the abstraction of water and discharge of treated backwash water (created from the treatment processes), 1 water consent is currently being renewed. Seven water consents are due for renewal in the next 10 years and budgets are allocated for this. Non-compliance with consent conditions relates mostly to low risk matters such as recording of data.

Investment required in water services

Wastewater

There are 5 consents associated with the treatment of wastewater in Ōtorohanga including the discharge of treated wastewater to land and water, odour and other civil works. An abatement notice was received for the WWTP in February 2024. As required by the Regional Council an improvement plan has been prepared and is funded within the 2024/34 LTP. Work includes investing in desludging of the main pond, and investigation of a grit removal system on the inlet structure and mechanical clarification to replace the coagulation ponds.

Stormwater

There are 2 consents associated with the stormwater activity which are in the process of being renewed. The new stormwater consents may require more holistic management and consideration of stormwater quality and quantity, and potentially more monitoring.

Table 8: Water Services Summary of Regulatory Compliance

Parameters	Drinking supply schemes	Wastewater schemes	Stormwater Schemes/catchments
Drinking water supply <ul style="list-style-type: none">Bacterial compliance (E.coli)Protozoa complianceChemical complianceBoil water notices in placeFluoridationAverage consumption of drinking waterWater restrictions in place (last 3 years)Firefighting sufficient	Partial Partial. Yes Permanent (Kahorekau, Huirimu, Taupaki) No 286L/p/d Yes - Kāwhia No data	n/a	n/a

Resource Management			
<ul style="list-style-type: none"> Significant consents (note if consent is expired and operating on S124) 	Waipā River Water Take (130076.01)) Disposal of sludge (10872) Land use bed structure (130076.02) Kāwhia springs water take (120401) Kāwhia springs water use (120393) Waipā River water take (114845) Backwash water discharge (114846) Makomako and Mangare water take and use (136074) Upper Waipapa River water take (142886)	Discharge dewatered biosolids to land (143381.02.01) Discharge contaminants to air (discharge of dewater biosolids to land) (143381.01.01) Discharge contaminants to air, Ōtorohanga WWTP. (123567.01.01) Discharge treated wastewater to land from Ōtorohanga WWTP (123568.01.01) Discharge up to 5,000m3/d to Mangaorongo Stream from WWTP (123569.01.01)	Divert and discharge SW onto land and surface water (144930.01.01)
<ul style="list-style-type: none"> Expire in the next 10 years 	7*	0	0
<ul style="list-style-type: none"> Non-compliance: <ul style="list-style-type: none"> Significant risk non-compliance Moderate risk non-compliance Low risk non-compliance 	0 2 4	0 1 0	0 2 0
<ul style="list-style-type: none"> Active resource consent applications 	1	0	1 (combined 2 to 1)
<ul style="list-style-type: none"> Compliance actions (last 24 months): <ul style="list-style-type: none"> Warning Abatement notice Infringement notice Enforcement order Convictions 	1 0 0 0 0	1 1 0 0 0	0 0 0 0 0

* 130076.01; 130076.02; 130076.03; 120401; 120393; 114845; 114846

Investment required in water services

Drinking Water Standards Compliance

Council has invested in getting the drinking water plants capable of meeting compliance with the Drinking Water Quality Assurance Rules. Ōtorohanga, Kāwhia and Tihiroa are all capable of meeting compliance, with further refinement of the processes needed for Tihiroa and Kāwhia plants to meet protozoal requirements.

- Ōtorohanga/Waipā water treatment plant: For the 2023/24 year, Ōtorohanga WTP was reported as complying with Part 4 Bacterial and Part 5 Protozoal requirements of the Drinking Water Quality Assurance Rules, this plant is fully capable of meeting compliance.
- Kāwhia Water Treatment Plant: For 2023/24 year this plant was non-compliant with both Part 4 and Part 5, due to technical non-compliances with bacterial but the plant cannot reach protozoa compliance under the current treatment rule without UV. Council has trialled moving Kāwhia to a (T3) treatment plant which has been successful and will be in place by the 2026 reporting year. This will achieve protozoa compliance capability.
- Arohena Rural Water Scheme: (3 supplies, Huirimu, Kahorekau, Taupaki) Council has been directed by Taumata Arowai to get Huirimu and Kahorekau water treatment plants up to Protozoal compliance as currently they are not able to comply. In 2024 Council approved leaving the supplies under permanent boil water notice until all 3 supplies could be de-registered. Council is pursuing closure of the drinking water component of the 3 supplies and returning them to stock water only under the provisions of the Local Government Act. This process is ongoing with closure expected to occur in early 2026, pending the outcome of a community referendum.
- Tihiroa Rural Water Plant: Similar to Kāwhia WTP council has trialled moving Tihiroa to a (T3) treatment plant which has been successful and will be in place by the 2026 reporting year. This will achieve protozoa compliance capability.
- Ranginui Rural Water Scheme: Scheme de-registered as for stock water only.

Wastewater Resource Consents

Proposed WW discharge standards implications – the Ōtorohanga WWTP discharge consent expires in 2037. The current discharge to water following the final wetland treatment process is likely to require some improvement in quality to comply with the proposed wastewater standards given the low dilution available in the Mangaorongo Stream. Council has additional area available adjacent to the WWTP if upgrades are required.

Stormwater Resource Consents

The new combined comprehensive urban stormwater consent for Ōtorohanga & Kāwhia was applied for in 2022 and is still being reviewed by Waikato Regional Council. It is anticipated that minor capital improvements will be needed and further monitoring may be required, but until the draft conditions are presented, capital improvements are not planned, although minor improvements are continuing in anticipation.

Investment required in water services

Capital expenditure required to deliver water services and ensure that water services comply with regulatory requirements

Table 9: Projected Water Services Investment to 2034 *(Note this is 2024 LTP data and does not contain any efficiencies obtained for water and wastewater activities for 27/28 for WWDW)*

Projected investment in water services (\$000)	FY2024/25	FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30	FY2030/31	FY2031/32	FY2032/33	FY2033/34
Drinking Water										
Capital expenditure - to meet additional demand	50	51	53	54	55	56	57	59	60	61
Capital expenditure - to improve levels of services	90	56	42	329	6	45	6	47	6	49
Capital expenditure - to replace existing assets	1,402	868	3,228	2,652	3,005	888	826	785	796	993
Total projected investment for drinking water	1542	975	3323	3035	3066	989	889	891	862	1103
Wastewater										
Capital expenditure - to meet additional demand	50	51	53	54	55	56	57	59	60	61
Capital expenditure - to improve levels of services	0	0	0	0	0	0	0	0	0	0
Capital expenditure - to replace existing assets	749	829	45	462	473	482	492	502	511	520
Total projected investment for wastewater	799	880	98	516	528	538	549	561	571	581

Investment required in water services

Stormwater										
Capital expenditure - to meet additional demand	75	51	53	54	55	56	57	59	60	61
Capital expenditure - to improve levels of services	40	113	0	0	0	0	0	0	0	0
Capital expenditure - to replace existing assets	61	63	159	163	167	170	173	177	180	183
Total projected investment for stormwater	176	227	212	217	222	226	230	236	240	244
Total projected investment in water services	2517	2082	3633	3768	3816	1753	1668	1688	1673	1928

Water Supply

How the investment improves or sustains the current service level

Council's approach ensures that existing infrastructure assets are managed efficiently and effectively. Furthermore, it invests in new assets wisely based on its Criteria for Asset Renewal. Although reduced, the programme of works for this LTP is on the back of the significant programme undertaken in the 2021-24 LTP, which put Ōtorohanga in a good position for asset renewal.

Compliance has been a focus over the last 3 years and, although a considerable investment has been signalled in the Arohena water supplies (Kahorekau, Huirimu, Taupaki) to meet protozoa rules, having listened to the community Council has decided that the investment is not a sound decision. Instead, it has been decided to pursue the closure of these 3 water supplies as drinking water supplies, effectively returning them to stock water only.

Investment during the 2021-24 LTP period for Kāwhia and Tihiroa has been in relation to treatment processes. This work is now complete and plans are in place to increase the treatment rules from (T2) to (T3) to meet the protozoa rules within the DWQAR.

Investment required in water services

Community benefits from the proposed investment: improved service, regulatory compliance, and growth support

Balancing investment against affordability is a significant consideration when determining the investment over this LTP. Council adopted a “steady as she goes” approach through the LTP and decided that any investment was made from good sound decision making based on accurate data. This approach has met our LOS to date and there are plans in place to address any regulatory issues, and making sure the community can afford the investment.

Wastewater

How the investment improves or sustains the current service level

As above, investment in wastewater has a reduced programme over the 2024-27 LTP after a significant investment in wastewater upgrades over the 2021-24 LTP, with new pump stations and 3kms of sewer mains renewed. The focus the 2024-27 LTP is less on renewals and more on treatment with improvements planned for the wastewater treatment plant including a desludging programme and investment in inlet and outlet treatment.

Community benefits from the proposed investment: improved service, regulatory compliance, and growth support

The renewals included a new trunk main upgrade to future proof the southwest side of Ōtorohanga. A smaller asset renewal programme keeps the investment at an affordable level for the community off the back of significant investment and aligns with the strategic direction set by Council.

Stormwater

How the investment improves or sustains the current service level

Most stormwater assets in Ōtorohanga and Kāwhia are relatively young and will not require significant investment for some years. The programme of investment in the 2024/34 LTP is targeted at areas where there is a of lack of capacity/levels of service, with a focus on condition assessment and potential upgrades. Although unknown at this time, it is anticipated that some improvements to the stormwater treatment may arise through the consent renewal process. For this reason, funding has been factored later in the LTP cycle to cater for any additional expenditure that may be required.

Community benefits from the proposed investment: improved service, regulatory compliance, and growth support

Although short lived, surface flooding through rain events are disruptive and can cause significant cost to the community. Hence a focus of Council staff is on identifying areas requiring improvement and further investment.

Treatment improvement of stormwater is likely to be more stringent than currently and this is anticipated in future work programmes.

Investment required in water services

Historical delivery against planned investment

Table 10: Delivery against Planned Investment

Delivery against planned investment	Renewals investment for water services				Total investment in water services			
	FY2024/25	FY21/22 - FY23/24	FY18/19 - FY20/21	Total	FY2024/25	FY21/22 - FY23/24	FY18/19 - FY20/21	Total
Total planned investment (set in the relevant LTP)	2,212	1,103	2,535	5,850	2,517	13,222	2,903	18,642
Total actual investment	2,321	3,909	2,209	8,439	6,214	9,058	2,520	17,792
Delivery against planned investment (%)	105%	354%	87%	144%	247%	69%	87%	96%

As shown in the table above, there was a significant investment in the 2021-24 LTP with some of the larger projects carrying over several years thereby skewing the investment to delivery percentages, but this is balancing out as the larger projects come to an end.

It is also important to note that during the 2021-24 period there was input in investment via the government stimulus funding.

Ōtorohanga for some time now has viewed capital delivery as a 3-year programme across a LTP cycle which has worked well in delivering large projects across several annual plans. However, this means that only looking at yearly cycles is not fair representation of delivery against investment (refer Table 10 above).

Part C: Revenue and financing arrangements

All financial projections for Waikato Waters included in this Part C and the following Part D are based on a “minimum revenue” approach. That is, they assume that the revenue is set at minimum levels to allow for the funding of operational costs of the company plus servicing of current and future debt. Over the forecast period this results in a cumulative price rise to consumers materially lower than that of the status quo, whilst delivering all required capital expenditure and meeting debt covenants required by LGFA⁶. Whilst debt to revenue is initially the DIA indicative limit of five times revenue under the “minimum revenue” approach, there is scope for the Board to alter future price paths to account for any unknown cost pressures in the future and to maintain covenant compliance.

Revenue and charging arrangements

Revenue and charging arrangements

Charging and billing arrangements

Current Approach

Water services within Ōtorohanga District are currently charged through a combination of volumetric charging and targeted rates, as well as a small contribution from general rates for some schemes.

Water Supply

The Arohena, Tihiroa and Waipā rural water supply schemes are funded solely by volumetric charging and per metre fixed rate charging for consumers.

Kāwhia water supply is funded by a uniform targeted rate for water supply, as well as 5% of the costs being funded through the general district wide rate. Water meters are fitted to each property and are capable of volumetric charging in the future.

Ōtorohanga water supply is funded via volumetric charging and per metre fixed rate charging for consumers. There is also a 5% contribution from the general district wide rate.

Ōtorohanga water treatment plant is fully funded by internal transfers from the Ōtorohanga and Waipa water schemes, with a 70% Ōtorohanga, 30% Waipā split, reflecting the approximate water split to each scheme from the plant.

Wastewater

Ōtorohanga wastewater is funded via a uniform targeted rate across all connected properties. There is also a 5% contribution from the general district wide rate.

Stormwater

Ōtorohanga and Kāwhia stormwater are both funded by general targeted rates across the respective community, as well as a 5% contribution from the general district wide rate.

⁶ The forecast financial results have been socialised with LGFA Officers, who have indicated agreement that they meet the published LGFA covenant guidance.

Revenue and charging arrangements

Proposed Approach

Water Supply and Wastewater

The financial modelling for Waikato Waters assumes that the pricing structures and work programmes forecast in each of the councils' Long-Term Plan or Annual Plan, stay the same in the short to medium term after the transition of water services to the CCO.

However, the Waikato Water's board and management will ultimately be responsible for setting future pricing. No doubt they will consider the funding requirements of the business and the expectations of the shareholding councils via the Statement of Expectations. When and to what extent prices are aligned across the council districts is not yet known.

Stormwater

There are no significant changes proposed for this activity, however, as ŌDC further refines the stormwater delivery small changes may be made to suit the new in-house model and align with roading and community facilities (see above in proposed delivery model).

Currently council rate for stormwater within the general rate and, to comply with the requirement to ring fence, this arrangement will be separated out before 1 July 2028.

Water services revenue requirements and sources

Proposed Approach

Water Supply and Wastewater

The revenue that is required under the WWDW financial modelling for drinking water and wastewater is projected to be \$151.1m in the 2027/28 financial year⁷. It progressively increases beyond that to \$213.7m by the end of the forecast period (2033/34). These figures reflect the rates and volumetric charges, as well as other revenue sources (including development contributions, capital/operating subsidies and grants, and other income).

While in the first two years of operations projected increases in water charges are forecast at 11%, beyond that, revenue increases reduce and in the medium to long term the forecasts show the CCO is financially sustainable at annual revenue increases of ~4%⁸. This is significantly lower than the weighted average of the councils projected charges acting on their own.

As noted earlier, it is proposed that councils will continue to invoice customers on behalf of Waikato Waters for drinking water and wastewater services and pass the revenue to Waikato Waters. This is for a transitional period until the board determines Waikato Waters is positioned to charge customers directly.

Stormwater

Stormwater revenue will continue to be collected via the current mechanisms used by Ōtorohanga District Council. These mechanisms will meet the regulatory requirements for ringfencing.

⁷ Being the first year when the drinking water and wastewater activities of all six councils has been transferred to the CCO.

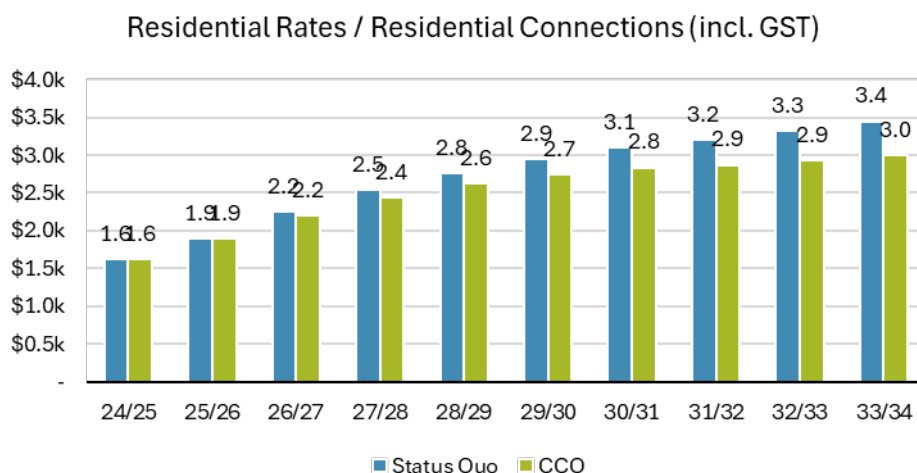
⁸ In part this is attributable to underlying population growth, so the increase in the actual rate of water charges will be something less than this.

Revenue and charging arrangements

Existing and projected commercial and industrial users' charges

Water Supply and Wastewater

The current charging and collection methodology for water services – for residential and non-residential consumers is a targeted rate for wastewater (Ōtorohanga Township), volumetric charging for Ōtorohanga and rural water supplies, and targeted rate for Kāwhia water supply. Projected charges for residential households on average over the 10-year period under the Waikato Water Done Well Financial Modelling are shown in the chart below. 'Status Quo' in the chart reflects the aggregation of each council's most recent projections on a standalone basis.



Stormwater

The current and projected charging and collection methodology for stormwater services for residential and non-residential ratepayers will remain the same. The average projected increase over the ten years of the 2024-34 Long-Term Plan (LTP) is 89.6%.

The affordability of projected water services charges for communities

A key focus of Waikato Waters is on total costs/savings. We know that the public, and especially ratepayers, are most interested in their personal bills. Per-connection (household) costs are modelled to be, on average, ~ \$450 lower in 2034 compared to councils acting alone. That saving is anticipated to grow from that point.

The actual decisions on charges will ultimately be for the organisation to decide (having regard to the expectations conveyed by shareholders). However, it is reasonable to expect that all will benefit to some extent from the scale and consequential savings of Waikato Waters.

Stormwater

The stormwater rates will be as per the 2024-34 LTP. The average charge per ratepayer for stormwater as a percentage of median household income is 0.22% over the period of the LTP.

Funding and financing arrangements

Water services financing requirements and sources

Water Supply and Wastewater

An independent professional Board has been appointed to Waikato Waters. The Board is currently in the process of recruiting for a commercially minded Chief Executive. A requirement of the Board for the Chief Executive will be to have the appropriate risk management processes in place to manage the water services' financial requirements and sources.

In April 2025 LGFA announced the financial covenants it will apply to water CCOs. The covenants are tiered based on the number of water connections that the water CCO has. There are two financial covenants. Given its size, for Waikato Waters the covenants will be:

- A Funds from Operation (FFO) to Gross Debt ratio 8%
- A Funds from Operation (FFO) to Cash Interest Coverage of 1.5 times.

The LGFA note that these are a guide only. LGFA will have regard to other factors such as population growth when determining ratios. A percentage of the development contributions can also be recognised as revenue in determining the FFO.

The LGFA have also recognised that a water CCO may not be able to comply with these financial covenants from 'day 1'. It will agree an appropriate time within which the CCO needs to ensure it complies: a rule of thumb is up to five years (although there is scope to have a longer period allowed).

The FFO ratios are set out in Section D. Based on the financial forecasts Waikato Waters is projected to reach the 8% FFO to debt ratio during the forecast period. The interest cover approximates 1.5 times, or better, once all councils have transitioned their water services. Both metrics are expected to improve beyond the forecast period because in the later years debt can be held relatively steady, while revenue will continue to increase. WWDW have discussed the covenants and financial forecasts with LGFA who have verbally indicated they meet the LGFA guidance in an acceptable way.

Financial strategy

The Board and senior management of Waikato Waters will decide the financial strategy for the company. While infrastructure work will be funded through long-term debt, more immediate operating requirements will necessitate transactional banking, and overdraft facilities. For simplicity the financial modelling assumes all borrowing is on a floating basis. It applies an interest rate on the variable balance of "net debt".

In the immediate future, establishment and operating costs incurred by the company must be financed by short-term debt, the Shareholders Agreement allows for Council's to provide this financing until LGFA facilities are in place. The company will not have a basis for charging revenue until 1 July 2026, when the first councils transfer their water activity.

Beyond that, operating costs and short-term financing arrangements will be met by water charges and fees for services provided by the company to councils (e.g. for the management of stormwater). The company will need to assess what a prudent level of cash reserves might be.

It is expected that all long-term borrowing will be from LGFA. Once the company is incorporated it will progress accessing LGFA funding and procure transactional banking services (from a trading bank and/or LGFA).

The company will be establishing policies that govern management of its financial arrangements. Those policies will include a treasury policy setting out the company's approach to funding and financing generally, and its approach to hedging its interest exposure. Those decisions will be made having regard to the risk appetite of the CCO.

While the company will likely want to avail itself of the debt capacity available to it, in the medium term that debt position stabilises and the company is in a position to start repaying debt. The company will need to balance repayment of debt, ongoing investment in infrastructure and keeping water rates affordable in considering how aggressively it wishes to repay debt.

Stormwater

Ōtorohanga stormwater investment remains consistent over the term of the 2024-34 LTP. The investment is funded predominately from depreciation reserves obtained by fully funding depreciation on stormwater assets. Additional borrowings over the LTP are in the first year as the resource consents are renewed, as these costs are being loan funded. This means that borrowings in 2024/25 when looking at just stormwater do breach the limits Council has set, however for that year the limits are for all of Council, and stormwater makes up a small part of the total Council income, meaning that Council is well below debt limits. In future years, as stormwater revenue increases, stormwater borrowing on its own does reduce under council borrowing limits.

Internal borrowing arrangements

Position post transfer to the CCO

Six of the seven shareholding councils have agreed to transfer their drinking water and wastewater activities, including assets and debt, to Waikato Waters. Water related debt will be transferred to Waikato Waters under a transfer agreement. From the date of transfer councils will therefore have no internal borrowing arrangements related to these water activities.

While no 'internal', services will be provided between shareholding councils and Waikato Waters. It is expected that the company will manage stormwater for several councils. Conversely, as noted earlier, the councils will continue to bill on behalf of the CCO in the short-term. The expectation is that these services will be charged at 'arm's length'. This will ensure the true cost of delivery for each water type is established.

Determination of debt attributed to water services

Water services debt as at 30 June 2024 was determined by:

- Taking any water specific external borrowings, as well as any internal borrowings as a starting point
- Any operating deficits carried over were then added on, and any operating surpluses were subtracted.
- Any depreciation reserves held for water services activities were also subtracted.

The value of water services borrowing and associated debt to operating revenue position on 30 June 2024 for the Waikato Waters financial modelling was \$8.978M. At the date the waters activity is expected to transfer to the CCO, the water-related debt is expected to be \$17.192M.

The net debt to operating revenue as at 30 June 2024 was 44.2%.

Insurance arrangements

Water and Wastewater

Waikato Waters will hold necessary insurance policies. The shareholding councils are part of an insurance collective. They procure insurance cover together to access preferential premium rates and other benefits. Aon is their broker.

Directors and Officers insurance cover, professional indemnity and general liability cover are already in place.

The councils' current infrastructure insurance runs from 1 November to 31 October each year (although the CCO may choose an alternative insurance period in due course). Part of the renewal process is presentations to underwriters at Lloyds, where most of the infrastructure cover is placed. This has been an enduring arrangement between the insurers and councils, and as a result the insurers are well aware of the risk profile of the councils' activities and the assets insured. In the past two years, underwriters have been kept informed of New Zealand's water reforms. The transition to a water CCO will therefore be no surprise.

As part of the upcoming infrastructure renewal process the intention is to agree with the insurers an arrangement which will see:

- Waikato Waters named as an insured on the infrastructure policies, to take effect as and when the water assets of each council are transferred to the company.
- Premiums in respect of the insured assets paid for by the council up to date of transfer (for some, as early as 30 June 2026), and by the company from that date.

This arrangement has been socialised with insurers already. Aon have advised they do not see any issues with this approach being implemented.

Councils currently undertake an annual insurance risk assessment. It is expected the CCO will do likewise. We are investigating loss modelling as part of this. Councils record infrastructure assets and determine the extent to which they are insured (there may be some occasions where the councils choose to self-insure, although this is limited). The level of cover is determined, in consultation with Aon, having regard to the replacement cost of the assets to be insured and loss modelling (although the latter is not undertaken every year).

Stormwater

Ōtorohanga holds insurance policies that cover all underground stormwater assets. Insurance policies are renewed annually, with the values of assets covered being assessed and adjusted if deemed necessary to ensure sufficient cover is maintained.

Part D: Financial sustainability assessment – Water and Wastewater (Waikato Waters Ltd)

As noted in Part C, all financial projections for Waikato Waters included in this Part D are based on a “minimum revenue” approach. That is, they assume that the revenue is set at minimum levels to allow for the funding of operational costs of the company plus servicing of current and future debt. Over the forecast period this results in a cumulative price rise to consumers materially lower than that of the status quo, whilst delivering all required capital expenditure and meeting debt covenants required by LGFA⁹. Whilst debt to revenue is initially the DIA indicative limit of five times revenue under the “minimum revenue” approach, there is scope for the Board to alter future price paths to account for any unknown cost pressures in the future and to maintain covenant compliance.

⁹ The forecast financial results have been socialised with LGFA Officers, who have indicated agreement that they meet the published LGFA covenant guidance.

Confirmation of financially sustainable delivery of water services

Financially sustainable water services provision

Confirmation of financially sustainable delivery of water services by 30 June 2028

Actions required to achieve financially sustainable delivery of water services

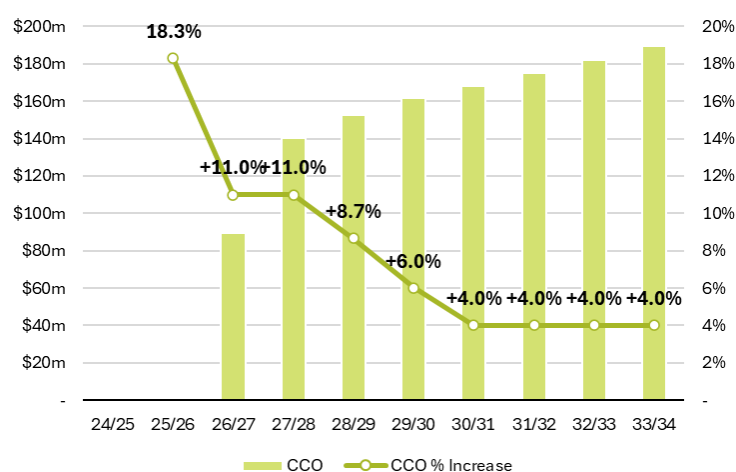
Water and Wastewater

The council plans to transfer its drinking water and wastewater activities to Waikato Waters. By doing so it can ensure a financially sustainable delivery of those services into the future. As noted in the following sections, Waikato Waters will have improving metrics across revenue, investment and financing sufficiency throughout the forecast period.

The financial forecasts supporting this plan show that Waikato Waters is financially sustainable. This is evidenced in the following sections. Importantly, this is the case with only moderate increases in revenue year on year. The projected price path for the CCO is shown in the chart below.

The 18% revenue increase in FY25/26 reflects the aggregated position of the individual councils. The company itself has no revenue in that year. From FY26/27, as councils transfer their waters activity, average revenue increases of up to 11% are needed. This quickly abates once all councils are on board and reduces to a sustainable position of ~4% average revenue increase per annum.

Total Operating Revenue (Aggregated)



The financial forecasts show that from FY27/28 these revenue increases are sufficient to meet expected operating costs and cover depreciation, and shortly thereafter also cover finance costs and allow debt to start being repaid.

In part, the financial position is aided by assumed efficiencies in the model. These efficiencies are prudent and are based on what has been achieved from the aggregation of waters activity elsewhere and what we know about the benefits of scale generally.

As noted earlier, Taupō District Council has not yet made a commitment to transfer its waters activity to the CCO. Therefore, the modelling excludes any impact of a future transfer of Taupō District Council's water business.

The level of investment in infrastructure is significant. The forecasts project capital spend of ~\$760m through to FY 33/34 to meet levels of service, respond to what WWDW expect the regulatory requirements to be, and accommodate growth in the councils' districts. At the end of the forecast period infrastructure assets are estimated to be \$2.1b. As noted in Part C, the debt funding required to meet this investment programme can be managed within expected covenants, while keeping revenue increases to a minimum.

Risks and constraints to achieving financially sustainable delivery of water services

The greatest risk to delivery of the services is the capacity of the supplier market to meet the demands of entities like Waikato Waters. This is not a question of financial sustainability, but rather a characteristic of the current macro environment. We know more investment is required – that is why Local Water Done Well came to be. We also know that right now, New Zealand does not have the capacity to deliver the infrastructure required. This is an issue at a national scale. Waikato Waters offers the opportunity for its shareholding councils, by working together, to be seen as a more attractive client for the supplier market and therefore helps to ensure access to a greater piece of that limited capacity, it also allows a mechanism for investment in that supply chain.

A further risk to delivering financially sustainable services is unforeseen infrastructure costs. These could eventuate for several reasons. Councils may underestimate the investment required, or there could be an event that causes infrastructure damage.

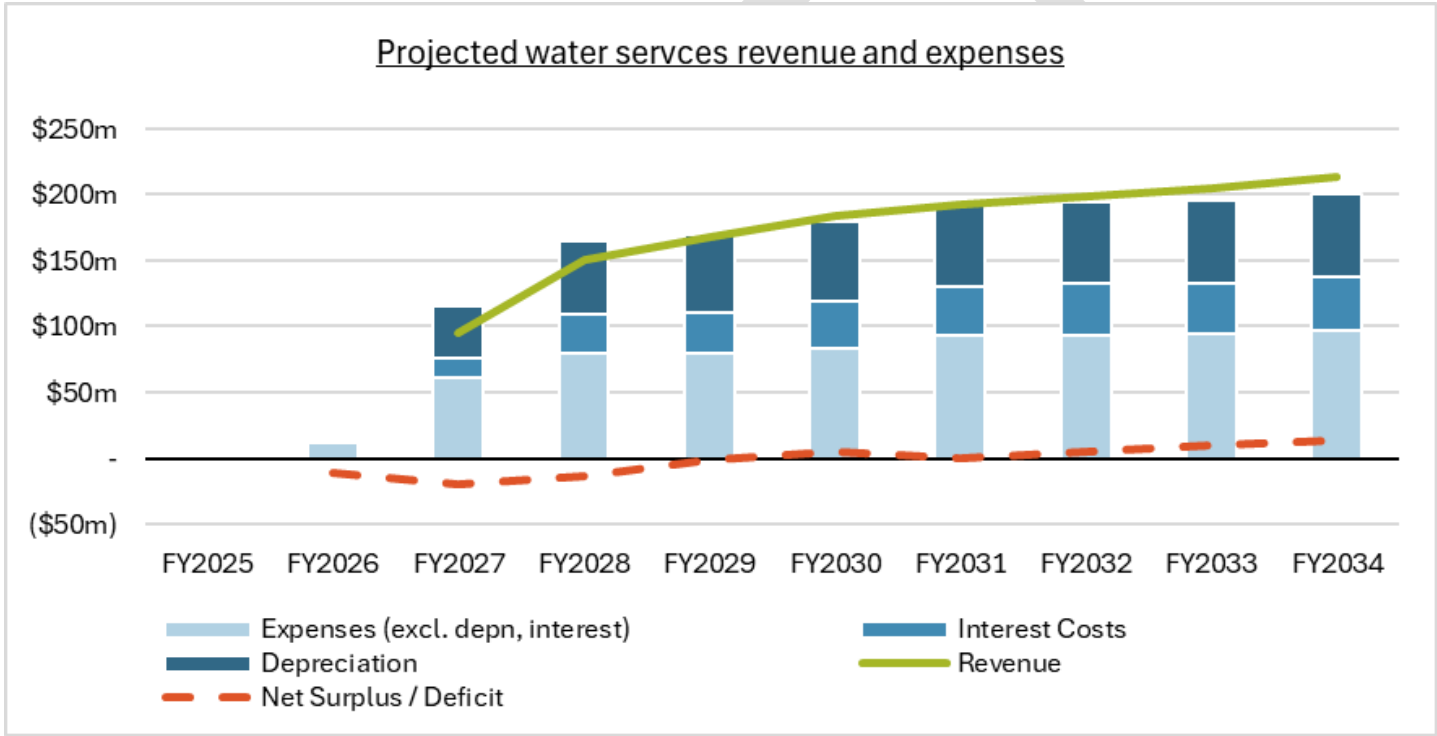
The financial modelling for Waikato Waters has used council's 'enhanced' Long Term Plans or Annual Plans as the basis for its forecasts. The reference to 'enhanced' reflects that councils have, since submitting their latest LTPs, further considered what if any additional investment (and operational expenses) may be required to comply with regulations. This means the forecasts reflect the latest (as recent as May 2025) estimates of infrastructure works. This minimises the risk that costs have been understated but the risks remain – costs have escalated in recent years more sharply than anticipated. The long-term forecast price path for Waikato Waters of ~4% pa also allows capacity to absorb future cost increases without the need for historically large price increases to customers.

Financially sustainable assessment - revenue sufficiency

Assessment of revenue sufficiency

Projected water services revenues cover the projected costs of delivering water services

The following analysis is based on modelling of a minimum revenue scenario to demonstrate a minimum price path required to achieve financial sustainability under the currently known cost profile. This demonstrates both significant savings to customers as well as financial resilience within the entity to absorb future cost pressures should they arise.



Assessment of revenue sufficiency

Average projected charges for water services over FY2024/25 to FY2033/34

Ōtorohanga District Council

Projected average charge per connection / rating unit (including GST)	FY2024/25	FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30	FY2030/31	FY2031/32	FY2032/33	FY2033/34
Drinking water	1,176	1,401	1,484							
Wastewater	684	827	920							
Average charge per connection / rating unit	1,860	2,228	2,404							
Drinking water and wastewater Increase in average charge		19.8%	7.9%							
Drinking water and wastewater services charges as % of median household income	2.1%	2.4%	2.5%							

Waikato Waters

Projected average charge per connection / rating unit (including GST)	FY2024/25	FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30	FY2030/31	FY2031/32	FY2032/33	FY2033/34
Drinking water				\$1,245	\$1,333	1,390	1,439	1,454	1,487	1,521
Wastewater				\$1,155	\$1,241	\$1,302	1,349	1,367	1,400	1,434
Average charge per connection / rating unit				\$2,400	\$2,574	\$2,692	\$2,786	\$2,821	\$2,887	\$2,955
Drinking water and wastewater Increase in average charge				10.7%	7.3%	4.6%	3.5%	1.2%	2.3%	2.3%
Drinking water and wastewater services charges as % of median household income				2.3%	2.4%	2.4%	2.4%	2.3%	2.3%	2.2%

Assessment of revenue sufficiency

Projected operating surpluses/(deficits) for water services

Ōtorohanga District Council

Operating surplus ratio (whether revenues cover costs) \$000s	FY2024/25	FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30	FY2030/31	FY2031/32	FY2032/33	FY2033/34
Operating surplus/(deficit) excluding capital revenues – combined drinking water and wastewater services (\$000)	80	925	1,114							
Operating revenue – combined drinking water and wastewater services (\$000)	3,654	4,371	4,700							
Operating surplus ratio	2.1%	21.1%	23.7%							

Waikato Waters

The operating surplus ratio is negative but steadily improves throughout the forecast period (and is projected to continue to do so in subsequent years as efficiencies are realised). It is expected that the company will have a policy of, over time, recovering depreciation charges when setting revenues. That is to say, revenues need not be set in a way that ensures depreciation is recovered in each year, but rather in way that the company is confident it will be in the short to medium term. This allows a comparatively steady increase in pricing.

The operating surplus ratio reflects the assumption in the financial modelling that the CCO will leverage debt capacity and at the same time minimise the annual increase in water charges. As noted elsewhere, debt stabilises during the period.

Assessment of revenue sufficiency

Operating surplus ratio (whether revenues cover costs) \$000s	FY2024/25	FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30	FY2030/31	FY2031/32	FY2032/33	FY2033/34
Operating surplus/(deficit) excluding capital revenues – combined drinking water and wastewater services (\$000)				(\$24,340)	(\$16,614)	(\$17,184)	(\$23,635)	(\$18,798)	(\$13,020)	(\$10,721)
Operating revenue – combined drinking water and wastewater services (\$000)				\$140,489	\$152,672	\$161,833	\$168,306	\$175,038	\$182,040	\$189,322
Operating surplus ratio (excluding capital revenues)				(17.3%)	(10.9%)	(10.6%)	(14.0%)	(10.7%)	(7.2%)	(5.7%)
Development Contributions				\$10,633	\$15,051	\$21,927	\$23,933	\$23,621	\$22,694	\$24,389
Operating surplus ratio				(9.1%)	(0.9%)	2.6%	0.2%	2.4%	4.7%	6.4%

Projected operating cash surpluses for water services

Ōtorohanga District Council

Operating cash ratio (whether revenues cover costs) \$000s	FY2024/25	FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30	FY2030/31	FY2031/32	FY2032/33	FY2033/34
Operating surplus/(deficit) + depreciation + interest costs - capital revenues	487	1,640	1,812							
Operating revenue – combined water services	3,654	4,747	5,127							
Operating cash ratio	13.3%	34.5%	35.3%							

Assessment of revenue sufficiency

Waikato Waters

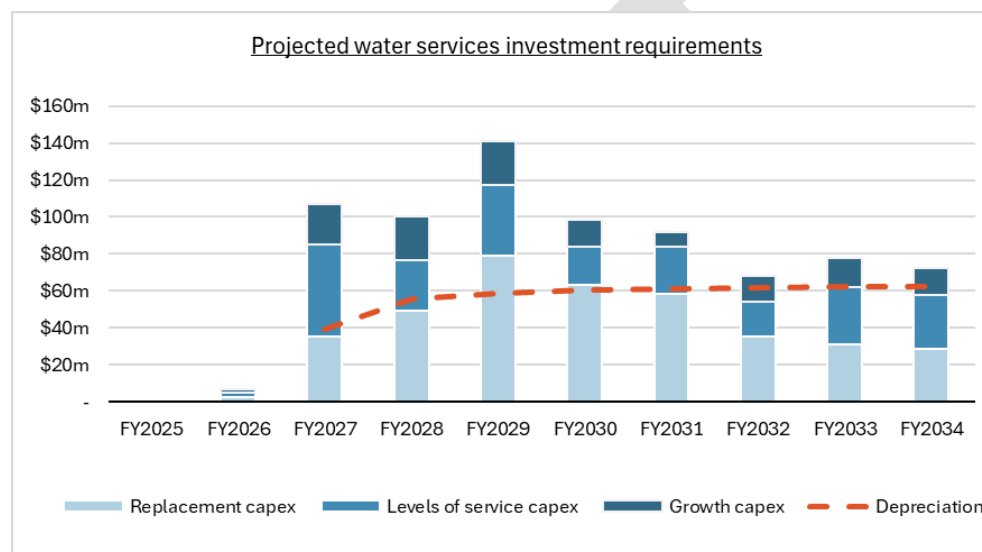
The table below shows strong operating cash surpluses throughout the forecast period, sufficient to meet renewals investment requirements and debt repayments (although the loan arrangements are yet to be discussed with LGFA)

Operating cash ratio (whether revenues cover costs) \$000s	FY2024/25	FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30	FY2030/31	FY2031/32	FY2032/33	FY2033/34
Operating surplus/(deficit) + depreciation + interest costs - capital revenues				\$60,563	\$72,603	\$78,968	\$75,567	\$81,486	\$87,587	\$91,899
Operating revenue – combined water services				\$140,489	\$152,672	\$161,833	\$168,306	\$175,038	\$182,040	\$189,322
Operating cash ratio				43.1%	47.6%	48.8%	44.9%	46.6%	48.1%	48.5%

Financially sustainable assessment - investment sufficiency

Assessment of investment sufficiency

Projected water services investment is sufficient to meet levels of service, regulatory requirements and provide for growth



Renewals requirements for water services

Ōtorohanga District Council

Asset sustainability ratio	FY2024/25	FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30	FY2030/31	FY2031/32	FY2032/33	FY2033/34
Capital expenditure on renewals – all drinking water and wastewater assets (\$000)	2,151	1,697	3,679							
Depreciation – all drinking water and wastewater assets (\$000)	1,084	1,150	1,189							
Asset sustainability ratio	98.4%	47.6%	209.4%							

Waikato Waters

The Asset Sustainability Ratio fluctuates throughout the forecast period. In the latter years it is significantly negative. This a product of how depreciation on new infrastructure has been modelled. In practice, it is likely expenditure on renewals would increase beyond that forecast. The operating cash surplus noted earlier would allow this to occur.

Asset sustainability ratio	FY2024/25	FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30	FY2030/31	FY2031/32	FY2032/33	FY2033/34
Capital expenditure on renewals – all drinking water and wastewater assets (\$000)				\$49,130	\$78,820	\$63,267	\$58,266	\$35,401	\$30,938	\$28,661
Depreciation – all drinking water and wastewater assets (\$000)				\$55,998	\$58,961	\$60,337	\$61,438	\$61,674	\$62,250	\$62,604
Asset sustainability ratio				(12.3%)	33.7%	4.9%	(5.2%)	(42.6%)	(50.3%)	(54.2%)

Total water services investment required over 10 years

Ōtorohanga District Council

Asset investment ratio	FY2024/25	FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30	FY2030/31	FY2031/32	FY2032/33	FY2033/34
Total capital expenditure – all drinking water and wastewater assets (\$000)	3,641	1,856	3,826							
Depreciation – all drinking water and wastewater assets (\$000)	1,084	1,150	1,189							
Asset investment ratio	235.9%	61.4%	221.8%							

Waikato Waters

Total capital expenditure reflects councils' best estimates of the infrastructure spend required to meet anticipated regulatory requirements, as reflected in their latest Long Term Plans (subject to adjustment for additional information that has come to hand since the Long-Term Plan was adopted). It also adjusts these projections to reflect the assumed efficiencies to be achieved through a catchment-based approach to consenting, and scale of operation.

It reflects a long-term infrastructure strategy that ensures compliance with all regulations, meets the demands of expected population growth, and does not diminish levels of service from that which councils expected to deliver. That is, communities are no worse off.

Asset investment ratio	FY2024/25	FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30	FY2030/31	FY2031/32	FY2032/33	FY2033/34
Total capital expenditure – all drinking water and wastewater assets (\$000)				\$100,542	\$140,662	\$98,269	\$91,802	\$68,178	\$78,125	\$72,374
Depreciation – all drinking water and wastewater assets (\$000)				\$55,998	\$58,961	\$60,337	\$61,438	\$61,674	\$62,250	\$62,604
Asset investment ratio				79.5%	138.6%	62.9%	49.4%	10.5%	25.5%	15.6%

Average remaining useful life of network assets

Ōtorohanga District Council

Asset consumption ratio	FY2024/25	FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30	FY2030/31	FY2031/32	FY2032/33	FY2033/34
Book value of drinking water and wastewater infrastructure assets (\$000)	45,336	48,337	50,974							
Replacement value of drinking water and wastewater infrastructure assets (\$000)	46,419	50,625	54,451							
Asset consumption ratio	98%	95%	94%							

Waikato Waters

Asset consumption ratio	FY2024/25	FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30	FY2030/31	FY2031/32	FY2032/33	FY2033/34
Book value of drinking water and wastewater infrastructure assets (\$B)				\$1,675	\$1,808	\$1,898	\$1,976	\$2,030	\$2,091	\$2,145
Replacement value of drinking water and wastewater infrastructure assets (\$B)				\$2,274	\$2,466	\$2,616	\$2,756	\$2,872	\$2,995	\$3,111
Asset consumption ratio				74%	73%	73%	72%	71%	70%	69%

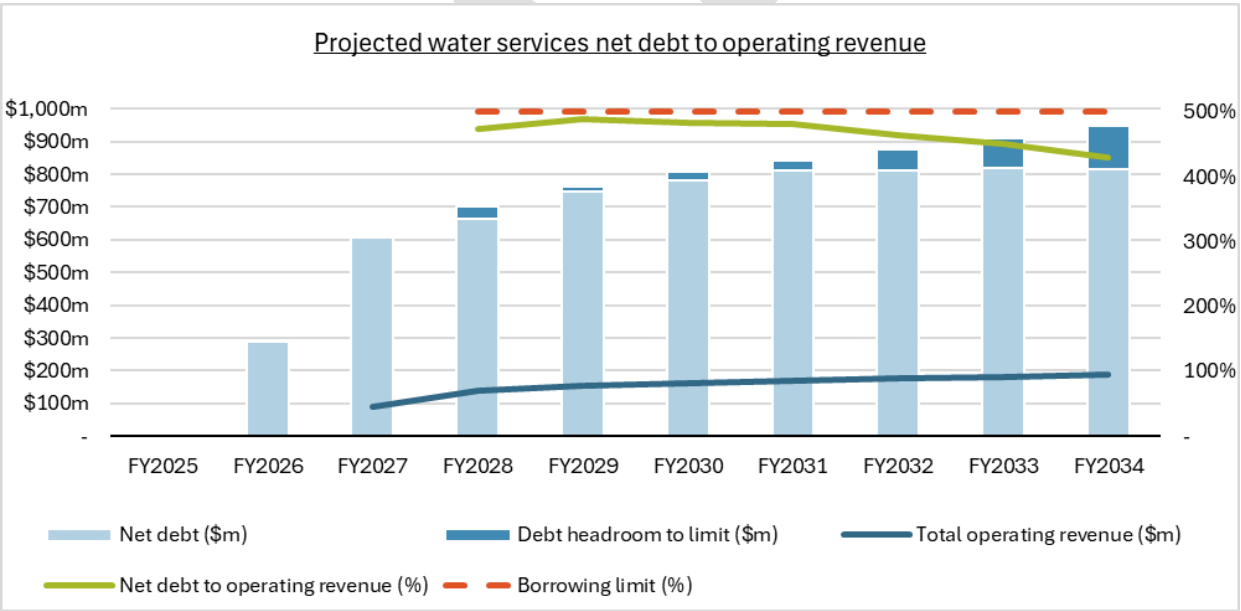
Assessment of financing sufficiency

Confirmation that sufficient funding and financing can be secured to deliver water services

The commentary in this section reflects a debt profile for the company that leverages debt capacity but allows the company to operate within covenants indicated by LGFA. The financial position is expected to improve further beyond the forecast period.

Beyond that, the price path shown is deliberately low to show what a sustainable financial position could look like. The Company may of course choose to implement a different pricing strategy that sees slightly higher increases in water charges year-on-year to improve the debt profile more quickly or allow for needed investment to be brought forward.

Ultimately, the expectation would be that the company’s debt profile allows it to obtain a stand-alone credit rating.



Projected council borrowings against borrowing limits

Assessment of financing sufficiency

Projected borrowings for water services

Ōtorohanga District Council

Net debt to operating revenue	FY2024/25	FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30	FY2030/31	FY2031/32	FY2032/33	FY2033/34
Net debt attributed to drinking water and wastewater services (gross debt less cash) (\$m)	10	11	13							
Operating revenue – combined drinking water and wastewater services (\$m)	4	5	5							
Net debt to operating revenue %	250%	220%	260%							

Waikato Waters

The net debt to operating revenue reflects the assumed position that the CCO will leverage its increased debt capacity to minimise but steadily increase water charges. As noted earlier, in the first few years as councils transfer their water activity, greater increases in water charges are needed to remain within the debt to revenue 'guideline' of 500% and achieve the required FFO debt covenants required by LGFA. However, in the medium to long term this can be achieved in a sustained manner with modest (4%) revenue increases. Net debt stabilises in the later years and the ratio begins to decline.

Net debt to operating revenue	FY2024/25	FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30	FY2030/31	FY2031/32	FY2032/33	FY2033/34
Net debt attributed to drinking water and wastewater services (gross debt less cash) (\$m)				665	748	781	811	813	819	815
Operating revenue – combined drinking water and wastewater services (\$m)				140	153	162	168	175	182	189
Net debt to operating revenue %				473%	490%	483%	482%	464%	450%	431%

Assessment of financing sufficiency

Borrowing headroom/(shortfall) for water services

Ōtorohanga District Council

Borrowing headroom/(shortfall) against limit	FY2024/25	FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30	FY2030/31	FY2031/32	FY2032/33	FY2033/34
Operating revenue (\$m)	4	5	5							
Debt to revenue limit for water services (%)	175%	175%	175%							
Maximum allowable net debt at borrowing limit (\$m)	7	8.75	8.75							
Projected net debt attributed to drinking water and wastewater services (\$m)	10	11	13							
Borrowing headroom/(shortfall) against limit (\$m)	(3)	(2.25)	(4.25)							

Waikato Waters

For the purpose of forecasting we have modelled a price path that minimises revenue increases but retains debt to revenue at 490% or less. This has been done to provide a buffer (albeit relatively small) to allow the company to respond to unforeseen events.

Borrowing headroom/(shortfall) against limit	FY2024/25	FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30	FY2030/31	FY2031/32	FY2032/33	FY2033/34
Operating revenue (\$m)				140	153	162	168	175	182	189
Debt to revenue limit for water services (%)				500%	500%	500%	500%	500%	500%	500%
Maximum allowable net debt at borrowing limit (\$m)				702	763	809	842	875	910	947
Projected net debt attributed to drinking water and wastewater services (\$m)				665	748	781	811	813	819	815
Borrowing headroom/(shortfall) against limit (\$000)				38	15	28	30	62	91	131

Assessment of financing sufficiency

Free funds from operations

Ōtorohanga District Council

Free funds from operations	FY2024/25	FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30	FY2030/31	FY2031/32	FY2032/33	FY2033/34
Projected net debt attributed to drinking water and Wastewater services (\$m)	10	11	13							
Projected free funds from operations – drinking water and wastewater services (\$m)	0.1	1.2	1.4							
Free funds from operations to net debt ratio	1.0%	10.9%	10.8%							

Waikato Waters

The Free Funds from Operations to Net Debt Ratio shows an improving position throughout the period. The table below incorporates recognition of 75% of development contributions as operating income for the purpose of the calculation. This is in line with LGFA guidelines communicated in April 2025. The ratio reaches 8%, being the LGFA-stated target. We have discussed the debt profile with LGFA how have verbally confirmed comfort with the projections.

Free funds from operations	FY2024/25	FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30	FY2030/31	FY2031/32	FY2032/33	FY2033/34
Projected net debt attributed to drinking water and Wastewater services (\$m)				665	748	781	811	813	819	815
Projected free funds from operations – drinking water and wastewater services (\$m)				32	42	43	38	43	49	52
Free funds from operations to net debt ratio				4.8%	5.7%	5.5%	4.7%	5.3%	6.0%	6.4%
75% of Development Contributions (\$m)				8	11	16	18	18	17	18
Adjusted Free Funds from operations to net debt ratio				6.0%	7.2%	7.6%	6.9%	7.5%	8.1%	8.6%

Part D: Financial sustainability assessment - Stormwater

Confirmation of financially sustainable delivery of water services

Financially sustainable water services provision
Confirmation of financially sustainable delivery of water services by 30 June 2028
<i>Stormwater</i> This WSDP demonstrates that stormwater services will be delivered in a financially sustainable manner by 30 June 2028.
Actions required to achieve financially sustainable delivery of water services
Refer below
Risks and constraints to achieving financially sustainable delivery of water services
Refer below

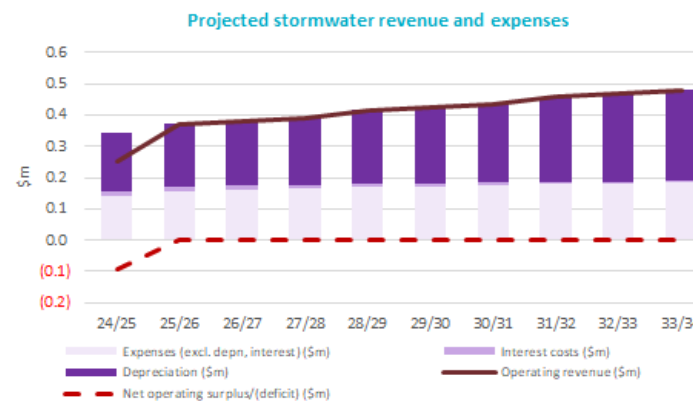
Financial sustainability assessment - revenue sufficiency

Assessment of revenue sufficiency

Projected stormwater revenues cover the projected costs of delivering water services

Projected stormwater revenue exceeds expenses from the 2026/27 year onwards. Expenses include interest costs and depreciation funding.

The funding of depreciation allows for the reinvestment of that money into capital investments and/or loan repayments as required.



Average projected charges for stormwater over FY2024/25 to FY2033/34

We have used the assumptions of connection numbers mentioned earlier in this document. Pricing is calculated based on consistent charging across both communities with stormwater systems.

The large increase in 2025/26 reflects an increase in depreciation expense because of capital expenditure in 2024/25.

Projected average charge per connection / rating unit (including GST)	FY2024/25	FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30	FY2030/31	FY2031/32	FY2032/33	FY2033/34
Stormwater	143.91	213.58	219.38	225.46	239.40	245.06	250.47	263.48	269.18	275.21
Average charge per connection / rating unit	143.91	213.58	219.38	225.46	239.40	245.06	250.47	263.48	269.18	275.21
Increase in average charge	-	48.4%	2.7%	2.8%	6.2%	2.4%	2.3%	5.2%	2.2%	2.2%
Water services charges as % of median household income	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%

Assessment of revenue sufficiency

Projected operating surpluses/(deficits) for stormwater

Initially in deficit, the projected operating surplus ratio improves over the first two years of the period reaching 0% by FY2026/27. The operating revenue also includes the assumption that revenues are sufficient to fully cover depreciation charges within each year. These depreciation reserves will be used in the first instance to fund capital renewals, with loan funding being used if there are insufficient depreciation reserves.

Operating surplus ratio (whether revenues cover costs)	FY2024/25	FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30	FY2030/31	FY2031/32	FY2032/33	FY2033/34
Operating surplus/(deficit) excluding capital revenues – stormwater (\$000's)	(\$92)	(\$48)	\$0	\$0	\$0	\$0	\$1	\$0	\$0	\$1
Operating revenue – stormwater (\$000's)	\$255	\$319	\$377	\$387	\$412	\$421	\$431	\$453	\$463	\$474
Operating surplus ratio	(36.08%)	(15.05%)	0%	0%	0%	0%	0.23%	0%	0%	0.21%

Projected operating cash surpluses for stormwater

The cashflows generated will be applied to depreciation reserves for funding the renewals of capital items. Any cashflow surplus is solely from the funding of depreciation, as well as any interest costs on borrowings taken to fund stormwater capital expenditure.

Operating cash ratio (whether revenues cover costs)	FY2024/25	FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30	FY2030/31	FY2031/32	FY2032/33	FY2033/34
Operating surplus/(deficit) + depreciation + interest costs - capital revenues – stormwater (\$000s)	\$106	\$166	\$219	\$226	\$248	\$253	\$260	\$280	\$288	\$296
Operating revenue – stormwater (\$000s)	\$255	\$319	\$377	\$387	\$412	\$421	\$431	\$453	\$463	\$474
Operating cash ratio	41.57%	52.04%	58.09%	58.40%	60.19%	60.10%	60.32%	61.81%	62.20%	62.45%

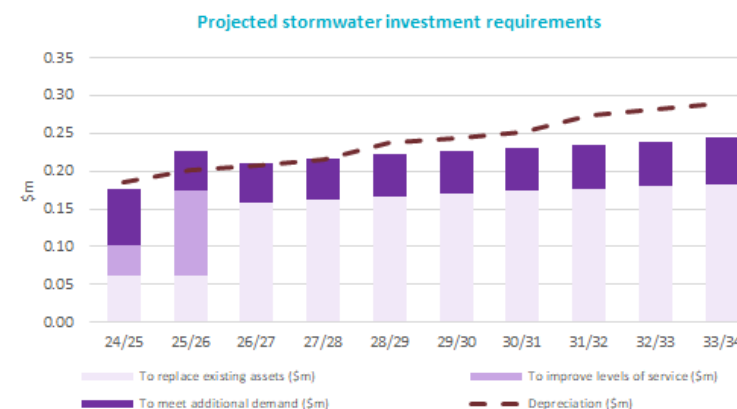
Financial sustainability assessment - investment sufficiency

Assessment of investment sufficiency

Projected stormwater investment is sufficient to meet levels of service, regulatory requirements and provide for growth

The asset management plan prepared alongside the 2024-34 LTP, includes all known expenditure requirements to meet stormwater obligations with regard to service levels, growth and asset renewal requirements.

Council has sufficient debt headroom to finance the required stormwater investments required over the term of the plan. The investment sufficiency test has been met by Council.



Renewals requirements for stormwater

The level of renewals expenditure is deemed to be appropriate even though it is lower than projected depreciation. This reflects the relatively young age of a large proportion of the stormwater network.

Depreciation goes into a reserve to fund future renewals.

Asset sustainability ratio	FY2024/25	FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30	FY2030/31	FY2031/32	FY2032/33	FY2033/34
Capital expenditure on renewals – stormwater (\$'000's)	\$462	\$63	\$159	\$163	\$167	\$170	\$173	\$177	\$180	\$183
Depreciation – stormwater (\$'000's)	\$185	\$201	\$207	\$215	\$237	\$245	\$257	\$260	\$263	\$268
Asset sustainability ratio	249.72%	31.34%	76.81%	75.81%	70.46%	69.39%	67.32%	68.08%	68.44%	68.28%

Assessment of investment sufficiency

Total stormwater investment required over 10 years

Proposed levels of investment have been set to maintain current levels of service and ensure compliance with all current and future consents. This is consistent with Council's Infrastructure Strategy.

Capital expenditure in years 2024/25 relates to the renewal of the comprehensive stormwater consents for both Ōtorohanga and Kāwhia.

Asset investment ratio	FY2024/25	FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30	FY2030/31	FY2031/32	FY2032/33	FY2033/34
Total capital expenditure – stormwater (\$000's)	\$502	\$227	\$212	\$217	\$222	\$226	\$230	\$236	\$240	\$244
Depreciation – stormwater (\$000's)	\$185	\$201	\$207	\$215	\$237	\$245	\$252	\$273	\$282	\$290
Asset investment ratio	271.4%	112.9%	102.4%	100.9%	93.7%	92.2%	91.3%	86.4%	85.1%	84.1%

Average remaining useful life of network assets

The asset consumption ratio is expected to decrease. This is because the age of the stormwater assets are relatively young with a long total useful life, which results in a slower rate of depreciation.

Asset consumption ratio	FY2024/25	FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30	FY2030/31	FY2031/32	FY2032/33	FY2033/34
Book value of stormwater assets – (\$000's)	\$11,800	\$11,826	\$11,830	\$11,832	\$11,817	\$11,799	\$11,777	\$11,740	\$11,697	\$11,651
Replacement value of stormwater assets – (\$000's)	\$11,800	\$12,547	\$12,547	\$12,547	\$13,460	\$13,460	\$13,460	\$14,170	\$14,170	\$14,170
Asset consumption ratio	100.0%	94.3%	94.3%	94.3%	87.8%	87.7%	87.5%	82.9%	82.5%	82.2%

Financial sustainability assessment - financing sufficiency

Assessment of financing sufficiency																																																																																																																										
Confirmation that sufficient funding and financing can be secured to deliver stormwater																																																																																																																										
Projected <u>council</u> borrowings against borrowing limits	Projected <u>stormwater</u> borrowings against borrowing limits																																																																																																																									
<div><p>Projected council net debt to operating revenue</p><p>This chart displays projected council net debt to operating revenue from 2024/25 to 2033/34. The left y-axis represents net debt in millions of dollars (\$m), ranging from 0 to 70. The right y-axis represents the net debt to operating revenue ratio as a percentage, ranging from 0% to 360%. The x-axis shows fiscal years. The chart includes four data series: Net debt (\$m) shown as purple bars, Total operating revenue (\$m) shown as a solid purple line, Debt headroom to limit (\$m) shown as grey bars, and Net debt to operating revenue (%) shown as a dashed brown line. A horizontal dashed red line indicates the borrowing limit at 180%.</p><table><tr><th>Year</th><th>Net debt (\$m)</th><th>Total operating revenue (\$m)</th><th>Debt headroom to limit (\$m)</th><th>Net debt to operating revenue (%)</th></tr><tr><td>24/25</td><td>10</td><td>25</td><td>35</td><td>40%</td></tr><tr><td>25/26</td><td>12</td><td>28</td><td>38</td><td>43%</td></tr><tr><td>26/27</td><td>15</td><td>30</td><td>40</td><td>50%</td></tr><tr><td>27/28</td><td>18</td><td>32</td><td>42</td><td>56%</td></tr><tr><td>28/29</td><td>20</td><td>34</td><td>44</td><td>59%</td></tr><tr><td>29/30</td><td>22</td><td>36</td><td>46</td><td>61%</td></tr><tr><td>30/31</td><td>23</td><td>37</td><td>47</td><td>62%</td></tr><tr><td>31/32</td><td>24</td><td>38</td><td>48</td><td>63%</td></tr><tr><td>32/33</td><td>25</td><td>39</td><td>49</td><td>64%</td></tr><tr><td>33/34</td><td>26</td><td>40</td><td>50</td><td>65%</td></tr></table></div>	Year	Net debt (\$m)	Total operating revenue (\$m)	Debt headroom to limit (\$m)	Net debt to operating revenue (%)	24/25	10	25	35	40%	25/26	12	28	38	43%	26/27	15	30	40	50%	27/28	18	32	42	56%	28/29	20	34	44	59%	29/30	22	36	46	61%	30/31	23	37	47	62%	31/32	24	38	48	63%	32/33	25	39	49	64%	33/34	26	40	50	65%	<div><p>Projected stormwater net debt to operating revenue</p><p>This chart displays projected stormwater net debt to operating revenue from 2024/25 to 2033/34. The left y-axis represents net debt in millions of dollars (\$m), ranging from -1 to 3. The right y-axis represents the net debt to operating revenue ratio as a percentage, ranging from 0% to 1000%. The x-axis shows fiscal years. The chart includes five data series: Net debt (\$m) shown as purple bars, Total operating revenue (\$m) shown as a solid purple line, Debt headroom to limit (\$m) shown as grey bars, Net debt to operating revenue (%) shown as a dashed brown line, and Water borrowing limit (%) shown as a dashed cyan line. A horizontal dashed red line indicates the Council borrowing limit at 200%. Annotations (1) and (2) are present on the left side of the chart.</p><table><tr><th>Year</th><th>Net debt (\$m)</th><th>Total operating revenue (\$m)</th><th>Debt headroom to limit (\$m)</th><th>Net debt to operating revenue (%)</th><th>Water borrowing limit (%)</th></tr><tr><td>24/25</td><td>2.5</td><td>0.5</td><td>0.5</td><td>500%</td><td>500%</td></tr><tr><td>25/26</td><td>2.5</td><td>0.6</td><td>0.5</td><td>417%</td><td>500%</td></tr><tr><td>26/27</td><td>2.5</td><td>0.7</td><td>0.5</td><td>357%</td><td>500%</td></tr><tr><td>27/28</td><td>2.5</td><td>0.8</td><td>0.5</td><td>313%</td><td>500%</td></tr><tr><td>28/29</td><td>2.5</td><td>0.9</td><td>0.5</td><td>278%</td><td>500%</td></tr><tr><td>29/30</td><td>2.5</td><td>1.0</td><td>0.5</td><td>250%</td><td>500%</td></tr><tr><td>30/31</td><td>2.5</td><td>1.1</td><td>0.5</td><td>227%</td><td>500%</td></tr><tr><td>31/32</td><td>2.5</td><td>1.2</td><td>0.5</td><td>208%</td><td>500%</td></tr><tr><td>32/33</td><td>2.5</td><td>1.3</td><td>0.5</td><td>192%</td><td>500%</td></tr><tr><td>33/34</td><td>2.5</td><td>1.4</td><td>0.5</td><td>179%</td><td>500%</td></tr></table></div>	Year	Net debt (\$m)	Total operating revenue (\$m)	Debt headroom to limit (\$m)	Net debt to operating revenue (%)	Water borrowing limit (%)	24/25	2.5	0.5	0.5	500%	500%	25/26	2.5	0.6	0.5	417%	500%	26/27	2.5	0.7	0.5	357%	500%	27/28	2.5	0.8	0.5	313%	500%	28/29	2.5	0.9	0.5	278%	500%	29/30	2.5	1.0	0.5	250%	500%	30/31	2.5	1.1	0.5	227%	500%	31/32	2.5	1.2	0.5	208%	500%	32/33	2.5	1.3	0.5	192%	500%	33/34	2.5	1.4	0.5	179%	500%
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Projected borrowings for stormwater																																																																																																																										
<p>The net debt to operating revenue ratio is below the limit of 175% of revenue for stormwater services that Council has determined, with the exception of the 2024/25 year projections. This is because the limit of 175% is the overall Council limit, and in 2024/25 Council was well within this limit overall.</p> <p>The additional borrowings for stormwater reflects costs associated with the renewal of resource consents, which flow onto the increased revenue requirements to cover repayments. This ensures ŌDC is under the debt limit from 2025/26 onwards.</p>																																																																																																																										

Assessment of financing sufficiency

Net debt to operating revenue	FY2024/25	FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30	FY2030/31	FY2031/32	FY2032/33	FY2033/34
Net debt attributed to stormwater (gross debt less cash) – (\$000's)	\$485	\$511	\$594	\$580	\$567	\$556	\$544	\$534	\$524	\$516
Operating revenue – stormwater (\$000's)	\$255	\$319	\$377	\$387	\$412	\$421	\$431	\$453	\$463	\$474
Net debt to operating revenue %	190.2%	160.2%	157.6%	149.9%	137.6%	132.1%	126.2%	117.9%	113.2%	108.9%

Borrowing headroom/(shortfall) for stormwater

Debt headroom for stormwater increases over the period from 2024/25 to 2033/34, as a consequence of a combination of increasing revenue and repayment of loans from the 2027/28 year onwards. The debt limit used is based on Council's limit with the LGFA, as adopted by Council's Treasury Management Policy.

Borrowing headroom/(shortfall) against limit	FY2024/25	FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30	FY2030/31	FY2031/32	FY2032/33	FY2033/34
Operating revenue – stormwater (\$000's)	\$255	\$319	\$377	\$387	\$412	\$421	\$431	\$453	\$463	\$474
Debt to revenue limit for stormwater (%)	175%	175%	175%	175%	175%	175%	175%	175%	175%	175%
Maximum allowable net debt at borrowing limit – (\$000's)	\$446	\$558	\$660	\$677	\$721	\$737	\$754	\$793	\$810	\$830
Projected net debt attributed to stormwater – (\$000's)	\$485	\$511	\$594	\$580	\$567	\$556	\$544	\$534	\$524	\$516
Borrowing headroom/(shortfall) against limit – (\$000's)	(\$39)	\$47	\$66	\$97	\$154	\$181	\$210	\$259	\$286	\$314

Assessment of financing sufficiency

Free funds from operations

Free funds from operations to net debt ratio improves over the period from 2024/25 to 2033/34, reaching a peak of 56.2% in 2033/34. This is consistent with the strategy that the stormwater function should be financially self-sustaining, with no external funding required from Council.

Free funds from operations	FY2024/25	FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30	FY2030/31	FY2031/32	FY2032/33	FY2033/34
Projected net debt attributed to stormwater – (\$000's)	\$485	\$511	\$594	\$580	\$567	\$556	\$544	\$534	\$524	\$516
Projected free funds from operations – stormwater (\$000's)	\$93	\$152	\$207	\$215	\$237	\$245	\$252	\$273	\$282	\$290
Free funds from operations to net debt ratio	19.2%	29.7%	34.8%	37.1%	41.8%	44.1%	46.3%	51.1%	53.8%	56.2%

Part E: Projected financial statements for water services

Projected financial statements – for drinking water, wastewater, stormwater and combined water services

Projected funding impact statement

Funding Impact Statement Drinking Water – Ōtorohanga District Council

Projected funding impact statement – drinking water (\$000)	FY2024/25	FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30	FY2030/31	FY2031/32	FY2032/33	FY2033/34
Sources of operating funding										
General rates	\$30	\$150	\$166							
Targeted rates	\$2,410	\$3,036	\$3,220							
Subsidies and grants for operating purposes	\$0	\$0	\$0							
Local authorities fuel tax, fines, infringement fees and other	\$0	\$0	\$0							
Fees and charges	\$17	\$2	\$1							
Total sources of operating funding	\$2,457	\$3,188	\$3,387							
Applications of operating funding										
Payments to staff and suppliers	\$927	\$1,003	\$1,082							
Finance costs	\$167	\$215	\$205							
Internal charges and overheads applied	\$1,187	\$1,268	\$1,322							
Other operating funding applications	\$70	\$68	\$70							
Total applications of operating funding	\$2,351	\$2,554	\$2,679							
Surplus/(deficit) of operating funding	\$106	\$633	\$708							

Source of capital funding										
Subsidies and grants for capital expenditure	\$0	\$0	\$0							
Development and financial contributions	\$0	\$0	\$0							
Increase/(decrease) in debt	\$2,320	\$101	\$183							
Gross proceeds from sales of assets	\$0	\$0	\$0							
Other dedicated capital funding	\$0	\$0	\$0							
Total sources of capital funding	\$2,320	\$101	\$183							
Applications of capital funding										
Capital expenditure - to meet additional demand	\$50	\$51	\$53							
Capital expenditure - to improve levels of services	\$139	\$56	\$42							
Capital expenditure - to replace existing assets	\$962	\$768	\$878							
Increase/(decrease) in reserves	\$1,275	(\$142)	(\$82)							
Increase/(decrease) in investments	\$0	\$0	\$0							
Total applications of capital funding	\$2,426	\$734	\$890							
Surplus/(deficit) of capital funding	(\$106)	(\$633)	(\$707)							
Funding balance	\$0	\$1	\$1							

Funding Impact Statement Drinking Water – Waikato Waters

Projected funding impact statement – drinking water (\$000)	FY2024/25	FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30	FY2030/31	FY2031/32	FY2032/33	FY2033/34
Sources of operating funding										
General rates				1,554	2,278	2,477	2,655	3,033	3,469	3,961
Targeted rates				69,054	74,554	78,999	82,096	85,133	88,244	91,442
Fees and Other Revenue Sources				997	983	1,009	1,033	1,049	1,071	1,092
Total sources of operating funding for drinking water (\$000)				71,606	77,816	82,484	85,784	89,215	92,784	96,495
Applications of operating funding										
Payments to staff and suppliers				28,329	28,151	29,697	28,440	28,906	29,112	29,732
Finance costs				11,560	12,597	14,716	15,719	16,682	16,900	18,271
Internal charges and overheads applied				9,692	9,855	10,045	9,934	10,002	10,174	10,679
Other operating funding applications				3,581	3,581	3,581	3,582	3,581	3,581	3,582
Total applications of operating funding				53,161	54,185	58,039	57,675	59,172	59,168	62,265
Surplus/(deficit) of operating funding				18,444	23,631	24,445	28,109	30,043	33,016	34,231
Source of capital funding										
Subsidies and grants for capital expenditure				0	0	0	0	0	0	0
Development and financial contributions				3,523	4,763	7,038	7,678	7,425	7,279	7,684
Increase/(decrease) in debt				34,213	30,583	17,836	25,353	7,667	15,828	(2,902)
Gross proceeds from sales of assets				0	0	0	0	0	0	0
Other dedicated capital funding				0	0	0	0	0	0	0

Total sources of capital funding				37,736	35,346	24,875	33,032	15,092	23,107	4,783
Applications of capital funding										
Capital expenditure - to meet additional demand				9,347	8,047	9,909	7,570	3,368	3,659	1,543
Capital expenditure - to improve levels of services				25,991	27,882	11,002	14,384	8,800	14,417	9,773
Capital expenditure - to replace existing assets				20,843	23,047	28,409	39,187	32,878	38,047	27,697
Increase/(decrease) in reserves				0	0	0	0	0	0	0
Increase/(decrease) in investments				0	0	0	0	0	0	0
Total applications of capital funding				56,181	58,977	49,320	61,140	45,135	56,123	39,013
Surplus/(deficit) of capital funding				(18,444)	(23,631)	(24,445)	(28,109)	(30,043)	(33,016)	(34,231)
Funding balance				0	0	0	0	0	0	0

Funding Impact Statement – Wastewater Ōtorohanga District Council

Projected funding impact statement - wastewater	FY2024/25	FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30	FY2030/31	FY2031/32	FY2032/33	FY2033/34
Sources of operating funding										
General rates	\$17	\$47	\$51							
Targeted rates	\$902	\$1,069	\$1,194							
Subsidies and grants for operating purposes	\$0	\$0	\$0							
Local authorities fuel tax, fines, infringement fees and other	\$0	\$0	\$0							

Fees and charges	\$97	\$67	\$68							
Total sources of operating funding	\$1,016	\$1,183	\$1,313							
Applications of operating funding										
Payments to staff and suppliers	\$611	\$442	\$452							
Finance costs	\$54	\$140	\$135							
Internal charges and overheads applied	\$248	\$277	\$288							
Other operating funding applications	\$31	\$31	\$32							
Total applications of operating funding	\$944	\$890	\$907							
Surplus/(deficit) of operating funding	\$72	\$292	\$407							
Source of capital funding										
Subsidies and grants for capital expenditure	\$0	\$0	\$0							
Development and financial contributions	\$0	\$0	\$0							
Increase/(decrease) in debt	\$5,850	\$506	\$87							
Gross proceeds from sales of assets	\$0	\$0	\$0							
Other dedicated capital funding	\$0	\$0	\$0							
Total sources of capital funding	\$5,850	\$506	\$87							
Applications of capital funding										
Capital expenditure - to meet additional demand	\$50	\$51	\$53							
Capital expenditure - to improve levels of services	\$3,728	\$0	\$0							
Capital expenditure - to replace existing assets	\$2,272	\$829	\$451							
Increase/(decrease) in reserves	(\$127)	(\$81)	(\$10)							

Increase/(decrease) in investments	\$0	\$0	\$0							
Total applications of capital funding	\$5,923	\$799	\$494							
Surplus/(deficit) of capital funding	(\$73)	(\$292)	(\$407)							
Funding balance	(\$1)	\$0	\$0							

Funding Impact Statement Wastewater - Waikato Waters

Projected funding impact statement – wastewater (\$000)	FY2024/25	FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30	FY2030/31	FY2031/32	FY2032/33	FY2033/34
Sources of operating funding										
General rates				56	735	1,068	1,266	2,215	3,018	3,990
Targeted rates				63,439	68,655	73,016	75,916	78,220	80,792	83,366
Subsidies and grants for operating purposes				0	0	0	0	0	0	0
Local authorities fuel tax, fines, infringement fees and other				0	0	0	0	0	0	0
Fees and charges				5,388	5,467	5,264	5,341	5,388	5,446	5,470
Total sources of operating funding for wastewater (\$000)				68,883	74,857	79,348	82,522	85,823	89,256	92,826
Applications of operating funding										
Payments to staff and suppliers				27,528	27,608	28,500	39,578	39,882	40,327	41,803
Finance costs				17,345	17,660	21,099	22,044	21,927	21,456	21,745

Internal charges and overheads applied				8,427	8,505	8,672	8,835	8,812	8,889	9,257
Other operating funding applications				2,369	2,369	2,370	2,370	2,370	2,370	2,370
Total applications of operating funding				55,670	56,141	60,641	72,828	72,990	73,042	75,174
Surplus/(deficit) of operating funding				13,214	18,716	18,707	9,694	12,833	16,214	17,652
Source of capital funding										
Subsidies and grants for capital expenditure				0	0	0	0	0	0	0
Development and financial contributions				7,110	10,289	14,888	16,255	16,196	15,415	16,705
Increase/(decrease) in debt				24,038	52,681	15,353	4,713	(5,986)	(9,627)	(996)
Gross proceeds from sales of assets				0	0	0	0	0	0	0
Other dedicated capital funding				0	0	0	0	0	0	0
Total sources of capital funding				31,148	62,970	30,241	20,967	10,210	5,788	15,709
Applications of capital funding										
Capital expenditure - to meet additional demand				15,305	20,977	13,514	7,818	6,582	3,038	12,857
Capital expenditure - to improve levels of services				13,939	37,027	15,711	10,508	5,365	7,378	10,250
Capital expenditure - to replace existing assets				15,117	23,682	19,724	12,336	11,096	11,586	10,254
Increase/(decrease) in reserves				0	0	0	0	0	0	0
Increase/(decrease) in investments				0	0	0	0	0	0	0
Total applications of capital funding				44,361	81,686	48,948	30,662	23,043	22,002	33,361
Surplus/(deficit) of capital funding				(13,214)	(18,716)	(18,707)	(9,694)	(12,833)	(16,214)	(17,652)
Funding balance				0	0	0	0	0	0	0

Funding Impact Statement Stormwater – Ōtorohanga District Council

Projected funding impact statement - stormwater	FY2024/25	FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30	FY2030/31	FY2031/32	FY2032/33	FY2033/34
Sources of operating funding										
General rates	250	372	382	392	417	426	436	459	469	479
Targeted rates	0	0	0	0	0	0	0	0	0	0
Subsidies and grants for operating purposes	0	0	0	0	0	0	0	0	0	0
Local authorities fuel tax, fines, infringement fees and other	0	0	0	0	0	0	0	0	0	0
Fees and charges	0	0	0	0	0	0	0	0	0	0
Total sources of operating funding	250	372	382	392	417	426	436	459	469	479
Applications of operating funding										
Payments to staff and suppliers	36	102	106	109	111	113	115	117	118	120
Finance costs	16	14	13	12	11	9	8	7	6	5
Internal charges and overheads applied	75	23	23	24	24	24	25	25	26	26
Other operating funding applications	31	32	33	33	34	35	36	36	37	38
Total applications of operating funding	157	171	175	178	180	182	184	185	187	189
Surplus/(deficit) of operating funding	94	201	207	215	237	245	252	273	282	290
Source of capital funding										
Subsidies and grants for capital expenditure	0	0	0	0	0	0	0	0	0	0
Development and financial contributions	0	0	0	0	0	0	0	0	0	0

Increase/(decrease) in debt	(5)	56	(16)	(14)	(13)	(11)	(12)	(10)	(10)	(8)
Gross proceeds from sales of assets	0	0	0	0	0	0	0	0	0	0
Other dedicated capital funding	0	0	0	0	0	0	0	0	0	0
Total sources of capital funding	(5)	56	(16)	(14)	(13)	(11)	(12)	(10)	(10)	(8)
Applications of capital funding										
Capital expenditure - to meet additional demand	75	51	53	54	55	56	57	59	60	61
Capital expenditure - to improve levels of services	40	113	0	0	0	0	0	0	0	0
Capital expenditure - to replace existing assets	61	63	159	163	167	170	173	177	180	183
Increase/(decrease) in reserves	(87)	30	(20)	(16)	2	7	10	28	32	39
Increase/(decrease) in investments	0	0	0	0	0	0	0	0	0	0
Total applications of capital funding	89	256	191	201	224	233	241	264	272	282
Surplus/(deficit) of capital funding	(94)	(200)	(207)	(215)	(237)	(245)	(252)	(273)	(282)	(290)
Funding balance	0	0	0	0	0	0	0	0	0	0

Projected statement of comprehensive revenue and expense

Statement of Comprehensive Revenue and Expense –Drinking Water – Ōtorohanga District Council

Projected statement of profit and loss – drinking water and wastewater services (\$000)	FY2024/25	FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30	FY2030/31	FY2031/32	FY2032/33	FY2033/34
Revenue										
Operating revenue	2,669	3,414	3,614							
Other revenue	0	0	0							
Total revenue	2,669	3,414	3,614							
Expenses										
Operating expenses	1,023	1,768	1,892							
Finance costs	196	215	209							
Overheads and support costs	1,175	566	629							
Depreciation & amortisation	749	777	800							
Total expenses	3,143	3,327	3,530							
Net surplus/(deficit)	(474)	87	84							
Revaluation of infrastructure assets	0	1,428	0							
Total comprehensive income	(474)	1,515	84							

Cash surplus/(deficit) from operations (ex non-cash items)	275	864	885							
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Statement of Comprehensive Revenue and Expense – Drinking Water – Waikato Waters

Projected statement of profit and loss – drinking water and wastewater services (\$000)	FY2024/25	FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30	FY2030/31	FY2031/32	FY2032/33	FY2033/34
Revenue										
Operating revenue				71,606	77,816	82,484	85,784	89,215	92,784	96,495
Other revenue				3,523	4,763	7,038	7,678	7,425	7,279	7,684
Total revenue				75,129	82,578	89,523	93,462	96,640	100,062	104,180
Expenses										
Operating expenses				31,910	31,732	33,278	32,022	32,487	32,693	33,314
Finance costs				11,560	12,597	14,716	15,719	16,682	16,900	18,271
Overheads and support costs				9,692	9,855	10,045	9,934	10,002	10,174	10,679
Depreciation & amortisation				26,809	27,935	28,683	29,819	30,355	31,257	31,529
Total expenses				79,971	82,119	86,723	87,494	89,527	91,025	93,793
Net surplus/(deficit)				(4,842)	459	2,800	5,968	7,113	9,037	10,386
Revaluation of infrastructure assets				24,869	24,1559	24,581	23,344	23,326	22,442	22,050
Total comprehensive income				20,027	24,618	27,381	29,312	30,439	31,479	32,437
Cash surplus/(deficit) from operations (ex non-cash items)				21,967	28,394	31,483	35,787	37,468	40,294	41,915

Statement of Comprehensive Revenue and Expense – Wastewater Ōtorohanga District Council

Projected statement of profit and loss – wastewater services (\$000)	FY2024/25	FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30	FY2030/31	FY2031/32	FY2032/33	FY2033/34
Revenue										
Operating revenue	985	1,333	1,513							
Other revenue	0	0	0							
Total revenue	885	1,333	1,513							
Expenses										
Operating expenses	690	653	672							
Finance costs	138	186	179							
Overheads and support costs	278	120	123							
Depreciation & amortisation	335	373	389							
Total expenses	1,441	1,331	1,362							
Net surplus/(deficit)	(457)	2	151							
Revaluation of infrastructure assets	0	867	0							
Total comprehensive income	(457)	867	151							
Cash surplus/(deficit) from operations (ex non-cash items)	(122)	374	540							

Statement of Comprehensive Revenue and Expense – Wastewater – Waikato Waters

Projected statement of profit and loss wastewater services (\$000)	FY2024/25	FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30	FY2030/31	FY2031/32	FY2032/33	FY2033/34
Revenue										
Operating revenue				68,883	74,857	79,348	82,522	85,823	89,256	92,826
Other revenue				7,110	10,289	14,888	16,255	16,196	15,415	16,705
Total revenue				75,993	85,146	94,237	98,777	102,019	104,671	109,531
Expenses										
Operating expenses				29,897	29,977	30,869	41,948	42,251	42,697	44,173
Finance costs				17,345	17,660	21,099	22,044	21,927	21,456	21,745
Overheads and support costs				8,427	8,505	8,672	8,835	8,812	8,889	9,257
Depreciation & amortisation				29,189	31,026	31,653	31,619	31,318	30,992	31,075
Total expenses				84,858	87,167	92,294	104,446	104,309	104,034	106,249
Net surplus/(deficit)				(8,865)	(2,022)	1,942	(5,670)	(2,289)	637	3,282
Revaluation of infrastructure assets				27,082	26,798	27,108	24,857	24,261	22,575	22,071
Total comprehensive income				18,217	24,776	29,050	19,188	21,972	23,212	25,353
Cash surplus/(deficit) from operations (ex non-cash items)				20,324	29,004	33,595	25,949	29,029	31,629	34,357

Statement of Comprehensive Revenue and Expense Stormwater - Ōtorohanga District Council

Projected statement of profit and loss - stormwater	FY2024/25	FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30	FY2030/31	FY2031/32	FY2032/33	FY2033/34
Revenue										
Operating revenue	250	372	382	392	417	426	436	459	469	479
Other revenue	0	0	0	0	0	0	0	0	0	0
Total revenue	250	372	382	392	417	426	436	459	469	479
Expenses										
Operating expenses	67	134	139	142	145	148	150	153	155	158
Finance costs	16	14	13	12	11	9	8	7	6	5
Overheads and support costs	75	23	23	24	24	24	25	25	26	26
Depreciation & amortisation	185	201	207	215	237	245	252	273	282	290
Total expenses	342	372	382	392	417	426	436	459	469	479
Net surplus/(deficit)	(91)	0	0	0	0	0	0	0	0	0
Revaluation of infrastructure assets	0	597	0	616	0	646	0	662	0	1,107
Total comprehensive income	(91)	597	0	616	0	646	0	662	0	1,107
Cash surplus/(deficit) from operations (ex non-cash items)	94	201	207	215	237	245	252	273	282	290

Projected statement of cashflows

Statement of Cashflows – Drinking Water - Ōtorohanga District Council

Projected statement of cashflows – drinking water services (\$000)	FY2024/25	FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30	FY2030/31	FY2031/32	FY2032/33	FY2033/34
Cashflows from operating activities										
Cash surplus/(deficit) from operations	275	864	885							
[Other items]	0	0	0							
Net cashflows from operating activities	275	864	885							
Cashflows from investing activities										
Capital expenditure – infrastructure assets	(1,542)	(976)	(3,323)							
[Other items]	0	0	0							
Net cashflows from investing activities	(1,542)	(976)	(3,323)							
Cashflows from financing activities										
New borrowings	2,079	201	2,529							
Repayment of borrowings	0	0	0							
Net cashflows from financing activities	2,079	201	2,529							
Net increase/(decrease) in cash and cash equivalents	812	89	91							
Cash and cash equivalents at beginning of year	(1,932)	(1,119)	(1,030)							
Cash and cash equivalents at end of year	(1,119)	(1,030)	(939)							

Statement of Cashflows – Drinking Water – Waikato Waters

Projected statement of cashflows – drinking water services (\$000)	FY2024/25	FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30	FY2030/31	FY2031/32	FY2032/33	FY2033/34
Cashflows from operating activities										
Cash surplus/(deficit) from operations				21,967	28,394	31,484	35,787	37,468	40,295	41,915
[Other items]										
Net cashflows from operating activities				21,967	28,394	31,484	35,787	37,468	40,295	41,915
Cashflows from investing activities										
Capital expenditure – infrastructure assets				(546,181)	(58,977)	(49,320)	(61,140)	(45,135)	(56,123)	(39,013)
[Other items]										
Net cashflows from investing activities				(546,181)	(58,977)	(49,320)	(61,140)	(45,135)	(56,123)	(39,013)
Cashflows from financing activities										
New borrowing				34,213	30,583	17,836	25,353	7,667	15,828	
Repayment of borrowings										(2,902)
Net cashflows from financing activities				34,213	30,583	17,836	25,353	7,667	15,828	(2,902)
Net increase/(decrease) in cash and cash equivalents				0	0	0	0	0	0	0
Cash and cash equivalents at beginning of year				0	0	0	0	0	0	0
Cash and cash equivalents at end of year				0	0	0	0	0	0	0

Statement of Cashflows – Wastewater Ōtorohanga District Council

Projected statement of cashflows – wastewater services (\$000)	FY2024/25	FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30	FY2030/31	FY2031/32	FY2032/33	FY2033/34
Cashflows from operating activities										
Cash surplus/(deficit) from operations	(122)	374	540							
[Other items]	0	0	0							
Net cashflows from operating activities	(122)	374	540							
Cashflows from investing activities										
Capital expenditure – infrastructure assets	(2,099)	(880)	(503)							
[Other items]	0	0	0							
Net cashflows from investing activities	(2,099)	(880)	(503)							
Cashflows from financing activities										
New borrowings	2,415	454	35							
Repayment of borrowings	0	0	0							
Net cashflows from financing activities	2,415	454	35							
Net increase/(decrease) in cash and cash equivalents	195	(51)	71							
Cash and cash equivalents at beginning of year	421	616	565							
Cash and cash equivalents at end of year	616	565	636							

Statement of Cashflows – Wastewater – Waikato Waters

Projected statement of cashflows – wastewater services (\$000)	FY2024/25	FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30	FY2030/31	FY2031/32	FY2032/33	FY2033/34
Cashflows from operating activities										
Cash surplus/(deficit) from operations				20,323	29,004	33,596	25,949	29,029	31,629	34,357
[Other items]										
Net cashflows from operating activities				20,323	29,004	33,596	25,949	29,029	31,629	34,357
Capital expenditure – infrastructure assets				(44,361)	(81,686)	(48,948)	(30,662)	(23,043)	(22,002)	(33,361)
[Other items]										
Net cashflows from investing activities				(44,361)	(81,686)	(48,948)	(30,662)	(23,043)	(22,002)	(33,361)
Cashflows from financing activities										
New borrowings				24,038	52,681	15,353	4,713			
Repayment of borrowings								(5,986)	(9,627)	(996)
Net cashflows from financing activities				24,038	52,681	15,353	4,713	(5,986)	(9,627)	(996)
Net increase/(decrease) in cash and cash equivalents				0	0	0	0	0	0	0
Cash and cash equivalents at beginning of year				0	0	0	0	0	0	0
Cash and cash equivalents at end of year				0	0	0	0	0	0	0

Statement of Cashflows – Ōtorohanga District Council

Projected statement of cashflows – stormwater (\$000)	FY2024/25	FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30	FY2030/31	FY2031/32	FY2032/33	FY2033/34
Cashflows from operating activities										
Cash surplus/(deficit) from operations	94	201	207	215	237	245	252	273	282	290
Net cashflows from operating activities	94	201	207	215	237	245	252	273	282	290
Cashflows from investing activities										
Capital expenditure – infrastructure assets	(176)	(227)	(211)	(217)	(222)	(226)	(231)	(235)	(240)	(244)
Net cashflows from investing activities	(176)	(227)	(211)	(217)	(222)	(226)	(231)	(235)	(240)	(244)
Cashflows from financing activities										
New borrowings		56								
Repayment of borrowings	(5)		(16)	(14)	(13)	(11)	(12)	(10)	(10)	(8)
Net cashflows from financing activities	(5)	56	(16)	(14)	(13)	(11)	(12)	(10)	(10)	(8)
Net increase/(decrease) in cash and cash equivalents	(87)	30	(20)	(16)	2	7	10	28	32	39
Cash and cash equivalents at beginning of year	(712)	(800)	(770)	(790)	(806)	(804)	(797)	(787)	(759)	(726)
Cash and cash equivalents at end of year	(800)	(770)	(790)	(806)	(804)	(797)	(787)	(759)	(726)	(688)

Projected statement of financial position

Statement of Financial Position – Drinking Water - Ōtorohanga District Council

Projected statement of financial position drinking water (\$000)	FY2024/25	FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30	FY2030/31	FY2031/32	FY2032/33	FY2033/34
Assets										
Cash and cash equivalents	(1,119)	(1,030)	(939)							
Other current assets										
Infrastructure assets	28,211	29,837	32,359							
Other non-current assets										
Total assets	27,091	28,807	31,420							
Liabilities										
Borrowings – current portion										
Other current liabilities										
Borrowings – non-current portion	6,861	7,062	9,591							
Other non-current liabilities										
Total liabilities	6,861	7,062	9,591							
Net assets	20,230	21,745	21,829							
Equity										
Revaluation reserves	0	1,428	1,428							
Other reserves	20,230	20,317	20,401							
Total equity	20,230	21,745	21,829							

Statement of Financial Position – Drinking Water – Waikato Waters

Projected statement of financial position drinking water (\$000)	FY2024/25	FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30	FY2030/31	FY2031/32	FY2032/33	FY2033/34
Assets										
Cash and cash equivalents										
Other current assets										
Infrastructure assets				802,037	857,238	902,456	957,121	995,226	1,042,537	1,072,069
Other non-current assets										
Total assets				802,037	857,238	902,456	957,121	995,226	1,042,537	1,072,069
Liabilities										
Borrowings – current portion										
Other current liabilities										
Borrowings – non-current portion				276,796	307,379	325,216	350,569	358,235	374,064	371,162
Other non-current liabilities										
Total liabilities				276,796	307,379	325,216	350,569	358,235	374,064	371,162
Net assets				525,241	549,859	577,240	606,552	636,991	668,470	700,907
Equity										
Revaluation reserves				525,241	549,859	577,240	606,552	636,991	668,470	700,907
Other reserves										
Total equity				525,241	549,859	577,240	606,552	636,991	668,470	700,907

Statement of Financial Position – Wastewater - Ōtorohanga District Council

Projected statement of financial position wastewater (\$000)	FY2024/25	FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30	FY2030/31	FY2031/32	FY2032/33	FY2033/34
Assets										
Cash and cash equivalents	616	565	636							
Other current assets	0	0	0							
Infrastructure assets	17,126	18,500	18,614							
Other non-current assets	0	0	0							
Total assets	17,742	19,065	19,250							
Liabilities										
Borrowings – current portion	0	0	0							
Other current liabilities	0	0	0							
Borrowings – non-current portion	2,777	3,231	3,266							
Other non-current liabilities	0	0	0							
Total liabilities	2,777	3,231	3,266							
Net assets	14,964	15,833	15,984							
Equity										
Revaluation reserves	0	867	867							
Other reserves	14,964	14,966	15,117							
Total equity	14,964	15,833	15,984							

Statement of Financial Position – Wastewater – Waikato Waters

Projected statement of financial position wastewater services (\$000)	FY2024/25	FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30	FY2030/31	FY2031/32	FY2032/33	FY2033/34
Assets										
Infrastructure assets				873,392	950,849	995,253	1,019,153	1,035,139	1,048,727	1,073,081
Total assets				873,392	950,849	995,253	1,019,153	1,035,139	1,048,727	1,073,081
Liabilities										
Borrowings – current portion										
Other current liabilities										
Borrowings – non-current portion				388,035	440,716	456,069	460,782	454,796	445,169	444,173
Other non-current liabilities										
Total liabilities				388,035	440,716	456,069	460,782	454,796	445,169	444,173
Net assets				485,358	510,133	539,184	558,372	580,343	603,555	628,908
Equity										
Revaluation reserves				485,358	510,133	539,184	558,372	580,343	603,555	628,908
Other reserves										
Total equity				485,358	510,133	539,184	558,372	580,343	603,555	628,908

Statement of Financial Position – Stormwater – Ōtorohanga District Council

Projected statement of financial position – stormwater (\$000)	FY2024/25	FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30	FY2030/31	FY2031/32	FY2032/33	FY2033/34
Assets										
Cash and cash equivalents	(800)	(770)	(790)	(806)	(804)	(797)	(787)	(759)	(726)	(688)
Other current assets	0	0	0	0	0	0	0	0	0	0
Infrastructure assets	11,800	12,423	12,427	13,046	13,031	13,659	13,637	14,262	14,220	15,280
Other non-current assets	0	0	0	0	0	0	0	0	0	0
Total assets	11,000	11,653	11,638	12,240	12,227	12,862	12,851	13,503	13,494	14,592
Liabilities										
Borrowings – current portion	0	0	0	0	0	0	0	0	0	0
Other current liabilities	0	0	0	0	0	0	0	0	0	0
Borrowings – non-current portion	1,547	1,603	1,587	1,574	1,561	1,549	1,538	1,528	1,518	1,510
Other non-current liabilities	0	0	0	0	0	0	0	0	0	0
Total liabilities	1,547	1,603	1,587	1,574	1,561	1,549	1,538	1,528	1,518	1,510
Net assets	9,453	10,050	10,050	10,667	10,667	11,313	11,313	11,975	11,975	13,082
Equity										
Revaluation reserves	0	597	597	1,214	1,214	1,860	1,860	2,522	2,522	3,629
Other reserves	9,453	9,453	9,453	9,453	9,453	9,453	9,453	9,453	9,453	9,453
Total equity	9,453	10,050	10,050	10,667	10,667	11,313	11,313	11,975	11,975	13,082

Water Services Delivery Plan: additional information

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Significant capital projects

Significant capital projects

Significant capital projects – Drinking Water - Ōtorohanga District Council

Significant capital projects – drinking water	FY2024/25	FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30	FY2030/31	FY2031/32	FY2032/33	FY2033/34
Sundry Renewals	155,000	158,875	163,060	167,090	170,965	174,530	178,095	181,505	184,760	188,015
Water Meter Renewals	33,000	16,400	16,832	222,068	12,133	11,260	11,490	13,467	11,920	12,130
Pump Renewals	105,000	0	36,820	0	0	39,410	0	40,985	0	42,455
Development Sundry	50,000	51,250	52,600	53,900	55,150	56,300	57,450	58,550	59,600	60,650
Mains Renewals	618,000	274,700	281,936	288,904	295,604	301,768	307,932	313,828	319,456	325,084
Sundry MEICA	215,000	220,375	226,180	231,770	237,145	287,130	252,780	257,620	262,240	266,860
Health & Safety Improvements	7,000	7,175	7,364	7,546	7,721	7,882	8,043	8,197	8,344	8,491
Sundry Building/Plant Improvements	133,500	44,588	29,982	19,943	20,406	20,831	72,962	15,809	16,092	16,376
Smart Meter Project	75,000	0	0	0	0	0	0	0	0	0
Sludge Pond Backwash Disposal	0	51,250	0	0	0	0	0	0	0	0
Sand Filter Roses	0	0	0	0	0	0	0	0	0	181,950
Resource Consent Renewal	150,000	0	157,800	0	0	0	0	0	0	0
Clarifier Brentwood Tubes	0	0	0	323,400	0	0	0	0	0	0
Filter Media	0	0	0	0	66,180	0	0	0	0	0

Significant capital projects

Plant Renewals	0	0	0	0	0	90,080	0	0	0	0
Carrier Fill Station	0	51,250	0	0	0	0	0	0	0	0
Arohena Treatment Upgrades	0	100,000	2,350,000	1,720,000	2,200,000	0	0	0	0	0

Significant capital projects – Wastewater - Ōtorohanga District Council

Significant capital projects – wastewater	FY2024/25	FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30	FY2030/31	FY2031/32	FY2032/33	FY2033/34
Desludge Oxidation Ponds	230,000	0	0	32,340	0	0	229,800	0	0	0
Development Sundry	50,000	51,250	52,600	53,900	55,150	56,300	57,450	58,550	59,600	60,650
Mains Renewals	525,000	261,375	268,260	274,890	281,265	287,130	292,995	298,605	303,960	309,315
Sundry MEICA	98,500	100,963	103,622	106,183	108,646	110,911	113,177	115,344	117,412	119,481
Sundry Building/Plant Improvements	0	0	21,040	21,560	22,060	22,520	22,980	23,420	23,840	24,260
Pump Renewals	50,000	20,500	21,040	21,560	22,060	22,520	22,980	23,420	23,840	24,260
Sundry Renewals	70,000	30,750	31,560	32,340	33,090	33,780	34,470	35,130	35,760	36,390
Health & Safety Improvements	5,000	5,125	5,260	5,390	5,515	5,630	5,745	5,855	5,960	6,065
Clarifier & Dewatering Plant	0	410,000	0	0	0	0	0	0	0	0

Significant capital projects – Stormwater - Ōtorohanga District Council

Significant capital projects

Significant capital projects – stormwater	FY2024/25	FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30	FY2030/31	FY2031/32	FY2032/33	FY2033/34
Sundry Renewals	35,000	35,875	36,820	37,730	38,605	39,410	40,215	40,985	41,720	42,455
Development Sundry	75,000	51,250	52,600	53,900	55,150	56,300	57,450	58,550	59,600	60,650
Mains Renewals	39,000	111,725	114,668	117,502	120,227	122,734	125,241	127,639	129,928	132,217
Sundry Building/Plant Improvements	7,000	7,175	7,364	7,546	7,721	7,882	8,043	8,197	8,344	8,491
Resource Consent Renewal	20,000	20,500	0	0	0	0	0	0	0	0

Risks and assumptions

Disclosure of risks and material assumptions for water services delivery		
RISK	DETAILED DESCRIPTION	MITIGATING ACTIONS
Waikato Waters LTD		
Day 1 is not achieved	The Company is not established and ready to be operational from 1 July 2026	<p>Establishment strategy agreed by WWDW councils</p> <p>Includes objectives and principles to inform establishment planning</p> <p>Appointment of the establishment board</p> <p>Dedicated and highly experienced programme manager has developed a staged approach to preparing the establishment plan informed by the strategy. A staged approach has been used to prepare the plan with increasing levels of detail at each stage and workshops with council staff to obtain feedback at each stage.</p> <p>NTU material used (where applicable) to ensure efficiency. Use of workstream leads and advisors who are SMEs.</p> <p>Ongoing engagement with other proposed CCOs to share approaches and learnings</p> <p>Establishment plan approved at end of June 2025 with a professional Board in place and responsible for overseeing implementation by 1 July 2026</p>
LGFA	<p>The Company does not get LGFA approval / covenants are overly onerous</p> <p>Timeline meeting LGFA covenants</p>	<p>Early and ongoing engagement with LGFA in relation to WWDW, the scale and the necessary steps for the CCO to be approved and including reaching agreement on timeline to meet LGFA covenants.</p> <p>Headroom built into the model and forecasts</p> <p>Financial support provided by councils.</p>
Staff recruitment	Ability to recruit an experienced executive team to lead the establishment of the CCO	<p>Org design to commence in August 2025 with a view to being finalised as soon as possible post CE appointment</p> <p>Expert recruiter being sourced now to ensure ready to go once roles confirmed</p> <p>Creating a culture of excitement and change to be an attractive place to work</p>

Disclosure of risks and material assumptions for water services delivery

RISK	DETAILED DESCRIPTION	MITIGATING ACTIONS
Regulatory uncertainty	Uncertainty in the regulatory landscape the company will be operating in and cost blow out.	Ongoing engagement with regulators
Capital delivery ability	Ability of the market to respond and deliver on the capital works delivery	<p>Strategic procurement to improve supply</p> <p>Smart consenting initiative</p> <p>Scale gives extra buying power, makes company more attractive to external contractors compared to councils alone</p> <p>Actively engaging with market to ensure they understand the forward programme</p>
Stormwater		
Stormwater in-house delivery model	In-house delivery not sustainable within other council activities	Council will consider the WWL service level agreement as part of options alongside building capacity in-house to support stormwater function.
Staff capability	Ability to recruit/maintain suitably qualified staff to provide the in-house delivery	A large part of this function may be contracted out, to reduce the operational staff. Capacity across other functions of Council will be considered, roading, parks to meet shortfall in expertise.
Confirmed Comprehensive Urban Resource Consents issued	Until consents are issued, specific changes to the activity unknown and may require further capital investment.	Continue to plan and make improvements in anticipation for the changes to come in line with catchment management plans.
Rural Water		
Rural Water Supply De-registration	De-registering drinking water component of Kahorekau, Huirimu and Taupaki water supplies	Until this process has been completed, we cannot say with certainty that this will happen. Taumata Arowai support and the results of referendum are key to the success. If the supplies cannot be closed, then capital investment will be required. Budget for the investment has been included in all the modelling and the Water Services Delivery Plan.

DRAFT

APPENDICES

DRAFT

DRAFT

Shareholders' Agreement relating to Waikato Waters Limited

PARTIES

Hauraki District Council

Matamata-Piako District Council

Ōtorohanga District Council

South Waikato District Council

Taupō District Council

Waipā District Council

Waitomo District Council

Waikato Waters Limited

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AGREEMENT dated 23 July 2025

PARTIES

Hauraki District Council

Matamata-Piako District Council

Ōtorohanga District Council

South Waikato District Council

Taupō District Council

Waipā District Council

Waitomo District Council

(collectively referred to as the "**Shareholding Councils**")

Waikato Waters Limited

("Waikato Waters" or "**the Company**")

BACKGROUND

- A. Under the implementing legislation for Local Water Done Well, all councils in New Zealand have been mandated to develop a financially sustainable and regulatory-compliant model for delivering water services to their communities.
- B. The aim of the Local Water Done Well water services system is to ensure water services are safe, reliable, environmentally resilient, customer responsive and delivered at the least cost to customers. Councils have been encouraged to consider how to do local water well and whether creating a jointly owned water organisation is the optimal structure for their communities.
- C. The Waikato is known nationally for its leadership in managing water to help ensure better long-term outcomes for the Waikato and Waipā rivers, Hauraki Coromandel rivers and Tīkapa Moana/Hauraki Gulf. Guided by the vision of Te Mana o Te Wai, Te Mana o Te Tangata | Healthy Water, Healthy People, the Shareholding Councils have worked together to identify and co-design a water services delivery option that best leverages their respective strengths, addresses their common challenges and can achieve the following strategic outcomes ("**Strategic Outcomes**"):
 - (a) **Financial sustainability:** create scale and change (including through further Company expansion opportunities) to enable the significant investment required to deliver efficient and financially sustainable water services that comply with regulatory requirements and enable urban and commercial development.
 - (b) **Leading workforce:** create the conditions to build and sustain a highly skilled, adaptable and world-leading water workforce that can innovate and collaborate to drive outcomes for the part of the Waikato region serviced by the Company (and in collaboration (where practicable) with other service providers in the wider region).

- (c) **Customer focus:** be customer-focused, leveraging new technologies, while also building customer awareness of their role in the water system and the value of water.
 - (d) **Local influence:** ensure local voice is represented in critical decision-making around water investment and management across the region, including decisions in relation to water takes and water discharges.
 - (e) **Delivering on expectations:** meet the expectations of key partners and stakeholders including those represented in Treaty settlements and applicable joint management agreements.
 - (f) **Health and the environment:** protecting public health and the environment.
- D. Following public consultation, each of the Transferring Shareholding Councils has formally resolved to jointly establish Waikato Waters for the purpose of providing drinking water and wastewater services across their respective service area and to each enter into a Transfer Agreement based on the Agreed Form Transfer Agreement set out in Schedule 12. In order to ensure that their communities receive the water services they deserve, the Shareholding Councils will be responsible for monitoring the performance of Waikato Waters in performing those services and holding it accountable for any non-performance.
- E. To manage the risk of multiple council businesses coming together in Waikato Waters, the Transferring Shareholding Councils have agreed that they will transfer their respective water services business into Waikato Waters in a staggered manner. Each of these Shareholding Council enters into this agreement to record (amongst other matters) its commitment to transfer its water services business to the Company on the Agreed Transfer Date under the terms of a transfer agreement (which will be based on the terms of the Agreed Form Transfer Agreement and completed in accordance with the Transfer Principles).
- F. **Taupō District Council:** Taupō DC has identified a stand-alone business unit as its preferred water services delivery model and therefore does not have an Agreed Transfer Date. However, as a founding council in Waikato Water Done Well, it wishes to remain involved in the Company as a Stage 1 Shareholder on the terms set out in this agreement (and certain provisions will not apply to Taupō DC due to the limited nature of its involvement).
- G. Each Shareholding Council also acknowledges that the success of Waikato Waters rests on each complying with their commitments to Waikato Waters and each other (including in the development and delivery of their respective water delivery plans).
- H. Waikato Waters must meet all relevant Treaty settlement obligations and other agreements, including joint management agreements, that apply across the service area. This does not change any existing commitments to Iwi from any council. As part of the transition into Waikato Waters, there is an opportunity for Waikato Waters (and its Shareholding Councils) to:
- (a) benefit from strategic relationships with Iwi partners to deliver on its purpose (and identify cost effective solutions to resource consents); and
 - (b) build upon existing co-governance entities / authorities of the region.

- I. The parties now enter into this agreement to record their respective relationships with each other and how the Shareholding Councils will manage their shareholdings in Waikato Waters. The agreement also sets out the process that will apply to reach agreement on the role of Iwi in ongoing Shareholder decision making.
- J. Once Waikato Waters accedes to this agreement following incorporation, Waikato Waters will be a party to this agreement and will have certain obligations owed to it by, and owed by it to, the Shareholding Councils.
- K. The terms and conditions of this agreement are set out in Schedule 1 (Agreement Details) and Schedule 2 (Terms and Conditions) together with the further Schedules that are referred to in Schedule 2.

SIGNATURES

1. Hauraki District Council

By:



Signed by: David Speirs

Signature of Authorised Signatory

Signature of Authorised Signatory

Name of Authorised Signatory

Name of Authorised Signatory

2. Matamata-Piako District Council

By:



Signature of Authorised Signatory

Adrienne Wilcock

Name of Authorised Signatory

Signature of Authorised Signatory

Name of Authorised Signatory

3. Ōtorohanga District Council

By:



Signature of Authorised Signatory

Max Baxter

Name of Authorised Signatory

Signature of Authorised Signatory

Name of Authorised Signatory

4. South Waikato District Council

By:



Signature of Authorised Signatory

Susan Mary Law

Name of Authorised Signatory

Signature of Authorised Signatory

Name of Authorised Signatory

5. Taupō District Council

By:



Signature of Authorised Signatory

Julie Ann Gardyne

Name of Authorised Signatory

Signature of Authorised Signatory

Name of Authorised Signatory

6. Waipā District Council

By:



Signature of Authorised Signatory

Susan O'Regan

Name of Authorised Signatory

Signature of Authorised Signatory

Name of Authorised Signatory

7. Waitomo District Council

By:



Signature of Authorised Signatory

John Robertson

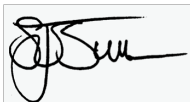
Name of Authorised Signatory

Signature of Authorised Signatory

Name of Authorised Signatory

8. Waikato Waters Limited

By:



Signature of Authorised Signatory

Steph O'Sullivan

Name of Authorised Signatory



Signature of Authorised Signatory

Susan Law

Name of Authorised Signatory

SCHEDULE 1 – AGREEMENT DETAILS

Service Area(s) for provision of "Water Services" <i>(Clause 1.1, Schedule 2, and Schedule 6)</i>	At any time, the applicable Service Area of each current Stage 2 Shareholding Council																
Initial share issue and shareholding <i>(Clause 2.3, Schedule 2)</i>	Stage 1 Shares Total Shares to be issued on the Incorporation Date: 700 Stage 1 Shares. Initial Shareholding Councils: <table> <tr> <th>Shareholder</th><th>Number of Stage 1 Shares</th></tr> <tr> <td>Hauraki District Council</td><td>100</td></tr> <tr> <td>Matamata-Piako District Council</td><td>100</td></tr> <tr> <td>Ōtorohanga District Council</td><td>100</td></tr> <tr> <td>South Waikato District Council</td><td>100</td></tr> <tr> <td>Taupō District Council</td><td>100</td></tr> <tr> <td>Waipā District Council</td><td>100</td></tr> <tr> <td>Waitomo District Council</td><td>100</td></tr> </table> Stage 2 Shares Further Shares to be issued: The Company commits to issue Stage 2 Shares to Shareholding Councils on the terms set out in this agreement.	Shareholder	Number of Stage 1 Shares	Hauraki District Council	100	Matamata-Piako District Council	100	Ōtorohanga District Council	100	South Waikato District Council	100	Taupō District Council	100	Waipā District Council	100	Waitomo District Council	100
Shareholder	Number of Stage 1 Shares																
Hauraki District Council	100																
Matamata-Piako District Council	100																
Ōtorohanga District Council	100																
South Waikato District Council	100																
Taupō District Council	100																
Waipā District Council	100																
Waitomo District Council	100																
Price payable for each share issued <i>(Clause 2.4, Schedule 2)</i>	\$1.00																
Name of Company <i>(Clause 2.5, Schedule 2)</i>	Waikato Waters Limited																

<p>Registered office and address for service of Company</p> <p><i>(Clause 2.5, Schedule 2)</i></p>	<p>c/- Co-Lab Company Secretary, 6/34d Lake Street, Cambridge, Cambridge, 3434, New Zealand</p>
<p>Initial business set up activities</p> <p><i>(Clause 3.3, Schedule 2)</i></p>	<p>Refer to the Establishment Strategy included at Schedule 3.</p>
<p>Directors</p> <p><i>(Clause 4, Schedule 2)</i></p>	<p>Initial Directors: The Initial Directors to be listed in the application for registration of the Company and pending appointment of the Establishment Board are:</p> <div style="background-color: #f0f0f0; padding: 10px; margin: 10px 0;"> <p>Initial Director(s) – appointed in accordance with the terms included in Schedule 4:</p> <p>David Alexander Spiers</p> <p>Manaia Dean Te Wiata</p> <p>Tanya Lee Winter</p> <p>Susan Mary Law</p> <p>Stephanie Jane O'Sullivan</p> <p>Benjamin Eric Smit</p> </div> <p>Directors on Establishment Board: The directors on the Establishment Board (one chair and at least two other directors) will be appointed by the Shareholder Representative Forum after the Company's Incorporation Date in accordance with the Board Matrix of Skills and from the date of the first appointment, will replace the Initial Directors.</p> <p>Operational Directors: Further directors (up to a maximum of seven directors in total appointed at any one time) will be appointed by the Shareholder Representative Forum by no later than the Operational Date in accordance with the Board Matrix of Skills.</p>
<p>Establishment of Shareholder Representative Forum</p> <p><i>(Clause 6.1, Schedule 2)</i></p>	<p>Yes</p> <p>The Shareholding Councils have confirmed the Shareholder Representative Forum will be established and will operate in accordance</p>

	with the SRF Terms of Reference included at Schedule 7 (as amended by time to time in accordance with those terms)
Failure to attend Shareholder Representative Forum meeting <i>(Clause 4.5, Schedule 7)</i>	2
Major Decisions <i>(Clause 6.1(j), Schedule 9)</i>	From the date of this agreement until its Completion Date, each Shareholding Council will comply with the major decisions framework set out in Schedule 9 and engage with the Company in relation to any Major Decisions.
Other matters to be included in the Statement of Expectations <i>(Clause 11.5, Schedule 2)</i>	As set out in Schedule 11.
Time period before publication to provide the agreed Statement of Expectations to the Chairperson of the Board, the Chief Executive of the Company and the Shareholder Representative Forum <i>(Clause 11.6, Schedule 2)</i>	Two weeks.
Principles for share issue of Stage 2 Shares <i>(Clause 14.3, Schedule 2)</i>	Stage 2 Shares are issued in accordance with clause 12 of Schedule 2, based on the principle of allocation proportional to the number of Total Water Connections within the Service Area of the relevant Council. The allocation of shares will be reviewed periodically, and on the admission of any new Shareholder to ensure this principle is adhered to.
Interest rate payable on payment default <i>(Clause 17.3(a), Schedule 2)</i>	Bill Rate plus 3% per annum.

Place of arbitration <i>(Clause 18.6(c), Schedule 2)</i>	Cambridge (unless agreed otherwise in writing by the parties)	
Address for notices <i>(clause 16.1, Schedule 2)</i>	Hauraki District Council	Matamata-Piako District Council
	Physical address: 1 William Street, Paeroa 3600 Postal address: PO Box 17, Paeroa 3640 Email: david.speirs@hauraki-dc.govt.nz Attention: David Spiers	Physical address: 35 Kenrick Street, Te Aroha Postal address: PO Box 266, Te Aroha 3342 Email: mtewiata@mpdc.govt.nz Attention: Manaia Te Wiata
	Ōtorohanga District Council	South Waikato District Council
	Physical address: 17 Maniapoto Street, Ōtorohanga Postal address: PO Box 11, Ōtorohanga 3940 Email: tanya@otodc.govt.nz Attention: Tanya Winter	Physical address: 1-5 Torphin Cres, Tokoroa 3420 Postal address: Private Bag 7, Torphin Crescent, Tokoroa Email: susan.law@southwaikato.govt.nz Attention: Susan Law
	Taupō District Council	Waipā District Council
	Physical address: 30 Tongariro Street, Taupō 3330 Postal address: Private Bag 2005, Taupō Mail Centre, Taupō 3352 Email: jgardyne@taupo.govt.nz Attention: Julie Ann Gardyne	Physical address: 101 Bank Street, Te Awamutu Postal address: Private Bag 2402, Te Awamutu 3840 Email: steph.o'sullivan@waipadc.govt.nz Attention: Steph O'Sullivan

	Waitomo District Council	Waikato Waters Limited
	<p>Physical address: 15 Queen Street, Te Kūiti</p> <p>Postal address: PO Box 404, Te Kūiti 3941</p> <p>Email: ben.smit@waitomo.govt.nz</p> <p>Attention: Ben Smit</p>	<p>Physical address:</p> <p>Postal address:</p> <p>Email:</p> <p>Attention:</p>
<p>Shareholder Representative Forum membership</p> <p><i>(Schedule 7)</i></p>	<p>Each Shareholding Council will have one SRF Representative on the Shareholder Representative Forum. In the absence of the relevant Shareholding Council agreeing otherwise, the SRF Representative for each Shareholding Council will be that Shareholding Council's Mayor.</p> <p>Quorum for meetings of the Shareholder Representative Forum: 75% of the Transferring Shareholding Councils by number and by voting percentage.</p>	

SCHEDULE 2 – TERMS AND CONDITIONS

AGREEMENT

1. DEFINITIONS AND INTERPRETATION

1.1 Definitions: In this agreement the following definitions apply:

"Agreed Form Transfer Agreement" means the template transfer agreement at Schedule 12 agreed to by the parties

"Agreed Proportionate Amount" has the meaning set out in clause 8.3 of this agreement.

"Agreed Transfer Date" means the intended completion date agreed by a Transferring Shareholding Council for the transfer of its water services business to the Company, as set out in section 6 of the Establishment Strategy or, in the context of Taupō DC, as agreed between it and the Company while Taupō DC is still a Stage 1 Shareholder.

"Alternate" means in relation to a Shareholding Council, an alternate to that Shareholding Council's SRF Representative to attend and vote at meetings of the Shareholder Representative Forum but only where the relevant SRF Representative is unable to do so.

"Bill Rate" means, in respect of any rate of interest to be calculated pursuant to this agreement, the 90 day bank bill interest rate stated on the following page (or any successor page) <http://www.rbnz.govt.nz/statistics/b2> at or about 3.00 pm on the first Business Day of the period in respect of which such rate of interest is to be calculated, and thereafter at intervals of 90 days from that Business Day.

"Board" means the board of Directors of Waikato Waters.

"Board Matrix of Skills" means the Matrix of Skills included in Schedule 10 as amended by the Shareholder Representative Forum from time to time.

"Business" means the business and activities set out in clause 2.2 of the Constitution.

"Business Day" has the meaning given to the term "working day" in the LGA.

"CCO" means a Council Controlled Organisation within the meaning of section 6 of the Local Government Act 2002.

"Companies Act" means the Companies Act 1993.

"Completion Date" means the date specified as the completion date in the Transfer Agreement between a Shareholding Council and the Company and, at the time of entry into this agreement, is intended to be the Agreed Transfer Date.

"Confidential Information" means all information of a confidential nature (which, where the confidentiality of the information is not expressly stated, shall be determined by the recipient, acting reasonably) obtained by one party from the other party under or in connection with this agreement, including, in relation to Waikato Waters, trade secrets, proprietary information and confidential information belonging to Waikato Waters that are not generally known to the public, including information concerning business plans, financial statements and other information provided pursuant to this agreement, operating practices and methods,

expansion plans, strategic plans, marketing plans, contracts, customer lists or other business documents which Waikato Waters treats as confidential, and any other information in respect of which Waikato Waters is bound by an obligation of confidence owed to a third party.

"Constitution" means the constitution of Waikato Waters as filed with the New Zealand Companies Office on the Incorporation Date, as amended from time to time.

"Council Water Infrastructure Debt" has the meaning set out in the relevant Shareholding Council's Transfer Agreement.

"Director" means a director of Waikato Waters.

"Drinking Water Supply" has the meaning in the LG(WS) Act.

"Establishment Board" means the Board of the Company appointed in accordance with clause 4.2.

"Establishment Budget" means the budget approved by the SRF in accordance with clause 6.1(b).

"Establishment Costs" means those costs that have been invoiced by Waikato Local Authority Shared Services Ltd t/a Co-Lab to the Shareholding Councils and are identified as being the costs for Phase II and / or Phase III of the Waikato Water Done Well mahi.

"Establishment Funding" means the funding required to meet the payments required under the Establishment Budget and which Transferring Shareholding Councils will (until such time as the Company is able to borrow directly from LGFA to meet the required payments) provide by way of paying their Establishment Funding Share to the Company.

"Establishment Funding Share" means the share of the Establishment Funding a Shareholding Council is required to pay to the Company, being that percentage of the Establishment Funding as equals the relevant Shareholding Council's expected proportion of the Stage 2 Shares on issue on the last Agreed Transfer Date, being:

Hauraki	16%
Matamata-Piako	25%
Ōtorohanga	4%
South Waikato	17%
Waipā	33%
Waitomo	5%

"Establishment Funding Payment Dates" means a date that is no later than five Business Days before 1 August 2025, 1 October 2025 and 1 January 2026 and 1 April 2026, provided that:

- (a) if any such date is less than five Business Days after the Establishment Budget is approved by the SRF, then that date will be replaced by the date that is five Business Days after the Establishment Budget is approved by the SRF; and

- (b) where the Company is able to borrow sufficient funding from the LGFA on or before any of these dates, the dates after which such funding is available will not apply.

"Establishment Period" means the period between the Incorporation Date of the Company and the Operational Date.

"Establishment Strategy" means the strategic plan set out in Schedule 3 for operationalising Waikato Waters, including the Agreed Transfer Date in respect of each Shareholding Council who has committed to transfer its water services to the Company.

"Event of Default" in respect of a Shareholder means where a Shareholder breaches or fails to observe any of its obligations under this agreement and:

- (a) if that breach or failure is capable of remedy, does not remedy that breach or failure within 20 Business Days of notice from any other Shareholding Council specifying the breach or failure and requiring remedy; and
- (b) if that breach or failure is not capable of remedy, that breach or failure is material in the context of the obligations of that Shareholder under this agreement.

"Financial Year" means:

- (a) the period from the Incorporation Date to 30 June immediately following the Incorporation Date;
- (b) each subsequent period commencing on 1 July and ending on the next 30 June during the Term; and
- (c) the period from 1 July immediately preceding the end of the Term, to the end of the Term.

"Incorporation Date" means the date on which Waikato Waters is incorporated as a limited liability company as determined by the date recorded by the New Zealand Companies Office.

"Initial Director" means those persons named as Directors in the application for registration of the Company who will be the initial Directors of the Company.

"Iwi" means, for the purpose of this agreement (unless the SRF agree otherwise), those Iwi authorities who were members of the Waikato Joint Mayors and Chairs Forum at the inception of Waikato Water Done Well in August 2023 and whose partnering council is a Shareholder has an Agreed Transfer Date.

"LGA" means the Local Government Act 2002.

"LGFA" means the New Zealand Local Government Funding Agency Limited.

"LG(WS) Act" means the Local Government (Water Services) Act 2024.

"Local Authority" has the meaning given to it in the LGA.

"Major Decision" has the meaning set out in Schedule 9.

"Material" means material in the context of the Business and assets of Waikato Waters as a whole.

"New Debt" means debt incurred by the Company to the LGFA after the relevant Shareholding Council's Completion Date, which is not incurred in order to pay another Shareholding Council's Settlement Amount or Council Water Infrastructure Debt.

"Operational Date" means the first Completion Date reached under a Transfer Agreement(s) between the Company and a Shareholding Council in accordance with the terms of that Transfer Agreement.

"Ordinary Resolution" has the meaning given to it in the Constitution.

"Post-Completion Transition Services" means the services that the Company engages a Shareholding Council to provide immediately from the Completion Date, as particularised in Schedule 3 of the relevant Transfer Agreement.

"Preliminary Arrangements Act" means the Local Government (Water Services Preliminary Arrangements) Act 2024.

"Related Company" has the meaning given to that term in the Companies Act.

"Reserved Matter Period" means the relevant of the following time periods:

- (a) from the Incorporation Date until the Operational Date ("**Reserved Matter Period 1**");
- (b) from the Operational Date until the termination or replacement of this agreement ("**Reserved Matter Period 2**").

"Reserved Matters" means matters of the nature listed in Schedule 8.

"Security Interest" includes a mortgage, debenture, charge, lien, pledge, assignment or deposit by way of security, bill of sale, lease, hypothecation, hire purchase, credit sale, agreement for sale on deferred terms, option, right of pre-emption, caveat, claim, covenant, interest or power in or over an interest in an asset and any agreement or commitment to give or create any such security interest or preferential ranking to a creditor including set off.

"Service Area" in respect of the service areas identified in Schedule 1, has the meaning set out in the LG(WS) Act where such service area is within the boundary of a current Stage 2 Shareholding Council (as that boundary is constituted at any time in Part 2, Schedule 2, LGA).

"Settlement Amount" has the meaning set out in the relevant Shareholding Council's Transfer Agreement.

"Shares" means shares in Waikato Waters on issue from time to time.

"Shareholder Representative Forum" or **"SRF"** means the joint committee formed by the Shareholding Councils pursuant to clause 7.1.

"Shareholding Council" means each of the Councils who are listed as a party to this agreement.

"Special Majority Resolution" means a resolution that is approved by:

- (a) Special Resolution by Vote; and
- (b) Special Resolution by Number.

"Special Resolution by Number" means a resolution that is approved by the Shareholding Councils who:

- (a) have committed to an Agreed Transfer Date that is on or before 1 July 2028 and that are entitled to vote; or
- (b) are otherwise specifically permitted to vote pursuant to Schedule 8,

with no more than two such Shareholding Councils voting against the resolution or abstaining from voting.

"Special Resolution by Vote" means a resolution that is approved by a majority of 75% of the votes (with one vote per Share) of those Shareholding Councils entitled to vote and voting on the question.

"SRF Representative" has the meaning given to it in Schedule 7.

"SRF Terms of Reference" means the terms of reference of the Shareholder Representative Forum in the form set out in Schedule 7 as amended from time to time by agreement of the Shareholding Councils.

"Stage 1 Shareholder" means, at the relevant time, any, or the relevant, Shareholding Council(s) that hold Stage 1 Shares.

"Stage 2 Shareholder" means, at the relevant time, any, or the relevant, Shareholding Council(s) that hold Stage 2 Shares.

"Stage 1 Shares" means the shares issued by the Company in accordance with clause 2.3 on the terms set out in Schedule 5.

"Stage 2 Shares" means the shares issued by the Company in accordance with clause 12 on the terms set out in Schedule 6.

"Statement of Expectations" has the meaning given to it in LG(WS) Act.

"Stormwater Services" has the meaning given to it in LG(WS) Act.

"Strategic Outcomes" has the meaning given to it in paragraph C of the Background to this agreement.

"Taupō DC" means Taupō District Council.

"Total Water Connections" means the sum of the number of connections to the wastewater network and the number of connections to the water network within the Service Area (excluding connections that are not serviced, whether or not such connections are serviceable).

"Transfer Agreement" means the agreement to be entered into between each Shareholding Council and the Company in accordance with the requirements of the LG(WS) Act, which will be in the form of the Agreed Form Transfer Agreement.

"Transfer Principles" means the principles set out in the clause 9 of this agreement which will inform the manner in which each Shareholding Council and the Company will complete the Agreed Form Transfer Agreement.

"Transferred Water Services" means, in respect of each Shareholding Council, that Shareholding Council's Drinking Water Supply and Wastewater Supply services that will transfer to the Company in accordance with the relevant Transfer Agreement.

"Transferring Shareholding Council" means a Shareholding Council with an Agreed Transfer Date.

"Treaty settlement obligation" means an obligation under a Treaty settlement Act or a Treaty settlement deed as those terms are defined in the LG(WS) Act.

"Waikato Water Done Well" means the programme of work the Shareholding Councils have collectively funded which has supported co-ordinated decision making across councils.

"Wastewater Supply" has the meaning set out in the LG(WS) Act.

"Water Services Strategy" has the meaning set out in the LG(WS) Act.

1.2 **Interpretation:** In this agreement, unless the context otherwise requires:

- (a) headings are for convenience only and do not affect interpretation;
- (b) the singular includes the plural and vice versa, and a gender includes other genders;
- (c) another grammatical form of a defined word or expression has a corresponding meaning;
- (d) words in this agreement have the same meaning as in the Companies Act unless inconsistent with the context;
- (e) a reference to a Shareholding Council, party, person or entity includes:
 - (i) an individual, firm, company, trust, partnership, joint venture, association, corporation, body corporate, estate, state, government or any agency thereof, municipal or local authority and any other entity, whether incorporated or not (in each case whether or not having a separate legal personality); and
 - (ii) an employee, agent, successor, permitted assign, executor, administrator and other representative of such Shareholding Council, party, person, entity;
- (f) a reference to dollars or \$ is to New Zealand currency and excludes every tax and duty;
- (g) a reference to a clause or schedule is to a clause or schedule of this agreement;

- (h) a reference to a statute, ordinance, code or other law includes regulations and other instruments under it and consolidations, amendments, re-enactments or replacements of any of them;
- (i) references to the word 'include' or 'including' are to be construed without limitation;
- (j) references to any form of law is to New Zealand law, including as amended or re-enacted;
- (k) a reference to a document or instrument includes the document or instrument as novated, altered, supplemented or replaced from time to time;
- (l) "written" and "in writing" include any means of reproducing words, figures or symbols in a tangible and visible form;
- (m) any obligation falling due for performance on or by a day other than a Business Day shall be performed on or by the Business Day immediately following that day; and
- (n) an obligation not to do something includes an obligation not to allow or cause that thing to be done.

1.3 **Subsidiaries of the Company:** If at any time Waikato Waters has a subsidiary (as defined in the Companies Act) or subsidiaries, clauses 3.2 and 7.1 shall be read so as to relate to the group of companies consisting of Waikato Waters and its subsidiaries, rather than to Waikato Waters alone.

1.4 **Constitution:** In the event of any inconsistency between this agreement and the Constitution, this agreement will (as between the parties) prevail over the Constitution to the extent of the inconsistency (and consistent with the Companies Act) and the Shareholding Councils will take such steps necessary to resolve the inconsistency.

2. ESTABLISHMENT OF COMPANY

2.1 **Context:** The Company is being established jointly by the Transferring Shareholding Councils as the service delivery model for the provision of water services in their respective district from their respective Completion Date¹. Each of these six Transferring Shareholding Councils will include the model, and the implementation plan, in the water services delivery plan to be submitted by that Shareholding Council by 3 September 2025 under the Preliminary Arrangements Act 2024. The Preliminary Arrangements Act requires each such Transferring Shareholding Council to give effect to the undertakings made in its water services delivery plan relating to the future delivery of water services. Each such Transferring Shareholding Council's water services delivery plan will be consistent with the Establishment Strategy.

2.2 **Incorporation:** The Shareholding Councils shall immediately after signing this agreement take all steps necessary (including signing documents) to incorporate the Company as a New Zealand registered company and comply with any other requirements in this agreement, provided however that Taupō DC will not be required to comply with clauses 2.7, 3.3, 4.1, 6.1, 8 and 11 (though is still entitled to participate in, and receive all notices and

¹ Note: at the time of entry into this agreement, Taupō District Council has not committed to the Company providing services in its district other than through a service level agreement.

drafts in relation to, the Statement of Expectations process set out in that clause), Schedule 3, paragraphs 3.4(a), 4.4 and 5.4 of Schedule 7 (though may elect to comply with these paragraphs if it chooses to do so), and Schedule 11, until such time as Taupō DC provides a formal commitment to enter into a Transfer Agreement with the Company (and those clauses will only apply from that time to the extent those clauses have not been otherwise fulfilled).

- 2.3 **Initial Shares:** The Company shall immediately on the Incorporation Date have the number of initial Shares set out in Schedule 1 which, on issue, will be held by the Shareholding Council as set out in Schedule 1 and are held on the terms set out in Schedule 5.
- 2.4 **Payment for Initial Shares:** The sum set out in Schedule 1 shall be payable by each Shareholding Council on the Incorporation Date in respect of each Stage 1 Share held by that Shareholding Council, receipt of which is hereby acknowledged.
- 2.5 **Name and registered office:** Waikato Waters Limited is the name of the incorporated entity and the initial registered office and address for service shall be as set out in Schedule 1.
- 2.6 **Commitment to issue further Shares:** As soon as practicable after incorporation of the Company, the Company will ratify its commitment to issue Stage 2 Shares to each Transferring Shareholding Council in accordance with clause 12.1 of this agreement.
- 2.7 **Establishment Costs and Establishment Funding:**
 - (a) Each Transferring Shareholding Council agrees that the Establishment Costs paid by it are as agreed between the parties prior to the date of this agreement and are payable on the due date for the relevant invoices issued to it.
 - (b) The Establishment Funding Share payable by a Transferring Shareholding Council under this agreement will be paid to the Company on the relevant Establishment Funding Payment Date (provided that no further Establishment Funding is payable on any Establishment Funding Payment Date which falls after the date on which the Company is able to finance such costs by way of borrowing in its own name from LGFA).
 - (c) The Company will repay all Establishment Costs and Establishment Funding received by it from a Shareholding Council, including any interest incurred by that Shareholding Council on Establishment Funding, on the date on which the Company obtains sufficient financing through the LGFA to meet the payments required under the Establishment Budget.

3. VISION AND PURPOSE OF COMPANY

- 3.1 **Vision:** The vision for establishing the Company is Te Mana o Te Wai Te Mana o Te Tangata | Healthy Water Healthy People.
- 3.2 **Purpose:** The overarching purpose of the Company is to deliver the Transferred Water Services to customers across the relevant Service Area(s) in a manner that:
 - (a) achieves the objectives of the Shareholding Councils, both commercial and non-commercial, as provided in the Statement of Expectations;

- (b) enables Shareholding Councils to collectively achieve the Strategic Outcomes for water services in their Service Area(s) in the long term; and
- (c) provides consistent and improving service levels and resilience across the whole of the Service Area serviced by the Company.

3.3 **Establishment Period:** The Transferring Shareholding Councils will work together to procure the initial business set up and implementation of the Establishment Strategy by the applicable timeframes set out in the Establishment Strategy.

4. BOARD AND DIRECTORS

4.1 **Initial Board:** It is agreed that the Chief Executive of each Transferring Shareholding Council will be named as a Director on the application for registration for the Company and will be Directors pending the appointment of the Establishment Board. Each Initial Director will be appointed as a Director in accordance with the terms of appointment set out in Schedule 4.

4.2 **Establishment Board:** As soon as practicable after the Incorporation Date:

- (a) the Shareholder Representative Forum will appoint the Chair of the Board of Directors, having regard to the Board Matrix of Skills;
- (b) the Chair will support the Shareholder Representative Forum in the appointment of at least two further Directors having regard to the Board Matrix of Skills; and
- (c) the Chair, together with the two further Directors, will be referred to as the Establishment Board.

4.3 **Board:** By the Operational Date, the Shareholder Representative Forum will appoint further Directors to the Board so that the Company will have the number of Directors required by the Constitution from the time it is operational.

4.4 **Appointment:** All Directors will be appointed and removed in accordance with the Constitution.

4.5 **Performance evaluation:**

- (a) The Board will undertake a self-evaluation of its performance on an annual basis at the end of each Financial Year, in line with accepted good governance principles and practices ("**Performance Evaluation**"), and the results of the Performance Evaluation will be reported directly to the Shareholder Representative Forum and to the Chief Executives (or equivalent) of each of the Shareholding Councils.
- (b) If the Board is in place for less than six months at the date on which the first Performance Evaluation is to occur, the Shareholding Councils may waive the requirement for that Performance Evaluation. If the first Performance Evaluation is not waived, then it will relate solely to the performance of the Establishment Board members for the partial year from the date of appointment of the Establishment Board under clause 4.2(c) to 30 June 2026.

5. ROLE OF IWI PARTNERS

5.1 **Strategic:** Prior to the Incorporation Date, each Shareholding Council has been responsible for engaging with Iwi within their respective rohe. An expectation of Shareholding Councils is that, as part of the transition into Waikato Waters, and future long-term transformation of water services, the Company will:

- (a) benefit from strategic relationships with Iwi partners to deliver on Waikato Waters' purpose and realise cost effective solutions to resource consents where practicable; and
- (b) establish positive relationships with co-governance entities of the region which arise from treaty-based settlement legislation enabling environmental and catchment-based outcomes including, but not limited to, Waikato River Authority, Hauraki Gulf Forum and Waihou, Piako, Coromandel Catchment Authority.

5.2 **Decision making:** In relation to the role of Iwi in shareholder decision making, the Shareholder Representative Forum shall, promptly after its establishment:

- (a) convene and agree a process for engaging with Iwi for the purposes of this clause 5;
- (b) engage with Iwi to consider and prepare a proposal for how Shareholding Councils can effectively partner with Iwi and with existing co-governance entities across the Shareholding Councils' Service Areas to achieve the agreed outcomes; and
- (c) present the proposal to each of the Shareholding Councils for consideration and approval.

In accordance with the above process, the Shareholding Councils will use their best endeavours to reach agreement on Iwi involvement in the Company.

5.3 **Te Ao Māori and Tikanga Māori:** The Board Skills Matrix must require that, on the Operational Date, the Board includes experience of integrating Te Ao Māori and Tikanga Māori in a professional board environment.

6. SHAREHOLDERS' OBLIGATIONS

6.1 **Shareholding Council obligations:** By entering into this agreement, each Transferring Shareholding Council agrees that:

- (a) each Transferring Shareholding Council will be a Stage 1 Shareholder on the terms set out in Part A of Schedule 5 and will take all necessary steps to become a Stage 1 Shareholder on the Incorporation Date (including subscribing for Stage 1 Shares);
- (b) it delegates authority to the SRF to set and approve a budget, in accordance with the Establishment Strategy, in respect of Reserved Matter Period 1 which will provide for the Company to reach operational readiness by the end of that period, provided that the establishment budget will be set by 31 July 2025, and:

- (i) expenditure included in the establishment budget as at 31 July 2025 will not exceed \$16.5 million subject to sub-clause (ii) below); and
- (ii) to provide a contingency, the SRF may approve further expenditure up to 20% of the capped amount in sub-clause (i) on the application of the Board and the SRF being satisfied the additional expenditure is necessary to achieve operational readiness;
- (c) it will pay its Establishment Funding Share on each Establishment Funding Payment Date to the Company, provided however that this sub-clause 6.1(c) will not apply once the Company is able to obtain sufficient financing through the LGFA to meet the payments required under the Establishment Budget;
- (d) it will enter into a deed of guarantee with LGFA in accordance with clause 8.2 below, or subscribe for the relevant amount of Stage 2 Shares in accordance with clause 12 with an associated amount of uncalled capital determined in accordance with clause 8.2 below;
- (e) it is committed to entering into a Transfer Agreement to transfer responsibility for Transferred Water Services to the Company, such that the Completion Date of the transfer (as defined in each Shareholding Council's Transfer Agreement) occurs on or before the Agreed Transfer Date and the Company will only issue the Shareholding Council with Stage 2 Shares in the manner and in accordance with clause 12 on the Completion Date;
- (f) any decision in relation to an Agreed Transfer Date being earlier than that set out in the Establishment Strategy is a Reserved Matter;
- (g) it will agree the Transfer Agreement with the Company consistent with the Transfer Principles by a date no later than 4 months before its Agreed Transfer Date;
- (h) the Completion Date for the Transfer Agreement is intended to be the same date as its Agreed Transfer Date;
- (i) the Establishment Strategy will inform the Shareholding Council's transition planning and the steps necessary to ensure the Company's operating model equips it to provide the Transferred Water Services in a seamless manner from the Operational Date and each applicable Completion Date thereafter;
- (j) in respect of any Major Decisions made by the Shareholding Council from the date of this Agreement until the Shareholding Council's Completion Date, it will comply with the requirements set out in Schedule 9;
- (k) it will continue to operate its water services from the date of this agreement until its Completion Date in a manner that complies with its statutory obligations and ensures a no-harm approach to staff, customers, lwi partners, other stakeholders and the Company;
- (l) it will provide the Post-Completion Establishment Services to the Company from the Completion Date in accordance with the terms set out in Schedule 3 of the Agreed Form Transfer Agreement; and

- (m) it will work together with the other Shareholding Councils in accordance with the engagement and decision-making principles set out below, to ensure:
 - (i) there is clarity on each Shareholder Council's expectations;
 - (ii) that the expectations are captured in the Statement of Expectations; and
 - (iii) the Company is well-positioned to fulfil its purpose, Statutory Objectives and the Strategic Outcomes.

6.2 **Taupō DC as Stage 1 Shareholder:** Taupō DC agrees that it will be a Stage 1 Shareholder on the terms set out in Part B of Schedule 5 and Taupō DC will take all necessary steps to become a Stage 1 Shareholder on the Incorporation Date (including subscribing for Stage 1 Shares). In becoming a Stage 1 Shareholder, Taupō DC is not required to pay an Establishment Funding Share.

6.3 Engagement and decision-making principles

- (a) When engaging with each other on all reporting and planning documentation pertaining to the Company, and making decisions on Reserved Matters and Major Decisions, the Shareholding Councils will adhere to the following:
 - (i) **Strategic Outcomes:** decisions are collectively taken with a focus on the Strategic Outcomes and supporting the Company to be successful in achieving these for the benefit of communities now and into the future;
 - (ii) **Spirit of collaborative working:** at all times act in a spirit of co-operation and collaborative working, endeavouring to act together to allow for the effective communication of the Shareholders' intentions or requirements to the Company;
 - (iii) **No surprises:** use best endeavours to act under the principle of "no surprises", both with the Company and with each other in relation to their respective interests; and
 - (iv) **Consensus:** use best endeavours to make decisions on Reserved Matters and pass resolutions by consensus. Where agreement by consensus cannot be achieved, clause 6.4 will apply.

6.4 Voting and Shareholder Reserved Matters:

- (a) Subject to clause 6.4(b), and any resolution that is required by the Companies Act or the Constitution to be passed as a Special Majority Resolution, a Special Resolution by Vote or a Special Resolution by Number, all resolutions of meetings of the Shareholding Councils may be passed by Ordinary Resolution.
- (b) The Company will not enter into any transaction or matter which is a Reserved Matter unless the entry into that transaction or matter is approved in accordance with the applicable decision-making thresholds for the Reserved Matter set out in Schedule 8.

6.5 **Duty to comply with Constitution:** Each Shareholding Council shall comply with the Company's Constitution.

- 6.6 **Compliance with laws:** The Shareholding Councils will each ensure they comply with their, and the Company complies with its, obligations under any applicable law, including the LGA, Preliminary Arrangements Act, the LG(WS) Act and the Companies Act.

7. SHAREHOLDER REPRESENTATIVE FORUM

- 7.1 **Establishment and SRF Terms of Reference:** The Shareholding Councils will establish a Shareholder Representative Forum in the manner set out below. To this end:

- (a) promptly after the date of this agreement, the Shareholding Councils will jointly establish, maintain and operate a Shareholder Representative Forum in accordance with the SRF Terms of Reference to provide overarching governance of the Company, including:
 - (i) in relation to the appointment of Directors to the Board of the Company;
 - (ii) to assist the Shareholding Councils to fulfil their obligations under this agreement and the Constitution; and
 - (iii) where the Company has any obligation to consult with the Shareholding Councils under the LG(WS) Act or other applicable law, to allow the Company to meet such obligation by consulting with the Shareholder Representative Forum; and
- (b) each Shareholding Council confirms the SRF Terms of Reference for the Shareholder Representative Forum are the terms attached at Schedule 7 to this agreement.

- 7.2 **Delegations to a SRF Representative:** Each Shareholding Council agrees to delegate to its appointed SRF Representative, and their Alternate, the responsibilities and powers set out in paragraph 7.1 of the SRF Terms of Reference.

- 7.3 **Authority of SRF Representatives:** Subject to the delegations under clause 7.2 above, the Shareholding Councils agree that any matter for a Shareholding Council under this agreement may be exercised by that Shareholding Council's SRF Representative, and (in the absence of that SRF Representative) their Alternate.

8. LOANS AND GUARANTEES BY SHAREHOLDING COUNCILS

- 8.1 **Loans and guarantees:** Subject to clause 8.2, no Shareholding Council will be required to make any loans to the Company or guarantee the obligations of the Company, to any creditor or other party except with the express prior agreement of such Shareholding Council.

- 8.2 **LGFA:** The Shareholding Councils agree that for the Company to achieve the Strategic Outcomes, it must be able to borrow from LGFA. In accordance with LGFA Foundation Policies, the Company (as a CCO) must have financial support from its shareholders. To this end, it is agreed that each Transferring Shareholding Council will:

- (a) support the Company in taking all steps necessary for it to:
 - (i) be approved by the LGFA Board; and

- (ii) accede to LGFA's Multi Issuer Deed and Notes Subscription Agreement; and
- (b) either:
 - (i) enter into, in a timely manner, a deed of guarantee (or such other documentation as required by LGFA) for the Company's debt liabilities to LGFA; or
 - (ii) commit to provide uncalled capital,

based on the following principles:

- (iii) no Shareholding Council will ultimately be required to guarantee, or pay, more than that Shareholding Council's Agreed Proportionate Amount; and
- (iv) the guarantee/amount of uncalled capital will be reviewed periodically to ensure it reflects the above principle.

8.3 **"Agreed Proportionate Amount"** means, in respect of a Shareholding Council, the aggregate of:

- (a) that Shareholding Council's Settlement Amount;
- (b) any of that Shareholding Council's Council Water Infrastructure Debt not included in that Shareholding Council's Settlement Amount but which is later repaid by the Company in accordance with the Transfer Agreement or otherwise by agreement between the Company and the Shareholding Council; and
- (c) that Shareholding Council's proportion (based on its proportionate holding of Stage 2 Shares at the time the New Debt is incurred) of any New Debt.

9. TRANSFER

9.1 Without limiting any of the provisions in the Agreed Form Transfer Agreement, Transferring Shareholding Councils agree to complete the Agreed Form Transfer Agreement based on the following Transfer Principles:

- (a) Assets to be transferred must be owned or controlled by a Transferring Shareholding Council and relate primarily to the Transferred Water Services.
- (b) Liabilities or any other obligation to be transferred must be owed by a Transferring Shareholding Council and relate wholly to the Transferred Water Services.
- (c) Where an asset is not owned or controlled by a Transferring Shareholding Council, but still relates primarily to the Transferred Water Services, the Transferring Shareholding Council will use all reasonable endeavours to transfer to the Company the right to use or have the benefit of that asset to the same degree as the Transferring Shareholding Council prior to the relevant Completion Date.
- (d) Transferring Shareholding Councils will take all steps necessary to ensure that the Company has the benefit of any resource consents that relate primarily to the

Transferred Water Services (including, where applicable, transferring those resource consents to the Company). Particulars of any non-compliance with this sub-clause (d) are to be disclosed at the time of entry into the Transfer Agreement.

- (e) Transferring Shareholding Councils remain responsible for the provision of the Transferred Water Services until the relevant Completion Date and will discharge all obligations under legislation, this agreement and the Transfer Agreement.
- (f) Transferring Shareholding Councils will co-operate fully and openly with the Company in relation to any critical risk assessment the Company may request prior to entering into the Transfer Agreement in relation to financial; health and safety risk and / or legal issues.
- (g) A settlement statement will be prepared under the Transfer Agreement confirming any amount payable by the Company to a Transferring Shareholding Council on Completion. This will include the process for identifying the value of water services liabilities the Company is assuming responsibility for.
- (h) The amount of water services debt that a Transferring Shareholding Council will transfer to the Company will be based on a consistent methodology. This will be based on historical actual two water activity statements / ringfencing (and be classified as a loan in the financial impact statement) to determine debt outstanding, but may also include costs incurred by the relevant Transferring Shareholding Council in undertaking a transitional activity agreed by the Board (as set out in that Transferring Shareholding Council's Transfer Agreement).
- (i) The Transfer Agreement will particularise the Post-Completion Establishment Services to be provided by a Transferring Shareholding Council to the Company including:
 - (i) the timeframe the services are to be provided for, or the time from which the scope of services will be reviewed by, the Company. The Company must work with the Transferring Shareholding Council to provide certainty on the scope of services the Transferring Shareholding Council will be requested to provide, taking into account the cost to the Transferring Shareholding Council of retaining capability to provide the service and the potential impact on staff; and
 - (ii) notwithstanding the above, the scope of all Post-Completion Establishment Services will be reviewed no later than six months after the last Agreed Transfer Date of the Transferring Shareholding Councils. The review must confirm to each Transferring Shareholding Council the scope of future services and the notice period that will apply to any change in scope.
- (j) Third-party rights will be protected and unaltered by the transfer of assets, liabilities, and other matters to the extent reasonably possible.
- (k) The monitoring and enforcement of each Transferring Shareholding Council's trade waste by-laws will be transferred to the Company.

10. STORMWATER SERVICES

- 10.1 **Stormwater Services to be agreed:** Shareholding Councils will retain legal responsibility for the management of Stormwater Services. The Company will offer Stormwater Services to each Shareholding Council based on an agreed form Stormwater Management Services agreement.
- 10.2 The agreed Stormwater Management Services agreement will be prepared during the Establishment Period (and approved by the Chief Executive of each Shareholding Council and the Chief Executive of the Company) based on the following principles:
- (a) **Scope of services:** the scope of services will be agreed between each Shareholding Council with the Company on a risks basis at the time of entry into the Stormwater Management Services Agreement;
 - (b) **Effective date:** the effective date for the Company to provide any Stormwater Management Services will be determined based on the Company having the capability (whether to be created prior to the effective date or otherwise) to provide the requisite services. This date will be negotiated as between the Chief Executive of the Company and the Chief Executive of the Shareholding Council wishing to enter into such an agreement with the Company;
 - (c) **Costs:** the Company will be entitled to charge for services based on:
 - (i) direct costs incurred in providing the service (including in respect of expenditure needed to ensure the Company has the capability to provide the services);
 - (ii) apportionment of indirect costs in providing the service; and
 - (iii) a risk margin of no more than 8%. The same margin will be applied across all Stormwater Management Services Agreements; and
 - (d) **Payment terms:** the relevant payment terms must ensure the Company is in funds to deliver the requisite services.

11. STATEMENT OF EXPECTATIONS

- 11.1 **Preparation:** The Shareholding Councils will be responsible for jointly preparing the Statement of Expectations in accordance with the LG(WS) Act, within the time periods required by the LG(WS) Act.
- 11.2 **Timing:** The Shareholding Councils agree all Statements of Expectations will be agreed and provided to the Company by the date ("**SoE Due Date**") which is no later than six months before the due date for the Company's Water Services Strategy.
- 11.3 **Process:** Unless the Shareholding Councils otherwise agree, or an alternative process is provided for in the LG(WS) Act (in which case that alternative process will be followed), the Shareholder Representative Forum will take the following steps to ensure clause 11.2 is complied with:

- (a) **Agreement with Board:** Within 6 months of the Company being incorporated, the Establishment Board will confirm the date on which its first Water Services Strategy will be prepared, being no later than 1 July 2027 (as required under the transitional provisions of the LG(WS) Act).
- (b) **Initial Discussion and Engagement:**
 - (i) No later than 11 months before the SoE Due Date, the Chair of the Shareholder Representative Forum will ensure that a meeting of the Shareholder Representative Forum is scheduled on a date that is no later than 9 months before the SoE Due Date. At least 8 weeks' notice of this meeting will be given. The Board Chair should also be issued with an invite to this meeting and have access to all papers shared with the SRF in preparation for the same.
 - (ii) Each Shareholder Representative Forum member (supported by the Chief Executive of their respective organisation) will be responsible for engaging with their appointing council in advance of the meeting and preparing a summary of expectations on the strategic direction for the Company (having regard to the contents of Schedule 7). Each Shareholder Representative Forum member will be expected to represent the overall expectations their Shareholding Council wishes to have addressed in the Statement of Expectations at the scheduled meeting.
- (c) **Draft Development:**
 - (i) Following the meeting referred to in clause (b), the Company will provide administrative support to the Shareholder Representative Forum in relation to the preparation of a draft Statement of Expectations. The initial draft will capture the output from the initial discussion and engagement (and potentially other relevant stakeholders).
 - (ii) The draft Statement of Expectations should clearly outline all matters set out in Schedule 7 and will be circulated to the Shareholder Representative Forum members (and the Board chair) no later than 6 months before the SoE Due Date.
- (d) **Review and Negotiation:**
 - (i) No later than four months before the SoE Due Date:
 - (aa) the draft Statement of Expectations will be reviewed by the Shareholder Representative Forum members; and
 - (bb) feedback and comments will be provided. This may include feedback and comments from the Board.
 - (ii) A further draft of the Statement of Expectations will be created and shared again with the Board for feedback no later than three months before the SoE Due Date.

- (e) **Finalisation and Agreement:** No later than one month before the SoE Due Date:
- (i) the Shareholder Representative Forum will convene to discuss and agree the feedback received from the Board; and
 - (ii) once the draft Statement of Expectations has been reviewed, it will be approved by the Shareholder Representative Forum by consensus. In the absence of consensus being achieved, the Statement of Expectations will be voted on as a Reserved Matter in accordance with the voting requirements for the applicable Reserved Matter Period.
- 11.4 **Publication:** The Shareholder Representative Forum will ensure that the process set out in, or agreed pursuant to, clause 11.3, is published on the website of one or more of the Shareholding Councils in accordance with the LG(WS) Act.
- 11.5 **Substance:** In addition to the requirements specified in the LG(WS) Act, the Statement of Expectations shall also include the matters set out in Schedule 1 and Schedule 11.
- 11.6 **Circulation:** No later than the period set out in Schedule 1 before the publication date, or an alternative date agreed by the Shareholding Councils, the agreed Statement of Expectations will be circulated to the Chairperson of the Board, the Chief Executive of the Company and the Shareholders Representative Forum.
- 11.7 **Compliance:** The Board must have regard to the contents of the Statement of Expectations when setting the Water Services Strategy and is accountable to the Shareholding Councils for this.
- 11.8 **Amendment or substitution:** The Shareholding Councils may, in accordance with the applicable decision-making thresholds set out in Schedule 8, decide at any time (but no later than 3 months before the next Water Services Strategy is due), or on application of the Board, to amend, revoke or substitute the Shareholding Councils' Statement of Expectations. Before making a decision in relation to the amendment or revocation of a Statement of Expectations, the Shareholding Councils (acting through the Shareholder Representative Forum), must consult with the Board.
- 12. ISSUE OF STAGE 2 SHARES**
- 12.1 **Timing:** On the Completion Date of each Transfer Agreement, the Company will issue Stage 2 Shares to the relevant Shareholding Council, to be held by that Shareholding Council on the terms set out in Schedule 6.
- 12.2 **Principle:** The Shareholding Councils have agreed that the number of shares, in the absence of consensus, determine the voting rights of a Shareholder. As voting rights are exercised to inform the direction of the Company and are exercised for the benefit of communities to whom the Transferred Water Services are provided, the underlying principle for share allocation of Stage 2 Shares is that it is based on the Total Water Connections in the Shareholding Council's Service Area.
- 12.3 **Stage 2 Share issue:** The issue of Stage 2 Shares will be determined in the following manner:

- (a) The Company will issue Stage 2 Shares to the Shareholding Council(s) that transfer its/their water services business to the Company on the Operational Date, with the number of such shares to be calculated as one share for every 1,000 Total Water Connections (rounded up) within the relevant Shareholding Council's Service Area on the date of issue;
 - (b) The Company will issue all subsequent Stage 2 Shares:
 - (i) based on one share for every 1,000 Total Water Connections (rounded up) within the Service Area of the incoming Shareholding Councils on their applicable Completion Date; and
 - (ii) each share issue under clause 12.3(b)(i) will trigger a review of the existing Stage 2 Shares held by Stage 2 Shareholders, with further Stage 2 Shares to be issued to reflect any increase in the Total Water Connections in the Service Area for any of the Stage 2 Shareholders. Any decreases in the number of Total Water Connections will be ignored and will not result in a reduction of Stage 2 Shares.
 - (c) To ensure the allocation of Stage 2 Shares reflects the Total Water Connections across the applicable Shareholding Councils' Service Areas, and are adjusted to reflect material changes in a Shareholding Council's Service Area (whether due to population growth, boundary changes or other changes), the Company will undertake a five-yearly review of connections, with the first review occurring five years after the Operational Date ("**Stage 2 Shares Review**"). This requirement to carry out a Stage 2 Shares Review can be waived by Special Majority Resolution of Stage 2 Shareholders.
 - (d) If there has been a material change in the Total Water Connections in the Service Areas of two or more Shareholding Councils, including due to an amalgamation affecting an existing Shareholding Council or a change to the Service Area boundary, then the Shareholding Councils can agree by Special Majority Resolution to undertake a Stage 2 Shares Review at a time in addition to the five yearly reviews under clause 12.3(c).
- 12.4 **Waiver:** Shareholding Councils waive any pre-emptive rights in respect of the issue of Stage 2 Shares to an existing Shareholding Council where the Stage 2 Shares are issued in accordance with this clause 12.

13. ADMISSION OF NEW SHAREHOLDERS

- 13.1 **Principle:** While the intention of Shareholding Councils is to create an entity for the collective benefit, this needs to be balanced with the need to enable the Company to focus on developing the processes that will achieve the anticipated efficiencies and safely transition the Transferred Water Services of existing Shareholding Councils into the Company.
- 13.2 **No issue of Stage 2 Shares prior to 1 December 2027:** No Stage 2 Shares will be issued (other than those already committed to under this agreement) before 1 December 2027 unless a Special Majority Resolution to the contrary is passed at the Shareholder Representative Forum.

- 13.3 **Reserved Matter:** Other than in respect of the Stage 1 Shareholders becoming Stage 2 Shareholders in accordance with this agreement and a Transfer Agreement, the admission of new Stage 2 Shareholders, new shareholders, and any issue of Shares, will be a Reserved Matter and subject to the approval of existing Shareholding Councils in accordance with clause 6.4 and the relevant Reserved Matter Period set out in Schedule 8.
- 13.4 **New shareholders:** Any application by any local or regional authority to become a Shareholding Council must be supported by a formal resolution from the council submitting the application. The Board will put a proposal to the Shareholding Councils via the Shareholder Representative Forum seeking approval to admit a new shareholder.
- 13.5 **New shareholder proposal:** The proposal in clause 13.4 must include:
- (a) an independent assessment of the proposed incoming shareholders' assets and liabilities relating to the proposed Transferred Water Services of the proposed incoming shareholder;
 - (b) whether there is any underinvestment relating to the proposed Transferred Water Services of the proposed incoming shareholder that needs to be addressed either prior to or immediately after the proposed transfer for the provision of water services to be compliant with regulations;
 - (c) financial implications for the Company if the council is admitted (including the projected impact on the borrowing capacity of the Company) and any counterproposal that is recommended;
 - (d) conditions of entry that will apply, including the financial entry contribution to be made by the proposed incoming shareholder to the Company which will be equitable and take into account the upfront monetary and time investment made by the Shareholding Councils in establishing the Company. Unless otherwise approved by Special Majority Resolution, the entry contribution will be no less than the amount calculated as follows (allowing for cost of capital):

$$\left[\frac{(A + B)}{(C)} \right] \times (D)$$

where:

A is the amount of a contribution towards the value of the intellectual property built up by the Company as determined by the Shareholding Councils;

B is the cost of establishment of the Company (including the Establishment Costs and Establishment Funding);

C is the current Total Water Connections to which the Company provides water services immediately prior to the proposed incoming shareholder becoming a shareholder (rounded up to the nearest 1000); and

D is the number of Total Water Connections in the Service Area of the proposed incoming shareholder (rounded up to the nearest 1000);

- (e) likely shares to be issued to incoming shareholder and impact on existing shareholders. The number of shares that will be issued to the incoming shareholder will be determined by the same Stage 2 Share issue methodology specified in clause 12; and
 - (f) a recommendation in relation to the timing and transition of the proposed new shareholder which ensures any risk to the safe transition of existing Shareholders or operations of the Company is fully mitigated and any other matters the Board considers Shareholding Councils should have regard to.
- 13.6 **Costs:** The applicant shareholder will be required to meet the cost incurred by the Board in preparing the above proposal.
- 13.7 **Terms for accession:** If the proposal is approved, the incoming shareholder will be required to:
 - (a) accede to this agreement on existing terms;
 - (b) pay the entry contribution to the Company agreed by Shareholding Councils; and
 - (c) comply with any further conditions of entry established by the Board and approved by existing Shareholding Councils.
- 13.8 **Clauses not to apply:** For the avoidance of doubt, clauses 13.3 to 13.7 do not apply to the admission of Taupō DC as a Stage 2 Shareholder pursuant to a Transfer Agreement entered into by Taupō DC and the Company while Taupō DC still held Stage 1 Shares.
- 14. SHARE SALE, FURTHER ISSUE, AMALGAMATION AND VALUATION**
- 14.1 **No sale:** No Shareholding Council shall directly or indirectly sell, transfer, or dispose of the legal or beneficial ownership of, or the control of, any of its Shares otherwise than in compliance with the Constitution and LG(WS) Act.
- 14.2 **No Security Interest:** A Shareholding Council must not grant a Security Interest over any of its Shares.
- 14.3 **Share issue:** Subject to approval of the Shareholding Councils in accordance with clause 6.4 and the commitment to issue Stage 2 Shares on the Completion Date of each Shareholding Council's Transfer Agreement, the Board may issue Shares in accordance with the Constitution and this agreement.
- 14.4 **Amalgamation of Local Authorities:** In the event of an amalgamation or any other change in the governance structure of a Shareholding Council, the Shareholding Councils will meet and discuss the effect of the amalgamation on the shareholding structure of the Company and will exercise their voting rights under clause 12.3(d) for a Stage 2 Share Review to ensure that the shareholding percentages for the Stage 2 Shares reflect the number of connections in the Service Area of each Shareholding Council prior to amalgamation, and the aggregate total post-amalgamation.

15. TERM AND TERMINATION

15.1 **Term:** This agreement commences on the date it is signed by all parties and continues until the first date on which:

- (a) in respect of a particular Shareholding Council, that Shareholding Council no longer holds any Shares;
- (b) only one Shareholding Council owns all Shares;
- (c) none of the Shareholding Councils hold Shares; or
- (d) the date on which the Company is liquidated or otherwise wound-up.

16. CONSEQUENCES OF TERMINATION

16.1 **Effect of termination:** Any termination of this agreement with respect to a Shareholding Council does not affect any accrued rights that Shareholding Council may have against the other parties to this agreement or which the other parties to this agreement may have against it.

16.2 **Survival:** Termination of this agreement will not affect the rights and obligations of the Shareholding Councils set out in clauses 1, 16, 19 and 21 which are intended to survive the termination of this agreement.

17. SUSPENSION OF RIGHTS

17.1 **Consequences:** If an Event of Default occurs in respect of a Shareholding Council (the "**Defaulting Shareholder**") the Non-Defaulting Shareholders may, while that Event of Default continues, by notice in writing to the Defaulting Shareholder in accordance with clause 17.2, require that the Defaulting Shareholder is suspended as follows:

- (a) all rights of the Defaulting Shareholder under this agreement (including the right to vote on a Reserved Matter) and all rights attaching to the Defaulting Shareholder's Shares ("**Default Shares**") (including voting) are suspended and the Default Shares are not to be counted for the purpose of determining a quorum for a Shareholder Representative Forum meeting; and
- (b) all Director appointment rights of the Defaulting Shareholder are suspended.

17.2 **Non-Defaulting Shareholder:** For the purposes of clause 17.1:

- (a) "Non-Defaulting Shareholders" means all Shareholding Councils which are not the Defaulting Shareholder; and
- (b) any notice which may be given by the Non-Defaulting Shareholders under clause 17.1 may be given by a Shareholding Council or Shareholding Councils which holds or hold more than half of the Shares held by all Non-Defaulting Shareholders.

- 17.3 **Default interest:** If any party does not pay any amount payable under this agreement on the due date for payment ("**Due Date**") that party shall pay to the party to which the amount is payable interest (both before and after judgment) on that amount. That interest:
- (a) shall be paid at the rate set out in Schedule 1;
 - (b) shall be paid by instalments at intervals of ten Business Days from the Due Date; and
 - (c) shall be calculated on a daily basis from and including the Due Date until the unpaid amount is paid in full.

The right of a party to require payment of interest under this clause does not limit any other right or remedy of that party.

- 17.4 **Other remedies:** Clauses 17.1 and 17.3 are without prejudice to any other right, power or remedy under this agreement, at law, or otherwise, that any Shareholding Council has in respect of a default by any other Shareholding Council.

18. DISPUTE RESOLUTION

- 18.1 **Clause to apply:** Any dispute arising between the parties in connection with this agreement (including in respect of a matter raised in the Shareholder Representative Forum) must be determined in accordance with this clause 18.
- 18.2 **Notice in writing:** If a Shareholding Council claims that a dispute has arisen, that Shareholding Council must give written notice ("**Dispute Notice**") to all of the other Shareholding Councils in accordance with clause 20. The Dispute Notice must specify the nature of the dispute.
- 18.3 **Interested Shareholding Councils:** At any time following receipt of the Dispute Notice, a Transferring Shareholding Council may, where they are not directly involved in the dispute, provide notice to the other Shareholding Councils:
- (a) that they are interested in the subject matter of the dispute, in which case they (along with the Shareholding Councils which are directly involved in the dispute) will be considered to be "**Interested Shareholding Councils**"; and
 - (b) where they have previously given notice under sub-clause (a), that they are no longer interested in the dispute, in which case, that Shareholding Council will not or no longer be considered to be an Interested Shareholding Council.
- 18.4 **Negotiation:**
- (a) On receipt of a notice delivered in accordance with clause 18.2 and before any Shareholding Council may refer a dispute to mediation, the SRF Representatives of the Interested Shareholding Councils must, in good faith and acting reasonably, do their best to resolve the dispute quickly and efficiently through negotiation.
 - (b) If any SRF Representative considers that the dispute is not being resolved in a timely manner, such SRF Representative may serve written notice on the Interested Shareholding Councils' SRF Representatives to escalate the dispute to

the Mayors or equivalent (where the SRF Representatives are not themselves the Mayor or equivalent) of the Interested Shareholding Councils for resolution.

- (c) If the dispute has not been resolved within 20 Business Days (or within such other period as agreed by the Interested Shareholding Councils) of the date of the notice referred to in clause 18.4(b), any SRF Representative of the Interested Shareholding Councils may submit the dispute to mediation.

18.5 **Mediation:**

- (a) If the Interested Shareholding Councils do not resolve the dispute by negotiation, the Interested Shareholding Councils must, in good faith and acting reasonably, do their best to resolve the dispute by participating in mediation with an independent mediator.
- (b) If the Interested Shareholding Councils do not agree on a mediator, then the mediator will be appointed by the New Zealand Dispute Resolution Centre.
- (c) The Interested Shareholding Councils must mediate the dispute in accordance with principles agreed between them or, if no agreement can be reached, the New Zealand Dispute Resolution Centre Mediation Rules.
- (d) Unless the parties agree otherwise, the mediator's fee and any other costs of the mediation itself (such as for venue hire or refreshments) will be shared equally between the Interested Shareholding Councils, but the Interested Shareholding Councils will each pay their own costs of preparing for and participating in the mediation (such as for travel and legal representation).

18.6 **Arbitration:**

- (a) If the dispute has not been resolved within 40 Business Days (or within such other period as agreed by the Interested Shareholding Councils) of the dispute being referred to mediation, any Interested Shareholding Council (the "**Initiating Party**") may refer such dispute to binding arbitration by issuing a written notice ("**Arbitration Notice**") to the other Interested Shareholding Councils (together with the Initiating Party, the "**Disputing Parties**") for final resolution in accordance with the provisions of this clause 18.6 and in accordance with the provisions of the Rules of Arbitration of the New Zealand Dispute Resolution Centre, as amended or modified from time to time ("**NZDRC Rules**").
- (b) The arbitral panel shall consist of one arbitrator. The arbitrator will be appointed by the agreement of the Disputing Parties or, failing agreement within 10 Business Days of the date of the Arbitration Notice, in accordance with the NZDRC Rules.
- (c) The seat of arbitration shall be as set out in Schedule 1 and the arbitration shall be conducted in the English language.
- (d) The award of the arbitration shall be in writing and must include reasons for the decision.
- (e) The award of the arbitration shall be final and binding on the Disputing Parties. No Disputing Party may appeal to the High Court under Clause 5 of the Second

Schedule of the Arbitration Act 1996 on any question of law arising out of an award.

- (f) The award shall allocate or apportion the costs of the arbitration as the arbitrator deems fair, with reference to which of the Disputing Parties are only Interested Shareholding Councils.
- (g) Neither the existence of any dispute nor the fact that any arbitration is pending hereunder shall relieve any of the parties of their respective obligations under this agreement.

18.7 **Implementation of agreement:** The parties must do whatever is reasonably necessary to put into effect any negotiated or mediated agreement, arbitral award or other resolution. This includes exercising voting rights and other powers as required.

18.8 **Rights and obligations during a dispute:** During a dispute, each party must continue to perform its obligations under this agreement.

18.9 **Interlocutory relief and right to terminate:** This clause does not restrict or limit the right of a party to obtain interlocutory relief, or to immediately terminate this agreement where this agreement provides such a right.

19. CONFIDENTIAL INFORMATION AND PUBLIC ANNOUNCEMENTS

19.1 **Confidentiality:** Each party must keep confidential the Confidential Information, and must not disclose or permit the disclosure of such Confidential Information to any other person. If a party becomes aware of a breach of this obligation, that party will immediately notify the other parties.

19.2 **Further permitted use and disclosure:** This agreement does not prohibit the disclosure of Confidential Information by a party in the following circumstances:

- (a) the other parties have consented to the disclosure of the relevant Confidential Information;
- (b) the disclosure is specifically contemplated and permitted by this agreement;
- (c) the disclosure of Confidential Information is to an employee, subcontractor, agent or representative who needs it for the purposes of this agreement;
- (d) the disclosure is to a professional adviser in order for it to provide advice in relation to matters arising under or in connection with this agreement;
- (e) the disclosure is required by a court or governmental or administrative authority; or
- (f) the disclosure is required by applicable law or regulation, including under the Local Government Official Information and Meetings Act 1987.

19.3 **Public announcements and media releases:** Each Shareholding Council agrees that it will not make any public announcements or issue media releases in connection with, or on behalf of, the other Shareholding Councils or the Company in relation to the Company or Water Services, except with the written consent of the other Shareholding Councils. Nothing in this provision shall prohibit or restrict a Shareholding Council from making a public

announcements or media releases in connection with the Shareholding Council's own involvement with, or policies in relation to, the Company.

20. NOTICES

20.1 **Giving notices:** Any notice or communication given to a party under this agreement is only given if it is in writing and sent in one of the following ways:

- (a) Delivered or posted to that party at its address and marked for the attention of the relevant department or officer (if any) set out in Schedule 1.
- (b) Emailed to that party at its email address and marked for the attention of the representative set out in Schedule 1.

20.2 **Change of details:** If a party gives the other party three Business Days' notice of a change of its postal address or email address, any notice or communication is only given by that other party if it is delivered, posted or emailed to the latest postal address or email address.

20.3 **Time notice is given:** Any notice or communication is to be treated as given at the following time:

- (a) If it is delivered, when it is left at the relevant address.
- (b) If it is sent by post, five Business Days after it is posted.
- (c) If it is sent by email, when it is received in readable form addressed in the manner specified above.

However, if any notice or communication is given, on a day that is not a Business Day or after 5pm on a Business Day, in the place of the party to whom it is sent it is to be treated as having been given at the beginning of the next Business Day.

21. GENERAL

21.1 **No partnership, joint venture:** Nothing in this agreement shall create or evidence any partnership, joint venture, agency, trust or employer/employee relationship between any of the Shareholding Councils, and a Shareholding Council may not make, or allow to be made, any representation that any such relationship exists between any of the Shareholding Council. A Shareholding Council shall not have authority to act for, or to incur any obligation on behalf of, any other Shareholding Council, except as expressly provided for in this agreement.

21.2 **No privity:** Other than as expressly provided for in this agreement, this agreement is not intended to confer a benefit on any person or class of persons who is not a party to it.

21.3 **Board action:** Wherever this agreement requires the Board to do anything, each Shareholding Council shall take all steps available to it to ensure that the Director or Directors appointed by that Shareholding Council takes all necessary steps to do that thing.

21.4 **Counterparts:** This agreement is deemed to be signed by a Shareholding Council if that Shareholding Council has signed or attached that Shareholding Council's signatures to any of the following formats of this agreement:

- (a) an original; or
- (b) a photocopy; or
- (c) an electronic copy;

and if every Shareholding Council has signed or attached that Shareholding Council's signatures to any such format and delivered it in any such format to the other Shareholding Councils, the executed formats shall together constitute a binding agreement between the Shareholding Councils.

- 21.5 **Entire agreement:** This agreement contains everything the parties have agreed in relation to the subject matter it deals with. No party can rely on an earlier written agreement or anything said or done by or on behalf of another party before this agreement was executed.
- 21.6 **Severance:** If any provision of this agreement is, or becomes unenforceable, illegal or invalid for any reason it shall be deemed to be severed from this agreement without affecting the validity of the remainder of this agreement and shall not affect the enforceability, legality, validity or application of any other provision of this agreement.
- 21.7 **Further assurance:** Each Shareholding Council shall make all applications, execute all documents and do or procure all other acts and things reasonably required to implement and to carry out its obligations under, and the intention of, this agreement.
- 21.8 **Variation:** No variation of this agreement will be of any force or effect unless it is in writing and signed by the parties to this agreement.
- 21.9 **Assignments and transfer:** A party must not assign or transfer any of its rights or obligations under this agreement without the prior written consent of each of the other parties.
- 21.10 **Costs:** Except as otherwise set out in this agreement, each party must pay its own costs and expenses, including legal costs and expenses, in relation to preparing, negotiating, executing and completing this agreement and any document related to this agreement.
- 21.11 **Waivers:**
- (a) A waiver of any right, power or remedy under this agreement must be in writing signed by the Shareholding Council granting it. A waiver only affects the particular right, obligation or breach for which it is given. It is not an implied waiver of any other right, obligation or breach or an implied waiver of that right, obligation or breach on any other occasion.
 - (b) The fact that a party fails to do, or delays in doing, something the party is entitled to do under this agreement does not amount to a waiver.
- 21.12 **Governing law:** This agreement is governed by the laws of New Zealand.

SCHEDULE 3 – ESTABLISHMENT STRATEGY

1. Purpose

1.1. The purpose of this strategy is to:

- a) set the overall direction to achieve the formation of an operational Company by 1 July 2026 and achieve this through the Establishment Period; and
- b) inform the development of the Establishment Plan.

2. Definitions

2.1. In this strategy document, the following definitions apply:

Agreed Transfer Date: has the meaning set out in the Shareholders' Agreement.

Alternative Analysis: means the analysis of 'existing arrangements' that was undertaken by a Shareholding Council to meet the requirements of the Local Government (Water Services Preliminary Arrangements) Act 2024 before identifying Waikato Water Done Well as the preferred option.

Company: means Waikato Waters Limited.

Day 0: means the day on which the Company is incorporated.

Day 1: means the Operational Date.

Establishment Funding: means the budgeted costs approved by the Transferring Shareholding Councils (through the Shareholder Representative Forum) to finance the implementation of the Establishment Plan.

Establishment Period: means the period from Day 0 to Day 1.

Establishment Plan: means the detailed programme of work to get to Day 1 which will be delivered to the Board of the Company (once appointed) to implement.

Major Decisions Framework: means the framework in relation to Transferring Shareholding Council decision making that applies from Day 0 until that Transferring Shareholding Council's Agreed Transfer Date and **Major Decisions** has the meaning set out in that framework.

Operational Date: has the meaning set out in the Shareholders' Agreement.

Relevant Long-Term Plan: means the long-term plan(s) and/or annual plan(s) of a Shareholding Council that was in place immediately prior to the signing of the Shareholder's Agreement.

Shareholders' Agreement: means the agreement entered between the Shareholding Councils as shareholders of the Company and to which this Establishment Strategy is attached as a schedule.

Strategic Outcomes: has the meaning set out in the Shareholders' Agreement.

Transfer Agreement: has the meaning set out in the Shareholders' Agreement.

Transferring Shareholding Council: has the meaning set out in the Shareholders' Agreement.

3. Establishment objective

- 3.1. The establishment objective is to safely transfer responsibility and authority for drinking water and wastewater services from each Transferring Shareholding Council into the Company on each Agreed Transfer Date.
- 3.2. The objective will be achieved once each Transferring Shareholding Council has successfully transferred the relevant people, processes, assets and systems required to deliver water services into the Company in a manner that aligns with the establishment delivery principles set out in clause 5.1 below.

4. Content

- 4.1. The content of this document includes:

- a) **Strategy for establishing an operational Company by 1 July 2026:** planning is informed by agreed principles for delivery for the first Transferring Shareholding Councils transitioning into the Company.
- b) **Strategy for accommodating different Transferring Shareholding Council timelines:** sequencing of Transferring Shareholding Councils' Agreed Transfer Dates and staged migration.
- c) **Strategy for developing the establishment plan:** the agreed approach to establishment, including:
 - (i) the functions the Company must have in place by Day 1; and
 - (ii) mechanisms to implement the transfer (both for those transferring on Day 1 and for those with a later Agreed Transfer Date).
- d) **Transferring Shareholding Council commitments to establishment:** in the period between Day 0 and their Agreed Transfer Date.
- e) **Strategic position in relation to pricing and prioritisation:** the initial expectations of Transferring Shareholding Councils regarding pricing and prioritisation both on and immediately after transition by the relevant Transferring Shareholding Council into the Company.

5. Establish an operational company by Day 1

- 5.1. The agreed establishment delivery principles that inform establishment planning are:
 - a) The Company is set up for success;
 - b) Create certainty for our people;
 - c) Do just enough for Day 1, minimise changes where possible;
 - d) Key staff for the day-to-day running and maintenance of an asset transfer no later than the asset itself;
 - e) Minimise impact on and risk to the customer;
 - f) Services to the customer are at least the same (no less) on day of transfer;
 - g) Existing relationships and obligations (whether statutory, contractual or otherwise) to partners, in particular hapū and iwi are honored;
 - h) To ensure clarity on the interface services between each Transferring Shareholding Council and the Company on day of transfer;

- i) Leverage existing IT/system capability, where possible; and
- j) Low risk approach is preferred.

6. Accommodate different timelines

- 6.1. Transferring Shareholding Councils have agreed that they will transfer their business into the Company in a staged manner. The Agreed Transfer Date for each Transferring Shareholding Council is as follows (listed chronologically):

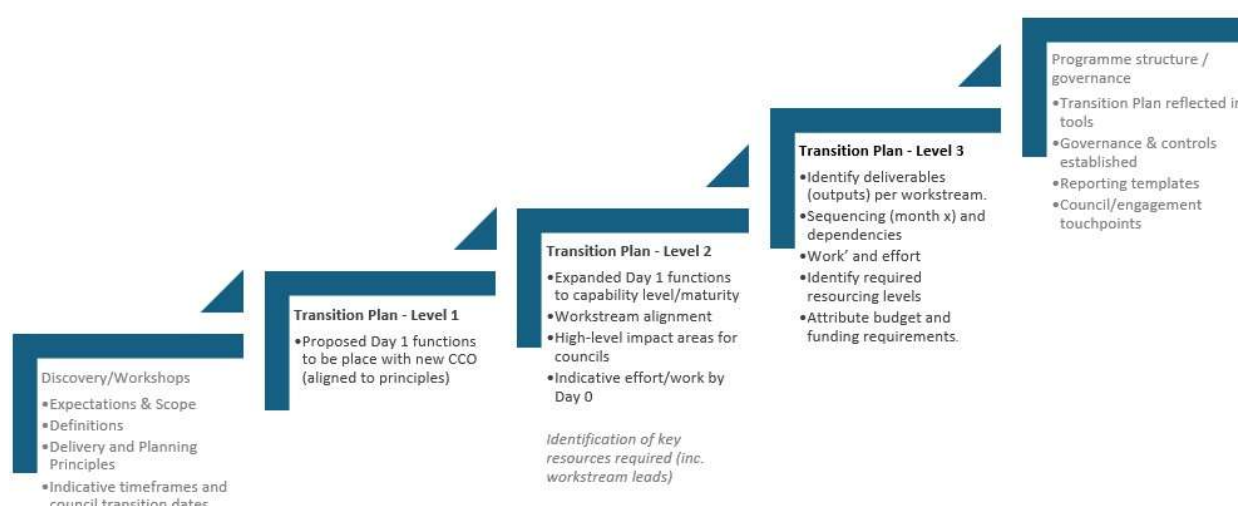
Shareholding Council	Agreed Transfer Date
South Waikato District Council	1 July 2026
Waitomo District Council	1 July 2026
Waipā District Council	1 July 2026
Matamata-Piako District Council	1 October 2026
Ōtorohanga District Council	1 July 2027
Hauraki District Council	1 July 2027

7. Delivering the establishment plan

- 7.1. The programme team is mandated to develop an Establishment Plan based on the delivery principles that will inform activity during the Establishment Period.

Work to be undertaken for Day 1

- 7.2. Planning has been orientated around functions within a (typical) water services company, which in turn will be organised into workstreams. This approach is consistent with the expected technical nature of the Establishment Plan and specialist resources required. Planning will leverage subject matter experts from Shareholding Councils.
- 7.3. The way the Establishment Plan is being developed is set out below. As planning develops and evolves, the programme team will continue to socialise and gain feedback.



Mechanisms to implement the transfer

- 7.4. In accordance with the Shareholders' Agreement, each Transferring Shareholding Council will enter into a Transfer Agreement and will, at a high level:
- a) **Responsibility for water services:** confirm responsibility and authority for drinking water and wastewater is transferring to the Company (with the Transferring Shareholding Councils holding the Board to account);
 - b) **Assets, liabilities and contracts:** specify all matters transferring, including the right to revenue for water charges collected by the Transferring Shareholding Council that relate to the period after the Transfer Agreement is effected; and
 - c) **Staff:** Existing staff and those that will transition are critical to get right. The approach proposed will be in accordance with the legislative transitional provisions but will also leverage off work carried out in the context of the last water services reform. Retention of staff is a key strategic objective and therefore the people and capability workstream must ensure regular and ongoing communications with staff (in a manner pre-agreed with each Transferring Shareholding Council).

8. Shareholders' commitments

- 8.1. To implement the strategy, and without limiting anything stated in the Shareholders' Agreement or the Transfer Agreement, during the Establishment Period each Transferring Shareholding Council will be required to, in accordance with clause 6 of Schedule 2 of the Shareholders' Agreement:
- a) **Financing:** contribute towards the financing of the Establishment Funding, noting that the Establishment Funding will ultimately be passed to the Company; and
 - b) **Business continuity:** until that Transferring Shareholding Council's Agreed Transfer Date, operate and conduct its water services business in the normal course as forecast under the Relevant Long-Term Plan (unless agreed otherwise with the Company) and adhere to the Major Decisions Framework.

9. Expectations pricing and prioritisation

Pricing

- 9.1. The strategy is that the Company will implement pricing from Day 1 until the first water services strategy is adopted (no later than 1 July 2027) that achieves the following:
- a) maintains differential pricing across the districts of Transferring Shareholding Councils in the period immediately after establishment;
 - b) subject to ensuring that capital works can be undertaken as required by clause 9.2 below, charges for water no higher than that forecast by a Transferring Shareholding Council in its Relevant Long-Term Plan; and
 - c) billing continues in a manner consistent with how a Transferring Shareholding Council currently bills.

Prioritisation

- 9.2. From Day 1 until the first water services strategy is adopted, the strategy is that the capital works programme as set out in the Relevant Long-Term Plan of each Transferring Shareholding Council will inform the programme of work to be undertaken by the Company. This is subject to:
- a) the Company approving the business case for projects that are not in construction as at the Agreed Transfer Date; and
 - b) a need arising for the Company to invest in a critical asset within the Service Area of a Transferring Shareholding Council which was not included in the capital works programme. This extends to differences in the capital works programme set out in the Relevant Long-Term Plan and the approved water services delivery plan. Where this occurs, the capital works programme within that service area may be reprioritised in consultation with the relevant Transferring Shareholding Council.

SCHEDULE 4 – TERMS OF APPOINTMENT OF INITIAL DIRECTORS

Registration:

1. Each Initial Director listed in the application for registration of the Company acts as a director of the Company on the terms set out in this Schedule.

Term of Appointment:

2. The term of appointment is from the date of incorporation of the Company until such date as confirmed by the Shareholder Representative Forum in writing to be the effective date of appointment of the Chair of the Board of Directors (**Term**).
3. If, during the Term, an Initial Director no longer holds the office of Chief Executive in a Transferring Shareholding Council, he or she will be deemed to have resigned immediately as a director of the Company and the Company will appoint his or her replacement as an Initial Director.
4. The Initial Directors are not eligible for reappointment to the Board where such an appointment would be contrary to the requirements for a Water Organisation under the LG(WS) Act.

Termination:

5. The appointment will automatically terminate on expiry of the Term.

Duties and Responsibilities:

6. During the Term, the duties and responsibilities of the Initial Directors will be limited as:
 - a) the Company will not be operational; and
 - b) no Transfer Agreements (or other material transaction) will be entered into by the Company until such time as the Establishment Board is in place.
7. Notwithstanding the above, the Directors will:
 - a) ratify, and procure the Company enter into, this agreement;
 - b) in accordance with the Companies Act, act in the best interests of the Company. As it is in the best interests of the Shareholding Councils for the Company to be set up for success, the interests of the Shareholding Councils and the interest of the Company are considered to be aligned during the Term;
 - c) extend the term of, and/or enter into a new employment or contractual arrangement with, the Waikato Water Done Well programme director (or any replacement for the same) as appropriate to give effect to the approved Establishment Plan;
 - d) delegate authority to the Waikato Water Done Well programme director to enter into contracts to engage establishment team members and such other contracts as fall within the scope of the approved Establishment Plan;
 - e) continue to provide direction to the Waikato Water Done Well programme team charged with developing and implementing the Establishment Plan in accordance with the Establishment Strategy;
 - f) exercise reasonable care and diligence and comply with all applicable laws and regulations;

- g) ensure that the Shareholder Representative Forum is supported in:
 - i. the recruitment and appointment process for the Chair of the Board and wider Establishment Board; and
 - ii. approving the Establishment Budget and communicating this to each Transferring Shareholding Council (as defined in Schedule 3);
- h) ensure that each Transferring Shareholding Council is aware of and contributes its Establishment Funding Share to the Company no later than the agreed Establishment Funding Payment Dates; and
- i) provide governance oversight to the application of the Establishment Funding.

Remuneration and Expenses:

- 8. Each Initial Director also holds the office of Chief Executive in a Transferring Shareholding Council. No further remuneration will be paid to the Initial Directors.
- 9. Each Transferring Shareholding Council will be responsible for reimbursing their Initial Director any expenses incurred in carrying on activities as a director.

Indemnity:

- 10. Each Transferring Shareholding Council will extend its Directors and Officers Liability insurance (or equivalent policy) to cover the activities of its Chief Executive as an Initial Director during the Term. Each Transferring Shareholding Council will bear their own costs should any costs be incurred because of this extension.

Confidentiality and Conflicts of Interest:

- 11. Each Initial Director will:
 - a) maintain the confidentiality of company information; and
 - b) disclose any potential conflicts of interest (noting that their role as a Chief Executive of a Transferring Shareholding Council is not considered to be a conflict during the Term).

SCHEDULE 5 – TERMS OF STAGE 1 SHARES

Part A – Terms of Stage 1 Shares held by a Shareholding Council with an Agreed Transfer Date.

1. **Transfer:** Stage 1 Shares cannot be sold or transferred other than as expressly provided for in the Shareholders' Agreement.
2. **Voting rights:** Each Stage 1 Share carries one vote until commencement of the Reserved Matter Period 2 (as defined in the Shareholders' Agreement), at which point Stage 1 Shares become non-voting.
3. **Dividend:** In accordance with the Constitution, the Stage 1 Shares do not carry any right to a dividend or distribution.
4. **Cancellation:** Stage 1 Shares will automatically be cancelled (for no consideration) on the earlier of:
 - a) A shareholder no longer being party to the Shareholders' Agreement; and
 - b) Stage 2 Shares being issued to the relevant Stage 1 Shareholder;

Part B – Terms of Stage 1 Shares held by a Shareholding Council without an Agreed Transfer Date (this being Taupō DC)

1. **Transfer:** Stage 1 Shares cannot be sold or transferred other than as expressly provided for in the Shareholders' Agreement.
2. **Voting rights:** Stage 1 Shares held by a Shareholding Council that does not have an Agreed Transfer Date are non-voting at all times.
3. **Dividend:** In accordance with the Constitution, the Stage 1 Shares do not carry any right to a dividend or distribution (including on winding up of the Company).
4. **Cancellation:** Stage 1 Shares will automatically be cancelled (for no consideration) on the earlier of:
 - a) a shareholder no longer being party to the Shareholders' Agreement; or
 - b) the shareholder not satisfying Special Condition 1 and Special Condition 2 (as applicable) set out below.
5. **Special Condition 1:**
 - a) Taupō DC and the Company having entered into a service level framework agreement by 1 July 2026 pursuant to which the parties agree:
 - i. the scope of services the Company can offer Taupō DC;
 - ii. the timeframe from when services will be provided ("**Services Effective Date**") (not being a date later than 1 July 2027); and
 - iii. the pricing methodology that will apply².

² including any minimum monetary threshold for the provision of services and noting that the Company will be entitled to include a management fee as part of the services delivery

- b) Where the requirements of sub-clause (a) have been met, the relevant Stage 1 Shares are held conditional on the shareholder remaining a party to, and complying with the terms of, the service level framework agreement.

6. Special Condition 2: By 1 July 2027:

- a) Taupō DC having engaged the Company to provide services under the services level framework agreement entered into under Special Condition 1 above up to any pre-agreed monetary value; and
- b) the Company (acting reasonably) being satisfied that Taupō DC has undertaken a review of its water services model to ascertain whether Taupō DC should transfer responsibility for water services to the Company within a specific timeframe before 1 July 2031. If, following the review, Taupō DC decides:
 - i. to enter into a Transfer Agreement with the Company (with an intended completion date of no later than 1 July 2031), then:
 - a. Taupō DC will fall within the definition of a Transferring Shareholding Council within the meaning of the Shareholders' Agreement and all consequent provisions will apply to it;
 - b. the Transfer Agreement will be agreed in accordance with the Shareholders' Agreement;
 - c. Taupō DC will continue as a Stage 1 Shareholder until the Transfer Agreement is completed; and
 - d. the provisions of the Major Decisions framework attached to the Shareholders' Agreement will apply to future decisions of Taupō DC (subject to such amendments as recommended by the Board); or
 - ii. it does not wish to enter into a Transfer Agreement with the Company then Taupō DC will continue to be a Stage 1 Shareholder subject to Special Condition 3 below (all other conditions for being a shareholder remaining satisfied).

7. Special Condition 3:

- a) By 1 July 2030, and as part of the preparation of the water services strategy that will apply to its in-house business unit from 1 July 2030, Taupō DC will in good faith undertake a further review of its water services delivery model.
- b) If the decision is made to enter into a Transfer Agreement with the Company (with a completion date of no later than 1 July 2031), the provisions set out in sub-paragraph (i) of Special Condition 2 above apply and Taupō DC will continue as a Stage 1 Shareholder until the Transfer Agreement is completed.
- c) If the decision is made not to enter into a Transfer Agreement, or no decision is made by 1 July 2030:
 - i. Taupō DC will cease to be a Stage 1 Shareholder from the earlier of the date of the relevant decision or from either 1 July 2030 or a negotiated earlier termination date, at which point its Stage 1 shares will be cancelled for no consideration; and
 - ii. Taupō DC is entitled to continue to receive services in accordance with the terms of the relevant services level framework agreement, as may be amended.

SCHEDULE 6 – TERMS OF STAGE 2 SHARES

1. **Transfer:** Stage 2 Shares cannot be sold or transferred other than as expressly provided for in the Constitution and/or the Shareholders' Agreement.
2. **Voting rights:** Each Stage 2 Share carries one vote.
3. **Dividend:** In accordance with the Constitution, the Stage 2 Shares do not carry any right to a dividend or distribution.
4. **Conditions:** Each Stage 2 Shareholder must be a party to the Shareholders' Agreement.
5. **Review:** Allocation of Stage 2 Shares will be reviewed in accordance with clauses 12.3(c) and 12.3(d) of the Shareholders' Agreement.

SCHEDULE 7 – SHAREHOLDER REPRESENTATIVE FORUM – SRF TERMS OF REFERENCE

1. Introduction

- 1.1 Waikato Waters Limited is a council-controlled organisation ("**Company**") jointly established by Shareholding Councils for the purpose of providing water services to their communities. The relationship between the Shareholding Councils is governed by the Shareholders' Agreement. Pursuant to that agreement, the shareholders have agreed to form the Shareholder Representative Forum ("**SRF**") as a committee of shareholders.

2. Purpose

- 2.1. The purpose of the SRF is to support the coordination of multiple council interests and operate as the liaison between the Company and the Shareholding Councils and between the Shareholding Councils themselves.
- 2.2. In particular, the SRF will:
- a) oversee and provide direction to the Board on behalf of the Shareholding Councils; and
 - b) provide a forum for representatives of Shareholding Councils to meet, discuss and co-ordinate decision making on relevant issues and, through their representatives, exercise their powers in respect of the Company.

3. Membership

- 3.1. Each Shareholding Council will appoint one elected member as its representative to the SRF ("**SRF Representative**") (by resolution passed in accordance with their respective council decision-making frameworks) by providing written notice to the SRF and the other Shareholding Councils (together with a copy of the relevant resolution).
- 3.2. The SRF Representative will attend SRF meetings convened in accordance with these terms of reference.
- 3.3. Unless decided otherwise by a Shareholding Council, and notified to the SRF in writing, the SRF Representative will be its Mayor.
- 3.4. In accordance with the Shareholders' Agreement, each Shareholding Council (by resolution passed in accordance with their respective council decision-making frameworks):
- a) will appoint an alternate representative (being an elected member) by providing written notice to the SRF and the other Shareholding Councils (together with a copy of the relevant resolution);
 - b) can replace the SRF Representative or alternate at any time by providing written notice to the SRF and the other Shareholding Councils (together with a copy of the relevant resolution); and
 - c) will ensure that its appointed SRF Representative or their alternate attends each meeting of the SRF.

4. Meetings and administration

- 4.1. **Chairperson:** The Chair and Deputy Chair of the SRF will be elected by the SRF once all SRF Representatives have been appointed, as a Reserved Matter at the first meeting where a quorum is achieved. The SRF may choose to appoint an independent Chair who, if so appointed, will take on the responsibilities of the Chair, but will not have a vote.
- 4.2. **Frequency of meetings:** The SRF will meet no less than once every six months, and more frequently:
- a) where a meeting is called in accordance with clause 10 of the Constitution; or

- b) to meet the requirements of preparing the Statement of Expectations in the manner set out in the Shareholders' Agreement.
- 4.3. **Rules for meetings:** The following paragraphs of Schedule 1 to the Constitution will apply to all meetings of the SRF (whether convened by the Board or otherwise):
 - a) Clause 2 – Notice of meetings
 - b) Clause 3 – Methods of holding meetings
 - c) Clause 4 – Quorum
 - d) Clause 5 – Adjournment
 - e) Clause 6 – Voting
- 4.4. **Alternates:** The alternate appointed by a Shareholding Council may attend and vote at meetings of the SRF, but only in the event that the SRF Representative is unable to do so.
- 4.5. **Non-attendance:** If a SRF Representative or their alternate is not present at the number of consecutive SRF meetings set out in Schedule 1, that Shareholding Council will be required, on notice by any other Shareholding Council, to replace that Shareholding Council's appointed SRF Representative and alternate.
- 4.6. **Reimbursement of costs:** Each Shareholding Council will be responsible for reimbursing its representative on the SRF for any costs associated with that person's membership of the SRF.
- 4.7. **Administration:** Reports to be considered by the SRF may be submitted by any of the Shareholding Councils or the Company at least five business days before the next scheduled meeting.
- 4.8. **Secretariat:** Secretariat is to be provided by the Company as agreed between the Company and the SRF.
- 4.9. **Minor amendment:** These terms of reference may be amended at any time by consensus of the SRF, provided that the amendment is:
 - a) of a formal or technical nature;
 - b) made to correct a manifest error or inconsistency; or
 - c) necessary to comply with the provisions of any law and:
 - (i) the SRF has notified the Shareholding Councils of the proposed change at least 20 Business Days before the effective date of the amendment; and
 - (ii) no Shareholding Council has objected to the amendment by notice in writing given to the Company within that 20 Business Day period.
- 4.10. **Review:** The SRF will review these terms of reference annually and recommend any amendments (other than amendments made by the SRF in accordance with paragraph 4.9 above) to the Shareholding Councils, who may amend these terms of reference in accordance with clause 21.8.

5. Decision-making

- 5.1. In accordance with the Shareholders' Agreement, the SRF will make decisions in accordance with the principles set out in clause 6.2 in all matters.
- 5.2. When efforts to achieve consensus on a particular matter have failed (as determined by the Chairperson), the matter will be put to the vote in accordance with the decision-making framework set out in clause 6.4 of the Shareholders' Agreement.

- 5.3. In the situation where there is an equality of votes cast on a matter, the Chairperson does not have a casting vote and therefore the matter subject to the vote is defeated and the status quo is preserved.
- 5.4. SRF Representatives must attend SRF meetings equipped to cast votes on behalf of their councils at the relevant meeting. Decisions made by the SRF are binding on the Shareholding Councils.

6. Proposal with Iwi Chairs

- 6.1. In accordance with the Shareholders' Agreement, the SRF must promptly after its first meeting:
 - a) convene and agree a process for engaging with Iwi (as defined in the Shareholders' Agreement);
 - b) engage with the relevant Iwi Chairs to consider and agree a proposal for how Shareholding Councils can effectively partner with Iwi and with existing co-governance entities / authorities across the service area to achieve the agreed outcomes (as specified in the Shareholders' Agreement³); and
 - c) present the proposal to each of the Shareholding Councils for consideration and approval.

7. Delegated authority

- 7.1. Each Shareholding Council has delegated to its SRF Representative the responsibilities and powers in relation to the following matters:

A. Establishment matters

- a) Agreeing the establishment funding that Transferring Shareholding Councils will collectively finance up to the agreed capped amount.
- b) Recruitment, selection and appointment of the Chair of the Establishment Board and Establishment Directors.

B. Enduring matters

Strategic matters and priorities

- c) Oversee preparation of the Statement of Expectations (having received feedback and considered recommendations from each Shareholding Council and the Company).
- d) Approve the Statement of Expectations (including any proposed amendment, revocation or substitution as is permissible under the Shareholders' Agreement).

Reserved matters

- e) Receiving, considering and approving any or all Reserved Matters (as defined in the Shareholders' Agreement) that require shareholder decision making.

Board of Directors

- f) Recruitment, selection and appointment of the Chair of the Board and Directors.
- g) Approving a remuneration framework for the Board (which will apply also to the Establishment Board).
- h) Removal of any directors.
- i) Monitoring the performance of the board of the Company.

³ Refer to section 6.4 of Shareholders' Agreement and Schedule 8 which set out the matters over which the SRF can exercise decision making power.

Reporting and accountability

- j) Receiving and considering the half-yearly and annual reports of the Company.
- k) Receiving and considering such other information from the Company as the SRF may request on behalf of the shareholders and/or may receive from time to time.
- l) Undertaking performance and other monitoring of the Company.
- m) Considering and providing recommendations to the shareholding councils on proposals from the Company or any shareholding council.
- n) Providing co-ordinated feedback, and recommendations as needed, on any matters requested by the Company or any shareholding council, including each draft water services strategy.

Procedural

- o) Agreeing when Shareholder meetings, or resolutions in lieu of Shareholder meetings, are required, without prejudice to Shareholder and board rights to call meetings under the Company's constitution.
- p) Providing recommendations to the Shareholders regarding changes to the Shareholders' Agreement and the constitution of the Company.
- q) Engaging with the Board in response to any requests for input into policy or procedural matters.

7.2. In the exercise, or anticipated exercise, of the delegated authorities set out above:

- a) any Shareholding Council may:
 - (i) obtain independent advice at the expense of that Shareholding Council; and/or
 - (ii) request the Board to obtain independent advice at the Company's expense; and
- b) if the Board fails to comply with a request under sub-paragraph (ii) above, the SRF may, with the approval of a unanimous resolution of the SRF, obtain independent advice at the Company's expense.

7.3. The SRF may further delegate its powers to a sub-committee of the SRF (and such sub-committee may also include persons other than SRF Representatives) on such terms as the SRF may determine by Special Resolution by Vote.

SCHEDULE 8 – RESERVED MATTERS

RESERVED MATTERS

Matter or transaction
Material transactions
"Major transactions" as that term is defined in the Companies Act.
Changes to structure
Any alteration to, or revocation of, the Constitution.
Any issue of Shares, securities that are convertible into or exchangeable for Shares, or options to acquire Shares.
Any alteration of rights, privileges or conditions attaching to the Shares.
Any arrangement, dissolution, reorganisation, liquidation, merger or amalgamation of the Company.
Any transfer by the Company of Shares held by the Company or any purchase or other acquisition by the Company of its own Shares.
Any consolidation, division, or subdivision of Shares.
Any cancellation, buy-back or reduction of Shares, securities that are convertible into or exchangeable for Shares, or options to acquire Shares.
The giving of any financial assistance for the purpose of, or in connection with, the purchase of Shares.
Making a material change in the nature of the Company's business or engaging in business activities other than the Business.
Any shareholder amending their Agreed Transfer Date so that it occurs earlier than otherwise agreed in the Establishment Strategy.
Any delegation by the SRF to a sub-committee.
The SRF obtaining independent advice in respect of the exercise, or anticipated exercise, of the delegated authorities of the SRF, at the Company's expense (unanimous).

RESERVED MATTER PERIOD 1

Reserved Matter	Level of Transferring Shareholding Council support (Stage 1 Shares held equally at this time, with one vote per Stage 1 Share)
"Major transactions", Companies Act	Special Resolution by Vote
Approving Statement of Expectations	Special Resolution by Number of those Shareholding Councils who have committed to an Agreed Transfer Date that is on or before 1 July 2028.
Appointment of Directors of the Board and the Chair and Deputy Chair of the SRF	Special Resolution by Vote
Any material change to the Company's business	Not permitted during Reserved Matter Period 1.
Any alteration to, or revocation of, the Constitution	Special Resolution by Vote
Any issue of Shares, or instrument that could result in issued Shares	Special Resolution by Vote

Any alteration of rights, privileges or conditions attaching to the Shares	Special Resolution by Vote
Any cancellation, buy-back or reduction of Shares (excluding Stage 1 shares which are cancelled in accordance with terms of issue)	Special Resolution by Vote
Any consolidation, division, or subdivision of Shares	Special Resolution by Vote
Any transaction by the Company relating to the Shares held by it (including giving financial assistance)	Special Resolution by Vote
Any arrangement, dissolution, reorganisation, liquidation, merger or amalgamation of the Company	Special Resolution by Vote
Any shareholder amending their Agreed Transfer Date so that it occurs earlier than otherwise agreed in the Establishment Strategy	Special Resolution by Vote
Any delegation by the SRF to a sub-committee	Special Resolution by Vote
The SRF obtaining independent advice in respect of the exercise, or anticipated exercise, of the delegated authorities of the SRF, at the Company's expense	Unanimous

RESERVED MATTER PERIOD 2

Reserved matter	Level of shareholder support Only Stage 2 Shareholders can vote (with one vote per Stage 2 Share), unless specified below
"Major transactions", Companies Act	Special Majority Resolution
Approving Statement of Expectations	Special Resolution by Number Stage 1 Shareholder participation: Any remaining Stage 1 Shareholder who has an Agreed Transfer Date will be entitled to vote and will count for the purposes of a Special Resolution by Number
Appointment of Directors of the Board and the Chair and Deputy Chair of the SRF	Special Resolution by Number
Five-year periodic review of Stage 2 Share allocation (decision to waive)	Special Majority Resolution
Any material change to the Company's business	Special Majority Resolution (and in accordance with legislation)
Any alteration to, or revocation of, the Constitution	Special Majority Resolution
Any issue of Shares, or instrument that could result in issued Shares	Special Majority Resolution
Any alteration of rights, privileges or conditions attaching to the Shares	Special Majority Resolution
Any cancellation, buy-back or reduction of Shares (excluding Stage 1 shares which are cancelled in accordance with terms of issue)	Special Majority Resolution
Any consolidation, division, or subdivision of Shares	Special Majority Resolution
Any transaction by the Company relating to the Shares held by it (including giving financial assistance)	Special Majority Resolution
Any arrangement, dissolution, reorganisation, liquidation, merger or amalgamation of the Company	Special Majority Resolution

Any shareholder amending their Agreed Transfer Date so that it occurs earlier than otherwise agreed in the Establishment Strategy	Special Majority Resolution
Any delegation by the SRF to a sub-committee	Special Resolution by Vote
The SRF obtaining independent advice in respect of the exercise, or anticipated exercise, of the delegated authorities of the SRF, at the Company's expense	Unanimous

SCHEDULE 9 – MAJOR DECISIONS

1. Purpose

To set out the framework that applies to Transferring Shareholding Council decision making during the period between the Incorporation Date and a Transferring Shareholding Council's Agreed Transfer Date.

2. Definitions

Terms in capitals in this framework document have the same meaning as set out in the Establishment Strategy in Schedule 3.

3. Scope of Framework

- 3.1. A Transferring Shareholding Council must continue to operate its water services during the Establishment Period (and until its Agreed Transfer Date where this is later) in a manner that ensures a no-harm approach to staff, customers, lwi partners, other stakeholders and to the future success of the Company.
- 3.2. Pragmatic steps need to be taken to ensure existing operations continue as seamlessly as possible and relationships are effectively managed and maintained as councils prepare to transfer their business to the Company, and the Company prepares to receive.
- 3.3. To this end, this Major Decisions Framework applies to major decisions that are proposed to be made by a Transferring Shareholding Council in the period from Day 0 and a Transferring Shareholding Council's Agreed Transfer Date. To the extent of any inconsistency between this framework and the terms of the Transfer Agreement (once effective), the terms of the Transfer Agreement will prevail.

4. Business as usual decisions

- 4.1. A proposed decision of a Transferring Shareholding Council is not a Major Decision for the purposes of this framework to the extent that it relates to the Transferring Shareholding Council's obligation to:
 - a) operate and conduct its water services business in the normal course in accordance with the business practices employed by the Transferring Shareholding Council as at the Incorporation Date;
 - b) continue to make such payments and discharge such obligations as is consistent with the timing and method of payment applied by the Transferring Shareholding Council in the 12-month period prior to the Shareholders' Agreement;
 - c) undertake all steps necessary to enter into a Transfer Agreement with the Company before its Agreed Transfer Date; and
 - d) complete an annual plan, long-term plan, amendment to a long-term plan during the period between the Incorporation Date and the Agreed Transfer Date where the decision does not reduce the forecast price increases for water charges set out in the Relevant Long-Term Plan (or the water services delivery plan submitted to DIA where the projected price increases are higher in that plan than in the Relevant Long-term Plan).

5. Major decisions

- 5.1. A proposed decision of a Transferring Shareholding Council will be considered a "**Major Decision**" if it relates to:

- a) a matter set out in section 4.1(d) above but does not align with the forecast price increases for water charges set out in the Relevant Long-Term Plan (or water services delivery plan where applicable);
- b) a policy the council is required to adopt under the Local Government Act 2002 and which relates to water services that are transferring to the Company;
- c) any new or amendment to a by-law that relates to water services;
- d) the purchase or disposal of strategic asset, other than in accordance with the Relevant Long-Term Plan. Strategic Assets refers to any interest in land that may have relevance to water services, any change to access to operational facilities or ownership of water services infrastructure assets;
- e) the undertaking of any capital works programme, other than in accordance with the Relevant Long-Term Plan;
- f) a material increase in the employment costs of Transferring Shareholding Council employees who primarily work in water services and who it is anticipated will be transferred to the Company (not being the Chief Executive or executive level employees of a Transferring Shareholding Council);
- g) entry into any loan or other financial transaction in relation to water services other than in accordance with the Relevant Long-Term Plan; and
- h) entry into or renewal of any contract (other than capital works contracts) that exceeds a period beyond 6 months after the Agreed Transfer Date.

6. Process for Major Decisions

6.1. Where a proposed decision is a Major Decision (as defined above):

- a) the Chief Executive of the Transferring Shareholding Council must engage with the Chief Executive of the Company (or if the appointment of the Company Chief Executive is pending, such person as nominated by the Directors of the Company) (**Company Representative**) in relation to the proposed decision;
- b) sufficient information should be provided to the Company Representative for them to understand the reasons for the proposed decision;
- c) the Company Representative is entitled to make recommendations / proposals in relation to the proposed decision, including providing detail of any negative impact the decision may have on the ability of the Company to carry on the water services business from the Agreed Transfer Date;
- d) the Transferring Shareholding Council must have regard to, and respond to, the recommendation / proposal from the Company Representative before making a formal decision; and
- e) following the decision being made, provide one-off or periodic reporting (as appropriate in the circumstances) to the Company on the decision that was made and the outcomes of that decision (including in compliance with the "no surprises" principle in clause 6.3(a)(iii)).

The above does not waive or alter any rights the Company may have under the terms of the Transfer Agreement or otherwise.

SCHEDULE 10– BOARD MATRIX OF SKILLS

Matrix of Skills

Each Director of the Company must have the skills, knowledge, or experience to:

- guide the Company, given the nature and scope of its activities; and
- contribute to the achievement of the objectives of the Company.

In making all Director appointments, the Shareholding Councils must ensure that all directors have the essential attributes and core competencies set out in the Institute of Directors Competency Framework and that the Board collectively has the attributes set out below.

Establishment Board appointments must place a particular emphasis on commercial acumen and systems to ensure effective governance oversight over the establishment and transition implementation.

COLLECTIVE BOARD ATTRIBUTES

		Establishment Board	Operational Board		
		At least one director	At least one director	Multiple directors	All directors
Candidates with the ability and willingness to:					
1.	Chair the Board	√	√		
2.	Participate fully in the life of the Board and on subcommittees as required	√			√
3.	Demonstrate the individual attributes outlined below	√			√
Relevant knowledge and experience in/of:					
4.	Governance and leadership experience	√			√
5.	Commercial strategic and business acumen (with experience to oversee commercial negotiations)	√		√	
6.	Board member suitable to chair the Finance and Assurance committee, likely with a Chartered Accountant or equivalent background		√		
7.	Relationship management skills and experience, particularly in the Local Government context and with previous public sector experience Proven track record of high EQ and leading through complex change processes	√		√	
8.	Understanding of governance delivering community good civil infrastructure assets	√	√		

9.	Governance experience in industries delivering other utilities (such as electricity, telecoms)	√	√		
10.	A strong understanding of the Waikato region and contemporary local government context, including appreciation of public accountability.	√		√	
11.	A strong understanding of the co-governance arrangements for the Waikato region, including the Waikato River Authority, Hauraki Gulf Forum and the Waihou, Piako, Coromandel Catchment Authority.	√	√		
12.	Practical, and preferably governance leadership, experience in Water Services	√	√		
13.	Resource and environmental management and the RMA - – demonstrating a commitment to kaitiakitanga and stewardship of the natural environment		√		
14.	Experience integrating Te Ao Māori and Tikanga Māori in a professional board environment. Understands how to lead, impact and influence to maintain, uphold, and proactively engage with the principles of the Treaty of Waitangi	√	√		

SCHEDULE 11 – STATEMENT OF EXPECTATIONS

1. Establishment matters

- 1.1. To the extent a Statement of Expectations is adopted before all Shareholding Councils have transferred their Water Services business into the Company, the Shareholding Councils should include their:
- a) expectations of the Board during establishment, for example, that the Board have a significant focus on ensuring a smooth and successful transition of people, processes and systems at each stage; and
 - b) expectations in relation to pricing and prioritisation as set out in the Establishment Strategy.

2. Legislatively required content

- 2.1. As required under the LG(WS) Act, the Statement of Expectations must include how Shareholding Councils expect the Company:
- a) to meet the Statutory Responsibilities;
 - b) to perform its duties and functions to achieve the agreed vision and purpose for the Company;
 - c) to achieve the Strategic Outcomes; and
 - d) to relate to each Shareholding Council's resource management planning and land-use planning that are relevant to the Company's service area.
- 2.2. It must also include:
- a) the Shareholding Councils collective strategic priorities for the Company;
 - b) any requirement that the Company act in accordance with any relevant statutory obligation that applies to a Shareholding Council; and
 - c) the information the Company must include in its water services half-yearly report.

3. Agreed additional content

- 3.1. Shareholding Councils (through their SRF Representative) must also consider including the following content:
- a) the expectation that the Board set the critical success factors to achieve the agreed strategic outcomes;
 - b) the expectation an effective and trusted relationship is maintained with each Shareholding Council and what is expected in relation to collaborating with Shareholding Councils and other parties when providing water services;
 - c) the expectation that the Company will establish positive relationships with existing co-governance entities / authorities of the region (Waikato River Authority, Hauraki Gulf Forum and the Waihou, Piako, Coromandel Catchment Authority);
 - d) how Shareholding Councils require the Company to conduct its relationships with:
 - (i) the shareholders;
 - (ii) the shareholders' communities or any specified stakeholders within those communities;

- (iii) Hapū, Iwi, and other Māori organisations (including any obligation a Shareholding Council may have);
- (iv) the Company's customers;
- (v) performance indicators and measures the Shareholding Councils may use to monitor the Company; and
- (vi) that the Company act in accordance with an obligation that a Shareholding Council may have with a third party under a contract or other agreement;
- e) a requirement that the Company undertake a specified obligation on behalf of a Shareholding Council;
- f) effective partnering with Iwi to build on existing obligations of Councils (including giving effect to Te Ture Whaimana) and establish and maintain strategic relationships promote a catchment-based approach to consenting and investment;
- g) establish and maintain processes to provide opportunities for hapū and Iwi to contribute to the decision-making processes of the Company and consider ways in which it may foster the development of hapū and Iwi capacity to contribute to these decision-making processes;
- h) opportunities for effective partnering with Waikato Regional Council;
- i) expectations in relation to growing cultural competence of the Company through governance, management and workforce;
- j) a requirement to undertake community or customer engagement, and the contents of that engagement; and
- k) any matters that are relevant to all or a specified part of the water services provided by the Company (for example, a matter that applies only to wastewater) or to all or a specified part of the Company's service area (for example, a matter that applies only to the district of a Shareholding Council).

SCHEDULE 12– AGREED FORM TRANSFER AGREEMENT

Transfer Agreement

PARTIES

Waikato Waters Limited

The Company

[Council]

Council

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PARTIES

Waikato Waters Limited

("Company")

[WWDW Council name]

("Council")

INTRODUCTION

- A. The Council is responsible for providing Water Services and is the owner of various drinking water, wastewater and other infrastructure and assets, as well as various associated liabilities.
- B. In accordance with the legislation implementing Local Water Done Well, the Council has determined that a joined-up approach to Water Services is the structural delivery option that best meets the long-term needs of its communities. To this end, the Council, together with [1] other Waikato councils, has:
- (a) jointly established the Company for the purpose of transferring its responsibility for providing drinking water and wastewater services to it to it; and
 - (b) included the joint model as the future delivery model for water services in their respective water services delivery plans.
- C. Under the terms of the Shareholders' Agreement, each of the shareholding councils has made a commitment as to when and how it will transfer its Water Services business into the Company. In accordance with the terms of the Shareholders' Agreement and pursuant to sections [11] and [12], and Schedule 2, of the LG(WS) Act, the Council hereby enters into this transfer, interface and services agreement with the Company to:
- (a) implement the transfer to the Company of:
 - (i) responsibility for providing the Transferring Water Services;
 - (ii) all infrastructure owned or controlled by Council that is used primarily for the purpose of providing the Transferring Water Services (including specified infrastructure) unless expressly excluded;
 - (iii) related assets and other matters that are necessary for the Company to carry out, and be responsible for, providing the Transferring Water Services in the Service Area; and
 - (iv) relevant Water Service liabilities;
 - (b) agree how the parties will work together in relation to matters of shared interest; and

- (c) agree arrangements for any services by the Company to the Council, and by the Council to the Company.

1. AGREEMENT

1.1 The parties enter into this agreement to record their agreement on the following matters:

- (a) Schedule 2: The Council has agreed to transfer to the Company, and the Company has agreed to receive the Assets and assume the Responsibilities and Obligations, for the consideration and on the terms and conditions set out in this agreement.
- (b) Schedule 2A: The net debt calculation **[Drafting note: this is still being finalised]**.
- (c) Schedule 3: How the parties will work together to effectively and efficiently manage matters of shared interest, and what arrangements will apply for charging and revenue collection for the Transferring Water Services that will be performed by the Company following Completion.
- (d) Schedule 4: The terms on which one party will provide the other party with other ad hoc services and deliverables after Completion.
- (e) Schedule 5: The general terms and conditions which apply to this agreement.
- (f) Schedule 6: The definitions which apply to this agreement.

SIGNATURES

[INSERT COUNCIL NAME]

By:

Name of Authorised Signatory

Signature of Authorised Signatory

In the presence of:

Signature of witness

Name of witness

Occupation

City/town of residence

WAIKATO WATERS LIMITED

By:

Signature of Director

Signature of Director

Name of Director

Name of Director

SCHEDULE 1
AGREEMENT DETAILS

Transfer Terms under Schedule 2

Completion Date <i>(Clause 7.1, Schedule 2)</i>	[Drafting Note: for each Waikato Waters Limited Shareholding Council this is intended to be the Agreed Transfer Date as set out in the Shareholders' Agreement and the agreed Establishment Strategy]
Settlement Amount <i>(Clause 3.1, Schedule 2)</i>	The Settlement Amount is the amount calculated in accordance with Schedule 2A.
List or description of Assets to be transferred (or expressly not to be transferred) under this agreement <i>(Appendices 1 and 2 of Schedule 2)</i>	See Appendices 1 and 2 of Schedule 2.
List or description of contracts to be transferred (or expressly not to be transferred) under this agreement <i>(Appendices 1 and 2 of Schedule 2)</i>	See Appendices 1 and 2 of Schedule 2.
List or description of Responsibilities to be transferred (or expressly not to be transferred) under this agreement <i>(Appendices 1 and 2 of Schedule 2)</i>	See Appendices 1 and 2 of Schedule 2.

Shared Interests and Charging and Revenue Collection Arrangements Terms under Schedule 3

Shared Interest	As agreed under the Shareholders' Agreement, the Council will
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Arrangements

(clause 2.2, Schedule 3)

provide the Company with the Post-Completion Transition Services set out in Schedule 3. **[Drafting note: this schedule will be completed to include the ongoing arrangements between the Company and the Council that are necessary until such time as the Company has developed the capability / introduced the systems to enable it to carry out the specific matters on its own (for example, billing and call-centre operation)].**

The parties will work together in relation to the following Shared Interest Arrangements set out at the Appendices 1 and 2 to Schedule 3:

- when the Council is performing and exercising its functions, duties, and powers under the Building Act 2004;
- land use planning and resource management planning (including consent processes);
- the performance or exercise of any statutory functions in respect of emergency management; and
- such other matters as the parties are required to undertake to comply with the LG(WS) Act, such as developing, adopting and implementing a stormwater network risk management plan.
[Drafting note: this will be reviewed and updated to reflect the final form of the LG(WS) Act]

Party to collect Water Charges

(clause 3, Schedule 3)

From the Completion Date, until such time as notified by the Board (provided that such time is no later than [] years from the Completion Date unless agreed otherwise between the Council and the Company), the Council will continue to collect the Water Charges on behalf of the Company.

Representatives

(clause 5.2, Schedule 3)

Council: as notified in writing to the Company three months prior to the Completion Date

Company: as notified in writing to the Council three months prior to the Completion Date

Interface Governance Group Members

(clause 5.3, Schedule 3)

Chair: **[Drafting note: To be confirmed by Interface Governance Group as its first meeting]**

Council representative(s): as notified in writing to the Company three months prior to the Completion Date.

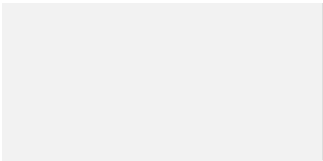
Company representative(s): as notified in writing to the Council three months prior to the Completion Date

Ad hoc Services and Deliverables Terms under Schedule 4

Summary of Council's provision of Services and Deliverables <i>(Services and Deliverables are provided in full detail in clauses 2 and 4, Schedule 4 and any Service Order)</i>	<p>As at the Commencement Date of this agreement, the summary of Services and Deliverables that Council will provide to the Company under this agreement and Service Orders are:</p> <p>[Drafting note: to be completed]</p>	
Summary of the Company's provision of Services and Deliverables <i>(Services and Deliverables are provided in full detail in clauses 2 and 4, Schedule 4 and any Service Order)</i>	<p>As at the Commencement Date of this agreement, the summary of Services and Deliverables that the Company will provide to Council under this agreement and Service Orders are:</p> <p>[Drafting note: the Service Order specifying the Services and Deliverables will be completed as between the Council and the Company in each transfer agreement – this will reflect the services that the Council may need the company to support it with as it adjusts to its new non-water operating model]</p>	
Invoice details <i>(clause 3, Schedule 4)</i>	Council	Company
	<p>[Drafting note: to include payment contact details, this may be the party representative contact]</p> <p>Email: [Insert email address to be used for invoicing]</p>	<p>[Drafting note: to include payment contact details, this may be the party representative contact]</p> <p>Email: [Insert email address to be used for invoicing]</p>

General Terms and Conditions under Schedule 5

Commencement Date <i>(Clause 1.1, Schedule 5)</i>	<p>[Drafting note: this will be the Agreed Transfer Date of the relevant Council or such other date as is agreed to be the Completion Date]</p>	
Service Area <i>(Background A)</i>	<p>Has the meaning set out in the LG(WS) Act where such service area is within the boundary of a Shareholding Council (as that boundary is constituted at any time in Part 2, Schedule 2, LGA).</p>	
Place of arbitration <i>(Clause 10.4(c), Schedule 5)</i>	<p>Cambridge, unless agreed otherwise by the parties in writing</p>	
Address for notices <i>(clause 13.1, Schedule 5)</i>	Council	Company
	<p>[insert physical and postal address details of the Council's office]</p>	<p>[TBC - physical and postal address details of the Company's office]</p>



Email: [Insert details]

Attention: [Insert details]

Email: [Insert details]

Attention: [Insert details]

DRAFT

SCHEDULE 2

TRANSFER TERMS AND CONDITIONS

Purpose of Schedule 2: This Schedule 2 provides for the terms of the Transfer of the Assets, Responsibilities, and Obligations from the Council to the Company.

1. MATTERS TO BE TRANSFERRED

1.1 Agreement to transfer:

- (a) **Assets and Obligations:** The Council shall transfer the Assets and Obligations to the Company, and the Company shall:
 - (i) receive the Assets free of any Encumbrances; and
 - (ii) assume the Obligations (including by taking an assignment/novation of the Assumed Contracts under clause 9 of Schedule 2),from the Council, in accordance with this agreement.
- (b) **Statutory responsibilities, functions, duties and powers:** The Council shall transfer the Statutory Responsibilities to the Company, and the Company shall comply with the Statutory Responsibilities as required by this agreement, and the relevant legislation.
- (c) **Operational Responsibilities and Management Responsibilities:** The Council shall transfer the Operational Responsibilities and Management Responsibilities to the Company, and the Company shall comply with the Operational Responsibilities and Management Responsibilities as required by this agreement, and the relevant legislation.
- (d) **Resource Consents Responsibilities:** The Council shall transfer the Resource Consents Responsibilities to the Company, and the Company shall comply with the Resource Consents Responsibilities as required by this agreement, and the relevant legislation.

2. MATTERS NOT TRANSFERRED

- 2.1 **No transfer:** The Council does not transfer any of the Excluded Matters ***or any other matters not specified in this agreement as transferring to the Company, and those matters shall continue to be owned, retained and/or performed and exercised by the Council.
- 2.2 **No assumption of Liabilities:** Except as expressly provided in this agreement, the Company only assumes the Obligations and the Responsibilities, and does not assume any other Liabilities of the Council in relation to the Assets or otherwise.

3. SETTLEMENT AMOUNT

- 3.1 **Settlement Amount:** The Settlement Amount is the amount calculated in accordance with Schedule 2A.

4. TAX

- 4.1 The parties agree and acknowledge that, pursuant to section [214] of the LG(WS) Act, they are treated as the same person for the purposes of the Inland Revenue Acts (as defined in section 3(1) of the Tax Administration Act 1994) and therefore no tax consequences arise in respect of the Transaction contemplated by this agreement.

5. EMPLOYEES/CONTRACTORS

- 5.1 **Principle:** The Council wants to ensure there is employment security, to the extent possible, for Transferring Water Services employees during the transfer process. It is an expectation of the Council that the Company will offer employment in the Company for Council employees who primarily work in Transferring Water Services (not being the Chief Executive or executive level employees of a council).
- 5.2 **Identification of affected employees and contractors:** Pursuant to clause [2] of Schedule 1 of the LG(WS) Act, as modified to meet the requirements of the Establishment Strategy, the Council will identify and notify the Company of the affected employees, on the earlier of 10 Business Days after the date of this agreement and three months before the Agreed Transfer Date. The Council will also notify the Company of any Contractors providing services relating to the Transferring Water Services.
- 5.3 **Offer of employment:** The Company shall, within twenty Business Days of receiving the notification referred to in clause 5.2, consult with the Council as to the terms and conditions to be offered to those Employees referred to in clause 5.1 and, unless otherwise agreed with the Council, offer, so that such offer meets the requirements of clause [1(3)] and clause [2] of Schedule 1 of the LG(WS) Act in respect of those Employees, employment to each such Employee on the same or similar terms and conditions enjoyed by the Employee on the date of this agreement, and will treat each such Employee's service as continuous. The Company may also choose to offer to any Contractor identified in clause 5.2 a new independent contractor agreement. Each offer to Employees or Contractors is referred to as an "Offer".
- 5.4 **Acceptance:** The parties shall use all reasonable endeavours to persuade each Employee and Contractor to accept the Offer.
- 5.5 **Conditions of Offer:** The Offer will be conditional on the transfer proceeding and with effect from the Completion Date. In respect of Employees, the Offer will be conditional on the Employee waiving any entitlement to redundancy compensation/notice from the Council.
- 5.6 **Access to Employees and Contractors:** The Council will, at such times as reasonably requested by the Company, allow the Company access to:
- (a) each Employee and Contractor to discuss the Offer; and
 - (b) subject to obtaining each Employee's and Contractor's consent to disclosure, if required, each Employee's employment records (or equivalent for Contractors).
- 5.7 **Company's Assumed Accrued Employee Benefits:** The Company shall from Completion assume, and indemnify the Council against, all Liability of the Company for all Accrued Employee Benefits relating to Employees who have accepted an Offer.
- 5.8 **Return of Employee and Contractor information:** Where any Employee or Contractor does not accept an Offer, the Company will, at the option of the Council, return to the Council or destroy all

personal information provided to the Company in relation to the relevant Employee (including but not limited to all employment records provided under clause 5.4(b) of Schedule 2) or Contractor.

6. PRE-COMPLETION OBLIGATIONS

6.1 **Positive obligations of Council:** Between the date of this agreement and Completion, the Council shall, subject to clause 6.3 of Schedule 2 (but without limiting the negative obligations of the Council in clause 6.2 of Schedule 2):

- (a) operate and conduct the Business in the normal course in accordance with the business practices employed by the Council as at the date of this agreement and in accordance with any applicable provisions in the Shareholders' Agreement (with particular reference to the Establishment Strategy);
- (b) continue to make such payments and discharge such obligations in a manner consistent with the timing and method of payment or discharge employed by the Council in the 12 month period prior to the date of the Shareholders' Agreement;
- (c) continue to adhere to the Major Decisions Framework set out in the Shareholders' Agreement;
- (d) to the extent not already executed, execute a deed of guarantee in favour of LGFA in accordance with the commitment set out in the Shareholders' Agreement;
- (e) promptly notify the Company of any law suits, Claims, proceedings (other than normal debt collection proceedings), investigations or adverse events which may occur, be threatened, brought, asserted or commenced against it, its Directors or employees, involving or affecting the Business, the Assets, the Obligations and/or the Responsibilities; and
- (f) no later than [60] Business Days prior to the Agreed Transfer Date, give notice ("**Council Debt Notice**") to the Company of the Council's best estimate of the amount of the Council's Council Water Infrastructure Debt, the Council's share of Establishment Costs, the Council's Establishment Funding Share and any Transitional Activity Costs including sufficient detail for the Company to be able to confirm how such amounts were reached and that such amounts comprise Council Water Infrastructure Debt, the Council's share of Establishment Costs, the Council's Establishment Funding Share and any Transitional Activity Costs (as applicable).

6.2 **Negative obligations of Council:** Between the date of this agreement and Completion, the Council shall not, subject to clause 6.3 of Schedule 2 (but without limiting the positive obligations of the Council in clause 6.1 of Schedule 2):

- (a) alter any of the conditions of employment of the Employees or Contractors (other than as required to provide for changes required to meet agreements with unions, salary increases and the payment of bonuses in accordance with the ordinary course of operations of the Council);
- (b) agree to amend any of the terms of any Assumed Contract; or
- (c) acquire or dispose of any of the Assets other than in the ordinary course of conducting the Business.

6.3 **Exceptions:** Clauses 6.1 and 6.2 of Schedule 2 do not prevent the Council from doing anything that:

- (a) is expressly permitted by this agreement; or
- (b) is approved in writing by the Company.

6.4 **Novation and Counterparty Consents:**

- (a) Prior to Completion, the Council shall use all reasonable endeavours to have each of the counterparties to any Assumed Contracts enter into a deed of novation, on terms acceptable to each of the Council and the Company, to novate the relevant Assumed Contract to the Company with effect from Completion.
- (b) To the extent that a deed of novation is not able to be entered into pursuant to sub-clause (a), then the Council will use all reasonable endeavours to obtain the consent of the relevant counterparty to the Assumed Contracts marked as requiring consent in Appendix 1 of this Schedule 2, to the assignment of that Assumed Contract to the Company, on terms that are acceptable to both the Council and Company ("**Counterparty Consents**").
- (c) The Company shall provide such assistance to the Council as it reasonably requests in relation to sub-clauses (a) and (b).
- (d) If:
 - (i) no deed of novation has been entered into in respect of that Assumed Contract; and
 - (ii) where a Counterparty Consent is required in respect of an Assumed Contract, and that Counterparty Consent has not been obtained

on or before Completion, the Company shall not delay or fail to undertake Completion and clause 9 of Schedule 2 will apply.

6.5 **Additional assets, responsibilities and liabilities:** If, before Completion, the Council or the Company identifies any asset, responsibility Liability or contract held by the Council that:

- (a) is necessary for the Company to carry on the Business after Completion in a manner consistent with how the Business was carried on during the 12 months prior to Completion; and/or
- (b) primarily relates to the provision of the Transferring Water Services,

other than an Excluded Asset ("**Additional Item**"), then the parties may agree to vary this agreement in accordance with clause 14.7 of Schedule 5, for the Additional Item to be added to Appendix 1 of Schedule 2 for consideration determined by the parties consistent with how the consideration was determined for the Assets and Obligations. If the parties cannot agree on such value, the expert determination process in clause 8.2(b) of Schedule 2 will apply, with appropriate changes to reflect the determination required by this clause.

7. COMPLETION

7.1 Time of Completion: Completion of the transfer of the Assets, Obligations and Responsibilities ("**Completion**") shall take place electronically not later than 3pm on the Completion Date, or at such other time and place as may be agreed between the parties.

7.2 Obligations on Completion: At Completion:

- (a) The Company shall pay the Settlement Amount to the Council in immediately available funds by electronic transfer to a bank account nominated by the Council;
- (b) the Company shall issue the Stage 2 Shares to the Council in accordance with the Shareholders' Agreement and update Companies Office to reflect the change in shareholding, and the Council will consent to such issue;
- (c) legal and beneficial title to, risk to, and possession of, the Assets shall be given by the Council and accepted by the Company, and the Council will deliver all Assets, title to which passes by delivery, at the places set out in Appendix 1 of Schedule 2 or as otherwise notified by the Council to the Company;
- (d) the Council shall take such actions, and sign and deliver to the Company (together with all relevant documents of or evidencing ownership) such documents and other things necessary, to transfer to the Company full and unencumbered legal and beneficial title to, and possession of, the Assets as the Company may reasonably require;
- (e) the Company assumes the Obligations and shall take such actions, and sign and deliver to the Council such documents and other things necessary, for the Company to assume full responsibility for the Obligations (including as provided for in clauses 6.4 and 9 of Schedule 2), as the Council may reasonably require; and
- (f) the Company assumes the Responsibilities and shall take such actions for the Company to assume full responsibility for the Responsibilities as the Council may reasonably require.

7.3 Assignment of rights: With effect from Completion, the Council assigns to the Company all its property and contractual rights in the Assets.

7.4 Completion simultaneous: The actions specified in clauses 7.2 and 7.3 of Schedule 2 must take place on the same day. If any of the documents required to be delivered, or actions required to be taken, pursuant to clause 7.2 of Schedule 2 are not delivered or taken for any reason, the Company is entitled, without prejudice to any of its other rights or remedies to:

- (a) effect Completion so far as is practicable having regard to the defaults which have occurred and in so doing either to release, or without releasing (as the Company may elect), the Council from liability to comply as soon as possible with its obligations under that clause;
- (b) fix a new date for Completion, which shall be treated for all purposes as the Completion Date;
- (c) sue for specific performance; and/or
- (d) request Ministerial intervention under the terms of the LG(WS) Act or Local Government (Water Services Preliminary Arrangements) Act 2024 as a consequence of the Council

failing to comply with section 22 of that Act (by not giving effect to the undertaking for future delivery of the Transferring Water Services set out in its water services delivery plan).

8. APPORTIONMENT

8.1 **Apportionment statement:** The Council must give the Company within five Business Days of the Calculation Time a written statement ("**Apportionment Statement**") setting out:

- (a) the aggregate amount of all Accrued Employee Benefits at the Completion Date relating to Employees who have accepted an Offer ("**Accrued Employee Benefits Amount**"); and
- (b) the aggregate of all amounts payable to the Council pursuant to any of the Assumed Contracts or in relation to the Assets (including water rates/charges), which are yet to be received by the Council at the Completion Date in relation to the period up to and including the Completion Date ("**Outstanding Revenue**");
- (c) the aggregate of all amounts received by the Council pursuant to any of the Assumed Contracts or in relation to the Assets (including water rates/charges), which have been received by the Council at the Completion Date in relation to the period after the Completion Date ("**Advance Revenue**");
- (d) the amount of all Apportionable Outgoings:
 - (i) unpaid by the Council at the Completion Date in respect of the period up to and including the Completion Date ("**Accruals**"); and
 - (ii) paid by the Council at the Completion Date in respect of the period after the Completion Date ("**Prepayments**").

8.2 **Dispute resolution regarding transfer:** The Company shall, within five Business Days after receipt of the Apportionment Statement from the Council, give notice to the Council that the Company either:

- (a) approves the Apportionment Statement; or
- (b) does not approve the Apportionment Statement, such notice ("**Dispute Notice**") to specify the matters that the Company disputes or disagrees with ("**Matters in Dispute**"), in which case the Company and the Council must meet within five Business Days of the date of the Dispute Note and attempt to resolve the Matters in Dispute. If the Matters in Dispute are not resolved by the Company and the Council within five Business Days of such meeting then either the Company or the Council may give notice ("**Referral Notice**") to the other referring the Matters in Dispute to a single expert ("**Expert**") for determination in accordance with the following:
 - (i) the Expert will be an accountant with relevant experience appointed by the Council and the Company by mutual agreement, provided that if agreement as to the Expert is not reached within five Business Days after the date of giving the Referral Notice, the Expert will be appointed at the request of a party by the New Zealand Dispute Resolution Centre;

- (ii) the Council and the Company will together provide to the Expert copies of this agreement, the Dispute Notice and a copy of the Apportionment Statement; and
- (iii) the Expert will be instructed to:
 - (aa) resolve the Matters in Dispute, in accordance with the accounting treatment used by the Council in their most recent financial statements ("**Accounting Treatment**"), and then, only to the extent necessary, in accordance with NZ GAAP (to the extent not inconsistent with the Accounting Treatment) as at the date of this agreement;
 - (bb) resolve the Matters in Dispute within 20 Business Days of the date of the Referral Notice and issue a decision to each of the Council and the Company; and
 - (cc) if required, adjust the Apportionment Statement and provide a copy to each of the Council and the Company;
- (iv) the decision will be final and binding on the parties;
- (v) referral of the Matter to the Expert will not be an arbitration agreement for the purposes of the Arbitration Act 1996 and the provisions of that Act will not apply to or govern that referral; and
- (vi) the parties will bear their own costs (including legal costs) and an equal share of the costs and expenses of the Expert.

8.3 Difference between Accruals and Prepayments: If:

- (a) the Outstanding Revenue plus the Prepayments exceed the aggregate of the Accruals and the Advance Revenue and the Accrued Employee Benefits Amount, the Company must pay an amount equal to the difference to the Council; and
- (b) the aggregate of the Accruals, the Advance Revenue and the Accrued Employee Benefits Amount exceed the Outstanding Revenue plus the Prepayments, the Council must pay an amount equal to the difference to the Company,

as an adjustment of the Settlement Amount within five Business Days of:

- (c) the date on which the Council receives notice from the Company under clause 8.2(a) of Schedule 2; or
- (d) receipt by the party required to make payment under clause 8.3(a) or 8.3(b) of Schedule 2 (as applicable) of the adjusted Apportionment Statement from the Expert pursuant to clause 8.2(b)(iii) of Schedule 2.

Any such payment will be paid by electronic bank transfer of immediately available funds into the bank account nominated in writing by the party that is due to receive the payment, or in such other form as the parties may agree.

9. ASSUMED CONTRACTS

9.1 Assignment and Novation:

- (a) Subject to clause 6.4 of Schedule 2 and Completion, and on and with effect from the Completion Date, the Council assigns and the Company accepts an assignment of all of the Council's rights under, benefits of and interests in ("**Benefits**"), and assumes the burden of, the Assumed Contracts ("**Relevant Contract**"), in accordance with this clause 9 of Schedule 2.
- (b) Subject to the provisions of the LG(WS) Act providing otherwise, this agreement does not constitute an assignment or an attempted assignment, or novation or attempted novation as the case may be, of a Relevant Contract if an assignment or attempted assignment requires the consent of the counterparty to the Relevant Contract and would constitute a breach of that Relevant Contract if an assignment were made without that consent.

9.2 Consent to transfer of Relevant Contracts:

- (a) If the consent of a third party is to be requested for the assignment as marked in Appendix 1 of Schedule 2 (as applicable), and has not been obtained prior to Completion, the Council must continue to use all reasonable endeavours to obtain that consent by or as soon as reasonably practicable after Completion, on terms that are acceptable to both the Council and the Company.
- (b) Pending the transfer of any Relevant Contract to the Company under clause 9.1 of Schedule 2, the Council must:
- (c) hold the Benefits of the Relevant Contract on trust for the Company and account to the Company promptly after receipt by it for the value of any Benefit of the Relevant Contract that arises (or relates to the period) after the Completion Date; and
- (d) not agree to any termination, amendment or variation of, or waiver of any of the Council's rights under, the Relevant Contract without the prior written approval of the Company.

9.3 Performance of Relevant Contracts:

- (a) The Council must perform and observe all obligations (other than any obligation to make any payment, where such payment is reflected in the Apportionment Statement) of the Council under any Relevant Contract which are due to be performed (or relate to the period) on or before the Completion Date.
- (b) The Company must, to the extent it lawfully can, assume, perform and observe all obligations of the Council under any Relevant Contract which are due to be performed (or relate to the period) after Completion Date, as well as any obligation to make any payment in respect of the Relevant Contracts where such payment is reflected in the Apportionment Statement, whether arising before, on or after Completion.

9.4 Transfer of Relevant Contracts Unavailable: If, despite their reasonable endeavours, the Council and the Company are unable to (including because any third party consent required cannot be obtained) transfer a Relevant Contract under clause 9.2(a) of Schedule 2 within six months from Completion, the Council must, if requested in writing by the Company, as soon as reasonably possible, procure that the Relevant Contract is terminated with no Liability or cost to the Company. To avoid doubt, there will be no adjustment to the Settlement Amount, and the Council will have no Liability to the Company, as a result of any such termination.

10. POST-COMPLETION PROVISIONS

10.1 **Trust for non-assigned Assets:** If any of the Assets are not able to be assigned to the Company at Completion, the Council shall as from Completion and until such time as those Assets are assigned to the Company (which must occur within five Business Days of those Assets becoming able to be assigned to the Company), hold such Assets on trust for the Company and the Company is entitled to enforce its rights in respect of such Assets in the name of the Council.

10.2 **Additional assets and liabilities:** If, after Completion, the Council or the Company identifies any asset or contract held by the Council that:

- (a) is necessary for the Company to carry on the Business after Completion in a manner consistent with how the Business was carried on during the 12 months prior to Completion; and/or
- (b) primarily relates to the provision of the Transferring Water Services,

other than an Excluded Asset ("**Further Item**"), then the parties may agree to transfer the Further Item (subject to obtaining any applicable counterparty consent on terms satisfactory to both the Council and Company), for consideration determined by the parties consistent with how the consideration was determined for the Assets and Obligations (and clause 8 will apply to the transfer of such Further Item, with such amendments as necessary in the context of the transfer of the Further Item). If the parties cannot agree on such value, the expert determination process in clause 8.2(b) of Schedule 2 will apply, with appropriate changes to reflect the determination required by this clause.

10.3 **Receipt of post-Completion amounts:** On and from Completion, the Company shall be entitled to receive and retain all amounts payable in respect of the Assets and Assumed Contracts. The Council shall make such payments to the Company as are necessary to give effect to the preceding sentence and until such payments are made shall hold the relevant amounts on trust for the Company. The Council shall promptly provide to the Company such information as is necessary to enable the Company to calculate amounts payable under this clause. The Council shall use all reasonable endeavours to ensure that the amount of each payment to be made under this clause is determined, and paid, as quickly as possible.

10.4 **Post-Completion wash-up:**

- (a) The parties acknowledge that:
 - (i) the Settlement Amount is calculated on the basis of the Council's best estimate of its Council Water Infrastructure Debt; and
 - (ii) each of the Council's share of Establishment Costs, the Council's Establishment Funding Share and any Transitional Activity Costs is calculated on the basis of the Council's best estimate of those amounts,

as at the date of the Council Debt Notice.

- (b) Within **[12]** months of the Completion Date, the Council will give a further notice ("**Final Debt Notice**") to the Company setting out the actual amount of its Council Water Infrastructure Debt, the Council's share of Establishment Costs, the Council's Establishment Funding Share (including interest incurred by the Council on the Council's Establishment Funding Share) and any Transitional Activity Costs (together, the "**Final Debt Amount**") as at the Completion Date, including sufficient detail for the Company to

be able to verify the Final Debt Amount payable by the Company, including at such dates agreed under clause 1(a)(ii)(A) of Schedule 2A.

- (c) The Final Debt Notice will also include the amount of the difference between the Settlement Amount and the Final Debt Amount ("**Difference**"), which, if the Settlement Amount is greater than the Final Debt Amount, will be repayable by the Council to the Company, and if the Settlement Amount is less than the Final Debt Amount, will be payable by the Company to the Council, in accordance with subclause (e) below.
- (d) The Company shall:
 - (i) as soon as practicable after receipt of the Final Debt Notice, notify the Council about whether the Company wishes to verify the amount(s) set out in the Final Debt Notice, and if yes, the reasonable time period required by the Company to do so; and
 - (ii) if it notifies the Council that it wishes to verify the amount(s) set out in the Final Debt Notice, the Company will complete its verification within the reasonable time period notified to Council under subclause (d)(i)(or such other period agreed in writing with the Council), and notify the Council of such completion.
- (e) Within [10] Business Days of the later of:
 - (i) the receipt of the Final Debt Notice;
 - (ii) the date of completion of the Company's verification of the Final Debt Notice under subclause (d) above; and
 - (iii) if applicable, the Final Debt Amount being agreed or determined in accordance with paragraph 2 of Schedule 2A,

the relevant party with the payment obligation under subclause (d) above will pay the Difference to the other.

10.5 **Company to provide information:** Following Completion, the Company shall permit the Council such access to its records as shall be reasonably necessary to enable the Council to complete tax returns and to comply with other statutory obligations of the Council relating to the Business and/or the provision of the Transferring Water Services.

10.6 **Council to provide information:** Following Completion, the Council shall permit the Company to have access to its records, and to take copies thereof, for the purpose of conducting the Business or complying with other statutory obligations of the Company relating to the Business, the Responsibilities and/or the provision of the Transferring Water Services.

11. WARRANTIES AND INDEMNITIES

11.1 **Warranties:** In consideration of the Company entering into this agreement, the Council warrants to the Company, as at the Completion Date, that:

- (a) the Assets:
 - (i) are the absolute property of, and under the control of, the Council; and
 - (ii) are not subject to any Encumbrance;

- (b) the Assumed Contracts are valid, binding and enforceable in accordance with their terms, and the Council is not, nor will at Completion be, in breach, in any material respect, of any such contracts; and
- (c) the Council is not in breach, in any material respect, of any of the Responsibilities.

11.2 **Qualifications:** The Warranties are given subject to:

- (a) any exception or qualification fairly disclosed in any formal disclosure letter given by or on behalf of the Council to the Company before execution of this agreement by the Company (disclosure will be considered to have been made if the matter is included in the approved Council water services delivery plan); and
- (b) any matter or thing done or omitted to be done in accordance with any provision of this agreement or at the request, or with the prior approval, of the Company.

11.3 **Company Acknowledgement:** The Company acknowledges and agrees that:

- (a) the Assets are sold on a strictly "as is where is" basis; and
- (b) the Council has not made any statement, representation or warranty (express or implied) as to, and the Company has no claim against the Council in respect of, the fitness, quality, condition or state of repair of any of the Assets.

APPENDIX 1 – MATTERS TO BE TRANSFERRED

ASSETS

	Assets	Place of delivery and how delivery will occur
1.	[eg all drinking water pipes located in Service Area]	[in situ]
2.		
3.		

OBLIGATIONS

A ASSUMED CONTRACTS

	Contract name/description	Counterparty consent required?
1.		
2.		

RESPONSIBILITIES

A) STATUTORY RESPONSIBILITIES

	Statutory Responsibilities	Reference
1.		
2.		
3.		

B) OPERATIONAL RESPONSIBILITIES

	Operational Responsibilities	Reference
1.		
2.		
3.		

C) MANAGEMENT RESPONSIBILITIES

	Management Responsibilities	Reference
1.		
2.		

3.		
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D) RESOURCE CONSENTS RESPONSIBILITIES

	Resource Consents Responsibilities	Reference
1.		
2.		
3.		

E) IWI AND HAPŪ RESPONSIBILITIES

	Iwi and hapū Responsibilities	Reference
1.		
2.		
3.		

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APPENDIX 2 – MATTERS TO NOT BE TRANSFERRED

EXCLUDED ASSETS

	Excluded Assets
1.	
2.	
3.	

EXCLUDED CONTRACTS

	Excluded Obligations
1.	
2.	
3.	

EXCLUDED RESPONSIBILITIES

	Excluded Responsibilities	Reference
1.		
2.		
3.		

SCHEDULE 2A

[Drafting note: at the time of entering into the Shareholders' Agreement, work is still underway to particularise the detail of this Schedule 2A. Schedule 2A will be updated after the Shareholders' Agreement has been signed. The proposed final schedule will be agreed by the Chief Executives of the relevant councils and brought to each shareholding council to approve in advance of their Agreed Transfer Date and having regard to the agreed principle that there will be consistency in the terms of the transfer agreements across councils]

Settlement Amount and Council Water Infrastructure Debt Calculation

1. Principles for establishing the net debt calculation

- (a) The intent is that the Company either:
 - (i) pays the Council an amount equal to:
 - (A) the Council's Council Water Infrastructure Debt;
 - (B) the Council's share of the Establishment Costs;
 - (C) the Council's Establishment Funding Share, including interest incurred by the Council on the Council's Establishment Funding Share; and
 - (D) any Transitional Activity Costs,(in each case to the extent actually paid to the Company or a third party by the Council, and not previously repaid to the Council); or
 - (ii) agrees with the Council in writing that:
 - (A) the Council will retain some or all of its Council Water Infrastructure Debt until future date(s) agreed with the Company, on which the Company will pay the Council the amount of that retained Council Water Infrastructure Debt;
 - (B) the Company will pay the Council an amount equal to the Council's Council Water Infrastructure Debt (less the amount that will be retained by the Council under subclause (a)(ii)(A) above), the Council's share of the Establishment Costs, and the Council's Establishment Funding Share (to the extent actually paid to the Company and not previously repaid to the Council); and
 - (C) the Company will meet such costs of the Council in retaining the Council Water Infrastructure Debt under subclause (a)(ii)(A) above, as agreed and specified in writing between the parties.
- (b) The Council will be responsible for paying its creditors and collecting its receivables balances at the Completion Date.
- (c) The Council will remain responsible for the provision of the Transferring Water Services until the Completion Date, but will not incur debt amounts greater than those projected in the Council's long-term plan in place on the date of the Shareholders' Agreement (notwithstanding any subsequent amendments to such long-term plan after that date).

2. Council Water Infrastructure Debt determination

- (a) Within [20] Business Days of receipt of the Council Debt Notice or the Final Debt Notice (as applicable), the Company may request further information from the Council, and/or may take steps to verify or audit the amounts set out in the Council Debt Notice or the Final Debt Notice (as applicable).
- (b) The Council will promptly provide all reasonable assistance to the Company in respect of any further information requested or any verification or audit which the Company wishes to undertake.
- (c) If the Company does not agree with the amount of the Council Water Infrastructure Debt set out in the Council Debt Notice or the Final Debt Notice (as applicable), the Company will, provide notice in writing to the Council, after which the parties will discuss and endeavour to agree the amount of the Council Water Infrastructure Debt within [10] Business Days after receipt of that notice (or such longer period as is agreed between the parties in writing). If the parties cannot agree the amount of the Council Water Infrastructure Debt in that period, the Company may, by notice in writing to the Council, refer the matter for expert determination in accordance with clauses 8.2(b)(i) to (vi) (applied with the necessary amendments to make those clauses applicable to the determination of the Council Water Infrastructure Debt).

3. Settlement Amount calculation [Drafting note: To be confirmed]

Subject to paragraph 1(a)(ii) of this Schedule 2A, the Settlement Amount is the Council's best estimate of the amount of the Council Water Infrastructure Debt as at the Completion Date:

- (a) [TBC]

4. Transitional Activity Costs

[TBC]

SCHEDULE 3

SHARED INTEREST AND CHARGING ARRANGEMENTS TERMS AND CONDITIONS

Purpose of Schedule 3: This Schedule 3 provides for how the parties will work together in relation to:

- (a) ensuring that Shared Interests are managed effectively and efficiently; and
- (b) the arrangements for Water Charges for the Water Services to be performed by the Company.

1. RELATIONSHIP MANAGEMENT

1.1 **Relationship principles:** The parties will engage and work with each other under this agreement in accordance with the following relationship principles:

- (a) **Partnering approach:** The parties wish to build and maintain a strong, enduring, high-trust relationship to enable effective and sustainable delivery of Water Services and Water Services infrastructure to consumers and the community over the long term. The parties will take a relationship-based, strategic partnering approach which incorporates working collaboratively together in good faith, while also acknowledging each other's independence and respective legislative functions and obligations.
- (b) **Have regard to consumers and communities:** The parties acknowledge that the delivery of safe, reliable, resilient, accessible, affordable and efficient Water Services is of significant importance to the consumers and community within the Service Area. While the delivery of Water Services and Water Services infrastructure remains the statutory responsibility of the Company, the parties will at all times have regard to the needs of the consumers and communities in the Service Area where services are delivered, and to the local cultural or environmental factors of the consumers and communities in that Service Area.
- (c) **Engaging with each other:** The parties will engage with each other in the spirit of cooperation, respectful and honest behaviour, and take a 'no surprises' approach to preserve and strengthen the integrity of the relationship.
- (d) **Cooperation:** The parties will act reasonably at all times and consult with each other as early as practicable about anything that may materially affect a party's performance under this agreement or a Service Order, or about any possible or actual breach of the same.

2. MATTERS OF SHARED INTEREST

2.1 **General:** The parties will interact and work together in respect of the Shared Interests to ensure that:

- (a) matters of Shared Interests are managed effectively and efficiently; and
- (b) each party can meet its statutory and contractual obligations.

2.2 **Arrangements:** Accordingly, in respect of the Shared Interests, the parties will comply with their obligations under the detailed arrangements for each of the Shared Interests as set out in Appendices 1 to [X] of this Schedule 3 ("**Shared Interest Arrangements**").

2.3 **Minimum requirements:** The Shared Interest Arrangements must meet the following minimum requirements:

- (a) the functions, roles, responsibilities and accountabilities of each party are defined;
- (b) each party can meet their statutory functions, power and duties;
- (c) any additional services that one party to the other when carrying out its functions, powers and duties will be detailed in a Service Order; and
- (d) the costs for each party to perform their obligations in respect of the arrangements will lie as they fall, unless otherwise agreed under the arrangement, or a related Service Order.

2.4 **Changes to Shared Interest Arrangements:** The Shared Interest Arrangements and any related Service Orders agreed under this clause 2 of Schedule 3 may need to be further developed and amended as the relationship between the parties develops. Either party may make a recommendation to the Interface Governance Group to amend the Shared Interest Arrangements or Service Order, provided that:

- (a) any change to the Shared Interest Arrangements or Service Order must be agreed in writing between the parties; and
- (b) a change to the Shared Interest Arrangements or Service Order will be effective from the date the parties agree to implement the changes.

3. **COUNCIL CONTINUES TO COLLECT CHARGING AND REVENUE COLLECTION ARRANGEMENTS FOR A TRANSITIONAL PERIOD**

3.1 **Collection by Council:** The parties agree that on a transitional basis as part of the Post-Completion Transition Services, and in accordance with clause [6(b)] of Schedule 2 of the LG(W)S Act, the rates, fees and other charges in relation to the Transferring Water Services will be collected by the Council ("**Water Charges**") on behalf of the Company.

3.2 **Water Charges Arrangements:** In respect of the Council continuing to collect the Water Charges, the parties will agree Water Charges arrangements that specify:

- (a) how and when the Council will pass revenue collected on to the Company, including details of transitional arrangements and the duration of those arrangements;
- (b) any associated fees and expenses that will be charged and retained by the Council; and
- (c) a confirmation that, for the period of time the Council collects the rates, fees and other charges, the Council will provide the Company with sufficient revenue each Financial Year to enable the Company to undertake the capital and operating investment programme in the Company's capital works programme (as informed by each Shareholder's respective capital works programme immediately prior to incorporation of the Company) and, once adopted by the Company, in the Company's Water Services Strategy for a Financial Year.

3.3 **Final decision responsibility:** The:

- (a) Company's capital expenditure and operating expenditure for the Water Services provided by the Company; and
- (b) Company's level of Water Charges for the Water Services,

will be as set out in the Company's annual water services budget, and the final decision-maker in respect of such matters will be as set out in the Constitution and the Shareholders' Agreement.

4. TRANSITION TO COMPANY COLLECTION CHARGING AND REVENUE COLLECTION ARRANGEMENTS

4.1 **Collection by Company:** The parties agree that after the transitional period (the duration of which will be determined by the Board in consultation with the Shareholding Councils), and in accordance with clause [6(b)] of Schedule 2 of the LG(WS) Act, Water Charges will be collected by the Company. Once this applies:

- (a) clause 2.1 above will cease to apply and the Company will collect Water Charges in accordance with its powers and statutory obligations under the LG(WS) Act, and
- (b) the water charges arrangements agreed pursuant to clause 2.2 above will cease to apply, with the Council no longer entitled to charge any associated fees and expenses previously charged.

5. GOVERNANCE FOR MANAGING SHARED INTERESTS

5.1 **Purpose of Interface Governance Group:** The parties will establish an Interface Governance Group comprising the parties' Representatives to be the first point of contact in relation to any issues concerning their nominated subject area in respect of the Shared Interest Arrangements, Service Order or other matter under this Agreement.

5.2 Appointment of Representatives:

- (a) Each party will appoint the respective person(s) in accordance with the process identified in clause 5.2(b) of Schedule 3 to be that party's representative and point of contact who is responsible for management of the relationship between the parties ("**Representative**"). There may be additional Representatives named by one party for different subject areas.
- (b) Three months prior to the Completion Date, each party will confirm their Representative and the members they wish to appoint as additional Interface Governance Group members.
- (c) Each party shall ensure that its Representative and Interface Governance Group members are reasonably available during normal business hours.
- (d) Each party may replace a Representative or Interface Governance Group member by giving notice to the other party. Both parties will ensure that any replacement is a person with similar experience and seniority as the representative / member being replaced and will provide the contact details of the replacement to the other party.

5.3 Interface Governance Group Members:

- (a) The Interface Governance Group members will be those members notified in writing in accordance with clause 5.2(b) above. There shall be no more than 3 Interface Governance Group members per party at any one time (including the Representative).
- (b) Each party shall ensure that its member(s) are committed and reasonably available to carry out their role in relation to the Interface Governance Group, including attending governance meetings.
- (c) Each party may nominate another person or member to be its alternate and may remove that alternate appointed by them at anytime.

- (d) Each party may replace its member by giving notice to the other party. Both parties will ensure that any replacement is a person with similar experience and seniority as the previous named member and will provide the contact details of the replacement to the other party.

5.4 **Role of Interface Governance Group:** The purpose of the Interface Governance Group is to:

- (a) consider any Compliance Reports submitted to it and propose any recommendations to address any non-compliance identified;
- (b) consider any information sharing issues as referred to at clause 2 of Schedule 5;
- (c) consider and attempt to resolve any issues or disputes referred to it by a party under clause 10 of Schedule 5;
- (d) carry out the review of this agreement under clause 3 of Schedule 5;
- (e) consider and provide a recommendation to each party of any proposed change to this agreement, including any Service Orders; and
- (f) consider such other matters as the parties may agree.

5.5 **Governance reporting:** The Representatives are to report to the Interface Governance Group on each party's compliance with this agreement including in respect of the Shared Interest Arrangements and Service Orders, on an annual basis from the Commencement Date ("**Compliance Report**"):

- (a) The purpose of the Compliance Report is to ensure that there is transparency as to how the parties are meeting their respective obligations under this agreement. Prior meeting minutes to identify issues can be used to form the basis of the Compliance Report.
- (b) The Representatives must agree on the content of the Compliance Report before delivering to the Interface Governance Group for consideration, however if agreement is not possible, then each Representative may submit its own Compliance Report to the Interface Governance Group.
- (c) The Representatives will determine a process for ensuring that they can meet their obligations under this clause 4.5 of Schedule 3 at least three months before the Compliance Report is due.

5.6 **Meetings of the Interface Governance Group:**

- (a) The first chair of the Interface Governance Group is the member appointed in accordance with the process set out in the Agreement Details and is appointed for the first 2 years after the Commencement Date. At the end of the first chair's term, the next chair (who shall hold office for a similar term) shall be a member nominated from the other party and so on, so that the chair rotates between the parties.
- (b) The Interface Governance Group shall meet at least once every 6 months and more frequently if required or agreed.
- (c) At the first Interface Governance Group meeting of each year, the location and dates of each meeting for the following calendar year will be set.

- (d) The Company will be responsible for administrative tasks in relation to the Interface Governance Group, such as issuing reminders and an agenda, distributing any material and taking minutes at the meeting.
- (e) Decisions and recommendations of the Interface Governance Group shall be unanimous.
- (f) A quorum of the Interface Governance Group shall be at least one member from each party.
- (g) Where a matter to be discussed by the Interface Governance Group affects the interests of another shareholding council of the Company, the Representatives may agree to meet with the representatives of that shareholding council.

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APPENDIX 1 – SHARED INTEREST ARRANGEMENTS FOR [X]

[Drafting Note: to be completed after the date of incorporation and agreed across shareholders once there is clarity on LG(WS) and the Board is in place to discuss the below matters with the Shareholder Representative Form and / or the Chief Executives across the Councils]

[The matters of shared interest under section 5(2) of the LG(WS) Act include (but are not limited to):

- (a) when the territorial authority is performing and exercising its functions, duties, and powers under the Building Act 2004; and*
- (b) land use planning and resource management planning (including consent processes); and*
- (c) the performance or exercise of any other statutory functions, duties, and powers of the parties that are relevant to both parties (for example, emergency management).*

Example: By way of example, for item (b) above (land use planning and resource management planning) the parties will need to provide for:

- (a) how the parties will engage and work together in relation to land use planning and the provision of and planning for water services;*
- (b) how the Council will work with the Company in relation to its planning process under the Resource Management Act 1991;*
- (c) sharing information for the purposes of each party carrying out its statutory and contractual functions;*
- (d) engaging with the community in relation to planning for growth;*
- (e) how the parties will engage in relation to the Company performing its functions under the Building Act; and*
- (f) how the parties will work together in relation the processes, principles, and scope of assessment to be adopted by Council Resource Consent Planners, Regulatory Engineering in relation to the assessment of resource consents and engineering approvals.]*

APPENDIX 2 – SHARED INTEREST ARRANGEMENTS FOR [Y]

[Placeholder for inserting any other Shared Interest Arrangements.]

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SCHEDULE 4

AD HOC SERVICES AND DELIVERABLES

PURPOSE OF SCHEDULE 4: Schedule 4 provides the terms and conditions that apply to the Company providing ad hoc services to the Council, or the Council providing ad hoc services to the Company. Ad hoc services may include services required during a transitional period or on an ongoing basis, and as an example, could include human resources or payroll services, IT services or other back-office services. The parties will enter into a Service Order for the provision of any ad hoc services, or for any services required in relation to a Shared Interest Arrangement under Schedule 3.

1. AD HOC SERVICES

- 1.1 **Ad Hoc Services:** From time to time, the parties may enter into a Service Order where a party ("**Service Recipient**") requires the other party ("**Service Provider**") to provide a particular Service for a fixed term or on an enduring basis for the benefit of the Service Recipient.
- 1.2 **Service request process:** The Service Recipient may request the Service Provider to submit to the Service Recipient a draft Service Order in respect of providing certain Services and Deliverables to the Service Recipient. Within a reasonable period after receiving the draft Service Order, the Service Recipient will notify the Service Provider either:
- (a) that the Service Recipient accepts the proposal, in which case clause 1.3 of this Schedule 4 will apply;
 - (b) that the Service Recipient wishes to negotiate the proposal, in which case the parties will promptly negotiate the proposal and, once agreement is reached, clause 1.3 of this Schedule 4 will apply; or
 - (c) that the Service Recipient rejects the proposal, in which case the parties will have no further obligation to each other with respect to the proposal or its subject matter.
- 1.3 **Implementation:** If the Service Recipient accepts the Service Provider's proposal to provide Services and Deliverables as contemplated in clause 1.1 of this Schedule 4, then they will jointly finalise a Service Order relating to such Services or Deliverables. Once executed by both parties, the Service Order will form part of this agreement. Until such time as the Service Order is executed, the Service Provider will not be required to provide any Services or Deliverables, and the Service Recipient will have no obligation to pay any amount, in respect of that proposed Service Order.

2. GENERAL OBLIGATIONS

- 2.1 **General:** In performing its obligations under this agreement and any Service Order, the Service Provider will:
- (a) provide all Personnel, processes and resources required to perform its obligations under this agreement, including to provide the Services and Deliverables;
 - (b) comply with the reasonable directions of the Service Recipient;
 - (c) as applicable, provide and implement the Services and Deliverables in accordance with the terms of this agreement and each relevant Service Order;
 - (d) provide all equipment, tools, materials and other resources necessary for the provision of the Services and Deliverables;

- (e) take full responsibility for the performance of all tasks and activities necessary to provide the Services and Deliverables in accordance with each Service Order, other than tasks or activities specifically identified as being out of scope;
- (f) without limiting the Service Provider's other obligations, keep the Service Recipient advised of the progress of the provision of the Services and Deliverables and changes or possible changes to the scope or timing;
- (g) not damage or adversely affect the property, operations, reputation or goodwill of the Service Recipient or any related entity;
- (h) not disrupt the Service Recipient's operations and other activities, except to the extent reasonably required in order to provide the Services and Deliverables;
- (i) work co-operatively and collaboratively in good faith with the Service Recipient and all other contractors and service providers to the Service Recipient (including third party suppliers) at all times to ensure the Services and Deliverables are delivered to the Service Recipient efficiently, seamlessly and as required by the Service Recipient;
- (j) comply with all its obligations under law and maintain all licences, approvals, consents and permits required in order to provide the Services and Deliverables and otherwise to perform its other obligations under this agreement;
- (k) without limiting the Service Provider's other obligations, promptly notify the Service Recipient in writing of:
 - (i) any breach or likely breach of the Service Provider's obligations under this agreement; and
 - (ii) any matter that may impact on the Service Provider's ability to perform its obligations in accordance with this agreement; and
- (l) without limiting subclauses 2.1(a) to (k) of this Schedule 4 above, exercise that degree of skill, diligence, prudence and foresight which would reasonably and ordinarily be expected from a skilled, reasonable and experienced operator in the same or similar circumstances, with reference to Best Industry Practice.

2.2 Remedies for failure: If any of the Services and Deliverables are not, in the Service Recipient's reasonable opinion, provided in accordance with this agreement, the Service Recipient may, without limiting its other remedies:

- (a) give the Service Provider notice to immediately remedy the deficiency at the Service Provider's cost;
- (b) withhold any payment due to the Service Provider until the deficiency is satisfactorily remedied; and/or
- (c) if the Service Provider does not remedy the deficiency to the Service Recipient's reasonable satisfaction within a reasonable period after the Service Recipient giving notice under clause 2.2(a) of this Schedule 4, deduct a reasonable amount from any payment due to the Service Provider to reflect the cost to the Service Recipient to correct the deficiency.

2.3 Personnel: The Service Provider must:

- (a) ensure the Services and Deliverables are provided using appropriately experienced, skilled and qualified Personnel who are capable of providing the Services and Deliverables to the standards required under this agreement;
- (b) be responsible for all acts and omissions of its Personnel as if they were the acts or omissions of the Service Provider;
- (c) ensure that all of its Personnel comply with the terms of this agreement and with any of the Service Recipient's relevant policies, procedures and reasonable directions as notified by the Service Recipient; and
- (d) ensure that each Service Provider Personnel is willing to, and does, undergo security and other probity and clearance checks (including a check for criminal convictions) if required by the Service Recipient.

2.4 **Statutory or Regulatory Functions:**

- (a) Notwithstanding any provision in this agreement, the statutory obligations of either party are always paramount and not affected or varied by this agreement. Nothing in, or contemplated by, this agreement will be construed or interpreted as restricting or otherwise affecting the discretion of a party to exercise any of its powers or functions under any law, or to require a party to interfere with or influence the exercise of any power or discretion by any other person.
- (b) Any exercise of (or failure to exercise) a regulatory or statutory function by a party shall not, of itself, constitute an act, omission or breach by that party under this agreement.

2.5 **Protection of information systems:** Where a party is given access to the other party's information technology system to enable it to provide the Services and Deliverables, it must:

- (a) only use the system to provide the Services and Deliverables;
- (b) take all reasonable care in using the system, including all hardware, software and applications and observe all relevant license agreements, the other party's policies, security procedures and work practices;
- (c) not interfere with or dispute or cause any damage to the system;
- (d) ensure that the system is protected from unauthorised access or use or misuse, damage or destruction by any person;
- (e) not allow the integrity of data and information held on the system to be compromised; and
- (f) follow the policies and procedures of the other party to maintain the accuracy of data and information held within the system.

3. **PAYMENT AND INVOICING**

- 3.1 **Charges:** The Charges payable by the Service Recipient to the Service Provider for the provision of the Services or Deliverables will be as set out in the applicable Service Order.
- 3.2 **Rates Card:** The Service Provider agrees that the labour rate used to calculate the Charges shall be no more than the amounts set out in the Rates Card, for the corresponding Service Provider Personnel of the relevant role.

- 3.3 **No other amounts payable:** The Charges are the only amounts payable by the Service Recipient for the Services and Deliverables and all other related matters.
- 3.4 **GST:** Unless otherwise agreed on a case by case basis, all Charges are exclusive of GST, which shall (if applicable) be additionally payable by the Service Recipient at the same time as payment of the Charges.
- 3.5 **Withholding tax:** If the Service Recipient is required by law to make a deduction or withholding from any payment made to the Service Provider on account of withholding taxes, payment by the Service Recipient to the Service Provider of the net amount after such deduction or withholding will be a complete and final discharge by the Service Recipient of its obligation to make the relevant payment.
- 3.6 **Expenses:** The Service Provider is responsible for all expenses incurred by it under this agreement, unless otherwise expressly specified in the relevant Service Order or the Service Recipient has given its prior written approval to reimbursement of such expenditure.
- 3.7 **Invoice:** The Service Provider will invoice the Service Recipient for the Charges in respect of the Services and Deliverables, within 90 days of the Service Provider having the right to issue such invoices under the relevant Service Order. Each invoice must be:
- (a) a valid tax invoice for the purposes of the Goods and Services Tax Act 1985;
 - (b) be sent directly to the Service Recipient via email to the email address set out in the Agreement Details; and
 - (c) include all information reasonably required to enable the Service Recipient to validate the claim for payment including:
 - (d) any purchase number, Service Order number or contract number applicable to the invoice;
 - (e) reference to this agreement (under which the invoice is issued); and
 - (f) the Charges for and description of each Service and/or Deliverable being invoiced,
- ("Valid Tax Invoice").
- 3.8 **Payment:** The Service Recipient shall pay each invoice by the 20th day of the month following the month of receipt of the invoice by Service Recipient.
- 3.9 **Disputed invoices:** If the Service Recipient raises any Dispute in relation to an invoice submitted under this clause 3, then the Service Recipient must pay the undisputed portion of the Valid Tax Invoice on or before the due date for payment of that invoice, but may withhold payment of the disputed portion until the dispute is resolved.

4. DISENGAGEMENT SERVICES

- 4.1 **Commencement:** Commencing at any time before or from the termination or expiry of all or any part of a Service Order for any reason (including due to termination or expiry of this agreement), the Service Provider shall, at the request of the Service Recipient in writing, provide disengagement services in respect of the Services and/or Deliverables in that Service Order.
- 4.2 **Duration:** The Service Provider shall provide the required disengagement services for up to 12 months after termination or expiry of the relevant Service Order, as agreed by the parties.

4.3 **Disengagement Services:** The disengagement services may include the Service Provider:

- (a) continuing performance of the Services and Deliverables to the extent required by the Service Recipient (and the relevant terms of this agreement and the relevant Service Order continue to apply to the performance of the Services and Deliverables in accordance with this clause);
- (b) promptly assisting the Service Recipient to prepare a disengagement plan specifying the key tasks to be performed by each party to enable the smooth and orderly end or transition of the provision of the Services and Deliverables and the timeframes for the performance of such tasks;
- (c) actioning the disengagement plan within the required timeframes;
- (d) delivering to the Service Recipient any documentation or other materials relating to the Services and Deliverables as they exist as at the date of termination;
- (e) answering questions and providing information relevant to the Services and Deliverables as requested by the Service Recipient;
- (f) providing reasonable assistance for the Service Recipient to acquire rights to access and use facilities, equipment, documentation and other resources used by the Service Provider to provide the Services and Deliverables;
- (g) arranging or procuring the secondment of suitably qualified Personnel as may be reasonably required by the Service Recipient;
- (h) transferring, relocating or disposing of tangible property owned by the Service Recipient from the Service Provider's sites to locations designated by the Service Recipient;
- (i) returning to the Service Recipient intellectual property and other intangible property of the Service Recipient;
- (j) providing training reasonably required by the Service Recipient; and
- (k) providing any additional Disengagement Services specified in the relevant Service Order.

4.4 **Charges:** If the Service Provider is required to provide disengagement services, the Service Recipient shall pay a fee for such services, which will be such amount as agreed in the relevant Service Order or, where such fee has not been agreed, the Service Provider may charge a reasonable fee for the performance of the disengagement services, consistent with the Rates Card. The Service Provider must do all things reasonably practical to minimise any such fee.

4.5 **Other rights and remedies:** Nothing in this clause 4 limits the Service Provider's or the Service Recipient's rights to recover damages from the other party under this agreement or to pursue any additional or alternative remedies provided by law.

APPENDIX 1 – SERVICE ORDER TEMPLATE

SERVICE ORDER – [SUBJECT NAME]

This Service Order is issued under the transfer agreement between Waikato Waters Limited ("Waikato Waters") and [insert Council] (Council) dated [insert date] ("Transfer Agreement").

By signing this Service Order, the parties agree to comply with the terms as set out in this Service Order and the terms of the Transfer Agreement apply to this Service Order, except as amended expressly in this Service Order.

Defined terms used in this Service Order have the meanings given to them in the Transfer Agreement, unless they are defined differently in this Service Order.

Background

Service Order number	[Insert]
Scope of Services	[Insert a short description of this Service Order]
Commencement	[Insert commencement date of this Service Order]
Service Recipient	[Insert relevant party]
Service Provider	[Insert relevant party]

Term and Services

Topic	Details	
Term of Service Order	This Service Order will remain in effect for [select one [the duration of the Interface and Services Agreement] or [insert term]], unless terminated earlier by agreement or in accordance with the terms of the Transfer Agreement	
Services description/service levels/roles and responsibilities	Refer to Attachment 1 of Schedule 4 - Services description/level of service	
Key Personnel	Name	Role
Service Recipient		
Service Provider		

Pricing and Payment

Pricing
[Insert] OR
[Refer to Attachment 2 – Pricing Terms] OR
[Not applicable]

Due date for payment

[Insert]

[As per the Transfer Agreement, unless the Pricing Terms included in Attachment 2 to this Service Order provide otherwise] OR

[Not applicable]

Attachments

Attachments

- Attachment 1 - Services description/level of service
- Attachment 2 - Pricing terms
- [Insert any other attachments]

SIGNED by Waikato Waters Limited

Signature of authorised signatory

Name of authorised signatory

SIGNED by [Council]

Signature of authorised signatory

Name of authorised signatory

ATTACHMENT 1 TO SERVICE ORDER

Detailed Services descriptions and Service levels

[This will include details of the Services to be provided, for example, Services descriptions (and any exclusions), responsibility of the parties, timeframes for delivery of Services, objectives, priorities, performance targets and measures, monitoring and compliance, key contacts, information sharing, meeting schedules, risks].

DRAFT

ATTACHMENT 2 TO SERVICE ORDER
Pricing terms

[This will include the Fee for the provision of Services by the Service Provider]

DRAFT

APPENDIX 2 – RATES CARD AND SERVICES CATALOGUE

[Placeholder for parties to agree a rates card that will apply for services being provided by the council or Company in respect of the Ad Hoc Services.

The parties could also specify the types of services which may be provided by one party from time to time.]

DRAFT

SCHEDULE 5

GENERAL TERMS AND CONDITIONS

PURPOSE OF SCHEDULE 5: The general terms and conditions that apply to all parts of this agreement are set out under this Schedule 5.

1. TERM

- 1.1 **Term:** This agreement commences on the Commencement Date and continues until terminated in accordance with clause 12 of this Schedule 5.

2. INFORMATION SHARING, CONFIDENTIALITY AND CO-OPERATION

- 2.1 **Information sharing:** The parties agree that, in respect of information shared between the parties under this agreement:

- (a) subject at all times to a party's obligations at law, both parties will use all reasonable endeavours to share information with each other where that information assists a party to carry out its statutory functions, powers and duties;
- (b) where information is shared, the party receiving the information will adhere to any conditions imposed by the other concerning the release and storage of that information;
- (c) the parties will act in good faith and in accordance with the Relationship Principles when a party reasonably makes a request for information to be shared; and
- (d) where information is in the public domain (other than as a result of an unpermitted act or omission of a party that obtained that information), then any conditions imposed in relation to the release and storage of that information, no longer apply.

- 2.2 **Managing issues:** Any concern or dispute in relation to a party not sharing information, conditions imposed in relation to the storage or use of that information or the use by a party of information that has been shared, will be referred to the Interface Governance Group and if not resolved will be dealt with under the dispute resolution process at clause 10 of this Schedule 5.

- 2.3 **Confidentiality:** Each party shall:

- (a) use its reasonable endeavours to identify Confidential Information relating to that party at the time it is supplied to the other party; and
- (b) deal with all Confidential Information in accordance with clause 11 of this Schedule 5.

3. REVIEW OF AGREEMENT

- 3.1 **Periodic review:** Subject to clause 42 below, this agreement must be reviewed at intervals of not more than 5 years.

- 3.2 **First review:** The parties have agreed that the first review must occur within 5 years of the date of this incorporation of the Company so that any learnings from that initial period are captured. As part of the first review the parties will agree the subsequent period of review, and if this is not agreed then the subsequent review will be 5 years after the initial review.

- 3.3 **Content of review:** A review of this agreement may include a review of:

- (a) the Relationship Principles;
- (b) whether the provisions of this agreement and any Service Orders are being complied with and are functioning adequately from a practical perspective;
- (c) the roles and responsibilities of each party set out in the Service Orders to ensure that the objectives of this agreement are being met and that the statutory functions, powers and duties of each party are not being unduly impacted;
- (d) whether additional or amended Services and Deliverables are required under any Service Order; and
- (e) residual issues from the Compliance Reports and any actions from the Interface Governance Group.

4. HEALTH AND SAFETY

4.1 **Avoidance of accidents:** In performing its obligations under this agreement, the Service Provider must provide all Services and Deliverables with the health and safety of the Service Provider's Personnel and the Service Recipient's Personnel in mind, and take all necessary steps to ensure that its performance of this agreement will not cause physical injury or damage to:

- (a) the Service Provider's Personnel, the Service Recipient's Personnel or their respective property; and
- (b) the Service Recipient's clients and their property.

4.2 **Health and Safety:** Without limiting any other obligations under this agreement:

- (a) the Service Provider must:
- (b) consult, cooperate and coordinate with the Service Recipient to the extent reasonably required by the Service Recipient to ensure that the Service Recipient and the Service Provider will each comply with their respective obligations under the Health and Safety at Work Act 2015 as they relate to this agreement;
- (c) perform its, and ensure that its Personnel perform their, obligations under this agreement in compliance with its and their obligations under the Health and Safety at Work Act 2015;
- (d) comply with all reasonable directions of the Service Recipient relating to health, safety and security; and
- (e) report any health and safety incident, injury or near miss, or any notice issued under the Health and Safety at Work Act 2015, to the Service Recipient to the extent that it relates to, or affects, this agreement.

4.3 **Requirement to consult, co-operate and co-ordinate:** The Service Recipient must, so far as is reasonably practicable, consult, co-operate with, and co-ordinate activities with the Service Provider to the extent required by the Service Recipient to ensure that the Service Recipient and the Service Provider will each comply with their respective obligations under the Health and Safety at Work Act 2015 as they relate to this agreement.

5. INTELLECTUAL PROPERTY

5.1 Pre-Existing Intellectual Property:

- (a) All Pre-Existing Intellectual Property remains the property of the original owner.
- (b) In relation to any Service:
 - (i) the Service Provider grants or agrees to procure the grant to the Service Recipient of a royalty free, unrestricted, perpetual, non-exclusive, transferable, sub-licensable, irrevocable licence to enable the Service Recipient to make use of the Services and Deliverables including to adapt, update or amend any works; and
 - (ii) the Service Recipient grants to the Service Provider a royalty free, unrestricted, perpetual, non-exclusive, transferable, sub-licensable, irrevocable licence to use and copy the Service Recipient's Intellectual Property Rights to the extent required to enable the performance of the Services or Deliverables.

New Intellectual Property:

- (a) Unless otherwise agreed, any New Intellectual Property created as a result of, or in connection with, the provision of the Services and Deliverables shall be owned by the Service Recipient on creation, and the Service Provider shall perform all necessary acts to vest such New Intellectual Property in the Service Recipient.
- (b) Where ownership in New Intellectual Property cannot be vested or the parties agree otherwise, the Service Provider grants or agrees to procure the grant to the Service Recipient of a royalty free, unrestricted, perpetual, non-exclusive, transferable, sub-licensable, irrevocable licence to enable the Service Recipient to make use of the New Intellectual Property Right.
- (c) The Service Provider is not liable for the use of the New Intellectual Property or Pre-existing Intellectual Property other than to the extent reasonably required for the intended purpose relating to the Services and Deliverables.
- (d) Either party may use any generic ideas, know-how, concepts and techniques developed under this agreement or a Service Order or learnt from the other party provided that such use does not infringe the other party's (or its supplier's) copyrights, trademarks, patents or other Intellectual Property Rights and is not in breach of clause 2 of this Schedule 5.
- (e) Each party indemnifies the other party ("**Indemnified Party**") against all actions, proceedings, losses, liabilities, damages, claims, demands, costs and expenses (including all legal costs and expenses on a solicitor and own client basis) suffered or incurred by the Indemnified Party arising out of or in connection with any claim relating to the use of that party's Intellectual Property in accordance with this agreement or a Service Order infringes the Intellectual Property Rights of a third party.

6. INSURANCE

- 6.1 **Insurances:** Any insurances required to be affected and maintained in relation to the Services and Deliverables, will be set out in a specific Service Order and subject to the terms of that Service Order.

7. FORCE MAJUERE EVENT

7.1 Events of Force Majeure: If any party is delayed in or prevented from carrying out any of its obligations or Services and Deliverables under this agreement or any Service Order (other than a payment of money) due to any circumstances beyond its reasonable control, including:

- (a) changes to legislation;
- (b) interference by a third party; or
- (c) natural disaster,

("Force Majeure Event") the party affected is to be excused from performance of those obligations or Services and Deliverables for as long as and to the extent that the prevention or delay lasts.

7.2 Notice to the other party: The party seeking to rely on a Force Majeure Event to excuse its non-performance is to give written notice to the other party of the circumstances and the way in which and the extent to which its obligations are prevented or impeded by the event within 10 Business Days of it first becoming aware of that event.

7.3 Mitigation and co-operation: Following notice of a Force Majeure Event, the parties are to:

- (a) take all reasonably practicable steps to limit the effects of the Force Majeure Event on the performance of the Services and Deliverables under this agreement and any Service Order;
- (b) work together to determine how the Services and Deliverables may safely continue to be provided during the Force Majeure Event; and
- (c) continue to carry out all obligations under this agreement and any Service Order to the extent possible despite the Force Majeure Event.

7.4 No liability: A party is not liable for failure to perform or for delay in performance of any obligations or Services and Deliverables under this agreement or any Service Order where it is prevented from performance during the Force Majeure Event.

8. RECORDS

8.1 Records: Both parties must keep and maintain full records and documentation in relation to this agreement and any Service Orders in accordance with the Public Records Act 2005, the Local Government Official Information and Meetings Act 1987, the Building Act 2004, the Local Government Act 2002, the LG(WS) Act and any applicable standards or policies.

8.2 Period: Both parties must comply with clause 8.1 of this Schedule 5 during the term of this agreement and for 7 years after this agreement ends.

9. CONFLICTS

9.1 Conflicts of interest: Both parties shall use best endeavours to ensure that conflicts of interest do not arise during the Term. If a party thinks that a conflict of interest may arise or has arisen, it shall notify the other party immediately in writing of this conflict and the structures and practices it has put in place to:

- (a) ensure that the conflict is avoided in practice; or

- (b) if avoidance is not practicable, ensure that the effects of the conflict are minimised.
- 9.2 **Honesty and integrity:** The Service Provider must maintain a high standard of honesty and integrity at all in times in the performance of this agreement and must not enter into any agreement or arrangement that will, or is likely to:
- (a) prejudice the Service Provider's ability to meet its obligations under this agreement; or
- (b) create a conflict of interest for the Service Provider.
- 9.3 **Resolve conflict:** Without limiting clause 9.1 of this Schedule 5, the Service Provider must:
- (a) immediately notify the Service Recipient in writing if the Service Provider is, or is likely to be, conflicted in the performance of its obligations under this agreement; and
- (b) take all actions reasonably required by Service Recipient to resolve any such conflict.
- 9.4 **Managing conflicts:** If the Service Provider does not take the actions required by the Service Recipient under clause 9.2(b) of this Schedule 5, or the Service Recipient considers that it cannot satisfactorily manage the conflict of interest, the Service Recipient, at its sole election, may terminate the relevant Service Order or, if applicable, this agreement, immediately upon written notice to the Service Provider.
10. **DISPUTE RESOLUTION**
- 10.1 **Notice in writing:** If a party claims that a dispute has arisen, that party must give written notice to the other parties. The written notice must specify the nature of the dispute.
- 10.2 **Negotiation:**
- (a) On receipt of a notice delivered in accordance with clause 10.1 of this Schedule 5 and before any party may refer a dispute to mediation, the Representatives must, in good faith and acting reasonably, do their best to resolve the dispute quickly and efficiently through negotiation.
- (b) If any Representative considers that the dispute is not being resolved in a timely manner, such Representative may serve written notice on the other parties' Representatives to escalate the dispute to the Chief Executives or equivalent (where the Representatives are not the Chief Executive or equivalent) of the applicable parties for resolution.
- (c) If the dispute has not been resolved within 20 Business Days (or within such other period as agreed by the parties) of the date of the notice referred to in clause 10.2 of this Schedule 5, any party may submit the dispute to mediation.
- 10.3 **Mediation:**
- (a) If the parties do not resolve the dispute by negotiation, the parties must, in good faith and acting reasonably, do their best to resolve the dispute by participating in mediation with an independent mediator.
- (b) If the parties do not agree on a mediator, then the mediator will be appointed by the New Zealand Dispute Resolution Centre.

- (c) The parties must mediate the dispute in accordance with principles agreed between them or, if no agreement can be reached, the New Zealand Dispute Resolution Centre Mediation Rules.
- (d) Unless the parties agree otherwise, the mediator's fee and any other costs of the mediation itself (such as for venue hire or refreshments) will be shared equally between the parties, but the parties will each pay their own costs of preparing for and participating in the mediation (such as for travel and legal representation).

10.4 **Arbitration:**

- (a) If the dispute has not been resolved within 40 Business Days (or within such other period as agreed by the parties) of the dispute being referred to mediation, any party (the "**Initiating Party**") may refer such dispute to binding arbitration by issuing a written notice ("**Arbitration Notice**") to the other Party or Parties (together with the Initiating Party, the "**Disputing Parties**") for final resolution in accordance with the provisions of this clause 10.4 of this Schedule 5 and in accordance with the provisions of the Rules of Arbitration of the New Zealand Dispute Resolution Centre, as amended or modified from time to time ("**NZDRC Rules**").
- (b) The arbitral panel shall consist of one arbitrator. The arbitrator will be appointed by the agreement of the Disputing Parties or, failing agreement within 10 Business Days of the date of the Arbitration Notice, in accordance with the NZDRC Rules.
- (c) The seat of arbitration shall be as set out in Schedule 1 and the arbitration shall be conducted in the English language.
- (d) The award of the arbitration shall be in writing and must include reasons for the decision.
- (e) The award of the arbitration shall be final and binding on the parties. No party may appeal to the High Court under Clause 5 of the Second Schedule of the Arbitration Act 1996 on any question of law arising out of an award.
- (f) The award shall allocate or apportion the costs of the arbitration as the arbitrator deems fair.
- (g) Neither the existence of any dispute nor the fact that any arbitration is pending hereunder shall relieve any of the Parties of their respective obligations under this agreement.
- (h) The parties must do whatever is reasonably necessary to put into effect any negotiated or mediated agreement, arbitral award or other resolution.
- (i) During a dispute, each party must continue to perform its obligations under this agreement.
- (j) This clause does not restrict or limit the right of a party to obtain interlocutory relief.

11. **CONFIDENTIAL INFORMATION AND PUBLIC ANNOUNCEMENTS**

- 11.1 **Confidentiality:** Each party must keep confidential the Confidential Information, and must not disclose or permit the disclosure of such Confidential Information to any other person. If a party becomes aware of a breach of this obligation, that party will immediately notify the other parties.
- 11.2 **Further permitted use and disclosure:** This agreement does not prohibit the disclosure of Confidential Information by a party in the following circumstances:

- (a) the other parties have consented to the disclosure of the relevant Confidential Information;
- (b) the disclosure is specifically contemplated and permitted by this agreement;
- (c) the disclosure of Confidential Information is to a shareholder of a party, an elected official of such shareholder, a regulatory authority (including to The Water Services Authority – Taumata Arowai) or the Department of Internal Affairs;
- (d) the disclosure of Confidential Information is to an employee, subcontractor, agent or representative who needs it for the purposes of this agreement;
- (e) the disclosure is to a professional adviser in order for it to provide advice in relation to matters arising under or in connection with this agreement;
- (f) the disclosure is required by a court or governmental or administrative authority; or
- (g) the disclosure is required in accordance with clause 11.4 of this Schedule 5; or
- (h) the disclosure is otherwise required by law.

11.3 **Consultation:** To the extent disclosure is required to be made in accordance with sub-clauses 11.2(f) to 11.2(h), the disclosing party must, as far as reasonably possible, consult with the other parties as to the content of such disclosure and only disclose such information as is reasonably.

11.4 **Public announcements and media releases:** Each party agrees that it will not make any public announcements or issue media releases in connection with, or on behalf of, the other parties or the Company in relation to the Company or Water Services, except with the written consent of the other parties. Nothing in this provision shall prohibit or restrict a party from making a public announcements or media releases in connection with the party's own involvement with, or policies in relation to, the Company.

11.5 **Official Information Act 1982 and Local Government Official Information and Meetings Act 1987:** The parties acknowledge that the use or disclosure of information relating to the other party may be required by law (including under the Official Information Act 1982 and the Local Government Official Information and Meetings Act 1987), Ministers or through parliamentary convention so that a party may be obliged to disclose Confidential Information or other information of the other party.

12. TERMINATION

12.1 **Termination:** This agreement may only be terminated by mutual agreement between the parties, subject to the parties complying with any applicable obligations under the Shareholders' Agreement, the LG(Ws) Act and / or the LGPA Act.

12.2 **Effect of termination:**

- (a) Any termination of this agreement or any Service Order is without prejudice to and will not affect any rights, powers, remedies or obligations of a party that have and before termination or expiry, or limit either party's rights to recover damages from the other party under this agreement or pursue any additional or alternative remedies provided by law.
- (b) Each Service Order entered into prior to the expiry of this agreement will remain in full force and effect in accordance with its provisions, and the provisions of this agreement will continue to apply in respect of each such Service Order until the expiry date of such

Service Order, unless such Service Order is terminated earlier in accordance with the terms of the relevant Service Order or by mutual agreement between the parties.

12.3 Other consequences of termination of Service Order: On termination or expiry of one or more Service Order:

- (a) the Service Provider must refund to the Service Recipient all amounts paid by the Service Recipient for Services or Deliverables not provided;
- (b) the Service Provider shall return to the Service Recipient all of the Service Recipient's property;
- (c) where one or more Service Order are terminated or expire, the Service Provider shall, on receipt of a written request from the Service Recipient and at the Service Recipient's option, return, destroy, and/or permanently delete from any media in or on which Confidential Information is stored, all Confidential Information in the possession or control of the Service Provider or any Personnel relating to those Service Orders; and
- (d) the Service Provider will provide any Disengagement Services as set out in the relevant Service Orders and in accordance with clause 4 of this Schedule 5. Where this applies, the term of this agreement and the relevant Service Orders shall be extended to such time as the Service Provider completes performance of the Services, Deliverables and obligations.

12.4 Partial termination:

- (a) Either party may, to the extent practicable, instead of termination of this agreement in full, terminate any affected Service, Deliverable or Service Order in whole or in part. From the relevant termination date, no Charges are payable for the terminated Services, Deliverables or Service Order (as applicable).
- (b) Without limiting any other rights or remedies that either party may have, if at any time a party that has exercised its rights to terminate under clause 12.3(a) of this Schedule 5, considers that any aspect of the partial termination is not proceeding to its satisfaction, it may by notice to the other party to convert the partial termination to a full termination.
- (c) If a party terminates this agreement without terminating all of the then current Service Orders, then the provisions of this agreement that are necessary for the performance or enforcement of those Service Orders shall survive as necessary to perform or enforce those Service Orders.

13. NOTICES

13.1 Giving notices: Any notice or communication given to a party under this agreement is only given if it is in writing and sent in one of the following ways:

- (a) Delivered or posted to that party at its address and marked for the attention of the relevant department or officer (if any) set out in Schedule 1.
- (b) Emailed to that party at its email address and marked for the attention of the representative set out in Schedule 1.

- 13.2 **Change of details:** If a party gives the other party three Business Days' notice of a change of its postal address or email address, any notice or communication is only given by that other party if it is delivered, posted or emailed to the latest postal address or email address.
- 13.3 **Time notice is given:** Any notice or communication is to be treated as given at the following time:
- (a) If it is delivered, when it is left at the relevant address.
 - (b) If it is sent by post, five Business Days after it is posted.
 - (c) If it is sent by email, when it is received in readable form addressed in the manner specified above.

However, if any notice or communication is given, on a day that is not a Business Day or after 5pm on a Business Day, in the place of the party to whom it is sent it is to be treated as having been given at the beginning of the next Business Day.

14. GENERAL

- 14.1 **Consequential loss:** No party will be liable to any other party for any loss of profits, loss of saving, loss of goodwill or any consequential, indirect or special loss or damages arising directly or indirectly from any breach of this agreement or from any negligence or other act or omission.
- 14.2 **No partnership, joint venture:** Nothing in this agreement shall create or evidence any partnership, joint venture, agency, trust or employer/employee relationship between any of the parties, and a party may not make, or allow to be made, any representation that any such relationship exists between any of the parties. A party shall not have authority to act for, or to incur any obligation on behalf of, any other party, except as expressly provided for in this agreement.
- 14.3 **No privity:** Other than as expressly provided for in this agreement, this agreement is not intended to confer a benefit on any person or class of persons who is not a party to it.
- 14.4 **Counterparts:** This agreement is deemed to be signed by a party if that party has signed or attached that party's signatures to any of the following formats of this agreement:
- (a) an original; or
 - (b) a photocopy; or
 - (c) an electronic copy;

and if every party has signed or attached that party's signatures to any such format and delivered it in any such format to the other parties, the executed formats shall together constitute a binding agreement between the parties.

- 14.5 **Entire agreement:** This agreement contains everything the parties have agreed in relation to the subject matter it deals with. No party can rely on an earlier written agreement or anything said or done by or on behalf of another party before this agreement was executed.
- 14.6 **Severance:** If any provision of this agreement is, or becomes unenforceable, illegal or invalid for any reason it shall be deemed to be severed from this agreement without affecting the validity of the remainder of this agreement and shall not affect the enforceability, legality, validity or application of any other provision of this agreement.

- 14.7 **Further assurance:** Each party shall make all applications, execute all documents and do or procure all other acts and things reasonably required to implement and to carry out its obligations under, and the intention of, this agreement.
- 14.8 **Variation:** No variation of this agreement will be of any force or effect unless it is in writing and signed by the parties to this agreement.
- 14.9 **Assignments and transfer:** A party must not assign or transfer any of its rights or obligations under this agreement without the prior written consent of each of the other parties.
- 14.10 **Costs:** Except as otherwise set out in this agreement, each party must pay its own costs and expenses, including legal costs and expenses, in relation to preparing, negotiating, executing and completing this agreement and any document related to this agreement.
- 14.11 **No merger:** The provisions of this agreement and anything done under, or in connection with this agreement shall not operate as a merger of any of the rights, powers or remedies of either party under or in connection with this agreement or at law, and those rights, powers and remedies shall survive and continue in full force and effect to the extent that they are unfulfilled.
- 14.12 **Survival:** Following termination of this agreement, the provisions of clauses 2 of Schedule 5 (Information Sharing, Confidentiality and Co-operation), 10 of Schedule 5 (Dispute Process), 12 of Schedule 5 (Termination), 4 of Schedule 4 (Disengagement Services), 5 of Schedule 5 (Intellectual Property), 6 of Schedule 5 (Insurance), 7 of Schedule 5 (Force Majeure) and 14 of Schedule 5 (General), together with any provisions that by their nature are intended to survive, will remain in full force and effect.
- 14.13 **Waivers:**
- (a) A waiver of any right, power or remedy under this agreement must be in writing signed by the party granting it. A waiver only affects the particular right, obligation or breach for which it is given. It is not an implied waiver of any other right, obligation or breach or an implied waiver of that right, obligation or breach on any other occasion.
 - (b) The fact that a party fails to do, or delays in doing, something the party is entitled to do under this agreement does not amount to a waiver.
- 14.14 **Governing law:** This agreement is governed by the laws of New Zealand and the parties submit to the non-exclusive jurisdiction of the courts of New Zealand in respect of any proceedings arising out of or relating to this agreement.

SCHEDULE 6

INTERPRETATION AND DEFINITIONS

1. INTERPRETATION AND DEFINITIONS

1.1 Terms in capitals on this agreement which are not defined, have the same meaning as set out in the Shareholders' Agreement.

1.2 **Definitions:** In this agreement, unless the context otherwise requires:

"Accounting Treatment" has the meaning given to that term in clause 8.2(b)(iii)(aa) of Schedule 2.

"Accruals" has the meaning given to that term in clause 8.1(d)(i) of Schedule 2.

"Accrued Employee Benefits" means all wages, salary, annual leave, long service leave, incentive payments and other employee related benefits and entitlements (but excluding sick leave entitlements) accrued to and unpaid at the Completion Date in respect of the Employees, including any redundancy compensation, severance payments or other amounts payable to the Employees which are referable to their employment with the Council or the termination of that employment.

"Accrued Employee Benefits Amount" has the meaning given to that term in clause 8.1(a) of Schedule 2.

"Additional Item" has the meaning given to that term in clause 6.5 of Schedule 2.

"Advance Revenue" has the meaning given to that term in clause 8.1(c) of Schedule 2.

"Agreement Details" means the details set out in Schedule 1 of this agreement.

"Agreed Transfer Date" has the meaning given to it in the Shareholders' Agreement.

"Apportionable Outgoings" means the amounts payable by the Council in relation to:

- (a) the Assumed Contracts; and
- (b) agreements with the Contractors.

"Apportionment Statement" has the meaning given to that term in clause 8.1 of Schedule 2.

"Arbitration Notice" has the meaning given to that term in clause 10.4(a) of Schedule 5.

"Assets" means the assets owned by the Council directly and primarily relating to the provision of Water Services and includes those assets set out in Appendix 1 of Schedule 2, but excluding those assets set out in Appendix 2 of Schedule 2.

"Assumed Contracts" means the agreements described in Appendix 1 of Schedule 2.

"Benefits" has the meaning given to that term in clause 9.1(a) of Schedule 2.

"Best Industry Practice" means that degree of skill, diligence, prudence and foresight which would reasonably and ordinarily be expected from a skilled, reasonable and experienced operator

in the information technology industry in the same or similar circumstances, with reference to best international standards and practices.

"Board" means Directors who number not less than the required quorum, acting together as a board of Directors.

"Business" means the Water Services carried on by the Council at Completion using the Assets, Employees, Contractors and Assumed Contracts.

"Business Day" means any day other than a Saturday, Sunday or statutory public holiday in the Service Area set out in Schedule 1.

"Calculation Time" means 5pm on the last Business Day before the Completion Date, or any other time and date that the Council and the Company agree in writing.

"Charges" means any amounts payable by the Service Recipient to the Service Provider in respect of Services and Deliverables, and otherwise for the performance by the Service Provider of its obligations under this agreement, in each case including as specified in the relevant Service Order.

"Claim" includes a claim, notice, demand, action, proceeding, litigation, investigation, judgment or Liability however arising, whether present, unascertained, immediate, future or contingent, whether based in contract, tort, statute or otherwise and whether involving a third party or a party to this agreement.

"Commencement Date" means the date this agreement commences, as set out in the Agreement Details.

"Company" means Waikato Waters Limited.

"Completion" means completion of the transfer of the Assets in accordance with clause 7 of Schedule 2.

"Completion Date" means the date specified in Schedule 1, with this intended to be the Agreed Transfer Date as defined in the Shareholders' Agreement.

"Compliance Report" has the meaning given to that term in clause 4.5 of Schedule 3.

"Confidential Information" means any commercially sensitive provisions of this agreement and all other information of a confidential nature (which, where the confidentiality of the information is not expressly stated, shall be determined by the recipient, acting reasonably) obtained by one party from the other party under or in connection with this agreement.

"Constitution" means the constitution of the Company (including the Schedules) and all amendments to it from time to time.

"Contractors" means those people identified by the Council under clause 5.1 of Schedule 2, who are offered and accept a new independent contractor agreement under clause 5.2 of Schedule 2.

"Counterparty consents" has the meaning given to that term in clause 6.4(b) of Schedule 2.

"Council Debt Notice" has the meaning given to that term in clause 6.1(f) of Schedule 2.

"Council Water Infrastructure Debt" means the aggregate of the debt owed by the Council which was incurred in relation to the infrastructure and related assets/matters which are being transferred

to the Company in accordance with this agreement, the value of which is determined in accordance with Schedule 2A.

"Deliverables" means any or the relevant deliverable to be provided by the Service Provider to the Service Recipient under any or the relevant Service Order, or any other thing to be provided, created or developed by the Service Provider to meet the Service Recipient's requirements in accordance with this agreement, including any documentation.

"Director" means a person appointed as a director of the Company in accordance with the Constitution.

"Dispute Notice" has the meaning given to that term in clause 8.2(b) of Schedule 2.

"Disputing Parties" has the meaning given to that term in clause 10.4(a) of Schedule 5.

"Employees" means those employees identified by the Council under clause 5.1 of Schedule 2 and who are offered a new employment agreement under clause 5.3 or clause 5.4 of Schedule 2.

"Encumbrance" means:

- (a) a mortgage, debenture, charge, lien, pledge, hypothecation, security interest (as that term is defined in the Personal Property Securities Act 1999), title retention, preferential right or other similar instrument, device or power; or
- (b) an interest by way of security for the payment of a debt or any monetary obligation,

and includes any agreement or arrangement to grant or create any of the above.

"Establishment Strategy" means the agreed strategy informing the transition of a water services business into the Company as set out in the Shareholders' Agreement.

"Excluded Matters" means the excluded assets, excluded obligations and excluded responsibilities that are not transferred by the Council to the Company under this agreement, as set out in Appendix 2 to Schedule 2.

"Expert" has the meaning given to that term in clause 8.2(b) of Schedule 2.

"Financial Year" has the meaning set out in the LG(WS) Act.

"Force Majeure Event" has the meaning given to that term in clause 7.1 of Schedule 5.

"Indemnified Party" has the meaning given to that term in clause 5.4 of Schedule 5.

"Initiating Party" has the meaning given to that term in clause 10.4(a) of Schedule 5.

"Intellectual Property Rights" means all intellectual property rights and interests, including copyright, trademarks, designs, patents and other proprietary rights, recognised or protected by law.

"Interface Governance Group" means the governance group established under this agreement in accordance with clause 4 of Schedule 3.

"Iwi and hapū Responsibilities" means the responsibilities arising in relation to existing relationships and obligations (whether statutory, contractual or otherwise) with Iwi and the Council's

Service Area that are transferred by the Council to the Company as set out in Appendix 1 of Schedule 2, but excluding those responsibilities set out in Appendix 2 of Schedule 2.

"**LGA**" means the Local Government Act 2002.

"**LGPA**" means the Local Government (Water Services Preliminary Arrangements) Act 2024.

"**LG(WS) Act**" means the [insert legislation name as enacted, which is to be titled the Local Government (Water Services) Act 2024 under clause 1 of the Local Government (Water Services) Bill 11.0].

"**Liability**" means any loss, liability, obligation, overhead, debt, cost, expense or damage (in each case whether known or unknown, actual, contingent or prospective) of any kind and however arising, including penalties, fines and interest, irrespective of when the acts, events or things which give rise to the liability occurred.

"**Management Responsibilities**" means the responsibilities for the management of the Water Services that are transferred by the Council to the Company as set out in Appendix 1 of Schedule 2, but excluding those management responsibilities set out in Appendix 2 of Schedule 2.

"**Matters in Dispute**" has the meaning given to that term in clause 8.2(b) of Schedule 2.

"**New Intellectual Property**" means all Intellectual Property Rights, prepared or created in any medium by the Service Provider (or persons on behalf of the Service Provider) in carrying out the Services and Deliverables and provided to the Service Recipient under this agreement but not including Pre-existing Intellectual Property.

"**NZDRC Rules**" has the meaning given to that term in clause 10.4(a) of Schedule 5.

"**Obligations**" means:

- (a) any Liabilities in respect of the period after Completion which relate to the Employees and Contractors who have accepted an Offer (provided that such Liabilities are assumed by the Council under clause 2.2 of Schedule 2); and
- (b) any Liabilities in respect of the period after Completion under the Assumed Contracts.

"**Offer**" has the meaning given to that term in clause 5.2 of Schedule 2.

"**Operational Responsibilities**" means the responsibilities for the operation of the Water Services that are transferred by the Council to the Company as set out in Appendix 1 of Schedule 2, but excluding those operational responsibilities set out in Appendix 2 of Schedule 2.

"**Outstanding Revenue**" has the meaning given to that term in clause 8.1(b) of Schedule 2.

"**Personnel**" means, in respect of a party, any employee, independent contractor, subcontractor, agent or representative engaged by that party, who provides any part of a Service.

"**Post-Completion Transition Services**" means the services that the Company engages the council to provide from the Completion Date, as particularised in Schedule 3.

"**Pre-existing Intellectual Property**" means all Intellectual Property Rights owned by the Service Provider or any third party and provided or used by the Service Provider in carrying out the Services and Deliverables.

"Prepayments" has the meaning given to that term in clause 8.1(d)(ii) of Schedule 2.

"Rates Card" means the rate card set out at Appendix 2 of Schedule 4.

"Referral Notice" has the meaning given to that term in clause 8.2(b) of Schedule 2.

"Relationship Principles" has the meaning given to that term in clause 1.1 of Schedule 3.

"Relevant Contract" has the meaning given to that term in clause 9.1(a) of Schedule 2.

"Representative" has the meaning given to that term in clause 4.2(a) of Schedule 3.

"Responsibilities" means the Statutory Responsibilities, Management Responsibilities, Operational Responsibilities, Resource Consent Responsibilities and Iwi and hapū Responsibilities.

"Resource Consents Responsibilities" means the responsibilities for complying with the resource consents, and for exercising the associated rights and functions, that are relevant to the Water Services that are transferred by the Council to the Company as set out in Appendix 1 of Schedule 2, but excluding those resource consent responsibilities set out in Appendix 2 of Schedule 2.

"Service Area" has the meaning set out in the LG(WS) Act.

"Service Provider" means the party that is providing Services and Deliverables to the other party in accordance with this agreement (including under a Service Order).

"Service Recipient" means the party that is receiving Services and Deliverables from the other party in accordance with this agreement (including under a Service Order).

"Services" means:

- (a) the services and deliverables described in this agreement and/or in any relevant Service Order to be provided by either party, including any associated deliverable and as detailed in the Agreement Details;
- (b) all services reasonably incidental to, or required for the proper performance of, the services described in sub-clause (a) above; and
- (c) all other services agreed in writing by the parties from time to time.

"Service Order" means the relevant document setting out the details of particular Services and Deliverables to be provided by one party to the other, using the template form attached at Appendix 1 to Schedule 4 (Service Order Template), including any applicable appendix or attachment.

"Settlement Amount" means the amount calculated in accordance with Schedule 2A.

"Shared Interests" means the shared interests set out in Schedule 1, which are further described under any Shared Interest Arrangement.

"Shared Interest Arrangement" has the meaning given to that term in clause 2.2 of Schedule 3.

"Shareholders' Agreement" means the shareholders' agreement entered into between the Company and each of its shareholders and dated on or about the date of incorporation of the Company.

"Shareholding Councils" means each of the councils that are party to the Shareholders' Agreement.

"Stage 1 Shares" has the same meaning as set out in the Shareholders' Agreement.

"Stage 2 Shares" has the same meaning as set out in the Shareholders' Agreement.

"Statutory Responsibilities" means the statutory responsibilities, functions, duties, and powers concerning the provision of Water Services that are transferred by the Council to the Company, as set out in Appendix 1 of Schedule 2, but excluding those statutory responsibilities set out in Appendix 2 of Schedule 2.

"Total Water Connections" has the meaning set out in the Shareholders' Agreement.

"Transferring Water Services" means the drinking water services and wastewater services the Council is transferring Statutory Responsibility for to the Company under the terms of this agreement,

"Transaction" means the transaction recorded in this agreement.

"Transitional Activity Costs" means any costs incurred by the Council in undertaking a transition activity agreed by the Board and set out in Schedule 2A. **"Valid Tax Invoice"** has the meaning given to that term in clause 3.7 of Schedule 4.

"Warranties" means the warranties and undertakings in clause 12.1(a) of Schedule 2.

"Water Charges" has the meaning given to that term in clause 3.1 of Schedule 3.

"Water Services" has the meaning set out in the LG(WS) Act, which shall be the water services transferred by the Shareholders to the Company in accordance with the Transfer Agreement between each Shareholder and the Company.

"Water Services Strategy" has the meaning set out in the LG(WS) Act.

1.3 **Interpretation:** In this agreement, unless the context otherwise requires:

- (a) headings are for convenience only and do not affect interpretation;
- (b) the singular includes the plural and vice versa, and a gender includes other genders;
- (c) another grammatical form of a defined word or expression has a corresponding meaning;
- (d) words in this agreement have the same meaning as in the Companies Act 1993 unless inconsistent with the context;
- (e) a reference to a party, person or entity includes:
 - (i) an individual, firm, company, trust, partnership, joint venture, association, corporation, body corporate, estate, state, government or any agency thereof, municipal or local authority and any other entity, whether incorporated or not (in each case whether or not having a separate legal personality); and
 - (ii) an employee, agent, successor, permitted assign, executor, administrator and other representative of such party, person, entity;

- (f) a reference to dollars or \$ is to New Zealand currency and excludes every tax and duty;
- (g) a reference to a clause, schedule, appendix or attachment is to a clause, schedule, appendix or attachment of this agreement;
- (h) a reference to a statute, ordinance, code or other law includes regulations and other instruments under it and consolidations, amendments, re-enactments or replacements of any of them;
- (i) references to the word 'include' or 'including' are to be construed without limitation;
- (j) references to any form of law is to New Zealand law, including as amended or re-enacted;
- (k) a reference to a document or instrument includes the document or instrument as novated, altered, supplemented or replaced from time to time;
- (l) an obligation not to do something includes an obligation not to allow or cause that thing to be done;
- (m) "written" and "in writing" include any means of reproducing words, figures or symbols in a tangible and visible form;
- (n) any obligation falling due for performance on or by a day other than a Business Day shall be performed on or by the Business Day immediately following that day; and
- (o) an obligation not to do something includes an obligation not to allow or cause that thing to be done.

Appendix 2: Council resolution to adopt this plan

To be added once adopted

DRAFT

Appendix 3: Independent advice Council received to prepare this plan

Consultant - BECA

Sub Consultants - MartinJenkins and Mafic

Background

Local Government (Water services Preliminary Arrangement Bill) requires territorial authorities to submit WSDPs within 12 months of the Bill's enactment, the submission date is likely to be late August 2025. The plans are to provide detailed information on the current state of each council's water service delivery arrangements (water supply, wastewater and stormwater) and set out a strategy for how they will achieve financial sustainability. The information on the current state has laid the foundation for information disclosure as part of a future comprehensive economic regime.

Scope of Services

The scope of the independent assessment and advice is broken down as follows:

- Project management
- Collate existing viability and sustainability information into Water Services Delivery Plan
- Staff workshop to support council to identify changes required to investment and financial model to support sustainability assessment
- Re-model 10 years to confirm meets sustainability requirements and updating template, using council supplied updated Capex and Opex forecast data
- Analysis and advice on changes to the current water services model to meet ring fencing requirements (including a conceptual design to meet the council's preferred approach)
- Identify advantages and disadvantages of proposed internal business unit
- Provision of review and comment on council's consultation material
- Develop a high-level implementation plan, sufficient for the purposes of the Water Services Delivery Plan
- Document risks and key assumptions
- Finalise Water Services Delivery Plan

Closing prayer/reflection/words of wisdom

Karakia/huritao/whakataukī

The Chairperson will invite a Member to provide the closing words and/or prayer/karakia.

Meeting closure

Katinga o te hui

The Chairperson will declare the meeting closed.