KAIKŌURA DISTRICT COUNCIL EXTRAORDINARY MEETING HELD AT 9.00AM ON WEDNESDAY 28 JANUARY 2026 IN TOTARA, COUNCIL CHAMBERS, 96 WEST END, KAIKOURA

Date:	Wednesday 28 January 2026
Time	9.00am
Location	Totara, Council Chambers

AGENDA

1. Open with a Karakia

Kia wātea te Wairua, Kia wātea te tinana, Kia wātea te hinengaro, Kia wātea ai te mauri, Tuturu ōwhiti whakamaua kia tina, TINA!, Haumi e, Hui e, TAIKI E!

2. Apologies

3. Declarations of Interest

4. Public Forum

9.05am – D Hopkins
9.10am – R Watherston
9.15am – L O'Connor

Public forums provide opportunity for members of the public to bring matters, not necessarily on the meeting's agenda, to the attention of the Council.

5. Formal Deputations

The purpose of a deputation is to enable a person, group or organisation to make a presentation to a meeting on a matter or matters covered by that meeting's Agenda.

6. Matters of Importance to be raised as Urgent Business

7. Matters for Decision:

7.1	Kaikōura Hurunui Water Services Limited – Proposed Interim Statement of Expectations	page 3
7.2	Director Appointment and Remuneration Policy	page 16

8. Finance:

8.1	Interim Finance Report to 31 December 2025	page 26

9. Public Excluded Session

Moved, seconded that the public be excluded from the following parts of the proceedings of this meeting, namely;

a) Section 17A Review of Delivery of Roading Activity
b) Preferred option for next phase of Wakatu Quay development

The general subject matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under Section 48(1), 6 and 7 of the Local Government Information and Meetings Act 1987 for the passing of this resolution are as follows:

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter (reason for excluding the public)	Ground(s) under section 48(1) for the passing of this resolution
Section 17A Review of Delivery of Roading Activity	Consideration of commercially sensitive procurement options and market analysis in advance of open tendering for core roading services.	**Section (7)(2)(b)(ii) -** would be likely unreasonable to prejudice the commercial position of the person who supplied or who is subject of the information. **Section (7)(2)(i)** – enable any local authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations).
Preferred option for next phase of Wakatu Quay development	The Council will be presented commercial opportunities for Wakatu Quay for consideration. This information includes sensitive business information that needs to stay confidential so the parties involved, and the Council can negotiate fairly.	**Section 7(2)(c)(i) –** Protect information subject to an obligation of confidence **Section (7)(2)(b)(ii)** - would be likely unreasonable to prejudice the commercial position of the person who supplied or who is subject of the information.

*This resolution is made in reliance on section 48(1)(a) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by section 6 or section 7 of that Act, which would be prejudiced by the holding of the whole or the relevant part of the proceedings of the meeting in public are as follows:

- Section 17A Review of Delivery of Roading Activity, and Preferred option for next phase of Wakatu Quay Development: Public disclosure at this stage would likely prejudice Council's ability to negotiate and manage the commercial arrangements effectively.

10. Close meeting with a Karakia

AUDIO RECORDINGS:
"Audio recordings will be made of this meeting for the purpose of assisting the minute taker to create accurate minutes. Audio recordings should not be taken of any confidential, public excluded or otherwise sensitive matters. The Chair of the meeting is responsible for indicating if/when recording should be stopped and restarted. While held, the audio recordings are subject to LGOIMA, they may be released in line with Councils LGOIMA processes and/or at the discretion of the meeting Chair.

Report to:	**Council**	
Date:	28 January 2025	
Subject:	Kaikōura Hurunui Water Services Limited – Proposed Interim Statement of Expectations	
Prepared by:	C Shave – Project Manager	
Input sought from:	W Doughty – Chief Executive Officer	
Authorised by:	P Kearney – Acting Chief Executive Officer	

1. PURPOSE

The purpose of this report is to seek approval from Council of the Interim Statement of Expectations for Kaikōura Hurunui Water Services Limited (the joint Water Services Council Controlled Organisation).

2. SUMMARY

- The LWDW project team has prepared a proposed Interim Statement of Expectations for Kaikōura Hurunui Water Services Limited (KHWS) for the period from establishment of the Company to the issue of a Statement of Expectations.
- The draft Interim Statement of Expectations was considered by the Local Water Done Well Reference Group on the 14th January and their feedback has been incorporated into this final draft.
- KHWS will be provided with an opportunity to comment on the proposed Interim Statement of Expectations prior to finalisation.
- KHWS will be obligated to give effect to the Interim Statement of Expectations once it has been finalised.

3. RECOMMENDATION

That the Council:

a) Adopts the Interim Statement of Expectations for Kaikōura Hurunui Water Services Limited covering the period from commencement of the water organisation to the date on which a Statement of Expectations is provided to the Company

b) Modifies the Shareholders' Agreement as follows:

   (a) Clause 8 of the Shareholders' Agreement will be replaced with the text in Appendix 2 to this report; and

   (b) Schedule 1 of the Shareholders' Agreement shall be modified to provide that the Shareholders may require the water organisation to perform or not perform specified acts or results in relation to:

   - the employment of staff on Transfer date, including the terms and conditions of employment on Transfer date;
   - the acceptance of shareholders' liabilities relating to water services staff as at Transfer date;
   - agreement of shared services agreements between the shareholders and Kaikōura Hurunui Water Services Limited; and the novation of agreements in place as at Transfer date between the shareholders' and third parties which establish rights and/or obligations relating to three waters.

Reason for recommendation:

1. Given the significance of the Interim Statement of Expectations, it is appropriate that the Council has an opportunity to provide input.
2. Having regard for the provisions in sections 226 and 229(1) of the Local Government (Water Services) Act 2025, it is proposed to modify the Shareholders' Agreement such that the Shareholders will prepare a joint Statement of Expectations, rather than separate Statements of Expectations.

Other options

3. The Council could request changes to the proposed Interim Statement.
4. The Council could decide not to consider this matter.

4. BACKGROUND

Summary of actions/activity to date

- During December 2025, the Council agreed a Constitution and a Shareholders' Agreement for Kaikōura Hurunui Water Services Limited (KHWS). The Agreement is yet to be signed, as the KHWS is also required to sign the document.
- A draft interim Statement of Expectations has been prepared ahead of the establishment of KHWS (estimated to occur in late February/March 2026).
- The draft Interim Statement of Expectations was considered by the Local Water Done Well Reference Group on the 14th January and their feedback has been incorporated into this final draft.

5. INTERIM STATEMENT OF EXPECTATIONS

The local government (water services) act 2025 sets out the process and the content for statements of expectation. the process differs from that required for other council-controlled organisations under the local government act 2002. for example, there is no statement of intent.

It is mandatory for water organisations to have a reasonable opportunity to comment on an interim statement of expectations. accordingly, the document will not be finalised until KHWS is established.

The proposed content for the interim statement of expectations comprises:

- Relationships between KHWS, shareholders and other stakeholders
- Strategic priorities – objectives, compliance, financial principles and environmental impact
- Outcomes for the period prior to the establishment of the first Water Services Strategy
- Directions from the Shareholders to KHWS
- Information required in the half-yearly report
- Resource Management Planning/Land Use Planning
- Additional expectations.

4. LEGAL AND POLICY IMPLICATIONS

Local Government (Water Services) Act 2025

The following provisions of the local government (water services) act 2025 suggest that the shareholders in KHWS need to provide a single joint statement of expectations, rather than separate statements of expectations:

- Section 226 provides "A water organisation must give effect to a statement of expectations provided by the shareholders of the water organisation".
- Section 229(1) states " The shareholders of a water organisation may provide only 1 statement of expectations to a water organisation at any time".

Under sections 224 and 225 of the local government (water services) act 2025, a statement of expectations must be issued:

- As soon as practicable after the date on which a water organisation is established; but
- No later than six months after the date on which a water organisation is established; and

At least six months prior to the date on which the water organisation is required to prepare a Water Services Strategy.

Mandatory content for a statement of expectations is detailed in section 227(1) of the local government (water services) act 2025. in addition, the statement may include a non-exclusive list of optional content detailed in section 227(2). it is also required to include the matters detailed in the shareholders' agreement.

In this instance, it is proposed to prepare an interim statement of expectations under section 225(3). the content is not explicitly prescribed, but it can be inferred that it is of the same type as the statement of expectations. in addition, the interim statement may include directions for the operation of the water organisation and/or organisation priorities.

There are some statutory restrictions on the content of both the statement of expectations and the interim statement. most pertinent is that, unless otherwise provided for in the company's foundation documents, a statement of expectations must not include any requirements that relate to the "water organisation's exercise of a duty, function, or power under the local government (water services) act 2025". this is a broad restriction and is likely to include matters such as service provision, asset management, financial management (including setting water services charges and development contributions), and statutory consultation obligations (e.g. stormwater network risk management plans) et.al.

6. FINANCIAL CONCIDERATIONS

The total budget for the establishment of the water organisation and the water organisation's operational costs during the 2025/26 financial year is $870,000. This includes costs which will be incurred by both councils and the water organisation.

7. SIGNIFICANCE AND ENGAGEMENT ASSESSMENT

Requirement	Explanation
Level of significance and rationale	The significance of this report is considered to be high. This is because this Interim Statement of Expectations will impact the direction for the future of the WSCCO. It will affect the future of the water, wastewater and stormwater networks which are currently owned and managed by the Council and indirectly impact all water services customers.
Summary of engagement already undertaken	The Councils consulted with the community prior to resolving that its preferred option was to establish a joint WSCCO.
Consideration of mana whenua?	This decision does not involve a significant decision in relation to ancestral land, a body of water or other elements of intrinsic value.
Consideration of Local Government Wellbeings	The manner in which water services are delivered may have an impact on all four local government wellbeings (social, economic, environmental and cultural).

8. NEXT STEPS

Date	Action	Detail
Early 2026	Establishment of the WSCCO legal entity	
1 July 2026	Transfer of assets and personnel to the joint WSCCO	

9. COMMUNITY OUTCOMES SUPPORTED

Community
We communicate, engage and inform our community

Environment
We value and protect our environment

Development
We promote and support the development of our economy

Services
Our services and infrastructure are cost effective, efficient and fit-for-purpose

Future
We work with our community and our partners to create a better place for future generations

Appendices:

Appendix1: Proposed interim statement of expectations for Kaikōura Hurunui water services Limited.

1 March 2026

Chair
Kaikōura Hurunui Water Services

Dear ...

Interim Statement of Expectations for Kaikōura Hurunui Water Services Limited

This letter is an Interim Statement of Expectations (ISOE), which is provided in accordance with section 225(3) of the Local Government (Water Services) Act 2025 ("the Act").

It sets out the shareholders' expectations for Kaikōura Hurunui Water Services Limited (KHWS) for the period from the date of establishment of KHWS to the date on which a Statement of Expectations is provided to KHWS (i.e. no later than six months from the date of establishment of KHWS). It is also intended to inform and guide the decisions and actions of KHWS and KHWS's preparation of its first Water Services Strategy (WSS).

Relationships between KHWS, shareholders and other stakeholders

1. How we work together

1.1 The Kaikōura and Hurunui District Councils and Kaikōura Hurunui Water Services will work together in a collaborative manner to help progress the strategic priorities of the respective organisations.

1.2 The shareholding councils and KHWS will work together on a "No surprises" basis regarding matters of shareholder interest, public interest and/or matters of significance, other than with respect to matters which are commercially sensitive. This involves the open and honest sharing of information (as legally permitted) between the parties at the earliest practicable opportunity and/or before public dissemination.

1.3 KHWS will maintain regular contact with the shareholding councils. This is to include:

- Monthly meetings between Chief Executives and General Manager;

- Meetings between the KHWS Chair and General Manager and each of the shareholding councils (or designated council committee) at least once every two months.

- A written report including financial information and performance data will be provided to the shareholding councils at least one week prior to the meeting between KHWS and each of the shareholding councils.

- Until such time as a Water Services Strategy is adopted, advance notice to the shareholding councils prior to making any decision which is a significant departure from the shareholding councils' Long Term Plans for 2024-2034.[1]

- Where practicable, advance notice of any actual or potential compliance issues, along with proposed solutions for addressing those issues. If it is not practicable to provide advance notice, then immediate notice following the occurrence of compliance issues.

- Advance notice of any community consultation regarding proposed decisions.

2. Community engagement and consultation

2.1 KHWS will establish a formalised system of engagement with the community, such as regular community meetings, a consumer panel and/or other mechanisms for community engagement.

2.2 Triggers for consultation include but are not limited to:

- Matter is significant under Significance and Engagement Policy, e.g. price harmonisation between/within districts
- Amendment to approved Water Services Delivery Plan, e.g. new partner
- Significant contract under section 24 Local Government (Water Services) Act 2025

2.3 It is expected that KHWS will conduct community engagement and consultation regarding water services unless the shareholders advise otherwise, e.g. if there is consideration of working with another local authority or water organisation.

3. Emergency management

3.1 KHWS will establish relationships with the National Emergency Management Agency (NEMA), local CDEM Groups, public health authorities (Te Whatu Ora), and the water regulator with a view to ensuring communities have access to essential water services and information following disaster events.

[1] In determining whether there is likely to be "a significant departure from the shareholding councils' Long Term Plans for 2024-2034", KHWS will assess the proposal in light of the Significance and Engagement Policies of the two Councils and of KHWS.

3.2 It is expected that KHWS staff will be available to provide support in an adverse event, such as flooding, earthquakes etc.

4. Engagement with Te Rūnanga o Kaikōura and Te Rūnanga o Ngāi Tūāhuriri

4.1 KHWS will establish a direct relationship with these organisations.

Strategic Priorities

The following strategic priorities are to be reflected in the Water Services Strategy and in KHWS's decision making and activities.

5. Objectives

5.1 KHWS's purpose is to deliver water, wastewater and stormwater services to the Kaikōura and Hurunui districts and to supply water to the Ashley Rural Water Scheme.

6. Compliance

6.1 KHWS will meet any directions or requirements imposed by a regulator (including the Water Services Authority, Commerce Commission and/or Environment Canterbury).

6.2 As required under section 227(1) of the Local Government (Water Services) Act 2025, it is expected that KHWS will act in accordance with any relevant statutory obligation that applies to the shareholding local authorities.

7. Financial principles

7.1 KHWS will operate in accordance with the financial principles in section 18 of the Act.

7.2 Along with the objectives and principles in the Act, KHWS will maintain a focus on the affordability of water services.

7.3 In accordance with commitments previously made to the community, rates/water services charges will not be harmonised between the Kaikōura and Hurunui districts in the foreseeable future (For the purpose of this provision, the Hurunui district includes the Ashley rural water scheme).

7.4 KHWS will operate within any covenants required by the Local Government Funding Agency.

7.5 KHWS will seek to fully fund depreciation on infrastructure assets no later than 30 June 2034.

7.6 KHWS will adopt a dividend policy that states that dividends will not be paid to shareholders. The policy may be reviewed once KHWS is fully funding depreciation.

8. Environmental impact

8.1 Where practicable, KHWS will endeavour to deliver water services in a way which minimises any adverse environmental effects.

Outcomes during the period prior to the establishment of the first Water Services Strategy

9. Establishment - KHWS will collaborate with the shareholding councils to complete the requirements for the establishment and operation of KHWS and the transfer of responsibility for the Provision of Water Services by 1 July 2026.

   It will take on responsibility for the provision of these services from the transfer date (currently expected to be 1 July 2026) (Transfer date).

   While not comprehensive, specific expectations include that KHWS will:

   9.1 Adopt relevant policies including a Significance and Engagement Policy, Treasury Policy and Health and Safety Policy

   9.2 Adopt interim delegations to enable work on the transition project to progress

   9.3 Finalise KHWS's organisation structure for Transfer date

   9.4 Enter into agreements as needed for accessing LGFA debt and hedging interest rate risk. It will also enter into agreements with each of the shareholding councils regarding inter-organisation borrowing/lending.

   9.5 Enter into Transfer Agreements with each of the shareholding councils.

10. Annual Plan 2026/27 – KHWS will provide a draft Annual Plan for the 2026/27 financial year no later than 30 April 2026. The council shareholders will have an opportunity to provide comments on the draft Annual Plan prior to finalisation.

11. Revenue collection – During the period covered by this ISOE, the shareholding councils will collect revenue (rates/water charges and development contributions) and will pass this revenue to KHWS. KHWS will work together with the council shareholders and provide information as needed to facilitate the collection of water services revenue.

12. Future opportunities for improving efficiencies and scale

12.1 KHWS will prioritise exploring the feasibility of working more closely with other local authorities and/or water organisations.

12.2 KHWS may make recommendations to the shareholding councils regarding potential improvements to efficiency and scale.

Directions from the Shareholders to KHWS

13. The following directions are made to KHWS under section 225(4)(a) of the Local Government (Water Services) Act 2025:

13.1 The shareholding councils have prepared a list of staff positions which are primarily related to three waters. Prior to Transfer date, KHWS shall offer the identified the incumbents of these positions a role in KHWS (commencing on Transfer date) which is:

- is for substantially the same position as the position the employee has with the shareholding council before the transfer; and
- is for employment in substantially the same general locality; and
- is on the same, or better, terms and conditions as the employee's terms and conditions at the shareholding terms and conditions.

13.2 KHWS shall assume the liabilities as at Transfer date relating to the employment of the employees who are transferring from the shareholding councils to KHWS, including leave entitlements.

13.3 For the avoidance of doubt, this clause does not preclude KHWS from offering a staff member currently employed by the shareholding councils an alternative role at a date following Transfer date.

13.4 Enter into shared services agreements with each of the shareholding councils, including in respect of finance including payroll, information technology, human resources, customer services, civil defence and emergency management, consent management and infrastructure project management. These agreements shall cover the period from establishment of KHWS to 30 June 2028.

13.5 Agreements with third parties – Where a shareholding council has entered into an agreement with a third party which establishes rights and/or obligations relating to three waters, and those rights and/or obligations continue beyond Transfer date, the shareholding council may transfer the rights and obligations associated with those agreements to KHWS, e.g. novation of a contract for the purchase of water services supplies.

Information required in the half-yearly report

14. For the avoidance of doubt, a half-yearly report is to be provided within 3 months of 30 June and 31 December each year.

15. KHWS's half-yearly report is to include reporting on:

    15.1 Progress on outcomes - For the first report, this will include reporting on the transition project.

    15.2 Personnel – Total headcount, Total FTE, list of key roles, consultancy expenditure.

    15.3 Financial statements for each district and for the corporate unit – including separate information for the water supply, wastewater and stormwater activities, and actual v budget for revenue and expenditure items.

    15.4 Treasury
    - Reporting on debt balances
    - Maturity profile of debt with the Local Government Funding Agency
    - Comparison of actual debt covenant ratios against covenant requirements
    - Statement of compliance with the Treasury policy

    15.5 Health and safety – including significant hazards and accidents/incidents and near misses

    15.6 Forward forecasts for the remainder of the current financial year (for the December reports) or for the coming full financial year (for the June reports).

    Once KHWS takes over responsibility for the provision of water services, the reports will also include:

    15.7 KHWS's activities and performance for:
    - each district
    - each water supply and wastewater scheme; and
    - each stormwater management area.

    The information provided shall include financial and operational information and reporting on performance measures.

    15.8 Infrastructure information, including (by asset class) replacement cost, depreciated replacement cost, average age, remaining useful life, and information relating to reliability of asset data.

The estimated useful lives and depreciation rates for the Kaikōura and Hurunui District Councils were as follows:

Hurunui District Council 2023/24	**Estimated useful lives**	**Depreciation rates**
Sewerage		
- Pipes	50 – 80 years	1.25 – 2%
- Pipes other	40 years	2.50%
- Pumps and controls	10 – 25 years	4 – 10%
- Manholes	50 – 80 years	1.25 – 2%
- Treatment plant	25 – 60 years	1.67 – 4%
Water		
- Pipes	50 – 80 years	1.25 – 2%
- Pipes other	50 – 80 years	1.25 – 2%
- Reservoir and tanks	80 years	1.25%
- Pumps and controls	10 – 25 years	4 – 10%
- Pump stations/intakes	20 – 60 years	1.67 – 5%
- Treatment plant	10 – 80 years	1.25 – 10%
Drainage	3 - 10 years	10 - 33.33%
- Points	80 years	1.25%
- Lines	50 - 80 years	1.25 – 2%
Kaikōura District Council 2024/25		
Sewerage/wastewater		
- Equipment and oxidation ponds	50 years	2 - 6%
- Pump stations	17-100 years	7-10.94%
- Rising mains & gravity reticulation	25-77 years	1 - 4%
Water		
- Pump stations	12-25 years	4 – 18.12%
- Pipes & reticulation	7-99 years	1 - 14%
Stormwater		
- Catchment mains & reticulation	70-99 years	1 - 2%
- Structures	19-75 years	1 - 6%

15.9 KHWS's capital programme, including the budget and actual cost of major projects and reporting on delivery of capital projects

15.10 Performance measures (target and actual) – DIA mandatory performance measures.

15.11 Compliance – summary of compliance data reported to Taumata Arowai, compliance breaches and any action taken or action planned to address them, any consenting issues, adverse events potentially impacting the environment.

15.12 Summary of any information provided to the Commerce Commission.

15.13 Summary of major risks faced by KHWS, the associated risk assessment and key steps taken to mitigate the risks.

15.14 Community feedback – a summary of feedback received regarding each of the three water services, including compliments and complaints and responses to any customer satisfaction surveys.

Resource Management Planning/Land Use Planning

16. In preparing its Water Services Strategy and other plans, KHWS will incorporate matters arising from the District Plans and other Plans published by the shareholding councils.

Additional expectations

17. Prior to the development of the first Water Services Strategy, it is expected that KHWS will undertake its business in a manner which:
    - generally aligns with the existing Long Term Plans for the shareholding councils; and
    - which has regard for the approved Water Services Delivery Plan.

18. Information sharing:

    18.1 It is expected that a copy of the Monthly Operating Report provided to the Board of KHWS will be provided to the Chief Executive Officers of the shareholding councils.

    18.2 If it is identified that there is a potential threat to public health, KHWS is to advise the shareholding councils as soon as possible.

    18.3 KHWS and the shareholding councils will share information as needed in order to facilitate the continuation of services currently provided to customers (e.g. Property Information Memoranda, Land Information Memoranda).

    18.4 KHWS and the shareholding councils will share information as needed in order to facilitate the development of planning documents and mandatory external financial and non-financial reports.

    18.5 If either KHWS or one of the shareholding councils identifies a significant hazard which could affect health and safety of staff, contractors, the public or others, it will advise any other party for whom it may be relevant. This may include advising other parties about health and safety incidents/near misses (while having regard for privacy obligations to individuals).

This Interim Statement of Expectations is provided as a draft. KHWS is invited to provide any comments on the Interim Statement of Expectations to the Chief Executives of the shareholding councils by 31 March 2026.

If you have any queries, please contact the undersigned.

Yours sincerely

Hamish Dobbie
Chief Executive Officer
Hurunui District Council

Will Doughty
Chief Executive Officer
Kaikōura District Council

Report to:	**Council**	
Date:	28 January 2026	
Subject:	Director Appointment and Remuneration Policy	
Prepared by:	C Shave – LWDW Project Manager	
Input sought from:	W Doughty – Chief Executive Officer	
Authorised by:	P Kearney – Acting Chief Executive Officer	

1. PURPOSE

This report recommends the adoption of a policy regarding the appointment and remuneration of directors of council organisations (including council-controlled organisations and council-controlled trading organisations).

2. SUMMARY

- Section 57(1) of the Local Government Act (LGA) 2002 requires the Council to adopt a policy relating to the appointment and remuneration of directors.
- The current Recruitment and Selection Policy does not include any reference to the appointment and remuneration of directors
- The Kaikōura District Council is currently recruiting directors for the joint Water Services Council Controlled Organisation (WSCCO), Kaikōura Hurunui Water Services Limited.
- A draft policy is attached for the Council's consideration (Appendix 1).

3. RECOMMENDATION

It is recommended that:

a) The Council adopts the proposed Director Appointment and Remuneration Policy.

b) Delegates to the Chief Executive to make this policy final (subject to any minor amendments).

4. REASON FOR RECOMMENDATION

The current Council Recruitment policy does not refer to the appointment of directors and neither is there a known policy specifically for director recruitment and this is a gap in terms of Section 57(1) of the Local Government Act 2002.

Section 57(1) Local Government Act 2002 requires local authorities to have a policy relating to director appointment and remuneration. However, section 57 does not apply to water organisations such as Kaikōura Hurunui Water Services Limited. Nevertheless, it is considered appropriate to develop a policy that also reflects the process for the new water services council-controlled organisation in order to ensure clarity and completeness.

5. OTHER OPTIONS

1. The Council does not prepare a policy.
2. The Council modify the proposed policy.

6. BACKGROUND

Proposed policy

1. The proposed policy has been developed to bring Council in line with the LGA and create a standardised process for director appointments. It reflects the approach to director appointments that has been utilised to date, which takes into consideration the overall skills, knowledge and experience of existing directors, if any, alongside gaps in skills, knowledge and experience as well seeking to ensure local knowledge.

Kaikōura Hurunui Water Services Limited

2. The Constitution for Kaikōura Hurunui Water Services Limited sets out the processes for appointing, removing and remunerating directors. These processes have been compiled by both

the Hurunui and Kaikōura District Councils. A high-level summary these processes has been inserted in the draft policy relating to director appointment and remuneration.

3. The councils are currently working together to recruit the joint directors for the new water organisation. It is expected that a recommendation regarding director appointments will be made to Council shortly.

7. LEGAL AND POLICY IMPLICATIONS

Local Government Act 2002

Section 57(1) of the Local Government Act 2002 requires local authorities to adopt policies outlining objective and transparent processes for:

- Identifying the skills, knowledge, and experience required of directors of a council organisation; and
- Appointing directors to a council organisation; and
- Remunerating directors of a council organisation.

Under section 57(2) local authorities may appoint a person to be a director of a council organisation only if the person has, in the opinion of the local authority, the skills, knowledge, or experience to—

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

Section 57(3) provides that, when identifying the skills, knowledge, and experience required of directors of a council-controlled organisation, the local authority must consider whether knowledge of tikanga Māori may be relevant to the governance of that council-controlled organisation.

Under section 48 of the Local Government (Water Services) Act 2025, section 57 of the Local Government Act 2002 does not apply to water organisations.

Section 6 of the Local Government Act 2002 states that a water organisation is a council controlled organisation, but not a council controlled trading organisation.

Under section 151 of the Companies Act 1993, certain classes of individuals are disqualified from acting as company directors.

8. DELEGATIONS

This decision must be made by the Council.

9. FINANCIAL CONSIDERATIONS

There are no costs associated with the adoption of the policy.

There will be costs associated with the appointment and remuneration of directors for the water organisation.

10. SIGNIFICANCE AND ENGAGEMENT ASSESSMENT

Requirement	Explanation
Level of significance and rationale	The significance of this report is considered to be low because the Council makes relatively few appointments. Also, where the council is one of several shareholders, it may be necessary to agree appointment and remuneration processes.
Summary of engagement already undertaken	There is no obligation to consult on this matter.
Consideration of mana whenua?	This decision does not involve a significant decision in relation to ancestral land, a body of water or other elements of intrinsic value.

11. NEXT STEPS

Date	Action	Detail
February/March 2026 (est)	Appointment of the initial directors for Kaikōura Hurunui Water Services	

12. COMMUNITY OUTCOMES SUPPORTED

Community
We communicate, engage and inform our community

Development
We promote and support the development of our economy

Services
Our services and infrastructure are cost effective, efficient and fit-for-purpose

Environment
We value and protect our environment

Future
We work with our community and our partners to create a better place for future generations

Appendices:

Appendix 1: Proposed Director Appointments and Remuneration Policy

KAIKŌURA
DISTRICT COUNCIL

Director Appointment and Remuneration Policy

Name of Policy:	Director Appointment and Remuneration
Purpose of Policy:	The purpose of this policy is to set out an objective and transparent process for the appointment and remuneration of directors to a Council organisation.
Policy Applies to:	CCO director appointments
Approved by:	
Responsible for its Updating	
Final Approval by:	
Policy First Issued	[mm/yyyy]
Proposed Date of Review	December 2029

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1. INTRODUCTION

The Kaikōura District Council ("the Council") is required to have in place a policy on the appointment and remuneration of directors to comply with Section 57 (1) of the Local Government Act 2003 ("the Act").

A director is appointed to organisations in certain circumstances, such as where the Council has a voting interest in an organisation, or where the Council operates a trading undertaking in order to make a profit.

1.1 Purpose

The purpose of this policy is to set out an objective and transparent process for:

- The identification and consideration of the skills, knowledge and experience required of directors of a Council organisation; and
- The appointment of directors to a Council organisation; and
- The remuneration of directors of a Council organisation

2. PRINCIPLES

The following principles underlie this policy:

- Appointments will be made on the basis of merit;
- The Council will follow corporate governance best practice;
- Directors of Council controlled trading organisations will be appointed on the basis of the contribution they can make to achieving the objectives of the organisation, and not on the basis of representation

3. LOCAL GOVERNMENT ACT REQUIREMENTS

Council is required by Section 57(1) of the Local Government Act 2002 (the Act) to adopt a Policy, which must set out an objective and transparent process for—

- the identification and consideration of the skills, knowledge, and experience required of directors of a council organisation; and
- the appointment of directors to a council organisation; and
- the remuneration of directors of a council organisation.

Under section 57(2), a local authority may appoint a person to be a director of a council organisation only if the person has, in the opinion of the local authority, the skills, knowledge, or experience to—

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

Section 57(3) specifies that, when identifying the skills, knowledge, and experience required of directors of a council-controlled organisation, the local authority must consider whether knowledge of tikanga Māori may be relevant to the governance of that council-controlled organisation.

Section 58 provides that the role of a director of a council-controlled organisation is to assist the organisation to meet its objectives and any other requirements in its statement of intent.

Under section 48(6)(a) of the Local Government (Water Services) Act 2025, sections 57 and 58 of the Local Government Act 2002 do not apply to water organisations that are council controlled organisations. However, matters relating to the appointment and remuneration of directors of the water organisation are included in this policy for completeness.

4. INTERPRETATION

The following definitions are provided for guidance purposes only as fuller definitions are provided in Section 6 of the Act.

Meaning of "Council organisation"
In broad terms, a CO is an organisation in which the Council has a voting interest or the right to appoint a director, trustee or manager (however described). This is a wide-ranging definition, covering a large number of bodies.

Meaning of Council controlled organisation
A CCO is a CO in which one or more local authorities' control, directly or indirectly, 50% or more of the votes or have the right, directly or indirectly, to appoint 50% or more of the directors, trustees or managers (however described).

Under section 1AAB of the Local Government Act 2002, Council controlled organisations include water organisations which are owned by one or more local authorities (providing the local authorities hold at least 50% of the shares or voting rights in the organisation).

Meaning of Council controlled trading organisation
A CCTO is a CCO that operates a trading undertaking for the purpose of making a profit. Section 6(1)(b) excludes water organisations from the definition of Council controlled trading organisations.

5. COUNCIL CONTROLLED ORGANISATIONS EXCLUDING WATER

5.1 Introduction

The Council has a 100% shareholding in IWK.

No directors will be appointed to CCO boards other than through the process described in this policy. Identification of required skills, knowledge and experience of CCO directors:

The required skills, knowledge and experience for director appointments to a CCO board are assessed by Council, in consultation with the Chairperson of the relevant CCO. Reference should be made to current governance best practice in this area, as encapsulated in Institute of Directors' guidelines and other relevant material. External assistance may be used in some cases.

The mix of skills and experience on the CCO board will be taken into account, and consideration given to complementing and reinforcing existing skills and reducing known weaknesses where necessary.

In general terms, the following qualities are sought in directors of CCOs:
(a) Intellectual ability
(b) Commercial experience
(c) Understanding of governance issues
(d) Sound judgement
(e) High standard of personal integrity
(f) Commitment to the principles of good corporate citizenship
(g) Understanding of the wider interests of the publicly-accountable shareholder
(h) Local knowledge

When identifying the skills, knowledge, and experience required of directors of a CCO, the Council must consider whether knowledge of tikanga Māori may be relevant to the governance of that organisation.

As a general principle, the Council would seek to appoint one person who, while meeting all of the above criteria, has particular strengths in terms of specific attributes.

5.2 Appointment Process for CCO Directors
When a vacancy arises in a CCO, the Chief Executive or delegate will identify the skills, knowledge and experience required for the position in consultation with the CCO Chairperson, and the recruitment process will then follow the process set out below:

Advertising
The Council will decide in open Council whether to advertise a particular vacancy or make an appointment without advertisement. When making this decision the Council will consider:

- the costs of any advertisement and process
- the availability of qualified candidates
- the urgency of the appointment

Interview
The Council will identify a short list of candidates whom it considers meets the above criteria.

The short-listed candidates will be interviewed and have references checked.

The Council will make a decision "in committee" (thus protecting the privacy of natural persons). Public announcement of the appointment will be made as soon as practicable after the Council has made its decision.

5.3 Reappointment
Where a director's term of appointment has expired and he or she is offering him/herself for reappointment, Council will consult on a confidential basis with the Chairperson of the CCO with regard to:

- Whether the skills of the incumbent add value to the work of the board;
- Whether there are other skills which the board needs;
- Succession issues.

The Council will consider the information obtained and, taking into account the director's length of tenure (see below), form a view on the appropriateness of reappointment or making a replacement appointment.

If or where a Committee is established and reappointment is considered appropriate then the Committee is authorised to approve it without further reference to the Council.

Where it is not intended to reappoint the existing incumbent, the appointment process outlined above will apply.

5.4 Length of Tenure
CCO directors will normally be appointed for periods of three years. Subject to a review of the director's performance after the first three year period, the normal tenure for a director will be six years. Following six years of service, a director may be appointed for a further three years if the benefit of such an extension is considered to outweigh the potential advantages of seeking and

appointing a new candidate. It is desirable that a director is not re-appointed to the same board after nine years of service however in light of the district small population and geographic isolation this may at times be unavoidable.

5.5 Chairpersons of CCOS

It is the responsibility of the board of each CCO to appoint its own Chairperson. However, normally the CCO board will consult with the full Council on the person to be so appointed, and where Council considers it appropriate, it will give its view on who it considers to be the appropriate person to fill the Chairperson's position.

5.6 Conflicts of Interest

Kaikōura District Council expects that directors of Council organisations will avoid situations where their actions could give rise to a conflict of interest. To minimise these situations the Council requires directors to follow the provisions of the New Zealand Institute of Director's Code of Ethics. All directors are appointed 'at the pleasure of the Council' and may be dismissed for breaches of this code.

5.7 Remuneration of CCO Directors

Council will monitor and, where appropriate, approve changes in remuneration levels for the boards of CCOs.

Periodically, normally every three years but more frequently if considered appropriate, Council will review the level.

However, in the event of a Council staff member being appointed to a CCO board, where legislation allows, the fees for that appointee shall be paid to the Council, unless there are special circumstances.

In performing its review of remuneration, Council will take account of the following factors:

- The need to attract and retain appropriately qualified directors;
- The levels of remuneration paid to comparable companies in New Zealand;
- The performance of the CCO and any changes in the nature of its business;
- Any other relevant factors.

In general, it is intended that boards of CCOs will not receive remuneration unless legislation dictates although relevant expenses incurred e.g. for travel will be reimbursed. Professional advice will be sought where necessary in respect of any setting of directors fees.
The Council also supports the payment by CCOs of directors' liability insurance and the indemnification of directors as permissible by legislation.

6 KAIKOURA HURUNUI WATER SERVICES (A WATER ORGANISATION)

6.1 Introduction

The Council has a controlling interest in Kaikōura Hurunui Water Services, a water services council controlled organisation which is 100% owned by the Hurunui and Kaikōura District Councils
The processes for appointing and removing directors are set out in the company's Constitution. Some specific matters include:

- Each shareholder shall appoint one director and the remaining directors shall be appointed jointly by shareholder agreement.

- The skills and experience required of directors are set out in the Directors' Skills Matrix included in the Constitution. Some attributes are required for all directors. The Matrix also details specialist skills required for at least one director, along with some additional desirable skills.
- Directors may be removed by shareholder agreement.

6.2 Statutory Requirements

Under section 48 of the Local Government (Water Services) Act 2025:

- Directors of water organisations must be appointed based on their competency to perform the role;
- Directors must collectively have an appropriate mix of skills, knowledge and experience regarding the provision of water services;
- Due to statutory restrictions, elected members, council staff and water organisation staff cannot serve as directors in the water organisation.

Section 151 of the Companies Act 1993 details various matters which disqualify people from being appointed or holding office as company directors.

6.3 Chair of the Board

The process for appointing the Chair of the Board is set out in the company's Constitution. Some specific matters include:

- The Board must recommend to the Shareholders the appointment of Chair of the Board from among the appointed directors.
- If a Shareholder rejects the recommendation, the Board must propose another director as Chair, and this process shall repeat until a Chair is approved by the Shareholders.
- The Chair will hold office until the earlier of the following events:
- they cease to be a Director of the Company; or
- a new Chair is appointed.

6.4 Tenure of water organisation directors

The tenure of directors is as set out in the company's Constitution. The maximum tenure is three terms of up to three years each.

6.5 Remuneration of water organisation directors

Directors appointed by the Council will receive the remuneration offered by that company.

Report to:	Council
Date:	28 January 2026
Subject:	Interim Finance Report to 31 December 2025
Prepared by:	C Kaa - Finance & Business Partnering Manager
Input sought from:	
Authorised by:	P Kearney – Acting Chief Executive Officer

1. SUMMARY

The purpose of this report is to provide an update on the financial position of the Council as at 31 December 2025. Figures are provisional due to the transition from Ozone to Datascape. The interim year-to-date deficit is $911K compared to a budgeted net surplus of $5.02M surplus.

December 2025 represents the first financial reporting cycle produced from Datascape following the transition from Ozone. The implementation has created significant disruption to financial processing, resulting in delays to reconciliations, coding corrections, accrual entries and capital project mapping. These issues have affected the completeness and timing of both revenue and expenditure recognition.

As a result, figures presented in this report should be considered provisional. Variances may change materially as data quality work continues through Q3. The finance team is prioritising the resolution of remaining anomalies to ensure full confidence in the accuracy of reports going forward.

The full year budget is reflective of the 2026 annual plan – we are still working through the mapping from Ozone to Datascape and classification of the reporting groups and the splits may change in this process, however the full year budget revenue of $30.17M and expenditure of $20.14M are accurate.

Attachments:

i. Statement of Comprehensive Income – For the period Ended 31 December 2025

2. RECOMMENDATION

It is recommended that the Council receives this report for information.

3. OPERATING REVENUE AND EXPENDITURE

Revenue – $8.65M (actual) vs $15.08M (budget) down 42% on budget

Revenue variance is largely driven by the timing of grants and the progress of large-scale projects such as the IAF project and Wakatu Quay. Revenue received in advance (2025) still needs to be brought into 2026.

- Rates revenue to date is $5.8M which includes two instalments.
- Grants and Subsidies – Opex includes all grants and subsidies received to date of which some relate to capital – this will be amended.
- The capital grants and subsidies budget of $15M Includes $10.9M for IAF project and $3.2M for Wakatu Quay – delays in the project directly relate to reduced capital grants received.

Direct Expenses – $6.58M (actual) vs $7.01M (budget) down 6% on budget

- We will provide Council with a summary of what is included under each category in due course as there are still adjustments to be made in this area.

Indirect Operating Expenses

- Depreciation has been phased evenly over the six months – this will be adjusted once depreciation is processed in the system.
- Financing expenses are below budget which reflects lower borrowing than anticipated.

4. NEXT STEPS AND DATA QUALITY

- Complete review of remaining coding anomalies and classifications of expenditure
- Tidy phasing of budgets to align with delivery.
- Move to a monthly reporting pack, including capital program and cash flow tracking.
- Asset data migration.

5. FINANCIAL IMPLICATIONS AND RISKS

Monthly monitoring and reporting on the Council financials are required as there is a risk that the Council's financial position could deteriorate with an increase in debt levels; lowered credit rating; or that revenue flows are lower than budgeted, and expenditure is higher than projected.

6. COMMUNITY OUTCOMES SUPPORTED

The work is in support of all community outcomes.

Community
We communicate, engage and inform our community

Development
We promote and support the development of our economy

Services
Our services and infrastructure are cost effective, efficient and fit-for-purpose

Environment
We value and protect our environment

Future
We work with our community and our partners to create a better place for future generations

7. SIGNIFICANCE OF DECISION

This report is for information only; however, it may form the basis upon which other decisions are made (those which have a financial impact).

8. RELEVANT LEGISLATION

The Local Government Act 2002 states that a local authority should ensure prudent stewardship and the efficient and effective use of its resources in the interests of its district or region.

96 West End
PO Box 6
Kaikōura 7340

KAIKŌURA DISTRICT COUNCIL

STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDING 31 DECEMBER 2025

	Year To Date				Full Year	
	Actual	Budget	Var $	Var %	Forecast	Budget
Net Surplus/Deficit						
REVENUE	**8,674,806**	**15,084,947**	**(6,410,141)**	**-42%**	**30,169,894**	**30,169,894**
Rates Revenue	5,871,553	5,864,920	6,633	0%	11,729,840	11,729,840
Grants and Subsidies - Opex	1,561,942	513,935	1,048,007	204%	1,027,874	1,027,874
User Fees and charges	1,058,900	940,967	117,933	13%	1,881,934	1,881,934
Other Revenue	149,867	168,834	(18,967)	-11%	337,668	337,668
Development and contributions	9,718	48,064	(38,345)	-80%	96,127	96,127
Interest revenue	22,826	22,439	387	2%	44,879	44,879
Grants & Subsidies - Capital	0	7,525,788	(7,525,788)	100%	15,051,572	15,051,572
DIRECT OPERATING EXPENSES	**(6,582,393)**	**(7,010,937)**	**428,544**	**-6%**	**(14,021,871**	**(14,021,871)**
Personnel	(2,020,936)	(2,246,832)	225,896	-10%	(4,493,663)	(4,493,663)
Personnel Related Expenses	(202,432)	(191,702)	(10,730)	6%	(383,405)	(383,405)
Admin & Office Expenses	(307,769)	(146,538)	(161,231)	110%	(293,076)	(293,076)
Contractors	(361,262)	(172,690)	(188,572)	109%	(345,380)	(345,380)
Professional Services	(879,936)	(1,005,047)	125,110	-12%	(2,010,093)	(2,010,093)
Grants Donations	(445,919)	(334,138)	(111,780)	33%	(668,277)	(668,277)
IT & Telecommunication	(387,039)	(272,133)	(114,906)	42%	(544,266)	(544,266)
MRF	(76,838)	(141,115)	64,277	-46%	(282,230)	(282,230)
Utilities	(343,383)	(270,199)	(73,184)	27%	(540,397)	(540,397)
Project Expenses	(30,456)	(117,680)	87,224	-74%	(235,360)	(235,360)
Repairs & Maintenance - Facilities	(74,029)	(138,657)	64,628	-47%	(277,314)	(277,314)
Repairs & Maintenance - Roading	(584,405)	(1,077,121)	492,716	-46%	(2,154,242)	(2,154,242)
Repairs & Maintenance - Waste	(164,595)	(235,452)	70,857	-30%	(470,905)	(470,905)
Repairs & Maintenance - Water	(379,591)	(539,780)	160,189	-30%	(1,079,558)	(1,079,558)
Other Expenses	(323,803)	(121,853)	(201,950)	166%	(243,706)	(243,706)
INDIRECT OPERATING EXPENSES	**(3,003,744)**	**(3,057,066)**	**53,321**	**-2%**	**(6,114,132)**	**(6,114,132)**
Depreciation	(2,841,339)	(2,841,338)	()	0%	(5,682,677)	(5,682,677)
Financing Expenses	(162,406)	(215,728)	53,322	-25%	(431,455)	(431,455)
Overheads and Internal Charges	0	()		100%	()	()
Total Net Surplus/Deficit	**(911,332)**	**5,016,944**	**(5,928,275)**	**-118%**	**10,033,891**	**10,033,891**
Other Comprehensive Income and Expenditure						
Reserve transfers	0	0	0	0%	0	0
Revaluations	0	0	0	0%	64,680	64,680
Total Other Comprehensive Income and Expenditure	**0**	**0**	**0**	**0%**	**64,680**	**64,680**
Total Comprehensive Income	**(911,332)**	**5,016,944**	**(5,928,275)**	**-118%**	**10,098,571**	**10,098,571**