Kaikōura Hurunui
Water Services

BOARD AGENDA 2026

Ordinary Meeting:

10am

23 November 2026

Council Chambers
66 Carters Road
Amberley

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AGENDA

KHWS BOARD MEETING

Name:	Kaikōura Hurunui Water Services Limited
Date:	Monday, 23 November 2026
Time:	10:00 am to 12:00 pm (NZDT)
Location:	Council Chambers, 66 Carters Road, Amberley

Board Members:	Karl Smith (Chair), Diane Brandish, Lee Babe, Mr. Murray Strong, Ross Pickworth
Attendees:	Ben Day, Michelle Stanley, Thomas Palmer

1. Opening Meeting

1.1 Confirm Minutes

10:00 am (5 min)

For Decision

Ordinary and Public Excluded Minutes from the 27 July 2026 Board meeting for confirmation.

Supporting Documents:

1.1.a	Minutes : KHWS October Board Meeting - 19 Oct 2026	6

1.2 Interest Register

10:05 am (5 min)

Michelle Stanley

For Noting

Supporting Documents:

1.2.a	Interests Register - November.docx	14
1.2.b	Interests Register	16

2. Decision Items

2.1 Adoption of the KHWS Statement of Intent 2026–2028

10:10 am (15 min)

Ben Day

For Decision

The purpose of this report is to seek the Board's adoption of the KHWS Statement of Intent 2026–2028 (Appendix 1).

Supporting Documents:

2.1.a	20261116_SoI_KHWS_2026.docx	18
2.1.b	KHWS_Statement_of_Intent_2026-2028.docx	20

2.2 Significance and Engagment Policy Adoption 10:25 am (15 min)

Ben Day

For Decision

To seek Board endorsement of the draft KHWS Significance and Engagement Policy for statutory engagement and submission to Hurunui District Council and Kaikōura District Council for shareholder review and approval.

Supporting Documents:

2.2.a	KHWS_Board_Report_Significance_and_Engagement_Policy.docx	24
2.2.b	KHWS_Significance_and_Engagement_Policy_Nov_Board.docx	30

2.3 Financial Report 10:40 am (10 min)

Thomas Palmer

For Decision

The purpose of this report is to present the financial performance, balance sheet position, reforecast and cash flow outlook of Kaikōura Hurunui Water Services Ltd (KHWS) for the four months ended 31 October 2026.

Supporting Documents:

2.3.a	KHWS_October_2026_Financial_Report_Board_Paper.docx	35
2.3.b	Apx1 2026-11-18 KHWS Financial Reports for the period to October 2026.pptx	38

3. Discussion Items

3.1 Operations Report 10:50 am (40 min)

For Discussion

Hurunui and Kaikoura operational reports.

Supporting Documents:

3.1.a	20261118 Hurunui District Operations Monthly Report October.docx	47
3.1.b	KHWS Kaikoura Operations Monthly Report - Nov 2026_FINAL.docx	53
3.1.c	KHWS Capital Programme Monthly Report October 2026.docx	66
3.1.d	2026-27 KHWS Capital Programme Update - October.pdf	71
3.1.e	KHWS Project Portfolio Pipeline October 2026.pdf	74

4. Information Items

4.1 Loan Financing to KHWS Council Report 11:30 am (5 min)

Thomas Palmer

For Information

Attached is the report to the Hurunui District Council on extending the loan financing to KHWS to December 2027. This report is to the 24 November 2026 Council meeting. This paper is for the Boards information.

Supporting Documents:

5. Public Excluded Section

5.1 Transfer Agreement Adoption Report 11:35 am (15 min)

Ben Day

For Decision

The matters to be considered while the public is excluded, the reason for passing this resolution & the specific grounds under section 48 (1) of the local Government Official Information and Meetings Act 1987 for the passing of this resolution are is to to undertake commercially sensitive planning under section 7(2)(h).

Supporting Documents:

5.2 Ratification of Term Loan Facility Agreement 11:50 am (15 min)

Thomas Palmer

For Decision

The matters to be considered while the public is excluded, the reason for passing this resolution & the specific grounds under section 48 (1) of the local Government Official Information and Meetings Act 1987 for the passing of this resolution are is to to undertake commercially sensitive planning under section 7(2)(h).

Supporting Documents:

6. Other Business

6.1 General Business

7. Close Meeting

7.1 Close the meeting

Next meeting: KHWS Board Meeting - 15 Dec 2026, 10:00 am

MINUTES (in Review)

KHWS OCTOBER BOARD MEETING

Name:	Kaikōura Hurunui Water Services Limited
Date:	Monday, 19 October 2026
Time:	10:00 am to 3:30 pm (NZDT)
Location:	Sudima Hotel , 550 Memorial Avenue, Christchurch, Canterbury 8053
Board Members:	Karl Smith (Chair), Diane Brandish, Lee Babe, Mr. Murray Strong
Attendees:	Ben Day, Graham Sutherland, Michelle Stanley, Thomas Palmer
Apologies:	Ross Pickworth
Guests/Notes:	Alex Makogon, Yash Gupta, Dan Langman

1. Opening Meeting

1.1 Confirm Minutes

KHWS Board Meeting 24 Aug 2026, the minutes were confirmed as presented.

1.2 Interest Register

2. Decision Items

3. Discussion Items

3.1 Financial Report

Tom noted this was his first three weeks in the role and that he did not have sufficient confidence in the numbers from Xero to present a full financial report. A more complete report will follow next month.

- The pre-trading period results have been finalised and an audit commences at the end of October 2026.
- Xero has significant limitations for KHWS's reporting needs, particularly around project cost allocation, which must be done manually. A more sophisticated finance system is required. Microsoft Business Central has been identified as a candidate, and a meeting with a specialist adviser is being arranged to present options.
- Estimated monthly expenditure is approximately $700,000 (OpEx and CapEx combined). The CapEx programme is approximately 10% through the year.
- A cash deficit is anticipated for the current financial year, estimated at approximately $2 million to $3 million, with $5 million as an upper bound. Hurunui District Council support will be required.
- Kaikōura District Council (KDC) made its first quarterly tariff payment, approximately 10% short of the expected amount, with KDC applying a recoverable loss deduction. The board noted that KHWS may not have the legal ability to recover this under the current transfer

arrangement, and that the payment terms in the agreement need to be reviewed and corrected.

- The board noted that the shared services arrangement with both councils is not delivering the support being paid for, and that this will be escalated formally.

3.2 Operations Report

Yash spoke to his operational report for the Kaikōura District. The following was noted:

- **Insurance – South Bay Pump Station** The insurance claim for the South Bay Pump Station failure is progressing, though discussions are ongoing regarding the like-for-like replacement versus upgrade distinction. The total project cost is approximately $83,000. The specific terms of the insurance policy were not able to be confirmed at the time of the meeting.
- **Electrical Infrastructure** Several electrical switchboard renewals have been identified as requiring urgent attention across the Kaikōura network. This is noted as a strategic theme for the water services strategy.
- **GIS Records and Asset Information** The lack of accurate GIS data is an ongoing risk. Due to historical understaffing at Kaikōura District Council, records were not consistently maintained or recorded in Laserfiche. Yash is working through three electronic storage locations (R:Drive, a private SharePoint, and the utilities SharePoint) to consolidate available information. It was confirmed that incidents of this nature have occurred previously but were not recorded.
- **IWK Contract Management** IWK's role and scope are clearly defined within their maintenance contract. Yash and Ben have worked through the contract in detail, and variations are now being scrutinised closely before approval. This has resulted in a 10–15% reduction in variations since March. The intention is to retire IWK in late March, with the contract transition currently being worked through.
- Murray noted that the defect liability runout periods for work completed by IWK should be identified and recorded. The CEO confirmed this is being worked through, and noted the risk transfer is considered low given IWK has only been undertaking maintenance work, with no capital expenditure projects.
- **KPIs – Water Loss** The water loss KPI has historically been reported using a desktop exercise rather than real-world monitoring. Yash confirmed this approach is currently acceptable to the Taumata Arowai standard, though it does not meet KHWS's own KPI standard. It was suggested that contextual commentary be added to the report to explain the methodology in use.
- **Live Resource Consents and Subdivisions** Hydraulic modelling is underway to enable responses to live resource consent requests, including subdivision connections. Without this data, some development stages have been paused. Yash noted that legally, developers cannot be held up solely due to a lack of data. Murray raised the need for a broader discussion around the commercial operating model, including ensuring developers contribute appropriately to infrastructure costs rather than the organisation carrying the financial burden. Ben noted a pragmatic approach is required. Both councils have published development contribution rates, with KHWS needing to establish its own from 1 July 2027, while inheriting a deficit in the interim.
- **Sewerage Complaints Data** No complaints data is available for sewerage. The systems exist but have not been consistently used. Yash confirmed he has exhausted available resources in trying to locate this information.
- **CCTV Programme** Murray requested a summary of the CCTV work completed to date. The camera operates on a rotation of approximately three weeks in Hurunui and one week in Kaikōura.
- **GIS Trust and Asset Protection Processes** Lee noted that once assets are transferred, any process issues will become a KHWS matter. It was agreed that GIS should not be

relied upon as a sole source of truth, and that a locate should be completed prior to any excavation. This is a risk management requirement, consistent with the approach taken by other utilities such as electricity and fibre providers. Asset protection processes are not currently documented, which creates risk if staff change. The wording "confirm location of" was noted as the appropriate standard to apply.

- **Asset Renewal vs Relocation** The cost comparison between renewing an asset in place versus relocating it was raised. This is considered a comparative decision, with the question of what rights KHWS has to determine cost thresholds still to be worked through.

Forward Work Programme

- Asset management work is a primary focus, with 250GB of inherited data being transferred into SharePoint and ADAPT.
- Bore monitoring maintenance is underway, with work approximately 10 years overdue.
- New instrumentation is being installed across three to four water treatment plants.
- Flow meters are being renewed.
- These works are expected to reduce operational expenditure in future years.

There is currently only one bore serving the Kaikōura township. The theme within the water services strategy will be to plan for redundancy, taking a similar approach to Hurunui by identifying additional water sources, investigating further bores, and exploring connections between schemes.

Alex spoke to his Hurunui District report. The following was noted:

- **Water Loss Measurement** Hurunui District's average water loss sits at 20.7%. It was noted that water loss percentage alone is a poor measure of network performance, as it includes non-revenue water activities such as hydrant flushing. The preferred measure used internally is the Infrastructure Leakage Index (ILI), which benchmarks a network against global standards. Some Hurunui schemes have an ILI above 5, while others are below 1. Work is ongoing to invest in the higher-ILI schemes to reduce leakage. Premature failure of a trial pipe product has been identified as a primary cause of water loss in several smaller schemes, and replacement work is progressing.

  The current water loss calculation is completed once a year and involves close to 100 spreadsheets across all meters. It was noted this could be done monthly if required, though it represents a significant workload. The board discussed whether the reporting cadence should align with regulatory requirements, and whether there is a better measure of asset quality overall. The board's view at this stage is to do the minimum required, with the ultimate measure being the cost per cubic metre of water against the volume lost, to determine whether further investment is warranted.

- **Balmoral** The water services strategy will model centralised treatment for Balmoral. A CEO exemption under the legislation is being explored, with a written exemption sought from Taumata Arowai to provide assurance that the organisation would not be prosecuted. Confidence that this exemption will be granted is low, based on feedback received at the water conference. A community meeting with Balmoral residents is planned to update them on the situation. It was noted that the regulation has caught up with the scheme, and that it would not be fair to the broader ratepayer base to regionalise the cost, given Balmoral has benefited from very low water rates for a considerable period.
- **Amberley Wastewater Treatment Plant (AWWTP) and NIFCO** The AWWTP presents a difficult situation. The plant cannot easily be relocated, there are resilience concerns, and the surrounding land constraints limit options. Hurunui District Council holds a 25-year consent subject to an upgrade being completed. The estimated upgrade cost is in the range of $6 - $10 million, with relocation considered unachievable without government assistance. The NIFCO plant was raised as a potential option worth investigating, particularly given NIFCO's recent international tender process, which may produce modular solutions suitable for a community of Amberley's size. It was acknowledged this will be a significant decision for the board.

- **Cheviot Water Supply** Physical works to redirect the Waiau River cannot commence until the river drops to around 80 cubic metres per second, which will also allow the required bird survey to be completed. Additional filtration is being investigated for the Cheviot Water Treatment Plant, modelled on a solution already in use at Kaiwara. Work is also underway with a consultancy to assess the deeper aquifers beneath Cheviot. Because the shallow aquifer in the area is abundant, there has historically been little need to drill deep, meaning limited data exists on what lies further down. An exploratory bore report is being prepared to assess whether deeper water is a viable and cost-effective option.

  A high-turbidity event occurred over the weekend prior to the meeting due to heavy rainfall. The plant was managed carefully, drawing water slowly from cleaner sources before returning to full capacity that morning. Taumata Arawai was kept informed throughout. A community drop-in session was held, though attendance was low.
- **Cheviot Wastewater Treatment Plant – Desludging** The Cheviot wastewater treatment plant requires desludging, with sludge to be stored in geobags. This work was not budgeted. Given this, it was noted that the order of desludging across the district's schemes may need to be reconsidered.
- **Diane's Request – Forward Works Programme** Diane noted that while the progress being made is encouraging, it would be helpful to have an indication of timeframes alongside the various work streams. Specifically, where reports have been commissioned, where work is underway, or where next steps are planned, an additional column or table indicating expected timing would assist the board in understanding the forward programme. Alex confirmed he would incorporate this into future reporting.

Dan spoke to his report on the capital expenditure programme update:

- **Hanmer Springs Stormwater Consent** An ECan consent for stormwater retention ponds in Hanmer Springs has been issued after approximately three to four years in progress. It was queried whether this had been communicated back to the Hanmer Springs community, and it was noted that the CapEx to activate the works had fallen by the wayside over successive long-term plan cycles. This will be picked up as part of the water services strategy.
- **Amberley Wastewater Treatment Plant (AWWTP) – Consent Extension** Discussion was held around how flexible ECan might be in granting an extension to the resource consent. Options discussed included a voluntary abatement notice or a full reapplication for consent (noting that a formal extension is not technically available). It was noted that the current consent conditions are more favourable than those under WEBS, and that reapplying could result in less favourable conditions. The key risk is that the upgrade work is not budgeted in the Long-Term Plan. It was agreed the project needs to progress without further delay.
- **CapEx Actuals** It was noted that the actuals reported are contingent on what can be extracted from the financial system, and that some transactions may not yet be fully recorded or allocated.
- **Hanmer Springs Water – Combined Project** The previously approved filtration review and a separate water storage project have been conjoined, as both are located at the same site. Work currently under way includes an internal refresh and reconditioning of operational items within the plant (pumps, filters, controls) to increase efficiency and reduce filtration downtime, the addition of a fourth filter (increasing treatment capacity by approximately 20%), a new 2 million litre reservoir, and works at the intake to add storage, power, and improve water quality. The combined project cost is $1.2 million for this financial year, with a whole-of-life cost of approximately $1.6 million, to be staged across financial years.
- **Amberley Wastewater Treatment Plant – Current Works** This year's works focus on optimising the existing system, including expanding the irrigation field, installing a new inlet screen, and addressing issues on the southern irrigation field. Soil sampling results have returned positively, with low nutrient levels across all fields. The plant is currently compliant

with its consent, though ponding during winter remains an ongoing issue. The board noted the commitment to upgrading and maintaining compliance.

- **Hanmer Springs – Progressing Without Confirmed Year 2 Budget** It was noted that the Hanmer Springs water project is progressing without confirmed budget beyond the current financial year. This was considered acceptable given that Hanmer Springs is a high-growth area, the community wants a higher level of service, and land adjacent to the water treatment plant has become available for the reservoir.
- **Action – Timeframes and Financials** Dan was asked to include timeframes and financials for both anchor projects (Hanmer Springs Water and Amberley Wastewater Treatment Plant) in a separate section of future reports, presented in a spreadsheet format, for the board's information.

Board Acknowledgement – Gary Harris

The board noted that Gary Harris has reached 20 years of service. The board congratulated Gary and acknowledged this milestone.

4. Public Excluded Section

Move into PE

That the Board moves into Public Excluded and Board only time for the reasons outlined under each agenda item.

Decision Date:	19 Oct 2026
Mover:	Diane Brandish
Seconder:	Mr. Murray Strong
Outcome:	Approved

- **Move out of Public Excluded**

That the meeting move out of Public Excluded and back into the open agenda.

Decision Date:	19 Oct 2026
Mover:	Diane Brandish
Seconder:	Mr. Murray Strong
Outcome:	Approved

5. Other Business

5.1 General Business

6. Close Meeting

6.1 Close the meeting

Next meeting: KHWS Board Meeting - 23 Nov 2026, 10:00 am

Signature:_____ **Date:**_____

Kaikōura Hurunui Water Services Ltd Board

23 November 2026

Interests Register – November

Author	Michelle Stanley, Governance Team Leader (will be in attendance)
Reviewed by	Ben Day, Chief Executive Officer
Significance	Medium

Purpose

The purpose of this report is for the Board to review its interest register at the beginning of every board meeting. This report has been written as a requirement of the Boards Constitution.

Officer recommendation

That the Board reviews and notes its interests register.

Background

Requirements

1. The Companies Act requires all directors to be entered into an interests register, and disclose to the Board of the company, their interests.
2. Clause 10 of the Kaikōura Hurunui Water Services Limited (KHWS) Boards constitution stipulates what interests must be disclosed. Clause 10.2 requires the Board to review this at the beginning of every meeting.
3. The Governance Advisor will keep a full copy of the Boards interests but will provide a summary for publishing.

Interests Summary

Director	Interests	
Lee Babe	• Director, Parallaxx Ltd. • Director, AgFirst NZ Ltd. • Director/Shareholder, AgFirst Consultants Nelson Ltd. • Director/Shareholder, Loftag Ltd.	• Director, Network Tasman Ltd. • Trustee, Babe Family Trust • Deputy Chair, Invercargill City Council Water Committee
Ross Pickworth	• Director, Westroads Ltd. • Director/Shareholder, West Oak trading Ltd. • Director, Ashburton Contracting Ltd. • Chair, Pipeline and Civil Ltd. • Chair, Pipeline Group Ltd.	• Chair, PLC Plant Ltd. • Director, Industrial Controls South Canterbury Ltd. • Director, Network Tasman Ltd. • Director, ElectraServe Ltd. • Director, The Power Company Ltd.
Karl Smith	• Director, Atlantic Marriner Ltd. • Director & Chair, A.G. Foley Ltd. • Member, Contego Systems Ltd.	• Director, EA Networks • Trustee, The Voyager Trust
Diane Brandish	• Treasurer, Classic Motoring Society of NZ Inc.	• Treasurer, Canterbury Justices of the Peace Ass. Inc.

Murray Strong	• Chairman, Dunedin Hospital, Digital Transformation Board • Chairman, Centre of Digital Excellence NZ Ltd. • Chairman, Digital Interactive Health • Director, Marlborough Waters Ltd	• Chairman, Selwyn Water Ltd. • Trustee, J MacDonald Family Trust • Industry Lead, Executive MBA, University of Canterbury, Digital Change & Transformation

Legal and policy implications

Companies Act 1993

4. Section 189 of the Companies Act 1993 requires the company to keep an interest register. Section 140 requires all directors to be entered in the interests register, and disclose to the Board of the company, their interests.

Risk Assessment

5. The risks associated with this report are considered low to medium. The maintenance and regular review of the Interests Register is a key governance control that supports compliance with the Companies Act 1993 and the Board Constitution. Failure to maintain an accurate register or disclose relevant interests could result in governance, compliance, and reputational risks. These risks are mitigated through regular Board review and ongoing updates by directors and the Governance Team Leader.

Significance and engagement assessment

Requirement	Explanation
Level of significance and rationale	The significance of this matter is recommended to be medium. The report supports statutory compliance, transparency, and effective governance. No external engagement is required as the report relates to an internal governance process and fulfils a legislative and constitutional requirement.

Adoption of the KHWS Statement of Intent 2026–2028

Author	Ben Day, Chief Executive (Will be present)
Significance	Low

Purpose

The purpose of this report is to seek the Board's adoption of the KHWS Statement of Intent 2026–2028 (Appendix 1). This report has been written in response to the shareholders' Statement of Expectations and summarises how the Statement of Intent responds to it.

Summary

- Hurunui and Kaikōura District Councils, as shareholders, have issued a Statement of Expectations (SoE) setting the long-term direction for KHWS.
- The Statement of Intent (SoI) is KHWS's response. It accepts the SoE's direction and sets out how the Board will deliver it while meeting legal and regulatory duties, agreed levels of service and operational independence by 30 June 2028. It does not replace or amend the SoE.
- Key commitments include a clear order of obligations, a pathway to full depreciation funding by 30 June 2034, no dividends while depreciation is underfunded, and documented shared accountability with councils during transition.
- Delivery follows a staged pathway: WSS 2027 sets the first credible baseline and WSS 2028 resets the longer-term settings.
- Management recommends the Board adopts the SoI and authorises the Chair to sign it and provide it to the shareholders.

Officer recommendation

That the Board:

1. receives the report "Adoption of the KHWS Statement of Intent 2026–2028";
2. adopts the KHWS Statement of Intent 2026–2028 (Appendix 1) as KHWS's response to the shareholders' Statement of Expectations;
3. authorises the Chair to sign the Statement of Intent and provide it to Hurunui District Council and Kaikōura District Council; and
4. delegates to the Chief Executive authority to make minor editorial changes before release, provided they do not change its substance.

Reasons for recommendation

1. The SoI is KHWS's formal response to the SoE. It confirms KHWS accepts the shareholders' long-term direction and sets out how the Board intends to deliver it.

2. It sets a clear order of obligations: legislation, regulation, public health and directors' duties come first, followed by agreed levels of service, then additional shareholder expectations. This gives shareholders certainty and protects the Board's independent duties.
3. It records KHWS's reliance on council services during transition and asks for these to be documented in the Transfer Agreements and service-level arrangements.
4. It sets a realistic, staged pathway through WSS 2027 and WSS 2028 to full operational independence by 30 June 2028.

Background

Statement of Expectations

5. The shareholders have issued a Statement of Expectations setting out their long-term direction for KHWS. Under the Local Government (Water Services) Act 2025, KHWS must give effect to the SoE, including through its Water Services Strategy.

The Statement of Intent

6. The SoI records how KHWS will implement the SoE. Its key elements are:
    - **Board commitment** – constructive, no-surprises working with both councils, while the Board keeps its independent duties. No unfunded inherited liabilities will be accepted without reasonable grounds that KHWS can meet them, including documented shareholder funding support.
    - **Order of obligations** – legal and regulatory duties first, then agreed levels of service, then additional shareholder expectations, then the WSS, budgets and business plans. Conflicts will be raised early with evidence-based options.
    - **Financial commitments** – affordability balanced with revenue sufficiency, compliance and prudent debt; progressive increase in depreciation funding, reported against full funding by 30 June 2034; no dividends while depreciation is underfunded.
    - **Establishment and independence** – fully operationally independent by 30 June 2028, with the people, systems and transition work identified and funded through WSS 2027.
    - **Shared accountability** – council-provided services (billing, revenue collection, payroll, data and systems) to be documented in the Transfer Agreements and service-level arrangements. These are related-party transactions disclosed to the Commerce Commission.
    - **Inherited position** – inherited compliance issues, asset risks, information gaps and funding shortfalls reported separately from matters arising after transfer.
    - **Reporting** – a "produce once, use often" model, using regulatory reporting as the primary source for Board and shareholder reporting.
    - **WSS pathway** – WSS 2027 sets the first credible baseline; WSS 2028 resets longer-term service levels, pricing, investment and depreciation funding.
7. The SoI will be reviewed annually, through WSS 2027 and WSS 2028, and whenever there is a material change in legislation, regulation, funding, transfer arrangements or the operating environment.

Appendices

Appendix 1	KHWS Statement of Intent 2026–2028 (KHWS_Statement_of_Intent_2026-2028.docx)

KHWS Statement of Intent

Response to the Shareholders' Statement of Expectations | 2026-2028

Document owner	KHWS Board	**Status**	Draft for Board consideration
Approval authority	KHWS Board	**Effective date**	23/11/2026
Version	1.0	**Review cycle**	Annual and through WSS 2027/2028
Applies to	KHWS and its establishment programme and a response to shareholder SoE	**Related document**	Shareholders' Statement of Expectations

Purpose

KHWS accepts the long-term direction set out in the shareholders' Statement of Expectations. This Statement of Intent records how the Board intends to implement that direction while meeting KHWS's legal and regulatory duties, delivering agreed levels of service to customers, and completing establishment as an independent water services organisation by 30 June 2028.

This Statement does not replace or amend the shareholders' Statement of Expectations. It records KHWS's implementation pathway and the key assumptions, dependencies and shared accountabilities on which delivery relies.

Our mission

To provide safe, reliable and resilient water services that meet community needs, protect the environment, and achieve the standards our customers expect and regulators require.

1. Board commitment

KHWS will work constructively with both councils and operate on a no-surprises basis. The Board will have regard to shareholder expectations while continuing to exercise its independent duties. KHWS will not knowingly compromise legal or regulatory compliance, agreed levels of service, financial sustainability or prudent asset stewardship. Before accepting unfunded inherited liabilities, the Board must have reasonable grounds to believe KHWS can meet them, which includes any shareholder funding support being documented.

2. Order of obligations

KHWS will apply the following order when planning and making decisions:

1. legislation, regulatory requirements, public health, continuity of essential services and directors' duties.
2. services to customers at agreed levels of service.
3. additional shareholder expectations; and
4. the Water Services Strategy, budgets and business plans.

KHWS will meet the requirements of the Water Services Authority - Taumata Arowai, the Commerce Commission, the relevant regional council as environmental and resource consent regulator, WorkSafe and other relevant authorities. These duties are non-negotiable and will be prioritized accordingly. Where a shareholder expectation conflicts with, constrains or materially increases the cost of meeting those duties, KHWS will advise shareholders early and provide evidence-based options.

The key statutory obligations that shape KHWS's decisions are:

Legislation	What it requires of KHWS
Local Government (Water Services) Act 2025	Cost-effective and financially sustainable water services, with revenue sufficient to fund long-term investment and meet regulatory requirements. A Water Services Strategy covering at least 10 financial years (30 years for infrastructure), annual budgets, audited annual and half-yearly reports, and giving effect to the Statement of Expectations.
Water Services Act 2021	Safe drinking water that complies with the drinking water standards, implemented drinking water safety plans, and a due diligence duty on every officer to ensure KHWS has the resources and processes to comply.
Resource Management Act 1991 (or successor legislation)	Holding and complying with resource consents for water takes, wastewater and stormwater discharges, and works in waterways, as administered by the regional council. This includes meeting consent conditions, monitoring and reporting, renewing consents before expiry, and managing enforcement risk where inherited assets do not yet meet consent standards.
Health and Safety at Work Act 2015 (WorkSafe)	A primary duty of care, so far as reasonably practicable, for the health and safety of workers, contractors and others affected by KHWS's work. Directors and other officers have a personal due diligence duty to understand KHWS's operations and hazards and to ensure appropriate resources and processes are in place. This includes engaging with workers and notifying WorkSafe of notifiable events.
Companies Act 1993	Directors' duty of care, meeting the solvency test, avoiding reckless trading, and taking on obligations only where there are reasonable grounds to believe KHWS can meet them.
Commerce Act 1986 (Part 4)	Information disclosure and revenue threshold regulation by the Commerce Commission, including disclosure of related-party transactions, with the possibility of stronger regulation if performance warrants it.
Public Audit Act 2001 (Auditor-General / Audit NZ)	As a council-owned public entity, KHWS is audited by the Auditor-General, who appoints Audit NZ to carry out the audit. Directors must ensure timely, accurate annual financial statements and service performance information, keep proper records and controls, give auditors full access to information, people and premises, pay audit fees, and act on audit findings. The Auditor-General may also undertake performance audits and inquiries.

3. Financial and customer commitments

KHWS will balance affordability with revenue sufficiency, regulatory compliance, agreed levels of service, renewals, resilience, prudent debt, transparent pricing, growth funding and value for money. No single factor will be considered in isolation.

KHWS supports progressively increasing depreciation funding and will report against the shareholders' expectation of full infrastructure depreciation funding by 30 June 2034. The pathway will be tested through each Water Services Strategy against asset information, renewal needs, affordability, debt capacity, compliance requirements and intergenerational equity. No dividends will be paid while depreciation remains underfunded. Under the Act, any dividend must not compromise KHWS's ability to fund long-term investment while meeting regulatory requirements.

4. Establishment and independence

KHWS remains in establishment. To meet regulatory and shareholder expectations, KHWS must be fully operationally independent by 30 June 2028. This requires:

- fully resourced front and back-office functions.
- fit-for-purpose finance, assets, customer, compliance and corporate systems.
- new IT and digital tools.
- additional regulatory, compliance and performance capability.

- stronger risk, assurance and asset management functions; and
- an orderly transfer from council-provided systems and services.

WSS 2027 will identify and fund the people, systems, digital tools and transition work required to achieve independence. KHWS will engage shareholders early where establishment funding or transitional support is insufficient to meet the timetable.

5. Shared accountability during transition

Until 30 June 2028, delivery of some KHWS obligations will depend on the councils meeting agreed service levels for billing, revenue collection, customer and property services, some finance functions such as payroll, planning information, data, systems and other shared services. These dependencies, standards, costs and accountabilities should be recorded in the Transfer Agreements and supporting service-level arrangements.

While the councils collect water-services revenue as principal, the Transfer Agreements must confirm they will provide enough revenue for KHWS to deliver its Water Services Strategy, comply with regulation and remain financially sustainable. Council charges for shared services are related-party transactions that KHWS must disclose to the Commerce Commission, which is a further reason to document them in service-level agreements.

The councils are also requested to confirm the statutory obligations, bylaws, delegations, iwi or hapū commitments, third-party agreements and existing consultation commitments that KHWS is expected to carry forward. Water-services bylaws should be reviewed jointly, with administration and enforcement delegated to KHWS where appropriate.

Where council information, systems or service performance affects KHWS compliance, customer service, cost or reporting, KHWS will record the effect and raise it through the appropriate governance and shareholder channels.

6. Inherited position and evidence

KHWS will identify inherited compliance issues, asset risks, information gaps and funding shortfalls separately from matters arising after transfer. This distinction will be maintained by the Board, regulatory and shareholder reporting.

KHWS will use the best information available, state material assumptions and confidence levels, and will not present inherited or incomplete information as more reliable than it is. Where inherited LTP or Water Services Delivery Plan assumptions are no longer realistic, KHWS will provide evidence and engage shareholders before recommending a different approach.

7. Reporting and accountability

KHWS will use a “produce once, use often” model. Information prepared for Taumata Arowai, the Commerce Commission, the regional council (as resource consent regulator) and other regulators will be the primary source for corresponding Board and shareholder reporting. Additional reporting will focus on material local matters, including district and scheme performance, finance and treasury, compliance, assets and renewals, capital delivery, customer outcomes, health and safety, strategic risk and establishment progress.

Reporting quality and coverage will improve progressively as KHWS implements its own systems and builds capability. Data gaps and limitations will be disclosed clearly.

8. Water Services Strategy pathway

WSS 2027	Establish the first credible operational, financial, compliance and asset baseline; test inherited assumptions; identify priority compliance and resilience work; and fund the establishment programme to independence.
WSS 2028	Use improved information and KHWS operating experience to reset longer-term service levels, pricing, capital investment, renewals, depreciation funding and the mature operating model.

This Statement will be reviewed annually, through WSS 2027 and WSS 2028, and whenever there is a material change in legislation, regulation, funding, transfer arrangements or the operating environment.

Chair, KHWS Board

Date

Kaikōura Hurunui Water Services Ltd Board

23 November 2026

KHWS Significance and Engagement Policy

Author: Ben Day, Chief Executive (Attendance: Yes)

Significance: Moderate (assessed under the interim HDC policy). Endorsement initiates statutory shareholder and community review; it does not adopt the policy.

Purpose

To seek Board endorsement of the draft KHWS Significance and Engagement Policy for statutory engagement and submission to Hurunui District Council and Kaikōura District Council for shareholder review and approval.

Summary

- KHWS adopted HDC's Significance and Engagement Policy as a practical interim step, giving it a working framework from day one. That policy was made under section 76AA of the Local Government Act 2002 for a district council delivering a wide range of services.
- The Local Government (Water Services) Act 2025 (sections 35 to 38) now requires KHWS to have its own policy, approved by its shareholders, that reflects KHWS's role, services and the new regulatory settings.
- The proposed policy is principles-based and proportionate. It focuses engagement on genuinely significant matters, sets out routine matters that will not normally need engagement, treats strategic assets at system level and records significance in existing reports.
- It also covers matters that are new under the Act: significant contracts and joint arrangements, Water Services Strategy consultation and significant service-level changes, lead roles with the councils, and decisions inconsistent with the policy. It is broadly consistent with the proportionate approach taken by other water services council-controlled organisations (WSCCOs) but relies on judgement and common sense rather than a formal rating scale.

Officer recommendation

That the Board:

1. Endorses the draft KHWS Significance and Engagement Policy for statutory engagement and shareholder review and approval.
2. Notes that the HDC policy was adopted as a practical interim measure, was made under the Local Government Act 2002, and cannot serve as KHWS's enduring policy under the Local Government (Water Services) Act 2025.
3. Notes that approval by Hurunui District Council and Kaikōura District Council, as shareholders, is required before KHWS can formally adopt the policy.
4. Authorises the Chief Executive to make minor drafting and formatting amendments that do not materially alter the policy before it is provided to the shareholders.
5. Notes that the final policy will return to the Board for adoption after the statutory process and shareholder approval are complete.

Reasons for recommendation

- The draft provides a fit-for-purpose KHWS framework, meets the core requirements of the Local Government (Water Services) Act 2025, and establishes a clear process for shareholder review before final Board adoption.

Alternative option considered

Option 1: Continue using HDC's policy

1. Not recommended. The HDC policy was made under the Local Government Act 2002 for a district council. It was not designed to meet sections 35 to 38 of the Local Government (Water Services) Act 2025, does not address significant contracts or joint arrangements, and would add council-style assessment and reporting to routine water-services decisions.

Background

Current position

2. KHWS adopted HDC's Significance and Engagement Policy as a practical interim step, so that it had a working framework from day one. The Local Government (Water Services) Act 2025 now requires a water organisation to prepare and maintain its own policy. The Act allows a flexible, locally appropriate approach, but the proposed policy must be approved by KHWS's shareholders before KHWS can formally adopt it.

Why KHWS needs its own policy

3. HDC's policy was made under section 76AA of the Local Government Act 2002 to support a district council's compliance with that Act. It was adopted on 26 September 2023 and is due for review in December 2027. It was built for a different Act, a different type of organisation and a wider range of services. Using it in the interim was sensible, but it cannot be KHWS's enduring policy. Applying its council-oriented criteria and reporting expectations to KHWS would also add process to routine operational, technical, maintenance, procurement and compliance decisions without improving engagement or accountability.

What's changing from the interim policy

4. The table below summarises the main changes from the interim HDC policy to the proposed KHWS policy, and the reason for each.

Area	Current (HDC policy, interim)	Proposed (KHWS policy)	Why
Legal basis	Local Government Act 2002, section 76AA	Local Government (Water Services) Act 2025, sections 35 to 38	Statutory requirement for water organisations
Scope	All council activities and assets	Water services only, set out by district (Hurunui includes stormwater)	Matches the services KHWS delivers
Assessing significance	Council-wide criteria designed for elected-	Matter judged as a whole against listed factors; no single factor decides	Proportionate; avoids process on routine work

Area	Current (HDC policy, interim)	Proposed (KHWS policy)	Why
	member decision-making		
Routine decisions	General council criteria, not tailored to water operations	Clear list of matters that will not normally need engagement	Certainty for operations and procurement
Strategic assets	Council-wide strategic asset list	Water asset systems listed by district; Board can add assets	System-level view; avoids catching single pipes or parcels
Significant contracts and joint arrangements	Not covered (pre-dates the Water Services Act)	Criteria follow the Act: high value relative to revenue, public-private partnerships, essential matters	New statutory requirement
Water Services Strategy and service levels	Long Term Plan and Annual Plan framework	Consultation on strategic asset transfers and significant service-level changes, led by councils unless they direct KHWS	Matches the new planning framework
Who leads engagement	Not applicable (single organisation)	Lead split between KHWS and councils, with one coordinated process where they overlap	Avoids duplication and mixed messages
Decision records	Council reporting expectations	Short record in the existing report, for significant matters only	Less administration, same accountability
Decisions inconsistent with the policy	Local Government Act provisions	Section 14 of the policy, reflecting section 38 of the Act	Statutory requirement
Approval	Adopted by Council	Shareholder approval, then Board adoption	Required by section 37 of the Act

The proposed KHWS approach

5. The draft policy is deliberately principles-based and proportionate. It focuses engagement on matters with material effects on service availability, quality, reliability, resilience, charges, strategic assets, significant contracts, communities, culture or the environment. Routine operations, approved maintenance and renewals, procurement within delegations, regulatory actions and urgent service restoration would not normally require engagement.
6. Strategic significance generally applies to water systems as a whole rather than automatically to individual pipes, pumps, treatment units or parcels of land. For significant matters, the relevant Board or management report will briefly record the assessment, engagement undertaken, views received and reasons for the decision; a separate significance assessment report is not required.
7. The draft also covers matters that are new under the Act. These include: criteria for significant contracts and joint water service provider arrangements; consultation triggers in

the Water Services Strategy and a definition of a significant service-level change; lead roles and coordinated engagement with the shareholder councils; taking shareholder views into account without repeating their engagement; relying on existing information about community preferences; and how KHWS will handle decisions that are inconsistent with the policy.

Alignment with other WSCCOs

8. At a high level, the draft aligns with the approach emerging across other WSCCOs: engagement should be proportionate to significance, and routine operational, staffing, emergency, legal-compliance and infrastructure-protection decisions may proceed without consultation. These approaches recognise a spectrum of significance and support using engagement methods suited to the affected community.
9. Some WSCCOs have adopted more structured frameworks, such as formal high, medium or low ratings against set criteria. KHWS has intentionally not adopted a formal rating scale. The KHWS draft achieves the same objective through Board and management judgement, supported by clear statutory triggers and decision records. The scope of services also differs between WSCCOs; the KHWS policy covers drinking water and wastewater in both districts, and stormwater in Hurunui.

Legal and policy implications

Statutory process

10. Sections 35 to 38 of the Local Government (Water Services) Act 2025 govern KHWS's Significance and Engagement Policy. Section 37 requires KHWS to engage with its shareholders, consumers, communities and any particular communities identified by shareholders, and to obtain shareholder approval of the proposed policy. Board endorsement at this stage authorises the draft to proceed through that process; it is not final adoption.

Risk assessment

11. The principal risk is adopting a framework that is either procedurally excessive or insufficiently compliant. The draft mitigates this by retaining statutory engagement triggers, strategic-asset and significant-contract provisions, decision records for significant matters, and formal shareholder approval, while excluding routine operational matters from unnecessary consultation. There is also a risk of duplicated engagement between KHWS and the councils; the draft requires the parties to agree roles and use coordinated engagement where responsibilities overlap. Engagement on this policy should also be timed alongside Water Services Strategy 2027 engagement, where practicable, so that communities are not asked twice.

Financial implications

12. The financial implications are summarised below.

Requirement	Explanation
What is the cost?	No material external cost is anticipated. Internal staff time will be required for engagement, shareholder liaison and reporting.
Is this budgeted in the Water Services Annual Budget?	Not a separate budget item. The work is part of KHWS's governance and establishment responsibilities.
Where is the funding coming from?	Existing operating budgets.
Are there any future budget implications?	No material ongoing budget impact. The simpler policy should reduce recurring administrative effort compared with the inherited HDC approach.

Significance and engagement assessment

Requirement	Explanation
Level of significance and rationale	Moderate (assessed under the interim HDC policy). The decision advances a statutory governance policy for external engagement and shareholder approval. It does not itself adopt the policy.
Summary of engagement already undertaken	The draft has been developed through review of the inherited HDC policy, the Local Government (Water Services) Act 2025 and policies adopted by other WSCCOs.
What future engagement is required?	Engagement with HDC and KDC as shareholders, consumers and communities, and any particular communities identified by shareholders. A coordinated process should be agreed with the councils to avoid duplication.
Consideration of mana whenua?	Yes. The draft recognises mana whenua interests and provides for proportionate engagement on matters with significant cultural, environmental or community impacts. The statutory engagement process will include the relevant Rūnanga in each district and any particular communities identified by shareholders.

Next steps

Date	Action	Detail
Following Board endorsement	Prepare engagement package	Make any minor drafting amendments and confirm the coordinated process with HDC and KDC.
December 2026 to early 2027	Statutory engagement	Engage shareholders, consumers, communities and identified particular communities, aligned with Water Services Strategy 2027 engagement where practicable.
Following engagement	Shareholder approval	Submit the proposed policy and engagement summary to HDC and KDC for approval.
Following shareholder approval	Final adoption	Return the approved policy to the KHWS Board for formal adoption and commencement.

Appendices

Appendix 1: Draft KHWS Significance and Engagement Policy

References

The following background information informed the report:

Document name	Location
Local Government (Water Services) Act 2025, sections 35 to 38	New Zealand Legislation
HDC Significance and Engagement Policy	Background reference
Significance and engagement policies of other WSCCOs	Benchmark policies

POLICY

DRAFT Significance and Engagement Policy

A simple framework for deciding when and how KHWS engages with consumers and communities

Policy status | Draft amended for Board consideration and shareholder approval. Effective date to be confirmed.

Document control	
Policy owner	Chief Executive
Approval authority	KHWS Board, following approval of the proposed policy by the shareholder councils under section 37 of the Act
Effective date	To be confirmed
Review cycle	Every three years, or earlier if required
Applies to	KHWS decisions relating to water services
Related documents	Water Services Strategy; Statement of Expectations; Delegations Policy

1. Purpose

This policy explains how Kaikōura Hurunui Water Services Limited (KHWS) determines the significance of a matter and decides whether, when and how to engage with consumers and communities.

It is intended to meet sections 35 to 38 of the Local Government (Water Services) Act 2025 (the Act) through a practical and proportionate approach suitable for KHWS.

2. KHWS service area and responsibilities

This policy applies to KHWS decisions about the following services:

Hurunui District	Kaikōura District
Drinking water Wastewater Stormwater	Drinking water Wastewater

3. Principles

- Make decisions transparently and in good faith.
- Engage early where engagement will assist decision-making.
- Use an approach proportionate to the significance of the matter.
- Recognise the interests and engagement preferences of consumers and communities.
- Work with the shareholder councils to avoid duplicated or inconsistent engagement.
- Recognise the interests of mana whenua in the planning and delivery of water services.

- Avoid unnecessary consultation on routine operational matters.
- Explain significant decisions and how relevant feedback was considered.

Engagement does not require consensus. Final decisions remain with KHWS or its shareholder councils, as provided by law.

4. Engagement with mana whenua

KHWS recognises the interests of mana whenua in the management and delivery of water services. KHWS will maintain constructive relationships with mana whenua and engage on matters that may have significant cultural, environmental or community impacts. The nature and extent of engagement will be proportionate to the significance of the matter.

5. Deciding whether engagement is required

KHWS will consider the matter as a whole. Engagement will normally be considered where a proposal may:

- materially affect the availability, quality, reliability, resilience or level of a water service;
- have a significant or widespread impact on consumers or communities;
- result in a material change to customer charges or affordability;
- involve the ownership or control of a strategic water services asset;
- involve a significant contract or significant joint water service provider arrangement under the Act;
- materially depart from the Water Services Strategy, approved budget or previous engagement;
- have significant cultural or environmental impacts; or
- require engagement under legislation or at the direction of the shareholder councils.

No single factor determines significance. The scale and form of engagement will reflect the nature, scale, cost, duration, reversibility and likely public interest of the proposal.

6. Matters that will not normally require engagement

Engagement will not normally be required for:

- routine operational, administrative, staffing or technical decisions;
- maintenance, renewals and capital works already provided for in an approved strategy, programme or budget;
- procurement within approved budgets and delegations, unless it is a significant contract under the Act;
- actions required to meet legal, regulatory, health or safety obligations;
- emergency response and urgent work needed to maintain or restore services;
- routine property, easement and land transactions that do not involve a strategic asset; or
- matters where engagement would prejudice privacy, security, legal proceedings or commercial negotiations.

KHWS may still provide information to affected people where that would be useful.

7. How KHWS will engage

KHWS will use the simplest effective method for the matter and affected audience. This may include website information, direct customer communications, written or online feedback, surveys, meetings, drop-in sessions, hui or targeted discussions.

KHWS will consider known community preferences, use plain language and provide reasonable information about the proposal, its likely effects and how feedback can be provided. No particular method is mandatory unless legislation requires it.

In deciding how to engage, KHWS will have regard to any relevant engagement preferences previously expressed by affected consumers or communities. KHWS may rely on existing information about those preferences and is not required to seek them afresh for each decision.

8. Roles of KHWS and shareholder councils

KHWS will generally lead engagement on operational water service matters, customer matters, projects, infrastructure investment, significant contracts and preparation of the Water Services Strategy.

The shareholder councils will generally lead where legislation requires shareholder consultation, a shareholder decision or approval is required, or the matter concerns ownership or control of a strategic water services asset. The councils may direct KHWS to undertake engagement on their behalf where permitted.

Where responsibilities overlap, KHWS and the councils will agree the lead organisation, the respective roles and, where practicable, a single coordinated engagement process.

Where a shareholder council has expressed a view on a matter, KHWS will take that view into account alongside relevant consumer and community views. This does not require KHWS to repeat engagement already undertaken by a shareholder council or to consult again on options that are no longer reasonably available.

9. Significant contracts and joint arrangements

When deciding whether a proposed contract is a significant contract, KHWS will consider the matters required by the Act, including:

- whether the contract is of high value relative to the revenue KHWS receives from providing the water service to which the contract relates;
- whether the contract would create a public-private partnership;
- whether the contract concerns matters essential to KHWS's ability to meet its obligations under the Act for the relevant water service;
- any thresholds relevant under the Act;
- the contract's value and duration;
- its effect on consumers, customer charges and service levels;
- its importance to service continuity, public health, compliance and resilience;
- the financial, operational and performance risks; and
- whether it materially changes how a service is provided or would be difficult or costly to reverse.

When deciding whether a proposed joint water service provider arrangement is significant, KHWS will consider its scale and duration, effects on consumers and charges, importance to service delivery and compliance, allocation of control and risk, reliance on another provider, and reversibility.

If a proposed contract or joint water service provider arrangement is significant, KHWS will follow the decision-making, engagement and public-information requirements of the Act, including sections 31 and 32 where applicable.

10. Strategic water services assets

A strategic water services asset is an asset or group of assets essential to KHWS's ability to continue providing a water service. Strategic significance usually applies to an asset system as a whole, rather than to individual pipes, pumps, treatment units, parcels of land or other components.

Hurunui District	Kaikōura District
Drinking water networks and treatment systems Wastewater collection, treatment and disposal systems Stormwater networks and associated infrastructure	Drinking water networks and treatment systems Wastewater collection, treatment and disposal systems

The Board may identify an individual asset or another asset group as strategic where its transfer, disposal or loss would materially affect KHWS's ability to provide a water service. KHWS will update this policy's strategic asset schedule as required.

11. Water Services Strategy and service-level changes

KHWS will apply this policy when preparing or amending its Water Services Strategy.

Public consultation will be undertaken as required by the Act for a proposal in the Water Services Strategy to:

- purchase, sell or otherwise transfer ownership or control of a strategic water services asset; or
- make a significant change to the level of service provided for a water service.

For this policy, a service-level change is significant where it would materially change the availability, quality, reliability, resilience, affordability or performance of a water service for a substantial group of consumers or a community.

The shareholder councils will undertake this consultation unless they direct KHWS to do so, as permitted by the Act.

12. Urgent decisions

KHWS may make a decision without prior engagement where urgent action is needed to protect public health or safety, maintain or restore services, respond to an emergency, comply with a legal or regulatory requirement, or avoid material additional cost, risk or disruption.

Where appropriate, KHWS will provide information after the decision and explain why prior engagement was not practicable.

13. Decision records

For matters assessed as significant, the relevant Board or management report will briefly record:

- the significance assessment;
- who was affected or engaged and the method used;
- the main views received and how they were considered;
- whether KHWS or a shareholder council led the engagement; and
- the reasons for the decision.

A separate significance assessment report is not required.

14. Decisions inconsistent with this policy

If a KHWS decision is significantly inconsistent with this policy, or is expected to have significantly inconsistent consequences, KHWS will clearly identify the inconsistency, the reasons for it and whether the policy should be amended.

15. Adoption, review and amendment

In preparing this policy, KHWS will engage with its shareholder councils, consumers, communities and any particular communities identified by the shareholders, and will obtain shareholder approval as required by the Act.

KHWS and the shareholder councils will work together to identify overlapping matters, agree their respective roles and minimise unnecessary duplication and inconsistency between their policies.

KHWS may amend this policy at any time and must amend it if its responsibility for water services changes. Amendments will follow the engagement and approval requirements of the Act. KHWS may rely on existing information about consumer and community interests and preferences where the Act permits.

16. Definitions

Term	Meaning
Act	Local Government (Water Services) Act 2025.
Engagement	A process for providing information, seeking views or involving affected people before a decision. It includes, but is not limited to, formal consultation.
KHWS	Kaikōura Hurunui Water Services Limited.
Mana whenua	Māori who have customary authority in relation to the relevant area.
Shareholder councils	Hurunui District Council and Kaikōura District Council.
Strategic water services asset	An asset or asset system essential to KHWS's ability to continue providing a water service.

Kaikōura Hurunui Water Services Ltd Board

23 November 2026

Kaikōura Hurunui Water Services 03 660 4803

October 2026 Financial Report

Author	Tom Palmer, Chief Financial Officer
Reviewed by	Ben Day
Significance	Medium

Purpose

The purpose of this report is to present the financial performance, balance sheet position, reforecast and cash flow outlook of Kaikōura Hurunui Water Services Ltd (KHWS) for the four months ended 31 October 2026.

Summary

- Year-to-date revenue was $6.1 million against budget of $7.3 million, an adverse variance of $1.2 million, mainly due to lower other income and tariff revenue.
- Year-to-date expenditure was $5.0 million against budget of $8.9 million. This favourable variance is materially affected by depreciation of approximately $2.9 million and interest of approximately $1.1 million not yet being recorded.
- The reported year-to-date surplus was $1.1 million compared with a budgeted deficit of $1.7 million. On an EBITDA basis, performance is approximately $1.1 million behind budget.
- The prudent full-year reforecast is a deficit of approximately $7.1 million compared with the budgeted deficit of approximately $4.9 million. The principal drivers are $1.6 million lower revenue and approximately $0.6 million higher people costs, partly offset by other net savings.
- Full-year capital expenditure is forecast at approximately $5.2 million compared with the $13.4 million budget. Delivery remains dependent on access to finance and confirmation of project-level drivers.
- The October balance sheet shows a healthy bank position following a GST refund, but accrued revenue and council-related accruals remain incomplete and require follow-up.

Officer recommendation

That the Board:

1. receives the October 2026 financial report and notes the year-to-date performance, full-year reforecast, cash flow outlook and outstanding month-end adjustments; and
2. approves the cash-flow forecast, including forecast borrowing/funding requirements.

Background

Year-to-date financial performance

1. For the four months to 31 October 2026, revenue was $6.1 million, $1.2 million below budget. The key adverse variances were other income of approximately $1.0 million and tariff revenue of approximately $0.2 million. Other income was affected by no vested asset income being recognised and minimal development contributions invoiced. Expenditure was $5.0 million, $3.9 million below budget, largely because depreciation and interest had not

yet been posted. Wages and salaries were approximately $0.3 million adverse, reflecting lower capitalisation and lower staff recharges to Hurunui District Council.

Full-year reforecast and cash flow outlook

2. The full-year reforecast reduces revenue to approximately $20.3 million from a budget of $21.9 million and increases expenditure to approximately $27.4 million from $26.8 million. This produces a forecast deficit of approximately $7.1 million. The cash flow forecast indicates an ongoing reliance on timely tariff transfers, funding and active management of council recharges and capital delivery. The HDC funds-flow forecast shows the borrowing balance increasing from $76.5 million in November 2026 to approximately $89.4 million by December 2027 under the assumptions used in the presentation.

Legal and policy implications

Legal and policy considerations

3. No specific legal or policy decision is sought through this report. The Board should note that the reported position remains subject to completion of post transfer agreement adjustments, including depreciation and interest. There are also outstanding council recharges and accrued revenue. Financial reporting and forecasting will continue to be refined as KHWS establishes its standalone processes and confirms the timing of funding and capital delivery.

Risk Assessment

4. Key risks are: incomplete council recharges and accruals; delay in recognising tariff and other income; uncertainty over project timing and capital financing; and the possibility that the prudent reforecast changes as missing transactions are identified. These risks may affect the reported deficit, working capital and borrowing requirement.

Financial implications

5. The current reforecast indicates a full-year deficit of approximately $7.1 million, around $2.3 million adverse to budget, and capital expenditure of approximately $5.1 million, around $8.3 million below budget. Management will continue monthly reconciliation of council transactions, update the forecast as assumptions are confirmed and report material movements to the Board.

Significance and engagement assessment

Requirement	Explanation
Level of significance and rationale	Low - This report is for monitoring and oversight. No material strategic decision or change in service level is proposed.

Next steps

Date	Action	Detail
December 2026	Complete post transfer agreement adjustments	Record depreciation and interest; reconcile council recharges, tariff revenue and accrued income.
Monthly	Refresh forecast and cash flow	Update the reforecast for actual results, confirmed project timing, funding availability and council transactions.
Next Board reporting cycle	Report material changes	Provide the Board with the updated financial position and explain material movements against this reforecast.

Appendices

Appendix 1 2026-11-18 KHWS Financial Reports for the period to October 2026.pptx

FINANCIAL REPORTS

KHWS

October 2026

EXECUTIVE SUMMARY

	YTD (4 months to 31 Oct)			Full year 2026/27			What is driving it
	Actual	Budget	Better / (worse)	Reforecast	Budget	Better / (worse)	
	$m	$m	$m	$m	$m	$m	
Revenue	6.1	7.3	**(1.2)**	20.3	21.9	**(1.6)**	Full year: other income -$1.3m (speculative income removed; vested assets, development contributions, HDC recharges); tariffs -$0.3m (Kaikoura stormwater, underestimate). YTD: other income -$1.0m.
Total expenditure	5.0	8.9	**3.9**	27.4	26.8	**(0.6)**	YTD: depreciation ($2.9m) and interest ($1.1m) not yet recorded; other costs $0.1m under. Full year: people costs +$0.6m (unbudgeted staff, lower HDC recharges, lower capex, $0.2m to be analysed), operating -$0.2m.
Surplus / (deficit)	1.1	(1.7)	**2.7**	(7.1)	(5.0)	**(2.2)**	YTD surplus reflects unrecorded depreciation and interest: EBITDA is $1.3m vs $2.4m budget. Full-year deficit widens $2.2m: revenue -$1.5m, people costs -$0.8m, other savings +$0.1m.
Capex	1.2	4.5	**3.3**	5.2	13.4	**8.2**	$3.4m behind budget YTD. Based on current rates, capex for the full FY is estimated to be $5.1m. The actual capex will depend on access to finance and project level drivers to be confirmed.

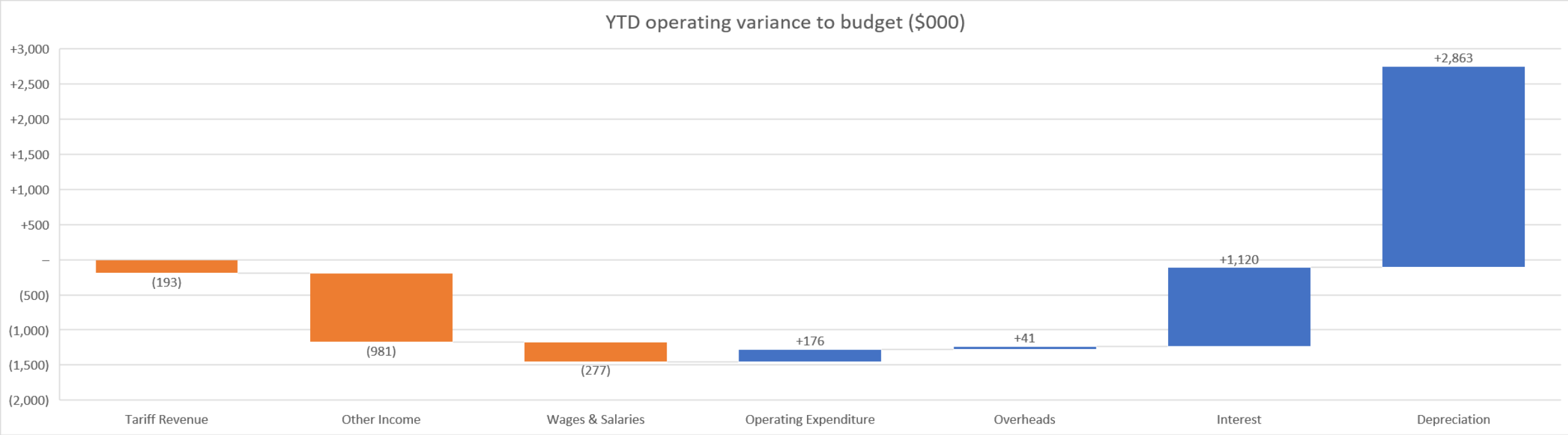
Year to date: revenue is $1.2m behind budget; surplus reflects unrecorded depreciation and interest – on an EBITDA basis we are $1.2m behind.
Full year: reforecast deficit of $7.1m vs $4.9m budget – a prudent view that includes a provision for missing council recharges.
Capex: now forecast at $4.8m vs $13.4m budget.

OCTOBER PERFORMANCE

KHWS

	MONTH								YTD									
	Act	Bud	Act	Bud	Act	Bud	Act	Bud	Act	Bud	Act	Bud	Act	Bud	Act	Bud	Var
	Hurunui		Kaikoura		Corporate		Total		Hurunui		Kaikoura		Corporate		Total		
Operating Statement	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
REVENUE																	
Total Tariff Revenue	1,757	1,221	1,053	310	-	5	**2,810**	**1,537**	4,900	4,885	1,053	1,240	-	21	5,953	6,146	(193)
Total Other Income	-	247	6	10	-	29	**6**	**286**	139	989	23	40	2	116	164	1,145	(981)
TOTAL REVENUE	**1,757**	**1,469**	**1,059**	**320**	**-**	**34**	2,816	1,823	**5,039**	**5,874**	**1,076**	**1,280**	**2**	**137**	**6,117**	**7,291**	**(1,174)**
EXPENDITURE																	
Total Employment Benefits	134	231	14	-	218	53	**366**	**284**	510	925	59	-	843	210	1,412	1,136	277
Total Operating Expenditure	979	473	152	120	(89)	36	**1,042**	**629**	1,758	1,891	523	482	58	143	2,340	2,516	(176)
Total Overheads	36	233	14	153	509	(60)	**559**	**327**	77	933	15	613	1,173	(239)	1,266	1,307	(41)
Total Interest	-	-	-	-	-	280	**-**	**280**	-	-	-	-	-	1,120	-	1,120	(1,120)
Total Depreciation	-	504	-	193	-	19	**-**	**716**	-	2,014	-	772	-	77	-	2,863	(2,863)
TOTAL EXPENDITURE	**1,150**	**1,441**	**180**	**467**	**638**	**328**	1,967	2,235	**2,346**	**5,764**	**598**	**1,866**	**2,075**	**1,311**	**5,018**	**8,941**	**(3,924)**
Operating Surplus (Deficit)	**607**	**27**	**879**	**(147)**	**(638)**	**(294)**	849	(413)	**2,694**	**110**	**478**	**(587)**	**(2,072)**	**(1,174)**	**1,099**	**(1,651)**	**2,750**
Total EBITDA	**607**	**531**	**879**	**46**	**(638)**	**6**	849	583	**2,694**	**2,124**	**478**	**185**	**(2,072)**	**23**	**1,099**	**2,332**	**(1,233)**
Capex																	
Total Capex	**200**	**1,020**	**113**	**85**	**-**	**10**	313	1,116	**829**	**4,082**	**247**	**341**	**99**	**40**	**1,174**	**4,463**	**(3,289)**

ANALYSIS OF YTD VARIANCE



Heading	Impact ($000)	Commentary
Tariff Revenue	(193)	Below budget; uncollected Kaikoura revenue and reduction in Kaikōura tariff revenue.
Other Income	(981)	No vested asset income collected (c$600k budget) and minimal DCs invoiced (c$300k budgeted).
Wages & Salaries	(277)	Less being charged to Capex ($100k), less recharged to HDC ($50k), unbudgeted heads and other ($120k)
Operating Expenditure	+176	Below budget across all four activities in various GLs
Overheads	+41	
Interest	+1,120	No interest recharge to date as the loan is yet to transfer. Expect back-date charges post transfer agreement.
Depreciation	+2,863	No depreciation charge to date since the assets are yet to transfer. Expected post transfer agreement.
Operating result variance	+2,750	Favourable reported variance is driven by unrecorded interest and depreciation; EBITDA remains below budget.
EBITDA (separate subtotal)	(1,233)	Excludes interest and depreciation. Predominantly other income with some missing tariuff revenue.
Capex (separate)	+3,289	Rate of projects opurposely slowed as we estableish the operations and funding mechanism.

OCTOBER BALANCE SHEET

	31 Oct 2026
Assets	**$'000**
Bank	
Kaikoura Hurunui Water Services Limited	211
Total Bank	**211**
Current Assets	
Accrued revenue	2,012
Prepayments	25
Total Current Assets	**2,037**
Fixed Assets	
WIP / Capex	1,174
Motor Vehicles	4
Total Fixed Assets	1,178
Total Assets	**3,426**
Liabilities	
Current Liabilities	
Accounts Payable	1,269
Accruals - general	913
GST	(67)
Holding Account - Hurunui District Council	267
Sundry Creditors	38
Wages Suspense Account	52
Total Current Liabilities	**2,472**
Total Liabilities	**2,472**
Net Assets	**954**
Equity	
Current Year Earnings	1,099
Retained Earnings	(145)
Total Equity	**954**

Notes

- Bank balance is healthy due to a recent GST refund
- Accrued revenue is high due to missing income for Ashley / Waimak residents and October tariff revenue for both regions
- Motor vehicles include a recently purchased trailer
- Accounts payable is in line with our monthly payment run - minimal overdue creditors
- Accruals is missing costs from councils – predominantly Hurunui electricity and also one month of IWK.
- Sundry creditors include the audit fee accrual – this is an adjustment for the 30 June numbers
- Wages suspense account is one month PAYE due
- Retained earnings has increased from the previously reported $106k deficit as at 30 June 2026 due to the above audit fee accrual

HIGH LEVEL REFORECAST 2026/27

KHWS	Annual Plan	Revised Total	Variance to Budget
	2026/27	2026/27	
	Budget	Revised	Var
	Total	Total	Total
Operating Statement	$'000	$'000	$'000
REVENUE			
Total Tariff Revenue	18,438	**18,186**	**(252)**
Total Other Income	3,434	**2,118**	**(1,316)**
TOTAL REVENUE	**21,872**	**20,305**	**(1,568)**
EXPENDITURE			
Total Employment Benefits	3,407	**4,001**	**594**
Total Operating Expenditure	7,548	**7,582**	**34**
Total Overheads	3,920	**3,879**	**(41)**
Total Interest	3,360	**3,360**	**-**
Total Depreciation	8,590	**8,590**	**-**
TOTAL EXPENDITURE	**26,824**	**27,411**	**586**
Operating Surplus (Deficit)	**(4,952)**	**(7,106)**	**(2,154)**
Total EBITDA	**6,997**	**4,843**	**(2,154)**
Capex			
Total Capex	**13,388**	**5,174**	**(8,214)**

VARIANCE TO BUDGET

Please note the following:

- This is a prudent reforecast
- There are likely to be missing recharged costs from councils – I have included a provision for these in the forecasts
- Where an estimated income was speculative, I have excluded or reduced. This is the main reason for the reduction in other revenue
- The additional people costs expected overspend to be analysed is likely to include project managers time not yet recharged to specific projects (due to the slow roll out). The staff recharges to HDC is also lower than expected

	$'000
Budget Surplus / (Deficit)	**(4,952)**
Tariff Revenue	**(252)**
Storm water Kaikoura	*(154)*
General underestimate in tariffs	*(98)*
Other revenue	**(1,316)**
Vested assets - reduction	*(468)*
DCs in KK	*(27)*
Recoveries in KK	*(97)*
DCs in H - prudently reducing	*(457)*
Reduction HDC recharges	*(267)*
People Costs	
People costs (CFO &	**(594)**
Unbudgeted Finance staff	*(191)*
HDC overcharge	*(150)*
Unbudgeted H&S head	*(43)*
Other (to be analysed)	*(210)*
Other net savings	**9**
Revised Surplus / (Deficit)	**(7,106)**

CASH FLOW FORECAST

	Nov-26	Dec-26	Jan-27	Feb-27	Mar-27	Apr-27	May-27	Jun-27	Jul-27	Aug-27	Sept-27	Oct-27	Nov-27	Dec-27
CASH FLOW FORECAST	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
REVENUE														
Tariff Revenue	-	1,025	-	-	1,025	-	-	1,025	-	-	1,055	-	-	1,055
Other Income	-	-	-	-	-	-	-	-		-	-	-	-	-
	-	**1,025**	**-**	**-**	**1,025**	**-**	**-**	**1,025**	**-**	**-**	**1,055**	**-**	**-**	**1,055**
EXPENDITURE														
Employment Benefits	(312)	(319)	(326)	(326)	(326)	(326)	(326)	(326)	(336)	(336)	(336)	(336)	(336)	(336)
Operating Expenditure	(753)	(753)	(753)	(753)	(753)	(753)	(753)	(753)	(776)	(776)	(776)	(776)	(776)	(776)
Overheads	(538)	(538)	(538)	(538)	(538)	(538)	(538)	(538)	(555)	(555)	(555)	(555)	(555)	(555)
Capex	(575)	(575)	(575)	(575)	(575)	(575)	(575)	(575)	(592)	(592)	(592)	(592)	(592)	(592)
	(2,179)	**(2,186)**	**(2,193)**	**(2,193)**	**(2,193)**	**(2,193)**	**(2,193)**	**(2,193)**	**(2,259)**	**(2,259)**	**(2,259)**	**(2,259)**	**(2,259)**	**(2,259)**
OTHER														
GST	(0)	(316)	128	262	(316)	128	262	(316)	128	269	(327)	132	269	(327)
HDC	2,000	1,500	2,100	1,900	1,500	2,100	1,900	1,500	2,100	2,000	1,600	2,100	2,000	1,500
	2,000	**1,184**	**2,228**	**2,162**	**1,184**	**2,228**	**2,162**	**1,184**	**2,228**	**2,269**	**1,273**	**2,232**	**2,269**	**1,173**
Movement	**(179)**	**22**	**35**	**(31)**	**15**	**35**	**(31)**	**15**	**(30)**	**10**	**70**	**(27)**	**10**	**(30)**
Opening balance	**211**	**33**	**55**	**90**	**59**	**74**	**109**	**78**	**93**	**63**	**73**	**143**	**116**	**126**
Closing balance	**33**	**55**	**90**	**59**	**74**	**109**	**78**	**93**	**63**	**73**	**143**	**116**	**126**	**96**

HDC FUNDS FLOW FORECAST

	Nov-26	Dec-26	Jan-27	Feb-27	Mar-27	Apr-27	May-27	Jun-27	Jul-27	Aug-27	Sept-27	Oct-27	Nov-27	Dec-27
TRANSACTIONS WITH HDC	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
REVENUE														
Tariff Revenue	4,204	-	-	4,204	-	-	4,204	-	-	4,330	-	-	4,330	-
Other Income	231	-	-	231	-	-	231	-	-	237	-	-	237	-
	4,435	**-**	**-**	**4,435**	**-**	**-**	**4,435**	**-**	**-**	**4,568**	**-**	**-**	**4,568**	**-**
EXPENDITURE														
Overhead recharges	(141)	(141)	(141)	(141)	(141)	(141)	(141)	(141)	(141)	(141)	(141)	(141)	(141)	(141)
Interest	-	(1,680)	(286)	(295)	(287)	(294)	(303)	(296)	(303)	(312)	(304)	(312)	(321)	(313)
TRANSFERS	(2,000)	(1,500)	(2,100)	(1,900)	(1,500)	(2,100)	(1,900)	(1,500)	(2,100)	(2,000)	(1,600)	(2,100)	(2,000)	(1,500)
Movement	**2,293**	**(3,321)**	**(2,527)**	**2,098**	**(1,929)**	**(2,536)**	**2,090**	**(1,937)**	**(2,544)**	**2,114**	**(2,046)**	**(2,553)**	**2,105**	**(1,955)**
Opening balance	**(267)**	**2,027**	**(1,295)**	**(3,822)**	**(1,724)**	**(3,653)**	**(6,188)**	**(4,099)**	**(6,036)**	**(8,580)**	**(6,466)**	**(8,512)**	**(11,065)**	**(8,960)**
Closing balance	**2,027**	**(1,295)**	**(3,822)**	**(1,724)**	**(3,653)**	**(6,188)**	**(4,099)**	**(6,036)**	**(8,580)**	**(6,466)**	**(8,512)**	**(11,065)**	**(8,960)**	**(10,915)**

	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Loan	78,500													
Interest	4.30%													
Balance	76,473	79,795	82,322	80,224	82,153	84,688	82,599	84,536	87,080	84,966	87,012	89,565	87,460	89,415

KHWS Hurunui Operations Monthly Report

October 2026 | Water supply, wastewater and stormwater

REPORT PURPOSE	PREPARED BY	REPORTING PERIOD	OVERALL STATUS
For noting and feedback	Operations	October 2026	RED

Recommendation

That the Board receives and notes the October 2026 Operations Report, the material operational risks and action tracker, and the November priorities. Risk-action updates include developments advised up to 16 November 2026; outstanding confirmations are identified in this working draft.

Executive view

Key achievements

- The majority of planned maintenance programmes were delivered, with essential services maintained and response targets achieved despite resource pressures.
- Significant progress was made in financial reconciliation, improving expenditure accuracy, transparency and financial oversight.
- No serious injuries or major safety incidents were reported, with continued focus on safe working practices.
- Progress continued on operational systems, asset management and process improvements, strengthening service reliability and efficiency.

Key risk movements

- Balmoral: TA meeting scheduled for 20 November to progress an exemption application supporting the Mixed Use Rural Acceptable Solution. Approval remains outstanding.
- Cheviot: filter purchased and flanges installed; delivery is approximately four months away. River diversion remains constrained by flow conditions and contractor availability.
- Budget constraints: detailed Cheviot source investigations, Cheviot WWTP desludging and deferred capital priorities will be planned through the Water Services Strategy.
- Capacity and safety: four missed FAC/pH checks remain outstanding; interviews are complete and an offer is being made.

Service status

WATER SUPPLY | RED	WASTEWATER | RED	STORMWATER | GREEN
R02, R14	R06, R11	

October routine and reactive work at a glance

20 / 9 Stormwater inspections completed / planned	**129/0** E. coli monitoring, 0 transgressions	**69 / 64** Wastewater maintenance visits completed / planned	**27 / 16** Stormwater samples collected / planned	**155** Electrical/telemetry reactive and routine tasks completed	**116** Water leaks repaired
55 Water pump-station maintenance activities completed	**90 / 90** Water Treatment Plant Inspections	**80 / 84** Reticulation FAC/pH monitoring site inspections	**21 / 18** Reservoir inspections completed / planned	**5,697 h / 21.5 d** Hours worked / sick-leave	**65,322** Vehicle kilometres travelled (28 vehicles)

1. Service assurance

A total of 205 service requests were received in October: 194 water, three stormwater and eight wastewater. Reported water and urgent wastewater response and resolution times met the targets below; non-urgent water times are measured in business days.

WATER SUPPLY | GREEN	WASTEWATER | GREEN	STORMWATER | GREEN
What went well • Drinking-water quality remained stable, with no E. coli transgressions and all reported monthly T3 compliance measures achieved. • Treatment reliability improvements progressed, including resolution of Waiau Town communications issues, Hurunui #1 control system testing and Kowai's preparation for summer. • Waiau Town's Water Safety Plan was completed and submitted. **What we are watching** • Water demand across the district is expected to increase with the forecast El Niño conditions. A targeted social media campaign is planned to encourage responsible water use and manage summer demand. • A treatment officer has resigned after 15 years of service. Recruitment is underway to restore team capacity and maintain scheduled monitoring and maintenance programmes.	**What went well** • Completed 69 visits: 57 regular, six reactive and six reticulation-maintenance activities; all eight planned samples collected. • CCTV inspected 3,775.54 m. Pumps were replaced at Burkes and High Street; James Avenue valve/Y-piece work was completed. • Three urgent requests: response 15 minutes and resolution 2 hours 15 minutes, within report targets. **What we are watching** • Eight service requests, seven complaints and three dry-weather overflows were reported. • CCTV defects and cleaning requirements remain operational follow-up items. Cheviot desludging will be planned through the Water Services Strategy; Amberley's upgrade remains unresolved.	**What went well** • Routine maintenance and inspection programmes progressed well, with activities exceeding monthly targets. • Drainage improvements were undertaken across the district, including vegetation clearance, drain cleaning and excavation works at Dock Creek and Waipara. • The first monitoring round under the new stormwater network discharge consent was undertaken, with sampling completed where site conditions permitted. **What we are watching** • Some sampling sites were dry; sample totals alone do not establish all consent requirements were met. • Further Dock Creek and Rippingale Swale excavation depends on suitable ground conditions.

Monthly service results

Measure	October result	Target / reference	Status	Comment
T3 compliance: 14 supplies	100%	100%	**GREEN**	T3.86 and T3.17 only. These two monthly measures do not establish compliance with the full rule set.
T2 compliance: 4 supplies	Balmoral: T2.2 not met	100%	**RED**	Balmoral T2.2 not met (plant not upgraded); all other reported T2 requirements met. Monthly subset only.
Urgent water-fault response	2.02 h	Target <= 3 h	**GREEN**	Reported response is within the approved three-hour target.
Urgent water-fault resolution	3.25 h	Target <= 4 h	**GREEN**	Reported resolution is within the approved four-hour target.
Non-urgent water response	0.52 business days	Target <= 4 business days	**GREEN**	Reported response was within the four-business-day target.
Non-urgent water resolution	0.68 business days	Target <= 10 business days	**GREEN**	Reported resolution was within the ten-business-day target.
Urgent wastewater response	15 minutes	Target <= 2 h	**GREEN**	Three urgent wastewater requests; reported response is 0.25 hours.
Urgent wastewater resolution	2 h 15 min	Target <= 8 h	**GREEN**	Three urgent wastewater requests; reported resolution is 2.25 hours.
Abatement/, Infringement, Enforcement notices received from regulators	0	0	**GREEN**	No abatement, infringement or enforcement notices were received in October.
Wastewater dry-weather overflows	3	0	**RED**	All three reported sewer overflows occurred in dry weather.
Habitable floors flooded	0	0	**GREEN**	No habitable-floor flooding was reported in October.
Customer complaint rate	W 14.68; WW 2.33; SW 0.75	Per 1,000 connections	**INFO**	Per 1,000 connections. Water rate supplied; wastewater: 7 / 3,000 x 1,000; stormwater: 3 / 4,000 x 1,000. No target assigned here.

Operations systems and support

2. Business process improvement and CCO transition — GREEN

October delivery and assurance

• DATRAN maintenance checks cleared 11 system errors. The report records 23 critical-alarm activations, not necessarily 23 separate incidents.

• Waiau Town communications appear resolved after an equipment upgrade. Hurunui #1 PLC factory acceptance testing was completed before site implementation.

• CCTV inspection increased to 3,775.54 m. Service-request totals are reconciled at 205; three overflows are confirmed as dry-weather events.

• October dashboard/Power BI delivery and the month-end open/overdue job position remain to be confirmed.

November programme:

• Complete Datran cloud migration during November. Cellular installations are progressing as electrician capacity permits; Mt Alex investigation remains a planned action.

• GetHomeSafe alerts have been tested, all above-ground assets entered and the risk assessment completed. Operational testing can begin in late November.

• Interviews for the treatment vacancy are complete and an offer is being made. Four missed FAC/pH checks remain outstanding.

• Cones Road commissioning remains on track for 4 December 2026.

• Begin technical and safety SOP review and updates

3. Financial — GREEN

In early November, a reconciliation of purchase orders was completed to ensure expenditure was allocated to the correct accounts. Of the 657 transactions reviewed, 207 coding corrections were identified, representing approximately $594,000 in expenditure requiring reallocation for the July to November 2026 period. This includes approximately $32,700 requiring transfer from Kaikoura to Hurunui cost centres.

While some journal adjustments are still to be completed, the current direct operational expenditure position is as follows:

Activity	Expenditure to date	Annual budget spent
Water	$1,144,827	27.50%
Wastewater	$223,660	22.30%
Stormwater	$137,934	16.70%

These figures exclude vehicle costs, electricity, rates, depreciation, insurance and corporate costs.

4. Operational Health & Safety — AMBER

Risk assessments and training

Operational staff completed 452 site risk assessments during October, including 65 involving multiple people on site. First-aid refresher training totalled 16 person-hours across two attendees; no additional training was reported.

Incidents and corrective actions

One near miss and one incident involving a vehicle becoming stuck in a berm were reported. Injury/lost-time classification and the near-miss details remain to be confirmed. Electrical testing following the September Kings Road winch-controller fire has been completed.

Safety systems and field delivery

GetHomeSafe alerts have been tested, all above-ground assets entered and the risk assessment completed. Operational testing can begin in late November 2026.

Vehicle exposure and reported workforce hours

The 28 vehicle records total 65,322.4 km; diggers, side-by-sides and other non-vehicle assets are excluded. 159 overspeed events were recorded, including nine high-category alerts.

Operational compliance, risks and November programme

5. Operational and compliance risk register

Service affected	Risk and operational impact	Mitigation / current controls	Residual risk
R01 | Water supply	Water-take consent and reporting compliance. Meter verification and scheme-specific consent actions remain open.	ECan updated on verification progress and automation reporting	LOW
R02 | Water supply	Balmoral treatment compliance. The acceptable-solution pathway and supplier-duty exposure remain unresolved against the existing 31 December 2026 commitment.	Update as at 16 November: TA meeting booked for 20 November to progress the exemption application. Approval, conditions and decision date are not confirmed; existing controls remain necessary. See A02.	HIGH
R03 | Water supply	Cheviot source resilience. Elevated source turbidity remains a recurrence risk while additional filtration and river diversion are incomplete.	Filter flanges installed and filter purchased; approximately four-month delivery estimate. Diversion remains flow/contractor dependent. Detailed alternative-source investigations will be completed through the Water Services Strategy because budgets are insufficient. See A03a–A03c.	MEDIUM
R04 | Water supply	Water Safety Plans. Amberley upgrade amendments and remaining KHWS template changes are outstanding.	Waiau Town plan submitted in October; all 21 source plans current. Amberley amendments and remaining KHWS template updates are targeted for February 2027.	MEDIUM
R06 | Wastewater	Cheviot WWTP compliance. September identified BOD/TSS exceedances and an unfunded desludging requirement.	Desludging will be planned through the Water Services Strategy because existing budgets are insufficient. No funded delivery date is confirmed. Latest BOD/TSS results remain outstanding; previous interim controls and risk rating retained.	HIGH
R07 | Water supply	Racecourse Road bore performance. Poor aquifer performance and neighbouring water-take applications threaten source reliability.	No progress on bore works because budgets are insufficient. The source report records an objection to a neighbouring take and continuing ECan liaison; no further consent milestone or rehabilitation date has been supplied.	MEDIUM
R08 | Water supply	Kowai bore iron bacteria. Iron fouling remains a maintenance and water-quality risk.	Bore rehabilitation works are underway. Summer preparation and UV wiper repair are complete. Bore completion date and post-work performance verification remain outstanding.	LOW
R09 | Water supply	Deferred capital works. Omitted resilience and water-quality projects remain exposed to funding delays.	Leithfield Beach/Kowai softening will be considered through the Water Services Strategy because current capital and operating budgets are insufficient. Funding and delivery dates remain unconfirmed.	MEDIUM
R10 | Wastewater	Amberley WWTP upgrade delivery and affordability. Consented delivery timing, treatment choice and funding remain unresolved.	Prior report: ECan advised of delay; MBR-to-SBR review, revised costing and investment-accelerator discussions underway. Confirm October decisions and the revised delivery programme.	HIGH
R11 | All services	Health and safety legislative change. The increased focus on critical risks and pending ACOPs may require asset and system improvements not provided for in current budgets.	KHWS is implementing GetHomeSafe and a new risk-management framework within the app. Risk assessments completed and uploaded, above ground asset locations completed and uploaded, alerts have been tested.	MEDIUM
R12 | All services	Poorly maintained access tracks to above-ground assets present safety risks to staff and contractors. Many tracks are located on private property and shared with farming operations.	An asset access track register has been developed to identify and assess high-risk access routes. A contractor has been engaged to inspect priority sites and provide repair cost estimates. A prioritised improvement programme, including funding requirements, will be presented to the Board. Current budgets are insufficient to complete the identified works.	MEDIUM

5.1 Risk actions, progress and delivery milestones

Risk / action	Action taken / latest progress	Next action	Timing / next milestone
A01 | R01 Water-take compliance	Meter verification has been completed, with development of automated reporting for Tranches 2 and 3 now underway.	Finish Water Outlook data handover to ECAN	December 2026
A02 | R02 Balmoral exemption	TA meeting arranged for 20 November 2026. The purpose is to seek an exemption from the relevant supplier duty to supply safe drinking water, enabling the Mixed Use Rural Acceptable Solution and seeking to reduce unresolved Board/supplier exposure.	Progress the application with TA; confirm its scope, consumer safeguards, evidence, conditions and decision timetable. Report outcome before relying on any exemption.	20 Nov 2026 meeting. Application decision TBC. Existing 31 Dec commitment not revised.
A03a | R03 Cheviot filter	Filter connection flanges installed. Filter purchased; awaiting delivery.	Confirm supplier delivery date, then install, commission and verify performance. Retain interim operating controls.	March 2027
A03b | R03 Cheviot river diversion	Diversion delayed by unsuitable river conditions. A suitable two-day window occurred, but the contractor was unavailable.	Coordinate contractor availability for the next suitable river window and confirm mobilisation arrangements.	Next suitable river window and contractor availability; fixed date not confirmed.
A03c | R03 Cheviot alternative source	Detailed alternative-source investigations cannot be progressed within current budgets.	Confirm scope of works with a consultant	19 November
A04 | R04 Water Safety Plans	Waiau Town plan submitted in October. Amberley amendments and remaining KHWS template updates are outstanding.	Complete remaining amendments/template transfers and obtain review and submission sign-off.	February 2027
A06 | R06 Cheviot WWTP	There is no provision in the current Annual Plan budget for desludging the Cheviot WWTP. Funding for this work will be considered and prioritised through the Water Services Strategy.	Include Cheviot WWTP desludging in the Water Services Strategy to establish funding requirements, prioritisation and a future delivery programme.	March 2027
A07 | R07 Racecourse bores	No bore improvement works have progressed due to insufficient funding. KHWS has objected to a neighbouring groundwater take consent application because of concerns that additional water extraction could further reduce the reliability of the Amberley water supply. Discussions with Environment Canterbury are ongoing.	Confirm funding through the Water Services Strategy	March 2027
A08 | R08 Kowai rehabilitation	Bore rehabilitation works are underway. Summer preparation and UV wiper repair are complete.	Complete rehabilitation and verify bore yield/water quality; confirm the remaining iron-fouling controls.	In progress; completion and verification planned for December 2026
A09 | R09 Deferred capital works	Softening plants cannot be accommodated within current capital and operating budgets.	Consider the projects through the Water Services Strategy and confirm priority, funding and delivery sequence.	March 2027
A10 | R10 Amberley WWTP upgrade	Design and build planning for the Amberley WWTP upgrade is progressing in collaboration with the Capital Delivery team to develop the detailed design, delivery programme and associated cost estimates.	Confirm preferred design, consent pathway, funding and realistic delivery milestones; report the gap against the consented timeframe.	Revised programme and funding-decision dates TBC.
A11 | R11 Critical-risk / safety controls	GetHomeSafe alerts tested, all above-ground assets entered and the risk assessment completed. Kings Road electrical testing completed.	Begin operational testing, address findings and confirm rollout/SOP milestones. Confirm outstanding incident details and corrective-action close-out.	Operational testing can begin in late November 2026. Full rollout date TBC.
A12 | R12 Asset access tracks	Developed an above-ground asset access track register identifying high-risk routes, including tracks on private property shared with farming activities. Current budgets are insufficient for repairs. A contractor has been engaged to inspect priority sites and provide quotations.	Use the contractor assessments to develop a costed, prioritised track improvement programme and present funding requirements to the Board.	Following contractor inspections and receipt of quotations; Board presentation date to be confirmed.

6. November operational priorities

1. Compliance and source resilience	2. Begin work Water Services Strategy	3. People and critical-risk controls	4. Reporting and telemetry assurance
• Attend the TA meeting on 20 November and progress the Balmoral exemption pathway. • Confirm Cheviot filter delivery and coordinate the next river window. Plan detailed source investigations through the Water Services Strategy.	• Review risks • Compile a list of high priority projects	• Progress the treatment offer, maintain interim cover and schedule the four outstanding FAC/pH checks. • Begin GetHomeSafe operational testing in late November; confirm subsequent rollout and SOP milestones.	• Complete cloud migration during November; continue capacity-dependent cellular installations. • Maintain Cones Road readiness for 4 December. Confirm service backlog/dashboard progress; complete finance separately.

KHWS Kaikoura Operations Monthly Report

November 2026 | Water supply, wastewater and stormwater

REPORT PURPOSE	PREPARED BY	REVIEWED AND EDITED BY	REPORTING PERIOD	OVERALL STATUS
Kaikoura Operations Report	Yash Gupta	Ben Day, CEO	November 2026	IMPROVING

Officer Recommendation

That the Board receives this report; notes the progress made during the period and the inherited operational, financial and compliance challenges associated with ageing infrastructure, reactive workload and deferred renewals; and endorses the proposed controls.

Executive view

Key achievements

- WWTP monitoring bores are in place. ECAN undertook site assessment and are happy with the bore location and the direction we took around requesting relocation of the downstream bore for operational and cost savings.
- Additional online continuous monitoring instrumentation is now live in Mackles, Ocean Ridge and Kincaid treatment plants.
- Kincaid Infiltration gallery reinstatement work completed post July weather event.
- South Bay pump station insurance claim outcome was that the insurance has agreed to pay for like-for like replacement. ($55k as opposed to quoted $84k which covers some upgrade for future capacity).
- East Coast TP bore flushing was successful, with further work planned to address the underlying issues.
- Fernleigh bore was inspected to identify the root cause of water cloudiness, and follow-up actions have been identified.
- Side-by-side vehicle was procured to access assets on farms etc. to improve Health & Safety.
- ADAPT asset management system setup is progressing well with training day planned in December with field staff.

Risks

- Limited resilience at Mackles TP. Planned or unplanned maintenance requires a plant shutdown, which directly affects a small number of connections (including the primary school) that are fed before the treated water reservoir.
- South Bay pump station remains a key focus heading into summer demand. Long lead times from the cabinet manufacturer are outside our control, and the station is being closely monitored in the meantime.
- Kincaid infiltration gallery reinstatement after weather events is a significant operational cost, and weather-related damage appears to be becoming more frequent.
- Iron & manganese levels at East Coast and Ocean Ridge continue to cause operational challenges and some discoloured water complaints.
- Other bores around the district are showing some signs of fatigue or reduced performance.
- The Kaikoura Airport E. coli incident was well managed and has highlighted the need for improved communications, automation and critical control points (CCPs).
- The airport incident also brought to light legacy matters around bore and asset ownership, historical records, demarcation of responsibilities and revenue, which are now being worked through.

Service status

WATER SUPPLY | NOW COMPLIANT AGAIN – IMPROVEMENTS UNDERWAY	WASTEWATER | STABLE – MONITORING	ASSET DELIVERY | PROGRESSING

Operational work at a glance

1 Positive E. coli incident at Kaikoura Airport	**1** South Bay Sewer Pump Station failure due to water ingress	**3** Treatment plants with new online continuous monitoring instrumentation	**2** Sites with persistent iron & manganese issues (East Coast and Ocean Ridge)
Well managed; improvements to comms, automation, CCPs and bore/asset ownership identified	**Insurance agreed** **Like-for-like replacement ($55k vs $84k quoted); long cabinet lead times remain a summer risk**	**Now live** **Mackles, Ocean Ridge and Kincaid treatment plants**	**Being managed** **Flushing and bore investigations underway to reduce discoloured water**

1. Service assurance

WATER SUPPLY | COMPLIANT – IMPROVEMENTS UNDERWAY	WASTEWATER | STABLE – MONITORING	ASSET DELIVERY | PROGRESSING
What went well • Infiltration Gallery work in Kincaid completed. • Great response from the team following the positive E. coli result. • Long-standing Fernleigh bore investigation completed to identify the root cause of the issue. **What we are watching** • Chlorine dosing, automation gaps and lack of CCPs to automatically shut down treatment plant when the water is outside compliance limits. • Iron & Manganese issues at East Coast & Ocean Ridge.	**What went well** • South Bay operation restored after drying, inspection and testing. • Replacement and insurance claim positive outcome. • WWTP monitoring bores established and ECAN approved. **What we are watching** • Inlet screen, pond desludging, pump-station electrical assets and sewer condition work. • Sewer reticulation network condition (under SH1 bridge). • Lead times on the South Bay pump station switchboard are delaying replacement.	**What went well** • CAPEX programmes and procurement scopes prepared. • Key asset-information needs identified. • Continuous engagement with asset management system services provider to uplift asset data quality. • WDC network modelling commenced. **What we are watching** • Cost confidence and delivery capacity remain constrained. • Budget constraints are limiting the pace of asset and service delivery. • Asset failures are driving some unplanned capital expenditure, with potential for further reactive costs. • Limited data on actual capacity versus operating limits is constraining the information we can provide to WDC.

KPI Measures

Measure	Oct result	Target / reference	Status	Comment
WATER				
T3 compliance 1 supply	100%	100%	**Met**	T3 supply achieved 100% monthly protozoa and bacterial compliance.
T2 compliance 5 supplies	100%	100%	**Met**	All T2 supplies achieved 100% monthly protozoa and bacterial compliance.
Urgent water-fault response	0	Target <= 2 h	**Met**	No urgent water service requests were received during October
Urgent water-fault resolution	0	Target <= 12 h	**Met**	No urgent water service requests were received during October
Non-urgent water response	0.37 h	Target <= 2 days	**Met**	Based on 14 SRs received in October
Non-urgent water resolution	1.68 h	Target <= 7 days	**Met**	Based on 14 SRs received in October
Drinking water clarity, taste, odour, pressure/flow and continuity complaints	2	Included as part of the total complaint measure	**Monitoring**	Discoloured water linked to manganese at East Coast TP and iron at Ocean Ridge TP (reacting with chlorine). Flushing and bore investigations are underway.
Drinking-water complaints	N/A	No more than 13 customer complaints per 1,000 connections	**Not yet measured**	Not yet monitored. Reporting will be set up through the ADAPT CRM module.
WASTEWATER				
Wastewater dry weather overflows	4	0	**Not met**	Caused by reticulation pipe blockage or rags blocking pumps
Wastewater Abatement, Infringement, Enforcement Notices or Convictions	0	0	**Met**	None
Urgent wastewater response	0.25 h	Target <= 1 h	**Met**	Based on 4 events.
Urgent wastewater resolution	1.00 h	Target <= 24 h	**Met**	Based on 4 events.

Measure	Oct result	Target / reference	Status	Comment
Sewerage odour, system-fault, blockage and poor-response complaints	0	Included as part of the total complaint measure	**Met**	None
Sewerage complaints	N/A	No more than 20 complaints per 1,000 connections	**Not yet measured**	Not yet monitored. Reporting will be set up through the ADAPT CRM module.
STORMWATER				
Flooding events entering a habitable floor	0	No flooding events	**Met**	None
Habitable floors flooded	0	No more than 3 habitable floors flooded	**Met**	No flooding to habitable floors occurred.
Abatement, Infringement, Enforcement Notices or Convictions	0	0	**Met**	None
Flood-event attendance	0	Respond in less than 1 hour	**Met**	No SR
Stormwater-performance complaints	0	No more than 3 complaints per 1,000 connections per annum	**Met**	None

*KPI data is currently drawn from a manual IWK spreadsheet, so some figures may be subject to error. A system for managing KPIs and customer service requests is being set up.

Operations systems and technical support

2. Business process improvement and CCO transition

ON TRACK

Improvements in Progress

- ADAPT asset management system revival and improvements for maturing asset data quality.
- ADAPT CRM module to manage CSRs.
- Creation and digitalisation of field tasks and preventative maintenance tasks within ADAPT.
- ADAPT field training day in December.
- Planned CCTV programme for sewer reticulation network including GPS recording of reticulation network improving location mapping.

Planned Improvements

- Establish automated reports on KPIs and PM tasks generated out of ADAPT.
- Electrical Switchboard renewals for critical assets.
- SCADA & Telemetry Upgrade.
- Kaikoura airport demarcation establishment and TP improvements.
- Chlorine dosing automation and CCP establishment.

3. Financial

UNDER REVIEW

Capital and operational expenditure remain a focus given the reactive nature of water and wastewater operations, ageing assets and the current maintenance contract arrangements. A review of operational budgets is underway to test whether they reflect actual spend in previous years and to inform future financial years. An overspend is currently forecast on the Kaikoura water operational budget.

4. Operational Health & Safety

MONITORING

- No incidents were reported by IWK this period. Health & safety monitoring and reporting will be strengthened once field staff transition to the in-house model.
- A new side-by-side was procured to help improve health & safety while accessing assets in the farm.

Operational compliance & risks

5. Operational and compliance risk register

Service affected	Risk and operational impact	Mitigation / current controls	Residual risk
Water supply	**Positive E. coli result at Kaikoura Airport**	Routine compliance sampling picked up the issue within days and the boil water notice has been lifted. A new UV unit has been installed, and further improvements (automation and CCPs) are being investigated.	**HIGH**
Water & Wastewater	**Electrical failure may cause outage, overflow and emergency cost.**	Accelerate risk-ranked renewals, security and critical spares.	**HIGH**
All Services	**Deferred renewals become emergency replacements.**	Confirm staged funding and report deferral risk.	**MODERATE**
All Services	**Lean operations team**	Reliance on field staff for additional cover. Recruitment of a Network Maintenance Officer approved.	**MODERATE**
All Services	**Reactive workload displaces planned work.**	Protect preventive resources and report workload balance.	**MODERATE**
All services	**Incomplete GIS, drawings and registers increase approval, scope and cost uncertainty.**	Currently reliant on operations staff knowledge. ADAPT is being stood up and GIS updates via ADAPT are underway.	**MODERATE**
All Services	**Funding requests exceed adopted budgets, and cost confidence varies.**	Stage gates, delegations and monthly forecasts.	**MODERATE**

6. October operational priorities

Supply safe drinking water • East Coast and Fernleigh bore inspections and action list to resolve issues; Ocean Ridge reservoir flushing to control iron and manganese levels.	**South Bay and electrical** • Monitoring the pump station closely to maintain continuous operation.	**Wastewater** • Fund CCTV programme in operational expenditure.	**Systems** • Continue momentum on setting up ADAPT. • Implement CRM integration with ADAPT.
Board feedback requested: Please recommend a reporting period for the operations report. As these meetings typically occur in the last week of each month, we suggest adjusting the reporting period to run from mid-month to mid-month.			

7. Other items

FOR NOTING

Job Sizing operational requirements for Kaikoura

The recent two-week absence of the Operations Team Leader due to illness highlighted limited resourcing depth within the Kaikoura operations team, with the two remaining operations staff covering a significant additional workload. Combined with the largely reactive nature of current operations, this has meant some planned maintenance has had to be deferred.

Approval has been granted to recruit a Network Maintenance Officer. This role will establish planned maintenance routines, including restrictor checks and the associated documentation, thereby supporting the effective implementation of the bylaw. It will also address the resourcing constraints that have placed the CCTV programme on hold.

Further FTE may be needed to resource the Kaikoura operations team adequately, so that planned maintenance can be delivered consistently and service continuity maintained during periods of leave.

Kaikoura Airport Asset Ownership and revenue

The recent E. coli incident was a useful reminder of the importance of automation and CCPs. A potential long-term solution is a main from Kaikoura Urban and Ocean Ridge to the airport and Peketa; in the meantime, a short-term solution is needed to further reduce public health risk. A site visit on 18/11/2026 will inform next steps.

The incident response also highlighted several legacy matters to work through, including asset ownership, revenue, missing bore records and unclear demarcation of responsibilities.

Water Take resource consent non-compliances

A small number of water take consent non-compliances were identified during recent site visits. These are being recorded and resolved, with regular engagement with ECAN to keep the regulator informed and avoid the need for any abatement notices.

8. Site Photos

Fernleigh Bore Investigations.









East Coast Bore Investigation





Kincaid Infiltration Gallery reinstatement





Instrument Installations



Ocean Ridge Water Treatment Plant

KHWS Capital Programme Monthly Report

October 2026 | Capital Programme

REPORT PURPOSE	PREPARED BY	REPORTING PERIOD	OVERALL STATUS
To provide the Board with an update on the delivery of the 2026/27 capital programme, including financial performance, progress against programme objectives, programme risks and significant project exceptions.	Dan Langman	October 2026	AMBER

Officer Recommendation

That the Board receives and reads the October 2026 Capital Programme report, notes the programme delivery position, significant exceptions and programme risks

Executive view

Key achievements

- Amberley water upgrades continuing to progress – reservoirs nearing completion and new water source awaiting pump install
- Amberley Wastewater Treatment optimisation nearing completion – new inlet screen installed, and irrigation field remediation to be re-sowed for grass growth
- Hanmer Springs treatment plant upgrade scope and mandate approved for increased resilience and capability.
- Kaikōura capital works continuing for critical areas such as treatment plants and sewer network
- Smart water meter are moving into delivery with first deployment in Amberley being programmed with contractors for November.

Risks

- Amberley wastewater SBR plant upgrade will have operational impacts due to requirement to drain one of the two ponds for sustained period for geological assessment and ground drying to prepare for construction
- Hanmer Springs water treatment revalidation of supplier material pricing has exposed product cost inflation as a risk item for WSS and future projects.
- Stormwater transfer of assets in road reserve staying to Councils – how does this impact capital investment

Programme Status

WATER CAPITAL PROGRAMME | GREEN			WASTEWATER CAPITAL PROGRAMME | AMBER			STORMWATER CAPITAL PROGRAMME | AMBER		
Delivery	Financial	Risk	Delivery	Financial	Risk	Delivery	Financial	Risk
Active delivery of projects is progressing; scopes and project detail more clearly undertaken. Unbudgeted key projects have arisen or have been underbudgeted (Cheviot filter & Amberley bore renewal)			Renewal design and treatment plant consenting are progressing. Amberley Wastewater Treatment Plant upgrades in 2027 will have operational impacts reducing overflow storage and future un-forecasted capital expenditure.			Renewal pipelines are in design for tender preparation. Additional candidate projects have been identified for safety improvements around wastewater treatment entrances.		

1. Capital programme at a glance

Programme	Budget	Actual	Committed	Forecast	Status
Water	$ 4,422,400	$ 370,996	$ 616,183	$ 3,076,912	Green
Wastewater	$ 1,765,801	$ 95,348	$ 407,841	$ 1,190,282	Green
Stormwater	$ 1,383,832	$ 19,743	$ 9,903	$ 932,806	Green
Kaikoura	*($ 2,265,000)*	$ 423,408	$ 138,559.69	-	Amber
Unassigned	$ -	$ 68,282	$ 16,083	-	Green
Total	$ 7,681,653	$ 979,721	$ 1,188,569	$ 5,200,000	Green

Portfolio Pipeline		73 Projects	
33 In Initiation/Pre-Approval	**15** In Detailed Planning	**20** In Delivery	**4** Completed

2. Capital programme assurance

The programme has moved into active delivery with more detailed design projects being completed for tender packages. Focus of pipeline projects has been on Water and Wastewater projects with water safety and consent compliance driving priorities.

WATER SUPPLY | GREEN	WASTEWATER | AMBER	STORMWATER | AMBER
What went well • Pipeline Renewal tender for Blythe to be published in November • Flow meters around district are continuing to be installed • Hanmer Springs Treatment Plant scoping and planning are progressing toward approved for next design stage **What we are watching** • Water long term growth strategy modelling underway with Waimakariri District Council delivery unit – target delivery for report likely to be in 2027 instead of pre-Christmas. • Cost inflation on materials having impact on quantity of renewals	**What went well** • Tender for sewer pipeline renewal in Hanmer Springs to be published in November. • Amberley wastewater irrigation ground remediation in late October/November • Safety/repair improvements for grates/manholes are being delivered across Hurunui & Kaikōura • Kaikōura sewer pipe bridge to be repaired via FRP epoxy lining – scheduled for November **What we are watching** • Wastewater investment accelerator tender results will determine future CAPEX into wastewater	**What went well** • Design works progressing with Assets team for tender packages across district for renewals. **What we are watching**

3. Capital programme delivery and technical support

Area	October Position	Next Steps
Scope and project mandates	Project Mandate workshops have been initiated with SME and project executives to reach scope decisions. Mandates have been approved and projects moving into delivery	Consolidate progress and complete mandates for next candidate projects according to operations priorities.
Design and procurement	Tender documents for two projects in final review phase after scope review, to be published to GETS in November. Stormwater project in tender and design development.	Progress the tender packages and publish to market for December awarding.
Programme controls	Financial reporting is improving with CFO input. Visual data-integrated pipeline overview has been developed for use in reporting and day-to-day overviews	Project forecasts to be improved with better financial reporting position PRINCE2 training for PMO begins 24th November

4. Capital programme health and safety

No programme-level health and safety events were recorded in the September programme. Project-specific health and safety matters will continue to be managed through project controls and escalated where they affect programme delivery or require notification

5. Programme Risk and Issue Register

Area affected	Risk and operational impact	Mitigation / current controls	Residual risk
All Programmes	Scope and project readiness. With project pipeline and mandate process initiated, several projects do not yet have confirmed scope, sites of operational requirements, reducing confidence in timing and forecast delivery	Structured priority-based approach to initiating and scoping these projects in co-ordination with Operations and asset owners. Project mandates to all be in design/approval stage to progress to deliverable work	**MEDIUM**

Area affected	Risk and operational impact	Mitigation / current controls	Residual risk
Water Supply	External dependences. Cones Road and Hanmer Treatment Plant are waiting on Mainpower design and pricing proposal to continue delivery or design	Tracking external dependences and escalate where they threaten procurement or construction milestones. Current progress for these are not on critical path to complete works in proposed timeframe.	LOW
Water/Financial	Forecast uncertainty: - Kowai new sources completion with current pricing from contractors has expected value above budgeted. - Cheviot Water Treatment filtration upgrade due to environmental changes has unplanned capital expenditure	Validate the expected values and confirm the funding, scope or reprioritization of programme before further commitment.	MEDIUM
Wastewater – Future Capital Programme	District WWTP consent expiry will have large capital expenditure in future years.	Approaching the renewal of consents and upgrades for Hawarden, Cheviot, Waikari, Greta Valley and Motunau as a single Small Scheme Wastewater Upgrade Programme through the NIFF Wastewater Investment Accelerator scheme to leverage Crown investment vehicles and installation of WEPS-compliant infrastructure.	HIGH

6. November delivery priorities

Scope and governance	Design and Procurement	PMO Training	Financial and Reporting
• Resolve outstanding scope and mandate requirements. • Initiate monthly Movie project meetings now that projects have moved to Planning/Delivery	• Submit tender packages to market • Stormwater design brought to project executives for review	• 3-day Prince2 Agile training in late November for PMO; to continue to develop framework and build on existing delivery capability	• Work with CFO to develop robust financial reporting for capital project and forecasting • Looking forward to WSS

Board feedback requested: Please suggest improvements to the structure, RAG status, monthly measures or level of detail that would make future reports quicker to understand.

KHWS CAPITAL PROGRAMME

Project Tracker

For Period 2026-2027 - October 2026

Legacy/ Carryover	Project ID	Project Name	Budget	2025/26 YTD	Commitments	2025/26 YTD (incl Commitments)	2025/26 YTD Variance	% Complete	Department	PM	% Works Completion	Scope
		WATER CAPITAL EXPENDITURE - HURUNUI								Title		
		District Wide Water								Title		
	HPWDIST2601	Water Modelling	$ 42,096	$ 2,206.50	$ -	$ 2,206.50	$ 39,889.09	5.24%	Water Supply	GR		Updates to water model and design for capital upgrades
	HPWDIST2602	New Connections - Rural	$ 157,577	$ -	$ -	$ -	$ 157,577.47	0.00%	Water Supply	GH		Installation of reticulation extensions and upgrades to connect new water connections. Scopes and locations according to water applications across district.
	HPWDIST2603	New Connections - Urban	$ 78,720	$ -	$ -	$ -	$ 78,719.80	0.00%	Water Supply	GH		Installation of reticulation extensions and upgrades to connect new water connections. Scopes and locations according to water applications across district.
	HPWDIST2604	District Wide WS AMP Review	$ 66,090	$ 8,691.25	$ 41,308.75	$ 50,000.00	$ 16,090.07	75.65%	Water Supply	DL		To prepare water services strategy and AMP documentation
	HPWDIST2605	District Wide Pipe LoS Upgrade (identified during water applications & by watermen)	$ 600,000	$ -	$ -	$ -	$ 600,000.00	0.00%	Water Supply	GH		Pipe upgrades planned to replace pipes at the end of their usable life. And with a high risk to safety for maintenance
	HPWDIST2606	District Wide Pipe LoS Upgrade Small Reservoirs	$ 75,318	$ -	$ -	$ -	$ 75,318.00	0.00%	Water Supply	MD		Pipe upgrades to small reservoir sites
	HPWDIST2607	District Wide Water asset fencing	$ 15,786	$ -	$ -	$ -	$ 15,785.85	0.00%	Water Supply	GH		Fencing of break pressure tank sites.
	HPWDIST2607	District Wide Water asset fencing	$ 15,786	$ -	$ -	$ -	$ 15,785.85	0.00%	Water Supply	MD	1%	Fencing of reservoir tank sites.
		Sub Total	***$ 1,051,373***									
		District Wide Renewals								Title		
	HPWDIST2609	District Wide Facility Criticality	$ 31,572	$ -	$ -	$ -	$ 31,571.69	0.00%	Water Supply	GR		Criticality reporting at agreed sites. McMillians, Browns, Waikari limeworks all need to be completed
	HPWDIST2610	District Wide Flow Meters	$ 210,478	$ 5,210.81	$ 3,198.77	$ 8,409.58	$ 202,068.42	4.00%	Water Supply	MD	35%	Continue installing flow meters at key sites identified around the district to improve data accuracy.
	HPWDIST2611	District Wide Surface Pump replacement	$ 186,273	$ 3,067.83	$ -	$ 3,067.83	$ 183,205.15	1.65%	Water Supply	MD	5%	Purchase and installation of replacement potable water pumps across the district, according to end of life of existing infrastructure and suitability within network.
Legacy	HPWDIST2612	District Wide Pump Shed Upgrades	$ 214,239	$ 37,603.51	$ 34,024.37	$ 71,627.88	$ 142,611.30	33.43%	Water Supply	MD	85%	Construct new Cones Road Pump shed with tank farm
	HPWDIST2613	District Wide Reticulation Renewals (Very High and High Critically Aged Based)	$ 187,675	$ -	$ -	$ -	$ 187,675.00	5%	Water Supply	PT		Watermain upgrades across district, according to end of life of existing infrastructure.
	HPWDIST2614	Water Meter Renewals/Manifolds	$ 210,478	$ -	$ 85,000.00	$ 85,000.00	$ 125,477.94	40.38%	Water Supply	DL		District wide smart water meter replacements to replace existing infrastructure.
	HPWDIST2615	Break Pressure Tank replacements	$ 35,781	$ -	$ -	$ -	$ 35,781.00	0.00%	Water Supply	GH		4 break pressure tank installs district wide
	HPWDIST2616	Submersible pump renewal	$ 42,096	$ -	$ -	$ -	$ 42,095.59	0.00%	Water Supply	MD	100%	Purchase and installation of replacement PW submersible pumps across the district, according to end of life of existing infrastructure.
	HPWDIST2617	Reservoir & Tank Renewal	$ 153,579	$ 81,127.04	$ 3,429.70	$ 84,556.74	$ 69,022.70	55.06%	Water Supply	MD	40%	Reservoir replacements as agreed with Operations.
	HPWDIST2618	RTU renewal	$ 15,441	$ -	$ -	$ -	$ 15,440.66	0.00%	Water Supply	MD	100%	Purchase and installation of replacement RTU units across the district, upgrading to XL4+ units.
	HPWDIST2619	PLC renewal	$ 80,374	$ -	$ -	$ -	$ 80,374.16	0.00%	Water Supply	MD	5%	Purchase and installation of replacement electrical PLC across the district, according to end of life of existing infrastructure.
	HPWDIST2620	VSD renewal	$ 20,542	$ 11,331.82	$ 0.01	$ 11,331.83	$ 9,209.76	55.17%	Water Supply	MD	100%	Purchase and installation of replacement pump VSD across the district, according to end of life of existing infrastructure.
		Sub Total	***$ 1,388,527***									
		Amberley Water								Title		
Legacy	HPWAMB2601	Seadown reservoir Connections	$ 252,500	$ 67,986.50	$ 98,574.20	$ 166,560.70	$ 85,939.30	80%	Water Supply	PT		Connect up the two new Reservoirs at Seadown
Carryover	HPWAMB2602	New Water sources (near Kowai)	$ 130,000	$ 52,986.14	$ 160,379.31	$ 213,365.45	-$ 83,365.45	60%	Water Supply	PT		Webbs Road Bore completion works
	HPWAMB2603	Racecourse Road Bore Renewal	$ 30,000	$ -	$ -	$ -	$ 30,000.00	0%	Water Supply	PT		Redevelopment of bore to improve well condition and performance
	HPWAMB2604	Kowai Intakes Iron Bacteria Remediation	$ 50,000	$ 46,889.57	$ 5,258.26	$ 52,147.83	-$ 2,147.83	75%	Water Supply	PT		Remedial works to intake bores to remove iron bacteria
		Sub Total	***$ 462,500***									
		Cheviot Water								Title		
	HPWBLY2601	Upgrade of Blythe Booster rising main	$ 260,000	$ -	$ -	$ -	$ 260,000.00	15%	Water Supply	PT		3.5 km pipe replacement from Blythe Treatment to reservoir
	HPWCHEV2601	Cheviot treatment additional filter	$ 109,620	$ 5,703.73	$ 65,000.27	$ 70,704.00	$ 38,916.00	10.00%	Water Supply	MD		
		Sub Total	***$ 369,620***									

		Hanmer Springs Water										Title	
Carryover	HPWHS2601	Hanmer Reservoir Additional Treated storage	$ 660,000	$ 620.80	$ 5,473.40	$ 6,094.20	$ 653,905.80	0.92%	Water Supply	MD	5%	Construction of new Reservoir at the water treatment plant site.
		Investigate / review filtration at Hanmer Springs Plant	$ 600,000							MD	5%	Treatment upgrade to the Hamner Springs water treatment plant and intake
	HPWHS2602			$ 30,187.87	$ 31,918.10	$ 62,105.97	$ 537,894.03	10.35%	Water Supply			
		Sub Total	***$ 1,260,000***									
		WATER TOTAL	**$ 4,532,020**	*$ 353,613.37*	*$ 533,565.14*							
		SEWER CAPITAL EXPENDITURE - HURUNUI								Title		
		District Wide Sewer								Title		
	HWWDIST2601	Reticulation investigation, consenting, treatment plant, works	$ 52,619	$ 4,632.50	$ 771.85	$ 5,404.35	$ 47,215.14	10.27%	Wastewater	PT		Investigation work and strategy planning & reports to assist future renewals
	HWWDIST2602	District Wide Pipe Renewals (Medium/Low Criticality Age based replacement)	$ 250,000	$ -	$ -	$ -	$ 250,000.00	15.00%	Wastewater	PT		infrastructure. Targeted on Jacks Pass Hanmer Springs WW renewal
	HWWDIST2603	District Wide WW Network Modelling (calibration/model updates)	$ 42,096	$ 7,622.75	$ -	$ 7,622.75	$ 34,472.84	18.11%	Wastewater	GR		Updates to wastewater model for future upgrades or connections
	HWWDIST2604	District Wide WW AMP Review	$ 60,000	$ 8,691.25	$ 41,308.75	$ 50,000.00	$ 10,000.00	83.33%	Wastewater	DL		To prepare water services strategy and AMP documentation. Criticality assessment of all the WW assets still to be completed.
	HWWDIST2605	District Wide Critical Infrastructure Improvements (Aprons up to McBern's lids)	$ 52,619	$ 15,084.61	-$ 0.01	$ 15,084.60	$ 37,534.89	28.67%	Wastewater	GH		Manhole lid upgrades to improve safety and hazard reduction.
	HWWDIST2606	Implement better security measures at the Waste Water Treatment facilities	$ 10,524	$ -	$ -	$ -	$ 10,524.00	0.00%	Wastewater	GH		Fencing and gate improvements according to identified risks
	HWWDIST2607	Establish and Improve remote control & resilience of pump stations	$ 31,572	$ -	$ -	$ -	$ 31,571.69	0.00%	Wastewater	PT		Battery back up and remote reset and start up controls at wastewater pump stations
	HWWDIST2608	CCTV Investigation Wastewater	$ 60,362	$ 19,823.00	$ 226,350.73	$ 246,173.73	-$ 185,811.62	407.83%	Wastewater	TBC		CCTV investigation to drive renewal programme
		Sub Total	***$ 559,792***									
		Amberley Sewer								Title		
	HWWAMB2601	Amberley Wastewater Treatment Optimisation	$ 270,000	$ 48,185.25	$ 174,218.00	$ 222,403.25	$ 47,596.75	82.37%	Wastewater	PT		Completion works Inc Ground improvements, New Screen and electrical works, small area of K-line, and some investigation into land purchase
	HWWAMB2602	Amberley Wastewater Treatment Plant SBR Upgrade	$ 330,000	$ -	$ 6,500.00	$ 6,500.00	$ 323,500.00	10.00%	Wastewater	PT		SBR Treatment upgrade, comprising site investigation, detailed design and tender, and physical construction. Includes progressing land purchase of adjacent land.
		Sub Total	***$ 600,000***									
		Greta Valley Sewer								Title		
	HWWGRETA2601	Pond Sampling for Consent planning (inlet/outlet samples every 2 months) - includes sampler time	$ 3,052	$ -	$ -	$ -	$ 3,051.93	0.00%	Wastewater	GR		Pond monitoring well sampling
		Sub Total	***$ 3,052***									
		Motunau Beach Sewer								Title		
	HWWMOTU2601	Pond Sampling for Consent planning (inlet/outlet samples every 2 months) - includes sampler time	$ 3,052	$ -	$ -	$ -	$ 3,051.93	0.00%	Wastewater	GR		Pond monitoring well sampling
		Sub Total	***$ 3,052***									
		Hawarden Sewer								Title		
Carryover	HWWHAW2601	Hawarden Desludging	$ 555,717	$ -	$ -	$ -	$ 555,717.00	0.00%	Wastewater	DL		Desludge Hawarden ponds and construct geotextile dewatering area and bund
	HWWHAW2602	Pond Sampling for Consent planning (5 samples every quarter)	$ 5,999	$ -	$ -	$ -	$ 5,998.62	0.00%	Wastewater	GR		Pond monitoring well sampling
	HWWHAW2603	Submit New Consent	$ 38,189	$ -	$ -	$ -	$ 38,189.12	10.00%	Wastewater	PT		Progress consent applications with Ecan
		Sub Total	***$ 599,905***									
		WASTEWATER TOTAL	***$ 1,765,801***	$ 104,039.36	$ 449,149.32							
		STORMWATER CAPITAL EXPENDITURE - HURUNUI								Title		
		District Wide								Title		
	HSWDIST2601	Miscellaneous Emergency Repairs/CSRs	$ 105,239	$ -	$ -	$ -	$ 105,238.97	0.00%	Stormwater	GH		Emergency work capital repairs
	HSWDIST2602	Urban drain bank stabilisation	$ 38,938	$ -	$ -	$ -	$ 38,938.00	0.00%	Stormwater	GH		District wide stormwater drain improvements according to identified safety and risk
	HSWDIST2603	Urban drain plantings	$ 12,629	$ -	$ -	$ -	$ 12,629.00	0.00%	Stormwater	GH		District wide stormwater drain improvements according to identified safety and risk
	HSWDIST2604	Investigation of options for projects required to comply with new district urban global stormwater consent	$ 26,310	$ -	$ -	$ -	$ 26,309.74	0.00%	Stormwater	GR		Investigation works to build water strategy plan for 10 year projects
	HSWDIST2605	Installation of stormwater level/flow meters	$ 29,903	$ -	$ -	$ -	$ 29,902.60	0.00%	Stormwater	DL		Stormwater waterway level monitoring for consent compliance across district
	HSWDIST2606	Stormwater Modelling	$ 99,977	$ 8,969.50	$ -	$ 8,969.50	$ 91,007.52	8.97%	Stormwater	GR		Stormwater model builds and updates as required
	HSWDIST2607	District Wide SW AMP Review	$ 50,000	$ 8,691.25	$ 41,308.75	$ 50,000.00	$ -	100.00%	Stormwater	DL		To prepare water services strategy and AMP documentation
	HSWDIST2608	Replacement for SW pipes	$ 373,350	$ -	$ -	$ -	$ 373,350.00	5.00%	Stormwater	PT		Stormwater pipe renewal across district according to end-of-life infrastructure and criticality
	HSWDIST2609	CCTV Investigation Stormwater	$ 60,362	$ 10,773.00	-$ 97.00	$ 10,676.00	$ 49,686.11	17.69%	Stormwater	TBC		CCTV investigation to drive renewal programme
		Sub Total	***$ 796,707***									
		Amberley Stormwater								Title		
	HSWAMB2601	Amberley - Dock creek gate motorisation	$ 21,048	$ -	$ -	$ -	$ 21,048.00	0.00%	Stormwater	PT		Dock creek gate motorisation
	HSWAMB2602	Amberley - Eastern drain naturalisation and enhancement	$ 136,297	$ -	$ -	$ -	$ 136,297.00	0.00%	Stormwater	PT		Amberley Eastern Drain structural improvements
		Sub Total	***$ 157,345***									
		Motunau Beach Stormwater								Title		
	HSWMOTU2601	Motunau Beach - No. 6 Beach Rd – Construct dish drain above reserve. Also construct subsoil drains into the dish drain	$ 41,359	$ -	$ -	$ -	$ 41,359.00	0.00%	Stormwater	GH		Stormwater engineer detail design underway for dish drain at 6 Beach Road
		Sub Total	***$ 41,359***									

	Hanmer Springs Stormwater									Title	
HSWHS2601	Hanmer Springs - Drainage improvement work in Scarborough Terrace - Sub catchments 1 to 4	$ 231,610	$ -	$ -	$ -	$ 231,610.00	0.00%	Stormwater	PT		Drainage improvement work in sub catchment 4 Scarborough Terrace to address identified improvements
HSWHS2602	Argelins/Jacks Pass project	$ 105,239	$ -	$ 10,000.00	$ 10,000.00	$ 95,239.00	9.50%	Stormwater	MD	100%	Continue consenting for proposed improvement works to construct new Retention ponds as per global consent
HSWHS2603	Resource Consents - Ecan	$ 31,572	$ -	$ -	$ -	$ 31,571.69	0.00%	Stormwater	GR		Consultant reporting for Resource Consents
	Sub Total	***$ 368,421***									
	Waikari Stormwater									Title	
HSWWAIK2601	Waikari - New drain section through Waikari Domain	$ 20,000	$ -	$ -	$ -	$ 20,000.00	0.00%	Stormwater	GH		Surface water improvements to Waikari Domain to open drain and holding pond
	Sub Total	***$ 20,000***									
	STORMWATER TOTAL	**$ 1,383,832**	$ 28,433.75	$ 51,211.75							
	HURUNUI CAPITAL EXPENDITURE TOTAL	**$ 7,681,653**	$ 486,086.48	$ 1,033,926.21							

Label
Wastewater
Water
Stormwater
Internal
Facilities
External

Legacy/Carryover
Legacy/Carryover

LEGEND
Project Name
Project ID
Wastewater

Category
1 Just Do It
2 Plant
3 Movie
4 Epic

Project Health (RAG)
Green: On Track
Amber: Proceeding but with issues
Red: Significant Delays/Not Proceeding
Grey: No Status Report Submitted

KHWS Project Portfolio Pipeline

Opportunity

- Office Relocation — Project ID Facilities — 3
- District Wide Facility Criticality — HPWDIST2609 — Water — 1
- Cheviot Desludging — HWWCHEV2701 — Wastewater — 2
- Depot Improvements — Project ID Facilities — 3
- District Wide WW AMP Review — HWWDIST2604 — Wastewater — 2
- Amberley water softening plant — HPWAMB2701 — Water — 2
- Miscellaneous Emergency Repairs/CSRs — HSWDIST2601 — Stormwater — 2
- Investigation of options for projects required to comply with new district urban global stormwater consent — HSWDIST2604 — Stormwater — 2
- Installation of stormwater level/flow meters — HSWDIST2605 — Stormwater — 2
- Racecourse Road Bore Renewal — HPWAMB2603 — Water — 2
- District Wide SW AMP Review — HSWDIST2607 — Stormwater — 2
- District Wide WS AMP Review — HPWDIST2604 — Water — 2
- Amberley - Dock creek gate motorisation — HSWAMB2601 — Stormwater — 2

Initiate / Project Mandate Development

- Investigate / review filtration at Hanmer Springs Plant — HPWHS2602 — Water — 3
- PLC renewal — HPWDIST2619 — Water — 2
- Hawarden Desludging — HWWHAW2601 — Wastewater — 2
- Amberley - Eastern drain naturalisation and enhancement — HSWAMB2602 — Stormwater — 2
- SCADA & Telemetry Update — KDIST2602 — Water — 2
- Hanmer Reservoir Additional Treated storage — HPWHS2601 — Water — 2
- District Wide Pipe LoS Upgrade (identified during water applications & by watermen) — HPWDIST2605 — Water — 2
- District Wide Critical Infrastructure Improvements (Aprons up to McBern's lids) — HWWDIST2605 — Wastewater — 2
- Replacement for SW pipes — HSWDIST2608 — Stormwater — 2
- Improve Fernleigh WTP Performance — KPWFERN2601 — Water — 2
- Upgrade of Blythe Booster rising main — HPWBLY2601 — Water — 2
- District Wide Reticulation Renewals (Very High and High Critically Aged Based) — HPWDIST2613 — Water — 2
- Establish and Improve remote control & resilience of pump stations — HWWDIST2607 — Wastewater — 2
- Hanmer Springs - Drainage improvement work in Scarborough Terrace - Sub catchments 1 to 4 — HSWHS2601 — Stormwater — 2
- WWTP - Inlet Screen Renewal — KWWDIST2604 — Wastewater — 2
- District Wide Surface Pump replacement — HPWDIST2611 — Water — 2
- New Connections - Urban — HPWDIST2603 — Water — 2
- Reticulation investigation, consenting, treatment plant, works — HWWDIST2601 — Wastewater — 2
- Urban drain plantings — HSWDIST2603 — Stormwater — 1
- Pipeline replacement under SH1 — KWWDIST2605 — Wastewater — 2
- New Connections - Rural — HPWDIST2602 — Water — 2
- District Wide Pipe Renewals (Medium/Low Criticality Age based replacement) — HWWDIST2602 — Wastewater — 2
- Urban drain bank stabilisation — HSWDIST2602 — Stormwater — 2
- Waikari - New drain section through Waikari Domain — HSWWAIK2601 — Stormwater — 1

APPROVAL

Plan

- Water Modelling — HPWDIST2601 — Water — 1
- Pond Sampling for Consent planning (inlet/outlet samples every 2 months) - includes sampler time — HWWGRETA2601 — Wastewater — 1
- Resource Consents - Ecan — HSWHS2603 — Stormwater — 1
- AC main renewal — KPWKAI2601 — Water — 2
- A32 Bridge renewal — EXTRDG2601 — External — 2
- Break Pressure Tank replacements — HPWDIST2615 — Water — 2
- Amberley Wastewater Treatment Optimisation — HWWAMB2601 — Wastewater — 2
- LT Infrastructure Strategy — KPWDIST2602 — Water — 2
- Install flowmeters, pressure transmitters and level radar in wetwell — KWWDIST2606 — Wastewater — 2
- Footpath renewals — EXTRDG2603 — External — 2
- Water Meter Renewals/Manifolds — HPWDIST2614 — Water — 2
- Implement better security measures at the Waste Water Treatment facilities — HWWDIST2606 — Wastewater — 1
- Renewal / rewiring electrical switchboards & VSD renewals — KDIST2601 — Water — 3
- Structures Component Replcm'ts — EXTRDG2602 — External — 2
- Grierson Avenue Extensions — EXTRDG2604 — External — 2

Deliver

- District Wide Pump Shed Upgrades — HPWDIST2612 — Water — 2
- Kowai Intakes Iron Bacteria Remediation — HPWAMB2604 — Water — 2
- Pond Sampling for Consent planning (5 samples every quarter) — HWWHAW2602 — Wastewater — 1
- Ocean Ridge UV and Pipework Renewal — KPWOCEAN2601 — Water — 2
- Buxton erosion protection — EXTCLIMATE2601 — External — 2
- District Wide Flow Meters — HPWDIST2610 — Water — 2
- New Water sources (near Kowai) — HPWAMB2602 — Water — 2
- Pond Sampling for Consent planning (inlet/outlet samples every 2 months) - includes sampler time — HWWMOTU2601 — Wastewater — 1
- Misc. grate & install — KWWDIST2603 — Wastewater — 2
- Reservoir & Tank Renewal — HPWDIST2617 — Water — 2
- Seadown reservoir Connections — HPWAMB2601 — Water — 2
- Motunau Beach - No. 6 Beach Rd – Construct dish drain above reserve. Also construct subsoil drains into the dish drain — HSWMOTU2601 — Stormwater — 2
- Wastewater Network Modelling — KWWDIST2601 — Wastewater — 1
- District Wide Pipe LoS Upgrade Small Reservoirs — HPWDIST2606 — Water — 2
- CCTV Investigation Wastewater — HWWDIST2608 — Wastewater — 2
- CCTV Investigation Stormwater — HSWDIST2609 — Stormwater — 2
- WWTP Resource Consent Monitoring Bore Operationalisation — KWWDIST2602 — Wastewater — 2
- Cheviot treatment additional filter — HPWCHEV2601 — Water — 2
- District Wide WW Network Modelling (calibration/ model updates) — HWWDIST2603 — Wastewater — 1
- Water Network Modelling — KPWDIST2601 — Water — 2
- Rutherford Block demolition — EXTQM2601 — External — 3

Close

- RTU renewal — HPWDIST2618 — Water — 1
- Submersible pump renewal — HPWDIST2616 — Water — 2
- VSD renewal — HPWDIST2620 — Water — 1
- Argelins/Jacks Pass project — HSWHS2602 — Stormwater — 2

Council

24 November 2026

Extension of Funding Support for Kaikōura Hurunui Water Services Limited to 31 December 2027

Author	Jason Beck, Chief Financial Officer
Reviewed by	Hamish Dobbie, Chief Executive Officer
Significance	Medium

Purpose

The purpose of this report is to recommend that Hurunui District Council provides an extension to 31 December 2027 to the current resolution that provides loan funding until Kaikōura Hurunui Water Services Limited (KHWS) can accede to the Local Government Funding Agency (LGFA).

Summary

- The accession of KHWS to the LGFA may take additional time and an extension to the current resolution to provide loan financing may need extending.
- Going concern issues raised by the Audit Office, require Council to provide a Letter of Financial Support to KHWS for at least the next twelve months.

Officer recommendation

That the Council:

1. Agrees to provide loan financing to Kaikōura Hurunui Water Services Limited until such time that it is able to directly obtain debt financing from the Local Government Funding Agency, but no later than 31 December 2027.
2. Agrees that the Mayor signs the Letter of Financial Support to Kaikōura Hurunui Water Services Limited as appended.

Reasons for recommendation

Extending the period of Loan Financing to Kaikōura Hurunui Water Services Limited to 31 December 2027

1. KHWS will require a form of debt financing, which Hurunui District Council has already agreed to provide with no impact on Council's own Debt:Revenue ratios.
2. This change does not change the fact that it will remain cost neutral to Council with the interest charge to KHWS reflects that actual interest charge that Council incurs on that debt.
3. The extension of the loan financing will meet the going concern issues raised by the Audit Office.

Alternative options considered

Require KHWS to access funding from sources other than LGFA and the Council

4. KHWS could seek loan financing from an alternative source, however, this is expected to be at higher interest rates than can be achieved through the LGFA.

Background

Current provision for loan financing

5. On 9 June 2026, a report was tabled to Council outlining the need to provide loan financing to KHWS for a period until it can accede to the LGFA.
6. The formal resolution is as follows:

   THAT THE COUNCIL:

   1. AGREES TO PROVIDE LOAN FINANCING TO KAIKŌURA HURUNUI WATER SERVICES LIMITED UNTIL SUCH A TIME THAT IT IS ABLE TO DIRECTLY OBTAIN DEBT FINANCING FROM THE LOCAL GOVERNMENT FUNDING AGENCY, BUT NO LATER THAN THE END OF THE 2026/27 FINANCIAL YEAR.
   2. AGREES THAT INTEREST CHARGED ON THE LOAN FINANCING IS CALCULATED AT THE COUNCIL'S WEIGHTED AVERAGE COST OF FUNDS DETERMINED BY BANCORP TREASURY SERVICES LIMITED AT THE END OF EACH MONTH.
   3. AGREES THAT THE RUNNING BALANCE OF DEBT BE THE AMOUNT OF INITIAL DEBT TRANSFERRED PLUS THE FORECAST CAPITAL EXPENDITURE OF THE COMPANY AT THE END OF EACH QUARTER FOR THE 2026/27 FINANCIAL YEAR.
   4. AGREES THAT A MONITORING REPORT BE PRESENTED TO THE AUDIT AND RISK COMMITTEE ON A QUARTERLY BASIS BY THE CHIEF FINANCIAL OFFICER.

   Harris/Scarlet CARRIED

Proposed Loan Agreement

7. The current version of the loan agreement does anticipate that KHWS will have accession to the LGFA before 30 June 2026 but has allowed for an additional six-month period should it be required, potentially extending the loan agreement out to 31 December 2027.
8. This has been allowed for as it has been stated that the accession process can take upwards of four months to take effect. Allowing for an extension provides the timeframes to ensure that the accession process is carried out appropriately.
9. The other key conditions of the loan remain unchanged:
   a. Interest will continue to be calculated at the Council's Weighted Average Costs of Funds as determined by Bancorp Treasury Services Limited at the end of each month.
   b. That the running balance of the debt be the amount of the initial debt transferred plus the forecast capital expenditure.
   c. A monitoring report will be provided to the Audit and Risk Committee on a quarterly basis by Council's Chief Financial Officer.

Going Concern assessment for KHWS

10. KHWS are nearing the completion of the audit of its financial statements to the end of June 2026. As the company was not actively trading for the 99 days between the date of incorporation (23 March) and the end of June, the key transactions were Directors Fees, CEO Wages, Insurance and Systems costs. As a result, the company had recorded a deficit of c$145k for the period.
11. That has been funded via an advance from Hurunui District Council but is recognised as negative equity as at 30 June 2026.
12. The Audit Office has the issue of going concern and as the Transfer Agreement is still to be formalised, the Audit Office requires assurances that Council will make sufficient funding available to KHWS to meet its operating and financial obligations for at least the next 12 months.
13. Currently, the Council resolution is for the loan financing to be no later than the end of the 2026/27 financial year. To meet the going concern requirements from the Audit Office, some assurances are required to be made to ensure that Council can provide loan financing until at least 30 November 2027.
14. To formalise Council's support, it is recommended that a formal letter of support be provided. This is attached as appendix 1.

Implications for Hurunui District Council

15. As outlined in the 9 June 2026 meeting, the potential of Hurunui acting as an intermediatory for debt financing for KHWS was discussed with the LGFA who confirmed that any debt from Council to KHWS will be treated as a financial asset and be deducted from the Council's Gross Debt when determining Council's own Net Debt:Revenue Ratio.
16. From the 2026/27 Draft Annual Plan:
    a. Council Revenue (excluding DCs, Vested Assets and 3W Rates) is $54,129,965
    b. Council's debt as at 30 June 2027 is expected to be $33,500,000
    c. Debt:Revenue Ratio is **61.89%**
17. If Council retained the $78.5m of Three Waters Debt as part of its external debt but it was debt assumed by KHWS, then Council's Gross External debt would be $112,000,000. The Debt:Revenue ratio would be:
    a. Council Net Debt ($112.0m less $78.5m) = $33,500,000
    b. Revenue of $54,129,965
    c. Debt:Revenue Ratio remains at **61.89%**
18. The new levels of Net Debt:Revenue ratios will need to be enshrined in an updated Treasury Risk Management Policy.

Legal and policy implications

Local Government Act 2002

19. Section 63 of the Local Government Act 2002 outlines conditions/restrictions relating to council lending to council-controlled trading organisations. However, section 6(1) of the Local Government Act 2002 states that water organisations are not council-controlled trading organisations. There is no prohibition on councils lending to water organisations.

Alignment with Council Strategy

20. Providing loan financing to KHWS will contribute to the Council's strategic objective of "Deliver good quality services supported by sustainable resilient infrastructure".

Delegations

21. This decision must be made by Council.

Financial implications

Requirement	Explanation
What is the cost?	• The proposal is to lend approximately $80 million to Kaikōura Hurunui Water Services Limited. Council will source this funding from the LGFA. • Interest to be charged to KHWS will be calculated at the same rate as Council incurs on the external debt, therefore will be cost neutral.
Is this budgeted in the Long Term Plan or Annual Plan?	The Loan Financing was not provided for in the Long Term Plan or Annual Plan 2025/26 as it was anticipated that KHWS will obtain their own debt before the start of the 2026/27 year.
Are there any future budget implications?	KHWS will pay interest to the Council on the loan while it is outstanding. When KHWS is obtain to directly obtain loan financing from the LGFA, there will be no future cost implications for Council.

Significance and engagement assessment

Requirement	Explanation
Level of significance and rationale	The significance of this decision is considered to be medium.
Summary of engagement already undertaken	The Local Water Done Well project team has discussed the matter. No engagement has been undertaken.
What future engagement (if any) is required?	Nil.
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 policy potentially contributes to the achievement of all of the community wellbeings (social, economic, environmental cultural) because the loan is necessary for the initial operation of the new water organisation.

Next steps

Date	Action	Detail
24 November 2027	Provide the Audit Office with the Letter of Financial Support	
December	Formalisation of the final Loan Agreement	

Appendix 1 – Letter of Support

Karl Smith

Chairperson

Kaikōura Hurunui Water Services Limited

Dear Karl

Financial Support – Kaikōura Hurunui Water Services Limited

In connection with the 2026 annual financial statements of Kaikōura Hurunui Water Services Limited ("KHWS"), Hurunui District Council ("Council") confirms its intention to continue providing financial support to KHWS to enable it to meet its debts and obligations as they fall due and continue operating as a going concern.

This support is provided through Council's interim term loan facility to KHWS, pending KHWS obtaining direct debt financing from the Local Government Funding Agency. The draft loan agreement provides for funding of up to $90 million, subject to its terms and conditions.

KHWS is required to comply with the obligations and financial covenants contained in the loan agreement, including requirements relating to liquidity, indebtedness and capital expenditure.

Subject to those terms, Council confirms its intention and financial capacity to make sufficient funding available to KHWS to meet its operating and financial obligations as they fall due through to 31 December 2027.

This letter is provided to support the Directors' assessment of KHWS's ability to continue as a going concern, and Council acknowledges that KHWS's auditors may rely on this letter for that purpose.

Yours faithfully

Marie Black

Mayor