

Statement of Expectations for Southern Waters Limited

Adopted by the Stakeholders' Representative Group on 4 September 2026

1. Introduction

This Statement of Expectations (**SOE**) has been prepared for Southern Waters Limited (Southern Waters) as required by section 227 of the Local Government (Water Services) Act 2025 (**the LG(WS) Act**). It has been adopted by the Stakeholders' Representative Group (**SRG**), comprising representatives of Central Otago District Council (**CODC**), Clutha District Council (**CDC**), Gore District Council (**GDC**) and Waitaki District Council (**WDC**) (together, the **Shareholding Councils**). This SOE has been adopted in advance of Southern Waters preparing its Water Services Strategy. Southern Waters must give effect to this SOE in accordance with the LG(WS) Act.

This SOE relates to the period commencing on the date of Southern Waters' first Water Services Strategy and ending no earlier than 30 June 2037 (being a period of 10 consecutive financial years).

2. Context and Purpose

Southern Waters has been established as a council-controlled organisation jointly owned by the Shareholding Councils for the purpose of providing drinking water, wastewater, and stormwater services within the districts of Central Otago, Clutha, Gore, and Waitaki. Southern Waters must deliver these services in accordance with the objectives in section 17, and the financial principles in section 18, of the LG(WS) Act, and the expectations set out in this SOE.

Southern Waters has identified five strategic objectives for the delivery of water services across the region. These objectives are:

1. To deliver three waters services in a way that reflects the importance of water to the health of our residents, visitors, environment, economy and mana whenua under Te Tiriti o Waitangi
2. To ensure that three waters services are delivered in a manner that is enduring and financially sustainable.
3. To deliver three waters services that are responsive to the local needs of our communities.
4. To provide efficient and effective services that support robust decision-making and the development of enduring capability and capacity.
5. To deliver three waters services that sustainably respond to changes in population, economic activity, and climate change.

This SOE provides direction on the outcomes Southern Waters is to achieve when delivering water services, and expectations for how Southern Waters should conduct itself and its relationships with key stakeholders. The Stakeholders' Representative Group agrees that the initial focus for Southern Waters should be on achieving a successful establishment, operational stability, robust and independent governance, and effective planning, asset management, renewal and investment processes with strong financial oversight.

This SOE sets expectations in three areas:

- (a) Governance, Accountability, and Reporting expectations, including details on the content for the required half-yearly report.
- (b) Establishment expectations — expectations that must be achieved before operational go-live on 1 July 2027.
- (c) Enduring expectations.

3. Strategic Goals and Key Outcomes

Southern Waters must deliver safe, reliable, environmentally and financially sustainable water services that are resilient and enable the wellbeing of communities across its service area. The following key outcomes, which the Shareholding Councils expect Southern Waters to achieve, must be reflected in the initial Water Services Strategy:

- (a) Improving water services, with a significant focus on the state of the water network, infrastructure, and assets. Southern Waters must develop and manage its investment programme to ensure reliable services across all service areas.
and
- (b) Financially sustainable water services are delivered, with consideration given to affordability when setting water charges.
and
- (c) Working and continuous, reliable water services are delivered and improved after the transition to Southern Waters.

4. Governance, Accountability, and Reporting

Southern Waters must be open and transparent in its decision-making with the Shareholding Councils, the SRG, key stakeholders, and the communities it serves.

4.1 It is expected that:

- (a) Southern Waters and the Shareholding Councils will work constructively to agree coordinated support processes and shared arrangements to ensure reliable, customer-focused service delivery.
- (b) Southern Waters will operate under a skills-based board with the capability to oversee a complex, multi-owner organisation. Directors will be appointed and removed by the SRG in accordance with the Constitution and the LG(W.S) Act.
- (c) Southern Waters must provide advance notice to the SRG of any decisions it is considering that would involve a significant departure from its Water Services Strategy or a reprioritisation of activities, including advice about how the decision will be consulted on or otherwise regularised.
- (d) Southern Waters must keep the SRG informed on a “no surprises” basis of any material events, issues of public interest, significant trade-offs, or emerging significant risks —

including potential significant service failures, critical infrastructure risks, changes to health & safety legislation, or compliance issues — and must do so as soon as practicable if a significant service failure occurs. Southern Waters must also advise of any proposed mitigations, solutions or remediations.

- (e) The Board will undertake a self-evaluation of its performance on an annual basis, in line with accepted good governance principles and practices.

5. Content of Southern Waters' Half-Yearly Report

Under section 227 of the LG(Ws) Act, this SOE must specify the information to be included in Southern Waters' half-yearly report post establishment 1 July 2027 (see section 248). The half-yearly report must include:

- (a) Delivery of capital projects against those specified in the investment delivery plan for the financial year to which the report relates, and any departures from planned capital programmes.
- (b) Compliance and enforcement status of resource consents and other regulatory requirements, including actual or potential compliance issues, along with proposed solutions for addressing any compliance issues.
- (c) Forecast revenue and expenditure, projects specifically subject to government or other third-party funding, lending, and any associated implications for future water charges.
- (d) Critical risks and proposed mitigations of strategic issues in relation to Southern Waters.
- (e) Key stakeholder relationships, including meetings or other significant engagements which relate to strategic management of southern waters.
- (f) Progress on the transition of services from each Shareholding Council to Southern Waters, including the status of Transfer Agreements.
- (g) Progress against performance indicators and measures reflected in the Water Services Strategy.
- (h) Status of compliance with lending covenants and the requirements of the LGFA.

6. Expectations during the Establishment Phase

The following expectations must be achieved before operational go-live on 1 July 2027.

Initial Water Services Strategy

In developing its initial Water Services Strategy, Southern Waters is expected to lead its own strategic direction whilst considering the existing planning by the Shareholding Councils.

6.1 It is expected that the initial Water Services Strategy will:

- (a) Act as an initial strategy focusing on the delivery of services, financing, and charging in the first year of operations, broadly aligned with the Water Services Delivery Plan of the Shareholding Councils.

- (b) Recognise rural water as a distinct service and include appropriate levels of service and pricing arrangements for rural water schemes.

6.2 It is expected that:

- (a) Southern Waters provides the SRG with an early opportunity to comment on the draft Water Services Strategy, with a draft to be provided no later than 1 March 2027, and a review period for the SRG of four weeks.
- (b) Southern Waters prepares and provides a summary document clarifying any proposed significant changes to key projects or costs to customers when compared to the Long-Term Plans of the Shareholding Councils, to be provided at the same time as the draft Water Services Strategy.

Financing Expectations

- 6.3 It is expected that, alongside the Shareholding Councils, Southern Waters will work with the Local Government Funding Agency (LGFA) to prepare to accede as a participating borrower, ensuring access to appropriate financing terms.

7. Planning Requirements

Under section 227 of the LG(WS) Act, this SOE must include requirements relating to the Shareholding Councils' resource management and land-use planning relevant to Southern Waters' service area.

7.1 It is expected that:

- (a) Southern Waters will consider and engage with the Shareholding Councils' District Plans, Long Term Plans, Infrastructure Strategies, and other growth-related plans when making decisions about the water services infrastructure required to support growth and the sequencing of such infrastructure.
- (b) Southern Waters will work closely with the Shareholding Councils to ensure its long-term investment plans support and align with the Shareholding Councils' growth strategies and development goals. This includes collaborating with Shareholding Councils as they develop key planning documents, and providing clear advice on the infrastructure needs and costs associated with greenfield and brownfield growth and intensification.
- (c) Southern Waters will actively support the Shareholding Councils' building and resource consenting processes by providing timely, accurate, and fit-for-purpose technical advice and approvals related to water service connections.

8. Statutory Obligations

Under section 227 of the LG(WS) Act, this SOE must require Southern Waters to act in accordance with any relevant statutory obligation applying to a Shareholding Council as a territorial authority.

- 8.1 Southern Waters must act in accordance with any relevant statutory obligation applying to each Shareholding Council as a territorial authority, including obligations under the LG(WS) Act, the Local Government Act 2002, and any other applicable legislation.

- 8.2 Southern Waters must comply with all applicable Treaty settlement obligations and other agreements, including joint management agreements, that apply across the service areas. Southern Waters' establishment does not alter any existing commitments to mana whenua or iwi from any Shareholding Council.

9. Enduring Expectations

The following enduring expectations describe how Southern Waters is expected to operate across the longer term. They reflect the shared values and principles of the Shareholding Councils and apply throughout the establishment phase and beyond. While the enduring expectations are long-term, **the Shareholding Councils** have emphasised compliance, affordability and customer and community considerations as an early focus. This early focus is not intended to displace the other enduring expectations (including growth) which remain live priorities from establishment, even where the pace of full delivery is necessarily staged.

The Shareholding Councils acknowledge that achievement of these expectations must be viewed against the current operating environment, the condition of assets being transferred, available operating budgets, and the time required to establish new systems and capability. The Shareholding Councils accept that Southern Waters will need to make sequencing decisions and trade-offs between enduring expectations during this establishment period to ensure an efficient, effective and sustainable business model. Not all expectations can be advanced at the same pace or with the same intensity from day one.

Southern Waters will develop a prioritisation framework for investment and activities. This will be informed by the Shareholding Councils on the overall strategic importance of the following enduring expectations [through the WSS] below:

In applying this framework, Southern Waters is expected to make trade-offs where full and immediate compliance across all expectations is not achievable within available budgets and capability, provided that public health, safety, and legal and regulatory minimums are not compromised. Southern Waters will report on significant trade-off decisions, through its half-yearly reporting under section 5 of this SOE (Content of Southern Waters' Half-Yearly Report).

Upholding Treaty Principles and Settlement Obligations

- 9.1 It is expected that Southern Waters upholds the principles of Te Tiriti o Waitangi and any Treaty settlement obligations of the Shareholding Councils.
- 9.2 It is expected that Southern Waters will develop and maintain a meaningful partnership with mana whenua, including Te Rūnanga o Ngāi Tahu consistent with the Shareholders' Agreement's recognition that wai is a taonga central to tikanga, identity, and wellbeing.

Customer and Community

Southern Waters is to be a customer-facing organisation and must embed a culture that puts the customer first.

- 9.3 It is expected that:

- (a) Southern Waters will progressively create and embed an organisational culture that is customer-first, transparent, which prioritises health, safety, and wellbeing.
- (b) Southern Waters will engage on significant issues or in line with its Significance and Engagement Policy.
- (c) Southern Waters will collaborate with other water organisations and councils to maximise efficiency and effectiveness.

Safe, Reliable, and Resilient Water Services

9.4 Southern Waters is inheriting assets of variable condition and data maturity across its service area and that building asset knowledge to the standard required for sound investment decisions is a foundational precondition for effective prioritisation, compliance planning, and transparent reporting.

9.5 It is expected that:

- (a) Southern Waters will build its asset management capability by improving the quality and completeness of asset data and will manage existing infrastructure to avoid future deficits and support planned investment decisions.
- (b) Southern Waters will prioritise asset management planning towards very highly critical and highly critical assets so that risks of failure are minimised.
- (c) Southern Waters will plan and deliver water services that are resilient to future challenges, including the impacts of climate change and natural hazards, through strategic infrastructure and asset planning over a minimum 30-year horizon.
- (d) Southern Waters will establish an effective enterprise-level risk management framework and align internal management with strategic goals to improve operational efficiency and compliance.

Environmental Stewardship

9.6 It is expected that:

- (a) Southern Waters will deliver water services in a manner that minimises adverse environmental effects as far as reasonably practicable. Southern Waters will use its best endeavours to meet all environmental regulatory requirements and will take a proactive approach to resolving any non-compliance.
- (b) Southern Waters will progressively work towards applying a climate change lens to its decision-making and reduce carbon emissions across its activities over time.
- (c) Southern Waters will recognise and give effect to Te Tiriti principles by engaging with mana whenua to identify and where practicable, protect and enhance mahika kai values across its activities.

Affordability, Equity, and Value for Money

9.7 It is expected that:

- (a) Southern Waters will deliver services in a financially sustainable, and efficient manner.
- (b) Southern Waters will be open and transparent about how it charges for water services.
- (c) Southern Waters should pay particular attention to, hardship, and **medical dependency** ensuring vulnerable households are supported through appropriate policies (including the Financial Support Policy).

Growth

9.8 It is expected that:

- (a) Southern Waters will deliver three waters services that sustainably respond to change in population and economic activity.
- (b) Southern Waters will work with the Shareholding Councils to align long-term investment plans with economic growth and the Shareholding Councils' growth strategies.
- (c) Southern Waters will provide timely, accurate, and fit-for-purpose technical advice and approvals related to water service connections.

Rural Water

9.9 It is expected that:

- (a) Southern Waters recognises rural water as a distinct service, reflecting the Shareholding Councils' agreement that rural water constitutes a "fourth water".
- (b) Rural water schemes will be subject to different levels of service to urban drinking water schemes.
- (c) Specific requirements regarding engagement with the community and rural water customers will be developed.

10. Review Date

This SOE will be reviewed and updated prior to the preparation of the next Water Services Strategy, in accordance with the Shareholders' Agreement. The SRG will meet at least eight months before Southern Waters is required to prepare a Water Services Strategy to discuss and agree the process for the next SOE.