AGENDA

Joint Shareholders Committee Meeting
Monday, 24 August 2026

Date	Monday, 24 August 2026
Time	10:30 am
Location	Council Chamber District Council Building King George Place Timaru 1864486

Joint Shareholders Committee

Notice is hereby given that a meeting of the Joint Shareholders Committee will be held in the Council Chamber, District Council Building, King George Place, Timaru, on Monday 24 August 2026, at 10:30 am.

Joint Shareholders Committee Members

Timaru District Mayor Nigel Bowen (Chairperson), Clrs Stacey Scott, Michelle Pye, Mackenzie District Council Mayor Scott Aronsen, Clrs Rit Fisher, Mark Adams (Deputy Chairperson)

Alternatives: Clr Peter Burt (TDC), Phillipa Guerin (MDC)

Quorum for a Joint Committee meeting is:

A total of four elected members must be present, or appointed alternates, with at least two members being from each Council.

Where the Joint Shareholders Committee is providing a forum for the Shareholders to meet and exercise their powers in relation to the Company, the requirements of the Company's constitution and shareholders' agreement will prevail.

Local Authorities (Members' Interests) Act 1968

Committee members are reminded that if you have a pecuniary interest in any item on the agenda, then they must declare this interest and refrain from discussing or voting on this item and are advised to withdraw from the meeting table.

Order Of Business

1 Apologies

2 Identification of Items of Urgent Business

3 Identification of Matters of a Minor Nature

4 Declaration of Conflicts of Interest

5 Chairperson’s Report

6 Confirmation of Minutes

6.1 Minutes of the Joint Shareholders Committee Meeting held on 13 July 2026

Author: **Jessica Kavanaugh, Democracy Services Lead**

Recommendation

That the Minutes of the Joint Shareholders Committee Meeting held on 13 July 2026 be confirmed as a true and correct record of that meeting and that the Chairperson's electronic signature be attached.

Attachments

1. Minutes of the Joint Shareholders Committee Meeting held on 13 July 2026

MINUTES

Joint Shareholders Committee Meeting

Monday, 13 July 2026

Minutes of Timaru District Council
Joint Shareholders Committee Meeting
Held in the Council Chamber, District Council Building, King George Place, Timaru
on Monday, 13 July 2026 10:37 am

Present: **Timaru District Council:** Nigel Bowen (Chairperson), Clrs Michelle Pye, Stacey Scott

Mackenzie District Council: Mayor Scott Aronsen (via teams) and Clrs Phillipa Guerin and Mark Adams (Deputy Chairperson)

In Attendance: **Timaru District Council Officers:** Nigel Trainor (Chief Executive), Andrea Rankin (Chief Financial Officer), Stephen Doran (General Manager Corporate), Elliot Higbee (Legal Services Manager), Rosie Oliver (Programme Office Lead), Rachel Leitch (Communications Team Leader), Maddison Gourlay (Marketing & Communications Advisor), (Meghan Taylor (Executive Assistant Corporate, Finance & Digital), Jessica Kavanaugh (Democracy Services Lead), Amanda Taylor (Executive Assistant Water Services)

Mackenzie District Council Officers: Angela Oosthuizen (Chief Executive), Neil Jorgensen (General Manager - Operations and Regulatory Services), Robyn Laidlaw (Corporate Planner)

Cathryn Lancaster (Interim Chief Executive - Timaru and Mackenzie Water Entity)

1 Apologies

No apologies were received.

2 Identification of Items of Urgent Business

The Mackenzie District Council Chief Executive advised that Clr Phillipa Guerin will replace Clr Rit Fisher while he is on extended leave and is participating in this meeting as the alternate.

Timaru District Council Mayor Nigel Bowen advised Clr Stacey Scott is participating in this meeting as the alternate.

There will be formal reports heard by both councils to confirm the changes required to the membership.

3 Identification of Matters of a Minor Nature

No matters of a minor nature were raised.

4 Declaration of Conflicts of Interest

No conflicts of interest were declared.

5 Chairperson’s Report

No Chairperson’s report was received.

6 Confirmation of Minutes

6.1 Minutes of the Joint Shareholders Committee Meeting held on 3 June 2026

Resolution 2026/16

Moved: Clr Michelle Pye
Seconded: Clr Mark Adams

That the Minutes of the Joint Shareholders Committee Meeting held on 3 June 2026 be confirmed as a true and correct record of that meeting and that the Chairperson's electronic signature be attached.

Carried

7 Reports

7.1 Actions Register Update

The Chairperson spoke to the report to provide the Joint Shareholders Committee with an update on the status of the action requests raised by members at previous Joint Shareholders Committee meetings.

Resolution 2026/17

Moved: Mayor Nigel Bowen
Seconded: Clr Mark Adams

That the Joint Shareholders Committee receives and notes the updates to the Actions Register.

Carried

7.2 Water Organisation Establishment Programme Update

The Programme Office Lead spoke to the report to provide the Joint Shareholders Committee with an opportunity to review and provide feedback on programme progress and direction, to confirm the intended mandate of the Interim CE, and to enable review and endorsement of the Department of Internal Affairs Quarterly Monitoring Report for the Timaru Water Services Delivery Plan 30 June 2026 for the period April to June 2026.

Further highlights since the dashboard was published included; the steering group have completed the approval of the contractor for the people workstream, the communication and engagement resource has been deferred, the cost status is showing as red due to the budget not being re-forecasted, and the frequently asked questions have been distributed to officers.

The Mayor Nigel Bowen provided an update on the following: the recruitment process and status, advised that the letter to Mana Whenua has not progressed at this stage, and noted formalising a letter to Waimate District Council to be discussed further in the agenda items.

The Interim Chief Executive - Timaru and Mackenzie Water Entity provided an update on the future focus, including the project plan and workstreams. There are three time-critical milestones including; incorporation of the company, establishment of the organisation, which includes a lot of finance work, and operational on 01 July 2027. It was advised that once the establishment is complete, an interim Statement of Expectations can be completed to enable the water organisation to prepare the strategy. Highlighted was the resourcing required and the importance of a CFO/Corporate Services Lead in an interim capacity. The regular meetings with the water teams in Timaru and Mackenzie were noted.

Discussion included the recruitment process for the interim CFO/Corporate Services Lead and the skills required. The importance of including the chairperson in this process once that appointment is complete.

It was clarified that the Interim Chief Executive - Timaru and Mackenzie Water Entity will refine the budget and look for different options. It was requested that there be a clearer breakdown of the costs that would have been incurred during the normal course of business and the costs that sit with the different councils for the establishment.

Resolution 2026/18

Moved: Mayor Nigel Bowen
Seconded: Clr Mark Adams

That the Joint Shareholders Committee:

1. Receive and note the Water Organisation Establishment Dashboard Report; and
2. Confirm the mandate of the Interim Chief Executive to make decisions on behalf of the Water Organisation to reach its establishment milestones: Incorporation, Financial Independence, and Commencement of Services on 01/07/27; and
3. Endorse the Department of Internal Affairs Quarterly Monitoring Report for the Timaru Water Services Delivery Plan 30 June 2026 for the period April to June 2026; and
4. Delegate to the Chief Executives of each Council to finalise the WSDP update, including making amendments, and to submit this to the DIA.

Carried

7.3 Structural decision: Stormwater

The Legal Services Manager spoke to the report to seek the Joint Committee’s endorsement of a preferred option for stormwater service delivery, to go to the respective Council’s for adoption.

It was highlighted that if stormwater remains in house it will need to be ringfenced, and there will be a requirement to clearly identify and define stormwater to help ensure costs associated are accounted for.

It was also clarified that stormwater sits outside the proposed rates cap. Also, the strategy for stormwater will be complete by 01 July 2027 for Timaru District Council.

Further discussion included a possibility of a shared services agreement and the complexities of stormwater.

Resolution 2026/19

Moved: Clr Michelle Pye
Seconded: Clr Mark Adams

That the Committee:

1. Receive and note this report *Structural Decision: Stormwater.*
2. Endorse the preferred option for stormwater service delivery: that Mackenzie and Timaru District Councils' will retain responsibility for stormwater service delivery as currently provided for in their respective Water Services Delivery Plans.
3. Note that this option will mean that the Mackenzie and Timaru District Councils are the water services providers for stormwater services in their district, and will continue to be responsible for the service, including planning, reporting and financial management obligations under the Local Government (Water Services) Act 2025.
4. Note that this preferred option, if endorsed, will be presented to Council for adoption.
5. Note that Timaru District Council will, in conjunction with Makenzie District Council, develop a shared service delivery arrangement for stormwater service with the joint water organisation.
6. Note that this arrangement will be reviewed after the stormwater risk management plan is completed, which is required by 27 August 2028.

Carried

7.4 Foundation documents update

The Legal Services Manager spoke to the report to set out several issues for direction by the Committee to then enable it to endorse and recommend a constitution for the shareholding Councils to adopt.

The following items were discussed;

Distributions

The treatment of advancing of funds for the establishment costs, and the idea that these will be a loan to be repaid and not caught by the distribution rule. The introduction of another entity to this organisation was discussed. It was confirmed that the desired approach is that establishment costs are appropriately protected for the shareholders and any future onboarding is not constrained, and the limitation as drafted remains.

Directors

Discussion included only having one director for the first year rather than two, and the term of appointment to achieve a staggered approach. It was noted in clause 12.5(c) that there is flexibility to allow this.

The clause of casual vacancy was discussed and clarified that the process is in the shareholders' agreement, with the need for a definition required.

Committees' comments on water services strategy

It was agreed that it remains as drafted.

Skills matrix

Clarification was given that the skills matrix will be in the shareholders' agreement. Discussion was had on having a skills matrix hardwired into the shareholders' agreement, noting that there must be a skills matrix to maintain the flexibility needed.

Reserved matters

This will be moved to the shareholders' agreement.

Harmonisation

This will be moved to the shareholders' agreement.

Postal votes

This is to remain as drafted.

Further discussion was had on the inserted clause on redeeming redeemable preference shares.

It was agreed that the Legal Services Manager would complete the amendments and distribute them to the Joint Shareholders Committee members.

Resolution 2026/20

Moved: Clr Mark Adams
Seconded: Clr Michelle Pye

That the committee:

1. Receives this report: *Foundation Documents Update*
2. Provides direction on the joint Water Organisation's constitution and shareholders agreement
3. Endorses the constitution and recommends their adoption by the respective Councils subject to minor changes
4. Notes that the shareholders agreement will be finalised once the company is established, and will come back to this Committee for endorsement, prior to going to the respective Councils for adoption
5. Notes that if the joint Water Organisation's scope of services or shareholding changes, amendments to the constitution may be required

Carried

Attachments

1 Item 7.4 Foundation Documents - Additional Information 13.07.26

2 Item 7.4 Foundation Document - Tabled Item DRAFT WO constitution (SG comments 09.07.2026)

7.5 Downlands Water Scheme – Structural Decision Update

The Legal Services Manager spoke to the report to update the Joint Services Committee and receive feedback on the proposed approach for progressing any structural decisions required to address the Downlands Water Supply Scheme's operation under the new regulatory system for water services.

Discussion included putting a report to the Downlands Committee for them to discuss and come up with an option. The benefits and negatives of full integration were highlighted.

Further discussion included the ability to amend the constitution in the future. It was requested that the members of the Joint Shareholders Committee be invited to the Downlands Water Supply Committee Meeting on the 27 July 2026.

It was requested to add an action that the Chief Executives of Timaru District Council, Mackenzie District Council, Waimate District Council and the Interim Chief Executive - Timaru and Mackenzie Water Entity have a discussion.

There was a discussion on charging on the downlands scheme.

Resolution 2026/21

Moved: Clr Nigel Bowen
Seconded: Clr Phillipa Guerin

That the Joint Shareholders Committee receive and note the Downlands Water Scheme – Structural Decision Required report.

Carried

7.6 Deliberations over name of Water Organisation

The General Manager Corporate spoke to the report to discuss the naming and branding of the new Water Organisation that will cover the Timaru and Mackenzie Districts.

Discussion was had on the ability to have a holding name and then change it, and the ability to have a trading name alongside the company name.

The Committee discussed the different name options and agreed that Central South Island Water has longevity.

Resolution 2026/22

Moved: Clr Michelle Pye
Seconded: Clr Nigel Bowen

That the Joint Shareholders Committee;

1. Adopts a final name prior to launch in 2027; and
2. Agrees on the name Central South Island Water to progress to brand and design development.

Carried

8 Consideration of Urgent Business Items

No items of urgent business were received.

9 Consideration of Minor Nature Matters

No matters of a minor nature were raised.

10 Exclusion of the Public

Resolution 2026/23

Moved: Clr Nigel Bowen
Seconded: Clr Phillipa Guerin

That the public be excluded at 12.17pm from the following parts of the proceedings of this meeting, namely,—

11.1 Public Excluded Minutes of the Joint Shareholders Committee Meeting held on 3 June 2026

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

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Plain English Reason
11.1 - Public Excluded Minutes of the Joint Shareholders Committee Meeting held on 3 June 2026 **Matters dealt with in these minutes:** **11.1 - Water Organisation Establishment Programme Update**	Section 48(1) of the Local Government Official Information and Meetings Act 1987.	The public excluded minutes of the meeting held on 3 June 2026 are considered confidential pursuant to the provisions of the LGOIMA Act of 1987. The specific provisions of the Act that relate to these minutes can be found in the open minutes of the meeting held on 3 June 2026.

Carried

Note

Section 48(4) of the Local Government Official Information and Meetings Act 1987 provides as follows:

- “(4)Every resolution to exclude the public shall be put at a time when the meeting is open to the public, and the text of that resolution (or copies thereof)—
    - (a)shall be available to any member of the public who is present; and
    - (b)shall form part of the minutes of the local authority.”

11 Public Excluded Reports

11.1 Public Excluded Minutes of the Joint Shareholders Committee Meeting held on 3 June 2026

11.1 Water Organisation Establishment Programme Update

12 Readmittance of the Public

Resolution 2026/24

Moved: Clr Nigel Bowen
Seconded: Clr Mark Adams

That the meeting moves out of Closed Meeting into Open Meeting at 12.18pm.

Carried

The Meeting closed at 12.19pm.

....

Timaru District Council Mayor Nigel Bowen

Chairperson

6.2 Minutes of the Extraordinary Joint Shareholders Committee Meeting held on 29 July 2026

Author: **Jessica Kavanaugh, Democracy Services Lead**

Recommendation

That the Minutes of the Extraordinary Joint Shareholders Committee Meeting held on 29 July 2026 be confirmed as a true and correct record of that meeting and that the Chairperson's electronic signature be attached.

Attachments

1. **Minutes of the Extraordinary Joint Shareholders Committee Meeting held on 29 July 2026**

MINUTES

Extraordinary Joint Shareholders Committee Meeting

Wednesday, 29 July 2026

Minutes of Timaru District Council
Extraordinary Joint Shareholders Committee Meeting
Held in the Council Chambers, District Council Building, King George Place, Timaru
on Wednesday, 29 July 2026 11:30 am

Present: **Timaru District Council:** Mayor Nigel Bowen (Chairperson), Clrs Michelle Pye, Stacey Scott

Mackenzie District Council: Clrs Mark Adams (Deputy Chairperson), Phillipa Guerin

In Attendance: **Timaru District Council Officers:** Nigel Trainor (Chief Executive), Andrea Rankin (Chief Financial Officer), Stephen Doran (General Manager Corporate), Elliot Higbee (Legal Services Manager), Jessica Kavanaugh (Democracy Services Lead)

Mackenzie District Council Officers: Angela Oosthuizen (Chief Executive)

1 Apologies

It was noted Mackenzie District Council Mayor Scott Aronsen was not in attendance.

2 Identification of Items of Urgent Business

No items of urgent business were received.

3 Identification of Matters of a Minor Nature

No matters of a minor nature were raised.

4 Declaration of Conflicts of Interest

No conflicts of interest were declared.

5 Chairperson's Report

No Chairperson's report was received.

6 Consideration of Urgent Business Items

No items of urgent business were received.

7 Consideration of Minor Nature Matters

No matters of a minor nature were raised.

8 Exclusion of the Public

Resolution 2026/7

Moved: Mayor Nigel Bowen
Seconded: Deputy Chairperson Mark Adams

That the public be excluded at 11.32am from the following parts of the proceedings of this meeting, namely,—

9.1 Appointment of Joint Water Orgnisation Chairperson

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

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Plain English Reason
9.1 - Appointment of Joint Water Orgnisation Chairperson	s7(2)(a) - The withholding of the information is necessary to protect the privacy of natural persons, including that of deceased natural persons	To protect a person’s privacy, including the privacy of deceased persons

Carried

Note

Section 48(4) of the Local Government Official Information and Meetings Act 1987 provides as follows:

- “(4)Every resolution to exclude the public shall be put at a time when the meeting is open to the public, and the text of that resolution (or copies thereof)—
    - (a)shall be available to any member of the public who is present; and
    - (b)shall form part of the minutes of the local authority.”

9 Public Excluded Reports

9.1 Appointment of Joint Water Orgnisation Chairperson

10 Readmittance of the Public

Resolution 2026/8

Moved: Mayor Nigel Bowen
Seconded: Clr Michelle Pye

That the meeting moves out of Closed Meeting into Open Meeting at 11.40am.

Carried

The Meeting closed at 11.41am.

....

Timaru District Council Mayor Nigel Bowen

Chairperson

7 Reports

7.1 Actions Register Update

Author: **Meghan Taylor, Acting Democracy Services Lead**

Authoriser: **Stephen Doran, General Manager Corporate**

Recommendation

That the Joint Shareholders Committee receives and notes the updates to the Actions Register.

Purpose of Report

1 The purpose of this report is to provide the Joint Shareholders Committee with an update on the status of the action requests raised by members at previous Joint Shareholder Committee meetings.

Assessment of Significance

2 This matter is assessed to be of low significance under the Council's Significance and Engagement Policy as there is no impact on the service provision, no decision to transfer ownership or control of a strategic asset to or from Council, and no deviation from the Long Term Plan.

Discussion

3 The actions register is a record of actions requested by members. It includes a status and comments section to update the Joint Shareholders Committee on the progress of each item.

4 There are currently two items on the actions register.

5 One item is marked as ongoing.

6 One item is marked as completed, and is proposed to be marked as removed at the next meeting.

7 No items are marked as removed to be taken off the list at the next meeting.

Attachments

1. Joint Shareholders Committee Actions Register ⇩

Information Requested from Councillors (Joint Shareholders Committee)

Key = Completed, for removal = 60+ Days = 90+ Days = Removed

Information Requested	JWSO Chief Executive Advertising		
Date Raised:	3 June 2026	**Status:**	Complete
Issue Owner:	TDC Chief Executive	**Completed Date:**	03.08.2026

Background: At the Joint Shareholders Meeting it was requested that the advertising of the recruitment for the Chief Executive be brought forward.

July 2026: Council have appointed an Interim Chief Executive for the Water Organisation while the Chief Executive recruitment process continues. The advertising for this role closed on 5 July 2026.

August 2026: The Chief Executive recruitment process is currently underway. This action is now complete and can be closed.

Information Requested	Chief Executive Discussion		
Date Raised:	13 July 2026	**Status:**	Ongoing
Issue Owner:	Chief Executive's	**Completed Date:**	

Background: At the Joint Shareholders Meeting it was requested that the Chief Executives of Timaru District Council, Mackenzie District Council, Waimate District Council and the Interim Chief Executive - Timaru and Mackenzie Water Entity have a discussion regarding Downlands.

July 2026: The Downlands Committee Chair and Timaru District Council's Legal Services Manager will meet with Waimate District Council to discuss Downlands.

August 2026: A meeting between Chief Executives of Timaru District Council, Mackenzie District Council, Waimate District Council and the Interim Chief Executive has been scheduled for 24 August 2026.

#1852633

7.2 Central South Island Water Establishment Programme Update

Author: **Rosie Oliver, Programme Office Lead**

Authoriser: **Nigel Trainor, Chief Executive**

Recommendation

That the Joint Shareholders Committee:

1. Receive and note the CSIW Establishment Dashboard Report for the period 01 July 2026 – 17 August 2026.

Purpose of Report

1 The purpose of this report is to provide the Joint Shareholders Committee with an opportunity to review and provide feedback on programme progress and direction.

Assessment of Significance

2 This report is of low significance being a progress update aligned with previously endorsed documents and decisions including Timaru District Council's Water Services Delivery Strategy, and the Commitment Agreement and Joint Shareholders Committee Terms of Reference previously adopted by both Mackenzie (MDC) and Timaru (TDC) District Councils.

Background

3 On 03 June 2026 the Joint Shareholders Committee (JSC) endorsed a programme management plan (PMP) which established the baseline scope, schedule, budget forecasts and additional planning and administrative parameters for the establishment of a Water Organisation - Central South Island Water (CSIW) - by the two shareholding Councils.

4 Since that time the JSC has received Dashboard Reports aligned to their meeting cycle summarising overall, scope, quality, cost and schedule status, and highlighting key achievements within the relevant reporting period, together with scheduled next steps, and key programme issues and risks.

5 At their meeting on 13 July 2026 the Programme Update Report advised immediate next steps as follows

The Interim CE is currently in the process of collating questions, feedback and proposed next steps to refine and update the required work programme including reforecasting of the budget with consideration given to packaging task costs into interim roles/salaries. In the next reporting period the Interim CE will also be assimilating time critical JOM (joint operating model) recommendations in consultation with the PSG which will, for example, give shape to the required organisational operating model, the scope of any service agreements, and the scope of systems required for day one operations.

… It is proposed that the Interim CE will bring a report to the August meeting of the JSC outlining key decisions made and direction confirmed in alignment with JOM recommendations, together with any significant programme (or budget) implications of these decisions. Minor updates to the forecast, forecasting assumptions and critical path will be reflected in the next routine programme update.

Discussion – Programme Update

6 An updated **CSIW Establishment Dashboard Report for the period 01 July 2026 – 17 August 2026** is attached below with progress evaluated against parameters outlined in the PMP and benchmarked against those priorities identified in the last Dashboard report.

7 As indicated, progress is broadly on track with both resourcing and decision-making timelines and mechanisms already in place to ensure that all milestones underpinning the legal and financial establishment of CSIW can be achieved within indicated timeframes.

8 The outstanding dependency for the remaining workstreams (ensuring viable operations and service continuity from 01 July 2027) is confirmation of the new operating model including selected systems, organisational structure and intended service agreements. The deadline for these decisions has been shifted from the current to the next meeting of the JSC with options and recommendations to be presented by the Interim CSIW Chief Executive. Decisions at this later date (05 October 2026) will still enable the critical path to be met but with more limited schedule tolerance for iteration/extension of decision-making timelines.

9 Subject to the above, it is still anticipated that the People workstream will be in a position to complete internal consultation re the proposed CSIW organisational structure and role implications in November 2026 as indicated in the FAQ provided to officers of MDC and TDC.

10 Also deferred to the next reporting period are (1) the final governance decision on the preferred way forwards for Downlands and (2) an operational resourcing decision to ensure efficient and cost-effective collation of all data inputs required to inform the Transfer Agreements between each Council and CSIW. Both of these items require attentive monitoring over the next period to ensure a timely and effective management response.

11 The updated financial forecast and commentary will be contained in the report of the Interim CSIW Chief Executive.

12 Other key updates and next steps for the present reporting period are as indicated in the Dashboard report.

13 It is noted that with the registration of CSIW, the appointment of the Establishment Chair, and of the Interim Chief Executive (Establishment CE pending), this will be the last Council-led Programme Update on CSIW Establishment to the JSC.

14 For the next reporting cycle directors and/or officers of CSIW will provide relevant planning and implementation updates (with the exception of the legal/governance workstream), while TDC's PMO will pivot to support the wider corporate change programme to be contemplated by (each) Council moving forward eg LTP post-transfer to CSIW, Head Start and other key political/strategic priorities that could drive significant financial, structural and operational changes.

Options and Preferred Option

15 This is a receive and note report and no governance level decisions are requested at this time.

Consultation

16 Consultation has been previously undertaken regarding this programme, and no additional consultation is necessary or appropriate at this time.

17 Confirmation of the resourcing (lead contractor or CSIW officer) required for this workstream is included among the milestones for the next reporting period.

Relevant Legislation, Council Policy and Plans

18 Local Government (Water Services Preliminary Arrangements) Act 2024

19 Local Government (Water Services) Bill, reported back from Select Committee on 3 July 2025

20 Timaru District Council's Significance and Engagement Policy

Financial and Funding Implications

21 Budget of $2,364,000 was previously approved for this programme by Timaru District Council on 26 August 2025 and incorporated within the Commitment Agreement adopted by both Councils together with a contribution of $250,000 from Mackenzie District Council.

22 Mackenzie District Council has since committed a further $1,000,000 to this programme via their Annual Plan 2026-27 which takes the total available programme budget to $3,614,000.

23 The present programme forecast sits at $5.815m leaving a potential shortfall of up to $2,201,000. This is pending an updated forecast from the Interim CSIW CE which will demonstrate whether or not there is sufficient resourcing allocated to deliver the work programme required to establish a viable, compliant WO on 01 July 2027.

Other Considerations

24 There are no other considerations.

Attachments

1. CSIW Establishment Dashboard Report for the period 01 July 2026 – 17 August 2026 ⇩

Water Organisation Establishment Dashboard Report August 2026

ProgrammeName	Waters Establishment	**Reporting Period**	01.07.26 - 17.08.26
Business Unit	CE Office	**Programme Classification**	Significant, Complex
Programme Sponsor	Chief Executive, Nigel Trainor; Chief Executive, Angela Oosthuizen	**Programme Manager**	Programme Office Lead, Rosie Oliver

Status area	Status	Comments
Status Summary		The programme is on track as regards the legal workstream to register Central South Island Water (CSIW) with the adoption of the Constitution and appointment of the Establishment Chair (regustration by 18.08.26). The appointment of the Interim CE and CFO for CSIW has provided impetus to the LGFA accession work stream, with a detailed programme also in preparation to clarify roles/resourcing/schedule for the remaining identified deliverables in the finance workstream as required to enable day one operations. Discovery and preparation of the detailed work programme for the People workstream is also now progressing to schedule with the support of Aptos Consulting. There is an outstanding dependency on confirmation of the CSIW Operating Model (systems, organisation structure and intentions re service agreements) with implications for planning and implementation across all workstreams however the delay is not at this time expected to derail the critical path. Preparation of key inputs for the Transfer workstream has also been delayed due to competing BAU priorities however a proposal is now being prepared to progress this work as efficiently and cost effectively as possible (a verbal update will be provided on 24 August 2026). The delayed decision with regards to Downlands is a complicating factor being carefully managed across relevant workstreams.
Scope Status		The Programme Management Plan and detailed Establishment Programme continue to provide the comprehensive scope baseline for the tasks and deliverables required to achieve legal, financial and operational viability at day one. The programme team and steering group continue to have a high level of confidence in the scope pending clarification of the CSIW operating model and programme implications, and the Interim CE has also introduced a higher order division of the workstreams being, Legal, Transfer, Governance and Establishment to streamline governance reporting and decision making across the programme.
Quality Status		Details of the desired operating model (systems, organisation structure, intentions re service agreements) are an outstanding dependency. Until such time as CSIW provides a clear direction on these points it is not possible either to fully align and refine the work programme to ensure prioritisation of the CSIW MVP for day one, or for MDC and TDC to accurately plan and prepare for their own operations from 01 July 2027.
Cost Status		It is anticipated that the cost status of the programme may be updated - favourably - on 24.08.26 with the presentation of the CSIW CE Report which will provide a revised budget forecast and commentary. The orange status reflects the previous programme forecast prepared using estimates from SME workstream leads aligned to their implementation scopes with forecast to completion (compliant and viable operations at day one) shown to exceed the budget cited in the Commitment Agreement. The Interim CE has reviewed these forecasts together with the CEs and CFOs/Financial Managers of each Council and, as the larger unknowns are resolved (ie confirmed operating model, systems, service agreements; clarity re transfer details and resolution of complexities), an updated forecast will be presented, aligned to the revised parameters. If required, JSC endorsement for an approach to both TDC and MDC to increase the (loan funded) programme budget will be sought. Earlier registration of the Water Organisation (July/August 2026) could also facilitate earlier access to LGFA financing in the new calendar year (to be confirmed).
Schedule Status		With the preparation of the detailed Programme Plan and Establishment Programme all tasks were rescheduled to fit the time remaining in order to achieve compliance and a viable operating model on day one. As noted in the status summary above, tasks are variously on or behind schedule however the critical path is not at risk at this time provided that (1) the CSIW preferred operating model (systems, organisation structure, intended service agreements) is approved no later than September and (2) no further unexpected legal or procedural fishhooks arise as regards resolution of the future ownership and management of the Downlands scheme noting the formal decision on the preferred way forward has been deferred to October.

Cost details

Establishment (WO) Budget	Spend to date	Committed	Estimate to Completion	Estimate at Completion	Estimated Variance	Comments

$2,614,000	$210,364	$210,364	TBC	$3,990,000 - 4,285,000	$1,376,000 - $1,671,000	CSIW CE report to provide updated forecast and commentary
Council Budget	**Spend to date**	**Committed**	**Estimate to Completion**	**Estimate at Completion**	**Estimated Variance**	**Comments**
$ TDC $ MDC $ Total	TBC	TBC	TBC	$820,000 $710,000 $1,530,000	$820,000 $710,000 $1,530,000	It has been agreed that a mechanism for tracking/reporting separate, related spend by TDC and MDC is required to enable JSC oversight of total programme expenditure across all three budget owners, and to faciliate negotiations supporting the Transfer Agreements in due course. Confirmation of the mechanism is an outstanding issue.
Total	**Spend to date**	**Committed**	**Estimate to Completion**	**Estimate at Completion**	**Estimated Variance**	**Comments**
	$210,364	TBC	TBC	$5,520,000 - 5,815,000	$2,906,000 - 3,201,000	The previous total forecast estimate at completion indicated that the budget may be insufficient for the required work programme and resourcing. Estimates were risk-averse at this time due to the number of unknowns/assumptions and the inability to anticipate offloading to interim CSIW roles. The report of the CSIW Interim CE addresses the updated budget and reforecast in detail.
Achievements for this period						
Downlands options analysis prepared/presented to Downlands Committee						
Decision re Stormwater and progression of next steps (also decision to exclude stock water)						
Adoption of Constitution						
Company name selected						
Appointment of Establishment Chair						
Preparation of draft Shareholders' Agreement						
Preparation of draft Interim Statement of Expectations						
Appointment of lead contractor (Inteirm CSIW CFO) for finance workstream						
Appointment of lead contractor to complete discovery and prepare People workstream plan						
FAQ to officers						
Quarterly update report on WSDP provided to DIA						
Ongoing collation of data for Asset and Liability registers (TDC and MDC) including property, easements, contracts, non-financial liabilities information						
Continuation of work on 3 x combined (MDC/TDC) AMPs						
Commerce Commission disclosures (awaiting any questions)						
Work begun on Tradewaste bylaw to inform toolkit (Waugh)						
Work begun on stormwater masterplanning (Morphum)						
First draft register of non-governance documents for CSIW (need to have and nice to have for day one operations)						
Recruitment process begun for Head of Human Resources CSIW						
Registration of Central South Island Water (pending 18.08.26)						
Planned activities for this period not achieved						
Reforecasting of budgets and resourcing to the programme (update to be provided 24.08.26)						
Decision re Downlands and progression of next steps						
Optioneering and decision making on CSIW operating model to clarify direction and next steps re structures, systems, service agreements						
Current financial model to support optioneering and analysis in development (TDC data isolation was completed in previous reporting period)						
Confirm customer contacts and contracts (first draft) for MDC/TDC						
Re-engagement with Mana Whenua (letter unconfirmed)						
Collation of data for Asset and Liability registers (TDC and MDC), initial drafts to PSG (begun but no initial drafts or proof of concept for Transfer Agreement)						

Legal review and risk analysis of comprehensive asset and liability registers and other content for transfer agreement (eg respective roles, responsibilities, duties, powers, arrangements relating to matters of shared interest)
Finalisation of Shareholders' Agreement
Planned activities for next period
Resolution of any Commerce Commission queries
Preparation, review and endorsement of preferred CSIW operating model including decisions on systems, organisation structure and intended service agreeements
Drafting, review and risk analysis of Service Agreements (dependency on confirmation of CSIW operating model)
Confirm financial officer, customer and process parameters for IS model, planning and implementation (dependency on confirmation of CSIW operating model)
Adoption of Shareholders Agreement
Adoption of interim Statement of Expectations
Completion of growth/demand projection report (led from District Planning)
Ongoing collation of data for Asset and Liability registers (TDC and MDC) including property, easements, contracts, non-financial liabilities information
Legal review and risk analysis of comprehensive asset and liability registers and other content for transfer agreement (eg respective roles, responsibilities, duties, powers, arrangements relating to matters of shared interest) including fully worked model for Pleasant Point Water Supply scheme
LGFA accession process underway
Finalisation of People workstream discovery phase and implementation plan
Finalisation of Finance workstream implementation and resourcing plan
Financial model to support optioneering and analysis in development
Resolution of resourcing issue to ensure efficient and cost-effective collation of Schedule 2 data to inform MDC and TDC Transfer Agreements
Continuation of work on 3 x combined (MDC/TDC) AMPs
Work ongoing on Tradewaste bylaw and toolkit (Waugh)
Stormwater masterplanning work ongoing (Morphum)
Appointment of lead contractor for Communication/Engagement workstream and.or future role resourcing TBC
Confirm customer contacts and contracts (first draft) for MDC/TDC
Decision re Downlands and progression of next steps
Appointment of remaining Directors

Significant Milestone Status for this and next period

No.	Milestone	% Complete	Target Finish Date	Actual Finish Date	RAG Status	Comments/Actions
4	Adoption of Constitution and Shareholders' Agreement	90%	30/05/2026	Not finished		Constitution adopted and Shareholders Agreement in draft, revised adoption date of
5	Appointment of Establishment Chair	100%	30/06/2026	31.07.26		Justin Riley confirmed in role
6	Appointment of Establishment CE	20%	30/07/2026	Not finished		ETA 30.08.26 per Sheffield timeline nb notice period to commence in role
7	Appointment of Interim CE	90%	30/05/2026	22/06/2026		Cathryn Lancaster appointed, this report seeks confirmation of fit for purpose delegations.
8	Appointment HR Lead Contractor	100%	30/06/2026	8/07/2026		Aptos Consulting now completing discovery and workstream implementation plan
9	Key decisions made for CSIW operating model (systems, organisation structure, intended service agreements)	50%	31/07/2026	Not finished		Major dependency (quality, cost, schedule implications) for all workstreams supporting MVP day one, rescheduled for completion by 05.10.26

10	Information Disclosure reporting to the Commerce Commission (Dividend Statement, policy for funding growth, information about charges).	100%	30/06/2026	1/08/2026		Submitted to revised deadline, awaiting any final queries
13	Decision on preferred way forward for Downlands Scheme	70%	13/07/2026	Not finished		There is risk around the timeliness of governance decision making and a complex decision making environment noting the Head Start reforms. Decision rescheduled for 05.10.26
14	Appointment of lead contractor for Communication/Engagement workstream	0%	30/07/2026	Not finished		Supplier proposals to be sought with endorsement of preferred supplier/solution by PSG, deferred pending decisions on establishment roles vs consultants
15	Appointment of lead contractor/FTE for Finance workstream	100%	30/07/2026	17/07/2026		Appointment made by Inteirm CE
16	Confirm customer contacts and contracts (first draft) for MDC/TDC	10%	30/07/2026	Not finished		Requires further consideration and nominated lead, will require iteration up until go live.
17	Decision re Stormwater and progression of next steps	100%	13/07/2026	13/07/2026		JSC decision confirmed, next steps now fall under other deliverables
18	Decision re stockwater schemes (various) and progression of next steps	100%	24/08/2026	5/08/2026		Confirmed out of scope by PSG
19	Registration of Water Organisation CSIW	80%	1/07/2026	17.08.26		Registration completed.
20	Confirmation of LGFA borrowing status	10%	15/12/2026	Not finished		Work commenced, will require Council resolution to finalise
21	Appointment of remaining Directors	0%	5/10/2026	Not started		Establishment Chair to confirm
22	Adoption of Interim Statement of Expectations	0%	30/12/2026	Not started		Deadline likely to be brought forward pending earlier registration of company.
INTERIM	Financial reporting commences for Water Organisation	0%	30/11/2026	Not started		Hard deadline for DIA and Comm Comm
FINAL	Company fully operational	0%	1/07/2027	Not started		Statutory deadline, requires operating model confirmed to commence progress tracking

Issues/Lessons

No.	Description	Raised	Owner	Mitigation/Treatment	Status	Lessons Learned
1	Budget and resourcing insufficient for work programme	13/05/2026	PSG to JSC	Approve updated PMP, budget and procurement strategy (mitigation in place). PSG to approve upcoming procurement proopsal to unlock delivery of time-critical transfer workstream data collation task (TBC 12.08.26) Interim CE to review tasks and forecasts and advise re efficiencies. Interim CE and CEs/CFOs to update forecasts with consideration to task bundling/interim roles (Pending circulation) CEs/CFOs/Interim CE to review cost allocation principles and seek JSC endorsement of additional guidance re interpretation of Commitment Agreement (Pending circulation)		Initial budget based on single-entity CCO and did not include all relevant costs/workstreams. Cost allocation principles (Commitment Agreement) not very directive leading to some confusion around costs to be transferred vs remaining with Councils.

2	Lack of WO accountability partner in role roadblocks critical decision making	13/05/2026	PSG/Ces	Appoint Interim CE pending arrival of Establishment CE in role with delegation to progress critical decisions and workflows (mitigation in place) Interim CE to review draft operating model options/critical decisions and provide questions/feedback and next steps to progress decision making (Outstanding)		Timelines for Est CE to be role did not consider notice period, could be a 6 month lag. Delegation scope requires clarification to ensure effective leadership and decision making at pace.
6	Programme visibility of MDC budget, actuals, contracts relevant to the establishment of the WO/day one viability and compliance to ensure financial reporting is comprehensive	4/06/2026	PSG/CE MDC	Interim CE to liaise with CE MDC to agree solution and scope of information required, ensure clean coding and reporting from next period (Outstanding)		Complexity of multi-council financial forecasting and reporting. Initial budget setting exercise not broad enough in scope and funding mechanism agreed not able to capture all costs.
Risks						
No.	**Description**	**Likelihood**	**Consequence**	**Mitigation/Treatment**	**Residual Risk**	**Comments/Actions**
1	Programme milestones may not be met	H	H	Endorsement of updated PMP, budget and procurement strategy to increase pace. Appointment of Interim CE to ensure timely decision making. Approval (PSG) of interim cost-effective procurement/resourcing to progress critical path	L	Also covered as a live Issue above. One particular risk is the extent of unknowns within the Legal and Property workstream as the process of collating all relevant asset/liability information (specifically all property, easement and contract details) must be completed before the degree of complexity (and corresponding cost/lead times required for resolution) can be fully understood.
2	Cost overrun	H	H	Interim CE reviewing budget forecast and packaging the split between CSIW interim roles and additional external spend required eg consultancy, systems, assets	L	Cannot be confirmed as a live Issue until cost forecasting can be informed by decisions of the Interim CE on JOM/Shared Services.
3	Lack of, or change in, Programme Scope or Direction	H	M	Appointment of Interim CE and confirmation of sufficient delegatinons, to ensure timely and robust decision making.	M	Risk of redirection from central government remains.
4	Programme and/or BAU workload exceeds officer capacity	H	M	Endorsement of updated PMP, budget and procurement strategy to enable sufficient capacity for both programme and BAU activities. Approval (PSG) of interim procurement/resourcing as required.	L	Burn out (illness, absenteeism) and turnover present key risks together with slippage of both programme milestones and BAU delivery. Role vacancy, without backfill, is compromising the People workstream.
5	Lack of Mana Whenua participation	M	M	Mayors and CEs to provide a letter to Chairs indicating preferred way forward, next steps.	L	Intention has been signalled, follow up required at governance level.
6	Workforce stressed	H	H	Development of accurate and compliant messaging. FAQ to officers (transferring or remaining) Support for officers (People/EAP/Union)	M	Issue exacerbated by role vacancy in the People workstream and lack of Interim CE as development and timeliness of messaging requires strong knowledge of legislative environment together with direction on JOM and corresponding Organisational Structure. Cannot fully mitigate this risk as change is stressful even with sufficient and timely information and support.
Contracts and variations						
No.	**Description**	**Provider**	**Original value**	**Variation Values (# and Total)**	**Status**	**Comments/Actions**
Establishment Programme (transfer to WO)						

2	Stormwater Options Analysis	Rationale	Redacted	NA		Completed
4	Strategic advice re WSCCO establishment	Simpson Grierson	Redacted	NA		Ongoing
5	Water Transition Interim Chairperson and Interim CE process	Sheffield South Island Ltd	Redacted	NA		Ongoing
6	Interim CE	Lancaster Consulting Ltd	Redacted	NA		Ongoing
7	Legal advice re assets on 3rd party properties without easements	Gresson Dorman	Redacted	NA		Ongoing
8	Legal review of FAQ to officers	Simpson Grierson	Redacted	NA		Completed
9	Legal assistance to register CSIW	Simpson Grierson	Redacted	NA		Ongoing
10	People workstream discovery and implementation plan	Apto Consulting Ltd	Redacted	NA		Ongoing
11	Interim CFO	Omana CA Solutions Ltd	Redacted	NA		Ongoing
12	CSIW recruitment of Head of Human Resources	Decipher	TBC	NA		Ongoing
TDC BAU						
3	Growth Projections 2026	Rationale	Redacted	NA		Ongoing, sits with District Planning
4	Property assets analysis	Waugh Infrastructure	Redacted	NA		Ongoing
5	AMP work	Rationale	Redacted	NA		Ongoing
MDC BAU						
3	Growth Projections 2026	Rationale	TBC	NA		Ongoing
4	AMP work	Rationale	TBC	NA		Ongoing

7.3 Cost Allocation Policy and Establishment Budget for Central South Island Water

Author: **Cathryn Lancaster, Interim Chief Executive - Central South Island Water**

Authoriser: **Nigel Trainor, Chief Executive**

Recommendation

That the Joint Shareholders Committee

1. Approves the establishment budget of $3,123,674, excluding contingency and water organisation scoping, and notes that it will be reforecast monthly with an updated forecast reported to the Committee at each meeting. The Water Services Delivery Plan budget and the range previously reported to the Committee are superseded.
2. Adopts the three cost categories in section 3, together with the staff time and stormwater rules, as the basis for allocating establishment costs.
3. Confirms 03 September 2025 as the common start date for the recoverable cost base for both councils.
4. Confirms that the councils fund all establishment costs to LGFA accession, that Central South Island (CSI Water) funds its own costs from that date, and that no interest accrues on council funding.
5. Notes that the council funding requirement to accession on 01 January 2027 is $1,373,508, of which $1,333,508 is recoverable from CSI Water and $40,000 is council cost in its own right, and that this sits within the $2,614,000 already committed.
6. Agrees that the councils' establishment costs are treated as an equity contribution to CSI Water, pooled and split on net asset value, and that clauses 5.1(a) and (g) are corrected in the Shareholders' Agreement.
7. Approves the coding, quarterly review and certification process, and notes that Mackenzie will separate its establishment costs from other funding sources.
8. Notes that Mackenzie has provided for a further $1,000,000 in its Annual Plan 2026-27 but has not committed it, and that it is not needed to reach accession. The Project Group's delegated authority remains $2,614,000 and should be refreshed if and when that funding is committed.

Purpose of Report

1 The purpose of the report is to update the establishment budget, confirm cost allocation approach and treatment of the Central South Island (CSI) Water debt as part of the transfer agreement.

Assessment of Significance

2 The content of this report has been assessed as being of low significance in accordance with Council's Significance and Engagement Policy as the budget has been planned for by Council and this report is an update of that budget and does not result in any material change to Council levels of service, strategic direction, or rating requirements.

Background

Why a decision is needed now

3 CSI Water does not yet exist as a trading entity and cannot pay for its own establishment. Both councils are incurring costs now, and Timaru is incurring most of them as a matter of administrative efficiency under clause 5.1(c) of the commitment agreement. Without an agreed policy, those costs will continue to build without agreement on which belong to CSI Water, which belong to each council, and how the councils are reimbursed.

4 The decision cannot wait until Day one. Once CSI Water has its own board, that board has duties to the company and can reasonably question a schedule of costs presented to it after the fact. Agreeing the policy now, and coding costs against it as they are incurred, means the position is settled between the two shareholders rather than negotiated with an entity they own but no longer control.

Discussion

Basis for the policy

5 The policy draws on two sources: the commitment agreement between the councils, and the local government legislative framework.

Source	What it establishes
Commitment agreement, cl 5.1(a) and (g)	The councils' costs of establishing CSI Water are recoverable from the entity
Commitment agreement, cl 5.1(c)	The majority of costs are nominally incurred by Timaru as a matter of efficiency
Commitment agreement, cl 5.1(e)	The commitment agreement, Shareholders' Agreement, constitution and Statement of Expectations are covered by the project budget
Commitment agreement, cl 5.1(f)	All other costs, including each council's own water services delivery plan, are met by that council
Commitment agreement, cl 5.5	A council that exits remains responsible for its share of costs incurred to that date
Schedule 5, Part A — share allocation	Shareholding is allocated on net asset value
Schedule 5, Part A — debt transfer	Establishment debt from the date of water services delivery plan submission transfers to CSI Water
Schedule 5, Part B	The final percentage split of net asset value for cost sharing is not yet agreed
Local Government Act 2002, s 101(3)	Funding must reflect who benefits, over what period, and whose actions created the need
Local Government (Water Services) Act 2025	Financial sustainability, ring-fencing of water revenue and expenditure, and Commerce Commission information disclosure

Cost allocation principles

6 Every establishment cost falls into one of three categories.

	Category	Treatment	Examples
1	CSI Water costs: costs that exist only because CSI Water is being formed, whether they are council-side work to prepare for the entity or the entity's own costs fronted by a council loan	CSI Water	The asset management plans for both districts, prepared solely for CSI Water. The establishment chief executive's salary from appointment to Day 1. Simpson Grierson's fees for drafting the constitution and the Shareholders' Agreement
2	Council costs: costs that belong to the council in its own right	The councils	A council taking its own advice on what it wants transferred, or disputing the terms of its transfer agreement
3	Shared costs: costs benefiting both the council and the entity	Apportioned by period of benefit between councils and CSI Water	Timaru's three yearly revaluation already completed. Timaru takes the benefit for the current year, CSI Water takes the balance

7 Staff time

7.1 Internal council staff time is not charged where staff have capacity. It is recoverable only where a backfill is required.

8 Stormwater

Stormwater stays with the councils. Where an asset management plan or the water services strategy covers stormwater, that portion is a council cost. Where CSI Water is later contracted to deliver stormwater services for a council, that work is other income to the entity and must be separated in its ledger from the regulated water and wastewater activities.

The recoverable cost base

9 Start date

9.1 The commitment agreement transfers establishment debt to CSI Water from the date the water services delivery plan was submitted to the Department of Internal Affairs. Both councils submitted on 3 September 2025. Mackenzie subsequently filed an amended plan in March 2026 following the 24 February 2026 resolutions, so the reference to a single submission date is ambiguous in Mackenzie's case.

9.2 Because the start date follows the filing of each council's water services delivery plan with the Department of Internal Affairs, the cost of preparing those plans sits before the start date and outside the recoverable cost base. For Timaru that is $73,267. Mackenzie's figure is not yet held.

9.3 **Recommendation:** confirm 3 September 2025 as the common start date for both councils, treating Mackenzie's March 2026 filing as an amendment to the same plan rather than a fresh submission. This is symmetrical between the councils, consistent with the wording of the agreement, and avoids Mackenzie being disadvantaged for having changed delivery model.

10 Coding and certification

10.1 Each council codes its establishment spend to a single balance sheet account, against one of the three categories, as it is incurred. The Steering Group reviews the schedule quarterly. The Committee approves the final certified schedule before the transfer agreements are executed.

10.2 Timaru already holds its costs on a single ledger code. Mackenzie's costs currently sit in an operations management cost centre and include Better Off funding applied to water transition, so they need to be separated before the schedule can be relied on.

10.3 **Recommendation:** approve the coding, review and certification process above, and note that Mackenzie will separate its establishment costs from other funding sources.

CSI Water establishment budget

11 The establishment budget is $3,123,674. This is a bottom up build as at 18th August 2026. Every activity in the programme has been costed, using known prices where they exist, however there are further considerations:

11.1 Uncertain costs – estimates for activities where the cost is uncertain

11.2 Unknown costs - it is probable that there are still activities that are unknown at this stage and therefore it is not possible to estimate costs for these activities

Cost type	Amount	Share
External costs	$1,201,741	38%
Employee costs	$1,921,933	62%
Total establishment budget	**$3,123,674**	**100%**

12 A detailed cost breakdown by programme and workstream is included in Attachment 1.

13 The figure excludes two things: contingency, which has not yet been set, and $136,167 of scoping work for the water organisation (WSDP development and stormwater analysis). It replaces the two earlier estimates. The $2,614,000 in the Water Services Delivery Plan was a top-down number prepared before the programme plan existed. The $5,520,000 to $5,815,000 range last reported to the Committee assumed every task would be bought in from a consultant or contractor. The current build assumes the work is done by external consultants / advisors, existing council staff and, as CSI Water grows towards 1 July 2027, by its own employees. That change in assumption is what brings the number down.

CSI Water can fund part of this itself

14 CSI Water cannot borrow until it joins the Local Government Funding Agency. The programme assumes accession completes on 01/01/27. From that date the entity borrows in its own right and pays its own costs.

15 That splits the $3,123,674 in two. Costs falling on or after 01/01/27 are funded by CSI Water. Costs falling before that date have to be funded by the councils, because there is no entity able to borrow.

Period and funder	External costs	Employee costs	Total
Councils, to 31/12/26	**$737,975**	**$635,533**	**$1,373,508**
CSI Water, from 01/01/27	$463,766	$1,286,400	$1,750,166

Period and funder	External costs	Employee costs	Total
Total	**$1,201,741**	**$1,921,933**	**$3,123,674**

16 CSI Water funds $1,750,166 of the total from its own borrowing. Most of that is CSIW employee cost, because most roles start in the second half of the programme.

What the councils need to fund before accession

17 The councils need to fund $1,373,508 to carry the programme through to 01/01/27. This is the number that sizes the council funding requirement. It is not the whole budget.

18 Not all of it is a loan to CSI Water. A small part is council cost in its own right.

Component of the $1,373,508	Amount
Council cost in its own right (transfer agreement negotiation, $20,000 each council)	$40,000
CSI Water cost fronted by the councils, recovered at Day 1	$1,333,508
Total funded by the councils before accession	**$1,373,508**

19 So the amount the councils are effectively advancing to CSI Water, and expect to recover, is $1,333,508. The $40,000 stays with the councils.

19.1 The accession date drives the number

19.2 If accession slips, more cost falls on the councils. Every month past 01/01/27 shifts roughly $210,000 from CSI Water back to the councils in the first month, rising towards $270,000 a month by March 2027 as more roles start. The accession date is a cash flow driver, not just a milestone.

19.3 The same logic applies to individual appointments. If the establishment chief executive starts in November 2026 and accession completes on 01/01/27, the councils carry two months of salary and CSI Water carries the rest.

How the councils fund it between them

20 The councils have already committed $2,614,000.

Source	Amount	Status
Timaru District Council	$2,364,000	Committed. Includes the $394,000 contingency
Mackenzie District Council	$250,000	Committed. Not allocated to a workstream
Committed total	**$2,614,000**	**Current delegated authority**
Mackenzie District Council, further	$1,000,000	Provided for in the Annual Plan 2026-27. Not yet committed

21 The pre-accession requirement of $1,373,508 sits comfortably inside the $2,614,000 already committed, leaving headroom of $1,240,492. No further council funding is needed to reach accession on the current programme.

21.1 Delegation

21.2 The Project Group's delegated authority is $2,614,000, being Timaru's $2,364,000 (resolution 2025/100) and Mackenzie's $250,000 recorded in Schedule 1.

Loan or equity

22 The councils will have advanced $1,333,508 of CSI Water's costs by accession. The question is how that is treated: as a loan CSI Water repays, or as equity in the company.

23 The Commitment Agreement currently records establishment costs as a debt recoverable from CSI Water. In substance the councils are funding the set up of a company they will own, so equity is the better fit.

24 How the equity treatment works

24.1 The total establishment spend is pooled. It is recorded on CSI Water's balance sheet as the councils' shareholding contribution and split on net asset value. This is the same basis Schedule 5 uses for shareholding. Where one council has contributed more than its share, the entity reimburses it.

24.2 Worked example. If establishment costs total $1,000,000 and the net asset value split is 80/20, Timaru's equity is $800,000 and Mackenzie's is $200,000. Because Timaru advanced the full amount, CSI Water reimburses Timaru the $200,000 it carried on Mackenzie's behalf. Neither council is better or worse off for having paid the invoice.

25 Why equity rather than a loan

25.1 Ownership stays aligned to actual investment, regardless of which council paid.

25.2 It avoids loading debt onto CSI Water at Day 1, when LGFA covenant headroom matters most.

25.3 It removes any need to reconcile interest between the councils.

25.4 It gives a clean basis for pricing a future council joining as a shareholder, which the shareholder entry principles in Schedule 5 anticipate.

26 Interest

26.1 No interest accrues on council funding. Under an equity treatment there is no loan between the councils to charge interest on, and tracking daily advance balances across two councils at different costs of funds would cost more to administer than it would resolve.

Risks and controls

27

Risk	Control
Costs exceed the approved delegation	Refresh the delegation to reflect committed funding of $3,364,000; report the schedule to the Committee at each meeting
Mackenzie's costs cannot be separated from other funding	Break out establishment spend from the operations cost centre and Better Off funding before the first certified schedule
The net asset value split is not confirmed in time	Confirm the split under Schedule 5 Part B before the transfer agreements are executed

Risk	Control
LGFA accession is later than 1 January 2027	Councils carry costs for longer; model the cash flow impact and report it with the budget
The CSI Water board disputes the schedule presented to it	The Committee certifies the schedule before the transfer agreements are executed, so the position is agreed between shareholders first
The commitment agreement records debt rather than equity	Correct the treatment in the Shareholders' Agreement and record the Committee's decision

Options and Preferred Option

28 Option One (Preferred)

28.1 Approves the establishment budget of $3,123,674, excluding contingency and water organisation scoping, and notes that it will be reforecast monthly with an updated forecast reported to the Committee at each meeting. The Water Services Delivery Plan budget and the range previously reported to the Committee are superseded.

28.2 Adopts the three cost categories in section 3, together with the staff time and stormwater rules, as the basis for allocating establishment costs.

28.3 Confirms 03/09/25 as the common start date for the recoverable cost base for both councils.

28.4 Confirms that the councils fund all establishment costs to LGFA accession, that CSI Water funds its own costs from that date, and that no interest accrues on council funding.

28.5 Notes that the council funding requirement to accession on 01/01/27 is $1,373,508, of which $1,333,508 is recoverable from CSI Water and $40,000 is council cost in its own right, and that this sits within the $2,614,000 already committed.

28.6 Agrees that the councils' establishment costs are treated as an equity contribution to CSI Water, pooled and split on net asset value, and that clauses 5.1(a) and (g) are corrected in the Shareholders' Agreement

(1) or the establishment costs are treated as a liability to be paid to councils on execution of the Transfer Agreement.

28.7 Approves the coding, quarterly review and certification process, and notes that Mackenzie will separate its establishment costs from other funding sources.

28.8 Notes that Mackenzie has provided for a further $1,000,000 in its Annual Plan 2026-27 but has not committed it, and that it is not needed to reach accession. The Project Group's delegated authority remains $2,614,000 and should be refreshed if and when that funding is committed.

29 There are no other options for consideration within this report.

Consultation

30 No consultation was required.

Relevant Legislation, Council Policy and Plans

31 Commitment Agreement

32 Local Government Act 2002

33 Local Government (Water Services) Act 2025

Financial and Funding Implications

34 These have been addressed throughout the report and any subsequent changes in budget will be brought to the JSC.

Other Considerations

35 There are no further considerations.

Attachments

1. CSI Water Cost Allocation Policy Attachments ⇩

Attachment 1: Detailed establishment budget

The budget is built bottom up from the establishment programme, with cost attached to the inputs that deliver each milestone. The bottom-up build is complete but will evolve as more information becomes available and will be reforecast monthly as the programme progresses. The table below shows every workstream across the three programmes, what that workstream delivers, its total cost, and how that cost is shared between the councils and CSI Water. The three programmes are mutually exclusive, so nothing is counted twice.

The split shows which party the cost belongs to, not who pays the invoice. Employee costs are wholly a CSI Water cost, so they sit in the CSI Water column in full; the only further split available for those is timing based, being $635,533 funded by the councils before LGFA accession and $1,286,400 funded by CSI Water from accession based on accession taking place at the end of December 2026. Contingency is not yet set in the programme workbook, so the total excludes it, and WO scoping of $136,167 is also excluded as a Timaru decision-making cost rather than a CSI Water establishment cost.

Workstream	What it delivers	Total cost	Timaru	Mackenzie	CSI Water
Transition programme					
Foundation	CSIW incorporated and ready to operate in alignment with shareholders expectations.	$74,265	–	–	$74,265
Independence	LGFA accession complete CSIW can fund its own operations.	$177,000	–	–	$177,000
Transfer	Transfer of assets, liabilities and service delivery to CSIW, with Transfer Agreements executed and registers complete for both councils.	$211,500	$20,000	$20,000	$171,500
People transition	All in-scope council staff transitioned to CSIW on agreed terms	$42,176	–	–	$42,176
Programme management (PMO)	Programme planned, tracked and reported to PSG, JSC and DIA through to go-live.	$35,000	–	–	$35,000
Transition total		**$539,941**	**$20,000**	**$20,000**	**$499,941**

Workstream	What it delivers	Total cost	Timaru	Mackenzie	CSI Water
Establishment programme					
Operating model design and implementation	An agreed operating model designed and stood up, with services split between CSIW, the councils and other external providers, and structures, roles, service agreements and ways of working in place for day one.	$9,800	–	–	$9,800
Customer and billing	Billing and customer service ready for day one, with customer data migrated and charging in place.	Nil to date	–	–	–
Facilities and infrastructure	Premises, depots, fleet and equipment secured and fitted out for day one.	$300,000 (excludes operating lease costs)	–	–	$300,000
IT systems and data	Core systems live, data migrated from council systems and end-user technology deployed.	$150,000 (excludes licensing and hardware costs)	–	–	$150,000
Strategy, comms and engagement	Staff, customers, iwi and stakeholders informed and engaged through to go-live, with brand and website live.	$60,000	–	–	$60,000
Water Services Strategy	Water Services Strategy adopted by 1 July 2027, underpinned by AMPs and a SAMP that meet regulatory requirements.	$142,000	–	–	$142,000
Establishment total		**$661,800**	**–**	**–**	**$661,800**
Employee costs programme					

Workstream	What it delivers	Total cost	Timaru	Mackenzie	CSI Water
Governance	Governance recruitment and fees through to Day 1.	$244,167	–	–	$244,167
CEO	Salary, on-costs and recruitment for the chief executive through to Day 1.	$298,800	–	–	$298,800
Tier 2	Salary, on-costs and recruitment for the tier 2 leadership team through to Day 1.	$490,800	–	–	$490,800
Employees	Salary, on-costs and recruitment for permanent employees appointed before Day 1.	$529,467	–	–	$529,467
Fixed term	Contract values for fixed term appointments through to Day 1.	$358,700	–	–	$358,700
Employee costs total		**$1,921,933**	**–**	**–**	**$1,921,933**
Contingency	Not yet set in the programme workbook.	[to be confirmed]	–	–	–
Total establishment budget		**$3,123,674**	**$20,000**	**$20,000**	**$3,083,674**

Employee costs are a CSI Water cost in full and sit in category 1. The $1,921,933 above is $1,607,033 of salary, $131,900 of on-costs and $183,000 of recruitment, for every role appointed before Day 1. The establishment chief executive, the chief financial officer and the interim corporate services lead are the material items.

Attachment 2: Programme cost charts

Charts drawn from the establishment programme workbook (Dashboard tab). They show cumulative committed and forecast external cost across the programme and by workstream, on the same basis as the establishment budget in Appendix A.

Figure B1: Cumulative programme cost ($)

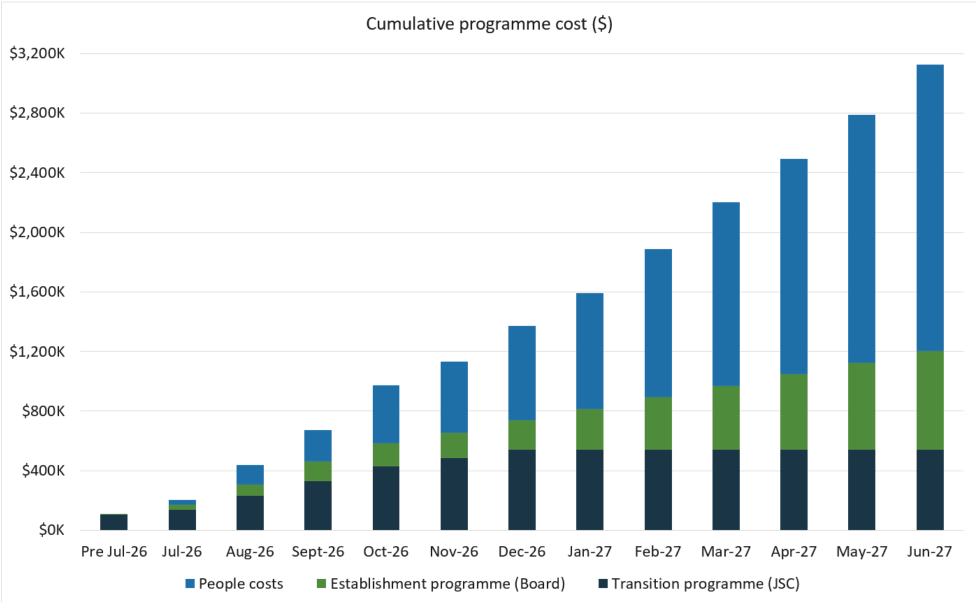


Figure B2: Transition programme, cumulative cost by workstream ($)

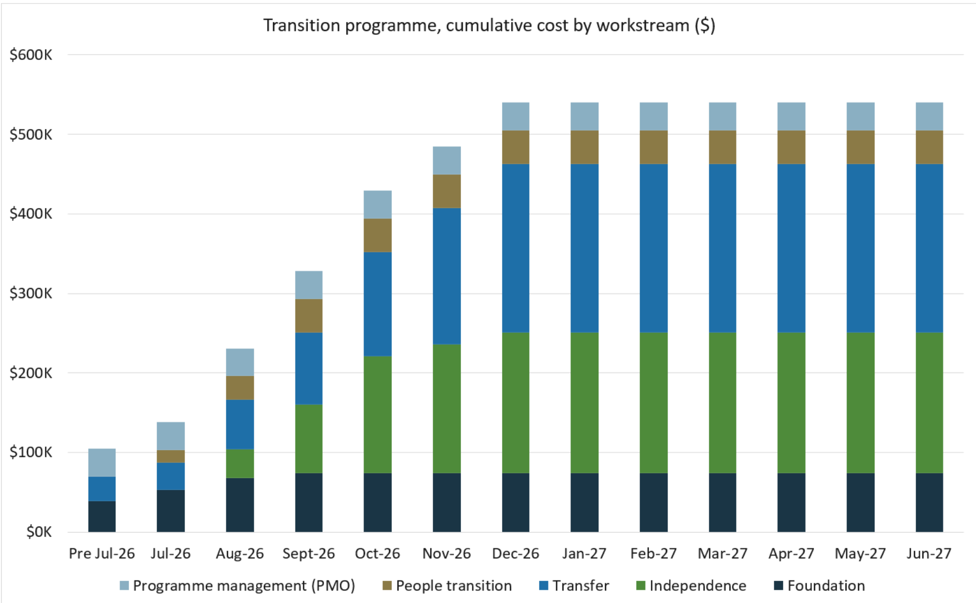


Figure B3: Establishment programme, cumulative cost by workstream ($)

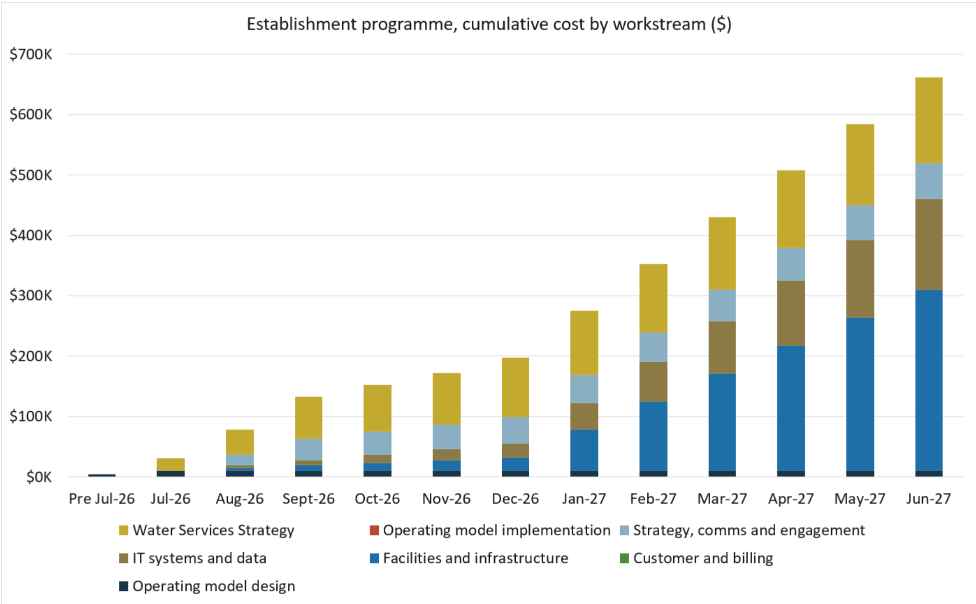
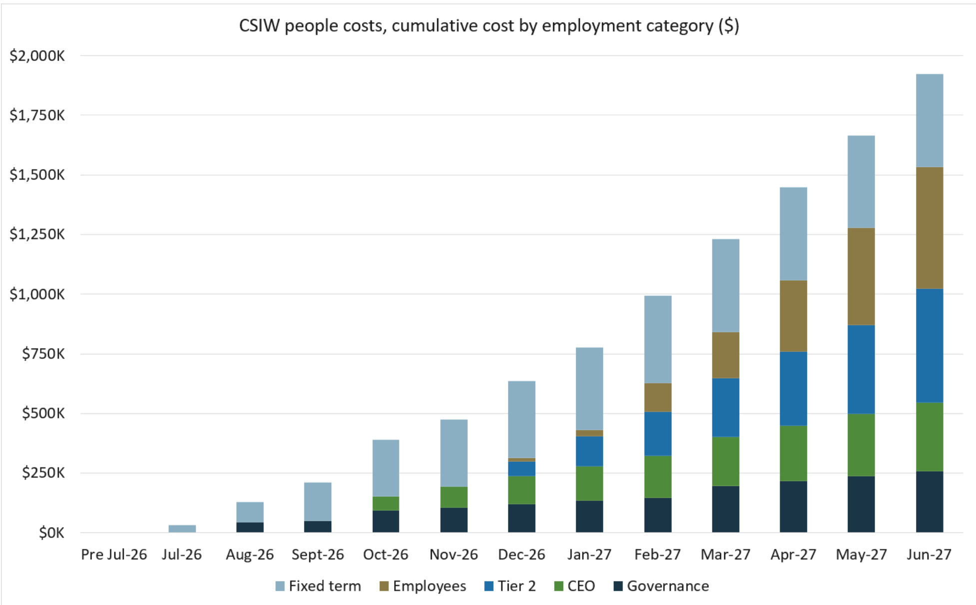


Figure B4: CSIW people costs, cumulative cost by employment category ($)



Attachment 3: Source references

Ref	Source
S1	Commitment Agreement between Timaru District Council and Mackenzie District Council, Schedule 2 clause 5 (cost sharing) and clause 6 (term)
S2	Commitment Agreement, Schedule 1 (agreement details, project funding and delegations)
S3	Commitment Agreement, Schedule 5 Part A (share allocation, debt transfer, pricing) and Part B (matters yet to be agreed)
S4	Local Government Act 2002, section 101(3) and Schedule 7 Part 1 clauses 30 and 30A
S5	Local Government (Water Services) Act 2025
S6	Local Government (Water Services Preliminary Arrangements) Act 2024, water services delivery plans submitted 3 September 2025
S7	CSI Water establishment programme workbook: workstreams, milestones and budgets

8 Consideration of Urgent Business Items

9 Consideration of Minor Nature Matters

10 Exclusion of the Public

Recommendation

That the public be excluded from—

- *(a)the whole of the proceedings of this meeting; or
- *(b)the following parts of the proceedings of this meeting, namely,—

11.1 Public Excluded Minutes of the Extraordinary Joint Shareholders Committee Meeting held on 29 July 2026

11.2 Statement of Expectations

11.3 Shareholders Agreement

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

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Plain English Reason
11.1 - Public Excluded Minutes of the Extraordinary Joint Shareholders Committee Meeting held on 29 July 2026 **Matters dealt with in these minutes:** 9.1 - Appointment of Joint Water Orgnisation Chairperson	Section 48(1) of the Local Government Official Information and Meetings Act 1987.	The public excluded minutes of the meeting held on 29 July 2026 are considered confidential pursuant to the provisions of the LGOIMA Act of 1987. The specific provisions of the Act that relate to these minutes can be found in the open minutes of the meeting held on 29 July 2026.
11.2 - Statement of Expectations	s7(2)(g) - The withholding of the information is necessary to maintain legal professional privilege	To protect all communications between a legal adviser and clients from being disclosed without the permission of the client
11.3 - Shareholders Agreement	s7(2)(g) - The withholding of the information is necessary to	To protect all communications between a legal adviser and clients from being disclosed

	maintain legal professional privilege	without the permission of the client

*I also move that [name of person or persons] be permitted to remain at this meeting, after the public has been excluded, because of their knowledge of [specify]. This knowledge, which will be of assistance in relation to the matter to be discussed, is relevant to that matter because [specify] .

*Delete if inapplicable.

Note
Section 48(4) of the Local Government Official Information and Meetings Act 1987 provides as follows:

- “(4)Every resolution to exclude the public shall be put at a time when the meeting is open to the public, and the text of that resolution (or copies thereof)—
    - (a)shall be available to any member of the public who is present; and
    - (b)shall form part of the minutes of the local authority.”

11 Public Excluded Reports

12 Readmittance of the Public