Quarterly monitoring report - water services delivery plan

Southern Waters

Central Otago, Clutha, Gore and Waitaki District Councils.

Period April to June 2026

Part A: Progress updates

Quarterly reporting period: 1 April to 30 June 2026

Milestone / deliverable	Expected completion date	On track to meet timeframe? (Yes/No)	Status, Issues, risks and mitigations (if any)
Water Services Delivery Plan adoption and approval.	By Q2 2025/26	Yes	**Completed**. Government approved the Southern Waters Water Services Delivery Plan (WSDP) on 7 October 2025. The Waitaki District Council amended WSDP was accepted by the Secretary for Local Government on 30 June 2026. The letter of acceptance noted that MCERT will liaise with Waitaki in relation to monitoring of the implementation plan with Southern Waters.
Project team resourcing.	By Q4 2025/26	Yes	**Completed**. Further team members have been appointed to Southern Waters during the period, including, Digital Workstream Lead, Asset Workstream Lead, HR/Transition Lead.
High level implementation planning based on agreed design principles	By Q4 2025/26	Yes	**Completed.** A high-level implementation plan has been prepared and is monitored monthly supported by detailed project planning .
Ongoing engagement with mana whenua and Iwi throughout the establishment period.	Ongoing	Yes	Southern Waters engaged with local runaka, Ngai Tahu and Te Kura Taka Pini Ltd during February and March 2026 and met with one runaka during the last period. Mayor Martin, Clutha and Chair of the Stakeholders' Representative Group wrote to the Ngai Tahu in June.
Detailed planning, including workstreams and implementation plan activation.	By Q4 2025/26	Yes	As noted above, workstream leads have been appointed, and more detailed project planning has been undertaken.

Resourcing - initial transition functions including interim leadership and Establishment Board.	By Q3 2025/26	Yes	The Programme Director and Establishment Chair commenced with Southern Waters in January 2026. Advertising has commenced for two further Directors to the Board of Southern Waters. The Stakeholders' Representative Group (composed of the shareholder Councils and Chaired by Clutha Mayor Martin) first met on 30 April 2026 with subsequent meetings in May and June 2026.
Governance including Constitution, Shareholders' Agreement, CCO structure and accountability documents.	By Q4 2025/26	Yes	**Completed.** The Southern Waters' Constitution, Shareholders' Agreement, Commitment Agreement were approved by all shareholding Councils during the period and Southern Waters was incorporated on 1 May 2026.
Working with Timaru District Council/Mackenzie District Council and Waitaki District Council with a view to those councils joining the SW jointly owned WSE. This included undertaking further analysis, workshops with potential partners and updating foundational documentation should Central Otago, Clutha and Gore District Councils be satisfied that requirements set out in the WSDP and Commitment Agreement were met.	By Q4 2025/26	Yes	**Completed.** No further updates. Southern Waters engaged extensively with Timaru, Mackenzie and Waitaki District Councils during January and February 2026. Waitaki subsequently requested to rejoin Southern Waters on 24 February 2026. Gore, Central Otago and Clutha District Councils resolved to approve the request from Waitaki District Council to join Southern Waters during March and April 2026. Southern Waters continues to monitor and remains in contact with the Shareholder Councils regarding possible amalgamations under the Government's Simplifying Local Government programme which was announced by the RMA Reform and Infrastructure Minister Chris Bishop and Local Government Minister Simon Watts on 5 May 2026.
Collaboration with other councils seeking to join Southern Waters, including	By Q4 2025/26	Yes	Southern Waters remains open to further partnership and collaboration with other Councils.

undertaking further analysis if required and updating foundational documents if the shareholding Councils were satisfied that requirements set out in the WSDP and Commitment Agreement are met.			
Work stream priorities			
Establishment of the joint Southern Waters jointly owned WSE	By Q4 2025/26	Yes	**Completed.** The Constitution, Shareholders' Agreement, Commitment Agreement were approved by Gore, Central Otago, Clutha and Waitaki District Councils during March and April 2026. Southern Waters was incorporated on 1 May 2026.
Legal workstream to support the transfer of consents, contracts, and preparation of the Transfer Agreement, compliance, reporting and probity.	By Q2 2026/7	Yes	Legal advisors are supporting the development of governance documentation and transfer agreement. An asset valuation has commenced as well as a significant information request from Councils by Southern Waters which will inform both the transfer agreements and operating model.
Asset management workstream to support joint asset management plan and capital works programme, and any new asset management systems.	By Q4 2026/7	Yes	An asset lead has been appointed. Asset valuations have been commenced across all Councils along with the development of a prioritisation framework and property portfolio review.

Operations workstream - to support the smooth transfer of operations and the development of necessary processes and procedures for the day-to-day operation of water, wastewater and stormwater networks.	From Q3 2026/7	Yes	This will be considered as part of the Operating Model and Service Delivery workstream, which commenced in Q3 2025/6 with work on the design of Southern Waters' operating model, including detailed transition planning, covering the smooth transition of operations and the development of necessary procedures for the day-to-day operation of water, wastewater and stormwater networks. Advisors have been appointed to support the design of the operating model and workshops will be undertaken with shareholding councils in the next period.
Communications and engagement workstream to manage communications with the public, stakeholders and staff during the transition	Ongoing	Yes	Communications and messaging continue to be promulgated through the Southern Waters website – www.southernwaters.co.nz. Southern Waters has continued to engage with 3 Waters Council staff at Gore, Clutha, Central Otago and Waitaki District Council through face to face sessions. A Stakeholder Engagement Plan has been developed.
During the 2025/26 and 2026/27 financial years, council staff will continue to work for their respective councils. However, they may be required to complete some tasks for the jointly owned WSE. It is expected that council staff will work closely with transition leads to ensure existing work is aligned with Southern Waters' broader objectives and manage workloads and priorities. Operational go live on 1 July 2027.	Ongoing	Yes	The Southern Waters' Establishment Team continues to work and engage extensively with the mayors, chief executives and senior management of shareholding councils through regular, structured reporting and meetings, as noted in the Commitment Agreement. Council staff are working closely with transition leads. Southern Waters is developing a framework to support and ensure visibility over major decisions undertaken by shareholding councils in advance of the transfer agreement and operational go live on 1 July 2027.

Expected activity in next quarter

Milestone / deliverable	Expected activity
Governance including Constitution, Shareholders' Agreement, CCO structure and accountability documents.	• Adoption of the Statement of Expectations • Appointment of the rural water representative to the Stakeholders' Representative Group • Additional appointments to the Board of Southern Waters
Work to support various workstreams	• Ongoing Council response to significant information request • Workshops with shareholding Councils to inform the operating model desigDigital system and technology review • Asset valuation • Progress on Local Government Funding Agency (LGFA) accession • Ongoing development of the investment prioritisation framework • Review of resourcing requirements for Water Services Strategy • Property portfolio review

Part B: Additional monitoring information – items noted in letters of acceptance

Items noted in letters of acceptance	Progress update

Programme of work to achieve regulatory compliance	The DIA requested and received additional information from the Southern Councils as part of consideration on the WSDP. The four Councils are continuing to progress individual capital works programmes to meet regulatory compliance as set out in the WSDP and in advance of the establishment of Southern Waters. Steady progress has been made on compliance projects over the past 12 months, with key highlights and expected progress over the next 12 months as follows: **Central Otago District Council** • Cromwell, Ranfurly, and Patearoa WTP upgrades completed and commissioned. • New Omakau, Roxburgh, and Naseby supply upgrades in issues-and-options phase with design finalisation and construction commencement expected in the next 12 months. • Alexandra WWTP: detailed design now underway; resource consent renewal and tender documents to follow. • New Omakau and New Lake Roxburgh Village package plants: awaiting DIA guidance on Engineered Design Solutions. • Ranfurly and Naseby WWTPs: desludging complete/underway, wetland reinstatement progressing. • Cromwell WWTP: Capacity assessment complete and implementation of staged upgrades expected to get underway in the next 12 months. **Clutha District Council** • $25 million project for an alternative water supply for the Waitahuna/Evans. Flat/Balmoral/Lawrence schemes completed and commissioned — four rural schemes removed from long-term boil water notices. As a result of this and a number of other projects Clutha District Council have completed in recent years, all 15 of Clutha's water treatment plants are currently fully compliant with the Drinking Water Standards, a significant milestone after many years of boil water notices. • Milton manganese reduction project completed. • Milton (Milburn) WTP upgrade in planning/design stage; scope under review given a proposed inland port development that could drive significant demand growth.

	• District-wide discharge-to-land suitability assessment and engineers estimate completed for all 11 WWTPs. Budget allocated, with further investigation prioritised by consent renewal date for Balclutha, Owaka, Lawrence, Waihola, Kaka Point and Clinton. Pilot site identified (Stirling). • Investigations to commence at Clinton and Waihola ahead of potential construction (FY27/28). • Compliance upgrade packages scoped/priced at Owaka, Balclutha, and Tapanui WWTPs. **Gore District Council** • Centralisation of water treatment at East Gore completed, enabling decommissioning of Hilbre WTP and Reservoir. • New Hilbre reservoir progressing — tenders being evaluated, construction expected to start later this year. • WEPS compliance requirements completed for all wastewater treatment plants. • Next steps: Revise/resubmit Gore-Mataura consent applications and develop / submit consent application for Waikaka. **Waitaki District Council** • Corriedale (Awamoko, Kauru Hill, Tokarahi, Windsor): Centralised treatment approach confirmed, procurement underway — all four schemes expected compliant before 1 January 2027. • Bushy Creek and Stoneburn: end-point treatment units identified as preferred solution, targeting full compliance by 1 January 2027.
Transitional arrangements with the Local Government Funding Agency	Southern Waters is continuing to work with Treasury advisors on transitional arrangements with the LGFA. Specialist legal advisors have been appointed to support the accession. Further updates will be provided in the next period.
Delivery of the Southern Waters Done Well Capital Work Programme and Standing up of the Project Management Office	The Southern Waters Asset and Commercial and Finance leads are reviewing the proposed capital programmes with the shareholder Councils. An updated financial model and investment prioritisation framework is also being prepared to develop the water services strategy and advance of the transfer agreement.
The price path of projected water services charges	Not yet commenced. To be further reported on during next period. As noted above, an updated financial model is currently being prepared which will inform the price pathway for water services charges. This work is in development and will be further reported back in the next quarter

Other Matters	The WSDP Assessment Report also notes the following issues that were discussed by the Panel: Borrowing headroom under Free Funds from Operation Metric. As noted above a review of the current shareholder capital programme is currently being undertaken and the financial model is being updated. This work will inform options for the aggregate forecast capital programme for Southern Waters and optimised FFO and headroom position.