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16 December 2024

David Wright
Chair
Waimea Water Limited
14 Oxford Street
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Dear David

Statement of Expectation

This Statement of Expectation is intended to inform Waimea Water Limited's Board of the Shareholders' high level strategic direction and performance expectations in advance of your preparation of the Statement of Intent (SOI) 2025/26. In clarifying our expectations early, we expect that the passage through to acceptance by both Shareholders will be more efficient and effective. Under the Local Government Act this Statement of Expectation will be made available to the public, on the Councils' website. The Council has determined that will occur 30 days after delivery to the Company.

Statement of Intent 2025/26

Shareholders expect that CCOs will treat the SOI as more than a strict compliance document and will aim for best practice. This will entail a SOI covering more than the statutory minimum requirements. To be effective, your SOI should tell the performance story of the Company, providing a clear and succinct understanding of the Company's purpose, the goods and services it delivers and what success looks like. As shareholders, the Council and WIL are particularly interested in confirmation of the delivery of the project within the \$211.2m overall budget. This is expected to occur prior to the commencement of the 5-year period covered in the SOI prior. The SOI focus therefore needs to be on completing the transition to the operations mode and focus on running within a tight fiscal budget.

The SOI must meet the requirements set out in the Local Government Act 2002. Your staff are likely to now be familiar with the CCO provisions of this Act.

Both Shareholders wish to support the company in delivering a good SOI. The Council has assigned a senior manager to each CCO to assist. In your case the person assigned is Mike Drummond. Mike is available to your team throughout the process.

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The general expectations set by Tasman District Council for all CCOs are as follows:

- 1.1 SOIs must include a complete set of summary prospective financial statements for at least three years (preferably five years) ie Statement of Comprehensive Income, Statement of Financial Position and Cash Flow Statement. In the case for WWL this has to be 5 years as set out in the Shareholders agreement.
- 1.2 SOIs should disclose key financial measures like earnings before interest and tax (EBIT) and earnings before interest, tax, depreciation and amortisation (EBITDA) and balance sheet ratios where applicable.
- 1.3 SOIs must fully comply with Schedule 8 of the Local Government Act.
- 1.4 The SOI must be consistent with the provisions of clause 10, Budgets and Statement of Intent in the WWL Shareholder agreement.
- 1.5 In the Public Records Act 2005, a local authority includes a Council Controlled Organisation and a Council-Controlled Trading Organisation. As such, the requirements of this Act and its related mandatory Information and Records Management Standard - July 2016 applies for the management, retention, and disposal of records.
- 1.6 Compliance with legislation and reporting on Health and Safety matters must be given due emphasis.
- 1.7 Dividends are to be disclosed along with the dividend payout policies, where applicable. (For WWL, this will be that no dividend is payable as the Company is operated on a cost recovery basis only.)
- 1.8 Remaining Capital Expenditure and Asset Management intentions should be included.
- 1.9 CCOs should use the same information for both managing the business and reporting through to the Shareholders ie, the information used for setting targets and reporting against them for the SOI should overlap and be a subset of the information used for internal reporting.
- 1.10 SOIs and other CCO reports should be in a plain style, concise, relevant and accessible. They should be focused on meeting the needs of the Shareholding Councils and the public they represent. The use of graphs, tables and charts is expected to convey both financial and non-financial information along with trends (past, current and future numbers).
- 1.11 To be effective, the SOI must disclose the performance story for the CCO providing a clear and succinct understanding of the CCO purpose, the goods and services it delivers and what success looks like. Providing a clear message to the Boards on these requirements and other expectations will assist in ongoing improvements in the SOI and reporting.

- 1.12 The main aspects of the SOI performance story are:
- strategic context; and
 - specifying and presentation of the outcome's framework; and
 - main measures and targets, outcomes and objectives; and
 - linking the strategy outputs performance together.
- 1.13 **Risk management and Climate Change** - Shareholders would like to see documented in the SOI how the Board is managing risks, including natural hazards and climate change.
- 1.14 **Sustainability** - Shareholders would like to understand what measures and targets are in place to address environmental and climate change concerns, including measures to:
- support the transition of the company to net zero carbon emissions by 2050;
 - prepare for the impacts of climate change, including assessing key organisational climate change risks;
 - minimise waste and support the shift to a circular economy.
- 1.15 **Health and Safety** - Given the requirements of the Health and Safety at Work Act 2015, it is appropriate for the Council to set out its expectations in relation to Health and Safety in the CCOs/CCTOs:
- Under Section 44 (3) of the Act, elected members do not have a duty to exercise due diligence to ensure that any Council-controlled organisation complies with its duties or obligations under the Act unless that member is also an Officer of that Council-controlled organisation.
 - However, as Shareholders being a key funder, it is still appropriate to set out expectations of Health and Safety management in CCOs/CCTOs.
 - The Councils/shareholders expect the Boards of CCTOs/CCOs to set appropriate Health and Safety strategy and policy, understand the nature of risks/hazards within the business, monitor performance and activities to ensure risk is being managed and review Health and Safety systems and performance.
- 1.16 **Governance Performance** – In order to aid the Council and WIL when making decisions on Director/Trustee remuneration and appointments, the Board should undertake regular evaluations of its own performance. The Council expects these reviews to be carried out at least once every eighteen months. The Council notes there is a current review in progress that is focused on the size, skills and meeting frequency of a WWL Board post the project's completion.
- 1.17 The Chair of the Board should reference this evaluation when making recommendations on the re-appointment or recruitment of Board Directors. In addition, future director recruitment must consider the requirements in the LGA 2002, to ensure that when identifying the skills, knowledge and experience required of directors, consideration is given to whether knowledge of tikanga Māori may be relevant to the governance of that Council-controlled organisation.

1.18 In the case of WWL, the decisions on appointments relate only to the Council appointed directors. Ngāti Koata and WIL have their own appointment process. The Board evaluation of its performance and the transition plan is, however, a matter for all shareholders to consider.

Other Matters

1.19 Ensure effective performance reporting by the inclusion of quantifiable measures and SMART targets, including enhanced measures on Health and Safety.

1.20 Shareholders require that the Council Controlled Organisations, before making a decision that may significantly affect land or a body of water, must consider the relationship of Māori and their culture and traditions with their ancestral land, water, sites, wāhi tapu, valued flora and fauna and other taonga.

1.21 **No Surprises** – The Boards should ensure that there is ‘no surprises’ communication with the Shareholders on matters which are in the shareholders’ or public interest and are not highly commercially sensitive.

Specific expectations to be included in the WWL SOI

1.22 The companies SOI must comply with the SOI and related provisions in the Shareholders agreement.

1.23 The SOI should also disclose future estimated water charges (operational and funding components) for the Council and WIL.

1.24 Specific reference to an asset management strategy to give a clear understanding of maintenance and plant replacement costs over the life of the assets;

1.25 Specific reference to how the Waimea Water Limited Board will ensure compliance with the Building (Dam safety) Regulations 2022 now that there is legislation in place. Confirming as a minimum no change from the prior self-management under New Zealand Society on Large Dams Dam Safety guidelines; and

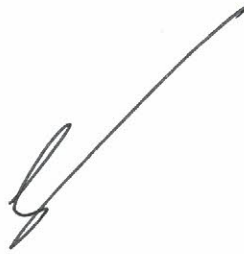
1.26 Reference to identifying opportunities for collaboration to help ensure overhead costs are as economically sustainable as possible.

If you have any queries, please contact Mike Drummond, Group Manager – Finance, Tasman District Council on telephone (03) 543 8499 or email mike.drummond@tasman.govt.nz or contact John Wright, General Manager, Waimea Irrigators Limited on telephone 0274362358 or email john@melius.nz

Yours sincerely



Tim King
Mayor of Tasman District



Murray King on behalf of
Waimea Irrigators Limited

cc Waimea Irrigators Ltd