

PUBLIC EXCLUDED

TE KOMITI TIAKI WAI | PARTNERS' COMMITTEE

Meeting to be held on
Friday 29 May 2026 commencing at 12.00pm

ORDER PAPER

PUBLIC EXCLUDED BUSINESS

14. **RESPONDING TO PARTNERS' COMMITTEE FEEDBACK ON THE DRAFT WATER SERVICES STRATEGY**

Report No. PCTW2026/3/134 by the Strategy and Policy Lead and Finance Lead, Tiaki Wai

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15. **TIAKI WAI LIMITED - AMENDMENTS TO CONSTITUTION AND PARTNERS AGREEMENT**

To be circulated separately.

16. **CLOSING FORMALITIES - KARAKIA WHAKAMUTUNGA**

Unuhia!

Unuhia!

Unuhia i te uru-tapu-nui

Kia wātea, kia māmā

Te ngākau, te tinana, te

wairua i te ara takatū

Koia rā e Rongo

whakairihia ake ki runga

Kia wātea, kia wātea!

Ae rā, kua wātea!

Hau, pai mārire.

Release us from the supreme sacredness of our tasks

To be clear and free

in heart, body and soul in our

continuing journey

Oh Rongo, raise these words up high

so that we be cleansed and be free,

Yes indeed, we are free!

Good and peaceful

Vanessa Gilmour
Democracy Advisor
Hutt City Council



Public Excluded Partners' Committee

21 May 2026

Report no: PCTW2026/3/134

Responding to Partners' Committee feedback on the draft Water Services Strategy

Purpose of Report

1. This report summarises the key feedback themes raised by the Partners' Committee on the draft Water Services Strategy and outlines the resulting refinements proposed to the Water Services Strategy ahead of Board adoption in June 2026.

Recommendations

That the Committee:

- (1) received and notes the report; and
- (2) notes the updated financial strategy settings for the Water Services Strategy.

Background

2. Tiaki Wai would like to thank the Partners' Committee for the feedback provided on the draft Water Services Strategy. The feedback has been valuable in further refining the strategy and strengthening the balance between affordability, investment priorities, deliverability, and long-term financial sustainability.
3. Since the release of the draft Water Services Strategy, further work has been undertaken across several areas of the strategy, including updated financial modelling, review of operating and capital expenditure assumptions, further assessment of programme deliverability, growth funding settings, and continued engagement with the Local Government Funding Agency (LGFA), the Commerce Commission, shareholding councils, and advisors.

4. Alongside this work, Tiaki Wai and shareholding councils have also progressed development of a proposed uncalled capital framework intended to strengthen the financial resilience of Tiaki Wai during the establishment and transition period. This work has informed decisions regarding covenant and broader financial settings supporting the final Water Services Strategy.
5. This report summarises the key themes raised through Partners' Committee feedback and outlines the principal changes to the Water Services Strategy ahead of Board adoption in June 2026.

Discussion

Responding to Partners' Committee feedback on the draft Water Services Strategy

6. The Partners' Committee feedback primarily focused on opportunities to improve affordability outcomes, strengthen financial resilience, improve confidence in expenditure assumptions, and ensure stronger alignment between growth-related investment and funding sources. The key feedback themes and resulting responses reflected in the proposed final Water Services Strategy are summarised below and are detailed further in Appendix 1.
7. In response to this and broader public and stakeholder feedback, further work has been undertaken to refine the financial settings. This has included:
 - a. reassessment of the scale and deliverability of 2026/27 and proposed 10-year capital programme,
 - b. a detailed review of operating expenditure and associated assumptions
 - c. refinement of the growth funding assumptions to support a stronger "growth pays for growth" approach,
 - d. updates to broader financial settings supporting the Water Services Strategy.
 - e. continued engagement with LGFA regarding covenant glide path settings.
8. This further work resulted in a more moderate long-term capital expenditure profile, updated operating expenditure assumptions, stronger recovery of growth-related infrastructure costs from development, and a smoother pricing trajectory than proposed in the draft Water Services Strategy. There remains considerable uncertainty in relation to the capital programme. While this Water Services Strategy provides an indication of the scale of investment proposed over the next 10 years, a key focus for the next Water Services Strategy will be on providing greater certainty of the capital investment needed and the ability for Tiaki Wai to build delivery capability within the region.

9. While reductions to capital and operating expenditure support lower water charges and a higher FFO-to-debt ratio, they also increase the risk that improvements to service levels, network resilience, and compliance outcomes may take longer to achieve.
10. The final Water Services Strategy will also incorporate a commitment to further independent review and verification of both capital and operating expenditure assumptions as part of development of the 2027–37 Water Services Strategy, consistent with emerging Commerce Commission expectations.
11. Subject to Board decisions, the provisional final FFO-to-debt and pricing settings compared with the draft Water Services Strategy are set out in Appendix 2 and summarised below. Note that these figures are subject to final modelling, and there may be some minor variations to these as a result.

	FY27	FY28	FY29	FY30	FY31	FY32	FY33	FY34	FY35	FY36
<i>Projected price increases (inflated, growth adjusted)</i>										
Draft WSS	14.7%	28.9%	12.5%	13.5%	14.4%	10.7%	8.9%	9.1%	9.1%	4.5%
Provisional final WSS	12.8%	16.5%	14.5%	12.6%	10.5%	10.9%	11.4%	11.8%	8.7%	4.8%
<i>Projected average residential charges (inflated, growth adjusted)</i>										
Draft WSS	2,418	3,118	3,508	3,983	4,559	5,046	5,493	5,991	6,538	6,831
Provisional final WSS	2,377	2,770	3,173	3,572	3,946	4,378	4,876	5,452	5,924	6,206
<i>Projected FFO / debt (Including establishment costs)</i>										
Draft WSS	-0.6%	5.0%	7.0%	8.1%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%
Provisional final WSS	-0.8%	3.2%	6.0%	7.3%	7.6%	7.6%	8.2%	9.0%	9.0%	9.0%

12. Tiaki Wai also notes the high-level observations provided by the Partners' Committee, including the general support expressed for the direction of the strategy, need for increased investment in water networks, proposed Commerce Commission oversight, water metering, the Pūnaha Tautoko Pūkenga (formerly known as TSI) programme, and emergency management commitments.
13. Tiaki Wai notes the feedback provided on alignment with the Statement of Expectations and the detailed feedback provided as Appendix 1 to the Partners' Committee feedback. The points noted in Appendix 1 will be addressed, and stronger commitments will be made to the following in the final strategy:
 - a. enabling the forward work programme and supporting local business rather than reliance on Tier 1 contractors.
 - b. Te Wai ora o Parirua –Porirua Harbour Accord and acknowledging waterways of significance to mana whenua
 - c. gaining customer insights through a customer reference group or other means of attaining ongoing customer views of proposed decisions

2027–37 Water Services Strategy

14. Tiaki Wai acknowledges the greater level of detail the Partners' Committee is expecting for the 2027–37 Water Services Strategy. Planning and development of the second strategy is underway, and the feedback provided by the Partners' Committee is being considered.
15. Tiaki Wai also supports early engagement with the Commerce Commission and Local Government Funding Agency (LGFA) on the 2027–37 Water Services Strategy and will factor this into the work programme.

Next Steps

16. The final Water Services Strategy will be provided to the Tiaki Wai Board for adoption at the 11 June 2026 Board meeting.
17. If no changes are required following the Board meeting, it will be shared with the Partners' Committee on 15 June 2026 and then published on the Tiaki Wai website on 16 June 2026. These dates are subject to confirmation at the 11 June Board meeting.
18. The Partners' Committee will be asked to note the Water Services Strategy at its meeting in August 2026.

Appendices

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Approved by: Michael Brewster, Chief Executive Officer
Tiaki Wai

Appendix 1. Tiaki Wai response to Partners Committee financial feedback

Partner Committee Feedback	Tiaki Wai changes for final WSS
<p>In order to achieve financial sustainability, considers exploring trade-off opportunities:</p> <ul style="list-style-type: none"> With capital expenditure, particularly given under delivery by Wellington Water, and pending independent external verification of the capital programme. 	<p>Tiaki Wai changes for final WSS</p> <p>considers exploring trade-off opportunities:</p> <ul style="list-style-type: none"> The capital programme and delivery assumptions have been further reviewed since release of the draft WSS, including consideration of recent Wellington Water delivery performance, programme deliverability constraints, and feedback regarding affordability. Taking this feedback into account, the long-term capital expenditure programme has been moderated through a 10% reduction applied year-on-year from FY2027/28 through to FY2035/36. The capital expenditure budget for FY2026/27 is proposed to remain consistent with the draft Water Services Strategy, at \$329 million. This level of expenditure has been maintained following further assessment based on advice from Wellington Water officers, together with further consideration of overall programme deliverability. While these changes improve affordability outcomes for customers, they also increases the risk of slower improvements to service levels, network resilience, and compliance outcomes over time. Tiaki Wai intends to undertake further independent review and verification of capital expenditure assumptions as part of development of the 2027–37 WSS, consistent with emerging Commerce Commission expectations. Tiaki Wai strongly supports this approach as good practice to strengthen long-term investment planning, transparency, and accountability.
<ul style="list-style-type: none"> With operating expenditure, pending independent external verification of the operating forecasts to inform preparation of the next Water Services Strategy. 	<ul style="list-style-type: none"> Additional operating expenditure review work has been undertaken since release of the draft WSS. The final WSS reflects updated operating expenditure assumptions informed by this review work, resulting in reprioritisation of some areas of expenditure towards strategic initiatives and resulting in an overall small reduction in expenditure. Tiaki Wai intends to undertake further detailed review and independent verification of budgeted and forecast operating expenditure as part of development of the 2027–37 WSS, consistent with shareholding council and emerging Commerce Commission expectations
<ul style="list-style-type: none"> With planned growth capex expenditure and/or increase forecast capital revenues (from Development Contributions and Development Levies) consistent with the principle that growth pays for growth. 	<ul style="list-style-type: none"> Further work has been undertaken regarding the treatment of growth-related expenditure and associated funding assumptions. The original Water Services Delivery Plan (WSDP) and draft WSS assumptions were largely based on existing council Long Term Plan development contribution settings, together with a modelled uplift reflecting forecast growth investment requirements. The final WSS now reflects stronger application of the principle that “growth pays for growth” over the forecast period, including increased recovery of growth-related infrastructure costs from future development. This approach has been informed and supported by independent advisory work
<ul style="list-style-type: none"> In view of the potential provision of uncalled share capital, delaying achievement of the 9% target FFO-to-debt ratio, subject to LGFA sign-off in the glide path. 	<ul style="list-style-type: none"> Since release of the draft WSS, substantial further work has been undertaken with shareholding councils, LGFA, and advisors regarding the proposed uncalled capital framework. This work has informed updated discussions regarding covenant glide path. The resulting revised FFO-to-debt settings are again consistent with the WSDP, targeting achievement of the Tiaki Wai longer-term 9% FFO-to-debt objective by FY2033/34 and compliance with LGFA covenant requirements by FY2032/33. This revised pathway also supports a smoother and more moderated pricing trajectory than proposed in the draft WSS, removing the step-change increase previously forecast for FY2027/28. LGFA have indicated support for this glide path, subject to formal approval on 8 June.

Appendix 2. Changes in key financial settings between draft WSS and provisional final WSS

Note: these figures are subject to final modelling and there may be some minor variations to these as a result.

