

Tiaki Wai

Water Services Strategy

Elected Member Briefing



Key Dates for the Water Services Strategy

Date	Process Step
25 March 2026	Engagement commenced
17 April 2026	Elected Member and Mana Whenua briefing and feedback sought
20 April 2026	Partners Committee Workshop - consolidate feedback
22 April 2026	Engagement closes
24 April 2026	Partners Committee consolidated feedback provided to Tiaki Wai

Background to the Strategy

- Local Government (Water Services) Act 2025 requirement
- Responds to the Partners' Statement of Expectations (18 December 2025)
- This is a one-year strategy and the Water Services Strategy 2027–2037 to be developed next year.

“Next Water Services Strategy, we expect to be in a stronger position to clearly set out the investments required and the benefits they will deliver” (Board Chair Will Peet).

“my focus will be on ensuring customer service remains our top priority while we build the capability needed to address the significant challenges” (CEO Tiaki Wai Michael Brewster)

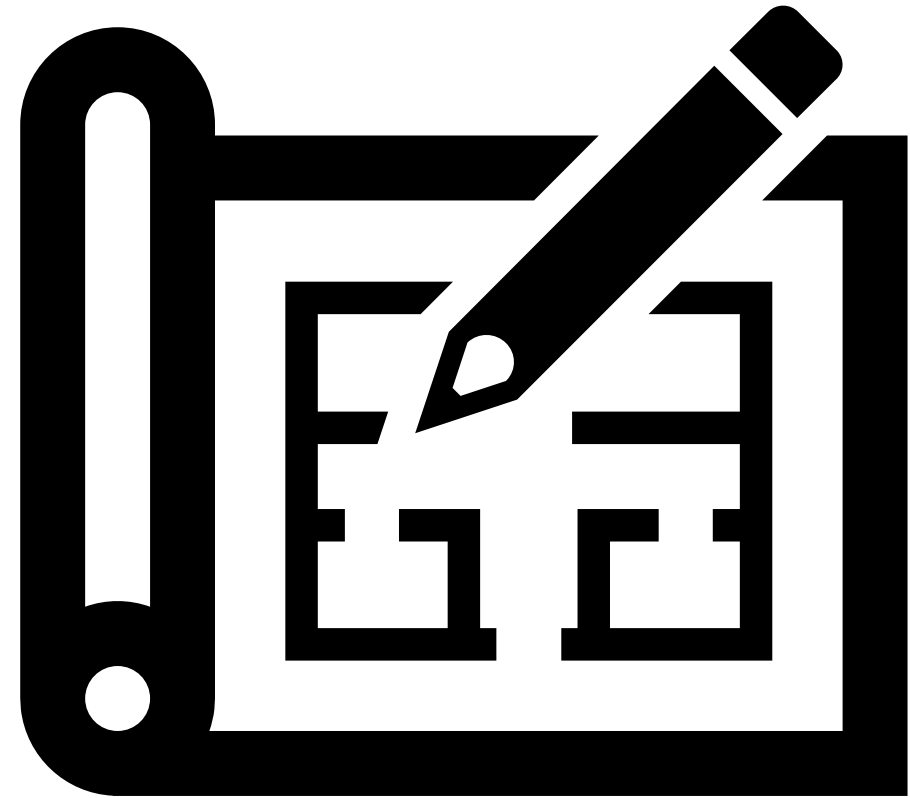


Initial draft Feedback

Proposed

Tiaki Wai

Water Services Strategy



Alignment to Statement of Expectations

The WSS mostly aligns to the SOE – areas suggested for additional consideration or amendment relate to:

- Technology (the former TSI programme for Wellington Water)
- KPI's
- Training and building industry capacity
- Regulatory readiness
- Emergency Management
- Other Infrastructure



High level comments on WSS

- Mirrors Partner concerns and issues from the WSDP.
- Acknowledges/mostly meets the SOE – noting the second WSS will refine the trajectory of water services delivered for the region.
- Does not deliver the expected financially sustainable path for challenging circumstances.
- Councils are considering financial options, to codify the liability held as shareholders and provide Director confidence.
- The capital expenditure programme is ambitious, opex has increased, and growth is not adequately funded on the *growth pays for growth* principle.
- The shortened achievement of the FFO-to-debt ratio has a corresponding impact on the price path.

Financial Sustainability

A stable financial foundation and liquidity is required. The shortened **FFO-to-debt-ratio** glide path in the draft WSS compared to the WSDP is of concern as it is driving up pricing. Options for extended glide path should be explored to enable improved affordability.

Options will likely reflect explicit trade-offs between affordability, financial resilience, delivery risk, and governance assurance over the establishment, transition and long-term sustainability

Example Trade-off Principles

- ✓ Principle – Protection of short and long-term consumer and ratepayer interests (non-negotiable)
- ✓ Principle – Maintaining consumer and ratepayer confidence

Financial Sustainability

WSS Expenditure

- Threefold increase in capital works proposed over the first five years. While we support prioritising asset renewals over reactive maintenance, this increase appears ambitious.
- Proposed operating budget for 2026/27 is forecast at \$393.5m (including inflation) and is higher than projected in the WSDP by \$146m.

Partners would like the Board to refine the costs sitting inside the financial model.

Financial Sustainability

Pricing versus Expenditure – A Balancing Act

- Prices are either set too low, or too much capital work is planned for delivery in the first year of the WSS.

Partners need to see a statement around deliverability

- WWL's delivery history and building an organisation, it's culture and capacity, along with consent and land process delay and market availability and global events may constrain spending.



Projected Tiaki Wai price increases per draft WSS

Figure 7.3: Tiaki Wai indicative price increase (adjusted for growth)

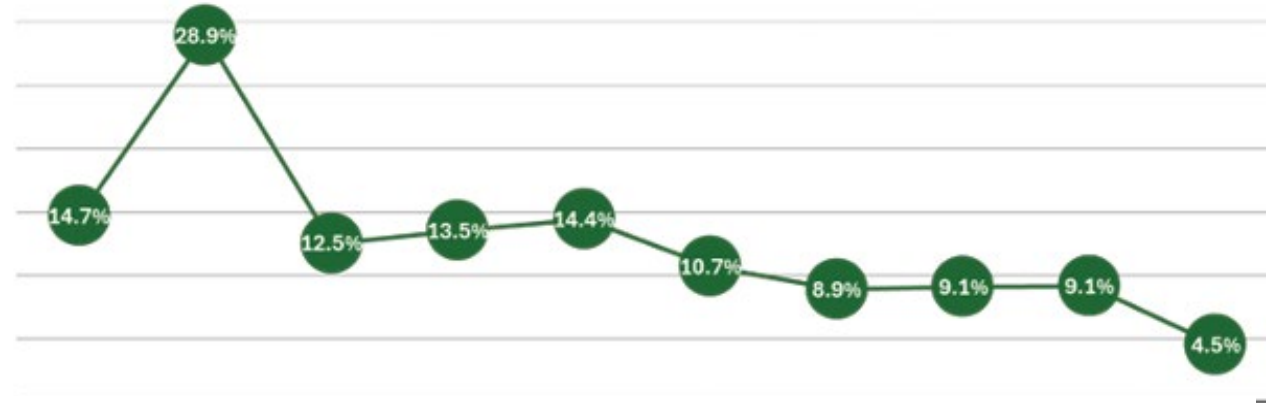
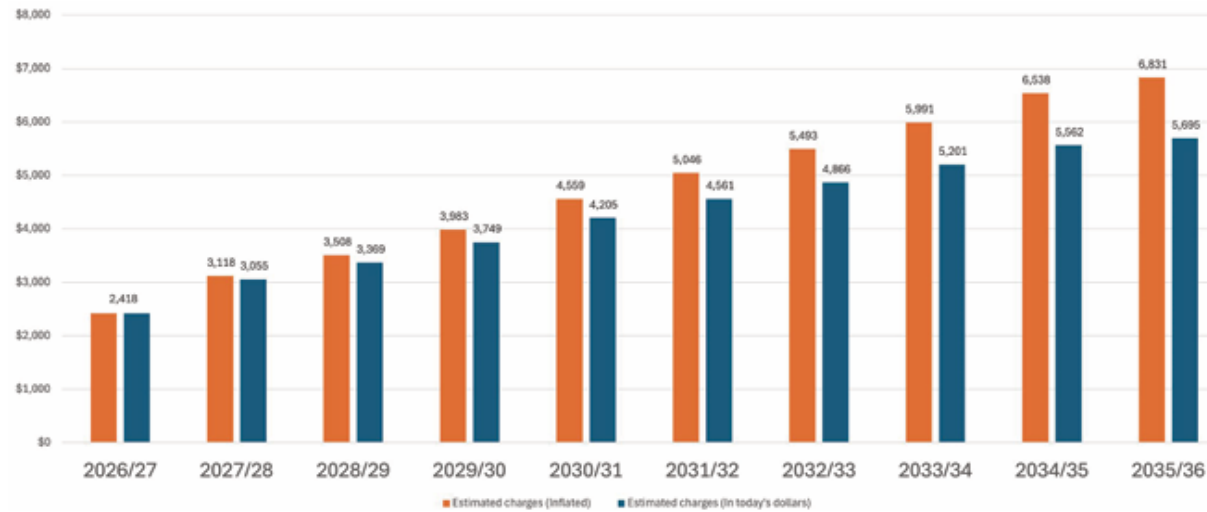


Figure 7.4: Tiaki Wai indicative residential charges



These projections are indicative for the purposes of this interim strategy and will be updated in future strategies as plans are further developed.

Resilience Assumptions – Unplanned Events

- Tiaki wai would fund recovery with insurance, borrowing and reprioritisation. There is no guarantee of government assistance.
- Borrowing capacity is minimal in initial years. Tiaki Wai seeks security through locked in support from Partners for unplanned event recovery.

Potential access to shareholder recovery support through guarantees is under discussion.

Partners suggest Tiaki Wai consider its capital spend, revenue and target timing for optimising its FFO to debt ratio to respond to unplanned events.



Your feedback?



Opex Increases

Breakdown of currently understood possible Opex additions

Increase in council rates charged on water assets. This accounts for around \$20m of the movement.	Reclassification of \$67m implementation costs for systems (TSI programme) from capex to opex.
Additional establishment costs \$5m (estimate).	Water meter business case and procurement \$6m.
Sludge disposal costs \$4m.	Inflation and remuneration assumptions of \$9m.
Reactive maintenance uplift, planning, engineering, operations and other costs \$23m.	Additional corporate costs \$13m.

Lower Hutt charges for 2026–27 per draft WSS

Charge description	Hutt City Council 2025–26	Proposed Tiaki Wai 2026–27	\$ Increase	% Increase
Water supply fixed charge	\$884	\$1,015	\$131	14.8%
Wastewater fixed charge	\$876	\$1,027	\$151	17.2%

Property Category	New Stormwater Fixed Charge	New Stormwater CV charge	Total Stormwater Charge
Residential	\$40.90	\$270	\$311
Commercial Central	\$40.90	\$2,800	\$2,841
Commercial Suburban	\$40.90	\$2,111	\$2,152