



Public Excluded Meeting of Council

06 May 2026

Report no: HCC2026/2/128

Tiaki Wai Limited - Shareholder Support

Purpose of Report

1. The purpose of this report is to seek approval of the arrangement whereby callable capital may be provided to Tiaki Wai Limited (Tiaki Wai) by its shareholding councils (including Hutt City Council (Council)), and all associated documentation (Uncalled Capital Arrangement).
2. This report also seeks that delegations are made to:
 - (a) allow the approval of the final terms of the Uncalled Capital Arrangement, including the final terms of any subscription agreement for the Uncalled Capital Arrangement to be entered into with Tiaki Wai (Uncalled Capital Subscription Agreement), following further discussions between Council and Tiaki Wai; and
 - (b) execute the Uncalled Capital Subscription Agreement and all associated agreements on behalf of the Council, including:
 - (i) all shareholder approvals required in relation to share issuances by Tiaki Wai in connection with the Uncalled Capital Arrangement; and
 - (ii) all necessary documentation to give effect to the terms of the Uncalled Capital Arrangement, including amendments to the following documents:
 - (A) statement of expectations;
 - (B) the Partners Committee terms of reference contained in the Partners Agreement; and
 - (C) Tiaki Wai's constitution, together with the Amendment Documents.
3. The report is included in the public excluded part of the meeting under section s7(2)(b)(ii) of the Local Government Official Information and Meetings Act 1987, to protect information where the making available of the

information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information. It is recommended that Council agrees that the report and resolutions above are released to the public once all shareholder councils have completed their related decisions.

Recommendations

It is recommended that Council:

- (1) receives the report
- (2) approves the terms of the Uncalled Capital Arrangement as set out in the term sheet attached to this report as Appendix 1;
- (3) approves the issuance of shares by Tiaki Wai Ltd (Tiaki Wai) to Hutt City Council (Council) in accordance with the terms of the Uncalled Capital Arrangement, including for the purposes of sections 50 and 107(2) of the Companies Act 1993;
- (4) approves the Amendment Documents that are necessary to give effect to the terms of the Uncalled Capital Arrangement;
- (5) approves the Council entering into an Uncalled Capital Subscription Agreement with Tiaki Wai, under which the Council will subscribe for, and Tiaki Wai will issue to the Council, unpaid redeemable shares in Tiaki Wai on the terms described in that agreement, and delegates to the Chief Executive the power to negotiate and resolve the terms of the Uncalled Capital Subscription Agreement and all related documentation required in connection with, and/or to give effect to, the Uncalled Capital Arrangement;
- (6) delegates to the Mayor and Chief Executive of the Council the power to approve the final form of all documents required in connection with, and to give effect to, the Uncalled Capital Arrangement;
- (7) delegates authority to:
 - a) in the case of deeds, Mayor and Councillor Edwards; and
 - b) in the case of any other document, the Chief Executive and/or the Mayor,to enter into and execute the documentation approved by the Mayor and the Chief Executive in connection with the Uncalled Capital Arrangement;
- (8) directs Council officers to report back when all processes and requirements have been completed;
- (9) approves the Council entering into all associated agreements, documents and notices contemplated by or required in connection with the Uncalled Capital Arrangement (Associated Agreements);

- (10) approves the performance by the Council of the obligations under the Uncalled Capital Arrangement, when required to do so, without further Council approval;
- (11) delegates authority to the Chief Executive and Mayor of the Council to:
- a) agree any non-material amendments to the final terms of the Uncalled Capital Arrangement on behalf of the Council;
 - b) approve the final forms of the Associated Agreements and Amendment Documents, and all documents, instruments, notices, and communications, relating to or required in connection with, the Uncalled Capital Subscription Agreement, the Uncalled Capital Arrangement and the Associated Agreements;
 - c) approve the execution by the Council of the Uncalled Capital Subscription Agreement, the Associated Agreements, the Amendment Documents and any other documents, instruments, notices, and communications required in connection with them, with such documents to be executed by:
 - A. (in the case of agreements) the Chief Executive of the Council; and
 - B. (in the case of deeds) Chief Executive of Hutt City Council, in reliance on the Power of Attorney provided in relation to the execution of Deeds for Hutt City Council;
- (12) do such other things in connection with the Uncalled Capital Subscription Agreement, the Uncalled Capital Arrangement, the Associated Agreements and the Amendment Documents, as they may consider necessary; and
- (13) agrees that the report and resolutions above are released to the public once all shareholder councils have completed their related decisions.

Executive Summary

4. Greater Wellington Regional Council, Hutt City Council, Porirua City Council, Wellington City Council and Upper Hutt City Council (Shareholding Councils) have jointly established a new water services council-controlled organisation (Water Organisation) that will take over responsibility for delivering water, wastewater and stormwater services across the Metropolitan Wellington Area (Service Area) with effect from 1 July 2026 (when the assets are transferred). This entity, Tiaki Wai Limited, was incorporated in November 2025.
5. Tiaki Wai will commence operations with a constrained financial position. Under the financing arrangements Tiaki Wai will enter into with New Zealand Local Government Funding Agency Limited, Tiaki Wai will be required to meet certain financial covenants which will be 'phased in' over an initial 'glide-path' period. During this time, Tiaki Wai will have limited borrowing headroom and resilience, and may be exposed to financial shocks,

particularly given the existing condition of the water networks and the scale of required investment in the Service Area.

6. In response, work has been undertaken by the Tiaki Wai establishment team and the Shareholding Councils to assess what potential support measures could be provided by the Shareholding Councils to increase Tiaki Wai's financial resilience during its establishment phase. While a range of options has been assessed, callable capital represents the best available shareholder support option for Tiaki Wai.
7. Following much consideration, assessment and negotiation, the terms of the arrangement under which the Shareholding Councils may provide uncalled capital support to Tiaki Wai (Uncalled Capital Arrangement) have now been agreed (subject to Council approvals). These terms are outlined in further detail below, but provide for Tiaki Wai to issue to the Shareholding Councils a further 400,000,000 redeemable shares (in the aggregate) at a price of \$1 per share, with the shares to be issued on an uncalled and unpaid basis (the **Shares**). The Shares will be allocated to each Shareholding Council in proportion to that Shareholding Council's water debt transferred to Tiaki Wai and that Shareholding Council's shareholding of Tiaki Wai as at closing (on a 70/30 basis). The latest version of the term sheet for the Uncalled Capital Arrangement is attached to this report as Appendix 1.
8. This report outlines:
 - (a) the assessment undertaken to assess a broad range of shareholder support options, including partial debt transfer, upfront capital contributions, callable share capital, indemnification of directors, and other support (eg contributing to funding establishment costs, or reducing rates on Tiaki Wai properties);
 - (b) the assessment undertaken of the viability of alternative options for the Uncalled Capital Arrangement, by reference to the total amount of Shares to be issued and different allocation methodologies for the issuance of Shares to each Shareholding Council;
 - (c) the design principles that have been agreed between the Shareholding Councils and Tiaki Wai in relation to the design of the Uncalled Capital Arrangement; and
 - (d) the proposed terms of the Uncalled Capital Arrangement, including the proposed number and allocation of Shares to be issued to each Shareholding Council and the circumstances in which a call may be made by Tiaki Wai on the Shares.
9. All the above content has been developed with substantial legal input across all parties.
10. In terms of next steps, this report requests approval of the terms of the Uncalled Capital Arrangement as they currently stand, and also seeks delegation to allow the Chief Executive to approve the final terms of the arrangement and the final form of all relevant documentation in connection with the Uncalled Capital Arrangement before it is executed by the Council. As the Uncalled Capital Arrangement requires the issuance of shares by

Tiaki Wai, the Council will be required to provide its approval (as both shareholder of Tiaki Wai and recipient of the Shares) to the share issuances in accordance with the Companies Act 1993.

Background

Establishment of Tiaki Wai

11. Through mid-2025, Greater Wellington Regional Council, Hutt City Council, Porirua City Council, Wellington City Council and Upper Hutt City Council (Shareholding Councils) all agreed to establish a new water services council-controlled organisation (Water Organisation) that would take over responsibility for delivering water, wastewater and stormwater services across the Metropolitan Wellington Area (Service Area).
12. The new Water Organisation, Tiaki Wai Limited (Tiaki Wai), was incorporated in November 2025. It has been established as a Water Organisation under the Local Government (Water Services) Act 2025 and, as reflected in the Partners Agreement and statement of expectations, is to take over responsibility for the provision of water supply, wastewater, and stormwater services for the Wellington Metropolitan Area. Tiaki Wai has been working closely with Wellington Water Limited and the Shareholding Councils in relation to the transfer process, with a view to achieving a successful transfer on 1 July 2026.

Rationale for shareholder support

13. Tiaki Wai will commence operations with a constrained financial position. Under the financing arrangements Tiaki Wai will enter into with New Zealand Local Government Funding Agency Limited (LGFA), Tiaki Wai will be required to meet certain financial covenants which will be 'phased in' over an initial 'glide-path' period. During this time, Tiaki Wai will have limited borrowing headroom and resilience, and may be exposed to financial shocks, particularly given the existing condition of the water networks and the scale of required investment in the Service Area.
14. Responsibility for solvency and financial sustainability rests with Tiaki Wai, under the governance of its board. Tiaki Wai's directors owe duties to (among others) act in good faith and in the best interests of the company (not its shareholders) and, in certain circumstances, to protect its creditors. These duties require directors to consider the risks the company is exposed to and whether the company has a sufficient financial position to absorb any material risk that may arise.
15. In relation to specific transactions, including at the time of entering into the Transfer Agreement, directors must consider at the time whether they believe on reasonable grounds that the obligation will be able to be met when it falls due. In relation to debt obligations, that could be through an ability to refinance or such other means as may be reasonably available to the company. In exercising their duties, directors must act independently, and they must make a sober assessment of the company's financial position.

16. Given Tiaki Wai's constrained financial position and the inherent risks that the company and its directors face, it is reasonable for shareholders to provide support in the event additional capital is required due to an adverse event or circumstance causing Tiaki Wai to become financially distressed. Such support remains appropriate until such time as Tiaki Wai can establish sufficient balance sheet capacity to absorb shocks and become more financially resilient.

Assessment of options for shareholder support

17. In response, work has been undertaken by the Tiaki Wai establishment team and the Shareholding Councils to assess what potential support measures could be provided by the Shareholding Councils to increase Tiaki Wai's financial resilience during its establishment phase.
18. A range of options was assessed, including partial debt transfer, upfront capital contributions, callable share capital, indemnification of directors, and other support (e.g., contributing to funding establishment costs or reducing rates on Tiaki Wai properties). While a range of options has been assessed, callable capital represents the best available shareholder support option for Tiaki Wai. A summary assessment of the available options is attached to this report as Appendix 2.
19. Callable capital may be provided by the Shareholding Councils by way of a share issuance by Tiaki Wai, under which each Shareholding Council subscribes for, and is issued, unpaid redeemable shares in Tiaki Wai at a price of \$1.00 per share, but where the amounts payable by each Shareholding Council remain uncalled and unpaid (**Uncalled Capital**).
20. The amount of Uncalled Capital has been informed by scenario analysis of potential trigger scenarios, for example, contemplating critical asset or service failure, disruption to the network, and asset or property damage arising from natural hazards (e.g., extreme rainfall causing stormwater network flooding, or significant damage to the pipe network following a moderate seismic event). Indicative impacts of the financial losses associated with these trigger events range from \$50 - \$400M for a single event, and potentially up to \$500M for multiple concurrent or compounding events.
21. An assessment has been undertaken of the viability of various sizes and allocations of Uncalled Capital that could be credibly provided by the Shareholding Councils to Tiaki Wai using the available debt headroom of each Shareholding Council, while remaining within acceptable borrowing limits. While there is material debt headroom across the Shareholding Councils in aggregate (totalling more than \$2 billion), borrowing capacity is uneven across the Shareholding Councils. As a result, how uncalled capital is allocated between the Shareholding Councils, and what level of remaining headroom needs to be maintained by each, plays an important role in determining the size of the facility rather than the combined headroom available across the group.
22. A range of options for the size and allocation of the Uncalled Capital facility have been assessed:

- (a) Uncalled Capital amounts of \$350M, \$400M, \$450M, and \$500M in value; and
 - (b) allocations of each of the above amounts of Uncalled Capital to each Shareholding Council by reference to that Shareholding Council's shareholding (net asset value), water debt transferred, asset value transferred, and a combination of shareholding and water debt (on both a 50/50 water debt and shareholding ratio, and a 70/30 water debt and shareholding ratio).
23. The amount of Uncalled Capital that can feasibly be provided by each Shareholding Council is influenced by several dynamic factors, including each Council's current financial position and debt headroom, the broader financial risks facing each Council, and the potential for single adverse events to cause losses for each Council and Tiaki Wai. Analysis of options for allocating Uncalled Capital considered a range of criteria including: ensuring a maximum call did not result in any individual council breaching a prudent debt limit; the need to preserve a minimum level of borrowing headroom for the smallest council; ensuring the size of a call was manageable with reference to revenue; equality of outcomes across the council group, and ensuring the total quantum of support could be managed both individually and collectively by shareholding councils.
24. The analysis acknowledges that each option involves trade-offs and no single solution will be best for all Shareholding Councils, so compromise is required. Council officers recommend that the most feasible option for the Uncalled Capital Arrangement is for the Shareholding Councils to provide to Tiaki Wai Uncalled Capital with a total aggregate value of \$400M, with the Uncalled Capital to be provided by each Shareholding Council allocated by reference to a blended calculation of that Shareholding Council's water debt and shareholding (70/30 water debt and shareholding ratio).
25. Other options assessed (across both Uncalled Capital amounts and allocation bases) are unlikely to be capable of providing the level of capital support that may be needed by Tiaki Wai, and/or do not perform as well against the assessment criteria.

Terms of the Uncalled Capital Agreement

26. The key legal and commercial terms of the Uncalled Capital Arrangement and Uncalled Capital Subscription Agreement have now been agreed (subject to all parties obtaining the necessary approvals, including each Shareholding Council).
27. The terms of the Uncalled Capital Subscription Agreement have been designed and considered by reference to certain principles agreed between the Shareholding Councils and Tiaki Wai, including that:
- (a) the Uncalled Capital should be available as a **last resort option** only where all other feasible and reasonable funding avenues have been exhausted, and in response to triggers which are material non-controllable events or circumstances;

- (b) the call mechanism must be sufficiently timely to provide assurance of liquidity following a trigger event, while remaining workable within Council decision-making processes;
- (c) the Uncalled Capital should be allocated between the Shareholding Councils by reference to agreed proportions;
- (d) the Uncalled Capital Arrangement must be legally binding and sufficiently evergreen that it can be considered and treated as equity (in the context of consideration of Tiaki Wai's solvency);
- (e) the Uncalled Capital should be designed such that it can be treated as a contingent liability of each Shareholding Council for credit rating purposes, and to avoid any adverse impact on each Shareholding Council's balance sheet position and borrowing limits; and
- (f) the Uncalled Capital Arrangement should be designed such that the Uncalled Capital can be returned, and the exposure of each Shareholding Council can be reduced, in the event that the Uncalled Capital is no longer required or relevant circumstances change, and the Uncalled Capital Arrangement should terminate once Tiaki Wai can sustain certain financial metrics.

28. The proposed terms of the Uncalled Capital Subscription Agreement are set out as follows:

- (a) Tiaki Wai will issue redeemable shares (**Shares**) to each of the Shareholding Councils on an uncalled and unpaid basis at a price of \$1 per Share. A total of 400,000,000 Shares will be issued (in aggregate), split into:
 - (i) an initial issuance of 350,000,000 Shares (in aggregate) on 1 July 2026; and
 - (ii) a further issuance of 50,000,000 Shares (in aggregate) following a net asset adjustment by Tiaki Wai in accordance with the Tiaki Wai transfer agreement;
- (b) the Shares will be allocated to each Shareholding Council as follows:

SHAREHOLDING COUNCIL:	INITIAL SHARES:	SUBSEQUENT SHARES:
Wellington City Council	143,500,000	Further Shares will be issued to each Shareholding Council (up to a maximum aggregate amount of 50,000,000 Shares) as required to ensure that the total aggregate Shares issued to each Shareholding Council will be proportionate to a blended allocation of 70%
Hutt City Council	70,000,000	
Upper Hutt City Council	24,500,000	
Porirua City Council	52,500,000	
Greater Wellington Regional Council	59,500,000	

		of that Shareholding Council's water debt transferred to Tiaki Wai and 30% of that Shareholding Council's shareholding of Tiaki Wai.
Total:	350,000,000	50,000,000

- (c) the process by which Tiaki Wai may issue a call on the Shares has been heavily negotiated, and will only be able to be initiated where a specific trigger event has occurred, being where the Board of Tiaki Wai reasonably considers that:
- (i) an event or combination of circumstances has had, or is reasonably likely to have, a material adverse financial impact on Tiaki Wai;
 - (ii) that event or combination of circumstances is reasonably likely to result in Tiaki Wai:
 - (A) failing to comply, or being at significant risk of failing, with its financial covenants;
 - (B) being insolvent, or being at significant risk of being insolvent;
 - (C) being unable, or being at significant risk of being unable, to meet its obligations as they fall due; and/or
 - (D) being unable, or being at significant risk of being unable, to deliver essential water services in accordance with applicable law and regulation; and
 - (iii) where appropriate response measures in the circumstances have been taken and have not resolved the issue.
- (d) prior to issuing a call notice, Tiaki Wai must submit a draft call notice to the Partners' Committee for review and consultation (for not less than five Business Days), with the Partners' Committee having 10 Business Days to approve the draft call notice by Special Partner Resolution. If the Partners' Committee does not approve the draft call notice within that period, Tiaki Wai may refer the matter to an independent expert for determination;
- (e) no call may be made by Tiaki Wai on the Shares after 30 June 2036 or (if earlier) the date that Tiaki Wai has reached a funds from operations to debt ratio of 9% and that ratio has been sustained for a period of 12 months, following which Tiaki Wai shall redeem all Shares on which no subscription price has been paid for zero consideration;
- (f) the terms of the Uncalled Capital Subscription Agreement are to be reviewed comprehensively every three years, including to consider whether the amount and allocation of the Shares remains appropriate, and to reflect any changes required in response to the financial position or risk profile of Tiaki Wai and each Shareholding Council;

- (g) each paid-up Share will carry a preferential right to an annual coupon calculated by reference to the Shareholding Councils' volume weighted average cost of funds for the relevant year, multiplied by the subscription price actually paid on that Share, plus a margin of 1% per annum, subject to Tiaki Wai satisfying the solvency test and not being in breach of its lending covenants after the payment of coupon;
 - (h) the Shares may be redeemed at the option of Tiaki Wai, in whole or in part, at any time, at a redemption price equal to the subscription price actually paid for that Share plus any accrued but unpaid coupon on that Share;
 - (i) the Shares may not be redeemed at the option of the Shareholding Councils, as the terms of LGFA's funding arrangements require that the Shares are redeemable at the option of Tiaki Wai only (otherwise the facility would be characterised as debt instead of equity); however:
 - (i) the Shareholding Councils' expectations in relation to the redemption of the Shares may be, and will be, specified in the statement of expectations issued to Tiaki Wai and as appropriate, reflected by Tiaki Wai in the water services strategy; and
 - (ii) Tiaki Wai also intends to provide a letter of comfort to the Shareholding Councils in relation to the redemption expectation (which will not be contractually binding but should provide some assurance to the Shareholding Councils).
29. Given the proposed terms of the Uncalled Capital Subscription Agreement, the following amendments to Tiaki Wai's governing documents are required:
- (a) an amendment to the statement of expectations setting out the Shareholding Councils' expectations relating to the payment of the coupon and redemption of Shares;
 - (b) an amendment to Tiaki Wai's constitution to authorise the payment of the coupon and redemption of Shares (noting there is currently a prohibition on any dividends and distributions of surplus cash); and
 - (c) an amendment to the Partners Committee terms of reference (contained within the Partners Agreement) to give effect to the Partners Committee's role in the call process.

Climate Change Impact and Considerations

24. The establishment of Tiaki Wai is intended to support a refreshed approach to the planning and delivery of water services, with an increased focus on resilience to climate change effects and natural hazard events, through a

more independent Water Organisation. Shareholder Councils have set Climate Change provisions in the Statement of Expectations for Tiaki Wai.

Consultation

25. Public consultation on the future water service model for the Wellington region took place in March/April 2025 and laid the foundations for the Council decisions that have followed.
26. This proposed decision for shareholder support is required as part of the framework to enable the Tiaki Wai establishment and for the Tiaki Wai Board to approve the transfer agreements.
27. Financial support is technical in nature and, in essence, a commercial transaction between shareholder councils and the Tiaki Wai Board. In these circumstances, there is limited scope and opportunity for Council to seek and consider the views and preferences of other persons. For this reason there is no consultation proposed here.

Legal Considerations

28. The term of the Uncalled Capital Arrangement has been negotiated by legal advisors for the Tiaki Wai Establishment Team and the Shareholding Councils.
29. In addition to legal advice, council staff and subject matter experts have provided feedback on certain aspects of the Uncalled Capital Arrangement, in particular, the amount and allocation of the Uncalled Capital to be provided by each Shareholding Council.

Financial Considerations

30. Hutt City Council's initial share of the Uncalled Capital Arrangement is estimated to be a 20% allocation, with a maximum call of approximately \$78M.
31. Based on the latest Annual Plan 2026/27 projections, there is sufficient debt headroom capacity to support this quantum (refer to Annual Plan 2026/27 report SLTAP2026/2/12, Strategy, Long Term Plan and Annual Plan Subcommittee meeting 13 May 2026). Through the preparation of the Long Term Plan 2027-2037, there will be further consideration of this Tiaki Wai arrangement.

Appendices

No.	Title	Page
1	Appendix 1: Term Sheet - Tiaki Wai Limited - uncalled capital facility from shareholding councils	
2	Appendix 2: Summary Assessment of Shareholder Support Options	

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Group Chief Financial Officer

Reviewed By: Bradley Cato
Chief Legal Officer

Approved By: Jo Miller
Chief Executive

RELEASED AS PUBLICLY AVAILABLE INFORMATION

Appendix 2 – Summary Assessment of Shareholder Support Options

Options	Summary Assessment
Partial debt transfer	This option would likely need further consultation with the public as it is not contemplated by the WSDP, and is unlikely to be achievable in the relevant timeframes. This option would strengthen Tiaki Wai's balance sheet, and ease pressure on future water charges, but these benefits would be offset by weakening council balance sheets and higher council rates (or lower levels of service). The option would have re-distributional impacts for customers and ratepayers, given the different charging bases for water activities and other council services. This option would generate one-off benefits for Tiaki Wai, with limited ongoing benefit beyond the first few years. Tiaki Wai would continue to face financial risks from unplanned adverse events.
Upfront capital contribution	This would strengthen Tiaki Wai's balance sheet, improve working capital, and ease pressure on future water charges. These benefits would be offset by weakening council balance sheets, resulting in higher council rates (or lower levels of service). The option would have re-distributional impacts for customers and ratepayers, given the different charging bases for water activities and other council services. This option would generate one-off benefits for Tiaki Wai, with limited ongoing benefit beyond the first few years. Tiaki Wai would continue to face financial risks from unplanned adverse events. Relative to partial debt transfer, the process and legal risks are marginally lower, as this option is contemplated by the Partners Agreement. This option would however face the same practical process and timing challenges associated with the Annual Plan process.
Callable share capital Preferred option	This option is the most feasible and appropriate of the available options for addressing the concerns raised regarding Tiaki Wai's immediate financial situation. It provides the most flexible way to balance board and shareholder concerns and is consistent with protecting the long-term interests of customers and ratepayers. Subject to careful design of the triggers and conditions for accessing the capital, this option will help to ensure there is an appropriate allocation of risks between the company and shareholders, with controllable risks remaining with the Company, while ensuring shareholders stand behind the company (and its directors) if the company suffers significant financial impacts as a result of adverse events or circumstances beyond its control.
Indemnity of Directors	This option is not recommended for further consideration on the grounds that the Local Government Act (2002) prevents it, and because there are more appropriate forms of shareholder support that would benefit the company and the directors.
Other support (e.g., funding estab. costs or reducing rates)	These options offer limited benefit for Tiaki Wai or its customers and would face similar practical process and timing challenges given the advanced stage of the Annual Plan 2026/27 and associated rates setting processes.

Strongly positive

Moderately positive

Mixed / Neutral

Moderately negative

Strongly negative