

**Preliminary advice South Wairarapa District Council regarding proposed three waters capital and operational expenditure budgets for the 2025-34 Long Term Plan**

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TO                    Stefan Corbett, General Manager Partnerships and Operations, South Wairarapa District Council  
Charly Clarke, Chief Financial Officer, South Wairarapa District Council;  
Andrew Finch, Strategic Advisor, South Wairarapa District Council

COPIED TO        Pete Wells, Head of Service Planning, Wellington Water;  
Wayne Maxwell, General Manager Business Services, Wellington Water  
Charles Barker, Director of Regulatory Services

FROM                Julie Alexander, Group Manager Network Strategy and Planning, Wellington Water

DATE                26 November 2024

**Action sought**

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<b>Action</b>	
Stefan Corbett, General Manager Partnerships and Operations, South Wairarapa District Council	<b>Note</b> the contents of this memo.  <b>Meet</b> with Wellington Water to discuss the recommendations and issues raised within the memo.

**Contact for telephone discussion (if required)**

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<b>Name</b>	<b>Position</b>	<b>1st Contact</b>	
Julie Alexander	Group Manager Network Strategy & Planning, Wellington Water	021 815 162	
Pete Wells	Head of Service Planning, Wellington Water	021 195 9621	x

## Purpose

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1. This paper provides South Wairarapa District Council (Council) with:
  - A summary of WWL advice, including draft recommended three water investments as part of the 2025-34 long term plan;
  - recommended changes to FY2024/25 reflecting current understanding of the programme;
  - the additional investment required into Wellington Water's corporate capabilities in order to better manage the region's assets and services.

## Recommended actions

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It is recommended that Council:

- a. **confirms** Council's proposed approach to FY2024/25 capital budget carry overs;
- b. **notes** the recommended Capex and Opex budget requirements for 2025-34 Long Term Plan
- c. **notes** that Wellington Water will provide further detailed advice following council draft funding decisions and final advice will be provided following Council consultation process, in order to support your 2025-34 Long Term planning process; and
- d. **notes** the requirement for investments needed to implement a range of organisational capability improvements, and for essential systems and technology improvements at Wellington Water in order to better manage the region's assets and services;
- e. **Note** that in line with agreed policies on transparency and information sharing, this memo will be published on Wellington Water's public website, subject to any redactions consistent with the Local Government Official Information and Meetings Act 1987, once Council has considered and made decisions regarding this advice.

## Background and context to our advice

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2. WWL worked collaboratively with SWDC in 2023/24 to develop a 2024-34 Long Term Plan for three waters.
3. Council made the decision in January 2024 to undertake an Enhanced Annual Plan. The development of the 2024-34 LTP was placed on hold while Council completed and adopted the FY24-25 Enhanced Annual Plan.
4. SWDC then re-engaged with WWL in August 2024 to update and refine the 2024-34 Long Term Plan that was developed in late 2023 and early 2024.
5. An initial workshop was completed on the 23<sup>rd</sup> October 2024 which WWL recapped the LTP process, provided strategic direction and provided council with recommended investment levels in both opex and capex.
6. WWL's shareholding councils have been clear in their expectations of us to demonstrate value for money, find efficiencies and make improvements to the way we deliver water services for their communities. Councils need to be confident that WWL is being financially prudent and is a 'smart purchaser' of services on their behalf. We have been making rapid changes over the past few months to address councils' concerns and meet expectations. Core to this is shifting to a 'value add' mindset in how we deliver water services.

7. Additionally, the 2024 review of WWL's capital programme estimation and budgeting systems highlighted significant capability improvements needed to prevent errors from reoccurring and lift our organisation's maturity to better deliver on our responsibilities to our councils. As a result, further investment is needed in order for WWL to:
- purchase and implement core technology systems;
  - lift our organisational capability; and
  - increase funding for WWL's corporate services to ensure we are able to deliver the FY2025/26 programme well and effectively.

## Long Term Planning Advice 2025-2034

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8. Council's OPEX and CAPEX programmes have been developed through an iterative process with Council officers and regular updates to Council elected members. The following updates have been provided to Council:
- Workshop Advice: WWL provided draft recommended investment options at 23 October 2024 Council workshop (Pre-Circulation Material included as **Attachment C**)
  - Workshop Advice: Council guidance on draft investment level for 27 November 2024 Council workshop
9. As a result of the October workshop Council directed WWL to provide two further opex funding scenarios in addition to the WWL recommended funding advice.
10. For the CAPEX, at the workshop with Councillors, WWL were tasked with prioritising the programme, sent on 21<sup>st</sup> November 2024. This has been undertaken by broadly grouping investments, this is shown in Table 1 below, (with details provided in **Attachment A**):
- Committed Projects
  - Investments to support Compliance (DW standards, Consents, H&S etc.)
  - Investments to support water supply security
  - Investments for Renewals, Growth and Firefighting
  - Other Investments
11. For OPEX, we have presented three options on 19<sup>th</sup> November 2024 a recommended budget (green), owner risk budget (amber) and an owner high risk budget (red). These are shown in **Attachment B**.

Table 1: Summary of approved vs proposed capital expenditure for FY2025/26 and Triennium, by water and LGA classification (\$)

#### SWDC Recommended Capital Investment Programme by Water

Water Type	Revised Budget - 24/25*	Year 2 - 25/26	Year 3 - 26/27	9-year total
Drinking Water	\$3.51M	\$7.84M	\$11.41M	\$74.40M
Stormwater	\$0.31M	\$0.55M	\$0.45M	\$18.35M
Wastewater	\$3.57M	\$4.51M	\$18.14M	\$135.98M
<b>TOTAL</b>	<b>\$7.38M</b>	<b>\$12.89M</b>	<b>\$29.99M</b>	<b>\$228.73M</b>

#### SWDC Recommended Capital Investment Programme

Programme groups	Water type	Revised Budget FY24/25	Year 2 FY25/26	Year 3 FY26/27	9-year total
Contractually Committed	Drinking Water	\$0.96M	\$0.86M	\$0.66M	\$6.19M
	Stormwater	\$0.21M	\$0.30M	\$0.30M	\$2.95M
	Wastewater	\$0.40M	\$0.51M	\$0.51M	\$4.59M
<b>Contractually Committed Total</b>		<b>\$1.56M</b>	<b>\$1.67M</b>	<b>\$1.47M</b>	<b>\$13.73M</b>
Compliance activities	Drinking Water	\$1.15M	\$0.98M	\$0.60M	\$2.58M
	Stormwater	\$0.10M	\$0.25M	\$0.15M	\$0.40M
	Wastewater	\$3.17M	\$2.87M	\$14.61M	\$81.66M
<b>Compliance activities Total</b>		<b>\$4.42M</b>	<b>\$4.10M</b>	<b>\$15.36M</b>	<b>\$84.64M</b>
Growth, renewals & firefighting	Drinking Water	\$0.25M	\$2.25M	\$6.68M	\$58.17M
	Stormwater	\$0.00M	\$0.00M	\$0.00M	\$5.00M
	Wastewater	\$0.00M	\$1.13M	\$3.02M	\$49.73M
<b>Growth, renewals &amp; firefighting Total</b>		<b>\$0.25M</b>	<b>\$3.38M</b>	<b>\$9.70M</b>	<b>\$112.90M</b>
Other projects within the LTP	Drinking Water			\$0.82M	\$0.82M
	Stormwater	\$0.00M	\$0.00M	\$0.00M	\$10.00M
<b>Other projects within the LTP Total</b>		<b>\$0.00M</b>	<b>\$0.00M</b>	<b>\$0.82M</b>	<b>\$10.82M</b>
Sustainable Water Supply	Drinking Water	\$1.15M	\$3.75M	\$2.65M	\$6.65M
<b>Sustainable Water Supply Total</b>		<b>\$1.15M</b>	<b>\$3.75M</b>	<b>\$2.65M</b>	<b>\$6.65M</b>
<b>Grand Total</b>		<b>\$7.38M</b>	<b>\$12.89M</b>	<b>\$29.99M</b>	<b>\$228.73M</b>

\*Revised 2024/25 budget reflecting movement of the Greytown WTP Upgrades Stage 3 project & Tauwharenikau Pipeline.

## Corporate Budget

12. In FY2024/25 we reduced our Management and Advisory Services budget by 5% from our original advice in response to cost-cutting requirements of councils. However, in taking a 'value add' mindset we have looked at the resourcing needed for councils' capital and operational programmes for the upcoming years and revised the way we will deliver this work. As a result, we have reassessed our staffing needs and intend to add 40 additional roles.
13. 28 of these roles will be to bring in FTEs to reduce our spend on consultants on project work and to deliver three waters services and deliver this work internally for cheaper. The remaining 12 new roles are to respond to councils' expectation to be more efficient and effective and include two additional senior leadership roles. Some of these roles, over time, will also have an impact on reducing consultancy spend.
14. We will continue to look for opportunities to bring work that is currently outsourced in-house and apply a 'value for money' lens in the way we deliver our services. However, there are some distinct pieces of work that require specialist skills which we will use consultants for, as it is more prudent for us to bring in consultants for short periods of time to support these activities. This mainly relates to our corporate space and covers activities such as compliance, expert advice to help us make improvements, and to review our systems and processes.

## Uplifting Capability

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15. As a result of the changes we have made following the 2024 review, we have brought forward our business planning cycle to align with Council's annual planning cycle. The first stage of advice to councils indicates that an increase to corporate budgets is required above what was agreed in the 2024-34 LTP.
16. There are also further investments needed to provide for critical systems updates and to lift corporate capability and maturity, as recommended in the 2024 review.

## Next steps

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17. WWL is committed to working with Council and provide ongoing support to building the 2025-34 LTP. Following the upcoming Council meeting, please advise WWL of relevant decisions so that these can be incorporated into the further refinement and development of the 2025-34 LTP.

## Attachment A: SWDC - FY25-34 Capital Investment Programme

All figures quoted in FY24-25 dollars

Water type	Project Name / description	Adopted	Revised	Uninflated	Uninflated	Uninflated	Uninflated	Uninflated	Uninflated	Uninflated	Uninflated	Uninflated	Uninflated
		FY2024/25	FY2024/25	FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30	FY2030/31	FY2031/32	FY2032/33	FY2033/34	LTP [ 9 years]
Drinking Water	Actuator Valve at Greytown WTP	30,000	75,000	-	-	-	-	-	-	-	-	-	-
Drinking Water	SWDC VHCA Reservoir Water Quality Renewals	150,000	200,000	200,000	-	-	-	-	-	-	-	-	200,000
Drinking Water	Annually Recurring Projects	680,000	680,000	660,000	660,000	660,000	660,000	664,500	705,000	660,000	660,000	660,000	5,989,500
Stormwater	Annually Recurring Projects	195,000	205,000	295,000	295,000	295,000	365,000	340,000	340,000	340,000	340,000	340,000	2,950,000
Wastewater	Annually Recurring Projects	400,000	400,000	510,000	510,000	510,000	510,000	510,000	510,000	510,000	510,000	510,000	4,590,000
<b>Contractually Committed Total</b>		<b>1,455,000</b>	<b>1,560,000</b>	<b>1,665,000</b>	<b>1,465,000</b>	<b>1,465,000</b>	<b>1,535,000</b>	<b>1,514,500</b>	<b>1,555,000</b>	<b>1,510,000</b>	<b>1,510,000</b>	<b>1,510,000</b>	<b>13,729,500</b>
Drinking Water	Waiohine WTP Stage 2 - Treatment Systems Upgrade	100,000	100,000	-	-	-	-	-	-	-	-	-	-
Drinking Water	Waiohine WTP Stage 3 Upgrades - ph dosing system upgrade	1,000,000	1,000,000	800,000	-	-	-	-	-	-	-	-	800,000
Drinking Water	Resource Consent for Pirinoa water take - re-consenting	-	-	80,000	100,000	-	-	-	-	-	-	-	180,000
Stormwater	Consenting of Water Races (Moroa)	250,000	100,000	250,000	150,000	-	-	-	-	-	-	-	400,000
Wastewater	Reconsenting Lake Ferry Treatment Plant	200,000	200,000	50,000	50,000	-	-	-	-	-	-	-	100,000
Wastewater	FSTN WWTP Consent renewal	1,200,000	1,200,000	-	-	-	-	-	-	-	-	-	-
Wastewater	FSTN WWTP upgrades	-	-	1,722,642	7,056,604	8,353,774	-	311,321	415,094	-	-	-	17,859,435
Wastewater	FSTN WWTP Long-term Consent Stage 2 and Major Plant Upgrade 2	-	-	-	-	-	-	-	-	-	500,000	1,000,000	1,500,000
Wastewater	MTB WWTP Compliance Upgrades - Stage 2a Land Irrigation	1,000,000	1,000,000	600,000	4,000,000	4,000,000	5,700,000	5,700,000	4,400,000	2,000,000	-	-	26,400,000
Wastewater	MTB WWTP Compliance Upgrades - Stage 2b Winter Storage	-	-	-	-	-	-	-	500,000	1,000,000	2,000,000	6,000,000	9,500,000
Wastewater	GTN WWTP Compliance Upgrades - Stage 2a Land Irrigation	770,000	770,000	500,000	3,500,000	4,000,000	4,000,000	4,000,000	3,200,000	1,300,000	800,000	-	21,300,000
Drinking Water	PW Tanker Fill Points	50,000	50,000	100,000	500,000	500,000	500,000	-	-	-	-	-	1,600,000
Wastewater	Construction works from consent - Lake Ferry	-	-	-	-	200,000	800,000	1,500,000	1,500,000	1,000,000	-	-	5,000,000
<b>Compliance (Drinkwater Stds, Regional Consenting, H&amp;S compliance) Total</b>		<b>4,570,000</b>	<b>4,420,000</b>	<b>4,102,642</b>	<b>15,356,604</b>	<b>17,053,774</b>	<b>11,000,000</b>	<b>11,511,321</b>	<b>10,015,094</b>	<b>5,300,000</b>	<b>3,300,000</b>	<b>7,000,000</b>	<b>84,639,435</b>
Drinking Water	Tauherenikau Pipeline Crossing	3,300,000	950,000	1,650,000	-	-	-	-	-	-	-	-	-
Drinking Water	Greytown WTP Upgrades Stage 3	3,000,000	100,000	2,000,000	1,900,000	-	-	-	-	-	-	-	3,900,000
Drinking Water	WTP Wellfield Security	50,000	50,000	100,000	750,000	750,000	-	-	-	-	-	-	1,600,000
Drinking Water	Waiohine WTP Filtration	50,000	50,000	-	-	-	-	-	-	-	150,000	1,000,000	1,150,000
<b>Sustainable Water Supply Total</b>		<b>6,400,000</b>	<b>1,150,000</b>	<b>3,750,000</b>	<b>2,650,000</b>	<b>750,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>150,000</b>	<b>1,000,000</b>	<b>6,650,000</b>
Drinking Water	Boar Bush PW Trunk Main and reservoir outlet - Stage 1	50,000	50,000	150,000	1,500,000	-	-	-	-	-	-	-	1,650,000
Wastewater	SWDC VVW Pump Station Renewals	-	-	130,680	19,800	177,210	26,730	44,550	17,820	155,430	21,780	15,840	609,840
Drinking Water	SWDC Drinking Water Pipe Renewals	-	-	-	-	-	-	3,134,600	3,761,800	4,340,000	4,340,000	4,340,000	19,916,400
Wastewater	Wastewater Pipe Renewals	-	-	-	-	-	-	3,780,000	3,780,000	3,780,000	3,780,000	3,780,000	18,900,000
Wastewater	GTN Papawai Rd Wastewater Upgrade Stage 2	-	-	-	-	3,500,000	-	-	-	-	-	-	3,500,000
Drinking Water	Greytown/Featherston Fire fighting upgrades	-	-	110,230	2,204,606	2,204,606	2,204,606	2,204,606	2,204,606	2,204,606	2,755,757	3,858,060	19,951,683
Drinking Water	Martinborough Fire fighting upgrades	-	-	110,230	1,102,303	1,102,303	1,102,303	1,102,303	1,102,303	1,102,303	1,102,303	1,322,764	9,149,114
Stormwater	FSTN SW Flooding Improvements	-	-	-	-	200,000	500,000	1,000,000	1,500,000	250,000	-	50,000	5,000,000
Wastewater	FSTN Pressure Wastewater system - Stage 1	-	-	-	-	-	-	320,000	1,280,000	5,120,000	-	-	6,720,000
Wastewater	MTB WWTP Growth Capacity Upgrade (Placeholder)	-	-	500,000	1,500,000	3,000,000	3,000,000	2,000,000	-	-	-	-	10,000,000
Wastewater	GTN WWTP Growth Capacity Upgrade (Placeholder)	-	-	500,000	1,500,000	3,000,000	3,000,000	2,000,000	-	-	-	-	10,000,000
Drinking Water	FSTN Water Main Renewals	200,000	200,000	1,875,000	1,875,000	1,875,000	1,875,000	-	-	-	-	-	7,500,000
<b>Growth, renewals &amp; firefighting Total</b>		<b>250,000</b>	<b>250,000</b>	<b>3,376,141</b>	<b>9,701,709</b>	<b>15,059,119</b>	<b>11,708,639</b>	<b>15,586,059</b>	<b>13,646,529</b>	<b>18,202,339</b>	<b>12,249,840</b>	<b>13,366,664</b>	<b>112,897,038</b>
Drinking Water	Boar Bush Dam Decommissioning (placeholder)	-	-	-	816,200	-	-	-	-	-	-	-	816,200
Stormwater	GTN SW Flooding Improvements	-	-	-	-	-	200,000	500,000	1,000,000	1,500,000	1,500,000	300,000	5,000,000
Stormwater	MTB SW Flooding Improvements	-	-	-	-	-	-	200,000	500,000	1,000,000	1,500,000	1,800,000	5,000,000
<b>Other projects within the LTP Total</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>816,200</b>	<b>-</b>	<b>200,000</b>	<b>700,000</b>	<b>1,500,000</b>	<b>2,500,000</b>	<b>3,000,000</b>	<b>2,100,000</b>	<b>10,816,200</b>
<b>Grand Total</b>		<b>12,675,000</b>	<b>7,380,000</b>	<b>12,893,783</b>	<b>29,989,513</b>	<b>34,327,893</b>	<b>24,443,639</b>	<b>29,311,880</b>	<b>26,716,623</b>	<b>27,512,339</b>	<b>20,209,840</b>	<b>24,976,664</b>	<b>228,732,173</b>

## Attachment B: Summary of OPEX advice to Council

### SWDC - LTP Opex options

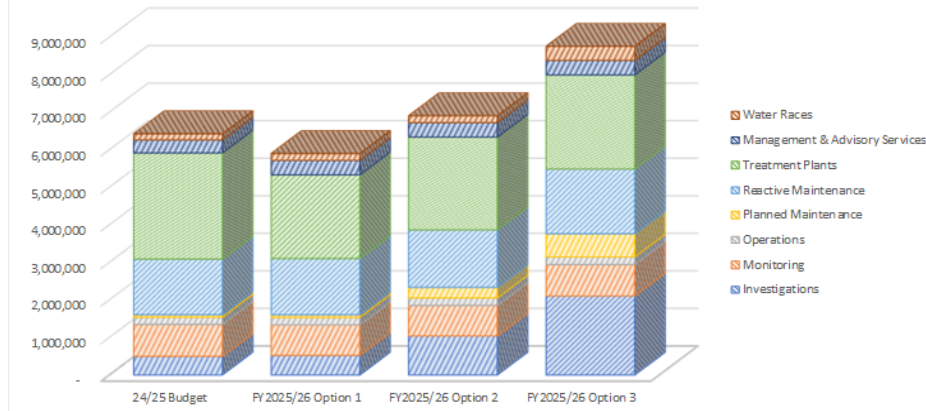
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#### Breakdown of options

Options	Investigations	Monitoring	Operations	Planned Maintenance	Reactive Maintenance	Treatment Plants	Management & Advisory Services	Water Rates
24/25 Budget	493,774	853,700	190,945	67,493	1,478,720	2,827,765	347,700	161,295
FY2025/26 Option 1	521,694	812,804	198,583	70,193	1,495,786	2,229,785	385,801	183,347
FY2025/26 Option 2	1,038,878	812,804	198,583	281,072	1,531,810	2,471,909	385,801	183,347
FY2025/26 Option 3	2,101,969	838,807	201,421	618,290	1,722,183	2,508,043	385,801	375,748

\*Uninflated in FY24-25 dollars

OVERVIEW OF OPTIONS  
(BY BUDGET AREA)



Check

		Uninflated in FY24-25 dollars			
SWDC Investment Category	Water	24/25 Budget	25/26 High Owner Risk	25/26 Owner Risk	25/26 Recommended
Investigations	Drinking Water	327,893	326,242	568,086	1,087,044
	Stormwater	84,064	6,362	122,192	213,301
	Wastewater	81,817	189,090	348,600	801,624
Total		493,774	521,694	1,038,878	2,101,969
Monitoring	Drinking Water	484,156	460,165	460,165	486,166
	Stormwater	91,532	79,229	79,229	79,230
	Wastewater	278,012	273,410	273,410	273,411
Total		853,700	812,804	812,804	838,807
Operations	Drinking Water	134,805	140,197	140,197	140,196
	Stormwater	9,414	9,791	9,791	9,792
	Wastewater	46,726	48,595	48,595	51,433
Total		190,945	198,583	198,583	201,421
Planned Maintenance	Drinking Water	38,871	40,426	126,746	243,890
	Stormwater	16,229	16,878	37,437	62,400
	Wastewater	12,393	12,889	116,889	312,000
Total		67,493	70,193	281,072	618,290
Reactive Maintenance	Drinking Water	841,683	875,350	875,350	980,636
	Stormwater	98,665	60,529	96,553	172,590
	Wastewater	538,372	559,907	559,907	568,957
Total		1,478,720	1,495,786	1,531,810	1,722,183
Treatment Plant	Drinking Water	1,118,364	1,118,535	1,233,005	1,227,539
	Wastewater	1,004,401	882,450	1,010,104	1,051,704
	Desludging	635,000	-	-	-
	Riparian Planting (G)	70,000	228,800	228,800	228,800
Total		2,827,765	2,229,785	2,471,909	2,508,043
Management & Advisory Services		347,700	385,801	385,801	385,801
Water Rates		161,295	183,347	183,347	375,748
Grand Total		6,421,392	5,897,993	6,904,204	8,752,262
Underlying Budget					
Grand Total		6,421,392	5,897,993	6,904,204	8,752,262
Less					
Desludging		635,000	-	-	-
Riparian Planting		70,000	228,800	228,800	228,800
Growth Study		75,000			
Total underlying budget		5,641,392	5,669,193	6,675,404	8,523,462
Urgent capability improvements for FY25/26					231,532
Net Programme savings from replacing contractors					(231,532)
Additional Management & Advisory Services					22,861
System Enhancements					402,097
Annual Operating costs post Implementation					6,350
Organisational Capability Plan in response to review					91,443
Total					522,751
Grand Total underlying budget					9,046,213

## **Attachment C: SWDC Pre-Circulation Material for 27<sup>th</sup> October workshop**