Advice to Porirua City Council regarding proposed three waters capital and operational expenditure budgets for the 2025/26 financial year and 3-year period

TO	Mike Mendonça, General Manager Infrastructure, Porirua City Council; Ian Dennis, Chief Financial Officer, Porirua City Council; Olivia Dovey, Manager Water Services, Porirua City Council
COPIED TO	Nik Zangouropoulos, Head of Service Planning, Wellington Water; Wayne Maxwell, Chief Corporate Services Officer, Wellington Water
FROM	Julie Alexander, Chief Strategy and Planning Officer, Wellington Water
DATE	14 February 2025

Action sought

	Action
Mike Mendonça, General Manager Infrastructure, Porirua City Council	**Note** the contents of this memo. **Meet** with Wellington Water to discuss the recommendations and issues raised within the memo.

Contact for telephone discussion (if required)

Name	**Position**		**1st Contact**
Julie Alexander	Chief Strategy and Planning Officer, Wellington Water	021 815 162	
Pete Wells	Head of Operations and Engineering, Wellington Water	021 195 9621	x

Purpose

1. This paper provides Porirua City Council (Council) with:
    - Updates to the Capital Expenditure (capex) programme as a result of new information;
    - Revisions to the Capex and Operational Expenditure (opex) programmes to align with Council's preliminary funding decisions;
    - Advice on any areas where risks have changed as a result of the draft budget decisions;
    - An update on the approach to allocating corporate costs to capital and operational expenditure; and
    - Updates on the organisational capability and technology investment requests from our stage one advice.

Recommended actions

It is recommended that Council:

a. **acknowledges receipt of:**

   i. an updated revised FY2024/25 capital expenditure (capex) forecast;
   ii. updated capex budgets and programme to align with your funding decisions for the 3-year period (FY2024/25, 2025/26 and 2026/27); and
   iii. an updated FY2025/26 operating expenditure (opex) programme to align with your funding decisions, as requested by Council;

b. **considers** the updated proposed capex programme budgets for the current 3-year period (FY2024/25, 2025/26 and 2026/27) to align with your funding decisions;

c. **considers** the updated proposed amendments to the FY2025/26 opex programme budgets to align with your funding decisions;

d. **notes** that Wellington Water does not recommend the attached programme, which has been developed to align with your funding decisions for the 3-year period (FY2024/25, 2025/26 and 2026/27);

e. **considers** the specific risks presented in paragraphs 33 to 44 of this memo;

f. **notes** the updated information on organisational and technology investments;

g. **notes** the updated information on the approach to allocating corporate costs to capital and operational expenditure;

h. **notes** that in order to support your FY2025/26 annual planning processes, Wellington Water will provide final detailed advice in May 2025; and

i. **notes** 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.

2. Wellington Water Limited (WWL) has updated the FY2025/26 and 3 year period (FY2024/25, 2025/26 and 2026/27) capex budgets to reflect further information received on cost estimates and recommended timings for projects, as well as new risks identified since our December 2024 advice.
3. WWL recommends that Council increases the capex budget for FY2025/26 by up to $10.58M (from $46.38M to up to $56.96M) to manage unacceptable risks.
4. Notwithstanding the above, in accordance with Council's request, we have set out a capex programme that closely aligns to council's cumulative FY2024/25 and FY2025/26 LTP capex funding allocation.
5. WWL recommends that Council increases the opex budget for FY2025/26 by up to $4.30M (from $12.30M to up to $16.60M) to address the most urgent operational risks.
6. Notwithstanding the above, in accordance with Council's request, we have set out an opex programme that fits within the FY2025/26 LTP opex funding allocation.
7. Our December 2024 advice to Council highlighted that risks identified in WWL's 2024-34 LTP close out advice, of 23 August 2024, continue to be relevant.
8. Following Council's indication of preliminary capex and opex funding decisions in December 2024, we have identified additional key risks that Council should be aware of, including risks that are relevant to all councils, and those risks that are specific to Council's funding decisions. The key risks identified across all councils are:
    - Wastewater treatment plant compliance risks
    - Wastewater network overflow risks
    - Leaks backlogs
    - Significant impact on WWL's ability to conduct engineering investigations work due to limited opex funding
    - Insufficient funding for urgent work
    - Growing backlog of renewals.
9. Additional specific key risks identified for Council are:
    - Reservoir risks – Insufficient funding for maintenance and contamination prevention, with Broken Hill reservoir at high risk of failure.
    - Water network maintenance – Limited funding will lead to more leaks, asset failures, and increased wastewater overflows.
    - Water supply resilience – Ongoing projects will improve supply security, but funding gaps leave current systems vulnerable to major failures.
    - Critical project delays – Titahi Bay Trunk Main renewal is deferred, increasing the risk of pipe failure and service disruptions.
    - Growth constraints – Most reservoirs lack capacity for new connections, with no planned investment in new water or wastewater infrastructure.
    - The impending issue with PCC biosolids management (i.e. end of life/consent for the landfill with no alternative pathway). This was identified as a risk in WWL LTP advice to Council.
10. Our advice also requested additional opex investment in WWL's organisational capability to ensure we can deliver councils' programmes well, reduce the reliance on consultants and contractors, mature our approach to managing contracts, increase efficiencies, and improve our processes and ways of working to reduce the risks of errors from reoccurring; and

investment to procure and implement core technology systems and improvements that are required for any effective and efficient water utility organisation. Councils have indicated they will decline our capability investment request, but Greater Wellington Regional Council may approve $37.5M in technology and systems funding. If included in their draft Annual Plan and approved in February, the amount will be debt-funded over three years, with interest charged to metropolitan councils via the bulk water levy.

Background and context to our advice

11. Councils around the region are facing cost pressures and challenges with affordability.

12. Over the last year Porirua City Council, and the other councils in the region, have invested heavily on getting on top of the rising number of leaks within the public network and increasing water supply capacity to avoid risks of an acute water shortage this summer. We acknowledge Council's significant additional investment in network leak repairs. We acknowledge your significant additional investment into the networks, which has seen us deliver a 75% reduction in the backlog of leaks. At the end of last year, we brought online an extra 20 million litres of water per day from the Te Mārua Treatment Plant.

13. Despite the progress in reducing water loss and the risk of an acute water shortage, we are still only applying a band aid solution to a water network that is close to breaking point in many areas.

14. Water assets in the region are old and some are at or near the end of their operational lives. This is a symptom of historical underinvestment, and the region is playing a game of catch up. Every year that councils are unable to afford to shift the dial is another year that old assets will further deteriorate.

15. For the next financial year (FY2025/26) we have again recommended to all councils to increase the level of investment needed to address their water asset issues and reduce the risks and impacts to their communities. WWL notes that not investing will increase the risk of:
    - Assets breaking;
    - Further interruptions to service;
    - Rising costs in maintenance and repairs;
    - Restrictions on growth;
    - Impacts to the environment through untreated wastewater entering local waterways; and
    - Putting public health at risk.

16. Additionally, WWL has asked councils for investment into building the capability of the organisation, to strengthen our budgeting processes, improve our checks and balances, and improve how we manage risk and assurance. This request was in response to recommendations laid out in the independent review into WWL's capital programme estimation and budgeting systems. Councils have indicated that they will be unable to fund this work. In spite of this, WWL has continued to drive improvement through the organisation, however councils could be exposed to ongoing risks of future errors, such as the recent cost estimation error.

17. Lastly, significant investment in the core technology system is needed to support future water services delivery. Work must start on building these basic technology systems now, as they will be required for any future water entity that councils decide on. Most of our councils have said no to this investment as well. However, Greater Wellington Regional Council is exploring the possibility of including the funding of this in their draft Annual Plan for consideration by

their Councillors. If approved, this means that Greater Wellington Regional Council would debt fund the full amount and charge interest to each metropolitan council via the bulk water levy, which every metropolitan council has to pay for the supply of drinking water.

Council context

18. WWL provided preliminary annual plan advice to Council on 6 December 2024, to support your annual planning process.
19. Since providing council with our initial advice, further information on cost estimates and recommended timing for projects as well as new risks have come through. This advice builds on WWL's preliminary advice and Council's capex programme has been updated and re-prioritised, to reflect these changes and align within Council decision on funding levels

Corporate cost allocations update

20. In our advice of 6 December 2024, WWL advised Council of the programme of work underway following the 2024 independent review of WWL's capital programme estimation and budgeting systems.
21. Further work has since been undertaken to ensure that the corporate cost budget forecasts are accurate, and that there is a transparent approach to allocating corporate costs to capital and operational expenditure to make sure these costs are recovered fully across the programme.
22. The capex summary provided includes a calculation of corporate costs that is based on the current assessment of WWL's overall capex programme. The final corporate cost figures applicable to each council will depend on the final quantum of the capex programme (i.e. it will shift up or down in line with the final capex figure agreed across the whole region and the balance between councils).

Revised FY2025/26 and 3-year period capital expenditure

23. The level of capital funding agreed in the LTP, including Council agreed carry overs, was $66.35M for FY2024/25, $46.38M for FY2025/26 and $158.19M over the 3-year period.
24. Following from WWL's Stage one advice on 6 December 2024, and Councils' response on 17 December 2024, work has been undertaken to prioritise the capex programme to align it with the approved LTP budget. Updated delivery forecasts, scheduling of various projects, and deferrals has allowed WWL to produce an indicative capex programme with the following key changes:
    - A minor increase of $0.45M (0.40%) on the cumulative FY2024/25 and FY2025/26 LTP budget.
    - An indicative decrease of $0.18M (0.40%) on the FY2026/27 LTP budget.
    - An indicative net increase on the total 3-year period budget of $0.27M (0.16%). This represents a significant decrease on the WWL December 2024 recommended Stage one preliminary advice, as summarised in Table 1.

Table 1: Summary of WWL annual capex budget advice relative to PCC approved LTP (Uninflated $)

Budget Version	2024/25	2025/26	2026/27	3-year period
Approved LTP and Council directed 25/26 Budget	**66.35M**	**46.38M**	**45.46M**	**158.19M**
WWL December 2024 Stage 1 advice	63.31M	57.29M	45.31M	165.90M
Variance to Council directed budget	**3.04M**	**(10.91)M**	**0.15M**	**(7.71)M**
WWL February 2025 Stage 2 advice	61.72M	51.45M	45.28M	158.45M
Variance to Council directed budget	**4.63M**	**(5.08)M**	**0.18M**	**(0.27)M**

25. A significant amount of funding has been deferred from WWL's recommended Stage 1 advice to closer align it with Council direction to stay within the approved LTP budget for the 3 year period. Whilst the updated capex programme almost achieves this cumulatively across 2024/25 and 2025/26, it has come at the expense of several important work streams and programme trade-offs. Of particular note:

- Deferral of the Stage 2 renewals package for the Titahi Bay Trunk Main by up to 2 years, to accommodate other priority projects such as the, Rukutane Pump station and other cost/timing changes to fit within the constrained funding limits
- Deferral of the PCC Water Pump Stations renewal programme by 1 year.
- Extend the delivery programme of the PCC drinking water pressure management project.
- Deferral of reactive wastewater pipe renewals by 1 year.

26. See below updates on other key programmes of work which are prioritised in the investment advice:

WWTP JV Solid Handlings Upgrade

- The Basis of Design for the for the Porirua WWTP Solids Handling Upgrade project 'Alternative Solution' has been approved, and an updated cost estimate is being prepared, and this will be included WWL final stage advice in May 2025. It is expected to be within the approved budget of $27M. The project is now progressing along an accelerated delivery pathway to de-bottleneck the site's solids handling constraints in 2026.

Rukutane Wastewater Pump Station Upgrades

- Work is progressing on the upgrades, and by the end of FY2024/25 two further pumps will have been installed, leading to a significant capacity increase.
- Further investigations are ongoing in FY2024/25, to determine a wider network solution and the resulting indicative investment requirements.
- While final decisions on the wider programme of work and investment requirements are yet to be confirmed, it is likely that funding in year one (FY2024/25) and year two FY2025/26) will be allocated to planning, design and procurement costs; in years three and four (FY2026/27 and FY2027/28), once the wider programme of work is underway, the allocated funding will be spent on construction.

Porirua Central City WW Storage Tank Upgrade

- The project is progressing as scheduled. However, the overall project budget now reflects the change in the corporate cost methodology. The change in corporate cost methodology has been absorbed by the existing project contingency and no additional funding is anticipated to be required to complete the project at this time. It is important to highlight that if any unforeseen issues arise during the remainder of construction (through to mid-2026) that are beyond the financial means of the remaining project contingency to fund, then additional reprioritisation across the programme or additional capital from Council will be required.

Universal Smart Metering

- In our December 2024 advice, WWL provided Council with an update on a programme of work underway to develop a business case for the delivery of the smart metering across the four metropolitan councils of the region
- The programme and planning for procurement and pilot deployments are still being developed. Once costs are fully understood, we will include detailed information in our advice to council in May 2025. At this stage, our early cost estimates indicate that the capex funding allocated by Council for the roll out of universal residential smart meters in the 2024-34 LTP should be sufficient.

27. Table 2 sets out a summary of the proposed prioritised capital expenditure programme of the FY2025/26 and 3-year period capital delivery plan, by water type and Local Government Act 2002 (LGA) classification.

Table 2: Summary of proposed prioritised capital expenditure programme for FY2025/26 and 3-year period, by water and LGA classification (Uninflated $)

Water	LGA Classification	2024/25	2025/26	2026/27	3-year period
Drinking Water	Growth	0.19 M	0.22 M	0.11 M	0.52 M
	Level of Service	1.33 M	2.00 M	4.71 M	8.04 M
	Renewal	7.80 M	5.82 M	8.42 M	22.04 M
	Drinking Water Total	**9.32 M**	**8.03 M**	**13.24 M**	**30.60 M**
Stormwater	Growth	0.05 M	0.09 M	0.33 M	0.47 M
	Level of Service	3.08 M	1.66 M	2.95 M	7.69 M
	Renewal	0.72 M	1.12 M	1.12 M	2.96 M
	Stormwater Total	**3.85 M**	**2.87 M**	**4.40 M**	**11.12 M**
Wastewater	Growth	0.18 M	0.20 M	0.22 M	0.60 M
	Level of Service	1.64 M	1.98 M	6.25 M	9.87 M
	Renewal	3.36 M	8.46 M	3.18 M	15.01 M
	Wastewater Total	**5.19 M**	**10.64 M**	**9.65 M**	**25.48 M**
Wastewater JV	Growth	0.00 M	0.00 M	0.00 M	0.00 M
	Level of Service	41.36 M	27.84 M	15.99 M	85.19 M
	Renewal	2.01 M	2.06 M	2.00 M	6.07 M
	Waste Water JV Total	**43.37 M**	**29.90 M**	**17.98 M**	**91.26 M**
	TOTALS	**61.72 M**	**51.45 M**	**45.28 M**	**158.45 M**

28. **Appendix A** provides a detailed breakdown of initiatives that make up Council's FY2025/26 capital delivery plan, the 3-year period programme, and the adopted 2024-34 LTP.

FY2025/26 Operational Expenditure

29. The level of funding for operational expenditure approved in the LTP for FY2025/26 was $12.30M. Our December 2024 advice recommended an increase in opex funding of up to a total of $16.60M to meet additional operational costs.

30. Council has asked WWL to reduce the proposed budget by $4.30M (to align with the LTP Budget) and manage opex for FY2025/26 within the existing funding allocation. As such, we have developed a revised draft opex plan for FY2025/26 (Table 2), setting out the proposed amended programme.

Table 3: Updated summary of approved and proposed operational expenditure for FY2025/26 by water and investment category (Uninflated $)

Water	Opex Activity	25/26 LTP Budget	25/26 WWL Recommended	25/26 Annual Plan	Variance (WWL v AP)
Drinking Water	Monitoring & Investigations	1.09M	1.51M	1.08M	(0.42)M
	Operations	0.09M	0.06M	0.06M	(0.00)M
	Planned Maintenance	0.43M	0.64M	0.41M	(0.23)M
	Reactive Maintenance	2.77M	3.30M	2.77M	(0.54)M
	Mgmt & Advisory Services	0.43M	0.46M	0.43M	(0.03)M
Total Drinking Water		**4.82M**	**5.98M**	**4.76M**	**(1.22)M**
Stormwater	Monitoring & Investigations	0.52M	1.05M	0.53M	(0.52)M
	Operations	0.02M	0.02M	0.02M	(0.00)M
	Planned Maintenance	0.53M	0.74M	0.53M	(0.21)M
	Reactive Maintenance	0.15M	0.57M	0.20M	(0.37)M
	Mgmt & Advisory Services	0.22M	0.23M	0.22M	(0.01)M
Total Stormwater		**1.44M**	**2.61M**	**1.49M**	**(1.12)M**
Wastewater	Monitoring & Investigations	0.97M	2.12M	0.98M	(1.14)M
	Operations	0.07M	0.05M	0.06M	0.00M
	Planned Maintenance	0.44M	0.53M	0.44M	(0.09)M
	Reactive Maintenance	0.69M	1.17M	0.69M	(0.48)M
	Mgmt & Advisory Services	0.51M	0.54M	0.51M	(0.03)M
Total Wastewater		**2.68M**	**4.42M**	**2.68M**	**(1.74)M**
Wastewater Joint Venture	Monitoring & Investigations	0.05M	0.23M	0.26M	0.03M
	Planned Maintenance	0.06M	0.11M	0.11M	0.00M
	Reactive Maintenance	0.07M	0.07M	0.05M	(0.02)M
	Treatment Plant	2.90M	2.88M	2.66M	(0.22)M
	Mgmt & Advisory Services	0.29M	0.31M	0.29M	(0.02)M
Total Wastewater Joint Venture		**3.37M**	**3.60M**	**3.37M**	**(0.23)M**
Total		**12.30M**	**16.60M**	**12.30M**	**(4.30)M**
Uplift of Corporate Capability for FY2025/26*		-	0.35M	0.35M	0.00M
Uplift of Corporate Capability - savings generated*		-	(0.35)M	(0.35)M	0.00M
Grand Total		**12.30M**	**16.60M****	**12.30M**	**(4.30)M**

**Investment needed to lift Corporate Capability – this will be offset by corresponding savings from bringing services in house and reducing spending on consultants and contractors*
***This total does not include additional investment for System Enhancements and Organisational Capability as recommended in our December 2024 Stage 1 advice.*

31. WWL have reviewed the draft budgets and reduced them in line with the Council approved funding. This has resulted in a lower investment than recommended across all water types and most operating activities. These include, but are not limited to:

- Management & Advisory Services - Funding reductions have resulted in the removal of each category's share of a $1.5M reduction across all councils (PCC share totalling a reduction of $95K).
- Monitoring & Investigations - Major reductions of $2.1M across all three water services limit critical growth studies, housing intensification planning, and asset condition assessments. Specifically, this affects the northern growth study, RMA compliance, stormwater catchment management planning, and wastewater inflow/infiltration assessments.
- Operations - Minimal adjustments have been made to operations funding, with drinking water (DW) and stormwater (SW) receiving minor increases and wastewater (WW) experiencing a $2,000 reduction. These changes are unlikely to have a major impact but contribute to the broader theme of constrained operational capacity.
- Planned Maintenance - Reduced budgets totalling $548K across all categories impact inspection frequency, valve exercising programmes, and flushing routines. The DW budget reduction means fewer reservoirs will be cleaned, while SW and WW will experience reduced flushing programmes and fewer regular inspections, potentially increasing long-term asset degradation and service reliability issues.
- Reactive Maintenance - Significant reductions totalling $1.6M result in fewer leaks being fixed, fewer permanent reinstatements, and scaled-back maintenance programmes across DW, SW, WW, and WWJV (Joint venture). This increases the risk of asset failures, more frequent service disruptions, and escalating long-term repair costs.
- Treatment Plant (WWJV Only) - The WWJV treatment plant budget has been adjusted to account for increased polymer, landfill, and transport costs. While this funding increase offsets cost pressures, other budget cuts may still limit overall wastewater treatment efficiency.

32. **Appendix B** provides a breakdown of the categories of Council's agreed budget for operational expenditure in the 2024-34 LTP.

Key Risks arising from preliminary funding decisions

33. In our December 2024 advice, WWL set out a number of risks resulting from Council's current levels of capex and opex funding. These risks included:

- Growing renewal backlogs. There isn't enough funding to meet the recommended level of network renewals per year;
- Risk of tighter water restrictions and a risk of an acute water shortage due to water loss from ageing networks and increasing water demand due to population growth;
- Ageing reservoir assets; and
- Risks with not meeting Wastewater Treatment Plants compliance.

34. Following Council's indication of preliminary capex and opex funding decisions in December 2024, we have identified additional key risks that Council should be aware of – some which are relevant to all councils, and others that are specific to Council's funding decisions.

Specific key risks identified for Porirua City Council

35. There isn't enough funding to manage the growing structural and contamination risks for reservoirs in Porirua. Of note, Broken Hill Reservoir is in poor condition and is at a high risk of failure. If the reservoir fails, this will disrupt the supply of water to some communities. There is also a risk to the reservoir in the event of an earthquake or other natural disaster, however renewal work is not scheduled for replacement in the current LTP. The council is also facing significant risk of contamination to their water supply with 16 reservoirs at high or very high risk of contamination. If contamination occurs this would put public safety at risk and require WWL to implement measures such as a boil water notice to keep people safe. The funding required for work to prevent contamination (a mix of maintenance and upgrades) has been deferred over the past two financial years.

36. We won't be able to properly maintain and operate Councils water networks due to insufficient operational funding. This means we won't be able to fix as many leaks so the numbers of unfixed leaks will start to grow again. We also won't be able to undertake important maintenance before assets break. Council should expect an increased risk of wastewater overflows into the environment as well as flooding events.

37. There are some projects underway that when completed will provide Council's water supply with some resilience to unexpected events (Low Level Aotea and Broken Hill). However, these projects are a number of years away from completion. In the meantime, there isn't enough funding to address growing risks of not being able to supply water to the public in the event of a significant burst or outage.

38. To meet Council's budgets, the Titahi Bay drinking water Trunk Main renewals - Stage 2 will be delayed to allow us to work on other high priority projects such as the Rukutane Pump station as well as accommodate other cost/timing changes across council's capital programme. Delaying the project will increase the risk of the pipe failing again with likely impacts on service levels, maintenance costs and potentially depleted reservoir levels. This pipe has historically had a high rate of failure.

39. Growth will be severely constrained as there is insufficient water capacity for new connections at most of Porirua's reservoirs, with no new reservoirs planned by Council in the next 10 years.

40. The new reservoir planned by Kainga Ora does not account for additional capacity for future growth.

41. There is no investment planned in wastewater to support the northern growth areas which is currently under development.

42. We have previously recommended to PCC that the council needs to be renewing 18kms of pipe per year for the next 30 years. In the current financial year based on available Council funding we are forecasting to renew around 1.5km of pipe. Council should expect significant risk of more leaks, burst pipes, and service outages as pipes continue to degrade faster than they are being renewed.

General risks applicable to all councils

43. Not being able to meet WWL's recommended level of funding means councils will carry increasing risks on their water assets. This means no progress will be made towards increasing the level of renewals, and therefore there will be ongoing deterioration of the water network

for future years. As a result, councils should expect to see continuing increases in cost and effort to maintain these old assets.

Wastewater treatment plant compliance risks

44. Based on current approved funding levels, there is growing risks of failure of critical components at the wastewater treatment plants which may result in non-compliance. It is likely there will be more untreated wastewater discharges, which would lead to an increasing risk to the health of the environment and potentially to public health, as well as the risk of prosecution. Councils are not providing the level of funding needed to allow us to manage their plants at an optimal level. This could see ongoing impacts on the local residents and the community.

Wastewater network overflow risks

45. The region's wastewater system is aging, and parts of the network are over 90 years old. Construction of the original wastewater network (the pipes and pumps that carry wastewater to the treatment plants) was originally designed to protect public health, with less focus on the health of the environment.

46. This means when the wastewater network gets overloaded (e.g. through a blockage somewhere or when there is heavy rainfall) some untreated wastewater can overflow from manhole lids and certain outlet pipes into streams, rivers, and the harbour. This is the network doing what it was originally designed to do – these overflows minimise the risk of wastewater entering properties and the community and reduce the risks to public health, however they have a direct impact on the environment.

47. New national and regional rules mean WWL and councils are in the process of applying for new resource consents to allow us to continue to manage the wastewater and stormwater networks.

48. To achieve better outcomes for the environment as well as meet the expectations of iwi and the requirements under the proposed Plan Change 1 in GWRC's Natural Resources Plan, significant investment from councils is needed to renew, replace and upgrade the wastewater and stormwater networks. Since providing Council with LTP advice, the regulator has proposed to accelerate the timing for these proposed regulations. If passed, this means Council would need to invest more heavily in coming years to meet this requirement.

49. Currently, there isn't enough funding to deliver on the proposed timeframe and work that is needed now in order to be compliant in future years.

Leaks backlogs

50. Councils have not invested to the recommended levels needed to keep leak numbers down. Despite the progress across the region over the past financial year to reduce leaks, we estimate that the backlog of leaks will be back at a significant level in the coming years based on councils' current indications for funding. This paired with the region's aging network and a backlog of increasing renewals means that the risks of an acute water shortage or the need for more severe water restrictions could increase again.

Significant impact on Wellington Water's ability to conduct investigations

51. Limited council opex investment will have a significant impact on WWL's ability to conduct engineering investigations work (such as condition assessments, growth and strategic studies, capital programme investigation and briefing work). Engineering investigations involve proactively investigating and monitoring the state of the region's network and condition of councils' assets. It allows us to make well-informed recommendations to councils on where they should prioritise their investment, identify assets that need maintenance or renewal

before they break, and reduces the risk of cost increases on the work we deliver for councils as well as reduce delivery risk. Not being funded to do this work undermines our ability to manage assets effectively and opens councils up to cost increases, delays in work, and more urgent and unexpected events/outages. It also puts at risk the ability of the future water organisation to deliver a larger capital programme, because investigations are an essential aspect in building the future programme of work that's required.

Insufficient funding for urgent work

52. There is insufficient funding for urgent and unexpected events, outages and project changes. This means that if a key water asset breaks or fails during the year, we would have to reprioritise funding from our planned and proactive work to respond/repair the asset. As a result, councils would see a reduction in the planned work we could deliver for them. Urgent and unexpected events have been rising steadily over the years due to historical underinvestment in the network and we are seeing more events that are more complex to fix, that take longer to repair and that cost more. Ongoing and proactive engineering investigations would allow us to find these issues before they occurred, but this area of work is also unfunded.

53. We are cutting some project budgets in order to reprioritise programmes to fit within council agreed funding. This is likely to have an impact in future years, as our ability to meet deliverables and commitments will be impacted.

Investments in Wellington Water's corporate capability

Technology and Systems

54. While councils have indicated they won't be providing the requested investment for technology and systems, we have made progress in this area with Greater Wellington Regional Council looking to include the funding for this (subject to some final resolutions) in their draft Annual Plan for consideration by their Councillors in February. If approved, this means that Greater Wellington Regional Council would debt fund the full amount and charge interest to each metropolitan council via the bulk water levy.

Organisational Capability Plan

55. The lack of increased investment means we will not be able to fully implement key initiatives identified in the independent review into WWL's capital programme estimation and budgeting systems or improve the health and maturity of our organisation. While we have started some work outlined in the review, more work is needed to enhance controls and assurance, improve operational effectiveness, identify value for money opportunities, strengthen our culture and ways of working, and lay the groundwork for transferring to a new water organisation in the best possible state in 2026 (if that is what councils decide through the Regional Water Services Delivery Plan).

56. The additional $6M of regional investment identified in the Organisational Capability Plan was a wide programme of work to address the findings of the recent review, with the intention of preventing serious future errors, and putting in place fundamental processes and systems to be fit for purpose for the future. This funding as requested in our Stage one advice would have allowed us to implement key activities in the risk and assurance space, for example: updating our Cost Estimation Manual and embedding this across all relevant staff who provide cost estimates for councils' work; developing an organisational compliance framework and strategy; developing critical operating processes across our budgeting, planning and treatment plant operations; and generally improving our checks and balances.

57. While the Wellington Water Committee endorsed the proposed Plan, councils have advised that they are unable to fund these opex costs. This means we will not be able to fully deliver on the Organisational Capability Plan, which will now be revised to what can be delivered within existing resources. This risk here is councils will be exposed to ongoing risks of future errors, such as the recent cost estimation error.

58. Councils are also collaborating on a regional Water Services Delivery Plan and propose to create a new water organisation, in response to government direction through the Local Water Done Well policy. This will require contributions from WWL that have the potential to impact on our day-to-day delivery.

Corporate Budget

83. In our Stage one advice we outlined to councils our change in approach to increase organisational capability and lift our organisation's maturity. A key part of this is taking a 'value-add' mindset and looking at what this means for the corporate services needed to support the effective delivery of councils' capital and operational programmes for upcoming years.

84. We were clear with councils on our intent to find efficiencies by reducing our reliance on contractors and bringing more work in-house, which will allow us to deliver our work programmes internally for cheaper. This has resulted in an increase in headcount with flow-on increases in IT licences, vehicles, accommodation, consumables etc, plus continued high inflation of costs. The majority of these costs can be allocated to the relevant capital and operational programmes for our councils but will mean an increase in corporate cost allocation for these programmes, which should then broadly be offset by a reduction in consultancy spend.

85. We also requested an additional $1.5M (across the region) for the funding of additional roles (under our Management and Advisory Services Fee) to build capability within our leadership and corporate services teams, which councils have indicated they will also not be able to fund. The lack of funding for these roles will mean we can't make the needed improvements to our commercial risk management, business planning, assurance activities and processes, asset management capabilities, and information management. For urgent work we will have to use short-term contractors rather than build long-term internal knowledge and capability, which may end up costing councils more money in the long term.

86. In the past, we have responded to councils' cost cutting requirements by agreeing to reduce and flatline our corporate budgets. Additionally, we have not clearly communicated our organisational need or position to councils. As a result, we have undercut ourselves and after years of underinvestment in our organisational capability, corporate support, and systems and processes, WWL is now not right-sized for the work we need to deliver or to deal with the water infrastructure challenges the region faces.

87. We now find ourselves in a similar situation to previous annual planning and LTP cycles where councils' funding constraints means we need to find "savings" in their work programmes. However, instead of continuing to cut into corporate budgets, this year we are taking a different approach. We are being clear with councils about the cost required for essential corporate support on their programmes. These costs are critical and cover essential activity such as commercial management, health and safety, reporting, contract management and asset management. Ensuring we have the funds to deliver this work will mean that less capital and/or operational work will be delivered in order to meet councils' set budgets. Not doing so will mean we won't be able to effectively deliver council programmes and may result in increases in costs further down the line.

Next steps

59. WWL is committed to working with Council and we are keen to meet with Council Officers to discuss the content of the memo. In addition, following upcoming Council meetings, please advise WWL of relevant decisions so that these can be incorporated into the ongoing work to support your annual planning process.

Wellington Water

Appendix A : Detailed 3 year period and LTP Capex programme

Budget Version	FY24-25	FY25-26	FY26-27	3-year period
PCC Approved LTP	66,350,657	46,376,174	45,462,162	**158,188,993**
WWL Stage 2 (aligned to PCC directed 3 year funding)	61,723,467	51,451,375	45,279,603	**158,454,444**

Water	LGA	Project Description	FY24-25	FY25-26	FY26-27	3-year period
Drinking Water	Renewal	Awarua St Watermain Renewals	144,056	-	-	**144,056**
Drinking Water	Renewal	Buried Reservoirs Integrity Improvements	-	165,396	1,060,757	**1,226,153**
Drinking Water	Renewal	PCC Commercial Meter Renewals	-	42,025	47,966	**89,991**
Drinking Water	Renewal	PCC District Meter Area Renewals	346,009	253,787	262,987	**862,783**
Drinking Water	Renewal	PCC DW Control Systems Renewals	32,514	33,079	32,936	**98,529**
Drinking Water	Renewal	PCC Pipe Network Planned Renewals - Drinking Water	-	-	-	**-**
Drinking Water	Renewal	PCC Pipe Network Reactive Renewals - Drinking Water	1,789,699	2,150,713	2,260,275	**6,200,687**
Drinking Water	Renewal	PCC Pressure Reducing Valve (PRV/PCV) Renewals	205,815	49,696	51,543	**307,054**
Drinking Water	Renewal	PCC Reservoir Renewals	722,527	990,496	783,758	**2,496,780**
Drinking Water	Renewal	PCC VHCA Reservoir Water Quality Renewals	726,791	750,821	1,392,008	**2,869,619**
Drinking Water	Renewal	PCC Water Pump Station Renewals	248,569	1,081,954	705,305	**2,035,829**
Drinking Water	Renewal	PCC Water Service Connection Renewals	325,137	300,099	298,804	**924,040**
Drinking Water	Renewal	Prosser Street Watermain Renewals	953,662	-	-	**953,662**
Drinking Water	Renewal	Titahi Bay Trunk Main Renewal - Stage 1	2,304,911	-	-	**2,304,911**
Drinking Water	Renewal	Titahi Bay Trunk Main Renewal - Stage 2	-	-	1,524,837	**1,524,837**
Drinking Water	Renewal	Titahi Bay Trunk Main Renewal - Stage 2 (additional funding proposed)	-	-	-	**-**
Drinking Water	Renewal	Titahi Bay WM Renewals Packages 1	-	-	-	**-**
Drinking Water	Renewal	Titahi Bay WM Renewals Packages 2 & 3	-	-	-	**-**
Drinking Water	Level of service	(SWS) PCC PW Pressure Management	105,891	275,660	548,941	**930,492**
Drinking Water	Level of service	PCC Capital Carbon Modelling - Drinking Water	10,759	11,069	11,022	**32,850**
Drinking Water	Level of service	PCC DMA Meter Fleet New Installs	-	-	-	**-**
Drinking Water	Level of service	PCC Drinking Water Network Modelling	54,799	55,132	54,894	**164,825**
Drinking Water	Level of service	PCC Management of Fire Hydrant Use	-	-	506,234	**506,234**
Drinking Water	Level of service	PCC New Smart Services - Drinking Water	21,519	22,139	22,043	**65,701**
Drinking Water	Level of service	PCC Security Locks Reservoirs	21,178	21,307	21,215	**63,701**

Wellington Water

Water	LGA	Project Description	FY24-25	FY25-26	FY26-27	3-year period
Drinking Water	Level of service	PCC Universal Residential Smart Metering	752,150	1,288,987	3,208,013	**5,249,150**
Drinking Water	Level of service	PCC Water Hydraulic model update	-	-	-	**-**
Drinking Water	Level of service	PCC Water Loss Level of Service Improvements	254,411	326,134	341,220	**921,764**
Drinking Water	Level of service	Porirua High Level HL Res Drainage Improvements (urgent)	105,222	-	-	**105,222**
Drinking Water	Growth	PCC Reactive Growth Development Projects - Drinking Water	54,190	55,132	109,788	**219,110**
Drinking Water	Growth	Plimmerton Farms Stage 1 Reservoir	31,566	53,527	-	**85,093**
Drinking Water	Growth	Porirua High Level Reservoir No.2	52,612	107,052	-	**159,664**
Drinking Water	Growth	Porirua High Level to Whitby water trunk main	52,612	-	-	**52,612**
Stormwater	Renewal	PCC Pipe Network Planned Renewals - Stormwater	-	-	-	**-**
Stormwater	Renewal	PCC Pipe Network Reactive Renewals - Stormwater	704,820	893,377	1,108,192	**2,706,389**
Stormwater	Renewal	PCC SW Control Systems Renewals	10,838	11,026	10,979	**32,843**
Stormwater	Renewal	VHCA - Bernie Wood Turf SW Renewal	-	220,528	-	**220,528**
Stormwater	Level of service	Acheron Park SW Detention	-	199,578	-	**199,578**
Stormwater	Level of service	Eskdale Conclusion Stormwater Upgrades Phase 2	884,685	-	-	**884,685**
Stormwater	Level of service	Hongoeka SW Catchment	-	-	274,471	**274,471**
Stormwater	Level of service	Karehana SW Catchment	972,923	-	-	**972,923**
Stormwater	Level of service	NDP: Resource consent for stormwater discharges	541,895	551,320	548,941	**1,642,157**
Stormwater	Level of service	NDP: SMS workstream 1 implementation for water quality (modelling)	108,379	110,264	109,788	**328,431**
Stormwater	Level of service	NDP: SW Subcatchment Asset Management Plan - Porirua A	-	-	-	**-**
Stormwater	Level of service	NDP: SW Subcatchment Asset Management Plan - Taupo	151,731	154,370	1,328,438	**1,634,538**
Stormwater	Level of service	PCC Capital Carbon Modelling - Stormwater	10,838	11,026	10,979	**32,843**
Stormwater	Level of service	PCC Climate Resilience Model	-	-	85,223	**85,223**
Stormwater	Level of service	PCC Global consent for operations and maintenance works in streams	31,354	31,899	-	**63,253**
Stormwater	Level of service	PCC Stormwater Network Modelling	270,948	275,660	274,471	**821,078**
Stormwater	Level of service	PCC SW Drainage Improvement Projects	108,379	323,335	321,940	**753,654**
Wastewater	Growth	Bothamley Park Sewer Upgrade	108,379	110,264	109,788	**328,431**
Stormwater	Growth	Cannons Creek Wetland	-	32,116	-	**32,116**
Stormwater	Growth	PCC Reactive Growth Development Projects - Stormwater	54,190	55,132	54,894	**164,216**
Wastewater	Growth	PCC Reactive Growth Development Projects - Wastewater	54,190	55,132	109,788	**219,110**
Wastewater	Growth	Plimmerton Farms Stage 1 Wastewater tank	21,044	32,116	-	**53,159**
Stormwater	Growth	Takapuwahia Stormwater Pipe Upgrade	-	-	274,471	**274,471**
Wastewater	Renewal	Mana Esplanade Pipeline cross connection stage2	-	1,653,961	-	**1,653,961**

Wellington Water

Water	LGA	Project Description	FY24-25	FY25-26	FY26-27	3-year period
Wastewater	Renewal	Navigation Drive WW renewal	-	-	-	**-**
Wastewater	Renewal	Omapere Street WW renewals	-	199,779	-	**199,779**
Wastewater	Renewal	PCC Pipe Network Planned Renewals - Wastewater	-	-	-	**-**
Wastewater	Renewal	PCC Pipe Network Reactive Renewals - Wastewater	1,802,775	2,057,228	2,496,059	**6,356,062**
Wastewater	Renewal	PCC WW Control Systems Renewals	32,514	33,079	32,936	**98,529**
Wastewater	Renewal	PCC WW Drainage Investigations Water Quality Renewals	508,822	569,439	530,821	**1,609,082**
Wastewater	Renewal	PCC WW Pump Stations Renewals	918,150	972,270	122,921	**2,013,341**
Wastewater	Renewal	Tasman Close sewer renewal (urgent)	100,351	2,775,184	-	**2,875,535**
Wastewater	Renewal	Titahi Bay South Beach access WW Network Renewals	-	199,578	-	**199,578**
Wastewater	Level of service	NDP: Resource consent for dry weather overflows	325,137	330,792	329,365	**985,294**
Wastewater	Level of service	NDP: Resource consent for wet weather overflows	812,843	826,981	823,412	**2,463,235**
Wastewater	Level of service	NDP: ww overflows universal measures	108,379	110,264	109,788	**328,431**
Wastewater	Level of service	NDP: WWNO subcatchment reduction plan - Porirua A	-	-	-	**-**
Wastewater	Level of service	NDP: WWNO subcatchment reduction plan - Taupo	162,569	165,396	2,121,512	**2,449,477**
Wastewater	Level of service	PCC - Odour modelling	-	-	-	**-**
Wastewater	Level of service	PCC Capital Carbon Modelling - Wastewater	10,759	11,069	11,022	**32,850**
Wastewater	Level of service	PCC Wastewater Network Modelling	219,193	220,528	713,624	**1,153,345**
Wastewater	Level of Service	Rukutane Point Pump Station upgrade	-	319,766	2,140,871	**2,460,637**
Wastewater JV	Renewal	Consent renewal - Porirua WWTP land occupation by outfall structure (exp. 2034)	-	-	-	**-**
Wastewater JV	Renewal	PCC WWJV Pump Stations Renewals	437,895	354,384	403,262	**1,195,541**
Wastewater JV	Renewal	Porirua WWTP JV Aeration Diffuser Renewal	-	-	-	**-**
Wastewater JV	Renewal	Porirua WWTP JV Centrifuge Replacement	-	-	-	**-**
Wastewater JV	Renewal	Porirua WWTP JV Critical Spares	-	110,692	-	**110,692**
Wastewater JV	Renewal	Porirua WWTP JV Effluent Outfall Renewal	-	-	-	**-**
Wastewater JV	Renewal	Porirua WWTP JV General Instrumentation Renewal	-	-	-	**-**
Wastewater JV	Renewal	Porirua WWTP JV Planned Renewals	501,074	771,849	768,518	**2,041,440**
Wastewater JV	Renewal	Porirua WWTP JV Reactive Renewals	275,924	496,188	494,047	**1,266,160**
Wastewater JV	Renewal	Porirua WWTP JV Site Service and Building Renewal	-	327,117	329,365	**656,482**
Wastewater JV	Renewal	Porirua WWTP JV UV TAK Renewal	799,474	-	-	**799,474**
Wastewater JV	Renewal	Whitehouse Road (Titahi Bay) Wastewater Renewals - stages 3 and 4	-	-	-	**-**
Wastewater JV	Level of service	Porirua Central City Wastewater Storage tank	37,932,654	14,885,650	1,097,883	**53,916,187**
Wastewater JV	Level of service	Porirua WWTP JV Backup Power Supply	318,563	-	-	**318,563**
Wastewater JV	Level of service	Porirua WWTP JV Odour Treatment	1,545,582	6,685,132	54,894	**8,285,609**

Water	LGA	Project Description	FY24-25	FY25-26	FY26-27	3-year period
Wastewater JV	Level of service	Porirua WWTP JV Process Model Development	54,190	55,132	54,894	**164,216**
Wastewater JV	Level of service	Porirua WWTP JV Solids Handling Upgrade	1,505,431	6,218,566	14,777,500	**22,501,497**

Under Consideration Projects

			2,324,833	**13,049,574**	**5,468,713**
Water	**LGA**	**Project Description**	**FY24-25**	**FY25-26**	**FY26-27**
Drinking Water	Renewal	PCC Pipe Network Planned Renewals - Drinking Water	456,998	861,854	544,329
Drinking Water	Renewal	Titahi Bay WM Renewals Packages 1	135,000	4,000,000	- 175,616
Drinking Water	Growth	Broken Hill Reservoir	143,266	-	-
Stormwater	Renewal	PCC Pipe Network Reactive Renewals - Stormwater	622,300	187,720	-
Stormwater	Level of Service	Whitehouse Rd Flood Mitigation	50,000	-	-
Stormwater	Level of Service	Whitehouse Rd Flood Mitigation	240,000	8,000,000	5,100,000
Wastewater	Renewal	PCC Pipe Network Planned Renewals - Wastewater	538,380	-	-
Wastewater	Level of Service	Tangare Dive WWPS Splitter Box	138,889	-	-

Wellington Water

Appendix B: LTP approved operating expenditure programme

PCC		24/25 Council	25/26 Council	26/27 Council	3-year period Council	10 Year Council
Drinking Water	Monitoring & Investigations	1,074,650	1,094,641	1,094,641	3,263,932	10,626,419
	Operations	92,922	92,922	92,922	278,766	943,220
	Planned Maintenance	412,536	425,536	425,536	1,263,608	4,242,360
	Reactive Maintenance	2,733,064	2,767,216	2,772,004	8,272,284	27,742,246
	Management & Advisory Services	434,910	434,910	434,910	1,304,730	4,349,100
Total Drinking Water		4,748,082	4,815,225	4,820,013	14,383,320	47,903,345
Stormwater	Monitoring & Investigations	523,561	515,737	482,265	1,521,563	4,891,279
	Operations	22,978	22,978	22,978	68,934	243,780
	Planned Maintenance	525,763	525,763	525,763	1,577,289	5,267,836
	Reactive Maintenance	153,259	153,259	153,259	459,777	1,532,590
	Management & Advisory Services	217,455	217,455	217,455	652,365	2,174,550
Total Stormwater		1,443,016	1,435,192	1,401,720	4,279,928	14,110,035
Wastewater	Monitoring & Investigations	960,613	970,613	980,613	2,911,839	9,981,130
	Operations	69,043	69,043	69,043	207,129	704,430
	Planned Maintenance	443,202	443,202	443,202	1,329,606	4,432,020
	Reactive Maintenance	688,259	688,259	688,259	2,064,777	6,882,590
	Treatment Plant	4,468	4,468	4,468	13,404	44,680
	Management & Advisory Services	507,395	507,395	507,395	1,522,185	5,073,950
Total Wastewater		2,672,980	2,682,980	2,692,980	8,048,940	27,118,800
Wastewater Joint Venture	Monitoring & Investigations	53,510	53,510	53,510	160,530	535,100
	Planned Maintenance	61,948	61,948	61,948	185,844	633,480
	Reactive Maintenance	68,450	68,450	68,450	205,350	684,500
	Treatment Plant	2,874,256	2,892,755	2,911,439	8,678,450	29,027,522
	Management & Advisory Services	289,940	289,940	289,940	869,820	2,899,400
Total Wastewater Joint Venture		3,348,104	3,366,603	3,385,287	10,099,994	33,780,002
Grand Total		**12,212,182**	**12,300,000**	**12,300,000**	**36,812,182**	**122,912,182**