

Advice to Greater Wellington Regional Council Regarding Three Waters Capital Delivery Plan for the Financial Years 2023/24 and 2024/25

TO Sue McLean, Kaiwhakahaere Matua Ratonga Rangapū / General Manager, Corporate Services, Greater Wellington Te Pane Matua Taiao

COPIED TO Chris Maggs, Kaiwhakahaere Matua PMO Manager, Greater Wellington Te Pane Matua Taiao; Brady Corkill, Management Accountant, Greater Wellington Te Pane Matua Taiao; Pete Wells, Head of Service Planning, Wellington Water; Jeremy McKibbin, Group Manager Network Management, Wellington Water

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

DATE 27 April 2023

Action sought

	Action sought	Deadline
Sue McLean Kaiwhakahaere Matua Ratonga Rangapū / General Manager, Corporate Services	Note the contents of this paper and respond in writing to the recommendations	24 May 2023

Contact for telephone discussion (if required)

Name	Position		1st Contact
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Pete Wells	Head of Service Planning, Wellington Water	021 195 9621	x

Purpose

1. This paper advises Greater Wellington Regional Council (Council) of:
 - a. the capital delivery plan Wellington Water Limited (Wellington Water) plans to deliver within the approved FY2023/24 budget; and
 - b. an indicative capital delivery plan for FY2024/25.
2. This paper advances our previous advice to Council dated 22 November 2022.

Recommended action

3. It is recommended that Council:
 - a. **confirm** the water capital budget for FY2023/24 is \$74.83m;
 - b. **agree** to carry over remaining budget from FY2022/23 (currently forecast to be approximately \$7.60m) into the final budget for FY2023/24, increasing it to approximately \$82.43m;
 - c. **agree** to a \$15.00m increase in total expenditure on the Te Marua Water Treatment Plant (WTP) Optimisation project (up to a total project cost of \$59.00m), and **note** that this increase can be managed within Council's existing LTP budget;
 - d. **note** that the total value of the projects in the FY2023/24 capital delivery plan has been intentionally overprogrammed to exceed Council's FY2023/24 budget to mitigate the risk of underspend;
 - e. **note** that that the proposed capital delivery plan for FY2024/25 is indicative only and is subject to funding approval through the Council FY2024-34 Long-Term Plan or Three Waters Reform processes (pending confirmation on requirements from the Department of Internal Affairs);
 - f. **note** that this advice will be released and 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.

FY2023/24 and FY2024/25 Capital Delivery Plan

4. In our preliminary advice to you dated 8 November 2022 (*'WWL Y34 Capital Delivery advice to GWRC_Nov 22 V2'*) we noted Council had a FY2023/24 CAPEX budget of \$74.83m. We are currently tracking an underspend on the FY2022/23 capital delivery plan by approximately \$7.60m. We seek to carry this underspent budget over to FY2023/24, increasing the overall FY2023/24 budget to approximately \$82.43m. This budget reflects a level of investment we believe is deliverable within the FY2023/24 capital delivery plan.
5. As noted in our previous advice, Wellington Water has been working on sustainably growing the capital programme over the past few years. Council's FY2024/25 LTP budget is \$89.08m and while the final funding levels from FY2024/25 onwards are subject to Council LTP and Three Waters Reform processes, this level of funding would continue the year-on-year capital growth model. It would also ensure Council's capital programme is well placed with a healthy level of capital investment underway when Council's assets move into a new three waters entity.

6. Figure 1 illustrates the year-on-year growth of Council’s capital delivery plan.

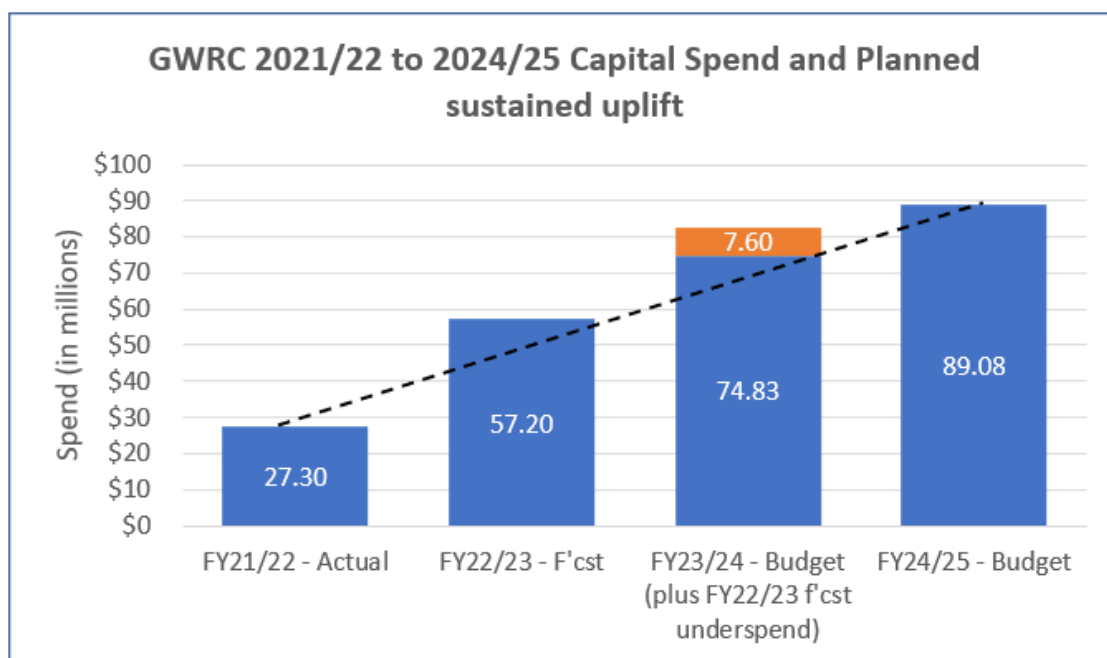


Figure 1: Greater Wellington Regional Council CAPEX – FY2021-2025

7. We have now developed a capital delivery plan for FY2023/24 and indicative capital delivery plan for FY2024/25.
8. The FY2023/24 capital delivery plan is budgeted between \$82.43m (100% including the FY2022/23 \$7.60m underspend carried forward) and \$93.78m (~114% overprogrammed).
9. The overprogrammed budget helps mitigate delivery risk and ensure the capital delivery plan comes in close to budget at the end of the financial year. This is achieved by having new projects available to start should the schedules of other projects underway start to shift.
10. Councils FY2023/24 overprogrammed capital delivery plan includes a total of 57 projects. Our intention is to manage delivery of these projects within the approved budget. The FY2023/24 plan comprises:
 - four major projects = \$75.75m
 - 53 other capital projects (including projects self-delivered by operations (minor works and reactive) = \$18.03m, of which:
 - three VHCA projects = \$0.92m.
11. In FY2023/24, the major projects account for 92% of the \$82.43m budget (including the FY2022/23 \$7.60m underspend carried forward). If the \$7.60m underspend from FY2022/23 is not carried forward, Council’s four major projects in the overprogrammed capital delivery plan could consume all the available budget. Carrying the FY2022/23 underspend forward helps mitigate this and ensure a balanced programme can be delivered.
12. Table 1 provides a list of the major projects which make up Council’s programme. As previously communicated with Council, the Te Marua WTP Capacity Optimisation project has increased in cost from \$44.00m to \$59.00m. The budget shown in Table 1 illustrates the updated costs to continue to deliver this project through FY2023/24 and FY2024/25.

Table 1: Major Projects for FY2023/24 & FY2024/25 by Water and Asset Investment Category (\$)

LGA Classification	Project Name	FY2023/24 WWL	FY2024/25 WWL
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		Recommended Budget (\$s)	Recommended Budget (\$s)
Growth	Wellington Region New Raw Water Source	-	5,000,000
Level of Service	Kaitoke Flume Bridge	11,000,000	5,500,000
	Kaitoke Road Bridges Seismic Strengthening	600,000	1,500,000
	Te Marua WTP Capacity Optimisation	31,550,000	13,000,000
Renewal	Kaitoke main on Silverstream Bridge	32,600,000	11,000,000
Total		75,750,000	36,000,000
Proportion of approved/ indicative proposed budget		92%	40%

13. The indicative capital delivery plan for FY2024/25 currently totals \$65.60m (74% of the current budget). As mentioned above, Wellington Water typically aims to grow the capital delivery plan year on year, and over programme it with projects which exceed the available budget. While this has not yet been achieved for Council's FY2024/25 programme, the process to develop a 2024-34 LTP and/or the Asset Management Plan for the new three waters entity provides an opportunity to review priorities and increase Council's capital delivery plan from FY2024/25 onwards.
14. Appendix A provides a breakdown of the projects which make up Councils overprogrammed FY2023/24 capital delivery plan and indicative FY2024/25 capital delivery plan.

Risks

15. Changes to the Three Waters Reform, and the subsequent requirement for councils to include water infrastructure in their 2024-34 LTPs, increases uncertainty of the short-term budgets available for the capital programme. Wellington Water has continued to plan for a capital delivery plan in FY2024/25 despite this uncertainty. Continuing with this approach ensures Council is aware of the flow on investment needs in FY2024/25 that result from investment decisions made in FY2023/24. It also highlights to the National Transition Unit, and sector, that Council has a programme of capital work ready to continue beyond next financial year.
16. Wellington Water intends to manage the programme within the overall approved budget but to do this, may require some projects to be slowed down or pushed out. This type of programme management approach will likely increase individual project costs further.
17. As noted in previous advice to Council, Wellington Water is experiencing significant increases in the costs of material and labour due to higher than anticipated inflation and market capacity pressures. This has placed pressure on Council's capital delivery plan, meaning fewer projects may be delivered in FY2023/24 than initially planned for in the LTP.
18. Should inflationary pressures continue to put pressure on project budgets as currently scoped, Council may need to make decisions around rescoping projects, reallocating budgets from lower priority projects, or increasing budgets throughout the year. To mitigate the likelihood and impact of this risk, we will continue to work with consultants and contractors to only propose projects in the overprogrammed capital delivery plan that we are confident of delivering within the approved budgets.

Next steps

19. Please provide a response to the recommendations in this paper to Julie Alexander by 24 May 2023.

Appendix A: Projects for FY2023/24 & FY2024/25 by LGA Classification and Asset Investment Category (\$)

LGA Classification	Project Name	Asset Type	Budget FY2023/24	Budget FY2024/25
Growth	Wellington Region New Raw Water Source	Source	-	5,000,000
Level of Service	Regional Fluoride Dosing Systems Improvement Stage 2	Treatment Plants	600,000	5,000,000
Level of Service	GWRC-Bulk Water Network Modelling	Non-asset based	100,000	50,000
Level of Service	Waterloo WTP Sodium Hypochlorite storage and dosing	Treatment Plants	30,000	-
Level of Service	Waterloo WTP Ground Improvements	Treatment Plants	600,000	3,000,000
Level of Service	Te Marua WTP Capacity Optimisation	Treatment Plants	31,550,000	13,000,000
Level of Service	Kaitoke Road Bridges Seismic Strengthening	Treatment Plants	600,000	1,500,000
Level of Service	Korokoro Stream crossing seismic resilience improvements	Network	845,000	-
Level of Service	Petone Ski-Club Pipe Bridge Upgrade	Network	3,000,000	-
Level of Service	Kaitoke Flume Bridge	Source	11,000,000	5,500,000
Level of Service	Ngauranga Reservoir Seismic Strengthening	Reservoirs	200,000	1,000,000
Level of Service	Wainuiomata pipeline valve chamber connections upgrade	Network	172,800	1,728,000
Level of Service	Te Marua to Karori Bulk Pipeline Resilience Improvements	Network	80,000	800,000
Level of Service	Water Treatment Plants Chlorine Gas Room Fire Protection	Treatment Plants	30,000	200,000
Level of Service	Wainuiomata River Intake and Pipe Seismic Upgrades	Network	35,000	350,000
Level of Service	Resource Consent for Te Whanganui-a-Tara supplementary water takes and storage incl plan changes	Resource Consents	25,000	250,000
Level of Service	Smarter Critical Bulk Water Valves with actuators (telemetry open/closed)	Control systems / instrumentation / automation	25,000	250,000
Level of Service	Wainuiomata Float Balance Tank Seismic Strengthening	Reservoirs	21,600	194,400
Level of Service	Wellington Regional WTP Electrical, Mechanical Seismic Resilience Upgrades	Treatment Plants	50,000	150,000
Level of Service	Macaskill Lakes Management and Monitoring - cyanotoxin	Source	30,000	150,000
Level of Service	Smarter Bulk Water Lines installing Transient Loggers (Water Loss)	Control systems / instrumentation / automation	20,000	100,000
Level of Service	Resource Consents for subsidiary water take activities	Resource Consents	10,000	100,000
Level of Service	Waterloo WTP Pipework Reconfiguration (Naenae and Gracefield Pumps dedicated to each reservoir)	Treatment Plants	10,000	100,000
Level of Service	(WSP_06) Wellington Regional WTP bypass prevention	Treatment Plants	30,000	200,000
Level of Service	6 new monitoring locations of aquifer supply	Source	100,000	200,000
Level of Service	(WSP_19.3) Hutt river water quality monitoring	Source	-	30,000
Level of Service	Macaskill Lakes Dam safety and monitoring equipment improvements	Source	-	20,000
Level of Service	Pomare workshop and office building strengthening	Other	-	10,000
Level of Service	Wainuiomata WTP High Rate Supernatant Discharge Consent Renewal	Resource Consents	50,000	50,000
Level of Service	Rocky Point and Ngauranga Interconnection valve chambers pipe connections	Network	200,000	-
Level of Service	Waterloo pump station redundancy	Pump Stations	200,000	1,200,000
Level of Service	Reservoir Access Health and Safety Improvements	Reservoirs	20,000	20,000
Level of Service	Te Marua WTP Pump Station Upgrade	Pump Stations	80,000	300,000
Level of Service	Water Treatment Plants Switchboard and Server Fire Suppression	Treatment Plants	50,000	500,000
Level of Service	GWRC VHCA Reservoir Integrity improvements	Reservoirs	870,000	840,000
Level of Service	Water Treatment Plant chemical storage risks/hazards	Treatment Plants	50,000	500,000
Level of Service	(WSP_06) Te Marua WTP bypass prevention	Treatment Plants	10,800	97,200
Level of Service	Resource Consent for Te Whanganui-a-Tara supplementary water takes and storage incl plan changes	Resource Consents	25,000	250,000
Level of Service	GWRC Smart Services & Controls Upgrades	Control systems / instrumentation / automation	300,000	300,000

Renewal	[Package] Gear Island and Waterloo Wells Replacements	Source	1,000,000	5,900,000
Renewal	Johnsonville Pump Station Renewals	Pump Stations	1,000,000	1,000,000
Renewal	GWRC-CPX-Kaitoke Weir Renewal	Network	1,710,000	100,000
Renewal	Kaitoke main on Silverstream Bridge	Network	32,600,000	11,000,000
Renewal	Pinehaven AC pipeline replacement	Network	-	10,000
Renewal	[Package] CP Cathodic Protection Projects Tender 2_ FY 18-21	Network	2,100,000	1,000,000
Renewal	Haywards Pumping Station Flow Meter Replacement	Network	1,180,000	170,000
Renewal	VHCA-Pohutakawa Street WS Transmission Pipe Renewal	Network	20,000	100,000
Renewal	GWRC-DW-VHCA Pipe Renewal Programme	Network	30,000	300,000
Renewal	VSD Replacements	Network	50,000	50,000
Renewal	GWRC Water Pump Station REACTIVE Renewals	Pump Stations	350,000	350,000
Renewal	Bulk Water Network Renewals - Valve Replacements	Network	150,000	150,000
Renewal	Bulk Water Network REACTIVE Renewals	Network	600,000	600,000
Renewal	Bulk water flow meter reactive renewals	Network	150,000	150,000
Renewal	(WSP_02.1) Reservoir leakage remediation - GWRC	Reservoirs	10,000	-
Renewal	Gear Island WTP Renewals	Treatment Plants	90,000	90,000
Renewal	Te Marua Water Treatment Plant Renewals	Treatment Plants	600,000	600,000
Renewal	Wainuiomata Water Treatment Plant Renewals	Treatment Plants	300,000	300,000
Renewal	Water Treatment Plants REACTIVE Renewals	Treatment Plants	300,000	300,000
Renewal	Waterloo Water Treatment Plant Renewals	Treatment Plants	280,000	280,000
Renewal	Analogue to Digital Radios - GWRC Bulk Water	Control systems / instrumentation / automation	40,000	-
Renewal	Bulk Water Control Systems REACTIVE Renewals	Control systems / instrumentation / automation	100,000	100,000
Renewal	Bulk Water Controls REACTIVE Renewals	Control systems / instrumentation / automation	100,000	100,000
Total			93,780,200	65,599,600