

Advice to Hutt City Council regarding finalised three waters capital and operating expenditure budgets for the 2025/26 financial year and 3-year period

TO Jenny Livschitz, Group Chief Financial Officer, Hutt City Council;
Bruce Hodgins, Strategic Advisor, Hutt 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 08 May 2025

Action sought

Action	
Jenny Livschitz, Group Chief Financial Officer, Hutt City Council	Note the contents of this memo. Approve FY2025/26 three waters capital and operating budgets.

Contact for telephone discussion (if required)

Name	Position	1st Contact	
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Purpose

1. This paper provides Hutt City Council (Council) with finalised three waters capital and operating expenditure budgets for the 2025/26 financial year and 3-year period (FY2024/25, 2025/26 and 2026/27).

Background

2. Wellington Water Limited (WWL) provided detailed annual planning advice to Council in February 2025, to support its annual planning process (WWL Stage 2 advice memo).
3. The WWL Stage 2 advice memo outlined 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 risks identified in WWL Stage 2 advice memo continue to be relevant.
4. This advice has key changes, which align with Council decisions on funding levels. The changes are outlined in paragraph 11.
5. All capital budgets represented in this advice are un-inflated and do not account for any annual inflation related variations. The base budget dollars are in 2024/25 dollars.
6. The FY2025/26 operating budgets in this advice are inflated using the inflation rates provided to WWL by Council.

New approach to the tendering process to assist in ensuring value for money

7. WWL is working at pace to achieve value for money and develop a baseline for water infrastructure work in the Wellington region. We are doing this by putting all work over \$100K (both capital and operating expenditure) out to the open market for competitive tendering until the end of the financial year, at which point we will reassess to determine what the best long-term approach is.
8. As we get better information through these tenders, we will be able to have an informed discussion with councils.

Final FY2025/26 and 3-year period Capital Expenditure

9. WWL has finalised the FY2025/26 Capex budgets to reflect updated information received on cost estimates and recommended timings for projects, and to fit within council directed budgets. WWL recommends that Council adopts the final Capex budget for FY2025/26 of \$101.8M.
10. Because of commercial sensitivities, WWL has provided Council with a separate document detailing breakdown of initiatives that make up Council's FY2025/26 capital delivery plan, the 3-year period programme, and the adopted 2024-34 LTP.
11. The key changes from WWL's Stage 2 advice memo include:
 - **Wainuiomata reservoir storage** – informed by recent discussions with Council officers, the initiative for building a new reservoir (\$39.5 million) has been brought forward into the LTP period with planning and initial design to begin in FY2025/26.
 - **Eastern Hills Reservoir** - WWL understands that for FY2024/26, the current allocated budget of \$4M will be sufficient for initiating the work. Updated estimates suggest that project costs will increase by approximately \$32M from year 3 onwards (FY2026/27). Initial planning and design work in FY2024/26 will provide a more accurate forecast of annual budget required

for this project from FY2026/27 onwards, which will be reflected in the FY2026/27 annual planning process.

- To accommodate the budget increases relating to Eastern Hills Reservoir and Wainuiomata reservoir storage within agreed funding levels, WWL have had to reprioritise the following initiatives within Council's LTP programme:
 - **Gracefield Reservoir Replacement** has been deferred to start from FY2029/30 to outside the LTP period. Although this will mean that the replacement of the current aging reservoir will be delayed by 3 to 4 years, interim urgent structural repair work has been recently undertaken, and this has reduced the risk of structural failure unless in case of a large seismic event. Also, this project cannot commence until Eastern Hills Reservoir is completed as the existing reservoir cannot be demolished until additional storage from Eastern Hills reservoir is available.
 - The funding bucket for **Pipe Network Planned Renewals - Drinking Water** have been reduced from FY2027/28 onwards to ensure that the final programme's annual budget balances within Council agreed funding levels. Reducing the funding level for pipe renewals will slower the rate of network renewals to below necessary level of around 9km per year, which is the level required to sustainably renew the three waters networks. Slower rate of renewals will lead to ongoing deterioration of the water network in future years. As a result, there may be increased rate of pipe failures in future years and increases in cost and effort to maintain these old pipe assets.
- **Seaview WWTP JV Sludge Dryer Replacement** – WWL understands that the project cost is likely to increase from the current allocated \$92M. WWL will continue to engage with Council officers as the new estimate is confirmed.
- **Bulk Water Cross Connection Closure - Eastern Hills Pressure Boosting** - \$3.2M of funding has been included for this work across FY2025/27. This work is being undertaken to meet regulatory requirements and to mitigate the risk of non-compliant water from the Waterloo treatment plant entering the reticulation network.
- **Hutt Park Road Stormwater VHCA Renewals** - new initiative with \$2M budget included in FY25/27 due to the criticality and urgency of this pipe renewal based on asset failure probability and risk.
- **Western Hills Wastewater JV sewer renewal** – HCC has requested that \$4M be added to the wastewater JV programme in FY25/26. This will be NZTA-led project, and hence will exclude corporate costs. WWL has re-prioritised the programme to accommodate this need.
- **St Patricks WWJV pipe renewal** – Upper Hutt City Council has requested that WWL include \$1.5M for the St Patricks Silverstream Wastewater JV pipe renewal, this will be a third party delivered project and hence will exclude corporate costs.
- To include the Western Hills sewer and St Patricks WWJV pipe renewal in the programme within Council agreed funding levels in FY2025/26, **Knights Road Wastewater pipe renewal** work has been deferred until 2027/28. The Knights Road Wastewater pipe renewal work is the third of four packages resulting from investigations around the water supply bore potential contamination sources in 2017. The pipes are old and in poor condition so are expected to be leaking wastewater to some degree, with the key risk being that contamination could potentially make its way into the Waiwhetu aquifer and impact the drinking water supply bores in the Knights Road area. However, the highest priority mains that are closest to the bores have already been replaced and significant faults have been repaired to minimise this risk. Treatment processes implemented at the treatment plant in

2017 now also provide additional barriers to contamination, meaning that the deferral of this work for a few years is unlikely to significantly change the overall risk profile for the provision of safe and healthy drinking water to the community. The work should however proceed when funding is available as part of a prudent risk management and mitigation approach.

- Council should note that, in the final annual plan capex programme provided in this advice, any increase in budget needs in FY2025/26 and FY2026/27 has been accommodated within the overall capex budget envelope for FY2024/27 previously agreed by the Council as part of the annual planning process.
- **Consenting and Compliance** - the Wellington Natural Resources Plan (NRP) requires that discharges be authorised by resource consents. The network discharge consent applications seek resource consent for global discharges from the stormwater and wastewater networks (the latter during wet weather). Without consents, for these discharges, they could be determined to be illegal discharges by Greater Wellington Regional Council which could give rise to the risk of prosecution. Significant changes to the regulatory framework that will apply to these discharges are currently being considered (e.g. Change 1 to the NRP and the proposed Wastewater Environmental Performance Standards). These will impact the ability to get consent and the likely consent conditions that will apply when consent is granted, these changes may make consenting more straight forward and therefore we are revisiting the consent strategy. Obtaining consent is fundamental to WWL's activities and will need to be supported by robust evidence through the engagement of technical specialist consultants to justify the application as well as support from legal and planning consultants. The work required to obtain and implement the consents is considered to be significant.
- **Metering programme** - the programme and planning for procurement and pilot deployments are still being developed. Physical works (starting rollout of meters for Hutt City Council) is expected to commence in FY2025/26.

Final FY2025/26 Operating Expenditure

12. WWL has finalised the FY2025/26 Opex budgets to reflect updated information received and to fit within Council directed budgets. WWL recommends that Council adopts the final Opex budget for FY2025/26 of \$38.43M.
13. Because of commercial sensitivities, WWL has provided Council with a separate document detailing the breakdown of the categories of Council's agreed budget for operating expenditure for year 2 of the 2024/34 LTP.
14. This has not changed significantly from WWL's Stage 2 advice memo. Of note:
 - The additional \$260k provided by the Council has been allocated to Management and Advisory Services across all waters.
 - Additional funding of \$400k has been allocated to Wastewater JV Treatment Plant to accommodate for landfill charges, and additional \$520k has been allocated to Wastewater reactive maintenance to accommodate for increase in forecasted work.
 - To accommodate for the above increased funding need, reductions have been made in stormwater reactive maintenance and drinking water Monitoring and Investigation activity areas.

Next steps

15. Wellington Water is committed to working with Council and we are happy to meet with officers to discuss the contents of this memo. In addition, following upcoming Council meetings, please advise us of relevant decisions so that these can be incorporated into our ongoing work to support your annual planning process.