

Tuesday 11 April 2023

OIA IRO-382

Name: [REDACTED]

Email: [REDACTED]@gmail.com

Kia ora [REDACTED]

Official information request regarding \$10 Million Request to fix the pipes.

Thank you for your official information request dated Friday 10 March 2023.

The Local Government Official Information and Meetings Act 1987 (the Act) requires that we advise you of our decision on your request no later than 20 working days after the day we received it. Unfortunately, we cannot meet the timeframe and must therefore extend the time to make our decision, to Wednesday 26 April 2023.

Pursuant to [Section 14\(1\)\(b\)](#), this extension is necessary as consultation with internal officers and Wellington City Council is required to decide on your request and is such that a proper response cannot reasonably be made within the original time limit

You have the right to seek an investigation and review by the Ombudsman of this decision. Information about how to make a complaint is available at www.ombudsman.parliament.nz or freephone 0800 802 602.

Ngā mihi,

[REDACTED]

Governance Coordinator

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www.wellingtonwater.co.nz

Our water, our futu

Wednesday 26 April 2023

OIA IRO-382

Name: [REDACTED]

Email: [REDACTED]@gmail.com

Kia ora [REDACTED]

Official information request regarding \$10 Million Request to fix the pipes.

Thank you for your official information request dated Friday 10 March 2023.

We have considered your request in accordance with the Local Government Official Information and Meetings Act 1987 and determined that we are able to grant your request in full.

Please see the information attached in our email to you.

You have the right to seek an investigation and review by the Ombudsman of this decision. Information about how to make a complaint is available at www.ombudsman.parliament.nz or freephone 0800 802 602.

Ngā mihi,

[REDACTED]

Head of Service Planning

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Our water, our future

Supplementary advice to Wellington City Council regarding Three Waters Operating Expenditure for the 2023/24 Annual Plan

TO Siobhan Procter, Chief Infrastructure Officer, Wellington City Council

COPIED TO Pete Wells, Head of Service Planning, Wellington Water; Mark Ford, Group Manager Business Services, Wellington Water

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

DATE 9 March 2023

Action sought

	Action sought	Deadline
Siobhan Procter Chief Infrastructure Officer, Wellington City Council	Consider the contents of this paper and respond to the recommendations.	31 March 2023

Contact for telephone discussion (if required)

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

Purpose

1. This paper:
 - outlines the cost reductions to each investment category necessary to achieve the level of operating expenditure (OPEX) funding directed by Wellington City Council (the Council) for the FY2023/2024 Annual Plan,
 - highlights core operating activity that will be stopped and/ or delayed to achieve Council's requested funding level, and
 - provides the Council with additional detail on the risks of adopting an FY2023/2024 Annual Plan OPEX budget below the level recommended by Wellington Water Limited (Wellington Water).

Recommended action

2. It is recommended that Council:
 - a. **note** that Wellington Water recommends an OPEX budget of \$55.589m is required for FY2023/24 to meet current levels of service and that a budget below this level will result in a reduction in the level of service provided for Council assets;
 - b. **note** the additional budget recommended is primarily due to inflationary factors;
 - c. **note** the recommended budget of \$55.589m is deliverable based on the resource capacity Wellington Water currently allocates to Council activities as at the date of this memo;
 - d. **note** the level of OPEX activity delivered in FY2022/23 has a flow on effect to the OPEX requirements and resource capacity to deliver those requirements in FY2023/24 – any reductions in FY2022/23 could compromise delivery in FY2023/24;
 - e. **confirm** that Wellington Water has been requested by Council to work within an OPEX budget of \$47.026m for FY2023/24;
 - f. **note** that to meet the OPEX budget of \$47.026m, Wellington Water will prioritise OPEX investment in unavoidable activity, and into the Council directed priorities of drinking water reactive maintenance ('fixing leaks') and condition assessment;
 - g. **agree** to the OPEX budget allocations in the following investment categories being below the LTP approved level to ensure funds can be directed to unavoidable activity, drinking water reactive maintenance and condition assessment:
 - i. Monitoring and Investigations
 - ii. Planned Maintenance
 - iii. Reactive Maintenance
 - h. **agree** to accept the customer level of service and non-compliance risks associated with an OPEX budget of \$47.026m, and the impact a budget of this level will have on the future capital programme for the city;

- i. **note** the risk register and the 2023-26 Statement of Intent will be updated to reflect the impacts of an OPEX budget below the level recommended by Wellington Water; and
- j. **note** that this advice will be proactively released and published on Wellington Water's public website, subject to any redactions consistent with the Local Government Official Information and Meetings Act 1987, within 30 days of being sent to Council.

Background

3. In our preliminary advice to you dated 4 November 2022 (*'Preliminary Three Waters 2023/24 Annual Plan OPEX advice for Wellington City Council'*) we signalled risks with keeping Council's OPEX budget at the current Long Term Plan (LTP) approved level. We also noted possible OPEX cost increases to address those risks, where known.
4. Our 5 December 2022 advice (*Dec 2022 WWL 2023-24 Annual Plan OPEX Advice – WCC*) provided an update and included the recommendation that an OPEX budget of \$55.089m is necessary to maintain and operate Council's Three Waters assets in FY2023/24 at current levels.
5. On 5 December 2022, staff from Wellington Water met with Council officers to discuss our advice. Council officers requested Wellington Water provide additional rationale to support our proposed budget increases above the Council approved funding levels. In response, Wellington Water supplied the Council with an additional memo on December 16 2022 (*Operating Expenditure (Opex) Annual Plan Discussion*), providing further detail of the risks and implications of not providing the funding recommended by Wellington Water in the December 5 advice.
6. Wellington Water received correspondence from the Council on 8 February 2023 directing Wellington Water to set a budget for FY2023/24 of \$47.026m, inclusive of uplifts of \$2.000m for reactive maintenance work required for leaks and \$0.310m for condition assessment above previous confirmed funding levels.
7. This paper outlines the changes that will be made to the FY2023/24 OPEX budget to achieve the level of funding requested by the Council, along with examples of the activities that would need to be put on hold or cancelled to achieve target budgets. It also highlights the associated risks of implementing these measures.
8. This paper also updates some of the figures previously provided to reflect further information that has become available since 5 December 2022.

Wellington Water's recommended Three Waters Operating Investment

9. **Wellington Water's recommended OPEX budget for the 2023/24 financial year is \$55.589m.** Wellington Water confirms that as of the date of this memo, this budget is deliverable. It is based on similar levels activity currently being delivered in FY2022/23, with a small amount of additional activity proposed to cover maintenance that is behind schedule and investigations required to inform the future capital works programme.
10. It should be noted that the ability of Wellington Water to deliver the recommended budget of \$55.598m is dependent on the current level of activity being maintained for the rest of FY2022/23. Wellington Water is currently forecasting an overspend for Council's activities in FY2022/23 and has advised Council (*FY2022-23 OPEX Budget - Additional Advice to WCC*) that some activity will need to be slowed or stopped completely to meet the FY2022/23 budget. This would include removing front line teams and would risk resource capacity not being available for FY2023/24 as the subcontractor

market may downsize or go elsewhere. This could lead to permanent loss of subcontractor capacity from the region.

11. The increase in recommended FY2023/24 budget above the LTP budget is primarily due to inflationary factors driving up the cost of materials, labour, services, and utilities, and a rising demand for water. To accurately reflect current market conditions, a 10% increase has been applied to labour and plant allocations across all water types and investment categories. This adjustment considers the impact of inflation, which was lower at the time when LTP budgets were initially set.
12. Some OPEX activities are considered unavoidable and will need to be prioritised within the budget Council has requested Wellington Water work to. These costs relate to activities that are mandatory or cannot be avoided or deferred as they are essential for the operation and maintenance of Councils assets. For example, costs required for the day-to-day operation of critical services where the consequence of failure is very high or for maintaining compliance with legislation, regulation, or industry standards. In the subsequent sections we have highlighted the costs Wellington Water considers are unavoidable. However, it is important to note, that there may be additional unavoidable costs that have not been specifically identified.
13. Wellington Water considers that the recommended budget for the following activities is required to deliver unavoidable activity:
 - Treatment Plants
 - Operations
 - Monitoring
 - Management and Advisory Services

For this reason, budgets for these activities will remain as recommended by Wellington Water and cost savings will be made in other areas of Council's OPEX programme to meet the \$47.026m budget Council has requested Wellington Water work within.

14. The following activities will need to be reduced substantially to meet Council's requested budget:
 - Planned Maintenance
 - Reactive Maintenance, and
 - Investigations, with the exception of the notified additional investments in drinking water reactive maintenance and condition monitoring activities.
15. Any reductions in budget below the level recommended by Wellington Water will impact service delivery. However, investigations and planned maintenance activity will be particularly impacted. Budgets in FY2023/24 for these activities will be below the level Wellington Water is working within in this financial year (FY2022/23) with the Council directed budget of \$47.026m. A reduced budget coupled with a higher cost to deliver activity will have a substantial impact on the volume of investigations and planned maintenance delivered in FY2023/24.
16. Table 1 provides a breakdown of the FY2023/24 OPEX budget recommended by Wellington Water and illustrates how the budget will be adjusted to fit within the Council directed \$47.026m budget. The figures included in the 'FY23/24 LTP Budget' column of Table 1 include the additional \$2.000m for drinking water reactive maintenance (leaks) and \$0.310m to support ongoing condition assessment work, as directed by Council on 8 February 2023.

Table 1: Summary of Wellington Water recommended operational expenditure for FY2023/24, and the final adjusted budget by water type and investment category (\$000)

Investment Category	Water Type	FY22/23 Budget	2023/24 LTP Budget	WWL 2023/24 Recommended Budget	Reduction to meet WCC compliant 2023/24 budget	Final FY2023/24 budget after reductions
Treatment Plants	Wastewater	12,251	12,131	14,512	-	14,512
	Wastewater JV	2,987	3,487	4,273	-	4,273
	TOTAL	15,238	15,618	18,785	-	18,785
Management & Advisory Services	Drinking Water	1,766	3,171	2,131	-	2,131
	Stormwater	883	1,268	1,065	-	1,065
	Wastewater	3,238	1,903	3,907	-	3,907
	TOTAL	5,887	6,342	7,103	-	7,103
Operations	Drinking Water	190	232	249	-	249
	Stormwater	31	26	34	-	34
	Wastewater	124	113	137	-	137
	TOTAL	346	371	420	-	420
Monitoring and Investigations	Drinking Water	2,044	2,290	2,708	(897)	1,811
	Stormwater	1,280	1,468	1,724	(947)	777
	Wastewater	2,531	2,534	3,211	(897)	2,314
	WWJV	-	-	30	(30)	-
	TOTAL	5,855	6,292	7,672	(2,771)	4,901
Planned Maintenance	Drinking Water	1,709	2,165	2,534	(782)	1,752
	Stormwater	983	979	1,477	(980)	497
	Wastewater	1,766	1,292	2,198	(1,100)	1,098
	TOTAL	4,458	4,436	6,208	(2,862)	3,346
Reactive Maintenance	Drinking Water	7,590	8,656	7,837	820	8,656
	Stormwater	1,455	2,029	2,080	(1,000)	1,080
	Wastewater	2,799	3,283	5,484	(2,750)	2,734
	TOTAL	11,844	13,967	15,401	(2,930)	12,470
Total	TOTAL	43,628	47,026	55,589	(8,563)	47,025

17. Note, since our advice of 5 December 2022, further information has become available resulting in an additional \$0.500m to be proposed over the budget of \$55.089m that was recommended at that time. This is due to:

- Changes to the power estimate within the Treatment Plant investment category (additional \$0.649m)
- A duplicate line item of \$0.150m was identified for Karori Dam maintenance costs, leading to a reduction in the drinking water Monitoring & Investigations category

Monitoring and Investigations

18. The Monitoring and Investigations investment category includes activities such as condition assessments, resource consent compliance monitoring, water sampling and monitoring, investigations, growth studies, modelling, design studies, asset management, and the development of an asset register.

19. A total budget of \$7.672m is recommended by Wellington Water as being required to meet forecast monitoring and investigations costs. To align with the budget directed by Council, \$2.770m of investigations will not proceed in FY2023/24 (36% below what Wellington Water recommends is needed, by dollar value). Total Monitoring and Investigations budget in FY2023/24 will be \$4.902.
20. Table 2 below provides the breakdown of the recommended budget by water type and the adjusted budget to fit within the overall OPEX budget directed by Council.

Table 2: Summary of Wellington Water recommended FY2023/24 Monitoring and Investigations OPEX budget and the final adjusted budget, by water type.

Investment Category (\$000s)	Water Type	2023/24 LTP Budget	2023/24 Recommended Budget	Reduction required to meet specified FY2023/24 budget ¹	Final Budget After Reductions
Monitoring & Investigations	Drinking Water	2,290	2,708	(897)	1,811
	Stormwater	1,468	1,724	(947)	778
	Wastewater	2,534	3,211	(897)	2,314
	Wastewater Joint Venture	-	30	(30)	0
	Total	6,292	7,672	(2,770)	4,902

21. The following activity within the Monitoring and investigations investment category will be prioritised:
 - Monitoring - Monitoring activities make up \$2.719m of the recommended budget for this investment category. Most of this is considered unavoidable costs required to undertake sampling and testing activity or monitoring to meet consent requirements. This budget also covers Council's share of software which had not previously been budgeted for. The budget reduction for the Monitoring and Investigations investment category does not include any cuts to monitoring activities or the corresponding budgets required to carry out those activities.
 - Condition assessments - Out of the entirety of the suggested budget for the Monitoring and Investigations investment category, \$1.365m has been designated for conducting condition assessment work. This allocation will facilitate the assessment of the remaining Very High Critical Assets (VHCA) and Highly Critical Assets (HCA) that pose the greatest risk and are of highest priority. In accordance with the agreement with Council and the additional funding of \$0.310m provided to sustain ongoing condition assessment work, this budget is suggested to not be decreased to meet the required budget cuts.
 - Emergency investigations and Wellington Water resource costs - Of the remaining recommended budget of \$3.588m for investigations activities, only \$0.818m of funding is available under the budget directed by Council. This budget is will largely be consumed by Wellington Water resources and a small amount of emergency investigations.

¹ To comply with total budgetary requirements directed by Wellington City Council of \$47.062m, accounting for no reductions in Wellington Water's recommended budget in FY2023/24 for Treatment Plants, Operations, Monitoring and Management & Advisory Services investment categories.

22. Investigations budget funds activities such as inflow and infiltration investigations, water quality investigations, climate change investigations, wastewater overflow reductions, stormwater network and catchment master plans, flood management strategies, modelling and growth studies, backflow surveys, carbon monitoring, dam maintenance, asset register work and asset management planning. Some activity already underway may need to stop, and little to no new investigations will be started with a budget at the level directed by Council.
23. Of note, almost all the following investigations activity that was forecast to be delivered in FY2023/24 will be stopped:
- Karori Dam Management (\$0.191m) – the allocated budget incorporates necessary funding to carry out essential maintenance tasks and reduce the risk of dam failure.
 - Inflow and infiltration investigations (\$0.148m) – \$0.030m is contractually committed to support Karori major projects in FY2023/24. Failing to provide this funding will therefore result in a breach of contract. Generally, failing to complete inflow and infiltration investigations to reduce wastewater overflows means work cannot proceed to reduce the risk of untreated sewage leaching into the environment, polluting waterways, and causing human health risks. Without this work consent requirements could be breached, resulting in possible regulatory penalties or legal action.
 - Flow and Overflow Monitoring, Water Sampling (\$0.401m) – Failure to conduct flow and overflow monitoring could lead to a breach of the current contract and can result in a loss of visibility of wastewater flows and overflows within the network. Additionally, the absence of flow monitoring can hinder efforts to inform modelling, growth planning, and other investment decisions.
 - Trade Waste Monitoring and Investigation – (\$0.365m) - This activity is required to assess the impact of trade waste on the sewer system and the environment, and to ensure that businesses are complying with discharge standards and requirements. Without adequate monitoring and investigations, businesses may discharge wastewater that contains harmful pollutants or chemicals into the sewer system, which can lead to environmental pollution and damage to aquatic ecosystems.
 - Human Health Monitoring (\$0.242m) – this work is essential for responding to elevated water quality risks and ensuring that our recreation beaches and waterways remain free from contamination.
 - Wastewater overflow reduction investigations (\$0.050m) - This budget is aimed at investigating recurring wastewater overflow locations with the goal of reducing their frequency and volume.
 - Water quality chronic investigations (\$0.081m) – required for generating Human Health Mitigation plans. Failing to complete these investigations will increase human health risks and may lead to regulatory fines.
 - Asset register (recommended \$0.267m) – without continued funding into FY2023/24, Wellington Water will have to stop or slow down asset register improvement activities. This could lead to difficulties in assessing the full range of assets owned by the Council and providing data to support the transfer of services to the new Entity.
 - Catchment growth planning (recommended \$0.600m) – although requested by Council, no funding will be available to complete these studies in FY2023/24.
 - Roving Team Inflow Infiltration, private drainage investigations (\$0.500m) – This activity involves identifying the sections of the wastewater network that are in a deteriorated state and require repairs or replacement. Its significance lies in ensuring compliance with global stormwater consent and maintaining high standards of water quality monitoring.

- Let's Get Wellington Moving support (\$0.130m) – The provision of funding is critical to ensuring that Wellington Water can effectively support this programme. This could ultimately impact the programme's ability to achieve its intended objectives.
 - Backflow surveys (\$0.080m) – conducting regular backflow surveys is essential for preventing contamination of the water supply and maintaining compliance with regulatory requirements. This budget assumes 200 surveys of commercial properties to be conducted per year and could be reduced to meet budgetary requirements.
 - Miscellaneous climate change and asset studies (\$0.472m) – Climate change initiatives including investigations, carbon monitoring, asset management and facility planning, strategic priority activities such as water loss management. A reduction in the investigations budget would also result in renewals investigations being deferred. This would impede the timely execution of future renewal initiatives and risks:
 - failing to identify and address potential infrastructure failures or weaknesses, leading to costly repairs or even potential failure of the system,
 - being able to plan for long-term maintenance and replacement needs which could lead to unexpected expenses and service interruptions,
 - reduced capacity to respond to, and recover from, natural disasters or other emergencies, and
 - reduced ability to improve the overall quality and reliability of the water supply for consumers.
24. Failure to complete the proposed investigations programme will put future capital investment programmes at risk by preventing the development of design briefs and investment cases which underpin the capital investment programmes. This may impact the level of CAPEX prioritised within the Entity C Asset Management Plan, ultimately disadvantaging the City.
25. To adhere to the constrained budgetary levels directed by Council, Wellington Water will need to liaise with Council officers to prioritise the very limited number activities able to be completed in the FY2023/24 period.

Operations

26. The Operations investment category includes the control systems for the electrical, instrumentation and automation systems of Council's stormwater, wastewater, and potable water assets. These systems are critical to the operation of Council's water networks for controlling and monitoring Council's treatment plant, pump station, flow meter and valve assets.
27. A total budget of \$0.420m is recommended to meet forecast operations costs. This is an uplift of \$0.049m over the FY2023/24 LTP approved budget of \$0.371m due to:
- labour and plant allocations – 10% uplift applied over the FY2022/23 budget across all water types
 - software licences for Scada and hardware maintenance
 - additional preventative maintenance to maintain the capacity and capability of control system assets.
28. Wellington Water advises that most of the proposed budget for Operations is unavoidable, being necessary to cover the costs essential for the running of Council control system assets. A small proportion of the budget allocated for preventative maintenance of control systems could be reduced. However, this could result in significant risks so Wellington Water would retain budget for this activity when working within the budget directed by Council.

29. Table 3 below provides the breakdown of the recommended budget by water type. The budget for operations will not be reduced at all with an overall OPEX budget of \$47.026m as directed by Council.

Table 3: Summary of recommended Operations OPEX for FY2023/24 by water type

Investment Category (\$000s)	Water Type	2023/24 LTP Budget	2023/24 Recommended Budget	Reduction required to meet specified FY2023/24 budget ²	Final Budget After Reductions
Operations	Drinking Water	232	249	0	249
	Stormwater	26	34	0	34
	Wastewater	113	137	0	137
	Total	371	420	0	420

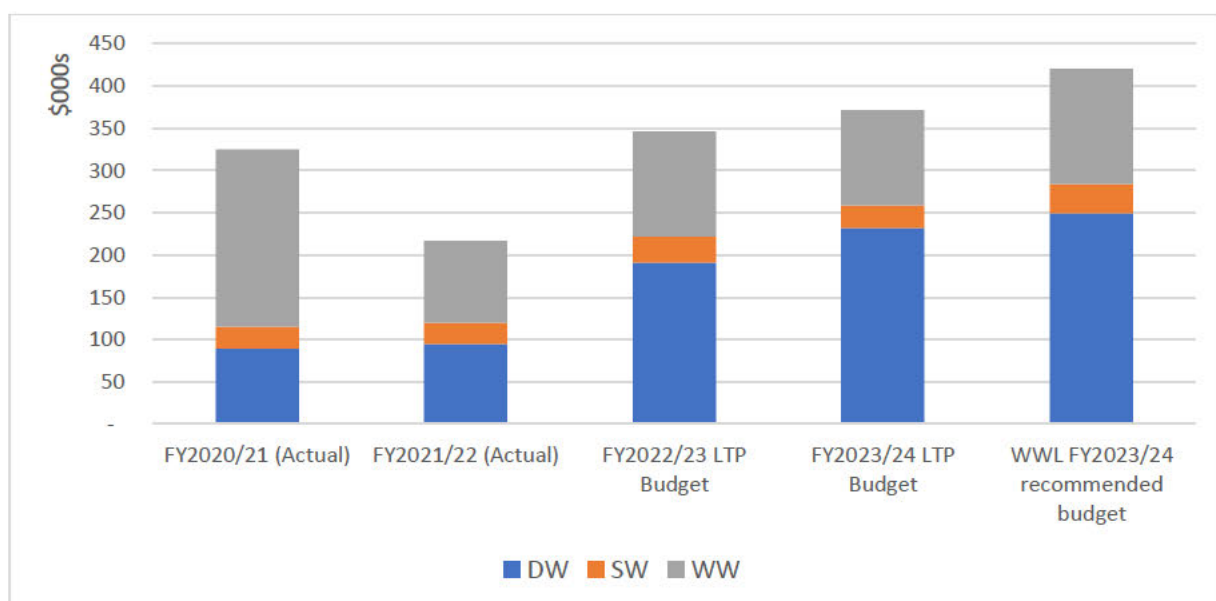


Figure 1: Actual, budget, forecast and proposed Operations budgets for FY2020/21 - FY2023/24

Planned Maintenance

30. The planned maintenance investment category includes water and wastewater pump station, utility and network asset maintenance, and stormwater maintenance activities.
31. A total budget of \$6.208m is recommended by Wellington Water as being required to meet forecast planned maintenance costs. This level of activity is based on the current FY2022/23 forecast expenditure of \$4.410m plus an additional budget to cover maintenance work that is behind

² To comply with total budgetary requirements directed by Wellington City Council of \$47.062m, accounting for no reductions in Wellington Water's recommended budget in FY2023/24 for Treatment Plants, Operations, Monitoring and Management & Advisory Services investment categories

schedule. Wellington Water has the crews available to complete the scale of work that would be delivered with a budget of \$6.208m.

32. To align with the budget directed by Council, \$2.862m of planned maintenance activity will not be completed in FY2023/24 (46% below what Wellington Water recommends is needed, by dollar value). Total planned maintenance budget in FY2023/24 will be \$3.346m, which is less than the corresponding budget for FY2022/23 of \$4.458m.
33. It is important to note that a budget cut of this size will compromise Wellington Water's ability to deliver core services, prevent operational failures, and retain staff. This will increase in the number of failures, incidents and events, and put further pressure on the already constrained reactive maintenance budget. Significant issues will arise, as detailed in paragraph 36 of this memo.
34. Table 4 below provides the breakdown of the recommended budget by water type and the adjusted budget to fit within the overall OPEX budget directed by Council.

Table 4: Summary of recommended Planned Maintenance OPEX for FY2023/24 by water type

Investment Category (\$000s)	Water Type	2023/24 LTP Budget	2023/24 Recommended Budget	Reduction required to meet specified FY2023/24 budget ³	Final Budget After Reductions
Planned Maintenance*	Drinking Water	2,165	2,534	(782)	1,752
	Stormwater	979	1,477	(980)	497
	Wastewater	1,292	2,198	(1,100)	1,098
	Total	4,436	6,208	(2,862)	3,346

35. Figure 2 highlights the significant reduction in planned maintenance budget in FY2023/24 to fit within the overall OPEX budget level directed by Council. A budget of this level will result in resources currently allocated to Councils activity being reduced and relocated to other depots in the region.

³ To comply with total budgetary requirements directed by Wellington City Council of \$47.062m, accounting for no reductions in Wellington Water's recommended budget in FY2023/24 for Treatment Plants, Operations, Monitoring and Management & Advisory Services investment categories

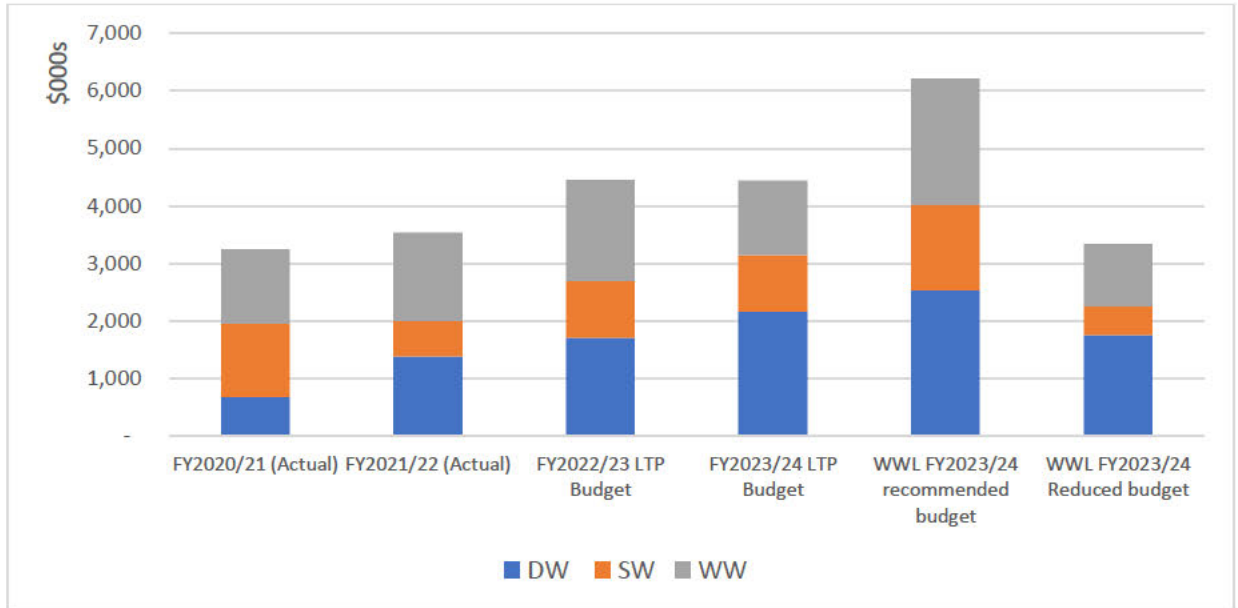


Figure 2: Actual, budget, forecast and proposed*planned maintenance budgets FY2020/21 - FY2023/24 (\$000s)

36. There are significant risks with a FY2023/24 Planned Maintenance budget of \$3.345m. Of note, the following activities would need to be reduced or deferred:

Water

- Reduction in critical (CBD) and non-critical hydrant testing and painting to achieve compliance with the Fire Service Code of Practice. WCC is currently non-compliant with the Fire Service Code of Practise and further deferral of works to comply will extend the non-compliance further. This presents a significant public safety risk due to the fire service potentially not being unable to locate hydrants and/or hydrants not being operational when needed to fight a fire.
- Reduction in water loss activity by at least 50%. This will result in private leaks not being detected, reported and repaired, adding to water loss.
- Further defer pumpstation monthly inspections (12 weekly at the moment) - Adopt a run to failure approach for non-monitored equipment. Note a run to failure approach is more costly to repair.
- Stop monthly reservoir inspections and undertake annual inspection only – this will result in a heightened risk of contamination at service reservoirs and will compromise levels of service and public health and safety.

Stormwater

- Complete deferral of Harris Street Syphon maintenance works - Harris Street continues to discharge contaminated stormwater and is capacity constrained by detritus in the pipe. Deferring this work will result in increased odour and contamination events in the recreational area. The jumping platform near Frank Kitts Park would likely need to close due to public health risk.
- Reduce the stormwater inlet/outlet planned maintenance budget by 50% (\$200k) - Inlet/outlet inspection reduction will make flooding of private property in storm events, particularly the South Coast significantly more likely over the year. The reduction in this activity will impact on Service

4 Note, a large proportion of the increase in recommended budget above the LTP budget is due to inflation and higher costs for goods and services, the pressures of growth and demand for water on the infrastructure.

Delivery staff who undertake this works. This is a large part of the stormwater works for Rongotai depot so staff would need to be redeployed.

- No planned Houghton Bay Stormwater works and instead attend site on a reactive basis - Houghton Bay will experience an increase in pollution events increasing the public health issues due to discharge into a recreation site.
- Reduce Hot Spot inspection budget by 50% (\$75k) - Reduction in Hot Spot monitoring will increase risk of private property flooding and consequential impacts.

Wastewater

- A significant reduction in the drainage investigations – This will increase the risk of non-compliance with stormwater consent conditions and Wellington Water’s ability to respond to pollution events. The team working on this activity will be redeployed to other areas of the business.
- Significant reduction in wet well cleaning activity - Cross connection investigation work would be put on hold, resulting in increased contamination risks and no ability to respond.
- Defer the annual Makara Outfall inspection until 2024/25 – This will increase the risk of pipe leakage into Karori Stream and subsequent enforcement action.
- Undertake Critical network flushing works only – A reduction in pipe flushing (undertaken in problem areas of the network, known to overflow) will increase the frequency of overflows of untreated wastewater into private property and the risk to public health and subsequent Health and Environmental enforcement.

Reactive Maintenance

37. A total budget of \$15.401m is recommended as being required to meet forecast reactive maintenance activities and to keep operating at current service levels. To align with the budget directed by Council, \$3.750m of reactive maintenance activity will not be completed in FY2023/24 (19% below what Wellington Water recommends is needed, by dollar value). Total reactive maintenance budget in FY2023/24 will be \$12.469m.
38. Table 5 below outlines Wellington Water’s recommended changes to the allocated reactive maintenance FY2023/24 OPEX budget.

Table 5: Summary of recommended Reactive Maintenance OPEX for FY2023/24 by water type

Investment Category (\$000s)	Water Type	2023/24 LTP Budget	2023/24 Recommended Budget	Reduction required to meet specified FY2023/24 budget ⁵	Final Budget After Reductions
Reactive Maintenance	Drinking Water	8,656 ⁶	7,837	0	8,656
	Stormwater	2,029	2,080	(1,000)	1,080
	Wastewater	3,283	5,484	(2,750)	2,734
	Total	13,967	15,401	(3,750)	12,469

⁵ To comply with total budgetary requirements directed by Wellington City Council of \$47.062m, accounting for no reductions in Wellington Water’s recommended budget in FY2023/24 for Treatment Plants, Operations, Monitoring and Management & Advisory Services investment categories

⁶ This figure includes the additional funding of \$2.000m approved by Council for drinking water reactive maintenance and therefore will not be reduced to meet an overall budget requirement of \$47.062m.

39. Council agreed to allocate an additional \$2.000m towards FY2023/24 drinking water reactive maintenance on February 8, 2023. This additional funding means the reactive maintenance of drinking water will not be reduced in FY2023/24. The 19% reduction in reactive maintenance budget required to meet the level of funding directed by Council will subsequently be taken out of stormwater and wastewater reactive maintenance budgets. This is highlighted in Table 5 above.
40. While dependent on the number of failures, reactive maintenance costs are anticipated to increase based on failure trends experienced to date and the increasing average age of assets.
41. Figure 3 shows previous reactive maintenance expenditure, the recommended increase and the reduced budget requested. As shown in Figure 3, Wellington Water’s recommended budget increase is consistent with current trends, noting that current forecasts for FY2022/23 as of January 2023 indicate expenditure of \$15.223m for reactive maintenance.

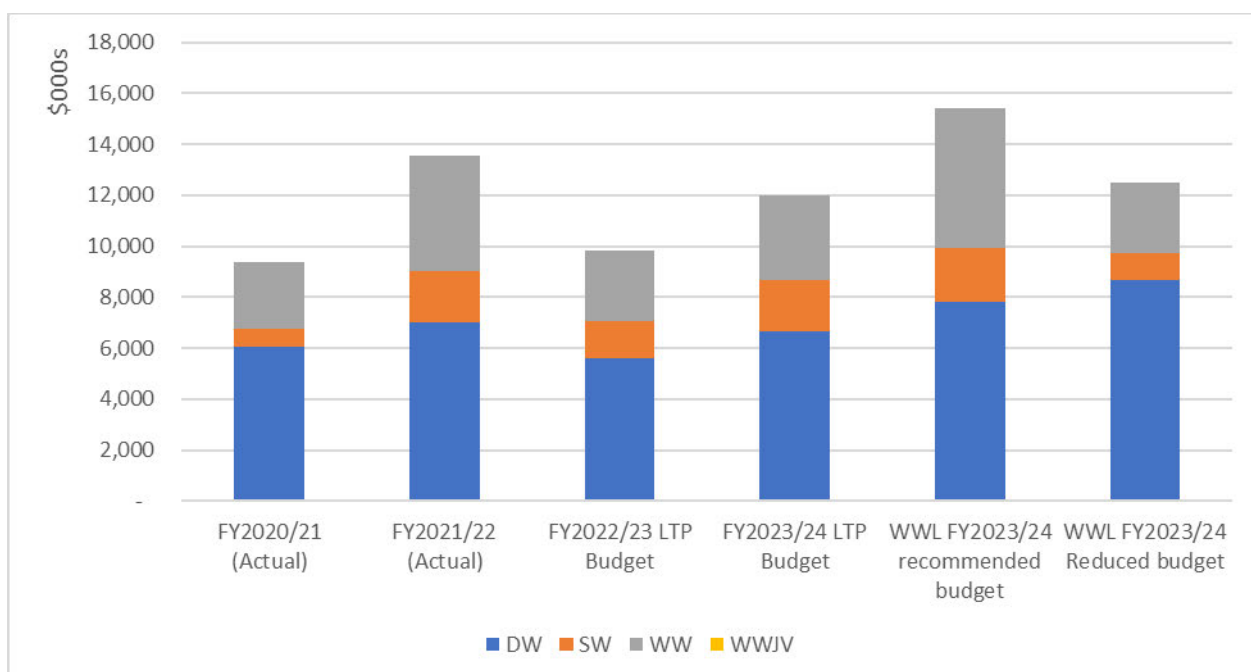


Figure 3: Actual, budget, forecast and proposed reactive maintenance budgets FY2020/21 - FY2023/24

42. To meet the budget directed by Council, Wellington Water will reduce or stop responding to certain unplanned network maintenance jobs for all water types. As with planned maintenance, resources currently allocated to Councils activity would be reduced and relocated to other depots in the region. As noted, a reduction in maintenance (both planned and reactive) risks disengagement from the subcontractor market - if they lose their revenue streams, they may downsize their capability or go elsewhere. This could lead to permanent loss of subcontractor capability from the region. Once they have gone elsewhere, we will have little resilience to respond to emergencies when we need them.
43. The following activity would be reduced or stopped to meet the budget directed by Council:
 - All three waters
 - A reduction in targeted subcontractor spend would reduce the available resources to attend to customer calls, by only attending to high priority or medium priority (P1 and P2) work requests - This means that the non-urgent work backlog will grow. Any significant reduction of subcontractor spend will likely drive skilled workers elsewhere and securing them back, if additional funding becomes available, will take time.

- A reduction or a complete stop of non-urgent instructed works, such as the installation of new valves to reduce the size of a shutdown area, or customer requests/complaints - The consequence of not doing instructed works is that we fail to improve the efficient operation of the network, so water outage areas become bigger, resulting in longer outages with a greater number of customers affected.

Stormwater and wastewater

- Repair work will need to be significantly reduced and deferred – Wellington Water will move from a reactive-proactive unblock/clear/ flush and fix model to purely reactive model unblock/clear/flush. Deferring repair activities risks increased blockages, sewerage overflows and public health risk.
 - Not performing after hour callouts and addressing issues the next day - A reduction in after-hours jobs would reduce costs given the penal rates applied. After hours work is mainly governed by the type of work required. There could be a significant risk to local businesses with this approach, as water supplies may be cut during the working day to address issues that could otherwise be addressed at night.
44. Since the first quarter of FY2022/23, the unit price for wastewater and stormwater jobs has increased by roughly 37%. As a result, completing the same number of jobs in the second quarter has become more costly in comparison to the first quarter. Any additional pressure on the reactive maintenance budget is likely to have a significant impact on Wellington Water’s ability to provide appropriate levels of service in FY2023/24 and there will be a noticeable customer impact for wellington residents and businesses.
45. The current overall job backlog sits at over 2,260 jobs (see figure 5 below). A shortage of adequate funding leading to further escalation in the backlog figure is expected to lead to increased customer dissatisfaction. The additional funding provided by Council for leak detection and repairs may have a positive impact on the number of water leak related jobs, however the reduction in budget for stormwater and wastewater (and subsequent total reactive maintenance budget below what Wellington Water advises is needed) means Wellington Water may not have the resources to make a significant dent in the overall jobs backlog.



Figure 5: Number of open jobs (June 2020 – 27th Feb 2023)

46. It is important to note that the proposed reactive maintenance budget for FY2023/24 does not include an allowance for unforeseen emergency events. These will need to continue to be separately funded by the Council.

Treatment plant

47. The Treatment Plant investment category groups all activities relating to the operation of both wastewater and wastewater joint venture treatment plants. This includes planned and reactive maintenance, operations, and investigations⁷.
48. Wellington Water advises that the proposed budget for Treatment Plants is unavoidable, covering activities essential in delivering this service.
49. The recommended budget for Treatment Plants for FY2023/24 is \$18.785m, which is \$3.167m above the LTP allocated budget of \$15.618m, as indicated in Table 6 below:

Table 6: Summary of proposed Treatment Plant OPEX for FY2023/24 by water type

Investment Category (\$000s)	Water Type	2023/24 LTP Budget	2023/24 Proposed Budget	Reduction required to meet specified FY2023/24 budget ⁸	Final Budget After Reductions
Treatment Plant	Wastewater	12,131	14,512	0	14,512
	Wastewater Joint Venture	3,487	4,273	0	4,273
	Total	15,618	18,785	0	18,785

50. As a proactive measure, Wellington Water has already implemented cost savings by deferring treatment plant investigations. This has been reflected in the recommended budget numbers.
51. In addition to general inflation factors, the following key drivers account for the increase in the recommended Treatment Plant budget (both Wastewater and Wastewater Joint venture):
 - a 15% increase has been assumed over projected costs for FY2022/23 for gas
 - our advice dated December 5 assumed a 15% increase in electricity costs for FY2023/24. However, the approved power contract in January 2023 revealed a higher increase of around 30%. This requires an additional \$0.649m to the recommended budget for the treatment plant investment category.
 - the tariff for sludge disposal is increasing by 13% from \$262/tonne in FY2022/23 to \$294/tonne for FY2023/24 (including GST and the plant operator's 9% markup), resulting in a total increase of \$0.646m
 - In accordance with the agreed escalation clauses in the contract, the management fees charged by Veolia have increased.
 - Expected 15% uplift in the Porirua City Council Wastewater Treatment Plant (WWTP) Joint Venture share
52. Figure 6 highlights the growth in the recommended budget for FY2023/24, reflecting the factors noted above driving cost increases. As noted, Wellington Water will keep the treatment plant budget for FY2023/24 at the level recommended.

⁷ This is different to the OPEX budgets for all other activities delivered by Wellington Water which are separated under the relevant investment category.

⁸ To comply with total budgetary requirements directed by Wellington City Council of \$47.062m, accounting for no reductions in Wellington Water's recommended budget in FY2023/24 for Treatment Plants, Operations, Monitoring and Management & Advisory Services investment categories

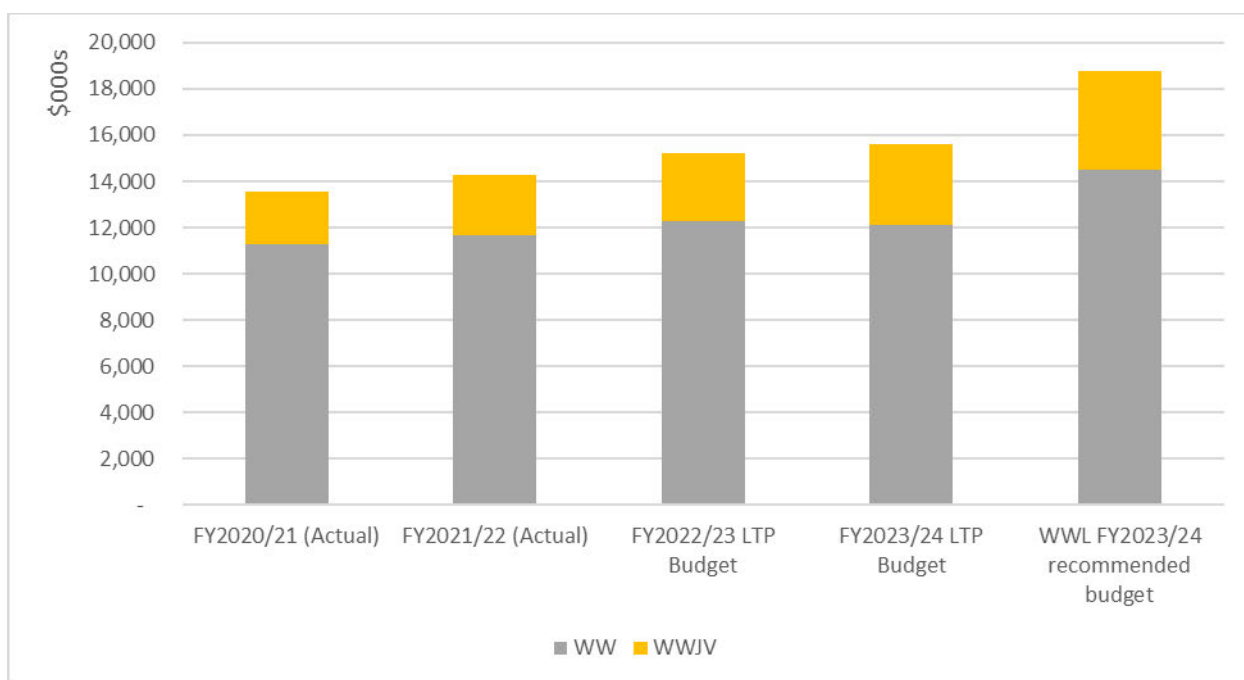


Figure 64: Actual, budget, forecast and proposed Treatment Plant budgets FY2020/21 - FY2023/24

Management and Advisory Services

53. A total budget of \$7.103m is required for Management and Advisory Services, reflecting a reduction of \$0.266m from the budget allocation proposed in our advisory communication dated December 5, 2022. The reduction in budget is attributed to the decision to redirect the funds that are earmarked for the development of the asset register, which were previously included under the Management and Advisory Services investment category, to the Monitoring and Investigations investment category instead.
54. At the time of setting the Long-Term Plan (LTP), a 7.5% increase was incorporated into the Management Fee across all councils from FY2022/23 to FY2023/24, encompassing a 2.5% inflation rate and a 5% additional activities allocation to account for anticipated extra work.
55. However, the inflation rate for the past 12 months has exceeded the projected 2.5%. This has led to insufficient budget allocation for Management and Advisory Services in FY2022/23 to cover all the activities that cannot be directly attributed to Council OPEX or CAPEX programmes but are necessary to run the three waters services. This includes overheads such as insurance, rent, IT costs, etc.
56. To address this situation, the budget for FY2023/24 has been increased by 5% to retroactively cover the costs incurred by Wellington Water in FY2022/23. Additionally, another 5% increase has been implemented to accommodate the higher-than-expected inflation rates for FY2023/24, as originally outlined in the LTP.
57. The Management & Advisory Services investment category also includes an uplift of approximately 2% (\$0.142m) to account for cyber security expenses not currently budgeted for in the Long-Term Plan (LTP).
58. Cyber security costs are currently being covered by additional government funding. At the time the 2021-31 LTP was developed, Wellington Water lacked visibility into the extent of work that would be necessary for cyber security and the subsequent ongoing expenses. Consequently, this programme was not allocated funding beyond FY2022/23. At a minimum, ongoing funding of current cyber

security activity needs to continue. The 2% increase in the Management & Advisory Services budget is intended to cover these activities.

From: [Official Information](#)
To: [REDACTED]
Cc: [Official Information](#)
Subject: RE: Response to OIA IRO-382
Date: Thursday, April 27, 2023 9:48:42 AM
Attachments: [image002.png](#)
[22-23 opex pressure_WCC230309.pdf](#)
[Annual Plan WWL 221110.pdf](#)
[Annual Plan WWL 230208.pdf](#)

Tēnā koe [REDACTED]

Thank you for your follow up email and for providing that summary.

In addition to what we provided last evening, please see attached an additional three memo's from Wellington City Council.

Ngā mihi nui

[REDACTED]

[REDACTED] (he/him)
Governance Coordinator - Business Services



Tel 04 912 4400 Mob [REDACTED]

Private Bag 39804, Wellington Mail Centre 5045
Level 4, 25 Victoria Street, Petone, Lower Hutt

www.wellingtonwater.co.nz

Wellington Water is owned by the Hutt, Porirua, Upper Hutt and Wellington city councils, South Wairarapa District Council and Greater Wellington Regional Council. We manage their drinking water, wastewater and stormwater services.

From: [REDACTED]@gmail.com>
Sent: Thursday, April 27, 2023 12:58 AM
To: Official Information <official.information@wellingtonwater.co.nz>
Subject: Re: Response to OIA IRO-382

Caution: This is an external email. Please take care when clicking links or opening attachments.

Received, thank you.

The current overall job backlog sits at over 2,260 jobs (see figure 5 below). A shortage of adequate funding leading to further escalation in the backlog figure is expected to lead to increased customer dissatisfaction. The additional funding provided by Council for leak detection and repairs may have a positive impact on the number of water leak related jobs, however the reduction in budget for stormwater and wastewater (and subsequent total reactive maintenance budget below what Wellington Water advises is needed) means Wellington Water may not have the resources to make a significant dent in the overall jobs backlog.

Figure 5: Number of open jobs (June 2020 – 27th Feb 2023)

On Wed, Apr 26, 2023 at 5:55 PM Official Information <official.information@wellingtonwater.co.nz> wrote:

Kia ora [REDACTED]

Official information request regarding \$10 Million Request to fix the pipes.

Please see attached Wellington Waters response to your request.

Ngā mihi nui

[REDACTED]

[REDACTED] (he/him)

Governance Coordinator - Business Services



Tel 04 912 4400 Mob [REDACTED]

Private Bag 39804, Wellington Mail Centre 5045

Level 4, 25 Victoria Street, Petone, Lower Hutt

www.wellingtonwater.co.nz

Wellington Water is owned by the Hutt, Porirua, Upper Hutt and Wellington city councils, South Wairarapa District Council and Greater Wellington Regional Council. We manage their drinking water, wastewater and stormwater services.

From: Official Information <official.information@wellingtonwater.co.nz>

Sent: Tuesday, April 11, 2023 5:22 PM

To: [REDACTED] <[\[REDACTED\]@gmail.com](mailto:[REDACTED]@gmail.com)>

Cc: Official Information <official.information@wellingtonwater.co.nz>

Subject: Extension to OIA IRO-382

Kia ora [REDACTED]

Official information request regarding \$10 Million Request to fix the pipes.

Please see attached an extension letter for your request.

We sincerely apologise for the time it is taking to get this information to you.

Ngā mihi nui

[REDACTED]

[REDACTED] (he/him)

Governance Coordinator - Business Services



Tel 04 912 4400 Mob [REDACTED]

Private Bag 39804, Wellington Mail Centre 5045
Level 4, 25 Victoria Street, Petone, Lower Hutt

www.wellingtonwater.co.nz

Wellington Water is owned by the Hutt, Porirua, Upper Hutt and Wellington city councils, South Wairarapa District Council and Greater Wellington Regional Council. We manage their drinking water, wastewater and stormwater services.

From: Official Information <official.information@wellingtonwater.co.nz>

Sent: Thursday, March 16, 2023 12:12 PM

To: [REDACTED] <[\[REDACTED\]@gmail.com](mailto:[REDACTED]@gmail.com)>

Cc: Official Information <official.information@wellingtonwater.co.nz>

Subject: Acknowledgement of Receipt - OIA IRO-382

Kia ora [REDACTED]

Official information request regarding \$10 Million Request to fix the pipes.

Thank you for your official information request dated Friday 10 March 2023.

We will endeavour to respond to your request as soon as possible and in any event no later than Tuesday 11 April 2023 being 20 working days after your request was received by Wellington Water. If we are unable to respond to your request by the set date, we will notify you of an extension of that timeframe.

The response date shown takes into account:

1. Good Friday (7 April 2023)
2. Easter Monday (10 April 2023)

If any additional factors come to light which are relevant to your request, please do not hesitate to contact us so these can be taken into account.

Ngā mihi

[REDACTED]

[REDACTED] (he/him)

Governance Coordinator - Business Services



Tel 04 912 4400 Mob [REDACTED]

Private Bag 39804, Wellington Mail Centre 5045
Level 4, 25 Victoria Street, Petone, Lower Hutt

www.wellingtonwater.co.nz

Limit residential outdoor water use. Handheld hoses only.

Sprinkler and irrigation systems not permitted.



Water Restriction Level



Wellington Water

Wellington Water is owned by the Hutt, Porirua, Upper Hutt and Wellington city councils, South Wairarapa District Council and Greater Wellington Regional Council. We manage their drinking water, wastewater and stormwater services.

From: [REDACTED] <[REDACTED]@gmail.com>

Sent: Friday, March 10, 2023 4:11 PM

To: Official Information <official.information@wellingtonwater.co.nz>

Subject: Re: Request for information on the 10 Million dollars to fix the pipes (WCC)

Caution: This is an external email. Please take care when clicking links or opening attachments.

ummm

is there anything else material to the claim for 10 million

i should know about

On Fri, Mar 10, 2023 at 4:06 PM Official Information <official.information@wellingtonwater.co.nz> wrote:

Kia ora [REDACTED]

Wellington Water serves its client councils as an advisor to inform their decisions on their investment in three waters.

This document formed part of that advice for Wellington City Council.

Ngā mihi nui

[REDACTED]

[REDACTED] (he/him)

Governance Coordinator - Business Services



Tel 04 912 4400 Mob [REDACTED]

Private Bag 39804, Wellington Mail Centre 5045

Level 4, 25 Victoria Street, Petone, Lower Hutt

Limit residential outdoor water use. Handheld hoses only.

Sprinkler and irrigation systems not permitted.



Water Restriction Level



 Wellington Water

Wellington Water is owned by the Hutt, Porirua, Upper Hutt and Wellington city councils, South Wairarapa District Council and Greater Wellington Regional Council. We manage their drinking water, wastewater and stormwater services.

From: [REDACTED] <[\[REDACTED\]@gmail.com](mailto:[REDACTED]@gmail.com)>

Sent: Friday, March 10, 2023 4:03 PM

To: Official Information <official.information@wellingtonwater.co.nz>

Subject: Re: Request for information on the 10 Million dollars to fix the pipes (WCC)

Caution: This is an external email. Please take care when clicking links or opening attachments.

awesome

thanks [REDACTED]

ps was this your submission for the \$10M?

On Fri, Mar 10, 2023 at 3:02 PM Official Information <official.information@wellingtonwater.co.nz> wrote:

Kia ora [REDACTED]

Please see our Memo to Wellington City Council on the [2023/2024 Operating Expenditure \(Opex\) Annual Plan Discussion](#).

If there is anything else you require, please let me know.

Ngā mihi nui

[REDACTED]

[REDACTED] (he/him)

Governance Coordinator - Business Services

 Wellington Water

Tel 04 912 4400 Mob [REDACTED]

Private Bag 39804, Wellington Mail Centre 5045
Level 4, 25 Victoria Street, Petone, Lower Hutt
www.wellingtonwater.co.nz

Limit residential outdoor water use. Handheld hoses only.
Sprinkler and irrigation systems not permitted.



Water Restriction Level  **Wellington Water**

Wellington Water is owned by the Hutt, Porirua, Upper Hutt and Wellington city councils, South Wairarapa District Council and Greater Wellington Regional Council. We manage their drinking water, wastewater and stormwater services.

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[Redacted]
[Redacted],
Brooklyn, Wellington, 6021
AOTEAROA NEW ZEALAND
[Redacted]
Home phone [Redacted] Mobile [Redacted]
[Redacted] [@gmail.com](mailto:[Redacted]@gmail.com)

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[Redacted]
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Home phone [Redacted] Mobile [Redacted]
[Redacted] [@gmail.com](mailto:[Redacted]@gmail.com)

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[Redacted]

[REDACTED],
Brooklyn, Wellington, 6021
AOTEAROA NEW ZEALAND

Home phone [REDACTED] Mobile [REDACTED]

[REDACTED] [@gmail.com](mailto:[REDACTED]@gmail.com)

9 March 2023

By email only: julie.alexander@wellingtonwater.co.nz

Dear Julie

Re: 2022/23 Opex Pressures

Thank you for meeting with the team on 6th March to share the work that your team has undertaken to assess how Wellington Water can meet its budget expectation for this financial year (2022/23). This advice was helpfully summarised by your team in its supplementary memo which we received following that meeting - *Advice to Wellington City Council regarding Three Waters Operating Expenditure for the FY2022/23 financial year.*

As you can imagine, we at WCC and our other CCOs, are facing the same opex pressures as WWL so we are also being asked to make significant adjustments to our work plans and programmes to ensure we live within budget.

In your memo, you have asked us to note there are reputational, customer level of service and non-compliance risks associated with a reduction in operational activity. Unfortunately, it is impossible for us to understand what those risks are without being provided specific evidence of deferred work against a budgeted plan. This is covered further in our feedback below.

Feedback

1. The agreed full year budget quoted isn't quite correct – WWL's available FY 2022/23 Opex Budget is \$45.141m (including reimbursement of unexpected events, rather than the reported \$43.628m). Given you intend to publish your advice on your website, the total opex allowance should be published for accuracy.

		2021/22	2022/23	2023/24
Opex		Year 1	Year 2	Year 3
	LTP (Inflated budget)	35,315,448	37,201,255	39,715,151
	Approved increases	4,900,000	4,640,000	5,001,000
	Overspend approved	612,187		
	Leaks additional		2,000,000	
	Karori WW Outfall		1,300,000	
		40,827,635	45,141,255	44,716,151

2. You note in point 12 of your memo that " Council's Planned Maintenance budget for FY2023/24 is below the level recommended by Wellington Water, which would further compromise the ability to complete any deferred planned maintenance." Given we operate a One Budget model whereby, Council provides WWL with one Opex figure and WWL decides how that opex is allocated, I'm struggling to understand how the budgeted figure could be below your own recommendation.

3. Your opex dashboard for February 2023 is reporting a YTD overspend of \$167K and shows WWL is behind in delivery of its Planned Maintenance and Monitoring and Investigations activities – we suggest you bank the YTD underspend and adjust your work programmes to achieve your current run rate in these activities.
4. To evaluate the real impact of this action, it would be helpful for us to review the work that was planned under the current year budget against the revised plan - this will help articulate to our Councillors, the actual detail of the service cuts.

For instance, in the memo, you raise several concerning risks and potential issues but there is a lack of evidence to provide us with greater understanding of the specific risks. To assist us provide further advice to Council, we need to understand how your Planned Maintenance and Monitoring and Investigations programmes are tracking against the budgeted plan.

5. In the area of Monitoring and Investigations, I note much of this work relates to renewals planning which should be capitalised. Again – reviewing your planned Monitoring and Investigations activities against the curtailed plan would be useful in determining whether WCC is comfortable making cuts this year.
6. As indicated in my letter of 10 November 2022, we are seeking to better understand the cost drivers behind your budget lines as they seem to be much higher than what we are facing in the market. I have attached that letter to save repeating the request here. If we are to work together to better understand your position, there needs to be an increased level of transparency around your cost drivers.
7. The table below highlights the year to date underspend (right hand column) that could be banked now to save \$2.2 million in opex and also shows that if you continue on your current spend profile in the Planned Maintenance and Monitoring and Investigations activities, how the forecast overspend could be reduced by \$3.8 million.

Underspend YTD (as at end Feb 2023)

	YTD	Run rate per month	Full year @ current run rate	Full year budget	Full year underspend	Bank underspend YTD
Drinking Water Planned	762	95	1,143	1,709	566	381
Drinking Water M&I	896	112	1,344	2,044	700	448
Storm Water Planned	473	59	710	983	274	237
Storm Water M&I	515	64	773	1,280	508	258
Waste Water Planned	698	87	1,047	1,766	719	349
Waste Water M&I	995	124	1,493	2,531	1,039	498
					3,805	2,170

We are committed to working with you and your team to better understand your financial pressures so we can work together to ensure any decisions we make to mitigate them are made based on good evidence and analysis. In order for us to have confidence in advising our Council to make these types of important decisions for the city, it is essential that our advice evidence based and transparent.

To summarise, we are seeking the following information to be provided so we can further our discussions both in regard to this year's budget as well as next year.

- Planned maintenance programme that was budgeted to be delivered this financial year
- Planned maintenance items that will not be delivered if WWL continues at its current run rate of spend.
- Monitoring and investigations programme that was budgeted to be delivered this financial year
- Monitoring and investigations items that will not be delivered if WWL continues at its current run rate of spend.
- Details of cost drivers in reactive maintenance - such as number of events and trend of average cost per event.
- Details of increasing labour and material costs backed up by some actual examples (or trend graph) of this year vs last year.

I look forward to discussing our information requests with your team within the next couple of weeks as they apply to both this year and next year's cost pressures.

Best Regards,

A handwritten signature in black ink, appearing to read 'Siobhan Procter', written in a cursive style.

Siobhan Procter
Chief Infrastructure Office

10 November 2022

By email only: julie.alexander@wellingtonwater.co.nz

Dear Julie

Re: Preliminary Three Waters 2023/24 Annual Plan Opex Advice for WCC

I refer to your memo dated 4 November and can provide the following feedback.

As a general comment, my team and I have struggled to align the narrative with the requests for further funding and as a result of that I am not in a position to agree to any of the recommendations at this time.

As discussed with your team previously, at a minimum we need to see what the LTP budget lines for cost pressure activities is against the forecast increased cost line.

With this in mind, I refer you back to the terms of our Management Services Contract (MSC) specifically:

11 Three Year Plan, Annual Work Programme, One Budget Charges and Additional Services

Three Year Plan and Annual Work Programme

- 11.1 By 1 September each year, or by another date agreed with Council, Wellington Water will provide to Council a draft rolling Three Year Plan, for the period from 1 July to 30 June of any one year.
- 11.2 The draft Three Year Plan will detail:
 - 11.2.1 for the next Financial Year commencing 1 July;
 - (a) the full draft Annual Work Programme;
 - (b) the One Budget Charges for the next Financial Year commencing 1 July (and, from the Financial Year commencing 1 July 2019 following confirmation of Council's 2018-21 LTP, such One Budget Charges will not be less than the One Budget Charges forecasted for that Financial Year in the previous year's Three Year Plan, unless agreed otherwise);
 - (c) any proposed amendments to the Key Performance Indicators;

- (d) any amendments to the Opex Charge Scope, Management Charge Scope, Contingency Sum or the Unexpected Event Reserve Cap; and
- 11.2.2 for the following two Financial Years, the forecast high level Annual Work Programme and the forecast One Budget Charges.
- 11.3 Each year, Wellington Water and Council will agree a final Three Year Plan based on the draft provided under clause 11.1 and in accordance with the process and timeframes set out in Schedule 6. The final Three Year Plan will be approved by the Wellington Water Board and agreed in writing by the Chief Executives or delegated representatives of both Wellington Water and Council by 30 June each year, excluding any carry-forwards still to be agreed at that point.
- 11.4 Once agreed, the Three Year Plan may only be altered in terms of programme content and budget during the course of the Financial Year by written agreement of Wellington Water and Council.
- 11.8 If the Three Year Plan is not agreed by 30 June for the following Financial Year, until such time as the Three Year Plan is agreed, the One Budget Charges will be based on the amount forecast for that year in the Three Year Plan adopted the previous Financial Year. Once the Three Year Plan is agreed, the One Budget Charges will be recalculated and the updated Three Year Plan (including the One Budget Charges) will be applied retrospectively from the start of the Financial Year.

This process is specified in our MSC to provide a framework for budget changes against approved LTP budgets and it would be greatly appreciated if this approach could be adopted this year to avoid the delays we experienced last year in terms of receiving the supporting detail we require to justify any changes to our Annual Plan budget.

Given we are well and truly beyond 1 September, at the very latest, we need to receive WWL's plan for the 2023/2024 financial year by **COB Monday 5th of December 2022** to align with our budgetary process.

WWL's Three Year Plan should clearly articulate the areas where there are changes from the current approved Opex budget for 2023/2024 of \$44.7m. This will need to be supported by further commentary and evidence, as outlined below.

Reactive Maintenance:

- Provide trend in increase in reactive maintenance request and upward trend of average cost per request.
- Details of increasing labour and material costs backed up by some actual examples (or trend graph) of this year vs last year.

Planned Maintenance:

- Historic trend of frequency and cost per unit of main planned maintenance items, supporting a forecast of what can be achieved from current budget and how much would be required to maintain current service.

Investigations

- Forecast forward of what can be achieved from current budget and how many more investigations will be possible for different budget levels.

VHCA

- Please provide a list of reservoirs that require additional funding and detail the inspection and servicing required for each reservoir.

Assets Register

- DIA has provided \$390K specifically Asset Management planning in addition to the \$600k WCC transition costs of which a portion of this was tagged for. WCC also approved a further \$266K to be funded out of our transition funding allowance on 21 October 2022. Please provide specific details on how the further funding requests will accelerate this work and the programme schedule for each asset class.
- Further I would like confirmation of that the additional \$500K per year that WCC has provided since 2019/20 be spent on Priority 3 Asset Quality information- asset collection for high criticality assets as requested on 21 October 2022.

Growth Studies

- As per original direction for the growth studies, our priority remains focusing on Newtown, Central City, Tawa and Johnsonville. Do not commence work on the Southern areas at this time.

Labour costs

- Please provide evidence of labour costs and market remuneration data to support the advice.

Management Fee

- We cannot agree to a change in Management Fee until we have assessed the 23/24 annual work plan against the current approved LTP as we need assurance that there is an increase in delivery that warrants the increase in the Management Services Fee.

Cyber Security

- What are the additional residual risks and pressure this funding will address?

We trust that this feedback is helpful and would welcome further discussion on the above.



Siobhan Procter
Chief Infrastructure Officer

8 February 2023

By email only: julie.alexander@wellingtonwater.co.nz

Dear Julie

Re: 2023/24 Opex Annual Plan Request

I refer to your memos dated 5 December and 16 December 2022 and can provide the following feedback and direction.

I would like to couch this response in the context of a significant uplift in opex funding for WWL which has seen a doubling of opex over the last 6 years. More recently, this uplift has included additional opex investment support for:

- An under budgeting of reactive maintenance in the 2021/31 LTP
- sustainable water supply improvements
- healthy waters wastewater catchment assessments
- critical asset condition collection and assessments
- water treatment plant cost pressures
- the adoption of a new wastewater laterals policy

More recently, WCC have responded to further requests to address the ongoing issue of leaks across the city in this current financial year (2022/23) by agreeing to increase the Reactive Maintenance response to leaks by a further \$2m and agreed an additional \$1.3m to cover the risks associated with the failure of the wastewater long outfall from the Karori treatment plant.

Your request for another \$10.4 million in opex for the next financial year equates to a further 23% on current levels.

We have reviewed the information you have provided in both memos and consider the majority of the additional opex to be for activities that should have been reasonably foreseen when providing us with investment advice during the LTP process and more recently, in last year's annual planning process.

Taking this approach excludes all categories of investment with the exception of:

- \$2 million to continue funding the reactive maintenance work required for leaks
- \$0.310 million to continue with the condition assessment programme

The other categories of work should either have been anticipated at the time of providing previous investment advice or are new, both of which infer an increase in level of service should the full figure be approved by Council. To this end, it is of concern that you state that "if the additional recommended funding is not granted, Wellington Water will be required to stop some activities currently being undertaken." I would appreciate you confirming by return that Wellington Water is planning to operate within its agreed budget for this financial year and next, once those budgets have been set.

In terms of process from here, we will include your request for the additional \$10.4 million in opex as an option for Council to consider with officer advice to approve an additional \$2.31 million as outlined above.

Should the further funding be approved, Wellington Water's Opex for the FY23/24 will increase to \$47,026,151m as compared to the originally adopted LTP of \$39,715,151m - an increase of 18%.

As always, I am more than happy to discuss our approach further with you and your team.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'S. Procter', is positioned above the printed name.

Siobhan Procter
Chief Infrastructure Officer