

**Advice to Upper Hutt City Council Regarding Three Waters Capital Delivery Plan for the Financial Years 2023/24 and 2024/25**


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TO Geoff Swainson, Director of Asset Management and Operations, Upper Hutt City Council

COPIED TO Peter Wells, Head of Service Planning, Wellington Water

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

DATE 19 May 2023

**Action sought**


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	<b>Action sought</b>	<b>Deadline</b>
Geoff Swainson, Director of Asset Management and Operations	<b>Note</b> the contents of this paper and respond in writing to the recommendations	16 June 2023

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


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

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## Purpose

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1. This paper advises Upper Hutt City 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 4 November 2022.

## Recommended action

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It is recommended that Council:

- a. **agree** to carry over remaining budget from FY2021/22 and FY2022/23, currently forecast at approximately \$15.200m, into the final budget for FY2023/24;
- b. **confirm** the three waters capital budget for FY2023/24 is \$26.582m, inclusive of this carry over from FY2021/22 and FY2022/23;
- c. **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;
- d. **note** that Wellington Water is signalling an indicative FY2024/25 budget of \$34.556m, \$28.124m above Council's FY2024/25 approved Long Term Plan budget of \$6.432m, to continue year-on-year growth of the capital delivery plan;
- e. **note** that the proposed capital delivery plan for FY2024/25 is indicative and still being developed, 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

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3. In previous advice to you dated 4 November 2022, we advised we were seeking an FY2023/24 CAPEX budget of \$21.313m, made up of \$9.834m LTP budget and a forecast carryover at that time of \$11.479m. We have subsequently been advised by Council officers on 11 May 2023 that the indicative FY2023/24 LTP budget, inclusive of the approximately \$15.200m underspent budget from FY2021/22 and FY2022/23 carried forward to FY2023/24, is \$26.582m.
4. As noted in our previous advice, and in accordance with the direction of the Water Committee, Wellington Water has been working on sustainably growing the capital programme over the past few years, in order to address the city and regional three waters infrastructure deficit.
5. Council's FY2024/25 LTP budget is \$6.432m and while the final funding levels from FY2024/25 onwards are subject to Council LTP and Three Waters Reform processes, Wellington Water

advises the FY2024/25 budget will need to be much greater than this to continue the year-on-year capital growth model.

6. We propose an indicative FY2024/25 budget of \$34.556m should be considered by Council. This is a 30% increase on the FY2023/24 budget of \$26.582m. This level of funding would continue the year-on-year capital growth model and would 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.
7. Figure 1 illustrates that while there is forecast to be a dip in Council’s CAPEX this year, the capital delivery plan is gearing up to reflect the year-on-year growth we are aiming for.

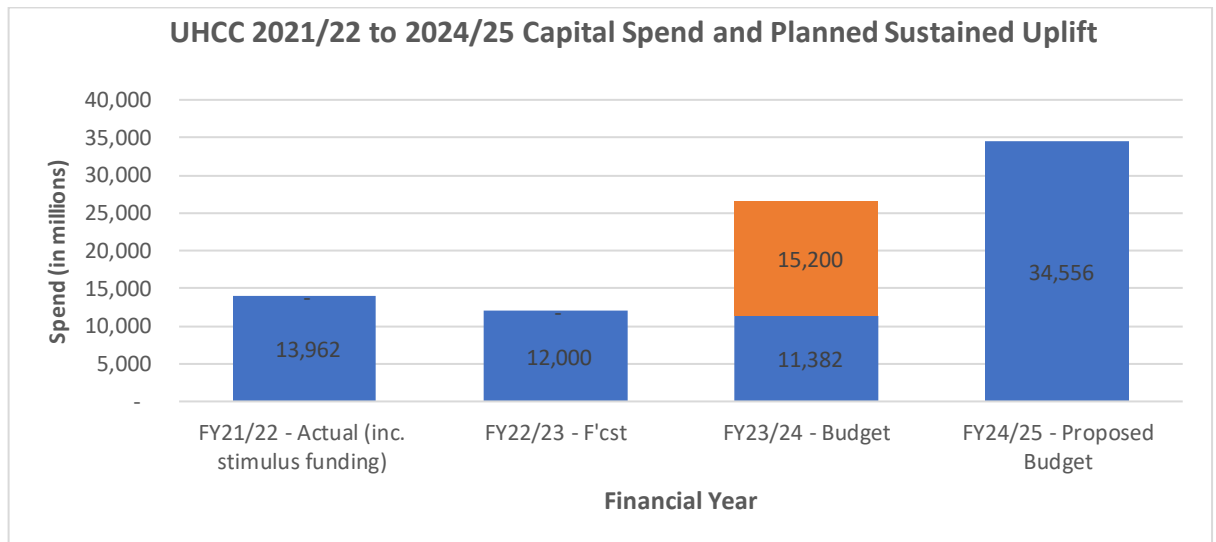


Figure 1: Upper Hutt City Council CAPEX – FY2021-2025

8. We have now developed a capital delivery plan for FY2023/24 and indicative plan FY2024/25. These plans are overprogrammed with more projects in them than the available budget to help mitigate delivery risk. The capital delivery plan is more likely to come in close to budget at the end of the financial year using this overprogramming approach as it allows new projects to start should the schedules of other projects underway start to shift.
9. The Pinehaven Stream Stormwater Upgrade project is an exception to this approach. Budget has been specifically allocated to this project so the overprogramming against the budget will only apply to budget excluding the Pinehaven Stream Stormwater Upgrade project.
10. Council’s capital delivery programme has been planned to the following ranges:
  - a. FY2023/24: \$26.581m (100%) - \$27.727m (overprogrammed); and
  - b. FY2024/25: \$34.556m (100%) - \$36.506m (overprogrammed).
11. Council’s FY2023/24 overprogrammed capital delivery plan includes a total of 55 projects. Our intention is to manage delivery of these projects within the approved budget. The FY2023/24 plan comprises:
  - \$5.900m for the Pinehaven Stream Stormwater Upgrade
  - \$4.559m for the Council’s 30% share of Hutt City Council Joint Venture (JV) Costs
  - \$14.468m for renewals projects (excluding JV)
  - \$2.600m for other capital projects (including projects self-delivered by operations (minor works and reactive))

12. Table 1 and table 2 illustrates expenditure levels of the overprogrammed FY2023/24 and FY2024/25 capital delivery plan by water type and Local Government Act 2002 (LGA) classification.

*Table 1: Summary of proposed overprogrammed expenditure for FY2023/24 and FY2024/25 by water and LGA classification (\$)*

Water	Investment Category	FY2023/24 Approved Budget (\$)	FY2023/24 Overprogrammed Budgeted (\$)	FY2024/25 Approved Budget (\$) <sup>(1)</sup>	FY2024/25 Overprogrammed Budgeted (\$)
Drinking Water	Growth	57,564	150,000	74,833	150,000
	Level of Service	737,855	926,804	959,212	4,054,527
	Renewal	3,221,871	6,157,500	4,188,432	5,695,484
<b>Total Drinking Water</b>		<b>4,017,290</b>	<b>7,234,304</b>	<b>5,222,477</b>	<b>9,900,011</b>
Stormwater	Growth	57,564	50,000	74,833	100,000
	Level of Service	8,619,534	6,781,665	11,205,395	10,859,654
	Renewal	64,126	110,000	83,364	200,000
<b>Total Stormwater</b>		<b>8,741,224</b>	<b>6,941,665</b>	<b>11,363,592</b>	<b>11,159,654</b>
Wastewater	Growth	86,346	100,000	112,250	150,000
	Level of Service	18,075	692,065	23,498	655,600
	Renewal	4,300,556	8,200,000	5,590,723	5,825,000
<b>Total Wastewater</b>		<b>4,404,977</b>	<b>8,992,065</b>	<b>5,726,470</b>	<b>6,630,600</b>
Wastewater JV	Growth	-	-	-	-
	Level of Service	-	-	-	-
	Renewal	9,418,087	4,558,980	12,243,513	8,815,480
<b>Total Wastewater JV</b>		<b>9,418,087</b>	<b>4,558,980</b>	<b>12,243,513</b>	<b>8,815,480</b>
<b>Grand Total</b>		<b>26,581,579</b>	<b>27,727,014</b>	<b>34,556,052</b>	<b>36,505,745</b>

<sup>(1)</sup> Subject to confirmation through the Council LTP process and by the NTU.

13. Appendix A provides the full list of projects that make up Councils overprogrammed FY2023/24 capital delivery plan and indicative FY2024/25 capital delivery plan.

## Risks

14. Changes to the Three Waters Reform, and the anticipated 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 that follows the year-on-year capital delivery plan growth model, 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.
15. As noted, Wellington Water intends to manage the programme within the overall approved budget but to do this, some projects may need to be slowed down or pushed out. This type of programme management approach will likely increase individual project costs further.
16. 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.
17. 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.
18. Industry-wide resource and supply chain constraints of both materials and personnel continue to impact the delivery of projects. 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

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19. Please provide a response to the recommendations in this paper to Julie Alexander by 9 June 2023.

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

Water	LGA Classification	Project Name	FY2023/24 WWL Recommended Overprogrammed Budgeted (\$s)	FY2024/25 WWL Recommended Overprogrammed Budgeted (\$s)
Drinking Water	Renewal	Bristol St water main renewal	-	1,500,000
Drinking Water	Level of Service	UHCC Management of Fire Hydrant Use	450,000	-
Drinking Water	Renewal	Chatsworth Road (Whitemans Rd to 58) Watermain Renewal	2,200,000	2,800,000
Drinking Water	Renewal	Mt Marua Pump Station Renewal and seismic upgrade	10,000	-
Drinking Water	Renewal	Totara Park Road - Bridge Pipework Seismic Strengthening	3,000,000	10,484
Drinking Water	Level of Service	UHCC Model Update and Calibration - PW	40,000	50,000
Drinking Water	Level of Service	Timberlea Water Supply PS upgrade	10,000	-
Drinking Water	Renewal	Maymorn Pump Station Renewal	10,000	-
Drinking Water	Level of Service	UHCC Firefighting upgrades	100,000	1,237,467
Drinking Water	Level of Service	Trentham reservoir number 1 seismic strengthening	82,944	829,440
Drinking Water	Level of Service	Commerical Water Meter - Change of Ownership	-	500,000
Drinking Water	Level of Service	Pinehaven Number 2 Reservoir seismic strengthening	43,200	432,000
Drinking Water	Level of Service	Riverstone Terraces Pump Station seismic upgrade	34,560	311,040
Drinking Water	Level of Service	City pump stations seismic strengthening programme	30,000	300,000
Drinking Water	Level of Service	Chatsworth Reservoir seismic strenthening	-	51,840
Drinking Water	Level of Service	Kingsley Heights Pump Station seismic upgrade	-	51,840
Drinking Water	Growth	Akatarawa Reservoir	100,000	100,000
Drinking Water	Renewal	UHCC CIR Equipment Renewals	22,500	-
Drinking Water	Renewal	UHCC Resilient Reservoir Emergency Supply Equipment Procurement	25,000	-
Drinking Water	Renewal	UHCC-PW-VHCA Pipe Renewal Programme	-	25,000
Drinking Water	Renewal	UHCC-WW-VHCA Pipe Renewal Programme	20,000	100,000
Drinking Water	Renewal	UHCC Water Pump Station REACTIVE Renewals	25,000	40,000
Drinking Water	Renewal	UHCC Water Pump Station PLANNED Renewals	25,000	40,000
Drinking Water	Renewal	UHCC Reservoir VHCA Remedial Works	200,000	500,000
Drinking Water	Renewal	UHCC District Meter Area REACTIVE Renewals	20,000	80,000
Drinking Water	Growth	Drinking water development projects – reactive	50,000	50,000
Drinking Water	Renewal	UHCC District Meter Area PLANNED Renewals	150,000	150,000
Drinking Water	Level of Service	UHCC Pressure Management Stage 2	116,100	270,900
Drinking Water	Renewal	Dedicated Service Connections Renewals	450,000	450,000
Drinking Water	Level of Service	Reservoir Access Health and Safety Improvements	20,000	20,000
Drinking Water	Level of Service	Totara Park Road Bridge Water main Renewal	-	-
Stormwater	Level of Service	UHCC Global consent for operations and maintenance works in streams	15,000	15,000
Stormwater	Level of Service	UHCC SW manhole cover safety improvements	500,000	-
Stormwater	Level of Service	UHCC-CPX-Global SW Consenting	75,000	55,000
Stormwater	Level of Service	Pinehaven Stream Stormwater Upgrade Work	5,900,000	10,000,000
Stormwater	Level of Service	UHCC Model Update and Calibration - SW	60,000	60,000

Stormwater	Level of Service	Stormwater Network Model Build and Flood Mapping	25,000	250,000
Stormwater	Level of Service	DC3 - CAPEX SW quality: Restoring and/or daylighting natural channels.	-	20,000
Stormwater	Level of Service	OM4-1 - CAPEX SW quality: Condition assessments Programme	15,999	79,996
Stormwater	Level of Service	SP3-1 - CAPEX SW quality: Green Infrastructure Delivery	13,333	66,663
Stormwater	Level of Service	SP7-1 - CAPEX SW quality: Leading by Example	13,333	66,663
Stormwater	Level of Service	Freshwater Management tool - Build	6,000	60,000
Stormwater	Level of Service	Capital Carbon Modelling	-	50,000
Stormwater	Level of Service	DC9 - CAPEX SW quality: Cross Contamination Elimination Programme	-	-
Stormwater	Level of Service	MI3 - CAPEX SW quality: Site-specific contaminant load model	-	13,333
Stormwater	Level of Service	OM1-1 - CAPEX SW quality: Enhanced Streams Works programme	-	11,999
Stormwater	Level of Service	MI2 - CAPEX SW quality: Regional Contaminant Load Model	-	1,600
Stormwater	Growth	Marion Street SW Pipe & Network Upgrades	-	50,000
Stormwater	Level of Service	Edelweiss Grove Stormwater Improvement	50,000	50,000
Stormwater	Renewal	UHCC-SW-VHCA Pipe Renewal Programme	20,000	100,000
Stormwater	Renewal	UHCC Stormwater Pump Stations REACTIVE Renewals	40,000	50,000
Stormwater	Renewal	UHCC Stormwater Pump Stations PLANNED Renewals	50,000	50,000
Stormwater	Growth	Stormwater development projects – reactive	50,000	50,000
Stormwater	Level of Service	Network discharges programme: subcatchment stormwater management plan	108,000	59,400
Wastewater	Renewal	Martin Street WW Renewals	4,100,000	-
Wastewater	Renewal	Logan St Wastewater Renewal	4,000,000	-
Wastewater	Renewal	Gibbons Street Wastewater Upgrades	-	4,500,000
Wastewater	Level of Service	UHCC WW manhole cover safety improvements	250,000	-
Wastewater	Level of Service	UHCC Model Update and Calibration - WW	80,000	40,000
Wastewater	Level of Service	Resource consent dry weather waste water network blockages	32,400	162,000
Wastewater	Growth	Trentham South WW Pipe Upgrade	-	50,000
Wastewater	Growth	Akatarawa Wastewater Pump Station	50,000	50,000
Wastewater	Renewal	Cole Grove Wastewater Renewal	-	1,200,000
Wastewater	Renewal	Murray St WW Renewal	-	-
Wastewater	Level of Service	Smart Wastewater Network (Regional) - UHCC	48,865	-
Wastewater	Renewal	VHCA-148 Fergusson Drive WW Renewal	-	-
Wastewater	Renewal	UHCC Wastewater Pump Stations REACTIVE Renewals	50,000	50,000
Wastewater	Renewal	UHCC Wastewater Pump Stations PLANNED Renewals	50,000	75,000
Wastewater	Level of Service	Network Discharges Programme: Early establishment of collaborative committee	-	54,000
Wastewater	Level of Service	Network Discharges Programme: wet weather overflows Strategic Reduction Plan	162,000	162,000
Wastewater	Growth	Wastewater development projects – reactive	50,000	50,000
Wastewater	Level of Service	Network discharges programme: pilot subcatchment wastewater wet weather overflows reduction plan	118,800	237,600
Wastewater JV	Level of Service	Totara Park Road Bridge Wastewater Main Renewal (JV project)	900,000	-
Wastewater JV	Renewal	UHCC-WWJV-VHCA Pipe Renewal Programme	-	25,000
Wastewater JV	Renewal	30% Share of HCC JV projects	3,658,980	8,790,480
			<b>27,727,014</b>	<b>36,505,745</b>