

Advice to Hutt City Council (HCC) Regarding Three Waters Services Capital Expenditure (CAPEX) Delivery Plan for the Financial Years 2022/23 and 2023/24 (Y2&3 CDP)

TO Bruce Hodgins, Strategic Advisor, HCC

COPIED TO Hutt City Council: Karl Eagle, Daniel Koenders
Wellington Water: Tonia Haskell, Kevin Locke, Oggie Kralj, Gary Cullen, Damian Campbell, Jane Boydon

FROM Susannah Cullen, Manager Programme Practice

DATE 13 June 2022

Action sought

	Action sought	Deadline
Bruce Hodgins Strategic Advisor, HCC	Approve the recommendations in this paper.	17 June 2022

Contact for telephone discussion (if required)

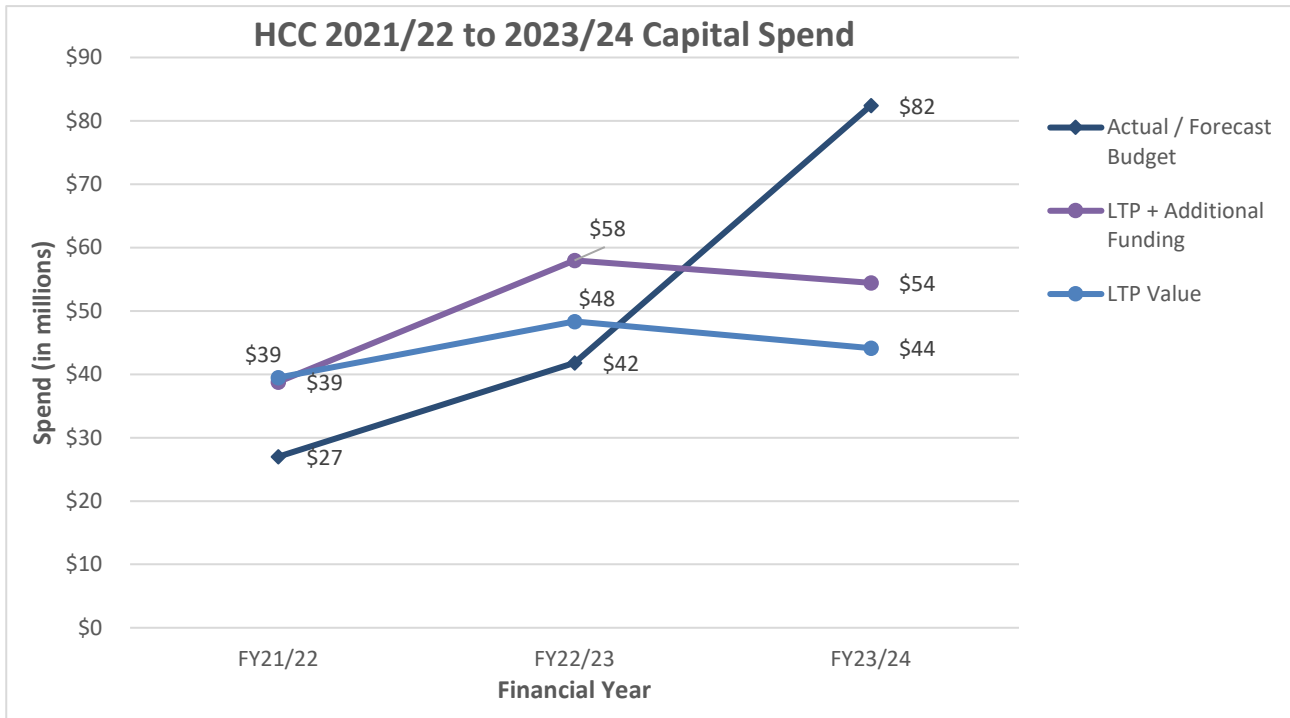
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Purpose of this advice

1. This paper provides a high-level summary of the capital delivery plan (CDP) Wellington Water plans to deliver in Year 2 of the Long Term Plan (LTP) (2022/23).
2. To identify and comment on significant risks or opportunities to the CDP.

Summary

3. The requested budget for 2022/23 is **\$41.8M**.
4. It is noted that the value of forecast work for 2022/23 where contracts are already awarded is (\$35.2M) and works forecast to be awarded before the end of the current financial year is (\$8.4M); a total of \$43.6M.
5. The approved LTP value for 2022/23 is \$48.3M.
6. An additional \$9.6M of funding has been allocated through the Annual Plan process for Barber Grove, Seaview and Valley Floor Growth (see Appendix A) in 2022/23.
7. The total approved LTP + additional funding for 2022/23 is \$58.0M.
8. Wellington Water have adopted a strategy to deliver Years 1 to 3 of the LTP as a combined three-year programme. We are tracking towards underspending in 2021/22 by approximately \$11.8M (based on a current forecast of \$27M spend for 2021/22 against agreed Annual Plan Funding of \$38.8M). This underspend will be redistributed in 2023/24.
9. The difference between the requested budget for 2022/23 (Item 3) and the Annual Plan budget for 2022/23 (Item 7) is \$16.2M; this has been redistributed to 2023/24.
10. The total forecast value of the programme proposed for 2022/23 is **\$64.7M**.
11. The project value of the programme for 2022/23 represents **155%** of the proposed budget. This over-programming against the proposed budget has been purposefully introduced to mitigate delivery risks and optimism bias in delivery capacity.
12. It is the intention of Wellington Water to manage the delivery of these projects within the cumulative 3-year budget envelope, using the Delegated Authorities within both Wellington Water and HCC to manage movements between Financial Years and Council Budgets as required (see Appendix C).
13. Progress against the budget spend will be reported throughout 2022/23 via the established monthly finance and programme meetings.
14. Works to begin delivery of some projects identified through the Very High Criticality Assets (VHCA) assessment programme have been introduced into the 2022/23 plan and will continue to be developed throughout FY22/23.
15. The plan for delivery in 2023/24 will be further developed throughout 2022/23.
16. There remains a risk across the region relating to availability of resources (materials and personnel).



Introduction

17. Wellington Water has been working to improve the effectiveness of what we are delivering. What we mean by this is having a focus on delivering the right assets at the right time; whether that be a renewal, level of service increase or to support growth, noting that our current emphasis is on renewals. We are also working to improve the efficiency of our programme delivery and beginning to bring in projects from the very high criticality asset assessment programme which will contribute to improving our effectiveness.

HCC Capex

18. The confirmed uninflated HCC Long Term Plan (LTP) CAPEX investment is \$48.3M and \$44.1M for 2022/23 and 2023/24 respectively.
19. We are tracking towards underspending in 2021/22 by approximately **\$11.8M** (based on a current forecast of \$27M spend for 2021/22 and the LTP 2021/22 budget of \$38.8M); this underspend will be redistributed in 2023/24.
20. Additional funding of \$9.6M and \$10.3M above the approved LTP has been allocated for Barber Grove, Seaview, Petone Collecting Sewer and Valley Floor Growth Projects in 2022/23 and 2023/24 respectively. These are summarised at Appendix A.
21. We have proposed a programme for 2022/23 of 96 projects with a total value of **\$64.7M** (see Appendix B). The proposals comprise:
- 4 major projects = \$21.8M
 - 29 other capital projects = \$30.4M
 - 2 land development contributions = \$2.4M
 - 3 consenting projects = \$650K
 - Operations delivered minor works and reactive renewals budgets = \$9.45M

22. It is noted that of the projects proposed, 8 have contracts in place, with a forecast spend in 2022/23 of **\$35.2M** (see Appendix B1). A further 6 projects are close to award of contract (see Appendix B2); the forecast spend for these contracts in 2022/23 is **\$8.4M**.
23. With the majority of the proposed spend for 2022/23 forecast for projects that have contracts awarded, and in some cases, construction having already started, the spend profile will be more evenly distributed throughout the year in contrast to previous years.
24. With a total committed, or close to committed, spend of **\$43.6M**, and the major projects comprising a large proportion of the budget for 2022/23, we have a high level of confidence in delivery of the programme.
25. Other proposed projects (Appendix B3) will continue to be progressed as part of the three-year capital delivery programme, in addition to the committed projects in Appendix B1 and B2. To enable progress on all line items, it is proposed that the HCC 2022/23 budget against each line item is pro-rated down, so that the total of the programme is \$41.8M. On a quarterly basis the forecasts will be reassessed at a programme level and communicated with HCC to discuss and agree next steps, including whether funding will be brought forward under HCC's "Bringing forward of capex budgets" delegation (see Appendix C).

Risks & Opportunities

26. **Delivery of Proposed 2022/23 & 2023/24 CDP** - historically, Wellington Water has underspent capital against council budgets. We have worked to mitigate this risk by over-programming against the LTP across the three years, and by working to get contracts awarded early
27. **Delivery of the VHCA Programme** – initial works to identify the VHCA renewal programme of works is underway, and an allowance has been made for scoping and planning some projects in 2022/23, but the full scale of the works required is not yet fully understood. Wellington Water will provide updates on the programme as it develops.
28. **Resource and Supply Chain Constraints** – there is currently an industry wide constraint in availability of resources (both materials and personnel) which may impact the delivery of projects. To mitigate the likelihood and impact of this risk, we have worked with Consultant and Contractors to apply a deliverability lens across the projects proposed i.e., to only propose projects that we are confident we can deliver within the current known constraints.
29. **COVID Pandemic** - We continue to face impacts of the global COVID pandemic. We expect to continue to see challenges with illness, global supply chains, freight and transportation and associated price increases which will impact delivery of the programme.
30. **Exceeding Allocated Budget** – there is a risk that budget may need to be brought forward from 2023/24 to 2022/23. Wellington Water will review the forecast at the end of each quarter to establish whether funding will need to be brought forward from 2023/24.

Next steps

31. Finalise budgets with HCC.
32. Once the 2022/23 CDP is agreed with HCC, we will communicate the plan with Wellington Water Groups, the Consultant Panel and Contractor Panel, and commence delivery.
33. Delivery against the agreed budget will be monitored throughout 2022/23 and progress updates communicated to the council established monthly finance and programme meetings.
34. We will develop the 2023/24 plan with a plan to submit the first draft to HCC in September 2022 to inform the next draft Annual Plan, with the final 2023/24 programme to be agreed at the start of Q4 2022/23.

Recommended action

35. We recommend that you:
- a **note** that the value of the proposed projects exceeds the proposed budget and the council's LTP budget for 2022/23; this is purposeful to help mitigate delivery of risk of underspending against the council budgets.
 - b **note** we propose to review the programme forecast at the end of each quarter of 2022/23 to establish whether funding from 2023/24 needs to be brought forward.
 - c **consider** the risks and issues identified above.
 - d **note** that further work will be required to determine the 2023/24 budget and plan ahead of the preparation of the next draft annual plan.

Appendix A - Summary of LTP and Additional Funding

	Year 1 (2021/22) (\$M)	Year 2 (2022/23) (\$M)	Year 3 (2023/23) (\$M)	Total
LTP Value	39.5	48.3	44.1	132.0
Additional Funding (Annual Plan)				
Barber Grove	-2.9	6.5	-	3.6
Seaview	0.135	0.126	-8.106	-7.845
Petone Collecting Sewer	0.883	-	-	0.883
Valley Floor	1.19	3.01	18.42	22.62
Sub-Total	-0.69	9.64	10.31	19.26
Revised LTP Value	38.8	58.0	54.4	151.2

Appendix B1 – Proposed Projects – Contracts Awarded

The following projects already have contracts awarded:

Project Title	Water Type	LGA Classification	Value 2022/23 (\$)
Trunk Type B Network Development - Barber Grove to Wastewater Treatment Plant Duplication	Wastewater JV	Renewal	18,300,000
Avalon WW Renewals Programme 21-22	Wastewater	Renewal	5,500,000
Wainuiomata Wastewater Renewals 21-22	Wastewater	Renewal	5,000,000
Wainuiomata Water Supply Renewals 21 - 22	Water	Renewal	3,200,000
Copeland Street and Oxford Terrace – Critical Pipelines Seismic Upgrade	Water	Renewal	2,400,000
Naenae Sewer Renewals - Wilkie Swainson & Grierson Seddon St	Wastewater	Renewal	400,000
HCC Sewer Renewals - White lines East, Rahui Grove and Laery Street	Wastewater	Level of Service	300,000
Port Road (53 Port Rd - Hutt Park Roundabout) Watermain Renewal	Water	Renewal	80,000
Total			35,180,000

Appendix B2 – Proposed Projects – Contracts Close to Award

It is anticipated that the following contracts will be awarded before the end of the current financial year (2021/22):

Project Title	Water Type	LGA Classification	Value 2022/23 (\$)
Knights Road - Colin Grove E Coli - Wastewater	Wastewater	Renewal	2,000,000
Naenae Reservoir - Water Safety	Water	Level of Service	2,000,000
Knights Road - Colin Grove E Coli - Stormwater	Stormwater	Renewal	1,500,000
Epuni and Woburn WW Network Upgrades	Wastewater	Level of Service	1,000,000
Dowse Dr Stormwater Improvement	Stormwater	Level of Service	975,000
Bell Road	Wastewater	Renewal	940,000
Total			8,415,000

Appendix B3 – Other Proposed Projects for 2022/23

Project Title	Water Type	LGA Classification	Value 2022/23 (\$)
HCC JV WWTP Planned Renewals	Wastewater JV	Renewal	3,200,000
Riverlink / Hutt CBD Sewer Bypass	Wastewater	Growth	2,000,000
Naenae No 2 Reservoir and Outlet Main	Water	Growth	1,800,000
Wilkie Cres Watermains Renewal and Upgrade	Water	Renewal	1,300,000
Trunk Type B Network Development - Petone Collecting Wastewater Upgrade	Wastewater JV	Renewal	1,000,000
Gracefield Wastewater Renewals	Wastewater	Renewal	1,000,000
HCC Water Main Renewals	Water	Renewal	700,000
Seaview WWTP Wastewater Storage	Wastewater JV	Level of Service	700,000
Wainui Road and Rishworth Street Sewer Renewals	Wastewater	Renewal	600,000
HCC WWJV - Major Pump Stations PLANNED Renewals	Wastewater JV	Renewal	540,000
HCC Wastewater Trunk Resource Consent Renewals	Wastewater JV	Level of Service	500,000
HCC Wastewater Pump Stations PLANNED Renewals	Wastewater	Renewal	500,000
North Wise St Wainuiomata WW Pipe upgrades	Wastewater	Growth	416,000

Project Title	Water Type	LGA Classification	Value 2022/23 (\$)
HCC-SW-VHCA Pipe Renewal Programme	Stormwater	Renewal	400,000
HCC-WWJV-VHCA Pipe Renewal Programme	Wastewater JV	Renewal	400,000
HCC-WW-VHCA Pipe Renewal Programme	Wastewater	Renewal	380,000
HCC JV WWTP Reactive Renewals	Wastewater JV	Renewal	330,000
Reservoir safety improvements	Water	Level of Service	300,000
Wellesley College stream inlet and outlet erosion protection	Stormwater	Level of Service	300,000
Jackson Street Stormwater Renewals	Stormwater	Renewal	300,000
HCC Stormwater Network Modelling	Stormwater	Level of Service	250,000
Freshwater Management tool - Build	Stormwater	Level of Service	200,000
HCC Reservoir VHCA Remedial Works	Water	Renewal	200,000
(WSP_03.2) Water take sites - HCC	Water	Level of Service	162,000
HCC SW Reactive Renewals - Network	Stormwater	Renewal	162,000
Stormwater network renewals	Stormwater	Renewal	161,000
HCC WW manhole cover safety improvements	Wastewater	Level of Service	150,000
HCC-CPX-SWS PW Pressure Management	Water	Level of Service	150,000
Waddington Drive (Naenae Road to Seddon to Rata Street) water main renewal	Water	Renewal	150,000
HCC District meter area PLANNED renewals	Water	Renewal	150,000
HCC Reactive Renewals (Water Supply)	Water	Renewal	140,000
HCC Stormwater Pump Stations Energy Conservation	Stormwater	Level of Service	135,000
HCC Stormwater Management Strategy	Stormwater	Level of Service	125,000
HCC WWJV Control Systems Upgrades - HUVA	Wastewater JV	Level Of Service	120,000
SWPS_Pump Station Reactive Renewals (SW)	Stormwater	Renewal	100,000
HCC Wastewater Model	Wastewater	Level of Service	100,000
Victoria Street and Hume Street Stormwater Upgrade	Stormwater	Level of Service	100,000
HCC Management of Fire Hydrant Use	Water	Level of Service	100,000
HCC Water Pump Station REACTIVE Renewals	Water	Renewal	100,000
HCC WWJV - Major Pump Stations REACTIVE Renewals	Wastewater JV	Renewal	100,000
Stokes Valley Catchment Flood Mitigation	Stormwater	Level of Service	100,000
Te Mome Pump Station Renewal and Optimisation	Stormwater	Renewal	100,000
Muritai Rd (92-96) Rona St, Marine Parade (19) Stormwater Upgrades	Stormwater	Level of Service	100,000
HCC Wastewater Pump Stations REACTIVE Renewals	Wastewater	Renewal	80,000
Taita Pump Station Renewals	Water	Renewal	60,000
HCC-CPX-Pharazyn St PS Switchboard Renew	Water	Renewal	60,000
Drinking Water PRV renewals	Water	Renewal	54,000
HCC WS Reactive Renewals - Storage	Water	Renewal	54,000
Localised Pressure Management Pilot	Water	Level of Service	50,000
Dedicated Service Connections Renewals Pilot	Water	Renewal	50,000
HCC Water Pump Station PLANNED Renewals	Water	Renewal	50,000
HCC Stormwater Pump Stations PLANNED Renewals	Stormwater	Renewal	50,000
Ava Street Water Main Renewal	Water	Renewal	50,000
HCC District meter area REACTIVE renewals	Water	Renewal	50,000
Closing Bulk Water Cross Connections - Rata and Sunville Rezoning	Water	Renewal	50,000
District Meter Area (DMA) meter fleet	Water	Level of Service	50,000
Kingsley Reservoir Seismic replacement	Water	Level of Service	50,000
Ava Pump Station	Wastewater JV	Renewal	50,000
Barber Grove Pump Station	Wastewater JV	Renewal	50,000
Point Arthur Pump Station	Wastewater JV	Renewal	50,000
HCC Reactive Works Reservoirs (Operations)	Water	Renewal	48,000
HCC Stormwater Network Minor Works	Stormwater	Renewal	48,000
HCC Wastewater Network Minor Works	Wastewater	Renewal	48,000
HCC Modelling - Potable Water Network	Water	Level of Service	40,000

Project Title	Water Type	LGA Classification	Value 2022/23 (\$)
Surcharging Manholes - Wastewater	Wastewater	Level of Service	33,000
HCC PRV Renewals	Water	Renewal	30,000
(WSP_02.1) Reservoir leakage remediation - HCC	Water	Renewal	27,000
HCC Global consent for operations and maintenance works in streams	Stormwater	Level of Service	20,000
HCC Security Locks Reservoirs	Water	Renewal	15,000
HCC PW Control Systems Renewals	Water	Renewal	15,000
HCC - Battery replacements Base stations (all councils)	Water	Renewal	13,000
HCC - New Smart Services	Water	Level of Service	10,000
HCC Scada Renewals Water Supply	Water	Renewal	6,000
GWRC and 4 Cities SCADA network rationalisation	Water	Level of Service	6,000
GWRC and 4 Cities SCADA network rationalisation	Stormwater	Level of Service	6,000
GWRC and 4 Cities SCADA network rationalisation	Wastewater	Level of Service	6,000
HCC-PW- VHCA Pipe Renewal Programme	Water	Renewal	4,000
HCC Scada Renewals Stormwater	Stormwater	Renewal	2,000
Pharazyn Street Pump Station Safety Issue and Cross Connection Removal Project	Water	Level of Service	1,000
Point Howard to Lowry Bay Link Main	Water	Level of Service	-
Reservoir roof waterproofing - Park	Water	Level of Service	-
Improvement to fish passage	Stormwater	Level of Service	-
Total			21,107,000

Appendix C – Excerpt from Hutt City Council delegation policy

Bringing Forward of Capex Budgets

1. At times CAPEX projects are delayed for a range of reasons, for example due to consenting issues, resourcing constraints or delays with finalising and agreeing the design. Where the overall CAPEX budget for the year is expected to be underspent, the Chief Executive has authority to bring forward and accelerate the delivery of CAPEX projects that were planned in the next two years of the LTP/Annual Plan.
2. The intent here is for the Chief Executive to enable overall progress in the delivery of projects, even if some are experiencing delays. This would be achieved by enabling faster progress of some projects where other projects are progressing more slowly and/or experiencing underspends for that financial year. From a funding perspective, there is effectively a swapping out of projects without having any overall net financial impact.
3. Ahead of any decisions to bring forward CAPEX projects by the Chief Executive, the Mayor and Chairperson of the relevant Subcommittee, would agree an approach to prioritising which projects are brought forward.
4. Changes to the timing of CAPEX projects under this delegation must be notified to the Policy, Finance and Strategy Committee as part of the quarterly financial performance reporting process.
5. The Chief Executive may choose to delegate the approval of this bringing forward of CAPEX projects in this context to Directors.