

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

TO Geoff Swainson, Director of Asset Management and Operations, UHCC

COPIED TO Upper Hutt City Council: Sarah Tunnicliffe
Wellington Water: Tonia Haskell, Julie Alexander

FROM Susannah Cullen, Manager Programme Practice

DATE 01 July 2022

Action sought

	Action sought	Deadline
Geoff Swainson Director of Asset Management and Operations, UHCC	Approve the recommendations in this paper.	08 July 2022

Contact for telephone discussion (if required)

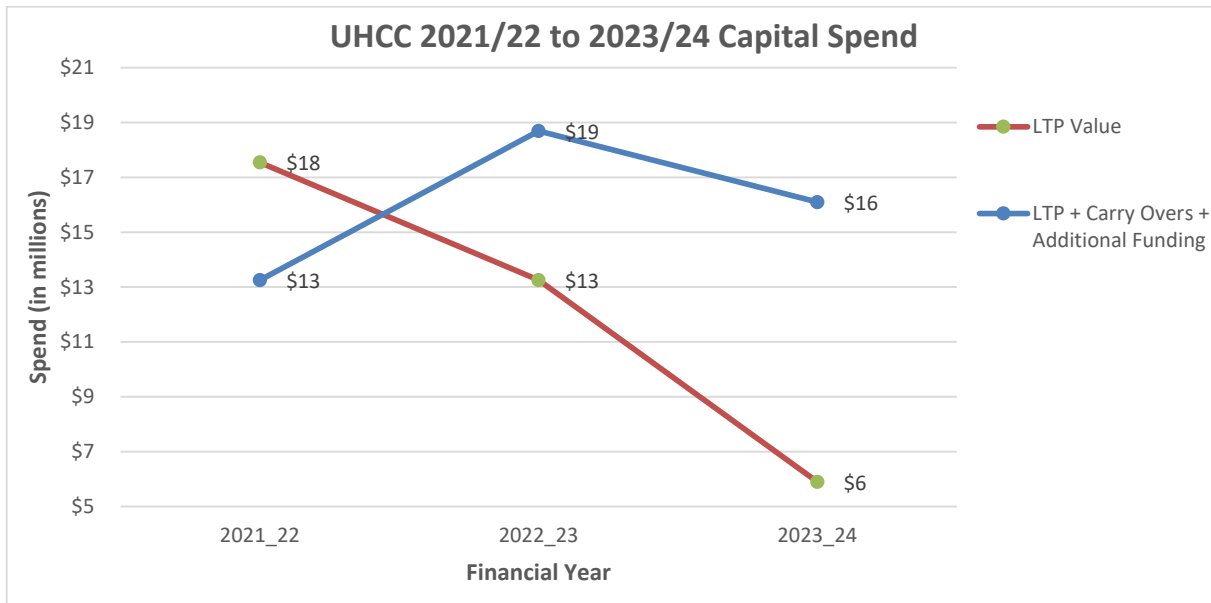
Name	Position	1st Contact	
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Purpose of this advice

1. This paper provides a high-level summary of the draft capital delivery plan (CDP) Wellington Water plans to deliver in Year 2 of the LTP (FY22/23).
2. An indicative plan for delivery in Year 3 (FY23/24) is included for information, noting this will be further refined throughout Year 2.
3. Where significant risks or opportunities have been identified, these are outlined in the following.

Summary

4. The budget requested for Year 2 is **\$18.7M** and the proposed budget for Year 3 is \$16.1M.
5. The approved LTP value for Year 2 is \$13.3M.
6. Total carry-overs from Year 0 and Year 1 are \$10.3M and \$4.3M respectively (total \$14.6M). Of this, we request that \$4.4M be allocated to Year 2 and the remaining \$10.2M be deferred until Year 3. Both are included in the Year 2 and 3 budgets proposed at Item 4.
7. An additional \$1.0M funding is proposed for Year 2; this comprises \$773K for Water Supply projects and \$265K for the Wastewater JV.
8. A summary of the Year 2 budget is presented at Appendix A.
9. A breakdown of spend against the different water types is presented at Appendix B.
10. The total value of the project works proposed for Year 2 is \$20.3M (see Appendix C). This includes \$6M for Pinehaven project and \$7.9M contribution to the wastewater JV.
11. The project value comprises 109% 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. Progress against the budget spend will be reported throughout FY22/23 via the established monthly finance and programme meetings.
13. Works to begin delivery of some projects identified through the Very High Criticality Assets (VHCA) assessment programme have been introduced into the Year 2 plan (FY22/23) and will continue to be developed throughout FY22/23. The plan for delivery in Year 3 (FY 23/24) will be further developed throughout Year 2.
14. There remains a risk across the region relating to availability and cost of materials and labour.



Introduction

15. 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, although 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 VHCA assessment programme will contribute to improving our effectiveness.

UHCC Capex

16. The confirmed UHCC Long Term Plan (LTP) Capex investment is \$13.3M for Year 2 (FY22/23).
17. Carry-overs from Year 0 and Year 1 amount to \$10.3M and \$4.3M respectively (total \$14.6M). To better align with the required spending profile, we request that \$4.4M be allocated to Year 2 and the remainder (\$10.3M) be deferred to Year 3.
18. We have proposed a programme with 44 projects and a total value of \$20.3M (see Appendix C). The proposals comprise:
 - One Major Project (Pinehaven) = \$6.0M
 - 12 other capital projects = \$4.7M
 - Projects self-delivered by operations (minor works and reactive) = \$1.8M
 - JV Network Renewals Capital = \$7.9M
19. It is noted that the major project (Pinehaven Stormwater Upgrade) is proposed at \$6M for Year 2, which exceeds the LTP budget (\$2.2M). We assume that the carry-over from Year 1 (\$3.9M) is used to deliver this project.

Risks & Opportunities

20. **Delivery of Proposed Y2&3 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.
21. **Delivery of the VHCA Programme** – initial works to identify the VHCA programme of works is underway, and an allowance has been made for the scoping of the projects in Year 2, but the full scale of the works required is not yet fully understood. Additional funding will be required in future years to complete these works.
22. **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.
23. **COVID Pandemic** - We continue to face impacts of the global COVID pandemic. We expect to continue to see challenges with global supply chains, freight and transportation and associated price increases which will impact delivery of the programme.
24. **Carry Over from Y1** - carry over approval will be critical, as it includes funding for completion of the construction of the Pinehaven Stormwater project and the Barber Grove to Seaview WWTP Main Collecting Sewer Duplication.

Next steps

25. Meet with UHCC to review the proposed budgets and projects list within the next 2 weeks.
26. Agree any carry over budgets with UHCC and incorporate into the final budget for Year 2 delivery.
27. Once the Year 2 CDP is agreed with UHCC, we will communicate the plan with Wellington Water Groups, the Consultant Panel and Contractor Panel, and commence delivery.
28. Delivery against the agreed budget will be monitored throughout Year 2 and progress updates communicated to the council established monthly finance and programme meetings.
29. We will develop the Year 3 plan through Year 2 with a plan to submit the final Year 3 capital delivery plan at the start of Q4 FY22/23.

Recommended action

26. We recommend that you:
 - a) **note** that the value of the proposed projects exceeds the council's LTP budget; this is purposeful to help mitigate delivery of risk of underspending against the council budgets.
 - b) **note** the importance of the programme carryovers to complete the works in construction and other capital projects.
 - c) **consider** the risks and issues identified above.
 - d) **note** that further work will be required during Year 2 to determine the Year 3 budget and plan.

Appendix A – Budget Breakdown

	LTP Value (\$)	Carry Overs (\$)	Redistribution of Carry-Overs (\$)	Reprofiled LTP + Carry-Overs (\$)	Additional Funding (\$)	Proposed Budgets (LTP + Carry Overs + Additional Funding) (\$)	Total Planned Projects (\$)	Project Forecast vs Revised Budget
Year 1	17,542,050	10,305,410	-	13,250,050		13,250,050	13,250,050	100%
Year 2	13,251,684	4,292,000	4,398,532	17,650,216	1,038,285	18,688,501	20,286,000	109%
Year 3	5,896,157	-	10,198,878	16,095,035	-	16,095,035	30,859,000	192%
TOTALS	36,689,891	14,597,410	14,597,410	46,995,301	1,038,285	48,033,586	64,395,050	134%

Note – the difference between the total for the original 3-year LTP, and the LTP + carry overs, equates to \$10.3M; the carry-over from Year 0.



Appendix B – Year 2 Spend by Water Type

Water Type	LTP Budget (\$)	Y0 Carry Overs (\$)	Year 1 Carry-overs (\$)	Total Carry Overs Available (Y0 and Y1) (\$)	Amount of Carry Over Proposed for spend in Year 2 (\$)	Amount of Carry-Over deferred to Year 3 (\$)	Additional funding for Year 2 (\$)	Year 2 LTP + Carry Over + Additional Funding (\$)	Proposed Projects Value (\$)	Project Forecast vs Revised Budget
Water	1,782,718	805,532	-467,000	338,532	338,532	-	773,285	2,894,535	4,222,000	146%
Stormwater	334,196	226,285	347,000	573,285	-	573,285	-	334,196	395,000	118%
Pinehaven	2,156,888	-	3,944,000	3,944,000	3,944,000	-	-	6,100,888	6,000,000	98%
Wastewater	1,208,815	2,178,282	468,000	2,646,282	300,000	2,346,282	-	1,508,815	1,819,000	121%
Wastewater JV	7,769,067	7,095,311	-	7,095,311	-184,000	7,279,311	265,000	7,850,067	7,850,000	100%
Total	13,251,684	10,305,410	4,292,000	14,597,410	5,436,817	10,198,878	1,038,285	18,688,501	20,286,000	109%

Excluding Pinehaven and Wastewater JV

Water Type	LTP Budget (\$)	Y0 Carry Overs (\$)	Year 1 Carry-overs (\$)	Total Carry Overs Available (Y0 and Y1) (\$)	Amount of Carry Over Proposed for spend in Year 2 (\$)	Amount of Carry-Over deferred to Year 3 (\$)	Additional funding for Year 2 (\$)	Year 2 LTP + Carry Over + Additional Funding (\$)	Proposed Projects Value (\$)	Project Forecast vs Revised Budget
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Wastewater	1,208,815	2,178,282	468,000	2,646,282	300,000	2,346,282	-	1,508,815	1,819,000	121%
Total	3,325,730	3,210,099	348,000	3,558,099	638,532	2,919,567	773,285	4,737,547	6,436,000	136%

Appendix C – Proposed Projects

Project Title	Water Type	LGA Classification	Value Year 2 (\$)	Value Year 3 (\$)
UHCC JV Network Renewals Capital	Wastewater JV	Renewal	7,850,000	10,000,000
Pinehaven Stream Stormwater Upgrade Work	Stormwater	Level of Service	6,000,000	-
Totara Park Road - Bridge Pipework Seismic Strengthening	Water	Renewal	910,000	910,000
Bristol St water main renewal	Water	Renewal	850,000	10,000
Maymorn Pump Station Renewal	Water	Renewal	650,000	-
Gibbons Street Wastewater Upgrades	Wastewater	Renewal	500,000	7,000,000
UHCC-WWJV-VHCA Pipe Renewal Programme	Wastewater	Renewal	475,000	2,540,000
Timberlea Water Supply PS upgrade	Water	Level of Service	450,000	-
Reservoir H&S Upgrade	Water	Level of Service	300,000	-
UHCC Reservoir VHCA Remedial Works	Water	Renewal	270,000	537,000
Mt Marua Pump Station Renewal and seismic upgrade	Water	Renewal	260,000	-
Chatsworth Road (Whitemans Rd to 58) Watermain Renewal	Water	Renewal	250,000	3,500,000
Martin Street WW Renewals	Wastewater	Renewal	250,000	2,000,000
Logan St Wastewater Renewal	Wastewater	Renewal	200,000	1,700,000
UHCC-WW-VHCA Pipe Renewal Programme	Wastewater	Renewal	145,000	1,300,000
UHCC PW Area Meter Renewals	Water	Renewal	70,000	70,000
UHCC-CPX-Global SW Consenting	Stormwater	Level of Service	62,000	71,000
UHCC Model Update and Calibration - SW	Stormwater	Level of Service	60,000	60,000
UHCC Wastewater Pump Stations PLANNED Renewals	Wastewater	Renewal	55,000	50,000
UHCC Water REACTIVE Network Renewals	Water	Renewal	50,000	50,000
UHCC Stormwater REACTIVE Network Renewals	Stormwater	Renewal	50,000	50,000
UHCC Wastewater REACTIVE Network Renewals	Wastewater	Renewal	50,000	50,000
Edelweiss Grove	Stormwater	Renewal	50,000	-
UHCC Stormwater Pump Stations PLANNED Renewals	Stormwater	Renewal	50,000	50,000
UHCC Stormwater Pump Stations REACTIVE Renewals	Stormwater	Renewal	50,000	100,000
UHCC Wastewater Pump Stations REACTIVE Renewals	Wastewater	Renewal	50,000	50,000
UHCC SW manhole cover safety improvements	Stormwater	Level of Service	41,000	50,000
UHCC Model Update and Calibration - WW	Wastewater	Level of Service	40,000	40,000
UHCC Model Update and Calibration - PW	Water	Level of Service	40,000	40,000
UHCC WW Control Systems Upgrades	Wastewater	Level of Service	37,000	37,000
UHCC Water Pump Station PLANNED Renewals	Water	Renewal	27,000	50,000
UHCC Water Pump Station REACTIVE Renewals	Water	Renewal	27,000	50,000
UHCC Global consent for operations and maintenance works in streams	Stormwater	Level of Service	20,000	-
UHCC-PW-VHCA Pipe Renewal Programme	Water	Renewal	20,000	200,000
PW Control Systems Planned Upgrade	Water	Level of Service	15,000	15,000
UHCC - Battery replacements Base stations (all councils)	Water	Renewal	13,000	13,000
UHCC SW Control Systems Upgrades	Stormwater	Level of Service	10,000	10,000
UHCC-PW - Reactive Renewals Controls	Water	Renewal	10,000	10,000
UHCC - New Smart Services	Water	Level of Service	10,000	10,000
UHCC WW Control Systems Renewals	Wastewater	Renewal	9,000	9,000
UHCC-WW - Reactive Renewals Controls	Wastewater	Renewal	5,000	5,000

Project Title	Water Type	LGA Classification	Value Year 2 (\$)	Value Year 3 (\$)
UHCC WW manhole cover safety improvements	Wastewater	Level of Service	3,000	220,000
UHCC-SW - Reactive Renewals Controls	Stormwater	Renewal	2,000	2,000
UHCC-SW-VHCA Pipe Renewal Programme	Stormwater	Renewal	-	-