

1 February 2024

Kia ora Minister Brown,

Thank you for taking the time to meet with Barbara McKerrow, Andrea Reeves and myself on Monday to discuss Wellington City's current water infrastructure challenges, following on from your letter of 19 January 2024.

Wellington City Council (WCC) provided feedback into the letter sent by the Chair of the Wellington Water Committee Mayor Campbell Barry on 18 January 2024 and we were comfortable that it represented our city's position. We appreciate the opportunity to provide you with further information demonstrating that Wellington City is both willing and able to meet our obligations regarding supply of drinking water.

I want to reiterate we are committed to working collaboratively with all councils in our region and central government on the current challenges and realising a new style of regional CCO that has the mandate and financial sustainability to ensure the provision of a safe, reliable, quality water service for our communities, and meets our obligations under the Local Government Act to ensure value for money for our ratepayers.

And, as we discussed, our priority is to invest in maintaining our pipes and upgrading our water infrastructure to ensure we are fit for the future.

Since receiving your letter of 19 January 2024, WCC staff have compiled the information you have requested. We have provided detailed responses to your questions and supporting information is attached in appendices. We have also included a presentation which summarises our response.

Please note that decisions on the Council's future investment in our three waters infrastructure for the 2024-34 Long-term Plan (LTP) must be made via the Local Government Act 2002 statutory process. Decisions on the options to be included in the Consultation Document will be made in a meeting on 15 February 2024. The final plan will be adopted by Council at the end of June 2024. Current proposals would see WCC's investment in three waters over the next 10 years total approximately \$4bn.

I also acknowledge your comments about Better Off funding and this is being actioned.

Ngā mihi



Mayor Tory Whanau

Background

Roles and responsibilities of Wellington City Council (WCC) and Wellington Water Limited (WWL)

WWL is a Council Controlled Organisation, jointly owned by WCC, Hutt City Council (HCC), Porirua City Council (PCC), Upper Hutt City Council (UHCC) Greater Wellington Regional Council (GWRC) and South Wairarapa District Council (SWDC).

The role of WWL (under a collective Management Services Agreement – MSA) is to safeguard the councils' water assets from damage, loss and destruction, and keep the assets in good condition and repair. This includes managing the risks associated with all water assets and advising councils of funding requirements to manage our current and future infrastructure.

They operate with a regional lens, but report to each council separately.

Funding of Wellington Water

Funding for WWL comes from Council water services related revenue (via targeted rates and metering charges). An annual budget is agreed with WWL for Operations and Capital Programmes to undertake all operational tasks for drinking water, stormwater, and wastewater, and WWL is responsible for delivery of the capital programme.

From 2017, WWL moved to a OneBudget model whereby the shareholding councils provide bulk funding based on advice from WWL. WWL then distribute the funding across the three waters.

Appendices

1. WWL out of cycle approvals timeline and detailed breakdown
2. 2018 – WWL Advice
3. 2021 – WWL Advice – October 2021
4. 2021 – WWL Advice – Final Advice
5. 2021 – WWL Excel file – Final Figures
6. 2024 – WWL advice – stage 2 (October 2023)
7. 2024 – WWL advice – stage 3 (November 2023)
8. 2024 – Councillor LTP workshop presentation – January 2024
9. 2024 – Independent review executive summary
10. 2024 – Independent review full review

1. Provide a summary of all actions taken by your council in the last ten years to prevent water shortages, including investment in water network infrastructure and asset management.

There are two key categories of expenditure that are funded by WWL's shareholding councils:

1. **Opex** – operational expenditure required for all operating activities including, amongst other things, asset management planning and all maintenance on assets. This is the expenditure used to fund leak detection and repair.
2. **Capex** – capital expenditure required to upgrade, replace or build new assets.

Note, operating expenditure is directly funded by rates and approximately \$4 million of operating expenditure is equivalent to a 1% rates increase. Capital expenditure is primarily debt-funded.

The following table outlines WCC's Long-term Plan (LTP) investment in three waters over the last 10 years.

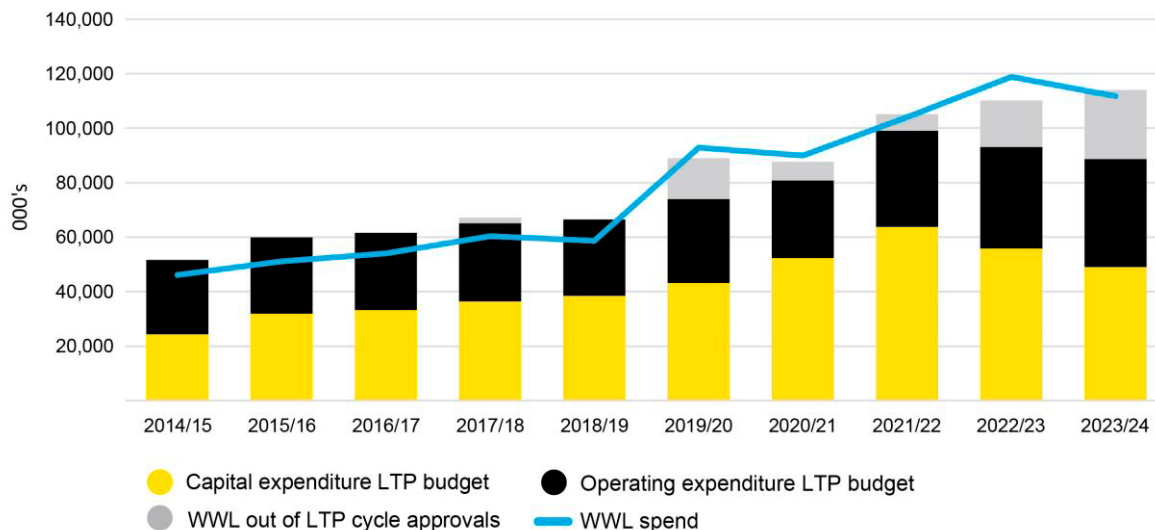
	LTP 2015-25	LTP 2018-28	LTP 2021-31
Total operating expenditure	\$1,200,385,000	\$1,371,422,000	\$1,719,214,000
\$ Increase on prior LTP	N/A	\$171,037,000	\$347,792,000
% Increase on prior LTP	N/A	14%	25%
Additional funding to WWL out of cycle	N/A	\$17,480,000	\$29,000,000
Total capital expenditure	\$394,239,000	\$480,730,000*	\$678,693,000
\$ Increase on prior LTP	N/A	\$86,491,000	\$197,963,000
% Increase on prior LTP	N/A	22%	41%
Additional funding to WWL out of cycle	\$2,000,000	\$7,700,000	\$28,500,000

*Note the 2018-28 LTP included the capital cost (\$30m) of the sludge minimisation facility project which was ultimately funded off balance sheet by WCC utilising the Infrastructure Funding and Financing Act.

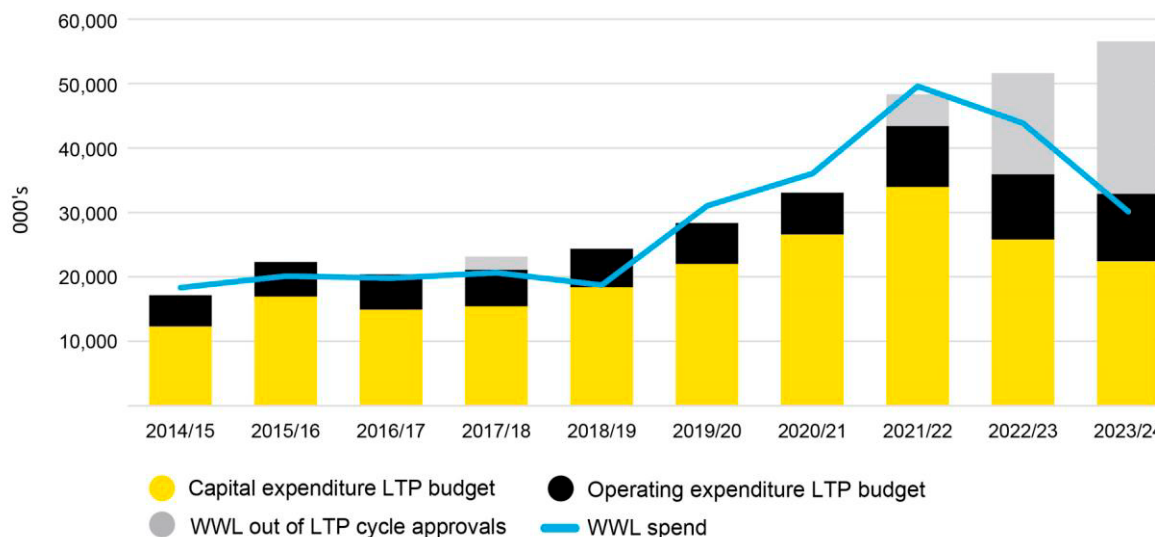
The following graphs show the level of funding provided to WWL for operating and capital expenditure. The first graph shows the total three waters investment and the second graph relates only to drinking water.

Note the costs shown in these graphs do not include WCC ownership costs including bulk water purchasing, depreciation, interest and insurance. These costs remain with WCC.

Three Waters Total WWL Investment



Drinking Water Total WWL Investment



Note the peak in 2021/22 was driven by investment in the Omāroro Reservoir

Ten year total breakdown of water capital expenditure 2015 to 2024

	Replacement of existing assets	Level of service upgrades	Growth
10 year total three water actual capital expenditure	\$290m	\$100m	\$70m
10 year total drinking water actual capital expenditure	\$100m	\$64m	\$38m

Included in WCC's steady increase in drinking water (and all three waters) investment over the past 10 years, there are several examples of significant capital investments over the more recent years.

Examples of WCC key investments in water network infrastructure **For the complete list please refer to the WWL website all [projects page](#).**

Omāroro Reservoir

The Omāroro Reservoir provides critical additional bulk water storage for Wellington's central business district area and low-lying suburbs to improve operational and disaster resilience. The 35 million litre bulk water storage facility, buried above the playing fields at Prince of Wales Park Mount Cook, was completed in 2023. Its completion is a big step towards building more resilience into Wellington's drinking water supply network.

Omāroro involved constructing:

- A 35 million litre buried concrete reservoir in Prince of Wales Park in the Town Belt.
- Connections to the existing water supply with a supporting new pipeline corridor along Wallace Street.
- Renewing of local water supplies, stormwater pipes and wastewater pipes in the area.

The reservoir extends the amount of time the central business district has a water supply from 24 to 48 hours in a situation where the main supply of water from the Hutt Valley is cut or there is an unforeseen treatment plant failure.

The Omāroro Reservoir is vital following a major emergency event such as a large earthquake. It will provide critical drinking water to support the community through the immediate survival and stability phase, and then through a longer-term restoration and recovery period.

Original 2018 budget was \$40.8m including related pipelines. Final project cost came in at \$72.5m.

Completed: June 2023

Taranaki Street pump station and rising main

The Taranaki Street pump station is Stage 1 of a major programme of work called the CBD Wastewater Renewals and Upgrades designed to ensure future resilience, support population growth, and protect the environment.

The new Taranaki Street rising main – a pipe that carries wastewater under pressure – will allow wastewater to be diverted to the main interceptor which carries wastewater to the Moa Point treatment plant. This will connect to the lower rising main system to provide continued service while the other rising mains are replaced in the future.

The project provides additional ‘redundancy’ in the system ensuring that if a problem arises such as a burst pipe, there is capacity to pick up the load and store it or pump it via an alternative route to the interceptor.

Projected completion date for pump station: April 2024

Projected completion date for rising main: May 2025

Victoria Street Wastewater Rising Main – Stage 1

This project is also part of the major upgrade of the CBD Wastewater Renewals and Upgrades programme.

The project replaced an existing rising main along Victoria Street that had reached the end of its life.

Completed: May 2023

Moa Point Wastewater Treatment Plant

We’re investing in the refurbishment of the Moa Point wastewater treatment plant inlet pump station and a clarifier to increase resilience and reduce the risk of discharges. Some of the electromechanical parts, pipework, and pipe fittings are reaching the end of their design life.

The refurbishment programme replaces and repairs these parts. This increases resilience of the pump station and improves environmental and health outcomes. It reduces the risk and frequency of wastewater discharges through the short outfall into the environment.

Projected completion date: October 2025

Wellington City's Proposed District Plan

While investment in key infrastructure projects is critical, we must pull every lever we have to manage pressure on our city's water network particularly when planning for growth.

The Proposed District Plan includes new regulations to manage development within the city and ensure “hydraulic neutrality”. This means that development needs to employ methods to reduce stormwater demand on networks that also encourages the reuse and retention of water which will in the longer term reduce the demand for drinking water and stormwater capacity.

More information can be found [here](#).

2. Provide a summary of all funding provided by your council in the last ten years for condition assessments of water network infrastructure.

From 2017, WWL assumed accountability for all asset management activities, including asset condition assessments. It also moved to a OneBudget model at this time whereby the shareholding councils provide funding based on advice from WWL. WWL then distribute the funding across the three waters and this includes determining how much funding is allocated for asset condition assessments.

WWL is currently contracted to its shareholding councils under a collective Management Services Agreement (MSA) which requires it to, amongst other things, safeguard the Councils' water assets from damage, loss and destruction and keep the assets in good condition and repair. As such, there is an expectation on WWL to understand condition as a key input into its asset management plans.

Prior to 2017, WCC's financial management system did not report at the level of granularity required to identify the specific spend on asset condition assessments. We have since updated our financial system to enable this level of reporting.

WWL estimates that over **3%** of their operating expenditure budget has been allocated to condition assessment activities since 2017.

The stimulus funding programme allowed for additional condition assessment activity as well as other key activities that supported an effective condition assessment programme, including over **\$2.8m** allocated to asset management systems and other technology enablers.

WCC Condition Assessment Operating Funding 2017-18 to 2021-24

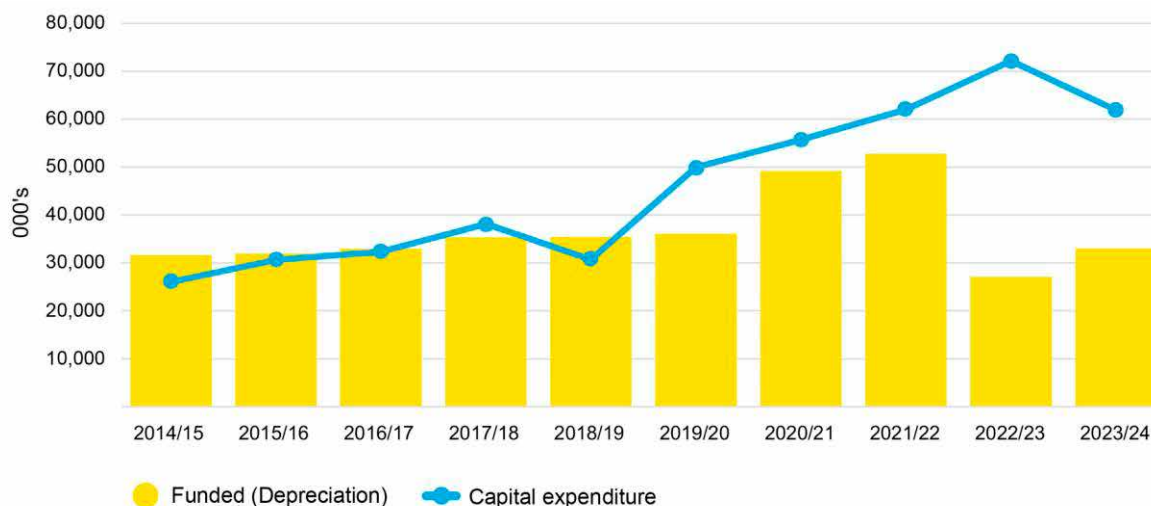
	FY 17-18	FY 18-19	FY 19-20	FY 20-21	FY 21-22	Stimulus programme funding (multi-year to end 21-22)	Budget FY 22-23	Budget FY 23-24
Condition assessment	\$312,292	\$58,922	\$76,566	\$603,970	\$1,165,103	\$3,408,529	\$1,055	\$1,356,000

3. Details of all depreciation accrued against your water network infrastructure versus the level of capital investment to be outlined in the first three years of your 2024-34 Long-term Plan.

Decisions around depreciation and capital investment in WCC's 2024-34 Long-term Plan have yet to be made by Council. The options being presented to Council are outlined in our response to Question 5. Once decisions have been made we will provide this information in a follow-up letter.

For context the following information outlines WCC's depreciation and capital expenditure for the last 10 years.

Three Waters Capital Expenditure



Over the past 10 years we have collected \$365m in depreciation and spent a total of \$460m in capital expenditure across three waters. For drinking water, \$142m was collected in depreciation and \$208m spent on capital expenditure.

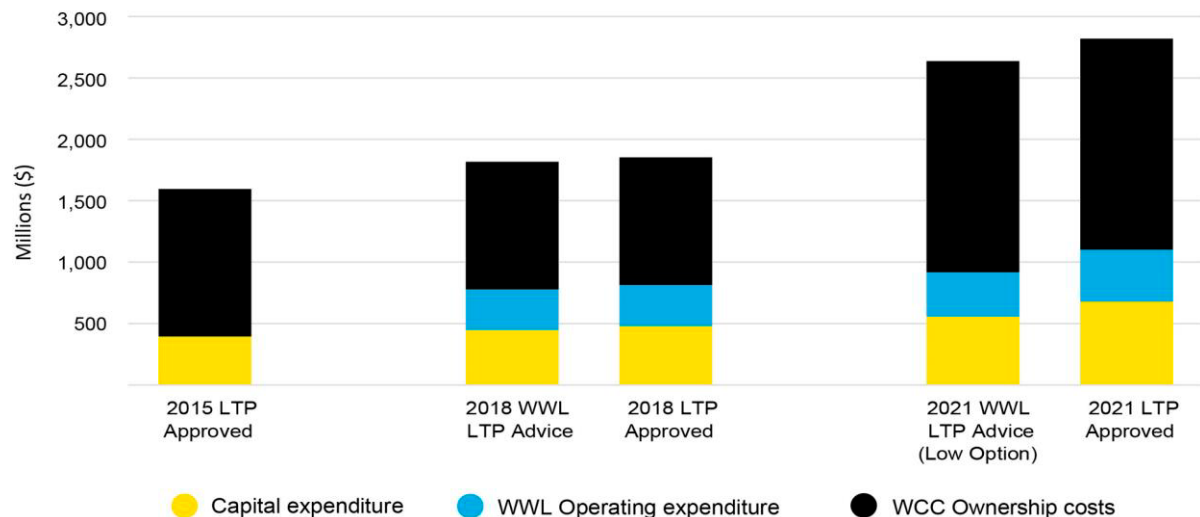
4. A summary of all advice received by your council from Wellington Water in relation to necessary investment levels and actions taken by your council in response to this.

The following information provided goes back to the 2015-25 LTP. Advice from WWL has been in various forms over the period in question so where applicable we have provided links to the advice received or attached in Appendix 1.

Where advice was received as part of an LTP process, that advice was provided in the form of options and associated risk profiles to inform Council decision making. Out of cycle funding requests have been made to address specific funding requirements or shortfalls.

All investment budgets and advice has been summarised by LTP period. We have also provided additional out of cycle investment events under the period covered by each LTP period.

10-Year LTP Three Waters Investment



Note This graph does not include out of cycle approvals.

LTP 2015-2025

In 2014 WWL was established and up until 2017 WCC was responsible for investment decisions, under a Management Services Agreement (MSA).

In 2017, the MSA was varied by an agreement with the Wellington Water Shareholders in order to transition to a OneBudget model. This variation established WWL as the Trusted Advisor, funded by the shareholder councils, and able to operate as Principal to all new contracts.

There was only one additional funding requirement during the 2015-2018 period totalling \$2.1m of capital expenditure to bring forward the Omārōro reservoir project. This was on top of the approved LTP budget. Detailed breakdown can be found in Appendix 1.

LTP 2018-28

This was the first full LTP period operating under the OneBudget system.

WWL presented two options for capital expenditure

1. A base option which was equivalent to the existing 10 year budget – \$366m
2. A base plus option which brought forward key investments – \$366m + \$80m = \$446m

Copy of WWL advice is attached in Appendix 2. Note that WWL figures do not include inflation and WCC subsequently inflates them for planning purposes.

The final approved capital expenditure LTP budget was \$480m.

The operating expenditure **advice received from WWL** was to maintain existing funding levels which we understand to be approximately **\$330m as approved by WCC**.

The total value of WCC operating expenditure (WWL + WCC ownership costs and bulk water purchasing) was \$1.37b.

There were multiple additional funding requests approved during the 2018-2021 period totalling \$7.7m of capital expenditure and \$17.5m of operating expenditure on top of the approved LTP budget. Detailed breakdown can be found in Appendix 1.

LTP 2021-2031

WWL presented three options for the 2021-31 LTP and then subsequently provided a spreadsheet with revised figures. Council elected to commit \$679m of capital expenditure and \$422m of operating expenditure over the 10-year period.

The total value of WCC operating expenditure (WWL + WCC ownership costs and bulk water purchasing) was \$1.7b.

Copy of WWL advice is attached in Appendices 3,4 and 5.

Council selected an option which was a hybrid of WWL's low and mid investment options. This was an approximate 22% increase in operating expenditure and 41% capital expenditure increase in investment over the 2018 LTP.

There were multiple additional funding requests approved during this period totalling a further \$28.5m of capital expenditure and \$29m of operating expenditure (including \$6.1m of stimulus funding) on top of the approved LTP budget. Detailed breakdown can be found in Appendix 1.

LTP 2024-2034

Question five addresses this budget period and reflects the current point we are at in our LTP decision making cycle. Budgets will not be finalised until the LTP is adopted in June 2024. Attached in Appendices 6 and 7.

5. Evidence your council intends to make necessary investments in the first three years of the 2024-34 Long-term Plan in water loss management activities, and increasing capacity and storage.

Below is a summary of options presented to Council on Wednesday 31 January 2024. Final decisions on what will be included in the Consultation Document for the 2024-34 LTP will be made by the LTP Finance and Performance Committee on 15 February 2024. These options will continue to be developed in preparation for the meeting agenda.

The table below represents WWL's proposed direct funding. When combined with WCC's total ownership costs (such as depreciation, interest and insurance) and bulk water purchases, the amount funded by WCC rate payers to provide water services would total approximately **\$4bn** over 10 years.

	Operating expenditure (2024-34)		Rates impact (2024/25)	Capital expenditure (2024-34)		Inclusions over and above the previous option
	Addition	Cumulative	Cumulative	Addition	Cumulative	
Option 1	-	\$600m	13.8%	-	\$897m	Baseline
Option 2	+\$8m	\$608m	14.3%	+\$122m	\$1,019m	Option 1 plus: planning and design for water meters including smart meter roll out
Option 3 total	+\$60m	\$668m	15.4%	+\$99m	\$1,118m	Option 1 and Option 2 plus: <ul style="list-style-type: none"> Leak detection and reactive maintenance Reprioritise and phase works to target budget to water renewals Pressure control valve management Renewal of Bell Rd reservoir and build (growth) Moe-i-te-Ra reservoir to ensure capacity while renewal is occurring and then add additional capacity to the network

Note these capital and operating expenditure budgets will not be finalised until the LTP is adopted at the end of June 2024.

Councillor presentation attached in Appendix 8.

6. Evidence your council is committed to supporting the recommendations made at the Wellington Water Summit in September 2023.

WCC supports taking recommendations made by WWL at the Wellington Water summit to our Council for final decision.

As local authorities cannot make decisions at an informal meeting such as the summit, these commitments must be formalised through the LTP statutory process which includes an obligation to consult with the community.

Through the current LTP process officers will be recommending that elected members support continuing with increased investment into finding and fixing leaks, managing water loss, and replacing old infrastructure as well as investment in universal smart water meters across the Wellington metropolitan region.

WCC has increased investment in drinking water services over the past 10 years (see response to question one). Options being presented to WCC elected members as part of the 2024-34 LTP process propose further increases in investment in this area and also recommend that funding for investigations and planning of universal smart water meters be included in the draft LTP budget for consultation.

Options presented to elected members in the LTP workshop of 31 January 2024 are attached in Appendix 6.

Provision of new storage lakes is the responsibility of Greater Wellington Regional Council (GWRC) and WCC will support the efforts of GWRC to explore options for further capacity.

7. Any other documentation that would give me assurance your Council is taking action to address the risk of water shortages this summer and into the future.

Independent review – Wellington City Council/Wellington Water

On May 31, 2023, the WCC Long-term Plan Finance and Performance Committee approved a Mayoral amendment to provide WWL with a \$2.3m operating expenditure funding increase (for a total \$7.9m approved in 2023/24) to be directed to detecting and fixing leaks, contingent on WWL agreeing to an independent operational review. The focus of the review was to identify efficiencies, cost savings, and improvements to transparency and reporting.

A Terms of Reference and Statement of Work were developed between council officers and WWL staff. Independent consultants FieldForce4, were engaged to undertake the review. Field Force4 has extensive global water utility and commercial experience and specialise in improving frontline services workforce productivity. The review makes several recommendations for improving service delivery.

The recommendations in the report will help to inform our Council's input into the Letter of Expectations (LoE) which will be the subject of a Wellington Water Committee workshop on 9 February.

Please find attached the executive summary and the full management presentation. Note that you are receiving an **unredacted version which contains commercially sensitive information and officer names**. This information will be redacted in the publicly available version so please **treat in confidence**.

The executive summary and full review is attached in Appendices 9 and 10

Wellington City Council water conservation efforts

WCC will aim to comply with all requirements of water restrictions at each level.

Every part of the Council is exploring how it can reduce its water usage while the city is experiencing water restrictions. For example, Parks Sports and Recreation (PSR) – are implementing a range of measures to cut back on water usage.

These include:

- As restrictions increase, the number of days that watering will occur will be limited to only use the amount of water necessary to keep the grass alive and usable.
- Stopping irrigation on bedding displays, green walls, and collections (including in the Botanic Gardens).
- Turning off two water features in Queens Park Thorndon that rely on mains water.
- Water conservation messaging provided in WCC facilities.
- WWL's water efficiency tests (a non-residential customer water efficiency programme to help reduce, improve, and save water) - WWL has conducted site visits with Council's PSR team with six visits in total being carried out and reports and assessments being finalised. Berhampore nursery, Botanic Gardens, and the Aquatic Centres will be included in the next round of assessments. WWL is planning on holding a forum with PSR and other WCC departments within the next few weeks to share some insights, tips and further short and longer-term improvements.

Additionally, WCC is providing subsidised water storage tanks for public purchase at its Tip Shop. Initially demand exceeded supply but the processes have been reviewed and additional tanks ordered.

Wellington City water restrictions emergency response plan

The WCC Emergency Management team is refining a response system based on a predictive logistics distribution model which will predict which neighbourhoods are most likely to experience low (or no) water pressure. Prior to a neighbourhood or suburb experiencing low (or no) pressure within a household, WWL will inform WCC which will establish a water distribution point in the nearby vicinity prior to it being needed. This will give the occupants access to water - 20 litres per person per day.

Water distribution points:

Wellington topography is challenging, so a number of different types of distribution points are being planned. These include:

- 5,000 litre deployable bladders.
- The ability to plumb directly into the water network at a lower elevation.
- Community Hub Emergency Water tanks.
- A home delivery option for vulnerable individuals.
- The purchase and delivery of additional 10,000 litre water tanks.

Reconnaissance of each proposed water distribution site is currently underway with the Northern Ward having been completed this week. Additional considerations being planned are the traffic management for each site, risk management and the security factors required at each distribution point. Another important consideration is how this information will be communicated with the community. The website is being developed to communicate the closest distribution point, hours of operation, and what you need to bring.

Planning for training of council officers in setting up and operating these facilities is well underway with training taking place next week for 30 WCC staff members and approximately 30 members of the New Zealand Response Team (NZRT8). This aim is to have staff available to assist the public at each distribution point. As the region progresses through restriction levels, the training will be expanded accordingly. For those who are unable to access distribution points WCC will work with its partner agencies to ensure there is a home delivery service that can distribute water to those in need.

WCC will also continue to support WWL's communications and amplify their restrictions and conservation messages across all our channels.

