

Questions and Answers

Pūroro Maherehere | Annual Plan/Long-term Plan Committee

1 June 2022

2.2 2022/23 Annual Plan and LTP Amendment Deliberation Wellington Water

What was the underspend on the 3 waters opex and capex for:

- 2020/21

\$'000	Actual	Budget	Variance	% Variance
Opex	120,511	127,708	7,197	6%
Capex	55,741	47,916	7,825	-16%

- Forecast for 21/22

\$'000	Forecast	Budget	Variance	% Variance
Opex	110,007	110,729	722	1%
Capex	58,483	77,260	18,778	24%

What are the specific amounts in the 3 water budgets for 22/23? (the spreadsheets did not appear in full in the agenda)

Please see Attachment 7 of the published papers ([Annual Plan/Long Term Plan Committee - 1 June 2022, 9.30AM - Meetings - Wellington City Council](#)).

What is the likelihood in achieving the allocated 22/23 budget?

It is expected that capital delivery will be in line with budget. Officers will continue to work with Wellington Water Limited throughout the year to understand any issues in delivery and report on these through the Priority Investment Reporting and Quarterly Reports.

What are the key risks associated with the 22/23 budgets to achieving the budgets allocated?

The key risk relates to market availability of resources (material, people, contractors) and inflationary pressures.

What is the current level of depreciation underfunding of the water assets amount to (currently and for next 2 years)?

Council currently fully rates funds the depreciation of our Water assets. It is proposed that for the next two years, due to the significant uplift in the value of our water assets, we rates fund up to the value of the waters capital renewal programme:

Year	2022/23	2023/24
Revaluation Depreciation	\$87m	\$94m
Draft budget rates funded depreciation	\$54m	\$58m
3 Waters Capital Renewals	\$27m	\$32

If 3 waters reform went ahead, how is the depreciation funding deficit funded?

Due to the nature of Wellington City Council's 'No-Worse-off' provision, any decision made by Council should not push additional burden onto the new Water Service entities or their future customers.

What concerns do you have on the capacity of Wellington Water to deliver on the work scheduled?

There are market constraints in terms of availability of products and skilled people to carry out works that is causing deliverability risks in a range of sectors, and the construction sector is one of them. Wellington Water has been operating in that environment for some time and has developed this year's work programme in that context.

What steps is this Council taking in ensuring WWL is resourced appropriately?

Council continues to work with Wellington Water to ensure it has the funding it needs to carry out its work. Last year's Long-term Plan included a material increase in funding. Council recently resolved to increase these budgets further.

Additional funding for significant events can also be brought to Council throughout the year if necessary.

What would be the average rates increase for residential and commercial if the commercial differential multiplier stayed at 3.25

Information to be provided at the meeting tomorrow.

With the increase of the multiplier to 3.7 what is the average rates increase for Residential and Commercial (not combined)?
Information to be provided at the meeting tomorrow.

With the decrease in depreciation being charged against water assets, how is this factored into the general rates increase as isn't it part of a specific targeted rate?
The decrease in depreciation is factored in via a decrease in targeted three water related rates. The change in costs in other activities will be as described as per R & F policy

District Plan

I understand from past presentations that there is only enough capacity within 3 waters resources to provide infrastructure upgrades for the central city, Newtown and Johnsonville over the next 10 years. There is no funding or capacity for any other areas of the city to have its infrastructure upgraded for medium to high growth Is this correct?

Because Council cannot invest everywhere all at once, the Spatial Plan sets out a strategic approach to infrastructure investment delivery in our priority growth areas over the short to medium and longer term. Areas identified for significant investment focus over the next 10 years to unlock capacity to support growth include the Central City (including Te Aro and Adelaide Road), Newtown, Johnsonville and Tawa.

WWL have completed high-level three waters capacity assessments to inform the Spatial Plan, District Plan and Wellington Region Housing and Business Development Capacity Assessments (HBAs). These assessments have found most parts of the city will be unable to accommodate significant new growth/ intensification without upgrading the capacity of the network or implementing other demand management methods. Further detailed assessments are now required to understand the capacity issues of specific areas so appropriate investment can be planned and delivered through future LTPs (or by the new water entity).

The Council's 2021-31 LTP identifies funding for some three waters investment, primarily focused in the Central City (water and wastewater) and Tawa (stormwater). It also identifies funding for WWL to undertake detailed three waters growth studies this year - starting with studies for the Central City/Newtown/Island Bay corridor and the northern suburbs (Johnsonville, Newlands, Tawa) – to inform investment planning advice for the 2024-34 LTP (or the new water entity). Following the completion of these, detailed studies for the next tranche of growth areas in the Spatial Plan - eg. remaining suburbs in Southern Wellington, Western Wellington (Ngaio, Crofton Downs, Khandallah), Eastern Wellington and Karori - will be commenced. These detailed studies, and any subsequent business cases, are important as they will enable the identification, development, planning and prioritising of specific three waters growth projects that deliver capacity improvements in the network.

The scale of investment needed in the city's three waters network will require sustained investment through successive LTPs (or the investment plans of the new three waters entity). It will need to include essential upgrades to existing networks and assets to address existing constraints and level of service issues, as well as new infrastructure specifically required to support growth.

The District Plan enables significant development yet there seems no phased approach in ensuring infrastructure planning and delivery (in particular around 3 waters) is aligned sufficiently to ensure housing development is supported. How is the Council going to ensure that development proceeds in a sequenced manner aligned to infrastructure development and upgrades?

The Our City Tomorrow programme of work started in 2017 has delivered the Spatial Plan and now the Proposed District Plan that has intentionally focused on infrastructure planning and co-ordination for the development of the City. See above re: strategic approach to infrastructure. Due to this work the city is now in a good position to manage growth along with our growth partners. Ongoing co-ordination will still be required in the infrastructure strategies and long term plans of the Council and growth partners to ensure the required infrastructure is in place to cater for the city's growth.

The District Plan is required to comply with the NPS-UD and Medium Density Residential Standards (up to 3 units of 3 storeys per site) in the District Plan. These provisions are required to be notified before 20 August 2022 and made operative no later than November 2023. The Council will comply with this statutory requirement when it signs off the Proposed District Plan on 23 June 2022.

Alongside co-ordinated investment, new three waters requirements are being brought into the Proposed District Plan to assist in managing three waters capacity challenges and help offset pressure on the network. This includes requirements for new three waters connections to meet the regional standard for water services, for new development to be hydraulically neutral and to include permeable surfaces. For locations where there is little or no existing capacity for new connections, WWL approved mitigation measures (e.g. on-site storage) will be required as part of new development.

City Housing Sustainability

Recommendation 6 - How can we support the tenants financially when there is no financial recommendation for this Annual Plan?

Tenants won't need support in this Annual Plan period, so it does not need to be factored into the 2022/23 year budget. The Annual Plan already has the decisions Council made in February factored into it – this includes the rent freeze for the year which starts in September 2022 and will apply until September 2023.

The Council will receive advice in August which will consider how existing tenants can best be supported once the CHP is established (the 2023/24 year onwards). This advice will consider certainty of existing rental settings, plus whether to provide any additional financial support. This advice will consider options for funding any additional financial support, as support that is additional to existing rental conditions is not incorporated in the LTP amendment.

This support may be able to be funded by the Three Waters Better Off Funding but the August paper will provide further advice on this. If Three Waters Better Off Funding is not available to use for this purpose, the paper will provide advice about other funding options and process that will need to be followed (e.g., for inclusion in a future Annual Plan).

Recommendation 7 - With the government offer - what happens after two years?
What guarantees will we have that this will continue? How will the council deal with tenants when there is no IRRS availability for our new tenants as well?

While the government's funding commitment is currently for two years, the government has committed to continue to work with the council on the long-term funding arrangements beyond two years. The council and government have shared goals for social housing in Wellington so there is reason for confidence in this ongoing work, and this will be a key priority for officers over the next year or two.

It is important to note that all CHPs negotiate their ongoing funding needs with the government and do not have 100% certainty about long-term funding. CHPs will typically have two different types of contracting arrangements.

- They will have long-term contracts typically for new supply provision (where IRRS attaches to new properties on a long-term basis) - this provides long-term funding certainty for that part of the portfolio. Any new supply the CHP builds will be able to be funded over the long-term through a new supply agreement.
- And then they negotiate/contract with the government on a more short-term basis for IRRS funding for turnover of tenants in existing properties (i.e., not new supply). All CHPs have this shorter-term funding uncertainty, including Christchurch and Auckland, and work closely with the government to secure ongoing funding and help the government manage its priority to reduce the size of the public housing waitlist. Christchurch's CHP (OCHT) started in a very similar position to us with a commitment of funding for a certain number of places over a period of time.
- Paragraph 23 - How will this council be able to bridge support for tenants over this 12- 15 month period?
- Paragraph 25 - how do we provide tenants with certainty if we are to span two council terms?
- Paragraph 21 - How and when will we be showing our tenants that we will be eliminating their concerns? What is the process like for them?

The Council has made decisions in February that provide tenants with certainty of their rental conditions until September 2023. The council agreed to a rent freeze in February and this rent freeze will take effect in September 2022 and will apply until September 2023. The City Housing team is also working with tenants to ensure they are all aware of the Affordable Rent Limit Subsidy and are supported to apply for it if they choose to do so.

All current rental conditions (e.g. the availability of the Affordable Rent Limit subsidy) apply for all tenants through this transition period so existing tenants already have certainty about the transition period.

The council will also be able to make decisions in August about rental settings that will apply for existing tenants when they transfer to the CHP. Decisions in August will then be written into the lease agreement between the CHP and Council. This will provide tenants with long-term certainty. This will mean that all key decisions affecting tenant rent are made this Council term.

Staff will also work closely with tenants over the transition period so that they understand the changes that are taking place and are well supported through the process. Tenancy advisers have worked closely with tenants through the consultation process providing strong support and will continue to do so over the transition period.

- Paragraph 29 - While saying the first tranche of better off funding may be able to use for financial support for rental for tenants - but yet we are not recommending this for the three waters depreciation? Please can you explain why it does it apply here? What says the Three waters reform does not happen? What risk does this s expose us to?
- Paragraph 103 - Are we sure that the financial well-being of our tenants will meet the better off funding criteria from Three waters? When will we know? What's the B plan if not?

The criteria for use of Better Off Funding are well aligned to the objectives of the CHP work. Initial discussions with DIA have also been positive about using this funding for social housing. Two of the three funding criteria are:

- Delivery of infrastructure and/or services that support local place making and improvements in community wellbeing
- Delivery of infrastructure and/or services that enable housing development and growth

The council will receive advice in August about supporting existing tenants and this will consider funding sources. The paper will discuss funding options which the council would need to consider if three waters funding was not available. Support for tenants that is over and above their existing rental terms is not factored into the consultation proposals, so council will need to consider how this could be funded, if the council chose to provide additional support.

We have not recommended funding depreciation with Tranche 1 of the Better off Funding as it doesn't meet the funding criteria set out by the DIA.

Paragraph 32 - so there is no guarantee for any CHP with the Government. What say there is a change of Government? How can we set up a whole entity without a guarantee of funding outcomes? I might need a better explanation of this, please? Was this explained in the consultation documents?

While the government's funding commitment is currently for two years, the government has committed to continue to work with the council on the long-term funding arrangements beyond two years. The council and government have shared goals for social housing in Wellington so there is reason for confidence in this ongoing work, and this will be a key priority for officers over the next year or two.

If there a change of government, officers would continue to work closely with the new Minister of Housing on the necessary long-term funding arrangements. CHPs have been a part of the housing sector for some years now, including under different governments.

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- They will have long-term contracts typically for new supply provision (where IRRS attaches to new properties on a long-term basis) - this provides long-term funding certainty for that part of the portfolio. Any new supply the CHP builds will be able to be funded over the long-term through a new supply agreement.
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The consultation material is clear on the assumptions made and reflects the Council's view on current circumstances and established practices with other CHPs. Budget decisions were not made at the point consultation got underway, but the Council was clear with the government about the options being consulted on and the process that needed to be followed. The consultation material is clear that conversations with the government were continuing alongside consultation and that the government was supportive of the council consulting on the options discussed.

[This article](#) about a tweak for the IRRS to only qualify for new builds. What does this mean for the council going forward? Did we know about this when we went out for consultation? What does this mean for the future guarantee of the IRRS to new tenants and a new CHP? What guarantees do we have if there is a new government?

The council has been having open conversations with the government for a year about City Housing's financial challenges and the full range of options to address these. While government's policy positions have an impact on this, there are a range of other factors that have been part of our conversations. While we have been clear all the way through the discussions that supply was a critical priority for the government, and it does want to prioritise funding new supply, the sustainability of the existing portfolio is also important to both the council and the government. The Minister's statement released with the Budget confirms this.

Recognising that both outcomes (supply and sustainability) are important, the government has offered the Council turnover-based funding for a capped number of housing places, like it did for OCHT at its establishment. And council and government will continue to work closely on funding arrangements for long-term sustainability.

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Residual Waste Outcome

[Is it documented anywhere that this Council has said this will be the last landfill extension at this site for Wellington City?](#)

This hasn't been documented.

[Have we got a resolution that requests Council officers work with the community on landfill design ahead of the resource consent?](#)

Council officers will continue to work with community representatives on the design of the landfill extension Piggyback Option prior to the resource consent application.

How would officers suggest we align the residual waste outcome of a landfill extension - piggyback option with the strategic roadmap to zero waste? These are not separate issues and must be brought together as recommendations in October 14th 2021 resolutions.

'Note that the landfill extension Piggyback Option will work in parallel with the sludge minimisation project, as well as work currently underway to expand the City's resource recovery network. As context, current resource recovery expansion work includes the consideration of organic waste processing options for the City, and the consideration of opportunities to divert Construction and Demolition Waste.

As context, it is noted that the WMMP Action Plan will build on and expand the draft Wellington City Council Waste Minimisation Roadmap (2021). A key focus of the draft Roadmap was to support Wellington City's goal to become a leader in minimising use of resources and maximising whakamahi anō – reuse and recovery, all in keeping with Wellington's aspiration to reduce disposal to landfill and rethinking how Wellington City manages waste and how this material should be managed into the future. The community-based WMMP Action Plan co-design process will therefore provide the means to achieve the vision of the draft Roadmap. As directed by the Infrastructure Committee, officers have taken the draft Waste Minimisation Roadmap as the foundation for the design of the WMMP Action Plan. Mana whenua and key community stakeholders are now currently working with Council officers to design how this should be taken forward and given effect to the by the Council as part of the next WMMP (2023-2029).

Contaminated soils levy Increase?

Paragraph 36 - Please can you show the reference to the new waste levy for contaminated soils or do you mean there is a new general levy?

This is not a new waste levy, it is the existing Waste Disposal Levy (currently \$20 per tonne and increasing to \$30 per tonne from 1st July 2022) which is applied to all waste entering a Class 1 Landfill (Southern Landfill is a Class 1 landfill). We have in the past accepted Contaminated Soil as 'engineered fill', which is not subject to the Waste Disposal Levy because we have used it to contour and cap parts of the landfill. The contouring and capping work will cease early in the 2022/23 financial year at which point any Contaminated Soil accepted at the Southern Landfill will be subject to the Waste Disposal Levy.

What % is contaminated soil of what we take at the landfill?

The amounts of Contaminated Soil accepted at the Southern Landfill vary. We budgeted just 15,000 tonnes this financial year, but up to April 2022 we have accepted 55,000 tonnes. This compares with approximately 65,000 tonnes of general waste.

What is the increase we have seen this year in contaminated soil at the Southern Landfill?

We have seen a 22% increase in the amount of Contaminated Soil accepted at Southern Landfill this year compared to last year.

Do other landfills in the region accept contaminated soil?

Yes, Silverstream Landfill in Upper Hutt

Does contaminated soil get treated/stored separately - ie not put into the main landfill?

Yes, this is located in another part of the landfill.

What has been the profit of the southern landfill for this year and how much of this is attributed to contaminated soil?

The current surplus up to the end of April 2022 is \$3.1M. This is entirely attributable to Contaminated Soil. However, it should be noted that previous expenditure of \$4M incurred on the design and preliminary work associated with the Stage 4 Landfill Extension will be written off this financial year, which means there is likely to be no surplus this year.

No. 69 LTP amendment for a % of waste fee increases / Enviroschools

What was the resolution in the LTP 2021 that 2% of fee increases go to waste minimisation projects?

The funds resulting from the 2% fee increase remain in the ring-fenced fund and a policy for use of that fund will be presented to Council for approval this year.

Can this amount be attributed to Enviroschools for 2021?

Officers have considered the potential to direct landfill profits/surpluses to increase funding to waste minimisation grant funding increases for the community. However, the Waste Minimisation Act requires that the proceeds of the Council's waste services be allocated in accordance with the Council's WMMP. Currently, Wellington City Council's current WMMP limits the funding of community grants to Waste Levy funding. Therefore, the use of landfill profits for this purpose would be inconsistent with legislative provisions and the current WMMP. This matter is scheduled to be reviewed as part of the development of the next WMMP, which will be considered by the Council in 2023.

Environmental Accessibility fund

How will the success of the fund be reported back to councillors? Will there be an interim review period?

Officers will report back to committee through the development of the 2023/24 Annual Plan. The paper will include information on the following:

- *Uptake*: Number of Expressions of Interest applications lodged
- *Funding*: How much funding has been reserved
- *Distribution*: Breakdown between commercial/residential and accessible/green star
- *Analysis* of uptake, trends, and feedback from developers (if applicable)

Officers have ensured that the Fund criteria includes a clause that *“the Council reserves the right to adjust the criteria to manage shifting strategic priorities”*. Any requests to adjust the criteria will be included in a paper to the Planning and Environment Committee.

Encroachment fees

In further work on the encroachments assessment - will this include looking at land that could possibly be developed for housing?

Yes. We will look at different encroachment situations including different benefits from different use of the road reserve.

We do not have specific data on land that could possibly be used for housing development as it is a case by case assessment. The assessment has to take into account the future use of the land for roading and other uses.

The opportunities are likely to be limited given most of the encroachments are for a narrow area of land by the roadside and the value for housing is usually where this area of road reserve is combined with an adjoining property.

Page 205 - Encroachment Fees increased by 100%. Does this need to be updated to the new recommendation for the fee increase?

Yes, it needs to be updated. The numbers on page 205 reflect the original proposal and should have been updated. This was an oversight in preparing the papers. The correct figures to match the recommendations of the report are outlined in the table below.

Fee / Charge Name	Current Fee (\$)	Proposed Fee (\$)
Encroachment fees		
Annual fee for a road encroachment licence	\$13.33/m2	\$17.77/m2
Lease fee for the airspace and subsoil encroachments	Various	33% increase