

# Questions and Answers

## Pūroro Tahua | Finance and Performance Committee

### 16 September 2021

#### Item 2.1 Financial impact of Covid-19 2021/22

Please list the commercial leaseholders, license holders and partners that Council is considering offering financial support to?

Details on the entities to which Council is considering offering financial support will be included in the paper going to Council on 30 September 2021. We will have more information by that time and the delegation to approve any unbudgeted expenditure sits with Council.

What is the process for decisions on any such support including that to CCOs?

As above a paper will go to Council on 30 September 2021 for approval.

The paper states that WCC could receive \$16M less revenue from NZTA than expected. During the audit of our LTP the auditors investigated our assumptions regarding NZTA funding and found them acceptable. Has this change occurred since the audit? Is it due to the effect of the current lockdown on NZTA revenue? If not, what is the driving factor for these cut backs from NZTA?

A paper will be coming to Council to detail the process since the LTP and the outcome.

**Late questions – if unable to be answered, will be asked at the meeting:**

For what committee and date is it likely we will receive this information? When will we get recommendations on how to pay for it?

As above a paper will go to Council on 30 September 2021 for approval.

Covid lockdown impacts - can we have a broad-brush overview of what sectors are asking for what type of support, please?

Sectors are hospitality, arts, retail, sporting, general commercial sectors and CCOs.

Mainly the requests are for rent relief while not being able to operate in lockdown.

## Item 2.2 2020-2021 Capital Carry Forward Approval

What is the budget system error that occurred regarding Parking Capital expenditure?

There was no request, intention, or resolution to amend this budget. The team that manages the budgeting system cannot find a transaction that changed this budget line between versions of the budget. Therefore, it cannot be identified how this happened.

What checks have been done to ensure this error hasn't happened in other areas?

All other budget lines have been checked and reconciled, this was the only error identified. Reconciliations are performed following changes in the budget system and the process for these reconciliations have been modified to ensure errors like these are picked up.

How come it was not picked up until now?

This issue was picked up in July and it was agreed to rectify it through the carry forward process rather than bringing a separate paper to have the budget reinstated, given this is \$1.6m on \$343m capital budget.

Please explain the Town Hall contingency again?

This will be addressed at the meeting.

Recommendation 3 states there was an underspend of \$93.8m but recommendation 4 then asks us to agree to \$94.1m worth of carry forwards. Can you reconcile these two figures please?

This will be explained through a presentation prior to presenting the paper. The budget was \$360m, the actual spend was \$267m, resulting in the reported \$93.8m underspend. Within the \$267m spend there were projects that were not budgeted for but for which Council approved overspends during 2020/21 (table below). If these projects had been budgeted for then the budget would have increased to \$376m and the net underspend would have been \$110m, with a carry forward request of \$94m. Not all underspends result in a request to carry forward.

<b>2020/21 Capital Programme Budget (BDR)</b>	<b>360,388</b>
<i>Approved Overspends - not budgeted</i>	
Jervois Quay	4,200
Mount Albert	2,100
Quarry - Holcim equipment purchase	2,908
Carbon Credit purchase	6,106
Zoo Renewals (external funding received)	437
<b>2020/21 Restated Budget</b>	<b>376,140</b>
2020/21 Actual Capital Programme Spend	266,555
<b>2020/21 Capital Programme Revised Net Underspend</b>	<b>109,585</b>

Total requested Capex carry forward	94,121
<b>Variance to Restated Net Underspend</b>	<b>15,464</b>

Please explain why there has been a call on the Town Hall contingency of ~\$12m but officers are recommending a carry forward of ~\$5m for the same project?

This will be responded to at the meeting.

In the attachment it appears that officers are recommending a negative carry forward for Aquatic Facility Renewals. What are the details of this negative carry forward? Why was it not included in the body of the report with the two other negative carry forwards being requested?

The total of this line is a positive carry forward of \$160k, which represents the underspend in 2020/21. The negative numbers in 2022/23 and 2024/25 represent the bringing forward of that value of funding in those years to spend in 2021/22, hence the \$2.3m positive figure in 2021/22. This was not included in the body of the report with the other two negative carry forwards as this is a net positive carry forward and still represents the funding expected to be spent as part of this LTP, although earlier than anticipated.

**Late questions – if unable to be answered, will be asked at the meeting:**

Can I have a more detailed breakdown of what we weren't able to achieve in the below projects, please? Cycling Network renewals, civic campus, and property renewals.

**Cycling Network Renewals – The breakdown for the carry forward:**

**Evans Bay** - Underspend to be carried forward to finish construction on Evans Bay stage 1 part 4 and details design on Evans Bay stage 1 part 2b/3

**Cobham Drive** - Underspend to be carried forward to pay for final invoices for Cobham Drive

**Miramar Town Centre** - Underspend carried forward to complete project.

**Kilbirnie** - Underspend due to delay in detail design. Carried forward to complete

## Item 2.3 Sludge Minimisation Facility – Infrastructure Funding and Financing Act Update

How would the sludge project be funded if we did it after the water reforms and the reforms went through broadly as they are now?

If the Sludge Minimisation Facility was delayed until after the new Water Service Entities (WSE) took over 3 Waters assets and responsibilities it would be up to the new WSE to decide whether the plant was necessary, whether it was a priority for the WSE, and how it would be funded and who would pay. WCC would input into this process through its formal planning processes and may potentially be able to negotiate with the WSE how the SMF was prioritised in amongst other projects in the Entity C Region.

What are the other projects on CIP's list of agreed Focus Projects (if that information is publicly available)?

This information is not publicly available.

Why is an Early Contractor Involvement model preferred over an Alliance delivery model for this project?

An Alliance construction model is designed to allow participants to share in the upside and the downside of a construction contract. One of the characteristics of an Alliance contract is that the risks are not always evident during or in the immediate period following construction, and therefore risk can remain for many years. It would be extremely challenging for the Treasury to issue a Government Support Package for the SMF project if it was undertaken using an Alliance model. Achieving balance sheet separation is not possible without the GSP as WCC would hold all the risk of the project.

An Early Contractor Involvement model seeks to identify the parties that are likely to be involved in the design and construction of the project and involves them early to allow the development of a more accurate project cost. The ECI approach is more suitable to The Treasury and its approach to issuing a GSP as risks are more clearly apportioned.

Does switching to an Early Contractor Involvement model require the project to be brought in-house at WCC? If not, why are officers proposing to bring the project delivery in-house to WCC?

The project is being brought in house at WCC as using WWL as the delivery agent created significant insurance, liability and operational risk for WCC and therefore it was the most logical decision to progress the project. Switching to an ECI model is a result of ongoing discussions with the Crown.

**Late questions – if unable to be answered, will be asked at the meeting:**

Please could you in a diagram shows how far we are along in a timeline process?

A project timeline will be provided in diagram form to the Infrastructure Committee when the next SMF project update is scheduled.

Are there any concerns that the IFF process is likely to delay the expected due commencement date at this stage?

No there are no concerns. The CIP team are fully involved in the project and providing significant expertise to drive this project forward faster than WCC could achieve alone.

Paragraph 14: Who will pay for the insurance costs?

All costs of planning and construction will be funded by the IFF levy which is paid by the beneficiaries of the project.

Paragraph 17: Can you confirm that this facility could be used for regional sludge from locations out of Wellington?

One of the potential benefits of the SMF is that it could receive waste from other locations.

Paragraph 18: The facility will **not provide additional capacity** that is already in the network - but will be sufficient for growth estimates? Please confirm the meaning of "the system will provide for growth estimates".

WWL have confirmed that the capacity of the Moa Point Treatment plant is sufficient to accommodate planned growth in Wellington over the plant's useful life.

Paragraph 25: What resourcing and responsibility impacts will this have on WCC . Are the WCC team comfortable with this now being the process? Will there be any further barriers or benefits with this being the new structure?

WCC is standing up a dedicated governance and project management structure to successfully deliver the SMF project. It is likely that there will be some modest efficiencies from the new structure.

Paragraph 36: Please describe who the existing occupants are?

The existing occupants are commercial tenants of Wellington International Airport Ltd.

Next actions: When will the community groups be able to work with the process, as outlined in the resolutions for the business cases.

The project team is currently developing an engagement plan for this purpose. This will be carefully synchronised with the consenting process. The resolutions of Pūrora Waihanga 23rd June 21 (where Sludge Minimisation was considered) did not specifically address dates.

## Item 3.1 Report of the Kāwai Māhirahira | Audit and Risk Subcommittee meeting of 15 September 2021

### What is a health and safety hero?

A Health and Safety Hero is an award that the Safety, Security and Wellbeing Team have initiated and are promoting across the business to increase the profile of H&S and the uptake of increased interaction with H&S. Here is the information sent out in the Monthly update for Managers and will be available on Pokapū soon.

“People are the most important asset in our organisation and ensuring your Health and Safety at work is our number 1 priority. Therefore, we want to celebrate when good Health and Safety is put into action. Health and Safety Hero’s Awards are awarded to recognise when our people go above and beyond to help keep themselves, colleagues, and customers safe”.

### Is the language of “person exposed” on page 53 consistent with the Health and Safety culture we want to encourage? It just seems to have the wrong connotation?

This is standard health and safety language in New Zealand regarding risk exposure and used by WorkSafe, including under the Health and Safety at Work (General Risk and Workplace Management) Regulations 2016. In this instance, it references who is exposed to the listed risk.