

Questions and Answers

Pūroro Tahua | Finance and Performance

17th March 2022

2.2 Developments Contributions Policy report back on consultation and final version for approval

What is the plan to change the remissions once the green building remission once the Environmental and Accessibility fund is confirmed in the annual plan?

We have left the green building remission in place at this point while the Environmental and Accessibility fund (the fund) is being considered.

When the fund is considered in the Annual Plan process it should take into account the current green building remission in the detailed design of the proposed fund. When agreeing the final details of the fund (subject to progress in the Annual Plan), the Council will need to consider and agree the date for the green building remission in the development contributions policy to end (if applicable), and the date for any replacement to begin (if applicable).

Any green building remission already in progress under the development contributions policy would need to be honoured.

What is the best way to make sure the next part of the process after our community facilities review so that the DC's can also contribute toward community centres in anticipation of population growth.

The ability for the Council to charge development contributions on community infrastructure was not an option under the Local Government Act 2002 between 2014 and 2019, when the law was changed back to allow the charges.

This review has re-introduced community infrastructure charges for projects such as aquatic facilities, libraries, public conveniences, burial and cremation, and some synthetic sports fields. These are charged in a city-wide development charge of \$576. At this stage there are no catchment specific projects and development contributions.

The best way to ensure development contributions can contribute is to ensure that community infrastructure is planned and budgeted to support growth. If more community facilities are planned and budgeted through the Long-term Plan in future, then costs attributed to growth can be allocated to development contributions.

When there are upgrades to existing community facilities the growth proportion will be relatively smaller, and in the case of new and expanded facilities growth proportions will be higher and therefore development contributions can contribute proportionally more.

2.4 Quarter Two Reports for Council Controlled Organisations

How can we better understand if the operating grant is best meeting CCO's needs given general costs, HR and wage increases etc?

The Statement of Intent (SOI) process gives CCOs the opportunity to outline their strategy and budget for the year. The operating grant is also adjusted annually for inflation.

Are we planning to review the way we have been doing this through the SOI process, given the challenges and uncertainties that will likely be ongoing for our CCOs?

Yes, we have been talking with our CCO community about how we better align Council's planning process with the CCO SOI process. We will do this collaboratively so we can plan for any necessary adjustments to ensure CCOs are adequately supported and are also supporting Council to deliver on its strategic priorities.

2.5 Performance Report Quarter Two 2021/22

\$129 m of capital spend - how much is this ahead of what we spent at this time last year?

The 2020/21 capital spend for the same period was \$121m, the 2021/22 spend is 7% ahead of prior year.

What is the reason waste diversion is sitting behind on 14%?

This is the YTD result. Q1 was down by 49% due to the H&S implications (under level 3 and 4 restrictions) no glass was being accepted and therefore no glass was being collected by WCC collections contractor. FYI July totals 956.82 Aug totals 453.78 which is more than a 50% reduction in kerbside tonnages collected. Q2 result was 6k tonnes against 5k target.

What is the reason these extra costs for the stadium loan and Wellington water need to be put into this year's budget and not next year's Annual Plan?

The Wellington Water increased budget relates to opex required in the current financial year and so it must be accounted for in the current year, if not the Waters activity will be overspent versus approved budget and operating outside of delegation at year-end.

The Stadium is under significant pressure in the current financial year given the impact of Covid restrictions on its ability to hold events. Providing the WCC portion of the support in the current year is important for supporting the financial position of the Stadium. It is proposed that this grant is debt funded and repaid through rates over a 10-year period. If this support was delayed to next year the recommendation would be the same, therefore paying at this stage in the current year will have minimal financial impact over providing it in 2022/23.

What was the 12 Million unspent on cycling infrastructure?

The original Cycleways (2094) budget included in the Long-term Plan was \$27.5m, as part of the Capital Rescheduling this was reduced to \$14m for the current year. However due to the phasing of the budget, and the timing of making the rescheduled changes the budget included in the Q2 report

is higher than the budget for the full year (see table below that). The spend for the first 6 months of the year was \$4.3m, 16% of the full year rescheduled budget. The current program plans a higher rate of spend in the second half of the year when transitional cycleway program projects go into detailed design and construction. Projects currently in construction, such as Miramar and Evans Bay stage 1 part 4 Weka Bay to NIWA, come to completion in the second half of the year.

\$'000	Activity	Activity Name	P1	P2	P3	P4	P5	P6	Q2 Report	P7	P8	P9	P10	P11	P12	Full Year
LTP Budget	2094	Cycling Network Renewals	2,295	2,295	2,295	2,295	2,295	2,295	13,769	2,295	2,295	2,295	2,295	2,295	2,295	27,539
Revised	2094	Cycling Network Renewals	2,295	2,295	4,480	3,501	3,501	59	16,013	- 336	- 336	- 336	- 336	- 336	- 336	13,996
Change			-	-	- 2	- 1	- 1	2	2	3	3	3	3	3	3	11

What is the Wellington water response to the KPIs not met?

The WWL quarterly report will be covered in detail at the Infrastructure Committee meet on 23 March 2022.

What is the plan to lift performance where it can?

The WWL quarterly report will be covered in detail at the Infrastructure Committee meet on 23 March 2022.

What is the strategy to deal with storm events as they become more frequent?

The WWL quarterly report will be covered in detail at the Infrastructure Committee meet on 23 March 2022.

What is the new estimated timing for opening the St. James and Takina?

We don't have revised dates.

2.6 Wellington Water Current Year Opex - Potential

In relation to the forecast overspend, what information have WCC staff requested from WWL?

We requested specific data and information to support WWL's request for additional opex. This included further breakdown of budgets, actuals and forecast than had previously been provided as well as any trend analysis to support the case for increased reactive maintenance costs over time.

When was this information requested?

This information was requested in November 2021.

What information has WWL provided? Is there any information WCC staff requested that has not yet been provided?

WWL provided the data and analysis in February 2022. There are no outstanding data or information requests for the current year opex overspend.

In paragraph 11 it states that reactive maintenance was budgeted at 42% lower for this financial year compared to last financial year. When and how were WCC staff made aware of this reduced budget?

The reactive maintenance budget for 2021/22 was 42% lower than actual spend in 2020/21. WCC officers became aware of the difference between the 2020/21 actual spend and the 2021/22 budget in February 2022. Reporting on maintenance activities is typically reported for all maintenance (planned and reactive).

Were councillors made aware of this budget reduction prior to receiving this paper? If yes, when and how?

No – as indicated in the paper we operate a “one budget” model with WWL. We fund WWL for opex and capex and allow WWL discretion to determine how that funding will be spent to meet a given level of service, within a given activity (waste water, storm water etc).

When and how were WCC staff made aware of the risks outlined in paragraph 18?

LTP funding advice from WWL dated 20 November 2020 included these risks associated with WWL’s “Low” funding option – this option included a 23% increase in opex over the previous LTP. The preferred option was based on WWL’s “low” option plus an additional \$26 million capex funding for laterals and further renewals. Due to the additional funding, this option became known as the “enhanced” investment option in the consultation document.

Were councillors made aware of these risks when adopting the WWL opex budget for the LTP? If yes, when and how?

The risk included in the 2021 LTP consultation document was as follows:

“While there remains a risk with this option that some service levels may continue to decrease and therefore increase operating costs, this option includes additional funding to better understand the condition of the network, and this will improve our ability to renew and invest in the network. We do not think this option will fix all of our network problems, but we think this will reverse some of the trends and set us on a more favourable path towards higher performance and quality in our network.”

What was the budgeted amount for reactive maintenance in 2020/21?

Budget 2020/21- \$7.518 m

Budget 2021/22- \$6.202 m

What was the actual spend on reactive maintenance in 2020/21?

Spend for 2020/21 - \$10.722 m

Forecast spend for 2021/22 - \$11.369 m

In paragraph 7 it states this overspend could be covered by the use of government stimulus funding. What was this funding originally budgeted to deliver? Why has it not been fully spent? What projects have been undelivered and how does WWL propose to deliver them without this funding?

The stimulus funding included \$5.4 million of capital renewals. Given WWL’s capital budget is underspent, the proposal is to use the underspent capex to fund the renewals and utilise the stimulus funding to fund the opex overspend.

Advice from WWL as to the reasons for capex underspend is as follows:

At a high level we are seeing headwinds across the programme which are impacting many of our projects, slowing delivery, and reducing our confidence in achieving the full Wellington City capital budget, these headwinds include:

- *Long lead times for materials that are ordinarily ‘off the shelf’ products*
- *Stretched resources across the region - both design and construction skills*
- *Disruption from the COVID pandemic, particularly over coming weeks as COVID makes its way through our communities*

Some specific projects included in the 21/22 programme that we have seen delay on in the programme include:

- *Omāroro Reservoir has experienced delay due to adverse weather and the COVID site closure*
- *Middleton Road Watermain Renewal, the construction of this work is now forecast to mainly occur next financial year*
- *Torrens Terrace, Arlington Street and Hopper Street Wastewater Renewals, construction moved to March due to contractor resources delayed on other contract, construction cost now forecast to carry over into next financial year.*
- *Hania Street to Kent Terrace Wastewater Renewal, cashflow adjusted based on contractor programme, construction cost now forecast to carry over into next financial year.*
- *Karori Road 357 Stormwater and Wastewater renewals, construction moved to following dry season within next financial year due to land access issues.*
- *Main Road Tawa Stormwater Improvement, the construction of this work is now forecast to occur next dry season within next financial year due to land access issues*
- *We are also forecasting an underspend in the Laterals Ownership Change budget, this is because there were not enough existing projects on the current year's wastewater programme that could utilise the full laterals budget.*