

Infrastructure Committee 12 August 2021

Questions and Answers

2.1 Three Waters Asset Conditions Assessments

What are the problems with valves and fittings noted on page 12 and page 13?

The issues with valves or fittings are generally related to either:

- a. the valve being in an inoperable condition, or,
- b. attempts to use them risked failure.

What is the reason for these problems?

The previous testing programmes on valves and fittings have not been adequate.

What can WW and WCC learn from these mistakes in terms of procurement?

Renewal programmes for pipelines have included the replacement of valves. However, valve replacement programmes have, up until now, been largely reactive. Valve testing programmes need to be upscaled as part of our planned maintenance programme – provided budgets allow for this.

Our next steps are to use the results of the VHCA to inform a programme of testing/replacement.

Why does it simply say that losses assessed as poor or very poor are being “investigated” for renewal? Can we have a guarantee they will be renewed?

Further investigation is required to identify the best solution, as assets graded poor or very poor do not always have to be replaced. It is possible that the solution could be to refurbish, line or repair them.

What is the watertightness issue with reservoir roofs? What can be learned from this problem?

Reservoir roofs that aren't watertight risk contamination during rainfall. This is an inherent risk with buried reservoirs and with certain types of reservoir construction. These issues can be remedied through application of coatings, replacement or repair of sealant joints or minor modifications to vents, and access points.

Regular condition assessment programmes will help pick up these issues in advance.

Have all the assessments been done by the peer reviewers? Are these people contracted in? What internal capacity has been built?

The assessments have been performed by consultants and peer reviewed within the consultancies and by experts within Wellington Water.

Our staff, both within the consultancy panel and in Wellington Water, have had to grow their condition assessment expertise by employing more engineers, using new digital technologies and developing new methodologies for condition assessments

The comment that condition assessments cannot be a “one off” exercise makes sense but how did we get into a situation where this has occurred?

Previously assessments have not been a component of planned maintenance. They rely on collective knowledge and limited specialist expertise. The assessment of buried assets are also difficult to plan, expensive per metre and the predictions reached are not absolute due to technology limitations.

The Very High Criticality Asset assessment programme is an opportunity for Wellington Water to build this capacity into our future work programmes using newly tested methods and building internal knowledge and specialist expertise.

What work has been done to ensure that condition assessments are done at a frequency appropriate to the age of the asset? Where is the clear commitment this will occur?

Assessment frequency is dependent on the asset type, its expected life, the knowledge of its condition and how far advanced it is within this life. As assets get older the time between inspections will be less. The VHCA work will determine the next intervention date for each asset.

From memory, some of the assets that were inspected were in much better condition than we would expect given their age. Is this correct – can we get some additional information about this, perhaps with a specific example or two? Helps to remind us why we don’t just automatically replace assets that have reached their theoretical end of life.

[WWL will address this question on the meeting]

What are the next steps planned to address the issues identified with valves? How long will this work take and how is it being funded?

We are preparing a valve maintenance plan and are looking to progress this work over this year.

2.2 Three Waters Reform Update

What is the further modelling that WCC is undertaking before September?

The main impact for the Council is the impact on the balance sheet of reform. Further work is required in this area to inform the next tranche of advice to the Committee.

Additionally further work is required to understand the decision making process that Councils will need to follow through the reform process.

What team in Council is doing this work or is it contracted out?

The Council's finance team is leading this analysis.

How is WW involved?

Given that the main impact is on the Council's balance sheet, WWL is not heavily involved.

Officers are closely engaged with WWL, but not on this specific modelling.

What work is being done with other Councils in the area before September?

A Regional co-ordination group has been in place for around a year, this is comprised of the shareholders of WWL with other Councils in the Region welcome. This is mainly around communication and co-ordination – each Council is different, and each will have a different impact on its balance sheet.

What plans for engagement are there before September? Does it include advisory groups?

There are no plans for public engagement before September. DIA has made it clear that it is not expecting engagement at this stage of the process, and is working on the process for consultation with a view to providing guidance later next month.

Para 35 and 36 identify the estimated future costs of three waters services with and without reform. Can we see these figures for WCC only?

Para 35 is specifically about Wellington City.

Para 36 relates to the entirety of Entity C.



DIA has made the background material available

[Three Waters Reform RfI - dia.govt.nz](https://www.dia.govt.nz/Three-Waters-Reform-RfI)

Para 42 identifies that the ownership model proposed is significantly different to the more well known models such as CCOs. Can you please explain why this type of arms-length ownership model is needed to enable additional borrowing by the WSE?

A CCO's balance sheet is aggregated into the parent Council's accounts. This means that a CCO would have the same borrowing constraints as the status quo – the situation in which Watercare finds itself.

Para 40 includes the graph of the proposed governance arrangements. Can you give us more information about why DIA has proposed an independent selection panel to appoint the board? This seems like an additional layer of governance that may be unnecessary?

DIA has developed the model after collecting feedback from around Aotearoa New Zealand. We will ask DIA to provide a further response.

Para 51 identifies one of the key issues that will determine the financial effect on WCC from the transfer of assets and debt to a WSE. Do we have any further information about the plans for this decision? Do staff have a preferred option?

This is a significant issue for the Council. We do not yet have sufficient detail from DIA about the transfer of assets and debt, and officers do not have a preferred option at this stage.

Para 57 refers to the qualified audit opinion around three waters. Audit and Risk committee asked for the Infrastructure committee to get an update on progress regarding the performance measures that received a qualified audit last year. Can we please get some further information about each measure that received a qualification: what steps have been taken to improve the data quality, any further steps planned to improve the data quality, and whether staff believe the auditors concerns have been addressed.

The measures that were qualified are below. We will arrange for the further information and detail requested to be provided separately

- The qualified opinion relates to certain performance information required as part of the Department of Internal Affairs (DIA) mandatory performance measures for water activities in relation to water supply, wastewater and stormwater.

The performance measures Audit qualified our opinion on are:

- Fault response times – Water supply, Wastewater and Stormwater
- Maintenance of the reticulation network – Water supply
- Total number of complaints received – Water supply, Wastewater and Stormwater
- Number of dry weather sewerage overflows – Wastewater

Para 62 touches on water meters needed for better data quality on water loss, which relates to my question 5 above. Can we please get clarification that residential water meters are not required to meet DIA performance measures, but that street level meters would be sufficient?

Street level water meters would be sufficient to measure water losses to the extent that we would meet the DIA reporting requirements. Investment at that level however, does not help to improve private side leak detection, which we regard as a major issue for the City.

Page 36 and 37 identify two key concerns I have about the reforms – how will local communities (for example the Owhiro Bay Residents Association) be able to influence the strategic priorities and level of investment in their catchment? And how will council land use planning integrate with WSE plans – given that different types of land use planning can create vastly different costs for the water infrastructure needed to support them? I'm particularly thinking about intensification of brown fields sites being cheaper to provide infrastructure for than new greenfields development, but also councils will continue to fund green infrastructure such as parks and reserves that will influence how much stormwater reaches the WSE's pipes. How will councils be incentivised to make decisions that lower costs for the WSE?

DIA has acknowledged the challenge of achieving 'local voice' through this model and has specifically asked Councils to provide advice on how this might be achieved. While there are options such as consumer groups, there is no obvious mechanisms by which this can be guaranteed.

As part of the agreement between LGNZ and the Government, we are also looking for feedback on and solution refinements for issues that councils have raised that aren't fully resolved and on which the Government has said there is room for flexibility to come up with solutions that meet local needs:

1. Ensuring all communities have both a voice in the system and influence over local decisions. This includes assurance that water service entities will understand and respond appropriately to communities' needs and wants, including responding to localised concerns.

Integration with land use planning and other Council plans has also been identified as an area where Council feedback would be welcome. The integration of stormwater is recognised as a particular future area of conflict.

3. Making sure councils' plans for growth, as reflected in spatial plans, district plans or LTPs, are appropriately integrated with water services planning. This includes that planning and delivery of water infrastructure investment is integrated with transport and other related infrastructure.

In the table of Better Off funding allocations – why is Christchurch receiving almost double the funding for Wellington?

DIA advice is that *'The better off component ... is allocated to territorial authorities on the basis of a nationally consistent formula that takes into account population, relative deprivation and land area.'*

Christchurch City has almost double the population of Wellington City, and more than six times the land area.

It would be good to understand more detail of the analysis that supports the conclusion that water reform could reduce the future cost of three waters services by 45%. Can we get some officer advice evaluating the supporting documents of the Simplified Financial Models and the scope of efficiency gains from the Economic Analysis by WICS?

Officers will look to provide this advice at the September Committee meeting.