Questions and Answers
Pūroro Tahua | Finance and Performance
19th May 2022

2.2 Performance Report Quarter Three 2021/22

Given significant inflation in construction costs and professional services, what assurance can staff provide that these projects are actually on track for completion within existing budgets? Or are we now delivering ~80% of the project for 100% of the budgeted cost? (pg 94 Q3 p8).

At this stage the above pressures are impacting pace of delivery rather than how much of the project is expected to be delivered. Hence our response has been and rephasing of the delivery of the whole project with a view to delivering within the life of the LTP. However, cost inflation and materials constraints are expected to continue to be volatile in the foreseeable future and remain a key risk to project budgets. While we do anticipate risks in planning project budgets and schedules and build in contingencies, we are continuing to closely the monitor and anticipate the impact of these pressures as well as reinforcing mitigation measures. As indicated in the report Mitigation measures are focusing on strengthening internal capacity to deliver in continuing to embed coordination, prioritisation, and management of dependencies between programmes, both across the project portfolio and between business functions and continuously improving reporting of risks, budgets and delivery schedules.

Housing, transport, and mana whenua partnerships all significantly underspent – what is driving this? (pg 94. Q3 p8)

YTD work programme spend continues to lag forecast spend - reflecting the above on-going pandemic disruptions impacting the pace of delivery.

Housing spend has been impacted by supply lead times, such as four months for heat pumps to arrive in the country, and a constricted labour market. However, many key contracts have been signed in the last two months and CAPEX spend should more closely align with forecast for the upcoming FY.

Transport have been impacted by the current market conditions and are forecast to spend 75% of full year budget by year-end.

Community, creative, cultural spaces - only 3% budget left. Have all these priority projects been completed (nearly) or are we forecasting an overspend in this area? (pg 94. Q3 p8)

There are 10 priority projects in the portfolio contributing to strategic priority Resilient and fit-for-purpose city, community, creative & cultural spaces7 are in delivery phase and the conceive, develop and plan stages have one project in each stage. Of those in the delivery stage six have a forecast completion in the 22-23 financial year. The priority projects with the larger budgets that are in the delivery phase are, Takina, Te Ngakau Civic Square, Town Hall redevelopment, St James Theatre strengthening and Te Matapihi ki te Ao Nui (Central Library). There are also 3 Community Centre development projects and the Frank Kitts Park Playground development project

We are forecasting a Full Year overspend for Takina, and St James Theatre Strengthening and for two of the Community Centre development projects (Aro Valley, Strathmore).

What is the forecast capex carry forwards for year end? Can we see a breakdown in the forecast carry forwards based on whether the project is in Delivery, Planning, Scope, or Conceive phase? (pg 94. Q3 p8)

The carry forwards have not yet been assessed. This process will be carried out in late July when the financial year has closed. There will likely be a difference between the currently forecasted underspend and the final carry forwards, not all underspends are required for project completion for example, the capital replacement fund (2111) is provided for annually for the purchase or replacement of small capital items, if this is not utilised in the year it will not be carried forward.

How much of next year's capex budget is for projects that are either in the delivery phase or ready to move into delivery? How much of next year’s capex budget is for projects that are still in the planning phase? (pg 94. Q3 p8)

This information is not currently available across the whole capital programme. It is intended that a full review of our capex programme will be carried out in line with the above-mentioned carry-forward analysis. This will take account of the stages of development, resources requirements and market ability to deliver.

What is the target timeframe for dealing with calls and why have these not been met in Q3? What is being done to improve this in Q4? (pg 98. Q3 p12)

The target timeframe is 90% of calls answered within 240 seconds. Quarter 3 results have been impacted by low staffing and increased call volumes (57k calls compared to 54k in Q2) related to COVID alert level changes, a severe weather event and the occupation at Parliament. To help address the service level gaps, recruitment to backfill vacancies and to increase surge resourcing capacity is underway. Once the new staff are trained, we expect to see improvement in the SLA.

Why are insurance expenses forecast to be $1.1m under budget? (pg 101. Q3 p15))

Insurance costs for the year are finalised after the final budget is prepared. Savings of $2m versus budget were realised for the 2020/21 financial year, however a net of $1.1m is expected due to in-year increases, particularly in the Housing area.

Under spending on contracts, services and materials seems to be driven by less spending on maintenance in several areas. What assurance can staff provide councillors that maintenance continues to be provided to a good standard in a timely way? What assurance can staff provide councillors that we have a good understanding of the maintenance needs across the relevant assets? (pg 101. Q3 p15)

All compliance checks have been completed so buildings are all fully compliant. Several buildings have not been operating at various times due to Covid which has resulted in lower than normal reactive maintenance calls.

What does it mean that “all debt is prefunded through Dec 22” and what are “deposits for pre-funding”? (pg 101. Q3 p15)

This means that all the debt that is due to mature between now and December has already been replaced with a new line of funding, the proceeds of which have been placed on deposit to minimise the cost of transacting and holding the debt. This is to manage refinancing risk.

Under LTP strategic priorities it states that Community, creative and cultural spaces spending has been 97% spent for the year, however the reporting for Social and Recreation shows an expected $11m underspend in capex by year end. Can you explain the difference between these two please? (pg 103. Q3 p17)

There are 114 projects that contribute to the six LTP Strategic priorities the combined capital spend is reported on p8 of the Q3 report. Strategic priority 4 “resilient, fit-for-purpose community, creative cultural spaces” has 46 projects that cover renewals, upgrades (e.g. CCO upgrades), new asset development (e.g. Takina) and programmes / action plans support new strategies (e.g Aho Tini, Poneke Promise). These projects and programmes relate to several Strategic Areas including Social and Recreation. This means that the portfolio of capital programmes that are reported on P8 (for strategic priories) is different from the portfolio reported on p17 (strategic areas).

In addition, and given the above, the project/ programme budget phasing profiles and capital spend of each report is different.

Why are there overspends on St James in Urban Development but underspends on the same project under Economic Development? (pg 103. Q3p17)

The budget for the St James project is across two activities and strategies (Economic Development and Urban Development). The Economic Development strategy classified portion of the project is forecast to be under budget while there is expected to be over spending in the Earthquake Risk Mitigations portion which sits in the Urban Development strategic area. When aggregated, the St James project is forecasting to be over budget for the for the year.

What is driving the $14m capex underspend in cycleway planning? What is being done to get these projects back on track? (pg 103. Q3 p17)

In Year one of the 2021-31 Long-term Plan we have focussed on setting council processes, policies and resourcing levels to ensure we are in the best position to deliver the cycleway projects. This preparation has included policy review and public consultation, resourcing and process review and updating the programme business case for Waka Kotahi to unlock support. This work was not incorporated into the Long-term Plan budget yearly allocation, but is essential for setting up the programme for success. Officers are working hard to do everything they can to deliver the ambitious programme and step change set by Council.

Funding of up to $14M was allocated in the Long-term Plan to address community concerns in Island Bay. Following public consultation, Committee agreed to an interim scheme at a lower cost with the period for delivery moved mostly into year two.

The transitional cycleway along Bowen Street was impacted and deferred to start in September due to the protest at parliament. Plans are currently underway to obtain resources to bring this project back into frame and deliver it sooner.

The delivery of Evans Bay from Balena Bay to Little Karaka Bay has been delayed due to cost escalation requiring rescoping at the detailed design phase to fit within budget. Covid and supply chain constraints have also affected delivery, for example the delivery of minor works budgets and the Rongotai Rd intersection. The programme delivery planning which has happened in year one has been done to set up the programme to be able to deliver both the year one underspend as well as the ambitious programme in years two and three.

What is driving the delays in footpath upgrades and wall, bridge and tunnel renewals? What is being done to get these projects back on track? (pg 103. Q3 p17)

Wall, bridge and tunnel renewals were impacted by the Omicron outbreak resulting in multiple field staff being unavailable. This forced us to shut down worksites which resulted in delays to completing those projects. These projects are now all back up and running and we are planning to have them completed early in the new year as well as next year's programme.

The footpath upgrades budget for year 1 was significantly higher than previous years. Work was slow to begin, but started to ramp up as the year progressed. Whilst we will still be slightly underspent at year end, we are anticipating that the ramp up of work over the past few months will stand us in good stead as we progress into next year.

What is driving the delays in commercial property renewals and general capital replacement fund? What is being done to get these projects back on track? (pg 103 Q3 p17)

There are multiple reasons why some property renewals will not be complete in this year. Covid is responsible for delays in materials and has impacted on suppliers' ability to deliver all works. In some cases, such as Northland Community Centre, projects have been deferred due to commitments to community groups. All works are planned to be completed next year.

The recommendations relating to additional CCO support are confusing, additional budget of $600k is being requested but $209k of funding is needed, please explain?

The approved budget for the CCO Covid Response Support for this year (2021/22) is $2.3m. In order to provide the full support required by CCOs this year a budget of $2.9m is required, this has resulted in an opex budget increase request of $0.6m so that Officers can act within their delegations.

As part of the 2020/21 Annual Plan Council approved $5m for this support and agreed it be debt funded and "repaid" through rates over 10 years and this has been included in the calculation of rates. However, only $2.3m of this was required by CCOs in 2020/21, as part of the 2021/22 Annual Plan Council agreed to budget for $2.3m for CCO Covid Response Support. This did not need to be funded due to the underspend in 2020/21. At the time of planning, it was not certain how much would be required by the end of that year so there remained a balance of $0.4m that had been funded but not budgeted or required ($5m - $2.3m - $2.3m = $0.4m). Officers are now asking for an additional budget of $0.6m but $0.4m of that can be funded out of the unutilised portion of the original $5m and additional impost is not required to be put on the ratepayer for this. However there remains and unfunded balance of $0.2m that does required funding ($5m - $2.3m - $2.3m - $0.6m = -$0.2m).

Cycling Budget underspend and continued underspend- can we have a bit more detail about why this is. Are we expecting this trend to continue into next financial year as well?

See above. We will be ramping up delivery of the programme now the programme delivery planning and recruitment of the team are well underway. We are expecting to deliver the allocated budget going forward and are investigating how we can speed up delivery of the current pipeline.

Frank Kitts Park Playground- on Green, does this need to be updated? Is there any news on progress to continue finishing the park?

The Council is in discussion with a potential contractor for them to take over the project from Armstrong Downes and see it through to completion. The potential contractor is carrying out its due diligence to confirm if it is interested, from which we expect a decision to be made next week. Once a potential replacement has been confirmed, officers will work through the operational issues to remobilise the project and continue construction. The financial and timeframe implications won't be fully known until this process is completed.

Currently there is work underway to move the contract to a new contractor, however discussions are still on-going.

Page 101 (Q3 p15) - Increased revenue at the landfill- Is there any explanation for the increase as we were advised that increased fees would provide waste flight?

This increase in revenue is not being driven by increased fees, it is increased volume of contaminated soil waste. It is hard to predict the volume for this type of waste and it does fluctuate from year to year.

What waste types are increasing?

As above.

How are we managing this with the 4/1 ration of sludge mix?

Contaminated soil waste is deposited in a different part of the landfill to sludge and general waste, so this does not have any impact on the 4:1 mixing ratio.

Is there any waste that could be stored to use later to manage the 4/1 ration mix- ie rubble / soil?

As mentioned above, contaminated soil waste is deposited in a different part of the landfill and is not mixed with sludge.

Three waters page 98.

NB performance variance commentary for 3 waters is presented to the Infrastructure Committee

2.4 number of complaints about the wastewater system- New- Can this be explained better please?

This is a new exception item for Q3 as target has been exceeded by >10%, however no further information can be provided as complaints are unable to reported accurately as per audit opinion 2020/21.

2.4 compliance with resource consents 3- can we have a status report on how we are tracking with meeting the RC's compliance.

These three events occurred in 2021 (1 in Q1, 2 in Q2).

2.4 Number of wastewater reticulation incidents per km of pipeline- is it possible to have a graph that shows how we are tracking over the last 5 years?

2016/17	2017/18	2018/19	2019/20	2020/21
0.64	0.47	0.52	0.65	0.56

2.5 New Exception - Monitored sites that have a new rolling 12-month median for e coli- can this be explained please?

This is a new exception as result for Q1 and Q2 was 86% within 10% of target. The Human Health Mitigation project is underway and targeting environmental health improvements at catchments across Wellington City Council.

Not yet being reported on

How and when will be able to report council's annual emissions?

We have been working this year on improving the timeliness and completeness of our Council greenhouse gas inventory. We expect to report Council FY21 emissions in the next few months, and the FY22 emissions at the same time as the 2021/22 Annual Report (a high-level summary in the annual report, and the full inventory report on our website).

How and when will be able to report Wellington City emissions to align with Te Atakura targets?

Historically we have reported City emissions every four years. Given the declaration of a climate emergency and our science-based target of reducing 2020 emissions by 57% by 2030, we are now planning to report on City emissions annually. The 2021 City greenhouse gas inventory will be published at the same time as the 2021/22 Annual Report (a high-level summary in the annual report, and the full inventory report on our website).

KPI 7.2 Parking- do we have any data to show that that the trend is increasing over the last two months since we have been in orange?

See table below occupancy rates fluctuate so trend is not evident yet.

Please note there was an error in the reported result for YTD parking occupancy – it should be 53% rather than the 48% reported.

As requested by Councillors as part of the adoption of the 2021/22 Annual Plan the following provides an update on capacity levels of paid on-street parking (pg99 Q3p13)

2021/22 Year – July to March

Parking Revenues have and continue to be impacted by COVID-19. YTD performance has been impacted by lockdowns and time spent at both Alert Levels 3 and 2. During the reporting period the city was at the Red Traffic light setting.

Full year revenue budgets will not be achieved given the ongoing impact of COVID-19 and the impact of the parking related initiatives approved recently as part of the revised pandemic plan.

At the end of the third quarter Revenue was $9.6m (or 32%) behind budget as at the end of March, which reflects a reduction in overall metering and enforcement revenue.

The following tables provide a snapshot of the occupancy levels across the 2021/22 financial year through to the end of April 2022. Overall, occupancy levels have stayed relatively constant and are currently sitting at 53% peak occupancy, with average occupancy sitting at 46%.

For comparison in the 2019 calendar year average peak occupancy on weekdays was 69% and average peak occupancy in the weekends was 64%.

New Zealand moved to the orange traffic light setting on 13 April 2022 and there has been an increase in April in both weekday and weekend peak occupancy levels, however there were also several public holidays in April and that combined with pandemic plan parking initiatives make it difficult at this stage to see what is driving occupancy.

For clarity - Peak Occupancy refers to the average highest point in the day where demand for available car parks is at its highest. Average occupancy refers to the average across the operating hours for the month referred to.

Note that occupancy rates of car parking spaces are a useful way to judge the impact on revenue from parking fees, but is less useful as a proxy for level of economic activity in the city as people also travel into town by train, bus, bike and foot. The Parking policy sets a target of 85% occupancy as the ideal occupancy rate to ensure that our valuable public space is not underutilised, and to support the delivery of the strategic direction set around mode-shift and carbon emission reduction commitments in the RLTP and Te Atakura.

Peak Occupancy figures

Month	Peak Occupancy Weekday	Peak Occupancy Weekend	Peak Occupancy 7 Days
July 21	58%	55%	58%
August 21	48%	40%	46%
September 21	51%	43%	49%
Quarterly Cumulative Total	**53%**	**46%**	**51%**
October 21	56%	51%	54%
November 21	57%	52%	56%
December 21	57%	53%	56%
Quarterly Cumulative Total	**55%**	**49%**	**53%**
January 22	53%	48%	51%
February 22	56%	54%	56%
March 22	49%	48%	49%
Quarterly Cumulative Total	**54%**	**49%**	**53%**

April 22	52%	54%	52%
Cumulative YTD Total	**54%**	**50%**	**53%**

Average Occupancy figures

Month	Average Occupancy Weekday	Average Occupancy Weekend	Average Occupancy 7 Days
July 21	52%	45%	50%
August 21	42%	34%	40%
September 21	45%	35%	42%
Quarterly Cumulative Total	**46%**	**38%**	**44%**
October 21	51%	43%	48%
November 21	51%	44%	49%
December 21	50%	44%	49%
Quarterly Cumulative Total	**49%**	**41%**	**46%**
January 22	47%	40%	45%
February 22	51%	47%	50%
March 22	44%	39%	43%
Quarterly Cumulative Total	**48%**	**41%**	**46%**
April 22	46%	45%	46%
Cumulative YTD Total	**48%**	**42%**	**46%**