



Hutt City Council Wellington Water Update

August 2021



Our water, our future.

Agenda



1. COVID-19, Level 4 Response
2. Service Delivery Strategy
3. Capital Delivery 2021/22
4. Barber Grove Wastewater Trunk Duplication
5. Stimulus Funding Programme

Our 2017 Service Delivery Strategy

- a big shift in how we deliver

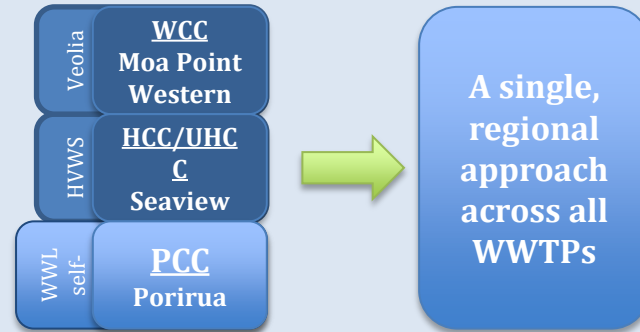


1. Water Treatment



- Fundamental to our strategic outcomes
- High value-add area for customers
- High risk operation
- High capability team

2. Wastewater Treatment Plants (WWTPs)



- Economies of Scale
- Management focus
- Interoperability Single network view

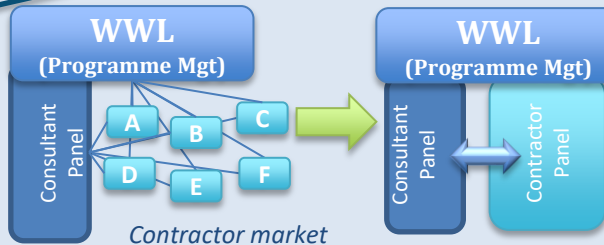
5. Consultant panel



Further develop panel to drive improved value and outcomes

- Part of panel development strategy
- Significant opportunity to drive improved value and customer outcomes
- Gives the panel time to mature

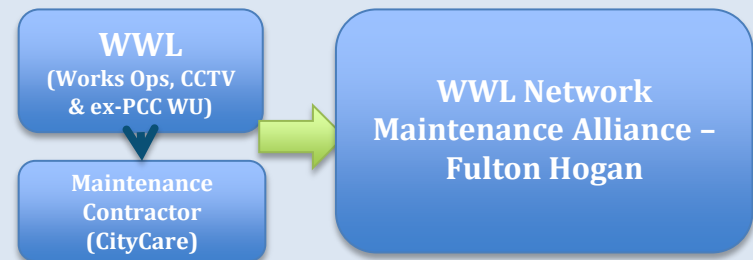
4. Contractor panel



Establish a Wellington Water contractor panel

- Improved work planning to increase delivery confidence, avoid peak pricing and reduce customer disruption
- Reduce administrative burden of repeat tendering or smaller works
- Allows competitive market to mature with Wellington Water
- Incentivised H&S performance and better relationship management
- Allows easier consultant-contractor teaming for earlier contractor involvement opportunities

3. Network Maintenance



- Allows for full integration between outsourced provider and own staff with appropriate incentives to drive innovation and customer service
- Competitive market likely to deliver increased value
- Improve customer and outcome focus
- Retain internal capability for network knowledge and resilience
- Fully utilise specialist capability in Work Operations Team

Overall results of our independent review of the strategy



1. Overall, the **consultancy panels and contractor panels** are providing improvements and delivering value for money from both a model and operations point of view compared to the previous ways of operating.
2. The consultancy panel, being the first water panel in NZ (and since copied) and being the most mature has the clearest measurement of improvements.
3. The **Alliance** model shows alignment with the Wellington Water principles. To date it had been less clear if this model is delivering value for money due to legacy issues with a backlog of service requests and increasing work due to aging networks. Areas such as the customer hub and the agility to redirect resources during COVID without claims are positive .
4. The metropolitan **Wastewater Treatment Plants operations** model (i.e., one operator for 4 plants) captured value at the time the contract was tendered and should be providing improvements and value for money. For instance, one of the drivers of this model was economies of scale.
5. The **Wastewater Treatment Plan operation** is not providing improvements on the previous model – this can be seen in aspects such as the number of non compliances (and therefore not meeting WWL outcomes), asset failures (not all of which can be attributed to the operator) and lack of control by Wellington Water or councils over pass thru cost and weak incentives to the operator to decrease these.
6. With the **Water Treatment Plants** it is clear that operations under this model are delivering safe drinking water. However, it is unclear if the model and/or the operations are delivering improvements and value for money. Duplicate reporting lines blurring accountability for some staff, the inability to know costs at an asset level and the inability to report wider value for money measures make this difficult at present.
7. It is clear, and was reinforced by all parties spoken to, that with changes to the operating environment such as a large increase in council spend on three waters renewals, the operational aspects of an aging network and tightening of the labour market, **WWL would not have been able to provide the services it does to client councils under the previous models** of operating and would be even less likely with the growth in spend going forward.

Recommendations – across all elements of the Service Delivery Strategy



1. **Strategy** - develop a Service Delivery Strategy document i.e., one document that includes all elements of the Strategy and the definition of what value for money means for each.
2. **Value for Money** – establish the same value for money measure that is used by the consultancy panel for all elements of the Service Delivery Strategy – the Alliance, consultant panel, WWTP operation, WTP operation.
3. **Measures** - reduce the number of KRAs and KPIs as reported by the consultancy panel and contractor panel. Refine so it is clearer to identify if something is being achieved.
4. **Innovation and improvement** – continue with the increased focus on innovation and continuous improvements to provide efficiencies and value for money in an environment where the value of work is potentially doubling.
5. **Recruitment** - Participate in a sector-wide growth and recruitment strategy to assist with retention, growth and service delivery.

Next Steps – updating the Service Delivery Strategy



We are currently working on an update to the Strategy with a focus on:

1. **Social Procurement:** including minimum livable wage, graduate development, apprenticeships and training programmes.
2. **Growth:** increasing capacity, capability and efficiency to delivery more.
3. **Best Fit Model:** evolution of the delivery model eg: greater integration of Consultant and Contractor panels.
4. **Value for Money:** development of a consistent framework, innovation and continuous improvements.

Capital Programme Deliverability



The Wellington region is emerging from a long period of static funding on water assets.

The reform agenda and a series of high-profile failures have resulted in some of our client councils providing a significant increase in funding over the next Long-Term Plan (LTP) cycle.

Central government is also likely to provide additional tranches of stimulus funding as water reform progresses.

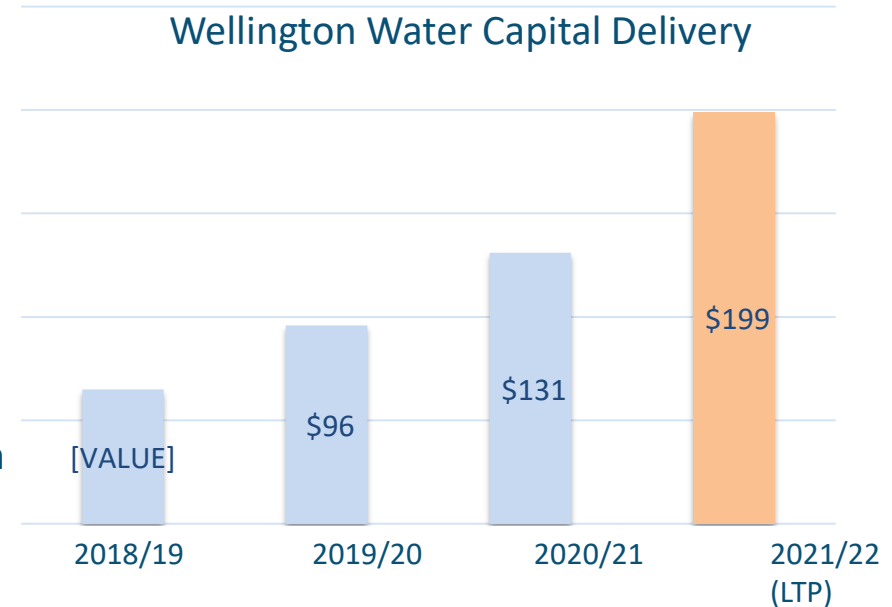
The capacity and capability of the local market is currently sized for the current level of funding. This means that Wellington Water will need to gradually increase our resources and change how we deliver to meet the challenge.

Our delivery capacity has been growing

In 2020/21 Wellington Water delivered \$131m against a \$160m budget.

Key reasons that the outturn was less than budget:

- The disproportionate impact of four major projects on the financial delivery
- The lack of a pipeline of projects or a “bench” in some areas
- Resource constraints with our consulting panel
- Complexity/ constraints of our operating model with multiple budgets across our client councils



Our Capital Delivery Strategy



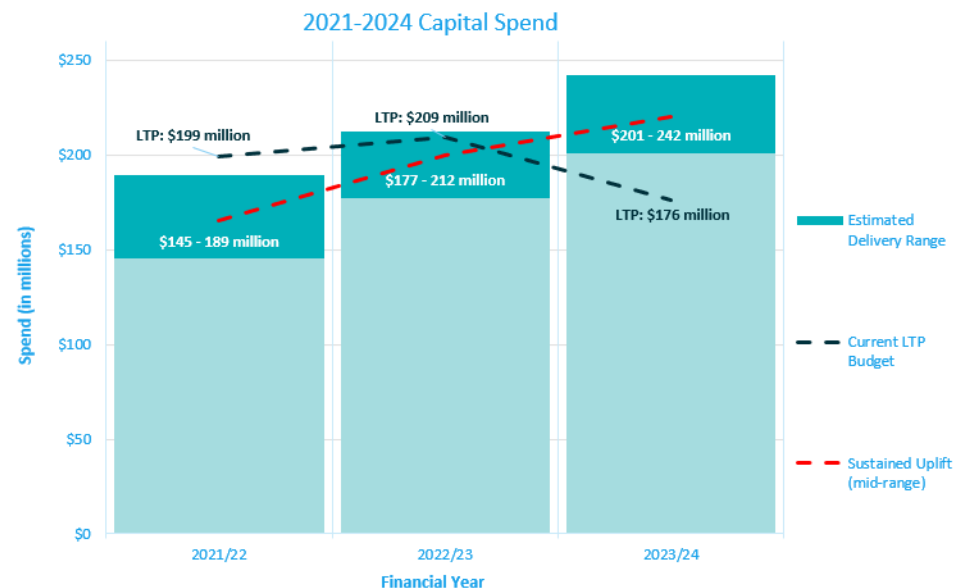
- Separate and report major projects from the balance of the programme
- Replace projects with a high delivery risk and low network risk with fast-track catchment renewals that have a high delivery confidence
- Work with our panels to increase the number of resources available to deliver the programme
- Smooth the first three years of the LTP, so that there is a steady ramping up of resources required.
- Updated service delivery strategy
- WWL several continuous improvement activities

Our Capital Delivery Strategy

Sustainable uplift in delivery



- Our capital delivery results show we have maintained a steady uplift of around \$30m per year for the last three years
- In that time WWL and the Consultant and Contractor panel have steadily grown in capacity and capability
- At the same time, the LTP shows a “sag” in year three, which disincentivises our panels investing in our capital programme
- Smoothing the LTP enables:
 - Sustainable growth
 - Eliminates the sag
 - More likelihood of delivery of the three-year programme



Our water, our future.

What does this mean for HCC?



The HCC Programme has two big delivery risks:

- The Barber Grove Trunk Main Duplication - a complex major project
- A large number of individual renewal projects – complex and are resource heavy

The HCC programme delivery risk for FY21/22 is **medium**

The delivery range based on that risk is \$28m - \$34m. (Budget is \$39m)

The mitigations measures for HCC are:

- Continuing to advance Barber Grove
- Introduce additional Fast Track Catchment Renewal project

Note there are factors outside Wellington Water's control that are likely to impact delivery this year:

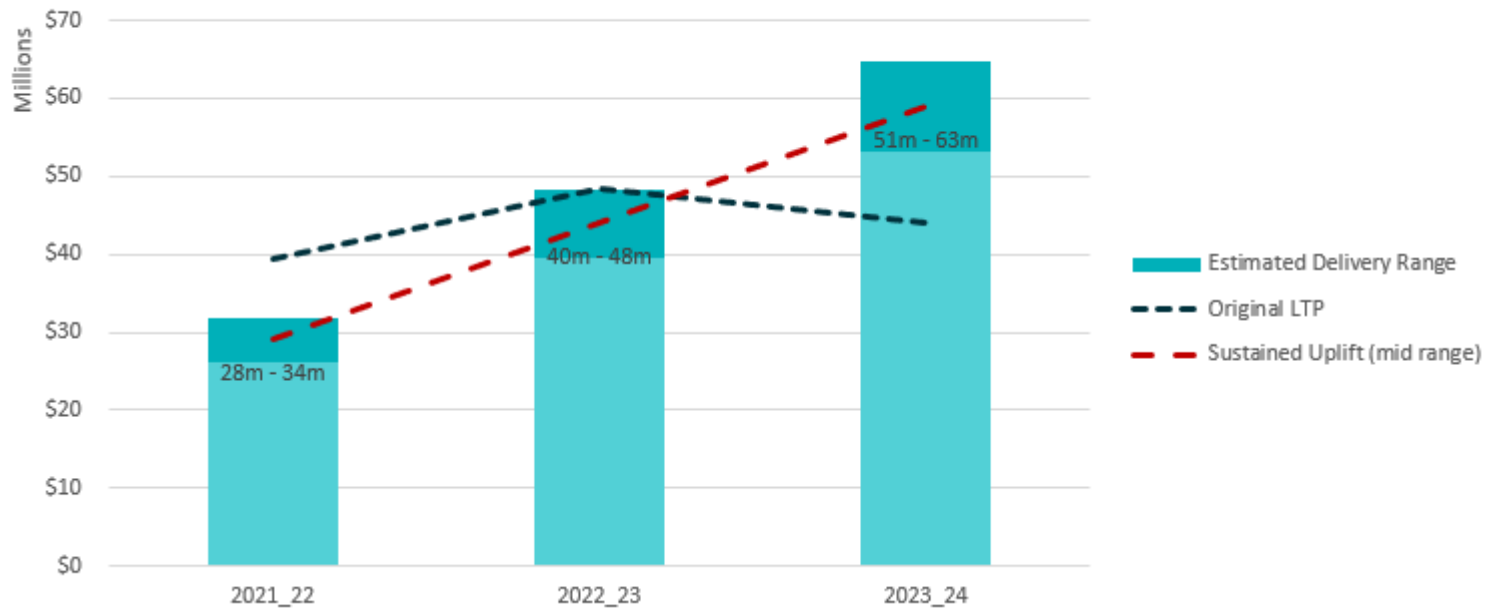
- Ongoing COVID-19 disruptions to supply of materials and equipment
- Deployment of Wellington Water and panel resources to fix breakages
- Other infrastructure programmes getting underway in the region.

We will monitor the impact of these and mitigate as best we can.

We will deliver 100% of the Programme with steady uplift over three years



HCC 2021-22 to 2023-24 Capital Spend



Barber Grove to Seaview WWTP Trunk Main Duplication



Project Outcome

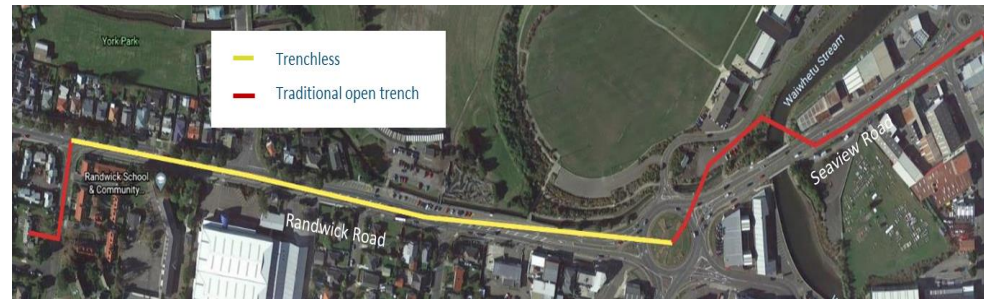
To construct a seismically resilient duplicate pipeline from Barber Grove pump station to Seaview WWTP

Timeline & Key Milestones



Project Status – on track for award October 2021

- Construction methodology has changed to utilise trenchless solution along Randwick Road to reduce impact on the community
- Detailed design is complete and currently under peer review
- Parallel pricing process is underway with ECI Contractor and independent third party
- Long lead time on some equipment means delay between award and commencing construction
- Risk that delays obtaining Resource Consent could delay contract award



Stimulus Funding Programme

Delivery Highlights



- The Renewals programme has achieved 1,739m watermains and 1,044m wastewater in Lower Hutt (Wainuiomata) to date. This work is being funded from Lower Hutt's capital budgets, but would not have happened without the impetus of the Crown funding and the fast-track approach taken to delivering results.
- Preliminary health assessments on very high criticality assets:
 - 138km pipes – 16km have also had physical inspections
 - 25 Pump Stations – all have also had physical inspections
 - 25 Reservoirs – 20 have also had physical inspections
 - Seaview WWTP
- Increased spend on planned and reactive maintenance, leakage detection and repair, and process improvements
- New roof coatings on seven reservoirs

Plan to fully spend Crown funding



- Expenditure has been slower than forecast, and planning is underway to boost spend in areas that can confidently deliver before March 2022. These include:
 - Additional investment in drinking water safety projects such as reservoir safety, roof coatings and water quality monitoring
 - Additional investment in improvements to Wellington Water’s asset management system, cyber security and regulatory compliance processes
- We are also developing ways to absorb any underspend at the end of the programme, such as equipment purchases and transferring unplanned capital or operational costs.
- These two approaches contribute to overprogramming the work by 10-15%, enabling us to be confident of fully spending the Crown funding.

Programme flexibility

- When developing the Stimulus Funding Programme in August 2020, councils agreed to a level of flexibility of moving funds between projects and between areas in order to maximise the use of the funding before 31 March 2022.
- This included putting ranges of +/- 30% on each workstream budget.
- In the coming months we'll likely make use of that flexibility, and move funding to projects that have more certainty of delivering on time.