

8.5 ENGINEERING SERVICES CAPITAL PROJECTS FUNDING**Decision Required**

Report To:	Full Council
Meeting Date:	9 May 2019
Report Author:	Jenna Neame, Senior Activity Planning Advisor; Dwayne Fletcher, Activity Planning Manager
Report Number:	RCN19-05-05

1 Summary

- 1.1 This report advises the Council of current project funding shortfalls and seeks agreement to amend project budgets and/or scope to address those shortfalls.
- 1.2 Staff are seeking additional capital funding for the following projects:
- Mapua Water and Wastewater Improvements
 - Motueka Water Treatment Plant
 - Pohara Valley Pump Station Replacement
 - Brightwater Town Centre
 - Richmond West Stormwater Improvements
 - Richmond South Low Level Water Trunk Main
- 1.3 For 2019/20 there is an increased capital funding requirement of \$4,396,500. Of this amount, \$2,843,500 can be offset by reprioritising projects thereby reducing the increase to \$1,553,000. The table below provides a summary of the net impact by activity for 2019/20.

Table 1: Summary by Activity

Activity	Net Impact 2019/20
Water	-\$3,000
Wastewater	\$340,000
Stormwater	\$847,000
Transportation	\$369,000
Total	\$1,553,000

- 1.4 For the water and stormwater activities the 2019/20 increase is offset in later financial years by a reduced funding requirement of \$396,000 and \$1,300,000 respectively. For the transportation activity, the \$369,000 is completely offset in 2019/20 through the use of additional NZ Transport Agency subsidy.
- 1.5 In order to achieve the decreases shown in Table 1 above, the following projects are to be delayed or budget reduced:

- delay the Wakefield Reticulation – Arrow Street Water Pipe Renewal project
 - delay the Wakefield Reticulation – Whitby Road and Whitby Way Water Pipes
 - reduce the 2019/20 budget of \$453,000 to zero for the Richmond Deviation Stormwater Improvement project.
- 1.6 Staff consider that the recommendations made within this report are of low significance because reprioritisation of budgets will allow the Council to continue with the main projects proposed in the Long Term Plan 2018-2028.
- 1.7 Projects that provide key infrastructure such as treatment plant upgrades or trunk main replacements are a high priority. Failure to complete these works could result in service outages or other risks to an entire scheme e.g. Mapua trunk water main replacement. Projects that involve the upgrade or replacement of local infrastructure such as rider mains present a much lower level risk of disruption to the community in comparison. For this reason, staff have considered them a lower priority.
- 1.8 The delay of the water main projects in Wakefield is likely to be of low interest to the wider community, as the existing level of service will be maintained and any service outages are likely to be brief and be minor in nature. The Council will reschedule these projects as part of the next Long Term Plan.
- 1.9 Going forward, all of the factors causing current cost escalations are likely to have an impact beyond 2019/20. Staff expect that the Council will need to go through a more robust review and reprioritisation exercise as part of the Annual Plan 2020-2021 and/or the Long Term Plan 2021-2031 in order to stay within the current self-imposed net debt limit of \$200 million.

2 Draft Resolution

1. **That the Full Council:**
 1. **receives the Engineering Services Capital Projects Funding report, RCN19-05-05; and**
 2. **for the Mapua Water and Wastewater Improvements project:**
 2. a) **approves an increase of \$1,300,000 in 2019/20 for the Aranui Road/Stafford Drive Water Main Replacement budget to allow for completion of the full length of the water main as per the original scope; and**
 3. b) **agrees that the wastewater scope be reduced so that Ruby Bay pump station is not upgraded (except for odour control) and the pump station at 72 Stafford Drive be refurbished instead of being upgraded, and;**
 3. **approves an increase in the Motueka Water Treatment Plant budget of \$496,000 in 2019/20; and**
 4. **approves an increase in the Pohara Valley Pump Station Replacement budget of \$340,000 in 2019/20; and**
 5. **agrees to reduce the scope of the Takaka Resource Recovery Centre upgrades and reconsider the weighbridge and kiosk replacement in the Long Term Plan 2021-2031; and**

6. for the Brightwater Town Centre upgrade project:
 4. a) agrees to increase the scope of the project to cover the area between State Highway 6 and Lord Rutherford Road; and
 5. b) approves a budget increase of \$369,000 in 2019/20; and
 6. c) notes that the \$369,000 will come from a NZ Transport Agency subsidy; and
7. approves an increase in the Richmond West Stormwater Improvements budget of \$1,300,000 in 2019/20; and
8. approves a budget increase for the Richmond South Low Level Water Trunk main of \$195,000 in 2019/20; and
9. agrees to delay the Wakefield Reticulation – Arrow Street Water Pipe Renewal project and reconsider project timing and funding as part of the Long Term Plan 2021-2031; and
10. agrees to delay the Wakefield Reticulation – Whitby Road and Whitby Way Water Pipes project and reconsider project timing and funding as part of the Long Term Plan 2021-2031; and
11. agrees to reduce the 2019/20 budget of \$453,000 to zero for the Richmond Deviation Stormwater Improvement project; and
12. approves advancement of design funding listed in the table below; and

Budget Name	Recommendation
Mapua Reticulation – Pomona Road Reservoir	Advance design funding of \$75,000 from 2020/21 to 2019/20.
Redwood Valley WTP & PS – Treatment Upgrades Golden Hills	Advance design funding of \$27,000 from 2020/21 to 2019/20.
Redwood Valley WTP & PS – O’Conner’s Creek Treatment Upgrade	Advance design funding of \$27,000 from 2020/21 to 2019/20.
Richmond South Low Level Main	Advance design funding of \$150,000 to 2019/20.
Richmond South Low Level Reservoir	Advance design funding of \$117,000 from 2020/21 to 2019/20.

13. acknowledges that the decisions in this report are inconsistent with the Long Term Plan 2018-2028 and proposed Annual Plan 2019-2020, but are not significant enough to justify amendment to those plans or further consultation.

3 Purpose of the Report

3.1 The purpose of this report is:

- to advise the Council of current project funding shortfalls and to seek agreement to amend project budgets and/or scope to address those shortfalls; and
- recommend revised timing for some capital projects in order to manage the impact of the above on the Council's debt balance and resourcing; and
- identify and agree opportunities to advance design works to identify and address project risks earlier.

3.2 This report addresses project budget issues for which staff currently have sufficient confidence in the scope and cost of those projects. There are further projects for which staff are expecting to face similar budget challenges. However, more work is required to better understand the scope and cost of those projects before being able to recommend a way forward. As such, they have been excluded from this report and will need to be addressed later in either the Annual Plan 2020-2021 or the Long Term Plan 2021-2031.

4 Background and Discussion

Current Situation

- 4.1 The budgets for the projects in the Long Term Plan 2018-2028 were developed during 2017 with information that was available at the time. For the vast majority of projects, little to no design had yet been undertaken and the scope of work was uncertain. In some cases, as design work has been undertaken, further project needs have been identified increasing overall project costs.
- 4.2 The local construction market is flooded with work. Demand is outstripping our local contractor's capacity to deliver. In the current high growth situation, the Council is competing with large-scale private works and other entities for construction resources. This, along with increased compliance costs (e.g. health and safety improvements), has resulted in a notable increase in the cost of installing or replacing infrastructure. This pressure is not unique to Tasman. The Office of the Auditor General suggests that this is a national challenge and one that looks set to continue as councils across the country and central government strive to keep up with growth demands and new requirements. For this reason, we cannot expect contractors from outside of Nelson/Tasman to establish here and relieve pressure, or this to be an issue that has a one-off financial year impact.
- 4.3 Due to the above factors, there are a number of projects that will cost more to deliver. The cost increases for the projects included in this report are in excess of the project budgets that the Council has agreed through either the Long Term Plan or the Annual Plan processes.
- 4.4 The Council's current debt levels and debt limit also present a further challenge. The Council is very constrained in its ability to undertake further work over and above that already in the programme. For this reason, staff have explored options that work within the current funding envelope e.g. reprioritisation/deferral of projects or reduced scope. These options are discussed in further detail below.

- 4.5 All of the above factors are likely to have an impact beyond 2019/20. Staff expect that the Council will need to go through a more robust review and reprioritisation exercise as part of the Annual Plan 2020-2021 and/or the Long Term Plan 2021-2031 in order to stay within the current self-imposed net debt limit of \$200 million.

Mapua Water and Wastewater Improvements

Project Description	<p>Construction of a new Stafford Drive wastewater pump station and new rising main to Mapua Wharf pump station. Upgrade of Ruby Bay wastewater pump station including increased pumping capacity, storage and odour control.</p> <p>Replace water mains from Mapua Wharf along Aranui Road and Stafford Drive to the intersection with Pine Hill Road.</p> <p>Upgrade of the Aranui Road wastewater pump station, new emergency storage, odour control, and connect into the new rising main.</p> <p>Upgrades are required to meet desired levels of service and support growth.</p>		
Project Status	<p>The Council's preferred tenderer has submitted a price in excess of the approved budgets. During the post-tender period, staff worked with the preferred tenderer and the Council's design consultants to identify a solution that is more affordable for the Council. Some scope adjustments and refinements are proposed, these are discussed further below.</p>		
Approved Budget	Water	\$2,570,000	
	Wastewater	\$3,475,000	
Current Estimate	Water	\$3,870,000	Shortfall: \$1,300,000 in 2019/20
	Wastewater	\$3,335,000 based on revised scope as outlined in the discussion below.	
		\$5,040,000 based on original scope.	
Options	<p>a) Maintain the existing water and wastewater budgets and deliver a reduced scope for both.</p> <p>b) Increase the water budget to allow full replacement of the main. Maintain the existing wastewater budget and deliver reduced scope for wastewater upgrades.</p> <p>c) Deliver the full scope of works for both.</p>		

Discussion	<p>The Council could reduce the scope of both the water and wastewater works. This would involve only replacing the water main and laying a new wastewater main from Mapua Wharf to 72 Stafford Drive. This could be achieved within the existing budget. In this scenario, the Stafford Drive pump station upgrade would be reduced to a refurbishment of the pump station and would not include emergency storage. A more significant upgrade of the pump station in the future would still be desirable if cost and land availability permit. The refurbishment would have a 30-year design life. The remaining length of water main between 72 Stafford Drive and Pine Hill Road would need to be re-programmed and funded through the Long Term Plan 2021-2031.</p> <p>For an additional \$1,300,000, the water main from 72 Stafford Drive to Pine Hill Road can be completed as originally intended. This section of water main breaks frequently and there will be ongoing repair costs and service interruptions if it is not replaced. It is also likely to be more expensive to replace in the future. The short section of wastewater main from Ruby Bay pump station to Pomona Road will also be installed concurrently if this section of water main is constructed. No additional wastewater budget is required for this.</p> <p>Staff propose that the upgrade of the Ruby Bay pump station be reduced so that it only involves odour control improvements. The effect of this is that the wastewater infrastructure will be unlikely to support growth to the north of the Ruby Bay pump station.</p>
Recommendation	<p>Staff recommend:</p> <ul style="list-style-type: none"> a) that additional funds of \$1,300,000 in the water activity be approved to allow for completion of the full length of the water main as per the original scope. b) that the wastewater scope be reduced so that Ruby Bay pump station is not upgraded (except for odour control) and the pump station at 72 Stafford Drive be refurbished instead of being upgraded.

Motueka Water Treatment Plant

Project Description	New water treatment plant at Parker Street to supplement existing Recreation Centre supply and meet NZ Drinking Water Standards (NZDWS).
Project Status	Preliminary Design
Approved Budget	\$3,364,500
Current Estimate	\$3,860,500 Shortfall: \$496,000
Options	a) Proceed to tender with reduced scope.

	b) Approve budget increase of \$496,000. Proceed to tender with full scope.
Discussion	<p>This project is a high priority. It will provide a secure, high quality water supply that meets DWSNZ to Motueka residents who are connected to the public water supply.</p> <p>Delaying portions of the work will risk lapse of extraction consent, and separating the project into smaller portions of work may incur additional cost in the long term.</p> <p>The project has a limited time for completion in order to avoid the lapse of the approved water extraction consent which was obtained through a lengthy Environment Court decision.</p>
Recommendation	Increase budget by \$496,000 in 2019/20.

Pohara Wastewater Pump Station

Project Description	Replace the Pohara Valley wastewater pump station. During rain events there are overflows from the pump station. The existing pumping system is inefficient; as it re-pumps at each pump station rather than injecting into a passing main. The pump station is in a very poor state with significant concrete corrosion.
Project Status	Detailed Design
Approved Budget	\$660,000
Current Estimate	\$1,000,000 Shortfall: \$340,000
Options	<p>a) Increase budget to allow pump station replacement to proceed.</p> <p>b) Delay works entirely, seek funding and re-programme as part of Long Term Plan 2021-2031.</p>
Discussion	<p>It is not possible to reduce the scope of work to meet the available budget. To provide an adequately sized pump station, a new pump station must be built rather than reusing the existing site.</p> <p>Staff do not recommend delaying the pump station replacement, as the risk of overflows will not be addressed, replacement costs are likely to increase with time, and the pump station will deteriorate further.</p>
Recommendation	Increase budget by \$340,000 in 2019/20.

Takaka Resource Recovery Centre Upgrade

Project Description	Redevelopment of the Takaka Resource Recovery Centre (RRC) includes construction of new disposal pit, compactor installation, bin weighing scales, and bin storage area on the lower level; and new kiosk, weighbridge and development of recyclables only drop off area, on the upper level of the site. As well there are associated stormwater, wastewater and electrical service upgrades.
Project Status	Detailed Design
Approved Budget	\$1,195,000
Current Estimate	\$1,690,000 Shortfall: \$495,000
Options	a) Reduce project scope to meet existing budget and re-programme outstanding works. b) Approve additional funding and proceed with full scope.
Discussion	The compactor, pit and bin weighing scales are the highest priority aspects of the project. Improvements are required to these to improve the operating safety of the site. Delaying the new kiosk and weighbridge on the upper level can be done with little consequence. Minor changes to the layout of the upper level will still result in the completion of a recycling drop-off loop to improve site efficiencies.
Recommendation	Do not increase the budget. Remove the weighbridge and kiosk from the project and re-programme them in the Long Term Plan 2021-2031.

Brightwater Town Centre Upgrade

Project Description	Refresh streetscape from Lord Rutherford intersection to State Highway 6 to provide a road environment that better provides for all users. The project includes an intersection upgrade at Lord Rutherford Road to include a roundabout that is designed to reduce traffic speeds when travelling towards Ellis Street. Construction of a shared footpath for the full length of Ellis Street incorporating Tasman's Great Taste Trail. Power undergrounding.		
Project Status	Detailed Design		
Approved Budget	Power Undergrounding	\$469,000	(subsidised)
	Intersection Upgrade	\$208,500	(subsidised)
	Town Centre Upgrade	<u>\$907,000</u>	(non-subsidised)
	Total	\$1,584,500	
Current Estimate	Total \$1,953,500	Shortfall: \$369,000	

Options	<p>a) Maintain the original scope of the project and do not increase the budget (Starveall Street to Brightwater School).</p> <p>b) Increase the scope of the project to cover the area between State Highway 6 and Lord Rutherford Road and increase the budget to meet the estimated shortfall.</p>
Discussion	<p>Project Scope</p> <p>The original scope of the town centre upgrade was for the area between Starveall Street and the Brightwater School. After consultation, a wider area between State Highway 6 and Lord Rutherford Road was identified. This extension allows for a full-length shared path, providing greater safety benefits for pedestrians and cyclists particularly children travelling to school and users of Tasman's Great Taste Trail.</p> <p>Project Funding</p> <p>At the time of developing the Long Term Plan 2018-2028, the Brightwater Town Centre Upgrade budget was assumed to be non-subsidised based on the NZ Transport Agency's funding criteria at the time.</p> <p>Late in the Long Term Plan development process, the Ministry for Transport released a revised Government Policy Statement on Land Transport that resulted in a change to the NZ Transport Agency's funding policies.</p> <p>Staff were able to act on the new funding opportunity and applied for subsidy of this project under the low cost/low risk category. The NZ Transport Agency approved bulk funding of this category through the Regional Land Transport Plan.</p> <p>As this funding request was lodged late in the Long Term Plan process, it was not possible to amend the Council's non-subsidised budget status at the time.</p>
Recommendation	<p>Increase the Brightwater Town Centre Upgrade budget from \$907,000 to \$1,276,000 in 2019/20. There will be no net impact to the Council's debt due to the ability to claim a subsidy on this work that was not previously accounted for.</p>

Richmond West Stormwater Improvements

Project Description	<p>Construction of large stormwater corridors in Richmond West to improve drainage in Richmond and provide for growth in Richmond West and South.</p> <p>There are two corridors that must be excavated, shaped and planted. They are Borck Creek (approximately 70 metres wide) and Poutama Creek (approximately 30 metres wide). The corridors will primarily provide for stormwater conveyance but will also provide space for recreation and aquatic habitat.</p>
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Project Status	Detailed Design
Approved Budget	2019/20 \$0 However, \$3,050,000 is included in the Long Term Plan 2018-2028, mainly in the period between 2022 and 2024.
Current Estimate	\$1,300,000 Shortfall: \$1,300,000 in 2019/20 Based on undertaking the work now, not later as originally planned.
Options	<p>a) Undertake excavation now in conjunction with developments in Richmond West and complete the Poutama corridor from Jubilee Park to Borck Creek to its final state.</p> <p>b) Undertake excavation now in conjunction with developments in Richmond West, but do not undertake completion of the Poutama corridor.</p> <p>c) Not approve the funding and undertake the works at full cost later.</p>
Discussion	<p>Funding of \$3,050,000 for these works is provided in the Long Term Plan 2018-2028, mostly in 2022/2023 and 2023/2024. This funding assumes that most of the bulk excavation will be undertaken by developers largely at their cost. The shaping and planting would still be the Council's cost.</p> <p>Development is progressing quickly in Richmond West and it is evident that the longer the Council leaves this work, the more expensive it will become to complete it. The reasons for this are:</p> <ul style="list-style-type: none"> • The developers need fill for their sites now, and they will secure their fill offsite if it cannot be sourced cost-effectively from Borck and Poutama. This will leave the Council facing the full cost of the works. • Once development along the edge of the corridors and bridges is constructed, it will be more difficult for bulk earth moving equipment to operate in these corridors. <p>In total, around 116,000 m³ of material must be excavated in these corridors. Staff propose that around 40,000 m³ be excavated within the next two years in conjunction with development and portions of the corridors be finished completely. These areas are shown in the map included as Attachment 1.</p> <p>Staff estimate the cost to the Council of undertaking the bulk excavation work now to be in the order of \$750,000 to \$1,000,000. This depends on how much of the excavated material is unsuitable for fill and needs to be sent to landfill. If work is undertaken as per the Long Term Plan timing, the cost of the work will be around \$1,700,000. Doing the works now means the Council will be able to secure the work for around 45% to 60% of the cost of undertaking this work later.</p>

	<p>To finish the work, shaping and planting is needed and involves constructing low flow channels, associated planting, paths and environmental enhancements. This is best undertaken immediately following the bulk excavation. Undertaking it now will also provide a corridor for amenity and recreation purposes for the surrounding developments and a completed corridor for the planned Washbourn stormwater pipe to discharge to. Staff propose to bring forward this additional work (on top of the bulk excavation) to 2019/20 for 3.6 hectares along Poutama Creek from Jubilee Park to Borck Creek at as estimated cost of \$300,000.</p> <p>The total additional funding request is \$1,300,000 in 2019/20 to cover bulk excavation of Borck Creek and Poutama Creek and environmental improvements within Poutama Creek.</p>
Recommendation	Staff recommend that the 2019/20 budget be increased by \$1,300,000.

Richmond South Low Level Water Trunk Main

Project Description	<p>A new trunk water main is being constructed between the Richmond Water Treatment Plant and a new reservoir site in Richmond South.</p> <p>The purpose of the water main is to support growth in Richmond South and West.</p> <p>The water main is being designed and constructed in sections to align with other Council projects and private development work. Sections of the main that have already been installed are part of Richmond West, along Bateup Road, and through the Hart Rise development.</p> <p>Sections yet to be installed include the remainder of the length within Richmond West, State Highway 60 through Three Brothers Roundabout and beyond the Hart Rise development to the new reservoir site.</p>
Project Status	Varies – Concept design through to construction
Approved Budget	2019/20 \$427,500
Current Estimate	2019/20 \$623,000 Shortfall: \$195,500
Options	<p>a) Maintain the existing budget and reduce the section length to suit.</p> <p>b) Increase the budget to allow the construction of the main to align with the timing of the adjacent subdivision development and completion of early works at the state highway crossing.</p>
Discussion	Staff originally planned for the 2019/20 budget to cover the remainder of the pipe that is required within the Richmond West area. However, the budget will be insufficient to construct the full length given increased costs. Staff propose that the 2019/20 budget,

	<p>along with an increase of \$95,500 be used to fund the construction of the first 400m of that section ahead of adjacent subdivision work. This work is a priority for construction so that the Council can avoid a further increase in costs due to needing to install the main after the area has been developed.</p> <p>In addition, staff recommend completing early works for the state highway crossings. Completing these crossings will de-risk the main installation at these points, and incentivise market participants to bid for the overall pipeline contract, hopefully resulting in a more competitive tender process. The cost of these crossings is estimated to be \$100,000.</p> <p>The remaining length of main within Richmond West, State Highway 60 and beyond Hart Rise subdivision could then be delivered as a single project in 2021/22. Early indications are that these remaining sections will also cost more to deliver than the budget available. To minimise cost as far as possible, staff would like to request advanced design budgets. This is discussed further below. Staff intend to address any further budget issues for these remaining sections as part of the Annual Plan 2020-2021 or Long Term Plan 2021-2031.</p>
Recommendation	Increase the 2019/20 budget from \$427,500 to \$623,000.

Options to Offset Budget Increases in 2019/20

- 4.6 The budget requests above create an additional capital requirement of \$1,991,500 in the water activity in 2019/20. To accommodate this increase, staff recommend the following projects be delayed and reconsidered in the Long Term Plan 2021-2031.

Table 2: Water projects to delay

Budget Name	Discussion
<p>Wakefield Reticulation – Arrow Street Water Pipe Renewal</p> <p>Budget: \$1,051,000</p>	<p>The purpose of this project is to renew existing water mains that are reaching the end of their useful life. There have been numerous breaks on the rider main to date.</p> <p>Staff do not consider this a high priority project as the breaks have largely occurred on the rider main and are typically minor in nature and of low cost to repair.</p> <p>Maintenance costs to repair future breaks are likely to be minor. Disruption to residents is also expected to be minor as the breaks generally occur on the rider main, which causes short localised outages rather than network wide outages. As such, staff consider the delay of this project to be low risk.</p> <p>The water mains will require replacement and should be reconsidered in the Long Term Plan 2021-2031.</p>

Budget Name	Discussion
Wakefield Reticulation – Whitby Road and Whitby Way Water Pipes	The purpose of this project is to upgrade a section of water main to reduce pressure and improve flow. This is a level of service improvement, and there is no immediate renewal or growth need.
Budget: \$1,339,500	<p>The project was originally planned for construction in 2022/2023. Staff identified an opportunity to package this work with the Arrow Street project for cost efficiency purposes. Through the Annual Plan 2019-2020 the project was advanced to the 2019/20 financial year.</p> <p>Given the recent market conditions and the recommended delay to the Arrow Street project, there is no longer a benefit of undertaking this work in 2019/20.</p> <p>Staff acknowledge that it is unfortunate to delay this project after recently recommending that it be advanced. However, there is very little risk associated with a delay.</p> <p>The water main will require upgrade in time and should be reconsidered in the Long Term Plan 2021-2031.</p>

- 4.7 In the wastewater activity, the additional capital requirement is \$340,000 in 2019/20. Staff expect this can be offset by using budgeted funds that will not be spent on other capital works. This includes a predicted underspend in some capital projects and other minor routine capital budgets. Staff consider that no other project delays are required.
- 4.8 In the stormwater activity, the additional capital requirement is \$1,300,000 in 2019/20. This will be offset by a reduced funding need in later financial years. To help offset the immediate impact of this, staff have identified savings of \$453,000 that can be made within the stormwater activity. This is from the Richmond Deviation Stormwater Improvement project which has combined funding of \$768,000 in 2018/2019 and 2019/2020, but is expected to cost \$315,000.
- 4.9 Because the Borck Creek and Poutama Creek work is part-funded by development contributions, staff could 'fund' the work via a development agreement and development contributions reductions. However, this is less transparent and complicates the accounting for development contributions. It also leaves developers wearing the financing costs and associated risk for large costs and most have indicated that this is not an attractive arrangement. Consequently, staff recommend the Council directly fund the work as proposed in the Long Term Plan 2018-2028.

Opportunities to Reduce Programme Delivery Risk

- 4.10 The Long Term Plan 2018-2028 introduced more conservative project timeframes to help reduce project delivery risks. Generally, projects were phased over a longer timeframe allowing design, consenting and land negotiations to be undertaken sufficiently ahead of construction.
- 4.11 For the most part staff believe that the project timing in the Long Term Plan was appropriate. However, staff have identified some projects that design should start earlier than planned to help reduce costs and associated risks. These projects are:

Table 3: Advanced Design Requests

Budget Name	Timing	Recommendation
Mapua Reticulation – Pomona Road Reservoir	Construction planned for 2021/22	Advance design funding of \$75,000 from 2020/21 to 2019/20.
Redwood Valley WTP & PS – Treatment Upgrades Golden Hills	Construction planned for 2021/22	Advance design funding of \$27,000 from 2020/21 to 2019/20.
Redwood Valley WTP & PS – O'Conner's Creek Treatment Upgrade	Construction planned for 2021/22	Advance design funding of \$27,000 from 2020/21 to 2019/20.
Richmond South Low Level Water Main	Construction ongoing, due for completion in 2021/22.	Advance design funding of \$150,000 to 2019/20.
Richmond South Low Level Reservoir	Construction planned for 2021/22	Advance design funding of \$117,000 from 2020/21 to 2019/20.

- 4.12 Undertaking design of these projects earlier will allow more procurement flexibility and increase cost certainty. Development of robust estimates and procurement methodology earlier will increase the accuracy of information used in the development of the Long Term Plan 2021-2031, thereby reducing delivery and cost risks.
- 4.13 The advanced design fees create an increased funding requirement of \$396,000 in 2019/20 which will be offset by a reduced need in 2020/21.

5 Options

- 5.1 The Council has the following options. Staff recommend Option A.

Table 4: Options

Option	Pros	Cons
a) The Council approves the requested budget increases and agree to delay the Wakefield water projects.	<p>Focus on delivery of high priority trunk/main infrastructure.</p> <p>Mitigate the financial impact of the extra funding requirement by managing within existing financial bounds set in the Annual Plan 2019-2020 and Long Term Plan 2018-2028.</p> <p>Staff can commence design work on some projects earlier to increase cost certainty and explore alternative procurement options.</p>	Deferral of minor water main renewal and water main upgrade projects.
b) The Council approves the requested budget increases and agrees to proceed with the Wakefield water projects	All projects proceed.	<p>The additional funding requirement is over and above that proposed in the Annual Plan 2019-2020.</p> <p>There is a risk that this option could cause a breach of the Council's debt limit.</p> <p>Increase workload on an already strained construction market.</p>
c) The Council does not approve the requested budget increases and proceed with the existing programme		The Council will not be able to complete high priority projects that are required to reduce public health risks, achieve compliance with regulations, or meet growth needs.

6 Strategy and Risks

6.1 The Council's Infrastructure Strategy identifies four key priorities to help guide the Council's efforts and investment in planning, developing and maintaining its assets. These priorities are:

- Providing safe and secure infrastructure services;
- Providing infrastructure services that meet the needs of our changing population;
- Planning, developing and maintaining resilient communities;

- Prudent management of our existing assets and environment.
- 6.2 Staff have considered these priorities when making the recommendations set out in this report as well as the risks to the public for each option.
- 6.3 Projects that provide key infrastructure such as treatment plant upgrades or trunk main replacements are a high priority. Failure to complete these works could result in service outages or other risks to an entire scheme e.g. Mapua trunk water main replacement. Projects that involve the upgrade or replacement of local infrastructure such as rider mains present a much lower level risk of disruption to the community in comparison. For this reason, staff have considered them a lower priority.
- 6.4 Deferral of asset renewal projects is a short-term budget management tactic. If this approach were to continue over the medium or long term it would have a detrimental impact on the condition of the Council's supply networks. This will require further consideration during development of the Long Term Plan 2021-2031.

7 Policy / Legal Requirements / Plan

- 7.1 The Council will decide on the adoption of the proposed Annual Plan 2019-2020 at its meeting on 31 May 2019.
- 7.2 Some of the recommendations included in this report do not align well with the Annual Plan 2019-2020 work programme. Key deviations from the Annual Plan 2019-2020 include:
- Deferral of the Wakefield Reticulation – Arrow Street Water Pipe Renewal project
 - Deferral of the Wakefield Reticulation – Whitby Road and Whitby Way Water Pipes project
- 7.3 The Council considered the budgets for the Annual Plan during late 2018 at which time the financial modelling was also undertaken. The information discussed in this report was not available at that time, as it has only recently come to hand. To incorporate the changes in the Annual Plan, staff would need to rerun the financial model and make subsequent changes to the Annual Plan documentation. This would be a lengthy process that would not be complete in time to adopt the proposed Annual Plan before 30 June 2019. Failure to adopt the Annual Plan 2019-2020 by 30 June 2019 would mean the Council would not strike the rates on time.
- 7.4 Staff consider that the changes recommended in this report can be actioned without amendment to the Annual Plan or Long Term Plan. It is rare for the Council to deliver an annual programme of works in entirety due to factors often outside of the Council's control. Nor does the Local Government Act anticipate that councils will always deliver everything as planned. Staff draw the Council's attention to Section 96 of the Local Government Act, which makes provision for this.

96 Effect of resolution adopting long-term plan or annual plan

(1) The effect of a long-term plan and an annual plan adopted by a local authority is to provide a formal and public statement of the local authority's intentions in relation to the matters covered by the plan.

(2) A resolution to adopt a long-term plan or an annual plan does not constitute a decision to act on any specific matter included within the plan.

(3) Subject to section 80, and except as provided in section 97, a local authority may make decisions that are inconsistent with the contents of any long-term plan or annual plan.

(4) No person is entitled to require a local authority to implement the provisions of a long-term plan or an annual plan.

(5) This section applies subject to Part 4A of the Local Government (Rating) Act 2002.

8 Consideration of Financial or Budgetary Implications

- 8.1 Staff have endeavored to prioritise projects so that there is no net increase in funding requirement for the Council.
- 8.2 For the water activity, the increased capital funding requirement for construction is \$1,991,500. The delay of the two Wakefield projects results in a reduced funding requirement of \$2,390,500, creating a net reduction of \$399,000 in 2019/20. The advanced design works are all within the water activity and sum to a total increase of \$396,000 in 2019/20. This amount will be offset by an equivalent reduction in the following financial year.
- 8.3 For the wastewater activity, the increased capital funding requirement is \$340,000 in 2019/20. Staff expect that this will be offset by predicted budget underspends in other capital projects and minor routine capital budgets.
- 8.4 For the stormwater activity, the increased capital funding requirement is \$1,300,000 in 2019/20. This will be partly offset by reducing the Richmond Deviation Stormwater Improvement budget in 2019/20 from \$453,000 to zero. The balance will be offset by a reduced funding requirement in later financial years.
- 8.5 For the transportation activity, the increased capital funding requirement is \$369,000 in 2019/20. By utilising the available NZ Transport Agency subsidy, the Council can accommodate this increase without an impact.
- 8.6 This means that the recommendations made in this report can generally be accommodated within the financial bounds of the proposed Annual Plan 2019-2020. The exception is the stormwater increase and advancement of design fees which are both offset by decreases in funding needs in following years.
- 8.7 The table below provides a summary of the impact of the funding requests by activity for 2019/20.

Table 5: Summary by Activity

Activity	2019/20 Increase	2019/20 Decrease	Net Impact 2019/20
Water	\$2,387,500	\$2,390,500	-\$3,000
Wastewater	\$340,000	-	\$340,000
Stormwater	\$1,300,000	\$453,000	\$847,000
Transportation	\$369,000	-	\$369,000
Total	\$4,396,500	\$2,843,500	\$1,553,000

9 Significance and Engagement

- 9.1 Staff consider that the recommendations made within this report are of low significance because reprioritisation of budgets will allow the Council to continue with the main projects proposed in the Long Term Plan 2018-2028. The Council extensively consulted with the public when developing the Long Term Plan and recently completed communications for the Annual Plan 2019-2020. For these reasons, staff do not consider that public consultation is required and the decision is of low interest to the community.

Table 6: Significance

Issue	Level of Significance	Explanation of Assessment
Is there a high level of public interest, or is decision likely to be controversial?	Low	All projects discussed in this report are included in either the Long Term Plan 2018-2028 or the proposed Annual Plan 2019-2020. This report considers the best approach to delivering those projects. The delay of the water main projects in Wakefield is likely to be of low interest to the wider community, as the existing level of service will be maintained and any service outages are likely to be brief and be minor in nature. However, it may be of high interest to those customers who are connected to the main and have experienced service outages. The Council will reconsider these projects as part of the next Long Term Plan.
Is there a significant impact arising from duration of the effects from the decision?	No	
Does the decision relate to a strategic asset? (refer Significance and Engagement Policy for list of strategic assets)	Yes	The transportation system, wastewater reticulation system, stormwater reticulation system, water reticulation system, water treatment plants, and wastewater treatment plants are all deemed strategic assets.
Does the decision create a substantial change in the level of service provided by Council?	No	

Issue	Level of Significance	Explanation of Assessment
Does the proposal, activity or decision substantially affect debt, rates or Council finances in any one year or more of the LTP?	No	As discussed in Section 8 above, the recommended changes ensure that we keep within the Council's self-imposed financial limits.

10 Conclusion

- 10.1 For 2019/20 there is an increased capital funding requirement of \$4,396,500. Of this amount, \$2,843,500 can be offset by reprioritising projects thereby reducing the increase to \$1,553,000.

11 Next Steps / Timeline

- 11.1 If the Council approves the draft resolutions, staff will proceed with each project as outlined in this report.
- 11.2 For the Mapua Water and Wastewater Improvements project, staff will take a recommendation to the Tenders Panel to award the contract upon approval of the additional budget.
- 11.3 Staff expect that the Council will need to go through a more robust review and reprioritisation exercise as part of the Annual Plan 2020-2021 in order to stay within the current self-imposed net debt limit of \$200 million. Staff will commence work on the Annual Plan 2020-2021 during the second half of 2019 and will discuss it with the Council during late 2019.

12 Attachments

1. Borck Creek and Poutama Creek Upgrade Works

183

