
Thursday, 8 April 2021

Te Hui o Te Kaunihera ā-Rohe o Heretaunga

Hastings District Council

Extraordinary Council Meeting

Kaupapataka

Agenda

Te Rā Hui:
Meeting date: **Thursday, 8 April 2021**

Te Wā:
Time: **1.00pm**

Te Wāhi:
Venue: **Council Chamber
Ground Floor
Civic Administration Building
Lyndon Road East
Hastings**

Te Hoapā:
Contact: **Democracy and Governance Services
P: 06 871 5000 | E: democracy@hdc.govt.nz**

Te Āpiha Matua:
Responsible
Officer: **Chief Executive - Nigel Bickle**

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Extraordinary Council Meeting

Kaupapataka

Agenda

Tiamana

Chair: Mayor Sandra Hazlehurst

Mematanga:

Membership:

Ngā KaiKaunihera

Councillors: Bayden Barber, Alwyn Corban, Malcolm Dixon, Damon Harvey, Tania Kerr (Deputy Chair), Eileen Lawson, Simon Nixon, Henare O’Keefe, Peleti Oli, Ann Redstone, Wendy Schollum, Sophie Siers, Geraldine Travers and Kevin Watkins

Tokamatua:

Quorum:

8 members

Apiha Matua

Officer Responsible:

Chief Executive – Nigel Bickle

*Te Rōpū Manapori me te
Kāwanatanga*

Democracy and

Governance Services:

Jackie Evans (Extn 5018)

Te Rārangi Take

Order of Business

1.0 Opening Prayer – *Karaki a Whakatūwheratanga*

2.0 Apologies & Leave of Absence – *Ngā Whakapāhatanga me te Wehenga ā-Hui*

At the close of the agenda no apologies had been received.

At the close of the agenda no requests for leave of absence had been received.

3.0 Conflict of Interest – *He Ngākau Kōnatunatu*

Members need to be vigilant to stand aside from decision-making when a conflict arises between their role as a Member of the Council and any private or other external interest they might have. This note is provided as a reminder to Members to scan the agenda and assess their own private interests and identify where they may have a pecuniary or other conflict of interest, or where there may be perceptions of conflict of interest.

If a Member feels they do have a conflict of interest, they should publicly declare that at the start of the relevant item of business and withdraw from participating in the meeting. If a Member thinks they may have a conflict of interest, they can seek advice from the General Counsel or the Manager: Democracy and Governance (preferably before the meeting).

It is noted that while Members can seek advice and discuss these matters, the final decision as to whether a conflict exists rests with the member.

4.0 Confirmation of Minutes – *Te Whakamana i Ngā Miniti*

There are no minutes to confirm.

5.0 Drinking Water Capital Project Update

7

6.0 Minor Items – *Ngā Take Iti*

7.0 Urgent Items – *Ngā Take Whakahihiri*

8.0 Recommendation to Exclude the Public from Items 9, 10 and 11 19

9.0 Frimley Park and Eastbourne Water Treatment Plants CON2020048

10.0 Urban Development Area - Land Acquisition

11.0 Strategic Land Purchase

Thursday, 8 April 2021

Te Hui o Te Kaunihera ā-Rohe o Heretaunga
Hastings District Council: Council Meeting

Item 5

Te Rārangi Take

Report to Council

Nā: **Graeme Hansen, Director: Major Capital Works**
From:

Te Take: **Drinking Water Capital Project Update**
Subject:

1.0 Executive Summary – *Te Kaupapa Me Te Whakarāpopototanga*

- 1.1 The purpose of this report is to seek approval for a budget increase of \$6.8m to allow the remainder of the Drinking Water Major Capital Works Programme to proceed to completion. The last significant budget update was presented at the 20 February 2020 Council meeting, with particular emphasis on the Small Communities project, Frimley Park and Eastbourne/ Waiaroha projects.
- 1.2 Council's 'Drinking Water Strategy' adopted in 2018 recognised that the assumptions of plentiful and pristine water were no longer valid. A range of objectives were established as a result of the extensive investigations and recommendations from the Board of Inquiry into the Havelock North contamination event in 2016. The focus following the Board of Inquiry process has been on achieving compliance with the New Zealand Drinking Water Standards.
- 1.3 Council's Drinking Water Strategy also recognised that a multiple barrier approach to drinking water safety is required, with treatment of raw water and critical controls of those processes being essential steps. Council also has commitments made in its Water Safety Plan in regards to the installation of treatment of raw water, these commitments and timeframes have been set in agreement with Ministry of Health officials.

Water Services Objectives



- 1.4 It has been the officer's experience that demand for services from the civil engineering and sub trades market, exceeds industry supply capacity. The outcome of this is a small number of Tenders for Council water contracts and inflationary effects evident in both materials and services costs. Officers are making best attempts to mitigate these challenges by working directly with suppliers and utilising procurement innovations to ensure delivery of Council's Waters Services Objectives and protect our Community's wellbeing.
- 1.5 This report summarises the additional work completed since February 2020 and provides further refined budget detail for Council to approve, to ensure delivery of its Water Services Objectives.
- 1.6 Detail for the small communities projects provides an update on final estimated project costs now that a significant amount of work has been completed and the remaining work is now well defined and committed.
- 1.7 The Frimley Park update provides clarity on current tenders and works completed to date and detail on the remaining outstanding item, being the water treatment plant facility.
- 1.8 The Eastbourne update will confirm works committed to date, the position of the necessary resource and building consents and tendered rates for the remainder of the substantial work being the water treatment plant and pipelines contracts.
- 1.9 This update report is presented in these 3 key work streams.
- 1.10 The remaining work identified in this paper substantially completes the Major Drinking Water Capital Programme of works. The impact of tendering and committing to the significant component parts of the Frimley and Eastbourne water treatment plants and Eastbourne pipelines contracts, along with accrued cost effects within the Small Communities upgrade programme, requires a further debt funding commitment of \$6.8m from Hastings District Council and reallocation of \$3.0m from the 3 Waters Stimulus Funding previously allocated to the backflow prevention project.

A summary of the current financial situation is as follows:

Drinking Water Major Capital Works Programme		
	\$m	\$m
Total Capital Spend to Date		40.0
Committed Costs		
Treatment Facilities	35.90	
Waiaroha mitigation	6.00	
		41.90
Total projected Expenditure		81.90
Approved Funding		
HDC Debt	61.00	
3 Waters Stimulus Funding	11.10	
		72.10
Funding Shortfall		9.80
Proposed Funding for shortfall		
Reallocation of 3 Waters Stimulus Funding – Backflow preventers		3.00
Additional HDC Debt funding requested		6.80

- 1.11 The recommended option for Council is to commit to the completion of the remainder of the Drinking Water Capital Works Programme as outlined in this report, supporting the reallocation of \$3.0m from the 3 Waters Stimulus Backflow Prevention Project. This will require Council debt funding of \$6.8m to be included in the 2021-2031 Long Term Plan (LTP).

2.0 Recommendations – Ngā Tūtohunga

- A) That the Council receives the report titled Drinking Water Capital Project Update dated 8 April 2021.
- B) That Council approves the additional funding requirement of \$6.8m for the completion of the Drinking Water Capital Works programme, to be funded by debt as part of the 2021 - 2031 Long Term Plan.
- C) That Council requests the reallocation of \$3.0m of Crown Infrastructure Partners funding for backflow prevention work to the Drinking Water programme, and Council notes the \$3.0m for backflow prevention will be budgeted for at a later date in the 2021-2031 Long Term Plan programme.
- D) That Council notes officers will continue to explore value engineering opportunities and cost savings for the duration of the project.

3.0 Background – *Te Horopaki*

- 3.1 Council's 'Drinking Water Strategy' adopted in 2018 recognised that the assumptions of plentiful and pristine water were no longer valid. A range of objectives were established as a result of the extensive investigations and recommendations from the Board of Inquiry into the Havelock North contamination event in 2016. The focus following the Board of Inquiry process has been on achieving compliance with the New Zealand Drinking Water Standards.
- 3.2 Council's Drinking Water Strategy also recognised that a multiple barrier approach to drinking water safety is required, with treatment of raw water and critical controls of those processes being essential steps. Council also has commitments made in its Water Safety Plan in regards to the installation of treatment of raw water, these commitments and timeframes have been set in agreement with Ministry of Health officials.
- 3.3 Water Services Objectives



- 3.4 A significant project update titled "Drinking Water Capital Project Update" was presented to Council at its meeting on 20 February 2020. At this meeting three key areas of the Drinking Water Major Capital Works Programme were presented, as follows:
- Small Community Water Treatment supply upgrades.
 - Frimley Park upgrade project.
 - Eastbourne upgrade project.
- 3.5 At this meeting Council resolved to:
- Approve the inclusion of the budget impact of the 20 February 2020 paper in the 2020/21 Annual Plan,
 - Requests that external funding sources are explored to support the investment into drinking water upgrades.
- 3.6 Funding of \$15.36m from the Government's 3 Waters Stimulus Package was obtained in 2020.
- 3.7 Included in this update was a commitment to report further refined detail specific to the committed sites as it became available, including estimated costs, for the proposed Eastbourne and Frimley upgrades. The significant components of these projects in early 2020 related to design and

consenting processes, with discrete sections of work moving to the tender and construction phase in mid/late 2020.

4.0 Discussion– *Te Matapakitanga*

4.1 The range of works that have been negotiated and progressed during the period from 20 February 2020 up to present time are;

4.2 Small Communities (\$13.36m)

- Tender let for six containerised water treatment plants
- Haumoana complete, Esk/Whirinaki, Waimarama, Te Pohue and Clive in construction/ commissioning
- New bores and reticulation for Haumoana and Clive supplies complete
- UV Reactors tendered
- Civil works package negotiated
- Land purchased
- Planning requirements and Consents achieved

4.3 Frimley & Eastbourne/ Waiaroha Project (\$48.5m)

- Frimley reticulation pipeline contract tendered and nearing completion
- Reservoirs (3) tender let for Frimley and Eastbourne sites in construction phase
- New Water supply bores (5) tender let for Frimley and Eastbourne sites in construction phase
- Principal supplied infrastructure items for Frimley and Eastbourne sites ordered
- All consents in place for Frimley project
- Consent processes well advanced for Eastbourne/Waiaroha
- Tenders being evaluated for Frimley and Eastbourne water treatment plants and Eastbourne pipelines

4.4 Works completed prior to the 20 February 2020 update totalled \$20.0m, relating to Havelock North Trunkmain, Havelock North Booster Pumpstation and Wilson Road bore and treatment projects.

Budget Review and Implications

4.5 A revised budget was presented at the 20 February 2020 Council meeting totalling \$60.6m for the various elements of the Drinking water programme. This report included known costs for those elements of works committed to at the time and an estimate for those works that were still in a design or development phase. The estimates for works in development were assessed with information available at the time and taking account of the detail known but were also caveated around not knowing certain costs until these works were formally tendered in the market.

4.6 The net result of this and the recent process of formally tendering the Frimley and Eastbourne water treatment plants and Eastbourne pipelines has allowed a more critical review of costs and budget implications.

Drinking water major capital budgets				
	Est. Cost to complete project 20 Mar 2021	Percentage Complete	Completion date	Comment
Small Supplies	12,551,971	75%	Sep-21	4 of 6 sites substantially complete.
Havelock North Trunkmain	11,198,448	100%	Complete	
Havelock North Booster	6,311,461	100%	Complete	
Wilson Road	2,516,000	100%	Complete	
Eastbourne/ Waiaroha	27,436,030	10%	Jul-22	Revised Project Estimate, 3 Waters Stimulus funding \$11.1m
Frimley	21,072,430	60%	Jan-22	Revised Project Estimate, bore & reticulation costs
Te Pohue Upgrade	813,988	100%	Complete	In commissioning
Total budget	81,900,328			

Table 1: Drinking Water Capital Budget

A summary of the current financial situation is as follows;

Drinking Water Major Capital Works Programme		
	\$m	\$m
Total Capital Spend to Date		40.0
Committed Costs		
Treatment Facilities	35.90	
Waiaroha mitigation	6.00	
		41.90
Total projected Expenditure		81.90
Approved Funding		
HDC Debt	61.00	
3 Waters Stimulus Funding	11.10	
		72.10
Funding Shortfall		9.80
Proposed Funding for shortfall		
3 Waters Stimulus – Backflow preventers		3.00
Additional HDC Debt funding requested		6.80

Variances to 20 February 2020 budget

- 4.7 There have been a significant number of variances since the 20 February 2020 meeting, relative to the \$9.80m funding shortfall to deliver the Drinking Water Strategy to completion and these are explained as follows:

Small Communities (\$1.85m)

- 4.8 Components of the budget variance in this area have been reported to Council as elements of the works have proceeded over the past 12 months, such as land purchase requirements for the Clive, Waimārama, Haumoana and Waipātiki sites. Council direction as part of presenting those papers was for a more detailed review of project progress and costs at an appropriate time.
- 4.9 Other site specific issues have arisen on a site by site basis requiring additional design or mitigation measures, primarily relevant to geotechnical and ground conditions, ranging from extra ground preparation works, relocation of services, abandonment of the preferred site and more site investigations, design and consenting requirements.

Frimley (\$3.85m)

- 4.10 The work committed to in the Frimley project to date includes the 8,000m³ reservoir, reticulation pipelines from source water to the proposed treatment plant and network, and 4 new water supply bores within Frimley park. These works are all advancing as programmed, following the completion

of the consenting process. The impact of these committed works has been a \$930k variance to budget.

- 4.11 The remaining component of work for this site is the water treatment plant, which forms part of a tender currently under consideration, and this has a \$2.92m impact against budget provision.

Eastbourne/ Waiaroha (\$4.10m)

- 4.12 The work committed to in the Eastbourne project to date includes 2 x 5,000m³ reservoirs and 1 new water supply bore at the Eastbourne site. Components of these works are progressing as able, such as commitments to purchasing reservoirs and purchasing materials for the new water supply bore. The impact of these committed works has been a \$600k variance to budget.
- 4.13 The remaining component of work for this site is the water treatment plant and reticulation pipelines, which forms part of a tender currently under consideration (including Frimley WTP), and this has a \$3.50m impact against budget provision.
- 4.14 The Waiaroha mitigation package of works, budgeted at \$6.0m, is funded from sources separate to Council rating.

Funding

- 4.15 The 4 year Drinking Water Capital Works programme was committed to in the 2018 LTP with debt funding being used as the proposed funding mechanism for the works through the first 3 years of construction to date.
- 4.16 Additional to HDC debt funding has been the opportunity to source funding through 2020 from Crown based sources for some of the water treatment programme (\$5.10m), Waiaroha mitigation (\$6.0m) and backflow prevention projects (\$3.6m).
- 4.17 The \$5.10m commitment for the water treatment programme has funded works already in train so is fully accounted for. The \$6.0m for the Waiaroha section of works is still to be delivered as part of the Eastbourne project but this will be used for the significant mitigation elements of the project as included in the resource consent application and as defined in consent conditions. Mitigation effects enable this site to be utilised.
- 4.18 This has included agreements with adjoining neighbours and properties identified as part of consultation process to achieve an acceptable project outcome and any deviation from this will, at a minimum, require revisiting the resource consent conditions and approvals, or possibly the wider consent process again.
- 4.19 Discussions with 3 Waters Stimulus officials have indicated a willingness for reallocating \$3.0m of the \$3.60m backflow prevention funding to this funding shortfall and for the impact of this to be reflected in later years of the 2021-31 LTP. This programme was originally going to be spread through the LTP and was accelerated due to the Central Government funding opportunity. The programme is being implemented using a risk based approach, the remaining \$0.6m would be used to implement the higher potential risk sites. The reprioritisation of these funds will be subject to Government agency approval for the \$3.0m.

Significance and Engagement

- 4.20 This report recommends approval of unbudgeted expenditure of \$6.8m. Councils Significant and Engagement Policy and has been assessed.
- 4.21 The relevant matters given consideration include:
- **The status of the Water Investment Strategy within the Council's Long Term Plan** – Safe Drinking Water was ratified by the community as its Number One priority within the 2018 LTP and the community expectation is that this programme will be delivered.

- **The impact on Council’s fiscal position** – Whilst this is additional and unforeseen expenditure, it does reflect the realities and difficulties of undertaking significant capital infrastructural projects, particularly given the challenges within the worldwide economy and exacerbated by the Covid-19 environment. This is one of the reasons why Council has undertaken within its 2021-2031 LTP to increase its debt to revenue borrowing ratio from 150% to 175%.
- **The status of Council’s overall capital expenditure programme** – Instead of considering this as a standalone item it is more prudent to consider it in light of the overall capital programme and its impact on Council in that context. Officers have undertaken budget reforecasting based on the status of the Council capital work programme as at April 2021 and this shows that projects that won’t be delivered will offset the additional Water Investment, therefore minimising any additional debt exposure for Council.
- **The practical options** - The body of this report outlines the practical options in respect of this matter given where the Frimley and Eastbourne projects are at in terms of committed investments and obligations in respect of the consenting process. This analysis indicates that the project is fundamentally required to be delivered. An option to redirect Government funding to (\$3.0m) to fast track the Council’s Backflow Prevention Programme to fund the investment programme within this report is discussed in the report. This would require Government approval if it was to be advanced and a corresponding amendment to the 2021-2031 LTP in June to push the Backflow Prevention programme further out in the plan.
- **The 2021-2031 Long Term Plan** – Inevitably the planning context can change as new information comes to light, particularly given the challenges within the contractor market discussed in the report. The decisions made on this matter will need to be considered by Council as it deliberates on its 2021 - 2031 Long Term Plan in June 2021, but this matter is not of a scale that it compromises the fundamental work programme and discussion currently being undertaken with our community.

4.22 Given the considerations above, it is assessed that the Council can ratify the resolutions within this report (should it determine to) without further community engagement and in accordance with the criteria outlined within Council’s Significance and Engagement Policy.

5.0 Options – Ngā Kōwhiringa

Option One - Recommended Option - Te Kōwhiringa Tuatahi – Te Kōwhiringa Tūtohunga

5.1 Approve \$6.8m in unbudgeted funding for completion of the Drinking Water Capital Works Programme:

Advantages

This option provides the project with all the certainties of funding to deliver the project to completion. In doing so this option will provide the ability to commit to remaining contracts for the Frimley and Eastbourne Water Treatment plants and the Eastbourne pipelines and allow the necessary commitments to be made, recognising the compliance deadlines the project is operating under.

This option allows officers to secure best pricing for materials and resources in an inflationary market.

This option does not preclude Council from negotiating available savings and value engineering options within the contracts currently under tender, but will allow the contract commitments to be made and for this process to continue and for officers to negotiate any further possible savings.

Option Two

- 5.2 The alternate option is for Council not to approve \$6.8m in unbudgeted funding for completion of the Drinking Water Capital Works programme or to approve a lesser amount than \$6.8m. Officers recommend that this is not a viable option for Council to consider and it may result in the risk of Council failing to meet its Water Services Objectives per its adopted Drinking Water Strategy.

6.0 Next steps – *Te Anga Whakamua*

- 6.1 Subject to Council approving the funding to progress with the remaining work for the Drinking Water Capital Works programme, commitments for the substantial remaining works are being presented to Council as a separate tender paper for consideration.
- 6.2 Subject to this further approval the works will then be progressed within the context of the contractual arrangements negotiated.

<p>SUMMARY OF CONSIDERATIONS - <i>HE WHAKARĀPOPOTO WHAIWHAKAARO</i></p>
<p>Fit with purpose of Local Government - <i>E noho hāngai pū ai ki te Rangatōpū-ā-rohe</i></p> <p>The Council is required to give effect to the purpose of local government as set out in section 10 of the Local Government Act 2002. That purpose is to enable democratic local decision-making and action by (and on behalf of) communities, and to promote the social, economic, environmental, and cultural wellbeing of communities in the present and for the future.</p>
<p>Link to the Council’s Community Outcomes - <i>E noho hāngai pū ai ki te rautaki matua</i></p> <p>This proposal promotes the Social and Economic wellbeing of communities in the present and for the future by providing safe and healthy drinking water.</p>
<p>Māori Impact Statement - <i>Te Tauākī Kaupapa Māori</i></p> <p>While consultation and engagement has been undertaken as part of the wider project development and LTP process for the Drinking Water Strategy, Iwi consultation has also been undertaken on a project by project basis within the wider project. This has included presentations to the Heretaunga Taiwhenua in 2019 and direct engagement for the Small Communities, Eastbourne and Frimley projects as the works have proceeded.</p>
<p>Sustainability - <i>Te Toitūtanga</i></p> <p>Water treatment plant upgrades and above ground reservoir storage are key elements of the project that provide a safer and more secure supply of potable drinking water for the community, with a focus on long term sustainability.</p>
<p>Financial considerations - <i>Ngā Whaiwhakaaro Ahumoni</i></p> <p>The financial implications for the Eastbourne, Frimley and Small Community projects are included in this paper while the increased cost implications will be dealt with as part of the 2021-2031 LTP process.</p>

<p>Significance and Engagement - <i>Te Hiranga me te Tūhonotanga</i> This decision/report has been assessed under the Council's Significance and Engagement Policy as being of high significance and has been canvassed in the report under its own section.</p>
<p>Consultation – internal and/or external - <i>Whakawhiti Whakaaro-ā-roto, ā-waho</i> A communications plan has been developed for all major components of the Drinking water upgrade programme and has been used to guide the process on a site by site basis. Formal notified consent processes have been required for the major works which ensured all parties are able to participate in the development and construction stages. Regular Council updates have been provided as works progress and budget reviews are undertaken.</p>
<p>Risks: Legal/ Health and Safety - <i>Ngā Tūrarū: Ngā Ture / Hauora me te Haumarū</i> Legal/ Health and Safety risks will continue to manifest due to the current non-compliant position of some of the existing drinking water supplies. Ongoing direct engagement with Drinking Water Assessors (Ministry of Health), along with monthly reporting, is being used to manage risks on the road to compliance.</p>
<p>Rural Community Board - <i>Ngā Poari-ā-hapori</i> There are no specific implications for the Rural Community Board, however regular updates on project progress will be provided as required, with particular relevance to the Small Community upgrade programme.</p>

Attachments:

There are no attachments for this report.

HASTINGS DISTRICT COUNCIL

COUNCIL MEETING

THURSDAY, 8 APRIL 2021

Item 8

RECOMMENDATION TO EXCLUDE THE PUBLIC

SECTION 48, LOCAL GOVERNMENT OFFICIAL INFORMATION AND MEETINGS ACT 1987

THAT the public now be excluded from the following part of the meeting, namely:

- 9 **Frimley Park and Eastbourne Water Treatment Plants CON2020048**
- 10 **Urban Development Area - Land Acquisition**
- 11 **Strategic Land Purchase**

The general subject of the matter to be considered while the public is excluded, the reason for passing this Resolution in relation to the matter and the specific grounds under Section 48 (1) of the Local Government Official Information and Meetings Act 1987 for the passing of this Resolution is as follows:

<i>GENERAL SUBJECT OF EACH MATTER TO BE CONSIDERED</i>	<i>REASON FOR PASSING THIS RESOLUTION IN RELATION TO EACH MATTER, AND PARTICULAR INTERESTS PROTECTED</i>	<i>GROUND(S) UNDER SECTION 48(1) FOR THE PASSING OF EACH RESOLUTION</i>
9 Frimley Park and Eastbourne Water Treatment Plants CON2020048	Section 7 (2) (h) The withholding of the information is necessary to enable the local authority to carry out, without prejudice or disadvantage, commercial activities. To enable the Council to conduct tender negotiations.	Section 48(1)(a)(i) Where the Local Authority is named or specified in the First Schedule to this Act under Section 6 or 7 (except Section 7(2)(f)(i)) of this Act.
10 Urban Development Area - Land Acquisition	Section 7 (2) (i) The withholding of the information is necessary to enable the local authority to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations). Ongoing and future land negotiation and acquisition concerning landowners within Urban Development Areas..	Section 48(1)(a)(i) Where the Local Authority is named or specified in the First Schedule to this Act under Section 6 or 7 (except Section 7(2)(f)(i)) of this Act.
11 Strategic Land Purchase	Section 7 (2) (i) The withholding of the information is necessary to enable the local authority to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations). To enable the Council to carry out negotiations.	Section 48(1)(a)(i) Where the Local Authority is named or specified in the First Schedule to this Act under Section 6 or 7 (except Section 7(2)(f)(i)) of this Act.