

WM/03/02/06/01

Chair and Committee Members
CORPORATE BUSINESS COMMITTEE

19 SEPTEMBER 2013

Meeting Status: **Public**

Purpose of Report: For Decision

WATER SUPPLY PROJECT - PROFESSIONAL SERVICES CONTRACT

PURPOSE OF REPORT

- 1 This report seeks to alter the current professional services contract with CH2M Beca to extend their contract budget limit.

SIGNIFICANCE OF DECISION

- 2 This report does not trigger the Council's Significance Policy.

BACKGROUND

- 3 In December 2009 following a competitive tendering process, CH2M Beca was commissioned as the consultant to the water supply project. The contract was for development of the project through to the selection of a preferred water supply option. It also gave Council the discretion to extend the contract.
- 4 In August 2010¹, after 9 months of intensive option analysis, Council endorsed the concept of River Recharge with Groundwater (RRwG) as the preferred option, subject to further investigation.
- 5 In June 2012, Council resolved², after a number of scope increases relating to investigations, that the overall fee limit agreed with CH2M Beca should be capped at \$3,400,000. This allowed for the completion of the investigations (including the drilling), and commissioned CH2M Beca through to completion of the resource consent hearing.
- 6 Council³ approved lodgement of the RRwG resource consent application with Greater Wellington Regional Council (GWRC) in September 2012. At the time of lodgement,⁴ the project team believed the resource consent hearing would be held in March 2013. However, as outlined below, there have been delays and a decision is now not expected until September 2013.

CONSIDERATIONS

Issues

- 7 The current contract between Council and CH2M Beca includes an overall cap of \$3,400,000 for all services. This limit was set based on the information provided by CH2M Beca, in May 2012, reflecting the level of resourcing expected to

¹ Refer to report AS-10-922 for Council's 19 August 2010 resolutions.

² Refer to report IS-12-543 for Council's 28 June 2012 resolutions.

³ Refer to report IS-12-672 for Council's 27 September 2012 resolutions.

⁴ RRwG consent application lodged with Greater Wellington Regional Council on 9 November 2012.

obtain resource consent. This included a contingency of \$43,250 and no allowance for any additional appeals costs.

- 8 The project team believed the resource consent hearing would be held in March 2013. However, there have been significant delays and additional costs because of:
 - the time taken to respond to additional information requests made by GWRC
 - the time spent developing consent conditions with GWRC staff
 - an additional Technical Advisory Group meeting
 - the extra time spent by experts responding to the hearing commissioner's questions
 - the fragmented hearing process
- 9 Since June 2013 the delays have incurred additional costs, over and above those expected for the reasons outlined above. However, it was essential to proceed, as Council had a confirmed hearing date and expected a decision later in July 2013.
- 10 The hearing eventually concluded on 23 August 2013. This has enabled CH2M Beca to estimate the additional fees at \$245,000. This includes the additional costs incurred in the 2012/13 financial year. It also includes costs to review the decision.
- 11 Originally it was expected that the hearing would conclude by March 2013 while still remaining within the contract cap of \$3,400,000. In February 2013, having responded to the first request for information, it was anticipated that the straightforward path through to the hearing and decision would still be possible and the contract cap would be maintained. The project team maintained this view because of responses from GWRC staff, submitters and the progress being made on outstanding issues with GWRC.
- 12 However, the third quarter CBC activity report⁵ also highlighted the risk:

GWRC has requested 'further information' since the consent application was lodged. This may require further work and incur additional costs and consenting delays.
- 13 CH2M Beca have written-off \$38,000 acknowledging the importance of maintaining the good working relationship with Council
- 14 The additional work is treated as a contract variation that will require Council approval before any payments can be made.

Financial Considerations

- 15 CH2M Beca fees are now forecast to reach \$245,000 above the current contract cap. However the overall project is still forecasted to be under spent by \$50,000. The additional costs will be funded from the project contingency.

⁵ Refer to report SP-13-885 Appendix B – Activity Reports to 31 March 2013

Legal Considerations

16 There are no legal considerations.

Delegation

17 The Corporate Business Committee may make a decision on this matter⁶.

- 7.13 *Outside of any delegation to the Chief Executive, authority to:*
- *approve contracts up to a limit of \$5.5 million for any one contract where financial provision has been made in the Annual Plan or LTP;*
 - *approve contract variations and/or contract terminations up to the limit of \$5.5m.*

Tāngata Whenua Considerations

18 There are no issues for consideration relating to this decision.

Publicity Considerations

19 CH2M Beca's track record has exceeded expectations and the project remains within the overall project budget. A media release will be prepared.

RECOMMENDATIONS

20 That Corporate Business Committee authorise the Chief Executive to alter the Water Supply Capacity Review and Options for Supplementary Supply contract with CH2M Beca to cover fees up to the receipt of resource consent for the Water Supply Project, up to the maximum value of \$3,645,000 (excluding GST).

Report prepared by:

Approved for submission by:

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PROJECT MANAGER

**GROUP MANAGER –
INFRASTRUCTURE SERVICES**

⁶ Refer to Governance Structure and Delegations, 2010-2013 Triennium, Section B.3 Corporate Business Committee, 7 March 2013.