

Mayor and Councillors  
**COUNCIL**

**17 DECEMBER 2009**

Meeting Status : Public

Purpose of Report: For Decision

## **WATER SUPPLY PROJECT BUDGET REALLOCATION**

### **PURPOSE OF REPORT**

- 1 This report updates the Council on budget planning for the Water Supply/Storage Capacity project (known as Water Supply project) and seeks approval from the Committee to:
  - 1.1 re-allocate budget between years within the five year project period; and specifically
  - 1.2 increase the spend for this financial year (2009/10) so that it better reflects Council preferred approach and programme for achieving the Water Supply project objective.

### **SIGNIFICANCE OF DECISION**

- 2 The Council's significance policy is not triggered.

### **BACKGROUND**

#### **Current Budget**

- 3 The objective of the Water Supply project is to find a solution to secure sufficient water supply for Waikanae, Paraparaumu/Raumati for the next fifty years. The Long Term Council Community Plan (referred to as Community Plan) commits to having a solution in place by 2015. It also commits a total capital budget for the Water Supply project of \$24,850,000 (\$23,000,000 indexed over 5 years) spread across the next five years of the project period.
- 4 The 2009 LTCCP states;
  - *The nature of the increased capacity has not yet been decided. There will be an extensive assessment of options undertaken, with full consideration of all environmental, social and financial issues associated with any proposed solution.*
- 5 The annual measures and targets for water management defined in the LTCCP 2009 relating to Community Outcomes are:
  - *Completion of Waikanae, Paraparaumu, Raumati water supply options by end of 2014/15.*

- 6 The current budgets for each year of the five year project period were developed prior to any structured project planning. At the time of budget-setting a generic amount was attributed to the early phases of the project. The early phases have now been examined more rigorously following engaging the technical consultant. There is now a better understanding of the amount of technical analysis required to ensure the large list of solutions can be measured on a comparative basis.
- 7 While the total capital budget across the five year project period is unchanged, the allocation across early years is not adequate and, therefore, could hinder the Council's ability to achieve a solution by 2015.
- 8 The current budgets adopted by Council in the Community Plan for the Water Supply project are as follows:

<b>Community Plan Year</b>	<b>Financial Year</b>	<b>Community Plan Budget</b>
1	2009/10	\$250,000
2	2010/11	\$250,000
3	2011/12	\$850,000
4	2012/13	\$9,500,000
5	2013/14	\$14,000,000
<b>Total</b>		<b>\$24,850,000</b>

### **Re-allocation of Budgets**

- 9 This year Council has concentrated its focus and effort on progressing the Water Supply project. This planning has identified key stages, and a sequence of steps, that are required to achieve the 2015 target date. It has also shown the early phases of the project require resources to be dedicated to achieve a number of key steps. These include public participation, option development and selection, and compliance with statutory obligations.
- 10 This will require re-allocation of budgets reflecting the resource requirements to achieve the 2015 target date.

### **Project Success**

- 11 A critical driver to the success of the project and ability to achieve the project timeframes is community buy-in. The aim is to have a robust process that allows sufficient involvement by the community prior to a final solution being consulted on. Project risks increase if the budget does not reflect the increased technical knowledge required to aid community consultation.
- 12 Therefore, the project planning places emphasis on engaging early with iwi and the community to obtain their input on engagement, selection criteria, water supply options and the final solution. To provide information to support the

public process there has to be an increased technical understanding of the solution being considered.

- 13 The review of existing data, technical information, and options considered over the last 20 years is also critical to the success of the Water Project. To meet community expectations, options being considered need a similar level of information to provide consistent understanding. This information review will then lead to a fair comparison of solutions that support the consultation and use of the selection criteria.
- 14 The proposed plan brings forward expenditure into earlier years of the project, but ultimately does not impact on the total cost of the capital project over the five years of the project's duration. It does, however, impact on how the budget is allocated in each year of the project period.
- 15 The project will be managed within the total budget. An example being, the 'coarse screening' of options in the Information Review report (DP-09-762) using \$23 million as the cap for capital built.

### The Plan

- 16 The key feature of the new plan is to engage with the community and iwi earlier in the project and continue this engagement until the solution is built. Previously Council has moved too quickly to a solution. Engaging the community in a meaningful way will help avert community anxiety that options are being forced on them and will help minimize the risk that protracted opposition could arise.
- 17 The water supply solution will not be built within the timeframes indicated in the Community Plan if the reallocation is not approved. The budgets of \$250,000, \$250,000, and \$850,000 for the first three years before the expected construction expenditure would not enable robust analysis of;
  - the technical information,
  - option development and technical investigation,
  - public consultation,
  - design, and
  - consenting.
- 18 The reallocated budget is required to enable the reduction of the list of 40 solutions to between 3 to 10 and then down to the final selection of a preferred supply capacity solution.
- 19 Key elements of the project that require funds to enable this technical analysis and reduction are in table following.

	<u>Activities</u>	<u>Estimated Completion</u>	<u>Estimated Costs</u>
<b>Community Engagement</b>	<b>Information Review of Solutions</b>	Dec 2009	<b>\$250,000</b>
	<ul style="list-style-type: none"> <li>• review all the existing solutions historically considered,</li> <li>• develop new solutions,</li> <li>• investigate solutions to ensure fair comparisons can be made,</li> <li>• risk assessment,</li> </ul>		
	<b>Solution Selection</b>	June 2010	<b>\$710,000</b>
	<ul style="list-style-type: none"> <li>• aid the community groups and iwi in the developing of selection criteria,</li> <li>• gathering of additional data,</li> <li>• conceptual design,</li> <li>• cost estimating,</li> <li>• consentability</li> <li>• Council decision on preferred solution</li> </ul>	to Sept 2010	<b>to \$870,000</b>
	<b>Preliminary design/AEE</b>	Oct 2010 to	<b>\$790,000</b>
<ul style="list-style-type: none"> <li>• develop preliminary designs,</li> <li>• assess environmental effects for resource consent application,</li> <li>• prepare for statutory assessment, resource consent lodgement</li> <li>• affected parties consultation,</li> <li>• provide advise on procurement options,</li> </ul>	Dec 2010	<b>to \$820,000</b>	
<b>Consent Approval</b>	Sept 2011 to	<b>\$620,000</b>	
<ul style="list-style-type: none"> <li>• consenting process, including possible hearings</li> </ul>	March 2012	<b>to \$680,000</b>	

<u>Activities</u>	<u>Estimated Completion</u>	<u>Estimated Costs</u>
<b>Detail Design</b>	Jun 2012 to Sept 2012	<b>\$1,910,000 to \$1,970,000</b>
<ul style="list-style-type: none"> <li>produce a detailed design reflecting the consent requirements and the solution selected,</li> </ul>		
<b>Construction</b>	June 2014 to Jan 2015	<b>\$1,520,000 to \$1,580,000 plus capital built budget.</b>
<ul style="list-style-type: none"> <li>procure a contractor to construct the solution,</li> <li>manage and monitor the construction, and finally,</li> <li>commission the built solution.</li> </ul>		

- 20 The technical consultant estimate of fees, which depends on what project option and solution is selected by Council, are:

<u>Activities</u>	<u>Estimated Fees</u>
<b>Information Review of Solutions</b>	\$130,000
<b>Solution Selection</b>	\$625,000 to \$785,000
<b>Preliminary design/AEE</b>	\$690,000 to \$715,000
<b>Consent Approval</b>	Provisional Sum \$330,000
<b>Detail Design</b>	\$1,300,000 to \$2,100,000
<b>Construction</b>	\$400,000 to \$2,000,000
<b>Total</b>	<b>\$3,475,000 to \$6,060,000</b>

## Options

- 21 Options have been assessed against the project risks to understand the advantages and disadvantages. Each options was assessed using a matrix of Scope, Time, Cost, Quality, and Relationships and risks categorises of Tanagata whenua involvement, Public perception, Lack of information, Acceptable process, Quality and Quantity targets. These are considered the top risks relating to the Water Supply project.

**Option One – 7-10 Solutions reduced to one by June 2010**

- 22 This option is based on the desire to have a preferred solution identified by June 2010 and have the preliminary design ready for resource consent lodgement by October 2010.
- 23 This requires the reduction of over forty solutions to somewhere in the range of 7-10 possible solutions following preliminary feedback from public consultation on selection criteria. Council will be asked in March for its acceptance of the process up to this point.
- 24 Public consultation will continue to refine the selection criteria that will be used to aid Council to make the decision on the preferred solution in June 2010. At the same time technical investigation of the 7-10 solutions will be carried out.
- 25 Advantage and disadvantages for option one are:

Advantages	Disadvantage
<ul style="list-style-type: none"> <li>• More solutions being considered, therefore giving the best opportunity for a successful consent process.</li> <li>• More solutions being investigated, therefore reducing the risk of eliminating viable solutions due to lack of information.</li> <li>• Aligns with current public expectations, media releases, and presentations.</li> <li>• Maintain public’s trust that Council does not have a preferred solution.</li> <li>• Allows time to finalise criteria before preferred solution selected.</li> <li>• Reduces the risk of public disapproval of slowing the project down.</li> <li>• Best opportunity for successful consent process as more solutions being considered.</li> <li>• More time between a major decision and local body elections.</li> </ul>	<ul style="list-style-type: none"> <li>• More solutions being investigated, therefore increasing costs and the potential to miss program deadlines in the early phases.</li> <li>• Public perception that more money is being spent because original early-year budgets have to be increased.</li> <li>• Reduced capital build budget</li> </ul>

**Option Two – 3-4 Solutions reduced to one by June 2010**

- 26 This option is based on the desire to reduce costs and have a preferred solution identified by June 2010. Also, to have the preliminary design ready for resource consent lodgement by October 2010.
- 27 However, this requires the reduction of over 40 solutions to only 3-4 possible solutions by March 2010. Selection criteria will be developed as above between December and February 2010. Council will be asked in March for their acceptance of the process up to that point.
- 28 Following the reduction to 3-4 possible solutions, technical investigation will be conducted. Public consultation at this point will be based on the 3-4 possible solution being investigated.
- 29 This option reduces the amount of technical investigation required before a preferred solution is selected by Council in June 2010.
- 30 Advantage and disadvantages for option two are:

Advantages	Disadvantage
<ul style="list-style-type: none"> <li>• More time for better analysis due to fewer solutions being investigated.</li> <li>• Less expenditure on technical investigation of solutions.</li> <li>• More budget for capital built.</li> <li>• More time between a major decision and local body elections.</li> </ul>	<ul style="list-style-type: none"> <li>• The major concern with this option is the ability to have the selection criteria in a state acceptable to the public that will allow reduction to only 3-4 possible solutions.</li> <li>• Risk that limited information at the analysis assumption phase means some viable solutions are eliminated too early.</li> <li>• Fewer solutions being considered therefore increasing risk of unsuccessful consent process.</li> <li>• Time constraints result in poor technical investigation into design assumptions, causing the solution not to meet expectations</li> <li>• Community consultation may be perceived to be presented with limited solutions.</li> </ul>

**Option Three – 3-4 Solutions reduced to one in September 2010**

- 31 This option is based on the desire to reduce costs and allow more time for public consultation to develop the selection criteria. A preferred solution will be identified later in August 2010.
- 32 Allows more time before the reduction of solutions to 3-4 before April 2010. Then further technical investigation requirements are completed before a preferred solution selection in August 2010.
- 33 Advantage and disadvantages for option three are:

Advantages	Disadvantage
<ul style="list-style-type: none"> <li>• Allows most time for consultation on the selection criteria, therefore public is more likely to accept a reduction of solutions to 3-4.</li> <li>• More time available for technical investigation into design assumptions before reduction of solutions.</li> <li>• Less expenditure on technical investigation of solutions.</li> <li>• More budget for capital built.</li> </ul>	<ul style="list-style-type: none"> <li>• Risk that limited information at the analysis assumption phase means some viable solutions are eliminated too early.</li> <li>• Risk of Iwi and public perceive that Council is not considering their views on solutions due to limited number of solutions being considered.</li> <li>• Fewer solutions being considered therefore increasing risk of unsuccessful consent process.</li> <li>• Community consultation may be perceived to be presented with limited solutions.</li> <li>• Timeframe will increase the risk of consultation fatigue within the community.</li> <li>• Major decision close to local body elections.</li> </ul>

**Comparison of Options**

34 Timeframes attached to each option are:

Phase	Option One	Option Two	Option Three
	Completion Date		
Solution Information review	Dec 2009	Dec 2009	Dec 2009
Analysis solution assumptions	Feb 2010	Feb 2010	April 2010
Develop Selection Criterion	March 2010	March 2010	May 2010
Number of short-listed solutions	7-10	3-4	3-4
Complete technical investigation of short-listed solutions.	June 2010	June 2010	Aug 2010
(number of short-listed solutions)	(7-10)	(3-4)	(3-4)
Option Selection	June 2010	June 2010	Sept 2010
Preliminary design/AEE	Oct 2010	Oct 2010	Dec 2010
Consent Approval	End 2011	End 2011	Early 2012
Detail Design	Mid 2012	Mid 2012	End 2012
Construction	2015	2015	2015

35 Proposed budget implications for each option:

Financial Year	LTCCP Projected Budget	Option One Revised Staging	Option Two Revised Staging	Option Three Revised Staging
2009/10	\$250,000	\$1,120,000	\$960,000	\$810,000
2010/11	\$250,000	\$1,380,000	\$1,360,000	\$1,380,000
2011/12	\$850,000	\$2,110,000	\$2,110,000	\$1,350,000
2012/13	\$9,500,000	\$10,120,000	\$10,210,000	\$11,100,000
2013/14	\$14,000,000	\$10,120,000	\$10,210,000	\$10,210,000
<b>Total</b>	<b>\$24,850,000</b>	<b>\$24,850,000</b>	<b>\$24,850,000</b>	<b>\$24,850,000</b>

36 The remaining budget available for the capital build cost (excluding likes of consultation, option assessment, design, consenting, tendering, construction monitoring):

	Option One	Option Two	Option Three
<b>Capital Build</b>	\$18,660,000	\$18,845,000	\$18,845,000

### Legal Considerations

37 No legal advice is required as this report relates to financial and project programme.

### Delegation

38 Council may make a decision on this matter under Section A.2 of the Governance Structure 2007-2010: *“Exercise any other Council powers, duties and functions of a strategic overview nature including infrastructure development and coordination...”*

### Consultation

39 There has been no consultation on this issue as the overall capital budget will remain the same as in the Community Plan.

### Policy Implications

40 There are no policy implications generated by the recommendation proposed in this report.

### Publicity Considerations

41 As part of the water supply project there will be ongoing publicity at appropriate occasions. These will follow the communication strategy developed for the project. The cost of publicity has been included in the proposed spend.

## CONCLUSION

42 The budgets set in the Community Plan 2009 do not provide sufficient funds in early project phases to meet the demands of a \$24,850,000 capital project in the current social, cultural, and legislative environment.

43 The ability to influence the success of the Water Supply project, without significantly impacting cost, is highest at the start and decreases as the project progresses towards completion.

44 The proposed budget reflects a better understanding and structured approach to the early phases now being undertaken to resolve the water supply issue.

45 A reallocation of budgets is required for this current financial year.

46 The total capital expenditure remains unchanged.

- 47 Rates will be affected by the budget being brought forward to the earlier years of the project. By year seven the rates will be as in the current Community Plan 2009.
- 48 Three options have been proposed. Option One reflects the lessons learnt from the past but has the largest cost implication during the early years of the project. Option Two tries to address the cost aspect but then highlights the potential risk of lack of confidence in Council. The third option tries to provide more time for public involvement but does not deliver on a commitment to have a preferred solution by June 2010 and is therefore likely to damage the overall credibility of the project.

**RECOMMENDATIONS**

- 49 That the Council approves amending the timing of capital expenditure on the water supply project as detailed below with a revised capital budget for the 2009/10 year of \$1,120,000 in support of Option One (7-10 Solutions with the preferred option identified by June 2010).

<b>Financial Year</b>	<b>LTCCP Projected Budget</b>	<b>Option One Revised Staging</b>
2009/10	\$250,000	\$1,120,000
2010/11	\$250,000	\$1,380,000
2011/12	\$850,000	\$2,110,000
2012/13	\$9,500,000	\$10,120,000
2013/14	\$14,000,000	\$10,120,000
<b>Total</b>	<b>\$24,850,000</b>	<b>\$24,850,000</b>

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**ATTACHMENTS:**

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