



ROTORUA
LAKES COUNCIL
Te Kaunihera o ngā Roto o Rotorua

Kaupapataka

Agenda

NOTICE OF AN ORDINARY MEETING
OF

INFRASTRUCTURE AND ENVIRONMENT COMMITTEE

Date: Wednesday 5 April 2023

Time: 9.30am

Venue: Council Chamber

MEMBERSHIP

Chair Mayor Tapsell

Deputy Co-Chairs Cr Barker
Cr Wang

Members Cr Brown
Cr Kai Fong
Cr Kereopa
Cr Lee
Cr Maxwell
Cr O'Brien
Cr Paterson
Cr Waru

Quorum 6

NGĀ TUKUNGA HAEPAPA A TE KAUNIHERA COUNCIL DELEGATIONS

Infrastructure and Environment

| | |
|-------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Type of Committee | Whole of Council Committee |
| Subordinate to | N/A |
| Subordinate Committees | N/A |
| Legislative Basis | Schedule 7, clause 30 (1) (a), Local Government Act 2002. |
| Purpose | To develop, implement, monitor and review strategies, policies, plans and functions associated with Infrastructure and environment activities. |
| Reference | 01-15-018 |
| Membership | Mayor Deputy Mayor All Councillors |
| Quorum | 6 |
| Meeting frequency | Monthly |
| Delegations | <ul style="list-style-type: none"> • Oversee the management of council's infrastructure assets, utility services and public facilities including: <ul style="list-style-type: none"> • Transportation • Three waters • Land drainage • Laboratory services • Waste collection, landfill, recycling • Sports, Reserves and Recreation • Cemetery • Civil Defence Emergency Management • Accountable for the development and implementation of the Infrastructure Strategy, Asset Management Plan and inputs on infrastructure related projects associated with Development Contributions Policy • Oversight of progress of design and build projects such as, but not limited to: <ul style="list-style-type: none"> ○ Waste water treatment plant ○ Sewerage schemes (Rotoiti/Rotoma/Rotoehu, Tarawera) ○ Development of major facilities for example Museum, Aquatic Centre, Libraries ○ Water storage and drainage for growth ○ Infrastructure provision for growth ○ Major transport projects, cycleways ○ Reticulation of water supplies • Undertake master planning of strategic facilities and spaces |

| | |
|---------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | <ul style="list-style-type: none"> • Encourage engagement with organisations within the sector to consider environmental matters including: <ul style="list-style-type: none"> ○ Climate change response, both mitigation and adaptation ○ Biodiversity ○ Waste Minimisation ○ Environmentally sustainable practices ○ Environmental aspects of energy, transport and water ○ Monitoring and reporting against action within the Climate Action Plan ○ Monitor Council’s contribution to the Te Arawa Vision (specifically in relation to Infrastructure and Environment outcomes) ○ The provision and maintenance of facilities and space for the general use of the public for recreation of all kinds including sporting activities, passive enjoyment, open spaces, play areas, toilets and changing sheds, flower beds, trees and shrubs, and display areas ○ The production of Management Plans and the general management of reserves in compliance with the Reserves Act 1977 and the general administration of the Reserves Act 1977 with the exception of the Hearings of Objections to the Classification of Reserves and Management Plans ○ The leasing of recreational land for commercial recreational purposes ○ The beautification of public gardens and parks ○ Street trees • Council controlled organisations (CCO’s) - advising on the content of the annual Statement of Expectations, agreement on Statement of Intent, monitoring against the Statement of Intent the financial and non-financial performance of CCO’s • Make appointments and authority to remove appointments to Council-Controlled Organisations (CCO’s). |
| <p>Relevant Statutes</p> | <p>All the duties and responsibilities listed above must be carried out in accordance with the relevant legislation.</p> |

Order of Business

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1. Karakia Whakapuaki - Opening Karakia

TŪTAWA MAI

Tūtawa mai i runga
Tūtawa mai i raro
Tūtawa mai i roto
Tūtawa mai i waho
Kia tau ai te mauri tū
Te mauri ora, ki te katoa
Hāumi e. Hui e. Tāiki e!

TŪTAWA MAI

I summon from above
I summon from below
I summon from within
I summon the surrounding environment
The universal vitality and energy to infuse
and enrich all present
Enriched, unified and blessed

2. Ngā Whakapāha - Apologies

The Chair invites notice from members of:

1. Leave of absence for future meetings of the Rotorua Lakes Council; or
2. Apologies, including apologies for lateness and early departure from the meeting, where leave of absence has not previously been granted.

3. Whakapuakitanga Whaipānga - Declarations of Interest

Members are reminded of the need to be vigilant to stand aside from decision making when a conflict arises between their role as a member and any private or other external interest they might have.

4. Ngā Take Whawhati tata kāore i te Rārangi Take - Urgent Items not on the Agenda

Items of business not on the agenda which cannot be delayed

The Chair will give notice of items not on the agenda as follows:

Matters Requiring Urgent Attention as Determined by Resolution of Rotorua Lakes Council

The Chair shall state to the meeting.

1. The reason why the item is not on the agenda; and
2. The reason why discussion of the item cannot be delayed until a subsequent meeting.

The item may be allowed onto the agenda by resolution of the Rotorua Lakes Council.

s.46A (7), LGOIMA

Discussion of minor matters not on the agenda.

Minor Matters relating to the General Business of the Rotorua Lakes Council.

The Chair shall state to the meeting that the item will be discussed, but no resolution, decision, or recommendation may be made in respect of the item except to refer it to a subsequent meeting of the Rotorua Lakes Council for further discussion

s.46A (7), LGOIMA

5. Te Whakaū i ngā Meneti - Confirmation of Minutes

5.1 Infrastructure and Environment Committee Meeting Minutes (Draft) 22 March 2023

01-15-018
RDC-1372165

Minutes (draft)

**Infrastructure and Environment Committee Meeting held Wednesday 22 March 9.30am
Council Chamber, Rotorua Lakes Council**

MEMBERS PRESENT: Mayor Tapsell (Chair)
Cr Barker and Cr Wang (Deputy Co-Chairs), Cr Brown, Cr Kai Fong,
Cr Kereopa, Cr Lee, Cr Maxwell, Cr O'Brien, Cr Paterson, Cr Waru

STAFF PRESENT: G Williams, Chief Executive;
T Collé, Deputy Chief Executive, Organisational Enablement;
J.P Gaston, Deputy Chief Executive, District Development;
O Hopkins, Deputy Chief Executive, District Leadership & Democracy;
S Michael, Deputy Chief Executive. Infrastructure & Environmental
Solutions;
A Pewhairangi, Deputy Chief Executive, Community Wellbeing;
G Rangi, Deputy Chief Executive, Te Arawa Partnership;
D Cossar, Governance & Democracy Manager;
G Kieck, Corporate Planning & Strategy Manager;
T Rutherford, Executive of Communications, Mayor's Office;
I Brell Governance Support Advisor.

The meeting opened at 9.30am

The Chair, Mayor Tapsell welcomed elected members, staff and members of the public.

1 **KARAKIA WHAKAPUAKI OPENING KARAKIA**

Cr Maxwell opened the meeting with a Karakia.

2 **NGĀ WHAKAPĀHA APOLOGIES**

None

3 **WHAKAPUAKITANGA WHAIPĀNGA DECLARATIONS OF INTEREST**

None

**4 NGĀ TAKE WHAWHATI TATA KĀORE I TE RĀRANGI TAKE
URGENT ITEMS NOT ON THE AGENDA**

None

**5 HE WHAKATAUNGA KIA HOKI ATU TE ARONGA O TE HUI HAI HUI TŪMATAWHĀITI
RESOLUTION TO MOVE INTO PUBLIC EXCLUDED**

Resolved:

- 1. That the Committee move into Public Excluded session.**

Moved: Cr Kai Fong

Seconded: Cr O'Brien

CARRIED

The general subject of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each 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 are as follows:

| General subject of each matter to be considered | Reason for passing this resolution in relation to each matter | Ground(s) under Section 48(1) for passing of this resolution |
|---------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------|
| Contract scope and variation in price approval For 20/007 – Professional Services for Capital Works – Transport 2020-2025 | Protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information. | Section 48(1)(a) Section 7(2)(b)(ii) |

This resolution is made in reliance on Section 48(1) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by Sections 6 or 7 of the Act or Sections 6, 7 or 9 of the Official Information Act 1982, as the case may require, which would be prejudiced by the holding of the whole or the relevant part of the proceedings of the meeting in public are as shown above (in brackets) with respect to each item.

OPEN SESSION

The meeting closed at 9.35am

To be confirmed at Infrastructure and Environment Committee meeting on 5 April 2023

.....
Chair

Note 1: Rotorua Lakes Council is the operating name of Rotorua District Council

Note 2: Attachments to these minutes are available on request or on Council's website: [click here](#)

6. Pūrongo Kaimahi - Staff Reports

85-08-419-01
RDC-1368180

ROTORUA LAKES COUNCIL

Mayor
Members
INFRASTRUCTURE AND ENVIRONMENT COMMITTEE

6.1 Proposed Procurement Plan for Stage 2 and Progress Report on Stage 1 Implementation of the Tarawera Sewerage Scheme

Report prepared by: Greg Manzano, Manager, Infrastructure Growth and Planning Performance

Report reviewed by: Stavros Michael, Deputy Chief Executive, Infrastructure and Environment

Report approved by: Geoff Williams, Chief Executive

1. TE PŪTAKE PURPOSE

The Rotorua Lakes Council, as a partner in the Te Arawa Lakes Strategy Group, has committed towards the phased procurement and implementation of the Tarawera Sewerage Scheme. The sewerage scheme, when completed, will provide immediate and sustainable environmental, cultural, community health and land development benefits for the community.

Significant Iwi and local Lake Tarawera community engagement was undertaken during the planning and development phase of the project since 2017/2018, during the consultation period for the 2021/31 Long Term Plan; and since through public community meetings, written updates and individual communications with residents.

The purpose of this report is to reacquaint the Committee on the context and status of the Tarawera Sewerage Reticulation Scheme, to provide a brief progress update and present the preferred procurement option for implementing Stage 2 of the Scheme.

This option will incentivise and encourage maximum competitive price tension between tenderers and is likely to produce a better cost outcome for the project. This is particularly important for this project given that residents and the Government will be contributing.

2. NGĀ TŪTOHUNGA RECOMMENDATIONS

1. That the report “Proposed Procurement Plan for Stage 2 and Progress Report on Stage 1 Implementation of the Tarawera Sewerage Scheme” be received.
2. That the Committee note the background context of the Tarawera Sewerage Scheme.

3. That the Committee consider the procurement options outlined and approve the recommendation to procure the contract for Stage 2 of the Tarawera Sewerage Scheme in accordance with Option 2 – Public open tender for the full scope of work of Stage 2:
- The supply and installation of low pressure grinding pumps
 - The supply and installation of pipes, valves and boundary assemblies.

3. TE TĀHUHU BACKGROUND

3.1 Project Context

Council, at the request of the Tarawera community, who were faced with the need to comply with the Bay of Plenty Regional Council's Maintenance Zone 2017 (OSET rule), agreed to collaborate and support a wastewater reticulation scheme proposal in 2017/18. A proposed concept scheme cost estimate was drafted which formed the basis for an application to the Ministry for the Environment (MfE) under the Crown's Freshwater Improvement Fund. The Crown agreed to provide a fixed \$6.5M funding support for the proposed scheme.

That fund, together with additional combined contributions from the Rotorua Lakes Council and Bay of Plenty Regional Council of about \$1.5M, formed the core of funding subsidies support for the proposal (these formed about 35% of the then concept based estimated gross cost.)

The local community explored and considered a range of implementation options and identified a preferred option for the scheme in October 2018. Subsequent to that, two Cultural Impacts Assessment reports were undertaken by mana whenua that were eventually concluded in September 2020.

The scheme was then included and approved by Council in the 2021/2031 LTP anticipating that the project is started in the first year of the LTP (2021/2022) and completed around 2023/2024. The total budget allocation for the scheme in the LTP was \$22.5M and spread over three years from 2021 to 2024.

3.2 Phased Procurement and Implementation Approach

In June 2022 the scheme's preliminary design was completed and current market cost indications were obtained. Council received a report from officers and agreed to proceed with the project in a phased procurement and implementation approach, as follows:

- **Stage 1** – The installation of sewerage mains network which includes the primary and secondary trunks and the necessary pump stations that will connect Tarawera to the existing Lake Okareka sewerage scheme (approximately 24 km of pressure pipelines and 4-5 pump stations, electrical systems, fibre connections and testing.)
- **Stage 2** – Individual on property installation of LPGP's (440 each) which includes all works required to connect individual properties to the completed mains sewerage network.

The rationale outlined by officers for a phased procurement and implementation approach was driven by key considerations:

- To enable the commencement and the substantial physical progress of the construction of the sewerage scheme by December 2023. (The MfE funding subsidy conditions require that the \$6.5M subsidy they had offered must be utilised on or before December 2023).
- To achieve a fair and current market reflective price for the cost of the works. The phased approach would enable officers to review procurement options for Stage 2 that would potentially provide a better cost outcome than the preliminary price indications.

The phased approach enables the immediate start of Stage 1, through a direct contract negotiation, thus safeguarding the MfE funding subsidy. The preliminary price offer received was considered at the higher end of the price range and further optimisation and value engineering was undertaken to enable the compression of the price closer to the estimated budget allocation of \$12.50M (2018 estimate) for Stage 1.

Officers were directed by Council to:

- Proceed with further value engineering and design optimisation of the works for Stage 1 and to submit a contract recommendation to subsequent Council meetings.
- Assess further the procurement options for Stage 2 and report back to Council at a later date.

3.3 Contract Recommendation for Stage 1 of the Tarawera Sewerage Scheme

A report was submitted to the 22 August 2022 meeting of Council providing the result of the value engineering and cost optimisation work on Stage 1, including the assessment of the revised price offer and the recommended contractor and contract price of the Tarawera Sewerage Scheme.

(a) Review of Preliminary Price Offer

The review of the preliminary price revealed that it included significant costs for project management and risk hedging. To minimise these cost components, a redistribution of responsibilities was engineered whereby Rotorua Lakes Council's in-house project management can more cost effectively substitute those requirements thus optimising the overall project cost for Stage 1.

(b) Review of Fulton Hogan's price offer and subsequent direct negotiations for the construction of Stage 1 of the Tarawera Sewerage Scheme

Fulton Hogan's Ltd price (which was embedded within the preliminary price offer) was reviewed separately. Direct discussions with Fulton Hogan Ltd concluded that Stage 1 construction could be undertaken around a \$13.5M price.

(c) Sole Supplier Negotiation with Fulton Hogan Ltd and Contract Recommendation for Stage 1 of the Tarawera Sewerage Scheme

Officers assessed that with the current market conditions the new price envelope was reasonable and a report to Council was prepared. Council considered and approved the recommendation that the Chief Executive be given authority to negotiate with Fulton Hogan Ltd for the construction of Stage 1 of the Tarawera Sewerage Scheme up to a maximum value of \$15,000,000. This action was necessary because of the condition imposed by the MfE funding, to get a contract approval and to start with the works as soon as possible. Given the triennial election, it was not possible to get Council approval in the shortest possible time to meet those time constraints from the funder.

The negotiations with Fulton Hogan Ltd was successfully concluded within the approved contract envelope of \$15,000,000 that comprises the following:

| | |
|-----------------------------|-----------------|
| Construction of work = | \$13.38M |
| Contingency (held by RLC) = | \$ <u>1.34M</u> |
| TOTAL | \$14.72M |

3.4 Progress on the implementation of Stage 1 of the Tarawera Sewerage Scheme

Following on from the approval of the contract, Fulton Hogan Ltd has been working on all required pre-construction mobilisation activities which includes:

- The preparation and approval of construction management plans, health and safety plans, environmental management plans and all other related probity matters.
- The location and acquisition of a site depot and laydown areas.
- The ordering and purchase of long lead materials like pipes, valves and pumps.

The contractor intends to mobilise onsite for physical works in early April 2023. The Contractor will start with pipe laying work at the Okareka end of the scheme working towards Lake Tarawera. Another segment of pipe laying will be started at a later date from the Tarawera end of the scheme, working towards Lake Okareka. The intention is to significantly progress the project to a stage whereby the \$6.5M funding subsidy from MfE would be utilised by or before December 2023 as the Funding Deed requires.

3.5 Procurement Plan for Stage 2 of the Tarawera Sewerage Scheme

The full scope of work for Stage 2 of the Tarawera Sewerage Scheme includes the following:

- The supply and installation of low pressure grinder pumping units (includes tanks, pumps and electrical panel) to each property. This also includes the connection of the pumping units to the households plumbing and electrical systems. The decommissioning of the old septic tanks on each property and final grounds reinstatement.
- The supply and installation of pipes, valves and boundary assemblies to connect the individual pumping units to the public mains reticulation network constructed in Stage 1 and the completion of necessary building consent requirements for each property.

Several procurement and implementation options have been assessed for Stage 2 of the Tarawera Sewerage Scheme. These are summarised below:

- (a) **Option 1 – Direct negotiations with Fulton Hogan Ltd for the full scope of work of Stage 2, as described above**

This would involve inviting Fulton Hogan Ltd to submit a price offer for the completion of the full scope of work for Stage 2, as described above. The price offer would then become the basis of price and terms negotiations for a potential Stage 2 contract of the Tarawera Sewerage Scheme.

| Advantages | Risks and Considerations |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> • Potential savings on mobilisation and site establishment cost as this work will be an immediate continuation of the Stage 1 contract. • Reduced open tender procurement costs. • A contractor already familiar with the sites and the community. | <ul style="list-style-type: none"> • Full and transparent competitive tension on the price may not be able to be clearly demonstrated to the Council and the local community. • The local community is likely to have a negative perception and confidence on a directly negotiated contract as they will be required to pay the net capital costs of the scheme. |

(b) **Option 2 – Public open tender for the full scope of work of Stage 2, as described above**

| Advantages | Risks and Considerations |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> • Maximum open market competitive tension on pricing is assured. • Any negative perception by the community arising from a directly negotiated contract is mitigated. | <ul style="list-style-type: none"> • Additional time required and some cost associated with public procurement will be required. • If a new contractor (other than FH) is selected, a careful management of the complex interface between Stage 1 and Stage 2 works will be required to de-conflict responsibilities and works boundaries. |

(c) **Option 3 – Separate Public Tender for the**

- Supply and delivery of low pressure grinder pumping units and all boundary kits and
- Supply and installation of pipes and valves to connect the pumping units to the reticulation network and the installation of individual pumping units and boundary kits. This will also include the connection of the pumping units to the households plumbing and electrical systems.

| Advantages | Risks and Considerations |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> • Competitive tension on materials only supply pricing is achieved. • Potential defects on the performance of the pumping units is the responsibility of the suppliers, even beyond the typical NZS3910 defects liability period. • Reduced opportunity to incur double margins on unit rates. • Potential negative perception on a directly negotiated contract is mitigated. | <ul style="list-style-type: none"> • More effort required for contract and supply management and documentation as two separate contracts will be entered into. • More effort is required for project coordination and site management as two contractors schedules will be operating on one site with potential inefficiencies occurring between material availability, delivery, storage and site installation. |

| | |
|--|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | <ul style="list-style-type: none"> • Potential for a “grey zone” development in terms of defects liabilities between materials suppliers and installation contractor. • Additional time will be required and corresponding cost for the procurement and contract approval of two different types of contracts. |
|--|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

4. TE MATAPAKI ME NGĀ KŌWHIRINGA DISCUSSION AND OPTIONS

The Rotorua Lakes Council, as a partner in the Te Arawa Lakes Strategy Group, has committed towards the phased procurement and implementation of the Tarawera Sewerage Scheme. The sewerage scheme, when completed, will provide immediate and sustainable environmental, cultural, community health and land development benefits for the community.

A contract has been let (through Council approval) to Fulton Hogan Ltd for the construction of Stage 1. This contract was procured through a sole supplier and direct negotiation with Fulton Hogan Ltd. Through a process of design value engineering and price optimisation negotiations, the Stage 1 contract price was reduced to a reasonable alignment with the initial budget estimate in 2018 of \$12.5M noting market changes since then.

The challenge in hand is to develop and implement a procurement strategy that will provide comfort and assurance to the local community and the Council that the most optimum price outcomes have been achieved through a contestable and transparent process.

There are three shortlisted procurement options for Stage 2 of the Tarawera Sewerage Scheme.

The advantages and disadvantages for each option have been tabulated above and are further discussed below.

Option 1 – Direct negotiations with Fulton Hogan Ltd for the full scope of works of Stage 2

This option would enable the seamless continuation/transition of the two stages of work that may result to an earlier project completion with minimum works interface issues. Except for the condition of the MfE funding subsidy to utilise the \$6.5M funding by December 2023, there are no other significant time constraints on the project. This is therefore not a major consideration in choosing a procurement option for Stage 2.

Direct negotiation will not demonstrably create clear competitive tension in the pricing of the works. This is contrary to the objective of the procurement strategy, which is to provide the best cost outcome for the project.

In addition, direct negotiation may create a public perception that contracts are being awarded/negotiated in a manner that is detrimental to the object of producing the best cost outcome for the project and the local community. This is a significant issue considering the Tarawera community’s direct interest on the project and their natural expectation for maximum transparency on the final cost of the project.

Option 2 – Public tender for the full scope of work for Stage 2 (Preferred Option)

This option will incentivise and encourage competitive price tension between tenderers and is likely to produce a better cost outcome for the project. This option would best satisfy the key objectives of the procurement strategy.

In addition, this option will mitigate any potential negative public perception arising from a directly negotiated contract. This is more so because this project will be partially funded from government funds and from the benefitting individual ratepayers. This option would allay any concerns about probity and transparency regarding the award and implementation of the project.

Option 3 – Public Tender of separate supply of materials and installation contract

This option will involve the separate procurement of the key component of the work which is the low pressure grinder pumping unit as a separate supply of equipment contract. The equipment will then be issued to an installation contractor that will be procured through a separate tendering process.

This option will encourage competitive price tension between tenderers and may produce a good price outcome for the project. The negative public perception associated with negotiated contract may also be avoided.

This option however will require more input on contract and project interfaces management as it involves managing two contracts and coordinating two contractors working on the same site. Any issues and complexities arising from these and any failure to manage the associated risks with the contract arrangement could lead to additional costs where defects liabilities are not clearly charted.

Considering all of the above, it is recommended that Stage 2 of the Tarawera Sewerage Scheme be procured in accordance with Option 2 above i.e. public tender for the full scope of work of Stage 2.

Subject to the Committee's approval of the proposed procurement option, officers will report back in due time with the outcomes of the tender and a tender recommendation before entering into a contract for stage 2 of the Tarawera scheme. At that time, the Tarawera community will be informed of the final expected gross costs of the scheme with a higher degree of confidence.

**5. TE TINO AROMATAWAI
ASSESSMENT OF SIGNIFICANCE**

The decisions or matters of this report are not considered significant, in accordance with Council's Significance Policy at this stage. However, if Stage 2 costs cannot be moderated to an acceptable level within the tolerances of the Council's financial strategy, it may require Council to give it special consideration in terms of its overall financial effects and impacts.

The outcomes of Stage 2 procurement will be reported to the Council prior to recommending entering into a contract and committing construction of that phase and at that stage, decisions will be made whether a significance policy requirements will need to be satisfied.

6. NGĀ KŌRERO O TE HAPORI ME TE WHAKATAIRANGA COMMUNITY INPUT/ENGAGEMENT AND PUBLICITY

Significant Iwi and local Lake Tarawera community engagement was undertaken during the planning and development phase of the project since 2017/2018.

All affected property owners within the area of benefit of the scheme were consulted during the Draft 2021/31 Long Term Plan period with those responding to surveys indicating overwhelmingly (95%) that they wish the scheme to proceed. Of those responding, some 35% sought a more flexible repayment option that has now been achieved through Council's resolutions in June 2022.

Mana whenua are firmly of the view, through two Cultural Impacts Assessment reports, that the ongoing leaching of untreated sewerage into the lakes water is unacceptable and wish to see this rectified soonest.

In the period between Council's decision to adopt the scheme in its Long Term Plan (November 2020) and to date, a number of direct communications with all affected property owners have been initiated, officers attended public community meetings and responded to questions and various other updates have been deployed to keep the community informed on the status of the scheme.

During the detailed design phase, particularly the proposed siting of the pressure system within their property, property owner's formal permission will be sought in accordance with Section 181 of the Local Government Act.

7. HE WHAIWHAKAARO CONSIDERATIONS

7.1 Mahere Pūtea Financial/budget considerations

The Council's Financial Strategy (LTP 2021/2031) made provisions for the project and its repayment capital funding plan based on the initial concept estimate (2018) of gross \$22.5M. Subsequent detailed design and market conditions changes since 2018 have highlighted that the actual final gross cost will be higher than the initial concept estimate.

Council officers have transparently communicated these cost trends changes both to Council and the local community and have committed to continue to work towards maximum cost compression to reduce the net capital cost of the scheme. While, with current market conditions, it is highly unlikely that the final gross cost of the scheme will be as estimated in 2018, the effort is directed towards minimising the variance to the lowest possible level.

It is important to note that retaining the status quo of the sewerage management in the Tarawera community is not a viable option because of the BoPRC's regulations. The only options are either the reticulation scheme or for each property owner to comply with the BoPRC's OSET Rule. One of the main drivers for a reticulation scheme is the fact (assessed by the BoPRC) that some 40% of the local properties cannot physically comply with the BoPRC's OSET regulations.

The agreement sought will provide for a plan to enable the procurement of the construction contracts for the Tarawera Sewerage Scheme, with the objective of securing actual works contracts that better approximate the LTP 2021/2031 budget allocations and to reduce to the extent possible, the burden on the general ratepayer and/or the Tarawera property owners.

The procurement of the Stage 1 Contract for the Tarawera Sewerage Scheme resulted in a better contract cost alignment to the 2018 budget. The Stage 2 procurement strategy will be managed in a manner that meets to the objective to achieve the best possible outcome in today's market conditions.

7.2 Kaupapa Here me ngā Hiraunga Whakariterite Policy and planning implications

There are no planning or policy implications.

7.3 Tūraru Risks

There are a number of risks to inform Council's consideration.

If the reticulation scheme for Lake Tarawera does not proceed, none of the water quality, community health or cultural impacts mitigation will be achieved.

The only alternative to sewerage reticulation is the enforcement of the Bay of Plenty Regional Council's OSET rule. The status quo, with septic tanks continue operation, will be illegal. The effect will be that some 170 properties will not be able to physically achieve compliance with the OSET rule with significant economic impacts on those property owners.

An effective community communication plan will be required to continue to inform all affected property owners on the progress of the scheme and to secure, as far as possible, a consensus that Council has applied best endeavours to reduce the cost burden on the community.

7. He whakataunga kia hoki atu te aronga o te hui hai hui tūmatawhānui - Resolution to move into public excluded (to consider and adopt confidential items)

The general subject of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each 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 are as follows:

| General subject of each matter to be considered | Reason for passing this resolution in relation to each matter | Ground(s) under Section 48(1) for passing of this resolution |
|-----------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------|
| CONFIDENTIAL MINUTES OF PREVIOUS MEETING HELD 22 MARCH 2023 | Please refer to the relevant clause/s in the open meeting minutes. | Good reason for withholding exists under Section 48(1)(a). |
| ADMISSION FEE INCREASES - WAIKITE VALLEY THERMAL POOLS COMPLEX. | Protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information. | Section 48(1)(a) Section 7(2)(b)(ii) |

This resolution is made in reliance on Section 48(1) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by Sections 6 or 7 of the Act or Sections 6, 7 or 9 of the Official Information Act 1982, as the case may require, which would be prejudiced by the holding of the whole or the relevant part of the proceedings of the meeting in public are as shown above (in brackets) with respect to each item.