



SUPPLEMENTARY AGENDA

Ordinary meeting of the

Nelson City Council

**Tuesday 20 March 2018
Commencing at 9.00am
Council Chamber
Civic House
110 Trafalgar Street, Nelson**

Membership: Her Worship the Mayor Rachel Reese (Chairperson), Councillors Luke Acland, Ian Barker, Mel Courtney, Bill Dahlberg, Kate Fulton, Matt Lawrey, Paul Matheson, Brian McGurk, Gaile Noonan, Mike Rutledge, Tim Skinner and Stuart Walker

15. Greenmeadows Centre Budget and Programme Update 4 - 11

Document number R9140

Recommendation

That the Council

Receives the report Greenmeadows Centre Budget and Programme Update (R9140); and

Approves unbudgeted capital budget of \$590,000 to enable the successful completion of the Greenmeadows Centre project, and

Notes the expected completion date has been revised to the end of June 2018.

PUBLIC EXCLUDED BUSINESS

2. Exclusion of the Public

Recommendation

That the Council

Excludes the public from the following parts of the proceedings of this meeting.

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:

Item	General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Particular interests protected (where applicable)
6	Greenmeadows Centre Budget and Programme Update	<p>Section 48(1)(a)</p> <p>The public conduct of this matter would be likely to result in disclosure of information for which good reason exists under section 7</p>	<p>The withholding of the information is necessary:</p> <ul style="list-style-type: none"> • Section 7(2)(b)(ii) To 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 7(2)(i) To enable the local authority to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)

Greenmeadows Centre Budget and Programme Update

1. Purpose of Report

- 1.1 To update Council on the Greenmeadows Centre (Centre) construction progress and to request additional funding to enable the project to be successfully completed.

2. Recommendation

That the Council

Receives the report Greenmeadows Centre Budget and Programme Update (R9140); and

Approves unbudgeted capital budget of \$590,000 to enable the successful completion of the Greenmeadows Centre project, and

Notes the expected completion date has been revised to the end of June 2018.

3. Background

- 3.1 In July 2015 the Community Services Committee approved the concept plans for the Centre. Detailed design was completed in May 2016 with tenders closing in June 2016.
- 3.2 On the 18 August 2016 the Community Services Committee considered the tender prices and agreed to recommend to Council approval of an additional \$350,000 to allow the contract to be awarded and not to reduce the scope of the project. The additional budget allowed for heating and cooling, dividing doors and the proposed café.
- 3.3 Following presentation of additional information to Council on the 8 September 2016, Council approved the additional \$350,000. Council also confirmed the appointment of Watts and Hughes (construction) on 10 November 2016.

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- 3.4 In June 2016 Council approved user agreements for Stoke Rugby Football Club and Stoke Seniors and in June 2017 Council approved a lease for a café in the Centre.
- 3.5 Officers in August 2017 received notification of two issues, as detailed below, that had the potential to delay works on site if not addressed with urgency.
- Stoke Rugby advised that the kitchen did not meet their requirements and that they wanted to relook at their lease terms; and
 - An opportunity arose to provide emergency power to the Centre that would allow it to be used as a welfare centre in cases of emergencies.
- 3.6 Those two issues were dealt with as two separate reports to the Community Services Committee on 31 August 2017. The Community Services Committee resolved to alter the terms of the lease with Stoke Rugby (and also approved a lease for Nelson Cricket Association and amended the lease for Stoke Seniors at the same time) and also to recommend to Council additional funding for the kitchen alterations and emergency power.
- 3.7 Council resolved on 21 September 2017 as follows:
- Approves retrospectively additional unbudgeted expenditure of \$39,000 to the Greenmeadows Centre project to accommodate physical changes to the connections for emergency electrical generator.*
- Approves retrospectively additional unbudgeted expenditure of \$75,000 to the Greenmeadows Centre project to accommodate physical changes to the kitchen (noting the \$50,000 contribution from the Stoke Rugby Club to fit-out the kitchen).*
- Notes that this will extend the completion date of the Greenmeadows Centre to February 2018.*
- 3.8 Officers also provided an update on construction progress to the Community Services Committee at the August 2017 meeting. At that time, the construction work had experienced delays due to late delivery of structural steelwork to site and a shortage of experienced construction staff.
- 3.9 Updates were provided to Councillors via the Audit Risk and Finance Subcommittee through the Major Projects Summary (attached to the Corporate Update report). Those updates are summarised over the page:

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ARF Meeting	Comments
Nov 2016	Multi-year project. On track.
May 2017	Noting carry over to 2017/18 likely
June 2017	Noting approval to be sought to carry over funding to 2017/18
Nov 2017	Noting completion date moved out from Feb 2018 to March 2018

- 3.10 An update on the background and issues relating to the Greenmeadows project was presented to Council in January 2018, as part of the Long Term Plan workshops. Councillors requested that the delays and additional costs be reported to the next Community Services Committee.
- 3.11 Since January the focus has been to ensure the rugby changing rooms are given priority and opened as soon as possible and all remaining works (including landscaping) are completed to a high standard prior to a formal opening.
- 3.12 On 1 March 2018 the Community Services Committee resolved to refer delegation of this matter to the 20 March 2018 Council meeting.
- 3.13 All leases have been signed.

4. Discussion

Issues

- 4.1 Start date - the original start date of August 2016 was delayed following the need to address items relating to the award of tender. Work on site commenced in November 2016.
- 4.2 Asbestos – More asbestos was found than envisaged when the existing tennis club house building was demolished. This added around \$90,000 to the project.
- 4.3 A separate Public Excluded report has been provided to Council to bring to the attention of Councillors issues that have affected the project that should not be discussed in public for the reasons formally outlined elsewhere in this agenda.

Programme

- 4.4 The Greenmeadows Centre was signalled to be constructed in the 2015-25 Long-term Plan over two financial years (2015/16 and 2016/17). It was referred to in that LTP document as the Stoke Community Centre.
- 4.5 The 2016/17 Annual Plan makes no reference to any change in programming to this project. The 2017/18 Annual Plan makes mention

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that funding will need to be carried over to 2017/18 to complete the physical works and that the anticipated construction completion date is November 2017.

- 4.6 Revisions to the originally agreed programmed completion date are summarised below:

Completion date	Reported via	Reason for revision
No specific date - completion in 2016/17	2015-25 LTP	
November 2017	2017/18 Annual Plan	
November 2017	Reported to Council 10 Nov 2016	Completion date agreed at the time of tender award.
December 2017	Reported to Community Services Committee 31 Aug 2017 (report R8223)	Delays in the supply of structural steel. The contractor also noted at the time that they were struggling to source adequate construction resources.
February 2018	Reported and noted in resolution to Community Services Committee 31 Aug 2017 (report R8223)	To accommodate changes to the kitchen and provision of an emergency generator. Also compounded by the Christmas holiday period.

Budget

- 4.7 Revisions to the originally approved tendered construction budget are listed over the page:

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Budget	Reason for Revision
\$6,140,000	Original budget
\$ 350,000	Additional funding approved by Council in August 2016 to enable award to Watts and Hughes.
\$ 114,000	Additional funding approved by Council for kitchen and generator in August 2017.
<i>\$6,604,000</i>	Sub-total
\$ 590,000	Additional funding for variations. Includes assessment of risk to complete the project.
\$7,194,000	Expected cost to complete the project.

4.8 The additional funding for variations of \$590,000 comprises:

Budget	Reason
\$ 50,000	Increased professional fees
\$ 30,000	Power supply, easement and power connections
\$ 265,000	Variations beyond budget (not yet approved)
\$ 140,000	Time extension costs claimed by the contractor (not yet approved)
\$ 105,000	Contingency
\$ 590,000	Total additional funding

4.9 Officers seek approval to extend the existing budget to enable the successful completion of the project.

Lessons learnt

4.10 A number of key lessons have been learnt from this project, including:

- Allowing greater and more realistic contingencies on all capital projects, especially complex building related projects which Council staff do not complete often enough to maintain expertise.

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- The need to undertake more comprehensive asbestos testing at time of scoping to clearly ascertain the extent of asbestos, and associated demolition and disposal costs.
- The need to have all leases signed before work commences.
- Ensuring elected members are kept informed in a timely manner when issues arise on key projects.
- The need to better understand the entire scope of complex projects before procurement and to put in place the right delivery team for the complexity of the project.

4.11 It has also been recognised that acknowledging local contractors (as many other local authorities do) in all future tenders is appropriate. This has been included already with the non-priced attributes having a 5% recognition (excluding NZTA subsidised projects).

5. Options

5.1 Council could either approve additional funding or not approve additional funding.

Option 1: Approve an additional \$590,000 to enable the completion of this project.	
Advantages	<ul style="list-style-type: none">• Will enable successful completion of the project.
Risks and Disadvantages	<ul style="list-style-type: none">• Unbudgeted expenditure.• Additional interest and depreciation costs borne by Council (\$41,000/annum)
Option 2: Do not approve an additional \$590,000 to complete this project.	
Advantages	<ul style="list-style-type: none">• No additional expenditure
Risks and Disadvantages	<ul style="list-style-type: none">• Reputational damage.• An incomplete project.• Greater costs to complete later.

6. Conclusion

6.1 Construction of the Centre is well advanced, however challenges have been experienced throughout the project.

6.2 A number of these issues are presenting risks to the completion of the project and are affecting progress and budget.

6.3 Council officers are continuing to work closely with the contractor to coordinate timely solutions and ensure the project progresses.

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- 6.4 Additional funding of \$590,000 is requested to enable the project to be completed.

Shane Davies
Manager Capital Projects

Attachments

Nil

Important considerations for decision making
1. Fit with Purpose of Local Government <p>The new facility is significant for both Nelson and Stoke and has a high profile in the local community. It will add to the well-being and vibrancy of the Stoke community. The decision required by this report involves Council balancing affordability with the need for good quality local infrastructure.</p>
2. Consistency with Community Outcomes and Council Policy <p>The recommendation in this report supports the following Community outcome - 'Our communities have access to a range of social, educational and recreational facilities and activities'. The new facility is included in the current Property and Facilities Asset Management Plan, the 2014/15 Annual Plan and the 2015-25 LTP.</p>
3. Risk <p>The risk to Council is one of reputational risk. No additional funding to complete a project that is far advanced would not be a good outcome.</p>
4. Financial impact <p>Additional funding is required to successfully complete the project. An appropriate contingency for future risk items to see the project completed has been included.</p>
5. Degree of significance and level of engagement <p>The increase of overall budget is of low to moderate significance to all residents, but will be of higher significance to the residents of Stoke. The phasing of the contract and need to complete the work do not allow for additional engagement with the Community.</p>
6. Inclusion of Māori in the decision making process <p>Maori have not been specifically been consulted on this report.</p>
7. Delegations <p>The Community Services Committee has delegated the decision making authority to Council in this instance.</p>