

Freshwater Improvement Fund

Quarterly Report

Financial Year 24/25

01/01/2024 - 31/03/2024

Organisation: Rotorua Lakes Council

Project name: Lake Tarawera Sewage Reticulation and Treatment

Deed number: 25760

Project ID: FIF1021

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Official Information Act 1982

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The Ministry may collect, use, hold or disclose personal information for the purpose of evaluating project funding. Individuals have the right in accordance with the Privacy Act 2020 to request access to and correction of their personal information.

Introduction

This report provides the Ministry for the Environment with information about how the delivery phase of your project is going.

Your report should be submitted within four weeks of the end of the last quarter of the financial year (ie, within four weeks of 30 June), unless otherwise agreed with your fund analyst.

The document is suitable for sharing with governance groups for approval purposes, and auditors for auditing purposes.

Please note, this information in this report has been exported from information provided in the Enquire reporting portal. However, it does not include any other uploaded documents such as deliverables/evidence of activity competition or the Summary of Expenses (for those who require one). This should be provided separately to aid in the assessment of the full report. It also currently doesn't include the Work Plan section which provides a breakdown of the projects progress, budget, and expenditure per activity. This can be downloaded in Enquire separately in an excel format.

Once the Ministry for the Environment is satisfied that your report meets the deed funding requirements, your assigned analyst will arrange payment (if applicable) with the Ministry's finance department.

Key Project Indicators

	Red	Amber	Green
Timeline	Project is behind schedule and likely to be delivered late. Project will require re-baselining.	Project is behind schedule but has realistic plans to recover.	No slippage against timelines.
Budget	>10% increase in costs against budget or >10% underspends.	<10% increase in costs against budget or <10% underspends.	Project costs are on budget.
Objectives	If issue(s) are not resolved more than one project objective will not be fully achieved by project end.	Experiencing some issues that could result in not all objectives being achieved – but plans are in place to mitigate.	>100% project objectives will be delivered.
Results – Outcomes	If issue(s) are not resolved most of the stated results/outcomes will not be delivered.	If issue(s) are not resolved some of the stated results/outcomes will not be delivered.	All results/outcomes are on track to be delivered during or post project.
Capability and Capacity	There are significant skill shortages, or lack of resources that are impacting project significantly on project's ability to deliver.	There are significant skill shortages, or lack of resources that are impacting project significantly on project's ability to deliver.	The project is full resourced, and there are no major skill gaps on any of the workstreams.
Risks and Mitigations	Major risks have been identified that are likely to cause severe impacts to project delivery if not adequately addressed. Mitigations are not achievable or currently implemented.	Identified risks and most mitigations have been actions. Risks have the potential to overwhelm the project if not adequately addressed.	Identified risks and mitigations have been actions. Risks are considered low severity to project delivery and low likelihood of occurrence.

	RAG Status	Context	Rectification
Timeline	Amber	Final probity review of scheme design revealed the potential for possible sub-optimum operating performance and the possibility for septicity and noxious odour production within the system. This was addressed by some re-working of aspects of the design, thereby introducing a slight delay to commencement of actual construction. Such a delay is acknowledged as a risk to MfE funding. However appropriate design provision focus must be given to ensuring the scheme is able to convey all expected flows without causing public nuisance from smells and (potential) gas releases and in general perform as required.	<p>The constructor has been brought into the design optimisation process to ensure that detailed design information for the procurement of long lead time items meet the planned construction schedule. Weekly reviews of progress are underway with all involved parties. The constructor has verified that the proposed construction programme can be delivered as per schedule if design delivery dates remain unchanged. Subsequent discussion with MfE have provided an extension to funding availability, although efforts are to be made to minimise use of the extension. October 2023 update: Construction is progressing in accordance with the agreed programme and presents no risk to the extended MfE funding deadline. January 2024 update: Construction work is progressing well and cash flow forecasts show that there remains little to no risk of the work overrunning the MfE funding deadline. The RAG status has been changed from Amber to Green accordingly.</p> <p>April 2024: The start of excavations for the three pump stations was delayed due to final design refinement (identified by a constructability review). Despite that, good progress is being made in the Cliff Road pump station and work on the Stoney Point station is due to start shortly. This means that practical completion will occur after the end of June 2024, but there is no risk of the work being unable to utilise the balance of MfE deed funding.</p>
Budget	Green	<p>April 2024: Some minor variations have been received, the majority due to increases in quantities of trunk main isolation valves, and requirements for de-watering of minor excavations for Boundary Kit installs.</p> <p>There are minor in nature so the KPI remains at Green.</p>	<p>Continued monitoring. Variation expected in next period to cover increase in number of valves required for street main installation. October 2023: Sub-surface zones of rock have been encountered along the trunk main route which were not identified during pre-construction investigations. Delays have been encountered whilst more specialist horizontal drilling equipment has been brought in. Drilling through rock has also been challenging. Our contractor has not flagged any concerns regarding their ability to complete prior to the MfE funding deadline.</p> <p>January 2024 update: Several variations have been raised by the construction contractor relating to increases in valve numbers, de-watering requirements and rock drilling. These are able to be covered</p>

			through project contingency provisions and will not affect the MfE funding deadline.
Objectives	Green	All objectives remain valid and achievable	Continued monitoring. April 2024: No change. Objectives will be realised once the scheme is commissioned and operational.
Results - Outcomes	Green	Re-working of aspects of the design will result in an improved sewerage solution for the Tarawera area. This in turn is expected to better support the delivery of the targeted outcomes.	Continued monitoring April 2024: No change to this KPI
Capability and Capacity	Amber	The technical capability of the detailed scheme design service provider has been a challenge throughout the finalisation of the design phase of the scheme. This is highlighted by the need to provide in house quality assurance reviews that necessitated some re-working of aspects of the design.	A peer review process undertaken by in house staff and an independent consultant has helped to identify areas where the design presents operational and performance risks and led to design improvements. April 2024: Construction is progressing as quickly as possible with different contractor teams progressing several work fronts. There are no capacity or capability issues to report.
Risks and Mitigations	Green	Risks relating to resident objections to the scheme are most likely to surface at Stage 2 construction which is separate from this construction stage (which installs the street mains and transfer systems). If such issues materialise, they are considered to be relatively low in number and would be addressed through standard Council processes. At a broad level, engagement with the community has highlighted a 95% support for the reticulation scheme with concerns revolving around the net capital costs to individual property owners. Council has both the ability to moderate final net capital costs and to apply the Local Government Act provisions to compel any property owner to join the scheme within the benefit zone..	Mitigations for current risks are in accordance with entries in the Risk Management section of this report. April 2024: No change to risk profile. Continued community engagement is in place. Current LTP consultation process presents the community with options to provide further RLC funding assistance to the project.

Overall Project Rating	Amber	Selection of Amber status acknowledges the partial design re-work requirement issues discussed in the Timeline and Capability sections.	<p>This is being managed through close cooperation between Council, the scheme designer and constructor. Focus is on ensuring the construction delivery programme is not delayed by ensuring that key design information that is critical to each stage of construction is delivered on time to maintain adherence to the target critical path.</p> <p>January 2024 update: The Timeline KPI has been changed to Green status and the requirement for in-house peer-review has passed. For this reason the overall project RAG status has been changed to Green.</p> <p>April 2024: RAG status returned to Amber to reflect the status of the Timeline entry above.</p>
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Progress Details

Progress to date	
Date Reported	Progress Statement
No details	

Planned Activities	
Period Planned	Commentary
No details	

Results - Indicators

Metric	Total project target	Total project results (excluding this quarter)	This quarter's forecasted result per Annual Work Plan	This quarter's result	Comments
No details					

Methodology for Nature based employment

We would prefer you to use actual counts for nature based employment. If you are unable to provide actual figures, please explain below your methodology for calculating nature based employment

Quarterly Payment Request

Financial year	Your actual cash contribution	Other co-funder actual contribution	MfE actual contribution	Total actual cost this quarter
No details No details				
Totals	0.00	0.00	0.00	0.00

Risk Register

Risk	Category	Impact	Impact Details	Likelihood / Severity	Mitigation	Residual Risk	Status	Justification
Some landowner potential objections to the requirement to connect to the constructed scheme	Progress, Scope	Low	Local connection delays with some additional costs to resolve via hearing process and in accordance with Local Government Act	Low / Medium	Only 3 properties have indicated sustained objection to an installation of a system. This will be managed via our powers under the LGA 2002. Behaviour will also be influenced as BOPRC seeks to enforce its OSET rule which means not connecting will become illegal. Physical obstruction to works progress will be dealt with through existing safety protocols and (if required) law enforcement		Monitoring	Risks from the LGA process are expected to mostly affect Stage 2 construction (non-MfE funded activity). However the situation is being monitored as access objections to installation of boundary kits at property boundaries may arise (although are low probability)
Poor contractor performance	Progress, Financial, Scope, Quality, Benefit, Other	Low	Time and costs effects as well as community negativity.	Low / Medium	Expect to engage only competent contractors and include scrutiny on non-price attributes. Sufficient project progress payment retention to incentivise performance.		Monitoring	Stage 1 (Reticulation) and Stage 2 (on-property installations) have been awarded to suitably qualified and experienced contractors. For Stage 1 direct appointment was made to Fulton Hogan who have installed the majority of earlier schemes. A contract for Stage 2 was recently executed with DDL who were assessed by an REOI followed by invited tender, both of which concentrated significantly on non-priced attributes. It is also known that DDL are a sub-contractor to Fulton Hogan for LPGP system installs within the area. This Risk has been set to 'Monitoring' status to reflect the fact that DDL's physical works have not yet started and performance monitoring is still to begin.
Cost escalation of scheme equipment procured from overseas because of supply chain issues and inflation	Progress, Financial, Quality, Benefit	Medium	Additional delivery time and time and costs effects on the project.	High / Medium	The use of fixed rates/ price contract to avoid mid project escalations risks.		Monitoring	This is a Measure and Value contract with agreed rates for all reticulation works, hence some cost fluctuation may be experienced from changes in the quantities of work required. Indicative lump sum pricing was provided for the Pump Stations and a few changes to construction methodology and materials selection

								have been made. RLC's budgeted contingency is expected to cover each of these risks.
Risk of works disruption when encountering unexpected natural springs	Progress, Financial	Medium	De-watering equipment to be brought in to allow installation of buried valves and similar buried equipment - time and cost impact. Valve locations may need to be changed to avoid springs, incurring time and cost impacts and in some cases small design changes to allow relocation of assets to avoid the issue.	High / Medium	Hard to mitigate proactively. Several springs have been encountered that can not be easily detected from surface inspection. Geotechnical testing and pot-holing can help to identify these sites early but are costly and time consuming with the cost-benefit unlikely to be realised.		Monitoring	This risk is covered using agreed Measure and Value rates as required. Pre-works investigations are only able to provide an indication of what may be below ground.
Loss of confidence and support for the project from the affected community	Progress, Financial, Benefit	Medium	The Project's progress could be hindered through community non-collaboration.	Low / Low	Extensive community engagement has taken place and on-going timely and responsive culture in the project team as well as effective project communication will be undertaken to keep the community informed and relevant.		Monitoring	Regular communications are undertaken with ratepayer groups, Mana whenua and individuals who contact Council for information. Formal information is provided by letter (several examples supplied with this report submission)
Discovery of archaeological sites during construction	Progress	Medium	Additional time and costs to affect possible design changes	Low / Low	Through the effective involvement of mana whenua and undertaking of preliminary archaeological investigation prior to construction. All statutory and non-statutory permission and consents will be identified in Year 0 and approved in Year 1 prior to any construction taking place. Involve Iwi with on-going construction monitoring.		Action	Cultural inductions have taken place for Workers with clear instructions on what to look for and how to proceed if a suspect artefact is discovered. The programme has a dedicated architect engaged. Adherence to agreed protocols will not prevent accidental discovery, but will allow investigation processes to be as expedient as possible.
Various health and safety related risks during construction	Progress	Medium	Personal injury, illness or death as a result of operations. Statutory investigations and possible time delays.	Low / High	A detailed Health and Safety Plan is being developed for the project and will be provided by the successful contractor. This will outline the various roles and responsibilities in relation to the project, including contractors employed through the construction phase. Require robust contractor health and safety plans and methodologies and provide good construction supervision.		Monitoring	Health and Safety plan has been supplied by the constructor. This covers the most significant risks and provided a robust basis for health and safety management. Performance in this area will be a key consideration of the Principal.

Project not completed within the target timeframe	Progress, Quality, Benefit	Medium	Would require negotiation with funders to adjust cash-flows, and would create some difficulties for regulatory and practical transition from septic tanks to reticulation; Would cause some delay in desired environmental improvement. Would cause unfavourable community reaction.	Medium / Medium	Effective monitoring and reporting of project progress and sharing of this information with funders, regulators and community stakeholders to ensure there is plenty of advance notice of any transitional difficulties that might arise.		Monitoring	Delay to construction start required to ensure that the constructed scheme is the correct, optimum solution. Construction schedule has been aligned with the design programme to ensure long lead time elements and those likely to hold up construction are correctly prioritised in design. Spend forecast has altered to match these changes.
Poor ground condition for reticulation construction	Progress, Financial, Quality	Medium	Unforeseen adverse ground conditions has a high contractor risk threshold but it could cause some time delays and contested costs	Medium / Medium	Clear contractual risk clarity so contractor has to undertake geotechnical investigation on the full extent of reticulation to inform the price offer from the consultant/contractor		Monitoring	Geotechnical testing has been completed. Some areas of rock (potentially affecting directional drilling) have been found and 'extra over' allowances within the scheduled works pricing have been built into the construction contract.

Health and Safety activities completed

Reporting Period	Details of health and safety activities completed
31 March 2023	Receipt of and approval of construction contractor's Safety Plan. Has been received.
31 March 2023	HAZOP and SiD (Safety in Design) workshops completed for sewer system pump stations (requiring access of personnel during future operations)
Q2 23/24	Standard procedure is to leave valve handles in place during pressure testing. However a delay occurred to one test that required it to remain in place and pressurised for several days. Construction contractor has used this opportunity to review the risk of valve tampering during pressure testing and has made it policy to remove valve handles over any test period.
To End Q1 23/24	Near Miss - Hydroexcavation encountered numerous unrecorded Unison and Chorus cables. Pre-excavation process will continue to be used as planned. Drill alignment changed to avoid the area.
To End Q1 23/24	Incident: Member of public ignored traffic control and hit side of parked truck causing minor damage to truck. Issue addressed with those involved.
To end Q1 23/24	Safety Improvement: Radar enabled vehicle speed feedback signs introduced and trialed for traffic management improvement by construction contractor
To end Q3 23/24	Ball valve added to jetting system to allow safe de-pressurisation before hose disconnection. Mud truck changed out for smaller unit to better suit the narrowness and steepness of the road and allow safer operation. Additional Stop/Go installed to address risks from limited driver sight distance at a key junction.
To end Q3 23/24	The entire Fulton Hogan organisation was issued a 'Stop Work' by their CEO following a series of significant incidents within the organisation. All staff were required to attend a group-wide safety meeting to re-align focus on H&S and develop a more focused culture.

Health and Safety incidents

Date of incident	Description	Location	Action taken and outcome	Reported to regulatory authority?	Follow up action taken
No details					

RMA Notices

Date	Issuer	Reason	Type of Notice
No details			

Capital Assets

Description	Capital cost	Portion paid for by MfE %	ID Number (if applicable)	Estimated purchase date	Restriction period end date
No details					