

# SOUTH WAIRARAPA DISTRICT COUNCIL

12 DECEMBER 2018

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## AGENDA ITEM D5

### MARTINBOROUGH TOWN HALL STRENGTHENING AND REFURBISHMENT / WAIHINGA CENTRE

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#### **Purpose of Report**

To report to Council on the Martinborough Town Hall strengthening and refurbishment project, and construction of the Waihinga Centre.

#### **Recommendations**

Officers recommend that the Council:

1. *Receive the Chief Executive Officer Report.*
2. *Notes the forecast financial surplus against budget.*
3. *Notes the robustness of the project management and governance.*
4. *Acknowledge donors.*
5. *Acknowledge construction committee members.*
6. *Acknowledge those who gave their time.*

#### **1 Executive Summary**

Resolution DC 2016/15 approved the refurbishment and strengthening of the Martinborough Town Hall, and approved the construction of phase 1 of the new build of the Waihinga Centre.

The total amount approved for the project was \$5,100,000.

When final tender prices were received, the amount tendered amounted to \$5,132,000, triggering a reconsideration of the project in accord with the project milestone review points.

This reconsideration was undertaken at the Council meeting of 18 January 2017. This meeting resolved to approve funding at \$5,132,000 plus an additional contingency of \$200,000.

With this approval, Council charged officers with the very ambitious task of refurbishing the Martinborough Town Hall, and constructing the community centre, during one of the biggest building booms in recent times.

The project is forecast to return an excess of revenue over expenditure of \$116,000.

Final revenue and expenditure figures will not be known until the New Year.

A transfer from the District Property Reserve of \$533,000 was included as part of the funding stream, and in effect is the "balancing figure". Any excess of revenue over expenditure should be applied to this reserve, thus reducing the transfer.

This report needs to be read in conjunction with the reports presented to the 24 February 2016 Council meeting, and 18 January 2017 Council meeting.

## **2 Discussion**

### **2.1 How did we achieve this great outcome?**

This project is a true community partnership, and signifies what can be achieved with a cohesive and collegial approach. Collegiality is critical to the success of any project of this nature, multi-use and multi-tenanted facilities require a compromise approach.

In 2006 Council adopted a policy for earthquake prone buildings which required earthquake prone heritage buildings to have their performance improved. In 2008, following a public meeting, the Martinborough Town Hall Working Group (a sub-committee of the Martinborough Community Board), was set up to address the issues of strengthening and refurbishing the building. This small but active community group set about fundraising and making improvements to the building. In 2010 a seismic assessment found that all three parts of the Hall were well below the requirements of the Building Act and should be considered earthquake prone.

The Working Group ultimately retained Steve Bramley of SGL Group to advise a way forward.

The fundamental piece of advice given by Steve Bramley was that external grant funders were focussing on significantly increased patronage of any site, and the Town Hall alone would not achieve this. To achieve the additional grant funding a multi-use facility would be required.

The feasibility study, presented October 2013, forecast visitation to increase from 5,085 for the Town Hall alone, to 84,227 for the combined Town Hall, Library, iSite, Plunket and Toy Library.

The true community partnership concept is reflected in how this project came to fruition and opening.

In reviewing this project, it is hard to see how the project could have proceeded without all involved participating in the manner they have, if any one of the key contributors was not able to contribute at the level they have, the project would have been at risk.

So, the key factors to the success of this project are:

### ***2.1.1 Community donations***

Community involvement in this project is outstanding, with \$1.4M raised from many individual donors.

All donors are important to this project, and as will be discussed further in this report, the Construction Committee were grappling with expenditure items down to a few hundred dollars, approving some, rejecting others, in order to keep within budget.

The formation of the Waihinga Charitable Trust assisted greatly in bringing the community and donors together.

### ***2.1.2 Community groups***

The willingness of community groups to embrace this project and relocate into the centre has certainly assisted in achieving our usage goals.

### ***2.1.3 Asset realisation and transfer***

This aspect was a bit of a precursor to a current metric we discuss, and that is ensuring asset utilisation is maximised.

Asset utilisation is measured not in revenue, but in how many residents and visitors use an asset.

For example, a key contributor to the funding was the old county yard in Kitchener Street. We realised \$599,000 from an asset that had very little usage and used these funds to support the construction of what will be a very well used asset.

### ***2.1.4 Grants***

The nature of the project, as described above whereby visitation will significantly increase, resulted in significant grant funding being received.

Funders will be acknowledged later in this report.

### ***2.1.5 This Council***

While this is a report to South Wairarapa District Council, I would like to acknowledge the decision makers who also had the fortitude to make a decision where most of the noise heard was negative.

As a district, we will stand still (which equates to actually regressing) without building and maintaining facilities like this for our communities.

We need to undertake these projects against a background of significantly increased financial pressures.

### ***2.1.6 Donated time***

I struggle to articulate how to acknowledge the huge effort, and personal sacrifice, a few individuals have made to this legacy project.

There is no doubt that as this project has progressed, some individuals have been the brunt of unreasonable criticism.

I only hope that over time, the hurt this has caused wains, and those take huge personal satisfaction of a job really well done.

For communities to progress, individuals such as these are needed who have the fortitude to stand up, carry on and "do the right thing".

## **2.2 How did we manage the project?**

Following approval of the project, two governance and oversight committees were set up.

### **2.2.1 Construction Committee**

The Construction Committee consisted of a very good mix of skills and experience:

Mayor Viv Napier chair, Vicky Reid (Waihinga Trust / users rep), Max Stevens (Waihinga Trust / user rep), Mike Arnopp (Rigg Zschokke Project Manager), David Borman (SWDC Project Manager), and Council officers Paul Crimp (CEO) and Helen McNaught (Property and Facilities Manager).

Nick Allan was also part of the Construction Committee for a period of time.

This Committee met monthly, fortnightly, weekly, and as required during the project.

Matters of a more significant nature were required to be referred to the project sponsor, the full Council of South Wairarapa District Council.

### **2.2.2 Project Sponsor**

The Project Sponsor was South Wairarapa District Council Mayor and Councillors.

Any matters that were not of a minor nature were to be referred to full Council.

This was only required once, and that was the consideration of the additional funding requirement as considered at the Council meeting of 18 January 2017.

### **2.2.3 Reporting to Council**

Regular updates, including financial reporting was provided as part of the main agenda of Council meetings.

### **2.2.4 Audit New Zealand**

As part of Audit New Zealand normal processes, oversight of significant projects is undertaken.

This oversight includes the systems and processes around the governance and management of projects, and that expenditure is recorded appropriately.

Audit New Zealand commented they had reviewed the MTH strengthening and Waihinga systems and processes, and were comfortable the systems and processes were adequate.

It should be noted however, that these systems and processes are the responsibility of Council to ensure they operate robustly.

### **2.3 How did we manage the project?**

A strong project management focus was undertaken with this project. SWDC retained David Borman to manage the SWDC side of the project. Mr Borman donated his time for the first part of the project, up to and including approval at the January 2017 meeting.

Main Contractor, Rigg Zschokke, appointed Mike Arnopp as their project manager.

Together, these two gentlemen ensured the project progressed as well as it could have.

Beyond this, each of the subcontractors have to provide producer statements, known as "PS4's".

A PS4 is a statement from the supplier confirming that the aspect of the project is built to specification. For example, Holmes Consulting have provided a PS4 certifying the structural steel has been built and placed to specification.

### **2.4 How did we ensure the project contractual arrangements were robust?**

Prior to this contract being signed, the contract was reviewed by our legal providers, Gawiths.

The nature of the contract was an industry standard contract commonly used.

No material matters were raised, and those matters that required resolution were adequately addressed.

### **2.5 What were the planned timings for the project?**

The project was approved on 18 January 2017.

Site works commenced February 2017.

Building consent issued May 2017, the estimated construction period was one year, subject to construction risks.

Estimated completion May 2018.

Some of the construction risks were manifested, with delays due to supply of reinforcing steel (Transmission Gully project used all available); weather; completion of steel work; completion of working drawings.

Project opening 10 December 2018.

## **2.6 What was the market environment before and during the contract?**

This project was undertaken during the biggest building boom in recent memory.

Prices escalated over 8% during the time of construction, however our suppliers and contractors held their pricing as contracted.

Projects like Transmission Gully certainly impacted materials supply.

During the construction period, it was noted a number of large construction companies went into liquidation, mainly due to the pressures created in a "boom" market.

A google search of construction companies going into liquidation during the 2017 and 2018 period makes sobering reading.

The fact our total project is forecast to come in on budget is a real credit to all involved.

## **2.7 How did the financials turn out?**

The financial management of the project were split into two aspects for management purposes; however the overall financials are dealt with on a "bottom line basis".

The split into two aspects was to ensure each aspect was focused on in isolation, combining revenue and expenditure could lead to making decisions to offset some expenditure against projected revenues.

This approach has proven very effective, decisions on expenditure matters at the construction committee, particularly in relation to the contingency amount, were vigorously debated. The focus by all parties on keeping to the financial parameters was very strong.

This approach has also helped me reach my conclusion that we have not spent one cent more than we needed to, or should have, to achieve this excellent facility.

We forecast an excess of revenue over expenditure of \$116,000.

### **2.7.1 Financials – Expenditure**

There are two expenditure streams associated with this project.

Firstly, expenditure against the approved project amount (\$5,332,010).

Secondly, expenditure amounts that have been incurred, that would not have been incurred were it not for the project. These have been funded from operational budgets.

Attached as Appendix 1 are the project financial statements against the approved project under resolution DC2017/01(\$5.332M), as at 30 November 2018.

Attached as Appendix 2 is a summary of costs that have been incurred that are not part of the contractual amounts, i.e. were outside the project scope; these costs would not have been incurred were it not for the project.

As indicated in paragraph 2.2.4, Audit New Zealand was comfortable our systems and processes were adequate to ensure expenditure was recorded appropriately.

As at 30 November 2018, we forecast project expenditure of \$5,325,346 against the approved expenditure amount of \$5,332,010.

Note that there are two materials sponsors we have not been able to confirm, but are confident we will achieve which will reduce the cost by \$21,800.

This cost reduction assumption is included in the forecast expenditure of \$5,325,346. If the sponsorship is not achieved, the expenditure forecast will increase by the amount of sponsorship not received.

#### **2.7.1.1 Other comments on expenditure**

It should be noted staff time has not been recorded against the project.

It should be noted that in the three to four years prior to the project approval, very limited maintenance was carried out on the town hall. In theory part of the refurbishment cost is deferred maintenance.

It should be noted that in preparing the report for the 18 January 2017 meeting, total project costs to date were understated due to a consultant's invoice being received or processed late. This amounted to \$45,158. We have treated this as having to come out of the contingency amount, however this meant the contingency we actually had to manage was \$155,000. The recommended contingency level was \$200,000 to \$250,000.

#### **2.7.2 Financials – Revenue**

The summary of revenue is attached as Appendix 3.

There are still two parcels of land to be sold, these will be attended to in due course when additional staff have been appointed.

It should be noted that revenue from the café was not included in the costings. This is reasonably significant in terms of the cost of the café area construction and initially will be used to offset some of the construction of this area.

### **2.8 Financial Summary – the project will achieve budget neutrality**

In summary, this project has been achieved on budget. There are always some interpretational issues in terms of what is included as base cost and what is not, however taking into account the additional unbudgeted revenue, which will be a source of revenue for the whole project, the project will achieve budget neutrality.

## **2.9 Have we made provision for the ongoing maintenance of the new and refurbished facility?**

Part of the financial costing process was an estimation of required repairs and maintenance funding. Provision has been made in current and future budgets to cover the recommended repairs and maintenance regime.

## **3 Appendices**

Appendix 1 - Project financial statements against the approved project under resolution DC2017/01(\$5.332M), as at 30 November 2018

Appendix 2 - Summary of costs outside of project scope

Appendix 3 - Summary of revenue

Contact Officer: Paul Crimp, Chief Executive Officer

**Appendix 1 – Project  
financial statements against  
the approved project under  
resolution  
DC2017/01(\$5.332M), as at  
30 November 2018**

**SWDC**  
**Waiinga Centre**  
**Project forecast - Actuals to November 2018**

Per Council decision 18.1.2017

\$ 5,132,010

<b>Made up as follows:</b>	<b>Budget</b>	<b>Invoiced to 30.11.2018</b>	<b>Invoices to come</b>	<b>Forecast spend</b>
<b>Rigg Zschokke Construction Contract</b>	4,223,709	3,870,564	353,145	4,223,709
Rigg Zschokke Agreed Variations*		39,571	7,455	47,026
		<u>3,910,135</u>	<u>360,600</u>	<u>4,270,735</u>
<b>Insurance</b>		28,018	-	28,018
<b>Professional fees (design team) to Jan-17</b>	509,459			
Adamsons Survey		6,581		
Engeo Geotech		17,160		
Holmes Consulting - Design & Fire		137,425		
HVAC Design		14,175		
Perception Planning		6,918		
Warren and Mahoney - Design		327,200		
		<u>509,459</u>	<u>-</u>	<u>509,459</u>
<b>Other fees to Jan-17 (including SGL, QS)</b>	268,842			
Rawlinsons (Quantity Surveyers)		38,000		
SGL		230,343		
		<u>268,343</u>	<u>-</u>	<u>268,343</u>
<b>Architect &amp; Engineer construction monitoring</b>	80,000			
Holmes Consulting - Construction Monitoring		47,500		
Warren and Mahoney - Site Monitoring		35,235		
Warren and Mahoney - Variations*		11,578	2,340	
		<u>94,312</u>	<u>2,340</u>	<u>96,652</u>
<b>Development &amp; Design Variations**</b>		112,876	(1,675)	111,201
<b>QS Services to completion</b>	50,000			
Venture Consulting		27,500		
Clendon Burns & Park		13,438		
		<u>40,938</u>	<u>-</u>	<u>40,938</u>
<b>Budgeted Core costs</b>	5,132,010			
Plus Contingency	200,000			
<b>Overall budget</b>	<b>\$ 5,332,010</b>	<b>4,964,082</b>	<b>361,265</b>	<b>\$ 5,325,346</b>

**\*Construction Variations to date:**

	<b>Invoiced to 30.11.2018</b>	<b>Invoices to come</b>	<b>Forecast spend</b>	<b>Town Hall</b>	<b>New Building</b>
<b>Rigg Zschokke</b>					
Removal of asbestos	7,310			7,310	
Insurance obtained directly	(20,000)			(20,000)	
Concrete Foundation to supper room well	6,965			6,965	
Replace piles and joists supper room	7,500			7,500	
Replace ceiling joists supper room	2,000	500		2,500	
Temporary structural support	9,500			9,500	
Concrete under existing foundation	1,000			1,000	
Supper room framing connection to external wall	1,000			1,000	
Extend concrete overlay to areas of demolished chimney	3,500			3,500	
Retain brick wall to supper room	(1,500)			(1,500)	
Remove existing structural steel bracing	5,000			5,000	
Supper room lintel beams	500			500	
Supper room brick wall connections	1,000			1,000	
Toilet to back of house	3,704			3,704	
Delete recessed floors to toilets, tiles to floor	(1,000)				(1,000)
Holmes Consulting issue	6,727			6,727	
Materials supply savings	(5,000)				(5,000)
Foundation beam kitchen	3,885			3,885	
Sawcut slab	1,750			1,750	
Subfloor ventilation	2,995			2,995	
Delete acoustic lining & insulation	(5,800)				(5,800)
Replace soffit linings town hall balcony	5,085			5,085	
Alter data & store cupboard	1,750				1,750
Autex lining entry lobby	1,700			1,700	
Carpark & seal repair		(15,800)		(15,800)	
Pumbing alterations - Café & kitchen		7,490			7,490
Structural steel variations - drawings		34,000			34,000
Door to library service area		1,265			1,265
Library shelf savings		(20,000)			(20,000)
	<u>39,571</u>	<u>7,455</u>	<u>47,026</u>	<u>34,321</u>	<u>12,705</u>
<b>Warren and Mahoney</b>					
Alternative cladding product + Addl Toilet	11,578	2,340	13,918		
<b>Other savings</b>	(6,827)		(6,827)		
<b>Insurance</b>	28,018		28,018		
<b>**Development &amp; Design Variations:</b>					
SGL	5,500				
Engeo Geotech	13,715				
Holmes Consulting - Design & Fire	8,475				
HVAC Design	7,990	3,075			
Rawlinsons (Quantity Surveyers)	5,000				
Warren and Mahoney - Design(SWDC excl from original budget)	45,158				
Holmes Consulting - Construction Monitoring	27,038	1,250			
Savings on paint costs (TBC)		(6,000)			
	<u>112,876</u>	<u>(1,675)</u>	<u>111,201</u>		
<b>Net cost/(savings) from Variations:</b>				<b>\$ 193,336</b>	

# Appendix 2 – Summary of costs out of project scope

## Appendix Two

### Summary of costs outside project scope:

Early Consultation with Community	\$	3,137.65
Padlocks, Container rental, Fencing, Cleaning out town hall	\$	10,959.44
Contractor early engagement	\$	10,237.25
Building consent	\$	30,626.96
Poltech	\$	11,790.58
<b>Total outside project scope:</b>	<b>\$</b>	<b>66,751.88</b>

# **Appendix 3 - Summary of revenue**

## Waihinga Centre Fundraising Summary

<u>Funding per January Council Paper vs Actual</u>	Council Paper Jan-17	Actual Nov-18	Forecast Nov-18	Total
Sale Kitchener Street	622,000	598,784		
Holding Paddock White Rock /Ruakok Corner	110,000	182,609		
Holding Paddock Hinakura	71,000	66,688		
Holding paddock 1316 - still SWDC owned	71,000		71,000	
Holding paddock Awhea Rd - still SWDC owned	13,000		13,000	
Holding paddock 248 Lake Ferry Road	80,000	78,261		
Future library rent	400,000	400,000		
Future cafe rent (estimate)	-		100,000	
Loan funding for EQ strengthening	1,072,000	1,100,000		
District Property Reserve transfer	533,000	533,000		
<b>SWDC funded:</b>	<b>\$ 2,972,000</b>	<b>\$ 2,959,342</b>	<b>\$ 184,000</b>	<b>\$ 3,143,342</b>
Donations to come	464,832		314,832	
Donations Received	900,000	1,050,000		
Donations	35,168	35,168		
Plunket	104,000		140,000	
Trusthouse	150,000	150,000		
ECCT	200,000	200,000		
Lotteries part 1	450,000	450,000		
Lotteries part 2	25,000	25,000		
<b>Other funding:</b>	<b>\$ 2,329,000</b>	<b>\$ 1,910,168</b>	<b>\$ 454,832</b>	<b>\$ 2,365,000</b>
<b>Total funding:</b>	<b>\$ 5,301,000</b>	<b>\$ 4,869,510</b>	<b>\$ 638,832</b>	<b>\$ 5,508,342</b>
<b>Favourable Variance - Fundraising:</b>				<b>\$ 207,342</b>