

## 18.2 Airport Upgrade Project

<b>Council Meeting Date</b>	14 March 2017
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<b>Title</b>	Chief Executive Officer
<b>Attachments</b>	Refer to attachments
<b>File Ref - Records</b>	4.1.5
<b>Hours to compile</b>	20.0
<b>Strategic Plan Ref</b>	Reference to Council's 2014-18 Strategic Plan:
Cost Management	7.1 Advocate for affordable access to Island by both sea and air, for freight and people.
Revenue	14.1 Develop case for Airport redevelopment and expansion of services
Stimulus / Service	30.3 Continue to lobby for better consideration of Island issues within State and Strategic infrastructure plans.
<b>Purpose</b>	To update Council on progress with the airport and the implications on the project due to the crushing contractor placing themselves into voluntary liquidation.
<b>Executive Summary</b>	The Airport Project has encountered some serious delays and subsequent Airside Contract cost inflation due to the material crushing contractor going into voluntary liquidation on 13 February 2017. This report identifies the main issues and seeks direction from Council with regards to underwriting the possible need for additional funds to be committed to deliver the project as currently specified. The report also notes the potential strategies to reduce costs and return the project to budget and the difficulties that some of these may have in implementation. It also discusses the processes undertaken before award of the Contract and highlights an apparent issue with the DPTI pre-qualification process and subsequent maintenance of this prequalification status by Contractors.
<b>Recommendation</b>	<ol style="list-style-type: none"><li>1. That Council approves under the provisions of Section 90 (2) of the <i>Local Government Act 1999</i> an order be made that the public be excluded from attendance at the meeting, in order to consider, in confidence, a matter on the grounds of Section 90 (3) –<ol style="list-style-type: none"><li>(d) <i>commercial information of a confidential nature (not being a trade secret) the disclosure of which—</i><ol style="list-style-type: none"><li>(i) <i>could reasonably be expected to prejudice the commercial position of the person who supplied the information, or to confer a commercial advantage on a third party; and</i></li><li>(ii) <i>would, on balance, be contrary to the public interest;</i></li></ol></li></ol></li></ol>

This matter relates to matters concerning contractual arrangements between Council and Contractors involved in the Kangaroo Island Airport Upgrade Project and, as such, represents matters that are commercial in confidence and should not be divulged in the public realm until the project is complete and no outstanding commercial issues remain unresolved.

2. That Council:

- a) Resolve to underwrite possible project overspend on the Kangaroo Island Airport Project to a maximum of 8% of project total (\$1.5M).
- b) Direct the Chief Executive Officer to examine all available options, including scope reduction, to bring the project in for the original budget of \$18M + 5% and report back to Council as soon as practicable with modelling to demonstrate likely impacts of any project cost overrun and mitigation steps required to offset them.
- c) Write to the Commissioner seeking assistance (and working with the Parliamentary Public Works Committee, Minister Mullighan, his Department and others in Government), in:
  - i. establishing the exact processes used to initiate DPTI-pre qualification for a business such as this in demonstrating financial capability and evidence and;
  - ii. what processes are in place to manage and monitor the pre-qualification status, including any additional processes that are to be undertaken on a contract by contract basis.
- d) If it is established that there are additional processes that should have been undertaken then Council seeks the assistance of the Commissioner in identifying the reasoning behind these processes not being discussed at PCB or with the Project Manager during their meetings with DPTI Contracts Officer subsequent to the PCB meeting held on 17 September 2016. Council should also seek an explanation from DPTI representatives on the PCB as to why they did not seek clarification of the process prior to accepting the recommendation and awarding the work.

3. That Council approves:

- a. That all documentation relating to the above matter be kept confidential, pursuant to Section 91 (7) (b) of the said Act.
- b. Further, that pursuant to Section 91 (9) (a) of the said Act, that part "a" of this resolution shall cease from 30 June 2017.

This matter relates to matters concerning contractual arrangements between Council and Contractors involved in the Kangaroo Island Airport Upgrade Project and, as such, represents matters that are commercial in confidence and should not be divulged in the public realm until the project is complete and no outstanding commercial issues remain unresolved.

## **Discussion**

The airport upgrade project has started to garner significant additional costs due to the entry of the crushing contractor into liquidation and whilst mitigation has commenced a point has been reached where current Airside Costs combined with anticipated Landside costs may push the project into exceeding the \$18M budget.

The material crushing tender was circulated to all DPTI Pre-qualified Crushing Contractors in South Australia in September 2016. It was determined to use the DPTI-prequalified list as this effectively meant that they had gone through DPTI processes and were signed off for use by the State Government. It did disadvantage the two quarries on the island as neither were pre-qualified but as a critical element to the project it made sense to the project team and removed a layer of normal pre-tender capability assessment. During the process DPTI-representatives insisted that DPTI Tender documents and processes were utilized (as opposed to either Council or RCP documents / process) – at the time this didn't seem to be an issue and therefore RCP modified their tender documentation and evaluation processes to use the DPTI templates. It was noted that no financial assessment of the tenderers was included in this documentation but, given they were prequalified by the Department, this was not considered a showstopper.

Two tenders were received (Lucas and NBS) – both of them were over budget which resulted in an extended negotiation and evaluation process. At the end of this the tenders were still over budget and necessitated waiting for the completion of the Airside Tender evaluation process to establish whether this major element of works was likely to come in under budget or not. It did – by a fair margin – which allowed the awarding of the crushing contracts in conjunction with the awarding of the Airside works.

NBS were awarded Package A1 – Crushing works in December as soon as the tender pricing for Package A2 – Airside Works were confirmed with BMD as the awarded contractor. This locked in a total of \$8.789M worth of works and retained a contingency of \$637,858 with a further \$80,000 of potential additional contingency pending confirmation of whether GPS approach costs were a project cost or not.

The combined crushing and airside packages coming in under the anticipated budget also allowed the risk mitigation approach to the sealing of alternate runway 15/33.

The crushing contract had gateway totals of material that had to be available at certain times and they had agreed to deliver these or better. This program was drawn up in consultation with BMD (principal Airside contractor (Package A2)) and the Project Management Team (RCP and Tonkins). Mobilization to site was expected pre-Xmas with crushing works commencing early in January with material delivery (PM2) for the southern extension due by the end of January and then volumes of PM1B (42,000t) to flow from then on. On the basis of this program all works were to be completed by the end of March.

It was an aggressive program and didn't have too much leeway for breakdowns etc built in but crushing a minimum of 1,000t / 12 hour day is easily achievable and it was planned that Hardy's Quarry would operate 24/7 for the period to get the production completed comfortably in time.

January commenced with NBS a little behind in terms of mobilization and initial crushing was delayed at the start. Crushing then commenced in a sporadic manner in the middle of January as test batches were run through the equipment. Breakdowns were encountered and it became apparent that NBS were struggling to get on top of the start. BMD took possession of the site on 6 January and the program was shuffled around between NBS / BMD, in agreement with RCP/Tonkins to get all earthworks works carried out and completed that did not rely on materials being available.

On Friday 3 February we received a Notice of Delay from BMD – this is a tool that is used to indicate that a contractor is being unreasonably delayed in their works due to issues caused by others. Whilst not an invoiced sum matter at this stage it nevertheless crystallized a reaction from the Project Managers and a mitigation strategy was put in place by Friday 10 February. This strategy, endorsed by the PCB, was to remove 12,500t of PM2 from the NBS scope of works (possible within their contract structure without penalty) and provide this order to Willson Earthmoving. It was believed that this would allow NBS to focus on the PM1B order and allow them to get ahead.

On Monday 13 February, the project received notification that the Directors had placed NBS into voluntary liquidation and therefore all operations ceased on that day.

Options were assessed and all other DPTI pre-qualified crushing contractors contacted and their availability sought. It was established with the Liquidator that the NBS crushing equipment was rented (not unusual) and that the equipment may be available for others to use if the rental agreements were picked up by the incoming contractors – thus obviating the need for another round of mobilization. Discussions centred around two contractors – both DPTI pre-qualified – Mibus Brothers (Victorian Company) and Lucas (SA-based Company). Mibus determined that they would not be in a position to do this work and the works already in hand for Council (crushing limestone for DPTI-road works) and chose not to move forward. Lucas did commence discussions and it has rapidly become apparent that they were going to take advantage of the situation unfolding in terms of price, risk and liability provisions within the contract proposed.

Whilst this was going on Willson were crushing PM2 and had issues of their own with regards to machine reliability (brand new machine on hire) and had several breakdowns that introduced further delays to supply of this material.

On Monday 20 February delay notifications (formal) from BMD indicated that to complete works they would incur additional costs and these would therefore reduce contingency down from \$637K to circa \$100K. The principal costs related to their inability to operate at 100% efficiency and the need for them to extend works over and above their quoted time to complete. It is noted that all costs associated with any kind of variation rely on the schedule of rates quoted within the tender submission and these are usually significantly higher than the rates used to actually win the contract. This is standard contracting practice.

Further evaluation across the following 4 days saw this assessed sum start to blow out with a projected spend of \$600K over contingency to complete works to scope.

A PCB meeting was held on site on Friday 3 March and a series of options assessed. These basically accepted that the project works could now not complete by the end of March and therefore there was a need to assess what was going to be the most cost effective means of completing the project. Options worked through included:

- ) A - the obvious one of BMD to stop works immediately, demobilize and then remobilize to site in September where material should all be available on site and

then look to complete works between September and November so first air services can commence on 1 December 2017. BMD undertook to go away and thoroughly price this option.

- J B - An alternate option was that they continue to do works until the end of April with a view of completing (to final seal) all “new” works (southern extension, apron extension and realignment of taxiway A) prior to winter then coming back in September to complete all works to 01/19. This would have the advantage of not “wasting” good weather now and would keep works going, reducing the scale of works in spring to that of 01/19 overlay only – something that should be able to happen even under moderately wet conditions. It was estimated that it would cost the project between \$50-75,000 / week extra for the “inefficiency” due to materials running hand to mouth.
- J C- An alternate option discussed was for Option B above to happen but at the end of works in autumn the contract with BMD would be suspended (possible under the contract we have with them) and then Council would complete the works under independent engineering supervision in the spring. The advantage of this would be the lack of mobilization costs, the ability to manage weather delay at no cost to the Project (Council workers would simply go off onto other works) and the ability to manage costs to do the works without using contractor “super-rates”.
- J D - A final alternate discussed was that of immediate suspension of contracts and all works and recast the project.

The PCB determined that, at this stage the better option was to accept the inefficiency costs, work with the weather while it was good and minimize works that would move into Spring. This presented the least risk to failure to achieve all works completed by 1 December 2017. It was agreed that RCP would formally work with BMD and the Project Team to identify as much of the likely cost scope as they could and return to the PCB a week later with the outcomes.

As a further mitigation exercise Willson Earthmoving were awarded an order of 9,000t PM1B material to keep the works progressing – material is now awaiting test results and should be cleared for use in w/c 14 March. Testing of 3,000t of PM1B material produced by NBS determined that this did not meet PM1B spec but could be used as a PM2 material. This material will therefore be purchased from the Liquidator.

During this period Lucas returned with their quoted rates for the crushing works at a significant premium over the original contract and their own quoted contract rates plus a refusal to accept any Liquidated Damages, quality claims, time penalties or basically any risk whatsoever. It also is apparent that they were trying to leverage benefit into another contract they already have in hand with DPTI.

On Friday 10 March the PCB met again to discuss the options packages and these have been evaluated as requiring potential cost over-runs to the following level:

- J 1A – BMD work up to winter at limited productivity, demob / remob to complete works
  - o **\$2.07M** impact to budget
- J 1B – BMD work up to winter at limited productivity; Contract suspended at completion then Council complete works in Spring
  - o **\$1.443M** impact to budget (some assumption around Council costs in here not quantified by the cost consultants)
- J 2 – BMD make site safe, cease works as soon as practicable; Remob post winter to complete works
  - o **\$1.673M** impact to budget

Given the two funding agreements limiting Government contributions under these agreements to the maximum of \$9M + \$9M and the quantum of likely overspend, the PCB determined that, without an element of additional costs being accepted by Council, that the project could no longer proceed as the PCB does not have the authority to spend monies that are not available within the \$18M total budget.

The PCB made the decision to cease all negotiations with Lucas with regards to the crushing works.

The PCB acknowledged that Package B – Landside tenders were in evaluation and that it looks like this element of the project will come in under budget but, until contracted, these savings could not be assumed to be available to cross-fund the overspend predicted in the Airside Works.

Since that meeting the CEO has met with RCP/Tonkins and discussed options for consideration. He has met with both Island quarries across the weekend and has openly discussed the challenges that we face and the need to get this project back on track.

It is proposed that crushing contracts are reallocated to the island-based contractors and for them to work at production of materials between now and September 1 2017. This will avoid any need for mobilization / demob costs associated with securing an off-Island contractor. All materials will then be stockpiled on site for works to commence in the Spring. There are a number of options for how this can be achieved including:

- ) Willson completing existing orders of PM1B providing all PM1B material from his pit.
  - ) Hardy completing aggregate orders (14/7/3mm) from preferred black rock material
- Or
- ) Willson relocating crushing operations to the airport laydown area and then crushing all materials (PM1B and aggregates) from preferred black rock material purchased and delivered from Hardy's Quarry.

There are other options for combination but separation of aggregates out from the main production runs does complicate matters a little (aggregates are a by-product of volume crushing and PM1B requires some sand addition to the crush to achieve the specification – sand is a byproduct of aggregate crushing which would otherwise have to be bought in).

The indicative cost savings here so far are \$213K.

In addition to this a critical review of the costs used by the cost managers to arrive at their estimates has been carried out and we have been able to remove around \$100,000 of additional costs associated with Council works carried out to date – the cost plan still contained \$600K for the sealing of 15/33 and this was delivered for \$553K and the cost plan still has \$150K for extension works and laydown preparation and this was delivered (to agreed reduced scope) for \$100K.

Utilizing BMD detail scope of works for all costs to complete works we have extracted those costs which are purely contractor-based (hot spray sealing, lighting, line-marking etc) and then identified those works that Council could undertake competitively. We have built these in, added the allowance for independent engineering supervision of Council during the Spring works and determined that the “gap” to original budget – maintaining a contingency of \$250K is now potentially down to **\$ 709,219** from the original assessment of \$1.443M.

For the PCB to move forward with this we need to have these costs assessed by the Project Costs Manager's and any costs not identified in the CEO's works clarified and included.

## Implications

- J The project currently has committed to just over \$1.5M. If the project is stopped and Council determine not to proceed further then, under the funding deeds, the monies will need to be returned to Australian and State Governments leaving Council with a non-income generating debt.
- J If the project stops now until all numbers are locked in then this will have the following effect:
  - o We will lose the balance of reasonable weather this autumn
  - o We will push more works into a time of year when weather could introduce significant delays (and cost with external contractors – but this would be mitigated if Council undertook these works)
  - o We are close to obtaining a commitment from Qantas for new services – with a stated start date of 1 December 2017. If we commit to this and then fail to deliver suitable facilities then the costs to the Project could be very significant.
  - o Without clarified budget, the PCB will not be able to award the Landside – Terminal Package which introduces significant delay to this 45 week build and impacts on ability to provide required services to support new air services.
  - o Failure to commit to air service commencement into the time of year when numbers are naturally building to give the new services the best possible chances of succeeding are likely to increase the perception of risk to the air line and therefore either require a greater degree of underwriting or result in them suggesting that they defer any start until Spring (Oct/Nov) 2018. This will then leave the new facilities under-utilized for up to 8 months and open for significant Community / political criticism.
  - o The project is likely to come in at greater cost again if we go back to market and seek new contracts for crushing and airside completion works. Whilst it is always possible that Council can negotiate with the State Government for some additional support this is extremely unlikely to be an outcome with the Australian Government.
  - o The failure to deliver this project will impact on proposed investment for the island.
- J If the project momentum is maintained through Council underwriting any necessary spend to complete, then
  - o We will optimize work completed prior to winter
  - o We mitigate possible risk to project in September – November
  - o Air service commencement 1 December 2017 is still possible (at this time)
  - o Terminal Contract award can occur and works can commence.
  - o We commence additional revenue gathering activities as quickly as possible.
  - o Island investment is supported.

At this stage the CEO does not believe that suspending the project is an option for Council to seriously consider – the practical and political fallout from such a decision would be wide-reaching and extremely damaging to the organization and the Community.

If Council has to fund any gap – and it is still possible that this will not actually have to be the case (albeit likely there will be a gap on balance of probabilities), then we will need to assess how significant this is in an income generating asset such as the airport. There has not been the time to carry out significant modelling of possible outcomes at this stage but it is clear that the airport could handle an element of debt if it were required for a not unreasonable uplift in passenger fees over those already predicated in the business case.

To keep this project moving and not incurring additional costs due to delay it is believed that the CEO will need to provide the PCB with a resolution of Council that effectively indicates that Council authorize the CEO to commit Council-derived funds to a maximum of \$1.5M (8% over original budget).

The CEO will continue to work through the costs and process of completing the project and will use every endeavor to reduce this impact to the minimum possible. This may include reduction in scope if this is permissible without impacting on the core deliverables of the project. An example here may be the scaling back of overlay works to maintain length and use by the design aircraft but open up the pavement to potentially earlier replacement if predicted regional jet use is achieved – this would reduce the project's capital obligation now but mean that we may be looking at a new runway surface required in ten years rather than fifteen – however the positive corollary to this is that we would have a guaranteed passenger flow to fund this if we had worn it out that quickly.

It is also suggested that there may be ways of finding the additional funding to cover any over-run through State Government but this would need to be carefully orchestrated and is not an outcome that will be achieved quickly enough to maintain the forward momentum of the project.

To this end the first recommendation of this report is:

That Council:

- a) Resolve to underwrite possible project overspend on the Kangaroo Island Airport Project to a maximum of 8% of project total (\$1.5M).
- b) Direct the Chief Executive Officer to examine all available options, including scope reduction, to bring the project in for the original budget of \$18M + 5% and report back to Council as soon as practicable with modelling to demonstrate likely impacts of any project cost overrun and mitigation steps required to offset them.

### **Tendering Process Due Diligence Questions**

The reality is that the failure to deliver to contract and early declaration of voluntary liquidation by NBS have been the single main cause of the predicted project cost over-run.

So it is worth us considering how we got here and why.

Since the BJ Jarrad issue with SA Water in Kingscote, Council have a measure of financial scrutiny in every tender process that we run. RCP usually undertake a financial analysis on contractors bidding for larger projects (\$2M+). It is noted that, short of undertaking a full forensic financial audit of a business's current accounts, it is really difficult to meaningfully assess risk that they are not financially sound. In the building and earthworks construction territory it is especially difficult to assess the financial capability / resilience of a business.

The Project Managers and in turn the PCB – in determining that we use DPTI-Prequalified Contractors only in our approaches to market in the first instance – were provided a level of assuredness because of that pre-qualification process.

During the Tender documentation process being carried out by RCP, DPTI raised questions as to why we were not using their documentation and contracts (we were proposing to use RCP / Council tender docs and process and modified AS 4000 contracts). At a PCB meeting (17 September 2016) RCP reported that they had prepared and used RCP documents as, at the time of preparation DPTI members of the PCB had not raised the issue that they wanted

DPTI docs to be used. As the anticipated contract was to be less than \$1M then no Industry Participation Program process had been included in these tender docs.

The minute's record that RCP would meet with DPTI Contracts Manager and make reasonable endeavors to adopt appropriate DPTI documents. It was also recorded that the evaluation process would be carried out by the Project Consultant Team (which would not include DPTI or Council PCB representatives) and then presented to the PCB with a recommendation for selection.

From all DPTI-preapproved SA-based mobile crushing contractors (8 of) only two responded with submissions – both were over budget. This led to an extended negotiation and redraft of scope to reduce costs in line with the revised cost plan.

The tender documents utilized were an amalgam of RCP / DPTI (as had been agreed) and the evaluation confirmed as carried out using DPTI Evaluation process. The evaluation summaries and recommendation were produced for PCB assessment on 9 November 2016. The NBS final submission was \$551,205 over the original cost program estimate. It is noted that it is quite clear in the documentation presented to the PCB that no financial assessment was included in the tender review process (as it is not in the DPTI Process discussed and provided by DPTI to RCP).

The decision to award to NBS was taken at the PCB meeting subject to the Package A2 (Airside Main Works) tender evaluation process completing and determining that the airside element of works could be delivered within the overall Airside Budget. This delayed the ultimate decision to award until Tuesday 20 December.

The original decision to separate out crushing from the main works was taken by the PCB as a risk mitigation issue – it was believed that early award of the materials crushing contract would ensure that materials would be available and ready on site for the later award and mobilization of the Main Works Contractors. Best practice would have been for the principal contractor to manage this element of procurement as, in the event of issues then these would have simply been to their account – rather than what has eventuated which is that as a Principal Contract it is now our issue. The decision was the right one at the time.

Efforts were made during the contract negotiations with BMD (as preferred Main Works Contractor) for us to novate the Crushing Contract to their responsibility. With Christmas fast approaching they refused to accept this and it was determined to proceed as originally planned with two separate Contracts.

We received the January claim from NBS on Friday 10 February and were then advised that the Directors had taken the organization into voluntary liquidation on Monday 13 February. It is noted that the voluntary process of liquidation is just that – the Directors effectively gave up trying to run the business for whatever reasons and instructed a liquidation to occur – without knowing all of the details there would clearly be some structural issues for this decision to be reached but it is possible for the business to still be considered viable at face value. The liquidator would be required to determine the best course of action to settle any company debts and to manage any liabilities from outstanding contracts etc. and potentially, if the business is considered viable then sell the business.

### **Post-Liquidation**

We are in a good position to negotiate full payment for the three Island-based sub-contractors / suppliers (Hardy's Quarry, Turner Fuels and KI Freight) as we had not made any payments to NBS prior to them declaring voluntary liquidation. They have invoiced for 3000t of PM1B material they say meets specification – it has been independently tested and found not to meet this spec (but could be used as PM2). They have invoiced for other costs

such as a percentage of mobilization, blasting and other contracted sums but fundamentally have not delivered anything. Our legal team is in negotiation with the liquidator and will make a settlement offer that encompasses all Island creditor payments, purchase of 3000t of PM2 spec and other costs on a “take it or leave it basis”.

Given the funding agreements in place there is a view from the Department representatives of the PCB that any budget issues are then for Council to fund – irrespective of how they originated thus the position currently taken.

The Commissioner, Mayor and CEO met with Minister Mullighan on Wednesday 22 February and the issues of the NBS liquidation was discussed. Michael Deegan, Chief Executive of DPTI, was present. The Mayor asked the question of the Minister how a DPTI-prequalified contractor could have got themselves into this situation without the Department knowing of it and what processes were in place at DPTI to manage initial pre-qualification and subsequent maintenance of pre-qualified status. The Minister queried this with Mr Deegan and was told that the appropriate processes were in place. We note that the Minister suggested that he receive a brief as he was sure to be questioned on this in Parliament and the Commissioner suggested that a copy of this be provided to the Mayor and herself so that all parties were clear on the process. This has not materialized at this time.

It is noted that the Parliamentary Public Works Committee have written to the Department expressing their concerns that a contractor could go out of business and seeking the steps undertaken to check on their suitability for the works – this has been forwarded by the Department to RCP and Council seeking our response.

It would appear that there is an attempt to place responsibility for the recommendation and subsequent decision to award the work to NBS and the subsequent financial repercussions wholly and solely on Council.

It is recommended that Council write, in confidence, to the Commissioner seeking assistance, working with the Parliamentary Public Works Committee, Minister Mullighan, his Department and others in Government, in establishing the exact processes used to initiate DPTI-pre qualification for a business such as this and then what processes are in place to manage this status, including any additional processes that are to be undertaken on a contract by contract basis.

If there are additional processes that should have been undertaken then Council seeks reasoning for these processes not being discussed at PCB or with the Project Manager during their meetings with DPTI Contracts Officer subsequent to the PCB meeting held on 17 September 2016. Council should also seek an explanation from DPTI representatives on the PCB as to why they did not seek clarification of the process prior to accepting the recommendation and awarding the work.

To this end the resolution of Council could extend to read:

That Council:

- e) Write to the Commissioner seeking assistance (and working with the Parliamentary Public Works Committee, Minister Mullighan, his Department and others in Government), in:
  - i. establishing the exact processes used to initiate DPTI-pre qualification for a business such as this in demonstrating financial capability and evidence and;

- ii. what processes are in place to manage and monitor the pre-qualification status, including any additional processes that are to be undertaken on a contract by contract basis.
- f) If it is established that there are additional processes that should have been undertaken then Council seeks the assistance of the Commissioner in identifying the reasoning behind these processes not being discussed at PCB or with the Project Manager during their meetings with DPTI Contracts Officer subsequent to the PCB meeting held on 17 September 2016. Council should also seek an explanation from DPTI representatives on the PCB as to why they did not seek clarification of the process prior to accepting the recommendation and awarding the work.

Given the sensitive nature of these conversations and the commercial contracts that are in place coupled with options that may be being considered, it is entirely appropriate that this report and the recommendations arising from this remain in confidence until such time as the matters are resolved, the project fully completed and no outstanding commercial matters remain unresolved.

### **Governance Considerations**

*(relates to consistent management, cohesive policies, guidance, processes and decision-rights for a given area of responsibility)*

Council have delegated authority to the CEO to deliver a project within budget. This now looks to be problematic following the entry into voluntary liquidation of the material crushing contractor and therefore Council resolution is required to amend the terms of delegation in order for the project to proceed.

### **Risk Management Considerations**

*(identification, assessment, and prioritization of risks (defined as the effect of uncertainty on objectives, whether positive or negative) followed by coordinated and economical application of resources to minimize, monitor, and control the probability and/or impact of unfortunate events or to maximize the realization of opportunities)*

Significant risks to project exist; in addition reputation of Council and risk to inbound investment should project not proceed or be delivered on time. These are stated but not fully explored in this report.

### **Economic Considerations**

*(Assessment of likely financial implications of pursuing a course of action)*

Potentially significant.

### **Social Considerations**

*(Assessment of likely impacts with the Community)*

Potentially significant

### **Environmental Considerations**

*(Assessment of likely impacts on the environment)*

Nil at this time.