

Notice is hereby given that an Ordinary Meeting of Southland District Council will be held on:

Date: Thursday, 6 April 2017
Time: 1.30pm
Meeting Room: Council Chambers
Venue: 15 Forth Street
Invercargill

Council Agenda - Late Item

OPEN

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Unbudgeted Expenditure - Mair's Quarry Development, Waikawa

Record No: R/17/3/6920
Author: James McCallum, Roading Engineer
Approved by: Ian Marshall, Group Manager Services and Assets

Decision Recommendation Information

Item 8.2

Purpose

- 1 This report is to consider the decision on unbudgeted expenditure for Mair's Quarry located in Waikawa.

Executive Summary

- 2 Council operates Mair's Quarry located in Waikawa. The Quarry is strategically important to the Council as it is the only source of roading material in the Waikawa area. The quarry has been used infrequently over the past 10 years but prior to that it was used extensively for seal extension projects in both the SDC and the Clutha District Council area. Many thousands of cubic metres of material have been extracted from it over the years.
- 3 Due to changes in health and safety requirements, the current state of Mair's Quarry would not meet modern day standards for an operative quarry.
- 4 Work required to bring the quarry up to a suitable standard involves blasting of the steep rock faces to reduce the height of these.
- 5 Heavy equipment will be on-site soon developing this quarry, to win and process material, for the Alternative Coastal Route project. Having this equipment on site creates an opportunity to carry out essential health and safety improvements as well as improvement work needed for the sustainable operation of the quarry. The recommended improvement is the construction of an access road be completed to provide safe and suitable access to the far end of the quarry.
- 6 To complete this work, Business unit *10890 Gravel Pits* will require unbudgeted expenditure of \$75K. which includes an allowance for material testing.
- 7 This expenditure will however be offset by income received from the sale of material from this quarry (estimated at \$150K).

Recommendation

That the Council:

- a) **Receives the report titled “Unbudgeted Expenditure - Mair's Quarry Development, Waikawa” dated 31 March 2017.**
- b) **Determines that this matter or decision be recognised as not significant in terms of Section 76 of the Local Government Act 2002.**
- c) **Determines that it has complied with the decision-making provisions of the Local Government Act 2002 to the extent necessary in relation to this decision; and in accordance with Section 79 of the Act determines that it does not require further information, further assessment of options or further analysis of costs and benefits or advantages and disadvantages prior to making a decision on this matter.**
- d) **Notes the Health and Safety risks at Mair's Pit and that the Alternative Coastal Route project development work in the quarry creates an opportunity to mitigate these risks and to do other development work in a very cost effective way.**
- e) **Approves the unbudgeted expenditure of \$75,000 from business unit 10890 (Gravel Pits - Reserves) to complete health and safety and access road improvements at Mair's Quarry.**

Content

Background

- 8 Mair's Quarry is located on private land, of which the Southland District Council hold an exclusive permit for the extraction of rock material. This permit is valid until 2042.
- 9 The Southland District Council also holds a resource consent to extract material from this quarry for roading and construction purposes. This consent was granted late in 2016 and has a term of 25 years. It allows for the extraction of up to 100,000 cubic metres of material in the first two years, this is to cater for the seal extension project. From then on the consent allows extraction as required up 15,000 cubic metres per year.
- 10 In recent years the mining and quarrying health and safety industry regulations have been updated. This has resulted in generating a higher level of interest from regulatory authorities.
- 11 As such, the Southland District Council needs to invest in this site to ensure health and safety risk and issues are complied with. The Alternative Coastal Route project is a great opportunity to invest in this quarry site and ensure it is well placed for future activities in the South East area of Southland. This is an area where suitable rock material for roading is difficult to source.
- 12 Due to the Alternative Coastal Route project being accepted there is a need for a large quantity of material to be sourced for this project, and the successful contractor has nominated Mair's Quarry as a source for this project.
- 13 Now that the successful contractor for the Alternative Coastal Route has provided their methodology of extracting material from site, an opportunity has arisen to blast down a

historic extraction faces. The current rock faces would not be considered best practice by today's industry standards due to their height and vertical nature.

- 14 These large scale works also make construction of a new access road to assist in the quarry's future development very cost effective (as the resource to complete this work is on site).
- 15 The reason this is listed as unbudgeted expenditure, is that prior to this construction tender being accepted there was no accurate way to forecast what extent of work would be required and what level Council would need to invest.

Issues

- 16 The current state of the Mair's Quarry does not meet the health and safety requirements for a functioning modern day quarry. If the proposed health and safety improvements are not undertaken, there is a real physical risk and a risk that WorkSafe would close the site down.
- 17 The implication to a site shut down is that the Council would lose access to a valuable resource for maintaining and constructing roads in this region.
- 18 Bringing materials from other sources would also lead to an increase in maintenance cost due to the distance of cartage.
- 19 Alternative Coastal Route projects could be held up significantly as other gravel sources would need to be established.

Factors to Consider

Legal and Statutory Requirements

- 20 All works fall within the approved resource consent for this quarry site.

Community Views

- 21 No community consultation or views have been gained on this matter beyond those required for the resource consent.

Costs and Funding

- 22 The cost for meeting the health and safety requirements and site access improvements is forecast to be \$75K.
- 23 Initially this will be funded from the Gravel Pits reserve.
- 24 The \$75K will be recovered as material is sold from this site to the contractor building the Alternative Coastal Route. The forecast income from material sales from the Alternative Coastal Route alone is for \$103K (after royalties have been paid).
- 25 Confirmation from the Finance team shows the balance of the Gravel Reserve as at 30 June 2016 was \$478,032. The balance as at 31 March 2017 was \$433,289.

Policy Implications

- 26 There are no policy implications from the proposed works.

Analysis

Options Considered

27 The options with this site are as follows:

Option 1 - Approval of unbudgeted expenditure.

Options 2 0 - Do nothing.

Analysis of Options

Option 1 - Approval of unbudgeted expenditure

<i>Advantages</i>	<i>Disadvantages</i>
<ul style="list-style-type: none"> • Reduced health and safety risk with historical workings being blasted to a state that is considered safe by current industry standards. • Reduced health and safety risks on site place the quarry well for future developments and use. • Improved access to site to reduced health and safety risk during transportation in and out of site. • Material testing to improve knowledge of this site and its material, for current Alternative Coastal Route and future maintenance and construction projects. • The net financial effect of the cost of the work minus the revenue to be received is a credit of \$28K. 	<ul style="list-style-type: none"> • No disadvantages to completing this work other than initial capital outlay.

Option 2 – Do nothing

<i>Advantages</i>	<i>Disadvantages</i>
<ul style="list-style-type: none"> • Save \$75K investment. 	<ul style="list-style-type: none"> • Health and safety profile of this site is not reduced, loss of opportunity with resources on site to complete this work. • Cost to blast the face in the future estimated to be over \$100K if project completed as standalone project. • Cost to construct access road in future would be significantly increased due to machinery resources having to be established and disestablished from the site

Assessment of Significance

- 28 This recommendation is not considered significant.

Recommended Option

- 29 The Strategic Transport Department recommends that approval of the unbudgeted expenditure of \$75K.

Next Steps

- 30 Council to engage contractor on site to complete works once approval received from Council.

Attachments

There are no attachments for this report.