

**Board Meeting:** September 2020

**Agenda Number:** 5

**Record Number:** ED20/7912

# LORD HOWE ISLAND BOARD

## Business Paper

### OPEN SESSION

#### Chief Executive Officer's Report to the September 2020 Meeting of the Board

The following briefing provides an overview of key issues managed by the Board during the reporting period, and their status. It is intended that this document be available to the public as part of the minutes of the meeting. Matters which are subject to confidentiality, business in confidence or legal action are shaded and are not included in the public copy of the report.

Number of items excluded from this public edition: 0

#### COVID-19

Lord Howe Island continues to be subject to a Public Health Order restricting all travel to the island. The economic impact arising from the shutdown is starting to have a significant impact on Board finances and the broader economy. It is also creating complications for the Board workforce as staff leaving the island for medical treatment, family matters or personal reasons are required to undertake 14 days quarantine upon return to the island, and this impacts on the ability of the Board to maintain service delivery.

The Board Administration have been working to prepare a Recovery Plan to help the Island reopen safely. Lauren Douglass has been engaged to assist with this. The Recovery Plan is subject to a separate Board Paper.

<b>MATTER</b>	<b>STATUS</b>	<b>ACTION REQUIRED BY BOARD AT THIS MEETING</b>
Community Strategic Plan	Due to COVID-19 project officer diverted onto that priority response. No progress since last meeting.	Note
Runway Feasibility Study	Full reports being reviewed by TfNSW and working group scheduled to meet following review. New membership following changes to Machinery of Government. Bushfire and COVID-19. Close liaison with TfNSW and Qantas to address urgent issue completed. Weekly flights underwritten..	Note
Rodent Eradication Program	Update provided in Attachment B to this report.	See Attachment B to this report
Renewable Energy Project	Project continues in implementation despite a range of major challenges including COVID-19 travel restrictions.	See Attachments D to this report.
Marine Rescue	Marine Rescue Unit at LHI and marine radio installation continues to progress. Telecommunications upgrade at Intermediate Hill design and approval process well advanced. Marine Rescue took advantage of the recent helicopter visit to ferry materials for the radio mast to Intermediate Hill. Vessel at Port Macquarie for major refit to prepare for commissioning to LHI.	Note

**Prepared:** Justin Sauvage, Acting Chief Executive Officer

**Attachments:**

Attachment A: Business and Corporate Services Report – Open

Attachment B: Environment and Community Services Report – Open

Attachment C: Infrastructure and Engineering Services Report – Open

Attachment D: Hybrid Renewable Energy Project Status Report – Open

## CEO Board Report

### Business and Corporate Services

ISSUE	STATUS	ACTION REQUIRED BY THE BOARD AT THIS MEETING
Actions from Previous Meetings – Status Report	In progress	For the information of the Board. Agenda item 4
CEO Report - BCS	Complete	For the information of the Board. Agenda item 5 (i)
Financial Report	Complete	For the consideration of the Board. Agenda Item 7 (i)
Commercial Support Package Q1 2020-21	Complete	For the consideration of the Board. Agenda Item 7 (ii)
Audit & Risk Committee Update	Complete	For the information of the Board. Agenda item 11 (i)
WH&S and Public Risk Management Update	Complete	For the information of the Board Agenda item 13 (i)

The Liquor Store operations and the Arrival data are closely aligned. They have both been significantly affected by the Public Health Order put in place from 22<sup>nd</sup> March but clearly effecting numbers before then. In addition, the cancellation of Rockfest and other activities has had a marked effect.

The continuation of the Public Health Order currently through to 31 August, and expected to be extended, will have a significant impact on the Liquor Store turnover and returns as well as the Tourism numbers which directly impact on passenger levy income for the Board.

The arrivals levy income loss for the period March to July is in excess of \$0.5m, and together with a loss in the vicinity of \$100k in Liquor Store surplus highlights the major impact on this Board and the community. It is appropriate here to recognise the support in resources and funds provided by the Department of Planning, Industry & Environment (DPIE) for the period to June 2020.

## Liquor Store

The financial data available for the Liquor Store relates to the year-end figures. The termination of Rockfest and Easter festivities and cessation of economic activities has had a marked effect on the full-year result. The ongoing Public Health Order will continue this trend, and have a bigger impact as the sales to the various licence holders will dwindle.

New Liquor Licence permits were issued from 1 July 2020 in accordance with the advice of the licence holders. Licencing hours were adjusted for consistency and equity.

### Liquor Store: Year-to-Year Comparison - June 2020

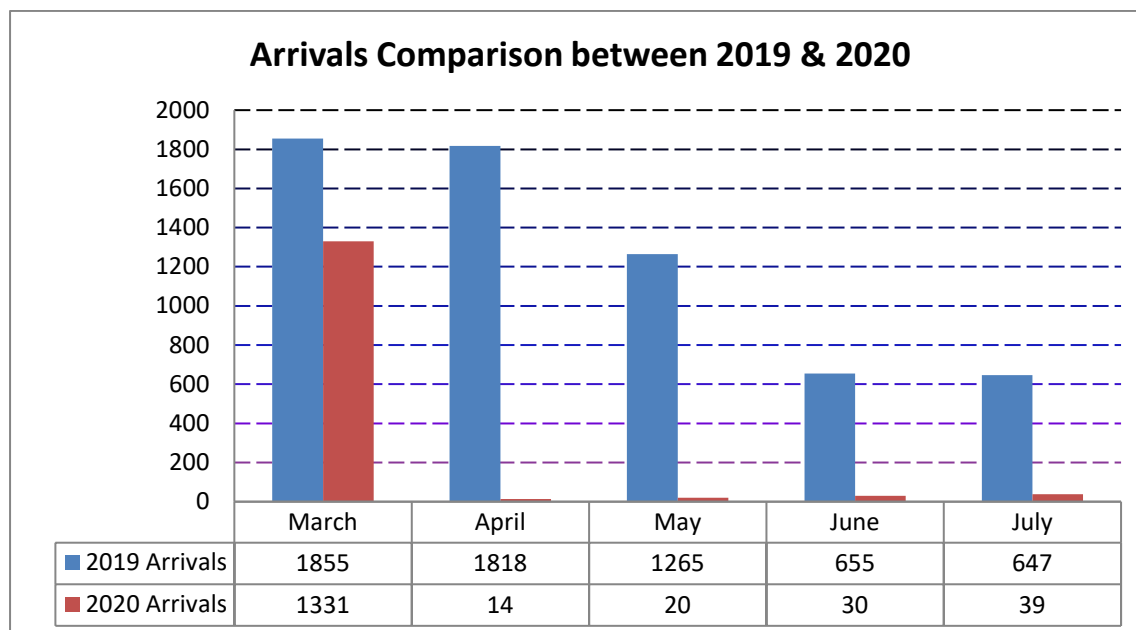
	2018-19	2019-20	Change \$	Change %
<b>Income</b>				
Sales	1,795,248	1,611,214	-184,034	-10.25%
Other	18,400	18,183	-217	-1.18%
Internal	N/A	1,354	N/A	N/A
	<b>1,813,648</b>	<b>1,630,751</b>	<b>-182,897</b>	<b>-10.08%</b>
<b>Expenses</b>				
Wages	142,922	165,625	22,703	15.88%
Cost of Goods sold	1,305,962	1,241,011	-64,950	-4.97%
Other	12,611	6,510	-6,101	-48.38%
Depreciation	N/A	1,895	N/A	N/A
	<b>1,461,495</b>	<b>1,415,041</b>	<b>-46,454</b>	<b>-3.18%</b>
<b>Surplus</b>	<b>352,153</b>	<b>215,710</b>	<b>-136,443</b>	<b>-38.75%</b>

### Tourism Management

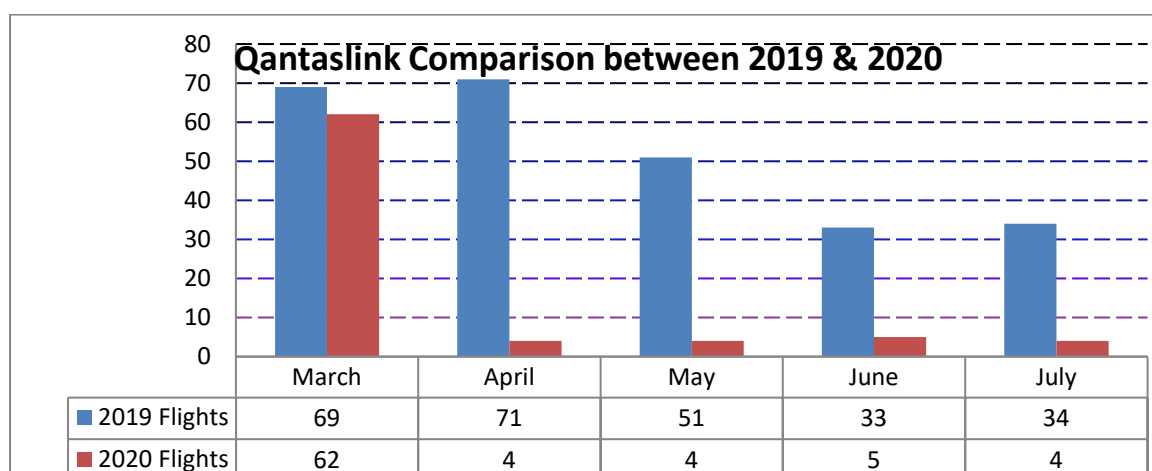
Comparisons across financial years are currently meaningless because of the COVID impact. I have compared across the months of March to July. These figures include all arrivals, being Qantaslink, Eastern and by sea.

The number of passengers arriving by air between March 2020 and July 2020 was 1,433 down from 6,239 arrivals for the corresponding period last year. The differences are even more stark when the only-partially affected month of March is removed.

The chart below compares monthly arrivals for Qantaslink and 'other', since March 2020 to July 2020 with the corresponding period last year.



The following chart provides comparative information to last year regarding the number of QantasLink (only) flights per month from March to July. The number of flights has decreased in the period – from 258 to 79, but more significantly since April. The average number of passengers per flight has dropped in the April to July period down from 22.1 to 2.9.



**Prepared:** John van Gaalen, Manager Business and Corporate Services

**Endorsed:** Justin Sauvage, Acting Chief Executive Officer

## CEO Board Report

### Environment and Community Services

#### Biodiversity Management

- Masked Owl hunting to deliver eradication is progressing. Since August 2019 six female Masked Owls were shot. There have been no confirmed sightings of males. One Masked Owl was heard calling from Erskine Creek by the weed team whilst camping out to undertake remote area weed searches, which was followed up by the Masked Owl hunting team who camped out in an attempt to coax the owl in to a location where it could be shot (unfortunately the owl did not come in on that instance). Ongoing surveys are required to determine the number of remaining owls and to target their removal through shooting.
- The Board held a meeting with the Biodiversity and Conservation team of DPIE regarding updating the LHI Biodiversity Management Plan and opportunities to progress threatened species recovery planning.

#### Threatened plants

- Saving Our Species – Threatened Plant recovery program continues. Wild populations of priority threatened species have been boosted through supplementary ex-situ planting (translocation) with noted increase in seedling recruitment of Philip Island Wheat Grass *Elymus multiflorus* sbsp *kingianus* and Sand Spurge *Euphorbia psammogeton*.

#### Research

- The Research Station was used by the helicopter lance spray team (pilot and crew) for 10 nights.

#### Rodent Eradication

- Fish sampling is scheduled for October 2020.
- A Steering Committee meeting was held on 13 August 2020.
- Grant Harper submitted a success check plan.
- The NSW Environmental Trust (ET) final report and budget for the REP has been submitted.
- Funding bids are being prepared to seek funds to implement outstanding REP projects, namely final success check, Biodiversity Benefits Monitoring and preparation of the project overview report.

#### Biosecurity

- See separate business paper.

#### Weed Management

- Update on the LHI Weed Management Strategy 2016 and link to NSW Biosecurity Act 2015 and Regulations 2017 provided in separate business paper.

- The LHI Weed Eradication Program reported 350 hectares of search effort against Saving our Species (SOS) and North Coast Local Land Services (NCLLS) Little Mt Palm grants for 2019 - 20.
- Teams have been continuing search effort in the Southern Mountains, weather pending and with focus in the northern hills targeting Bridal Creeper during its active winter growth phase.
- The heli-lance spray program was completed over a six day period, with good weather conditions and freedom from birds allowing further extent of search. Up to 14km of cliff line terrain was searched with 536 weeds controlled Ground Asparagus – 432, Bitou Bush – 45, Cherry Guava 28, Box Thorn – 25 and Bridal Creeper – 6. Weeds at elevation, beyond human terrestrial access were treated. This program was funded by SOS, NCLLS and NSW Weeds Action Plan (WAP).
- Settlement weeding with focus on Climbing Asparagus and Madeira Vine is continuing.

### **Revegetation**

- The Environmental Trust have funded a revegetation project titled Pinetrees Sallywood Swamp Forest revegetation. The first phase site has been fenced and over 5000 trees ordered are to be planted this winter/spring. Preparation for planting has commenced.
- Maintenance work and infill planting on Blackburn has been undertaken.
- Staff have been removing old tree guards throughout the revegetation sites and commenced weed maintenance (mainly exotic grasses).
- The environmental unit has established a small nursery at the depot, which provides wet weather work and skills in propagating local plants.
- The area of revegetation maintenance completed for 2020 is X.
- The area of new plantings for 2020 is X.

### **Incident Management**

- Nil

### **Compliance and Enforcement**

- A Penalty Infringement Noticed was issued under the *Lord Howe Island Regulations 2014* to an Island resident for cutting and felling trees without the approval from the Board.

### **Community Programs & Education**

- Nil. All resources have been allocated to biosecurity and COVID response.

### **Visitor Infrastructure**

- Repair work of southern end Middle beach steps have been completed.
- Marine Rescue communications materials were heli lifted to the Intermediate Hill viewing platform.

### **Marine Management / Moorings**

- Currently the Board is awaiting more information from Mr David Blackly, skipper/owner of the vessel 'Carol J' moored on a private mooring at Blackburn Island owned by Mr Gower Wilson.

Before an extension of Mr Blackley existing approval is issued, The Board requested that Mr Blackley provide the following information:

1. Estimated timeframe for the resolution of his insurance issues for completing necessary repairs to enable the vessel to be seaworthy;
2. Estimated departure date once the vessel is deemed seaworthy. It is understood that there may be some uncertainty regarding timeframes and to nominate a departure date and this can be reviewed at a later stage if necessary;
3. Considering that he is residing on his vessel while resolving his insurance issues, to provide a waste management plan with regard to his disposal of general, food and effluent waste from the vessel.

Mr Blackley has provided a waste management plan (3) via response email but has not provided any additional information (2 & 3). Therefore, his approval to attach to Mr Wilson's mooring has not been extended at this stage.

- Comets Hole 4 Mooring was inspected and serviced in August 2020 prior to the vessel 'Ball Breaker' attaching to it. This vessel is owned by the builder who is renovating the Bowling Club and has been permitted to attach to the mooring for approximately 3 months or until such time as the building works have been completed.

### **Human Resource Management**

- Biosecurity Officer/Ranger Darcie Bellanto has handed in her notice, last day was the 27<sup>th</sup> August 2020. Recruitment for these roles will commence shortly.
- Interviews for Biosecurity Team Leader role were held in August. No suitable applicants were found and the role will be readvertised shortly.
- Darcelle Matassoni will continue to act in the Biosecurity team leader role until a suitable candidate is found.

### **Work Health & Safety**

- Ranger sustained a back strain which is rectified.

### **Environmental Assessment**

- Ecological assessments for all OC / DAs referred completed
- Tree risk assessments completed.

### **Land Administration**

- Lease transfer for Robert Jeremey has been completed
- Permissive Occupancy for the new Pinetrees Boatshed has been signed by the Minister. New PO will be issued to Pinetrees shortly

### **Development Assessment and Land Use planning**

- Nil

**Prepared:** Justin Sauvage, Manger Environment and Community Services

**Endorsed:** Justin Sauvage, Acting Chief Executive Officer



# Infrastructure and Engineering Services Report

## June to August 2020

### Roads, parks and visitor facilities

- Maintenance to road drainage and cattle grid, Smoking Tree Ridge Road.
- Sand management at Blinky Corner and dune fence reinstated.
- Repairs to outdoor furniture and signs.
- Road surface repairs continued.

### Marine and coastal

- Beach nourishment for erosion protection carried out at Pinetrees boatshed area and Windy Point.
- Maintenance to swimming pontoon.
- Repairs to jetty landing not yet underway due to unavailability of specialist contractor as a result of COVID-19 travel restrictions.
- Monitoring creeks during wet weather; earthworks as required to open creeks and manage flood risk.

### General maintenance, operations and mechanical

- Building maintenance as required.
- Volunteer program of interior painting works for rota-loo public toilets.
- Mechanical programmed and breakdown maintenance and workshop services continue as usual.
- New electric vehicle added to the fleet for use by the biosecurity team for transporting biosecurity dogs. This vehicle replaced a diesel ute. The Board will measure electricity use for vehicle charging to assess the efficiency of the vehicle.

### Electrical

- All routine maintenance and inspection activities completed.
- In late August a cable fault occurred in the underground low voltage distribution system. This has affected some customers connected to Substation No. 2, Neds Beach Road. At the time of writing, temporary repairs are underway, with options being investigated for cable replacement.

### Airport

- The 2020 Annual Aerodrome Exercise has not been held. This exercise was originally planned for May 2020. At the time of writing some of the Response Agencies are not able to participate due to risk of infection by the SARS-CoV-2 virus. It is a legislative requirement to hold this exercise with all agencies outlined in the Aerodrome Emergency Plan. The Civil Aviation Safety Authority (CASA) has given the Board two (2) extensions of time to hold the exercise, the latest to 25 September 2020.
- With the current COVID climate it is doubtful the exercise will be able to be held by this date. Negotiations are ongoing with CASA on how to manage this non-compliance.
- The Aerodrome Emergency Plan (AEP) is currently being rewritten so as to conform to federal aviation safety legislation changes which came into force on 13 August 2020. Due

to the current COVID climate CASA has given all certified aerodromes an extension of time to May 2021 for the new AEP to be enacted.

- The Department of Home Affairs (the Department) conducted an audit of the Airport's Transport Security Programme on Tuesday 23 June 2020. On the 23 July 2020 the Department issued the Board with a non-compliance relating to not notifying the Department of staff changes within two (2) days of the change and deficiencies in aviation security awareness training for Board staff.
- Procedures for employee inductions and clearances have been updated to capture the need to notify the Department (and other regulating bodies such as CASA) when any staff referenced in aerodrome/airport specific regulatory documents join or terminate their employment with the Board. Aerodrome access procedures have also been updated to include completion of mandatory on-line aviation security awareness training provided by the Department before airside access is granted. A number of staff have now completed this training.
- On the 13 August 2020 the Department of Home Affairs acquitted the non-compliance.
- The Lord Howe Island Aerodrome Manual is currently being rewritten so as to conform to new federal aviation safety legislation changes which came into force on 13 August 2020. Due to the current COVID climate CASA has given all certified aerodromes an extension of time to May 2021 for the new Aerodrome Manual to be enacted.
- The LHI Aerodrome Safety Management System Safety Committee met on Thursday 25 and Friday 26 June 2020. The committee undertook a full review of the Safety Management System (SMS). The SMS will also be rewritten so as to conform to the new federal legislation incorporating the updates amendments identified during the review.
- Due to travel restrictions to the Island a number of planned aerodrome related activities have been put on hold. This includes the Annual Aerodrome Technical Inspection which was to take place 19 – 21 July 2020. It is a legislative requirement that these inspections be undertaken at intervals of no less than 12 months. The 2019 ATI was conducted 21 – 23 July 2019. The Board has self-reported the non-compliance to CASA who continue to monitor the situation.
- Aerodrome Management have been working closely with the Environment Unit to develop strategies to strengthen the Biosecurity arrangements for aircraft landing at the Island. As of first light (0530 LHST) on Monday 7 September 2020 no aircraft are to land at the Lord Howe Island Aerodrome without prior permission (unless an emergency or aeromedical flight). A minimum of 24 hours' notice for general aviation is also a requirement and all aircraft will be subject to Biosecurity Inspections on arrival (aeromedical flights exempt).
- Letters have been sent to all aircraft operators who have landed at the aerodrome from 1 January 2015 to present day outlining the new arrangements and the commencement date.
- Airservices Australia has been notified to update aeronautical information products such as the En-route Supplement of Australia (ERSA) to reflect the changes and a Notice to Airmen (NOTAM) was published by the NOTAM Office on Wednesday 26 August 2020.
- During July 2020 the entire airport perimeter and gate security signage was replaced.
- On Thursday 9 July 2020 the entire tie-down cable network for the General Aviation Apron at the aerodrome was replaced.
- Changes have been made to passenger flow to improve COVID safety measures in the terminal.

## **Emergency Management**

- The Local Emergency Management Committee (LEMC) met on Thursday 16 July 2020. The committee discussed the reopening of the Island and the development of a COVID Recovery Plan as Norfolk Island had done. The LEMC also endorsed the reviewed and updated LHI Tsunami Plan.

- Resilience NSW have developed a COVID Supplement for the NSW Evacuation Management Guidelines. As directed by the NSW State Emergency Management Committee (SEMC) the LEMC held a desk-top discussion exercise on Wednesday 22 July 2020 in Evacuation Management in a COVID Environment.
- As a result of the exercise it was apparent that the Island lacked the resources required to conduct an evacuation as per the COVID guidelines especially in time critical circumstances. A report on the exercise and outcomes has been sent to the Region Emergency Management Committee (REMC) and forwarded to the NSW Deputy State Emergency Operations Controller (SEOC). Strategies are currently being developed amongst Response Agencies and Functional Areas at both Region and Local level to overcome deficiencies. The discussed and assessed local readiness to meet essential COVID safety guidelines and agreed that there are adequate resources and there is adequate preparedness.
- On Thursday 16 July 2020 the Local Emergency Management Officer (LEMO) was contacted by the Manager Marine Pollution and Emergency Response, Transport for NSW (TfNSW), regarding a significant container spill from the vessel APL England which occurred on 24 May 2020, 30 nautical miles off the coast of Port Botany. A total of 50 Containers were lost overboard of which 26 were empty. To date only 15 containers have been recovered. Debris from this spill reached Lord Howe Island early July and severe weather caused by an East Coast low generated significant volumes washing up on beaches/bays around the Island from mid-July onwards. The marine pollution was reported to TfNSW by Marine Parks staff.
- Due to COVID travel restrictions to the Island TfNSW staff were unable to come to the Island to perform the clean-up response. The Lord Howe Island Board and Lord Howe Island Marine Parks staff are undertaking the clean-up in their stead. A number of bins were placed around the Island for the collection of the debris all of which is being stockpiled for TfNSW to remove from the Island. All expenses incurred in undertaking the clean-up will be met by TfNSW who in turn will be paid by the vessel's insurance company.
- To date total debris collected since the TfNSW contact is:
  - 288 individual masks;
  - 12 bags of masks (20 to 30 in a pack);
  - 87 takeaway containers (packaged and containers & lids separately);
  - around a cubic metre of insulation foam (caused by refrigerated containers breaking-up); and
  - around a cubic metre of assorted items like rope, bottles etc.
- On Tuesday 2 June 2020 at the direction of Resilience NSW LHI LEMO (Kate Dignam) and LHI LEOCON (Local Emergency Operations Controller - Heath Roberts) undertook an on-line audit of the nominated LHI Emergency Operations Centre (EOC) and secondary EOC. It was very apparent that the LHI EOCs were deficient in resources to operate an EOC as per the State Emergency Operations Centre Policy. The LHI LEMO undertakes 3 monthly audits of the EOCs and forwards the ensuing reports to the REMC. The REMC are well aware of the deficiencies. Strategies are in place to enable the running of an EOC to suit our local emergency operating environment.

### **Waste management facility**

- The Environment Protection Agency (EPA) Licence Annual Return was submitted on Wednesday 29 July 2020 for the licence period 8 June 2019 to 7 June 2020.
- Commenced removal off-island of stockpiled grade three crushed glass.

### **General Items/Other**

- Covid safety plans have been developed for the LHIB workplace.

- The Board has called for tenders for a cleaning contract for Board properties, with a 2 year contract period and option for a 2 year extension.
- IES staff are working with LHIB Biosecurity staff and Birdon to progress improvements to biosecurity, including agreed upgrades to Birdon's Port Macquarie facilities and Island Trader operational protocols.
- LHIB staff continue to monitor quality (microbial and chemical) and treat the Board's drinking water for NSW Health compliance and undertake maintenance as required.
- LHIB staff continue to monitor mosquito larvae species as per the Lord Howe Island Mosquito Surveillance and Vector Monitoring Programme. This programme is part of a National scheme run by the Commonwealth Department of Agriculture, Water and the Environment.
- LHIB staff continue to monitor wastewater discharge at the WMF with reporting for EPA licence compliance. Of late there have been a number of late deliveries of samples to the laboratory by the courier company. Due to holding time breaches the samples have become useless for gaining meaningful results. The Board are actively engaging with the courier company for solutions.
- At the time of writing LHIB staff were undertaking groundwater quality monitoring by the sampling and testing of the monitoring bore network on the Island. These samples are also sent to a mainland laboratory for analysis of microbial, nutrient and other parameters.
- Due to travel restrictions LHIB staff have been undertaking Building Inspections for current projects on behalf of their nominated inspector as part of the construction process. This process is permissible under the Environmental Planning and Assessment Act and ensuing Regulations.
- The Lord Howe Island Board has issued one (1) Fire Permit during this reporting period.

## **Projects**

### **Aviation fuel shed**

A building certifier has been engaged. As part of the certification process a fire engineering assessment is required. The Board has contracted a fire engineer who will be conducting a site assessment in early September. The Board is engaging with building contractors to schedule construction.

### **Stronger Country Community Funds Grants**

The Board currently has 8 active projects funded via Stronger Country Community Funds. The status of each project is provided below. In summary, final administration of a number of grants and completion of the Bowling Club will reduce the overall number of projects and permit attention to be focussed on stalled projects and new Round 3 projects.

#### **Round 1 – Old Powerhouse Site Remediation – SCCF1B-0032**

Electrical works to be completed by Edge Construction were finalised in July 2020. This is the last work to be carried out and had held up financial completion of the contract with Edge Construction who would have completed it sooner had travel to the Island been unrestricted. The original Deed included the construction of a pergola as a deliverable which requires a variation submission and assessment by SCCF before the final Milestone 3 report can be submitted, the last payment received and the grant acquitted. The SCCF Grants Management Office has been overwhelmed with grants requiring variations to schedule as a result of COVID, so this is taking some time.

## **Round 2 – Stevens Reserve Walking Track – SCCF2-0165**

The grant only partially covers the estimates gathered in 2017/18. The Significant Native Vegetation and path meandering over private land presents challenges. Both of these have resulted in the decision to review the scope of the project to assess what can be reasonably delivered with the grant issued by SCCF. Work has stalled on this project, but will recommence once a number of other SCCF projects are cleared from the workload.

## **Round 2 – Lord Howe Island Skate Park – SCCF2-0536**

Grant funds were issued to the Board for this project before SCCF was restructured to allow direct applications from Community Groups (Round 3). There are risks in both delivery and budget that require the project scope and costings to be reviewed to avoid overspend. Early work to gather information on site suitability such as geotechnical investigations have been made difficult to contract out due to the Public Health Order and the once-weekly flights from Sydney which results in contractors and consultants spending more time on the Island than is required or budgeted for. There is no provision for Board staff to work on this project. A project health check is planned to be conducted next quarter to understand risks associated with the current scope and budget.

## **Round 2 – Lagoon Foreshore Fitness Trail – SCCF2-0537**

Project delivery work is complete. Reporting requirements and evidence of completion is being compiled to claim Milestone 3, receive the last payment and acquit the grant.

## **Round 2 – Upgrade amenities at Bowling Club – SCCF2-0541**

Grant funds were issued to the Board for this project before SCCF was restructured to allow direct applications from Community Groups (Round 3). A sub-contract arrangement was devised to pass through inherent project risk and the SCCF grant obligations to the Bowling Club Committee, which has supported a pragmatic and collaborative approach to project delivery. Board staff are working with the Bowling Club Committee, with Margaret and Grant Devine volunteering considerable time and effort on behalf of the Club. Board staff would like to recognise the considerable input and drive of Margaret and Grant who have worked hard to make this project happen at a time when logistics are incredibly difficult. Following an Expressions of Interest (EOI) phase to determine constructability during the Public Health Orders, a Request for Quotes (RFQ) resulted in a principal contractor being awarded the work within the budget tolerance of the Board and the Bowling Club committee. To avoid travelling through Victoria, the contractors sailed from Tasmania to the Island, and have served out an isolation period, with an exemption granted to allow them to work at site. Demolition work is complete and construction is progressing on schedule. Further contractors will be required for project delivery with an accompanying request for exemption to quarantine to allow them to work on the Bowling Club site during the first two weeks and avoid unnecessary costs. Significant progress is being made and the team remain determined to deliver despite the complexities of project delivery in this constrained environment.

### **Round 3 – Upgrade Aquatic Club building and storage and purchase new sailing / water sport equipment – SCCF3-1557**

It had been intended for this grant to be direct awarded to the Aquatic Club committee however due to confusion with the application process the funds were awarded to the Board. The Board has requested for it to be transferred but was advised by SCCF that it would result in a forfeit of funds because the Board was assessed as the applicant and approved for funding, not the Aquatic Club. Assessment of applications outside of the open grant rounds contravenes the grant's governance process. The Board has agreed to accept the Grant and will establish a sub-contract arrangement similar to the Bowling Club to pass on inherent project risk and SCCF obligations to the Aquatic Club who have indicated a willingness to approach the project in this way. It will still require Board staff time to administer and manage the grant which is unfunded. Establishment of this grant has been slow due to the confusion around the applicant and the need to transfer information and knowledge from the Aquatic Club to the Board, and vice versa.

### **Round 3 – Community Playground Upgrade – SCCF3-1561**

The draft Deed has been issued by SCCF. Account establishment is underway to allow the first invoice to be generated which will enable procurement of a design, construct and install contract. An invoice and signed Deed are required to receive the first payment so that staff can work on the project, funded by the grant. Suppliers are reporting long lead times on ordering due to COVID impacts upon their workforce and supply chain. Once a public tender has been held and responses gathered, the Board will have a better idea of the timeframe for delivery and completion of this project which we will share. NSW National Parks were unable to provide a sample playground specification to assist in streamlining the process, so assistance is being sought via relationships with mainland Councils and Department of Education and Training who both own and manage playground assets.

### **Round 3 – CBD public amenities and wastewater system – SCCF3-1720**

The CBD amenities project requires detailed planning and community consultation to ensure the constraints and opportunities of the CBD area are understood to provide additional toilet facilities in the centre of town. That planning phase will influence the scope and ultimately the budget. Given the project is grant funded, budget is currently constrained to the amount provided by SCCF. This will need to be a consideration in planning what can be delivered within the grant timeframe. The Old Powerhouse site has a number of buried cables creating constraints around where construction can occur and there is an existing limitation on the catchment of rainwater collected to support the provision of amenities. Wastewater system capacity and catchment will also influence the design. The project has the opportunity to continue the revitalisation of the CBD area and stimulate economic activity in the town centre.

This significant body of work will need for the decks to be cleared a little of the existing grant reporting and project load, but it is hoped that will occur to commence planning work after Christmas. After planning and design work, development consent will be required before procurement making the delivery timeframe for this project quite lengthy. Current estimates are that this project will take over 2 years to deliver. Additional project stages may arise from the early planning and consultation work.

## Hybrid Renewable Energy Project

Progress has slowed over the winter months as sub-contractors were rotated off the Island for respite breaks during June/July. Workers have returned to the Island in early August under the provisions for Essential Services and have commenced work immediately without quarantine supported by detailed COVID management plans.

The geotechnical problems encountered in the Eastern Array area were overcome with a change to the method of installation of the racking piles. Instead of a direct pile driven method, which was not meeting the quality testing standards required, the approach has changed to piles being founded in a stabilised sand mix. Quality testing has shown this method is satisfactory, and installation of piles and racks in both the Central and Eastern Array is complete.

Work to progress the use of recovered glass fines as a sand substitute for cable bedding has resulted in EPA acceptance of the concept. The material passed all materials testing requirements for its use as a bedding material, however the thermal resistivity properties of the glass fine sand exceeded the design parameters set by Photon by almost triple. The material cannot be used for cable bedding by the project. Alternative project uses is being considered by the IES team.

The clash between environmental conditions and the Australian Standards for securing the site has been resolved. Typically a chain-mesh fence with very low clearance at the base and barbed wire on the top would be installed to prevent access to an electricity generation installation. This is incompatible with the habits of protected and endangered bird species on the Island and the World Heritage values of the Island. Considerable effort has been made to consider alternatives to fencing, and after considering and pricing numerous different approaches, a proposal was put to the Project Board for consideration. The Australian Standards describe the intent to protect people from accidental injury, and the various design approaches have centred on hardening the back of the panels with a variety of materials ranging from aluminium panels, to mesh and cable trays. A variation has been received to harden the panels using cable trays and has been approved by the Project Board in accordance with the project governance structure. Stock fencing will continue to surround the perimeter of the site, and signage will need to be installed to comply with the Australian Standards. By replacing chain mesh fencing with a less visually intrusive tray on the rear of the panels and implementing other risk management actions, the installation will comply with Australian Standards whilst reducing the visual impact of the installation.

The Western Array remains quite wet, and coupled with the steep incline of the hill results in slippery conditions for machinery required to install the piles. No impact to program has been reported by Photon yet, and as a result, the Board expect that the project will be delivered by the 30 November 2020 date for practical completion. The contract extends for a further two years of operations so that the Board can be assured that the project performance criteria will be met. Board resourcing of financial reporting and Knowledge Sharing requirements to ARENA will continue within that two year period.

Attachment: Project Status Report – Solar PV HREP – June July August 2020

**Prepared:** David Waterhouse, Manager Infrastructure and Engineering Services

**Endorsed:** Justin Sauvage, Acting Chief Executive Officer

# Solar PV HREP

Status Report for period:  
01 June - 26 August 2020

Overall Project Status

**On Track**

Project Details			
<b>Project Name</b>	Solar PV Hybrid Renewable Energy Project (HREP)	<b>Portfolio</b>	Lord Howe Island Board - Engineering & Infrastructure Services
<b>Project ID</b>	ARENA reference: 2013/RAR0004	<b>RM8 Doc reference</b>	ED20/7869
<b>Project Manager</b>	Amy Foxe	<b>Geographical Location</b>	Lot 230 DP47747 Lord Howe Island -31.528491, 159.07475
<b>Project Sponsor</b>	Manager, Infrastructure and Engineering Services	<b>Current Phase</b>	Construction

## Project Thresholds and Status

Area	Measure	Lower Threshold	Upper Threshold	Current Status	Action on variation beyond thresholds
Time	Project program – variance from schedule	-30 days on Photon milestones	+30days on Photon milestones	On track	Report to Project Control Group
Cost	Budget Line Items – variance from estimate	-10% on lines <\$100,000 -5% on lines >\$100,000	+10% on lines <\$100,000 +5% on lines >\$100,000	On track	Report to Project Control Group, CFO and CEO
	Overall budget – variance from estimate	-5% on overall budget	+5% on overall budget	On track	
Quality	Specification – non-conformances	Deviation from specification to the detriment of quality	Deviation from specification to the benefit of quality	On track	Report to Project Control Group
Scope	Inclusions – variance from priority requirements	“Must” and “Should” items 100% delivered	Decision on “Could”/“Not Essential” delivered	On track	Report to Project Control Group
Benefit	Fuel – reduction in diesel use for electricity generation	67% below 2011 (calendar) baseline year	>75% below 2011 (calendar) baseline year	On track	Report to Project Control Group

**Thresholds Comments:** Status change to Time: Rebaselined project delivery schedule based upon July PCG#11 schedule. No change to contractual completion date of 30 November 2020. Layout change variation still outstanding due to queries on costing. Deed renegotiation with ARENA commenced. Changes to Milestone dates accepted. Restructure of budget and reporting in discussion. ARENA appear amenable and willing to work towards reasonable changes that improve transparency and ease of reporting. See tables below for detail.

**Potential Risk:** Impact of the Public Health Order/s on the project is mostly in the area of consultants/contractor visits that cannot be shorter than one week due to the reduced Qantas service schedule. This results in a minimum one-week site visit for activities that could be completed in 24hr-48hr, and presents a cost impact to the project. Work-arounds have been developed to date, however the break-in to the powerhouse, system integration and battery commissioning are activities that will require numerous specialists as well as Owners Engineer (Jacobs) oversight. The building certifier site inspection is essential to achieve Occupation Certificate. Port Macquarie connections may be feasible given introduction of second flight per week however still imposes a minimum 5-day stay. Accommodation is required for these contractors and consultants and is anticipated to be difficult to source if Public Health Orders continue to restrict travel to the Island and/or lodges choose to remain closed.



## Project Budget – Income and Expenditure

ID	Whole of Project estimate	Actuals at 30 June 2019 (audited)	Actuals FY2019/20 (unaudited)	Budget FY2020/21	Budget FY2021/22	Budget FY2022/23
<b>Income (Source: Cost Plan) – as at 04 August 2020</b>						
LHIB	(456,000)	(456,000)	-	-	-	-
Contingency - LHIB	(1,005,331)	(755,331)	-	(250,000)	-	-
Grant - ARENA	(4,000,000)	(1,268,172)	(2,184,462)	(519,997)	(27,368)	-
Contingency - ARENA - approved draw downs	(26,233)	-	(11,929)	(14,304)	-	-
Contingency - ARENA (\$500k minus approved drawdowns)	(473,767)	-	-	(473,767)	-	-
Loan - T-Corp	(5,900,000)	-	(2,801,000)	(3,099,000)	-	-
<b>Total</b>	<b>(11,861,331)</b>	<b>(2,479,503)</b>	<b>(4,997,391)</b>	<b>(4,357,068)</b>	<b>(27,368)</b>	<b>-</b>
<b>Expenditure (Source: Cost Plan) – as at 04 August 2020</b>						
ID	Whole of Project estimate	Actuals at 30 June 2019 (audited)	Actuals FY2019/20 (unaudited)	Budget FY2020/21	Budget FY2021/22	Budget FY2022/23
Scoping, project design and approvals	2,413,345	2,413,345	-	-	-	-
Project Management & OE / Administration / Knowledge Sharing	1,278,268	-	438,275	716,993	74,000	49,000
Construction	82,750	-	22,000	60,750	-	-
Contractors	7,363,200	-	3,844,700	3,292,000	77,500	149,000
<b>Total</b>	<b>11,137,563</b>	<b>2,413,345</b>	<b>4,304,975</b>	<b>4,069,743</b>	<b>151,500</b>	<b>198,000</b>
Contingency	723,761	-	-	723,767	-	-
<b>Grand Total</b>	<b>11,861,324</b>					

**Comments:** Budget reporting restructured as per the proposal submitted by LHIB to ARENA to alter the budget structure for ease of reporting and improved transparency.

Income - LHIB cash budgeted for 2019/20 carried over in full as contractually required Contingency. Phasing of income reflects renegotiated ARENA milestones and an estimate of the time taken for ARENA to process claims (30+ days after evidence approved). Principal and interest repayments commence upon final TCorp loan draw down.

Expenditure - Categories of expenditure reported above have been revised. ARENA is currently considering this structure as part of Deed renegotiations. Financial audit of FY19/20 project income and expenditure to confirm the data supplied above.

Contingency – Contingency is shown separately. When contingency is accessed, the expenditure is reported against the Activity area. The Project Board has voted to approach ARENA to access contingency for Variations VAR-02 and VAR-04. A request to access the contingency from ARENA will be submitted, and once approved, the budget will be adjusted on both income and expenditure sides.

## Milestone Tracking – As at 20 July 2020 (PCG #11)

Contractor Milestones	Forecast Due Date	Revised Due Date	Variance / Comment
1. Contract Signing	20/06/2019	-	Complete
2. Site mobilisation	29/05/2020	30/08/2020	Documentation submitted. Claim to be lodged.
3. Design Documentation	07/02/2019		Complete. Claim lodged & approved.
4. Battery shipped from manufacturer	08/11/2019	-	Complete. Claim lodged & approved.
5. PV modules, racking, inverters shipped from manufacturer	06/12/2019	-	Complete. Claim lodged & approved.
6. (not used in final contract)			
7. Powerhouse modifications	21/09/2020		
8. Battery installation	28/09/2020		
9. A. PV, racking, string inverters, HREP DB % delivered to site	20/07/2020		
9. B. PV % installation	30/08/2020		
10. A. LV Cable % delivered to site	30/06/2020		
10. B. LV cable % cable installed and terminated	01/10/2020		
11. Provisional acceptance (Practical Completion)	30/11/2020		Contractual Completion date
12. Intermediate acceptance	30/11/2021		12m operational performance requirement
13. Final acceptance	30/11/2022		24m operational performance requirement
<b>Photon Milestone Comments:</b> Updated schedule reflects COVID-19 impacts on materials supply to the Island (cable, main switchboard, 2x batteries, pile driver attachment for higher gradient hillside work). July issued Schedule (attached to PCG Report #11) shown above as new baseline schedule.			

ARENA Milestones	Forecast Due Date	Income claim	Variance / Comment
9. Practical Completion and Commissioning	28/02/2021	\$519,997	Milestone successfully renegotiated.
10. Delivery of Financial Report	31/03/2021	\$13,684	Milestone successfully renegotiated.
11. 12-Months Operation and Final Report	28/02/2022	\$13,684	Milestone successfully renegotiated.
<b>ARENA Milestone Comments:</b> Revised project delivery schedule submitted and accepted by ARENA. Milestones for grant payments have been adjusted and are shown above.			

## Issues, Changes and Decisions

Changes / variations for period			
ID	Description of variation	Approved by	Date Implemented
EPCM 02	Array Layout – Change to accommodate shearwater nesting area	Project Board	27.02.2020
EPCM 03	System Hardening – Standard fencing conflicts with environmental requirements.	Project Board	03.08.2020
<b>Comment:</b> EPCM Variation 02 for Array Layout change received 10/06/2020. Further information has been requested and the variation is being assessed by the project team.			

EPCM Variation 03 for System Hardening using mesh received 25/06/2020. Photon suggested a cheaper alternative, and submitted as EPCM Variation 04 for System Hardening using cable trays, which was received on 31.07.2020. The Project Board voted to reject Variation 03 and approve Variation 04. Early engagement commenced with ARENA to discuss the fence being replaced with linings to avoid conflict with seabirds.

### Decisions for period

ID	Decision Status	Date Decision Made	Decision Made By	Decision Details
Resources	Final	11.06.2020	Photon	Rotation of sub-contractor resources off the Island for respite break approved and commenced.
Contractual	Final	26/06/2020	ARENA	Proposal to alter Deed of Agreement for grant funding submitted to ARENA requesting altered amended milestone dates
Land Administration	Final	10/08/2020	Valuer General	Compensation determination made by the Valuer General
Contractual	Pending Approval		ARENA	Proposal to alter Deed of Agreement for grant funding submitted to ARENA requesting altered budget structure (no change to total estimates), clarifications via edits and amended milestone dates (approved)

**Comments:** Respite break awarded to staff who have been on LHI since Feb / March. Programme remobilises resources to the Island from 04 August 2020 and assumes the Public Health Order will be repealed as scheduled or access granted as an Essential Service. COVID management plans prepared to mitigate the risks to the community presented by exemptions from quarantine. ARENA milestone date changes approved. Proposal regarding budget reporting submitted and pending review / approval by ARENA. Valuer General process closed.

### Success Stories

- Position advertised to recruit local project administration support resource filled, creating new part-time job for an Island resident for a few months.
- Positions advertised to recruit local project labour with valid Construction White Card filled.
- Construction crew (Photon & Solmech staff) returned after respite break and COVID management plan adhered to resulting in zero non-conformances and appropriate risk management measures.
- PCA inspection of shed slab and BESS slab successfully completed. Shed framing commenced.
- Valuer General process closed with both parties appearing amenable to the determination.

## Senior Management Team and Board Feedback

### SMT: Recommended "Overall Status" For Program: On Track

Recommended focus area/s:

Continue to work to resolve costing of Variation 02 (layout change).

Continue to monitor impacts/restrictions associated with COVID-19

Continue to closely monitor progress towards practical completion date 30/11/2020.

Questions and clarifications: None.