

## Full Council

12 December 2024

### Report for Agenda Item | Rīpoata moto e Rāraki take [5]

**Department: Chief Executive**

**Title | Taitara: Alliance Lessons Learnt and Implications for Capital Delivery**

Purpose of the Report | Te Take mō te Pūroko

The purpose of this report is to provide Council with an outline of short-term requirements for the management and governance of the Kā Huanui a Tāhuna Alliance and implications for long term capital delivery. This follows an independent lessons learnt review report of the performance of the Kā Huanui a Tāhuna Alliance undertaken by Mr Dave Brash, which was reported to the Audit, Finance & Risk Committee on 11 June 2024, and responds to a resolution of that committee.

Executive Summary | Whakarāpopototaka Matua

In approving a request for additional funding to complete the arterials project at a Council meeting on 27 April 2023, Council also resolved to direct the Chief Executive (CE) to undertake a lessons learnt review of the performance of the Alliance. The review was to focus on (at a minimum) lessons learnt from the use and operation of the Alliance model, Queenstown Lakes District Council's (QLDC) management of risk and opportunity in major projects and the key considerations when entering into third party (e.g.: Government) funding agreements.

The CE commissioned Mr Brash to undertake the review and he reported his findings in a workshop setting to Council on 21 May 2024 and to the Audit, Finance & Risk Committee (AFRC) on 11 June 2024. In addition to noting the contents of the report and proposed actions, the AFRC recommended that "the Chief Executive prepares a report to Council outlining short-term requirements for the management and governance of the Alliance and implications for long term capital delivery". This report responds to that resolution.

This report outlines a number of actions that have already been implemented in response to the Lessons Learnt report, and several proposed actions that will be further investigated in relation to the implications of the Lessons Learnt for long term capital delivery.

Recommendation | Kā Tūtohuka

That the Council;

1. **Note** the contents of this report; and
2. **Note** in particular, the proposed actions to be undertaken to address the various recommendations contained in the Alliance Lessons Learnt report.

**Prepared by:**



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**Title:** GM Assurance, Finance and Risk  
21 November 2024

**Reviewed and Authorised by:**



**Name:** Mike Theelen  
**Title:** Chief Executive  
29 November 2024



**Name:** Tony Avery  
**Title:** GM Property and Infrastructure  
21 November 2024

## Context | Horopaki

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1. During the early stages of the initial COVID-19 lockdown (quarter two of 2020), the Government made available funding for “shovel ready” projects. QLDC applied for funding for a number of projects and was successful in gaining offers of part funding for two projects, namely the Queenstown Town Centre Street Upgrades project (the Street Upgrades project) and the Queenstown Town Centre Arterial Stage 1 project (the Arterial project). In August 2020 the Council entered into a funding agreement with Crown Infrastructure Partners (CIP) to fund the Arterial and Street Upgrade projects. The Street Upgrades and Arterial were funded at \$35m and \$50m respectively.
2. In September 2020, QLDC entered into a Memorandum of Understanding (MoU) with the New Zealand Transport Agency (Waka Kotahi or NZTA) to deliver the two projects (Lakeview was added to scope in March 2021), alongside the NZUP project on SH6 from Frankton to the Town Centre. After a procurement workshop with Councillors which discussed a range of models, there was an informal consensus that an Alliance was the preferred contracting approach. The Council delegated the development of the procurement plan and formation of the Alliance to the CE.
3. In late 2020, the Council and NZTA (partners) went to the open market to establish an Alliance and a consortium of engineering consultant companies (Beca and WSP), and contractors (Downer and Fulton Hogan) were appointed. The successful consortia (the Non-Owner Participants or NOPs), along with QLDC and NZTA (the Owner Participants or OPs), then collectively formed the Whakatipu Transport Programme Alliance - Kā Huanui a Tāhuna .
4. Council agreed to a total project budget of \$88.23 million on 28 October 2021. The Council has subsequently agreed to additional budget to fund the further cost increases for the Arterial on two separate occasions, in April 2023 and February 2024 giving a total funding change over time as:
  - a. October 2021 – Council approved a total budget of \$88.23m.
  - b. April 2023 – a budget increase of \$20.61m for the Arterial Stage One project budget, establishing a revised total 2021/22 – 2030/31 Ten Year Plan project budget of \$108.84m;
  - c. February 2024 – a budget increase of \$17.65m for the Arterial Stage One project budget, establishing a revised total budget of \$128.02m.
5. There were also delays in delivery of the projects when compared against the initial proposals: Street Upgrades (six months), Lakeview (seven months) and Arterial (18 months). The Lakeview project has now been completed and the Street Upgrade project has largely been completed. Construction work has been ongoing for three years on the Arterial project, with a current target date for starting operation in January 2025 and final completion of side roads, stormwater and other construction works by mid-2025.
6. It was against this background that Council asked for a lessons learned review of the Alliance to be reported to the AFRC. The CE commissioned an independent lessons learnt report to be prepared by Mr Brash to undertake the review and he reported his findings in a workshop setting to Council on 21 May 2024 and to the Audit, Finance & Risk Committee (AFRC) on 11 June 2024.

7. In addition to noting the contents of the report and proposed actions, the AFRC recommended that “the Chief Executive prepares a report to Council outlining short-term requirements for the management and governance of the Alliance and implications for long term capital delivery”. This report responds to that resolution.

#### Analysis and Advice | Tatāritaka me kā Tohutohu

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8. The 2024-34 Long Term Plan was adopted by Council in September 2024. The plan recognises that the district continues to encounter several challenges which has constrained the Council’s ability to deliver ‘many of the more discretionary projects’ that had been planned.
9. In response to the ‘opportunities, challenges and constraints influencing Council’s strategic thinking and planning process’ the Long Term Plan (LTP) was founded on the strategic investment priorities detailed in the following paragraphs.

#### **QLDC’s Strategic Investment Priorities (Page 10 of the Long term Plan 2024-2034).**

10. The LTP includes \$2.4B of capital investment, \$979M (40%) of which responds to growth. To achieve the community outcomes outlined in the LTP, this portfolio of investment will require prudent and expedient planning and effective delivery; getting ‘the basics right’.
11. The independent lessons learnt review report of the performance of the Kā Huanui a Tāhuna Alliance undertaken by Mr Dave Brash identified a number of short- and long term lessons. These lessons have relevance for the continued delivery under an Alliance model, but also broader benefit for the delivery of capital investment under ‘traditional’ delivery models.
12. In accordance with a recommendation of the ARFC, this report considers the following:
  - a. short-term requirements for the management and governance of the Kā Huanui a Tāhuna Alliance and
  - b. the implications for long term capital delivery
13. The following tables summarise the recommendations of Mr Brash’s report (Attachment A), providing information around what action has been, or is proposed to be taken to respond to the relevant findings. Note that changes have already been made to project management processes, organisational performance reporting and the procurement policy as a result of the learnings from the Alliance and the complex capital delivery environment.

**Table 1 Short Term Recommendations of the ‘Independent Lessons-Learnt Review of Whakatipu Transport Programme Alliance’**

Lessons Learnt	Action Taken (A) Recommendation (R) <sup>1</sup>
<p><b>st1 That the Council’s Infrastructure Committee be delegated oversight for remainder of the Arterial Project and a risk dashboard be reported to its regular meetings</b></p>	<p>(A) Council now receives quarterly reports as part of the CE report to Council meeting on progress of the Arterial project, in terms of timeframes, expected cost to complete and emerging risks. The first update was presented to the 19 September 2024 Council meeting.</p> <p>(A) The Mayor and Chair of the Infrastructure Committee meet with the Chairperson of the Alliance Board and relevant Board representatives on a regular basis alongside the Alliance board meeting.</p> <p>(A) Alliance board minutes from the start of the year have been made available to Councillors and arrangements are in place to provide confirmed minutes following each Alliance board meeting.</p> <p>(A) The level of reporting to Councillors has been increased with regular public Alliance reports being provided.</p> <p>(A) As part of a regular quarterly updates, there have been two information sharing briefings of Councillors via the Infrastructure Committee by the Alliance providing updates on progress on the NZ Upgrade Programme (BP intersection improvements) and the arterials programme progress.</p>
<p><b>st2 That the CE and GM Property and Infrastructure regularly review progress on the Arterial Project and budget and escalate to Council as appropriate</b></p>	<p>(A) The Chief Executive and General Manager Property &amp; Infrastructure meet regularly to review progress on the Arterial Project and budget. Risks are evaluated and escalate to Council as necessary.</p>
<p><b>st3 Refresh the Stakeholder and Engagement Plan and role of Community Liaison Group (CLG) and QLDC staff in communication and engagement for the remainder of Arterial and the NZUP projects</b></p>	<p>The Alliance workshopped in August with Councillors on the current actions being undertaken across the full spectrum of communication and stakeholder engagements. The focus is now on the remaining arterials activities as the work comes to an end, and communicating clearly the works still needed to be completed.</p> <p>The Alliance has increased the rate of public reporting (assisted by the more visible changes to the road as it nears physical completion).</p>

<sup>1</sup> (A) **Action:** This refers to something that is already in place, or processes that are currently underway in relation to implementation.

(R) **Recommendation:** Actions that have not yet been implemented and require additional planning, resources, or approval before they can be put into practice.

Lessons Learnt	Action Taken (A) Recommendation (R) <sup>1</sup>
	The Alliance has also undertaken to improve direct stakeholder and public reporting on the Frankton Intersection project.
<b>st4 Consider negotiating a risk sharing arrangement with NOPs for the remainder of the Arterial project where there is enough time to make a difference (e.g.: create a “risk pool” with some of the contingency budget to incentivise completion ahead of time and budget)</b>	<p>This recommendation was not agreed to. The Council had already increased funding to achieve the current timelines and there have been sufficient funds provided to complete the works. Remaining within the set budget is a priority as the construction nears completion.</p> <p>The other partners are already well incentivised to complete the work so that they can move on from their current pain sharing position and therefore no additional risk sharing arrangement was considered appropriate.</p>
<b>st5 Review the handover and practical completion process for the Arterial drawing on lesson learnt from the Town Centre project.</b>	(R) QLDC and the Alliance are updating the handover and practical completion processes to ensure earlier assurances that they are fit for purpose and more timely production of final documentation, approval and acceptance.

**Table 2 Long Term Recommendations of the ‘Independent Lessons-Learnt Review of Whakatipu Transport Programme Alliance’ and the implications for long term capital delivery**

Finding or Recommendation	Implications for long term capital delivery – questions/good practice considered during review and associated comments	Action Taken (A) Proposed Actions (PA) <sup>1</sup>
<p><b><i>It1 That governance arrangements at Council and senior management levels should better reflect the risk profile of large infrastructure projects, and ensure there is adequate capability to support it</i></b></p>	<p>What governance arrangements are implemented for significant/complex capital projects?</p> <p>How does programme/project governance interface and provide oversight to Management and Elected Members?</p> <p>Are Governance roles and responsibilities defined, documented and understood?</p> <p>How are tolerances defined, so that an exception can be forecast/understood?</p> <p>Programmes and Projects should be governed and managed on an exceptions basis (as per PRINCE2®)</p>	<p>(A) Following a Property &amp; Infrastructure Directorate workforce review it was determined that the PMO Advisory Team would change reporting lines to become part of the Organisation Performance Team (within the Corporate Services Directorate). This change was (in part) to better align organisation-wide oversight of Portfolio, Programme and Project management practices with oversight of the development and monitoring of capital programme planning and delivery. Note that Council has a large contracting programme (outside of the Alliance model) which has successfully delivered community outcomes. There have been cost escalations across the whole infrastructure sector since COVID-19.</p> <p>(A) Monthly and quarterly reporting on Council’s LTP Capital Projects - Post the adoption of the LTP, the detail and content of project reporting and capital delivery reporting has been reviewed, incorporating input from Councillors. This will see an update to the Key Priorities section of the reports from October 2024. These reports will be public and made available on Council’s website (as they are now).</p> <p>(R) As part of the ongoing P3M3 roadmap, a review of current Project Governance Frameworks should be undertaken to</p>

Finding or Recommendation	Implications for long term capital delivery – questions/good practice considered during review and associated comments	Action Taken (A) Proposed Actions (PA) <sup>1</sup>
	and MSP <sup>®2</sup> Principle ‘Manage by Exception’ and in accordance with QLDC’s Project Management Method).	ensure they are fit for purpose. A ‘health check’ is currently proposed and the scope of that ‘health check’ should be reviewed against the recommendations in this report.  P3M3 is a maturity model that measures an organisation’s capability with regard to its portfolio programme and project management practices.
<p><b><i>It2 Council’s Audit and Risk or Infrastructure Committees could be delegated an oversight role for such large and complex investment programmes which are above and beyond business as usual</i></b></p>		Improved organisational performance reporting has been occurring to Council and the Infrastructure Programme report is also now being reported to the Infrastructure Committee
<p><b><i>It3 That the CE and GM Property and Infrastructure regularly review progress on the programme and budget for such projects and escalate to Council as appropriate</i></b></p>		(A) Regular reporting on the progress of the Capital Portfolio is occurring and reporting to Council will be ‘by exception’ in accordance with the approved Governance and Management models (refer response to Lt1).
<p><b><i>It4 That for large and complex work programmes reporting</i></b></p>	Risk Management Practices and oversight need to be clearly defined	(A)The PMO Advisory Team and Risk & Compliance Team will be implementing a solution to link Programme and Project

<sup>2</sup> PRINCE2<sup>®</sup> (Projects IN Controlled Environments) is a project management method widely recognised and used around the world and the basis of QLDC’s Project Management Method. MSP<sup>®</sup> (Managing Successful Programmes) is a framework designed to help organizations manage and deliver complex programs effectively. Both PRINCE2<sup>®</sup> and MSP<sup>®</sup> form part of the Axelos suite. Axelos a joint venture company created in 2013 by the Cabinet Office on behalf of Her Majesty’s Government (HMG) in the United Kingdom and Capita plc (CPI.L) and was acquired by PeopleCert in 2021.



Finding or Recommendation	Implications for long term capital delivery – questions/good practice considered during review and associated comments	Action Taken (A) Proposed Actions (PA) <sup>1</sup>
<p><b><i>systems to CE be put in place to ensure risks are understood, there are no surprises and appropriate mitigations are applied in a timely way. This could usefully be presented as a monthly risk dashboard and presented to Council as appropriate.</i></b></p>	<p>for large and complex work programmes. Programmes and Projects should be governed and managed on an exceptions basis (as per PRINCE2® and MSP® Principle ‘Manage by Exception’) and risk tolerances need to be defined. The implications of Programme and Project risks to wider organisational objectives need to be understood and escalated based on agreed tolerances.</p>	<p>Risk (within our Project Management Systems Sentient) with our organisational-wide Risk Register Dashboard (which can be viewed by the CE and all employees). In the interim, Programme and Project risks will be reported regularly to ELT and escalated to Council as appropriate (refer response to It3). Significant changes in the organisational risk profiles are reported quarterly to the AFRC.</p>
<p><b><i>It5 That, for transparency on major high-risk projects, the CE report back to Council on the outcome of the procurement plan process (including pros and cons of option and rationale for preferring an Alliance)</i></b></p>	<p>Procurement Planning processes must be in accordance with the Procurement Policy.</p>	<p>(A) The Procurement Policy allows procurement plans to be approved under delegation. Significant/complex projects already require Procurement Plans to be approved by Council (based on \$value). For several recent Procurement Plans, Council has considered the approach to procurement proposed and delegated the authority to the CE to approve the Procurement Plan. A Procurement Plan must consider risks associated with the proposed procurement method and be supported by a Business Case. Where Council has delegated the approval of Procurement Plans to the CE, the outcome of procurement processes has been reported back to Council. It is intended that this practice continues (and is consistent with the Procurement Policy). The lessons learnt from this Alliance model will inform any future selection of models that might be considered.</p>

Finding or Recommendation	Implications for long term capital delivery – questions/good practice considered during review and associated comments	Action Taken (A) Proposed Actions (PA) <sup>1</sup>
<p><b><i>It6 That governance and decision making within QLDC needs to be adapted and resourced to suit an Alliance. In particular, it should be clear how it integrates with business-as-usual project oversight, budget control, and is to be synced with Alliance decision making. An internal oversight group to support the GM Property and Infrastructure should be considered.</i></b></p>	<p>This recommendation is specific to an Alliance, although recognises the relationship with broader capital delivery.</p>	<p>There is a PMO Advisory Team that could provide this oversight if in the future an Alliance model is selected.</p>
<p><b><i>It7 There needs to be greater incentive on the owners to work together and share their expertise and experience on all the projects (not just their own), perhaps some owner pain/gain sharing across the whole programme could be included in the future.</i></b></p>	<p>This recommendation is specific to the Alliance.</p>	<p>This would be appropriate to consider should a future Alliance model be proposed for the delivery of a significantly large Council or joint Council/Government project.</p>
<p><b><i>It8 That greater effort needs to go into ensuring Councillors and key Council staff fully understand the Alliance model and how to implement it</i></b></p>	<p>This recommendation is specific to the Alliance.</p>	<p>Further education and workshop sessions have been held with Councillors on the general alliance makeup and arrangements as part of the improved reporting that has been undertaken since the Lessons Learnt report outlined above.</p>

Finding or Recommendation	Implications for long term capital delivery – questions/good practice considered during review and associated comments	Action Taken (A) Proposed Actions (PA) <sup>1</sup>
<p><i>successfully. This up-skilling should include understanding how various scenarios could play out (e.g., the exhausting of pain/gain) and formal mentoring or capability building of staff (e.g.: experiencing other Alliances in practice).</i></p>		<p>This would also be appropriate to consider more extensively should a new of bespoke model be proposed for the future delivery of a significantly large Council or joint Council/ Government project.</p>
<p><i>It9 That any future Alliance agreement consider what happens when pain (Limb3) exceeds the overheads and profit margin (Limb2) and there is no longer risk sharing incentives on NOPs – perhaps some residual risk sharing arrangement could be developed</i></p>	<p>This recommendation is specific to an Alliance model and must be considered for any future Alliance model proposed.</p>	<p>(R) Record lessons and maintain for any future proposed Alliance.</p>
<p><i>It10 That for major and high-risk projects QLDC agree how the Alliance provides QLDC staff decision makers with early heads-up on cost any major cost escalation, options to keep within budget, and the benefits as well as costs of such options</i></p>	<p>This recommendation is specific to an Alliance model and must be considered for any future Alliance model proposed.</p>	<p>There have been improvements made to the monthly organisational performance reporting which includes major and high-risk projects.</p>

Finding or Recommendation	Implications for long term capital delivery – questions/good practice considered during review and associated comments	Action Taken (A) Proposed Actions (PA) <sup>1</sup>
<p><i>- such reporting would enable the CE to escalated significant issues in a timely way to the Council</i></p>		
<p><b><i>It11 That both the QLDC senior management and Alliance Board prioritise management of their key person and recruitment risks throughout the project – this could include a risk register of critical personal and the development of a workforce plan to endure the recruitment and retention of the right capability.</i></b></p>	<p>This recommendation is specific to an Alliance.</p>	<p>Although this would be appropriate to consider should a future Alliance model be proposed for the delivery of a significantly large Council or joint Council/Government project, it is an action that is already being undertaken in the management of the current Alliance projects and there is a requirement in our Procurement Policy.</p>

14. This report identifies and assesses the following reasonably practicable options for assessing the matter as required by section 77 of the Local Government Act 2002.
15. If Council does not agree with the actions and proposed actions by the CE to implement the recommendations provided in the Lessons Learnt report, then Council can direct the CE to implement alternative and/or additional actions.

#### Consultation Process | Hātepe Matapaki

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#### Significance and Engagement | Te Whakamahi I kā Whakaaro Hiraka

16. This matter is of medium significance, as determined by reference to the Council's Significance and Engagement Policy 2024 because it relates to a significant undertaking for the Council delivering capital projects over the term of the Long Term Plan 2024-2034, with associated community interest, and is related to Council's capability and capacity.
17. The persons who are affected by or interested in this matter are the wider community who experience the disruptive impact of the delivery of capital investment but also its positive benefit when completed.
18. The Council has consulted on the 2024-34 LTP and will consult on Annual Plans. The Council will continue to inform the community on the delivery of its capital programme.

#### Māori Consultation | Iwi Rūnaka

19. As the significance of this matter is moderate and related to operational matters, no consultation with the community or local iwi is required.

#### Risk and Mitigations | Kā Raru Tūpono me kā Whakamaurutaka

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20. This matter relates to the Financial risk category. It is associated with RISK10013 Unexpected change in cost or funding within the QLDC Risk Register. This risk has been assessed as having a very high residual risk rating.
21. The approval of the recommended option will allow Council to implement additional controls for this risk. This will be achieved by considering and implementing the recommendations that will mitigate risks regarding capital delivery.

#### Financial Implications | Kā Riteka ā-Pūtea

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22. There are no financial implications arising specifically from this report however the matter relates to assurance of capital expenditure. Financial reporting of QLDC's capital programme is provided regularly to the Audit, Finance and Risk Committee and Council separately.

### Council Effects and Views | Kā Whakaaweawe me kā Tirohaka a te Kaunihera

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23. The following Council policies, strategies and bylaws were considered:
- Our Vision and Mission - QLDC – considered during risk identification, analysis, evaluation and treatment planning.
  - QLDC Risk Management Policy
  - QLDC 2024-34 LTP
  - 30 Year Infrastructure Strategy
24. The recommended option is consistent with the principles set out in the Risk Management Policy.
25. This matter supports the Long Term/Annual Plans through ensuring that effective mitigations are in place that support risks that could impact plan objectives.

### Local Government Act 2002 Purpose Provisions | Te Whakatureture 2002 o te Kāwanataka ā-Kiaka

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26. Section 10 of the Local Government Act 2002 states the purpose of local government is (a) to enable democratic local decision-making and action by, and on behalf of, communities; and (b) to promote the social, economic, environmental, and cultural well-being of communities in the present and for the future, by providing a Risk Management Framework that supports QLDC in achieving its strategic and operational objectives. As such, the recommendation in this report is appropriate and within the ambit of Section 10 of the Act.
27. The recommended option:
- Can be implemented through current funding under the Long Term Plan;
  - Is consistent with the Council's plans and policies; and
  - Would not significantly alter the intended level of service provision for any significant activity undertaken by or on behalf of the Council or transfer the ownership or control of a strategic asset to or from the Council.

### Attachments | Kā Tāpirihaka

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A	Independent Lessons-Learnt Review of Whakatipu Transport Programme Alliance
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