

**Full Council**

**17 April 2025**

**Report for Agenda Item | Rīpoata moto e Rāraki take [7]**

**Department: Property & Infrastructure**

**Title | Taitara: Alliance Delivered Projects – Annual Status Report**

**Purpose of the Report | Te Take mō te Pūroko**

The purpose of this report is to provide Council with an annual status update across the three Queenstown Lakes District Council (QLDC) projects being delivered by the Kā Huanui a Tāhuna, the Whakatipu Transport Programme Alliance.

**Public Excluded | Ārai te Iwi Whānui**

It is recommended that **Attachment A** to this report is considered while the public is excluded. This recommendation is made in reliance on section 48(1)(a) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by section 6 or section 7 of that Act which would be prejudiced by the holding of the whole or the relevant part of the proceedings of the meeting in public are as follows:

Section and Grounds	Reason for this recommendation
7(2)(i) to enable any local authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)	<p>The attachment to this report contains commercial, budgetary, legal and risk information. Withholding this information is necessary to protect the commercial positions and relationships of QLDC and its negotiations with the participants of Kā Huanui a Tāhuna, the Whakatipu Transport Programme Alliance, and owners of private property.</p> <p>While it is acknowledged that there is a strong public interest in the use of ratepayer funds, in this situation, the importance of withholding commercially sensitive information and protecting QLDC's commercial position, outweighs the release of such information.</p>

### Recommendation | Kā Tūtohuka

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That the Council:

1. **Note** the contents of this report; and
2. **Delegate** authority to the Mayor/Chief Executive to make a public statement about the report and attachment at an appropriate time.
3. **Authorise** the Chief Executive to make public Attachment A to this report once the relevant commercial issues have been resolved and at the latest, no later than three months after Final Completion of the Arterial project.

Prepared by:



**Name:** Geoff Mayman

**Title:** Commercial & Procurement Manager

31 March 2025

Reviewed and Authorised by:



**Name:** Tony Avery

**Title:** General Manager Property &  
Infrastructure

31 March 2025

### 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).
2. In August 2020 the Council entered into a funding agreement with Crown Infrastructure Partners (CIP) to fund the “shovel ready” projects. The Street Upgrades and Arterial were funded at \$35m and \$50m respectively. The agreement capped CIP funding at this amount, which means QLDC had 100% of the risk on any cost increases above CIP funding. There were also strict milestone requirements that needed to be met.
3. 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 Chief Executive.
4. In late 2020 the 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. There was one bid. The successful consortia (the Non-Owner Participants or NOPs), along with QLDC and NZTA (the Owner Participants or OPs), then collectively formed the Kā Huanui a Tāhuna the Whakatipu Transport Programme Alliance (the Alliance).
5. The initial Target Outturn Costs (TOC) for the QLDC projects were reconciled during 2021:
  - a) in June for Street Upgrades
  - b) July for Lakeview; and
  - c) September for the Arterial project.
6. The initial estimate for the Arterial project of \$66m used in the CIP bid was based off the business case. The TOC estimate by the Alliance was based on a 30% design and set at \$70.1m (\$5 million higher than the original estimate and reconciled with an Independent Estimator). On 28 October 2021, Council agreed to a total project budget of \$88.23 million. This was based on the negotiated TOC for the project of \$70.11 million, plus additional provisions for QLDC’s share of the Alliance’s management overheads and non-Alliance delivered project costs (e.g. land acquisition, independent advisory and project support services).
7. In the Arterial project, Council has subsequently agreed to additional budget increases to fund cost increases on two separate occasions: in April 2023 and February 2024:
  - a) 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;
  - b) February 2024 – a budget increase of \$17.65m for the Arterial Stage One project budget, establishing a revised total budget of \$128.02m.

8. There have also been delays in delivery of the projects when compared against the initial proposals: Street Upgrades (six months), Lakeview (seven months) and Arterial (ten months).
9. The Street Upgrade and Lakeview projects have achieved practical completion and are currently undergoing remediation of minor defects and completion of the quality assurance processes necessary to achieve final completion.
10. The Arterial project's Main Alignment (Frankton Road to Henry Street) opened to the public on 30 January 2025. The programme has construction completion of side roads, Lower Ballarat Stormwater and other construction works complete by the end of May 2025.
11. Noting the above delays and cost increases, in the 27 April 2023 Council meeting, Council resolved to direct the Chief Executive (CE) to undertake a lessons-learnt review of the performance of the Alliance. The CE commissioned Mr Dave Brash to undertake the review. He reported his findings in a workshop with Councillors on 21 May 2024, and this was subsequently presented in a report to Council at the 12 December 2024 meeting.
12. This annual report seeks to build on the recommendations of Mr Brash's lessons-learnt review and provide Council with an annual status update on the three QLDC projects being delivered by the Alliance.
13. Attachment A - Alliance Delivered Projects provides a more detailed Status Report by Project, including the delivery status, quality and project handover, financials and risk and should be referred to for further explanation. Performance of the projects can be summarised as follows:
  - a) Arterial project
    - i. Construction completion is programmed for May 2025
    - ii. Practical completion is programmed for July 2025
    - iii. Due to a number of proposed variations, there is a risk to the project remaining on track to be completed within the QLDC budget. The variations require further reconciliation and negotiation to confirm an outcome.
    - iv. Risks exist but are being managed
    - v. The quality close-out and handover processes are in progress.
  - b) Street Upgrades project
    - i. Practical completion was achieved in 2023
    - ii. Final completion is programmed to be staged over the second half of calendar year 2025
    - iii. The project remains on track to be completed within the QLDC budget
    - iv. Risks exist but are being managed
    - v. The quality close-out and handover processes are in progress.

- c) Lakeview project
  - i. Practical completion was achieved in 2024
  - ii. Final completion is programmed for March 2026
  - iii. Due to two variations, the project will exceed the QLDC budget. The variations require further reconciliation and negotiation to confirm an outcome.
  - iv. Risks exist but are being managed
  - v. The quality close-out and handover processes are in progress.

14. In addition, Attachment A covers a number of areas in QLDC's relationship with the New Zealand Transport Agency, QLDC's co-owner in the Alliance. NZTA is responsible for delivering the NZUP programme of works, which is now focused on State Highway 6 (SH6) at the BP and Howards Drive roundabouts. In the Alliance, this project is TOC4.

15. The NZTA points covered by the Attachment can be summarised as:

- a) A reconciliation of the jointly funded Management TOC is being progressed.
- b) NZTA is seeking a contribution from QLDC to fund components of the FIBHI project, which result from the Council's withdrawal from TOC5 (work initially scoped to provide Council 3 waters infrastructure upgrades). This has not been included in the financial forecast; and
- c) the opportunity to add scope to NZTA's TOC4 and have the Alliance install a large stormwater pipe across SH6 at an area between the Country Lane property and Hanson Road. This would connect QLDC's stormwater network from the northside of SH6 to the NZTA funded, newly constructed stormwater network on the south side of SH6.

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

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16. Options have not been presented as this report is intended for noting purposes only and no decisions are being sought. Any additional funding requirements will be subject to Council's reforecast processes, and if necessary, a report to Council.

#### **Consultation Process | Hātepe Matapaki**

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#### **Significance and Engagement | Te Whakamahi i kā Whakaaro Hiraka**

17. This matter is of medium significance, as determined by reference to the Council's Significance and Engagement Policy 2024 because the Alliance is a significant undertaking for the Council delivering significant capital projects, and in terms of the Arterial project, it still has approximately a year to go to fully close-out the quality assurance and handover processes.
18. The persons who are affected by or interested in this matter are the wider community as a whole given the disruptive impact of the Arterials during construction but also its positive benefit when completed.
19. The Council will continue to provide regular updates to the community on progress on the Arterial project and will ensure that NZTA has an active consultation programme in place for the BP and Howards Drive intersection upgrades.

### Māori Consultation | Iwi Rūnaka

20. The Council has not consulted with Iwi in the preparation of this report.

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

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21. 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.

22. Applying the Risk Management Policy specifically to this report and assuming the Likelihood is Likely and the Consequence is Moderate, the Residual Risk rating relating to this report is Moderate.

23. Approval of the recommendation will allow Council to retain the risk at its current level. This will be achieved by the increased reporting and transparency of the status of the Alliance projects.

### Financial Implications | Kā Riteka ā-Pūtea

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24. 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 both Council and the Audit, Finance & Risk Committee.

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

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25. The following Council policies, strategies and bylaws were considered:

- Our Vision and Mission - QLDC
- QLDC Risk Management Policy
- QLDC Long Term Plan 2024-34.

26. The recommendation is consistent with the principles set out in the Risk Management Policy.

27. This matter supports the Long Term/Annual Plans through ensuring that effective mitigations are in place that support risks that could impact plan objectives.

### Legal Considerations and Statutory Responsibilities | Ka Ture Whaiwhakaaro me kā Takohaka Waeture

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28. There are no legal considerations arising from accepting the report.

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

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29. 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.

30. The recommendation:

- Can be implemented through current funding under the Long Term Plan and Annual 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	Alliance Delivered Projects - Status Report by Project
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**Note that this part of the report is public excluded.**