

**QLDC Council  
31 January 2019**

**Report for Agenda Item: 2**

**Department: Property & Infrastructure**

**Governance Framework for the CAPEX 3 Waters Programme**

**Purpose**

The purpose of this report is to obtain approval of the CAPEX 3 Waters Programme Governance Framework and associated changes to the financial delegation of authority levels of the Chief Executive and Mayor.

**Recommendation**

That Council:

1. **Note** the contents of this report;
2. Approve the proposed CAPEX 3 Waters Programme Governance Framework and associated changes to the financial delegation of authority levels of the Chief Executive and Mayor.

Prepared by:



Name: Belinda Evert  
Title: Programme Manager

11/01/2019

Reviewed and Authorised by:



Name: Peter Hansby  
Title: General Manager,  
Property & Infrastructure

18/01/2019

**Background**

1. QLDC is planning to deliver significant capital infrastructure to address the significant and unprecedented population and tourism growth. The programme of delivery is almost three times bigger than any previous LTP.
2. The Independent Advisor (EY) to the Project Management Office (PMO) completed a review of the implementation of the CAPEX 3 Waters Programme and found the risks and issues for the programme to be well understood by the programme team and leadership and that there is a good delivery structure in place. EY found that there are no burning issues that suggest the timetable or route forward should be changed.

3. EY found however that there are a number of areas that need to be improved, clarified or documented, that will need to be addressed to avoid problems arising when delivering a number of major projects in Q2/Q3 2019. One recommendation was that a Governance Framework for the programme needed to be developed and adopted by the Council. The Independent Advisor's report was considered and accepted by the Audit, Finance and Risk Committee on 14 December 2018.
4. The 3 Waters CAPEX Programme is the platform that will deliver significant infrastructure to meet the LTP. The 3 Waters Programme, alone, is forecast to spend \$145 million in the next 3 years.
5. The complexity and scale of the programme has led to a bundled (grouping of projects) approach to take this work to market. In total there are 59 projects contained in 17 bundles of work.
6. The LTP and programme budgets within the plan have been approved by Council.
7. QLDC has approved the LTP and in doing so has given the Chief Executive (CE) a mandate to deliver on infrastructure projects, within approved budget.
8. Delegation of Council to the Chief Executive, as defined in limits and conditions, gives the power of the Chief Executive Officer together with the Mayor or Deputy Mayor to commit the Council to a transaction (or to terminate or vary any transaction) that is limited to a maximum of \$7,500,000 (Delegations Register for capital expenditure).
9. A transaction (including termination or variation of any transaction) must be for the efficient conduct of Council affairs, and be consistent with the Ten Year Plan and/or Annual Plan.
10. There are eight bundles of work that have a forecasted spend of over \$ 7,500,000 for the next 12 months of the LTP.

### **Comment**

### **Actions and Issues**

11. In line with the recommendations made by the 3 Waters Programme Independent Advisor (EY), the PMO has developed a Programme Governance Framework detailing the levels of authority and accountability for decision making. The PMO is looking to have this Governance Framework approved by the Council, given that it delegates responsibilities to a number of governance levels.

### **Budget Approval**

12. Due to the large value of many of the bundles as per the LTP budget, ranging from \$500,000 to \$21,500,000, eight bundles have a budget over \$7,500,000. \$7,500,000 is the authorised delegation that the Chief Executive Officer together with the Mayor or Deputy Mayor can commit on behalf of the Council, any amount higher than this figure needs to be considered by Council for approval. It is therefore estimated that the PMO will need to present to Council eight times over the next 12 months.

13. The budget for the 3 Waters Capex Programme has already been approved in the LTP budget and any variances of budget from that in the LTP are managed periodically through the reforecast process that is considered by Council. Given the approach to 'bundling' projects for the 3 Waters Programme, total contract values will exceed current Chief Executive and Mayoral delegation, requiring regular Council approval. To ensure that approval for contract commitments are timely, it is proposed that the relevant delegations of the Chief Executive and Mayor are amended to reflect the approved LTP budget for the 3 Waters Capex Programme.

## Options

14. Option 1 Adopt the proposed Governance Framework but maintain the existing financial delegation for the Chief Executive together with the Mayor or Deputy Mayor.

### *Advantages:*

15. Standardisation of governance across the programme

### *Disadvantages:*

16. The need to attend full Council meetings each and every time approval to proceed with works related to bundles with a capital spend over \$7,500,000, is required.
17. Potential delay in delivery of programme due to timing of Full Council meetings.

Option 2 Adopt the proposed Governance Structure and permit, in the case of other transactions the power of, the Chief Executive Officer together with the Mayor or Deputy Mayor to commit the Council to a transaction (or to terminate or vary any transaction) limit that is within the approved budget of the LTP, per bundle, for the 3 Waters Programme.

### *Advantages:*

18. Standardisation of governance across the programme
19. No need to attend Full Council meeting to obtain approval for commitments to spend against an already approved budget
20. Limit delays on the delivery of the 3 Waters Programme due to efficient approval process

### *Disadvantages:*

21. Reduced financial oversight by Council before LTP funds are committed for the delivery of 'bundled' projects within the 3 Waters Programme

Option 3 Reject both the proposed Governance Structure and changes to the financial delegation for the Chief Executive together with the Mayor or Deputy Mayor.

*Advantages:*

22. None

*Disadvantages:*

23. No Governance framework guiding the programme

24. The need to attend full Council meetings each and every time approval to proceed with works related to bundles with a capital spend over \$7,500,000, is required.

25. Potential delay in delivery of programme due to timing of Full Council meetings

26. This report recommends **Option 2** for addressing the matter because the LTP budget has been previously approved and the 'bundled' approach to the 3 Waters Programme means that contract costs will frequently exceed the existing financial delegation of the Chief Executive. The frequent need to attend Council to approve the commitment of funds already approved through the LTP will cause inefficiency in the delivery of the 3 Waters Programme.

### **Significance and Engagement**

27. This matter is of low significance, as determined by reference to the Council's Significance and Engagement Policy because the budget has already been approved and the Community will not be affected. The decision does not relate to transfer or sale of shareholding of a strategic asset.

### **Risk**

28. This matter relates to the strategic risk SR6a: Assets critical to service delivery (infrastructure assets), as documented in the Council's risk register. The risk is classed as moderate. This matter relates to this risk because it has high financial value but low probability of negatively impacting the programme. The recommended option considered above mitigates the risk by treating the risk - putting measures in place which directly impact the risk.

### **Financial Implications**

29. There are no operational and capital expenditure requirements or other budget or cost implications resulting from the decision.

### **Council Policies, Strategies and Bylaws**

30. The recommended option is inconsistent with the principles set out in the Queenstown Lakes District Council Register of Delegations.

- a. The current policy under Delegation from Council to the Chief Executive Officer states, found in 1b, *In the case of other transactions the power of the Chief*

*Executive Officer together with the Mayor or Deputy Mayor to commit the Council to a transaction (or to terminate or vary any transaction) is limited to a maximum of \$7,500,000 for capital expenditure and a maximum of \$5,000,000.*

- b. The intention is to amend the policy or plan to accommodate the decision, as required by Section 80 of the Local Government Act 200, to include:

*1c: In the case of other transactions in relation to the CAPEX 3 Waters Programme, the power of the Chief Executive Officer together with the Mayor or Deputy Mayor to commit the Council to a transaction (or to terminate or vary any transaction) is limited to spend approved in the LTP budget.*

31. This matter is included in the 10-Year Plan/Annual Plan as it forms part of the Capex 3 Waters Programme.

### **Local Government Act 2002 Purpose Provisions**

32. The recommended option:

- Will help meet the current and future needs of communities for good-quality local infrastructure, local public services, and performance of regulatory functions in a way that is most cost-effective for households and businesses by delivery the 3 Water Programme as per the planned delivery schedule];
- Can be implemented through current funding under the 10-Year Plan and Annual Plan;
- Is consistent with the Council's plans and policies; and
- Would not alter significantly 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.

### **Consultation: Community Views and Preferences**

33. There is no consultation required as it is an operational decision and does not materially reduce a level of service.

### **Attachments**

- A Programme Governance: 3 Water CAPEX Programme Document