

# **APPENDIX 1**

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**KARORI WILDLIFE  
SANCTUARY TRUST  
VISITOR CENTRE  
PROJECT REVIEW 2008**

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**KARORI WILDLIFE SANCTUARY TRUST – VISITOR CENTRE PROJECT  
REVIEW**

## **Background**

The building of a Visitor Centre has always been a core part of the vision of the Karori Wildlife Sanctuary Trust (KWST).

In 2003 Council agreed in principle to be a partner with KWST in an estimated \$16 million project to build a Visitor Centre. In 2005 Council approved the business case for the Visitor Centre and an \$8m capital loan was approved, subject to remaining capital funding being obtained from other funders. At this time Council Officers advised the Strategy and Policy Committee that they considered cost overruns to be a minimal risk, given a 10% contingency allowed for in the project. The loan however, was made contingent on some changes to the Trust deed in Council's favour.

Background work started on the project in 2005. In May 2007 Significant Community Based Project funding was received from Government. In July 2007 a Steering Committee was established as a sub-committee of the Board of KWST to oversee the project.

The Draft Annual Planning process in May 2008 considered a request for an additional contingency loan of \$500,000 and transitional funding of \$1.3m. The additional transitional funding was to cover the operational costs of the delay in the project completion - and therefore delay in producing income - and the additional contingency loan was to cover costs of solutions for geo-technic issues. This paper noted that the new current projected opening date of the Visitor Centre was October/November 2009. The Council declined to fund the additional \$500k sought at the time, but agreed to consider a request for additional loan funding once the final costs of the project were identified.

A paper was presented to the Strategy and Policy Committee of Council on 6<sup>th</sup> November 2008 requesting an additional \$2.5m loan and additional transitional funding of \$300,000 in 2009/10 and \$600,000 in 10/11 due to a delay in the scheduled opening of the Visitor Centre to 2010. An additional loan of \$1.9m was granted, with KWST to seek the remainder through a Lotteries grant.

There have been a number of questions raised with respect to this most recent request for additional funding. In particular, what the contributing factors to the delay, and therefore additional costs, have been. I have been asked to carryout an independent review and have identified a number of potential issues below.

I have had free access to information including, but not limited to, Steering Group minutes, Board minutes, correspondence, reports etc. The Trust Chair and Chief Executive and Council Officers have all been generous with their time.

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## **General Management of the project**

The review of the 2005 business case by Council Officers did not identify the need for any conditions in the way the Trust should manage the project – this was left to the Trust. Only an initial project plan (submitted as part of the funding deed) was agreed by Council Officers.

KWST believe that the Visitor Centre is a key requirement for the vision of the Trust to be achieved. The Trust Board and staff are totally committed to the achievement of this project. However, the size and complexity of the project is beyond the capacity and capability of the Trust and they have endeavoured to manage this in two ways:-

- the Trust set up a Steering Committee to oversee the project. This Steering Committee has a number of members, which includes the Chair and CEO of the Trust and has also included two Officers of Council (Officers of the Council Controlled Organisations Group), who along with other members have made decisions relating to the project to date.

- external experts have been employed, including project management.

## **Project Progress 2005 -2007**

Work started on the project immediately following Council approval of the loan. The first item of work was to gain the additional funding required. The first application to Government through Significant Community Based Projects Fund was declined in 2006 but was subsequently granted in May 2007.

A Notified Resource Consent process was required. As early as June 2005, there were notes in Board minutes showing that Resource Consent application was lodged later than expected due to funding difficulties and that would impact on the opening date, delaying it from April 2007 until December 2007. A note in the July 2005 Board minutes show, as an update on the June meeting, that another year had been added to the expected opening date delaying it until mid 2008.

In July 2005 the project planned to lodge the Resource Consent in early September 2005 with an anticipated decision date of mid December - approximately a three-month period. The consent was lodged at the end November/December 2005 and was granted in May 2006. Historic Places Trust (HPT) objected to the consent but did not appeal.

## **Procurement Strategy**

The Trust adopted a 'procurement strategy' in July 2007 based on a new project timeline for the completion of the project that noted any delay would cost money.

This strategy, with its attendant risks, was adopted although the Trust already had experience (namely gaining the Resource Consent) that the types of processes required for the next critical stage had taken a great deal more time than expected. It was, therefore, a high-risk strategy.

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There are other strategies that could have been employed. Another strategy would have been to do all the work up to completion of consents and compliance work, re-estimate costs and allow Council a decision to proceed or not based on that report, with a 'fixed-price' contract following that decision. Council may wish to consider this type of strategy for future works projects. Council would need to understand the implication of these various strategies in terms of risks and costs.

This procurement strategy placed the Trust under enormous time pressure if costs were to be kept in line with the business case and transitional funding costs to Council were to be minimised. Comments have been made about delays in process and this is discussed later in the report.

## **Project Progress July 2007 – November 2008**

Adequate time allowance was built into the project for the processes themselves but not for much delay. Consent and compliance processes did take much longer than anticipated in the project plan and, as an example, by October 2007 the first major delay in HPT granting the Archaeological Consent (6 months rather than 3 months) was advised to the Steering Committee.

The Board minutes of August 2007 note, in regard to budget planning, that discussion is to continue with Council Officers regarding additional transitional funding required because of the delay in opening. In November it was known that there was an \$800,000 cost overrun and a paper was proposed for Council for February.

Issues are recorded in the Steering Group meetings minutes about time and costs delays and the need to inform Council. There is nothing that suggests the original procurement strategy, which was time dependent, should be reviewed. This would have involved rethinking the strategy being used (as opposed to stopping the project) and approaching Council on that basis.

By March 2008 it is known that the solutions to the geo-technic issues identified will require additional funding. A paper went from KWST to Council in March 2008. Council considered this paper in May 2008 agreed to make adjustments to the Draft Annual Plan projections.

In April the Steering Group minutes note that a case can't be made to Council until all costs are known, and that the project should carry on meanwhile.

A contract was let with Fletchers in May 2008. The letting of a contract for the building works was the next step in the project. Undoubtedly the Trust wanted to be ready to start work immediately the consent and compliance processes were finished. There was also pre-building work to shift the existing visitor centre and the perimeter fence, both needed to be complete before ground work for the new site could commence. It was however, also an optimistic move hoping to keep the project moving. The Trust knew would require additional loans for the project and that the consent and compliance processes were not complete at this time.

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A paper requesting additional funding to finish the project was finally presented to Council in November 2008.

## **Cost of Consultancy July 2007 – October 2008**

KWST have employed external experts, including project management, to provide assistance to the project. The costs of these experts are part of the costs of the project and were budgeted for. However, the reported costs of consultancy are considered by some to be very high. This view is possibly because the consultancy costs are thought to relate to the costs of pre-building works i.e. engineering and architectural work for the construction of the building only.

From July 2007 – October 2008 \$2.8 m has reportedly been spent on consultancy costs. The project costs can be further subdivided into construction works, rather than consultancy per se, and consultancy not related to the construction (although still part of the Visitor Centre project).

Approximately \$800,000 relates to preparation for construction works carried out onsite by Fletchers. The largest single component of the actual consultancy costs (approximately \$345,000) do not relate to the building work but to exhibition design.

Nevertheless, because of the amount of work required for the pre-consent, consent and compliance works consultancy costs, including project management, are running above budget.

Even had there been a different strategy employed for the project, where a 'fixed price' contract for the building works could have been sought, approximately \$1.7m would still have been spent on consultancy costs for the building only to this point.

## **Geo-technic issues**

Significant additional costs have come from finding solutions to the geo-technic issues. The Trust had two opinions regarding geotechnic/engineering requirements. First from Beca, the Trust felt this report was too conservative in approach and would incur additional unbudgeted costs. They then sought another opinion from Tonkin and Taylor. The solution put forward was an agreed solution between Beca and Tonkin and Taylor.

In the Building consent process; Council also employed experts to assist them. Again there was disagreement and additional costs related to finding an acceptable solution for Council.

Councillors have asked how long it has been known there were likely to be issues. The Trust has known there would be issues with the dam and hazard zones since August 2007. There is an issue regarding the ground conditions of the hillside identified during geo-technic studies noted in the December 2007 Board minutes. These minutes note that the Chair was confident it would be resolved with little time and cost problems.

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## Consent and Compliance Processes

The project plan and budgets are contingent on meeting the planned timeline. Consent and compliance processes did take longer than planned for. The Building Consent process did take longer than the standard time.

Consent and compliance issues were primarily around 2 significant points – heritage and geo-technic issues. As time delays were the most significant driver for the cost of the project the strategy the Trust has employed has been to keep pressure on to try and move the processes along, finally escalating them within Council in September 2008.

Consent and compliance processes are difficult for people to understand who are not familiar with them. Building Consents have a standard of 20 working days for completion (approximately 1 month elapsed time). Notified Resource Consents do not have a standard timeframe although the WCC website says “for notified applications, a decision will *usually* (author’s emphasis) be issued within 70 working days from when the application is received”. Resource compliance processes have no standard timeframe.

There are misperceptions about time for consents – for example the standard timeframe for building consents. Whenever a query is raised the ‘clock stops’ on the process until they have been answered.

With regard to the Resource Consent, the consent was granted with significant conditions and people don’t necessarily realise that one sentence in a resource consent condition, such as “a heritage and conservation management plan are to be submitted and approved by Council,” will require considerable work. This work significantly extended the timeframes.

The building consent and resource compliance processes also ultimately give all the power to Council. Until Council signs off on the proposed plans the applicant cannot proceed. This is something that developers have complained about over the years, as from their viewpoint, they feel they are stuck until they agree with Council, even where they do not agree.

For large and complex projects it is usual for the developer to employ experts such as engineers, architects etc to assist in design work for consent processes. Council also employs their own experts, either internally or externally as the need arises. In this case, for example, Council has used its own heritage advisor and used external people to review the geo-technic issues. In many cases experts do not agree with one another. In most cases Council will prefer the advice of their own experts.

Council Officers engaged in the consents and compliance processes see themselves as advisors to the process, advisors to Council and facilitators of the process. Internal

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Council experts also have other work to complete which may hold them up. External experts sometimes can't start immediately.

Where experts do not agree and conflict arises so that the process becomes stagnant Consent and Compliance Officers attempt to get agreement on solutions to issues to unblock the process. Another strategy that Officers may employ to try and move these processes along for KWST is to break the building consent and resource compliance requirements into stages so that work can be started without completing all requirements.

This project has had all of the issues above which has meant that timeframes have been considerably extended and with them costs. As an example, KWST project management allowed six weeks in total for building consents for enabling works. The consent was lodged on 31<sup>st</sup> March 2008 and stage 1 consents were approved on the 12<sup>th</sup> August 2008, an elapsed time of four and a half months.

The resource compliance requirements are due to be signed off, the heritage and conservation management plan is the last item to be confirmed.

Applicants can have pre-consent meetings with Council to assist in making sure that their plans will contain enough detail etc to move as quickly as possible through processes. There is some evidence that these occurred for Resource Consent but not for Building Consent.

There is no answer that will stop experts from disagreeing with one another. Council can only look to its own processes and manage those as well as possible. Projects like this one are business as usual for Council, neither the dollar value nor the complexity of the project are particularly unusual. Currently there is no 'automatic' signal where a problem might be expensive for Council. A system of providing alerts for projects that are critical to the City and Council needs to be investigated. For example, an alert could be built into the Building Consent process at say, standard time plus 10 days. There are some other improvements that might be considered. One possible improvement might be to review the consent and compliance teams to establish whether a 'major projects team' staffed with senior resources, including involvement of management, are in place.

Where Council is the primary or only funder of a major project it would be safer to place some conditions on the funding. For example, a requirement for pre-consent meetings, a particular procurement methodology to be used etc.

## **Governance**

Although a Steering Committee was established as a sub-Committee of the Board to manage the project, the accountability for the project still sits with Board.

Lack of accountability and liability for underperformance against funding provided by Council is not a KWST issue alone. Additional knowledge and skills for Boards may be considered necessary for the future when a large, complex project such as the Visitor Centre is undertaken by any Trust.



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One possible approach is to consider whether volunteer Boards provide the governance experience required for Council Owned Organisations, both initially and at various stages of their life. Fewer Boards with greater skills might be preferable. If that was considered to be the correct approach then it would be possible to amalgamate some of the Boards, for example KWST could be amalgamated with the Zoo Board.

How these issues relate to good governance should be examined for all Council Owned Organisations before acting, as solutions identified for one Board can be used for others.

With relation to the involvement of the Council Controlled Organisations group as part of a steering committee for a Trust project, this should not be repeated. The Trust may assume 'Council' agrees/approves decisions taken because of the presence of Council Officers even though this is not the case.

## **Summary**

The procurement strategy itself was, and is still, a high-risk strategy. One of the problems in adopting this strategy is that when difficulties in staying within timeframes arise it sometimes cannot be managed because they are in areas outside the control of the Trust. While to date the difficulties have been preparation of consents and approval processes, it could just as easily be something like unseasonable weather causing delays. The accountability for the cost overruns must sit with the Board. The procurement strategy used by the Trust was a high-risk strategy; it allowed no room for any time delay without adversely affecting the project budget and transitional costs to Council.

The Trust has worked extremely hard to try and make the procurement strategy successful. The main time and cost delays to date have come from consent and compliance processes – not all with Council. Experts have had to find solutions to issues raised during these processes and they have not been easily reached.

When Council advances funding for large, complex projects such as the Visitor Centre it bears all the financial risks of underperformance. For Council to protect itself better against bearing all of those risks, it needs to consider how projects should be managed and the caveats that should be put around project funding (bearing in mind the different risks/costs of different strategies).

Council processes and systems to manage consent and compliance projects for projects that are critical to the City need to be examined. A system of identifying extended timeframes and assisting progress if required needs to be implemented.

## **Recommendations**

Council is keen to use this project to learn from lessons and implement solutions that will assist in the future. Below are some recommendations arising from issues identified during the review.

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- Devise a system to identify extended timeframes in consent and compliance processes for 'critical' projects.
- Investigate the possibility of a senior 'mediation' role within Council to assist consent and compliance processes where required.
- Implement 'major projects' teams within consent and compliance areas resourced with senior staff and management.
- Review and recommend a suite of caveats for Council funded external projects for example requirement for pre-consent meetings; the procurement methodology to be used etc.
- Review governance arrangements for Council Owned Organisations with regard to accountability and liability and a view to providing better results for Council.