

Large Scale Projects Programme Governance Board

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Business Group:	Urban Development and Delivery
Title:	PIRITAHU – ALLIANCE CIVIL ALLIANCE PROGRAMME AGREEMENT EXTENSION

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Purpose

1. This paper seeks endorsement to progress with the recommended approach of sole source extension of the Alliance Civil Alliance Programme Agreement (ACAPA), which has a completion date of 6 December 2023.

Recommendations

2. It is recommended that the Large Scale Projects Programme Governance Board:
 - a) **note** that Kāinga Ora needs to consider the procurement approach at this early stage to provide certainty to the Piritahi Alliance Participants;
 - b) **note** that a plan to improve the alliance performance has commenced. Performance results will be required to justify the extension;
 - c) **note** the new Key Result Area (KRA) and Key Performance Indicator (KPI) Framework is designed to emphasise the required focus areas, align Piritahi with its Owner Participant, and improve the performance of the Alliance to the desired levels;
 - d) **note** there are three options that have been considered for this package of work;
 - e) **endorse** the sole source approach to extend the Alliance Civil Alliance Programme Agreement (ACAPA) for a further term of 3 years; and
 - f) **note** that the Sole Source Plan will be presented for endorsement by the PGB at the October meeting.

Background / Context

3. On 7 December 2018, the ACAPA was entered into for the purpose of forming the Piritahi Alliance to design and deliver civil infrastructure required for Kāinga Ora Large Scale Projects in Auckland.
4. The ACAPA has a term of 5 years from the commencement date. Being the date that the ACAPA was executed. Its completion date is 6 December 2023.
5. In accordance with clause 18.1(b) ACAPA, Kainga Ora as the Owner Participant may at its sole and absolute discretion, extend the completion date of the ACAPA.

6. The initial focus for the Alliance was “Scale and Pace’. To date the Alliance has delivered approximately \$500m worth of infrastructure and has enabled over 2000 homes.
7. While a significant amount of infrastructure has been delivered over the last 4 years, little focus has been spent on embedding the alliance principles and developing effective processes and systems.
8. As a result, programme and cost performance has not been at a level that meet Kāinga Ora’s expectations.
9. Late 2021, BRS Consulting was engaged by the Alliance to assist with providing Alliance 101 training for the team, help develop a high performance plan and provide leadership coaching for the AMT.
10. Further to the above the following items have been undertaken:
 - Appointment of a new Chair for the Programme Alliance Board (PAB).
 - Establishment of the Owner Interface Management Team.
 - Independent Health Check Report of the Alliance Leadership and structure.
 - Development of a new Alliance Charter.
 - Introduction of the KRA and KPI Framework.
11. The above is expected to be the catalyst to improve performance of the Alliance and deliver on Kāinga Ora’s expectations.
12. The BRS Health Check Report provided a number of recommendations, one being that with the significant investment made to the Alliance and the participants’ willingness to improve its performance, the Non-Owner Participants (NOPs) be given the opportunity to provide a proposal for the contract extension through a sole source approach.
13. The UDD team agree with the recommendation and therefore seek approval from the PGB to undertake a process to extend the ACAPA completion date for a further term of 3 years should the sole source approach give sufficient confidence to Kainga Ora representatives.

Discussion

14. The recent LSP approvals allow us to plan more holistically which has improved our ability to brief and provide certainty of forward work.

15. The following three options have been considered to move forward with:

Option	Benefits	Risk
Extend the ACAPA through sole source procurement	<ul style="list-style-type: none"> ▪ Alliance Participants are well established. ▪ Continues risk sharing model ▪ Cost effective procurement approach. ▪ Provides opportunity to implement lessons learned. ▪ Continues development of tier two contractors in the industry 	<ul style="list-style-type: none"> ▪ No price tension. ▪ Current performance issues have the potential to continue. ▪ Alliance participants do not have the capability and systems that a Tier 1 contractor would provide. ▪ Kāinga Ora enters obligations under the contract, such as supplying particular resources
Procure new Alliance Participants	<ul style="list-style-type: none"> ▪ Competitive price range ▪ Opportunity to utilise tier 1 contractors with greater Alliance experience ▪ Establishment of new efficient systems. 	<ul style="list-style-type: none"> ▪ Delay to continuing delivery as a result of having to go to market and undertake an Interim Alliance Phase with new partners. ▪ Loss of motivation by existing team. ▪ Increase in cost to establish new alliance. ▪ Programme of work may not be attractive to Tier 1 contractors.

<p>Return to traditional delivery model</p>	<ul style="list-style-type: none"> ▪ Allows a potential return to the CCCS / 3910 traditional contracting model ▪ Kāinga Ora will have higher control of delivery and scope outcomes ▪ Lower Management / P & G Costs ▪ Potential cost savings in the long term 	<ul style="list-style-type: none"> ▪ Loss of progress over the last three years. ▪ Capacity of the existing market is constrained. ▪ Reputational fall out ▪ Loss of non-financial benefits and wider potential “value” outcomes (such as growth of future tier 1 contractors) <ul style="list-style-type: none"> ▪ Potential loss of current suppliers and established relationships ▪ Likely overall increased procurement costs ▪ Unable to deliver on SPE targets. ▪ Increased direct resource requirements for Kāinga Ora
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16. Due to the investment that has been made by Kāinga Ora and the effort that is being made by the Piritahi team to shift its direction to meet Kāinga Ora’s expectations, the opportunity of the wider “value” proposition, the preferred approach is to provide the opportunity to the existing participants to extend the ACAPA through a sole source approach.

Proposal

17. If the decision is made to progress with a sole source approach the following will be addressed with the existing participants:

- Adopt the recommendations from the BRS Health Check Report.

- Improve cost management and programme performance.
- Develop a Programme Total Outturn Cost (PTOC) that is considered reasonable in line with the value of forward workload.
- Review all Alliance Management Plans
- Review all Alliance Policies - Reference the National Alliancing Guidelines - National Guidelines for Infrastructure Project Delivery | Department of Infrastructure, Transport, Regional Development, Communications and the Arts
- Coaching support for new alliance management team members – 1:1
- Alliance culture building
- OIM/SME interface with Alliance – workshop – what good looks like
- Financial establishment audit – Limb 1, 2 and 3 – re-establish what you expect from NOPS – systems and processes, home organisation support
- Consideration of being able to leverage from a Tier 1 Contractor.
- Collaborative approach to developing a Proposal for the Alliance.
- Programme v Project costs – PTOC4 – further reset as part of the renewal.
- Risk Management including how risk is allocated between the Alliance and the Owner Participant.
- Review of the ACAPA

18. To provide the Alliance Participants with certainty within a reasonable timeframe, the following timeline will be set:

September 2022	Sole Source Approach Approved Engagement of BRS to assist with developing procurement plan
October 2022	Procurement plan Approved by PGB and endorsed by IDC
November 2022	Request for Proposal released to NOPS

January 2023	Contract negotiations commence with Alliance participants.
June 2023	Agreement on extension of ACAP
June 2023	New contract commences.

Operating Principles

19. This approach will be undertaken in accordance with Kāinga Ora operating principles as well as the industry standard Alliance Principles.

Risks and Mitigation

20. Key risks associated with this paper are that the NOPs may not wish to extend the ACAPA. To mitigate this risk Kāinga Ora will work collaboratively to develop the proposal for approval. Further risks are detailed in the Discussion section above.

Consultation

21. Consultation has been undertaken with UDD including the Infrastructure and Civil Construction, Commercial and Large Scale Project Team. Consultation was also undertaken as part of the Health Check Review of the Alliance which informed aspects of this paper.

Implications

Legal Implications

22. Legal advice and costs associated with reviewing the ACAPA and review of employment implications.

Financial Implications

23. Financial Implications of the preferred option are outlined below:

- BRS - Consulting advice on Alliance Sole Source Plan

- Legal Costs - contract extension agreement
- Internal UDD time and effort
- PAB & AMT time and effort

People and Resource Implication

24. Resourcing levels are not directly affected if the preferred approach is approved. However, if the ACAPA is not extended with the existing participants, Kāinga Ora resources will be affected as per the table in the Discussion section above.

Health and Safety

25. There are no health and safety implications to this paper

Communication and Engagement

26. No communication or engagement was required for this paper.

Treaty of Waitangi and Māori Outcomes Obligations

27. The Piritahi Alliance operates under the Te Haumi Manu Whenua Engagement Plan.

28. Other key Maori interests to note are the interest of the Piritahi Marae located in Waiheke. It has been brought to the attention of the Alliance Participants that no consultation was undertaken with senior leaders of the Piritahi Marae in relation to the use of 'Piritahi' as the name for the Alliance.

29. Piritahi Marae invited members of the Alliance to a Marae visit. The visit allowed Piritahi Marae to express their disappointment at the lack of consultation.

30. In response, the Alliance gave an apology and requested guidance on how the situation can be rectified. We are still awaiting a response.

Next Steps

31. Following endorsement by the PGB, the next steps will be undertaken:

- Request IDC approval of the decision.
- Engage BRS to assist with development of procurement plan.
- Complete review of ACAPA.
- Develop Sole Source Plan for endorsement by the PGB, and approval by IDC.

Referenced documents

32. The following documents are referenced with the drafting of this paper:

- BRS Health Check Review – 2022
- Piritahi Alliance Charter – 2022
- Piritahi KRA & KPI Framework 2022/23
- Owner Interface Management Plan.

Signature

s 9(2)(a)



Director – Infrastructure and Civil Construction