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**ORDINARY MEETING**

**OF**

**GOVERNANCE, FINANCE AND PLANNING COMMITTEE**

**SUPPLEMENTARY AGENDA**

**Time:** 9.15am  
**Date:** Thursday, 25 August 2016  
**Venue:** Committee Room 1  
Ground Floor, Council Offices  
101 Wakefield Street  
Wellington

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<b>Business</b>	<b>Page No.</b>
<b>2. General Business</b>	<b>3</b>
<b>2.1 2016/17 Capital and Operational Expenditure Review</b>	<b>3</b>

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## 2. General Business

### 2016/17 CAPITAL AND OPERATIONAL EXPENDITURE REVIEW

#### Purpose

1. This report is informing the Councillors of the under delivery of our 2015/16 capital programme and seeking approval to change 2016/17 funding for certain projects and programmes as outlined in the body of this report.

#### Summary

2. The 2015/16 Annual Plan budget plus Council agreed amendments resulted in a planned capital expenditure programme of \$197.4m, of which \$145.9m was delivered in the year, leaving \$51.5m of the capital programme underspent.
3. It is proposed that \$24.2m of the available underspend will be moved into 2016/17 and the remaining \$23.8m will be available in subsequent years. \$3.5m of the underspend relates to funding no longer required.
4. Officers do not expect that the projects relating to the remaining \$23.8m of unspent 2015/16 budget will be delivered in the 2016/17 year. Accordingly, this funding will not be assigned to a specific year, but identified as available for use when the planned projects are able to be completed.
5. This report also identifies a number of projects currently budgeted within the 2016/17 Annual Plan for which funding changes are proposed, either by moving existing funding between years, or seeking a funding increase (due to cost escalations or project scope changes).

#### Recommendations

That the Governance, Finance and Planning Committee:

1. Receive the information.
2. Note the 2015/16 capital programme underspends that will be carried forward and be available for spend in 2016/17 and in future years, as outlined in Table 1 below:

<b>Table 1: Carried forward budgeted capital expenditure</b>	<b>From 2015/16 to 2016/17</b>	<b>From 2015/16 to future years</b>	<b>Total 2015/16 carry-forwards</b>
<b>Activity Area</b>	<b>\$000s</b>	<b>\$000s</b>	<b>\$000s</b>
Governance	0	0	0
Environment	2,035	0	2,035
Economic development	749	0	749
Cultural wellbeing	103	0	103
Social and recreation	7,207	13,799	21,006
Urban development	5,154	6,631	11,785

Transport Council	2,087 6,824	3,408* 0	5,335 6,824
<b>Total carried forward budgeted capital expenditure</b>	<b>24,158</b>	<b>23,838</b>	<b>47,996</b>

3. Agree to recommend to Council that the funding changes to the projects and programmes outlined in Tables 2-4 of this agenda item.
4. Agree to recommend to Council the funding changes outlined in the Wellington City Urban Cycleways Programme Review and Refresh paper for project CX112, as outlined below:

<b>CX112</b>	<b>2015/16 \$000s</b>	<b>2016/17 \$000s</b>	<b>2017/18 \$000s</b>	<b>2018/19 \$000s</b>	<b>Total \$000s</b>
Current programme	\$5,672	\$7,522	\$21,316	\$2,738	\$37,249
Refreshed programme	\$3,288	\$6,108	\$13,908	\$11,560	\$34,864
2015/16 Carry-forward				\$2,384	\$2,384
<b>Total revised funding</b>	<b>\$3,288</b>	<b>\$6,108</b>	<b>\$13,908</b>	<b>\$13,945</b>	<b>\$37,249</b>

## Background

6. At the end of each financial year officers review completion of the capital work programme and assess the likely timeframe for delivery of projects budgeted for that year, but not yet delivered. This 'carry-forward' process allows budgets for subsequent years to be amended to reflect the projects and related funded that have been deferred.
7. Of the total \$197.4m capital programme budgeted for 2015/16 \$145.9m was delivered leaving \$51.5m of capital programme funding unspent.
8. The 2016/17 projects and programmes budgets were prepared and adopted for consultation in March 2016 and subsequently set and approved by Council on 29 June 2016 as part of the 2016/17 Annual Plan.
9. After the adoption of the 2016/17 Annual Plan, in a limited number of areas, there are project change requests creating preference to re-phase funding or to add to the 2016/17 funding for certain projects.

## Discussion

### 2015/16 Carry-forwards

10. Adding the full 2015/16 carry-forward of \$48.0m to the full work programme planned for 2016/17 of \$180.8m, would mean some projects would not be delivered in the 2016/17 year. Moving a portion of the available funding beyond 2016/17 will provide a better opportunity to deliver the planned 2016/17 capital programme.

<b>Proposed 2016/17 capital programme</b>	<b>2016/17 AP</b>	<b>1st Triennium 17/18 - 19/20</b>
<b>Description</b>	<b>\$000s</b>	<b>\$000s</b>
2016/17 Final Annual Plan budget	180,777	582,337

2015/16 capital carry-forward	24,158	23,678
2016/17 capital funding requests	3,055	0
2016/17 capital expenditure timing changes	(2)	1,152
<b>Proposed 2016/17 capital programme</b>	<b>207,988</b>	<b>607,167</b>

11. Any carry-forward moved out to subsequent years will not be assigned to a financial year but will be taken into account when planning for future Annual and Long-term Plans, aiming for optimised plans focused on full delivery of budgeted projects.
12. Moving this funding out to subsequent years will also allow delivery of a more realistic debt forecast in out-years.
13. The following table shows the 2015/16 carry-forwards that are proposed to be presented in the 2015/16 Annual Report. For more information please see Attachment 1.

<b>Table 1: Carried forward budgeted capital expenditure</b>	<b>From 2015/16 to 2016/17</b>	<b>From 2015/16 to future years</b>	<b>Total 2015/16 carry-forwards</b>
<b>Activity Area</b>	<b>\$000s</b>	<b>\$000s</b>	<b>\$000s</b>
Governance	0	0	0
Environment	2,035	0	2,035
Economic development	749	0	749
Cultural wellbeing	103	0	103
Social and recreation	7,207	13,799	21,006
Urban development	5,154	6,631	11,785
Transport	2,087	3,408*	5,335
Council	6,824	0	6,824
<b>Total carried forward budgeted capital expenditure</b>	<b>24,158</b>	<b>23,838</b>	<b>47,996</b>

\*\$2,348k of this is detailed in recommendation 4 of this paper.

#### **2016/17 Funding reprioritisation**

14. In addition to the consideration of carried forward capex, there are a number of projects currently budgeted within the 2016/17 Annual Plan for which funding changes are proposed, either moving existing funding between budget years or seeking a funding increase due to cost escalations or project scope changes. The proposed changes are categorised as follows;
15. **Additional capital expenditure funding requests** – funding changes are requested for the following capital projects due to cost escalations or project scope changes. For full details see Attachment 2. These changes will add an additional \$3.1m to the overall debt position. However, the 2016/17 closing borrowings is still forecast to be significantly lower than the 2015-25 Long-term Plan forecast debt position. See Attachment 2 for more details.

Table 2: Capital funding requests	Project	Project Name	2016/17 capital funding requests	2016/17 AP	2016/17 proposed
Activity Area			\$000s	\$000s	\$000s
Environment	CX033	Reserve purchases	160	0	160
Environment	CX348	Botanic Gardens	1,140	530	1,670
Social and recreation	CX507	Synthetic Turf Upgrades	1,400*	1,789	3,189
Social and recreation	CX369	Burial and cremations	80	316	396
Social and recreation	CX366	Pavilion upgrades	25	1,622	1,647
Urban development	CX406	Central City Framework	250	2,527	2,777
<b>Total capital funding requests</b>			<b>3,055</b>	<b>6,783</b>	<b>9,839</b>

\*Extra funding broken down as follows, \$600k from Council, \$800k from Wellington Hockey

16. **Additional operational funding request** - an operational funding increase of \$150,000, to top-up the funding allocated to the Lyall Bay Surf Lifesaving Club (LBSLC) building redevelopment to the level previously agreed by Council. Note that this funding was reprioritised in the 2016/17 Annual Plan, on the basis it would be made available if and when LBSLC met certain conditions. This will be funded through prior year surpluses in 2016/17.

Table 3: Operational funding requests	Project	Project Name	2016/17 operational funding request	2016/17 AP	2016/17 proposed
Activity Area			\$000s	\$000s	\$000s
Environment	C298	Coastal operations	150	1,229	1,379
<b>Total operational funding requests</b>			<b>150</b>	<b>1,229</b>	<b>1,379</b>

17. **Other capital expenditure timing changes** - funding changes are requested for the following capital projects due to project delays, for full details on the timing change requests see Attachment 2.

Table 4: Capital expenditure timing changes	Project	Project Name	2016/17 reprioritised spend	2016/17 AP	2016/17 proposed	1st Triennium 17/18 - 19/20
Activity Area			\$000s	\$000s	\$000s	\$000s
Environment	CX513	Water - Reservoir upgrades	500	353	853	3,528
Social and recreation	CX181	Playground Area upgrades	(172)	455	283	4,000

Social and recreation	CX366	Public Convenience and pavilions	(330)	1,622	1,292	1,268
<b>Total capital expenditure timing changes</b>			<b>(2)</b>	<b>2,430</b>	<b>2,428</b>	<b>8,797</b>

Item 2.1

### Attachments

Attachment 1. Carry-forwards summary

Page 8

Attachment 2. Funding reprioritisations

Page 9

Authors	Brendan Eckert, Team Leader Financial Planning Martin Read, Manager Financial Strategy and Planning Mark Shackleton, Financial Planning Analyst
Authoriser	Martin Read, Manager Financial Strategy and Planning Andy Matthews, Chief Financial Officer

Attachment 1:

Activity Area	Project	Project Name	Carry-forward requests to 2016/17 \$000s	Carry-forward requests to 1st Triennium \$000s
<b>Environment</b>				
Environment	CX084	Southern Landfill Improvement	545	0
Environment	CX151	Stormwater - Network renewals	600	0
Environment	CX340	Zoo upgrades	140	0
Environment	CX348	Botanic Garden	28	0
Environment	CX436	Parks Infrastructure	97	0
Environment	CX437	Town Belt & Reserves upgrades	20	0
Environment	CX510	Plimmer Bequest Project	605	0
<b>Total Environment</b>			<b>2,035</b>	<b>0</b>
<b>Economic Development</b>				
Economic Development	CX275	Wellington Venues renewals	749	0
<b>Total Economic Development</b>			<b>749</b>	<b>0</b>
<b>Cultural Wellbeing</b>				
Cultural Wellbeing	CX496	Cable Car Precinct	43	0
Cultural Wellbeing	CX497	Te ara o nga tupuna - Maori heritage trails	60	0
<b>Total Cultural Wellbeing</b>			<b>103</b>	<b>0</b>
<b>Social and Recreation</b>				
Social and Recreation				
Social and Recreation	CX059	Recreation Centre Renewal	14	0
Social and Recreation	CX269	Upgrade Computer Replacement	520	0
Social and Recreation	CX341	Marina renewals	36	0
Social and Recreation	CX345	Sportsfields upgrades	75	0
Social and Recreation	CX358	Branch Library upgrades	430	0
Social and Recreation	CX366	Public Convenience and pavilions	689	0
Social and Recreation	CX369	Burial & Cremations	300	0
Social and Recreation	CX370	Housing upgrades	0	13,799
Social and Recreation	CX371	Housing renewals	1,706	0
Social and Recreation	CX503	Basin Reserve	3,100	0
Social and Recreation	CX507	Synthetic Turf Sportsfields upgrades	337	0
<b>Total Social and Recreation</b>			<b>7,207</b>	<b>13,799</b>
<b>Urban Development</b>				
Urban Development	CX131	Wgtn Waterfront Development	0	2,644
Urban Development	CX406	Central City Framework	1,020	0
Urban Development	CX505	Earthquake Risk Mitigation	2,524	2,763
Urban Development	CX523	Waterfront Renewals	1,611	1,224
<b>Total Urban Development</b>			<b>5,154</b>	<b>6,631</b>
<b>Transport</b>				
Transport	CX088	Thin Aspalt Road Surface renewals	0	102
Transport	CX089	Reseals renewals	0	98
Transport	CX090	Preseal Preparation renewals	0	275
Transport	CX092	Shape & Camber Correction	0	422
Transport	CX093	Sumps Flood Mitigation Upgrade	50	0
Transport	CX094	Pedestrian Network Footpath renewals	309	0
Transport	CX095	Traffic & St Signs renewals	0	32
Transport	CX101	Service Lane Improvements	52	0
Transport	CX109	Pedestrian Network Accessways	0	46
Transport	CX112	Cycling Improvements	0	2,384
Transport	CX165	Tunnel and bridge improvements	904	0
Transport	CX319	Roadside Parking Improvements	60	0
Transport	CX350	Road Risk Mitigation	198	0
Transport	CX352	Fences & Guardrails renewals	0	39
Transport	CX383	Area Wide Road Maintenance	0	10
Transport	CX492	Bus Priority Planning	514	0
<b>Total Transport</b>			<b>2,087</b>	<b>3,408</b>
<b>Council</b>				
Council	CX010	Enterprise Applications	1,847	0
Council	CX245	Capital Replacement Fund	2,411	0
Council	CX426	Civic Property renewals	485	0
Council	CX501	Commercial Properties renewals	178	0
Council	CX528	Office Resilience and Efficiency	1,903	0
<b>Total Council</b>			<b>6,824</b>	<b>0</b>
<b>Total 2015/16 Carry-forwards</b>			<b>24,158</b>	<b>23,838</b>

**Attachment 2:**

Table no.	Project	Description	What	Why
2	CX033	Abel Smith Street Reserve Purchase	Land purchase	<p>Officers will be preparing a committee paper shortly seeking Councils approval to purchase surplus crown land adjoining Te Aro School. The land is former Town Belt. Previous consultation during the development of the Town Belt management Plan and subsequent management plan implementation policy has confirmed this area as a potential for future acquisition and addition to the Town Belt.</p> <p>Total 2016/17 funding request: \$160k</p>
2	CX348	Botanic Gardens "Children's Garden"	<p>Phase 1 funding shortfall</p> <p>Phase 2 additional funding required</p>	<p>Phase 1 of the Children's Garden is \$140k over budget. This is due to a required change in project scope for the engineering and design of retaining structures and the subsequent additional construction cost.</p> <p>The development of the Children's Garden was split into 2 phases to ensure access to some of the time-bound grant funding and enable more time for fundraising. A revised cost of the full build of the Garden has been quoted by contractors who are currently on site. If funding is not found before September 2016 there will be additional site establishment fees to get the contractors back. If \$1m of funding is not found by June 2017 the work will need to be re-tendered and or re-scoped and is likely to come in at a significantly higher cost.</p> <p>Working in partnership with the Friends of Wellington Botanic Gardens, a massive effort has gone into raising the additional funding. Successful applications to date are: Tamara Lagoda Bequest \$50k; Four Winds Trust \$15k; Marion Henderson Conservation Trust \$25k; Norwood Trust \$60k; Wellington Community Trust \$75k; Trust House (Mana) \$15k and public donations of \$18k. The key funding has come through the Plimmer Bequest at \$1.4m.</p> <p>The fundraising campaign for the last three years has focussed on finding key capital funders (either high net worth individuals or significant corporate sponsorship). While there has been many offers for materials and operational support, accessing significant capital funding has not been successful. Fully funding this project will ensure the delivery of a significant asset for the Wellington region, modelled on the ground breaking Eden</p>

				<p>Project and inspired by Children’s Gardens in Brooklyn, Melbourne, Singapore and Auckland.</p> <p>At this stage in the construction process the only part of the project that can be practically re-phased is the Learning Centre at \$300k.</p> <p>Total project spend to date: \$725k</p> <p>Total 2016/17 additional funding request: \$1.14m</p>
2	CX507	Mt Albert Hockey Turf Development	Budget shortfall	<p>The LTP project budget for the construction of a third hockey turf at Mount Albert had a total project budget of \$2.1 million (\$1.5m WCC &amp; \$0.6m Wellington Hockey) the total project cost is now estimated at \$2.9m. Wellington Hockey has agreed to contribute a further \$0.2m towards construction leaving a funding shortfall of \$0.6m. The project has gained its resource consent and will be tendered shortly. Construction will need to commence in November with completion in March/April 2017. The key variances from the original budget relate to base construction costs, lighting, stormwater, sewerage, water supply and electrical services. Council’s partnership with Wellington Hockey for this project is strategically important with hockey having taken a lead role in the planning and financial contribution towards construction.</p> <p>Total 2016/17 funding request: \$1.4m (offset by \$800k funding from Wellington Hockey)</p>
2	CX369	Karori Cemetery Crematorium	Budget shortfall	<p>A change in project scope for the installation of the new Karori Crematorium unit was required. The change in scope has added additional project costs of \$80k over and above the project contingency. Once the removal of the old crematorium unit was completed, and the new unit installed, it was established that the old chimney flue was not in a suitable condition to be used as the flue for the new crematorium unit. This required an alternative flue to be built, consented and installed.</p> <p>Total 2016/17 funding request: \$80k</p>
2	CX366	Lyllall Bay Surf Club	Inflation increase	<p>Lyllall Bay SC: When negotiating the agreement with Lyllall Bay Surf Club that would enable them to sign a construction contract to build a new surf club building, officers agreed to inflation adjust our capital contribution for the construction of new public toilets in the building.</p> <p>Total 2016/17 funding request: \$25k</p>
2	CX406	Cable Car Lane	Project scope	Funding required to provide a contingency to cover unforeseen costs or risk items.

		Upgrade	change	Total 2016/17 funding request: \$250k
3	C298	Lyll Bay Surf Club Development	Reinstate approved grant funding	<p>Council agreed during the 2016/17 Annual Plan deliberations to reprioritise \$150k of grant funding from the Lyall Bay Surf Club project to contribute towards the funding of the Kilbirnie Park Toitu Pōneke project. At the time this decision was made the Governance Finance and Planning committee approved a resolution that said "if the Lyall Bay Surf Club project progresses to the point where Councils full contribution is required Officers will make a subsequent recommendation to this committee". LBSC are now ready to start construction and have signed an agreement with Council to that effect.</p> <p>Total funding request: \$150k</p>
4	CX513	Water reservoir upgrades	Rephasing of LTP budgets	<p>The Prince of Wales reservoir has been in planning since 2004. It is required to meet additional demand in the CBD as a result of the rapid increase in population (particularly apartments) and will play an essential role in providing storage for firefighting and operational flexibility. Currently the CBD has less than 24 hours storage at peak demand and it is not possible to take other reservoirs (particularly MacAlister Park) or trunk mains out of service for maintenance and/or emergency repairs.</p> <p>The reservoir also has the potential to provide dedicated emergency storage for residents, businesses and critical customers (which include the regional hospital) after a major event, and work is currently underway (jointly with the DHB) to confirm whether storage on this site is the best resilience option for the hospital.</p> <p>The most recent analysis (August 2016) has shown that to provide the desired operational flexibility, a reservoir in the order of 35ML volume is required regardless of whether or not it also provides dedicated storage for the hospital.</p> <p>The current project plan has three stages:                  Stage one - site investigation, selection and preliminary design - is complete                  Stage two - consists of detailed design of the reservoir and associated pipelines and resource and building consents.                  Stage three - construction and commissioning.</p> <p>The 2015-25 LTP currently includes \$18.3m over the period 2018 – 2023. To accelerate</p>

				<p>progress it is recommended that \$0.5m be brought forward for 2016-17 and \$0.65M for 2017/18 to allow the completion of stage two. This will then allow discussions to progress with the DHB as to whether dedicated storage on this site is the best option for the hospital, and if so what cost share should apply.</p> <p>As part of the 2017/18 Annual Plan process consideration should also be given to bringing forward an additional \$3.1m into FY 17-18 to allow for the construction of the pipelines as these in themselves significantly improve operational flexibility.</p> <p>Total 2016/17 funding request: \$500k transfer from years 2018-23 of the LTP</p>
4	CX181	Wakefield Park Play Area Development	Defer playground construction	<p>We are proposing to defer the construction of this new playground until 2017/18 to allow for consultation, planning and design with the community in 2016/17. Taking our time to ensure appropriate community engagement and alignment with other proposed council project will deliver better community outcomes for this and other projects.</p> <p>Total 2016/17 funding request: \$172k transfer to 2017/18</p>
4	CX366	Alex Moore Park Sports Hub	Defer funding	<p>Timeframes for this development are still unknown. The funding will not be required in 2016/17 so we propose to defer the funding and consider future funding as part of the 2017/18 Annual Plan.</p> <p>Total 2016/17 funding request: \$330k transfer to 1<sup>st</sup> Triennium</p>