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**ORDINARY MEETING**

**OF**

**GOVERNANCE, FINANCE AND PLANNING COMMITTEE**

**AGENDA**

**Time:** 9.15am  
**Date:** Wednesday, 10 September 2014  
**Venue:** Committee Room 1  
Ground Floor, Council Offices  
101 Wakefield Street  
Wellington

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**MEMBERSHIP**

Mayor Wade-Brown

Councillor Ahipene-Mercer  
Councillor Coughlan  
Councillor Eagle  
Councillor Foster  
Councillor Free  
Councillor Lee  
Councillor Lester (Chair)

Councillor Marsh  
Councillor Pannett  
Councillor Peck  
Councillor Ritchie  
Councillor Sparrow  
Councillor Woolf  
Councillor Young

**Have your say!**

*You can make a short presentation to the Councillors at this meeting. Please let us know by noon the working day before the meeting. You can do this either by phoning 803-8334, emailing [public.participation@wcc.govt.nz](mailto:public.participation@wcc.govt.nz) or writing to Democratic Services, Wellington City Council, PO Box 2199, Wellington, giving your name, phone number and the issue you would like to talk about.*

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## **AREA OF FOCUS**

The Governance, Finance and Planning Committee is responsible for long-term planning, setting the strategic direction for the city, agreeing outcomes, priorities, performance frameworks and annual budgets. The Committee is responsible for the long-term plan, annual plan, annual report, and quarterly reports. The Committee also makes sure residents are kept informed about what the Council is doing, are able to have their say, and feel confident that their views count.

**Quorum:** 8 members

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## **1 Meeting Conduct**

### **1.1 Apologies**

The Chairperson invites notice from members of apologies, including apologies for lateness and early departure from the meeting, where leave of absence has not previously been granted.

### **1.2 Conflict of Interest Declarations**

Members are reminded of the need to be vigilant to stand aside from decision making when a conflict arises between their role as a member and any private or other external interest they might have.

### **1.3 Confirmation of Minutes**

The Minutes of the Meeting held on 27 August 2014 will be put to the Governance, Finance and Planning Committee for confirmation.

### **1.4 Public Participation**

A maximum of 60 minutes is set aside for public participation at the commencement of any meeting of the Council or committee that is open to the public. Under Standing Order 3.23.3 a written, oral or electronic application to address the meeting setting forth the subject, is required to be lodged with the Chief Executive by 12.00 noon of the working day prior to the meeting concerned, and subsequently approved by the Chairperson.

### **1.5 Items not on the Agenda**

The Chairperson will give notice of items not on the agenda as follows:

***Matters Requiring Urgent Attention as Determined by Resolution of the Governance, Finance and Planning Committee.***

1. The reason why the item is not on the agenda; and
2. The reason why discussion of the item cannot be delayed until a subsequent meeting.

***Minor Matters relating to the General Business of the Governance, Finance and Planning Committee.***

No resolution, decision, or recommendation may be made in respect of the item except to refer it to a subsequent meeting of the Governance, Finance and Planning Committee for further discussion.



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## 2. General Business

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### 2014/15 CAPITAL EXPENDITURE REVIEW

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#### Purpose

1. This report proposes a new discipline in the delivery of the Council's capital works programme. It introduces a 'mid-term' capex review that allows:
  - flexibility to introduce projects earlier than previously possible
  - the reallocation of expenditure within a year
  - better programming practices across the first three years of the Long-term Plan.

#### Summary

2. The Council has under spent its planned capital programme consistently over a number of years. This trend has culminated in a \$45m underspend in 2013/14.
3. This provides an opportunity to review our capital programming practices and the means to deliver on a number of projects within the 2014/15 fiscal year without impacting on rates and projected borrowing limits.
4. The Council has carried forward \$14.8 million of the \$45 million capex underspend. The carry forward projects are those that are sufficiently advanced to be delivered in the 2014/15 year.
5. Officers have also completed a review of the 2014/15 capex programme using improved programming methodology. This is anticipated to result in improved delivery with the underspend estimated to be approximately \$30m against the 2014/15 Annual Plan.
6. As a result officers anticipate a net debt to income ratio of approximately 90% at the end of the year (30 June 2015). This is well below the Annual Plan forecast and the current target maximum of 105%. It equates to \$50m of borrowing headroom.
7. It is not recommended that this now be spent in full. It is considered prudent that provision is still made to cover the full year programme. There is nevertheless capacity to apply approximately \$15m to projects that can be delivered within this fiscal year.
8. It is critical that more focus is placed on programme delivery and timing. The benefits are that more money is in the local economy, that residents can reap the benefits of services or upgrades sooner, and that reputational risks around delays and associated cost escalations are avoided.
9. Capital programming is complex. There are a number of phases and factors that impact on the delivery of project. Planning, consenting, consultation, labour demands and even weather can all impact on projects progressing. Local governments annual planning cycle can also place artificial parameters on projects – they are 'squeezed' into a financial year with limited recognition that they may span multiple years.

10. The creation of a three year rolling capex programme and an associated mid-term capex review is presented as way of improving Council's delivery. It is designed to give the Council flexibility – to respond to opportunities that arise from time to time and to redirect resources when programmes are delayed.
11. Officers will be recommending such an approach for the 2015-25 Long-term Plan.
12. As an interim step, this report recommends that the Council take advantage of the current fiscal position and deliver on 14 projects that are sufficiently advanced to be initiated now and completed within the 2014/15 financial year.
13. This mid-term capex programme would see:
  - \$15.283 million of accelerated capital investment in 2014/15
  - \$1.9 million of additional carried-forward capex delivered in 2014/15
  - no additional 2014/15 rates funding impact
  - an end of year borrowing position that maintains significant headroom of approximately \$32 million, against the Council's current borrowing level target of 105% of operating income.

## **Recommendations**

Officers recommend that the Governance, Finance and Planning Committee:

1. Receive the information.
2. Note that changes to the carry-forward process this year have resulted in \$14.8 of capital expenditure being identified within the 2013/14 Annual Report to be carried forward into 2014/15.
3. Note that decisions on capital expenditure approved in the 2013/14 Annual Plan not completed and not carry forward to 2014/15 will be made as part of the 2015-25 Long-term Plan.
4. Agree to recommend to Council the inclusion of \$15.283m of capital expenditure projects in the 2014/15 year as part of the 2014/15 mid-year capex review, as summarised in paragraph 29 in the Discussion section of this report.
5. Agree to recommend to Council the inclusion of \$1.9m of additional carry-forward capex projects from 2013/14 into 2014/15 as summarised in paragraph 20 in the Discussion section of this report.
6. Note the impact of the inclusion of projects in recommendation 4 and 5, results in forecast closing borrowings at 30/06/2015 of \$384m compared to \$404m in 2014/15 Annual Plan.

## **Background**

14. There is a recognised need to address the issue of under delivery of capital expenditure projects compared to what is budgeted in Long-term and Annual Plans. This under delivery peaked at \$45 million on a \$172 million capital expenditure programme (26%) in 2013/14. The practice has been to roll this under delivered programme into the following year, which often already has a significant capex programme, perpetuating the problem. This report proposes a strategy to address this issue.



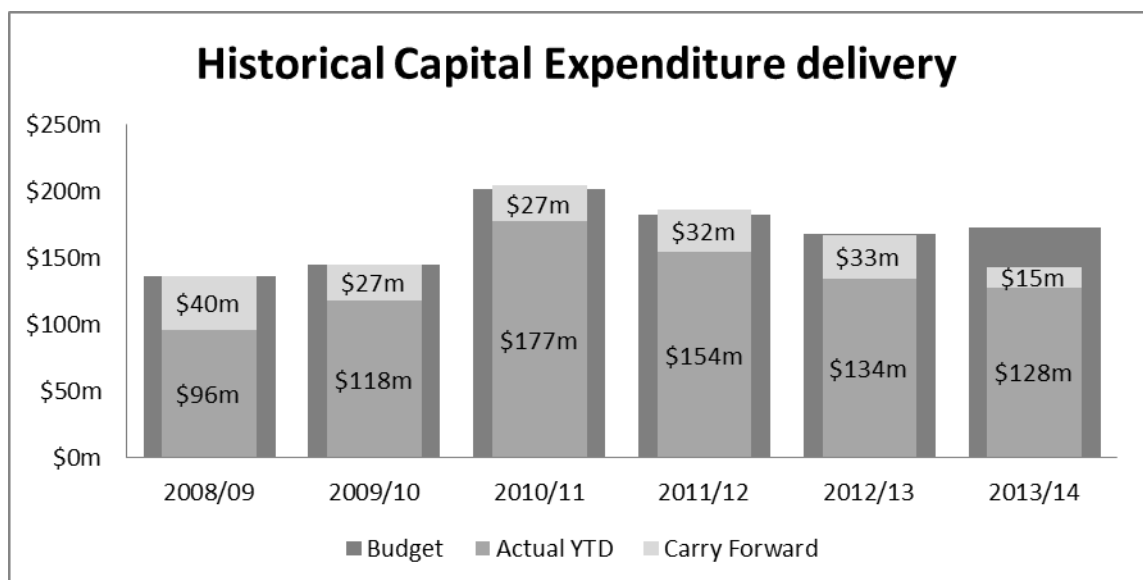
15. The sequencing of capital expenditure project budgets into each of the 10 years of a Long-term Plan often lacks the level of programming to create a strong level of certainty that the project can practically be delivered in the year it is budgeted. This report proposes rolling three-year capex programming to increase the flexibility around planning and delivery of our capex programme.
16. The rigid nature of the Annual Plan approval process also means that there is currently no means of reprioritising (bringing forward capital renewals or initiating new projects) when it is evident that particular projects cannot be delivered within the year they are programmed. This report proposed the introduction of a mid-year capex review process which provides for the bringing forward of capital projects where the deferral of other planned capex projects results in funding capacity within the year.

## Discussion

### 2013/14 to 2014/15 carry-forward process

17. Under spends against total Council capital expenditure budgets have consistently exceeded 20% over the past six years. The under spend peaked at \$45 million in 2013/14, with the most significant contributors being:
 

i.	Deferral of earthquake strengthening the town hall	\$9.9m
ii.	Housing renewals/upgrades	\$9.5m
iii.	Pool renewals	\$3.8m
iv.	Waterfront public space development	\$3.6m
18. Traditionally this underspend has been managed by simply carrying forward the budgets into the subsequent year. But this often results in capex planned for following year being pushed out, which perpetuates the cycle.



19. This year a different approach has been taken to carrying forward capex budgets. The only carry-forwards are for those uncompleted 2013/14 where officers are confident that the projects, as well as the associated projects budgeted in the 2014/15 Annual Plan can be delivered within the 2014/15 financial year. This means that approximately \$14.8 million of the \$45 million 2013/14 capex underspend have been carried forward from 2013/14 into 2014/15. This is reflected in the Annual Report.

20. Since completing the annual carry-forward process, officers have gained confidence that the budgets for two additional projects deferred from 2013/14, can be utilised to deliver on waterfront and landfill projects within 2014/15.

#	Project	Additional carry forwards from 2013/14 to 2014/15	CPX/ OPX	2014/15 \$000
a)	CX084	Southern Landfill Improvement	CPX	202
b)	CX131	Wgtn Waterfront Development	CPX	1,738
<b>Grand Total</b>				<b>1,940</b>

21. The expectation is that projects which make up the balance of the 2014/15 underspend will be considered as part of the 2015-25 Long-term Plan. A subsequent report will be submitted to this Committee, should the scheduled completion of work-programmes indicate that more of the capital expenditure funding deferred from 2013/14 can be utilised to deliver additional renewal capex within the 2014/15 year.

### Approach to capital planning

22. Legislation dictates that the LTP must incorporate planned capital expenditure for each of the ten years covered by the Plan. The complexity of project phasing for many capex projects (project initiation, planning & design, consultation, consenting, tendering and delivery) often results in significant differences between the timing initially indicated in the LTP and what is actually deliverable.
23. To better manage this issue it is proposed that the 2015-25 LTP will place increased emphasis on sequencing of projects within the first three years of the plan, with more generic funding envelopes for years four to ten of the LTP. The LTP may also include a proportion of over-programming to reflect that despite the initiatives proposed within this report, there will continue to be some projects that for unforeseen circumstances, will be deferred.
24. It is also proposed that this three year focus, is kept 'live' through a three year rolling plan, which will allow Committees and Council to revisit the timing of projects, where variables beyond Councils control dictate that it is appropriate to move projects between financial years. Shifting to a delivery focus will improve Council's ability to deliver what it says it will in its Annual Plan.

### Mid – year capex review

25. The rigid nature of the Annual Plan approval process also means that there is currently no means of reprioritising (bringing forward capital renewals or initiating new projects) when it is evident that particular projects cannot be delivered within the year they are programmed.
26. The proposed LTP process will have increased focus on alignment of budget timing and likely delivery, but there will continue to be situations where Annual Plan projects cannot be delivered in the year that they planned due to factors beyond Council control. This can result in significant under-utilised funding capacity within a particular year.
27. By adopting a mid-year capex review process the Governance, Finance and Planning Committee and Council will have a formal mechanism to bring forward projects that meet specific criteria to utilise the funding allocated to those projects that are not deliverable within that year.

28. For the 2014/15 year the Council has an opportunity to utilise a portion of the funding capacity created by deferral of 2013/14 projects and forecast 2014/15 underspends.
29. Officers have reviewed a range of projects that meet the following criteria:
- capital in nature (i.e. create an asset)
  - have an immediate and evident impact and can be completed within 2014/15
  - time critical to the extent there is clear advantage of delivering in 2014/15 rather than deferring until the 2015-25 LTP
  - self-contained, in that can be completed without a significant ongoing impact on the LTP
  - have a clear link to the Council's broader investment strategy

### Options

30. Based on the criteria outlined in paragraph 28 above, officers recommend that the Committee recommend to Council that it approve funding for the following projects to be included within the 2014/15 capex programme.

#	Project	Funding to be included in 2014/15	CPX/ OPX	2014/15 \$000	2015/16 \$000	2016/17 \$000
a)	CX505	Portico demolition	CPX	800		
b)	CX406	Victoria St	CPX	7,936	(2,765)	
c)	CX406	Masons Lane	CPX	140		
d)	CX406	Lower Cuba St	CPX	180		
e)	CX406	Cenotaph Precinct Upgrade	CPX	615		
f)	CX353	LED traffic signal lanterns	CPX	407	407	
g)		TSB/Shed 6 seating	CPX	650		
h)		Museum of Wellington City and Sea development - Phase 1	CPX	1,600		
i)		Carter Digital Planetarium Renewal	CPX	365		
j)		Cable Car LED lights	CPX	159		
k)		Cable Car Trail	CPX	170	(30)	
l)	CX503	Basin Reserve - Ground keeping facilities	CPX	420	(330)	(90)
m)	CX340	Wellington Zoo - Meet the locals	CPX	1,500		
n)		Street banner system	CPX	341		
<b>Grand Total</b>				<b>15,283</b>	<b>(2,718)</b>	<b>(90)</b>

Further information on these projects is included in Appendix 1 of this report.

31. In recommending the funding of these projects it is noted that, based on current forecasts the delivery of these projects within the 2014/15 year will maintain significant headroom of approximately \$32 million, against the Council's current upper borrowing level target of 105% of operating income.

### Attachments

Attachment 1. Capital expenditure summaries

Author	Brendan Eckert, Team Leader Financial Planning
Authoriser	Andy Matthews, Chief Financial Officer

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## **SUPPORTING INFORMATION**

### **Consultation and Engagement**

The Council consulted on a capital expenditure plan and prospective borrowing levels as part of its Annual Plan. The financial impacts of the recommendations contained in this report are within the borrowing levels consulted upon.

### **Treaty of Waitangi considerations**

No specific considerations.

### **Financial implications**

The financial implications are set out within the report.

### **Policy and legislative implications**

No specific implications.

### **Risks / legal**

No specific implications.

### **Climate Change impact and considerations**

No specific implications or considerations.

### **Communications Plan**

The approach towards capital planning will be included in communication associated with the 2015-25 Draft Long-term Plan.

#	Project	Description	Why	What:
a)	CX505	Portico demolition	This project addresses the strength and condition of both the Central Library and Civic administrative building by removing the portico bridge. Without the allocation of this additional funding these buildings will continue to be earthquake prone.	<p>This initiative provides additional funding for the deconstruction of the earthquake prone portico located between the Council’s civic administration building and the library.</p> <p>The budget for this project included in the 2014/15 Annual Plan is insufficient to deliver on what the tender process has revealed will be a complex project. An additional \$800k is required to complete this safety related project. budget for</p>
b)	CX406	Victoria St	Opportunity to leverage off the existing Memorial Park alliance creating streamlined delivery of the project. Total project costs \$11m with delivery complete in Q1 of 2015/16	<p>The Central City Framework outlines plans to make Victoria Street into a tree lined boulevard so that it is a much more attractive place to pass through, spend time, live and work. It is expected that upward of 2000 people will be living in Victoria Street in the future, and the exciting proposal of an arts and creative hub from Weltech and Whitireia will bring more than 1000 full-time students to the area.</p> <p>This city boulevard will integrate Council investment in the streetscape with development from private investors in the buildings along each side of the street and proposed works on the adjacent State Highway. The proposal includes creating a new park in the triangular area near the Victoria Court Motor Lodge, which is a layby and parking area at the moment, it also includes an upgrade of Volunteers corner to make it a more useable public space.</p> <p>In order to make Victoria Street a place where people want to live, work or locate a business there needs to be a change to the way it feels whilst retaining its functionality. Key design principles are:</p> <ul style="list-style-type: none"> <li>• Get the structure of the street right – this means getting building alignments to come to the street edge to create a sense of enclosure in the street, aligning kerbs and vertical elements such as trees and street lights to create a rhythm that reinforces the structure.</li> <li>• Declutter – remove as much clutter as practical. Items such as traffic control boxes, signs etc should be rationalised so that they are integrated with the design or removed. Along with decluttering, there should be a design with a simple palette of materials that can be easily replaced if the ground needs to be dug up in the future, and that can be replicated elsewhere in the city without huge expense.</li> </ul>

#	Project	Description	Why	What:
				<ul style="list-style-type: none"> <li>• Create space for activation – make sure that spaces are designed for flexibility so that change in activities can occur over time. This is both at the building edge or in the spaces such as the Vivian Street park and Volunteers Corner.</li> </ul> <p>In order to deliver the project efficiently it is proposed to utilise the resources of the Memorial Park Alliance. Under the Alliance model the client forms a consortium of specialists to deliver a project outcome. This entity takes the risks of any project uncertainty and also shares the rewards should delivery exceed expectations. This is not the traditional client/ consultant/ contractor approach and so the checks and balances of that model get replaced by an alliance agreement. Because of the normally higher initial establishment costs this model is only suitable for large projects.</p> <p>Should the Alliance be the preferred delivery model then it will be necessary to put in place an agreement for the detailed design and physical works implementation. As part of this a “value engineering” assessment will be undertaken to determine a “total out-turn cost” which is firmed up once detailed design and understanding of risks are further developed.</p> <p>The alternatives to this model are to go through a traditional design followed by build process, or a design and build process. Both would be more time consuming and will likely be “measure and value” contracts with jointly shared risk.</p>
c)	CX406	Masons Lane	Create an improve inner-city laneway by working with adjoining property owner. Deliverable dependant on private property owner’s commitment to removing canopy.	<p>This project involves making Masons Lane a more desirable pedestrian route with improved safety and making it a place where businesses want to locate. The laneway bridges the vertical gap between The Terrace and Lambton Quay. It lies approximately 500m from the Northern end of Lambton Quay.</p> <p>Masons Lane is a Council owned lane. It has a low canopy that is privately owned and is planned to be removed by the owner of Civic Assurance Building. The Lane has suffered from deferred maintenance pending the outcome of the canopy. Council has a unique opportunity to work with building owner to get a good outcome.</p> <p>An improved inner-city laneway would:</p> <ul style="list-style-type: none"> <li>• Improve the pedestrian network and strengthen a key link between Lambton Quay and The Terrace</li> <li>• Support existing private businesses, residents and pedestrians.</li> <li>• Improve the quality of the environment with better quality surfaces, artwork and light..</li> <li>• Improve the safety of all users through passive surveillance.</li> </ul>

#	Project	Description	Why	What:
d)	CX406	Lower Cuba St	Opportunity to rectify some drainage and accessibility in 2014/15	<p>This project is about rectifying the current drainage and accessibility issues. The project will be digging out the tree pits, replanting with Alder (<i>Alnus glutinosa</i>) and topping them with Rockpave to create a flush finish. The project will also be digging out the raingardens at either end of the street to remedy the drainage and accessibility issues.</p> <p>The project will add in other elements to compensate for the loss of vegetation and prevent cars driving on the rockpave.</p>
e)	CX406	Cenotaph Precinct Upgrade	Scope of the project has changed and additional funding is required to deliver to a high standard planned.	<p>This provision ensures the upgrade will be completed in time for the ANZAC day 2015. Additional funding is required to deliver on the proposed scope for this project and allow it to proceed in a timely manner. Not receiving the additional funding will mean the scope of the project will have to be significantly curtailed in order for it to proceed. The quality of finish would be greatly reduced and defining features of the current design may disappear, resulting in inconsistency with the concept design discussed and agreed with key stakeholders (including Parliament) and promulgated to the public.</p> <p>.</p>
f)	CX353	LED traffic signal lanterns	Due to short supply of existing stock an acceleration of the programme to upgrade to LED lanterns is required	<p>2,900 Quartz Halogen (QH) lamps are currently installed in approximately 1,000 of Council's traffic signal lanterns. QH technology was superseded by LED technology some time ago and over the last 5 years WCC has been gradually converting our QH signals across to LED.</p> <p>The current WCC Long Term Plan (2012/22) includes an annual capex budget of \$83k to progressively convert the remaining QH lanterns to LED technology over the next 12 years (i.e. by 2026).</p> <p>In April 2014, Philips announced that due to a significant decline in global sales, they would discontinue production of QH lamps. Their last production run was in June 2014.</p> <p>With no proven alternative manufacturers of QH lamps, the approved LTP funding from future years needs to be brought forward in order to accelerate our transition to LED lanterns. Current secured stock of 2,800 QH lamps, gives sufficient supply to complete a transition to LED over the next 18 months.</p> <p>If the transition to LED is not completed within this 18 month period, there will be a situation where failed lamps cannot be replaced, leading to widespread and long term outages of traffic signal displays.</p>
g)		TSB/Shed 6 seating	Opportunity to improve safety issues with existing asset. Further upgrade work can be	<p>To replace the North end mechanical block seats (950 seats) in the TSB Arena which are near to the end of their useful lives.</p> <p>There are currently health and safety issues with the existing seating in the TSB Arena which has impacted on sporting events due to operational issues. While the seating is considered safe for use by the public, the process</p>

#	Project	Description	Why	What:
			<p>reassessed during the LTP when Convention Centre is in progress.</p>	<p>to retract or move seating is very difficult, stressful, and places staff under risk of injury that has been mitigated to date through the implementation of suitable procedures. This difficult operational situation has persisted for a number of years and at times has hindered the smooth running of events at the arena. Accordingly the seating is well overdue for replacement.</p> <p>There is also a utilisation issue as the old seating currently takes 4 hours to move in or out with a minimum of six to fifteen staff as needed. The new seats would reduce the resource requirements to half an hour and two staff.</p> <p>For completeness, please note that the southern seat block will be replaced in January next year by seating held in storage at the Town Hall and timber has been purchased so that the underlying floor at the south end can be replaced at the same time. In recommending this additional funding it is recognised that timelines on securing delivery of the replacement seating are tight. There is a need to place an order for seating in the next 2 weeks in order to have it delivered in time to install over a 2 week window open from the first week of January.</p>



#	Project	Description	Why	What:
h)		Museum of Wellington City and Sea development - Phase 1	Part fund the project to increase the exhibition space in time for the 150 <sup>th</sup> anniversary of Wellington being made the Capital city.	<p>Council’s investment of \$1.6 million is sought to complete Phase One (the Attic) of the Museum of Wellington City &amp; Sea development which is ready to go to tender.</p> <p>Phase one of the development project will open the top floor (the Attic) of the Bond Store increasing the Museum’s exhibition space by 450m<sup>2</sup> (30%) and open new exhibitions to the public in 2015. This phase will also deliver an increase in the seismic resilience of the historic Council-owned building and allow integration of Council property renewals work in the optimum summer period. The project is ready to commence construction later in 2014, and has an immediate need for investment.</p> <p>This request requires an urgent decision to enable critical milestones to be achieved so that Phase one will be completed to mark the 150<sup>th</sup> anniversary of Wellington being made Capital city. The anniversary is 26 July 2015. The Council’s investment of \$1.6million towards phase one, the Attic project will:</p> <ul style="list-style-type: none"> <li>ensure that planned WCC property management renewals of ~\$600K can go ahead in tandem with the Attic development, making efficient use of Council resources by sharing costs such as scaffolding and lead contractor overheads</li> <li>integrate earthquake strengthening in spaces affected by this work, as the first stage of work to bring the building up to &gt;67% NBS, as indicated as a preference for Council-owned public buildings.</li> </ul> <p>Council investment is also required to secure \$1M of Lottery funding (already awarded) and will bolster the chances of receiving Government funding through the Regional Museums Policy Fund, administered by the Ministry for Culture and Heritage.</p> <p>In summary this development will extend the visitor experience and build on strengths of the award winning Museum by:</p> <ul style="list-style-type: none"> <li>opening the Attic: providing a new and distinctive Wellington experience, to the public in 2015 as a legacy project marking Wellington’s status as the Capital City of New Zealand</li> <li>improving the seismic resilience of heritage-rated, Council-owned building for health &amp; safety and compliance reasons (in most cost-effective manner by completing this work in conjunction with other planned changes)</li> <li>increasing civic pride and knowledge of the city and region’s history</li> <li>improving the range and quality of city facilities available to the community</li> <li>increasing the number and broaden the diversity of visitors</li> </ul>
Attachment 1	Capital expenditure summaries			<ul style="list-style-type: none"> <li>increasing the Museum’s economic impact and economic and social value to Wellington improving commercial activities and trading income to increase non-Council revenue</li> </ul>

#	Project	Description	Why	What:
i)		Carter Digital Planetarium Renewal	Existing asset needs to be replaced sooner than planned	Council's investment of \$365k is sought to replace the Projector system in the Carter Observatory planetarium which is at the end of its useful life and needs to be replaced. This is an essential renewal, for which there is currently no renewal budget allocated. Carter Observatory is a Council owned asset and is managed under contract for Council by the Wellington Museums Trust. Under the terms of the management agreement asset renewals for the fit out are to be funded by Council.
j)		Cable Car tunnel LED lighting	An opportunity to build on the significant appeal created by the Powerplant show in early 2014. Council (parent) will own the asset.	<p>The proposal is to install a permanent LED light show in the Cable Car top and middle tunnels which would be computer controlled from the Lambton Quay terminal. The proposed tunnel lights are an enhanced and permanent version of the Contact Energy light tunnel which was successfully installed in the top tunnel for the Power Plant show in March 2014</p> <p>The lights will be programmed with a number of set routines and will also feature specific content for the holidays, festivals and events such as Christmas, Easter and various sporting and cultural events (eg, World of Wearable Arts, Wellington Sevens, Wellington on a Plate). It is expected that this investment will be repaid within three years with additional revenue returned to Council through WCCL surpluses.</p> <p>The flexibility of the system means any number of different routines can be programmed into the system, either on site or remotely. Programming costs are likely to be reasonably cost effective which means that content can be changed and updated regularly. This also facilitates selling the light tunnel for advertising revenue as development costs will be cost effective for advertiser.</p> <p>The Contact Energy Light Tunnel in February/March of this year showed us how popular the light show was to both regular users and visitors to the Cable Car. Despite the Light Tunnel only being operational for 4 weeks, feedback on review sites such as Trip Advisor showed how well received the lights were. The lights also received a lot of favourable feedback from partner organisations and the Council. There was significant media interest and a number of high quality videos were made of the light tunnel including Contact Energy's own promotional video.</p>

#	Project	Description	Why	What:
k)		Cable Car Trail	Created improved integration and visitor experience at some of Wellingtons key tourist attractions.	<p>The 'Cable Car Precinct Group' (an unofficial name for collective entities of The Cable Car Company Limited, Wellington Museums Trust (including Carter Observatory and The Cable Car Museum), the Botanic Garden, Positively Wellington Tourism and Zealandia), have been working together towards agreeing on an approach which they believe will be the most efficient way with which to improve the visitor access to, and experience of, the Cable Car and the surrounding visitor attractions and environs.</p> <p>A summary of the current issues identified by the Group and the proposed solutions (within what has been termed the Cable Car Trail) have been outlined in a Scoping Paper and Pricing Proposal Paper.</p> <p>The concept of a Cable Car Trail invites visitors to explore some of Wellington's key tourism offerings along a pre-defined route. This is an easier concept to explain than a precinct, and also allows the creation of a physical trail that can be literally followed by those with no prior knowledge – which is a current issue. The scope of the trail would include all of the current precinct products: The Cable Car, Carter Observatory, The Cable Car Museum, Café/Restaurants, and a defined loop of The Botanic Gardens and Zealandia. The trail starts as a walk from the Wellington i-SITE (perhaps also from the Cruise Ship Terminal on Aotea Quay) to Cable Car Lane. It begins again after the Cable Car ride at the Kelburn terminus and encompasses the product in the area around the terminus. It then loops through the Botanic Gardens beginning with Carter Observatory, down into the Botanic Gardens, around the Rose Garden, then and back to the terminus. The additional options are to include a trip to Zealandia, or to shorten the experience by retracing steps back along the trail.</p> <p>The area encompassed within the Kelburn lookout and surrounds is the second-most visited site in Wellington, behind Te Papa. Wellington City Council (Council) has a pecuniary interest in all of the infrastructure, attractions and facilities within the scope of the proposed trail. The Group collectively desires to see improved outcomes for these various assets, the collectively agreed trail proposal will greatly assist in the improved visitation to, and efficient use of the area and its assets. However Council will need to continue to take a lead role in the enhancement of the supporting infrastructure in order to facilitate these outcomes.</p>

#	Project	Description	Why	What:
l)	CX503	Basin Reserve - Ground keeping facilities	Opportunity to make some progress at the Basin reserve, addressing the health and safety issues associated with the historic Groundsman's Cottage	<p>This bid is to undertake a renewal of the ground keeping facilities at the Basin Reserve. Due to the age and condition of the asset, the current facilities, housed in the Groundsman's Cottage (the Cottage), are no longer fit for purpose and present a significant health and safety risk to ground keeping staff, to the extent that staff are no longer able to use the Cottage as a work place. As such, additional costs are now being incurred to work around the issue.</p> <p>The renewal of facilities, therefore, is required to:</p> <ol style="list-style-type: none"> <li>1. provide fit-for-purpose and safe conditions for staff to work in</li> <li>2. protect expensive machinery, equipment and chemicals</li> <li>3. avoid additional costs being incurred</li> <li>4. maintain the Basin Reserve as a world-class test cricket venue</li> <li>5. remove the potential for a derelict building on site</li> <li>6. retain the character of the ground by retaining the historic Groundsman's Cottage</li> </ol>
m)	CX340	Wellington Zoo - Meet the locals	Approval recommended only subject to formal agreement from Zoo that this funding is in form of an "advance" - and that any further capex for inclusion in the LTP will be subject to the funding share arrangement being honoured in relation to this and any future investment.	<p>This bid is to complete the Meet the Locals project that was approved as a part of ZCP Phase 1. This request is for additional funding to complete this project.</p> <ul style="list-style-type: none"> <li>• The Zoo Trust has already secured \$3.0M of funding for this project. This request is for \$1.5M to meet the budget for this project of \$4.5M.</li> <li>• This project has been identified by the Wellington Zoo Trust board as a critical project for completion in 2014/15.</li> <li>• This project has been fully designed; a tender price has been received for the entire project and is ready to start construction immediately.</li> </ul> <p>Meet the Locals project develops a large area of the Zoo that is currently closed off to visitors. This area where the old aviaries and nocturnal house were represents about 33% of the usable area of the Zoo.</p> <p>If the project receives \$1.5m in mid-term CAPEX funding the Zoo Trust will be able to conclude Meet the Locals, the New Zealand precinct and the last project of ZCP1 without staging the construction - which adds additional costs. This project will begin construction in September 2014. This precinct is a large area of the Zoo's footprint and to complete construction without staging would provide a significant benefit to the visitor experience and would add another dimension to the Wellington story as a Living City</p>

#	Project	Description	Why	What:
				<p>Recently completed independent visitor experience research at Wellington Zoo shows a growing demand from our regular visitors for us to open Meet the Locals as soon as possible. Comments in this research refer to value for money with many empty exhibits in prime locations.</p> <p>Due to our success to date with the ZCP1 and improved visitor experience offering, community expectations for this new precinct are high. This area is one of the most accessible areas on the Zoo site in terms of gradients and accessible access from the front entrance.</p> <p>This project replaces assets which were in failure, aviaries that were built in the 1960's. and the nocturnal house which was structurally unsound and contained asbestos.</p> <p>In a Zoo context, asset renewal/replacement should typically be at Condition 3 given that a dangerous animal enclosure or visitor amenity would not be fit for purpose if it was left to get to poor condition. These assets were in Condition Grade 5 (very poor).</p> <p>Meet the Locals will showcase the beauty of our natural landscapes, unique wildlife, farm animals and native flora. Our visitors will experience native and introduced fauna and flora, learn about the connectedness of people, animals and the environment and gain a great understanding of the vital role conservation projects and wildlife restoration plays in the protection of our living 'taonga'.</p> <p>As Meet the Locals is a precinct for native species ,it will enable the Zoo to inspire our visitor's about our conservation work for native species and able to connect with them on how they can be involved to make a difference for NZ biodiversity</p> <p>The four stages of Meet the Locals are:</p> <ol style="list-style-type: none"> <li>1. Penguin Point-will be home to our coast neighbour Kororā – the little blue penguin. The exhibit will offer a rare opportunity for visitors to get up close to this iconic native species.</li> <li>2. Pohutakawa Farm- will also enable our largely urban visitor community to be able to experience a taste of country life in the farm area and also learn about sustainable practices which they can take away and develop for themselves at home in their own backyards.</li> <li>1. Bush Builders-will provide a learning opportunity to teach young and old what our amazing ecosystem holds. It will allow children from urban areas to engage and connect with New Zealand nature through interactive bushcraft learning opportunities. .</li> </ol>

#	Project	Description	Why	What:
				<p>2. Conservation Connection (Mountain Encounter) - a walkthrough free flight aviary and encounter space for our native kea.</p> <p>Wellington Zoo will begin constructing Meet the Locals in September 2014. By completing Meet the Locals in one go, there will be lower costs of phasing and be able to unveil it as a whole precinct, creating excitement and enthusiasm amongst our community – and driving increased visitation. The Zoo’s last large precinct opening, for Asia in 2012, contributed to our highest visitor figures ever, and Meet the Locals should attract even more locals and visitors to the city.</p>
n)		Street banner system	Create more efficient method of changing street banners around the city. Will save operational costs or allow for a higher rotation of banners.	<p>The City Events team is seeking to upgrade their Event Promotion – Event Banner System. This will replace the existing 400 street banner brackets around the city. It will allow us:</p> <ul style="list-style-type: none"> <li>• To offer event organisers and community organisations a significantly improved and more cost-effective promotional opportunity to support and activate events in Wellington.</li> <li>• Street banners and flags add to Wellington’s sense of place, civic pride and vibrancy.</li> <li>• Provides increase of usage of Street Banners through lower installation and removal costs and faster installation and removal times.</li> <li>• The current brackets are an aging asset and the replacement of these at this time will provide longer operational life to the Street Banners.</li> <li>• Improvement in the Council’s ability to effectively leverage investment in events.</li> </ul> <p>This work will also allow the Events team to re-evaluate and improve the locations of the street banners, meaning the Council can better leverage its investment in the extremely busy events calendar in 2014/15. There are potential cost savings from this project and the chance to better utilise our city banner assets as it is anticipated that the cost and time of installation and removal per site will be significantly lower with the new system.</p>

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## WELLINGTON ECONOMIC INITIATIVE DEVELOPMENT FUND

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### Purpose

1. To obtain approval to allocate the unspent proportion of the Wellington Economic Initiatives Development (WEID) fund from 2013/14 to 2014/15.

### Summary

2. Officers recommend that the unspent proportion of the WEID fund from 2013/14 be available for allocation through the WEID fund process in 2014/15. This is in line with the original intention of the WEID fund that unspent funds would continue to be available.

### Recommendations

Officers recommend that the Governance, Finance and Planning Committee:

1. Receive the information.
2. Approve the allocation of the unspent 2013/14 balance of \$1.375m in project C696 (Economic Development Fund) to 2014/15.
3. Note that this will result in an overspend of \$1.375m in project C696 relative to the funding provided for in the 2014/15 Annual Plan.

### Discussion

3. This report is for administrative purposes. It provides for transparency – recognising that the unspent proportion of the WEID fund from 2013/14 be allocated to 2014/15. In July 2013, the Council approved the establishment of the WEID fund with \$3.0m. During 2013/14, the total level of spend was \$1.625m. As a result, officers request that the balance of \$1.375m be added to the \$3.627m WEID budget allocation in the 2014/15 Annual Plan. This is in line with the original intention of the WEID fund that unspent funds would continue to be available. Note that this will result in an approved overspend relative to the 2014/15 Annual Plan budget.

### Attachments

Nil

Author	Derek Fry, Director City Growth & Partnerships
Authoriser	Andy Matthews, Chief Financial Officer

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## **SUPPORTING INFORMATION**

### **Consultation and Engagement**

The WEID fund was consulted on as part of the Annual Plan 2014/15 consultation process.

### **Treaty of Waitangi considerations**

Not directly applicable.

### **Financial implications**

This report requests the allocation of unspent 2013/14 funding. If agreed, this will result in an approved budget over-run for project C696 in 2014/15.

### **Policy and legislative implications**

The WEID fund contributes to a number of Council strategies and policies, in particular the Economic Development Strategy.

### **Risks / legal**

Not directly applicable.

### **Climate Change impact and considerations**

Not applicable.

### **Communications Plan**

Not applicable.



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## FUNDING FOR NOMINATED EVENTS

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### Purpose

1. To obtain approval to fund nominated major events using a portion of the Council's prior year surpluses.

### Summary

2. This report recommends the use of \$1.6m of prior year surpluses towards a number of major events in the city this year.
3. Currently, the Funding Panel has agreed funding towards the events detailed within this report, with the exception of the Capital 150<sup>th</sup> celebrations. If the recommendations in this report are adopted, this will provide additional flexibility in the WEID fund for the potential funding of alternative events, partnerships, and other economic initiatives in 2014/15.
4. It should be noted that, even if the funding request in this report is approved, the WEID fund will contribute a portion of the budget for the 2015 Cricket World Cup and the Anzac Day 2015 centenary commemoration.

### Recommendations

Officers recommend that the Governance, Finance and Planning Committee:

1. Receive the information.
2. Approve the additional expenditure of \$1.6m to fund:

a) Christmas 2014 celebrations	\$300,000 (C581 – Events)
b) New Year's Eve 2014/15 celebrations	\$250,000 (C130E – Community Events)
c) Capital 150 <sup>th</sup> celebrations	\$300,000(C130E – Community Events)
d) 2015 Cricket World Cup	\$500,000 (C581 – Events)
e) Anzac Day 2015 commemorations	\$250,000 (C130E – Community Events)
3. Agree that the \$1.6m will be funded from prior year surpluses.
4. Note that this will result in an overspend of \$0.8m in project C581 (Events) and an overspend of \$0.8m in project C130E (Community Events).
5. Note that longer term funding requests for Christmas and New Year's Eve celebrations will be considered as part of the 2015-25 Long Term Plan process.

### Discussion

5. The 2014/15 events calendar is an extremely busy year, with the Council involved in hosting over ninety events during the year. This includes new events such as CubaDupa, in addition to what is already a busy events calendar. In particular, there are an unprecedented number of major celebrations for the city during the next ten months.
6. In addition to the two World Cups (Cricket World Cup and FIFA Under-20s World Cup), the city is planning major commemorations for Anzac Day 2015 in April 2015 and for

the Capital City 150<sup>th</sup> anniversary in July 2015. The city is also planning an expanded focus on Christmas and New Year celebrations.

7. Officers request the approval of a further \$1.6m, to be funded from prior year surpluses towards the below events:
- |   |                                      |
|---|--------------------------------------|
| Christmas 2014 celebrations             | \$300,000 (C581 – Events)            |
| New Year’s Eve 2014/15 celebrations     | \$250,000 (C130E – Community Events) |
| Capital 150 <sup>th</sup> celebrations  | \$300,000(C130E – Community Events)  |
| 2015 Cricket World Cup                  | \$500,000 (C581 – Events)            |
| Anzac Day 2015 centenary commemorations | \$250,000 (C130E – Community Events) |
8. Note that this will result in overspends totalling a combined \$1.6m in C581 and C130E relative to the 2014/15 Annual Plan budget.
9. Currently, the Funding Panel has agreed funding towards each of the above events, with the exception of the Capital 150<sup>th</sup> celebrations. If the recommendations in this report are adopted, this will provide additional flexibility in the WEID fund for potential funding of alternative events, partnerships, and other economic initiatives in 2014/15.
10. It should be noted that, even if the funding request in this report is approved, the WEID fund will contribute a portion of the budget for the 2015 Cricket World Cup and the Anzac Day 2015 centenary commemoration.
11. The proposals in this report are consistent with the 2014/15 Annual Plan, which discusses the city hosting numerous events this year, including teams and matches as part of the ICC Cricket World Cup, playing our part in commemorations marking the centenaries of the start of the First World War and of Gallipoli, and celebrating the 150th anniversary of Wellington’s status as Capital City. The Annual Plan also discusses the Council boosting summer retail activity through new Christmas and New Year events.
12. It should be noted that while the costs relating to the Capital 150<sup>th</sup> celebrations, the 2015 Cricket World Cup and the Anzac Day 2015 centenary commemoration are one-off costs, ongoing costs relating to Christmas and New Year’s celebrations from 2015/16 onwards will be included for consideration as part of the Long Term Plan process.

#### **Christmas 2014 and New Year’s Eve 2014/15 Celebrations**

13. The traditions and activities that make up Christmas and New Year are important to Wellingtonians and of significance to retailers, with Christmas being a critical trading period.
14. As such, Wellington retailers and hospitality providers were surveyed with key findings being:
- Retailers believe the city should be building activity and promotion around Christmas in the same way it does for other major events like WoW, NZ Festival and Sevens.
  - The Christmas Parade should stay - 67% of those surveyed indicated that the parade should be retained and improved.
  - Greater emphasis and investment on theming and promotions was warranted including the installation of a Christmas tree or trees, street banners and lighting.

- Christmas promotions and activity should start earlier - over half of those surveyed believe seasonal promotions should start in early or mid-November.
  - Retailers supported the provision of more street entertainment.
  - Free weekend parking needed to be retained, but ways to ensure car park turnover needed to be considered.
15. Similarly, retail and hospitality sector and public feedback after the Christmas/New Year period indicated that there is a perception that the Capital could do more to activate and celebrate the arrival of each New Year.
16. Accordingly, in response to the feedback received, the Events team has proposed an expanded Christmas and New Year celebration for this year, including:
- Refreshed activation and promotions over the period of time from WoW in September/October through to Summer City and Gardens Magic in January;
  - The Santa parade retained and refreshed;
  - Vibrant Christmas city dressing/theming with collateral for retailers to display;
  - On street and in-shop entertainment;
  - Collaboration with retailers on promotions that generates more CBD visitations;
  - Council's support of the annual Top Shop Awards; and
  - An enhanced New Year's Eve celebration, marking Wellington as the first capital city to see in the New Year.
17. As the first capital to see the New Year there is a unique opportunity to create some media the world will want to see and an event that provides good cause for locals to stay and attracts visitors to Wellington during the Christmas/New Year period. In addition, retailers believe that the Council's efforts in activating and theming the CBD are essential to enhancing retail activity at this time of year.

#### **Capital 150<sup>th</sup> Celebrations**

18. On 26 July 2015 Wellington will mark 150 years as the capital city. Wellington will always be a showcase of national identity and our capital status is one clear point of difference and needs to be celebrated. While the celebration itself will occur in 2015/16, the majority of the planning and spend will occur in the 2014/15 year.
19. The 150th Birthday Weekend main proposed elements are:
- **A city-wide 'Open House' free of charge to visitors**
    - This will recognise the role of national collections and national arts organisations endorsing our cultural identity. Our collection-based institutions will display their most spectacular artworks and artefacts for the public, surprising us with many unseen treasures of New Zealand.
    - The list of participants will also include the leading national performing and visual arts organisations based in the capital city. They are responding to our request to create a special experience for Open House visitors and planning is currently underway on programming for this weekend.
    - Confirmed partners in this initiative include: Alexander Turnbull Library, National Library, Archives New Zealand, Government House, Te Papa, Parliament Buildings, Memorial Park, NZ Portrait Gallery, Reserve Bank Museum, Wellington Sculpture Trust, Museum of Wellington City to Sea, Old St Paul's, Old Government Buildings, NZ Film Archive, The Royal New

Zealand Ballet, New Zealand Opera, City Gallery, NZSO, Wellington Zoo, Zealandia, and Orchestra Wellington.

- **Free buses for the visiting public**
  - Given this is a mid-winter event, we propose to have a hop-on, hop-off bus service circuit connecting venues over the Big Birthday weekend.
- **Birthday party at Parliament**
  - A celebration in Parliament grounds will mark the 150th Anniversary of the first sitting of Parliament, Sunday 26 July. Planning for this event is underway.

20. This celebration is also intended to be linked to the Capital Education initiative work being undertaken by a group representing Wellington's nationally-significant institutions, and led by the Wellington Museums Trust. The group has been working together to create a learning experience that connects them and prompts students visiting the capital to consider ideas of citizenship, nationhood and national identity inspired by their experiences in the city. It is designed to encourage student visitation to the city.

21. Officers will continue to work with the Government, community organisations and private sector partners to ensure that appropriate levels of volunteer assistance, partnerships, city activation and external funding is in place.

#### **2015 Cricket World Cup**

22. The hosting of major events such as the CWC 2015 is a vital component in the Wellington Events Policy. Wellington has been awarded excellent fixtures, which are projected to return significant economic impact. The matches that Wellington has been awarded through our bid has positioned Wellington ahead of some major Australian cities including Brisbane and Perth, and will provide an opportunity to showcase Wellington as a major events centre in an Australasian context.

23. The allocation of two matches involving England provides a unique opportunity to host what is projected to be the largest group of touring fans in the tournament. There will be an estimated 40,000 international visitors to New Zealand during the CWC 2015. Early projections show that 10% to 15% of the total audience for Wellington matches will be international fans, with a further 20% to 25% of the total audience will be domestic visitors from outside of the region.

24. Wellington's CWC 2015 fixtures are:

- England V New Zealand - Friday 20 February 2015
- England V Sri Lanka - Sunday 1 March 2015
- South Africa V Qualifier 4 - Thursday 12 March 2015
- Quarter Final 4 \* - Saturday 21 March 2015

\* Including NZ should they qualify for this round as expected.

25. The Council's budget will be allocated to the provision of training grounds and facilities, equipment, security, media facilities, team services, venue operations, volunteer programme and staffing, fan zones, city activation and related functions, city theming, infrastructure and additional services (e.g. accreditation and media centres).

26. The estimated additional direct expenditure of the four matches allocated to Wellington is \$26M (Deloitte ICC CWC 2015 Benefits Study). There is the potential that the impact may be greater with the two matches featuring England.

**Anzac Day 2015 Commemorations**

27. As the Capital of New Zealand, the WW100 ANZAC Day centenary commemorations provides a unique opportunity for Wellington to work alongside central government and assert ourselves as the lead city in the nation's commemorations of the First World War.
28. As home to the National War Memorial and new Memorial Park, Te Papa, Parliament, National Library and Embassies, Wellington City has a very strong and unique set of opportunities to collaborate with key national and international organisations and entities to deliver high profile and high quality events and initiatives that will be well attended by the local community and visitors.
29. The formation of strong partnerships with Government, along with being a leader in the strategic planning for major events at a central government level, are identified as key goals in the Events Policy. The WW100 commemoration has been identified by central government as an important national event, and provides Wellington with an excellent opportunity to demonstrate leadership in this area, and assert the capital's importance and significance.
30. The commemorations of the First World War will mark the formation of the concept of New Zealand as a nation. Wellington, as New Zealand's capital city, provides the most appropriate location for the national commemoration events to mark the centenary of the Gallipoli landings. The Wellington City Council is working as a strategic partner with the New Zealand Government, New Zealand Defence Force and the Royal New Zealand Returned Services Association (RSA) on a comprehensive programme to be run as "Anzac Week" 2015 and will include an appropriate Dawn Service, Parade Procession and community engagement programme as part of the opening of the National War Memorial Park.
31. As noted above, the programme to be offered in 2014/15 represents a partnership between the Council, central government and other organisations. Funding will include \$405k from the Council and \$328k from a Lotteries Board grant. It will include a free public city-wide programme of events during Anzac Week 2015 with potential components such as the Dawn Service, National War Memorial Service, City Parade with WW1 memorabilia, Memorial Park opening events, live feed to Anzac Cove, live footage on screens, a Light Show on Carillion Buckle St Museum etc. It will also include city theming and partnerships with a regional/community programme and local church services.
32. It should be noted that the detailed programme for Anzac Week 2015 is still subject to finalisation.

**Attachments**

Nil

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Authoriser	Derek Fry, Director City Growth & Partnerships

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## **SUPPORTING INFORMATION**

### **Consultation and Engagement**

The Council's Events Policy was consulted on, and subsequently adopted.

### **Treaty of Waitangi considerations**

Where appropriate, mana whenua will be engaged in the planning of the events included in this report

### **Financial implications**

This report requests funding for projects from the Council's prior year surpluses. If approved, this will result in budget over-runs for certain projects relative to the 2014/15 Annual Plan.

### **Policy and legislative implications**

The events in this report link directly to the relevant Council strategies and policies.

### **Risks / legal**

Risks and legal implications are considered as part of the business as usual planning for events.

### **Climate Change impact and considerations**

Not applicable

### **Communications Plan**

Will be developed with the External Marketing team.