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## NOTICE OF MEETING

**Notice is hereby given of the Meeting of the  
Finance and Projects Committee to be held in the  
Council Chamber, First Floor, Te Hinaki Civic  
Building, 101 Esk Street, Invercargill on  
Tuesday 20 June 2023 at 3.00 pm**

Cr G M Dermody (Chair)  
Mayor W S Clark  
Cr A J Arnold  
Cr T Campbell  
Cr D J Ludlow  
Cr I R Pottinger  
Cr L F Soper  
Cr B R Stewart

MICHAEL DAY  
CHIEF EXECUTIVE

# Finance and Projects Committee - Public

20 June 2023 03:00 PM

<b>Agenda Topic</b>	<b>Page</b>
1. Apologies	
2. Declaration of Interest	
a. Members are reminded of the need to stand aside from decision-making when a conflict arises between their role as an elected representative and any private or other external interest they might have.	
b. Elected members are reminded to update their register of interests as soon as practicable, including amending the register at this meeting if necessary.	
3. Public Forum	
4. Major Late Item - in Public Excluded Session	
The reason that the item was not in the agenda: The item was not ready at the time of the publication of the agenda.	
The reason why the discussion of the item could not be delayed: Matters could be progressed in a timely manner.	
4.1 Invercargill Central Limited Funding Status Report	
5. <a href="#">Minutes of the Finance and Projects Committee Meeting Held on 18 April 2023 (A4487608)</a>	6
6. <a href="#">Minutes of the Extraordinary Meeting of the Finance and Projects Committee Held on 9 May 2023 (A4519912)</a>	11
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12.1	<a href="#">Approach to Naming Our Museum (A4667504)</a>	83
13.	Public Excluded Session	

## Public Excluded Session

Moved , seconded that the public be excluded from the following parts of the proceedings of this meeting, namely:

- a. Confirmation of Minutes of the Public Excluded Session of the Finance and Projects Committee Meeting Held on 18 April 2023
- b. Confirmation of Minutes of the Public Excluded Extraordinary Session of the Finance and Projects Committee Held on 9 May 2023
- c. Confirmation of Minutes of the Public Excluded Extraordinary Session of the Finance and Projects Committee Held on 23 May 2023
- d. Financial Update – June 2023
- e. Investment Property Portfolio Update
- f. Business Enhancement Programme – Projects Dashboard
- g. Invercargill Central Limited Monitoring Report
- h. Invercargill Central Limited Funding Status Report

The general subject of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under section 48(1) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution are as follows:

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under Section 48(1) for the passing of this resolution
a) Confirmation of Minutes of the Public Excluded Session of the Finance and Projects Committee Meeting Held on 18 April 2023	<b>Section 7(2)(i)</b> Enable any local authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)	<b>Section 48(1)(a)</b> That the public conduct of this item would be likely to result in the disclosure of information for which good reason for withholding would exist under Section 7
b) Confirmation of Minutes of the Public Excluded Extraordinary Session of the Finance and Projects Committee Held on 9 May 2023	<b>Section 7(2)(i)</b> Enable any local authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)	<b>Section 48(1)(a)</b> That the public conduct of this item would be likely to result in the disclosure of information for which good reason for withholding would exist under Section 7
c) Confirmation of Minutes of the Public Excluded Extraordinary Session of the Finance and Projects Committee Held on 23 May 2023	<b>Section 7(2)(i)</b> Enable any local authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)	<b>Section 48(1)(a)</b> That the public conduct of this item would be likely to result in the disclosure of information for which good reason for withholding would exist under Section 7
d) Financial Update – June 2023	<b>Section 7(2)(a)</b> Protect the privacy of natural persons, including that of deceased natural persons	<b>Section 48(1)(a)</b> That the public conduct of this item would be likely to result in the disclosure of information

		<p><b>Section 7(2)(i)</b>                  Enable any local authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)</p>	<p>for which good reason for withholding would exist under Section 7</p>
e)	Investment Property Portfolio Update	<p><b>Section 7(2)(h)</b>                  Enable any local authority holding the information to carry on, without prejudice or disadvantage, commercial activities</p>	<p><b>Section 48(1)(a)</b>                  That the public conduct of this item would be likely to result in the disclosure of information for which good reason for withholding would exist under Section 7</p>
f)	Business Enhancement Programme – Projects Dashboard	<p><b>Section 7(2)(h)</b>                  Enable any local authority holding the information to carry on, without prejudice or disadvantage, commercial activities</p>	<p><b>Section 48(1)(a)</b>                  That the public conduct of this item would be likely to result in the disclosure of information for which good reason for withholding would exist under Section 7</p>
g)	Invercargill Central Limited Monitoring Report	<p><b>Section 7(2)(h)</b>                  Enable any local authority holding the information to carry on, without prejudice or disadvantage, commercial activities</p> <p><b>Section 7(2)(i)</b>                  Enable any local authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)</p>	<p><b>Section 48(1)(a)</b>                  That the public conduct of this item would be likely to result in the disclosure of information for which good reason for withholding would exist under Section 7</p>
h)	Invercargill Central Limited Funding Status Report	<p><b>Section 7(2)(h)</b>                  Enable any local authority holding the information to carry on, without prejudice or disadvantage, commercial activities</p> <p><b>Section 7(2)(i)</b>                  Enable any local authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)</p>	<p><b>Section 48(1)(a)</b>                  That the public conduct of this item would be likely to result in the disclosure of information for which good reason for withholding would exist under Section 7</p>

**MINUTES OF FINANCE AND PROJECTS COMMITTEE, HELD IN THE COUNCIL CHAMBERS,  
FIRST FLOOR, TE HINAKI CIVIC BUILDING, 101 ESK STREET, INVERCARGILL ON  
TUESDAY 18 APRIL 2023 AT 5.10 PM**

**Present:** Cr G M Dermody (Chair)  
Mayor W S Clark  
Cr A J Arnold  
Cr T Campbell  
Cr D J Ludlow  
Cr I R Pottinger  
Cr L F Soper

**In Attendance:** Cr P M Boyle  
Rev E Cook – Māngai – Waihōpai  
Mrs P Coote – Kaikaunihera Māori – Awarua  
Mr M Day – Chief Executive  
Ms E Moogan – Group Manager – Infrastructure  
Mr S Gibling – Group Manager – Leisure and Recreation  
Mrs P Christie – Acting Group Manager – Finance and Assurance  
Mr J Shaw – Interim GM – Consents and Compliance  
Mr A Cameron – Chief Risk Officer  
Mr M Morris – Manager – Governance and Legal  
Mr W Marriott – Manager – Museum and Heritage Services  
Mr L Butcher – Programme Director – Project Management Office  
Mr G Caron – Digital and Communications Advisor  
Ms M Cassiere – Executive Governance Officer

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**1. Apology**

Cr Stewart

Moved Cr Campbell, seconded Cr Soper and **RESOLVED** that the apology be accepted.

**2. Declaration of Interest**

Nil.

**3. Public Forum**

Nil.

#### **4. Minor Late Item in public excluded session**

##### **4.1 Appendix to the Relocation of the Southland Museum Collection Report**

Moved Cr Soper, seconded Cr Campbell and **RESOLVED** that the Minor Late Item 'Appendix to the Relocation of the Southland Museum Collection report' be accepted in public excluded session.

**The reason that the item was not in the agenda:** The item was not ready at the time of the publication of the agenda.

**The reason why the discussion of the item could not be delayed:** Matters could be progressed in a timely manner.

**Reason for public exclusion:**

**Section 7(2)(i)** - Enable any local authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations).

#### **5. Minutes of the Meeting of Finance and Projects Committee held on Tuesday 21 February 2023**

A4367715

Moved Cr Soper, seconded Cr Ludlow and **RESOLVED** that the minutes of the Finance and Projects Committee held on Tuesday 21 February 2023 be confirmed.

#### **6. Minutes of the Extraordinary Meeting of the Finance and Projects Committee held on Tuesday 21 March 2023**

A4441749

Moved Cr Soper, seconded Cr Ludlow and **RESOLVED** that the minutes of the Extraordinary meeting of the Finance and Projects Committee held on Tuesday 21 March 2023 be confirmed.

#### **7. Business Enhancement Programme – Projects Dashboard**

A4467329

Mrs Patricia Christie spoke to the report. She noted that the Rates Online project had gone live today, and that ratepayers could sign up to receive their rates via email from the next instalment onwards.

Moved Cr Campbell, seconded Cr Pottinger and **RESOLVED** that the Finance and Projects Committee:

1. Receive the report 'Business Enhancement Programme – Projects Dashboard'.

## 8. Strategic Capital Projects Report

A4458117

Mr Lee Butcher spoke to the report and provided a summary of the completed works.

Note: Cr Arnold left the meeting at 5.20 pm.

In response to a query the City Streets Stage 1 work being over budget by approximately \$2 million and yet \$938,000 has been used out of the \$1.5 million contingency, it was noted that the contingency balance may also be used up in the project and that by the end of completion the full budget of \$20.8 million would be utilised. It was also noted that the initial figures were incorrect and that a mistake had been made with the initial reporting.

Note: Cr Arnold joined the meeting at 5.22 pm.

In response to a query whether the approximate \$400,000 used on the Civic Administration Building included maintenance costs, it was noted that they were purely project costs and not on any maintenance.

In response to a query about the \$1.8 million in the Bluff Boat Ramp included a parking and user pay collection system, it was noted that it included some tidying up of the carpark but not the user pay collection system.

In response to a query about who would decide on the charges for the user pay, it was noted that the Parks team would bring a report to Council.

It was noted that with regard to the user pay charges for the Bluff Boat Ramp, the Bluff Community Board recommend an approach to the Parks team which would then be brought to Council.

Mr Butcher noted that going forward the reporting on forecasting would be the progress of the past two months and the forecast for the next two months.

Moved Cr Soper, seconded Cr Campbell and **RESOLVED** that the Finance and Projects Committee:

1. Receives the report titled 'Strategic Capital Projects Report'.
2. Receives the attached 'ICC PMO Programme Dashboard and Risk Dashboard'.
3. Provides feedback regarding "forecasting data" they wish to have added to the PMO strategic capital projects report.
4. Provides feedback regarding the sample draft "Elected Member update" provided by the PMO.

## 9. Financial Update – February 2023

A4466573

Mrs Patricia Christie spoke to the report and noted that some term deposits would be due next week which would be rolled to refinance the debt which would also be due.



In response to a query about the average cost of borrowing, it was noted that it was going up and that the information would be brought to the meeting next month.

Moved Cr Ludlow, seconded Cr Soper that the Finance and Projects Committee:

1. Receives the report 'Financial Update – February 2023'.

In response to a query whether debt ceiling was unrelated to interest payments, it was responded in the affirmative.

The motion, now put, was **RESOLVED**.

## 10. Public Excluded Session

Moved Cr Soper, seconded Cr Ludlow and **RESOLVED** that the public be excluded from the following parts of the proceedings of this meeting, namely:

- a. *Confirmation of Minutes of the Public Excluded Session of the Finance and Projects Committee Meeting Held on 21 February 2023*
- b. *Confirmation of Minutes of the Extraordinary Public Excluded Session of the Finance and Projects Committee Held on 21 March 2023*
- c. *Invercargill Central Limited Monitoring Report*
- d. *Relocation of the Southland Museum Collection*
- e. *Financial Update – February 2023*

The general subject of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under Section 48(1) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution are as follows:

<b>General subject of each matter to be considered</b>	<b>Reason for passing this resolution in relation to each matter</b>	<b>Ground(s) under Section 48(1) for the passing of this resolution</b>
a) Confirmation of Minutes of the Public Excluded Session of the Finance and Projects Committee Meeting Held on 21 February 2023	<b>Section 7(2)(i)</b> Enable any local authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)	<b>Section 48(1)(a)</b> That the public conduct of this item would be likely to result in the disclosure of information for which good reason for withholding would exist under Section 7
b) Confirmation of Minutes of the Extraordinary Public Excluded	<b>Section 7(2)(i)</b> Enable any local authority holding the information to carry on,	<b>Section 48(1)(a)</b> That the public conduct of this item would be likely to result in the disclosure of

- |  |   |  |
|--|---|--|
| <p>Session of the Finance and Projects Committee Held on 21 March 2023</p> | <p>without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)</p>   | <p>information for which good reason for withholding would exist under Section 7</p>   |
| <p>c) Invercargill Central Limited Monitoring Report</p>                   | <p><b>Section 7(2)(h)</b><br/>Enable any local authority holding the information to carry on, without prejudice or disadvantage, commercial activities</p> <p><b>Section 7(2)(i)</b><br/>Enable any local authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)</p> | <p><b>Section 48(1)(a)</b><br/>That the public conduct of this item would be likely to result in the disclosure of information for which good reason for withholding would exist under Section 7</p> |
| <p>d) Relocation of the Southland Museum Collection</p>                    | <p><b>Section 7(2)(i)</b><br/>Enable any local authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)</p>  | <p><b>Section 48(1)(a)</b><br/>That the public conduct of this item would be likely to result in the disclosure of information for which good reason for withholding would exist under Section 7</p> |
| <p>e) Financial Update – February 2023</p>                                 | <p><b>Section 7(2)(a)</b><br/>Protect the privacy of natural persons, including that of deceased natural persons</p> <p><b>Section 7(2)(i)</b><br/>Enable any local authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)</p>                                       | <p><b>Section 48(1)(a)</b><br/>That the public conduct of this item would be likely to result in the disclosure of information for which good reason for withholding would exist under Section 7</p> |

There being no further business, the meeting finished at 6.40 pm.

**MINUTES OF THE EXTRAORDINARY MEETING OF THE FINANCE AND PROJECTS COMMITTEE, HELD IN THE COUNCIL CHAMBERS, FIRST FLOOR, TE HINAKI CIVIC BUILDING, 101 ESK STREET, INVERCARGILL ON TUESDAY 9 MAY 2023 AT 3.00 PM**

**Present:** Cr G M Dermody (Chair)  
Mayor W S Clark  
Cr A J Arnold  
Cr T Campbell  
Cr D J Ludlow  
Cr I R Pottinger  
Cr L F Soper  
Cr B R Stewart

**In Attendance:** Cr P M Boyle  
Cr A H Crackett  
Cr P W Kett  
Rev E Cook – Māngai – Waihōpai  
Mrs P Coote – Kaikaunihera Māori – Awarua  
Mr S Gibling – Group Manager – Leisure and Recreation  
Mrs P Christie – Acting Group Manager – Finance and Assurance  
Ms J Hutton – Interim GM – Customer, Communications and People  
Mr J Shaw – Interim GM – Consents and Compliance  
Mr A Cameron – Chief Risk Officer  
Mr M Morris – Manager – Governance and Legal  
Ms R Suter – Manager – Strategy and Policy  
Mr L Butcher – Programme Director – Project Management Office  
Mr C Bowen – Open Spaces and Recreation Strategic Advisor  
Ms L Knight – Manager – Strategic Communications  
Ms K Braithwaite – Digital and Communications Advisor  
Ms M Cassiere – Executive Governance Officer

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**1. Apologies**

Nil.

**2. Declaration of Interest**

Nil.

**3. Major Late Item – Public Excluded Session**

**3.1 Rugby Park Seismic Upgrade**

Moved Cr Ludlow, seconded Cr Soper and **RESOLVED** that the Major Late Item 'Rugby Park Seismic Upgrade' be received in Public Excluded Session.

**The reason that the item was not in the agenda:** The item was not ready at the time of the publication of the agenda.

**The reason why the discussion of the item could not be delayed:** Matters could be progressed in a timely manner.

**Reason for Public Exclusion:**

**Section 7(2)(h)** - Enable any local authority holding the information to carry out, without prejudice or disadvantage, commercial activities.

#### **4. 2022/2023 Quarter Three Performance**

A4476867

Ms Rhiannon Suter and Mrs Patricia Christie provided a summary on the non-financial and financial aspects of the report, respectively.

A query was raised about the inconsistency in the volume variance figures of solid waste. It was noted that the Group Manager of Infrastructure would bring back a report on the figures including an explanation on how WasteNet worked in relation to Council numbers.

It was noted that the resident survey could be improved with the inclusion of an option for participants to state that they had no knowledge about areas which they had not personally experienced.

In response to a query about the concern relating to contractor response time to non-urgent enquiries, it was noted that the response time sat slightly outside of the response period due to contractor response and availability however, the non-urgent enquiries were being actively managed.

In response to queries around forestry and whether Council had people to provide advice, it was noted in the affirmative.

In response to a query whether a detailed breakdown of the \$91 million expenditure for nine months could be made available, it was noted that a report would be presented at the next scheduled Finance and Projects Committee meeting.

A query was raised to provide details about the \$4 million increase in subsidy revenue. It was noted that the Better Off funding had not been fully forecasted for Tisbury in the Annual Plan and that the current projections showed that all the milestones would be met by 30 June 2023 to recognise the full amount.

In response to a query about the increase in the Full Time Equivalent (FTE) numbers, it was noted that changes had taken place during the year which accounted for some increase in the FTE numbers and that in some places there were higher than planned vacancies.

In response to a query about having a year on year comparative data on road crashes, it was noted that the information would be included in the quarter four report.

Moved Cr Soper, seconded Cr Stewart and **RESOLVED** that the Finance and Projects Committee:

1. Receives the report "2022/2023 Quarter Three Performance".
2. Receives the Quarter Three Performance Report (A4499949).
3. **Recommends to Council** to approve the forecast changes outlined Schedule of Forecast Changes in the Quarter Three Performance Report.

## 5. Public Excluded Session

Moved Cr Stewart, seconded Cr Pottinger and **RESOLVED** that the public be excluded from the following parts of the proceedings of this meeting, namely:

- a. *Relocation of the Southland Museum Collection Update*
- b. *Surrey Park Grandstand – Final Report*
- c. *Rugby Park Seismic Upgrade*

The general subject of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under Section 48(1) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution are as follows:

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under Section 48(1) for the passing of this resolution
a. Relocation of the Southland Museum Collection Update	<p><b>Section 7(2)(i)</b></p> <p>Enable any local authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)</p>	<p><b>Section 48(1)(a)</b></p> <p>That the public conduct of this item would be likely to result in the disclosure of information for which good reason for withholding would exist under Section 7</p>
b. Surrey Park Grandstand – Final Report	<p><b>Section 7(2)(h)</b></p> <p>Enable any local authority holding the information to carry out, without prejudice or disadvantage, commercial activities</p>	<p><b>Section 48(1)(a)</b></p> <p>That the public conduct of this item would be likely to result in the disclosure of information for which good reason for withholding would exist under Section 7</p>

- c. Rugby Park Seismic Upgrade

**Section 7(2)(h)**

Enable any local authority holding the information to carry out, without prejudice or disadvantage, commercial activities

**Section 48(1)(a)**

That the public conduct of this item would be likely to result in the disclosure of information for which good reason for withholding would exist under Section 7

There being no further business, the meeting finished at 5.45 pm.

**MINUTES OF THE EXTRAORDINARY MEETING OF THE FINANCE AND PROJECTS COMMITTEE, HELD IN THE COUNCIL CHAMBERS, FIRST FLOOR, TE HINAKI CIVIC BUILDING, 101 ESK STREET, INVERCARGILL ON TUESDAY 23 MAY 2023 AT 2.00 PM**

**Present:** Cr G M Dermody (Chair)  
Cr A J Arnold  
Cr T Campbell  
Cr D J Ludlow  
Cr L F Soper  
Cr B R Stewart

**In Attendance:** Cr R I D Bond  
Cr P M Boyle  
Rev E Cook – Māngai – Waihōpai  
Mrs P Coote – Kaikaunihera Māori – Awarua  
Mr M Day – Chief Executive  
Mr S Gibling – Group Manager – Leisure and Recreation  
Mrs P Christie – Acting Group Manager – Finance and Assurance  
Mr J Shaw – Interim GM – Consents and Compliance  
Mr M Morris – Manager – Governance and Legal  
Mr W Marriott – Manager – Museum and Heritage Services  
Ms L Knight – Manager – Strategic Communications  
Mr G Caron – Digital and Communications Advisor  
Ms M Cassiere – Executive Governance Officer

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## 1. Apologies

Mayor Clark on Council business, Cr Pottinger.

Moved Cr Soper, seconded Cr Stewart and **RESOLVED** that the apologies be accepted.

## 2. Declaration of Interest

Rev Cook declared a conflict of interest.

## 3. Public Excluded Session

Moved Cr Ludlow, seconded Cr Stewart and **RESOLVED** that the public be excluded from the following parts of the proceedings of this meeting, namely:

- a. *Relocation of the Southland Museum Collection – Update*

The general subject of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under Section 48(1) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution are as follows:

<b>General subject of each matter to be considered</b>	<b>Reason for passing this resolution in relation to each matter</b>	<b>Ground(s) under Section 48(1) for the passing of this resolution</b>
a. Relocation of the Southland Museum Collection – Update	<b>Section 7(2)(i)</b> Enable any local authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)	<b>Section 48(1)(a)</b> That the public conduct of this item would be likely to result in the disclosure of information for which good reason for withholding would exist under Section 7

There being no further business, the meeting finished at 2.09 pm.



## STRATEGIC CAPITAL PROJECTS REPORT

<b>To:</b>	Finance and Projects Committee
<b>Meeting Date:</b>	Tuesday 20 June 2023
<b>From:</b>	Lee Butcher – Programme Director
<b>Approved:</b>	Erin Moogan - Group Manager - Infrastructure Services
<b>Approved Date:</b>	Tuesday 6 June 2023
<b>Open Agenda:</b>	Yes
<b>Public Excluded Agenda:</b>	No

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### Purpose and Summary

This report updates the Committee on the status of Strategic Projects being delivered by the Project Management Office (PMO).

### Forecasting Information



Overall the Capital programme through the year is slightly underspending (trend); in numbers – April \$5.4 million underspent, May \$6.4 million underspent and estimated for June \$6.8 million underspent.

This echoes the challenge of delivering the Branxholme Project and having a number of projects on hold/in review.

The capital programme will undergo a re-forecasting in June for the next financial year, where we look to track better forecast vs actual.

#### ***A number of projects have underspent this month.***

**Bluff Boat Ramp** - Due to late invoicing from contractors and consenting application later than planned (four weeks).

**Branxholme** – Not securing a contractor through the main tender process, the project is undergoing a re-set for the next financial year to re-align forecasting to the new programme.

### **One project had a significant overspent this month**

**Stead Street** – Late invoicing catching up from last month (final accounts). The overall project remains under budget.

The PMO is still looking at ways to bring forecasting data to the dashboard and other reporting tools.

### **Elected Member Updates**

The Museum Programme and Branhholme updates provided with this report. The Housing Innovation, Bluff Boat Ramp, and Rugby Park updates will be added to in August 2023.

### **Recommendations**

That the Finance and Projects Committee:

1. Receives the report "Strategic Capital Projects Report".
2. Receives the 'ICC PMO Programme Dashboard' attached.

### **Background**

The PMO carry out oversight and management of eight strategic projects. Through the PMO, Invercargill City Council develops tools and internal staff to manage and deliver projects directly and support better internal processes.

The PMO provides a snapshot of progress, risk, and commentary on the programme through the ICC PMO Programme Dashboard presented to the Finance and Projects Committee bi-monthly.

### **Attachments**

1. Attachment 1 - ICC PMO Programme Dashboard PDF (A4664408)

ICC PMO Programme Dashboard (Roadmap To Renewal LTP July 2021 - June 2031)								
Report to 31 May 2023		Programme Sponsor: Erin Moogan			Programme Lead: Lee Butcher			
Project Budget	Spend to date			PMO forecasting - Risk - ETC - tracking				
Project	Budget (inc Cont.)	Actuals (from Tech One)	Remaining	Estimate to Complete (ETC)	Contingency (remaining)	Variation - Budget vs ETC	RAG	Comments
City Centre Streets - Stage (100229)	\$ 20,800,000	\$ 19,908,908	\$ 891,092	\$ 20,822,005	1,565,768 (240,164)	-\$ 22,005	Yellow	This project is in the close-out and defects stage; there are a number of minor issues that the team are working through. The ETC has been forecasted close to the budget, and we will refine this as we close off accounts. Will remain on the PMO report until the final accounts and defect plan are accepted.
Stead Street Stop Bank - (100298)	\$ 15,500,000	\$ 15,071,703	\$ 428,297	\$ 15,300,000	2,000,000 (200,000)	\$ 200,000	Green	This project is in the close-out and defects stage; the final account is mostly complete, and reporting the project is coming on to budget. A great outcome and needed resilient infrastructure to protect the city. Will come off the PMO report next period.
Bransholme Water Main - (100349)	\$ 25,348,575	\$ 12,703,618	\$ 12,644,957	\$ 25,348,575	2,163,104 (2,000,000)	\$ -	Yellow	The team are very close to securing a competitive price to undertake the following stages of the project, after two failed bids, this is a breakthrough for the project. Testing has now been completed on all pipe put in the ground in stage 1, this section has been very challenging, and the team have learnt a lot. Stages 2 and 3 will start in July.
Rugby Park - (100305)	\$ 4,900,000	\$ 365,238	\$ 4,534,762	\$ 4,900,000	150,000 (150,000)	\$ -	Green	Stage 2 has been approved, and the team are now working on the scope of work and finalising the strengthening drawings for consenting. We will plan and get everything in place to start physical work at the end of the NPC season 2023. The main stand will be fully complete before NPC season 2024.
CAB Refurbishment - (100315)	\$ 16,000,000	\$ 505,849	\$ 15,494,151	\$ 16,000,000	1,600,000 (1,600,000)	\$ -	Yellow	A report is due before the council in June; this focuses on the building condition and moves away from the "building upgrade" and addresses "basic needs". Following the meeting, the project will be re-scoped.
P1225 - Museum (100551)	\$ 54,500,000	\$ 433,014	\$ 54,066,986	\$ 54,500,000	6,451,147 (6,420,017)	\$ -	Green	The design team are progressing the concept and has been well-hosted by iwi, ICC and other stakeholders. A suite of workshops is in the process of being arranged following the concept signed off by Council in Aug 2023. This tender has now closed, and we are in the process of evaluating six bids. If you have been passed the old Museum of late, you would have seen some early works started and we prepare to take full control of the site ahead of the relocation, demolition and new build next year.
P1225 - Storage (100689)	\$ 10,260,000	\$ 3,422,008	\$ 6,837,992	\$ 10,260,000	1,062,550 (186,538)	\$ -	Green	The building has progressed despite the recent wet weather; the contractor is pleased to be mostly out of the ground now as winter approaches. The steel structure and plant building frame are now very present on site and ready to take the cladding in the coming weeks.
P1225 - Tuatara (100715)	\$ 500,000	\$ 26,475	\$ 473,525	\$ 500,000	65,000 (65,000)	\$ -	Green	The initial design meeting was undertaken this month and was well attended, the brief has been reviewed, and we plan to have the concept in 4 to 5 weeks. The site has been thoroughly surveyed to help with early design works.
Bluff Boat Ramp - (100335)	\$ 1,800,000	\$ 382,946	\$ 1,417,054	\$ 1,800,000	270,000 (252,655)	\$ -	Green	The engineers have undertaken all the seabed work needed and are progressing the drawings to tender and construction. We have lodged the final resource consent to ES for the West Jetty works. The next work packages will be pile installation and pontoon fabrication.
Housing Innovation - (100653)	\$ 2,145,000	\$ 131,853	\$ 2,013,147	\$ 2,145,000	225,352 (225,352)	\$ -	Green	We have awarded this work to ABL and are in the pre-start phase. A traffic management plan has been approved to allow us to use an area of the roadside as the site is very compact. The water connection and fibre relocation works are also in progress.
<b>Programme Total</b>	<b>\$ 151,753,575</b>	<b>\$ 52,951,612</b>	<b>\$ 98,801,963</b>	<b>\$ 151,575,580</b>		<b>\$ 177,995</b>		





### ICC PMO Programme Dashboard: Risks (Overview)

Report to 31 May 2023 Programme Sponsor: Erin Moogan Programme Lead: Lee Butcher

		PROGRAMME STATUS											DESCRIPTION
		PROGRAMME HEALTH STATUS (1 = GREEN (OK), 2 = AMBER (ON WATCH), 3 = RED (ESCALATE))											
ID	ITEM	City Streets	Stead Street Stop Bank	Branxholme	Ruby Park SIG 1,3	P12/25 Museum	P115 Storage	P12/25 Tuatara	CAB Refurb	Bluff Boat Ramp	Housing Innovation		
1	Schedule												<b>Rugby Park</b> - Re-programmed to undertake the next phase of physical works ahead of the 2024 season. <b>CAB</b> - is on hold as awaiting council direction.
2	Financials												<b>City Streets</b> - We are closing out accounts and a final review of a late claim from the contractor for some extra costs; despite this, the ETC has been re-forecasted to be closer to the budget. <b>Branxholme</b> - Closing out stage 1 has some challenges with testing equipment; we expect the contractor to apply for practical completion very soon; this is much later than planned, and we will seek some cost recovery through the correct processes. On a positive note, we are very close to securing a new contractor who has provided full pricing information and this aligns much closer to our budget when compared to the bids we have received to date. While there are still a few provisional sums in our plan, we are confident of a good outcome.
3	Scope												<b>CAB</b> - The scope of work and budget is challenging. The building condition report notes a lot of items in poor condition, The new H1 building standards also call for a significant upgrade to insulation levels which will significantly add cost to the project as this is a big leap in levels of insulation.
4	Resources												
5	Dependencies												
6	Quality												<b>City Streets</b> - The project closed with a number of minor defects that the contractor will carry out; a defect plan and programme have been requested.
7	Stakeholder												
8	Benefits												
9	Health & Safety												
<b>Overall</b>													

## CITY STREETS STAGE 2

<b>To:</b>	Finance and Projects
<b>Meeting Date:</b>	Tuesday 20 June 2023
<b>From:</b>	Russell Pearson - Manager Strategic Asset Planning
<b>Approved:</b>	Erin Moogan - Group Manager - Infrastructure Services
<b>Approved Date:</b>	Wednesday 15 June 2022
<b>Open Agenda:</b>	Yes
<b>Public Excluded Agenda:</b>	No

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### Purpose and Summary

The purpose of this report is to provide an update on City Streets Stage 2 and set direction to establish the next steps of planning.

### Recommendations

That the Finance and Projects Committee:

1. Receives the report "City Streets Stage 2".
2. Notes that two City Centre Projects are required to deliver the outcomes needed for the City Centre - being Stage 2 Kelvin Precinct and Stage 3 Esk Street West.
3. Agrees that Stage 3 Esk Street West is a priority and needs to be advanced to align to the adjacent development timelines.
4. Confirms that Stage 2 Kelvin Precinct is planned for 2024/2025 - 2025/2026 years and budgeting is required in the LTP for design works.
5. Directs that an allocation of up to \$250,000 be provided in 2023/2024 year for design and planning works for Stage 3.
6. A further report be presented to identify a budget for Stage 3 which would also consider timing of works and reallocation of Stage 2 budgets.
7. A further report be presented to confirm the consultation process required for Stage 3 for Wachner Place area.
8. Selects the design approach as **(either)**:
  - a. Align to current Roadmap.
  - b. Advance Concept Design for Stage 3 – Esk West – Council Lead.
  - c. Advance Concept Design for Stage 3 – Esk West – Developer Lead.
  - d. Engage Consultants to develop preliminary Design for Stages 2 and 3.

## **Implications and Risks**

### **Strategic Consistency**

The project which involves Kelvin Street (referred in following sections as Stage 2) is currently consistent with the Long Term Outcomes (Roadmap to Renewal, as determined in the 2022/2023 Annual Plan).

Council needs to consider and direct that Stage 3 Esk Street West be now considered as part of the project and how future budget and timing implications are managed.

### **Financial Implications**

The financial implications of the report are:

1. There is no current budget allocated for any scope, consultation or design work within the current or next financial year for either stage 2 or 3.  
City Streets Stage 2 is paused and the \$13.6 million is allocated from 2024/2025 onwards.
2. Stage 3 Esk West project has potential to have a wider scope to enable work of Wachner Place and any reallocation of stage 2 budgets (ie shared between 2 and 3) are unlikely to meet the costs of both. No further budget amount has been considered as the scope is unclear.
3. It has been anticipated and requires confirmation that that the current allocation for Stage 2 of \$13.6 million will be reallocated and the project scope for (Stage 3 and or 2) managed.
4. No allowance has been made for any external funding to be received.
5. Reforecasting of budget for this project will be necessary.
6. Some waivers in the Procurement Policy will be necessary to meet expected timelines.

### **Background**

Council developed the City Centre Masterplan in 2020 which formed the basis for investment in the City heart. The plan looked specifically at the Tay, Dee, Kelvin, Esk and Don Street blocks (Stage 1) as this was where the focus of investment was occurring.

The Plan developed guiding principles and transformational moves which look to guide robust long term decision making, as well as support private investment in the CBD. These are included in Appendix 1.

Design and the construction work on Esk and Don Streets proceeded using these principles and this stage of delivering the masterplan outcomes has been completed in March this year. The Stage 1 project has been well received by the public, although there are ongoing calls to review the vehicle access to Esk Street.

### **Stage 2 Kelvin Precinct**

Stage 2 of the City Centre works had originally been scoped to include Kelvin and Esk (Kelvin to Deveron Street) and following the Next Steps for City Block consultation in 2021/2022, this was included in the 2022/2023 Annual Plan. This area is as shown below:

## CITY STREETS UPGRADE STAGE TWO KELVIN ST AND FURTHER WORK ON ESK ST



### PREFERRED OPTION:

Invest an additional \$13.6M to upgrade Kelvin St between Don St and the Kelvin St Hotel and Esk St between Kelvin St and Te Rau O Te Huia (new SIT Esk St Campus). The impact on Council's debt would be an increase of \$13.6M. Rates would increase by 1.3%.

### City Streets Stage 2 Option Agreed By Council Following Next Steps for City Block Consultation

As Stage 1 project concluded, Council was reviewing the Roadmap Strategic Projects and Stage 2 investment was revisited along with the timing of the project.

Council paused the stage 2 project in early 2023 to enable further consideration to priority areas of focus of the roadmap to be undertaken.

Only a preliminary concept has been developed for the Kelvin Street area, sufficient to prepare an order of cost budget. No further detailed planning or design work has occurred since this pause. The effort to take the current level of information to construction is reasonably substantial and involves much discussion with stakeholders involved. There is already a strong body of current understanding which was developed in Stage 1 (including materials, understanding of build issues, underground utility etc.) which if not activated in a reasonable timeframe will become lost to time and change of personnel.

### Masterplan Update and Refresh

The Master Plan in 2020 did not consider areas beyond the above mentioned blocks. Some initial work has been undertaken with Isthmus to review the Esk West Area as this is a location where new investment and development is currently occurring.

Distinction Hotels has purchased property and is developing its hotel and carpark in this area. The scope of their project(s) has been presented to the Council Strategic Projects Workshop. The work includes full redevelopment of the Hotel building (formerly the Menzies Building) with some additional floor area and facades along with demolition of many of the buildings on the north side of Esk Street and then construction of a new carpark building. Parts of the useful buildings on the north side of Esk are planned to be repurposed and upgraded to provide staff accommodation for the hotel. The hotel will have approximately 150 rooms and restaurant etc. along with the carpark building having around 250 carparks.

The developer has indicated in their presentation that they wish to engage with Council on a range of issues associated with the Esk Street West developments which are very important to support suitable access and operation of their hotel.

These are namely:

- Streetscape connection for guests between the hotel and the City Centre;
- The use of most of the road during construction - limiting access other than pedestrian and some temporary street and landscape removal and reinstatement;
- The long term use of part of road for a Porte Cochere for bus drop-off and parking;
- Interest in supporting and working with Council in revitalisation of the street area and
- Having limited bus access from Dee Street to the hotel.

The planned hotel development of Esk Street West has raised discussion on the function, importance and future use of the Wachner Place area.

The development works are understood to look to be complete in late 2024.

Any changes to the use of the area will require consultation. It should align and be supported by the Masterplan plan.

### **Stage 3 Esk Street West**

Whilst development of the Esk Street West area has not been consulted on in earlier engagements.

There is a reasonable expectation that the existing condition of the street and footpath area will not be to the standard expected after the hotel is complete.

Updating the street ( on a like for like basis) is reasonably straight forward but if not seen as meeting the Masterplan principles of supporting key private investment opportunities and ensuring the many guests upon exiting the new hotel are attracted back to the City Heart. Wachner place layout, style materials and structure along with the Clock Tower and Dee Street columns all add complexity to design issues and what is wanted to be achieved by considering future works.

To consider the request of the developer, the key issue of Wachner Place (primarily limited access and use) will need to be addressed. This element will take some time to engage and hear the community views on what is needed or required for Wachner Place.

A significant learning from Stage 1 has been that the time to develop good design, then taking this through to enough detail to be able to build efficiently is usually underestimated. To fast track these processes brings risk and likelihood of higher costs.

It is noted that Esk Street West is seen as less complex in integrating the project with adjacent developments than Esk or Don.

For clarity this project area has been called Stage 3 and includes streetscapes in Esk Street West footpaths and roads, Wachner Place Access and Improvements, Clock Tower and Columns.

## **Issues and Options**

### **Analysis**

The key issues which need to be considered are:

1. Staging of Works  
Future works in the City Centre are now considered as Stage 2 (Kelvin Street Precinct and Stage 3 (Esk Street West).



Stage 2 has been consulted on and a budget allocated of \$13.6M but has been paused until after 2024/25.

Stage 3 has not been consulted on and no budget has been allocated.

Both projects look to secure strong connections to the Esk and Don Street Heart of the City and are well aligned to Council LTP objectives and Masterplan Principals.

2. Timing of Staging's:

Stage 2 – Paused until 2024/25 and or beyond

Stage 3 – By late 2024 – (planned Hotel Opening)

Needs to be implemented prior to opening of the hotel for basic principles of having safe bus access and ability to build in front of an operational hotel.

As noted above Stage 1 lesson on starting design early is at risk given the above.

Stage 1 had a very tight timeframe and the whole project was under immense pressure throughout.

Stage 3 – Esk Street West needs to establish a community process for any potential changes (and/or refresh of) Wachner Place and the level of conversation will add a much wider pressure layer to this project. Time is under pressure if Council wishes to have this project run in a manageable and community focused way.

3. Cost

Stage 2 project and budget has been repositioned within the Roadmap, with the programme consulted on during Next Steps for City Block paused until reprioritisation has been completed.

It is also seen that there may be opportunity for external funding within the projects however the extent of what this may be has not been discussed.

Stage 3 is not funded but potentially stage 2 as consulted could be scaled (and or timed) to allow some of the budget to be reforecast and allocated to Stage 3. This would need to be consulted on as it would likely be deemed to be significant by the policy.

Changes to Wachner Place, being a relatively large area will have a cost implication dependent on the extent and timing of any agreed works.

Wachner Place is noted as having had very little renewal since construction in the 1990s and some renewal allocation with the LTP could be considered.

4. Scope for Stage 3

There are a number of elements in stage 3 which need to be considered.

The access through Wachner Place has a range of options which could be considered however the most likely is to have limited bus access permitted ( with electric self raise /lower bollards) and travel speed of 10 kmph. With only 6 to 8 trips maximum per day this could be a design option which was viable and would not significantly impact options for Wachner Place. How this access passes by the current clock tower would need to be considered.

The Clock Tower has two elements which are highlighted in that it limits wind across this area and potentially down Esk Street and the physical clock itself. The clock is the mechanism from the original Post office clock of the early 1990s and was refurbished

1990. The clock structure and clock both need a large amount of work and relocating the clock is a potential option.

The columns in Dee Street were designed as a vertical element to highlight the city centre. The new builds have surpassed this need and these could be considered for removal.

The pavements, raised lawns and structures in Wachner Place are now 30 years old and have not had a significant refurbishment and need to be addressed. The timing of planned works could be a well-considered option.

5. Streetscape Improvements

The existing pavement and footpath are old and in need of renewal. This would be the most appropriate time for this to occur as part of the planned developments. The style and features would need to be aligned to Stage 1 (and what is likely in Stage 2).

6. Procurement

To meet the timelines outlined above, some of the design work elements will need to be started very soon. This would not be achieved through the usual procurement process requirements for open tendering and would require direct appointment of the design team as a matter of urgency.

7. Licence to Operate during Construction

Work with the developer to allow the road to be used for construction of the projects (for cranes, storage etc.). Set reasonable access requirements for pedestrians to get from Leven to Dee Street. Document the expectation for reinstatement post construction works.

### Significance

This project is a significant deliverable for the long term plan objective "Our City with Heart – He Ngākau Aroha".

Currently the project (Stage 2) is aligned to Kelvin Street but as noted above Stage 3 would seem to have a higher priority and time constraint. Given the scope of the work and the changes to be considered in the area of Wachner Place it is seen as a significant change to the project which was consulted on during "Next Steps for City Block" and would require further consultation with the community. Additionally the funding is not budgeted and would be deemed as a significant issue.

### Options

The following options are provided for consideration:

1. Align to Current Roadmap

The current roadmap looks to develop the Stage 2 works later in the Roadmap programme. This would also mean that Stage 3 would not form part of the Long Term Plan.

2. Advance Concept Design for Stage 3 – Esk West – Council Lead

This would require allocation of resources and budget to engage suitable technical specialists. This approach would not allow for compliance with ICC Procurement Policy in respect of appointment of the design team.

3. Advance Concept Design for Stage 3 – Esk West – Developer Lead  
This would allow a stronger focus and integration on the street area within the construction zones but the developer leads the design process and submits this to Council for approval. Clear guidance would be needed on Council expectations for alignment with the master plan and Council requirements for consultation and the Wachner Place access. The management of available access (during a construction phase) and time would be an advantage. This would be a less usual approach.
4. Engage Consultants to develop Design for Stages 2 and 3  
This would involve selecting a team to take both stages through to a preliminary stage ready for delivery by a project team. This would ensure that a better understanding of issues is built but would have longer timeframes which may not best align with expectations in Stage 3.

### Risks

The following risks have been identified:

Risk	Issue	Mitigation Considered
No Funding available	No funding is allocated for design or Build activities or Council has no desire to commit allocation	Seek Council direction before the work starts and Council confirms direction and expected outcomes
Insufficient time to complete works before opening	If works are not started early enough on Stage 3 then Hotel opens and access for buses and street is unfinished	Confirm direction and develop a plan which confirms that work extent can be delivered. Work closely with developer on key issues as part of are to complete will be needed as worksite
Consultation issues unresolved	Issues from the community are such that construction work cannot proceed.	Start to engage early with stakeholders. Align thinking with the Masterplan and other Urban Play works on open spaces.
Investment is not supported by Community	After consulting, the feedback does not support investment in this area	Have a range of options in place until the consultation is concluded. Start early and set achievable timeframes.
Development does not proceed	The developer decides not to proceed and work is commenced	Work closely with the developer.
Reputational Risk for Council	Council is seen as not being prepared to meet the expectations of the developer and or community	Council assigns resources and budgets, Council sets direction early and is clear what is expected.

## **Community Views**

The community has had high expectations for the city streets project. Recent research undertaken by Great South on behalf of Council revealed strong current support for the works which have been completed.

Any changes around Wachner place will require a level of community input and engagement and the earlier this is started the better informed the project and subsequent decision will be. Dependent on the timing of the required works, consultation may need to take place ahead of Long-term plan consultation, likely in the second quarter of 2023/2024.

It would be helpful for Council to have considered the range of changes which is seen to be possible.

It would be desirable to establish early the key process for this consultation so that the key stakeholders and the community can be engaged and issues best communicated and understood and where input can be offered and when decisions will be made.

## **Next Steps**

Works on Stage 3 will be completed by the end of calendar year 2024. Early decisions are required to ensure there is sufficient time to deliver the project. This report looks to enable strategic direction and the start of the many decisions needed.

## **Attachments**

Appendix 1 – Masterplan Principles (A4666332)

## 1.5 Guiding Principles & Transformational Moves.

### Guiding Principles



Whakanuia ngā maha me te tuakiri.

#### Celebrate scale and identity.

A generous approach to scale that echoes the natural and built character of Invercargill, embedding cultural values that deepen the role and purpose of Waihopai.



Whakahauroatia i te hononga taiao.

#### Restore a healthy connection with the environment.

Replenish, restore and 'give back' to the environment- the health of the city as part of a 'living system'.



Whakaneke mo te taurikura me te oranga tonutanga.

#### Move for prosperity and wellbeing.

A network of slow traffic speed streets facilitating a balance of multiple transport modes, and promoting active use and pedestrian priority.



Pōhiritia te haerēre mai ki konei.

#### Promote a destination gateway.

Create an attractive destination for visitors to start their journey- a gateway to access the tourism attractions of Southland, and 'free' reasons to stop, stay and spend.



Ngā mahi tākarō pārekareka mo te katoa.

#### Urban play to make you stay.

A playful and playable urban environment for all ages and abilities. Bring people together with play that contributes to the vitality of the city.



He wāhi hari, hei wāhi noho.

#### A city to inhabit and enjoy.

Supporting local businesses to create an active retail centre for all times of day and all year round. Promote inner city living with a diversity of flexible and resilient options.

### Transformational Moves

**01.** Connect to Green.  
Open space and active modes.



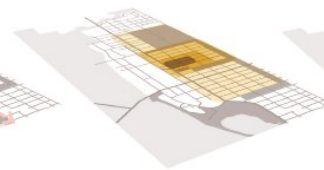
**02.** Connect to Blue.  
Water and environmental.



**03.** Slow the Core.  
Movement.



**04.** Focus to Grow.  
Experience, play and activation.



**05.** Inhabit the City.  
Built form and landscape.



## FINANCIAL UPDATE – JUNE 2023

<b>To:</b>	Finance and Projects Committee
<b>Meeting Date:</b>	Tuesday 20 June 2023
<b>From:</b>	Patricia Christie – Acting GM Finance and Assurance
<b>Approved:</b>	Michael Day - Chief Executive
<b>Approved Date:</b>	Tuesday 13 June 2023
<b>Open Agenda:</b>	Yes
<b>Public Excluded Agenda:</b>	No

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### Purpose and Summary

The purpose of this report is to provide an update on the Council's financial position including:

- High level Treasury update to 31 May 2023
- Level of debt owed to Council from rates and operations to April 2023
- Sensitive expenditure reporting
- Expense reporting

### Recommendations

That the Finance and Project Committee:

1. Receives the report "Financial Update – June 2023".

#### Recommend to Council

2. That it notes the sensitive expenditure for the period 1 January 2023 – 30 April 2023.

### Background

This report provides the Council with an update on key financial issues and areas for Council including the regular reporting of net debt of Council (Borrowings and investments) and debt owed to Council (Debt Management).

## Issues

### Rates online update

The rates online project is now live and currently 13.2% of properties are registered to receive their next rates invoice by email.

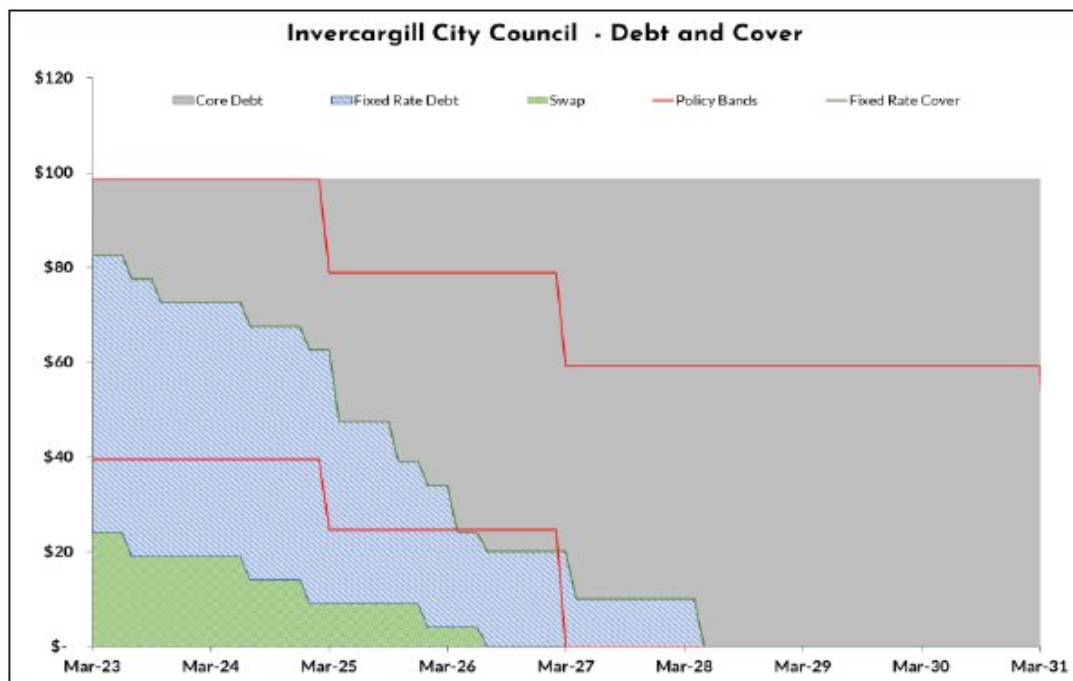
The uptake by ratepayers has been excellent and above our expectations for the first 6 weeks.

### Net debt and Treasury update

At 31 May 2023 the Council had borrowings of \$123 million and cash and cash investments of \$65 million. These generated a net debt balance of \$58 million.

The Council's weighted average cost of debt as at 31 March 2023 was 2.85%. This rate is higher than last quarter (2.34%) due to the drawdown of additional borrowings of \$15 million to fund the capital programme and roll over of \$15 million of existing maturing debt onto a commercial paper at 5.69%. This commercial paper matures in July 2023 and refinanced onto the most appropriate debt based on the market interest rates at the time.

The Council currently has a breach in debt cover policy bands in the 2-4 year range. Due to the rising interest rates and the uncertainty in the market over the last quarter, we have been monitoring the breach to make sure we don't lock in an interest rate that will disadvantage the Council in the future. With the markets now indicating the peak in interest rates is near, Council will be looking at obtaining future interest rate swaps to minimise the breach.

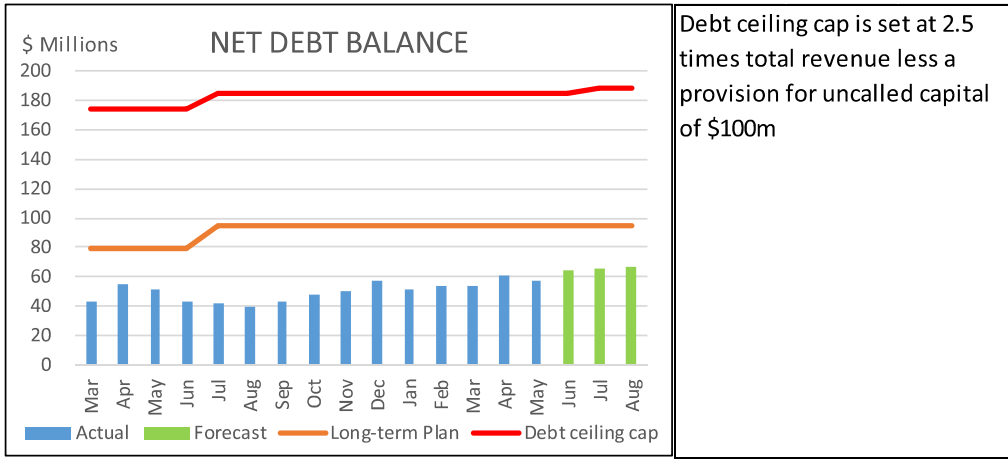


The highlights of Council's net debt position as at 31 May 2023 are provided below.

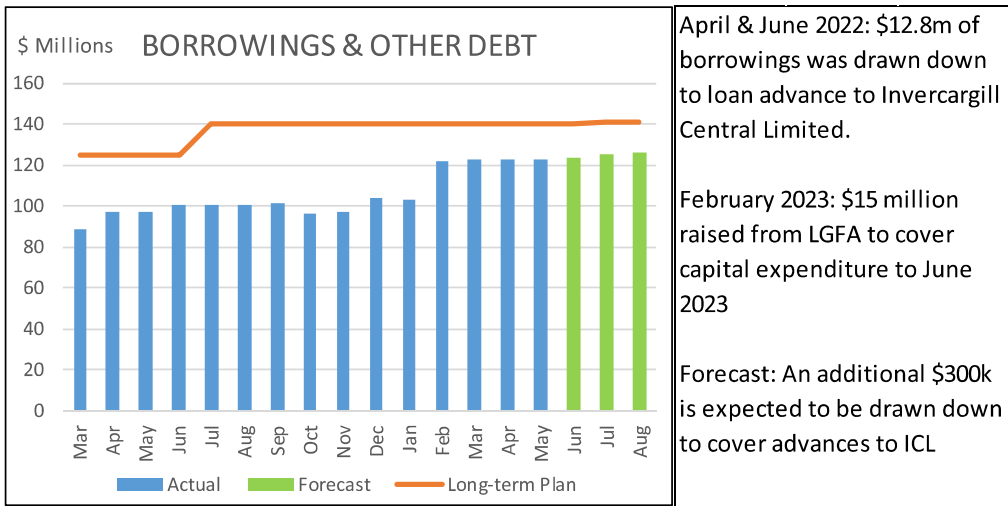
### Invercargill Central Limited Loan

At 31 May the current balance of the loan is \$25.6 million. The maximum facility is \$31.45 million.

Credit Rating	Net Debt Balance	Borrowings & other debt
<b>AA+</b>	<b>\$58m</b>	\$123m
		LESS: Cash & Cash Investments
		\$65m



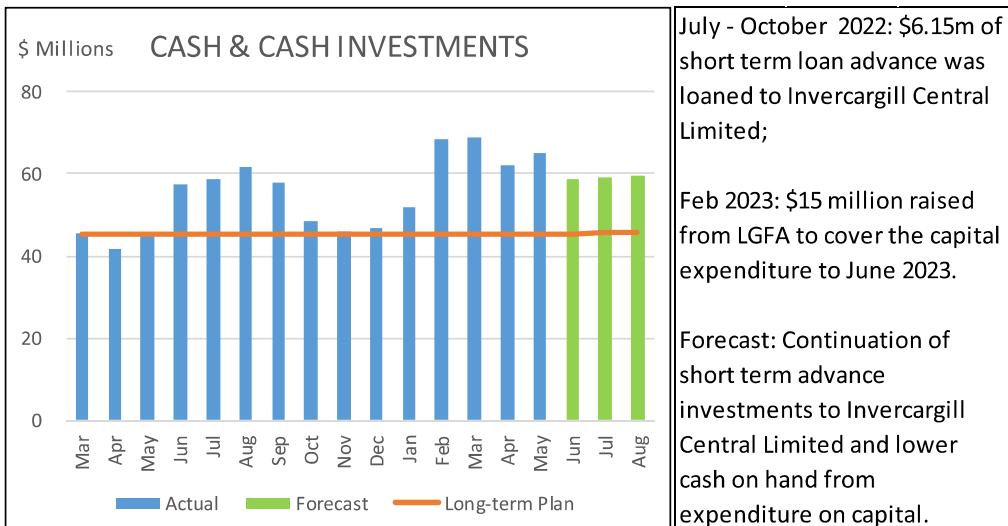
Debt ceiling cap is set at 2.5 times total revenue less a provision for uncalled capital of \$100m



April & June 2022: \$12.8m of borrowings was drawn down to loan advance to Invercargill Central Limited.

February 2023: \$15 million raised from LGFA to cover capital expenditure to June 2023

Forecast: An additional \$300k is expected to be drawn down to cover advances to ICL



July - October 2022: \$6.15m of short term loan advance was loaned to Invercargill Central Limited;

Feb 2023: \$15 million raised from LGFA to cover the capital expenditure to June 2023.

Forecast: Continuation of short term advance investments to Invercargill Central Limited and lower cash on hand from expenditure on capital.



## Net Debt Breakdown

<b>Borrowings &amp; other debt</b>				Note
<b>Borrowings</b>				
<u>Party</u>	<u>Maturity date</u>	<u>Interest rate</u>		
LGFA	Jul-23	5.69% Fixed	\$30,000,000	
LGFA	Oct-23	0.44% Fixed	\$5,000,000	
LGFA	Feb-24	5.65% Fixed	\$24,670,000	A
LGFA	Apr-24	6.05% Floating	\$10,000,000	
LGFA	Apr-25	1.49% Fixed	\$15,000,000	
LGFA	Oct-25	0.59% Fixed	\$8,500,000	
LGFA	Apr-26	1.09% Fixed	\$10,000,000	
LGFA	Apr-27	2.62% Fixed	\$10,000,000	
LGFA	May-28	4.06% Fixed	\$10,000,000	
Accrued interest payable			\$786,693	
		<b>Total</b>		<b>\$123,956,693</b>
<b>Other debt</b>				
		LGFA Borrower Notes	(\$1,307,500)	
		Environment Southland -Clean Air Scheme	\$200,000	
		<b>Total</b>		<b>(\$1,107,500)</b>
<b>TOTAL BORROWINGS &amp; OTHER DEBT</b>				<b>\$122,849,193</b>
<b>LESS: Cash &amp; Cash Investments</b>				
<b>Cash and cash equivalents</b>				<b>\$20,171,333</b>
<b>Term Deposits</b>				
<u>Party</u>	<u>Maturity date</u>	<u>Interest rate</u>		
SBS	Jul-23	3.86%	\$4,183,598	
WP	Oct-23	5.20%	\$5,258,081	
SBS	Jan-24	6.00%	\$124,980	
SBS	Jan-24	6.00%	\$4,208,877	
BNZ	Apr-24	6.15%	\$4,292,172	
Accrued interest receivable			\$241,870	
		<b>Total</b>		<b>\$18,309,578</b>
<b>Other Investments</b>				
		Share investments	\$1,097,889	
		Loan advances issued - Invercargill Central Limited	\$25,630,000	B
		Loan advances issued - Other	\$49,180	
		<b>Total</b>		<b>\$26,777,069</b>
<b>TOTAL CASH &amp; CASH INVESTMENTS</b>				<b>\$65,257,980</b>
<b>NET DEBT BALANCE</b>				<b>\$57,591,214</b>

A The loan of \$24.67 million has been used to fund the ICL advance investment.

B The current lending limit that ICC can extend to ICL is \$31.45 million.

## **Sensitive Expenditure**

In accordance with Council's Sensitive Expenditure policy the list of sensitive expenditure for the Mayor, Councillors, CEO and Executive Team is reported to the Finance and Projects Committee. The below list covers the period from 1 January 2023 – 30 April 2023.

Sensitive expenditure is broadly defined in the Sensitive Expenditure Policy and for the purpose of reporting sensitive expenditure is interpreted to include; travel, meals, training and hospitality for Mayor, Councillors, CEO and Executive Team.

Finance and Projects Committee - Public - Financial Update - June 2023 (A4591122)

Sensitive Expenditure Table Cost Centre	Period Expense Recorded	Transaction Amount	Who	Description	Supplier
Chief Executive Office	Jan-23	108.70		Kumagaya Sister City Visit	Te Rau Aroha Marae
Chief Executive Office	Jan-23	2,347.83		Kumagaya Sister City Visit - Buffet Dinner	Te Rau Aroha Marae
Chief Executive Office	Jan-23	2,730.44		Kumagaya Sister City Visit	Go Bus Transport
Chief Executive Office	Jan-23	1,034.78		Kumagaya Sister City Visit	Civic Theatre - Invercargill City Council
Chief Executive Office	Feb-23	360.70	Chief Executive	Airfares	Air New Zealand
Councillors	Feb-23	1,707.00	Cr Ludlow	MGD Recertification Course	WSP New Zealand
Councillors	Feb-23	47.08	Councillors	Nibbles and Drinks	Pak 'N' Save
Councillors	Feb-23	252.61	Councillors	Catering - Council Workshop	R & R Trading 2
Councillors	Mar-23	453.57	Cr Crackett	Airfares - National Forum on Play and Active Recreation	Air New Zealand
Councillors	Mar-23	584.00	Cr Ludlow	Chair Recert Course	Air New Zealand
Councillors	Mar-23	2,318.00	Cr Bond	MGD Foundation Course	WSP New Zealand
Councillors	Mar-23	2,318.00	Cr Boyle	MGD Foundation Course	WSP New Zealand
Mayor	Feb-23	881.22	Mayor	Airfares	Air New Zealand
Mayor	Feb-23	530.09	Mayor	Airfares - Rural & Provincial Wellington	Air New Zealand
Mayor	Feb-23	410.65	Mayor	Citizenship Ceremony	R & R Trading 2
Mayor	Mar-23	278.26	Mayor	Accommodation - Rural & Provincial Wellington	West Plaza Hotel
Mayor	Mar-23	30.00	Mayor	Meals - Rural & Provincial Wellington	Expense Claim
Mayor	Mar-23	27.83	Mayor	Waitangi celebrations Otago - meal	Expense Claim
Mayor	Mar-23	1,322.61	Mayor	Kumagaya Sister City Visit	Invercargill City Council
Mayor	Mar-23	246.96	Mayor	28 March Parliament reception	James Cook Hotel
Mayor	Mar-23	2,478.26	Mayor	Kumagaya Sister City Visit	New Zealand Tra
Mayor	Mar-23	30.44	Mayor	Airports NZ Conference - Car parking	Expense Claim
Mayor	Mar-23	42.00	Mayor	Airports NZ Conference - Taxis	Expense Claim
Mayor	Mar-23	15.04	Mayor	Airports NZ Conference - Taxis	Expense Claim
Mayor	Mar-23	24.00	Mayor	Airports NZ Conference - Taxis	Expense Claim
Mayor	Mar-23	52.78	Mayor	Airports NZ Conference - Taxis	Expense Claim
Mayor	Apr-23	550.00	Mayor	Catering - Community event 3 April	R & R Trading 2
Mayor	Apr-23	466.09	Mayor	Mayoral Reception	R & R Trading 2
Mayor	Apr-23	10,000.00	Mayor	Sponsorship - Energy & Innovation Expo	Hokonui Runanga
Mayor	Apr-23	23.48	Mayor	ANZAC Wreaths	Ambrosia Design
Mayor	Apr-23	434.78	Mayor	ANZAC Wreaths	Ambrosia Design

## Expense Analysis

While the 9 month Performance Report presented in May 2023 provided financial commentary the Financial Update will provide more detailed analysis of certain expense categories.

### Variance to Annual Plan – 9 months to March 2023

	YTD Actual Mar 2023	YTD Annual Plan* Mar 2023	Variance YTD Actual vs YTD Annual Plan	Full Year Annual Plan 2023	Variance YTD Actual compared to Full Year Annual Plan
	(\$000)	(\$000)	(\$000)	(\$000)	%
<b>REVENUE</b>					
Rates and penalties	49,984	49,333	+ 651	65,777	76%
Fines	549	454	+ 95	605	91%
Subsidies and grants	9,661	10,162	- 501	13,549	71%
Direct charges revenue	17,302	18,263	- 961	24,350	71%
Rental revenue	2,353	2,528	- 175	3,370	70%
Finance revenue	1,801	519	+ 1,282	692	260%
Dividends & subvention revenue	5,294	3,817	+ 1,477	5,089	104%
<b>Total revenue</b>	<b>86,944</b>	<b>85,074</b>	<b>+ 1,870</b>	<b>113,432</b>	<b>77%</b>
<b>EXPENSES</b>					
Employee expenses	22,118	22,952	+ 834	30,602	72%
Depreciation and amortisation	30,741	24,017	- 6,724	32,023	96%
Other expenses	36,638	38,533	+ 1,895	51,377	71%
Finance expenses	2,161	1,744	- 417	2,325	93%
<b>Total expenses</b>	<b>91,658</b>	<b>87,245</b>	<b>- 4,413</b>	<b>116,327</b>	<b>79%</b>
<b>Net operating surplus (deficit)</b>	<b>(4,714)</b>	<b>(2,171)</b>	<b>- 2,543</b>	<b>(2,895)</b>	

### Notes

\* YTD Annual Plan figures represent 9/12 of the full year Annual Plan

Rates and penalties :	Rates revenue is tracking higher than plan due to a greater than expected growth above the projected rating base. Rates penalties are also tracking higher than plan.
Subsidies and grants :	Subsidies and grants are tracking lower than plan due to lower subsidy claims submitted to Waka Kotahi year to date. Roading operating expenditure is currently tracking lower than forecast and is reflective in the subsidy revenue received to date.
Direct charges revenue :	Direct charges revenue is tracking lower than plan due to a slower return of users to Council facilities in the first half of year.
Finance revenue :	Finance revenue has achieved more than plan due to higher interest rates on investments above plan assumptions.
Dividends & subvention revenue :	The dividend from Invercargill City Holdings Limited has been received for the year. Subvention revenue of \$205,000 was received for the year and is above plan.
Employee expenses :	Employee expenses are tracking lower than plan due to differences between projected staff movements and actuals.

Year end accrual adjustments are also expected to reduce the variance and will be processed in June.

Depreciation and amortisation : Depreciation is tracking higher than plan due to the 3 yearly asset revaluation in 2021/2022 being significantly higher than anticipated within the plan assumptions.

Other expenses : Other expenses are tracking lower than plan due to lower use of consultants during the first 9 months of the year.

Finance expenses : Finance expenses are tracking higher than plan due to higher interest rates on borrowings compared to plan assumptions.

### **Employee Expenses and Other Expenses Breakdown**

Employee and Other Expenses are the two most significant expense categories for Council and a further breakdown and commentary is provided below.

#### **Employee expenses**

	YTD Actual Mar 2023 (\$000)	YTD Forecast Mar 2023 (\$000)	Full Year Forecast 2023 (\$000)	Annual Plan 2023 (\$000)
<b>Employee expenses (per Q3 Performance report)</b>	<b>22,118</b>	<b>23,404</b>	<b>31,979</b>	<b>30,602</b>
Salaries & wages	20,294	21,688	29,678	28,360
Honoraria paid	574	603	804	708
Misc Staff expenses	1,250	1,113	1,497	1,534
<b>Total</b>	<b>22,118</b>	<b>23,404</b>	<b>31,979</b>	<b>30,602</b>

#### **Notes**

Salaries & Wages Currently tracking lower than forecast due to differences between projected staff movements and actuals. Year-end accrual adjustments are also expected to reduce the variance and will be processed in June.

Honoraria paid : Includes payments to Mayor, Councillors, Mana whenua reps and Bluff Community Board

Misc Staff expenses : Includes training, travel and accommodation, recruitment and ACC levies. This is higher than forecast due to increase in recruitment costs from to both vacancies and use of specialist recruitment firms.

#### **Other Expenses**

	YTD Actual Mar 2023 (\$000)	YTD Forecast Mar 2023 (\$000)	Full Year Forecast 2023 (\$000)	Annual Plan 2023 (\$000)
<b>Other expenses (per Q3 Performance report)</b>	<b>36,638</b>	<b>37,371</b>	<b>53,114</b>	<b>51,377</b>
Administration expenses	4,701	4,756	6,635	6,101
Consultancy expenses	1,754	2,374	3,465	3,870
Operational expenses	20,582	20,630	28,839	28,211
Repairs & maintenance	5,053	4,536	6,048	5,599
Grants & subsidies expenses	3,939	4,115	6,251	6,247
Utilities expenses	2,867	3,100	4,729	4,291
Internal job cost allocation	(2,258)	(2,140)	(2,853)	(2,942)
<b>Total</b>	<b>36,638</b>	<b>37,371</b>	<b>53,114</b>	<b>51,377</b>

Notes

Administration expenses:	Includes property rates, software licenses, postage and printing expenses.
Consultancy expenses:	Reduced requirement to use consultancy services.
Operational expenses:	Includes operational contracts, Contractors, cleaning, fuel.
Repairs & maintenance:	Currently running ahead of forecast but expected to slow in April - June period as winter conditions approaches and limited work can be completed.
Grants and subsidies expenses:	Funds granted to external organisations.
Utilities expenses:	Insurance and electricity expenses. Electricity expected to increase in April - June with higher charges from contract renewals.
Internal job cost allocation:	Recovery of internal staffing costs allocated to capital projects.

**Debt Management**

Sundry (Non-rates) Debt

At 30 April 2023 the non-rates debtors outstanding was \$0.8 million (3.3% of the \$24.4 million of year to date revenue (excluding rates, subsidies, grants, interest and dividends)), a decrease of \$0.2 million from February 2023.

The table below details the total Council debt and the age of the debt.

	As at 30 April 2023					As at 28 February 2023				
	1 Month	2 Months	3 Months	4+ Months	Total	1 Month	2 Months	3 Months	4+ Months	Total
Grand Total	241,079	137,868	30,526	453,092	862,565	573,038	111,958	36,070	435,932	1,156,998

Of the above balance \$0.2 million (\$0.2 million at 28 February 2023) relates to debtors with outstanding debts over \$5,000 and more than 2 months overdue. Details of these are provided in the public excluded paper.

Debt Write Off

From 28 February 2023 to 30 April 2023 \$38,630.67 of Sundry (non-rates) debt has been written off. Debts are only written off following an extensive review of amounts which are two or more months overdue where it was not considered cost effective to be sent to our external debt collectors for debt recovery.

Rates Debtors

The table below summarises at April the amount of rates arrears and penalties charged. These relate to rates levied in the 2021/22 financial years or earlier. This table does not include any unpaid 2022/23 rates.

Rates arrears per rating year	Rating Year					Total
	2021-2022	2020-2021	2019-2020	2018-2019	2017 & older	
<b>As at April 2023</b>	<b>507049.27</b>	<b>105569.66</b>	<b>26218.81</b>	<b>14424.19</b>	<b>24746.85</b>	<b>678,009</b>
As at March 2023	603591.38	120898.69	34960.45	15360.97	26045.58	<b>800,857</b>
As at January 2023	832,952	145,938	46,012	23,919	34,820	<b>1,083,641</b>
As at November 2022	1,055,366	161,968	49,391	24,387	35,232	<b>1,326,343</b>
As at August 2022	1,738,026	205,383	59,252	29,208	37,872	<b>2,069,742</b>
As at May 2022	0	361,845	79,793	37,308	39,606	<b>518,552</b>

92% (March 93%, Jan 73.0%, Nov 92.4%, Aug 95.7%, May 96%) of Council's rates arrears by value are owed on 222 (Jan 453, Nov 451, August 1099, May 202) properties with amounts greater than \$1,000 outstanding.

Council offers ratepayers who get behind in their rates the opportunity to enter into a payment plan arrangement. Those ratepayers who are in arrears with a payment plan are not charged rates penalties.

In those situations where there is no payment plan arranged (and followed), Council has a number of debt recovery methods available to it under the Rating Act. These include collection from the mortgage holder (where there is a mortgage) and court judgement. The final recovery method is a rating sale where Council obtains a court judgement to sell the property to recover the rates owed and the costs incurred.

At present overdue rates debt totalling \$57,860.02 (January \$125,125) is with PR Law for debt recovery.

Water Billing

Water billing relates to invoices raised quarterly to non-residential ratepayers who use more than a prescribed m3 of water. At present the threshold for charging is use above 249m3.

The total value of water bills overdue at May 2023 \$9,080.68, (January \$17,032, October \$63,285, August \$48,676, May \$21,828, February \$26,867, November \$30,403) relating to 57 (January 78, August 137, May 83, February 89, November 101) customers. The majority of this relates to water charged in the 2021/22 financial years or earlier. The vast majority of these are for amounts under \$1,000, (\$7,650.05) 7% of the outstanding amount relates to 4 customers.

Dog Registrations

The total value of dog registrations unpaid at April 2023 is \$170,674 (January \$192,461, October \$197,205, August \$256,002, May \$106,683, February \$111,223, November \$117,507) relating to 767 animals (March is 1009, January 1,525, August 2,216, May 1,105, February 1,149, November 1,860). \$68,783 (January \$80,658, August \$80,708, May \$85,350, February \$90,100) of this debt relates to the 2022 dog registration period while \$101,891 of this debt relates to the current 2023 dog registration period.

We do note that the current legislation prevents us from offering instalment payments for dog registrations.

Dog registrations are now open for 2023/24, registrations received prior to 30 June will not be recognised as income until 1 July 2023 (2023/24 financial year).

### **Changes in Bank Processing**

In late May the main NZ trading banks have moved to 7 day a week transaction processing including public holidays. This has resulted in the following changes to Council practice:

- Our 20<sup>th</sup> month payment run will continue to be done on the nearest business day to the 20<sup>th</sup>.
- Direct debits for the 15<sup>th</sup> or 20<sup>th</sup> of the month where the 15<sup>th</sup> or 20<sup>th</sup> is a weekend or public holiday – these will be processed the first business day after.

The change has seen a very significant increase in the number of direct debit dishonours as a result of funds not being available in accounts. The situation is being monitored and is expected to subside once the impact of the change is understood by all.

While customers are seeing transactions processed over the weekend it should be noted that at present Council are not receiving these details to record the receipt against customer accounts until Tuesday. We are working with our banking provider to speed up the provision of information.

### **Next Steps**

Collection activities will continue on outstanding debtors and rates arrears.

### **Attachments**

Not applicable



## INVERCARGILL CENTRAL LIMITED OUTCOMES REPORT

<b>To:</b>	Finance and Projects
<b>Meeting Date:</b>	Tuesday 20 June 2023
<b>From:</b>	Andrew Cameron – General Manager ICHL
<b>Approved:</b>	Patricia Christie – Acting Group Manager Finance and Assurance
<b>Approved Date:</b>	Tuesday 13 June 2023
<b>Open Agenda:</b>	Yes
<b>Public Excluded Agenda:</b>	No

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### Purpose and Summary

Invercargill City Council (ICC) is, through Invercargill City Holdings Limited (ICHL), an equity investor in Invercargill Central Limited (ICL).

ICC undertook significant due diligence prior to the decision to invest in ICL. At all times ICC has noted, as recorded in its initial decision to invest on 13 August 2019, that the community wellbeing outcomes outweigh any inherent risk in investing (City Block Deliberation Report A2724279).

Part of the due diligence undertaken by ICC included a report from the New Zealand Institute of Economic research (NZIER). The original report addressed the broader economic impact of the development on Invercargill and the region.

In investing ICC, Community Trust South (CTS) and Crown Regional Holdings Limited (CRHL) also sought to achieve a range of qualitative impacts. There was no baseline report for these impacts.

This paper includes an updated report from NZIER following completion of the development to assess whether the investment has achieved the qualitative and quantitative outcomes behind the original investment.

### Recommendations

That the Finance and Projects Committee:

1. Receives the report "Invercargill Central Limited Outcomes Report".
2. Note the qualitative and quantitative benefits as set out in the NZIER report Invercargill CBD regeneration Revisiting 2019's estimates.
3. Confirm that the community wellbeing outcomes continue to outweigh the risks of the investment.

## **Background**

ICC at the time of approving the equity investment in ICL noted that it was a long-term investment and that no cash return was expected on that investment for at least 10 years.

Further ICC identified that:

- without public sector investment the project would not progress; and
- there were broader community benefits, both quantitative and qualitative, which supported public sector investment.

It is appropriate that ICC receive a report on those broader outcomes at the completion of the project.

## **Issues and Options**

### **Analysis**

The NZIER Invercargill CBD regeneration – Revisiting 2019's estimates report (the Report) provides analysis of the impact of the investment in ICL to date, and updates the future forecasts to reflect the current environment. Although slightly lower than the original estimates, the report highlights the broader benefit of the investment on Invercargill and the region.

The report includes commentary on the broader qualitative benefits of the investment.

It is noted that the Report suggest that impacts identified are most likely underestimated.

ICC can be satisfied that the Report supports the original rationale for the investment in these areas.

### **Significance**

The decisions to invest in ICL have been significant. Confirmation of the benefits of that investment are significant for the community.

### **Options**

ICC is not required to take any action on this report.

## **Community Views**

The Report refers to research undertaken by Great South on the pride of living in the city and region because of the redevelopment. ICC has not undertaken any independent surveys of community views.

## **Implications and Risks**

### **Strategic Consistency**

The investment in and ongoing support of ICL is consistent with the ICC strategy.

### **Financial Implications**

There are no financial implications from this report.

### **Legal Implications**

There are no legal implications from this report.

### **Climate Change**

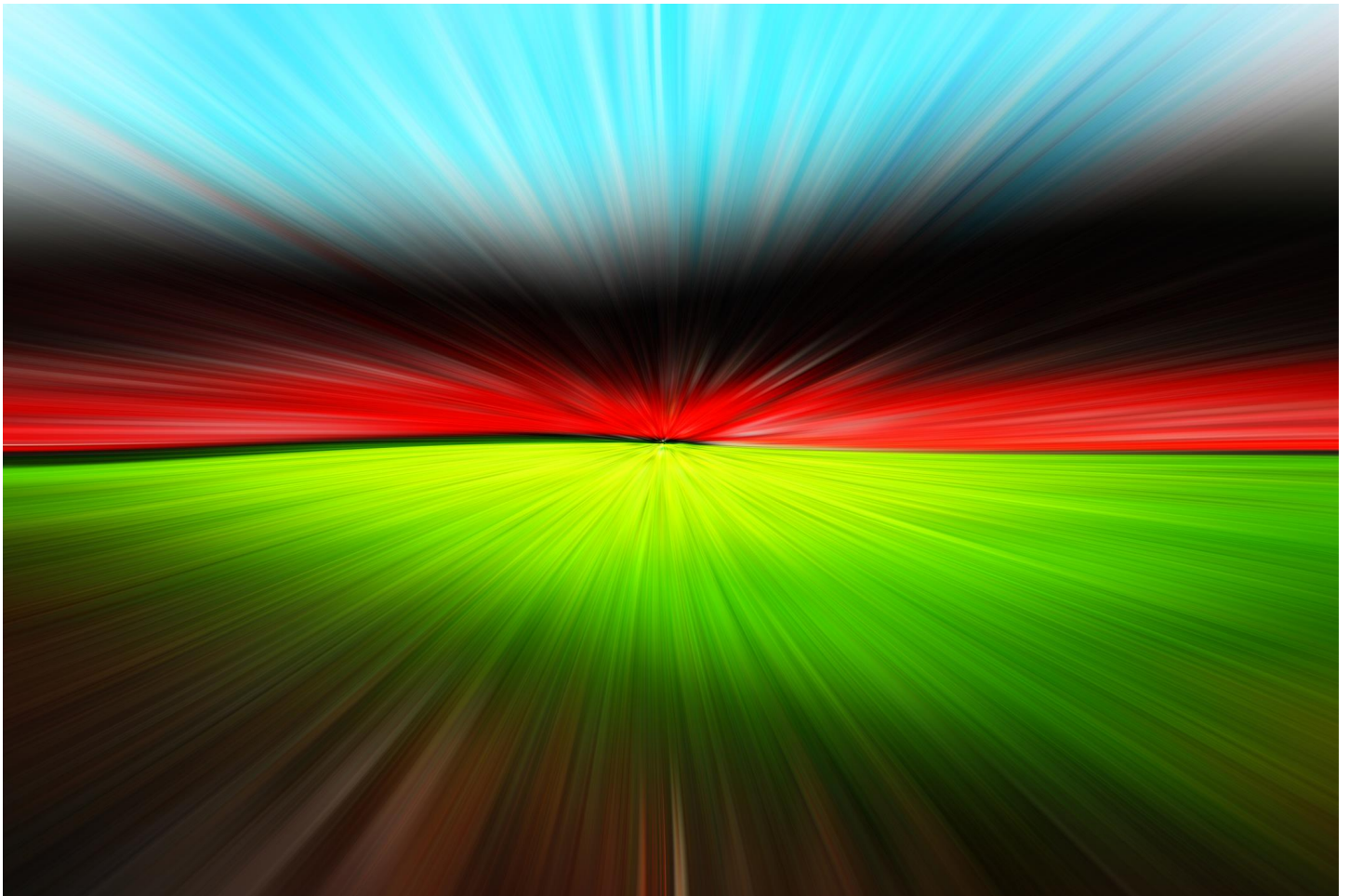
The operation of ICL has climate change impacts.

### **Risk**

There are, and remain financial risks associated with the exposure of ICC to ICL.

## **Attachments**

1. NZIER Invercargill CBD regeneration – Revisiting 2019's estimates (A4658043)



# **Invercargill CBD regeneration**

## **Revisiting 2019's estimates**

NZIER report to Invercargill City Council

May 2023



## About NZIER

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NZIER is a specialist consulting firm that uses applied economic research and analysis to provide a wide range of strategic advice.

We undertake and make freely available economic research aimed at promoting a better understanding of New Zealand's important economic challenges.

Our long-established Quarterly Survey of Business Opinion and Quarterly Predictions are available to members of NZIER.

We pride ourselves on our reputation for independence and delivering quality analysis in the right form and at the right time. We ensure quality through teamwork on individual projects, critical review at internal seminars, and peer review.

NZIER was established in 1958.

## Authorship

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This paper was prepared at NZIER by Chris Nixon and Daniel Hamill.

It was quality approved by Mike Hensen.

The assistance of Sarah Spring is gratefully acknowledged.

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## Key points

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### Objective

NZIER has been asked to revisit the potential economic contribution of the redevelopment of the Invercargill city centre.

Since the last report, the COVID-related pandemic changed the social and economic outlook. This has had numerous effects on the country and Southland region:

- There has not been population growth due to lower migration
- Tourism expenditure is not expected to grow at pre-COVID-19 rates
- Southland also seeks to move to a more sustainable tourism model
- The rebuild investments for the regeneration are less than what was forecast (\$144 million relative to the \$180 million previously estimated).

These external and internal factors will play an important role in future economic activity.

### Economic growth from the redevelopment is lower but still plays an important role in growing Invercargill

The rebuild of the Invercargill city centre is now complete. Although economic growth is lower than estimated in the previous report, there is a clear economic benefit from the city centre rebuild in Invercargill. The rebuild will help grow gross domestic product (GDP), increase employment, and promote higher wages in the region.

**The regeneration is likely to increase GDP by \$9.44 million (between 2020 and 2023) and then increase to \$14 million per annum until 2030.**

Since the previous report, several assumptions have changed to reflect new information.

- The overall cost of the first two stages of the rebuild is known
- Tourism expenditure growth has been reduced, relative to the original report, to reflect the impacts of COVID-19, the gradual return of tourists, and the shift in the region's tourism strategy. **This is the main difference in forecast GDP growth rates between the original estimates and this update**
- We assume that the development of the additional projects in stage three and the additional investment will finish by 2030
- Population and employment numbers remain static; the latest population statistics show that the population of the region has not changed.

The importance of the tourism forecast cannot be understated. As a rule of thumb, a 1 percent rise in tourism will add \$2.5 million to GDP. So there is a significant upside to these estimates if tourism numbers increase above the projected 2 percent (as set out in Table 1).

Flow on developments are occurring; an extra \$123 million in future projects has been identified.

The Invercargill city centre rebuild benefits are not just economic but will also increase societal benefits. The reported increase in the sense of civic pride because of the rebuild is vital in promoting growth in the city. A strong city centre is useful in mitigating urban decay by creating a stronger investment environment and bringing further growth to the city.

Table 1 shows the impact on the community and captures the change in estimates since our 2019 report.

**Table 1 Quantitative and qualitative impacts of the rebuild**

Key differences in results in quantitative and qualitative measures for the Southland region.

	Updated impacts	Original impacts
<b>Quantitative measures</b>		
<b>GDP growth</b>	<ul style="list-style-type: none"> <li>• \$9.44 million per year during construction (2020–2023).</li> <li>• \$13.97 million from tourism and further construction increases (Midpoint scenario, 2024–2030).</li> </ul>	<ul style="list-style-type: none"> <li>• \$48 million per year in simulation 1.</li> <li>• \$29 million per year in simulation 2.</li> </ul>
<b>Household consumption</b>	<ul style="list-style-type: none"> <li>• \$9.98 million per year during construction.</li> <li>• \$12.47 million from tourism increases (Midpoint scenario).</li> </ul>	<ul style="list-style-type: none"> <li>• \$44 million per year in simulation 1.</li> <li>• \$36 million per year in simulation 2.</li> </ul>
<b>Tourism growth</b>	<ul style="list-style-type: none"> <li>• Domestic and international tourism expenditure are modelled to increase by 2% (Midpoint scenario).</li> </ul>	<ul style="list-style-type: none"> <li>• Domestic and international tourism expenditure are modelled to increase by 5% and 11%, respectively.</li> </ul>
<b>Qualitative measures</b>		
<b>Civic pride</b>	<ul style="list-style-type: none"> <li>• The redevelopment of the city centre has instilled a sense of pride in the people of Invercargill.</li> </ul>	<ul style="list-style-type: none"> <li>• We didn't capture this in the previous report.</li> </ul>
<b>Flow on economic growth</b>	<ul style="list-style-type: none"> <li>• Evidence of flow on growth in the construction of the HWR Tower and the Distinction Hotel.</li> </ul>	<ul style="list-style-type: none"> <li>• Estimated to be \$40 million a year.</li> </ul>
<b>Benefits to Iwi</b>	<ul style="list-style-type: none"> <li>• Not estimated.</li> </ul>	<ul style="list-style-type: none"> <li>• Not estimated.</li> </ul>

Source: NZIER

### Caveats

The **impact is underestimated**. We have measured the baseline as a steady state. It is unlikely that the baseline (what we measure the gains from) would have remained the same since buildings would have become more dilapidated. The potential for more businesses leaving was very real (a burning platform).

We do not know which businesses would leave or the wider wellbeing impacts on the Southland community if the renewal process had not occurred, but we are confident that the 'do nothing' option would have had negative wellbeing impacts. These have not been measured in the baseline.





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## 1 Scope and approach

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The redevelopment of the Invercargill city centre has now mostly occurred, and the Invercargill City Council wants to further understand the impact on the CBD and wider community.

The purpose of this report is to:

- Estimate the impact of the building activity as costs are now known
- Estimate the impact of tourism and future building activity given the changing tourism environment
- Understand the potential impact on Invercargill by making it a more attractive place to live.

Our approach considers changed assumptions, particularly post-COVID tourism numbers and changes to building costs. These are detailed later in this report.

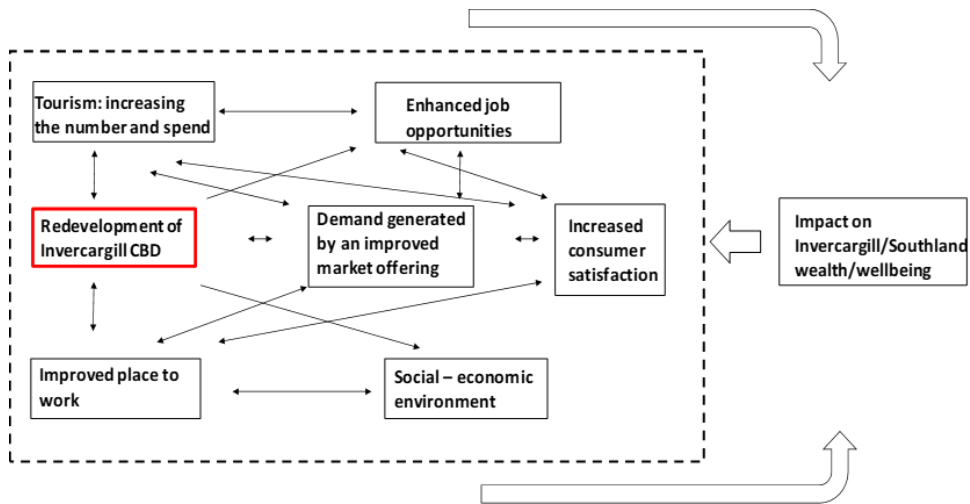
### 1.1 The approach involves using an economy-wide model and gauging the impact on wellbeing

In Figure 1, we set out the framework we used to organise the original project (NZIER 2019). We will follow the same approach because it assists in capturing the diverse benefit impacts on Invercargill and Southland. We are focused on the business and non-business aggregate impacts and want to illustrate how developing new economic activity affects wider Southland.

Figure 1 focuses on the interaction between the various elements that are impacted by the city centre redevelopment. The important linkages are between maintaining the economic base through improved job creation, improved places to work, and increased tourism. In this way, the redevelopment is designed to provide a 'gentle wind' of innovation that positively impacts the wellbeing of Invercargill and Southland.

While these factors have changed since the last report (particularly tourism forecasts), they are likely to positively impact community wealth and wellbeing through increasing jobs and regional income (relative to what would have happened without the redevelopment).

**Figure 1 Gauging the impact of the redevelopment**



Source: Adapted from Swann (2014)

## 1.2 Situation before the rebuild

Several documents set out the state of Invercargill’s central city before the rebuild, highlighting:

- Many of the buildings in the city centre had significant seismic risks, and there was an unwillingness to invest money in rehabilitating these buildings by owners:
  - Buildings had asbestos which needed to be removed
  - The majority of buildings were untenanted due to existing risk
  - Buildings are in such a state that they may have had to be demolished within one or two years, and there, the status quo is not an option.
- A lack of reinvestment in CBD properties and few contemporary amenities for a growing number of tourists. This precluded the city from capitalising on the tourist growth and missing out on opportunities to increase the spend per visitor in Southland as COVID issues recede
- The lack of a central city ‘heart’ to attract people into the city for work. An objective of the region is to increase the number of working-age people in Southland. Attracting staff requires having the urban infrastructure and lifestyle to support their needs and their families
- The potential for losing further businesses has increased with the increasing difficulty in attracting highly qualified staff and their families to live in Invercargill
- The sprawl associated with the retail sector. This may reduce the ability of Invercargill to revitalise the region, reduce the potential for vitality and viability by not being able to attract new businesses and reduce economic resilience.

The importance of city ‘liveability’ is critical and one of the main motivating factors behind the CBD redevelopment. For example, the high profile move from the city of the Alliance Group in 2016 highlights the importance of attractive surroundings.



### 1.3 Project timeline and additional development

To date, the Invercargill city centre rebuild has been completed, and further development is occurring. The plan to redevelop the CBD has several stages. The first two stages are demolishing 30 buildings in the Esk, Dee, Tay, and Kelvin Street blocks and the construction of Invercargill Central. Both stages are now complete.

The project is currently at the beginning of the third stage, which involves the planned construction of:

- The HWR offices, hotel(s), and other commercial premises
- ICC associated works with the central city and the broader environment
- Further retail spending (specifically retail and food and beverage investment).

We don't have construction timelines for these projects. Further development may also be possible.

### 1.4 What assumptions have changed since the last report?

Since the previous report was released, several assumptions have changed to reflect new information:

- The overall cost of the first two stages of rebuild is known and is lower than the previously estimated \$180 million, costing \$144 million.
- Tourism expenditure growth has been reduced to reflect the impacts of COVID-19 and the shift in the region's tourism strategy to have more sustainable growth.
- Now that Invercargill Central is complete, we assume that the development of the additional projects listed in the previous section will start and finish by 2030. We assume that this will be split equally across each year.
- Population and employment numbers remain static; the latest population statistics show that the region's population has not changed.



## 2 Redevelopment as a catalyst

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It is important to understand that the baseline from which we measure the benefits was/is not static. The rebuild was designed to arrest the decline of the CBD (details set out in section 4).

This means that the benefits are/may be underestimated since the baseline would have continued a cycle of further decline for Invercargill. This would include business flight from the CBD or out of the region, declining civic pride and fewer tourists.

### 2.1 What motivated the rebuild

The opportunity to rebuild the city centre was influenced by several factors, all of which play a key role in improving social and economic wellbeing. The main factors that helped motivate the rebuild were:

- **Reducing seismic risk** – Invercargill’s city centre had earthquake-prone buildings, which posed a human and economic risk
- **Lack of central hub** – the absence of a central hub resulted in urban sprawl, with businesses not benefiting from being close to each other. Consumers would have to travel to specific locations, such as big box stores, reducing the flow-on effect for business
- **Risk of urban decay** – continued urban decay caused less demand for businesses to establish or remain in the area. Over time the lack of investment can lead to negative economic consequences
- **Lack of pride and appeal** – there is difficulty in attracting people to work and live in the city and region due to the lack of appeal in certain elements of the city.

Redeveloping the city centre will help Invercargill rectify some of these issues by reducing seismic risk and creating a business hub that causes residents to be proud of their city, which can increase future investment.

### 2.2 What is the economic rationale?

The redevelopment of Invercargill’s city centre reinforces the region’s efforts to build new opportunities by improving the office and retail space available and to help reinvigorate tourism and pride in the region. Southland is known for its strong agricultural sector, and the rebuild will diversify its economic base by expanding business opportunities over time.

The rationale for taking this approach to economic development is that the redevelopment:

- Has a major impact on the places where we live and work. Putting vacant or abandoned buildings and land back into productive use is a major tool of economic development. This helps keep businesses located in urban areas where service infrastructure capacity and business activity can be concentrated
- Retains and attracts talented people. Growing a sense of pride in the city and region that can provide quality jobs helps attract more people

- Creates economic opportunities for investment. By providing access to ideas, investment and expert advice, new companies can be created to help assure Southland's economy stays innovative and diverse
- Acts as a gateway for tourism in the region and increasing domestic and international tourism spend.

### 2.3 The redevelopment must augment Southland's competitive advantage

As the only city in Southland, Invercargill is the commercial hub for the region, and it services the region's economic, social, and political needs. Invercargill needs to respond to the region's changing needs and promote further economic activity where opportunities arise.

The redevelopment has provided an opportunity to reinforce the existing competitive advantages that agriculture has provided and diversify the region's areas of comparative advantage.

Cities centres need the right amount and quality of office, retail, commercial and residential space to support and meet the demands of businesses, residents and shops. Improving the quality of areas designed for social interaction and other interventions will help make city centres more attractive places to do business. A high-quality offering is likely to positively affect levels of investment, land values, tourism, and productivity levels via a healthier and more satisfied workforce.

This can be done by providing:

- Up-to-date offices for branch and head offices located in Invercargill and to attract further business
- A gateway to the region for visitors – either as a jumping-off point for one of the southern hemisphere's great wilderness regions with Stewart Island, The Catlins, and Fiordland or to experience the range of world-leading transport attractions in Invercargill itself
- Jobs for the initial redevelopment and further ongoing employment can act as a catalyst for further employment and growth.

The redevelopment is an opportunity to improve the region's physical infrastructure to support Southland's existing competitive advantage and extend it into other areas as opportunities arise.

### 2.4 Recognising the value of existing resources

Physical infrastructure redevelopment is a supply-side measure and, therefore should be considered alongside the potential demand for the infrastructure. It is also important to provide appropriate space without creating an oversupply. However, providing appropriate higher-quality physical environments, such as up-to-date office stock or housing, can contribute to attracting businesses, residents and visitors to the city centre.

Therefore, the project must be viewed within the context of its connection to surrounding developments and expected business activity, i.e.:

- Increased ability to retain and attract further business activity (across the spectrum of economic activity with the redevelopment)



- To support regional tourism's strategy growth objectives.

## 2.5 Building effective partnerships

The redevelopment is designed to contribute to and further support increased economic activity in the region, which requires mutually reinforcing investments to support economic expansion.

The city centre redevelopment can assist this process by making it easier for other businesses to relocate or remain in Invercargill. This can increase jobs and encourage businesses to locate in the city and region.

This type of development can drive further business activity and increase spending over and above what would occur 'without' regeneration. This is the rationale for developing the 'gentle wind' of innovation described by Swann (2014).

Effective partnerships between public and private investment are also required to increase buy-in and economic growth. The rebuild is a key example of a public and private partnership in investment, as individual groups may not have been able to make the rebuild occur on their own.





### 3 The mechanics of being a catalyst

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The redevelopment of Invercargill's city centre is about bringing additional economic activity to Southland and improving the wellbeing of current residents. In this way, it is attempting to kickstart further economic growth by revitalising the city centre.

As a catalyst, the aim is to trigger independent action by businesses and others to increase the wellbeing of Southlanders. The opportunity for this action comes about through:

- The need to renew the city centre as the needs of the Southland population changes
- Taking advantage of new opportunities
- Increasing economic activity to increase the number of durable jobs in the region.

Figure 1 in section 1 sets out the business and aggregate impacts and illustrates where developing new economic activity impacts on wider Southland priorities. This involves detailing the potential impact of the city centre's redevelopment. It sets the scene for potential growth and describes the investments required to reach those growth levels. It provides a way of organising the project and capturing the diverse economic and social impacts. The diagram shows that there is no one path to wealth creation. Innovation can come from anywhere, hence the focus on redevelopment as a catalyst rather than the sole source of growth.

The model allows a better understanding of what creates and destroys wealth in a community, i.e. what creates wealth reinforces and builds upon the soft and hard infrastructure.

However, to maximise the chances of success, what is required are strong linkages between parts of the social infrastructure in Southland and the businesses that they are trying to foster. The strength of the connections will be vital to the success of the redevelopment's impact on Invercargill and Southland.

#### 3.1 Sending strong signals

The key demand signal is that renewal of the city centre was required. This means that over time Invercargill will become a more attractive place to remain in or to attract new business. Two issues are important:

- On the supply side, business and local government have come together to redevelop the city centre. The involvement of the private sector has been an important ingredient to the transformation of the city centre and has the potential to be the catalyst for other investment.
- On the demand side, the redevelopment generates interest over and above what would have happened, given the current building stock available.

This approach allows us to develop a richer view of Southland. This is a model of the redevelopment from the perspective of Southland society, i.e. an aggregate perspective, not an individual or entity perspective.

This has several immediate implications:

- Building strong and durable connections matters for sustained wealth creation, not one or two business decisions

- There are gains from trade between society and individual entities. Businesses benefit from the infrastructure created by public-private partnerships, and society benefits from entrepreneurs providing new opportunities
- The development of sustained economic development is complex. That complexity can be an advantage over time because others cannot replicate the conditions.

The key reason for using this type of approach is it shows that different activities can contribute to wealth creation in a region, and each activity has a role in creating wealth.



## 4 Setting the baseline

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Estimating the impact of the Invercargill City Centre redevelopment requires a description of what would occur ‘without’ the development. This involves examining in detail what would have happened in the absence of the rebuild (or counterfactual). It includes a commentary on:

- What did exist (see section 1.2)
- The private sector approaches that existed. Would some other investor without government funding put in the time and investment required?

The baseline pathway also includes examining the likely future policies that might influence the development. While this can be speculative, it is important to set out a credible understanding of expectations for future developments. The aim is to identify how the business situation will likely change to establish a realistic base case.

The baseline is a steady state. We have not attempted to speculate on what might happen if the redevelopment did not happen. However, given comments by stakeholders we would have expected that further dilapidation would occur and that this would have negative impacts (business relocating out of Invercargill, with flow on impacts to employment). For this reason, the baseline is optimistic, and the benefit estimates generated are conservative.

### 4.1 Would the regeneration have happened if left to the market?

The private sector has stepped up by forming a joint venture to drive the redevelopment. However, would the private sector have done the redevelopment on its own? In economics jargon, does local/central government investment “crowd out” private sector funding?

The answer is no. In the past, there have been private initiatives to redevelop Invercargill CBD. These initiatives struggled due to the lack of community support. While we cannot know for certain that the private sector would have carried out the (now completed) redevelopment, failed previous attempts to rejuvenate the city centre suggest it is most unlikely.

We would expect that the private sector would not consider attempting the now-completed redevelopment without local government support, both vocal and financial.

### 4.2 Further understanding of the baseline

The baseline used here considers the previous two sections and section 1.2. It suggests that not only would there not be a redevelopment, but the downward spiral would continue as more and more buildings become unliveable.

Setting up the baseline is difficult because of:

- Limited baseline data from which to measure any change
- Uncertainty about what initiatives could be trialled in the absence of the redevelopment, although the chances of regeneration are slim
- What urban decay would look like in lieu of the redevelopment.



Therefore, there are potentially several credible baselines. The one we assume here is open to question and should be treated as 'work in progress'. We treat the baseline here as a tentative 'peg in the ground'.

#### **4.2.1 COVID-19 and the impact on the model**

COVID-19 has disrupted tourism traffic. How tourism numbers will bounce back is still very uncertain. We have reduced the impact of tourism from the original report (5% to 11% increase in tourism numbers) in this update (2% increase in tourism numbers).



## 5 Results from our modelling

### 5.1 How do we model impacts?

We use NZIER's regional computable general equilibrium (CGE) TERM\_NZ model to assess the regional and national impacts of the redevelopment of the Invercargill city centre.

This is fit for purpose since it treats the Southland economy consistently in the context of the national economy, i.e., if resources are required in Southland for the rebuild then they have to come from other parts of the economy. In this way it balances the benefits of the rebuild against costs to other sectors. There are no free lunches.

### 5.2 Updated assumptions and inputs

We have used different assumptions based on available information compared to our previous report. Table 2 captures the changes in assumptions and what has driven the change.

**Table 2 Changes in assumptions from the previous report**

Changes from 2019 to 2023

Area	Updated assumptions	Original assumptions
<b>Model year</b>	The current model uses the year ended March 2020 data.	The previous model used year ended March 2018 data.
<b>Investment costs</b>	Since the completion of stage two in 2023, we estimated a \$30 million annual increase in public and private infrastructure investment each year for 8 years.	Estimated a \$40 million annual increase in public and private infrastructure investment each year for 11 years.
<b>Tourism numbers</b>	We lower these forecasts to reflect decreased international and domestic tourism due to COVID-19 and the changing tourism strategy in Southland. We provide a range of outcomes, including a 1, 2, and 3 percent increase in domestic and international tourism spend.	Tourism was estimated before COVID-19 with a 5 percent annual increase in domestic tourism spend and an 11 percent increase in international tourism spend.
<b>Population</b>	We have not included a population change, given that current population data doesn't reflect this or the reduction in net migration due to COVID-19.	The previous report included two population estimates based on the Southland regional development strategy targets.
<b>Employment</b>	Due to the static population, workforce numbers haven't increased.	Increased population resulted in increased employment levels.

Source: NZIER



### 5.3 How we analyse results

We determine the flow on effects of our shocks throughout the national and regional economies on gross domestic product (GDP) and industry output.

#### Macroeconomic effects

The national and regional results flow logically from the direct and indirect impacts. We focus on key macroeconomic variables such as GDP, exports, employment and household expenditure, which we use to measure economic welfare (i.e. how 'well off' we are).

#### Direct and indirect effects

In analysing the modelling results, we track the impacts as they flow through the economy, beginning with the **direct** impacts on the construction and tourism sectors. We then analyse the flow on or **indirect** impacts. It can aid understanding to split indirect impacts into the following categories:

- **Supplying** industries – industries that supply the tourism and construction sectors with intermediate inputs are likely to benefit
- **Household** expenditure industries – industries that households spend money on are likely to benefit from the increased income that comes through employment and wages and increased returns to capital from a growing tourism industry
- **Competing export** industries – industries that suffer from the construction industry's growth as they compete for resources, which are now more expensive. Typically, these industries are labour-intensive export industries such as farming and manufacturing.

### 5.4 Results from the CGE modelling

We undertook two simulations:

- **Simulation 1: post rebuild update** – the short-term impacts of the capital investment into the rebuild. We use the information provided by the client highlighting the total capital investment costs, which equate to \$144 million – this was applied on an annual basis over the construction period of 2020 to 2023.
- **Simulation 2: post rebuild update** – the long-term impacts of increasing tourism expenditure and the further capital development listed in section 1.4. These were then applied to the economy from 2024 to 2030.

### 5.5 There are clear benefits from construction investment in Southland

The construction phase of the Invercargill city centre rebuild has had a short-term impact, with increased capital investment in the construction sector.

Table 3 presents the macroeconomic effects on Southland. With increasing investment in the region, Southland's real GDP is expected to rise by \$9.44 million (0.14 percent) a year during the construction phase.

This results from annual investment increasing by \$45.88 million (2.97 percent) and aggregate employment increasing by 0.18 percent a year. Household consumption is also expected to rise by \$9.98million per year. Annual real exports are expected to fall by \$5.04 million.



The rest of New Zealand will see a small decrease in GDP, household consumption, and aggregate employment as resources are shifted to Southland to complete the rebuild (figures not included).

**Table 3 Short-run impacts during the construction phase**

Change from baseline (2020), in percent and \$ millions

	Unit	Household consumption	investment	Exports	Real GDP	Aggregate employment
Southland	%	0.22	2.97	-0.00	0.14	0.22
	\$	9.98	45.88	-5.04	9.44	-

Source: NZIER

## 5.6 Some industries benefit from the rebuild more than others

The increase in construction in Southland will have flow on impacts on other industries in the region and nationally. The resulting effects are industries that expand or contract because of reallocating resources between regions and industries.

Overall output from the Southland region is expected to increase by \$14.06 million per year during the construction phase. This is mainly driven by an increase in the output of the construction industry (\$15.28 million – 1.05 percent) and other services (\$5.92 million – 0.17percent). We see the largest decrease in the output of the meat processing industry (\$3.03 million – -0.19 percent). Table 4 captures the five largest increases in output and the five largest decreases in output.

**Table 4 Short-run impacts during the construction phase on output**

Change from baseline (2020), in \$ millions

Industry	Southland	Rest of New Zealand
Construction	15.28	-29.85
Other services	5.92	-4.53
Trade margins	1.81	-1.71
Transport	0.11	0.25
Health	0.07	-0.15
Agricultural support services	-0.52	0.39
Dairy farming	-0.61	0.16
Dairy processing	-0.95	0.41
International tourism	-1.67	1.76
Meat processing	-3.03	2.20

Source: NZIER



These effects are mirrored in average wage and labour demand. As a result of construction, the demand for labour in the construction industry and total wages have risen. Table 5 captures the five largest increases/decreases in labour demand.

**Table 5 Short-run impacts during the construction phase on labour demand**

Change from baseline (2020), in percent

	Wage bill		Labour demand	
	Southland	Rest of New Zealand	Southland	Rest of New Zealand
Construction	2.11	-0.08	1.95	-0.08
Other services	0.62	-0.01	0.47	0.00
Trade margins	0.42	-0.01	0.26	0.00
Transport	0.18	0.00	0.03	0.00
Health	0.17	0.00	0.02	0.00
Other livestock	-0.14	0.00	-0.30	0.01
International tourism	-0.16	0.01	-0.31	0.01
Other food and drink manufacturing	-0.22	0.00	-0.38	0.01
Pulp and paper manufacturing	-0.30	0.00	-0.45	0.01
Export tourism	-0.93	0.02	-1.09	0.03

Source: NZIER

## 5.7 A shift in tourism expenditure and flow on investment helps the region

Once the construction phase is completed, the main economic benefits will be increased tourism expenditure and construction of other buildings. We expect these benefits to accrue from 2024. We assume that increasing international tourism expenditure is not a reallocation of spending from within New Zealand.

In our previous report, the estimated shocks to tourism were a 5 percent increase in domestic tourism spending and an 11 percent annual increase in international tourism spending until 2030.

Prior to 2020, international tourism expenditure was growing at 7.3 percent, and domestic tourism expenditure was growing at 4.3 percent.<sup>1</sup> This trend has changed since the emergence of COVID-19.

We have modelled three scenarios with respect to tourism expenditure.

- A low scenario – a 1 percent increase in domestic and international tourism expenditure.

<sup>1</sup> This is the compounding annual growth rate between 2015 and 2020.





- A midpoint scenario – a 2 percent increase in domestic and international tourism expenditure
- A high scenario – a 3 percent increase in domestic and international tourism expenditure.

The forecasted increase in domestic and international tourism is in line with Great South's tourism strategy as they aim to shift to more social, environmentally and economically sustainable tourism.

Increasing investment is shown in section 1.1. The estimated investment is \$30 million per annum from 2023 to 2030.

Table 6 presents the macroeconomic effects on Southland because of increasing tourism expenditure and flow on construction.

**Table 6 Long-run impacts of an increase in tourism expenditure**

Change from baseline (2020), in percent and 2020 \$m per year

Scenario	Unit	Household consumption	Investment	Exports	Real GDP	Average real wage
Low (1)	%	0.23	2.06	0.00	0.17	0.12
	\$m	10.31	31.79	1.10	11.58	-
Midpoint (2)	%	0.28	2.09	0.00	0.20	0.14
	\$m	12.47	32.24	3.80	13.97	-
High (3)	%	0.32	2.12	0.00	0.23	0.16
	\$m	14.63	32.69	6.49	16.36	-

Source: NZIER

#### Scenario 1 rebuild update – Low

With increasing tourism expenditure in the region, Southland's real GDP is expected to rise by \$11.58 million (0.17 percent) per year once the rebuild is complete. Household consumption is also expected to rise by \$10.31 million per year. Annual real exports are expected to rise by \$1.10million.

#### Scenario 2 rebuild update – Midpoint

With increasing tourism expenditure in the region, Southland's real GDP is expected to rise by \$13.97 million (0.20 percent) per year once the rebuild is complete. Household consumption is also expected to rise by \$12.47 million per year. Annual real exports are expected to rise by \$3.80 million.

#### Scenario 3 – rebuild update High

With increasing tourism expenditure in the region, Southland's real GDP is expected to rise by \$16.36 million (0.23 percent) per year once the rebuild is complete. Household consumption is also expected to rise by \$14.63 million per year. Annual real exports are expected to rise by \$6.49 million.



In approximate terms, the scenarios suggest that for every 1 percent rise in tourism numbers, there is a \$2.5 million rise in regional GDP. This is a rule-of-thumb guide only but does show the importance of attracting tourists.

## 5.8 Flow on impacts

Increasing tourism expenditure and further private sector and council investment has different impacts on the region. The resulting effects are industries that expand or contract because of reallocating resources between regions and industries.

### Scenario 1 – Low

Overall output from the Southland region is expected to increase by \$24.47 million per year. This is driven by an increase in the output of the construction industry (\$12.69 – 0.87 percent), domestic tourism industry (\$3.72 million – 1.01 percent) and the export tourism industry (\$2.14 million – 0.7 percent).

### Scenario 2 – Midpoint

Overall output from the Southland region is expected to increase by \$33.37 million per year. This is driven by an increase in the output of the construction industry (\$13.15 – 0.90 percent), the domestic tourism industry (\$7.40 million – 2.02 percent) and the export tourism industry (\$4.61 million – 1.51 percent).

### Scenario 3 – High

Overall output from the Southland region is expected to increase by \$42.27 million per year. This is driven by an increase in the output of the construction industry (\$13.61 – 0.93percent), domestic tourism industry (\$11.07 million – 3.02 percent) and the export tourism industry (\$7.09million – 2.33 percent).

Table 7 captures the five largest increases in output across all three scenarios.

**Table 7 Growth in output from increasing tourism expenditure**

Change from baseline (2020), in percent and 2020 \$

	Low – 1%		Midpoint – 2%		High – 3%	
	%	\$	%	\$	%	\$
Construction	0.87	12.69	0.90	13.15	0.93	13.61
Other services	0.26	9.17	0.32	11.06	0.37	12.95
Domestic tourism	1.01	3.72	2.02	7.40	3.02	11.07
Export tourism	0.70	2.14	1.51	4.61	2.33	7.09
Trade margins	0.18	2.04	0.20	2.33	0.22	2.62

Source: NZIER



## 5.9 Overall economic impacts

The overall economic impacts of the rebuild are larger once the initial construction phases of the rebuild have been completed. Once this is completed, benefits will continue from the increasing tourism expenditure and flow on investment.

Table 8 captures the overall impacts of the rebuild and the different tourism scenarios in Southland on headline figures.

**Table 8 Overall impact on Southland during and after the rebuild**

Change from baseline (2020) in \$ millions (2020 dollars)

Scenarios	Household consumption	Investment	Exports	Real GDP
<b>Construction (2020–2023)</b>				
	9.98	45.88	-5.04	9.44
<b>Tourism and future construction (2023–2030)</b>				
Low – 1%	10.31	31.79	1.10	11.58
Midpoint – 2%	12.47	32.24	3.80	13.97
High – 3%	14.63	32.69	6.49	16.36

Source: NZIER



## 6 Other significant outcomes

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We have provided information about the economic impacts of the rebuild, but there are other important factors that must be considered. Part of the benefits generated by this project are non-monetary but hold great importance in growing the city and region.

### 6.1 Renewed perspectives

The rebuild has instilled significant pride in the residents of Invercargill. Great South has completed research highlighting the increased pride of living in the city and region. Eighty percent of people surveyed said they would now speak positively about Invercargill after the redevelopment.

The two main reasons respondents spoke more positively were:

- That the redevelopment has made Invercargill look more modern
- The mall has increased the number of shops available while having greater ease of access and useability of the undercover areas.

Businesses have also reported a higher sense of pride in how the CBD looks and have seen more people and Invercargill CBD becoming busier. Ninety-one percent of businesses surveyed believe the mall's development is good for Invercargill and Southland, and 62 percent feel positive about their future.

The rebuild has increased accessibility to the CBD and the ability to hold cultural events while respecting the region's history by maintaining the facades of the buildings while making them compliant with the current building code to reduce risk from seismic activity.

### 6.2 Supporting further development in the city

The city centre rebuild has also helped support the development of several other projects. This project has supported the development of the city streetscape artwork and supporting incentives for the planned construction of the Langlands Hotel.

As a result of the city centre redevelopment, construction is beginning to take place. This includes:

- HWR Tower is currently being built as a mixed-use development with apartments and commercial space set across 9 stories, with retail tenancies on the ground floor.
- Distinction Hotels Group has purchased the Menzies Building in Invercargill's lower Esk Street. The former government building will be transformed into a 4.5-star, 150-room hotel, slated to open in late 2024.

### 6.3 The story of Murihiku and Ngāi Tahu

Local iwi are key stakeholders in the city centre rebuild. Public sector funders required engagement with iwi a condition of their investment and a measure of the success of the project.



Given the limited time and resources we have not been able to engage with iwi. We understand that there are ongoing discussions with iwi to ensure that there is a presence for the Waihopai Runaka within the development.



## 7 Comparing results to the previous study

Table 9 highlights key results and compares them to the previous study. Overall, the yearly economic impacts of the rebuild are lower than in the previous study. This is a result of several factors:

- There has been a substantial decrease in domestic and international tourism growth
- There has not been a projected increase in the population
- Overall capital spend is lower.

### Table 9 Differences in results from the previous study

Key differences in results in quantitative and qualitative measures for the Southland region

	Updated impacts	Original impacts
<b>Quantitative measures</b>		
<b>GDP growth</b>	<ul style="list-style-type: none"> <li>• \$9.44 million per year during construction.</li> <li>• \$13.97 million from tourism and further construction increases (Midpoint scenario).</li> </ul>	<ul style="list-style-type: none"> <li>• \$48 million per year in simulation 1.</li> <li>• \$29 million per year in simulation 2.</li> </ul>
<b>Household consumption</b>	<ul style="list-style-type: none"> <li>• \$9.98 million per year during construction.</li> <li>• \$12.47 million from tourism increases (Midpoint scenario).</li> </ul>	<ul style="list-style-type: none"> <li>• \$44 million per year in simulation 1.</li> <li>• \$36 million per year in simulation 2.</li> </ul>
<b>Tourism growth</b>	<ul style="list-style-type: none"> <li>• Domestic and international tourism expenditure are modelled to increase by 2% (Midpoint scenario).</li> </ul>	<ul style="list-style-type: none"> <li>• Domestic and international tourism expenditure are modelled to increase by 5% and 11%, respectively.</li> </ul>
<b>Qualitative measures</b>		
<b>Civic pride</b>	<ul style="list-style-type: none"> <li>• The redevelopment of the city centre has instilled a sense of pride in the people of Invercargill.</li> </ul>	<ul style="list-style-type: none"> <li>• This was not captured in the previous report.</li> </ul>
<b>Flow on economic growth</b>	<ul style="list-style-type: none"> <li>• Evidence of flow on growth in the construction of the HWR Tower and the Distinction Hotel.</li> </ul>	<ul style="list-style-type: none"> <li>• Estimated to be \$40 million a year.</li> </ul>
<b>Benefits to Iwi</b>	<ul style="list-style-type: none"> <li>• Not estimated</li> </ul>	<ul style="list-style-type: none"> <li>• Not estimated</li> </ul>

Source: NZIER



## 8 Conclusions

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The redevelopment of Invercargill's city centre can act as a catalyst for further growth in Southland. Not only will it generate jobs in the short run, but it will also set up Invercargill as a potential gateway for tourists coming to the region, providing ongoing work for other businesses and will result in further investment growing the region. Interviewees report that there is some evidence of this.

There is a clear economic benefit from the rebuild as it brings jobs and people to the area in the short-term because of the rebuild and also in the long-term as there is increased domestic and international tourism spending.

The principal quantified and unquantified benefits are:

- **Increasing GDP gains** – the increase in GDP will occur at different times, with the biggest shift occurring as tourists return
- **Employment gains** – in the short term, we see an increase in workers in the construction industry, then later, increases in wages in tourism-supporting industries
- **Tourism gains** – increased tourism spending brings more people and more expenditure to the region. This benefits direct tourism industries and other industries such as hotels and cafés
- **Increased pride in the city** – people of all ages are prouder of their city. This creates greater demand to invest as businesses are more optimistic about the city and business outcomes
- **Flow on economic growth** – private investment capitalising on the renewed city centre with the establishment of the HWR building and the Distinction Hotel.

These quantified gains are smaller than we estimated in our 2019 report primarily because of the change in international tourism due to COVID-19. This has caused lower tourism forecasts decreasing the sector's economic return.

Our approach shows that the Invercargill city centre rebuild will provide quantitative and qualitative benefits for the region. Without the renewal associated with the redevelopment, the chance of increasing the region's population and prosperity would be significantly reduced by the impacts of urban decay.

## 9 References

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- NZIER. 2019. 'Invercargill City Centre Redevelopment'. Report to HWCP Management.
- Swann, GMP. 2014. *Common Innovation: How We Create the Wealth of Nations*. Edward Elgar.



## Appendix A CGE modelling

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### A.1 What are CGE models?

We used NZIER's static CGE model to analyse the regional and national economic impacts of public and private developments and increased tourism spending from the redevelopment of Invercargill's city centre. The following example highlights why these models are used.

Invercargill's city centre redevelopment and increased tourism spending create economic opportunities for regional and national economies. The construction of the public and private developments will support the Southland construction sector and draw in materials from other sectors of the regional economy.

When private developments become operational, they will attract new visitors to Southland from the rest of New Zealand and overseas who will contribute to tourism spending.

The initial or 'direct' injections of construction, infrastructure and tourism expenditures have flow-on effects that filter through the national and regional economies. For example, as international visitors demand more accommodation, this also pushes up the demand for other services required to sustain them, e.g. laundry services, transport, etc. The additional demand for workers in these downstream industries pushes up their wages, which allows them to spend more on goods and services. This has further flow-on effects.

Any economy-wide modelling also needs to consider the potential offsetting effects associated with the increased construction, infrastructure or tourism spending. One example of such an effect is 'Dutch disease', whereby increased exports of tourism services push up the New Zealand dollar exchange rate, making all other exporters less competitive. Even if this appreciation is small, it will still be felt across all exporting industries.

Similarly, if wages increase in the building sector during the construction phase, this will also increase the input costs for all other sectors in the economy that use builders, which would reduce their competitiveness.

Our CGE model captures these effects - The CGE model is a representation of the New Zealand economy and its regional components that captures the various inter-linkages between these sectors, as well as their links to households (via the labour market), the government sector, capital markets and the global economy (via imports and exports).

### A.2 TERM-NZ

NZIER's CGE model, The Enormous Regional Model (TERM-NZ), is a bottom-up model of the New Zealand economy. TERM-NZ includes 206 industries, 206 commodities and 88 districts amended to the national Input-Output table released by Statistics New Zealand in the year 2020 ended March.

The model measures interactions of the economic sector and treats New Zealand's regions as separate economies, indicating that the inter-regional trade, region-specific inter-linkages between industries, and their links to household spending (via labour market), local and central government, capital markets, the rest of New Zealand, as well as the global economy (through export and import) are accounted.





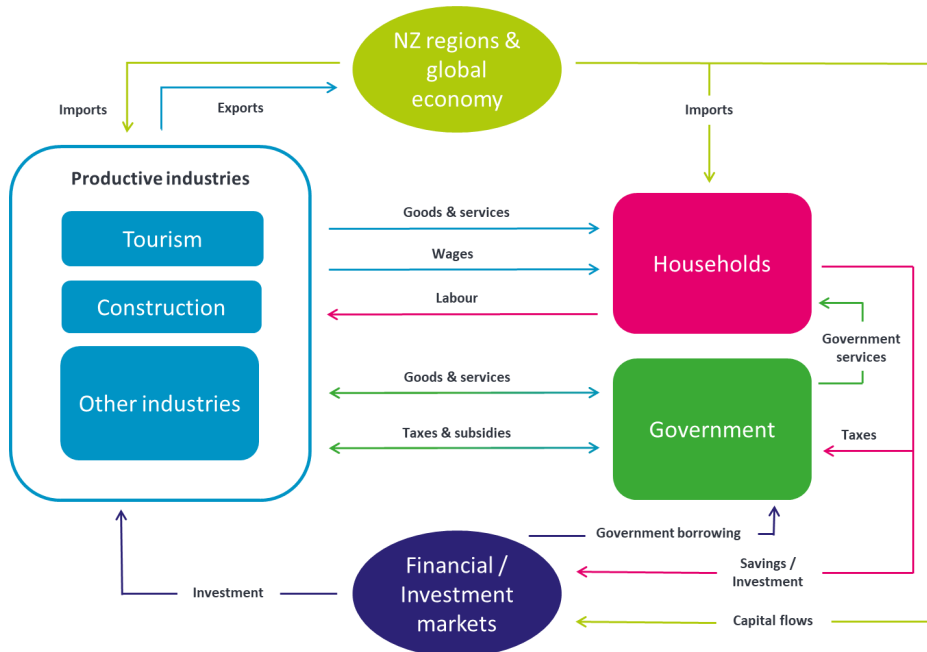
To fit the purpose of this project, we aggregate the 206 commodities (industries) and regions into 25 commodities (industries) and two regions based on the scope of the study. The aggregation offers a unique capability to highlight the role of focused industries and regions in the New Zealand economy. Aggregated industries (commodities) are listed as follows:<sup>2</sup>

Two regions are aggregated from the original 88 districts. They are as follows:

- Southland
- Rest of New Zealand.

A visual representation is shown in Figure 2, highlighting the complex and multidirectional relationships between the various parts of an economy.

**Figure 2 Components of a CGE model**



Source: NZIER

### A.3 Model shocks

As our CGE model is static, it can only look at 'before' (i.e. current situation) and 'after'. We therefore do not explicitly model the *timing* of the changes in investment, tourism spending and employment. Instead, we analyse a static, long-term scenario that estimates the overall economic effects of a *Status Quo* or *Stretch approach* scenario. We then average these effects over time to represent a yearly change.

Results of the simulations give us an overview of what the regional and national economies will look like following the redevelopment of Invercargill's city centre, or conversely, if the redevelopment did not happen. We then determine the flow-on effects of our shocks

<sup>2</sup> TERM-NZ assumes single production; therefore the number of industries are equal to the number of commodities.



throughout the national and regional economies on GDP, household consumption and industry output.

#### A.4 Closure

In any CGE model, it is important to understand which factors have been allowed to vary and which remain fixed by assumption (also known as exogenous variables). The particular combination of fixed factors is known as the closure.

Since our CGE model is static, we don't know the solution path over time. Instead, we assume that the New Zealand economy operates within a certain timeframe either along-run or a short-run depending on the purpose of our simulations.

For this project, we use two different closures.

In the construction phase, we use a short-run closure. The main assumption which characterises a short-run closure are the following:

- national real wage is fixed and national labour supply is elastic
- capital stocks are (naturally) fixed, and rates of return adjust
- regional consumption follows regional wage income; as more jobs shift to a region more spending will occur
- national real investment is fixed, but can be reallocated across regions
- national propensity to consume is fixed

In the tourism and further investment phase, we use a long-run closure. The main assumptions which characterise a long-run closure are the following:

- national employment is fixed, but labour is completely mobile between industries and regions, and real wages adjust. This is consistent with the idea that both the labour force and the rate of employment are, in the long run, determined by mechanisms outside the model
- household and government expenditures move together to accommodate a fixed balance of trade as a share of GDP
- rates of return are exogenous, and capital is mobile between industries and regions. This mobility can occur either in the form of machinery etc. being physically moved, or capital in one industry/region being allowed to depreciate without replacement while investment builds up the stock of another industry/region
- foreign currency prices of imports are naturally exogenous
- real government consumption is also exogenous
- other exogenous variables include rates of production tax, technological coefficients, national population, and national labour supply.



## APPROACH TO NAMING OUR MUSEUM

<b>To:</b>	Finance and Projects
<b>Meeting Date:</b>	Tuesday 20 June 2023
<b>From:</b>	Steve Gibling - Group Manager - Leisure and Recreation
<b>Approved:</b>	Michael Day – Chief Executive
<b>Approved Date:</b>	Thursday 15 June 2023
<b>Open Agenda:</b>	Yes

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### Purpose and Summary

The name for the Museum has been a work in progress for the first half of this year. This paper proposes an approach to securing a name for the facility that reflects the importance of its position in our community, the nature of the design and its prominence as a future icon facility for Invercargill and the Southland region. The paper sets out Council's overarching role in deciding the final name whilst also ensuring mana whenua have input into the naming process.

### Recommendations

That the Committee:

1. Receives the report "Approach to Naming Our Museum".
2. Approve the proposed approach.

### Background

The influence a name can have on a service is significant. It is the first point of reference that community, funders and employees have to understand how the service represents itself in the world and is an essential part of our branding. The key aspects relating to the importance of the name include:

- It establishes the reputation of our service.
- It informs the branding of the service.
- It tells a story about who we are.
- It's a source of pride.

## Proposed Approach

The proposed approach to setting the name is listed below. The key principle is that Council will control the naming and will seek feedback on a range of naming options rather than providing a clean slate approach. We can achieve this as follows:

1. Council, through the Chief Executive, to request the Iwi Liaison Komiti to support the process of gathering feedback on the proposed name for the new Museum facility:
  - a. The Chief Executive to write to the Iwi Liaison Komiti to request that they assist Council in adopting a new name for the Museum facility.
  - b. The Manager – Museum and Heritage Services will organise a meeting to present the request that will outline that Council is seeking input from Iwi on a name that will partner with the name given to the Museum by Council and to set out the timeframe for feedback after the first design workshop with councillors in July.
2. Councillors to confirm the options for the name of the Museum facility and service following the first design presentation to Council (mid July).
3. Iwi Liaison Komiti meets to discuss the proposed names (mid July):
  - a. A paper is provided in support of the naming that outlines the criteria to inform the name.
  - b. The paper also confirms that Council is the final decision maker in determining the name for the Museum facility.
  - c. Deadline for feedback is early August.
4. Take the feedback from the Iwi Liaison Komiti and provide a public excluded report to the Finance and Projects Committee about establishing the working name for the new facility - 15 August.
5. The Committee endorses the name, Council then agrees to adopt the name - 22 August.

Having seen an early indication of the design, it is recommended that we hold off proposing any names now until councillors and the Iwi Liaison Komiti have had a chance to review the design in July to confirm the naming options.

## Next Steps

Subject to feedback from Council, we will implement the plan as proposed above.

## Attachments

There are no attachments to this report.