

11. FERRYMEAD HERITAGE PARK: FUNDING FROM CAPITAL ENDOWMENT INTEREST FUND

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|-------------------------------------|-----------------------------------------------------|
| General Manager responsible: | General Manager Strategic Development, DDI 941-8177 |
| Officer responsible: | Senior Economic Analyst |
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PURPOSE OF REPORT

1. The purpose of this report is to present to the Council the highlights of the business plan that was drafted for the Ferrymead Heritage Park (the complete business plan is contained in Appendix A attached) and to provide an indication of the specific activities for which the funds would be applied.
2. To obtain endorsement of the business plan from the Council in order to ensure that the funds can be disbursed in line with the Council resolution on 27 July 2006 regarding the application of the Capital Endowment Interest Fund (CEIF). This report is related to the first year's payment only.

EXECUTIVE SUMMARY

3. The Ferrymead Heritage Park (henceforth "the park") is regarded as a community asset and is experiencing a growth phase in terms of total visitors numbers and activities/events hosted. The total offering available at the park is supplemented by the recently opened Maori experience. However the facility is currently not capturing the entire potential market as a result of underdeveloped infrastructure and associated issues. This situation is also having a negative effect on the development of ancillary opportunities at the park.
4. At the Council meeting on 27 July 2006, it was resolved that:
"That Ferrymead Park Limited be allocated \$50,000 in 2006/2007 to prepare a sustainable Business Plan linking to the other attractions being developed in the area and that, subject to the Council receiving and endorsing the proposed business plan, a further \$150,000 for 2006/2007 and 2007/2008 be allocated, to assist with the implementation for the plan and carry out any essential works associated with the implementation. This funding should go to the company and not the Trust."
5. The Council has earmarked \$350,000¹ to the development of the Ferrymead Heritage Park to be distributed in two years (2006/7 and 2007/8) based on the approval and endorsement of a Business Plan (\$150,000 in each year). The Capital Endowment Interest Fund (CEIF) is the sole funding source that will be accessed for this project and is also reflected in the LTCCP 2006-2016.
6. A business plan to develop the park has been submitted to the Council staff for review. One of the key conditions associated with the funding is that it will be applied to *"assist with the implementation of the plan and carry out any essential works associated with implementation of the business plan"* as spelt out in the Council resolution on 27 July 2006. This requirement is incorporated in the overall development concept as described in the business plan.
7. The park currently receives an annual operational grant from the Council (to the value of \$160,000). However, the CEIF funds are earmarked to assist in the development of the commercial components of the park. Therefore the funds will not be utilised for day-to-day operations of the park but will be applied to improve the product offering at the park. In other words the financial contribution will be used for the implementation of the business plan.
8. The provision of the funding for the activities will have a significant influence on the future viability and sustainability of the park. The expenditure on the improvement of the current offerings will also contribute meaningfully towards the optimal utilisation of the facilities at the park.

¹ The total budget approved is \$350,000 which includes \$50,000 for the development of a business plan and two years' payment of \$150,000 p.a.

9. The main expenditure categories associated with the application of year 1 funding are (the percentages in brackets reflect the relative size of the expense *vis-à-vis* the year 1 budget):
- Interactive display \$75,000 (50.0%)
 - Urgent Health & Safety \$35,000 (23.3%)
 - Conserving existing exhibits \$22,500 (17.0%)
 - Interpretational Signage \$10,000 (6.7%)
 - Security \$7,500 (5%)
10. These funds need to be released and disbursed to enable the park to undertake the necessary activities associated with the implementation of the business plan.

FINANCIAL AND LEGAL CONSIDERATIONS

11. The Council has resolved at a previous Council meeting (27 July 2006) to fund the initiative. The Capital Endowment Interest Fund (CEIF) has been identified as the source of this funding and the amounts to be allocated were also approved by the Council.
12. There are no direct legal considerations associated with the recommendations in this report.

STAFF RECOMMENDATIONS

It is recommended that the Council:

- (a) Accept and endorse the business plan as submitted.
- (b) Resolve that the funding approved for 2007/8 be made available to support the implementation of the business plan and disbursed to Ferrymead Park Limited.
- (c) That the expenditure of the released funding only be used for the items expressed in the business plan.
- (d) That the Board of the Ferrymead Heritage Park present a progress report regarding the level of implementation of year 1 projects, by September 2007.

BACKGROUND ON THE FERRYMEAD HERITAGE PARK BUSINESS PLAN

Orientation

13. The Ferrymead Heritage Park currently receives an operational grant of \$160,000 per annum from the Christchurch City Council. This grant is utilised for the “day-to-day” operation of the park. While the grant assists the park to remain active, the low levels of revenue and profits inhibits the park’s ability to undertake investment type activities.
14. At the Council meeting on 27 July 2006, it was resolved:
“That Ferrymead Park Limited be allocated \$50,000 in 2006/2007 to prepare a sustainable Business Plan linking to the other attractions being developed in the area and that, subject to the Council receiving and endorsing the proposed business plan, a further \$150,000 for 2006/2007 and 2007/2008 be allocated, to assist with the implementation for the plan and carry out any essential works associated with the implementation. This funding should go to the company and not the Trust.”
15. The fundamental aim of this funding initiative is to enable the park to undertake activities which will contribute towards the development of revenue streams and therefore the long term financial sustainability of the park.
16. The park is currently in a positive financial position and the recent institutional restructuring is believed to be the single greatest factor contributing to this position. The improved financial position is as a direct result of the renewed business-like focus in the management of the park.
17. Subsequent to the institutional re-alignment, the following positive indicators can be reported:
 - The park operates in the black - albeit on a very small budget,
 - The Tamaki Brothers have been secured to start a new tourism venture in Christchurch at Ferrymead,
 - Visitor numbers have increased,
 - Revenue streams have been diversified and developed,
 - New displays have been installed,
 - In excess of \$1m worth of new buildings have been added to the site, and
 - The education programme has doubled in size, and now includes Science and Technology.
18. To build on the improved institutional position, and the renewed business focus, a business plan was drafted. This business plan has been received and reviewed by Council staff and selected issues have been clarified and amendments to the business plan has been affected. The endorsement of the business plan and the outlined activities need to be implemented to capture the commercial and business value of the community asset.

Business Plan – Introduction

19. The business plan was drafted by the board of Ferrymead Heritage Park to assist in the improvement of the facilities at the park. It is believed that the improvement will lead to stronger growth in the revenue streams of the park and ultimately the overall financial position of the venture.
20. A central objective of the business plan is to highlight the specific elements that would be addressed as part of the funding expenditure. More specifically the objectives are of such nature that achievement will ensure that:
 - The current displays’ position in the overall context is clarified and the associated information is communicated to the target audience,
 - Initiating a process through which the park would be adhering to relevant legal requirements, such as health and safety laws
 - Ensuring that the revenue generating potential of suitable assets is maximised and optimally utilised,
 - Current barriers to increased visitor numbers are removed, and
 - Improving the status of selected assets through conservation activities.

21. The use of the funding will however be strictly for investment type activities and will not be used for the day-to-day operations of the park. In other words, the funds will be applied as an investment in the infrastructure of the park.

Application of funding

22. The funding will be applied to improve improving the overall experience. Table 1 provides an indication of the envisaged expenditures.

| TABLE 1: EXPENDITURES (\$) | | | |
|------------------------------------|----------------|----------------|----------------|
| ITEM | 06/07 | 07/08 | Total |
| Security | 7,500 | 25,000 | 32,500 |
| Directional/Interpretation Signage | 10,000 | - | 10,000 |
| Interactive Displays | 75,000 | - | 75,000 |
| Urgent Health and Safety | 35,000 | - | 35,000 |
| Conservation/Existing Exhibits | 22,500 | 25,000 | 47,500 |
| Corporate Function Facilities | - | 50,000 | 50,000 |
| Planning/Zoning Issues | - | 50,000 | 50,000 |
| Total | 150,000 | 150,000 | 300,000 |

Source: Supplied business plan

23. With reference to the 2006/7 financial year, 50% of the grant would be spent on the delivery of "Interactive Displays". The rationale for the selection of this information delivery channel is vested in the following salient features of interactive displays:
- Interactive communication is powerful, delivering large amounts of information in a relatively short period of time,
 - Provide a suitable medium through which the awareness about attributes/issues could be clearly highlighted, and
 - It is a successful technique to stimulate broader participation.
24. The delivery of the interactive displays accounts for a quarter of the total budget (both years) and the specific expenditure related to the protection of the existing exhibits accounts for approximately 15% of the total budget (two years).
25. In the second year, the (envisaged) largest expenditure items will be the development of the corporate function facilities and the finalisation of the relevant planning and zoning issues associated with the broader development context (note that these issues are not considered to have a constraining influence on the implementation of year 1 actions). These two will account for two thirds of the budget associated with the second year. In the context of the total budget these expenditure items each account for 16.7% of the total budget.

Linkages with other initiatives.

26. The development of the Ferrymead Heritage Park is of such nature that various other initiatives will be supported by the improvements. While some of these improvements can be interpreted as having a (potential) catalyst effect on other initiatives, it is stressed that the development of a critical mass at the park should enable the eventual development of the other initiatives.
27. The most important initiatives are 1) the Tamaki experience, 2) the development of a National Railroad Museum, and 3) the establishment of a steam train experience linking the park with Lyttelton Harbour. The Tamaki experience is currently being implemented with phase 1 already open to the public. The remaining two initiatives are in the concept phase and is influenced to some degree by the successful development of the park as a whole.

Other considerations

28. The Council sent a clear signal of its support for the Heritage Park, and the availability of financial assistance to the park through the resolution mentioned earlier. It is stressed that the business plan provides a synopsis of the activities required to improve the revenue generation characteristics of the park. However the allocation of the funds should not be regarded as a panacea for the park.
29. The release of the funding for the improvement of the park is recommended as the utilisation of the funds will contribute towards the creation of synergies and future exploitation of ancillary development opportunities. Further the application of the funds to improve the current offering at the park, together with removing some of the barriers to exploiting latent potential, will ensure that a critical mass of demand is being developed at the park.
30. The disbursement of the second round of funds (year 2) should be subject to the receipt of a progress report that reflects the appropriate expenditure and that the year 1 funds were suitably apportioned to the identified items. In other words to ensure that the relevant improvements were undertaken and that the funds were not used for day-to-day operations of the park.

OPTIONS

31. The Council has two main options available regarding the way forward:
 - (i) Accept and endorse the business plan and release the earmarked funds to be spend in accordance with the submitted business plan.
 - (ii) Reject the business plan and withhold the funding in the interim while the business plan is redrafted.

PREFERRED OPTION

32. Accept and endorse the business plan and release the earmarked funds to be spent according to the submitted business plan.

ASSESSMENT OF OPTIONS

The Preferred Option

33. Accept and endorse the business plan and release the earmarked funds to be spend in accordance with the submitted business plan.

| | Benefits (current and future) | Costs (current and future) |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------|
| Social | Improved functioning of the Ferrymead Heritage Park as a community asset. Contributing towards the improvement of the understanding of cultural differences and experiences. | n/a |
| Cultural | Strengthening the entire cultural experience (Maori and colonial) to the entire spectrum of visitors (local, domestic and international). Protection of heritage assets. Improved capacity to showcase existing heritage assets (building and non-building). | n/a |
| Environmental | n/a | n/a |
| Economic | Improving the tourist offering in Christchurch. Contributing towards the creation of a critical mass ie a larger attraction base and a broader target market. Assisting to build a business case for ancillary opportunities. Improved ability to extract higher levels of benefit from regular and special events. Higher levels of sustainable use of the available community facilities. Potential reduction of future reliance of the park on Council core funding | The value of the financial contribution (\$150,000 for this period) |
| <p>Extent to which community outcomes are achieved: Primary alignment with community outcome: A Prosperous City Also contributes to an Attractive and Well-designed City and a City of Lifelong Learning</p> <p>Impact on Council's capacity and responsibilities: The business plan activities will be undertaken by the Ferrymead Board with limited impacts on the Council staff <i>vis-à-vis</i> time and resource issues.</p> <p>Effects on Maori: The Ferrymead development will capitalise on the development of the Tamaki Brothers' Maori Experience which provides an education resource and is further associated with commitments to history related to Maori and the founding of Christchurch.</p> <p>Consistency with existing Council policies: Alignment with the "Heritage Values + Vision + Mission Statements" which outlines that the "...tangible and intangible heritage values of European, Maori and other cultural groups of New Zealand and includes but is not limited to buildings, places, sites, objects, archaeological remains, cultural landscapes and associated people, stories, events and memories, and wahi tapu and wahi tapu areas..."</p> <p>Views and preferences of persons affected or likely to have an interest: n/a</p> <p>Other relevant matters: The implementation of the business plan would contribute in the overall improvement of the Heritage Park in an aligned fashion (aligned with the implementation and delivery of the Tamaki experience)</p> | | |

(Not Preferred Option)

34. Reject the business plan and withhold the funding in the interim while the business plan is redrafted.

| | Benefits (current and future) | Costs (current and future) |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Social | Same as preferred option but deferred | Potential loss of implementation momentum |
| Cultural | Same as preferred option but deferred | Reduced impact as a result of fragmented improvements (from the perspective of the implementation and development of the Tamaki experience) |
| Environmental | | |
| Economic | Same as preferred option but deferred | Deferred transfer of the funds and additional staff resources to repeat the reviews and amendments of the business plan. Negative opportunity costs associated with the delay of implementation |
| <p>Extent to which community outcomes are achieved: Primary alignment with community outcome: A Prosperous City Also contributes to an Attractive and Well-designed City and a City of Lifelong Learning</p> <p>Impact on Council's capacity and responsibilities: The business plan activities will be undertaken by the Ferrymead Board with limited impacts on the Council staff <i>vis-à-vis</i> time and resource issues.</p> <p>Effects on Maori: The Ferrymead development will capitalise on the development of the Tamaki Brothers' Maori Experience which provides an education resource and is further associated with commitments to history related to Maori and the founding of Christchurch.</p> <p>Consistency with existing Council policies: Alignment with the "Heritage Values + Vision + Mission Statements" which outlines that the "...tangible and intangible heritage values of European, Maori and other cultural groups of New Zealand and includes but is not limited to buildings, places, sites, objects, archaeological remains, cultural landscapes and associated people, stories, events and memories, and wahi tapu and wahi tapu areas..."</p> <p>Views and preferences of persons affected or likely to have an interest: n/a</p> <p>Other relevant matters: The delay in the transfer will have a negative impact on the overall development of the park <i>vis-à-vis</i> the improvement of the total offering. The potential to build on the recent establishment of the Tamaki experience will be lost.</p> | | |