

SOUTH WAIRARAPA DISTRICT COUNCIL

4 JUNE 2014

AGENDA ITEM C3

WELLINGTON REGIONAL ECONOMIC DEVELOPMENT AGENCY

Purpose of Report

To seek approval in principle for the combination of Wellington based economic development and tourism organisations.

Recommendations

Officers recommend that Council:

1. *Receive the information.*
 2. *Note that the Mayoral Forum was supportive of the Wellington Region Economic Development Agency (WREDA) proposal and has requested that it be considered by each local authority in the region.*
 3. *Note the current structure of economic agencies in the Wellington region and the proposed structure of WREDA as outlined Appendix A.*
 4. *Note the proposed transition process and timeline towards establishing WREDA as outlined in Appendix B.*
 5. *Note the background information on each economic activity agency currently in operation as outlined in Appendix C.*
 6. *Agree in principle to the formation of WREDA in accordance with the matters, process and criteria outlined in this report.*
 7. *Note that officers will prepare all necessary formal agreements, terms and any other work required for the formation of WREDA and bring a paper to Council in June 2014 for a final decision.*
 8. *Agree that consultation be carried out by Wellington City Council and Greater Wellington Regional Council on behalf of the region on the creation of WREDA and report back to all councils in region in June 2014¹.*
 9. *Note that Destination Wairarapa is excluded from WREDA.*
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1. Executive Summary

It is proposed to combine the economic development activities of Wellington City Council and Greater Wellington Regional Council into a single entity.

WCC and GWRC are consulting on this proposal are seeking input from all Councils in the greater Wellington region.

2. Discussion

Attached as Appendix 1 is the proposal document which is self explanatory.

3. Appendix

Appendix 1 – WREDA Proposal

Contact Officer: Paul Crimp, Chief Executive

Appendix 1 – WREDA Proposal

Aligning for Growth – Wellington Regional Economic Development Agency (WREDA)

Introduction

1. This paper sets out a proposal for the creation of a single economic development agency for the Wellington region – bringing together existing agencies that serve the region’s economy.
2. While there have been some recent improvements in terms of a reduction in unemployment and there is an upswing in GDP and business growth, overall the region’s economy is not achieving its potential.
3. The region’s economy lacks diversity, has lost many corporate head offices in the last decade, and is too reliant on the government sector for its prosperity. And while this means it is somewhat insulated from economic downturns, it also means when New Zealand’s economy is performing well, Wellington does not achieve the same level of GDP growth achieved by other cities and regions.
4. The region has the ingredients for a stronger, smarter, more prosperous and diverse economy, but delivering that requires an integrated approach, leadership and a clear direction across all of the region’s cities and districts.
5. A single Wellington regional economic development agency – bringing together the functions of Grow Wellington, Wellington Positively Tourism, Absolutely Positively Venues, and major events from Wellington City Council as well as the Destination Wellington programme – can provide that direction, allowing the Wellington region to:
 - speak with a clear voice on economic matters
 - take a more integrated, region-wide approach to economic development
 - remove duplicated functions
 - deliver services more effectively
 - and above all to support the region to deliver the economic step change that it needs.
6. Details of the proposed structure of a single economic development agency, funding and governance arrangements are set out in this report. The proposal

aims to deliver a genuine regional solution in which all cities and districts have a voice and can share the benefits of stronger economic performance.

Recommendations

7. That the Council:

- a) *Receive the information.*
- b) *Note that the Mayoral Forum was supportive of the Wellington Region Economic Development Agency (WREDA) proposal and has requested that it be considered by each local authority in the region.*
- c) *Note the current structure of economic agencies in the Wellington region and the proposed structure of WREDA as outlined appendix 1.*
- d) *Note the proposed transition process and timeline towards establishing WREDA as outlined in appendix 2.*
- e) *Note the background information on each economic activity agency currently in operation as outlined in appendix 3.*
- f) *Agree in principle to the formation of WREDA in accordance with the matters, process and criteria outlined in this report.*
- g) *Note that officers will prepare all necessary formal agreements, terms and any other work required for the formation of WREDA and bring a paper to Council in June 2014 for a final decision.*
- h) *Agree that consultation be carried out by Wellington City Council and Greater Wellington Regional Council on behalf of the region on the creation of WREDA and report back to all councils in region in June 2014¹.*

¹ Community feedback will be shared with all councils prior to them making decisions on the amended Multilateral Agreement in June 2014.

Background

8. Grow Wellington – the region’s economic development agency was set up in 2007 in response to concerns that the region had a fragmented approach to regional economic development. It is owned by Greater Wellington Regional Council on behalf of the region.
9. Wellington City Council funds separate entities such as Positively Wellington Tourism, Positively Wellington Venues and some other independent economic development activities such as major festivals and events.
10. The Wellington region’s economic performance has been the subject of much discussion in recent years by a range of commentators and the broad consensus is that it can do better.
11. The Wellington region has many economic advantages, including high quality infrastructure and amenities, world class events and attractions, an educated population, respected universities and research organisations, and strength in sectors such as high tech manufacturing, software/IT and creative content. The region has opportunities to exploit those advantages and achieve a step change in economic performance.
12. Stronger economic growth also helps grow the rating base which provides the means to reduce pressure on existing ratepayers as well as the opportunity to invest more in community facilities and infrastructure.
13. The region’s recent economic performance has resulted in officers from across various councils coming together to determine whether a more coordinated approach to economic development could deliver the necessary impetus to deliver on the potential that exists in the region. The current arrangements have given rise to concerns that resources are too thinly spread, there is duplication of effort, high agency costs and there is insufficient scale.
14. Having an economy that performs below its potential has consequences – it means:
 - fewer jobs and opportunities for the region’s residents
 - fewer resources to invest in new or improved amenities – as the business rating base fails to grow, and more pressure goes on residential ratepayers
 - weaker communities – as people seek opportunities elsewhere, and have less economic security
 - a less vibrant region.

The proposal in a snapshot

15. It is proposed to combine the economic development activities of Wellington City Council and Greater Wellington Regional Council into a single entity.
16. The new Wellington regional economic development agency (WREDA) would be the provider of choice for all economic and tourism services – but it would not preclude local councils in the region from undertaking their own activities at a local scale.
17. The new economic development agency would have the operations (including the funding) of the following operations:

Wellington City Council

- Positively Wellington Tourism
- Positively Wellington Venues
- Major Events
- Destination Wellington
- The governance and relationships with Westpac Stadium.

Greater Wellington Regional Council

- Grow Wellington (and its subsidiary Creative HQ)
- The governance and relationships with Westpac Stadium
- Wellington Regional Strategy Committee.

18. Some future consideration could also be given to incorporating Destination Wairarapa, the Regional Amenities Fund and the Wellington Regional Strategy office.
19. All of the operations outlined in clause 17 will be combined / amalgamated into WREDA and all existing contracts will be assigned or moved to the new agency. The ambition is to make the proposed agency the natural choice for any economic development or tourism work in the region.
20. WREDA will have a board of suitably qualified and experienced directors who will be overseen by the reconstituted Wellington Regional Strategy Committee.
21. WREDA will have reporting requirements to the Wellington Regional Strategy Committee. Shareholding councils will consider and approve WREDA's statement of intent and annual reports on the recommendation of the Wellington Regional Strategy Committee.
22. Following consultation with staff it is envisaged that the staff in the operations noted above will be employed within WREDA.

Key criteria to make it work

23. To mitigate potential risks and ensure the best chance of success, the following overarching criteria have been developed to guide the transition to the new agency and the early years of operations. These include:
 - a) current funding streams and dollar amounts are maintained for five years
 - b) robust monitoring and evaluation regime set in place to ensure resources are well used, effective and deliver the anticipated benefits
 - c) service and support costs are minimised to maximise investment in economic development activities.

Anticipated benefits from moving to a single agency

24. The current economic development arrangements are not broken, but nor do they position the region to reach its full economic potential. They are characterised by duplication, blurred and overlapping responsibility, gaps in service provision, and a lack of clear region-wide leadership and direction. A single agency could help the region to unlock its economic potential in the following ways.
 - a) *Stronger economic leadership* – A single agency that prioritises business success will be able to provide leadership and a clear sense of direction for the region's economy.
 - b) *One voice* – Having a single expert agency will allow the region to speak with one voice when dealing with government, businesses, investors and research providers.
 - c) *Clearer strategic focus* – A single expert agency will be able to set clear priorities and investment decisions, ensuring that funding is used in ways that delivers the best results for the region as a whole.
 - d) *Improved capacity* – A single agency will have more resources available to use for projects with potential to unlock the region's economic potential.
 - e) *More effective regional promotion* – A single agency will be able to promote the region more effectively to businesses, investors, skilled workers, and visitors.

- f) *Broader pool of talent* – A single agency will have a wider pool of talent to draw on in areas such as governance, strategic management and business expertise.
- g) *Better use of resources* – Establishing a single agency will reduce duplication in back office functions such as procurement and technology, creating savings which can be directed to improving the region's economic performance.
- h) *Improve perceptions* – Having a single economic development agency will improve perceptions of the Wellington region among businesses and investors in terms of doing business.

The proposed structure

- 25. WREDA would be structured as a council controlled organisation – this structure provides the right mix of operational efficiency, shared ownership, focused leadership and direction, and accountability to residents and ratepayers.
- 26. Auckland Tourism Events and Economic Development (ATEED), and Capacity right here in the Wellington region provide examples of the use of council controlled organisations to provide shared regional services.
- 27. WREDA would be the economic development service delivery agency for the Wellington region. Funding decisions ultimately remain with each shareholding Council and no assets would be placed within WREDA.

Political oversight of WREDA

- 28. Political oversight of the new agency would be provided by a streamlined Wellington Regional Strategy Committee. It would determine WREDA's overall strategic objectives and service levels.
- 29. The Wellington Regional Strategy Committee would consider, and recommend to shareholding councils for approval, a single Statement of Intent developed by WREDA in response to the overall goals and levels of service set by the Wellington Regional Strategy Committee.
- 30. The Wellington Regional Strategy Committee will continue to be a committee of Greater Wellington Regional Council but be restructured to reduce the number of members from 13 to 10, with no external (non-councillor) members.
- 31. The Wellington Regional Strategy Committee will have representation as follows:

- four from Wellington City Council
 - one from the Lower Hutt City Council
 - one from Upper Hutt City Council
 - one from Greater Wellington Regional Council
 - one from the Wairarapa Councils
 - one from Porirua City Council
 - one from Kapiti District Council
32. The existing Multilateral Agreement in respect of the Wellington Regional Strategy Committee will be modified and the terms of reference for the committee will be reset. This requires each of the councils to approve the changes to the multilateral agreement. The proposed modified agreement will be based around the following functions of the Wellington Regional Strategy Committee:
- a. Monitor the performance of WREDA and its board
 - b. Provide governance oversight on WREDA
 - c. Set the strategic outcomes required for regional economic development
 - d. Review and agree the strategies for achieving the desired outcomes
 - e. Review WREDA's statement of intent and recommend (if appropriate) to the shareholders
 - f. React to changes and consider modifications of the desired outcomes
 - g. Recommend the appointment of directors to shareholders.
33. The Wellington Regional Strategy Committee will remain a committee of Greater Wellington Regional Council and they will have overall responsibility for administrative tasks such as the scheduling and running of meetings etc.
34. The Wellington Regional Strategy Committee will be given a budget to provide independent advice if and when required.

Board of directors

35. WREDA's operations would be overseen by a board of independent directors, appointed for their specific business expertise and other relevant experience. It will be important that the board reflects a range of business sectors relevant to the Wellington context.
36. It is recommended that there will be eight directors, appointed on merit and with the agreed skill sets. The shareholders will jointly appoint directors to WREDA on the recommendations of the Wellington Regional Strategy Committee.
37. There will be no elected representatives appointed to the board of directors – political input and oversight will come through the Wellington Regional Strategy Committee which comprises only elected members from the region.

38. The skills sets required by the directors should have strong connections to, and expertise from the following areas:
- tourism and hospitality
 - major events
 - education especially in tertiary and research
 - IT/Tech services
 - creative, film production, digital
 - professional services
 - performing arts
 - start-up businesses and venture capital
 - business innovation and business attraction.
39. Directors will also need significant business and commercial acumen and experience along with a good understanding of corporate governance.

Ownership of the WREDA

40. WREDA will be a single Council Controlled Organisation owned by Wellington City Council and Greater Wellington Regional Council (on behalf of the region).
41. The shareholding of WREDA will be 80% by Wellington City Council and 20% by Greater Wellington Regional Council. This shareholding split recognises the level of funding contribution into the agency.
42. The shareholders will commit to a minimum level of funding for WREDA. If it falls below this agreed minimum level there will need to be an adjustment to the individual shareholdings percentages in WREDA².
43. The new agency will be formed out of one of the following existing council controlled organisations – Positively Wellington Venues or Grow Wellington. They both have no assets or liabilities of note. Whatever vehicle is ultimately chosen (a decision to be made in June), it will be renamed WREDA.

How WREDA will be funded

44. Funding will be provided by Wellington City Council and Greater Wellington Regional Council on behalf of the region and will be set at current funding levels. It will be documented in a Funding Agreement between the parties which will set out the committed minimum amounts and the time period this funding will be provided for.

² This could also impact on the appointment of directors. For example, if one shareholder reduced their funding to zero then they would have to “sell” their shareholding in WREDA to the other shareholder for a nominal sum.

45. The proposed Funding Agreement will include a minimum period of five years for which the funding will be maintained to provide certainty for WREDA.
46. In time, if other councils provide funding then a separate funding agreement will be made.
47. The funding details for WREDA are detail in the table below.

Agency / programme	Council funding	Other	Total
Positively Wellington Tourism	6.5m	4.9m	11.4m
Positively Wellington Venues	4.0m	15.9m	19.9m
Destination Wellington	2.0m	-	2.0m
Major Events	3.5m	-	3.5m
<i>Total Wellington City Council</i>	<i>16.0m</i>	<i>20.8m</i>	<i>36.8m</i>
Grow Wellington	4.0m	2.6m	6.6m
WRS Office	0.6m	-	0.6m
<i>Total Greater Wellington Regional Council</i>	<i>4.6m</i>	<i>2.6m</i>	<i>7.2m</i>
Total	\$20.6m	\$28.4m	\$44.0m

Table 1: The operations and dollar amounts reflect 2013/14 SOIs

Legal, contract, staff and tax matters

Formal Agreements

48. The following contracts and agreements will need to be made:
 - a) A Shareholders Agreement between Wellington City Council and Greater Wellington Regional Council governing their relationship in respect of their shareholding in WREDA will be required. It will outline the following:
 - skill sets required of directors
 - appointment of directors – to be done jointly on the recommendation of the Wellington Regional Strategy Committee³

³ In the event that shareholders cannot agree, to reflect level of shareholding, Wellington City Council will appoint six, and Greater Wellington Regional Council will appoint two.

- dispute resolution, mediation (but not binding arbitration) and pre-emptive rights, voting rights etc.
 - warranties from both Greater Wellington Regional Council and the Wellington City Council regarding the transfer of the existing activities and organisations.
- b) A Funding Agreement between Greater Wellington Regional Council on behalf of the region, and Wellington City Council as noted in the previous section.
 - c) A new Multilateral Agreement – and terms of reference for the Wellington Regional Strategy Committee – between all councils in the region documenting the new arrangements regarding WREDA.
 - d) Share transfer agreements as required to give effect to the new structure.
49. There are existing Constitutions for Positively Wellington Venues and Grow Wellington. They will be reviewed and updated if required once the vehicle for WREDA has been decided.

Staff

50. WREDA will ultimately take on all of the employment obligations of the existing staff that are transferred.

Legal

51. The Wellington City Council has received a legal opinion from DLA Phillips Fox on the proposed restructure. While there are a number matters to be considered and agreements to be drafted (see above) there are no major impediments to the proposal. A copy of the legal advice has been shared with local authorities across the region.

Consultation

52. Because no new council controlled organisation is being established, and there is simply a realignment of some existing council controlled organisations and functions under 'one umbrella' there is no requirement to use the special consultative procedure.
53. Shareholders have to give consideration to community views, and it is recommended that a combined consultation process is undertaken between Wellington City Council and Greater Wellington Regional Council on behalf of the region.
54. Consultation is currently scheduled to run from late May to mid-June and will use a variety of communication and engagement techniques, and target key stakeholders.

Tax

55. KPMG has considered the tax aspects of the proposal, and there are no barriers to proceeding with moving to a single economic development agency for the region.

Transition process and timeframes

56. Before WREDA can be established, detailed decisions will have to be made about structure, governance, funding and other issues. This report is the start of that process.
57. Subject to community consultation, and agreement across the region, it is expected that WREDA could be operational by July 2014, with the appointment and the arrival of the Chief Executive being later than that.
58. The Wellington Regional Strategy Committee will need time to agree the strategic outcomes they want WREDA to achieve. Therefore, there will need to be a series of transitional arrangements.
59. Each of the entities has prepared a statement of intent and/or business plan for 2014/15. They will form the basis of the funding and the first year's plan for WREDA for 2014/15. It will be approved in the usual manner by the relevant shareholder.
60. Once the economic outcomes are agreed with the Wellington Regional Strategy Committee, then WREDA will develop the strategies to achieve those outcomes. These will be incorporated into their statement of intent for 2015/16.
61. Each of the organisations will continue to operate as they do now but reporting through to the board of WREDA until the appointment and arrival of the chief executive officer. During this time the Chair of WREDA will operate as executive Chair.

Key work streams

62. To ensure that this process concludes within a timely manner and any final decision regarding its implementation can be made by June 2014, the following work streams are planned in the coming three months:
 - a) Communicating with stakeholders and staff
 - b) All councils in the region consider the proposal and approve in principle to establish WREDA
 - c) Consultation with the community (subject to in-principle support from councils)
 - d) Draft formal agreements prepared
 - e) Draft criteria for board appointments prepared

Initial board appointments

63. As the Wellington Regional Strategy Committee will not have been restructured and its terms of reference not finalised for the first director appointments, it is proposed that the skill sets be considered by a temporary Appointments Group comprising:
 - the Mayor, Deputy Mayor and Chief Executive of Wellington City Council
 - the Chair and Chief Executive of Greater Wellington Regional Council
 - the Mayor and Chief Executive of Upper Hutt City Council
64. To ensure a robust process, it is suggested that a third party recruitment agency is utilised. This will allow a wide range of candidates to be considered and be presented to the Appointments Group for consideration.
65. The temporary Appointments Group will make a recommendation on board appointments to the two shareholding councils at their meetings in June 2014. All Councils in the region will be consulted prior to this, with the formal decisions confirmed by shareholding councils.
66. The new board of directors will be responsible for recruiting WREDA's Chief Executive and until such a time as that appointment has been made, the chair of the board will also operate as executive chair.

Formal agreements

67. The drafting of the major contracts namely the Shareholders Agreement, Funding Agreement and a new Multilateral Agreement will be completed by June 2014.
68. Subject to support, all councils in the region will need to sign the updated Multilateral Agreement in June 2014.
69. The Wellington City Council and Greater Wellington Regional Council on behalf of the region will also need to complete and sign the Shareholders Agreement and the Funding Agreement by June 2014 to give effect to WREDA.
70. Prior to Wellington City Council and Greater Wellington Regional Council making the formal and machinery decisions, each of the region's other councils will meet to confirm support for the new arrangements and agree a modified Multilateral Agreement.
71. Subject to the decisions from the other councils, it is expected the June meetings of Wellington City Council and Greater Wellington Regional Council will resolve to establish WREDA, and if so agree the following matters:
 - the appointment of directors to WREDA
 - any changes to the constitution

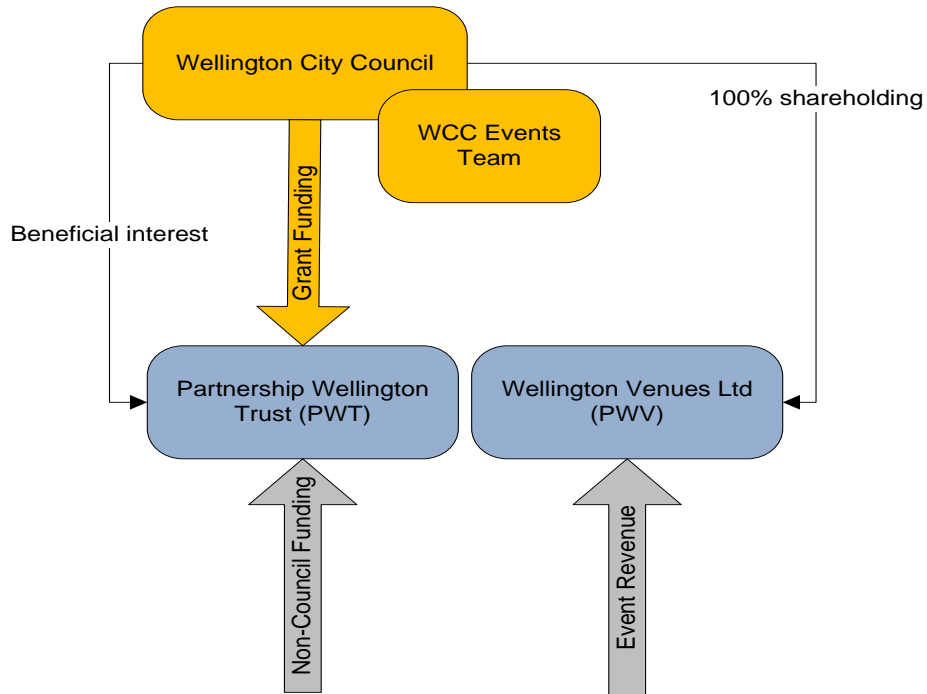
- the transfer of shares and the establishment of WREDA
 - the appointment of members to the the Wellington Regional Strategy Committee
 - the approval (where possible) for any agreements, contracts or arrangements that require further work.
 - amendment of the Wellington Regional Strategy Committee’s terms of reference and their delegations.
72. The relevant boards of directors / trustees will pass the relevant resolutions to enact the transaction following the Council meetings in June.

Conclusion

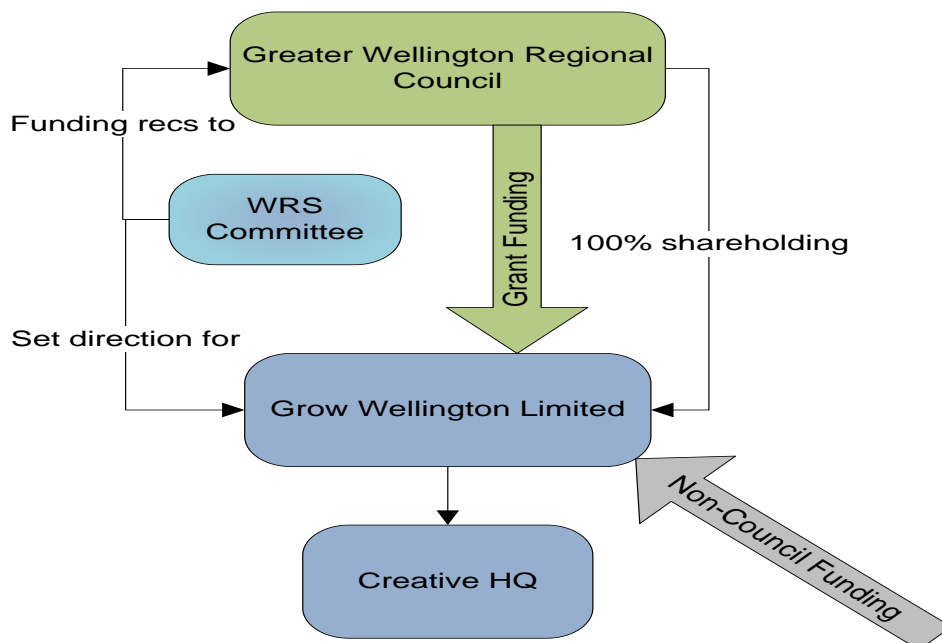
73. This paper sets out a proposal for the creation of a single economic development agency for the Wellington region – bringing together existing agencies that serve the region’s economy to lift the region’s economic performance in a meaningful and tangible way.
74. The paper asks for in-principle support from councils in the region, and subject to that support, tasks the Wellington City Council and Greater Wellington Regional Council to carry out consultation in the region and bring community feedback and a final decision back to councils in late June.

Appendix A: current and proposed structure

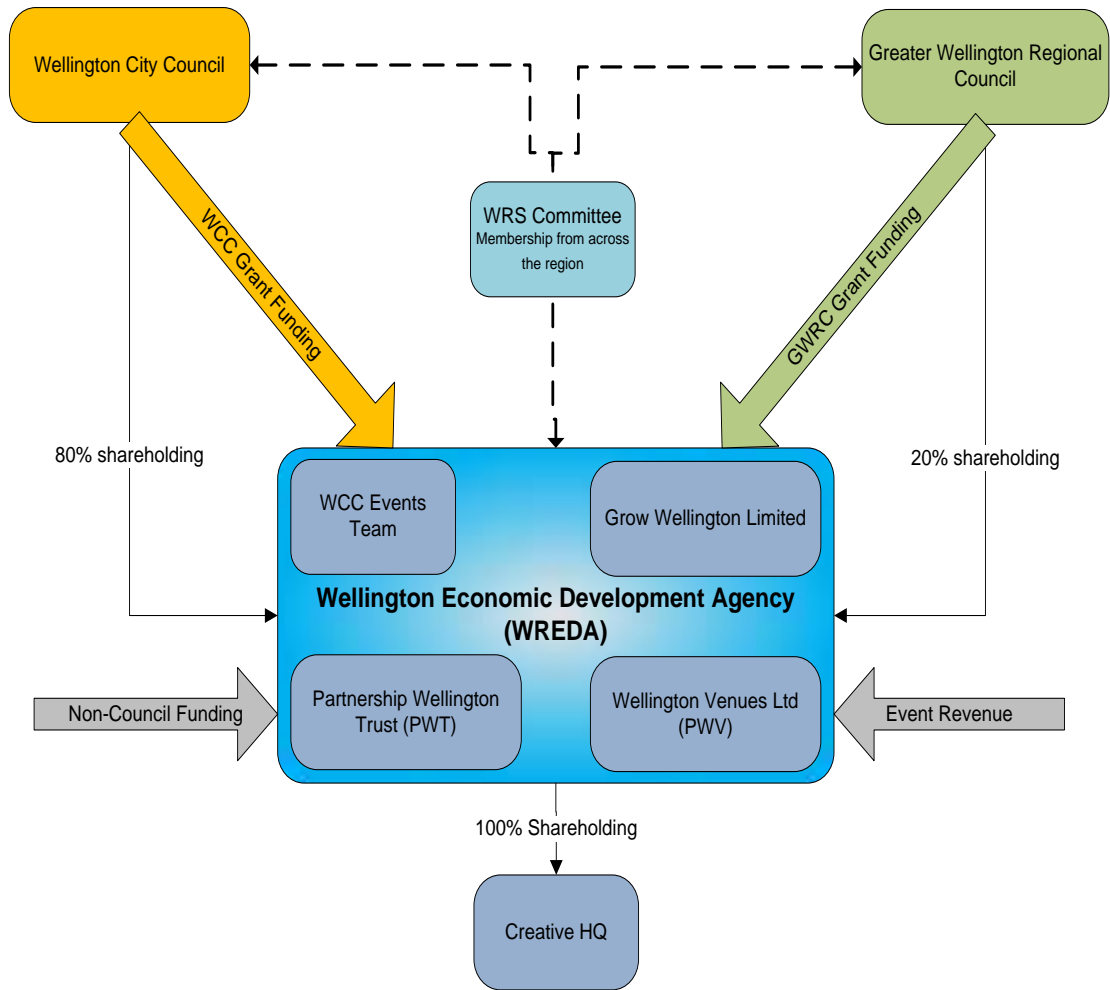
Wellington City Council – current structure



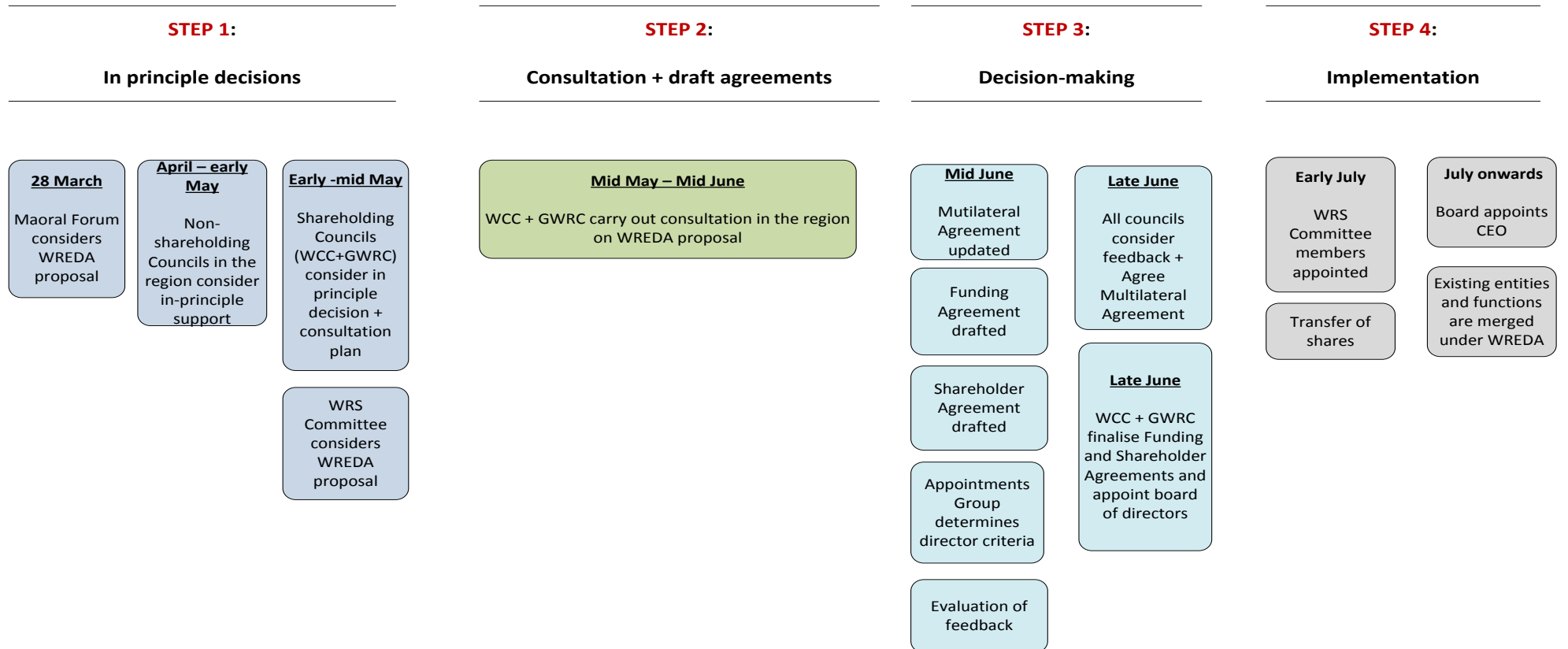
Greater Wellington Regional Council – current structure



Proposed WREDA structure



Appendix B: Process and timeline



Appendix C: Current economic activities

Entity Name	Type of Entity	Ownership	Purpose	Structure	Funding	Implementation
Grow Wellington	CCO	Greater Wellington Regional Council	The overarching purpose of Grow Wellington is to help both grow the Wellington region's economy, and to improve the Wellington region's international competitiveness. This must be done in a way which is environmentally sustainable and socially responsible	Wholly-owned subsidiary of Greater Wellington Regional Council.	Greater Wellington Regional Council funding, grants and other funds, Destination Wellington contract.	Grow Wellington is the delivery agency for the Wellington Regional Strategy.

Entity Name	Type of Entity	Ownership	Purpose	Structure	Funding	Implementation
Wellington Regional Strategy and Office	Strategy	Developed by nine local authorities	To build a resilient, diverse economy – one that retains and creates jobs (especially high value jobs), supports the growth of high value companies and improves the region's position in relation to the national GDP and national employment.	The nine councils are Kapiti, Porirua, Wellington, Masterston, Upper Hutt, Carterton, South Wairarapa, Hutt City, GWRC. The strategy was developed in conjunction with central government and the region's business, education, research and voluntary sector interests.	Funded by a regional economic development rate collected by Greater Wellington.	Implemented by Grow Wellington, the WRS Committee and local councils, along with other key partners.
Destination Wellington	Programme	Wellington City Council	To build on the city's tourism and marketing successes through a comprehensive strategy and distinctive identity.	The programme is one of four key platforms identified in the Wellington Economic Development Strategy 2012.	Funded by the Wellington City Council.	Destination Wellington is lead by Wellington City Council, Positively Wellington Tourism, and Grow Wellington.

Entity Name	Type of Entity	Ownership	Purpose	Structure	Funding	Implementation
Positively Wellington Tourism	CCO	Wellington City Council	Responsible for marketing Wellington ("the coolest little capital in the world") as a destination.	Positively Wellington Tourism is a public-private partnership. As a CCO, it reports to the Council Controlled Organisation's Performance Sub-Committee on its progress.	Funded through the Wellington City Council Downtown Levy and a variety of regional and commercial partnerships.	Engages in project-based partnerships with surrounding regions and tourism businesses (e.g. promotion of The Hobbit premiere, RWC 2011, hosting international conferences)
Positively Wellington Venues	CCO	Wellington City Council	Responsible for the management of six performance and conference venues located in the heart of Wellington's culture and entertainment precinct, including the Wellington Town Hall, the Michael Fowler Centre and the TSB Bank Arena.	Positively Wellington Venues acts as an agent of the Wellington City Council. As a CCO, it reports to the Council Controlled Organisation's Performance Sub-Committee on its progress.	Funded by event revenue and car parking from managed events.	Manages events along three core lines of business: "Conventions & Events", "Shows & Performances", and "Food & Beverage".

Entity Name	Type of Entity	Ownership	Purpose	Structure	Funding	Implementation
WCC Major Events	Team	Wellington City Council	The Events team promotes funds and supports major events in the city.	WCC Major Events is a team within the Wellington City Council.	Funded by the Wellington City Council.	Produces and delivers major Council events such as Summer City, Diwali and the Sky Show.
Regional Amenities Fund	Fund	Partnership between 5 Councils	To support eligible entities of regional significance with day-to-day operational expenses and new innovative projects that will achieve identified priorities for the region. The fund is focused on arts, cultural and environmental attractions and events.	The five councils are Wellington, Hutt City, Upper Hutt, Kapiti and Masterston.	The five Councils contribute funds.	Organisations seeking funding should show how their project will bring significant benefit to the region. There is one funding round each year.