

Report 99.574

5 October 1999

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Report to the Policy and Finance Committee
From John Allard, Manager Corporate Advisory Services,
Ted Maguire, Council Secretary and
Howard Stone, General Manager

Economic Wealth in the Greater Wellington Region and the Olympics Opportunity

1. Purpose

To provide a progress report on officers' investigations into: the formal proposition for funding received from the Wider Wellington Olympics Trade Focus Group (WWOTFG); and the wider context of economic development in the Region.

2. Background

On 7 September 1999 (report 99.509) the Council resolved to:

- *Support in principle making a financial investment in the promotion of the Greater Wellington Region economy, so adding to its ability to maximise the ongoing wealth opportunities created by the Sydney 2000 Olympic Games.*
- *Invite the WWOTFG to present a formal proposition for funding to the Council.*

- *Request officers to work with the WWOTFG towards devising a structure and accountability regime consistent with responsibly managing public expenditure, on a programme of this type.*

Officers reported back to the Policy and Finance Committee on 21 September 1999 (report 99.533). At the time of finalising that report the WWOTFG had not submitted a formal proposition to the Council for funding as requested by the Council's resolution. Suzanne Snively, representing the WWOTFG, presented a business plan to the Council at the meeting on 21 September. Officers had not had the opportunity to analyse the funding proposal prior to the meeting, so the Committee resolved to:

- *request officers to report back to the next appropriate Policy and Finance Committee meeting in respect of:*

- *The WWOTFG funding proposal*
- *The results of the Chief Executives' scoping study on economic development*

in addition to a further update on the Council's role in providing regional economic data.

3. **Progress Report**

Since the Policy and Finance Committee meeting of 21 September officers have undertaken the following actions:

- Sought further information from the WWOTFG to clarify various points in the business plan presented to the Council.
- Commissioned BERL to provide a second opinion on the economic opportunities between the Wellington Region and New South Wales, arising from the Olympics.
- Discussed economic development issues, including the WWOTFG initiative, with the Acting Chief Executive of Wellington City Council.
- Sought two legal opinions on the Council's ability to fund an economic development initiative, such as that proposed by the WWOTFG.

Officers were planning to report back to the 2 November meeting of the Policy and Finance Committee on the WWOTFG funding proposal and on the results of the Chief Executives' scoping study on economic development and to provide an update on the publication of regional economic data. However, having now received the legal opinions we feel that it is important that Councillors are immediately made aware of the legal constraints facing the Council. Officers will still report to the 2 November meeting on broader economic development issues.

4. **Legislative Ability to Fund Economic Development**

Officers sought two legal opinions on the Regional Council's ability to provide funding for the WWOTFG. These opinions, from Simpson Grierson and Oakley Moran, are appended as **Attachments One** and **Two**. Both opinions confirm that the Council cannot under the Local Government Act or other legislation, fund an economic development initiative such as that proposed by the WWOTFG.

Whilst the Simpson Grierson opinion advises that the Council could explore the possibility of channelling funding through its major shareholding in the Port Company, this option raises serious questions over the nature of governance, the purpose of the investment and the responsibilities of the Port Company directors. In the opinion of officers, this would be a complicated and inappropriate means of addressing the fundamental issue of "Why can't the Council fund economic development initiatives in the interests of the Wellington Region?" It is also an approach that is likely to invite very close scrutiny from the Audit Office. The straightforward means should be the Local Government Act.

5. **Advocating For Change**

The Council has clearly expressed interest in the economic opportunities for the Wellington Region arising from the Sydney Olympics and the broader issue of an economic development strategy for the Region. Whilst there is an immediate legislative constraint on the Council's ability to provide funding for the WWOTFG, the broader issue of the Council's role in economic development needs to be addressed.

There appears to be a general feeling in the Region that more needs to be done to support economic development in the Region. For example, a recent survey of the Region's business community, conducted by the Evening Post and BRC Marketing and Social Research, found that 61% of respondents thought that not enough was being done to encourage economic growth in the Wellington Region and 63% of respondents thought ratepayer money should be spent to encourage economic development in the Region. Furthermore, there are indications of community support for the Regional Council having a role to play in economic development. The fact that the WWOTFG, with its broad membership base, sought support from the Council is one illustration of this. Another example, is that as an outcome of the Wellington Region Economic Summit held in June 1998, business and local government groups invited the Regional Council to take the lead in following up the initiatives generated by the Forum.

It is absurd that despite support from the regional community the Council can not play a role in economic development, because of overly restrictive provisions for regional councils under the Local Government Act. This is a clear example of the Local Government Act working against the interests of community democracy and local choice. If the community believes the

Council has a role to play in economic development in the Wellington Region it will have to advocate for legislative change to the Local Government Act.

6. **Communications**

The Council may wish to develop a communications programme to support its position on the need for change to the Local Government Act to allow it to be involved in economic development.

7. **Recommendations**

The Committee recommends that the Council:

- (1) *Notes that the Local Government Act or other legislation does not permit the Council to contribute to an economic development initiative, such as that proposed by the Wider Wellington Olympics Trade Focus Group.*
- (2) *Resolves that the Local Government Act is overly restrictive in respect of the role of regional councils to support economic development and that appropriate steps be taken to advocate for legislative change.*
- (3) *Notes that officers will report further on economic development issues to Policy and Finance Committee on 2 November 1999.*

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