

# **Regional EDA Ltd**

## **Six-month Report**

**For the Period to 31 December 2007**

**Regional**EDALtd  
CONNECTING BUSINESS WITH OPPORTUNITY  
THROUGHOUT THE GREATER WELLINGTON REGION

# Regional EDA Ltd

## Six-month Report for the Period to 31 December 2007

### Introduction

This is the first six-month report of Regional EDA Ltd, which was formed under the Wellington Regional Strategy to implement economic development initiatives contained in the Strategy, particularly those relating to investing in growth of the regional economy through exports.

Considerable progress has been made in the first six months in establishing the new agency, confirming its responsibilities, and in beginning to address its priorities.

An interim establishment Board for the new regional economic development agency was appointed by the Wellington Regional Strategy Committee on 13 March 2007. The interim Board comprised: John Lumsden, president of the Wellington Regional Chamber of Commerce; Murray McCaw, chair of the Wellington Regional Strategy Forum; and James Ogden, managing director of Ogden Consulting Ltd.

A legal challenge to the Strategy was resolved by mediation in May, clearing the way for the establishment of the agency.

On 15 June the permanent Board of Directors was confirmed: Murray McCaw (chairman), Brent Albiston (chief executive of Radiola Aerospace), Murray Bain (chief executive of the Foundation for Research Science and Technology), Viv Beck (company director and author), John Lumsden (president of the Wellington Regional Chamber of Commerce), John McFadzean (Wairarapa farmer and businessman), Tan Pham (executive director of AC Consulting Group), and Glenys Coughlan (chair of Positively Wellington Tourism).

Regional EDA Ltd began operations on 1 July 2007 and on Monday 2 July the Board met the staff for the first time.

Initially the staff included former Positively Wellington Business personnel and two economic development staff members from Go Wairarapa. We have operated out of the premises of the former economic development agency Positively Wellington Business, with one manager based in the Wairarapa. We have also had a transitional agreement in place with Kapiti-Horowhenua agency Nature Coast Enterprise for the first year.

After an extensive recruitment process, Regional EDA announced the appointment of Nigel Kirkpatrick as chief executive on 1 October. He brings a wide range of international experience to the organisation, including general management, global partnerships and start-ups, giving him a sound appreciation of the highs and lows and the issues facing a wide variety of organisations.

The Board wishes to record its thanks to Philip Lewin, chief executive of Positively Wellington Business, for his work as interim chief executive of Regional EDA Ltd for the first three months.

## **Establishment**

Regional EDA Ltd is a Council Controlled Organisation, wholly-owned by Greater Wellington Regional Council, and reporting to the Wellington Regional Strategy Committee of Greater Wellington Regional Council. A Funding Deed has been signed between Regional EDA Ltd and Greater Wellington Regional Council.

In its first six months, the agency has completed the work required for its establishment and ongoing operation. It has established bank accounts, operational policies and procedures, novated necessary contracts and licences relating to ongoing supplies and services, undertaken strategic planning, and begun the process of forming operational relationships with the strategic partners it will be working with to implement the Wellington Regional Strategy.

Due to the timing of Regional EDA Ltd's start-up, a Statement of Intent was not required by legislation for its first year of operation, but as a matter of good practice a draft interim Statement for the 2007-2008 financial year was presented to the WRS Committee for discussion and feedback. This was valuable as a precursor to the development of the Statement of Intent for 2008-2009.

The start-up name of the agency, Regional EDA Ltd, was intended to be a 'placeholder' only until the organisation became established and adopted a name that better reflected its responsibilities under the Strategy. The organisation will change its name to Grow Wellington; a succinct expression of its regional purpose.

## **Operations**

In its first six months, Regional EDA Ltd continued to support a number of significant workstreams initiated by Positively Wellington Business and Go Wairarapa that were compatible with the objectives of the Wellington Regional Strategy, while also developing the Strategy's priority initiatives for growing the regional economy. One of the bigger examples of these ongoing workstreams is the Wairarapa cuisine and fine wine major regional initiative.

The Board and staff have made, and will continue to make, a concerted effort to meet and form constructive working relationships with people and organisations critical to the objective of growing the regional economy. Partnerships are being formed with other business support organisations and central and local government agencies.

The most important relationships to be formed are with business itself. Regional economic growth through increased exports will be achieved by the region's businesses. Working for business success is this organisation's main purpose and focus.

### ***Developing Centres of Excellence***

A general manager was appointed to lead the implementation of the Centres of Excellence programme. Although due to formally start work in January, he started informally in December and began outlining a programme necessary to identify the first and subsequent two Centres to be developed.

The work includes establishing assessment criteria for initial evaluation and selection of Centres; defining the development pathway; designing business models; identifying international benchmarking comparatives; meeting key participants; governance planning; success metrics; economic impact assessment; and drafting a detailed implementation programme.

## **Supporting Sectors**

We completed a stock take of the region's key industry sectors, and defined the issues/gaps that are impeding the sectors export growth in order to develop strategies that will support the sectors.

The Wairarapa cuisine and fine wine major regional initiative has been advanced and has achieved a number of major milestones. The initiative has two arms – a wine strategy, and the development of a school of cuisine. The planned school of cuisine, a partnership between UCOL and Le Cordon Bleu, received approval and accreditation from the ITPQ Board in December for its new Bachelor of Culinary Arts and Business degree. In November, resource consent hearings were held for the building of the Le Cordon Bleu New Zealand School of Cuisine in Martinborough. The hearings were in favour of UCOL's application, but an appeal has since been lodged with the Environment Court.

We plan to broaden the regional scope of food and wine sector work in the second half of the year, looking at the development of a regional story.

Our film facilitation unit, Film Wellington, with support from Conventions & Incentives New Zealand and Positively Wellington Tourism, put together a bid that won the right for Wellington to host the Association of Film Commissioners International (AFCI) Cineposium 2008, against competing offers from Spain, Korea, South Africa, China and France. Staff are now working with the AFCI organisation on arrangements for the conference, which will attract up to 300 film industry executives from 30 countries and will give the region's film industry a further opportunity to cement its global connections.

Film Wellington was busy with film and television commercial work over the past six months and will continue to be for many months to come. We are working on *The Lovely Bones* and *Avatar*, amongst other productions.

We supported AnimfxNZ, the second international animation, gaming and special effects symposium, held in November. Once again the symposium attracted many major overseas and New Zealand experts as speakers and guests, and the resulting interaction helped build the international connections of the local industry. The first of these events in 2006 helped local gaming company Sidhe Interactive cement connections that led to securing a multi-million dollar contract. This year we facilitated 33 business meetings between the international visitors and local industry to foster more such outcomes and will monitor the results.

Continuing industry support for the Industry Development Centre, established to boost the region's manufacturing sector, was confirmed at a stakeholder meeting held at WelTec in December, as the project concluded its original term of government funding support. During the six months, the Centre launched Visionquest sustainable design competition in partnership with Massey University, and the internet-based Manufacturers' Marketplace in partnership with EMA.

In July we assumed full responsibility for leading the marketing of the region's education facilities to international students under the banner of Education Wellington International. We have hosted international government and business visitors, and worked on increasing membership, developing new marketing materials, and planning to market the region at an international forum in Sydney in the second half of the year.

In the primary sector, we have continued to help develop the Wairarapa Irrigation Trust scheme aimed at creating water storage for use during the three dry months of the year. A Heads of Agreement was developed which has been agreed and signed between the Trust and commercial partner Meridian Energy.

### ***Growing Business***

We have provided assistance, information and support to individual businesses through the work of our business development managers, our business incubator (Creative HQ), and through other programmes and projects.

Creative HQ was at 50 per cent occupancy by the end of December, but had interviewed two early-stage companies with high growth potential that were strong candidates to join the incubation programme early in 2008. It has also extended its outreach by developing a new four-month pre-incubation programme called Activate, designed to focus young would-be entrepreneurs on getting to the starting line. A review of all available incubation services has been undertaken with a view to broadening coordination and reach throughout the region.

To get smart start-up companies off to a flying start, we developed and launched Angel HQ. This is a structured arrangement where experienced investors are introduced to start-up and early stage businesses that have high growth potential but do not have access to capital for development from traditional sources. Angel HQ is a first for the Wellington region – no such organised group of angel investors existed previously. This fills a need in the region to bridge the gap in the life cycle of rapidly-developing businesses where they have outgrown their ability to finance their business growth from their own resources. A soft launch in November attracted 40 potential investors. We will promote the programme to companies in need of investment in March/April.

We assisted with the implementation of another new regional initiative aimed at encouraging the development of entrepreneurship throughout the region – the inaugural Cable Car Challenge business planning competition coordinated by the Wellington Innovation Network.

As well as working with individual businesses, the business development team introduced the ConnectNZ Springboard programme into the Wellington region. This is a programme for companies that have been established for some years and have reached a point where they are aware they have some business issues to resolve or opportunities ahead of them. We have assisted two companies in this situation to prepare an analysis of their business and its options, and to present this information in confidence to a specially-convened panel of business experts for an afternoon for their discussion and advice. In late December, we learned there was some doubt about the future of the national Connect organisation. Nevertheless we consider this programme has value and are investigating whether it may continue in some form locally.

A range of skills are in short supply throughout the Wellington region. We operate a skilled migrant attraction programme and website where potential migrants can register and local employers can search for required skills. There were over 1600 registrations on the website in the first six months, and 67 skilled migrants were assisted into employment and/or settlement in the region. The migrant attraction manager attended the UK jobs expo in October, collecting expressions of interest from more than 1,000 potential migrants.

We are participating in the Wellington Regional Labour Market Strategy forum.

## ***Broadband***

An audit has been undertaken of current and future anticipated broadband needs in Wairarapa. Work is under way on Terms of Reference for similar audits in Kapiti Coast, Upper Hutt, Hutt City, Porirua and Wellington. We are coordinating a regional approach together with the Councils' SORT (Senior Officials Resource Team) group.

## ***Connectivity***

In the main we are taking a partnership role in developing the connectivity of the region's major international gateways – the port and airport. We have met with Positively Wellington Tourism and Wellington Airport, and with Centreport.

In a separate project, we have been working with Air NZ and the Masterton District Council to initiate a daily air service between Masterton and Auckland which will improve the area's connectedness with the rest of New Zealand and global markets. Discussions between parties indicate a likely positive outcome in 2008.

## ***Carbon Neutral***

We have begun to define our approach to working together with other organisations, and our understanding of what our greatest contribution could be, in order to achieve a carbon neutral region.

A commitment to a carbon neutral region will benefit Wellington in two ways. First, our exports may depend on a carbon neutral position but, more importantly, the region can develop technologies which will enhance a carbon neutral position. It is enhancing the development of technologies that REDA will focus its resources on.

## **Staff**

Regional EDA employed 20.5 FTE at 31 December.

There have been some staff departures in the first six months, with people leaving to take up other employment or life opportunities. A new general manager, who will start in February, has been appointed to develop Creative HQ and head the Angel HQ investment programme. We are also seeking a manager for Film Wellington, to fill the vacancy left by long-serving manager Jean Johnston.

## **Premises**

During the period the original leases expired for the office space in the Baldwins Centre and that used by Creative HQ in Marion Street. Short-term extensions were negotiated, while we sought new suitable long-term premises at no overall increase in cost, with space to accommodate the entire organisation in the one location. A relocation will take place before the end of the current financial year.

## Financials

Income drawn down from Greater Wellington Regional Council is \$316,666 less than budget. The reduced revenue is due to lower expenses incurred as we have limited expenses in the first half of the year while the new projects have been developed.

Income received from external sources to GWRC is in line with budget. The Wairarapa Major Regional Initiative project income is below budget, however this is a timing issue.

Income for externally funded projects is accrued at the level of our expenditure. Some of the major grant claims anticipated in the first six months will not occur until February.

## Outlook

In the second half of the year we will complete our establishment work and significantly advance our major projects.

We will complete detailed organisational plans and measures for the financial year 2008-2009 and prepare a draft Statement of Intent for the approval of the Wellington Regional Strategy Committee.

We will adopt the new permanent organisation identity, Grow Wellington, and link all our programmes to that identity more closely. We will also consolidate our operations in new premises.

We will advance programmes already under way, such as Angel HQ, and will totally focus our business on implementing the new programme streams aligned to the Wellington Regional Strategy – especially the flagship Centres of Excellence programme.

13 February 2008

Murray McCaw  
Chairman

Nigel Kirkpatrick  
Chief Executive

On behalf of  
Regional EDA Ltd  
L9, Baldwins Centre  
342 Lambton Quay  
PO Box 10-347  
Wellington, New Zealand

## Financial Report for the Six Months Ended 31 December 2007

### Regional EDA Ltd Statement of Financial Performance

Year to date figures for the period ending 31 December 2007

	<b>Current Period \$</b>
<b>INCOME</b>	
GWRC Contribution	1,683,333
Grant Income	287,111
Sponsorship	53,000
Other Income	124,221
Interest income	6,728
<b>Total Operating Revenue</b>	<b><u>2,154,393</u></b>
<b>LESS COST OF SERVICES</b>	
Personnel	1,180,595
Direct Costs	487,314
Overheads	322,111
<b>Total Expenditure before Depreciation</b>	<b><u>1,990,020</u></b>
Depreciation & Amortisation Expense	22,978
<b>Total Expenses</b>	<b><u>2,012,998</u></b>
<b>Net Surplus</b>	<b><u>141,395</u></b>



**Regional EDA Ltd**  
**Statement of Financial Position**

**For The Period Ending 31 December 2007**

	<b>Current Period \$</b>
<b>ASSETS</b>	
Cash and bank balances	413,434
Call Account	22,659
Investments (Term Deposits)	0
Cash and bank balances	436,094
Total Accounts Receivable	112,054
Prepayments	3,010
Taxation refunds due / RWT	0
Future Tax Benefit	0
Fixed Assets (net of accumulated depreciation)	105,363
<b>Total Assets</b>	<b>656,521</b>
<hr/>	
<b>LIABILITIES</b>	
Payables	
Suspense	0
Accounts Payable / Sundry Creditors	46,261
Accounts Payable	46,261
GST Receivable (Paid to Suppliers)	0
GST Payable (Collected from Customers)	42,966
GST Payable (Refund)	42,966
PAYE / Emp'ee Kiwisaver Payable	53,410
FBT Payable	0
Total Payables	142,637
Other Liabilities	
GWRC Contribution Advance	0
Income in Advance	340,833
Creative HQ Bonds	6,311
Holiday Pay Liability	25,346
Income Tax Payable	0
Deferred Tax	0
Loan - GWRC	0
<b>Total Liabilities</b>	<b>515,126</b>
<b>EQUITY</b>	
Capital	0
Accumulated funds and retained earnings	0
Total accumulated funds and retained earnings	0
Surplus (Loss) For the Period	141,395
<b>Total Equity</b>	<b>141,395</b>
<b>Liability and Equity</b>	<b>656,521</b>

**Regional EDA Limited**  
**Statement of Cashflows**  
**For the period ended 31 December 2007**

<b>Cashflows from Operating Activities</b>	<b>31/12/2007</b>
Cash Provided From	
Receipts from GWRC	1,683,333
Receipts from Grants	583,704
Receipts from Other Income	56,407
Receipts from Sponsorship	53,000
Interest Received	6,727
	<u>2,383,171</u>
Cash was dispersed to	
Payments to Suppliers/Employees	1,818,736
GST Paid	0
Taxation	0
Interest Paid	0
	<u>1,818,736</u>
<b>Net Cash Inflows from Operating Activities</b>	<b>564,435</b>
<b>Cashflows from Investing Activities</b>	
Cash was provided from	
Sale of Fixed Assets	0
	<u>0</u>
Cash was Applied to	
Purchase of Fixed Assets	128,341
	<u>128,341</u>
<b>Net Cash flows from Investing Activities</b>	<b>(128,341)</b>
<b>Cashflows from Financing Activities</b>	
Cash was provided from	
	0
	<u>0</u>
Cash was Applied to	
	0
	<u>0</u>
<b>Net Cash flows from Financing Activities</b>	<b>0</b>
Net Increase in Cash Held	<u>436,094</u>
Opening Balance Brought Forward	0
<b>Ending Cash Carried Forward</b>	<b><u><u>436,094</u></u></b>
Represented by:	
Cash & Bank Balances	436,094
	<u><u>436,094</u></u>

**Regional EDA Limited**  
**Statement of Cashflows**  
**For the period ended 31 December 2007**

<b>Reconciliation to Operating Surplus</b>	<b>31/12/2007</b>
<b>NET SURPLUS</b>	141,394
Add (Less) Non Cash items:	
Depreciation and Loss on Disposal	22,978
Amortisation	0
	<u>22,978</u>
Add (Less) movements in Working Capital items	
(Increase) Decrease Accounts Receivable	(112,054)
(Increase) Decrease Prepaid Expenses	(3,010)
Increase (Decrease) in Sundry Creditors	125,017
(Increase) Decrease in Taxation Payable	0
Increase (Decrease) in Income in Advance	340,833
Increase (Decrease) in Creative HQ Bonds	6,311
Increase (Decrease) in GST Payable	42,965
	<u>400,062</u>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<u><u>564,434</u></u>

## Revenue and Expenditure by Strategic Initiative and Activity

Revenue & Expenditure for Six Months to December 2007

Strategic Initiative	Expenditure \$,000			Revenue \$,000
	Existing projects	WRS projects	Total	
<b>WRS</b>				<b>1,683</b>
% of Budget				42%
Developing Centres of Excellence		95	95	
% of Budget				24%
Supporting Priority Sectors	648	130	778	125
% of Budget				35%
Grow and Retain Existing Business	960	74	1,034	346
% of Budget				47%
Grow Broadband	55	15	70	
% of Budget				28%
Raising the Value of our International Gateways		16	16	
% of Budget				32%
Carbon Neutral Region		20	20	
% of Budget				20%
	<b>1,663</b>	<b>350</b>	<b>2013</b>	<b>2154</b>
% of Budget			<b>35%</b>	<b>38%</b>

			<b>\$,000</b>
<b>Revenue</b>			
- WRS			1,683
- Other Income			471
<b>TOTAL REVENUE</b>			<b>2,154</b>
<b>EXPENDITURE</b>	<b>Existing &amp; New Initiatives</b>	<b>WRS</b>	
<b>Developing Centres of Excellence</b>			
Total WRS Initiatives		95	
		95	<b>95</b>
<b>Supporting Priority Sectors</b>			
- AnimfxNZ	25		
- GW/IDC <sup>1</sup>	100		
- WRLMS <sup>2</sup>	16		
- Education Wellington International (EWI)	99		
- Film Wellington	213		
- MRI Wairarapa Fine Wine & Cuisine	89		
- Primary Sector	75		
- General Support	31		
Total WRS Initiatives		130	
	648	130	<b>778</b>
<b>Growing Individual Businesses</b>			
- Launch AngelHQ & manage	45		
- Continued support of high-growth businesses	164		
- Establish ConnectNZ	50		
- Establish Activate (pre-incubation programme)	12		
- Creative HQ	431		
- Migrant Attraction	154		
- General Support	36		
Total WRS Initiatives		74	
Regional Outlook	41		
Investment Raising	18		
Attract Export	9		
		74	
	960	74	<b>1,034</b>
<b>Grow Broadband</b>			
Existing Projects	55		
Total WRS Initiatives		15	
		15	<b>70</b>
<b>Raising the Value of our International Gateways</b>			
Total WRS initiatives		16	<b>16</b>
<b>Carbon Neutral Region</b>			
Total WRS Initiatives		20	<b>20</b>
<b>TOTAL EXPENDITURE</b>			<b>2,013</b>
<b>NET SURPLUS FOR PERIOD</b>			<b>141</b>

<sup>1</sup> Greater Wellington Industry Development Centre

<sup>2</sup> Wellington Regional Labour Market Strategy