

## Wellington Regional Strategy – Draft Proposal

### 1. Introduction

Greater Wellington Regional Council (Greater Wellington) is publishing and distributing this Proposal because we want to hear the views of the people of the region on our proposal to continue to fund the Wellington Regional Strategy (WRS) activity.

The Wellington region is a great place to live and work. To keep it this way we must ensure our economy is internationally competitive. As a region we face some challenges to achieve sustainable prosperity, which is why in 2004 the councils of the Greater Wellington region decided to work together to develop a WRS to achieve our economic goals.

Since 2007 the region's councils, in conjunction with central government and the region's business, education, research and voluntary sectors, have worked together under the WRS to make the region "internationally competitive" – in other words, a region that offers the competitive package of a great lifestyle and job opportunities, supported by a strong economy.

When the WRS multi-party agreement was signed by all the region's councils in late 2007, Greater Wellington was asked by the other local authorities in the region to host the WRS and to fund this through regional rates. It was agreed that the WRS arrangements be revisited this year. We are proposing in this LTP that Greater Wellington continue this role.

### 2. Overview of proposal

This proposal represents a renewed commitment from all councils in the Wellington region to continue the WRS activity. This recognises the on-going commitment of the region's councils to work together on sustainable economic growth and development for the Wellington region.

The key elements of this proposal are:

- Greater Wellington retains responsibility on behalf of the region for the WRS by hosting the WRS Committee and the WRS Office:
  - The WRS Committee continues to oversee decision making and governance of the WRS. All councils in the region will be represented on the committee, in addition to 5 non-local government members.
  - The WRS Office continues to support the implementation, monitoring and review of the WRS.
- Grow Wellington (a council controlled organisation of Greater Wellington) continues as the region's economic development agency.
- Greater Wellington, on behalf of the region, continues to fund the delivery of the WRS (including Grow Wellington and the WRS Office) through a targeted rate for economic development initiatives.

### **3. Background**

#### **3.1. Current WRS**

The WRS (or Strategy) is a joint initiative by all councils in the Wellington region to promote and facilitate sustainable economic growth and development for the region.

The process to develop the Strategy was initiated in 2004, following recognition by councils that each had similar aims and goals for economic development and it made sense to avoid duplication and work together for the benefit of all.

At its heart, the current Strategy is about economic growth and development. In preparing the WRS however, the region's councils were keen to ensure that the WRS was underpinned by broader and more sustainable aims. To this effect, the current WRS was developed on the basis that:

- Economic growth and development must reflect the principle of sustainable development with its four dimensions of economic, environmental, social and cultural well-being;
- Particular attention was made on the interconnectedness of economic development to urban development, transport and environmental quality;
- Economic activity supported by the WRS reflects and takes account of the community values that define each city or district of the region;
- Links were made to councils' statutory obligations under the LGA and other Acts, in particular the development and adoption of Long Term Plans, the Regional Land Transport Strategy and the Regional Policy Statement.

The WRS was formally adopted by all councils in the Wellington region in May 2007. This included the establishment and funding of a regional economic development agency (Grow Wellington Limited), as well as establishing a committee of Greater Wellington to oversee the implementation and further development of the Strategy (the WRS Committee). Membership of the WRS Committee includes representatives from the region's councils and independent members with specialist expertise and experience.

The current WRS has three primary focus areas:

- Effective leadership and partnerships. Most of the WRS initiatives are about facilitation and bringing together the key players that can deliver on the region's sustainable growth objectives. This relies on effective leadership and forging partnerships between local authorities, central government, business and the education, research and voluntary sectors.
- Growing the region's economy, especially its exports. The focus on investment in exports was proposed as a response to the generally poor economic performance of the region at that time.
- Good regional form. Regional form is about the physical arrangement of urban and rural communities and how they link together. It is a key aspect that contributes to the region's economy and quality of life. Priority actions include: strengthening city and town centres, matching transport decisions to urban and rural needs, quality urban design, improving open spaces and providing housing choice in appropriate locations.

It is important to note that the economic climate facing the region today is fundamentally different to that of 2006/07 when the original WRS was adopted. The Strategy is being revised to focus more closely on economic growth issues in the region. Further details are set out in section 4.2.

### **3.2. Review of the WRS**

Consultants MartinJenkins were commissioned in late 2010 to undertake a review of the WRS. The findings were presented to the Committee, all councillors in the region, and the Grow Wellington Board in June 2011.

Overall, the review supported the fundamental rationale behind the WRS and continuation of a regional approach to facilitating economic development. The final report concluded that there remain good reasons for continuing to pursue economic development at a region-wide level, and to fund and deliver economic development activities on a region-wide basis. For a copy of the WRS review report go to <http://www.wrs.govt.nz/wrs-review-2/>.

## **4. The Proposal**

This Proposal is issued by Greater Wellington because it wishes to continue its current role in relation to regional economic development and the WRS, beyond 30 June 2012.

When the region's councils entered into the multi-party agreement for a regional approach to economic development in 2007, it was agreed that the arrangements be reviewed by 30 June 2012 and that, if it was agreed that Greater Wellington continues to carry out regional economic development activity after 30 June 2012, it would undertake this process.

As set out in section 5 of this Proposal, few changes are anticipated to the way in which the activity is currently run. For this reason, it is expected there will be a negligible effect on council's activities.

Matters relating to the WRS and its governance, delivery and funding are regularly discussed at the Wellington region's Chief Executives' Forum and the Mayoral Forum, as well as more formally through the WRS Committee. Represented by their mayors, the territorial authorities are each broadly in line with the WRS, as outlined in this Proposal. It is therefore unlikely that any objections will be raised.

### **4.1. Governance, delivery and funding of the WRS**

This Proposal is about the on-going governance, delivery and funding of the WRS activity through Greater Wellington.

It proposes that:

- Greater Wellington retains responsibility on behalf of the region by hosting the WRS Committee and the WRS Office:
  - The WRS Committee continues to oversee decision making and governance of the WRS. The WRS Committee is proposed to comprise the chair of Greater Wellington Regional Council, a representative of each of the 8 local councils, and five non-local government representatives who represent established networks within the region.

- The WRS Office continues to support the implementation, monitoring and review of the WRS.
- Grow Wellington, as a Greater Wellington council controlled organisation, continues to operate as the region's economic development agency on behalf of the region.
- Greater Wellington, on behalf of the region, continues to fund the delivery of the WRS (including Grow Wellington and the WRS Office) through a targeted rate for economic development initiatives from 1 July 2012. Funding for the WRS for the 2012-2022 period is proposed at \$4.6 million per year, the same as funding in 2011/12. The allocation of funding is to be split at \$4 million for Grow Wellington and \$600,000 for the WRS Office and the work of the WRS Committee.

This is a targeted rate allocated on a fixed-amount basis for residential and rural ratepayers. It is allocated on capital value for businesses. For residential properties, the fixed amount is \$14.00 + GST and rural properties \$28.00 + GST

## 4.2. Revised Strategy

Following the WRS review, further work was commissioned on economic development issues for the region. The WRS Committee considered and endorsed the following revised focus areas to address economic growth issues in the region:

- Focus area 1: Commercialisation of innovation
 

With a focus on science and technology-driven innovation, this focus area involves supporting existing successful businesses, and exploiting the region's attractiveness as a vibrant and supportive environment for entrepreneurs to set up firms, access capital, and to innovate.
- Focus area 2: Investment mechanisms for growth
 

This is about attracting international investment, making more of existing investment networks (such as angel investment networks) and ensuring these are connected internationally and through local business opportunities.
- Focus area 3: Building world class economic infrastructure
 

Regional economic prosperity is heavily dependent on the region's level of connectedness at local, national and international levels. This is in turn, dependent on the quality of our foundation infrastructure and transport systems.
- Focus area 4: Attracting business, investment and talent to the region
 

This is about having a targeted approach to attracting businesses, potential investors, skilled migrants and students to the region.
- Focus area 5: Education and workforce development to service regional economy needs
 

This focus area is about building on existing connections and initiatives to grow the region's skills and education base, and ensure the region's specific skills needs are met.
- Focus area 6: Open for business

Being open for business is about councils delivering business services with a ‘can do’ attitude and facilitating a business environment where smart, innovative firms can flourish.

Work is currently underway to refresh the WRS document and look in detail at how Grow Wellington and the region’s councils can focus their work in these areas.

## 5. Consideration of alternative governance, delivery and funding options for the WRS

In coming to this Proposal, the WRS Committee considered a series of options for the governance, delivery and funding of the WRS, following on from the report back on the WRS review. This forms part of the requirement under the LGA for councils to consider the benefits and costs in terms of the present and future social, economic, environmental and cultural wellbeing of the region.

### 5.1. Governance options

Two governance options were considered:

1. Status Quo – continuation of the WRS Committee as a standing committee of Greater Wellington with funding provided as it currently is through a regionally administered targeted rate to support Grow Wellington and other implementation costs.
2. Joint committee of the region’s councils – this would see partners in the joint committee (those who wish to be involved) taking shared responsibility for the administration, delivery and funding of the WRS. Each council partner would rate separately via an integrated funding agreement for the WRS implementation, including support for Grow Wellington.

Options	Assessment
Status Quo	<ul style="list-style-type: none"> <li>• Simple rating structure</li> <li>• A targeted rate means that the funds are significant and that the whole region pays a share of the costs.</li> <li>• Simplicity of approval and appointments processes for Grow Wellington through one governing body.</li> <li>• Involvement of independent members potentially provides:               <ul style="list-style-type: none"> <li>- wider range of expertise and new ideas</li> <li>- balancing the potential for focus on local activities at the expense of wider regional benefit</li> </ul> </li> <li>• Structures already in place so there would be no transitional costs</li> </ul>
Joint committee	<ul style="list-style-type: none"> <li>• Maintains accountability at a local level</li> <li>• Could enable stronger integration between Grow Wellington activities and territorial authority business development activities</li> <li>• No guaranteed long-term commitment to action or funding because annual funding decisions are subject to individual councils’ Annual Plan processes.</li> <li>• If all councils are not involved it could potentially be more difficult to obtain central government assistance.</li> <li>• Risk of high transaction costs in relation to on-going contractual requirements</li> </ul>

	<p>between Grow Wellington and the various councils constituting the committee.</p> <ul style="list-style-type: none"> <li>• Inefficient and duplicate processes for funding and monitoring.</li> </ul>
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We are proposing Option 1 for governance.

## 5.2. Delivery of economic development activities

Two variations of delivery models were considered:

1. Status Quo – Grow Wellington, as the region’s economic development agency, continues to deliver economic development activities across the region on behalf of the region’s councils, supported by Councils delivering at a local level.
2. Councils deliver –Councils within the region undertake economic development activities in-house.

Options	Assessment
Status quo	<ul style="list-style-type: none"> <li>• Provides a consolidated delivery of economic development activities across the region according to a regional mandate set by the WRS</li> <li>• Ability to access central government funding for regional growth projects</li> <li>• Ability to target collaboration and investment in larger capital-intensive projects</li> </ul>
Only councils or their agencies deliver	<ul style="list-style-type: none"> <li>• Local priorities likely to affect the ability to deliver on regional economic development priorities</li> <li>• Could result in duplication or competition of local economic activity to the detriment of regional economic gain</li> <li>• Variable ability between councils to access central government funding and investment</li> </ul>

We are proposing Option 1 for the delivery of economic development activities.

## 5.3. Funding formula

Two options were considered:

1. Status Quo – the economic development agency rate. This is a targeted rate allocated on a fixed-amount basis for residential and rural ratepayers. It is allocated on capital value for businesses. For residential properties, the fixed amount is \$14.00 + GST and rural properties \$28.00 + GST
2. Capital or land value based system for all ratepayer categories. Rural and residential ratepayers would pay an amount based on a capital or land value. Businesses would pay on a capital or land value.

Options	Assessment
Status quo	<ul style="list-style-type: none"> <li>• Fair and equitable system that reflects the distribution of benefits</li> <li>• Transparent and easily understood by ratepayers</li> <li>• A capital value based rate for businesses allows for equity between large and</li> </ul>

	small businesses
Capital value based system for all ratepayer categories	<ul style="list-style-type: none"> <li>• Rural ratepayers, especially the owners of larger rural properties, would pay a disproportionately high contribution to the activity</li> <li>• Businesses would potentially be pay a disproportionately low contribution to the activity that has high direct benefits to business</li> </ul>

We are proposing Option 1 for the funding formula.

## 6. What we will deliver

It is intended that the WRS Activity contribute or deliver the following performance targets.

Level of service	Performance measures	Performance targets				
		Baseline	2012/13	2013/14	2014/15	2015/22
Promote economic growth in the region through <ul style="list-style-type: none"> <li>- CCO</li> <li>- Office</li> <li>- Committee</li> </ul>						
	<ul style="list-style-type: none"> <li>• Increase the percentage of GDP spent on Research and Development</li> </ul>		by more than 5%	by more than 5%	by more than 5%	by more than 5%
	<ul style="list-style-type: none"> <li>• Increase the percentage of workforce employed in highly skilled occupations</li> </ul>		by more than 5%	by more than 5%	by more than 5%	by more than 5%
	<ul style="list-style-type: none"> <li>• Increase GDP per capita</li> </ul>		by more than 4%	by more than 4%	by more than 4%	by more than 4%