

Report 14.340
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Committee Council
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Wellington Regional Economic Development Agency Proposal

1. Purpose

To consider a proposal to merge Wellington's regional economic development agencies and to agree to consult interested parties on the proposal.

2. Background

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 Council Controlled Organisation owned by Greater Wellington Regional Council on behalf of the region.

Wellington City Council funds separate entities such as Positively Wellington Tourism, Positively Wellington Venues and some other independent economic development activities such as the Destination Wellington programme, major festivals and events.

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 despite recent improvements in key indicators we can still do better.

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, with strength in sectors such as high tech manufacturing, software/IT and creative content. The region has opportunities to exploit those advantages and achieve an improvement in economic performance. 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.

The region's recent economic performance has resulted in 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. The current arrangements are outlined in **Attachment 1**.

Having an economy that performs to or above its potential is important. It means:

- more jobs and opportunities for the region's residents
- more resources to invest in new or improved amenities
- stronger communities through greater economic security
- a more vibrant region.

3. The proposal in a snapshot

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

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.

The new economic development agency would have the operations (including the funding) of the following:

Wellington City Council

- Positively Wellington Tourism
- Positively Wellington Venues
- Events (excluding community events which will stay with Wellington City Council)
- Destination Wellington
- The business relationship with Westpac Stadium.

Greater Wellington Regional Council

- Grow Wellington (and its subsidiary Creative HQ)
- The business relationship with Westpac Stadium.

Attachment 3 outlines the current activities. Future consideration may also be given to including Destination Wairarapa, the Regional Amenities Fund and the Wellington Regional Strategy office.

In respect of Westpac Stadium, the event planning, liaison and other day to day activities currently undertaken by Wellington City Council will be undertaken by WREDA. The appointment of trustees to the board of Westpac Stadium will remain with Wellington City Council and the Greater Wellington Regional Council.

All of the operations outlined above will be combined / amalgamated into WREDA and all existing contracts will be assigned or moved to the new agency.

WREDA will have a board of suitably qualified and experienced directors who will be overseen by the reconstituted Wellington Regional Strategy Committee.

WREDA will have reporting requirements to the Wellington Regional Strategy Committee. Shareholding councils (Wellington City Council and Greater Wellington Regional Council) will consider and approve WREDA's statement of intent and annual reports on the recommendation of the Wellington Regional Strategy Committee.

Following consultation with staff it is envisaged that the staff in the operations noted above will be employed within WREDA.

3.1 Key criteria to make it work

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:

- current funding streams and dollar amounts are maintained for five years
- a robust monitoring and evaluation regime is set in place to ensure resources are well used, effective and deliver the anticipated benefits
- service and support costs are minimised to maximise investment in economic development activities.

3.2 Anticipated benefits from moving to a single agency

The current economic development arrangements are not broken, but nor do they position the region to reach its full economic potential. There is some duplication, 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.
- i) *Simplify governance* - Currently, there are three boards of directors/trustees, a WRS Committee, other council committees and business units within both Wellington City Council and Greater Wellington Regional Council. This would be simplified and streamlined under the proposal.

4. The proposed structure

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.

A council controlled organisation allows for multiple councils to be involved in the governance of the entity. 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.

4.1 Ownership of WREDA

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.

The shareholders will commit to a minimum level of funding for WREDA (subject to the usual Annual Plan requirements). If funding falls below the

agreed minimum level there will need to be an adjustment to the individual shareholdings percentages in WREDA¹.

The new agency will be formed using an existing council controlled organisation – Positively Wellington Venues; its name will be changed and existing constitution will be modified as required.

Positively Wellington Venues (WREDA) will continue to manage the venues facilities on behalf of Wellington City Council and the assets will remain in the ownership of Wellington City Council. Any profits generated by Positively Wellington Venues will be solely for the benefit of Wellington City Council.

4.2 Political oversight of WREDA

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.

The Wellington Regional Strategy Committee would consider, and recommend (if appropriate) 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.

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 14 to 10, with no external (non-councillor) members.

The Wellington Regional Strategy Committee is proposed to have representation as follows:

- four from Wellington City Council
- one from 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 Coast District Council.

The existing Multiparty 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 multiparty agreement. The proposed modified agreement will be

¹ 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.

based around the following functions of the Wellington Regional Strategy Committee:

- Monitor the performance of WREDA and its board
- Provide governance oversight of WREDA
- Set the strategic outcomes required for regional economic development
- Review and agree the strategies for achieving the desired outcomes
- Review WREDA's statement of intent and recommend (if appropriate) to the shareholders
- React to changes and consider modifications of the desired outcomes
- Recommend the appointment of WREDA directors to shareholders.

The Wellington Regional Strategy Committee will remain a committee of Greater Wellington Regional Council, which will have overall responsibility for administrative tasks such as the scheduling and running of meetings, etc.

4.3 Board of directors

WREDA's operations will be overseen by a board of independent directors, appointed for their specific expertise and other relevant experience. It will be important that the board reflects a range of business sectors relevant to the Wellington region.

It is proposed 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. If the shareholders cannot agree then Wellington City Council will appoint 6 directors and Greater Wellington Regional Council will appoint 2 directors in respect of the initial appointments. For subsequent appointments, if the shareholders cannot agree then this ratio shall be maintained.

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.

The skills sets required by the directors should have strong connections to, and expertise from the following areas:

- tourism and hospitality
- major events
- science and education, especially in tertiary and research
- IT/Tech services

- creative, film production, digital and performing arts
- professional services
- manufacturing
- primary sector
- start-up businesses, attraction, innovation and venture capital

Directors will also need significant business and commercial acumen and experience along with a strong understanding of corporate governance.

4.4 Initial board appointments

Subject to consultation and final decisions the new WREDA board is proposed to be appointed in September 2014. As the Wellington Regional Strategy Committee will not have been restructured and its Terms of Reference not finalised, then in order to progress the first director appointments, it is proposed to establish the WREDA 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.

To ensure a robust process and a wide range of candidates are considered it is proposed that a third party recruitment agency is used. The list of candidates will be presented to the WREDA Appointments Group. It will provide feedback and prepare a shortlist for consideration by the two shareholding councils at their meetings in August/September 2014. All Councils in the region will be consulted prior to this. The existing directors/trustees of the current council controlled organisations will resign at the same time as the appointment of the new directors.

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.

5. How WREDA will be funded

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 (including WREDA) which will set out the committed minimum amounts and the time period for which this funding will be provided.

The proposed Funding Agreement will include a minimum period of five years for which the funding will be maintained to provide certainty for WREDA.

In time, if other councils provide funding then a separate funding agreement will be made.

The funding details for WREDA are detail in the table below.

Agency / programme \$ million-	Council funding	Other	Total
Positively Wellington Tourism	5.8	4.4	10.2
Positively Wellington Venues	4.0 *	16.2	20.2
Destination Wellington	2.0	-	2.0
Major Events	4.3	-	4.3
Total Wellington City Council	16.1	20.6	36.7
Percentage of WCC funding	80%		
Grow Wellington and Creative HQ <i>-from the regional rate</i>	4.0	2.1	6.1
Total Greater Wellington Regional Council	4.0	2.1	6.1
Percentage of GWRC funding	20%		
Total	20.1	22.7	42.8

Table 1: The operations and dollar amounts (excl GST) reflect 2013/14 SOIs

Wellington City Council will be providing a minimum of \$12.1m (\$16.1m less the \$4.0m spent directly by Wellington City Council on venues maintenance) to WREDA that is currently spent directly or through a wholly owned CCO. The Greater Wellington Regional Council will continue its regional rate of \$4.0m currently given to Grow Wellington.

To ensure that the funds are spent appropriately, there will be a series of protocols put in place, comprising:

- A Funding Agreement between WREDA, Wellington City Council and Greater Wellington Regional Council will specify the amounts, purpose and outcomes required of the funding provided
- WREDA's Statement of Intent will include the outcomes, the strategies and the use the funding is being put to.
- Funding given to WREDA that is sourced from rates must be spent in accordance with the relevant Revenue and Finance Policy of each funding Council. For example, rates collected as part of the Wellington City Council downtown levy for a specific purpose must be spent in accordance with the outcomes of the Policy
- Quarterly reporting from WREDA

6. Legal, contract, staff and tax matters

6.1 Formal Agreements

The following contracts and agreements will need to be put in place:

- a) A Shareholders Agreement between Wellington City Council and Greater Wellington Regional Council governing their relationship in respect of their shareholding in WREDA. 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 Committee
 - dispute resolution (mediation rather than binding arbitration) and pre-emptive rights, voting rights etc.
 - warranties as required from both Greater Wellington Regional Council and Wellington City Council regarding the transfer of the existing activities and organisations
 - Changes to the shareholding percentages as a result of significant increases or decreases in funding levels.
- b) A Funding Agreement between Greater Wellington Regional Council on behalf of the region, Wellington City Council and WREDA as noted above.
- c) A new Multiparty 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.

There will also be a number of other agreements entered into such as service level and management agreements. The existing Constitution for Positively Wellington Venues will be reviewed and updated.

6.2 Staff

Following staff consultation it is expected that WREDA will ultimately take on all of the employment obligations of the existing staff that are transferred.

6.3 Legal

The Wellington City Council 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.

6.4 Tax

Wellington City Council has taken tax advice on the proposal, and there are no barriers to proceeding with moving to a single economic development agency for the region.

7. Transition process and timeframes

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.

Subject to community consultation, and agreement across the region, it is expected that WREDA could be operational by October 2014, with the appointment and the arrival of the Chief Executive being later than that.

The Wellington Regional Strategy Committee will need time to agree the strategic outcomes it wants WREDA to achieve. Therefore, there will need to be a series of transitional arrangements.

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. These will be approved in the usual manner by the relevant shareholder.

Beyond 2014/15 the economic outcomes will be agreed by the Wellington Regional Strategy Committee. WREDA will then develop the strategies to achieve those outcomes. These will be incorporated into their Statement of Intent for 2015/16.

Each of the organisations will continue to operate as they do now but reporting through to the board of WREDA until the appointment and commencement of the Chief Executive officer. During this time the Chair of WREDA will operate as executive Chair. It is proposed that the Major Events and the Destination Wellington staff will remain within the Wellington City Council until the new Chief Executive of WREDA is appointed and transfer at that point.

7.1 Timelines

The proposed timeline for activities to progress the proposal is outlined in **Attachment 2**. To ensure that this process concludes within a timely manner and any final decision regarding its implementation can be made by September/October 2014, the following work streams are progressing or are planned:

- Communicating with stakeholders and staff (started)
- All councils in the region consider the proposal and approve in principle to establish WREDA (see Section 8 below)
- Consultation with the community (subject to in-principle support from councils)
- Draft formal agreements
- Proposed board appointment criteria prepared and a shortlist completed by the WREDA Appointments Group.

7.2 Formal agreements

The drafting of the major contracts namely the Shareholders Agreement, Funding Agreement and a new Multilateral Agreement will be completed by August 2014.

Subject to support, all councils in the region will need to sign the updated Multiparty Agreement in August/September 2014.

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. This will happen once the final proposal has been considered by the other Councils in the region.

Subject to the decisions from the other councils, it is expected the August/September 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 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.

The relevant boards of directors / trustees will pass the relevant resolutions to enact the transaction following the Council meetings in June.

8. Consideration of other Councils

Apart from the Wellington City Council and Greater Wellington Regional Council all of the other councils have met and considered the proposal in principle. All but Carterton District Council have supported the proposal in principle and some have requested minor changes or matters to be considered in any final proposal (for example additional skills for WREDA director appointments).

Carterton District Council was the only Council not to support the proposal. Subsequent discussions have indicated that they may agree with the proposal if some specific issues can be resolved.

Wellington City Council is due to consider the proposal at its meeting on 24 June 2014. Officers are recommending the proposal be supported and a joint

consultation with Greater Wellington Regional Council is undertaken. An update on Wellington City Council's decision will be provided at the Council meeting.

There will be further discussions about the details of the proposal with all the region's councils prior to the councils further considering the matter in August/September. These discussions will occur over the next few weeks.

9. Consultation

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. This has been confirmed through legal advice.

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.

If the proposal is supported by the Council, consultation will run from late June to mid-July and will use a variety of communication and engagement techniques, and target key stakeholders.

The communications tools will include:

- The GWRC and WCC websites
- Our Region/Our Wellington
- Meetings with groups and individuals
- Targeted letters

While written feedback will be invited it is not intended to hold a hearing.

10. The decision-making process and significance

Officers recognise that the matters referenced in this report may have a high degree of importance to affected or interested parties.

The matters requiring decision in this report have been considered by officers against the requirements of Part 6 of the Local Government Act 2002 (the Act). Part 6 sets out the obligations of local authorities in relation to the making of decisions.

10.1 Significance of the decision

Part 6 requires Greater Wellington Regional Council to consider the significance of the decision. The term 'significance' has a statutory definition set out in the Act.

The subject matter of this report is part of a decision-making process that will lead to the Council, if it ultimately decides that the proposal should be

implemented, making a decision of medium significance within the meaning of the Local Government Act 2002. It is proposed that public consultation be undertaken to inform the Council's understanding of the views and preferences of the community when making its final decision.

11. Recommendations

That the Council:

1. ***Receives the report.***
2. ***Notes the content of the report.***
3. ***Notes 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.***
4. ***Notes that the non-shareholding councils in the region have agreed in principle to the WREDA proposal apart from the Carterton District Council.***
5. ***Notes that the Wellington City Council will consider the matter at its meeting on 24 June, and that their officers are recommending that the proposal be approved in principle.***
6. ***Notes the proposed transition process and timeline towards establishing WREDA by October 2014 as outlined in Attachment 2***
7. ***Notes that Wellington City Council is proposed to own 80% and Greater Wellington Regional Council 20% of WREDA.***
8. ***Agrees in principle to the formation of WREDA as set out in this report and the associated funding.***
9. ***Agrees that consultation be carried out by Wellington City Council and Greater Wellington Regional Council on behalf of the region on the creation of WREDA in accordance with the summary consultation plan in Appendix D and report the results of the consultation back to all councils in the region in August/September 2014 for a final decision.***
10. ***Agrees that Wellington City Council, Greater Wellington Regional Council and Upper Hutt City Council will work together as the WREDA Appointments Group, to provide feedback and assist in the selection of a shortlist of people to be appointed to the board of WREDA, for consideration by Wellington City Council and Greater Wellington Regional Council following consultation***
11. ***Notes that officers will prepare all necessary documentation and any other work to give effect to the proposal and report to Council in August/September 2014 for a final decision following consultation.***

Report prepared by:

Jane Davis
General Manager

Report approved by:

David Benham
Chief Executive

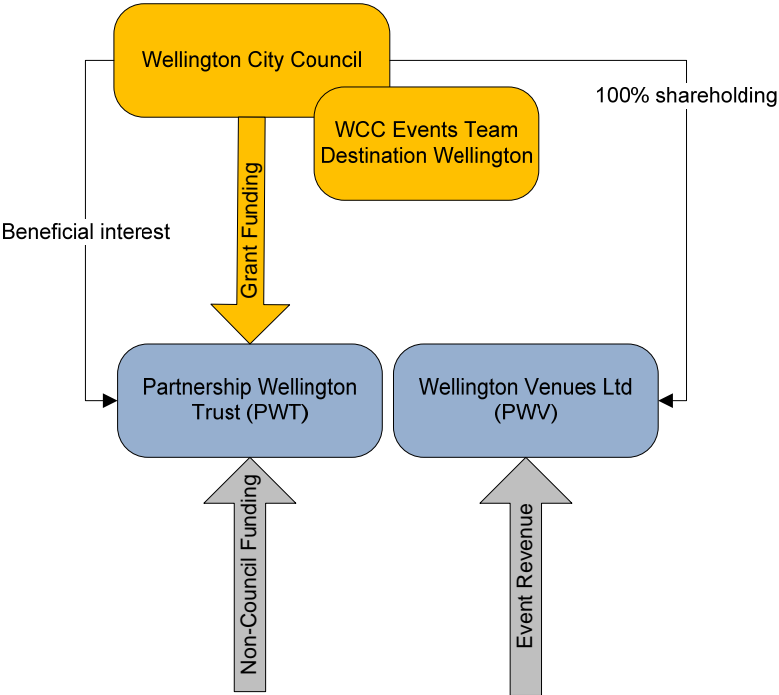
Attachment 1: Current and proposed economic development activity arrangements

Attachment 2: Proposed timeline

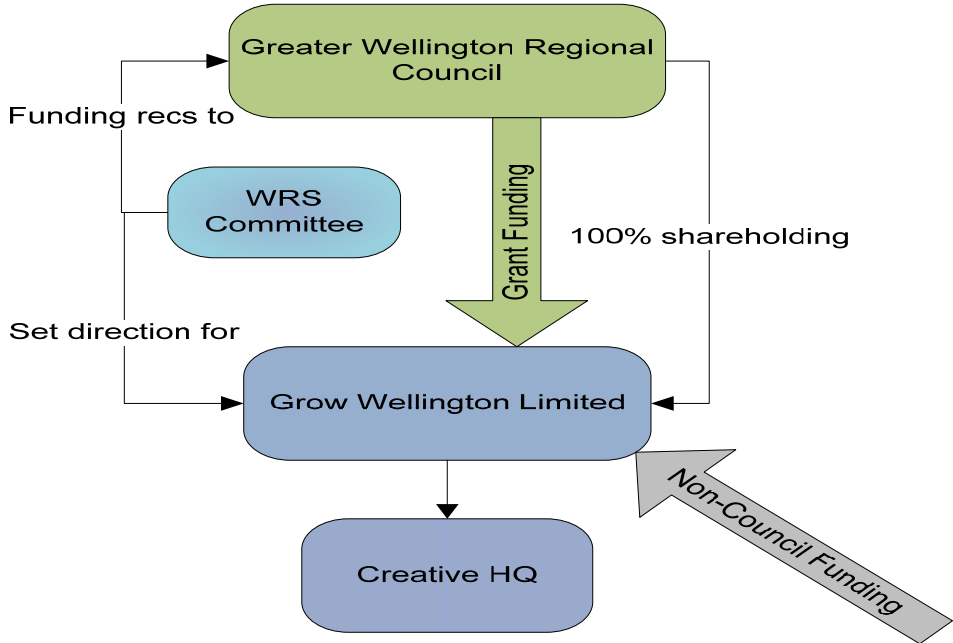
Attachment 3: Current economic development activities

Current and proposed structure

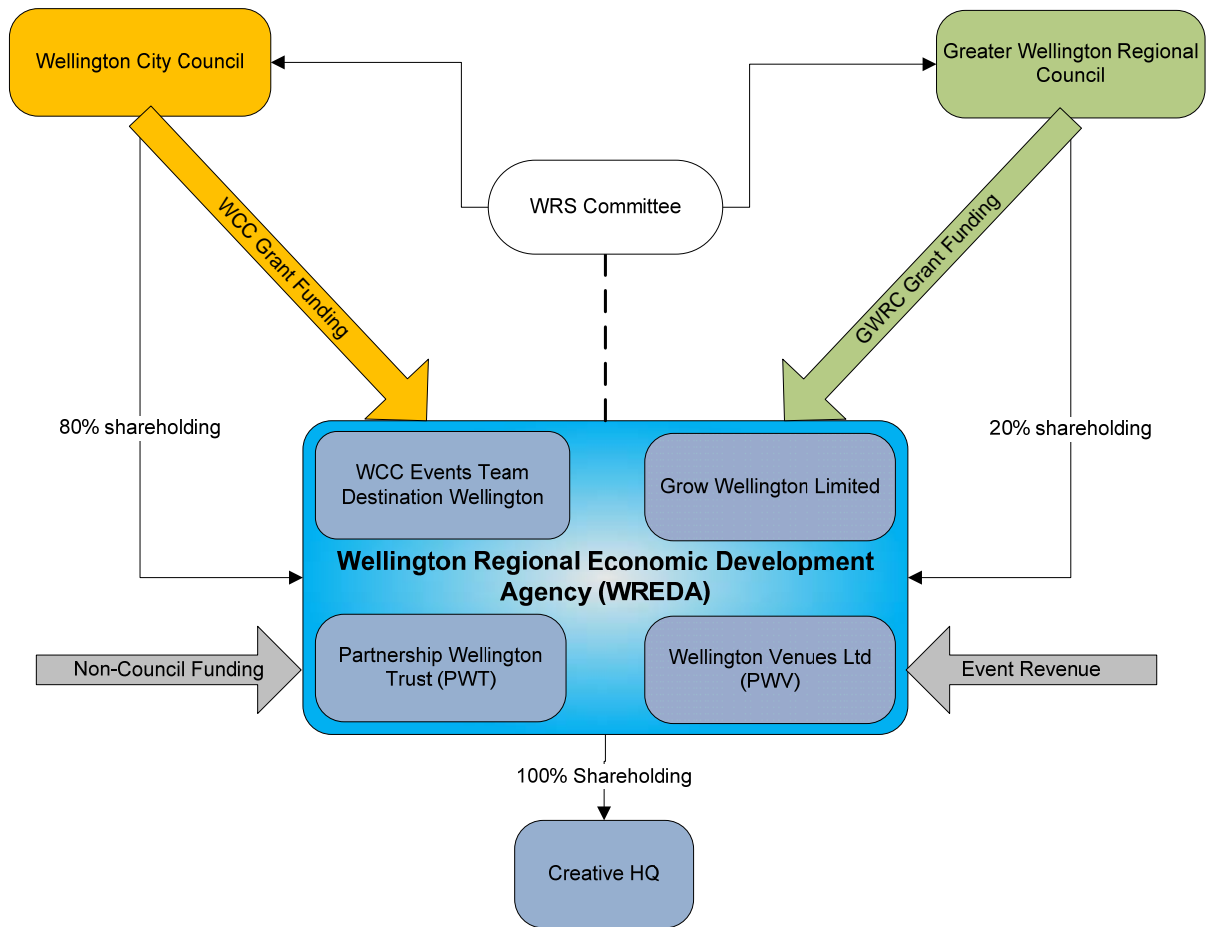
Wellington City Council – current structure



Greater Wellington Regional Council – current structure

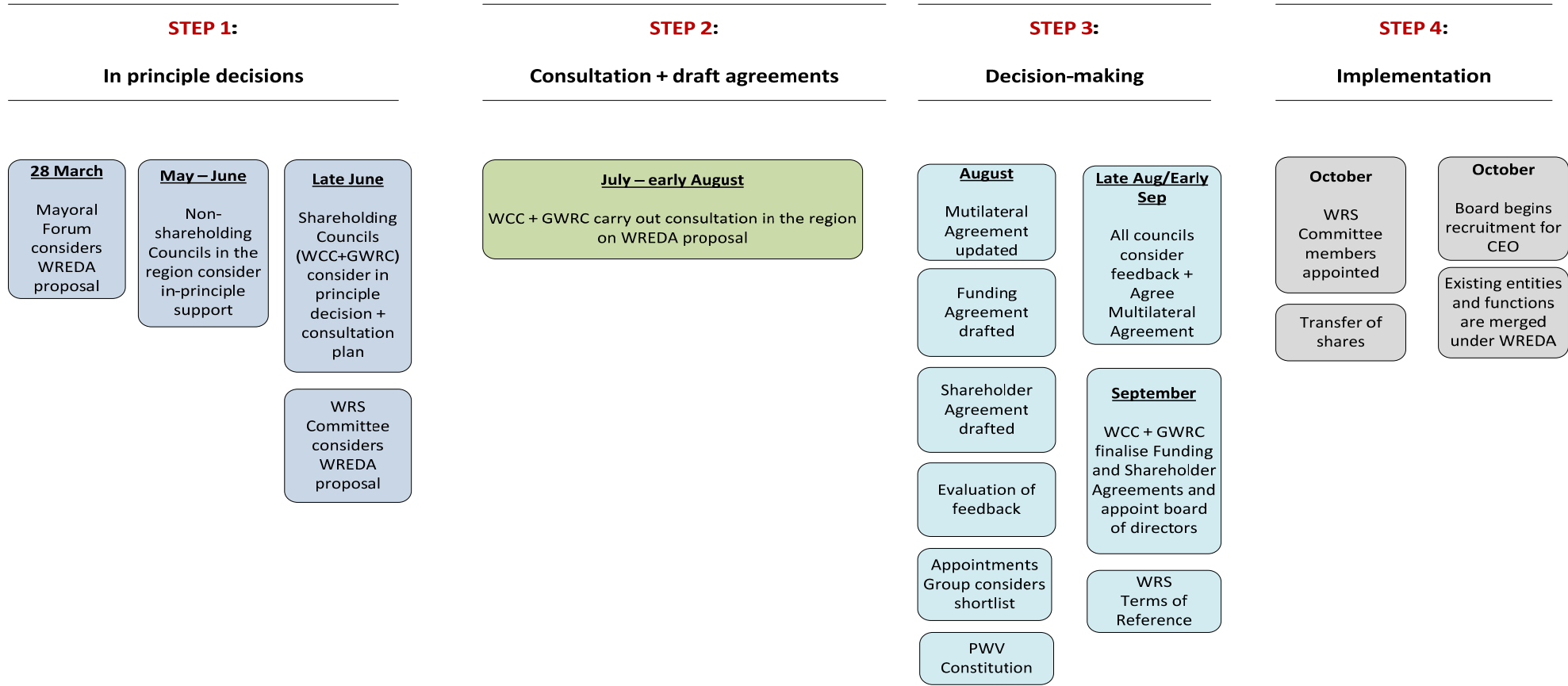


Proposed WREDA structure



Process and timeline

Attachment 2 to Report 14.340



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, including the 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, Masterton, 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 Wellington Regional Strategy Committee and local councils, along with other key partners.
Destination Wellington	Program	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 led 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.	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 five performance and conference venues located in the heart of Wellington's culture and entertainment precinct, including the.	Positively Wellington Venues acts as an agent of the Wellington City Council.	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".
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

Entity Name	Type of Entity	Ownership	Purpose	Structure	Funding	Implementation
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.