

Report 14.509
Date 29 September 2014
File WRS/22/01/02

Committee Council
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Wellington Regional Economic Development Agency

1. Purpose

To seek agreement to the establishment of the Wellington Regional Economic Development Agency (WREDA) and approval to enter into the various agreements required.

2. Background

At the 26 June 2014 meeting the Council gave in principle approval to combine the economic development, tourism, venues and major events functions and activities of Wellington City Council and GWRC together, in a single council controlled organisation, the Wellington Regional Economic Development Agency (WREDA). The Council agreed for the proposal to go out for consultation.

Consultation has now been completed and the Council may now consider whether to give final approval to the proposal. **Attachment 1** contains the consultation document used for the consultation.

3. Comment

3.1 Consultation and feedback

A joint consultation on the proposal was undertaken with Wellington City Council in July and August 2014. Fifty submissions were received; of these, 33 were from organisations and 17 from individuals. A total of 38 were generally supportive, nine were neutral with some issues, while two agreed in principle but opposed details of the proposal, and one submitter opposed the proposal.

The major themes raised by the submissions were:

- **Critiques of the current structure** – involves thinly spread resources, a lack of coordination amongst economic development agencies, duplication of effort, and some confusion over the roles of different agencies.

- **Benefits** – better connections with central government, having a single voice and point of contact for economic development, enhanced coordination amongst agencies, reduced duplication of activities, cost savings, and economies of scale.
- **Expertise of Board of Directors** – several organisations noted that the Board of Directors should have knowledge and experience of the areas in which the organisation will operate. Future board appointments should take account of emerging new trends in the Wellington regional economy.
- **Council involvement and funding balance** – some submitters commented that there should be more regional buy in from the other councils, and that costs should be borne more proportionately across the entire region.
- **Rates** –funding derived from a given area (like the Downtown Levy from Wellington CBD) or for a particular purpose (like contributions to Positively Wellington Tourism) should be spent on behalf of that area or for that purpose.
- **Accountability** –support for independent Directors and calls for greater transparency.
- **Governance structure** – questions were raised as to how the different organisations will work together once they are merged, given the wide array of responsibilities under WREDA’s remit. There was support for a compact, nimble organisation with a streamlined back-office,
- **Cultural events and venues** – some concern was expressed over the inclusion of Positively Wellington Venues in the WREDA proposal, mainly around the conflict in objectives between economic development and venues management. There was concern that big ticket events will take precedence over smaller shows, a reduction in investment in the cultural sector and consequent loss of performing arts opportunities, and that venue fees will increase, reducing community access due to a more commercial mandate.
- **Issues with proposal** – centred on a lack of detail in the supporting documentation with regard to the rationale for the new agency and the impact of local government amalgamation.

A list of the organisations that submitted is included as **Attachment 2**. Copies of all submissions have been placed on the Councillors’ Portal and are available in hard copy on request.

Overall, the submissions were generally supportive of the proposal. Most concerns were around a perceived conflict between economic development and the Wellington City Council’s venues operations, rationale for the proposal, reduction in Wellington City Council’s investment in the cultural sector, local government amalgamation and ensuring the component parts of the new organisation work well together.

4. **Addressing the matters raised**

The following comments address the matters raised in submissions:

- The venues’ operations have been included in WREDA as it is considered an important part of attracting visitors to the region for business, cultural

and performance events. There is also strong value in coordinating its work with the other operations of WREDA.

- Wellington City Council officers have advised there will be no increased commercial mandate imposed on the venues operations as a result of WREDA. There is a clear expectation for continued community access to the venues at similar levels as now.
- Wellington City Council officers have also advised that the WREDA proposal will not change the current level of funding in the cultural sector.
- The objectives for forming WREDA will be met regardless of whether there is any local government amalgamation.
- Political oversight of WREDA will be via the Wellington Regional Strategy Committee (WRS Committee).

5. Other councils

All territorial authorities in the region except South Wairarapa District Council (which meets on 15 October) have given final consideration to the WREDA proposal, including Wellington City Council.

To date all Councils have agreed to the establishment of WREDA and to entering into the amended Multilateral Agreement. Masterton and Carterton District Councils have requested, through their resolutions, that the funding of WREDA be reviewed on an annual basis. This will be done by the WRS Committee through the Draft SOI process, and the two shareholding councils' annual planning processes. The Draft Multilateral Agreement (**Attachment 3**) makes provision for communications between the WRS Committee and the councils on annual funding decisions.

6. Legal arrangements and documentation

A number of agreements and documentation will provide the legal framework and give effect to the WREDA proposal, including amending the current Multilateral Agreement, which sets out the relationship with councils in respect of WREDA.

6.1 Multilateral Agreement

The Multilateral Agreement sets the framework under which the WRS Committee and the councils work together. The addition of the Wellington City Council activities requires that the existing Multilateral Agreement be amended, reflecting the broader scope and the funding for these activities that will now be from Wellington City Council, along with funding from the regional rate. The WRS Committee will remain a standing committee of this Council.

A copy of the Draft Multilateral Agreement is in **Attachment 3**. The proposed major amendments to the existing agreement are:

- Changes to the membership of the WRS Committee to include 10 elected members (four from Wellington City Council, one representing the three Wairarapa councils and one from each of the other five councils), with no non-local government representatives.

- Inclusion of tourism, venues and major event activities and functions into the brief of the WRS Committee.
- Noting that the funding from Wellington City Council and GWRC to WREDA will be documented by way of separate funding agreements.
- A requirement for Wellington City Council to advise the WRS Committee of the level of funding it proposes to provide to WREDA prior to finalisation of Wellington City Council's Annual Plan. The existing arrangements between the Committee and this Council remain the same as currently in place.
- A requirement that Wellington City Council refers any recommendations of the WRS Committee on the Statement of Intent and the appointment of directors that it does not agree with back to the WRS Committee for further consideration (this reflects the existing arrangements with this Council).
- The Chief Executives of Wellington City Council, GWRC and the chair of the Chief Executives' Forum will provide advice to the WRS Committee, after discussions with other Council Chief Executives.

6.2 Constitution

Wellington Venues Limited will be the entity used as the vehicle for WREDA. Its constitution will be amended to give effect to the proposal. A copy of the draft WREDA constitution is in **Attachment 4**. The proposed changes are:

- To allow for more than one shareholder
- To change the objectives to reflect the broader objectives of WREDA.
- To note the role of the WRS Committee in the governance of WREDA.

6.3 Shareholders Agreement

The shareholders of WREDA will be Wellington City Council, which will own 80% of the shares, and GWRC, which will own 20% of WREDA shares on behalf of the region.

A Shareholders Agreement between Wellington City Council and GWRC will govern the relationship between the two shareholders in respect of their ownership of WREDA.

A copy of the draft Shareholders Agreement is in **Attachment 5**. The major matters in the draft Agreement are:

- No shareholding changes as a result of any funding changes until after 30 June 2017.
- Post 30 June 2017 the shareholding will be adjusted to reflect any changes to the funding proportions such that, for example, the council that provides 25% of the funding will own 25% of the shares.
- In the event that the shareholders cannot agree on the appointment of directors, the appointments will be made by each shareholder in proportion to the shares held.

- In respect of WREDA’s draft Statement of Intent, each of the two shareholding councils will send any comments it has on the draft to the company via the WRS Committee.

6.4 Funding agreements

There will be two funding agreements, one between Wellington City Council and WREDA, and one between GWRC and WREDA.

The agreements will set out matters such as:

- the level of funding which will be provided to WREDA and the process to be followed to agree the level of funding.
- the performance framework and reporting requirements for WREDA, consistent with the requirements of the WRS Committee.
- Processes to be followed for the Statement of Intent.

6.5 Management Agreement Venues

Wellington City Council’s venues, namely the St James Theatre, the Michael Fowler Centre, Opera House, TSB Arena and Shed 6, are currently managed by Positively Wellington Venues; in future they will be managed by WREDA. This relationship will be governed by a Venues Management Agreement between WREDA and Wellington City Council.

The ownership of the venues’ assets and responsibility for the maintenance and upkeep will remain, as now, within Wellington City Council.

The major matters in the proposed Management Agreement are:

- Wellington City Council will remain responsible for maintenance and upkeep of the venues.
- The venues’ activities will maintain the current level of support for community organisations, iconic events (such as WOW), and national organisations (such as the NZ Symphony Orchestra). Any significant change will require the approval of Wellington City Council.
- WREDA will be Wellington City Council’s agent for managing the venues.
- As Wellington City Council’s agent all revenues collected by WREDA in respect of the venues’ operation will be held on account for Wellington City Council. WREDA will be entitled to deduct the costs of operating the venues. The net proceeds will be solely for the benefit of Wellington City Council. Any losses/liabilities will also sit with Wellington City Council.

7. Wellington Regional Strategy (WRS) Committee

The Committee’s Terms of Reference will need to be amended to reflect the expanded role and changes in the membership of the Committee.

7.1 WRS Committee appointments

Under the proposal the WRS Committee membership will change. The current membership of the five non-local government appointees will cease. The three current members representing the Wairarapa councils will reduce to one, and Wellington City Council will be entitled to three additional members and alternates in addition to the current member and alternate.

The next WRS Committee meeting is scheduled for 21 October. It is recommended that the current membership continue until the conclusion of that meeting, with the new committee membership in place for the next scheduled meeting on 2 December.

A report will be provided to the Council meeting on 5 November with the membership nominations from the Wairarapa councils and Wellington City Council. The other councils' representatives and alternates will not need to be reappointed (unless specifically requested by those councils). It would be appropriate for the Council to confirm the removal of the non-local government members of the Committee.

7.2 Amended Term of Reference

An amended Terms of Reference for the WRS Committee will be prepared for Council's consideration at the 5 November meeting. The amendments will provide for the expanded role of the committee and changes to the membership. Under the current Terms of Reference the chair of the committee must be a non-local government member. This will change under the new arrangements. The chair and deputy chair will continue to be appointed by the Committee.

8. Next steps and transitional arrangements

Subject to approval of the Council it is proposed that the next steps will be to:

- Complete the documentation required to establish and give effect to WREDA.
- Complete the selection and appointment process for the directors of WREDA and associated entities (see below).
- Change the legal name of Wellington Venues Limited (Positively Wellington Venues) to WREDA.
- WREDA to issue, and Wellington City Council to purchase, 900 new \$1 shares. This will result in Wellington City Council owning all 1,000 \$1 shares in WREDA.
- GWRC to sell Grow Wellington and its subsidiary (Creative HQ) to WREDA, in return for 200 shares (which equates to 20% of the total shares) in WREDA.

These actions will happen as soon as practicable. Then, at least before the end of the current financial year the following will happen:

- The transition of Major Events/Destination Wellington programme from Wellington City Council to WREDA.

- Transfer the undertakings and staff of Positively Wellington Tourism (PWT) to WREDA.
- WREDA and Grow Wellington to amalgamate, becoming a single entity.

Each of the entities that will form part of WREDA has prepared a Statement of Intent and/or business plan for 2014/15. They have been approved in the usual manner and form the basis of the funding and first year's plan for WREDA. For 2015/16 and beyond, the strategic outcomes for WREDA will be agreed by the WRS Committee. WREDA will then develop the strategies to achieve those outcomes. These will be incorporated into the Statement of Intent for WREDA for 2015/16.

Until the Chief Executive of WREDA is appointed each of the organisations (Positively Wellington Venues, Positively Wellington Tourism and Grow Wellington) will continue to operate as they do now. Each will continue to have its own board of directors, but the same set directors will be appointed to each entity. Likewise, the Wellington City Council Major Events and Destination Wellington staff will remain in their current structures in the Council until the Chief Executive commences, at which point the transition will be agreed.

It is expected that WREDA will be established in November 2014.

9. Directors

9.1 Appointments

As referred to above, it is proposed to appoint the first directors to the WREDA Board, with the same directors appointed to the Grow Wellington as an interim arrangement, prior to the final merger. The Council approved a process to select suitable board appointees at the 26 June meeting. This involved the establishment of an appointment group consisting of:

- The Chair and Chief Executive of GWRC
- The Mayor, Deputy Mayor and Chief Executive of Wellington City Council
- The Mayor and Chief Executive of Upper Hutt City Council.

It is important that the board appointments are made as soon as practicable to allow the establishment of WREDA and enable the search for the Chief Executive to commence. Any significant delays will push the timetable for the CE search out to February due to Christmas and the unavailability of key people in January. This will also have ramifications in completing the first combined Statement of Intent for WREDA which is a key milestone for the region.

It is best practice to have proposed company Chair identified prior to the final interviews and selection of the other directors. To enable this it is planned that the Board will be appointed and in place by mid/late November 2014.

ICHOR, a Wellington based search firm has been appointed to carry out the recruitment of the eight directors for WREDA. Advertising, asking for expressions of interest, was undertaken in late August.

It is recommended that the Council, acting in its capacity as shareholder, authorises its members on the Appointments Group (Chair and Chief Executive) to appoint the directors of WREDA on behalf of GWRC. This approach is not consistent with the Council's policy on the appointment of directors of Council organisations, but is considered appropriate in this case to ensure that appointments are made in a timely manner.

9.2 Director remuneration

The remuneration of directors is set by the shareholders. The quantum of remuneration is currently being discussed with Wellington City Council and at this stage the proposed quantum is around \$45,000pa for the Chair and \$25,000pa for ordinary directors. The fees will cover appointment to both Grow Wellington and WREDA for the period Grow continues to exist as a subsidiary company.

It is recommended that the final confirmation of the fees is delegated to the Chair and Chief Executive who are Council's representatives on the board appointments group.

10. Impacts on the WRS Office

Under the current WRS arrangements the regional economic development rate funds both Grow Wellington and a WRS Office within GWRC. There are two GWRC officers in the office. Their role, amongst other activities, is to:

- Support the WRS Committee
- Monitor Grow Wellington
- Lead various projects under the WRS, including Focus Areas – “open for business” and “building world class infrastructure” and other projects as appropriate
- Provide a forum to coordinate the economic development activities of the region's councils, Grow Wellington and other agencies
- Monitor the region's economy and economic development issues
- Maintain and update the Wellington Region's Genuine Progress Index, and related work.

It is expected that this work will largely continue under the WREDA model. It is proposed that the office's activities are combined with Wellington City Council's equivalent activities in the form of a “virtual” office of up to four people (retaining the two GWRC officer positions).

11. Conclusions

It is recommended that the Council agrees to proceed with the 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.

12. Communication

The partner councils and relevant agencies will be informed of the Council’s decision, as will submitters. A joint media statement with Wellington City Council will also be released following the Council’s decision.

13. 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.

13.1 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.

Officers have considered the significance of the matter, taking the Council’s significance policy and decision-making guidelines into account. Officers recommend that the matter be considered to have medium significance. A formal consultation process has been completed that informs the decision of the Council.

Officers do not consider that a formal record outlining consideration of the decision-making process is required in this instance.

14. Recommendations

That the Council:

1. ***Receives the information.***
2. ***Notes the content of the report.***
3. ***Notes that the feedback from submissions and discussions with stakeholders was generally supportive of the proposal.***
4. ***Notes that seven of the region’s territorial authorities have met and approved the formation of WREDA, and that South Wairarapa District Council is due to consider the proposal on 15 October 2014.***
5. ***Agrees to the formation of a single economic development agency (WREDA) incorporating the economic development, major events,***

venues and tourism activities of Wellington City Council and Greater Wellington Regional Council, to be owned by Wellington City Council (80%) and Greater Wellington Regional Council (20%).

6. ***Approves the draft constitution of WREDA.***
7. ***Approves the draft Shareholders Agreement for the shareholders of WREDA.***
8. ***Authorises the Chair to sign, on behalf of the Council, the Multilateral Agreement.***
9. ***Authorises the Chief Executive to:***
 - i. *Agree changes to the draft constitution of WREDA and the draft Shareholders Agreement for the shareholders of WREDA which are of a minor nature;*
 - ii. *Negotiate the terms of the documentation and any other matters required to implement the formation of WREDA as outlined in this report;*
 - iii. *Execute documentation required to implement the proposal and to report these matters to Council for its information.*
10. ***Agrees, as shareholder, to authorise the Chair and the Chief Executive to appoint directors to WREDA and the agree director fees on behalf of the Council.***
11. ***Notes that the Chief Executive will put in place a Funding Agreement with WREDA that will set out the obligations of the company and the funding arrangements.***
12. ***Agrees to remove the following five non-local government members of the Wellington Regional Strategy Committee immediately following the Committee meeting on 21 October 2014:***
 - *Sir John Anderson*
 - *Paora Ammunson*
 - *Lou Gardiner*
 - *Jackie Lloyd*
 - *Samantha Sharif*
13. ***Notes that the Council will consider an amended Terms of Reference for the Wellington Regional Strategy Committee and membership of the Committee in relation to Wellington City Council and the Wairarapa council membership at its meeting on 5 November 2014.***

14. *Notes that the Chief Executives of Wellington City Council, Greater Wellington Regional Council and the Chair of the Chief Executives' Forum, following discussions with the other councils' Chief Executives, will provide advice to the Wellington Regional Strategy Committee.*

Report prepared by:

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Attachment 1: The WREDA proposal
Attachment 2: Organisations who submitted
Attachment 3: Draft Multilateral Agreement
Attachment 4: Draft Constitution
Attachment 5: Draft Shareholders Agreement