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Committee Wellington Regional Strategy Committee
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Wellington Regional Economic Development Agency Draft Statement of Intent 2017-20

1. Purpose

To consider the Wellington Regional Economic Development Agency's (WREDA) draft Statement of Intent (SOI) for 2017-2020.

2. Background

Under the Local Government Act 2002, council controlled organisations are required to submit a draft Statement of Intent to the shareholders on or by 1 March.

WREDA was sent a Letter of Expectation which outlined the stakeholders' expectations in respect of its SOI. The Letter of Expectation (LoE) for WREDA was agreed by this Committee at its meeting on 13 December 2016. A copy of this letter is included as **Attachment 1**.

WREDA's draft SOI was received on 1 March. The draft SOI is included as **Attachment 2**.

3. Comment

The draft 2017-20 SOI is a simpler, more easily understood document than previous SOIs and this helps provide focus.

The majority of the matters raised in the LoE are adequately considered in WREDA's draft SOI. However, some of the matters contained in the LoE are only considered in passing. These are the matters discussed below.

While SOIs generally focus more on the "What" and less on the "How", there were a number of instances where the LoE did request specific actions, including:

- Growing the visitor economy

- What actions need to be taken to put in place a programme of inward investment, particularly in tourism.
- Growing science, technology, innovation companies.
- Actions that contribute to a “step change” in skilled migrants, particularly in the tech sector.
- Actions to address skills shortages through skills and workforce development.

The final SOI should contain brief outlines of the specific actions in the areas noted above that are planned to be undertaken. In addition, it would be appropriate for further detail of activities to be specified in WREDA’s Annual Business Plan. This Business Plan is referred to in Section 7 of the draft SOI and should be provided to the Committee following approval of the final SOI.

In reviewing the draft SOI and the LoE there are a some other matters that the Committee may wish to consider, in particular:

- The draft SOI forecasts increases in visitor spend of \$600m over the 3 years, a growth rate of 27%. There are no corresponding forecasts for increases in jobs created by this additional spend – this should be added.
- The number of jobs successfully attracted to Wellington falls from the current year’s forecast of 130 to 120 in 2017/18 and falling to 50 in 2018/19. The increase of 120 in 2017/18 is due solely to increased staff at Concentrix. Additional jobs should be expected beyond this one firm.
- The continued development and delivery of Major Events, (including new events) is noted in the LoE, however this should also be reflected in increases in both attendances and the economic returns targets in the SOI and align to the City’s Events, Arts and Cultural strategies.
- A listing of the Major Events for 2017/18 should be noted in the final SOI.
- The source of the Performance Measures should be noted.
- The 2017/18 year is year 3 of the international student programme, which is the final year of the programme. It is unclear whether this programme will be extended or replaced by a new programme?
- The programmes undertaken by Creative HQ should be expanded upon in the final SOI. Given the level of funding going to Creative HQ this section warrants more detail on the activities being undertaken.
- There needs to be better metrics regarding the performance of Creative HQ, currently they are limited to the investment portfolio value and investments raised re the Lighting Lab programme (both of which are static) and the commercialisation of revenue from commercial services.
- Delivering the benefits and efficiencies from WREDA being one organisation to create a project fund is noted in the SOI but there is no detail on the timing of this and the dollars that may be freed up for productive activities.

- The Regional Business Partner Programme is a contract with Government related to the number of businesses supported through government programmes. Of greater relevance to the WRS is the outcome for Wellington of any such support, and details on this should be included. For example exports won, level of R&D grants attracted, investment attracted, additional staff employed. These align better with the Key Goals stated in the SOI.
- In the Attract Business and Investment section there needs to be further detail on what specific “support” is to be provided and the “value-add” of WREDA involvement.
- One of WREDA aims is to be the go-to organisation for trade growth yet there are no specific references to helping grow exports (apart from Tourism). New revenue generation from exports is a performance indicator in the regional strategy and specific activities in this area would be expected.

The Committee may also wish to consider if WREDA is best placed to play a policy advocacy role on behalf of the region and business (Section 7.5 on page 15 of the SOI). This is a role that councils already undertake and therefore WREDA should at a minimum be taking a partnership approach to developing and promoting any policy advice.

4. Financials

SUMMARY FINANCIALS \$'000'					
Income statement	SOI 2016/17	Forecast 2016/17	SOI 2017/18	SOI 2018/19	SOI 2019/20
Shareholder grants	20,962	21,966	21,508	21,500	21,500
Other revenue	6,871	7,939	7,580	8,751	9,756
Total revenue	27,833	29,905	29,088	30,251	31,256
Employment costs	12,214	13,335	12,446	12,798	13,499
Projects and events	9,813	10,628	14,576	15,153	15,246
Other expenses	5,830	5,727	1,966	2,120	2,411
Total expenses	27,857	29,690	29,988	30,151	31,156
Net surplus (deficit)	(24)	215	100	100	100
Balance Sheet	SOI 2016/17		SOI 2017/18	SOI 2018/19	SOI 2019/20
Current assets	2,384		3,284	3,559	3,939
Investments	1,300		1,500	1,500	1,500
Fixed assets	288		331	356	376
Total assets	3,902		5,115	5,415	5,815
Current Liabilities	2,383		3,500	3,700	4,000
Net Assets	1,519		1,615	1,715	1,815
Shareholder's Funds	1,519		1,615	1,715	1,815

Cash Flows	SOI 2016/17		SOI 2017/18	SOI 2018/19	SOI 2019/20	
Opening cash	1,602		2,100	1,840	2,063	
Operating cash receipts	23,189		29,058	29,921	30,065	
Operating cash payments	23,109		29,288	29,673	30,123	
Other receipts	6		30	35	40	
Other payments	70		60	60	60	
Net cash flow	16		(260)	233	(78)	
Closing cash	1,618		1,840	2,063	1,985	

As requested in the LoE there is an increase in non-shareholder grant revenue, which is forecast to increase by 28% over the 3 years of the SOI. The decrease from the current forecast to 2017/18 is due to the end of the international student programme.

Shareholder grants for tourism and economic development activities currently total \$11.4m, by 2019/20 3rd party revenue will be at 85% of this total, close to the target of 100% matched funding.

The higher forecast for shareholder grants in 2016/17 compared with the following year is due to the timing of some grants between years.

5. Performance Measures

PERFORMANCE MEASURES (Summary)						
Activity	Measure	Forecast 2016/17	SOI 2017/18	SOI 2018/19	SOI 2019/20	3year growth
	Total commercial guest nights	3.1m	3.2m	3.4m	3.5m	(+13%)
	Visitor spend: Total	\$2.4b	\$2.6b	\$2.8b	\$3.05b	(+27%)
Visitor economy	International	\$0.78b	\$0.86b	\$0.95b	\$1.05b	(+34%)
	Australia	\$0.23b	\$0.24b	\$0.25b	\$0.26b	(+13%)
	China	\$0.075b	\$0.099b	\$0.128b	\$0.166b	(+121%)
	Domestic	\$1.6b	\$1.7b	\$1.75b	\$1.85b	(+15%)
Media programme	Visitor attraction stories	500	500	500	500	
	International student visas	6,400	6,930	7,680	8,360	(+30%)
International students	International student enrolments	8,500	9,200 (+8.2%)	10,200 (+10.9%)	11,100 (+8.8%)	(+30%)
	NZ Market share of International students	7%	7%	8%	8.5%	
Talent attraction	Net permanent arrivals	3,500	3,500	3,500	3,500	
Grow Business	Regional Business Partner Programme	445	445	445	445	
Screen Wellington	Value of facilitated screen production	\$100m	\$100m	\$110m	\$120m	(+20%)
	ROI out of Wellington spend	20:1	20:1	20:1	20:1	
Major events	Economic value of major events invested in.	New measure	\$80m	\$80m	\$80m	

PERFORMANCE MEASURES (Summary)						
	Total event attendance	600,000	700,000	700,000	700,000	(+16%)
	Value of expenditure by out of town venue attendees	\$46.5m	\$45.4m	\$43.6m	\$51.8m	(+11%)
Venue Management	Advance the Cultural well-being of Wellington – Number of Wellingtonians attending performance events at Venues Wellington	308,904	290,720	263,465	308,890	
	Number of Events: Total	630	624	605	661	(+5%)
	- Performance	340	320	290	340	
	- Conference	290	304	315	321	

A full table of the Performance Measures are included in the attached draft SOI.

In previous SOIs some of the measures were considered by the stakeholders to be unambitious and the Committee requested further ‘stretch’ targets. The draft SOI does include a number of “stretch” targets as noted in the table above.

However, there are some targets which are not particularly ambitious, in particular:

- Long term migration, which is static at current levels (although these are at historically high levels).
- Media programme, visitor attraction stories are below the current year’s SOI.
- Investments raised re the Lighting Lab programme, are only a third of the targets set in the current SOI.
- Major Events targets are static, as noted earlier in this report.

An additional Performance Measure should be added in the Visitor Marketing Campaigns category, being the number of Australian visitors arriving via Wellington Airport. This is an important and early indicator of the success or otherwise of WREDA’s Australian marketing.

6. Communication

Following the meeting, the points above and any other matters determined by the Committee will form the contents of a letter to the WREDA Board.

7. 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.

7.1 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 and engagement policy and decision-making guidelines into account. Officers recommend that the matter be considered to have low significance.

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

7.2 Engagement

In accordance with the significance and engagement policy, no engagement on the matters for decision is required.

8. Recommendations

That the Committee:

1. *Receives the report.*
2. *Notes the content of the report.*
3. *Agrees to provide feedback to the WREDA Board on the draft SOI based on the issues outlined in this report and the deliberations of the Committee.*

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Attachment 1: Letter of Expectations to the WREDA Board

Attachment 2: WREDA Draft Statement of Intent 2017-20