

EFFECTIVENESS OF NATURE COAST ENTERPRISE

**Independent Review
by McDermott Miller Limited**

24 November 2011

FINAL REPORT

E.&.O.E

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PART ONE: NATURE COAST ENTERPRISE ENVIRONMENT

Part One includes:

- Section 1: Independent Review of NCE
- Section 2: How Nature Coast Enterprise is Viewed by Stakeholders
- Section 3: Kāpiti Coast Business Views

1. INDEPENDENT REVIEW OF NCE

1.1 BRIEF

As part of its current Economic Development Plan, Kāpiti Coast District Council (KCDC) issued a Request for Proposal (RFP) to carry out an evaluation of the effectiveness of its contract with Nature Coast Enterprise (NCE) for the development of Tourism and Economic Development services in Kāpiti Coast District.

The proposed evaluation is an *"...independent review of the implementation of the contract and the tourism and economic development outcomes delivered by NCE."* [KCDC, RFP 2011]

The Council recognises NCE is the main delivery mechanism for such services, but as part of a general economic review the Council has decided to: "review the implementations of, and outcomes arising from, its contracts with NCE".

KCDC's contracts with NCE (the first covering 2004-2007, the second 2008-2011) were joint contracts with Horowhenua District Council. However, the RFP stipulates that the evaluation of the contracts:

"...should focus on what has been achieved for the Kāpiti Coast District."

The RFP further requires that the evaluation should focus on the "**main questions**" as follows:

- *Have the contracts been implemented as intended and in accordance with best practice?*
- *What progress has been made towards the outcomes specified in the contract?*
- *How effective has NCE been in delivering tourism outcomes for the Kāpiti Coast?*
- *How effective has NCE been in delivering economic development outcomes for the Kāpiti Coast?*

1.2

BACKGROUND

Since October 2004, the Council has contracted with Nature Coast Enterprise (NCE) for the provision of tourism and economic development services. Up until June 2011 this was a joint contract with Horowhenua District Council as a result of an agreement to advance a regional economic development strategy for the Horowhenua/Kāpiti region. This strategy identified tourism, amongst other activities, as an important industry for regional economic growth.

In December 2010, the Council agreed to review its economic development activities and services. This review includes a full review of options for the delivery of services. Council also decided to move to a stand-alone contract with NCE for 2011/12 as a result of the decision to fully review its economic development activities.

As an input into the economic development review, the Council decided to commission an independent review of the implementation of the contract and the tourism and economic development outcomes delivered by NCE. McDermott Miller was subsequently appointed to undertake the review.

1.3

OUR REVIEW PROCESS

Our review process had four stages. Each stage reviewed economic, tourism and implementation issues surrounding Kāpiti Coast District and NEC. The stages were:

- Documentary review
- Stakeholder consultation
- Kāpiti Business Survey
- Assessment of review findings.

Each stage is covered fully in the remainder of the report and addresses the **"main questions"** of the RFP.

Part One – Nature Coast Enterprise Environment, includes; the brief for the independent review of NCE (Section 1); how NCE is viewed by its stakeholders (Section 2); and, Kāpiti Coast business views.

Part Two – Nature Coast Enterprise Performance, includes; NCE implementation of the contract (Section 4); Tourism Outcomes for the Kāpiti Coast (Section 5); and,

economic development outcomes for the Kāpiti Coast (Section 6).

Part Three – Determinants of Effectiveness, includes; NCE current structure and governance (Section 7); NCE financial issues (Section 8).

Part Four – Future for Nature Coast Enterprise, includes future issues arising for NCE (Section 9); and, concluding with our recommendations for NCE (Section 10).

2. HOW NATURE COAST ENTERPRISE IS VIEWED BY STAKEHOLDERS

2.1 STAKEHOLDER CONSULTATION

McDermott Miller consultants undertook in-depth interviewing with the following parties, on NCE delivery of tourism and economic outcomes:

- Selected Kāpiti Coast District councillors, including:
 - Mayor Jenny Rowan
 - Councillor Tony Lester
 - Councillor Hilary Wooding
- Selected key council officers, including;
 - Pat Dougherty, Chief Executive
 - Tamsin Evens, Group Manager Community Services
 - Philippa Richardson, Strategic Project Manager
 - Alison Lash, Senior Advisor
- Horowhenua District Council;
 - David Ward, Chief Executive
 - Chairman, Graham Smellie
- NCE CEO and key employees, including;
 - Chris Barber, Chief Executive
 - Helene Judge, Business Development Manager
 - Jeff Smith, Business Growth Manager (Note: position is partly funded by a grant from Grow Wellington)
- Grow Wellington;
 - Nigel Kirkpatrick, Chief Executive
- Positively Wellington Tourism;
 - David Perks, Chief Executive
- Kāpiti Chamber of Commerce;
 - Mark Ternent, Chair

2.2

THEMES ARISING FROM THE CONSULTATION

- The economies of Kāpiti Coast District and Horowhenua District are significantly different; and, not easily amenable to common economic and tourism development programmes.
- The Councils have different economic objectives, (for example Kāpiti's focus on sustainability as a key economic objective is not shared to the same extent by Horowhenua), makes the joint venture approach to delivery of different outcomes for each Council more difficult again.
- Although reporting to and consultation with the Kāpiti Coast District Council by NCE has improved, we understand from discussions with Kapiti Coast District Council politicians and administrators that it has some way to go before it could be considered to be fully discharging its obligations to the satisfaction of its major stakeholder.
- Horowhenua District Council is assessing whether to withdraw from the joint Districts approach to economic and tourism development and seems unlikely to renew its contract with NCE beyond the present expiry date of 30 June 2012.
- The benefits of economic development initiatives by NCE to date have mainly gone to Horowhenua. On the other hand, the benefits of tourism development initiatives have mainly gone to Kāpiti.
- Limited financial resources make it difficult for NCE to be as enterprising as it could be.
- There is a perceived history of poor communication between NCE and Kāpiti Coast District Council.
- Kāpiti Coast District Council needs to be clearer about its strategy and objectives for economic development activity and tourism development. Arguably, the Council has not really said what it wants.
- NCE's brief needs to be reconfigured to improve the balance between stimulating tourism growth or business investment.
- Substantial funding (through regional rates) of Grow Wellington is only now showing some benefit to the Kāpiti Coast District. Grow Wellington support has been limited to date and some stakeholders are questioning whether Kāpiti Coast should continue to support it.

- There is no official relationship between NCE and the major Wellington regional tourism promotion body, Positively Wellington Tourism (PWT); and, a weak informal relationship. PWT is viewed as a competitor by NCE, despite day trips by “Wellington regional residents” being Kāpiti Coast’s single largest visitor market.
- Structure of NCE as an incorporated society with small membership which controls the Board and management does not fit well with the two District Councils as major funders; only one vote for each Council of 181 total, but the two Councils supply directly 45% of the funding.
- Views are divided whether it can survive as an independent incorporated society and area development agency in general terms without continued funding by Kāpiti Coast District Council.
- Some believe it would need to ‘retract’ to a tourism promotion agency, others are more optimistic it can continue through finding new public sector “clients”.
- The stakeholder consultation carried out as part of this study revealed disillusionment with the ‘Nature Coast’ brand - not recognised outside Kāpiti Coast. General view is ‘Kāpiti Coast’ brand has much higher recognition and support within and outside Kāpiti Coast.

3. KĀPITI COAST BUSINESS VIEWS

3.1 SURVEY PARTICIPANTS

McDermott Miller also consulted Kāpiti business operators by means of a brief HTML questionnaire.

Businesses surveyed were selected based on their potential to drive growth of the District's economy, through export of goods and services to the rest of the Wellington Region, other regions in New Zealand and internationally.

We drew on NCE's sample frame but also included businesses not listed in it. With one or two exceptions, businesses that primarily provide services to the local household market were not surveyed. There was no undue emphasis on the tourist industry.

NCE's sample frame for its Annual Business Survey was available to us but, as it did not include sufficient business of the type we wished to target, was augmented with contacts from other sources. **Table 3.1** below describes the breakdown of businesses sampled for our Kāpiti Business Survey. The survey specifications for the Kāpiti Business Survey are detailed in **Annex II**.

Table 3.1: Business Survey Sample

Sample for Business to Business Email Survey			
	NCE Membership Status		
ANZSIC Code	Member	Non-member	Grand Total
A - Agriculture, Forestry and Fishing	1	15	16
C - Manufacturing	12	52	64
D - Electricity, Gas and Water Supply	0	3	3
E - Construction	6	25	31
F - Wholesale Trade	0	8	8
G - Retail Trade	5	2	7
H - Accommodation and Food Services	19	42	61
I - Transport, Postal and Warehousing	5	17	22
J - Information, Media and Telecommunications	4	21	25
K - Financial and Insurance Services	3	15	18
L - Rental, Hiring and Real Estate Services	0	1	1
M - Professional, Scientific and Technical Services	17	71	88
N - Administrative and Support Services	1	0	1
P - Education and Training	2	3	5
R - Arts and Recreation Services	11	19	30
S - Other Services	0	1	1
Grand Total	86	295	381

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3.2 SURVEY SCOPE

The purpose of the Kāpiti Business Survey was to gather business information and business views to help KCDC determine:

- how best to stimulate economic development in the district,
- identify initiatives and mechanisms to facilitate the economic development process.

The topics covered in the Kāpiti Business survey included:

- Main challenges facing Kāpiti Coast District
- Importance of measures to advance the economic development of Kāpiti Coast District
- Types of assistance Kāpiti Coast-based agencies should provide.

The overall findings for each topic are discussed below.

3.3

CHALLENGES FACING KĀPITI COAST DISTRICT

Respondents were asked to identify three main challenges facing businesses in their industry in Kāpiti Coast District. This question was open ended; respondents were not prompted in anyway. Responses have been grouped into themes post survey delivery. The main themes by industry sector are outlined below and accompanied by illustrative quotes from respondents.

Base Industry Sector and Other Sectors (business service sector):

The main challenges facing these sectors in order of importance are:

- **Lack of business or economic leadership from Kāpiti Coast District Council.**
 - *'A weak vision for where the Coast is heading leaves investors from all areas with an uncertain development environment. What is the vision? Where does the Council, as chief protagonists for growth on the Coast and as chief controller of standards, want development to occur?'*
 - *'A Council that is business savvy and that understands what really needs to be done to attract businesses into the region...'*
 - *'A non-business like approach from Council development components (resource consents, building department, food safety and other regulatory areas). An obstructive approach creates uncertainty and a defensive approach from anyone in development (economic, environment, cultural development), yet a collaborative approach (lets see how we can make this work....) will engender a positive approach from all involved. A 'run by the rule book' approach from Council means that innovation is frowned upon.'*
 - *'Lack of business infrastructure - no cohesive plan or vision as to how we can grow our region - too much focus on the task by leaders.'*
 - *'More Flexible District plan- with a bottom line Permitted activities standards are key for the future KCDC area not development friendly- need culture changes now Youth opportunities and jobs next 5-10 years need now Entice business to the area.'*

- *'No direction from council on growing business on the Kāpiti Coast'*
- *'The biggest challenge is creating a vision (and selling it) of what the Kāpiti region could be and recognising and exploiting the opportunities that are open to the region that will enable it to achieve it....But there is a lack of vision and/or an inability to implement.'*
- **Improved town planning, infrastructure and value for service.**
 - *'A Town Centre, The community is made up of lots of little clusters of business.'*
 - *'Commercial economics not in District plan Frame work and overlay of the future direction of Kāpiti. Planned Overlay and forecast for next 5-10 years urgent Commercial areas industrial/ services and retail be clearly define District Plan - ID commercial area and activities and enabling true direction'*
 - *'Infrastructure remains a key issue - we need better roading, smarter (forward thinking, future proofed) urban planning, better broadband, more commercial zoning, a well defined plan for a CBD-type area, improved water supply, upgraded waste treatment facilities, etc.'*
 - *'Lack of skill set in regulatory agencies including councils - e.g lack of engineering skills in the KCDC building planning teams. RMA people skills are very process focused'*
 - *'Red tape. Whilst Central Government has put a lot of extra work into Local Government, they in turn haven't taken on board what road blocks all this extra compliance has put in front of development.'*

Other challenges facing these industries are:

- Internal business environment of the operating company e.g. cash flow.
- External business environment of the operating company e.g. the recession.
- External business environment specific to Kāpiti Coast District e.g. proximity to a significantly larger market (Wellington) and its ability to employ Kāpiti's skilled workforce.

Leisure/Tourism/Retail Sector:

The Leisure/tourism and retail sector are more introspective with their stated challenges.

They predominantly want to attract more visitors to Kāpiti through various promotional means.

- *'Paraparaumu Beach Business Association would like to see signage from north and south that there is a Paraparaumu Beach Town Shopping centre'*
- *'Promoting Kāpiti coast as an exciting, fun place to visit. either, shopping, entertainment activities i.e., Ten pin bowling, paintball sports... cafe, weekend get away from the city. we need to be exciting again!!!'*
- *'More events are necessary to draw visitors into the district. We also need a specific identity/drawcard, such as wine, olives, or fruit upon which to base that local characteristic on.'*
- *'Better advertising'*

But the tourism sector also has a strong desire for stronger business and economic leadership in Kāpiti Coast District.

- *'The lack of commitment to Economic Development by successive councils. This is best highlighted in the LTCP with the 2 or 3 line statement of intent. There are no specific goals and this means that the agencies task with implementation are left to flounder on their own.'*
- *'Kāpiti Coast has no branding of its own. The Nature Coast brand has never been successfully adopted by local businesses. Any promotion Nature Coast has done has been largely ineffective because of this. With the development of Kāpiti Coast Airport, it is now crucial that Kāpiti develop a brand and work to increase visitors which will benefit all businesses and enhance the area as well as help make a success of the Airport development.'*
- *'Some groups in the area that agitate against change and expansion and want to keep the 'village atmosphere'. It is many years since Kāpiti was a 'village'. Council needs to advise people better that change is good for the area.'*
- *'Many successful events in Kāpiti are not returning due to lack of support and funding. An Event Co-ordinator is required. A specific strategy needs to be developed'*

to (a) attract events and (b) support those events that we already have. Kāpiti Coast District Council has not increased its event fund from \$30,000 in the 10yrs they've had the fund.'

3.4

MEASURES TO ADVANCE ECONOMIC DEVELOPMENT ON KĀPITI COAST

Respondents were asked to rate the importance of a range of measures, in terms of advancing economic development of Kāpiti Coast District.

No matter how businesses are segmented (business turnover, industry sector, origin of business) their overwhelmingly preferred way to encourage economic development on the Kāpiti Coast is by:

- attracting new businesses through a clear Economic Development Strategy and strong economic leadership.
- the Council leading economic development, but not through established agencies like NCE, Grow Wellington or Chamber of Commerce; or, by focusing on networking opportunities.

Stimulating the tourism/leisure industry to increase visitors/tourists is only a moderately popular economic development measure, ranked 9 out of 22 suggested reasons by the total sample. It becomes less important as a measure, the greater the turnover of business, and, if the business is operating in industries other than the leisure/tourism/retail sector.

Table 3.2 on the page below shows the overall weight and rank assigned to each measure by the total sample. The greater the weight (or the higher the rank) of the measure is an indication of its ability to advance economic development on the Kāpiti Coast.

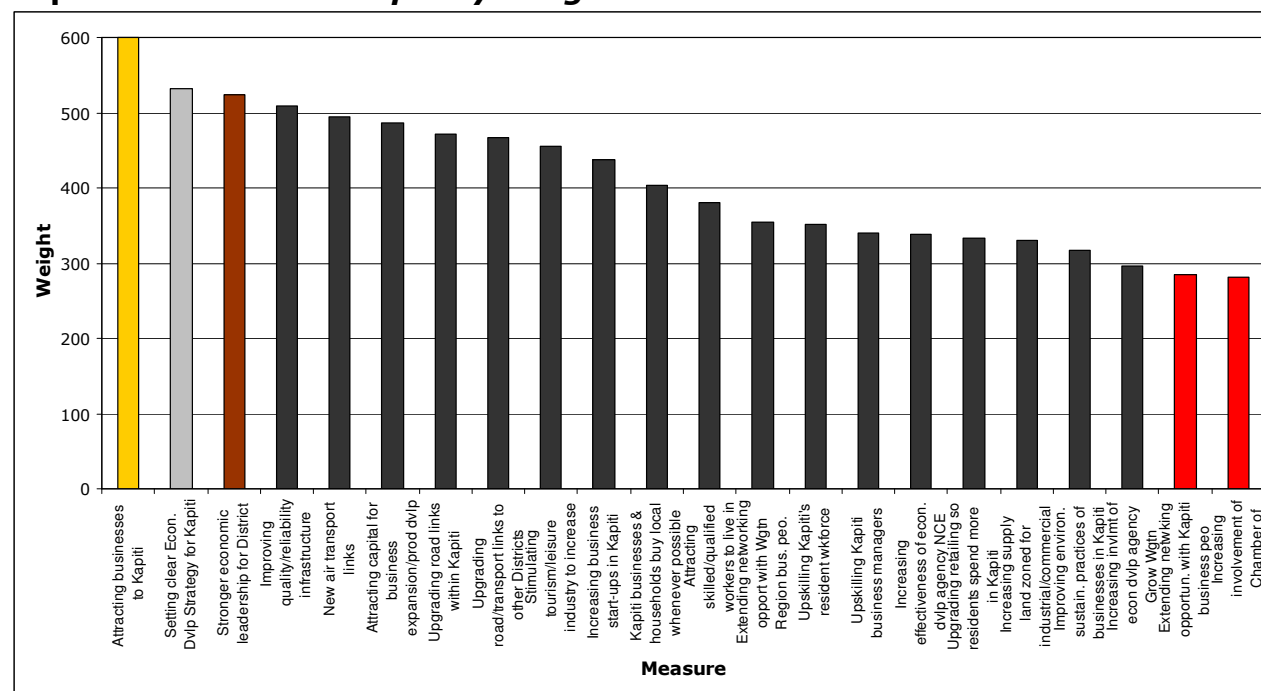
Table 3.2 : Importance of Measures in Advancing Economic Development of Kāpiti Coast: Total Sample by Weight and Rank

Total Sample	Weight	Rank
Attracting more businesses to Kapiti Coast	600	1
Setting a clear Economic Development Strategy for Kapiti Coast	532	2
Stronger economic leadership for the District	524	3
Improving quality/reliability of infrastructure	509	4
New air transport links	494	5
Attracting capital for business expansion and/or product development	486	6
Upgrading road links within Kapiti Coast District	471	7
Upgrading road transport links to other Districts/regions	466	8
Stimulating tourism/leisure industry to increase visitors/tourists	456	9
Increasing business start-ups in Kapiti Coast	437	10
Kapiti Coast businesses and households to buy local whenever possible	404	11
Attracting more skilled/qualified workers to live in Kapiti Coast	381	12
Extending networking opportunities with other Greater Wellington Region business people	355	13
Upskilling Kapiti Coast's resident workforce	351	14
Upskilling Kapiti Coast business managers	340	15
Increasing effectiveness of economic development agency Nature Coast Enterprises	339	16
Upgrading retailing so that residents spend more in Kapiti District	333	17
Increasing supply of land zoned for industrial/commercial development	330	18
Improving environmental sustainability practices of businesses in the District	317	19
Increasing involvement of economic development agency Grow Wellington	296	20
Extending networking opportunities with Kapiti Coast business people	284	21
Increasing involvement of Chamber of Commerce	282	22

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Figure 3.3 below shows the overall weight and rank assigned to each measure by the total sample in graphical form.

Figure 3.3 : Importance of Measures in Advancing Economic Development of Kāpiti Coast: Total Sample by Weight and Rank



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Please refer to **Annex III** for findings by segmentation (business turnover, industry sector, origin of business)

Types of assistance

Respondents were asked to rate the importance of Kāpiti Coast District-based Agencies providing various forms of assistance to businesses who want to locate, start-up, or expand in the District.

The top three most important forms of assistance across the total sample and by industry sector are:

- Promoting Kāpiti Coast as a location for business and investors.
- Promoting Kāpiti Coast as a destination for visitors.
- Expediting District Plan decisions.

The three least important forms of assistance across the total sample and by industry sector are:

- Training managers
- Training workers
- Finding premises

But the views of base industry and tourism/retail respondents differ on least important assistance.

- Base industry sector businesses rate 'finding investment capital' as one of the least important forms of assistance;
- And, Leisure/tourism/retail sector businesses rate 'business incubator programmes' as one of the least important forms of assistance

Table 3.4 below shows the overall weight and rank assigned to each measure by the total sample.

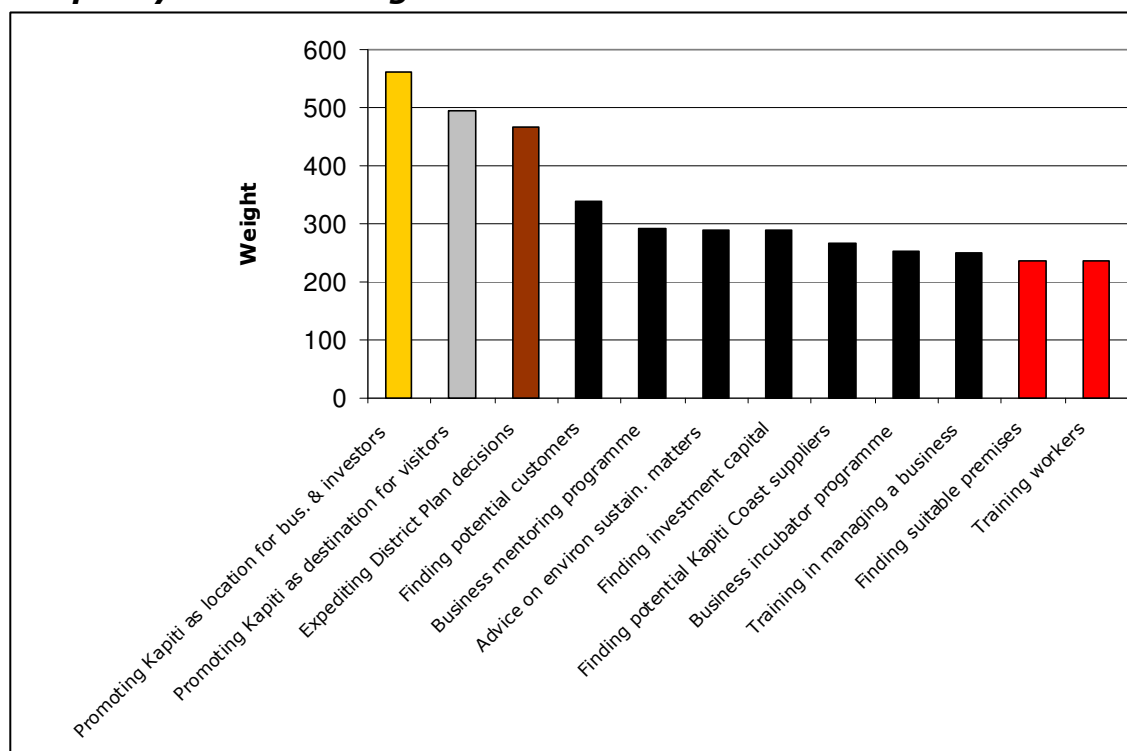
Table 3.4: Relative Importance of Kāpiti Coast "Agency" Types of Assistance to Businesses Wanting to Locate, Start-up, Expand in Kāpiti: Total Sample by Weight and Rank

Total Sample	Weight	Rank
Promoting Kapiti Coast as a location for business and investors	560	1
Promoting Kapiti Coast as a destination for visitors	494	2
Expediting District Plan decisions	467	3
Finding potential customers	340	4
Business mentoring programme	292	5
Advice on environmental sustainability matters	290	6
Finding investment capital	288	7
Finding potential Kapiti Coast suppliers	266	8
Business incubator programme	254	9
Training in managing a business	251	10
Finding suitable premises	236	11
Training workers	235	12

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Figure 3.5 shows the overall weight and rank assigned to each measure by the total sample in graphical form.

Figure 3.5: Importance of KCDC Agencies Providing Types of Assistance: Total Sample by Relative Weight



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Table 3.6 shows the overall weight and rank assigned to each measure by Industry Sector groups.

Table 3.6: Importance of Kāpiti Coast “Agencies” Providing Types of Assistance to Businesses Wanting to Locate, Start, Expand in Kāpiti: By Industry Sector and Rank

	Base Industries Rank	Leisure, Tourism, Rank	Other Industries Rank	Total Sample Rank
Promoting Kapiti Coast as a location for business and investors	1	2	1	1
Promoting Kapiti Coast as a destination for visitors	3	1	2	2
Expediting District Plan decisions	2	3	3	3
Finding potential customers	5	4	5	4
Business mentoring programme	4	9	8	5
Advice on environmental sustainability matters	7	6	9	6
Finding investment capital	11	7	4	7
Finding potential Kapiti Coast suppliers	10	5	10	8
Business incubator programme	6	12	6	9
Training in managing a business	8	8	11	10
Finding suitable premises	12	11	7	11
Training workers	9	10	12	12

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PART TWO: NATURE COAST ENTERPRISE PERFORMANCE

Part Two includes:

- Section 4: NCE implementation of contract
- Section 5: Tourism outcomes for the Kāpiti Coast
- Section 6: Economic Development Outcomes for the Kāpiti Coast

4. NCE IMPLEMENTATION OF CONTRACT

4.1 INTRODUCTION

In this section we evaluate the implementation of Kapiti Coast's contract with Nature Coast Enterprise for "*provision of Regional economic and tourism development and promotion services*"

As required by the RFP, we review the implementation of the NCE contracts to establish if the contracts have been implemented as planned and managed appropriately, and consider the questions:

- *Have the contracts been implemented as intended and in accordance with best practice?*
- *How well and in what ways have funding arrangements (including the extent of external funding) supported the effective delivery of the contract?*
- *What (if any) factors have hindered and/or contributed to the effective implementation of the contract?*

In **Section 4.2** we consider whether the contracts have been implemented as intended and in accordance with best practice, in order to address the first question above.

In **Section 4.3** we evaluate NCE's funding arrangements in order to address the second question above.

In **Section 4.4** we consider factors with a bearing on effective implementation of the contract (ie third question above), including NCE's relationships, reporting procedures, and divergences between the economies of Kapiti Coast and Horowhenua Districts (third question above).

In **Section 4.5** we draw conclusions on all three of the above questions.

Refer to Annex IV for background material on:

- Governance (AIV.1)
- NCE Membership (AIV.2)
- Evolving NZE Outcomes Contracted by KCDC (AIV.3)
- NCE Activities (AIV.4)

4.2

IMPLEMENTATION OF CONTRACT "AS INTENDED" AND "IN ACCORDANCE WITH BEST PRACTICE"

As noted above the RFP further requires that the evaluation should focus on the "**main questions**" as follows:

- *Have the contracts been implemented as intended and in accordance with best practice?*

This is actually two questions, which we consider in turn:

- *Have the contracts been implemented as intended?*
- *Have the contracts been implemented in accordance with best practice?*

Have the contracts been implemented as intended?

We take as the clearest statement of the intentions of the contracts to be the objectives¹ listed in Clause 4.1.1 of the Contracts², which follow the stipulation that "*The Enterprise shall use its best endeavours to promote the economy of the Region District and in particular it will act to:*".

We present these below, and draw conclusions on their implementation in turn.

- (a) *Promote and implement projects and services that foster sustainable economic development in the Region District and stimulate enterprise in all its aspects within the Region District.*

The range of activities carried out by NCE (see **Section 6.4** and **Annex IV**) including Business Engagement meetings and networking activities have potential to advance this, and respondents to NCE's Annual Regional Business Survey are satisfied with the services they receive (subject to the response rate limitations of that survey as noted in **Section 4.2**). But it has not been possible to establish a causal relationship between NCE activities and statistics on regional or District FTE employment.

¹ These are termed "outcomes" in the first two contracts, but do not match the outcomes listed in Appendix A. The term is dropped in the 2011-12 contract but no other term is given instead. We adopt the term "objectives" for the matters listed in Clause 4.1.1.

² These are the same in all three contracts, apart from the substitution of the word "Region District" for "Region" in the 2011-12 contract.

- (b) *Lead the development and implementation of a Regional District tourism strategy that contributes to the growth of a strong Region District tourism industry.*

NCE led the development of the 2006 Nature Coast Tourism Strategy, as required, and has been the principal agency involved in implementing this strategy.

However, we were informed by NCE CE that a Regional Tourism Development Strategy was being developed by the Kapiti Coast and Horowhenua Councils jointly in 2008/early 2009 but it was shelved (apparently in early 2009 from Joint Regional Economic Development Forum minutes) (see also **Section 5.2**). We conclude from that while NCE participated in the shelved 2009 Strategy, it did not **lead** the development of it.

In the course of building its "Nature Coast" tourism brand, NCE has chosen to stand apart from Positively Wellington Tourism rather than to build a co-operative working relationship with it. In our view, more can be gained by working co-operatively with PWT on marketing and promotion, which already lists Kāpiti Coast and Horowhenua attractions and activities on its website.

It appears that NCE has lost its former leading role in tourism strategy in the Kapiti-Horowhenua region.

- (c) *Promote the development of tourism within the Regional District tourism strategy and operate an effective network of Visitor Information Network Centres within the Region District.*

NCE has promoted tourism in the Region. The Visitor Information Centre network has been developed with the relocation of the Paraparaumu visitor centre and its upgrade to I-SITE status, in June 2009 and an expansion in the range of services offered.

Using the indicator of Guest Nights in Commercial Accommodation, there have been positive results for Kapiti Coast District, but less so for the region because of poor performance of Horowhenua District accommodation. NCE's activities may have contributed to the positive result for Kapiti Coast District but again a causal link cannot be established.

- (d) *Contribute to building a sense of Region District, and promote the Region District as an attractive and exciting place to visit, stay, live, hold an event, locate a business and/or invest.*

NCE's networking activities, bringing businesses together from across the Kapiti/Horowhenua may have contributed to their having a sense of regional identity, but no questions are asked on this in their Annual Regional Business Survey. However, how the "region" and its constituent District is viewed by the external visitor market requires a household-based survey of residents of Wellington urban area (see **Section 5.4**) to investigate awareness of and interest in the Kāpiti Coast District as a leisure destination, including its events and attractions. There is not sufficient information to say whether NCE has advanced this matter.

- (e) *Encourage the establishment and expansion of local businesses and facilitate a sustainable increase in employment within the Region District.*

Refer comment on (a) above.

- (f) *Facilitate access to business and financial advice attuned to the needs of the business sector and, in order to do so (but without excluding other approaches), establish and run its own advisory service.*

The Business Advisory Service has been established, and in "Business Engagement" meetings businesses are provided with advice on where to seek financial resources. Given the satisfaction expressed, by respondents to the Annual Business Survey (subject to sample size limitations) we infer clients are satisfied with the advice they receive.

- (g) *Develop appropriate Regional District economic performance indicators, and provide regular analysis and advice regarding Regional District economic performance to the Councils, business, Government and other stakeholders.*

In its Annual Report, quarterly Performance Against Contract Reports and supporting presentations, NCE reports on a range of indicators of economic activity in the Kapiti-Horowhenua region and its constituent Districts, as will be discussed in **Sections 6.2** and **6.3**. However, there is no established link between NCE activities and these indicators.

- (h) *Contribute expert input into any economic development strategy developed either ~~singly or jointly~~ by the respective Councils.*

We presume NCE had input into the Horowhenua Kapiti *Economic Development Strategy 2007*, but note it is not formally involved in the Kapiti Coast District Council's current economic development review.

Have the contracts been implemented in accordance with best practice?

We apply the following principles to assess "best practice" for a regional tourism organisation/economic development agency such as NCE:

- I. NCE should identify and respond to the economic development and tourism priorities in Kapiti Coast – Horowhenua Region.**
- II. NCE should deliver its contracted outcomes effectively.**
- III. NCE should deliver its contracted outcomes efficiently.**
- IV. NCE should articulate its purpose, vision and strategy to its stakeholders**
- V. NCE should monitor, measure, and review its strategies, plans, programmes and services to make sure that it is delivering the contracted outcomes.**
- VI. NCE should fulfil its contracted reporting requirements.**

We comment on NCE's implementation of its contract against each of these criteria in turn:

- I. NCE should identify, and respond to, the economic development and tourism priorities in Kapiti Coast – Horowhenua Region (now under 2011-12 contract, Kapiti Coast District)**

The *Economic Development Strategy 2007* sets clear priorities: value added manufacturing (particularly apparel/textiles and food production processing), and events (to support tourism). Events continue to be prioritised in the tourism field, but NCE no longer focuses on value added manufacturing as an economic development priority.

The *NCE Strategic Plan 2009-14* lists under "Strategy 1: Industry Sectors" the following: "*to support and strengthen industry sectors Tourism, **Agriculture Horticulture, Manufacturing**, Creative, Education, Business Services, Retail, Maori enterprise*". These sectors cover most of the Kapiti Coast economy and

therefore spread rather than help prioritise NCE effort. We consider better practice for an EDA of NCE's type is to identify and then prioritise (at a finer grained level) its region/districts "base industries", ie those that export goods and services to other parts of the Wellington Region, other regions of New Zealand and internationally. Prioritisation would be on the basis of recent industry performance, market growth, and potential returns on investment. In Kapiti Coast District for example, priorities in the manufacturing sector might be food processing and metal products/engineering, and ICT services within the Business Services sector. In NCE's list, on the other hand, most are retail businesses or businesses serving their "local" Kapiti Coast market only. We question their "prioritisation" by NCE.

In our view, to improve its performance on this criterion, NCE should identify a tight range of high-priority "base industries" with growth potential and focus its limited resources on fostering their growth and development.

II. NCE should deliver its contracted outcomes effectively.

There are two measures which have a quasi-KPI function for delivery of outcomes NCE: guest-nights in commercial accommodation (for its tourism activities) and FTE employment (for its economic development activities).

- On guest nights, the Kapiti Coast-Horowhenua regional performance over 2006-11 has been weak, with annual average growth of -0.4%. Taken in isolation Kapiti Coast District's performance has been similar to the national level (annual average growth 0.6%) but has lagged that of the PWT region (2.7%).
- On FTE, over 2004-09 annual average FTE employment growth in Kapiti Coast-Horowhenua was, at 1.8%, slightly below the national rate of growth (2.0%) but on its own, Kapiti Coast District's growth rate (3.0%) comfortably exceeded the national average.

On this basis, NCE appears to have met contractual requirements for Kapiti Coast District in isolation but not for the combined Kapiti Coast-Horowhenua region. However, once again, it is not possible to establish a causal relationship between NCE's activities and these statistical indicators.

III. NCE should deliver its contracted outcomes efficiently.

It is not possible for us to say whether NCE is delivering its outcomes efficiently. To do so would require a monetary valuation of outcomes and a causal link between achievement of the outcomes and the NCE's activities. For example:

- Dollar value of **additional** tourist spending in the region/district due to funds spent on NCE's tourism activities (to allow calculation of \$ additional tourism gross output/\$ of NCE spending)
- Addition to Regional/District GDP as a result of funds spent on NCE's economic development and tourism activities (to allow calculation of \$ additional GDP/\$ of NCE spending).

The information to support such efficiency indicators is not available.

IV. NCE should articulate its purpose, vision and strategy to its stakeholders

As described in later Section 4.4, NCE produces numerous strategic planning and business planning documents. However, on the evidence of our online survey of businesses (refer Section 3.3) and our consultation with stakeholders, NCE has not succeeded in achieving recognition by stakeholders as having a coherent purpose, vision or strategy.

V. NCE should monitor, measure, and review its strategies, plans, programmes and services to make sure that it is delivering the contracted outcomes.

This is largely in the annual Business Plan, and quarterly and annual reporting cycle to Kapiti Coast District Council. However as NCE no longer has a formative role in the review of regional or district tourism and economic development strategies, (through reporting to regular Horowhenua/Kapiti Coast District Councils Joint Economic Development Forum meetings), it is reduced to simple referral of quarterly Economic Monitors undertaken by contracted consultants.

VI. NCE should fulfil its contracted reporting requirements.

Nature Coast Enterprise has largely met this criterion, with the exception of having the performance measures in its annual report audited.

4.3

FUNDING ARRANGEMENTS

Here we evaluate how well NCE's funding arrangements have supported the effective delivery of the contract.

Funders

NCE has been funded from a range of sources over recent years, including, at various times, for specific projects, the Ministries for Economic Development, Environment and Social Development, and business development agencies including New Zealand Trade and Enterprise and, most recently, Grow Wellington.

However, the principal ongoing funders have been Kapiti Coast District Council and Horowhenua District Council who together have usually contributed the majority of NCE's funding. In the 2011 financial year, their combined funding was \$750,000, or 52% of total revenue of \$1,443,129.

A further 43% of revenue came from external non-central government sources and 2% from a new contract with Grow Wellington.

Barely 3% was sourced from Central Government. This is a significant change from 2010 and earlier years. In 2010, funding provided by Central Government and its agencies was around \$0.25million, or 15% of NCE's total revenue.

Non-government external funding (including fees, commissions and charges earned by the I-sites) has been maintained at around \$600,000 pa. Excluding I-site receipts, external revenue was around \$130,000 in 2011 year, consisting principally of sponsorships and business contributions to NCE's tourism promotion programmes. This funding has enabled NCE to extend its 2011 promotion programme by around 50%

NCE Revenues and Expenditure

Table 4.1 below shows revenues and expenditures, as NCE allocated them by project or task, for the year ended 30 June 2011.

Table: 4.1: NCE Classification of Revenue and Expenditure in 2011 Financial Year

ACTIVITY	REVENUE		EXPENDITURE	
	\$	% Share	\$	% Share
I-Sites				
Levin	285,440	20%	263,599	18%
Otaki	141,154	10%	123,405	9%
Paraparaumu	273,519	19%	266,451	18%
Sub-Totals I-Sites	700,113	49%	653,455	45%
Economic Development	118,800	8%	31,981	2%
Tourism	113,789	8%	153,552	11%
Training Workshops	13,237	1%	8,503	1%
Business Advisory	3,700	0%	6,196	0%
Corporate	493,490	34%	587,127	41%
TOTALS	1,443,129	100%	1,440,814	100%

Notes: Classifications of revenue and expenditure in this table are made by NCE
All figures exclude GST, Source: Nature Coast Enterprise, September 2011
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NCE's largest direct expenditures are on the I-sites (45% of total expenditure), tourism promotion (11%) and, well back, economic development (2%).

Although the 2011-2012 allocation of council funding between tourism and economic development is around 75% to tourism and 25% to economic development (see **Table 4.2** below), the total allocation of NCE expenditure between these two functions is not clear because NCE "Corporate" costs are unallocated to the active projects, leadership or administration functions.

Table 4.1 above shows that direct costs of Tourism and Tourism services (i.e. I-sites) were around \$800,000 in 2011 or 56% of total expenditure. On the other hand spending on economic development was a mere 2% of total expenditure, (before allocating "corporate" costs).

Clearly, total expenditure on economic development is higher than direct expenditure referred to earlier, because some part of NCE's "corporate" costs are spent on economic development. Allowing for an allocation of NCE's "corporate" costs, a conservative assumption is that **at least two thirds of all expenditure by NCE, or around \$1,000,000, was on Tourism and Tourist Services in 2011.**

Funding Benchmarks

In **Section 7, Table 7.1** below compares gross spending of selected RTOs with NCE's gross spend.

Application of the estimated \$1 million spending on RTO activities, alone, indicates NCE spends more on Tourism and Tourist Services than Destination Wairarapa, Destination Marlborough, Hawkes Bay Tourism Limited as well as the smaller units of Tourism Eastland and Tourism Waitaki. Relatively speaking, NCE is well resourced financially in relation to tourist visitation compared to most benchmarks.

An approximate indicator of the effectiveness of this spending is \$ of visitor spend³ achieved per \$ of RTO spend⁴. On this basis, NCE achieves a ratio of \$128, about the same as that achieved by PWT and slightly behind that of Destination Wairarapa (\$139). However, more established visitor destination regions achieve considerably more eg Hawkes Bay (\$423) Marlborough (\$347) and Nelson (\$198).

Funding NCE

Funding provided by the two councils is allocated to the I-sites (\$213,000 in 2011), economic development (\$80,000 in 2011), tourism (\$55,000), and corporate (\$402,000 in 2011).

Kapiti Coast District Council contracted to pay NCE \$440,000 (plus GST) pa for the three years 2008-2011, and \$479,870 (plus GST) for the 2011-2012 financial year. Allocation of these payments is determined in Appendix B to its 2008-2011 and 2011-2012 contracts with NCE. These allocations are shown in the following **Table 4.2**.

³ Drawing on visitor expenditure 2010 estimates in Table 4 of *NZ Regional Tourism Forecasts* for Kapiti/Horowhenua and other RTOs (Tourism Strategy Group, Ministry of Economic Development, 2010).

⁴ A true measure of efficiency would be the **addition** to visitor spend attributable to NCE's spending, but this is not available as already noted in Section 4.2.

Table: 4.2 Kapiti Coast District Council Contracted Payments to NCE 2010-2012

CONTRACTED ACTIVITY	2010/2011 Contract Allocation \$	2011/2012 Contract Allocation \$
Economic Development		
Business Attraction	25,000	44,870
Food prodn & processing	10,000	0
Operating Costs	55,000	75,000
Total Economic Development	90,000	119,870
Tourism		
Events promotion	20,000	20,000
Events development	20,000	20,000
Operating costs incl I-sites	310,000	320,000
Total Tourism	350,000	360,000
TOTAL CONTRACT PAYMENTS	440,000	479,870

Notes: All figures exclude GST

Source: Contracts between Kapiti Coast District Council, Horowhenua District Council and Enterprise Kapiti Horowhenua Inc for 2008-2011 period dated 7 August 2008 and between Kapiti Coast District Council and Enterprise Kapiti Horowhenua Inc for 2011-2012 year.

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As the 2011/12 financial year has only just begun there is no useful data available to consider alongside the 2011-2012 contracted allocation. However for 2011:

- Kapiti Coast District Council funded \$65,600 (excluding GST) for the Otaki I-site and \$77,200 (excluding GST) for the Paraparaumu I-site, or \$142,800 in total, leaving another \$167,200, its Tourism Grant to fund "corporate" or "operating" costs;
- The Council's I-site funding was sufficient to overcome a shortfall over both I-sites of \$120,000 that otherwise would have occurred if Council funding had not been available;
- Although the Council allocated \$35,000 to economic development initiatives, excluding a further contribution of \$55,000 to "operating" costs, apparently these funds were not spent in the 2011 financial year; and,
- Kapiti Coast District Council has increased its allocation for economic development by almost one-third or \$30,000 on 2011-2012. This additional investment by the Council clearly signals its desire to encourage economic development of the district.

4.4

**FACTORS HELPING AND HINDERING EFFECTIVE
IMPLEMENTATION OF THE CONTRACT**

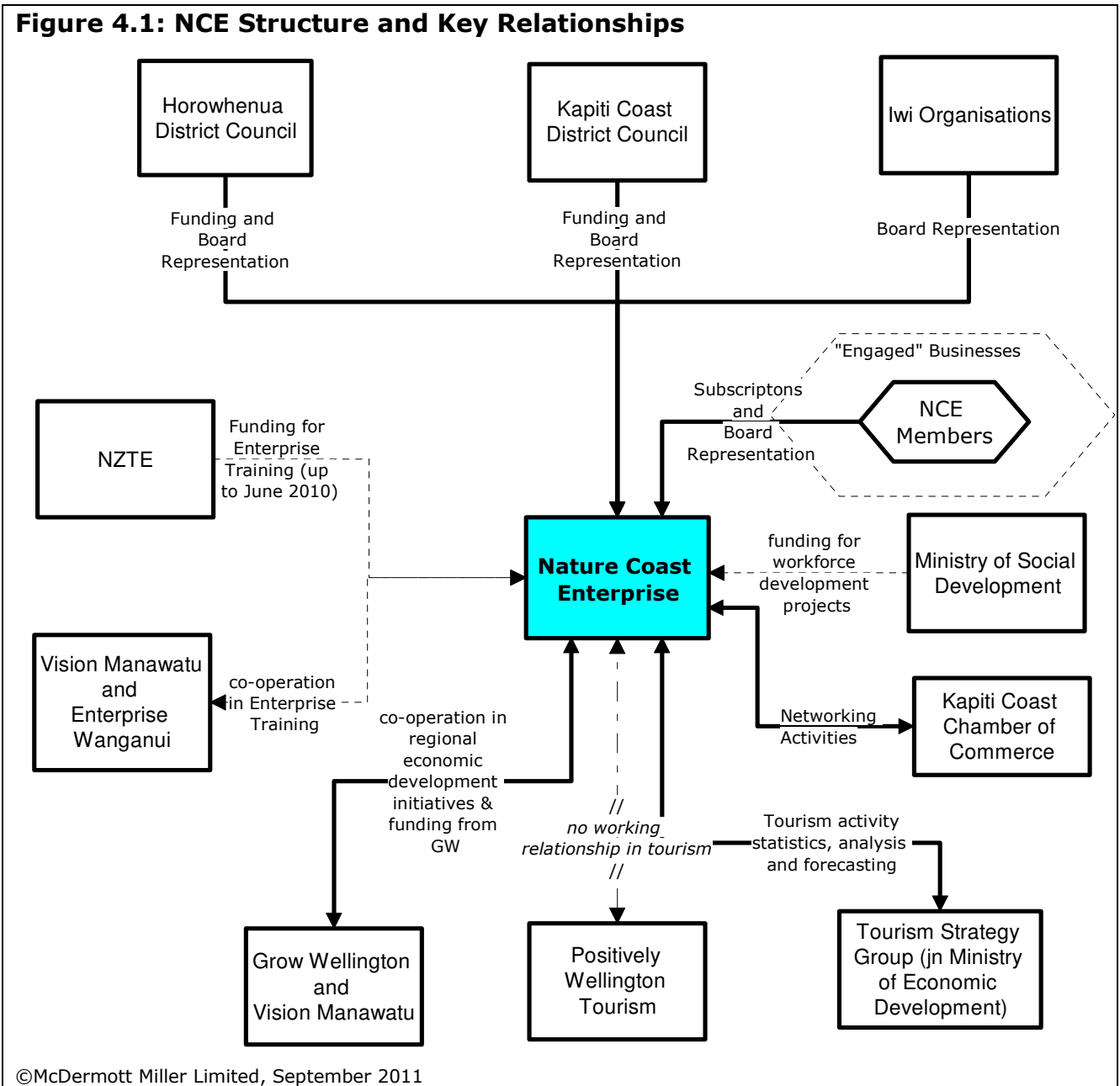
In this sub-section we consider three factors which have affected effective implementation of the contracts:

- waning relationships with business and other stakeholders
- differing structure and performance of the individual District Economies (Kapiti Coast District and Horowhenua District)
- NCE's planning and reporting procedures.

Waning Relationships with Stakeholders

Figure 4.1 illustrates how Nature Coast Enterprise sees its relationship with stakeholder and partner organisations.

Figure 4.1: NCE Structure and Key Relationships



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We make the following observations on these relationships:

- **Former Region Split into Two Districts:** Until June 2011, NCE was contracted jointly to Kapiti Coast District Council and Horowhenua District Council and reported to the Joint Regional Economic Development Forum. It was mandated to promote tourism and achieve economic development outcomes for a combined region consisting of the two regions. Now, with separate contracts covering the two Districts individually, it has lost this mandate.
- **No Longer Independent:** NCE has lost the quasi-independent leading role it had (up to around 2008) in the preparation of regional tourism and economic strategies. Now, it implements strategy rather than have a formative role in its development. Without this leading role, our online Business Survey shows business does not perceive NCE as a significant player in the Kapiti Coast Economy.
- **Waning Relationship with Business Stakeholders:** NCE regards itself as being “engaged” with a wider range of organisations than just its 181 members (refer Annex AIV.2). NCE circulates its newsletter to some 1874 organisations spread over Horowhenua and Kapiti Coast District.

These 1874 organisations also form the sample frame for the Annual Regional Business Survey (NCE, pers. Comm.) But wide circulation does not necessarily equate to wide active engagement. With only 166 responses to the Annual Regional Business survey, NCE achieved only a 8.9% response rate. In contrast, the response rate achieved in the on-line survey of businesses carried out for this report, the response rate was 29% (see **Annex II**). The low response rate achieved by the Annual Regional Businesses Surveys raises several concerns:

- Most of the organisations NCE regards as engaged with it are not; rather most could well be uninterested in NCE.
- There is potential for bias in survey responses, ie those responding are those with a more favourable view of NCE.
- While we acknowledge that NCE attains a high satisfaction rating for its services in Annual Regional Businesses Surveys (eg. 88% in the 2011), little weight can be attached to it as a performance measure given its technical limitations.

We understand from our consultation that attendance at NCE's AGMs and nominations for elected Board seats have been declining, another symptom of declining interest in the organisation, even among its members.

- **Waning Relationship with The District Councils and Iwi:** Since the disestablishment of the Horowhenua/Kapiti Coast District Councils Joint Economic Development Forum in 2011, NCE has lost its mandate to foster economic development of the Kapiti – Coast Horowhenua Region as a joint entity. Kapiti Coast District Council is currently carrying out a comprehensive Economic Development Review Working Party, working towards a new economic strategy that will be separate from Horowhenua District's.
- This problem is compounded by vacant board positions, including for the position open to an appointee of Iwi organisations. It appears NCE has not been able to satisfy needs of Iwi agencies as evidenced by the establishment of Te Aho Kapiti Horowhenua Regional Maori Economic Development Strategy, established in May 2008.
- **Waning Relationships with Government Agencies:** Former projects funded by NZTE (for Enterprise Training) and Ministry of Social Development (for workforce development) have ended; the effects of this on funding of NCE are discussed in **Section 4.3** above.
- **Positive Relationship with Tourism Businesses:** On the evidence of our online survey of businesses, and attendance at NCE events however, NCE still enjoys recognition and cooperation from the local tourism industry for its promotional and networking activities.

Different economies and economic outcomes at level of "Region" and District

The structure of the two District economies are quite different, with Horowhenua's strengths being the primary sector and manufacturing, and Kapiti Coast's employment and being concentrated in Business Services and Retail/Distribution.

Further, as a generalisation Kapiti Coast District's economy is meshed with that of metropolitan Wellington and Horowhenua's with that of Manawatu – Wanganui.

As noted in **Section 4.2** above, the outcomes as indicated by growth in guest nights in commercial accommodation and FTE employment have been different at the level of Kapiti –

Coast-Horowhenua and Kapiti Coast District, due to Kapiti Coast District out-performing Horowhenua District on these indicators.

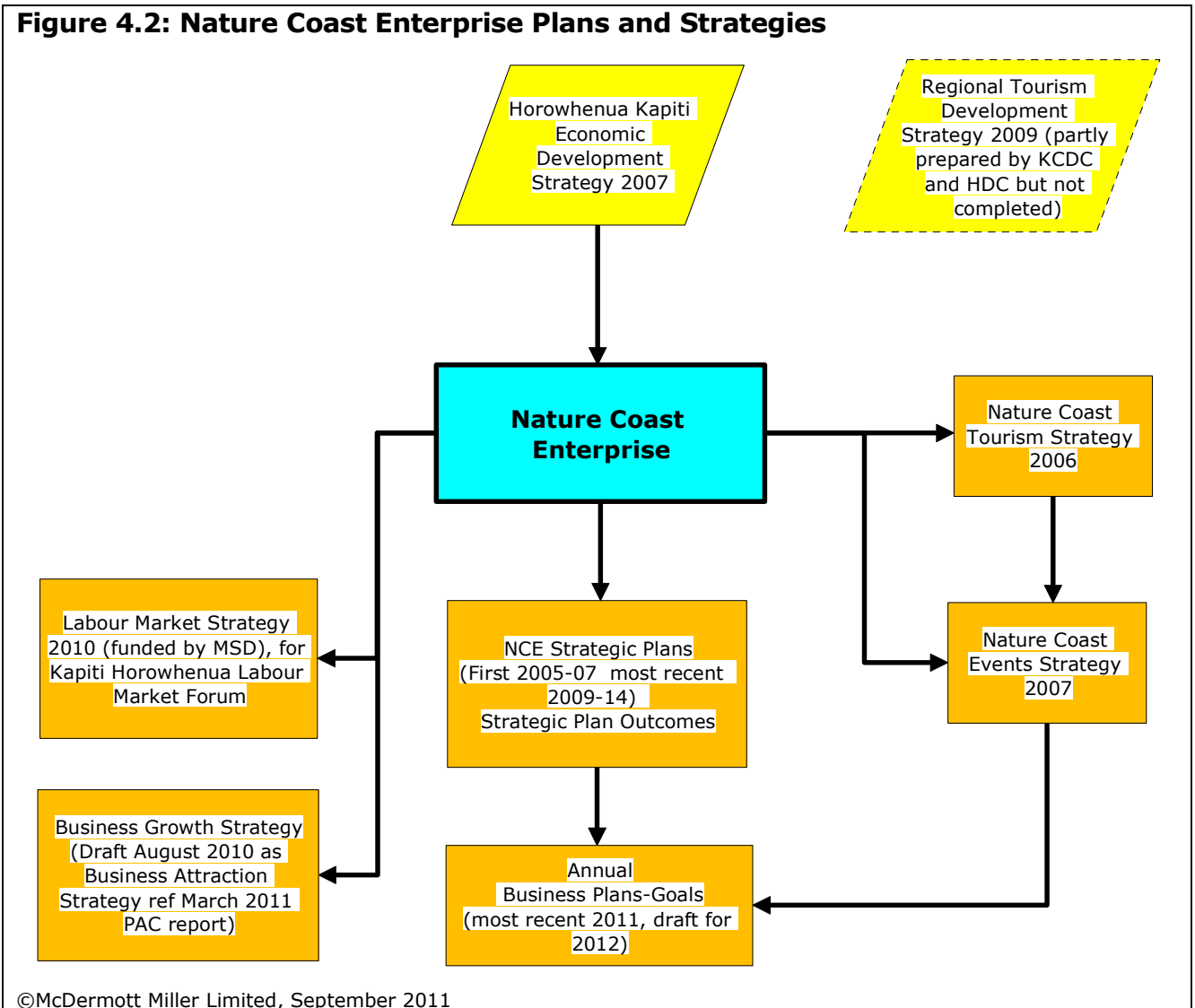
Since NCE has been tasked at progressing the economic development of the two Districts together, the divergences between the two District economies have contributed to difficulties in identifying, and focusing economic development resources on, priority industries.

Nature Coast Enterprise Performance Planning and Reporting

Over its existence Nature Coast Enterprise has been very active in producing a wide range of plans and strategies. These are illustrated in **Figure 4.2** below.

An impression that emerged from our consultation is that NCE puts more effort into producing planning and strategy documents than in working effectively to implement a simple, clear economic development plan for Kapiti Coast District or for that matter the Kapiti Coast-Horowhenua region.

Figure 4.2: Nature Coast Enterprise Plans and Strategies



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Kapiti Coast District Council’s contract with Nature Coast Enterprise (clause 4.1.5) stipulates the requirements for reporting. In summary, these are:

- An annual strategic and operating plan “*setting out how the enterprise proposes to achieve the performance targets and measures agree with the Councils in Appendix A of this Contract*”.

The document is termed the Business Plan – Goals, and since 2009 it is “*aligned with the Strategic Plans 2009-14*”.

- An annual report, reviewing objectives and measures and setting out actual achievements, together with auditor s report on the financial statements, and an auditor’s report on the performance targets and measures.

The Annual Reports provided to us fulfil these requirements except that they do not include auditor's reports on the performance targets and measures.

- The enterprise will provide a quarterly report "*highlighting major activities*" and "*reporting on performance measures*".

The core of the quarterly report is called the "Performance Against Contract" report which reports activities and performance measures. This is supplemented by a presentation, previously to the Joint Economic Development forum, which includes a wider range of indicators of economic activity in the region/district.

In meeting these requirements, NCE has produced a stream of paper plans, strategies and reports, which consume management time and resources, but which have not achieved strong buy-in from its major stakeholders. In our view, this is likely to have been to the detriment of time and resources focussed on generating positive outcomes for priority industries.

4.5

CONCLUSIONS

On implementation of contract "as intended" and "in accordance with best practice"

- In formal terms, NCE is fulfilling its contractual planning and reporting requirements except for not having the performance measure reported in its annual report audited.
- It is carrying out activities which are contributing to tourism and economic activity in the Kapiti-Horowhenua Region, but no causal relationship can be established between improvements in Kapiti Coast District's tourism and economic activity measures and NCE's activities.
- Tourism and employment growth has been concentrated in Kapiti Coast District rather than Horowhenua District; but:
- NCE is no longer widely recognised by stakeholders as a leader in the development of economic strategies, but apparently still has recognition and cooperation from the local tourism industry for its promotional and networking activities.
- Since the disestablishment of the Horowhenua/Kapiti Coast District Councils Joint Economic Development

Forum, NCE has lost its mandate. This problem is compounded by vacant board positions and declining attendance at AGMs indicating a lack of commitment to the organisation, even amongst its members.

On ways funding arrangements have supported the effective delivery of the contract

- NCE is, measured by spending on RTO type functions, the third largest RTO in the Hawkes Bay/Wellington/Marlborough/Nelson Tasman area, after PWT and Nelson-Tasman Tourism Limited.
- In average terms, the ratio of \$ of visitor spend per \$ of visitor spend achieved by NCE is similar to that of PWT but slightly less than that of Wairarapa.
- Today NCE remains fundamentally dependent on the contributions of Kapiti Coast District Council and Horowhenua District Council.
- External government funding is almost non-existent, and could be said to be incidental to funding NCE's current activities.
- NCE has apparently spent less on economic development in 2011 than the Councils required under their contracts with NCE. This may be a timing issue, rather than a substantive issue. However, it is clear Kapiti Coast District Council has increased the resource available for economic development in 2012 and would expect to see increased effectiveness in this area.
- Potentially greater funding support for economic development initiatives may come in the future from Grow Wellington, given its commitment to the Clean Technology Centres of Excellence programme.
- Non I-site external private sector funding (excluding fees and user charges) principally supports NCE's tourism promotion activities, and is significant, representing around one-third of the direct costs of the programme.
- In sum, there is a significant imbalance in expenditure between tourism on the one hand and business led economic development on the other. This will need to be redressed in future if NCE is to have a serious catalytic role in economic development of Kapiti Coast.

On factors that have hindered and/or contributed to the effective implementation of the contract

- Key relationships with stakeholders – Councils, Iwi Organisations, and businesses have waned,
- The economies of Kapiti Coast District and Horowhenua District diverge in terms of structure, performance and regional orientation (towards Wellington and Manawatu respectively) and this has contributed to lack of economic development priority-setting by NCE.
- The stream of paper plans, strategies and reports NCE has been required to produce is likely to have been to the detriment of time and resources focussed on generating positive outcomes for priority industries.
- Our business survey points to perceived of lack of effective economic leadership in the Kapiti Coast District (**Section 3.3**); and,
- a perceived lack of an effective economic strategy (**Section 3.3**).
- On the positive side, NCE still enjoys recognition and cooperation from the local tourism industry for its promotional and networking activities.

On effectiveness of implementation of contracts overall

- Nature Coast Enterprise is largely fulfilling its reporting requirements, whether at a more detailed level the contracted outcomes are being met requires deeper assessment, and we turn to this in **Section 5** for tourism outcomes, and **Section 6** for Economic Development outcomes.
- Most of NCE's outcomes, activities and measures are "soft" (e.g. achieving a number of networking opportunities, developing annual business plans, increasing the number of tourism operators) and reflect NCE's own activity rather than the outcomes of those activities.
- There is no clearly established causal relationship between achievement of a number of "hard" outputs, (such as increased employment and increased net spending by visitors) and the work of NCE.
- NCE's Annual Regional Business Survey is largely about gathering information about business and employment in the area and businesses satisfaction or otherwise, with

NCE and Grow Wellington. It does not relate improvements in the economy or business performance and employment to any action taken by NCE, and its findings subject to sample size caveats.

- We suggest the outputs specified by Kapiti Coast District Council in its contract with NCE be reviewed to ensure they specify delivery of tangible economic development and tourism growth outcomes consistent with the Council's economic development strategy and annual and long term community plan. In our view, they do not do this adequately at present.

5. TOURISM OUTCOMES FOR KĀPITI COAST

5.1 INTRODUCTION

In this section we:

- Evaluate how effective NCE has been in achieving the tourism outcomes for Kāpiti Coast as specified in its service contract with KCDC.
- Identify progress made towards the outcomes specified in the contract as well broader outcomes that may have been achieved.

In **Section 5.2** we assess progress made by NCE towards each of four contracted tourism outcomes by examining the activities and measures associated with each, based on NCE's own performance measurement in its Quarterly Performance against Contract reports (here abbreviated to PAC) and its Annual Reports.

We then draw conclusions (**Section 5.3**) on the adequacy of NCE reporting on tourism outcomes and related issues.

In **Section 5.4** we draw conclusions on progress made towards the tourism outcomes specified in the contract.

Finally, in **Section 5.5** we draw general conclusions on the effectiveness of NCE delivering tourism outcomes for Kāpiti Coast.

5.2 TOURISM OUTCOMES AS MEASURED BY NCE

The four contracted tourism outcomes, in both the 2008-11 and 2011-12 contracts are:

Outcome 5: A cohesive and professional regional tourism industry is developed.

Outcome 6: The region⁵ Kāpiti Coast District⁶ is well regarded as an attractive place in which to live, work and play. Its iconic attractions are well known.

⁵ "region" is used in the 2008-11 contract

⁶ "District" is used in the 2011-12 contract

Outcome 7: Events development

Outcome 8: Events facilitation

Please also refer to **Section 4** which sets out how funding has supported delivery for the contracted Tourism outcomes.

In the tables below we comment on the achievement on the activities and measures associated with these outcomes, based on evidence presented by NCE in the Quarterly Performance Against Contract (here abbreviated to PAC) and Annual Reports.

NB: The struck through text above, and in **Table 5.1** below, is that of the 2008-11 contract that has been deleted from the 2011-12 contract. Underlined text is that added in 2011-12 contract.

Table 5.1: Tourism Outcome Performance

Outcome 5: A cohesive and professional regional tourism industry is developed.		
Activities	Measures	Annotated NCE Results
+Implement the regional tourism development strategy from 1 July 2009. <u>Support the development of the tourism industry.</u>	KPIs agreed with Councils by 1 July 2009.	No definitive list of KPIs in documentation provided by NCE or KCDC.
<u>Use opportunities presented by RWC 2011, American travel writers conference 2011 to increase profile of Kāpiti Coast.</u>	Report at quarterly intervals on progress towards full implementation of the regional tourism strategy.	We are informed by NCE CE that a <i>Regional Tourism Development Strategy</i> was being developed by the Councils jointly, but it was shelved (apparently in early 2009 from Joint Regional Economic Development Forum minutes). Therefore there was never a strategy for NCE to implement.
	At least 20% of funding used in marketing campaigns is leveraged from the private sector.	According to Mar Qtr 2011 PAC report this was "Completed. \$31,000 contributed by the private sector"

Outcome 5: A cohesive and professional regional tourism industry is developed.

Activities	Measures	Annotated NCE Results
	<p>Increase the number of tourism operators attending accreditation and business courses.</p>	<p>This is not stated explicitly in the individual PACs, it would be necessary to collate data presented under the activity "Delivery of training programme" and calculating a series in order to see whether this has been achieved.</p>
	<p>Eighty percent of respondents to annual tourism stakeholder survey are satisfied with the performance of Nature Coast Enterprise</p>	<p>We understand there is no separate "tourism stakeholder survey", rather there is a sub-sample of tourism respondents to the Annual Regional Business survey. The 2011 results spreadsheet provided to us did not include this filter, so we and KCDC are unable to verify whether this KPI has been achieved.</p>
	<p><u>Implement and report on additional RWC 2011 activities set out in the Council's letter of 19 May 2011 and NCE's letter of 20 June 2011 by 31 August 2011.</u></p>	<p>In its June 2011 quarterly report presentation to KCDC NCE reported on district theming, visitor information, website and business to business initiatives associated with the RWC. A brochure has been produce</p>

Outcome 6: The region District is well regarded as an attractive place in which to live, work and play. Its iconic attractions are well known.

Activities	Measures	Annotated NCE Results
Establish statistics. baseline	Agreed KPIs are met.	<p><i>Nature Coast Baseline Tourism Statistics</i> was published in 2008. No other "baseline" statistics have been published. Of the range of indicators set out in that report, none are identified as having a KPI function and they are not reported on in the PAC (but some are included in supplementary presentations) and Annual Reports.</p> <p>We have seen no statement of agreed KPIs for this outcome. June Qtr 2011 PAC states KPIs for 2011-12 period are to be finalised in Sep Qtr 2011..</p>
Operate visitor information centres at Levin, Otaki and Paraparaumu.	<p>Visitor numbers to the Levin, Otaki and Paraparaumu Visitor Centres increase by an average of 3% <u>per annum</u> each year of the 3 year contract (noting limitations of the existing site may restrict the increase possible at Paraparaumu to a lesser percentage)</p>	<p>Performance is reported in PAC reports for current quarter and YTD.</p> <p>In most recent PAC supplied to us (Jun Qtr 2011), change was -2.2% for all NCE visitor centres on YTD basis. However, not possible to tell from information how the target of 3% <i>on average</i> over the three years of the 2008-11 is likely to be achieved.</p> <p>Using PAC data on visitors to the three NCE visitor centres, average annual growth over the three year period does meet the 3% annual target.</p>

Outcome 7: Events development		
Activities	Measures	Annotated NCE Results
<p>Create— <u>Support</u> new events in the Nature Coast region including facilitating sponsorship for events as well as providing resources for research, planning and promotion, with a goal of seeing an increase in the number of successful regionally and nationally significant events.</p>	<p>KPIs agreed with Councils by 1 July 2009 and reviewed each year.</p>	<p>We can find no statement of KPIs for this outcome in the documentation provided to us June Qtr 2011 PAC states KPIs for 2011-12 period are to be finalised in Sep Qtr 2011.</p>
	<p><u>Provide advice to the Grants Allocation Sub-committee on the applications to the District Events Fund on the viability and capacity of the events to contribute benefits to the District.</u></p>	<p>No information has been provided to us on this. is a new "measure" for the 2011-12 contract. We note it is better classed as an "activity" or "sub-activity" than a measure.</p>
	<p><u>Provide district events managers with support and guidance as required.</u></p>	<p>As above.</p>

Outcome 8: Events facilitation		
Activities	Measures	Annotated NCE Results
<p>Promotion – working with individual event managers to promote their event, seeking to raise the profile of the region and ensure event attendee numbers meet targets <i>incl Catch Kāpiti summer events</i>.</p> <p>Coordination – developing a calendar or programme of events by working with individual event managers to schedule events at dates and times that maximise the numbers likely to attend, ie minimising clashes between events <i>incl Catch Kāpiti summer events (noting that this applies for Kāpiti events only)</i>.</p> <p>Support – providing information about local requirements, eg resource consents and other regulatory requirements, facility restrictions and requirements etc to help event managers stage events in the region <i>incl Catch Kāpiti summer events noting that this applies for Kāpiti events only</i>.</p>	<p>At least monthly, full event listings for the region are published in the local media.</p> <p>Annually conduct a satisfaction survey around one major Nature Coast Event. Up to 80% of respondents are at least satisfied with the marketing and promotion that particular event received.</p> <p>The profile of Nature Coast events is maintained or increased over the previous year. Media and direct feedback will be monitored <u>and reported to the Council</u>.</p>	<p>The Mar Qtr 2011 PAC states that this is done; full events listings are published in local media twice weekly.</p> <p>The 2010 Annual Report says 70 events were included in the <i>Catch Kāpiti</i> programme. However, no comprehensive statistics on number of new and established events are presented.</p> <p>The Mar Qtr 2011 PAC says this is completed and will be reported in next period (ie June qtr 2011 PAC). The June Qtr 2011 PAC says “<i>this is not complete. Has been scheduled to take place at the 2011 Retro and Antiques Fair.</i>”</p> <p>NCE supplied to EIA for 2006 events.</p> <p>If this monitoring is undertaken it is not reported in the PAC or annual report. Lack of reporting to council (to March 2011 at least) on any monitoring that is done is clearly the reason for the underlined addition to this measure in the 2011-12 contract.</p>

5.3

CONCLUSIONS ON NCE PERFORMANCE REPORTING

- NCE has largely met the requirements for reporting on the tourism measures.
- The June Quarter 2010 PAC reported on the KPI type "Measures". Since then there has been a shift to reporting on "Activities" in the PAC. Reporting on indicators has been now only in the Annual Report, and in presentations to the Kāpiti District Council that enlarge on the material presented in the PAC.
- We understand that there has not been a definitive set of KPIs developed for assessment of progress towards the Tourism Outcomes.
- Instead, NCE has adopted a pragmatic set of tourism indicators to report on in the Annual Report, chiefly guest nights in commercial accommodation, with visitors to the "visitor focussed" www.naturecoast.co.nz also being reported.
- While events development and facilitation activities are reported in the Annual Report and PAC, no comprehensive statistics are presented on the number of events or visitors attending events. This means it is not possible to assess whether events development and facilitation activities have been effective.
- Other indicators of tourism activity reported in the presentation that accompanied the June 2011 PAC and included in the *Nature Coast Baseline Tourism Statistics 2008* report, such as estimated visitor nights and expenditure, are useful supplementary indicators of activity, but, due to high sample error in a destination region of the size of Kāpiti Coast-Horowhenua, are not useable as Key Performance Indicators.
- No comparisons are currently made with the performance of the tourism industry in other RTOs; the only comparison made in the Annual Report is with New Zealand guest nights. A more useful picture of performance on this indicator would be given by presenting the following:
 - a time series, not just a single year to year % shift to illustrate trend;
 - average annual growth rate over the 3 years of the contract;
 - comparison with other RTOs for benchmarking purposes, including at minimum Wairarapa and

Wellington (PWT), but others could also be used (eg Nelson, Taranaki).

5.4

CONCLUSIONS ON PROGRESS MADE TOWARDS TOURISM OUTCOMES SPECIFIED IN THE CONTRACT

In light of the above reporting limitations, In answer to the RFP question ***What progress has been made towards the outcomes specified in the contract?***, we conclude:

Outcome 5: A cohesive and professional regional tourism industry is developed.

- Due to the shelving of the Regional Tourism Development Strategy that NCE was to implement, and apparent lack of agreement on KPIs it is not possible to say whether progress has been made toward this outcome
- See also comments on Outcome 6 below.

Outcome 6: The region District is well regarded as an attractive place in which to live, work and play. Its iconic attractions are well known.

- Again there appears to have been no agreement on KPIs.
- Using the adopted indicator of Guest Nights in commercial accommodation, the tourism industry in Kāpiti Coast District is performing reasonably well.
- Supplementary measures of tourism activity based on the Tourism Strategy Group's Regional Tourism Data suggest the Kāpiti Coast-Horowhenua tourism industry is performing reasonably well under the current economic and international visitor arrival environment.
- Day visits to Kāpiti Coast represent the major part of visitor activity and should also be reported on, at least as a supplementary measure of tourism activity.
- NCE's activities may have contributed to this but a definite causal link cannot be established on available information.
- Monitoring this outcome requires assessment of how Kāpiti Coast is perceived, and this cannot be done by analysis of secondary source statistics. It requires a household-based survey of residents of Wellington urban area, to investigate their awareness of and interest in the Kāpiti Coast District as a leisure destination, including its events and attractions. This is more likely to be feasible if undertaken with Positively Wellington Tourism, Destination Wairarapa and Destination Manawatu.

Outcome 7: Events development

- As NCE does not report a comprehensive series of statistics on number of new or established events it is not possible to confirm progress toward this outcome.

Outcome 8: Events facilitation

- NCE does promote events.
- The 2010 Annual Report says 70 events were included in the *Catch Kāpiti* programme, but no comparison is given with past years and no indication of what proportion this is of total Kāpiti – Horowhenua events. No comprehensive statistics on number of new and established events are reported on.
- There was no reporting on the profile of Nature Coast events under the 2008-11 contract.
- Therefore is not possible to assess how much progress has been made toward this outcome.

5.5

**CONCLUSIONS ON EFFECTIVENESS OF NCE IN
DELIVERING TOURISM OUTCOMES FOR KĀPITI COAST**

- Wairarapa is a useful comparator for Kāpiti Coast District in assessing tourism industry performance, due to the similar reliance of its visit industry on day and short-stay visits from the Wellington urban area.
- The performance of the Kāpiti Coast District's tourism industry as indicated by Guest Nights in commercial accommodation is stronger than that of the Wairarapa, similar over the last five years to the national level. While Kāpiti Coast average annual growth rates are significantly less than in the PWT region, its relative position has not deteriorated over the last five years.
- On this measure, NCE's activities may have been effective for Kāpiti Coast District, but it is not possible to establish a direct causal link.
- However, these positive results do not apply to the Kāpiti-Horowhenua region as a whole, because of the weakness and poor tourism performance of Horowhenua District.
- This observation supports the shift to a Kāpiti Coast District focus in the 2011-12, contract. It raises questions however, whether the interest of Kāpiti Coast's tourism industry is best served by an organisation also responsible for tourism promotion in Horowhenua District.

- In May 2011 Kāpiti Coast District Council and NCE agreed that NCE will implement and report on additional Rugby World Cup 2011 activities. Some of its NCE's RWC activities are outlined above. However, in the view of people we consulted, prior to this NCE was slow to act to help realise the potential benefits offered by increased international and domestic visitation to the Wellington Region as result of the RWC, in spite of the long lead time available for planning (refer *Minutes of a Meeting of the Kāpiti Coast District Council held on Thursday 22 November 2007* in which The Mayor expressed the wish to meet with Nature Coast to discuss the 2011 Rugby World Cup and its implications for the Kāpiti Coast). We understand that NCE earlier requested funding for undertaking additional RWC specific activities. NCE did work with PWT from 2007 on region-wide theming associated with RWC 2011.

While entering this debate is beyond our brief, it is possible that if NCE had a closer working relationship with Positively Wellington Tourism, to the extent of being a member of PWT's Wellington & Wairarapa International Marketing Alliance, it could have participated more fully in that organisation's RWC initiatives. It could then have more cost-effectively exploited the Kāpiti Coast's proximity to the second most important venue city for RWC games.

6. ECONOMIC DEVELOPMENT OUTCOMES FOR THE KĀPITI COAST

6.1 INTRODUCTION

In this section we:

- Evaluate how effective NCE has been in achieving the economic development outcomes for Kāpiti Coast as specified in its service contract with KCDC.
- Identify progress made towards the outcomes specified in the contract as well broader outcomes that may have been achieved.

In **Section 6.2** we assess the progress made by NCE towards each of four contracted economic development outcomes by examining the activities and measures associated with each, based on NCE's own performance measurement in its Quarterly Performance against Contract reports (here abbreviated to PAC) and its Annual Reports.

In **Section 6.3** we assess other economic performance information collated by NCE as required under Outcome 1 of the contract.

We then draw conclusions (**Section 6.4**) on the adequacy of NCE reporting on economic development outcomes and related issues.

In **Section 6.5** we draw conclusions on progress made towards the economic development outcomes specified in the contract.

Finally, in **Section 6.6** we draw general conclusions on the effectiveness of NCE delivering economic development outcomes for Kāpiti Coast.

6.2 OUTPUTS/OBJECTIVES OF NCE CONTRACTED BY KCDC

In the following tables we assess the progress made by NCE towards each of four contracted economic development outcomes by examining the activities and measures associated with each. The first column lists "Activities", the second "Measures" and the third is annotated and

paraphrased extracts from NCE’s Quarterly Performance against Contract reports and its Annual Reports.

Note: The “struck through” text is that of the 2008-11 contract that has been deleted from the 2011-12 contract. Underlined text is that added in 2011-12 contract.

Table 6.1: Economic Development Outcome Performance

Outcome 1: The Region for <u>District</u> has a coherent and cohesive multi-dimensional strategic plan for enhancing sustainable economic development.		
Activities	Measures	Annotated NCE Results
<p>Nature Coast Enterprise (NCE) will have an annual business plan for achieving the outcomes and measures detailed in the contract.</p> <p><u>NCE will conduct an annual District business survey that presents industry data and measures business satisfaction once each year of the contract.</u></p> <p>NCE will conduct an annual regional business survey that presents industry data and measures business satisfaction once each year of the contract.</p> <p><u>NCE will be responsive to direction on strategic priorities from the Economic Development Review Working Party.</u></p>	<p>NCE to produce an annual business plan for review by Councils by 1 September <u>August</u> each year of the contract.</p>	<p>March Qtr 2011 PAC notes that this is “completed”.</p>
	<p><u>Business satisfaction will be maintained at 80% or more.</u></p>	<p>The 2011 Annual Regional Business Survey gives an 88% satisfied rating (down from 93% in 2010) in response to the question <i>Overall, how satisfied are you with the services offered by Nature Coast Enterprise?</i></p>
	<p>NCE will collate other regional economic and business information and statistics and provide regional District economic analysis, together with comparisons with other comparable districts and regions, presenting to Councils quarterly.</p>	<p>The survey was carried out in 2009, 2010 and 2011. June Qtr 2011 PAC notes results will be analysed and presented to the Board in July.</p>
	<p><u>Economic Development Review Working Party is satisfied with the action taken by NCE as a result of any directions on strategic priorities</u></p>	<p>No comment on this.</p>

Outcome 2: Sustainable economic wealth is generated in the Region -District		
Activities	Measures	Annotated NCE Results
Implement initiatives to grow, retain and attract businesses aligned to Kāpiti / Horowhenua economy and strengths, identified in Regional Business Attraction and Retention plan.	Continue the implementation of the Business Attraction and Retention plan developed in 2007/2008.	A Business Attraction Strategy was prepared 28 August 2010. Mar Qtr 2011 PAC notes the "Business Attraction Strategy" has been renamed the "Business Growth Strategy"
<u>Implement Year 1 of the Nature Coast Business Growth Strategy.</u>	Quarterly reporting of progress against initiatives.	Actions to implement the Business Growth Strategy – proposals to Electra to fund initiatives – are noted in the Mar Qtr 2011 PAC report.
<u>Work with Paraparaumu Airport Limited to develop a marketing plan for the Kāpiti Airport.</u>	Number of FTE equivalent workers employed in the region District increased by national employment growth for each year of the contract in 2011-12	This was report on in the June Qtr 2010 PAC and 2009/10 Annual Report - FTE employment in the Kāpiti-Horowhenua region in 2009 grew by 0.1%, below the national growth rate of 0.7%. Not reported on in more recent PAC of March and June Qtrs 2011
<u>Implement marketing plan for Kāpiti Airport.</u>	<u>NCE will produce a Kāpiti airport marketing plan for review by the Council by 1 September 2011.</u>	Document not requested by us as after our commission.

Outcome 3: The region District is one in which citizens have positive economic opportunities and options. These are available to all including youth, Maori, skilled workers and managers.

Activities	Measures	Annotated NCE Results
<p>Identify business skill needed and encourage participation in courses.</p> <p>Focus on identification of skill shortages within the region.</p>	<p>Complete training needs analysis.</p>	<p>No mention of this in Mar Qtr 2011 PAC. In June Qtr 2010 PAC, under this heading was statistics on participation (District, industry) in training courses. This is not a training needs analysis.</p>
	<p>All training courses run with 60% capacity (note NZT&E ETP contract requires a minimum attendance of 8 and maximum of 20).</p>	<p>June Qtr 2010 PAC says that course in June 2010 year ran at 87% capacity.</p>
	<p>Increase the number of new businesses attending training courses by 5%.</p>	<p>No figures on this in Mar Qtr 2011 PAC.</p> <p>The 2009/10 Annual Report states that in the last year of the NZT Enterprise Training Programme (ie June Year 2010) 15% of participants were new businesses. No figures are given on how this compares to the previous year, or whether the 5% growth target was achieved.</p>
	<p>Identify Kāpiti and Horowhenua labour market.</p>	<p>The June 2010 PAC notes that "A draft Labour Market Strategy is currently underway". A Draft Kāpiti Horowhenua Labour Market Strategy was prepared in 2010 by Workforce Development: Nature Coast.</p>
	<p>Complete labour market SWOT analysis.</p>	<p>The June 2010 PAC notes that "Both Kāpiti and Horowhenua SWOT completed"</p>
<p>80% of respondents attending Nature Coast ETP courses are satisfied with the training provided.</p>	<p>Mar Qtr 2011 PAC reports 96% were satisfied with their training YTD.</p>	

Outcome 4: Constructive economic partnerships are generated.		
Activities	Measures	Annotated NCE Results
<p>Broker Central Government support and investment for individual enterprises or small clusters in the region which develops the supporting sectors of the Regional Economic Development Strategy.</p>	<p>Obtain \$120,000 in NZTE or other government agency grants for Kāpiti located enterprises each year of the 3 year contract.</p>	<p>In Jun 2010 PAC this was claimed as achieved over the year. According to March 2010 PAC, this was achieved in Mar Qtr 2011 alone for June Year 2011.</p>
<p>Facilitate liaison and cooperation with:</p> <ul style="list-style-type: none"> Wellington Regional EDA Business Kāpiti Horowhenua Vision Manawatu MidWest EDA EDANZ Government and government agencies. 	<p>Two joint projects are undertaken with other regions.</p>	<p>PACs (June 2010, Mar 2011 and June 2011) record this as being carried out, eg Wellington on a Plate, Bright Ideas Challenge (with Grow Wellington and Business Network Partnership (with Vision Manawatu)</p>
<p>Represent Kāpiti Horowhenua region in wider economic forums as appropriate.</p> <p>Refer Kāpiti Horowhenua businesses to wider regional opportunities for partnership and capability development where appropriate.</p>	<p><u>NCE will run at least 10 networking opportunities.</u></p>	<p>The 2010 Annual report notes that NCE in collaboration with Kāpiti Coast Chamber of Commerce runs the Women in Business Network, which has six networking evenings/year. Other networking activities include Table 4 Ten (four/year) and Electra Business Breakfast (19 in June Year 2010). This KPI is met.</p> <p>June Qtr 2011 PAC note.</p>
<p>Provide business networking opportunities.</p>	<p><u>5% increase in those attended networking opportunities from 2010-11.</u></p>	<p>New measure for 2011-12 – no data available</p>
<p>Communicate with principal funders regularly and informally:</p>	<p><u>80% of attendees are satisfied with the opportunities presented</u></p>	<p>New measure for 2011-12 – no data available</p>
<p>Formally at quarterly reporting sessions.</p>	<p>One major event with principal funders to profile sector issues.</p>	<p>June 2010 PAC record this as being carried out</p>
	<p>Recognise principal funders in all communications where appropriate</p>	<p>June 2010 PAC record this as being carried out</p>

Outcome 9: Food production and processing initiatives.		
Activities	Measures	Annotated NCE Results
Implement initiatives identified in the Regional Food Production and Processing Strategy from 1 July 2009	KPIs agreed with Councils by 1 July 2009.	According to 2010 Annual report, implementation was postponed until review of economic development strategy is complete. Since then, deletion of this outcome from 2011-12 means that NCE will not have a role in food/production processing initiatives in KCD.

6.3

OTHER REGIONAL ECONOMIC INFORMATION

In this section we assess other information collated by NCE as required under the contracted Outcome 1 measure:

NCE will collate other regional economic and business information and statistics and provide regional District economic analysis, together with comparisons with other comparable districts and regions, presenting to Councils quarterly

The *Economic Profile of the Nature Coast: Kāpiti and Horowhenua in 2009* report was prepared by BERL for NCE June 2010, following a similar report in 2008. The report contains BERL’s estimates of FTE employment, GDP and Business Units for Kāpiti Coast-Horowhenua, the two constituent districts. New Zealand, and some Wellington Region data is given for purposes of comparison. Data is presented at a seven-sector breakdown and a 53 – industry breakdown covering the period 1994-2009.

- The appended data tables are a valuable resource for assessing long-term trends in the structure of the economies of Kāpiti Coast District and its constituent Districts.
- “Long-term” performance of the Kāpiti Coast District Economy over the 10 years 1999-2009 is estimated to be:
 - 2.5% p.a. for FTE growth (ahead of NZ with 2.4%, and Wellington Region with 1.8%)
 - 3.1% p.a. for GDP growth (same as for NZ, and ahead of Wellington Region with 2.5%)
- More insight into the possible effect of NCE of the long-term performance of the Kāpiti Coast economy would be obtained by splitting this 10 year period into two five year periods.

- A range of indicators of economic activity are presented in the BERL *Economic Update of the Nature Coast* quarterly reports, and most are included in NCE's June 2011 quarterly presentations which supplement its June Qtr 2011 PAC. NCE reporting of economic indicators does not fulfil the contractual requirement to make "comparisons with other comparable districts and regions". Comparisons are only made with the national level, not with other districts or regions.
- The measures presented in the NCE presentation includes: unemployment beneficiaries, housing sales and median days to sell, vehicle registrations, residential building consents (floor area), non-residential floor area consents.
- NCE is not required under its contract to support the confidence of the household sector so we question that housing sales, residential consents and vehicle registrations are relevant indicators of NCE's performance.
- However, unemployment beneficiaries are a useful indicator of the labour market and have potential as a KPI.
- Non-residential building consents and non-building construction are a useful, if partial, indicator of investment. However, due to "lumpiness" of this investment, year-to-year variations are less significant than the trends smoothed over a number of years (refer p 13 of BERL *Economic Update of the Nature Coast – June 2011*) This needs to be allowed for in specifying a KPI based on this data. Again, comparisons should be made with other districts, not just with the national level.
- The other measure included in the BERL quarterly report is external departures (Arrivals and Departures). As this is not a direct measure of economic activity, and is only a partial measure of migration⁷ we agree with NCE not including it in its quarterly presentations to Kāpiti District Council.
- As part of reporting requirements, comparisons should be made with other districts including others in the Wellington Region, not just with the national level.

Unfortunately, NEC does not relate these measures to specific contract outcomes, objectives and measures. It is

⁷ Internal migration is not included; this is only measured in the Census of Population and Dwellings

difficult therefore for KCDC to judge how effective its contractual funding of NCE has been.

6.4

CONCLUSIONS ON NCE PERFORMANCE REPORTING

- NCE has largely met the requirements for reporting on the economic development measures
- As stated above (**Section 6.2**) for tourism outcomes, the June Quarter 2010 PAC reported on KPI-type "Measures". Since then there has been a shift to reporting on "Activities" in the PAC. Reporting on indicators has been now only in the Annual Report, and in presentations to the Kāpiti District Council that enlarge on the material presented in the PAC.
- The principal target for Kāpiti Coast-Horowhenua economic performance up to 2010 appears to have been that year to year FTE growth matches or exceeds national employment growth, but this has been dropped from 2011 reporting.
- NCE is achieving the KPI specified under the 2011-12 of Business satisfaction will be maintained at 80% or more
- The training needs analysis has not been reported on by NCE.
- The 2010 NCE Annual report notes that NCE had a three year contract with the Ministry of Social Development, the third year being signed in February 2010. A number of associated activities are outlined in the Annual report but not in the quarterly PACs.

6.5

CONCLUSIONS ON PROGRESS MADE TOWARDS ECONOMIC DEVELOPMENT OUTCOMES SPECIFIED IN THE CONTRACT

In answer to the RFP question ***What progress has been made towards the outcomes specified in the contract?***, we conclude with respect to each of the four economic development outcome in turn:

Outcome 2: Sustainable economic wealth is generated in the Region-District

- The principal target for Kāpiti Coast-Horowhenua economic performance up to 2010 appears to have been that year to year FTE growth matches or exceeds national

employment growth, but this has been dropped from 2011 reporting.

- This was not achieved in the year most recently measured (2009).
- However, due to statistical noise in Statistics NZ's Business Demography data (the basis for BERL's FTE estimates), annual variations can be misleading.
- We conclude that progress has been made in achievement of this outcome, with Kāpiti Coast District making more progress than Horowhenua. However, it is not possible to establish causality between NCE's activities and this outcome.

Outcome 3: The region District is one in which citizens have positive economic opportunities and options. These are available to all including youth, Maori, skilled workers and managers.

- No training needs analysis has been published by NCE.
- However, the 2010 and 2011 Annual Business Survey there are questions relating to training needs. These questions include on topics respondents would like to see offered in NCE courses, and scheduling and duration of courses that would suit them.
- The June Qtr 2011 PAC shows that training courses over the year ran at low capacity (33%), and the Enterprise Training has ended.
- A Draft Kāpiti Horowhenua Labour Market Strategy was prepared in 2010 by Workforce Development: Nature Coast.
- Due to absence of reporting it is not possible to assess how NCE is contributing to the employment skills of the region's workforce.

Outcome 4: Constructive economic partnerships are generated.

- NCE has a developing working relationship with neighbouring economic development agency Grow Wellington.
- NCE has a good working relationship with Kāpiti Coast Chamber of Commerce.
- NCE has been effective in providing networking opportunities (Women in Business Network, Table 4 Ten, Electra Business Breakfast).

- An intensive area of NCE activity is “Business Engagement”. Data included in presentation supplementing the June Qtr 2011 PAC indicates:
 - 86 new client meeting were held, along with;
 - 74 existing client meetings
 - 44 business assessments were prepared
 - 59 Action Plans were prepared.
- The Business Engagement meetings include informing client businesses of resources and services available to them. These include services NCE can provide itself (eg Business Advisory Board, enterprise training (formerly)) and external resources and services (mentoring, R&D funding, Capability Assessments) available from providers including government agencies and Grow Wellington.
- We conclude that NCE has made an effective contribution to this outcome.
- There is no effective working relationship with Positively Wellington Tourism, even though PWT has policy of listing Kāpiti Coast and Horowhenua attractions and activities on its website www.WellingtonNZ.com. We suggest a partnership with PWT would have benefits for the Kāpiti Coast-Horowhenua economy.
- The working relationship with Kāpiti Coast District Council appears to have improved at the official level since 2009, but there is scope for closer collaboration in formulation of, and adherence to, economic policy directions, priorities and initiatives.

Outcome 9: Food production and processing initiatives (2008-11 contract)

- NCE has not contributed directly to this outcome pending review of the economic development strategy by Kāpiti Coast District Council.
- This outcome is not included in NCE’s 2011-12 contract with KCDC.

6.6

CONCLUSIONS ON EFFECTIVENESS OF NCE IN DELIVERING ECONOMIC DEVELOPMENT OUTCOMES FOR KĀPITI COAST

- NCE has been effective in providing networking opportunities for Kāpiti Coast-Horowhenua business. This, along with its “business engagement” activities appears to be its most substantial contribution towards delivery of

economic development outcomes in Kāpiti Coast-Horowhenua.

- A promising example of effective partnerships is Kāpiti Coast District Council and Grow Wellington jointly developed the Otaki Clean Technology Centre, which opened in November 2010. The intention of the Centre is to house “clean technology companies and provide an environment for the commercialisation of research”.

NCE has become the head tenant in the Otaki Clean Technology, and administers the Centre on behalf of Grow Wellington and KCDC. A further aspect of this partnership is that NCE and Grow Wellington jointly fund the position of Business Growth Manager.

- Whether there is a causal relationship between NCE’s networking and other activities and this positive performance of the Kāpiti Coast District economy is not clear. This seems unlikely, however, given the very limited resources committed by NCE (refer **Section 4**) to economic development outcomes, relative to the number of businesses (some 4,800) in Kāpiti Coast District, all of whom are taking independent steps to improve their position in competitive markets and most of whom are neither members of, nor engaged with, NCE.
- NCE does not have a recognised. “economic leadership” role in Kāpiti Coast District. In the past, this role was assumed by the now defunct Joint Horowhenua Kāpiti Economic Committee (which reported occasionally to a wider forum) and NCE’s programme of activities was guided by it. At present, there is no publicly accountable body setting directions and priorities for NCE. In other words, it is a largely publicly funded body without continuous public oversight and accountability.

6.7

DOCUMENTARY REVIEW

We compiled and reviewed documents on the activities undertaken by NCE, over the period December 2004 to May 2011 to promote tourism and to foster (non-tourism) businesses in Kāpiti Coast District. Of particular interest were reports that linked NCE activities to specific, measurable outcomes/results.

Please refer to **Annex I** for a full list of documents reviewed as part of McDermott Miller’s Independent Review of NCE.

PART THREE: DETERMINANTS OF EFFECTIVENESS

Part Three includes:

- Section 7: Structure and Governance
- Section 8: NCE Financial Issues

7. STRUCTURE AND GOVERNANCE

7.1 NCE STRUCTURE

NCE is an incorporated society operating under its Constitution dated 15 October 2009. The principle terms of the Constitution are summarised below.

OBJECTIVES

Its objectives (Clause 4 of its Constitution) are to *develop, attract, maintain and encourage sustainable economic wellbeing and business prosperity in the Kāpiti Horowhenua Region*, as well as fostering employment rich projects, promoting and marketing visitor and business attractions, advising the (regional) business community, promoting interests of (regional) businesses and tourist communities to other agencies in New Zealand and overseas and co-ordinating business and tourism communities activities.

ROLE

NCE carries out the dual role of Regional Tourism Organisation ("RTO") and Economic Development Agency ("EDA") for the Kāpiti Horowhenua "region".

It is independent of other RTOs in the Wellington and Manawatu regions

Its role also overlaps that of *Grow Wellington*, the economic development agency for Wellington region (which includes Kāpiti Coast) and *Vision Manawatu*, the economic development agency for the Manawatu region (which includes Horowhenua District).

MEMBERS

The society's members are;

- individuals; and,
- companies, incorporated societies, government and local authorities and registered charitable trusts (collectively referred to as "Body Corporates").

NCE had one hundred and eighty one (181) members as at 16 September 2011, including Kāpiti Coast District Council and Horowhenua District Council.

VOTING RIGHTS

Each member, whether individual or body corporate, has one vote in all Annual General and Special General meetings of the Society, irrespective of their financial or other contribution to NCE's affairs.

This structure gives Kāpiti Coast District Council one vote out of 181 at Annual and Special General Meetings, whilst (as noted in **Section 4** of this report) it contributes around 30% of NCE's gross income by way of annual grant

One effect of these provisions is that NCE is independent of Kāpiti Coast District Council and Horowhenua District Council and therefore not in any way a Council Controlled Organisation ("CCO") or a Council Controlled Trading Organisation ("CCTO").

GOVERNANCE

NCE's current Constitution provides that the management and control of its affairs are vested in an eight person Board of Management which consists of:

- Three members elected by the society membership as a whole; plus
- Two members appointed by the Councils (one from each Council); plus
- One member appointed by the Kāpiti Horowhenua iwi organisations; plus
- Two additional members appointed by all other elected and appointed Board members.

The Chairperson is elected from amongst the Board members.

MANAGEMENT

The Board appoints the Chief Executive Officer (responsible for day to day operations), Secretary (responsible for secretarial functions) and Treasurer (responsible for all financial matters including management of NCE's funds) of the society.

WINDING UP

NCE may be wound up voluntarily by sequential Special General Meetings called for the purpose where not less than two fifths of the membership constitutes a quorum. Any surplus remaining after discharging NCE's debts must *be given or transferred to some other charitable organisation or body having objects similar to the objects of the Group [NCE] and in any event being for the benefit or promotion of the Kāpiti Horowhenua Region within New Zealand.*

In addition the Constitution provides: *Disposal shall be as directed by the Horowhenua District Council and the Kāpiti coast District Council or their successor, or if no successor, then as directed by the High Court of New Zealand.*

7.2

NCE CURRENT GOVERNANCE

The current Board of Management of NCE consists of:

- Three elected members, one of whom is the Chairman, plus
- Two councillors appointed by Kāpiti coast District Council; plus
- The Mayor of Horowhenua District; plus
- Two appointed members.

There is no iwi nominated Board member at present.

The current structure means Kāpiti Coast District Council has two votes out of eight on the Board and Horowhenua District Council has one vote out of eight.

7.3

BENCHMARKS

There are twenty nine RTOs recognised by the Ministry of Economic Development in New Zealand as at the date of this report.

A review of selected benchmark RTOs and EDAs shows:

- All councils and their associated RTOs have a formal contract between them specifying the outcomes or outputs council's require of their RTOs, the sums councils will pay for the delivery of the services contracted from

RTOs and the reporting RTOs are obliged to make to the councils.

- All RTOs are legally separate organisations from the councils which purchase services from them.
- RTOs are constituted in a range of legal structures. Some are limited liability companies (e.g. Tourism Nelson-Tasman Limited, some are incorporated societies (e.g. Destination Manawatu) and others are trusts (e.g. Partnership Wellington Trust, trading as Positively Wellington Tourism).
- Almost all governing Boards of RTOs contain a majority of independent persons as Board members irrespective of their legal structure, or whether they are Council Controlled Organisations ("CCOs), Council Controlled Trading Organisations ("CCTOs") or neither.
- The average Board size is around 6-8 members.

Table 7.1 below summarises governance structures over a range of selected RTOs and indicates their relative scale by operating expenditure for the financial year ended 30 June 2010.

Table 7.1: Comparison of Selected Benchmark RTOs – Governance Structures

RTO				
Name	Legal Structure	Governance Structure	Governance Appointment Power (owners/ controllers)	2010 Year Expenditure
Nature Coast Enterprise	inc society	8 person Board, 3 Councillor nominees, 5 independent persons	members elect independents, KCDC, HDC each appoint 1	\$1.6million
Positively Wellington Tourism	trust, CCO	8 person Board, 1 Councillor nominee, 1 council officer, 6 independent persons	Wellington City Council appoints all	\$10.3million
Destination Wairarapa	inc society	8 person Board, all independent persons	members elect 3 , MDC,SWDC,CDC, each appoint 1, Trust House appoints 2	\$0.8million
Destination Manawatu	inc society	7 person Board, all independent persons	members elect 4, Appointments committee of Palmerston North City Council, Manawatu District Council & Chair of society appoint 3	\$1.6million
Discover Wanganui	inc society,CCO	5 person Board, 2 Councillor nominees	Wanganui District Council appoints all	
Hawkes Bay Tourism Ltd	company	5 person Board, 1 Councillor nominee	HBWCTAI elects 4, HBRC appoints 1	\$0.9million
Western BoP Tourism Trust	trust, CCO	6-8 Person Board, all independents	Tauranga City Council, Western BoP Cncl	\$1.9million
Tourism Eastland	inc.society	9 person Board, 7 independent persons, 2 Councillor nominees	Subscribing members elect 7, Gisborne District Council appoints 2	\$0.4million
Destination Marlborough	ch.trust	6 person Board, all independent persons	subscribing members elect 4, MDC appoints 2	\$0.6million
Tourism Nelson-Tasman Ltd	company,CCTO	4 person Board, all independents	NCC and TDC appoint all	\$1.8 million
Tourism Waitaki (Waitaki Development Board)	company, CCO	4 person Board, all independents	Waitaki District Council appoints all	\$0.8million

Notes: All dollars are net of GST

Sources: New Zealand Companies Office, RTOs and local authorities

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On the other hand, there are fourteen recognised EDA regions in New Zealand. **Table 7.2** below compares governance structures over a range of selected EDAs and also indicates their relative scale by operating expenditures in the financial year ended 30 June 2010.

The number of EDAs is much lower than the number of RTOs but many local authorities handle economic development “in house” within these regions.

Features of EDA governance include:

- Little direct representation on their Boards by Councils which have the power to appoint Board members. **Table 7.2** below shows all of the selected EDAs have a majority of persons who are independent of the Council.
- Even where an EDA is a CCO, such as Venture Taranaki or Nelson REDA, the controlling council appoints independent persons to their Boards.

- The average Board size is around 6-7 members.

Table 7.2: Comparison of Selected Benchmark EDAs – Governance Structures

EDA				
Name	Legal Structure	Governance Structure	Governance Appointment Power (owners/controllers)	2010 Year Expenditure
Nature Coast Enterprise	inc society	8 person Board, 3 Councillor nominees, 5 independent persons	members elect independents, KCDC,HDC each appoint 1	\$1.6million
Grow Wellington	company, CCTO	8 person Board, all independent persons	GWRC appoints all	\$5.5million
Vision Manawatu	ch.trust	7 person Board, all independent persons	PNCC and Manawatu District Council jointly appoint 3, 4 appointed by an Appointments Committee of Massey Uni, Manawatu Chamber & Manawatu Standard	
Business Hawkes Bay	informal entity	Management committee	HB Chamber appoints committee members	\$0.05million
Venture Taranaki	ch. trust, CCO	6 person Board, all independent persons	New Plymouth District Council	\$3.5million
Priority One	inc society	12 person Board, 2 Councillor nominees, 10 independents	business members elect 10, Tauranga City Cncl and Western BoP Council appoint 2	\$1.3million
Nelson REDA	ch. trust, CCO	4 person Board, all independent persons	Nelson City Council appoints all	\$1.2million
Waitaki Development Bd	company, CCO	4 person Board, all independent persons	Waitaki District Council appoints all	\$0.8million

Notes: All dollars are net of GST

Source: Sources: New Zealand Companies Office, RTO' and local authorities

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7.4

CONCLUSIONS

- Like many RTOs and EDAs NCE is an incorporated society, but is not a CCO or CCTO.
- Also like all RTOs and EDAs it has a contract for services to be provided with NCE.
- All council's funding RTOs and EDAs also have the right to appoint members of their governing Boards. Most councils appoint independent persons to these Boards. Where councillors are appointed to Boards they form a minority of board members compared to the number of the number of independent persons. Appointment of councillors is therefore usually to ensure better communications and understanding between the delivery agency and the purchaser council and enhance accountability of the delivery agency to the respective council or councils.
- Unusually, NCE currently has a higher proportion of councillor nominee's on its Board, than is common experience elsewhere in New Zealand.

- However this representation does not give either Kāpiti Coast District Council or Horowhenua District Council, individually or combined, control of NCE at Board level.
- Nor does its vote as one member of 181 reflect the extent of the Council's support for NCE.
- It therefore does not have to agree a Statement of Intent with either council.
- Most regional EDAs are separate entities from RTOs within their region, although they do undertake joint activities from time to time (e.g. *Wellington on a Plate* promotion was a joint PWT/Grow Wellington activity).
- Almost regional EDAs are effectively controlled by one or more regional local authorities (Priority One being the largest exception), either through controlling their Trust Deeds and/or Board appointments, or by owning the entity outright (eg Nelson-Tasman Tourism Limited).
- NCE is therefore an unusual structure for delivering regional tourism and economic development services for the Council. This is because:
 - It is both an RTO and an EDA;
 - It services two non-homogeneous economies, across a major regional boundary, which are supported in terms of economic development by other major players (Grow Wellington and Vision Manawatu respectively).
 - The Kāpiti Coast District Council and Horowhenua District Council fund its activities, and ensure it is viable but have little or no control over it.
 - NCE's accountability is not to the Council as a whole. It is only accountable for the outputs of its contract with the Council.
 - As a consequence district wide economic leadership in the Kāpiti Coast is lacking.

8. NCE FINANCIAL ISSUES

This section of the report looks at how NCE receives revenue and how it is spent on its various functions and considers possible effects on the viability of NCE in the event contract renewal does not take place on 30 June 2012.

8.1 NCE'S FINANCIAL PERFORMANCE

ACTIVITIES

As noted elsewhere NCE's activities include operating three I-sites, promotion of tourist attractions, capability building through training workshops, industry specific networking, business advisory services and economic development activities.

REVENUE

Its principal sources of funding for these activities are:

- Grants from Kāpiti Coast District Council and Horowhenua District Council;
- Fees, commissions and charges for services provided by the I-sites;
- Business support for tourism promotion.

Table 8.1 below illustrates the financial performance of NCE activities in the form of a one financial year (30 June 2011) "snapshot" which shows:

- Combined Council contributions of \$750,000 amounted to 52% of NCE's total revenue.
- Other I-site sourced external revenue (\$487,000) made up another 34% of total revenue.
- All other external revenue (sponsorships, member fees, user charges and promotion support funded by businesses) amounted to another 9%.

- Central government contributed 3% of total revenue, Grow Wellington 2%.

In summary the Council's contributed around 52% of NCE's revenue and the private sector another 43%.

Table 8.1: Financial Snapshot: Operating Performance Year Ended 30 June 2011

ACTIVITY	REVENUE BY SOURCE				TOTAL	EXPENDITURE			SURPLUS/ DEFICIT	
	External \$	KCDC/H DC \$	Grow Wgtn \$	Central Govt \$		Payroll \$	Other \$	Rent \$		TOTAL \$
I-Sites										
Levin	215,444	69,996	0	0	285,440	105,078	148,771	9,750	263,599	21,841
Otaki	75,554	65,600	0	0	141,154	47,497	75,908	0	123,405	17,749
Paraparaumu	196,319	77,200	0	0	273,519	72,469	193,982	0	266,451	7,068
Sub-Totals	487,317	212,796	0	0	700,113	225,044	418,661	9,750	653,455	46,658
Economic Development	8,800	80,000	30,000	0	118,800	0	10,421	21,560	31,981	86,819
Tourism Training Workshops	58,790	54,999	0	0	113,789	0	131,992	21,560	153,552	-39,763
Business Advisory	13,237	0	0	0	13,237	0	8,503	0	8,503	4,734
Corporate	3,700	0	0	0	3,700	0	6,196	0	6,196	-2,496
Corporate	46,520	402,204	0	44,766	493,490	342,111	235,266	9,750	587,127	-93,637
TOTALS	618,364	749,999	30,000	44,766	1,443,129	567,155	811,039	62,620	1,440,814	2,315

Notes: All figures exclude GST

Source: Nature Coast Enterprise, September 2011

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EXPENDITURE

Although the allocation of expenditure on "corporate" activities to service activities is unclear to us and that is reflected in **Table 8.1** above, NCE's spending on tourist services (I-sites) and tourism development, (around \$800,000 or 56% before any allocation of corporate costs, is made), already dominated total expenditure in 2011.

Table 8.1 also shows no I-site is viable without a Council grant. In other words these I-sites cannot "stand-alone" financially as business units. Local people are the major source of visitors to I-sites. Around two thirds of visitors to the I-sites in the 2010 and 2011 financial years were from within the region. Essentially the I-sites are a source for locals to use, who apparently obtain information and make bookings for activities outside the Kāpiti District as well as from within the District.

On the other hand direct spending on economic development was a mere \$32,000 or 2% of total expenditure in 2011. Even if a substantial proportion of “corporate” spending is on economic development, tourism services and tourist development still dominates NCE’s activities when measured by financial expenditure. This pattern has been the case for some years past.

NCE estimates around 60% of visitors to the Kāpiti Coast come from within the Wellington Region, and less than 5% are international tourists. While Wellington region visitors contribute to the district’s economic activity by their spending in the district, this does not add significantly to national or district economic wealth.

Tourism is an important part of economic development, but it is only a sector of the economy, and other sectors may have greater potential for contributing to national GDP (and therefore Kāpiti District Economic value) by exporting their products from New Zealand. A detailed evaluation of the relative potential of business sectors in the Kāpiti District may well indicate greater returns from redirecting some of the resource available to NCE into broader based economic development, particularly in bringing new businesses and new investment capital to the Kāpiti Coast.

8.2

FUTURE VIABILITY OF NCE

In this section we consider the impacts of NCE losing its current contract with Kāpiti Coast District Council (and/or Horowhenua District Council) and whether it is likely to remain viable in this event.

POTENTIAL WITHDRAWAL OF CONTRACT

If either Kāpiti Coast District Council, or Horowhenua District Council was to let their present contracts for services with NCE lapse at 30 June 2012, NCE would suffer a substantial loss of income and capability, and become unable to carry out its present range of functions.

Presumably NCE would cut back its services in the event one or both of these contracts lapse, but NCE’s ongoing viability, would, in our view, be in doubt.

ALTERNATIVE FUNDING BY INCREASING MEMBER FEES

As noted above, the I-sites are not viable without Council support, so if NCE was to continue operating them it would need to fund the shortfall from other sources. **Table 8.1** above shows the net cost of the Kāpiti District I-sites excluding Council funding to be around \$140,000 in total in 2011. Funding this from say, the present membership paying more would require subscriptions from the 181 members to increase by an average \$780 per annum for this purpose alone.

Moreover withdrawal of Council funding will impact on tourism, economic development and corporate activities. Replacing even part of this funding by member subscriptions would push them beyond an average \$1,000 per annum (excluding GST).

Assuming the Council redirected its own funding to another entity or entities to deliver the economic development and tourism services it requires, then it is likely existing NCE members will switch their financial support to whatever entities that receive the benefit of Council funding for these purposes. This would further exacerbate the operational and financial difficulties faced by NCE.

OTHER POTENTIAL FUNDING SOURCES

Conceivably NCE could seek funding from other sources, but it is unlikely other government or regional agency sources would provide significant funding to NCE when an alternative Council-supported agency tasked to carry out the District's economic development or tourism promotion and development activities was also in operation, "competing" with NCE.

CONCLUSIONS

- NCE is fundamentally dependant on Kāpiti Coast District Council and Horowhenua District Council for its financial viability.
- If Kāpiti Coast District Council let its current contract with NCE lapse on 30 June 2012, and switches its funding and other support for economic development and tourism promotion to another entity or entities, NCE in its present form will become unviable, and probably will not survive in any form.

PART FOUR: FUTURE FOR NATURE COAST ENTERPRISE

Part Four includes:

- Section 9: Issues Arising
- Section 10: Recommendations

9. ISSUES ARISING

In this Section we examine the issues arising from the evaluation contained in the previous sections of this report.

9.1 CAN NCE SURVIVE WITHOUT COUNCIL FUNDING?

As noted in **Section 8: Financial Issues**, it is our view that withdrawal of Kāpiti Coast District Council funding by letting the present contract lapse on 30 June 2012, and redirection of the Council's funding to some other means of delivering the services currently delivered by NCE will make NCE unviable in its present form.

Moreover, it is likely Horowhenua District Council would let its own contract with NCE lapse on 30 June 2012 if Kāpiti Coast District Council does so, and, most existing members will follow the Council's funding to whatever entity does have the benefit of this funding in future. These actions would compound the difficulties facing NCE and, in our view, make it unviable in any form in the future.

9.2 WHAT IS WORTH SALVAGING FROM NCE?

As noted elsewhere in this report, NCE has successfully delivered a number of the outputs sought by the Council under its contract over time. However, in our view, NCE has focused too much of its effort and resource on tourism promotion and development and too little on economic development of other value adding industries in Kāpiti District.

It is important not to discard the activities and past efforts of NCE without careful consideration. The objectives of economic development and assisting tourism growth remain irrespective of the agency or other structure used by the Council to help achieve them. Existing activities that effectively support achievement of outcomes sought in the Council's future economic development strategy should be retained in some form or another.

In our view:

- NCE established relationships with complementary agencies, such as Grow Wellington need to be preserved;
- An I-site needs to be retained not only as an information site for Kāpiti District, but also as a gateway to the Wellington region as a whole;
- NCE initiatives attracting new businesses to the Kāpiti District should continue to be pursued more vigorously;
- Tourism promotion efforts in the future should be focused on drawing Wellington region visitors into the district; and,
- Industry specific networking could be transferred to an entity such as the Kāpiti Chamber of Commerce, which already operates an extensive networking programme in the district.

New initiatives should include:

- Attracting more investment capital to support new businesses locating in the district as well as existing businesses;
- Strengthening links with PWT to facilitate co-ordination of marketing strategies and activities, much as PWT does now with Destination Wairarapa and Nelson-Tasman Tourism;
- Establishing a leadership group, led by the Mayor, to co-ordinate and support major private sector investment initiatives by bringing together a range of Council functions and District and Wellington Region-wide agencies to work with new and existing investors on commercially sound projects; and,
- Providing clear leadership of an established economic development strategy.
- Dropping the "Nature Coast" brand and returning to, say, "Kāpiti Coast", or other brand that clearly identifies economic development and tourism promotion within the district with its name and location.

9.3

POSSIBLE FUTURE ROLES OF COUNCIL AND AGENCIES

Subject to the Council's decisions on its forthcoming economic development strategy and considering the practice adopted by benchmark councils, the Council should, in our view:

- Lead the implementation of its economic development strategy for the Kāpiti District directly;
- Establish a Mayor-led leadership group of the Council, key agencies and major stakeholders, to encourage and facilitate new investments and expanding existing ones in the District;
- Lead re-branding of the district away from "Nature Coast" returning to, say, "Kāpiti Coast";
- Manage the district's economic development function in-house by the appointment of an Economic Development Manager, charged with, amongst other things, attracting new businesses to the district, and working with other agencies to co-ordinate and maximise the advantages available to Kāpiti District from being part of the Wellington Region. Such an approach is likely to be supported by Grow Wellington;
- Use an agency to deliver its tourism objective tourism growth outcomes and RTO type functions, including operating an I-site. This agency could be a re-structured NCE, or a new agency established for the purpose, but it should be directly accountable to the Council as a CCO;
- Encourage PWT to act for the Council's RTO agency with international and domestic visitor marketing thereby allowing the RTO to concentrate on promoting the district for intra-regional visitation, as Destination Wairarapa does (with emphasis on leisure event marketing) and,
- Assist Kāpiti Chamber of Commerce to undertake the industry specific networking and workplace training functions presently undertaken by NCE.

9.4

FUTURE SITUATION OF NCE

Elsewhere in this report we have evaluated the performance, governance and operation of NCE. Our conclusion as a result is that NCE is unlikely to deliver the economic and tourism development outcomes for the Kāpiti District likely to be sought by the Council in future.

Assuming the Council withdraws its funding of NCE after 30 June 2012, NCE has two realistic options:

- Cease operations and wind-up; or,
- Be re-structured as the Kāpiti District RTO as briefly described in the previous section.

Restructuring would involve NCE shedding its:

- economic development functions to the Council;
- networking and training functions to, say, the Kāpiti Chamber of Commerce; but,

retaining management of the district's I-site(s) and tourism development and promotion functions.

Appropriate amendments to its Constitution would be required and the situation and future financial contribution of existing members clarified. It is likely the existing Constitution would need to be replaced with one tailored to the Council's requirements and consistent with NCE becoming a CCO.

Restructuring would also imply the withdrawal of Horowhenua District Council as a member of NCE and refocusing its activities on the Kāpiti District alone, but in the context of the Wellington Region as a whole.

However, a cleaner approach would be to create an entirely new agency to assume the Kāpiti-focused roles of NCE. This approach would enable the Council to design an agency that fits its requirements exactly and easily without difficulties caused by amending an existing structure.

9.5

BUSINESS COMMUNITY SUPPORT

The results of McDermott Miller's survey of the Kāpiti Coast business community showed strong support for a clear economic development strategy and vigorous leadership to ensure its implementation.

At the same time the business community expressed only luke-warm support for NCE's networking and training activities.

These views support the approach we have taken in addressing the issues arising from our review of NCE as summarised in this section of the Report.

10. RECOMMENDATIONS

10.1 BEST FIT MECHANISMS

This section contains McDermott Miller's recommendations for the future delivery of economic development and tourism promotion and development in the Kāpiti Coast and NCE's position as a delivery agency. These recommendations are based on our review of performance and governance of NCE in relation to its contracts with Kāpiti Coast District Council, assessment of a wide range of options available to the Council for delivery of economic and tourism development in the future, and consideration of New Zealand RTO and EDA benchmarks.

Our objective in presenting the following recommendations to the Council is to provide the Council with what we regard as a "best fit" means of delivering its economic development strategy in the future.

10.2 RECOMMENDATIONS

We therefore recommend the Council:

- Not renew its current contract with NCE which expires on 30 June 2012;
- Assume the role and tasks of an economic development agency, currently carried out by NCE, in house by appointing an Economic Development Manager whose tasks would include:
 - attracting new businesses to Kāpiti District;
 - help bring new investment capital to the District;
 - increasing access to Grow Wellington resources and others to achieve these objectives.
- Establish a new agency to operate as a Council Controlled Organisation performing as an RTO doing such things as:
 - running an I-site in the Kāpiti District;
 - sub-contracting international and domestic tourist promotion activities to PWT; and,

- running a Kāpiti Coast District Leisure and Events programme targeted principally at the Wellington regional market.
- Establish a Mayor-led strategic economic leadership group to encourage investment in Kāpiti Coast by the private sector.
- Encourage Kāpiti Chamber of Commerce to undertake the industry specific networking and training functions presently undertaken by NCE.
- Lead the rebranding of “Nature Coast” back to, say, “Kāpiti Coast”.
- Help to ensure an orderly winding up of NCE.

10.3

THE NEW STRUCTURE

Figure 10.1 below illustrates the recommended structure for governance and management of Kapiti Coast economic and tourism development.

Figure 10.1: Organisation Chart for Recommended Structure

