

Chairperson and Committee Members

ENVIRONMENT AND COMMUNITY DEVELOPMENT COMMITTEE

2 FEBRUARY 2012

Meeting Status: **Public**

Purpose of Report: For Decision

ECONOMIC DEVELOPMENT SERVICE DELIVERY OPTIONS

PURPOSE OF REPORT

- 1 This report seeks the Committee's approval for a recommended economic development service delivery option to support the implementation of the economic development activity area.

SIGNIFICANCE OF DECISION

- 2 The Council's Significance Policy is not triggered.

BACKGROUND

- 3 At its meeting of 16 December 2010, the Council agreed to review its economic development activities and services (Report SP-10-053 refers) and confirmed that:
 - this would include a full review of options for the delivery of services;
 - an economic development working party would be established to provide a governance overview for the review;
 - recommendations would be reported back to the Council before the end of 2011 and may be consulted on as part of the 2012 Draft Long Term Plan.
- 4 The Economic Development Review Working Party (the working party) was established comprising the Council's appointee to the Nature Coast Board, Councillor Wooding; the Council's appointees to the Horowhenua Kāpiti Joint Economic Development Forum, the Mayor, Councillor Church and Councillor Lester; and the Chair of the Environment and Community Development Committee, Councillor Gaylor.
- 5 Councillor Booth was subsequently appointed to the working party on 21 April 2011 (Mayor-11-204 refers).
- 6 On 26 April 2011 Te Whakaminenga o Kāpiti appointed two members to participate in the working party: Te Waari Carkeek, Tumuaki o Te Rūnanga o Raukawa, and Jennie Smeaton, Communications Advisor, Te Rūnanga O Toa Rangatira. Jennie Smeaton was subsequently unable to attend and the space remains to be filled.
- 7 The working party terms of reference are attached in Appendix 1.

- 8 During the course of 2011 the working party has met regularly. This has included:
- meeting with key stakeholders;
 - discussing strategy and service delivery options;
 - six weekly meetings with Nature Coast Enterprise for operations updates; and
 - a number of meetings which discussed potential promotional activity in the lead-up to the Rugby World Cup.
- 9 Background research has been commissioned to support the review resulting in a report by McDermott Miller Limited - Independent Evaluation of the Effectiveness of Nature Coast Enterprise (2011). The McDermott Miller report provides an input into the review of service delivery options. It evaluates the outcomes achieved through the contracts with Nature Coast Enterprise (NCE). The contracts with NCE cover the majority of Council's investment in service delivery for tourism and economic development.

CONSIDERATIONS

Issues with current economic development service delivery arrangements

- 10 For a number of years, there have been problems arising from the current economic development service delivery arrangements. These issues proved intractable to resolve which led to the decision to carry out the current review. Two key issues were particularly problematic:
- working with the governance level of Nature Coast Enterprise in order to address Council priorities for economic development;
 - a lack of transparency with respect to what Council funding was spent on and what outcomes arose as a result of that funding.

These issues are discussed in more detail below.

Current economic development service delivery arrangements

- 11 Until 30 June 2011, the Kāpiti Coast District Council participated in two broad economic development initiatives and structures. These two structures are complementary and participation in both reflects the complexity of the District's urban/ metropolitan and rural/ provincial links. These structures were:
1. A partnership with Horowhenua District Council. This includes a regional Kāpiti Coast/Horowhenua economic development strategy agreed in 2007, delivery of economic development and tourism services via a contract with Nature Coast Enterprise which has been in place since 2004, and support for Te Aho, the Kāpiti Horowhenua Māori Economic Development Strategy.

2. Involvement in the Wellington Regional Strategy which focuses on sustainable economic growth for the Wellington Region. The focus is on exports, centres of excellence, improvements to key infrastructure such as ports and broadband, as well as continued enhancement of regional form and systems as a key mechanism for assuring stable economic growth in the future.
- 12 Regional economic development activities are predominantly carried out by Grow Wellington and are funded through regional rates.
- 13 Local economic development and tourism services are primarily delivered through a contract with Nature Coast Enterprise and funded through districtwide rates. The joint contract with Horowhenua District Council expired on 30 June 2011 and was replaced with an individual contract with Nature Coast Enterprise which expires on 30 June 2012. Nature Coast Enterprise is an incorporated society and the two Councils have seats on its governance board. Nature Coast Enterprise is fully funded by the two Councils to run the tourism information services (i-Sites) in the two Districts and receives funding from other sources to deliver a variety of other programmes.
- 14 Māori economic development is supported through an individual contract with Te Arahanga o Nga Iwi for the delivery of the Te Aho Strategy.
- 15 In addition to these external structures the Council is also directly involved in economic development projects and activities which further the achievement of a number of the Council's leadership statements in the 2009 Long Term Council Community Plan. These include work to assess the rural productive potential and potential value of a local food economy in the Greater Ōtaki area and working to encourage and facilitate the development of the Ōtaki Clean Tech Centre and the Energise Ōtaki Vision.
- 16 Alongside the local economic possibilities, the work into the rural productive potential will inform the options being explored through the District Plan Review to encourage a diverse, resilient network for local urban and rural food production.

Outcomes delivered for the Kāpiti Coast from current service delivery arrangements

- 17 Council has feedback on satisfaction with services delivered from a number of sources.
- 18 The 2011 residents' opinion survey rated Council's support for business in the low importance-low satisfaction category, that is, 65% rated important, 20% satisfied, 35% unsure about satisfaction. However, the importance rating does place the activity right on the border of high importance. There is also an indication that residents may be unaware of the services that Council does offer. Given that these services are targeted at specific users, this is not surprising because many residents would not have reason to use them. The underlying theme of the criticism seems to be frustration with slow Council processes and a perceived unfriendliness to business.

Contracts with Nature Coast Enterprise

- 19 An evaluation of service delivery¹ from the contracts with Nature Coast Enterprise (NCE) highlighted some successes and a number of issues. It concluded that:
- The structure of NCE as an incorporated society with small membership which controls the Board and management does not fit well with the two Councils being the major funders, i.e., only one vote for each Council of 181 total votes while the two Councils supply 45% of the funding.
 - NCE is carrying out activities which are contributing to tourism and economic activity in the Kāpiti-Horowhenua Region, but no causal relationship can be established between improvements in the District's tourism and economic activity measures and NCE's activities. It should be noted that this is not unusual and it is fairly common for it to be difficult to track the effects of an economic development agency's activities.
 - Tourism and employment growth has been concentrated in Kapiti Coast District rather than Horowhenua District.
 - NCE is no longer widely recognised by stakeholders as a leader in the development of economic strategies. However it apparently still has recognition and cooperation from the local tourism industry for its promotional and networking activities.
 - Since the disestablishment of the Horowhenua/Kāpiti Coast District Councils Joint Economic Development Forum, NCE may have lost its mandate in the eyes of the business community. 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.
 - The large majority of NCE expenditure in Kāpiti has been spent on tourism outcomes. The relative position of the tourism sector in Kāpiti to the rest of the region has been maintained which is positive but it is very difficult to draw a link between NCE activities and that success.
 - 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 (as opposed to tourism) in Kāpiti Coast-Horowhenua.
- 20 The evaluation also highlighted some issues to do with the terms of the contracts with NCE. It is very difficult to establish clear links between NCE activity, outputs required by the contracts and tangible economic development and tourism outcomes for the Kāpiti Coast.
- 21 While the Council provides a substantial amount of funding to NCE, it has little or no control over its activities other than what is specified in the contract. As the

¹ McDermott Miller Limited, 2011. Independent evaluation of the effectiveness of Nature Coast Enterprise

contracts have been relatively weak as a consequence of the joint arrangements with Horowhenua District Council since 2004, Council's capacity to influence activities has been relatively weak and ineffective.

Contracts with Te Arahanga o Nga Iwi

- 22 Since 2007, Council has supported the implementation of *Te Aho, the Kāpiti Horowhenua Māori Economic Development Strategy* by providing some funding to Te Arahanga o Nga Iwi – approximately \$40,000 per year – which has generally contributed to staff resources and administration.
- 23 Te Aho is not a legal entity. It is a collective of Iwi groups, their respective hapū and other Māori and Government organisations, and a strategy that moves across the whenua of five Iwi and the territories of Kāpiti Coast District Council and Horowhenua District Council. Te Aho is an example of Māori collaborating with others to enhance the wellbeing of the Māori community. As projects are developed by the groups, one or more members will apply and receive funding for that project. In the expanded rohe, Te Aho is now accountable to a population of 76,000 Māori, with five iwi, 36 hapū and almost 300 Māori businesses.²
- 24 In recent times projects which Te Aho has been involved with include:
- Te Aho Fit for Funding Seminar;
 - National Māori Business Network – Kotuitui;
 - Mauri Manaaki Tangata – Māori tourism strategy;
 - Fibre optic broadband loop;
 - Reo FM;
 - delivery of Whanau Ora services.³
- 25 Because of the expansive and dynamic nature of Te Aho, it is difficult to identify specific outcomes which have accrued to Māori in the Kāpiti Coast District. However, given the wide range of activities undertaken, it is likely that there has been some benefit.

The Wellington Regional Strategy and Grow Wellington

- 26 The Wellington Regional Strategy (WRS) is a sustainable growth strategy that aims to make Greater Wellington an internationally competitive region which attracts skills and investment by offering a great lifestyle and job opportunities supported by a strong economy. In August 2007 the Council agreed to sign the Wellington Regional Strategy Multilateral Agreement. The Agreement sets out the protocols around the establishment, role, and operation of the WRS Committee established by Greater Wellington Regional Council (GWRC.) It also details the funding of activities, including economic development, under the umbrella of the WRS. It effectively commits the Kāpiti Coast District Council to

² Māori Economic Taskforce, 2011. He Oranga Hapori: A model for raising Māori community wellbeing, pages 25, 53

³ Te Aho Quarterly Report (July to October 2010)

participation in the implementation of the Wellington Regional Strategy until 30 June 2012.

- 27 Under the Agreement, GWRC sets a targeted regional economic development rate to fund the activities of Grow Wellington, the regional economic development agency charged with the delivery of the economic aspects of the Wellington Regional Strategy. Grow Wellington delivers a range of services and programmes to support business growth throughout the Wellington Region with the broad goal of increasing export potential. Key areas of activity are: facilitating the development of centres of excellence in specialist fields; working in priority regional sectors with high potential for growth; and support and growth of individual businesses as the basis for future priority sectors and centres of excellence.
- 28 In the Kāpiti Coast District, Grow Wellington is active in the establishment of the Clean Tech Centre in Ōtaki as part of the regional Sustainable and Renewable Energy Centre of Excellence. Other work Grow Wellington carries out in the regional priority sectors of food and beverage and primary industry has synergies with the focus area of food production and processing identified in the 2007 Kāpiti Horowhenua Economic Development Strategy.
- 29 Conditions of the Agreement include a review of the effectiveness of the Wellington Regional Strategy by 30 June 2011. As part of this, in June 2011, Council reaffirmed its commitment to the Wellington Regional Strategy with the aim to improve the accountability of Grow Wellington and strengthen governance of the Strategy and implementation.
- 30 Regional economic development activity will address a range of macro regional issues which no one territorial authority can address on its own. It will provide a framework within which specific local strategies can work and link to the regional initiatives. The two levels of activity are complementary.

Draft Strategy for Supporting Economic Development on the Kāpiti Coast

- 31 In order to be able to progress the review of service delivery options, the Economic Development Review Working Party agreed that a draft economic development strategy should be prepared first so that service delivery can be designed around the implementation of the strategy.
- 32 At its 6 December 2011 meeting, the Committee considered and approved a recommended approach for the Draft Strategy for Supporting Economic Development on the Kāpiti Coast (Report SP-11-368 refers). It was agreed that the approved approach would be developed into a formal stand-alone document consistent with other Council strategies and suitable for public consultation as part of the Long Term Plan process in April 2012.
- 33 The *Draft Strategy for Supporting Economic Development on the Kāpiti Coast* is discussed in a separate report on the 2 February 2012 agenda for this Committee (SP-12-460 refers).
- 34 In summary, the draft Strategy is framed around two key strategic purposes:
- To make Kāpiti a great place to live, work and play.
 - To lay the foundations and set the direction for the likely transformation of the economy over the first half of the 21st Century.
- 35 The strategic purposes are underpinned by three strategic focus areas and a number of key projects – see Table 1 below:

Table 1: Recommended strategic focus areas and key projects

Strategic focus areas	Key projects
Innovation and positioning	Clean (sustainable) technologies Responsive Council Marketing the District as a place for economic development innovation
Creation and capture of added value	Māori economic wellbeing and business development Food and beverage - growing the local food economy Health/retirement sector – working with the retirement sector around growing skills, innovation and education value add Construction sector – growing technology, skills, adaptability and the range of products Broadband
Growing the base	Tourism Business support, attraction and retention services Town centre development Workforce skills and development

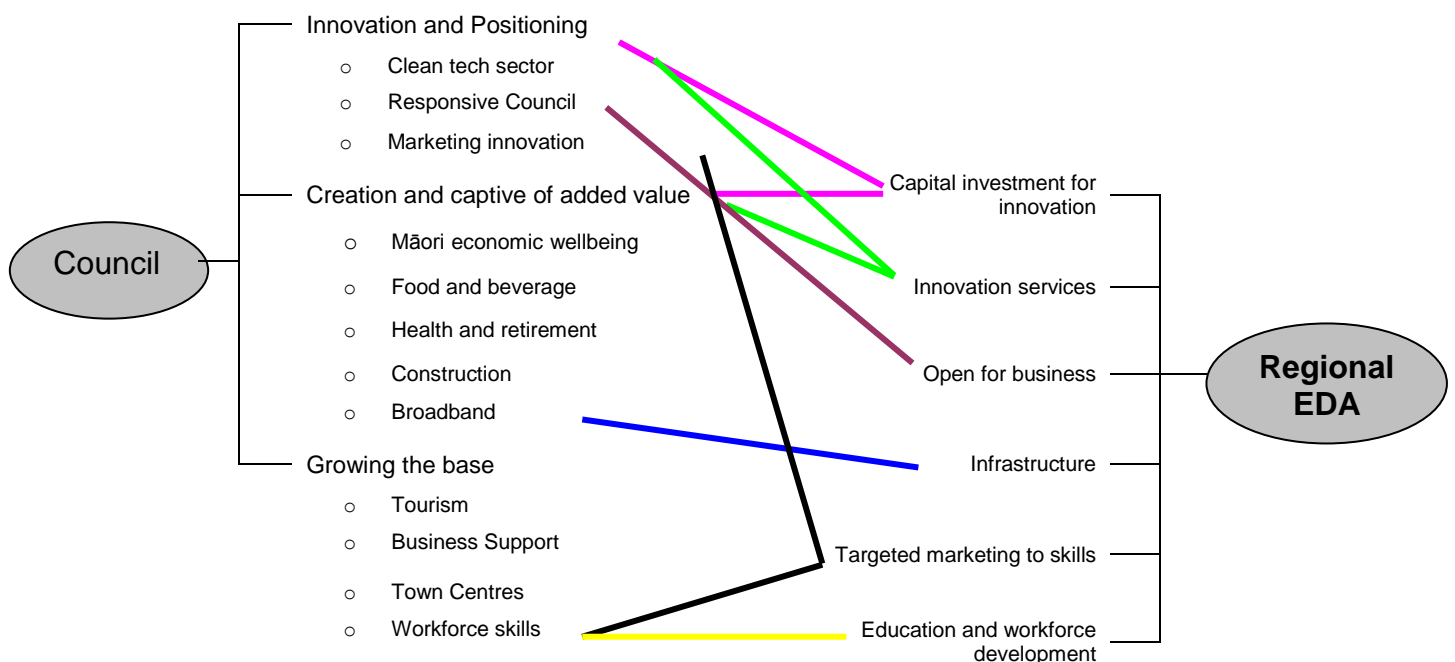
Regional economic development

36 Recent discussions in the Wellington Region Mayoral Forum have identified that a regional economic development strategy should be developed based around six key areas:

- capital investment for innovation – the creation of a capital markets forum;
- innovation services – for technology driven innovation and including the Clean Technology Centre and Creative HQ;
- ‘open for business’ – capacity of councils to be responsive to business;
- world class infrastructure – broadband, long-haul flights, the port, sub-regional infrastructure such as irrigation in the Wairarapa;
- targeted marketing to attract business, investment and talent;
- education and workforce development.

37 These key areas focus on a range of macro regional issues which no one territorial authority can address on its own. The strategy is expected to provide a framework within which specific local strategies can work and link to the regional initiatives. The direction and focus of the Wellington Regional Sustainable Economic Growth Strategy is complementary to the direction of the draft economic development strategy (SP-12-460 refers). The relationship between these six key areas and Council’s draft strategy is set out in Diagram 1 below:

Diagram 1: Relationship between regional focus areas and Councils’ focus areas



Service delivery options

- 38 Three main service delivery options have been considered:
1. Retain the status quo which is a combination of in-house delivery and contracted service delivery through Nature Coast Enterprise (the Horowhenua and Kāpiti Coast Economic Development Agency) and Te Arahanga o Ngā Iwi (Kāpiti Horowhenua Māori Economic Development agency);
 2. Contract out the entire economic development activity function other than high level strategic work and contract management; and
 3. A combination of increased in-house delivery and contestable contracts for service delivery for specific activities.
- 39 The following criteria have been used to assist with evaluating the three options:
- capacity to implement the economic development strategy;
 - provides strong Council governance and oversight;
 - provides strong accountability to Council and community;
 - provides value for money;
 - capacity to deliver services and meet needs of end users;
 - credibility with business community;
 - credibility with Tangata Whenua.
- 40 Common to all these options is an expectation that Council will retain control of the strategy, direction and leadership for the economic development activities that it undertakes in the Kāpiti Coast District.
- 41 The three options are discussed below. A summary of the comparative evaluation of the three options is appended to this report in Attachment 3.

Option 1 – Retaining the current service delivery arrangements

- 42 When considering the outcomes delivered by the status quo (see above discussion), there is little direct evidence that the status quo has delivered the type of economic development envisaged in the 2007 Kāpiti Coast/Horowhenua Economic Development Strategy.
- 43 The current arrangements have not provided the Council with sufficient governance control and oversight. Due to the governance structure of Nature Coast Enterprise, Council has not been able to influence activities and outcomes to the extent considered necessary to ensure good outcomes for the community. In addition, the contracts with Nature Coast Enterprise have not been adequate to provide strong accountability to the Council and community.

- 44 Because of the difficulty with establishing outcomes, it is not clear whether the current arrangements have provided value for money to the Council and community.
- 45 It is therefore not recommended that Council continue with the status quo.

Option 2 - Contracting out the entire economic development activity function

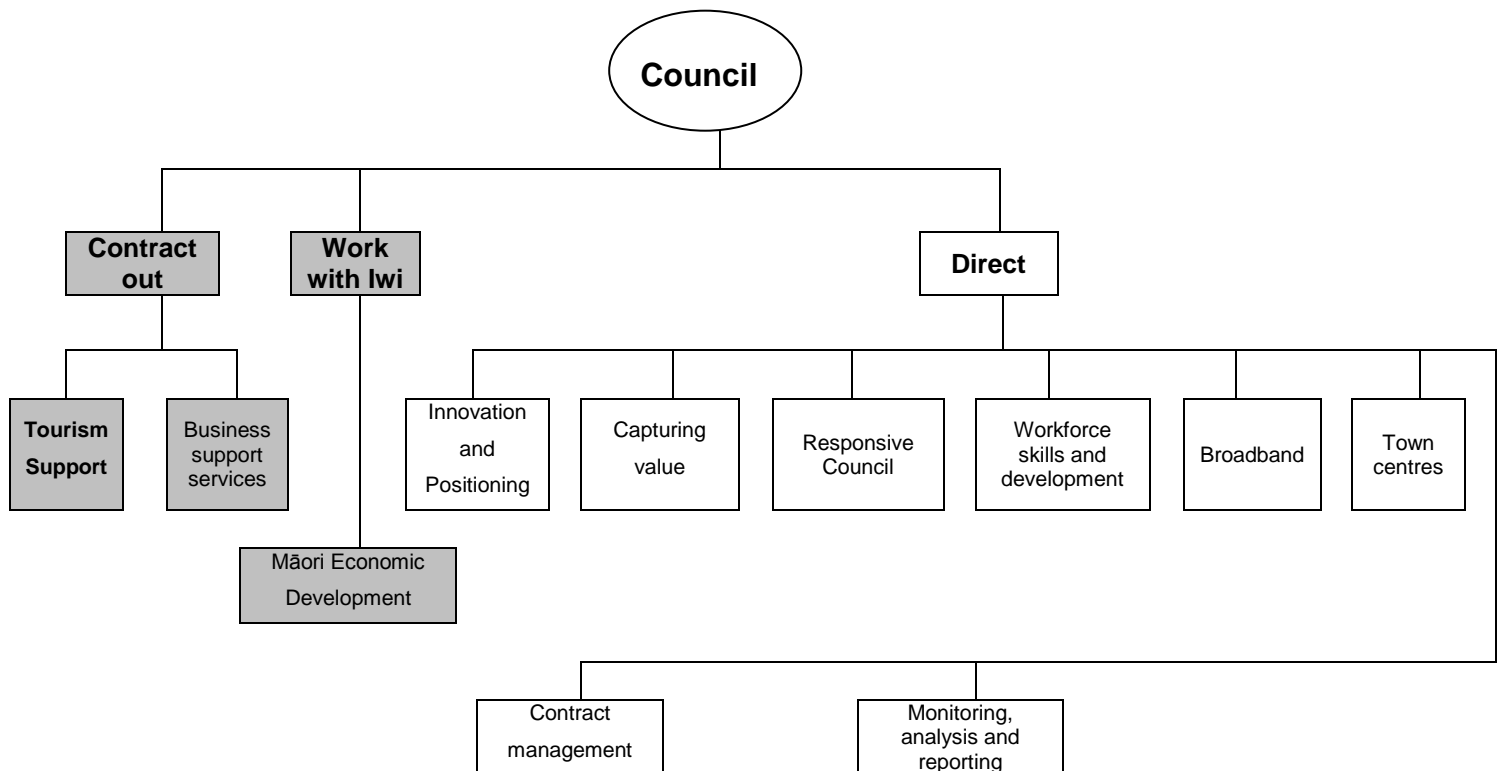
- 46 Under this option, all economic development service delivery activity would be contracted out except the capacity to set the strategic direction and manage the contracts. The Council would not undertake the delivery of economic development activities directly.
- 47 In theory, the contractual process could ensure that Council contracts with an organisation:
- capable of delivering the economic development strategy;
 - capable of delivering services and meet needs of end users;
 - with credibility in business community;
 - with credibility with Tangata whenua.
- 48 The terms of any contract could provide:
- clear definition of outputs and outcomes;
 - strong Council governance and oversight;
 - strong accountability to Council and community;
 - value for money.
- 49 However, such an arrangement would require a broad based contractual arrangement. Experience to date underlines how difficult it can be for the Council to gain sufficient governance control, accountability and oversight to ensure good outcomes from this type of arrangement. This option runs the risk of ending up much like the current arrangement with Nature Coast Enterprise.
- 50 In addition, the draft economic development strategy is a multi-faceted strategy which requires a range of specialist skills to implement successfully. This may be hard for one organisation to cover and, at the present time, there does not seem to be any obvious potential candidates. The Council might need to facilitate the establishment of a new organisation which would be time consuming and require additional resources.
- 51 For these reasons Option 2 is not recommended.

Option 3 - increased in-house delivery and contestable contracts for service delivery for specific activities (proposed option)

52 Option 3 is a combination of increased in-house delivery while contracting out some specific activities. This is the option selected by the Economic Development Review Working Party as its preferred service delivery option.

53 The proposed delivery structure is set out in the chart below:

Chart 1: Proposed delivery structure



54 The structure is designed around delivery of the draft economic development strategy (refer to Table 1 above and Report SP-12-460).

55 Under this option the strategic focus areas, *Innovation and Positioning* and the *Creation and Capture of Value*, would be lead and delivered in-house. This will require additional staff, one to focus on the clean technology sector and the other to facilitate activity in the food, health/retirement and construction sectors. Under this proposal, assuming in-house delivery is delivering the expected results, a third person could be added in Year 3 of the 2012 Long Term Plan to enhance delivery of the strategy's outcomes.

56 Delivery of the *Responsive Council* key project would be undertaken in-house using existing resources mainly. This project is primarily about developing or adapting existing processes or functions. It will include reviewing consenting processes to provide a more proactive, customer focused service. New in-house economic development staff will also be employed to act as a single point of contact for major business enquiries and opportunities.

- 57 Broadband development will continue to be delivered through existing in-house resources. *Town centre development* will also continue to be delivered through existing in-house resources and staff will seek to leverage opportunities to support economic development where appropriate. Projects related to *workforce skills and development* will initially focus on identifying gaps in training opportunities and skills and investigate solutions for filling the gaps so this can also be delivered using current in-house resources
- 58 Those activities which it is proposed to contract out are *tourism* (including i-site management) and *business support services*. These are discrete areas in which Council lacks expertise and credibility with business and could be delivered better by others with experience in these activities. The contracts would be let using a contestable process.
- 59 This proposal will require an increased contract management and monitoring and reporting capability. There is existing resource within the Strategy and Partnership Group that can carry out this function.
- 60 At the present time, it is unclear how *Māori economic wellbeing* activities will be delivered. Council is committed to developing an economic development plan for Māori in partnership with iwi and facilitated by Te Whakaminenga o Kāpiti. It is expected that this process will produce recommendations that the Council can consider in due course. The goal is to have a plan by the end of June 2012.
- 61 This option requires an increase in funding which is discussed later in this report.

Recommended option

- 62 The recommended option is Option 3 as outlined above. Delivering services directly has the strongest capacity to:
- provide strong Council governance and oversight;
 - provide strong accountability to Council and community.
- 63 A mix of in-house delivery and contracts for specific activities will ensure the capability of entities to deliver services and meet needs of end users, credibility of entity with business community, and credibility of entity with Tangata whenua.
- 64 Overall this provides the best option to ensure the delivery of the economic development strategy and provides value for money.

Implementing the recommended option

- 65 Should Council adopt the recommended option, the proposal will need to be included in the Draft 2012 Long Term Plan and be consulted on as part of that process. This includes the additional expenditure proposed in the draft budget – see discussion below.
- 66 However, the current contracts with Nature Coast Enterprise and Te Arahanga O Nga Iwi end on 30 June 2012. If the Council wants to ensure a smooth transition from current to new arrangements, activity will need to begin immediately to ensure that transition.

- 67 In particular, the contestable process for the tourism and business support services contracts will need to start soon so that the contracts can be let and the new contractor(s) are ready to start on 1 July 2012. The expenditure budgeted for this is \$534,850.
- 68 This level of expenditure does not require an increase in funding to the economic development activity area, thus enabling Council to proceed prior to completing the 2012 Long Term Plan process. Financial considerations are discussed further below.
- 69 Staff will also need to work closely with existing contractors, particularly Nature Coast Enterprise, to ensure the continuation of services over the next six months and assist with the transition to new contractors.
- 70 At this stage, given the commitment to work with local iwi on an economic development plan, it is unclear whether the Council should continue to fund Te Arahanga O Nga Iwi. This can be reviewed as part of the process for preparing the Māori economic development plan.

Emerging initiative

- 71 An opportunity has arisen to support the future development of the Clean Technology Park at Ōtaki. A report providing more information on this initiative will be presented to the 16 February 2012 meeting of the Corporate Business Committee for its consideration.

Financial Considerations

- 72 In conjunction with the economic development activity review, a draft budget for implementing the Draft Strategy has been prepared. Council has previously been briefed on the draft budget. This budget is not yet set. It will come to Council for consideration as part of the 2012 Long Term Plan.
- 73 As noted above, Option 3 will require an increase in expenditure. The draft budget indicates an increased expenditure of \$198,295 in Year One will be required compared to the current budget. This is consistent with the Council having identified economic development as one of its key priorities.

74 Current funding is set out in Table 3 below.

\$518,870	Service providers
	\$479,000 Nature Coast Enterprise
	\$39,870 Te Arahanga O Nga Iwi
\$208,860	Other activities
	\$31,410 events fund
	\$42,000 i-site rental
	\$78,525 projects
	\$26,175 special attraction fund
	\$30,750 Ōtaki economic projects
\$110,909	Overheads
\$838,639	TOTAL

75 The proposed budget is summarised in Table 4 below. The detailed draft budget and assumptions will come to Council for its consideration as part of the 2012 Long Term Plan process.

	Sum of Budget 12/13
Innovation and positioning	180,000
• Includes support for clean tech businesses, innovation projects and funding and marketing	
Creation and capturing of added value	170,000
• Includes support for Maori economic wellbeing projects and capturing value in the food and beverage, health and retirement, and construction sectors	
Growing the base	534,850
• Includes Tourism support and business support and attraction	
Other funds	
• Business awards support	15,000
Other direct costs	110,909
	\$1,010,759

76 Included in this budget, are two full time equivalents (FTE) which will work on the Innovation and Positioning and Capturing Value focus areas. These positions currently exist within Nature Coast Enterprise and will essentially transfer over to Council. One FTE will focus on the clean tech sector. This position is currently part funded by Grow Wellington and Nature Coast Enterprise. Grow Wellington has indicated that it will continue part funding this position. The second FTE will

focus on the food and beverage, health and retirement, and construction sectors. There is also provision in the draft budget for a third FTE from Year 3 provided a good track record of successful delivery has been established.

- 77 The detailed draft budget also includes capital expenditure in the order of \$1.5 million for a loan for the development of the Clean Tech Park. It is important to note that the loan will be cost neutral over a period of 10 years. Operating expenditure to cover costs associated with the loan is included in the proposed budget outlined in Table 4 under Innovation and Positioning.
- 78 Not all key project areas identified in the draft Strategy are funded through this activity area. Broadband investments and Town centre developments are funded through other activity areas. Approximately \$220,000 has been invested in broadband over the last 3 years mostly in the Ōtaki area and Te Roto Drive. Between \$500,000 - \$ 1 million per year has been budgeted for town centre developments.

Legal Considerations

- 79 There are no legal considerations at this time.

Delegation

- 80 The Committee may make a decision under Section B1 of the Governance Structure approved by Council on 21 April 2011:

“6 Generally... this delegation provides authority to exercise all functions, duties and powers relating to all matters assigned to this Committee... where financial provision has been made for the decision or activity in the LTCCP or Annual Plan, and where the action proposed is not contrary to established Council strategy and/or policy, or the power of delegation”.

Also relevant is para 5.2:

‘Oversee the development (within any wider existing strategic framework) of social and economic community policies associated with promoting the social, economic, environmental and cultural wellbeing of the District; ...’

Consultation

- 81 The Working Party has had discussions with the Kāpiti Coast Chamber of Commerce on its vision for economic development in Kāpiti and what the strategy should cover. It has also discussed Māori economic development needs with representatives of Te Whakaminenga O Kāpiti. It has met with Grow Wellington, businesses at the Clean Tech Centre at Ōtaki and Te Arahanga o Nga Iwi.
- 82 The Kāpiti Action Group facilitated a group of key business people in Kāpiti to develop a vision for economic development and ideas on what needs to be delivered. Council provided some funding to support this process. This resulted in a vision document called ‘Envisioning an economic future for Kāpiti – 2031’. The document explores what the economy could look like by 2031 and how that could benefit the Kāpiti community. There is also a section on ‘cross-cutting

themes' where the themes common across several sectors are described in more detail. There are strong similarities between this vision with the direction outlined in the draft economic development strategy.

- 83 Formal consultation on the strategy will be carried out along side the 2012 Long-Term Plan.

Policy Implications

- 84 The policy implications arising from the economic development review are addressed in Report SP-12-460. The report proposes a new economic development strategy. However, the proposed strategy is broadly consistent with the strategic direction set out in the 2009 Long Term Council Community Plan and the 2010/11 Annual Plan.
- 85 The proposed strategy and service delivery option (once confirmed), will be incorporated in the draft 2012 Long Term Plan and be subject to review and consultation as part of that process.

Tāngata Whenua Considerations

- 86 A Te Whakaminenga O Kāpiti representative participates in the Working Party to facilitate input to the review from Tāngata whenua. Discussions have also been held with other members of Te Whakaminenga O Kāpiti. As a result, it is proposed that the Council works with iwi to prepare and implement a Māori Economic Development Plan which is linked to this strategy. The plan development will be coordinated through Te Whakaminenga o Kāpiti.

Publicity Considerations

- 87 The majority of opportunities for publicity and media releases will initially occur as part of the consultation process on the draft Strategy.
- 88 There is some potential for negative media on the outcome of the service delivery review. Some media activity may be appropriate to address that should it arise.

CONCLUSION

- 89 Three main service delivery options have been considered:
- Retain the status quo which is a combination of in-house delivery and contracted service delivery through Nature Coast Enterprise (the Horowhenua and Kāpiti Coast Economic Development Agency) and Te Arahanga o Ngā Iwi (Kāpiti Horowhenua Māori Economic Development agency);
 - Contract out the entire economic development activity function other than high level strategic work and contract management; and
 - A combination of increased in-house delivery and contestable contracts for service delivery for specific activities.

- 90 Option 3 is the recommended service delivery option.
- 91 A mix of in-house delivery and contracts for specific activities will ensure the capability of entities to deliver services and meet needs of end users, credibility of entity with business community, and credibility of entity with Tangata whenua. Delivering services directly has the strongest capacity to provide for strong accountability, governance and oversight.
- 92 Overall this provides the best option to ensure the delivery of the economic development strategy.

RECOMMENDATIONS

- 93 That the Environment and Community Development Committee adopts Option 3 as set out in Report SP-11-449 as the recommended option for delivering economic development activities.
- 94 That the Environment and Community Development Committee notes that formal consultation on the recommended service delivery option will be carried out as part of the draft 2012 Long-Term Plan.
- 95 That the Environment and Community Development Committee notes that the contestable process for the tourism and business support services contracts will start immediately in order to ensure new contractor(s) are ready to start on 1 July 2012.
- 96 That the Environment and Community Development Committee notes that as set out in the terms of reference attached in Appendix 1 to Report SP-11-449, the Economic Development Review Working Party, having made its recommendations to this Committee, has now completed the work it was convened to achieve.

Report prepared by:

Philippa Richardson

Strategic Projects Manager

Approved for submission by:

Gael Ferguson

**Group Manager Strategy and
Partnership**

ATTACHMENTS:

1. Economic Development Review Terms of Reference
2. Summary of the evaluation of the three service delivery options

Attachment 1**ECONOMIC DEVELOPMENT REVIEW****TERMS OF REFERENCE****Membership of Working Party**

Mayor

Councillors:

Roger Booth

Ross Church

Penny Gaylor

Tony Lester

Hilary Wooding

Te Whakaminenga representatives:

Te Waari Carkeek

Jennie Smeaton

Meeting schedule

At least 6 weekly to coincide with Environment and Community Development Committee meetings and other workshops and meetings on an as needed basis.

Background

The Council currently participates in two broad economic development initiatives and structures. These two structures are complementary and participation in both reflects the complexity of the District's urban/ metropolitan and rural/ provincial links. These structures are:

- a northern focus, in partnership with Horowhenua District Council
this includes a regional Kāpiti Coast/Horowhenua economic development strategy agreed in 2007, delivery of economic development and tourism services via a contract with Nature Coast Enterprise (NCE) which has been in place since 2004, and support for Te Aho, the Kāpiti Horowhenua Māori Economic Development Strategy
- Wellington Regional Strategy, with a focus on sustainable economic growth for the Wellington region
the focus is on exports, centres of excellence, improvements to key infrastructure such as ports and broadband, as well as continued enhancement of regional form and systems as a key mechanism for assuring stable economic growth in the future.

Regional economic development activities are predominantly carried out by Grow Wellington and are funded through regional rates. Local economic development and tourism services are primarily delivered through the contract with NCE and funded through District wide rates. The Council also has a contract with Te Arahanga Ō Ngā Iwi, the local Māori economic development agency, to assist with the development and subsequent implementation and monitoring of Te Aho, the Kāpiti Horowhenua Māori Economic Development Strategy. The current contracts expire on 30 June 2011 but have been rolled over for a further 12 months pending the outcome of this Review.

Scope of review

This Working Party is not a decision-making group. Its role is to provide a governance perspective to officers, to oversee the process of the review and to provide input into recommendations by officers to the Environment and Community Development Committee (ECD) for decision.

Objectives

To work with officers on the preparation of recommendations to ECD on:

- ▶ desired economic development outcomes for Kāpiti Coast District
- ▶ the need for and desirability of Council involvement
- ▶ delivery options including the role and nature of Council's involvement

Working Party activities and roles

- ▶ Identify opportunities for collaboration with other TAs;
- ▶ Hold discussions with key stakeholders including NCE, the Chamber of Commerce and Horowhenua District Council and provide a first point of contact for them;
- ▶ Provide a governance perspective to staff supporting the Review;
- ▶ Oversee Review progress;
- ▶ Ensure communication with Council, stakeholders and community is appropriate and timely;
- ▶ Meet with Chair and Chief Executive of Nature Coast (NCE) on a 6-weekly basis to receive an operations report, set the direction of activities if changing circumstances require a different response (particularly with reference to the Rugby World Cup 2011), and provide direct liaison between Council and NCE for the duration of the Review.

Review process and timeline

Stage 1 March – May 2011

Identify options for the economic outcomes sought by the Council, including exploring the wider question of the Council's role in economic development, and make recommendations to ECD at its meeting of 9 June.

Stage 2 (dependent on outcome of Stage 1) June – December 2011

Identify the range of delivery options available including clarification of stakeholder interests. Assess options against outcomes identified in Stage 1 and provide input into the selection of those to go forward for recommendation to ECD and Council.

Review outputs

Progress reports to ECD :

9 June 2011
September 2011

Report with recommendations on desired economic outcomes to ECD:
9 June 2011

Final report to ECD and Council with recommendations: 15 December 2011

Attachment 2

SUMMARY OF THE EVALUATION OF THE THREE SERVICE DELIVERY OPTIONS

Criteria	1. Retain the current service delivery arrangements (status quo)	2. Contract out entire economic development activity area	3. Combination of increased in-house delivery and contracts for specific activities
Capacity to deliver strategy	Evaluation of service delivery by NCE highlights a number of problems. There is no clear indication of NCE activities have contributed to the delivery of the 2007 economic development strategy.	<p>Would need to develop a new contract for services which are tailored to delivering new strategy</p> <p>The draft strategy is multi-faceted and requires a range of specialist skills – could be hard to find one organisation that can cover all</p> <p>No current obvious candidates unless restructure NCE with new governance structure</p> <p>Could be done via a CCO. However, size and scale of activity Council requires may be too small for this type of structure.</p>	<p>Would need to employ new staff with appropriate specialist skills</p> <p>Would need to develop new contracts for services for activities being contracted out. There would appear to be several potentials – Positively Wellington Tourism, the Chamber of Commerce, Te Arahanga o Nga Iwi, for example</p> <p>This combination would enable Council to get a mix of specialist skills required to implement the draft strategy</p>
Provides for strong Council governance and oversight	<p>Experience to date with NCE has been unsatisfactory</p> <p>Evaluation of service delivery by NCE indicates board structure does not allow control in proportion to the amount of funding provided</p>	<p>Governance would be exercised similar to the existing arrangement – reporting to a Council Committee with day to day oversight provided by Council officers</p> <p>Requirements can be embedded in contracts but writing a contract which ensures this can be challenging.</p>	<p>For those activities delivered in-house, Council would have direct control over them as it does with other in-house activities</p> <p>For those activities contracted out, governance would be exercised similar to the existing arrangement – reporting to a Council Committee with day to day oversight provided by Council officers.</p> <p>Given that the range of activities being contracted out would be narrower, it should be more straightforward to draft a contract which provides for strong governance</p>
Provides for strong accountability to Council and community	The contractual arrangements with NCE have not delivered strong accountability to date. To date it has been difficult to get a clear picture of what NCE is delivering for the	This would be dependent on the terms of the contract	<p>For those activities delivered in-house, this would be the usual processes.</p> <p>For those activities contracted out, this would</p>

Criteria	1. Retain the current service delivery arrangements (status quo)	2. Contract out entire economic development activity area	3. Combination of increased in-house delivery and contracts for specific activities
	business community		be dependent on the terms of the contract.
Value for money	Evaluation of service delivery by NCE indicates Council may not have received value for money from this expenditure.	Tender for services and ensure best value for money	Will require an increase in FTEs and acquisition of new skills Tender for services and ensure best value for money
Capability of entity to deliver services and meet needs of end users	Evaluation of service delivery by NCE indicates that some needs of end users have been met.	This would be dependent on the terms of the contract	For the in-house delivery, would require the acquisition of some new skills. Straightforward to monitor and make corrections if need be. This would be dependent on the terms of the contract
Credibility with business community	Unclear	This would need to be managed as part of the tender process.	For the in-house delivery - unclear but could be gained over time through consistent delivery of services useful for the business community. This would need to be managed as part of the tender process for the contracted out services.
Credibility with Tangata whenua	Does not appear to be robust given that a position of the NCE board for a tangata whenua representative has been vacant for some time.	This would need to be managed as part of the tender process.	For the in-house delivery, given Council's on-going commitment to working with iwi this should be manageable. This would need to be managed as part of the tender process for the contracted out services.