

Mayor and Councillors
COUNCIL

13 APRIL 2017

Meeting Status: **Public**

Purpose of Report: For Decision

WELLINGTON REGIONAL AMENITIES FUND

PURPOSE OF REPORT

- 1 This report outlines the key findings of the report “Economic and Social Benefits Delivered by the Wellington Regional Amenities Fund (WRAF) evaluation of Funding years 1-4” commissioned by the Wellington Regional Amenities Fund Joint Mayoral Committee.

DELEGATION

- 2 The Council has the authority to award funding to the Wellington Regional Amenities Fund.

BACKGROUND

Regional WRAF start-up

- 3 The WRAF was set up to help the Wellington region compete for events and attractions internationally and nationally. Auckland’s amenities fund provided almost \$13 million to 10 amenities in 2011, making it increasingly difficult for events and attractions in the Wellington Region to compete in the national market.
- 4 The WRAF was set up in 2012 as an investment fund, with the aim to secure the future of significant regional events and attractions that contribute to the region's quality of life and the economy. The WRAF uses collective resourcing to preserve existing events and attractions whilst positioning the region.

WRAF 2017

- 5 The Wellington Regional Amenities Fund (WRAF) is now in its fifth year and is a jointly funded initiative between Wellington City Council, Porirua City Council, Kāpiti Coast District Council, Lower Hutt City Council and Upper Hutt City Council. Masterton District Council participated in WRAF up until 2016.
- 6 There is around \$1m available annually, and the fund supports regionally significant organisations that achieve the identified strategic priorities for the region of economic growth, regional connectedness and competitive advantage.
- 7 The fund is focused on arts, culture and environmental organisations that can deliver activities that support these priorities, thereby contributing to the attractiveness, vitality and wellbeing of the Wellington region.

- 8 Decisions in the allocation of funds are made by the WRAF Joint Committee, made up of Mayors from the participating councils in the region.
- 9 A total of \$48,000 per annum has been made available to the WRAF by Kāpiti Coast District Council for the last four years as outlined in the Annual Plan.
- 10 In 2016, the Council made the decision to contribute to the WRAF subject to the outcomes of the WRAF Joint Committee commissioned study, measuring the fund's effectiveness. In September 2016 Council deferred the decision over continuing to contribute to the WRAF until the full findings of the study were made available.

The WRAF commissioned report

- 11 The overall aim of the report includes an assessment as to:
 - Whether the WRAF has resulted in any economic or social benefits across the region as a result of the fund's investment in cultural and environmental activities
 - Whether the economic return of the fund was distributed across the participating territorial authorities
 - If the distribution correlates with the different levels of investment in the fund.
- 12 The report considers that the WRAF has achieved its purpose over the first four funding years. This has been successful in supporting Wellington region's significant arts, cultural, environmental and events organisations, and helped grant recipients to function more effectively and efficiently and contributing more widely to the social and economic well-being of the region.
- 13 Average grants over the last 4 years have been just under \$114,000 and the report suggests that the distribution of grants in value terms has been moderately equitable. The success rate of applications has decreased from 100% in year one to 39% in year four, due to an increased number of applications.
- 14 In total over the four years, Wellington City has received 93% of grant funds, followed by Kāpiti at 4%. Masterton and Porirua have received 2% and less than 1% of grants in value terms respectively. Three organisations from Kāpiti were unsuccessful in their application to the fund in 2016/17.
- 15 As expected, economic impacts from WRAF grants have been heavily directed towards Wellington City. For the other territorial authorities the economic impacts arising from the direct allocation of grants are small.
- 16 An executive summary of the report is attached as Appendix 1.

ISSUES AND OPTIONS

Issues

- 17 The scope of the report did not assess impacts associated with visitor and participant spending, but the report suggests that it is likely that over the four years some WRAF supported activities did directly facilitate net additional visitor and participant expenditure within the region and territorial authorities.

- 18 The report cannot accurately report on return on investment, but cautiously calculated a return on investment and suggests Kāpiti received a small partial return on investment, one of only three of the six authorities to do so. Contributors to the fund are encouraged in the report to focus on facilitated economic impacts and the wider economic benefits delivered to the regional economy rather than looking at the benefits directly to each territorial authority.
- 19 Arts, cultural and environmental amenities add significant social benefits to a community, including events, vitality, vibrancy, culture and identity. The relatively small group of organisations eligible for WRAF grants are capable of delivering large comprehensive events that are of a high quality and have a big impact on the regional identity and reputation and bring a range of benefits to the region's social well-being. 94% of grant recipients felt that they created opportunities for residents and visitors to interact or feel part of the community.
- 20 In terms of building regional partnerships, a criterion of WRAF is that the grant recipient shows evidence of collaboration. This outcome has been achieved over the four years to various extents, and has generated a significant volume of cross-organisational interaction within the region. Building collaboration and relationships between organisations reduces competition and helps them achieve common goals, for example, ensuring the Wellington region leads the country in arts, cultural and environmental activities and helping it "hold its own" relative to Auckland.
- 21 This report presents two options.

Option 1

To contribute \$48,000 per annum to the Wellington Regional Amenities Fund

- 22 The majority of grant recipients agree that funding for cultural activities is harder to obtain, and that WRAF helps fill the gap. They also agreed that WRAF is effective in helping leverage additional funding to the region.
- 23 WRAF gives effect to an integrated strategy for economic development in the Wellington region, as arts and cultural activity can increase the profile of an area.
- 24 What is good for Wellington city is good for the district, and continuation of funding signals Council's appetite to be a regional player in the arts, cultural and environmental space.
- 25 Option one is the preferred option.

Option 2

Not to contribute to the Wellington Regional Amenities Fund and create a contestable local fund

- 26 There may be adverse consequences on the ability of some local recipients to maintain their operations if Kāpiti were to withdraw and the WRAF reduced.
- 27 It is important to note that not contributing to the fund will mean that Kāpiti organisations will not be eligible to access the WRAF.
- 28 Council may instead wish to encourage social and economic development by funding arts, cultural and environmental projects in Kāpiti. This could be accomplished by using the \$48,000 to create a constable fund. The outcomes of funding would complement the Council's existing funding schemes including:

Creative Communities Funding, Community Grants Scheme and the Major Events Funding.

CONSIDERATIONS

Policy considerations

29 There are no policy considerations.

Legal considerations

30 There are no legal considerations.

Financial considerations

31 \$48,000 per annum to contribute to WRAF is already allowed for in the Long Term Plan 2015-35.

Tāngata whenua considerations

32 There are no Tāngata whenua considerations.

SIGNIFICANCE AND ENGAGEMENT

Degree of significance

This matter has a low level of significance under Council policy.

Consultation already undertaken

33 Consultation took place as part of the annual plan process.

Engagement planning

34 An engagement plan is not needed to implement this decision.

Publicity

35 No publicity is required for this decision.

RECOMMENDATIONS

36 That Council continues to contribute to the Wellington Regional Amenities Fund for 2016/17 and 2017/18 to the sum of \$48,000 per annum.

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ATTACHMENT

Appendix 1 Executive Summary from the report “Economic and Social Benefits Delivered by the WRAF Evaluation of Funding Years 1-4” prepared by Market Economics Limited August 2016.

APPENDIX 1

Executive Summary

As the Wellington Regional Amenities Fund (WRAF) enters into its fifth funding round, results have emerged from the first comprehensive study of the economic, social and organisational benefits delivered by the Fund over the first four years of the Fund's grant activity.

This report by Market Economics (M.E) examines a number of research questions that seek to understand the extent of benefits achieved by the WRAF (in terms of their scope, significance and distribution across the region), and the role of the Fund in facilitating partnerships and collaboration and building, maintaining and retaining projects, events and organisations that contribute to the attractiveness and vitality of the Wellington region.

Study Scope and Approach

The overall aim of the study by M.E was to assess whether the WRAF has resulted in any:

- economic and/or social benefits across the region as a result of the Fund's investment in cultural and environmental amenities;
- benefits to funded organisations.

Specific questions to be addressed by the study included:

1. Have any regional economic and social benefits been created by the fund since its inception and if yes, what are they and how much?
2. How is the economic return of the fund distributed across the participating territorial authorities (TAs) and does this distribution correlate with the different levels of TA investment in the fund?
3. Has the fund facilitated regional partnerships, and what are the economic benefits of these partnerships?
4. To what extent has the fund preserved significant organisations, projects and events at risk of non-viability or relocation?
5. To what extent has the fund made a significant contribution to building, maintaining or retaining (i.e. the sustainability of) funded projects, events and organisations?
6. To what extent has the fund facilitated the creation, extension/development of arts, culture or environmental ecosystems, and events in the Wellington Region (social benefits)?
7. How has the fund contributed to Wellington's status as an internationally competitive region?

The research combines qualitative and quantitative analysis. It is based on data provided by the WRAF and gathered from a questionnaire completed by grant recipients. The analysis is supplemented by a review of applications submitted to the WRAF and the post grant Reports prepared by grant recipients. M.E has also considered relevant literature on economic and social benefits as they relate to the arts and culture and amenity sector.

The time period covered by this study relates to the first four WRAF funding years, being June year end (YE) cycles beginning 2012/2013 and ending 2015/2016. The key focus of the analysis is on the 17 organisations that have received at least one WRAF grant in those 4 years. The study considers the direct effect that the WRAF grants have had on those organisations and in turn, the effect of the funded activities on the Wellington region. This study is focussed only on activity that is directly linked to the grants and not the wider activities/operation of recipient organisations.

It is important to acknowledge that economic and social benefits reported in this study are, for the most part, from the perspective of the recipient organisations. These benefits are identified through the EOI and Report process and also via the questionnaire developed for this study. In some cases, M.E has lent its expertise (drawing from the literature) to the discussion of benefits, but all data are sourced from the recipient organisations. It is also important to acknowledge that the questionnaire draws from a small sample and the reliability of any trends inferred from response data should be regarded with care.

The study has not considered the benefits of the WRAF from the perspective of residents, visitors or local businesses. Analysis of secondary data (such as tourism or employment data) is also outside the scope of this study.

An Overview of Grant Activity

Over the first four funding years, a total of \$3.91 million has been contributed to the WRAF from six participating local councils within Wellington Region. The annual value of the fund is roughly \$1 million.

Entities of regional significance are eligible to apply for grants from the WRAF. There is no formal list of eligible regionally significant organisations (RSOs), but an informal list identifies 37 organisations. The significant majority or eligible RSOs are located in Wellington City (73%). Porirua City and Masterton District are home to 3 RSOs (8% each). With the exception of South Wairarapa District, the other TAs have just one RSO each. The geographic location of RSOs has a strong influence on the distribution of economic impacts (as measured in this study) but has less bearing on wider social and economic benefits (discussed further below).

Of those eligible to apply for a WRAF grant, 28 of the 37 identified RSOs (76%) have applied at least once over the last four funding years. This high application rate indicates both a high level of awareness of the WRAF (i.e. effective promotion) and a high level of demand for

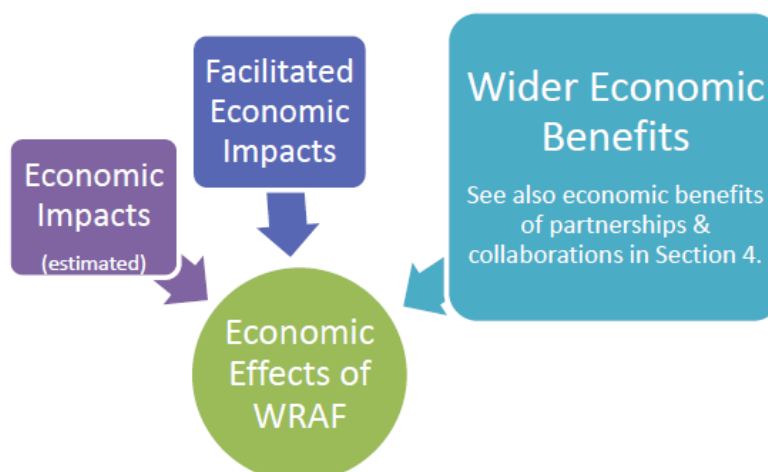
funding. Only 17 organisations have been successful – receiving 33 grants between them¹ which have varied from \$15,000 to \$345,000 in value.

Some key findings of grant allocations include:

- the distribution of grants (in quantum at least) over time has been generally equitable relative to the mix of eligible RSOs in the region by type.
- the distribution of grants (in value terms) over time has been moderately equitable relative to the mix of eligible RSOs in the region by type.
- the geographic distribution of grants (in quantum at least) over time has been generally equitable relative to the distribution of eligible RSOs in the region.
- the geographic distribution of grants (in value terms) over time has been moderately equitable relative to the distribution of eligible RSOs in the region.

Economic Benefits

This study has considered the economic effects generated by the WRAF according to three key components.



While economic “impacts” are a tangible outcome of the Fund, they are a small component of the overall economic effects stimulated by grant activity and are of less relevance at the regional level. Based on the weight of evidence, M.E consider that wider economic benefits are likely to be the most significant of the economic outcomes achieved by the WRAF and should therefore be given greater weight when evaluating the Fund’s ‘economic’ role and performance.

¹ Based on data collected in the questionnaire of recipients. While the WRAF has awarded 35 individual grants, two recipients amalgamated grants received in their response to the questionnaire – given a lower count of 33.

Economic Impacts

M.E has developed an Input-Output based Economic Impact Assessment (EIA) Model that covers each TA within the Region. The purpose of this Model was to identify the economic impacts arising from the allocation of grants to recipient organisations.

The WRAF represents the full transfer of money from one sector (local government) to predominantly one other sector (heritage and artistic activities) within the region. For this reason, M.E has not developed a regional EIA Model and has focussed instead on TA level economic impacts, where transfer effects are still present but have a lesser role in any one TA.

The EIA method measures the net additional contribution to each TA's value added (akin to GDP) and employment which arose from the extra expenditure in the TAs by the WRAF (i.e. grants) – impacts that would not have occurred if not for the WRAF. The Model considers direct and flow-on effects to show total impacts on each economy.

In order to model the net direct impact of WRAF grant activity in the EIA Model, the direct expenditure of the WRAF grants (increases in final demand by year spent, TA of recipient organisations and sector) is offset by the contributions to the WRAF. This is necessary to appropriately acknowledge the opportunity cost of each Council's input – the 'counterfactual scenario' or the decreases in final demand associated with the funding.

The EIA results represent impacts that would not have occurred if not for the presence of the WRAF. They represent the aggregate effect of all contributions and all grants: impacts (increases and decreases) cannot be looked at for any one TA in isolation. They do not represent the economic impact of the grant organisations themselves, only the impact of the WRAF grants on those organisations.

Key findings of the EIA modelling show that the allocation of grant funds has resulted in increased economic activity in some TAs, but not all. The grants have allowed recipient organisations to pay wages and salaries and purchase goods and services to carry out their operations (or capital projects) in the Wellington Region. The direct and flow-on economic impacts arising from those transactions in any one year, and over the first four funding years combined, are however small in the context of the total economy in each TA, and in some TAs do not counteract the lost economic activity associated with the redirection of rate payer money to the Fund.

The TAs that have experienced an increase in overall economic activity include Wellington City, Kapiti District and Masterton District. The largest increase in economic activity occurred in Wellington City due to its high concentration of grant recipients and because of the important role that the CBD has in the regional economy. Overall however, increases and decreases in economic activity associated purely with the allocation of grants to recipient organisations across the region's TAs are immaterial (less than 1%) when measured using an EIA approach.

Facilitated Economic Impacts (Tourism Impacts)

The WRAF has facilitated additional regional economic impacts from visitor and participant spend directly associated with grant funded activities, but these cannot be quantified with the data available. Not all grants have generated such impacts. It is likely that over the first four funding years, some WRAF supported activities *did* directly facilitate net additional visitor and participant expenditure and flow-on economic impacts in TAs within the region and in the region overall. Such impacts would be in addition to the economic impacts generated by the allocation of grants to recipient organisations (above).

At the regional level, facilitated economic impacts are limited to the direct and flow-on impact arising from domestic and international visitor/participant spend attributable to grant funded activities. The TA distribution of facilitated economic impacts is expected to closely match the locations of the actual shows, events, exhibitions or festivals as opposed to the location of the recipient organisations *per se*.

Wider Economic Benefits

Based on the weight of evidence, including consideration of relevant literature, M.E considers that the WRAF has delivered a range of wider economic benefits for the region. These less tangible benefits cannot be quantified but are important outcomes for the regional economy. Wider economic benefits delivered by the WRAF include contributing to a diversified economic base, supporting organisations to be strong business citizens, providing opportunities that attract and retain skilled creative workers, facilitating co-location benefits, facilitating investment and economic development/growth and supporting an industry that enhances Wellington's quality of life, which in turn attracts highly skilled workers and new businesses to the region. By supporting arts, cultural and environmental 'assets', the WRAF is contributing the region's ongoing economic development.

A criterion of the WRAF is that grant recipients show evidence of collaboration and building partnerships. It is clear that this outcome has been achieved to various extents and in accordance with the nature of the grant funded activities. In aggregate over the past four funding years, grant funded activities have generated a significant volume of cross-organisational interaction within Wellington region. The questionnaire of grant recipients showed that collaborating with other organisations - large and small - or involving them as delivery partners or benefactors of grant funded projects or programmes has become a key focus. Recipients report that the WRAF has had a direct effect on growing new and better relationships between RSOs and other organisations in the region. Over half (55%) of grant recipients from the first four funding years strongly agreed that *if* the WRAF reduced or ceased to exist that their relationships with other organisations would most likely suffer.

There are important economic benefits that arise from partnerships and collaboration. They include providing opportunities for more businesses across the region, opening up new opportunities (including new audiences, suppliers and participants), greater skill and knowledge transfer across the economy, allowing organisations to specialise and improving business efficiency. Such benefits can be attributed to the WRAF.

Social Benefits

A key objective of this study was to determine the extent to which the WRAF contributes to the social wellbeing of Wellington region by supporting projects and programmes that are delivered by regionally significant social, cultural and environmental amenity and event organisations. Grant recipients variously reported on a number of social benefits delivered by their projects/programmes. M.E identified a set of social benefits, drawing from those identified by recipients and from published research, and asked grant recipients to identify how applicable they were to their grant funded activities over the past four funding years. Key findings included:

- The **most applicable** social benefit achieved was ‘generating opportunities for residents and visitors to interact / feel part of a community’. Almost all (94%) of respondents felt that they delivered this benefit through their grant funded activities.
- The other social benefits that were very applicable for the **largest share of recipients** were ‘generating opportunities for families to share experiences and leisure’, ‘generating education/learning/training/mentoring opportunities’ and ‘generating opportunities for residents and visitors to engage in free art and cultural activities’— 75% of recipients said that these benefits were very applicable.

In funding years 2-4, between 60% and 70% of grant funded activities resulted in the creation of jobs either in the recipient organisation or with their delivery partners as a direct result of the WRAF grant. The questionnaire revealed that when jobs were created within funded organisations, they were more likely to be temporary than permanent jobs and were more likely to be part-time temporary jobs than full-time. Further, when temporary jobs were created, they were more often for 5 or more positions at a time.

Organisational Benefits

Helping RSOs to function more effectively and efficiently helps the WRAF to achieve its priorities. Many grants over the first four funding years have been utilised for the delivery of events and activities that contribute to Wellington arts and cultural calendar. They have primarily contributed to the costs of these projects. The RSOs responsible for those projects are ‘benefiting by doing’, in that the more projects they deliver, the more they learn, the more they innovate and the more efficient and experienced they become.

Other grants from WRAF during this period have had a direct effect on the capabilities and capacity of recipient organisations, rather than a tangible output like an event or exhibition. M.E has broadly categorised these grants as capital expenditure, programme, business intelligence and resourcing grants.

The questionnaire of recipients reveals how the WRAF has benefited grant recipients (collectively) from an organisational and operational perspective. The two most common benefits cited by 81% of recipients respectively were ‘allowing us to do what we do better (i.e. deliver better experiences)’ and ‘raising our profile within the region and beyond (i.e. greater

recognition)'. 'Growing our audience and/or number of participants' was a benefit identified by 69% of recipients along with 'providing us with the opportunity to be a leader in our field and nurture other smaller organisations' (69% of recipients). Comparatively fewer recipients felt that the WRAF grants allowed them to 'increase the scale of their activities' (38% of recipients) and 'sustain more staff' (31% of recipients).

Another finding of the research is the WRAF's role in helping recipient organisations to leverage funding from other sources. Data showed that organisations often apply for WRAF grants before seeking other funding for proposed projects or programmes. Over 80% of recipients agreed that receiving a WRAF grant made a significant difference in leveraging funding from other organisations/sources. This suggests that WRAF is perceived as a leader in the funding sector (i.e. has lighthouse status) and/or that WRAF's priorities and criteria are also relevant to other funding organisations.

Key Findings

As a result of this research, M.E considers that the WRAF has achieved its purpose over the first four funding years. It has been successful in its role of supporting Wellington region's significant arts, cultural, environmental and event organisations. Grants have helped recipient organisations to function more effectively and efficiently, and in doing so, contribute more widely to the social and economic wellbeing of the Wellington region.

Other conclusions include:

- The WRAF contributes to the costs of selected projects/programmes to varying degrees and often in conjunction with other funding organisations/sources.
- Increasingly, contributions from the WRAF appear to be playing a more dominant role relative to overall project/programme costs.
- By supporting some RSOs, the WRAF is supporting those organisations that have a big impact on Wellington region's arts, cultural and environmental offering and reputation.
- By supporting RSOs (as opposed to smaller, less experienced organisations), the WRAF's investment is low risk and high yield in terms of desired outcomes for Wellington region.
- WRAF grants help recipients to do what they do better. The WRAF is helping these strong organisations to get stronger.
- Some of the activities that have received grants from the WRAF have specifically addressed gaps in the market. An example of this would be the Free Flight Aviary at Pukaha Mt Bruce – the first of its kind in the region. Others have extended arts and cultural activities to new locations and new community groups. Examples include the programmes set up by Orchestra Wellington and NZ Opera. Other grants have helped to further develop attractions, such as the grants to Bats and Circa Theatres and Nature Connections.