

Mayor and Councillors  
**COUNCIL**

**16 DECEMBER 2010**

Meeting Status : Public

Purpose of Report: For Decision

## ECONOMIC DEVELOPMENT ACTIVITY REVIEW

### **PURPOSE OF REPORT**

- 1 This report proposes a process for a review of the Council's economic development activities during 2011 and seeks the Council's agreement to the scope and nature of the review. Approval is sought to extend existing service delivery contracts for 12 months until June 2012 through the period of the review.

### **SIGNIFICANCE OF DECISION**

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

### **BACKGROUND**

- 3 Regional economic development has been part of territorial local authority activities for many councils for a number of years. The Kāpiti Coast District 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:
  - 3.1 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 which has been in place since 2004, and support for Te Aho, the Kāpiti Horowhenua Māori Economic Development Strategy
  - 3.2 the 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.
- 4 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 a contract with Nature Coast and funded through District wide rates. The current contract expires on 30 June 2011.

- 5 In addition to these external structures the Council is also involved in other projects with a local economic development focus such as town centres development and the current study into the productive potential of the Greater Ōtaki rural lands.
- 6 The remainder of this report describes the context of existing local and regional service delivery arrangements and proposes a timeframe and process for review of the Council's wider economic development activity as signalled in the 2010/11 Annual Plan.

## CONSIDERATIONS

### *Local Kāpiti Coast / Horowhenua Economic Development Activity*

- 7 The Council has had a formal local economic development relationship with Horowhenua District Council since 2003, when the two councils entered a regional partnership programme under the sponsorship of Industry New Zealand (now New Zealand Trade and Enterprise). The first step in that process involved the development and adoption by both Councils of 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.
- 8 In October 2004, the Council agreed to advance the development of a single, regionally focussed, economic development and tourism organisation based around the existing structure provided by the then Enterprise Horowhenua. The Horowhenua and Kāpiti Coast District Councils agreed to the provision of tourism and economic development services to both Councils under a single contract. The contract commenced on 1 May 2004 for an initial term of three years ending on 30 June 2007.
- 9 The contract arrangement separated service delivery from the strategic economic development role, with the latter to be retained in-house by the two Councils. Governance oversight was established through a committee of both Councils, the Horowhenua/Kāpiti Joint Economic Development Forum. Enterprise Horowhenua became known as Enterprise Coast and then Nature Coast. The contract arrangement has been in place since establishment with amendments to term and minor changes to content, reflecting the different constraints and opportunities at each review point.
- 10 The first of these fell at the end of the three year term in 2007 when a one year contract on existing conditions was agreed for the period July 2007 to June 2008. The main driver for this was to enable the Kāpiti Coast District Council to understand the extent of the activities the recently established Wellington Regional Economic Development Agency, Grow Wellington, would be undertaking. A key question was to understand how or whether those might overlap with services delivered and funded locally. At the same time as Grow Wellington was being set up in 2007, the Ministry of Economic Development announced its intention to reduce the number of regions it recognised through funding for regional initiatives and entities.

- 11 In late 2007, the Council confirmed it would retain the strategic relationship with Horowhenua District Council established through the Horowhenua Kāpiti Economic Development Strategy agreed in May 2007.
- 12 The Council decided to keep a dual focus strategically and operationally, both towards the more urban community of Wellington in the south, and towards the more rural regional economy in Horowhenua. As well as participating in the Wellington Regional Strategy the Council entered into a further three year contract between Kāpiti Coast District Council, Horowhenua District Council and Nature Coast. This is the current contract which began on 1 July 2008 and terminates on 30 June 2011.

*Wellington Regional Strategy (WRS) and Grow Wellington, the regional economic development agency*

- 13 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 participation in the implementation of the Wellington Regional Strategy until 30 June 2012.
- 14 Conditions of the Agreement include a review of the effectiveness of the Wellington Regional Strategy by 30 June 2011 and this is currently under way. It also stipulates that GWRC would cease to carry out the function of regional economic development (not usually an activity of a regional council) on 30 June 2012, unless otherwise determined.
- 15 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.
- 16 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 local 2007 Kāpiti Horowhenua Economic Development Strategy.

*Other Economic Development Activity*

- 17 In addition to the local and regional activities and arrangements described above the Council also supports, or is engaged in other economic development activity. The scope of Grow Wellington's activity is limited by the Wellington Regional Strategy and detailed in the annual Statement of Intent which is approved by the Wellington Regional Strategy Committee. As stated earlier, the contract arrangement with Nature Coast separated service delivery from the strategic economic development role, with the two councils retaining that activity.
- 18 In this capacity, the Kāpiti Coast District Council is 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 Clean Tech Centre and Off-grid Vision for Ōtaki. 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.
- 19 The Ōtaki Community Board secured provision for an Ōtaki Economic Projects Co-ordinator in the 2010/11 Annual Plan (funded through the ward rate.) The part-time role will focus on involving local businesses, potential investors, community groups and households in a number of key economic development projects in Ōtaki over the next few years. The projects include: management of a marketing programme for the town as Ōtaki adjusts to the major economic changes arising from the Expressway; linking the community, businesses, horticulturalists etc into the opportunities for the local food economy; facilitating connections between the community, local businesses, households, the wananga etc back to the Clean Technology Centre; and working to advance the economic opportunities and concepts associated with the Ōtaki off-grid vision.
- 20 The 2007 Kāpiti Horowhenua Economic Development Strategy identified Māori enterprise as an area of strategic focus for the local region. Since 2008 both Councils have provided direct financial support to 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.

*Economic Development Activity Review*

- 21 The current contract with Nature Coast encompasses a significant amount of the delivery of directly funded economic development and tourism activities in the district and the majority of the budget. The wider economic development environment has changed in the last few years and a review of the Council's role and investment was signalled in the Annual Plan 2010/11: *'the delivery of business advice and tourism services is carried out by the local economic development agency, Nature Coast Enterprise, through a joint contract with Horowhenua District Council. Service delivery options will be explored during 2010 prior to the contract expiry date of June 2011'*. The intent was always to

conduct a broader review of the whole activity, not only a review of the contract between the Councils and Nature Coast.

- 22 In addition to the existing contract with Nature Coast the Council continues to support the implementation of the Kāpiti Horowhenua Māori Economic Development Strategy through a contract (of a much lesser value than that with Nature Coast) with the Māori economic development agency Te Arahanga Ō Ngā Iwi.
- 23 The long partnership between the Councils and the joint nature of the contract with Nature Coast requires a high degree of alignment and collaboration between the Councils for this Review. Preliminary work, mainly centred on timeframes and process, was being discussed by staff in both councils in the early part of the financial year. However, in August the process was put on hold at the request of Horowhenua District Council who did not wish to consider the matter in the pre-election period and was not formally presented to either Council.
- 24 Separately, but in the context of the end date of the Council contract and the Annual Plan intention to review delivery options, Nature Coast and the Kāpiti Chamber of Commerce had begun to investigate opportunities for greater collaboration and possibly a merger. These discussions were being held by a joint working party of the current and previous chairs of both organisations. The Nature Coast Board did not discuss the matter formally until late October. At that point, although there was support for the idea in theory, the Board concluded that before a merger could be pursued, Nature Coast needed to know what the two Councils were proposing for the future.
- 25 Discussions between the Councils recommenced in mid-November and have resulted in this report seeking the Council's approval of the process for the Review. Given the delay to this point it will not be possible to complete the Review in sufficient time for any change (if that is the recommendation) to be effectively and fairly implemented before the end of June 2011 when the current contracts expire. In order to provide sufficient time for the Review to be adequately conducted, it is recommended the contracts with Nature Coast and with Te Arahanga Ō Ngā Iwi are extended for 12 months beyond their current expiry dates of 30 June 2011 to 30 June 2012. Other than relatively minor changes in focus within an activity or services, there should be no significant changes to the services delivered under each contract. This will enable the Review to make a reasonable and consistent assessment of performance over time.

#### *Scope of the Review*

- 26 Recent discussions have been held between the Mayors, Chief Executives and senior staff of Kāpiti Coast District Council and Horowhenua District Council and Board members and the Chief Executive of Nature Coast. The aim of these meetings has been to align the approach to the Review by the councils and to canvass key concerns as a preliminary step to defining the scope of the Review. Another objective was to ensure all parties have a similar understanding of the potential extent of change that may be recommended at the conclusion of the Review. A wide array of service delivery options will be explored. This will range from bringing all services in-house, through the status quo or variations of

the status quo, through to minimal involvement by the Council by outsourcing all activity, and even to the possibility the Council may exit from the activity and cease to carry out any economic development activity at all.

- 27 The discussions revealed the emergence of different communities of interest, priorities and external influences on each District. These factors show there is a clearly a possibility future economic development services in each district may be quite distinct from each other in focus and priority.
- 28 It is recommended the Kāpiti Coast District Council's 12 month contract extension with Nature Coast be separate from any contract between Horowhenua District Council and Nature Coast. The delay in starting the Review has presented this Council with an opportunity to signal the potential for decisions about future activities to recognise the needs and priorities within the District rather than the current regional Kāpiti/Horowhenua approach. This does not mean an end to any relationship with Horowhenua District Council, only that the Councils are not bound to each other through a contract. It is expected there will continue to be a close relationship and information sharing throughout the period of the Review and beyond. The Review should determine the nature of any formal economic development relationship in the future.

*Horowhenua Kāpiti Joint Economic Development Forum*

- 29 Another point of agreement at the recent meetings described above, was that the quarterly meetings of the Horowhenua Kāpiti Joint Economic Development Forum are of little value to participants, attendees and the wider community. This report recommends the Forum be disestablished and no further meetings are held.
- 30 The Forum was originally established through the joint contract to share information, receive reports and monitor Nature Coast's activities and performance. Lately, perhaps reflecting increasing awareness of the Review proposed here, the Forum has done little other than receive quarterly reports from both Nature Coast and Te Arahanga Ō Ngā Iwi. In the absence of such a group different arrangements are proposed for the period of the Review until the end of the 12 month contract extension on 30 June 2012.
- 31 It is recommended Nature Coast and Te Arahanga Ō Ngā Iwi would report every quarter directly to the Council through the Environment and Community Development Committee. The contracts with each entity would be amended to show this. It is also recommended the Council should establish an Economic Development Working Party for the period of the Review.

*Economic Development Working Party*

- 32 The Working Party would provide a first point of contact and hold discussions with key stakeholders throughout the Review and operate within the following general terms of reference:
  - 32.1 To confirm the detailed scope of the Economic Development Activity Review (within the description in the 2010/11 Annual Plan)
  - 32.2 To provide a governance perspective to staff supporting the Economic Development Activity Review

- 32.3 To ensure the Review makes appropriate consideration of the needs of the business community in investigating and determining the role and nature of the Council's involvement in economic development activities
- 32.4 To meet the Chair and Chief Executive of Nature Coast on a six weekly basis to receive an operations report from Nature Coast, set the direction of activities if changing circumstances require a different response, and provide direct liaison between the parties for the duration of the Review
- 32.5 To oversee communication to the Council, stakeholders and community on the progress of the Review.
- 33 Membership would comprise the Council's appointee to the Nature Coast Board (Councillor Wooding), the Council's appointees to the Horowhenua Kāpiti Joint Economic Development Forum (Councillor Church and Councillor Lester) and the chair of the Environment and Community Development Committee (Councillor Gaylor.) It is recommended the Working Party reports at regular intervals to the Environment and Community Development Committee providing progress updates and ensures the recommendations of the Review are reported to the Council before the end of the 2011 calendar year.

#### *Staged Approach*

- 34 If the Council approves the approach set out in this report staff will develop a more detailed scope for the Review and bring it to a meeting of the Working Party for approval in February. A staged approach would present opportunities for progress reports to the Environment and Community Development Committee at key points during the process. A preliminary outline of the stages includes:
- Stage One: identify and confirm the economic development outcomes sought by the Council. This stage will explore the wider question of the Council's role in economic development in advance of the discussions on the 2012/13 Long Term Council Community Plan.
  - Stage Two: look at the range of delivery options available, clarify stakeholder interests, assess options against the Council's desired outcomes to identify those with the best fit, recommend option(s) to the Council.
  - Stages One and Two will provide sufficient opportunity for input from interested parties, eg particular sectors of the business community, and feedback by the Working Party and meaningful dialogue with key parties, eg Horowhenua District Council.
  - Stage Three: implement recommendations.
- 35 Preliminary planning indicates Stages One and Two should be completed during 2011. This will ensure the recommended option could be implemented during the first part of 2012, prior to the end of the (extended) contracts with Nature Coast and Te Arahanga Ō Ngā Iwi. If change in the delivery model is proposed and agreed by the Council, up to six months should be allowed for implementation in Stage Three.

- 36 This timing will provide the Council with the opportunity to make considered, strategic decisions and to align these with the consultation on the Draft Long Term Council Community Plan if required or desired. If the recommendation is for a change in service levels or a significant change in delivery mode these should be subject to consultation. The Draft Long Term Council Community Plan consultation will take place in March/April 2012, and implementation would follow finalisation of the Plan in June 2012. If changes do take up to six months to implement they may not be in place until the end of 2012.

#### *Interim Issues*

- 37 Prior to this report proposing an approach to the Review, several points of unease have been identified in the relationship with Nature Coast. These may be broadly described as a desire to seek more flexibility in delivery and a greater capacity for responsiveness to issues. More specific concerns fall generally under the headings of 'governance' and 'operations' and are noted here as background. They will be explored further during the Review.

#### Governance

- The Board of Nature Coast is principally formed (either by election or by appointment) from the membership of the organisation, an incorporated society, which only represents a very small proportion of the business community. (Nature Coast had 178 members as at June 2010. There were 4,835 business units in the Kāpiti Coast district in 2009.)
- There is no relativity between the revenue contributed by the Councils and their ability to influence governance decision making and direction setting. According to the 2010 Annual Report, 45 % of total income was from the joint council contract. Kāpiti Coast's portion of the contract was 27% of total income. As a member of the incorporated society, the Council has only one vote when it comes to the three board members who are elected to office. In addition, each Council has the ability to appoint its own representative (one for each council) to a Board of eight members.
- Uncertainty over the nature of the association is apparent in the management of the relationship. Nature Coast sometimes treats the councils as shareholders, sometimes as customers. This leads to inconsistencies in approach, such as who information is shared with and the nature of information that is shared willingly or proactively.

#### Operations

- The contract has changed very little since its inception and, as a minimum, the Review should consider the contract objectives and determine if they are still achievable and desirable.
- The leverage an 'external' entity such as Nature Coast can apply for the benefit of the District, which a local authority may not be able to employ, is not always clear. As a consequence, the councils have limited understanding and sometimes limited confidence in Nature Coast's ability to deliver results to meet their expectations.

- Communication between Nature Coast and major influencers, eg the Mayor, appears to be limited. There is opportunity within each organisation to improve both the timeliness and content of the information flow, eg early briefings on major initiatives, regular reporting.

### Financial Considerations

- 38 There are no financial considerations at this stage. The extension of existing service delivery contracts can be met from current budgets. The outcomes of the review may either be implemented within budgeted amounts or the development of the Long Term Council Community Plan during 2011 may provide an opportunity to review the overall level of expenditure.

### Legal Considerations

- 39 There are no legal considerations at this stage. When the review is concluded, there may need to be consideration of whether the recommendations are significant enough to require a special consultative procedure.

### Delegation

- 40 The Council may make a decision under Section A.2 of the Governance Structure approved by the Council on 11 November 2010:

*The Council has the responsibility for setting the Council Strategic Direction. This includes the:*

1. *Development of the LTCCP and associated processes including:  
... levels of service;*

### Consultation

- 41 Organisations and sectors of the business community identified as having a potential interest in future service delivery will be consulted by the Working Party prior to the recommendations being brought back to the Council or appropriate Committee for consideration.

### Policy Implications

- 42 There are no policy implications arising from this report. The content and recommendations are consistent with the strategic direction set out in the 2009 Long Term Council Community Plan and the 2010/11 Annual Plan. Any recommendations that might result in policy changes will be brought back to the Council or appropriate Committee for approval.

### Publicity Considerations

- 43 There has been interest in the nature and cost of economic development services and activities over the past several years. A media release will be prepared to explain the review process and timeframes described in this report.

## Other Considerations

- 44 The Council has provided support for the development and implementation of Te Aho, the Kāpiti Horowhenua Māori Economic Development Strategy, since 2008. It is proposed to establish a Working Party through Te Whakaminenga O Kāpiti to facilitate input to the review from tāngata whenua. This is similar to the approach established for the District Plan Review.

## CONCLUSION

- 45 The 2010/11 Annual Plan signalled a review of economic development services. An approach to the review is proposed in this report and includes extending existing service delivery contracts to the end of June 2012 and establishing a Working Party to enable the Review to be carried out and concluded in 2011, prior to implementation of new arrangements from 1 July 2012. If any significant changes to service levels are recommended this timeframe will allow consultation on the proposed changes to be included in the 2012/13 Long Term Council Community Plan.

## RECOMMENDATIONS

- 46 That the Council approves the extension of the existing economic development services contracts with Nature Coast and Te Arahanga Ō Ngā Iwi until 30 June 2012, noting there will be no change to the current service delivery specifications in either contract.
- 47 That the Council agrees the contract with Nature Coast will be between the Kāpiti Coast District Council and Nature Coast only and will no longer be a joint contract with Horowhenua District Council, that the Horowhenua Kāpiti Joint Economic Development Forum is disestablished, and that the contract terms will be amended accordingly.
- 48 That the Council agrees to review its economic development activities and services as indicated in the 2010/11 Annual Plan and confirms this will include a full review of options for the delivery of services and that recommendations will be reported back to the Council before the end of 2011 and may be consulted on as part of the 2012/13 Draft Long Term Council Community Plan.
- 49 That the Council agrees:
- 49.1 to establish an Economic Development Working Party to provide a first point of contact and hold discussions with key stakeholders throughout the Economic Development Activity Review, and
  - 49.2 that membership of the Working Party will comprise the Council's appointee to the Nature Coast Board, Councillor Wooding, the Council's appointees to the Horowhenua Kāpiti Joint Economic Development Forum, Councillor Church and Councillor Lester, and the Chair of the Environment and Community Development Committee, Councillor Gaylor, and
  - 49.3 that the Working Party will report progress updates at regular intervals to the Environment and Community Development Committee and will

report recommendations of the Review before the end of December 2011.

- 50 That the Council agrees the Working Party will operate within the following general terms of reference:
- 50.1 To confirm the detailed scope of the Economic Development Activity Review (within the description in the 2010/11 Annual Plan)
  - 50.2 To provide a governance perspective to staff supporting the Economic Development Activity Review
  - 50.3 To ensure the Review makes appropriate consideration of the needs of the business community in investigating and determining the role and nature of the Council's involvement in economic development activities
  - 50.4 To meet the Chair and Chief Executive of Nature Coast on a six weekly basis to receive an operations report from Nature Coast, set the direction of activities if changing circumstances require a different response, and provide direct liaison between the parties for the duration of the Review
  - 50.5 To oversee communication to the Council, stakeholders and community on the progress of the Review.

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