

Chairperson and Committee Members

ENVIRONMENT AND COMMUNITY DEVELOPMENT COMMITTEE

6 DECEMBER 2011

Meeting Status: **Public**

Purpose of Report: For Information

**ECONOMIC DEVELOPMENT ACTIVITY REVIEW –
DELIVERY OPTIONS**

PURPOSE OF REPORT

- 1 This report updates the Committee on progress with the review of delivery options for the economic development activity review.

SIGNIFICANCE OF DECISION

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

BACKGROUND

- 3 The background to the Economic Development Activity Review is discussed in another report to this Committee meeting - SP-11-368 refers.
- 4 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. Report SP-11-368 sets out the components of a draft economic development strategy while this report focuses on service delivery options.

CONSIDERATIONS

Update on progress

- 5 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.
- 6 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.

- 7 The working party has decided it needs more time to assess the possible service delivery options. An update is provided below but the full review of service delivery options will be reported to the first Committee meeting in 2012 (2 February).

Service delivery options

- 8 The working party is considering three main options in terms of service delivery:
 - 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.

Independent evaluation of Nature Coast Enterprise

- 9 Councillors have received a copy of the final draft of the McDermott Miller report. This report has subsequently been finalised. Its contents should not be construed as formal advice to Council on a recommended way forward. NCE has reviewed the report and commented on matters of fact and interpretation but it has not seen the recommendations.
- 10 The McDermott Miller report highlights some issues 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.
- 11 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 contracts have been relatively weak, the Council's capacity to influence activities has also been relatively weak and ineffective. The governance structure of the NCE Board has also contributed to this outcome.
- 12 McDermott Miller concluded that NCE has not made substantial progress on the number one outcome stipulated in the contract - "The District has a coherent and cohesive multi-dimensional strategic plan for enhancing sustainable economic development". Reasons for this include:
 - the Horowhenua Kapiti Economic Development Strategy 2007 underlies the outcomes stipulated in the contract, and while under review in Kāpiti Coast District it has not yet been superseded. However, there is little or no mention of it in NCE's Strategic Plan, Business Plans, Annual Plans and Performance Against Contract Reports;

- the business survey, undertaken as part of the evaluation, points to both a perceived lack of effective economic leadership in the Kāpiti Coast District and of an effective economic strategy.

13 The evaluation concluded that:

- 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. This is positive but it is difficult to link between NCE activities to that success.
- NCE has been effective in providing networking opportunities for Kāpiti Coast-Horowhenua businesses. This, along with its “business engagement” activities appears to be its most substantial contribution towards delivery of economic development outcomes in Kāpiti Coast-Horowhenua.
- The causal link between NCE’s networking and other activities and the positive performance of the Kāpiti Coast economy is not clear. Establishing these direct links to outcomes from networking activities is generally difficult. However, a direct link seems unlikely given the very limited resources committed by NCE to economic development outcomes, relative to the number of businesses (some 4,800) in Kāpiti Coast. Most of these are neither members of, nor engaged with, NCE. NCE has about 98 members in Kāpiti though it is likely that it supports businesses which are not members as well.

Relationship of review to regional economic development initiatives

- 14 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. This 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.
- 15 Conditions of the Agreement include a review of the effectiveness of the WRS by 30 June 2011. This review has been completed and work is now underway on direction. 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.
- 16 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 WRS. 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.

- 17 In the Kāpiti Coast District, Grow Wellington is active in the establishment of the Clean Technology Centre in Ōtaki as part of the regional Sustainable and Renewable Energy Centre of Excellence. Grow Wellington and Nature Coast Enterprise jointly fund a business growth manager who is responsible for supporting businesses at the Centre and attracting new businesses to the Centre. 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.
- 18 In June 2011, the Council reaffirmed its commitment to the WRS including a focus on improving the accountability of Grow Wellington and strengthening governance of the Strategy and implementation.
- 19 Recent discussions in the Mayoral Forum have identified that a regional economic development strategy should be developed based around five key areas:
 - technology driven innovation – including the Clean Technology Centre and Creative HQ;
 - investment for growth – the creation of a capital markets forum;
 - 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;
 - ‘open for business’.
- 20 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-11-368 refers).

Financial Considerations

- 21 The financial implications of the economic development activity review will be reported to the Committee on 2 February. Financial issues are also incorporated into the development of the 2012 Long Term Plan.

Legal Considerations

- 22 There are no legal implications at this time.

Delegation

- 23 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

- 24 This is discussed in SP-11-368.

Policy Implications

- 25 This is discussed in SP-11-368.

Tāngata Whenua Considerations

- 26 This is discussed in SP-11-368

Publicity Considerations

- 27 This is discussed in SP-11-368.

RECOMMENDATIONS

- 28 That the Environmental and Community Development Committee notes that the review of economic development service delivery options including a recommended option will be reported to the Committee on 2 February 2012.

Report prepared by:

Philippa Richardson

Strategic Projects Manager

Approved for submission by:

Gael Ferguson

Group Manager, Strategy and Partnerships