

Mayor and Councillors
COUNCIL

5 JUNE 2014

Meeting Status: **Public**

Purpose of Report: For Decision

WELLINGTON REGIONAL ECONOMIC DEVELOPMENT AGENCY (WREDA)

PURPOSE OF REPORT

- 1 This report seeks agreement in principle by Council to the formation of the Wellington Regional Economic Development Agency (WREDA) in accordance with the information set out in this report.
- 2 Council's agreement in principle has been sought as it will affect the existing Multilateral Agreement which Council is a party to in respect of the Wellington Regional Strategy Committee.
- 3 The Mayoral Forum was supportive of the proposal when it was presented to them on 28 March 2014 and requested that it be considered by each local authority in the region.

SIGNIFICANCE OF DECISION

- 4 This report does not trigger the Council's Significance Policy.

BACKGROUND

The proposal

- 5 The WREDA proposal combines the economic development activities of Wellington City Council and Greater Wellington Regional Council into a single entity. These activities will be formed into a new joint Wellington City/Greater Wellington Council Controlled Organisation (CCO) under the political oversight of a streamlined Wellington Regional Strategy Committee of Greater Wellington.
- 6 The WREDA proposal is a response to relatively flat growth trends for the region. It is envisaged that combining funding, focus and resources in a single agency could help unlock economic potential, providing stronger economic leadership, a clearer strategic focus, one voice, improved capacity for service delivery and more effective regional promotion.
- 7 Under the current Multilateral Agreement, Kāpiti Coast District Council and the other territorial authorities are represented on the Wellington Regional Strategy Committee. As the proposal will result in changes to that Committee and the Multilateral Agreement, agreement in principle of the territorial authorities is being sought prior to Greater Wellington and Wellington City Council consulting wider and preparing the formal agreements required to establish WREDA.
- 8 The proposed new agency will have the operations (including funding) of the following operation areas:

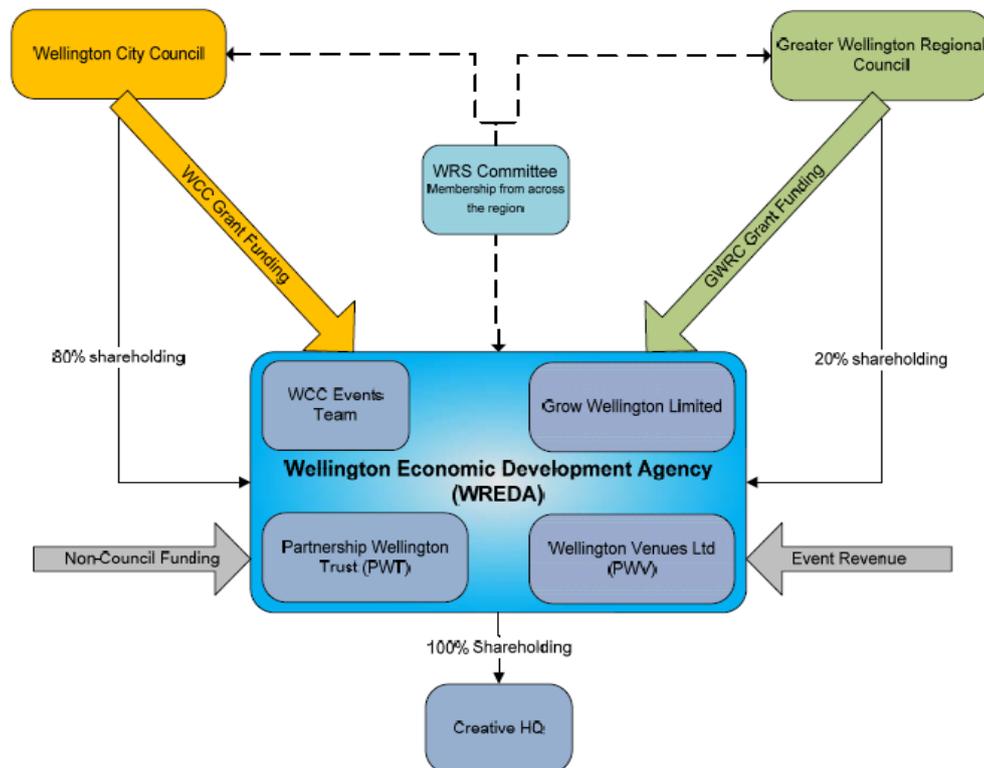
Wellington City Council	Greater Wellington Regional Council
<ul style="list-style-type: none"> • Positively Wellington Tourism • Positively Wellington Venues • Wellington City Events • Destination Wellington • The governance and relationships with Westpac Stadium 	<ul style="list-style-type: none"> • Grow Wellington (and its subsidiary Creative HQ) • The governance and relationship with Westpac Stadium • Wellington Regional Strategy Committee

- 9 The current structure of these operations is attached as appendix 1.
- 10 Future consideration could also be given to incorporating Destination Wairarapa, the Regional Amenities Fund and the Wellington Regional Strategy office.
- 11 It is proposed that WREDA will be the regional provider of economic and tourism services – but does not preclude local councils in the region from undertaking their own activities at a local scale.

Ownership, Structure and Funding of WREDA

- 12 WREDA will be a Council Controlled Organisation (CCO) that will be established under a Shareholder Agreement between Wellington City and Wellington Regional Council. Wellington City Council will hold an 80% shareholding in the CCO and Greater Wellington will hold 20%.

Diagram 1: Outline of proposed structure for WREDA



- 13 Funding for the CCO will be provided by Wellington City Council and Greater Wellington Regional Council (on behalf of the region through regional rates) through a Funding Agreement which sets out minimum committed amounts of funding for a five year period. These minimum levels are based on the 2013/2014 funding of the separate agencies. This total value of this funding pool in 2013/2014 is \$44 million. (See Appendix 2 for details).
- 14 As a CCO, Wellington City and Greater Wellington Council (on behalf of the region) will appoint a new Board of Directors to manage WREDA. This will be done on the recommendations of the Wellington Regional Strategy Committee. If an agreement cannot be reached, Wellington City Council will appoint six directors and Greater Wellington will appoint two.
- 15 The proposal for the makeup of the WREDA Board is attached as Appendix 3 along with details of the proposed process for making initial board appointments during the transition process to the new arrangements.

Proposed Governance of WREDA

- 16 Political oversight of WREDA will be provided by a reconstituted Wellington Regional Strategy Committee. The new committee will be reduced from 14 to 10 members because it will no longer include independent (non councillor) members.
- 17 Kāpiti Coast District and the other Councils each currently have one Councillor as a representative on the Committee. Under the WREDA proposal, the Committee will be made up of elected representatives as follows:
 - four from Wellington City Council
 - one from Lower Hutt City Council
 - one from Upper Hutt City Council
 - one from Greater Wellington Regional Council
 - one from the Wairarapa Councils
 - one from Porirua City Council
 - one from Kāpiti Coast District Council.
- 18 There is no provision for a Council to nominate or appoint a non elected representative.
- 19 Based on the 2013/2014 figures, the level of economic development funding which the Committee oversees will change from \$7.2 million to \$44 million.
- 20 The existing Multilateral Agreement in respect of the Wellington Regional Strategy Committee will be modified and the terms of reference for the committee will be reset. This requires each of the councils to approve the changes to the multilateral agreement. The proposed modified agreement will be based around the following functions of the Wellington Regional Strategy Committee:
 - monitor the performance of WREDA and its Board
 - provide governance oversight on WREDA
 - set the strategic outcomes required for regional economic development
 - review and agree strategies for achieving the desired outcomes
 - review and agree WREDA's Statement of Intent
 - react to changes and consider modifications of the desired outcomes
 - recommend the appointment of directors to the shareholders.

- 21 The Wellington Regional Strategy Committee will remain a committee of Greater Wellington Regional Council which will have overall responsibility for administrative tasks such as scheduling and running of meetings.
- 22 The Wellington Regional Strategy Committee will be given an as yet unspecified budget to enable the Committee to seek independent advice if and when required.

Process and timeline

- 23 The following four step process is being followed:

Stage 1 - Seeking in-principle agreement on the proposal from territorial authorities by the end of June.

Wellington City Council and Greater Wellington Council, as the shareholders of the existing affected CCOs, will also formally consider the proposal ahead of undertaking Stage 2.

Stage 2 - Wellington City Council and Greater Wellington Regional Council will carry out wider consultation in the region with key organisations and individuals during July.

Stage 3 – Wellington City Council and Greater Wellington Regional Council will evaluate feedback and develop relevant documentation and agreements. This includes reviewing the Multilateral Agreement between the Councils. At this stage each territorial authority will be asked in August to make final decisions on supporting the proposal and associated agreements.

Stage 4 – Implementation of WREDA, including the appointment of the WREDA directors and the reconstituted WRS Committee, finalising all legal agreements and amalgamating the existing agencies and functions into WREDA. It is proposed WREDA will be operational in late September/early October.

Stage 4 will include transitional provisions for 2014-2015 while the new governance structure is firmly established and the strategic outcomes required for regional economic development are agreed by the WRS committee. The transition arrangements also include:

- the establishment of a temporary Appointments Group to undertake initial board appointments prior to the WRS Committee being reconstituted and its new terms of reference finalised as outlined in Appendix 3;
- the appointment of a part-time Executive Chair to provide high level guidance until a Chief Executive is appointed;
- Roll-over of the current Statements of Intent of the individual agencies for the first year and preparation of the first combined SOI for the 2015/2016 financial year by the new WREDA Board.

- 24 The proposal does not include a special consultative procedure for the establishment of WREDA. This is because it is argued that the establishment of WREDA is a realigning of existing council controlled organisations and functions under 'one umbrella' rather than the establishment of a new CCO.

CONSIDERATIONS

Issues

- 25 The Wellington region is struggling economically to compete with Auckland, Tauranga and Canterbury and its economic performance has been the subject of discussion in recent years by a range of commentators. There is broad consensus that it can do better.
- 26 While the current economic development agencies that will form the WREDA are not 'broken' it is not considered that they position the region to reach its full economic potential.
- 27 The proposed aggregation of the current economic service delivery undertaken by Wellington City Council and Greater Wellington Council functions is intended to provide more focused leadership and a unified voice to proactively promote economic development and growth in the Wellington Region.
- 28 As noted earlier, establishment of WREDA does not preclude Council from undertaking its own activity at the district level. Nor does it preclude or pre-empt future amalgamation or shared services options.
- 29 Council's agreement in principle is being sought because the establishment of WREDA affects the existing Multilateral Agreement in respect of the WRS Committee. Council is not being asked to be a financial shareholder in WREDA.

Council representation and influence

- 30 Whether WREDA will be able to achieve its intended purpose will be influenced by how the reconstituted WRS Committee carries out its functions and the Committee having consensus on the outcomes desired and strategies for achieving these.
- 31 Kāpiti Coast District Council as a member of the WRS Committee will have limited ability to significantly influence this as the weight of the membership rests with Wellington City. Council will however be a voice at the table overseeing a CCO with considerably more resources and more direct oversight of regional economic development than the current WRS Committee. Based on the detail currently provided Council's ability to influence the strategic direction is not likely to be less than it is under the current WRS Committee structure.
- 32 In stating this it is noted that much of the detail around the WRS Committee and Multilateral Agreement is yet to be developed. This includes whether the other functions of the current WRS Committee that are not included in the list of functions of the proposed reconstituted WRS Committee will be retained. This detail should be available by the time Council is asked for a final decision on supporting the WREDA proposal in August.

Regional rates

- 33 The key area where there appears to be a significant disconnect between the current WRS Committee and the functions described in paragraph 19 is relation to regional rates.
- 34 The current Committee has responsibility to

- 35 “recommend a required funding to be consulted on annually in the course of the greater Wellington Annual Plan or LTP process which will include the proposed amount and allocation of a recommended targeted rate, to be collected by Greater Wellington, to fund the existing and new economic development initiatives and the other initiatives outlined in the WRS.
- 36 Under the proposed structure diagram for WREDA outlined in Diagram 1, the reconstituted WRS Committee will not have this recommendation role. Instead the proposed CCO will receive funding direct from the Regional Council in accordance with the proposed Funding Agreement.
- 37 It is not clear at this stage whether the WRS Committee will retain any role in making recommendations about the targeted regional rate should Greater Wellington seek to increase the minimum committed level of funding to WREDA (i.e the Grant Funding it provides from the targeted regional rates).
- 38 This will be addressed as part of the Stage 3 review of the Multilateral Agreement.

Financial Considerations

- 39 No direct funding from Council is sought for the current proposal on which approval in principle is sought.

Legal Considerations

- 40 No legal advice has been sought on the request for Council to provide approval in principle to the proposal. Advice will be sought on the final decision once additional information on the final proposed agreements is available.

Delegation

- 41 The Council has the authority to make this decision.

Consultation

- 42 To date there has been no consultation on the proposal with the Kāpiti community nor is a special consultative process planned. Kāpiti Coast District Council will nominate groups and individuals for region wide consultation under proposed Stage two.

Policy Implications

- 43 Not all of the details on the WREDA proposal have been developed at this stage. Based on the information available to date there are no known policy implications of Council agreeing in principle to the proposal.

Tāngata Whenua Considerations

- 44 There are no matters that need to be referred to iwi in relation to Council granting approval in principle to the proposal.

Publicity Considerations

- 45 A press release on the proposal will be issued.

RECOMMENDATIONS

46 That Council:

- a) notes the WREDA proposal, and the proposed changes to the Wellington Regional Strategy Committee and Grow Wellington;
- b) notes that the Mayoral Forum was supportive of the Wellington Regional Economic Development Agency (WREDA) proposal and requested that it be considered by each local authority in the region;
- c) agrees in principle to the WREDA proposal as outlined in SP-14-1213;
- d) agrees that consultation be carried out by Wellington City Council and Greater Wellington Regional Council on behalf of the region on the creation of WREDA and reports back to all councils in the region, including with groups and individuals nominated by the Council;
- e) notes that a new Multilateral Agreement between the Councils as part of the formal documentation will be developed after the consultation. Council will be asked to make a final decision on the WREDA proposal and the new agreement in August.

Report prepared by:

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ATTACHMENTS:

Appendix 1 to SP-14-1213: Current structure of the economic activity agencies in the Wellington Region

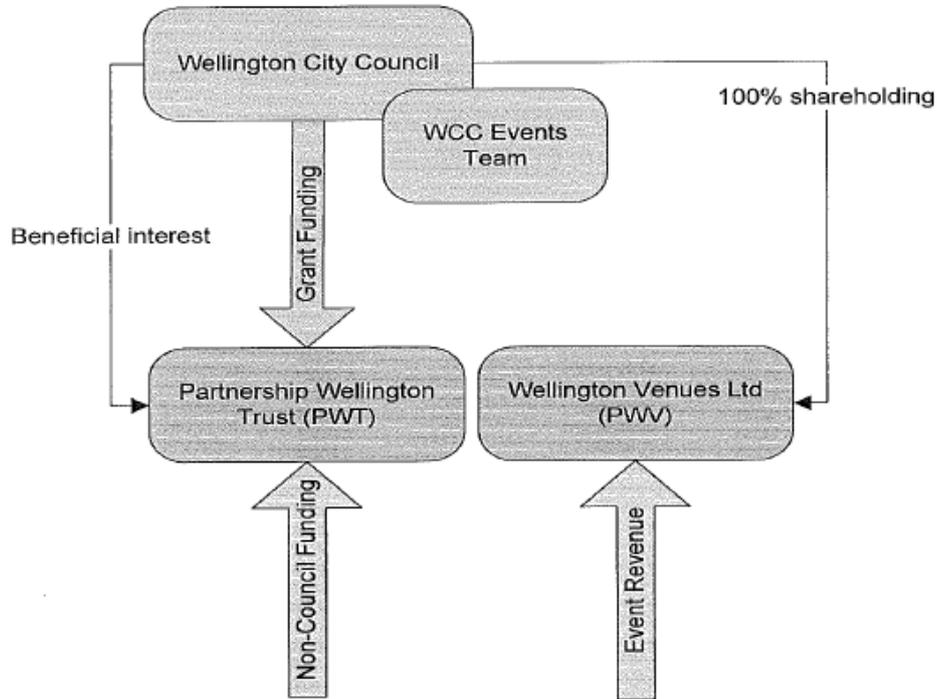
Appendix 2 to SP-14-1213: Funding details for WREDA

Appendix 3 to SP-14-1213: Proposed expertise and skills of the WREDA Independent Board of Directors and initial Board appointments.

Appendix 1 to SP-14-1213:

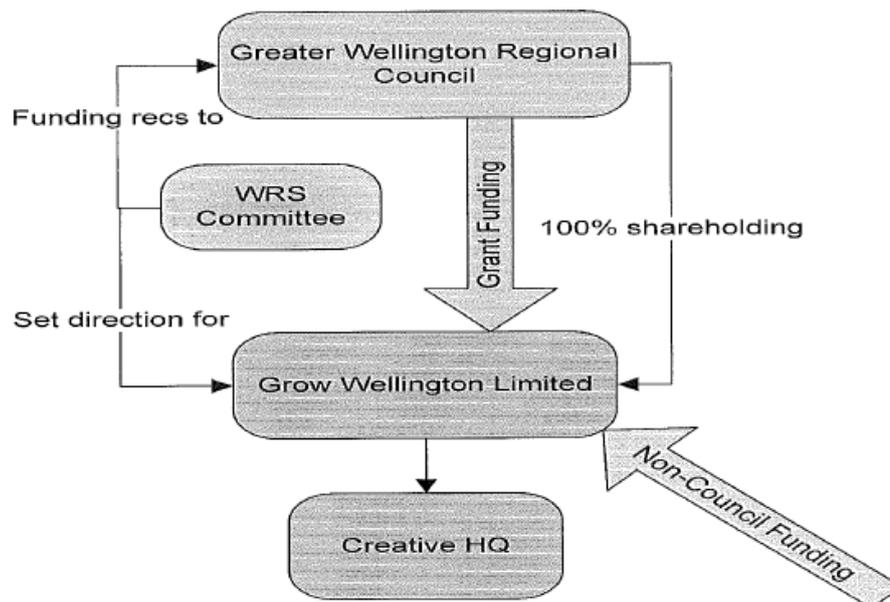
Current Structures of the economic activity agencies in the Wellington Region.

Wellington City Council – current structure



NB Partnership Wellington Trust trades as Positively Wellington Tourism.

Greater Wellington Regional Council – current structure



Appendix 2 to SP-14-1213: Funding Details for WREDA

Committed minimum amounts maintained for five years based on current levels. To be documented in a Funding Agreement between Wellington City Council and Greater Wellington Regional Council (on behalf of the region).

Agency / programme	Council funding	Other	Total
Positively Wellington Tourism	6.5m	4.9m	11.4m
Positively Wellington Venues	4.0m	15.9m	19.9m
Destination Wellington	2.0m	-	2.0m
Major Events	3.5m	-	3.5m
<i>Total Wellington City Council</i>	<i>16.0m</i>	<i>20.8m</i>	<i>36.8m</i>
Grow Wellington	4.0m	2.6m	6.6m
WRS Office	0.6m	-	0.6m
<i>Total Greater Wellington Regional Council</i>	<i>4.6m</i>	<i>2.6m</i>	<i>7.2m</i>
Total	\$20.6m	\$28.4m	\$44.0m

Table 1: The operations and dollar amounts reflect 2013/14 SOIs

Appendix 3 to SP-14-1213:

Proposed expertise and skills of the WREDA Independent Board of Directors

1. WREDA's operation would be overseen by a board of independent directors, appointed for their specific expertise and other relevant experience. It will be important that the board reflects a range of business sectors relevant in the Wellington context.
2. It is recommended that there will be eight directors, appointed on merit and with the agreed skill sets. The shareholders will jointly appoint directors on to WREDA on the recommendations of the Wellington Regional Strategy Committee.
3. There will be no elected representatives appointed to the board of directors – political input and oversight will come through the Wellington Regional Strategy Committee which comprises only elected members from the Region.
4. The directors should have strong connections to, and expertise from the following sectors and activities:
 - tourism and hospitality;
 - major events\education especially in tertiary and research;
 - IT/Tech Services;
 - creative, film production, digital;
 - professional services;
 - performing arts;
 - start-up businesses and venture capital;
 - business innovation and business attraction.
5. Directors will also need significant business and commercial acumen and experience along with a good understanding of corporate governance.

Initial board appointments

As the WRS Committee will not have been restructured and its terms of reference finalised for the first director appointments, it is proposed that the skill sets be considered by a temporary Appointments Group comprising:

- The Mayor, Deputy Mayor and Chief Executive of Wellington City council
- The Chair and Chief Executive of Greater Wellington Regional Council
- The Mayor and Chief Executive of Upper Hutt City Council
- To ensure a robust process, it is suggested that a third party recruitment agency is utilised. This will allow a range of candidates to be considered and be presented to the Appointments Group for consideration.

The temporary Appointments Group will make a recommendation on board appointments to the two shareholding councils at their meetings in late August. All Councils in the region will be consulted prior to this, with the formal decisions confirmed by shareholding councils.

The new board of directors will be responsible for recruiting WREDA's Chief Executive and until such a time as that appointment has been made, the chair of the board will also operate as executive chair.