

Chair and Councillors

ENVIRONMENT AND COMMUNITY DEVELOPMENT COMMITTEE

9 JUNE 2011

Meeting Status : Public

Purpose of Report: For decision

ECONOMIC DEVELOPMENT REVIEW PROGRESS REPORT

PURPOSE OF REPORT

- 1 This report updates the Committee on the progress of the Economic Development Review and makes recommendations on:
 - the broad economic outcomes identified for the District;
 - the four elements of the strategic approach identified as critical to delivery of those outcomes.

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 and confirmed that:
 - this would include a full review of options for the delivery of services;
 - recommendations would 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 Plan.
- 4 An Economic Development Working Party was established comprising the Mayor, the Deputy Mayor, the Council's appointee to the Nature Coast Enterprise 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.
- 5 On 8 September 2009, Council's iwi partnership group, Te Whakaminenga o Kāpiti endorsed the establishment of Working Groups to explore the concepts of co-management structures including Māori Economic Development.
- 6 On 26 April 2011 Te Whakaminenga o Kāpiti appointed two members to participate in the Economic Development review process: Te Waari Carkeek, Tumuaki o Te Rūnanga o Raukawa, and Jennie Smeaton, Communications Advisor, Te Rūnanga O Toa Rangatira.
- 7 The Working Party agreed to detailed Terms of Reference which are attached as Appendix 1. The Terms of Reference include an expansion of the Working Party membership to include the nominees from Te Whakaminenga o Kāpiti. This reflects the focus on strengthening the partnership between Council and Te

Whakaminenga o Kāpiti and recognises the importance of Māori business to the economy of the region. The Committee's approval of these Terms of Reference is included in the recommendations to this paper.

- 8 Stage 1 of the review identifies options for the economic outcomes sought by the Council, including exploring the wider question of the Council's role in economic development.
- 9 The remainder of this paper reports on the progress of Stage 1 of the review, the issues considered and the key elements of a strategic approach identified as critical to delivery of the outcomes.

CONSIDERATIONS

Desired outcomes

- 10 The economic development outcomes identified by the Working Party have their origins in the Community Outcomes. They are a response to the external environment and are based in the long-standing and long term focus on sustainability which this Council shares with the Kāpiti Coast community.
- 11 The Council's economic development strategy needs to be designed to help deliver a thriving and resilient future for the Kāpiti Coast's communities. Because of the close connections between economic and social well-beings, improving the resilience of the economy and business community will consequently strengthen the resilience of the wider community.
- 12 In order to build this resilient and sustainable future economy, the Kāpiti Coast must:
 - ▶ be a great place to live, work and play;
 - ▶ transform itself into a 'new economy' over the first half of the 21st Century.

Great place to live, work and play

- 13 The community has identified a desire to create more employment in the District and to broaden the range of jobs available. Job creation (particularly 'smart' job creation), wealth attraction and some lessening of dependence on other parts of the region, country and world will better secure the futures of the Kāpiti Coast's residents. 'Smart' jobs are generally taken to be those jobs which are part of the new, low-carbon economy and which add considerable value to basic commodities and materials produced in the area. Their return per hour of labour to the employee and to the wider economy is significantly higher than that of the traditional jobs in the 'old' economy.
- 14 Community feedback over a number of years has confirmed a strong emphasis on sustainability values and the Kāpiti Coast has long been seen in the Wellington region as a playground for young and old.
- 15 Pulling all these elements together into a "total package" which presents a point of difference in the region will provide strong support for business attraction and employee attraction activities.

Transforming to a 'new' or low-carbon economy

- 16 The Kāpiti Coast has an economy which is very dependent on external business cycles and national and global economic forces (e.g. construction and retail), government policy decisions (investment in social services) and associated services. It is very dependent on population growth and consumer services rather than value add activities. The local economy has no strong underpinning that equips it to build a future, rather than react to external changes.
- 17 Major contributors to the Kāpiti Coast economy over the ten years from 1999 to 2009 in terms of numbers employed were, in descending order, retail and distribution, social services (including a significant aged care sector), business services and construction. Manufacturing, recreation services and the primary production sector were also significant areas of activity. While the primary sector and manufacturing were still important contributors at the end of the decade, both experienced declines in numbers employed over that time. Greatest growth was in the social services sector. Only the primary production sector showed a continuing and steady decline in GDP over the decade.
- 18 The economic picture at the end of the decade is less rosy. Employment growth in the District dropped from 4.5% in 2008 to 0.2% in 2009. Areas most badly affected were primary production and the construction sector. The rapid decline in the construction sector and the contemporaneous rapid increase in the social services sector is the local reflection of the difficult global economic situation post 2008.
- 19 There are opportunities to position the District economy to take advantage of what is coming to be called the 'low-carbon economy'. This includes energy and water technologies and taking advantage of rising transport costs to build local value add food production. It can also mean building capability in the traditional local economic activities.
- 20 Building on existing strengths and identifying sound new opportunities will equip the Kāpiti Coast to play its part in the economy which develops over the first half of the 21st Century. The transition to a low-carbon world, which must take place over the coming decades as fossil fuels become increasingly scarce and expensive, will be made easier if existing strengths are built on and adapted, and new areas of focus use the Kāpiti Coast's natural advantages as a platform. The Council has already taken some steps in this direction with its support for the Clean Technology Centre of NZ at Ōtaki. This momentum continues with close collaboration with Grow Wellington and the developer of the Clean Technology Business Park to leverage this initiative.
- 21 Keeping abreast of developing trends will equip the Kāpiti Coast to take advantage of opportunities as they arise particularly in the area of smart, low-carbon, sustainable technologies. Such technologies could be applied in traditional areas of strength as well as in whole new areas which will no doubt open up over the next few decades.
- 22 A further important feature of Kāpiti's future economic development should be a focus on reducing transaction costs and improving re-spend within the District. The greater independence in the local economy implied in this will help build the District's ability to withstand the potential shocks noted in paragraph 27 below.

- 23 Discipline and a framework for analysing the benefits of opportunities will be required to ensure the areas which will best support achievement of the long-term objectives are selected and temporary distractions and short-term gains do not divert attention from them once chosen.

General approach

- 24 In order to achieve these two desired outcomes, it is proposed that the strategic approach is underpinned by four linked elements which will provide a set of preliminary criteria for assessing the value of any particular initiative.

Future-proofing

- 25 Any economic development strategy must both allow the District to be nimble in response to developments elsewhere so that it can follow opportunities and is not left heavily invested in declining sectors, and also guard against threats on the horizon.
- 26 Ensuring that the local education sector is producing a workforce equipped with the necessary skills will be important as will ensuring that the right physical infrastructure is in place (ultra-fast broadband etc).
- 27 A number of plausible threats (which may also offer opportunities) are on the economic horizon or are constant risks to the District which, while they may not all come to fruition or not in disastrous ways, *could* have serious consequences and must be addressed:
- ▶ peak oil and other critical resources (silver, copper, hydrocarbon-derived plastics etc)
 - ▶ impacts of increasing numbers of extreme weather events both here and in other economies
 - ▶ the potential for a major earthquake in the region significantly reducing the job-market in Wellington and/or severely damaging local infrastructure.
- 28 The International Energy Agency has indicated that it believes oil production already peaked in 2006 and the US military has opted for 2011. If this is the case, it is likely that the more serious effects will be seen by the middle of this decade and certainly by 2020.
- 29 Early identification of sectors which will struggle to survive in the new economy will enable planning for migration to new activities or necessary adjustments in the way those sectors operate.

Building on existing strengths

- 30 Some of the existing sectors of the Kāpiti Coast's economy may provide a strong platform for development in the medium and longer term. These could be identified through a professional analysis of the District's strengths, weaknesses, opportunities and threats and comparing it to the results of research on potential future growth areas of the local, national and global economy.

Diversifying the economy while maintaining focus

- 31 Diversification of the economy will provide some level of insurance against shocks and improve resilience. The development of several sectors will spread risk but the weakness which comes from lack of focus must be avoided.

Orienting the economy away from commodity production to high value-added activities and supporting services

- 32 Along with the rest of New Zealand, the Kāpiti Coast's economy could benefit from a deliberate effort to add value to products made or grown in the District in order to improve the return per hour of labour invested.

Rationale for Council involvement

- 33 The Kapiti Coast District economy needs to change its primary focus from simply servicing population growth, to actively carving a future within a new kind of economy and making sure existing businesses are also equipped to take advantage of the opportunities which will arise. It is suggested that in this context the fundamental rationale for Council's involvement in the economic development context is as an agent of change. That is, its economic role is not simply to support the growth of what businesses happen to exist in the District now but to help reshape economic activity. There are a number of ways Council can undertake this role.

Vision/leadership

- 34 Council can make a unique contribution to the establishment of the vision and the leadership effort required to develop an economic development strategy due to its particular position in the community. Arguably, Council has a wide knowledge and overview of a range of activities in the District, both in the economic sphere and beyond. Council can challenge ideas, undertake research of new concepts and use its strategic overview to help deliver best value to ratepayers and residents and support the efforts of business. Through its overview Council can ensure that sight of the strategic goals is not lost. If activities are focused on the strategic ends and opportunities are sought for leveraging efforts between different activities, the effectiveness of economic development efforts can be improved.

Addressing gaps

- 35 The Council can contribute to addressing gaps in information, knowledge and skills as well as in resources which support the business sector to gear itself up to new challenges and opportunities. This expertise and leadership will develop in the sector over time allowing the Council to step back but it is important Council helps to fill these gaps as far as it is able to in the meantime.

Enabling role

- 36 Finally, under the Local Government Act 2002, Council must support and take account of the community's social and economic well-being in its activities and decision-making. Council is the major player in providing essential infrastructure, planning development (especially of town centres) and regulating land use – all critical underpinnings of the local economy and the community's well-being. Contributing to the economic development of the District is a core part of Council's job.

- 37 It should be noted in this context that the Council has constraints on the financial and human resources it has available, particularly in the present economic climate. In the matter of economic development activities it will need to ensure that its efforts are applied in areas and ways that will be most strategically effective.

Next steps – Stage 2

- 38 Stage 2 of the Review will conclude with a final report and recommendations to ECD in December 2011. This stage will:
- provide a detailed analysis of what benefits and opportunities a structured focus on shifting to a ‘new economy concept’ can bring;
 - identify which sectors of the economy will deliver greatest value in the achievement of the desired outcomes. In assessing the likely contribution of value of various sectors, the review will assess the potential value to the local economy, and strengths and weaknesses of various sectors in light of what the future may hold;
 - identify the outcomes that Council might like to see achieved as a result of any resource it puts into economic development;
 - the range of delivery options available to Council to deliver on outcomes it seeks, including clarification of stakeholder interests.
- 39 Options will then be assessed against the two desired outcomes identified in Stage 1 and those to go forward for recommendation to the Environment and Community Development Committee.

Financial Considerations

- 40 There are no financial considerations at this stage. The outcomes of the review may either be implemented within budgeted amounts or the development of the Long Term Plan during 2011/12 may provide an opportunity to review the overall level of expenditure.

Legal Considerations

- 41 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

- 42 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

- 43 Organisations and sectors of the business community identified as having a potential interest in future service delivery will be consulted by the Working Party during Stage 2 of the review prior to the final recommendations being brought back to the Council or appropriate Committee for consideration.

Policy Implications

- 44 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 for approval in December 2011.

Publicity Considerations

- 45 Given the interim nature of these recommendations, no publicity is proposed at this point. Some media activity may be appropriate once the Council has approved the final recommendations in December 2011.

Other Considerations

- 46 The Council has provided support for the development and implementation of Te Aho, the Kāpiti Horowhenua Māori Economic Development Strategy, since 2008. Two Te Whakaminenga O Kāpiti representatives participate in the Working Party to facilitate input to the review from tāngata whenua. It may be that this group will work independently during Stage 2 of the Review.

CONCLUSIONS

- 47 Given the potential for both risks and opportunities in the economic sphere over the next few decades, it is important that Council has a strategic framework within which to act to strengthen the District’s economy. The Council can make an important contribution to ensuring the Kāpiti Coast’s communities are as resilient as possible to shocks and well-positioned to take advantage of the opportunities that will arise.
- 48 A significant leadership opportunity exists for Council in acting as guardian and champion of the long-term strategic objectives of making the Kāpiti Coast a great place to live, work and play and of migrating the District to a new economy.
- 49 Aside from the requirements of the Local Government Act 2002, there are other good reasons for Council to continue to be engaged in this area of activity including its unique roles as enabler, facilitator and broker of relationships.
- 50 In investigating and identifying strategic sectors to support in order to achieve the long-term objectives, officers and the Working Party will bear in mind the four-stranded strategic approach of future-proofing, building on existing strengths,

diversifying while maintaining focus, and orienting the economy away from commodity production to high value-added activities and supporting services. This approach should continue to underpin the Council's economic development activities in future.

RECOMMENDATIONS

- 51 That the Environmental and Community Development Committee approves the Draft Terms of Reference for the Working Party attached as Appendix 1 to Report SP-11-243.
- 52 That the Environmental and Community Development Committee notes that Stage 2 of the review will culminate in a final report and recommendations to the Committee by December 2011.
- 53 That the Environment and Community Development Committee adopts as working objectives for the economic development strategy the following long-term economic development objectives:
- a) to make the Kāpiti Coast a great place to work as well as live and play;
 - b) to transform the Kāpiti Coast to a 'new economy' over the first half of the 21st Century which is less reliant on servicing population growth and is an active and successful participant in the emerging global low-carbon economy.
- 54 That the Environmental and Community Development Committee adopts a working strategic approach consisting of four linked elements to underpin its economic development strategy and activities:
- a) future-proofing;
 - b) building on existing strengths;
 - c) diversifying the economy while maintaining focus;
 - d) orienting the economy away from commodity production to high value-added activities and supporting services.

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APPENDIX 1: ECONOMIC DEVELOPMENT WORKING PARTY DRAFT TERMS OF REFERENCE

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

Mayor

Councillors:

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