

POSITIVELY WELLINGTON BUSINESS
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21 February 2006

Mr Wayne Maxwell
Director, Council Controlled Organisations
Wellington City Council
PO Box 2199
WELLINGTON

cc:

Mr Garry Poole
Mr Ernst Zöllner

**POSITIVELY WELLINGTON BUSINESS: REQUEST FOR INCREASE IN
STAKEHOLDER FUNDING FOR 2006-7**

Dear Wayne

- 1 Further to our recent discussions with yourself and WCC colleagues, we wish to confirm Positively Wellington Business' formal request for a 10% increase in core funding by Wellington City Council and our four stakeholding councils, for the 2006/07 financial year.
- 2 The funding agreements between PWB (as the Wellington Regional Economic Trust) and Wellington City, Porirua City, Kapiti Coast District Council, Hutt City and Upper Hutt City Councils all expire on 30 June 2006. PWB requests funding from these councils for a further three years to 30 June 2009.

Request

- 3 For the 2006/07 financial year we seek the following funding from the stakeholding councils:
 - o \$2,211,000 from Wellington City Council
 - o \$484,990 from Hutt City Council
 - o \$221,540 from Porirua City Council
 - o \$116,820 from Upper Hutt City Council
 - o \$116,820 from Kapiti Coast District Council

- 4 In each case this encompasses core funding and additional funding for the regional migrant project and Education Wellington International.

Background

- 5 PWB regrets the lateness of this request, but asks you to understand the uniqueness of the circumstances. The backdrop is of course the critical point which work towards the Wellington Regional Strategy has now reached. As you are well aware, detailed elaboration of the Strategy's action points across the four key action areas has to be completed by Easter or thereabouts to enable careful consideration by council CEOs before the governing body (WRS Growth Forum) reviews and debates these strategic recommendations. Once agreement has been reached at Forum level, the draft Strategy with its action points will then go out for public consultation, with the aim of final political ratification by our Mayors in late September of this year.
- 6 As you also know, in August of 2005, immediately following publication of the WRS "Growth Framework" document, PWB embarked upon a major organisational restructure. As discussed fully with you and your counterparts from the other four councils, the overriding objective of the restructure has been to ensure PWB is suitably resourced to pick up the action points for business development and economic vitality which are likely to fall out of the Regional Strategy once it is finalised. In other words, PWB has fundamentally reorganised itself in order to get ahead of the curve.
- 7 The costs of the above restructure were set out in CEO Philip Lewin's letter of 11 October 2005 to Wellington City Council. In this letter PWB sought the assistance of WCC and other stakeholding councils in funding the unbudgeted cost of the restructure. This consists of redundancy payments totalling approximately \$120,000 and recruitment expenses of around \$80,000.
- 8 In the absence of a response, and with the current financial year 2005/06 two-thirds completed, PWB is now obliged to take urgent cost-cutting actions in order to ensure we complete the year with an outcome that is acceptable to both the Board of Trustees and to stakeholding Councils.
- 9 Our request for increased operational funding for 2006/07 is separate to the current budget deficit projection described above. The current budget deficit projection has been caused principally by the restructure. Our request for additional base line funding for 2006/07 is made in order to ensure that PWB will be adequately resourced going forward.

- 10 The PWB restructure has consolidated our operations into four major areas, each overseen by a General Manager. These are **Creative Business and Technology** (Chris Lipscombe); **Sector Initiatives and Investment** (Suse Reynolds – starts 1 March 2006); **Incubation** (Mark Robotham); and **Corporate Services** (Anton Ferrari). The increased funding levels sought will enable key projects in each of these areas to be delivered in the upcoming financial year. Without the additional funding we will no longer be able to sustain levels of PWB activity in vital areas such as migrant attraction, investment attraction, Creative HQ, and business development activity.
- 11 In the business development area our draft 2006/07 budget provides for a withdrawal from the “Be Your Own Boss” contract we have held with WINZ over recent years. This is for the simple reason that however commendable the nationwide BYOB programme may be, it is essentially social development as distinct from economic and business development and therefore should not form part of PWB’s focused core business as the region’s economic development agency.
- 12 Similarly, in the incubation area, New Zealand Trade and Enterprise has indicated clearly to us its expectation that all incubators will become “self-sufficient” by 2011. As we have discussed with senior Ministers such as Dr Michael Cullen recently, the notion of any incubator becoming fully self-sufficient – ie, no longer receiving any Central Government funding - is implausible in the New Zealand context. However, CHQ’s 2006 funding was cut by NZTE, largely to underline this misplaced (self-sufficiency) imperative. What this means is that, alongside the strong family of business and corporate partnerships which CHQ has built up since PWB launched it in 2002, regional/local government funding will need to be sustained and probably augmented. This would be in keeping with the emerging directions of the Wellington Regional Strategy, in which Creative HQ is likely to be identified as a key regional asset for business development.
- 13 As to investment promotion and attraction into the Wellington region, this activity has languished and underperformed in recent years. A major driver of the PWB restructure has been to ensure we have sufficiently high powered and well-connected resources working in this area, both here in Wellington and on our behalf offshore. In order to provide effective investment promotion/ attraction activity, we need adequate funding to ensure we have the right people doing this vital work.

Conclusion

- 14 At their strategic planning day last Friday 17 February, the Trustees of Positively Wellington Business were unanimous on the need for higher funding of our organisation from all current council stakeholders. The PWB

Trustees believe that the Wellington region is at a pivotal point in its development. The Wellington Regional Strategy represents an historic opportunity for all parts of the region to come together affirmatively, in support of our shared objectives. PWB is putting its hand up as ready and willing to be the front line delivery agency for many of the region's likely strategic objectives. Our ability to deliver, however, will be conditioned by the funding resources available going forward.

- 15 The Trustees also noted that since its inception in October 2001, Positively Wellington Business has not sought any funding increases from stakeholder councils via the annual planning process. We feel strongly that, against the above background, now is the time for us to come forward and request the wherewithal to enable us to do this job properly, on behalf of the whole region.
- 16 Following the 17 February Board strategic planning session, the PWB management team is now working hard on finalising our draft Statement of Intent and Business Plan/Budget for 2006/07. We are grateful for the extra week's grace which Wellington City Council has allowed us for completion of these draft documents and have undertaken to have them with you by 9am on Wednesday 8 March.
- 17 In closing, it goes without saying that CEO Philip Lewin and the PWB management team will be available whenever required over the next period to provide any further details and information which WCC and our other four stakeholding Councils may require in assessing this request. We are grateful for your consideration, and hope very much that your response will be positive.

Yours sincerely



Philip Lewin
Chief Executive

Ken Douglas
Chairman