

APPENDIX 3

Wellington Regional Strategy

Statement of proposal: WRS Governance, Funding and Implementation

Introduction

In 2004 the local councils of the Greater Wellington (GW) region decided to work together to develop a Wellington Regional Strategy (**WRS**) to provide a framework for sustainable economic development and environmental management in the region. The goal of the strategy is to build:

“an internationally competitive Wellington by developing and implementing a vision and an integrated framework to achieve sustainable growth of the Wellington region”.

The project has a long term outlook – to the year 2050 with a more detailed focus of action and priority for the next ten to twenty years.

A separate proposal for the WRS is being consulted on. This document is a proposal for the establishment of funding and governance arrangements.

Executive Summary of proposal

In response to a request by the region's city and district councils (through the WRS Forum) Greater Wellington proposes to establish governance and funding arrangements to facilitate the development and implementation of the Wellington Regional Strategy. This process will include:

- The establishment of a committee to act as keeper of the Wellington Regional Strategy.
- The establishment of a regional Economic Development Agency (EDA) to help achieve sustainable economic growth.
- GW taking over funding responsibilities for the EDA from Territorial Authorities, starting with a regional rate raising \$4 million (excl GST) in 2007/8, possibly rising to \$5 million (excl GST) by 2010.
- Reduction in Territorial Authorities rating for existing economic development agencies

Feedback on the statement of proposal will be sought from the regional community in a consultation process running from Xth October to Xth November 2006.

Background to the proposal

In 2004 the local councils of the Greater Wellington region decided to work together to develop a Wellington Regional Strategy (**WRS**) to provide a framework for sustainable economic development and environmental management in the region. The goal of the strategy is to build:

“an internationally competitive Wellington by developing and implementing a vision and an integrated framework to achieve sustainable growth of the Wellington region”.

The project has a long term outlook – to the year 2050 with a more detailed focus of action and priority for the next ten to twenty years.

Development of the WRS has sought to recognise:

- the need to avoid duplication of activities already underway and to link with those activities;
- that growth and development must reflect the principle of sustainability with its four dimensions of economic, environmental, social and cultural well-being;
- the need to fundamentally link environmental protection, urban development, transport choices and economic development as underpinning mutually supportive strands in the Strategy (sustainable development);
- the need to reflect and support the community values that define each city or district of the region;
- the need to link with the Councils’ statutory obligations under the Local Government Act and other Acts , in particular the development and adoption of Long Term Council Community Plans, the Regional Land Transport Strategy and the Regional Policy Statement.

How the Wellington Regional Strategy was developed

To guide development of the strategy a Forum was established in 2004 and included representatives of all the region’s local authorities. The WRS Forum was supported by a grant from New Zealand Trade & Enterprise, and undertook a research process to examine the trends, pressures, risks and opportunities facing the Wellington region. A range of experts including economists, urban development specialists, community specialists and demographers produced more than 20 background research and evaluation papers to investigate a broad spectrum of matters relating to the prosperity and quality of life in the Wellington region.

The evaluation work and initial conclusions were tested with the regional communities in August 2005 through public consultation on a discussion document’. Statistically valid surveys of resident and business attitudes were undertaken as to views on the concepts in the discussion document. Opportunity was also made for receipt of submissions on the growth framework.

Consideration of the public feedback and survey results by the WRS Forum has guided ongoing development of the WRS since the last quarter of 2005.

Greater Wellington has agreed on behalf of the region and at the request of the WRS Forum to conduct a special consultative procedure to consult on:

- 1 Proposals in regard to the future implementation, governance and funding of the strategy (the subject of this proposal).
- 2 The proposed Wellington Regional Strategy (a separate consultation document).

Wellington Regional Strategy

The WRS does not address all dimensions of the functioning of the region. It does not, for instance, specifically seek to address regional waste management or regional open space issues.

The primary focus of the WRS is on sustainable economic development and how to manage urban and rural development from and structure that supports the economic growth goal.

Tackling these has occurred from a holistic position of recognising that the economy functions within the environment, and is not separate from it. To this end the WRS adopts a 'genuine progress indicator' (a range of measures to gauge the overall success of the region in achieving its aims) framework which over time will strengthen assessment of social, cultural and environmental, as well as economic yardsticks of progress.

The WRS sets out three primary areas of focus.

- Effective Leadership and Partnerships
- Investment in Increasing Exports
- Quality Regional Form and Systems (Investment in Urban Form).

Each contains a further set of sub-actions and further detail on the justification, thinking and scope of these is available. This information is available on the WRS website (www.wrs.govt.nz) or can be requested at the contact details below.

The WRS is a separate and concurrent consultation document to this Statement of Proposal and for the purposes of a special consultative procedure the WRS document itself forms the basis of the required statement of proposal.

The WRS document is available:

- From main office reception of each council in the region.
- By download from www.wrs.govt.nz.
- By post by telephoning 0800 WRStrategy (0800 977 8728).
- Copies are also provided at display stands in the domestic passenger departure lounge at Wellington International Airport, the Wellington train terminal.

Proposed implementation, governance and funding of the WRS

This section covers the future implementation, funding and governance of the WRS. This statement of proposal is required by various sections of the Local Government Act 2002 (LGA 2002) pieces of legislation¹. It proposes:

¹ Section 16 (significant new activities proposed by regional council), section 97 (certain decisions to be taken only if provided for in Long Term Council Community Plan), section 56 (consultation required before council controlled organisation established) and section 102 (amendment to Greater Wellington Funding and Financial Policies) of the Local Government Act 2002 (LGA 2002).

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- 1 That Greater Wellington via a new committee takes responsibility on behalf of the region as 'Keeper of the Strategy' and in doing so takes on a significant new activity on behalf of the region in regard to the future implementation, governance and funding of the WRS.
 - 2 Establishes a Greater Wellington council controlled organisation (**CCO**) to be responsible for delivering the economic development initiatives outlined in the strategy through a Regional Economic Development Agency (**EDA**).
 - 3 That Greater Wellington (on behalf of the region) funds the existing and new initiatives outlined in the WRS by the implementation of a targeted rate for economic development initiatives from 1 July 2007.

Significant new activity

Details of and reasons for the proposal

Greater Wellington has not previously played a role in the delivery of economic development initiatives. The funding and delivery of economic development initiatives across the region have previously been carried out by each of the region's territorial authorities with the assistance of the region's Economic Development Agencies (EDAs), namely, Positively Wellington Business , Go Wairarapa and Enterprise Kapiti Horowhenua.

The WRS Forum proposes that the current arrangements and funding are replaced by a regional model that would have Greater Wellington playing a new role in regard to the governance, implementation and funding of economic development initiatives.

Consideration of the future governance, implementation and funding of the WRS has been the subject of a process involving the external members of the WRS Forum and each of the Mayors and Chief Executives of the Councils involved. The WRS Forum concluded² that the status quo arrangements do not:

- provide a sufficiently robust platform for ongoing shared understanding of issues,
- ensure long term commitment to action,
- enable meaningful engagement of other sectors; and
- provide the necessary certainty and means for funding necessary WRS actions.

The WRS Forum discussed three potential governance models for a "Keeper of the Strategy" with emphasis on the need for a regionally funded method of managing the funding and governance of the region's existing EDAs and the new initiatives proposed by the strategy.

The recommended proposal arising from the WRS Forum's work is:

- That Greater Wellington establishes a WRS committee made up of 7 local government members and 5 non local government members.

² See Governance and Structures paper considered by the Forum at a workshop on 29 June 2006.

- That the WRS Committee will be responsible to monitor and oversee the implementation of the WRS, with particular emphasis in the short term on providing funding and implementation of the WRS initiatives via the EDAs.
- That the existing EDAs will be either restructured or a new EDA entity established as a Greater Wellington council controlled organisation, to enable the WRS Committee" to take responsibility for monitoring and funding the EDAs.
- That Greater Wellington will collect a targeted rate on behalf of the Region to fund the WRS initiatives. This targeted rate will replace the equivalent amounts rated by Territorial Authorities to fund their economic development activities.
- It is proposed that there be an agreement between Greater Wellington and the territorial authorities to record how they will work together to support the strategy and its proposed governance and funding framework.

Analysis of options

The Forum discussed three possible governance and funding models for the WRS at its meeting on 29 June 2006. In summary, the options considered were:

- Option A - A joint committee of the regions councils with each council represented as well as non-political appointees. Each member council would rate separately for the WRS implementation. An EDA would be established by the committee.
- Option B - A standing committee of the Regional Council, with membership from representatives of the region's councils and non-political appointees, with a Greater Wellington rate to support a Greater Wellington EDA (established as a CCO) and other implementation costs.
- Option C - A new agency established through legislative change which would be a regional body that would have powers to strike rates, and which would have representation from all the regions councils as well as independent appointees. The new agency in turn would establish an Economic Development Agency.

As a result of further work a paper was presented to the 28 July WRS Forum meeting that recommended a refinement of the previous options. The WRS Forum agreed to Option B on the basis that the new Greater Wellington standing committee carry out this special consultative procedure (on behalf of Greater Wellington) to consult on both the Wellington Regional Strategy and its proposed governance, funding and implementation.

The analysis of the reasonably practicable options and the main benefits and advantages/costs of each are summarised as follows:

Options	Benefits	Disadvantages/costs
Status quo.	No establishment costs	Does not ensure a long term commitment to action or funding Reduces ability to obtain central government funding Has inefficiencies in funding

		and monitoring as all territorial authorities would have to duplicate processes.
Option A - A joint committee of the region's councils.	WRS Forum committee could continue minimising establishment costs.	As above
Option B - A standing committee of Greater Wellington.	<p>Standing committee made up of both local government members and non political members provides a collaborative and expert model for acting as "keeper of the strategy"</p> <p>Provides mechanism for equitable regional funding model</p> <p>Provides improved basis for certainty of funding for delivery agencies</p> <p>Increases opportunity to obtain central government funding</p>	Involves some establishment costs for Greater Wellington.
Option C - A new agency established through legislative change.	Non political board structure	<p>Unlikely to be practically or politically possible</p> <p>Longer establishment process as it requires legislative change</p>

The preferred option that forms the basis of this proposal is Option B.

In analysing each option Greater Wellington is required to consider the benefits and costs of each option in terms of the present and future social, economic, environmental and cultural wellbeing of the region. Greater Wellington must also have regard to the extent to which community outcomes described in its Long Term Council Community Plan 2006-16 would be promoted or achieved in an integrated and efficient manner by each option. With the exception of the status quo, the Council believes that each option will generally promote the four well beings and the regional community outcomes to a similar extent.

As required by the Local Government Act 2002 (LGA2002), Greater Wellington has also considered the possible impact of each option on its capacity to meet any of its present and future needs in relation to its statutory responsibilities. Greater Wellington has considered the impact on its present and future needs with regard to its statutory responsibilities and is satisfied it will continue to be able to meet these responsibilities in the future. Details of the likely impact of the proposed new rate are described at XXX of this proposal.

Impact on territorial authorities

Section 16 of the LGA2002 requires Greater Wellington to advise all the territorial authorities within its region and the Minister of Local Government of the proposal to take on a significant new activity and the reasons for it.

The following section sets out the expected effects of the proposal on the activities of the region's Territorial Authorities and the objections (if any) that Greater Wellington is aware of that have been raised by the Territorial Authorities.

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Territorial authority	Expected effects of the proposal on the activities of the territorial authority	Objections raised (if any)
Wellington City Council	<p>Funding provided to Positively Wellington Business (currently \$2,211,000) will reduce.</p> <p>Some realignment of current WCC activity into WRS EDA operation (?)</p>	
Hutt City Council	<p>Funding provided to Positively Wellington Business (currently \$485,000) will reduce.</p> <p>Some realignment of current HCC activity into WRS EDA operation (?)</p>	
Upper Hutt City Council	<p>Funding provided to Positively Wellington Business (currently \$117,000) will reduce.</p>	
Porirua City Council	<p>Funding provided to Positively Wellington Business (currently \$222,000) will reduce.</p> <p>Some realignment or possible integration of current PCC funding support towards WRS EDA operation (?)</p>	
Kapiti Coast District Council	<p>Funding provided to Positively Wellington Business (currently \$117,000) will reduce.</p> <p>Funding provided to Enterprise Kapiti (currently \$xx) will reduce (?).</p>	
Masterton District Council	<p>Review of Go Wairarapa operations (currently contribute \$228,700 p.a.) may see funding reallocations (?)..</p>	
Carterton District Council	<p>Review of Go Wairarapa operations (currently contribute \$40,000 p.a.) may see funding reallocations (?)..</p>	
South Wairarapa District Council	<p>Review of Go Wairarapa operations (currently contribute \$85,000 p.a.) may see funding reallocations. (?)..</p>	

Establishment of a Greater Wellington CCO

Reasons for establishing a Greater Wellington CCO

The WRS sets the strategic direction for economic development initiatives across the Region. Implementation of those initiatives will be the responsibility of either existing or new economic development agencies (EDAs).

It is proposed that Greater Wellington, via the WRS Committee, takes responsibility for the future governance and monitoring of the council controlled organisations that will implement economic development initiatives proposed by the WRS. Economic development initiatives in the region are currently facilitated by the following EDAs:

- The Wellington Regional Economic Development Trust known as Positively Wellington Business (**PWB**). PWB is a CCO that is currently accountable to Wellington City Council, Hutt City Council, Porirua City Council, Upper Hutt City Council and Kapiti Coast District Council.
- Go Wairarapa.
- Enterprise Kapiti Horowhenua .

Each of the EDAs currently receive funding from the region's Territorial Authorities. The EDAs are therefore (to varying degrees) accountable to the region's Territorial Authorities for the delivery of economic development initiatives across the region.

It is proposed that Greater Wellington, via the WRS Committee, will either:

- establish and fund a new CCO to take the place of the existing EDAs; or
- facilitate amendments to the governing documents of the existing EDA's to enable Greater Wellington to take responsibility for the future governance, accountability and funding of those organisations. These changes would therefore result in the existing EDAs becoming CCOs that are accountable to Greater Wellington.

Advantages of Greater Wellington taking responsibility for the regional EDA function are that:

- It promotes close alignment between the role of the WRS WRS Committee and the EDA Board and delivery agency.
- It streamlines process requirements around development and ongoing monitoring of the work of the organisation,
- For accountability purposes it is appropriate given that Greater Wellington is gathering regional rates for all aspects of the WRS.

Analysis of options

The options being considered include:

- Retaining the status quo
- Amending the current governance and accountability provisions of the existing EDAs to make them accountable to Greater Wellington

- Creating a new Greater Wellington CCO to take over the functions currently managed by the existing EDAs. The new CCO could take the form of either a not for profit company or an incorporated charitable trust.

The analysis of the reasonably practicable options and the main benefits and disadvantages / costs of each are as follows:

Options	Benefits	Disadvantages/costs
Status Quo.	No establishment costs.	Does not provide the desired regional approach to implementing funding and monitoring a regional strategy.
Amendment to existing EDAs to make them accountable to Greater Wellington.	Lower establishment costs as existing EDAs are retained.	<p>Existing EDAs are either charitable trusts or incorporated societies and therefore lack the potential flexibility offered by a company.</p> <p>There will be establishment costs.</p> <p>Risk that the current EDAs have a more local focus than the proposed organisation, and may not be able to deliver on the WRS.</p>

Options	Benefits	Disadvantages/costs
<p>New Greater Wellington CCO established as a not for profit company.</p>	<p>Well recognised governance structure with clear accountability mechanisms.</p> <p>Controlled by Greater Wellington (via the WRS Committee) through its shareholding, a tailored constitution and statement of intent.</p> <p>Company is likely to provide greater flexibility in regard to the activities the EDA can be involved in. ie there is no need to restrict activities to the advancement of a charitable purpose.</p> <p>Potentially allows all WRS activities to be implemented via a single entity.</p> <p>Greater likelihood of central government funding.</p>	<p>Has some taxation implications.</p> <p>Existing EDAs will have a reduced role and some may be wound up.</p>

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Options	Benefits	Disadvantages/costs
<p>New Greater Wellington CCO established as an incorporated charitable trust.</p>	<p>Any assets accumulated by the trust must only be applied for charitable purposes i.e. to benefit the community, which is potentially both an advantage and a disadvantage.</p> <p>Provided it operates to advance an approved charitable purpose any income will be tax exempt.</p> <p>Well recognised governance structure with clear accountability mechanisms.</p> <p>Controlled by Greater Wellington (via the WRS Committee) through appointment of trustees, a trust deed, and a statement of intent.</p> <p>Greater likelihood of central government funding.</p>	<p>Activities must be restricted to the advancement of a charitable purpose so potentially does not allow all WRS activities to be implemented by a single entity.</p> <p>Existing EDAs will have a reduced role and some may be wound up.</p>

At this stage the preferred option is the creation of a new CCO established as a not for profit company, although all options remain under consideration.

In analysing each option Greater Wellington is required to consider the benefits and costs of each option in terms of the present and future social, economic, environmental and cultural well being of the region. Greater Wellington must also have regard to the extent to which community outcomes described in its Long Term Council Community Plan 2006-16 would be promoted or achieved in an integrated and efficient manner by each option.

With the exception of retaining the status quo, the Council believes that each option will generally promote the 4 well beings and region's community outcomes to a similar extent. Creating a regional governance, implementation and funding model allows economic development outcomes to be promoted and achieved in a manner that has never been possible in the past. Retaining the status quo is less beneficial as it continues the fragmented delivery of economic development across the region and perpetuates the current problems that the EDAs experience in dealing individually with a number of the territorial authorities.

As required by the LGA2002, Greater Wellington has also considered the possible impact of each option on its capacity to meet any of its present and future needs in relation to its statutory responsibilities. With the exception of the status quo all of the identified options have a similar impact on Greater Wellington's ability to meet present and future needs in relation to its statutory responsibilities.

Other relevant information

The transition from the existing EDAs to either a new Greater Wellington CCO or amended versions of the existing EDAs to make them Greater Wellington CCOs will take some time to implement. In all cases the necessary changes will only be possible after consultation with the current boards and staff of the existing EDAs and with the assistance of the relevant territorial authorities currently responsible for funding and accountability in regard to the EDAs.

Indicative Rate Quantum and Allocation³

The WRS Forum met on the 16th of August 2006 to consider an appropriate quantum and allocation of rating for the proposed EDA. The Forum has recommended to the WRS Committee a range of rate funding of between \$4m and \$5m. There was general agreement that a base of \$4m is appropriate for the 07/08 year, and that the WRS Committee considers funding up to a maximum of \$5m in out years.

The following table sets out the funding ranges the WRS Forum has resolved would be appropriate for public consultation purposes:

Transitioned to Capital Values (CV) from 2008/09 to 2009/10 increasing to \$5m + GST				
2007/08 no change for WCC, other TLA's pro rata remaining budget on CV's to \$4m				
2008/09 Transition year 50% 07/08 Basis 50% Fully CV at \$4.5m				
2009/10 Fully rated under CV's at \$5m				
Transition to CV by 2009/10	Currently rated by TLA's for PWB + Go Wairarapa	WCC no change, pro rata remaining budget on CV's	Transition Year 50% 07/08 basis 50% Fully CV	Based on CV
	2006/07	2007/08	2008/09	2009/10
Total Exc GST	\$3,483	\$4,000	\$4,500	\$5,000
	\$000's	\$000's	\$000's	\$000's
Wellington City	2,261	2,261	2,191	2,434
Lower Hutt City	441	573	761	845
Upper Hutt City	106	206	273	303
Porirua City	221	250	332	369
Kapiti Coast District	100	342	454	504
Masterton District	229	175	232	258
Carterton District	40	68	91	101
South Wairarapa District	85	125	166	185
Tararua District	0	0	0	1
District-wide rates	3,483	4,000	4,500	5,000

³ Note: in the final documentation information is likely to be shown in the financial statements of the amended LTCCP documentation

Amendment to Greater Wellington Revenue and Finance policy in regard to the proposed new activity.....

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