

Report 10.58  
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Committee Wellington Regional Strategy  
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## Grow Wellington Draft Statement of Intent 2010/2011

### 1. Purpose

To consider Grow Wellington's Draft Statement of Intent 2010/11 and to provide feedback to the Board on its contents.

### 2. Significance of the decision

The matters for decision in this report **do not** trigger the significance policy of the Council or otherwise trigger section 76(3)(b) of the Local Government Act 2002.

### 3. Background

Grow Wellington is a Council Controlled Organisation established by Greater Wellington, on the recommendation of the Wellington Regional Strategy (WRS) Committee. It was established to deliver key economic development components of the WRS. The 2010-2011 Statement of Intent (SOI) is the fourth prepared by the company.

#### 3.1 Legal requirement for a Statement of Intent

Section 64 of the Local Government Act 2002 (the Act) requires Grow Wellington to have an SOI. Schedule 8 of the Act sets out the requirements for an SOI, including the purpose of an SOI which is to:

- (a) *state publicly the activities and intentions of a council-controlled organisation for the year and the objectives to which those activities will contribute; and*
- (b) *provide an opportunity for stakeholders to influence the direction of the organisation; and*
- (c) *provide a basis for the accountability of the directors to their shareholders for the performance of the organisation.*

Schedule 8 provides for the Board of the company to consider any feedback from the shareholder (in this case the WRS Committee on behalf of Greater Wellington) and deliver a final SOI by 30 June.

Clause 9 of Schedule 8 sets out in detail the contents of an SOI and includes the following information for the financial year and immediately following two years:

- (a) the objectives of the organisation
- (b) a statement of the board's approach to governance of the organisation
- (c) the nature and scope of the activities to be undertaken
- (d) the ratio of consolidated shareholder's funds to total assets, and the definitions of those terms<sup>1</sup>
- (e) the accounting policies of the organisation
- (f) the performance targets and other measures by which the performance of the organisation may be judged in relation to its objectives
- (g) an estimate of the amount or proportion of accumulated profits and capital reserves that is intended to be distributed to its shareholder<sup>2</sup>
- (h) the kind of information to be provided to the shareholder during the course of those financial years, including the information to be included in each half-yearly report (and, in particular, what prospective financial information is required and how this is to be presented)
- (i) the procedures to be followed before the organisation subscribes, purchases, or otherwise acquires shares in any company or organisation<sup>3</sup>
- (j) any activities for which the board seeks compensation from any local authority (whether or not the local authority has agreed to provide the compensation)
- (k) the board's estimate of the commercial value of the shareholder's investment in the company and the manner in which, and the times at which, that value is to be reassessed<sup>4</sup>
- (l) any other matters that are agreed by the shareholder and the board.

Any financial information, including forecast financial information, must be prepared in accordance with generally accepted accounting practice.

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<sup>1</sup> This provision is not relevant as Grow Wellington will not have any significant funds or assets.

<sup>2</sup> This provision is not relevant to Grow Wellington as it will not accumulate profits or have capital reserves.

<sup>3</sup> This provision is not relevant as the Grow Wellington will not obtain shares in any other company.

<sup>4</sup> This provision is not relevant as there will not be shareholder investment in the organisation.

## 4. Discussion

The Draft SOI 2010/11 is in **Attachment 1**.

The Chief Executives considered the Draft SOI at their meeting on the 12<sup>th</sup> February. They noted the SOI is generally a continuation of the previous activities of the company, with resources being moved between some activities as projects mature and new initiatives are started. The activities are aligned to the economic growth provisions of the WRS.

Some changes to performance measures were noted by the Chief Executives. This was explained by Grow Wellington's Chief Executive, as reflecting where some projects are at in their lifespan and also further assessment of the measures since the last SOI.

The Draft SOI signals an expectation by the Board it will receive \$4,400,000 of funding from Greater Wellington for the 2010/11 and 2011/12 years. This is \$150,000 additional to the funding it is receiving in the current year. The additional funding is to provide additional resources to support business growth opportunities associated with the Rugby World Cup event in 2011. This primarily involves facilitating introductions between regional businesses and visitors to Wellington.

Grow Wellington's Chief Executive explained the need for the additional resource. He said that while Grow Wellington is already working to connect businesses to visitors to Wellington during the Rugby World Cup, the Board believes a dedicated resource would provide an opportunity to more fully take advantage of the business connection opportunity. He said there is no "business case" to support the additional funding because it is not possible to quantify the benefits that might accrue from the investment. The Chief Executive also confirmed that the Board does not believe there are any resources within the company that could be redeployed to carry out this additional work.

Opinion amongst the Chief Executives was divided on the issue of the additional funding and therefore no consensus was received on a recommendation to the Committee.

### 4.1 Chief Executives' conclusions

The Chief Executives fully support the Draft SOI and continued funding of Grow Wellington of \$4,250,000 for 2010/11, but could not reach a consensus on the additional \$150,000 in the Draft SOI for the Rugby World Cup activity.

They agreed to endorse the Draft SOI (except for the comments above related to the \$150,000) and commended Grow Wellington on the work it is doing for the region.

## 5. Process for Funding Grow Wellington

Greater Wellington will need to make provision in its Annual Plan 2010/11 for Grow Wellington funding. Unlike previous years, Grow Wellington has not formally notified the WRS Committee (and therefore Greater Wellington) of its funding requirements, although the Draft SOI clearly indicates its intention to receive \$4,400,000 for the 2010/11 financial year.

Greater Wellington approved its proposed rates and levies for inclusion in its Draft Annual Plan at its meeting on 4 February 2010. This was prior to receipt of the Draft SOI. The proposed rates assume Grow Wellington funding will be held at the 2009/10 level of \$4,250,000. This rating level is to be included in the Draft Annual Plan to be adopted by Greater Wellington on 4 March, before being released for consultation.

It is proposed that any adjustments to Greater Wellington's Draft Annual Plan, as a result of the WRS Committee's consideration of Grow Wellington funding, be dealt with through the Annual Plan consultation process. A recommendation from the Committee on Grow Wellington funding will be considered by Greater Wellington through this process.

Under the WRS Committee-related agreements Greater Wellington cannot make a decision that is contrary to a recommendation of the Committee. If Greater Wellington does not agree with the Committee's recommendation on the funding levels for Grow Wellington in the 2010/11 year it will need to refer the matter back to the Committee.

## 6. Communication

The feedback from the Committee will be sent to the Grow Wellington Board. Any communications about the activities in the SOI will be for Grow Wellington to communicate.

## 7. Recommendations

*That the Committee:*

1. *Receives the report.*
2. *Notes the content of the report.*
3. *Either:*

*Agrees that no changes need to be made to the Draft SOI and that this be communicated to the Grow Wellington Board;*

*or*

*Agrees to ask Grow Wellington to reduce the GWRC Rates funding assumptions in the Income Statement on page 17 of the Draft SOI by \$150,000 for the financial years 2011 and 2012.*

4. ***Recommends to Greater Wellington that it provides in its Annual Plan 2010/11 regional economic development rate funding for Grow Wellington of \$4,400,000/\$4,250,000 (subject to the decision at (3)).***

Report prepared by:

Report prepared by:

Report approved by:

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**Attachment 1: Grow Wellington Draft Statement of Intent 2010/2011**