

Report 11.131
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Committee Wellington Regional Strategy
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Grow Wellington Statement of Intent 2011/12

1. Purpose

To consider Grow Wellington's Draft Statement of Intent 2011/12 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

Each year, Grow Wellington is required to develop a Statement of Intent, which sets out the nature and scope of the activities Grow Wellington intends to undertake over the next three years. The Statement of Intent 2011/12 covers the financial and governance aspects of both Grow Wellington and Creative HQ. A copy of the Draft Statement of Intent 2011/12 is in **Attachment 1**.

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 terms¹
- (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 shareholder²
- (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 organisation³
- (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 reassessed⁴
- (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.

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

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

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

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

4. Comment

4.1 Activities and measures

The Draft Statement of Intent 2011/12 follows a similar structure to previous Statements of Intent and summarises the overall focus of Grow Wellington's work. There are areas that indicate progress is being made and where on-going work will generate more results.

At their meeting of 18 March, the Chief Executives Forum considered Grow Wellington's Statement of Intent 2011/12. They noted several areas where they felt that the clarity of the document could be improved with a more structured approach to the development of activities, measures and outcomes, as follows:

- In some areas it is difficult to see the link between the inputs, outputs and outcomes.
- In many instances, the measures are output-focussed rather than outcome-focussed and, as a result, it is difficult to see the overall value of the activities and the contribution they make to the company's objectives. This is particularly important for activities where there has been a large amount of work and investment.
- It would be useful to be able to see the budget allocated for each area of activity and, where appropriate, to identify the level of external revenue allocated to those areas.
- Several areas of the Statement of Intent refer to the generation of more plans. In addition to the activity of developing these plans, it would be useful for the statement to link the development of plans to desired outcomes.
- It is difficult to see continuity and focus of activities from year to year in several areas of the Statement of Intent. Where there is a fundamental change in direction from last year's Statement of Intent, it would be helpful if this was clearly articulated, with reasons.
- In some instances it is difficult to determine what Grow Wellington's role is, particularly where the activity is 'to assist' with projects that are being driven by other organisations.
- The Statement of Intent does not appear to indicate any programme of work with regard to identifying and analysing future economic trends in the region. It is important that Grow Wellington, as the region's economic development agency, is able to provide and respond to robust information and analysis on future challenges and opportunities, to inform their own project work and that of their regional partners.
- It would be useful to have more information about Creative HQ in this combined Statement of Intent. In particular, no details are provided on the revenue and expenditure of Creative HQ.

As a further note, under the Act the Statement of Intent must be publicly available. No previous Statements of Intent appear to be available on the Grow Wellington website.

4.2 Revenue expectations

The Draft Statement of Intent outlines the revenue it anticipates receiving from Greater Wellington's Economic Development Agency (EDA) rate. For the 2011/12 year this is \$4,250,000. This is the same level as it is forecast to receive in the 2010/11 financial year.

Greater Wellington has made this provision in its Proposed Annual Plan. However, for the sake of completeness it would be appropriate for the committee to confirm this funding level to Greater Wellington.

5. Feedback to the Grow Wellington Board

At the request of the Grow Wellington Chair the Chief Executives Group have provided detailed comments to Grow Wellington for consideration at its Board meeting on Friday 25th March. This feedback is in **Attachment 2** and reflects the summary above. As a result of the feedback changes may be made to the Draft Statement of Intent. The Chair of Grow Wellington is likely to respond directly to this feedback at the Committee meeting.

It would be appropriate that the Committee send a letter to the Board, as provided for in Schedule 8 of the Act, outlining the Committee's expectation that future Statements of Intent provide more clarity around the activities, measures and outcomes. A draft letter is in **Attachment 3**.

6. Communication

Subject to the Committee's decision, a letter will be sent to Grow Wellington providing the feedback discussed above. No external communications are required at this time.

7. Recommendations

That the Committee:

- 1. Receives the report.*
- 2. Notes the content of the report.*
- 3. Notes that detailed feedback has been provided to the Grow Wellington Board by the Chief Executives Forum.*
- 4. Agrees that the letter in Attachment 3, providing feedback and expressing the Committee's view that future Statements of Intent should provide more clarity around the activities, measures and outcomes, be sent to the Grow Wellington Board.*

5. ***Recommends to Greater Wellington that it provides in its Annual Plan 2011/12 regional economic development rate funding for Grow Wellington of \$4,250,000.***

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- Attachment 1: Grow Wellington Draft Statement of Intent 2011/12
Attachment 2: Feedback provided to Grow Wellington from the Chief Executives Forum
Attachment 3: Draft letter from WRS Committee to Grow Wellington