

Executive Summary

Introduction

This report presents the findings and recommendations of our review of the Wellington Regional Strategy (the Strategy). The review is intended to assist the Wellington Regional Strategy Committee to decide whether or not to cease Strategy governance and funding activity from 1 July 2012. The function of regional economic development carried out by Greater Wellington Regional Council (GWRC) will cease on 30 June 2012 unless GWRC undertakes the necessary process to continue it.

The review focuses on two key questions:

- What outcomes have been achieved to date across the Strategy's initiatives/activities?
- Has the Strategy been implemented as intended and in accordance with best practice?

We summarise our main findings and recommendations in relation to these questions below.

Context

The Strategy is the Wellington region's sustainable economic growth strategy. It was developed between 2004 and 2007 by the Wellington region's nine local authorities in consultation with the region's business, education, research and community interests. It emerged from a shared recognition that previous arrangements for promoting economic development were fragmented, inefficient and did not take full advantage of opportunities for regional economic advancement.

A key issue addressed by the Strategy was whether to take a consolidated approach to the delivery of certain economic development initiatives and activities through a single, regionally funded economic development agency. This issue was contentious at the time the Strategy was approved in 2007, but all councils eventually agreed to an approach whereby an economic development rate would be charged across the region by Greater Wellington Regional Council. Grow Wellington, formally a CCO of the Greater Wellington Regional Council, was established as the region's economic development agency.

The Strategy itself is comprehensive and spans initiatives intended to directly grow the regional economy, especially exports, through the activities of the regional economic development agency (eg businesses support and sectors development), as well as initiatives to promote Good Regional Form (eg strengthening the CBD and regional centres, industrial land planning). In all, a total of 34 action areas (nine of which were high priority) and 68 initiatives are included in the Strategy.

The Wellington Regional Strategy Committee was established to oversee and drive implementation of the Strategy. That Committee comprised an independent chair, six of the region's eight mayors, the chair of the Greater Wellington Regional Council, and several

independent members drawn from the community. This Committee is supported by a Chief Executives Group and the small Wellington Regional Strategy Office, established to coordinate the delivery of the programme of activities and initiatives under the Strategy. Strategy activities were funded from a combination of a regional economic development agency rate, external funding and contributions (both funding and officer time) from individual councils.

Extent of outcomes achieved to date

This review has been conducted at an early stage in the life of Strategy, which has a 20 year horizon. Many of the initiatives and activities in the Strategy are medium to long-term in nature, with significant economic impacts expected only over periods of a decade or more. The development of regional economic development capability itself takes time. For these reasons, this review has focused primarily on short-term impacts and outcomes.

Growing our Economy

A key focus area for the Strategy was to invest in growing the region's economy, especially its exports. The key areas under this focus area included:

- Developing businesses, products and services (eg providing business support and advice, developing centres of excellence, realising the region's primary production potential etc)
- Selling and marketing the region and its businesses overseas (eg supporting firms with market access, further developing a regional approach to tourism)
- Supporting businesses to get their products to international markets (eg bringing long haul flights to Wellington, broadband)
- Supporting the business sector through underpinning growth inputs (eg investment attraction, education, labour market strategy etc).

This focus area received the vast majority of the regional rate funding and is primarily delivered by Grow Wellington. Other key contributors included Positively Wellington Tourism and the individual councils of the region. The above four areas have not received equal attention, with some gaps in translating Strategy intentions into programmes activities. There has been less attention paid beyond tourism activity to selling and marketing the region to businesses and potential investors, and 'key business growth inputs' other than the development of the Labour Market Strategy.

Our main findings in relation to this part of the Strategy can be summarised as follows:

- There appears to be greater awareness amongst businesses in the region of Grow Wellington than of the Wellington Regional Strategy, although this is not surprising given most survey respondents had accessed Grow Wellington services.
- The majority of businesses who had received business growth services from Grow Wellington over the last 24 months were either very satisfied or satisfied with those services, and the vast majority attribute 'great value' (31%) or 'some value' (57%) to those

services. The specific benefits most often mentioned include: the provision of useful business connections and information, and assistance with access to government resources and funding. Some firms noted improvements in access to skills and talent, internal capability, access to capital and improved export potential.

- Satisfaction with Grow Wellington's sector development support is also reasonably strong, although there is significant variation across the supported sectors. In brief:
 - Support for the export education sector is highly valued by stakeholders, although it is too early to see impact on export revenue from efforts to promote English language services in offshore markets
 - There have been demonstrable achievements flowing from the food and beverage sector support, including Wellington on a Plate and the attraction of Le Cordon Bleu to establish a Cuisine and Hospitality Centre in Wellington City
 - The work of Film Wellington, while less strategic in nature, plays an important role in facilitating film production in the Wellington region. However, other needs of the film sector have not been progressed, although this may change with the work towards the establishment of the screen and digital centre of excellence
 - Positive developments in the manufacturing and primary sectors are less clear.
- The most frequently mentioned benefits associated with Grow Wellington's sector development support include: raising the profile of the sector and improving sector collaboration. Other benefits mentioned include: addressing a key issue or opportunity in the sector; improved sector capability and capacity, improved export potential, improved productivity, and improved revenue and market access. The economic value of these benefits has not been quantified but, to date, are likely to be modest.
- Many of the achievements in the sector development area have relied on strong partnerships developed across the region, in particular collaborations between Grow Wellington, Positively Wellington Tourism and Wellington City Council.
- Progress in relation to support for centres of excellence is less clear, and there have been a number of lessons learned in this area. Of the three centres supported, the Clean Technology Centre of Excellence is the most advanced and shows the most promise. External funding constraints have held up progress on the Health Education, Research and Commercialisation Centre and the future of this initiative is unclear. The screen and digital centre initiative has changed tack over time and progress remains at an early stage.
- Some progress has been made in relation to other 'Growing our Economy' actions, notably concerted efforts to bring long haul flights to the region and to improve broadband. Good work has been done in both areas but tangible results have yet to be realised. It is not possible to judge, at this stage, to what extent the investments made will result in tangible benefit but both initiatives better positioned the Wellington region to realise opportunities.

- Although the overarching aim of the Growing our Economy part of the Strategy is to double the region's exports as a share of GDP by 2026, to date, there has been no systematic attempt to measure the extent to which Strategy activities have increased exports. The survey data, with over half (54%) of those firms surveyed not looking to export in the future, would indicate at one level some inconsistency with the Strategy's goal. However, to draw firmer conclusions requires a fuller understanding informed by systematic data collection. Having a long term export goal in place does not in our view preclude activities, such as building sector capability and providing market intelligence, that help provide the ingredients toward export opportunities in the future.

Our review has also identified a number of issues for further consideration:

- There are opportunities for better strategic alignment of tourism activity across the region, and for integration between tourism promotion and other elements of the Strategy
- The absence of a programme of ongoing monitoring and evaluation has limited the availability of outcome information for this review, and it would benefit future reporting on the achievements of the Strategy if such a programme were to be put in place
- There remains some risk of duplication of economic development activity across the region, and scope to take a more regionalised approach to such issues as marketing the region to business, and leveraging the education and research capability of the region
- The case for providing priority support for sectors appears stronger in some cases than others, and any refresh of the Strategy should reconsider the priority sectors for the region.

Good Regional Form

A key focus area for the Strategy is to promote good regional form, as a means of achieving a well-configured and compact community that enhances regional competitiveness and the quality of life of residents and businesses.

The areas of activity under this part of the Strategy spanned a wide range of issues including: strong CBD & sub-regional centres, quality urban design, integration of transport with urban and rural needs, land for business growth, open spaces, and specific regional focus areas (ie the Granada to Gracefield corridor, and the northern Waikanae edge).

Assessment of the extent of outcomes achieved in the area of good regional form is particularly challenging because most initiatives involve either information sharing and/or are planning initiatives associated with several incremental steps and long lead times.

Our main findings in relation to this part of the Strategy can be summarised as follows:

- For all of the activities and initiatives considered, it is too early to observe changes in regional form on the ground

- In addition, with some exceptions (eg the change to the Kapiti Coast District Plan to limit development on the Waikanae northern edge), the planning processes instituted under the Strategy have some way to run before even the planning stage is concluded
- At an activity level, varying levels of progress have been made across the key areas identified in the Strategy:
 - Strong CBD and sub-regional centres: This activity has fallen well short of the Strategy's ambition of having an overall vision for the region's centres, guiding investment and examining regional investment mechanisms to unlock development potential not realised by the market. This reflected a lack of agreement amongst councils on the vision and appropriate interventions and a subsequent decision by CEs that there was no need for a formal regional approach to the identification and management of centres. Instead, a stocktake of centre planning approaches was undertaken in 2009, with information disseminated to and shared amongst councils.
 - Regional focus areas: eight specific areas for development planning were identified in the Strategy. Significant activity has been undertaken and progress made in relation to the preparation of plans and proposed plan changes. However, it is not clear to what extent progress in these areas is a result of the Strategy and its processes, or would have occurred anyway.
 - Open Spaces: several activities have been progressed in this area, notably the development of the Open Space Strategy and Action Plan, which was approved by the WRS Committee in November 2009. The key challenge in this area is to maintain momentum.
 - Quality Urban Design: good progress has been made and all councils have become signatories of the New Zealand Urban Design Protocol and a regional urban design action plan has been put in place, with many of the proposed actions having taken place or underway.
 - Land for Business Growth: The most notable output in this area is the commissioning of a study that identifies the available vacant industrial land in the region. Beyond this, other planned activities have not been undertaken.
- Although not an explicit objective of the Strategy, work in a number of the above areas supported the inclusion of new policies supporting good regional form in the Regional Policy Statement.
- The main benefits in the Good Regional Form area are yet to be realised and will not come to fruition for some time. However, benefits have already emerged from the region-wide approach, particularly in terms of sharing approaches and practices amongst council officers, and the adoption of common standards and frameworks by councils. This sharing is valuable and can be expected to lead to improvements in the quality work of individual councils and reduced costs.

- While progress has been made, many of the 'Good Regional Form' activities progressed do not match the level of ambition in the Strategy. The most significant regional form issues likely to influence the region and its economy over the coming decades (eg urban intensification, a regional approach to CBD and regional centre development) have not been tackled. The cooperation between councils has fallen short of strategic engagement.

Implementation of the Strategy

While the above discussion of the extent of outcomes achieved generally paints a positive picture of progress and some benefit, in general we conclude that the level of impetus and progress under the Strategy has failed to live up to the ambition of the Strategy. Realisation of tangible economic benefits has mostly been modest.

This review has identified some shortcomings in the implementation of the Strategy.

In our view, successful implementation of a regional economic development strategy requires:

- A Strategy that:
 - is clear in its priorities, actions and initiatives
 - is clear about what resources and capability are needed to deliver on those
 - is realistic, in terms of a match between priorities, actions and initiatives, on the one hand, and actual resources and capability on the other hand.
- A Governing body that:
 - clearly owns the Strategy
 - advocates regional priorities identified in the Strategy with central government and other partners
 - makes decisions on regional strategy issues (or, if not the decision maker, provides advice, builds support for and brokers decisions at the individual council level)
 - oversees revisions to the Strategy to ensure it remains relevant and a live document
 - decides on funding priorities
 - reports on progress towards delivery of the Strategy including the achievement of its goals and outcomes
 - builds strong stakeholder relationships and partnerships.
- Adequate supporting mechanisms including:
 - clear roles and responsibilities amongst the delivery agencies, and between the Governing Body and delivery agencies
 - good programme management, to coordinate and drive delivery of the Strategy's initiatives and activities

- effective reporting against planned delivery, and a programme of monitoring and evaluation to assess the extent of achievement of outcomes
- funding and resourcing mechanisms that provide sufficient certainty that the necessary resources are available.

Our review concludes that there is room for improvement in all of the above areas.

On the Strategy itself, we conclude that it has suffered from too many activities and initiatives, and the statements of priority accorded in the Strategy have in a number of cases not translated into resource allocation and priorities for action. The Strategy has also become out of date due to unprecedented changes in the global and national economic environment. We consider that the Strategy should be refreshed, and that any future Strategy should contain fewer activities and initiatives.

A number of issues have been identified with the governance arrangements. While we do not believe the WRS processes and governance arrangements are fundamentally flawed, there is a clear case for change in how implementation of the Strategy is happening in practice. In short, we have concluded that:

- the Committee has not driven the implementation of the Strategy as actively as it might, difficult decisions are not being made nor trade-offs between initiatives raised and addressed
- the Committee has not been key in influencing other fora such as the Mayoral Forum or the Regional Transport Committee, and some mayors perceived duplication between these fora and the Committee
- the relationships between the Committee and delivery agencies, particularly Grow Wellington, have not been as strong as they need to be
- issues have also been raised with the composition of the Committee, in particular its size and balance between political and independent representation
- there is some confusion, particularly amongst independent members, as to the Committee's core purpose and role.

This has led us to conclude that a more active WRS Committee is critical if the aims of the Strategy are to be realised. The Committee should take on a regional leadership role in a way that avoids duplication with existing structures and is consistent with its lack of statutory powers. Where the WRS Committee is not the legal decision maker it should make recommendations to the formal decision maker.

Finally, we believe that the Committee has not been fully enabled to perform its role because of weaknesses in various support mechanisms. The WRS Office has performed a useful role but has been limited in its resource and has been diverted from coordinating the overall programme of work towards leading specific activities and initiatives.

In addition, no ongoing programme of monitoring and evaluation of the impacts and outcomes of the Strategy has been put in place. Delivery and reporting on progress against the Strategy has been compartmentalised. In terms of funding arrangements, the reliance on voluntary council contributions of funding and resource has led to uneven progress against a number of areas of the Strategy. The Strategy's ambitious objective of matching ratepayer funding dollar-for-dollar with external funds has proved unrealistic given significant changes in global and national conditions. In some areas there has been a significant mismatch between the priority accorded to an activity in the Strategy, and the level of activity that has been undertaken.

Future Directions

A key question for this review is whether, taking into account the outcomes achieved to date and the quality of implementation of the Strategy, there is a case for continuing with the Strategy governance and funding activity, or whether to cease that activity at 30 June 2012.

On this question, we conclude that there remain good reasons for continuing to pursue economic development (including good regional form) at a region-wide level, and to fund and deliver economic development activities on a region-wide basis. Our reasoning for this is as follows:

- In the face of increasingly intense competition from other cities and regions for resources, talent and capital, there is clear merit in facing the strategic challenges of ensuring a vibrant city-region on a region-wide basis. Such challenges do not respect sub-regional territorial boundaries.
- Internationally and domestically, regions (especially those containing large urban areas) are moving towards an approach where they plan for and approach economic development on a region-wide basis.
- Previous arrangements in the region involved fragmentation and duplication of economic development activities. Reverting to an individual council-based approach risks a recurrence of these problems.
- Although arguments have been advanced against a region-wide approach on the basis of efficiency and unequal distribution of benefits, we consider such concerns can be addressed through good governance and, overall, the benefits of a regional approach outweigh the costs.

To fully realise the benefits from such a region-wide approach, it is important that the Strategy itself be refreshed, and that changes are made to the governance and implementation arrangements.

The general thrust of our recommendations is as follows:

- A refresh of the Strategy is required because of significant changes in the economic environment and because there are arguably too many activities and initiatives and some stated priorities do not appear to have region-wide support
- In refreshing the Strategy, it will be important to develop an associated action and resource plan that makes more transparent what is to be progressed, by when, and what resource is being allocated for that purpose
- A programme of monitoring and evaluating key initiatives should be put in place, with systematic and regular measurement of progress and outcomes achieved
- The role of the Committee should be clarified and its composition changed, so that it is smaller in size and better balanced as between political and independent members
- To achieve better alignment between the Strategy, the Committee and Grow Wellington, it is proposed that the Committee more actively engage in setting the direction for Grow Wellington and that there be an independent member appointed to both bodies
- Improvements are also required on reporting against the Strategy, including from Grow Wellington to the Committee on its achievements
- To enable the above changes and to support the Committee in its role, we propose a strengthened support function, drawing on the capacity and resources of the region.