

Proposed New Separate Legal Entity for Creative HQ - Submissions and Responses

Submitter: Jo McGee

Submission Number: 1

Topic: Accountability/control

Submission: "More accountability with all decisions."

Response: The proposal that Creative HQ be established as a council controlled organisation and a subsidiary of Grow Wellington Ltd is designed to ensure that the proposed restructure maximises accountability. Greater Wellington would retain control over Creative HQ Ltd through its shareholding in Grow Wellington Ltd, a tailored constitution, statement of intent, and influence over the appointment and removal of directors.

Submitter: Sarah Kelly

Submission Number: 2

Topic: Operating costs/funding

Submission: "We do not support this if it increases your operating cost."

Response: The only additional cost of this proposal is the initial establishment costs, this will come from the budget already designated for Creative HQ. As a separate legal entity, Creative HQ Ltd will secure ongoing funding from New Zealand Trade and Enterprise and is the entity that is most likely to attract other external investment. It therefore is likely to reduce our operating costs over the medium to long term.

Submitter: Brian Cope

Submission Number: 3

Topic: Accountability/control

Submission: "Sounds like jobs for the boys (or girls) just another management level."

Response: Changing Creative HQ from a business unit of Grow Wellington Ltd to a company that is a subsidiary of Grow Wellington Ltd will create no additional 'management level' There will be the appointment of directors. However, not only is a company structure a requirement of continued New Zealand Trade and Enterprise funding, but also by establishing the company as a subsidiary of Grow Wellington Ltd there will be increased accountability and monitoring against the performance aspects of the Wellington Regional Strategy.

As a council-controlled organisation (CCO), Creative HQ Ltd and Greater Wellington would be required to comply with the requirements set out in Part 5 of the Local Government Act 2002, which include the appointment of directors who have the necessary skills, knowledge and experience to guide the company and contribute to the achievement of its objectives. Specifically, section 57(1) of that Act requires that Greater Wellington adopt a policy that sets out an "objective and transparent" process for the appointment and remuneration of directors to the CCO.

Submitter: M Dixon

Submission Number: 4

Topic: Operating costs/funding

Submission: "Another proposal, funded by Wairarapa to benefit Wellington only."

Response: The proposal is designed to alter the governance structure of Creative HQ, in order to attract external investment and secure New Zealand Trade and Enterprise funding, ultimately reducing the cost to all Greater Wellington ratepayers. Creative HQ Ltd would, as set out on its website, remain "open to ideas from any source" for its business incubator service, whether those ideas originate from the Wairarapa or any other area of the Wellington region.

Submitter: Sally Gilbert **Submission Number:** 5

Topic: Operating costs/funding

Submission: "Low priority for rates spending, but support business investment."

Response: As you identify, the proposal is designed to attract external investment and is required to maintain New Zealand Trade and Enterprise funding. The proposal is also designed to minimise, over the long term, the investment required from Grow Wellington Ltd and ultimately from ratepayers.

Submitter: Diane Morris

Submission Number: 6

Topic: General

Submission: "Why do we want to grow? It's an outdated concept. Abolish this entity and concentrate on improving what we already have."

Response: As a business incubator, Creative HQ is about taking what we already have, in terms of ideas and business ventures, and giving the support required for those ideas and ventures to achieve their full potential. It is required to deliver in line with the Wellington Regional Strategy (WRS).

The WRS, and the concept of sustainable economic growth which underpins it, was developed following two sets of public consultation and two surveys of business and public interests. As stated in the WRS document, during consultation on the Growth Framework submitters said that prosperity in the Wellington region meant more than monetary wealth: it was about quality of life for all members of our society and economic growth should not be sought at the expense of the community or the environment. The WRS Forum agreed that it is the quality of life that comes from sustainable economic growth that is required. As a result, the Forum uses a framework that measures its progress across all areas of life. The "efficient use of resources" is an overarching principle for promoting sustainable prosperity in the WRS.

Submitter: Peter Graham

Submission Number: 7

Topic: General

Submission: "I can't understand why another 'quango' has to be formed. Why not restructure an existing organisation to do the job."

Response: The purpose of the proposal is to allow Creative HQ's specified functions to be more

commercially exercised. The proposal is in fact a restructure of the existing organisation - Creative HQ that currently sits within Grow Wellington - and involves the minimum degree of reorganisation in order to achieve this commercial objective.

Submitter: C.C. Hay

Submission Number: 8

Topic: Operating costs/funding

Submission: "I presume that the portion of my rate demand that imposes an economic development levy funds this venture. One of the initial reasons put forward for this levy was that it would act as a sort of "seed capital" to promote economic initiatives. If we now have the likelihood of private investors becoming involved then presumably once those investments have taken place then the levy from ratepayers can be reduced. If there is to be a reduction in the levy payable by ratepayers then that amount should result in a rate reduction and not be diverted into other economic development initiatives. On this basis the requirement to create the separate entity is appropriate."

Response: Thank you for your support for the proposal. As set out in the proposal, the restructure is designed to reduce the level of investment needed from Grow Wellington Ltd and ultimately ratepayers. Adjustments to the economic development rate (which funds Grow Wellington Ltd) will be considered if and when Creative HQ Ltd is established and after considering the amount of external investment achieved.

Submitter: C Craig

Submission Number: 9

Topic: Operating costs/funding

Submission: "Don't agree with this. Not a priority. Would rather see \$ spent put into defraying increased public transport fare increase."

Response: Promoting sustainable economic growth, an objective of Creative HQ in line with the Wellington Regional Strategy (WRS), was identified as a priority for the Wellington region through the consultative procedure leading up to the creation of the WRS.

This particular proposal will not affect expenditure on other activities (such as transport) as they have different funding sources. In fact, it is likely to minimise expenditure over the medium to long term. It involves a new governance entity being established in the form of a council-controlled organisation that is a subsidiary of Grow Wellington Ltd, which will ensure control by Grow Wellington Ltd and is most likely to attract external investment.

Submitter: Aileen Haeata-Kuku

Submission Number: 10

Topic: General

Submission: "I support the expansion for investors by creating a new CCO."

Response: Thank you for your support for the proposed new separate legal entity for Creative

Submitter: R Murray

Submission Number: 11

Topic: Accountability/control

Submission: "Disagree - too far removed from direct Council control: if investors want it sell it to

them: at a profit. GW can only mutter encouragement about econ dev - shouldn't require expenditure."

Response: The proposal to create a separate entity is the enable Grow Wellington to attract external investment. The issue of Council control has been carefully considered in the development of the proposal.

A number of safeguards will be put in place, including the approval of any shareholder resting with the Council. The Council (through the Wellington Regional Strategy Committee) will also closely monitor the company and its parent company Grow Wellington through Grow Wellington's annual Statement of Intent and its six-monthly reports. Greater Wellington will retain ultimate control over Creative HQ through its shareholding in Grow Wellington Ltd.

Submitter: Sonia Ryrie

Submission Number: 12

Topic: General

Submission: "Unsure because I don't know a lot about Creative HQ."

Response: Creative HQ is a business incubator that supports start up companies with high potential. It is operated by Grow Wellington Ltd, an existing council-controlled organisation (CCO) that was established to deliver the economic development aspects of the Wellington Regional Strategy. More information about Creative HQ is available on its website <http://www.creativehq.co.nz>. The proposal involves a new governance entity being established in the form of a CCO that is a subsidiary of Grow Wellington Ltd. This is expected to retain and attract external investment while ensuring ownership by Grow Wellington Ltd.

Submitter: Simon Buckland

Submission Number: 13

Topic: Operating costs/funding

Submission: "Opposed. This will inevitably result in more bureaucracy and an increase in rates."

Response: We acknowledge that changing Creative HQ from a business unit of Grow Wellington Ltd to a company that is a subsidiary of Grow Wellington Ltd will require some increased

activity insofar as Creative HQ Ltd would be required to comply with legal requirements of New Zealand companies (eg filing annual returns, maintaining a share register, holding annual meetings etc). In real terms, however, the accounting requirements will be unchanged and we do not expect that these administrative aspects (principally relating to the maintenance of records and robust business practice) will result in any significant additional work. We do not believe therefore that there will be any noticeable increase in bureaucracy and nor any increase in rates.

It should also be noted that not only is a company structure a requirement of continued New Zealand Trade and Enterprise funding, but also by establishing the company as a subsidiary of Grow Wellington Ltd there will be increased ability to attract external investment. The proposal is designed to minimise, over the long term, the investment required from Grow Wellington Ltd and ultimately from ratepayers.

Submitter: M and M Lynch

Submission Number: 14

Topic: General

Submission: "Please avoid 'mission drift'. Focus on core services and the competent execution of core services - leave the 'creative' but to P. Jackson. Leave 'investment' to the borderline competants in the private sector."

Response: Promoting sustainable economic growth, an objective of Creative HQ in line with the Wellington Regional Strategy (WRS), was identified as a priority for the Wellington region through the consultative procedure leading up to the creation of the WRS.

This particular proposal will not affect expenditure on other core services. In fact, it is likely to minimise expenditure over the medium to long term by attracting external investment.

Submitter: Allan Pullenger

Submission Number: 15

Topic: Operating costs/funding

Submission: "Stop wasting money. Govt (quasi government) (WRC) cannot survive in the real world without continued funding. This is not a key area."

Response: Promoting sustainable economic growth, an objective of Creative HQ in line with the Wellington Regional Strategy (WRS), was identified as a priority for the Wellington region through the consultative procedure leading up to the creation of the WRS.

This particular proposal will not affect expenditure on other core services. In fact, it is likely to minimise expenditure over the medium to long term by attracting external investment.

Submitter: Keith Stewart

Submission Number: 16

Topic: General

Submission: "Sounds logical if it allows".

Response: Thank you for your support for the proposed new legal entity for Creative HQ.

Submitter: Chris Winstanley

Submission Number: 17

Topic: Operating costs/funding

Submission: "I not in support of this proposal or Council rates being used in this area."

Response: Promoting sustainable economic growth, an objective of Creative HQ in line with the Wellington Regional Strategy (WRS), was identified as a priority for the Wellington region through the consultative procedure leading up to the creation of the WRS.

This particular proposal will not affect expenditure on other core services. In fact, it is likely to minimise expenditure over the medium to long term by attracting external investment.

Submitter: Mark Horgan

Submission Number: 18

Topic: General

Submission: "I support the investment in the regional economic development agency. I support the proposal to establish a new Council-Controlled Organisation (CCO) in the form of a company which is a subsidiary of Grow Wellington Ltd, as the governance entity for the ownership, management and future development of the business incubator known as Creative HQ."

Response: Thank you for your support for the proposed new separate legal entity for Creative

Submitter: Betty van Gaalen

Submission Number: 19

Organisation: Kapiti Coast Grey Power Association Inc

Topic: Operating costs/funding

Submission: "Grey Power is opposed to the establishment of CCOs. Their establishment removes the opportunity for democratic participation. The reasons, analysis of options with costs and benefits seem to be reasonable. The only question from Kapiti Grey Power is: what will happen if funding for the EDA ceases on 30 June 2012?"

Response: Greater Wellington notes your opposition to CCOs in principle. We are confident that the proposed structure of this CCO will maximise accountability. Greater Wellington will retain control over Creative HQ Ltd through its shareholding in Grow Wellington Ltd, a tailored constitution, statement of intent, and influence over the appointment and removal of directors.

With regard to your question about EDA funding, there will be a full and independent review of the WRS that will identify what will occur post 30 June 2012; this could be to cease all funding or a new mechanism for funding economic development may evolve. The possibility of the activity ceasing is factored into the arrangements made for Grow Wellington.

Submitter: Mrs Carol Bethell

Submission Number: 20

Topic: General

Submission: "I deplore the lack of respectful understanding of mana (Maori) values, demonstrated by absolutely no mention of Treaty covenants partnerships: individual citizens/ratepayers patently not one people: forced into policy of ancient user payers or can't use! Regardless of race, colour, creed, culture we are all members of the human race entitled to human care!"

Response: Creative HQ is a business incubator that supports start up companies with high potential. It is operated by Grow Wellington Ltd, an existing council-controlled organisation that was established to deliver the economic development aspects of the Wellington Regional Strategy. It is open to proposals from any person, and does not discriminate on basis of ethnicity or otherwise.

Greater Wellington takes seriously its obligations to establish and maintain decision-making processes that provide opportunities for Maori to contribute. If a decision is significant and relates to land or a body of water, Greater Wellington will take into account the relationship of Maori and their culture and traditions with the land or water (sections 14, 77 and 81 of the Local Government Act 2002). The Resource Management Act 1991 recognises that iwi have a special cultural and spiritual relationship with the environment. So when making a decision on resource consent

applications, we must recognise and provide for the relationship of Maori, their culture and their traditions with their ancestral lands, water sites, waahi tapu and other taonga. We must also consider the principles of the Treaty of Waitangi and kaitiakitanga. Greater Wellington sends copies of all 'non-notified' consent applications to iwi so they can identify any issues of concern before we decide whether or not to grant the application.

Submitter: Miss J Waugh

Submission Number: 21

Topic: Operating costs/funding

Submission: "Don't have much understanding of these matters. However the proposal for a new CCO seems a sensible idea, if costs incurred and thus a potential rates rise are not considerable. Still, I stress money has to be spent to make money."

Response: To explain the background to the proposal, Creative HQ is a business incubator that supports start up companies with high potential. It is operated by Grow Wellington Ltd, an existing council-controlled organisation (CCO) that was established to deliver the economic development aspects of the Wellington Regional Strategy. More information about Creative HQ is available on its website <http://www.creativehq.co.nz>.

The proposal involves a new governance entity being established in the form of a CCO that is a subsidiary of Grow Wellington Ltd. This is expected to retain and attract external investment while ensuring ownership by Grow Wellington Ltd.

The main cost of this proposal is initial establishment and administration costs, which will come from the budget already designated for Creative HQ. As a separate legal entity, Creative HQ Ltd would secure ongoing funding from New Zealand Trade and Enterprise and is the entity that is most likely to attract other external investment. It therefore is likely to reduce our operating costs over the medium to long term.

The incubator concept has already proven itself in 'making money': for the 2008/09 year, the estimated economic value generated by successful ventures from the eight national incubators throughout New Zealand was \$417m and the number of high value jobs created was over 982. This is growing at over 40% per annum.

Submitter: Paul Joseph

Submission Number: 22

Topic: Operating costs/funding

Submission: "Ok provided the new system does not have a detrimental impact on the rates."

Response: The proposal is designed to attract business investment and is required to maintain New Zealand Trade and Enterprise funding. The proposal is also designed to minimise, over the long term, the investment required from Grow Wellington Ltd and ultimately from ratepayers through the attraction of external funding.

Submitter: Caroline Nimmo

Submission Number: 23

Topic: Accountability/control

Submission: "I don't like the idea of multiple separate entities under Council control, each with their own staff, facilities, overheads, logo and audit and accounting requirements. If funds cannot be raised under the current legal structure or the legal structure be changed, perhaps the business incubator and similar activities left to the private sector, eg through the chamber of commerce? what is the comparative advantage of GW to do this, or niche GVV is filing?"

Response: In terms of the 'niche' that GW is filling, prior to the establishment of Creative HQ, there were no such business incubators that support start up companies with high potential.

The main cost of this proposal is initial establishment and administration costs, which will come from the budget already designated for Creative HQ. As a separate legal entity, Creative HQ Ltd would secure ongoing funding from New Zealand Trade and Enterprise and is the entity that is most likely to attract other external investment. It therefore is likely to reduce our operating costs over the medium to long term.

Submitter: Frank Cook

Submission Number: 24

Topic: General

Submission: "The proposal to set up a new Council Controlled Organisation focussing wholly on business development is untenable in the light of the crises referred to above facing all communities today. It is regretted that community leaders today still base the majority of their proposals on the business as usual model. It is also of concern that the proposal is buried on page 88 of the Proposed Annual Plan, is not mentioned in the Message from the Chair. This reinforces the commonly held view of a tick the box approach by local government to the consultation requirement of the Local Government Act — a view supported by the comments on Community Engagement in the 10-year plan."

Response: Creative HQ has proved to be an important tool for establishing new businesses, which create jobs and stimulate economic development during these difficult economic times. The proposed structure for Creative HQ is also likely to minimise expenditure over the medium to long term. It involves a new governance entity being established in the form of a council-controlled organisation that is a subsidiary of Grow Wellington Ltd, which will ensure control by Grow Wellington Ltd and is most likely to attract external investment.

The proposal is placed at the end of the Proposed Annual Plan because while both are being consulted on at the same time, it is a separate proposal. Greater Wellington considers that it has provided sufficient information of the costs and benefits of the proposal so that submitters can make an informed analysis.

Your comments about the 'business as usual model' are noted. Greater Wellington takes its consultation obligations seriously and is constantly reviewing its procedures to see how it can more actively engage with the community.

Submitter: K Apperley

Submission Number: 25

Topic: General

Submission: "In support of the proposal."

Response: Thank you for your support for the proposed new separate legal entity for Creative HQ

Submitter: F Middleton

Submission Number: 26

Topic: Operating costs/funding

Submission: "Although I object to Regional Council being involved in economic development I see that alot of rates and the viability of Wellington depends on its economic development. Therefore I agree but would wish it becomes financially independent."

Response: Thank you for your support for the proposed new separate legal entity for Creative HQ. The proposal promotes financial independence as the new company structure is most likely to attract external investment and is a condition for continued New Zealand Trade and Enterprise funding.

Submitter: Roger Hughes and Jennifer A **Submission Number: 27**

Topic: General

Submission: "We have no problem with the forming a new legal entity to raise funding provided there is a strict monitoring and Auditing process to ensure that the agreed objectives are met and the funds are properly accounted for."

Response: Thank you for your support for the proposed separate legal entity for creative HQ. A range of mechanisms exist to reduce the risk of the CCO 'going rouge'.

The Local Government Act 2002 imposes a duty on members of the governing body of all CCOs to ensure that decisions made comply with the CCO's statement of intent and its constitution. Because this proposed CCO is a company, the Companies Act 1992 also imposes a duty on the directors of the CCO to comply with the company's constitution. The existing reporting provisions of the Local Government Act also require six monthly and annual reporting. This will be provided to the Wellington Regional Strategy Committee via Grow Wellington.

The Local Government Act effectively requires the CCO's statement of intent to be in a form satisfactory to Greater Wellington. The constitution will also expressly require Greater Wellington to approve any shareholding.

Submitter: J. A. Edwards **Submission Number: 28**

Topic: General

Submission: "I wish to oppose council's [...] proposed new separate legal entity for creative hq."

Response: Your opposition to the proposed new legal entity for Creative HQ is noted. Greater Wellington still considers that there are significant benefits to the proposal, which balances accountability considerations (i.e. ensuring control by Grow Wellington Ltd) against the need to secure ongoing funding and to attract external investment.

Submitter: Anders and Emily Crofoot **Submission Number: 29**

Topic: Operating costs/funding

Submission: "While Creative HQ is an interesting endeavour, setting it up on its own with a separate board will be a significant added expense. If there are so many other interested parties in having a piece of it, then it would seem logical to spin it out completely and let it run on its own. GWRC would have done a good thing by getting it going, but it would no longer be making a call on ratepayer funding. Which would appear to be the case with a higher percentage of general rates going to economic development than planned and taking on debt which had not been planned."

Response: The main cost of this proposal is initial establishment and administration costs, which will come from the budget already designated for Creative HQ.

As a separate legal entity, Creative HQ Ltd will secure ongoing funding from New

Zealand Trade and Enterprise and is the entity that is most likely to attract other external investment. It therefore is likely to reduce rates-funded support over the medium to long term. It may also become completely self-funding. If this happens the need for public ownership of the company will be assessed.

Submitter: Michael Taylor

Submission Number: 30

Topic: Accountability/control

Submission: "If the proposal goes ahead (with the preferred option) there a limit needs to be set from the beginning on the total shares that can be held by other shareholders. I suggest that be 20%. Although it could be argued that 49% would satisfy the requirement (third bullet in benefit column of table on page 90) of "Ultimate control by Greater Wellington through its shareholding in Grow Wellington Ltd", I would be concerned at the amount of external influence that 49% might allow. If more than 20% is selected for that total then there should also be a limit on any one shareholder (and associated interests) of 20%."

Response: The proposal is that external shareholding not exceed 49% as this will ensure Greater Wellington does maintain ultimate control through its shareholding in Grow Wellington Ltd.

It is also planned that the constitution will also state that any shareholding will require the approval of Greater Wellington and that Creative HQ Ltd can only act in accordance with the WRS strategy, this will ensure that Greater Wellington will have ultimate control and also that there are safeguards from any inappropriate external influence.

Submitter: Tony Randle

Submission Number: 31

Organisation: Johnsonville Progressive Association

Topic: General

Submission: "Like many other GWRC Initiatives, there has for Creative HQ been very little publicity or pro-active consultation with the public on yet another council owned body. The first we heard about this is through reading the annual plan! Given the ongoing lack of transparency with other, similar, approaches to the delivery of claimed improvements, this initiative is opposed."

Response: Greater Wellington notes your opposition to the proposal to establish a separate legal entity for Creative HQ.

We have followed the special consultative procedure for the proposal to establish the CCO. Under the Local Government Act that consultation may be undertaken as part of another proposal and so Greater Wellington has consulted on the proposal for Creative HQ at the same time as it is consulting on the Annual Plan. As well as complying with our legal obligations, we think that this an efficient use of ratepayer money. We have strived to give the Creative HQ proposal prominence in our consultative documents, as well as to fully discuss the costs and benefits of the proposal.

Submitter: Simon Nigel Dalglish

Submission Number: 32

Topic: Operating costs/funding

Submission: "Creative HQ— save costs and keep within WRC Holdings Ltd. GWRC already collects 65% of revenue from Government subsidies, therefore central government must be happy with structures in place with providing funds. Come 2012, Grow Wellington's existence is dependent on a review, so its future is unknown."

Response: We disagree that we will save costs by keeping Creative HQ within WRC Holdings Ltd. This proposal is designed to save costs by attracting external investment and securing ongoing New Zealand Trade and Enterprise funding.

Submitter: Kerry Tankard

Submission Number: 33

Topic: General

Submission: "I support Creative HQ being legally separated from WCC/GWRC. Local investment in local businesses is to be encouraged - just don't sell off our new 'talents' to overseas investors!"

Response: Thank you for your support for the proposed new separate legal entity for Creative HQ.