

Report 07.807
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Committee Wellington Regional Strategy Committee
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Regional EDA Ltd Draft Statement of Intent 2007/2008

1. Purpose

To consider Regional EDA Ltd's Draft Statement of Intent and to provide feedback to the Board on its contents, and to approve the signing of the Greater Wellington/Regional EDA Ltd Funding Deed.

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

Regional EDA Ltd (REDA) 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 REDA Board was appointed in April 2007 and the agency became operational on 1 July 2007. The 2007-2008 Statement of Intent (SOI) is the first prepared by the company.

3.1 Legal Requirement for a Statement of Intent

Section 64 of the Local Government Act 2002 (the Act) requires REDA 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.*

Clause 2 of Schedule 8 requires a draft SOI to be delivered to its shareholder on or before 1 March each year. The timing of the establishment of REDA has meant this requirement could not be met. There appears to be no legal implications for not complying with the timeline. The company's second draft SOI (for the 2008-2009 financial year) will be due by 1 March 2008.

Schedule 8 also 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 1 June. Given the timing of this first draft SOI it is expected that the Board will consider any feedback and finalise the document as soon as it is able.

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 presented)
- (i) the procedures to be followed before the organisation subscribes, purchases, or otherwise acquires shares in any company or organisation³

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

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

- (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.

4. Communication

The Draft SOI is in **Attachment 1**. The following is an analysis of the provisions in the document.

Comments on the Draft SOI are limited as the councils' Chief Executives and senior officers have had limited time to consider the document. Initial feedback was given to the REDA Chief Executive at a meeting on Monday 19th November with the Chief Executives Group. At this meeting an earlier draft of the SOI was presented. This was the first time local government officers had seen the draft SOI.

As a result of the feedback given at the Chief Executives' meeting further changes have been made to the document. The Chief Executives, though, have not had an opportunity to discuss the final draft.

5. Recommendations

In addition to the SOI a Funding Deed has been prepared by Greater Wellington officers. Refer **Attachment 2**. The Funding Deed defines Greater Wellington and REDA's respective obligations to each other in respect of the funding and operation of the company. It also defines the relationship between the organisations, including with the Committee.

The Funding Deed sets out the processes for REDA receiving funding from Greater Wellington. There are provisions for funding to be withheld where the Council reasonably believes REDA has failed to carry out its obligations and responsibilities.

Monitoring requirements are set out Section 7 of the Funding Deed. The Local Government Chief Executives Group will meet with the Board's Chair and the REDA Chief Executive regularly to discuss progress. Any concerns the Chief Executives may have will be reported to the WRS Committee.

The Funding Deed also sets out the financial reporting requirements. Under the Deed REDA will report quarterly and half yearly to Greater Wellington. It

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

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

is anticipated the half yearly reports will be made available to the WRS Committee. The Board is required to deliver to the WRS Committee its audited consolidated financial statements at the end of each financial year, as well as a report on its operations.

6. Communication

Feedback from the Committee will be communicated to the REDA Board. Any further communication about the activities included in the Draft SOI will be the responsibility of the REDA Board to communicate.

7. Recommendations

That the Committee:

- 1. **Receives the report.***