



PALMERSTON NORTH CITY COUNCIL

AGENDA

MANAWATU

DISTRICT/PALMERSTON NORTH

CITY JOINT STRATEGIC PLANNING

COMMITTEE

1PM, THURSDAY 10 DECEMBER 2020

MANAWATU DISTRICT COUNCIL, 135 MANCHESTER STREET, FEILDING



Joint Strategic Planning Committee Agenda

Thursday 10 December 2020,
1.00pm

Manawatū District Council Chambers, 135 Manchester Street, Feilding

www.mdc.govt.nz

MEMBERSHIP

Chairperson

Mayor Helen Worboys

Deputy Chairperson

Mayor Grant Smith

Members

Manawatū District Council representatives:

Her Worship the Mayor Helen Worboys and Councillors Steve Bielski, Michael Ford, Grant Hadfield and Phil Marsh

Palmerston North City Council representatives:

His Worship the Mayor Grant Smith and Councillors Susan Baty, Zulfiqar Butt, Leonie Hapeta and Aleisha Rutherford

Responsibilities

- a. To address strategic planning issues that impact on both Manawatū District and Palmerston North City, in particular issues relating to but not restricted to infrastructure, land use planning and economic development.
- b. To consider community planning and community outcomes implications. For the purpose of the Joint Committee's Terms of Reference, "Strategic Planning Issues" mean those that are referred to the Joint Committee by either MDC and/or PNCC, taking an inter-regional perspective.
- c. To consider and promote the creation and growth of economic wealth for Manawatū and beyond, with particular reference to the activities of the Central Economic Development Agency Limited.

Delegated Authority

The Joint Committee will have recommending status only, other than the power:

- a. To appoint and discharge subcommittees and working parties as it considers appropriate, and to delegate any of its functions or duties to subcommittees so appointed; and
- b. To make decisions on meeting procedures where such decisions are either required or permitted by Standing Orders or relevant legislation.
- c. In relation to the Central Economic Development Agency Limited (CEDA), the Joint Strategic Planning Committee has the following functions, powers, and duties under the Local Government Act 2002 and/or the Companies Act 1993:
 - i. To adopt a policy that sets out the process for the identification, appointment and remuneration of directors;
 - ii. To appoint and remove a person or persons to be directors of CEDA;
 - iii. To approve the remuneration to be paid to directors of CEDA;
 - iv. To undertake performance monitoring of CEDA, as per section 65 of the Local Government Act 2002;
 - v. To agree with the Statement of Intent of CEDA or, if the Joint Committee does not agree, to take all practical steps to require a Statement of Intent to be modified, as per section 65 of the Local Government Act 2002.
 - vi. To receive the half yearly report of CEDA, as shareholder;
 - vii. To receive the Annual Report of CEDA, as shareholder.

Recommendations made by the Joint Committee will be reported immediately to the Councils for adoption. Minutes of meetings of the Joint committee will be reported to the following ordinary meeting of the Joint Committee for confirmation as a correct record.



Shayne Harris
Acting Chief Executive

ORDER OF BUSINESS

		PAGE
1.	MEETING OPENING	
2.	APOLOGIES	
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	<i>Draft resolution</i> <i>That the minutes of the Joint Strategic Planning Committee meeting held 10 November 2020 be adopted as a true and correct record.</i>	
4.	DECLARATIONS OF INTEREST	
	Notification from elected members of:	
4.1	Any interests that may create a conflict with their role as a committee member relating to the items of business for this meeting; and	
4.2	Any interests in items in which they have a direct or indirect pecuniary interest as provided for in the Local Authorities (Members' Interests) Act 1968	
5.	NOTIFICATION OF LATE ITEMS	
	Where an item is not on the agenda for a meeting, that item may be dealt with at that meeting if:	
5.1	The Committee by resolution so decides; and	
5.2	The Chairperson explains at the meeting at a time when it is open to the public the reason why the item is not on the agenda, and the reason why the discussion of the item cannot be delayed until a subsequent meeting.	
6.	PRESENTATIONS	
	There were no presentations scheduled for this meeting.	
7.	OFFICER REPORTS	
7.1	ANNUAL MONITORING INDICATORS (CEDA), SUMMARY REPORT ON THE SEPTEMBER 2020 MANAWATŪ QUARTERLY ECONOMIC MONITOR, MAJOR DEVELOPMENTS, AND QUARTERLY RETAIL REPORT FOR OCTOBER 2020	9
	Report of the Acting General Manager – Strategy and Planning dated 3 December 2020	
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	Report of the General Manager – Community and Strategy and Acting General Manager Strategy and Planning dated 19 November 2020	
7.3	CEDA STATEMENT OF EXPECTATIONS	123
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8.	CONSIDERATION OF LATE ITEMS	

9. NOTIFICATION OF ITEMS FOR NEXT MEETING**10. PUBLIC EXCLUDED BUSINESS**

COMMITTEE TO RESOLVE:

That the public be excluded from the following parts of the proceedings of this meeting, namely:

- a) Confirmation of Minutes

That the general subject of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under Section 48(1) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution are as follows:

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Grounds under Section 48(1) for the passing of this resolution
a) Confirmation of minutes re CEDA Appointment of Directors	Section 7(2)(a) – to protect the privacy of natural persons, including that of deceased natural persons	Section 48(1)(a) - the public conduct of the relevant part of the proceedings would be likely to result in a disclosure of information for which good reason for withholding that information would exist, under Section 7 of the Local Government Official Information and Meetings Act 1987.

This resolution is made in reliance on Section 48(1) of the Local Government Official Information and Meetings Act 1987 and the particular interests protected by Section 6 or Section 7 of the Act which would be prejudiced by the holding of the whole or the relevant part of the proceedings of the meeting in public as specified above.

11. MEETING CLOSURE

MINUTES	MEETING	TIME
JOINT STRATEGIC PLANNING COMMITTEE	TUESDAY 10 NOVEMBER 2020	1:01PM

Minutes of a meeting of the Manawātū District / Palmerston North City Joint Strategic Planning Committee held on Tuesday 10 November 2020, commencing at 1:01pm in the Manawātū District Council Chambers, 135 Manchester Street, Feilding.

PRESENT:	Mayor Helen Worboys	(Chairperson)
	Cr Michael Ford	(Manawātū District Council)
	Cr Grant Hadfield	(Manawātū District Council)
	Cr Phil Marsh	(Manawātū District Council)
	Mayor Grant Smith	(Palmerston North City Council)
	Cr Susan Baty	(Palmerston North City Council)
	Cr Leonie Hapeta	(Palmerston North City Council)
	Cr Aleisha Rutherford	(Palmerston North City Council)
	Cr Zulfiqar Butt	(Palmerston North City Council)
APOLOGIES:	Cr Lew Findlay	(Palmerston North City Council)
	Cr Bruno Petrenas	(Palmerston North City Council)
LEAVE OF ABSENCE:	Cr Steve Bielski	(Manawātū District Council)
IN ATTENDANCE:	Cr Alison Short	(Manawātū District Council)
	Cr Brent Barrett	(Palmerston North City Council) via zoom
	Cr Rachel Bowen	(Palmerston North City Council) via zoom
	Cr Renee Dingwall	(Palmerston North City Council) via zoom
	Cr Patrick Handcock	(Palmerston North City Council) via zoom
	Shayne Harris	(Acting Chief Executive, MDC)
	Hamish Waugh	(General Manager – Infrastructure, MDC)
	Brent Limmer	(General Manager – Community and Strategy, MDC)
	Karel Boakes	(Acting General Manager – Corporate and Regulatory, MDC)
	Michael Hawker	(Project Delivery Manager, MDC)
	Steph Skinner	(Governance Officer, MDC)
	Heather Shotter	(Chief Executive, PNCC)
	Sheryl Bryant	(Acting Chief Infrastructure Officer, PNCC)
	David Murphy	(Acting General Manager Strategy & Planning, PNCC)
	Chris Dyhrberg	(Chief Customer Officer, PNCC)
	Linda Moore	(Libraries Manager, PNCC)
	Andrew Boyle	(Head of Community Planning, PNCC)

JSP 20/050 MEETING OPENING

The Chairperson declared the meeting open.

JSP 20/051 APOLOGIES

Apologies for non-attendance by Cr Lew Findlay and Cr Bruno Petrenas were noted.

MINUTES	MEETING	TIME
JOINT STRATEGIC PLANNING COMMITTEE	TUESDAY 10 NOVEMBER 2020	1:01PM

RESOLVED

That the apology from Cr Steve Bielski, be approved.

Moved by: Cr Michael Ford

Seconded by: Cr Leonie Hapeta

CARRIED

JSP 20/052 CONFIRMATION OF MINUTES

RESOLVED

That the minutes of the Joint Strategic Planning Committee meeting held 10 September 2020 be adopted as a true and correct record.

Moved by: Cr Michael Ford

Seconded by: Cr Susan Baty

CARRIED

JSP 20/053 DECLARATIONS OF INTEREST

There were no declarations of interest.

JSP 20/054 NOTIFICATION OF LATE ITEMS

There were no late items of business notified for consideration.

JSP 20/055 PUBLIC FORUM

There were no requests to speak in public forum at this meeting.

JSP 20/056 PRESENTATIONS

There were no presentations scheduled for this meeting.

JSP 20/057 PRESENTATION OF CEDA ANNUAL REPORT TO 30 JUNE 2020

Report of the General Manager – Community and Strategy dated 26 August 2020 providing the Central Economic Development Agency's (CEDA) Annual Report to 30 June 2020.

CEDA Board Chair Malcom Bailey, Chief Executive Linda Stewart and Finance and Operations Manager Jacqui Middleton presented a review of CEDA for the 2019-2020 year giving an overview of activities.

The floor was opened for Committee members to ask questions from both the Annual report and the presentation which CEDA members answered.

RESOLVED

MINUTES	MEETING	TIME
JOINT STRATEGIC PLANNING COMMITTEE	TUESDAY 10 NOVEMBER 2020	1:01PM

1. That the Central Economic Development Agency's (CEDA) Annual Report to 30 June 2020 be received subject to completion of Audit NZ sign off.
2. That the committee notes that the Audit NZ feedback will be submitted for the committee's information at the next available committee meeting after receipt.

Moved by: Cr Leonie Hapeta

Seconded by: Cr Michael Ford

CARRIED

JSP 20/058 PROVISION OF LIBRARY SERVICES BY PALMERSTON NORTH CITY COUNCIL TO THE RESIDENTS OF POHANGINA

Report of the Chief Customer Officer dated 2 November 2020 providing recommendations to Manawātū District/Palmerston North City Joint Strategic Planning Committee.

Chris Dyhrberg, Chief Customer Officer and Linda Moore, Libraries Manager spoke to their report with discussion from Committee members.

Cr Aleisha Rutherford suggested an amendment to proposed recommendation (2), adding 'to be reviewed after a 12 month period' which was agreed to by the Committee.

RESOLVED

1. That the memorandum entitled 'Provision of library services by Palmerston North City Council to the residents of Pohangina' of 10 November 2020 be received for information.
2. That the Committee request that the Chief Executive of Palmerston North City Council investigate a new agreement for service provision for the residents of Pohangina, Hiwinui and Colyton, to be reviewed after a 12 month period.

Moved by: Cr Aleisha Rutherford

Seconded by: Cr Zulfiqar Butt

CARRIED

JSP 20/059 CONSIDERATION OF LATE ITEMS

There were no late items notified for consideration.

Cr Susan Baty left the meeting at 2.45pm and returned at 2.49pm

JSP 20/060 PUBLIC EXCLUDED BUSINESS

RESOLVED

That the public be excluded from the following parts of the proceedings of this meeting, namely:

MINUTES	MEETING	TIME
JOINT STRATEGIC PLANNING COMMITTEE	TUESDAY 10 NOVEMBER 2020	1:01PM

- a) Confirmation of minutes
- b) CEDA Appointment of Directors

That the general subject of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under Section 48(1) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution are as follows:

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Grounds under Section 48(1) for the passing of this resolution
a) Confirmation of minutes re CEDA Appointment of Directors	Section 7(2)(a) – to protect the privacy of natural persons, including that of deceased natural persons.	Section 48(1)(a) - the public conduct of the relevant part of the proceedings would be likely to result in a disclosure of information for which good reason for withholding that information would exist, under Section 7 of the Local Government Official Information and Meetings Act 1987.
b) CEDA Appointment of Directors	As above.	As above.

This resolution is made in reliance on Section 48(1) of the Local Government Official Information and Meetings Act 1987 and the particular interests protected by Section 6 or Section 7 of the Act which would be prejudiced by the holding of the whole or the relevant part of the proceedings of the meeting in public as specified above.

Moved by: Mayor Helen Worboys

Seconded by: Cr Michael Ford

CARRIED

The meeting went into public excluded session at 2.49pm. For items JSP 20/061 to JSP 20/064 refer to public excluded proceedings. The meeting returned to open session at 2.55pm.

JSP 20/065 MEETING CLOSURE

The meeting was declared closed at 2.56 pm.

MEMORANDUM

TO: Manawatu District/Palmerston North City Joint Strategic Planning Committee

MEETING DATE: 10 December 2020

TITLE: Summary report of the September 2020 Manawātū Quarterly Economic Monitor, Annual Population report 2020, Annual Employment report 2020, Major Construction Projects 2020 - 2035, and CEDA Quarterly Retail report for October 2020

PRESENTED BY: Peter Crawford, Economic Policy Advisor (PNCC); Stacey Bell, Economist (MDC); Linda Stewart, Chief Executive (CEDA)

APPROVED BY: David Murphy, Acting General Manager - Strategy and Planning

RECOMMENDATION TO MANAWATU DISTRICT/PALMERSTON NORTH CITY JOINT STRATEGIC PLANNING COMMITTEE

1. That the Summary report of the September Quarterly Economic Monitor, Annual Population report, Annual Employment report, Major Construction Projects 2020 - 2035, and CEDA Quarterly Retail report for October 2020 is received.

-
- 1.1. This memorandum presents a summary of:
 - a. the latest Manawātū Quarterly Economic Monitor for the September 2020 quarter; the Manawātū region Annual Population report;
 - b. the Manawātū region Annual Employment report;
 - c. Major construction projects;
 - d. CEDA Quarterly Retail report for October 2020.
 - 1.2. COVID-19 restriction levels applying in the Manawātū region during the September quarter were:
 - a. Level-1, 1 July – 12 August
 - b. Level-2, 12 August – 21 September
 - c. Level-1, 21 September – 30 September

- 1.3. Infometrics estimates that GDP in the region declined by 1.5% in the September quarter (compared with the September 2019 quarter), while New Zealand GDP declined by 3.2%. These estimates are provisional and will be revised once more data becomes available. The report notes the growth that is occurring in annual building consents, but no data is collected on construction projects where a building consent is not required, such as the \$400 million Turitea wind farm. That activity will be recorded in September 2020 quarter salary and wage data, which will not be published until November 2021.
- 1.4. Infometrics uses annual average data in its report but data for the September quarter offers a better picture of the rate of economic recovery in the region. COVID-19 level-3 and 4 restrictions during the March and June quarters had a similar impact on regional and national economic activity. However, September quarter data shows a much greater difference between growth rates for the region and the national growth rate.

	Quarterly change trend data	
	Sept quarter change from Sept 19	Year ended Sept 2020 change from previous year
	GDP	
Manawatū region	-1.5%	-1.8%
New Zealand	-3.2%	-3.3%
	Electronic card retail spending	
Manawatū region	5.0%	-2.6%
New Zealand	2.7%	-3.6%
	Tourism spending	
Manawatū region	-2.7%	-11.3%
New Zealand	-17.5%	-16.5%
	Car registrations	
Manawatū region	-9.9%	-17.4%
New Zealand	-19.0%	-22.9%
	Commercial vehicle registrations	
Manawatū region	2.5%	-20.2%
New Zealand	-12.9%	-26.1%
	Traffic flow	
Manawatū region	3.6%	-8.1%
New Zealand	-3.3%	-10.5%

2. MANAWATŪ QUARTERLY ECONOMIC MONITOR – SEPTEMBER 2020

- 2.1. Estimated annual gross domestic product (GDP) in the Manawātū region declined by 1.8% in the year ended September 2020. New Zealand GDP is estimated to have declined by 3.3% in the year to September 2020.
- a. Palmerston North GDP declined by 1.8%,
 - b. Manawātū District GDP declined by 1.9%.
- 2.2. Electronic card retail spending in the Manawātū region in the September quarter was \$361 million, an increase of 5.0% from the September 2019 quarter, while national spending increased by 2.7%.
- a. Annual electronic card retail spending in the region for the year ended September 2020 was \$1,371 million, a decline of 2.6% from 2019. This compares with a decline of 3.6% for New Zealand. Retail prices declined by 1.0% in the year to September 2020, with the largest decline recorded in fuel prices (11.3% decline). Accommodation prices declined by 4.2% from the September 2019 quarter.
- 2.3. The total value of building consents issued in the region in the September 2020 quarter was \$83 million, compared with \$89 million in the September 2019 quarter, a decline of 6.8%. National consent values increased by 6.5%.
- a. Building consents to the value of \$466 million were issued in the region in the year to September 2020, an increase of 31% from the previous year. National consent values declined by 1%. The value of building consents issued in Palmerston North was \$368 million, an increase of 55% from the previous year, while the value in Manawātū district was \$99 million, declining by 17%.
 - b. Consents for 129 new residential dwellings were issued in the region in the September 2020 quarter, compared with 165 in the September 2019 quarter (a decline of 22%). National consents increased by 1%.
 - c. Consents for 722 new residential dwellings were issued in the region in the year ended September 2020, compared with 645 in the previous year (an increase of 12%). National consents increased by 3%.
 - d. Commercial/non-residential consents to the value of \$182 million were issued in the region during the year to September 2020, an increase of 133% from the previous year. National consent values declined by 8% over the same period.

- 2.4. Car registrations in the region declined by 17.4% in the year ended September 2020 (national registrations declined by 22.9%) while the number of commercial vehicles registered declined by 20.2% (compared to a national decline of 26.1%).
- 2.5. It is estimated the annual average unemployment rate in the Manawātū region in the year ended September 2020 was 4.1%, which was below the unemployment rate of 4.4% for New Zealand.
- 2.6. In September 2020 there were 4,375 people registered for the benefit in the Manawātū region, an increase of 28.2% from September 2019 (an increase of 962 people). The MSD benefit numbers reported in the Infometrics report are based on the average of the last four quarters.
- 2.7. Traffic flows in the Manawātū region in the year to September 2020 declined by 8.1% from 2019, while there was a decline of 10.5% for New Zealand.
- 2.8. Tourism spending in the Manawātū region in the September quarter was \$113 million, a decline of 2.7% from the September 2019 quarter. Total tourism spending in New Zealand declined by 17.5%.
 - a. Total visitor spending in the region was \$441 million in the year ended September 2020 (\$393 million in Palmerston North and \$48 million in Manawātū district), declining by 11.3% from the previous year (New Zealand declined by 16.5%).
 - b. Domestic visitor spending in the region was \$377 million in the year ended September 2020, declining by 9.3% from the previous year (8.6% decline for New Zealand). There was an 24% decline in visitor spending from Auckland, Hawkes Bay declined by 13%, while there was a 12% decline from the Bay of Plenty. Spending in Palmerston North increased in July but declined during August and September due to COVID-19 level 2 restrictions introduced in August. This resulted in events in the city being cancelled, including the national secondary school basketball tournament, which last year was estimated to contribute \$4.4 million to the city's GDP.
 - c. International visitor spending in the region was \$64 million in the year ended September 2020, declining by 21.6% from the previous year (27.8% decline for New Zealand). Countries contributing the most to the decline in spending in the region were Australia, China and Japan.
- 2.9. Population estimates, based on primary health organisation registrations, suggest the region's population increased by 1,806 people between September 2019 and September 2020, an increase of 1.6% (2.3% increase for New Zealand). Statistics New Zealand estimates New Zealand's population increased by 1.9% between September 2019 and September 2020.

- 2.10. The Manawatū Economic Monitor report for the September 2020 quarter is attached (Attachment 1).

3. ANNUAL POPULATION REPORT 2020

- 3.1. The population of the Manawatū region is estimated to have reached 122,500 as at 30 June 2020, increasing by 1,800, or 1.5%, in the past 12 months. Estimated population growth for New Zealand was 105,000 people, an increase of 2.1%.
- 3.2. Statistics New Zealand estimates the contributions to population growth in the Manawatū region in the year to June 2020 came from:
- a. 580 people from natural population growth (the difference between the number of births and deaths),
 - b. net international migration of 1,170 people, and
 - c. a net loss of 40 people from internal migration within New Zealand.
- 3.3. The strongest rate of population growth in the region was in the 65 years and over age group, which increased by 2.7% between 2019 and 2020. The weakest growth was in the 40 – 64 years age group, which increased by 1.1% in the last year.
- 3.4. Infometrics March 2020 population projections suggest the Manawatū region population will be 139,000 by 2031 (see Attachment 2).

4. ANNUAL EMPLOYMENT REPORT 2020

- 4.1. Total employee counts in the region were 61,800 in February 2020, increasing by 1.6% from the previous year, while employee counts for New Zealand increased by 1.2%.
- a. Palmerston North employee counts were 52,200 in February 2020, increasing by 1.8% from 2019 (an annual increase of 900 jobs),
 - b. Manawatū district employee counts were 9,600, increasing by 1.1% (an annual increase of 100 jobs).
- 4.2. The employee count estimates do not include the self-employed. Infometrics estimates the self-employed workforce on an annual basis, and these estimates will be reported to the Committee in 2021. Self-employment contributes a greater share of employment in Manawatū District, accounting for 26.8% of the districts' workforce in March 2019. Self-employment in Palmerston North accounted for just 8.5% of the city's workforce in 2019.
- 4.3. Sectors which contributed most to the increase in the number of jobs between 2019 and 2020 were:
- a. health care and social assistance sector (540 jobs),

- b. construction (450 jobs), and
 - c. education (340 jobs).
- 4.4. Key sectors where there were losses in jobs between 2019 and 2020 were:
- a. retail (220 jobs),
 - b. public administration and safety (150 jobs),
 - c. agriculture, forestry and fishing (120 jobs), and
 - d. professional, scientific and technical services (110 jobs).
- 4.5. The decline in retail employment was due to a decline in catering services in Palmerston North. This may be due to a change in the way catering services are contracted, with staff now recorded against the organisation they are catering for.
- 4.6. Annual salaries and wages paid in the region in the year ended September 2019 were \$3,268 million, increasing by 5.6% from the previous year, while earnings for New Zealand increased by 5.7%.
- a. Palmerston North annual salaries and wages were \$2,798 million in the year ended September 2019, increasing by 5.5% from 2018,
 - b. Manawatū district salaries and wages were \$469 million, increasing by 6.1%.
- 4.7. Annual median salaries and wages paid in the region in the year ended September 2019 were \$52,693, increasing by 4.4% from the previous year, while median salaries and wages for New Zealand were \$54,730, increasing by 3.9% from the previous year.
- a. Palmerston North median salaries and wages were \$53,140, increasing by 4.4% from 2018,
 - b. Manawatū district median salaries and wages were \$50,200, increasing by 4.0%.
- 4.8. The average quarterly worker turnover rate in the region in the year ended September 2019 was 13.6%, declining from 16.2% in the year to September 2018 year, while the average worker turnover rate for New Zealand was 15.7%, declining from 17.3% in the previous year.
- a. The average worker turnover rate in Palmerston North was 13.5%, declining from 16.2% in 2018,
 - b. The average worker turnover rate in Manawatū district was 14.5%, declining from 15.9% in the previous year.

- 4.9. The latest Infometrics estimates suggest the unemployment rate for Manawātū region residents aged 15 years and over in the region averaged 4.1% over the year ended September 2020 compared with 4.4% for New Zealand. The estimated unemployment rate for Manawātū District over the year to September 2020 was 2.8% and 4.4% for Palmerston North.
- 4.10. Infometrics March 2020 long-term growth projections suggest the region's workforce will increase by nearly 14,000 jobs between 2018 and 2043, an increase of 21%. The projections assume a higher rate of productivity change between 2018 and 2043 than occurred between 2000 and 2018
- 4.11. The Annual Employment Report is attached (Attachment 3).

5. MAJOR CONSTRUCTION PROJECTS 2020 - 2035

- 5.1. Major development and construction projects announced for Palmerston North and the Manawātū region amount to at least \$3 - \$4 billion of construction activity over the period to 2035. Projects which have been updated since the report to the 10 September Committee meeting are:
 - a. Updated Linton and Ohakea Defence Estate Regeneration Implementation Plan 2019 – 2035, with a rough estimate of \$660 million.
 - b. Updated cost estimate and timing for the Countdown Awapuni supermarket.
- 5.2. A list of projects is attached (Attachment 4).

6. QUARTERLY RETAIL REPORT FOR OCTOBER 2020

- 6.1. The latest CEDA quarterly retail report shows electronic card retail spending in the Manawātū region increased by 5.6% in the three months ended October 2020. New Zealand retail spending increased by 1.0% over the same period.
- 6.2. Spending by residents at Manawātū region retailers increased by 8.0% in the three months ended October 2020 and was the largest contributor to the growth in total spending in the region. Spending by residents in other regions increased by 8.6% in the three months ended October.
- 6.3. There was 0.1% increase in domestic visitor spending in the region in the latest period. Visitor spending from the rest of the Horizons region increased by 2.6% in the three months ended October 2020, while visitor spending from the rest of New Zealand declined by 0.4%. Contributing to the decline from other regions was a 19.4% decline in spending from Auckland residents. There was a 9.6% increase in spending from the

Wellington region and a 5.9% increase from the Hawkes Bay. International visitor spending declined by 43%.

- 6.4. Retail precinct data shows a 6.2% decline in spending on Broadway and a 0.3% decline from Terrace End. There was an increase of 4.7% in the rest of Palmerston North CBD, but the strongest growth in the city was in the outer CBD, where spending increased by 11.6% in the three months to October.
- 6.5. Retail spending in Feilding and Sanson grew by 9.6% over the three months to October, while spending across the remainder of the Manawātū District increased by 5.1% over the same period.
- 6.6. Manawātū region residents spent \$38.8 million online in the three months ended October 2020, accounting for 9.9% of total electronic card spending by residents in the region. This remains below the 11.3% online share for all New Zealand residents. Manawātū region resident online spending increased by 8.2% in the three months ended October, while national online spending declined by 6%. Most of the increase in Manawātū region online spending went to New Zealand-based online retailers. Between October 2016 and October 2020, the share of Manawātū region online spending going to domestic retailers increased from 54.0% of total online spending to 75.8%.
- 6.7. A copy of the CEDA Quarterly Retail Report is attached (Attachment 5).

ATTACHMENTS

1. Manawātū Quarterly Economic Monitor report - September 2020
2. Annual Population report (2020)
3. Annual Employment report (2020)
4. Major Construction Projects 2020 - 2035
5. CEDA Quarterly Retail Report October 2020

Overview of Manawatu

The Manawatu economy continues to feel the effects of the COVID-19 pandemic, but not as keenly as the national economy. Provisional estimates from Infometrics show that the region's economic activity fell 1.5%pa in the September quarter, contributing to an annual decline of 1.8% in the September 2020 year compared with a 3.3% decline nationally.

Consumer spending has started to recover but has yet to make up for the loss of spending during lockdown. Marketview data shows that spending in the district rose 5.0%pa in the September 2020 quarter, but spending is down 2.6% in the September 2020 year. The region's traffic flows were down 8.1% in the September 2020 year, car registrations fell 17%, and commercial vehicle registrations dropped 20% - all of which adds to the view of an economy struggling to shrug off the hit it took in the June quarter.

House price inflation is being sustained by a bottleneck of sellers entering the market. House sales fell 5.6% in the September 2020 year. Although September's result is an improvement on June's. House prices remain elevated, rising 13%pa in the September 2020 quarter, easily outpacing nationwide house price growth of 8.0% but down from a recent high of 17% in the September 2019 quarter. Residential consents are strong, growing 12% in the September 2020 year on the back of a particularly strong June 2020 quarter. At \$193.7m in the September 2020 year, non-residential consents are at unprecedented levels.

The number of Jobseeker Support recipients in the region grew 16% in the September 2020 year, reflecting weakness in the local economy. In contrast, the unemployment rate continued its fall to 4.1% in the September 2020 year compared with the national average 4.4%. This is the first time since 2017 that the region's unemployment rate has been below the national rate. Nationally, the rising unemployment rate does not fully reflect job losses, with some unemployed choosing to not actively seek work, which places them in the 'not in the labour force category'. The same may be true for the Manawatu Region's unemployed.

Indicator	Manawatu	New Zealand
<i>Annual average % change</i>		
Gross domestic product	↓ -1.8%	↓ -3.3%
Traffic flow	↓ -8.1%	↓ -10.5%
Health Enrolments	↑ 1.6%	↑ 2.3%
Consumer spending	↓ -2.6%	↓ -2.7%
Residential consents	↑ 11.9%	↑ 3.5%
Non-residential consents	↑ 86.9%	↓ -7.6%
House prices*	↑ 12.6%	↑ 8.0%
House sales	↓ -5.6%	↑ 1.1%
Tourism expenditure	↓ -11.3%	↓ -16.5%
Car registrations	↓ -17.4%	↓ -22.9%
Commercial vehicle registrations	↓ -20.2%	↓ -26.1%
Jobseeker Support recipients	↑ 15.6%	↑ 27.3%
<i>Level</i>		
Unemployment rate	4.1%	4.4%

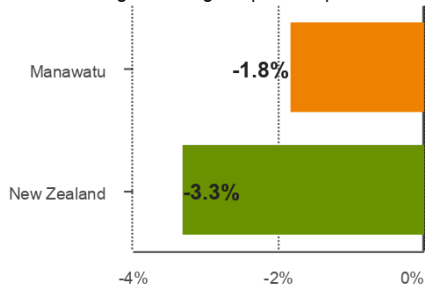
* Annual percentage change (latest quarter compared to a year earlier)

Overview of national economy

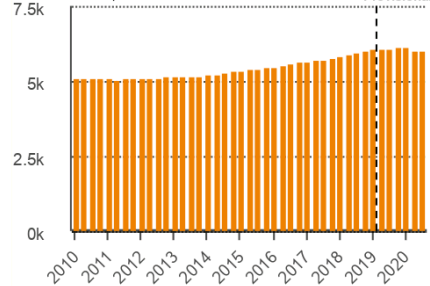
Economic activity rebounded strongly in the September 2020 quarter as the post-lockdown surge boosted spending levels and saw activity across various sectors attempt to make up for lost time. The pandemic still looms large over regional economies, and the pathway ahead is uncertain. But after a hammer blow to the economy in the first half of 2020, the economic rebound in the September quarter has set New Zealand on a more optimistic course ahead. Sustained export activity, combined with New Zealanders opening their wallets to domestic tourism, new cars, and home improvements, has buoyed confidence that the New Zealand economy will emerge from COVID-19 less battered than other parts of the world. The strength of the bounce back in economic activity is cause for celebration, but make no mistake, the pandemic has not finished yet.

Gross domestic product (provisional)

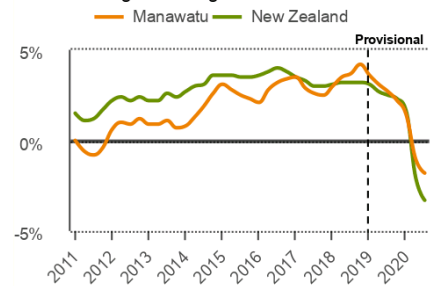
Gross domestic product growth (provisional)
Annual average % change Sep 19 - Sep 20



Gross domestic product (provisional, \$m)
Annual level, Manawatu



Gross domestic product growth (provisional)
Annual average % change



Highlights for Manawatu

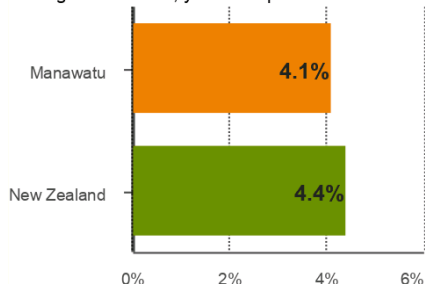
- GDP (provisional) in Manawatu was down 1.8% for the year to September 2020 compared to a year earlier. Growth was higher than in New Zealand (-3.3%).
- GDP (provisional) was \$6,007 million in Manawatu for the year to September 2020 (2019 prices).
- Annual GDP growth in Manawatu peaked at 4.2% in the year to December 2018.

National overview

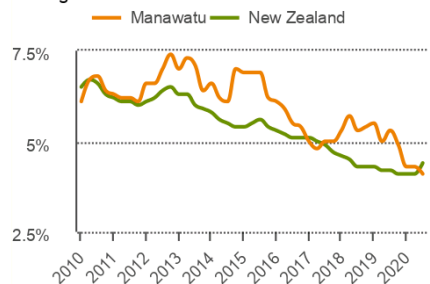
Economic activity in New Zealand expanded 11.8% in the September quarter, according to provisional estimates from Infometrics. After recording the sharpest quarterly fall in economic activity on record in the June quarter, September's rebound was always going to sound impressive. Although New Zealand is now technically out of a recession (for now), economic activity in September was still 3.3%pa below 2019 levels. Tourism-based sectors and others originally unable to operate drove the rebound in the September quarter after being severely restricted from operating during higher Alert Levels, although the Auckland restrictions in August took the shine off activity in the third quarter.

Unemployment rate

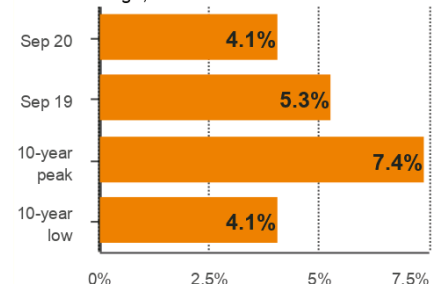
Unemployment rate
Average annual rate, year to September 2020



Unemployment rate
Average annual rate



Unemployment rate
Annual average, Manawatu



Highlights for Manawatu

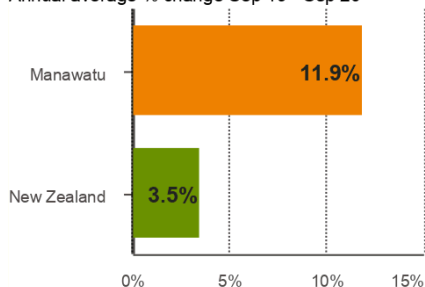
- The annual average unemployment rate in Manawatu was 4.1% in September 2020, down from 5.3% a year earlier.
- The unemployment rate in Manawatu was lower than in New Zealand, where the unemployment rate averaged 4.4% over the year to September 2020.
- Over the last ten years the unemployment rate reached a peak of 7.4% in December 2012;

National overview

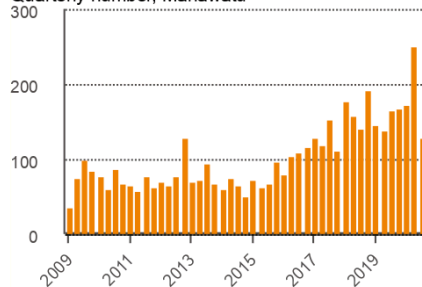
The national unemployment rate rose to 5.3% (seasonally adjusted) in the September 2020 quarter, as job losses continued to mount. On average over the last 12 months, the unemployment rate nationally was 4.4%, highlighting just how fast the pandemic has shifted economic conditions. Our system focuses on annual averages to smooth out volatility at a regional level each quarter, but the sharp rise in unemployment has been felt across the country. The labour market hit from COVID-19 has been less severe than originally feared, with fewer job losses than forecast. The labour market hit is coming through various channels. Some workers are still employed but working fewer hours, whereas others are out of a job, but not looking for a new role yet. However, women, Māori, and young people continue to be hardest hit by the downturn, and we expect that unemployment will continue to rise as we head into 2021.

Residential consents

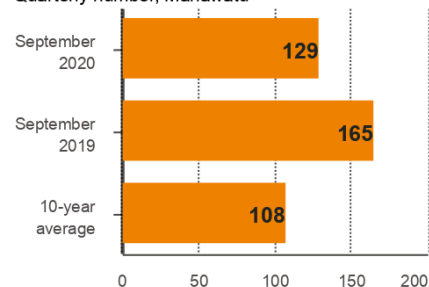
Growth in no. of new dwelling consents
Annual average % change Sep 19 - Sep 20



Residential consents
Quarterly number, Manawatu



Number of new dwelling consents
Quarterly number, Manawatu



Highlights for Manawatu

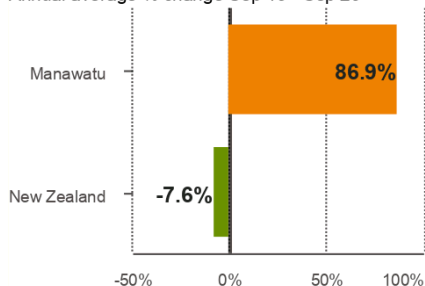
- A total of 129 new residential building consents were issued in Manawatu in the September 2020 quarter, compared with 165 in the same quarter last year.
- On an annual basis the number of consents in Manawatu increased by 11.9% compared with the same 12-month period a year ago. The number of consents in New Zealand increased by 3.5% over the same period.

National overview

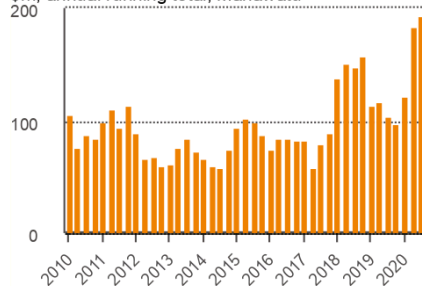
Residential building consents were up 3.5% over the year to September 2020. New townhouses were responsible for most of the growth over the year, up 34%, driven by an incredibly hot housing market and rapid house price growth. Apartment and retirement buildings were dragging the chain for the quarter. We expect the number of residential consents to weaken throughout next year. However, the heat in the housing market continues to provide upside risks, particularly as interest rates are set to be lower, and loan to value ratio restrictions are still a few months away at earliest.

Non-residential consents

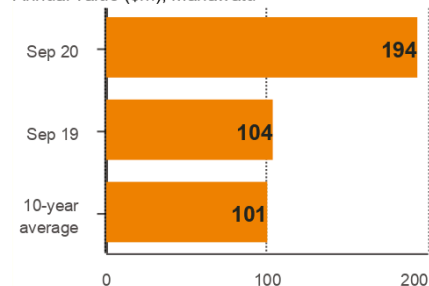
Growth in value of consents
Annual average % change Sep 19 - Sep 20



Non-residential consents, Manawatu
\$.m, annual running total, Manawatu



Value of non-residential consents
Annual value (\$m), Manawatu



Highlights for Manawatu

- Non-residential building consents to the value of \$194 million were issued in Manawatu during the year to September 2020.
- The value of consents increased by 86.9% over the year to September 2020. By comparison the value of consents in New Zealand decreased by -7.6% over the same period.
- Over the last 10 years, consents in Manawatu reached a peak of \$194 million in the year to September 2020.

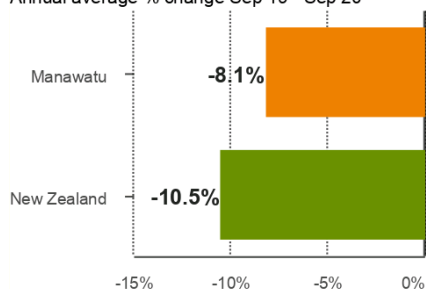
National overview

Non-residential building consents were strong in the September 2020 quarter, helping to offset some of the weakness earlier in the year, with consents now down 7.6% over the year to September 2020. New consents were responsible for all the growth in the last quarter, while the value of alterations and additions contracted. Social, cultural, and religious building consents have been particularly strong in recent months. We expect the government to open their purse strings to help support the COVID-19 recovery, and therefore expect strong public non-residential consents going forward. Conversely, we expect private consents to weaken over the next year as businesses struggle with a weaker economy going forward.

Traffic flow

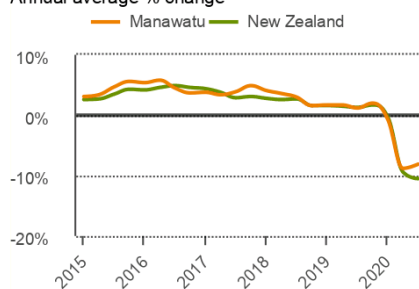
Annual change in traffic flows

Annual average % change Sep 19 - Sep 20



Traffic volume growth

Annual average % change



Highlights for Manawatu

- Traffic flows in Manawatu decreased by -8.1% over the year to September 2020. This compares with an decrease of -10.5% in New Zealand.

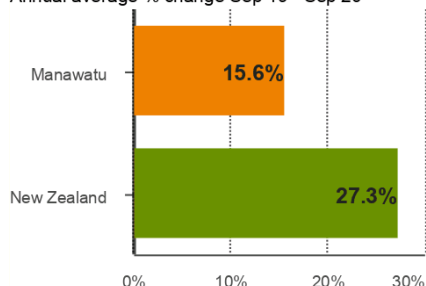
National overview

Vehicle movements in the September 2020 quarter recovered substantially from lower levels in June, as Kiwis got moving again. However, traffic activity was still 3.3%pa lower than a year earlier, with fewer tourists in the country and lower trade activity overall. The effects of the Auckland restrictions in August are clear, with Auckland and neighbouring Waikato recording sustained hits to traffic activity even as most of the country saw a sustained bounce-back from the Level 4 lockdown hit the previous quarter. Otago recorded an annual decline, partially stemming from the lack of tourist activity, while both Wellington and Canterbury also saw weak traffic activity as major urban centres remained harder hit.

Jobseekers

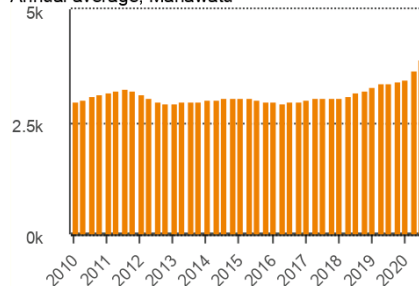
Annual change in Jobseekers

Annual average % change Sep 19 - Sep 20



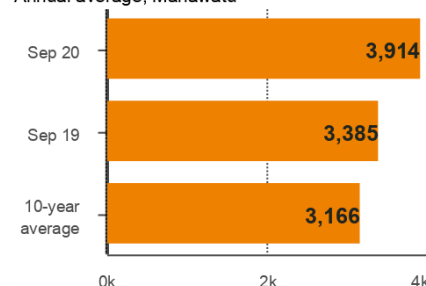
Jobseekers

Annual average, Manawatu



Jobseekers

Annual average, Manawatu



Highlights for Manawatu

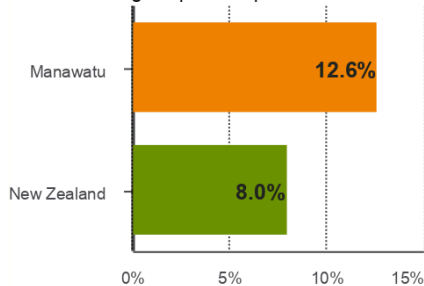
- Working age Jobseeker Support recipients in Manawatu in the year to September 2020 increased by 15.6% compared with the previous year. Growth was lower relative to New Zealand, where the number of Jobseeker Support recipients increased by 27.3%.
- An average of 3,914 people were receiving a Jobseeker Support benefit in Manawatu in the 12 months ended September 2020. This compares with an average of 3,166 since the start of the series in 2010.

National overview

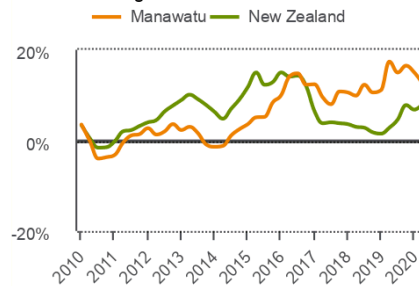
The number of Jobseeker Support has continued to rise, as job losses mounted across the economy. In total, over 204,000 New Zealanders are on a Jobseeker Support benefit, up over 61,000 from September 2019 – a 43%pa rise. There were also a considerable number of Kiwis on the COVID-19 Income Relief Payment (CIRP). In August, nearly 25,000 people were CIRP recipients, which provides a 12-week payment. With entitlements now ending, just under 12,000 CIRP recipients were recorded at the end of September 2020.

House prices

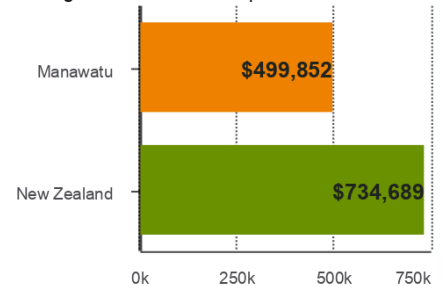
Annual change in house prices
Annual % change Sep 19 - Sep 20



House price growth
Annual % change



Average current house value
Average for 12 months to Sep 2020



Highlights for Manawatu

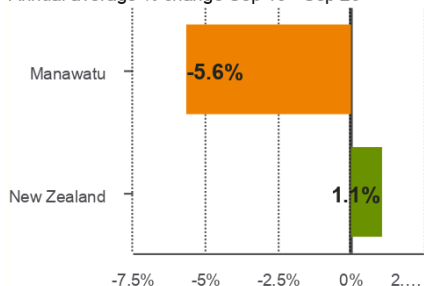
- The average current house value in Manawatu was up 12.6% in September 2020 compared with a year earlier. Growth outperformed relative to New Zealand, where prices increased by 8.0%.
- The average current house value was \$499,852 in Manawatu over the September 2020 year. This compares with \$734,689 in New Zealand.

National overview

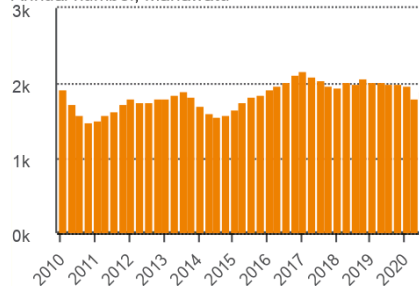
House prices have shot ahead in the September quarter, rising 8.0% on average over the year to September 2020. This incredibly strong growth has been driven by high net migration at the beginning of the pandemic, and incredibly low interest rates. We expect house prices to continue to grow through summer, as the Reserve Bank implements policy to lower interest rates further, while threatening the return of loan to value ratio restrictions. This strong growth in house prices is at a time where housing is already highly unaffordable to most first home buyers, and the economy battles its sharpest contraction on record.

House sales

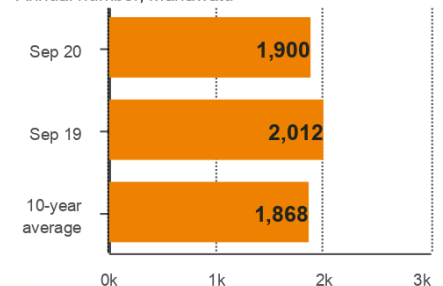
Annual change in house sales
Annual average % change Sep 19 - Sep 20



House sales
Annual number, Manawatu



House sales
Annual number, Manawatu



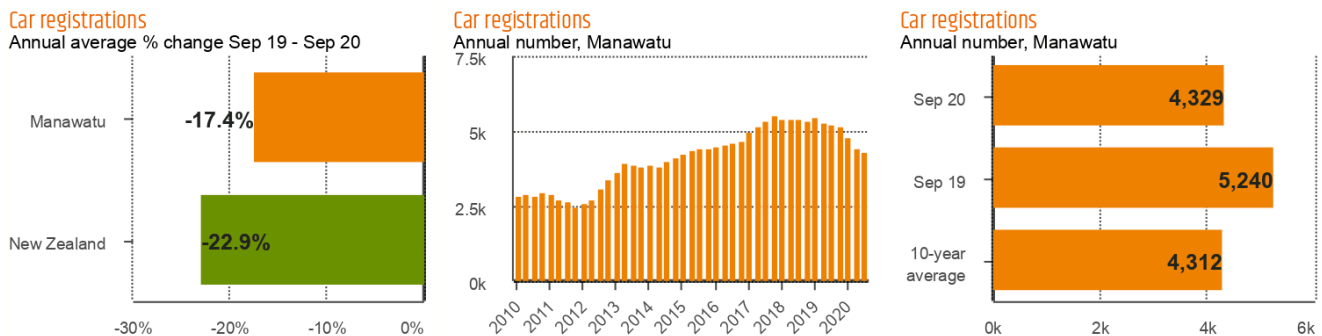
Highlights for Manawatu

- House sales in Manawatu in the year to September 2020 decreased by 5.6% compared with the previous year. Growth underperformed relative to New Zealand, where sales increased by 1.1%.
- A total of 1,900 houses were sold in Manawatu in the 12 months ended September 2020. This compares with the ten year average of 1,868.

National overview

The number of houses sold in the year to September 2020 was sitting 1.1% higher than the same period a year earlier. Growth in sales has been particularly high through the last couple of months, as prices race ahead and interest rates fall lower, encouraging even more buyers into the market. We expect real estate activity to remain hot through summer, as buyers look to take advantage of record low interest rates before loan to value ratio restrictions return.

Car registrations



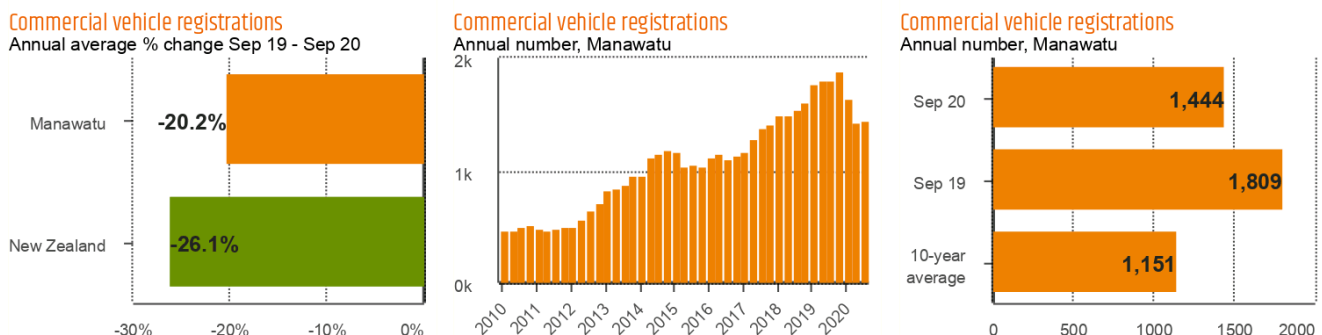
Highlights for Manawatu

- The number of cars registered in Manawatu decreased by -17.4% in the year to September 2020 compared with the previous 12 months. Growth was higher than in New Zealand, where car sales decreased by -22.9%.
- A total of 4,329 cars were registered in Manawatu in the year to September 2020. This compares with the ten year average of 4,312.

National overview

Car registrations recovered ground after lockdown, as pent up demand and a shift in spending patterns seeing a focus on vehicle sales. However, registrations in the September quarter were still 19% below registration levels last year. The momentum in car registrations is unlikely to continue, as job losses in the economy mount, the lack of international tourism reduces registrations of new rental cars, and potential constraints on the international supply of both new and used cars start to bite.

Commercial vehicle registrations



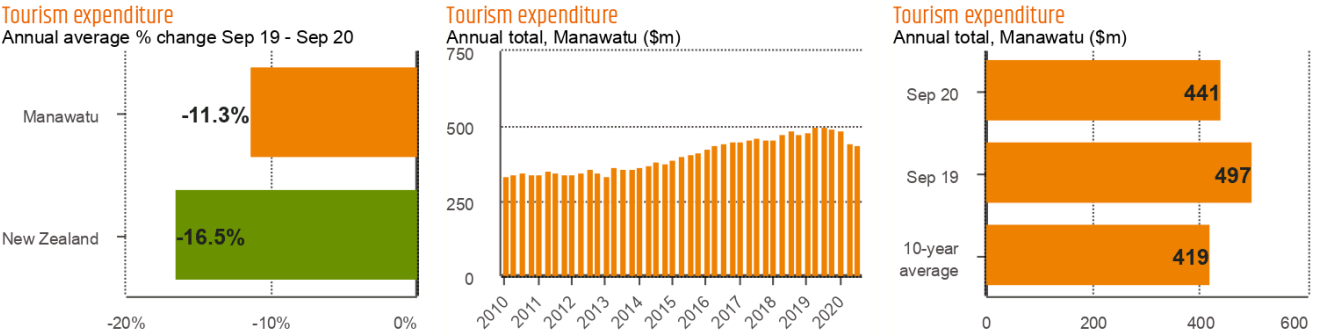
Highlights for Manawatu

- The number of commercial vehicles registered in Manawatu decreased by -20.2% in the year to September 2020 compared with the previous 12 months. Growth was higher than in New Zealand, where commercial vehicle sales decreased by -26.1%.
- A total of 1,444 commercial vehicles were registered in Manawatu in the year to September 2020. This is higher than the ten year annual average of 1,151.

National overview

Commercial vehicle registrations have recovered some ground from their sharp fall experienced during lockdown earlier this year. This recovery points to continued resilience in the primary sector, where demand for New Zealand's food products remains high, and in construction, where sharp growth in house prices is stimulating residential construction activity. Despite this recovery, commercial registrations remain considerably weaker than pre-pandemic, with commercial vehicle registrations in the September quarter still sitting 13% lower than a year ago.

Tourism Spending



Highlights for Manawatu

- Total tourism expenditure in Manawatu decreased by 11.3% in the year to September 2020. This compares with a decrease of 16.5% in New Zealand.
- Total tourism expenditure was approximately \$441m in Manawatu during the year to September 2020, which was down from \$497m a year ago.

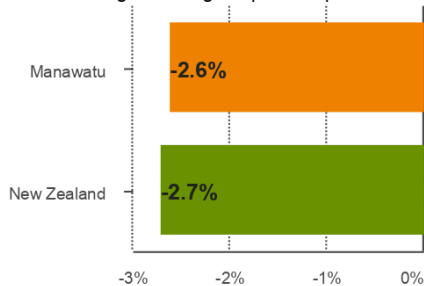
National overview

With New Zealand’s borders remaining closed to all but essential travellers and returning citizens and residents, tourism expenditure continued to decline, falling 16.5% over the year to September 2020. This decline was despite relatively successful efforts to promote domestic tourism during the July school holidays. Auckland was the worst affected region, with visitor spending declining by 24% over the year to September 2020, partly as a result of the second lockdown in August. Other regions heavily affected include Otago (-21%) and the West Coast (-20%). Tourism spending figures are likely to continue this downward trend through the summer months, as the lack of international tourists becomes more acutely felt.

Consumer Spending

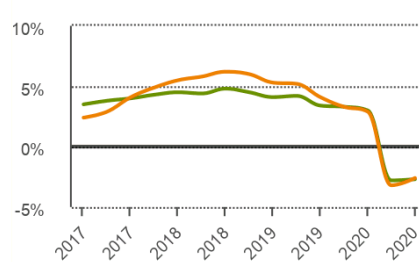
Growth in consumer spending

Annual average % change Sep 19 - Sep 20



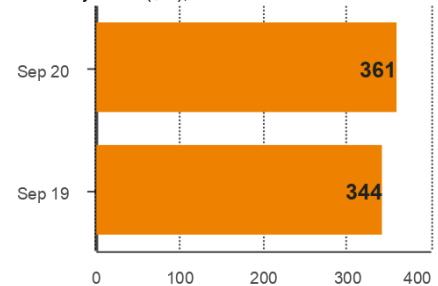
Consumer spending (\$m)

Annual average % change, Manawatu
— Manawatu — New Zealand



Consumer spending

Quarterly value (\$m), Manawatu



Highlights for Manawatu

- Electronic card consumer spending in Manawatu, as measured by Marketview, decreased by -2.6% over the year to September 2020 compared to the previous year. This compares with an decrease of -2.7% in New Zealand.

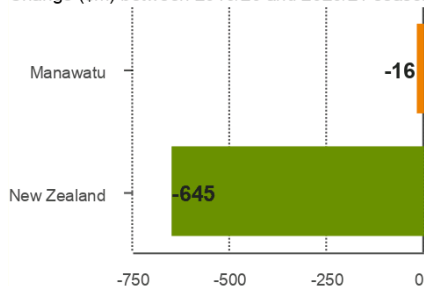
National overview

Consumer spending roared back into life after lockdown, growing 3.0%pa in the September 2020 quarter according to Marketview data. Declines in spending categories such as hospitality and accommodation were offset by growth in retail spending, particularly in the food and home improvement segments. Despite the impressive bounce back, considerable risk exists for spending to soften as the wage subsidy and COVID-19 Income Relief Payment benefit come to an end, and consumers feel the need to hold onto their wallets. The December quarter is expected to provide something of a litmus test for retailers – if spending levels hold up relatively well, it may relieve some of the pressure on employers to make further staff cuts in the new year.

Total dairy payout

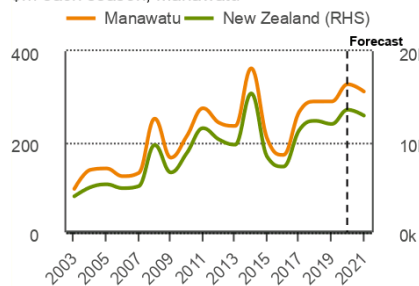
Total dairy payout

Change (\$m) between 2019/20 and 2020/21 seasons



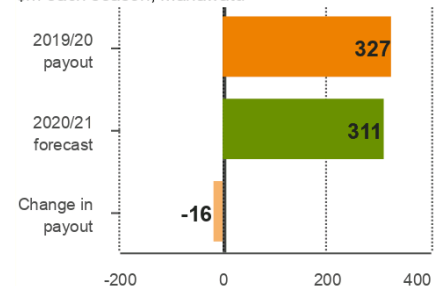
Total dairy payout

\$m each season, Manawatu



Total dairy payout

\$m each season, Manawatu



Highlights for Manawatu

- Manawatu's total dairy payout for the 2019/20 season is estimated to have been approximately \$327m.
- Manawatu's dairy payout for the 2020/21 season is expected to be approximately \$311m, \$15.6m lower than last season, assuming that production levels from last season are maintained.
- The total dairy payout for New Zealand is estimated to have been approximately \$13,537m in the 2019/20 season, and is expected to be \$645m lower in the 2020/21 season.

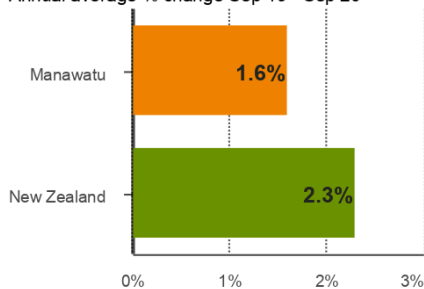
National overview

Primary sector performance remains robust, as New Zealand exports continue their solid run. Dairy export values since February remain up 3.8%pa, although activity weakened in September and through into October. Dairy won't escape the expected hit from COVID-19 but will weather the blow better. Fonterra has recently revised the midpoint milk price for the 2020/21 season to \$6.80/kgms off the back of stronger GlobalDairyTrade performances – a 40c lift from May's forecast. This rise in pay-out will bring an additional \$758m into the economy. However, the 2020/21 pay-out is lower than the pay-out last season, with a \$644m gap year-to-year.

Health Enrolments

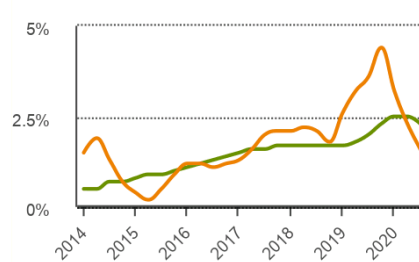
Annual change in Health enrolments

Annual average % change Sep 19 - Sep 20



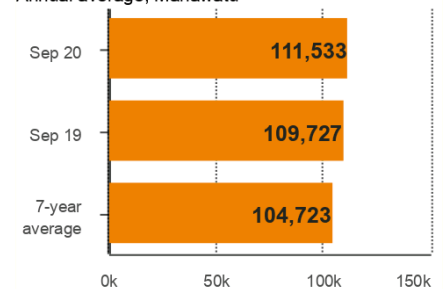
Health enrolments

Annual average % change, Manawatu
— Manawatu — New Zealand



Health enrolments

Annual average, Manawatu



Highlights for Manawatu

- The number of people enrolled with a primary health organisation in Manawatu in the year to September 2020 increased by 1.6% compared with the previous year. Growth was lower relative to New Zealand, where the number of enrolments increased by 2.3%.
- An average of 111,533 people were enrolled with primary healthcare providers in Manawatu in the 12 months ended September 2020. This compares with an average of 104,723 since the start of the series in 2013.

National overview

Population growth is slowing, with health enrolment figures rising at a slower pace of 2.3%pa over the 12 months to September 2020. Recent months have driven the deceleration in population growth, with total health enrolments in the September 2020 quarter up just 1.7%pa – the slowest since the end of 2018. The key driver of New Zealand's population growth – migration – has collapsed. Although there are a steady stream of people moving through Managed Isolation and Quarantine (MIQ) facilities, migration estimates from Stats NZ point towards a collapse in inward migration since COVID-19 forced New Zealand to close its borders. Net migration over the last six months has been just 2,513, compared to nearly 30,000 for the same period in 2019.

Technical notes

Building Consents

Building consents data is sourced from Statistics New Zealand. The number of residential consents issued for new dwellings is the measure for residential consents. For non-residential consents, the measure is the value of both new buildings and alterations.

Consumer Spending

The consumer spending data is sourced from Marketview. It measures total electronic card spending using spending through the Paymark network and adding to it an estimate of non-Paymark network spending using the pattern of BNZ card holder spending at non-Paymark retailers. For further breakdown of the data by storetype and other variables contact Marketview.

Dairy

Dairy data has been sourced from the "New Zealand Dairy Statistics", a publication co-owned by DairyNZ and LIC, as well as calculations made by Infometrics. The data accords to dairy seasons, which run from June to May. Total dairy payouts in each territorial authority have been calculated by Infometrics by utilising milk solids production in conjunction with Fonterra's farmgate milk price (excluding dividends) from the dairy season in question. For the current season, Infometrics calculates a payout forecast using our own expectation of the farmgate milk price and the assumption that milk solids production continues running at the same level from the previous season.

Earnings

The earnings data comes from the quarterly Linked Employer Employee Data (LEED) published by Statistics New Zealand. LEED publishes the mean earnings of full quarter jobs for each quarter. Full quarter jobs may include full time and part time jobs. Earnings include overtime and lump sum payments. We sum the mean earnings for the four quarters making up the year to arrive at an estimate of average annual earnings. Infometrics projects average annual earnings to the current quarter using growth rates in industry earnings measured in the Labour Cost Index.

Gross Domestic Product

Gross Domestic Product is estimated by Infometrics. A top down approach breaks national industrial production (sourced from production based GDP measures published by Statistics New Zealand) is broken down to TA level by applying TA shares to the national total. Each TA's share of industry output is based on earnings data from LEED. GDP growth in recent quarters is based on a model which uses the various partial economic indicators presented in this report as inputs. Estimates of GDP for these most recent quarters are provisional until Infometrics updates its annual GDP series in the Regional Economic Profile at the beginning of each year. Gross domestic product is measured in 2019 dollar terms.

Health Enrolments

Health enrolments are sourced from the Ministry of Health. They record the number of people in each area who are enrolled with a Primary Health Organisation (PHO). Enrolment is voluntary, but most New Zealanders enrol at a general practice for health reasons and for the benefits of enrolment, such as cheaper doctors' visits and reduced costs of prescription medicines. Changes to how the Ministry of Health recorded this data led to Infometrics revising our approach to health enrolment figures for the March 2019 Quarterly Economic Monitor onwards. Our new approach completely revises our timeseries of health enrolments, so care should be taken when comparing the March 2019 report with previously downloaded reports.

Previously, the data provided was only for those people whose addresses are able to be accurately recorded by the Ministry of Health. We have now switched to breaking down TA-level health enrolments based on trends in stated health enrolments by area, to ensure that the total number of enrolees published in the Monitor align with the national-level figures published by the Ministry of Health. A new system for classifying and recording health enrolment addresses from March 2019 onwards by the Ministry means significantly higher numbers of unallocated enrolees, resulting in the need to review our model.

House Sales

The number of house sales is sourced from REINZ. The indicator measures the number of house sales at the point when the sale becomes unconditional. The unconditional date is the date when all the terms of an agreement have been satisfied and the sale and purchase can proceed to settlement.

House Values

House value (dollar value) are sourced from QVNZ. The levels quoted in the report are average current values over the past 12 months. An average current value is the average (mean) value of all developed residential properties in the area based on the latest house value index from QVNZ. It is not an average or median sales price, as both of those figures only measure what happens to have sold in the period. These average current values are affected by the underlying value of houses (including those not on the market) and are quality adjusted based on the growth in each house's price between sales.

Jobseekers Support

In July 2013 the New Zealand's welfare system changed to better recognise and support people's work potential. As part of this the Jobseekers Support benefit was introduced. This benefit is for people who can usually look or prepare for work but also includes people who can only work part-time or can't work at the moment, for example, because they have a health condition, injury or disability.

Tourism Expenditure

Tourism expenditure data is sourced from the Ministry of Business, Innovation and Employment's (MBIE) Monthly Regional Tourism Estimates. These are estimated values for tourism spending that approximate values found in the International Visitor Survey (IVS) and Tourism Satellite Account (TSA), using modelling of a sample of electronic card spending throughout New Zealand from domestic and international accounts.

Traffic Flow

Traffic flow growth rates are calculated from the number of vehicles passing approximately 110 sites monitored by New Zealand Transport Agency. Each of the sites has been mapped to a territorial authority.

Unemployment

Regional level unemployment rates are sourced from Statistics New Zealand's Household Labour Force Survey. Trends in the number of Jobseekers are used to break down regional unemployment rates to TA levels. The TA level unemployment rates are benchmarked on census following the release of each census. To reduce volatility the unemployment rate is presented as an average for the last four quarters.

Vehicle Sales

Car and commercial vehicle sales data are sourced from New Zealand Transport Authority. Sales are based on new registrations which include the first time registration of new vehicles and used vehicles imported from overseas.

Household Income

The Infometrics household income series is a comprehensive estimate of household incomes within each territorial authority area. The series captures labour market earnings (wages, salaries and self-employment) as well as allowances (e.g. Disability Allowance), benefits (e.g. Jobseeker Support) and superannuation. Investment income is excluded. Infometrics models the series with a top-down approach, first measuring all incomes received by households in New Zealand, then apportioning them to territorial authorities using various sources of administrative data. As there is a time lag in the availability of administrative data we use contemporary indicators to project our estimates to the most recent quarter. Infometrics estimates of the number of occupied private households are used to translate total income in each territorial authority area into a per household mean. Mean household incomes are then translated into median household incomes using a Pareto distribution. The Infometrics household income series tends to be slightly higher than Census measures. Census tends to underestimate household incomes because individuals often fail to recall all of their income when completing their Census form.

Weekly Rents

Rents (\$ per week) are averaged across the quarter in question from monthly rental data sourced from MBIE. Rental data pertains to averages from data collected when bonds are lodged and does not control for specifications of the home (eg. size, number of bedrooms, age of home, etc).

Annual Population Report 2020

Overview

The population of the Manawātū region is estimated to have reached 122,500 people as at 30 June 2020, increasing by 1,800 people (1.5% increase) in the past 12 months. Estimated population growth for New Zealand was 2.1%.

Palmerston North's population is estimated to have increased by 1,200 people in the last 12 months, an increase of 1.4%, reaching 90,400 as at 30 June 2020.

Manawātū District's population is estimated to have increased to 32,100 as at June 2020, increasing by 500 people, or 1.6% increase, in the last year.

The Manawātū-Whanganui region population is estimated to have reached 254,300 people, increasing by 3,800 people in the year to June 2020, an increase of 1.5%. This is the largest annual increase in the annual population estimates series, which began in 1991.

Population projections produced by Infometrics in March 2020 suggest Palmerston North's population will pass 100,000 by June 2031 while the Manawātū region population will be 139,000 by 2031.

Annual population estimates

Annual provisional population estimates were released by Statistics New Zealand on 22 October, which show the population of the Manawātū region reached 122,500 in June 2020. These suggest the region's population increased by 1,800 people from June 2019, an increase of 1.5%.

Statistics New Zealand estimates the contributions to population growth in the Manawātū region in the year to June 2020 came from:

1. 580 people from natural population growth (the difference between the number of births and deaths),
2. net international migration of 1,170 people, and
3. a net loss of 40 people from internal migration within New Zealand.

Population growth in Palmerston North came from natural population growth of 490 people, net international migration of 1,000 people and a net loss of 280 people from internal migration.

Manawātū District growth came from natural population growth of 90 people, net international migration of 170 people and a net gain of 240 people from internal migration.

The strongest rate of population growth in the region was in the 65 years and over age group, which increased by 2.7% between 2019 and 2020. The weakest growth was in the 40 – 64 years age group, which increased by 1.1% in the last year.

Estimated population by age group (as at 30 June)			
Year at 30 June	2019	2020	Annual change
Manawātū region			
0-14 years	23,900	24,200	1.3%
15-39 years	42,900	43,500	1.4%
40-64 years	35,500	35,900	1.1%
65 years and over	18,500	19,000	2.7%
Total	120,700	122,500	1.5%
New Zealand			
0-14 years	956,000	966,400	1.1%
15-39 years	1,705,700	1,744,800	2.3%
40-64 years	1,557,700	1,582,100	1.6%
65 years and over	759,800	791,000	4.1%
Total	4,979,300	5,084,300	2.1%

Source: Statistics New Zealand

The median age of the City's population is estimated to have increased to 34.1 years in June 2020, while the median age for Manawātū District remained at 40.9 years. The median age for the total New Zealand population is estimated to have increased from 37.3 years in 2019 to 37.4 years in 2020. New Zealand's median age peaked at 37.5 years in 2013 but declined between 2013 and 2017, before gradually rising again. A decline in the number of people migrating overseas and an increase in the number of people arriving from overseas contributed to the decline in the median age between 2013 and 2017.

Statistics New Zealand made significant revisions to its June 2018 population estimates in October 2019, based on modelling comparing intentions expressed on departure cards by migrants and the actual outcome 16 months later. As a result of this modelling, it reduced the 2018 estimate for New Zealand's population by 44,500 people. The estimated population of Palmerston North was revised down by 1,400 people while Manawātū District's population was revised up by 200 people.

Many of these revisions were reversed this year by Statistics New Zealand once it completed its final population estimates for 2018, based on the 2018 Census. Instead of a decline of 44,500 from the original June 2018 estimate for New Zealand, the new 2018 population estimate is now 15,100 people higher than the original 2018 estimate. The final estimate for Palmerston North was 88,300 people, a decline of 400 people from the original 2018 estimate, while the final population estimate for Manawātū District was 31,100, an increase of 200 people from the original estimate.

Population projections

Infometrics medium growth projections for the Manawātū region's population suggest it will grow by 35,600 between 2018 and 2043, 1.1% average annual population growth over the 25-year period. The region's population is expected to increase from the June 2018 estimate of 119,400 to 154,000 people by 2043, an increase of 30%. Infometrics' high growth projection for the region suggests the region's population could reach 168,800 by 2043, while its low growth scenario suggests a population of 141,100 in 2043.

The projections for Palmerston North suggest it will grow by 23,400 between 2018 and 2043 (medium growth projection), with the city's population reaching 110,700 by 2043. The medium 25-year projection is for 1.0% average annual population growth. Projections for Manawātū District suggest it will grow by 12,200 between 2018 and 2043, with the district's population reaching 43,300 by 2043, an increase of 39%.

Manawatū-Whanganui region

The Manawatū-Whanganui region population is estimated to have increased by 3,800 people between June 2019 and June 2020, an annual increase of 1.5%.

Natural population growth in the Manawatū-Whanganui region was 870 people; internal migration contributed 710 people while international migration contributed an additional 2,220 people. Regions which experienced a weaker rate of population growth than the Manawatū-Whanganui region in the year to June 2020 were Taranaki, Gisborne, Southland and West Coast.

Estimated population as at 30 June			2019 to 2020 change	
	2019	2020	Number ¹	% change
Horowhenua District	35,300	36,100	800	2.3%
Whanganui District	47,300	48,100	800	1.6%
Manawatū District	31,600	32,100	500	1.6%
Palmerston North city	89,100	90,400	1,200	1.4%
Tararua District	18,650	18,900	250	1.3%
Rangitīkei District	15,550	15,750	200	1.2%
Ruapehu District	12,750	12,800	50	0.5%
<i>Manawatū region</i>	<i>120,700</i>	<i>122,500</i>	<i>1,800</i>	<i>1.5%</i>
<i>Horizons North-West</i>	<i>75,600</i>	<i>76,650</i>	<i>1,050</i>	<i>1.4%</i>
<i>Horizons South-East</i>	<i>174,650</i>	<i>177,500</i>	<i>2,850</i>	<i>1.6%</i>
Total Manawatū-Whanganui region	250,400	254,300	3,900	1.6%
New Zealand	4,979,300	5,084,300	105,000	2.1%

¹Note: rounding of the population estimates means the reported increase in the number of people on an annual basis is different from the difference between the June 2019 and June 2020 totals.

Source: Statistics New Zealand

Horowhenua District had the fastest rate of population growth in the Manawatū-Whanganui region, with annual growth of 2.3% between 2019 and 2020.

Comparison with other cities

Auckland is estimated to have accounted for 35% of total population growth over the last year, growing by 2.2% in the year to June 2020, and slightly ahead of the national growth rate of 2.1%.

Palmerston North has a 1.8% share of the national population and is the ninth largest territorial authority – the largest territorial authorities ranked by population are Auckland, Christchurch, Wellington, Hamilton, Tauranga, Dunedin, Lower Hutt and Whangarei.

Estimated population as at 30 June			2019 to 2020 change	
Major urban area	2019	2020	Number	% change
Tauranga City	146,200	151,300	5,100	3.4%
Hamilton City	172,300	176,500	4,200	2.4%
Whangarei District	96,000	98,300	2,300	2.3%
Hastings District	86,100	88,000	1,900	2.2%
Auckland	1,680,500	1,717,500	37,000	2.2%
Rotorua District	75,800	77,300	1,500	1.9%
Lower Hutt City	109,800	111,800	2,000	1.8%
Christchurch City	387,700	394,700	1,000	1.8%
New Plymouth District	84,600	86,100	1,300	1.7%
Napier City	65,200	66,300	1,100	1.7%
Palmerston North City	89,100	90,400	1,200	1.4%
Wellington City	213,100	216,200	3,100	1.4%
Dunedin City	132,300	134,100	1,800	1.3%
New Zealand	4,979,300	5,084,300	105,000	2.1%

Source: Statistics New Zealand

Peter Crawford

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Manawātū Region Annual Employment Report 2020

Overview

The rate of employment growth in the Manawātū region in the year to February 2020 was stronger than the average for New Zealand, with employee numbers in the region increasing by 1.6% from 2019 while national growth was 1.2%.

Total employee numbers in the region increased to 61,800 in February 2020, an increase of 1,000 jobs from February 2019. An additional 4,600 jobs have been created in the region over the past three years, an increase of more than 1,500 jobs a year.

Statistics New Zealand revised its Palmerston North employee count estimate for February 2019, adding a further 400 jobs to its original estimate. This lifted annual growth in the city in the year to February 2019 to 2.6% compared with 2.3% for New Zealand.

The employee count estimates do not include the self-employed. Infometrics estimates the self-employed workforce on an annual basis, and these estimates will be available in early 2021. Self-employment contributes a greater share of employment in Manawātū District, accounting for 26.8% of the districts' workforce in March 2019. Self-employment in Palmerston North accounted for just 8.5% of the city's workforce in 2019.

The latest Infometrics estimates suggest the unemployment rate for Manawātū region residents aged 15 years and over in the region averaged 4.1% over the year ended September 2020 compared with 4.4% for New Zealand. The estimated unemployment rate for Manawātū District over the year to September 2020 was 2.8% and 4.4% for Palmerston North.

Ministry of Social Development (MSD) job seeker benefit numbers in the region increased by 28.2% in the year to September 2020 while national job seeker benefits increased 42.8%. Palmerston North job seeker benefits increased by 26.7% over the year to September 2020 while Manawātū District increased by 34%.

National data for filled jobs shows there were 2,178,077 people employed in February 2020, an increase of 23,462 jobs from February 2019. New Zealand's population increased by 105,000 people between June 2019 and June 2020.

Infometrics March 2020 long-term growth projections suggest the region's workforce will increase by nearly 14,000 jobs between 2018 and 2043, an increase of 21%. The projections assume a higher rate of productivity change between 2018 and 2043 than was observed between 2000 and 2018. If productivity change continues at previous growth rates, the actual increase in jobs will be higher than the projections.

Estimates for the March 2020 total workforce, including the self-employed, will not be available until early 2021. Self-employment accounts for 26.8% of the workforce in Manawātū District but just 8.5% in Palmerston North.

Employee Numbers

Annual employment data for February 2020 shows there were 61,800 jobs in the Manawātū region, an increase of 1,000 jobs from February 2019 (1.6% increase). National employment increased by 27,000 jobs in the year to February 2020, an increase of 1.2%.

Data for the individual local authorities in the region shows that in February 2020 there were:

- 9,600 jobs in Manawātū District, an increase of 100 jobs (1.1% increase) from February 2019.
- 52,200 jobs in Palmerston North, an increase of 900 jobs (1.8% increase) from February 2019.

Sectors which contributed most to the increase in the number of jobs between 2019 and 2020 were health care and social assistance sector (540 jobs), construction (450 jobs), and education (340 jobs). Key sectors where there were losses in jobs between 2019 and 2020 were retail (220 jobs), public administration and safety (150 jobs), agriculture, forestry and fishing (120 jobs) and professional, scientific and technical services (110 jobs).

The decline in retail employment was due to a decline in catering services in Palmerston North. This may be due to a change in the way catering services are contracted, with staff now recorded against the organisation they are catering for.

Manawātū region employment - February 2020					
Industry sector	Employee count	2019 - 2020 change		2000 - 2020 change	
		Number	%	Number	%
Public Administration and Safety	7,200	-150	-2.0%	3,100	75.6%
Health Care and Social Assistance	8,570	540	6.7%	3,090	56.4%
Construction	5,000	450	9.9%	2,580	106.6%
Logistics	6,200	30	0.5%	2,280	58.2%
Education and Training	7,170	340	5.0%	1,590	28.5%
Retail	8,890	-220	-2.4%	1,150	14.9%
Other Services	2,250	80	3.7%	680	43.3%
Administrative and Support Services	2,710	20	0.7%	600	28.4%
Professional, Scientific and Technical Services	3,010	-110	-3.5%	480	19.0%
Rental, Hiring and Real Estate Services	1,010	90	9.8%	395	64.2%
Arts and Recreation Services	1,060	0	0.0%	285	36.8%
Agriculture, Forestry and Fishing	2,030	-120	-5.6%	220	12.2%
Manufacturing	5,000	-50	-1.0%	150	3.1%
Financial and Insurance Services	900	60	7.1%	95	11.8%
Electricity, Gas, Water and Waste Services	290	0	0.0%	18	6.6%
Mining	31	0	0.0%	13	72.2%
Information Media and Telecommunications	425	25	6.3%	-615	-59.1%
Total	61,800	1,000	1.6%	16,100	35.2%

Note: Employee count data in this table does not include the self-employed

Source: Statistics New Zealand

Over the period from 2000 to 2020, total employment in the region increased by 35.2%, with 16,100 more jobs in 2020 compared with 2000. The public administration and safety sector accounted for the largest share of the increase in employment, with 3,100 more jobs at the

end of the 20-year period, an increase of 76%. Other significant contributors were healthcare and social assistance (3,090 jobs increase, 56% increase), construction (2,580 jobs increase, 107% increase), logistics (2,280 jobs, 58% increase), education and training (1,590 jobs increase, 29%) and retail (1,150 jobs increase, 15% increase).

Information media and telecommunications sector was the only sector to record a decline in employment between 2000 and 2020 (615 jobs decline, 59% decline).

Infometrics March 2020 employment projections suggest the health care and social assistance sector will account for over one fifth of workforce growth between 2018 and 2043, with workforce numbers increasing by 40% over the 25-year period. The public administration and safety sector is expected to provide nearly a fifth of employment growth, with 44% growth between 2018 and 2043.

Construction sector workforce doubled in size between 2000 and 2020, supported by both increased construction of new housing and non-residential/commercial building projects. The region will experience a significant increase in infrastructure investment projects over the next 10 - 15 years, but the projections assume workforce growth in the sector will slow once these projects are completed.

Projected Manawātū region workforce growth			
Industry sector	Workforce 2043	2018 - 2043 change	
		Number	%
Health Care and Social Assistance	12,692	3,153	40%
Public Administration and Safety	8,725	2,670	44%
Construction	7,246	1,554	30%
Education and Training	9,074	1,512	22%
Manufacturing	6,714	1,125	22%
Logistics	7,322	865	13%
Professional, Scientific and Technical Services	4,857	797	21%
Arts and Recreation Services	2,244	727	69%
Other Services	3,783	711	26%
Retail and food services	10,138	673	7%
Administrative and Support Services	3,402	491	19%
Financial and Insurance Services	1,261	216	22%
Rental, Hiring and Real Estate Services	1,578	200	14%
Agriculture, Forestry and Fishing	3,266	64	2%
Electricity, Gas, Water and Waste Services	231	36	20%
Mining	6	-20	-71%
Information Media and Telecommunication	273	-147	-29%
Total workforce	82,812	13,782	21%

Note - the workforce estimates included employees and the self-employed

Source: Infometrics

The logistic sector workforce is assumed to increase by just 13% between 2018 and 2043, based on Infometrics assumptions about higher productivity change occurring in the sector over the next 25 years. Retail sector growth is expected to be just 7%, just under half the rate of growth over the past 20 years. Similar weakness is expected in agriculture, forestry and fishing, with just 2% workforce growth projected between 2018 and 2043 compared with the 12% growth the sector achieved between 2000 and 2020.

The only sectors expected to experience a decline in employment between 2018 and 2043 are mining, and information media and telecommunications.

Statistics New Zealand business¹ and employment data includes the number of geographic units (business locations) in the region and the distribution of employment by business size. In February 2020 there were 81 businesses in the region with 100 or more employees (less than 1% of total businesses) but they accounted for 38% of employees in the region. Since 2017 there has been a gradual decline in the number of organisations with between 1 and 5 employees.

Distribution of employment by size in the Manawātū region (February 2020)			
	Geographic units	Employees	Average employees
zero employees	7,548	0	0
1 to 5	2,457	6,150	3
6 to 9	777	5,650	7
10 to 19	660	8,700	13
20 to 49	342	10,150	30
50 to 99	108	7,300	68
100+	81	23,700	293
Total	11,976	61,800	5

Source: Statistics New Zealand

Businesses and self-employment

The annual business data identified 7,548 geographic units that had no employees in February 2020, 63% of total geographic units in the region. The organisations without employees include the self-employed and other registered entities established for tax purposes. Some of the largest industry sectors with no employees are:

- ownership of rental residential and commercial properties (2,079 organisations in 2020).
- financial asset investing (504 organisations).
- sheep, beef cattle, grain farming and dairy cattle farming (924 organisation).

Farm consolidation has resulted in the total number of geographic units in the region declining from 2,379 units in 2000 to 1,746 in 2020, a decline of 633 units, or 27% decline.

The total number of units in the region increased by 2,178 between 2000 and 2020, an increase of 27%. Most of this growth was in property and financial asset investing organisations, but there was a 46% increase in the construction sector and 55% increase in health care and social assistance.

The total number of geographic units in the region increased by 0.9% in the year to February 2020, an increase of 102 units. That was the largest annual increase in the region since 2014.

Business Demography data on business 'births' and 'deaths' shows a gradual decline in the proportion of businesses that survive for three years. In 2018, 58.7% of businesses established in the region in 2015 were still operating in 2018. In 2020, 55.7% of businesses established in the region in 2017 were still operating in 2020. One factor contributing to the

¹ Statistics New Zealand uses the term businesses to cover all forms of institution, including government, non-profit, businesses, and sole-trader organisations

decline in businesses survival was the creation of more wholesale trade and food services businesses in the region in the year to February 2017 compared with the normal trend. Only nine of the 45 wholesale trade businesses established in 2017 were operating three years later, a survival rate of 20%.

Unemployment

Unemployment data for the Manawātū Region is estimated by Infometrics using Manawātū-Whanganui region data from the Statistics New Zealand Household Labour Force Survey. Their September 2020 quarter estimates suggest the unemployment rate for residents aged 15 years and over in the region averaged 4.1% over the year ended September 2020 compared with 4.4% for New Zealand. The estimated unemployment rate for Manawātū District over the year to September 2020 was 2.8% and 4.4% for Palmerston North. Infometrics uses an average of the last four quarters because regional unemployment rates are volatile.

An alternative indicator of labour force trends is data on the number of people aged between 18 and 64 years receiving the Ministry of Social Development Job Seeker benefit. In September 2020 there were 4,375 people registered for the benefit in the Manawātū region, an increase of 28.2% from September 2019 (an increase of 962 people). National Job Seeker benefits in September increased by 42.8% from the previous year. Job seeker numbers increased by 34% in Manawātū District and by 26.7% in Palmerston North.

Number of Manawātū region residents registered for a Job Seeker benefit											Sept 16 to Sept 20 change	
	September 2016		September 2017		September 2018		September 2019		September 2020			
Age group	Number	Annual change	Number	Annual change	Number	Annual change	Number	Annual change	Number	Annual change	Number	% change
18 - 24 years	791	1.2%	816	3.2%	873	7.0%	857	-1.8%	1,155	34.8%	364	46.0%
25 - 39 years	934	6.6%	916	-1.9%	1,058	15.5%	1,167	10.3%	1,523	30.5%	589	63.1%
40 - 54 years	804	1.5%	785	-2.4%	861	9.7%	897	4.2%	1,092	21.7%	288	35.8%
55 - 64 years	464	6.4%	435	-6.3%	494	13.6%	492	-0.4%	605	23.0%	141	30.4%
Total	2,993	3.7%	2,952	-1.4%	3,286	11.3%	3,413	3.9%	4,375	28.2%	1,382	46.2%

Number of New Zealand residents registered for a Job Seeker benefit											Sept 16 to Sept 20 change	
	September 2016		September 2017		September 2018		September 2019		September 2020			
Age group	Number	Annual change	Number	Annual change	Number	Annual change	Number	Annual change	Number	Annual change	Number	% change
18 - 24 years	24,470	0.3%	22,877	-6.5%	25,062	9.6%	28,525	13.8%	47,443	66.3%	22,973	93.9%
25 - 39 years	33,618	5.4%	34,471	2.5%	38,645	12.1%	44,171	14.3%	65,977	49.4%	32,359	96.3%
40 - 54 years	38,013	-1.6%	37,132	-2.3%	38,576	3.9%	41,355	7.2%	53,632	29.7%	15,619	41.1%
55 - 64 years	26,183	0.9%	26,246	0.2%	27,360	4.2%	28,880	5.6%	37,064	28.3%	10,881	41.6%
Total	122,284	1.1%	120,726	-1.3%	129,643	7.4%	142,931	10.2%	204,116	42.8%	81,832	66.9%

Source: Ministry of Social Development

Between September 2016 and September 2020 job seeker benefit numbers in the Manawātū region increased by 46.2% while national job seeker benefit numbers increased by 66.9%. The strongest growth in benefit numbers over this time period was in the 25 – 39 years age group, where there was a 63.1% increase in the region and a 96.3% increase nationally. There was a 46% increase in the 18 – 24 years age group in the region between 2016 and 2020 while national benefit numbers for this age group increased by 93.9%.

The benefits data suggests males have been impacted more by the impact of Covid-19 during 2020. There was a 29.2% increase in the number of males registered for the Job Seeker benefit in the Manawatū region in the year to September 2020 while the number of females registered for the benefit increased by 26%. The respective annual increases for New Zealand were 44.7% for males and 39.9% for females.

Job seeker data for ethnic groups shows that the New Zealand European ethnic group in the Manawatū region experienced the largest increase in Job Seeker benefits in the year to September 2020, with an increase of 30.9% from the previous year. The Pacific ethnic group experienced the smallest annual increase (20.6%) while Māori benefit numbers increased by 22.5%.

Number of Manawatū region residents registered for a Job Seeker benefit											Sept 16 to Sept 20 change	
	September 2016		September 2017		September 2018		September 2019		September 2020			
Ethnic group	Number	Annual change	Number	Annual change	Number	Annual change	Number	Annual change	Number	Annual change	Number	% change
NZ European	1,451	-1.2%	1,349	-7.0%	1,444	7.0%	1,493	3.4%	1,955	30.9%	504	34.7%
Maori	988	2.9%	1,023	3.5%	1,218	19.1%	1,262	3.6%	1,546	22.5%	558	56.5%
Pacific Island	92	na	100	8.7%	108	8.0%	102	-5.6%	123	20.6%	31	33.7%
All other ethnicities	387	15.2%	403	4.1%	413	2.5%	420	1.7%	538	28.1%	151	39.0%
Unspecified	75	na	77	2.7%	103	33.8%	136	32.0%	213	56.6%	138	184.0%
Total	2,993	3.7%	2,952	-1.4%	3,286	11.3%	3,413	3.9%	4,375	28.2%	1,382	46.2%

Number of New Zealand residents registered for a Job Seeker benefit											Sept 16 to Sept 20 change	
	September 2016		September 2017		September 2018		September 2019		September 2020			
Ethnic group	Number	Annual change	Number	Annual change	Number	Annual change	Number	Annual change	Number	Annual change	Number	% change
NZ European	46,128	-6.4%	44,805	-2.9%	46,959	4.8%	50,031	6.5%	71,043	42.0%	24,915	54.0%
Maori	44,235	1.7%	45,359	2.5%	50,063	10.4%	56,581	13.0%	76,918	35.9%	32,683	73.9%
Pacific Island	9,068	6.2%	8,825	-2.7%	10,066	14.1%	11,552	14.8%	18,048	56.2%	8,980	99.0%
All other ethnicities	18,261	6.8%	17,605	-3.6%	18,358	4.3%	19,539	6.4%	29,110	49.0%	10,849	59.4%
Unspecified	4,592	82.6%	4,132	-10.0%	4,197	1.6%	5,228	24.6%	8,997	72.1%	4,405	95.9%
Total	122,284	1.1%	120,726	-1.3%	129,643	7.4%	142,931	10.2%	204,116	42.8%	81,832	66.9%

Major construction and development projects in Palmerston North and the Manawatū region

Summary

Major development and construction projects announced for Palmerston North and the Manawatū region amount to at least \$3.0 - \$4 billion of construction activity over the period to 2035. Some projects are still waiting for final approval, one of the largest being the construction of the MidCentral DHB acute services block. There are several projects under development where final values have not been put on project, such as the construction of the new KiwiRail freight hub, but estimates have been included in the summaries below.

New capital projects and renewals in the Palmerston North City Council and Manawatū District Council 2018-28 10-year plans total \$877 million. The Palmerston North plan proposes that \$125 million (18%) of the capital budget of \$687 million will be funded externally. The Manawatū District plan proposed capital expenditure is \$190 million, primarily on roading and water supply, wastewater and stormwater projects.

Key projects identified in the region are:

1. \$660¹ million (rough estimate) Linton and Ohakea Defence Estate Regeneration Implementation Plan 2019 – 2035 (projects listed on pages 3 and 4).
2. MidCentral DHB investment plan (2016 – 2026) – timing of investment for the \$370 million acute services block is still to be confirmed and has been delayed from the original plan. The original budget for the acute services block was \$197 million. The investment is subject to Ministry of Health and Treasury approval, but construction is probably 10 years away. Smaller projects which have been given funding are:
 - a. \$30 million mental health services facility
 - b. \$26 million expansion of the surgical services unit.
3. \$450 million for the construction of 60 wind turbines for Mercury Energy at Turitea, with construction work underway. Construction is expected to be completed in late 2021. A further 53 turbines in the Puketoi Range in Tararua District are planned, with a value of \$500 million.
4. \$230 million Massey University Capital Plan (2020 – 2030). Construction projects in progress. Projects approved in the first seven months of 2020 are:
 - a. \$18 million Massey University post-mortem and production animal hospital
 - b. \$5 million new dairy research and teaching facilities.

¹ Estimate is based on midpoint of project cost bands provided and \$50 million each for four projects identified as costing \$50 million or more

5. \$245 million Powerco (Manawatū and Taranaki on growth and security projects and renewal programme).
6. Redevelopment of the Hokoahitu Campus – 130 housing lots over three stages, with an estimated value of \$90 - \$135 million – consents approved for the construction of housing.
7. \$110 million Totara Road Wastewater Treatment Plant - Consent Renewal Upgrade. Construction scheduled for 2024/25 to 2026/27.
8. \$66 million for construction of new Countdown distribution centre. Consent approved in May 2020
9. \$47.5 million urban growth projects to cater for increased residential and non-residential growth in the City. Projects planned throughout the 10-year plan.
10. \$41 million wastewater, stormwater and water supply renewal and growth projects in Manawatū District 2018-28 10-year plan.
11. \$40 million BUPA retirement village, Napier Road – construction started in 2019.
12. \$29.1 million City Centre Streetscape upgrade. Projects planned throughout the 10-year plan.
13. \$24.5 million Arena Master Plan. Construction scheduled for 2018/19 to 2022/23.
14. \$20 million - construction of new Manukura School on Massey University campus.
15. \$20 million each - two new primary schools in Palmerston North over the next ten years to cater for population growth – Potoua area unit has been identified as the priority area for the first new school.
16. Major regional roading investment:
 - a. Palmerston North rural ring road - the initial stage will improve two sections of State Highway 3, between Kairanga and Bunnythorpe, and Napier Rd, from Keith St to Whakarongo. Total project estimated to be over \$200 million.
 - b. Manawatū Gorge Road replacement –\$650 million – construction expected to begin in 2January 2021.
 - c. Four-laning SH1 Otaki to north of Levin highway –\$817 million, construction expected to occur over 2024 - 2029.
 - d. Manawatū District Council 10-year plan - \$95 million.
17. Rail investment:
 - a. KiwiRail regional freight hub – which is estimated to attract \$4 billion in investment over the next 20 – 30 years.

- b. Improvements to the Wellington, Wairarapa and Palmerston North rail network and beyond, including upgraded tracks for the Wairarapa and Capital Connection lines, safety connections and refurbishment of Capital Connection carriages - \$217 million
18. \$15 million Countdown Awapuni supermarket – construction beginning late 2020.
 19. Tilt Renewables – replacing its 103 smallest turbines from the first two stages built with 40 larger ones. Resource consent to be lodged.
 20. Multiple consents already received and expected for earthquake strengthening and refurbishment of buildings for schools, churches and commercial buildings in the region.

Background Information for Key Projects

Defence Estate Regeneration Implementation Plan 2019 – 2035 (rough order of cost)

Ohakea

Aviation refuelling section project, <\$1m, 2019 - 2021
 Covered tanker park project, \$10m – \$20m, 2020 - 2023
 Wastewater treatment plant upgrade stage 2 project, \$10m – \$20m, 2020 - 2023
 Fixed wing training and simulation facility, \$10m – \$20m, 2019 - 2021
 Air surveillance complimentary capability hangar and apron, \$10m – \$20m, 2021 - 2024
 Air surveillance complimentary capability operations centre, \$5m – \$10m, 2022 - 2025
 North east quadrant flight line support, \$5m – \$10m, 2021 – 2024
 Double hangar and offices, >\$50m, 2019 - 2024
 Investment in Ohakea Housing, >\$50m, 2020 - 2024
 Ohakea Consequential Works (Ohakea Loading), >\$50m, 2020 - 2024
 Fuel Storage Facility Expansion, \$10m – \$20m, 2022 – 2025
 Main gate, entrance and state highway connection, \$20m – \$50m, 2026 - 2032
 North-East quadrant consolidated parking, \$10m – \$20m, 2028 - 2032
 Forward firing weapons arming capability, \$1m – \$5m, 2030 - 2033
 Physiotherapy and medical facilities, \$10m – \$20m, 2020 - 2034
 Additional taxiway apron entry/exit point, <\$1m, 2031 - 2034
 Base headquarters and administration, \$20m – \$50m, 2029 - 2034
 Base operations centre, \$1m – \$5m, 2032 - 2035
 Hangar mid-life light refit, \$1m – \$5m, 2033 – 2035

Linton

Explosive store house project initiate, <\$1m, 2018 - 2021
 Queen Alexandra's Mounted Rifles combined headquarters project, \$5m – \$10m, 2019 - 2021
 Electrical network upgrade stage 1 project, \$1m – \$5m, 2018 - 2022
 Field workshop project, \$10m – \$20m, 2019 - 2022
 Logistics main fleet utilisation warehouse project, \$5m – \$10m, 2018 - 2021
 Stormwater network: logistics precinct, \$1m – \$5m, 2020 - 2021
 Consolidated logistics infrastructure investment at Linton, >\$50m, 2019 - 2026
 Operational unit precinct utilities including high voltage, \$1m – \$5m, 2021- 2024
 Protected mobility vehicle introduction to service - priority roads and heavy goods entrance, \$5m – \$10m, 2020 - 2023

Protected mobility vehicle introduction to service - priority hardstanding, \$1m – \$5m, 2020 - 2023
 Protected mobility vehicle fleet – linked capability infrastructure, \$20m – \$50m, 2020 - 2023
 Counter measures introduction to service- equipment storage, \$5m – \$10m, 2020 - 2023
 Operational fuels infrastructure: logistics precinct, \$10m – \$20m, 2021 - 2024
 Medical centre & hospital relocation, <\$1m, 2022 - 2024
 10 Transport Company headquarters, \$5m – \$10m
 Consolidated parking: common logistics precinct, \$5m – \$10m, 2023 - 2026
 Heavy vehicle entrance gate, \$10m – \$20m, 2024 – 2027
 Protected mobility vehicle fleet – infrastructure phase 2, \$20m – \$50m, 2028 - 2032
 Command Signals Unit facility, \$20m – \$50m, 2027 - 2032
 Vehicle wash-down, \$5m – \$10m, 2028 - 2032
 Combined training centre (Training and Doctrine North), \$10m – \$20m, 2030 - 2034
 Dangerous goods storage – logistics, \$5m – \$10m, 2030 – 2034
 Combat School classroom, \$5m – \$10m, 2031 - 2035
 Firing range upgrades, \$5m – \$10m, 2031 - 2035
 Forest management and planting, \$1m – \$5m, 2033 - 2035

Palmerston North City Council 10-year Plan (current dollar values)

\$m	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	TOTAL
City Centre Streetscape Upgrade	2.9	4.1	3.3	3.9	2.6	2.6	2.9	4.3	2.0	0.5	29.1
Urban Growth	3.3	8.6	7.2	4.0	5.8	3.0	6.7	4.2	2.6	2.2	47.5
Arena Masterplan	6.0	5.6	4.7	6.5	1.7	0.0	0.0	0.0	0.0	0.0	24.5
Major roading network upgrades	1.5	5.6	6.2	3.0	2.2	0.8	1.2	0.0	0.0	0.0	20.5
Social Housing	3.9	1.1	0.5	2.4	2.7	0.7	0.7	0.7	0.3	0.0	13.0
Seismic Strengthening	0.0	1.4	3.7	1.8	2.0	0.0	2.6	0.6	1.7	0.0	13.8
628-Totara Road Wastewater Treatment Plant	0.0	0.0	0.0	0.0	0.0	20.0	40.0	30.0	20.0	0.0	110.0
1460-Te Manawa Upgrade - Option A	0.0	0.0	0.0	0.0	0.6	1.7	1.7	11.6	17.4	24.9	58.0
1518-Central Library Upgrade	0.8	3.5	3.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	7.5
He Ara Kotahi Bridge and Pathway	10.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	10.2
Remaining capital new	13.5	19.5	21.9	17.9	12.1	13.0	6.0	6.4	5.8	5.0	121.1
Renewals	23.7	20.7	22.3	22.9	23.2	22.0	23.0	26.6	22.3	25.0	231.7
TOTAL	\$65.8	\$70.1	\$73.1	\$62.4	\$52.8	\$63.8	\$84.9	\$84.3	\$72.2	\$57.6	\$686.9
of which funded externally	13.3	9.0	7.9	11.8	6.9	8.8	6.2	15.3	19.2	26.6	125.0
% funded externally	20%	13%	11%	19%	13%	14%	7%	18%	27%	46%	18%



MANAWATU REGION QUARTERLY REPORT

For Period Ending October 2020

Central Economic Development Agency

Prepared for
Central Economic Development Agency

Date
November 2020

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OCTOBER 2020 QUARTER



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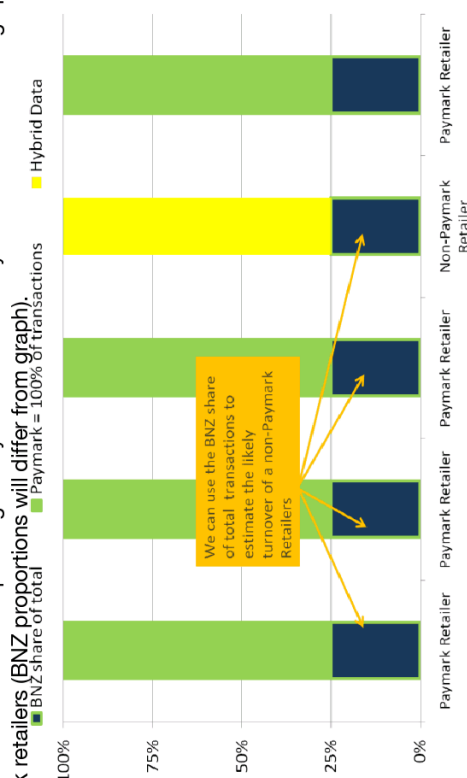
DATA SOURCE

The data included in this report represents the total value of electronic card retail transactions. For a frame of reference, Statistics NZ report just under 70% of total retail is paid with an electronic card (ECT publication and Retail Trade Survey). The rest is comprised of cash, hire-purchase and any other less-frequent method of payment. The data (referred to as Hybrid Data on the graph below) combines our two primary data sets in order to capture the complete quantity of retail spending.

The first of these is the Bank of New Zealand cardholder base. This set is based on the eftpos, debit and credit card transactions made by BNZ cardholders. BNZ has around a 20% share of the cards market, so on average BNZ Marketview accounts for one in five retail transactions. (As at July 1 2015, there were over 650,000 active BNZ cardholders).

The second is the Paymark merchant database. New Zealand has two eftpos networks. The largest of these is run by Paymark, a joint venture owned by ASB, BNZ, (formerly) the National Bank and Westpac. Approximately 75% of New Zealand retailers use the Paymark network. This data set provides a complete view of all eftpos, debit and credit card transactions made at merchants on the Paymark network, both from New Zealanders and international visitors. (As at July 1 2015, there were over 40,000 active merchants on the Paymark network).

For retailers which are not on Paymark network, there is no transactional data available from on the Paymark database. To fill this data gap we weight the BNZ cardholder spending at non-Paymark merchants. The weightings would be based on BNZ's share of the Paymark transactions. The underlying assumption would be that the BNZ cardholders would make up a similar share of spending at Paymark and non-Paymark merchants. The graph below illustrates how our Hybrid Data is used to account for spend at non-Paymark retailers (BNZ proportions will differ from graph).



RETAIL OVERVIEW

FOR PERIOD ENDING OCTOBER 2020 QUARTER

QUARTERLY ACTIVITY

Changes over same time last year

SPENDING	TRANSACTIONS
\$371,061,167	8,386,557
▲ 5.6%	▲ 0.2%

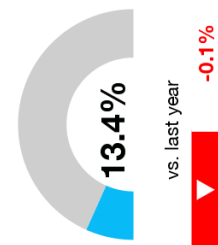
Spending in your area grew by 5.6% over the same time last year. Transactions in your area grew by 0.2%. NZ spending grew by 1.0%, and transactions by -3.2%

CARDHOLDER ORIGIN

	CARDHOLDER CONTRIBUTION	VALUE SPENT IN YOUR REGION	CHANGE (VS. SAME QUARTER LAST YEAR)
LOCALS	74.6%	\$276.77 mn	8.0% ▲
REST OF HORIZONS	12.8%	\$47.51 mn	2.6% ▲
REST OF NZ CARDHOLDERS	12.0%	\$44.63 mn	-0.4% ▼
INTERNATIONAL CARDHOLDERS	0.6%	\$2.15 mn	-42.9% ▼

MARKET SHARE

Your Share vs Key Competitors



Market share is your share of spending in the market (yourself and key competitors).

Your key competitors are based on areas you have chosen, in this case Rest of Horizons Region, Taranaki, Hawkes Bay, Hamilton, and Waikato territorial authorities

FASTEST GROWING STORETYPES

Based on Spending

IN YOUR REGION vs. last year 24.1% ▲

Hardware/Homeware

Hardware/Homeware in your area had the largest growth amongst storetypes, up 24.1%.

IN COMPETITOR LOCATIONS vs. last year 28.9% ▲

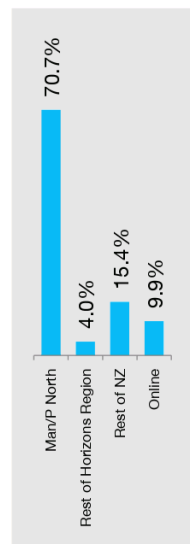
Hardware/Homeware

Hardware/Homeware had the largest growth in Key Competitor locations, up 28.9%.

LOYALTY AND OUTFLOW

Destination of Locals' Spending

Manawatu / Palmerston North residents conducted 70.7% of their retail spending in Man/P North and 4.0% in the Rest of Horizons Region. They spent 9.9% online.



WHERE ARE THE RETAIL HOTSPOTS?

How does this affect planning? Is it happening where we want it to happen?

TOP PERFORMING LOCATIONS

Based on percentage change in spending from same period last year

FOR ALL CARDHOLDERS **PN OUTER CBD** **INTERNATIONAL CARDHOLDERS** **REST OF PALMERSTON NORTH**



** Map insert in Appendix

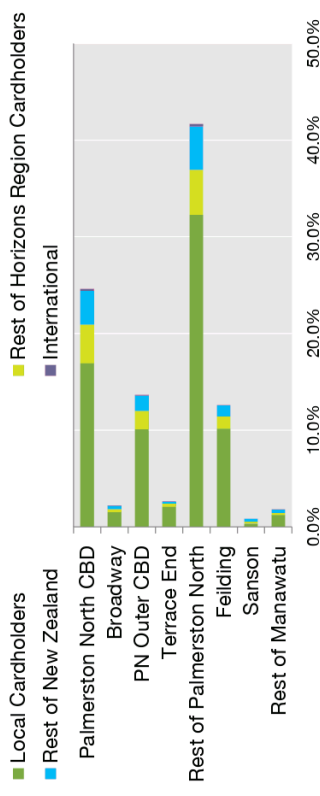
CHANGE IN SPENDING

Change in spending over same period last year

RANK	LOCATION	VALUE OF SPENDING	CHANGE IN SPENDING
1	PN Outer CBD	\$50,709,163	11.6%
2	Sanson	\$3,149,764	9.6%
3	Feilding	\$46,732,656	9.6%
4	Rest of Manawatu	\$6,593,005	5.1%
5	Rest of Palmerston North	\$154,689,360	4.7%
6	Palmerston North CBD	\$91,351,514	3.9%
7	Terrace End	\$9,712,368	-0.3%
8	Broadway	\$8,123,337	-6.2%
TOTAL		\$371,061,167	5.6%

DISTRIBUTION OF SPENDING

Split by cardholder location



WHO IS SPENDING AT OUR RETAILERS?

Is this changing? How appealing are we to visitors/ tourists?

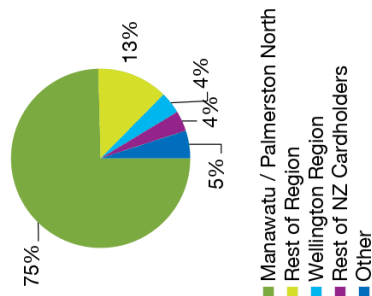
SPENDING BY CARDHOLDER LOCATION

Change in spending over same period last year

CARDHOLDER AREA	VALUE SPENT	CHANGE ON SAME QUARTER LAST YEAR
MANAWATU / PALMERSTON NORTH	\$276.77 mn	▲ 8.0%
REST OF REGION	\$47.51 mn	▲ 2.6%
WELLINGTON REGION	\$14.61 mn	▲ 9.6%
REST OF NZ CARDHOLDERS	\$13.61 mn	▼ -2.3%
AUCKLAND REGION	\$7.00 mn	▼ -19.4%
WAIKATO REGION	\$4.78 mn	▲ 6.3%
HAWKE'S BAY REGION	\$4.63 mn	▲ 5.9%
INTERNATIONAL	\$2.15 mn	▼ -42.9%

DISTRIBUTION OF CARDHOLDERS

Including international cardholders



FASTEST GROWING CONSUMER GROUP

Based on spending change from the same period last year



International cardholder spending within New Zealand is up -69.5% over the same period last year, and transactions are up -69.8%. Regions are chosen based on top spenders in Manawatu/Palmerston North for the quarter.

WHAT DOES OUR RETAIL CASHFLOW LOOK LIKE?

How much are we leaking to other areas?

OVERVIEW OF INFLOW AND OUTFLOW TO/FROM MANAWATU / PALMERSTON THE BREAKDOWN

Non-locals include international cardholders



ORIGIN OF INFLOW BY CARDHOLDER LOCATION

Breakdown of spending in your council

What's coming into your region		What's spent outside your region	
CARDHOLDER LOCATION	YOUR REGION	ELSEWHERE IN NZ	
Manawatu / Palmerston North	\$276.77 mn	\$75.82 mn	
Rest of Region	\$47.51 mn	\$349.78 mn	
Wellington Region	\$14.61 mn	\$1,774.87 mn	
Rest of NZ Cardholders	\$13.61 mn	\$5,919.41 mn	
Auckland Region	\$7.00 mn	\$5,303.68 mn	
Waikato Region	\$4.78 mn	\$1,409.56 mn	
Hawke's Bay Region	\$4.63 mn	\$565.16 mn	
International	\$2.15 mn	\$154.71 mn	
TOTAL	\$371.06 mn	\$15,552.98 mn	



HOW ARE OUR RETAILERS PERFORMING?

Are we keeping pace? Are our retailers maximising the available opportunities?

RETAIL CATEGORY CHANGE IN SPENDING AND PERFORMANCE

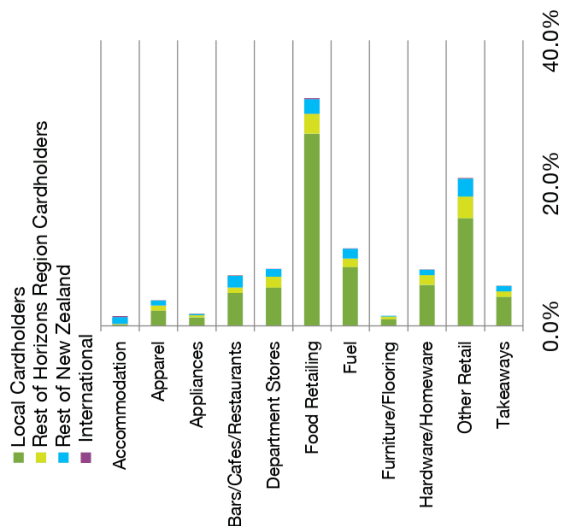
Spending change over same period last year

RETAIL CATEGORY	\$ Spend	YOUR RESULT	YOU VS. COMPETITOR GROUP	
			RANK	CHANGE ON LAST
 ACCOMMODATION	\$4.99 mn	 -21.6%	4	-2
 APPAREL	\$13.23 mn	 2.0%	4	0
 APPLIANCES	\$6.24 mn	 17.5%	4	-3
 BARS/CAFES/RESTAURANTS	\$26.17 mn	 1.6%	5	-3
 DEPARTMENT STORES	\$29.58 mn	 10.2%	3	0
 FOOD RETAILING	\$118.26 mn	 7.2%	4	0
 FUEL	\$40.17 mn	 -4.3%	3	1
 FURNITURE/FLOORING	\$5.24 mn	 8.9%	5	-3
 HARDWARE/HOMEWARE	\$29.38 mn	 24.1%	5	-1
 OTHER RETAIL	\$76.89 mn	 5.1%	3	1
 TAKEAWAYS	\$20.91 mn	 3.8%	5	-1

The competitor group is made up of retailers in Rest of Horizons Region, Taranaki, Hawkes Bay, Hamilton, and Waikato, and based on similar and/or neighbouring regions.

ORIGIN OF CARDHOLDERS

Including international cardholders



FASTEST GROWING CATEGORIES

Domestic/ International split

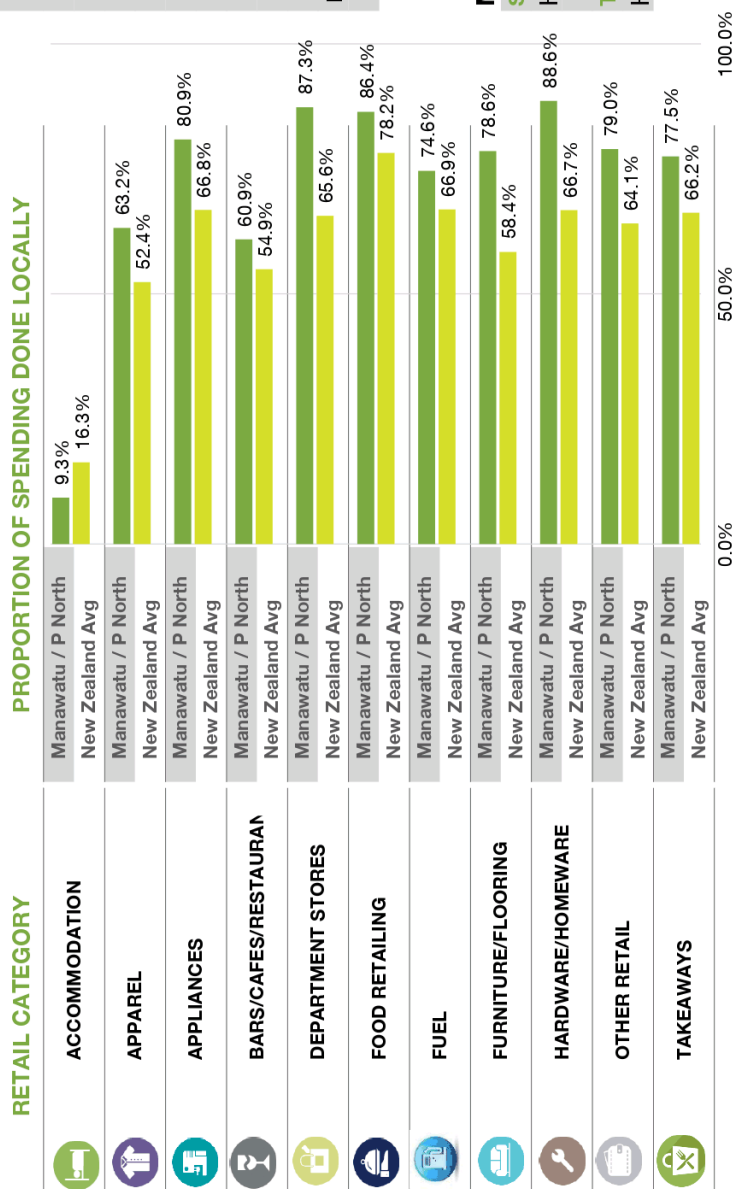


DOES OUR LOCAL RETAIL MEET THE NEEDS OF CUSTOMERS?

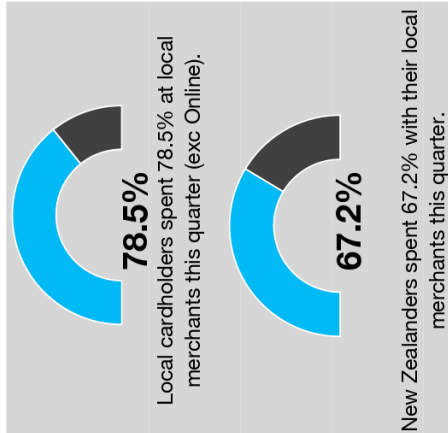
Have we got gaps? Where should be target development?

PROPORTION OF LOCAL CARDHOLDER'S SPENDING THAT GOES TO LOCAL MERCHANTS

High percentages presume that local cardholders are happy with local options



OVERALL LOYALTY



MOST LOYAL CATEGORY

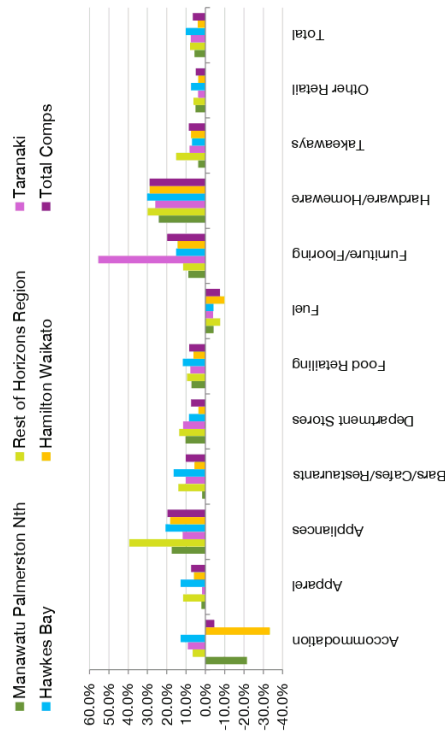


HOW DO WE COMPARE TO COMPETITORS?

Is your local offering sufficient? How to you compare against competitors?

CHANGE IN SPENDING BY RETAIL CATEGORY

Over Same Period last year

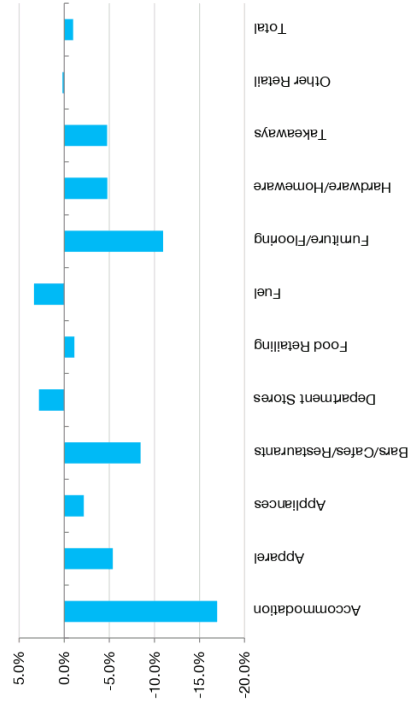


BEST COMPARED TO AVERAGE PEER

Based on change in spending this year over same time last year

FUEL

MANAWATU / PALMERSTON NORTH CHANGE COMPARED TO PEER GROUP AVERAGE



WORST COMPARED TO AVERAGE PEER

Based on change in spending this year over same time last year

ACCOMMODATION

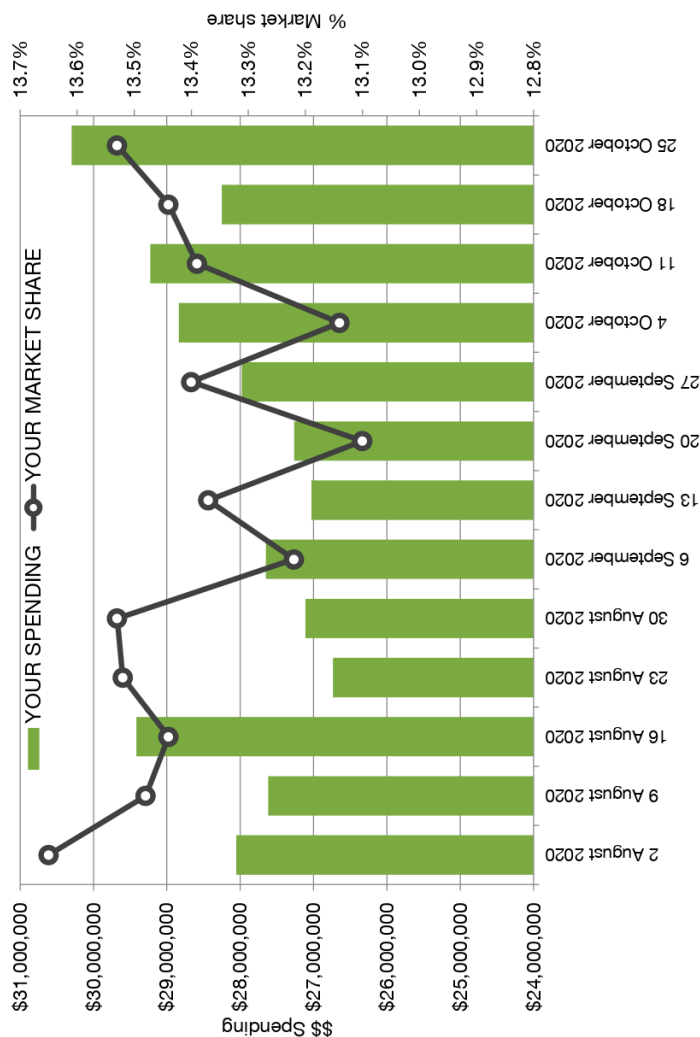
The competitor group is made up of retailers in Rest of Horizons Region, Taranaki, Hawkes Bay, Hamilton, and based on similar and/or neighbouring regions.

HOW HAS RETAIL ACTIVITY VARIED BY WEEK?

How does this affect planning? Has any event stimulated activity?

SPENDING DONE IN MANAWATU / PALMERSTON NORTH AND SHARE OF THE MARKET

By Week Ending:



BEST PERFORMERS



YOUR HIGHEST TOTAL WEEKLY SPEND

Week ending

25 October 2020



YOUR HIGHEST WEEKLY MARKET SHARE

Week ending

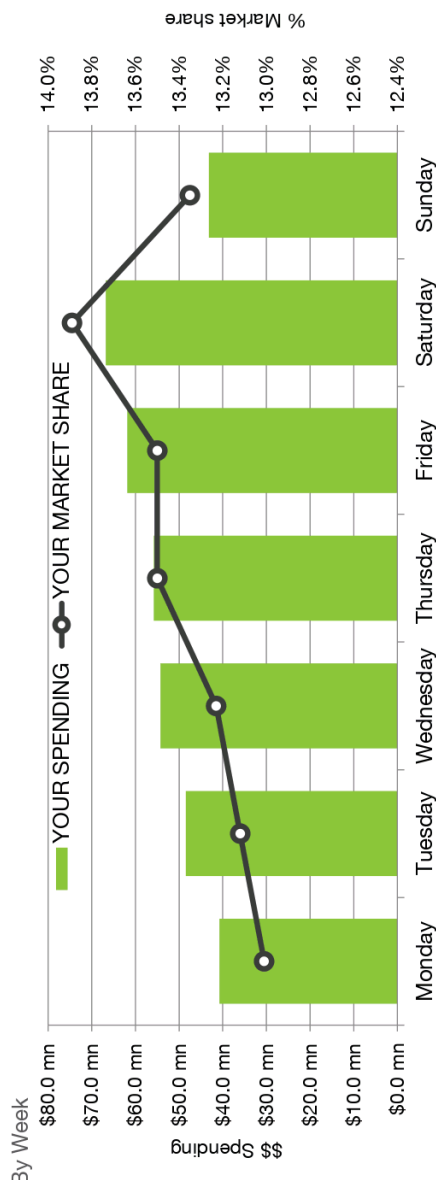
2 August 2020

Total market is based on spending at yourself and competitors. The competitor group is made up of retailers in Rest of Horizons Region, Taranaki, Hawkes Bay, Hamilton, and Waikato, and based on similar and/or neighbouring regions.

WHEN ARE OUR RETAILERS BUSIEST?

Are we managing council resources effectively to match these busy periods?

SPENDING DONE IN MANAWATU / PALMERSTON NORTH AND SHARE OF THE MARKET



YOUR BEST PERFORMERS



DAY OF THE WEEK WITH MOST SPENDING

Saturday



DAY OF THE WEEK WITH HIGHEST MARKET SHARE

Saturday



TIME PERIOD WITH HIGHEST PROPORTION OF SPENDING

Midday - 4pm

DISTRIBUTION OF SPENDING AT MERCHANTS IN YOUR REGION - BY TIME OF DAY

The darker the box, the higher the proportion of spending

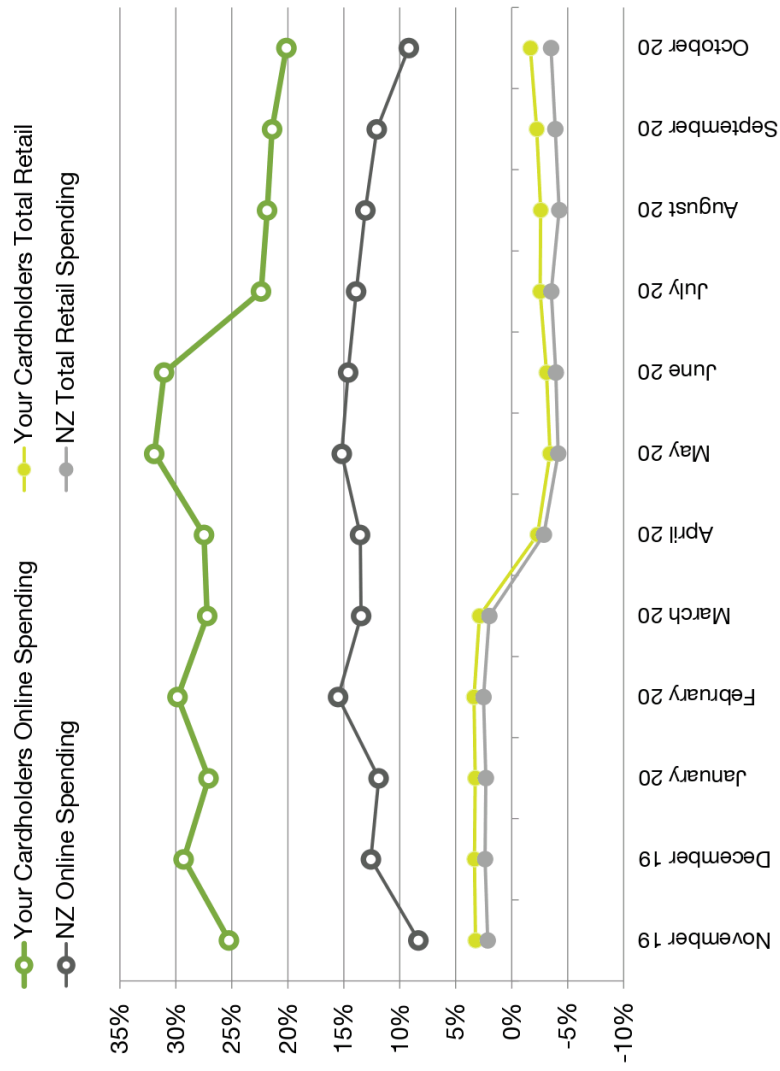
	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY	SUNDAY	Avg. for Period
Midnight - 4am	0.2%	0.2%	0.3%	0.3%	0.2%	0.6%	1.1%	0.4%
4am - 8am	3.1%	3.3%	3.5%	3.5%	2.9%	1.6%	1.3%	2.7%
8am - Midday	27.9%	27.3%	26.9%	26.6%	25.8%	30.8%	28.4%	27.7%
Midday - 4pm	39.3%	37.5%	36.3%	36.8%	37.8%	39.9%	43.4%	38.6%
4pm - 8pm	26.0%	27.4%	28.2%	27.9%	27.4%	21.6%	22.5%	25.9%
8pm - Midnight	3.5%	4.3%	4.8%	4.9%	5.9%	5.6%	3.3%	4.7%
Avg. for Day	11.3%	13.3%	14.8%	14.9%	16.6%	17.4%	11.7%	100.0%

HOW MUCH ARE LOCALS SPENDING ONLINE?

Is your local offering sufficient? What does this mean for property prices?

CHANGE IN ONLINE SPENDING VS TOTAL NZ TRENDS

Rolling 12 months change in spending



GROWTH IN ONLINE SPENDING
(this quarter)

Your Locals	NZ Average
▲ 8.2%	▼ -6.0%

SHARE OF TOTAL RETAIL SPENDING

Your Locals	NZ Average
9.9%	11.3%

% SPENT ON OVERSEAS WEBSITES
(this quarter)

Your Locals	NZ Average
24.2%	27.7%

FASTEST GROWING ONLINE CATEGORY
(for local cardholders)

Fuel

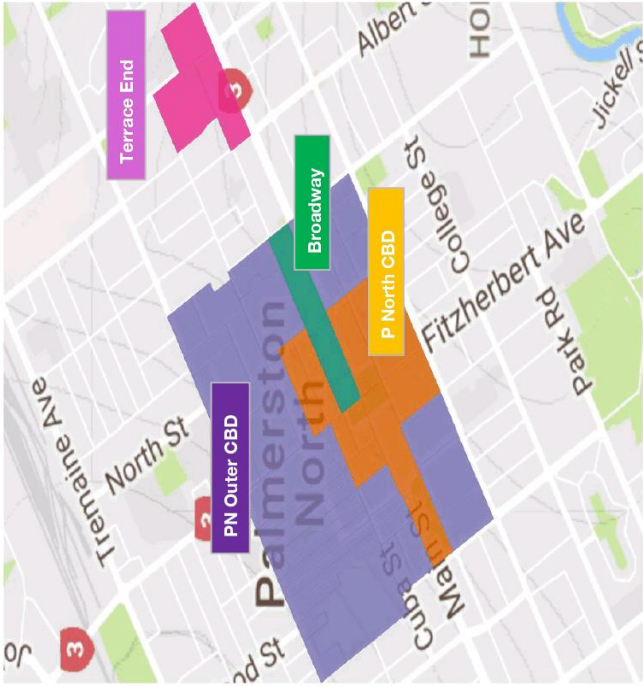
Fuel may be the highest category as consumers pay fuel cards through credit card

APPENDIX

STORETYPE DEFINITIONS- BASED ON ANZSIC CATEGORIES

Accommodation:	Accommodation
Apparel:	Clothing Retail, Foodwear Retail
Appliances:	Domestic Appliances
Bars/Cafes/Restaurants:	Cafes and Restaurants, Pubs Taverns and Bars
Department Stores:	Department Stores
Food Retailing:	Bread and Cake Retailing, Fresh Meat, Fish and Poultry Retailing, Fruit and Vegetable Retailing, Specialised Food Retailing, Supermarket and Grocery Stores
Fuel:	Automotive Fuel Retailing
Furniture/Flooring:	Floor Covering Retailing, Furniture Retailing
Hardware/Homeware:	Domestic Hardware and Houseware Retailing, Building Supplies
Other Retail:	Antique and Used Goods, Automotive Electrical Services, Automotive Repair and Service, Clubs (Hospitality), Fabric and Other Soft Good Retailing, Flower Retailing, Funeral Directors, Crematoria, and Cemeteries, Garden Equipment Retailing, Gardening Services, Hairdressing and Beauty Salons, Household Equipment Repair, Laundries and Drycleaners, Liquor Retailing, Marine Equipment, Newspaper, Books and Stationery, Personal and Household Goods, Personal Services, Pharmaceutical, Cosmetic and Toiletry Retailing, Photographic Equipment, Photographic Film Processing, Photographic Studios, Recorded Music Retailing, Retailing nec, Smash Repairs, Sport and Camping Equipment, Toy and Game Retailing, Travel Agency, Tyre Retailing, Video Hire Outlets, Watch and Jewellery Retailing
Takeaways:	Takeaways

APPENDIX



Joint Strategic Planning Committee

Meeting of 10 December 2020

Business Unit: Community and Strategy

Date Created: 19 November 2020

Section 17A Review of Economic Development (CEDA)

Purpose

The purpose of this report is to present the report Section 17A Review of Economic Development (CEDA).

Significance of Decision

Neither Council's Significance and Engagement policy is triggered by matters discussed in this report.

Recommendations

- 1 That the Joint Strategic Planning Committee receives the report Section 17A Review of Economic Development (CEDA).
- 2 That the Joint Strategic Planning Committee notes that the report Section 17A Review of Economic Development (CEDA) proposes a preferred option of retaining the current CCO model.
- 3 That the Joint Strategic Planning Committee recommends that Palmerston North City Council and Manawātū District Council retain the current Economic Development (CEDA) CCO model and that this recommendation be forwarded to both councils for their adoption.

Report prepared by:

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Palmerston North City Council

Approved for submission by:

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General Manager - Community and Strategy

1 Background

- 1.1 Under the Local Government Act 2002, Section 17A (S17A), the Council is required to "review the cost-effectiveness of current arrangements for meeting the needs of communities within its district or region for good-quality local infrastructure, local public services, and performance of regulatory functions."
- 1.2 In this case, it is to be no later than every 6 years or before the expiry of any contract for the delivery of the service. CEDA was established to deliver economic development activities for Palmerston North City Council (PNCC) and Manawatu District Council (MDC) and started operating 1 September 2016.
- 1.3 The Joint Strategic Planning Committee, in a workshop setting, requested that a S17A review be undertaken in the lead up to the 10 Year Plan and before the expiry of the current contract with CEDA, being 30 June 2021.
- 1.4 Officers developed terms of reference for the review based on the provisions of S17A and sought proposals to undertake the review. It was undertaken by GMD Consultants Ltd.

2 Discussion and Options considered

- 2.1 A draft of the S17A Review was reviewed at a Joint Strategic Planning Committee Workshop on 10 November 2020. The report has been updated based on the feedback, with the final report attached to this report.
- 2.2 The report analysed seven "reasonably practicable" options:
 - Status quo – joint CCO
 - Status quo – expanded to include more shareholders
 - Separate CCO for each Council
 - In-house – each Council
 - Shared service (either Council to each other)
 - Other external agency – joint service
 - Other external agency for each Council.
- 2.3 The report reaches the following conclusion that:

"... the current model for governance, funding and delivery of economic development activities (being the scope of activities currently undertaken by CEDA, including the EDA and RTO functions for the sub-region) is generally effective and we have not found any compelling evidence to indicate that an alternative model would be more cost-effective. CEDA is effective in achieving the requirements of the Statement of Intent. CEDA has achieved a strong stakeholder satisfaction rating and stakeholders are generally impressed with stakeholder communications. Retaining the status quo would mean that CEDA could continue to build its capability and capacity and would mean little disruption in the delivery of economic

development activities. Making any significant changes to the governance, funding and delivery model at this point would likely slow down or stop any of the forward momentum.”

CEDA: Destination Marketing and Regional Tourism Functions

- 2.4 Following consideration of the draft section 17A report from GMD consultants at a joint workshop on 10 November 2020, the PNCC members of the Joint Strategic Planning Committee directed the PNCC Chief Executive to investigate delivering the destination marketing and regional tourism functions for Palmerston North in-house at PNCC. At present CEDA delivers these functions jointly for Manawatu and Palmerston North. PNCC members expressed concern that Palmerston North was not being sufficiently profiled and marketed by CEDA, particularly given the size of Palmerston North and the PNCC funding contribution to CEDA. As a result of this direction from PNCC members, Jason Hill of Meneth Consulting was engaged by PNCC to investigate in-house delivery by PNCC.
- 2.5 The Meneth Consulting report recommends:
- That PNCC delays the decision to take the destination marketing function in-house or not for 1 year, keeping the current structure and funding in place with CEDA, BUT giving very clear guidance in the pending Letter of Expectation on what they expect CEDA to deliver on, and the performance indicators that would be attached.
 - Move the regional narrative to a “Palmy and Manawatu” message domestically and provide CEDA access to the Palmy brand assets and guidelines.
 - Review CEDA’s performance in one year’s time, buying time to monitor the COVID-19 situation, and possible future changes to government policy and funding for regional tourism, which might negate another substantial change in structure and focus within a few years’ time.
- 2.6 The recommendation regarding greater specificity in the Statement of Expectations is addressed in a separate report to the Joint Strategic Planning Committee.
- 2.7 In making the recommendations above, the Meneth Consulting Report identified the following major considerations:
- What would the **measurable benefits** be of bringing the destination marketing function in house, given the city already receives 90% of visitor spend in the wider Manawatu region?
 - **The impact on CEDA** as the regional EDA (and RTO) and the current level of integrated thinking, branding and activity across sectors which was only put together 4 years ago.
 - **The timing** of the proposal given the uncertainty surrounding Covid, the pending CEDA Letter of Expectation for next year, and the government funding and agreement in place with CEDA dedicated to domestic marketing and management and events.
 - **Potential future government funding models for regional tourism** such as a levy on all commercial accommodation, that is given back to the RTOs from where it was collected, and which might negate the requirement for rates based council funding in the future.
 - **The views of external stakeholders and partners interviewed** to the proposal which were strongly in favour of maintaining the current model.

- **The cost**, or perceived waste in undoing the investment over the last 4 years put into CEDA.
 - **Regions with a similar make up** (a city with a surrounding rural area) and structures are **building regional brands** successfully (Hamilton and Waikato, Tauranga and Bay of Plenty, Whangarei and Northland, Invercargill and Southland, and even greater Auckland).
 - Could the existing **PNCC communications team do more** to give external exposure to the new brand if that is what is desired?
- 2.8 A copy of the Meneth Consulting report is attached as Attachment 2.
- 3 Operational Implications**
- 3.1 There are no operational implications associated with this report.
- 4 Financial Implications**
- 4.1 Each Council has budget allocated for the service contract with CEDA.
- 5 Statutory Requirements**
- 5.1 Under the Local Government Act 2002, Section 17A (S17A), the Council is required to "review the cost-effectiveness of current arrangements for meeting the needs of communities within its district or region for good-quality local infrastructure, local public services, and performance of regulatory functions."
- 6 Delegations**
- 6.1 Recommendations made by the Joint Committee will be reported immediately to the Councils for adoption.
- 6.2 In relation to the Central Economic Development Agency Limited (CEDA), the Joint Strategic Planning Committee has the following functions, powers, and duties under the Local Government Act 2002 and/or the Companies Act 1993:
- To adopt a policy that sets out the process for the identification, appointment and remuneration of directors;
 - To appoint and remove a person or persons to be directors of CEDA;
 - To approve the remuneration to be paid to directors of CEDA;
 - To undertake performance monitoring of CEDA, as per section 65 of the Local Government Act 2002;
 - To agree with the Statement of Intent of CEDA or, if the Joint Committee does not agree, to take all practical steps to require a Statement of Intent to be modified, as per section 65 of the Local Government Act 2002.

- To receive the half yearly report of CEDA, as shareholder;
 - To receive the Annual Report of CEDA, as shareholder.
- 6.3 Since the Joint Committee does not have delegated authority to decide the way forward in light of this report its recommendations need to be considered by each shareholding Council separately for their decisions.
- 7 Consultation**
- 7.1 There are no consultation requirements associated with this report.
- 7.2 CEDA , the Manawatū Chamber of Commerce, Feilding and District Promotion and Manawatū Federated Farmers were consulted during the S17A review process.
- 8 Cultural Considerations**
- 8.1 There are no cultural considerations associated with this report.
- 9 Conclusion**
- 9.1 The Section 17A Review is complete and ready for the Joint Strategic Planning Committee to receive.
- 10 Attachments**
- Section 17A Review of Economic Development (CEDA)
 - Meneth Consulting Report: A review of Palmerston North City Council's investment in CEDA for destination branding, marketing, and the regional tourism organisation function (refer page 132 of agenda).



S17A Service Delivery Review of Economic Development Activity

Prepared by GMD Consultants for Palmerston North City Council and Manawātū District Council

Final Report

November 2020

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Acknowledgements

We wish to acknowledge the time, willingness, and co-operation of the interview participants as well as staff at Palmerston North City Council and Manawātū District Council. We have found the information, insights, and honesty with which the interviewees participated extremely helpful in preparing this report. This report and its recommendations are, however, our own.

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Executive summary

Purpose of the review

The purpose of this review is to apply Section 17A of the Local Government Act to determine the most cost-effective way to deliver the economic development activities currently undertaken under contract by the Central Economic Development Agency Limited (CEDA). The review is required under s17A because the current contract for services with CEDA expires within 2 years.

Trigger		Explanation
A contract for delivery of the service is due to expire within 2 years.	✓	CEDA began operating on 1 September 2016. The current contract with CEDA expires on 30 June 2021.

This review is a high-level, largely desktop, review of the governance, funding and delivery of economic development activities. It is based on the best practice guidance provided by the Society of Local Government Managers (SOLGM).

Current arrangements

PNCC and MDC have a contract with CEDA to provide economic development activities. CEDA is incorporated under the Companies Act 1993, with shareholders being Palmerston North City Council (50%) and Manawātū District Council (50%). CEDA is a council-controlled organisation (CCO) as defined in section 6 of the Local Government Act 2002.

CEDA operates as the Economic Development Agency and the Regional Tourism Organisation for the Palmerston North and Manawātū districts, with the scope of services outlined each year in a Statement of Intent, guided by a Letter of Expectation from the shareholders.

Rationale for economic development service provision

Undertaking economic development activity is a discretionary activity for councils, but the underlying rationale is consistent with the purpose of local government (s10 of the LGA) and also falls within the status and powers of a local authority as per s12(1) of the LGA.

Costs of delivering the economic development activity

The total income split as shown in the Statement of Intent is as follows:

Income	2020-21 Budget	2021-22 Forecast	2022-23 Forecast
Council funding	2,492,980	2,542,840	2,593,696
Other services income	630,928	630,928	630,928
Project Income	321,591	240,591	321,591
Total income	3,445,499	3,414,359	3,546,215

The majority of funding is provided by councils, with a proportional split between PNCC and MDC of around 75:25, based on population. CEDA also obtains just under 25% of its funding from other sources (such as central government funding, industry contributions and other revenue).

In the past year, CEDA also received an additional \$2.4m in central government funding to support COVID-19 impacted businesses and visitor sector.

Alternative delivery options








Section 17A sets out mandatory options to be considered. This has resulted in seven options for consideration. Each of the seven options has been assessed in relation to its potential to deliver the current Economic Development Activity in a cost-effective manner, by reference to the following factors:

- Effectiveness,
- Efficiency,
- Risk,
- Strategic Delivery,
- Community preferences and expectations,
- Financial,
- Achievability, and
- Capacity/Capability.

Each of these factors is rated either **red** (does not deliver), **amber** (delivers in some aspects), or **green** (delivers in all aspects/most favourable). Each option is then assessed overall for its ability to cost-effectively deliver the Economic Development Activity.

Overall assessment of all options

The overall assessment for each option is shown in the table below. Option 1, Status Quo, performed the best in relation to all the assessment factors.

Option	Overall assessment
Option 1 – Status Quo – Joint CCO	
Option 2 – Expanded Status Quo – more shareholders	
Option 3 – Separate CCO for each council	
Option 4 – In-house – each council	
Option 5 – Shared service (either council to the other)	
Option 6 – Other external agency – joint service	
Option 7 – Other external agency – each council	

Conclusions and recommendations

Overall, our assessment is that the current model for governance, funding and delivery of economic development activities (being the scope of activities currently undertaken by CEDA, including the EDA and RTO functions for the sub-region) is generally effective and we have not found any compelling evidence to indicate that an alternative model would be more cost-effective. CEDA is effective in achieving the requirements of the Statement of Intent. CEDA has achieved a strong stakeholder satisfaction rating and stakeholders are generally impressed with stakeholder communications.

Retaining the status quo would mean that CEDA could continue to build its capability and capacity and would mean little disruption in the delivery of economic development activities. Making any significant changes to the governance, funding and delivery model at this point would likely slow down or stop any of the forward momentum.

The review has found no fundamental issues with the model itself. Whilst issues were identified with the current model, by far the majority of interviewees were of the view that these issues would not be resolved by changing the model. We have therefore identified several refinement options that could be considered in order to improve the operation of the model. Potential refinement opportunities are outlined in section 6 and repeated in the conclusion.

1. Introduction

1.1 Introduction and purpose of review

GMD Consultants Ltd have been engaged by Palmerston North City Council and Manawātū District Council to undertake a service delivery review as required under s17A of the Local Government Act 2002 (LGA), in relation to the economic development activities currently undertaken under contract by the Central Economic Development Agency Limited (CEDA).

The scope of the work that GMD has been contracted to undertake is a high-level, largely desk-top review of the governance, funding and delivery of economic development activities, including engagement with a limited number of internal participants (subsequently extended to include three external participants, as outlined later in the report).

The purpose of the review is to apply s17A of the LGA to determine the most cost-effective way to deliver the economic development activities currently undertaken under contract by CEDA. We have included information on other economic development activities currently being undertaken by the Councils where it is helpful to contextualise the activities being undertaken, but these activities do not form part of our review.

This s17A review is based on the mandatory options set out in the LGA. It is not a performance review of CEDA under s65 of the LGA.

1.2 Legislative requirements

Section 17A of the LGA requires regular reviews of the cost-effectiveness of the delivery of activities. Section 17A(1) specifically requires that a local authority must review the cost-effectiveness of current arrangements for meeting the needs of communities within its district or region for good-quality local infrastructure, local public services, and performance of regulatory functions.

The review must consider options for the governance, funding, and delivery of the activity. The full text of s17A is set out in Attachment One: Section 17A of the Local Government Act 2002.

The Society of Local Government Managers (SOLGM) emphasises that the s17A requirement is to “assess the cost-effectiveness of different options, and not to identify the least cost option...the lowest costs consistent with the achievement of the objectives for providing the service”.¹

A review under s17A does not look at whether or not the service or activity should be undertaken by the council – that is for the Long Term Plan and Annual Plan processes to address in consultation with the community.

1.3 Review process

GMD has undertaken this review with reference to the SOLGM best practice guidance (SOLGM 2015)².

GMD has been engaged to undertake a desk-top review supplemented by information provided by a limited pool of interview participants. The initial scope included internal interviewees only (internal to CEDA, and the Councils), however subsequently we were instructed to include three external organisations on the basis that these organisations (Manawātū Chamber of Commerce, Feilding and District Promotion, and Federated

¹ https://www.solgm.org.nz/Attachment?Action=Download&Attachment_id=79

² https://www.solgm.org.nz/Attachment?Action=Download&Attachment_id=1941

Farmers) would provide valuable input into the process, representative of wider business and economic activities within the sub-region. We did not speak directly with individual businesses who are recipients of the services.

If significant changes to the governance, funding and delivery model for CEDA were to be considered either as a result of this review or future work, we would strongly recommend that there be wider discussions, at the very least with CEDA's partner organisations (as listed in the Statement of Intent), a range of recipients of the service, and iwi, Māori, and mana whenua, before proceeding.

This report has been prepared on the basis of information made available to us as part of a desk-top review of relevant documentation, alongside the information provided to us by the interview participants and on the basis of the instructions provided to us by the clients, being Palmerston North City Council and Manawātū District Council. The report has been prepared solely for the purpose of s17A of the LGA. If there has not been full disclosure of relevant information by the participants, GMD is unable to accept any liability for any errors in the report or its recommendations.

Comments and quotes from the interviews have been used throughout this report but have not been attributed to any specific participant. Information from interviews has been grouped into themes relevant to the s17a assessment.

1.4 Reasons for review

Section 17A requires a review every six years or within 2 years of the expiry of a contract for the delivery of a service. In this case, the current contract expires on 30 June 2021.

The Joint Strategic Planning Committee of Palmerston North City Council and Manawātū District Council requested a s17A review be undertaken in the lead up to the Long Term Plan review next year and before the expiry of the current contract with CEDA, being 30 June 2021. Both councils subsequently agreed to undertake a service delivery review (s17A review under the LGA) of Economic Development (specifically, the CEDA contract).

Trigger	✓ If relevant	Explanation
There is a significant change to a relevant level of service.		
A contract for delivery of the service is due to expire within 2 years.	✓	CEDA began operating on 1 September 2016. The current contract with CEDA expires on 30 June 2021.
It has been six years or more since the last review of service delivery under section 17A was undertaken		
Other		

2. Description of service and current arrangements

There has been a long history of Palmerston North City Council (PNCC) and Manawātū District Council (MDC) jointly undertaking and providing for economic development activities across both council areas. Prior to the current council-controlled organisation (CCO), these activities were provided by external agencies. Following a review in 2015 by Morrison Low, community consultation was undertaken in accordance with the Local Government Act, and there was support for changing the model of governance and delivery to a CCO, with funding continuing to be provided by PNCC and MDC. As a result, CEDA was formed and began full operations in September 2016.

2.1 Current service delivery contract

PNCC and MDC have a contract with the Central Economic Development Agency (CEDA) to provide economic development activities. CEDA is incorporated under the Companies Act 1993, with shareholders being Palmerston North City Council (50%) and Manawātū District Council (50%). CEDA is a council-controlled organisation (CCO) as defined in section 6 of the Local Government Act 2002.

CEDA has a Board of directors (currently 6 directors), and currently a staff of 19 including the CEO.

2.2 Scope of services provided

CEDA's stated purpose is "to drive and facilitate the creation and growth of economic wealth for Manawātū and beyond".

PNCC and MDC entered into a Service Agreement with CEDA (dated 22 December 2016), along with an agreement in relation to the management of the service (also dated 22 December 2016). The services to be provided are essentially as agreed by the parties and may be varied from time to time as agreed in writing by CEDA and the recipient (the Councils).

Each year, a Statement of Intent is developed by CEDA, guided by the Letter of Expectations provided to it by the council shareholders. Based on the current Statement of Intent (Sol), the current scope of services is:

- Attract, retain and develop talent in the region
- Profile the region to attract people, business and investment and
- Attract, retain and develop business and investment in the region.

As such, CEDA operates as the Economic Development Agency and the Regional Tourism Organisation for Palmerston North and Manawātū districts. CEDA also has a role in providing regional/sub-regional events that relate specifically to economic development – these being Agri-Food week, Westpac Business Awards and Sort-It Careers Expo. Additionally, CEDA has a Regional Business Partners' contract with New Zealand Trade and Enterprise (NZTE)/Callaghan Innovation and Business Mentors New Zealand to act as the business partner for Manawātū-Whanganui (Horizons Region) in terms of providing business development support across the wider region.

Throughout this report we shall refer to the current scope of economic development activities provided by CEDA as the 'economic development activity' to which the s17A review applies. Importantly, this review does not separate out individual parts of the 'economic development activity' – it does not for example contemplate that parts of CEDA's functions should be undertaken as part of a different model. If this were to be contemplated, a separate review would be required. Separating component parts of the model would potentially impact on the

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overall cost-effectiveness of the model. For example, there are interfaces between the components of CEDA's work which, if separated, would have cost and delivery implications.

Activities outside of scope of this review

Outside the scope of this review, the councils also individually provide services either in-house or through other agencies such as:

- Local-level city/district marketing/promotion activities
- Events outside CEDA's sub-regional/regional economic development scope (e.g. events with cultural/entertainment value)
- Information centres
- Grass-roots economic development and business support

A key point is that CEDA provides a regional role focussed on business, investment and talent attraction and growth. One interviewee characterised CEDA's role as "making the pie bigger", supported by other agencies such as the Manawātū Chamber of Commerce, whose role is about directly supporting business and how "the pie is cut up".

The following table helps to clarify the various economic development functions and roles in the region (source: CEDA). There are other key roles for other agencies, including councils and other agencies, in local economic development and community economic development.

Regional Economic Development	Local Economic Development	Community Economic Development
<p>Primary function for CEDA, lead roles highlighted.</p> <p>Partners: central and local government, private sector, wider public sector</p>	<p>Secondary function for CEDA in supporting role. Some lead activities in highlighted areas</p> <p>Partners: central and local government, community groups</p>	<p>Minor role for CEDA in highlighted areas</p> <p>Partners: central and local government, community groups</p>
<p>Sustained and concerted actions to raise standards of living and economic health of defined regions, involving multiple areas including development of human capital, critical infrastructure, regional competitiveness, social inclusion, health, safety, literacy, etc.</p> <p>Creation of new business and expansion of existing businesses in a way that expands total number of jobs and results in rising average wages.</p> <p>Typical activities:</p> <ul style="list-style-type: none"> • Encouraging entrepreneurship 	<p>Building economic capability of local area to improve economic future and quality of life.</p> <p>Process by which public, private, and non-government sector work together to create better conditions for economic growth and employment generation. Focus on enhancing competitiveness, increasing sustainable growth, and ensuring growth is inclusive.</p> <p>Typical activities:</p> <ul style="list-style-type: none"> • Physical planning • Environmental planning • Business development 	<p>Government and the private sector actively working with community to build strong communities, industries, and markets.</p> <p>Typical activities:</p> <ul style="list-style-type: none"> • Use of local resources to enhance economic opportunities while improving social conditions in a sustainable way • Not just poverty reduction programmes but not about maximising economic potential • Holistic approach to problems facing communities • Focus on unemployment, job loss, poverty, environmental

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Regional Economic Development	Local Economic Development	Community Economic Development
<ul style="list-style-type: none"> • Develop, attract, and retain talent • Enhance attractiveness of region to those with identified skills and talent • Support a fiscal, legal, and regulatory environment that encourages businesses • Create larger pools of venture capital • Business attraction and retention • Encourage research and development and commercialisation • Destination marketing for visitation, talent, business, and investment attraction 	<ul style="list-style-type: none"> • Infrastructure provision • Real estate development • Improving local investment climate • Small business support • Enterprise creation • Investment attraction • Workforce development • Reinforcing business clusters • Area based initiatives • Targeting disadvantaged groups 	<p>degradation, and community control</p> <ul style="list-style-type: none"> • Role of social enterprise and third sector

Similarly, in the regional tourism space, CEDA provides the Regional Tourism Organisation (RTO) function at the sub-regional-level, whilst councils and other organisations provide other services such as city/district marketing and information centres.

Regional Tourism Organisation (CEDA)
<ul style="list-style-type: none"> • Development, leadership, monitoring and measuring progress of the region's Destination Management Plan • Business event and conference marketing and attraction • Regional digital presence – website and social media • Promotion of domestic and international visitation • Promotion of events • Promotional collateral • Publicist hosting and familiarisation programmes • Trade marking and regional attendance at travel trade and consumer shows, using the International Marketing Alliance mode of 9 regional marketing clusters • Management of strategic relationships with Tourism NZ and Air NZ who interact with regions via the RTO • Events with a regional economic development focus
Councils
<ul style="list-style-type: none"> • City/district marketing, promotion, branding • Events (e.g. cultural/entertainment events, other events)
Other organisations
<ul style="list-style-type: none"> • Information centres

2.3 Governance

Governance of the economic development activity delivered by CEDA is undertaken at two levels –by the Joint Strategic Planning Committee PNCC and MDC as shareholders, and by the CEDA Board as governors of the operations. The Joint Committee’s responsibilities include “To consider and promote the creation and growth of economic wealth for Manawātū and beyond, with particular reference to the activities of the Central Economic Development Agency Limited”. The delegations of the Joint Strategic Planning Committee are:

In relation to the Central Economic Development Agency (CEDA), the Joint Strategic Planning Committee has the following functions, powers, and duties under the Local Government Act 2002 and the Companies Act 1993:

- a. To adopt a policy that sets out the process for identification, appointment and remuneration of directors;*
- b. To appoint and remove a person or persons to be directors of CEDA;*
- c. To approve the remuneration to be paid to directors of CEDA;*
- d. To undertake the performance monitoring of CEDA, as per section 65 of the Local Government Act 2002;*
- e. To agree with the Statement of Intent of CEDA or, if the Joint Committee does not agree, to take all practical steps to require a Statement of Intent to be modified, as per section 65 of the Local Government Act 2002;*
- f. To receive the half yearly report of CEDA, as shareholder;*
- g. To receive the Annual Report of CEDA, as shareholder.*

CEDA operations are governed by a Board of independent directors, responsible for the strategic direction and control of CEDA’s activities. The Board guides and monitors the business and affairs of CEDA in accordance with the Companies Act 1993, the Local Government Act 2002, the Company’s Constitution, and the Statement of Intent.

2.4 Rationale for service provision

Palmerston North City Council

Palmerston North City Council’s 2018-28 Long Term Plan identifies the funding economic development services (through CEDA), operating the Palmerston North Conference and Function Centre, supporting international relations, and providing infrastructure as the key activities undertaken within its economic development activity.

The rationale for undertaking the economic development activity is best articulated in the 2018 Palmerston North City Council Economic Development Strategy’s goal:

We will drive entrepreneurship and innovation by providing the support, infrastructure, opportunities and conditions to enable traditional sectors to diversify and expand, and new industries and new economies to grow to create the employment opportunities that sustain and expand our city’s future. Palmerston North will stand out by transforming its economy to a low carbon economy, backed up by an action plan.

In addition, Palmerston North City Council is guided by the following in relation to the provision of economic development:

- Economic Development Plan 2018
- International Relations Plan 2018
- City Development Strategy 2018

- Housing and Future Development Plan 2018
- Strategic Partners Development Plan 2018
- Council's strategic goals and priorities (2018-28 LTP and Economic Development Strategy 2018) encompasses its community outcomes. The following relate primarily to economic development:
 - Goal 1: An innovative and growing city
 - Priority 1: Create and enable opportunities for employment and growth
 - Priority 2: Provide infrastructure to enable growth and a transport system that links people and opportunities
 - Priority 3: Diversify the economy to reduce reliance on traditional industries
 - Priority 4: Support an "innovation economy" to underpin growth into the future
 - Priority 5: Transform the economy to a low carbon economy

Manawatū District Council

The rationale for undertaking this activity, as per the Manawatū District Council 2018-28 Long Term Plan, is:

The Manawatū District Council is committed to working with our community and key partners to deliver a local economy that is prosperous and diverse and offers a high quality of life for all.

What we do: Maximise our key attributes of land, infrastructure and location, through our actions we will build up the District's economic capacity, improve our economic future and increase quality of life for all.

Manawatū District Council is also guided by the following in relation to the provision of economic development:

- Growing Manawatū: Manawatū Economic Development Strategy 2017
- The following community outcomes (2018-28 LTP) relate primarily to economic development:
 - Manawatū District attracts and retains residents and businesses
 - Manawatū District develops a broad economic base from its solid foundation in the primary sector
 - Manawatū District is connected via quality infrastructure, services, and technology

Economic development service provision

Economic development is a discretionary activity for councils, however, the underlying rationale for delivering this activity across both Councils is consistent with the overall purpose of local government (s10 of the LGA) which is "to enable democratic local decision-making and action by, and on behalf of, communities; and to promote the social, economic, environmental, and cultural well-being of communities in the present and for the future." Undertaking economic development activity also falls within the status and powers of a local authority as per s12(1) of the LGA.

CEDA's purpose "to drive and facilitate the creation and growth of economic wealth for Manawatū and beyond"³ is consistent with the rationale for service provision across both Councils.

³ CEDA 2020-21 Statement of Intent

3. Costs of delivering the Economic Development activity under the current arrangements

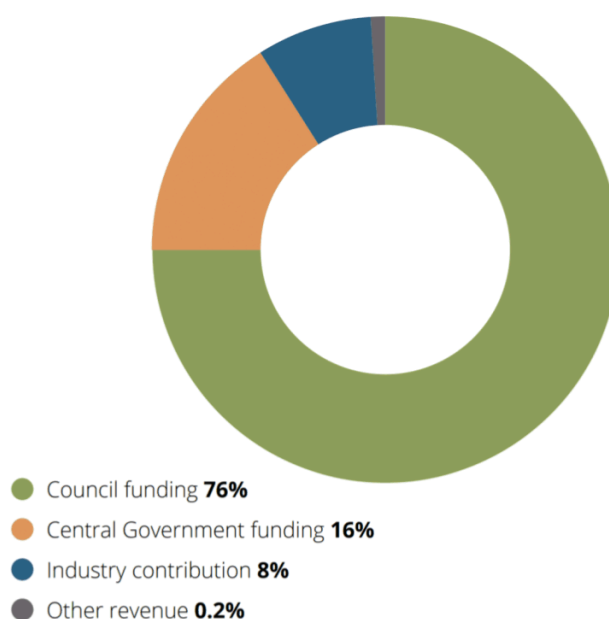
The majority of funding for the economic development activity delivered by CEDA is provided by councils, with the proportional split between PNCC and MDC being around 75:25, based on population. This will be reviewed next year, and as MDC has seen a high degree of population growth, it may mean that MDC will pay proportionately more than the current split. There are mechanisms in place to allow a review of the funding split.

The total income split as shown in the Statement of Intent is:

Income	2020-21 Budget	2021-22 Forecast	2022-23 Forecast
Council funding	2,492,980	2,542,840	2,593,696
Other services income	630,928	630,928	630,928
Project Income	321,591	240,591	321,591
Total income	3,445,499	3,414,359	3,546,215

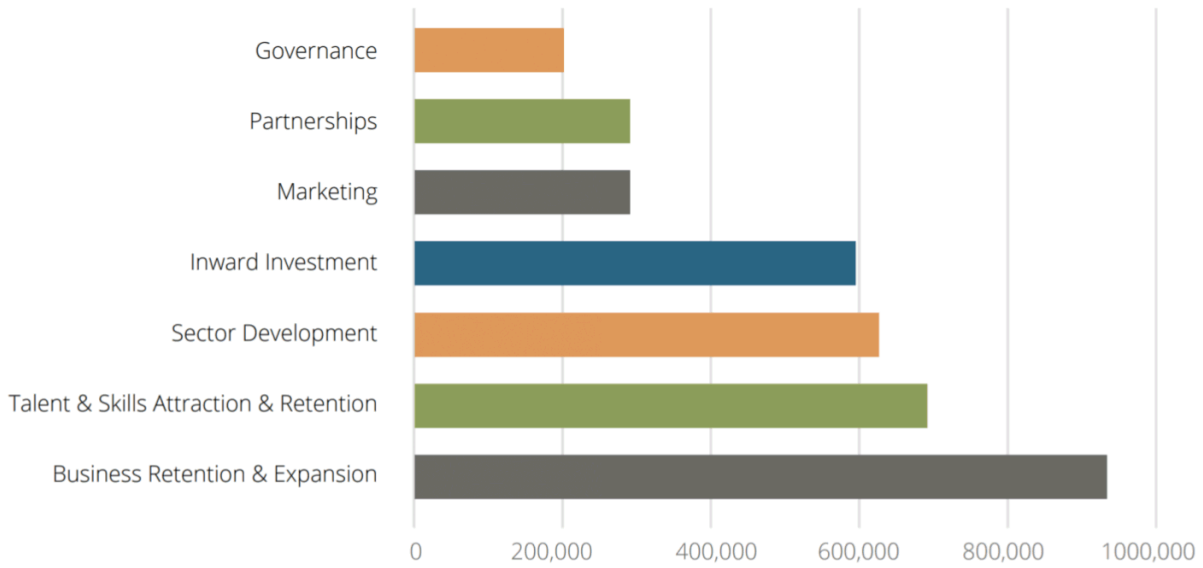
In the past year, CEDA also received an additional \$2.4m in central government funding to support COVID-19 impacted businesses and visitor sector.

The CEDA funding split for the 2020/21 year is shown in the following chart⁴:



⁴ CEDA Statement of Intent for year ending 30 June 2021, page 31

This income is allocated as follows:



The Chief Executive is responsible for the day-to-day operations of CEDA, engaging and oversight of staff and reporting to the directors on performance against CEDA's objectives. There are currently 19 staff at CEDA, including the Chief Executive.

4. Effectiveness of current arrangements for Economic Development Activity

Effectiveness can be measured in a variety of ways, for example through public perception/customer surveys, through analysis of delivery of the Sol including through meeting performance measures, and through benchmarking to similar services provided elsewhere. Other stakeholder information including views and preferences of elected members and staff involved in the delivery of the service have been collected as part of this review. We examine each of these measures in turn below.

4.1 Customer Surveys

Stakeholder feedback: Stakeholder satisfaction with CEDA for 2019/20 was 69%, up from 66% in 2018/19.

Stakeholders were generally impressed with stakeholder communications, and many felt that since COVID-19 lockdown CEDA had stepped communication up to another level,⁵ there was significant praise from many stakeholders on CEDA's performance since the COVID-19 lockdown. There was a real sense that CEDA was showing how valuable it was to the region through its various initiatives targeted at businesses struggling through this tough time⁶.

Some improvements suggested by stakeholders included working hard on communication with the business community and keeping the wider community and stakeholders updated on progress, particularly on key projects, even if progress has been slow⁷.

4.2 Statement of Intent

CEDA's performance against the Sol outcomes are reported to shareholders six-monthly by way of the half-yearly report and annual report.

Outcomes for the 2019/20 year are outlined in Attachment Two: CEDA outcomes 2019-20, and are summarised as follows:

Attract, retain and develop talent in the region

Includes Future of Work project, regional skills gap analysis, Talent Attraction and Retention Strategy, Manawatū Talent and Skills working group, talent attraction campaign, Te Aho Tāmaka programme (growing future leaders), Special Projects Skills Hub, Sort it Careers Expo, developing pathways to employment for the primary sector, Regional Partnership Agreement with Immigration New Zealand, regional recovery plan for international education, International Education Strategy review and refresh, Student Experience Working Group, increasing pathways into local employment.

Attract, retain, and develop business and investment in the region

Includes implementation of sector strategies, strategically targeted conferences, business retention initiatives, programmes aimed at supporting small and medium sized businesses and fostering innovation. Includes implementation of the draft Destination Management Plan, Manawatū AgriTech Strategy, New Zealand AgriFood Week and Pint of Science, Business Retention Strategy, Regional Business Partner

⁵ CEDA stakeholder UMR research report August 2020, page 5.

⁶ CEDA stakeholder UMR research report August 2020 page 29.

⁷ CEDA stakeholder UMR research report August 2020, page 5.

Programme, Business Awards, Innovate Programme, Sprout Accelerator, research and development support, Inward Investment Strategy, development of investment profile, Regional Identity project, business surveys, supporting the Palmerston North City Council's Transport and Logistics Masterplan, Conference Strategy.

Profile the region to attract people, business, and investment:

Includes Regional Identity Project, leading creation of regional media content (traditional and digital channels – 50 media features secured), Regional Tourism Organisation for Manawatū, profiling events, targeted campaigns including 'move to Manawatū' for talent attraction,

Lead inclusive and sustainable economic development for the region

Includes strategic partnerships, partnership agreements, iwi partnerships and engagement, development of a Māori Business and Economic Development fund, provision of up-to-date data and analytics, quarterly economic updates, updates on Māori economy.

The Sol reporting shows activities consistent with meeting the requirements of the Sol.

4.3 Benchmarking

Due to the nature of the various ways in which economic development activities are delivered, and the range of activities that can be incorporated in the definition of 'economic development activities', it is difficult to benchmark the cost effectiveness of arrangements. There is currently no common definition of the term 'regional economic development' as it tends to be defined in terms of specific regional needs⁸.

The governance structures, funding and delivery models for economic development agencies vary across districts and regions throughout New Zealand. This makes it difficult to benchmark the cost effectiveness of CEDA when compared with other regional or sub-regional approaches. When benchmarked against similar agencies such as Venture Taranaki, Te Waka Waikato, Enterprise Dunedin and Great South, the cost per capita per annum in terms of council funding is around \$23 compared with anywhere between around \$2 to around \$50 per capita in other examples (source: CEDA). It is important to note that these are not 'apples with apples' comparisons – each organisation delivers a different range of services, for example, some of them include i-sites, some include RTO functions, some include events, whilst others do not. However, this serves as a high-level indicator that the services being provided by CEDA are around the median when compared to per capita cost in other similar ventures.

Overall, based on the available information, it would appear that the level of investment is commensurate to the size of the region and outcomes sought.

⁸ 'Future Challenges and Opportunities in Regional Economic Development in New Zealand – a national research project', Henley Hutchings, November 2019.

5. Alternative Delivery Options

As part of the Section 17A review, the councils must consider alternative funding, governance, and delivery options for the delivery of economic development activities.

The legislation requires that a review should consider three elements:

1. who is responsible for funding the service;
2. who is responsible for governing the service; and
3. who is responsible for delivering the service.

A review must include consideration of the following specific mode of delivery options:

1. the Council is responsible for the funding, governance, and delivery of a service
2. the Council is responsible for the funding and governance of a service, but:
 - a. delivery is undertaken by another local authority, or
 - b. delivery is undertaken by a council-controlled organisation (CCO) either wholly or partly owned by the Council, or
 - c. delivery is undertaken by another person or agency
3. the responsibility for governance and funding is delegated to a joint committee or other shared governance arrangement and delivery is undertaken by some other person or agency, or
4. any other reasonably practicable options including a combination of the above.

As such, there are seven options to be considered, each with alternative governance, funding, and delivery mechanisms, as outlined in Section 5.1 below.

5.1 Analysis of Options

Seven reasonably practicable options have been identified to be considered in this review. The options are:

Delivery option	Description
1. Status quo – joint CCO	Governance and funding by joint committee with delivery by a CCO (CEDA) partly owned by Palmerston North City Council and partly owned by Manawātū District Council
2. Status quo – expanded to include more shareholders	Governance and funding by joint committee or other shared governance with delivery by a CCO partly owned by Palmerston North City Council and Manawātū District Council and partly owned by other parties
3. Separate CCO for each Council	Governance and funding by each council individually with delivery by a CCO for each council wholly owned by each council individually
4. In-house – each Council	Governance, funding, and delivery by each council individually

Delivery option	Description
5. Shared service (either Council to the other)	Governance and funding by joint committee or other shared governance with delivery by Palmerston North City Council or Manawātū District Council as a shared service provided by one Council to the other
6. Other external agency – joint service	Governance and funding by joint committee or other shared governance with delivery by contract to another organisation or person
7. Other external agency for each Council	Governance and funding by each Council individually with delivery by a person or agency not listed above



Each of the options has been assessed in relation to its potential to deliver the current Economic Development Activity in a cost-effective manner, by reference to the following factors.

- **Effectiveness:** Would this option be effective at meeting the councils' objectives for providing the service? Is there any credible evidence that a change in service delivery might provide improved service? How would this option deliver upon the range of activities undertaken by the current CCO?
- **Efficiency:** Would this option be efficient and improve cost effectiveness?
- **Risk:** Would this option reduce risk?
- **Strategic Delivery:** Does this option fit with council strategies? Would this option deliver on council objectives for the services/activities?
- **Community preferences and expectations:** Is this option in accordance with community preferences and expectations? Does this option provide for the benefits received by the users/beneficiaries of the service?
- **Financial:** Benchmarking or other evidence regarding estimated financial impacts. Operating, Capital. Transition costs. Economies of scale.
- **Achievability:** Would this option have community support, address transitional costs, retain skilled staff?
- **Capacity/Capability:** Would this option have the capacity/capability to manage complex issues?


Each of these factors is rated either **red** (does not deliver), **amber** (delivers in some aspects), or **green** (delivers in all aspects/most favourable). Each option is then assessed overall for its ability to cost-effectively deliver the Economic Development Activity.


OPTION 1: Status Quo – Joint CCO


Option 1 is the current model, where a CCO (CEDA) delivers the economic development activities, with joint governance and funding provided by PNCC and MDC.



	Analysis	Rating
Effectiveness	<p>As outlined above, CEDA is effective in achieving the requirements of the Sol and customer satisfaction has been rising.</p> <p>Overall effectiveness when compared with other potential options is very favourable. A CCO is able to specialise and cover a range of economic development activity at arm's length from councils, and forge relationships and partnerships that would be harder with either in-house delivery or disparate organisations delivering different economic development activities.</p> <p>There are short, medium and long-term focus areas for CEDA and there is some level of expectation that there will be 'quick wins'. Some interviewees felt that having to focus too much on short term quick wins to "prove their worth" and be visible, may hamper effectiveness in the delivery of long term vision and goals.</p> <p>One interviewee noted that:</p> <p>"One of the difficulties being an Economic Development Agency is that you can do your job really well, but still have negative indicators in a space you're wanting to have positive ones, just because a macroeconomic event can just roll over the top." [referring to Covid-19's effect on international education]</p> <p>Some interview participants have a high expectation of what can be achieved with the level of funding that CEDA has. This suggests that further work is required to clarify expectations and ensure reporting is effective.</p> <p>Importantly, the scope of activities undertaken by a CCO is based on partners' expectations as set out in the Sol. If partners want the focus to change, the mechanisms are already in place through the letter of expectation and statement of intent processes to allow this to happen.</p>	
Efficiency	<p>Throughout New Zealand, economic development services are often grouped and delivered together for both efficiency and effectiveness reasons (Martin Jenkins, 2017). By grouping specialist services together there are opportunities for efficiency gains including through economies of scale.</p> <p>There are definite economies of scale evident due to the CCO being a joint effort between Palmerston North City and Manawātū District,</p>	


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	<p>however some feel that it's a challenge for CEDA as a small organisation to really achieve great economies of scale – a suggestion made by some interviewees as a way to improve this was to increase the number of councils involved, thereby increasing funding and increasing CEDA's scope. Co-ordination issues can, however, arise in larger EDAs, where there are more shareholders.</p> <p>Collaboration between PNCC and MDC in economic development is more efficient than each council working separately on it – the two council areas are mutually dependent on each other for growth and productivity.</p> <p>One interviewee noted of the current arrangement that: "Cost-effectively it's about as good as you can get", noting the complex nature of economic development activity delivery.</p> <p>Some interviewees indicated that there is too much time spent reporting, and this may be inhibiting the efficiency of service delivery. Conversely, other interviewees indicated that there was not enough reporting or the reporting was not telling them all that they wanted to know.</p> <p>CEDA's reach as an RTO is calculated at 3,511,943 people via direct media features (across print, digital, radio and video).</p>	
Risk	<p>Financial and legal risks are well managed within this model. The main financial risk is the potential for funding from shareholders being significantly reduced leading to a CCO not being able to meet its operational costs. This is a shareholder decision and not within the control of the CCO.</p> <p>Risks related to activities that involve a degree of commerciality can be better managed at arm's length from council within a CCO structure, by enabling firstly a Board with selected and relevant skills to assess commercial opportunities and secondly by providing for impartial/apolitical decision-making.</p> <p>The Productivity Commission in 2015 noted that distance from political interference is an advantage of a CCO: "Independence – distance from political pressures allows the development of a culture focussed on serving the interests of citizens/members."</p> <p>A common theme from interviewees in relation to this point is that the operation of a CCO having independence from political pressure is not always well understood. The difference between governance and management does not seem to be well understood by all parties and there appears to be instances where there is a desire by politicians to be involved in precisely 'how' CEDA delivers on the Statement of Intent.</p>	

	In particular, the risk relates to differing expectations of various partners, and potentially relationship difficulties in some cases.	
Strategic Delivery	<p>Overall, CEDA is delivering on their strategic objectives as per the Letter of Expectation/Statement of Intent each year, although there is some dissatisfaction with the content and/or method of delivery of these objectives.</p> <p>The current model has mechanisms in place to ensure delivery is strategically aligned including regular updates to the Joint Strategic Planning Committee, a Letter of Expectation (LoE) process which takes place each year, and setting the Sol each year which happens collaboratively with the Joint Committee.</p> <p>Notably, both councils have clear economic development strategies which helps to ensure that the strategic direction in the Sol is aligned to both council's economic development strategies.</p> <p>CEDA reports in the Sol on how it has delivered in line with the councils' strategic priorities (pages 40 and 41 of 2020-2021 Sol).</p> <p>CEDA has responded to changes in strategic direction from the Joint Committee, including through undertaking a re-structure to deliver the Joint Committee's priorities more effectively.</p> <p>It was pointed out during the interviews that any discrepancy between what CEDA is delivering and each council's strategic priorities is the responsibility of the shareholder councils as it is up to them to ensure their strategic priorities are reflected in the LoE/Sol process.</p> <p>There can be issues with different strategic priorities between the two councils, but again, the mechanisms exist to allow this to be addressed.</p> <p>There are some difficulties focusing on long term strategic direction with such short-term focus needed for reporting purposes and trying to be all things to all people.</p> <p>One interviewee stated that "Collaboration has been on the one hand the most challenging part of this, [but] it's probably what's given us the ability to make such considerable impact."</p> <p>There were several issues raised by interviewees in relation to the short-term and relentless nature of the annual planning process which can lead to short-term thinking. The Statement of Intent must be reviewed yearly under legislation. There is work underway to encourage more progress towards medium term planning process e.g. three years, by focussing on this in the Sol.</p>	

	The current model provides for greater alignment in the delivery of economic development for the Manawātū sub-region.	
Community preferences and expectations	<p>The current model had broad community support when consulted on through 2015 LTP.</p> <p>The councils consult with the community on the service provision through the Annual Plan and Long Term Plan cycle.</p> <p>Overall, from the interviews it was clear that there was still more support for this model than other models. However, some concerns were raised that there is a perception in the business community of a lack of direct connection between businesses and CEDA and perceived lack of progress or achievements.</p> <p>CEDA has multiple communication channels and engagement activities including their website, social media presence, newsletters, monthly and quarterly updates, and monthly shareholder updates from the CEO, alongside regular community presentations (e.g. Rotary, Chamber of Commerce, Industry events), informal and formal meetings with shareholders, Growth Series events, and project-specific interactions (e.g. Te Āpiti), alongside presentations at regional and national conferences and events.</p> <p>There are clearly some difficulties in managing expectations in the community. There are expectations from some parts of the community for constant contact with CEDA and for CEDA to be proactively reaching out to all businesses, including potentially spending a day a week sitting within certain organisations. Some want to see constant and quick results, but these may not always be apparent for many years.</p> <p>There is criticism from external organisations and businesses that CEDA is too focused on the needs of the Councils as shareholders and neglecting other partners. There is a desire for more of an external stakeholder focus to a level which could be at odds with the purpose and role of CEDA. The expectations of the community do not always match the constraints and purpose under which CEDA is required (by the shareholders through the Constitution, the Statement of Intent, and the contract) to operate.</p> <p>It is important to note that the grass-roots business work is not CEDA's role. Most of the interviewees we spoke to understood this. CEDA is an enabler and a conduit to other businesses and agencies. There are opportunities for improvement in the way that the councils and CEDA articulate the different levels of business support available in the sub-region, from grass-roots support through organisations such as Feilding</p>	

	<p>and District Promotion and the Manawātū Chamber of Commerce, through to CEDA's higher-level enabling role.</p> <p>There is a good degree of understanding from the business community that there are benefits to businesses from having an arm's-length organisation across two-councils – this has the advantage of being able to provide a consistent point of contact for customers across the two local authority areas.</p> <p>One interviewee mentioned the permeable nature of the boundaries between PNCC and MDC - when Palmerston North gets a new business, around 25% of the staff will live in Manawātū, and when Manawātū gets a new business, around 45% will live in Palmerston North. The current collaborative model is reflective of the close-knit nature of these communities.</p>	
Financial	<p>As outlined in section 3 above, the CCO provides opportunities for external funding that would not be available to Council e.g. NZTE, MBIE, Callaghan, and tourism funding. Several interviewees noted that Central Government prefers to deal with a sub-regional/regional organisation of scale, and that the arm's length nature of the CCO model can access external funding that would not be available to Councils. There are also cost savings available through economies of scale.</p> <p>This year, CEDA was able to attract an additional \$2.4 million in central government funding to assist with the COVID-19 recovery. This is in addition to other existing central government funding streams such as business support and tourism funding.</p> <p>There are differing views as to whether PNCC or MDC receive better value for money from their contributions. There is concern from some parties that PNCC receive less value than MDC despite most of the funding coming from PNCC. Conversely there was also a view that MDC have deliberately stepped aside to allow more focus on PNCC as a way of assisting PNCC's perception that the benefits they receive are in line with their funding input. The funding and/or shareholding/influence splits were raised as issues with some feeling that the split was appropriate and others feeling that PNCC was carrying too much of the funding load.</p> <p>One interviewee stated that "The short term nature of the funding model is inconsistent with the aim of delivering longer term economic growth objectives." In all models, however, there is no long-term guarantee of funding.</p>	
Achievability	The achievability of this option is apparent.	

	<p>The combined CCO, across the two councils, provides more credibility - government funding would be at risk if PNCC and MDC split their economic development focus and deliver separately.</p> <p>CCO in its current form is able to attract and appropriately remunerate highly skilled staff and Board members.</p>	
Capacity/Capability	<p>The CCO model has demonstrated capacity and capability to manage complex issues. A successful Covid-19 response and support through recovery is a key example. Economic development in the investment attraction space is a big task and this is being done well under current model.</p> <p>A big advantage of the current model is being able to attract Board members that bring networking opportunities, a suitable intellectual and strategic advantage, and a big picture view (international rather than regional or local) as this is crucial to dealing with and responding to complex issues.</p>	
<p>Overall Assessment</p> <p>There was almost unanimous consensus from interviewees that the model can (and should) work well.</p> <p>The advantages and disadvantages of CCOs as a model have been examined in various reports (for example: Productivity Commission 2015, Auckland Council CCO review 2020, What Works? A report for Wellington City Council on getting the best from council-controlled organisations 2012).</p> <p>In summary, the advantages include:</p> <ul style="list-style-type: none"> • Specialisation – taking the agency out of a general multipurpose organisation can enable it to focus on a specific set of objectives, which can ultimately improve outcomes – rather than having the multi-faceted and often competing objectives facing councils. • Independence – distance from political pressures allows the development of a culture focussed on serving the interests of citizens/members. • Closer to the consumer – specialisation makes it easier for key stakeholders to identify, participate in and be consulted about the work of the organisation. • Greater transparency – an arm's length agency can be subject to a more contract-like regime, specifying performance objectives and budgetary limits. Still allows a high level of public transparency in accountability through Sol and annual reporting requirements. • Skills – specialisation might improve staff motivation, allow for the introduction of a higher degree of commercial know-how, and attract employees from more diverse backgrounds. • Agility – able to be responsive and agile in responding to opportunities. <p>The disadvantages include:</p> <ul style="list-style-type: none"> • Loss of co-ordination – the establishment of a CCO can result in loss of co-ordination and disjointed decision making because of the different priorities of the various agencies. 		

- Lack of responsiveness to owner – can be slower than directly controlled business units to respond to issues by an owner.
- Higher overhead costs – operation may result in higher overhead costs.
- Lower community accountability – the devolution of services could be perceived as undemocratic on the grounds that elected officials have less control of the staff responsible for service delivery.


Generally, there was feedback that there is relatively good co-ordination with other organisations e.g. internal council staff and functions, Manawātū Chamber of Commerce, Feilding and District Promotion, but room for improvement in terms of relationships, expectations, and clarity of roles. There was also feedback that the CEDA CCO model is working better than other models (e.g. both within the region and outside the region). The mechanisms are in place to deal with issues as they arise.

One interviewee noted one of the biggest barriers for CEDA is the fact they have “two masters”.

The stakeholder satisfaction survey shows satisfaction with CEDA is trending upwards. However, there are lots of different ideas, expectations and understanding of what economic development is and what CEDA is supposed to be doing. A lack of understanding of CEDA’s role and focus on big-picture, long-term change and growth, as well as being a behind the scenes enabler rather than a grass-roots development agency has certainly led to some dissatisfaction in the business community as well as on a political level. Another challenge lies in the desire from some parties to determine ‘how’ CEDA delivers on the Sol. The expectations of the community do not always match the constraints and purpose under which CEDA is required (by the shareholders through the Constitution, the Statement of Intent, and the contract) to operate.

OPTION 2: Expanded Status Quo – more shareholders

This option would involve extending the shareholder ownership of CEDA to include other local authorities and/or other organisations.

	Analysis	Rating
Effectiveness	<p>Some interviewees felt that this was an option that would increase the reach and influence of the CCO model. There was however also concern expressed that it might dilute the CCO’s activities by having too many disparate districts within the region to achieve outcomes for.</p> <p>There are several examples of economic development agencies with region-wide shareholdings elsewhere in New Zealand, however further work would need to occur to get a clearer picture of the effectiveness of these and how that relates to potential effectiveness in the Manawātū-Whanganui region.</p> <p>Of note, the current model is already operating at a wider scale in terms of the EDA and in particular through CEDA’s role as the NZTE/Callaghan/Business Mentors NZ “Regional Business Partner” providing services throughout the Horizons region. As the RTO for the Manawātū sub-region (including Palmerston North and Manawātū</p>	

	district) CEDA also brings a regional focus and access to best practice through Regional Tourism Organisations NZ.	
Efficiency	While this option would increase the funding sources for the CCO, there is no evidence at this stage that it would be a more cost-effective option – bigger does not always equal better. Co-ordination issues can arise in larger EDAs, where there are more shareholders. More analysis would need to be undertaken.	
Risk	This option carries political risk in terms of the palatability of extending the shareholder ownership. There would be added complexity in terms of managing an expanded partnership. There was no consensus view about whether this option would be favourable. Further work would need to occur if this was to be considered as part of a 'refined status-quo'.	
Strategic Delivery	This option may increase the reach and influence of the current CCO model. It would potentially allow alignment with regional spatial scope of the Regional Business Partner programme. It may however be even more difficult to achieve agreement amongst more shareholders of strategic priorities. There is evidence to suggest that further collaboration would result in an increased ability to access additional funding.	
Community preferences and expectations	There is no information available at this stage that would indicate community preference for this option. Community consultation would need to occur and, depending on the significance and engagement policies of the councils, may require a Special Consultative Procedure to occur under the LGA.	
Financial	There would be costs available with amending the current agreements. It is unclear through this high-level review whether the benefits would outweigh the costs. There would be potential economies of scale associated with delivery of an expanded CCO.	
Achievability	This option would likely be achievable if there was support from existing shareholders and the community, as well as a robust transition/expansion plan developed for CEDA with clear objectives in place. The expectation would be that existing skilled staff would be able to be retained, and the team would expand and attract more skilled staff.	
Capacity/Capability	Increasing the funding and scope of the CCO would almost certainly lead to increased capacity and capability to manage complex regional and economic development issues. It would be important to carefully manage the increased in size and the organisational development needs within CEDA to account for the increased complexity.	

Overall Assessment

There seems to be conflicting ideas about whether CEDA would be able to be more effective (and cost-effective) if more shareholders came on board i.e. other TLAs in the Horizons region. This would increase opportunities for funding and scope of activities, with the expectation that this would increase impact. However, this might dilute what can be achieved and spread the focus too thinly across the region/different TLA areas, thereby not impacting greatly in any area. This model would likely introduce more political risk and greater complexity, with greater potential for conflicting priorities. This option could be considered as part of a 'refined' status-quo, but further work would be required to test it if there was an appetite for this.







OPTION 3: Separate CCO for each Council

This option would involve each Council providing economic development activities separately through two separate CCOs.

	Analysis	Rating
Effectiveness	It would be possible for this to work for PNCC but it would not be as effective without collaboration with MDC because PNCC and MDC have complementary economies. Many of the benefits of a collaborative CCO as outlined in Option 1 above would be lost. There would be limited scope for regional or national recognition or reach. It seems unlikely that it would be feasible for MDC to run a separate CCO for economic development.	
Efficiency	Having two separate CCOs would dramatically decrease cost-effectiveness, resulting in crossover and doubling up in terms of staffing requirements, scope and activities undertaken.	
Risk	Political risk in public perception if the current CCO were to "fail" and a new CCO for each individual council were to be created. Loss of reputation and trust and potentially negative views on reducing collaboration between councils. Financial risk in each council not being able to effectively fund their own separate CCO (this is especially the case for MDC) and central government funding being lost or reduced due to lack of sub-regional collaboration.	
Strategic Delivery	While a separate CCO for each council individually would enable these organisations to have a pure focus on the strategic priorities of their respective councils, the strategic overlap would still be present and might result in a culture of competition rather than collaboration.	

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Community preferences and expectations	PNCC There is anecdotal evidence of community discontent with the current model and perceived imbalance of service and outcomes between the City and District, so it's possible there would be community support to separate economic development services to CCOs for each council individually, though no consultation has been undertaken to test this. Much of the discontent seems to be around lack of awareness of the interdependent nature of the City and District and a perception of CEDA needing to be more involved in grass roots business support, which indicates a misunderstanding about what the role of an EDA actually is. This "expectations gap" is consistent with LGNZ's finding that "some councils may struggle to have a clear understanding of what economic development does or does not entail." ⁹	
	MDC The community in Manawatu District is generally comfortable with working collaboratively with Palmerston North and they see the mutually beneficial need to work together on economic development, so separating the economic development activities to separately run CCOs would not meet their expectations.	
Financial	There is financial and time cost involved in starting up new entities. Based on information provided by interviewees it is understood that it took approximately 18 months, with around 8-10 staff, to set up the CCO model and for it to become as productive as the entities it replaced.	
Achievability	This option is not considered achievable. While there is a small chance that Palmerston North could have its own CCO for economic development, the likely loss of skilled staff and reputation would have a big impact on its success. The reduced scope and having either a double-up of efforts and costs between PNCC and MDC, or a significant reduction of economic development activity for MDC due to the lack of collaboration and funding ability on their side, means this option is not recommended.	
Capacity/Capability	This option would reduce capacity and capability to manage complex issues. While a CCO for Palmerston North would be likely to have appropriate funding, it would still have to downsize from the current	

⁹ Local Government New Zealand (2017) Better Economic Development in Local Government. p7.
<https://www.lgnz.co.nz/assets/Uploads/e73acda8f8/44475-LGNZ-Economic-Development-6-FINAL.pdf>



	<p>joint model, and a CCO for MDC would have significantly lower funding and restricted capacity and capability.</p> <p>The probable loss of skilled staff and difficulty attracting new staff due to loss of reputation would also hinder the capability of new, separate CCOs.</p> <p>The lack of a joined-up organisation of scale would also hinder the capacity and capability of two separate CCOs to leverage government funding or national-level reach.</p>	
<p>Overall Assessment</p> <p>This option would result in an unnecessary duplication of functions, lack of regional or national-level reach, and would carry significant political risk in public perception if the current CCO were to “fail” and a new CCO for each individual council were to be created. Loss of reputation and trust and potentially negative views on reducing collaboration between councils.</p> <p>There is no evidence available at this point to indicate that setting up two CCOs would be more cost-effective than the current model.</p> <p>“The instant we [the two councils] start competing, we are [in trouble].”</p>		




OPTION 4: In-house – each Council

This option would involve PNCC and MDC delivering the economic development activities separately, in-house at each Council. This would not involve any shared-service arrangement – each council would deliver every aspect of economic development separately.




	Analysis	Rating
Effectiveness	<p>PNCC</p> <p>PNCC could deliver some aspects economic development in-house, and there is indeed a desire expressed by some interviewees to bring some aspects of economic development in-house to PNCC immediately that are currently delivered by CEDA (e.g. marketing/branding of the city, major events, visitor attraction, international education).</p> <p>Further analysis of the current situation indicates the following:</p> <ul style="list-style-type: none"> PNCC currently undertake marketing/branding for the city through an in-house team. The wider RTO functions for the Manawātū sub-region (including Palmerston North and Manawātū district) are provided by CEDA. It was confirmed to us that PNCC have no RTO role outside of CEDA. Events: PNCC currently has an events team. Events provided by CEDA are specifically targeted (and agreed to by the 	

	<p>partners via the Sol) at economic development at a sub-regional or regional scale. Events provided by the city may also have a cultural/entertainment function, not always specifically related to economic development.</p> <ul style="list-style-type: none"> • International relations: PNCC has an in-house international relations manager who hotdesks one day a week at CEDA. <p>The above functions are all collaborative in nature but a theme emerging from the interviews is that there is some tension and competition as to who is responsible for various aspects of these roles.</p> <p>Whilst there is in-house capability and capacity in PNCC to undertake the above functions, the ability to undertake the wider, sub-regional and regional functions, is not clear. The arms-length nature of a CCO allows for partnership working and co-ordination across multiple parties which would be more difficult to achieve with an in-house model.</p> <p>The current model allows for conversations to occur in relation to moving some elements in-house to PNCC, but for this to be successful it would have to occur in a spirit of partnership and collaboration with further analysis as to the cost-effectiveness of doing so.</p> <p>It is worthy to note that there are other economic development functions funded and delivered by PNCC such as the information centre, contributions to holiday park function, sponsorship opportunities and other community-focussed and growth-focussed work that contributes to economic development.</p> <p>It is also worthy of note that there is draft Destination Management Plan (Manawatū 2025) and a draft Conference and Business Events Strategy. Both of these documents will help to clarify the various roles in destination management and events.</p>	
	<p>MDC</p> <p>Similar to PNCC, MDC undertakes a range of activities in-house that contribute to economic development, including growth and community-related activities.</p> <p>MDC has recently added in-house marketing and communications capability to enable greater district-wide marketing, branding and promotion. This dovetails with the RTO function provided by CEDA. MDC also undertakes work in the events-space outside of the economic development specific events run by the CCO. This is primarily via funding provided to Feilding and District Promotion and through a contestable Events Fund.</p>	

	It is not considered feasible for MDC to bring all economic development activities for the district in-house, predominantly due to a lack of scale.	
Efficiency	Bringing economic development services in-house might reduce the cost overall for PNCC, however this does not mean it would be more cost effective. Conversely, it would likely increase the cost overall for MDC, unless they chose to not do economic development at all. Efficiencies would be lost through reduced collaboration and duplication of effort and activities between the two councils.	
Risk	<p>PNCC</p> <p>Not having a degree of separation from Council would be riskier politically.</p> <p>Funding could be won or lost in every annual budget. In all models there is no long-term guarantee of funding. In an in-house model this risk could be exacerbated because economic development would be competing in-house with other priorities.</p> <p>There is a risk of not being able to access external funding due to the Council not being an EDA or RTO. A demonstrated lack of collaboration in this area would also jeopardise the ability for the area to access Central Government Funding.</p> <p>Bringing marketing and branding in house carries the risk of lost opportunity from the status quo. CEDA comes from an all-encompassing regional destination marketing perspective – business, talent and visitors/tourism and can provide a complete value proposition for the sub-region (city and district). PNCC currently has staff with strong capabilities in house, but it has not always had this in-house skill set. There is also a risk with in-house delivery that it might lose funding due to re-prioritisation within Council in any given year.</p> <p>There is already a risk of duplication of marketing activities between PNCC and CEDA – bringing this role in-house would exacerbate this risk.</p> <p>MDC</p> <p>Economic development activities would still continue in this model. There would be a risk of a reduction in scale and reach of the economic development activity if it was brought entirely in-house to MDC. The loss of collaboration with PNCC would likely have an impact on the effectiveness of the activity.</p> <p>There would also be a high risk of not being able to access external funding due to not being an EDA or RTO and also demonstrated lack of</p>	


	collaboration (which is something Central Government tends to look for).	
Strategic Delivery	PNCC While bringing economic development activities in-house to PNCC would almost certainly ensure strategic alignment with Council's strategic priorities, reducing collaboration with MDC would weaken the strategic delivery of economic development in Palmerston North. The City and District have a porous boundary and are mutually dependent on each other for positive economic outcomes.	
	MDC Scope would be much smaller with a small budget and inability to attract the kind of talent (that CEDA can attract) to work within Council in a smaller, lower level ED role. This model would negatively impact MDC's ability to deliver on strategic priorities. Reducing collaboration with PNCC would also weaken the strategic delivery as the two TLAs are mutually dependent on each other for positive economic outcomes.	
Community preferences and expectations	<p>The community is generally comfortable with working collaboratively with each council and can see the mutually beneficial need to work together on economic development, so separating the economic development service to separate in-house delivery would not meet their expectations.</p> <p>There is also generally a sense from the business community that an external economic development agency is preferable to in-house delivery as it avoids conflict with Council's regulatory functions.</p> <p>A business perception is that if the function was delivered in-house, it would be much harder for businesses to interact with.</p>	
Financial	PNCC It would be more difficult to access certain funding avenues, particularly through Central Government. There would be a risk of duplication of roles and overheads due to each council separately employing people to do similar roles.	
	MDC It would cost significantly more to deliver the current range of high-quality economic development activities separate from PNCC and in-house. MDC could spend the same as they are contributing under the current model, but strategic delivery, capability and effectiveness would be impacted.	



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



	As with PNCC, there would be a risk of duplication of roles and overheads due to each council separately employing people to do similar roles.	
Achievability	This approach would not be able to deliver on the current scope of the economic development activities undertaken by CEDA. The councils could possibly achieve a smaller scaled activity but would lose scale nationally.	
Capacity/Capability	Both Councils would struggle to attract, retain and appropriately pay highly skilled people. This option removes the ability to draw on expertise of an independent Board who bring their specific skills, knowledge and connections in economic development.	
Overall Assessment  <p>Whilst there are some aspects of economic development that are already or could potentially be delivered in-house by PNCC and MDC separately, the wider regional development functions of a shared CCO as EDA and RTO would be lost if this model was adopted. There was almost unanimous consensus from interviewees that in-house delivery is not preferred when compared with the current model.</p> <p>There is room to further explore how in-house delivery of some aspects of economic development, such as city/district branding and events, could work more seamlessly alongside CEDA's regional role. The draft Destination Management Plan and emerging events strategy offer opportunities here.</p> <p>This option would not have the advantage of a CCO which is a specialist organisation at arm's-length to the general multi-purpose council organisation. As such, the delivery of economic development activities would be competing with other council priorities. There is significant risk with this type of model that it could be subject to internal changes and/or funding uncertainty which could limit its longer-term effectiveness.</p> <p>One interviewee noted that "the whole is greater than the sum of the parts."</p>		

OPTION 5: Shared Service (either Council to the other)

This option would involve governance and funding by joint committee or other shared governance with delivery as a shared service provided by either PNCC or MDC to the other Council.

	Analysis	Rating
Effectiveness	PNCC <p>The City has indicated that they could deliver a shared service model on behalf of both Councils. As with the in-house model above, it is certainly feasible for PNCC to deliver some aspects of economic development effectively in-house, and more so if they were receiving additional funds for the service from MDC to deliver for both councils.</p>	

	<p>A shared service in-house model would, however, be unlikely to be as effective as a CCO or other external agency, particularly with regard to attracting and appropriately remunerating highly skilled staff members and gaining access to external funding sources. The national-level reach of a collaborative model would also be difficult to achieve with this option.</p>	
	<p>MDC</p> <p>A shared service model with MDC providing the service for PNCC would be much harder to achieve as a smaller district and council trying to deliver for themselves and big city.</p>	
Efficiency	<p>There is no evidence available in this high-level review that a shared-services model would increase efficiency and cost-effectiveness. Councils would almost certainly still require a high level of reporting and further blurring of the lines between governance and operational matters would hinder efficiency. It is unclear whether costs would increase, decrease or stay the same as it would need to be determined through each council's Long Term Plan budgets.</p>	
Risk	<p>PNCC</p> <p>Not having a degree of separation from council would be riskier politically. Managing political relationships between the two councils would pose some risks especially given that one council would be delivering on behalf of the other.</p> <p>Funding could be won or lost in every annual budget, with economic development competing with other priorities making it hard to guarantee long term funding. In all models, however, there is no long-term guarantee of funding.</p> <p>In this model, there may be a perception of conflicting interests if PNCC was providing a regional events/conference role whilst also owning the city Conference and Function centre.</p> <p>MDC</p> <p>Managing political relationships between the two councils would pose some risks especially given that one council would be delivering on behalf of the other. If the service was delivered by PNCC on behalf of MDC there is a risk of MDC being lost within a shared service model – politically and operationally.</p> <p>The risk of funding being reduced in budgeting processes would also be significant, particularly if MDC was not able to see direct benefits of putting funding into a shared service.</p>	

Strategic Delivery	<p>While the interdependent nature of the City and District is clear (what is good for one will be good for the other), there are obvious differences in how the two councils' priorities need to be approached.</p> <p>A big challenge with the shared service model in this strategic activity would be equally championing another council's priorities within the council providing the service.</p> <p>Economic development is a far more strategic activity than other shared services already undertaken between the two councils (such as Building Control), which are very operational in nature and easier to quantify.</p>	
Community preferences and expectations	<p>There is no information available at this stage that would indicate community preference for this option. Community consultation would need to occur in relation to this, and depending on the significance and engagement policies of the councils, may require a Special Consultative Procedure to occur under the LGA.</p> <p>There was little support from business community representatives interviewed for this review for moving to a shared-services model. There was consensus that an arm's-length model is more appropriate for an EDA/RTO.</p>	
Financial	<p>PNCC</p> <p>The city would likely provide most of the funding, and staff would be based at the Council. There is no evidence available to us as to whether there would be any cost-effectiveness improvements as a result of moving to a shared-service model.</p> <p>MDC</p> <p>It would be hard to quantify what MDC would be receiving in exchange for their financial contribution.</p>	
Achievability	<p>As with the in-house option above, this approach would not be able to deliver on the current scope of the economic development activities undertaken by CEDA. PNCC could possibly achieve a smaller-scaled activity but would lose scale nationally.</p>	
Capacity/Capability	<p>As with the in-house option above, both Councils would struggle to attract, retain, and appropriately pay highly skilled people. This option removes the ability to draw on expertise of an independent Board who bring their specific skills, knowledge, and connections in economic development.</p>	

Overall Assessment



Shared services are already in place between the two councils, for example, the Building Control functions are delivered by PNCC on behalf of MDC. These types of arrangements can work well, particularly in cases where there is an easily defined, 'ring-fenced' service. In the case of economic development, where there are many component parts and areas of discretion, it is more difficult to undertake a shared service arrangement. The risk that the priorities of the larger council would overshadow the priorities of the smaller council is heightened in this option, particularly if it were the larger council providing the shared service. Where priorities diverge, the success of shared service delivery would depend on both councils committing to working collaboratively on a mutually beneficial approach.

There may be aspects of the economic development activities that could be candidates for a shared service arrangement, and this may warrant further investigation. As a whole, a shared service could not deliver the sub-regional-wide benefits that the CCO model can provide. It would not have the national-level reach that the current model has and would not elicit the same profile that a joint CCO model across the two councils is able to leverage.







This option would not have the advantage of a CCO which is a specialist organisation at arm's-length to the general multi-purpose council organisation. As such, the delivery of economic development activities would be competing with other council priorities. There is significant risk with this type of model that it could be subject to internal changes and/or funding uncertainty which could limit its longer-term effectiveness.

OPTION 6: Other external agency – joint service

This option would involve governance and funding by joint committee or other shared governance with delivery by contract to one or more other organisations or people.

	Analysis	Rating
Effectiveness	The ability to deliver the range of economic development activities provided through the current model would be reliant on the capacity and capability of external agencies/private providers. This has the potential to fragment the delivery across a number of organisations and the potential for economies of scale and a national-level presence would be more limited if activities are split.	
Efficiency	This option may involve multiple contracts across a number of providers. No evidence has been presented through this S17A review process which would indicate that this option would be more efficient than the status quo or other options. The only efficiency would be to do with the joint approach between the two councils.	
Risk	This option would transfer some risks, such as legal and financial risks, from Council to the external organisation or person. However, it would carry political risks as there would be a more limited ability to influence the strategic direction of delivery.	

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	Risks to the councils would be reduced if the alternative model took the form of an independent trust or company, as both governance and delivery would lie solely with the agency.	
Strategic Delivery	This option has limited accountability and opportunity for strategic alignment, except through contract.	
Community preferences and expectations	This option is equivalent to the previous model which was in place previous to the status quo. The community showed clear support for a shift to a joint CCO model, bringing various economic development functions under one roof, so it is unlikely the community would support going back to the previous model, which may be perceived as a step back.	
Financial	There is financial and time cost involved in starting up new entities. Based on information provided by interviewees it is understood that it took approximately 18 months, with around 8-10 staff, to set up the CCO model and for it to become as productive as the entities it replaced.	
Achievability	<p>This option would rely on suitable private sector provider(s) being available. There may be opportunity for existing providers to deliver some elements of the service, but this would potentially fragment the delivery option across a number of organisations and would be less achievable than the status quo.</p> <p>It is only been four years since CEDA was set up to replace a previous model which was delivered under contract by non-CCO organisations. The general consensus from those interviewed was that the previous model was not effective. There has been no evidence made available during this review that any of the issues identified with the current model would be resolved by moving to a non-CCO contracted model.</p>	
Capacity/Capability	<p>There is significant risk in not being able to transfer staff across if CEDA is disestablished and one or more new entities created – resulting in a loss of reputation, trust and stability.</p> <p>There would also be significant disruption to the delivery of economic development activities as the new organisation/s started up.</p>	
Overall Assessment		
Due to the inherent complexity of economic development as a service, there would be difficulties in packaging up individual elements of the service and contracting it out to another party or parties in a way that is cost-effective or efficient. There would be potential benefits when compared to an in-		

house option in that there would be the possibility to leverage private sector expertise. An outsourced organisation could potentially access the specialist expertise that CEDA is able to access. It could be set up in such a way that it was able to deliver the range of activities that CEDA is able to deliver but this is reliant on the capacity of the private sector to provide the services. If an independent trust or organisation was used in this case, it could operate outside of the election cycles of local government which would reduce the political risk of the model.



Priority One (Western Bay of Plenty) is an independent incorporated society and has been identified as an example of a more effective shareholding structure with freedom to operate more independently (Henley Hutchings, 2019).








In this model there would be less ability for the Council is able to set its expectations, such as yearly through a Statement of Intent, and as such may be less able to be directed to deliver upon Council's expectations. The previous model of delivery involved a contract to external organisations or persons. The feedback from the interviewees did not indicate any advantage in this model when compared with the current CCO model.

The significant risk of disruption whilst a new organisation is set up and the significant costs and time involved in such a transition would not appear in this case to be warranted as there is no information available at this stage that would indicate that this would be a more cost-effective option.

OPTION 7: Other external agency – each Council

Governance and funding by each Council individually with delivery by a person or agency not listed above.

	Analysis	Rating
Effectiveness	<p>The ability to deliver the range of economic development activities currently provided through the current model would be reliant on the capacity and capability of external agencies/private providers. This has the potential to fragment the delivery across not only a number of organisations and the potential for economies of scale and a national-level presence would be more limited if activities are split across providers.</p> <p>This option would not be effective in terms of leveraging reach and influence at a regional or national scale and would potentially mean the two councils would be competing rather than collaborating.</p>	
Efficiency	<p>This option may involve multiple contracts across a number of providers. No evidence has been presented through this S17A review process which would indicate that this option would be more efficient than the status quo or other options. There would be significant inefficiencies and potential duplication in each council seeking these services individually.</p>	

Risk	This option would transfer some risks, such as legal and financial risks, from Council to the external organisation or person. However it would carry political risks as there would be a more limited ability to influence the strategic direction of delivery. Having two councils with potentially competing rather than complementary approaches would risk the effectiveness of delivery.	
Strategic Delivery	Limited accountability and opportunity for strategic alignment except through contract.	
Community preferences and expectations	This option is a more fragmented version of the previous model that was in place when the move to the current model was consulted on and agreed to. The community showed clear support at that time for a shift to a joint CCO model bringing various economic development functions under one roof, so it is unlikely the community would support going to a model of separate delivery by external agencies.	
Financial	As with the option above, there is financial and time cost involved in starting up new entities. Based on information provided by interviewees it is understood that it took approximately 18 months, with around 8-10 staff, to set up the CCO model and for it to become as productive as the entities it replaced.	
Achievability	<p>This option would rely on suitable private sector provider(s) being available. There may be opportunity for existing providers to deliver some elements of the service but this would potentially fragment the delivery option across a number of organisations and would be less achievable than the status quo.</p> <p>Trying to find providers for both councils individually would present a significant challenge.</p>	
Capacity/Capability	<p>As with the option above, there is significant risk in not being able to transfer staff across if CEDA is disestablished and one or more new entities created – resulting in a loss of reputation, trust and stability.</p> <p>There would also be significant disruption to the delivery of economic development activities as the new organisation/s started up.</p>	
Overall Assessment		
Splitting the service to separate entities for each council individually would reduce collaboration and economies of scale and would essentially move back to a less efficient version of the previous model. There would be a loss of momentum, reputation and skilled staff from disestablishing CEDA.		

5.2 Overall assessment of all options

Overall, the majority of the feedback received from interviewees was that the current model was preferred when compared with other models. Whilst issues were identified with the current model, by far the majority of interviewees were of the view that these issues would not be resolved by changing the model.

The review has found no fundamental issues with the model itself. Overall, the current model is delivering on the Sol in a cost-effective manner, aligned with council priorities. There are ample opportunities for the shareholders to influence CEDA's priorities through the Letter of Expectation, Statement of Intent and Joint Committee mechanisms. There is no reason under the current model that the Sol should not reflect the priorities of the councils.

Given that it is only four years since the significant changes to the delivery of economic development services in the sub-region were undertaken and CEDA began operating, and that it would likely take at least 18 months of work to introduce a new structure, coupled with uncertainty that any other service delivery option would provide a better or more cost-effective outcome, it is considered that the costs of changing to a new model would outweigh the benefits and would reduce the cost-effectiveness of the delivery of the economic development activities. The momentum currently being developed by CEDA would be lost. The loss of expertise and connections of the staff and Board of CEDA would likely result in a less cost-effective service delivery.

There has been no evidence provided as part of this review which would indicate that a different model would be able to deliver the economic development activities currently delivered by CEDA more cost-effectively.

There is however some room for improvement in the way that the model operates, and this is discussed further in Section 6 – Refinement Options, below.

6. Refinement Options

In s17A reporting, where the recommendation is to retain the status quo, as in this case, it is good practice (although not a statutory requirement) to consider whether there are opportunities for efficiency gains even if the model is the most cost-effective of the options. Below we outline some potential refinement opportunities which could be considered.

6.1 Delivery against Council expectations

Some interviewees felt that CEDA was not delivering to expectations. Others felt that if this was the case, there were suitable mechanisms to address this. A shareholder letter of expectations is delivered by the councils to CEDA by 1 December each year. This sets out and provides direction on issues that are important to both councils, to assist in the development of CEDA's next Sol. If council expectations are not being met, the shareholder letter provides an avenue through which the councils can address this.

Refinement opportunity

There is an opportunity to utilise the statement of expectations under s64B of the LGA for the shareholding councils to specify how CEDA is to conduct its relationships with not only the shareholding local authorities, but with communities of those local authorities, iwi, hapū and other Māori organisations, etc.

6.2 Expectations and reporting

Some interview participants have a high expectation of what can be achieved with the level of funding that CEDA has. As set out above, CEDA is at around a median level of funding when considered on a per capita basis in comparison with some other similar EDAs (albeit it is difficult to compare apples with apples due to the widely differing scope of services offered in different regions).

This suggests that further work is required to clarify expectations and ensure reporting is effective. There needs to be an increased level of understanding that there are changes/benefits that may occur over the short, medium, and longer term. CEDA is in the early stages of what may be a long journey - some changes could take 10 years or longer to emerge, such as regional employment and GDP, because of sustained work over many years. It is unrealistic to expect that some of these changes will happen quickly. It is also clear that some elements of the work undertaken in economic development will be commercially sensitive. Business feedback has suggested that the Sol needs to be revisited so that medium to longer term outcomes have a higher level of importance and short-term tick box objectives are minimised.

There also seems to be inconsistent expectations about how much reporting should be undertaken – some say there is too much whilst others say there is not enough (e.g. should be three-monthly reports to the Joint Committee).

Refinement opportunities

There is already a move towards ensuring that the Sol captures the medium and long term expectations of the councils more clearly.

There is an opportunity to investigate a reporting framework that allows for short, medium, and long-term outcomes to be reported separately. An example is the Great South annual report which specifically identifies short-term goals and long-term goals.

Review reporting arrangements to ensure that they are fit-for-purpose and meet shareholder and partner expectations.

Expectations should be specific, measurable, achievable, relevant and time-based.

6.3 Clarity of agency roles and responsibilities

Elements of economic development services are being provided through other methods, such as in-house or through other agencies. In some cases, these are being managed well and co-operatively, in other cases the clarity of roles can cause friction and frustration. Most parties understand that CEDA has a regional role, and that there are also roles for local and grass-roots services, however there is a significant variance in perceptions about what those roles mean in practice.

There are three areas in particular where the roles and responsibilities seem to be understood differently by various parties and where there may be opportunities for refinement:

RTO role alongside local marketing/promotion

The roles of CEDA as the RTO and the councils in marketing/promotions are not always well-understood. There has been some tension in relation to branding for example and some disappointment has been expressed about the range of activities that CEDA has delivered in the RTO space.

Refinement opportunity

CEDA and Council staff are already actively fostering closer relationships to ensure there is understanding of roles and to avoid duplication. This collaboration should continue as it is a key way to ensure that expectations between CEDA and the councils are being met.

Finalising and implementing the draft Destination Management Plan should also provide clarity. There is a visitor campaign coming out in the next few weeks (November 2020) which will also provide further clarity.

In finalising the draft Destination Management Plan, and in any future planning, it will be important, as part of a partnership approach, for the shareholding councils to be closely involved in developing plans and strategies. It is also noted that under section 64A of the Local Government Act shareholders of a CCO may require the organisation to prepare and deliver additional plans including thematic plans. The requirement can specify delivery dates for these plans.

Events

Despite there being clear rationale for the events that CEDA will focus on, there are some differing views as to which organisation has responsibility for various types of events. Due to these differing expectations, in some cases there is frustration as to whether CEDA is delivering 'enough' or the 'right type' of events.

Refinement opportunity

CEDA is preparing a draft Conference and Business Events Sector Strategy. This will assist with clarifying roles and responsibilities. This is being developed in consultation with stakeholders from within and outside the region, including venues, accommodation providers, professional conference organisers and industry bodies.

Grass-roots business activities

There was generally good understanding that CEDA's role is not to provide grass-roots support to businesses. However, there was also some criticism that CEDA are not 'visible' enough to businesses and that they support new businesses in preference to existing businesses. Yet CEDA's role is precisely this – to “grow the size of the pie” as it were rather than provide grass-roots support to existing businesses. This can be a hard-sell when it comes to existing businesses who may feel their ratepayer money is being used in ways that they don't see benefit from.

Refinement opportunity

There may be an opportunity to develop clearer roles and responsibilities – perhaps through a communications strategy or a heads of agreement between councils, CEDA, Feilding and District Promotion, and Manawātū Chamber of Commerce, followed up by a clear set of guidelines for members of the public and the business community so that there is more clarity about where to go for services and who funds and who delivers different services.

6.4 Relationships

LGNZ note that there needs to be a 'culture of collaboration' between councils and economic development agencies in order for the economic development activities to be successful. Where interactions are positive, constructive, polite, meaningful and collaborative there will be more success.

There are already many ways in which CEDA interacts with its shareholders and partners, including monthly Lead Team meetings, Joint Committee meetings, and many other more informal channels for relationship-building. CEDA has multiple communication channels and engagement activities including regular briefings, informal 'meet-ups', presentations, social media, newsletters, and emails.

The sub-region has a long history of successful collaboration and there is a mature relationship between the two councils. There appears to be many open, frequent, and respectful relationships across organisations. Collaboration is occurring, including for example some staff members spending a day a week at CEDA to help strengthen these relationships. Tensions arise from time to time, but no formal interventions have been required to date and it seems these relationships are being managed positively in general. However, some parties were very open with us about their own personal misgivings about CEDA's delivery. The refinement opportunities outlined below offer ways for these individual issues to be resolved.

Refinement opportunities

Partnership agreements can be used to help clarify expectations between CEDA and partner organisations and open up honest dialogue that could potentially resolve any existing or emerging issues. It is understood that there are already some partnership agreements in place and more to come and this approach should be retained and increased where possible.

Review the way in which the Lead Team functions. At the moment there are some mixed reviews about how effective it is. Consider having a formal agenda for Lead Team meetings or agreeing terms of reference for it, even if at an informal level.

Consider three-monthly reporting to the Joint Committee on CEDA activities – at the moment it can be six-months between updates and in the meantime some members of the Committee feel out of the loop. For efficiency, this reporting could involve circulation of written reports or minutes from existing regular meetings.

An Auckland Council CCO review (2020) noted that the lack of a senior-level person tasked with managing day-to-day relationships was an issue and has recommended this as an action to be undertaken. The current CEDA model already has the advantage of having a contract manager in PNCC and MDC to undertake these day-to-day relationship management issues. This approach should be retained.

Another recommendation of the Auckland CCO report that may be useful is for the governing body to spend half a day each year visiting each CCO to better understand its business and culture and to informally build relationships. This seems like something worth considering as it would help build understanding and relationships.

6.5 Council governance roles

It is clear that there is a high degree of passion for the city and region. Politicians rightly have strong feelings that CEDA should be delivering on the Statement of Intent. Some feedback was received which indicates that some councillors do not feel they have all the information they need in order to understand what CEDA is doing to deliver on the Statement of Intent. Despite the Statement of Intent process which provides an opportunity to set the strategic direction for CEDA, not all councillors support the focus of work being undertaken by CEDA.

One of the key advantages of a CCO model is that operational matters remain at arm's-length from councils and that there is a degree of political neutrality in operational decision-making. All the tools are there in the current model to ensure that the Joint Committee is able to provide a strong direction for CEDA to then implement. How CEDA implements this is not a governance role for the Joint Committee and this difference between governance and operational roles is not always well understood.

Refinement opportunity

Three-monthly updates to the Joint Committee would assist Councillors who are not in the Lead Team to have regular updates and to better understand what CEDA is focussing on. These updates could also be filtered down into other Council committees such as the PNCC Economic Development Committee. Alongside this, continued focus on providing training for councillors on the difference between operations and governance roles would assist.

6.6 Business buy-in

Whilst this high-level review has not been able to analyse in-depth the views that the business community holds of CEDA, there was clear from the feedback received that, overall, businesses understand and support the need for an EDA and RTO at arm's-length from Council. However, some feedback indicated that businesses do not feel that their views are taken into account by CEDA because CEDA's focus is on meeting the needs of their shareholders/funders. There was also a feeling that because of this focus on shareholder/funder demands, CEDA is having to focus more on short-term "quick-wins" rather than longer-term goals.

Refinement opportunity

Pre-consultation with a range of partners and stakeholders, including business, iwi and community representatives, prior to setting the Statement of Intent, could improve the approach for determining priorities and assist with business buy-in.

6.7 Extending shareholder membership

There seems to be conflicting ideas about whether CEDA would be able to be more effective (and cost-effective) if more shareholders came on board e.g. other TLAs in the Horizons region and/or other key partners and organisations with an economic development interest. This would increase opportunities for funding and scope of activities, with the expectation that this would increase impact. However, it might dilute what can be achieved and spread the focus too thinly across the region/different TLA areas, thereby not impacting greatly in any area. This would also likely introduce more political risk with greater potential for conflicting priorities.

Refinement opportunity

This option could be considered as part of a 'refined' status-quo but further work would be required to test it if there was an appetite for this.

7. Other issues outside the scope of the review

During the research and interviews conducted for this review, several issues were raised which are outside the scope of this review. It would appear that many of these issues could be addressed through existing mechanisms.

7.1 Funding

Some interview participants felt that the amount of funding was too high whilst others felt that it was too low. Other issues were raised around the short-term nature of the funding rounds from Council. This can make things such as leasing buildings or employing staff on longer-term contracts difficult to commit to, which limits the effectiveness of the operation and results in considerable stress for staff. Council is required to undertake budgeting through the annual and long term plan processes but do provide for 10-years' worth of funding within their long term plans.

An option that is already being looked at is to be clearer in the Statement of Intent about longer term priorities so that these can be worked on and embedded over time.

There is potential to look at other opportunities for funding. For example, in some places such as Hawke's Bay, Rotorua, Marlborough, Kaikoura, Hurunui, Mackenzie, West Coast, Dunedin, Central Otago and Queenstown amongst others there is RTO funding provided via targeted rates (Martin Jenkins Northland report).

7.2 Proportion of Funding and Shareholding

Some interviewees considered that the proportion of funding, when compared to the shareholding proportions, means that PNCC is paying more than its fair share. The agreed proportion is to be pro-rated based on population of the Palmerston North City Council and Manawātū District Council territories which is a commonly used approach. The rationale for this is that it fairly attributes the per capita contribution so that ratepayers in one district are not paying more than ratepayers in the other district on a per capita basis.

Note that clauses 5 and 6 of the Agreement in relation to Management of Service Agreement (22 December 2016) sets out that the funding of CEDA shall be determined between the parties (Palmerston North City Council and Manawātū District Council), with a dispute resolution process available should there be a dispute in relation to the contribution each party makes. This provides a route towards resolution of any concerns regarding proportionality of funding.

It is also important to note here that the shareholding proportion does not flow through into the day-to-day decisions of the CEDA Board. The CEDA Board members are not appointed as 'PNCC' or 'MDC' members – they represent the whole Manawātū/Palmerston North region.

7.3 Composition of the Board

Several interviewees had opinions as to the composition of the Board. There was general consensus that the Board membership offered an opportunity to improve outcomes, but there was no consensus as to the appropriate mix of Board members. Some felt that the Board should be exclusively made up of local people with a passion for the area, whilst others felt that there was a strong opportunity to leverage special skills and experts along with people who could exert national-level influence. There is already a policy in place (CEDA Appointment of Directors Policy, 10 August 2016) which sets out an objective and transparent process for the appointment of directors. The Joint Committee appoints directors on the recommendation of the Electoral College (which is made up of 3 members from PNCC, 3 from MDC (including each Mayor)).

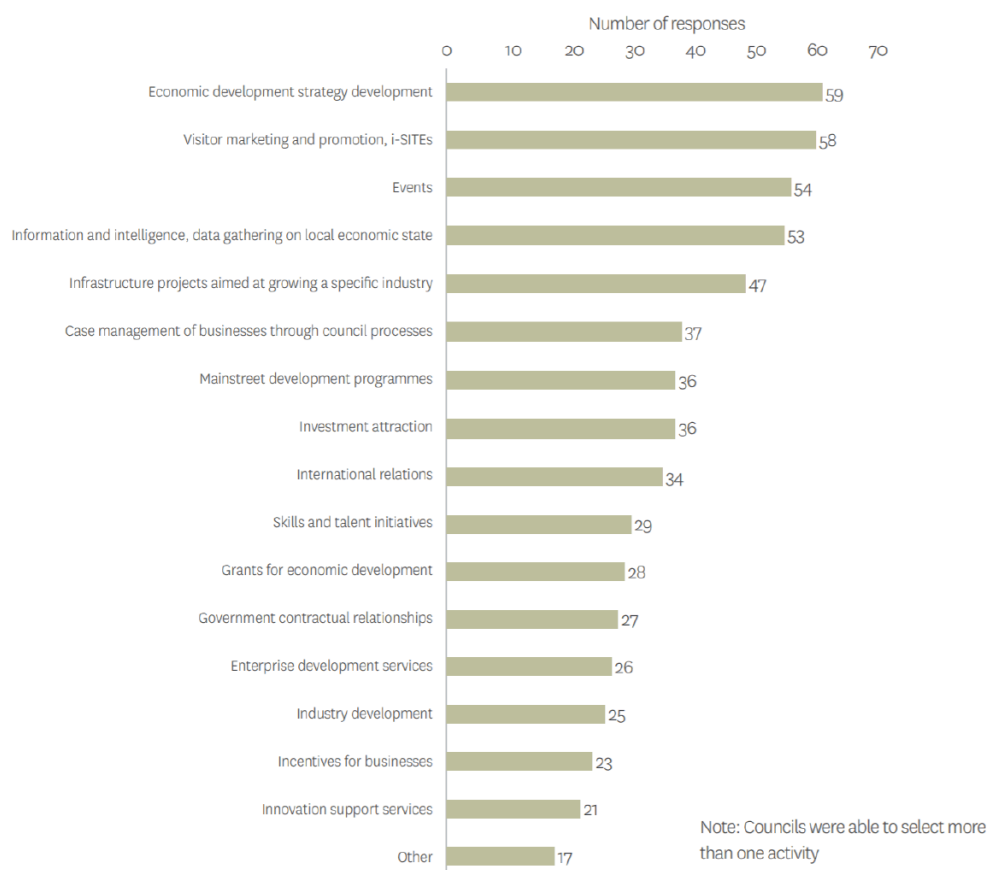
Again, the mechanisms are already in place to allow for changes to be made should this be required – however there needs to be a degree of trust in the process.

7.4 Definition of economic development activities

Economic development activities are notoriously difficult to define. At a national level it has been identified that there is a need for a common definition of economic development activities to attempt to address this (reference LGNZ and Henley Hutchings).

In LGNZ's survey of councils' economic development activities in late 2016, the below responses were received regarding the range of economic development services councils provide.¹⁰

¹⁰ Local Government New Zealand (2017) Better Economic Development in Local Government. p7.
<https://www.lgnz.co.nz/assets/Uploads/e73acda8f8/44475-LGNZ-Economic-Development-6-FINAL.pdf>



These results indicate that a wide range of activities fall under the economic development umbrella and that councils have differing views about what services actually support economic development. Combined with the result that less than half (49 per cent) of the survey respondents indicated that their council did not have a specific definition for economic development, it is not surprising that some councils may struggle to clearly understand what economic development entails.

LGNZ have identified that an economic development services toolkit for councils should be developed ('Improving local government investment into Economic Development Services in New Zealand', LGNZ, December 2018). This toolkit would include a reference set of services with supporting case-studies of best practice, guidance on the pros and cons of an RTO/EDA combined model, guidance on how to best support governance including letters of expectation, statements of intent and service level agreements and how they link to programme outputs and long term outcomes. It may be an option to pursue this with LGNZ to see if there is a current workstream looking at this issue. This would assist in resolving some of the issues that arise in relation to perceptions of cost-effectiveness and delivery by being clearer about the scope of "economic development activities".

8. Conclusions and Recommendations

Overall, our assessment is that the current model for governance, funding and delivery of the economic development activities (being the scope of activities currently undertaken by CEDA, including the EDA and RTO functions for the sub-region) is generally effective and we have not found any compelling evidence to indicate that an alternative model would be more cost-effective.

As outlined above, CEDA is effective in achieving the requirements of the Statement of Intent. CEDA has achieved a strong stakeholder satisfaction rating and stakeholders are generally impressed with stakeholder communications, and many feel that since the Covid-19 lockdown, CEDA has stepped up communication to another level.

Overall effectiveness when compared with other potential options is very favourable. CEDA is able to specialise and cover a range of economic development activities at arm's length from councils, and forge relationships and partnerships that would be harder with either in-house delivery or disparate organisations delivering different economic development activities.

It is important to note that the New Zealand literature indicates there is no 'perfect' or 'one-size-fits-all' approach to the provision of economic development activities in New Zealand – every model has its advantages and disadvantages. Even within similar models there will be differing issues that arise from time to time. Success comes down to how well the model is able to address issues as they arise.

The current model has been set up with a significant number of in-built mechanisms to ensure strategic alignment and to address issues as they arise, including:

- Contractual arrangements which cover matters related to probity, transparency and public accountability and dispute resolution procedures;
- Clear delegations to the Joint Committee;
- Regular reporting arrangements at multiple levels;
- Yearly Letter of Expectation and Statement of Intent processes.

It is important to note that these are early days in the establishment of an effective EDA/RTO. It can take years to get strategies in place and then see them gain momentum and start making a demonstrable difference. The fact that there are already strategies in place or in progress (e.g. draft Destination Management Plan, Talent Attraction and Retention Strategy, International Education Strategy, Manawātū Agritech Strategy, Inward Investment Strategy) is an important achievement in itself. CEDA is now in a phase where it could be expected that momentum will start to gather, and more significant changes will become evident. Making any significant changes to the governance, funding and delivery model at this point would likely slow down or stop any of the forward momentum.

We have identified several refinement options that could be considered in order to improve the operation of the model. Retaining the status quo would mean that CEDA could continue to build its capability and capacity and would mean little disruption in the delivery of economic development activities.

Any changes or refinements made will not guarantee success. The future success of CEDA in cost-effectively delivering economic development activities will be determined by the degree of co-operation and goodwill from the shareholders and buy-in from the business and wider community.

Refinement options we have identified include those listed below.

Delivery against Council expectations
There is an opportunity to utilise the statement of expectations under s64B of the LGA for the shareholding councils to specify how CEDA is to conduct its relationships with not only the shareholding local authorities, but with communities of those local authorities, iwi, hapū and other Māori organisations, etc.
Expectations and reporting
There is already a move towards ensuring that the Sol captures the medium and long term expectations of the councils more clearly.
There is an opportunity to investigate a reporting framework that allows for short, medium, and long-term outcomes to be reported separately. An example is the Great South annual report which specifically identifies short-term goals and long-term goals.
Review reporting arrangements to ensure that they are fit-for-purpose and meet shareholder and partner expectations.
Expectations should be specific, measurable, achievable, relevant and time-based.
RTO role alongside local marketing/promotion
CEDA and Council staff are already actively fostering closer relationships to ensure there is understanding of roles and to avoid duplication. This collaboration should continue as it is a key way to ensure that expectations between CEDA and the councils are being met.
Finalising and implementing the draft Destination Management Plan should also provide clarity. There is a visitor campaign coming out in the next few weeks (November 2020) which will also provide further clarity.
In finalising the draft Destination Management Plan, and in any future planning, it will be important, as part of a partnership approach, for the shareholding councils to be closely involved in developing plans and strategies. It is also noted that under section 64A of the Local Government Act shareholders of a CCO may require the organisation to prepare and deliver additional plans including thematic plans. The requirement can specify delivery dates for these plans.
Events
CEDA is preparing a draft Conference and Business Events Sector Strategy. This will assist with clarifying roles and responsibilities. This is being developed in consultation with stakeholders from within and outside the region, including venues, accommodation providers, professional conference organisers and industry bodies.
Grass-roots business activities
There may be an opportunity to develop clearer roles and responsibilities – perhaps through a communications strategy or a heads of agreement between councils, CEDA, Feilding and District Promotion, and Manawātū Chamber of Commerce, followed up by a clear set of guidelines for members of the public and the business

community so that there is more clarity about where to go for services and who funds and who delivers different services.

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Review the way in which the Lead Team functions. At the moment there are some mixed reviews about how effective it is. Consider having a formal agenda for Lead Team meetings or agreeing terms of reference for it, even if at an informal level.

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An Auckland Council CCO review (2020) noted that the lack of a senior-level person tasked with managing day-to-day relationships was an issue and has recommended this as an action to be undertaken. The current CEDA model already has the advantage of having a contract manager in PNCC and MDC to undertake these day-to-day relationship management issues. This approach should be retained.

Another recommendation of the Auckland CCO report that may be useful is for the governing body to spend half a day each year visiting each CCO to better understand its business and culture and to informally build relationships. This seems like something worth considering as it would help build understanding and relationships.

Council governance roles

Three-monthly updates to the Joint Committee would assist Councillors who are not in the Lead Team to have regular updates and to better understand what CEDA is focussing on. These updates could also be filtered down into other Council committees such as the PNCC Economic Development Committee. Alongside this, continued focus on providing training for councillors on the difference between operations and governance roles would assist.

Business buy-in

Pre-consultation with a range of partners and stakeholders, including business, iwi and community representatives, prior to setting the Statement of Intent, could improve the approach for determining priorities and assist with business buy-in.

Extending shareholder membership

This option could be considered as part of a 'refined' status-quo but further work would be required to test it if there was an appetite for this.

Attachments

Attachment One: Section 17A of the Local Government Act 2002

Section 17A Delivery of services

- (1) A local authority must review the cost-effectiveness of current arrangements for meeting the needs of communities within its district or region for good-quality local infrastructure, local public services, and performance of regulatory functions.
- (2) Subject to subsection (3), a review under subsection (1) must be undertaken—
 - (a) in conjunction with consideration of any significant change to relevant service levels; and
 - (b) within 2 years before the expiry of any contract or other binding agreement relating to the delivery of that infrastructure, service, or regulatory function; and
 - (c) at such other times as the local authority considers desirable, but not later than 6 years following the last review under subsection (1).
- (3) Despite subsection (2)(c), a local authority is not required to undertake a review under subsection (1) in relation to the governance, funding, and delivery of any infrastructure, service, or regulatory function—
 - (a) to the extent that the delivery of that infrastructure, service, or regulatory function is governed by legislation, contract, or other binding agreement such that it cannot reasonably be altered within the following 2 years; or
 - (b) if the local authority is satisfied that the potential benefits of undertaking a review in relation to that infrastructure, service, or regulatory function do not justify the costs of undertaking the review.
- (4) A review under subsection (1) must consider options for the governance, funding, and delivery of infrastructure, services, and regulatory functions, including, but not limited to, the following options:
 - (a) responsibility for governance, funding, and delivery is exercised by the local authority;
 - (b) responsibility for governance and funding is exercised by the local authority, and responsibility for delivery is exercised by—
 - (i) a council-controlled organisation of the local authority; or
 - (ii) a council-controlled organisation in which the local authority is one of several shareholders;or
 - (iii) another local authority; or
 - (iv) another person or agency;
 - (c) responsibility for governance and funding is delegated to a joint committee or other shared governance arrangement, and responsibility for delivery is exercised by an entity or a person listed in paragraph (b)(i) to (iv).
- (5) If responsibility for delivery of infrastructure, services, or regulatory functions is to be undertaken by a different entity from that responsible for governance, the entity that is responsible for governance must ensure that there is a contract or other binding agreement that clearly specifies—
 - (a) the required service levels; and
 - (b) the performance measures and targets to be used to assess compliance with the required service levels; and
 - (c) how performance is to be assessed and reported; and
 - (d) how the costs of delivery are to be met; and
 - (e) how any risks are to be managed; and
 - (f) what penalties for non-performance may be applied; and

- (g) how accountability is to be enforced.
- (6) Subsection (5) does not apply to an arrangement to the extent that any of the matters specified in paragraphs (a) to (g) are—
 - (a) governed by any provision in an enactment; or
 - (b) specified in the constitution or statement of intent of a council-controlled organisation.
- (7) Subsection (5) does not apply to an arrangement if the entity that is responsible for governance is satisfied that—
 - (a) the entity responsible for delivery is a community group or a not-for-profit organisation; and
 - (b) the arrangement does not involve significant cost or risk to any local authority.
- (8) The entity that is responsible for governance must ensure that any agreement under subsection (5) is made publicly available.
- (9) Nothing in this section requires the entity that is responsible for governance to make publicly accessible any information that may be properly withheld if a request for that information were made under the [Local Government Official Information and Meetings Act 1987](#).

Section 17A: inserted, on 8 August 2014, by [section 12](#) of the Local Government Act 2002 Amendment Act 2014 (2014 No 55).

Attachment Two: CEDA outcomes 2019-20

Inward Investment – Outcomes 2019-20

Implementation of inward investment strategy with regional partners, targeting the Agriculture and Distribution & Logistics sectors, and the attraction of Conference and Business Events that bring economic benefit to the region

Measures	Outcomes	Impact	Investment
<ul style="list-style-type: none"> Investment Profile for the region developed and opportunities identified 12 bids prepared/supported with a 30% success rate 	<ul style="list-style-type: none"> Development of the investment profile through market research with Colmar Brunton to understand the decision-making factors of investors, business and talent. Supported key regional infrastructure projects including KiwiRail Regional Freight Hub, a potential investment in hydrogen technology, the Bio-forestry initiative, an apparel company, and investment interest by a bio-pharmaceutical company. Central North Island Freight Precinct Strategy. Including the precinct includes the KiwiRail Regional Freight Hub, the North East Industrial Zone, Palmerston North Airport, and the planned regional ring road. CEDA led the industry and landowner engagement component of this project. Te Āpiti - Manawātū Gorge application for capability funding from the Provincial Growth Fund to develop a business case and source funding options for a catalyst project such as built infrastructure to enhance the visitor offering. Six conference bids were supported, with two bids won. Attraction of a two-and-a-half-week business meeting to Manawātū. Development of a draft Manawātū Conference and Business Events Strategy has been finalised for discussion with stakeholders. A Conference Bid Template has been finalised to ensure consistency and standards in terms of regional bids. 	<p>PGF investment Bio-forestry initiative \$380,000</p> <p>Potential inward investment to the region totalling over \$26.5 million</p> <p>Strategic Tourism Asset Protection funding of \$700,000</p> <p>PGF Funding Te Āpiti initiative received \$15,000</p> <p>Conference bids won estimate value to the region of \$594,000</p>	\$680,632

Business Retention and Expansion – Outcomes 2019-20

Develop and grow businesses by delivering information, advice and support, and facilitate access to specialist innovation, business development and start up expertise

Measures	Outcomes	Impact	Investment
<ul style="list-style-type: none"> 400 businesses supported to grow through the Regional Business Partner Programme (15 that identify as Māori) 150 businesses supported through CEDA additional support services incl access to government support Deliver 10 start up clinics to support new business 40 Referrals to the Chamber and The Factory Attraction of 90 start ups to enter the Innovate programme supporting 7 businesses to start or accelerate Support provided the 'Sprout' Agritech Accelerator 	<ul style="list-style-type: none"> 641 business supported, including 38 that identify as Māori. Engagements consisted of capability development, business mentor matches and COVID-19 impact support. 378 businesses including 27 that identified as Māori were supported to help with the impacts of COVID-19 (March to June 2020). A large number of businesses were supported through the Navigating COVID-19 webinar series which had 762 participants, and Visitor Sector support webinars which had 96 registrations. 141 businesses supported, including Start up Workshops, Lean Workshops, Innovation Ecosystem breakfast, Tourism Operator support, Builders and Designers Seminar, and Provincial Growth Fund application. 7 Start up clinics held 44 Referrals to The Factory and Manawatu Chamber of Commerce Innovate programme delivered by The Factory with 77 entries, with 8 businesses supported Global Sprout Agritech Accelerator funded with 27 shortlisted companies from 127 applications Brave New Thinkers supported, developing entrepreneurial young talent during NZ Business Week 	<p>\$854,918 in business capability development</p> <p>\$850,510 research and development grants for business</p> <p>782 businesses supported to grow</p> <p>27 agri businesses accelerated</p> <p>8 innovative start ups accelerated</p>	\$1,020,691

Business Retention & Expansion (Sector Development) – Outcomes 2019-20

Assess and support opportunities for growth through key business engagement, cluster development and sector strategies and relationships with Māori, and Retain businesses in the region through engagement and identification of barriers to growth

Measures	Outcomes	Impact	Investment
<ul style="list-style-type: none"> Implement the Visitor and Agritech sector strategies 	<ul style="list-style-type: none"> Manawātū Destination Management Plan framework was completed following extensive community, stakeholder, and iwi consultation. Agritech Strategy completed and implementation commenced with The Factory on the three-year implementation plan including: <ul style="list-style-type: none"> Global Agrifood Hub communications planning, including national media coverage of the agritech strategy launch and National Business Review feature interview Roaming networker programme funded by CEDA and delivered by Sprout Massey University Hort Immersion Programme in place Sprout Accelerator programme delivered, and Agritech technology incubator approved by Callaghan Innovation. Sprout Accelerator start-up pop up hub trialled Transformation awards delivered by Sprout – 37 entrants and 6 finalists AgTech Hakathon delivered digitally by The Factory FoodHQ event held to showcase local food producers to central government 	<ul style="list-style-type: none"> Māori Tourism Working Group established Targeted 3-year Strategy for the Conference and Business Events Sector 8 trials of Agritech by farmers \$1.6M of R&D Grants to Companies 6 New companies created 360 Academic Articles Published \$12.4M Total capital invested into companies 15 new Māori Appointments 2 new tertiary courses 681 high school students in Agritech classes 	\$455,795

Business Retention & Expansion (Sector Development) – Outcomes 2019-20

Assess and support opportunities for growth through key business engagement, cluster development and sector strategies and relationships with Māori, and Retain businesses in the region through engagement and identification of barriers to growth

Measures	Outcomes	Impact	Investment
<ul style="list-style-type: none"> Deliver NZ AgriFood Week 3 CEDA ag sector events, event stakeholder satisfaction of 80% 	<ul style="list-style-type: none"> The New Zealand AgriFood Week Three-year Foundational Strategy was completed, resulting in a deepend events programme and alignment with Agritech strategy in developing the agritech sector. New Zealand AgriFood Week 2020 planning completed (event postponed). The planned event saw the highest partner and event participation to date: <ul style="list-style-type: none"> Launched brand new NZAFW website and event app Facebook audience grew by 30% 1,200 people purchased or RSVP'd to attend the event The number of events increased from 15 in 2019 to 20 in 2020 Four international speakers secured 	<ul style="list-style-type: none"> Social media reach of 130,000 Gained Ministry of Primary Industries financial support \$5K 	\$129,593

Building a Talent Pipeline (Talent & Skills Attraction and Retention) – Outcomes 2019-20

Understanding the future of work, implementing the Talent & Skills Attraction & Retention Strategy, driving the development of skills in the region, supporting linkages to job opportunities, implementation of actions from primary sector skills gap analysis, and increasing the value of international students in the region, enhancing the student experience and increasing their employability

Measures	Outcomes	Impact	Investment
<ul style="list-style-type: none"> Talent attraction and retention strategy and action plan developed, and implementation initiated Support provided to the development of the National Driving Training Centre and Talent Central employment hub 	<ul style="list-style-type: none"> Talent Attraction and Retention Strategy developed, including co-designing the action plan, which will be implemented in July 2020. A Primary Sector Skills Shortage Action Plan developed, and is in the process of getting feedback, for implementation in 2020. A Response and Recovery Plan has been drafted with a focus on Making Employment and Experience Matter and an associated ecosystem map. CEDA partnered with NxtStep, a leading graduate employment and careers platform in New Zealand to create a dedicated Manawātū recruitment platform to attract tertiary graduates and highlight the regions lifestyle and employment opportunities. Support including funding was provided to Talent Central to continue to develop the Work Ready Portfolio and further the brokerage service between secondary schools and employers. Support provided to the National Driver Training Centre and the Special Projects Skills Hub through participation in their advisory group, and involvement in Sort It, building on identified future employment opportunities in the region. 	Over 3,600 views of NxtStep Manawātū, 13 businesses listed, 12 blogs created, 84 applications generated in June.	Total Talent & Skills investment of \$498,721

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Measures	Outcomes	Impact	Investment
<ul style="list-style-type: none"> Deliver the Sort It Careers Expo with 70+ exhibitors Deliver 5 key engagement activities through Te Aho Tāmaka Develop a Manawātū future of work project, in collaboration with Massey, UCOL, employers and Infometrics 	<ul style="list-style-type: none"> The Sort It Careers Expo (Sort-It Online) delivered in response to COVID-19, new website and app were launched. 37 webinars were hosted involving 20 providers/study options, 31 employers, focused on regional sectors of strengths 12 Te Aho Tāmaka engagements were delivered, including webinars Manawātū future of work research into best practice completed and a project plan developed 	<p>Sort It Webinars reach of 362 viewers</p> <p>Four new Te Aho Tāmaka Leaders inducted into the programme</p> <p>187 attendees at Te Aho Tāmaka engagements</p> <p>Te-Aho Tāmaka Webinars reach of 500 viewers</p>	Total Talent & Skills investment of \$498,721

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Measures	Outcomes	Impact	Investment
<ul style="list-style-type: none"> Implement annual workplan as agreed with the International Education Leadership Group 	<ul style="list-style-type: none"> International Education Leadership Group meetings held. Continued focus on marketing the region as an international study destination of choice, student experience and employability. A Response and Recovery Plan has been drafted with a focus on Regenerating International Education and an associated ecosystem map for implementation in 2020-21. Digital campaign with Education International Cooperation (EIC), which directly targeted Chinese students from secondary through to tertiary age. This campaign consisted of two live webinars and online content pieces shared through EIC channels including a 'demo class' video that showcased what a classroom in Manawātū is like. 	<p>The Hokkaido Board of Education visited Feilding High School, hosted by Education NZ are looking into a long-term student exchange programme with the region</p>	<p>Total Talent & Skills investment of \$498,721</p>

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Understanding the future of work, implementing the Talent & Skills Attraction & Retention Strategy, driving the development of skills in the region, supporting linkages to job opportunities, implementation of actions from primary sector skills gap analysis, and increasing the value of international students in the region, enhancing the student experience and increasing their employability

Measures	Outcomes	Impact	Investment
<ul style="list-style-type: none"> Deliver 6 cross institutional engagement activities enhancing the student experience Deliver employability workshop(s) with 100+ International tertiary student participation Individually assist 20+ students into local employment opportunities 	<ul style="list-style-type: none"> Six cross institutional student engagement activities held Development of social media engagement, through @StudentCityPN and Youth Space Application submitted for funding from Education New Zealand for a pilot Regional Retention and Student Experience Programme, to connect international students with future learning and employment pathways. Employability resources have been developed. Agreement has been confirmed with partners for delivery of the tools to students and employers between July and October 2020. 30+ students have gained work integrated learning opportunities through Callaghan Innovation funded initiatives. 	<p>400+ students engaged in student experience activities</p> <p>Awarded funding from Education New Zealand for a pilot Regional Retention and Student Experience Programme. \$17,000 funding secured</p> <p>30 students given employment opportunities</p>	<p>Total Talent & Skills investment of \$498,721</p>

Lead and develop the stories of Manawatū, creating a narrative and a unified positioning, incorporating the cultural heritage of iwi, and leading the creation of targeted regional content showcasing our regions strengths, and grow engagements on web and social media increasing promotion and information on the region

Measures	Outcomes	Impact	Investment
<ul style="list-style-type: none"> Implement the Regional Identity project outcomes 18 direct media features profiling the region 10% increase in sessions on ManawatuNZ website 10% increase in engagement across social media changes 	<ul style="list-style-type: none"> Second phase of Regional Identity research undertaken providing insights for CEDA's work in inward investment and development of a Business Retention Strategy Move to Manawatū campaign delivered 56 direct media features of the city and region achieved, and 7 indirect features ManawatuNZ 8.78% decrease in sessions, contributed to by impact of COVID-19 13 tailored content pieces developed to provide support, inspiration and positive stories during the impacts of COVID-19 Choose Manawatu campaign/initiative on ManawatuNZ Palmerston North City & Manawatū Facebook followers up 15.8% My Manawatū Facebook followers up 11.5% Manawatu_NZ Instagram followers up 32.6% 	<ul style="list-style-type: none"> 3,511,943 reach through direct media features (across print digital, radio and video) Digital campaign reach of 290,547 229,586 unique visitors on ManawatuNZ Social media following of 29,030 	\$295,524

Leading Economic Growth through Partnerships:

- Continuing to build on relationships with shareholders, central government agencies, key regional stakeholders, local iwi and Māori, and business support groups through the stakeholder engagement plan
- Economic impact information regularly communicated to stakeholders and business, including iwi and Māori business sector

References

CEDA documentation:

- CEDA Constitution
- Appointment of Directors Policy
- CEDA Management of Service agreement
- CEDA Service Funding agreement
- Funding agreement between PNCC, MDC and CEDA
- Shareholders' agreement
- UMR CEDA Stakeholder study, Qualitative report, August 2020

CEDA Statement of Intent for year ending 30 June 2021

Draft Manawatū Conference and Business Events Strategy (2020/21 – 2022/23)

Economic Development Service Delivery Options, Morrison Low 2014

Economic Development Strategy, Palmerston North, 2018

Future Challenges and opportunities in Regional Economic Development in New Zealand - A national research project, Henley-Hutchings, 2019

Growing Manawatū, Manawatū District Council Economic Development Strategy, 2017

Improving local government investment into Economic Development Services in New Zealand', LGNZ, December 2018

Local Government Economic Development Arrangements in the Wellington Region, Final report, Martin Jenkins, 2016

Local Government Funding and Financing, Productivity Commission 2019

Manawatū 2025 – draft Destination Management Plan – CEDA

Review of Auckland Council's council-controlled organisations – report of Independent Panel, July 2020

Review of Economic Development Arrangements in Northland, Martin Jenkins 2017

Review of Marlborough Economic Development, Martin Jenkins 2018

S17A review for Economic Development and Tourism – Report to Ashburton District Council, McGredy Winder, 2016

Service delivery reviews – conducting a service delivery review under section 17A of the Local Government Act 2002, SOLGM September 2015

Using Land for Housing Final report, Productivity Commission 2015

What Works? A report for Wellington City Council on getting the best from council-controlled organisations, 2012

Interviewees:

- Palmerston North City Council Mayor
- Manawatū District Council Mayor
- Palmerston North Deputy Mayor/Economic Development Committee Chairperson and Deputy Chairperson
- Manawatū District Council Deputy Mayor
- Palmerston North City Council Chief Executive
- Manawatū District Council Chief Executive
- CEDA Chair
- CEDA CEO and Finance Manager
- Feilding and District Promotion
- Manawatū Chamber of Commerce
- Federated Farmers

Joint Strategic Planning Committee

Meeting of 10 December 2020

Business Unit: Community and Strategy

Date Created: 19 November 2020

CEDA Statement of Expectations

Purpose

The purpose of this report is to seek approval for the 2021-2022 Statement of Expectations for the Central Economic Development Agency Limited (CEDA).

Significance of Decision

Neither Council's Significance and Engagement policy is triggered by matters discussed in this report.

Recommendations

- 1 That the Joint Strategic Planning Committee approves the proposed 2021-2022 Statement of Expectations for the Central Economic Development Agency Limited.
- 2 That the Mayor and Chief Executive of the Manawātū District Council and the Mayor and Chief Executive of the Palmerston North City Council be delegated authority to approve amendments to the Statement of Expectations prior to the document being signed, including:
 - a) greater specificity regarding the destination marketing and regional tourism functions of CEDA.
 - b) the way in which CEDA collaborates with Palmerston North City Council to profile and market Palmerston North.

Report prepared by:

Brent Limmer

General Manager Community and Strategy

Manawātū District Council

David Murphy

Acting General Manager Strategy and Planning

Palmerston North City Council

Approved for submission by:

Brent Limmer

General Manager - Community and Strategy

1 Background

- 1.1 Since the inception of CEDA both Councils have jointly issued a Letter of Expectations. A change to the Local Government Act (2002) now calls it a Statement of Expectations.
- 1.2 The purpose of a Statement of Expectations is to provide CEDA with the Shareholders' focus and priorities for delivery, against its purpose of driving and facilitating the creation and growth of economic wealth in the Manawātū region and beyond.
- 1.3 The 10th September 2020 Joint Strategic Planning Committee Workshop considered the content of the Statement of Expectations.

2 Discussion and Options considered

- 2.1 The Proposed Statement of Expectations is attached. It covers:

- Strategic Relationships
- Strategic Priorities of inward investment, developing a talent pipeline, international education, and domestic visitation.
- Indicators of the health of the regional economy
- Stakeholder engagement

CEDA: Destination Marketing and Regional Tourism Functions

- 2.2 Following consideration of the draft section 17A report from GMD consultants at a joint workshop on 10 November 2020, the PNCC members of the Joint Strategic Planning Committee directed the PNCC Chief Executive to investigate delivering the destination marketing and regional tourism functions for Palmerston North in-house at PNCC. At present CEDA delivers these functions jointly for Manawātū and Palmerston North. PNCC members expressed concern that Palmerston North was not being sufficiently profiled and marketed by CEDA, particularly given the size of Palmerston North and the PNCC funding contribution to CEDA. As a result of this direction from PNCC members, Jason Hill of Meneth Consulting was engaged to investigate in-house delivery by PNCC.
- 2.3 The Meneth Consulting report recommends:
 - That PNCC delays the decision to take the destination marketing function in-house or not for 1 year, keeping the current structure and funding in place with CEDA, BUT giving very clear guidance in the pending Letter of Expectation on what they expect CEDA to deliver on, and the performance indicators that would be attached.
 - Move the regional narrative to a "Palmy and Manawātū" message domestically and provide CEDA access to the Palmy brand assets and guidelines.
 - Review CEDA's performance in one year's time, buying time to monitor the COVID-19 situation, and possible future changes to government policy and funding for regional tourism, which might negate another substantial change in structure and focus within a few years' time.

- 2.4 In making the recommendations above, the Meneth Consulting Report identified the following major considerations:
- What would the **measurable benefits** be of bringing the destination marketing function in house, given the city already receives 90% of visitor spend in the wider Manawātū region?
 - **The impact on CEDA** as the regional EDA (and RTO) and the current level of integrated thinking, branding and activity across sectors which was only put together 4 years ago.
 - **The timing** of the proposal given the uncertainty surrounding Covid, the pending CEDA Letter of Expectation for next year, and the government funding and agreement in place with CEDA dedicated to domestic marketing and management and events.
 - **Potential future government funding models for regional tourism** such as a levy on all commercial accommodation, that is given back to the RTOs from where it was collected, and which might negate the requirement for rates based council funding in the future.
 - **The views of external stakeholders and partners interviewed** to the proposal which were strongly in favour of maintaining the current model.
 - **The cost**, or perceived waste in undoing the investment over the last 4 years put into CEDA.
 - **Regions with a similar make up** (a city with a surrounding rural area) and structures are **building regional brands** successfully (Hamilton and Waikato, Tauranga and Bay of Plenty, Whangarei and Northland, Invercargill and Southland, and even greater Auckland).
 - Could the existing **PNCC communications team do more** to give external exposure to the new brand if that is what is desired?
- 2.5 For the reasons outlined in the Meneth Consulting report, it is recommended that the Mayor and Chief Executive of the Manawātū District Council and the Mayor and Chief Executive of the Palmerston North City Council be delegated authority to approve amendments to the Statement of Expectations prior to the document being signed, including amendments that provide greater specificity regarding the destination marketing and regional tourism functions of CEDA, in particular the way in which CEDA collaborates with Palmerston North City Council to profile and market Palmerston North.
- 2.6 A copy of the Meneth Consulting report is attached as Attachment 2.
- 3 Operational Implications**
- 3.1 CEDA uses the Statement of Expectations as a key input into the development of its Statement of Intent. The draft statement of intent must be delivered on or before 1 March 2021.
- 4 Financial implications**
- 4.1 Each Council makes budgetary provision for the contracted services from CEDA.

5 Statutory Requirements

- 5.1 Prior to November 2019 there were no Statement of Expectations provisions in the Local Government Act (2002). A Letter of Expectations has been prepared for CEDA each year as a matter of good practice. Section 64B now states that “The shareholders in a council-controlled organisation may prepare a statement of expectations”.
- 5.2 Section 64B (3) obliges both Councils to publish the Statement of Expectations on their internet sites.

6 Delegations

- 6.1 In relation to the Central Economic Development Agency Limited (CEDA), the Joint Strategic Planning Committee has the following functions, powers, and duties under the Local Government Act 2002 and/or the Companies Act 1993:
- To adopt a policy that sets out the process for the identification, appointment and remuneration of directors;
 - To appoint and remove a person or persons to be directors of CEDA;
 - To approve the remuneration to be paid to directors of CEDA;
 - To undertake performance monitoring of CEDA, as per section 65 of the Local Government Act 2002;
 - To agree with the Statement of Intent of CEDA or, if the Joint Committee does not agree, to take all practical steps to require a Statement of Intent to be modified, as per section 65 of the Local Government Act 2002.
 - To receive the half yearly report of CEDA, as shareholder;
 - To receive the Annual Report of CEDA, as shareholder.
- 6.2 The previous Letters of Expectation have been approved by the Joint Strategic Planning Committee as they are implicitly part of the Statement of Intent process which the Committee has explicit delegated authority to process. This Statement of Expectations is being presented to the Committee in continuation of that process. There would be value in the delegation to the Committee being updated to explicitly include the consideration of the Statement of Expectations.

7 Consultation

- 7.1 There is no consultation required for this report. CEDA have been consulted in the development of the proposed Statement of Expectations.

8 Cultural Considerations

- 8.1 There are no cultural considerations associated with this report.

9 Conclusion

- 9.1 It is recommended that the proposed Statement of Expectations is approved. The Committee may wish to refine the Statement of Expectations.

10 Attachments

- Proposed Statement of Expectations – CEDA
- Meneth Consulting Report: A review of Palmerston North City Council's investment in CEDA for destination branding, marketing, and the regional tourism organisation function.

Attachment 1

Draft Statement of Expectations 2021-2022

The purpose of this Statement of Expectations is to provide CEDA with the Shareholders' focus and priorities for delivery, against its purpose of driving and facilitating the creation and growth of economic wealth in the Manawatu region and beyond.

When working beyond the Manawatu, there must be a causal link of the outcomes or benefits back to the Manawatu region based on the core functions and measures of success outlined below.

It is also expected that CEDA will use this letter to guide the development of the Statement of Intent (SOI) for 2021-2022.

Strategic Relationships

Taking a leadership position and building strategic relationships in the Manawatu region and beyond, is fundamental for CEDA to achieve its purpose. CEDA must be relationship-driven at all levels and we appreciate your commitment to this. From our perspective (both as shareholders and partners), this means CEDA developing a deep understanding of the roles of its strategic partner organisations, what their priorities and strengths are, and how CEDA can add value to the relationship (and vice versa) to achieve better economic outcomes for the region.

CEDA formalising these strategic relationships, is important to us as shareholders, to ensure we have cohesion in the region around economic development activities. We would like this to be driven further by CEDA through mutually agreed partnership agreements or similar, to ensure everyone is on the same page and provide the basis for a consistent and collective approach with measurable outcomes.

Ongoing review of the existing strategic partnership agreements already in place is expected.

The shareholders have identified the following strategic partners for CEDA: Palmerston North City Council, Manawatu District Council, Iwi, Manawatu Chamber of Commerce, the International Education Sector including tertiary institutes and schools, Talent Central, The Factory, and key central government agencies.

The Shareholders and CEDA will continue to work together to update the existing list of strategic partners.

There may be opportunities for CEDA to leverage existing strategic relationship agreements entered into by the shareholders, e.g. Councils and NZ Defence Force.

Key Agreed Functions and Outcomes

We understand that to be effective, CEDA must be able to focus on key outcomes within a well-defined mandate. We also recognize this is a challenge given historical expectations and activities undertaken by CEDA's antecedent organisations, along with differing stakeholder expectations.

This means CEDA focusing on the delivery of its core functions and outcomes in:

- Inward investment (both national and international), retention and expansion of business in the Manawatu region, along with survival and recovery of businesses due to COVID-19.
- Developing a talent pipeline,
- International Education, and
- Domestic Visitation (due to impacts from COVID-19).

The shareholders expect International Education to be a strategic priority encompassing a commitment to support recruitment, marketing, the student experience, employability, and the maintenance of existing and new partnerships. CEDA are expected to advocate and work on returning the International Education market. This focus area is to be measured and regularly reported to the shareholders.

Action plans to deliver on these core functions should identify KPIs based on clear intervention logic.

As we have discussed, it is expected that CEDA will work very closely with key stakeholders of the regions strengths of research/agri-food/agri-business/land/horticulture, distribution and logistics, defence, health, visitor, education (domestic and international), digital and technology, and a growing Maori economy.

CEDA is expected to scan for new opportunities, whether or not it is a key strength, where this can benefit the region.

CEDA's success will be measured by the shareholders using the following indicators of the health of the regional economy:

- Job growth

- Increase in median household income
- Number of investment leads and deals secured
- Strength of the relationship with strategic partners

The shareholders acknowledge that the first two measures are not directly under CEDA's control. Significant changes in international and national economic factors will be taken into account when the Shareholders measure CEDA's performance.

Understanding the strategic drivers of the Councils and aligning CEDA's core functions to those drivers is critical to the partnership between the Councils and CEDA. The Councils have a key role in setting the economic environment for business to flourish and CEDA acts on the Councils behalf in facilitating opportunities for improved economic outcomes. CEDA is the Councils Agency for the delivery of economic development across the region.

Therefore, it is expected that CEDA will engage with the Councils in the development and implementation of their strategies and plans (such as Inward Investment Strategy, Labour Market Plan, Visitor Strategy and Māori Engagement Plan). These strategies and plans are expected to demonstrate active engagement with other strategic partners in their development.

The Councils are obliged to ensure that our services are delivered effectively and efficiently. As a Council-Controlled Organisation (CCO), this expectation extends to CEDA. The Shareholders require CEDA to provide an activity-based budget so the Council can effectively communicate levels of service and value for money to their ratepayers. In addition, there are many opportunities where shared resourcing, expertise and services should be explored and we would like to discuss these opportunities from both a short-term and long-term perspective.

To ensure the Shareholders and CEDA are on the same page, the focus, scope of activity, and priorities will be set through the Statement of Intent (SOI), and delivery managed through any relationship agreement that is put in place.

The Shareholders would like to continue the monthly team meeting between the Mayors, Council CE's and relationship managers with the CEDA Chair and CE.

The Shareholders would like a quarterly slot on your Board agenda to further build relationships and understanding.

The Shareholders will invite CEDA to report quarterly to the Joint Strategic Planning Committee.

We look forward to working with CEDA to develop an economic development model that successfully delivers. We thank the Board, CEDA CE, and CEDA staff for their continued commitment to economic growth in the Manawatu region.



Executive Summary and Recommendations

This report is to test the desire of Palmerston North City Council (PNCC) to bring the destination and branding of the city in house, and leave the Central Economic Development Agency (CEDA) to focus purely on regional economic development.

The current tourism landscape in New Zealand and across the globe is in a state of turmoil following the impacts of Covid-19 on travel domestically and internationally. The industry has gone from rapid growth and challenges of “over tourism” in places, to severe depletion with not enough tourists or spending to sustain businesses economically.

This period of turmoil is being used as a time to reset, rethink, and plan for a better way of managing tourism in the future. Regional Tourism Organisations (RTO) that used to focus solely on marketing and promotion, now have a much broader mandate as destination management planning becomes widely implemented and RTOs become Destination Management Organisations (DMO).

DMO's take a more holistic approach to tourism endeavouring to manage and protect the natural environment from the impact of visitation, support local resident aspirations around social outcomes, and continue to market the region to ensure economic sustainability as well.

There are currently numerous RTO funding models and structures around New Zealand and it is a very complex landscape. Having 31 RTO's in New Zealand is viewed by most in the sector to be too many to do an effective destination marketing and management job, and there is a desire to reduce this number.

A number of senior people in stakeholder and partner organisations were interviewed about this proposal including CEDA, Manawatu District Council, Regional Tourism NZ, and Air NZ. Three other RTOs models were looked at as comparisons and these were Northland Inc, Tourism Bay of Plenty, and Central Otago Tourism.

Feedback from stakeholders and partners on the proposal was varied but all coming to the conclusion that now is not the best time to be making such a big decision, there are still a lot of unanswered questions such as “What is the evidence base to make a change? What are the expected benefits to PNCC and the Manawatu region?”

Palmerston North City already receives 90% of visitor spend in the wider Manawatu region (whilst contributing 75% of funding to CEDA), which pre-Covid was made up of 16% international and 84% domestic, so the focus should be now and into the future on influencing the domestic market.

The government lead Tourism Futures Taskforce is currently exploring ways to rest the way we manage and market tourism in New Zealand. One of the key areas being looked at is destination management funding and where this should come from. There is a growing view that a greater portion of this should come from user pays sources such as levies. A national wide tourism levy on all commercial accommodation is one solution that seems to be getting more traction than previously at a government level.

If a tourism levy (sales tax) becomes a reality and is distributed back to the regions it was collected from, it is likely that this would be granted to regional RTO's with MBIE approved destination management plans. It is expected that this would substantially increase the local funding available for destination management and marketing in this region.

CEDA has recently received \$700,000 from MBIE to support domestic marketing and encourage destination management post the Covid lockdown experienced during 2020. This funding runs thorough to December 2021 and there is an additional \$1m allocated for events in the Manawatu. Whanganui, and Taranaki regions. This MBIE funding was granted to RTOs on the basis that local council funding must remain the same as the previous financial year so the proposal would put this agreement in jeopardy.

The options available to PNCC are

1. Status quo
2. Delay the decision on this proposal by one year, reframe the letter of expectation giving clear direction, and set new KPIs.
3. Proceed with the proposal to bring the city/region destination marketing in house

Recommendation

- **That PNCC delays the decision to take the destination marketing function in house or not for 1 year, keeping the current structure and funding in place with CEDA, BUT giving very clear guidance in the pending Letter of Expectation on what they expect CEDA to deliver on, and the performance indicators that would be attached.**
- Move the regional narrative to a “Palmy and Manawatu” message domestically and provide CEDA access to the Palmy brand assets and guidelines
- Review CEDA’s performance in one years time, buying time to monitor the Covid situation, and possible future changes to government policy and funding for regional tourism, which might negate another substantial change in structure and focus within a few years time.

The Brief

Palmerston North City Council (PNCC) and Manawatu District Council (MDC) have recently completed a section 17A LGA review of CEDA (Central Economic Development Agency), which came back with a recommendation that the current model was the most cost efficient way to deliver economic development activity in the region.

PNCC would like to explore bringing CEDA's destination marketing and Regional Tourism Organisation (RTO) functions in-house, with CEDA to become an economic development agency focused on attracting new investment, talent, and growing existing business (this may still include tourism businesses).

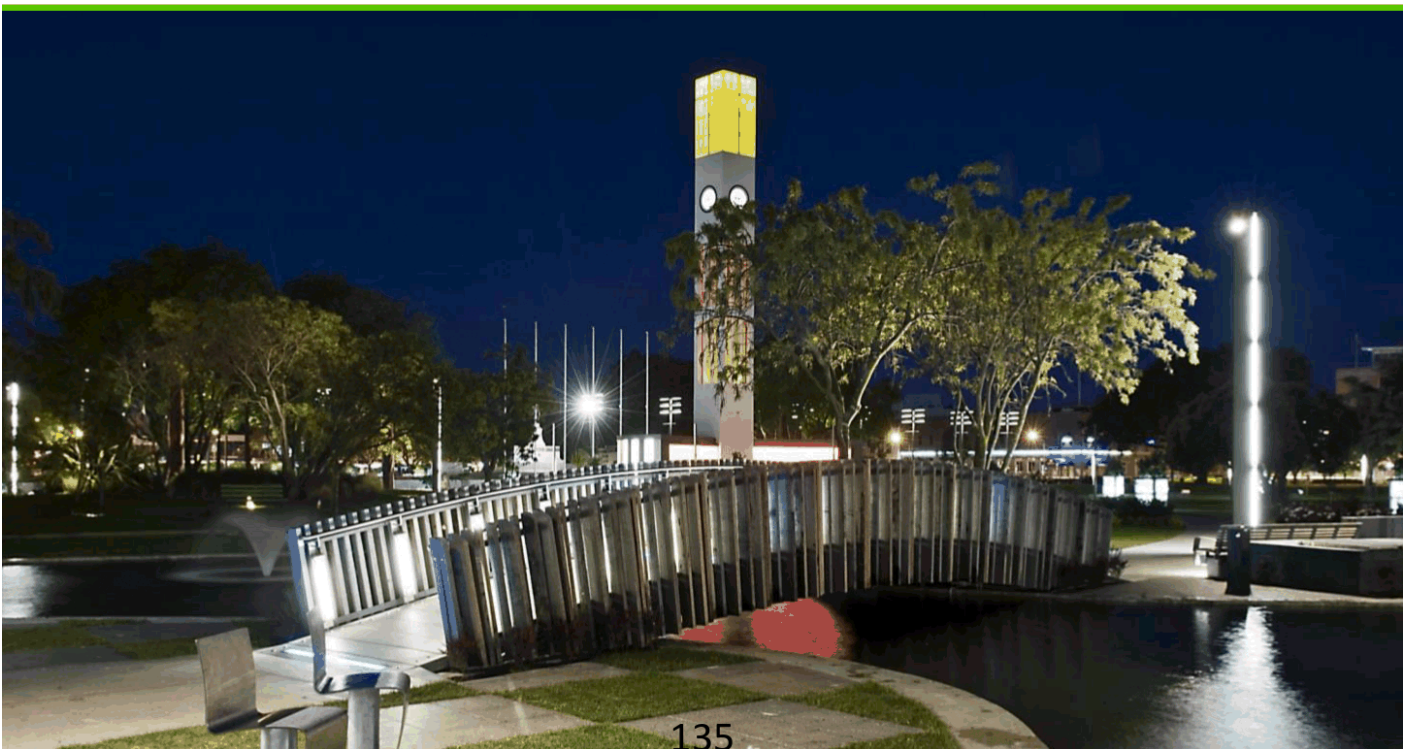
The brief is to investigate the implications and or benefits of how the city marketing and RTO functions for a city could be delivered by a single council alongside a separate economic development agency that has a broader focus.

Background

CEDA was formed in 2016 and has two 50:50 shareholders in the Manawatu District Council (MDC) and PNCC. PNCC fund 75% and MDC 25% with both shareholders providing an annual Letter of Expectation (LOE) to direct CEDA in what they wish it to achieve and focus on.

PNCC has recently launched a new city identity and there is a feeling that there might be value in a single message for the City from the City – rather than mixed messages being communicated about Manawatu and Palmerston North via CEDA's brand and marketing activity.

CEDA currently markets the Manawatu as a destination, which includes marketing the city specifically at certain times, and in certain markets. They are also the RTO for the Manawatu region and administer the recent Government Strategic Tourism Asset Protection Program (STAPP) funding to promote domestic tourism within the wider Manawatu-Whanganui region.



Methodology

Meneth Consulting gathered insights from a number of sources including desktop research, the Section 17a review done by GMD Consultants, interviews with key stakeholders, interviews with other RTO's of a similar size and structure, and existing knowledge and personal experience.

Stakeholders interviewed included

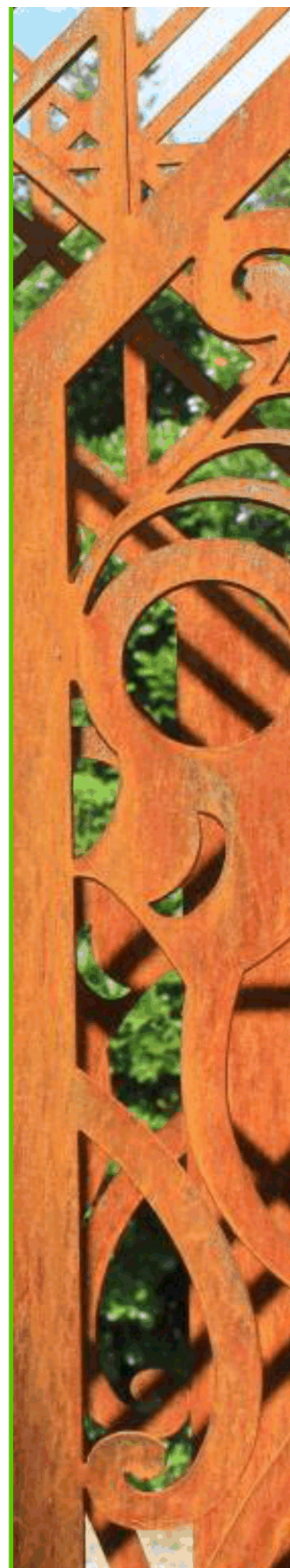
- **Linda Stewart**, CEO at CEDA (and Janet Reynolds – Marketing and Communications Manager)
- **Brent Limmer**, GM Community and Strategy at Manawatu District Council
- **David Perks**, GM Destination and Attraction at WellingtonNZ (and Regional Tourism NZ Chair)
- **Reuben Levermore**, Head of Tourism and Regional Affairs at Air New Zealand
- **Kiri Goulter**, Senior Advisor Destination Management, contractor to MBIE

Other RTOs interviewed included

- **Dylan Rushbrook**, GM Tourism at Central Otago Tourism
- **Tania Burt**, GM Destination at Northland Inc

Desktop Research

Online research was undertaken to understand the different operating and funding structures of other similar sized tourism organisations throughout New Zealand.



Background

There have been various incarnations of local tourism organisations through out New Zealand going back 50-60 years, but by the 1980's almost every region had established its own tourism promotion office and an information centre, with little or no inter-regional or national coordination.

In the early 2000's Regional Tourism Organisations of NZ (RTONZ) was established as an RTO membership based organisation to share insights and learnings and be a voice for regional tourism at a national level.

Initially there was 26 members and this has now grown to 31. Discussions have been had about consolidating the number of RTOs over many years but the result has been an increase not a decrease, against the wishes of Tourism New Zealand (TNZ) who prefer to promote and market regions of New Zealand in larger segments.

In the mid 2000's TNZ forced RTO's to collaborate together by forming International Marketing Alliances (IMA) for use in off shore marketing and reducing the number of regions promoted down to 7.

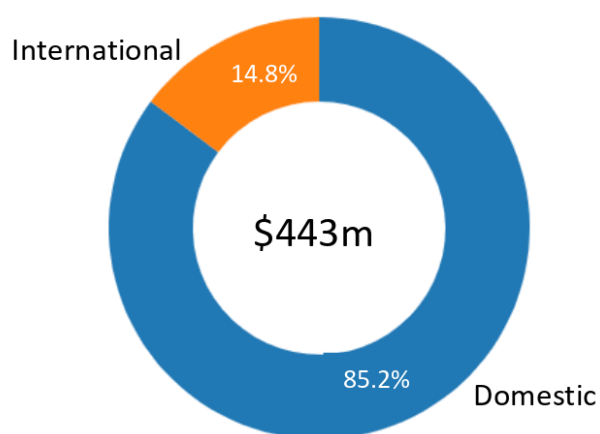
The move to combine RTOs and EDA's started about 10 years ago with the Auckland Super City merger and the creation of Auckland Tourism, Events, and Economic Development (ATEED) in late 2010. It was viewed as a more cost efficient way to do deliver services that are perceived to be interrelated, whilst leveraging shared resources and insights.

This amalgamation model has in many cases lead to a dilution of focus on tourism marketing and destination management in the eyes of the private sector tourism industry.

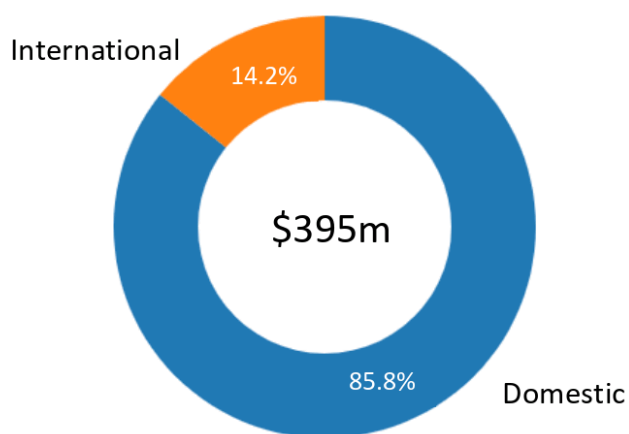


Regional Top Line Spend Data (CEDA region vs PNCC)

CEDA total spend by International/Domestic
Y/E August 2020

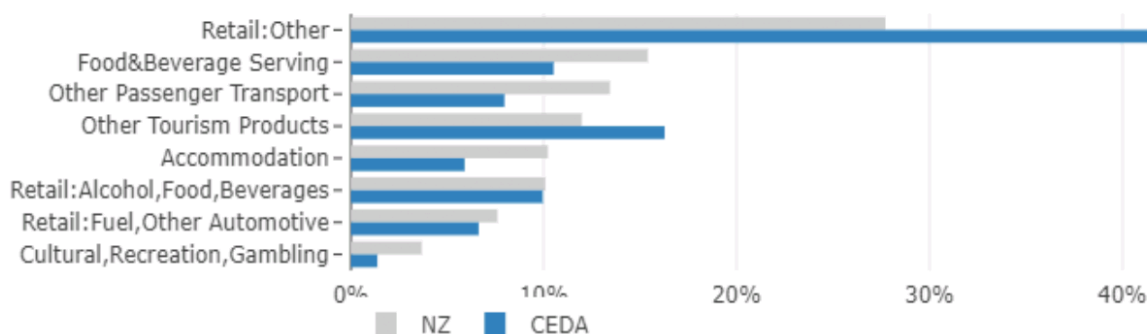


Palmerston North total spend by International/Domestic
Y/E August 2020

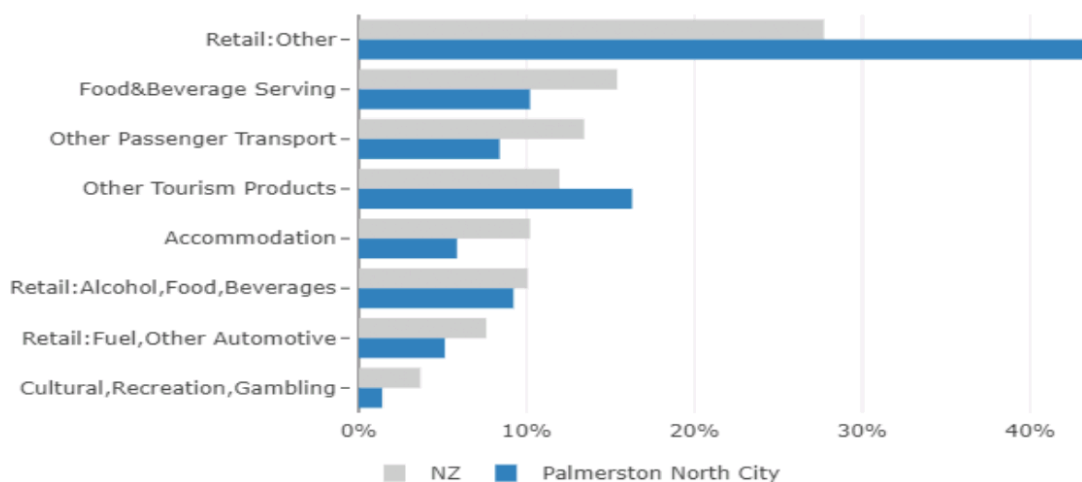


* Pre Covid spend of the same Y/E Aug 2019 International spend was 15.8% in the CEDA region. The above figures incorporate a drop in international spend by end of Aug of 20.5% or a loss of \$12m which is expected to grow to a loss of \$77m in international spend come Y/E March 2021.

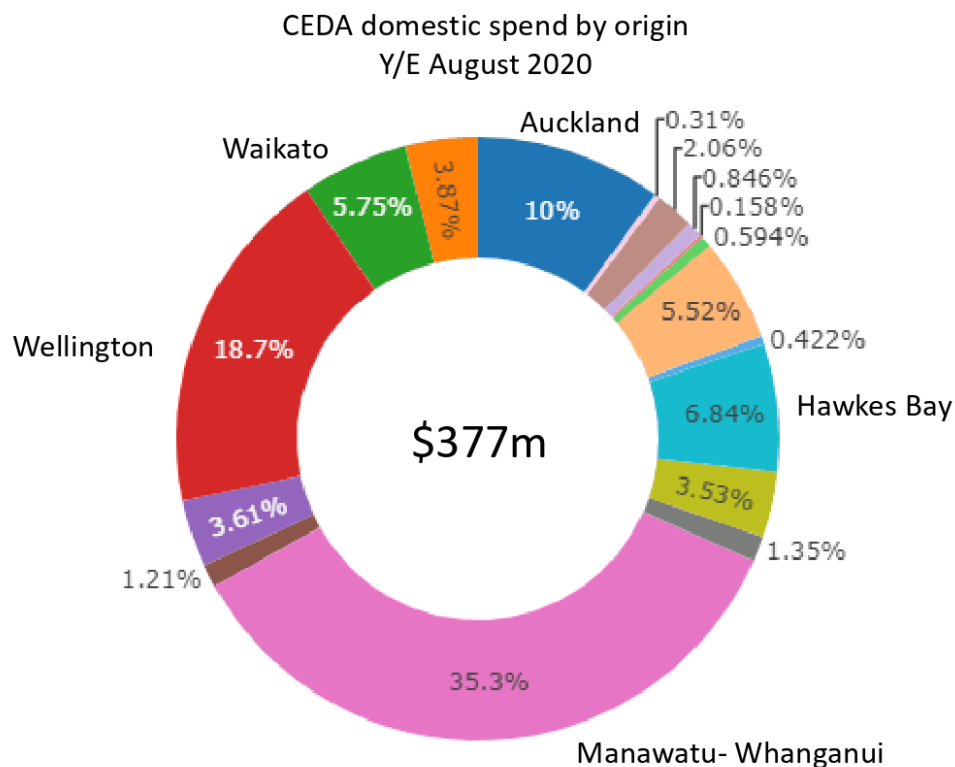
Total Spend profile of products in CEDA
Y/E August 2020



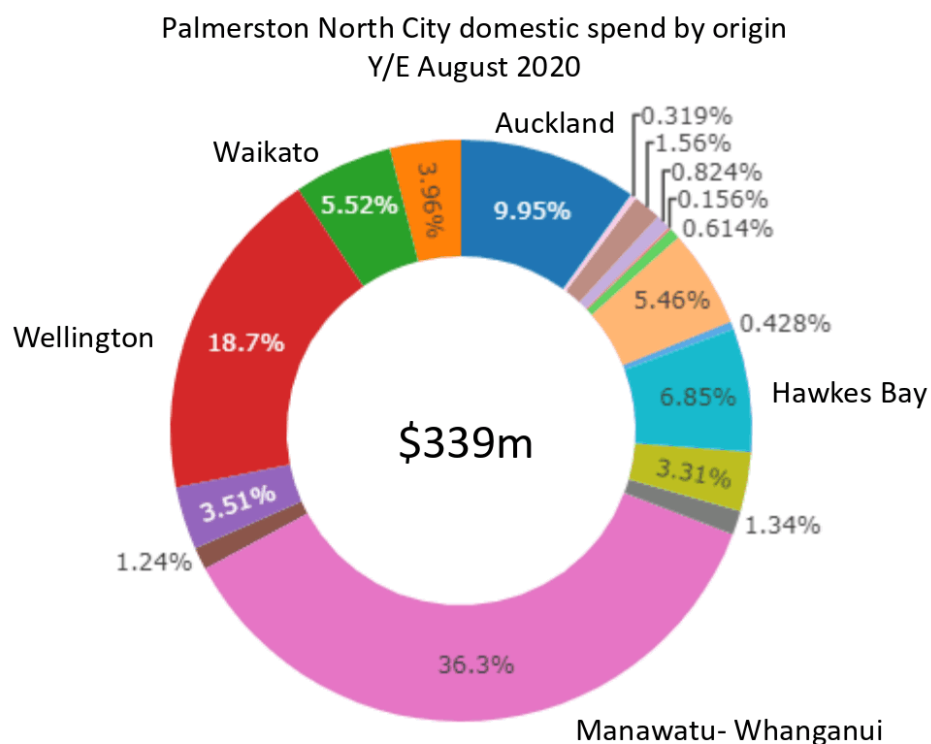
Total Spend profile of products in Palmerston North City
Y/E August 2020



Top Line Spend Data (CEDA region vs PNCC)



The spending profiles of the wider CEDA region and Palmerston North City are not surprisingly very similar, with the largest spend coming from inter district travel within the Manawatu-Whanganui region, followed by Wellington and Auckland. These charts also highlight that 90% of visitor spend is in the city where most of the commercial accommodation, restaurants and retail is located.



Case Studies

There are currently a total of 31 recognised Regional Tourism Organisations (RTO) through out New Zealand and part of Regional Tourism New Zealand (RTNZ). RTNZ is the voice of the RTO's to government and other industry bodies.

The RTO's have varied ownership, structure, and funding models but all are primarily funded and controlled by regional or district councils through general or targeted business rates.

The three RTO's below all have different ownership and funding structures that have relevance to what PNCC is currently considering.



Northland Inc is a **registered company** and is a council controlled organisation (**CCO**) of Northland Regional Council (NRC). It is funded through an operational contribution from Northland Regional Council, and receives project funding through both public and private agencies, including various contributions from three district councils.

The Northland RTO sits within Northland Inc and is responsible for marketing the whole Northland region to domestic and international markets and is currently developing a Destination Management Plan (DMP) for launch in 2021.



Whangarei District Council contributes to Northland Inc as well as having their own small tourism promotions team, promotional brand and website, and visitor guide for Whangarei district.

Whilst the two entities collaborate and work well together this is duplication of content and marketing material and mixed messages going into the market place attracting the same audience in some cases.



Tourism Bay of Plenty (TBOP) is a jointly owned **trust** controlled by Tauranga City Council (TCC) and Western Bay of Plenty District Council, with financial contribution also from Whakatane District Council. It is a **CCO** funded mainly through a Tauranga City Council targeted business rate.

It is completely independent from the regional Economic Development Agency (EDA) Priority One, and has an independent board of trustees appointed by TCC.

TBOP has a similar challenge of having the majority of its funding from a city council whilst promoting a compelling regional proposition.



Central Otago Tourism is the RTO for the Central Otago region and is part of the Central Otago District **Council**. It is not a CCO and there is a separately funded and managed Economic Development team within the council.

Feedback from Stakeholders

We have summarised the feedback from each stakeholder, focusing on key themes, questions or points made in each discussion.

CEDA

Questions were raised around the timing and the rationale for PNCC to look at pulling the destination branding and marketing in house. They were surprised that **no formal feedback had been received** on performance relating to the current Letter of Expectation (LOE), and that there is **no detailed focus in the current LOE** outlining expectations to amplify the urban/city identity of Palmerston North.

They fully support the new city branding and would like to have access to the brand assets to incorporate in their work. They are already using the city and region narrative in the work they do, and see the regional brand has inextricable links to attracting visitors, talent and investment.

It was felt that there is a **lack of data** to provide evidence based decisions on this topic and it feels like an emotional decision off the back of the newly developed city brand.

A point was raised about consultation and whether **ratepayers and the private sector** would see this as **best use of their rates**, given the time and money to establish CEDA only four years ago, and the investment that has gone into the brand, website, and the **destination management plan (DMP)**. PNCC's extensive input to the DMP was acknowledged and welcomed and this idea was not raised or discussed during the process.

A point was also noted around a **potential or perceived conflict of interest** if the city was promoting its own venues and services and going up against the private sector for whom they serve. (in relation to venues for sport and or business conferences and the like). CEDA promotes all businesses and venues in the region.

Other questions related to where the official RTO functions would sit? Would this create two RTO's? Would CEDA remain the RTO but PNCC focuses on city branding and a more internal view? How would the relationship and partnership with Tourism NZ operate given the International Marketing Alliance (IMA) partnership that CEDA has with Whanganui and Taranaki?

Looking forward, they asked the question, "**what is the outcome to be achieved here?**" and let's look at how this could be delivered better using the existing structure, starting with a more detailed outline of expectations in the next LOE currently being reviewed. **CEDA would be happy to adjust their work to meet a new clear directive via the LOE.**

They were very complimentary of the PNCC communication team but would like to **further clarify communication roles**. (i.e. CEDA being outwards looking and attracting people in, while councils being inward looking and communicating to locals)

They noted **discussions going on at a national level** currently via the government initiated Tourism Futures Task Force around **sustainable funding models** for destination management, and MBIE's desire to collaborate with regions whose DMPs aligned closely to the MBIE DMP framework.

Manawatu District Council

The view was that the **regional brand** is equally important to **attract talent, investors and students** as it is to attract visitors and should be kept consistent and promoted in unity with various stakeholders. There was an **independent model in the past** with a separate RTO and EDA, where the RTO was strong and had good leadership and the EDA was arguably the poor cousin, and overlap of roles and messages started to occur. A third entity was also created around the same time to look at investment and so a merger made a lot of sense.

They don't believe that taking destination marketing in house would necessarily make PNCC the RTO for the region, and MDC might need to look to neighbouring regions to work with and form a new RTO with, should this idea go ahead.

If there is a **perception that the district benefits more from the CEDA** arrangement that the city, it is **not a view they agree with**. CEDA is only 4 years old, still a work in progress, and needs to be given a chance and they have built strong relationships and networks already.

They would very much like to discuss how the current brief to CEDA via the **LOE can be reframed to better meet the city's aspirations** rather than tear it apart, noting the numerous and successful service agreements and collaboration between the two councils already in place, and the strain this current proposal might put on existing relationships.

There is a **history of mutual support and collaboration** that has transcended Mayors, CEO's and management that they would like to see continued. They noted capability and capacity within the PNCC communications team to do more to promote the city brand across the region.

Regional Tourism NZ (RTNZ)

Work is going on regarding the **definition of an RTO** vs District Tourism Organisations (DTO). RTO's are generally funded through rates and can cover multiple council regions and are nationally connected. DTO's are often funded by membership or individual councils. RTNZ is seeking clear definitions to assist councils to decide which option is best suited for their needs and funding envelope.

They said there is a continued **voice from government and TNZ for less RTO's**, with various views including having only 2 (North and South Islands), 5 only (Auckland, Waikato, Wellington, Canterbury, and Otago) or 16 regions, but all less than at present. **RTOs have a broader function today than just destination marketing** with almost all embracing a move to destination management which has a much wider scope

The government Tourism Futures Taskforce will present its draft report in December with a final report due in April 2021. Future funding of tourism is high on the agenda and a **potential tourism levy on all commercial accommodation** (for example a 2% sales tax added like GST) has been discussed again and maybe getting more traction with government this time around. This revenue might then be redistributed to the RTO's from where it was collected but this could be subject to rationalisation of RTO numbers and approved destination management plans. This could potentially see the burden of **tourism funding removed from local ratepayers** all together.

They suggested a more efficient option would be **explicit expectations of CEDA from PNCC** regarding destination marketing, branding and tourism functions, and even exploring collaboration with Tararua, Rangitikei, Horowhenua and Whanganui (as opposed to getting smaller)

Air NZ

Palmerston North airport leading up to the Covid lockdown was a strong performer, and PNCC is seen as a very proactive stakeholder. Demand is based heavily on business travel and this has dropped off since Covid. According to an internal 10 year domestic plan started internally pre Covid looking at each region, route, and infrastructure, there was enough of a growth forecast at peak times to justify jet aircraft within 3 years. This is now off the table but it was a good indication of the future potential.

They cited Invercargill as a good example where the city has addressed its perception challenge, by moving to be the gateway to Fiordland and the Catlins, growing their regional proposition which in turn provides benefits to the city.

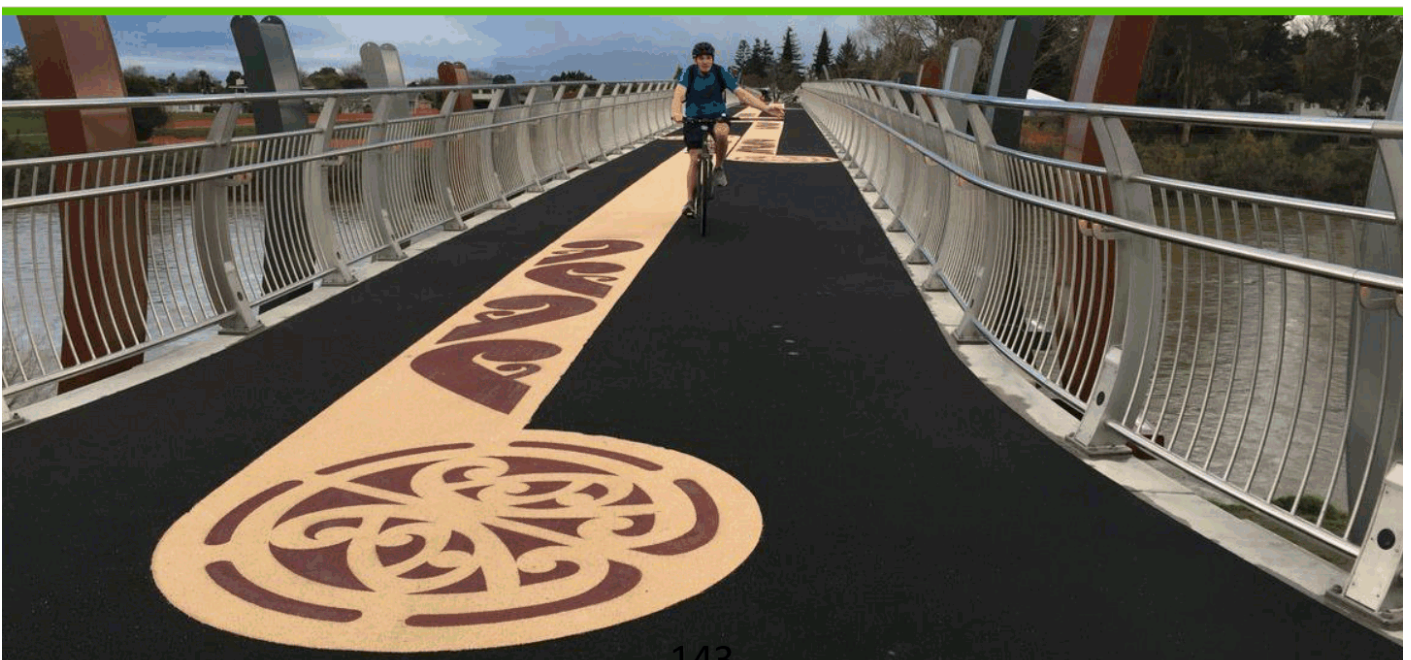
It was noted that Air NZ endorsed CEDA's approach and regional brand only 2 years ago and their strong preference is for local stakeholder alignment and vision.

Air NZ looks at the market within a 90 min drive of the airport and this includes leisure visitors, students, agri-business, defence, and university related travel. They work with most RTOs and fly to 20 ports domestically so fragmentation of contacts and propositions within one region is not good for communication or marketing and their preference would be to work with one regional RTO.

Kiri Goulter – MBIE Consultant

Kiri was unable to give an official MBIE position without a formal written request from PNCC but did suggest that existing funding contracts in place for the next year should be considered such as the government Strategic Tourism Assets Protection program (STAPP) funding distributed to regional RTO's via MBIE, which is currently in place with CEDA (\$700k received for use until December 2021), and the Regional Events Fund that was split amongst Manawatu, Whanganui and Taranaki (\$1m).

Kiri also backed up others views that there the government will be looking to work fewer RTOs in the future not more and suggested PNCC be more specific in the LOE as to what they want CEDA to be focusing on, and commented that given the uncertainty around Covid, existing funding structures in place, and a possible new centralised funding model for regional tourism focused on DMP's that the timing to is not good to be making radicle changes.



Major Considerations for PNCC

- What would the **measurable benefits** be of bringing the destination marketing function in house, given the city already receives 90% of visitor spend in the wider Manawatu region?.
- **The impact on CEDA** as the regional EDA (and RTO) and the current level of integrated thinking, branding and activity across sectors which was only put together 4 years ago
- **The timing** of the proposal given the uncertainty surrounding Covid, the pending CEDA Letter of Expectation for next year, and the government funding and agreement in place with CEDA dedicated to domestic marketing and management and events.
- **Potential future government funding models for regional tourism** such as a levy on all commercial accommodation, that is given back to the RTOs from where it was collected, and which might negate the requirement for rates based council funding in the future.
- **The views of external stakeholders and partners interviewed** to the proposal which were strongly in favour of maintaining the current model.
- **The cost**, or perceived waste in undoing the investment over the last 4 years put into CEDA.
- **Regions with a similar make up** (a city with a surrounding rural area) and structures are **building regional brands** successfully (Hamilton and Waikato, Tauranga and Bay of Plenty, Whangarei and Northland, Invercargill and Southland, and even greater Auckland)
- Could the existing **PNCC communications team do more** to give external exposure to the new brand if that is what is desired?

Options

1. Status quo
2. Delay the decision by one year, reframe the Letter of Expectation giving more concise direction and set new KPIs.
3. Proceed with the proposal

Recommendation

- That PNCC delays the decision to take the destination marketing function in house or not for 1 year, keeping the current structure and funding in place with CEDA, BUT gives **very clear guidance in the pending Letter of Expectation on what they expect CEDA to deliver on, and the performance indicators that would be attached.**
- Move the regional narrative to a “Palmy and Manawatu” message domestically and provide CEDA access to the Palmy brand assets and guidelines.
- Review CEDA’s performance in one years time, buying time to monitor the Covid situation, and possible future changes to government policy and funding for regional tourism, which might negate another substantial change in structure and focus within a few years time.

Meneth Consulting

Meneth Consulting was established in 2017 by Jason Hill after 25 years experience in the New Zealand and international tourism sector in the public and private sector.

Jason has held senior management roles including Head of Tourism at Auckland Tourism, Events, and Economic Development (ATEED) for 6 years, Regional Manager Japan and Korea for Tourism New Zealand for 5 years based in Tokyo, and GM Marketing at Christchurch and Canterbury Tourism for 5 years.

He has extensive governance experience having served on the boards of Cruise NZ, I-Site NZ, Film South, Education Christchurch, Association of National Tourism Office Representatives Japan (ANTOR), Pacific Asia Travel Association (PATA), Te Araroa Trail Trust, and he is currently on the Tourism Bay of Plenty board, Ngai Tai Ki Tamaki Te Haerenga Trust, and deputy chair of the AUT Hospitality and Tourism School Tourism advisory board.



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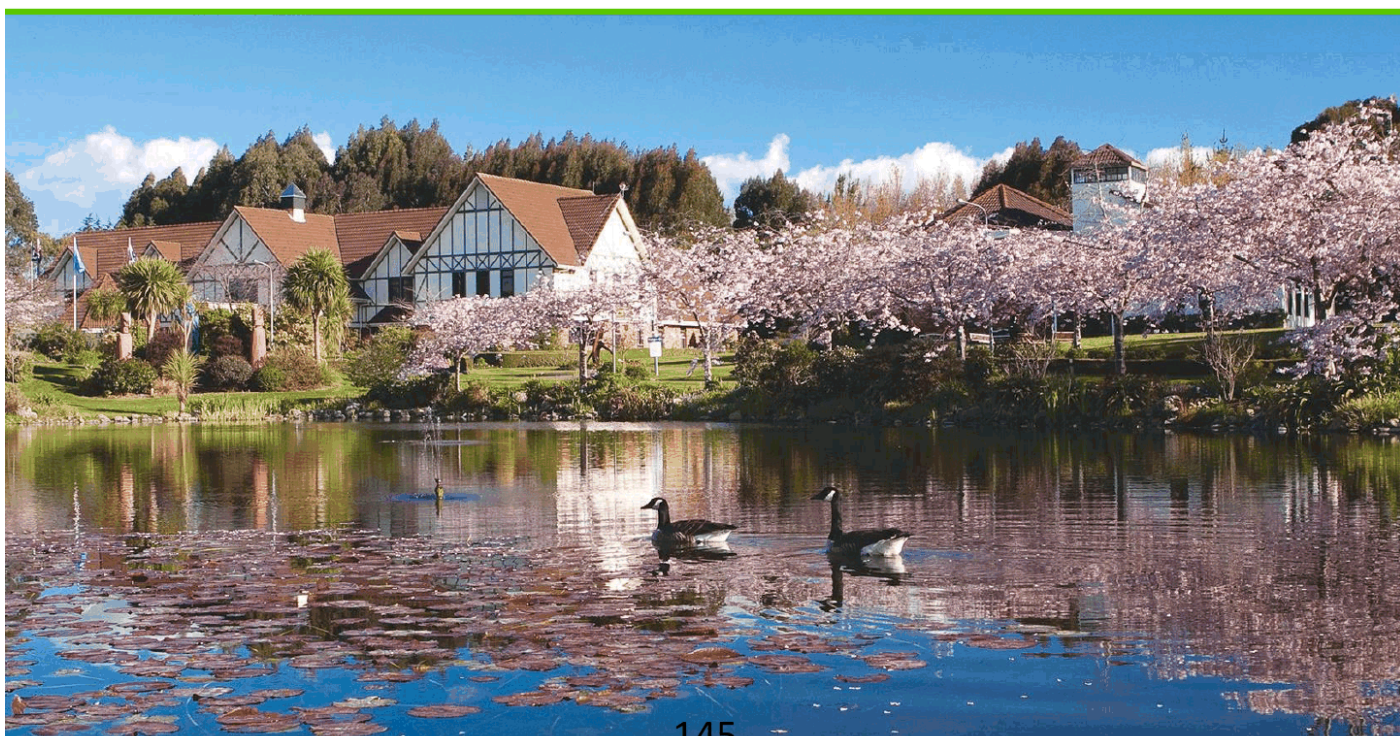
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