

Reference Number: 2025/1181

26 February 2025

[REDACTED]
[REDACTED]

[REDACTED]

Thank you for your email dated 31 January 2025 requesting under the Local Government Official Information and Meetings Act 1987 (LGOIMA), information relating to the economic development services. Please see outlined below a response to each part of your request.

A copy of the full S18 review of economic development services which include provision by the Horowhenua company and Horowhenua NZ trust, that was considered by Council on 11 December 2024. I also request all correspondence between HDC and the reviewer following contracting.

Please find attached a copy of the S17A review of economic development arrangements in Horowhenua. I would like to clarify that the review is S17A and not S18 as mentioned in your request.

In response of the material enclosed, it is necessary to withhold some information for the following reasons:

- contact details and any other personal information is withheld in accordance with section 7(2)(a) of the LGOIMA, to protect individual privacy
- some information is out of scope
- section 7(2)(b)(ii) would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information

I also request the in committee minutes where this report was considered by Council on 11 December 2024.

Please find attached the minutes from the Public Excluded Council meeting.

You are entitled to seek an investigation and review by the Office of the Ombudsman. Information about how to make a complaint is available at www.ombudsman.parliament.nz or freephone 0800 802 602.

Horowhenua District Council publishes responses to Local Government Official Information and Meetings Act 1987 (LGOIMA) requests that we consider to be of wider public interest, or which relate to a subject that has been widely requested. To protect your privacy, we will not generally publish personal information about you, or information that identifies you. We will publish the LGOIMA response along with a summary of the request on our website. Requests and responses may be paraphrased.

If you would like to discuss this decision or any of the information provided as part of this request, please contact David McCorkindale (Group Manager Vision and Delivery) on davidbm@horowhenua.govt.nz, or LGOIMAOfficer@horowhenua.govt.nz.

Ngā mihi | Best Regards



Monique Davidson
Chief Executive



S17A Review of economic development arrangements in Horowhenua

Final Report

20 December 2024



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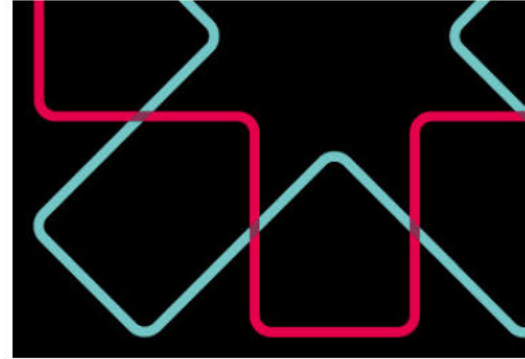
Information provided by the client or others for this assignment has not been independently verified or audited.

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We have made reasonable efforts to ensure that the information contained in this report was up to date as at the time the report was published. That information may become out of date quickly, including as a result of events that are outside our control.

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This Disclaimer supplements and does not replace the Terms and Conditions of our engagement contained in the Engagement Letter for this assignment.



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Preface

This report has been prepared for the Horowhenua District Council by Stephen Knuckey from MartinJenkins (Martin, Jenkins & Associates Ltd).

For over 30 years MartinJenkins has been a trusted adviser to clients in the government, private, and non-profit sectors in Aotearoa New Zealand and internationally. Our services include organisational performance, employment relations, financial and economic analysis, economic development, research and evaluation, data analytics, engagement, and public policy and regulatory systems.

We are recognised as experts in the business of government. We have worked for a wide range of public-sector organisations from both central and local government, and we also advise business and non-profit clients on engaging with government.

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Established in 1993, we are a privately owned New Zealand limited liability company, with offices in Wellington and Auckland. Our firm is governed by a Board made up of Executive Partners and Independent Directors. Our Independent Directors are Sophia Gunn and Chair David Prentice. Our Executive Partners are Sarah Baddeley, Nick Carlaw, Allana Coulon, Nick Davis, and Richard Tait. Michael Mills is also a non-shareholding Partner of our firm.



Executive Summary

Introduction

MartinJenkins was commissioned by the Horowhenua District Council (HDC) to undertake a section 17A review of economic development activities delivered through The Horowhenua Company Limited (THCL), including assessing options to improve the delivery model. The findings of the review are detailed in this report.

Overview of THCL and the rationale and priorities for economic development activities

THCL is the economic development agency for HDC, operating at arms-length as a subsidiary of the Horowhenua New Zealand Trust (HNZT). It was established in 2020 and HDC contracts THCL for economic development activities.

THCL's stated purpose from its business strategy is to champion the Horowhenua, and to understand opportunities for growth through providing excellent economic development services.

THCL receives its core funding from the Council. In 2023/24, THCL's total income was around \$1.23 million, with \$650,000 or 56% of that coming from Council funding and most of the remainder coming from servicing revenue (including from central government). Based on THCL's reporting, most of the funding it receives is allocated to business development support (40%) and skills and labour market support (20%).

The rationale for the Council investing in economic development activities

HDC invests in economic development to facilitate growth and enhance social and economic well-being, as outlined in its strategic documents like the Long-Term Plan and Horowhenua 2040 Strategy. However, some stakeholders have expressed uncertainty about what economic development entails, why the Council supports it, and the role of the Council and THCL in delivering these activities.

Economic development is **the combination of policies, investments, programmes and actions that improve the ability of organisations and people in a community of interest to access resources more productively and effectively and to respond to economic opportunities and challenges.** By doing so, economic development supports higher value business activity and employment in a locality, and ultimately higher earnings and household incomes.

There are three types of economic development activities:



1. **Indirect or enabling economic development activities** that are focused on creating the supportive conditions for economic development. These are typically provided by Councils and involve providing leadership and direction, planning for and co-investing in infrastructure and assets, the provision of core services, and policy and regulation.
2. **Direct economic development activities**, which involve targeted assistance for businesses, industries and groups, such as business development support, skills and talent promotion, investment attraction, industry facilitation, and destination marketing. These can be justified based on 'market failure' arguments, that is, when private and non-local government sector decision-making, if left on its own, is likely to result in investments and outcomes that are less than desirable for the community as a whole. Many of these direct activities are typically provided by arms-length economic development agencies such as THCL because decisions on these activities benefit from commercial and entrepreneurial insight and because much of the information and networks required to be successful with direct activities are derived from the private sector.
3. **Supporting economic development activities** – activities that assist in ensuring the effective implementation of direct activities and actions that arise from economic development strategies and implementation plans. These activities include project and programme management support, monitoring and evaluation, communications, and economic intelligence and analysis. Supporting activities are typically delivered by a combination of Councils and economic development agencies, with both playing roles in delivering some activities.

Although there are clear rationales for the HDC in supporting economic development activities, it will be helpful in future to clarify and communicate the roles and rationales to industry and the broader public, and particularly the different roles that the Council and THCL play.

When considering future investment in economic development, especially significant investments in direct economic development activities, a strong case can be made by ensuring that:

- There is clear evidence of challenges or opportunities that negatively or positively impact a large segment of businesses or the economy.
- Market failures are a factor - Council involvement is justified when market failures, such as information gaps, coordination issues, or economic spillovers, hinder private sector investment.
- The Council or a delivery agency has the capacity and unique advantages to improve outcomes, such as by having privileged access to information, established links with central government, or the ability to act as an impartial broker or attract expert support.
- The intervention will likely be successful and that it will generate additional benefits beyond what would occur naturally, particularly broader public benefits, and that these benefits will likely exceed the costs involved.
- Stakeholders, whether they are businesses, industry organisations, iwi, hapu, educational institutions, research institutions, or central government agencies are willing to participate and, as appropriate, co-invest in the activity. This suggests that the activity is valued.



By addressing these considerations, HDC can ensure that economic development investments are well-founded and that they are more likely to generate additional value.

The rationale for the delivery of direct and supporting economic development activities through THCL

The Council's decision to contract out direct and supporting economic development activities to an arms-length agency (originally HNZZ and then THCL) was driven by several considerations, particularly that:

- economic development expertise lies in the private and community sectors, not within the Council
- projects such as the Levin Town Centre and Ōtaki to North of Levin highway (Ō2NL) offered significant opportunities but were outside the Council's work programme
- there were opportunities for collaboration with central government on programmes such as skills training and facilitating access to business grants, which were better managed externally.

These considerations are still relevant and are also consistent with key principles for determining when economic development activities are best delivered externally. This is when they are not of high strategic importance; do not involve significant risks; would benefit from commercial insight; are not complex and can be effectively contracted out; and require access to information and networks external to a Council to be successful.

However, even when direct and supporting economic development activities are delivered by an arms-length agency such as THCL, these activities need to be coordinated with the Council team/s that are responsible for complementary enabling activities. Some stakeholders spoken to thought there was room to improve the level of coordination across the Council and THCL.

Are economic development activities focused on addressing key economic development priorities?

From 2021 to 2024, THCL's economic development areas of focus were outlined in its service agreement with the Council, and reflected the Economic Development Implementation Plan at the time. Key focus areas included business development support (40%), innovation and industry growth (10%), skills development and labour market support (20%), investment promotion (10%), strategy and data support (15%), regional economic development engagement (5%), and promoting Horowhenua as a destination.

THCL's delivery has been consistent with the identified areas of focus, but the service agreement specified a large number of areas and related services, rather than a clear prioritisation of activities, and risked spreading resources too thinly. The priorities at the time also did not identify sectors or major developments that would be key contributors to the district's future economic success.



A few stakeholders commented that there can be a tension between THCL's focus on delivering contracted services to achieve economic benefits for the district, irrespective of profit generation, and its role as subsidiary of HNZZ, which aims to generate profits for community reinvestment.

Processes for supporting the prioritisation of economic development activities

Ideally economic development priorities should translate from Council priorities to THCL investment decisions, areas of focus and activities via a combination of:

- The Council having an up-to-date economic development strategy and/or plan, with clear priorities. This should be based on a combination of research and input from stakeholders, industry and iwi/hapu.
- Discussions between the Council and THCL (at governance, executive and staff levels) on the strategy, areas of focus for THCL, and alignment.
- Council funding agreements with THCL, reflecting the strategy/plan and the discussions.
- THCL's Business Strategy (and iterations of these) based on these discussions and agreements.

The Council and THCL have followed elements of this approach but there is room to improve the process of prioritisation.

Based on feedback from THCL and the Council, THCL does review and reflect on its areas of focus annually through a business strategy process, but identified changes haven't always been incorporated into an updated service agreement. In addition, although the areas of focus and related deliverables are updated, there has been a lack of engagement with Councillors in discussing and agreeing to these. Such engagement should be part of workshop sessions with the Council to ensure there is sufficient time for discussion, rather than being a small part of a longer committee agenda.

A recent review of economic development priorities by THCL, HDC and an independent advisor; the Council's Plan on a Page; and an intended update of the economic development strategy provide a good opportunity to improve the alignment of economic development priorities across the Council and THCL. It also provides an opportunity to ensure that other key stakeholders and partners, including iwi and hapu, support the proposed priorities.

What does THCL deliver and how has it performed overall?

Over 2021/22 to 2023/24, THCL's activities have included:

- **Business development support** – delivering Business After 5 (BA5) events, webinars, business breakfasts, women in business events, town centre information events, and the Regional Business Partner (RBP) programme; and facilitating business connections to business advice, information and government programmes.
- **Labour market and skills support** – delivering the Get-Go programme, including Futures Days, with colleges, and undertaking labour market research.



- **Industry development and major projects** – research on the food sector, research and facilitation activities to understand the impact of the Ō2NL project and to identify opportunities for local businesses to participate in the project, and related engagement activities with town centre groups.
- **Investment promotion and attraction** – research on factors that make Horowhenua an attractive location for businesses, facilitation of government investment in local companies, and engaging with businesses and individuals that are interested in establishing a presence in Horowhenua.
- **Māori and iwi engagement** – establishing and maintaining relationships with Māori economic development networks and iwi and hapu organisations, and supporting their economic development aspirations.
- **Economic data and insights** – a quarterly economic development dashboard and a series of discrete data reports, including on housing, the retail sector, and business sector performance.
- **Coordination and influence** – engaging other economic development agencies in the region and beyond to coordinate activities, reduce any overlaps, and to ensure that Horowhenua's interests are included by other regional organisations when delivering economic development activities that can benefit the district.

These types of activities are consistent with economic development agencies (EDAs) across New Zealand.

To assess THCL's overall performance, we considered three questions:

1. How has THCL performed against key deliverables and key performance measures

The Council has not set KPIs for THCL per se, although there are a set of key performance areas that THCL reports against. These are largely about the achievement of deliverables rather than about outcomes achieved from the deliverables.

THCL has achieved generally positive results on the key performance areas that were agreed in the original service agreement and that have been updated annually over 2021 to 2024. The area where it was reported there was more work to do was in relation to developing a relationship with Te Tumatakahuki.

The only outcome measure over the period was focused on customer satisfaction, and THCL has achieved consistently strong results on the proportion of customers that would recommend THCL to others over the three years.

THCL formally reports on its performance on an annual basis to the Council, but does not publish these reports on its website. It is difficult for stakeholders to get a good overview of what THCL does and achieves because of the relative infrequency of the reporting and because reports are part of Council agendas (so can be difficult to find). Other EDAs typically report at least six-monthly and publish their performance reports.



Positively, the content in annual reporting has increased and improved over time, which reflects that THCL has been evolving its approach and the relatively short time in which the arrangement has been in place. However, reporting could be more specific about successes and value add and other EDAs tend to include a wider range of output and outcome measures in their performance reports.

THCL's performance reporting in future should include more output related measures and a combination of output measures and intermediate outcome measures that are more directly attributable to THCL's activities. Ideally these measures should be based on an agreed intervention logic and performance measurement framework, which would communicate the linkages between the rationales for investing in economic development, the inputs used, the outputs being delivered, and short-term, medium-term and long-term outcomes.

2. What is known about the outcomes or impacts that the district is getting from the investment in THCL?

Measuring the overall impact of an EDA's activities, such as THCL's, is very challenging due to the difficulties in attributing the effects of economic development activities on medium and long-term changes in the economy (for example, on GDP and employment), when these outcomes are affected by a range of factors outside of an EDA's control (pandemics being just one example). Assessing the impact of specific activities (such as an investment attraction campaign) on outputs and shorter-term outcomes (such as investor enquiries relative to a similar period without the campaign) is more achievable.

To get an understanding about the level of return or impacts, we assessed the reported achievements for different types of activities and took into account stakeholder feedback about those activities. A selection of achievements are as follows:

Business development support

- THCL has delivered an increasing number of business events over the three years and achieved higher participation levels in its events. Although there is no reporting on the impact that the events have on participants, we can assume that businesses value the events given that participation levels have increased.
- THCL's role in the RBP programme has made a clear difference to the level of business engagement with and support provided through the RBP.
- Stakeholders were generally very positive about the business events that THCL delivers and indicated that THCL has filled a gap in the market, given the district is too small to have a dedicated Chamber of Commerce or similar industry association. Stakeholders that were aware of the RBP programme thought that THCL had done a very good job of making the programme work for Horowhenua.



Labour market and skills initiatives

- The Get-Go programme has delivered a range of impacts, including facilitating 113 people into work; improving students' understanding of career options available and helping them to make informed decisions about career paths; providing networking opportunities for students with industry representatives, which can assist with future internships and job opportunities; identifying opportunities to improve job support processes; increasing the efficiency in which vacant roles are filled; and improving training providers' understanding of what skills are required to support their investment decisions. The value add of the programme has been demonstrated by a sustainable model being identified for ongoing delivery, post central government support.
- Stakeholders and businesses that had been involved in Get-Go were also generally very positive about the initiative and said that it wouldn't have happened without THCL's involvement. The increase in the number of businesses involved suggests that the initiative is delivering value.

Industry development and major projects

- The value generated by THCL's industry development and major project initiatives has been less clear, although it has improved the quality of information available about the food sector and opportunities associated with Ō2NL. Attendance at information sessions on Ō2NL opportunities have been high, which suggests the sessions are regarded as providing value.
- There were a few comments that THCL had previously been too Levin-centric with its industry development and project work, but this has changed and there is now increasing engagement with Foxton and, more recently, Shannon. A greater focus on Levin also reflects the fact that THCL's office and the largest number of potential business clients are in Levin.
- A key stakeholder involved in Ō2NL noted that the quality of engagement with THCL on Ō2NL was excellent and was well beyond other major roading projects of a similar nature, particularly THCL's management and hosting of the information sessions. They also noted there was the potential for THCL to be more proactive about targeting businesses to work with on opportunities.

Investment promotion attraction

- THCL provides a good range of information about the qualities and benefits of the Horowhenua district for investors, and provides a range of case studies of businesses that have made investments in the district on its website. However, THCL does not report on the extent to which this information is used or has influenced decision-making.
- THCL facilitated successful applications for two Kanoa Regional Strategic Partnership Fund loans over the three year period – a \$1.75m loan for Techlam to increase production capacity and invest in technology, and a \$2.00m loan for 26 Seasons to scale-up its indoor strawberry farming to commercial scale. One of the businesses that was successful with the Kanoa funding indicated that THCL had been a definite help with the application, connecting the owner to the right people in government so that they could understand the requirements for the application, and helping to keep the process moving.



Māori and iwi engagement

- THCL has reported that it has established a good working relationship with Muaūpoko Tribal Authority, including attending events and the Authority attending THCL events. This was confirmed by a representative from the Authority.
- It also reported that it connected well with Te Rōpū Pakihi, the Kāpiti-Horowhenua Māori Business Network, including attending events with the Network. A representative from the Network indicated that connections, when they have happened, have been positive, but there is not a strong partnership with THCL. This is mainly because they do not see THCL as providing much additional value to their members beyond what the Network already provides or can access from other support organisations.
- THCL has noted that it has not been as successful with its engagement with Te Tumatakahuki. Representatives from Te Tumatakahuki said they do not see any need to connect with THCL, that THCL's strategic plans do not emphasise the role of the Māori economy, and that Te Tumatakahuki is already engaged in activities that THCL is also involved in. They also noted that although the THCL contract has a requirement for THCL to work with Te Tumatakahuki, the Council did not engage with iwi or the hapu forum to understand what value an EDA could provide them.
- An iwi representative indicated that iwi will be a significant future player in economic development after settlements, but they did not consider that the Council or THCL are thinking about how to prepare for this.

Economic data and insights

- THCL's general economic reports are informative, highlight key trends and reference local business developments, but lack in-depth analysis on the implications for the economy or economic development. There was business feedback that the dashboards are useful.
- This reporting is an addition to THCL's core roles and can stretch available resources. There is a question about whether THCL's role in economic data analysis and reporting adds major value beyond what the Council could produce itself.
- THCL provides more value when producing targeted insight reports on industries and developments in the district.

Coordination and influencing role

- THCL has been active in engaging with other economic development agencies and Council teams in Wellington, Kāpiti, Manawatū and Whanganui to ensure that Horowhenua's interests are included in regional economic strategies and plans and related work programmes.
- Stakeholders consistently said that THCL was cooperative, good to work with, and aimed to avoid overlap with other providers of economic development support. There were also comments that the relationship and openness to work across district council boundaries had improved significantly over the last couple of years.



Overall, in our view and based on the collected evidence and feedback, THCL has effectively delivered the range of economic development activities it was contracted to deliver. Particular highlights include the extension of the RBP programme in the district; the continued growth in the range of and attendance at business events; the expansion of and improvements made to Get-Go and the ongoing commitment to delivery of the programme by businesses and colleges post the completion of the original contract; the engagement that THCL has made with businesses to provide information on and facilitate access to the opportunities associated with Ō2NL; and its influence on and coordination of activities with government agencies and other economic development agencies in the region.

There are areas for improvement but most of these relate to either small delivery enhancements or THCL providing better information about the delivery of outputs and impacts achieved through its activities each year. There is also the question about whether THCL is best placed to deliver general economic analysis and related reports in future.

3. Has THCL been efficient at delivering economic development activities

It is also difficult to measure the efficiency of an EDA such as THCL because ideally we would assess the value of its outputs per dollar of investment and, as noted earlier, estimating value achieved is difficult. Even measuring the number of activities per dollar of investment is difficult because THCL's activities typically do not represent discrete or common outputs.

We assessed efficiency by (a) identifying changes in the delivery of key outputs relative to the investment made by the Council and (b) assessing changes in THCL's overall income and expenditure, and the amount of additional funding THCL has attracted to leverage local government investment.

Generally, it appears that the number of outputs has increased over time, while the amount of local government investment remained constant over 2022 and 2023. This suggests that THCL has increased the efficiency of its delivery over the period. This is reinforced by THCL's proportion of staff costs to total expenditure not changing significantly over the last three years.

THCL has also been able to leverage several additional sources of income in addition to the Council's investment. In 2023/24, these additional sources of income, which include funding for the delivery of Get-Go, funding for the delivery of the Regional Business Partner programme, and BA5 revenue, comprised 35% of THCL's total direct income.

However, there is a lack of transparency about how the Council's funding is being spent and leveraged because THCL does not publish formal annual reports or its financial statements. At the least, it would be desirable in future for THCL's performance reports to include high level information about total funding sources and the allocation of expenditure across activity areas and cost categories.



How should economic development activities be delivered in future?

Based on the overall findings and our analysis, THCL has delivered in line with the contract and has been cost-effective overall. However, there are areas where changes and improvements can be made to address issues impacting on the economic development arrangements. These are:

- Clarifying why the Council invests in economic development (rationales) and the respective roles of the Council relative to an external delivery organisation such as THCL.
- Clarifying the role of THCL relative to HNZT and Horowhenua Developments Limited (HDL) and being more transparent about the allocation of Council funding by THCL and funding that is received from other sources.
- Identifying a short-list of priorities for economic development through the update of the economic development strategy and ensuring these are supported by key stakeholders (including iwi/hapu and industry leaders).
- The Council and THCL developing an intervention logic and performance measurement framework that clearly sets out the drivers of, intended outputs and desired outcomes from economic development investment, and associated key performance measures for the short-, medium- and long-term. This should include a broader range of output and outcome measures than are currently reported against.
- Improving Council engagement on and input into an annual refresh of economic development areas of focus and expectations (for example, through an annual workshop session with Councillors).
- THCL reporting on its performance on a six monthly basis, ensuring that performance reporting is consistent with the performance measurement framework, and publishing the performance reports on THCL's website.
- Subject to the Council having the required data and analytical capability, the Council taking over the responsibility for general economic analysis and reporting (as distinct from targeted insight reports on industries and developments in the district, which THCL is well placed to provide).

How can delivery arrangements be improved?

Based on:

- the areas that have been identified as requiring improvements
- the requirements of a s17A review, which specify options that should be considered
- economic development arrangements that are found in other districts and regions
- consideration of activities that should be delivered together and functions that should be in-house to Councils versus arms-length of Councils, and



- an assessment of whether an option would be effective and efficient at delivering economic development activities,

we identified four practicable options for the future delivery of economic development arrangements in the district:

- **Option 1: Enhancing the status quo** – improving the current arrangements, with THCL continuing to operate at arms-length, but with the Council and THCL implementing the range of improvements identified to improve role clarity, prioritisation, engagement, and performance measurement and reporting. As noted, this option could also involve transferring responsibility for general economic analysis and related reporting to the Council.
- **Option 2: Economic development activities being delivered through a local CCO** – in practical terms this would mean coming to an agreement with HNZN to establish THCL as a CCO of Council.
- **Option 3: Economic development activities delivered through a combined Council CCO** – in practical terms this could mean the Council partnering with Palmerston North City Council and Manawātū District Council for the delivery of economic development activities through the Central EDA.
- **Option 4: Bringing all economic development activities in-house to Council** – with HDC delivering direct and supporting economic development activities through an economic development team or unit.

Four other options – maintaining the status quo, alternative arms-length commissioning, alternative Council delivery, and HDC ceasing funding of direct economic development activities – were discounted as being inefficient and/or ineffective.

The pros and cons of the four options were assessed against a range of criteria, including practicality, effectiveness, industry-buy in, value for money, accountability to the Council and alignment with the Council's priorities, ability to attract/retain the right expertise, and ability to leverage additional resourcing.

The details of the assessment are provided in this report. Additional key considerations were:

- Although there will be some cost savings if economic development activities were brought in-house to Council (related to director fees, rental costs and administration costs), the reduction in costs will likely be offset by a reduction in external income.
- Cost reductions could be achieved under any of the options through HDC reducing its annual funding for some economic development activities, although this would reduce the level of outputs and outcomes achieved and hence will not necessarily result in an improvement in cost-effectiveness.



- Most of the external stakeholders and businesses talked to as part of this review expressed a strong preference for economic development activities to be delivered by an organisation at arms-length from Council. This reflected views that an arm-length agency with a commercially oriented board had more credibility with industry; was easier to engage with; was better able to attract staff with commercial experience; provided government agencies with confidence that there was commercial capability being applied to projects that they may support; was able to provide a more assertive voice on economic development opportunities; and enabled a focus on the delivery of economic development activities without being distracted by competing Council work.
- The model has only been in existence for a few years and economic development delivery arrangements always take several years to evolve and to become as effective as they can be.
- Although it was beyond the scope of the review, the structural model of THCL being a subsidiary of HNZN, with HDL as a subsidiary of THCL, is complex for external stakeholders and creates confusion about who is delivering different types of economic development activities; what is being achieved through Council and ratepayer funding relative to other funding; and whether different objectives are being pursued through different activities.

Overall, our assessment of the pros and cons of the options and taking into account the Horowhenua context suggests that the best option, and our recommendation, is to improve the existing THCL model of delivery – the enhanced status quo option – rather than making any substantive changes to the current model.

What would the enhanced status quo option mean in practice?

Based on the opportunities and challenges identified, we suggest that the enhanced status quo option include the following improvements:

Clarifying roles and responsibilities

In order to clarify economic development rationales and roles:

1. Use the update of the economic development strategy process for the Council to clarify and endorse why it invests in economic development and the respective roles and responsibilities of the Council relative to THCL.
2. As part of the process for updating THCL's funding agreement for delivering economic development activities, the Council request further information about the respective roles and responsibilities of THCL, HNZN and HDL.

Prioritising economic development investment and activities

In order to agree on and better align priorities for economic development across HDC and THCL (and other stakeholders):



3. Identify a short-list of priorities for economic development through the proposed update of the economic development strategy, drawing on the review report and the Council's Plan on a Page.
4. Consult with and secure the buy-in of key stakeholders (including iwi and hapu) to the strategy and priorities before they are approved by Council.
5. Ensure the strategy and priorities are approved before March 2025, so that they can form the basis of a new three year funding agreement with THCL.
6. Review and update economic development priorities through a workshop session with Councillors early in each calendar year, and use these to update key performance areas and deliverables for THCL each year.

Performance monitoring and reporting

To improve performance monitoring, measurement and reporting:

7. The Council and THCL develop an intervention logic and performance measurement framework that clearly sets out the drivers of, intended outputs and desired outcomes from economic development investment, and associated key performance measures for the short-, medium- and long-term. This should include a broader range of output and outcome measures than are currently reported against.
8. THCL should report back on a six monthly basis to Council on its performance against the service agreement, ensure that performance reporting is consistent with the performance measurement framework, and make the performance reports available on the THCL website.

Opportunities for improving the effectiveness and efficiency of economic development activities

To improve the effectiveness of delivery and to better identify opportunities to increase efficiency:

9. HDC should take over the responsibility for general economic analysis and related reporting from the 2025 financial year, subject to it having the required internal data and analytical capability.
10. THCL's reporting against the new three year funding agreement should include summary information about funding sources and the allocation of expenditure across activity areas and cost categories.

What are the key benefits and costs of the recommended option and changes?

Key potential benefits associated with the recommended option and associated improvements include:



- **Ease of implementation** – with political, officer and management commitment it should be relatively straightforward to implement the enhanced status quo option as no major structural changes are required.
- **Service continuity** – enhancing the current arrangements without the need for major structural changes will allow for continued delivery of economic development activities.
- **Greater alignment and clearer tasking** – under an enhanced status quo model, and through the introduction of a clearer priorities, an intervention logic and improved engagement with Councillors, there is an opportunity to more clearly task THCL to deliver on Council priorities for economic development, and a hence better opportunity to leverage the resources of all to achieve common goals.
- **Improved performance reporting** – the option provides the opportunity for THCL to more clearly articulate its achievements and how it is making a difference. Improved performance measurement and reporting has a key role to play in ensuring that THCL's role and impacts are properly understood and should provide better information on which to make changes to resource and investment decisions.
- There is an **increased opportunity to identify future efficiencies** in delivering activities as a result of there being greater transparency about different funding sources and the allocation of funding to activities.

Key costs and risks associated with the recommended option include:

- **Partial or incomplete implementation** – because the recommended option builds from the status quo, there is a risk that business as usual activity will detract from the implementation of the improvements that are required to improve on the current arrangements.
- **Increased reporting requirements** – although there is a need to improve reporting requirements, it should be acknowledged that this will impact on staff and management time (at least initially until the reporting is bedded in).
- **Increased governance and leadership requirements** – the proposals relating to increasing reporting to and engagement with the Council (for example, on prioritisation and six-monthly reporting) will necessitate greater participation and discussion at the governance and leadership levels.
- **Opportunity costs** – while the enhanced status quo option does not necessitate any increase in funding, the implementation of the recommended improvements will require increased time and expertise to implement by THCL and the Council.

In our view these costs and risks are manageable and will not outweigh the benefits of the proposed improved arrangements. We consider that the proposed changes should be cost neutral in the medium-term.



Introduction

Scope of the review

In October 2024, the Horowhenua District Council (HDC) commissioned a s17A review of its economic development arrangements with The Horowhenua Company Limited (THCL).

HDC has a funding agreement with THCL to deliver economic development services. The previous contract from 1 October 2021 to 30 June 2024 has been extended by another year, to take into account the findings of the review.

THCL is a company, a subsidiary and the operating arm of the Horowhenua New Zealand Trust (HNZT). It acts as the district's economic development agency as well as managing community and property development projects for the HNZT.

A s17A review requires consideration of the effectiveness and efficiency of delivery and alternative service delivery options, including implications for costs, delivery of activities and delivery of outcomes. In undertaking the s17A review, the Council also sought advice on:

- Are economic development activities generating value?
- Are economic development activities best delivered externally or do they require closer Council control?
- Are there any benefits in making changes to current arrangements?
- How does the THCL model compare to the performance and operations of other economic development arrangements nationally?
- To what extent are the arrangements responsive to changes in the Horowhenua economic context?

Approach

Our approach to the review involved four main phases.

1. Information gathering

Documentation review

The initial review of documentation and research was to understand the objectives being pursued, how activities are being delivered, the processes being used and initial information on the reach and effectiveness of services. This was to enable us to initially identify areas of strengths, weaknesses,



alignment, and potential gaps or opportunities with the delivery model and to help confirm key questions to ask stakeholders during the interviewing phase of work.

The review included:

- All documentation that guides the economic development activities and services of THCL as agreed with HDC. This was to clearly identify the intention and objectives behind the services and delivery model. This included the Council's Long-Term Plan (LTP) and Annual Plans; the Horowhenua 2040 Strategy, Implementation Plan and Blueprint; Council committee agenda papers related to the establishment of HNZN and economic development priorities; funding agreements with HNZN and THCL; and THCL's business strategies/plans.
- Reports on the delivery of THCL's economic development activities and services, such as THCL's annual performance reports to Council, research and economic reports commissioned by THCL, customer satisfaction results, and reports on results achieved with specific services.
- Reports on local economic development performance. This allowed us to assess whether services have been focused in the right areas to address key constraints or to leverage opportunities. This included a report on the update of the economic development strategy, and THCL's economic dashboard and industry intelligence reports.
- Reports on economic development priorities and opportunities across surrounding regions for context and comparative analysis, such as the Manawatu-Whanganui Economic Action Plan and the Wellington Regional Economic Development Plan. As part of this phase, we also drew on our research on models of local and regional economic development services that we have previously undertaken for clients. This was to inform the analysis of current arrangements.

Interviews and meetings

To supplement the documentation review, we also met with and/or interviewed:

- HDC Councillors.
- THCL Board representatives.
- The Chief Executives and staff representatives from HDC and THCL.
- Representatives from organisations that have a strong interest in economic development in the district, that THCL has engaged/partnered with or that THCL should engage/partner in future, and/or that understand the current delivery model. This included representatives from the Muaupoko Tribal Authority, Te Tumatakahuki, Te Ropū Pakihi, Whanganui & Partners, CEDA, Wellington NZ, Accelerate35 (formerly Accelerate25), and MBIE.
- Representatives from a small selection of organisations that have engaged with THCL's economic development activities.

Questions asked at interviews were based on the initial findings of the documentation review and our analytical framework (see Analysis below)



2. Analysis

Our analysis covered the scope for the review as outlined in our proposal, and focused on broad areas of questions:

1. **Context and purpose – What are the key priorities and expectations that the current THCL model and activities are designed to address? Is delivery consistent with these priorities and expectations?** This included an assessment of:
 - What is the current set of arrangements and what activities are being delivered?
 - What are the key features of the current delivery model?
 - What resourcing is provided?
 - How does the investment in THCL compare to other economic development agencies?
 - What is the current rationale for the delivery model and set of activities?
 - What is economic development and the role of the Council?
 - What is the rationale for delivering economic development activities through THCL?
 - What are the key economic development priorities?
 - Are economic development activities focused on addressing key economic development priorities?
 - What processes support the prioritisation of economic development activities? How well are existing mechanisms working?
2. **Effectiveness and efficiency – Are existing activities and services being implemented appropriately and having the desired impact through the current model?** This included an assessment of the following questions:
 - Are sufficient activities and outputs being delivered through the current model?
 - How has THCL performed against key deliverables and key performance measures?
 - How effective is current performance monitoring and reporting?
 - Are desired outcomes and impacts being achieved through the current model?
 - Are activities being delivered efficiently through the current model?
3. **Opportunities for improving delivery arrangements – How should the activities (including any areas of improvement) be delivered and supported in future?** We considered the following key questions:
 - What improvements are required?
 - Does the existing delivery model need to change?



3. Options Assessment

Options assessment involved consideration of the following questions:

1. **What is the appropriate set of arrangements for future delivery?**
 - What governance, delivery and funding arrangements are possible options for delivering the activities? Consideration was given to options required for a S17A review, including governance, funding and delivery by the Council, a CCO, a joint CCO, another local authority, or another agency.
 - What are practicable options?
 - What are the pros and cons of different practicable options?
 - What is the recommended delivery model for delivering economic development activities and why?
 - What are the key benefits, costs, and risks of change?
2. **How could the recommended set of arrangements be implemented (if changes are required)?**
 - This included consideration of:
 - Whether there are any constraints to making improvements
 - Implementation requirements.

The structure of this report follows the analytical and options related questions above.

4. Reporting

Reporting included:

- A detailed report that covers our analysis and conclusions on the questions noted above, based on the research and consultation (this report).
- A summary presentation that outlined:
 - elements of the existing delivery model that are working well
 - elements of the existing model that could be improved
 - how the economic development delivery model should be improved
 - how changes could be implemented.



1. Overview of economic development arrangements

Economic development arrangements in the Horowhenua

Overview of THCL

A summary of the structure, objectives and resourcing associated with THCL is provided in Table 1.

Table 1: Key elements of THCL

	Description
Structure and governance	<p>Independent company, which is a wholly owned subsidiary and commercial operating arm of the HNZN. HNZN is an independent charitable trust.</p> <p>HNZN was established in 2018 as the economic development organisation for the Horowhenua. HNZN established THCL in 2020 and HDC contracts THCL for economic development activities.</p> <p>Board of a minimum of 4 directors (currently 5), appointed by the shareholders.</p>
Mission	<p>HNZN's mission (which THCL supports) is to improve the social and economic wellbeing for all of Horowhenua.</p>
Purpose and roles	<p>THCL's purpose from its business strategy for 2024 to 2027 is to:</p> <ul style="list-style-type: none">• Champion the Horowhenua, and understand opportunities for growth through providing excellent economic development services. <p>THCL's roles include:</p> <ul style="list-style-type: none">• Championing Horowhenua, understanding the opportunities for growth, and identifying and attracting investment to achieve its outcomes.• Investing in the future, identifying gaps and taking action on the priorities for Horowhenua.• Undertaking not for profit and for profit activities and projects to enable the HNZN to achieve its mission.
Key goals	<p>THCL works to support the following goals:</p> <ul style="list-style-type: none">• The Horowhenua 'system' is effective, with a range of perspectives working together to achieve shared outcomes. People from all areas (local, central government, iwi, business and the community) come together to work on solutions for the wellbeing of the region, respecting whilst leveraging the environment.



	<ul style="list-style-type: none"> • Thriving Business Community. Thriving means businesses are clear about their future aspirations and seize opportunities to achieve them. They have plans that respond to the changes they face. They are resilient and have succession. We work with those dynamic businesses that have the biggest impact for Horowhenua. • Enabling a successful and innovative local workforce. The workforce in Horowhenua is productive and proud of what they achieve. Horowhenua attracts skilled and talented workers at all levels. Workers feel their views are heard and they see a future in Horowhenua. They develop skills during their career, leading to higher quality work. • Ensuring there are clear pathways and support for our young people/rangatahi. Young people are educated in what matters for the future in the modern world. They can make their own destiny and plans, set and achieve their goals and look forward to satisfying lives and careers in Horowhenua. They are resilient and optimistic about the future. 		
Focus Areas	<p>The 2021-2024 economic development focus areas for THCL have included:</p> <ul style="list-style-type: none"> • Ōtaki to North of Levin highway (Ō2NL). • Levin town centre. • Foxton as a destination. • Support Māori & iwi aspirations for growth. • Emerging opportunities – new sectors, responding to environmental changes. • Support existing high impact businesses. • Having a strong labour market. 		
Staff	<p>3.8 FTEs (across 6 staff – Chief Executive, Business Growth Manager, Business Growth Advisor, Senior Communications and Marketing Advisor, Property and Development Manager, Office and Project Coordinator).</p>		
Income and sources of funding	<p>2021/22</p> <p>Total income: \$5,438,725</p> <p>Sources of funding included:</p> <ul style="list-style-type: none"> • Council funding: \$567,500, comprising \$487,500 (contract), \$80,000 (for events strategy and plan) • s7(2)(b)(ii) 	<p>2022/23</p> <p>Total income: \$1,229,570</p> <p>Sources of funding included:</p> <ul style="list-style-type: none"> • Council funding \$650,000 (contract) • s7(2)(b)(ii) 	<p>2023/24</p> <p>Total income: \$1,229,570</p> <p>Sources of funding included:</p> <ul style="list-style-type: none"> • Council funding \$650,000 (contract) • s7(2)(b)(ii)





Source: Reports against the service agreement, information from THCL. Note that the higher service revenue in 2021/22 is due to additional funding from central government related to Covid recovery and the development of Enterprise Drive.

Total Council investment in economic development activities through THCL was \$0.65 million in 2023/24, or 56% of THCL's revenue. Most of the remaining funding came from servicing revenue, particularly payment for services to Horowhenua Developments Ltd, management fees received from Pathways Support, Regional Business Partner delivery, and BA5 revenue.

The funding agreement between the Council and THCL suggests that the allocation of THCL's resources should be as follows:

- 40% on business development support (including business connections and referrals, business networking, advocacy, facilitation of advice and assistance)
- 10% on innovation and industry development (including initiatives targeting sector diversification and growth, and initiatives targeting knowledge industries)
- 20% on skill support and labour market development
- 10% on promoting investment into Horowhenua
- 15% on supporting Council strategy, policy and planning and data and insights
- 5% on maintaining an influencing role in regional economic development, for example, in relation to Accelerate35 (formerly Accelerate25) and the Greater Wellington Regional Growth Framework.

Based on THCL's reporting, this allocation has largely been followed, although details on the allocation from year to year are not provided.

How does the investment in THCL compare to other economic development agencies (EDAs)?

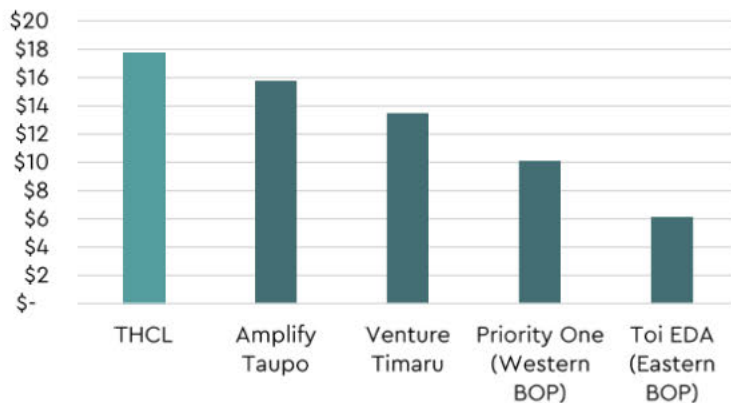
It can be difficult to compare local government investment in EDAs because the scope of activity differs across them. In particular, some EDAs are responsible for destination marketing, including i-SITEs, in addition to economic development activities. We identified EDAs that either only provide economic development activities or where the economic development investment by Councils was clearly distinguished from destination marketing to provide comparisons with THCL. Compared to these other locations and EDAs, THCL is relatively well resourced through local government investment. As shown in Figure 1 and Figure 2, in 2023/24 the Council invested the equivalent of:

- \$17.71 per capita in THCL, which was higher than the equivalent investment in Amplify Taupo (\$15.76 per capita), Venture Timaru (\$13.46), Priority One – Western Bay of Plenty (\$10.09), and Toi EDA – Eastern Bay of Plenty (\$6.11).



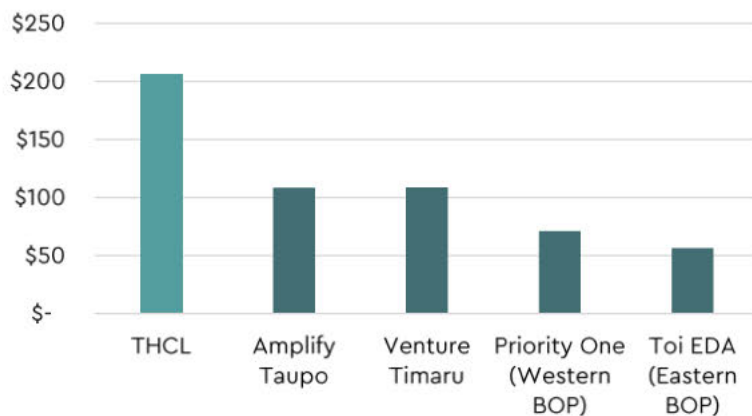
- \$205.37 per business in THCL, also higher than the equivalent investment in the other EDAs (for example, the next highest was Venture Timaru at \$108.79 per business and Amplify Taupo at \$108.32 per business).

Figure 1: Local government investment in economic development in EDAs per capita (2023/24)



Source: MartinJenkins calculations based on information in annual reports and data from Statistics New Zealand.

Figure 2: Local government investment in economic development in EDAs per business (2023/24)



Source: MartinJenkins calculations based on information in annual reports and data from Statistics New Zealand.

Local government investment in EDAs with broader functions than THCL (particularly destination marketing) tends to be much higher on a per capita and per business basis (for example, local government investment in Whanganui and Partners in 2023/24 was equivalent to \$54.50 per capita and \$546.78 per business; local government investment in Venture Taranaki in 2023/24 was \$38.23 per capita and \$291.62 per business; local government investment in CEDA in 2023/24 was \$22.05 per capita and \$208.27 per business).



2. Rationale and priorities for economic development activities

The rationale for the Council investing in economic development activities

The purpose of and goals for economic development activities and the focus of the Council in supporting economic development activities are well set out in strategic documents such as the LTP (for example, the purpose is to facilitate economic growth to support improved social and economic wellbeing) and Horowhenua 2040 Strategy (which states economic goals and focus areas for economic development activities).

Despite this, some of the stakeholders spoken to as part of this review indicated that it was not clear what economic development is, why the Council invests in economic development activities, and what role THCL should play in delivering those activities. We consider these in turn.

Economic development and the role of the Council

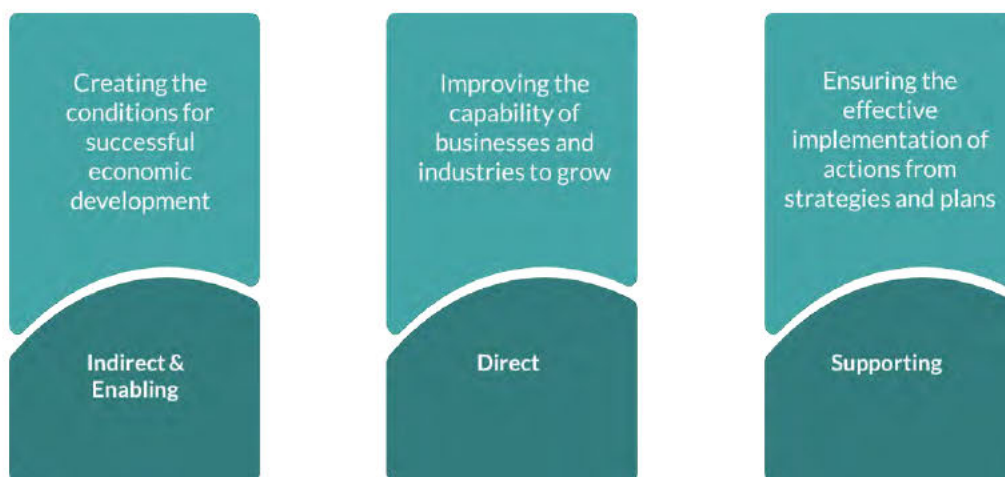
Economic development is **the combination of policies, investments, programmes and actions that improve the ability of organisations and people in a community of interest** (in this case, the Horowhenua) **to access resources more productively and effectively and to respond to economic opportunities and challenges**. By doing so, economic development supports higher value business activity and employment in a locality, and ultimately higher earnings and household incomes.

Local government investment in economic development activities recognises that a range of external factors and organisations will influence the ability of organisations and people to access resources and respond to opportunities (for example, macroeconomic policy, market conditions, education and training policy and investment, infrastructure investment etc). The focus is on elements that can be influenced at the local level, in partnership and aligned with the policies, investments and actions of others.

A Council (and through its council organisations and contracted delivery agencies) can implement a large range of activities that influence the ability of individuals and businesses in the region to respond to economic opportunities and challenges. This includes three main types of roles and related activities as shown in Figure 3.



Figure 3: Local government economic development roles



Source: MartinJenkins

In more detail these are:

1. **Indirect or enabling economic development activities** – these activities are focused on creating the supportive conditions for economic development across an area such as Horowhenua:
 - a. **Providing leadership and direction** – with a strong understanding of the local business context and local economic challenges and opportunities, Councils are well placed to establish a platform for the economic direction of their district or region. Key roles for Councils include:
 - Developing local or regional strategies and plans in partnership with the community that set out economic priorities for their area. This provides clarity and certainty for business location and investment decisions.
 - Ensuring an economic development lens is built into policies and plans across the range of local government activity and ensuring that a Council 'walks the talk' by demonstrating a commitment to added value in its dealings with the business and wider community.
 - Where appropriate, aligning local priorities with regional and national economic priorities and being clear about the respective interests and responsibilities of local, regional and central government.
 - b. **Planning for and co-investing in infrastructure and assets.** Transport, water, waste and communications infrastructure, and where it is and how responsive it is, has a significant influence on economic growth. All are directly or indirectly influenced by Councils. Councils can also have ownership interests in a variety of key assets which determine investment and business decisions, such as land and property. Key roles for Councils include:



- Rigorously assessing the economic costs and benefits of infrastructure and asset ownership and management, and hence the appropriate role of local government.
 - Investing in key assets and infrastructure where there is a good case.
 - Investigating opportunities to make Council procurement more effective in stimulating innovation and economic development, while achieving spending objectives and value for money.
- c. **Provision of core services.** The management of water supply, wastewater, amenities and other core services enables households, businesses and industries to function efficiently and effectively. Key Council roles include:
- Ensuring core services are reliable, accessible and priced appropriately for the communities of interest that need them.
 - Identifying new ways of driving efficiencies in services in order to keep costs to businesses and the public down.
- d. **Policy and regulation.** Policy and regulation can also be an impediment or enabler of economic development. For example, poor quality regulation can discourage growth and employment by diverting the resources of individuals and businesses from more productive uses. Councils have a key role in contributing to a high-quality business and regulatory environment by, for example:
- Ensuring that a Council's various regulatory and policy roles are administered responsively, consistently and cost effectively.
 - Providing information to businesses on regulation and how to comply, which reduces compliance costs and encourages compliance.

Enabling roles are naturally typically delivered by Councils rather than Council agencies or Council funded agencies, although there can be joint roles in providing leadership and direction (for example, in developing economic development strategies and plans).

2. **Direct economic development activities** – these activities are more directly aimed at improving the capability of businesses and industries across the region to grow (either by improving their access to resources or by influencing the demand for their products and services).

These can be justified based on 'market failure' arguments, that is, when private and non-local government sector decision-making, if left on its own, is likely to result in investment and outcomes that are less than desirable for the community as a whole. A Council, council agency or council-funded agency may be able to more efficiently overcome these market problems at a local or regional level.

The most common types of direct economic development activities, many of which are delivered through THCL in Horowhenua, are:



- **Business Development Support** – such as providing basic business information and advice, referral services, and facilitating networks and access to central government business assistance (for example, support delivered through NZTE and Callaghan Innovation). A key rationale for these activities is to help businesses overcome information problems (for example, about where to find advice, about the quality of available advice or about the benefits that advice will bring), much of which has a particularly local or regional flavour. In the absence of this support, local businesses may underinvest in capability development or growth initiatives.
- **Skills and Talent Support** – for example, promotion and signposting of education and training opportunities in the region; supporting talent attraction programmes; and facilitating linkages between education and training organisations and industry across the district. Businesses may underinvest in these activities in the absence of intervention due to a lack of certainty about the benefits that may result (information problems) and due to concerns about trained staff leaving their business (knowledge spillovers).
- **Investment Promotion and Attraction** – for example, encouraging and promoting inward investment to the district; bridging networks between inward investors and key organisations in the local economy; and assisting existing investors to expand or retain their investment in the area by facilitating access to skills or R&D. Investors from outside the district may have a limited knowledge about the local economy and investment opportunities that a Council or its agency may be well placed to fill (that is, to overcome information problems). Assisting existing investors to expand or retain their investment in the district by facilitating access to land, property, skilled staff or R&D expertise can also be warranted due to the broader benefits that investment can bring (for example, new and better jobs).
- **Promotion of Innovation** – such as coordinating the activities of business and research organisations, and providing information on research and commercialisation expertise available in the area. This can be to overcome a lack of awareness of relevant R&D support that exists in the location (that is, to overcome coordination and information failures) and to capture broader benefits that can be associated with innovation activity (higher productivity and higher incomes).
- **Industry Development and Facilitation** – such as coordinating sector investment in major projects in the district and supporting infrastructure planning or feasibility analysis for industry projects of regional significance. A Council or its agency may be seen as an impartial broker to help coordinate investment across an industry. It may also be involved in related activities, such as owning land or an asset that is sought by a particular industry. If the public benefit case is significant, this role can also involve co-investment in major projects.
- **Local and Community Economic Development** – for example, encouraging individuals and businesses to collaborate in the provision of community improvement activities, town and district promotion and regenerative investment. This is to overcome coordination problems in the provision of collective services and because of broader benefits associated with these activities, which are often not taken into account by private decision-makers (for example, increases in employment).



- **Destination Marketing and Management** – this includes district promotion and marketing to attract visitors; support for tourism product development; events attraction; and investment in events infrastructure. These activities can be justified due to the public good elements of visitor promotion and coordination problems, as individual tourism operators cannot capture all of the benefits of marketing and because of the diverse nature of the industry (which may make it difficult to organise a cooperative marketing effort across all relevant businesses). Similar arguments can also warrant local government involvement in events and conference attraction and investment in events infrastructure (for example, businesses surrounding an events centre obtain benefits from visitors to events, but it could be very difficult to get them all to co-invest in the event). Local government can have a role as it is often the provider and manager of infrastructure and services used by visitors (such as public spaces, parks, public transport), and hence is already involved in creating an environment that is attractive to visitors.

Many of these direct activities are typically provided by arms-length economic development agencies such as THCL because decisions on these activities benefit from commercial and entrepreneurial insight and because much of the information and networks required to be successful with direct activities are derived from the private sector. Organisations at arms-length from Councils can have a better ability to obtain this information and to leverage networks. In addition, decisions on some direct activities need to be perceived as free from political influence (for example, on funding support to businesses). However, local and community development and destination marketing activities are sometimes provided directly by Councils and through partnerships with local community and promotion groups as these can leverage other Council activities or assets (for example, community facilities).

3. **Economic development supporting activities** – these are activities that assist in ensuring the effective implementation of direct activities and actions that arise from economic development strategies and implementation plans:
 - **Coordination** of activities across agencies that are responsible for implementing economic development actions (for example, via meetings, workshops, information dissemination).
 - **Project and Programme Management** to ensure that the processes for implementing economic development activities and actions are appropriately established at the outset, that activities and actions are sufficiently resourced, and to ensure actions are on track.
 - **Monitoring and Evaluation** of activities and actions to test progress against milestones and to identify when a change of course may be required.
 - **Communication** of local economic development processes, progress and achievements across organisations and to the wider community.
 - **Economic Intelligence and Analysis** – supporting the prioritisation and delivery of economic development activities and actions through the provision and analysis of economic data and research. Councils or Council funded agencies often have better access to relevant data and insights and can be seen as impartial providers of that information.



Supporting activities are typically delivered by a combination of Councils and EDAs, with both playing roles in delivering some activities.

In summary, there are clear broad rationales for the HDC in supporting economic development. It is likely to be helpful in future to clarify and communicate the roles and rationales to industry and the broader public, and particularly the different roles that the Council and THCL play.

Framework for thinking about whether to invest in economic development activities

In addition, when considering future investment in economic development, particularly direct economic development activities, it can be useful for the Council and THCL to answer the following questions to determine whether there is a solid case for ongoing or new investment:

1. Is there clear evidence of significant challenges or opportunities impacting on business and industry performance and growth in the district?

Challenges impacting on the performance of businesses and industries in districts or opportunities for growth that are not being taken up are easy to find. The key is to determine that the challenges or opportunities are significant enough that they are having a detrimental impact (or that they could have a positive impact) on a large proportion of businesses or a significant part of the local economy.

In order to determine whether or not this is likely, a Council or its agency should gain a detailed knowledge of the issues and organisations or industries impacted, knowledge that can likely only be obtained directly from those involved.

This test is likely to be met if there is a good research base about the problems or opportunities and if there is ongoing engagement with private sector and non-government organisations to gather intelligence and feedback.

2. Do 'market failures' underpin such challenges or the take up of opportunities

Council investment in direct economic development interventions is justified when private and non-government sector decision-making, if left on its own, is likely to result in investment and outcomes that are less than socially desirable, that is, when market failures or problems occur.

There are several possible areas of market problems that can be considered in determining whether economic development investments and activities by local government are required – several of these were noted above. The most common ones are:

- Information problems, for example, organisations or industries may have limited information about an investment opportunity (such as the potential costs involved and benefits they will receive from co-investing in a development in the district), which stops them from investing. A Council or council funded agency might be able to bring information to bear to support the decision (for example, about consenting costs and timeframes; about the skills available in the district that the businesses may need; about the benefits that a similar investment in a different industry or location has generated).



- Coordination problems, that is, organisations or industries may be reluctant to partner with others on an activity or investment because they are concerned about sharing information with potential competitors or simply because they don't know all the parties they should be partnering with. A Council or council funded agency might be able to play a 'broker' role in bringing the required parties together.
- 'Spillovers' or wider economic benefits, that is, when the benefits of an activity or project are likely to flow to a range of organisations beyond those actually investing or taking part. For example, there might be a few businesses contemplating co-investing in a new training programme to develop more highly skilled workers for their industry, but they know that some of those workers will end up working for other businesses. Hence they may not be prepared to fund the full amount required because they cannot recoup all the benefits. A Council or council funded agency could provide partial funding to get the training initiative established on the basis of securing those broader upskilling and employment benefits for the district.

Markets never work perfectly. Hence, problems such as the above need to be of sufficient magnitude to warrant involvement.

3. Can the Council or a council funded agency do anything to address the challenges/opportunities and is it best placed to improve on the outcomes?

An industry challenge or opportunity may have been identified and a potential role for the Council or its agency determined. But the Council or agency must also have the ability to improve on the existing situation.¹ This is more likely when a Council or its agency has some advantages to bring to bear. For example:

- The Council or agency might have privileged access to some information or be regarded as a more credible provider of the information (for example, about proposed developments, new regulation).
- In some areas of activity, a Council or its agency may have an advantage in providing support to businesses or industries due to its links with other local government or central government officials in New Zealand, and because of an expectation of local government involvement. This could be the case in developing initiatives that have significant central government involvement.²
- In some cases, a Council or its agency can help facilitate or broker decisions and cooperation across organisations as it can be regarded as commercially neutral, impartial and as having broader district interests in mind.
- Council agencies can sometimes attract support from experts at discounted or no cost who wish to give something back to the community.

¹ This condition is an attempt to make sure that local government failures are avoided to the largest extent possible.

² This is also referred to as the government imprimatur (badge of endorsement).



4. Will local government intervention succeed and will the benefits of intervention exceed the costs?

An assessment of expected (or realised) benefits and costs of an economic development activity or project should involve consideration of:

- the benefits that would occur over and above those that would have been generated anyway, that is, what benefits would have resulted if there was no support
- the broader benefits to the district over and above those that the organisations directly involved will receive
- the broader costs that might be generated, over and above the direct costs of the initiative. For example, the costs involved in administering and monitoring the initiative or unintended consequences such as some businesses being disadvantaged.

If possible, particularly for projects involving significant investment, an attempt should be made to estimate the size of the wider (public) benefits compared to the private benefits as this should influence how the costs are shared between the Council and the private sector or non-public sector.

Evaluating the impact of economic development activities over time to assess whether they are achieving their objectives, whether they can be provided more effectively and efficiently, and whether there have been changes in the environment that suggest a change in direction is required is also important to justify the continuation of activities or changes in resourcing.

5. Are stakeholders willing and able to engage?

The final requirement is that the relevant stakeholders, whether they are businesses, industry organisations, iwi, hapu, educational institutions, research institutions, or central government agencies are willing to participate and, as appropriate, co-invest in the activity. This points to the value of an activity, particularly if it is difficult to generate dollar values. There's no point in the Council or its agency identifying a major opportunity or problem and a proposed economic development service or activity if affected stakeholders are not serious about taking action.

We consider several of these questions when assessing different types of economic development activities later in this report.

The rationale for the delivery of direct and supporting economic development activities through THCL

The Council's contract for economic development activities through THCL stems from the Council's decision in 2017 to contract out these services to a trust (which became the HNZN). That decision was based on the view that the main role of the Council is to establish, maintain and manage the playing field for economic development (that is, indirect/enabling and supportive economic development activities), rather than "being a player" on the field. In coming to this decision, the Council at the time noted that:



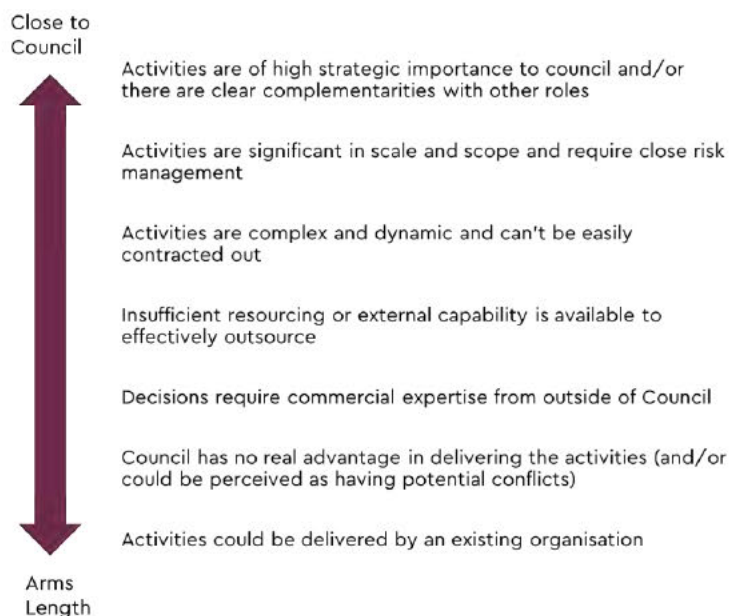
- Expertise, skills and resources for economic development sit in the private and community sectors.
- The Council had a significant property portfolio that was being under-utilised, limiting potential returns, and the Council was not an expert property developer or manager.
- There were several projects that were not part of the Council's work programme, which offered significant economic development opportunities, including Ō2NL, and local projects such as the Levin Town Centre and freeing up of land for development.
- There were opportunities to partner with central government agencies to deliver local programmes, including on skills training, grants for business development, and social development programmes.

The decision at the time was that delivery through an external model, a trust, would better exploit these opportunities.

Although the delivery of the services subsequently transferred to THCL in 2021, a subsidiary created by HNZT to enable the trust to engage in commercial activity and generate income, the rationale for arms-length delivery remained relevant.

More generally, in thinking about whether direct and supporting economic development activities are best delivered within a Council or through an external agency (for example, through a CCO or contracted to an outside organisation), the following framework can be considered (Figure 4).

Figure 4: Framework for considering whether activities are best delivered in-house or externally



Source: MartinJenkins



The related questions and answers are:

- *Are the activities of high strategic importance to the Council, that is, do the activities give effect to key Council plans, objectives and policies and hence require close coordination and integration with other Council activities? Are there strategic relationships involved that the Council wants to maintain?*

The answer for most direct and supporting economic development activities is no, as they tend to be operational in nature. That's not to suggest the activities are not important, rather they are not core to the Council's business or as critical to the Council's long-term plans and goals in the same way that infrastructure planning investment is, for example. The exceptions can be the development of economic strategies and the collection of market and industry intelligence, which can be core to the effective functioning of a Council.

- *Are the activities significant in scale and scope and do they involve major risks that need to be managed, that is, is there a need for frequent Council decision-making?*

If there is a high level of risk and significant expectations attached to activities, for example for initiatives involving significant levels of investment, there may be a desire for greater control over what is provided and for the outcomes. In these circumstances there may be a preference to manage the risk in-house. However, again, the answer is no for most direct and supporting economic development activities. The exceptions can be initiatives which involve investment in significant assets (for example, innovation centres) and investment attraction efforts that involve decisions on significant land/properties or facilities.

- *Are decisions on activities commercial in nature and should be arms-length from Council?*

The answer for most types of direct economic development activities is yes. In several cases (for example, funding for major projects, business grants) decisions benefit from commercial and entrepreneurial insight. In some cases, the business community would expect decisions to be free from any perceived political influence. Again, the exception can be economic development strategy activity.

- *To what extent does the Council have an advantage in providing the activities? Who has access to the best information to guide implementation and can organise and secure resources?*

A Council may wish to consider providing the activity itself if it has particular advantages in doing so (that is, it can provide the service more efficiently or effectively than other providers).

However, as much of the information and networks required to be effective in direct economic development activities are derived from the private sector, an agency with a private sector Board may have a better ability to obtain these (although this could also be obtained through an advisory board to Council). Similarly, although this may not be the reality, it can be perceived by the private sector that an external agency, with a private sector Board, has more credibility and impartiality. Some businesses may also not be willing to work on economic development initiatives directly with a Council if they have existing issues with other Council activities (for example, consenting).



- *Are the activities complex?*

If there are difficulties in specifying the nature of the outputs required or if there is likely to be a need to frequently change the outputs, it is unlikely that the activities will be able to be contracted out efficiently or effectively.

Most direct or supporting economic development activities are not particularly complex and can be contracted for.

- *To what extent are there existing potential providers of the activities?*

If there are existing potential providers of the activities (for example, industry groups), it may be preferable to contract directly to these providers as they may have the skills and networks to deliver effectively and efficiently. If there is no real existing or potential provider, then delivery by the Council or one of its organisations will likely be required (at least for a time).

These questions and answers suggest that most direct and supporting economic development activities should be delivered by an arms-length agency such as THCL, although there can be a case for economic strategy development support and economic intelligence gathering and analysis to be undertaken by Council/s. Furthermore, although these questions and answers point to the preferred arrangements, direct and supporting economic development activities can be (and are in some regions) effectively delivered directly by Councils.

Further discussion on the pros and cons of delivery models is provided later in this report. A few interviewees indicated that it wasn't always clear what the role of THCL is in delivering economic development activities relative to HNZN's role, but these comments reflected a lack of clarity about the HNZN and THCL structure rather than questions being made about the delivery of economic development activities through an arms-length agency.

It's also important to note that the effectiveness of the full set of economic development activities (indirect/enabling, direct and supporting) requires coordination across them. For example, the effectiveness of investment promotion and attraction efforts is influenced by supporting investment in infrastructure and consenting activity. When direct economic development activities are delivered by an arms-length agency, these activities should be coordinated with the Council team/s that are responsible for complementary enabling activities. Some stakeholders spoken to thought that the THCL and Council relationship had not been close enough to ensure effective coordination, although THCL staff and Council officials indicated that the relationship and information sharing had improved over time and there are now regular discussions between officials from both organisations to discuss areas of joint interest (for example, monthly meetings between the CE of THCL and the GM of Council, and quarterly meetings between the Chair and CE of THCL and Mayor and CE of HDC). We also note that THCL has emphasised that its role in supporting HDC's priorities, for example on integrated growth planning or activating the Levin Town Centre, is more about being a member of HDC project teams than leading the work, and bringing business perspectives and industry and stakeholder connections.



Are economic development activities focused on addressing key economic development priorities?

Council and THCL economic development priorities

THCL's priorities for economic development over 2021 to 2024 were originally set by the Council through its service agreement with THCL. The service agreement specified relative levels of focus across different economic development activity areas and a long list of economic development services to be delivered. The economic development activity areas were based on the Council's Economic Development Implementation Plan at the time. The priority activity areas and related services were:

- **Business development support (40% of focus)** – including business support and advocacy initiatives; business connections and referrals; business networking; supporting businesses with awareness of relevant government programmes; facilitating research and data collection to assess sector needs and opportunities; providing advocacy and support that enables businesses to overcome constraints inhibiting their growth, performance, and sustainability; partnering with external agencies to deliver services to support new and small business owners; facilitating expert advice and practical assistance to business owners; facilitating businesses to explore ideas and challenges and to connect them with the information, expertise and contacts they need to succeed.
- **Innovation and industry development (10% of focus)** – fostering sector diversification and growth; supporting knowledge industries and the incubation/innovation environment; providing support for knowledge industries, young workers and incubation/innovation enablement; educating secondary and post-secondary students about the labour market and facilitating interaction between students and Horowhenua businesses; facilitating research and data collection to assess changing needs.
- **Skills related support and labour market development (20% of focus)** - supporting Horowhenua businesses to access local talent and supporting young Horowhenua people to access rewarding jobs/careers, including support for the Get-Go initiative and educating secondary and post-secondary students about the labour market, and facilitating interaction between students and businesses; working with businesses and partners to monitor and analyse data in order to identify labour force needs and shortages/surpluses; promoting Horowhenua as a desirable and exciting community with diverse employment opportunities; collaborating with iwi and partners to engage labour pools; working with businesses, institutions, and community organisations to improve labour market outcomes; liaising with post-secondary institutions and training providers with respect to the skills and demand requirements of employers.



- **Promoting investment into Horowhenua (10% of focus)** – developing a specific talent and investment attraction strategy (that looks beyond the business park); and capturing and monitoring lessons from the business park to inform future commercial/industrial developments.
- **Supporting strategy delivery and providing economic data and insights (15% of focus)** – supporting Council strategy, policy and planning advocacy activities including monitoring of housing data and trends; commissioning population, demographic and economic data insights and projections to inform strategy, policy and regulatory activities.
- **Maintaining an influencing role in regional economic development (5% of focus)** – participating in key regional economic development networks, such as Accelerate35 (formerly Accelerate25), the Greater Wellington Regional Growth Framework, and EDA collaboration.
- **Promoting Horowhenua as a great place to live, learn, create and play (no % provided for focus)** – developing an events strategy, focused on creating a wider programme of events to encourage visitation throughout the year.

To the extent that THCL has delivered across all of these areas (discussed later), its activities have been consistent with the identified priorities. It is also positive that the agreement was based on an economic plan and that relative levels of focus were provided to guide resource allocation. However, despite this, there were a significant number of services specified in the agreement, rather than there being a clear prioritisation of activities, which risked stretching THCL's resources too thinly. We also note that the priority areas at the time, and the economic development implementation plan, did not identify sectors of the economy or major developments that would be key contributors to the district's future economic success (beyond the reference to fostering sector diversification and supporting knowledge industries).

A couple of interviewees indicated that there were some differences in view about the nature of these priorities in previous years, related to THCL being a subsidiary of HNZN. HNZN is seeking to focus on activities that generate profit that can be returned to the community, whereas the priorities for THCL are to deliver the range of services that are being contracted for, irrespective of any profit being generated (indeed, the aim should be to generate broader economic development benefits to the community). THCL's business strategy actually notes that THCL's role is to undertake activities and projects to enable the Trust to achieve its mission. However, a 'return to the community' motivation risks steering THCL to activities that are more likely to generate further funding.

Processes for supporting the prioritisation of economic development activities

Ideally economic development priorities should translate from Council priorities to THCL investment decisions, areas of focus and activities via a combination of:

- The Council having an updated economic development strategy and/or plan, with clear priorities. This should be based on a combination of research and input from stakeholders, industry and iwi/hapu.



- Discussions between the Council and THCL (at governance, executive and staff levels) on the strategy, areas of focus for THCL and alignment.
- Council funding agreements with THCL, reflecting the strategy/plan and the discussions.
- THCL's Business Strategy (and iterations of these) based on these discussions and agreements.

The Council and THCL have followed elements of this approach but there is room to improve the process of prioritisation.

The 2020 Economic Development Implementation Plan was based on an external review of the previous Economic Development Strategy, and the review findings were presented and discussed at a public workshop before being endorsed by the Council. As noted above, the Plan identified a large number of activity areas (12) rather than a more limited set of key priorities. The Strategy/Plan is in the process of being updated (discussed further below).

The funding agreement included a provision to review and set service delivery areas on an annual basis. Based on feedback from THCL and the Council, THCL does review and reflect on their annual areas of focus through a business strategy process, but the outcomes have not always been incorporated into the updated service agreements:

- The THCL 2022-2027 business strategy identified Ō2NL; emerging opportunities associated with industries active in emissions reduction, environmental management and new energy sources; supporting Māori and iwi aspirations; understanding threats to traditional food production; improving the functioning of the labour market; and increasing affordable housing as key focus areas.
- The THCL 2023-2027 business strategy removed food production and affordable housing as focus areas, and added support for high impact businesses as a focus area.
- The THCL 2024-2027 business strategy added a focus area related to financial sustainability, and removed the references to supporting Māori/iwi, improving the labour market, supporting high impact businesses, and supporting emerging opportunities.

Although not in the scope of the review, THCL has also developed a business plan for 2025 to support the interim funding arrangement for 2024/25 with HDC. This business plan is more detailed than the previous strategies. In addition to specifying ongoing activities associated with business development support, workforce development, investment attraction, etc, the plan identifies the development of a local SME work ready tender programme, the development of pathways to employment, and supporting iwi partners in work with businesses on tender activities associated with Ō2NL; the delivery of a retail transformation plan for the Levin CBD; Foxton business engagement and participation in Foxton Futures; and scoping work for a business innovation hub, as key deliverables, amongst several others.

Feedback from THCL indicates that they particularly consider the Council's LTP as part of the annual update and identify where THCL can support the achievement of LTP goals.



It's notable that, consistent with the earlier comment about the potential tension in balancing HNZN's aspirations for community returns with THCL's focus on delivering contracted services, some of the identified focus areas in THCL's business strategies, such as identifying options to increase affordable housing, were quite distinct from the priorities in the funding agreement. The business strategies also include focus areas for THCL as an investor (for example, directing investment in land/buildings to create space for new retail and business activity) in addition to focus areas for its role as the economic development agency.

Based on the feedback from THCL and the Council, there is a good level of discussion between THCL and Council officers on focus areas and alignment (including through quarterly discussions between the Chair and CE of THCL and the Mayor and CE of Council). However, there is typically limited, if any, direct engagement between THCL and Councillors as a group to discuss updated/augmented areas of focus each year. Instead, the focus of Councillor engagement each year is on performance reporting through Council committee meetings, with Councillors typically getting a retrospective picture on an annual basis rather than having a forward looking conversation. It was noted, however, that as part of the report back on THCL's 2021-2024 performance to Council in 2024, that Councillors had more of an opportunity to provide feedback and direction on deliverables.

Update to economic development priorities

The Council and THCL have worked with an independent advisor (Sage Bush) over 2024 to clarify Horowhenua's economic development strategy and to identify an updated set of economic development priorities for the next ten years. The process included interviews with a range of stakeholders (including Councillors, Council staff, HNZN, THCL and local business leaders).

In contrast to previous Council papers, which referred to the Economic Development Implementation Plan as the guiding document for economic development (and THCL's) priorities, the review report has identified that the Council's economic development strategy is set out in the Horowhenua 2040 Strategy, Strategy Implementation Plan and Horowhenua 2040 Blueprint. Although the Strategy and Implementation Plan were completed before the 2021-2024 service agreement with THCL, the Blueprint was not completed until 2022. The Blueprint is more specific about the types of activities and sectors that should be a priority for economic development in future, including identifying logistics, the visitor industry and horticulture as key sectors, and actions related to implementing a destination management strategy and supporting education and skills development.

The review report identified a long list of 16 economic development opportunities based on the combination of the 2040 Blueprint and the feedback from interviews. Positively, it also assessed the opportunities against criteria (for example, time sensitivity, impact on economic development) to determine a short list of six priorities for economic development over the next ten years. The priority areas are to realise Ō2NL opportunities; increase land supply; improve land affordability; promote Horowhenua; support a diverse community; and foster an active and vibrant community. It is notable that they will require a combination of indirect/enabling, direct and supporting activities to be achieved.



The intention is that the review will be the basis for an updated economic development strategy and updated priorities for economic development activities.

We also note that the Council has identified key priorities for the 2024 and 2025 years, building off Horowhenua 2040 and the Horowhenua Blueprint, and Councillors have endorsed a "Council Plan on a Page". That Plan includes several priorities of relevance to economic development activities including:

- Enabling balanced growth with fit for purpose infrastructure.
- Strategically positioning Horowhenua.
- Activating the Levin Town Centre.
- Ōtaki to North Levin Readiness.

As part of the interim 2024/25 funding agreement with THCL, the Council has sought advice from THCL on its role and responsibilities in supporting the achievement of these priorities.

It was beyond the scope of this work to assess the implications of the identified priorities for 2024/25 and beyond, and whether there are any gaps. What we can say is that, in contrast to previous years, our assessment is that there will be a clearer set of priorities to guide economic development investment in future based on a combination of the review report and the Council's Plan on a Page, and assuming that the economic development strategy is developed. However, implementation will require closer coordination between those responsible for indirect/enabling activities in the Council and those responsible for direct and supporting activities (currently mainly THCL).

Overall, our assessment is that THCL has been focusing delivery on the agreed areas of focus but there was a lack of initial prioritisation guiding the Council funding agreement with THCL. In addition, although the areas of focus are updated annually, there has been a lack of engagement with Councillors in discussing and agreeing to the updated priorities. Such engagement should be part of workshop sessions with the Council to ensure there is sufficient time for discussion, rather than being a small part of a longer committee agenda.

The current review, Plan on a Page, and the intended update of the economic development strategy provide a good opportunity to ensure better alignment of economic development priorities across the Council and THCL. This also provides an opportunity to ensure that other key stakeholders and partners, including iwi and hapu, support the proposed priorities (comments on Māori and iwi engagement are made later in this report).



3. THCL's performance and results

What activities and outputs are being delivered?

THCL provides a range of information about its activities and the quantity of its outputs in annual reports to Council. Table 2 highlights the activities and outputs reported by THCL over the last three years.

Table 2: THCL's key activities and outputs

Activity area	2021/22	2022/23	2023/24
Business development support	<ul style="list-style-type: none"> Delivered a programme of business networking events, including 7 BA5 events, and webinars (in response to Covid), with topics including the economy, leading, fundamentals of small business, labour market research, and creating excellent workplaces. Established a new business network – women in business. Facilitated business connections with government funding support. Secured RBP network representation in the district. 	<ul style="list-style-type: none"> Coordinated and delivered 10 BA5 events (average 60 attendees per event), 1 Foxton Business Breakfast (10 businesses attended) and 3 Women in Business events (over 25 attendees per event). THCL took on the contract to provide RBP services directly. Engaged with 21 businesses over Feb-June 2023. Facilitated \$13,182 in funding to businesses for training. Developed a new business support services framework to provide guidance to businesses about support available at different stages of the business lifecycle. 	<ul style="list-style-type: none"> Coordinated and delivered 9 BA5 events (average 70 attendees per event), 4 Women in Business events (40 attendees per vent), an Ō2NL information session (over 45 attendees), a Levin town centre information event (over 40 attendees), 2 Foxton business breakfasts (over 15 attendees at each), and a meet Chris Bishop event (over 100 attendees). Engaged with 49 businesses through RBP services and facilitated around \$17,700 in funding for training. Six local businesses were added into the RBP programme as business capability service providers.
Labour market and skills support	<ul style="list-style-type: none"> Continued to develop the Get-Go programme with the three Colleges. Supported 64 people into work. Established a collaborative relationship with UCOL resulting in a school construction programme. Engaged with local employers to understand labour 	<ul style="list-style-type: none"> Continued to deliver Get-Go, including two Futures Day events to over 700 students. Launched a one-year pilot to map local school leavers' journeys into work and training. Launched Snapshot visits and Teachers' Afternoon out initiatives as part of Get-Go. Get-Go helped 24 people get into work locally. 	<ul style="list-style-type: none"> Delivered the Get-Go programme until 30 November 2023. Over the full period of the project (June 2020-Nov 2023), it enabled 113 job placements. Continued to deliver Futures Day. Since Oct 2021, over 1200 students and 20 businesses had participated. Transitioned Get-Go to a new model.



Activity area	2021/22	2022/23	2023/24
	market challenges and produced a labour opportunities study and report.	<ul style="list-style-type: none"> 49 employers registered with Get-Go. Commissioned, with MSD, a talent attraction and retention study. 	
Economic data and insights	<ul style="list-style-type: none"> New quarterly economic dashboard developed. 	<ul style="list-style-type: none"> Delivered four quarterly dashboards. Provided supplementary report on annual economic performance. 	<ul style="list-style-type: none"> Delivered four quarterly dashboards. Provided supplementary reports on the retail sector (x2), housing, and business sector performance.
Industry development and major projects	<ul style="list-style-type: none"> Supported Techlam in applying for and receiving a \$1.75m loan from the Regional Strategic Partnership Fund to improve productivity and reduce treated timber waste going to landfill. Worked to align food and fibre strategies across Kāpiti-Horowhenua-Palmerston North and Manawātū-Whanganui. Produced an events strategy and action plan for the Council. 	<ul style="list-style-type: none"> Supported 26 Seasons in applying for and receiving a \$2.0m loan through the Regional Strategic Partnership Fund to assist in scaling up their indoor climate-controlled strawberry production operation. Develop a food producers' strategic context document, including an environmental scan. Held a discussion forum with food producers to identify possible opportunities for collective action. Worked with Kāpiti Coast District Council on their plan to develop a food and beverage cluster. 	<ul style="list-style-type: none"> Produced the Lessons Learned report on towns and centres by-passed or impacted by an expressway to inform the response to Ō2NL. Hosted an information session for over 170 businesses on progress with Ō2NL. Hosted an information sessions for over 50 Levin town centre businesses on Ō2NL. Established a Levin Town Centre Retail Forum. Conducted a retail environmental scan for Foxton. Prepared a report on industrial land opportunities in Foxton.
Promoting and attracting investment into Horowhenua	<ul style="list-style-type: none"> Identified inward investment lessons from the Horowhenua Business Park project (for example, developing larger lots to attract larger businesses). 	<ul style="list-style-type: none"> Undertook a review of 11 new businesses that had entered Horowhenua over the previous two years to understand key drivers and attractors. Reported on the findings to Council. The review resulted in case study information and insights on the THCL website for prospective investors. 	<ul style="list-style-type: none"> Established 10 engagements with businesses/individuals interested in establishing in Horowhenua. Ongoing engagement with Electra on new business arrivals.



Activity area	2021/22	2022/23	2023/24
Maintaining an influence role in regional economic development	<ul style="list-style-type: none"> Hosted Accelerate25 team and Kanoa officials. Worked to align interests across EDAs in Manawatū-Whanganui. Worked with Kāpiti Coast District Council and WellingtonNZ on the Wellington economic development action plan. Progressed relationship with Muaūpoko Tribal Authority and engaged with Ngāti Raukawa. 	<ul style="list-style-type: none"> Established connections with Te Rōpū Pakihi and Te Tumatakahuki. Maintained relationship with Muaūpoko Tribal Authority. 	<ul style="list-style-type: none"> Worked with Te Rōpū Pakihi to identify areas for mutual business support and collaboration. Since March there were 56 individual engagements with Māori pakihī.

The table suggests that there has been a good range of economic development activities and outputs delivered by THCL. However, to assess THCL's overall performance, we considered three questions:

- How has THCL performed against key deliverables and key performance measures?
- What is known about the outcomes or impacts that the district is getting from the investment in THCL?
- Has THCL been efficient at delivering economic development activities?

We cover these questions in turn.

How has THCL performed against key deliverables and key performance measures?

The Council has not set key performance indicators (KPIs) for THCL per se, although there are a set of key performance areas that THCL reports against. These are largely about the achievement of deliverables rather than about outcomes achieved from the deliverables.

THCL has achieved generally positive results on the key performance areas that were agreed in the original service agreement and that have been updated annually over 2021/22 to 2023/24, as shown in Table 3 below.



Table 3: THCL key performance areas and results

KPI description and target	2021/22	2022/23	2023/24
Quarterly economic dashboard to be developed Provide additional data reports as agreed	Achieved: first dashboard to be delivered by 31 March 2022.	Achieved: quarterly dashboards delivered and supplementary report on annual performance provided.	Mainly achieved: quarterly dashboards delivered but not all supplementary reports were provided due to a delay in Census data being released.
Annual customer satisfaction survey	Achieved: first survey developed. 79% of respondents indicated that they would be likely or very likely to refer THCL to other businesses.	Achieved: survey completed. 88% of respondents would refer THCL to others.	Achieved: survey completed. 85% would be likely, very likely or highly likely to refer THCL to others. ³
Delivering and sharing stories to improve understanding of economic development activities	Achieved: case studies developed and published.	Achieved: at least 4 case studies were published and provided on the THCL website. Stories on rangatahi achievements published on Get-Go website.	Achieved: at least 4 case studies published and provided on THCL website.
New business networks established and networking events provided	Achieved: Horowhenua Women in Business Network launched.	Achieved: coordinated and delivered BA5s, Foxton business breakfast and Women in Business events.	Achieved: delivered 17 business networking events (target 10).
Fostering collaborations with iwi and Māori economic development network to progress their economic aspirations	Achieved: Identified shared interests with Muaūpoko Tribal Authority. Engagement with Ngāti Raukawa on health and wellbeing hub.	Achieved: established/maintained relationships with Te Rōpū Pakihi, Te Tumatakahuki, Muaūpoko Tribal Authority.	Partially achieved: worked with Te Rōpū Pakihi to identify areas for mutual business advisory support and collaboration; provided support to Muaūpoko Tribal Authority in areas of interest; relationship with Te Tumatakahuki requires further development.

³ We note that THCL reported a Net Promoter Score of 65, which is very high. However, technically this has not been calculated correctly as it is based on a 1-5 scale with 3 out of the 5 possible responses representing a positive response (and there was no ability for respondents to respond as neutral) and this will tend to influence a positive bias. NPS scores are typically based on 0 to 10 scale (11 point), with 0-6 representing negative responses (detractors), scores of 7-8 representing satisfied but passive customers, and only scores of 9 or 10 representing very positive responses (promoters). The NPS score is then the difference between the proportion of promoters versus detractors (with passives not included). If a 5 point scale is used, then 1-3 should represent detractors, 4 neutrals and 5 as promoters.



KPI description and target	2021/22	2022/23	2023/24
Events Strategy and Implementation Plan delivered	Achieved: developed and delivered by 31 March 2022.	N/A	N/A
Develop information about business support for Horowhenua businesses	N/A	Achieved: developed a published business support services framework and established a new THCL website providing business support information.	Achieved: maintained information on website and continued to improve CRM to support better communication to businesses.
Support HDC business communications through THCL channels	N/A	Achieved: provided support to HDC initiatives, including the Rural Games, a Job Expo, and Black Out event.	Achieved: published a range of stories on Horowhenua businesses and success stories.
Develop and publish material setting out investment areas of opportunity, benefits and experiences	N/A	Achieved: inward investment report completed and information included on website.	Achieved: engaged with businesses interested in establishing a presence in Horowhenua.
Explore approach for measuring the impact of economic development investment	N/A	Achieved: approach agreed in principle.	Achieved: Joint report developed by THCL, Council and Sage Bush on economic development priorities for Horowhenua and potential performance measures.
Support areas of significant focus	N/A	Achieved: initiated discussions with retailers in Levin town centre on the impact of Ō2NL and on the Levin town centre strategy. Submitted in support of Waka Kotahi Ō2NL resource consent application. Included in discussions on Foxton Futures Group. Completed food producers strategic content document.	Achieved: provided ongoing support and advice to the Levin town centre on Ō2NL; provided advice and support to the Foxton business community and related economic development initiatives; agreed actions with HDC and Kāpiti Coast District Council for the food and beverage sector component of the WellingtonNZ economic development plan.



Based on the reporting, THCL has achieved the requirements of the vast majority of key result areas over the three years. The area where it was reported there was more work to do was in relation to developing a relationship with Te Tumatakahuki (this is discussed later in this report). As noted, all but one of the areas relate to the delivery of outputs. The only outcome measure in this set is focused on customer satisfaction, and THCL has achieved consistently strong results on the proportion of customers that would recommend THCL to others over the three years.

Performance reporting and measures

THCL's formal reporting is largely through the annual reports to Council, although it meets monthly with HDC staff to provide updates on progress with activities, and the Chair and CE of THCL have quarterly catch ups with the Mayor and CE of the Council.

Our review of the reporting and feedback from interviews indicates that:

- It is difficult for stakeholders to get a good overview of what THCL does because of the relative infrequency of the reporting and that reports are part of Council agendas (so can be difficult to find). THCL only formally reports on its performance on an annual basis to the Council. Other EDAs typically report at least six-monthly. In addition, reports are not separately posted on the THCL website – only the HNZN annual reports are provided.
- There is a reliance on the formal reporting to Councillors, but these are typically discussions about prior achievements and are one of several agenda items, rather than an opportunity for Councillors to get an insight about challenges and opportunities. There is less informal discussion with Councillors on performance.
- The content in annual reporting has increased and improved over time (the 2021/22 report provided quite limited information), which reflects that THCL has been evolving its approach and the relatively short time in which the arrangement has been in place. However, as noted, much of THCL's reporting is also focused on outputs/activities – what it has done – rather than outcomes – or the difference it has made – although this is common to many EDAs. Reporting could be more specific about impacts, successes and value add. For example, the 2021-2024 report:
 - Outlines how THCL has supported two businesses with successful applications for Regional Strategic Partnership Fund investment. However, it does not describe how/if THCL added value to the application processes.
 - Describes how THCL has facilitated business access to the RBP funding. Positively, this section of the report notes that prior to THCL taking on the RBP role, there were around 15 Horowhenua businesses participating each year and that, over 15 months, THCL had increased that to 70 businesses (so a clear difference was made). However, the reporting does not describe the impacts that the co-funded training has had on local businesses.



- Describes a range of reports produced (for example, Horowhenua food producers, labour market research, inward investment, towns bypassed lesson learned) but not whether and how the reports influenced the development of initiatives or altered practices/behaviours.
- Describes a range of events that THCL has delivered (BA5s, business breakfasts, information sessions) but not the extent to which THCL has filled a gap in delivering these events in the absence of a local Chamber of Commerce, or the benefits that businesses receive from attending the events.
- There is higher quality reporting on the Get-Go project, which includes figures on job placements enabled, and, despite the initial project being completed and government funding ceasing, local demand has led to the initiative continuing.

High performing EDAs tend to be more descriptive about the differences that they are making as a result of delivering projects and supporting businesses, even if they don't report on many outcome measures. In addition, other EDAs include measures and targets in their reporting related to, for example:

- The number of unique businesses and organisations supported and the number and type of business engagements (and some provide these measures for Māori and non-Māori organisations).
- The number of businesses supported through different services (for example, through general business advisory contacts compared to the RBP programme).
- The proportion of business clients that report an improvement in business capability.
- The number and nature of investment opportunities identified and facilitated, and the number of investment referrals.
- More specific targets and reporting about partner and non-Council contributions, including in-kind, sponsorship or advertising.
- The number and type of content, media and case study content pieces and media created and published.
- The number of unique visitors to the website and social media users.

THCL's performance reporting in future should include more output related measures and a combination of output measures and intermediate outcome measures that are more directly attributable to THCL's activities. Ideally these measures should be based on an agreed intervention logic and performance measurement framework, which would communicate the linkages between the rationales for investing in economic development, the inputs used, the outputs being delivered, and short-term, medium-term and long-term outcomes (this is discussed later in this report).



The recent work on the economic development strategy by THCL, HDC and Sage Bush has identified potential new proposed measures and targets to reflect high level economic goals for Horowhenua over the next 10 years. These relate to having a more dynamic, productive and resilient economy, ensuring the wider economic benefits of Ō2NL are maximised, and that Horowhenua is regarded as a great place to live, work and play. However, the proposed measures and targets focus largely on economy-wide measures that should only be assessed over the very long-term and that will be difficult to attribute to economic development activities delivered through THCL (or the Council). For example, they include measures on increases in GDP, GDP per filled job, the number of new businesses, the number of jobs, average annual earnings, and average household income. There are a few proposed measures that are more directly linked to economic development activities, such as customer satisfaction and local company contributions to Ō2NL construction, but these are the exception.

The report by THCL, HDC and Sage Bush does note that more work is needed on the proposed measures and targets.

What is known about the outcomes or impacts that are being achieved from the investment in THCL?

Measuring the overall impact of an EDA's activities is very challenging due to the difficulties in attributing the effects of economic development activities on medium and long-term changes in the economy (for example, on GDP and employment), when these outcomes are affected by a range of factors outside of an EDA's control (pandemics being just one example). Assessing the impact of specific activities (such as an investment attraction campaign) on outputs and shorter-term outcomes (such as investor enquiries relative to a similar period without the campaign) is more achievable.

To get an understanding about the level of return or impacts, we assessed what has been reported as achieved for different types of activities and stakeholder feedback about those activities.

Business development support activities

The main business development support activities delivered by THCL are business networking events, promotion and facilitation of the RBP programme, and facilitating business connections and referrals to business advice, information and government programmes.

As shown earlier in Table 2, THCL has delivered an increasing number of business events over the three years and achieved higher participation levels in its events. The number of business events delivered has increased from 7 to 13 to 18 events over the three years and average attendance at BA5 events has increased from 60 to 70 attendees over the last two years. A greater variety of events have been delivered, with an initial focus on BA5 events expanding to women in business events, and town centre information events/business breakfasts. Although there is no reporting on the impact that the



events have on participants, we can assume that businesses value the events given that participation levels have increased.

The RBP network initiative, funded by government, provides businesses with access to grants to undertake capability development initiatives, such as training. Prior to 2022/23, the RBP programme in Horowhenua was delivered remotely by staff from CEDA and there was no dedicated local presence. THCL took a contract to have the RBP delivered directly in Horowhenua and employed a business advisor to do so from March 2023. THCL has reported that, prior to this period, there were around 15 Horowhenua businesses participating in the RBP each year. Over the four months to the end of June 2023, THCL engaged with 21 local businesses and facilitated \$13,181 in funding to those businesses through the RBP. Over the next 12 months, another 49 businesses had been engaged, with another \$18,620 in funding facilitated for training initiatives. In addition, due to THCL delivering the programme locally, six local businesses have been included in the programme as capability providers, which provides those businesses with greater opportunities to increase their customer base.

THCL's role has made a clear difference to the level of business engagement with and support provided through the RBP. However, the reporting does not describe the impacts that the co-funded training has had on local businesses.

Over the three year period, THCL also produced a business support services framework, providing businesses with online links to information and services that are relevant to different stages of their development (for example, start-up, growth, innovating and exporting). The information provided is relatively limited and there is no reporting on the number of website views or users over time.

Feedback from stakeholders and businesses

THCL itself considers that its move to directly deliver RBP support in the district and a greater focus on SMEs has been one of its major successes and moved it beyond general economic development. THCL staff commented that larger businesses can typically help themselves and that greater impacts from their services can come from working with SMEs.

Stakeholders were generally very positive about the business events that THCL delivers. One interviewee noted that initially it was difficult to get 30 people to attend the women in business events but now there are more than 50 attendees and larger venues are needed. In this person's view the events are now regarded as 'must dos' and people do not want to miss out. Several stakeholders commented that the BA5 events have quality speakers, help to profile a range of leaders in the community that people wouldn't often hear about, and provide a forum for discussions about the broader economic picture and strategic issues that local businesses do not get to have on a daily basis. One interviewee indicated that the speakers can inspire better business practices. Another interviewee indicated that THCL is very good at seeking feedback about the events in order to understand what works and what doesn't and to improve how they are run.



Several stakeholders commented that, prior to THCL, there was a limited number of business events in the district (attempts to run a young professionals network apparently didn't last long), and that THCL has effectively filled a gap in the market as the district is too small to have a dedicated Chamber of Commerce or similar industry association.

Feedback provided as part of THCL's customer survey has also been positive about BA5s, with respondents indicating the events have opened up contacts for them that they otherwise would not have engaged with in Horowhenua, and that events have been informative, with relevant topics and a good range of interesting speakers.

One stakeholder thought that the BA5s, although well attended, were getting too many of the same attendees and that THCL should look to reach out to a broader audience in future. Feedback from THCL's customer survey about areas that can be improved also suggested that having a more diverse range of speakers would be useful (for example, younger business owners).

Stakeholders that were aware of the RBP thought that THCL had done a very good job of making the programme work for the Horowhenua. One confirmed that, prior to THCL taking on the direct delivery role, much of the support was going to businesses in the north of the region as the people administering the programme were based in Palmerston North. The interviewee considered that THCL had definitely helped Horowhenua businesses access RBP funding and provided a better service.

One business owner did comment that his initial interaction with THCL was less than ideal and that those he engaged with did not put sufficient time into understanding his business before they approached him to see if they could provide support. However, he noted that subsequent interactions had been very positive. He thought this was more to do with THCL having a relatively immature model at the time and that it was still developing and working out how it could best engage with and add value to businesses, particularly larger businesses.

Another interviewee thought that THCL should also consider bringing the larger/successful businesses together on a quarterly basis to discuss common challenges and opportunities and to learn from each other.

Labour market and skills initiatives

The main labour market and skills initiatives that have been delivered by THCL over the three years are the Get-Go initiative and labour market research (which informed the development of Get-Go).

Get-Go has been delivered since June 2020 with funding support from the Provincial Growth Fund. The original contract period was completed in November 2023. Get-Go aims to connect young people (15 to 24 year olds) with local businesses to show career options that are available and to understand job requirements, and to create employment pathways to local jobs. It includes:

- Employers speaking to college classes.
- Groups of students visiting local workplaces.



- Science, Technology, Engineering, Maths (STEM) Teachers visiting local workplaces to understand business operations that apply those skills.
- Futures Day, involving 100s of year 10 students and their teachers across the Horowhenua, Manawātū and Waiopehu Colleges, visiting a range of different employers.
- Local job expos to connect local businesses with people looking for work.
- An online portal showcasing local employers through case studies.
- Advertisement of local jobs through social media.

Total funding over the period of the project was \$998,000, with \$806,300 from MBIE and \$191,700 in co-funding. \$330,000 was used to refine and deliver the initiative in 2021/22, \$180,00 to update and deliver the initiative in 2022/23, and \$120,000 to deliver and review the programme in 2023/24.

In 2022, THCL reviewed the operation of the programme post Covid as economic circumstances had changed (for example, unemployment reduced significantly and restrictions on migration made it difficult for businesses to fill roles from outside of the region), and government organisations had become active in supporting labour market opportunities. Based on this review, THCL refocused Get-Go activities to areas where it would better fill gaps and needs (moving away from a recruitment agency model to facilitating connections and information exchange).

Over the period of the contract, THCL also:

- Undertook a 15 month Pathway pilot research project to track 41 school leavers to see if they had a plan when they left school, and whether that plan changed during the first year after leaving school. Through this project, THCL identified areas for students to improve work readiness skills and areas where employers could do more to induct, train and support young people entering the workforce.
- Commissioned research into the expectations of young job seekers in collaboration with MSD, and research on employment demand opportunities and challenges that businesses face in recruiting talent. Ideas from the research were used to shape the implementation of Get-Go, for example, providing work ready employer panel interviews for students, targeting worksite visits for smaller groups of students, and enhancing case studies and storytelling.

All of these initiatives demonstrate that THCL took the opportunity to identify ways of improving the delivery of the programme to improve its impact.

The Get-Go programme has been reviewed, so there is a good level of information about its impacts and lessons from delivery. Over the full period of the project, there were 766 programme users (exceeding the target of up to 700) and 1,635 Future's Day participants (compared to a target of up to 1400).

Key results include:

- Securing the commitments of over 50 businesses to participate in the programme.



- Social media and online channels reaching an average of more than 8,000 people a month.
- 113 people placed into work.

The impacts of the programme have included:

- Students better understanding the diversity of career options available associated with fields of study and how the concepts they learn in the classroom can be practically applied, helping them to make informed decisions about career paths.
- Students gaining networking opportunities with industry representatives that can assist with future internships and job opportunities.
- Students becoming inspired about career opportunities from hearing from professionals about their experiences.
- The identification of opportunities to improve job support processes (for example, streamlining the approval of Flexi wage subsidies, and reducing the number of interactions that businesses need to have with employment support agencies). This has included the establishment of a cross-agency group (including MSD, Trade Up, Corrections), which meets regularly to review vacancies and recruitment potential.
- Increasing the efficiency in which vacant roles are filled (an example provided was a person who returned to New Zealand from Australia, who was connected to a local business through Get-Go and employed within a week).
- Improving training providers' understanding of what skills are required to support their investment decisions.

The value add of the programme has been demonstrated by a sustainable model being identified for ongoing delivery, post MBIE funding support. A reference group has been established to provide oversight, which includes the principals of the three colleges and representatives from iwi and businesses. The three colleges have indicated they will continue to provide co-funding to support the delivery of Futures Days and businesses have also indicated they will continue to be available for Futures Days, hosting student visits, and attending classes. THCL will continue to support the delivery of the programme as part of its core services, for example, coordinating activity and providing case studies online, and will identify options for charitable funding to support the programme.

Feedback from stakeholders and businesses

Stakeholders and businesses that had been involved in Get-Go were also generally very positive about the initiative and said that it would not have happened without THCL's involvement. One interviewee indicated that there was a disconnect between colleges and industry and that Get-Go had helped remove that and had enabled industry to get a better sense of what students' needs are and how to engage students, and for students to get a better sense of what it is like to be employed. The interviewee said there had been a lot of positive responses from students and that the programme had helped them to consider career paths. The interviewee also noted that the delivery of the programme had improved over time based on feedback from the colleges and students, for example,



on how businesses can engage students in an interesting way when they are visited. There was also feedback that the teachers' visits were very worthwhile and provided participating teachers with practical content to talk to students about related to their curriculum.

There were also comments that the initiative had helped improve communication and coordination across agencies involved in supporting education and employment in the district, rather than duplicating effort.

One interviewee did think that, although the initiative is good at connecting businesses with colleges and students and facilitating information about careers, it was not sufficiently focused on preparing students for the real requirements of jobs in industries that will be important for the district, for example, through practical training and through wrap-around services (an example provided was training recent student leavers to drive trucks and operate machinery to prepare them for jobs associated with constructing Ō2NL). The interviewee also suggested that too much of the focus was on individuals graduating from colleges and that greater engagement with 14-15 year olds would make a difference to help set young people on the right paths.

There was also feedback that, although there have been some clear work placement impacts, the real outcomes of the initiative will not be known for several years. Another person commented that the increase in the number of businesses involved indicates that the initiative must be delivering value.

Industry development and major projects

Industry development and major project initiatives have included research on the food sector, research and facilitation activities to understand the impact of the Ō2NL project and to identify opportunities for local businesses to participate in the project, and related engagement activities with town centre groups.

In 2022/23, THCL completed an environmental scan and report on food production, including on businesses operating in the district and on broader regional and national strategies and projects of relevance, and discussed the findings with a group of local food producers to identify opportunities for joint action. The report provided a broad rather than deep overview of the sector. THCL also worked with the Kāpiti Coast District Council on a food and beverage plan and cluster concept and ensured that the Wellington Regional Economic Development Plan included Horowhenua as a partner in a priority to promote and develop the food and beverage sector across the region. It is not apparent from the reporting available whether the report or the joint work with Kāpiti Coast District Council and WellingtonNZ has resulted in tangible outcomes for Horowhenua businesses, beyond improving the quality of information available about the sector.

Over 2023/24, THCL researched and produced a report on lessons learned from towns bypassed by major roading projects in other regions of New Zealand, in order to understand the potential impacts of Ō2NL. Again, the extent to which the report has influenced the Ō2NL related activities of THCL or Council is unclear. Beyond this research, THCL has delivered several events, in partnership with NZTA and the Council, to inform local businesses about progress with the project, the potential impact of the project on town centres, and about work opportunities and requirements associated with the



project. Attendance at the sessions was high (for example, 170 businesses at one session, and over 50 businesses at a Levin town centre event), which suggests the sessions were seen as providing value.

THCL has also worked with Levin and Foxton town centre businesses to:

- Develop a Levin town centre forum to facilitate information exchange with the Council to inform planning.
- Provide opportunities for businesses to inform a refresh of the Foxton Futures strategy.

THCL also produced town centre environmental scans and retail data analysis in both Levin and Foxton to support this work and an assessment of potential growth locations in the Foxton area.

Feedback from stakeholders and businesses

One interviewee indicated that the lack of initiatives resulting from the food and beverage work was likely due to the nature of the sector in Horowhenua, which comprises mainly primary producers or medium-to-large businesses who prefer to work on their own and do not require support (in contrast to the sector in Kāpiti, for example, where there are a range of processing-focused SMEs who can benefit from collaborative work). They did note that the joint Kāpiti-Horowhenua showcase of the area's food producers in the Beehive and to the Wellington hospitality sector in 2024 was possible because of THCL's engagement with the sector.

A couple of stakeholders indicated that THCL had, until the last year, tended to work mainly in Levin rather than in Foxton and Shannon and that it was too Levin-centric. This has changed and also reflects the fact that THCL's office and largest number of potential business clients are in Levin.

A key stakeholder involved in Ō2NL noted that the quality of engagement with THCL on Ō2NL was excellent and was well beyond other major roading projects of a similar nature, particularly THCL's management and hosting of the information sessions. However, they also indicated that THCL's small team meant that they couldn't intensively engage with local businesses (for example, holding more focused workshops with smaller numbers of businesses). The stakeholder also indicated that Ō2NL will create large scale direct and indirect employment opportunities and should be a focus of THCL, and there was the potential for THCL to be more proactive about targeting businesses to work with on opportunities.

Investment promotion and attraction

THCL's investment attraction activity over the three years has included research on factors that make Horowhenua an attractive location for businesses, and facilitation of government investment in local companies. THCL also reported that it engages with businesses and individuals that are interested in establishing a presence in Horowhenua.

Over 2022/23, THCL collected information from 11 local businesses that had moved into or established businesses in the district over the previous two years, and identified key attractors and challenges to this investment. Key attractors were Horowhenua's geographic location and proximity to SH1, customers and suppliers; the ability to move to a new building/space with potential to expand (at an



affordable price); and lifestyle reasons. Information obtained from the study was used for content on the inward investment section of THCL's website, which provides a good range of information about the qualities and benefits of Horowhenua for investment, and case studies of businesses that have made investments. THCL does not report on the extent to which this information is used or has influenced decision-making.

THCL reported that it facilitated successful applications for two Kanoa Regional Strategic Partnership Fund loans over the three year period – a \$1.75m loan for Techlam to increase production capacity and invest in technology, and a \$2.00m loan for 26 Seasons to scale-up its indoor strawberry farming to commercial scale. On the assumption that these loans would either not have happened, would have taken considerably longer, or would have been at a smaller scale in the absence of THCL's support, THCL will have added value to these processes.

The extent to which THCL has facilitated further investment in the Enterprise Drive business park or other areas of Horowhenua over the three years of focus for this review (2021-2024) is not clear from its reporting.

What did businesses or stakeholders say?

One of the businesses that was successful with the Kanoa funding indicated that THCL, through the chief executive, had been a definite help with the application, connecting the owner to the right people in government so that they could understand the requirements for the application. THCL also provided a letter of reference, which the business believed aided the assessment, and, in their view, also helped to keep the process moving.

A stakeholder noted that only four business projects in the Manawatū-Whanganui region were successful with Kanoa Regional Strategic Partnership Fund applications and the fact that two of these were in Horowhenua suggests THCL made a difference to the success rate.

Māori and iwi engagement

Under its contract, THCL is to establish and maintain relationships with Māori economic development networks and iwi organisations and support their economic development aspirations.

THCL has reported that they have:

- Established a good working relationship with Muaūpoko Tribal Authority, including attending two Muaūpokotanga days as invited partners; the Authority participating in Futures Day Events; and THCL facilitating a session on the RBP programme with the Authority.
- Connected well with Te Rōpū Pakihi, the Kāpiti-Horowhenua Māori Business Network, including attending events with the Network and having 56 individual engagements with Māori network businesses since March 2024.

THCL has noted that it has not been as successful with its engagement with Te Tumatakahuki.



What did stakeholders say?

A representative from the Muaūpoko Tribal Authority indicated that THCL brings a business development perspective to the community that wouldn't exist otherwise and that they have established a good relationship with THCL, particularly the CEO and business development manager. They believed that the Ō2NL project would not have progressed as far if THCL hadn't engaged with them. The representative indicated that iwi will be a significant future player in economic development after settlements, but they did not consider that the Council or THCL were thinking about how to prepare for this.

Feedback suggests that the engagement with Te Rōpū Pakihi, while positive, is not as strong as could be inferred from THCL's reporting. Although a representative from the network indicated that connections, when they have happened, have been positive, there is not a strong partnership with THCL. This is mainly because they do not see THCL as providing much additional value to their members beyond what the network already provides or can access from other support organisations. The network operates across Kāpiti, Horowhenua and Otaki, and there are a range of economic development related organisations the network can engage with across the three districts, including the Kāpiti Chamber of Commerce, Kāpiti Economic Development Kotahitanga Board and two business associations. They did note that their network has advertised THCL events to their members and members that have attended THCL events have provided positive feedback.

THCL has made efforts to connect with Te Tumatakahuki but representatives from Te Tumatakahuki said they do not see any need to connect with THCL. The representatives indicated that THCL's strategic plans do not emphasise the role of the Māori economy and that Te Tumatakahuki is already engaged in activities that THCL is also involved in. They also noted that although the THCL contract has a requirement for THCL to work with Te Tumatakahuki, the Council did not engage with iwi or the hapu forum to understand what value an EDA could provide.

Our assessment is that THCL has made genuine efforts to engage with Māori/iwi groups in the district and to identify areas where they could add value, but a lack of strategic discussion from the outset between the Council and the groups about the role of Māori in economic development in the district, and the fact that two of the groups are at the pre-settlement stage, means that there has understandably been more limited engagement to date.

Economic data and insights

THCL provides a quarterly economic development dashboard to Council and online and has provided a series of discrete data reports to the Council over the last two years, including on housing, the retail sector, and business sector performance.

We reviewed the reports and in our view they are informative, provide good quality data and highlight key trends. The quarterly dashboard also highlights trends in key sectors of relevance for Horowhenua. The dashboard reports generally do not provide much commentary on the implications of the data for the economy or economic development, although there are references to relevant local business developments and some forward looking commentary in the quarterly dashboards. However,



we note that THCL does not have a data expert or economist so extensive economic data analysis should not be expected within current resources.

The more targeted reports, for example, on the Ōtaki Railway Retail Precinct, provide more detailed insights and analysis.

What did stakeholders say?

A business spoken to indicated that they regularly read THCL's quarterly dashboards and that they provide useful information on the state of the economy, employment and consents.

THCL staff noted that they compile and contribute to the economic reports as an addition to their core business and industry development roles and that this can stretch available resources. THCL has proposed to establish a new advisory position to provide economic and information analysis and reporting.

Feedback from Council staff indicated that the economic reports are no longer included in Council agendas, in part to ensure that the reports are received without the delay of waiting to go on the next Council agenda, but are shared with Councillors. It is unclear whether the reporting provides additional value to what the Council itself could derive from the data, although the Council also does not currently have a data expert. Council staff also noted that THCL is able to provide local business insights relevant to the data in their reporting. In future, it was noted that there may be the potential to create a business reference group to draw on for insights relevant to the economic dashboard reporting.

It is not readily apparent that there are benefits to having broad economic intelligence reports, such as the dashboard, housing data and consumer spending flow reports, contracted out to THCL rather than produced directly by the Council. THCL's added value is in providing more targeted insights on particular sectors and developments in the economy.

Coordination and influencing role

THCL engages with other EDAs in the region and beyond to coordinate activities, reduce any overlaps, and ensure that Horowhenua's interests are included by organisations that can benefit economic development in the district.

Over the last three years, this has included working with Kāpiti Coast District Council on the Wellington Regional Economic Action Plan, contributing to the Accelerate35 (formerly Accelerate25) process in Manawatū-Whanganui, informing economic development agencies and Councils in other areas about Horowhenua's economic development approach, and identifying common tools for supporting small businesses across the Manawatū-Whanganui region. We note that references to Horowhenua are included in the Wellington Regional Economic Action Plan and Accelerate25 plan.



What did businesses and stakeholders say?

Stakeholders consistently said that THCL was cooperative and aimed to avoid overlap with other providers of economic development support in the broader Manawatū-Whanganui and Wellington regions. There were also comments that the relationship and openness to work across district council boundaries had improved significantly over the last couple of years. THCL meets monthly with Whanganui and Partners and CEDA, and quarterly with those organisations and Accelerate35 (formerly Accelerate25). There is less frequent contact with WellingtonNZ, which is simply because there are fewer common opportunities to work on. Representatives from other economic development organisations in the region noted that they could (and do) call the chief executive of THCL if they needed to discuss complementary opportunities or challenges.

THCL indicated that there was some overlaps and confusion in the district with CEDA/Whanganui and Partners when they were providing the RBP programme in the district, and that was one of the reasons why they sought to have it delivered directly by THCL. Other than that, THCL has put a heavy emphasis on collaboration and filling gaps and this was reinforced by stakeholders. Representatives from other EDAs did not consider that THCL duplicated any of their activities.

Overall, in our view and based on the collective evidence and feedback, including THCL's performance against key performance areas, THCL has effectively delivered the range of economic development activities. Particular highlights include the extension of the RBP network programme in the district; the continued growth in the range of and attendance at business events; the expansion of and improvements made to Get-Go and the ongoing commitment to delivery of the programme by businesses and colleges post the completion of the original contract; the engagement that THCL has made with businesses to provide information on and facilitate access to the opportunities associated with Ō2NL; and THCL's influence on and coordination of activities with government agencies and other economic development agencies in the region.

There are areas for improvement but most of these relate to either small delivery enhancements or THCL providing better information about the delivery of outputs and impacts achieved through its activities each year. There is also a question about whether THCL is best placed to deliver general economic analysis and related reports in future.

Improving future assessments of effectiveness

As noted earlier, evaluating the effectiveness of economic development activities is difficult. Key issues are:

- Changes in outcomes (for example, a business's productivity levels or jobs, industrial growth in the district) cannot simply be attributed to an intervention because they will be influenced by a range of other initiatives and external factors, including changes in economic conditions, changes in demands in key markets, competition, changes in resources, and local, regional and national policy and regulatory conditions.



- A particular activity may impact on a range of outcomes (so there isn't a one-to-one relationship), and outcomes will also influence each other (for example, an initiative might initially support a business to undertake more R&D and bring a product to market, but investment in R&D will improve the performance of the business over time and lead to further increases in employment).

However, assessing the benefits of these activities can be improved in the first instance by more clearly identifying the linkages between inputs, outputs and outcomes and capturing better feedback from business and industry clients about their views on the changes that have resulted from activities.

We suggest that the Council and THCL develop an agreed intervention logic and performance measurement framework that shows how the range of activities delivered contributes to desired outcomes. It should tell a clear, logical story about the causal links between the priority issues or opportunities that the economic development activities are aiming to address, the activities and outputs delivered, and the desired short-, medium- and long-term outcomes. That is, it should help explain why initiatives are being invested in and how this investment is likely to contribute to outcomes.

The intervention logic should reflect the following components:

- drivers – explaining why resources are being used and activities are being undertaken (the rationales and priorities for the investment)
- inputs – what resources are being used
- outputs – what initiatives are being undertaken and activities provided using the inputs
- outcomes/impacts – what changes/benefits occur as a result of the outputs, including:
 - short-term (changes in awareness, knowledge and learning, motivations, access to resources). These are observable in the first 1-2 years and generally directly attributable to the activities. Examples might include businesses having improved access to skills, increased collaboration between businesses in the region, and businesses experiencing reduced costs for undertaking certain activities.
 - medium-term (changes in behaviours, practices, investments). These will occur over 2-5 years. They might include increased investment by the businesses that are supported by an initiative, improvements in business practices by those supported, or an increased exchange of know-how between businesses involved in an initiative.
 - long-term (sustainable changes in investments and business performance and economic impacts). These may take up to 5-10 years or longer. They include changes in levels of innovation, business growth and investment, and ultimately changes in regional employment and GDP.

We note that the earlier work on the Economic Development Implementation Plan in 2020 proposed a draft intervention logic and a broad set of output and outcome measures, covering both Council and THCL economic development activities. These haven't subsequently been applied but they provide a good foundation on which to develop a new framework.



The framework will need to be realistic about what can be measured and the resourcing (staff time and funding) required to assess performance relative to the investment being made in economic development activities. Changes in short-term and medium-term outcomes could be assessed by asking additional questions in client satisfaction surveys or through the use of a business/client panel (for example, selecting 50 representative clients across economic development activities from which a sample could be selected on an annual basis to answer an online survey and/or to participate in interviews). Many of the likely long-term and economic outcomes will be available from district and regional research.

Such an intervention logic will also assist in clearly defining the reasons why the Council is investing in economic development and how it is prioritising that investment.

Has THCL been efficient at delivering economic development activities?

It is also difficult to measure the efficiency of an EDA such as THCL because ideally we would assess the value of its outputs per dollar of investment and, as noted above, estimating value achieved is difficult. Even measuring the number of activities per dollar of investment is difficult because THCL's activities typically do not represent discrete or common outputs.

However, we can get a sense of efficiency by (a) identifying changes in the delivery of key outputs relative to the investment made by the Council and (b) assessing changes in THCL's overall income and expenditure, and the amount of additional funding THCL has attracted to leverage local government investment.

As noted, the Council's investment increased from \$567,500 in 2021/2022 to \$650,000 in 2022/2023, and remained at that level in 2023/24. Over the same period, THCL has:

- Increased the number of business events it delivered or facilitated each year from 7 to 17, with an increase in the average number of attendees at BA5 events.
- Increased the number of businesses that connected with the RBP network support from 15 to 49.
- Increased the number of economic data reports it provided to Council.
- Increased its engagement and provision of information on Ō2NL.
- Supported an increased number of job placements, student participants and business participants through Get-Go.
- At least maintained the number of case studies it published each year.

Generally, it appears that the number of outputs has increased over time, while the amount of local government investment remained constant over 2022 and 2023. This suggests that THCL has increased the efficiency of its delivery over the period.



THCL's expenditure has varied over the last three years (see Figure 5) but total expenditure levels have not changed appreciably (note the figure excludes expenditure related to the development of Enterprise Drive, which was funded through government Covid recovery funding).

Figure 5: THCL's expenditure, 2021/22 to 2023/24



Source: THCL financial statements

The proportion of costs associated with major cost categories has also not changed significantly. There has been a slight increase in the proportion of staff-related costs and director fees, and a slight decline in the proportion of administration, marketing and other costs.

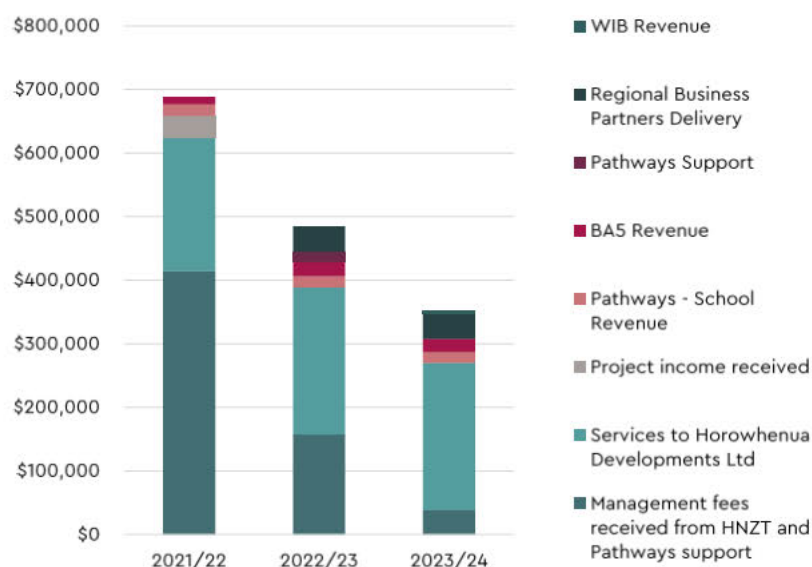
A rough measure of efficiency is the level of staff resource that is required to deliver the range of economic development activities or the proportion of staff costs to total expenditure. The ratio in THCL hasn't changed significantly over the last three years (ranging from 0.54 to 0.57), which reinforces that THCL has achieved some efficiencies. Although the ratio of employee costs to total expenditure is at the high end across comparable EDAs (others we assessed had ratios of around 0.3 to 0.5), this reflects that the staff represent a core part of the services delivered by THCL, whereas other EDAs spend higher proportions of their funding on programmes.

THCL has also been able to leverage several additional sources of income in addition to the Council's investment. In 2023/24, these additional sources of income comprised 35% of THCL's total direct income.

Putting aside the pass-through of what was originally the grant for economic development paid to the Council to HN2T (which then contracted THCL to deliver the services), a large proportion of THCL's income over the period has come from the contract with MBIE to deliver the Get-Go initiative. This was front-loaded and has declined over time as the contract has come to completion. Other, smaller sources of income have been the funding received for THCL to deliver the RBP programme (around 11% in 2023/24), BA5 revenue (around 6%) and Pathways support revenue from schools (around 5%).



Figure 6: THCL's non-local government direct income, 2021/22 to 2023/24 (excluding dividends and interest)



Source: THCL financial statements

The level of funding from other (non-HNZT and non-MBIE) sources has varied but not changed significantly over the three years. However, as funding from MBIE for Get-Go has declined, the proportion of funding from other sources has increased from 9% of total direct income to 23%.

In addition to these sources, THCL has received a reasonable amount of 'other income' in the form of dividends and interest as a result of earlier investments and transfers by HNZN. In 2022/23 other revenue was around \$95,000 (or 8% of total income), and in 2023/24 it was just over \$152,000 (or 13% of total income).

The extent to which HNZN could contribute funding to support a greater proportion of THCL's economic development activities in future is not clear. It would be desirable to have greater transparency about this and for this to be clearly identified as part of the development of the Council's service and funding agreement with THCL.

Overall, THCL appears to have delivered economic development activities efficiently, in terms of delivering an increasing number of outputs, maintaining the proportion of staff expenditure to total costs, and leveraging other sources of income from the Council's core funding.

We note, however, that there is a lack of transparency about how the Council's funding is being spent and leveraged because THCL does not publish formal annual reports or its financial statements (as it is a subsidiary of HNZN and not a Council controlled organisation). At the least, it would be desirable in future for performance reports to include high level information about total funding sources and the allocation of expenditure across activity areas and cost categories.



4. How should the activities be delivered in future?

Based on the overall findings and our analysis, THCL has delivered in line with the contract and has been cost-effective overall. However, there are areas where changes and improvements can be made to address issues impacting on the economic development arrangements. These are:

- Clarifying why the Council invests in economic development (rationales) and the respective roles of the Council relative to an external delivery organisation such as THCL.
- Clarifying the role of THCL relative to HNZZ and HDL, and being more transparent about the allocation of Council funding by THCL and funding that is received from other sources.
- Identifying a short-list of priorities for economic development through the update of the economic development strategy and ensuring these are supported by key stakeholders (including Māori/iwi and industry leaders).
- The Council and THCL developing an intervention logic and performance measurement framework that clearly sets out the drivers of, intended outputs and desired outcomes from economic development investment, and associated key performance measures for the short-, medium- and long-term. This should include a broader range of output and outcome measures than are currently reported against.
- Improving Council engagement on and input into an annual refresh of economic development areas of focus and expectations (for example, through an annual workshop session with Councillors).
- THCL reporting on its performance on a six monthly basis, ensuring that performance reporting is consistent with the performance measurement framework, and making performance reports available online.
- Subject to the Council having the required data and analytical capability, the Council taking over responsibility for general economic analysis and reporting (as distinct from targeted insight reports on industries and developments in the district, which THCL is well placed to provide).

Does the existing model need to change?

The key questions for this review, given the assessment, is whether the existing model needs to change to address the identified issues and whether an alternative model would be more effective and efficient (that is, cost-effective).



In considering possible options for change, it is also important to recognise that some of the areas for improvement, for example performance reporting, do not necessarily require a structural solution, and could be addressed under any potential model, including retaining the status quo. In addition, in most cases, change is not cost neutral and changes to the THCL model may require additional investment in capacity and capability in other organisations (for example, in the Council).

Long-list of potential options

We initially developed a long-list of potential options for change, based on the findings, the requirements of a s17A review, the arrangements that can be found in other districts and regions, consideration of the types of economic activities that should be delivered together, and the context that THCL operates within.

Requirements of a s17A review

Section 17A of the Local Government Act requires consideration of the following options for governance, funding and delivery of activities:

- Through the Council (in-house).
- Through a CCO, either wholly owned by the Council, or through a joint arrangement with another local authority or authorities.
- Through another local authority.
- Through another organisation or agency.

What arrangements can be found in other districts and regions?

It is also helpful to understand the economic development arrangements that exist in other districts and regions when identifying options for change. This is not to say that the arrangements for the Horowhenua should mirror these, and indeed, the current structural model in Horowhenua is reasonably unique, but they can inform an assessment of alternative models.

It is apparent that there is no single model for how economic development activities are delivered across New Zealand (Table 4). Different models also include different functions, with some combining economic development and destination marketing, and others focusing on economic development activities while destination marketing activities are delivered by separate entities. The model adopted in each area typically reflects a combination of historical context, the scale of the region and resources available.



Table 4: Economic development delivery arrangements

ARMS-LENGTH	CCO	WITHIN COUNCIL
<ul style="list-style-type: none"> • THCL • Priority One • Trust Tairāwhiti • Development West Coast • Clutha Development 	<ul style="list-style-type: none"> • Northland Inc • Tataki Auckland Unlimited (note: options are being considered to bring ED activity in-house to Council) • Toi EDA • Venture Taranaki • RotoruaNZ • Amplify Taupo • Central EDA • Wellington NZ • Nelson EDA • Enterprise North Canterbury • Christchurch NZ • Venture Timaru • Great South 	<ul style="list-style-type: none"> • Whanganui and Partners • Marlborough ED Group • Queenstown-Lakes ED Group • Enterprise Dunedin • Kāpiti Coast District Council (although it also has an independent Economic Development Board, which oversees the economic development strategy and plan and can take up commercial activities)

Source: MartinJenkins

However, in general terms, there are three prevailing models:

- Economic development activities delivered through CCOs. This is the most common model across New Zealand and reflects a desire to combine the advantages that come from having an arms-length, more commercially focused entity delivering activities, and Councils having a reasonable degree of influence through accountability mechanisms (such as letters of expectation, board appointments, and statements of intent). It is also notable that these CCO arrangements are typically responsible for both economic development and destination marketing activities.
- Economic development activities delivered by independent or arms-length entities that sit outside any formal Council structure but still rely on core funding from Council/s. These typically occur where the independent structure may be based on a historical set up. Based on our experience, concerns with these models are often raised, on a cyclical basis, about accountability to Council/s, particularly where core funding comes from local government.
- Delivery of economic development activities through Council teams or units. This model, while less common, tends to be found in smaller locations, where resources are limited, or when destination marketing has been a significant focus and is delivered by an different entity (which itself may be a CCO or arms-length agency).



Of the 23 arrangements listed above, five are currently arms-length from Councils.

What activities should be delivered together?

In considering future models, efficiency and effectiveness will typically be maximised by ensuring that activities that are mutually reinforcing, which reflect common issues and opportunities, which are targeted at achieving common outcomes and involve a common client base, are delivered together by the same organisation, unless there are good reasons why that is not possible.⁴

Long-list and initial assessment

Based on our analysis and considering the requirements for a S17A review, we identified the following long-list of potential options for economic development delivery arrangements in Horowhenua:

- **Option 1: Maintaining the status quo** - not changing anything related to the current governance, structure, funding or delivery of economic development through THCL.
- **Option 2: Enhancing the status quo** - improving the current arrangements, with THCL continuing to operate at arms-length, but with the Council and THCL implementing the range of improvements identified to improve role clarity, prioritisation, engagement, and performance measurement and reporting. This option could also involve transferring responsibility for general economic analysis and related reporting to the Council.
- **Option 3: Economic development activities being delivered through a local CCO** - in practical terms this would mean coming to an agreement with HNZN to establish THCL as a CCO of Council.

⁴ This is why the following groups of direct and supporting economic development activities tend to be delivered through the same organisation:

- Visitor and events attraction, promotion and marketing – these activities involve marketing the advantages and amenities of the district, domestically and internationally, to attract additional spending into the district.
- Business development, investment attraction and internationalisation support. These services are typically focused on business opportunities and are aimed at building capability and connecting businesses to networks, in order to increase productivity and value added.
- Skills support, promotion of innovation and industry development support. These services are focused on improving business and industry access to resources they need to produce goods and services.
- Strategy development and economic intelligence and monitoring. These activities require analysis and access to a wide range of data and research.

In some cases, all of these activities are delivered together by the same agency, reflecting commonalities across broader groups of clients and opportunities (for example, industries that benefit from business development support may also require and benefit from skills, sector development support and investment attraction). Examples of this are Northland (Northland Inc), Taranaki (Venture Taranaki), Wellington (WellingtonNZ), Nelson-Tasman (NREDA), Dunedin (Enterprise Dunedin), amongst others.

In other cases, visitor and events attraction and promotion are delivered separately from the other services reflecting the relative emphasis that the region or locality places on tourism in the economy (for example, high tourism areas such as Bay of Plenty, Taupo or low tourism areas, such as Wairoa).

Within visitor promotion and marketing activities, i-SITE information services are often delivered separately (for example, via Councils or via independent organisations) as they can be more customer service oriented than developmental in nature.

District or town improvement initiatives are typically delivered separately to these services, often through town and business associations, reflecting a specific group of stakeholders and location specific set of opportunities (rather than district opportunities or needs).



- **Option 4: Economic development activities delivered through a combined Council CCO** – in practical terms this could mean the Council partnering with Palmerston North City Council and Manawātū District Council for the delivery of economic development activities through Central EDA.
- **Option 5: Bringing all economic development activities in-house to Council** – with HDC delivering direct and supporting economic development activities through an economic development team or unit.
- **Option 6: Alternative arms-length commissioning** – Council funding another arms-length organisation to deliver economic development activities in the district.
- **Option 7: Alternative Council delivery** – in practical terms this could mean the Council funding Kāpiti Coast District Council or Whanganui District Council to deliver direct and supporting economic development activities through their economic development units. This would be a shared service type of arrangement and could involve governance through a joint Council committee.
- **Option 8: Exit** – HDC ceasing funding of direct and supporting economic development activities that are currently delivered through THCL.

Note that, for Option 4, we considered whether HDC could partner with the Kāpiti Coast District Council to implement a joint CCO, for example, involving the Kāpiti Economic Development Kotahitanga Board. However, the Kāpiti Coast District Council's core economic development capability and functions reside in the Council team rather than the independent board (as per option 7). The Board provides oversight and advice rather than delivery. Although the Kāpiti Coast District Council has recently agreed to transition the Board into a trust that will have a general purpose commercial company, this is to enable the Board to enter into commercial arrangements on specific projects rather than delivering a range of economic development activities. The paper that approved the new model also refers to it being established as an independent trust and company (similar to THCL) rather than a CCO.⁵

In assessing the long-list to determine practicable options, we initially considered four questions:

1. Would an option be an effective way of delivering economic development activities, and addressing the identified areas for improvement?

Generally, any proposed model needs to be at least as effective in delivering desired activities, achieving economic development priorities and goals, and addressing the identified areas for improvement.

⁵ See Kāpiti Coast District Council, 2020-2023 Economic Development Strategy & New Operating Model, Report to Council meeting Thursday 29 August 2024, https://kapiticoast.infocouncil.biz/Open/2024/08/CO_20240829_AGN_2593_AT_WEB.htm, retrieved 20 November 2024.



2. Are activities best delivered in-house or externally?

As noted earlier, when thinking about whether economic development activities are best delivered within a Council or through another agency (for example, through a CCO or contracted to an outside organisation), the framework of questions related to the strategic importance of activities, significance and risk associated with activities, required commerciality, access to resources, complexity, and available provision should be considered (Figure 4, page 31).

3. Would an option be more efficient?

An alternative model either needs to reduce the costs involved in delivering a similar level of activities and outcomes, or be able to deliver more outputs and outcomes for the same level of investment.

Short list of options

Based on these considerations, we determined that four of the options could be immediately excluded from further consideration:

- *Maintaining the status quo* – our view is that the status quo option would not address the identified areas for improvement and hence would be less effective than other alternatives, without any cost advantages.
- *Alternative arms-length commissioning* – our assessment is that there is no clear alternative provider of these activities in the district (for example, an industry group). In addition, there would be a real risk of loss of momentum and wasteful spending in trying to identify and establish a set of arrangements with another independent organisation to deliver the activities (that is, it will be a less efficient option without any likely increase in effectiveness).
- *Alternative Council delivery* – this option would be less effective than delivery through HDC itself because Horowhenua-based economic development priorities and activities would have less of focus (as the relevant Council would be delivering across two districts rather than one) and would likely involve more costs associated with a more complex set of accountability and delivery arrangements.
- *HDC ceasing funding of direct economic development activities* – this would leave the district with limited capacity to engage in economic development activities, and would ultimately likely see the district lose some investment (for example, from central government and the private sector) to surrounding districts.

On this basis, having discounted these options and given the district context and our findings, in our view the short-list of practicable options for consideration are the following:



1. **Enhancing the status quo.**
2. **Economic development activities being delivered through a CCO of HDC** – as noted, effectively this would mean THCL becoming a CCO of HDC.
3. **Delivering economic development activities through a joint CCO arrangement.** As noted, an option here could be for HDC to invest in CEDA in partnership with Palmerston North City Council and Manawātū District Council.
4. **Delivering all economic development activities through the Council.**

Identification of a preferred option

In line with similar reviews of this nature, the four short-listed options can be assessed on the following criteria:

- **Practicality** – the ease in which changes can be made with minimal disruption to services.
- **Effectiveness** – the model will be effective in delivering activities, achieving economic development objectives and addressing the identified areas for improvement.
- **Industry buy-in** and ability to represent and respond to sector needs and communities of interest.
- **Value for money** – the likely benefits, including any ongoing efficiencies, relative to the costs of change and implementation.
- **Accountability** to Council and alignment with the Council's priorities
- **Ability to attract/retain the right expertise** to deliver the activities (at leadership and staff levels).
- **Ability to leverage resources** of others (for example, central government, NGO and private funding).

We first generated a list of the pros and cons of the four options, having these criteria in mind. The pros and cons are set out in Table 5, along with other considerations that were identified in relation to each option.



Table 5: Pros and cons of different options

Option	Pros	Cons	Other considerations
Enhanced status quo	<ul style="list-style-type: none"> • Most practical option. • Identified issues are not primarily structural in nature. • Limited disruption to activities and allows for focus on immediate issues and challenges. • Relatively low cost compared to alternatives. • Likely industry and stakeholder buy-in and is seen as not being politically influenced. • Retains existing THCL knowledge and relationships. • Maintains the ability to leverage HNZN funding. • May be easier to attract capability over time. • Contractual simplicity. 	<ul style="list-style-type: none"> • Dependent on process improvements being maintained. • Higher engagement costs for Council staff, Councillors, and THCL staff and Board members to implement improvements. • Limits the ability to identify and achieve greater efficiencies (for example, overhead costs). • Requires buy-in at governance and staff level to resource required improvements. • Could lead to some duplication with Council delivered destination marketing activities. • May be less sustainable if there is political change. • Potential loss of business insights if the Council takes on the responsibility for economic analysis. 	<ul style="list-style-type: none"> • Requirement for strategic prioritisation to ensure flow-through to clearer expectations and better processes. • Will rely on THCL being able to clearly convey the value and understanding of what they do on an ongoing basis. • Opportunity to enhance current arrangements but to reflect on progress in another 2-3 years.
Establishing a CCO	<ul style="list-style-type: none"> • Will tend to be more transparent than current model, including on funding and expenditure. • Clearer accountability to the Council – the Council will be able to influence the CCO's strategy and priorities through Board appointments, a letter of expectations and a Statement of Intent. • A CCO can maintain a commercial and industry focus and is reasonably arms-length from political influence. • May be relatively low cost to change. • Relatively limited disruption to activities. • Likely to retain most of THCL expertise. 	<ul style="list-style-type: none"> • Depending on accountability arrangements, there are likely to be higher compliance costs on the CCO. • The Council also incurs higher costs in monitoring the performance of the CCO. • Unlikely to be able to leverage HNZN funding and resourcing. • A CCO may be less attractive to industry and business representatives (governance and staff). • Will still require that most of the required improvements be separately implemented. 	<ul style="list-style-type: none"> • Will likely require a public consultation process to establish.



Option	Pros	Cons	Other considerations
	<ul style="list-style-type: none"> • CCO should maintain opportunities for external funding that may not be available to the Council. 	<p>(for example, a performance measurement framework, Councillor engagement).</p> <ul style="list-style-type: none"> • Could lead to some duplication with Council delivered destination marketing activities. 	
Joint CCO arrangement	<ul style="list-style-type: none"> • Likely to be some cost savings (governance, administration). • Likely to be economies of scale in the delivery of some activities (this is already believed to be the case with CEDA). • May be greater capability to deliver on major projects. • Greater alignment with broader regional economic development activities. • A Joint CCO can maintain a commercial and industry focus and is reasonably arms-length from political influence. • May improve the coordination of services with and between Councils (and potentially other providers). • May enable additional efficiencies to be identified across Councils. 	<ul style="list-style-type: none"> • HDC will only have limited influence on governance (as will appoint only a proportion of board members). • Risk of loss of Horowhenua influence and focus when the Council is one of three seeking to influence priorities and areas of focus. • Likely higher compliance costs associated with accountability arrangements and coordination (for example, potential participation in a joint committee, additional servicing). • Likely to be disruption to some activities during transition. • Greater potential for tensions related to attracting investment and businesses to the district as this will involve competing with other districts. • Horowhenua information, case studies etc likely to get less of a profile on a region-wide portal. • Likely to be debates across Councils overtime about relative levels of investment and the value that each district is receiving. 	<ul style="list-style-type: none"> • Will likely require a public consultation process to establish.



Option	Pros	Cons	Other considerations
		<ul style="list-style-type: none"> While this option could increase funding sources, there is no evidence that joint CCOs are more cost-effective than single Council CCOs. Political risk in terms of the potential reaction of the business community and public to Horowhenua not having a dedicated focus. 	
In-house delivery	<ul style="list-style-type: none"> Likely reduction in costs over the medium-term (overhead, governance). Greater accountability to HDC. Improved coordination and alignment between destination marketing and talent and investment attraction activities. Potential opportunities for economies associated with related Council work. More direct decision-making. Likely simpler from a HDC perspective. Builds council knowledge of economic development and links to industry, stakeholders and national agencies. Greater alignment with indirect economic development activities delivered in other parts of the Council. 	<ul style="list-style-type: none"> Likely disruption to activities and may lose expertise in THCL. Initial costs of change. Likely not to have industry buy-in. May be greater potential for conflicts of interest. May reduce options for funding opportunities. Economic development activities may become less of a focus if the team gets involved in broader Council work. Will still need to implement some of the areas identified for improvement (prioritisation, an improved performance measurement and reporting framework). 	<ul style="list-style-type: none"> Would need to consider the change implications and the potential loss of expertise from THCL.

We used this assessment of the pros and cons to rate the options on a 1-10 scale as shown in Table 6 below. Four criteria were provided with higher weightings: effectiveness, value for money, practicality and accountability. These criteria were seen as the most important factors as they responded to the most immediate challenges, as well reflecting the need to ensure changes could be practically implemented.



Table 6: Assessment and rating of options

Criteria	Weighting	Enhanced status quo	HDC CCO	Joint CCO	In-house delivery
Practicality	15%	9	7	4	7
Effectiveness	20%	7	7	5	6
Industry buy-in	10%	8	7	6	5
Value for money	20%	7	6	5	7
Accountability	15%	6	7	5	10
Attract expertise	10%	8	6	7	5
Leverage resources	10%	8	6	7	5
Unweighted total	Out of 70	53	46	39	45
Weighted total	Out of 70	52	48	39	48

Note: 1 = rates low on that criteria, 5 = moderate, 10 = very high

What is the recommended option?

As shown in the table above, the highest scoring option, both weighted and unweighted, was the enhanced status quo, followed by the CCO option (although there is little difference in the ranking of the in-house and CCO option).

A major benefit of the enhanced status quo option is that it will be relatively straightforward to implement and there will be limited risk to the ongoing delivery of activities. Introducing improvements to enhance engagement, performance monitoring and reporting, and clarity about economic development priorities and roles will improve the effectiveness of the existing arrangements and address the issues that have been identified. Although there are some compliance related costs associated with implementing this option, they will be relatively minor compared to some of the other options.



In pursuing this option, HDC and THCL will also need to devote time to the process enhancements which, in the short-term, may place pressure on staff resource.

In identifying this as the preferred option, we were also cognisant of the following:

- Although there will be some cost savings if economic development activities were brought in-house to Council, the reduction in costs will likely be offset by a reduction in income. For example, cost savings could be up to \$110,000 per year in the medium to longer-term and comprise a combination of director fees, some rental costs and some administration costs (for example, accountancy, audit, legal, fees).⁶ There may also be some GST savings from the Council no longer having to pay GST on staff-related costs at THCL (noting that this will reduce the amount that the Council could claim back for GST). However, potential savings will be offset initially by increases in costs associated with the change process (for example, potential redundancies and recruitment related costs) and over the medium to longer-term by a likely reduction in HNZN related income (for example, dividends and interest received, which could be around \$100,000 per year).⁷
- Cost reductions could be achieved under any of the options through HDC reducing its annual funding for some economic development activities, although this would reduce the level of outputs and outcomes achieved and hence will not necessarily result in an improvement in cost-effectiveness.
- Most of the external stakeholders and businesses talked to as part of this review expressed a strong preference for economic development activities to be delivered by an organisation at arms-length from Council. This reflected views that an arm-length agency with a commercially oriented board had more credibility with industry; was easier to engage with; was better able to attract staff with commercial experience; provided government agencies with confidence that there was commercial capability being applied to projects that they may support; was able to provide a more assertive voice on economic development opportunities; and enabled a focus on the delivery of economic development activities without being distracted by competing Council work. However, a few stakeholders noted that it did not make a difference for them whether economic development activities were delivered through an arms-length agency or closer to Council and that there were advantages and disadvantages either way. Two interviewees also emphasised the importance of the Council and THCL working in partnership on agreed priorities.
- The model has only been in existence for a few years and economic development delivery arrangements always take several years to evolve and to become as effective as they can be.

⁶ This is an estimate based on a proportion of relevant expenditure incurred by THCL in 2023/24 (noting that HDL related expenditure should not be included in potential savings).

⁷ Based on the most recent years and under the assumption that HNZN will want to use that funding to progress its own objectives.



- Although it was beyond the scope of the review, the structural model of THCL being a subsidiary of HNZN, with HDL as a subsidiary of THCL, is complex for external stakeholders and creates confusion about who is delivering different types of economic development activities; what is being achieved through Council and ratepayer funding relative to other funding; and whether different objectives are being pursued through different activities. Assuming delivery of economic development activities continues through THCL, it would be useful for HNZN to provide greater clarity in its communications about the structure, why it exists, the resourcing going into the different organisations, and the different responsibilities of the organisations.

Overall, our assessment of the pros and cons of the options and taking into account the Horowhenua context suggests that the best option, and our recommendation, is to improve the existing THCL model of delivery – the enhanced status quo option – rather than making any substantive changes to the current model.

What are the key benefits and costs of the recommended option and changes?

Key potential benefits associated with the recommended option and associated improvements include:

- **Ease of implementation** – with political, officer and management commitment it should be relatively straightforward to implement the enhanced status quo option as no major structural changes are required.
- **Service continuity** – enhancing the current arrangements without the need for major structural changes will allow for continued delivery of economic development activities.
- **Greater alignment and clearer tasking** – under an enhanced status quo model, and through the introduction of a clearer priorities, an intervention logic and improved engagement with Councillors, there is an opportunity to more clearly task THCL to deliver on Council priorities for economic development, and a hence better opportunity to leverage the resources of all to achieve common goals.
- **Improved performance reporting** – the option provides the opportunity for THCL to more clearly articulate its achievements and how it is making a difference. Improved performance measurement and reporting has a key role to play in ensuring that THCL's role and impacts are properly understood and should provide better information on which to make changes to resource and investment decisions.
- There is an **increased opportunity to identify future efficiencies** in delivering activities as a result of there being greater transparency about different funding sources and the allocation of funding to activities.

Key costs and risks associated with the recommended option include:



- **Partial or incomplete implementation** – because the recommended option builds from the status quo, there is a risk that business as usual activity will detract from the implementation of the improvements that are required to improve on the current arrangements.
- **Increased reporting requirements** – although there is a need to improve reporting requirements, it should be acknowledged that this will impact on staff and management time (at least initially until the reporting is bedded in).
- **Increased governance and leadership requirements** – the proposals relating to increasing reporting to and engagement with the Council (for example, on prioritisation and six-monthly reporting) will necessitate greater participation and discussion at the governance and leadership levels.
- **Opportunity costs** – while the enhanced status quo option does not necessitate any increase in funding, the implementation of the recommended improvements will require increased time and expertise to implement by THCL and the Council.

In our view these costs and risks are manageable and will not outweigh the benefits of the proposed improved arrangements. We consider that the proposed changes should be cost neutral in the medium-term.



5. Conclusions and recommendations

The key opportunities for improving economic development arrangements that have emerged from this review are summarised below, as well as related recommendations for addressing them.

Clarifying roles and responsibilities

Key findings

- There is a mixed level of understanding across stakeholders about what economic development is, why the Council invests in economic development activities, and what the roles of the Council and THCL should be in delivering the activities.
- There are clear rationales for the Council to provide indirect/enabling economic development activities, and to support the provision of direct and supporting economic development activities.
- When considering future investment in economic development, the Council should consider whether there is clear evidence about significant challenges or opportunities impacting on the economy; whether market failures underpin such challenges or opportunities; whether the Council (or a Council funded agency) can do anything to address the challenges or opportunities; whether local government intervention will succeed and the benefits of intervention will exceed the costs; and whether stakeholders are willing and able to engage.
- The effectiveness of economic development activities requires close coordination between indirect/enabling activities delivered by the Council and direct and supporting activities delivered by THCL. There was feedback that information sharing and coordination between the Council and THCL had not always been effective, but that this had improved over time. THCL recognises that its role in contributing to Council priorities, such as activating the Levin Town Centre, will often be about being a supporting member of HDC project teams.
- Some stakeholders indicated it wasn't always clear what the role of THCL is in delivering economic development activities compared to HNZZ.

Recommendations

In order clarify economic development rationales and roles:

1. Use the update of the economic development strategy process for the Council to clarify and endorse why it invests in economic development and the respective roles and responsibilities of the Council relative to THCL.



2. As part of the process for updating the THCL funding agreement for delivering economic development activities, the Council request further information about the respective roles and responsibilities of THCL, HNZT and HDL.

Prioritising economic development investment and activities

Key findings

- The Council's previous funding agreement with THCL identified many areas of focus and required THCL to deliver on a large range of activities, rather than providing clear prioritisation.
- There was feedback that iwi were not engaged in the process of identifying THCL's areas of focus for Māori/iwi economic development.
- THCL reviews and updates its areas of focus each year through a business strategy process, but the outcomes of this are not always incorporated into updated service agreements.
- There is typically a good level of engagement between THCL and Council officers each year to discuss updated areas of focus but limited direct engagement between THCL and Councillors to discuss these.
- The Council and THCL have worked with an independent advisor to identify an updated set of economic development priorities over the next ten years, based on a review of the Horowhenua 2024 Blueprint and interviews with a range of stakeholders. It is intended that this will form the basis of an updated economic development strategy.
- The Council has also identified key priorities for 2024 and 2025 through a Council Plan on a Page, including several priorities of relevance to economic development. The Council has sought advice from THCL on its role and responsibilities in supporting the achievement of these priorities.

Recommendations

In order to agree on and better align priorities for economic development across HDC and THCL (and other stakeholders):

3. Identify a short-list of priorities for economic development through the proposed update of the economic development strategy, drawing on the review report and the Council's Plan on a Page.
4. Consult with and secure the buy-in of key stakeholders (including iwi and hapu) to the strategy and priorities before they are approved by Council.
5. Ensure the strategy and priorities are approved before March 2025, so that they can form the basis of a new three year funding agreement with THCL.
6. Review and update economic development priorities through a workshop session with Councillors early in each calendar year, and use these to update key performance areas and deliverables for THCL each year.



Performance monitoring and reporting

Key findings

- The Council has not set KPIs for THCL, although the previous funding agreement included key performance areas. All but one of the areas were based on the delivery of outputs rather than outcomes.
- It is difficult for stakeholders and Councillors to get a good overview of what THCL does because it only reports annually on performance and these reports are part of longer Council agendas. Performance reports are not separately published on the THCL website.
- The content in annual reporting has increased and improved over time, reflecting that THCL has been evolving its approach and the relatively short time in which the arrangement has been in place. However much of THCL's reporting is focused on outputs/activities rather than outcomes.
- THCL's performance reporting in future should include more output related measures and a combination of output measures and intermediate outcome measures that are more directly attributable to THCL's activities.
- The recent work on the economic development strategy has identified new potential measures and targets to reflect high level economic goals for Horowhenua over the next 10 years. However, the proposed measures and targets focus largely on economy-wide measures that should only be assessed over the very long-term and that will be difficult to attribute to economic development activities delivered through THCL (or the Council).

Recommendations

To improve performance monitoring, measurement and reporting:

7. The Council and THCL develop an intervention logic and performance measurement framework that clearly sets out the drivers of, intended outputs and desired outcomes from economic development investment, and associated key performance measures for the short-, medium- and long-term. This should include a broader range of output and outcome measures than are currently reported against.
8. THCL should report back on a six monthly basis to Council on its performance against the service agreement, ensure that performance reporting is consistent with the performance measurement framework, and make the performance reports available on the THCL website.



Opportunities for improving the effectiveness and efficiency of economic development activities

Key findings

- THCL has effectively delivered the range of economic development activities, particularly the extension of the RBP programme in the district; the continued growth in the range of and attendance at business events; the expansion of and improvements made to Get-Go and the ongoing commitment to the delivery of the programme by businesses and colleges post the completion of the original contract; the engagement that THCL has made with businesses to provide information on and facilitate access to the opportunities associated with Ō2NL; and its influence on and coordination of activities with government agencies and other economic development agencies in the region.
- THCL does not have specific economic or data capability to add significant value to general economic analysis and reporting and it is not apparent that the reporting provides additional value to the Council's decision-making. THCL provides more value when producing targeted insight reports on industries and developments in the district.
- There is a lack of transparency about how the Council's funding is being spent and leveraged because THCL does not publish formal annual reports or its financial statements.

Recommendations

To improve the effectiveness of delivery and to better identify opportunities to increase efficiency:

9. HDC should take over responsibility for general economic analysis and related reporting from the 2025 financial year, subject to it having the required internal data and analytical capability.
10. THCL's reporting against the new three year funding agreement should include summary information about funding sources and the allocation of expenditure across activity areas and cost categories.



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C1 Economic Development: Independent Service Delivery Model Review

This report was presented to the findings of the independent Section 17A review of the service delivery model for Economic Development. The report provides Council with the opportunity to make a decision on the future of how economic development services will be delivered from 1 July 2025.

This matter relates to Delivering the Long-Term Plan 2024-44

Delivering the Long-Term Plan 2024-44

Resolution Number CO/2024/420

MOVED by Mayor Wanden, seconded Cr Allan:

- A. That Report 24/907 Economic Development: Independent Service Delivery Model Review be received.
- B. That this matter or decision is recognised as significant in terms of S76 of the Local Government Act.

CARRIED

Resolution Number CO/2024/1

MOVED by Cr Brannigan, seconded Cr Olsen:

- C. That Council agree to approve Option A - Enhanced Status Quo as the service delivery model to deliver Economic Development Services for Horowhenua from 1 July 2025.

A division was called for, voting on which was as follows:

For:

Councillors: David Allan
Ross Brannigan
Clint Grimstone
Sam Jennings
Paul Olsen
Jonathan Procter
Bernie Wanden
Alan Young

Against:

Councillors: Mike Barker
Rogan Boyle
Nina Hori Te Pa
Justin Tamihana

The division was declared **CARRIED** by 8 votes to 4.

CARRIED

Councillor Procter exited the meeting at 04:55 pm.

Resolution Number CO/2024/2

MOVED by Cr Olsen, seconded Cr Brannigan:

- D. That Council direct the Chief Executive to work within the Chief Executive's delegations and Council's Procurement Policy to agree a three-year

contract with The Horowhenua Company Limited, including contract value for three years commencing 1 July 2025.

CARRIED

Resolution Number CO/2024/3

MOVED by Cr Allan, seconded Cr Young:

- E. That Council direct officers to work with The Horowhenua Company Limited ahead of 1 July 2025 on the recommendations of the MartinJenkins report associated with Option A - Enhanced Status Quo, to help improve the economic development delivery arrangements and outcomes.

CARRIED

MOVED by Cr Boyle, seconded by Cr Tamihana

That Council approve option E in-house delivery option as the service delivery model to deliver Economic Development Services for Horowhenua from 1 July 2025.

A division was called for, voting on which was as follows:

For:

Councillors: Mike Barker
Rogan Boyle
Nina Hori Te Pa
Justin Tamihana

Against:

Councillors: David Allan
Ross Brannigan
Clint Grimstone
Sam Jennings
Paul Olsen
Jonathan Procter
Bernie Wanden
Alan Young

The division was declared **LOST** by 4 votes to 8

LOST