

Improving local government investment into Economic Development Services in New Zealand

A report on key findings with suggested system improvements prepared by LGNZ

December 2018



Contents

Foreword p3

Executive summary p5

1> **Introduction** p8

2> **Expectations and opportunities** p10

3> **What strong performance looks like** p16

4> **Conclusion** p20

5> **Participants** p22

Appendices p24

Principal author for correspondence: Philip Shackleton, philip.shackleton@lgnz.co.nz

Foreword

Foreword



LGNZ has long recognised that councils can play a role in influencing the pace of economic growth in their jurisdictions through their economic development service activities.

Done well, these services can positively grow a local economy by bridging information gaps, connecting businesses to opportunities, facilitating infrastructure, as well as through many other means.

Like most economic interventions, some generate higher returns than others and determining which measures are best remains a challenge. This is partly because New Zealand's economy is a collection of idiosyncratic micro-economies, each distinct from the other, and what is a successful intervention in one jurisdiction may not be duplicable in another.

Nevertheless, looking beyond the idiosyncrasies of policy comparison, it is well-recognised that there are principles of best practice that all economic development service activities could benefit from, such as having a clear purpose and transparent performance metrics.

This brings us to the second challenge. Councils, by their nature, tend to be locally focussed, and in endeavouring to boost local economic activity, too little thought has been given to the optimal arrangements for the agencies overseeing local economic development services.

This is something councils are increasingly aware of, as well as being aware of the need to remedy the situation to show that they are delivering good value to their communities. It is, after all, ratepayers who foot the bill for these activities, and councils have a duty to show that the returns from this investment are worth it.

For many years LGNZ has led thinking in this area, most recently in 2016 by compiling the first comprehensive survey of economic development services activity in New Zealand, which saw an 88 per cent response rate from local councils. This report builds on this solid evidence base to identify best practice, and where this is not being met. This is a critical step in lifting performance.

Lastly, it is also important to note the bottom up nature of this process. It is local councils and their economic development agencies that have been the driving force behind this research to ensure economic development service activities deliver real value. This is timely as we begin to collaborate with central government on how to develop regional economies together.

A handwritten signature in black ink that reads "Dave Cull". The signature is fluid and cursive, written in a professional style.

Dave Cull
President
LGNZ

Executive summary

Executive summary

The work of economic development agencies (EDA) plays an important role in New Zealand, bridging gaps in local economies and leveraging local advantage to ensure the economic pie grows. Many of the services they provide and activities they undertake have quasi-public good aspects to them, in that there may be an under-provision of these services had these agencies not assumed the role. This is especially evident when it comes to activities such as business development, skills support, destination management and tourism promotion, among others.

However, in order for local economies to truly benefit from economic development service activities, the benefits they produce must exceed the costs of operation. Key to achieving this is getting the institutional settings right, such as strategy, governance, and performance monitoring, to name a few. Through the economic development services research stream, LGNZ set out to produce a stocktake of how council-funded economic development services are set up in New Zealand in order to identify areas where better institutional settings are needed.

Our survey of economic development service activity undertaken by local authorities, and subsequent workshop series, identified a number of areas that could be improved in order to lift performance.

Data quality

The independent nature of economic development agencies means there is not a cohesive pool of information on their activities. Where there have been attempts to gather data at a national level they have not accurately captured the state of economic development service activity. Among respondents:

- 51 per cent said Stats NZ data for their councils was incorrect; and
- 68 per cent said Stats NZ data did not capture their economic development services expenditure correctly.

Definition

Our survey also showed that there was a lack of clarity as to what economic development agencies should and should not do, a problem that is common around the world. This has implications at the economy level, as it could lead to duplication, and poor monitoring and governance. The sector is aware of this problem, and is interested in working to develop an overarching definition. This is necessary for establishing strong governance arrangements among local economic development agencies.

Economic Development Services

Overly broad regulatory settings have allowed economic development activity to encompass a very wide range of services. There is also a wide range of service delivery structures being employed to deliver these services, including:

- Regional tourism organisations (RTO);
- Council controlled organisations (CCO);
- Independent trusts;
- Incorporated societies; and
- Independent companies.

This range creates variation in engagement practices, variation in quality of delivery, and makes it difficult for core stakeholders such as business, iwi, and others to meaningfully engage with more than one entity. Opportunities to share good practice and insights are also more difficult.

Performance measures

Economic development agencies in New Zealand are over-reliant on long-term outcomes to measure their performance, with three quarters (75.3 per cent) indicating they rely on long-term outcomes such as gross domestic product and population.

Key findings

The survey data and workshop extrapolated key findings, and actions that need to be undertaken to improve the delivery of economic development services in New Zealand. These include:

1. That a nationally recognised sector definition for economic development services be developed and adopted by the sector. This definition should be clear, broadly focused, reflect a local flavour, and contain social well-being and iwi engagement criteria.
2. There is a need for an economic development services toolkit for councils including, but not limited to:
 - a reference set of services with supporting case studies of best practice;
 - a model for councils to conduct a gap analysis;
 - guidance on the pros and cons of an RTO/EDA combined model for delivering tourism-marketing services; and
 - guidance on how to best support governance of RTO/EDAs including Letters of Expectation (LOE), Statements of

Intent (SOI) and Service Level Agreements (SLA), and how they link to programme outputs and long term outcomes.

3. There is a need to establish a national set of guidelines for councils on institutional arrangements for economic development service delivery that includes:
 - case studies of failures and key learnings; and
 - case studies of successes and key learnings.
4. There is a need to develop a performance measurement framework that enables councils to review and develop a set of performance measures that:
 - clearly reveals value and return on investment; and
 - is easy to monitor and can be well understood by governance, management, staff and the public.

1

Introduction

Introduction

Like in most other countries around the world, one of the roles of local government is to encourage local economic activity. It is well recognised that local government plays a key role in enabling local economic growth through the provision of local infrastructure and services. But there is a growing awareness that local government can play an important role in further spurring activity through the provision of economic development services. Indeed, many of the activities performed by economic development agencies are recognised as having quasi-public good characteristics, particularly in areas such as business development, skills support, promotion of innovation, investment attraction and promotion, among others.¹

In New Zealand, councils have been developing economic development services under very broad legislative settings from as early as the 1980s. A more formalised role for economic development services started being implemented in 2000 when, then Deputy Prime Minister, Jim Anderton launched the Regional Economic Development Programme, an initiative intended to enable regions to collaborate on economic strategy and planning.

The introduction of the so-called four well-beings in the Local Government Act 2002 (LGA) further entrenched and encouraged economic development services activity by tasking councils with the responsibility for the economic well-being of their communities (along with their social, cultural and environmental well-being).

< The introduction of the so-called four well-beings in the Local Government Act 2002 (LGA) further entrenched and encouraged economic development services >

Indeed, economic development services have become such an ingrained part of local government's daily operations that the removal of the four well-beings from the LGA in 2012 did little to curb these activities. According to LGNZ's survey, New Zealand's local government sector spent an estimated \$248 million annually on the delivery of these services (2014-2015 financial year).

Amid this boom in economic development services, one of the challenges has been to assess whether these activities are delivering value. This can be a problem area, as councils themselves concede.

LGNZ's 2016 survey showed that economic development services spanned a wide range of activities, were delivered and governed by a diverse set of institutional arrangements, which resulted in a complex environment that is difficult for experts to understand, let alone ratepayers.

< Delivering value is a key for economic development services. Local government bodies of all sizes face a number of looming funding challenges, which are exacerbated by climate change, urbanisation and population aging. >

Delivering value is a key for economic development services. Local government bodies of all sizes face a number of looming funding challenges, which are exacerbated by climate change, urbanisation and population aging, and it is entirely foreseeable that councils will increasingly lean on their investment arms to help spread this financial burden.

This report, led by local government and their various economic development agencies, is the first step in unpicking this complexity, establishing best practice, and proving value for money. The research included a series of six workshops, hosted around New Zealand by LGNZ, and engaged 60 organisations representing local government, economic development agencies, central government, regional tourism organisations and the private sector.

Broadly, this work has identified opportunities for improvement in the two key areas of defining economic development services and improving the sophistication of performance measures.

Both are discussed in detail in this report, and both are vital to lifting performance. First, to ensure economic development services activity is focused on where there is an agreed need, and/or where there are greater gains to be had. Second, to assess whether investments in economic development services are delivering on the expected returns.

¹ Jenkins, M. (2017). Review of economic development capacity and capability in the Waikato. Auckland: Martin Jenkins, p39

2

Expectations and opportunities

What should we expect from economic development services and what are the opportunities for improvement?

Unreliable data

The aim of the project is to review our members' economic development services to gain insights and identify opportunities for improvement in delivery of these services. One of the challenges in doing this is data quality. One of the precursors to good policy making is good data, but our research shows notable variations in what councils reported to us through the survey and what they reported to Stats NZ.

For example, the LGNZ survey results show \$248 million was spent on economic development services in the 2014/2015 financial year. This varied from the official Stats NZ data for the period, which showed total expenditure of \$280 million for the same period¹, a variance of 11 per cent.

Just over half of the councils who responded to the survey stated that the Stats NZ data for their council was incorrect (37 of 72 councils, or 51.4 per cent). For economic development expenditure data, this was even higher, with 68.1 per cent of councils (49 of 71 councils) indicating that the data was incorrect.

The likely causes behind this mismatch include:

- Different people filling out different surveys who define "economic development" in different ways;
- Several councils had difficulty extracting data for the survey, as financial information can be held in multiple departments within a council; and
- Lack of clarity regarding what "economic development" is and what it is not.

Nevertheless, it underscores a significant challenge in the economic development services space. It is important to have accurate data to inform national policy decisions, as well as to report on the efficiency and effectiveness of economic development investments at the local level. The mismatch discovered between the financial data reported

through this survey and that provided to Stats NZ is concerning.

Lack of definition

Another major challenge for the economic development services sector in New Zealand is defining what exactly economic development services are. Feedback from the sector indicated that while many local examples of good practice exist, there is little common understanding of what activities constitute local economic development.

New Zealand is not alone in facing this challenge. The academic literature shows that the debate around defining what is meant by economic development has been raging for over 30 years².

This lack of definition means that councils in New Zealand struggle to provide clarity on what services they are purchasing, and why. They also struggle to clearly define what success looks like, set realistic and achievable expectations, understand the best structural arrangements needed, and be able to meaningfully measure short, medium and long term progress.

< Services that are not easily understood by purchasers and delivery agents create problems for management and governance during funding rounds. >

Services that are not easily understood by purchasers and delivery agents create problems for management and governance during funding rounds. Consultation with 46 councils confirmed that the current situation can be improved. The consensus is that there are unmitigated risks with the current settings being broad and ill-defined.

Survey data confirmed that very few councils define what economic development is; 51 per cent confirmed that they do not have a clear definition for economic development services. While the remaining 49 per cent did have a definition, where councils had submitted one, its quality was variable.

An important distinction when we define economic development

¹ Stats NZ. [Local Authority Financial Statistics income and expenditure by activity](#) (Annual-Jun 2015)

² Feldman, Hadjimichael, Lanahan, Kemeny. (2016). The logic of economic development: a definition and model for investment. Environment and Planning C: Government and Policy, p5

is to distinguish it from economic growth. Feldham, Hadjimichael, Lanahan, Kemeny³ confirm that economic growth has a strong theoretical grounding and is easily quantified as an increase in aggregate output. They argue that because of its straightforwardness it tends to dominate policy debates.

< “The purpose of local economic development is to build up the economic capacity of a local area to improve its economic future and the quality of life for all. >

Whereas economic development is more qualitative and “has meant all things to all men and women”⁴. It is focused on quality improvements, risk mitigation, innovation, and entrepreneurship that place the economy on a higher growth trajectory.

Feldham et al. define economic development as “activities that expand capacities to realize the potential of individuals, firms, or communities who contribute to the advancement of society through the responsible production of goods and services”⁵.

Through a workshop series, LGNZ tested a World Bank definition of economic development to see if it resonated here in New Zealand. The definition states:

“The purpose of local economic development (LED) is to build up the economic capacity of a local area to improve its economic future and the quality of life for all. It is a process by which public, business and non-governmental sector partners work collectively to create better conditions for economic growth and employment generation.”⁶

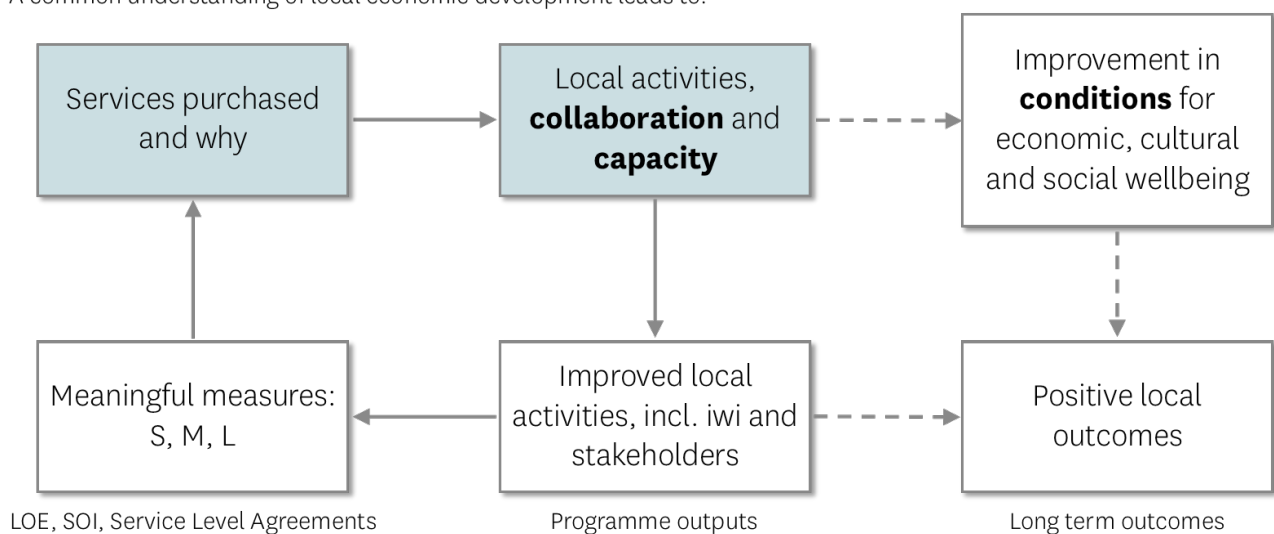
Activities underscored by this framework support capacity building and collaboration, which builds the conditions for longer-term economic outcomes, but which also includes meaningful short-term actions.

The responses from the workshops indicated the development of an overarching definition of economic development services would be useful and, in general, participants were not averse to the idea of a single definition along the lines of the World Bank definition.

The observations were that any definition adopted by the sector should be clear, broadly focused, reflect a local flavour, and contain social well-being and iwi engagement criteria. There was a strong sense that a definition was an important first step in the review of local government economic development investment in New Zealand.

Figure 1: Elements of good governance of local economic development services

A common understanding of local economic development leads to:



3 Feldman, Hadjimichael, Lanahan, Kemeny. (2016). The logic of economic development: a definition and model for investment. Environment and Planning C: Government and Policy, p7
 4 Arndt 1978:6, in Feldman, Hadjimichael, Lanahan, Kemeny. (2016). The logic of economic development: a definition and model for investment.
 5 Feldman, Hadjimichael, Lanahan, Kemeny. (2016). The logic of economic development: a definition and model for investment. Environment and Planning C: Government and Policy, p8
 6 World bank. (2018). Local economic development: a primer developing and implementing local economic development strategies and action plans.

Key finding

There is a need for a nationally recognised sector definition for economic development services to be developed and adopted by the sector. This definition should be clear, broadly focused, reflect a local flavour, and contain social well-being and iwi engagement criteria.

The benefits of a clear economic development services definition are also vital for establishing strong governance arrangements among local economic development agencies.

The Local Government Act Sections, 10, 12 and 14 set out the purpose, status, powers, and principles of good governance in relation to delivery of services. In summary, the role of governance is to ensure that local communities have their social, cultural and economic needs addressed in an efficient and effective manner, and that current and future services are fit for purpose. This requirement extends to economic development service activities as it does any other council activity.

Strong governance of local economic development services means demonstrating a line of sight between services purchased, why and how they are delivered, and the progress of delivery against expectations.

Clarifying this, the diagram in Figure 1 illustrates how a common understanding of local economic development underpins good governance, which in turn can lead to a self-reinforcing cycle of operational activities that generate positive outcomes for the community.

The diagram in Figure 1 shows the pathway to achievement of desired local outcomes. It supports the development of locally relevant activities that have a line of sight from expectations, to actions, to outputs and their progress. Issues of attribution aside, improvements in conditions and activities can positively influence local outcomes, if other broader macroeconomic and social factors are in the same direction. This organising diagram will be referenced throughout the report.

Economic Development Services

Another aim of this research project has been to get a better understanding of the range of economic development service activities across the country. The responses revealed a wide range of services, but given the broad legislative settings since the 1980s, this variety is not surprising.

The top five services identified in the survey were economic development strategy development (82 per cent of respondents), visitor marketing and promotion (81 per cent of respondents), events,

information and intelligence (gathering data about the state of the local economy), and infrastructure projects aimed at growing a specific industry.

The results show that councils have differing views about what constitutes economic development services. This aligns with the lack of definition discussed earlier.

< The results show that councils have differing views about what constitutes economic development services. >

LGNZ wanted to explore options for improving the settings to make it clearer for councils what “economic development services” does and does not include. We tested one clearly defined set of services during the workshops:

Visitor marketing and promotion, including:

- i-SITE network; and
- event support.

Local economic data:

- research into the state, make-up and trends of local economies; and
- identification and publication of strategic issues for debate during annual planning and LTP development.

Facilitation and coordination for:

- infrastructure projects aimed at growing a specific industry sector.

It was noted that improvements could be made in the decision-making process for allocation of funding for economic development services. There was widespread support for development of some form of market gap analysis model that could be applied to help determine priority services to be funded. This could include an investigation into existing development services operating in the local area supporting SMEs to ensure no duplication occurs.

Councils identified the importance of having local businesses endorse the value of services being offered. Council officers and Council Controlled Organisation (CCO) staff are intermediaries. Hearing directly from businesses that confirm value received from economic development services is more powerful and meaningful.

Some services are very difficult to measure, so telling the stories through customer experience is important. There was universal recognition that return on investment, financial or otherwise, should drive service provision.

Workshop participants identified the need to establish a toolkit which includes a set of best practice case studies that reflect the variety and diversity of economic development services across the country. Further, case studies that exhibit failure (what not to do) were identified as also being important. (A range of elements for this toolkit was identified in the consultation process and is shown in **Appendix A**.)

Key finding

There is a need for an economic development services toolkit for councils including, but not limited to:

- a reference set of services with supporting case studies of best practice; and
- a model for councils to conduct a gap analysis.

The elements that could be part of a toolkit were collected during the workshops and can be found in **Appendix A**.

Institutional arrangements and expenditure

Another key finding from LGNZ's survey was the wide variety of service delivery structures across the economic development services landscape, which in turn led to a diverse range of reporting and performance monitoring methodologies.

For example, the survey results showed that many councils made use of multiple teams to carry out their economic development service activities, whereas in other councils single teams were responsible for all economic development services activity. In addition, 31 councils used RTOs, and CCOs were being used by 23 councils.

Other legal structures included independent trusts (12 councils), incorporated societies (eight councils), use of another council's CCO (seven councils), independent companies (five councils). There was also wide variation in operating expenditure as a proportion of total operating expenditure across councils. The range is from 0 per cent up to 9.4 per cent. A similar variation occurs across economic development operating expenditure as a proportion of resident population. Councils in key tourist destinations tended to spend more on economic development services.

< Structures were identified as a problem area, particularly in the area of tourism. >

Structures were identified as a problem area, particularly in the area of tourism. Councils are trying variations in combining Economic Development Agencies (EDA) and Regional Tourism Organisations (RTO) which is creating problems.

Diversity of structures creates variation in engagement practices and variation in quality of delivery with core stakeholders such as business, iwi and others in the community. Opportunities to share good practice and insights are also more difficult. The lack of cohesive structure is also likely to contribute to the data quality issue discussed earlier.

LGNZ tested whether there was an appetite for creating a more consistent approach to structural arrangements. We proposed the development of one nationally agreed template to apply to a CCO, in-house business unit, or collaborative cross-council project.

The universal response from members was that institutional arrangements are a local decision. There was no need identified during consultation for the development of a nationally agreed model template. A community's desired set of economic outcomes should determine the design of structural arrangements for local economic development service delivery.

The feedback did however confirm a need for guidance for councils when setting up institutional arrangements to deliver economic development services. This would include case study analysis of what has worked well and what hasn't, with key learnings identified. Further, there was interest in being ahead of opportunities and having a better understanding of the Government's Economic Development Strategy.

Key finding

There is a need to establish national guidance for councils on institutional arrangements for economic development service delivery that includes:

- case studies of failures and key learnings;
- case studies of successes and key learnings;
- guidance on the pros and cons of an RTO/EDA combined model for delivering tourism marketing services; and
- guidance on how to best support governance of RTO/EDAs including Letters of Expectation (LOE), Statements of Intent

(SOI) and Service Level Agreements (SLA), and how they link to programme outputs and long term outcomes.

Performance measures

The United Nations results-based management handbook confirms that a result “derives from a cause and effect relationship”. They affirm that there are three types of changes; outputs, outcomes and impact, which can be set in motion by a development intervention.⁷ Most councils we surveyed focus their performance measurement on outcomes.

The survey data collected revealed an over-reliance on long-term outcomes to determine the performance of economic development service interventions. Of the 69 councils surveyed, 52 indicated that they rely on long-term outcomes (e.g. GDP, population).

< The survey data collected revealed an over-reliance on long-term outcomes to determine the performance of economic development service interventions. >

Measuring the chain of causality from intervention to long-term outcome in economic development is challenging. Attributing intervention to long-term outcomes is subject to a number of intervening variables, most of which are macroeconomic.

Therefore, measures tied specifically to interventions, such as short to medium term targets that are quantifiable, are usually better in terms of measuring the effectiveness of a particular intervention of activity.⁸

Priority areas for improvement included:

- the need to tell stories and celebrate wins;
- the need for performance measures to be able to be clearly understood by governance, management and stakeholders; and
- the need to establish a more meaningful set of measures for economic development services.

It was noted that data was a limiting factor, but regardless, short, medium and long-term objectives that are practical (e.g. operationally based rather than in theory) would be beneficial. Some measures will not be measurable as outcomes may be intangible, however all outcomes must be visible and benefit the community as a whole.

Use of external resources and stakeholders, including the audit office, may assist in creating stronger performance measures for economic development. LGNZ has been reviewing the performance measurement toolkit for local economic development which was developed by the government of British Columbia.⁹ This has been shared with the participants of the workshops to seek feedback and it provides a good foundation for New Zealand to develop its own version.

During the workshops, participants were asked to share ideas about what a performance measurement framework should contain. These ideas can be found in **Appendix B**.

It was agreed that the level of sophistication in measuring performance can be improved. Long-term outcomes were acknowledged as being at a very high level, however the majority of councils still found these useful and recommended they stay in the framework.

Key finding

There is a clear need to develop a performance measurement framework. This framework should be sufficiently flexible to allow councils to adapt it to their particular circumstances, but at a minimum should include measures that:

- clearly reveal value and return on investment;
- are easy to monitor; and
- can be well understood by governance, management, staff and the public.

⁷ United Nations Development Group. (2011). Results-based management handbook. New York: United Nations, p14

⁸ LGNZ. (2017). *Better Economic Development in local government. A discussion paper*. p12

⁹ Columbia, G. o. (2018). *Performance measurement toolkit for local economic development*. Retrieved from British Columbia: <https://www2.gov.bc.ca/gov/content/employment-business/economic-development/plan>

3

**What strong
performance
looks like**

What strong performance looks like

In this section, we view the totality of the \$248 million investment in economic development services as one single system. Strong performance is about New Zealand achieving maximum value for the investment. Using the research and feedback gained during workshops, we have proposed seven pillars of strong performance, shown below in Figure 2.

Figure 2: Seven pillars of strong performance



1. Economic development services clearly defined

The service being offered needs to be clearly defined. Ensure economic development services (including any economic development strategy) align through to the council's Annual Plan and Long Term Plan processes.

Establish a process to help the regions identify the barrier issues that are hindering economic growth. This should include information about where businesses can receive support to overcome them.

< Establish a process to help the regions identify the barrier issues that are hindering economic growth. >

Apply a simple gap analysis model to determine what services are needed by the community that are not currently being provided by either government or the private sector. Ensure there is sufficient capability and capacity within council to carry out economic development work.

2. Customer needs and expectations met

Councils investing in economic development services should place users at the centre of the system and treat them as customers. They should clearly define who the customers are for each of the services and provide them with a sense of choice and influence over the services they demand. Economic development services should strive to meet customers:

- needs, which are defined by the gaps that are revealed through consultation with the business community and wider set of stakeholders; and
- expectations, which reflect the individual citizen expectations about levels of transparency, accountability and return on investment.

3. Strong engagement with the business community

Economic development services are interventions that support local economic growth. Councillors will acknowledge the importance of business community buy-in to an economic development programme. They will ensure there is a robust discussion with the

business community before investment in economic development services is made. To support decision-making, council will consider the stakeholder feedback and quantify the number of businesses that support economic development services. The GDP, job creation and other aspirational long-term outcomes sought by local communities will be led by the private sector.

The majority of local businesses are small to medium sized. Regular surveying of the business community to check value is required. If businesses are feeling and experiencing value, councils are more likely to continue to invest. Local business owners are the strongest advocates for future service provision.

4. Institutional arrangements fit for purpose

The local government sector confirmed that the structural arrangements need to be a local decision. To avoid potential pitfalls, councils should apply the learnings from failures and successes of councils around New Zealand. Any structure should enable strong stakeholder engagement and work from a sound performance measurement framework.

Structural arrangements for service delivery should consider existing arrangements and not duplicate council structures. A culture of collaboration across council staff and agency staff involved in economic development should be established and promoted.

5. Easily understood performance measures

The measurement framework should include both qualitative and quantitative measures that provide feedback on achievement of short and medium term targets. Any measures used should be clear and easily understood by governance, management and the business community.

6. Mixture of qualitative and quantitative measures

Qualitative measures

These case studies are prepared and presented to council to enable improved understanding of success or otherwise.

Invitation to selected local businesses that have used the services to describe their experience to the council.

Quantitative measures

This would include such factors as the number of businesses contacted, business satisfaction with services via a satisfaction survey, numbers of new businesses established, the number of businesses improving as a direct result of services, including revenue growth and employment growth.

Other factors to consider would be the amount of funding that has been provided by central government and the private sector to support the services, and a measure of community buy-in to the economic development programme, e.g. the amount of stakeholder feedback (quantified), numbers of businesses that buy into a programme (quantified). A council could also monitor and collect success stories from media coverage.

For large projects and programmes, economic impact assessments to assess value for money over the medium term could be conducted.

Long-term outcome measures including GDP, population changes, tourist spend, new business start-ups, unemployment, visitor numbers, increase in new houses, median salary and household income data can also be monitored.

7. Alignment with UN Sustainable Development Goal 8

The OECD's Framework for Policy Action on Inclusive Growth¹ and the United Nations (UN) Sustainable Development Goals² put people at the heart of policy making with a deliberate focus on equity, people and well-being. Local Government investment in economic development services should first align with the New Zealand Government's growth agenda, noting that in 2018 New Zealand signed up to the UN Sustainable Development Goals. Goal 8 promotes sustained, inclusive and sustainable economic growth, full and productive employment, and decent work for all.

The well-beings will be brought back into the Local Government Act at a date yet to be determined. Work with the community health provider to monitor and understand the community health and well-being over time.

National professional body

A national organisation responsible for ensuring that the issues identified in this report and the improvement in performance is achieved over time, this agency would be responsible for promoting a sector-wide definition, development of a new performance measurement framework, developing professionalism amongst practitioners, including training and encouraging networking, collaboration and information sharing.

A future organisation to meet the required improvements would be led by a board representing those sectors making the most contribution to funding the services; these include local councils, the private sector and central government. A possible mechanism for this would be an add-on administration structure in either SOLGM or LGNZ. Further work is required to engage with both Economic Development New Zealand (EDNZ) and the wider local government sector to determine what the best option would be.

Note: LGNZ acknowledges that EDANZ and, more latterly, EDNZ have been playing this role. However the governance arrangements have not been fully representative of local government, central government and the private sector. The board has been made up primarily of chief executives of economic development agencies. EDANZ has also recently been through a period of change and the professional development programmes that were run through AUT no longer exist. It is encouraging that the Government is investing \$985,000 over three years through the Provincial Growth Fund to build the expertise of economic development agencies in New Zealand's regions.

< The OECD's Framework for Policy Action on Inclusive Growth³ and the United Nations (UN) Sustainable Development Goals⁴ put people at the heart of policy making with a deliberate focus on equity, people and well-being. >

1 OECD Framework for Policy Action on Inclusive Growth.

2 United Nations Sustainable Development Goals.

3 OECD Framework for Policy Action on Inclusive Growth.

4 United Nations Sustainable Development Goals.

4

Conclusion

Conclusion

The research project confirms the need for an improvement in the performance of economic development services delivered by councils and external agencies in New Zealand.

The evidence clearly demonstrates that these services are defined inconsistently, which is leading to problems for monitoring investment performance. Across the LGNZ membership there is an agreed need to develop and promote one single definition that councils can adopt to test future investments in economic development services. The sector agrees that this definition should be a close derivative of the World Bank definition, but that it should also be able to reflect a local flavour, social well-being, and iwi engagement.

Agreement on the methodology by which services could be refined and improved was reached. Workshop feedback confirmed that some investment by LGNZ, or an appropriate organisation, is needed to look more deeply into best practice around New Zealand. LGNZ is well placed to lead development of a toolkit to help councils further refine and develop their economic development services.

Institutional arrangements were shown to be varied however; no evidence emerged that a single national model template be developed and adopted. The conclusion is that investment in collecting, analysing and socialising learnings from past structural failures and successes is required.

< The measurement framework needs to ensure that monitoring of investment and agency performance communicates successfully with both governance and the wider community. >

Finally, there was a confirmed need to develop a more sophisticated approach across the LGNZ membership to performance measurement of economic development services. The British Columbia model resonated with the workshop attendees as a good place to start. The measurement framework needs to ensure that monitoring of investment and agency performance communicates successfully with both governance and the wider community.

Importantly, the future system should strengthen collaboration and engagement with the business community to ensure satisfaction levels are high and strategic local economic growth outcomes are achieved. Acknowledging the fact that whilst council investment in economic development services interventions contributes to local economic growth, it is the private sector actors and their work that ultimately determines success.

5

Participants

Organisations that attended workshops

Invercargill workshop	
Dunedin City Council	Invercargill City Council
Enterprise Dunedin	Queenstown Lakes District Council
Environment Southland	Southland District Council
Gore District Council	Venture Southland
Timaru workshop	
Aoraki Development	Selwyn District Council
Christchurch NZ	Timaru District Council
Enterprise North Canterbury	Waimate District Council
Environment Canterbury	Waitaki District Council
Otago Regional Council	
Nelson workshop	
Kaikoura District Council	Nelson City Council
Marlborough District Council	Tasman District Council
Ministry of Business, Innovation and Employment	
Palmerston North workshop	
Right Spot Consulting	Manawatu District Council
Foxton Community Board	Palmerston North City Council
Greater Wellington Regional Council	Porirua City Council
HGH Management Ltd	Rangitikei District Council
Horizons Regional Council	Ruapehu District Council
Kāpiti Coast District Council	Whanganui District Council
Hastings workshop	
Business Hawke's Bay	Napier City Council
Hastings District Council	Tararua District Council
Hawke's Bay Regional Council	
Rotorua workshop	
Bay of Plenty Regional Council	Ruapehu District Council
Enterprise Great Lake Taupō	South Waikato District Council
Hamilton City Council	Taupō District Council
Hauraki District Council	Tauranga District Council
Kawerau District Council	Te Tatau o Te Arawa Board
Bay of Plenty Regional Council	Waikato District Council
Matamata-Piako District Council	Western Bay of Plenty District Council
Priority One BOP	Whakatāne District Council
Rotorua Lakes Council	
Whangarei workshop	
Far North District Council	Northland Inc
Northland Regional Council	Whangarei District Council

Appendices

Appendix A

Elements for an economic development services toolkit for councils

Strategy

Develop a check list to ensure economic development services (including any economic development strategy) align correctly through to the council's Annual Plan and Long Term Plan processes.

Establish a process diagram to help regions identify their issues in enabling future economic growth. This is to include information about where government support and private sector support can be applied for.

Development of a gap analysis model applied by a local council to determine:

- services needed by a community that are not currently being provided by either government or private sector;
- the skills capability within council to carry out economic development work; and
- the presence of complimentary and conflicting services in the region, e.g. how many SME help agencies, chambers of commerce etc, there are.

Using case studies to explain how to effectively retain, develop and attract business activity in targeted sectors.

Using case studies to explain how best to research future markets and global trends that may support an economic development strategy (this to include how to identify growth cycles for the destination).

Include a methodology for determining local skills gaps in key sectors, eg tourism.

Outline of the changes that will occur when the four well-beings are re-introduced to the LGA.

A list of case study examples that illustrate where councils should not be involved in development activity.

Description of the type of support needed to support the development and delivery of an Economic Development Strategy; how to identify the key drivers of the local economy, how to understand and activate local and regional growth engines.

Definition

Definition of economic development services, including best practice case studies that demonstrate interventions that have provided a return to the community.

Explanation of the difference between destination management and destination marketing.

National economic development agencies' roles and functions explained.

Explain the link between tourism marketing and the social license, infrastructure pressures (why things are different now).

Human resources

Human resource capability requirements for delivering economic development services. This to include the need to allow capacity to respond to opportunities that come up during the year.

Internships – show what is possible.

Funding

How best to access Government funding tools for local economic development e.g. PGF, TIF.

What might be an appropriate level of investment in economic development services, as a percentage of total council spend.

How to prepare a business case for economic development projects.

Data

Links to readily available data that will support local economic development strategies.

Consultation, stakeholder relations and collaboration

How to establish strong relationships, and case studies of best practice for collaboration across council and across key sectors of the local economy.

How to engage the business community to understand what they value.

Communication

Communications tips for communicating with councillors and the public to improve understanding of economic development services.

Appendix B

Ideas from workshop participants on what a performance measurement framework should contain

Performance measurement framework

- Objectives should include sustainability, job growth, population growth, household wealth, youth employment.
- Monitoring the retention of young people and skilled workers.
- Telling the stories and celebrating the wins.
- Measures that community ratepayers can relate to and understand.
- Good communication - clear expectations including timeframes with staff and agencies.
- Agreement on what success looks like, so it can be monitored.
- Measures for economic development services integrated with council's planning processes and documents.
- Gather data on how well the community understands economic development services and what they are achieving.
- Monitoring core economic data is key to measuring outcomes (Stats NZ, MBIE, MSD).
- Gather data about community pride, participation levels, buy in from stakeholders.
- KPIs for agencies and staff reviewed annually; include short-term goals with specific funds to deliver, linked to business needs and community needs.

Qualitative measures

- Case studies from those who benefit from economic development services presented to council to improve understanding of success or otherwise.
- Both programme and project output measures and monitoring of indicators against desired outcomes.
- Establish measures that help monitor the seasonal fluctuations of the tourism sector.

- Develop indicators that help measure a district's vibrancy.
- Ratio of skills availability to employment needs.

Quantitative measures

- Number of businesses contacted and supported.
- Business satisfaction survey.
- Number of new businesses established.
- Number of businesses improving as a direct result of services, including revenue growth and employment growth.
- Monitor funding that has been provided by central government and the private sector to support economic development services.
- Measure community buy-in to the economic development programme, e.g. amount of stakeholder feedback (quantified), numbers of businesses that use the programmes (quantified).
- Long-term outcome measures including GDP, population changes, tourist spend, new business start-ups, unemployment, visitor numbers, increase in new houses, median salary and household income data.
- Economic impact measurement for projects and programmes, including value for money over the medium term.
- Monitor and collect the number of success stories reported in the media.

Glossary

LGNZ	Local Government New Zealand
EDS	Economic Development Services
EDA	Economic Development Agency
RTO	Regional Tourism Organisation
LOE	Letter of Expectation
SOI	Statement of Intent
SLA	Service Level Agreement
PGF	Provincial Growth Fund
CCO	Council Controlled Organisation



We are. LGNZ.

Te Kāhui Kaunihera o Aotearoa.

PO Box 1214
Wellington 6140
New Zealand

P. 64 4 924 1200
www.lgnz.co.nz

We are.

Ashburton.

Auckland.

Bay of Plenty.

Buller.

Canterbury.

Carterton.

Central

Hawke's Bay.

Central Otago.

Chatham Islands.

Christchurch.

Clutha.

Dunedin.

Far North.

Gisborne.

Gore.

Greater Wellington.

Grey.

Hamilton.

Hastings.

Hauraki.

Hawke's Bay

Region.

Horizons.

Horowhenua.

Hurunui.

Hutt City.

Invercargill.

Kaikōura.

Kaipara.

Kāpiti Coast.

Kawerau.

Mackenzie.

Manawatu.

Marlborough.

Masterton.

Matamata-Piako.

Napier.

Nelson.

New Plymouth.

Northland.

Ōpōtiki.

Otago.

Otorohanga.

Palmerston North.

Porirua.

Queenstown-

Lakes.

Rangitikei.

Rotorua Lakes.

Ruapehu.

Selwyn.

South Taranaki.

South Waikato.

South Wairarapa.

Southland District.

Southland Region.

Stratford.

Taranaki.

Tararua.

Tasman.

Taupō.

Tauranga.

Thames-

Coromandel.

Timaru.

Upper Hutt.

Waikato District.

Waikato Region.

Waimakariri.

Waimate.

Waipa.

Wairoa.

Waitaki.

Waitomo.

Wellington.

West Coast.

Western Bay

of Plenty.

Westland.

Whakatāne.

Whanganui.

Whangarei.

LGNZ.