



OTAGO REGIONAL
ECONOMIC
DEVELOPMENT

STRATEGIC FRAMEWORK

JUNE 2019

20
19

Document control

Document Information

Document ID	Otago Regional Economic Development Strategic Framework
Document Owner	Otago Regional Economic Development Working Group
Issue Date	3 December 2018
Last Saved Date	12 July 2019
File Name	ORED Strategic Framework 031218
Status	FINAL

Document History

Version	Issue Date	Notes
1.0	3 December 2018	For review by the ORED Working Group
2.0	8 February 2019	For review by the ORED Working Group
3.0	18 March 2019	For review by the ORED Working Group
4.0	11 April 2020	For review by mana whenua
6.0	16 May 2019	For review by Council Chief Executives
7.0	7 June 2019	For review by Mayors

Contents

Foreword page 4

ORED strategic framework summary Page 6

The framework

Part One: Strategic assessment page 12

Part Two: Strategic focus page 32

Part Three: Strategic approach page 40

Appendices

Appendix ONE: Investment Logic Map..... page 48

Appendix TWO: Environmental scan page 50

Appendix THREE: Stakeholder interviews page 52

Foreword



Otago is New Zealand's second largest region, spanning 32,000 square kilometres (or 12 per cent of New Zealand's total land area). It incorporates the districts of Waitaki, Queenstown Lakes, Clutha and Central Otago and the city of Dunedin, and boasts a diverse landscape - from rugged coastlines to spectacular mountains.

The region's economy is as diverse as its landscapes. All of Otago have experienced growth over the past year, with Queenstown Lakes and Central Otago districts experiencing significant growth.

While Otago's locality, size and diversity are strengths that create economic opportunities, they also present some challenges – and if the region's economic potential is to be fully realised, these must be considered and addressed.

Focusing on collaboration

The region comprises five territorial authority areas administered by the Dunedin City, Waitaki District, Central Otago District, Clutha District and Queenstown Lakes District councils. Under the Local Government (Community Wellbeing) Amendment Act 2019, in addition to enabling democratic decision-making and action by and on behalf of the community, each council is responsible for promoting the social, economic, environmental and cultural wellbeing of their respective communities. Working across each territorial authority area, the Otago Regional Council is responsible for managing the region's land, air and water resources on behalf of the community – while also taking into account the region's economic wellbeing.

Although Otago's economic performance is typically driven by external influences outside anyone's direct control, we cannot rely solely on market forces to drive our destiny. As councils, we have a responsibility to help both identify and address the challenges and opportunities that will contribute to unlocking Otago's full economic potential.

The key to doing this is through proactive, consistent and sustained collaboration firstly within our region, and then ultimately with other regions and beyond.

Previous experience has highlighted that collaboration across the Otago region on economic development is particularly challenging - due mainly to our geographic remoteness, dispersed population and diverse local economies.

With this in mind, the economic development units from Otago's five local authorities, along with representatives from Otago Regional Council, have come together to form the *Otago Regional Economic Development (ORED)*

Working Group to set a clear intent, and establish a sound basis, for ongoing collaboration. The purpose of the group is to help identify and progress economic development opportunities to improve the economic wellbeing of people within the Otago region.

The group's intention is to work collaboratively with each other, and to develop productive long-term relationships with key stakeholders throughout the region – including our Treaty partners Ngāi Tahu, government agencies, businesses and education providers – for Otago's benefit.

Creating a framework to support success

To establish this shared understanding and provide a reference point for navigating our collective journey, the Working Group has developed this Strategic Framework. The process addressed three key questions: ***Why does Otago need to change and why now? What does Otago want to achieve and what needs to change? How does Otago get to where it wants to be?***

The Strategic Framework is intended to support effective collaboration and help guide decision-making that is in the best interests of, and produces the best outcomes for, the Otago regional economy. It will also help stakeholders have confidence that any initiatives progressed reflect local aspirations and expectations and are strategically aligned with New Zealand's future direction.

Coming together to develop this strategic framework, and engaging with key stakeholders during the process, has been pivotal in establishing sound working relationships and a shared understanding of what we need to focus on collectively to help progress Otago's economy.

The Framework is intended to be a living document that will be tested, reviewed and updated in consultation with stakeholders over the next 12 months and brought back to Otago council chief executives for their agreement.

We would like to acknowledge and thank Lewis Weatherall, Director of Business Case Consulting, for his work in facilitating and developing this framework, along with the Ministry of Business, Innovation and Employment for their support and guidance throughout the process.

The Otago Regional Economic Development Working Group



*Fraser Liggett
Dunedin City Council*



*Linda Moore
Clutha Development*



*Rebecca McElrea
Central Otago District Council*



*Gerard Quinn
Waitaki District Council*



*Peter Harris
Queenstown Lakes District Council*



*Ian McCabe
Otago Regional Council*

Framework Overview



Purpose and structure

The Otago Regional Economic Development Strategic Framework ('the Framework') has been developed collaboratively through an Advisory Group consisting of Working Group members, Government representatives and key regional stakeholders. Input was also provided by key stakeholders through a series of interviews held across the region (refer Appendix ONE).

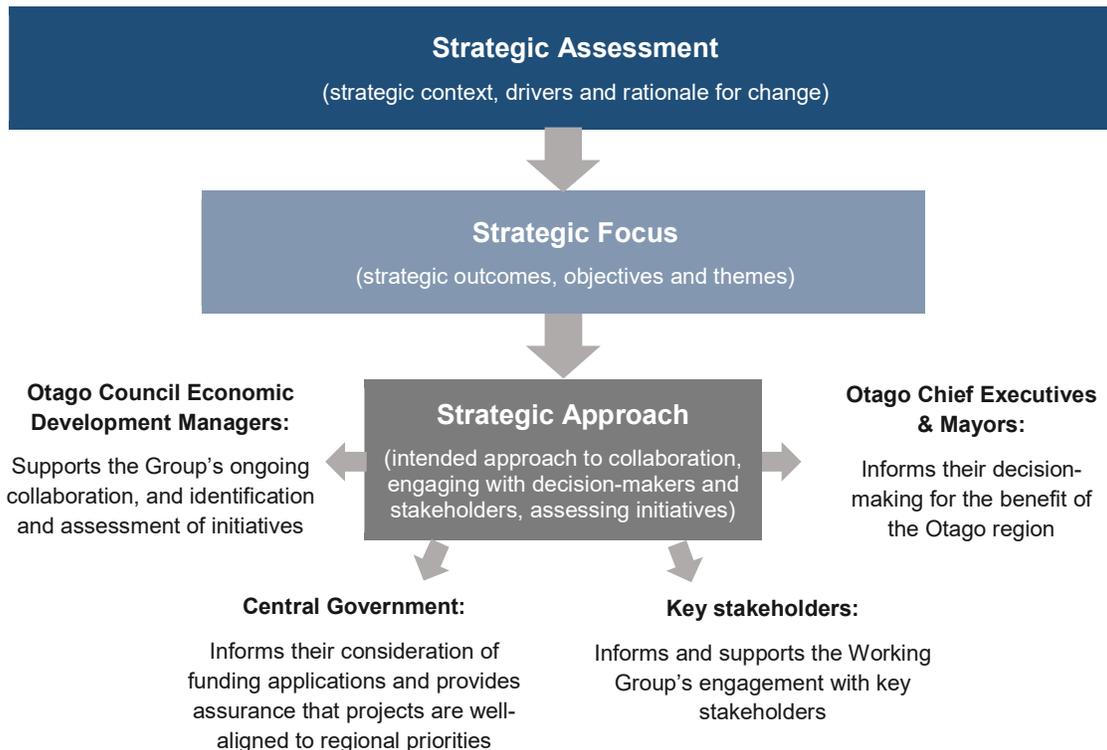
The Framework is a living document that will be revised and updated over the coming months as it is tested further with a wider group of stakeholders, more information comes to hand, and economic development initiatives are identified and progressed. Implementation of the Framework will be supported by processes that will be developed by the Working Group in consultation with stakeholders.

Overall, the Framework is intended to support focused and productive long-term collaboration between the Otago councils. It will:

- Help us identify and assess the strategic priorities for economic development across Otago
- Provide a basis for the Working Group to identify, assess and prioritise economic development activities and projects which align with the strategic priorities and provide the greatest regional benefits
- Provide a basis for further and ongoing engagement with stakeholders within and beyond the Otago region

It incorporates three key components:

- **Strategic Assessment:** the strategic context, strategic drivers and rationale for change
- **Strategic Focus:** the specific outcomes, objectives and themes we will focus on (based on the Strategic Assessment)
- **Strategic Approach:** how we intend to collaborate as a group, report to decision-makers, engage with stakeholders, and identify and assess initiatives (based on our Strategic Focus)



Strategic assessment at a glance

The Otago context – what we have

- The second-largest land area for any region in New Zealand
- A dispersed population
- A history of rich resources – including gold and fresh water
- A diverse, multi-speed economy
- Steady growth and strong economic fundamentals
- Education providers offering a diverse range of educational opportunities
- A growing pool of creative and high-technology enterprises

The national context - Central Government priorities

- Economic development that improves all New Zealanders' wellbeing and living standards
- The four capitals (resources needed to lift living standards) – natural, human, social, financial/physical
- Commitment to the principles of Te Tiriti o Waitangi
- Five dimensions of higher living standards - sustainability, equity, risk, economic growth, social cohesion
- Other priorities and policy – such as those for climate change, water quality and housing

Drivers for change – factors that impact economic progress

- Barriers to connectivity and collaboration – geographical remoteness and diversity, a dispersed population, diverse local economies
- A shortage of skilled labour for some sectors
- Maximising the contribution of skilled and experienced people
- Relatively low business productivity
- Areas of narrow economic focus with potentially low resilience
- A shortage suitable housing in some areas to support employment growth
- Variability and sustainability of our water supplies
- Sustainability of the region's natural, human, social and economic resources



Strategic focus at a glance

Based on the strategic assessment and discussions with key stakeholders, the following outcomes, objectives and themes are the focus of the framework.

High level OUTCOMES: What outcomes do we want to contribute to?	Our people	Our communities	Our environment	Our culture
	Improved wellbeing for all	More vibrant, prosperous and resilient communities	Improved environmental sustainability	Stronger, more productive partnerships with Ngāi Tahu

Our OBJECTIVES: What do we want to focus on improving in order to help achieve those outcomes?	To provide multi-district benefits through economic development initiatives	To increase regional productivity	To assist Otago to access the skills and experience it needs to prosper	To improve the ability of Otago communities to respond to social, environmental, economic and cultural opportunities
--	---	-----------------------------------	---	--

Our THEMES: What are the priority areas for change that will help us meet our objectives and contribute to the outcomes?	Connectivity		Productivity	
	Enabling greater connections between people, between districts, across the region, and nationally and internationally		Fostering innovative new ideas with productivity growth impacts	
	Talent	Housing	Sustainability	
	Making Otago the place for skilled and experienced people to live, study, work and invest	Improving the availability, choice and quality of accommodation for individuals, families, seasonal and migrant workers	Improving the resilience of key sectors and the sustainable use of the region's human, social, economic and natural assets	

Our COMMITMENT: What is key for successfully achieving our objectives and contributing to the outcomes?	Collaboration
	Greater collaboration that extends more widely than just between districts, but also with iwi, industry, the neighbouring regions and central Government. This will be proactively supported across the region through the provision of appropriate and targeted resources.

Strategic approach at a glance

The Working Group will develop detailed terms of reference over the coming 12 months and processes to support implementation of the Framework. In general, within the terms of reference the role of the Working Group will include:

- Identifying and assessing economic development projects of regional interest
- Reporting to the region's decision-makers on current and proposed economic development projects
- Seeking support and/or funding from the region's decision-makers for projects that can deliver multi-district benefits
- Reporting to the region's decision-makers on the progress of regional projects
- Facilitating connections between stakeholders (regional, national and international) where it is of benefit to the region's economy
- Providing feedback, guidance and/or support to stakeholders undertaking projects that deliver multi-district benefits
- Reviewing and updating the Strategic Framework over the next 12 months, in collaboration with key stakeholders, and bringing it back to Otago council chief executives for agreement
- Continuing to review and amend the framework, as required

Identifying and assessing projects under the framework

Project ideas will either be generated through the Working Group or by other parties via the Working Group. The Working Group will identify projects through discussion at its regular forums, and through ongoing engagement with key stakeholders and the region's decision-makers. The Stakeholder Engagement Plan, which underpinned the development of this framework, will be reviewed and further developed to support this.

Assessing projects using multi-criteria analysis

A prioritisation approach has been developed to help assess whether projects and initiatives are well-aligned to the Framework and are likely to provide significant benefits to Otago stakeholders.

The Working Group will take a multi-criteria analysis approach to assessing and prioritising projects. Multi-criteria analysis is a structured method that will enable the group and decision-makers to transparently and consistently assess and rank proposals against a set of pre-determined objectives and assessment criteria.

Engaging with stakeholders

The Working Group will engage with the following stakeholders in accordance with its Stakeholder Engagement Plan, which will be regularly revised and updated:

- Otago Chief Executives and Mayors
- Central Government departments and agencies
- Key stakeholders
- All other stakeholders (including Otago residents and national and international stakeholders)

The Framework

PART ONE: Strategic assessment



Why a framework?

The Otago Regional Economic Development Working Group

In 2017, economic development units from the six Otago local authorities began discussing opportunities to work more closely together to identify and progress opportunities for economic development across the Otago region.

Subsequent advice from Ministry of Business, Innovation and Employment that funding applications for regional economic development projects have greater strength when they are aligned to a regional framework or strategy added further momentum to the group's discussions.

As a result, the Otago Regional Economic Development Working Group was formed to provide a structure for ongoing collaboration and in mid-2018 the Group commissioned the development of a Strategic Framework to inform regional decision-making.

This framework is intended to support focused and productive long-term collaboration between the Otago councils, including the identification and progression of economic development activities and projects which align with the strategic priorities and provide regional benefits.

The Strategic Framework consists of two main deliverables:

- **a strategic assessment** intended to provide a compelling case for change – a logical line of sight from where Otago is now to where Otago wants to be (which becomes our strategic focus)
- **a strategic approach** to inform and support the development of, and decision-making on, initiatives which will best meet the identified regional economic development objectives and priority themes.

Approach taken

The Government's Better Business Cases (BBC) framework was used as a basis for developing the framework. This provides:

- a structured approach based on consideration of five dimensions of planning and implementing change – strategic, economic, commercial, financial and management
- stakeholders with early opportunities to engage, to challenge the thinking and to shape the direction of proposals, and
- decision-makers with confidence and assurance that they are doing the right things and in the right way.

A key aspect of the approach taken was a series of externally facilitated workshops with an advisory group and key stakeholder interviews which enabled:

- ✓ collaboration – working together on the analysis and thinking
- ✓ challenge – robust testing and challenging of ideas using empirical data, and
- ✓ consensus – building support for the key issues and recommendations.

Overall, development of the strategic framework addressed three overarching questions:

- 1) **Why does Otago need to change and why now?**
- 2) **What does Otago want to achieve and what needs to change?**
- 3) **How does Otago get to where it wants to be?**

To answer the 'big three' questions, the process involved sequentially working through more detailed questions under the following groupings:

	The Current Context	What is our strategic context? Our region, our history, our people. Does our strategy align with current government, sectoral and regional policies and goals?
	Drivers for Change	What is driving us to consider change? What opportunities and strengths can we leverage? What threats and weaknesses need to be managed?
	Rationale for Change	Why change and why now? What is our call to action?
	Our Objectives	What do we want to achieve from change? And what outcomes will we contribute to improving?
	Strategic Themes	What needs to change? Where are we now? What are the strategic priorities that will inform our decision-making and focus our change effort?
	Prioritisation	How will we prioritise our efforts? Which potential initiatives will best meet our needs and optimise value to our stakeholders? (i.e. the optimal combination of benefits, costs and risks – the preferred way forward)



The current context

New Zealand's second-largest region

Otago is New Zealand's second largest region, spanning 32,000 square kilometres, or 12% of New Zealand's total land area. Otago boasts a diverse landscape - from rugged coastlines to spectacular mountains.

The Otago region extends from the Waitaki River in the north to The Brothers Point in the south and inland to Lake Wakatipu, Queenstown, Hawea, Haast Pass and Lindis Pass. The coastline stretches 480 kilometres from the Waitaki River to Wallace Beach in the south.

Otago spans the local government districts of Queenstown Lakes, Central Otago, Clutha (South and West Otago), Waitaki (North and East Otago) and Dunedin City. The region is covered by the Otago Regional Council, except for part of Waitaki district, which is affiliated with Canterbury Regional Council. While the Waitaki District falls partly within each of the Otago and Canterbury regions, 90% of its population live in Otago.

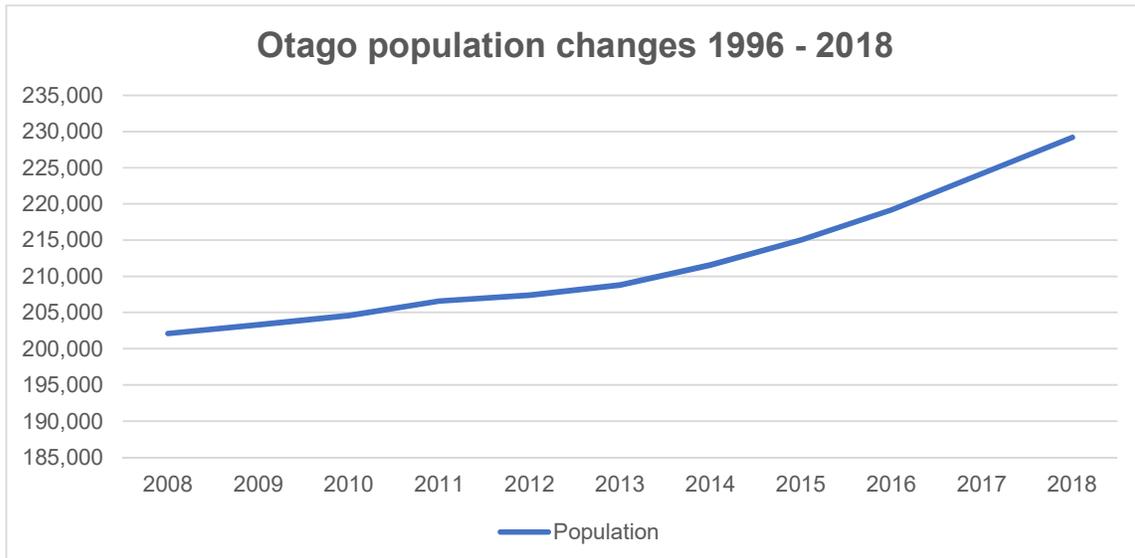
Our Treaty partners - Ngāi Tahu

The principles of the Treaty of Waitangi - Partnership, Protection and Participation, are integral to the implementation of the ORED framework. The Working Group will develop and give effect to this relationship by partnering with local rūnaka and with agencies such as Aukaha. Guidance will be sought from the rūnaka regarding engagement with Ngāi Tahu on specific priorities, themes and activities.

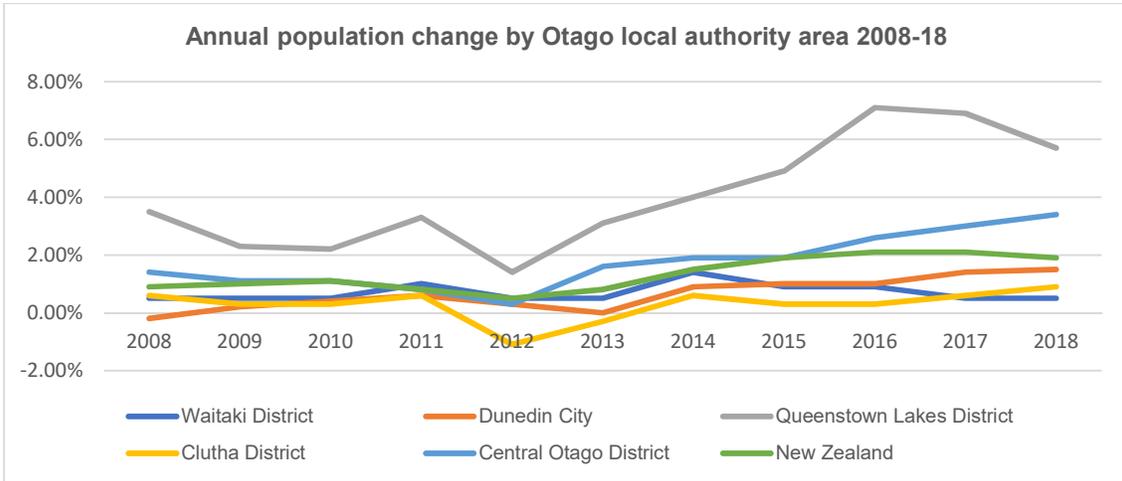
Population

Officially, Otago's resident population is 224,200 (or 4.7 percent of New Zealand's total population of 4,793,900). Dunedin City is the second largest city in the South Island, with a population of 128,800.

For the period from 1996 to 2018, all areas in Otago experienced population growth, with the exception of Clutha District. Queenstown Lakes District has experienced the highest growth over this period, with the population increasing from 14,800 to 39,200.



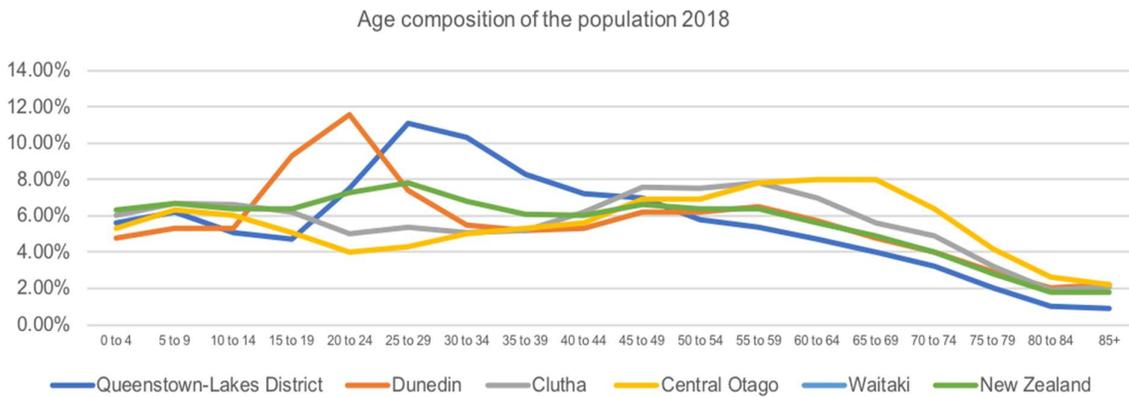
Source: Infometrics (based on Statistics New Zealand subnational population estimates)



Source: Infometrics

Statistics NZ population estimates to June 2018 show all areas of Otago have experienced growth over the past year, with Queenstown Lakes and Central Otago districts experiencing significant growth:

	2017	2018	Increase	%
Dunedin	128,800	130,700	1,900	1.5%
Queenstown Lakes	37,100	39,100	2,000	5.5%
Waitaki	22,200	22,300	100	0.6%
Central Otago	20,300	21,000	700	3.6%
Clutha	17,550	17,700	150	0.7%
NEW ZEALAND	4,793,900	4,885,300	91,500	1.9%



Although both Queenstown Lakes and Dunedin have large youth cohorts, the median age of residents across Otago is still slightly above the national average. Otago's current median age is 38, compared to 37 nationally.

The median age in Otago is projected to be 43.5 by 2043, which is consistent with the projected median age of 43 nationally. However, Central Otago is one of 12 districts in New Zealand, and the only one in Otago, projected to have a median age of 50 by 2043.

Economy

There is a diverse economy at play in the Otago region.

The agriculture profile of Otago is different from many other regions. No single industry dominates in the way that dairy does in Taranaki or Southland. Pockets of dairying in Clutha and Waitaki are sat against a strong backbone of sheep and beef across the region. The horticulture, pip and stone fruit industries are strong and growing, and wine growing is a significant sector.

Access to water and irrigation is a major factor in supporting agriculture development in some parts of the region. Weather can be a significant risk to these industries, particularly in Central Otago where it can impact on seasonal workforce demands and the availability of water.

The visitor industry is very strong, with tourism representing 15.3% of the total regional gross domestic product (GDP). The visitor industry is concentrated on Queenstown with over five million international visitor nights each year. It is also multi-seasonal, flattening out the peaks and troughs.

While there is strong tourism growth in Dunedin, it is still significantly reliant on the Government-funded health and education sectors.

Engineering and manufacturing are legacy industries that are expected to show signs of resurgence after having struggled for a long period. This has involved companies re-gearing themselves to a modern technology market or new start-ups. These entities are largely Dunedin and Oamaru-based and form an important platform for future development.

The scale of enterprises is also changing. While Dunedin has lost many of its legacy corporate entities, some remain in the engineering and financial industries. Rather like “ground cover” there are new industries growing on the “forest floor”. Many do not yet have significant scale, but they will in time.

Similarly, the small business profile of the region, especially in the visitor industry, is giving way to growing corporate entities with the scale to mount larger infrastructure projects. Along with the largest hospital build in New Zealand’s history, these are important developments when looking ahead.

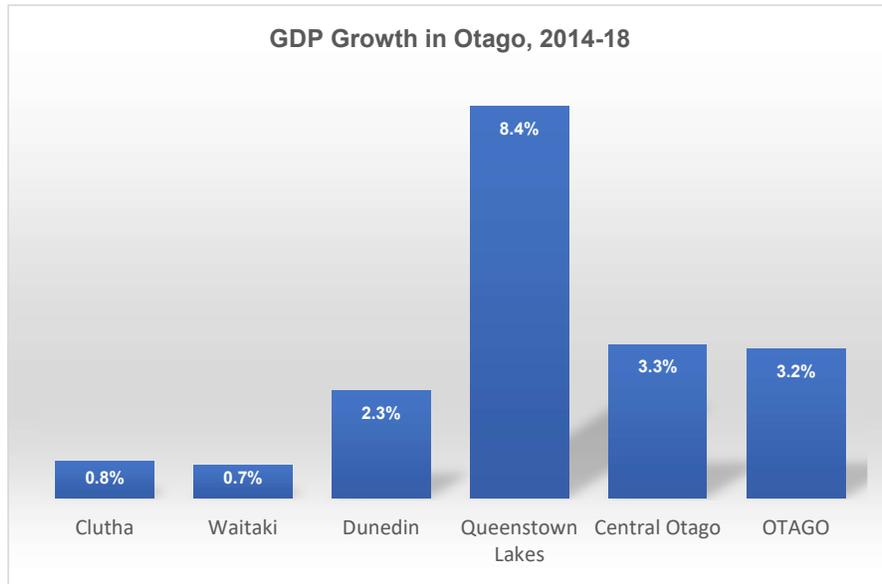
The lagging nature of statistics means not all of these changes are showing up in the data as yet, but the pace at which they are evolving means they will in the near future.

While overall growth in Otago’s GDP has tracked well over the past five years at an average of nearly 3.2 per cent per annum (compared to 3.3 per cent nationally per annum), there was significant variation between the five Otago territorial authorities, highlighted in the following charts:

According to Infometrics, in 2018 Otago’s GDP increased by 3.6% to \$10.4 billion, primarily due to rises in agriculture, rental, hiring, real estate services and construction. This is 4.3% of the national economy. This is part of a pattern of steady growth of 3.2% per annum over the five years 2014-2018 (behind Marlborough, Auckland, Canterbury and Northland).



Growth in GDP by territorial authority 2014-2018



Source: Infometrics

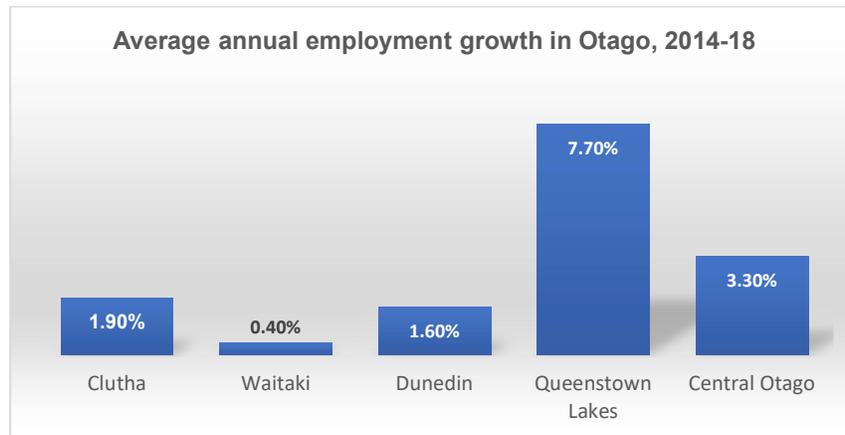
Employment

Across Otago in 2018:

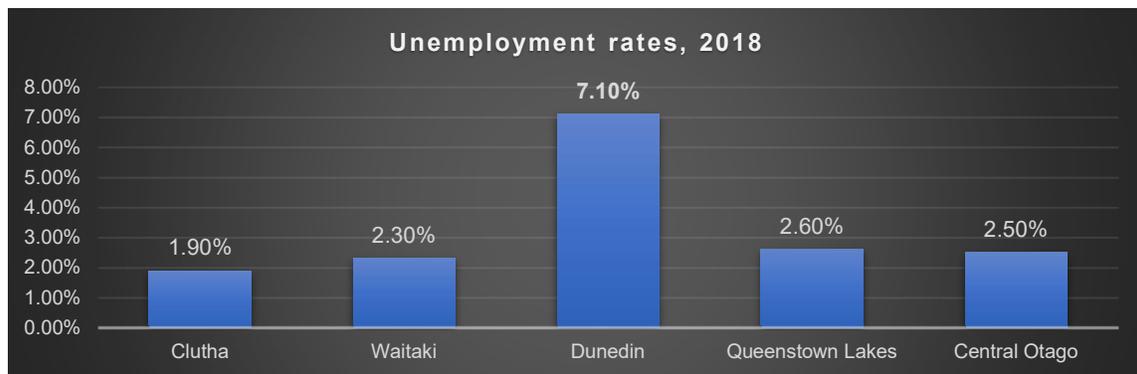
- Average employment growth was **2.6%** (compared with a national rate of 3%)
- Average unemployment was **3.3%** (compared with a national rate of 4.6%)
- The NEET rate (people aged 15-24 Not in Education, Employment or Training) was relatively low at **8.9%** (compared with a national rate of 11.7%).

Overall, Otago has had steady growth in employment over the five years from 2014-18, averaging 2.7 per cent per annum (exceeding the national average of 2.6 percent per annum).

However, as with GDP, there were significant variations across the territorial authorities:



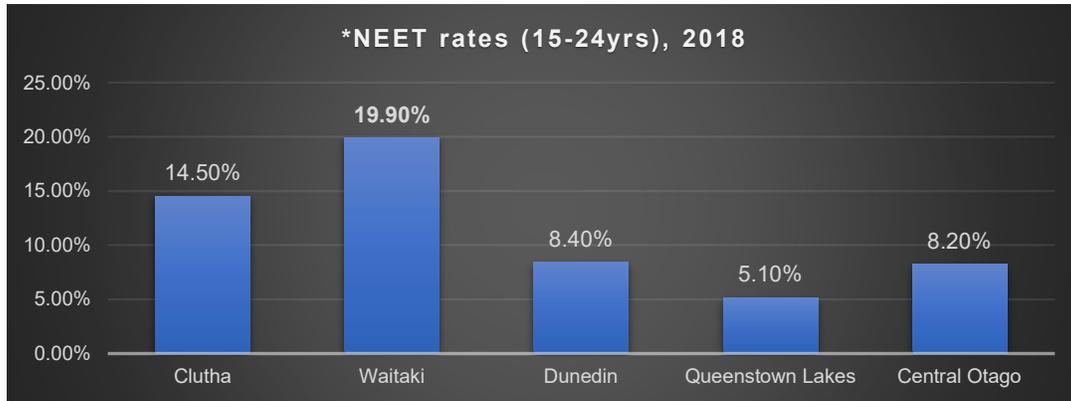
Unemployment rates



Underlying unemployment in Otago is low, but it is higher in Dunedin, even though jobs have been growing in Dunedin. Recent job growth has come at a time where there was still significant structural change in Dunedin's labour market. Longstanding hollowing out in the manufacturing sector has continued, but job gains have been made in industries such as professional services where skills are not so transferable. It may be that migrants from other parts of New Zealand have been more successful in getting these roles than those that were made unemployed in Dunedin. With net migration of 1,700 and employment growth of 1,600 between 2016 and 2017, it's plausible that workers moving into the city are filling the bulk of new jobs, and a small group of residents remain unemployed as they lack the skills that employers want. That said, unemployment in Dunedin is now beginning to show signs of tracking down again.

NEET rates

*NEET - people aged 15-24 Not in Education, Employment or Training



Source: Infometrics

Provincial economies in the rural heartland often have higher NEET rates than in areas attracting new population or that have education opportunities.

Earnings

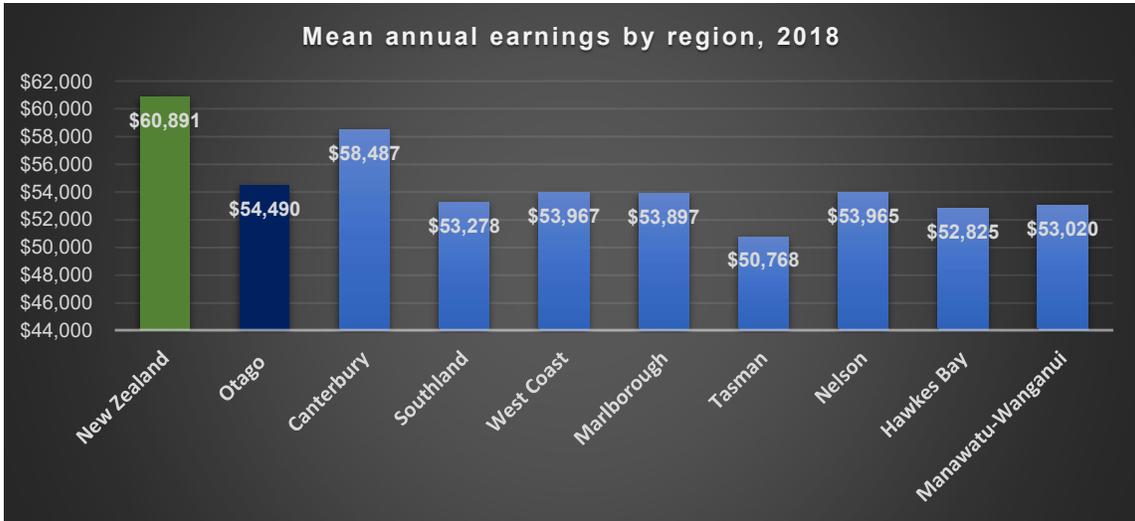
In 2018, mean earnings (income earned in employment) across all areas in Otago sat below the national average of \$60,891:



Source: Infometrics

While mean annual earnings in Otago were below the national average, it is worth noting that all provinces in New Zealand's regions have lower earnings than the national average. The national average is inflated by what happens in the big cities, where employment is concentrated in higher-paying professional services roles.

When compared to other regions in the South Island and similar-sized regions in the North Island, mean annual earnings in Otago compare favourably, as illustrated in the following graph:



Source: Infometrics

Otago recorded steady growth in mean annual earnings over the five years from 2014-18, averaging 3.3 per cent per annum (exceeding the national average of 2.8 percent per annum). Of note is growth in earnings over all areas in 2018.

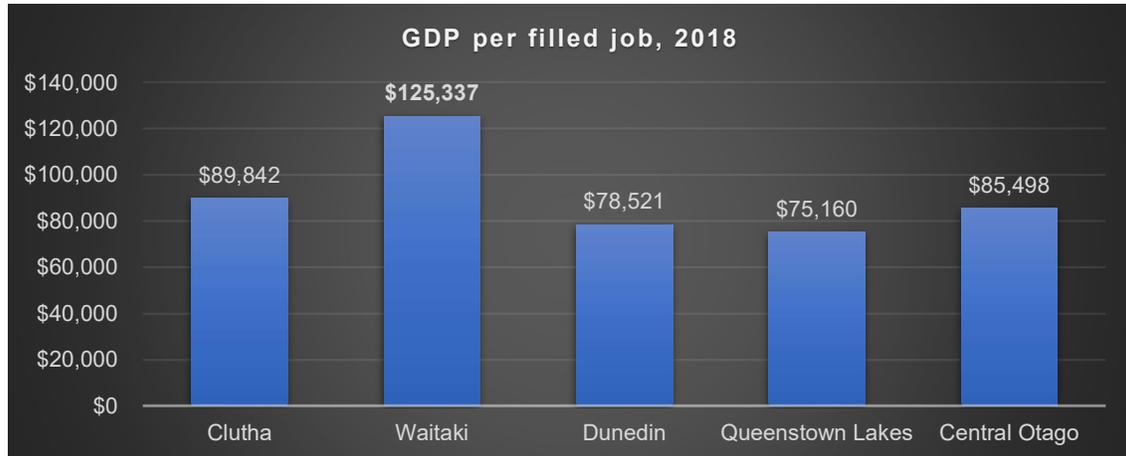


Source: Infometrics

Productivity

Productivity means how many resources – such as labour or capital investment – are needed to produce a certain amount of goods or services.

GDP per filled job averaged \$95,274 across Otago, compared to \$97,174 for New Zealand overall.

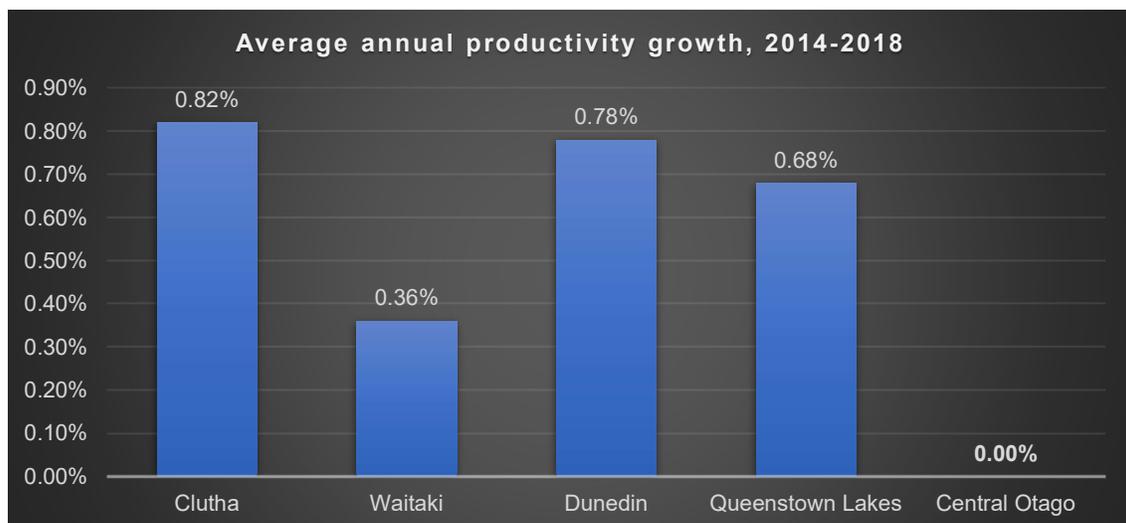


Source: Infometrics

Annual productivity growth from 2014 to 2018 averaged 0.53 percent across Otago (compared to 0.76 per cent for New Zealand overall). However, there was variation across the region, with Central Otago experiencing zero average annual growth while Dunedin and Clutha's average annual growth over the five years was above the national average.

Much of the productivity differences across Otago are driven by different industry mixes in each area. For example, Waitaki District's high level of productivity is driven by earnings in the capital-intensive mining sector. If you look at the productivity of other industries in Waitaki, they are often no higher than other parts of Otago.

At the other end of the spectrum, Queenstown's low productivity is driven by the large number of jobs in the tourism sector. Many of these jobs are less capital-intensive so have lower underlying productivity. There are also a lot of part-time roles tourism that mean there are more filled jobs to a unit of GDP.

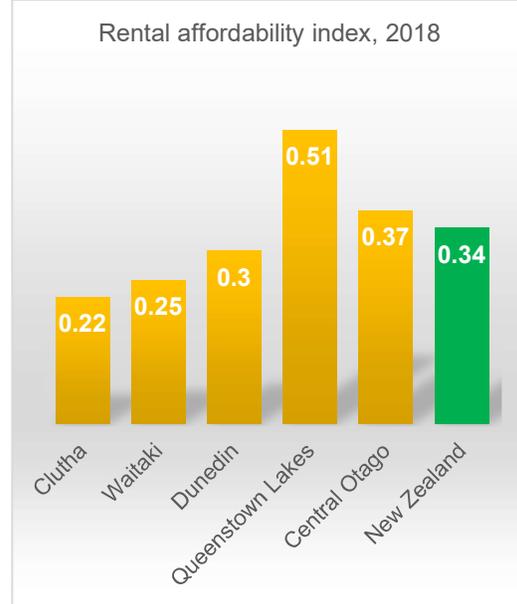


Source: Infometrics

Housing affordability

While average house prices and rents across Otago are appreciably below national averages, as with other indicators, there is significant variation between districts.

The housing and rental affordability indices for each area are shown below. **The higher the housing or rental affordability index, the less affordable housing or rent is in the area.**



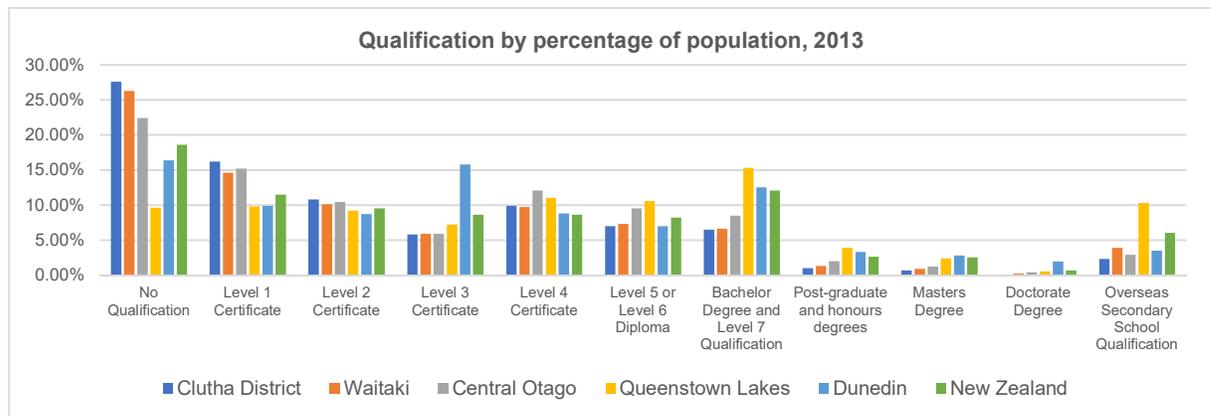
Source: Infometrics





Education

Educational performance across the region at primary, secondary and tertiary levels is generally high when compared to other New Zealand regions.¹



Source: Infometrics

Tertiary education is primarily focused in Dunedin, through the University of Otago and the Otago Polytechnic. The latter has a significant campus presence in Cromwell offering a range of tertiary courses including horticulture, viticulture and hospitality. Telford (a campus of Southern Institute of Technology) is based in Balclutha and Ara (polytechnic) has a campus presence in Oamaru.

There are also some private schools and institutions, notably the Queenstown Resort College which specialises in tourism and hospitality management training.

Environment

Otago's unique and beautiful natural environment is one of its greatest assets and a drawcard for millions of visitors from New Zealand and overseas every year.

Sustainable use of the region's resources is vital to economic progress and sustainability. Issues of key concern for Otago councils and residents include:

- Sustaining water availability and quality, especially in areas of agricultural intensification
- Pest management, notably rabbit and wallaby control
- Maintaining the region's unique biodiversity and ecosystems
- Maintaining and improving air quality
- Coastal protection in the Clutha, Dunedin and Waitaki areas
- Protecting air, land and waterways from hazardous substances

¹ <https://www.educationcounts.govt.nz/know-your-region>

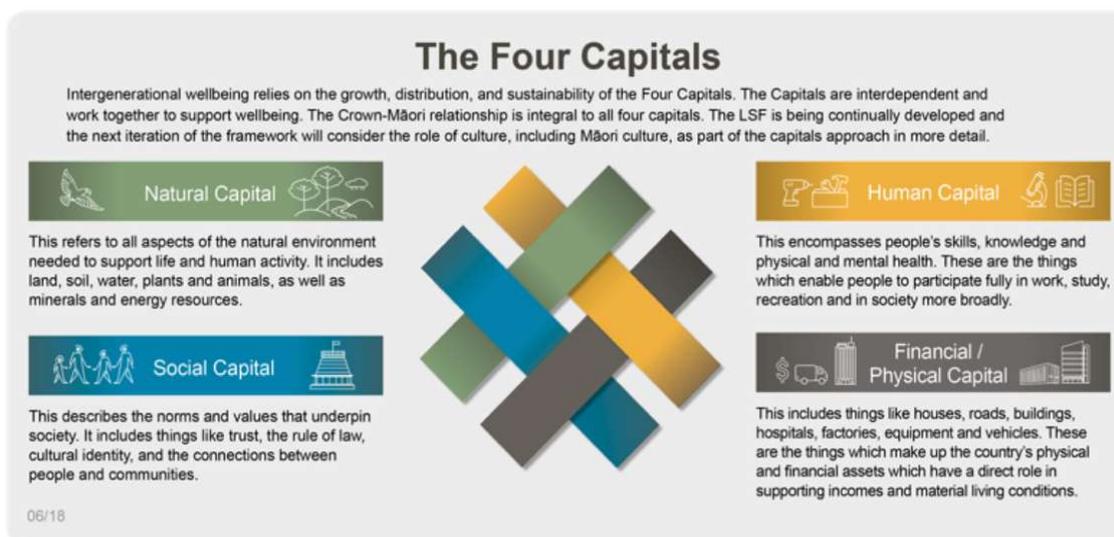
Central Government economic development goals

The Government has signalled a significant change in policy settings towards a focus on greater wellbeing. The November 2017 Speech from the Throne signalled the current Government's economic development strategy:

"This Government is committed to building a strong economy, to being fiscally responsible and to providing certainty... There will be a clear focus on sustainable economic development, supporting regional economies, increasing exports, lifting wages and reducing inequality. This Government ... will encourage the economy to flourish, but not at the expense of damaging our natural resources or people's wellbeing... The economic strategy will focus on how we improve the wellbeing and living standards of all New Zealanders."

A focus on wellbeing

The wellbeing focus leverages the Treasury's Living Standards Framework to inform the Government's investment priorities and funding decisions. The Treasury vision of "higher living standards for New Zealanders" is based on the stewardship of four capital stocks. Capital is defined as a store of future value – the resources needed to lift living standards.



The five dimensions of higher living standards (that Government can have an impact on, are practical and can be measured) are:

- **Sustainability for the future:** human, social and physical/ financial capital as well as natural capital.
- **Equity:** not just about income distribution – also about the distribution of everything of value and also whether there are fair processes.
- **Risk:** not just about economic or natural hazard risk - also about risks to social outcomes and people.
- **Economic growth:** not just about lifting people's incomes - also the resources available to spend on community assets, like schools, hospitals, welfare, and roads.
- **Social cohesion:** not just about lifting social connectedness - also about the role of things like the rule of law in promoting economic growth, and the fairness of government's processes in promoting equity.

The Treasury has commissioned the development of a Living Standards Dashboard, which will be used to monitor inter-generational wellbeing. The Living Standards Framework underpinned decision-making for the 2019 Budget and is set to underpin future wellbeing budgets.

In addition to considering to Government's wellbeing focus in the development of this strategy, consideration has been (and will continue to be) given to other Government priorities and policy.

Drivers for change

Otago has many advantages and strengths which are driving our economic and population growth. However, there are also several factors which are holding our economy back or will hold it back in the future if steps are not taken to address them.

The following issues and opportunities were identified for Otago's economy by the Working Group in consultation with an advisory group and key stakeholders. They are our 'drivers for change' – those things we believe need to be addressed to achieve our objectives.

Geographic remoteness, a dispersed population, and diverse local economies

Reflecting the scale, remoteness and geographical diversity of the region, each of the five districts face unique issues, challenges and economic drivers. The districts are focussed on differing district priorities with local economic benefits. They compete for visitor income and development resources.

Otago's remoteness also means many businesses have to rely on the broader regional, national and international environment to provide resources, talent and investment. When combined with the small local market, some local businesses can struggle to achieve the same economies of scale as those in the same industries in larger markets.

In addition to the disparate economic drivers for each of the districts, the people of Otago have a strong parochial sense of identity - "their place" and "their heritage". In addition, Otago people "do things differently here", which can hamper collaborative attempts across the region to make change.

Currently there is no regional mandate in the existing Local Government Act for the six regional territorial authorities to collaborate for whole of region benefits.

Opportunity

There is an opportunity, through the OREW Working Group, to improve collaboration and connectivity between the territorial authority areas and advance economic development initiatives that will provide multi-district benefits.

A shortage of skilled labour and housing in some areas

Jobs exist - but not always the people or housing.

Otago can often be regarded as a place to visit, play and study, rather than a permanent destination. The region experiences significant flows of visitors, transient workers and non-residents – for example, at any one time, Queenstown hosts 34 visitors for every one resident, and annually, Dunedin attracts thousands of students from outside the region and from overseas.

Its remoteness means that Otago businesses cannot easily benefit from the access to the labour and customer markets, goods, services and infrastructure characteristic in larger commercial centres.

The region has diverse labour market characteristics, with pockets of both low unemployment and high rates of NEETS (people aged 15-24 Not in Employment, Education or Training). While low by national standards, NEET rates do vary considerably across the region, with higher rates in Waitaki, Clutha and parts of Dunedin city.

There are serious concerns about the ongoing availability of skilled labour. This includes not only lack of the right people, but the impacts of an ageing population, non-availability of housing (or affordable or suitable housing) and concerns about the future of immigration policy on labour availability.

Farming, horticulture, viticulture, wine making and tourism are all highly seasonal activities. Seasonality impacts on the financial viability of many businesses, many of which have to earn enough over their peak seasons to sustain them through the rest of the year. Employing more seasonal workers to manage peak demands is a

major challenge for both business and the community, especially as there is a lack of local workers and suitable and affordable accommodation around Queenstown and Central Otago.

Housing concerns are region-wide. In Dunedin it more relates to the quality of existing housing stock and acute shortages of rental accommodation. While housing is more affordable in Clutha and Waitaki, employers also find it difficult to access suitable housing for workers and their families.

Opportunity

There is an opportunity to fill jobs and leverage economic growth by tapping into the significant flows of people through the region while also ensuring there is sufficient and appropriate accommodation for them.

Maximising the contribution of highly skilled and experienced people

There is a high level of pride in the educational status of the region and of its tertiary education institutions - Otago produces many highly educated and skilled people. While a significant number of these seek careers elsewhere, many retain an ongoing affinity with the region.

There are a number of successful and experienced business people that choose to live in Otago but have either retired or manage businesses elsewhere. In addition, there is a migration of capital to the region with high net worth people setting up residence in its most attractive areas. These are New Zealanders who live in the region and regularly commute to Auckland, Australia or further afield. There are also internationals who manage their businesses from a New Zealand base but often operate in an international market.

Besides these high net worth people, the region is also attracting people from the creative and media industries. The film industry is essentially driven by identifying locations, but this is a potential stepping off point for a more complete regional film offering.

Opportunity

There are opportunities to tap into the pool of expertise, talent and investment resources offered by successful and experienced people living in Otago or living elsewhere but with a strong affiliation to the region.



Relatively low business productivity

While parts of the region's economy are experiencing exceptional growth and new jobs are being created, one of the key concerns is that job productivity is not growing at the same pace. The Otago region has lower GDP per filled job and lower productivity growth than New Zealand overall, as outlined in the Strategic Assessment.

The region's tourism and horticultural sectors are made up of small businesses with low-wage, low-skill jobs and high staff turnover, typically generating lower GDP per hour worked than other industries.

Low productivity in itself does not mean an enterprise is not competitive or profitable. However, sustained low productivity growth is seen as a critical barrier to providing opportunities for progression into higher skilled roles and increased business profitability within the region. This is due to the underlying nature of key sectors, and maybe also due to businesses being established for lifestyle reasons rather than long term growth.

The tourism sector, in particular, typically includes small businesses with low-wage and low-skill jobs and high staff turnover. Tourism generates lower productivity growth than other industries that employ people with higher skills, pay higher wages and use information and communications technology (ICT) and other capital to work more efficiently.

Opportunity

While there are issues associated with productivity Otago, there is also a growing pool of creative and high-technology enterprises in the region leveraging off our strong knowledge base, research strengths, and skilled and experienced people. There are opportunities to support existing businesses to increase productivity and to further facilitate and support higher productivity enterprises.

Areas of narrow economic focus with potentially low resilience

While Otago encompasses a diverse range of economies, the economies within each territorial area tend to be quite narrowly focused, resulting in potential low resilience.

Queenstown is a tourism drawcard, which has significant implications for the rest of the region, but also other parts of the country. This important tourism market has a global destination brand, is multi-seasonal with long visitor stays (around four nights on average). The relative narrowness of the tourism-based economy is a potential weakness, as is the lack of resilience to adverse travel, economic or climatic events.

Growing visitor numbers are placing demands on existing transport and social infrastructure. Some parts of the asset base are ageing and struggle to provide capacity and accessibility to cope with both increasing resident growth and visitor numbers.

Demand for housing for the growing resident service population is high, with resulting problems of supply and affordability in areas within commuting distance of Queenstown.

Dunedin relies on the Government for more than 20 per cent of its GDP, primarily through provision of education and health services.

Clutha on the other hand, relies heavily on agriculture (dairy, sheep, beef and grain farming and meat processing), while Waitaki's GDP is heavily reliant on mining, meat and dairy production in 2018. All of these industries are export-focused and at the mercy of international commodity price cycles.

Central Otago's economy is more diverse, with the heaviest reliance for GDP in 2018 on electricity production (accounting for 8.1 per cent) and sheep, beef and grain farming (accounting for 5.4 per cent), followed by heavy and civil engineering construction (also accounting for 5.4 per cent).

Opportunity

There are opportunities to identify and support initiatives to create greater diversity and resilience within Otago's local economies.

Feedback and anecdotal evidence suggest that within Otago there is a desire that growth is not indiscriminate and does not come at the expense of damaging the region's unique environment and lifestyle. There is also awareness of the effects of climate change on the agriculture-based economy, water availability and our coastlines and roading infrastructure.

Approximately 23% of New Zealand's lake surface area occurs in Otago and the region produces 17% of New Zealand's hydroelectric generation. As a significant producer of renewable energy, there is an opportunity for Otago to take a leadership role in contributing to the Government's goal to transition to 100% renewable electricity by 2035.

Although sustainability tends to have an environmental focus, the Working Group views sustainability as including the sustainable stewardship of all four capitals – natural, human, social and economic.

Reactive and short-term responses are likely to be ineffective and have the potential to waste scarce investment resources on disjointed, duplicated and unaffordable infrastructure, limiting the choices available to future generations.

Opportunity

There is an opportunity through the Working Group, the Framework and collaboration with stakeholders for economic development initiatives, which are sustainable across all four capitals, to be identified and promoted within Otago.

Availability and quality of water resources

Otago's agricultural sector and many of its industries rely on a consistent, reliable and good quality water supply.

Predominant westerly winds and strong mountainous influences caused by the Southern Alps result in the Clutha headwaters receiving up to 2,400mm of rainfall annually. However, Central Otago receives much less rain due to the rain shadow effect of the Alps, with Alexandra and the Upper Taieri having a continental climate and receiving on average less than 400mm annually, the lowest in region.

Despite the large total water volumes present in the region, many areas of Otago run short of summertime water. While water has significantly changed local agricultural economies, it is a critical resource for the region that currently risks being over-utilised, as well as creating tensions between the needs of farmers and recreational users.

In Central Otago, water for irrigation is taken under deemed permits originally issued more than 100 years ago for gold mining (and due to expire in 2021). As a result, many local rivers are over-allocated. The Otago Regional Council is working with the local community to consider the best way to manage Otago water resources.

The quality of water in much of Otago is among the highest in New Zealand. However, the effects of urbanisation and intensive farming are putting pressure on some water quality and aquatic ecosystems. Dunedin's urban waterways have experienced stormwater contamination and intensive farming is having a detrimental effect on waterways in areas of south and west Otago.

Opportunity

There is an opportunity through the Working Group, the framework and collaboration with stakeholders for economic development initiatives to be identified and promoted which enhance the sustainability and quality of Otago's water resources.

Rationale for change

Based on the drivers for change identified the Working Group identified and tested the following problem statements for inclusion in an investment logic map (ILM). The ILM forms the basis for development of the strategic objectives and themes (strategic focus):

1. Disparate economic drivers across our districts are limiting opportunities for collaborative regional economic development
2. Opportunities to drive economic growth are being limited by our inability to attract, retain and fully utilise our skills and expertise
3. Reliance on low productivity industries is constraining wage growth and limiting regional growth and investment
4. Otago's sustainability will be undermined if we fail to proactively respond to emerging demographic, environmental and social challenges.

The one-page ILM is included as Appendix ONE.

The Framework

PART TWO: strategic focus



What do we want to achieve?

Ultimately, through implementing this framework, we want to contribute to achieving these high-level outcomes for the Otago Region:

Our people	Our communities	Our environment	Our culture
Improved wellbeing for all	More vibrant, prosperous and resilient communities	Improved environmental sustainability	Stronger, more productive partnerships with Ngāi Tahu

Our Strategic Objectives

Based on addressing the issues raised earlier, the Working Group agreed a set of four main objectives we want to focus on achieving:

1. To provide multi-district benefits through economic development initiatives
2. To increase regional productivity
3. To assist Otago to access the skills and experience it needs to prosper
4. To improve the ability of Otago communities to respond to social, environmental, economic and cultural opportunities.

Successfully achieving these objectives is expected to contribute to achieving the high-level outcomes identified above.

For each objective, some potential measures for success have been included. These will be further developed and refined as the Working Group tests the framework with stakeholders and identifies and progresses projects.

OBJECTIVE ONE:

To provide multi-district benefits through economic development initiatives

The Working Group was established to identify and progress economic development opportunities across the Otago region. The first objective clarifies the commitment of the Group to increase proactive collaboration and co-operation across the five districts, and to ensure that this collaboration is effective in generating significant and tangible benefits for the region as a whole.

The Group identified and prioritised a genuine need to work more effectively together, particularly where initiatives potentially impact on two or more districts or where resources could be effectively pooled for better effect. The focus is also on economic development initiatives that would not otherwise be implemented by the districts independently, usually because the benefits, costs and risks are borne unequally across the five districts.

The Group also noted the potential for avoiding the costs of competition and duplicated effort within the region, particularly around potential visitor attractions and infrastructure decisions.

Maintaining effective working relationships between all five councils is critical to the successful achievement of the objective. This objective reinforces the need to leverage existing governance mechanisms to enable the region to engage more effectively nationally, for example in applying for Provincial Growth Fund support, and internationally, when representing the interests of the whole region.

Potential indicators for measuring progress towards this objective include:

- **Number of collaborative initiatives that realise multi-district benefits (human, social, economic and natural)**
- **Increases in GDP per capita across the region**
- **Increases in average salaries across the region**

OBJECTIVE TWO: To increase regional productivity

Productivity means how many resources – such as labour or capital investment - are needed to produce a certain amount of goods or services. Productivity growth results when businesses are able to scale without labour. Raising productivity makes our business enterprises more competitive, raises profits, and allows them to pay higher wages.

While many Otago businesses often represent a lifestyle choice, business owners work extremely hard and could benefit from initiatives to assist them to achieve greater productivity. This is true not just in respect of Otago's small businesses, but more widely for the public sector and social enterprises who compete in the same labour markets.

This objective aims to focus the Working Group's efforts on:

- ✓ supporting new and innovative business opportunities
- ✓ taking a whole of region perspective to lifting productivity
- ✓ attracting new ventures that complement existing tourism and horticultural sectors
- ✓ knowledge intensive industries, and
- ✓ enhancing partnerships with industry and Government.

Potential indicators for measuring progress towards this objective include:

- **Increases in GDP per job filled**
- **GDP growth in the tourism, hospitality and horticultural sectors**

OBJECTIVE THREE: To assist Otago to access the skills and experience it needs to prosper

As well as lifting job productivity, the group highlighted the need to help Otago enterprises to grow, attract and retain the skilled staff, experience, talent and investment needed to keep up with demands to expand their businesses and grow ideas.

This was not just about attracting more people to Otago to live or finding workers to meet the seasonal and uneven demands for labour in the region – there was also a focus on 'growing our own' skilled and experienced people. Stakeholders consistently expressed concerns about unconstrained population and visitor growth.

The focus of this objective is also on better utilising our existing regional skills, experience and investors more efficiently, including:

- Otago residents

- ex-Otago people resident elsewhere in New Zealand and overseas
- high net worth business people living in the region, and
- visitors travelling through the region who may wish to shift to Otago.

Flow-on effects can include improving the prosperity and vibrancy of regional communities. Thriving and vibrant town centres with choices of authentic attractions, events and things to do were identified as essential for supporting social cohesion, attracting visitors and retaining young families.

Potential indicators for measuring progress towards this objective include:

- **Job growth**
- **Positive employer feedback on accessing appropriately skilled and experienced employees**
- **Increases in the number of business units**
- **Consented investment in non-residential building**

OBJECTIVE FOUR:

To improve the ability of Otago communities to respond to social, environmental and economic challenges

This objective contributes to the desire of the Working Group to assist in developing resilient, proud communities with a strong sense of place. This was seen as being particularly important in rural towns struggling with static and ageing populations.

This objective aims to:

- ✓ enhance access to affordable and suitable housing
- ✓ improve our energy efficiency
- ✓ improve regional asset resilience and condition.

Potential indicators for measuring progress towards this objective include:

- **Improvements to housing affordability indices**
- **Reductions in community recovery time from adverse events (social, environmental, economic)**
- **Increased percentage of renewable energy supply and use**
- **Changes to population age profiles**

Strategic Themes

These are the priority areas for change that we will focus on to help meet our objectives and contribute to the outcomes:

Connectivity

To enable better connections between people, between districts, across the region, and both nationally and internationally	
Where are we now?	What needs to change?
<p>Otago is characterised by both its remoteness from international markets and by the scale of the region. People need to travel to go to work, to play, to meet people, to socialise, to shop or to go to events or attractions. The means relatively long car journeys over geographically constrained roads.</p> <p>While there have been some improvements in flight options and public transport, low economies of scale and disperse populations can limit the development of transport alternatives.</p> <p>While there have been significant improvements digital connectivity in the Gigatowns, there are still challenges with black spots and both access to, and take-up of, high speed broadband.</p> <p>There are isolated pockets of expertise across the region and opportunities to connect these people and businesses to develop, invest and scale new ideas.</p>	<p>Otago people need to be more connected - locally, nationally and internationally.</p> <p>This is not just about growing, attracting and retaining skills and talent, but about establishing connections across the region to make the most of existing business skills and experience, investment resources and leadership.</p> <p>The need to leverage off current initiatives and start-ups, particularly in the creative sector was acknowledged.</p> <p>Possible changes in the current situation include enhancing the visibility of available skills and jobs - and matching people with resources and investment.</p> <p>More events to attract international talent, to showcase existing business success stories, and to enable local talent to collaborate.</p>



Productivity

To foster innovative new ideas with productivity growth impacts	
Where are we now?	What needs to change?
<p>There a low tolerance to risk to invest in untried or unproven ideas by traditional investors, mirroring Dunedin's public sector culture and the region's Scottish Presbyterian origins.</p> <p>Otago start-ups operate in silos, have high transaction costs and lack visibility of key players.</p> <p>It can be difficult for these start-ups to make connections and access both business experience and venture capital.</p> <p>Productivity growth enables businesses to scale without labour. The region's tourism, horticulture and viticulture sectors include small businesses employing low skilled workers and offering low wage jobs. These businesses generate lower GDP per hour worked than other industries that employ people with higher skills, pay higher wages and use ICT and capital to work more efficiently.</p>	<p>There needs to be more support for new and innovative business opportunities that could enhance the resilience of Otago's economy.</p> <p>Leveraging the growing pool of creative and high-technology enterprises, Otago's strong knowledge base and the University-based research strengths.</p> <p>Having enabling infrastructure and events in place to attract international talent and to showcase existing business success stories.</p> <p>Encouraging existing industries to lift their productivity growth.</p> <p>Lifting existing tourism productivity growth by better utilising existing facilities and capability, by spreading visitors around more of the region and with multi-seasonal attractions.</p>

Talent

To assist Otago to access the skills and experience it needs to prosper	
Where are we now?	What needs to change?
<p>Unemployment in the region is lower than nationally and businesses indicate that opportunities exist, but the people don't.</p> <p>But there are also barriers to accessing adequate family accommodation that make shifting to Otago less attractive.</p> <p>There are also shortages of people with high-level talents in particular sectors. In-work skills development and career pathways are also limited.</p> <p>Each of the districts employ migrant labour to overcome local labour shortages and to manage seasonal peaks.</p> <p>While the region creates talented tertiary students, there are few incentives to stay in the region and tap this talent.</p> <p>There are opportunities to more fully utilise the talent and investment potential already living in the region.</p> <p>Although ex-Otago people living elsewhere have a strong sense of pride in growing up and/or being educated in Otago, they are not currently targeted for their skills, experience and investment.</p>	<p>Attract families to Otago to work and live.</p> <p>Reduce the impacts of cost barriers for living and working in the region.</p> <p>Increase the availability and choice of appropriate and affordable housing for families shifting to Otago for work.</p> <p>There are isolated pockets of expertise across the region and opportunities to connect these people and businesses to develop, invest and scale new ideas.</p> <p>Increase the retention of skills and talent in the region.</p> <p>Existing businesses are retained and encouraged to grow.</p> <p>The Advisory Group also identified the need to reach out and leverage those people elsewhere nationally or internationally with an existing affinity and connection with the region.</p>

Housing

To improve the availability, choice and quality of accommodation for families, seasonal and migrant workers	
Where are we now?	What needs to change?
<p>Access to appropriate accommodation is a recurring theme across all the districts.</p> <p>While jobs exist across the region, a barrier to attracting people is the lack of appropriate accommodation.</p> <p>Businesses are finding it difficult to accommodate seasonal and migrant workers, limiting both growth and labour supply.</p> <p>Property development is limited by the availability of suitable parcels of land, low returns and a resistance to high-density housing.</p> <p>Where long-term rental or ownership housing is available, it is often unaffordable to low income families.</p> <p>Gross yields from landlords can be up to four times higher with Airbnbs than from long-term rentals.</p> <p>The Mayoral Taskforce is to build 1,000 affordable homes in the Queenstown Lakes district in the next 10 years.</p>	<p>Making it easier for families shifting to Otago to find appropriate housing.</p> <p>Extending the range of choices for smaller, high quality rental and ownership dwellings.</p> <p>Finding ways to better cater for changing demographics within communities.</p> <p>Releasing existing land parcels for residential developments.</p> <p>Meeting the increasing demands for seasonal and migrant workers.</p> <p>Making it easier for migrant families and seasonal workers to feel welcomed, supported and integrated into Otago communities.</p> <p>Providing more consistent planning and consenting processes that balance regulatory and labour market requirements.</p>

Sustainability

To improve the resilience of key sectors and the sustainable use of the region's human, social, economic and natural assets	
Where are we now?	What needs to change?
<p>High growth is putting existing infrastructure under pressure. In Queenstown the ratio of visitors to residents exceeds 34:1, making it difficult to fund infrastructure growth off a narrow ratepayer base.</p> <p>The focus on tourism and lack of diversity means the regional economy is exposed to adverse travel, economic, seismic or climatic events.</p> <p>Lack of appropriate housing and career progression makes it difficult to grow or manage sustainable workforces.</p> <p>Smaller stores cannot compete with the larger discount chains on price. Online alternatives mean that town centres will need to change to avoiding losing their relevance as a focal point for communities to gather and socialise.</p> <p>Otago is a region of geographical and climatic extremes. Key transport networks are exposed to major seismic or flooding events. Global warming will impact on the viability of marginal agriculture crops and aggravate water shortages.</p>	<p>Long term capacity management of water infrastructure and transport assets.</p> <p>Integrated transport planning and investment of air, rail, shipping and road across regional networks.</p> <p>Authorities invest in the right people, risk management and planning capability for the future.</p> <p>Better understanding of future trends, skill gaps and skills development to inform planning for a sustainable Otago workforce.</p> <p>Build the resilience of small town centres to manage change, to retain their authenticity and to thrive.</p> <p>Future-proofing and flexibility by anticipating, and managing for, the impacts of environmental change.</p> <p>Improving energy efficiency and considering alternative renewable energy resources to help achieve Government's targets.</p> <p>Balance the sustainable use of water across social, economic, recreational and cultural demands.</p>

Our Commitment

Consistent and ongoing collaboration between the Working Group members, and between the Working Group and stakeholders, is critical to implementing regional economic development projects that will create multi-district benefits.

Collaboration

Greater collaboration that extends more widely than just between districts, but also with iwi, industry, the neighbouring regions and central Government	
Where are we now?	What need to change?
<p>There is no regional mandate in the Local Government Act for the six regional territorial authorities to collaborate.</p> <p>Each of the five districts face different issues, challenges and economic drivers. The districts can be inwardly focussed on addressing different local priorities with local economic benefits.</p> <p>Otago parochialism is both a strength and a weakness. There is an attitude that “we do things differently here”, which at times hampers collaborative attempts across the region.</p> <p>Districts can potentially compete for visitor income and development resources, as well as duplicating effort.</p> <p>The establishment of the Working Group has provided an important opportunity for coordinating and assisting to advance economic development initiatives across the six authorities.</p>	<p>The Otago region needs to project an integrated and united approach on key strategic issues. This includes responding to national and international opportunities where a collective stance is required.</p> <p>Improving transparency and communication of local initiatives within the region.</p> <p>Reducing competition and duplication of effort.</p> <p>Identifying and striving for mutual benefits that contribute to both regional and wider outcomes.</p> <p>Ongoing commitment from Otago’s leadership forums on priorities and resourcing to achieve Otago’s objectives.</p>



The Framework

PART THREE: strategic approach



Collaboration as a Working Group

The Working Group will maintain regular contact and ensure ongoing collaboration through:

- Communicating regularly via email and phone on matters of shared interest
- Holding fortnightly teleconferences
- Holding monthly face to face meetings as a group
- Meeting at other times, as required

Terms of reference

The Working Group will develop detailed terms of reference over the coming 12 months and processes to support implementation of the Framework. In general, within the terms of reference the role of the Working Group will include:

- Identifying and assessing economic development projects of regional interest
- Reporting to the region's decision-makers on current and proposed economic development projects
- Seeking support and/or funding from the region's decision-makers for projects that can deliver multi-district benefits
- Reporting to the region's decision-makers on the progress of regional projects
- Facilitating connections between stakeholders (regional, national and international) where it is of benefit to the region's economy
- Providing feedback, guidance and/or support to stakeholders undertaking projects that deliver multi-district benefits
- Reviewing and updating the Strategic Framework over the next 12 months, in collaboration with key stakeholders, and bringing it back to Otago council chief executives for agreement
- Continuing to review and amend the framework, as required

Identifying projects

Project ideas will either be generated through the Working Group or by other parties via the Working Group.

The Working Group will identify projects through discussion at its regular forums, and through ongoing engagement with key stakeholders and the region's decision-makers. The Stakeholder Engagement Plan, which underpinned the development this framework, will be reviewed and further developed to support this.

Assessing projects using multi-criteria analysis

A prioritisation approach has been developed to help assess whether projects and initiatives are well-aligned to the Framework and are likely to provide significant benefits to Otago stakeholders.

The Working Group have established the following principles for assessing and prioritising projects:

- the process should add rigour to the selection of regional economic development projects and initiatives
- ORED assessments are intended to provide additional assurance to regional and Government decision-makers that a project is well-aligned to regional priorities
- the Working Group do not have the responsibility for funding decisions
- the Working Group assessment result does not necessarily impact on existing decisions to support a regional initiative.

The Working Group anticipates that proposals for regional economic development projects and initiatives will generally be very high level. Benefits and risks are unlikely to be reliably quantified in monetary terms. Similarly, cost estimates are likely to be indicative and subject to a high degree of uncertainty.

The prioritisation approach is therefore based on the application of qualitative decision analysis techniques and panel-based scoring approaches to rank potential regional economic development proposals.

The Working Group will take a multi-criteria analysis approach to assessing and prioritising projects. Multi-criteria analysis is a structured method that will enable the group and decision-makers to transparently and consistently assess and rank proposals against a set of pre-determined objectives and assessment criteria.

The analysis follows a series of logical steps allowing the assessment panel to determine an overall relative score of each proposal under consideration. The process ensures that the panel can express their preferences in a way that can be readily and logically explained.



Assessment criteria and scoring

The overall goal is to optimise the use of our economic, human, social and natural resources to best increase the wellbeing of the people of the Otago region – that is, to optimise the value from investment in a portfolio of Regional Economic Development proposals that will collectively best meet our objectives and provide the optimal mix of:

- **Benefits**
the gains experienced by Otago, Government and other stakeholders, whether these are economic, social or environmental, or whether these benefits can be expressed in monetary, quantitative or qualitative terms. This includes the consideration of distributional trade-offs between different stakeholder groups and also between changes in human, social, economic and natural capital.
- **Costs**
the whole of life costs to the region's ratepayers, as well as the consideration of how costs are imposed on other parts of society, other regions or external stakeholders, including Government.
- **Risks**
the chance of something happening that will have a consequence on the achievement of proposal objectives. Can be either related to the delivery of services, impacts on the Otago region or can be externally imposed.

As an input to the assessment criteria scoring the Working Group will conduct a preliminary qualitative multi-attribute utility (MAU) analysis of the relative costs, benefits and risks of the proposal. This is used to profile and provide a more detailed understanding of the likely value to be added by the proposal (and the relative trade-offs).



1. Analysis of the Proposal's Value to the Otago Region							
Criteria	Sub-criteria	Weight	Ranking				
Benefits to the region	Financial/Physical Capital	25%	Minor	Moderate	Significant		
	Human Capital	25%	Minor	Moderate	Significant		
	Social Capital	25%	Minor	Moderate	Significant		
	Natural Capital	25%	Minor	Moderate	Significant		
Costs	Estimate of Project Funding Scale	n/a	Major (over \$10m)	Medium (\$1- \$10m)	Moderate (under \$1m)		
Risks	Project-based	34%	Extreme	V high	High	Med	Low
	Organisation	33%	Extreme	V high	High	Med	Low
	External	33%	Extreme	V high	High	Med	Low

The second part of the assessment will build on this initial analysis of value to determine an overall assessment of the relative strategic alignment, value and achievability of the proposal.

The following scoring and weighting basis was agreed by the Working Group as being fit for purpose for the assessment of each of the nine criteria, with corresponding quantitative scores from 0 to 3.

✓✓	The proposal strongly meets the criteria (3)
✓	The proposal broadly meets the criteria (2)
?	The proposal may meet the criteria (1)
X	The proposal does not meet the criteria (0)

The overall scores can be weighted and combined to given an overall average score between 0 and 3.0 for the proposal being assessed. The proposals can then be categorised in one of three groups:

- **Low priority proposal (scoring less than 1.0)**
- **Medium priority proposal (1.0 or more but less than 2.0)**
- **High priority proposal (2.0 or higher)**

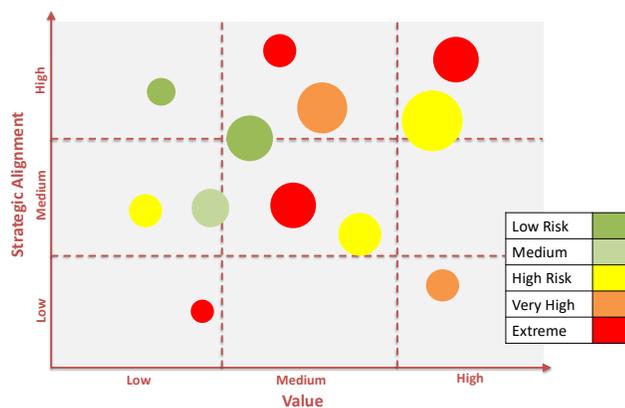
The following draft assessment criteria have been developed, based on the themes and critical success factors identified by the Advisory Group. This will be tested by the group and with key stakeholders and amended as required.

2. Criteria for Assessing Regional Economic Development Proposals		
Criteria	Weight	Description
Collaboration	7%	How well will the proposal provide multi-district benefits through greater collaboration on economic development initiatives?
Productivity	7%	How well will the proposal increase regional productivity?
Talent	7%	How well will the proposal assist Otago to access the talent it needs to prosper?
Resilience	7%	How well will the proposal improve the ability of Otago communities to respond to change?
Alignment	7%	How well does the proposal align contribute to the six priority themes for change?
Value	35%	How well is the proposal likely to optimise value (in terms of the previous analysis of benefits, costs and risks)?
Supplier Capacity & Capability	10%	How well is the proposal likely to result in successful arrangements with the supplier market for required services? (e.g. construction, specialist staff, facilities)
Affordability	10%	How likely can the proposal be funded from potential sources of finance?
Achievability	10%	How likely is the proposal to be delivered successfully given the capability of the organisation?
Total	100%	Overall weighted average score between 0.0 and 3.0

Possible presentation of the assessment results

Where there are competing alternative proposals, the results of the assessment may be presented graphically to aid decision-making and the communication of the relative trade-offs between. For example, alternative proposals can be mapped by their assessment scores for Value against Strategic Alignment (the combination of Collaboration, Productivity, Talent, Resilience and Alignment with the six themes).

Relative scales of the estimates of project funding and risk can be demonstrated by the size and colour of the data points. This aids in the choice and management of synergist investment portfolios.



Engagement

Mayors and Chief Executives

The Working Group will present regular updates to the Mayoral and Chief Executive forums on progress with the Framework and regional economic development projects.

Where decisions are required on provision of support or funding for significant regional economic development projects, a report will be brought before the forums. Further discussion is required to confirm where final decision-making will lie.

Decisions not requiring support from Mayors and Chief Executives will be made according to delegations within each in Council or Economic Development Agency.

Our Treaty partner – Ngāi Tahu

Where there is mutual benefit and interest the Working Group will engage with Ngāi Tahu to develop and progress regional economic development initiatives.

Central Government

The Working Group will continue to regularly engage with representatives from the Ministry for Business, Innovation and Employment and with other Government agencies as required.

Where funding is sought from the Government for regional projects initiated through the Framework, the Working Group will develop these in consultation with stakeholders and seek endorsement from the regions Mayors and Chief Executives prior to submission.

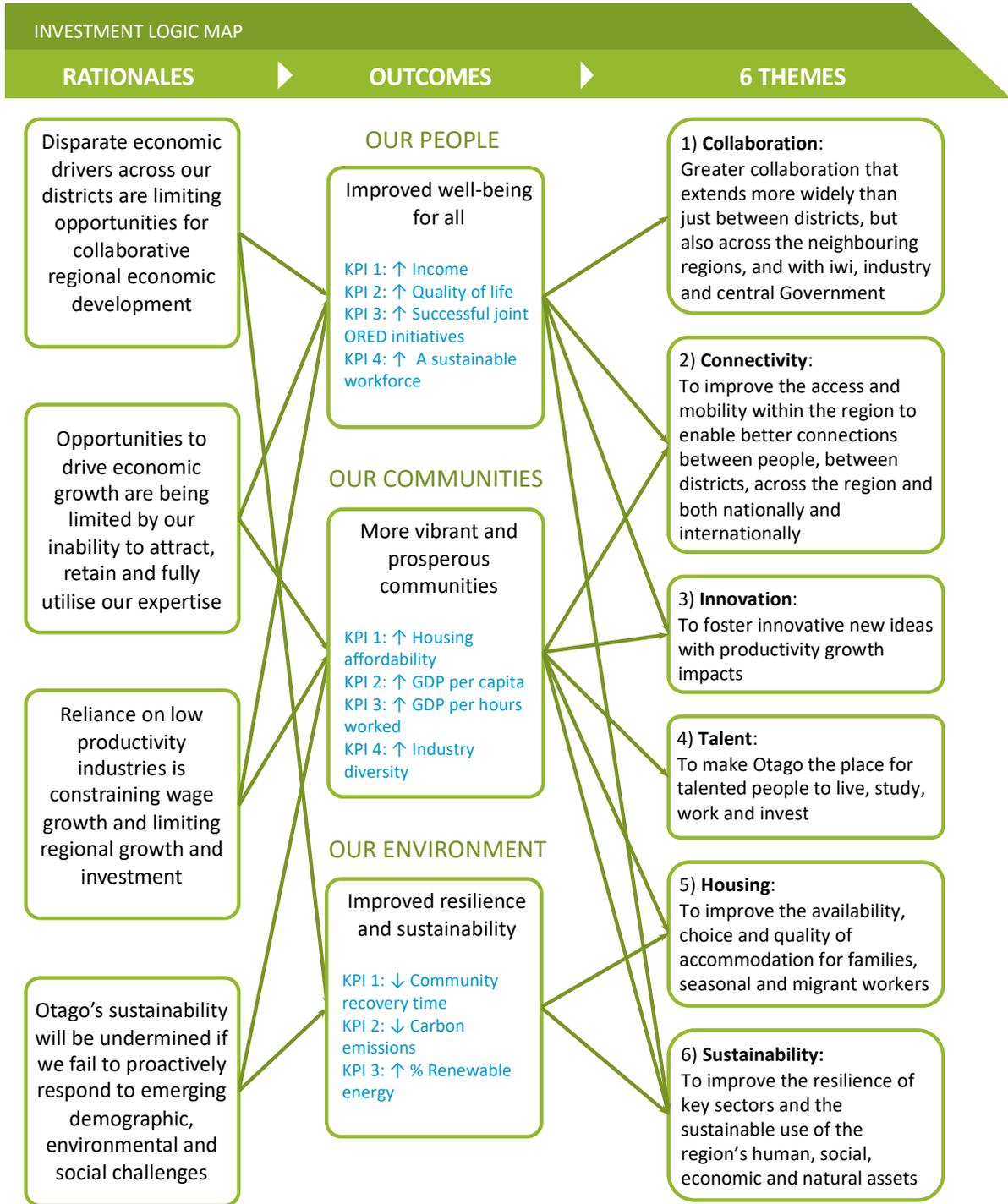
Key stakeholders

The Working Group used a Stakeholder Engagement Plan to support development of the Framework (the list of key stakeholders engaged with in developing the Framework is included as Appendix THREE). The Engagement Plan will be reviewed and updated by the Working Group to support and progress ongoing engagement with stakeholders, which will include testing and amending the Framework as required over the coming 12 months and bringing it back to Otago council chief executives for agreement.

Appendix ONE:

investment logic map

The investment logic map is a one-page graphical story that provides the logical line of sight from the “why” – the rationale for action, to the “what” – what needs to change to contribute to the three high level outcomes. This map is the end product of a series of five externally facilitated workshops with the ORED Advisory Group (consisting of Working Group members, specialist advisors and observers from the Ministry of Business, innovation and Enterprise and the Ministry of Social Development).



Appendix TWO:

environmental scan

As part of the 29 October facilitated workshop process, the Advisory Group conducted an environmental scan to consider what opportunities and strengths can be leveraged, and what threats and weaknesses needed to be managed.

Opportunities to Leverage:	Threats to Manage:
<p>New technologies:</p> <ul style="list-style-type: none"> vegetable based proteins changes in preferences digital/ virtual tourism <p>Our existing talent:</p> <ul style="list-style-type: none"> better utilise our existing skills, experience, investors match talent to jobs <p>Renewable Energy:</p> <ul style="list-style-type: none"> Otago supply and use of renewables? 	<p>Society sentiments:</p> <ul style="list-style-type: none"> bi-political with Labour urban and National hinterland public sentiment is pro-environment/ landscape social push-backs on irrigation/ greening <p>Poor resilience:</p> <ul style="list-style-type: none"> exposed to international travel risks major earthquake Queenstown potentially isolated from assistance (cf post Kaikoura quake) <p>Climate change:</p> <ul style="list-style-type: none"> low emissions targets high carbon footprint? LGNZ policy Potential risk reduction and retreat <p>Water:</p> <ul style="list-style-type: none"> impacts of water allocations (e.g. the Maniototo allocations were set in the gold-mining era) over-allocated in total reduce nitrogens?
Strengths to Build on:	Weaknesses to Address:
<p>Natural amenity:</p> <ul style="list-style-type: none"> diverse landscapes accessible and attractive to visitors/residents Queenstown is the "jewel in the crown" focus on brand Queenstown, not Otago? <p>Our expertise:</p> <ul style="list-style-type: none"> high in Dunedin isolated elsewhere, with some good skills not being utilised (e.g. experience & potential investors) <p>Knowledge economy:</p> <ul style="list-style-type: none"> Dunedin SMART city Otago is agile accelerators biotechnology University research <p>Renewable energy:</p> <ul style="list-style-type: none"> significant supplier of hydroelectric power 	<p>Geographically dispersed population:</p> <ul style="list-style-type: none"> ad-hoc population growth transient visitors costs of commuting to Queenstown risks of duplicated/ isolated decisions <p>Low productivity growth:</p> <ul style="list-style-type: none"> nature of low wage sectors (horticulture/ health/ education/ tourism) dominated by small businesses not attractive to larger employers a flow of talent that doesn't stick seasonal workers people commuting to work in Queenstown <p>Housing:</p> <ul style="list-style-type: none"> availability of low-cost housing high living costs for those on low incomes perceived as expensive and unaffordable high non-resident population poor design and bespoke building code seen as the minimum inefficient energy use lack of density in new developments <p>Lack of economic diversity:</p> <ul style="list-style-type: none"> tourism - poor sustainability? agriculture - more innovative with higher productivity gains public health, education and social (in Dunedin).

Appendix THREE:

consultation

The Working Group held interviews during October/November to test the initial thinking with key regional stakeholders identified as having high levels of both influence and interest in this analysis.

District	Stakeholder	Role
Central Otago	Sanchia Jacobs	Chief Executive, Central Otago District Council
	David Ritchie	Olivers Restaurant, Clyde
	Greg Bodeker	Director, Bodeker Scientific
	Basil Goodman	Chair, Seasonal Solutions
	Daniel Prew	Regional Manager, The Warehouse
	Stuart Heal	Self-employed contractor, ex Southern PHO, CRT
Queenstown	Bridget Legnavsky	GM, Cadrona Alpine Resort, Wanaka Chamber of Commerce
	Ross McRobie	Chair, Audit and Risk, Queenstown Lakes District Council
	Jason Watkins	Business Development Manager, CUBE start-up
	Michelle Morss	Strategy and Development Manager, Corporate Services, QLDC
	Ann Lockhart	Chief Executive Officer, Queenstown Chamber of Commerce
	Craig Douglas	Chair, Queenstown Chamber of Commerce
Clutha	Bryan Cadogan	Mayor, Clutha District
	Steve Hill	Chief Executive Officer, Clutha District Council
	Andrew Johns	Operations Manager, Danone Nutricia
	Silvio Tenci	Plant Manager, Silver Fern Farms
Dunedin	Dougal McGowan	Chamber of Commerce
	Virginia Nicholls	Otago Southland Employers Association
	Jason Lindsay	Petridish
	David Thomson	Director Planning and Funding, University of Otago
	Des Adamson	Business Relationship Manager, Dunedin City Council
	Casey Davies-Bell	Start Up Dunedin
	Angus Pauley	Start Up Dunedin
	Heidi Renata	Innov8 HQ
	Sarah Gardner	Chief Executive Officer, Otago Regional Council
	Dave Cull	Mayor, Dunedin City Council
	Chris Staynes	Deputy Mayor, Dunedin City Council
Dr. Sue Bidrose	Chief Executive Officer, Dunedin City Council	
Waitaki	Nicolas Erdody	Tech Entrepreneur
	Jane Smith	Farmer, North Otago Sustainable Land Management Group
	Gary Kircher	Mayor, Waitaki District
	Sabra Moore	Manager- Regional Stakeholder Engagement, ARA Institute
	Sandra Familton	Employment Consultant, Workbridge
	Fergus Power	Chief Executive Officer, Waitaki District Council

	Julia McLennan	Oamaru Board member, Otago Chamber of Commerce and two reps
	Melanie Tavendale	Deputy Mayor, Waitaki District