

2.14 Digital Hub – Te Takeretanga o Kura-hau-pō - Levin

Project:	Digital Hub – Te Takeretanga o Kura-hau-pō - Levin		FOR: Approve
Applicant:	Horowhenua District Council (HDC)		PDU ID: Commercial Information
Application type:	Main PGF	(A) Total Project Value:	\$ Commercial Informa
Funding type:	Grant	(B) PGF Funding Sought:	\$ Commercial Informa
Entity Type:	Local Authority	(C) PGF Funding Recommended:	\$400,000
Region:	Bay of Plenty	(D) Applicant Contribution:	\$ Commercial Information
Tier:	1 - Regional	(D/A) Co-contribution Rate:	Estimated Comin %
Sector:	Digital Connectivity		
Context for PGF investment in Digital Connectivity	<p>In October 2018 [CAB-18-MIN-0516] Cabinet approved an allocation of \$100 million for investment in digital connectivity.</p> <p>This \$100m allocation has three parts. The first is \$40m for expanding the Rural Broadband Initiative Phase 2 (RBI2) and Mobile Blackspot Fund (MBSF). This will support people living in remote areas of surge regions and the tourism sector. A further \$40m is to help improve the broadband performance available to businesses and households in Milford Sound and the West Coast, where the level of broadband investment through government broadband programmes has not been as strong relevant to other regions.</p> <p>The remaining \$20m of the allocation is for local digital connectivity to improve the accessibility of digital connectivity to support jobs, skills development and social inclusion. Local digital connectivity is made up of two initiatives and sub-allocations of funding: Marae Digital Connectivity (\$13m) and Regional Digital Hubs (\$7m). This sub-allocation of funding for local digital connectivity was agreed by RED Ministers on 24 January [2159 18-19].</p> <p>In the same October Cabinet paper, Cabinet also approved a position paper on the PGF approach to investment in digital connectivity. It includes four principles for local connectivity investment which will be applied when considering applications that relate to local connectivity. As such, evaluations of Regional Digital Hub applications are based on four principles: accessibility, criticality, economically sustainable, and local based priorities.</p>		
Application Summary	<p>Horowhenua District Council is seeking \$400,000 of grant funding to establish a regional digital hub in Levin, and fund its first four years of operation. The regional digital hub (RDH) will be designed to act as a business incubator where training can be accessed and where networks can be grown. Horowhenua District Council previously ran a business suite in the council-owned building that the RDH will be located. PGF funding will cover the costs of running the hub for the first four years of its operation, after which the hub is expected to be self-sustaining.</p> <p>As the RDH will be located at the same site as the existing local library, the implementation of this project is straight forward when compared to other RDH proposals. Budgeted costs for</p>		

the RDH include training and facilitation, software and the salary of a Business Centre Programme Manager. PGF funding for the first year of operation is estimated to be \$^{Commercial Info} and is forecast to increase by ^{0%} annually. An additional \$^{Commercial Info} of PGF funding will be required for costs of establishing the hub.

It is recommended that SROs:

- Approve \$400,000 of grant funding towards the Levin Regional Digital Hub, because:
 - The proposal is in line with the PGF allocated funding for Regional Digital Hubs (RDH) in that it:
 - Is located in a key service town in a rural area; and
 - Will provide digital connectivity and create a place for business and community activity.
 - A RDH will contribute significantly to the uplift of digital capability in the Horowhenua district and more widely in the Manawatu-Whanganui region. The Horowhenua RDH will be one of three RDHs in the Manawatu-Whanganui region, with the other two being located in Ohakune and Woodville.
 - There is a suitable space to locate the RDH that is council owned, meaning that implementation is made simpler and more efficient as there is no requirement to engage in lease negotiations for a premises.
 - The Horowhenua District Council intends to work with Muaupoko Tribal Authority to leverage the RDH facilities to help Muaupoko achieve its overarching strategy.
- Subject to:
 - PDU approval of the final governance structure, expected project deliverables and financials
 - Commitment from HDC to fund any shortfall if sponsorship is not adequate.
- Note:
 - that Horowhenua District Council has already received offers of in-kind contributions in the form of free training sessions run out of the hub. This has not been included as a co-contribution amount because the exact details of the arrangement are yet to be determined making the in-kind contribution difficult to quantify.

Section A: Assessment against PGF local connectivity investment principles

How does the project demonstrate:

<ul style="list-style-type: none"> ➤ Accessibility: How does the initiative remove or reduce barriers to digital connectivity local communities and businesses currently face, and, promote opportunities associated with digital connectivity. 	<p>The goal of the Levin RDH is to provide better opportunities for local businesses to access digital services, business training support and networks. There is currently no local facility that offers these services.</p> <p>The hub’s goal is to be achieved by providing access to WiFi, bookable meeting and conferencing facilities, training sessions, business mentoring and support services, a collaboration space and printing facilities. All services will be available free of charge. Providing these services free of charge will remove a significant barrier to growth for SME businesses in the Horowhenua.</p> <p>Funding will establish the only co-working space in the Horowhenua that will provide some sort of infrastructure for small businesses to collaborate. The</p>
---	---

	<p>long term objective for Horowhenua District Council is to establish a Chamber of Commerce as a formal mechanism to promote collaboration.</p>
<p>➤ Criticality: Is the regional digital hub a critical component for supporting a wider PGF investment in the region? How does the proposal promote wider regional goals?</p>	<p>The Manawatu-Whanganui Economic Action Plan sets out key ‘enablers’ for the region’s objectives. One of the enabler’s is referred to as the ‘digital connectivity enabler’. The economic action plan focuses on enhancing rural productivity but also acknowledges the need for region to improve digital connectivity through social means – i.e. co-working spaces.</p> <p>Horowhenua District Council is also forecasting significant growth over the next 20 years. ‘Transforming Taitoko’ states that the town needs a space where people can connect socially and that most of the expected growth will come from people migrating from larger centres. As people from larger centres make this move, they will expect a basic level of services that is currently unavailable in the Horowhenua.</p>
<p>➤ Economically sustainable: Is it likely the regional digital hub will be financially sustainable when PGF funding ends? PGF funding is limited to covering costs (part or full funding) of Regional Digital Hubs for up to 5 years.</p>	<p>A budget has been provided covering the first four years of the hub’s operation. Note that because the RDH will be operated out of an existing space available at the local library, costs are apportioned based on estimated use (excluding rental costs). Costs already incurred by the library that are expected to also cover the hub have been apportioned at a rate of %, based on the amount floor space the hub is expected to take up at the library. The budget also accounts for annual inflation.</p> <p>Horowhenua District Council will employ a Business Centre Programme Manager to oversee the management of the hub and establish training programmes tailored to specific needs of the local community.</p> <p>Running the RDH at the same location as the Te Takeranga o Kura-Hau-po will significantly reduce overhead costs.</p> <p>Note also that the applicant has already received interest from parties wanting to provide training on an in-kind basis.</p>
<p>➤ Locally based priorities: What specific needs of the local community does the Regional Digital Hub provide a solution to? How does the Regional Digital Hub intend to achieve this?</p>	<p>Levin has been identified as one of the three key service towns that in the Manawatu-Whanganui region by PDU officials. A key service town in this context is one that serves a rural population that has limited</p>

access to digital services. The primary driver for establishing a RDH in Levin is that the Horowhenua district does not have the same access to digital services as nearby districts such as Whanganui and Manawatu.

Funding arrangements

The table below sets out a high level timeline for the first year of the project:

#	Deliverable	Due Date
1	Complete design of hub	Commercial Information
2	Complete fit out of hub	Commercial Information
3	Launch the hub	Commercial Information
4	Training schedule established and made available to hub users	Commercial Information
5	Co-funding secured	Commercial Information
6	Local ICT capability benchmarked	Commercial Information
7	Review initial implementation of the hub	Commercial Information
8	End of year progress check	Commercial Information
9	Full year review (12 months from launch)	Commercial Information

Conflicts of interest and T&Cs

No conflicts of interest.

Due Diligence

Due diligence has been undertaken and no further action is required.

Supporting proposal:	Yes
Appendices:	Yes – Application
Author of paper:	MN, Investment Analyst, PDU Investment Team NH, Investment Director, PDU Investment Team