



NorthlandInc

Growing Northland's Economy

Kia tupu ai te ōhanga o Te Tai Tokerau

Statement of Intent

2019/20 – 2021/22

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1 Introduction

The Board of Directors of Northland Inc Ltd. (Northland Inc) present this Statement of Intent as a public declaration of the activities and intentions of Northland Inc Ltd in accordance with the requirements of Clause 9 of Schedule 8 of the Local Government Act 2002.

Northland Inc is a Company registered under the Companies Act 1993, a reporting entity for the purposes of the Financial Reporting Act 1993. It is a wholly owned subsidiary of Northland Regional Council (NRC) and, by virtue of their right to appoint directors, is a council-controlled organisation as defined under Section 6 of the Local Government Act 2002. It was established by the Northland Regional Council as their preferred method of delivering economic development services to the region.

Accordingly, Northland Inc is Northland's Regional Economic Development Agency and Regional Tourism Organisation. It also forms part of the Government's Regional Business Partner Network (RBP).

Northland Inc is funded by an operational contribution from NRC and is project funded through other public and private agencies, with central government being the next largest contributor. Northland Inc acknowledges that many parts of the Northland economy could use further support, and is committed to identifying partnerships and collaborations that help to increase funding and resources to support economic growth.

The organisation is governed by a board of seven directors appointed for three years (or as otherwise specified from time to time by NRC). The Board Chair is elected by the Directors. Operational activity is led by the Chief Executive Officer. Northland Inc currently has no subsidiaries or joint ventures.

This Statement of Intent is the guiding governance tool and terms of reference for Northland Inc and defines the key performance indicators (KPIs) as agreed by NRC. It outlines the Directors' accountabilities to NRC for corporate performance.

2 Context

Northland Inc works with organisations and institutions in Northland and the public and private sectors with a common purpose to grow, strengthen and diversify Northland's economy.

NRC's 2018 Long-Term Plan (LTP) sets out NRC's objectives, community outcomes, values and areas of focus. Collectively this provides a statement about the direction NRC wishes to take in making a meaningful contribution to the region, and this is relevant for guiding Northland Inc's objectives, approach and activities. Northland Inc and NRC have deliberately aligned their objectives for economic development (see Objectives outlined below).

Northland Inc also has regard to the collective objectives of Northland Forward Together, which outlines shared regional aspirations which incorporate economic development.

Most recently, the introduction of the Provincial Growth Fund (PGF) has been a critical Central Government policy that Northland Inc needs to respond and adapt to. The PGF is intended to lift productivity in the provinces and to enhance economic development opportunities. It provides a significant opportunity for Northland economic development interventions to be accelerated and we need to ensure our objectives maximise benefit for Northland communities.

Several other government and local initiatives guide Northland Inc's economic development agenda and long-term context for Northland Inc, including;

- Tai Tokerau Northland Economic Action Plan (Action Plan)
- He Kai Kei Aku Ringa (the Crown-Māori joint strategy for Māori economic development); and
- He Tangata, He Whenua, He Oranga, the Tai Tokerau Māori Growth Strategy developed by the Tai Tokerau Iwi CEOs Consortium.

Northland Inc is committed to the principles of 'Inclusive Growth' which are attracting an increasing focus in Economic Development practice worldwide. Central Government is developing the new Living Standards Framework and well-being measures. These foci are strong policy contexts that will influence what and how Northland Inc works. Northland Inc will continue to develop and support economic development strategies and actions that incorporate the principles of Inclusive Growth and look to provide alignment with the living standards framework as it is developed.

3 Northland Inc Vision, Mission and Objectives

Vision

Northland is one of the most prosperous regions in New Zealand delivering employment and business opportunities for locals in a fair and equitable society balancing economic development with sustainable environmental management.

Mission

To strengthen, diversify and grow the Northland economy.

Objectives 2020-2022

1. Advocate and promote the establishment and development of infrastructure that underpins regional economic growth.
2. Attract, facilitate and support investment opportunities in regionally strategic sectors.
3. Promote Northland as a progressive and positive place to visit, do business and live.
4. Provide and facilitate business support services that enable Northland businesses to grow.
5. Increase innovation and entrepreneurship in Northland.
6. Partner with Māori to develop and implement economic development projects for the benefit of Northland.
7. Support and facilitate the implementation of the Tai Tokerau Northland Economic Action Plan.
8. Support tourism product development and infrastructure as enablers of Northland's tourism sector.

To deliver maximum impact, Northland Inc will prioritise activities in three key areas:

1. Investment and Provincial Growth Fund (PGF) - the PGF is a short-term opportunity which needs to be prioritised for maximum impact:
 - Providing leadership to highlight and drive transformational opportunities
 - Collaborating, leading and supporting ongoing work programmes to ensure impact extends past the life of the PGF
2. Māori Economic Development – a central driver of improving well-being:
 - Empower, support and partner with Māori organisations and businesses

- Collaborating to leverage resources and funding
3. Engagement Collaboration and Visibility - increase focus on collaboration for the benefit of the region:
- Improved visibility of progress and outcomes across the region
 - Continue work to extend our presence and reach across the region tailored to needs of individual communities

In terms of the focus for investment activity, the 'Regionally Strategic Sectors' are:

- Agriculture and Horticulture
- Digital
- Tourism
- Marine

4 Governance

The Board will effectively represent and promote the interests of NRC by seeking to fulfil its mandate as described above. The Board will discharge their duties in accordance with Northland Inc's Board Charter.

In undertaking its activities, Northland Inc will seek to:

- Achieve the objectives of NRC, both commercial and non-commercial as specified in this Statement of Intent;
- Demonstrate ethical and good behaviour in dealing with all parties;
- Achieve active partnerships with Māori, and other key stakeholders within the region, promoting effective communication where appropriate;
- Comply with all relevant legislative requirements, including those relating to the principles of the Treaty of Waitangi;
- Maintain an open and transparent approach to decision-making with NRC while respecting the need for commercially sensitive information to be protected;
- Be a good employer; and
- Exhibit social and environmental responsibility.

The Board will adopt the following approach to its fiduciary responsibilities to ensure good governance:

- Prepare a 3-year SOI setting out its strategic goals for agreement with NRC, as shareholder;
- Establish a clear business plan which reflects the agreed SOI;
- Establish a clear performance framework and job description for the Chief Executive Officer;
- Approval of detailed operating, capital and cashflow budgets;

- Attend regular meetings to review performance and progress towards set objectives and budgets; and
- Operation of appropriate Board subcommittees to appropriately manage Risk, Compliance, Remuneration and Board performance.

The Board believes regular communication with NRC is important to ensure good governance. The Board and Chief Executive will use their best endeavours to communicate in a regular and timely manner and ensure that matters are raised so there will be 'no surprises'. Established processes will be maintained to ensure regular contact between the Board, management and NRC, and informal meetings will be encouraged to ensure regular communication flows regarding matters of mutual interest.

5 Nature and scope of activities to be undertaken by Northland Inc

Northland Inc focusses on the following 4 work programs to achieve the organisational objectives:

1. Investment and PGF - Leveraging economic growth in the region through the strategic co-ordination, management and allocation of available public and private sector funding, including NRC's Investment and Growth Reserve. This includes promoting the region for investment and supporting the implementation of the Action Plan;
2. Māori Economic Development – Empower, support and partner with Māori organisations and businesses and collaborate to leverage resources and funding;
3. Engagement Collaboration and Visibility - Focus on collaboration for the benefit of the region and to continually improve the performance, productivity and profitability of Northland businesses; and
4. Destination Management and Marketing (previously called Regional Tourism Office) - Promoting the region for visitors, and increase the contribution from visitors through supporting product development and regional dispersal.

The nature and scope of activities relevant to each work program are listed below.

1. Investment and PGF - Leveraging economic growth in the region through the strategic co-ordination, management and allocation of available public and private sector funding, including the PGF and NRC's Investment and Growth Reserve; promoting the region for investment and supporting the implementation of the Action Plan:
 - Actively supporting and facilitating investment in strategic sectors in the Northland economy and developing investment ready propositions
 - Delivering a promotional programme to encourage investment and market development of Northland's strategic growth sectors
 - Leveraging the Investment and Growth Reserve to increase investment into the Northland economy
 - Supporting and facilitating the development of new and enabling infrastructure such as UFB, roads, rail and water
 - Supporting the implementation of the Action Plan by Leading a region wide Working Group and providing Portfolio and Project Management support for the Action Plan

- Deliver the Extension 350 Programme
2. Māori Economic development - Empower, support and partner with Māori organisations and businesses and collaborate to leverage resources and funding:
 - Work across all of Northland Inc work programmes to take advantage of opportunities for Māori economic development
 - Engage and partner with iwi, hapū, marae and the Māori community to advance their aspirations in economic development and enable investment, business growth and completion of economic development projects
 - Work with, advocate for and support Māori businesses with their aspirations for growth
 3. Engagement Collaboration and Visibility - Collaborate for the benefit of the region and continually improve the performance, productivity and profitability of Northland businesses:
 - Delivering business advice effectively across the region to support innovation, capacity and capability development through incubation services and the Regional Business Partnership; New Zealand Trade & Enterprise, Callaghan Innovation and Business Mentors New Zealand
 - Developing clusters, business networks or associations to take advantage of market development opportunities that leverage Northlands key sectors and comparative advantages
 - Building and sharing specialist knowledge through a business events programme and provide opportunities to access a range of capital support mechanisms for Northland businesses
 - Expansion of The Orchard business and event hub for regional impact
 4. Destination Management and Marketing - Promoting the region for visitors, and increase the contribution from visitors through supporting product development and regional dispersal:
 - Identifying, and where appropriate, assisting with the development of infrastructure, products, services and sub-regional destinations which grow the value derived from visitors
 - Improving regional dispersal, length of stay, expenditure and the appeal of off peak travel particularly through leverage of the Twin Coast Discovery programme as a region wide development framework for tourism
 - Leading the development of a regional tourism strategy
 - Co-ordinate, and where appropriate, lead the implementation of an Annual Tactical Marketing Plan for destination marketing, in alignment with the direction of national tourism organisations and in conjunction with the Northland tourism sector.

6 Shareholders' funds, distributions and the value of shareholders' investment

Shareholders' funds (being retained surpluses plus share capital) at June 2018 was as follows:

	June 2018
Total Assets \$	1,451,316
Total Liabilities \$	1,328,845
Shareholders' Funds \$	122,471
Shareholders' Funds as % of Total Assets	8.4%

Northland Inc forecasts small surpluses year-on-year. Accordingly, Shareholders' Funds as % of Total Assets will remain approximately at this level.

Northland Inc is not required to make any distributions to NRC as the shareholder.

The value of the shareholders' investment in Northland Inc is estimated by directors to be equal to current shareholders' funds being \$120,000.

7 Accounting policies

The accounting policies that have been adopted are detailed in the company's 2017/18 Annual Report. A copy is included as **Appendix A**.

8 Performance targets

Key performance indicators are:

Work programme area	Proposed measures and targets				
	How we will measure	2018/19 Provisional results	2019/20	2020/21	2021/22
Investment and PGF	Percentage of IGR business case decisions (by the Board) made within 90 days of receiving application	100%	100%		
	Number of inward delegations hosted	4	4	4	4
	Investment recommendations are accompanied by a robust business case	100%	100%		
	Number and value of high impact projects that are implemented	3	3	3	3
Māori Economic Development	Number of unique Māori businesses assisted (by TA and industry)	32	50	55	60
	Number and value of high impact projects that are implemented	1	1	2	3
	Value of NZTE and Callaghan Innovation grant funding facilitated for Māori businesses	\$25,000	\$25,000		
	Client satisfaction (as measured by Net Promoter Score for Māori businesses)	Not Available	75% (NPS 50)		
Engagement Collaboration and Visibility	Number of unique businesses assisted (by TA and industry)	230	230		
	Value of NZTE and Callaghan Innovation grant funding facilitated	\$0.9M ¹	\$1.0M		
	Client satisfaction (as measured by Net Promoter Score)	93%	90% (NPS 50)		
	Orchard occupancy rate	80%	85%	85%	85%
Destination Management and Marketing	Visitor spend from target markets	\$1,124M	\$1,175M	\$1,228M	\$1,283M
	Value of industry investment in regional promotion activity	\$350,000	\$350,000		
	Equivalent Advertising Value achieved from destination marketing	\$25M ²	\$16.5M		
	RTO Net Promoter Score	45	45		

Note: Northland Inc has prepared a separate supporting document (Appendix C) which explains the rationale and recording methodology behind each of the Key Performance Indicators.

¹ Changes to R&D tax credits and how they impact availability of grants has affected achievement of this target.

² Air New Zealand Campaign resulted in this target being significantly over-achieved this year.

9 Information to be provided to the Shareholders

Directors will formally report progress against the SOI to NRC quarterly via a written report submitted within six weeks of the end of the 1st and 3rd quarters, and attendance at a Council meeting thereafter as per the NRC schedule.

In compliance with Clause 66 of Part 5 the Directors will, within two months after the end of the first half of each financial year, deliver to NRC an unaudited half year report containing:

- a Statement of Performance, Position and Cash flow as at the half year balance date
- financial forecasts for the full year and comparison to approved budgets
- commentary on progress to meeting performance targets and the expected year end position.

In accordance with Section 2 of Schedule 8 the Directors will deliver a draft SOI to NRC as the shareholder by 1st March of each year for the subsequent three-year period.

In accordance with Section 3 of Schedule 8 the Directors will deliver a Board approved SOI to NRC as the shareholder on or before the 30th June of each year.

In compliance with Clause 67 of Part 5 the Directors will, within three months of the end of the financial year, deliver to NRC an audited Annual Report which meets the requirements of Section 68 and Section 69 of Part 5. In addition, the Annual Report is to contain a declaration by the Board as to the compliance with the Act and specifically that the requirements of Schedule 8 have been met.

10 New entries, acquisitions and sales

Directors may not create any new legal entity, acquire shares or any equity interest in any existing legal entity or sell any interest held by Northland Inc without the specific approval of the NRC as the shareholder.

11 Activities for which local authority funding is sought

Northland Inc reserves the right to seek compensation from time to time for the necessity to provide any service required by the NRC where funding has not been previously agreed.

12 Any other matters

Northland Inc can request NRC hold a confidential Council meeting for discussion about commercially sensitive matters, subject to this request meeting the requirements of section 7(2) of the Local Government Official Information and Meetings Act 1987. Any report submitted by Northland Inc for NRC's formal consideration needs to be accompanied by advice to Council from NRC's Chief Executive.

13 Financial information

A prospective statement of financial performance is included as Appendix B.

Appendix A: Northland Inc Accounting Policies

1. Statement of Accounting Policies

BASIS OF PREPARATION

The financial statements have been prepared in accordance with Tier 2 Public Benefit Entity (PBE) Financial Reporting Standards as issued by the New Zealand External Reporting Board (XRB). They comply with New Zealand equivalents to International Public Sector Accounting Standards Reduced Disclosure Regime (NZ PBE IPSAS with RDR) and other applicable Public Benefit Entity Financial Reporting Standards as appropriate to Public Benefit Entities.

The entity is eligible to report in accordance with Tier 2 PBE Accounting Standards on the basis that it does not have public accountability and is not large. The entity transitioned to PBE Standard Tier 2 from 1st July 2016.

The financial statements have been prepared accordance with the Local Government Act 2002, which requires compliance with generally accepted accounting practice in New Zealand ("NZ GAAP"). [LGA. 111].

The entity is deemed a public benefit entity for financial reporting purposes, as its primary objective is to provide services to the community for social benefit and has been established with a view to supporting that primary objective rather than a financial return.

CHANGES IN ACCOUNTING POLICIES

Previously adopted Public Benefit Entity Simple Format Reporting - Accrual (Not-For-Profit). The impact of new and amended standards and interpretations applied in the year was limited to additional note disclosures.

Appendix B: Prospective Statement of Financial Performance

NORTHLAND INC Forecast Prospective Statement of Financial Performance			
Income	2019/20 Forecast	2020/21 Forecast	2021/22 Forecast
NRC Funding	\$ 1,335,876	1,365,266	1,395,302
Orchard	\$ 144,420	144,420	144,420
NZTE & Callaghan	\$ 339,531	339,531	339,531
WDC	\$ 105,000	105,000	105,000
FNDC & KDC	\$ -	-	-
NIF	\$ 59,000	59,000	59,000
		-	-
I&GR Project Development Fund	\$ 300,000	300,000	300,000
Extended Regional Promotions (NRC)	\$ 200,000	200,000	-
DMM Website Income	\$ 27,000	27,000	27,000
Industry (International Marketing Group)	\$ 37,500	37,500	37,500
Extension 350 Project Funding	\$ 578,700	436,700	244,300
MBIE (Action Plan)	\$ 200,000	-	-
Education NZ	\$ 50,000	-	-
Funding TBC	\$ -	-	198,000
Total Income	\$ 3,377,027	\$ 3,014,417	\$ 2,850,053
Project Expenses			
NIF	\$ 60,000	\$ 60,000	\$ 60,000
I&GR Project Development Fund	\$ 300,000	\$ 300,000	\$ 300,000
Extension 350 Project Delivery	\$ 438,875	\$ 294,200	\$ 173,050
Business Mentors	\$ 30,000	\$ 30,000	\$ 30,000
Total Project Expense	\$ 828,875	\$ 684,200	\$ 563,050
Activity Expenses			
Destinational Management & Marketing	\$ 147,000	\$ 147,000	\$ 147,000
Business Awards	\$ 7,000	\$ 7,000	\$ 7,000
The Orchard	\$ 7,000	\$ 7,000	\$ 7,000
Total Project Expense	\$ 161,000	\$ 161,000	\$ 161,000
Salaries & Overheads			
Salaries (Direct & Indirect)	\$ 1,740,759	\$ 1,543,570	\$ 1,502,271
Overheads	\$ 645,625	\$ 625,067	\$ 622,367
Total Salaries & Overheads	\$ 2,386,384	\$ 2,168,637	\$ 2,124,638
Total Net Surplus	768	580	1365

Appendix C: Supporting Information for Northland Inc Statement of Intent

Introduction

The Statement of Intent for Northland Inc contains Key Performance Indicators (KPI's). The rationale for choosing the KPI's and the method in which these indicators are reported on is not always clear, and therefore this document provides more detail around the KPI and the method of reporting.

Rationale

KPI's need to have a solid rationale, clear line of site back to the activities of Northland Inc, be simple to understand and be measurable. The KPI's within the Statement of Intent are a mixture of Inputs, Outputs and Outcomes. Some are under the direct control of Northland Inc and some are influenced by Northland Inc activity. It is important to have a least one indicator for each work programme area and where possible a mixture of the different type of indicators. A brief explanation of the rationale for each KPI is provided below.

KPI's

The KPI's are as follows:

(Note these have been numbered for ease of reference within this document)

1. Investment and PGF
 - a. Percentage of IGR business case approvals (by the Board) made within 90 days of receiving application
 - b. Number of inward delegations hosted
 - c. Investment recommendations are accompanied by a robust business case
 - d. Number and value of high impact projects that are implemented
2. Māori economic development
 - a. Number of unique Māori businesses assisted (by TA and industry)
 - b. Number and value of high impact projects that are implemented
 - c. Value of NZTE and Callaghan Innovation grant funding facilitated for Māori businesses
 - d. Client satisfaction (as measured by Net Promoter Score for Māori businesses)
3. Engagement Collaboration and Visibility
 - a. Number of unique businesses assisted (by TA and industry)
 - b. Value of NZTE and Callaghan Innovation grant funding facilitated
 - c. Client satisfaction (as measured by Net Promoter Score)
 - d. Orchard occupancy rate
4. Regional promotion and tourism
 - a. Visitor spend from target markets
 - b. Value of industry investment in regional promotion activity
 - c. Equivalent Advertising Value achieved from destination marketing
 - d. RTO Net Promoter Score

Rationale and Methodology for Individual KPI's

- 1.a Rationale: Output measure – indicates the efficiency within which the project management office receives, processes and outputs work.

Methodology: Evidence for KPI is Northland Inc Board minutes.

- 1.b Rationale: Input measure – indicates that the region is attractive for inward investment. Suggests that the Landing Pad and regional promotion activity are functioning.

Methodology: Evidence for KPI is the number of meetings held and details of attendees.

Inward delegation is a reference to an expression of interest from a reputable company (national or international) who is interesting in investing in the region. The KPI is achieved when Northland Inc participates in the hosting (meeting) of the company's representatives (delegates). Note that often Chinese delegates are hosted jointly with Councils as this is the preferred way to establish a relationship with Chinese culture.

- 1.c Rationale: Outcome measure – measures the quality of the project management office procedures and assessment.

Methodology: Evidence for KPI is Northland Inc board minutes recording decision to recommend investment (either to Council for the Investment and Growth Reserve or to another investment fund). Note that this KPI is intended to include applications to the Provincial Growth Fund that Northland Inc supports. Evidence of robust business case is that no further work is required on the business case to make a decision.

- 1.d Rationale: Outcome measure – ensures the work area is aligned with the vision and mission.

Methodology: High Impact projects are projects that are likely to make a significant contribution to their sector in one or more of the following areas: employment, training, GDP, household income, sector strength diversity, research and development. All projects are assessed using standardised internal processes to understand the potential impact/contribution.

- 2.a Rationale: Input measure – measures the volume of work being generated and processed.

Methodology: Evidence for KPI is recorded in Northland Inc's CRM database. Breakdown of data is to be presented by TLA and industry.

- 2.b Rationale: Outcome measure – ensures the work area is aligned with the Northland Inc vision and mission.

Methodology: High Impact projects are projects that are likely to make a significant contribution to their sector in one or more of the following areas: employment, training, GDP, household income, sector strength diversity, research and development. All projects are assessed using standardised internal processes to understand the potential impact/contribution.

- 2.c Rationale: Output measure – provides evidence that the engagements in the previous KPI are resulting in positive activity.

Methodology: Evidence for KPI is recorded in Northland Inc's CRM database.

- 2.d Rationale: independent verification that the services within this work programme are of success.

Methodology: A widely used customer loyalty or satisfaction metric used to measure success across NZTE services. It is an index ranging from -100 to 100 that measures the willingness of customers to recommend a company's products or services to others.

- 3.a Rationale: Input measure – measures the volume of work being generated and processed.
Methodology: Evidence for KPI is recorded in Northland Inc’s CRM database. Breakdown of data is presented by TLA and industry.
- 3.b Rationale: Output measure – provides evidence that the engagements in the previous KPI are resulting in positive activity.
Methodology: Evidence for KPI is recorded in Northland Inc’s CRM database. (Recommended that the annual report include comparison against other similar regions)
- 3.c Rationale: Outcome measure – independent verification that the services within this work programme are of success.
Methodology: A widely used customer loyalty or satisfaction metric used to measure success across NZTE services. It is an index ranging from -100 to 100 that measures the willingness of customers to recommend a company's products or services to others.
- 3.d Rationale: Outcome measure – indicates the level of support within the Economic Development sector in Whangarei for the Orchard co-working space.
Methodology: Orchard occupancy rate is based on the percentage hours per week that desk space is occupied for, using a 40 hr working week as standard. Northland Inc and the Chamber of Commerce (both being tenants in the Orchard space) are not included in this calculation.
- 4.a Rationale: Outcome measure – indicates sector wide trends and indicates if the Regional Promotion and Tourism work programme area is achieving change (although not suggesting a direct link)
Methodology: Visitor spend is recorded through the MBIE monthly regional tourism expenditure estimates. Target markets are broken into two categories; Domestic (Auckland) and International (Australia, USA, Europe and UK).
- 4.b Rationale: Input measure - Indicates industry support for the work programme area.
Methodology: Evidence for KPI is recorded through direct payments to Northland Inc for joint marketing activity undertaken and/or payments made to contracted companies for website, media, print material.
- 4.c Rationale: Output measure – indicates direct value add from work programme activity
Methodology: Equivalent Advertising Value is calculated using standard methods utilised in the public relations and communications industries. These methods measure the size of the coverage gained, its placement and calculates what the equivalent amount of space would cost.
- 4.d Rationale: Independent verification that the services within this work programme are of success.
Methodology: Evidence for KPI is recorded through the AA Travel Monitor RTO Net Promoter Score (Which Northland Inc pays to receive). Respondents are asked to rate, on scale of 1 (very unlikely) to 10 (very likely), how likely they are to recommend each

destination they reported visiting as a place to visit. Those providing a score of 6 or less are classified as 'Detractors', 7 or 8 as 'Neutrals', and 9 or 10 as 'Promoters'. The Net Promoter Score is calculated by subtracting the percentage of visitors who are detractors from the percentage who are promoters.