

# NorthlandInc

Growing Northland's Economy

Kia tupu ai te ōhanga o Te Tai Tokerau

# Statement of Intent

2016/19



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## 1 Message from the Board

This Statement of Intent lays out how Northland Inc Limited (Northland Inc) will support the Northland Regional Council (NRC) with its economic development objectives for Northland. Northland Inc is tasked to implement economic development activities and support investment in the Northland economy. It does these things to improve the prosperity and well-being of Northlanders.

## 2 Introduction

This Statement of Intent is a public declaration of the activities and intentions of Northland Inc; it has been prepared in accordance with Clause 9 of Schedule 8 of the Local Government Act 2002.

Northland Inc is a Company registered under the Companies Act 1993 and is a reporting entity for the purposes of the Financial Reporting Act 1993 and is also a subsidiary of the NRC. Northland Inc is a council-controlled organisation as defined under Section 6 of the Local Government Act 2002, by virtue of the NRC's right to appoint the Directors. The financial statements of Northland Inc have been prepared in accordance with the Financial Reporting Act 1993 as required by the Local Government Act 2002.

The primary objective of Northland Inc is to provide services for the community or social benefit rather than making a financial return. Accordingly, Northland Inc has designated itself as a public benefit entity (PBE) for the purposes of New Zealand equivalents to International Financial Reporting Standards (NZ IFRS).

Northland Inc is funded by an operational contribution from the NRC and is project funded through public and private agencies, with central government being the next largest contributor. The organisation has a governance board of five Directors appointed for three years or as otherwise specified from time to time by the NRC. A Chair is chosen by the Directors. Operational activity is led by the Chief Executive Officer. Northland Inc has no subsidiaries or joint ventures.

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

## 3 Context

Northland Inc is the Regional Economic Development Agency encompassing the Regional Tourism Organisation and the Regional Business Partnership.

Northland Inc works with a number of strategically important institutions in Northland across public and private sectors with a common agenda to strengthen, grow and diversify Northland's economy. A set of regional outcomes have been developed through the Tai Tokerau Northland Economic Action Plan (Action Plan) that provide strategic context for Northland Inc's work. The NRC Long Term Plan also provides a strategic context for Northland



Inc's work. Taken together these two documents are the main strategic documents guiding Northland Inc's work programme.

### Action Plan: Regional Outcomes (10 year horizon to 2025)

- An equitable, minimum standard of digital coverage is achieved across the region with uptake increasing
- A sustainable transport system that enhances the growth and existing economic development of Northland and New Zealand
- Northland's rate of Maori unemployment will have declined to 10% by 2025
- Maori land holdings are as profitable and productive as other equivalent land holdings
- Farms are performing at a level equal to or better than national averages
- Two thirds of Northland forestry production is processed in Northland by 2025
- Sustained growth in GDP per annum from specialised manufacturing
- Employment in specialised manufacturing and services increases year on year
- Guest nights rise by 25% from 1.75m to 2.2m by 2020
- Total visitor spend in Northland increases from \$661m to \$720m by 2020
- Visitor numbers in the off peak season (May to September inclusive) increase by 30% by 2020

These are the high level, medium-term achievable economic outcomes for Northland. Some of Northland Inc's work will contribute directly to these regional outcomes (such as the ratio of business start-ups to business closures), some of Northland Inc's work will contribute indirectly (such as the rate of youth unemployment) and some outcomes will be led by others (such as 'A sustainable transport system') where Northland Inc will provide a support role. The following sections explain how these medium outcomes have been filtered into shorter term objectives (3 years) and how they guide the nature and scope of activities that Northland Inc undertakes.

### NRC Long Term Plan

The NRC's 2015 Long term Plan (LTP) sets out the NRC's objectives, community outcomes, values and areas of focus. Collectively this provides a statement about the direction the NRC wishes to take in making a meaningful contribution to the region. A number of these are relevant to guiding the setting of Northland Inc's objectives, approach and activities.

Community outcomes means the outcomes that the NRC aims to achieve in meeting the current and future needs of communities for good quality local infrastructure, local public services and performance of regulatory services.

## 4 Northland Inc Vision, Mission and Objectives

[Sec 9 (1) (a)]

Northland Inc is the Regional Economic Development Agency for Northland encompassing the roles and functions of the Regional Tourism Organisation and Central Government's Regional Business Partnership (RBP). Northland Inc supports the NRC and government by undertaking activities that support their economic development 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 and a healthy and productive environment.

### Mission

To strengthen, diversify and grow the Northland economy.

### Objectives 2016-2019

Taking the Action Plan regional outcomes and NRC objectives into account the following objectives have been developed for Northland Inc

1. Successfully promote Northland as a place to live, work, invest and visit
2. Facilitate and support the implementation of the Tai Tokerau Northland Economic Action Plan
3. Promote the establishment and development of infrastructure that underpins economic growth
4. Leverage Northland's proximity to Auckland
5. Communicate Northland's economic development successes to internal and external stakeholders to build confidence in the Northland economy
6. Promote economic development opportunities which lift local economies, provide employment and increase incomes
7. Provide sound advice to the NRC, Territorial Authorities and Government on strategy, economic trends and economic development opportunities in Northland
8. Provide sound advice to the NRC in regard to investment opportunities for Northland that provide a return for council funds and protect shareholder interests
9. Leverage NRC's Investment and Growth Reserve to attract investment into Northland
10. Facilitate Iwi, Hapu, Whanau, Ahu Whenua Trusts or other Maori organisations to create employment opportunities for Northland
11. Facilitate business support for Northland firms to build business capability and capacity and promote capital investment, research and development
12. Establish a suite of capital assistance and business investment partners for Northland entrepreneurs and firms
13. Establish a high performing innovation ecosystem to support innovation and create new businesses

## Annual Business Plan

An annual business plan is prepared that outlines the programmes, projects and activities that Northland Inc will undertake each year. Northland Inc's work is organised around five work programmes: Business Innovation and Growth, Investment and Infrastructure, Maori Economic Development, Regional Promotion and Tourism, and the Action Plan. Northland Inc staff work through an intervention logic that connects outcomes and objectives to work programmes, projects and activities. The business plan is approved by the Board.

## 5 Governance Approach

[Sec 9 (1) (b)]

- (i) The Board will effectively represent and promote the interests of the shareholder by seeking to fulfil its mandate as described above.
- (ii) The Board will discharge their duties in accordance with the Board Charter
- (iii) The Board will promote the development of the management structure through delegation of responsibilities and authority to Northland Inc's management team.
- (iv) The Board will direct and monitor management performance through:
  - the establishment of clear strategic objectives and plans
  - regular meetings to review performance and progress towards set objectives
  - the approval of detailed operating and capital budgets
  - regular meetings to review actual performance against budget;
- (v) The Board will familiarise itself with the issues of concern to the shareholder through regular interaction with the shareholder
- (vi) The Board will employ "best practice" in exercising its fiduciary management responsibilities.

## 6 Nature and scope of activities to be undertaken

[Sec 9 (1) (c)]:

The nature and scope of activities of Northland Inc are to deliver on the vision, mission and objectives of the organisation through focusing on the following five work programme areas:

1. Generate Business Innovation and Growth by
  - Delivering business advice to support innovation, capacity and capability development through 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
  - Increasing productivity in primary industries, manufacturing and service industries through stronger use of local and international expertise

- Delivering an events programme to support the transfer of specialist knowledge to improve intellectual property opportunities in Northland
- Supporting the Landing Pad Programme to develop investor and investee opportunities
- Developing a range of capital support mechanisms for Northland firms
- Establishment of The Orchard collaborative business hub
- Supporting and encouraging innovation in Northland firms through the establishment of a Regional Research Office.

## 2. Supporting Investment and Infrastructure by

- Actively supporting and facilitating investment in strategic sectors in the Northland economy
- Acting as a clearing house for inward investment into Northland by preparing and conducting robust feasibility, due diligence, business case and risk assessments in support of investment proposals
- Providing a continual deal flow of investment ready proposals for the NRC's Investment and Growth Reserve
- Leveraging NRC investments to increase investment into the Northland economy
- Supporting and facilitating the development of new and enabling infrastructure such as UFB, roads, rail and water
- Managing projects on behalf of NRC at their request.

## 3. Supporting Maori Economic Development by

- Engaging with Maori to advance iwi, hapu and whanau aspirations for economic development
- Supporting the implementation of He Tangata, He Whenua, He Oranga
- Partnering with Maori in investment, business and economic development projects
- Working with and supporting Maori businesses with aspirations for growth.

## 4. Promoting the region and tourism by;

- Delivering a promotional programme to encourage investment and market development of Northland's strategic growth sectors

- Assisting with the development of infrastructure, products, services and sub-regional destinations which grow the value derived from visitors
  - Increasing regional spread, length of stay, expenditure and off-season travel
  - Implementing an Annual Tactical Marketing Plan for destination marketing, in conjunction with the national tourism organisations and the Northland tourism sector
  - Implementing the Twin Coast Discovery Revitalisation Project
5. Supporting the implementation of the Action Plan by;
- Facilitating and administering the Advisory Group
  - Leading a region wide implementation group
  - Providing Portfolio and Project management
  - Implementing projects led by Northland Inc

In undertaking these activities Northland Inc will seek to:

- achieve the objectives of its shareholders, both commercial and non-commercial as specified in this Statement of Intent;
- be a good employer;
- exhibit social and environmental responsibility.

## 7 Shareholders' funds

(Sec 9 (1) (d))

The Equity Ratio shall be 100% unless specifically authorised by the shareholder.

## 8 Accounting policies

(Sec 9 (1) (e))

The accounting policies that have been adopted are detailed in the company's 2014/15 Annual Report. A copy is included as **Appendix A**.

The Company is classified as a Public Benefit Entity (PBE).



## 9 Performance targets

[Sec 9 (1) (f)]

Key performance indicators are:

- Growth in Northland businesses engaged with Northland Inc<sup>1</sup> measured through an increase in:
  - Aggregate turnover by 5% per annum
  - 25% of RBP Active companies are research active
- Northland Inc Board recommendations made to the NRC Investment and Growth Reserve:
  - 1 project for debt or equity funding per annum; and
  - 1 project for impact investment funding per annum; and
  - 1 project partnering with Iwi, hapu and/or Maori collective organisations on economic development per annum
- Promotion of the region measured by
  - 10% annual increase in (Google Analytics) sessions on www.northlandnz.com per annum
  - Industry investment of \$300K per annum in regional promotion activity
  - An equivalent advertising value of \$15m per annum achieved from destination media coverage
- Implementation of the Action Plan measured by
  - Value of confirmed investment from outside the region into Northland projects
  - Projects / actions successfully completed
  - At least 5 new projects are added to the Action Plan per annum.

## 10 Distributions to shareholders

[Sec 9 (1) (g)]

No distribution to the shareholder is required during the 2015/16 financial year.

## 11 Information to be provided to the Shareholders

[Sec 9 (1) (h)]

Directors will formally report progress against the SOI to the NRC quarterly via a written report submitted within 6 weeks of the end of the 1<sup>st</sup> and 3<sup>rd</sup> quarters, and attendance at a Council meeting thereafter as per the NRC schedule dictates.

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 the shareholder an unaudited half year report containing at least:

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<sup>1</sup> Measured by business engagement data captured in CRM

- a Statement of Performance, Position and Cash flow as at the half year balance date
- financial forecasts for the full year and comparison to approve 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 the shareholder by 1<sup>st</sup> 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 the shareholder on or before the 30<sup>th</sup> 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 the shareholder an audited Annual Report which meets the requirements of Sec 68 and Sec 69 of Part 5. In addition the Director's 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.

## 12 New entries, acquisitions and sales

[Sec 9 (1) (i)]

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.

## 13 Activities for which local authority funding is sought

[Sec 9 (1) (j)]

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.

## 14 Estimate of the commercial value of the shareholders' investment

[Sec 9 (1) (k)]

The Directors' forecasted estimate of the commercial value of the Shareholders' investment in Northland Inc at 30 June 2016 is \$10,000 and is equal to the Shareholders' equity in Northland Inc. Reassessment of the value of this shareholding shall be undertaken by 30 June each year.

The business should be viable (have a positive net worth) by the end of each financial year.

## 15 Any other matters

[Sec 9 (1) (l)]

The NRC is required to hold a confidential Council meeting at Northland Inc's request to discuss any matter which is considered commercially sensitive. Northland Inc has the ability to submit formal reports into the confidential agenda of any such meeting.

## 16 Financial Information

[Sec 9 (3)]

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 Directors have elected to apply PBE SFR-A (PS) Public Benefit Entity Simple Format Reporting - Accrual (Public Sector) on the basis that the Company does not have public accountability (as defined) and has total annual expenses of less than \$2 million. All transactions in the financial statements are reported using the accrual basis of accounting.

The financial statements are prepared on the assumption that the Company will continue to operate in the foreseeable future.

#### **Tier 2 PBE Accounting Standards applied**

The Company has not applied any Tier 2 Accounting Standards in preparing its financial statements.

#### **CHANGES IN ACCOUNTING POLICIES**

This is the first set of financial statements prepared using the new PBE SFR-A (PS) standard, and comparative information for the year ended 30 June 2014 has been restated to comply with the new standard. The significant adjustments arising on transition to the new standard are provided in note 23.

## Appendix B: Prospective Statement of Financial Performance

### NORTHLAND INC Forecast Prospective Statement of Financial Performance

Income	2016/17	Forecast	2017/18	Forecast	2018/19	Forecast
NRC Opex		1,198,212		1,227,481		1,258,977
NRC I & G		200,000		200,000		200,000
NRC Regional Promotions		410,500		410,500		-
Twin Coast Revitalisation		150,000		-		-
NRC Share Space (Orchard)		70,000		-		-
WDC		105,000		105,000		105,000
FNDC & KDC		65,000		65,000		65,000
NZTE & CI		339,531		339,531		339,531
Project Income		79,000		79,000		79,000
MBIE (Orchard)		70,000		-		-
Orchard Income		81,784		119,086		145,057
MBIE (Action Plan)		60,000		60,766		-
<b>Total Income</b>		<b>2,829,027</b>		<b>2,606,364</b>		<b>2,192,565</b>
<b>Less</b>						
Programme Expenditure	987,205		809,776		503,292	
Salaries	1,310,917		1,302,679		1,217,679	
Overheads	520,905		483,909		461,594	
<b>Total Expenditure</b>	<b>2,819,027</b>		<b>2,596,364</b>		<b>2,182,565</b>	
<b>Total Net Surplus</b>		<b>\$ 10,000</b>		<b>\$ 10,000</b>		<b>\$ 10,000</b>

Notes

FNDC & KDC funding unconfirmed

Income across the 3 years reflects the project funding from NRC and others which impacts on programme expenditure, salaries and overheads

The Orchard receiving 1off funding from MBIE and NRC, TCDH funding included in 2017, Regional Promotions funding to June 2018

The Action Plan has 1 year confirmed funding from MBIE with the likelihood of 2 years, this is covering 50%of personal costs

Orchard income & expenses as per Orchard proposal