

Northland Regional Council

Future Requirements from Northland Regional Council Community Trust



April 2008

Introduction

- ❖ Review commissioned by Northland Regional Council
- ❖ Driven by Regional Council recognising the interrelationships between, and impact, that the economy and regional infrastructure have on the environment
- ❖ Recognition of the past and current contributions of NRCCT, Enterprise Northland and Destination Northland to the region
- ❖ Recognition that Enterprise Northland and Destination Northland have both been leaders in initiatives later adopted by government agencies and other regions



Purpose of the Review

- ❖ The emphasis of the review has been to understand the organisation and how it will need to change to meet the future needs of Northland Regional Council

- ❖ This review has been undertaken using two key consulting principles
"We are where we are"

Our culture demands we look forward to how improvements will assist stakeholders rather than look back to apportion blame for strategies or operational activities that may have been sensible at the time of implementation but, as a result of circumstances, are no longer appropriate.

"We are not here to judge the competence of any staff member"

We feel that competency is generally a management issue and investigations into this involve completely different processes than those we have used on this review.



Terms of Reference

Key Outcomes

- ❖ Definition of successful economic development for Northland and measures/indicators of success
- ❖ Objectives for Northland Regional Council to enable economic development
- ❖ Recommendations on ownership, governance structure and organisation form and structure
- ❖ Recommendations on operational and financial sustainability



Supporting Information

- ❖ Contributing parties to the report are
 - Morrison Low
 - Malcolm Morrison
 - Sue Davidson
 - Julie Clausen
 - Dr Paddy Austin
 - Covec Consulting

- ❖ We would like to thank the Board of Trustees of NRCCT and the staff of Enterprise Northland and Destination Northland for their contributions



Executive Summary



Key Findings and Recommendations

- ❖ The findings and recommendations focus on:
 - Governance
 - Separation of strategy and delivery functions
 - Economic indicator reporting
 - Funding assurance
 - Focus on delivery outcomes and outputs by Enterprise Northland and Destination Northland
 - Organisational form
 - Businesses case and project management
 - Interaction with stakeholders
 - Operational efficiency

Background



Background Ownership

- ❖ NRCCT was formed in 1996 with a capital fund of \$11.8m
- ❖ NRCCT is governed by the original Trust Deed 1996, as amended in 21 March 2001, and November 2005
- ❖ Objective of Trust to be delivered by

“promoting and encouraging the development of vibrant economy that creates wealth and jobs and provides choices and opportunities for people to live, work and invest in Northland while recognising the value of its unique environment for present and future generations.”
- ❖ 1996/7 Northland Regional Tourism Strategy developed and resulted in Destination Northland being formed
- ❖ 1999 promotion of economic development by central government resulted in Enterprise Northland being formed

Background

Governance Structures and Reporting

- ❖ NRCCT Board of Trustees – allows for 5 to 12 trustees, currently 7
- ❖ Statement of Intent prepared annually between NRC and NRCCT Board
- ❖ NRCCT provides a quarterly performance report to NRC Council meeting
- ❖ NRCCT reports to District Councils on quarterly basis at respective Council meetings
- ❖ NRCCT reports to industry groups on a regular basis
- ❖ Enterprise Northland Business Plan based on “wheel of growth” framework
- ❖ Destination Northland prepares an annual Business and Marketing Plan



Background

Key Strategies and Initiatives

The key strategies are:

- ❖ Regional Tourism Strategy – updated in 2003 and currently being reviewed
- ❖ Strategy for Economic Development of Northland – updated in 2006/07
- ❖ Inwards Investment Strategy – developed in 2007

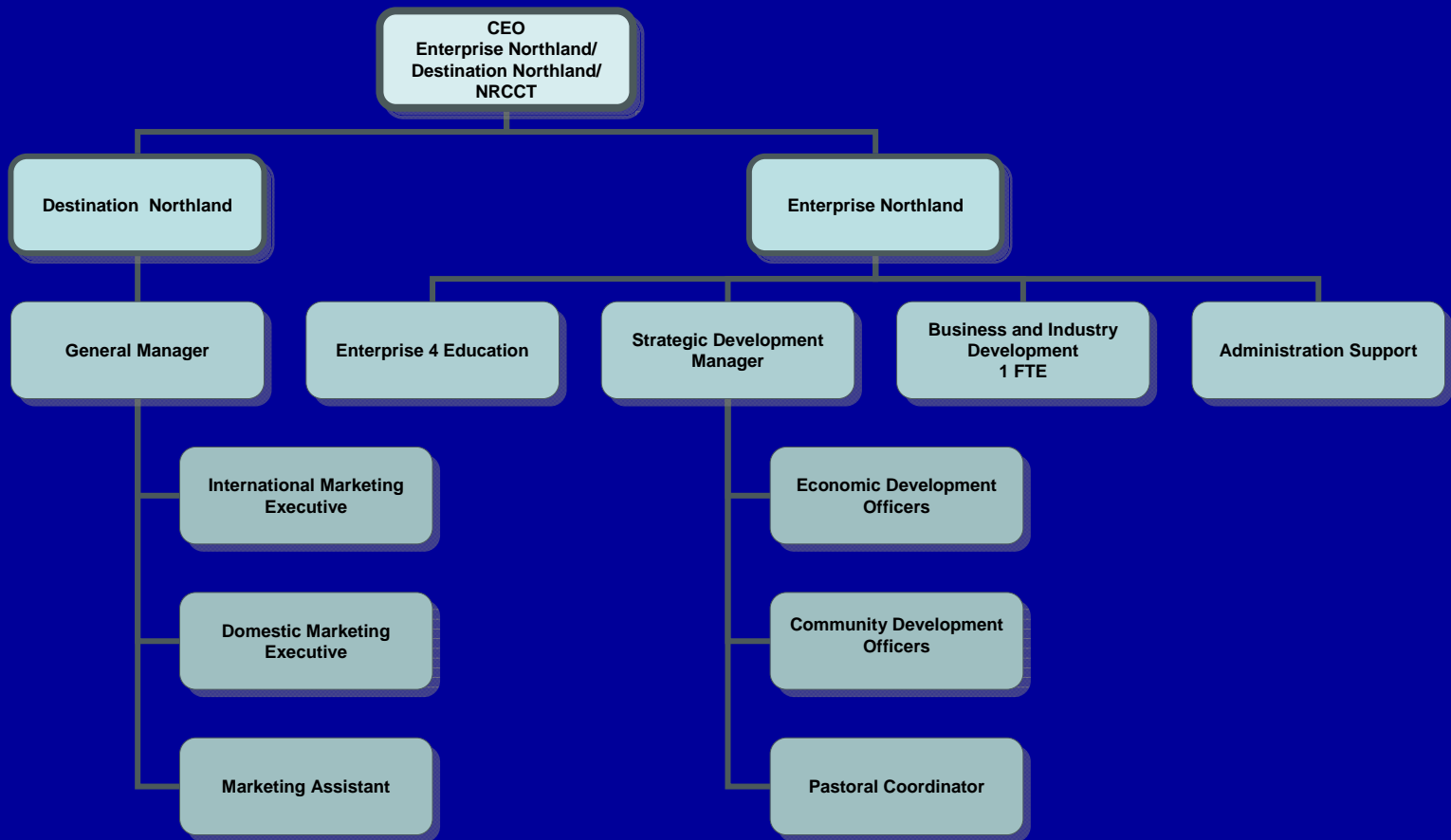
The major initiatives are:

- ❖ Education 4 Enterprise
- ❖ Activate Northland – Major regional initiative
- ❖ Ship Projects NZ – Major regional initiative
- ❖ Business and Industry development
- ❖ Economic Development Officers – supported by TA's
- ❖ Community Development – supported by the Ministry of Social Development
- ❖ Proposal for maintaining and growing visitor numbers



Background Operational Form

21 FTE staff



local government

future requirements from nrcct

Background Financial Information

- ❖ Total Assets/Equity at 30 June 2007, \$12 million
 - Working capital \$0.13 million
 - Investment fund \$11.9 million
- ❖ Annual Income 2006/07, \$2.4 m
 - Local Authority Grants approx \$0.3 million
 - TA's \$1 per head contribution to Destination Northland
 - TA's \$0.5 per head contribution to Enterprise Northland
 - TA's contribution for Economic Development officer salary
 - NRC annual grant
 - Income from the investment fund approx \$0.6 to \$2 million
 - External funders income for specific projects and employees approx \$1.5 million
- ❖ Annual Expenditure 2006/07, \$2.9 m
 - Employee costs funded by NRCCT not externally funded approx \$0.5 million
 - Operating costs approx \$0.4 million
 - Externally funded project and employees approx \$1.9 - \$1.8 million



Functions of an Economic Development Agency



Economic Development Functions

Definition of Economic Development

- ❖ The NRCCT Trust Deed does not define Economic Development
- ❖ We have formulated this definition based on a number of sources:
(World Commission on Economic Development, Ministry for Economic Development NZ)
Economic development is a way of thinking that creates the opportunity for businesses, local and central government and communities to promote initiatives that add to the development of the region's inherent strengths to achieve the region's vision.

This is reflected in the vision statement in the Strategy for Economic Development for Northland

"A vibrant economy that creates wealth and jobs, and provides choices and opportunities for people to live, work and invest in Northland, whilst recognising the value of its unique environment for present and future generations."



Economic Development Functions International Models

Key success factors in the international models

- ❖ Clear definition of direction by Central Government agency (Irish experience)
- ❖ The role of Council is to provide vision and long-term strategic direction (Local Government Association of Queensland)
- ❖ Establishment of an economic strategy by the governing Council (Latrobe City, Victoria)
- ❖ Focused separate unit for economic development delivery (Latrobe City, Victoria)
- ❖ The role of the economic development unit is to use its own tools and capabilities, leverage additional resources, mobilise external influences and generate partnerships to facilitate activity that will lead to successful Economic Development (Local Government Association of Queensland)



Economic Development Functions

Economic Indicators

- ❖ Indicators measure the performance of the region as a whole – not necessarily the success of the Economic Development Strategy
- ❖ Indicators should focus on key outcomes in the Economic Development Strategy for Northland
 - Growth of the economy
 - Change in scale and shape of business profile
 - Transfer of wealth
- NRCCT commissioned NZIER to develop “Economic Indicators for Northland Region” and establish base measures for 2006/07 that focus on these key outcomes



Governance



Governance Structure

NRC governance is provided by:

- NRCCT Trust Deed
- Appointment of Trustees
- Shareholder Representation Group
- Statement of Intent



Governance Findings

- ❖ NRC now views Economic Development as a key platform for the long term sustainability of the region, and this is a major shift from the previous environmental focus
- ❖ The Trust has operated without a great deal of guidance from its owners and this has contributed to the less than strong relationship between the shareholders and NRCCT Board
- ❖ There is no active Shareholder Representation Group to provide direction to the NRCCT Board
- ❖ The Statement of Intent is focused on macro economic indicators
- ❖ The Statement of Intent does not define the nature and scope of activities to be undertaken or define how the measures of success will be monitored
- ❖ Process for appointment of trustees is not at the sole discretion of NRC (the owner)
- ❖ Quarterly reporting to NRC Council is focused on economic indicators and trends rather than NRCCT performance
- ❖ Perception that improvements in economic indicators are attributable solely to the activity of NRCCT, Enterprise Northland and Destination Northland



Recommendations on Governance

- ❖ NRC to review the Trust Deed and amend to reflect direction now being provided by NRC
- ❖ NRC to exercise control over decisions for the selection and appointment of trustees
- ❖ NRC to ensure the SOI is redrafted to contain the means for NRC to provide direction on the outcomes and outputs of NRCCT, Enterprise Northland and Destination Northland
- ❖ NRC to ensure the SOI includes performance measures for NRCCT, Enterprise Northland and Destination Northland that are directly controllable and measurable by NRCCT
- ❖ NRC to actively liaise with Enterprise Northland to ensure Enterprise Northland, the District Councils and the Regional Council all work together with external parties to ensure all parties are jointly contributing to the success of the region

Recommendations on Governance

- ❖ The Shareholder Representative Group to be established and regular meetings held with Representatives from NTCCT
- ❖ Trustees to be selected on the basis that the trustees' skill mix matches the requirements for the Trust to be governed efficiently and effectively
- ❖ In the long term, the number of trustees be limited to five
- ❖ Trustees to be remunerated in line with the market rate for their technical and board expertise
- ❖ Trustees be required to liaise frequently and openly with NRC, District Councils, industry groups and community stakeholders



Strategy and Long Term Direction



Findings in relation to Economic Development Strategy

- ❖ Currently the development of the strategy and the monitoring of the delivery of strategy outcomes lies with Enterprise Northland
- ❖ Activities undertaken by Enterprise Northland do not necessary provide the optimum platform for the success of the outcomes desired
- ❖ There appears to be no formal process in place for the co-ordination and reporting on the achievement of the key goals and outcomes that were identified in the Strategy for the Economic Development for Northland



Recommendations on Strategy

- ❖ NRC should be the driver of the long term direction and strategy for Economic Development
- ❖ NRC to collaborate with NRCCT and Enterprise Northland on the formulation of the strategy
- ❖ A key benefit of this will be the strengthening of the relationship of the strategy with NRC's planning documents and policy statements
- ❖ NRCCT, Enterprise Northland and Destination Northland should be responsible for the identification of the initiatives that they can facilitate that support the strategy and for the implementation of those initiatives
- ❖ A single agency should work with all lead agencies to ensure they take ownership of the Strategy and contribute towards the outcomes and as NRC has the Regional Outcomes framework already in place (LTCCP process) which requires NRC to facilitate liaison with all lead agencies in Northland, NRC should take on this role



Reporting on Regional Economic Indicators

Findings

- ❖ Reporting provided by Enterprise Northland is a series of statistics with no economic analysis or commentary on the drivers for the change in the indicators
- ❖ Current report content is not aligned to the format proposed in the NZIER Economic Indicators for Northland, nor to the key intervention goals of the Strategy for the Economic Development of Northland

Recommendation

- ❖ That NRC provides the Regional Economic Indicator information as a shared service to all parties interested in the region
- ❖ Reporting to be based on the measurement of the indicators of the key intervention goals
- ❖ Reporting to include analysis of the economic trends and drivers



Funding Assurance



Funding Assurance

Findings

- ❖ The level of annual funding varies in accordance with the returns received from the capital fund and grants from Councils and external funding sources

Recommendation

- ❖ NRC assumes responsibility for the management of the capital investment fund and consolidates the fund with its other investments
- ❖ An agreed level of funding is provided by NRC to NRCCT via a formal contract for service for at least a three year period
- ❖ The contract will be determined in consultation with NRCCT and be on the basis of the outcomes and outputs agreed in the SOI
- ❖ NRC as the Shareholder (rightly) owns the risk of the future-proofing of the fund and ensuring long term sustainable returns



*Functions of NRCCT,
Enterprise Northland and
Destination Northland*



Findings in regard to NRCCT, Enterprise Northland and Destination Northland

- ❖ Activities are driven by available funding rather than the Strategies or Business Plan
- ❖ The Business Plan does not contain outputs and output measurements, resource requirements, risks, assumption and key constraints
- ❖ There appears to be no structured project management approach used in the management of initiatives, projects and activities
- ❖ Some activities are undertaken without a business case or an assessment of the “value and leverage” generated by the activity and unclear linkage to the strategic outcomes
- ❖ There appears to be a lack of co-ordination between the activities of Enterprise Northland and Destination Northland, and co-ordination of activities within Enterprise Northland
- ❖ Destination Northland appears to be focused solely on tourism rather than the promotion of Northland as a place to work, invest and visit

Recommendations for NRCCT

- ❖ NRCCT to assess the project plan/business case for each initiative, activity and project, and determine if it should be included in the Annual Business Plan
- ❖ NRCCT to be responsible for the development and successful implementation of the Business Plan
- ❖ NRCCT to ensure the Business Plan and individual project plans/business cases have clear outcome and output measures – including budgets and key performance measures
- ❖ NRCCT to be responsible for reporting on the SOI and Business Plan to NRC
- ❖ In the long term, NRCCT should ensure the initiatives are handed over to industry and educational sectors for ongoing funding and management
- ❖ In liaison with NRC, NRCCT to publicly lead liaison with, and reporting to, Councils, industry groups and funders



Recommendations for Enterprise Northland and Destination Northland

- ❖ Enterprise Northland focus on the use of its own tools and capabilities, leverage of additional resources, mobilisation of external influences and generation of partnerships to delivery on the initiatives identified in the Business Plan
- ❖ There should be defined areas of focus such as:
 - Industry support for sectors to attract new businesses and expand existing businesses
 - Building community capacity
 - Building entrepreneurial capacity
 - Building small business capacity
- ❖ Destination Northland be focused on the promotion of Northland as a place to work, invest and visit rather than the currently narrower tourism focus



Form and Operational Performance



Operational Form

- ❖ Current organisational structure is a hybrid of activity and outcome areas

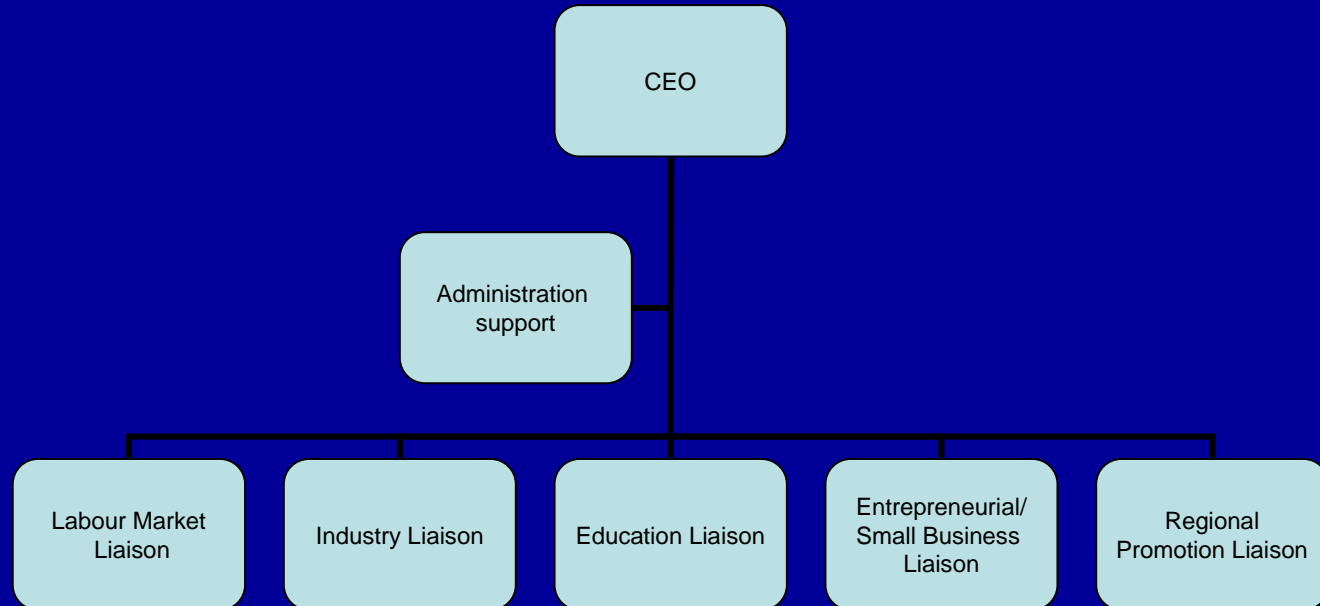
Recommendations:

- ❖ Core staff should consist of the CEO and Project Liaison Officers
- ❖ Project liaison officers
 - liaise and co-ordinate stakeholder groups for specific projects
 - develop project plans for each project
 - secure funding sources for the projects
 - provide the ongoing management and reporting on the projects
- ❖ Additional project staff should only be employed on contract, once the funding for the project is secured



Suggested Organisational Structure

- ❖ Organisational structure is based on key focus areas
- ❖ Destination Northland becomes one of the focus areas rather than a separate identity



Financial Sustainability

Findings

- ❖ Financial systems are basic and it is difficult to produce a report on the revenue and expenditure for each project or a total project report
- ❖ Overheads are not allocated to projects for funding
- ❖ Budgeting and cost review controlled by CEO rather than by project managers
- ❖ Management reports excluded “in-kind” funding and therefore it is difficult to gain a full understanding of the total financial support of an initiative
- ❖ The contribution by District Council based on per head is not aligned to the benefit received by the District Council

Recommendations:

- ❖ A standard template is developed that is used to capture all revenue and costs and then feeds into the monthly management reports
- ❖ Responsibility for financial management of projects to be assigned to project liaison managers
- ❖ Funding contribution model from District Councils reviewed

Business Case and Project Management

- ❖ It appears that efficiencies could be gained from the development of a standard business case template that could be modified as required to meet external funder requirements
- ❖ All projects, activities and initiatives should be managed within a Project Management framework and a standard project management template and reporting framework developed



Operational Efficiency

- ❖ It appears that efficiencies could be gained from shared services with NRC in the areas of:
 - Economic Indicator information
 - Co-location of premises
 - Information Technology network, hardware, software and support services
 - Financial transaction services
 - Administration, receptionist and secretarial resource
 - Specialist support such as communication, publication, human resources and OH&S



Long Term Vision



Long Term Vision

The vision for Northland's Economic Development Agency should be:

- ❖ Within two years
 - Focus on delivery of initiatives rather than strategy development
 - Increased focus on
 - Strong relationships with key industry groups
 - University/technical Institute partnerships
 - Entrepreneurial capacity
 - Small business support
 - Improved operational efficiency
 - A number of "seed funded" initiatives commenced
- ❖ Within five years
 - Initiatives in place and being transitioned to involved parties
 - Secured funding streams for ongoing programmes
- ❖ Within 10 years
 - Initiatives transferred to industry groups or involved parties
 - Identification of new focus areas



local government
procurement
alliance partnering
long term financial plan
asset management
waste management
governance
financial/feasibility modeling
economic development

