



**NorthlandInc**

Growing Northland's Economy

Kia tupu ai te ōhanga o Te Tai Tokerau

# Statement of Intent

2018/19 – 2020/21

## Table of Contents

1	Message from the Board .....	2
2	Introduction .....	2
3	Context .....	2
4	Northland Inc Vision, Mission and Objectives .....	5
5	Governance Approach .....	5
6	Nature and scope of activities to be undertaken .....	6
7	Shareholders' funds .....	8
8	Accounting policies .....	8
9	Performance targets .....	9
10	Distributions to shareholders .....	10
11	Information to be provided to the Shareholders .....	10
12	New entries, acquisitions and sales .....	10
13	Activities for which local authority funding is sought .....	10
14	Estimate of the commercial value of the shareholders' investment .....	11
15	Any other matters .....	11
16	Financial Information .....	11



## **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, a reporting entity for the purposes of the Financial Reporting Act 1993 and a subsidiary of NRC. Northland Inc is a council-controlled organisation as defined under Section 6 of the Local Government Act 2002, by virtue of the NRCs right to appoint the Directors.

The primary objective of Northland Inc is to provide regional economic development services for the community that provide a social benefit rather than making a financial return. Accordingly, Northland Inc is 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 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 NRC. The 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 for Northland Inc and defines the key performance indicators (KPIs) 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 Government's Regional Business Partnership (RBP).

Northland Inc works with a number of strategically important organisations and institutions in Northland and across the public and private sectors with a common purpose 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 also provide strategic context for Northland Inc's work.

A new policy development within Central Government is the development of the Provincial Growth Fund – which is intended to lift productivity potential in the provinces. Its priorities are to enhance economic development opportunities, create sustainable jobs, enable Māori to reach their full potential, boost social inclusion and participation, build resilient communities, and help meet New Zealand's climate change targets.

It is exciting times as central government focuses on the regions but it is also clear that the policy settings within which Northland Inc operates are likely to continue to evolve.

### **Action Plan: Regional Outcomes (10-year horizon to 2028)**

High level outcomes for the region

- Real Gross Domestic Product (GDP) grows by 16% from \$5.7B to \$6.6B (\$2010 prices) by 2020
- Rate of Māori unemployment declines from 18% to 10% by 2025
- Rate of youth not in employment, education or training (NEET) declines from 18% to 12% by 2020
- Average weekly income for working age population (aged 20-64) grows by 20% from \$747 to \$900 by 2020
- Average weekly income for Māori aged 20-64 grows by 20% from \$661 to \$790 by 2020

Enablers

- Increase in end users connected to Ultra-Fast Broadband (fibre internet)
- Increase in volume of traffic on Northland roads
- Decrease in number of transport related accidents per capita
- Increase in Northland's 18 year olds who hold an NCEA Level 2 qualification or equivalent (Outcome for Northland Māori / Non-Māori)

Land and Water

- Farms are performing at a level equal or better than national averages
- Two-thirds of Northland's forestry production is processed in Northland by 2025

Visitor Industry

- Guest nights rise by 25% from 1.75m to 2.2m by 2020
- Guest nights in the off-peak season (May to September inclusive) increase by 30% by 2020
- Total visitor spend in Northland increases by 25% from \$0.92B to \$1.15B by 2020

Specialised manufacturing and services

- Sustained growth in GDP per annum for specialised manufacturing
- Employment in specialised manufacturing and services increases year on year

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 companies in the RBP programme that are research active), 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 'decrease in number of transport related accidents') where Northland Inc will provide a support role. The following sections explain how these medium outcomes have been filtered into shorter term objectives (three years) and how they guide the nature and scope of activities that Northland Inc undertakes.

### **NRC Long Term Plan**

The NRC's 2018 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 NRC wishes to take in making a meaningful contribution to the region. A number of these are relevant to guiding Northland Inc's objectives, approach and activities.

Community outcomes refer to the outcomes that the NRC aims to achieve; 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))

### 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 2018-2021

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

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.

### 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, Māori Economic Development, Regional Promotion and Tourism, and the Tai Tokerau Northland Economic 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))

The Board will effectively represent and promote the interests of the shareholder by seeking to fulfil its mandate as described above.

The Board will discharge their duties in accordance with the Board Charter.

The Board will promote the development of the management structure through delegation of responsibilities and authority to Northland Inc's management team.

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.

The Board will familiarise itself with the issues of concern to the shareholder through regular interaction with the shareholder.

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 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
  - Increasing productivity through stronger use of local and international expertise
  - Transfer specialist knowledge to improve intellectual property opportunities in Northland through a business events programme
  - Supporting the Landing Pad Programme to develop investor and investee opportunities
  - Support access to a range of capital support mechanisms for Northland businesses
  - Expansion of The Orchard business and event hub for regional impact
  - Supporting and encouraging innovation in Northland businesses
  - Lead and co-ordinate the delivery of the Digital Enablement Plan
2. Supporting investment and infrastructure by:
  - Actively supporting and facilitating investment in strategic sectors in the Northland economy
  - Developing investment ready propositions
  - Diagnosis of investment opportunities

- Leveraging the Investment and Growth Reserve to increase investment into the Northland economy
  - Deal facilitation, deal monitoring and ongoing engagement (refer to BIG services)
  - Supporting and facilitating the development of new and enabling infrastructure such as UFB, roads, rail and water
3. Supporting Māori economic development by:
- Work across all of Northland Inc work programmes to take advantage of opportunities for Maori economic development
  - Engage with Maori to advance their aspirations in economic development
  - Work with, advocate for and support Maori businesses with their aspirations for growth.
  - Initiate partnerships with Maori to enable investment, business growth and completion of economic development projects.
  - Support the ICEC to establish a work programme to implement the tikanga based principles of 'He Tangata, He Whenua, He Oranga: the Taitokerau Maori Economic Growth Strategy'.
  - Ensure Maori organisations have opportunities for input and participation in relevant projects.
4. Promoting the region by:
- Delivering narratives which communicate the positive attributes of Northland to national and international audiences
  - Delivering a promotional programme to encourage investment and market development of Northland's strategic growth sectors
  - Identifying and assisting with the development of infrastructure, products, services and sub-regional destinations which grow the value derived from visitors
  - Increasing regional spread/dispersal, length of stay, expenditure and year-round visitation/seasonality
  - Co-ordinate, and where appropriate, lead the implementation of an Annual Tactical Marketing Plan for destination marketing, in conjunction with national tourism organisations and the Northland tourism sector
  - Ongoing leverage of the Twin Coast Discovery programme as a region wide development framework for tourism
5. Supporting the implementation of the Action Plan by:
- Leading a region wide Working Group
  - Portfolio and Project Management

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.

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

- Agriculture and Horticulture
- Digital
- Tourism
- Marine

## 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 2015/16 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:

Work programme area	Proposed measures and targets				
	How we will measure	2017/18 result	2018/19	2019/20	2020/21
Investment and infrastructure	Percentage of IGR business case decisions (by the Board) made within 90 days of receiving application	New measure	100%		
	Number of inward delegations hosted	New measure	4	4	4
	Investment recommendations are accompanied by a robust business case	New measure	100%		
	Number and value of high impact projects that are implemented	New measure	2	2	2
Business innovation and growth	Number of unique businesses assisted (by TA and industry)	225	230		
	Value of NZTE and Callaghan Innovation grant funding facilitated	\$1.5M	\$1.5M		
	Client satisfaction (as measured by Net Promoter Score)	New measure	75% (NPS 50)		
	Orchard occupancy rate	45%	60%	65%	70%
Regional promotion and tourism	visitor spend from target markets	New measure	\$1,052M	\$1,099M	\$1,146M
	Value of industry investment in regional promotion activity	\$340,408	\$350,000		
	Equivalent Advertising Value achieved from destination marketing	\$15M	\$16.5M		
	RTO Net Promoter Score	New measure	40		
Action Plan	Percentage of milestones completed	New measure	100%		
Māori economic development	Number of unique Māori businesses assisted (by TA and industry)	New measure	30		
	Number and value of high impact projects that are implemented	New measure	1	1	1
	Value of NZTE and Callaghan Innovation grant funding facilitated for Māori businesses	New measure	\$50,000		
	Client satisfaction (as measured by Net Promoter Score for Māori businesses)	New measure	75% (NPS 50)		

## **10 Distributions to shareholders**

(Sec 9 (1) (g))

No distribution to the shareholder is required during the 2018/19 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 six 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.

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:

- 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 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.

## **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 2017 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 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 in 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	2018/19	Forecast	2019/20	Forecast	2020/21	Forecast
NRC Opex		1,246,000		1,264,690		1,283,660
NRC Feasibility		300,000		300,000		300,000
NRC Regional Promotions		200,000		200,000		200,000
NRC Extension 350		200,000		100,000		100,000
WDC		105,000		105,000		105,000
FNDC & KDC		65,000		65,000		65,000
NZTE & CI		339,531		339,531		339,531
NIF		64,000		64,000		64,000
Website Income		27,000		27,000		27,000
International Marketing Group		37,500		37,500		37,500
Extension 350 Partner funding		426,500		393,500		336,700
Orchard Income		134,420		135,000		136,600
MBIE (Action Plan)		74,488		74,488		74,488
International Education partnership funding		70,000		-		-
Ecentre		48,000		48,000		24,000
<b>Total Income</b>		<b>3,337,439</b>		<b>3,153,709</b>		<b>3,093,479</b>
<b>Less</b>						
Programme Expenditure	1,169,900		1,040,500		984,200	
Salaries	1,628,044		1,570,044		1,568,044	
Overheads	539,206		542,308		540,074	
<b>Total Expenditure</b>	<b>3,337,150</b>		<b>3,152,852</b>		<b>3,092,318</b>	
<b>Total Net Surplus</b>		<b>\$ 289</b>		<b>\$ 857</b>		<b>\$ 1,161</b>

Notes

	2018/19	2019/20	2020/21
	NRC Regional Promotions funding not secured	NRC Opex & CIF funding not secured	NRC Opex & CIF funding not secured
	Action Plan funding from MBIE is likely	Action Plan funding from MBIE is uncertain	Action Plan funding from MBIE is uncertain
	Orchard income estimated	Orchard income estimated	Orchard income estimated
	Ext 350, Int Ed & Ecentre funding secured	Ext 350, & Ecentre funding secured	Ecentre funding reducing
	FNDC & KDC funding not secured	FNDC & KDC funding not secured	FNDC & KDC funding not secured