



**NorthlandInc**

Growing Northland's Economy

Kia tupu ai te ōhanga o Te Tai Tokerau

# Statement of Intent

2017/2020

## Table of Contents

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

## 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. Central Government's primary guiding documents for regional development are He Kai Kei Aku Ringa (strategy for Maori economic development), The Business Growth Agenda (BGA), and the Tai Tokerau Northland Economic Action Plan (Action Plan). He Tangata, He Whenua, He Oranga, developed by the Taitokerau Iwi CEOs Consortium, is the region's Māori economic development strategy; The RBP programme is the primary regional implementation mechanism for the BGA. A set of regional outcomes have been developed through the Action Plan that also provide strategic context for Northland Inc's work. The NRC Long Term Plan also provides a strategic context for Northland Inc's work. Together these are the two 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 Māori unemployment will have declined to 10% by 2025
- Māori 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 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 '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 (three 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 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))

Northland Inc is the Regional Economic Development Agency for Northland encompassing the roles and functions of the Regional Tourism Organisation and central government's 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 2017-2020

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

1. Lead, support and facilitate the implementation of the Tai Tokerau Northland Economic Action Plan.
2. Promote the establishment and development of infrastructure that underpins economic growth.
3. Attract and leverage investment in strategic sectors.
4. Use the NRC's Investment and Growth Reserve to catalyse and leverage regional economic development projects for Northland.
5. Promote Northland as a progressive and positive place to visit, do business and live.
6. Partner with Maori organisations to develop and implement economic development projects for the benefit of Northland.
7. Provide and facilitate business support services that enable Northland firms to grow.
8. Establish a high performing innovation ecosystem to increase innovation and entrepreneurship in Northland.

### 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))

- (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 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
  - Developing a range of capital support mechanisms for Northland firms
  - Expansion of The Orchard business and event hub for regional impact
  - Supporting and encouraging innovation in Northland firms through the establishment of a Regional Research Office.
  - Supporting the Digital Leaders Group to deliver 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
- 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
- Deal facilitation
- Supporting and facilitating the development of new and enabling infrastructure such as UFB, roads, rail and water
- Aftercare of investment projects

3. Supporting Māori economic development by:

- Work across all of NInc 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.
- Investigate proposals that initiate partnerships with Maori that 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
- 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
- Implementing 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:

- Facilitating and administering the Advisory Group
- 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.

## 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:

- Growth in Northland businesses engaged with Northland Inc<sup>1</sup> measured by:
  - An increase in Aggregate turnover by 5% per annum<sup>2</sup>
  - 25% of RBP Active companies are research active.<sup>3</sup>
  - The Orchard achieves 30% occupancy rate

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

<sup>2</sup> Measured by business engagement data captured in CRM

<sup>3</sup> Measured by business engagement data captured in CRM. Research active means businesses in the CRM that have an active R & D plan

- Generic investment proposals:
  - Development of 2 investment ready proposals
- Northland Inc Board recommendations made to the NRC Investment and Growth Reserve:
  - One project for debt or equity funding per annum<sup>4</sup>
  - One project for impact investment funding per annum<sup>5</sup>
- Promotion of Maori economic development measured by:
  - Two new projects partnering with Maori on economic development funded and underway
  - 30 active Maori Businesses in CRM
- Promotion of the region measured by:
  - Partner investment of \$300K per annum in regional promotion activity<sup>6</sup>
  - An Equivalent Advertising Value of \$15M per annum is achieved from destination marketing and media coverage<sup>7</sup>
  - 10% increase in traffic on our social media channels.
  - Website traffic growth exceeds growth in visitor spend by 10%
- Implementation of the Action Plan measured by:
  - Total value of investment in Action Plan projects
  - Projects, actions, milestones successfully completed

## 10 Distributions to shareholders

(Sec 9 (1) (g))

No distribution to the shareholder is required during the 2017/18 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 approved budgets
- commentary on progress to meeting performance targets and the expected year end position.

<sup>4</sup> As recorded in Northland Inc Board papers and minutes

<sup>5</sup> As recorded in Northland Inc Board papers and minutes

<sup>6</sup> Recorded through direct payments to Northland Inc for joint marketing activity undertaken and or payments made to contracted companies for website, media, print material

<sup>7</sup> EAV as recorded through media publication results from Northland Inc and or tourism NZ supported activity.

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 Directors have elected to apply Tier 3 PBE Simple Format Reporting - Accrual (PSFR-A) on the basis that the company is not publicly accountable and although in the current financial year expenses have exceeded \$2m, Northland Inc may continue to report in accordance with Tier 3 for this annual reporting period and the following.

All transactions in the financial statements are reported using the accrual basis of accounting.

The financial statements are prepared under the assumption that Northland Inc will continue to operate as a going concern 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**

There have been no changes in accounting policies. All accounting policies have been applied on a basis consistent with those used in previous years.

## Appendix B: Prospective Statement of Financial Performance

### NORTHLAND INC Forecast Prospective Statement of Financial Performance

Income	2017/18	Forecast	2018/19	Forecast	2019/20	Forecast
NRC Opex		1,227,481		1,258,977		1,291,281
NRC I & G		200,000		200,000		200,000
NRC Regional Promotions		410,500		-		-
NRC Extension 350		250,000		200,000		100,000
NRC TCDH		199,945		-		-
WDC		105,000		105,000		105,000
FNDC & KDC		65,000		65,000		65,000
NZTE & CI		339,531		339,531		339,531
NIF & Website Income		79,000		79,000		79,000
Exextension 350 Partner funding		296,500		461,700		478,700
Orchard Income		118,420		118,420		118,420
MBIE (Action Plan)		66,486		66,486		-
<b>Total Income</b>		<b>3,357,863</b>		<b>2,894,114</b>		<b>2,776,932</b>
<b>Less</b>						
Programme Expenditure	1,441,335		957,200		879,200	
Salaries	1,416,134		1,431,711		1,386,360	
Overheads	499,635		504,631		509,677	
<b>Total Expenditure</b>	<b>3,357,104</b>		<b>2,893,542</b>		<b>2,775,237</b>	
<b>Total Net Surplus</b>		<b>\$ 759</b>		<b>\$ 572</b>		<b>\$ 1,695</b>

#### Notes

2017/18

FNDC & KDC funding has not been received for the last two years and is offset against unallocated expense in sectors

Regional Promotions funding to June 2018, Extension 350 funding over 5.5 years in total

The Action Plan has 17/18 year confirmed funding from MBIE with the likelihood of further 1 year

Estimate of Orchard licensee income, no further funding from NRC or MPI

Extension 350 income secured

Salaries increase in 17/18 reflect the new staff for the Extension 350 project

2018/19

No Regional Promotions funding or expenditure secured

Action Plan funding from MBIE is likely

Orchard income estimated as static until full year is known

2019/20

Action Plan funding from MBIE is uncertain offset against reduction in salaries

