

Regional Economic Development – Joint Delivery Model

Meeting: Council Briefing
Date of meeting: 1 July 2020
Reporting officer: Jason Marris, General Manager Transformation and Engagement

Purpose/Ngā whāinga

To discuss a joint delivery model for economic development in Northland to be in place from the 2021/22 financial year.

Context/Horopaki

In 2017, MartinJenkins completed a review of economic development activities carried out jointly by the four Northland local authorities.

A key recommendation of this review was that Northland Inc (NInc), currently a council-controlled organisation (CCO) that is 100% owned by the Northland Regional Council (NRC), transition to become a CCO jointly owned and governed by all four Northland local authorities. The full report and summary of the MartinJenkins review is available online at <https://www.nrc.govt.nz/your-council/economic-development/northland-inc/>.

The Northland Mayoral Forum and Chief Executives have subsequently been developing the most appropriate form and structure of a possible joint ownership model, considering factors such as the current and potential levels of funding able to be provided. This process has also included feedback sought from respective councils' governance through the Northland Forward Together forum.

At its meeting on 24 February 2020, the Mayoral Forum endorsed the proposed regional economic development service delivery model set out in detail in **Attachment One**, which was prepared as a standard agenda paper to be used by each council for endorsement. A high-level summary of the proposal is also provided in **Attachment Two**.

Discussion/Ngā kōrerorero

The proposal recommends that NInc becomes a Joint Regional CCO and the economic development delivery arm of all of the Northland councils. The attachments cover the rationale for joint ownership, the key costs and risks. They also set out a two-stage process: an initial enhanced model in 2020/21 that then moves to joint ownership from 2021/22 onwards after a process of public consultation as part of the 2021/2031 Long Term Plan (LTP).

Stage 1 – 20/21 Annual Plan

The Mayoral Forum recommended that increased funding for NInc from all of Northland's councils should be provided for in the 20/21 financial year, in return for an opportunity to have input into the development of NInc's Statement of Intent for 2021-2024 and the appointment of Directors.

Kaipara District Council's (KDC) suggested funding level of \$25k for NInc has been included in the 20/21 Annual Plan, adopted at the June council meeting.

KDC will need to appoint a representative to a formal appointment board for the next financial year to provide the desired input.

Stage 2 – Regional Joint CCO

What is a CCO?

A CCO is a separate organisation that council(s) can set up to undertake particular activities on their behalf. For the organisation to be a CCO, council(s) must control 50 per cent or more of the voting rights or appoint 50 per cent or more of the directors.

Under the CCO model, each CCO;

- operates at arm's length from the council(s)
- must implement the strategic direction set by the council(s) as its shareholder
- has an independent board that is accountable to the council(s) for the CCO's performance
- is a separate legal entity, with directors being responsible for overseeing the management of the business.

The role of the Council(s) in this model are typically:

- developing plans and strategies that CCOs must give effect to
- appointing and removing directors (including chairs)
- determining board member remuneration
- commenting on the content of draft statements of intent
- approving final statements of intent
- monitoring the performance of CCOs (including board performance)
- taking decisions as shareholder (e.g. approving a major transaction under the Companies Act or the council's Significance and Engagement Policy)

The ability to set up a CCO is provided for by the Local Government Act (2002). A Special Consultative Procedure is required to create a CCO to ensure that the community has input into the process. The LTP provides an opportunity to enable this consultation and decision-making.

The proposal

Attachment One provides the detail and rationale to the proposal to create a Regional Joint CCO.

In summary:

- a six-year transitional funding period is being proposed for affordability
- The transitional period aims to achieve a funding split of 60% from NRC and 40% from District Councils by year six
- District Councils will be responsible for 40% of the funding needed over that transitional six-year period
- Funding contribution is proportional based on district population reviewed every LTP cycle. During the transitional period, KDC's contribution would move from 1% in 2021/22 to 5% in 2026/27. It is estimated that contributions would be as follows:

Financial year	KDC contribution*
2021/22	\$29k
2022/23	\$61k
2023/24	\$89k
2024/25	\$121k
2025/26	\$149k
2026/27	\$180k

*2% inflationary adjustment included

- Each council would have equal shareholding
- A formal joint committee of the councils would be created to oversee the CCO. Decision-making would be by consensus and if consensus could not be reached, voting would be weighted proportional to funding provided. When approving the proposal, the NRC suggested that each council provides two appointed representatives instead of the proposed one
- A Shareholders agreement between the four councils is proposed to govern the relationship and develop a joint Statement of Intent as well as any service agreements.

Next steps/E whaiake nei

At its 16 June council meeting, the NRC endorsed the recommendations from the Mayoral forum. Far North District Council (FNDC) will address the paper at their 25 June Council meeting and Whangarei District Council (WDC) at its 15 July meeting. It is also planned to be an item at the 28 July Northland Forward Together Strategic Workshop.

For KDC, following discussion today it is anticipated that a decision item will be brought to the 29 July Council meeting. This report will also include the appointment of a representative to the Appointment Board for the next financial year.

If approved at that meeting, staff will then incorporate consultation with the community on the Joint CCO in the consultation document and financials, as part of the LTP.

A region-wide staff project team has also been formed and if all Council's approve the proposal, will work together to ensure consistency of message, timing and delivery of the work required.

Attachments/Ngā tapiritanga

	Title
A	Standard agenda item: Regional Economic Development
B	Regional Economic Development: Plan on a page