

Long Term Plan 2021/31: Regional Economic Development

Meeting: Kaipara District Council
Date of meeting: 29 July 2020
Reporting officer: Jason Marris, General Manager Engagement and Transformation

Purpose/Ngā whāinga

To approve in principle the creation of a joint delivery model for economic development in Northland subject to consultation with the community as part of the Long Term Plan 2021/31 (LTP).

Executive summary/Whakarāpopototanga

The Mayoral and Chief Executives Forum have been progressing the option of converting Northland Inc. (NInc) from a Northland Regional Council (NRC) Council Controlled Organisation (CCO) to a Joint Regional CCO of all Northland's Councils. This is in line with a recommendation from a 2017 MartinJenkins review of economic development in Northland.

The Mayoral forum endorsed the proposal to be assessed by each Council and it was presented to the 1 July public council briefing for discussion. The proposal provides a two stage approach. The first stage, including funding of \$25k for NInc in the 20/21 Annual Plan, has already been approved by Council.

The second stage is a six year transition funding model where KDC provides funding for NInc from \$29k in 21/22 to \$180k in 2026/27. After this transition, the funding model for NInc will equate to 60% funding from NRC and 40% funding from District Councils. For District Councils, allocation is proportional based on population in each district. The KDC proportion is currently 13%.

Governance will be via a joint regional shareholders committee with consensus decision-making. Shareholding will be equal for each council. Essentially, KDC will invest 13% of the funding to gain equal shareholding of the CCO.

Before a CCO can be created, consultation is required with the community. This report seeks approval to consult with the community as part of the LTP in early next year.

The report also seeks support to commence development of a Regional Economic Development Strategy for inclusion in the LTP.

Recommendation/Ngā tūtohunga

That the Kaipara District Council:

1. Supports the proposal (outlined in Attachment 1) for Northland Inc. to become a joint regional CCO;
 - a. with a formal joint shareholders committee to provide oversight,
 - b. with a funding arrangement that Northland Regional Council contribute 60% and Whangarei, Far North and Kaipara District Councils contribute 40%
 - c. with that funding arrangement achieved over a six-year time frame aligned to the 2021-2031 Long Term Plan Cycle
 - d. with public consultation to establish Northland Inc. as a joint regional CCO included and aligned to the 2021-2031 Long Term Plan
2. Supports, in principle, the development of a Regional Economic Development Strategy for inclusion in the 2021-2031 Long Term Plan Cycle, subject to scope, resources and funding.
3. Notes that recommendations 1 and 2 are subject to all of Northland's Council's agreement

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 NInc, currently a 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**.

A public briefing on the topic was held with Kaipara District Council (KDC) on 1 July. Direction was provided to bring this report to the July Council meeting to decide whether to include the Joint Regional CCO in the LTP consultation next year.

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 representation to a formal appointment board (or Joint Shareholders Committee) for this 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)
- 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)

The ability to set up a CCO is provided for by the Local Government Act 2002 (LGA). Consultation with the community 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 transitionary funding period is being proposed for affordability
- The transitionary 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 transitionary six-year period
- Funding contribution is proportional based on district population reviewed every LTP cycle. During the transitionary 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 shareholders 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

Regional Economic Development Strategy

The Martin Jenkins report also highlighted the lack of an overarching regional economic development plan that brings together Tai Tokerau Northland Economic Action Plan (TTNEAP), Northland Forward Together, He Tangata, Northland Councils Plans and Northland Inc. priorities. The aim should be for the strategy and plan to be more aspirational about the future of the region and to provide greater direction about how economic development activities will support the future vision.

The development of a regional strategy is estimated to be a two-year process, that will require external consultants together with funding and resources from Northland Councils. The development of the strategy should be led by Northland Councils, rather than Northland Inc. and

be completed under the Northland Forward Together umbrella. A scope of work, together with funding and resourcing requirements will need to be completed to inform the 2021-2031 Long Term Plan process.

Options

Option 1: Approve the proposal and consult with the community to convert NInc to a Joint Regional CCO. Note that the actual decision will be made as part of the LTP decision-making process following that consultation period. This is the recommended option.

Option 2: Not approve the proposal for consultation.

Table 1 provides the advantages and disadvantages from a KDC perspective of the proposal.

Table 1: Advantages and disadvantages of the proposal

	Option	Advantages	Disadvantages
1	Approve the proposal and consult with the community on the Joint Regional CCO	<ul style="list-style-type: none"> Allows staff to further prepare the proposal with some certainty of political commitment Provides the community opportunity to provide feedback Significantly strengthens inter-council coordination and alignment on regional economic development Provides additional funding for regional economic development beyond 20/21 KDC can take advantage of economies of scale and get better value for money (KDC funding 13% against a shareholding of 25%) Hub and spoke business model would provide presence in Kaipara CCO would operate at arm's length from Council 	<ul style="list-style-type: none"> CCO would operate at arm's length from Council Cost of delivery, implementation
2	Not approve the proposal	<ul style="list-style-type: none"> The funding could be made available for other uses 	<ul style="list-style-type: none"> Community has no input Reduces the chance of developing a joint council economic development delivery mechanism (it has taken three years to develop the current proposal) Reduces the likelihood of the development of a single coordinated Regional Economic Development Strategy KDC would have to make decisions on how to manage economic development for a fast-growing district in other ways NRC maintains complete control over Northland Inc. and allocation of funding

Policy and planning implications

A regional operational team consisting of staff members from all four councils has been formed to ensure that if all Councils support the proposal, appropriate planning is

undertaken, to enact the decisions. This is being brought to Council for decision now to ensure there is sufficient time to allow this planning and preparation to occur, for example, confirming wording in each Council's consultation document.

To date, the NRC and Far North District Council's (FNDC) have approved the proposal. The Whangarei District Council (WDC) will decide at its 23 July meeting. Staff will verbally update council about the decision at this meeting.

Financial implications

The financial implications of the proposal have been summarised above and in the attachments.

Significance and engagement/Hirahira me ngā whakapāpā

Under the Local Government Act (2002) the decision to create a CCO must be consulted with the community. This report recommends that the community is consulted about the proposal as part of the formal LTP consultation early in 2021. The statutory requirement would be met as a result.

Next steps/E whaiake nei

If the recommendations are supported at this meeting, the regional operational team will meet regularly and progress the work required to ensure a consistent approach to consultation by all Northland's councils.

Attachments/Ngā tapiritanga

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