

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

TITLE: **Standard Agenda Paper - Proposal for Future Regional Economic Development Service Delivery for Northland**

ID: {Objective ID}

To: Council Meeting of Individual Councils

From:

Date: 20th May 2020

Executive Summary

This purpose of this report is to propose a Regional Economic Development service delivery model, governance arrangements and indicative funding model to the Northland Regional Council, Whangarei District Council, Kaipara District Council and Far North District Council following endorsement by the Mayoral Forum at their meeting on the 24th February 2020.

The Mayoral Forum tasked the Chief Executives of Northland's four Council's to develop an appropriate business model for consideration by Northlands' Councils following the formal S17A Service Delivery Review completed by Marin Jenkins Consultants in XXX.

Over the course of 2019 to February 2020, the Chief Executives proposed a two staged approach for the future delivery of regional economic development services:

1. An enhanced Northland Inc. with the District Councils having input into Northland Inc's Statement of Expectations and input in the appointment of directors in return for a modest investment that is aligned to the 2020 – 2021 Annual Plan year.
2. A joint regional CCO, with equal shareholding, governance via a joint committee, with 60% of funding from Northland Regional Council and 40% from the three District Councils, that is aligned to the 2021-2031 Long Term Plan Cycle.

The proposal considers the level funding by the Northland and District Councils, the timing of public consultation and the consideration of the development of a regional economic development strategy be completed under Northland|Forward Together.

The proposed regional economic development service delivery model considers:

- a. The structure of each service delivery model.
- b. The governance features of each model.
- c. The proposed funding from Northland Regional Council targeting 60% contribution over six years, whilst targeting a 40% funding contribution from the District Councils over six years.
- d. The advantages, disadvantages and overall benefits.

- e. An indicative timeline for implementing both stages and the alignment to the 2020-2021 Annual Plan Cycle and the 2021-2031 Long Term Plan Cycle which will incorporate the special consultation process required to establish a joint CCO.

The Mayoral Forum endorsed their support of the proposal at the Mayoral Forum on the 24th February 2020.

The proposed recommendation for the future delivery of regional economic development services is for Northland Regional Council and Whangarei, Kaipara and Far North District Councils' consideration and approval for inclusion and community consultation in the 2021-2031 Long Term Plan.

Recommendation

That Council approve the recommendations listed below for the future delivery of regional economic development services:

1. That Council approve the proposal that recommends Northland Regional Council share the appointment of directors and input to the Statement of Intent process with Whangarei, Far North and Kaipara District Councils, in return for agreed funding for the 2020-2021 Annual Plan Year. The agreed funding for the 2020-2021 Annual Plan is:
 - a. Northland Regional Council – Continue to fund Northland Inc. and the IGR per their current Long-Term Plan
 - b. Whangarei District Council – One hundred and five thousand dollars (\$105K) plus the contribution of up to one FTE to Northland Inc.
 - c. Kaipara District Council – Twenty-five thousand dollars (\$25K)
 - d. Far North District Council – Eighty-two thousand dollars (\$82K)
2. And support the proposal that recommends Northland Inc. be modified to become a joint regional CCO;
 - a. with a formal joint committee to provide oversight,
 - b. a funding arrangement that Northland Regional Council contribute 60% and Whangarei, Far North and Kaipara District Councils contribute 40% and
 - c. this is achieved over a six-year time frame aligned to the 2021-2031 Long Term Plan Cycle and
 - d. public consultation to establish Northland Inc. as a joint regional CCO is included and aligned to the 2021-2031 Long Term Plan consultation process of each Northland Council.
3. And support, 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.

Background

Martin Jenkins Consultants undertook the review of Northland Council economic development functions and activities in 2017. The subsequent report highlighted:

- There are no major gaps in the types of economic development activities provided by Northland Councils and Northland Inc.
- There is little overlap of economic development activities
- There are five key opportunities for the Councils to work more efficiently and effectively together to increase the collective impact.
 - A regional economic development strategy, goals and priorities that would provide clear guidance on the activities that should be delivered in the region.
 - Regional destination marketing
 - Regional events promotion guided by a regional visitor and events strategy
 - Maori/Iwi economic development
 - Greater reach of services into the Far North and Kaipara through a hub and spoke delivery model

The Martin Jenkins report recommended that Northland Inc. currently a Council Controlled Organisation (CCO) of Northland Regional Council, become a jointly owned CCO, with a joint shareholding across the four Councils and a Joint Committee to provide direction and oversee Northland Inc.'s performance and resourcing.

The Martin Jenkins report highlighted the key benefits of the recommendation are:

- Greater alignment of economic development priorities and outcomes across Councils and Northland Inc.
- Better opportunity to leverage the resources of all to achieve common goals and objectives
- Minimal disruption to Northland Inc, or Council operations and delivery as a result of the changes.
- Opportunity to implement a hub and spoke business model with presence in the Far North and Kaipara.
- Increased flexibility / agility to being able to make decisions about changes to activities across Councils and Northland Inc. through a joint committee structure.
- Ability for individual Councils to have input into the Expectation of Purpose and Statement of Intent process.
- Ability for individual Councils to have input into the programme of work and projects being delivered by Northland Inc, via the Statement of Intent process.
- Increased opportunity to identify efficiencies in the delivering activities across all Councils and Northland Inc. as a result of increased engagement.

There are key costs and risks associated with the implementation of a jointly owned CCO.

- Time and costs associated with public consultation on the changes to the existing CCO arrangements.
- The legal re-arrangement
- An increase in staff and elected members time required to develop and agree on: priorities with Northland Inc., the Shareholders Agreement, the Joint Committee role and structure, out-put and out-come framework and the performance and reporting framework.

- An increase in Northland Inc. staff to work with individual Councils to achieve the outcomes and outputs determined by the formal Joint Committee.
- Costs with extending Northland Inc's services into the districts (set-up and co-ordination costs), although some costs could be minimised by sharing with others.

To date Northland Regional Council and Northland Inc. have implemented recommendations from the Martin Jenkins review regarding the operations of the Investment and Growth Fund, the process for developing the statement of intent, improved reporting and connection with the District Councils. Minimal progress has been made on the five opportunities for Councils to work together.

The Mayoral Forum tasked the Chief Executives to develop an appropriate business model for consideration by all Councils. For clarification, this proposal has not been presented to the Northland Regional Council or Northland Inc. for consideration.

The Chief Executives and senior management held a workshop on the 23rd January 2019 and took a fresh approach to developing a regional delivery model, building on the success of Northland Inc. and incorporating the recommendations of the Martin Jenkins Review. The Chief Executives agreed:

- The principles for the development of a model and subsequent report
- The key drivers and priorities for economic development in Northland
- The report will recommend a preferred service delivery option to the Mayoral Forum prior to the October Local Body election.
- The new Councils and Mayoral Forum will make any decisions to implement or otherwise, post the October Local Body elections.

A cross- council team has been brought together to propose a service delivery model for consideration by all Councils and build on the strengths of Northland Inc. and the recommendations of the Martin Jenkins Review.

The cross-council team undertook a short study of three regional economic entities and arrived at the same conclusions as the Martin Jenkins study, that a joint regional CCO is the most suitable vehicle to deliver a regional service.

The first draft of the Regional Economic Development Service Delivery Options Report was presented to the CEs Forum May 2019 and the Mayoral Forum May 2019. However, the recommendations of the report were left on the table and further work was required.

Several workshops and discussions with the CEs Forum and the Mayoral Forum post October 2019 elections discussed support for regional economic development and the development of a regional economic development strategy.

Key points are:

- The final entity must be stable for performance not to be compromised
- The CEs to propose a long-term vision regarding funding and representation
- Commitment from all four Councils to be actively participating and contributing for regional economic development to be successful

- Commitment to one economic development services agency in Northland

Discussion

At present, the main economic development services being delivered by Northland Inc. and Northland Councils are:

Delivered by Northland Inc. for the Region	Delivered by Councils for respective districts
Business development, business start-up advisory	Event and tourism promotion - WDC
Promotion of innovation, including the digital enablement plan and broadband extension	Business attraction – industry, developers, regulatory advice
Investment attraction and facilitation including investment in Northland focused events, Provincial Growth Fund infrastructure and district and regional projects	Community Development – Community and district focused support, funding and facilitation
Skills support, provision of support for IGR applications and funding	I-Sites (WDC and FNDC)
Destination marketing and management re international trade and tourism	Provincial Growth Fund initiatives and applications
Industry development and support to major projects and TTNEAP projects	

At this point in time, further work would be required to determine what functions and services would be undertaken by the joint CCO and the District Councils.

I.e. whether (any) district focused development, event and tourism promotions, PGF and funding applications would be better being a function of the joint CCO.

Northland Inc. have recently commissioned two studies to be completed regarding:

- Feasibility of increasing the level of delivery of Northland Inc. to the Far North and West Coast
- Maori Economic Development

A new Board is in place chaired by Sarah Peterson and Murray Reade joined Northland Inc. as Chief Executive in 2019, with a wealth of leadership experience, tourism sector experience and a strong history of working with community and stakeholders.

Given the combination of the newly appointed Northland Inc. Board of Directors and a recently appointed Chief Executive for Northland Inc. coupled with new Councils and elected members, it's time to consider what the future delivery of regional economic development services has the potential to be over the next three to four months in order to meet the 2021/2031 Long Term Plan timeframes.

Post the 2019 local government elections, progress has focused on:

- The equitability and affordability of financial contributions from the District Councils.
- Shareholding and Voting Rights
- Timeframes and 2021-2031 Long Term Plan consultation
- Risks, obstacles and issues from preventing progress

The proposal builds on the Martin Jenkins recommendation that a joint regional CCO is the most suitable business model to deliver economic development services to Northland. Not only does this follow best practice, but would also likely gain support from Central Government, where government would be communicating at a regional level and Northland effectively harnessing available central government funding and support.

Funding of Northland Inc.

Currently Northland Regional Council fund Northland Inc. and the Investment Growth Reserve Fund (IGR) through their commercial activities and Whangarei District Council fund a cash contribution of circa \$105,000 per annum plus up to one FTE that is seconded to Northland Inc. Far North and Kaipara District Council currently do not make any contribution but have done in the past.

The proposal recommends Northland Regional Council continue to fund Northland Inc. and the IGR in line with the level of funding committed in the 2018-2028 Long Term Plan. From the commencement of the 2021-2031 Long Term Plan Cycle the District Councils will progressively build up their contribution until it represents 40% of the total funding allocation made to these two functions.

The IGR was established in 2011-2012 to help fund economic projects that will increase jobs and economic performance in Northland. The reserve is financed by income from Northland Regional Council's various investments and potential projects are scoped and assessed by Northland Inc.

The objective of the IGR is to provide a fund that enables Northland Regional Council make strategic investments that lift the long-term growth of Northland. Allocations from the fund must be one of the following:

- Operational expenditure for Northland Inc.
- Project development
- Enabling investment

The option of the District Councils building their contribution to 40% over a three-year time period was deemed unaffordable in such a short timeframe, despite their being less risk if the transition is completed in one Long Term Plan cycle. To ease the impact of economic development expenditure on the District Councils a six-year transition is recommended.

Joint Regional CCO – Aligned to the 2021-2031 LTP and a transition period of six years

- Target Funding: NRC funding 60% of Northland Inc. and the IGR from commercial activity and the balance of 40% would be funded by the District Councils

- The methodology for the proportion of funds that will be funded from each Council was also given further thought. The proposed funding ratio for the District Councils is based on population numbers in each district.

Council	Current Population	Percentage of Contribution
Whangarei District Council	91,400	51%
Far North District Council	64,400	36%
Kaipara District Council	23,200	13%

These proportions will be reviewed at each Long-Term Plan Cycle. Based on the above table the proposed contribution required from each Council over a six-year period would be:

51% 36% 13%

Year	NRC	WDC	FNDC	KDC	Total
Population		91400	64400	23200	179000
2021/22	89%	6%	4%	1%	100%
2022/23	80%	10%	7%	3%	100%
2023/24	74%	13%	9%	3%	100%
2024/25	68%	16%	12%	4%	100%
2025/26	64%	18%	13%	5%	100%
2026/27	60%	20%	14%	5%	100%

Whilst Northland Regional Council maintain funding Northland Inc. per their current Long-Term Plan commitments, it's proposed the three District Councils contribute a further 40% over the six-year transition period. The indicative share of financial contribution would be:

Year	NRC	WDC	FNDC	KDC	Total
2021/22	\$1.811M	\$117K	\$82K	\$29K	\$2,082M
2022/23	\$1.852M	\$241K	\$169K	\$61K	\$2,357M
2023/24	\$1.937M	\$349K	\$246K	\$89K	\$2,632M
2024/25	\$1.984M	\$475K	\$335K	\$121K	\$2,910M
2025/26	\$2.033M	\$587K	\$413K	\$149K	\$3,191M
2026/27	\$2.084M	\$709K	\$500K	\$180K	\$3,473M

The six-year transition period represents two LTP cycles and two election cycles. Maintaining political support through this transition period, whilst progressively increasing financial

contributions, may be challenging and does represent a risk to the longevity of the model. However, a three-year transition period was deemed unaffordable by the District Councils.

The allocation of the total level of funding provided from the District Councils and Northland Regional Council between Northland Inc. operations and the IGR will be determined by requirements of the Northland Inc’s Statement of Intent and supporting budgets, with the differences being transferred to the IGR and available to support the priorities and projects agreed by the four Councils.

Shareholding and Governance Arrangements

The Martin Jenkins report recommends establishing a formal joint committee across the four Councils to provide direction to Northland Inc. and jointly recommend Northland Inc’s Board appointments. The report also recommends establishing a Shareholders Agreement between the four Councils to govern the relationship and developing a joint Statement of Intent and service agreements with individual Councils. Further consideration has been given to options for shareholding and voting rights based on:

- **Weighted Rights Model Based on the level of financial contribution from each Council**

This is where a formal joint committee is established, and the representation and votes are based on the level of financial contribution.

	Formal Joint Committee Membership	NRC	FNDC	WDC	KDC
Years 1 - 3	7 members	4	1	1	1
Years 4 - 6	11 members	6	2	2	1

With this model Northland Regional Council retains the deciding vote as the District Councils contribute 40% of the financial contribution and Northland Regional Council 60%.

Or in the alternative

- **Consensus Model: Based on equal shareholding across the four Councils**

This is based on the shareholding being equal i.e. each Council having an equal shareholding in Northland Inc. and the formal joint committee membership is made up of one representative from each Council (one vote).

Decision making is to be consensus building. In the event that consensus cannot be reached then a vote would be taken with votes weighted proportional to the funds provided in that particular year.

The proposed governance model features are:

Equal shareholding by Northland Regional Council selling twenty-five shares at one dollar each to Whangarei, Far North and Kaipara District Councils. This will provide the four Councils with an equal shareholding of 25 shares each.

Governance would be via a formal Joint Committee
The Formal Joint Committee would appoint the commercial focused Northland Inc. Board of Directors on merit.
All Councils to contribute and have input through setting the Statement of Expectations regarding, the objectives, priorities, deliverables, performance and reporting framework and outcomes for the region
Allocation of Investment Growth Reserve delegated to the formal Joint Committee. This would enable the District Councils input into the decision making around the allocation of the IGR from the outset.

Consultation

Establishing Northland Inc. as a joint regional CCO will require public consultation, therefore this is proposed to be aligned with the 2021-2031 Long Term Plan process across the region provided the four Northland Councils give agreement to do so.

Obstacles and Sensitivities Preventing Progress

An assessment has been completed regarding the obstacles and sensitivities preventing progress at an individual Council level.

The main issues are:

- The new entity must have stability to last a decade or more and the need for a secure financial baseline
- Political buy-in, Councils must agree to the “new” Northland Inc. being the provider of economic development services in Northland
- The lack of a regional economic development strategy
- Building trust and stability, monitoring effort and distribution of benefit
- Equitability by medium term equitable distribution in proportion to contribution

The proposal addresses each of these issues, either through the business model being proposed, the long-term funding contributions from NRC and the District Councils, the commitment from Northland Councils that the ‘new’ Northland Inc will be the one organisation that delivers economic development services for the region.

The Councils also have input to the Statement of Intent process via the formal Joint Committee, and the Consensus Voting model promotes building trust. The out-put out-come framework together with the performance and reporting framework enable the monitoring of effort and measurement of the distribution of benefit.

Regional Economic Development Strategy

The Martin Jenkins report highlighted the lack of an overarching regional economic development plan that brings together TTNEAP, NorthlandForward 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 Northland Forward Together. A scope of work, together with funding and resourcing requirements will need to be completed to inform the 2021-2031 Long Term Plan process.

The Future

The proposed regional joint CCO together with the proposed governance and funding model provides a greater level of stability, where the individual Councils are actively engaged via a joint committee and coupled with the development of a regional economic development strategy that would underpin the objectives, priorities, funding requirements and outcomes to be delivered by Northland Inc.

By converting Northland Inc. into a regional joint CCO it should enable:

- Greater reach of services into the Far North and Kaipara via a hub and spoke model in accordance with contribution, where economic investment is most needed to lift the economy and standard of living for the community.
- Greater engagement and participation of Maori/Iwi. This is a priority for all four Northland Councils.
- Central Government will be communicating with one agency for Northland, and this would likely gain support from Central Government, where government would be communicating at a regional level and Northland Inc. effectively harnessing available central government funding and support.
- The District Councils would have greater control and insight into the monitoring of performance and the distribution of benefit throughout the region. This could be done by: regular meetings between Northland Inc. and the formal Joint Committee, Annual strategy sessions with individual Councils, regular meetings between CEs of Councils and CE of Northland Inc., and overall reporting of progress to Northland Councils.
- There should be greater alignment of economic development priorities and outcomes across Councils and Northland Inc. even more so with the development of the regional economic development strategy.
- Specialisation/centre of excellence approach regional economic development that could potentially be more attractive.
- Support the Covid-19 state of emergency economic recovery

Some examples of specific tangible benefits associated with increased economic development funding are:

- Greater ability to help councils develop funding applications for projects
- Development of a regional destination marketing and event strategy

- Resourcing to champion and improve digital (broadband and mobile phone) connectivity
- Increased funds in the IGR to be able to allocate as Project Investment co-funding for new initiatives

The proposal means that there will be a call on resources and funding:

- The conversion of the existing Northland Inc. to a regional joint CCO, would require public consultation, but it should have little disruption to Northland Inc. and Council operations. The implementation will require increased resources regarding the governance arrangements i.e.
 - Shareholders Agreement
 - Joint Committee role
 - Performance and reporting framework
 - Output and Outcome framework
- The time and costs associated with public consultation via the 2021-2031 Long Term Plan
- The costs associated with extending Northland Inc's services into the Far North and Kaipara

The Martin Jenkins report discusses that the costs and risks are manageable and will not outweigh the benefits of the proposal.

Recommendation

1. Stage One – Aligned to the 2020/2021 Annual Plan

The proposal recommends Northland Inc. should increase its governance participation with the District Councils, in return for a commitment to funding and resourcing.

The proposal recommends:

- Shared appointment of directors by a formal Appointment Board made up of four representatives from NRC and one representative each from WDC, FNDC and KDC.
- Each representative to the Appointment Board will have one vote, thus the majority vote is with NRC.
- Each Council would appoint their representative to the Appointment Board for a term of one year, commencing 1 July 2020.
- WDC, FNDC and KDC would have input into the Statement of Intent process.
- Contribution of funding:
 - Whangarei District Council \$105K p.a.
 - Far North District Council \$82K p.a.
 - Kaipara District Council \$25K p.a.
 - WDC will continue to contribute up to one FTE to Northland Inc.
 - NRC will continue to fund Northland Inc. and the IGR Fund per their current Long-Term Plan

2. Stage Two – Regional Joint CCO – Aligned to the 2021/2022 LTP Cycle

The proposal recommends that Northland Inc. be converted to a jointly owned CCO, overseen by a Formal Joint Committee of council representatives.

The proposal recommends:

- Equal shareholding by NRC selling 25 shares at one dollar each to WDC, FNDC and KDC, providing the four Northland Council with an equal shareholding of 25 shares each.
- Governance via a formal Joint Committee with representation from each of the four Councils, by each Council having one representative.
- Formal Joint Committee to appoint Directors to Northland Inc. based on merit.
- Retainment of the current policy of rotation for appointment of directors.
- Northland Councils all have input into to the Statement of Intent process via the Joint Committee.
- Allocation of the Investment Growth Reserve delegated to the Joint Committee
- Decision making on the Joint Committee to be made by consensus and failing that by vote proportionally weighted to the funds provided in that particular year.

The proposal recommends funding the regional joint CCO over a transition period of six years, whereby Northland Regional Council maintain funding levels per their 2018-2028 Long Term Plan, and the District Councils increase their funding contributions to a total combined value of 40% over the same period.

The development of a regional economic strategy would better inform the priorities, deliverables and outcomes to be achieved by Northland Inc. The proposal recommends the strategy is developed under Northland Forward Together and to develop a brief including resources, funding and timeframes for consideration.

The proposal recommends that total funding of Northland Inc. and IGR progresses to \$3.473M by 2026/2027.

Year	NRC	WDC	FNDC	KDC	Total
2021/22	\$1.811M	\$117K	\$82K	\$29K	\$2,082M
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2026/27	\$2.084M	\$709K	\$500K	\$180K	\$3,473M

Note: 2% inflationary adjustment has been applied.

Timeframes

An indicative timeline is included in Attachment One, page 2. There are key timeframes that would need to be met regarding:

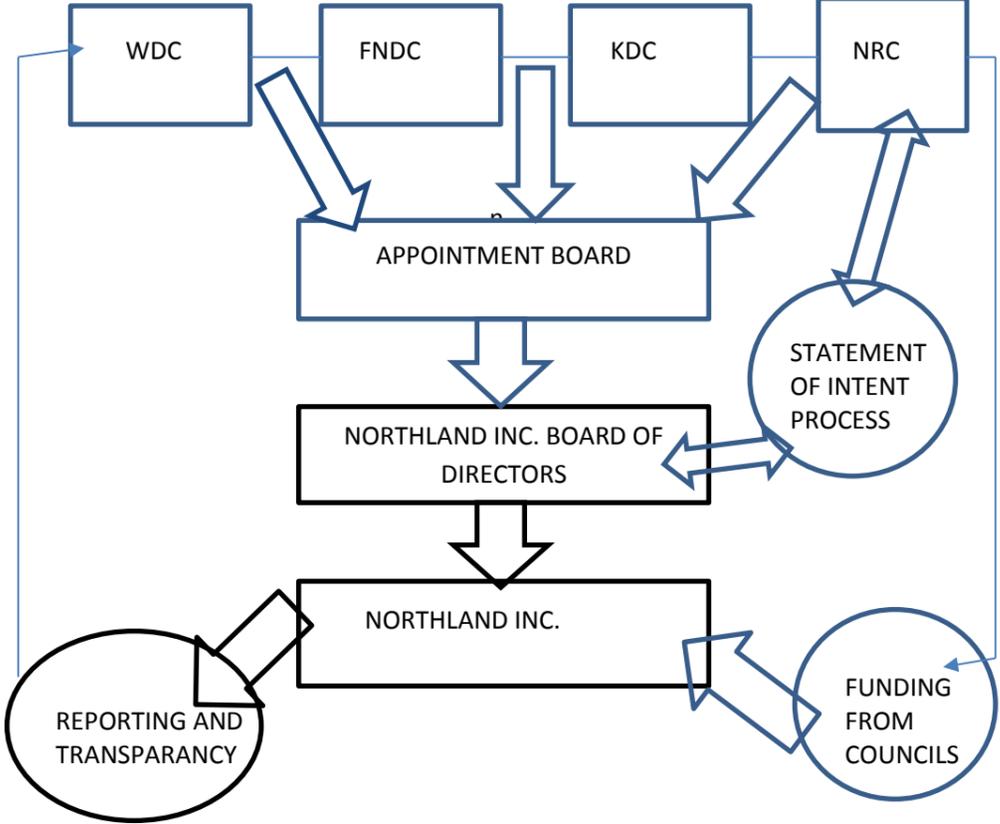
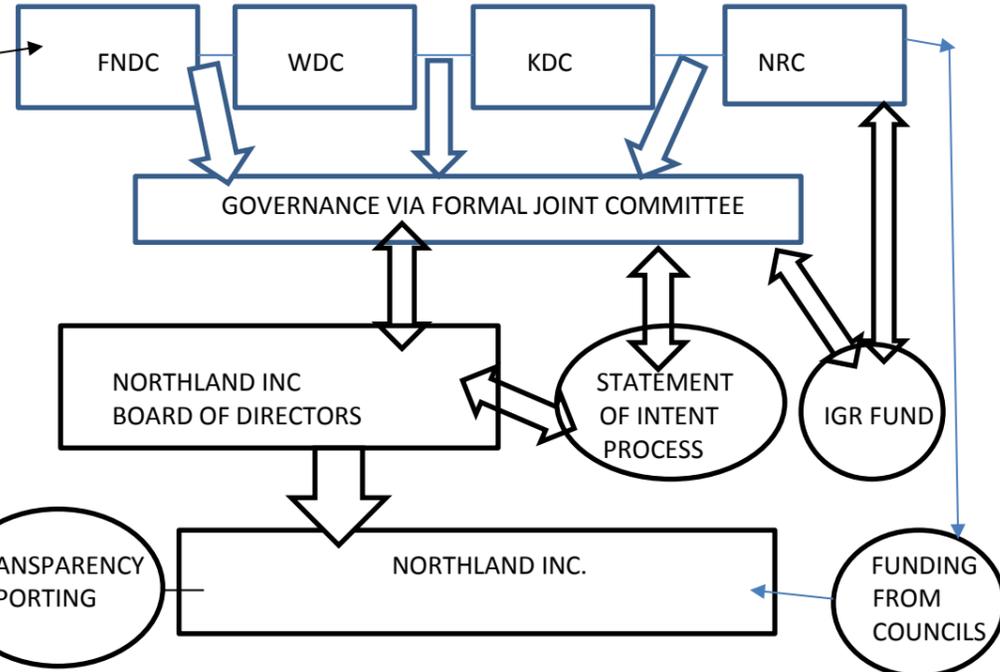
- Individual Council approval for Stage One funding to be included in the 2020/21 Annual Plans
- Individual Council approval to support Stage Two, the development of a regional economic development strategy and the required funding go to each Council for their approval to be included in the 2021-2031 Long Term Plan consultation process.
- The 2021-2031 Long Term Plan consultation process
- Planning for the transition and have all preparation in plans to implement prior to July 2021 (Subject to consultation and individual Council adoption)

Next Steps

Should the recommendations be supported by the Mayoral Forum at their meeting on the 24th February 2020, then discussion with Northland Inc. and Northland Regional Council in the first instance, followed by a standard agenda paper will be prepared for each Council. This is to consider the merits of the proposed service delivery model and the development of a regional economic development strategy, funding and resourcing for inclusion in the 2021-2031 Long Term Plan process.

Authorised by: (Each Northland Council)

Attachment One Summary on a page of proposed Northland Regional Economic Development Delivery

Stages	Proposed Regional Economic Development Service Delivery Models	Governance Features	Proposed Funding Requirements	Advantages/Dis-advantages																																																
Stage One 1 July 2020 to 30 June 2021	Enhancing the governance participation with the existing Northland Inc. 	Governance Features *Shared Appointment of Directors, by a formal Appointment Board made up of four NRC representatives and one representative each from WDC, KDC and FNDC. *Each representative will have one vote *Each Council would appoint their representative to the Appointment Board for a term of one year commencing 1.07.20 *WDC, KDC and FNDC would have input into the Statement of Intent process	Proposed Funding Requirements Financial commitment required from all Councils. NRC would continue to fund Northland Inc. per the 2018/19 to 2021 Statement of Intent. The proposed funding is highly discretionary, and individual Councils may need to make a greater financial commitment subject to the specific projects that the being delivered by Northland Inc. <table border="1" data-bbox="1765 430 2131 567"> <tr> <td>WDC</td> <td>\$105,000</td> </tr> <tr> <td>FNDC</td> <td>\$82,000</td> </tr> <tr> <td>KDC</td> <td>\$25,000</td> </tr> <tr> <td>NRC</td> <td>\$1,935,000</td> </tr> </table> WDC also contribute up to 1 FTE seconded to Northland Inc.	WDC	\$105,000	FNDC	\$82,000	KDC	\$25,000	NRC	\$1,935,000	Advantages/Dis-advantages Advantages *First step to continuum of change, easy to implement at minimal cost and minimal change to Northland Inc. structure. *No disruption to existing services *District Councils have input and voting rights re appointment of directors. *NRC have the controlling vote *District Councils have input into Statement of Intent process *NRC agree and approve the Statement of Intent *District Councils can put forward specific projects relative to their specific priorities *Opportunity to extend reach in return for a relatively small investment Dis-advantages *Lack of sustained commitment from District Councils – Opt-in Opt-out a short-term option *Benefits of projects may not be visible *May be a higher cost for Northland Inc.																																								
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Stage Two Six-year transition 1 July 2021 to 30 June 2024 And 1 July 2014 to 30 June 2027	Extending Northland Inc. to a Joint Regional CCO 	Governance Features *Equal shareholding by NRC selling 25 shares, at one dollar each to WDC, FNDC and KDC thus providing the district Councils with a 25% shareholding each in Northland Inc. *Governance via a formal joint committee with representation from the four Northland Councils, each Council having one representative. *Formal Joint Committee to appoint Board of Directors on merit. *Retention of current policy of rotation to appoint directors. * Individual Councils input into the statement of intent process via the Formal Joint Committee *Allocation of the Investment Growth Reserve delegated to the Formal Joint Committee	Proposed Funding Requirements *NRC propose to maintain its current 2018-2028 LTP contribution, which over a six-year period will be 60% of the total Northland Inc/IGR funding. *WDC, FNDC and KDC would contribute the remaining 40% that is apportioned by population statistics. *A six-year transition period for WDC, FNDC and KDC to fully fund the 40% share. Below sets out the targeted financial contributions over a six-year transition period for the proposed funding requirements of Northland Inc and the IGR. Indicative Share of Contribution <table border="1" data-bbox="1715 1606 2418 1942"> <thead> <tr> <th>Year</th> <th>NRC</th> <th>WDC</th> <th>FNDC</th> <th>KDC</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>Population</td> <td></td> <td>91400</td> <td>64400</td> <td>23200</td> <td>179000</td> </tr> <tr> <td>2021/22</td> <td>89%</td> <td>6%</td> <td>4%</td> <td>1%</td> <td>100%</td> </tr> <tr> <td>2022/23</td> <td>80%</td> <td>10%</td> <td>7%</td> <td>3%</td> <td>100%</td> </tr> <tr> <td>2023/24</td> <td>74%</td> <td>13%</td> <td>9%</td> <td>3%</td> <td>100%</td> </tr> <tr> <td>2024/25</td> <td>68%</td> <td>16%</td> <td>12%</td> <td>4%</td> <td>100%</td> </tr> <tr> <td>2025/26</td> <td>64%</td> <td>18%</td> <td>13%</td> <td>5%</td> <td>100%</td> </tr> <tr> <td>2026/27</td> <td>60%</td> <td>20%</td> <td>14%</td> <td>5%</td> <td>100%</td> </tr> </tbody> </table>	Year	NRC	WDC	FNDC	KDC	Total	Population		91400	64400	23200	179000	2021/22	89%	6%	4%	1%	100%	2022/23	80%	10%	7%	3%	100%	2023/24	74%	13%	9%	3%	100%	2024/25	68%	16%	12%	4%	100%	2025/26	64%	18%	13%	5%	100%	2026/27	60%	20%	14%	5%	100%	Advantages/Dis-advantages Advantages *True arms-length with individual Council influence via Formal Joint Committee, the appointment of directors and input into the development of the statement of intent. *Governance by Formal Joint Committee *Regional decision making re Investment Growth Reserve via the Formal Joint Committee. *Best model practice – Martin Jenkins Reviews and other regional initiatives in NZ Dis-advantages *Commitment required from all Northland Councils *Substantially less opportunity to opt in and out - affordability *Subject to public consultation aligned with the 2021-31 LTP cycle *Lack of political appetite *Ease and cost of
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<p>Benefits of Northland Inc. moving to a Joint Regional CCO</p> <ul style="list-style-type: none"> • Provides a greater level of stability, formal governance, individual councils actively engaged via a formal joint committee • Formal Joint Committee appoints the directors, allocates the IGR Fund, negotiates the Statement of Intent, monitors performance and is the key communication link between individual Councils and Northland Inc. • Enables a reach of services into the Far North and Kaipara • Undertakes all economic development services on behalf of the Northland Councils • Attractive model to central government – dealing with a region • Regional engagement with Maori/Iwi • Greater alignment of priorities • The District Council would have greater insight into performance, outcomes and spread of benefit • Specialisation/centre of excellence being more attractive to potential employees • Delivery of a regional economic development strategy 	Indicative Target Share of Financial Contribution					<p>implementation, * Staff re-location *Affordability for District Councils regarding funding</p>	
	Year	NRC	WDC	FNDC	KDC		Total
	2021/22	\$1.811M	\$117K	\$82K	\$29K		\$2,082M
	2022/23	\$1.852M	\$241K	\$169K	\$61K		\$2,357M
	2023/24	\$1.937M	\$349K	\$246K	\$89K		\$2,632M
	2024/25	\$1.984M	\$475K	\$335K	\$121K		\$2,910M
	2025/26	\$2.033M	\$587K	\$413K	\$149K		\$3,191M
	2026/27	\$2.084M	\$709K	\$500K	\$180K		\$3,473M

Timeline for the Implementation of Stages One and Two – Taking Northland Inc. from their current governance and funding model structure to a full joint regional CCO and proportional funding over a transitional six-year period

Date	Action	Forum	Date	Action	Forum
3 February 2020	Agreement of recommendations, funding, shareholding and timeline	CEs Forum	June 2020	Adoption of each Council Annual Plans re: Stage Two – Joint Regional CCO for public consultation in 2021-2031 LTP and the development of a regional economic development strategy and associated funding	
25 February 2020	Agreement from Mayors and Chair for Stage One inclusion in draft Annual Plans and support for Stage Two to be included in the 2021-2031 LTP Process	Mayoral Forum	July 2020 – August 2020	Agreed message/wording and information for regional consultation Funding requirements for each Council to be included in the draft 2021-2031 LTP	
March/April 2020	Discussion with NRC and Northland Inc.	Northland Inc Board and NRC Council Meeting	September 2020 to March 2021	Consultation period	
March/April 2020	Draft TOR, project brief for the development of a Regional Economic Development Strategy	CEs Forum Mayoral Forum	By November 2020 By March 2021	Transition Plan for moving Northland Inc to Joint Regional CCO All transition preparation completed ready to put in place for 1 July 2021.	CEs Forum
April 2020	Discussion and approval by individual Councils for Stage 1, Stage 2, and ED Strategy and inclusion in the 2021-2031 LTP	Each Council	April 2021 - May 2021	Feedback from consultation	CEs Forum
April May 2020	Transition Plan Developed Stage One including Northland Inc. involvement *Appointment Board *Expectations of Purpose input	Northland Forward Together Team	June 2021	Adoption of 2021-2031 LTP by Councils Joint Regional CCO and Development of a Regional Economic Development Strategy	Individual Councils
June 2020	Annual Plan adoption for WDC, KDC and FNDC re funding	KDC and FNDC Council meetings	July 2021	Joint CCO be established, Transition and Engagement of Consultants re regional strategy	
July	Transition	Northland Inc. NRC			