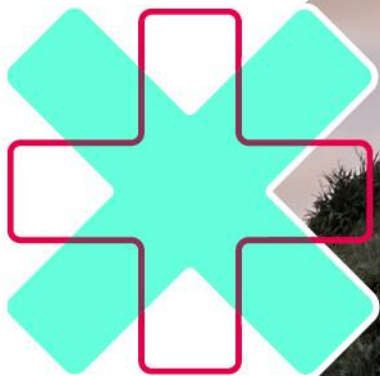


# REVIEW OF ECONOMIC DEVELOPMENT ARRANGEMENTS IN NORTHLAND

## Summary Report

for Local Authorities in Northland - Northland Regional  
Council, Far North District Council, Kaipara District  
Council, Whangārei District Council

July 2017







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## Introduction

Northland Regional Council (NRC), Far North District Council (FDNC), Kaipara District Council (KDC) and Whangārei District Council (WDC) invest close to \$6.5 million annually in economic development activities. These activities are either directly delivered by Councils or through Northland Inc, a Council-Controlled Organisation (CCO) of NRC.

The main types of activities being delivered are:

- Destination marketing and management (e.g., marketing campaigns and collateral, events facilitation)
- Business development and innovation support (e.g., business assessments, facilitation of capability and R&D funding)
- Sector development and investment support (e.g., cluster facilitation, impact assessments of major industry projects, sector profiles)
- Economic strategy support and economic intelligence.

The Councils commissioned MartinJenkins to undertake a review of economic development arrangements in the region. In particular, they wanted to understand:

- The role of local government in economic development in the region, based on an analysis of challenges and opportunities facing the Northland economy, rationales for local government activities in economic development, and legislative and central government expectations.
- Economic development activities, identifying strengths, weaknesses and any relevant gaps in the activities, based on:
  - the Councils' objectives, priorities and performance targets
  - identifying any overlaps and/or duplication across Councils' and Northland Inc's activities and with other relevant agencies
  - an assessment of the efficiency of current arrangements and the benefits of the activities versus costs
  - an assessment of the overall effectiveness of the current delivery models of the four Councils, including governance arrangements, funding arrangements and current economic development reporting and accountability mechanisms.
- Options for future economic development delivery arrangements, based on clear criteria, and recommendations for any changes in functions, form and funding.



# What is working well?

## 1. A large number of activities are being delivered and services are reaching a large number of organisations and individuals

- Given the level of investment and resources going into economic development activities and what we have observed in other regions, in our view there is a relatively large number of services and initiatives being delivered in the region. For example:
  - Northland Inc facilitated over \$350,000 of NZTE funding and over \$1 million of Callaghan Innovation funding to local businesses over 2014/15 and 2015/16
  - More than 20 investors were hosted in the region in 2015/16
  - Support for the development of six new tourism products and experiences was provided through the Investment & Growth Reserve (IGR) over 2014/15 and 2015/16
  - A large range of events have been supported by the Far North and Whangārei District Councils annually
  - Support for the development of five industry good opportunities was provided through the IGR over 2014/15 and 2015/16.
- A large number of organisations and entrepreneurs are being reached through these services. For example, in 2015/16 Northland Inc had over 250 unique business interactions and made 57 mentor matches. 90,000 Northland visitor guides were produced and distributed. NorthlandNZ.com had close to 208,000 sessions and WhangereiNZ.com had close to 138,000 users and 375,000 page views in the same year.
- Organisations in all parts of the region are getting supported, for example, there were 24 active business engagements in the Far North, 45 engagements in Whangārei and 11 engagements in Kaipara in 2015/16. There were 16 mentor matches in the Far North, 30 in Whangārei and 11 in Kaipara in the same year. Tourism and sector development projects supported through the IGR were located in all parts of the region.

## 2. There are no major gaps in economic development services

### **Economic development activities delivered in Northland are consistent with other regions**

- All regions of New Zealand support the provision of economic development services and activities (there are over 20 economic development entities and 30 regional tourism organisations in New Zealand). Depending on the regional context and priorities, economic development activities tend to span business development support, skills support, promotion of innovation, investment attraction and promotion, internationalisation support, industry development and major sectoral project support, destination promotion and events attraction, and district or community improvement.



- Economic development activities supported through the Councils and Northland Inc cover the spectrum of economic development services offered in most other regions. As with every other region, destination marketing and promotion (including events) and business development support are major areas of activity. Northland is more active in investment facilitation and sector development projects than several other regions, leveraging the NRC's Investment & Growth Reserve (IGR).
- Although Councils in Northland are active in district marketing, broader regional destination marketing and promotion currently has limited emphasis compared to other regions.

### 3. The right types of activities are being delivered

**The vast majority of economic development activities are consistent with the identified opportunities and needs facing the region and are generally supported by evidence**

- Research and consultation suggests that the major economic development challenges and opportunities facing Northland relate to:
  - Improving infrastructure & connectivity, particularly roading and UFB. Consistent with this, Northland Inc and Councils have developed the digital enablement plan for the region and been involved in advocating for and supporting roading and signage improvements.
  - Harnessing the potential of Māori land and capability. Several Maori/iwi economic development projects have been supported through the IGR.
  - Increasing the productivity and value generated by key sectors. Northland Inc facilitates industry coalitions and has, with NRC, supported IGR projects for a variety of sector projects.
  - Improving the quality of marketing and improving the visitor value proposition of the region through enhancing tourism products. Northland Inc supports this through promotional campaigns, the regional destination website, hosting media and trade personnel, and participating in tourism events. Territorial authorities support a range of district events, local information centres and local promotional campaigns.
  - Improving the capability and scale of local businesses. Northland Inc supports this through providing business information and referrals, facilitating business mentoring and its role as a regional partner for NZTE and Callaghan Innovation.
  - Improving the quality of information on the potential of the economy and key assets and advantages in order to attract and retain investment and talent. Northland Inc hosts investors, has developed an investment prospectus and facilitates feasibility studies and IGR applications for major investment projects. WDC works with Northland Inc to facilitate investment into the district.
  - Upgrading skills and connections between employers and potential employees. This is an area that has not been a focus for Northland Inc or Councils, although Councils have been involved in a few skills initiatives such as a skills attraction campaign and jobs initiatives.



### **There are clear rationales for Councils supporting the types of activities that are being delivered**

- Councils and Northland Inc are appropriately focused on facilitation, information provision and addressing collective action issues, which are the types of activities where there are good arguments for local government involvement. Only the provision of funding directly to firms through the IGR could be regarded as potentially inconsistent with appropriate roles of local government, given that it is direct assistance, benefits are captured privately and there are other providers of such capital. However, each case depends on the extent of private versus public benefits associated with the investment and whether the investment is generating additional activity that otherwise would not occur.

### **4. In most cases, Northland Inc and Councils work together well and with other support organisations**

- There is little overlap in economic development activities between Northland Inc and the Councils or between the Councils. Councils tend to be involved in activities closer to their core roles (e.g., supporting improvements in connectivity or the quality of the regulatory environment) or on district-focused activities such as local events and marketing and supporting community improvement initiatives. Northland Inc tends to focus on activities that are based on overcoming regional issues and taking up regional opportunities, such as supporting regional marketing and business capability improvement.
- There are several examples of joint work between Councils and between Councils and Northland Inc, for example:
  - The development of the regional response and submission for UFB2, RBI2 and mobile blackspot funding and the digital enablement plan
  - The development of the Twin Coast Cycleway and Twin Coast Discovery project
  - A range of sector and investment projects, for example, the assessment of the proposed Ngawha wood processing facility and facilitation of Hawaiki Cable.
- There are activities where Councils and Northland Inc are both operating, such as marketing, supporting tourism product, sector development and investment projects as these can have regional and district dimensions to them. However, the roles tend to be complementary rather than competing. For example, Northland Inc and WDC explicitly work together on the 'landing pad' investment promotion and facilitation initiative.
- Stakeholders consulted indicated that there were generally good working relationships between Northland Inc, Councils and other support providers in the region and that complementary business and economic development services are usually well coordinated.





## 5. It appears that businesses and industry value the activities that are delivered

### **There are high levels of client satisfaction with Northland Inc**

- 89 percent of respondents to a Regional Business Partner survey said that their overall level of satisfaction with Northland Inc was good or better in the year ended June 2016. 92 percent of respondents said Northland Inc's information was good to excellent and 97 percent said the service and support they received helped their business.
- Several of the organisations interviewed for this review that interacted with Northland Inc were positive about the information and facilitation assistance provided, even if they had not received financial support.

### **There is a high level of co-investment (time and funding) in activities and projects, which signals that organisations are getting value out of economic development activities**

- Several of the activities that are delivered require co-investment and most require a high level of organisation participation, for example:
  - Clients that access NZTE capability vouchers or Callaghan Innovation R&D funding also have to contribute their own funds to the project (often 50 percent of the total contribution, or more in the case of R&D grants) and generally reasonable time and staff resources (e.g., attendance at training, time spent on testing and refining a new product).
  - There is considerable co-investment in marketing initiatives. For example, 14 businesses attended the TRENZ event with Northland Inc in 2015, including 3 first-time companies that were incentivised by Northland Inc; businesses co-invested \$155,000 in Northland Inc marketing collateral in 2016; and an international marketing group co-funded \$32,500 towards an offshore trade marketing programme with Northland Inc.
  - All projects supported through the IGR involve co-funding feasibility studies, business cases and the implementation of projects.

## 6. Local government is adequately resourcing economic development in the region in total

- Council investment in economic development represented around 2.2 percent of total local government operating expenditure in the region in 2015. The investment was the equivalent of close to \$39 of economic development spend per capita. This is slightly higher than the national average of 2.1 percent of local government operational spending and \$26 per capita.



## 7. There is some evidence that broader impacts are being achieved and activities are making a genuine difference

- Some business development services appear to be making a difference, with 69 percent of Northland clients that had received Regional Business Partner support saying they had implemented business improvements or changes as a result. This was higher than the average result across New Zealand.
- Economic impact assessments of events supported by FNDC and WDC also indicate that major events are generating a good return on investment. For example, the Bay of Islands Ocean Swim series is estimated to have injected \$2.4 million into the economy over 2014 to 2017; the Kainui Vineyard Concert had 12,000 visitors in 2016 with 50 percent from outside the Bay of Islands and the concert was estimated to add \$650,000 to the Far North's GDP; the Whangārei Fritter Festival in 2016 attracted 5,300 attendees with 20 percent of these from outside the district and the economic impact was estimated to be \$1.05 million; the FIFA U20 World Cup games in 2015 were estimated to result in new direct spend of \$1.5 million into Whangārei.
- Organisations involved in industry coalitions said that the groups were delivering results beyond what would otherwise been achieved. For example, it was unlikely that the international education strategy proposal would have been developed without Northland Inc's advice and support. Several members of the food and beverage coalition would not have attended the Auckland Food show without Northland Inc support and feedback suggested that Northland Inc played an important role in facilitating the development of the Savour brand.
- IGR supported feasibility and business case reports have been used to influence decision-making. Moreover, the IGR process and funding has leveraged a significant amount of funding from external sources, including central government and the private sector. An additional \$24.7 million has been invested in the projects on top of local government funding. \$10.3 million of this is from central government, so has been new to the region.

## 8. Northland Inc is relatively efficient at delivering services

- Northland Inc's expenditure has increased steadily over the last three years by around 14 percent per annum. However, its level of outputs has also increased over the period and in several cases at a proportionally higher rate than the increase in funding (for example, the number of business engagements has increased by 36 percent per year; the number of IGR projects Northland Inc has facilitated has almost doubled over the three years; the number of industry coalitions facilitated has increased from 2 to 5 over the three years). There appears to have been no reduction in efficiency. In addition, Northland Inc's proportion of staff costs to total expenditure is about average compared to similar economic development agencies. Moreover, the level of visitor spending and visitor nights in the region is high relative to the level of local government investment in destination marketing activities.



# What could be improved?

## 1. Economic strategy development and priority setting

### **There is limited buy-in to the Tai Tokerau Northland Economic Action Plan (TTNEAP)**

- Ideally, there should be a high degree of consistency between the priority areas and desired outcomes of the Tai Tokerau Northland Growth Study/TTNEAP and He Tangata (the Tai Tokerau Māori Economic Development Strategy), and local government economic development priorities and outcomes as articulated in Northland Forward Together, Long-Term Plans (LTPs), district economic development plans and the Statement of Intent (SOI) and Business Plan of Northland Inc. However, overall there are relatively few areas of clearly consistent priorities and outcomes across all of these strategic documents, although Kaipara has faced other priorities in the last few years. No Councils have adopted the outcomes in TTNEAP.
- There are some areas of alignment between He Tangata, the Growth Study/TTNEAP and Council priorities. However, there are differences in the specification of the respective outcomes and goals and feedback indicated that areas of alignment were largely cosmetic rather than purposeful.
- There was consistent feedback provided that the Councils and other stakeholders do not really regard TTNEAP as a 'regional plan' and that they have not bought into all the outcomes and actions of the Plan. There were several views that TTNEAP does not really have a clear set of priorities and instead has included a 'laundry list' of every conceivable action. In addition, there are views that TTNEAP was driven by central government and that there was limited regional engagement beyond the core group of agencies involved in developing TTNEAP (e.g., Central government, Council and Northland Inc representatives). Similarly, discussions with Māori groups indicated that the process by which TTNEAP was developed did not involve sufficient engagement with Māori and hence there is not genuine alignment between TTNEAP and He Tangata.

### **There is limited communication and engagement between Councils and Northland Inc on priorities**

- Ideally, economic development priorities should translate from economic strategies and Council plans to Northland Inc investment decisions and actions via a combination of discussions between the Councils and Northland Inc, an NRC Letter of Expectation (LOE) with Northland Inc, other Council funding agreements with Northland Inc, and Northland Inc's Statement of Intent and Business Plan as shaped by these discussions and expectations. In addition, priorities should also be informed by input and feedback from other key economic development partners and stakeholders in the region, such as Māori/iwi organisations, industry groups, infrastructure companies, educational institutions etc.
- Interviews have indicated that there is good engagement between Northland Inc and NRC in considering activities for the year ahead as part of the SOI process. However, it is not apparent that this results in any changes in prioritisation. Northland Inc currently has too many objectives and spreads its resources over a large number of activities to achieve all of the objectives.



Northland Inc also presents its intended priorities and activities to the WDC Council and has done so with the NRC Māori Advisory Committee. However, in these cases we heard that this is more of a presentation than a discussion where genuine input can be provided and debate had, which reflects the nature of formal Council meetings. Northland Inc has not been able to engage with the other Councils in a meaningful way.

- There is no formal process of engagement with other economic development partners and stakeholders when setting Northland Inc priorities. Northland Inc previously developed an MOU with Iwi Chief Executives to provide support for He Tangata, but this did not progress.

## 2. Service mix and reach

- There are some areas where the current level of emphasis does not appear to be sufficient based on identified opportunities, comparisons with other regions and stakeholder feedback:
  - **Regional destination marketing.** A major economic opportunity identified through research and the Tai Tokerau Northland Growth Study was the need for improved destination marketing activities but it does not appear that there is sufficient resources going into that area at a regional level. There are also differences in views about whether Northland Inc, Councils or local promotion organisations are best placed to deliver domestic-focused destination marketing activities.
  - **Regional events.** Several stakeholders suggested that major events could benefit from regional leadership and coordination. They suggested that there were current events that could be of regional significance if they were better promoted and coordinated with other activities. Northland does not have a visitor or events strategy or plan, which is common to many other regions.
  - **Māori/iwi economic development.** Stakeholders noted that Māori/iwi are increasingly playing an important role in shaping the economic growth of the region. Some questioned whether sufficient work was being undertaken with iwi organisations or Māori businesses to support the development of their capability and growth. It was considered by some that opportunities are being missed to connect Māori businesses with networks and resources. Although Northland Inc has made a genuine effort to support Māori economic development through a dedicated advisor and IGR projects, it is time to refresh this approach.
  - **Industry development.** Representatives from some primary sectors indicated that, at times, Northland Inc did not support industry initiatives that were underway and that they thought this was because staff in the organisation did not have a good understanding of the sector. Some also thought that Northland Inc could do more to work with existing industry groups and seek their advice on potential projects.
- Whangārei has been receiving a relatively high level of business development outputs, with the Far North receiving a relatively low level of outputs on the basis of their business population and Kaipara receiving a mixed level of services across different activities. However, there are variations in reach from year to year. It has been difficult for Northland Inc to ensure reach of some services, such as business development and investment facilitation activities, into parts of



the region because of the distances and travel time required to reach businesses beyond the Whangārei district.

### 3. Destination marketing and management activities

- There are some mixed results on the effectiveness of destination marketing activities. Neither Northland Inc nor WDC have been meeting their website traffic targets. Whangārei's branding is not always meaningful for visitors. Although Northland's domestic visitor expenditure had been growing at a reasonable rate, the region is not performing as well on international visitor expenditure. On the positive side, industry representatives are contributing resources to both regional and district marketing activities. However, some operators in the Far North do not regard regional marketing as being effective for the Bay of Islands.
- The region's regional marketing spend is well below the national average. The region invests around \$7 per rateable property, \$4 per capita and \$0.35 per guest night in regional destination marketing and promotion, compared to an average of \$25 per ratepayer, \$11 per capita and \$1.19 per guest night across all RTOs.
- There is considerably more investment going into district marketing than regional marketing although it is not apparent that the returns for this marketing activity are better than regional marketing. National evidence suggests that destination marketing tends to provide a positive return on investment by improving the awareness of the region with potential visitors and reinforcing decisions to travel to the region, i.e., it encourages new visitors to the region. However, some elements of district marketing are geared to attracting visitors and spend from other parts of the region rather than generating new spend for the region.

### 4. Investment and Growth Reserve

- There are several issues with the processes involved in developing and assessing applications for the IGR:
  - The quality of the cases has been variable. In several cases the broader benefits and impacts are not well articulated, particularly in relation to commercial investments.
  - In all cases, there has not been a strong argument made for the local government funding contribution. The arguments are generally that the projects will be good for the communities and generate jobs but the reasons why local government should contribute funding for these benefits relative to other parties (and the levels of funding sought) are not well made.
  - There has not been a prioritisation of the projects – they have been assessed and considered for local government support as they have developed. It's not clear that all of the projects are the most important for the region and how they fit within regional economic development priorities.
  - The transaction costs involved in approving relatively small amounts of IGR funding for feasibility studies and business cases are too high as both the Northland Inc Board and the Northland Regional Council assess all applications.



- In some cases there have been very long timeframes involved between an initial discussion about a project and a final decision on an application. Several stakeholders noted that they did not understand the process or the documentation requirements of the IGR.
- There is limited funding available to meet the current pipeline of projects. It is highly likely that, even with improved prioritisation, future requests for funding will exceed the annual allocation each year, with the consequence that the balance of the fund will reduce over time and no new projects will be able to be funded.

## 5. Assessing and reporting on the impact of economic development activities

- As is common across regions in New Zealand, there is limited information on the impact of economic development activities with the exceptions of some forms of business development support and major events. There has not been any formal evaluation of Northland Inc's services beyond the national programmes it facilitates in the region. Because of the limited and mixed evidence available about outcomes, it is difficult to suggest that the benefits of all activities exceed their costs or, conversely, that there are obvious areas of economic development activities that are not effective and that should be discontinued.
- Economic development performance indicators used by Councils and Northland Inc are of mixed use for performance measurement or resource decisions. Measures are either focused on outputs or long-term outcomes that are difficult for organisations to influence in any one year and tend to be limited in scope. There are few 'intermediate outcome' measures which are more directly attributable to the activities. Some current indicators may incentivise the wrong types of behaviours by encouraging a focus on achieving a quantity of outputs rather than quality.

## How should the current model be improved?

- Based on an assessment of the identified areas for improvement, consideration of services that should be delivered together and functions that should be in-house versus independent of Council, feasible options for improving the delivery of economic development activities in the region are:



- The Status Quo
- Enhanced Status Quo – this would mean that Northland Inc would remain a CCO of NRC, but that: a) additional mechanisms would be adopted to ensure more effective engagement and communication between Northland Inc, Councils and other economic development partners; and b) Northland Inc would extend its delivery into the Far North, for example, by having representation based in FNDC and/or a co-funded resource with FNDC.
- Refocusing Northland Inc. This would involve transferring some of Northland Inc’s current activities to Councils such as the portfolio management role for TTNEAP and IGR applications associated with major strategic projects.
- Leveraging other providers. This would involve changing Northland Inc from a CCO to an independent organisation and for Councils to contract with Northland Inc and potentially other organisations (e.g., Chambers) for economic development services.
- Extended Regional Model. This would involve converting Northland Inc from a NRC CCO to a jointly owned CCO, with all Councils in the region taking an ownership and governance role in Northland Inc and jointly contributing funding to Northland Inc. This would also involve Northland Inc extending its presence in different districts through having satellite offices or joint staff with the respective Council.
- The pros and cons of these options were assessed against a range of criteria, including practicality, representation and responsiveness, effectiveness, costs, accountability, and ability to leverage the resources of others.

## 1. Improving the current delivery arrangements and service mix

- Overall, our assessment is that the that the best approach for enhancing the existing model is:
  - For Northland Inc to become a jointly-owned CCO, with joint shareholding across the four Councils and a joint committee to provide direction and oversee Northland Inc’s performance and resourcing.
  - To extend the delivery of Northland Inc into each district through a hub and spoke delivery model, for example by having representation and joint resourcing arrangements in each district with the district Councils and potentially the Bay of Islands Marketing Group and/or other promotion groups.
  - To increase Northland Inc’s destination marketing activity relative to other economic development activities. The increase in activity should include the introduction of a regional events facilitation and marketing role.
    - At a minimum, the current three-year IGR allocation for regional tourism promotions that Northland Inc is receiving should be added to their baseline. However, Northland Inc and NRC should also consider opportunities for reallocating funding from other activities. There is also likely to be opportunities to obtain leverage from district marketing and event activities through Northland Inc extending its services into the districts.



- To ensure that Northland Inc and Council destination marketing and management activities (including events) are focused on the right priorities and opportunities over the long-term, Northland Inc and the Councils should work with partners and stakeholders to develop a regional visitor and events strategy and plan for the region.
- To improve engagement between Northland Inc & Councils and Māori/iwi organisations on economic development priorities and services. The model provides for the potential to increase the level of engagement with Māori through a joint resourcing approach with the Iwi Chief Executive's collective or other Māori/iwi organisations.

## 2. Enhancing communication and engagement between the Councils and Councils and Northland Inc

- The current model can also be enhanced by improving Council and Northland Inc engagement in setting priorities and assessing and communicating the impacts/outcomes of activities, including:
  - Workshop sessions between Northland Inc and the Joint Committee of Councils to discuss key developments during the year (up to twice per year).
  - An annual strategy session involving representative Councillors, the Chief Executive and senior management of Councils, and Northland Inc's Board, Chief Executive and senior management. Representatives from major industry, support and iwi organisations should also be invited to the annual strategy session.
  - Regular meetings between the Chief Executives of the Councils and Chief Executive of Northland Inc (e.g., quarterly).
  - Improved reporting by Northland Inc and Councils on economic development activities.

## 3. Improving Northland Inc and Council reporting on economic development

- Assessing the benefits of economic development activities can be improved by more clearly identifying the linkages between outputs, immediate impacts and short-medium term outcomes and capturing better feedback from business and industry clients about their views on the changes that have resulted from activities. This can be articulated in an agreed output and outcome framework that sets out an intervention logic about how the range of activities delivered Councils and Northland Inc contributes to desired outcomes. This will also provide a framework for monitoring progress towards outcomes and the basis for Councils to develop a monitoring and evaluation plan, which should include a formal evaluation of Northland Inc's activities at an appropriate time (e.g., by 2020).

## 4. Improving the operation of the Investment & Growth Reserve

- The operation of the IGR can be improved by:
  - Focusing the fund on feasibility studies, business cases and impact investments, as the economic development rationales and benefits from commercial projects are limited.





- Introducing guidelines and templates for feasibility studies and businesses cases to ensure that additional and wider economic benefits are clearly assessed and specified.
- Prioritising the pipeline of projects to focus on those with the greatest potential impact and public benefits, aligned with regional economic development priorities.
- Enabling the Northland Inc Board to make decisions on feasibility and business case applications, up to an agreed maximum (e.g., \$100,000), with NRC officials' providing advice as part of the process.

## 5. Improving TTNEAP and its support arrangements

TTNEAP and its support arrangements can be improved by:

- Revamping TTNEAP to become a regional economic development strategy and plan, with agreed priority areas, goals and outcomes and which is aligned with Northland Forward Together, He Tangata, Council Plans and Northland Inc priorities. The aim should be for the strategy and plan to more aspirational about the future of the region and to provide greater direction about how economic development activities will support this future.
- Revamping the TTNEAP Advisory Group so that it provides direction and decision-making on priorities and involves a genuine partnership between local government, Māori/iwi, the business community and central government.
- Ensuring engagement with the region to discuss and update the priorities and Plan annually, for example, through holding workshops between Councils, Northland Inc, business leaders, Māori/iwi leaders and other major economic development partners.

## What are the benefits and costs?

Key benefits associated with the recommended changes include:

- Greater alignment of economic development priorities and outcomes across Council/s and Northland Inc and hence better opportunity to leverage the resources of all to achieve common goals.
- Relatively little disruption to Northland Inc or Council operations and delivery as a result of implementing changes.
- Reduced compliance costs for Northland in reporting to different Councils.
- Improved measurement of economic development activity performance and impacts and subsequently a better ability to make appropriate changes to resource and investment decisions.
- Increased flexibility/agility by being able to make decisions about changes to activities across Councils and Northland Inc through the joint committee structure, which would have previously necessitated a reliance on a larger number of decision-making mechanisms across Councils.



- Increased opportunity to identify efficiencies in delivering activities across all Councils and Northland Inc as a result of increased engagement.

### Key costs and risks associated with the recommended arrangements include:

- An increase in Council staff and Councillor time required to develop and agree on: priorities with Northland Inc; the Shareholders Agreement; the Joint Committee role and structure; and the outcome and output framework. Some Councils (e.g., KDC and FNDC) will now be expected to participate in additional meetings and workshops with Northland Inc.
- An increase in Northland Inc staff and Board time required to help develop the outcome and output framework, improve reporting and participate in workshops with the Councils. This may divert resources away from delivery.
- Time and costs associated with public consultation on the changes to the CCO arrangements. This can be minimised by utilising existing consultation processes, such as those associated with the update of the LTPs and Annual Plans.
- Costs involved in extending Northland Inc's services into districts (e.g., set-up costs, coordination costs) although some costs could be minimised by sharing overheads with others.
- A risk that Councils will attempt to influence operational rather than strategic matters through the new engagement/communication mechanisms.

In our view these costs and risks are manageable and will not outweigh the benefits of the proposed arrangements.

## Recommendations

We recommend that:

### Strategy and priority setting

- The Councils and Northland Inc work with Māori/iwi, central government, key industry and economic support organisation representatives to develop a regional economic strategy and plan that sets the goals and priorities for economic development in the region.
  - This should effectively be a revamp of TTNEAP and should aim to align Northland Forward Together, He Tangata, Council Plan and Northland Inc priorities.
  - The process needs to involve engagement with businesses and communities across the region.
  - The process should be led by a revamped TTNEAP Advisory Group which involves a genuine partnership between and representation from local government, Māori/iwi, the business community and central government.
- District-level economic plans and activity-specific strategies (e.g., the proposed visitor and events strategy) need to be aligned with the regional strategy and plan over time.



- Northland Inc should become a jointly owned-CCO, with joint shareholding across the four Councils and a joint committee to provide direction and oversee Northland Inc's performance and resourcing.
- Councils and Northland Inc should adopt a broader range of mechanisms to discuss and agree on Northland Inc's objectives and priorities each year, including an annual strategic workshop with economic development partners and stakeholders, workshops between Northland Inc and the Joint Committee of Councils, and a Letter of Expectations that sets out combined Council expectations about outputs, outcomes, performance measurement and reporting.

### **Opportunities for improving the service mix and reach**

- Northland Inc should extend its delivery across districts through a hub and spoke delivery model, for example, by having representation and joint resourcing arrangements with the district Councils and potentially the Bay of Islands Marketing Group and/or other promotion groups.
- Northland Inc and Councils should extend the delivery of economic development activities to Māori/iwi organisations and discuss the potential for a joint servicing arrangement with Iwi Chief Executives and/or other Māori organisations.
- Resourcing and delivery of regional destination marketing should be increased relative to other forms of regional economic development activity.
  - The expansion of activity should include major regional events facilitation and marketing.
  - The current three-year regional promotion budget funded through the IGR should be added to Northland Inc's baseline.
  - Northland Inc should work with NRC to identify potential areas for reallocating funding from other activities.
- A regional visitor and events strategy should be developed to help prioritise tourism product development, coordinate district and regional marketing efforts, determine how to create better leverage from events, and to identify appropriate levels and sources of funding for destination marketing and management activity in the region over the long-term.
- The IGR should be refocused to support impact investments (and associated feasibility studies and business cases) and the pipeline should be prioritised to focus on those with the greatest potential impact, aligned with regional economic development priorities
  - Guidelines and templates for feasibility studies and business cases should be introduced to ensure that additional and wider economic benefits are clearly assessed and specified.

### **Opportunities for getting greater value from economic development investment**

- NRC should discuss appropriate levels of funding support for Northland Inc from the other Councils as part of the process for implementing the joint CCO arrangement.



- There will be a stronger basis for these discussions once there are agreed economic development priorities across the Councils. In the first instance, we recommend that FNDC and KDC consider adopting a joint Council-Northland Inc resourcing arrangement similar to the arrangement that WDC has implemented.
- Councils should assess the costs and benefits of introducing a differential rate or other charging arrangements for destination marketing activities as part of the development of the visitor and events strategy, including whether and how such mechanisms could be implemented.

### **Assessing and reporting on activities and impacts**

- The Councils and Northland Inc should develop an output and outcome framework that sets out the intervention logic between the resources being used for economic development, the activities being delivered and outputs, and the desired short, medium and longer-term outcomes.
- Councils and Northland Inc should develop and adopt a monitoring and evaluation plan, which should specify how performance information will be collected, to consistently measure and report on economic development activities. This should include a formal evaluation of activities at an appropriate time (e.g., in 2020).

