

AGENDA

Regional Economic Development Service Delivery Working Party Tuesday 8 December 2020 at 3.30pm

Regional Economic Development Service Delivery Working Party Agenda

Meeting to be held in the Council Chamber
36 Water Street, Whangārei
on Tuesday 8 December 2020, commencing at 3.30pm

Recommendations contained in the agenda are NOT decisions of the meeting. Please refer to minutes for resolutions.

MEMBERSHIP OF THE REGIONAL ECONOMIC DEVELOPMENT SERVICE DELIVERY WORKING PARTY

Chairperson, Councillor Justin Blaikie

NRC Councillor Colin Kitchen

KDC Councillor Anna Curnow

KDC Councillor Peter Wethey

FNDC Councillor John Vujcich

FNDC Councillor David Clendon

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TITLE: Northland Inc. Limited: Statement of Intent 2021-2024 -
Draft letter of expectations

ID: A1393245

From: Darryl Jones, Economist

**Authorised by
Group Manager:** Ben Lee, GM - Strategy, Governance and Engagement, on 07 December
2020

Executive summary/Whakarāpopototanga

The purpose of this report is to obtain comments from the Regional Economic Development Service Delivery Working Party (Working Party) on the draft letter of expectations for Northland Inc.'s Statement of Intent 2021-2024 (**Attachment 1**). This is provided to the Working Party in accordance with its terms of reference and the process set out at the inaugural meeting of the Working Party on Friday 27 November 2020. Council intends to send the letter to Northland Inc. before the end of the year.

Recommendation

That the report 'Northland Inc. Limited: Statement of Intent 2021-2024 - Draft letter of expectations' by Darryl Jones, Economist and dated 7 December 2020, be received.

Background/Tuhinga

Not applicable.

Attachments/Ngā tapirihanga

Attachment 1: Draft letter of expectations to Northland Inc. Limited for SOI 2021-2024 [↓](#)



11 December 2021

Sarah Petersen and Murray Reade
Chair and Chief Executive Officer
Northland Inc. Limited
PO Box 1762
Whangārei 0140

Sent by email: sarah@sodagroup.co.nz
murray.ream@northlandnz.com

Dear Sarah and Murray

NORTHLAND INC. LTD STATEMENT OF INTENT 2021–2024: LETTER OF EXPECTATIONS

The purpose of this letter is, as the shareholders of Northland Inc., to provide you with guidance on council's expectations regarding the development of Northland Inc's forthcoming Statement of Intent (SOI) 2021–2024.

In terms of timing for the SOI development, the statutory deadline requires Northland Inc. to deliver a draft SOI on or before 1 March 2021. We have a quarterly council/Northland Inc. workshop scheduled for 23 March 2021 at which we will be able to discuss the draft SOI. Council will provide its comments back on the draft SOI by 1 May 2021. Northland Inc. is required to deliver a completed SOI on or before 30 June 2021.

In preparing the draft SOI, council would like Northland Inc. to consider the following comments:

- Greater use of Te Reo should be incorporated into the document. This was a point stressed by the Te Taitokerau Māori and Council Working Party.
- The steps being taken by Northland Inc. in response to the "Review of Māori Economic Development Arrangements" need to be articulated in to the SOI. This is an important area of work that has been on "pause" waiting for the Review to be completed and action needs to be taken.
- In anticipation of potential joint council ownership of Northland Inc commencing on 1 July 2021, the document should be reviewed so that references to "NRC" in its capacity as shareholder be replaced with a more generic term such as "shareholders" as relevant.
- An Overview section is not necessary in such a short document. As it is currently written the Overview section contains some information contained in the main



Private Bag 9021, Whangārei 0148



report and other material that is not including the Visions, Mission and Objectives. This is confusing for the reader.

- Council considers that the main report can be better presented so that the key messages Northland Inc. wishes to highlight in an Overview section can stand out for the reader. Furthermore, the linkages between the objectives, activities and key performance measures should also be made more obvious, perhaps through a diagram.
- In terms of the Vision, rather than “balancing economic development with sustainable environmental management” emphasise should be given to economic development occurring within a sustainable environment.
- In terms of the Objectives, consideration should be given to incorporating the concepts of sustainability and the environment, as referenced in the Vision, within the objectives themselves. The Objectives should also be ordered to align with the activity areas, allowing the reader to better understand the linkages.
- In addition to sustainability, the importance of regional dispersal of activities needs greater focus across the document, including reference in the objectives, activities and performance measures.
- The Context section should be redrafted to reflect the new government’s policy for regional economic development. Some of the wording in the current SOI will no longer be relevant.
- In this regard, support for the Te Taitokerau Northland Economic Action Plan (TTNEAP) should be incorporated back into the list of activities undertaken.
- The title given to the activity “Engagement Collaboration and Visibility” should be changed. This title does not provide the reader with a clear idea of the specific work listed under this heading, and the concepts associated with the heading should also be applicable to other activities undertaken by Northland Inc.
- In terms of the “Regionally Strategic Sectors”, could you please add “Aquaculture” to the list of sectors and clarify that “Marine” refers to the ship and boat building and repair services industry. Aquaculture is being added to support council’s interest in the development of land-based aquaculture.
- Further work should be done to improve the Performance targets of Northland Inc., including the following points. Council is very keen to work at the staff level with Northland Inc. to develop these in the new year.



- Differentiate between output and outcome targets, e.g. “Equivalent Advertising Value achieved from destination marketing” and “Visitor spend from target markets”, and have at least one of each for each activity area.
- Developing targets at the district level, or at least provide a commitment to report at that level, e.g. business engagement and value of vouchers issued.
- Rethink the “Visitors spend from target markets” as this currently is just total tourism spending in Northland. Consider perhaps the local of the spending (e.g. by district) or the type of product being purchased.

At the next quarterly workshop scheduled for 23 March 2021, council would be very interested in hearing about the assessment of options for increasing Northland Inc's regional presence, including the potential for additional Orchard co-working spaces elsewhere in Northland.

As you are aware, the Far North District Council and Kaipara District Council will be consulting in their respective Long Term Consultation 2021-2031 processes on the proposal to become joint shareholders along with council in Northland Inc. If the district councils decide to do so following their consultation processes, this will result in a significant step forward in terms of the delivery of local government regional economic development services in Northland.

Input into this letter, including some of the points raised above, have been provided by district council elected members through the Regional Economic Development Service Delivery Working Party. The Working Party will also make recommendations to council on the draft SOI delivered in the new year.

As the single shareholder of Northland Inc., council considers that its relationship with the Northland Inc. Board is open, collaborative and productive. We will work with you and the district councils to ensure that this positive relationship continues should decisions be made to move to a joint-ownership model. It is only by working together that Te Taitokerau can thrive.

Yours sincerely

Penny Smart
Chair

Malcolm Nicolson
Chief Executive Officer



Private Bag 9021, Whangārei 0148

TITLE: Northland Inc. Limited: Appointment of directors - Update

ID: A1393258

From: Darryl Jones, Economist

Authorised by Ben Lee, GM - Strategy, Governance and Engagement, on 07 December
Group Manager: 2020

Executive summary/Whakarāpopototanga

The purpose of this paper is to seek further input from the Regional Economic Development Service Delivery Working Party (Working Party) on the director skills and experience matrix.

At the inaugural meeting of the Working Party held on 27 November 2020, WP members reviewed the draft skills and experience matrix (**Attachment 1**) and provided the following feedback.

- Include additional key attributes relating to sustainability and environment, and Māori economic development (not just knowledge of tikanga Māori).
- “Health and safety and general risk management” should be changed to “Risk management including health and safety”

Since the inaugural Working Party meeting, council has received a paper from Northland Inc. summarising a skills and experience self-assessment conducted by Northland Inc. directors (**Attachment 2**). The Working Party may wish to provide further direction on the skills and experience matrix they wish to use for the forthcoming appointment process as a result of the report received from Northland Inc.

It was agreed at the inaugural meeting of the Working Party that while all members of the Working Party would be involved in the selection of candidates for interviewing, an interview panel consisting of three Working Party members, one from each council, be established to conduct the interviews. The Working Party may wish to establish the interview panel at this meeting. Doing so now rather than at the next meeting, currently scheduled for Friday 5 March, will assist staff in scheduling interview dates.

At the inaugural meeting the appointment of an independent interview panel member to assist the three Working Party members was also discussed. Since that meeting further direction has been sought from Chair Penny Smart, the remaining councillor who was on the interview panel in 2018. Chair Smart considers that an independent member is not necessary given the abilities of the Working Party members.

Finally, the Working Party asked at its inaugural meeting if it is possible to prioritise the key attributes in the matrix, perhaps by using a weighted attribute system. Advice from council’s human resource manager is that this is possible provided a fair process is followed, including making such a decision prior to advertising for the positions.

Recommendation

That the report ‘Northland Inc. Limited: Appointment of directors - Update’ by Darryl Jones, Economist and dated 7 December 2020, be received.

Background/Tuhinga

Not applicable.

Attachments/Ngā tapirihanga

Attachment 1: Northland Inc. Limited: Draft Director skills and experience matrix (as provided to the Working Party meeting on 27 November 2020) [↓](#)

Attachment 2: Email from Northland Inc. containing feedback on director skills and capability [↓](#)

Policy on the appointment of directors to council organisations

Section 57 of the Local Government Act 2002 ("the Act") requires the council to have a policy on the appointment of directors to its council organisations. As at July 2018, Northland Regional Council wholly or partially owns:

- Northland Inc. Limited;
- Marsden Maritime Holdings Limited; and
- Regional Software Holdings Limited.

Under section 6(4) of the Act, Marsden Maritime Holdings Limited is exempt from being classified as a council-controlled organisation. However, the associated joint venture company Northport Limited is classified as a council trading organisation. Directors of Northport Limited are appointed by the immediate shareholders.

Definitions

"Council organisations" include council-controlled organisations and council-controlled trading organisations. Each of these terms is defined in the Act:

"Council organisation"

A council organisation is any organisation in which the council has a voting interest or the right to appoint a director, trustee or manager (however described). This is a wide-ranging definition, covering a large number of bodies.

"Council-controlled organisation"

A council-controlled organisation is an organisation in which the council, either in its own right or as part of a consortium of local authorities, controls, directly or indirectly, 50 percent or more of the votes or has the right, directly or indirectly, to appoint 50 percent or more of the directors, trustees or managers.

"Council-controlled trading organisation"

A council-controlled trading organisation is a council-controlled organisation that operates a trading undertaking for the purpose of making a profit.

Other relevant legislation/regulation

In addition to this policy, appointments and reappointments to the boards of council organisations are governed by their respective constitutions, trust

deeds or, potentially in some cases, specific legislation. In the event of a conflict, those regulations take precedence over this policy.

Where ownership of council organisations is jointly or severally shared with other entities, governance requirements are established through shareholder agreements or equivalent documentation. Such agreements also take precedence over this policy.

Care should also be exercised to ensure that the appointment of any director will not potentially trigger a breach of the NZX Listing Rules for a listed council organisation, which prohibit the council, as a shareholder, from voting on some shareholders' resolutions.

Waivers to the voting restrictions are available but the potential for breach is most simply avoided by ensuring that an individual director is never concurrently appointed to more than one regional council organisation.

Key principles of this policy

- The objective of this policy is to ensure that the council appointments process selects the best person for the role;
- All appointments will be made through an objective, transparent and accountable process;
- All appointments will be made on the basis of merit; and
- All directors will be appointed on the basis of the contribution they can make to the organisation, not on the basis of representation.

Appointment process

- Vacancies will be advertised unless good reason exists not to. In making a decision to not advertise, the council will consider:
 - The costs of any advertisement and selection process;
 - The availability of qualified candidates;
 - The urgency of the appointment (e.g. a council-controlled organisation that is without a quorum cannot hold a board meeting); and
 - The degree of potential interest, including public interest, in the vacancy.

- The power to decide not to advertise a vacancy is to be delegated to the Chief Executive Officer.
- If circumstances warrant it, the council may call for nominations for appointment.
- An ad hoc committee will be established to consider applications and/or nominations and conduct interviews and make a recommendation on preferred candidate(s) to council. The ad hoc committee shall normally comprise councillors, including the council's shareholder representative for the organisation concerned. Other members may include key stakeholders or any person who has particular knowledge or skills that would be beneficial in the selection process.
- Ad hoc committee members and candidates are required to declare any potential conflicts of interest.

General core competencies

All board members are expected to meet core competencies as well as relevant industry or other technical/specialist skills required for that board.

Person specifications

Nominees for specific vacancies shall be assessed for their particular skills, knowledge and experience.

Other appointment criteria

- In making its selection the council shall have regard to diversity, with a view to the board reflecting Northland demographics, and to ensure governance experience is gained by Northlanders.

Appointment restrictions

- Councillors and council staff should not be appointed as directors, unless good reason exists for exception. For example, where the council organisation is operational in nature and the Northland Regional Council Chief Executive Officer or designated staff member possesses the skills, knowledge and experience required to fulfil the role of a director, then council may appoint that person.
- Staff of the council organisation should not be appointed to its board. In the event a board decides one of its members should fill a vacancy in the organisation, the board member must first resign from their position on the board.

- Any board member applying for employment with the council shall offer to resign from the board immediately following an acceptance of appointment/confirmation of election.
- Any board member who is a candidate in a local body election (or a general election or placed on any political party's list) must offer to stand down from nomination day until the election results are notified.

Where an offer to resign from the board is made, the council will consider whether to accept the offer on a case-by-case basis, considering succession planning and management of conflicts of interest, and any risks stand down poses to the council organisation.

Term of appointment

- Generally, appointments shall be for a three-year term, subject to any review the council considers necessary.
- The council shall generally review the performance of the organisation and its board after the local body elections.
- The maximum number of consecutive terms for any director is normally two, with reappointment exceeding six years to be considered on a case-by-case basis.

Remuneration of directors of council organisations

- Remuneration for directors of council organisations will be determined on a case-by-case basis taking into account:
 - Each specific role;
 - Any existing legal or constitutional requirements;
 - The form and purpose of the organisation; and
 - Any previous level of fees paid by the shareholder.
- Directors are not to undertake consulting work for the organisation under any circumstances.

Removal of directors

Directors may be removed from office according to the specific requirements of the Trust Deed or Constitution and may be subject to additional legislation such as the Local Government Acts 1974 and 2002.

Darryl Jones

From: Sarah Petersen <sarah@sodagroup.co.nz>
Sent: Thursday, 3 December 2020 3:22 PM
To: Darryl Jones
Cc: Penny Smart; Malcolm Nicolson; Murray Reade | Northland Inc; Vaughan Cooper | Northland Inc
Subject: Northland Inc - Director Skills & Capability
Attachments: 09_2020 Summary Board Review NRC.pdf

Tena koe Darryl

I understand that as part of the Joint CCO planning, you will be reviewing director recruitment processes. As part of this process, you have sought feedback from our management team regarding particular skills and capabilities that may be appropriate for 2021 director recruitment, and they have asked if I will respond directly on this matter.

In September 2020, we completed a Board review process which, amongst other things, included a Director self-assessment of skills and experience that we considered necessary for our Board. I have attached a summary of the outcomes of this self-assessment for your information, together with some reflection and commentary that may be of assistance.

As highlighted within this paper, if the opportunity arises, the Board would encourage recruitment of candidates with the below experience:

1. Tikanga – a broad understanding of Tikanga in the Tai Tokerau context, and a commitment to deepening their knowledge and experience
2. Local & Central Government Experience / Relationships – an understanding of local & central government processes and functions, and ideally, broad relationships and experience at a central government level
3. Regulatory & Public Policy – experience of, and deep understanding of these functions to assist with organisational advocacy and leadership for regional and national economic development settings
4. Maori organisations – experience within, or governance of, Maori organisations to support our strategy of building organisational understanding & capability to better support Maori economic development
5. Industry knowledge – As the next SOI develops, we recommend that consideration be given to any priority industries that may be identified and whether there is existing capability within the Board to reflect these priorities

As lesser priorities, directors with specific experience in economic development and appropriate marketing or communications experience could also complement the existing skill set.

While the Board acknowledges NRC's preference to return to a Board of 5 directors, the Board recommends that consideration be given to retaining 6 directors if possible. This is based on the breadth of capability and experience required, the time commitment required, and the representation and stakeholder management required across the region, the latter two being matters which we expect to increase in the short to medium term if the Joint CCO proposal proceeds after community consultation.

I trust this is useful for your planning processes, but please do not hesitate to contact me by phone or email if you would like to discuss further.

Nga mihi

Sarah

Sarah Petersen
sarah@sodagroup.co.nz

Northland Inc – Board Skills & Capability

(Extract from NINC Board Paper dated September 2020)

Report prepared by Sarah Petersen, Chair, Northland Inc

Purpose

The purpose of this paper is to summarise the Skills & Experience Self-Assessment conducted by Northland Inc Directors to NRC management for information and planning purposes. The detail is based upon a wider Northland Inc Board Paper tabled in September 2020 that also considered Board operations and performance. The complete paper is available to NRC management for their information and interest at request.

Approach

Skills and Experience assessments were obtained via Director self-assessments in August 2020. This self-assessment required directors to rate their skill level between 1 to 4 across a series of competencies (refer Appendix 1) identified as appropriate for the Northland Inc Board:

Skill level	Score	Description
Expert	4	Intermediate to extensive experience (10+ years) of the skill and a subject matter expert.
Proficient	3	Intermediate to extensive experience (5+ years) of the skill and current and continuing practice of the skill together with relevant qualifications.
Skilled	2	A relevant qualification in the skill and between 1-5 years of experience of the skill.
Developing	1	A basic understanding of the skill/ with little to direct experience of practice of the skill.

Individual performance reviews were also completed with Directors, however, the data presented in this paper represents self-assessment data only with no moderation or modification.

There are obviously limitations with a self-assessment approach to skills and capability, however the Board determined this was a cost-effective approach to assess skills and experience at this time.

Recommendation

It is recommended that NRC management receive and note this information. Where appropriate, it should be considered as part of subsequent director recruitment processes.

The Board Chair is also available to provide performance feedback for any existing director wishing to seek re-appointment if that is of assistance.

Detailed Information - Skills Matrix

The Board self-assessment detail in Appendix 1 broadly concurs with verbal feedback provided by directors during individual performance evaluations conducted between March 2020 – August 2020.

In terms of **skills**, the three lowest rated areas:

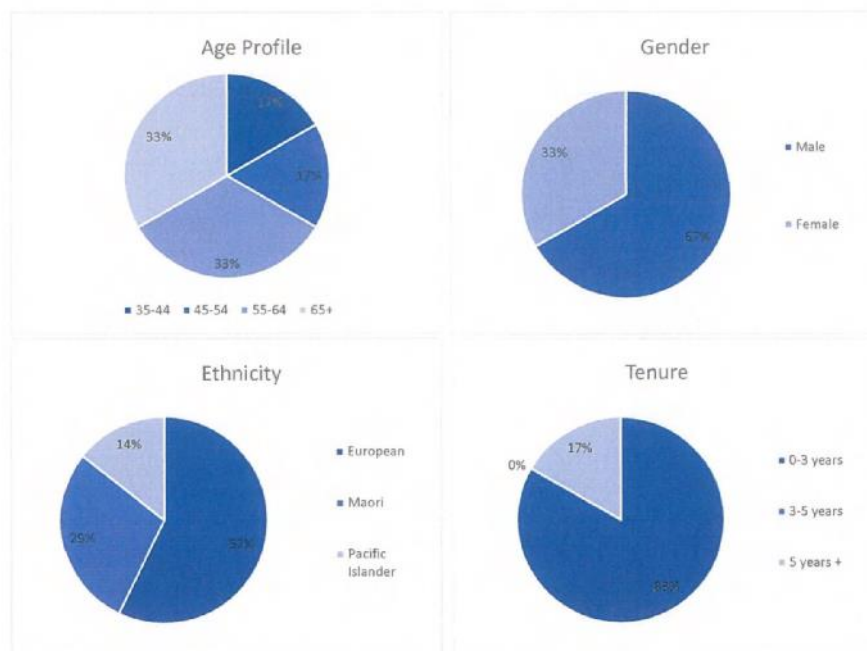
- Tikanga Maori – This has previously been identified as an organisational wide development need that is being addressed by strategic and business planning. While the collective Board skill needs to be developed, we have one Board member with significant experience in this area who is able to provide leadership and guidance;
- Remuneration Experience – After discussion, the Board did not consider this skill gap to be of critical importance given the NINC context and current remuneration frameworks; and
- Connectedness – After discussion, it was agreed this was an important skill gap as it highlighted specifically the need for improved local & central government communications and relationships, both formal and informal.

In terms of **experience**, the three lowest rated areas were:

- Marketing and Communications – Communications was acknowledged as a skills gap we need to address in the short to medium term. This could be achieved either through procurement of consultancy expertise or Board recruitment;
- Regulatory / Public Policy – The Board determined this to be of importance as we seek to lift visibility and advocacy for Northland to influence local and national economic development policy; and
- Economic Development – This assessment reflects the lack of formal training in this area as Directors generally contribute business expertise and experience rather than economic development experience specifically. The Board will address this through a structured development plan, however also noted this skill limitation is partially addressed by the technical expertise provided by management and external consultants.

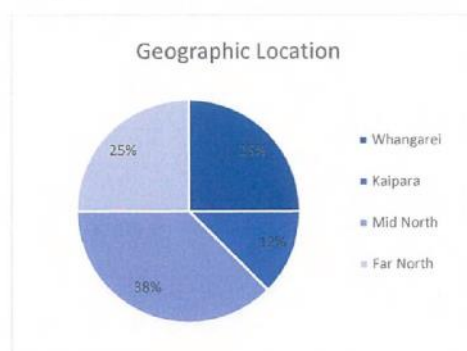
Industry experience was, as expected, reasonably broad across the Board, however ratings reflect a need to continue to build experience in local & central government, and Maori organisations. It is worth considering the regionally significant sectors within the current NINC SOI, and whether the Board collectively has appropriately sector experience in these areas or whether these may be areas for future development or recruitment.

Board Demographics



- Demographic data supports Board reflections that we are a reasonably diverse team.
- At the conclusion of the Chair's tenure on, or before, June 2021, there will be a gender imbalance, however this change will also positively affect the ethnicity balance with 50% of Directors identifying as Maori / Pacific Island.
- The tenure mix is somewhat unbalanced due to the appointment of a mostly new Board in 2018, however this was an expected, and accepted, outcome of the recruitment process at the time.

Geographical Location



- Geographical representation has not previously been considered as part of recruitment processes, however, it is potentially useful to consider from a perception perspective.
- Given Board representative requirements at various stakeholder engagements, it is also useful to consider from a Board time commitment perspective.
- Note that some Board members acknowledge connection to more than one location, and the distinction between Mid and Far North may be more subjective than based on defined boundaries.

Appendix: Board Skills Matrix – Self Assessment

STAGE 1 – SKILLS SELF ASSESSMENT	Combined Ranking (Max score = 24)
Executive leadership: sustainable career success in business or government at a senior executive level	24
Financial acumen: in financial accounting and reporting corporate and internal financial controls, including an ability to probe the adequacies of financial and risk controls	23
Governance: commitment to the highest standards of governance and an ability to assess the effectiveness of senior management	21
Remuneration: setting a remuneration framework which attracts and retains a high calibre of executives	17
Strategy: ability to think strategically and identify and critically assess strategic opportunities and threats and develop effective strategies to achieve and monitor progress towards objectives	24
Risk & Compliance: ability to identify key risks to the organisation in a wide range of areas and to utilise compliance management frameworks and systems	22
Tikanga: experience and understanding of Tikanga and ability to speak / understand Te Reo	10
Ability to Communicate: the ability to effectively communicate to a diverse group of stakeholders, and being aware of reactions of others and responding accordingly	20
Emotional Intelligence: the ability to identify and manage your own emotions, and emotions of others around the table	21
Connectedness: the ability to build relationships through networking and maintain effective relationships with the Board and other key stakeholders	18
Confidence and Decisiveness: the ability to act decisively under pressure and in complex situations	21
Conflict Resolution: ability to negotiate acceptable outcomes, acting pragmatically and accepting compromise	21

STAGE 2 – EXPERIENCE SELF ASSESSMENT	Combined Ranking (Max score = 24)
Capital projects: experience working in an industry with projects involving large-scale capital outlays and long-term investment horizons	23
Marketing & Communications: senior executive experience in marketing and communication, and communication and engagement with diverse stakeholders	16
Technology: background and experience with technology to achieve business outcomes, including managing technology risks	20
International: exposure to international regions either through experience working in an organisation with global operations or through management of international stakeholder relationships. Understanding of different cultural, political, regulatory and business requirements	22
People: experience in building workforce capability, including programs implementing health, safety and well-being.	20
Regulatory and Public Policy: experience in the identification and resolution of legal and regulatory issues. Experience in public and regulatory policy, including how it affects companies and businesses	16
Sustainability: experience in identifying economically, socially and environmentally sustainable developments, setting and monitoring sustainability aspirations	19
Economic Development: experience of economic development at a macro policy, or micro level	18
Chairing: experience of chairing non-executive Committees or Boards	20

STAGE 3 – INDUSTRY EXPERIENCE	
Corporate	23
Local Government	13
Central Government Sector	14
Iwi, Hapu or other Maori organisation	11
Tourism *	15
Agriculture *	13
Horticulture *	12
Digital *	11
Marine *	10
Other Sector Experience	
Retail	4
Construction / Property Development	6
Manufacturing	4
Financial Services	4
Health	4
Education	7
* Regionally Significant Sectors per SOI	

Notes – Industry Experience

1. All “1” ratings (“Developing”) were excluded from the industry experience due to the level of experience
2. The final SOI includes 3 other regionally significant sectors which were omitted in error from the self-assessment- these should be added for any subsequent assessment:
 - Green
 - Aquaculture
 - Food and Beverage