AGENDA
EXTRAORDINARY
MANAWATU DISTRICT AND
PALMERSTON NORTH CITY JOINT
STRATEGIC PLANNING COMMITTEE

10AM, WEDNESDAY 22 JUNE 2016
CONVENTION CENTRE
354 MAIN STREET | PALMERSTON NORTH
MEMBERSHIP

PNCC Mayor Grant Smith (Chairperson)
MDC Mayor Margaret Kouvelis (Deputy Chairperson)

COUNCILLORS PNCC
Susan Baty
Leonie Hapeta
Jim Jefferies
Duncan McCann

COUNCILLORS MDC
Shane Casey
Tony Jensen
Alison Short
Howard Voss

Agenda items, if not attached, can be viewed at:
Manawatu District Council, Reception Area
135 Manchester Street, Feilding | Feilding Public Library
pncc.govt.nz | Palmerston North City Council, Civic Administration Building,
32 The Square | City Library | Ashhurst Community Library | Linton Library

Paddy Clifford
Chief Executive, Palmerston North City Council
MEETING NOTICE

Pursuant to Clause 22 of Schedule 7 of the Local Government Act 2002, I hereby requisition an extraordinary meeting of the Manawatu District and Palmerston North City Joint Strategic Planning Committee, to be held at 10.00am on Wednesday 22 June 2016 in the Convention Centre, 354 Main Street, Palmerston North to consider the business stated below.

ORDRE OF BUSINESS

Apologies:

1. Notification of Additional Items

Pursuant to Sections 46A(7) and 46A(7A) of the Local Government Official Information and Meetings Act 1987, to receive the Chairperson’s explanation that specified item(s), which do not appear on the Agenda of this meeting and/or the meeting to be held with the public excluded, will be discussed.

Any additions in accordance with Section 46A(7) must be approved by resolution with an explanation as to why they cannot be delayed until a future meeting.

Any additions in accordance with Section 46A(7A) may be received or referred to a subsequent meeting for further discussion. No resolution, decision or recommendation can be made in respect of a minor item.
2. **Public Comment**

To receive comments from members of the public on matters specified on this Agenda or, if time permits, on other Committee matters.

*(NOTE: If the Committee wishes to consider or discuss any issue raised that is not specified on the Agenda, other than to receive the comment made or refer it to the Chief Executive, then a resolution will need to be made in accordance with clause 1 above.)*

3. **Central Economic Development Agency Limited Statement of Intent 2015/16 and 2016/17** *(Pages 6-34)*

Report, dated 9 June 2016, by the PNCC General Manager City Future, Sheryl Bryant and MDC General Manager - Community and Strategy, Brent Limmer. *(Attached)*

4. **Exclusion of Public**

That the public be excluded from the following parts of the proceedings of this meeting, namely Agenda item …….

The general subject of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under Section 48(1) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution are as follows:

<table>
<thead>
<tr>
<th>General subject of each matter to be considered</th>
<th>Reason for passing this resolution in relation to each matter</th>
<th>Ground(s) under section 48(1) for the passing of this resolution</th>
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This resolution is made in reliance on Section 48(1)(a) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by Section 6 or Section 7 of that Act which would be prejudiced by the holding of the whole or the relevant part of the proceedings of the meeting in public are as follows:

Also that persons listed below be permitted to remain after the public has been excluded for the reasons stated.

Chief Executive (Paddy Clifford), Chief Financial Officer (Grant Elliott), General Manager, City Enterprises (Ray McIndoe), General Manager, City Future (Sheryl Bryant), General Manager, City Networks (Ray Swadel), General Manager, Customer Services (Peter Eathorne), General Manager, Libraries and Community Services (Debbie Duncan), Human Resources
Manager (Wayne Wilson) and Strategic Communications Manager (Mark Torley) because of their knowledge and ability to provide the meeting with advice on matters both from an organisation-wide context (being members of the Council’s Management Team) and also from their specific role within the Council.

Legal Counsel (John Annabell), because of his knowledge and ability to provide the meeting with legal and procedural advice.

Committee Administrators (Rachel Corser and Penny Odell) and Governance and Support Team Leader (Kyle Whitfield), because of their knowledge and ability to provide the meeting with procedural advice and record the proceedings of the meeting.

[add officers who are authors of reports or their substitutes] because of their knowledge and ability to assist the meeting in speaking to their report and answering questions, noting that they will be present at the meeting only for the item/ that relate to their respective report.

[add third parties, e.g. consultations who are authors of their reports being considered] because of their knowledge and ability to assist the meeting in speaking to their report and answering questions, noting that such person/s will be present at the meeting only for the items that relate to their respective report.

__________________________
GOVERNANCE & SUPPORT TEAM LEADER

*   *   *   *   *

5
Joint Strategic Planning Committee

Meeting of 22 June 2016

Business Unit: Community and Strategy
Date Created: 14 June 2016

Central Economic Development Agency Limited Statement of Intent
2015/16 and 2016/17

Purpose

To present to the Joint Strategic Planning Committee, the Central Economic Development Agency Limited (CEDA) Statements of Intent for the 2015/16 financial year and the 2016/17 financial year. The purpose of the Statement of Intent is to:

- Publicly state the Company’s activities and intentions for the financial year, and the objectives to which these relate;
- Provide opportunities for shareholders to influence the direction of the Company; and
- Provide a basis for accountability for the performance of the Company.

Significance of Decision

The Council’s Significance and Engagement policy is not triggered by matters discussed in this report.

Recommendations

That the Joint Strategic Planning Committee agree to the Central Economic Development Agency Limited 2015/16 Statement of Intent.

That the Joint Strategic Planning Committee agree to the Central Economic Development Agency Limited 2016/17 Statement of Intent.

Report prepared by:
Michael Hawker
Project Delivery Manager
1 Background

1.1 CEDA is a Council Controlled Organisation, constituted as a limited liability company. Palmerston North City Council and Manawatu District Council are the joint shareholders, having approved the CEDA Company Constitution and Shareholders Agreement on 31 August 2015.

1.2 Under the provisions of the Local Government Act 2002, the CEDA Directors must present a draft Statement of Intent to Council each year. Council then has the opportunity to comment and provide feedback on the draft Statement of Intent. The Company must then consider Council’s comments and then deliver the final document to the Councils before 30 June each year.

1.3 In addition, both Councils developed a Letter of Expectations. This followed good practice advice in the report from the Office of the Auditor General "Governance and accountability of council-controlled organisations". The Letter of Expectations informs CEDA of the Shareholders expectations, which will in turn inform the development of the CEDA Statement of Intent (SOI).

1.4 The Letter of Expectations was approved in December 2015 by both Councils and delivered to CEDA. The Letter of Expectations covers the period for establishing CEDA up to the commencement of the service contracts. An updated Letter of Expectations has been provided for the 2016/17 financial year.

1.5 Both councils have a clear strategic direction for economic development in the region and are looking for a step change in performance by focusing on inward investment and job growth. They have appointed a commercially strong and experienced board to enable this.

1.6 The draft content for the Statements of Intent was considered by the Joint Strategic Planning Committee at its meeting of 16 May 2016. Feedback was provided to CEDA for inclusion in the final Statements of Intent. This feedback was included in the updated Letter of Expectations.

2 Discussion and Options considered

2.1 CEDA has considered Council’s comments and delivered the final SOIs to the Joint Strategic Planning Committee before 30 June as required.
3 Operational Implications

3.1 There are no capital/operating expenditure implications or maintenance costs associated with this decision.

4 Financial Implications

4.1 Palmerston North City Council and Manawatu District Council each contribute 50% shareholding and start-up working capital. Each Council has budget allocated in their respective Long Term Plans for service contracts with CEDA.

5 Statutory Requirements

5.1 Under the provisions of the Local Government Act 2002, Part 5 (Council – controlled organisations and council organisations), section 64 (Statement of Intent), CEDA has a statutory obligation to provide both Councils with a Statement of Intent.

6 Delegations

6.1 The Joint Strategic Planning Committee has delegated authority to consider this matter.

7 Consultation

7.1 Not applicable.

8 Cultural Considerations

8.1 Not applicable.

9 Conclusion

9.1 The Central Economic Development Agency Limited (CEDA) Statements of Intent for 2015/16 and 2016/17 are presented for consideration and agreement to by the Joint Strategic Planning Committee.

10 Attachments

- 2016/17 Central Economic Development Agency Limited (CEDA) Statement of Intent
- Letter of Expectations for 2016-2017
Central Economic Development Agency Limited (CEDA)

Statement of Intent
For the part-year ending 30 June 2016

Draft: 10 June 2016
Foreword

This Statement of Intent (SOI) sets out Central Economic Development Agency Limited (CEDA) strategic framework, activities and performance measures in order to deliver on our role, and contribute to the Manawatu Region’s targets and priorities.

This is the first Statement of Intent for CEDA, which came into existence in September 2015, with the current Board assuming control from the Interim Directors in December 2015.

CEDA is owned by Manawatu District Council (50%) and Palmerston North City Council (50%). Funding for CEDA will come from these two councils, and any other contracts that CEDA undertakes to achieve its objective.

The principal objective of CEDA is to drive and facilitate the creation and growth of economic wealth for Manawatu and beyond.

Through the CEDA establishment process and through the Letter of Expectations, from the Mayor of Manawatu and the Mayor of Palmerston North, there is a clearly articulated direction on issues that are important to both Councils, and assistance in the development of CEDA’s SOI.

The SOI represents the objectives, nature and scope of activities undertaken, and performance targets by which we will be measured. It covers the initial setup period from 15 October 2015 to 30 June 2016.

Bearing in mind that CEDA is an organisation in establishment – and that Will Samuel, the new Chief Executive, doesn’t start until early July 2016, – this Statement of Intent is an initial indicator of CEDA’s strategic direction over the next three years rather than a detailed outline of specific initiatives.

For some months to come, CEDA will have to transition “business as usual” as well as putting in place a future-focused strategy and delivering new initiatives. This SOI takes this situation into account.

Once the new Chief Executive is on board and has determined the organisation’s structure, CEDA will focus on a programme of activity, while at the same time building a united and empowered organisational culture which earns a reputation for delivering. We are confident that our strategy and work programme will underpin the beginning of a transformation for the Manawatu Region – for the benefit of all who live and work in it.

We are committed to a single minded focus on significant interventions that will leave a lasting legacy for the Manawatu Region. We are pleased to present this document as our statement of this commitment.

Malcolm Bailey
Chair
1. **Purpose of Statement of Intent**

This Statement of Intent (SOI) is presented by Central Economic Development Agency Limited (CEDA) in accordance with the requirements of Section 64(1) of the Local Government Act 2002 (LGA2002).

In accordance with the Local Government Act 2002, this annual SOI publicly states the activities and intentions of CEDA for the next three years, and the objectives to which those activities will contribute. This SOI takes shareholder comments into consideration and includes performance measures and targets as the basis of organisational accountability.

2. **About CEDA**

The Central Economic Development Agency (CEDA) is a newly-formed organisation and its key objective is to boost economic growth in the Manawatu region. Promoting economic growth has previously been the domain of Vision Manawatu (economic development) and Destination Manawatu (tourism & events) but this has now been transferred to CEDA.

The formation of CEDA reflects a similar approach adopted by a number of local and regional councils such as the Wellington City Council and the Greater Wellington Regional Council who have transferred their economic development activities to the Wellington Regional Economic Development Agency (WREDA).

CEDA is a Council controlled organisation jointly owned by the Palmerston North City Council and the Manawatu District Council.

3. **CEDA’s Strategic Objectives**

CEDA will identify key strategic objectives that collectively articulate CEDA’s role in driving and facilitating the creation and growth of economic wealth for Manawatu and beyond.

Through these objectives CEDA will align Manawatu Region wide strategies and CEDA’s ongoing strategic interventions, growth programmes and projects. A strategic framework will provide the organisation with focus on those areas of our role that will make a difference to the Manawatu Region. The key strategic objectives will be supported by more detailed action plans, investment proposals and delivery partnerships.

A strategy, aligned to the two councils’ mission and vision, will be developed in full by the newly appointed CE.
4. **Nature and scope of Activities**

2015-2016:

The CEDA board was appointed in December 2015. The key objective for Financial Year 2015-2016 is to put in place the necessary infrastructure to establish CEDA.

Its tasks for the initial development phase will focus on four areas:

- CEO recruitment
- Developing a deep understanding of current economic development in Palmerston North and Manawatu
- Community and stakeholder engagement
- Dialogue with Vision Manawatu and Destination Manawatu to ensure continuity of existing services

5. **Contract and Performance Measurement**

Letters of expectation between the councils and CEDA currently set out a broad framework for the establishment phase. Detailed KPIs will be negotiated between the Councils and CEDA.

In the interim, the councils have indicated that CEDA will be judged against its core expectations of:

- Continuing to work with Vision Manawatu and Destination Manawatu Boards to transition any contracts, services, assets, intellectual property and sector knowledge.
- Establishing relationships for sub-contracting services to Spearhead and Building Clever Companies (BCC).
- Appointment of a CE.
6. Monitoring Indicators

In addition to our performance measures, the Shareholders have identified a further set of monitoring indicators. These indicators reflect outcomes at the regional level which are impacted by a range of factors outside of our direct control (e.g. exchange rates, natural disasters, government policy) but which we aim to influence through our activity. As the region’s economic development agency, we have a role in monitoring and influencing these indicators as we can, however we do not measure the performance of our organisation against them.

The monitoring indicators will be finalised during contract negotiation with the Shareholders contract managers. The Councils have the responsibility to report on these indicators.

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<tr>
<th>Indicator</th>
<th>2017</th>
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<th>Regional target</th>
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<td>Change in total number of jobs</td>
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<td>Change in average salaries and wages</td>
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<td>Estimated population change</td>
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<td>Net overseas migration</td>
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<td>Spend by visitors in Manawatu region (domestic and international)</td>
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<td>Number of visitor nights in Manawatu region</td>
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<td>Change in MSD benefit numbers</td>
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<td>Reputation of Palmerston North as a great place to live and do business</td>
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7. Summary of Financials

For the period to 30 June 2016 CEDA will be continuing in its establishment phase and will not be in a position to provide any services.

It is estimated that CEDA’s expenses for the period will amount to approximately $180,000 comprising director’s fees and expenses ($80,000), CEO recruitment ($50,000) and Administration, Research and Analysis ($50,000).

During this period CEDA is reliant on establishment funding provided by the shareholders. This reliance will continue into the next financial year until CEDA is contracted by the Council’s under the proposed service level agreements (targeted for 1 September 2016).
8. Governance

8.1 Board

The Board of up to seven (currently five) independent directors is responsible for the strategic direction and control of CEDA’s activities.

The Board guides and monitors the business and affairs of CEDA, in accordance with the Companies Act 1993, the Local Government Act 2002, the Company’s Constitution and this SOI.

The Board's approach to governance is to adopt "good practice" with respect to:
- the operation and performance of the Board
- managing the relationship with the Chief Executive
- being accountable to all shareholders and reporting to the Joint Strategic Planning Committee of Manawatu District Council and Palmerston North City Council

The Board will meet on a regular basis and no less than 10 times each year.

The Board has yet to determine its committee structure.

8.2 Joint Strategic Planning Committee of Manawatu District Council and Palmerston North City Council

The Joint Strategic Planning Committee is made up of ten local body elected members, five from each Council including both Mayors.

The role of the Joint Strategic Planning Committee is to:
- Review the performance of CEDA, and report to Shareholders on that performance on a periodic basis
- Undertake performance monitoring of CEDA, as per section 65 of the Local Government Act
- Approve the appointment, removal, replacement and remuneration of directors
- Review and approve any changes to policies, or the SOI, requiring their approval

The Board aims to ensure that the Joint Strategic Planning Committee and the Shareholders are informed of all major developments affecting CEDA’s state of affairs, while at the same time recognising that commercial sensitivity may preclude certain information from being made public.

CEDA will adhere to a 'no surprises' approach in its dealings with its Shareholders and Joint Strategic Planning Committee.

8.3 Letter of Expectations

By 1 December in each year the Shareholders will deliver to CEDA a Letter of Expectations. The Letter of Expectations is intended to provide direction on issues that are important to both Councils, and to assist in the development of CEDA’s next SOI.
8.4 Statement of Intent

By 1 March in each year CEDA will deliver to the Joint Strategic Planning Committee of the Shareholders its draft SOI for the following year in the form required by Clause 9(1) of Schedule 8 and Section 64(1) of the Local Government Act 2002.

Having considered any comments from the Joint Strategic Planning Committee received by 30 April, the Board will deliver the completed SOI to the Joint Strategic Planning Committee of the Shareholders on or before 15 June each year.

8.5 Half Yearly Report

By the end of February each year, CEDA will provide to the Joint Strategic Planning Committee a Half Yearly Report complying with Section 66 of the Local Government Act 2002. The Half Yearly Report will include the following information:

- Directors' commentary on operations for the relevant six month period
- Comparison of CEDA's performance with regard to the objectives and performance targets set out in the SOI, with an explanation of any material variances

8.6 Annual Report

CEDA’s balance date is 30 June.

By 30 September each year, CEDA will provide to the Joint Strategic Planning Committee and its Shareholders an Annual Report complying with Sections 67, 68 and 69 of the Local Government Act 2002 and the Companies Act.

The Annual Report will contain the information necessary to enable an informed assessment of the operations of the company, and will include the following information:

- Directors' Report
- Comparison of the CEDA’s performance with regard to the objectives and performance targets set out in the SOI, with an explanation of any material variances
- Auditor’s Report on the financial statements and the performance targets
- Any other information that the directors consider appropriate

8.7 Shareholder Meetings

CEDA will hold an Annual General Meeting (AGM) between 30 September and 30 November each year to present the Annual Report to all Shareholders unless it is agreed between CEDA and the shareholders that the business of the AGM will be done by resolution in writing.

8.8 Shareholder Approval

Any subscription, purchase or acquisition by CEDA of shares in a company or organisation will, require Shareholder approval by special resolution as will the other matters outlined in clause 3 of CEDA’s Constitution.
8.9 Dividend policy

CEDA is a not for profit council-controlled organisation, as such the Board is not intending to pay any dividends in the foreseeable future.

Central Economic Development Agency Limited
Entity Information for the year ended 30 June 2016

Legal Name
Central Economic Development Agency Limited ("CEDA").

Type of entity and legal basis
CEDA was incorporated in New Zealand on 15 October 2015 under the Companies Act 1993 (NZBN 9429042001096). Its registered office is 32 The Square, Palmerston North. As the shareholders of CEDA are Palmerston North City Council (50%) and Manawatu District Council (50%) CEDA is a council-controlled organisation as defined in section 6 of the Local Government Act 2002.

CEDA’s Mission
The primary objective of CEDA is to drive and facilitate the creation and growth of economic wealth for Manawatu and beyond.

Structure of CEDA’s operations including governance arrangements
A Board of up to seven (currently five) independent directors is responsible for the strategic direction and control of CEDA’s activities. The Board’s approach to governance is to adopt “good practice” with respect to:

- the operation and performance of the Board
- managing the relationship with the Chief Executive
- being accountable to all shareholders and reporting to the Joint Strategic Planning Committee of Manawatu District Council and Palmerston North City Council

A Chief Executive Officer has been appointed but as at balance date had not commenced his employment. In his role he will be responsible for the day-to-day operations of CEDA, engaging and oversight of staff and reporting to the directors on performance against CEDA’s objectives.

Main sources of CEDA’s cash and resources
The Council shareholders have provided CEDA with establishment funding during the year. It is expected that service agreements with the Council shareholders will be the primary source of funding to CEDA.
ACCOUNTING POLICIES APPLIED

BASIS OF PREPARATION
The Board has elected to apply PBE SFR-A (PS) Public Benefit Entity Simple Format Reporting - Accrual (Public Sector) on the basis that CEDA does not have public accountability (as defined) and has total annual expenses of less than $2 million.

All transactions in the financial statements are reported using the accrual basis of accounting.

The financial statements are prepared on the assumption that CEDA will continue to operate in the foreseeable future.

GOODS AND SERVICES TAX
CEDA is registered for GST. All amounts in the financial statements are recorded exclusive of GST, except for debtors and creditors, which are stated inclusive of GST.

SIGNIFICANT ACCOUNTING POLICIES

Revenue

Grants
Council, government and non-government grants are recognised as revenue when the funding is received unless there is an obligation to return the funds if conditions of the grant are not met ("use or return condition"). If there is such an obligation, the grant is initially recorded as a liability and recognised as revenue when conditions of the grant are satisfied.

Sale of goods
Revenue from the sale of goods is recognised when the goods are sold to the customer.

Sale of services
Revenue from the sale of services is recognised by reference to the stage of completion of the services delivered at balance date as a percentage of the total services to be provided.

Donated assets
Revenue from donated assets is recognised upon receipt of the asset if the asset has a useful life of 12 months or more, and the value of the asset is readily obtainable and significant.

Interest and dividend revenue
Interest revenue is recorded as earned during the year. Dividend revenue is recognised when the dividend is declared.

Employee related costs
Wages, salaries, and annual leave are recorded as an expense as staff provide services and become entitled to wages, salaries, and leave entitlements.

Performance payments are recorded when the employee is notified that the payment has been granted.

Superannuation contributions are recorded as an expense as staff provide services.

Advertising, marketing, administration, overhead and fundraising costs
These are expenses when the related service has been received.

Lease expense
Lease payments are recognised as an expense on a straight-line basis over the lease term.
Bank accounts and cash
Bank accounts and cash comprise cash on hand, cheque or savings accounts, and deposits held at call with banks.
Bank overdrafts are presented as a current liability in the statement of financial position.

Debtors
Debtors are initially recorded at the amount owed. When it is likely the amount owed (or some portion) will not be collected, a provision for impairment is recognised and the loss is recorded as a bad debt expense.

Inventory
Inventory is initially recorded at cost. Goods held for resale are subsequently measured at the lower of cost and their selling price. Goods for use or distribution are subsequently measured at cost and written down if they become obsolete.

Investments
Investments comprise investments in term deposits with banks, listed bonds and listed shares.
Deposits with banks are initially recorded at the amount paid. If it appears that the carrying amount of the investment will not be recovered, it is written down to the expected recoverable amount.
Listed bonds and shares are initially recorded at the amount paid. If the market price of the investment falls below cost, the carrying value of the investment is reduced to the current market price. If the market price of the investment subsequently increases, the carrying amount of the investment is increased but limited to the original cost of the investment.

Property, plant and equipment
Property, plant and equipment is recorded at cost, less accumulated depreciation and impairment losses.
Donated assets are recognised upon receipt of the asset if the asset has a useful life of 12 months or more, and the current value of the asset is readily obtainable and significant. Significant donated assets for which current values are not readily attainable are not recognised.
For an asset to be sold, the asset is impaired if the market price for an equivalent asset falls below its carrying amount.
For an asset to be used by CEDA, the asset is impaired if the value to CEDA in using the asset falls below the carrying amount of the asset.
Depreciation is provided on a straight-line basis at rates that will write off the cost of the assets over their useful lives. The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:
- Furniture and fittings: 5 years (20%)
- Computers and software: 3 to 5 years (20% to 33%)
- Motor vehicles: 5 years (20%)

Creditors and accrued expenses
Creditors and accrued expenses are measured at the amount owed.

Employee costs payable
A liability for employee costs payable is recognised when an employee has earned the entitlement. These include salaries and wages accrued up to balance date and annual leave earned but not yet taken at balance date. A liability and expenses for long service leave and entitlement gratuities is recognised when the entitlement becomes payable to the employee.
Loans
Loans are recognised at the amount borrowed from the lender. Loan balances include any interest accrued at year-end that has not yet been paid.

Provisions
CEDA recognises a provision for future expenditure of uncertain amount or timing when there is a present obligation as a result of a past event, it is probable that expenditure will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Income tax
Tax expense is calculated using the taxes payable method. As a result, no allowance is made for deferred tax. Tax expense includes the current tax liability and adjustments to prior year tax liabilities.

Budget figures
The budget figures are derived from the statement of intent as approved by the Board at the beginning of the financial year. The budget figures have been prepared in accordance with Tier 3 standards, using accounting policies that are consistent with those adopted by the Board in preparing these financial statements.

Tier 2 PBE Accounting Standards applied
CEDA has not applied any Tier 2 Accounting Standards in preparing these financial statements.

CHANGES IN ACCOUNTING POLICIES AND TRANSITION TO THE NEW PBE SFR-A (PS) STANDARD
This is the first set of financial statements prepared for CEDA and as a consequence there is no comparative financial information for previous years.
Central Economic Development Agency Limited (CEDA)

Statement of Intent
Interim for the year ending 30 June 2017

Draft: 13 June 2016
Foreword

This Statement of Intent (SOI) sets out Central Economic Development Agency Limited (CEDA) strategic framework, activities and performance measures in order to deliver on our role, and contribute to the Manawatu Region’s targets and priorities.

This is the second Statement of Intent for CEDA, which came into existence in September 2015, with the current Board assuming control from the Interim Directors in December 2015.

CEDA is owned by Manawatu District Council (50%) and Palmerston North City Council (50%). Funding for CEDA will come from these two councils, and any other contracts that CEDA undertakes to achieve its objective.

The principal objective of CEDA is to drive and facilitate the creation and growth of economic wealth for Manawatu and beyond.

Through the CEDA establishment process and through the Letter of Expectations, from the Mayor of Manawatu and the Mayor of Palmerston North, there is a clearly articulated direction on issues that are important to both Councils, and assistance in the development of CEDA’s SOI.

The SOI represents the objectives, nature and scope of activities undertaken, and performance targets by which we will be measured. It covers three years of planned activity from 1 July 2016 to 30 June 2019.

Bearing in mind that CEDA is an organisation in establishment – and that Will Samuel, the new Chief Executive, doesn’t start until early July 2016, – this Statement of Intent is an initial indicator of CEDA’s strategic direction over the next three years rather than a detailed outline of specific initiatives.

For some months to come, CEDA will have to transition “business as usual” as well as putting in place a future-focused strategy and delivering new initiatives. This SOI takes this situation into account.

Once the new Chief Executive is on board and has determined the organisation’s structure, CEDA will focus on a programme of activity, while at the same time building a united and empowered organisational culture which earns a reputation for delivering. We are confident that our strategy and work programme will underpin the beginning of a transformation for the Manawatu Region – for the benefit of all who live and work in it.

We have labelled this draft SOI as ‘Interim’ and propose that an updated version, including more developed financial projections and budgets be presented in six months’ time.

We are committed to a single minded focus on significant interventions that will leave a lasting legacy for the Manawatu Region. We are pleased to present this document as our statement of this commitment.

Malcolm Bailey
Chair
1. Purpose of Statement of Intent

This Statement of Intent (SOI) is presented by Central Economic Development Agency Limited (CEDA) in accordance with the requirements of Section 64(1) of the Local Government Act 2002 (LGA2002).

In accordance with the Local Government Act 2002, this annual SOI publicly states the activities and intentions of CEDA for the next three years, and the objectives to which those activities will contribute. This SOI takes shareholder comments into consideration and includes performance measures and targets as the basis of organisational accountability.

2. About CEDA

The Central Economic Development Agency (CEDA) is a newly-formed organisation and its key objective is to boost economic growth in the Manawatu region. Promoting economic growth has previously been the domain of Vision Manawatu (economic development) and Destination Manawatu (tourism & events) but this has now been transferred to CEDA.

The formation of CEDA reflects a similar approach adopted by a number of local and regional councils such as the Wellington City Council and the Greater Wellington Regional Council who have transferred their economic development activities to the Wellington Regional Economic Development Agency (WREDA).

CEDA is a Council controlled organisation jointly owned by the Palmerston North City Council and the Manawatu District Council.

3. CEDA’s Strategic Objectives

CEDA will identify key strategic objectives that collectively articulate CEDA’s role in driving and facilitating the creation and growth of economic wealth for Manawatu and beyond.

Through these objectives CEDA will align Manawatu Region wide strategies and CEDA’s ongoing strategic interventions, growth programmes and projects. A strategic framework will provide the organisation with focus on those areas of our role that will make a difference to the Manawatu Region. The key strategic objectives will be supported by more detailed action plans, investment proposals and delivery partnerships.

A strategy, aligned to the two councils’ mission and vision, will be developed in full by the newly appointed CE.
4. **Nature and Scope of Activities**

CEDA is currently in establishment phase. The key objectives and activities for Financial Year 2016-2017 are to:

- **Strategy**: Bring together existing strategies for Palmerston North and Manawatu to set the overall strategy for tourism and economic development that CEDA will deliver and align this to the Councils’ direction.

- **Operation**: Appointed CEO to build a new operations team, office and coordinate funding to deliver the strategy.

- **Community and stakeholder engagement**: Continued community and stakeholder engagement to understand economic development issues and communicate CEDA’s role and performance.

- **Service Delivery/Continuity**: to ensure the effectiveness and the efficiency of the transfer of existing contracts, functions and activities performed by Destination Manawatu and Vision Manawatu to CEDA. For example, I-SITE service.

- **Business Plan**: CEDA will develop an action plan/business plan for 2016/17 financial year and provide this to the Shareholders. This will form the basis for the strategic direction of following financial years. This process will be iterative with the respective stakeholders.

5. **Contract and Performance Measurement**

Letters of expectation between the councils and CEDA currently set out a broad framework for the establishment phase. Detailed KPIs will be negotiated between the Councils and CEDA.

In the interim, the councils have indicated that CEDA will be judged against its core expectations of:

- Continuing to work with Vision Manawatu and Destination Manawatu Boards to transition any contracts, services, assets, intellectual property and sector knowledge.

- Establishing relationships for sub-contracting services to Spearhead and Building Clever Companies (BCC).

- The creation of an organisation that has a culture, capacity and capability to deliver on expectations.

- The establishment of service contracts with the Shareholders through negotiations in good faith.

- That CEDA develops an action plan/business plan for 2016/17 and that this is provided to the funders.

- An iterative process to develop the 2017/18 Statement of Intent.
6. Monitoring Indicators

In addition to our performance measures, the Shareholders have identified a further set of monitoring indicators. These indicators reflect outcomes at the regional level which are impacted by a range of factors outside of our direct control (e.g. exchange rates, natural disasters, government policy) but which we aim to influence through our activity. As the region’s economic development agency, we have a role in monitoring and influencing these indicators as we can, however we do not measure the performance of our organisation against them.

The monitoring indicators will be finalised during contract negotiation with the Shareholders contract managers. The Councils have the responsibility to report on these indicators.

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<tr>
<th>Indicator</th>
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<th>Regional target</th>
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<td>Net overseas migration</td>
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<td>Change in MSD benefit numbers</td>
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<td>Reputation of Palmerston North as a great place to live and do business</td>
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7. Summary of Financials

For the period to 30 June 2017 CEDA will initially be continuing in its establishment phase and during the period (currently anticipated to be 31 August 2016) will be reliant on establishment funding provided by the shareholders. At this stage it is envisaged this sum could amount to approximately $150,000.

From 1 September 2016 it is proposed that the majority of funding will be through contracts with the shareholder Council’s under the proposed service level agreements. At this stage it is envisaged the service contracts could amount to approximately $2.5 million pa. CEDA will receive funding from external sources as it assumes responsibility for completing various contracts entered by other entities (such as Vision Manawatu and Destination Manawatu).
8. Governance

8.1 Board

The Board of up to seven (currently five) independent directors is responsible for the strategic direction and control of CEDA’s activities.

The Board guides and monitors the business and affairs of CEDA, in accordance with the Companies Act 1993, the Local Government Act 2002, the Company’s Constitution and this SOI.

The Board's approach to governance is to adopt "good practice" with respect to:

- the operation and performance of the Board
- managing the relationship with the Chief Executive
- being accountable to all shareholders and reporting to the Joint Strategic Planning Committee of Manawatu District Council and Palmerston North City Council

The Board will meet on a regular basis and no less than 10 times each year.

The Board has yet to determine its committee structure.

8.2 Joint Strategic Planning Committee of Manawatu District Council and Palmerston North City Council

The Joint Strategic Planning Committee is made up of ten local body elected members, five from each Council including both Mayors.

The role of the Joint Strategic Planning Committee is to:

- Review the performance of CEDA, and report to Shareholders on that performance on a periodic basis
- Undertake performance monitoring of CEDA, as per section 65 of the Local Government Act
- Approve the appointment, removal, replacement and remuneration of directors
- Review and approve any changes to policies, or the SOI, requiring their approval

The Board aims to ensure that the Joint Strategic Planning Committee and the Shareholders are informed of all major developments affecting CEDA’s state of affairs, while at the same time recognising that commercial sensitivity may preclude certain information from being made public.

CEDA will adhere to a 'no surprises' approach in its dealings with its Shareholders and Joint Strategic Planning Committee.

8.3 Letter of Expectations

By 1 December in each year the Shareholders will deliver to CEDA a Letter of Expectations. The Letter of Expectations is intended to provide direction on issues that are important to both Councils, and to assist in the development of CEDA’s next SOI.

A Letter of Expectations for 2016/17 has been delivered to the Board.
8.4 Statement of Intent

By 1 March in each year CEDA will deliver to the Joint Strategic Planning Committee of the Shareholders its draft SOI for the following year in the form required by Clause 9(1) of Schedule 8 and Section 64(1) of the Local Government Act 2002.

Having considered any comments from the Joint Strategic Planning Committee received by 30 April, the Board will deliver the completed SOI to the Joint Strategic Planning Committee of the Shareholders on or before 15 June each year.

8.5 Half Yearly Report

By the end of February each year, CEDA will provide to the Joint Strategic Planning Committee a Half Yearly Report complying with Section 66 of the Local Government Act 2002. The Half Yearly Report will include the following information:

- Directors' commentary on operations for the relevant six month period
- Comparison of CEDA’s performance with regard to the objectives and performance targets set out in the SOI, with an explanation of any material variances

8.6 Annual Report

CEDA’s balance date is 30 June.

By 30 September each year, CEDA will provide to the Joint Strategic Planning Committee and its Shareholders an Annual Report complying with Sections 67, 68 and 69 of the Local Government Act 2002 and the Companies Act.

The Annual Report will contain the information necessary to enable an informed assessment of the operations of the company, and will include the following information:

- Directors’ Report
- Comparison of the CEDA’s performance with regard to the objectives and performance targets set out in the SOI, with an explanation of any material variances
- Auditor’s Report on the financial statements and the performance targets
- Any other information that the directors consider appropriate

8.7 Shareholder Meetings

CEDA will hold an Annual General Meeting (AGM) between 30 September and 30 November each year to present the Annual Report to all Shareholders unless it is agreed between CEDA and the shareholders that the business of the AGM will be done by resolution in writing.
8.8 Shareholder Approval

Any subscription, purchase or acquisition by CEDA of shares in a company or organisation will, require Shareholder approval by special resolution as will the other matters outlined in clause 3 of CEDA’s Constitution.

8.9 Dividend policy

CEDA is a not for profit council-controlled organisation, as such the Board is not intending to pay any dividends in the foreseeable future.

Central Economic Development Agency Limited
Entity Information for the year ended 30 June 2017

Legal Name
Central Economic Development Agency Limited ("CEDA").

Type of entity and legal basis
CEDA was incorporated in New Zealand on 15 October 2015 under the Companies Act 1993 (NZBN 9429042001096). Its registered office is 32 The Square, Palmerston North. As the shareholders of CDEA are Palmerston North City Council (50%) and Manawatu District Council (50%) CEDA is a council-controlled organisation as defined in section 6 of the Local Government Act 2002.

CEDA’s Mission
The primary objective of CEDA is to drive and facilitate the creation and growth of economic wealth for Manawatu and beyond.

Structure of CEDA’s operations including governance arrangements
A Board of up to seven (currently five) independent directors is responsible for the strategic direction and control of CEDA’s activities. The Board’s approach to governance is to adopt "good practice" with respect to:

- the operation and performance of the Board
- managing the relationship with the Chief Executive
- being accountable to all shareholders and reporting to the Joint Strategic Planning Committee of Manawatu District Council and Palmerston North City Council

A Chief Executive Officer will be responsible for the day-to-day operations of CEDA, engaging and oversight of staff and reporting to the directors on performance against CEDA’s objectives.

Main sources of CEDA’s cash and resources
The Council shareholders have provided CEDA with establishment funding during the initial part of the year. Service agreements with the Council shareholders are the primary source of funding to CEDA.
Central Economic Development Agency Limited
Statement of Accounting Policies for the year ended 30 June 2017

ACCOUNTING POLICIES APPLIED

BASIS OF PREPARATION
The Board has elected to apply PBE RDR (Public Benefit Entity Reduced Disclosure Regime) on the basis that CEDA does not have public accountability (as defined) and has total annual expenses of between $2 million and $30 million.

All transactions in the financial statements are reported using the accrual basis of accounting.
The financial statements are prepared on the assumption that CEDA will continue to operate in the foreseeable future.

GOODS AND SERVICES TAX
CEDA is registered for GST. All amounts in the financial statements are recorded exclusive of GST, except for debtors and creditors, which are stated inclusive of GST.

SIGNIFICANT ACCOUNTING POLICIES

Revenue
Grants
Council, government and non-government grants are recognised as revenue when the funding is received unless there is an obligation to return the funds if conditions of the grant are not met ("use or return condition"). If there is such an obligation, the grant is initially recorded as a liability and recognised as revenue when conditions of the grant are satisfied.

Sale of goods
Revenue from the sale of goods is recognised when the goods are sold to the customer.

Sale of services
Revenue from the sale of services is recognised by reference to the stage of completion of the services delivered at balance date as a percentage of the total services to be provided.

Donated assets
Revenue from donated assets is recognised upon receipt of the asset if the asset has a useful life of 12 months or more, and the value of the asset is readily obtainable and significant.

Interest and dividend revenue
Interest revenue is recorded as earned during the year. Dividend revenue is recognised when the dividend is declared.

Employee related costs
Wages, salaries, and annual leave are recorded as an expense as staff provide services and become entitled to wages, salaries, and leave entitlements.
Performance payments are recorded when the employee is notified that the payment has been granted.
Superannuation contributions are recorded as an expense as staff provide services.

Advertising, marketing, administration, overhead and fundraising costs
These are expenses when the related service has been received.

Lease expense
Lease payments are recognised as an expense on a straight-line basis over the lease term.
Bank accounts and cash
Bank accounts and cash comprise cash on hand, cheque or savings accounts, and deposits held at call with banks.
Bank overdrafts are presented as a current liability in the statement of financial position.

Debtors
Debtors are initially recorded at the amount owed. When it is likely the amount owed (or some portion) will not be collected, a provision for impairment is recognised and the loss is recorded as a bad debt expense.

Inventory
Inventory is initially recorded at cost. Goods held for resale are subsequently measured at the lower of cost and their selling price. Goods for use or distribution are subsequently measured at cost and written down if they become obsolete.

Investments
Investments comprise investments in term deposits with banks, listed bonds and listed shares.
Deposits with banks are initially recorded at the amount paid. If it appears that the carrying amount of the investment will not be recovered, it is written down to the expected recoverable amount.
Listed bonds and shares are initially recorded at the amount paid. If the market price of the investment falls below cost, the carrying value of the investment is reduced to the current market price. If the market price of the investment subsequently increases, the carrying amount of the investment is increased but limited to the original cost of the investment.

Property, plant and equipment
Property, plant and equipment is recorded at cost, less accumulated depreciation and impairment losses.
Donated assets are recognised upon receipt of the asset if the asset has a useful life of 12 months or more, and the current value of the asset is readily obtainable and significant. Significant donated assets for which current values are not readily attainable are not recognised.
For an asset to be sold, the asset is impaired if the market price for an equivalent asset falls below its carrying amount.
For an asset to be used by CEDA, the asset is impaired if the value to CEDA in using the asset falls below the carrying amount of the asset.
Depreciation is provided on a straight-line basis at rates that will write off the cost of the assets over their useful lives. The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:
- Furniture and fittings: 5 years (20%)
- Computers and software: 3 to 5 years (20% to 33%)
- Motor vehicles: 5 years (20%)

Creditors and accrued expenses
Creditors and accrued expenses are measured at the amount owed.

Employee costs payable
A liability for employee costs payable is recognised when an employee has earned the entitlement. These include salaries and wages accrued up to balance date and annual leave earned but not yet taken at balance date. A liability and expenses for long service leave and entitlement gratuities is recognised when the entitlement becomes payable to the employee.
Loans
Loans are recognised at the amount borrowed from the lender. Loan balances include any interest accrued at year-end that has not yet been paid.

Provisions
CEDA recognises a provision for future expenditure of uncertain amount or timing when there is a present obligation as a result of a past event, it is probable that expenditure will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Income tax
Tax expense is calculated using the taxes payable method. As a result, no allowance is made for deferred tax. Tax expense includes the current tax liability and adjustments to prior year tax liabilities.

Budget figures
The budget figures are derived from the statement of intent as approved by the Board at the beginning of the financial year. The budget figures have been prepared in accordance with Tier 3 standards, using accounting policies that are consistent with those adopted by the Board in preparing these financial statements.

Tier 1 PBE Accounting Standards applied
CEDA has not applied any Tier 1 Accounting Standards in preparing these financial statements.

CHANGES IN ACCOUNTING POLICIES AND TRANSITION TO PBE RDR TIER 2 STANDARD
This is the first full year set of financial statements prepared for CEDA and as a consequence there is no comparative financial information for previous years. The first part year financial statements were prepared using PBE SFR-A (PS) as CEDA’s total annual expenses were less than $2 million.
7 June 2016

Mr Malcolm Bailey
Chair
Central Economic Development Agency Ltd

Dear Malcolm

Letter of Expectation for CEDA (July 2016 – June 2017)

This Letter of Expectation is intended to provide direction on issues that are important to both Councils, and to assist in the development of CEDA’s 2016-2017 Statement of Intent (SOI). We acknowledge that CEDA is still in the process of transition and establishment, therefore the issues of Importance and the directions for developing your SOI are essentially the same as the previous Letter of Expectation.

Palmerston North City Council and Manawatu District Council (the Shareholders) value the important contribution Central Economic Development Agency Limited (CEDA) will make towards driving and facilitating the creation and growth of economic wealth for Manawatu and beyond.

We are pleased with the appointment of a CEO for CEDA.

Issues of Importance

New Economic Development Environment

The Shareholders have established CEDA to create a new organisation, with a new approach and strategic priorities supported by new contracts. CEDA is not a merger of previous economic development agencies nor simply a direct continuation of the functions of those agencies, although there are services and contracts to transition.

Roles and Responsibilities

The Councils role is to set strategy and determine the outcomes you are to deliver, and the funding you will receive. The Shareholders decide funding for new projects based on the merits of your business cases compared with other competing regional (Palmerston North City & Manawatu District) priorities. We expect that you will provide rigorous, independent analysis and expert advice when presenting business cases, and that your focus and expertise will enable you to deliver effectively and efficiently.

Working Together and Relationship Management

The Councils and CEDA are working together for the sub-region. It is expected that CEDA will work in a collaborative manner to ensure its policies and decisions represent the best interest of the Shareholders and ultimately the ratepayers.

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1 “Beyond”: working beyond the Manawatu (outward focused) where benefit can be derived back to the Manawatu; or, where a contract is ring-fenced and separately accounted.
The establishment of effective ongoing relations with Councils and the nominated Contract Managers (currently Sheryl Bryant and Brent Limmer) is important in creating the new Economic Development environment. The contract managers are the first point of contact for any issues.

Good ongoing engagement between CEDA and Economic Development stakeholders will ensure that all parties are well-informed of each other's mandate and priorities. Engagement means more than regular reporting – it means two-way dialogue and working together to achieve shared outcomes.

**Delivering Value for Money to the Ratepayer**

Your operational funding is provided by the Shareholders ratepayers. Both the Shareholders and CEDA are accountable for how this money is spent and we appreciate your ongoing commitment to work in accordance with the funding principles for CCOs.

It is also expected that prudent financial management is at the forefront of decision-making.

**Measuring Performance**

The Shareholders have been evaluating the appropriateness of the current non-financial measures used to assess economic development. You should take into account the findings in developing your Statement of Intent, which will require consideration of the appropriateness of the performance measures to support Shareholder decision-making and the quality of data to support these measures.

**Media Profile**

The Shareholders expect you or your chief executive to front the media regarding decisions that you have made, or issues relating to your area of responsibility. We also expect you to present a unified front on issues that affect both of us.

**Advocacy**

In order to achieve your outcomes you may need to advocate to third parties. Please ensure that you keep the Shareholders (via the contract managers) informed of any major advocacy that you are undertaking and that you deliver messages that are consistent with the Shareholders policy positions. When your advocacy takes the form of a written submission you should discuss this with the Shareholders prior to making the submission.

**Transparency and Openness**

It is important to the Shareholders, that the people of Palmerston North and the Manawatu know that they can attend at least one public board meeting each year, even if the majority will not choose to do so. The Councils see CEDA’s AGM as the ideal opportunity to do this.

**Shareholders Plans, Policies and Strategies**

CEDA has an important role in the implementation of both Council’s strategies and policies. We need to work together on the development and implementation of those Shareholder policies, plans and strategies which have particular relevance to CEDA and impact your area of operations or service delivery.
Direction for the development of the 2016-2017 Statement of Intent

Establishment Matters

The following matters are considered particularly important in establishing CEDA:

- Continuing to work with Vision Manawatu and Destination Manawatu Boards to transition any contracts, services, assets, intellectual property and sector knowledge.

- Establishing relationships for sub-contracting services to Spearhead and Building Clever Companies (BCC).

- We expect an iterative process to develop the 2017/18 Statement of Intent.

We expect that dialogue between us on these issues, be open, productive, and mindful of each other’s roles and responsibilities.

Key Strategic Priorities

In establishing CEDA, focus should be placed on:

- The creation of an organisation that has a culture, capacity and capability to deliver on expectations.

- The establishment of service contracts with the Shareholders through negotiations in good faith.

Other Considerations

In establishing CEDA consider:

- By December 2016, the Shareholders will issue another Letter of Expectation for the period July 2017 to June 2018.

- The use of Council support services.

- Establishing a “business hub” with other allied economic development agencies.

- Passing a resolution confirming the remuneration levels for directors and the Chair as approved by both Shareholders.

Feedback to Include in SOI for 2016-2017

After consideration by the Joint Strategic Planning Committee of the draft SOI content provided by CEDA for the 2016-2017 SOI, the following feedback is provided:

- That there is an objective about service delivery/continuity of service provision through the transition period. In relation to any transfer, we would expect that due diligence is undertaken in regard to any transfer of contracts, assets, staff, services, intellectual property and the like.

- That CEDA develops an action plan/business plan for 2016/17 and that this is provided to the funders.
• That the purpose from the constitution is included in the Statement of Intent to provide context.

• That the objective titled "Strategy" is completed with the words "aligned to the council's direction" (or words to that effect).

Yours sincerely,

Margaret Kouvelis  
Mayor Manawatu District

Grant Smith  
Mayor Palmerston North City