Central Economic Development Agency Limited (CEDA)

Statement of Intent
Interim for the year ending 30 June 2017

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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<th>Regional target</th>
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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.