



# ANNUAL REPORT 2019-20



16 December 2020

Report Number: 2020/EXT/1719

ISSN No. 1176-9548

ISSN No. 1178-1505(e)

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## Message from the Chair and Chief Executive

While 2019-20 began like any other busy financial year, it certainly ended as a year to note in Council records. Beginning with a significant change, six new councillors were elected in October, who also selected a new Chair. Council was making good progress with work programmes until March brought the arrival of COVID-19 and a subsequent nationwide lockdown.

While the global pandemic resulted in some of our field-based work programmes being paused, and the majority of our staff working from home, a small number were housed in the newly opened Te Ao Nui building as part of the Manawātū-Whanganui Civil Defence Emergency Management Group's response. This tested our emergency responders to the limit with our Emergency Coordination Centre operating for 82 days, the longest emergency event in the organisation's history. However, it also showed our region worked incredibly well together as a team to meet our community's needs during what was a tough time for most.

Although the COVID-19 pandemic was unprecedented, overall, our work programmes and financial performance have ended the year relatively on target. Some performance measures have not been met; however, most have not been too far off. From a financial perspective, our overall expenditure has not changed significantly despite unbudgeted costs, which related to additional staff time and external costs for the COVID-19 response, such as personal protective equipment.

For the last two years, our corporate and governance group has been working to complete a new building owned by Manawātū-Whanganui Regional Council Holdings Ltd. Te Ao Nui houses MWCDEM's emergency coordination centre, alongside Palmerston North City Council's emergency operations centre, and is tenanted to Inland Revenue Department and, computer company, Objective. In January 2020, this building was officially opened. This was fortunate timing as less than three months later, the emergency centres were in full swing responding to New Zealand's COVID-19 event.

During Alert Level 4, unfortunately, one of the most invasive pest plants, Alligator Weed, was found in Palmerston North. This plant has not previously been found in the Horizons region. Targeted communication was shared with the surrounding catchment communities urging for any sighting of the plant to be reported to our pest plant team for removal and tracking. Sustained communication asks the public to check boats, trailers, vehicles and equipment for fragments before travelling between water bodies to ensure fragments of the pest plant are not transported to new sites.

Throughout the reporting year, Council has been working as part of a Regional Integrated Ticketing System consortium, that looked to collectively introduce a new payment card 'Bee Card' for bus users across nine regions. In December 2019, we were among the first regions to roll this out, with Whanganui passengers beginning to use the tag on and tag off system. The Bee Card has a range of benefits, including online management of the card, enabling passengers to create auto-top ups, manage multiple cards, and transfer balances if a card is lost or stolen.

This year our environmental teams have achieved a lot in the non-regulatory space, including over 107km of stream fencing, over 122,500 riparian plants planted, 23,017 ha of properties with Whole Farm Plans mapped, and over 7,300ha worth of erosion control works completed. Progress on Proposed Plan Change 2 has been made which seeks to bring farms in priority catchments into a regulatory framework to manage their nutrient leaching.

Throughout the year, multiple work programmes to upgrade sections of stopbanks as part of the Rural Upgrade flood protection project were completed. This project began following the February 2004 floods, and is of significant size, affecting properties in the Manawātū floodplains outside of Palmerston North. Completed works were along the Ōroua, Manawātū, and Tokomaru Rivers, and signal we are now approaching the total completion.

This is just a snapshot of what Horizons has achieved in 2019-20. We encourage you to take a good look at the Activity reports inside this document to find out what else has been completed this year. As a Council, it is now important to look ahead to the opportunities that Year 3 of our Long-term Plan will bring, particularly as we focus on COVID-19 recovery while delivering on significant programmes such as Jobs for Nature, and policy reform in the freshwater space. We intend to continue our stringent financial approach and maintain our quality of service, while undertaking work that will see our region thrive environmentally, socially, and economically.



Rachel Keedwell  
CHAIR

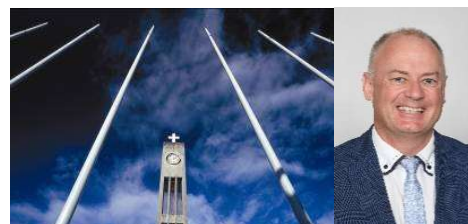


Michael McCartney  
CHIEF EXECUTIVE

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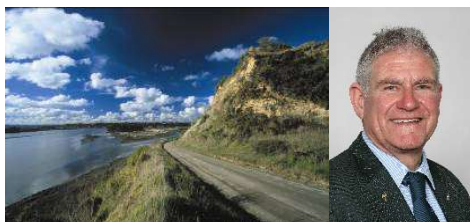
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## The Executive Team

- **Michael McCartney**, Chief Executive
- **Craig Grant**, Group Manager Corporate and Governance
- **Ramon Strong**, Group Manager River Management
- **Ged Shirley**, Group Manager Regional Services and Information
- **Jon Roygard**, Group Manager Natural Resources and Partnerships
- **Nic Peet**, Group Manager Strategy and Regulation

# Committee Membership

## Strategy and Policy Committee

Chair: Council Chair  
Deputy Chair: Deputy Council Chair, Cr JM Naylor  
Members: All councillors

## Audit, Risk and Investment Committee

Chair: Cr A Benbow  
Deputy Chair: Cr E Clarke  
Members: Crs J Turkington, S Ferguson, RJ Keedwell, JM Naylor, and NJ Patrick.

## Environment Committee

Chair: Cr NJ Patrick  
Deputy Chair: Cr WK Te Awe Awe  
Members: All councillors

## Catchment Operations Committee

Chair: Cr DB Cotton  
Deputy Chair: Cr A Benbow  
Members: All councillors

## Regional Transport Committee

Chair: Cr RJ Keedwell; Substitute: Cr JM Naylor  
Members: Cr S Ferguson, Mayor B Wanden, Mayor H Worboys, Mayor G Smith, Mayor A Watson, Mayor D Cameron, Mayor T Collis, Mayor H McDouall, Ms E Speight (*New Zealand Transport Agency representative*)

## Passenger Transport Committee

Chair: Cr S Ferguson  
Members: Crs W Kirton, NJ Patrick, F Gordon, JM Naylor, and E Clarke.

## Manawatū River Users' Group

Chair: Cr F Gordon  
Members: Representatives from river user groups

## Linklater Bursary Subcommittee

Members: Crs J Turkington, F Gordon, and WK Te Awe Awe.



# Welcome to the Annual Report

This Annual Report describes the work Horizons Regional Council (Horizons) has carried out over the financial year 2019-2020.

The presentation and format are similar to last year. Sections Two to Seven are groups of activities that are further broken down into individual activities. The final section includes the financial statements and is followed by the remaining supplementary information.

## Groups of Activities

- Land and Water Management;
- Flood Protection and Control Works;
- Biosecurity and Biodiversity Management;
- Regional Leadership and Governance;
- Transport; and
- Investment.

These activities are business planning mechanisms used to complete the work.

The activities pages include a narrative section about the work completed during the year, including an overview, details of significant events or issues and a summary of the financial result for that activity. Following that is the level of service summary for the activity. This is in the form of a table and has the performance targets that have come out of the Long-term Plan (LTP) 2018-28 and the 2019-20 Annual Plan. Alongside each target are the actual results for the year compared to the budget.

## Financial Overview

The following provides an overview of our financial performance for the year ended 30 June 2020. This overview provides a summary and explanations of the financial statements and notes on pages 107-164.

## Budget Variance

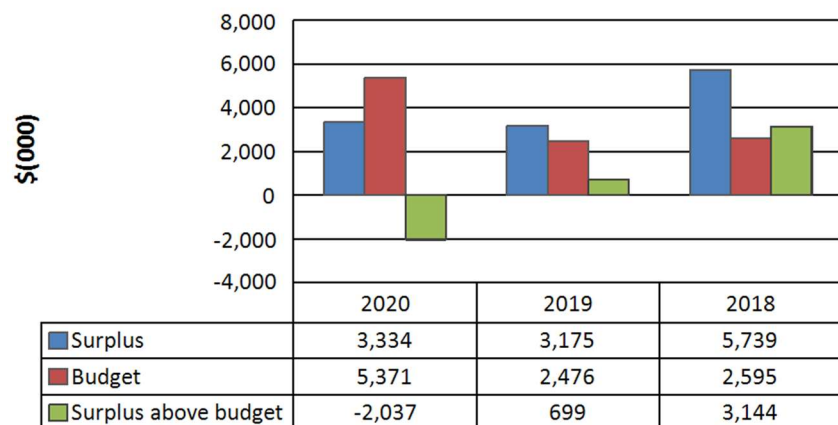
	\$000
Surplus as per Statement of Comprehensive Revenue and Expense	3,334
– Less: Budgeted net surplus	(5,371)
Budget variance	(2,037)

There are several contributors to this budget variance as detailed below.

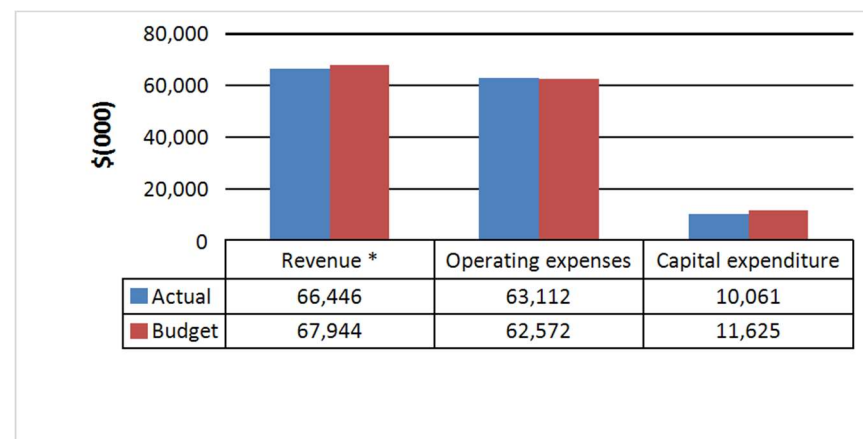
	\$000
• Land and Water Management	(43)
• River and Drainage	607
• Biosecurity and Biodiversity	381
• Regional Leadership	(598)
• Transport	(25)
• <u>Investment</u>	(2,359)
	(2,037)

Refer to Explanation of Major Variances Against Budget on page 152 and refer to individual activities for more detail.

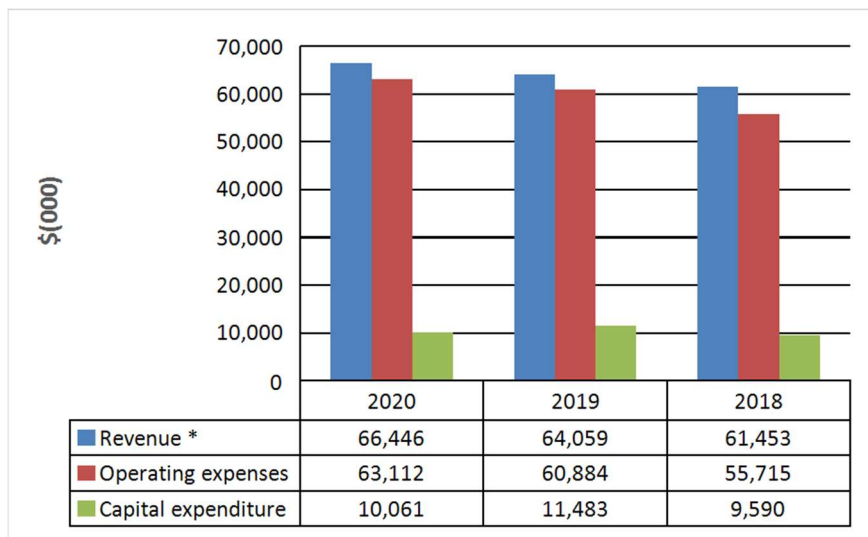
## Net Surplus



## 2020 Financial Result Compared Against the Annual Plan



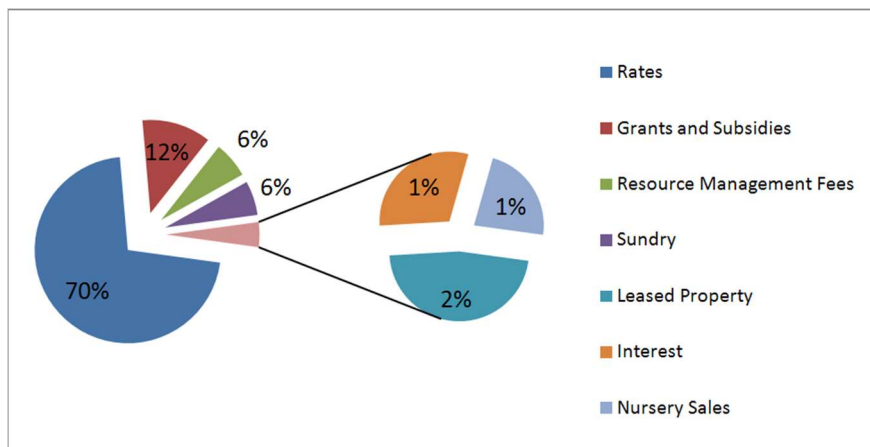
## Council Revenue and Expenditure – Three-year Trend



\* Note revenue includes gains/losses on remapped assets and forestry revaluation.

## Revenue

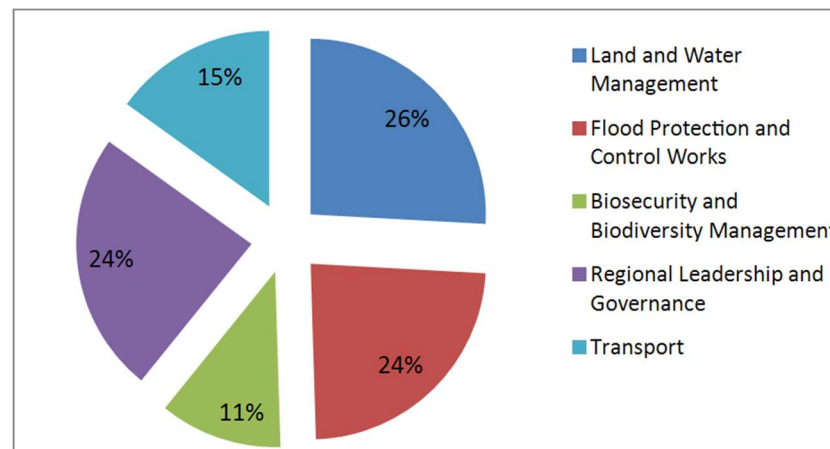
Revenue\* was \$66.4 million for the year, an decrease of (2.2) per cent on budget. This revenue is derived from multiple sources with rates being the main contributor.



- Grants and subsidies include revenue received from Central Government and the New Zealand Transport Agency;
- Resource management fees are derived from consent applications, compliance monitoring and annual research fees;
- Rents are derived from land holdings held by Council as part of our flood protection assets;
- Interest revenue is earned on term deposits;
- Nursery sales are derived from poplar pole and pine seedling sales; and
- Other revenue includes revenues such as:
  - Contract fees for emergency management and rural fire services;
  - Contributions;
  - Contracted works; and
  - Sundry revenue.

## Expenditure

Total expenditure incurred by Horizons during the year was \$73.173 million. This includes operating expenditure of \$63.112 million and capital expenditure of \$10.061 million.



Note the above graph does not include the Investment Activity.

Total expenditure was incurred by our groups of activities as follows:

Land and Water Management includes the following activities:

- Land Management;
- Water Quantity and Quality Management; and
- Resource Consent and Pollution Management.

Flood Protection and Control Works includes the following activities:

- River and Drainage – General; and
- River and Drainage – Scheme.

Biosecurity and Biodiversity Management includes the following activities:

- Biosecurity; and
- Biodiversity.



Regional Leadership and Governance includes the following activities:

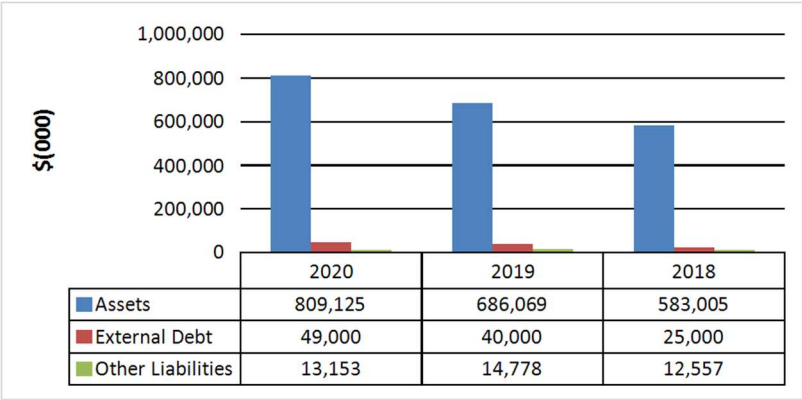
- Community Relationships;
- Environmental Reporting;
- Emergency Management;
- Governance;
- Information;
- Iwi; and
- Strategic Management.

Transport includes the following activities:

- Road Safety and Education;
- Transport Planning; and
- Passenger Services.

Horizons’ Assets and Liabilities

During the financial year 2019-20, Horizons’ net worth increased from \$631 million to \$747 million. The major contributor to this increase in net worth was the revaluation of infrastructural assets and other non-current assets.



Overall Financial Performance

The actual result was (\$2.037) million down on budgeted surplus. The COVID-19 pandemic saw some work programs unable to be completed during the financial year. While this saw some cost savings it also compounded the under recovery of revenue as areas which were already behind due to resourcing issues were placed further behind due to the necessary COVID-19 response.

## Performance Measures Overview

Every year, as part of Horizons' annual budgeting process, we set performance targets for each of our activities. This allows our community to see our intended levels of service and how these will be measured.

As part of the Annual Report, Horizons reports actual results achieved against these targets. Achievement of these targets is reported alongside the financial results for each activity.

A summary of the individual results are included below: Performance has been compared to the 2019-20 Long-term Plan targets as these are the targets required to be reported against. An 'Achieved' result is defined as when actual performance has been met or exceeded set targets. See the various activity statements for details on the measures.

Group of Activities	No. of targets 2019-20	Achieved 2019-20	Measure not available or applicable 2019-20	Partially or not achieved 2019-20	% Achieved 2019-20	% Achieved 2018-19
Land and Water Management	34	25	1	8	75.76	75.76
Flood Protection and Control Works	33	14	7	12	53.85	63.33
Biosecurity and Biodiversity Management	17	14	-	3	82.35	92.86
Regional Leadership and Governance	33	26	1	6	81.25	87.50
Transport	9	4	1	4	50.00	100.00
Investment	5	3	-	2	60.00	80.00
<b>TOTALS 2019-20</b>	<b>131</b>	<b>86</b>	<b>10</b>	<b>35</b>	<b>71.07</b>	
<b>TOTALS 2018-19</b>	<b>131</b>	<b>96</b>	<b>10</b>	<b>25</b>	<b>-</b>	<b>79.34</b>

During the year, Horizons achieved 71.07% per cent of all targets (last year's achievement was 79.34% per cent).

The COVID-19 pandemic contributed to none of the six Groups of Activities reported on in the Annual Report 2019-20 reporting an improvement in targets achieved over 2019. The pandemic hit during a period of the year where we historically perform a lot of our work. Compounding this was the redeployment of staff to assist with the COVID-19 Emergency Management response which put some of the Council's day-to-day work further behind.

# Community Outcomes and Council's Contribution

## Introduction

Our community outcomes set the direction for Horizons in making this region a great place to live, work and play. Along with legislative requirements and our current work programmes, our community outcomes are what we aim to achieve in meeting our communities' social, economic, environmental and cultural wellbeing in the present and for the future, which is the purpose of local government (Local Government Act 2002).

Horizons, as a local authority, is required to set out the region's community outcomes in our Long-term Plan. The current outcomes were finalised through the Long-term Plan 2018-28 community consultation process. The Long-term Plan describes how Horizons works towards each of the outcomes, linking each group of activities to the outcomes they contribute to.

Improving outcomes is a long-term commitment, and consequently, there is often not much progress to report in a single year. Because our work is interconnected, progress on one outcome can often have a positive impact on another.

A good example is the Sustainable Land Use Initiative, which involves stabilising land at risk of erosion. Planting a tree is the first step – it takes 4 years for the roots to grow sufficiently to have a real effect on the soil stability, and 5 to 10 years to achieve an 80 to 90 per cent reduction in erosion. This prevents further loss of sediment into water-courses, but the sediment already there takes many years to work its way through the river systems. Ultimately, stabilising land at risk of erosion will also have a positive effect on water quality, but the results will not be immediately obvious.

Horizons contributes to the community outcomes through its activities. This means that progress towards achieving activity performance measures also shows Horizons' contribution to the community outcomes. The table on the following page shows which outcomes each group of activities contributes to.

The tables of Performance Measures for Levels of Service within each activity in the body of this Annual Report are one measure of Horizons' contribution to the outcomes.

An example of this is in the Biodiversity activity, which is a contributor to the Healthy Ecosystems community outcome. A key measure of this contribution is the support of community restoration projects. The target for the activity in 2019-20 was to support 12 existing community-based biodiversity improvement projects. Council exceeded this target by supporting 27 projects.



Through our Annual Report, we must report the results of any measurement of progress towards achieving the outcomes during the year, for each group of activities.



During the year, monitoring is carried out to measure progress towards environmental targets in specific areas. Where monitoring has occurred, it will be reported in the introductory narrative for activities, with information about how to access the results. This is because the results of monitoring are usually too extensive to summarise within this Annual Report.





# Horizons' Contribution to the 2018-28 Long-term Plan Regional Community Outcomes

This table sets out the community outcomes for the region, how Horizons works towards them, and the groups of activities that contribute directly to the outcomes. The symbols for the outcomes are also used in the activities sections of this Annual Report, to show where you can find out how an activity contributed to an outcome and learn more about any monitoring of progress.

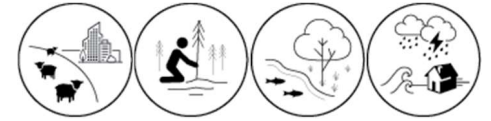
Community outcome	Description	How Horizons works towards these goals	Contributing groups of activities
<b>Natural hazard resilience</b> 	A community that is aware of hazards and is prepared and empowered to respond to and recover from a natural hazard or emergency.	<p>Reducing the risks from natural hazards to acceptable levels through suitable policies, planning and infrastructure.</p> <p>Ensuring that infrastructure and response systems are in place to support communities in their response to and recovery from natural hazards and emergencies.</p> <p>Supporting communities to develop the knowledge and capability to adapt and respond to the likelihood of an increased frequency and scale of extreme weather events, coastal erosion and sea-level rise associated with climate change.</p>	Land and Water Management (p 19) Flood Protection and Control Works (p 37) Regional Leadership and Governance (p 63) Investment (p 103)
<b>Healthy ecosystems</b> 	Healthy, diverse and fully functioning ecosystems that provide for community needs now and in the future.	<p>Protecting and restoring the region's biodiversity through pest control, the support of community restoration projects and other measures.</p> <p>Supporting the sustainable use of land that preserves indigenous ecosystems to the greatest extent possible while maintaining an environment that contributes to the economy.</p> <p>Undertaking biosecurity measures that protect indigenous ecosystems and the regional economy from pests and disease.</p> <p>Protecting healthy and resilient freshwater and coastal ecosystems that support mahinga kai.</p> <p>Maintaining resource management processes that take full account of impacts on ecosystems and monitor these effects.</p>	Land and Water Management (p 19) Biosecurity and Biodiversity Protection (p 53) Regional Leadership and Governance (p 63) Investment (p 103)

Community outcome	Description	How Horizons works towards these goals	Contributing groups of activities
<b>Human wellbeing</b>  	<p>Natural, farmed and built environments that support healthy people and communities.</p>	<p>Maintaining good air quality throughout the region.</p> <p>Managing the impacts on fresh water to ensure the region's waterways remain healthy or, where degraded, their health is restored to the greatest extent possible while maintaining the wellbeing of the local community and economy.</p> <p>Protecting healthy and resilient freshwater and coastal ecosystems that support mahinga kai.</p> <p>Protecting the region's historic heritage, natural character, and outstanding natural features and landscapes – particularly in the coastal marine environment.</p> <p>Ensuring that land is used in a way that optimises rather than diminishes its qualities, minimises impacts on other parts of the environment (e.g. fresh water) and is sustainable into the future.</p> <p>Ensuring there are a range of recreational opportunities accessible to the whole community, both in urban and rural areas.</p>	<p>Land and Water Management (p 19)</p> <p>Biosecurity and Biodiversity Protection (p 53)</p> <p>Regional Leadership and Governance (p 63)</p> <p>Transport (p 91)</p> <p>Investment (p 103)</p>
<b>Connected communities</b>  	<p>Connected communities supported by safe, reliable and efficient transport systems.</p>	<p>Supporting the development of a strategic, multi-modal, resilient and efficient transport system across the region, better integrated with land-use planning.</p> <p>Supporting the region's transition to transportation solutions that are less dependent on fossil fuels.</p> <p>Supporting connectedness between and within communities through the provision of public transport services, walkways and cycle-ways.</p> <p>Working towards safer roads through improved roading infrastructure and road safety education and initiatives (in partnership with New Zealand Transport Agency).</p>	<p>Transport (p 91)</p> <p>Investment (p 103)</p>

Community outcome	Description	How Horizons works towards these goals	Contributing groups of activities
<b>A robust economy</b>  	A regional economy that is diversified and resilient.	<p>Supporting the development of a regional economy that is diversified, environmentally sustainable, and anticipates the challenges of climate change, new technologies, and shifts in the national and global economies.</p> <p>Encouraging and supporting innovation and creativity in the region's business and industry sectors, for instance, by minimising the burden of regulatory processes on businesses and individuals.</p> <p>Undertaking biosecurity measures that protect primary industry from pests and disease.</p>	Land and Water Management (p 19) Flood Protection and Control Works (p 37) Biosecurity and Biodiversity Protection (p 53) Transport (p 91) Investment (p 103)
<b>Confidence in decision-making</b>  	A community that has confidence in regional decision-making.	<p>Ensuring that the issues the region faces are well understood by the community.</p> <p>Ensuring that decision-making processes are transparent, and there are sufficient opportunities for the community to participate meaningfully in these processes.</p> <p>Optimising opportunities to partner with, or otherwise support, community groups and other stakeholders to achieve shared outcomes.</p>	Regional Leadership and Governance (p 63) Investment (p 103)







# Introducing the Land and Water Management Group of Activities

## Background

This group of activities includes: Land Management; Water Quantity and Quality Management; and Resource Consent and Pollution Management.

Our Land Management Activity aims to safeguard our region's land and soil for current and future generations.

The Water Quantity and Quality Management Activity seeks to preserve the quantity and quality of our water supplies while allowing our water resource to be used for the economic and social wellbeing of our community.

Our Resource Consent and Pollution Management Activity seeks to manage wisely and protect the region's land and water resources.

All of these activities affect our rivers and water sources and have a high degree of interconnectivity. Work in one activity will contribute to the community outcomes of the other activities. For example, erosion protection work under our Land Management Activity will not only contribute to the land management community outcome (through sustainable management of our soil), it will also benefit the water quality community outcome (through less sediment resulting in higher water quality). Our Resource Consent and Pollution Management Activity protects all aspects of our region's natural resources.

## Land and Water Management Financial Summary

Activity Operating and Funding Statement	Annual Plan 2019-20 \$000	Actual 2019-20 \$000	Actual 2018-19 \$000
<b>Activity Expenditure</b>			
Land Management	6,839	6,917	6,612
Water Quantity and Quality Management	8,332	7,366	8,059
Resource Consent and Pollution Management	4,648	4,231	3,488
<b>Total Operating Expenditure</b>	<b>19,819</b>	<b>18,514</b>	<b>18,159</b>
Capital Expenditure	517	454	490
<b>Total Funding Required</b>	<b>20,336</b>	<b>18,968</b>	<b>18,649</b>
<b>Funded By</b>			
User Fees and Other Revenue	7,882	6,396	6,877
Individual Rates	585	585	476
Common Rates	11,939	11,939	11,692
Loans and Reserve Movement	(70)	48	(397)
<b>Total Funding</b>	<b>20,336</b>	<b>18,968</b>	<b>18,649</b>
<b>Capital Expenditure</b>	<b>Annual Plan 2019-20 \$000</b>	<b>Actual 2019-20 \$000</b>	<b>Actual 2018-19 \$000</b>
Meet Additional Demand	-	-	-
Improve Level of Service	-	-	-
Renew Existing Assets	517	454	490
<b>Total Capital Expenditure</b>	<b>517</b>	<b>454</b>	<b>490</b>

# Horizons Regional Council Funding Impact Statement for the Land and Water Management Group of Activities to 30 June 2020

	LTP Year 2 2019-20 \$000	Actual 2019-20 \$000	LTP Year 1 2018-19 \$000	Actual 2018-19 \$000
<b>Sources of Operating Funding</b>				
General rates, uniform annual general charges, rates penalties	11,827	11,939	11,692	11,692
Targeted rates	609	585	476	476
Subsidies and grants for operating purposes	1,089	1,970	1,089	2,201
Fees and charges	4,662	4,371	4,561	4,571
Internal charges and overheads recovered	-	55	-	106
Local authorities fuel tax, fines, infringement fees and other receipts	-	-	-	-
<b>Total sources of operating funding (A)</b>	<b>18,186</b>	<b>18,919</b>	<b>17,817</b>	<b>19,045</b>
<b>Applications of Operating Funding</b>				
Payments to staff and suppliers	6,498	8,440	7,255	8,238
Finance costs	-	-	-	-
Internal charges and overheads applied	10,504	10,075	10,333	9,921
Other operating funding applications	-	-	-	-
<b>Total applications of operating funding (B)</b>	<b>17,002</b>	<b>18,514</b>	<b>17,588</b>	<b>18,159</b>
<b>Surplus/(Deficit) of Operating Funding (A-B)</b>	<b>1,184</b>	<b>405</b>	<b>229</b>	<b>887</b>
<b>Sources of Capital Funding</b>				
Subsidies and grants for capital expenditure	-	-	-	-
Development and financial contributions	-	-	-	-
Increase/(decrease) in debt	-	-	-	-
Gross proceeds from sale of assets	-	-	-	-
Lump sum contributions	-	-	-	-
<b>Total sources of capital funding (C)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Applications of Capital Funding</b>				
Capital expenditure:				
· to meet additional demand	-	-	-	-
· to improve the level of service	-	-	-	-
· to replace existing assets	705	454	289	490
Increase/(decrease) in reserves	479	(48)	(60)	397
Increase/(decrease) of investments	-	-	-	-
<b>Total applications of capital funding (D)</b>	<b>1,184</b>	<b>405</b>	<b>229</b>	<b>887</b>
<b>Surplus/(Deficit) of Capital Funding (C-D)</b>	<b>(1,184)</b>	<b>(405)</b>	<b>(229)</b>	<b>(887)</b>
<b>Funding Balance ((A-B)+(C-D))</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Depreciation	350	171	329	142



***Description:** The Land and Water Management Group includes land management, water quantity and quality management, and resource consent and pollution management activities. All of these activities affect our rivers and water sources and have a high degree of interconnectivity. Work in one area will contribute to the community outcomes of the other activities.*

For the second year, Horizons' freshwater team coordinated a successful round of contestable funding for the Whangaehu catchment community.

The Ngā Wai Ora o te Whangaehu grants programme assists community groups in accessing resources to work towards achieving the aspirations of the community in improving the health of the catchment. The funding for this programme comes from Central Government's Freshwater Improvement Fund and Horizons Regional Council, who administers the fund.

This year we received eight impressive applications, which sought a combined total of \$103,000. From the \$33,000 available, six projects were funded covering different areas of the catchment.

Ruapehu College was able to purchase equipment to implement a stream monitoring plan, looking at changes as the stream moves through different land uses. Technical support from our environmental educator was included, with the project also involving some stream restoration.

Mo Te Katoa Marae was able to continue an ongoing project which has so far seen willow removal and riparian planting along the Makotuku Stream. This year's funding enabled further riparian planting of the stream and the installation of a barrier helping to stop dumping of rubbish into the waterway.

Makaranui Whanau and Winiata Campsite Trust's project saw the restoration and protection of the Taonui Stream and Tuna Reserve at Makaranui. Fencing and planting have been put in at the confluence of the Taonui Stream and Mangawhero River, and tuna (eel) habitat has been restored.

Ohakune Primary School has developed a walkway along the Miro Street Stream which runs through the middle of Ohakune, creating an area for students to access the stream for monitoring purposes.

Raetihi Promotions Charitable Trust was able to continue an ongoing project to develop and enhance the walkway and access points along the Makotuku Stream within Raetihi township.

Horopito Ratepayers Association introduced a predator trapping line along the Makotuku Stream to protect Whio populations.

***Group of activities performance against the 2019-20 Annual Plan:** Of the overall 34 performance targets set for the Group, 25 were achieved, 8 were not achieved, and 1 was non-applicable.*



# Land Management Activity

## Background

The Land Management Activity covers Horizons' main land-based initiatives: the Sustainable Land Use Initiative (SLUI), the Whanganui Catchment Strategy (WCS) and our Regional and Coastal Land Programme. All three initiatives aim to protect and manage one of our region's most vital assets – its land and soil.

Agriculture is a foundation of our region's economy, and hill country farming plays an important role in this. Historic removal of trees and intensifying land use in the hill country environment has led to accelerated rates of soil erosion. This erosion results in reduced productive capacity of the soil for farming and generates sediment that enters our streams and rivers. The sediment increases the flood risk downstream by reducing flood-carrying capacity, and it also causes a decline in water quality and loss of native aquatic habitats.

## General Overview for the Year

Most of the Land Management activity deals with hill country sheep and beef farms.

The land management activity was accelerated in 2019-20 with additional funding through the new Hill Country Erosion Fund contract with Central Government.

Central Government MPI funding was significantly increased at \$1.733 million in year one of the four-year contract compared to approximately \$1.090 million last year. The programme also had approval from Council to utilise reserves to increase the amount of work on the ground.

All of the 2019-20 Annual Plan targets were met. Overall the SLUI programme delivered the largest amount of works in any one year during the programme that started in 2006. The 7,596 ha of works, included more than 5.0 million trees planted and 205 km of fencing.

The Whanganui Catchment Strategy (WCS) grant programme was again supported with funding from the Whanganui River Enhancement Trust (WRET supports environmental works within the Whanganui River Catchment and delivers increased work to priority areas). WCS and environmental grant programmes completed an additional 221 ha of works.

In total across the land programme (SLUI, WCS and Regional & Coast) 622 jobs were claimed, 7% up from the 579 in 2018-19. The 7,596 ha of works was more than double the 3,612 ha achieved in 2018-19.

Our Whole Farm Plan (WFP) programme achieved 22,671 ha of new farm plans mapped, bringing the overall total of WFPs within SLUI to 583,232 ha.

Nursery production and procurement of poplar and willow poles was down on last year as anticipated. This was due to the cycle of new poles coming into production. Overall, 31,732 poles were distributed.

Horizons continues to support industry partnerships through its lead role in the region's Ballance Farm Environmental Awards, support of the Taumarunui Sustainable Land Management Group, the Poplar and Willow Research Trust, Beef & Lamb programmes, Middle District Farm Forestry, Landwise and a number of other industry initiatives.

The research and monitoring programme focussed on regional land use mapping, development of a sedimentation strategy for the Lower Manawātū and an integrated sedimentation and drainage management plan for the Arawhata Catchment, and continued support for the MBIE-funded 'Smarter Targeting of Erosion Control' programme lead by Manaaki-Whenua in partnership with Horizons and others.

## SLUI Joint Venture Forestry Revaluation

Each year, Horizons Regional Council is required to revalue the ten joint venture forests that form part of the SLUI programme. The revaluation resulted in an increase in value of \$308,491. Accounting Standards require this increase to be shown as revenue. This is a major component of the reported surplus for the programme in 2019-20. This is a non-cash surplus and reflects the book value increase of the asset from the independent valuation.

## Research and Monitoring

- The research and monitoring component of the Land Management Activity required an annual report on land and fluvial monitoring and research activity which was completed in June 2020.



- Objectives around fluvial resource management have been met via the programmed fluvial survey of the Whangaeahu River. A survey of the Eastern Ruahine Catchment was delayed due to COVID-19 lockdown but was underway at year-end.
- Land Monitoring and Research projects included regional land use mapping; soil mapping (S-map) in the Whanganui catchment; initial work to develop a strategy for the Lower Manawātū River to address sedimentation issues; and an integrated sedimentation and drainage management plan for the Arawhata Catchment progressed and is due to be completed in the 2020-21 year. The plan will include recommendations for modifications to the drainage network to improve sediment trap efficiency while retaining, and if possible enhancing, the hydraulic efficiency of the network. The five-year MBIE-funded 'Smarter targeting of erosion control' project, led by Manaaki Whenua entered its second year, with a key focus being the measurement and monitoring of shallow landslides and earth-flows, and erosion process source sampling and sediment fingerprinting.
- Horizons continued to provide advice on the suitability of on-site wastewater systems. In the 2019-20 year, 33 consents were processed, and more than 90 approvals for District Councils were completed.

## Significant Events/Issues

- 7,596 ha of erosion reduction works programmes were achieved through the land management programme. This included 622 projects processed;
- Another 22,671 ha of land was mapped for inclusion into the SLUI programme, bringing the total area under Whole Farm Plans to 583,232 ha;
- 31,732 poplar and willow poles sourced for erosion control planting; and
- The research and monitoring programme included the development of a regional land use map and a range of other projects as listed above.

## Financial Overview

Revenue (other than rates and the joint venture forestry revaluation gain) received was \$106k more than budget. This was made up of three areas:

- Regional & Coast was \$38,726 more than budget with more funding from WRET
- Fluvial Resources was \$22,992 more than budget from resource mgmt. fees
- Nursery & Trading were \$43,826 more than budget from sales with more poles and Dynex sleeves sold.

Gross expenditure was \$237k more than budget. The main contributions to the variation are as follows:

- SLUI, expenditure was \$283,338 more than budget due to higher staff costs and more grant expenditure than anticipated; and
- Nursery and Trading was \$41,873 more than budget due to higher cost of contract labour to grow pole material.

Offsetting the overspend:

- Fluvial resources was \$63,308 under budget due to savings in Consulting and agency fees.
- Regional Land and Coast was \$24,657 under budget due to savings in staff costs.

Capital expenditure was \$296k underspent compared to budget due to underspend in the Joint Venture forests (less labour due to high fire risk and COVID-19 shut down), and postponement of irrigation development in the Woodville pole nursery.

## Land Management Level of Service (what the Council has delivered)

Achieved		Not Achieved		Not Applicable	
●●●●●●					
6		0		0	
Key Performance Indicator	Annual Plan 2019-20 (Long-term Plan Year 2)*	Actual Prior Year 2018-19	How We Did in 2019-20	Comment	
PROJECT GROUP: SUSTAINABLE LAND USE INITIATIVE (SLUI)					
Erosion reduction works programmes in targeted SLUI catchments (hectares).	3,100	3,156	7,375	● The largest year of works annually within SLUI in any year of the programme	
Hectares of Whole Farm Plan properties mapped per year.	20,000	22,968	23,017	● 23,017ha of Whole Farm Plan properties were mapped, including those properties where the WFP is in progress at year-end.	
PROJECT GROUP: REGIONAL LAND INITIATIVES (NON-SLUI AND WCS INCLUDING COASTAL DUNE AREAS) AND WHANGANUI CATCHMENT STRATEGY					
Manage environmental grant programme to deliver erosion reduction works (hectares).	175	457	221	● Achieved	
Support industry initiatives that promote sustainable land use via industry partnerships (incl. Whanganui River Enhancement Trust).	5	7	8	● Via either paying for services, partially funding events or programmes or supporting in person the following organisations or events; Poplar and Willow Research Trust, Ballance Farm Environment Awards, Beef & Lamb New Zealand, Sustainable Food and Fibres Future Fund, Middle Districts Farm Forestry Association, Taumarunui Sustainable Land Management Group, Agricultural Communities Respecting the Environment, Landwise	
Operate Council nursery and source additional commercial material to deliver poles (poplar and willow) to erosion control programmes (number of poles).	30,000	37,624	31,732	● Based on sales recorded nursery report of 2.5 and 3.0m poles.	
PROJECT GROUP: RESEARCH AND MONITORING					
Annual report on the land and fluvial monitoring and research activity.	Develop an annual reporting framework and produce an annual report.	An annual reporting framework and an annual report was produced.	Achieved	● Annual activity report was presented to Environment Committee 9 June 2020	

\* Where the Target has been adjusted in the Annual Plan, we have included the original target per the Long-term Plan as well

**Fluvial monitoring and research projects included:**

Lower Manawatū sedimentation strategy progressed

Whangaehu fluvial survey

**Land research projects included:**

Arawhata sedimentation and drainage management plan progressed

Sustainable Targeting of Erosion Control

Regional land use mapping

Soil mapping (S-map) in the Whanganui catchment

# Water Quantity and Quality Management Activity

## Background

Water is an important natural resource and access to clean, safe water is critical to our survival and the cultural, environmental and economic wellbeing of our region. For instance, our towns, industry and agricultural sectors would be significantly affected by loss of access to large quantities of our mostly clean, readily accessible water. Water is also valued for recreation, including swimming and fishing, and food gathering.

Water quality is excellent in some areas of the region, and some of these areas are recognised by National Water Conservation Orders, e.g. in the Upper Rangitikei Catchment and the Manganui o Te Ao. Some other parts of the region are in need of water quality improvement. While some of these areas are directly downstream of known point source discharges, such as those from wastewater treatment plants, some sites unaffected by discharges experience poor water quality, for example, the Arawhata and Patiki Streams inflowing tributaries of Lake Horowhenua.

Horizons Regional Council responds to changes in demand and quality within the water resource through a dedicated water quantity and quality programme that includes monitoring, research and practical measures to restore water quality.

## General Overview for the Year

Fifteen of the nineteen Water Quantity and Quality Annual Plan targets were met, with COVID-19 response being the primary reason that the targets were not all achieved. Highlights of the Water Quantity and Quality Management Activity included the completion of the second years of the Manawatū and Whangaehu Freshwater Improvement Fund projects. These projects bring additional revenue to the region for freshwater improvement over and above the ratepayer and landowner contributions. Overall, the implementation programmes completed 107 km of stream fencing (target 79 km), planted 122,564 riparian plants (target 63,333), remediated three barriers to fish passage (target seven) and enabled 13 community projects (target 13).

New science work over the year included: completing a review of the monitoring network; establishing further source protection zones for public drinking water supplies; nutrient management studies in the Upper Manawatū DairyNZ plantain study; Rangitikei intensive winter grazing study; Horowhenua (nutrient fate and transport PhD study); completing lake submerged plant indicator mapping, legacy lake sediment core analysis, and investigating the use

of remote sensing for future lake monitoring; habitat mapping of the Whanganui, Ōhau and Waikawa estuaries and sediment mapping of the Whangaehu Estuary; an investigation into coastal river plumes; nitrogen modelling and reporting to inform Plan Change.

## Regional Freshwater programme

This activity completes physical works and provides information to address water quality and aquatic habitat issues in the region. Of the four targets for this programme, all were met. The work is focussed outside of the Manawatū and Whangaehu Catchments (where this type of work is completed via the Manawatū Accord and Freshwater Improvement Fund projects). This regional programme completed 22.382 km of stream fencing (target 12 km), planted 42,073 riparian plants (target 20,000) and remediated one barrier to fish passage, and supported one community project. Horizons also submitted a number of Shovel Ready projects for consideration by Central Government as part of the COVID-19 economic packages.

### Manawatū River Accord

The Manawatū River Leaders' Forum met in December 2019. Two of the four targets in this work programme were met. Ground works in 2019-20 were completed via funding from Horizons' targeted rate for the Manawatū Accord and through co-funding from the Freshwater Improvement Fund project and landowners. The work completed included 56.004 km of stream fencing (target 50 km), planting 77,396 riparian plants (target 40,000) and remediating one barrier to fish passage (target four). Eight community projects were also completed as part of the Manawatū River Community Fund (target nine).

### Whangaehu Freshwater Improvement Fund

The 2019-20 financial year saw the completion of the second year of the three-year Whangaehu Freshwater Improvement Fund project. Two of the four targets in this work programme were met. Ground works in 2019-20 were completed via funding from Horizons' targeted rate for Water Quality and Quantity and through co-funding from the Freshwater Improvement Fund project and landowners. The work completed included 29.355 km of stream fencing (target 17 km), planting 3,095 riparian plants (target 3,333) and remediating one barrier to fish passage (target two). Four community projects were also completed as part of the Whangaehu River Community Fund (target three).

## Lake Horowhenua Accord and Freshwater Clean-up Fund Project

Water quality restoration work in the Lake Horowhenua Catchment continued as a part of the Lake Accord. This year saw the completion of the access track to the proposed boat ramp location, completion of the design for the boat ramp and undertaking procurement for a preferred supplier to construct the boat ramp. Additional science was commissioned in the Arawhata Catchment looking at further interventions that can be implemented to reduce sediment and nutrients entering the lake. This work is expected to be completed in the 2020-21 year.

## Improve Knowledge and Understanding of the Region's Water Resources

This part of the activity requires water quantity and quality information to be made available on LAWA and Horizons' websites, and the delivery of an annual report on water quantity and quality activity. Monitoring programmes for surface water allocation, water quality, groundwater and bio-monitoring were completed, with the exception of monitoring during March-May which ceased in response to COVID-19 restrictions, additional sampling and investigations were completed to support specific research projects, including regulatory and non-regulatory programme implementation.

Other science highlights included:

- Initiating a review of Horizons monitoring network;
- Delivery of the contact recreation (Swim Spot) monitoring programme;
- Determining further source protection zones for public drinking water supplies and carrying out bore security inspections;
- Catchment characterisation and nutrient management studies in the Rangitikei (Massey intensive winter grazing project) and Upper Manawātū (DairyNZ plantain project);
- Lakes research and monitoring including lake habitat surveys and legacy sediment analysis;
- Habitat mapping of the Whanganui, Ōhau and Waikawa estuaries, and sediment mapping in the Whangāehu estuary;
- An investigation into coastal river plumes; and
- Water quality loads and spatial modelling and nitrogen modelling and reporting to inform Plan Change 2.

The delivery of some of these projects was made possible through MBIE's Envirolink Fund.

## Significant Events/Issues

Highlights in the Water Quantity and Quality Management Activity include:

- Completing over 107 km's of stream fencing, planting over 122,564 riparian plants, remediating three barriers to fish passage, and completing 13-community led projects;
- Submitting a number of projects to Central Governments Shovel Ready fund for the COVID-19 economic response; and
- Monitoring and research to inform management of the region's water resources was largely completed; however, monitoring activities reduced/ceased during Level 3-4 lockdown, which impacted overall delivery.

## Financial Overview

Water Quality, Quantity Monitoring and Research activity was \$0.610 million favourable.

The Freshwater and Partnerships Programme finished unfavourable by \$0.082 million due to significant demand in the Manawātū Freshwater Improvement Fund and Accord project and Regional Freshwater programme. Council had previously provided a resolution which allows the allocation of targeted Reserves for works and 2019-20 resulted in expenditure of some of these reserves in the Manawātū and Regional programmes.

The capital spend was in relation to the Lake Horowhenua weed harvesting programme and the completion of the construction of the access track to the proposed boat ramp area. This had previously been halted due to an injunction application to the Maori Appellate Court which was dismissed. The capital spend also involved the development of the design for the boat ramp.

## Water Quality and Quantity Level of Service (what the Council has delivered)

<div> <div>Achieved</div> <div>Not Achieved</div> <div>Not Applicable</div> </div>				
<div> <div>15</div> <div>4</div> <div>0</div> </div>				
Key Performance Indicator	Annual Plan 2019-20 (Long-term Plan Year 2)*	Actual Prior Year 2018-19	How We Did in 2019-20	Comment
PROJECT GROUP: DELIVER FRESHWATER ENHANCEMENT WORK WITHIN THE MANAWATŪ CATCHMENT IN ALIGNMENT WITH THE MANAWATŪ RIVER ACCORD				
Stream fencing - (km)	50 km	73 km	56 km	● Achieved
Riparian plants (number)	40,000	93,422	77,396	● Achieved
Remediate fish barriers (number)	4	4	1	● Not achieved. Unable to complete due to the COVID-19 lockdown preventing works - will be carried forward into the 2020-21 to meet the Ministry for the Environment project requirements.
Community projects (funded)	9	9	8	● Not achieved. Unable to complete due to the COVID-19 lockdown preventing works - will be carried forward into the 2020-21 to meet the Ministry for the Environment project requirements.
Annual report to Council on Manawatū Catchment Freshwater Improvement Fund project.	1	1	1	● Achieved. Report was presented to the Council via Environment Committee on 9 June 2020. <a href="http://www.horizons.govt.nz/HRC/media/Media/Agenda-Reports/Environment-Committee-2020-9-06/2072%20Annex%20A%20Freshwater%20%20Partnerships.pdf">http://www.horizons.govt.nz/HRC/media/Media/Agenda-Reports/Environment-Committee-2020-9-06/2072%20Annex%20A%20Freshwater%20%20Partnerships.pdf</a>
PROJECT GROUP: DELIVER FRESHWATER ENHANCEMENT WORK WITHIN THE WHANGAEMU CATCHMENT THROUGH THE WHANGAEMU FRESHWATER IMPROVEMENT FUND				
Stream fencing - (km)	17 km	14 km	29 km	● Achieved
Riparian plants (number)	3,333	8,854	3,095	● Not achieved (92% achieved). One of the largest jobs in the Whangaeu catchment was cancelled towards the end of the financial year, and we were unable to find replacement works prior to the end of the financial year.
Remediate fish barriers (number)	2	2	1	● Not achieved. Unable to complete due to the COVID-19 lockdown preventing works - will be carried forward into the 2020-21 to meet the Ministry for the Environment project requirements.
Community projects (funded)	3	5	4	● Achieved



Annual report to Council on Whangaehu Catchment Freshwater Improvement Fund project.	1	1	1	<p>Achieved. Report was presented to the Council via Environment Committee on 9 June 2020.</p> <p>● <a href="http://www.horizons.govt.nz/HRC/media/Media/Agenda-Reports/Environment-Committee-2020-9-06/2072%20Annex%20A%20Freshwater%20%20Partnerships.pdf">http://www.horizons.govt.nz/HRC/media/Media/Agenda-Reports/Environment-Committee-2020-9-06/2072%20Annex%20A%20Freshwater%20%20Partnerships.pdf</a></p>
<b>PROJECT GROUP: DELIVER FRESHWATER ENHANCEMENT WORK WITHIN THE WAIPU CATCHMENT THROUGH THE FRESHWATER IMPROVEMENT FUND</b>				
Annual report to Council on Waipu Catchment Freshwater Improvement Fund project.	1	1	1	<p>Achieved. Report was presented to the Council via Environment Committee on 9 June 2020.</p> <p>● <a href="http://www.horizons.govt.nz/HRC/media/Media/Agenda-Reports/Environment-Committee-2020-9-06/2072%20Annex%20A%20Freshwater%20%20Partnerships.pdf">http://www.horizons.govt.nz/HRC/media/Media/Agenda-Reports/Environment-Committee-2020-9-06/2072%20Annex%20A%20Freshwater%20%20Partnerships.pdf</a></p>
<b>PROJECT GROUP: DELIVER FRESHWATER ENHANCEMENT WORK IN THE REGIONAL FRESHWATER PROGRAMME</b>				
Stream fencing - (km)	12 km	27 km	22 km	● Achieved
Riparian plants (number)	20,000	33,919	42,073	● Achieved
Remediate fish barriers (number)	1	0	1	● Achieved. Awarua Stream in Whanganui - advice, oversight and monitoring of fixes provided to WDC.
Community projects supported.	1	2	1	● Achieved
<b>PROJECT GROUP: DELIVER FRESHWATER ENHANCEMENT WORK WITHIN THE LAKE HOROWHENUA IN ALIGNMENT WITH THE LAKE HOROWHENUA ACCORD</b>				
Annual report to Council on lake restoration activity including the Freshwater Improvement Fund project for Lake Horowhenua.	1	1	1	<p>Achieved. Report was presented to the Council via Environment Committee on 9 June 2020.</p> <p>● <a href="http://www.horizons.govt.nz/HRC/media/Media/Agenda-Reports/Environment-Committee-2020-9-06/2072%20Annex%20A%20Freshwater%20%20Partnerships.pdf">http://www.horizons.govt.nz/HRC/media/Media/Agenda-Reports/Environment-Committee-2020-9-06/2072%20Annex%20A%20Freshwater%20%20Partnerships.pdf</a></p>
Annual report on the work with the horticulture sector through the freshwater and partnerships programme to improve water quality.	1	1	1	<p>Achieved. Report was presented to the Council via Environment Committee on 9 June 2020.</p> <p>● <a href="http://www.horizons.govt.nz/HRC/media/Media/Agenda-Reports/Environment-Committee-2020-9-06/2072%20Annex%20A%20Freshwater%20%20Partnerships.pdf">http://www.horizons.govt.nz/HRC/media/Media/Agenda-Reports/Environment-Committee-2020-9-06/2072%20Annex%20A%20Freshwater%20%20Partnerships.pdf</a></p>
<b>PROJECT GROUP: IMPROVE KNOWLEDGE AND UNDERSTANDING OF THE REGION'S WATER RESOURCE</b>				
Water quantity and water quality information is made available to the public via LAWA (www.lawa.org.nz) and Horizons' website.	Data provided to LAWA as requested.	Data has been provided to LAWA.	Complete	<p>● Achieved. Data was provided to LAWA for the September 2019 refresh and the May 2020 GW launch</p>

Annual report on water quantity and quality monitoring and research activity and its findings.	1	Annual report was developed and presented.	Complete	● Achieved. Report was presented to the Council via Environment Committee on 9 June 2020.
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\* Where the Target has been adjusted in the Annual Plan, we have included the original target per the Long-term Plan as well



# Resource Consent and Pollution Management Activity

## Background

The Resource Consent and Pollution Management Activity is driven by the Resource Management Act 1991 (RMA), under which Horizons is the principal agency in our region for the provision of regulatory services to avoid, remedy or mitigate the actual or potential adverse effects of resource use on the natural environment.

This activity involves the implementation of the Resource Management Act and One Plan. It covers resource consent processing, compliance monitoring, responding to environmental incidents, investigating alleged breaches of the RMA and taking appropriate enforcement action, providing RMA advice focussing on natural resource use, including whether resource consent is needed and how to apply.

## General Overview for the Year

Over this reporting year, staff focussed their monitoring activity on the resource consents that have the potential to have the greatest environmental risk. A total of 1112 consents were inspected during the year, of which 71 per cent were fully compliant with their conditions. Consent holders are generally more aware of potential consequences of non-compliance and are proactive in notifying problems to Horizons along with their actions to remedy or mitigate potential effects on the environment. Information continues to be provided to consent holders, and staff are available to undertake additional inspections when requested. Additionally, staff continue to take appropriate enforcement action in the event non-compliance is identified.

The year has also seen Horizons continue to either process or receive a significant number of complex and high-profile consent applications. For instance, during the year significant time has been spent on processing the applications associated with the Te Ahu A Turanga project. In addition to this, other complex applications have proceeded, including the granting of resource consents for the Levin Pot and Levin landfill. Consent applications for a number of other waste-water treatment plants continue to be progressed. Approximately 340 resource consent applications were lodged, resulting in 351 activities having been authorised, of which 84 per cent were processed within statutory timeframes.

The reporting year saw 1168 incidents received and responded to. This is a slight decrease from 2018-2019 year that saw 1298 incidents received, however, is still significantly higher than other prior years.

## Significant Events/Issues

- The compliance programme was impacted by the COVID-19 pandemic as staff resource was diverted to support Council's Emergency Co-ordination Centre and Emergency Operations Centre. This primarily affected Rural and Industry programmes.
- Staff continued to ensure that resource consents reflect the actual activity undertaken and hold consent holders accountable for this. To this end, during the year 48, 51 and 84 Formal Warnings, Infringement Notices, and Abatement Notices were issued, respectively;
- One hundred and sixty-two (162) resource consents for dairy discharges were inspected over the reporting year, of which 60% were compliant with their consent conditions. In addition to this, 257 Nutrient Management Budgets were assessed;
- Monitoring commenced on the Mercury Turitea Windfarm.
- Staff spent considerable time working on waste-water treatment plant related applications as significant upgrade works were undertaken and renewal applications prepared by territorial authorities;
- Staff have continued to implement both the consent processing and compliance monitoring components of the National Environmental Standard – Plantation Forestry (NES-PF);
- Staff have continued to be involved in the Te Ahu A Turanga project, with significant effort being spent on processing a raft of enabling consent applications and providing support to the Environment Court in relation to the direct referral process; and
- The compliance programme saw two prosecutions for the year completed, which resulted in total fines of \$109,000, of which 90% comes back to Horizons.

The 2020-21 year will see a continued high demand on both staff time and external resources as we seek to progress a number of complex and high-profile applications, commence compliance monitoring of the Te Ahu A Turanga project, continue to implement the NES-PF, respond to directions from Central Government, including implementation of the NES-Freshwater and Fast Track legislation, assist with plan change, respond to increasing numbers of incidents and investigate and take appropriate action in relation to non-compliance. Regarding the more complex and contentious applications, we are also anticipating these may be appealed to the Environment Court.

## Financial Overview

The resource consent and pollution management activity finished unfavourable due to:

- Under recovery of revenue in both the consents and compliance teams as a result of staff vacancies, increased staff time required to respond to incidents, and resource being diverted to support Council's COVID-19 response; and
- Payment of \$76k to the Makino Stream Restoration project, as a result of the Feilding sale yard's prosecution, was made in the 2019-2020 year. Revenue from the fine had been received in the previous financial year.

## Resource Consent and Pollution Level of Service (what the Council has delivered)

<div> <div>Achieved</div> <div>Not Achieved</div> <div>Not Applicable</div> </div>				
<div> <div>4</div> <div>4</div> <div>1</div> </div>				
Key Performance Indicator	Annual Plan 2019-20 (Long-term Plan Year 2)*	Actual Prior Year 2018-19	How We Did in 2019-20	Comment
<b>PROJECT GROUP: CONSENTS PROCESSING</b>				
Process all consents within Resource Management Act (RMA) timeframes.	85% (100%)	82%	84%	<ul style="list-style-type: none"> <li>Due to resourcing constraints as a result of vacancies, not all consents were processed within the target timeframes.</li> </ul>
Advise all consent holders of consent expiry dates 9 months prior to expiration.	100%	0%	0%	<ul style="list-style-type: none"> <li>At present, it's not possible to report on this measure. In terms of letters, we check the activity and ensure the letter sent is actually required rather than generating a letter for every consent holder. An example of this is; when we receive a new application seeking to replace a consent due to expiry, they do not need a letter. So not all consent holders are advised.</li> </ul>
<b>PROJECT GROUP: COMPLIANCE MONITORING</b>				
Monitor compliance of all resource consents identified in the rural annual compliance monitoring programme.	90%	73%	54%	<ul style="list-style-type: none"> <li>During the year, we monitored compliance against 162 Farm Dairy Effluent (FDE) consents (as opposed to the target of 300), and we monitored all nutrient budget consents on the programme. In addition, Council's response to the COVID-19 pandemic impacted on the FDE programme as staff resource was diverted to support the ECC and EOC, which further hindered our ability to achieve this target.</li> </ul>
Monitor compliance on Category 1 and Category 2 (high priority) sites identified in the TA and industry annual monitoring programme.	100%	72%	57%	<ul style="list-style-type: none"> <li>57% of C1 and C2 sites were assessed and deemed completed (i.e. completed means there was a site visit and annual assessment undertaken). However, a further 23% of sites had one assessment during the year, resulting in 80% of the sites having an assessment for the year. The reason for not meeting this target is due to COVID-19 in that no site visits could occur for eight weeks and staff were re-directed to support Council's response to the pandemic.</li> </ul>



Monitor compliance on Category 3 (average priority) sites identified in the TA and industry annual monitoring programme.	>60%	39%	66%	●	There were a total of six sites on the programme of which 4 were assessed. Two sites were not assessed due to COVID-19.
Monitor compliance on Category 4 (low priority) sites identified in the TA and industry annual monitoring programme.	>40%	0%	NA	●	Whilst not on the programme for the year, one site was assessed.
Take follow-up action for significant non-compliers.	100%	50%	100%	●	
<b>PROJECT GROUP: INCIDENTS AND HAZARDS</b>					
All notifications of non-compliance from the public are responded to. ^	100%	100%	100%	●	
Update contaminated sites information database for one TA each year.	100%	100%	100%	●	
(1 per year)				●	

\* Where the Target has been adjusted in the Annual Plan, we have included the original target per the Long-term Plan as well

^Options for response include:

Desktop response;

Immediate site inspection;

Planned site inspection;

Phone call only;

Referred to external contractor;

Subject to investigation; and

Referred to other agency (i.e. relevant territorial authority, Civil Aviation Authority etc.).



# Introducing the Flood Protection and Control Works Group of Activities

## Background

Horizons undertakes a range of predominantly targeted rate funded flood protection, river control and land drainage activities. Those activities are grouped together as 'schemes' intended to encapsulate a particular service delivery function and the geographic area that derives benefit from that activity. The benefits to those areas are primarily keeping people and property safe but also helping to realise the productive potential of that area.

River management activity is influenced by prevailing weather conditions and those have been relatively benign over the year, with few weather events that have taxed protection systems or drainage infrastructure to any great degree. River management activity wound back considerably with the national lockdown response to the COVID-19 pandemic, creating a range of challenges for both operational activity (particular those tasks driven by both seasonal/ RMA requirements) and construction work underway. The financial results reflect both the prevailing weather and the impacts of the lockdown.

Progress in relation to the capital works programme contained in the Annual Plan was mixed. We're close to completing the Lower Manawatū Scheme Rural Upgrade Project and, in general, good progress was made, albeit complicated by the lockdown. We had hoped to complete the upgrade of the Oroua stopbank network but protest action related to the alignment of the new section of stopbank in the vicinity of Te Arakura Road required construction work to be put on hold in January. We're still evaluating alternatives to the alignment originally proposed.

Progress was also slower than expected with the Rangitikei stopbank upgrade near Scott's Ferry as we very carefully considered the design for the section that crosses the Lower North Island gas main. We continued the purchase of land that comprises the Reid Line floodway north of Feilding, part of a work programme that aims to raise the standard of flood protection for Feilding. 2020 also saw confirmation of \$7.5M of Central Government funding for deferred maintenance work to the river training structures along the lower reach of the Whanganui River, a component of the wider Te Puwaha/ Whanganui Port Revitalisation project.

Year 2 of our 2018 Long-term Plan also saw the introduction of a new approach to the provision of core river management activities across the Ruapehu district and the establishment of an Ohakune Scheme, initiatives that look to deliver

services in a more efficient manner and enable river management issues to be more proactively managed.

## Flood Protection and Control Works Financial Summary

Activity Operating and Funding Statement	Annual Plan 2019-20 \$000	Actual 2019-20 \$000	Actual 2018-19 \$000
<b>Activity Expenditure</b>			
River and Drainage General	874	614	969
River and Drainage Schemes	12,902	10,597	11,609
<b>Total Operating Expenditure</b>	<b>13,776</b>	<b>11,211</b>	<b>12,578</b>
Capital Expenditure	5,437	4,610	7,008
Loan Repayments	5,784	3,012	3,012
<b>Total Funding Required</b>	<b>24,997</b>	<b>18,833</b>	<b>22,598</b>
<b>Funded By</b>			
User Fees and Other Revenue	2,358	2,078	2,887
Individual Rates	11,172	11,172	10,352
Common Rates	3,970	3,972	3,738
Loans and Reserve Movement	7,497	1,611	5,621
<b>Total Funding</b>	<b>24,997</b>	<b>18,833</b>	<b>22,598</b>

Capital Expenditure	Annual Plan 2019-20 \$000	Actual 2019-20 \$000	Actual 2018-19 \$000
Meet Additional Demand	-	-	-
Improve Level of Service	5,032	4,496	6,894
Renew Existing Assets	405	114	114
<b>Total Capital Expenditure</b>	<b>5,437</b>	<b>4,610</b>	<b>7,008</b>

# Horizons Regional Council Funding Impact Statement for the Flood Protection and Control Works Group of Activities to 30 June 2020

	LTP Year 2 2019-20 \$000	Actual 2019-20 \$000	LTP Year 1 2018-19 \$000	Actual 2018-19 \$000
Sources of Operating Funding				
General rates, uniform annual general charges, rates penalties	4,098	3,972	3,745	3,738
Targeted rates	11,093	11,172	10,379	10,352
Subsidies and grants for operating purposes	-	-	-	-
Fees and charges	1,793	1,533	1,771	2,315
Internal charges and overheads recovered	450	585	356	572
Local authorities fuel tax, fines, infringement fees and other receipts	-	-	-	-
Total sources of operating funding (A)	17,435	17,262	16,251	16,977
Applications of Operating Funding				
Payments to staff and suppliers	5,399	6,239	5,487	7,191
Finance costs	-	-	-	-
Internal charges and overheads applied	6,720	4,972	6,153	5,387
Other operating funding applications	-	-	-	-
Total applications of operating funding (B)	12,119	11,211	11,640	12,578
Surplus/(Deficit) of Operating Funding (A-B)	5,316	6,051	4,611	4,399
Sources of Capital Funding				
Subsidies and grants for capital expenditure	-	-	-	-
Development and financial contributions	-	-	-	-
Increase/(decrease) in debt	912	981	4,325	4,175
Gross proceeds from sale of assets	-	-	-	-
Lump sum contributions	-	-	-	-
Total sources of capital funding (C)	912	981	4,325	4,175
Applications of Capital Funding				
Capital expenditure:				
· to meet additional demand	-	-	-	-
· to improve the level of service	4,673	4,492	7,562	6,894
· to replace existing assets	405	118	259	114
Increase/(decrease) in reserves	1,150	2,422	1,116	1,566
Increase/(decrease) of investments	-	-	-	-
Total applications of capital funding (D)	6,228	7,032	8,937	8,574
Surplus/(Deficit) of Capital Funding (C-D)	(5,316)	(6,051)	(4,611)	(4,399)
Funding Balance ((A-B)+(C-D))	-	-	-	-
Depreciation	1,396	1,679	1,387	1,484



**Description:** *The Flood Protection and Control Works Group is split into two activities; river and drainage (general activity), and river and drainage (scheme activity). The general activity provides a mechanism to investigate and report on river management issues that lie outside established schemes, while the scheme activity includes the management, investigation, design and maintenance of activities associated with the operation of the various river schemes.*

As part of a wider response to the February 2004 floods, the Rural Upgrade Project was initiated and formally adopted in Council's 2009-2019 Long-term Plan. The intent was to provide a higher and more uniform standard of flood protection to those living on the flood plains of the Manawātū outside of Palmerston North.

The Rural Upgrade Project looks to increase the height of existing stopbanks, and in some cases build new sections of stopbank to contain a 100-year Return Period flood, totalling around 140km of stopbank.

A project of this size and duration has provided a range of challenges. The scope of the project has evolved as it has progressed, requiring a range of value judgements to be made along the way. A variety of weather-related and consenting delays have also played a role in the extended duration of the project.

The stopbank upgrade along the Ōroua River, from the Railway Bridge near Mahinui Street in Feilding to the Velodrome at Johnson Park, was completed this year. Horizons worked closely with the Manawātū District Council to ensure that, where practical, the area being upgraded could also be utilised as an amenity area.

Work completed along the Tokomaru River this year saw approximately 6km of stopbanks raised by approximately 300mm, necessary to prevent flooding from the Tokomaru River into the Makerua Basin. The raising of this stopbank was a complex project as the stopbank had to accommodate the upgrade of a number of culverts and a pump station.

Along the Manawātū River at Himatangi Block Road, approximately 5.2km of stopbank upgrades were completed this year. This was a large project with a number of contractors working in partnership to raise the stopbanks by approximately 800mm. Technical work showed upgrading this section was critical as a breach could lead to the inundation of a significant area of land in the Moutoa Basin.

We are now approaching the end of the Rural Upgrade Project with matters relating to Te Arakura Road the only substantive component yet to be completed.

**Group of activities performance:** *Of the overall 33 performance targets set for the Group, 14 were achieved, 12 were not achieved, and 7 were non-applicable.*



# River and Drainage – General Activity

## Background

The River and Drainage – General Activity component provides a funding mechanism that enables river management issues that lie outside established schemes to be investigated and reported. Aligned to that, this activity also encompasses Environmental Grants where Council provides financial assistance to landowners for river works that lie outside or are not covered by scheme activity and that have a degree of community benefit to them. The activity also includes the identification and removal of 'man-made' hazards to recreational navigation in the region's major rivers.

## General Overview for the Year

### Investigations and Advice

A number of non-scheme investigations were undertaken this year, and designs and advice were given on a range of river management issues.

Notably, designs were developed to support Environmental Grant Works on the Makirikiri Stream. Designs and advice have also been provided over the course of the year to aid with the development of a number of fish passage projects around the region.

River and drainage advice has been provided through a number of channels. This advice has frequently been provided via Council's district advice function, as well as through direct communication with ratepayers.

### Implementation

The implementation activity saw reduced activity this financial year. This was largely due to the COVID-19 shutdown period preventing works which would normally be undertaken with Environmental Grant funding, from going ahead.

## Financial Overview

The cost of non-scheme investigations and advice was approximately \$0.480 million against a budget of \$0.483 million.

In terms of invoiceable works, the works undertaken have resulted in an expenditure of approximately \$0.111 million. These costs have been fully recovered.

Overall, the River and Drainage – General Activity finished the financial year with a surplus of approximately \$0.171 million.












Table: Programme of scheme audits, reviews, and operations and maintenance manual development over the next 10 years

SCHEME	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
Ashhurst										
Kahuterawa										
Lower Kiwitea										
Lower Manawatu										
Mangatainoka										
South East Ruahine										
Tawataia-Mangaone Drainage										
Upper Manawatu-Lower Mangahao										
Forest Road Drainage										
Haunui Drainage										
Lower Whanganui										
Makirikiri										
Matarawa										
Pakihi										
Pohangina Oroua										
Porewa										
Rangitikei										
Turakina										
Tutaenui										
Upper Whanganui										
Whangaehu-Mangawhero										
Foxton East Drainage										
Himatangi Drainage										
Hokio Drainage										
Koputaroa Drainage										
Makerua Drainage										
Manawatu Drainage										
Moutoa & Whirokino Drainage										
Ohau-Manakau										
Te Kawanu Drainage										

 OPERATION AND MAINTENANCE MANUAL
  AUDIT
  SCHEME REVIEW
  CLASSIFICATION REVIEW

## River and Drainage – General Level of Service (what the Council has delivered)

Achieved		Not Achieved		Not Applicable	
					
4		4		1	
Key Performance Indicator	Annual Plan 2019-20 (Long-term Plan Year 2)*	Actual Prior Year 2018-19	How We Did in 2019-20	Comment	
PROJECT GROUP: INVESTIGATIONS AND ADVICE					
Undertake investigations in relation to identified or potential flooding or erosion hazards, identify mitigation measures and consult with affected communities. Develop works and funding measures where appropriate.	2	2	1	 An updated assessment of the capacity of the Moutoa Floodway was undertaken and resulted in no mitigation work required. An assessment of the flood-carrying capacity of the Mangaone Stream has begun, but was not completed by year-end.	
Provide river and drainage advice on demand in relation to flooding and erosion problems.	18	20+	20+	 Advice given on numerous properties via the District Advice team.	
In accordance with the programme identified in the table on page 62, carry out and report to Council on audits of schemes, identifying any deficiencies in inspection and maintenance activity that materially impact service delivery.	0	0	0		
In accordance with the programme identified in the table on page 62, carry out and report to technical and rating classification reviews of schemes, assessing whether current levels of service meet the needs of the community and that the associated funding model is equitable.	1	1	0	 The Koputaroa Scheme Review has been delayed due to resource constraints. This has subsequently delayed the start of the Ōhau-Manakau Scheme Review.	
In accordance with the programme identified in the table on page 62, produce operations and maintenance manuals that capture scheme history, operating context and the inspection and maintenance activities required to deliver the levels of service to the relevant communities.	3	0	0	 The production of O&M Manuals has been delayed by resource constraints.	
Survey rivers annually for identification and removal of obstacles presenting hazards to navigation and recreational use.	5	5	5		

## PROJECT GROUP: IMPLEMENTATION

Respond to the need for urgent flood or erosion mitigation works in situations where there is insufficient time to identify appropriate contributions from those who will benefit from the scheme.	1	2	0	● A relatively dry year has meant that there have been no urgent works to respond to.
Undertake investigations and designs, prepare engineering proposals for flood or erosion measures, and supervise works.	10	10+	10+	● Numerous designs have been prepared, many of which support the Rural Upgrade Project.
Apply environmental grant funding assistance where criteria are satisfied.	10	8	3	● The COVID-19 lockdown impacted how close we were able to get to meeting this target as it meant that there have not been many applications for EG funding compared to earlier expectations.

\* Where the Target has been adjusted in the Annual Plan, we have included the original target per the Long-term Plan as well

# River and Drainage – Scheme Activity

## Background

### Overview

The River and Drainage – Scheme Activity component includes the management, investigation, design and maintenance activities associated with the operation of the various flood protection, erosion control and land drainage schemes administered by Horizons.

### Significant Events/Issues

As noted earlier, a combination of favourable weather conditions over most of the year combined with the national COVID-19 lockdown produced a favourable budget variance for most schemes. The lockdown and its timing from late March to early May particularly affected a range of maintenance and construction tasks. The lifting of the lockdown in late autumn/ early winter constrained staff ability to 'catch-up' on many work programmes, something of a 'bow wave' that will carry into the 2021 financial year. Prevailing weather conditions have been very fortunate – more normal weather conditions would have seen a more marked level of service impact over winter, particular across the drainage schemes.

Capital investment in levels of service continued during the 2019 – 2020 financial year, primarily the continuation of the Lower Manawatū Scheme (LMS) Rural Upgrade Project. This project has the objective of lifting flood protection standards for the LMS outside the urban area of Palmerston North to a consistent one per cent Annual Exceedance Probability (AEP)/one in 100-year return period level. This work included a continuation of the individual property protection works within the Taonui Basin, in accordance with Council's resource consent conditions.

Operationally, the year's activity consisted of ongoing operations and maintenance activity. Operation of the Moutoa floodway and the Reid Line floodway was not required. The deployment of the various temporary barrier systems that help protect parts of Whanganui from flooding were also not required to be deployed.

Insurance costs continue to cause concern, with a continued increase in premiums coinciding with an increase the river management asset valuation to around \$570M (and with further additions to be made). The collective buying power arrangements through shared services arrangements, a focussed approach on the different market offerings, continued emphasis on the resilience of the schemes, and a more in-depth assessment of what major

natural disasters, such as a significant earthquake might mean for the asset inventory, all play a part in keeping this exposure to a minimum.

### Financial Results

The operating component of the full-year result for the River and Drainage – Scheme Activity was a surplus of just under \$4.2 million, \$0.5 million more than the \$3.7 million surplus budgeted for. This is a result of operational underspends, as previously mentioned, in conjunction with much lower interest rates on debt balances.

Lower than budgeted interest rates combined with few floods and reduced capital expenditure meant a favourable picture across scheme reserves and loans, with total reserves increasing from \$8.8M to \$10.6M. Total scheme debt was budgeted to rise from around \$39.7M to \$49.8M, but increased repayments across the board, combined with less loan-funded capital expenditure, saw a closing loan balance of \$40.6M.

Increases to reserves balances for the South-East Ruahine, Lower Manawatū and Rangitikei schemes were all less than budgeted for, with some of the revenue intended to be directed to reserves instead used to cover a range of higher than budgeted operating costs.

### Eastern Area

Expenditure for the Eastern area was, as a whole, under budget. The COVID-19 response (level 3 and 4 restrictions) had a large impact on the works programme. This was due to the restrictions being between March and May 2020, which coincided with the most productive time for scheme works. As such, the Mangatainoka, Upper Manawatū and Tararua Schemes were underspent, compared to budget. This was offset by the South Eastern Ruahine scheme being overspent, due to the need to complete additional repairs associated with flood damage.

Five rivers within the South Eastern Ruahine scheme area were badly affected by a large rainfall event in June 2019. Repair works were begun immediately and completed by January 2020. The net effect of this was an additional expenditure of \$130,000.

The Tararua River Management scheme completed around 75% of its planned works, despite the restrictions imposed by the COVID-19 lockdown. Work was undertaken on a good cross-section of the Tararua District, with works

undertaken at Herbertville and the headwaters of the Manawatū and Akitio rivers. Channel and vegetation clearance was undertaken in the southern part of the district, with the Mangamaire, Mangaroa and Mangahao rivers benefiting.

Major works on the Upper Manawatū-Lower Mangahao Scheme had begun just as the level 4 restrictions came into force. These picked up again in May, with the reduction to level 2 restrictions, and continued until the end of June. As such, roughly 65% of the scheme works programme was completed in the financial year.

The COVID-19 restrictions also had a detrimental effect on the works programme for the Mangatainoka scheme. However, this was further compounded by restrictions on works activities associated with trout spawning, which starts in May and applied to most of the waterways within the scheme. As such, only around 60% of the works programme was completed, leading this scheme to have the largest underspend against budget.

### Central Area

The Lower Manawatū Scheme area had favourable weather conditions throughout most of the year. Although the first quarter was wet, it only produced minor floods with small amounts of damage requiring repairs later in the year.

The annual works programme was completed on time and within budget. Due to the COVID-19 response (level 3 & 4 restrictions), special dispensation was sought to extend works into the 'Trout Spawning' period to complete the works programme.

The Ashhurst Drainage Scheme was slightly underspent in the 'Operating Budget' due to a shortage of suitable Contractors. All urgent works were completed.

The Kahuterawa River Scheme was also slightly underspent (16%). This was due to lower 'Staff Supervision' hours required as compared to that budgeted. Works programme was completed within the budget.

Expenditure on the Lower Kīwitea Scheme was severely impacted by the COVID-19 lockdown. Only 56% of the planned works and related budget was completed. Typically, half of the works programme is completed by the end of the calendar year with the balance completed in the New Year prior to the 'Trout Spawning' period. Unfortunately, the COVID-19 restrictions between March and

May meant the second half of the works programme could not be completed. The surplus budget of approximately \$58k was transferred to Scheme Reserves.

### Northern Area

The schemes that comprise the northern area finished the year financially in a 15.3% favourable position against the approved operations budget and 63.9% favourable against the capex budget.

The most notable challenge this year has been the planning and delivery of services around the COVID-19 lockdown. This is reflected in the under-spend experienced for both the operational budget and the CAPEX budget. The most notable operational variation was in the Lower Whanganui Scheme, where the requirement for a new resource consent to undertake river works has limited the ability to undertake maintenance activities.

For the remaining schemes, the planned annual work programmes were largely successfully completed through the use of both Horizons works staff and external contractors. All schemes with a favourable end of year balance will have unspent funds transferred to reserves or used to reduce debt.

A particular focus with the 2020 financial year was the development of a management strategy for the Rangitikei River, albeit again partly disrupted by the COVID-19 lockdown. That strategy is intended to make the Rangitikei Scheme more resilient particularly with climate change and has potentially significant implications for the way in which Horizons manages that scheme.

### Southern Area

Despite the challenges posed by a very wet first quarter, the predominantly drainage-scheme focussed southern area had an overall favourable variance. Restrictions associated with the COVID-19 response (level 3 and 4 restrictions) between March and May coincided with the main construction period when the majority of the renewal works are completed. These restrictions have resulted in many of the renewal programs for this period being incomplete.

Horizons has been working in partnership with Horowhenua District Council to better understand flooding issues in and around Foxton. Initial work identified the option of installing a new pipe-line between Kings Canal and the Foxton Loop as the primary mitigation measure. However, further technical work has identified a more expanded works programme, and that has delayed the capital works programme, now expected to commence during the 2020-21 period.

The scheme reviews programmed for the Koputaroa and Ōhau Manakau Scheme have not been completed, mainly due to resource constraints. Completion of the Koputaroa scheme review and the review of the classification is now programmed for 2020-21 financial period with the review of the Ōhau Manakau River Scheme also due to be completed in 2020-21. Modelling of the Manawatū Scheme drainage network was also impacted by resource constraints and is scheduled for completion in the 2020-21 financial year.

## River and Drainage – Scheme Level of Service (what the Council has delivered)

<div> <div>Achieved</div> <div>Not Achieved</div> <div>Not Applicable</div> </div>				
<div> <div>10</div> <div>8</div> <div>6</div> </div>				
Key Performance Indicator	Annual Plan 2019-20 (Long-Term Plan Year 2)*	Actual Prior Year 2018-19	How We Did in 2019-20	Comment
PROJECT GROUP: LOWER MANAWATŪ SCHEME				
Flood and erosion protection assets and systems are maintained - Completion of agreed maintenance programme	The scheme is to be maintained to its full service potential in accordance with the condition ratings specified in the LMS Asset Management Plan.	Not Achieved	Not Achieved	● Assets inspections have been completed. These show that the asset rating showing that nearly 100% of assets have a condition rating of 2 or greater. 67% of Massblock retaining walls have a scoring 4 and the bed armouring has a score of 3. Despite not being maintained to the targeted condition rating, there has been no impact to the level of service provided by these assets. All other assets types have exceeded the targeted condition ratings.
Flood and erosion protection assets and systems are maintained - System performance design standard	Stopbanks and associated structures within the rural area are maintained to the 1% AEP standard. Stopbanks within the Palmerston North 'City' area are maintained to the 0.2% AEP standard.	Achieved	Achieved	● Stopbanks maintained to agreed level of service.
Flood and erosion protection assets and systems are maintained - Oroua silt removal	Remove 10,000 cubic metres of silt from the critical sections of the Oroua River berm.	Achieved	Achieved	● All work completed within timeframe ( Actual quantity of silt removed being 11,300 cubic metres )
Flood and erosion protection assets and systems are repaired - Response to flood event or damage	Following a flood event, damage is identified and programmed for repair in consultation with the scheme liaison committee. High priority works are completed within 6 months.	N/A	N/A	● There were no flood events or damage associated with an event this period.
Assets are renewed at end of useful life or to reinstate decline in service level - Completion of renewals programme	As per Asset Management Plan Renewal programme.	Achieved	N/A	● No renewals
New assets are constructed - Completion of new capital works programme	Complete all programmed Feilding Special project works to provide Feilding with 0.5% AEP, Complete the investigation into Stoney Creek flood protection works.	Not Achieved	Not Achieved	● Rural Upgrade Project not completed



## PROJECT GROUP: RANGITIKEI RIVER SCHEME

Flood and erosion protection assets and systems are maintained - Completion of agreed maintenance programme	The scheme is to be maintained to its full service potential in accordance with the condition ratings specified in the Rangitikei River Scheme Asset Management Plan.	Not Achieved	Not Achieved	<p>Rock work and hard flood protection assets have largely been maintained to a Level 2 or better condition grade. However, vegetation assets have suffered in the last year from very dry weather conditions, which have had a detrimental effect on growth and general tree health in some locations.</p> <p>●</p>
Flood and erosion protection assets and systems are maintained - System performance design standard	Parewanui stopbanks are maintained to the 1% AEP standard (except for those assets still to be upgraded under the Parewanui flood protection upgrade project). Tangimoana, Walker's and Kakariki stopbanks are maintained to the 2% AEP standard.	Not Achieved	Not Achieved	<p>●</p> <p>During the year the course of the river has moved resulting in some Tied Tree Works being washed away which were subsequently decided to not be replaced. As a result, we have not met the details of the asset management plan. There has been a small reduction in service on this section of the river, but this was negated by the change in course of the river.</p>
Flood and erosion protection assets and systems are repaired - Response to flood event or damage	Following a flood event, damage is identified and programmed for repair in consultation with the scheme liaison committee. High priority works are completed within 6 months.	Achieved	N/A	<p>●</p> <p>There were no flood events or damage associated with an event this period.</p>
Assets are renewed at end of useful life or to reinstate decline in service level - Completion of renewals programme	As per Asset Management Plan Renewal programme.	Achieved	N/A	<p>●</p> <p>No planned renewals in 2019-20</p>
New assets are constructed - Completion of new capital works programme	Complete all programmed 'Year 17' Rural; Flood Protection Upgrade project works. These will raise the standard from approximately 2% AEP to 1% AEP. Complete 'Year 11' Channel alignment project works. (Complete all programmed 'Year 15' Rural; Flood Protection Upgrade project works. These will raise the standard from approximately 2% AEP to 1% AEP. Complete 'Year 9' Channel alignment project works.)	Not Achieved	Not Achieved	<p>●</p> <p>Design delays and approvals with NZ Gas to build a concrete wall over the gas main delayed planned works this financial year. The design is now complete and approvals received to undertake the work in the 2020-21 financial year.</p> <p>●</p>

## PROJECT GROUP: MANAWATŪ DRAINAGE SCHEME

Flood and erosion protection and drainage assets and systems are maintained - Completion of agreed maintenance programme	The scheme is to be maintained to its full service potential in accordance with the condition ratings specified in the Manawātū Drainage Scheme Asset Management Plan.	Achieved	Achieved	<p>●</p> <p>The scheme has been able to maintain its assets and systems in accordance with the condition ratings specified within the scheme Asset Management Plan.</p>
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Flood and erosion protection and drainage assets and systems are maintained - System performance design standard	Stopbanks and associated flood protection structures are maintained to the 20% AEP standard.	Achieved	Achieved	● Stopbanks and associated flood protection structures are being maintained to the agreed design standard.
Flood and erosion protection and drainage assets and systems are repaired - Response to flood event or damage	Following a flood event, damage is identified and programmed for repair in consultation with the scheme liaison committee. High priority works are completed within 6 months.	N/A	N/A	● There were no flood events or damage associated with an event this period.
Assets are renewed at end of useful life - Completion of renewals programme	As per Asset Management Plan Renewal programme.	Achieved	Not Achieved	● Works were delayed throughout the year, and these were planned to be completed prior to year-end however the COVID-19 lockdown prevented this from occurring.
<b>PROJECT GROUP: MANGATAINOKA SCHEME</b>				
Flood and erosion protection assets and systems are maintained - Completion of agreed maintenance programme	The scheme is to be maintained to its full service potential in accordance with the condition ratings specified in the Mangatainoka Asset Management Plan.	Not Achieved	Not Achieved	● Assets inspections have been completed. These show that stopbanks and bed control weirs have average condition ratings lower than those targeted in the Asset Management plan for 2019-20. Despite the less than targeted condition rating of these assets there has been no impact on the level of service provided. All other assets types have exceeded the targeted condition ratings.
Flood and erosion protection assets and systems are maintained - System performance design standard	Maintain the Burmeister, Kamo and Hamua stopbanks to 20%, 10% and 5% AEPs respectively.	Achieved	Achieved	● Stopbanks are maintained to the design standard
Flood and erosion protection assets and systems are repaired - Response to flood event or damage	Following a flood event, damage is identified and programmed for repair in consultation with the scheme liaison committee. High priority works are completed within 6 months.	N/A	N/A	● There have been no flood events in the financial year.
New assets are constructed - Completion of new capital works programme	Complete all capital works as outlined in the Mangatainoka Asset Management Plan.	Achieved	Achieved	● New assets were constructed as required
<b>PROJECT GROUP: SOUTH EAST RUAHINE SCHEME</b>				
Flood and erosion protection assets and systems are maintained - Completion of agreed maintenance programme	The scheme is to be maintained to its full service potential in accordance with the South Eastern Ruahine Asset Management Plan	Not Achieved	Not Achieved	● Assets inspections have been completed. These show that stopbanks and bed control weirs have average condition ratings lower than those targeted in the Asset Management plan for 2019-20. All other assets types have exceeded the targeted condition ratings.

Flood and erosion protection assets and systems are maintained - System performance design standard	Stopbanks are maintained to the 20% AEP standard.	Achieved	Achieved	● Stopbanks are maintained to the design standard
Flood and erosion protection assets and systems are repaired - Response to flood event or damage	Following a flood event, damage is identified and programmed for repair in consultation with the scheme liaison committee. High priority works are completed within 6 months.	Achieved	Achieved	● The last flood occurred on 13 June 2019. All urgent works were completed within 4 months. Where legal restrictions prohibited work until January 2020, work was planned and completed as soon as able. The scheme committee were informed of work plans.
New assets are constructed - Completion of new capital works programme	Complete all capital works as outlined in the South Eastern Ruahine Asset Management Plan.	Achieved	Achieved	● New assets were constructed as required
<b>PROJECT GROUP: ALL OTHER SCHEMES (NON-MANDATORY REPORTING)</b>				
Flood control, channel management and drainage schemes are maintained so as to provide communities with protection from flooding and erosion, and with drainage benefits to productive land within scheme areas. - Prescribed asset condition ratings are achieved	Manage scheme and maintain scheme assets in accordance with scheme asset management plan and operations and maintenance manual.	Achieved	Achieved	● Assets inspections have been completed. Average of 86% for all assets have scored 2 or above.

\* Where the Target has been adjusted in the Annual Plan, we have included the original target per the Long-term Plan as well  
Annual Exceedance Probability (AEP) refers to the probability of a flood event occurring in any year. The probability is expressed as a percentage. For example, a large flood which may be calculated to have a 1% chance to occur in any one year, is described as 1% AEP.

Return Period or Recurrence Interval	Probability of occurrence in any given year	Chance of occurrence in any given year (AEP)
500 years	1 in 500	0.2%
200 Years	1 in 200	0.5%
100 Years	1 in 100	1.0%
50 Years	1 in 50	2.0%
25 Years	1 in 25	4.0%
20 Years	1 in 20	5.0%
10 Years	1 in 10	10.0%





## Introducing the Biosecurity and Biodiversity Management Group of Activities

Environmental management is a primary role of regional councils that adds significantly to the environmental, economic, social and cultural wellbeing of the region.

This group of activities covers Horizons':

- Biosecurity (pest plant and pest animal pest control); and
- Biodiversity (protection of bush and wetlands on private land, the support of community projects and management of the Regional Park).

### Why are these activities grouped together?

The two activities in this group contribute directly to Council's fauna and flora outcomes when managing indigenous biodiversity and the control of pest plants and animals. There are significant synergies between these activities. For example, a possum killed to protect farm production often helps indigenous biodiversity in the nearby bush remnant. Similarly, a weed eliminated in an important bush remnant may prevent the spread of that weed into surrounding farm-land.

### Biosecurity and Biodiversity Financial Summary

Activity Operating and Funding Statement	Annual Plan 2019-20 \$000	Actual 2019-20 \$000	Actual 2018-19 \$000
<b>Activity Expenditure</b>			
Biosecurity	6,294	5,945	6,396
Biodiversity	2,073	1,950	2,032
<b>Total Operating Expenditure</b>	<b>8,367</b>	<b>7,895</b>	<b>8,428</b>
Capital Expenditure	513	338	365
<b>Total Funding Required</b>	<b>8,880</b>	<b>8,233</b>	<b>8,793</b>
<b>Funded By</b>			
User Fees and Other Revenue	159	204	834
Individual Rates	1,830	1,829	1,931
Common Rates	6,378	6,379	5,976
Loans and Reserve Movement	513	(179)	52
<b>Total Funding</b>	<b>8,880</b>	<b>8,233</b>	<b>8,793</b>

Capital Expenditure	Annual Plan 2019-20 \$000	Actual 2019-20 \$000	Actual 2018-19 \$000
Meet Additional Demand	-	-	-
Improve Level of Service	-	-	-
Renew Existing Assets	513	338	365
<b>Total Capital Expenditure</b>	<b>513</b>	<b>338</b>	<b>365</b>

# Horizons Regional Council Funding Impact Statement for the Biosecurity and Biodiversity Management Group of Activities to 30 June 2020

	LTP Year 2 2019-20 \$000	Actual 2019-20 \$000	LTP Year 1 2018-19 \$000	Actual 2018-19 \$000
<b>Sources of Operating Funding</b>				
General rates, uniform annual general charges, rates penalties	6,273	6,379	5,976	5,976
Targeted rates	1,896	1,830	1,931	1,931
Subsidies and grants for operating purposes	-	-	-	555
Fees and charges	64	204	63	279
Internal charges and overheads recovered	-	-	-	-
Local authorities fuel tax, fines, infringement fees and other receipts	-	-	-	-
<b>Total sources of operating funding (A)</b>	<b>8,233</b>	<b>8,413</b>	<b>7,971</b>	<b>8,741</b>
<b>Applications of Operating Funding</b>				
Payments to staff and suppliers	4,152	3,985	3,988	4,333
Finance costs	-	-	-	-
Internal charges and overheads applied	4,010	3,911	3,943	4,094
Other operating funding applications	-	-	-	-
<b>Total applications of operating funding (B)</b>	<b>8,162</b>	<b>7,896</b>	<b>7,931</b>	<b>8,428</b>
<b>Surplus/(Deficit) of Operating Funding (A-B)</b>	<b>70</b>	<b>517</b>	<b>40</b>	<b>313</b>
<b>Sources of Capital Funding</b>				
Subsidies and grants for capital expenditure	-	-	-	-
Development and financial contributions	-	-	-	-
Increase/(decrease) in debt	-	-	-	-
Gross proceeds from sale of assets	-	-	-	-
Lump sum contributions	-	-	-	-
<b>Total sources of capital funding (C)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Applications of Capital Funding</b>				
Capital expenditure:				
· to meet additional demand	-	-	-	-
· to improve the level of service	-	-	-	-
· to replace existing assets	103	338	293	365
Increase/(decrease) in reserves	(32)	179	(253)	(52)
Increase/(decrease) of investments	-	-	-	-
<b>Total applications of capital funding (D)</b>	<b>70</b>	<b>517</b>	<b>40</b>	<b>313</b>
<b>Surplus/(Deficit) of Capital Funding (C-D)</b>	<b>(70)</b>	<b>(517)</b>	<b>(40)</b>	<b>(313)</b>
<b>Funding Balance ((A-B)+(C-D))</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Depreciation	70	137	40	93



**Description:** *The Biosecurity and Biodiversity Management Group includes the management of pest plant and pest animals, the protection of bush and wetlands on private land, and the support of community projects.*

Unfortunately, alligator weed, an aquatic and terrestrial pest plant, was discovered in Palmerston North during Alert Level 4 in late March 2020.

As the only previously known location of the invasive alligator weed in the Horizons region was the Taumarunui effluent ponds, this new find was particularly concerning.

Targeted communication was shared with communities in the Mangaone Stream area north of Colyton, Palmerston North to the Manawātū River, and down to Foxton Beach. This call out urged any sightings of the invasive alligator weed to be reported to Horizons' pest plant team for removal as to not to inadvertently spread the weed further, while also keeping track of its known locations.

The call-out was particularly important as the pest plant can spread quickly and aggressively and thrives on both land and water - taking over pastures, clogging our waterways and creating flood risk, along with being toxic to stock.

Alligator weed can be identified by its low-growing leaves generally arranged in opposite pairs along hollow reddish horizontal stems.

It can spread by water movement such as floods, eel nets and boats. However, it can also spread via farm machinery, soil movement, and diggers.

Once in a waterway, stem fragments can disperse and grow rapidly, destroying the environmental, recreational and aesthetic values we hold dear. It can also double in area size in just two months.

Sustained communication asks the public to check boats, trailers, vehicles and equipment for fragments before travelling between water bodies to ensure the fragments are not transported to new sites. We also implore farmers to insist that their contractors practice good weed hygiene and clean equipment before entering any farm, as well as making sure supplementary feed, aggregates, soil and sand also brought onto the farm is weed-free.

**Group of activities performance:** *Of the overall 17 performance targets set for the Group, 14 were achieved and 3 were not achieved.*





# Biosecurity Activity

## Background

New Zealand has a long history of importing plants and animals into this country, adding to those that were already here. Many of these introductions were very successful and have contributed greatly to helping shape the country's economic (sheep, cattle, grasses), social (garden plants), and recreational (trout, waterfowl) landscape. Unfortunately, there were also many introductions that were ill-conceived (e.g. possums, stoats, weasels), or the introduced plant/animal was significantly better suited to this new land than expected, with populations increasing to the point where they became problematic (e.g. rabbits, possums) or escaped from controlled environments (e.g. plants escaping from gardens). This situation continues today with New Zealand borders under constant threat from new species arriving accidentally with imports, illegally smuggled in, boat fouling and bilge waste, and some biological incursions, i.e. wind, sea or birds.

The management of problematic plant and animal species for the protection of economic, social and recreational values is called biosecurity. Horizons Regional Council responds to the threats posed by pest species through a dedicated biosecurity programme.

## General Overview for the Year

Horizons successfully adopted its new Regional Pest Management Plan 2017-2037 and has continued to work with affected stakeholders to meet their obligations under the RPMP 2017-37.

### Possums

In the 2019-20 year Horizons planned on adding 57,441 ha to the PCO (Possum Control Operations), however, due to the national COVID-19 response delivered 42,765 ha with 18 additional PCOs that were previously treated by OSPRI. To release resources to treat the additional land, 54 PCOs were deferred treatment due to low possum abundance. The year ended with 95 PCOs completed, 4 not started, and 54 deferred. The total area in 2020-19 was 1,568,248 ha, an increase of 42,765 ha over the previous year.

During the 2017-18 year Horizons took the opportunity to review the possum control programme. Landcare Research was contracted to undertake the review and report back on the programme's effectiveness, monitoring effort and scale, and make recommendations towards improving the future delivery and outcomes of the programme. The monitoring advice and recommendations

Horizons received have been put into place immediately. The expanded possum monitoring programme was scheduled to be undertaken in 57 of the existing 153 maintenance PCOs and also in the ex OSPRI operations that have been added to the PCO this year. In these OSPRI areas, pre and post-control monitors were undertaken to indicate how effective our possum control is. Contractors pre-monitor all ex OSPRI PCOs to determine if treatment is warranted. The monitoring contractor was unable to deliver 4 PCO monitors due to COVID-19; these will be added to the 2020-21 programme. The 53 PCOs that were monitored returned an average result of 2.9% + 1.1% Residual Trap Catch (RTC), well below the target of 10% RTC. One PCO (Tatu Heao) did report a result in excess of the target (10.7% RTC), and this PCO will be re-treated again in the next year.

### Rooks

The rook programme was completed in full this year. Overall, 94 active breeding nests in 56 rook colonies were treated. The number of active rookeries treated decreased from 78 to 56 for the year. In 2019-20, rook control was achieved by aerial application (helicopter bait placement) with one ground control operation being successful, with an estimated 130 birds removed, an actual count was unable to be made due to the COVID-19 lock-down.

### Pest Plants

A full programme was delivered on over 4,345 pest plant sites that Horizons manage throughout the region, with the focus on:

- Removing recently discovered alligator weed from the Mangaone Stream in Palmerston North;
- Bio-control options for a number of pest plants including tutsan and field horsetail, Californian and nodding thistle, ragwort, buddleia and broom;
- Completion of Horizons' on-going zero density and containment control programmes (e.g. Pinus contorta, old man's beard and Chilean rhubarb);
- Coordinating and regulating the many regional partnerships aimed at reducing the impacts of pest plants (e.g. working collaboratively with all territorial authorities, forestry companies and the Crown); and
- Horizons also managed the wilding conifer control contract facilitating the transfer of Central Government funding to a range of agencies, including Horizons, to undertake control work.

This year has also seen Horizons personnel continue to assist MPI on the velvet leaf surveillance and response.

### Requests for Assistance

A total of 1,130 animal and 227 pest plant responses were given to ratepayer requests for advice or assistance on both animal and plant pests. All animal pest requests and 95 per cent of plant pest requests received an initial response within 48 and 72 hours, respectively. The target of 95% of plant pest enquiries having an initial response in 72 hrs was met.

### Significant Events/Issues

- Possum programme increased the area under control by 42,765 ha, however, due to the COVID-19 response did not meet its performance target of 57,441 ha;
- Possum monitoring returned a 2.9% + 1.1% RTCI from 53 PCOs monitored across the region. The target is 10% RTCI;
- Rook pest programme delivered in full with reduced nest numbers located and treated;
- Removing recently discovered alligator weed from the Mangaone Stream in Palmerston North;
- 1,130 animal and 227 pest plant requests for assistance were undertaken; and
- Central Government funding received for wilding pine control and programme was successfully managed, although the programme of works was impacted by the COVID-19 response and not fully completed.

### Financial Overview

Biosecurity finished the year \$0.236 million favourable. The favourable result was primarily due to COVID-19 lockdown interrupting the work. This interruption caused 4 PCOs to not be treated, and for 4 PCOs to not be monitored. This work will be completed in the following year.

The wilding conifer programme funded through MPI also didn't complete all of its planned work due to the COVID-19 lockdown.

## Biosecurity Level of Service (what the Council has delivered)

Achieved		Not Achieved		Not Applicable	
●●●●●●●●●●●●●		●			
11		1		0	
Key Performance Indicator	Annual Plan 2019-20 (Long-term Plan Year 2)*	Actual Prior Year 2018-19	How We Did in 2019-20	Comment	
PROJECT GROUP: PEST ANIMAL MANAGEMENT					
Possum densities are maintained at/below 10% residual trap-catch (RTC) in existing/new possum control operation (PCO) areas. This is to enhance production, biodiversity, disease protection and amenity values.	<10% RTC	3.6%	2.9%	●	Achieved. The average RTC result over the 53 PCO monitors undertaken was 2.9% with confidence limits of 1.1%.
Additional hectares included in control programme.	57,441	184,555	42,765	●	Not Achieved. The target wasn't met this year. This is the first time since the inception of the PCO (2006-07) that the target of new hectares has not been met. The target wasn't met due to the 6 weeks that the external contractors were unable to undertake control work due to the COVID-19 lockdown.
All known rookeries are treated annually to reduce crop losses and damage.	100%	100%	100%	●	Achieved
Provide an urban/peri-urban animal pest management service to assist urban ratepayers with specialist advice and equipment and animal pest control assistance/enquiries are responded to within 2 working days.	100%	100%	100%	●	Achieved. 1130 frontline enquiries were responded to this year; this being the highest number recorded since the inception of the programme back in 2002.
PROJECT GROUP: PEST PLANT MANAGEMENT					
Any exclusion category pest plants that are found in the region are promptly managed. - Exclusion category pest plants are found in the region.	Number of response plans required.	N/A	1	●	Site of Sagittaria platyphylla confirmed. One response plan required. Achieved.
Any exclusion category pest plants that are found in the region are promptly managed. - An initial response plan will be completed within 2 weeks.	Percentage where a response plan has been produced within 2 weeks (target 100%).	N/A	1	●	Achieved
Any exclusion category pest plants that are found in the region are promptly managed. - Response plan enacted (if not enacted before 2 weeks).	Number of response plans enacted within their specified timeframes (target 100%).	N/A	1	●	Achieved

Number of managed sites at zero-levels increases for pest plants identified for eradication in the Regional Pest Management Plan.	Overall % of managed sites at zero-levels increases by 10%.	76%	100%	● Achieved. ZL% at start of the year , 80% 2019/20 result: 84% (Figure 1)
Number of managed sites at zero-levels increases for pest plants identified as progressive containment mapped in the Regional Pest Management Plan.	Overall % of managed sites at zero-levels increases by 10%.	75%	100%	● Achieved. ZL% at the start of the year, 75%. 2019/20 result: 73% (Figure 2) ● Increased number of new adults sites given more funds to survey reduced the overall zero-levels however the long-term target remains on track.
Financially support the national bio-control agent development programme and report annually to Council on this programme.	Financial support provided and annual report to Council.	Achieved	1	● Achieved. National programme support and meeting attendance undertaken.
Monitoring of some released biological agents will be completed to assess establishment and host damage (using the national protocol).	20 assessment plots will be monitored.	100%	100%	● Achieved. Sites assessed for broom gall mite impact and tutsan agent establishment.
Pest plant enquiries received are responded to within 3 working days.	95% of enquiries will be responded to within 3 working days.	94%	100%	● Achieved. 95% of enquiries responded to within three working days. Achieved.

\* Where the Target has been adjusted in the Annual Plan, we have included the original target per the Long-term Plan as well

# Biodiversity Activity

## Background

Indigenous biodiversity in the region has declined markedly over the last 150 years as a result of land clearance and drainage to allow the development of agricultural land and towns, and generally make life easier for humans. Much of the habitat that remains is fragmented and degraded through neglect and/or the combined impacts of pest plants and pest animals.

However, in recent decades there was a realisation by central and local government agencies, communities and individuals that New Zealand's biodiversity is unique, that it contributes significantly to our national identity, and as such is worthy of protection. This realisation has resulted in increased legal protection for remaining habitat areas and species, and increased the available funding and drive to undertake protection and enhancement works. Within the Manawātū-Whanganui region the number of non-government organisations, community groups and individuals actively involved in biodiversity work has increased.

Horizons Regional Council has responded to this increased activity by developing a dedicated biodiversity programme.

## General Overview for the Year

Biodiversity Activity targets for additional bush remnants and wetlands were not met due to Covid-19 interrupting the work programme. Two new wetlands (target four) and two new bush remnants (target seven) were added to the programme. Targets were not achieved this year primarily due to Covid-19 response interrupting the work programme. During the year the Biodiversity team have undertaken a programme to visit remnants and complete REAs (Rapid Ecological Assessments) to upgrade and consolidate the areas managed for their biodiversity values. This will allow for a prioritised list of sites to be developed for future protection. Weed control targeting old man's beard continued at Te Āpiti Manawātū Gorge with 85% of work completed curtailed by the Covid-19 interruption. Community project support exceeded targets with support provided to 27 community biodiversity projects (against a target of 12).

During a wind event in January 2020, a poplar tree at Totara Reserve Regional Park was uprooted and injured a camper. The powered sites at the Kereru camp ground were closed for the remainder of the season. Work is underway to remove the poplar trees prior to reopening this part of the campground.

## Significant Events/Issues








Highlights in the Biodiversity Activity include:

- Programmed works continued on the Manawātū Gorge and the Lower Kahuterawa Stream Biodiversity Restoration projects;
- Animal pest control assistance continued at several important biodiversity sites, notably Pukaha/Mt Bruce, Bushy Park, Turitea Reserve, Te Potae o Awarua and Kia Wharite;
- Threat classification of terrestrial forested ecosystems in the region was completed;
- The number of high priority habitat sites under active management increased, with two additional wetlands and two additional bush remnants coming into the programme as managed sites during the year. Targets for this programme were not met due to the Covid-19 interruption.

## Financial Overview

Overall, the Biodiversity Activity ended the year \$144,000 favourable to budget. The favourable result was primarily due to Covid-19 interrupting much of the restoration and weed control work that occurs during the autumn.

## Biodiversity Level of Service (what the Council has delivered)

Achieved		Not Achieved		Not Applicable	
					
3		2		0	
Key Performance Indicator	Annual Plan 2019-20 (Long-term Plan Year 2)*	Actual Prior Year 2018-19	How We Did in 2019-20	Comment	
PROJECT GROUP: PROTECT/ENHANCE PRIORITY HABITAT REMNANTS					
Additional Top 100 wetlands actively managed.	4	4	2		Seasonal work normally undertaken in the latter stages of the year that due to the timing and duration of the COVID-19 lockdown restricted our ability to complete all the proposed works.
Additional Top 200 bush remnants actively managed.	7	13	2		Seasonal work normally undertaken in the latter stages of the year that, due to the timing and duration of the COVID-19 lockdown, restricted our ability to complete all the proposed works.
PROJECT GROUP: SUPPORT COMMUNITY INVOLVEMENT IN BIODIVERSITY PROTECTION					
Support existing community-based biodiversity improvement projects.	12	32	27		Target exceeded.
PROJECT GROUP: IMPROVE KNOWLEDGE AND UNDERSTANDING OF THE REGION'S BIODIVERSITY					
Annual report on biodiversity monitoring and research activity.	1	Annual Report was developed and presented	1		Annual report presented to Council at 9 June 2020 Environment Committee meeting.
PROJECT GROUP: TOTARA RESERVE REGIONAL PARK					
Annual report on the management of Totara Reserve Regional Park for biodiversity and recreational values, including managing the camping facility.	1	1	1		Annual report presented to Council at 9 June 2020 Environment Committee meeting.

\* Where the Target has been adjusted in the Annual Plan, we have included the original target per the Long-term Plan as well



# Introducing the Regional Leadership and Governance Group of Activities



## Background

This group of activities brings together a range of activities that, while not directly involved in our environmental operations, encompass important aspects of what we are as a council. These activities are: Community Relationships; Environmental Reporting; Emergency Management; Governance; Information; Iwi; and Strategic Management.

Engaging with our regional communities through effective communications, accessible information, and accurate advice increases public understanding of Horizons' role while encouraging participation and support for our activities. An important element of community relationships is environmental reporting. Providing ready access to meaningful information allows for individuals, community groups, councillors and other stakeholders to make timely and informed resource use decisions.

Our Emergency Management activities continued to focus on keeping people and property in our region safe. This required maintaining a high state of preparedness and being ready to respond promptly and efficiently when required. Unfortunately, there was a significant emergency event – the COVID-19 pandemic – over the reporting period, which required a sustained operational response. Our Emergency Management activity continued to coordinate the Manawātū-Whanganui Civil Defence Emergency Management (CDEM) Group as required under the CDEM Act 2002. This group includes all local authorities, emergency services in the region, health boards and several government agencies such as the Ministry of Defence and the Ministry of Social Development. Close liaison was also maintained with the National Emergency Management Agency.

Our Information Management and Environmental Data teams' activities ensure that we are equipped with reliable and useful information about natural resources and processes that are happening in our region, and make that information readily available both within Horizons and to our wider public and stakeholders.

The Governance Activity is a cornerstone of our mandate to ensure democratic local decision making, by meeting the needs of our elected representatives and working with them to ensure the smooth functioning of key planning and public consultation processes, including preparation of Long-term and Annual Plans.

Community relationships contribute to this and help build and maintain public awareness of and support for our activities.

The Iwi Activity is focussed on developing and nurturing positive working relationships with Māori, represented by our region's many iwi.

Strategic Management ensures we look to the future as an organisation. It oversees the One Plan process, deals with policy development and relationships with Central Government, and drives strategy reviews. Horizons has continued to support sustainable regional development through Accelerate25.

This group of activities represents various aspects of our community leadership role for our region.

## Regional Leadership and Governance Financial Summary

Activity Operating and Funding Statement	Annual Plan 2019-20 \$000	Actual 2019-20 \$000	Actual 2018-19 \$000
<b>Activity Expenditure</b>			
Community Relationships	2,009	2,053	1,774
Environmental Reporting	449	416	599
Emergency Management	2,366	2,859	1,818
Governance	2,953	2,794	2,487
Information	4,432	3,824	3,530
Iwi	595	268	371
Strategic Management	2,766	2,943	2,043
<b>Activity Operating Expenditure</b>	<b>15,570</b>	<b>15,157</b>	<b>12,622</b>
Capital Expenditure	1,970	1,798	1,204
<b>Total Funding Required</b>	<b>17,540</b>	<b>16,955</b>	<b>13,826</b>
<b>Funded By</b>			
User Fees and Other Revenue	4,387	4,237	4,077
Individual Rates	-	-	-
Common Rates	11,036	11,036	10,663
Loans and Reserve Movement	2,117	1,682	(914)
<b>Total Funding</b>	<b>17,540</b>	<b>16,955</b>	<b>13,826</b>

Capital Expenditure	Annual Plan 2019-20 \$000	Actual 2019-20 \$000	Actual 2018-19 \$000
Meet Additional Demand	-	-	-
Improve Level of Service	-	-	-
Renew Existing Assets	1,970	1,798	1,204
<b>Total Capital Expenditure</b>	<b>1,970</b>	<b>1,798</b>	<b>1,204</b>

# Horizons Regional Council Funding Impact Statement for the Regional Leadership and Governance Group of Activities to 30 June 2020

	LTP Year 2 2019-20 \$000	Actual 2019-20 \$000	LTP Year 1 2018-19 \$000	Actual 2018-19 \$000
<b>Sources of Operating Funding</b>				
General rates, uniform annual general charges, rates penalties	10,925	11,036	10,663	10,663
Targeted rates	-	-	-	-
Subsidies and grants for operating purposes	-	-	-	175
Fees and charges	1,603	1,431	1,532	1,175
Internal charges and overheads recovered	2,732	2,806	2,740	2,727
Local authorities fuel tax, fines, infringement fees and other receipts	-	-	-	-
<b>Total sources of operating funding (A)</b>	<b>15,261</b>	<b>15,273</b>	<b>14,935</b>	<b>14,740</b>
<b>Applications of Operating Funding</b>				
Payments to staff and suppliers	5,481	4,778	5,126	3,434
Finance costs	-	-	-	-
Internal charges and overheads applied	8,984	10,379	9,013	9,188
Other operating funding applications	-	-	-	-
<b>Total applications of operating funding (B)</b>	<b>14,464</b>	<b>15,157</b>	<b>14,139</b>	<b>12,622</b>
<b>Surplus/(Deficit) of Operating Funding (A-B)</b>	<b>796</b>	<b>116</b>	<b>796</b>	<b>2,118</b>
<b>Sources of Capital Funding</b>				
Subsidies and grants for capital expenditure	-	-	-	-
Development and financial contributions	-	-	-	-
Increase/(decrease) in debt	(481)	-	(463)	-
Gross proceeds from sale of assets	-	-	-	-
Lump sum contributions	-	-	-	-
<b>Total sources of capital funding (C)</b>	<b>(481)</b>	<b>-</b>	<b>(463)</b>	<b>-</b>
<b>Applications of Capital Funding</b>				
Capital expenditure:				
· to meet additional demand	-	-	-	-
· to improve the level of service	-	-	-	-
· to replace existing assets	1,953	1,799	1,404	1,204
Increase/(decrease) in reserves	(1,637)	(1,683)	(1,072)	914
Increase/(decrease) of investments	-	-	-	-
<b>Total applications of capital funding (D)</b>	<b>316</b>	<b>116</b>	<b>332</b>	<b>2,118</b>
<b>Surplus/(Deficit) of Capital Funding (C-D)</b>	<b>(796)</b>	<b>(116)</b>	<b>(796)</b>	<b>(2,118)</b>
<b>Funding Balance ((A-B)+(C-D))</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Depreciation	944	861	873	852



**Description:** *The Regional Leadership and Governance Group is split into several activities; community relationships, environmental reporting, emergency management, governance, information, iwi and strategic management.*

Civil Defence is not one agency coming to the rescue, but a coordinated multi-agency response to emergencies within our region. This response is coordinated by the Manawatū-Whanganui Civil Defence and Emergency Management (MWCDEM) Group, which is managed by Horizons Regional Council.

The MWCDEM Group works together to reduce the potential effects of hazards, promote community and Council readiness to respond to emergencies, and help the community to recover after an event.

In March 2020, the MWCDEM Group's Emergency Coordination Centre (ECC) was activated to respond to COVID-19. Over an 11 week period, the ECC's 30 rostered and additional 30 support staff coordinated the region's response,

supporting relevant agencies, including our seven city and district councils, four district health boards, emergency services, and government agencies.

Our work also involved operating a 7 day a week welfare helpline call centre. Across the region, welfare support included answering 6,500 needs enquiries, delivering approximately 6,000 food parcels and shopping for 855 households.

As the country moved to Alert Level 1, Horizons' focus turned to regional recovery. Led by the strategy and regulation group manager, we have been working with recovery managers from across the region, as well as helping to facilitate the Regional Economic Taskforce, and creating and populating the Manawatū-Whanganui Regional Indicators' website.

**Group of activities performance:** *Of the overall 33 performance targets set for the Group, 26 were achieved, 1 not applicable and 6 were not achieved.*

# Community Relationships Activity

## Background

Strong relationships with our partners, stakeholders, and communities help raise Horizons’ reputation and awareness. More importantly, connection through projects, programmes, and participation provides opportunities for our staff to support community needs and enable their own environmental enhancement initiatives.

Community relationships focus on providing effective communications, accessible information and accurate advice, primarily relating to the management of land, air, water and climate in our region. As we engage with our regional communities, we increase public understanding of Horizons’ role and encourage community involvement in decision-making and delivery.

Public awareness of and support for our activities is essential if we are to achieve our goals. Strong relationships enhance the impact of our work and help us make this region a great place to live, work and play.

## General Overview for the Year

The demand for up-to-date, accessible and user-friendly advice and information is continuously increasing. A balance of traditional communications and engagement such as Annual Plan consultation, media liaison, an online presence through multiple websites, 24-hour call centre and advertising, has been balanced with two-way opportunities including social media, the Manawatū River Festival, a presence at the Hilux Rural Games, as well as an awareness and behaviour change campaign for the implementation of the Bee Card on our public transport services. We also delivered sustained campaigns for swim spot monitoring, winter planting, and biodiversity and biosecurity, as well as refreshing the Te Āpiti – Manawatū Gorge website.

Unfortunately, due to COVID-19, we were unable to attend Central District Field Days this year. From March to May, our communications team’s main focus was on delivering public information for the Manawatū-Whanganui Civil Defence and Emergency Management Group, as well as keeping our communities informed on what Horizons’ services were still being delivered during the different Alert Levels. As part of our response, a regional recovery website was also stood up. The Manawatū-Whanganui Regional Indicators website ([mwri.co.nz](http://mwri.co.nz)) houses information, dashboards, and reports on social and economic indicators for our region, as well as the Regional Economic Recovery Taskforce’s priority areas and shovel ready submissions to central government.

The support given to project teams continues to be a major focus, with communications and customer service being a fundamental part of the overall strategy of all major organisational priorities and projects.

The District Advice team is responsible for responding to requests for information from the general public and territorial authorities for properties in our region.

It provides information to the public to inform on land valuations, insurance matters, prospective purchases and hazard risk for new developments and activities. It provides comments and advice to the region’s territorial authorities to assist with their assessments of building consents, land use consents, and subdivision decisions. Comments and advice include any relevant information that Horizons may hold on the property, particularly natural hazard information and information on One Plan policies and rules. District Advice also contributes to draft and proposed plan changes that are notified by territorial authorities and provides relevant information on potential growth areas.

The District Advice team responded to 1073 requests for information which is one per cent increase in volume on the previous year (1062 requests in the 2018-19 year). 692 of these requests are from the general public and 381 from territorial authorities. The main items were for information requests on flooding (434), comments on subdivisions (322) and building consents (102).

The number of requests by territorial authority for the property enquiry location:

• Manawatū	454
• Palmerston North	165
• Horowhenua	143
• Rangitikei	115
• Tararua	84
• Whanganui	68
• Ruapehu	44

Prior to the COVID-19, District Advice was tracking at a 16 per cent increase compared to the 2018-19 year.

Horizons provided submissions or evidence on plan change proposals for Rangitikei, Manawatū, Horowhenua and Whanganui District Councils and Palmerston North City Council. Horizons were also informed of Hawke’s Bay, Bay of Plenty and Waikato Regional Council plan changes, but did not engage formally in their processes.

Regional council requirements under the Building Act 2004 in relation to large dams were complied with, and District Advice continued to manage Horizons' obligations. There were six general dam enquiries. There were no Project Information Memorandums (PIMs) issued and no dam proposals received to assess if a Building Consent was required.

The Ministry of Business, Innovation & Employment (MBIE) published a proposed regulatory framework for dam safety as a consultation document in June 2019. The proposed framework is to establish a nationally consistent approach to dam safety that better manages the potential risks of dams. The framework does *not* cover investigation, design and construction of new "large" dams and significant modifications to "large" dams, which is already covered by the building consent system. The proposed framework will cover post-construction dam safety management. In February 2020, the dam safety scheme papers were provided to the Minister for Building and Construction awaiting their decision, however, this has been delayed due to COVID-19.

The rural advice team has continued to provide non-regulatory support to farmers, growers and stakeholders, as well as technical advice to support the technical team. There has also been a lot of preparatory work underway in anticipation of the release of the Government's Essential Freshwater package; and preparation for the changes as a result of the proposals of plan change 2.

Horizons' Environmental Educator contracted 5.5 facilitators to assist with the delivery of the Enviroschools programme as part of agreed partnerships with Horowhenua, Manawatū Tararua, Whanganui Rangitikei District, and Ruapehu District Councils, as well as Palmerston North City Council. These facilitators and the Environmental Educator operating as a regional coordinator provide facilitation support to Horizons' Enviroschools network encompassing 74 Enviroschools and 10 Friends of Enviroschools.

In addition to delivering the Enviroschools programme, Horizons' Environmental Educator also delivered 59 community engagement activities and 19 Waiaora.

## Significant Events/Issues

As part of the pre Annual Plan consultation, river management scheme meetings were held throughout the region. Other events included the Manawatū River Festival, hosting a Walking Festival event at Tōtara Reserve and sponsoring the Rural Games.

Significant events included:

- A stand at the Rural Games;
- The Manawatū River Festival;
- Hosting the Minister of Forestry, Infrastructure and Regional Economic Development for Central Government announcements;
- Horizons' local government elections announcement.

Emergency management responses such as our region's response to and recovery from COVID-19 through March, April, May and June also saw an increase in communication activities during the year.

## Community Relationships Level of Service (what the Council has delivered)

<div> <div>Achieved</div> <div>Not Achieved</div> <div>Not Applicable</div> </div>				
<div> <div>7</div> <div>3</div> <div>0</div> </div>				
Key Performance Indicator	Annual Plan 2019-20 (Long-term Plan Year 2)*	Actual Prior Year 2018-19	How We Did in 2019-20	Comment
PROJECT GROUP: COMMUNICATIONS				
Connect our communities with Horizons' work through a number of channels in a proactive and transparent way.	>110 media releases. >1,900 media mentions.	<105 media releases. 1,680 media mentions	91 media releases. 1,137 media mentions.	<div>●</div> 91 media releases were sent out. 1,137 number of media mentions were received across print, broadcast and online (excluding social media). New initiatives such as livestreaming of council meetings and inviting media directly to events are just some of the reasons why these numbers are decreasing on an annual basis. Measurements will be assessed as part of the 2021-31 LTP process.
Likes/followers on social media (all accounts that Horizons manages).	>22,000	25,273	29,829	<div>●</div> Achieved with a total of 29,829. Facebook - 24,390   Twitter - 2,643   LinkedIn - 778   Instagram - 2,018
Videos produced.	14	57	66	<div>●</div> Achieved with 66 videos produced and shared on channels such as social media over the year. These included Council meetings, Facebook Live, and updates to previous videos.
Website sessions.	>640,000	681,549	646,482	<div>●</div> Achieved. Horizons' website received 646,482 sessions and over 1.2 million page views.
PROJECT GROUP: DISTRICT LIASON				
All information requests are met within timeframe (approximately 300 formal and 650 informal requests received per year, with approximately 20 plan change proposals assessed per year).	20 days	20 days	100%	<div>●</div> All responses were sent within the timeframe. District Advice responded to a total of 1,073 requests for information. 692 were informal requests and 381 were formal requests.
Meet Building Act 2004 legislative requirements.	100%	100%	100%	<div>●</div>
PROJECT GROUP: CUSTOMER SERVICE				
Maintain 24-hour, seven days a week access to Horizons via internal and external call centre support.	100%	99.98%	Not Achieved	<div>●</div> Target not met due to a network outages. Proactive measures were taken to transfer the phones system. The transfer took longer than usual due to system constraints.



95% of all calls received on a 24/7 basis are answered.	95%	100%	Achieved	● Monthly stats reviewed and signed off - Target met
The Council provides a friendly, professional and knowledgeable service to its customers. Ninety per cent of customers are satisfied with the friendliness, professionalism and knowledge of the service.	90%	100%	Achieved	● Customer satisfaction analysis on a monthly basis, review inbound call recording for consistency, service delivery and resolution. Target met
PROJECT GROUP: ENVIRONMENTAL EDUCATION				
Increase participation levels in the EnviroSchools and Waiora programmes at a manageable rate. Engage the community through environmental education opportunities.	48 EnviroSchools. 33 Waiora Sessions. 32 Community Engagements	57 EnviroSchools. 40 Waiora Sessions. 82 Community Engagements	74 EnviroSchools. 19 Waiora Sessions. 59 Community Engagements	74 EnviroSchools, 19 Waiora Sessions, and 59 community engagements. Despite COVID-19 the number of community engagements over the year has still been high, although Waiora Sessions target were not met. This is due to the programme ebbing and flowing with many schools undertaking stream quality studies every few years. There were a number of 'mini Waiora' sessions counted in the community engagement target, where students completed one or two of the Waiora activities.

\* Where the Target has been adjusted in the Annual Plan, we have included the original target per the Long-term Plan as well

# Environmental Reporting Activity

## Background

The aim of the Environmental Reporting Activity is to provide the community with:

- Accurate and timely information about the environment and its health; and
- Ready access to this information, packaged in a way that is understandable and meaningful for the intended audience (e.g. individuals, community groups, councillors, school children, etc.).

This activity is a compilation of those environmental monitoring and reporting functions not covered elsewhere. The activity includes targets for the provision of information to the public, implementation of a science communication strategy; annual State of Environment reporting, supporting implementation and development of both regional (One Plan) and national policy, and research into climate change and regional drinking water security.

## General Overview for the Year

Good progress was made in the Environmental Reporting Activity, with all six Annual Plan targets for Environmental Reporting being achieved.

## Environmental Reporting

Environmental reporting was completed by a range of mechanisms, including web delivery of water use and air quality information updated daily to WaterMatters and AirMatters websites. Further web delivery of water quality information was delivered through the Land Air Water Aotearoa website (LAWA), where detailed air and water quantity and quality information, from within the region, has been presented; alongside information from the rest of New Zealand.

Policy effectiveness reporting work during the year included the provision of advice to support One Plan implementation, with a particular focus on supporting the Plan Change 2 process. This activity also contributed to providing input to national policy initiatives such as the National Policy Statements for Indigenous Biodiversity, Air Quality, and Freshwater Management. Further activity included the ongoing implementation of the National Environmental Monitoring Standards for discrete water quality data.

Provision of information to the public and external agencies continued. A strategy for science communication was implemented. A key output for the

year was the delivery of the annual State of Environment catchment summaries, published in September 2019.

Climate change research focussed on the development of a greenhouse gas inventory and supporting the development of a climate change strategy for Horizons. Staff continued to work with the region's Territorial Authorities to develop a regional climate change action plan.

In partnership with the region's city and district councils, Horizons continued to undertake a drinking water research programme to define three source protection zones around the remaining council-operated (and some non-council operated) drinking water supplies. The project also completed a physical well-head security check for the supplies where they sourced water from groundwater.

The air quality component of this activity included the continued monitoring of air quality in the Taihape and Taumarunui airsheds and purchase of monitoring equipment to replace ageing infrastructure; as well as delivery of a public education campaign around the burning of dry firewood.

## Financial Overview

The Environmental Reporting Activity ended the year with a (favourable) variance of approximately \$33,000, arising in part from staff time being directed to other activities.

## Environmental Reporting Level of Service (what the Council has delivered)

<div> <div>Achieved</div> <div>Not Achieved</div> <div>Not Applicable</div> </div>					
<div> <div>6</div> <div>0</div> <div>0</div> </div>					
Key Performance Indicator	Annual Plan 2019-20 (Long-term Plan Year 2)*	Actual Prior Year 2018-19	How we did in 2019-20	Comment	
PROJECT GROUP: ENVIRONMENTAL MONITORING AND REPORTING					
Provide an annual summary report on the state of the environment.	1	Annual Report was developed and published	1	<p>An annual reporting framework was developed and a set of State of Environment catchment report cards published in September 2019. These can be found on Horizons' website: <a href="https://www.horizons.govt.nz/managing-natural-resources/state-of-our-environment">https://www.horizons.govt.nz/managing-natural-resources/state-of-our-environment</a></p> <p>Progress was reported to Council's Environment Committee in June 2020:</p> <p>● <a href="https://www.horizons.govt.nz/HRC/media/Media/Agenda-Reports/Environment-Committee-2020-9-06/2072%20Annex%20E%20Science%20%20Innovation.pdf">https://www.horizons.govt.nz/HRC/media/Media/Agenda-Reports/Environment-Committee-2020-9-06/2072%20Annex%20E%20Science%20%20Innovation.pdf</a></p>	
Develop and implement a science communication strategy.	Report progress to Council annually	Strategy and implementation plan has been developed	Reported progress to Council	<p>Research on drinking water supplies was completed, with delineation of further source protection zones for council-operated and large non-council operated supplies; an update to the prioritisation report was also completed. Two reports were provided to Council: the first to Horizons' Strategy and Policy Committee in December 2019:</p> <p>● <a href="https://www.horizons.govt.nz/HRC/media/Media/Agenda-Reports/Strategy-Policy-Committee-2019-10-12/19195%20Drinking%20Water.pdf">https://www.horizons.govt.nz/HRC/media/Media/Agenda-Reports/Strategy-Policy-Committee-2019-10-12/19195%20Drinking%20Water.pdf</a>, the second to Environment Committee in June 2020:</p> <p><a href="https://www.horizons.govt.nz/HRC/media/Media/Agenda-Reports/Environment-Committee-2020-9-06/2072%20Annex%20E%20Science%20%20Innovation.pdf">https://www.horizons.govt.nz/HRC/media/Media/Agenda-Reports/Environment-Committee-2020-9-06/2072%20Annex%20E%20Science%20%20Innovation.pdf</a></p>	
Complete drinking water supply research with a focus on Council-operated drinking water supplies and complete an annual report on this to Council.	1	Annual report was developed and presented	1	<p>During the reporting year we commissioned a report on GHG emissions in the region. Progress on this work was reported in the August 2020 Environment Committee report. Additional work included the development of an organisational strategy, as discussed with Horizons Regional Council in November 2019:</p> <p>● <a href="https://www.horizons.govt.nz/HRC/media/Media/Agenda-Reports/Regional-Council-Meeting-2019-26-11/19179-Climate-Change-Overview.pdf?ext=.pdf">https://www.horizons.govt.nz/HRC/media/Media/Agenda-Reports/Regional-Council-Meeting-2019-26-11/19179-Climate-Change-Overview.pdf?ext=.pdf</a></p>	
Investigate one aspect of climate change impact in the region and report on this to Council.	1	Climate change impact presented to Council	1		

Air quality is monitored in Taihape and Taumarunui and reporting is made available to the public via LAWA and the annual state of environment report.	Completed	Air quality monitoring and reporting ongoing	Completed	<p>Air Quality was monitored in Taihape and Taumarunui and data made available on the LAWA website: <a href="http://www.lawa.org.nz">www.lawa.org.nz</a> and State of Environment Catchment Summaries:</p> <ul style="list-style-type: none"> <li>● <a href="https://www.horizons.govt.nz/HRC/media/Media/Water/Catchment-Summary-Rangitikei.pdf">https://www.horizons.govt.nz/HRC/media/Media/Water/Catchment-Summary-Rangitikei.pdf</a> and <a href="https://www.horizons.govt.nz/HRC/media/Media/Water/Catchment-Summary-Whanganui.pdf">https://www.horizons.govt.nz/HRC/media/Media/Water/Catchment-Summary-Whanganui.pdf</a></li> </ul>
Undertake an annual public education air quality campaign.	1	Radio campaign completed	1	<p>Horizons undertook a public air quality campaign throughout 2020 with information shared via radio and social media. (see the August 2020 Environment Committee report).</p> <ul style="list-style-type: none"> <li>●</li> </ul>

\* Where the Target has been adjusted in the Annual Plan, we have included the original target per the Long-term Plan as well



# Emergency Management Activity

## Background

Managing risk is one of Horizons' core responsibilities, and the Emergency Management Office ensures that all aspects of this varied activity are coordinated.

There are three primary statutory components to the work of the Emergency Management Office:

- Administration of, and participation in the Civil Defence Emergency Management Group (CDem Act 2002);
- Avoidance or mitigation of natural hazards (Resource Management Act 1991); and
- Navigation Safety and Marine Oil Spill response (Maritime Transport Act 1994 and Local Government Act 1974).

The Council provides administrative and related services to the Civil Defence Emergency Management (CDem) Group and provides local emergency management services under contract to three local authorities. Horizons also manages the CDem Group's Emergency Coordination Centre, carries out flood plain mapping and modelling, provides flood forecasting and river height warnings and the coordination of Horizons' response to emergencies to assist the community in staying safe. Bylaws on the Manawatū River and tributaries promote safer navigation, and cooperation with organisations in Whanganui also promotes navigation safety on the Whanganui River.

## General Overview for the Year

A key output of the 2019-2020 work programme was a review of the Group Office resourcing to determine optimum resourcing levels to ensure that the CDem Group maintains an appropriate level of capability, both now and into the future. The review found that the Group Office was significantly under-resourced by at least 3 FTE's. Options to address the resourcing gaps will be considered via the next Long-term Plan process. All other work programme targets were achieved except for the completion of the Hazard Information Update Project. The delay in fully completing this work was due to some of the external agencies that were planned to do some of the work being unable to complete their outputs before years' end due to the COVID-19 lockdown. The residual work required to complete this output is being carried forward for completion as part of the 2020-2021 work programme.

The CDem Group work programme for 2019-2020 was reported on regularly to the Coordinating Executive Group and the Joint Standing Committee, with meetings also attended by a representative of the National Emergency Management Agency.

Over the reporting period, there were, fortunately, no significant natural hazard emergency events such as floods or earthquakes that required a sustained response via either the Emergency Operations Centre (EOC)/Emergency Coordination Centre (ECC). The ECC was however activated in a sustained response to COVID-19 for approximately 85 days. This commitment from across the organisation, coupled with the COVID-19 lockdown requirements meant that some scheduled training did not occur over that period. This was, however, off-set by real-time experience being gained by staff in the ECC during the COVID-19 response, which was more beneficial to staff than simulated training. Other training commitments, including the review of relevant functional documents and procedures prior to COVID-19, were carried out as scheduled. Business continuity measures were monitored over the period and tested during COVID-19. A 24/7 Emergency Management duty officer capability was maintained throughout the reporting period.

Horizons' Interactive Voice Response (IVR) alarms system was managed to ensure appropriate levels of flood warning were maintained.









Council remained actively engaged with members of the Manawatū River Users' Advisory Group and the Whanganui Coastguard throughout the year to ensure that appropriate levels of navigation safety occurred in both areas. Council actively participated in Maritime New Zealand's (MNZ) Safe Boating forum.

Contracts with Rangitikei, Manawatū and Horowhenua District Councils for the provision of emergency management services continued with regular reporting and liaison occurring across all three councils. The district councils were satisfied with the level of service provided by Horizons and the professional nature of the Emergency Management Office in delivering the services. A contract with MNZ to provide a Tier 2 marine oil spill-response capability remained in place throughout the year and was tested to the requirements and satisfaction of MNZ.

## Financial Overview

The Emergency Management Activity ended the year in an overall unfavourable position of approximately \$670k, primarily in the area of personnel expenses, due to the sustained ECC activation for COVID-19. This cost was, however, offset by positive variances to staff time in other areas of Council business.

## Emergency Management Level of Service (what the Council has delivered)

Achieved		Not Achieved		Not Applicable	
					
7		1		0	
Key Performance Indicator	Annual Plan 2019-20 (Long-term Plan Year 2)*	Actual Prior Year 2018-19	How we did in 2019-20	Comment	
PROJECT GROUP: ACHIEVE TARGETS AS SET OUT IN CDEM BUSINESS PLAN					
Critical outputs pertaining to Operational Capability, Community Resilience and Riskscape are monitored and reviewed.	100%	100%	100%	 Critical outputs were reported on at each meeting of the Joint Standing Committee (4) and the Coordinating Executive Group (3) as part of the Group's Annual Work Programme.	
CDEM targets are reported to both the Joint Standing Committee and Coordinating Executive Group.	4 per year	9	7	 4 Meetings of the Joint Committee and 3 meetings of the Coordinating Executive Group (CEG) were held. The planned 22 April 2020 meeting of CEG was cancelled due to the COVID-19 response.	
PROJECT GROUP: HORIZONS' RESPONSE CAPABILITY					
Emergency Operations Centre staff are trained (min. 4 training activities/year) and ready to respond; emergency management duty officer available 24/7/365; response manuals, flood action plans and procedures available and reviewed at least annually.	100%	100%	100%	 The Emergency Response Manual and associated documents were updated as required, and an Emergency Management Duty Officer capability maintained 24/7. Some training activities were deferred during the Emergency Coordination Centres (ECC) activation to COVID-19, however, those training activities were offset by real-time response and recovery training in the ECC during the COVID-19 event. Real-time experience gained was of more value than that which would have been gained in a training environment.	
Hazard information update project carried out to update information as per the approved project plan.	100%	90%	90%	 As a result of the COVID-19 lockdown, external contractors were not able complete all outputs. The final wrap-up of these project will be completed in early 2020-2021.	
Manage and promote business continuity planning arrangements (BC Plans).	1 per year	1	2 this year	 The organisational response to COVID-19 afforded the opportunity for business continuity arrangements across the organisation to be reviewed.	
Manage and promote navigation safety.	100%	100%	100%	 The Harbourmaster continued to liaise with the river users and promote navigation safety. The Council participated in the Maritime New Zealand (MNZ) Safe Boating Forum and the national "No Excuses" campaign run by MNZ.	

## PROJECT GROUP: CONTRACTED SERVICES

Maritime New Zealand (MNZ) oil spill response capability maintained to MNZ audit standards.	100%	100%	100%	● Equipment and training standards maintained to maritime New Zealand requirements.
Emergency management contracts for Civil Defence services completed to the satisfaction of Rangitikei, Manawatū and Horowhenua District Councils.	100%	100%	100%	● Regular reporting with client councils was maintained over the reporting period, with contracts managed to required levels.

\* Where the Target has been adjusted in the Annual Plan, we have included the original target per the Long-term Plan as well





# Governance Activity

## Background

Horizons covers a wide geographical area, and its ratepayers and residents are represented by 12 elected representatives. Through their locally elected councillors, the people of the region have the opportunity to become involved in decisions about local and regional issues.

The councillors provide governance for the organisation through regular Council and committee meetings. In addition to setting and monitoring policy, the Council keeps abreast of local, regional, national and international matters, so that emerging issues of relevance for the region can be investigated and planned for.

Changes, usually in Central Government policy, impact on our business. When such changes occur, the Governance Activity is called into play to assess the nature of the policy change, assess the implications for Horizons, and develop a response. Changes arising from this activity become business as usual under the other activities.

We have been involved in several issues that may impact on our business, and we anticipate others arising as a result of changes in government policy. These include new Government policy direction and legislative changes. Paramount to our success is the sustainability of funding for local government.

## General Overview for the Year

- Rates and charges were set through the Annual Plan process;
- Council reviewed performance through regular reporting at its committee meetings, through the service performance reports and through the adoption of the Annual Report;
- Twelve councillors provided governance for the Council through regular Council and committee meetings. The meetings ensured Council kept abreast of local, regional, national and international matters so that emerging issues of relevance for the region could be investigated and planned for. They also provided opportunities for setting and monitoring policy;
- Local body elections were held on 12 October 2019, and six new Councillors were elected onto Council;
- Eleven Council meetings and 25 committee meetings were held during the year. Councillors also attended a variety of meetings in their communities and in the region; and

- Overall attendance by councillors at meetings relevant to their responsibilities was 94.7 per cent (an increase on the previous year, which was 93.3 per cent). The attendance figures below refer to Council meetings and the committees that the individual councillors were nominated onto. In addition to these, councillors attended a number of other committee meetings as a matter of interest.

Individual attendance for the 12 months to 30 June 2020 was as follows:  
(Calculation based on at least 75% attendance of the duration of a meeting)

Barrow, JJ	4 out of 6
Benbow, AL	18 out of 21
Burnell, LR	8 out of 8
Clarke, EML	22 out of 23
Cotton, DB	25 out of 25
Ferguson, SD	26 out of 26
Gordon, EB	25 out of 28
	(ex officio on all committees until 20/10/2019)
Gordon, FJT	22 out of 22
Keedwell, RJ	35 out of 35
	(ex officio on all committees from 22/10/2019)
Kirton, WM	21 out of 21
McKellar, GM	8 out of 8
Naylor, JM	29 out of 31
Patrick, NJ	30 out of 31
Rieger, PW	8 out of 8
Rollinson, BE	7 out of 8
Sheldon, CI	1 out of 1
Te Awe Awe, WK	23 out of 25
Turkington, GJ	20 out of 21

## Significant Events/Issues

Due to the restrictions imposed by the Government during COVID-19, some Council meetings were cancelled. The majority of meetings held during the COVID-19 lockdown period were held via Zoom (audio-visual link).

In light of the impacts of COVID-19 and in the interests of public safety, the Annual Plan process changed significantly. Public Feedback was sought via an

online Annual Plan Summary Document, which was considered by Council. The Annual Plan 2020/21 was adopted by Council on 26 May 2020.

## **Financial Overview**

Governance activities ended the year slightly favourable to budget due primarily to changes instigated as a result of COVID-19; normal activity was reduced and staff activity allocation was favourable due to staff not charging to Council activities.

## Governance Level of Service (what the Council has delivered)

Achieved		Not Achieved		Not Applicable	
●●		●		●	
2		1		1	
Key Performance Indicator	Annual Plan 2019-20 (Long-term Plan Year 2)*	Actual Prior Year 2018-19	How We Did in 2019-20	Comment	
PROJECT GROUP: GOVERNANCE					
Undertake the triennial election process in accordance with the Local Electoral Act 2001.	100%	N/A	100%	●	Election process completed with Election day being 12 October 2019.
Conduct Horizons’ meetings and hearings in accordance with Horizons Regional Council Standing Orders.	100%	100%	100%	●	
Undertake a representation review to be determined in 2019 in accordance with the Local Electoral Act 2001.	Complete the review  (No Measure)	100%	100%	●  ●	This is a three-yearly review process. The review completed 10 April 2019.
PROJECT GROUP: LONG-TERM PLAN (LTP)					
Adoption of this and subsequent annual plans, Long-term Plans and amendments, and annual reports by Council within statutory timeframes.	100%	100%	Not achieved	●	Annual Plan was adopted within statutory timeframes. The 2019 Annual Report was adopted three days out of statutory timeframes due to changes in the CentrePort valuation.

\* Where the Target has been adjusted in the Annual Plan, we have included the original target per the Long-term Plan as well



# Information Activity

## Background

The Information Activity provides a core group of experts dedicated to meeting the Council's complex needs for high-quality information collection, storage and access, and provision of public information. This activity brings together functions and staff that previously were dispersed throughout the organisation, for planning, budgeting, operational and reporting purposes.

The focus is on identifying opportunities to improve our information systems by using up-to-date technologies that provide an integrated approach to information management across the organisation, from back-office functions to catchment monitoring for river levels, flows and water quality, through to information delivery to the public.

## General Overview for the Year

### Information Management Team (IM Team):

Building on previous work around resource consents (within the Integrated Regional Information System (IRIS)), we have built monitoring and reporting mechanisms for the freshwater programme to inform business operations, particularly in the areas of resource allocation and consent monitoring.

Internally, support for our present PowerBuilder and .NET platform is continuing with essential changes on this platform (e.g. from new or updated legislation) occurring as required.

Requests for public information met expectations through the year, with the majority of requests connected with farm sales, farm mapping, provision of aerial imagery, and the delivery of environmental data and information to engineering consultancies, universities, crown agencies or the general public.

The IM Team delivered technical support in 2019-20 for core business systems across Council; management of the external website; internal and external service requests; analysis; system testing; contractor management; customer expectations; and delivery of changes.

### Environmental Data Team (ED Team):

Undertook data acquisition for the River Management, NRP Science, Emergency Management and Compliance activities. Parameters continuously measured include: rainfall, river flow, river level, groundwater, lake levels, turbidity,

dissolved oxygen, conductivity, pH, barometric pressure, water temperature, wind speed and direction, soil moisture, soil temperature, air temperature, humidity, and air quality. In addition, web cams were operated by the team for emergency management purposes. 279 data and information requests from internal customers, ratepayers, Crown Research Institutes, Consulting Engineers, Central Government agencies and universities were responded to by the ED Team during the year.

Overall, data acquisition rates failed to meet annual plan target for primary hydrological activities (achieving 98.4% across the Annex 1 network, 0.1% under target) as a result of site vandalism at a number of stations that occurred over the year. All vandalism was reported to NZ Police. Annex 2 network, focussing on water quality, exceeded its Annual Plan target (achieving 92.2%).

Four external parties now have direct connection to Horizons' environmental data centre, to improve their own operational decision making through timely data accessibility. These direct connections were of significant value over the summer low-flow period and managing the impact of the region-wide drought.

The provision and analyses of data has continued to be undertaken for the NRP Science, River Management and Compliance activities. The team has also supported key organisational projects such as asset management, website improvements and relocation of historical records to Central Archives.

Approximately 8800 automated flood and drought warnings were issued, and over 12000 inbound calls to this service. The majority of this activity was focussed on summer low-river flows by water take consent holders. This service connects directly to our river level recording network, to subscribers of Horizons' automated warning service. This service is supported by the Information Management Team and Infrastructure Technology Team.

The digital radio infrastructure upgrade has been expanded to provide enhanced telemetry coverage to environmental recording sites and staff remote communications throughout much of the region, to improve robustness. The new emergency operations centre is completed, providing an alternative base of operation.

Further structural asset improvements were made at several recording sites to address health and safety issues at these locations. A new flow recording station was installed as planned, on the Akitio River at Cadmus Bridge, to provide continuous river flow information for One Plan water management zone.

ED Team have undertaken approximately 4800 water quality samples for the State of the Environment compliance programmes and supporting programmes around the region. The team also administers the contract with Eurofins ELS Ltd; whom supply laboratory analysis for the organisation.

The ED Team also commenced the Water Metering upgrade project. This is year one of a proposed four-year phased asset replacement programme; post-announcement of closure of the 2G and 3G cellular networks (2024). The ED Team and Information Management Team successfully implemented a new SCADA telemetry software platform to support new water metering hardware. While COVID-19 reduced rollout of the new hardware; the team was working towards deployment targets. This is a critical organisational project to ensure Horizons is positioned well for the amended Resource Management Regulations (measurement and reporting of Water Takes), which comes into effect late 2020.

Contracted water quality sampling undertaken for Tararua District Council was completed to their satisfaction, and a further contract for the provision of these services has been entered into for the 2020-21 financial year.

The Survey team completed all work required of them by the operations and science activities on time and to specification. This work was predominantly undertaken for the design of engineering assets and for the groundwater and fluvial science activities. The team is also reviewing data systems and outputs methodologies, to improve offerings to external civil engineering and construction activities.

## Significant Events/Issues

The highlights of the Information Activity this year have been the:

- On-going collaboration on IRIS development with Northland Regional Council, Environment Waikato, Taranaki Regional Council, Hawkes Bay Regional Council, West Coast Regional Council and Environment Southland;
- Installation of new monitoring stations to meeting One Plan water allocation and new water use pressures in the Akitio catchment; and
- Continuing to add to, and manage, our time series data archives, which are growing at a current rate of approximately 15.2 million data points per year.

## Financial Overview

Overall, the information activity ended the year with a small net operating surplus mainly as a result of increased fees and charges for contracting work for external customers.

## Information Level of Service (what the Council has delivered)

Achieved		Not Achieved		Not Applicable	
●●		●			
2		1		0	
Key Performance Indicator	Annual Plan 2019-20 (Long-term Plan Year 2)*	Actual Prior Year 2018-19	How we did in 2019-20	Comment	
PROJECT GROUP: CATCHMENT DATA					
Collection of 98.5% water level, rainfall, soil moisture, wind and water temperature data (approx. 15.2 million data-points p.a.).	99.0%			● The network suffered a significant amount of vandalism over the past twelve months (primarily stolen solar panels and batteries from stations across the region). Occurrences of vandalism were reported to Police. The impact of vandalism also had a significant impact on available staff resources and operational budgets. Almost all the lost primary records can be synthesised or modelled with a high degree of accuracy; as lost record periods are relatively short and stations are supported by the relative density of the network. The Environmental Data team is reviewing the design of installations to attempt to improve mitigation measures.	
	(98.5%)	98.6%	98.4%		
Collection of 90.0% of continuous data relating to other water quality parameters (approx. 2.0 million data-points p.a.).	93.0%			● Achieved against LTP target, the majority of lost data relates to the collection of Lake Horowhenua information and the ongoing access issues on to the lake to resolve telecommunication issues. The residue lost data relates to the collection of Turbidity/Sediment data over the summer period during extreme low flows. The Environmental Data team is working alongside NIWA and Manaaki Whenua - Landcare Research, to improve instrumentation options/methodologies, and data collection accuracy.	
	(90%)	97.5%	92.2%		
PROJECT GROUP: CATCHMENT INFORMATION					
Information requests received from the public and external agencies are processed and delivered according to agreed timeframes.	95.0%	98.0%	95.6%	●	

\* Where the Target has been adjusted in the Annual Plan, we have included the original target per the Long-term Plan as well





# Iwi Activity

## Background

The focus of this Activity is on building and sustaining relationships with hapū and iwi across the region. While Treaty of Waitangi settlements and the Resource Management Act provide formal structures for iwi relationships, Horizons seeks to work in a way that goes beyond these statutory requirements and which enhances the mana of all participants.

Key work streams are supporting kaitiakitanga initiatives, participating appropriately in Treaty settlement processes, growing Horizons' capacity to engage with Māori, and supporting iwi and hapū to build capacity and capability in understanding and engaging on resource management matters.

## General Overview for the Year

During the reporting period, Council has continued to liaise with tāngata whenua about resource management concerns as they arise, and to build on existing relationships as iwi strengthen their understanding and engagement on resource management issues. Council has continued to engage in both pre and post-treaty settlement activities over the course of the year, as well as encourage and support iwi-led projects that have an environmental focus for local communities and are consistent with Horizons' objectives.

## Significant Events/Issues

- Support for implementation of the Te Awa Tupua Treaty Settlement;
- Participation in several Treaty settlement processes, including those of Whanganui Land Settlement Trust, Ngāti Rangi, Ngāti Maniapoto, Te Korowai Wainuiārua Trust, Ngāti Hāua and Ngāti Tūwharetoa;
- Engagement with iwi to explore co-governance arrangements within some catchment areas;
- Formal consultation and ongoing engagement on Proposed Plan Change 2;
- Completion of the baseline survey of iwi satisfaction with their collaborative relationships with Horizons;
- Support for projects under the Manawātū River Accord Action Plan;
- Support for projects under the Lake Horowhenua Accord Action Plan; and
- Support for other iwi-led projects funded via Ministry for the Environment.

## Financial Overview

The activity was on budget for the year, with funds for Te Awa Tupua continued to be held by Horizons on behalf of the settlement and Te Kopuka.

## Iwi Level of Service (what the Council has delivered)

Achieved		Not Achieved		Not Applicable	
1		0		0	
Key Performance Indicator	Annual Plan 2019-20 (Long-term Plan Year 2)*	Actual Prior Year 2018-19	How We Did in 2019-20	Comment	
PROJECT GROUP: IWI RELATIONS					

Iwi and hapū satisfaction with their collaborative relationships with Horizons.

Reported Biennially

Survey Not  
Completed

Survey  
Completed



\* Where the Target has been adjusted in the Annual Plan, we have included the original target per the Long-term Plan as well

Changes in Delivery: It is expected that the number of projects Horizons will need to deliver on will continue to increase during the term of the LTP as a direct result of Treaty settlements.

# Strategic Management Activity

## Background

The Strategic Management Activity involves strategic policy, which spans across and guides the whole of Horizons' work. It also encompasses our resource management planning and policy work, including the work we do to continually review and improve the One Plan, and support for the development of the Long-term Plan. The strategic management activity supports Horizons' work in partnership with other councils to encourage economic growth in the region. A climate change work stream has been developed, and this will become an increasing area of focus in 2020-2021.

This activity also includes work carried out through the Manawatū–Whanganui Local Authority Shared Services (MW LASS).

## General Overview for the Year

Good progress was made through the notification and advancement of Proposed Plan Change 2, to address some of the nutrient management challenges that require effective regulation. With the development of Government's essential freshwater package that brought a further update of the National Policy Statement for Freshwater Management, the need for integrated catchment planning has continued, and preparation is underway for how this package will be implemented by Horizons. This has meant a realignment of our previous work on the *Our Freshwater Futures* programme.

Work has also continued on the review of the One Plan, but at a slower pace than anticipated, alongside the revision of the One Plan to incorporate the National Planning Standards. Council staff were also involved in providing advice and implementation of national resource management policy, National Policy Statements and National Environmental Standards.

Work of the Manawatū–Whanganui Local Authority Shared Services (MW LASS) projects continued as planned. New initiatives were undertaken as they became a priority for MW LASS and its partner councils.

Horizons also continued to support implementation of the *Accelerate 25* and *Te Pae Tawhiti* regional growth programmes.

## Significant Events/Issues

- Preparation of Proposed Plan Change 2 to address issues with the provisions for existing intensive farming land use activities for notification in July 2019;
  - *Our Freshwater Futures* catchment planning programme developed and approved;
  - Development and initiation of the Manawatū River Catchment Strategy Project (*Te ia o Manawatū*);
  - Responding to the Government's policy agenda on climate change;
  - Collaboration with Central Government, territorial authorities, iwi and industry to implement action plans under the Manawatū–Whanganui Regional Growth initiative via *Accelerate25* and *Te Pae Tawhiti*; and
  - Continuation of MW LASS
- 
- Development of climate change approach and draft strategy

## Financial Overview

This activity ended the year with a surplus. This was largely due to under-expenditure in the One Plan review and *Our Freshwater Futures* programmes. This surplus will be brought forward into 2019-20 to cover future costs as both these programmes continue to be rolled out.

## Strategic Management Level of Service (what the Council has delivered)

Achieved		Not Achieved		Not Applicable	
●					
1		0		0	
Key Performance Indicator	Annual Plan 2019-20 (Long-term Plan Year 2)*	Actual Prior Year 2018-19	How We Did in 2019-20	Comment	
PROJECT GROUP: ONE PLAN IMPLEMENTATION					
One Plan review process.	Two catchment review processes initiated.	100%	100%	● One Plan Change process is continuing with the notification of Plan Change 2. Work continues on preparation for a water quality plan change.	

\* Where the Target has been adjusted in the Annual Plan, we have included the original target per the Long-term Plan as well



# Introducing the Transport Group of Activities

## Background

Transport plays a vital role in our communities and contributes to the social and economic wellbeing of our region through the movement of people between their homes, employment locations and social interests, and through the movement of production from industries and distribution centres to other regions and regional ports.

Within this group of activities are three sub-activities being: Road Safety Education; Transport Planning; and Passenger Services.

Our role is to coordinate land transport planning within the region, plan and implement public passenger transport services, and coordinate and implement a programme of community road safety education activities.

Well-planned, integrated transport networks encourage walking, cycling and public transport (including specialised services for people with disabilities) as well as catering for commercial and private vehicle needs. This ensures that all those in our region can access services and do business safely and easily.

## Transport Financial Summary

Activity Operating and Funding Statement	Annual Plan 2019-20 \$000	Actual 2019-20 \$000	Actual 2018-19 \$000
<b>Activity Expenditure</b>			
Road Safety	747	1,339	1,136
Transport Planning	156	171	117
Passenger Services	7,882	9,412	8,670
<b>Total Operating Expenditure</b>	<b>8,785</b>	<b>10,922</b>	<b>9,923</b>
Capital Expenditure	-	235	360
<b>Total Funding Required</b>	<b>8,785</b>	<b>11,157</b>	<b>10,282</b>
<b>Funded By</b>			
User Fees and Other Revenue	6,030	8,154	7,446
Individual Rates	2,317	2,316	2,038
Common Rates	231	231	237
Loans and Reserve Movement	207	456	561
<b>Total Funding</b>	<b>8,785</b>	<b>11,157</b>	<b>10,282</b>

Capital Expenditure	Annual Plan 2019-20 \$000	Actual 2019-20 \$000	Actual 2018-19 \$000
Meet Additional Demand	-	-	-
Improve Level of Service	-	-	-
Renew Existing Assets	-	235	360
<b>Total Capital Expenditure</b>	<b>-</b>	<b>235</b>	<b>360</b>



**Description:** Transport plays a vital role in our communities and contributes to the social and economic wellbeing of our region through the movement of people, as well as the distribution of goods and services to other regions and regional ports. The Transport Group is split into three activities: road safety education, transport planning, and passenger services.

The most notable transport project this year was the roll out of a new regional integrated ticketing system in the Horizons Region. Known as 'Bee Card', this new tag on tag off system replaces Horizons' GoCard. Whanganui was the first city to make the switch in December 2019. Due to delays, including COVID-19 Alert Level impacts on passenger transport services, Palmerston North, Rangitikei, Manawātū and Horowhenua made the switch on 20 July 2020.

A consortium of regional councils was formed to pool costs, share resources and benefits to ensure the collaborative project was cost-effective. Alongside Horizons, these councils included Otago Regional Council, Nelson City Council, Bay of Plenty Regional Council, Waikato Regional Council, Taranaki Regional

Council, Northland Regional Council, Invercargill City Council and the Hawke's Bay Regional Council. Horizons' senior transport planner was also seconded to the consortium's project team for 12 months.

The Bee Card system is provided by German-based INIT, a globally recognised supplier of technology solutions in the public transport sector. The Bee Card system makes bus travel entirely more convenient and accessible for all bus passengers. With a tag on tag off system, bus travelling times become more efficient and reliable. Bee Card holders are able to manage their cards online, including setting up auto top-ups and managing multiple cards. Not only does the Bee Card system modernise previous out-of-date bus ticketing technology, it also provides accurate bus usage data to aid regional transport strategies and enable informed decisions around public transport networks.

**Group of activities performance:** Of the overall 9 performance targets set for the Group, 4 were achieved, 4 were not achieved, and 1 was not applicable.

# Horizons Regional Council Funding Impact Statement for the Transport Group of Activities to 30 June 2020

	LTP Year 2 2019-20 \$000	Actual 2019-20 \$000	LTP Year 1 2018-19 \$000	Actual 2018-19 \$000
<b>Sources of Operating Funding</b>				
General rates, uniform annual general charges, rates penalties	244	231	237	237
Targeted rates	2,444	2,316	2,038	2,038
Subsidies and grants for operating purposes	4,283	5,738	4,146	5,086
Fees and charges	791	1,015	774	1,270
Internal charges and overheads recovered	575	1,266	588	855
Local authorities fuel tax, fines, infringement fees and other receipts	-	-	-	-
<b>Total sources of operating funding (A)</b>	<b>8,337</b>	<b>10,566</b>	<b>7,784</b>	<b>9,488</b>
<b>Applications of Operating Funding</b>				
Payments to staff and suppliers	6,944	8,582	6,447	8,051
Finance costs	-	-	-	-
Internal charges and overheads applied	1,560	2,340	1,635	1,871
Other operating funding applications	-	-	-	-
<b>Total applications of operating funding (B)</b>	<b>8,505</b>	<b>10,922</b>	<b>8,082</b>	<b>9,923</b>
<b>Surplus/(Deficit) of Operating Funding (A-B)</b>	<b>(168)</b>	<b>(356)</b>	<b>(298)</b>	<b>(435)</b>
<b>Sources of Capital Funding</b>				
Subsidies and grants for capital expenditure	-	135	-	234
Development and financial contributions	-	-	-	-
Increase/(decrease) in debt	-	-	-	-
Gross proceeds from sale of assets	-	-	-	-
Lump sum contributions	-	-	-	-
<b>Total sources of capital funding (C)</b>	<b>-</b>	<b>135</b>	<b>-</b>	<b>234</b>
<b>Applications of Capital Funding</b>				
Capital expenditure:				
· to meet additional demand	-	-	-	-
· to improve the level of service	-	-	-	-
· to replace existing assets	-	235	-	360
Increase/(decrease) in reserves	(168)	(456)	(298)	(561)
Increase/(decrease) of investments	-	-	-	-
<b>Total applications of capital funding (D)</b>	<b>(168)</b>	<b>(221)</b>	<b>(298)</b>	<b>(201)</b>
<b>Surplus/(Deficit) of Capital Funding (C-D)</b>	<b>168</b>	<b>356</b>	<b>298</b>	<b>435</b>
<b>Funding Balance ((A-B)+(C-D))</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Depreciation	40	11	40	-





# Road Safety Education Activity

## Background

We have an important role to play in improving road safety in the region through educating the community about road safety issues and trying to change road user behaviour. We do this by running road safety education projects and addressing the main causes of road crashes in our region. We also contract community organisations to run programmes for us.

## General Overview for the Year

Horizons' road safety coordinators have worked in partnership with district council roading staff, Waka Kotahi NZ transport agency, ACC, Police, Plunket, district health boards and other road safety stakeholders to run a programme of educational activities. These mainly addressed drink/drug driving, intersection crashes, older road users, driver distraction, young and high-risk drivers, driver fatigue, vulnerable road users (pedestrians and cyclists) and car restraint use. A continued focus was also on driver licencing, specifically to increase the number of people obtaining their driver's licence and to address barriers within the current system.

Some examples of these activities are:

- Child restraint check-points in conjunction with Police and Plunket around the region. These checkpoints take place in high-risk areas, with a focus on pre-schools and primary schools, and provide education and support to parents;
- Driver licence education programmes delivered by iHow Trust, Literacy Aotearoa, Te Ora Hou, Whanganui Learning Centre, Tararua Community Youth Services, CKC REAP, and the National Driver Training Centre;
- Cycling Road Safety Education programme delivered by Sport Manawātū to schools and community groups;
- Staying Safe programme providing senior driver education refresher courses;
- Vehicle safety and impairment stops on state highways at high-risk holiday periods in conjunction with the Police, aimed at raising awareness of impaired driving and its role in road crashes; and
- Supporting Police with educational resources and assisting on check-points to promote sober driving and other key road safety messages.

## Significant Events/Issues

The Coordinator's ability to undertake their activities during COVID-19 restrictions was significantly impacted. Planned face-to-face campaigns educating senior drivers and heavy vehicle drivers, as well as child restraint check points for April through to June had to be abandoned. Existing regular advertising campaigns such as billboard and bus backs continued with less reach.

Twenty-eight (28) programmes were successfully delivered with a further 15 programmes partially or unable to be delivered due to COVID-19.

Externally funded community education providers were impacted, with some unable to deliver scheduled activities. Some organisations extended their targets to when COVID-19 restrictions were relaxed while others explored alternative ways or working such as online tutorials.

## Financial Overview

The Road Safety Education Activity ended the year approximately \$19k favourable.

## Road Safety Education Level of Service (what the Council has delivered)

Achieved	Not Achieved			Not Applicable
0		1		0
Key Performance Indicator	Annual Plan 2019-20 (Long-term Plan Year 2)*	Actual Prior Year 2018-19	How We Did in 2019-20	Comment
PROJECT GROUP: COMMUNITY ROAD SAFETY EDUCATION ACTIVITIES – DISTRICT FOCUSED				

Deliver a number of road safety education across the region's seven districts to address the following issues:

- Drink driving;
- Crashes caused by driver fatigue;
- Intersection crashes;
- Cyclist and pedestrian safety;
- Driver distraction;
- Motorcycle crashes;
- Crashes by high risk and older drivers; and
- Seat belt and child restraint use rates.

30

41

28

To deliver this activity requires a significant amount of face-to-face interactions with individuals and the wider community. COVID-19 restricted the ability to deliver road safety education resulting in the KPI not being achieved for this year.

\* Where the Target has been adjusted in the Annual Plan, we have included the original target per the Long-term Plan as well

# Transport Planning Activity

## Background

The Transport Planning Activity carries out our statutory responsibilities by coordinating the planning of all modes of land transport in the region.

Our role is to lead and advocate for a strategic and integrated transport system which we do so through the Regional Land Transport Plan, and the Regional Transport Committee. The Regional Transport Committee brings together the main transport stakeholders in the region.

Through Accelerate25 (A25), the economic growth plan for our region, distribution and transport were recognised as a key enabler. As part of the A25 initiative, Accessing Central New Zealand (ACNZ) Governance Group (a sub-group of the Regional Transport Committee) was formed with a focus of ensuring a connected, safe, resilient and cohesive transport network to, from and within our region.

## General Overview for the Year

This was the second year of the 2018 reviewed Regional Land Transport Plan (RLTP). This is the strategic plan that identifies the region's key land transport issues, the objectives the committee wants to achieve and the policies that set out how they will be achieved, as well as prioritising for investment, all land transport activities within the region. Development of the 2021-2031 RLTP is underway with a final plan due to be adopted in April 2021.

The Accessing Central New Zealand (ACNZ) Governance Group continued to meet regularly to progress transport initiatives and improve connections within, and to and from the lower North Island. The key priorities for ACNZ have been focussed around freight efficiency and connectivity. With key projects such as the Manawatū Gorge replacement route (Te Ahu a Turanga) and Otaki to North of Levin Expressway having been confirmed and progressed, the focus of ACNZ has shifted to the Palmerston North Integrated Transport Initiatives project, and the KiwiRail Regional Freight Hub. These projects will not only enable improved freight movements but also deliver an integrated multi-modal and safe transport network. Work continues on these projects to achieve an integrated multi-modal and safe transport network.

The installation of a stock truck effluent disposal site was not completed. The ability for NZTA to be able to secure a suitable site continues to be an ongoing challenge. Budgeted funding for this project will be carried forward to the new financial year.

Following the successful retention of the Capital Connection rail service between Palmerston North and Wellington until 30 June 2021, the Committee has continued to advocate for the retention of a passenger rail service post this three-year period. Replacement of the ageing capital connection rail carriages and improvements to supporting rail infrastructure were included as part of a \$211m package of rail improvements announced by Government in January 2020. The development of a passenger rail business case to support this investment and increased frequency of service is underway and will continue into the next financial year. It is expected new trains would enter service in 2025.

## Significant Events/Issues

The closing of the Manawatū Gorge has been a significant event that continues to have major impacts on freight efficiency and on the well-being of the Taranaki and Ashhurst communities. Following involvement in the Notice of Requirement process, the new route has been designated with regional consents going through the direct referral process at present. Hearings are scheduled to be held in September with a decision released by the Court in October 2020. The project is on track to commence main construction in early 2021.

In January 2020 the Government announced \$817m funding for the construction for the four-lane highway from Otaki to north of Levin. Investigation, design and geotechnical testing are underway. Construction is not expected to commence until 2025. Prior to construction of the new four-lane highway, NZTA is planning to improve safety and resilience on the existing Otaki to north Levin transport corridor. Initial scoping of this work is progressing with community feedback being sort by mid-August 2020.

## Financial Overview

The Transport Planning Activity ended on budget at year end.

## Transport Planning Level of Service (what the Council has delivered)

Achieved			Not Achieved			Not Applicable		
●●●						●		
3			0			1		
Key Performance Indicator		Annual Plan 2019-20 (Long-term Plan Year 2)*	Actual Prior Year 2018-19	How We Did in 2019-20	Comment			
Through the preparation and implementation of its Regional Land Transport Plan, Horizons will advocate for the improved integration of all transport modes with existing modes and land use, to maximise the safe and efficient movement of freight and maximise economic regional growth opportunities.								
Prepare a quarterly monitoring report on the implementation of the Regional Land Transport Plan.		Achieved	Achieved	Achieved	● Quarterly monitoring reports are prepared at every Regional Transport Committee.			
Keep an up-to-date Regional Land Transport Plan through plan variations to the Regional Transport Committee.		Achieved	Achieved	Achieved	● The RLTP has been varied as required via items to the Regional Transport Committee.			
Prepare submissions on Central Government policy as and when needed.		Achieved	N/A	Achieved	● Five submissions on Central Government policy were prepared this year. These included: Draft GPS on land transport, Land Transport (Rail) Legislation Bill, Land Transport (NZTA) Legislation Bill - for speed management, draft Rail Plan, and NZTA's Arataki.			
Complete a 3-yearly review of the 2018-21 Regional Land Transport Plan as per the Land Transport Management Act (LTMA).		No Measure	N/A	N/A	● The three-yearly review was completed in June 2018. Development of the new 2021-2031 RLTP is underway and scheduled for completion in April 2021.			

\* Where the Target has been adjusted in the Annual Plan, we have included the original target per the Long-term Plan as well

# Passenger Services Activity

## Background

The Passenger Services Activity encompasses the provision of public transport services throughout the region, including special transport services for people with disabilities. It also includes the provision of bus timetables, promotional activities and bus infrastructure such as seats, bus shelters and timetable holders.

## General Overview for the Year

Bus services continued to operate under all COVID-19 alert levels at varying levels of service. The alert level 4 and 3 lockdowns, as well as social distancing requirements, had a significant impact on our overall public transport patronage for the year, with 23% fewer trips being made for the full year compared to 2018/19.

Total Mobility services also continued during the COVID-19 response, with additional funding being provided from Waka Kotahi NZ Transport Agency to provide a higher subsidy to Total Mobility customers.

Outside of ensuring continued service provision during the COVID-19 response, the key activities for the year were:

- Implementation of the Regional Integrated Ticketing System (Bee Card). The system rolled out across Whanganui services in December 2019 with the remainder of the region going live in July 2020;
- Continued operation of bus services across the region which carried a total of 993,364 passengers;
- A new contract for the Whanganui urban bus services commenced in October 2019 following a significant review and public consultation process. The new contract includes additional peak weekday services, a new Saturday timetable and the introduction of services on public holidays;
- A new, twice weekly, off-peak bus service from Levin to Palmerston North commenced in August 2019;
- Administration of the SuperGold free, off-peak bus service for SuperGold card-holders on behalf of Central Government. A total of 83,585 trips were taken under this scheme during the year;
- On-going provision of Total Mobility services in the region wherever taxi services are available, which subsidised 167,946 trips during the year; and

- Continued support of the community transport services such as the Taumarunui Mobility Van, the Horowhenua Health Shuttle, and the Tararua and Feilding St John shuttles. Concessionary fare agreements with all providers were reviewed and renewed.

## Significant Events/Issues

As part of the COVID-19 response, public transport and Total Mobility were classified as essential services, which required these services to continue operation through each alert level. As alert levels changed, services levels were adjusted to ensure a reliable and consistent service could continue to be provided to meet customer needs, and customer and driver safety were maintained. Information from Government was frequently updated, which meant a large proportion of our time during alert levels 2, 3, and 4 was spent updating and distributing information to customers and service providers. During these alert levels, usage of public transport services dropped significantly in our region and nationally. For this region, the significant patronage drop followed the closure of schools and tertiary institutes moving away from face-to-face teaching. During alert level 4, patronage dropped to 3% of what would typically have been expected for end March/April. By year-end, patronage has begun to recover but for the full year was 23% lower compared to 2018/19.

The new Regional Integrated Ticketing System (Bee Card) was implemented on Horizons' contracted public transport services in Whanganui in December 2019. The system was installed on buses across the rest of the region on 22 June 2020 and customers started using the Bee Card on 20 July 2020. The Bee Card system was procured and implemented through a consortium of nine councils across the country and replaced the GoCard system, which had reached its end of life. This was a significant project, involving resource from numerous teams across the organisation, as well as involvement from and collaboration with public transport operators and the consortium councils. It involved significant communication with existing public transport users to inform them of the change to the system and the need to Tag On and Tag Off when using the bus services. Furthermore, collaboration with operators throughout the region was required as new hardware was installed on all buses and drivers had to undergo significant training to learn the new system.

The project has resulted in a higher quality product for public transport customers through provision of an online account management system, and for staff who can undertake greater analysis of trip usage and fare type to support our network planning.

## Financial Overview

The Passenger Services Activity ended the year approximately \$40k unfavourable to budget. This overspend relates primarily to increased inflation costs on the bus contracts. The variation between budget and forecast for bus contract inflation costs was approximately \$484k. Some of this additional cost has been offset by COVID-19 impacts, such as the loss in expected revenue being funded by Waka Kotahi NZ Transport Agency, and the reduction in some business as usual activities such as the operation of community shuttles, printing and promotion, and reduced usage of the Total Mobility Scheme.

## Passenger Services Level of Service (what the Council has delivered)

Achieved		Not Achieved		Not Applicable	
●		●●●			
1		3		0	
Key Performance Indicator	Annual plan 2019-20 (Long-term Plan Year 2)*	Actual Prior Year 2018-19	How We Did in 2019-20	Comment	
To provide the Manawatū-Whanganui community with an efficient and reliable public transport system that enables an alternative to private vehicle travel and access to all essential services.					
Greater than 97% of all scheduled bus trips are operated.	>97%	99.9%	99.9%	● 99.99% of all scheduled bus trips were operated (16 trips were not operated out of a total of 76,421 scheduled trips). While we were unlikely to not achieve this measure, the 2019-20 FY patronage was significantly impacted by COVID-19, 26% less compared to 2018-19 FY. For example, patronage dropped by 97% between the week before and the first week	
Achieve a 1% patronage growth increase in total across all of our bus services in the region.	1.0%	1.2%	Not Achieved	● of Alert Level 4. Patronage has slowly been recovering through Alert Levels 1 to 3, but still remains below normal levels. The remaining lower patronage primarily relates to a number of tertiary institutes continuing with online teaching rather than face-to-face teaching.	
Install 8 new shelters each year on our urban bus routes.	8	8	6	● Six shelters have been installed this year.	
Achieve 90% satisfaction with Total Mobility provision in the region - as measured by survey in one district in which Total Mobility operates in each year.	99.0%	90.0%	0.0%	● To assist in reducing the movement of non-essential travel for these more vulnerable members of our community during COVID-19 Alert Levels 2 to 4, distribution of the customer satisfaction survey of Feilding Total Mobility clients was delayed from April to June 2020. Because of the delay, the closing date was mid-July, so at year-end, the survey was not completed. Note at year-end the survey response rate was 30%, with a customer satisfaction rate of 95% for these respondents.	
	(90%)			●	

\* Where the Target has been adjusted in the Annual Plan, we have included the original target per the Long-term Plan as well





# Investment Activity

## Background

One of the main purposes of having investments is to reduce our reliance on general rating revenues to fund our activities. Horizons Group has investments in shares, commercial property and fixed-term cash. Horizons uses its 100 per cent owned holding company (MWRC Holdings Limited) as a vehicle for managing several investments.

The Board of MWRC Holdings Limited is comprised of two Council directors. The Council directors are Rachel Keedwell and Allan Benbow. These council directors are the Chair of Council and Chair of the Audit Risk & Investment Committee, respectively. Both have extensive knowledge of local government and have wide-ranging commercial experience, in addition.

The Board's brief is to manage Council's investments in a commercial manner for the best interest of the region. Investments will be investigated by the Board to increase Council's investment revenue over the medium to long-term and help reduce future general rate requirements.

Council experiences a lumpy cash flow due to the fact we rate once a year. Surplus funds are invested predominantly in bank term deposits to mature over the course of the financial year to meet our working capital requirements.

## General Overview for the Year

The focus for the year has once again been on completing the build at Te Ao Nui on Victoria Avenue. The main tenant moved in successfully, on time, with the final areas of construction taking a little while longer for completion. Combined with the delays due to COVID-19, there was a delay in some tenants moving in. The final spaces still remain un-tenanted, with work underway to secure a tenant ongoing.

Interest rates proved to be both a positive and a negative for this portfolio with lower revenue received off deposits, but less interest paid out. Historically low interest rates will continue to have this impact.



## Significant Events/Issues

- The main construction for the principal tenant was completed on time, with some delays in getting minor tenants in, thanks partly to construction delays in minor areas of the building and the COVID-19 lockdown impacts;
- Horizons received a dividend from MWRC Holdings Limited to the value of \$1.25M for the current financial year;
- Lower than anticipated interest rates has resulted in interest revenue unfavourable to budgeted, offset somewhat by interest costs savings;
- Subvention payment from MWRC Holdings Limited significantly lower than expected; and
- The two major assets, being CentrePort Shares and North Street had been re-valued, the valuation has signalled an increase of slightly over 100% in the indicative valuation of MWRC Holdings Limited shareholding in CentrePort. This is showing in the group financial position for Horizons. North Street has retained a very similar value as last year.

## Financial Overview

The Investment Activity shows an unfavourable variance against budget, with lower interest revenues received on Council's cash investments for the financial year, combined with delays for the Victoria Avenue Development incurring some additional spend.

## Investment Financial Summary (\$000)

Activity Operating and Funding Statement	Annual Plan 2019-20 \$000	Actual 2019-20 \$000	Actual 2018-19 \$000
<b>Activity Expenditure</b>			
Investment	2,413	2,474	2,445
<b>Total Operating Expenditure</b>	<b>2,413</b>	<b>2,474</b>	<b>2,445</b>
<b>Capital Expenditure</b>			
Investments	-	17,000	15,000
<b>Total Funding Required</b>	<b>2,413</b>	<b>19,474</b>	<b>17,445</b>
User Fees and Other Revenue	5,695	4,280	2,719
Individual Rates	-	-	-
Common Rates	(2,662)	(2,759)	(2,765)
Loans and Reserve Movement	(620)	17,952	17,491
<b>Total Funding</b>	<b>2,413</b>	<b>19,474</b>	<b>17,445</b>
<b>Capital Expenditure</b>			
	Annual Plan 2019-20 \$000	Actual 2019-20 \$000	Actual 2018-19 \$000
Meet Additional Demand	-	-	-
Improve Level of Service	-	-	-
Renew Existing Assets	-	-	-
<b>Total Capital Expenditure</b>	<b>-</b>	<b>-</b>	<b>-</b>

# Horizons Regional Council Funding Impact Statement for the Investment Group of Activities to 30 June 2020

	LTP Year 2 2019-20 \$000	Actual 2019-20 \$000	LTP Year 1 2018-19 \$000	Actual 2018-19 \$000
<b>Sources of Operating Funding</b>				
General rates, uniform annual general charges, rates penalties *	(2,692)	(2,759)	(2,522)	(2,765)
Targeted rates	-	-	-	-
Subsidies and grants for operating purposes	-	-	-	-
Fees and charges	2,973	2,529	1,534	886
Internal charges and overheads recovered	2,785	1,551	2,419	1,832
Local authorities fuel tax, fines, infringement fees and other receipts	-	-	-	-
<b>Total sources of operating funding (A)</b>	<b>3,066</b>	<b>1,321</b>	<b>1,432</b>	<b>(46)</b>
<b>Applications of Operating Funding</b>				
Payments to staff and suppliers	387	376	131	627
Finance costs	1,605	1,573	1,519	1,258
Internal charges and overheads applied	454	524	361	560
Other operating funding applications	-	-	-	-
<b>Total applications of operating funding (B)</b>	<b>2,446</b>	<b>2,474</b>	<b>2,012</b>	<b>2,445</b>
<b>Surplus/(Deficit) of Operating Funding (A-B)</b>	<b>620</b>	<b>(1,152)</b>	<b>(580)</b>	<b>(2,491)</b>
<b>Sources of Capital Funding</b>				
Subsidies and grants for capital expenditure	-	-	-	-
Development and financial contributions	-	-	-	-
Increase/(decrease) in debt	6,000	9,000	11,100	15,000
Gross proceeds from sale of assets	-	-	-	-
Lump sum contributions	-	-	-	-
<b>Total sources of capital funding (C)</b>	<b>6,000</b>	<b>9,000</b>	<b>11,100</b>	<b>15,000</b>
<b>Applications of Capital Funding</b>				
Capital expenditure:				
· to meet additional demand	-	-	-	-
· to improve the level of service	-	-	-	-
· to replace existing assets	-	-	-	-
Increase/(decrease) in reserves	620	5,848	(580)	(2,491)
Increase/(decrease) of investments	6,000	2,000	11,100	15,000
<b>Total applications of capital funding (D)</b>	<b>6,620</b>	<b>7,848</b>	<b>10,520</b>	<b>12,509</b>
<b>Surplus/(Deficit) of Capital Funding (C-D)</b>	<b>(620)</b>	<b>1,152</b>	<b>580</b>	<b>2,491</b>
<b>Funding Balance ((A-B)+(C-D))</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Depreciation	-	-	-	-

## Investment Level of Service (what the Council has delivered)

Achieved		Not Achieved		Not Applicable	
●●●		●●			
3		2		0	
Key Performance Indicator	Annual Plan 2019-20 (Long-term Plan Year 2)*	Actual Prior Year 2018-19	How We Did in 2019-20	Comment	
PROJECT GROUP: INVESTMENT ACTIVITIES (INCL. PORTS OF NAPIER LIMITED)					
MWRHC dividends meet budget expectations and comply with Council Controlled Trading Organisation Statement of Intent.	Achieved	Not Achieved	Not Achieved	● Delays in final completion of the Te Ao Nui project development in conjunction with tenants moving in later, as a result of COVID-19, has resulted in less cash available for a dividend payment to Council.	
Monthly weighted average interest rate exceeds 90-day Bank Bill Rate (BKBM) by 50 basis points. Note, targets are based on current predicted interest rates, which will change over time.	2.40%	2.99%	1.96%	● Exceptionally low interest rates for the Financial Year has meant that Council has not earned a high return on the use of funds.	
PROJECT GROUP: RATE PENALTIES					
Apply penalties in accordance with the Local Government (Rating) Act 2002 and Horizons’ policies.	Achieved	Achieved	Achieved	●	
PROJECT GROUP: RATE DISCOUNT					
Apply prompt payment discount in accordance with Horizons’ policies.	Achieved	Achieved	Achieved	●	
PROJECT GROUP: RATE REMISSIONS					
Allow remissions according to Horizons’ policies.	Achieved	Achieved	Achieved	●	

\* Where the Target has been adjusted in the Annual Plan, we have included the original target per the Long-term Plan as well

# Introducing the Finances

## Overview

Here, we present standard financial statements in compliance with generally accepted accounting practice and International Public Sector Accounting Standards (IPSAS). We also provide supplementary financial information that gives revenue and expense details for regulatory management outputs (consents processing, consents hearings, compliance monitoring, pollution incidents and hazards); revenue, expense and balance details for individual river and drainage schemes; individual programmes for passenger transport services; and rating and balance details for passenger transport services. In addition, there is a section outlining our staffing and asset resources.

# Statement of Comprehensive Revenue and Expenses for the year ended 30 June 2020 (\$000)

(The accompanying notes form part of these financial statements)

	Notes to Accounts	Annual Plan 2019-20	Council Actual 2019-20	Group Actual 2019-20	Council Actual 2018-19	Group Actual 2018-19
<b>Revenue</b>						
Rates	3	46,796	46,701	46,701	44,338	44,338
Subsidies and grants	2	7,406	7,844	7,844	8,252	8,252
Development and financial contributions		-	-	-	-	-
Finance revenue	4	2,823	2,155	1,524	494	1,528
Other revenue	5	10,919	9,746	10,107	10,975	10,734
<b>Total Revenue</b>		<b>67,944</b>	<b>66,446</b>	<b>66,177</b>	<b>64,059</b>	<b>64,852</b>
<b>Expenditure</b>						
Personnel costs	9	20,865	20,241	20,241	18,605	18,605
Depreciation and amortisation expense	20	4,284	4,199	4,199	3,908	3,908
Finance costs	4	1,605	1,565	1,565	1,384	1,384
Other expenses	7	35,818	37,107	37,114	36,987	37,185
<b>Total Expenses</b>		<b>62,572</b>	<b>63,112</b>	<b>63,119</b>	<b>60,884</b>	<b>61,083</b>
<b>Surplus/(Deficit) Before Tax</b>		<b>5,371</b>	<b>3,334</b>	<b>3,058</b>	<b>3,175</b>	<b>3,769</b>
Income tax expense/benefit	25	-	-	68	-	-87
<b>Surplus/(Deficit) After Tax</b>		<b>5,371</b>	<b>3,334</b>	<b>2,990</b>	<b>3,175</b>	<b>3,856</b>
Other comprehensive revenue and expense						
Financial assets at fair value through other comprehensive revenue and expense	32	2,774	65	31,065	384	12,084
Property, plant, and equipment revaluations	32	2,038	112,282	112,282	82,284	82,284
<b>Total Other Comprehensive Revenue and Expense</b>		<b>4,812</b>	<b>112,347</b>	<b>143,347</b>	<b>82,668</b>	<b>94,368</b>
<b>Total Comprehensive Revenue and Expense</b>		<b>10,184</b>	<b>115,681</b>	<b>146,337</b>	<b>85,843</b>	<b>98,224</b>

Explanations of major variances against budget can be found in Note 30.

# Statement of Cash Flows for the year ended 30 June 2020 (\$000)

(The accompanying notes form part of these financial statements)

	Notes to Accounts	Annual Plan 2019-20	Council Actual 2019-20	Group Actual 2019-20	Council Actual 2018-19	Group Actual 2018-19
<b>Cash flows from operating activities</b>						
Receipts from rates revenue		46,442	45,610	45,610	43,296	43,296
Subsidies and grants received		7,406	7,182	7,182	8,251	8,251
Interest received		1,323	844	432	734	750
Dividends received		1,500	48	1,202	-	923
Receipts from rate penalties		-	924	924	898	898
Receipts from other revenue		12,346	9,635	10,415	10,407	9,632
Payments to suppliers and employees		(53,257)	(58,817)	(60,790)	(54,679)	(54,604)
Interest paid		(1,605)	(1,573)	(1,573)	(1,258)	(1,258)
Income tax paid/refunded		-	-	3	-	(31)
GST (net)		-	(293)	189	739	337
<b>Net Cash Flow from Operating Activities</b>	<b>31</b>	<b>14,155</b>	<b>3,560</b>	<b>3,594</b>	<b>8,389</b>	<b>8,195</b>
<b>Cash flows from investing activities</b>						
Receipts from sale of operational assets		375	23	23	(84)	(23)
Receipts from sale/maturity of investments		30,660	20,000	20,000	-	-
Repayment of loan principal from CCO		-	-	-	-	-
Purchase of Shares		-	-	-	-	-
Purchase of forestry assets		(1,000)	(220)	(220)	(101)	(101)
Purchase of operational assets		(5,684)	(5,722)	(5,722)	(4,315)	(4,222)
Purchase of infrastructural assets		(7,599)	(3,775)	(3,775)	(6,768)	(6,768)
Purchase of intangible assets		(137)	(427)	(427)	(765)	(765)
Purchase of investment property		-	-	(5,600)	-	(14,369)
Acquisition of investments		(32,660)	(22,044)	(20,046)	(15,000)	-
<b>Net Cash Flow from Investing Activities</b>		<b>(16,045)</b>	<b>(12,165)</b>	<b>(15,767)</b>	<b>(27,033)</b>	<b>(26,248)</b>
<b>Cash flows from financing activities</b>						
Proceeds from borrowings		2,000	25,000	25,000	28,500	29,500
Repayment of borrowings		-	(16,000)	(16,000)	(13,500)	(14,500)
Dividend/Subvention payments		-	-	-	116	(39)
<b>Net Cash Flow from Financing Activities</b>		<b>2,000</b>	<b>9,000</b>	<b>9,000</b>	<b>15,116</b>	<b>14,961</b>
Net (decrease)/increase in cash, cash equivalents and bank overdrafts		110	395	(3,173)	(3,528)	(3,092)
Cash, cash equivalents, and bank overdrafts		2,038	3,154	8,130	6,682	11,222
<b>Closing Cash Balances</b>		<b>2,148</b>	<b>3,549</b>	<b>4,957</b>	<b>3,154</b>	<b>8,130</b>

All figures are exclusive of GST unless otherwise stated



# Statement of Financial Position as at 30 June 2020 (\$'000)

(The accompanying notes form part of these financial statements)

	Notes to Accounts	Annual Plan 2019-20	Council Actual 2019-20	Group Actual 2019-20	Council Actual 2018-19	Group Actual 2018-19
<b>Assets</b>						
<b>Current assets</b>						
Cash and Cash Equivalents	14	2,148	3,549	4,957	3,154	8,131
Trade and Other Receivables	15	3,707	7,533	5,978	6,955	7,268
Accruals		2,708	3,277	3,253	1,688	1,688
Prepayments and leases - Current portion		306	501	502	388	445
Inventory	16	692	1,205	1,205	1,154	1,154
Tax refund due		-	-	-	-	31
Assets held for sale		-	110	110	110	110
<b>Total Current Assets</b>		<b>9,561</b>	<b>16,175</b>	<b>16,005</b>	<b>13,449</b>	<b>18,827</b>
<b>Non-current assets</b>						
Other financial assets	17					
Investments in CCO's and other similar entities		33,003	32,908	1,408	32,876	1,376
Loan to CCO		17,000	17,000	-	15,000	-
<b>Subtotal</b>		<b>50,003</b>	<b>49,908</b>	<b>1,408</b>	<b>47,876</b>	<b>1,376</b>
Investments in other entities		5,717	3,243	73,243	3,164	42,164
<b>Total Other financial assets</b>		<b>55,720</b>	<b>53,151</b>	<b>74,651</b>	<b>51,040</b>	<b>43,540</b>
Deferred Taxation Asset	25	-	-	-	-	68
Investment property	18	-	2,700	24,512	2,500	21,550
Forestry assets	19	5,980	5,929	5,929	5,362	5,362
Land leases (prepaid) non-current		2,912	2,913	2,913	3,038	3,038
Intangible assets	20	5,156	4,137	4,137	3,993	3,993
Operational assets	20	67,413	67,998	73,138	64,633	67,133
Infrastructural assets	20	471,554	656,120	656,120	542,054	542,054
<b>Total Non-current Assets</b>		<b>608,736</b>	<b>792,946</b>	<b>841,400</b>	<b>672,620</b>	<b>686,738</b>
<b>Total Assets</b>		<b>618,297</b>	<b>809,121</b>	<b>857,405</b>	<b>686,069</b>	<b>705,565</b>

Explanations of major variances against budget can be found in Note 30.

# Statement of Financial Position as at 30 June 2020 (\$000) (continued)

(The accompanying notes form part of these financial statements)

	Notes to Accounts	Annual Plan 2019-20	Council Actual 2019-20	Group Actual 2019-20	Council Actual 2018-19	Group Actual 2018-19
<b>Liabilities</b>						
<b>Current liabilities</b>						
Trade and other payables	21	10,630	10,309	10,508	12,213	14,280
Provisions - general	22	-	-	-	13	13
Provisions - employee entitlements	23	2,132	1,994	1,994	1,697	1,697
Advances		-	-	-	-	-
Debt - current portion	26	-	10,000	10,000	-	-
Derivative financial instruments (current)	29	-	30	30	49	49
<b>Total Current Liabilities</b>		<b>12,762</b>	<b>22,333</b>	<b>22,532</b>	<b>13,972</b>	<b>16,039</b>
<b>Non-current liabilities</b>						
Derivative financial instruments	29	729	816	816	806	806
Debt - non-current portion	26	42,000	39,000	39,000	40,000	40,000
Deferred Taxation liability	25	-	-	-	-	-
<b>Total Non-Current Liabilities</b>		<b>42,729</b>	<b>39,816</b>	<b>39,816</b>	<b>40,806</b>	<b>40,806</b>
<b>Total Liabilities</b>		<b>55,491</b>	<b>62,149</b>	<b>62,348</b>	<b>54,778</b>	<b>56,845</b>
<b>Net Assets (Assets Minus Liabilities)</b>		<b>562,806</b>	<b>746,972</b>	<b>795,057</b>	<b>631,291</b>	<b>648,720</b>
<b>Equity</b>						
Asset revaluation reserves		173,310	364,368	364,368	252,086	252,086
Fair value through other comprehensive revenue and expense reserve		3,630	1,127	45,745	1,062	14,680
Restricted reserves		12,183	11,537	11,537	9,545	9,545
Infrastructure insurance reserves		2,820	4,060	4,060	3,440	3,440
Accumulated funds		370,864	365,880	369,347	365,158	368,969
<b>Total Equity</b>	<b>32</b>	<b>562,806</b>	<b>746,972</b>	<b>795,057</b>	<b>631,291</b>	<b>648,720</b>

Explanations of major variances against budget can be found in Note 30.

## Statement of Changes in Equity for the year ended 30 June 2020 (\$000)

(The accompanying notes form part of these financial statements)

	Notes to Accounts	Annual Plan 2019-20	Council Actual 2019-20	Group Actual 2019-20	Council Actual 2018-19	Group Actual 2018-19
Balance at 1 July		552,622	631,291	648,720	545,448	550,496
Total comprehensive revenue and expense for the year		10,184	115,681	146,337	85,843	98,224
Balance at 30 June	32	562,806	746,972	795,057	631,291	648,720

# Notes to the Financial Statements

## Statement of Accounting Policies as at 30 June 2020

### Reporting Entity

Horizons Regional Council (HRC) is the trading name of the Manawatū-Whanganui Regional Council, a Local Authority governed by the Local Government Act 2002, and is domiciled in New Zealand.

The Horizons Regional Council Group (the Group) consists of Horizons Regional Council (the "parent entity") and its subsidiary, MWRC Holdings Limited (MWRCH), domiciled in New Zealand.

Horizons has the following as investments in the balance sheet:

- 15.5% equity share of Regional Software Holdings Ltd (RSHL); and
- 14.29% (1/7) of the shares in MW LASS Limited.

MW LASS Limited has been set up as a shared service across six TAs and HRC of which HRC has the above shareholding.

The financial statements of the "parent entity" HRC comprise the following groups of activities of HRC: land and water management; flood protection and control works; biosecurity and biodiversity management; regional leadership and governance; transport; and investment. As these activities are carried out for environmental and community benefit and not for financial return, HRC has designated itself as a Public Benefit Entity (PBE) for the purposes of New Zealand equivalents to International Public Sector Accounting Standards (IPSAS).

The financial statements presented are those of the Group for the year ended 30 June 2020, and were authorised for distribution by Council on 28 October 2020.

### Basis of Preparation

The financial statements have been prepared on the going concern basis, and the accounting policies have been applied consistently throughout the period.

### Statement of Compliance

The financial statements of HRC have been prepared in accordance with the requirements of the Local Government Act 2002, which include the requirement to comply with New Zealand Generally Accepted Accounting Practice (NZGAAP).

The financial statements have been prepared to comply with Public Benefit Entity Standards (PBE Standards) for a Tier 1 entity.

### Presentation and Currency

The financial statements have been prepared in New Zealand dollars, and all values (other than the River and Drainage Scheme Summary) are rounded to the nearest thousand dollars (\$000). The functional currency of Horizons is New Zealand dollars. There will be rounding in numbers in the financial statements as the financial model used calculates to the cent, but the Annual Report is rounded to the nearest thousand dollars. The financial statements were prepared on an historical cost basis, modified by the revaluation of land and buildings, and certain infrastructural assets.

### Basis of Consolidation

The Group accounts add together like items of assets, liabilities, equity, revenue and expenditure, on a line-by-line basis. All significant intragroup balances and revenue and expense transactions are eliminated on consolidation.

### Subsidiaries

A subsidiary is an entity over which HRC has the capacity to control their financing and operating policies so as to obtain benefits from the activities of that entity.

The power exists where HRC controls the majority voting power on the governing body or where such policies were irreversibly predetermined by HRC or where the determination of such policies is unable to materially affect the level of potential ownership benefits that arise from the activities of the subsidiary. Power also exists where the funding received by the entity from HRC is greater than funding from other sources.

The cost of a business combination is measured as the aggregate of:

- The consideration transferred, which is generally measured at acquisition date fair value;
- The amount of any non-controlling interest measured at either fair value or the non-controlling interest in the fair value of the net identifiable assets of the acquire; and

- The acquisition-date fair value of the previously held equity interest in the acquiree, if any.

Any excess of the cost of the business combination over HRC's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities, is recognised as goodwill. If HRC's interest in this net fair value exceeds the cost of the business combination, the difference will be recognised immediately in the surplus or deficit.

Investments in subsidiaries are carried at cost in HRC's parent entity financial statements.

### Joint Ventures

A joint venture is a binding arrangement whereby HRC and other parties undertake an economic activity that is subject to joint control. Joint control is an agreed sharing of control over an activity.

For jointly controlled activities, HRC recognises in its financial statements the assets it controls, the liabilities and expenses it incurs, and the share of revenue that it earns from the joint venture.

### Changes in Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

#### Standards issued and not yet effective that have been early-adopted

There are no standards and amendments issued but not yet effective that have been early-adopted and which are relevant to the Council and Group.

#### Standards issued and not yet effective, and not early-adopted

Standards and amendments, issued but not yet effective that have not been early-adopted, and which are relevant to the Council and group are:

In November 2017, the XRB issued new standards for service performance reporting (PBE FRS 48). The new standards are effective for annual periods beginning on or after 1 January 2021, with early application permitted. The Council plans to apply the new standards in preparing the 30 June 2022 financial statements. The Council and group has not yet assessed the effects of these new standards.

In March 2019, the XRB issued PBE IPSAS 41 Financial Instruments. PBE IPSAS 41 replaces PBE IPSAS 29 Financial Instruments: Recognition and Measurement. PBE IPSAS 41 is effective for annual periods beginning on or after 1 January 2022, with early application permitted. The main changes under PBE IPSAS 41 are:

- New financial asset classification requirements for determining whether an asset is measured at fair value or amortised cost;
- A new impairment model for financial assets based on expected losses, which may result in the earlier recognition of impairment losses; and
- Revised hedge accounting requirements to better reflect the management of risks.

The Council plans to apply this standard in preparing its 30 June 2023 financial statements. The Council and group has not yet assessed the effects of the new standard.

### Implementation of New and Amended Standards

HRC has adopted the new group standards, PBE IPSAS 34 to 38, in preparing these financial statements. In adopting these new standards, HRC has updated its accounting policies for its investments in subsidiaries, associates and joint ventures. Disclosures have also been updated for the new disclosure requirements of PBE IPSAS 38.

### Revenue

Revenue is measured at fair value.

The specific accounting policies for major categories of revenue are outlined below:

#### Rates Revenue

The following policies for rates have been applied:

- General rates, targeted rates (excluding water by meter), and uniform annual general charges are recognised at the start of the financial year to which the rates resolution relates. They are recognised at the amounts due. The Council considers the effect of payment of rates by instalments is not sufficient to require discounting of rates receivables and subsequent recognition of interest revenue.
- Rates arising from late payment penalties are recognised as revenue when rates become overdue.
- Rate remissions are recognised as a reduction of rates revenue when the Council has received an application that satisfies its rates remission policy.

#### *Revenue from Government*

Government grants and subsidies are recognised upon entitlement, which is when the conditions pertaining to eligible expenditure have been fulfilled. Non-expenditure related grants are recognised within the relevant financial year when received or apportioned.

#### *Other Grants Received*

Other grants are recognised as revenue when they become receivable unless there is an obligation in substance to return the funds if conditions of the grant are not met. If there is such an obligation, the grants are initially recorded as grants received in advance and recognised as revenue when conditions of the grant are satisfied.

#### *Vested Physical Assets*

For assets received for no or nominal consideration, the asset is recognised at its fair value when the Council obtains control of the asset. The fair value of the asset is recognised as revenue, unless there is a use or return condition attached to the asset.

The fair value of this asset is usually determined by reference to the cost of constructing the asset.

For long-lived assets that must be used for a specific use (e.g. land must be used as a recreation reserve) the Council immediately recognises the fair value of the asset as revenue. A liability is recognised only if the Council expects it will need to return or pass the asset to another party.

#### *Other Revenue*

Other forms of revenue (excluding investment revenue), including fees, charges, and other revenues are recognised on an accrual basis in proportion to the stage of completion or when the service is rendered or goods produced.

Dividends received are recognised when the right to the payment is established.

Interest revenue is recognised using the effective interest method. Interest revenue on an impaired financial asset is recognised using the original effective interest rate.

#### **Expenditure**

Expenditure is recognised on an accrual basis when the service was provided, or the goods received.

#### **Grant Expenditure**

Non-discretionary grants are those that are awarded if the grant application meets the specified criteria, and are recognised as expenditure when an application that meets the criteria has been received.

Discretionary grants are those where HRC has no award obligation on receipt of the grant application, and are only recognised as expenditure when a successful applicant was notified of the HRC's decision.

#### **Leases**

##### *Operating Leases*

An operating lease is a lease that does not transfer, substantially, all the risks and rewards incidental to ownership of an asset.

Where HRC is the lessee, lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term. SLUI land leases paid in advance will be amortised over the life of the contracts.

Where HRC is the lessor, lease receipts under an operating lease are recognised as revenue on a straight-line basis over the lease term.

Lease incentives received are recognised in the surplus or deficit as a reduction of rental expense over the lease term.

#### **Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, on-demand or call deposits, other short-term deposits with original maturities of three months or less, and bank overdrafts.

Bank overdrafts are shown within borrowings in current liabilities, in the statement of financial position.

#### **Trade and Other Receivables**

Trade and other receivables are initially stated at their face value, less any provision for impairment.

## Inventories

Inventories of HRC are deemed to be held for distribution, being material or supplies to be consumed in the rendering of services and are not supplied on a commercial basis. They are measured at cost, adjusted when applicable, for any loss of service potential. Inventory acquired through non-exchange transactions is measured at fair value at the date of acquisition.

Inventories held for use in the provision of goods and services on a commercial basis are valued at the lower of cost (using the FIFO method) and net realisable value.

The amount of any write-down for the loss of service potential or from cost to net realisable value is recognised in the surplus or deficit in the period of the write-down.

## Financial Derivatives

Derivative financial instruments are used to manage exposure to interest rate risks arising from HRC's financing activities. In accordance with its treasury policy, HRC does not hold or issue derivative financial instruments for trading purposes.

Derivatives are initially recognised at fair value on the date the derivative contract is entered into, and are subsequently remeasured at their fair value on each balance date.

The associated gains or losses on derivatives are recognised in the surplus or deficit.

The full fair value of a hedge-accounted derivative is classified as non-current if the remaining maturity of the hedged item is more than 12 months, and as current, if the remaining maturity of the hedged item is less than 12 months.

## Financial Assets

Financial assets are initially measured at fair value plus transaction costs unless they are carried at fair value through surplus or deficit, in which case the transaction costs are recognised in the surplus or deficit.

Purchases and sales of financial assets are recognised on trade-date, the date on which HRC commits to purchase or sell the asset. Financial assets are derecognised when the rights to received cash flows from the financial assets

have expired or have been transferred, and HRC has transferred, substantially, all the risks and rewards of ownership.

HRC classifies its financial assets into the following four categories, the classification of which depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

### *Financial assets at fair value through surplus or deficit*

These include financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term, or it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of short-term profit-taking. Derivatives are also categorised as held for trading unless they are designated into hedge accounting relationship for which hedge accounting is applied.

Financial assets acquired principally for the purpose of selling in the short term, or part of a portfolio classified as held for trading, are classified as a current asset. The current/non-current classification of derivatives is explained in the derivatives accounting policy above.

After initial recognition, financial assets in this category are measured at their fair value with gains or losses on remeasurement recognised in the surplus or deficit.

### *Loans and Receivables*

These are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. They are included in current assets, except for maturities greater than 12 months after balance date, which are included in non-current assets. HRC's loans and receivables comprise cash and cash equivalents, debtors and other receivables, term deposits, and (when applicable) related-party loans.

After initial recognition, they are measured at amortised cost using the effective interest method, less impairment. Gains or losses when the asset is impaired or derecognised are recognised in the surplus or deficit.

### *Held to Maturity Investments*

These are non-derivative financial assets with fixed or determinable payments and fixed maturities that HRC has a positive intention and ability to hold to maturity. These are included in current assets, except for maturities greater than 12 months after balance date, which are included in non-current assets. After initial recognition, they are measured at amortised cost using the effective interest method, less impairment. Gains or losses when the asset is impaired or derecognised are recognised in the surplus or deficit.

#### *Fair Value Through Other Comprehensive Revenue and Expense*

These are those designated into the category at initial recognition or are not classified in any other categories above. These are included in non-current assets unless management intends to dispose of the share investment within 12 months of balance date or if the debt instrument is not expected to be realised within 12 months of balance date. The Council and the Group include, in this category, investments that it intends to hold long-term but which may be realised before maturity, and shareholdings that it holds for strategic purposes. These investments are measured at their fair value, with gains and losses recognised in other comprehensive revenue and expense, except for impairment losses, which are recognised in the surplus or deficit.

On de-recognition, the cumulative gain or loss previously recognised in other comprehensive revenue and expense is reclassified from equity to the surplus or deficit.

#### **Foreign Currency Transactions (FCTs)**

FCTs (including those for which foreign exchange contracts are held) are translated into the functional currency using the spot exchange rate prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the surplus or deficit.

#### **Impairment of Financial Assets**

At each balance date, HRC assesses whether or not there is any objective evidence that a financial asset or group of financial assets is impaired. Any impairment losses are recognised in the surplus or deficit.

#### *Loans and Other Receivables and Held-to-Maturity Investments*

Impairment of a loan or receivable is established when there is objective evidence that HRC and the Group will not be able to collect amounts due according to the original terms of the debt. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, and default in payments are considered indicators that the asset is impaired. The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the original effective interest rate. For debtors and other receivables, the carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the surplus or deficit. When the receivable is uncollectible, it is written off against the allowance account. Overdue receivables that were renegotiated are reclassified as current (that is, not past

due). Impairment in term deposits, local authority stock, government bonds and community loans, are recognised directly against the instrument's carrying amount.

#### *Financial Assets at Fair Value Through Comprehensive Revenue and Expense*

For equity investments classified as fair value through equity, a significant or prolonged decline in the fair value of the investment below its cost is considered objective evidence of impairment.

For debt investments, significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, and default in payments are considered objective indicators that the asset is impaired.

If impairment evidence exists for investments at fair value through other comprehensive revenue and expense, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the surplus or deficit) recognised in other comprehensive revenue and expense is reclassified from equity to the surplus or deficit.

Equity instrument impairment losses recognised in the surplus or deficit are not reversed through the surplus or deficit.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed in the surplus or deficit.

#### **Investment Property**

Properties leased to third parties under operating leases are classified as investment property unless the property is held to meet service delivery objectives, rather than to earn rentals or for capital appreciation.

Investment property is measured initially at its cost, including transaction costs. After initial recognition, all investment property is measured at fair value at each reporting date. Gains or losses arising from a change in the fair value of investment property are recognised in the surplus or deficit.

#### **Property, Plant and Equipment**

Those operational assets that are revalued are classed according to the district in which they are located, and are valued every three years according to the revaluation cycle of that district. Infrastructural assets are revalued with sufficient regularity to ensure that their carrying amount does not differ materially from fair



value and at least every three years. All other asset classes are carried at depreciated historical cost. The carrying values of revalued items are reviewed at each balance date to ensure that those values are not materially different from fair value.

- (i) All operational land and buildings will be valued at fair value by an independent, registered valuer, with additions at cost, less accumulated depreciation on buildings. HRC undertakes revaluations as each Local Authority District is revalued, according to their respective three-yearly cycle. Reviews for other assets outside this cycle will be done with sufficient regularity to ensure that their carrying amount does not differ materially from fair values. If there is a material difference, then the off-cycle asset classes are revalued.
- (ii) Infrastructural assets are revalued three-yearly at depreciated replacement cost by HRC engineering staff that are directly associated with the administration of these schemes. The valuation methodology is reviewed by suitably qualified, independent consultants, to confirm that the methodology is consistent with PB IPSAS 17.
- (iii) Plant and vehicles are valued at cost less accumulated depreciation and impairment.
- (iv) Furniture and fittings are valued at cost less accumulated depreciation and impairment.
- (v) Office equipment, scientific equipment and computer equipment are valued at cost less accumulated depreciation and impairment.
- (vi) Capital Work in Progress includes:
  - (a) Assets in the process of construction; and
  - (b) Purchases and disposals awaiting finalisation (e.g. subdivision titles) and thus not yet processed through the fixed asset register.

Included within the land infrastructural assets managed by Horizons are significant land holdings that are legally held in the name of the Crown. This technical legal ownership by the Crown results from the fact that, prior to 1987, various government departments, e.g. the Ministry of Works, were responsible for acquiring land required for the various river control schemes. Since 1987, however, all land acquisitions were undertaken by HRC, and so legal ownership was vested in HRC. While the Crown is the legal owner of portions of HRC's river control scheme land holdings, it is considered that HRC, or at least HRC's ratepayers, enjoy all of the risks and benefits associated with ownership of these landholdings, and so "in substance" HRC has ownership. However, it is noted that should HRC ever decide to sell a significant portion of these land-holdings, then part of the proceeds may have to be returned to the Crown.

## Additions

The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to HRC, and the cost of the item can be measured reliably.

Work in progress is recognised at cost less impairment and is not depreciated.

In most instances, such items are recognised at cost. Where an asset is acquired through a non-exchange transaction, it is recognised at fair value as at the date of acquisition.

## Disposals

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are reported net in the surplus or deficit. When revalued assets are sold, the amounts included in asset revaluation reserves in respect of those assets are transferred to retained earnings.

## Subsequent Costs

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably.

The costs of day-to-day servicing of property, plant and equipment are recognised in the surplus or deficit as they are incurred.

## Infrastructural Assets

Infrastructural assets are assets that deliver benefits directly to the community rather than being used directly by HRC. The major infrastructural assets owned by HRC are associated with the region's major flood protection and land drainage schemes. It is generally considered that the majority of infrastructural assets owned by HRC would not be readily saleable.

## Depreciation

Operational assets as listed below are depreciated on the straight-line basis at rates that will write off the cost (or valuation) less their estimated residual values, over their useful lives, as follows:

Buildings	50 years
Heavy plant and machinery	5-15 years
Other plant and machinery	5-15 years
Motor vehicles	4-15 years
Furniture and fittings	5-15 years
Office equipment	5-6 years
Scientific equipment	3-20 years
Computer equipment	3-5 years
Communications equipment	3-15 years
Equipment and electronics	3-12 years

Infrastructural assets are depreciated on the straight-line basis at rates that will write off the carrying amount of the assets, less their estimated residual values, over their estimated useful lives, as follows:

Concrete block walls	100-200 years
Major floodgate structures	70-100 years
Floodgate culverts (over 1.2 m)	70 years
Flow diversion structures	70-200 years
Pump station structure	70 years
Drop structures	50-120 years
Amenity enhancements	50 years
Concrete/timber flood walls	50-200 years
Grade controls	50 years
Portable flood barriers	50 years
Pump station floodgates/pumps	50 years
Timber retaining walls	50 years
Weirs	50 years
Pump station electrical/mechanical	25 years
Gabions	20 years
Permeable mesh units	20 years
Rangitikei stopbanks	20 years

The residual value and useful life of an asset is reviewed, and adjusted if applicable, at each financial year-end.

An incorrect estimate of the useful life or residual value will affect the depreciation expense recognised in the surplus or deficit, and carrying amount of the asset in the statement of financial position. HRC minimises the risk of this estimation uncertainty by;

- Physical inspection of assets;
- Asset replacement programs;
- Review of second-hand market prices for similar assets; and
- Analysis of previous asset sales.

HRC has not made significant changes to past assumptions concerning useful lives and residual values.

Several types of infrastructural assets are deemed to have an indefinite life as follows: tied tree works, protection planting, bed armouring, rockwork, concrete rip rap, stop gates, drainage channels, culverts, dams, groynes, forestry, spillways and stopbanks. These assets are not depreciated.

### Accounting for Revaluations

HRC accounts for revaluations of property on a class of asset basis. The results of revaluing are credited or debited to other comprehensive revenue and expense and are accumulated to an asset revaluation reserve for that class of asset. Where this results in a debit balance in the asset revaluation reserves, this balance is expensed in surplus or deficit. Any subsequent increase on revaluation that off-sets a previous decrease in value so treated, will be recognised first in the surplus or deficit up to the amount previously expensed, and then recognised in the prospective Statement of Revenue and Expense.

### Intangible Assets

#### *Computer Software*

Costs associated with the acquisition and bringing to use of computer software, which is not an inherent or integral part of the associated computer hardware, are treated as intangible assets. Costs that are directly associated with the development of software for the internal use by HRC are also recognised as an intangible asset. These direct costs include both direct employee and other related costs, as well as an appropriate portion of relevant overheads.

The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its expected useful life during which future economic benefits or service potential associated with the item will flow to HRC. For Digital Terrain Flood Modelling software, this is estimated as being from 10 to 12 years, and for other computer software, both acquired and developed, from 3 to 20 years.

Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised. The amortisation charge for each period is recognised in the surplus and deficit.

Where software in this category is replaced, upgraded or determined by HRC to be of no further operational benefit, a change in value will be recognised through surplus or deficit in the comprehensive revenue and expense. This change in value will be the difference between the carrying value of the original item and its fair value.

Costs associated with maintaining computer software are treated as an expense when incurred, as follows:

- Staff training costs were recognised in the surplus or deficit when incurred; and
- Costs associated with development and maintenance of the Council's website are recognised as an expense when incurred.

#### *Carbon Credits*

These are dealt with under **Forestry Assets**.

### **Impairment of Property, Plant, Equipment and Intangibles**

Intangible assets subsequently measured at cost that have an indefinite useful life, or are not yet available for use, and goodwill, are not subject to amortisation and are tested annually for impairment.

Property, plant, equipment and intangible assets subsequently measured at cost that have a finite useful life are reviewed for impairment whenever events or changes in circumstance indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value, less costs to sell, and its value in use.

If an asset's carrying amount exceeds its recoverable amount, the asset is regarded as impaired and the carrying amount is written down to the recoverable amount. For revalued assets, the impairment loss is recognised against the revaluation reserve for that class of asset. Where that results in a debit balance in the revaluation reserve, the balance is recognised in the surplus or deficit. For assets not carried at a revalued amount, the total impairment loss is recognised in the surplus or deficit.

The reversal of an impairment loss on a revalued asset is credited to other comprehensive revenue and expense and increases the asset revaluation reserve for that class of asset. However, to the extent that an impairment loss for that class of asset was previously recognised in the surplus or deficit, a reversal of the impairment loss is also recognised in the surplus or deficit.

For assets not carried at a revalued amount, the reversal of an impairment loss is recognised in the surplus or deficit.

#### *Value in Use for Non-cash-generating Assets*

Non-cash-generating assets are those assets that are not held with the primary objective of generating a commercial return.

For non-cash-generating assets, value-in-use is determined using an approach based on either a depreciated replacement cost approach, restoration cost approach, or a service units approach. The most appropriate approach used to measure value in use depends on the nature of the impairment and availability of information.

#### *Value in Use for Cash-generating Assets*

Cash-generating assets are those assets that are held with the primary objective of generating a commercial return.

The value in use for cash-generating assets and cash-generating units is the present value of expected future cash flows.

### **Forestry Assets**

Standing forestry assets are independently revalued annually at fair value less estimated costs to sell for one growth cycle. Fair value is determined based on the present value of expected net cash flows discounted at a current market-determined rate. This calculation is based on existing sustainable felling plans and assessments regarding growth, timber process, felling costs and silvicultural costs, and takes into account consideration of environmental, operational and market restrictions.

Where standing forestry assets have not been developed to the stage at which a revaluation is appropriate, these assets shall be carried at cost in the statement of financial position.

Gains or losses arising on initial recognition of forestry assets at fair value less estimated costs to sell and from a change in fair value less estimated costs to sell, are recognised in the surplus or deficit.

The costs to maintain forestry assets are recognised in the surplus or deficit when incurred.

#### *Carbon Credits*

Purchased carbon credits are recognised at cost on acquisition. They are not amortised, but are instead tested for impairment annually. They are derecognised when they are used to satisfy carbon emission obligations.

Free carbon units received from the Crown are recognised at fair value on receipt. They are not amortised, but are instead tested for impairment annually. They are derecognised when they are used to satisfy carbon emission obligations.

### **Employee Entitlements**

#### *Short-term Employee Entitlements*

Employee benefits expected to be settled within 12 months after the end of the period in which the employee renders the related service are measured based on accrued entitlements at current rates of pay. These include salaries and wages accrued up to balance date, annual leave earned to, but not yet taken at balance date, and sick leave.

A liability for sick leave is recognised to the extent that absences in the coming year are expected to be greater than the sick leave entitlements earned in the coming year. The amount is calculated based on the unused sick leave entitlement that can be carried forward at balance date, to the extent it will be used by staff to cover those future absences.

A liability and an expense are recognised for bonuses where the Council or Group has a contractual obligation or where there is a past practice that has created a constructive obligation.

#### *Long-term Employee Entitlements*

Employee benefits that are due to be settled beyond 12 months after the end of the period in which the employee renders the related service, such as long service leave and retirement gratuities, have been calculated on an actuarial basis. The calculations are based on:

- Likely future entitlements accruing to staff, based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement, and contractual entitlement information; and
- The present value of the estimated future cash flows.

### **Superannuation Schemes**

#### *Defined Contribution Schemes*

Obligations for contributions to defined contribution superannuation schemes are recognised as an expense in the surplus or deficit as incurred.

### **Other Provisions**

HRC recognises a provision for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event, and it is probable that expenditures will be required to settle this obligation, and a reliable estimate of the amount can be determined. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time, value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as an interest expense and is included in 'finance costs'.

### **Creditors and Other Payables**

Creditors and other payables are initially measured at face value.

### **Borrowings**

Borrowings are initially recognised at their fair value. After initial recognition, all borrowings are measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless HRC has an unconditional right to defer settlement of the liability for at least 12 months after balance date, or if expected to be settled within 12 months.

### **Borrowing Costs**

All borrowing costs are recognised as an expense in the period in which they are incurred.

### **Equity**

Equity is the community's interest in HRC and is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into a number of reserves.

The components of equity are:

- Asset revaluation reserves
- Restricted reserves
- Insurance infrastructure reserve
- Retained earnings

#### *Asset Revaluation Reserves*

These reserves relate to the revaluation of property, plant and equipment to fair value. This reserve comprises the cumulative net change in the fair value through other comprehensive revenue and expense.

#### *Restricted Reserves*

These reserves are a component of equity generally representing a particular use to which various parts of equity were assigned. Use of these reserves may be legally restricted or created by legislation or HRC.

Restricted reserves are those subject to specific conditions as binding by HRC, and which may not be revised by HRC without reference to the Courts or a third party. Transfers from these reserves may be made only for certain specified purposes or when certain specified conditions are met.

Also included in restricted reserves are reserves restricted by Council decision. The Council may alter them without references to any third party or the Courts. Transfers to and from these reserves are at the discretion of the Council.

#### *Insurance Infrastructure Reserve*

Following the earthquake events in Christchurch and Japan, our ability to insure our infrastructure assets has reduced considerably, as we have been unable to reinsure with one of our commercial providers.

Accordingly, we have increased the level of rating to build river scheme reserves, as well as introducing a new common rate to build reserves to provide for a level of self-insurance against our assets that now have limited or no insurance cover.

### **Goods and Services Tax (GST)**

These financial statements are presented net of GST, except for receivables and payables, which are inclusive of GST. Where GST paid is not recoverable, due to it relating to exempt items, the GST inclusive amount is recognised as part of the related asset or expense, including the GST relating to investing and financing activities.

The net amount of GST recoverable from, or payable to, the IRD is included as part of receivables or payables in the statement of financial position.

The net GST paid to, or recovered from, the Inland Revenue Department is recognised as an item in operating cash flow in the statement of cash flows.

Commitments and contingencies are disclosed exclusive of GST.

### **Budget Figures**

The budget figures are those approved by HRC at the beginning of the year in the LTP/Annual Plan. The budget figures were prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted by HRC for the preparation of the financial statements. For presentational purposes, some additional budget figures have been included to provide better information.

### **Cost Allocation**

HRC has derived the cost of service for each of its project groups using the cost allocation system outlined below:

1. Direct costs are those costs identified as being directly attributable to a project group and are charged directly to that project group.
2. Indirect costs are those costs that cannot be identified, in an economically feasible manner, as contributing directly to a project group. Instead, these are charged to project groups using appropriate cost drivers, including actual usage, staff numbers, floor area, and telephone and computer units.

### **Income Tax**

Income tax expense may comprise both current and deferred tax and is calculated using tax rates that were enacted or substantively enacted by balance date.

Current tax is the amount of income tax payable based on the taxable profit for the current year, plus any adjustments to income tax payable in respect of prior years.

Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses. Temporary differences are differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax is measured at the tax rates that are expected to apply when the asset is realised, or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at balance date. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which HRC expects to recover or settle the carrying amount of its assets and liabilities.

Deferred tax liabilities are generally recognised for all temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences or tax losses can be utilised.

Deferred tax is not recognised if the temporary difference arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination, and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is recognised on taxable-temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the company can control the reversal of the temporary difference, and it is probable that the temporary difference will not reverse in the foreseeable future.

Current and deferred tax is recognised against the surplus or deficit for the period, except to the extent that it relates to a business combination or transactions recognised in other comprehensive revenue and expense, or directly in equity.

Currently, taxable revenue of HRC relates to revenue derived from dividends, CentrePort Limited and MWRC Holdings Limited, and the tax liability on these is usually met by imputation credits. All other revenue of HRC is currently exempt from income tax.

### Critical Accounting Estimates and Assumptions

In preparing these financial statements, HRC has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations or future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

### *Infrastructural Assets*

There are a number of assumptions and estimates used when performing Depreciated Replacement Cost (DRC) valuations over infrastructural assets.

These include:

- The physical deterioration and condition of an asset, e.g. HRC could be carrying an asset at an amount that does not reflect its actual condition. This risk is minimised by HRC adhering to maintenance requirements included in asset management plans currently in force, to ensure design standards are adequately maintained;
- Estimating any obsolescence or surplus capacity of an asset; and
- Estimates are made when determining the remaining useful lives over which the assets will be depreciated. These estimates can be impacted by local conditions; for example, weather patterns and population and/or traffic growth. To minimise this risk, HRC's infrastructural assets' useful lives were determined in conjunction with reference to the NZ Infrastructural Asset Valuation and Depreciation Guidelines published by the National Asset Management Steering (NAMS) Group.

Senior engineering staff working in the river and drainage area initially revise infrastructural asset valuations, and their methodology is then subject to peer review, and also reviewed by experienced independent valuers.

### *Fair value of the CentrePort Investment*

This has been valued using advice from a third party with expertise in valuing this kind of asset. Further information on the estimates can be found in note 17.

### *Fair value of the Investment Property*

This has been valued using advice from a third party with expertise in valuing this kind of asset. Further information on the estimates can be found in note 18.

### Critical Judgement in Applying Accounting Policies

Management has exercised the following critical judgements in applying accounting policies:

### *Classification of Property*

HRC owns properties that are currently rented as residential accommodation. The receipt of market-based rental from these is incidental to holding them, as the properties are held for service delivery objectives as part of HRC's overall service delivery and activity programmes. The properties are accounted for as property, plant and equipment.

#### *Fair value of the Investment Property*

This has been valued using advice from a third party with expertise in valuing this kind of asset. Further information on the judgements can be found in note 18.

#### **Capital Management**

HRC's capital is its equity (or ratepayers' funds), which comprise retained earnings and reserves. This is represented by HRC's net assets.

The Local Government Act 2002 (the Act) requires HRC to manage its revenues, expenses, assets, liabilities, investments and general financial dealings, prudently, and in a manner that promotes the current and future interests of the community. Largely as a by-product of this prudential management, ratepayers' funds are managed accordingly.

In order to achieve intergenerational equity, a principle promoted in the Act, HRC utilises asset management plans for its major assets and groups of assets, detailing renewal and maintenance programmes, to ensure ratepayers in future generations are not required to meet the costs of deferred renewals and maintenance.

The Long-term Plan identifies the long-term expenditure needs in relation to these asset management plans and sets out the sources and level of funding necessary to achieve these.

As part of this approach to intergenerational equity, HRC has created reserves identifying different areas of benefit. These are used where there is a discrete set of ratepayers as distinct from the general rate. Any surplus or deficit relating to these separate areas of benefit is applied solely to the specific reserves concerned.

# Notes to the Financial Statements (continued)

## Statement of Contingencies and Commitments as at 30 June 2020

### Contingent Liabilities

HRC has an investment in pre-1990 forestry, and although HRC may have a potential liability for deforestation penalties should these be harvested and not replanted, HRC does not consider these to be significant.

#### *Local Government Funding Agency (LGFA)*

The Council is a guarantor of LGFA. The LGFA was incorporated in December 2011 with the purpose of providing debt funding to local authorities in New Zealand. It has a current credit rating from Standard and Poor's of AA+ and a foreign currency rating of AA.

As at 30 June 2020, the Council is one of 54 local authority guarantors of the LGFA. Also, together with the other shareholders and guarantors, the Council is a guarantor of all the LGFA's borrowings. The LGFA's loans to local authorities are \$10.9 billion (2019: \$9.5 billion), of which the Group and the Council have borrowed \$0.049 billion (2019: \$0.035 billion). As a result, the Group and the Council's cross-guarantee on LGFA's loans to other local authorities is \$10.9 billion (2019 \$9.5 billion).

PBE Accounting Standards require the Group and the Council to recognise the guarantee liability at fair value. However, the Group and the Council have been unable to determine a sufficiently reliable fair value for the guarantee, and therefore has not recognised a liability. The Group and the Council consider the risk of the LGFA defaulting on repayment of interest or capital to be very low on the basis that:

- The Council is not aware of any local authority debt default events in New Zealand; and,
- Local government legislation would enable local authorities to levy a rate to recover sufficient funds to meet any debt obligations if further funds were required.

There are no other contingent liabilities.

### Contingent Assets

HRC has no significant contingent assets at balance date (last year nil).

### Associate/Subsidiary Contingent Liabilities

MWRC Holdings Ltd has entered into an agreement with a future tenant, and the agreement contains construction timelines which are required to be met. Should these not be met, there is potential liability for the company (this was the same as per last year).

### Liabilities of Associates/Subsidiaries for which the Group is Severally Liable

There are no liabilities for which HRC is severally liable (last year nil).

### Operating Lease Commitments

HRC has an operating lease commitment as Lessee as at 30 June 2020 relating to leasing of printers and copiers (same as last year).

HRC also has an operating lease commitment as Lessee for land leased for the Whanganui Service Centre and at 717 Tremaine Avenue, Palmerston North, and building lease at 17-23 Victoria Ave, Palmerston North. Total commitment for this at 30 June 2020 is \$0.782 million (last year \$0.316 million) as summarised in the following table:



Council Actual 2018-19 \$000	Group Actual 2018-19 \$000	Financial Term	Council Actual 2019-20 \$000	Group Actual 2019-20 \$000
		<b>181 Guyton Street, Whanganui (Whanganui Service Centre)</b>		
27	27	Less than and up to one year	27	27
108	108	Two to five years	108	108
164	164	Greater than five years	137	137
<b>299</b>	<b>299</b>	<b>Total</b>	<b>272</b>	<b>272</b>
		<b>717 Tremaine Ave, Palmerston North</b>		
17	17	Less than and up to one year	4	4
-	-	Two to five years	-	-
-	-	Greater than five years	-	-
<b>17</b>	<b>17</b>	<b>Total</b>	<b>4</b>	<b>4</b>
		<b>17-23 Victoria Ave, Palmerston North (Te Ao Nui)</b>		
-	-	Less than and up to one year	202	-
-	-	Two to five years	691	-
-	-	Greater than five years	-	-
<b>-</b>	<b>-</b>	<b>Total</b>	<b>893</b>	<b>-</b>
<b>316</b>	<b>316</b>	<b>Total Leases</b>	<b>1,169</b>	<b>276</b>

There are General Operating Land Lease commitments for HRC as Lessors, primarily in respect of river and drainage scheme land leased out for agricultural purposes. Total commitments for Council and Group for these at 30 June 2020 are \$5.730 million (last year \$5.251 million) as summarised in the following table:

HRC has a ground lease to MWRC Holdings Ltd for 17-23 Victoria Ave, Palmerston North. Total commitment as Lessee for this at 30 June 2020 is \$4.263 million (last year \$4.488 million) as summarised in the following table:

There are operating lease commitments for MWRC Holdings Ltd as Lessors in respect of a property at 28 North Street, Palmerston North and 17-23 Victoria Avenue, Palmerston North. Total commitments for these at 30 June 2020 are \$11.979 million (last year \$1.215 million) as summarised in the following table:

Total commitments as Lessors is \$9.993 million for HRC and \$17.709 million for the Group (last year \$9.739 million and \$6.466 million)

Council Actual 2018-19 \$000	Group Actual 2018-19 \$000	Financial Term	Council Actual 2019-20 \$000	Group Actual 2019-20 \$000
		<b>General Operating Land Leases</b>		
924	924	Less than and up to one year	1,045	1,045
2,735	2,735	Two to five years	3,038	3,038
1,592	1,592	Greater than five years	1,647	1,647
<b>5,251</b>	<b>5,251</b>	<b>Total</b>	<b>5,730</b>	<b>5,730</b>
		<b>17-23 Victoria Ave, Palmerston North (Te Ao Nui)</b>		
132	-	Less than and up to one year	132	1,298
528	-	Two to five years	528	5,370
3,828	-	Greater than five years	3,603	4,343
<b>4,488</b>	<b>-</b>	<b>Total</b>	<b>4,263</b>	<b>11,011</b>
		<b>28 North Street, Palmerston North</b>		
-	247	Less than and up to one year	-	247
-	968	Two to five years	-	721
-	-	Greater than five years	-	-
<b>-</b>	<b>1,215</b>	<b>Total</b>	<b>-</b>	<b>968</b>
<b>9,739</b>	<b>6,466</b>	<b>Total Leases</b>	<b>9,993</b>	<b>17,709</b>

## Capital Commitments

Capital commitments for which a contract has been signed, but the work has not yet been completed.

Council Actual 2018-19	Group Actual 2018-19	Contracts	Council Actual 2019-20	Group Actual 2019-20
<b>Infrastructural Assets</b>				
51,125	51,125	Stopbank Upgrade Kawakawa Rd to Aorangi Rd	-	-
890,843	890,843	Stopbank Construct Te Arakura Rd to Feilding	-	-
384,345	384,345	Stopbank Upgrade Himatangi Block Rd	-	-
54,851	54,851	Stopbank Upgrade Shannon	-	-
8,893	8,893	Stopbank Upgrade Parewanui	-	-
28,521	28,521	Repair work Bermland at Manunui	-	-
-	-	Kara Creek & Mangapuketea Stream Stopbank Upgrades	212,000	212,000
-	-	Stopbank Upgrade Tokomaru Both Banks to Railway	23,400	23,400
188,900	188,900	Stopbank Upgrade Tokomaru to Boundary Pumpstation	-	-
-	-	Stopbank Design and Build Oroua River - Feilding	68,632	68,632
-	-	Stopbank Updgrade Oroua River Left Bank Daltons Road	33,294	33,294
22,233	22,233	Riders Culvert Upgrade	-	-
24,840	24,840	Benmore Avenue Stopbank Upgrade	-	-
-	-	Protect Individual Property – Meehans	25,762	25,762
-	-	Protect Individual Property – McNeil's	118,673	118,673
<b>Scientific/Hydrological Equipment</b>				
-	-	Arawhata Sediment Trap	-	-
57,604	57,604	Lake Horowhenua Access Track <sup>1</sup>	-	-
7,295	7,295	Lake Horowhenua Boat Ramp Design	-	-
<b>Buildings</b>				
-	4,782,046	23 Victoria Avenue	-	-
<b>1,719,450</b>	<b>6,501,496</b>	<b>Total Capital Commitments</b>	<b>481,761</b>	<b>481,761</b>

There are other minor operating expenditure commitments for orders and hire contracts at balance date, but these are immaterial.

No restrictions placed on the Council and Group by any of the operating leasing arrangements.

No contingent rents have been recognised.

Land Property is leased under operating leases. The average lease period is 7 years, and some have the option to renew these leases.

<sup>1</sup> This commitment is subject to a High Court decision

## Notes to the Financial Statements (continued)

These financial statements report against the Annual Plan 2019-20 adopted by Council on 20 May 2019.

### Operating Result for the Year

- Capital Expenditure** was funded by asset sales, interest on fund balances, rate revenue and government grants. Depreciation on assets with a definite life are fully funded by rates, except for infrastructural assets, which are funded from reserves.
- Subsidies, Grants and Donations**

Council Actual 2018-19 \$000	Group Actual 2018-19 \$000		Council Actual 2019-20 \$000	Group Actual 2019-20 \$000
5,320	5,320	Transport Subsidy	5,873	5,873
1,796	1,796	SLUI – Hill Country Erosion	1,734	1,734
346	346	Manawatū Accord	228	228
615	615	MFE – Wildling Conifer	-	-
-	-	Horowhenua Clean-up Fund	-	-
175	175	Other	9	9
<b>8,252</b>	<b>8,252</b>	<b>Total Other Revenue</b>	<b>7,844</b>	<b>7,844</b>

There are no unfulfilled conditions or other contingencies attached to NZTA subsidies recognised.

### 3. Rates Revenue

Council Actual 2018-19 \$000	Group Actual 2018-19 \$000		Council Actual 2019-20 \$000	Group Actual 2019-20 \$000
19,206	19,206	<u>General Rates</u>	20,398	20,398
4,348	4,348	Uniform Annual General Charge	4,350	4,350
8,199	8,199	<u>Targeted Rates attributed to activities:</u>	8,311	8,311
		Environmental Activities		

10,852	10,852	River and Drainage Scheme Activities	11,672	11,672
2,038	2,038	Transport Scheme Activities	2,316	2,316
(151)	(151)	Remissions	(147)	(147)
898	898	Penalties	925	925
(1,052)	(1,052)	Discounts	(1,124)	(1,124)
<b>44,338</b>	<b>44,338</b>	<b>Total Rates Revenue (net of remissions)*</b>	<b>46,701</b>	<b>46,701</b>

Rating Units	Actual 2018-19	Actual 2019-20
Number of rating units (SUIP*)	108,612	109,125
Total capital value of rating units (\$million)	49,242	53,925
Total land value of rating units (\$million)	31,596	33,896
*Separately Used Inhabited Part		

### 4. Finance Revenue and Finance Costs

Council Actual 2018-19 \$000	Group Actual 2018-19 \$000		Council Actual 2019-20 \$000	Group Actual 2019-20 \$000
734	565	<b>Finance Revenue</b>	857	322
(240)	963	Interest revenue	1,298	1,202
<b>494</b>	<b>1,528</b>	<b>Total Finance Revenue</b>	<b>2,155</b>	<b>1,524</b>
126	126	<b>Finance Costs</b>	(8)	(8)
1,258	1,258	Interest Derivatives	1,573	1,573
<b>1,384</b>	<b>1,384</b>	<b>Total Finance Costs</b>	<b>1,565</b>	<b>1,565</b>
<b>(890)</b>	<b>144</b>	<b>Net Finance Costs</b>	<b>590</b>	<b>(41)</b>

## 5. Other Revenue

Council Actual	Group Actual		Council Actual	Group Actual
2018-19	2018-19		2019-20	2019-20
\$000	\$000		\$000	\$000
2,755	2,755	Consents, compliance and research charges	3,237	3,237
508	508	Emergency management contracted works	510	510
30	30	Insurance recoveries	32	32
1,304	1,552	Leased property revenue	1,325	2,420
610	610	Nursery sales	644	644
47	47	Scheme work contributions	1	1
1,116	1,116	Transport contributions	709	709
694	708	Gain on revaluations	548	158
-	-	Gain on Disposal of assets	23	23
3,912	3,409	User charges and other	2,718	2,373
<b>10,975</b>	<b>10,734</b>	<b>Total Other Revenue</b>	<b>9,746</b>	<b>10,107</b>

## 6. Exchange versus Non-exchange Revenue

Exchange revenue includes interest, dividends, lease and other revenue, not subsidised by rates. Non-exchange revenue includes rates, grants, fees and charges that are partly subsidised by rates.

Council Actual	Group Actual		Council Actual	Group Actual
2018-19	2018-19		2019-20	2019-20
\$000	\$000		\$000	\$000
1,798	3,081	Exchange revenue	3,501	4,115
62,261	61,770	Non-exchange revenue	62,945	62,061
<b>64,059</b>	<b>64,851</b>	<b>Total Revenue</b>	<b>66,446</b>	<b>66,177</b>

## 7. Other Expenses

Council Actual	Group Actual		Council Actual	Group Actual
2018-19	2018-19		2019-20	2019-20
\$000	\$000		\$000	\$000
1,829	1,860	Consulting services	1,641	1,715
11,845	11,935	Contractor services	9,725	9,708
110	110	Donations/grants/sponsorship	159	159
756	756	Environmental consumables	775	775
4,636	4,636	Environmental grants	4,631	4,631
690	713	Insurance	993	1,096
690	690	Laboratory charges (external)	446	446
434	434	Legal expenses	779	788
298	298	Light heat and power	284	292
86	86	Loss on Disposal of assets	30	30
758	757	Members fees and expenses	832	822
281	281	Nursery purchases	271	271
362	377	Rates paid	394	413
625	625	Software purchases	780	780
1,310	1,310	Technical services	1,897	1,899
5,830	5,830	Transport subsidies	6,330	6,330
218	218	Valuation and land data mgmt.	188	188
309	309	Vehicle fuel	274	274
116	116	Vehicle repairs & maintenance	89	89
5,804	5,844	Other operating expenses	6,589	6,406
<b>36,987</b>	<b>37,185</b>	<b>Total Other Expenses</b>	<b>37,107</b>	<b>37,114</b>

## 8. Councillors' Remuneration

Total remuneration (including salaries and allowances) of \$0.798 million; travel expenses \$0.034 million, and communication expenses \$0.011 million, were paid to councillors for the year (last year \$0.747 million, \$0.030 million and \$0.011 million respectively).

Council Actual 2018-19		Council Actual 2019-20 Expenses					
Remuneration	Expenses		Remuneration	Communications	Mileage	Travel Time	Meals / Misc
47,065	3,592	Barrow JJ	14,722	301	316	75	-
-	-	Benbow A	45,685	691	1,327	281	-
49,419	1,779	Burnell LR	15,459	301	632	280	-
-	-	Clarke E	34,696	691	1,449	379	-
68,244	8,741	Cotton DB	70,271	990	4,059	1,350	86
-	-	Ferguson S	44,066	691	1,326	780	110^
127,100	807	Gordon EB (Chair)*	74,720	943	1,782	441	-
-	-	Gordon F	34,696	691	-	-	-
56,478	990	Keedwell RJ (Chair)**	114,691	651	-	-	-
-	-	Kirton W	34,696	691	5,969	2,925	173
61,184	1,461	McKellar GM	19,139	301	2,040	-	-
35,299	743	Naylor JM	60,407	990	-	-	-
47,065	8,215	Patrick NJ	58,788	990	3,574	1,200	-
61,184	990	Rieger PW	19,139	301	-	-	-
56,478	7,803	Rollinson BE	17,667	301	1,224	563	-
47,065	3,893	Sheldon CI	5,905	119	-	-	-
49,048	2,412	Te Awe Awe WK	50,154	990	1,161	188	-
-	-	Turkington J	36,533	691	2,253	450	-
<b>705,628</b>	<b>41,426</b>	<b>Total Councillors' Remuneration</b>	<b>751,434</b>	<b>11,324</b>	<b>27,112</b>	<b>8,912</b>	<b>369</b>

\* Chair until 11 October 2020. Remuneration excludes \$1,591 vehicle allowance (last year \$7,954).

\*\* Chair from 22 October 2020. Remuneration excludes \$1,594 vehicle allowance (last year \$nil)

^ Bus fares

Expenses incurred by Councillors for 2019-20			
Accommodation for HRC meetings		Conference Costs for 2019-20	
Benbow A (from 20/10/19)	315	Gordon EB (when Chair)^	1,000
Clarke E (from 20/10/19)	165	Patrick NJ*	348
Cotton D	285	Te Awe Awe WK**	706
Ferguson S (from 20/10/19)	150		
Kirton W (from 20/10/19)	2,366		
Rollinson B (to 19/10/19)	225		

^ LGNZ Conference and Pre-Tour July 2019. These expenses relate to accommodation and any meals. Conference fees were paid in the previous financial year.

\* LGNZ Conference July 2019. These expenses relate to accommodation and any meals. Conference fees were paid in the previous financial year.

\*\* These fees include conference costs which relate both to LGNZ Conference and also attending Te Maruata Hui March 2020

## 9. Personnel Costs

Council Actual 2018-19 \$000	Group Actual 2018-19 \$000		Council Actual 2019-20 \$000	Group Actual 2019-20 \$000
355	355	Chief executive (CE) total remuneration*	363	363
<b>18,487</b>	<b>18,487</b>	<b>Total employee benefits (incl. CE)</b>	<b>19,765</b>	<b>19,765</b>
(414)	(414)	Less Capitalised Labour	(370)	(370)
508	508	Defined contribution plan employer contributions*	554	554
24	24	Movement in employee entitlements	293	293
<b>18,605</b>	<b>18,605</b>	<b>Total Personnel Costs</b>	<b>20,241</b>	<b>20,241</b>

## Additional Personnel Disclosures

Council Actual 2018-19 No.		Council Actual 2019-20 No.
	<b>At 30 June HRC employed:</b>	
209	Fulltime staff	220
25.4	FTE (Full time equivalent) part-time and casual staff	24.7
234.4	<b>Total FTEs</b>	<b>244.5</b>
	<b>No of employees by remuneration (contracted) band as at 30 June:</b>	
82	< \$60,000	82
101	\$60,000 - \$79,999	95
53	\$80,000 - \$99,999	63
7	\$100,000 - \$119,999	7
15	\$120,000 - \$139,999	16
6	\$140,000 - \$219,999	8
1	\$220,000 - \$379,999	1
265	<b>Total employees</b>	<b>272</b>

There were no severance payments made this year equating to \$nil (Last Year, nil payments equating to \$nil). The value of each of the severance payments was \$nil.

### 10. The Local Government Act and various Accounting Standards require identification of items as follows:

Council Actual 2018-19 \$000	Group Actual 2018-19 \$000		Council Actual 2019-20 \$000	Group Actual 2019-20 \$000
(6)	(6)	Change in impairment of receivables (decrease)	23	23
		<u>Audit fees to principal auditor:</u>		
132	139	– Annual Report	135	150
45	45	– Long -term Plan	-	-
4	4	- Debenture Trust Deed	5	5

All figures are exclusive of GST unless otherwise stated

(86)	(86)	Gain/(loss) on sale of fixed assets	(7)	(7)
225	225	Inventories consumed in the delivery of activities	265	265
82	82	Operational lease costs	299	192
76	76	Receivables actually written off	88	88

### 11. Related Party Transactions

- During the year councillors and key management, as part of normal customer relationships, were involved in transactions with HRC (such as payment of rates or consent fees, section 36 charges, or land leases). These transactions are all undertaken at arm's length.
- Except for these transactions, no other councillors or key management have entered into any significant related party transactions with HRC.
- HRC is a shareholder in MW LASS Ltd (MW LASS) and during the year contributed \$0.074 million (last year \$0.229 million) for archive and other projects, while MW LASS paid HRC a total of \$0.601 million for staff costs and other expenses (last year \$0.119 million). At balance date, the amount owing by MW LASS to HRC was \$0.060 million (last year \$0.159 million).
- During the year HRC received \$0.115 million (last year \$0.118 million) from MWRC Holdings Ltd (MWRCH), its subsidiary, for accounting and other administrative services. HRC received \$1.250 million payments this year (last year nil), no accrued subvention payments this year (last year accrued payments reflecting a credit of \$0.280 million), and interest receipt of \$nil from MWRCH (last year \$nil). At balance date the amount owing by MWRCH to HRC was \$0.269 million (last year \$0.138 million).
- HRC is a shareholder (15.5%) in Regional Software Holdings Ltd (RSHL). During the 12 months to 30 June 2020 HRC received \$nil (last year \$0.020 million) for accounting and other administrative support. At balance date, the amount owing by RSHL to HRC was \$nil (last year \$0.010 million).
- During the year, HRC invested \$17 million of borrowed funds into MWRC Holdings Ltd to facilitate the development of Victoria Avenue. These funds were borrowed through the Local Government Funding Agency (LGFA), as permitted under HRC's Liability Management Policy. This means that while there is a loan on HRC's balance sheet for the funds borrowed from the LGFA, there is a corresponding asset also on the balance sheet recording the secondary loan to MWRCH Holdings Ltd. Interest is charged at the actual interest rate plus a 0.25% margin.

## 12. Key Management Personnel Compensation

Council Actual 2018-19		Council Actual 2019-20
	<i>Councillors</i>	
705	Remuneration (\$000)	751
12	Full-time equivalent members	12
	<i>Senior Management Team including CEO</i>	
1,434	Remuneration (\$000)	1,459
6	Full-time equivalent members	6
<b>2,139</b>	<b>Total Remuneration (\$000)</b>	<b>2,219</b>
<b>18</b>	<b>Total Full-time Equivalent</b>	<b>18</b>

Key management personnel include the chair, councillors, chief executive and group managers. Remuneration includes employer KiwiSaver contributions and vehicle allowances.

Due to the difficulty in determining the full-time equivalent for councillors, the full-time equivalent figure is taken as the number of councillors.

## 13. Council Controlled Organisations (CCOs)

### REPORT ON HRC'S COUNCIL CONTROLLED ORGANISATION (CCO) AND COUNCIL CONTROLLED TRADING ORGANISATION (CCTO) (As required by Sec (16), Schedule 10, Local Government Act 2002)

#### (i) MW LASS Limited (MW LASS) – Exempt CCO

##### Report on extent to which HRC's significant policies and objectives in regard to ownership and control were implemented

During the 2019-20 financial year HRC made full use of a number of initiatives undertaken by MW LASS. Continued savings were made by collaborating in the procurement of insurance services. Shared procurement continued for vehicle GPS tracking and booking system, the sharing of valuation data and a shared service debt collection business unit was set up for the collection of Council's and TA's debt. The debt collection unit continued to grow; adding 3 new non-member councils, taking the total council membership to 24. This unit operates out of the MW LASS building in Feilding. Further projects this year have continued,

including Archives Central, a regional procurement process for obtaining goods and services from key providers, and a collaboration portal for the sharing of information across the MW LASS member councils.

##### Reporting against Statement of Intent (SOI) for 2019-20

As MW LASS Limited remains an "exempt" company, no reporting under this section is required.

#### (ii) MWRC Holdings Limited (MWRCH)

MWRCH was established to hold equity investments formerly held by HRC. The year to 2019-20 is the eleventh financial period MWRCH was operating.

##### Report on extent to which HRC's significant policies and objectives in regard to ownership and control were implemented

MWRCH has maintained a regular schedule of bi-monthly meetings, including both management and accounting reporting.

##### Reporting against Statement of Intent (SOI) for 2019-20

The targets included in the SOI for the year were:

##### Provide a minimum cash return on investment to the Council of 65% of NPAT.

This measure was achieved with a result of 113.12%. (Not achieved 2018-19).

##### Operate within agreed budgets

Overall revenue is below budget due to delays in tenants moving in due to COVID-19 lockdown. Overall expenditure is slightly over budget with overspends in Victoria Ave operational costs and finance costs offset by savings in administration expenses.

##### Maintain the following Financial Performance Targets

Target (\$000)	Actual 2018-19	Target 2019-20	Actual 2019-20
Net Profit Before Tax	595	300	1,173
Income Return on Total Assets*1	1.41%	0.81%	1.42%
Dividend/Subvention Payment	116	1,392	1,250
Capital Growth on Investments*2	83%	0.36%	60.45%

1. Return on Total Assets is the net profit before tax as a percentage of average total assets.
2. Capital growth on investments is calculated on the net movement for the year in on Other Financial Assets and Investment Property, as a percentage of the opening balances on these assets.

(iii) **Regional Software Holdings Limited (RSHL)**

RSHL was incorporated on 17 October 2012 and is owned by a number of regional councils. HRC's holding is 15.5% of the total shares. RSHL has achieved all the KPIs as set out in the Statement of Intent for 2019-20 and 2018-19.

**Report on extent to which HRC's significant policies and objectives in regard to ownership and control were implemented**

HRC's investment has been managed by participation in regular meetings and consultations with other shareholders regarding funding and programme development.

For the 2019-20 RSHL had ten performance indicators relating to time, budget and project development; all were fully achieved.

**14. Cash and Cash Equivalents**

Council Actual 2018-19 \$000	Group Actual 2018-19 \$000		Council Actual 2019-20 \$000	Group Actual 2019-20 \$000
3,154	8,131	Cash at bank and on hand	3,549	4,957
-	-	Term deposits with original maturities less than 3 months	-	-
<b>3,154</b>	<b>8,131</b>	<b>Total Cash and Cash Equivalents</b>	<b>3,549</b>	<b>4,957</b>

**15. Trade and Other Receivables**

Council Actual 2018-19 \$000	Group Actual 2018-19 \$000		Council Actual 2019-20 \$000	Group Actual 2019-20 \$000
2,988	2,988	Rates receivables	3,179	3,179
3,335	3,323	Trade and other receivables	3,630	2,361
307	161	Due from related parties	329	60
328	799	GST receivable	421	404
(3)	(3)	Provision for impairment	(26)	(26)
<b>6,955</b>	<b>7,268</b>	<b>Total Trade and Other Receivables</b>	<b>7,533</b>	<b>5,978</b>

Debtors and other receivables are non-interest bearing, and receipt is normally on 30-day terms; therefore, the carrying amount of debtors and other receivables approximates their fair value.

No provision is made for any impairment on rates receivable, as HRC has various powers under the Local Government (Rating) Act 2002 to recover any outstanding debts. HRC and the Group hold no collateral as security or other credit enhancements over receivables that are either past due or impaired.

Council	2018-19 \$000			2019-20 \$000		
	Gross	Impair	Net	Gross	Impair	Net
Not past due	3,709	-	3,709	3,772	-	3,772
Past due 1-30 days	(624)	-	(624)	20	-	20
Past due 31-90 days	384	-	384	435	-	435
Past due >90 days	3,488	(3)	3,485	3,329	(26)	3,303
	<b>6,958</b>	<b>(3)</b>	<b>6,955</b>	<b>7,556</b>	<b>(26)</b>	<b>7,530</b>
Exchange	65	-	65	71	(2)	69
Non-exchange	6,893	(3)	6,890	7,486	(24)	7,462
	<b>6,958</b>	<b>(3)</b>	<b>6,955</b>	<b>7,557</b>	<b>(26)</b>	<b>7,531</b>
<b>Group</b>	<b>7,271</b>	<b>(3)</b>	<b>7,268</b>	<b>6,004</b>	<b>(26)</b>	<b>5,978</b>

Exchange receivables include lease revenue and services not subsidised by rates. Non-exchange receivables include outstanding amounts of rates and grants that are partly subsidised by rates.



In addition to these receivables, outstanding fines due to HRC of \$0.105 million (last year \$0.076 million), are detailed in the "Supplementary Information" section later in this document. Due to HRC's inability to enforce recovery of these amounts, they are not included as receivables in the financial statements.

The impairment was calculated based on a review of specific overdue receivables and a collective assessment.

Council Actual 2018-19 \$000	Group Actual 2018-19 \$000		Council Actual 2019-20 \$000	Group Actual 2019-20 \$000
(9)	(9)	Opening balance	(3)	(3)
-	-	Receivables written off during the year	88	88
(9)	(9)		85	85
-	-	Additional provisions made during the year:	-	-
6	6	Individual - (increase)/decrease	(111)	(111)
-	-	Collective - (increase)/decrease	-	-
(3)	(3)	Closing Balance	(26)	(26)
(3)	(3)	<b>Closing Balance comprises:</b>		
-	-	Individual impairment	(26)	(26)
-	-	Collective impairment	-	-
(3)	(3)	<b>Total</b>	(26)	(26)

#### 16. Inventories on Hand (\$000)

Council Actual 2018-19 \$000	Group Actual 2018-19 \$000		Council Actual 2019-20 \$000	Group Actual 2019-20 \$000
1,041	1,041	Opening inventories on hand	1,154	1,154
339	339	Purchases and associated costs	316	316
1,380	1,380		1,470	1,470
(226)	(226)	Inventories consumed in activities	(265)	(265)
1,154	1,154	Closing inventories on hand	1,205	1,205

No inventories are pledged as security for liabilities (last year nil).

The carrying amount of inventory held for distribution that are measured at current replacement cost as at 30 June 2020 amount to nil (last year nil).

#### 17. Other Financial Assets

Council Actual 2018-19 \$000	Group Actual 2018-19 \$000		Council Actual 2019-20 \$000	Group Actual 2019-20 \$000
<b>Current portion</b>				
-	-	Term deposits with maturities of 4-12 months	-	-
-	-	Loans to subsidiaries and associates	-	-
-	-	<b>Total current portion</b>	-	-
<b>Non-current Financial assets</b>				
2	2	<i>Investments in CCOs and similar entities</i>	2	2
16	16	NZ Local Government Insurance Corporation Ltd	16	16
798	798	MW Lass Ltd	798	798
31,500	-	Regional Software Holdings Ltd	31,500	-
15,000	-	MWRC Holdings Ltd	17,000	-
560	560	Loans to subsidiaries and associates	592	592
47,876	1,376	LGFA Deposit	49,908	1,408
-	39,000	<i>Investment in other entities</i>	-	70,000
3,164	3,164	Unlisted shares in CentrePort Ltd (23.08%)	3,243	3,243
3,164	42,164	Listed share portfolio – Hobson Wealth	3,243	73,243
51,040	43,540	<b>Total investment in other entities</b>	53,151	74,651
51,040	43,540	<b>Total non-current portion</b>	53,151	74,651
51,040	43,540	<b>Total Other Financial Assets</b>	53,151	74,651

The carrying amount of term deposits approximates their fair value.

There were no impairment expenses or provisions for other financial assets.

None of the financial assets are either past due or impaired.

EQUITY INVESTMENTS (Designated as "fair value through other comprehensive revenue and expense")	Value of investment \$000
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NZ Local Government Insurance Corporation Ltd (2,000 shares - this is included in the "Parent Entity" and Group accounts at cost, as no fair value amount is available.)	2
MW LASS Ltd HRC has 14.29% (16/112) of the shares. (This is included in the "Parent Entity" and Group accounts at cost, as no fair value is available.)	16
Regional Software Holdings Ltd HRC has 15.50% of the shares (1,550 shares - this is included in the "Parent Entity" and Group accounts at cost, as no fair value is available.)	798
CentrePort Ltd MWRCH has 23.08% of the shares (5,405,691 shares - this is included in the Group accounts at fair value.)	70,000
Hobson Wealth Investment This is a portfolio of investments made up of New Zealand and international shares. These are listed equities and have been valued using their quoted market price at balance date.	3,243

#### INVESTMENT IN SUBSIDIARY

MWRC Holdings Limited HRC has 100% of the shares. (56,100,000 shares - this is included in the "Parent Entity" accounts at cost, and in the Group Accounts using the "Accounting for Equity" method.)	31,500
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#### Overview

The Directors have increased the carrying value of the Company's 23.08% shareholding in CentrePort as at 30 June 2020 after receiving independent valuation advice from PwC. The new valuation reflects a \$31 M increase (in 2019 there was an \$11.7 M increase). This uplift results from greater certainty in the long-term capital expenditure plan currently being planned by CentrePort, a decrease in the Company's WACC, increased cash from

insurance proceeds received and a minor adjustment in the minority discount applied.

#### Impact of the 2016 Kaikoura Earthquake on parent and group investments

##### Overview

The November 2016 earthquake created a significant level of uncertainty about the future business operations of CentrePort, as well as the capital expenditure that will be required to reinstate the Company's assets or otherwise expended to develop the Port.

CentrePort is continuing to provide more certainty on its future business operations in the preparation of a Master "Regeneration Plan" for the redevelopment of the Port and has commenced discussions with its shareholders in relation to these plans. Capital expenditure forecasts remain subject to some uncertainty whilst the Regeneration Plan process is ongoing.

##### (i) Council's Investment in MWRC Holdings Ltd

Council holds its investment in MWRC Holdings Ltd at cost at the parent level.

##### (ii) Group investment in the unlisted CentrePort shares

The carrying value of the Company's 23.08% shareholding in CentrePort as at 30 June 2020 has increased.

The valuation advice for port operations was determined using a discounted cash flow methodology based on the following information provided by CentrePort:

- 2021 to 2023 Statement of Intent (SOI).
- FY 2020 Q3 shareholder reports.
- Forecasts on operational and capital expenditure.
- Shareholder reports provided by CentrePort.
- High-level discussions with CentrePort management.

#### Uncertainties in the valuation advice

The Directors note that there are key uncertainties highlighted in the fair value valuation advice they have received. Those uncertainties include:

- Capital expenditure required to rebuild and redevelop the port may be greater or lesser than expected, and timings are uncertain.
- There is still considerable uncertainty surrounding the implications of COVID-19 on CentrePort's financial performance or the economy as a whole. The cruise industry is under significant pressure with an extended ban on cruise ships entering New Zealand, and the significance of the impact of this on CentrePort's cruise revenue and short-term operations is difficult to estimate.

### Assumptions

The independent valuation advice is based on the following key assumptions:

- A valuation date as at 30 June 2020.
- All capital expenditure forecasts are as per the forecast financial statements contained within the 2020 SOI prepared by CentrePort, and other documentation provided to shareholders, as well as discussions with management.
- Mid period cash flow timing.
- A tax rate of 28%, with tax being paid in the year incurred.
- A nominal terminal growth rate of 2.0%.
- A WACC of 6.2%.
- Terminal year capital expenditure estimate of \$24m.

The upper bound range of the previously applied minority discount range of 30%-40% has decreased as a result of the shareholders working co-operatively in the discussion of future regeneration plans. A discount of 30% - 35% has been applied due to MWRCH's minority shareholding. MWRCH has little control over CentrePort's operations as the other shareholder Greater Wellington has a majority shareholding of greater than 75%. This discount reflects the lower value this shareholding has since it has limited ability to influence strategy setting, dividend policy and the rights to refuse the transfer of shares.

### Sensitivity analysis

Sensitivity analysis has been completed where changes in key inputs to assumptions would significantly change the fair value. The change to the valuation from changing these inputs has been estimated as follows:

- The weighted average cost of capital (WACC) utilised to determine the DCF of the port operations ranged from 5.9% to 6.4% across the 10-year forecast period. If the WACC was increased by 0.5% for every time period, the impact on the value of the Council's shareholding would be a reduction of \$4.5m or 7.0%. If the WACC was reduced by 0.5% for every time period, the impact on the value of the shareholding would be an increase of \$6.2m or 8.3%.
- If the value of CentrePort's commercial property interests was to decrease by \$10m, the value decrease would be \$1.5m or 2.3%. If the value were to increase by \$10m, the value increase would be \$1.6m or 2.1%.
- If the capital expenditure forecasts were to decrease by 5% from those assumed in the valuation (with no flow on changes to revenue or cost), the value impact would be an increase of \$2.6m or 3.5%. If the capital expenditure forecasts were to increase by 5% from those assumed in the valuation, the value impact would be a decrease of \$2.4m or 3.7%.
- If the discount rate applied for the minority interest was to decline to 5%, to 25%, the value increase would be \$5.0m or 7.1%. If the discount rate applied for the minority interest was to increase to 5%, to 40%, the value increase would be \$5.4m or 7.7%.

The valuation advice including calculating the discount rate has been carried out by an independent third party (PWC) with experience in valuing investments of this type.

## 18. Investment property

Council Actual 2018-19 \$000	Group Actual 2018-19 \$000		Council Actual 2019-20 \$000	Group Actual 2019-20 \$000
		<b>North Street – property owned by MWRCH</b>		
-	3,050	Balance at 1 July	-	3,050
-	-	Property purchased	-	-
-	-	Renovations	-	-
-	-	Revaluation as at 30 June to reflect fair values	-	100
-	3,050	<b>Total Investment Property</b>	-	3,150
		<b>Victoria Avenue, Palmerston North</b>		
-	2,765	Balance at 1 July	2,500	18,500
2,500	-	Property	-	-
-	15,721	Work in Progress	-	5,793
-	-	Reclassification on Consolidation	-	(2,640)
-	14	Revaluation as at 30 June to reflect fair values	200	(291)
2,500	18,500	<b>Total Victoria Avenue</b>	2,700	21,362
2,500	21,550	<b>Total Investment Properties</b>	2,700	24,512

The property applies the fair value model for valuing the property. In determining the fair value, the valuers have utilised an income capitalisation approach referred to the lease of the property. Yields are derived from analysis of comparable sales in the market. The property was valued by an independent registered valuer, Blackmores Group, which has the relevant professional qualifications and recent experience. There are no known restrictions to the realisability of the investment property.

### Impact of COVID-19

The current COVID-19 pandemic has created significant market uncertainty. These valuations are current as at the date of valuation only. The value assessed here in may change significantly and unexpectedly over a relatively short period of time (including as a result of factors that the

Valuer could not reasonably have been aware of as at the date of this valuation).

## 19. Forestry Asset

Council Actual 2018-19 \$000	Group Actual 2018-19 \$000		Council Actual 2019-20 \$000	Group Actual 2019-20 \$000
		<b>SLUI Forestry Development</b>		
4,022	4,022	Balance at 1 July	4,816	4,816
101	101	Increases due to purchases	220	220
694	694	Plus revaluation gain (see Note 5)	308	308
4,817	4,817	<b>Balance at 30 June</b>	5,344	5,344
		<b>Other Forestry Development</b>		
500	500	Balance at 1 July	545	545
-	-	Increases due to purchases	-	-
45	45	Plus revaluation gain	40	40
-	-	Reclassification from Property, Plant and Equipment	-	-
545	545	<b>Balance at 30 June</b>	585	585
5,362	5,362	<b>Total Forestry Value at 30 June</b>	5,929	5,929

SLUI forestry development is an integral part of delivering the Sustainable Land Use Initiative (SLUI). This activity is a targeted response to accelerated soil erosion in hill country and the downstream effects on our water quality and flood protection schemes. HRC works with landowners within target catchments to implement programmes to reduce hill country erosion.

The Council owns SLUI Forestry of 1,377 hectares of net stocked area, which are at varying stages of maturity ranging from 5-12 years. They are on leased land with leases ranging from 30-35 years.

Other forestry development is planted on riverside land to minimise the land degradation in that location. Previously, this asset type was incorporated within the Infrastructural assets, however, as at 30 June 2019 a valuation was performed and the asset was reclassified and separately identified.

## Valuation Assumptions

Independent registered valuer, Stuart Orme of Forest 365 valued the SLUI Forests, and Alan C Bell has valued the other forestry assets as at 30 June 2020. The following significant valuation assumptions have been adopted in determining fair value of forestry assets:

- A discount rate of 8% has been used in discounting the present value of expected future cash flows;
- The forest has been valued on a going concern basis and includes only the value of the existing crops on a single rotation basis;
- No allowance for inflation has been provided;
- Costs are current average costs; no allowance has been made for cost improvements in future operations; and
- Log prices are based on a three-year historical rolling average.

Forestry is held for the dual purpose of protection against soil erosion and for commercial purposes to make a gain.

## Financial Risk Management Strategies

HRC and the Group are exposed to financial risks arising from changes in timber prices. They, as part of the SLUI programme, are long-term forestry investors and do not expect timber prices to decline significantly in the foreseeable future. For this reason, and due to the short life-to-date of the asset, no measures were taken to manage the risk of a decline in timber prices. When appropriate in the future, HRC and the Group will review its outlook for timber prices regularly in considering the need for active financial risk management.

## 20. Property, Plant, Equipment and Intangibles - Parent

2020	Cost or Revaluation 30 June 2019	Accumulated Depreciation & Impairment Charges 30 June 2019	Carrying Amount 30 June 2019	Transfers and other adjustments		Additions or Constructed Assets At Cost	Disposals At Cost	Accumulated Depreciation on Disposals	Depreciation	Depreciation Elimination on Revaluation	Revaluation Change	Cost or Revaluation 30 June 2020	Accumulated Depreciation & Impairment Charges 30 June 2020	Carrying Amount 30 June 2020
	\$000	\$000	\$000	Cost	Accumulated Depreciation	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>INTANGIBLE ASSETS</b>														
Computer software	11,237	(8,230)	3,007	33	(88)	726	(329)	329	(656)	-	-	11,667	(8,645)	3,022
Capital work in progress	986	-	986	99	-	331	(301)	-	-	-	-	1,115	-	1,115
<b>Total Intangible Assets</b>	<b>12,223</b>	<b>(8,230)</b>	<b>3,993</b>	<b>132</b>	<b>(88)</b>	<b>1,057</b>	<b>(630)</b>	<b>329</b>	<b>(656)</b>	<b>-</b>	<b>-</b>	<b>12,782</b>	<b>(8,645)</b>	<b>4,137</b>
<b>OPERATIONAL ASSETS</b>														
Buildings	7,377	(2)	7,375	(31)	-	1,353	-	-	(157)	-	-	8,699	(159)	8,540
Communications equipment	1,331	(1,207)	124	1	(1)	108	(17)	17	(41)	-	-	1,423	(1,232)	191
Computer equipment	3,597	(3,263)	333	(33)	89	837	(74)	74	(180)	-	-	4,328	(3,280)	1,048
Equipment & electronics	1,544	(1,078)	466	(5)	(1)	472	(18)	18	(149)	-	-	1,993	(1,211)	782
Fittings, furniture & equipment	2,689	(1,956)	734	-	-	689	(32)	20	(94)	-	-	3,345	(2,030)	1,315
Land - owned	41,056	-	41,056	1	-	708	-	-	-	-	-	41,765	-	41,765
Land - vested	7,420	-	7,420	-	-	-	-	-	-	-	-	7,420	-	7,420
Plant & machinery	1,288	(854)	434	-	-	72	-	-	(59)	-	-	1,360	(913)	447
Scientific/hydrological equipment	9,431	(7,017)	2,415	(1)	-	524	(503)	463	(464)	-	-	9,451	(7,018)	2,433
Vehicles	5,732	(2,891)	2,842	27	(27)	1,315	(668)	584	(728)	-	-	6,407	(3,062)	3,345
Capital work in progress	1,434	-	1,434	(99)	-	316	(939)	-	-	-	-	712	-	712
<b>Total Operational Assets</b>	<b>82,900</b>	<b>(18,267)</b>	<b>64,633</b>	<b>(140)</b>	<b>60</b>	<b>6,394</b>	<b>(2,251)</b>	<b>1,176</b>	<b>(1,872)</b>	<b>-</b>	<b>-</b>	<b>86,903</b>	<b>(18,905)</b>	<b>67,998</b>
<b>TOTAL INTANGIBLE AND OPERATIONAL</b>	<b>95,123</b>	<b>(26,497)</b>	<b>68,626</b>	<b>(8)</b>	<b>(28)</b>	<b>7,451</b>	<b>(2,881)</b>	<b>1,505</b>	<b>(2,528)</b>	<b>-</b>	<b>-</b>	<b>99,685</b>	<b>(27,550)</b>	<b>72,135</b>
<b>INFRASTRUCTURAL ASSETS</b>														
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
River systems	466,745	-	466,745	-	-	2,170	(331)	-	(981)	981	101,767	570,351	-	570,351
Drainage systems	73,171	-	73,171	-	-	86	(11)	-	(690)	690	8,895	82,141	-	82,141
Capital work in progress	2,138	-	2,138	-	-	3,627	(2,138)	-	-	-	-	3,628	-	3,628
<b>Total Infrastructural Assets</b>	<b>542,054</b>	<b>-</b>	<b>542,054</b>	<b>-</b>	<b>-</b>	<b>5,883</b>	<b>(2,480)</b>	<b>-</b>	<b>(1,671)</b>	<b>1,671</b>	<b>110,662</b>	<b>656,120</b>	<b>-</b>	<b>656,120</b>
<b>TOTALS FOR PARENT ENTITY</b>	<b>637,177</b>	<b>(26,497)</b>	<b>610,680</b>	<b>(8)</b>	<b>(28)</b>	<b>13,334</b>	<b>(5,361)</b>	<b>1,505</b>	<b>(4,199)</b>	<b>1,671</b>	<b>110,662</b>	<b>755,805</b>	<b>(27,550)</b>	<b>728,255</b>

## Property, Plant, Equipment and Intangibles - Group

2020	Cost or	Accumulated	Carrying	Transfers and other		Additions &	Disposals	Accumulated	Depreciation	Depreciation	Revaluation	Cost or	Accumulated	Carrying
	Revaluation	Depreciation	Amount	adjustments		Constructed	At Cost	Depreciation		Elimination	Change	Revaluation	Depreciation &	Amount
	30 June 2019	& Impairment	30 June	Cost	Accumulated	Assets At		on Disposals		on		30 June 2020	Impairment	30 June
	\$000	Charges	2019	\$000	Depreciation	Cost	\$000	\$000	\$000	\$000	\$000	\$000	Charges	2020
		30 June 2019			\$000								30 June 2020	
<b>INTANGIBLE ASSETS</b>														
Computer software	11,237	(8,230)	3,007	33	(88)	726	(329)	329	(656)	-	-	11,667	(8,645)	3,022
Capital work in progress	986	-	986	99	-	331	(301)	-	-	-	-	1,115	-	1,115
<b>Total Intangible Assets</b>	<b>12,223</b>	<b>(8,230)</b>	<b>3,993</b>	<b>132</b>	<b>(88)</b>	<b>1,057</b>	<b>(630)</b>	<b>329</b>	<b>(656)</b>	<b>-</b>	<b>-</b>	<b>12,782</b>	<b>(8,645)</b>	<b>4,137</b>
<b>OPERATIONAL ASSETS</b>														
Buildings	7,377	(2)	7,375	(31)	-	3,993	-	-	(157)	-	-	11,339	(159)	11,180
Communications equipment	1,331	(1,207)	124	1	(1)	108	(17)	17	(41)	-	-	1,423	(1,232)	191
Computer equipment	3,597	(3,263)	333	(33)	89	837	(74)	74	(180)	-	-	4,328	(3,280)	1,048
Equipment & electronics	1,544	(1,078)	466	(5)	(1)	472	(18)	18	(149)	-	-	1,993	(1,211)	782
Fittings, furniture & equipment	2,689	(1,956)	733	-	-	689	(32)	20	(94)	-	-	3,345	(2,030)	1,315
Land - owned	43,556	-	43,556	1	-	708	-	-	-	-	-	44,265	-	44,265
Land - vested	7,420	-	7,420	-	-	-	-	-	-	-	-	7,420	-	7,420
Plant & machinery	1,288	(854)	434	-	-	72	-	-	(59)	-	-	1,360	(913)	447
Scientific/hydrological equipment	9,431	(7,017)	2,414	(1)	-	524	(503)	463	(464)	-	-	9,451	(7,018)	2,433
Vehicles	5,732	(2,891)	2,842	27	(27)	1,315	(668)	584	(728)	-	-	6,407	(3,062)	3,345
Capital work in progress	1,434	-	1,434	(99)	-	316	(939)	-	-	-	-	712	-	712
<b>Total Operational Assets</b>	<b>85,400</b>	<b>(18,267)</b>	<b>67,133</b>	<b>(140)</b>	<b>60</b>	<b>9,034</b>	<b>(2,251)</b>	<b>1,176</b>	<b>(1,872)</b>	<b>-</b>	<b>-</b>	<b>92,043</b>	<b>(18,905)</b>	<b>73,138</b>
<b>TOTAL INTANGIBLE AND OPERATIONAL ASSETS</b>	<b>97,623</b>	<b>(26,497)</b>	<b>71,126</b>	<b>(8)</b>	<b>(28)</b>	<b>10,091</b>	<b>(2,881)</b>	<b>1,505</b>	<b>(2,528)</b>	<b>-</b>	<b>-</b>	<b>104,825</b>	<b>(27,550)</b>	<b>77,275</b>
<b>INFRASTRUCTURAL ASSETS</b>														
River systems	466,745	-	466,745	-	-	2,170	(331)	-	(981)	981	101,767	570,351	-	570,351
Drainage systems	73,171	-	73,171	-	-	86	(11)	-	(690)	690	8,895	82,141	-	82,141
Capital work in progress	2,138	-	2,138	-	-	3,627	(2,138)	-	-	-	-	3,628	-	3,628
<b>Total Infrastructural Assets</b>	<b>542,054</b>	<b>-</b>	<b>542,054</b>	<b>-</b>	<b>-</b>	<b>5,883</b>	<b>(2,480)</b>	<b>-</b>	<b>(1,671)</b>	<b>1,671</b>	<b>110,662</b>	<b>656,120</b>	<b>-</b>	<b>656,120</b>
<b>TOTALS FOR GROUP:</b>	<b>639,677</b>	<b>(26,497)</b>	<b>613,180</b>	<b>(8)</b>	<b>(28)</b>	<b>15,974</b>	<b>(5,361)</b>	<b>1,505</b>	<b>(4,199)</b>	<b>1,671</b>	<b>110,662</b>	<b>760,945</b>	<b>(27,550)</b>	<b>733,395</b>

2019	Cost or Revaluation 30 June 2018	Accumulated Depreciation & Impairment Charges 30 June 2018	Carrying Amount 30 June 2018	Asset Classification Transfers		Additions or Constructed Assets At Cost	Disposals At Cost	Accumulated Depreciation on Disposals	Depreciation / Amortisation	Depreciation Elimination on Revaluation	Revaluation Change	Cost or Revaluation 30 June 2019	Accumulated Depreciation & Impairment Charges 30 June 2019	Carrying Amount 30 June 2019
	\$000	\$000	\$000	Cost	Accumulated Depreciation	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>INTANGIBLE ASSETS</b>														
Computer software	10,855	(7,661)	3,194	-	-	382	-	-	(569)	-	-	11,237	(8,230)	3,007
Capital work in progress	547	-	547	-	-	538	(99)	-	-	-	-	986	-	986
<b>Total Intangible Assets</b>	<b>11,402</b>	<b>(7,661)</b>	<b>3,741</b>	<b>-</b>	<b>-</b>	<b>920</b>	<b>(99)</b>	<b>-</b>	<b>(569)</b>	<b>-</b>	<b>-</b>	<b>12,223</b>	<b>(8,230)</b>	<b>3,993</b>
<b>OPERATIONAL ASSETS</b>														
Buildings	8,203	(1,106)	7,097	(1,086)	980	367	-	-	(162)	285	(109)	7,377	(2)	7,375
Communications equipment	1,340	(1,167)	173	-	-	13	(22)	14	(54)	-	-	1,331	(1,207)	124
Computer equipment	3,399	(3,009)	390	(1)	(3)	204	(5)	3	(254)	-	-	3,597	(3,263)	333
Equipment & electronics	1,180	(974)	206	-	-	655	(291)	23	(127)	-	-	1,544	(1,078)	466
Fittings, furniture & equipment	1,708	(1,492)	217	833	(431)	163	(15)	14	(47)	-	-	2,689	(1,956)	734
Land - owned	40,966	-	40,966	(2,681)	-	565	(63)	-	-	-	2,269	41,056	-	41,056
Land - vested	6,125	-	6,125	15	-	-	(43)	-	-	-	1,323	7,420	-	7,420
Plant & machinery	1,140	(799)	341	-	-	148	-	-	(55)	-	-	1,288	(854)	434
Scientific/hydrological equipment	9,472	(7,013)	2,460	1	2	548	(590)	492	(498)	-	-	9,431	(7,017)	2,415
Vehicles	5,360	(3,054)	2,307	(36)	36	1,245	(837)	785	(658)	-	-	5,732	(2,891)	2,842
Capital work in progress.	981	-	981	-	-	802	(349)	-	-	-	-	1,434	-	1,434
<b>Total Operational Assets</b>	<b>79,874</b>	<b>(18,612)</b>	<b>61,262</b>	<b>(2,955)</b>	<b>584</b>	<b>4,712</b>	<b>(2,215)</b>	<b>1,331</b>	<b>(1,855)</b>	<b>285</b>	<b>3,483</b>	<b>82,900</b>	<b>(18,269)</b>	<b>64,633</b>
<b>TOTAL INTANGIBLE AND OPERATIONAL</b>	<b>91,276</b>	<b>(26,273)</b>	<b>65,003</b>	<b>(2,955)</b>	<b>584</b>	<b>5,632</b>	<b>(2,314)</b>	<b>1,331</b>	<b>(2,424)</b>	<b>285</b>	<b>3,483</b>	<b>95,122</b>	<b>(26,499)</b>	<b>68,626</b>
<b>INFRASTRUCTURAL ASSETS</b>														
River systems	396,119	(858)	395,261	-	-	6,155	(63)	-	(845)	1,703	64,534	466,745	-	466,745
Drainage systems	61,942	(509)	61,433	-	-	194	(96)	-	(639)	1,148	11,131	73,171	-	73,171
Capital work in progress..	1,977	-	1,977	-	-	1,896	(1,735)	-	-	-	-	2,138	-	2,138
<b>Total Infrastructural Assets</b>	<b>460,038</b>	<b>(1,367)</b>	<b>458,671</b>	<b>-</b>	<b>-</b>	<b>8,245</b>	<b>(1,894)</b>	<b>-</b>	<b>(1,484)</b>	<b>2,851</b>	<b>75,655</b>	<b>542,054</b>	<b>-</b>	<b>542,054</b>
<b>TOTALS FOR PARENT ENTITY</b>	<b>551,314</b>	<b>(27,640)</b>	<b>523,674</b>	<b>(2,955)</b>	<b>584</b>	<b>13,877</b>	<b>(4,208)</b>	<b>1,331</b>	<b>(3,908)</b>	<b>3,136</b>	<b>79,150</b>	<b>637,177</b>	<b>(26,499)</b>	<b>610,680</b>



2019	Cost or Revaluation 30 June 2018	Accumulated Depreciation & Impairment Charges 30 June 2018	Carrying Amount 30 June 2018	Asset Classification Transfers		Additions or Constructed Assets At Cost	Disposals At Cost	Accumulated Depreciation on Disposals	Depreciation / Amortisation	Depreciation Elimination on Revaluation	Revaluation Change	Cost or Revaluation 30 June 2019	Accumulated Depreciation & Impairment Charges 30 June 2019	Carrying Amount 30 June 2019
	\$000	\$000	\$000	Cost	Accumulated Depreciation	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>INTANGIBLE ASSETS</b>														
Computer software	10,855	(7,661)	3,194	-	-	382	-	-	(569)	-	-	11,237	(8,230)	3,006
Capital work in progress	547	-	547	-	-	538	(99)	-	-	-	-	986	-	986
<b>Total Intangible Assets</b>	<b>11,402</b>	<b>(7,661)</b>	<b>3,741</b>	<b>-</b>	<b>-</b>	<b>920</b>	<b>(99)</b>	<b>-</b>	<b>(569)</b>	<b>-</b>	<b>-</b>	<b>12,223</b>	<b>(8,230)</b>	<b>3,992</b>
<b>OPERATIONAL ASSETS</b>														
Buildings	8,203	(1,106)	7,097	(1,086)	980	367	-	-	(162)	285	(109)	7,377	(2)	7,375
Communications equipment	1,340	(1,167)	173	-	-	13	(22)	14	(54)	-	-	1,331	(1,207)	124
Computer equipment	3,399	(3,009)	390	(1)	(3)	204	(5)	3	(254)	-	-	3,597	(3,263)	333
Equipment & electronics	1,180	(974)	206	-	-	655	(291)	23	(127)	-	-	1,544	(1,078)	466
Fittings, furniture & equipment	1,708	(1,492)	217	833	(431)	163	(15)	14	(47)	-	-	2,689	(1,956)	734
Land - owned	40,966	-	40,966	(181)	-	565	(63)	-	-	-	2,269	43,556	-	43,556
Land - vested	6,125	-	6,125	15	-	-	(43)	-	-	-	1,323	7,420	-	7,420
Plant & machinery	1,140	(799)	341	-	-	148	-	-	(55)	-	-	1,288	(854)	434
Scientific/hydrological equipment	9,472	(7,013)	2,460	1	2	548	(590)	492	(498)	-	-	9,431	(7,017)	2,415
Vehicles	5,360	(3,054)	2,307	(36)	36	1,245	(837)	785	(658)	-	-	5,732	(2,891)	2,842
Capital work in progress	981	-	981	-	-	802	(349)	-	-	-	-	1,434	-	1,434
<b>Total Operational Assets</b>	<b>79,874</b>	<b>(18,612)</b>	<b>61,262</b>	<b>(455)</b>	<b>584</b>	<b>4,712</b>	<b>(2,215)</b>	<b>1,331</b>	<b>(1,855)</b>	<b>285</b>	<b>3,483</b>	<b>85,400</b>	<b>(18,269)</b>	<b>67,133</b>
<b>TOTAL INTANGIBLE AND OPERATIONAL ASSETS</b>	<b>91,276</b>	<b>(26,273)</b>	<b>65,003</b>	<b>(455)</b>	<b>584</b>	<b>5,632</b>	<b>(2,314)</b>	<b>1,331</b>	<b>(2,424)</b>	<b>285</b>	<b>3,483</b>	<b>97,623</b>	<b>(26,499)</b>	<b>71,126</b>
<b>INFRASTRUCTURAL ASSETS</b>														
River systems	396,119	(858)	395,261	-	-	6,155	(63)	-	(845)	1,703	64,534	466,745	-	466,745
Drainage systems	61,942	(509)	61,433	-	-	194	(96)	-	(639)	1,148	11,131	73,171	-	73,171
Capital work in progress	1,977	-	1,977	-	-	1,896	(1,735)	-	-	-	-	2,138	-	2,138
<b>Total Infrastructural Assets</b>	<b>460,038</b>	<b>(1,367)</b>	<b>458,671</b>	<b>-</b>	<b>-</b>	<b>8,245</b>	<b>(1,894)</b>	<b>-</b>	<b>(1,484)</b>	<b>2,851</b>	<b>75,665</b>	<b>542,054</b>	<b>-</b>	<b>542,054</b>
<b>TOTALS FOR GROUP:</b>	<b>551,314</b>	<b>(27,640)</b>	<b>523,674</b>	<b>(455)</b>	<b>584</b>	<b>13,877</b>	<b>(4,208)</b>	<b>1,331</b>	<b>(3,908)</b>	<b>3,136</b>	<b>79,150</b>	<b>639,677</b>	<b>(26,499)</b>	<b>613,180</b>

All figures are exclusive of GST unless otherwise stated

## 20. Property, Plant, Equipment and Intangibles (continued)

### Valuation

#### *Land (operational)*

Land is valued at fair value using market-based evidence based on the highest and best use with reference to comparable land values and was most recently revalued as at 30 June 2019. This independent valuation was performed by GM Dowse, Registered Public Valuer, FNZIV, FPINZ; and PJ Loveridge, Registered Public Valuer, ANZIV, SPINZ, both of Blackmore & Associates Ltd of Palmerston North.

#### *Buildings (operational)*

Non-specialised buildings are valued at fair value using market-based evidence based on the highest and best use with reference to comparable building values and were most recently revalued as at 30 June 2019. This independent valuation was performed by GM Dowse, Registered Public Valuer, FNZIV, FPINZ; and PJ Loveridge, Registered Public Valuer, ANZIV, SPINZ, both of Blackmore & Associates Ltd of Palmerston North.

#### *Infrastructural assets*

Infrastructural assets included within HRC's river and drainage schemes were valued at depreciated replacement cost as at 30 June 2020. The last infrastructure asset revaluation was completed on 30 June 2020, by HRC engineering staff that are directly involved with the administration of these schemes. The valuation methodology was reviewed by Miles Wyatt and John Underhill of AECOM New Zealand Limited, to certify that the methodology is consistent with PBE IPSAS 17.

Depreciated replacement cost is determined using a number of significant assumptions, including:

- The replacement cost is based on the reproduction cost of the specific assets with adjustments, where appropriate for obsolescence due to over-design or surplus capacity;
- The replacement cost is derived from recent construction contracts of similar assets and other property information sources;
- The remaining useful life is estimated; and
- Straight-line depreciation was applied in determining the depreciated replacement cost value of the asset.

## Impact of COVID-19

The current COVID-19 pandemic has created significant uncertainty. These valuations are current as at the date of the valuation only. The value assessed here may change significantly and unexpectedly over a relatively short period of time (including as a result of factors that the Valuer could not reasonably have been aware of as at the date of the valuation).

Summary of Infrastructure Asset Replacement Costs	Council Actual 2019-20 \$000	Council Actual 2018-19 \$000
River Systems	584,041	482,418
Drainage Systems	95,088	80,779
<b>Total Replacement Cost</b>	<b>679,129</b>	<b>563,197</b>

### Vested Asset

There have been nil assets vested to Horizons during the year. (Last year: nil).

### Restrictions

There are no restrictions over the title of HRC's operational, infrastructural and intangible assets, other than that applicable to vested land as referred to in the property, plant and equipment paragraph included in the statement of accounting policies.

Summary of Depreciation by Group of Activities	Annual Plan 2019-20 \$000	Council Actual 2019-20 \$000	Council Actual 2018-19 \$000
Land and Water Management	181	171	142
Flood Protection and Control Works	1,379	1,679	1,483
Biosecurity and Biodiversity Management	114	137	93
Regional Leadership and Governance	948	861	852
Transport	40	11	-
Investment and Corporate	1,622	1,340	1,338
<b>Total Depreciation</b>	<b>4,284</b>	<b>4,199</b>	<b>3,908</b>

Summary of Property, Plant and Equipment in the course of construction by class of asset:	Council Actual 2019-20 \$000	Council Actual 2018-19 \$000
Buildings	-	108
Communications Equipment	49	-
Computer Equipment	294	125
Computer Software	1,115	1,085
Drainage Systems	36	-
Equipment & Electronics	-	510
Furniture & Fittings	13	-
Land	121	454
Plant & Machinery	-	-
River Systems	3,592	2,138
Scientific/Hydrological Equipment	119	40
Vehicles	116	98
<b>Total Work in Progress</b>	<b>5,455</b>	<b>4,558</b>

## 21. Trade and Other Payables

Council Actual 2018-19 \$000	Group Actual 2018-19 \$000		Council Actual 2019-20 \$000	Group Actual 2019-20 \$000
<i>Payables from Exchange Transactions</i>				
1,020	1,021	Accounts payable	1	4
-	-	Due to related parties	-	-
8,153	10,219	Accruals and other payables	7,023	7,218
<b>9,173</b>	<b>11,240</b>	<b>Total exchange payables</b>	<b>7,024</b>	<b>7,222</b>
<i>Payables from Non-Exchange Transactions</i>				
3,040	3,040	Grants and rate revenues in advance	3,285	3,285
-	-	Grants payable	-	-
<b>3,040</b>	<b>3,040</b>	<b>Total non-exchange payables</b>	<b>3,285</b>	<b>3,285</b>
<b>12,213</b>	<b>14,280</b>	<b>Total Trade and Other Payables</b>	<b>10,309</b>	<b>10,508</b>

These are non-interest bearing and are settled on 30-day terms, therefore the carrying value of these approximates their fair value.

## 22. General Provisions

Council Actual 2018-19 \$000	Group Actual 2018-19 \$000		Council Actual 2019-20 \$000	Group Actual 2019-20 \$000
34	34	Opening balance	13	13
66	66	Additional provisions made during the year	95	95
<b>100</b>	<b>100</b>		<b>108</b>	<b>108</b>
(87)	(87)	Payments made during the year	(108)	(108)
<b>13</b>	<b>13</b>	<b>Closing balance</b>	<b>0</b>	<b>0</b>
		Made up of:		
13	13	ACC provision	0	0
<b>13</b>	<b>13</b>	<b>Total General Provisions</b>	<b>0</b>	<b>0</b>

## 23. Employee Entitlements Provision

Council Actual 2018-19 \$000	Group Actual 2018-19 \$000		Council Actual 2019-20 \$000	Group Actual 2019-20 \$000
1,644	1,644	Annual leave provision	1,929	1,929
9	9	Long service provision	2	2
44	44	Time in lieu provision	63	63
-	-	Sick leave provision	-	-
<b>1,697</b>	<b>1,697</b>	<b>Total Employee Entitlements</b>	<b>1,994</b>	<b>1,994</b>

## 24. Insurance of Assets

The Local Government Act 2002 requires that from 2014 details of insurance of assets be included. This information is included in the following table:

#### Covered by Insurance Contracts:

Insurance Contracts Horizons Regional Council's Programme	Book Value for 2020	Maximum Insured Amount
	\$000	\$000
Operational assets; excl. Vehicles	64,653	91,460
Vehicles	3,345	5,209

HRC is reviewing the cover for Operational assets and vehicles with the insurers. Included in the book value above is \$49,185 of land assets.

HRC uses an insurance broker who acts on behalf of a number of district councils including HRC to leverage the best competitive prices for insurance. The insurance contracts are separate and not affected by claims from the other district councils, and each claim across the regions is an individual claim to the maximum insured per each event.

The Council has no insurance relating to intangible assets.

#### Self-Insured:

HRC is no longer part of the Local Authority Protection Programme, instead, self-insures by the Infrastructure Insurance Reserve, in conjunction with commercial insurance policies.

Horizons Regional Council's Programme	Book Value for 2020	Funds Maintained by HRC
	\$000	\$000
Infrastructure assets	656,120	4,060

In the event of a natural disaster, Central Government may contribute up to 60% towards the restoration of infrastructure assets. Horizons also has an insurance policy which covers a large proportion of the value of infrastructure assets. In 2020 the value insured was \$379,584 of a total infrastructure asset value of \$542,054

#### 25. Taxation

HRC is a non-taxable entity except for the revenue it receives from its investments in MWRC Holdings Limited, and revenue from Council Controlled Organisations.

#### Components of tax expense

Council Actual 2018-19 \$000	Group Actual 2018-19 \$000		Council Actual 2019-20 \$000	Group Actual 2019-20 \$000
		Components of tax expense		
-	-	Current tax	-	-
-	-	Tax loss offset	-	-
-	-	Tax loss not recognised	-	-
-	(87)	Deferred tax	-	68
-	(87)	Tax expense	-	68
		Relationship between tax expense and accounting surplus		
3,175	3,770	Surplus/(deficit) before tax	3,334	3,057
889	1,056	Tax at 28%	934	856
		Plus/(less) tax effect of:		
		Other items	-	(146)
(18,173)	(18,256)	Non-taxable revenue	(17,869)	(17,840)
17,334	17,421	Non-deductible expenditure	17,328	17,357
-	-	Taxable dividend eliminated on consolidation	-	350
-	101	Gross up effect of imputation credits	136	262
-	(359)	Tax credit arising from imputation credits	(486)	(935)
(50)	(50)	Tax losses not recognised (utilised)	(43)	164
-	(87)	Tax expense	-	68

## Deferred tax assets/(liabilities)

	Property, Plant and Equipment \$000	Financial Instruments \$000	Employee Entitlement \$000	Total \$000
<b>Council</b>				
Balance at 1 July 2018	-	-	-	-
Charge to surplus/(deficit)	-	-	-	-
Charge to other CRE	-	-	-	-
<b>Balance at 30 June 2019</b>	-	-	-	-
<b>Group</b>				
Balance at 1 July 2018	(19)	-	-	(19)
Charge to surplus/(deficit)	(6)	-	93	88
Charge to other CRE	-	-	-	-
<b>Balance at 30 June 2019</b>	<b>(25)</b>	<b>-</b>	<b>93</b>	<b>68</b>
Charge to surplus/(deficit)	18	4	118	140
Derecognition of tax asset	-	-	(207)	(207)
<b>Balance at 30 June 2020</b>	<b>(7)</b>	<b>4</b>	<b>3</b>	<b>-</b>

Council has not recognised a deferred tax asset in relation to tax losses of \$3,594,732 (last year \$3,746,779).

Tax losses of \$739,521 have been derecognized because it is not probable that future tax losses will be available to offset these losses for MWRCH at 30 June 2020 (last year: Nil).

## 26. Debt Borrowings

Council Actual 2018-19 \$000	Group Actual 2018-19 \$000		Council Actual 2019-20 \$000	Group Actual 2019-20 \$000
-	-	Debt – current portion	10,000	10,000
40,000	40,000	Debt – non-current portion	39,000	39,000
<b>40,000</b>	<b>40,000</b>		<b>49,000</b>	<b>49,000</b>

These loans are secured over either separate or general rates of the region through the Debenture Trust Deed. Of these, \$39 million (last year \$30 million) is on a fixed rate of interest, with \$10 million (last year \$10 million) at a floating interest rate. The floating interest rate is reset quarterly based on the 90-day bank bill rate, plus a margin for credit risk.

For information regarding the interest rate swaps HRC has entered into, see note 29, Financial Derivatives.

The carrying amounts of borrowings repayable within one year approximate their fair value, as the impact of discounting is not significant. The carrying value of borrowings longer than one year is also considered to approximate their fair value as the impact of discounting is not considered significant.

Tables showing the contractual maturity analysis and sensitivity analysis of the debentures are included under note 28, Financial Instruments.

For credit quality purposes, these debentures are un-rated.

### Internal borrowings

Information about internal borrowing for river and drainage schemes is provided in the Scheme Loan Summary Note 35, and Scheme Summary Statements Note 36 in this Annual Report. Internal borrowings are eliminated on consolidation of activities in HRC's financial statements.

## 27. Events After Balance Date

2020: On 2 July 2020, the Provincial Development Unit announced funding of \$7.5million to develop infrastructure on the Lower Whanganui River as part of the provincial growth fund initiative from Central Government. The

following week, on 7 July 2020 an \$18.4million jobs for nature package was announced for the region. Additionally, on 3 August 2020, a \$26.9million climate change resilience package was also announced for the region. There is no initial impact to the ratepayer.

2019: Insurance Settlement for CentrePort reached and MWRC Holdings Ltd. has negotiated a construction contract with McMillan Lockwood for the development at 23 Victoria Avenue, Palmerston North. This contract was signed on 14 August 2018.

## 28. Financial Instruments

### Financial Instruments Categories

The accounting policies for financial instruments were applied to the line items below:

Council Actual 2018-19 \$000	Group Actual 2018-19 \$000		Council Actual 2019-20 \$000	Group Actual 2019-20 \$000
<b>FINANCIAL ASSETS</b>				
<b>Loans and receivables</b>				
3,154	8,131	Cash and cash equivalents	3,549	4,957
6,955	7,268	Trade and other receivables	7,533	5,978
15,000	-	Other financial assets	17,000	-
<b>25,109</b>	<b>15,399</b>	<b>Total loans and receivables</b>	<b>28,082</b>	<b>10,934</b>
<b>Fair value through comprehensive revenue and expense</b>				
4,540	43,540	Other financial assets – shares	4,651	74,651
<b>4,540</b>	<b>43,540</b>	<b>Total fair value through comprehensive revenue and expense</b>	<b>4,651</b>	<b>74,651</b>
<b>FINANCIAL LIABILITIES</b>				
<b>Financial liabilities at amortised cost</b>				
12,213	14,280	Trade and other payables	10,309	10,508
855	855	Financial derivatives	846	846
40,000	40,000	Borrowings – debt	49,000	49,000
<b>53,068</b>	<b>55,139</b>	<b>Total financial liabilities at amortised cost</b>	<b>60,155</b>	<b>60,354</b>

Financial Instruments recognised at fair value in the statement of financial positions are disclosed as follows:

- Equity investments are shown in the "Parent Entity" and Group accounts at cost, as no fair value amount is available; and
- Investment in subsidiary is shown in the "Parent Entity" at cost, and in the Group accounts using the "Accounting for Equity" method.

### Fair Value Hierarchy Disclosures

For those instruments recognised at fair value in the statement of financial position, fair values are determined according to the following hierarchy:

- Quoted market price (level 1) – Financial instruments with quoted prices for similar instruments in active markets.
- Valuation technique using observable inputs (level 2) – Financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.
- Valuation techniques with significant non-observable inputs (level 3) – Financial instruments valued using models where one or more significant inputs are not observable.

The following table analyses the basis of the valuation of classes of financial instruments measured at fair value in the statement of financial position:

	Total \$000	Quoted market price \$000	Observable inputs \$000	Significant non- observable inputs \$000
<b>30 June 2020 - Council</b>				
<b>Financial assets</b>				
Local Authority Stock	592	-	592	-
Hobson Wealth	3,243	-	3,243	-
Loan to CCO	17,000	17,000	-	-
<b>Financial liabilities</b>				
Derivatives	847	847	-	-
<b>30 June 2020 - Group</b>				
<b>Financial assets</b>				
CentrePort Shares	70,000	-	-	70,000

Local Authority Stock	592	-	592	-
Hobson Wealth	3,243	-	3,243	-
<b>Financial liabilities</b>				
Derivatives	847	847	-	-
<b>30 June 2019 - Council</b>				
<b>Financial assets</b>				
Local Authority Stock	560	-	560	-
Hobson Wealth	3,164	-	3,164	-
Loan to CCO	15,000	15,000	-	-
<b>Financial liabilities</b>				
Derivatives	855	855	-	-
<b>30 June 2019 - Group</b>				
<b>Financial assets</b>				
CentrePort Shares	39,000	-	-	39,000
Local Authority Stock	560	-	560	-
Hobson Wealth	3,164	-	3,164	-
<b>Financial liabilities</b>				
Derivatives	855	855	-	-

There were no transfers between the different levels of the fair value hierarchy.

### Financial Instrument Risks

HRC has a series of policies to manage the risks associated with financial instruments and is risk-averse and seeks to minimise exposure from its treasury activities. HRC has established Council-approved liability management and investment policies. These policies do not allow any transactions that are speculative in nature to be entered into.

Financial instruments covered within these financial statements include: cash and bank deposit balances; receivables and payables; and cash investments, mortgages, convertible notes and equity investments.

Rates debtors are regarded as covered adequately by the Local Government (Rating) Act 2002; therefore, credit risk is considered to apply only to the general debtors, for which, currently, no collateral is held. These general debtors were reviewed, and the provision for impairment is regarded as sufficient to meet any future write-offs. Accounts payable covers normal trade creditors for which no collateral was issued.

At balance date, there is no significant concentration of credit risks or exposure to foreign exchange, nor are there any off-balance sheet financial instruments. HRC also operates eight corporate credit cards with current limits totalling \$0.035 million (last year \$0.036 million).

### Market Risk

**Price Risk** – HRC has shareholdings in MWRC Holdings Limited and MW LASS Limited. These are not publicly traded, and therefore there is no risk associated with changes in market prices. HRC manages its investments in these companies through application of its Investment Policy, due governance and full shareholder participation.

**Currency Risk** – At balance date, HRC had a balance of nil (last year nil) remaining in foreign exchange contracts. Due to the nil balance, there is no material exposure to fluctuation in foreign exchange rates.

### Cash Flow Interest Rate Risk

Cash flow interest rate risk is the risk that the cash flows from a financial instrument will fluctuate because of changes in market interest rates. HRC's cash investments are issued at fixed interest rates and therefore are not subject to changes in value due to changes in market interest rates. Borrowings at floating rates, however, are subject to variations in market floating rates. Potential impacts of these changes are reflected in the Sensitivity Analysis table later in this section. In addition, there may be fluctuations in the interest rates actually achieved that differ from those expected when budgeting returns on these investments.

### Fair Value Interest Rate Risk

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. HRC has five bank interest rate swaps for borrowings of \$8 million (last year nine for \$12 million). A schedule of effective dates and terms is included on page 151.

### Credit Risk

Credit risk is the risk that a third party will default on its obligation to HRC, causing HRC to incur a loss. Due to the timing of its cash inflows and outflows, HRC may invest surplus cash in term deposits and local authority stock, which gives rise to credit risk. HRC manages this risk through

application of its Investment Policy, which limits the exposure to any one financial institution or organisation. This policy also limits investments to institutions or organisations with a Standard and Poor's credit rating of at least A1 for deposits with, and negotiable assets of, registered banks, and A1+ for all other available investments.

The Council is exposed to liquidity risk as a guarantor of all of NZLGFA's borrowings. Information about this exposure is explained in the Statement of Contingencies and Commitments on page 125.

HRC has no collateral or other credit enhancements for financial instruments that give rise to credit risk.

The maximum credit risk exposure of financial instruments is best represented by their carrying value.

#### Credit Quality of Financial Assets

Council Actual 2018-19 \$000	Group Actual 2018-19 \$000		Council Actual 2019-20 \$000	Group Actual 2019-20 \$000	
COUNTERPARTIES WITH CREDIT RATINGS					
Cash at bank and term deposits - Standard and Poor's credit rating					
-	-	AAA	-	-	
-	-	A+	-	-	
2	2	A	2	2	
3,152	8,129	AA-	3,547	4,955	
<b>3,154</b>	<b>8,131</b>	<b>Total Credit Risk</b>	<b>3,549</b>	<b>4,957</b>	

Trade and other receivables arise mainly from HRC's statutory functions. Therefore, there are no procedures in place to monitor or report the credit quality of debtors and other receivables with reference to internal or external credit ratings. HRC has no significant concentrations of credit risk in relation to debtors and other receivables as it has a large number of credit customers, mainly ratepayers, and HRC has powers under the Local Government (Rating) Act 2002 to recover outstanding debts from ratepayers.

#### Liquidity Risk

##### Management of Liquidity Risk

In meeting its liquidity requirements, HRC maintains cash investments to ensure liquidity risk is minimal. To meet unforeseen cash demands, HRC has in place funding packages with its bankers of up to \$31 million (last year \$31 million), made up of Debenture Stock \$5 million (last year \$5 million), committed cash facility \$7 million (last year \$7 million), and Fixed Security Stock \$19 million (last year \$19 million), floating security stock with LGFA of \$37 million (last year \$35 million), with the latter three available to borrow against.

The Council is exposed to liquidity risk as a guarantor of all of NZLGFA's borrowings. This guarantee becomes callable in the event of the NZLGFA failing to pay its borrowings when they fall due. Information about this exposure is explained in the Statement of Contingencies and Commitments on page 129.

#### Contractual Maturity Analysis of Financial Assets

The table below analyses HRC's and the Group's financial assets into relevant maturity groupings, based on the remaining period at balance date. The amounts disclosed are the contractual undiscounted cash flows and include interest receipts.

	Carrying amount \$000	Contractual cash flows \$000	Less than 1 year	1-2 years	2-5 years	More than 5 years
<b>Council 2019-20</b>						
Cash and cash equivalents	3,549	3,549	3,549	-	-	-
Debtors and other receivables	7,533	7,533	7,533	-	-	-
Term deposits	-	-	-	-	-	-
MWRCH loan	17,000	17,000	-	1,250	3,750	12,000
<b>Total</b>	<b>28,082</b>	<b>28,082</b>	<b>11,082</b>	<b>1,250</b>	<b>3,750</b>	<b>12,000</b>
<b>Group 2019-20</b>						
Cash and cash equivalents	4,957	4,957	4,957	-	-	-
Debtors and other receivables	5,978	5,978	5,978	-	-	-



Term deposits	-	-	-	-	-	-
MWRCH loan	-	-	-	-	-	-
<b>Total</b>	<b>10,935</b>	<b>10,935</b>	<b>10,935</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Council 2018-19</b>						
Cash and cash equivalents	3,154	3,154	3,154	-	-	-
Debtors and other receivables	6,955	6,955	6,955	-	-	-
Term deposits	-	-	-	-	-	-
MWRCH loan	15,000	15,000	-	-	3,500	11,500
<b>Total</b>	<b>25,109</b>	<b>25,109</b>	<b>10,109</b>	<b>-</b>	<b>3,500</b>	<b>11,500</b>
<b>Group 2018-19</b>						
Cash and cash equivalents	8,131	8,131	8,131	-	-	-
Debtors and other receivables	7,268	7,268	7,268	-	-	-
Term deposits	-	-	-	-	-	-
MWRCH loan	-	-	-	-	-	-
<b>Total</b>	<b>15,518</b>	<b>15,518</b>	<b>15,518</b>	<b>-</b>	<b>-</b>	<b>-</b>

#### Contractual Maturity Analysis of Financial Liabilities

The table below analyses HRC's and the Group's financial liabilities into relevant maturity groupings, based on the remaining period at balance date. Future interest payments on a floating rate debt are based on the relevant rate at balance date. The amounts disclosed are the contractual undiscounted cash flows and include interest payments.

	Carrying amount \$000	Contractual cash flows \$000	Less than 1 year	1-2 years	2-5 years	More than 5 years
<b>Council 2019-20</b>						
Trade and other payables	10,309	10,309	10,309	-	-	-
Financial Derivatives	846	846	30	195	621	-
Secured loans	49,000	52,796	10,000	5,167	29,697	7,932
<b>Total</b>	<b>60,155</b>	<b>63,951</b>	<b>20,339</b>	<b>5,362</b>	<b>30,318</b>	<b>7,932</b>
<b>Group 2019-20</b>						
Trade and other payables	10,508	10,508	10,508	-	-	-

Financial Derivatives	846	846	30	195	621	-
Secured loans	49,000	52,796	10,000	5,167	29,697	7,932
<b>Total</b>	<b>60,354</b>	<b>64,150</b>	<b>20,538</b>	<b>5,362</b>	<b>30,318</b>	<b>7,932</b>
<b>Council 2018-19</b>						
Trade and other payables	12,213	12,213	12,213	-	-	-
Financial Derivatives	855	855	126	125	257	347
Secured loans	40,000	43,881	-	3,088	20,676	20,117
<b>Total</b>	<b>53,068</b>	<b>56,949</b>	<b>12,339</b>	<b>3,213</b>	<b>20,933</b>	<b>20,464</b>
<b>Group 2018-19</b>						
Trade and other payables	14,280	14,280	14,280	-	-	-
Financial Derivatives	855	855	126	125	257	347
Secured loans	40,000	43,881	-	3,088	20,676	20,117
<b>Total</b>	<b>55,135</b>	<b>59,016</b>	<b>14,406</b>	<b>3,213</b>	<b>20,933</b>	<b>20,464</b>

#### Interest Rate Sensitivity Analysis

The table below illustrates the potential effect on the surplus or (deficit) and equity for reasonably possible market movements, with all other variables held constant, based on HRC's and the Group's financial instrument exposures at balance date.

	2019-20 \$000		2018-19 \$000	
	-100bps Surplus (Deficit)	+100bps Surplus (Deficit)	-50bps Surplus (Deficit)	+100bps Surplus (Deficit)
<b>COUNCIL</b>				
<b>Financial assets</b>				
Cash and cash equivalents – (Interest bearing accounts only)	(35)	35	(32)	32
Term deposits	-	-	-	-
<b>Financial liabilities</b>				
Secured loans	490	(490)	400	(400)
Derivatives	(213)	204	(297)	284
<b>Total sensitivity</b>	<b>242</b>	<b>(251)</b>	<b>71</b>	<b>(84)</b>
<b>GROUP</b>				

<b>Financial assets</b>				
Cash and cash equivalents	(50)	50	(81)	81
Term deposits	-	-	-	-
<b>Financial liabilities</b>				
Secured loans	490	(490)	400	(400)
Derivatives	(213)	204	(297)	284
<b>Total sensitivity</b>	<b>227</b>	<b>(236)</b>	<b>22</b>	<b>(35)</b>

### Explanation of Interest Rate Risk Sensitivity

The interest rate sensitivity is based on a reasonable possible movement in interest rates, with all other variables held constant, measured as a basis points (bps) movement. For example, a decrease in 50 bps is equivalent to a decrease in interest rates of 0.50%.

## 29. Financial Derivatives

Council Actual 2018-19 \$000	Group Actual 2018-19 \$000		Council Actual 2019-20 \$000	Group Actual 2019-20 \$000
49	49	<b>Current liability</b>	30	30
49	49	Interest rate swaps	30	30
		<b>Total current liability</b>	<b>30</b>	<b>30</b>
806	806	<b>Non-current liability</b>	816	816
855	855	Interest rate swaps	816	816
		<b>Total financial derivative liability</b>	<b>846</b>	<b>846</b>

HRC has a number of interest swaps in place totalling \$8 million (last year \$12 million).

Council Actual 2018-19	Swap date	Effective date	End date	Rate %	Council Actual 2019-20
2,000,000	26/04/2012	22/12/2014	22/09/2019	4.48%	-
1,000,000	3/02/2015	18/09/2017	18/03/2021	4.26%	1,000,000
2,000,000	3/02/2015	18/09/2017	18/03/2022	4.47%	2,000,000
2,000,000	3/02/2015	22/03/2016	22/03/2024	4.54%	2,000,000
2,000,000	4/09/2015	18/09/2017	18/09/2024	3.87%	2,000,000
1,000,000	4/09/2015	22/09/2015	24/06/2020	4.24%	
1,000,000	10/03/2017	22/03/2017	24/09/2021	3.90%	1,000,000
1,000,000	22/03/2017	22/03/2017	24/09/2019	4.02%	
<b>12,000,000</b>					<b>8,000,000</b>

### Fair Value

#### Interest rate swaps

The fair values of interest rate swaps have been determined by calculating the expected future cash flows under the terms of the swaps and discounting these values to present value. The inputs into the valuation model are from independently sourced market parameters such as interest rate yield curves. Most market parameters are implied from instrument prices.

### 30. Explanation of Major Variances Against Budget

Explanation for major variations from HRC's budgeted figures in the Annual Plan 2019-20 are as follows:

	Annual Plan 2019-20	Actual 2019-20	Variance Favourable/ (Unfavourable)	Explanation
	\$000	\$000	\$000	
Subsidies and Grants	7,406	7,844	438	Due to the COVID19 pandemic, we received additional funding from the NZTA for lost transport revenue above our usual subsidy.
Finance Revenue	2,823	2,155	(668)	Interest received was significantly less than budgeted due to declining rates. Our budgeted revenue was based on an assumption of 5.2% where average rates received were less than 2%.
Other Revenue	10,919	9,746	(1,173)	The key variances for other revenue is made up of a number of revenue streams, including Resource Management (\$600k) due to long-term vacancies resulting in less revenue. Also, during the COVID19 response many staff from this team helped with our emergency management operations. Other revenue streams have also been affected by the COVID19 response due to staff being diverted to help with the response and the inability to perform some tasks due to Level 3 and 4 restrictions.
Personnel Costs	20,865	20,241	624	Delays in recruitment in some areas due to the COVID19 pandemic: This was a combination of the recruitment process being more difficult under Level 3 and 4 restrictions as well as a delay in some work programs that were unable to be progressed until the alert levels were reduced.
Depreciation and Amortisation Costs	4,284	4,199	85	Reduced capital expenditure from previous years has resulted in reduced depreciation expense. Capital Expenditure was further put behind this year due to the COVID19 pandemic, which restricted the work we were able to complete.
Other Expenses	35,818	37,107	(1,289)	Additional grants above what were initially budgeted were granted for SLUI initiatives and other freshwater clean-up projects such as stream fencing and riparian planting (\$1.8M). Council approved the use of reserves to fund this overspend. This was offset by savings in areas such as contractors due to work programs being unable to be completed due to COVID19 restrictions.
Gain (Loss) on Asset Revaluations	2,038	112,282	110,244	Infrastructure assets are now revalued on an annual basis which was not budgeted for
Cash and Cash Equivalents	2,148	3,549	1,401	Refer to Statement of Cashflows for full details. The main driver for the increase is the increase in borrowings above budget (\$7M) offset by the decrease in cash from operating activities due to overspends in expenditure (see above) and less revenue received (see above).
Receivables	3,707	7,533	(3,826)	Receivables higher than budget due to a large volume of invoicing performed in June.
Accruals	2,708	3,277	569	Higher year-end accrual for the Transport Revenue Subsidy as NZTA was funding at higher levels due to the COVID19 pandemic.
Inventory on Hand	692	1,205	513	Higher stock levels than budgeted, inventory on hand is similar to previous years.

Investments in other entities	5,717	3,243	(2,474)	Expected a higher increase and further investment but this was unable to be achieved due to aggressive Capital spending and the COVID19 pandemic hitting shares in Hobson Wealth.
Investment Property	-	2,700	2,700	Land re-classified as investment property for 17-23 Victoria Avenue after the budget was completed.
Intangible Assets	5,156	4,137	(1,019)	Delays in planned projects such as the Electronic Records Management System.
Operational Assets	67,413	67,998	585	Remaining effect of Revaluation in the previous year where the budgeted balance sheet was completed before the Revaluation occurred resulting in a higher opening balance for the actual figures
Infrastructural Assets	471,554	656,120	184,566	Revaluation of Infrastructure assets at year-end (river systems and drainage systems).
Debt - Current portion	(0)	10,000	(10,000)	Split not budgeted for, net debt movement is \$7M unfavourable to budget due additional external debt taken to fund capital works rather than using internal loans.
Debt - Non-current portion	42,000	39,000	3,000	Split not budgeted for, net debt movement is \$7M unfavourable to budget due additional external debt taken to fund capital works rather than using internal loans.

### 31. Reconciliation of Operating Cash Flows with Reported Operating Results (\$000)

	Council Actual 2019-20	Group Actual 2019-20	Council Actual 2018-19	Group Actual 2018-19
Surplus/(Deficit) after taxation	3,334	2,990	3,175	3,857
Add/(Deduct) non-cash items:				
Amortisation - SLUI Land Lease	125	125	125	125
Depreciation - Infrastructural assets	1,671	1,671	1,483	1,483
Depreciation - Operational assets	2,200	2,200	2,300	2,300
Amortisation - Intangible assets	328	328	-	-
Bad debt expense	174	174	(6)	(6)
Gain on Investments in Other Entities	-	-	(15)	(15)
Gain on forestry revaluation	(347)	(347)	(694)	(708)
(Gain)/Loss on investment property revaluation	(200)	190	-	-
Gain/(Loss) on Derivatives	(8)	(8)	126	126
Subvention payment to subsidiary	-	-	-	279
	3,943	4,333	3,318	3,583
Add/(Deduct) items classified as investing:				
Loss/(Gain) on sale of fixed assets	(23)	23	88	88
Loss/(Gain) on reclassification of capital work in progress	-	-	605	605
	(23)	23	693	693
Add/(Deduct) deferrals or accruals of past or future opening cash receipts or payments:				
Decrease/(Increase) in trade and other receivables	(486)	1,290	(447)	(1,245)
Decrease/(Increase) in accruals and prepayments	(1,577)	(1,679)	(62)	(127)
Decrease/(Increase) in stock on hand	(51)	(51)	(224)	(224)
(Decrease)/Increase in trade and other payables	(1,580)	(3,312)	1,935	1,658
	(3,694)	(3,752)	1,202	62
<b>Net Cash Inflow/(Outflow) from Operating Activities</b>	<b>3,560</b>	<b>3,594</b>	<b>8,389</b>	<b>8,195</b>

### 32. Equity Balances

	Council Actual 2019-20	Group Actual 2019-20	Council Actual 2018-19	Group Actual 2018-19
	\$000	\$000	\$000	\$000
<b>Asset revaluation reserves</b>				
Balance at 1 July	252,086	252,086	169,802	169,802
Increase/(Decrease) in revaluation reserves	112,282	112,282	82,284	82,284
Transfer to Accumulated Funds	-	-	-	-
<b>Balance at 30 June</b>	<b>364,368</b>	<b>364,368</b>	<b>252,086</b>	<b>252,086</b>
<b>Consists of:</b>				
- Buildings	2,201	2,201	2,201	2,201
- Land – owned	22,229	22,229	22,229	22,229
- Land – vested	4,291	4,291	4,291	4,291
- Forest - other	-	-	-	-
- Forest - other	-	-	-	-
- River scheme assets	294,108	294,108	191,365	191,365
- Drainage scheme infrastructural assets	41,539	41,539	32,000	32,000
	<b>364,368</b>	<b>364,368</b>	<b>252,086</b>	<b>252,086</b>
<b>Fair value through other comprehensive revenue and expense reserve</b>				
Balance at 1 July	1,062	14,680	678	2,596
Increase/(Decrease) in fair value reserve	65	31,065	384	12,084
<b>Balance at 30 June</b>	<b>1,127</b>	<b>45,745</b>	<b>1,062</b>	<b>14,680</b>
<b>Restricted Reserves - River and Drainage</b>				
Balance at 1 July	9,545	9,545	12,183	12,183
Plus/(Less) transfer from retained earnings:	1,992	1,992	(2,638)	(2,638)
<b>Balance at 30 June</b>	<b>11,537</b>	<b>11,537</b>	<b>9,545</b>	<b>9,545</b>
<b>Infrastructure Insurance Reserve*</b>				
<b>Balance at 30 June</b>	<b>4,060</b>	<b>4,060</b>	<b>3,440</b>	<b>3,440</b>
<b>Accumulated Funds</b>				
Balance at 1 July	365,158	368,969	359,967	363,095

Add transfer from Asset Revaluation Reserve	-	-	(2)	(2)
Less transfer to Restricted Reserves	(1,992)	(1,992)	2,638	2,638
Less transfer to Infrastructure Insurance Reserve	(620)	(620)	(620)	(620)
Net surplus/(deficit) for the year	3,334	2,989	3,175	3,856
<b>Balance at 30 June</b>	<b>365,880</b>	<b>369,346</b>	<b>365,158</b>	<b>368,969</b>
<b>Total Equity at 30 June 2020</b>	<b>746,972</b>	<b>795,057</b>	<b>631,291</b>	<b>648,720</b>

\*refer Infrastructure Insurance reserve table below for detail

#### Purposes of Restricted Reserves

Under our River and Drainage Scheme Activity, 29 of our schemes set aside funds to be used when damage occurs to scheme assets. The purpose of all of these funds, as set out in our Infrastructural Asset Management Plans, is to:

- Meet costs of un-programmed works (repairs);
- Enable a rapid start on damage repairs; and
- Fund the deductible in respect of an insurance claim.

More details relating to the river and drainage reserves are included on page 158 of this Annual Report.

#### Purpose of Infrastructure Insurance Reserve

The purpose of the infrastructure insurance reserve is to build reserves to provide for a level of self-insurance against our infrastructural assets managed within the Flood Protection and Control Works Activity that now have limited or no insurance cover.

#### Infrastructure Insurance Reserve

Source	2019-20	2018-19
O/Balance	3,440	2,820
Scheme Rate contribution	500	500
General Rate contribution	120	120
	<b>4,060</b>	<b>3,440</b>
Withdrawals	-	-
C/Balance	<b>4,060</b>	<b>3,440</b>

### 33. Implications of COVID-19

The COVID-19 pandemic and resulting lockdown caused little impact to HRC's financials. There was some additional expenditure resulting from the Civil Defence response; however, this was offset by little expenditure occurring elsewhere during the same time. Once able to, the majority of the field teams were able to catch up on lost time in the last quarter of the financial year.

As June 30 was very close to the lockdown, the impact of the potential economic downturn has yet to be ascertained or able to be calculated as it is still unknown. For those reasons, the implications of COVID-19 have been very little on HRC's Financial Performance or Position. Refer to the performance results, Note 17, Note 18, Note 20, and Note 30 for specific considerations.

### 34. Summary Revenue and Expenditure for Group of Activities (\$000)

	Annual Plan 2019-20	Council Actual 2019-20	Council Actual 2018-19
<b>Revenue</b>			
Land and Water Management	7,499	6,704	7,572
Flood Protection	1,793	2,078	2,887
Biodiversity	159	204	834
Regional Leadership and Governance	1,609	4,237	4,077
Transport	5,461	8,154	7,446
Investment	6,984	4,280	2,719
<b>Total Activity Revenue</b>	<b>23,505</b>	<b>25,657</b>	<b>25,535</b>
Less internal revenue	(2,357)	(5,911)	(5,966)
Gains in the GOA FIS			152
<b>Total Rates Revenue</b>	<b>46,796</b>	<b>46,701</b>	<b>44,338</b>
<b>Total Revenue</b>	<b>67,944</b>	<b>66,446</b>	<b>64,059</b>
<b>Expenditure</b>			
Land and Water Management	19,639	18,685	18,301
Flood Protection	12,396	12,890	14,062
Biodiversity	8,253	8,032	8,520
Regional Leadership and Governance	14,622	16,018	13,474
Transport	8,744	10,933	9,923

Investment	1,275	2,465	2,445
<b>Total Activity Expenditure</b>	<b>64,929</b>	<b>69,023</b>	<b>66,725</b>
Less internal expense	(2,357)	(5,911)	(5,966)
Losses not included in the GOA FIS			126
<b>Total Expenses</b>	<b>62,572</b>	<b>63,112</b>	<b>60,885</b>

\*Revenue includes Gain on Revaluations (Land and Water Management \$308k, Investments \$200k) and Expenditure includes Depreciation in these figures.

Each significant activity is stated gross of internal costs and revenues and includes targeted rates attributable to activities. In order to fairly reflect the total external operations for the council in the statement of comprehensive revenue and expense, these transactions are eliminated, as shown above.

### 35. Internal Borrowings

#### River and Drainage Scheme Loans 2019-20

Closing Balance 2018-19 Debit/(Credit) \$	Scheme	Advances 2019-20 \$	Repayments 2019-20 \$	Closing Balance 2019-20 Debit/(Credit) \$	Interest Paid or Accrued 2019-20 \$
177,204	Ashhurst Stream	-	(33,197)	144,007	5,795
4,439	Foxton East Drainage	-	(4,439)	-	145
304,985	Hōkio Drainage	-	(20,246)	284,739	9,973
314,501	Koputaroa	-	(44,839)	269,662	10,284
153,000	Lower Kiwitea	-	(33,494)	119,506	5,003
25,562,894	Lower Manawatū	3,975,085	(1,406,568)	28,131,411	900,899
6,331,436	Lower Manawatū (Special Project)	216,409	(1,008,977)	5,538,868	210,577
1,809,139	Lower Whanganui	176,731	(154,456)	1,831,414	62,049
385,964	Makerua Drainage	-	(78,358)	307,606	12,619
813,469	Manawatū Drainage	-	(83,153)	730,316	26,600
243,455	Matarawa Valley	-	(23,702)	219,753	7,961
434,925	Moutoa Drainage	-	(77,588)	357,337	14,223
439,953	Ōhau-Manakau	-	(43,527)	396,426	14,386
1,979,586	Rangitikei	27,700	(224,032)	1,783,254	65,185
131,800	Upper Manawatū	-	(17,061)	114,739	4,310
155,749	Upper Whanganui	-	(73,916)	81,833	5,093
380,140	Whangaehu-Mangawhero	-	(82,341)	297,799	12,431
36,667	Whirokino Drainage	-	(5,228)	31,439	1,199
<b>39,659,306</b>	<b>TOTAL SCHEMES</b>	<b>4,395,925</b>	<b>(3,415,122)</b>	<b>40,640,109</b>	<b>1,368,732</b>



### 36. River and Drainage Scheme Reserves

Closing Balance 2018-19 Credit/(Debit) \$	Scheme	Interest Credited 2019-20 \$	Transfers In 2019-20 \$	Transfers Out 2019-20 \$	Closing Balance 2019-20 Credit/(Debit) \$
18,595	Akitio	-	-	-	18,595
34,560	Ashhurst Stream	1,061	4,168	-	39,789
2,845	Eastern Manawatū	-	-	-	2,845
3,339	Forest Road Drainage	102	682	-	4,123
12,461	Foxton East Drainage	382	86,207	-	99,050
9,824	Haunui Drainage	301	78	-	10,203
8,717	Himatangi Drainage	267	2,565	-	11,549
18,826	Hōkio Drainage	578	19,550	-	38,954
3,522	Ihuraua	-	-	-	3,522
9,194	Kahuterawa	282	1,352	-	10,828
176,961	Koputaroa	5,433	49,443	-	231,837
259,802	Lower Kiwitea	7,976	32,375	-	300,153
2,372,989	Lower Manawatū	72,851	216,984	-	2,662,824
355,279	Lower Manawatū (Special Project)	10,907	-	-	366,186
495,995	Lower Whanganui	15,227	252,434	-	763,656
133,603	Makerua Drainage	4,102	68,182	-	205,887
37,142	Makirikiri	1,140	-	(9,937)	28,345
68,758	Manawatū Drainage	2,111	116,630	-	187,499
1,241,051	Mangatainoka	38,100	161,529	-	1,440,680
117,158	Matarawa Valley	3,597	23,344	-	144,099
110,993	Moutoa Drainage	3,407	22,976	-	137,376
-	Ohakune	-	16,557	-	16,557
248,574	Ōhau-Manakau	7,631	47,978	-	304,183
2,840	Pakihi Valley	87	327	-	3,254
411,981	Pohangina-Oroua	12,648	96,498	-	521,127
25,694	Porewa	789	2,779	-	29,262
926,992	Rangitikei	28,459	42,936	-	998,387
-	Ruapehu	-	42,476	-	42,476
554,233	South-East Ruahines	17,015	-	(9,940)	561,308

All figures are exclusive of GST unless otherwise stated

Closing Balance 2018-19 Credit/(Debit) \$	Scheme	Interest Credited 2019-20 \$	Transfers In 2019-20 \$	Transfers Out 2019-20 \$	Closing Balance 2019-20 Credit/(Debit) \$
13,054	Tararua District	401	34,866	-	48,321
-	Taringamotu	-	-	-	-
8,765	Tawataia-Mangaone	269	6,936	-	15,970
18,883	Turakina	580	30,058	-	49,521
142,211	Te Kawai Drainage	4,366	18,433	-	165,010
8,784	Tutaenui	270	16,361	-	25,415
542,203	Upper Manawatū	16,646	86,954	-	645,803
173,229	Upper Whanganui	5,318	63,611	-	242,158
77,746	Whangaehu-Mangawhero	2,387	1,145	-	81,278
31,048	Whirokino Drainage	953	2,576	-	34,577
81,197	Miscellaneous All Scheme	2,493	50,040	-	133,730
<b>8,759,048</b>	<b>TOTAL SCHEMES</b>	<b>268,136</b>	<b>1,619,030</b>	<b>(19,877)</b>	<b>10,626,337</b>

## River and Drainage Scheme Renewal Reserves

Closing Balance 2018-19 Credit/(Debit) \$	Scheme	Interest Credited 2019-20 \$	Transfers In 2019-20 \$	Transfers Out 2019-20 \$	Closing Balance 2019-20 Credit/(Debit) \$
1,632	Ashhurst Stream	50	66	-	1,748
2,232	Forest Road Drainage	69	491	-	2,792
2,142	Foxton East Drainage	66	486	-	2,694
1,462	Himatangi Drainage	45	331	-	1,838
1,755	Hōkio Drainage	54	483	-	2,292
59,673	Koputaroa	1,832	14,062	-	75,567
31,767	Lower Manawatū	975	778	-	33,520
194,629	Makerua Drainage	5,975	22,156	-	222,760
23,031	Makirikiri	707	6,491	-	30,229
171,034	Manawatū Drainage	5,251	32,248	-	208,533
6,750	Matarawa Valley	207	5,686	-	12,643
35,534	Moutoa Drainage	1,091	-	(27,887)	8,738
66,003	Ōhau-Manakau	2,026	75,296	-	143,325
-	Pakihi Valley	-	294	-	294
-	Pohangina-Oroua	-	-	(18,466)	(18,466)
18,306	Porewa	562	-	-	18,868
41,731	South-East Ruahines	1,281	-	-	43,012
4,003	Tawataia-Mangaone	123	1,221	-	5,347
111,882	Te Kawau Drainage	3,435	-	(13,553)	101,764
5,220	Tutaenui	160	-	-	5,380
1,884	Upper Manawatū	58	1,040	-	2,982
5,001	Whirokino Drainage	153	-	(676)	4,478
<b>785,671</b>	<b>TOTAL SCHEMES</b>	<b>24,120</b>	<b>161,129</b>	<b>(60,582)</b>	<b>910,338</b>

### 37. Capital Purchases (additions/constructions at cost)

ACTIVITY GROUP	Annual Plan 2019-20 \$000	Actual 2019-20 \$000	Actual 2018-19 \$000
Land and Water Management			
Continuous Nutrient Monitoring	72	69	44
Horowhenua Lake Restoration (Previously Horowhenua Clean up)	-	118	140
JV Afforestation	379	219	101
Nursery	66	48	205
<b>Total Land and Water Management</b>	<b>517</b>	<b>454</b>	<b>490</b>
Flood Protection and Control Works			
Foxton East Drainage Scheme	1,331	-	-
Hokio Drainage Scheme	63	-	-
Koputaroa Drainage	70	8	-
Lower Manawatū Scheme	2,350	3,950	5,636
Lower Manawatū Scheme - Special Projects	10	-	-
Lower Whanganui River Management Scheme	382	179	239
Makerua Drainage	120	64	51
Makirikiri Flood Control Scheme	-	-	1
Manawatū Drainage	105	4	15
Mangatainoka Scheme	113	49	225
Matarawa Flood Control Scheme	110	-	-
Moutoa Drainage	35	62	15
Ōhau-Manakau Scheme	-	-	-
Pakihi Scheme	-	-	2
Pohangina-Oroua River Control Scheme	153	177	305
Porewa Scheme	-	-	1
Rangitikei River Control Scheme	429	28	335
South East Ruahines Scheme	56	48	120
Te Kawau Drainage Scheme	37	22	15
Tutaenui Flood Control Scheme	8	7	-
Upper Manawatū Lower Mangahao Scheme	62	13	48
Whirokino Drainage Scheme	3	-	-
<b>Total Flood Protection and Control Works</b>	<b>5,437</b>	<b>4,611</b>	<b>7,008</b>
Biosecurity and Biodiversity Management			
Totara Reserve	87	49	-
Pest Animal Biosecurity	513	290	365
<b>Total Biosecurity and Biodiversity Management</b>	<b>600</b>	<b>339</b>	<b>365</b>

All figures are exclusive of GST unless otherwise stated

Regional Leadership and Governance			
Aerial Photography	-	-	94
Camping Ground Floor Alarms	-	-	-
Catchment Information Development	320	329	384
Communication Software	-	-	-
Emergency Management Response Capability	-	5	44
GIS Development	155	-	36
Group Emergency Co-ordination Centre Facilities	632	693	-
Hazard Information Update	147	176	65
Historic Survey Data	-	-	-
Hydrology New and Replacement Specialised Equipment	698	581	561
Multimedia Equipment/Signage	5	3	3
Ohura Flood Modelling	-	-	-
Promotional Material	13	11	17
<b>Total Regional Leadership and Governance</b>	<b>1,970</b>	<b>1,798</b>	<b>1,204</b>
Transport			
Ticketing System	-	235	360
<b>Total Transport</b>	<b>-</b>	<b>235</b>	<b>360</b>
Investments			
Asset Management System	102	326	-
Corporate Software Solutions	-	-	259
Electronic Document Management System	299	-	-
Financial System - OZONE	192	197	108
IT Hardware Replacement	212	182	220
General Property Improvements	938	766	552
Vehicle and Plant Purchases/Replacement	1,359	1,153	917
<b>Total Corporate Support and Investments</b>	<b>3,102</b>	<b>2,624</b>	<b>2,056</b>
<b>Total Capital Purchases</b>	<b>11,626</b>	<b>10,061</b>	<b>11,475</b>

# Horizons Regional Council Funding Impact Statement for Whole of Council for the year ended 30 June 2020

	Annual Plan 2019-20 \$000	Actual 2019-20 \$000	LTP Year 1 2018-19 \$000	Actual 2018-19 \$000
<b>Sources of Operating Funding</b>				
General rates, uniform annual general charges, rates penalties	30,893	30,798	29,791	29,541
Targeted rates	15,903	15,903	14,825	14,797
Subsidies and grants for operating purposes	7,406	7,709	5,234	8,017
Fees and charges	10,534	9,749	9,191	11,369
Interest and dividends from investments	2,823	1,614	1,384	494
Local authorities fuel tax, fines, infringement fees and other receipts	-	-	-	-
<b>Total sources of operating funding (A)</b>	<b>67,559</b>	<b>65,773</b>	<b>60,425</b>	<b>64,218</b>
<b>Applications of Operating Funding</b>				
Payments to staff and suppliers	56,683	57,366	52,687	56,680
Finance costs	1,605	1,565	1,519	1,258
Other operating funding applications	-	-	-	-
<b>Total applications of operating funding (B)</b>	<b>58,288</b>	<b>58,931</b>	<b>54,206</b>	<b>57,938</b>
<b>Surplus/(Deficit) of Operating Funding (A-B)</b>	<b>9,271</b>	<b>6,842</b>	<b>6,219</b>	<b>6,280</b>
<b>Sources of Capital Funding</b>				
Subsidies and grants for capital expenditure	-	135	-	234
Development and financial contributions	-	-	-	-
Increase/(decrease) in debt	2,000	9,000	8,000	15,000
Gross proceeds from sale of assets	-	-	-	-
Lump sum contributions	-	-	-	-
Other dedicated capital funding	-	-	-	-
<b>Total sources of capital funding (C)</b>	<b>2,000</b>	<b>9,135</b>	<b>8,000</b>	<b>15,234</b>
<b>Applications of Capital Funding</b>				
Capital expenditure:				
· to meet additional demand	-	-	-	-
· to improve the level of service	5,032	4,492	7,562	6,894
· to replace existing assets	3,441	5,568	4,691	4,954
Increase/(decrease) in reserves	798	3,917	(9,135)	(5,334)
Increase/(decrease) of investments	2,000	2,000	11,100	15,000
<b>Total applications of capital funding (D)</b>	<b>11,271</b>	<b>15,977</b>	<b>14,218</b>	<b>21,514</b>
<b>Surplus/(Deficit) of Capital Funding (C-D)</b>	<b>(9,271)</b>	<b>(6,842)</b>	<b>(6,218)</b>	<b>(6,280)</b>
<b>Funding Balance ((A-B)+(C-D))</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

All figures are exclusive of GST unless otherwise stated

Reconciliation with Statement of Comprehensive Revenue and Expense (SOCRE):

Surplus/(deficit) of operating funding as above	9,271	6,842	6,218	6,280
Subsidies and grants for capital expenditure	-	135	-	234
Gain/(loss) on revaluations through surplus/(deficit)	385	548	348	694
Gain/Loss on derivatives	-	8	-	(126)
Less depreciation (non-cash expense)	(4,284)	(4,199)	(4,090)	(3,908)
<b>Surplus/(Deficit) as SOCRE</b>	<b>5,372</b>	<b>3,334</b>	<b>2,476</b>	<b>3,174</b>

# Annual Report Disclosure Statement for the year ending 30 June 2020

## What is the Purpose of this Statement?

The purpose of this statement is to disclose the Council's financial performance in relation to various benchmarks to enable the assessment of whether the Council is prudently managing its revenues, expenses, assets, liabilities, and general financial dealings.

The Council is required to include this statement in its Annual Report in accordance with the Local Government (Financial Reporting and Prudence) Regulations 2014 (the regulations). Refer to the regulations for more information, including definitions of some of the terms used in this statement.

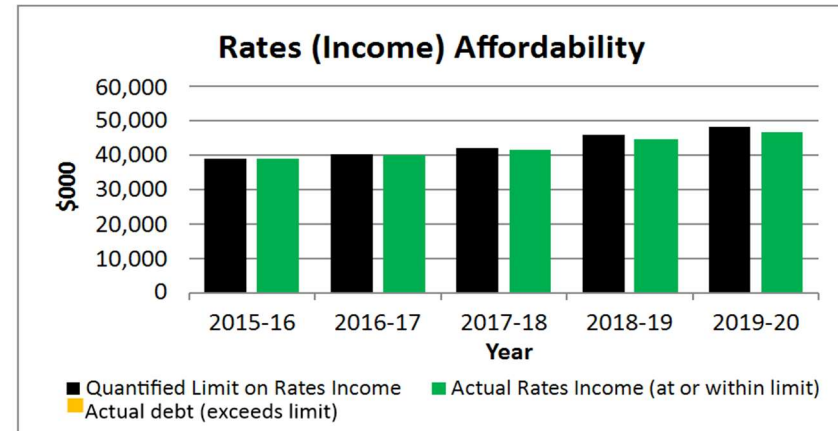
### Rates Affordability Benchmark

The Council meets the rates affordability benchmark if:

- Its actual rates income equals or is less than each quantified limit on rates; and
- Its actual rates increases equal or are less than each quantified limit on rates increases.

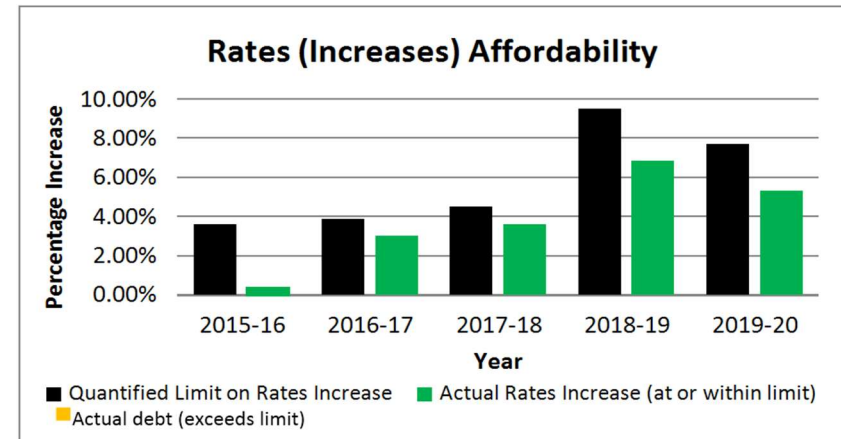
### Rates Income Affordability

The following graph compares the Council's actual rates income with the quantified limit on rates contained in the financial strategy included in the Council's Long-term Plan. The quantified limit is \$38.7 million (2015-16), \$40.2 million (2016-17), \$42.0 million (2017-18), \$45.8 million (2018-19) and \$48.2 million (2019-20).



### Rates Increase Affordability

The following graph compares the Council's actual rates increases with a quantified limit on rates increases included in the financial strategy in the Council's Long-term Plan. The quantified limit is 3.6% for 2015-16, 3.9% for 2016-17, 4.5% for 2017-18, 9.50% for 2018-19 and 7.70% for 2019-20.





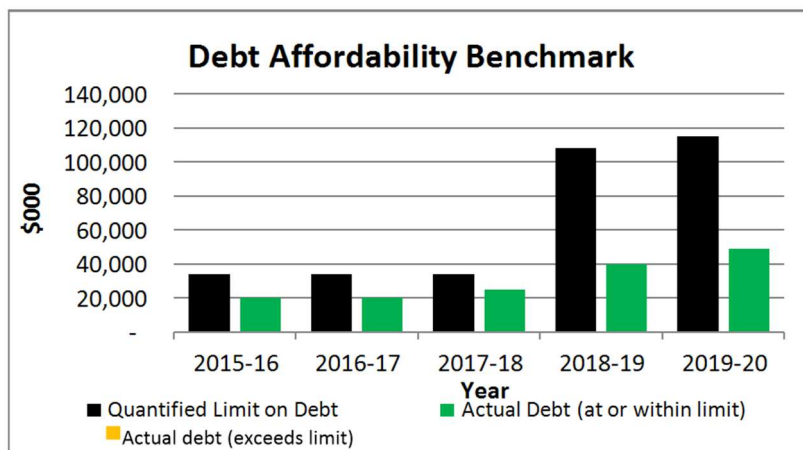
## Debt Affordability Benchmarks

The Council meets debt affordability benchmarks if its actual borrowing is within each quantified limit on borrowing. The first of these limits is set out in Council's 2012-22, 2015-25 Long-term Financial Summary and again in the 2018-28 Long-term Financial Summary. The other five limits are set out in Council's Liability Management Policy. Both the Long-term Financial Summary and Liability Management Policy are set out in the 2018-28 Long-term Plan.

The following graphs compare Council's actual borrowing with a quantified limit on borrowing stated in the financial strategy included in Council's Long-term Plan.

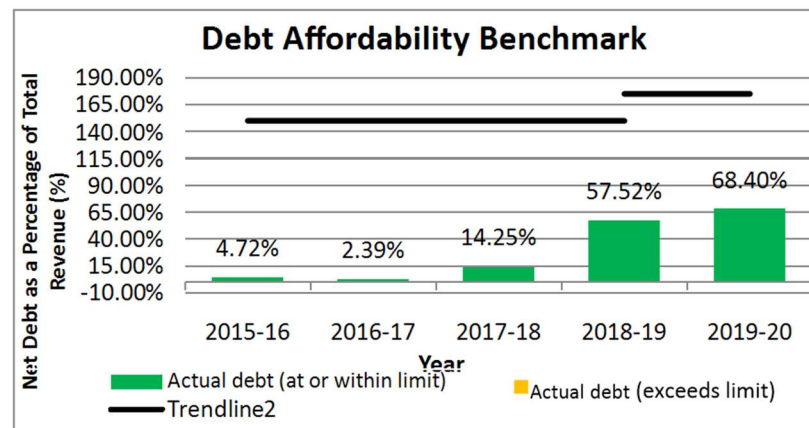
### Debt affordability benchmark 1 – Absolute dollar amount of debt

The quantified limit for this graph is that net external debt will not exceed \$115.1 million during the 2019-20 financial year.



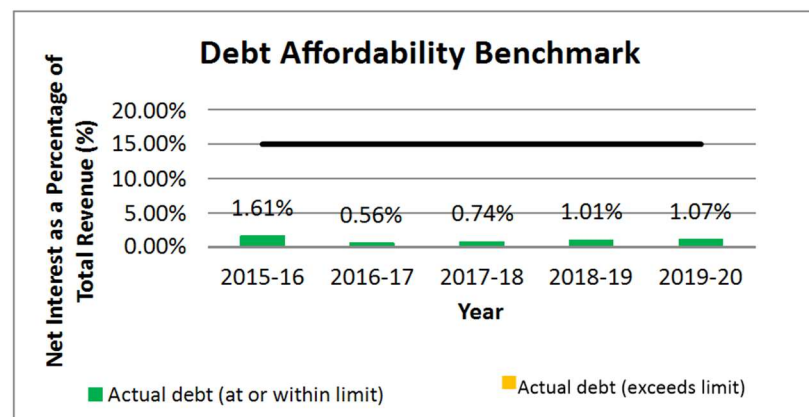
### Debt affordability benchmark 2 – Net debt as a percentage of total revenue

The quantified limit for this graph is that net external debt as a percentage of total revenue will not exceed 175%.



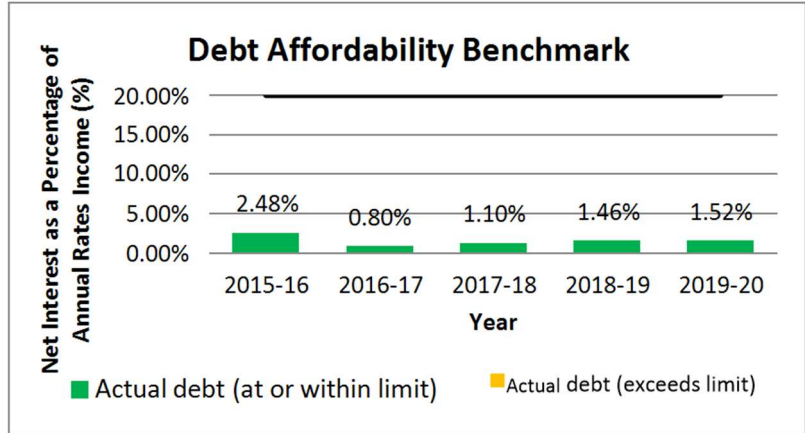
### Debt affordability benchmark 3 – Net interest as a percentage of total revenue

The quantified limit for this graph is that net interest as a percentage of total revenue will not exceed 15%.



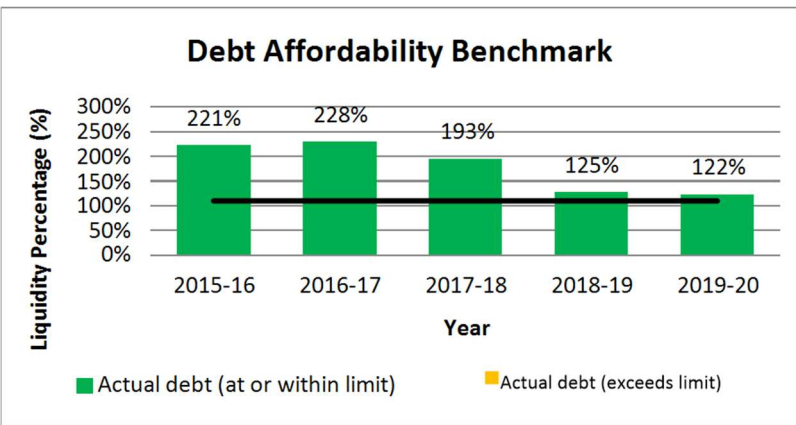
Debt affordability benchmark 4 – Net interest as a percentage of annual rates

The quantified limit for this graph is that net interest as a percentage of annual rates will not exceed 20%.



Debt affordability benchmark 5 – Liquidity

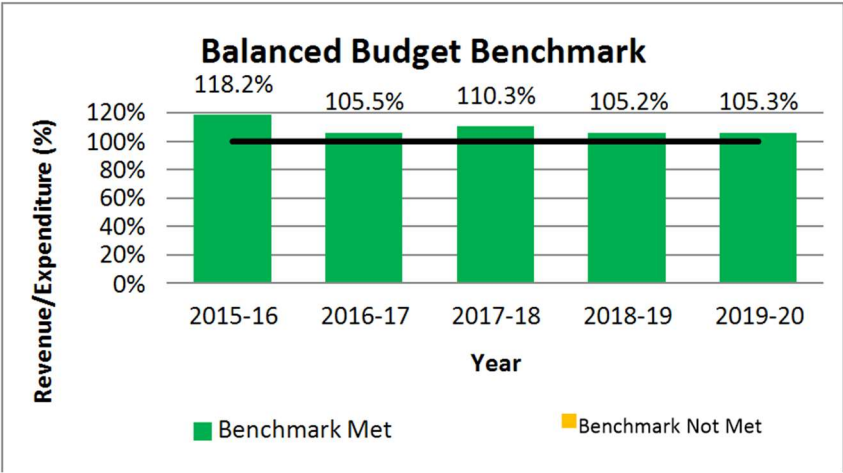
The quantified limit for this graph is that liquidity available will exceed 110% of existing external debt.



Balanced Budget Benchmark

The following graph displays the Council’s revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments, and revaluations of property, plant or equipment) as a proportion of operating expenses (excluding losses on derivative financial instruments and revaluations of property, plant or equipment).

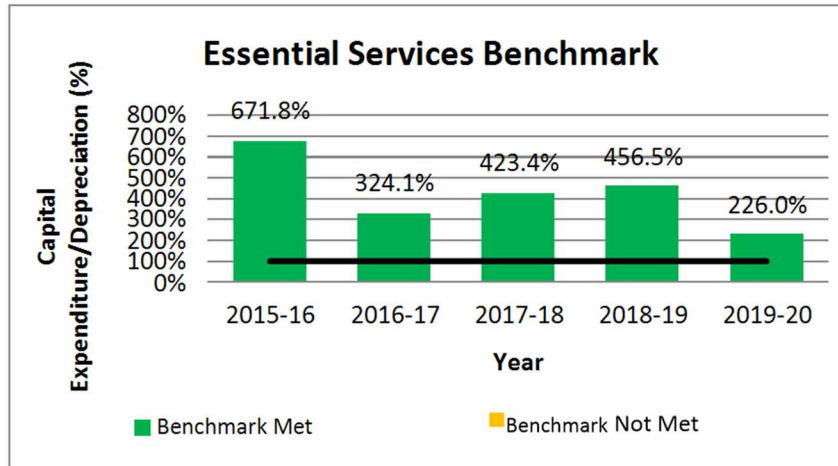
The Council meets this benchmark if its revenue equals or is greater than its operating expenses.



### Essential Services Benchmark

The following graph displays the Council's capital expenditure on network services as a proportion of depreciation on network services.

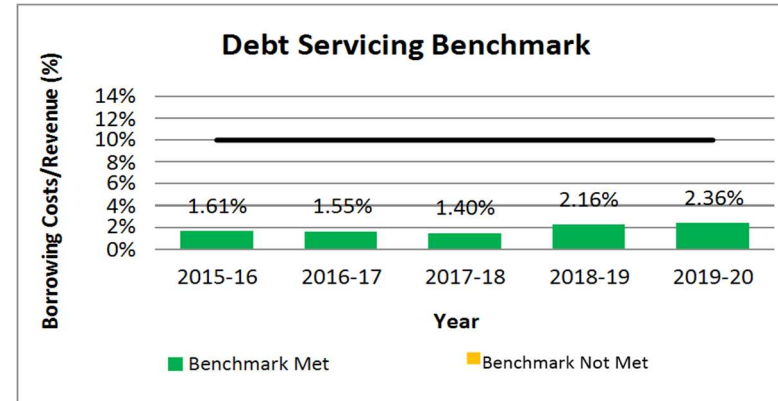
The Council meets this benchmark if its capital expenditure on network services equals or is greater than depreciation on network services.



### Debt Servicing Benchmark

The following graph displays the Council's borrowing costs as a proportion of revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments, and revaluations of property, plant, or equipment).

Because Statistics New Zealand projects the Council's population will grow as fast as the national population growth rate, it meets the debt servicing benchmark if its borrowing costs equal or are less than 10% of its revenue.

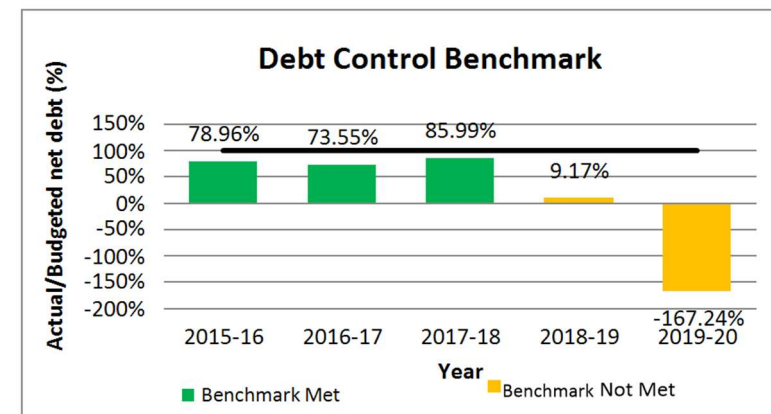


### Debt Control Benchmark

The following graph displays the Council's actual net debt as a proportion of planned net debt. In this statement, net debt means financial liabilities less financial assets (excluding trade and other receivables).

The Council meets the debt control benchmark if its actual net debt equals or is less than its planned net debt.

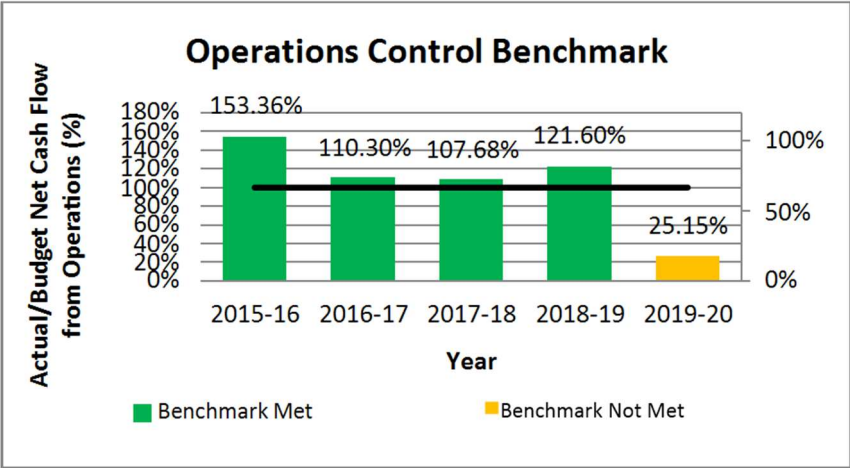
Note: in the 2018/19 and 2019/20 financial year's, Council planned to have net assets rather than net debt. The graph below is mathematically correct, and the colour of the bar shows Council's performance against that target.



Operations Control Benchmark

This graph displays the Council’s actual net cash flow from operations as a proportion of its planned net cash flow from operations.

The Council meets the operations control benchmark if its actual net cash flow from operations equals or is greater than its planned net cash flow from operations.



## Māori Participation in Council Decision-making

The Local Government Act 2002 (the Act) requires councils to establish and maintain processes to provide opportunities for Māori to contribute to council decision-making processes. The Act also requires councils to consider ways in which they may foster the development of Māori capacity to contribute to their decision-making processes and to provide relevant information to Māori for these purposes.

Horizons' meets these requirements through the application of its *Iwi Māori Engagement Policy*, which provides for:

- Development of Memoranda of Partnership with hapū and iwi;
- Iwi Management Planning; and
- Resource Management Act processes.

Horizons' achievements towards these policy objectives are included in the narrative and performance indicators section of the Iwi Activity, which forms part of the Regional Leadership and Governance Group of Activities.

# Statement of Compliance and Responsibility for the year ended 30 June 2020

## Compliance

1. The Council and management of the Manawātū-Whanganui Regional Council confirm that all the statutory requirements in relation to the Annual Report, as outlined in the Local Government Act 2002, were complied with.

## Responsibility

2. The Council and management of the Manawātū-Whanganui Regional Council accept responsibility for the preparation of the annual Financial Statements and the judgements used in them.
3. The Council and management of Manawātū-Whanganui Regional Council accept responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting.
4. In the opinion of the Council and management of Manawātū-Whanganui Regional Council, the annual Financial Statements for the year ended 30 June 2020 fairly reflect the financial position and operations of Manawātū-Whanganui Regional Council.



-----  
ACTING CHAIR

16 December 2020

DATE



-----  
CHIEF EXECUTIVE

16 December 2020

DATE

## Outstanding Fines

As at 30 June 2020, a number of organisations and individuals owed Council \$0.105 million in outstanding fines (last year \$0.076 million). During the year, a reconciliation of the amounts outstanding was performed in consultation with the Ministry of Justice, and it was found many values had been over-turned by the court and notification had not been received by Council. The following is a list of balances owed by organisations and individuals for court fines imposed prior to 30 June 2020.

Debtor	2019-20 \$000	2018-19 \$000
LA Landscape Limited	15	-
Land Meat New Zealand Limited	60	60
Pacific Farms Development	14	14
Philip Lambert Limited	1	-
Toyne/Patrick/Damien	15	-
Woods/Darryl/William Thomas	-	2
	<b>105</b>	<b>76</b>

## Transport Scheme Summary 2019-20

Closing Balance 2018-19 Credit/(Debit) \$000	Transport Scheme	Net Cost of Services 2019-20 \$000	Rates Revenue 2019-20 \$000	Net Surplus (Deficit) 2019-20 \$000	Closing Balance 2019-20 Credit/(Debit) \$000
(5)	Horowhenua	180	152	(28)	(33)
183	Manawatū	180	186	6	189
(1)	Palmerston North	1,742	1,410	(332)	(333)
37	Rangitikei	44	37	(7)	30
62	Ruapehu	6	9	3	65
30	Tararua	12	10	(2)	28
184	Whanganui	522	512	(10)	174
<b>490</b>	<b>Total Passenger Services</b>	<b>2,686</b>	<b>2,316</b>	<b>(370)</b>	<b>120</b>
113	Regional Transport Planning and Road Safety	230	231	1	114
<b>113</b>	<b>Total Planning and Road Safety</b>	<b>230</b>	<b>231</b>	<b>1</b>	<b>114</b>
<b>603</b>	<b>TOTAL TRANSPORT SCHEMES</b>	<b>2,916</b>	<b>2,547</b>	<b>(369)</b>	<b>234</b>



## Independent Auditor's Report

### To the readers of Horizons Regional Council's annual report for the year ended 30 June 2020

The Auditor-General is the auditor of Horizons Regional Council (the Regional Council) and its subsidiaries and controlled entities (the Group). The Auditor-General has appointed me, Debbie Perera, using the staff and resources of Audit New Zealand, to report on the information in the Regional Council's annual report that we are required to audit under the Local Government Act 2002 (the Act). We refer to this information as "the audited information" in our report.

We are also required to report on:

- whether the Regional Council has complied with the requirements of Schedule 10 of the Act that apply to the annual report; and
- the completeness and accuracy of the Regional Council's disclosures about its performance against benchmarks that are required by the Local Government (Financial Reporting and Prudence) Regulations 2014.

We refer to this information as "the disclosure requirements" in our report.

We completed our work on 16 December 2020. This is the date on which we give our report.

### Opinion on the audited information

In our opinion:

- the financial statements on pages 108 to 156:
  - present fairly, in all material respects:
    - the Regional Council and Group's financial position as at 30 June 2020;
    - the results of the operations and cash flows for the year ended on that date; and
  - comply with generally accepted accounting practice in New Zealand in accordance with the Public Benefit Entity Reporting Standards;
- the funding impact statement on page 163 to 164, presents fairly, in all material respects, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the Regional Council's annual plan;

- the statement of service provision headed "level of service" on pages 25 to 106:
  - presents fairly, in all material respects, the levels of service for each group of activities for the year ended 30 June 2020, including:
    - the levels of service achieved compared with the intended levels of service and whether any intended changes to levels of service were achieved;
    - the reasons for any significant variation between the levels of service achieved and the intended levels of service; and
  - complies with generally accepted accounting practice in New Zealand; and
- the statement about capital expenditure for each group of activities on pages 19 to 105 and pages 161 to 162, presents fairly, in all material respects, actual capital expenditure as compared to the budgeted capital expenditure included in the Regional Council's annual plan; and
- the funding impact statement for each group of activities on pages 20 to 105, presents fairly, in all material respects, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the Regional Council's Long-term plan.

### Report on the disclosure requirements

We report that the Regional Council has:

- complied with the requirements of Schedule 10 of the Act that apply to the annual report; and
- made the disclosures about performance against benchmarks as required by the Local Government (Financial Reporting and Prudence Regulations 2014) on pages 165 to 169, which represent a complete list of required disclosures and accurately reflects the information drawn from the Regional Council's audited information and, where applicable, the Regional Council's long-term plan and annual plans.

### Emphasis of matter – Impact of Covid-19

Without modifying our opinion, we draw attention to the disclosures about the impact of Covid-19 on the Regional Council as set out in notes 17, 18, 20, 30 and 33 to the financial statements and pages 24 to 110 of the performance information.

### Basis for our opinion on the audited information

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. We describe our

responsibilities under those standards further in the “Responsibilities of the auditor for the audited information” section of this report.

We have fulfilled our responsibilities in accordance with the Auditor-General’s Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on the audited information.

### **Responsibilities of the Council for the audited information**

The Council is responsible for meeting all legal requirements that apply to its annual report.

The Council’s responsibilities arise under the Local Government Act 2002 and the Local Government (Financial Reporting and Prudence) Regulations 2014.

The Council is responsible for such internal control as it determines is necessary to enable it to prepare the information we audit that is free from material misstatement, whether due to fraud or error.

In preparing the information we audit the Council is responsible for assessing its ability to continue as a going concern. The Council is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to amalgamate or cease all of the functions of the Regional Council and the Group or there is no realistic alternative but to do so.

### **Responsibilities of the auditor for the audited information**

Our objectives are to obtain reasonable assurance about whether the audited information, as a whole, is free from material misstatement, whether due to fraud or error, and to issue an audit report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor General’s Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers taken on the basis of this audited information.

For the budget information reported in the audited information, our procedures were limited to checking that the budget information agreed to the Regional Council’s annual plan.

We did not evaluate the security and controls over the electronic publication of the audited information.

As part of an audit in accordance with the Auditor-General’s Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the audited information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Regional Council and Group’s internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Council.
- We determine the appropriateness of the reported intended levels of service in the statement of service provision headed “level of service”, as a reasonable basis for assessing the levels of service achieved and reported by the Regional Council.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Council and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast a significant doubt on the Regional Council and Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the audited information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the Regional Council and the Group to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the audited information, including the disclosures, and whether the audited information represents, where applicable, the underlying transactions and events in a manner that achieves fair presentation.
- We obtain sufficient appropriate audit evidence regarding the entities or business activities within the Group to express an opinion on the consolidated audited information.

We communicate with the Council regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

### **Other Information**

The Council is responsible for the other information included in the annual report. The other information comprises the information included on pages 3 to 18, 107, 156 to 162, 170 to 173 and 177 to 182, but does not include the audited information and the disclosure requirements. Our opinion on the audited information and our report on the disclosure requirements do not cover the other information.

Our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the audited information and the disclosure requirements, or our knowledge obtained during our work, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## **Independence**

We are independent of the Regional Council and Group in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: International Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

In addition to our audit of the audited information and our report on the disclosure requirements, we have performed a limited assurance engagement related to the Regional Council's debenture trust deed. Other than these engagements, we have no relationship with, or interests in, the Regional Council or its subsidiaries and controlled entities.



Debbie Perera  
Audit New Zealand  
On behalf of the Auditor-General  
Palmerston North, New Zealand

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# Glossary of Terms

The definitions provided relate to how the word or term is used in the Annual Report or within Horizons Regional Council, which may differ from the purist's definition for a given word or term.

## **Accelerate25**

Accelerate25 is the business brand for increasing job opportunities and quality of life in the Manawātū-Whanganui region. It exists to develop the Manawātū-Whanganui Economic Action Plan and to accelerate opportunities for a stronger and more prosperous Region by 2025, for our people, for our mokopuna, for New Zealand.

## **Biodiversity**

The number and varieties of plant and animal populations in an area of land or water.

## **Biosecurity**

The prevention of new pest invasions and management of the impacts of existing pests.

## **Catchment**

The area occupied by a river system.

## **Community Consultation**

A consultation process to achieve community feedback.

## **Community Outcomes**

Community priorities for the future of the region, identified through a community consultation process.

## **Compliance Monitoring**

Monitoring of resource consent holder performance against consent conditions.

## **Consents**

Legal documents that give conditional rights to use a natural resource.

## **Environmental Grant**

Funding provided by Horizons Regional Council to offset the costs of environment-based projects.

## **Erosion**

The breakdown and removal of soil and rock by water.

## **Fluvial**

Something that is produced through the action in a stream or river.

## **Governance**

The function of elected members.

## **Groundwater**

Water held in layers of sand or gravel beneath the ground.

## **Habitat**

The environment in which animals live, e.g. forests and wetlands.

## **Habitat Protection**

The community outcome and activity that relate to biodiversity issues.

## **He Tini Awa Trust**

Environmental enhancement trust established and supported by Horizons Regional Council.

## **Indicators**

Measures used to track change, e.g. water quality is an indicator of environmental health.

## **Iwi**

A grouping of Māori based on ancestral ties.

## **Linklater Bursary**

Horizons Regional Council scholarship for high school students intending to take an environment-related course at university.

## **Local Government**

Regional, district and city councils.

## **Memorandum of Partnership or Understanding**

An agreement between two or more parties outlining how a partnership will work.

## **Mitigation**

Reducing adverse effects.



**MNZ**

Maritime New Zealand.

**Non-scheme**

Work done in rivers and drains not covered in a scheme area.

**Rateable**

Except as otherwise provided by the Local Government (Rating) Act 2002, or in any other Act, all land is deemed to be rateable property. All land classified as being rateable must be rated by the local authority.

**Rates Remission**

Where a rates remission is granted, the rates levied are forgiven and are no longer collectable by the local authority. Rates remissions do not apply to targeted rates levied for water, wastewater disposal, stormwater disposal and waste collection.

**Regional Growth**

In July 2015, Central Government, in consultation with Horizons and district and city councils, commissioned a [Regional Growth Study](#) that identified a number of opportunities and key enablers to help realise our region's economic potential. The implementation programme from this study is known as Accelerate25.

**River and Drainage – Non-scheme**

Areas not covered by Horizons Regional Council flooding, river control or drainage schemes.

**River and Drainage – Schemes**

Areas where Horizons Regional Council manages flooding, river control and drainage on behalf of ratepayers.

**Scheme Activity**

Work in rivers and drains where a plan was agreed for flood protection and/or drainage management.

**Soil Health**

The quality of the soil for production purposes.

**Sustainable**

Using a natural resource in such a way that it does not damage it for future users, or reduce its ability to support life.

**Tb Vector**

An animal, such as a possum or ferret, that is able to transfer Tb (bovine tuberculosis) to farm animals.

**Territorial Authorities (TAs)**

District and city councils.

**Total Mobility Service**

A subsidised service for people who are assessed as being mobility impaired.

**Wetland**

A permanently or seasonally wet area, usually with high biodiversity values.

**Whole Farm Plans (WFPs)**

Specific work programmes for the region's hill-country and the Whanganui Catchment.





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