



ANNUAL REPORT

2004-05

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Front Cover Photos
Caption
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MISSION STATEMENT

OUR PURPOSE

To work with communities to enhance our environmental heritage, while fostering economic opportunities and nurturing social and cultural aspirations, for current and future generations of the Manawatu-Wanganui Region.

OUR VISION

To be an essential partner in growing a prosperous Region appreciated for its lifestyle and environmental qualities.



OUR GOALS

1. Protection, enhancement and effective management of the Region's natural environment.
2. A safe and accessible Region.
3. A growing and diverse regional economy.

OUR SUCCESS DEPENDS ON

- Active community engagement.
- Responsive and effective regional leadership.
- Excellent information, policy and implementation.

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MESSAGE FROM THE CHAIRMAN AND CHIEF EXECUTIVE

We have pleasure in presenting to you the 2004-05 Annual Report. This is the first such Report prepared by the Council under the new provisions of the Local Government Act 2002 and the Council's 2004 Long-Term Council Community Plan (LTCCP).

This Annual Report sets out the results of a year that shows the culture of change continuing across our organization. There have been notable goals achieved, significant decisions reached and long-term plans made – all led by the vision of a more transparent, customer-focused Council that delivers value for money.

The focus on operational efficiency has led to a few important internal shifts, including the disestablishment of the Animal Pest Unit (APU), and the commissioning of a review of the Accounting and Financial section.

The decision to withdraw from Tb vector control work, was difficult but necessary. With an increase in price-competitive pest control operators and the wind-down of Tb control works in the region over the next few years, Horizons could no longer compete in the market. The impact of the unsuccessful struggle to compete is reflected in this Annual Report and the resulting disestablishment will have a further impact on the 2005-2006 year.

While continuing to focus on operational efficiency, we have also focused our efforts on what we consider to be our core business of risk management, environmental management and land transport. This has included a number of substantial projects that were launched during this year and will continue well into the near future.

The Sustainable Land Use Initiative has allowed us to take a long-term and wider view of river management, hill country erosion and flood protection. During the 2004-2005 year we were able to establish a Governance Group to oversee the initiative, and a Working Party to

develop a package that sets out the issues, the options for addressing them, a works programme and a tentative budget. We were also able to begin the task of communicating and marketing the package to get government, stakeholder and community support for the initiative. This task is continuing into 2005-2006, with an emphasis on increasing support for the package, secure funding, and plan the package rollout.

The One Plan project is a massive undertaking that seeks to update and upgrade the current plans we use to manage the Region's resources in order to make them less cumbersome and less confusing. This project is groundbreaking in terms of how we will manage our resources into the future and the work done in 2004-2005 is already showing very positive results.

As a result of the 2004 Storm event, we have started a process of looking at some individual River and Drainage Schemes to find ways to provide continued or better flood protection in certain areas. Research and preparation for the reviews took place this year and consultation has started as part of the 2005-2006 Annual Plan.

As well as the projects set out by ourselves and our communities, we have also been faced with the ongoing challenges from Central Government led initiatives such as Air Quality Monitoring.

On a very positive note, Horizons Regional Council (using the already established Palmerston North City Council call centre team) led the way in inspiring six other district and city councils to join together with Horizons in New Zealand's first council shared customer call centre. Palmerston North, Horowhenua, Manawatu, Rangitikei, Tararua and Ruapehu District Councils got behind the initiative and now everyone in these areas has the opportunity to phone their councils, on the usual number, and have their query addressed. The call centre is the first of its kind and it is hoped other regions may follow suit and join together to create the same seamless system of customer service.

A detailed financial overview is provided in the following pages. The rating result for General Rate activities shows a surplus of \$197,000. This will be used to part fund the \$300,000 budgeted as carried forward surplus in the 2005-06 Annual Plan. Along with this funding shortfall there are a number of other items (such as residual overheads from the APU) that will challenge the Council to make savings and end the 2005-06 year in a reasonable position.

The targeted rate activities show an overall rating surplus of \$3,658,000. Transport schemes were over budget and required utilization of scheme balances to fund the additional services. River & Drainage schemes showed an operating result of \$3,817,000 with the balance of its accounting surplus being utilized for capital reinstatement of assets damaged in the Feb 2004 storm.

Looking Ahead

Council has paid a great deal of attention to reviewing our funding policy with the completion of several workshops on this topic, during the year. Arguably this will be one of the most significant policy decisions for us, as it will determine how we fund our business into the next LTCCP. Issues for consideration include the philosophy around user pays, beneficiary versus contributor rating and reliance on investment income. Views on the funding policy will be sought from our community through consultation on the draft 2006 LTCCP.

The Financial Management and Accounting Review, while it doesn't show in this report, is an important line in the sand for the next few years. It will not only show up any weaknesses in our processes, systems, resources and procedures, but will also pave the way for better practices in the future.

Looking ahead to 2005-2006, our council and community can anticipate many exciting outcomes but, to achieve these great things, our community may face a number of hard decisions. Considerable work awaits us in fundamental areas of our business and we are going to have to invest substantially in order to deliver the services that our community deserves and expects.

We invite you to contact Councillors and senior management to answer questions or discuss any of the activities within this Report.




G P Murfitt
CHAIRMAN




M J McCartney
CHIEF EXECUTIVE

OVERVIEW OF THIS REPORT

Structure

This Report is divided into three sections as follows:

- **Introductory Section** is an overview of the Report.
- **Section Two** sets out the 2004-05 results of Council.
- **Section Three** contains Financial Statements and summary financial information.

Groups of Activities

Horizons Regional Council has divided its services among eight groups of activities. While some services relate to more than one group of activities (such as regulatory management), they have been listed within the group of activities to which they best relate. Further information on the scope and nature of the activities can be found in the introduction to each group.

The eight groups are Natural Resources, Risk Management, Transport, Regional Development, Information, Connecting with Communities, Regional Governance, and Other Activities. For each activity within a group information is presented to:

- Identify the 2004-05 programme of activities and performance results; and
- Identify the actual levels of expenditure.

For each group there is a financial summary showing actual group expenditure and funding for that expenditure.

Horizons Regional Council uses the following methods to carry out its various activities:

- **Policy** – developing new policy and reviewing existing plans and strategies.
- **Research** – collecting data and carrying out investigations to increase our knowledge and understanding of issues.
- **Monitoring** – collecting data to assess the effectiveness of Council methods.
- **Regulation** – processing resource consents, monitoring compliance, and enforcing Council's policies and rules.
- **Advice and information** – providing information so individuals can make informed environmental, social, and economic decisions.
- **Education** – providing information through a variety of media so that communities can make informed environmental, social, and economic decisions.
- **Funder** – providing sponsorship and incentives to assist individuals and groups to achieve Council objectives.
- **Service delivery** – delivering services across emergency management, flood protection and drainage, and biosecurity activities.

Performance Measures

Performance measures, by which performance may be judged in relation to objectives, are included within the report of each activity.

Asset Management

All groups of activities utilise the day-to-day operational assets of the Council (buildings, motor vehicles, plant and equipment, office furniture and computer equipment). Specific infrastructural assets are used for River and Drainage schemes.

The Council maintains sufficient operational assets to carry out its activities. These assets are maintained to sufficient service levels to enable staff to complete their duties efficiently and effectively. The maintenance and replacement of these assets is undertaken on the basis of a five to ten year programme. All maintenance costs are included in the operational expenses of the council. New and replacement capital expenditure programmes are also on a five to ten year cycle and are included in the capital expenditure programmes listed on page 93.

All operational assets are depreciated over their useful life as per the Statement of Accounting Policies. Depreciation is fully funded and replacement and new operational assets are funded from the cash effect of this depreciation expense.

Financial Overview

During the 2004-05 year the Council improved its financial position and continues to operate without any external debt. Net worth has increased to over \$237M, with over \$216M in fixed and infrastructural assets. Total operating and capital expenditure was nearly \$46M as follows:

General Rate Activities

[These are activities that are funded by a combination of user charges, investment income, and the General Rate. There is also

funding from part of the Storm Recovery Rate for Feb 2004 storm activities.]

The net cost of outputs for each activity and for Groups of Activities are shown on pages 19-95 of this report; consolidated results are shown in the summary and statement on page 100.

In terms of net cost of services there was expenditure of \$13,530,000 against a budget of \$12,738,000. Normal appropriations for the purchase of fixed assets and funding of their replacements have also been made, together with the transfer of transfer of the capital profit on property sales to the asset replacement reserves, and the transfer of \$248,000 from disaster reserves to fund Feb 2004 storm related activities. After making these appropriations, an overall rating surplus of \$197,000 has been transferred to the Retained Earnings account for General Rate activities.

Targeted Rate Activities

[These are separately identified and rated areas for Soil Conservation, River & Drainage works, Land Transport Planning, Road Safety, and Passenger Transport. There is also funding from part of the Storm Recovery Rate for the Feb 2004 storm activities relating to River & Drainage Schemes.]

The accounting treatment for River & Drainage Schemes continues the change made in the last five years' reports. All expenses and revenues are now treated in accord with the accounting principles encapsulated in GAAP (Generally Accepted Accounting Practice); this is now a requirement of the Local Government legislation. In particular, capital works expenditure has been kept separate from operating and maintenance expenditure, and Emergency Reserve transfers are treated as appropriations. However, the previous funding treatment has also been presented as it is felt that this

provides information that is familiar and useful to ratepayers and readers.

The Targeted rate activity, after allowing for appropriations, has resulted in a surplus of \$12,519,000 being transferred to Scheme equity which now show closing balances totalling more than \$166M. The negative situation from last year's report was reversed as a result of the revenues from insurances and Central Government are received during the year. Emergency Reserves have increased by \$38,000 to \$4,219,000

Overall Results

The Statement of Financial Position shows a strong liquidity position with current assets and deposits exceeding current liabilities in the approximate ratio of 2.0 to 1. The debt profile of the Council is conservative with the net debt (internal) as a proportion of capital funds being 2.35 %. The Council has generated no external new public debt during the year; to date the several scheme capital works programmes have been funded internally with a closing debt balance of \$5,584,000. Public Equity of over \$237M comprises Asset Revaluation reserves of \$35,622,000, Restricted Reserves (Scheme funds of \$5,976,000 and Scheme assets of \$160,550,000) and Accumulated Balance (Capital assets of \$16,371,000, Investment reserves \$15,878,000 General reserves \$3,361,000, and general retained earnings of (\$235,000)).

The Statement of Financial Performance (page 100) shows an overall Net Surplus for the Council of \$12,587,000, being mainly the effect of revenues from insurances and Central Government adjustments to fund flood damage repairs.

YOUR COUNCILLORS



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