

# Annual Report Summary

## For the year ended 30 June 2010

## Message from the Chief Executive

The past 12 months was characterised by economic uncertainty. Horizons Regional Council remains in a strong financial position but we are mindful of the economic landscape ahead of us. The balance between maintaining our commitment to effectively manage the Region's natural resources and our income received from ratepayers is not without its challenges but it's one we hold very seriously.

### Achieving more together

Partnerships have played a key role in helping fund Regional Council initiatives over the year, notably the Sustainable Land Use Initiative (SLUI), a programme aimed towards reducing hill county erosion and its effect on water quality. This programme is funded through Council rates, government funding and private landowners. There are now over 300 farms and 600 individual projects covering over 200,000ha. MAF have recently confirmed \$7.5million of funding for the programme, securing its future for the next five years. In the coming 12 months Horizons will add a further 100 farm plans to SLUI with a key focus on priority catchments such as the Manawatu.

### Spotlight on keeping water clean

Water quality and quantity are an ongoing focus of Horizons. We have a number of projects aimed at improving water quality in our Region, both regulatory and non-regulatory. A lot of energy has gone into the Manawatu River Leaders' Forum. This forum is made up of civic, industry, cultural and community leaders with an interest in the Manawatu River. After six months of discussion and a lot of goodwill, the leaders have signed an Accord, signalling their commitment to clean up the River. This year will see the group work together on an action plan to deliver on their promise.

### Protecting our communities

Horizons invests significant amounts of ratepayers' money to protect our Region from flooding. We have 33 river and drainage schemes and made excellent progress this year, especially in Wanganui, Palmerston North and on the Lower Manawatu Flood Scheme. Stage One of the Lower Whanganui Flood Scheme began this year with the construction of stopbanks to protect the Balgownie industrial area of Wanganui. The protection work for Palmerston North continued to gain momentum with a number of the City Reach projects completed. Work also continued on our largest scheme, the Lower Manawatu, which is on track to finish 2017-18.

### Looking to the future

As a council we are encouraged as we look towards 2010-11 and at the opportunities it brings with our new council. August will see the independent hearing panel release their decisions on the One Plan. The much anticipated announcements are the culmination of six years' work and a huge amount of community engagement. We will also see the Regional Land Transport Strategy become operational. This strategy sets the direction for transport in the Region including roading, public transport, walking and cycling. However, we will stay strong in our commitment to the Region and the management of its resources.



Michael McCartney  
CHIEF EXECUTIVE



## Environmental Management

Environmental Management is a major role of regional councils. The environment affects the economic, social and cultural wellbeing of the Region.

Horizons looks after the Region's bio-security by controlling pest plants and pest animals, as well as the Region's living heritage, and bush and wetlands on private land. Horizons also supports community projects like environmental reporting and education, manages consents, and undertakes pollution-management activities.

### Highlights of Environmental Management this year included:

- Year 4 of the 10-year possum control programme was completed bringing the programme's total of successfully worked hectares to 429,669.
- The rook programme was completed in full this year with initial observations indicating that a successful programme was delivered.
- We successfully got Year 3 of our Regional Pest Plant Management Strategy off the ground. The programme involved finding control options for a number of pest plants including Old Man's Beard, Californian and Nodding Thistle, Ragwort, Gorse and Broom.
- The One Plan was completed and will be implemented subject to appeals.
- 95.4% of consents were achieved within the time frame. Consents that went over timeframes are very likely to be granted in the 2010-11 year.
- Ninety nine per cent of the dairy biennial monitoring programme over 08/09 – 09/10 have been completed.

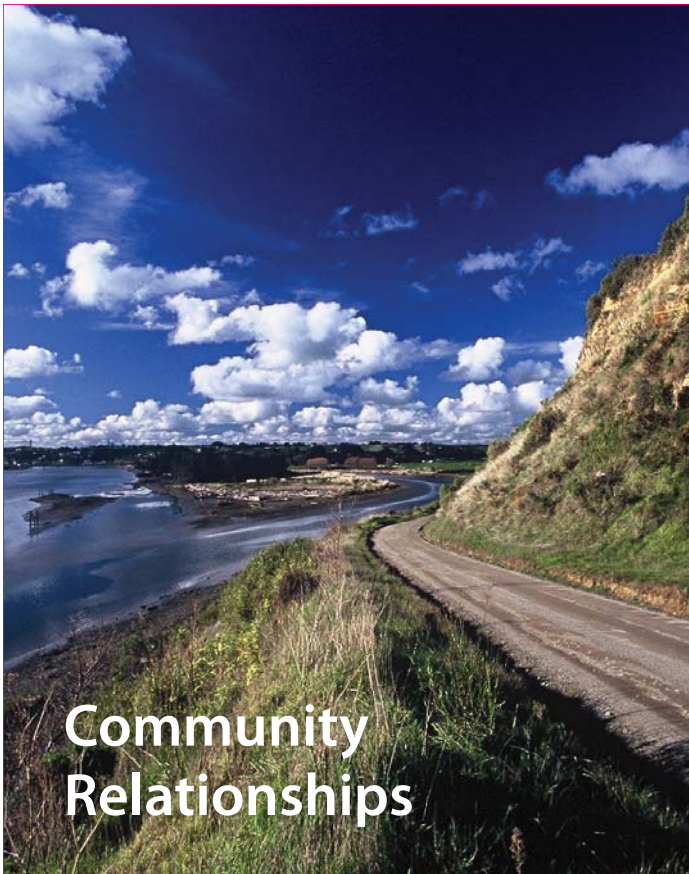


## Emergency Management

As a region we believe it is vital we are prepared for any emergency that comes our way - which is why we are involved in flood management, readiness and response activities, marine-oil-spill preparedness, supporting the Civil Defence Emergency Management (CDEM) Group and much more.

### Highlights of Emergency Management this year included:

- Completion of the CDEM Group Plan and the Triennial Business Plan.
- Good progress on flood-plain mapping and flood forecasting projects.
- Implementation of contracted emergency management services for Manawatu, Rangitikei and Horowhenua District Councils.
- Development and review of Flood Action Plans for Makino, Whanganui, and Kopane.
- Further development of river height alarm (IVR) monitoring tool.

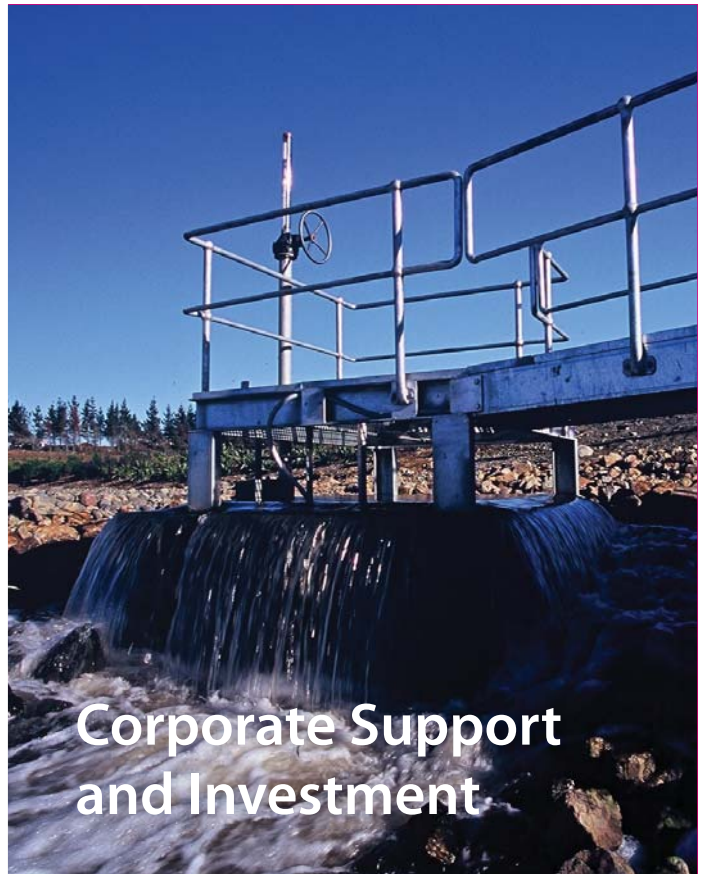


## Community Relationships

It is important the community understand what we do and how we do it. To make sure you know where your money is being spent Horizons tries to make itself accessible to you, through user-friendly communication. A Rural Advisory Team was set up part way through the year to help farmers with nutrient management and water related issues.

### Highlights of Community Relationships this year included:

- Demand for any information as made by our communities was met.
- Our District Liaison/Advice Team received 169 formal written requests for information or advice and 538 phone calls, emails or visits asking for information.
- The Rural Advisory Team met 136 farmers to give advice and support.



## Corporate Support and Investment

This group does the behind-the-scenes work that keeps the Council going. Corporate Support does the many essential day-to-day running items to keep Horizons working and the investing activity helps us pay for the work we do and keep our rates as low as possible. This was a busy year for the Investment activity. Commercial paper debt was drawn down for the first time by Council and MWRCH Holdings was established. The Council also sold its 8.33% share in the Port of Napier Limited (PONL).

### Highlights of Corporate Support and Investment this year included:

- Draw down of \$25 million commercial paper debt.
- Establishment of MWRCH Holding Limited with the appointment of two Council directors and two external commercial directors.
- The sale of the CentrePort shareholding to MWRCH. This sale resulted in a related party gain of \$18.458 million for Council. The sale of Council's 8.33% share of PONL to Hawke's Bay Regional Council for a gain of \$3.129 million dollars.



## Transport

Transport plays a vital role in our communities and contributes to the social and economic wellbeing of our Region.

Horizons' role is to co-ordinate land transport planning within the Region, plan and implement public passenger transport services and coordinate and implement a programme of community-road-safety activities.

### Highlights of Road Safety & Sustainability this year included:

- A "How Do You Choose Your Sober Driver" text competition aimed at young drivers at risk of drink driving.
- Fatigue stops on major state highways at holiday weekends, run in conjunction with the Police, and aimed at raising awareness of driver fatigue and its role in road crashes.
- Child restraint checks and information sessions for high risk communities.
- There was a review of the New Zealand Transport Agency activity class under which this activity is funded and as a result, a number of changes were made to key areas of focus for our Road Safety activities in 2010-11.

### Highlights of Transport Planning this year included:

- The preparation of the Regional Land Transport Strategy for 2010-2040 by the Regional Transport Committee.
- The Committee also considered and approved some variations to the Regional Land Transport Programme, which sets out and prioritises all the transport activities in the Region for which funding is sought from central government.

### Highlights of Passenger Services this year included:

- Significant growth in passenger numbers on most bus services in 2009-10. Overall across the Region, passenger numbers increased by 13.5%, following growth of 10% in the previous year.



## Representation and Governance

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 on top of local, regional, national, and international matters, so that emerging issues of relevance for the Region can be investigated and planned for.

### Highlights of Representation and Governance this year included:

- 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.
- 140 submissions to the Annual Plan were received with 49 requests for oral submissions.
- 12 Council meetings and 37 committee meetings were held during the year. Numerous other meetings were also attended by a variety of councillors.
- Overall attendance by councillors at meetings relevant to their responsibilities was 90% (an increase on the previous year which was 87%).

# Catchment Management, Land Management, Water Quality and Quantity, and River and Drainage

This group of activities includes Horizons' Land Management, Water Quality and Quantity, and River and Drainage activities.

All of these activities affect our rivers and other water sources and are all connected. Work in one activity contributes to the community outcomes of the other activities.

Our Land Management activity aims to guard and manage our Region's land and soil for current and future generations.

The Water Quality and Quantity activity seeks to preserve the quality and quantity of our water supplies while at the same time allowing our water resource to be used for the economic and social wellbeing of our communities.

The River and Drainage activity works to protect our communities' economic and social life from the effects of floods.

## Highlights of Land Management this year included:

- The Pond Size Calculator for customised calculation of farm dairy effluent storage requirements and management options was completed.
- An intensive monitoring programme was set up in the Tiraumea catchment to set targets for the Sustainable Land Use Initiative (SLUI).
- 82 environmental grant (EGrant) projects were supported.
- A new funding application was made to Ministry of Agriculture and Forestry in respect of the SLUI programme resulting in \$7.5million funding for ongoing work.
- Incentive programmes through SLUI contributed to over 2500 ha of erosion-reduction works being completed. Eighty one Whole Farm Plans were completed (target: 100). However, the area covered by these plans far exceeded targets.

## Highlights of River and Drainage Schemes this year included:

All 33 river and drainage schemes, and all scheme assets were maintained. Performance targets not achieved compromised neither the integrity of the assets concerned nor standards of safety.

Major capital works completed were:

- Lower Manawatu Scheme. - Linton Main Drain, about 2.7 km of stopbank was upgraded.
- Staces Road stopbank at Aokautere was upgraded and new stopbanks constructed.

- Lower Manawatu, Palmerston North City Reach Project. Work towards flood defenses to link an existing stopbank at Ruamahanga Cres with the high terrace at Napier Road. Land purchased and entry agreements met so work can be in done in 2010/11.
- Rangitikei River Scheme. Stage 2 of flood protection improvements at Tangimoana. Rangitikei Flood Protection Upgrade Project works are 55% completed.
- Ohau-Manakau Scheme. The first of three stages of a flood protection upgrade project on the Ohau River.
- Lower Whanganui River Scheme. Stage one of three to protect the Balgownie area from the 0.5% AEP flood, being stage one of a three stage project (75% complete).
- Moutoa Drainage Scheme. A new 0.45 cumec drainage pump at Bowler's property.

Major upgrade work on the Oroua River at Kopane, including replacement of the Kopane Bridge, was deferred due to delays in getting required resource consents. Works on Linton Main Drain were substituted.

Stage one flood protection upgrade works on the Whanganui River at Balgownie were programmed for completion by June 2010. Commencement of major contract works was delayed, to be completed by December 2010.

## Highlights of Water Quantity and Quality Management this year included:

- A large volume of reporting was completed on the state and trends of water quality in the Region through the technical evidence for the One Plan hearings.
- A detailed water quantity and quality investigation was undertaken in the Tiraumea, Mangaroa and Waiwiri sub-catchment of the Manawatu River.
- Upgrades to the State of Environment and Discharge monitoring programme in the Whanganui Catchment were put in place.
- A water allocation framework including proposed minimum flows and allocation limits for all of the Region's waterways was documented as a part of the One Plan technical evidence.
- Two groundwater science reports were completed to inform management of the groundwater resource in the Horowhenua catchment.
- Approximately 65 km of riparian fencing (a 130% increase over last year) were completed, and 21,000 native plants were planted into riparian areas, with assistance from us.



This summary is a snapshot of some of the results of Horizons work programme in 2009-10, taken from the audited full financial statements included in the Annual Report 2009-10, which was completed and adopted by Council on 28 September 2010.

The information presented in these summary financial statements cannot be expected to provide as complete

an understanding as provided by the full financial statements contained within the Annual Report 2009-10. This report is obtainable from our Head Office, phone 06 952 2800; Private Bag 11 025, Palmerston North, or can be downloaded from our website, [www.horizons.govt.nz](http://www.horizons.govt.nz). The Annual Report 2009-10 has been audited, and received a clear audit opinion dated 28 September 2010.

The following information summarises the Horizons Regional Council's (HRC's) financial accounts. Full financial information is provided in the Annual Report 2009-10.

## General

### Financial Overview

These summary financial statements are presented in New Zealand dollars, which is our functional currency, and all values are rounded to the nearest thousand dollars (\$,000).

### Explanation of major variances against budget.

Explanation for major variations from HRC's estimated figures in the Annual Plan 2009-10 are as follows:

### Statement of Comprehensive Income

Surplus before tax was \$0.779m above budget

This additional surplus mainly consists of consents revenue \$0.423m more than anticipated due to better financial control of consent expenditure and recoveries, and the capitalisation of forestry development of \$0.289m.

The sales of port shares resulted in a capital gain of \$21.688M which was unbudgeted in the LTCCP 2009-19.

### Statement of Cash Flows

Net cash flow for the period is \$11.117m above budget.

This is mainly due to the cash inflow from the sale of HRC's shares in Port of Napier Limited (PoN). This change is also reflected in the difference between the closing balance of Cash and Cash Equivalents, being \$13.335m above budget.

### Statement of Financial Position

Net Assets at balance date are \$39.156m above budget made up of.

#### Current assets - \$24.004m above budget

The main contribution to this surplus is the increase in Current Assets by the inclusion of deposits of \$22.902m, mainly arising from the sale of share in PoN and CentrePort. Of these, \$12.909m is included in Current Assets as Cash and Cash Equivalents ((see note above), and \$9.567m as deposits due to mature within the next financial year.

#### Non-current assets - \$25.732m above budget

Investment in the holding company during the year resulted an increase of \$12.648m in total equity investments over budget, mainly relating to the final cost of the holding company, and the related valuation of CentrePort.

Operational and infrastructural assets were also \$9.963m higher than anticipated, due to increases in the opening balances as a result of the previous year's annual report process, and \$3.000m arising from the revaluation of operational land and buildings as part of HRC's three yearly cycle.

#### Non-current liabilities - \$10,941m over budget

The increased investment in the holding company resulted in an increase in borrowings of \$9.652m.

### Statement of Changes in Equity

Closing equity was \$39.156m above budget as a result of the above variances, including revaluations.

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2010	NOTES	ANNUAL PLAN BUDGET 2009-10	GROUP ACTUAL 2009-10	COUNCIL ACTUAL 2009-10	GROUP ACTUAL 2008-09	COUNCIL ACTUAL 2008-09
<b>Revenue</b>		(\$,000)	(\$,000)	(\$,000)	(\$,000)	(\$,000)
Finance revenue		1,800	1,107	1,103	933	2,126
Other Revenue		12,028	12,961	12,946	12,11	12,690
Total Non-Rate Revenue	a.	13,908	14,068	14,049	13,044	14,816
<b>Rates Revenue</b>		<b>29,774</b>	<b>29,914</b>	<b>29,914</b>	<b>28,142</b>	<b>28,142</b>
Total Revenue		43,682	43,982	43,963	41,186	42,958
<b>Expenditure</b>						
Personnel Costs		13,859	13,564	13,564	13,410	13,410
Depreciation & Amortisation expense		3,496	3,384	3,384	3,112	3,112
Interest Costs		965	817	817	153	153
Other expenses		23,347	23,398	23,368	23,155	23,749
Total Expenditure		41,667	41,163	41,133	39,830	40,424
<b>Surplus (deficit) before associates</b>		<b>2,015</b>	<b>2,819</b>	<b>2,830</b>	<b>1,356</b>	<b>2,534</b>
Share of associates Surplus(deficit)		-	1,508	-	(303)	-
Newly identified assets		-	273	273		
Gain on sale of port company shares		-	14,301	21,588		
<b>Surplus (deficit) before tax</b>		<b>2,015</b>	<b>18,901</b>	<b>24,691</b>	<b>1,053</b>	<b>2,534</b>
Income tax expense	b.	-	(1)	-	(81)	(81)
<b>Surplus (deficit) after tax</b>		<b>2,015</b>	<b>18,900</b>	<b>24,691</b>	<b>972</b>	<b>2,453</b>
<b>Other comprehensive Income</b>						
Gain (loss) on asset revaluations		(71)	5,784	2,996	51,929	51,929
Financial assets at fair value through equity		-	-	-	160	160
Total other comprehensive income		(71)	5,784	2,996	52,089	52,089
<b>Total Comprehensive Income</b>		<b>1,944</b>	<b>24,684</b>	<b>27,687</b>	<b>53,061</b>	<b>54,542</b>
<b>STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2010</b>						
Net Cash Inflows (Outflows) from Operating Activities		6,921	5,961	5,597	4,485	4,518
Net Cash Inflows (Outflows) from Investing Activities		(12,014)	(11,695)	(11,413)	(10,210)	(10,210)
Net Cash Inflows (Outflows) from Financing Activities		5,250	17,090	17,090	7,910	7,910
Net Cash Inflows (Outflows) for the year		157	11,356	11,274	2,185	2,218
Opening cash & cash equivalents		145	2,525	2,363	340	145
Closing cash & cash equivalents		302	13,881	13,637	2,525	2,363
<b>STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 30 JUNE 2010</b>						
Current assets		5,125	30,412	29,129	8,378	8,196
Non-current assets		358,593	387,409	384,325	368,027	360,740
<b>Total assets</b>		<b>363,718</b>	<b>417,821</b>	<b>413,454</b>	<b>376,405</b>	<b>368,936</b>
Current liabilities		7,660	7,654	7,749	15,922	15,918
Non-current liabilities		14,509	25,000	25,000	-	-
<b>Total liabilities</b>		<b>22,169</b>	<b>32,654</b>	<b>32,749</b>	<b>15,922</b>	<b>15,918</b>
<b>Net assets</b>		<b>341,549</b>	<b>385,167</b>	<b>380,705</b>	<b>360,483</b>	<b>353,018</b>
<b>Represented by:</b>						
Equity - Asset revaluation reserves		38,458	59,811	55,078	54,027	52,082
Restricted reserves		182,099	181,335	181,335	177,859	177,859
Retained earnings		121,082	144,021	128,597	128,597	123,077
<b>Total equity</b>		<b>341,549</b>	<b>385,167</b>	<b>380,705</b>	<b>360,483</b>	<b>353,018</b>
<b>STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2010</b>						
Balance 1 July		339,605	360,483	353,018	307,422	298,476
Total comprehensive income		1,944	24,684	27,687	53,061	54,542
<b>Balance 30 June</b>		<b>341,549</b>	<b>385,167</b>	<b>380,705</b>	<b>360,483</b>	<b>353,018</b>
<b>Notes:</b>						
a. Excludes internal transfers		696	1,544	1,544	822	822
b. Taxation - Surplus (deficit) before tax		-	4,327	2,830	1,053	2,534
Plus subvention payment			0	343	-	-
Prima facie tax expense @ 30%			4,327	3,173	1,053	2,534
Plus (less) permanent difference			1,298	952	316	760
Plus (less) permanent difference			(1,297)	(952)	(235)	(679)
<b>Tax expense</b>			<b>1</b>	<b>-</b>	<b>81</b>	<b>81</b>
Current tax			1	-	81	81
Deferred tax			-	-	-	-
Tax expense			1	0	81	81
Less provisional tax paid			(365)	(239)	(57)	(57)
<b>Tax payable (refund due) at balance date</b>			<b>(365)</b>	<b>(239)</b>	<b>24</b>	<b>24</b>

## Disclosures

HRC's full financial statements were prepared in accordance with New Zealand generally accepted accounting practices (NZ GAAP), and these summary financial statements comply with Financial Reporting Standard 43 (FRS 43). This Standard also requires Horizons Regional Council (HRC) to make the following disclosures:

- This Annual Report Summary 2009-10 is prepared for HRC, which is the trading name of the Manawatu-Wanganui Regional Council, a Local Authority governed by the Local Government Act 2002.
- These summary financial statements are for the year ended 30 June 2010, and are presented for the HRC group, which consists of -
  - Horizons Regional Council (the "Parent Entity").
  - a subsidiary, He Tini Awa Trust (a Council Controlled Organisation (CCO)).
  - a subsidiary MWRC Holdings Limited (a Council Controlled Trading Organisation (CCTO)).
- HRC has designated itself as a Public Benefit Entity (PBE) for the purposes of New Zealand equivalents to International Financial reporting Standards (NZ IFRS). As HRC meets the definition of a PBE, it applies specific recognition and measurement requirements that apply to PBE's.
- The information and specific disclosures included in this summary have been extracted from the full financial statements, included in the Annual Report 2009-10, which was adopted, and authorised for issue, by Council on 28 September 2010.

- This Annual Report Summary 2009-10 was authorised for issue by HRC's Chief executive, Mr Michael McCartney, on 28 September 2010.
- HRC has made an explicit and unreserved statement of compliance with International Financial reporting Standards (IFRS's) in it's "Notes to the Financial Statements" on page 165 of the full financial statements.

## Contingencies and Commitments

### Contingent Liabilities

- The potential claims by two groups of farmers in relation to damage and loss from the February 2004 storm event are still current. (the same as last year) One claim is proceeding and there remains the potential for a second claim. Both are being managed by HRC's insurers, and no cost to HRC is expected.
- While HRC is no longer a member of New Zealand Mutual Liability RiskPool (RiskPool), due to prior year membership HRC still has a call-in exposure to the value of \$100,000 (last year \$24,000).
- HRC has a bank interest swap for \$5,000,000 (last year - nil) entered into on 30 June 2010, effective from 18 September 2010. This is to coincide with HRC's four year floating rate commercial paper interest due date.

There are no other contingent liabilities.

### Contingent Assets

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

### Associate/Subsidiary Liabilities and Contingent Liabilities

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

- There are no contingent liabilities associated with HRC's associates or subsidiaries. (last year - nil).

### Operating Lease commitments

- There are no operating lease commitments for HRC as Lessees as at 30 June 2010. (last year - nil).
- There are operating lease commitments for HRC as Lessors, in respect of river & drainage scheme land leased out for agricultural purposes. Total commitments for these at 30 June 2010 are \$4.084m (last year \$3.407). A table summarising these by financial term is included in the full Annual Report 2009-10.

### Other Commitments

- There are minor operating expenditure commitments of orders and hire contracts at balance date, but these in total are immaterial.
- Major capital commitments for 5 river & drainage work contracts amounted to \$0.621m at balance date. (last year 2 - \$0.522m)

## Related Parties

There were no significant related-party transactions during the year ended 30 June 2010. A summary of the relevant transactions is included in the full Annual Report 2009-10.

## Events after balance date

There were no significant events after balance date. Although the Region experienced two flood events in September 2010, damage caused is generally covered by insurance, and costs to HRC are not considered significant.

## Audit Report

To the readers of Horizons Regional Council and group's summary annual financial statements, service provision information and the other requirements for the year ended 30 June 2010.

We have audited the summary financial statements, service provision information and the other requirements of Schedule 10 of the Local Government Act 2002 as set out in pages 1 to 8.

### Unqualified Opinion

In our opinion:

- the summary financial statements, service provision information and the other requirements represent, fairly and consistently, the information regarding the major matters dealt with in the annual report; and
- the information reported in the summary financial statements, service provision information and the other requirements complies with FRS-43: Summary Financial

Statements and is consistent with the full financial statements, service provision information and the other requirements from which they are derived.

We expressed an unqualified audit opinion, in our report dated 28 October 2010, on:

- the full financial statements;
- the service provision information; and
- the Council and group's compliance with the other requirements of Schedule 10 of the Local Government Act 2002 that are applicable to the annual report.

### Basis of Opinion

Our audit was conducted in accordance with the Auditor General's Auditing Standards, which incorporate the New Zealand Auditing Standards. Other than in our capacity as auditor, we have no relationship with or interests in Horizons Regional Council or any of its subsidiaries.

## AUDIT NEW ZEALAND

Mana Arotake Aotearoa

### Responsibilities of the Council and the Auditor

The Council is responsible for preparing the summary financial statements, service provision information and the other requirements of Schedule 10 of the Local Government Act 2002 and we are responsible for expressing an opinion on those summary financial statements, service provision information and the other requirements of Schedule 10 of the Local Government Act 2002. These responsibilities arise from the Local Government Act 2002.



Clint Ramoo, Audit New Zealand  
On behalf of the Auditor General  
Palmerston North, New Zealand  
28 October 2010

