



# ANNUAL REPORT 2020-21

28 June 2022

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**Te horopaki**  
**Setting the scene**

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## Message from the Chair and Chief Executive

The 2020-21 financial year continued much like its predecessor - working through the impacts on our work programmes due to COVID-19. As we adapted to new ways of working, we were fortunate to receive significant funding from central government for Infrastructure Climate Resilience and Jobs for Nature projects to assist with the region's recovery. Throughout the year, Council adopted the 2021-31 Regional Land Transport Plan (RLTP) and our 2021-31 Long-term Plan (LTP), and resolved to establish a Māori constituency or constituencies. Responding to central government's Essential Freshwater package and developing our response to climate change also dominated much of our activities.

The LTP will help contribute to many work programmes that central government has provided funding for. Jobs for Nature funding covers three main areas of work: fencing and planting, remediation to fish passages to enhance indigenous fish populations, and Lake Horowhenua water quality interventions. Historically, we have a high demand for fencing and planting; this funding allows us to increase this activity and work alongside landowners, iwi and hapū, schools and community groups to improve the health of the region's waterways.

Te Pūwaha, the Whanganui Port Revitalisation project, is well underway. This project aims to rejuvenate the port for economic prosperity and community use of the waterfront. Over \$50 million has been invested, with \$26.75 million from central government's Provincial Growth Fund (PGF) and the rest of the cost is covered by the project's partners. The upgrade and repairs to both the North and South Moles is led by Horizons as a project partner. The work is essential to enable an operational port, as the moles define the river mouth and ensure a navigable depth is maintained for vessels, while also protecting port infrastructure from flooding.

This year, our biosecurity team celebrated the successful release of the field horsetail weevil, *Grypus equiseti*, aimed at being a long-term reduction tool for field horsetail. This pest plant particularly impacts our rural communities as it is toxic to some animals and affects the production of crops. The release of the weevil as a biocontrol agent is a global first and was not something we could complete on our own. A significant amount of the mahi was carried out alongside the Rangitikei Field Horsetail Group, Landcare Research, AgResearch, Clifton School, Landcare Trust, Rangitikei District Council and Rangitikei Aggregates Limited.

Horizons' Climate Action Joint Committee held its inaugural meeting in March 2021. This committee has representatives from iwi, Horizons and the region's seven territorial authorities. The committee will use scientific evidence and mātauranga Māori in the region's response to climate change mitigation and adaptation. This committee is the first time tangata whenua representatives with voting rights have been formally appointed to any Horizons committee.

In February 2021, alongside Tranzit Coachlines, our transport team unveiled a new third-generation EV bus that is now in regular use across Palmerston North bus routes. The EV bus contributes to one of our RLTP goals of having transport systems that work towards climate change mitigation. The RLTP sets the strategic direction for transport across our region. This Plan is a collaborative effort between Horizons, our region's seven territorial authorities and Waka Kotahi NZ Transport Agency.

The above is a brief overview of the work Council has completed over 2020-21. More detailed information can be found within this Annual Report and on our website [www.horizons.govt.nz](http://www.horizons.govt.nz).



Rachel Keedwell  
CHAIR



Michael McCartney  
CHIEF EXECUTIVE

# Your Councillors

## Ngā Kaikaunihera



**RACHEL KEEDWELL**  
Chair, Palmerston North  
021 177 2790  
rachel.keedwell@horizons.govt.nz



**JONO NAYLOR**  
Deputy Chair, Palmerston North  
027 569 0937  
jono.naylor@horizons.govt.nz



**WIREMU TE AWE AWE**  
Palmerston North  
021 918 242  
wiremu.teaweawe@horizons.govt.nz



**FIONA GORDON**  
Palmerston North  
027 373 8277  
fiona.gordon@horizons.govt.nz



**JOHN TURKINGTON**  
Manawatū-Rangitikei  
027 445 8410  
john.turkington@horizons.govt.nz



**BRUCE GORDON**  
Manawatū-Rangitikei  
027 442 7462  
bruce.gordon@horizons.govt.nz



**DAVID COTTON**  
Whanganui  
027 442 5920  
david.cotton@horizons.govt.nz



**NICOLA PATRICK**  
Whanganui  
027 871 6459  
nicola.patrick@horizons.govt.nz



**EMMA CLARKE**  
Horowhenua  
021 498 156  
emma.clarke@horizons.govt.nz



**SAM FERGUSON**  
Horowhenua  
027 827 7037  
sam.ferguson@horizons.govt.nz



**WESTON KIRTON**  
Ruapehu  
027 494 4497  
weston.kirton@horizons.govt.nz



**ALLAN BENBOW**  
Taranaki  
021 374 984  
allan.benbow@horizons.govt.nz

The region's six constituencies provide a total of 12 elected representatives who form the governance body of Horizons Regional Council, which is the trading name of the Manawatū-Whanganui Regional Council. Local government elections are run every three years, and the chair of the Council is elected by the members of the Council. The next election is due in October 2022.

The chief executive is employed directly by the Council. The chief executive, in turn, employs the staff of Horizons Regional Council. The staff of the Council number approximately 265 full-time equivalents. Around 65 per cent of the staff are based at the head office in Palmerston North. The remainder are located at service centres and depots throughout the region. The Council carries out much of its work through a number of standing committees. These are:

- Audit, Risk and Investment Committee
- Catchment Operations Committee
- Environment Committee
- Linklater Bursary Sub-Committee
- Manawatū River Users' Advisory Group
- Passenger Transport Committee
- Regional Transport Committee
- Strategy and Policy Committee

# 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 2020-21.

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 2020-21 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 2021. This overview provides a summary and explanations of the financial statements and notes on pages 93-152.

## Budget Variance

	\$000
Surplus as per Statement of Comprehensive Revenue and Expense	9,697
– Less: Budgeted net surplus	6,810
Budget variance	<b>2,887</b>

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

	\$000
• Land and Water Management	3,240
• River and Drainage	(761)
• Biosecurity and Biodiversity	(61)
• Regional Leadership	(330)
• Transport	143
• <u>Investment</u>	<u>656</u>
	<b>2,887</b>

Refer to Explanation of Major Variances Against Budget on page 142 and refer to individual activities for more detail.

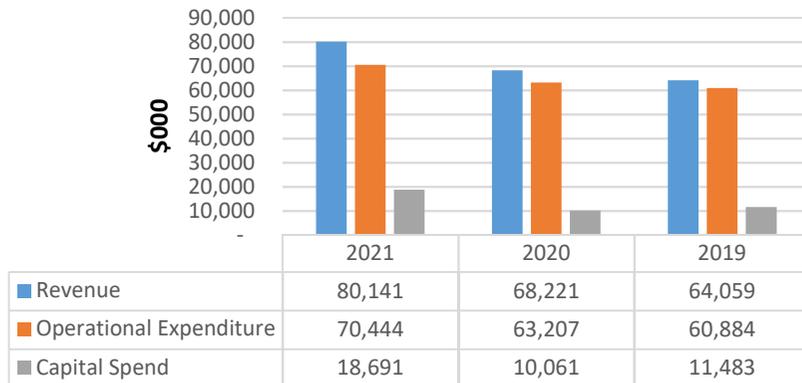
# Financial Performance Overview

Note: Where the 2019-20 financial year figures have been adjusted in our financial statements, we have used the adjusted figures for Revenue, Expenditure, Assets, and/or Liabilities.

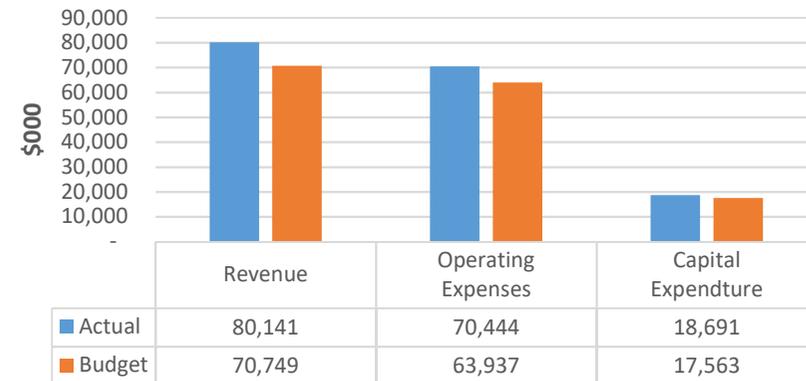
## Overall Financial Performance

The actual result was \$2.887 million up on budgeted surplus. Following on from 2019-20 financial year, the government offered up funding for Shovel Ready Projects of which we were successful in receiving a portion of. This has meant that both our Revenue and Expenditure have varied significantly from what was initially budgeted.

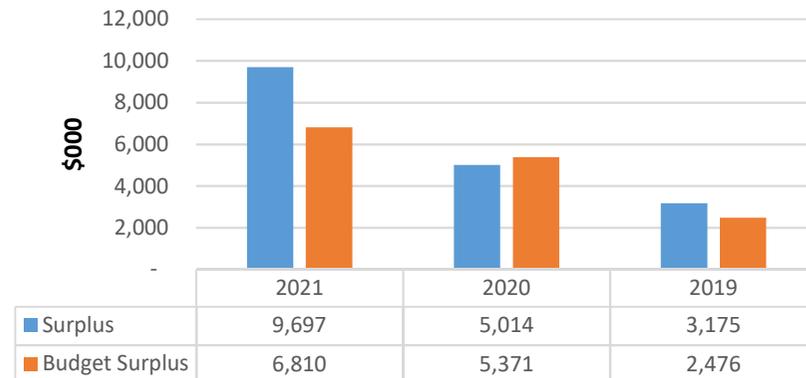
Revenue and Expenditure - 3 Year Trend



Financial Result Against Budget

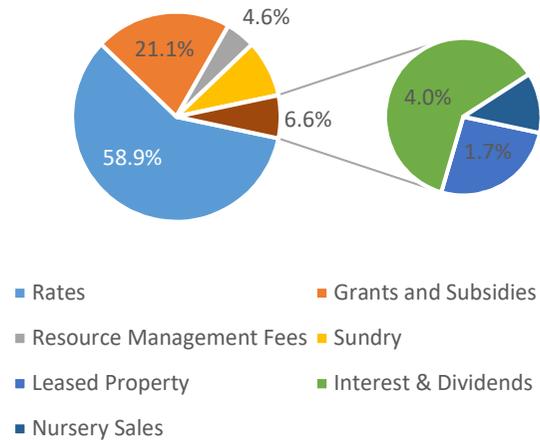


Actual Net Surplus vs Budget



## Revenue

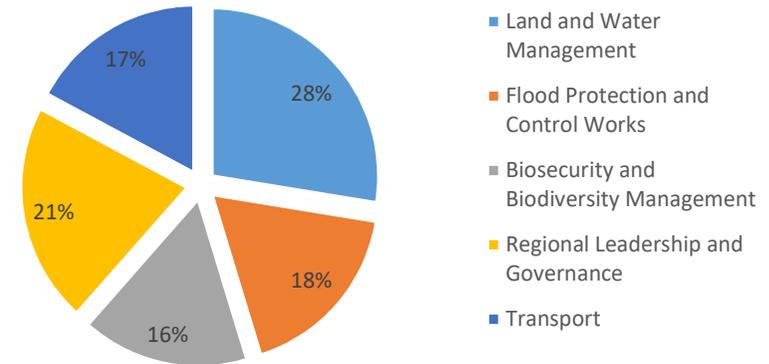
Revenue was \$80.1 million for the year, an increase of 13.3 per cent on budget. This revenue is derived from multiple sources, with rates being the main contributor.



- 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 \$89.134 million. This includes operating expenditure of \$70.444 million and capital expenditure of \$18.691 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:

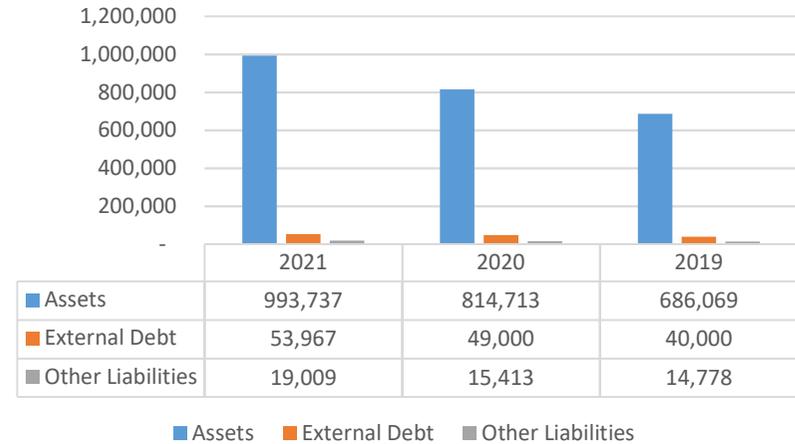
- Community Relationships;
- Environmental Reporting;
- Emergency Management;
- Governance;
- Information;
- Iwi; and
- Strategic Management.

Transport includes the following activities:

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

## Horizons' Assets and Liabilities

During the financial year 2020-21, Horizons' net worth increased from \$750 million to \$921 million. The major contributor to this increase in net worth was the revaluation of infrastructural assets and other non-current assets.



## 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 is included below: Performance has been compared to the 2018-28 Long-term Plan targets as these are the targets required to be reported against. An 'Achieved' result is defined as when actual performance has met or exceeded set targets. See the various activity statements for details on the measures.

Group of Activities	Number of targets	Achieved	Measure Not Available or Not Applicable	Partially or Not Achieved	% Achieved 2020-21	% Achieved 2019-20
Land and Water Management	34	29	1	4	87.88	75.76
Flood Protection and Control Works	33	12	6	15	44.44	53.85
Biosecurity and Biodiversity Management	17	17	-	-	100.00	82.35
Regional Leadership and Governance	33	26	3	4	86.67	81.25
Transport	9	7	-	2	77.78	50.00
Investment	5	3	-	2	60.00	60.00
<b>Total 2020-21</b>	<b>131</b>	<b>94</b>	<b>10</b>	<b>27</b>	<b>77.69</b>	
<b>Total 2019-20</b>	<b>131</b>	<b>86</b>	<b>10</b>	<b>35</b>		<b>71.07</b>

During the year, Horizons achieved 77.69% per cent of all targets (last year's achievement was 71.07% per cent).

Four of the six Groups of Activities reported on in the Annual Report 2020-21 reported an improvement in targets achieved over 2020.

# 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 support of community restoration projects. The target for the activity in 2020-21 was to support 12 existing community-based biodiversity improvement projects. Council exceeded this target by supporting 18 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.

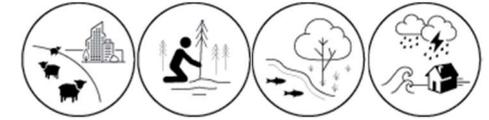
Community Outcome	Description	How Horizons works towards these goals	Contributing groups of activities
 <p><b>Natural hazard resilience</b></p>	<p>A community that is aware of hazards and is prepared and empowered to respond to and recover from natural hazards or emergency.</p>	<p>Reducing the risks 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>	<p>Land and Water Management Flood Protection and Control Works Regional Leadership and Governance Investment</p>
 <p><b>Healthy ecosystems</b></p>	<p>Healthy, diverse and fully functioning ecosystems that provide for community needs now and in the future.</p>	<p>Protecting and restoring the region's biodiversity through pest control, the support of the 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>	<p>Land and Water Management Biosecurity and Biodiversity Protection Regional Leadership and Governance Investment</p>
 <p><b>Human wellbeing</b></p>	<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>Land and Water Management Biosecurity and Biodiversity Protection Regional Leadership and Governance Transport Investment</p>

Community Outcome	Description	How Horizons works towards these goals	Contributing groups of activities
		<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. freshwater) and is sustainable into the future.</p> <p>Ensuring there is a range of recreational opportunities accessible to the whole community, both in rural and urban areas.</p>	
<p><b>Connected communities</b></p> 	<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 cycleways.</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 Investment</p>
<p><b>A robust economy</b></p> 	<p>A regional economy that is diversified and resilient.</p>	<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 business and individuals.</p>	<p>Land and Water Management Flood Protection and Control Works Biosecurity and Biodiversity Protection Transport Investment</p>

Community Outcome	Description	How Horizons works towards these goals	Contributing groups of activities
<p data-bbox="203 316 472 368">Confidence in decision-making</p> 	<p data-bbox="517 316 763 400">A community that has confidence in regional decision-making.</p>	<p data-bbox="815 256 1518 309">Undertaking biosecurity measures that protect primary industry from pest and disease.</p> <p data-bbox="815 316 1525 368">Ensuring that the issues the region faces are well understood by the community.</p> <p data-bbox="815 405 1496 489">Ensuring that decision-making processes are transparent and there are sufficient opportunities for the community to participate meaningfully in these processes.</p> <p data-bbox="815 526 1512 611">Optimising opportunities to partner with, or otherwise support, community groups and other stakeholders to achieve shared outcomes.</p>	<p data-bbox="1547 316 1973 368">Regional Leadership and Governance Investment</p>

**Te Whakahaere Whenua me te Wai**  
**Land and water management**

# 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	Actual	Adjusted Actual
	2020-21 \$000	2020-21 \$000	2019-20 \$000
<b>Activity Expenditure</b>			
Land Management	6,836	7,931	7,012
Water Quantity and Quality Management	8,210	9,666	7,366
Resource Consent and Pollution Management	5,050	4,683	4,231
<b>Total Operating Expenditure</b>	<b>20,095</b>	<b>22,280</b>	<b>18,609</b>
Capital Expenditure	1,341	8,101	454
<b>Total Funding Required</b>	<b>21,436</b>	<b>30,381</b>	<b>19,063</b>
<b>Funded By</b>			
User Fees and Other Revenue	7,502	13,478	6,396
Individual Rates	596	596	585
Common Rates	11,980	11,980	11,939
Loans and Reserve Movement	1,358	4,327	143
<b>Total Funding</b>	<b>21,436</b>	<b>30,381</b>	<b>19,063</b>
<b>Capital Expenditure</b>	<b>Annual Plan</b>	<b>Actual</b>	<b>Actual</b>
	<b>2020-21</b>	<b>2020-21</b>	<b>2019-20</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
Meet Additional Demand	-	-	-
Improve Level of Service	-	-	-
Renew Existing Assets	1,341	8,101	454
<b>Total Capital Expenditure</b>	<b>1,341</b>	<b>8,101</b>	<b>454</b>

# Horizons Regional Council Funding Impact Statement for the Land and Water Management Group of Activities to 30 June 2021

	LTP Year 3 2020-21 \$000	Actual 2020-21 \$000	LTP Year 2 2019-20 \$000	Actual 2019-20 \$000
<b>Sources of Operating Funding</b>				
General rates, uniform annual general charges, rates penalties	11,872	11,980	11,827	11,939
Targeted rates	621	596	609	585
Subsidies and grants for operating purposes	1,089	2,726	1,089	1,970
Fees and charges	4,768	5,111	4,662	4,371
Internal charges and overheads recovered	-	41	-	55
Local authorities fuel tax, fines, infringement fees and other receipts	-	-	-	-
<b>Total sources of operating funding (A)</b>	<b>18,349</b>	<b>20,454</b>	<b>18,186</b>	<b>18,920</b>
<b>Applications of Operating Funding</b>				
Payments to staff and suppliers	7,452	9,846	6,498	8,440
Finance costs	-	-	-	-
Internal charges and overheads applied	10,827	10,887	10,504	10,075
Other operating funding applications	-	-	-	-
<b>Total applications of operating funding (B)</b>	<b>18,279</b>	<b>20,733</b>	<b>17,002</b>	<b>18,515</b>
<b>Surplus/(Deficit) of Operating Funding (A-B)</b>	<b>70</b>	<b>(279)</b>	<b>1,184</b>	<b>405</b>
<b>Sources of Capital Funding</b>				
Subsidies and grants for capital expenditure	-	5,600	-	-
Development and financial contributions	-	-	-	-
Increase/(decrease) in debt	-	-	-	-
Gross proceeds from sale of assets	-	-	-	-
Lump sum contributions	-	-	-	-
Other dedicated capital funding	-	-	-	-
<b>Total sources of capital funding (C)</b>	<b>-</b>	<b>5,600</b>	<b>-</b>	<b>-</b>
<b>Applications of Capital Funding</b>				
Capital expenditure:				
· to meet additional demand	-	-	-	-
· to improve the level of service	-	6,750	-	-
· to replace existing assets	299	1,351	705	454
Increase/(decrease) in reserves	(230)	(2,780)	479	(49)
Increase/(decrease) of investments	-	-	-	-
<b>Total applications of capital funding (D)</b>	<b>70</b>	<b>5,321</b>	<b>1,184</b>	<b>405</b>
<b>Surplus/(Deficit) of Capital Funding (C-D)</b>	<b>(70)</b>	<b>279</b>	<b>(1,184)</b>	<b>(405)</b>
<b>Funding Balance ((A-B)+(C-D))</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Depreciation	362	190	350	171



*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.*

In July 2020, the Enhancing Native Fish Populations through Fish Passage Remediation project was awarded \$2.6 million through the government's Jobs for Nature programme. Council also committed \$300,000, with the balance of \$300,000 made up by individual landowners.

Over the last year, the fish passage and monitoring team have been working on identifying and remediating any barriers to fish passage, restoring connectivity and ultimately protecting our vulnerable freshwater migratory species such as inānga (whitebait) and tuna (eels). At the completion of year one of the four-year project, the team has completed 745kms of waterways, assessed 687 instream structures and remediated five fish passage barriers in the Ōhau and Waikawa Catchments. Staff also surveyed 35+ fish and 12 kākahi sites across the region, and a monitoring plan for the remaining three years has been created.

Other Jobs for Nature projects that were successful in receiving central government funding include Lake Horowhenua water quality interventions and an acceleration of Council's riparian planting and stream fencing programmes.

Alongside this work, Horizons' freshwater and partnerships team also administer the Ngā Wai Ora o Te Whangaehu grants programme through funding received from central government's Freshwater Improvement Fund. This year we were able to award over \$65,000 to eight projects. Each recipient's main objective is to protect and enhance the Whangaehu catchment with a focus this year on riparian planting, willow removal, wetland establishment, and monitoring and restoration education programmes.

Horizons' Sustainable Land Use Initiative (SLUI) programme has continued to grow. This work is important as it helps prevent hill country erosion to decrease the amount of sediment that reaches our waterways. In 2020-21 we completed 3,910 ha of erosion control works, gave 197 ha of environmental grants, planted over 2,600,000 trees, fenced 163km of waterways, and mapped 23,181 ha across 52 farm plans.

*Group of activities performance against the 2020-21 Annual Plan: Of the overall 34 performance targets set for the Group, 29 were achieved, 4 were not achieved, and 1 was not 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

All six of the Annual Plan targets were met.

The SLUI programme continued in 2020-21 with additional funding through the Hill Country Erosion Fund contract with Central Government.

Central Government funding was slightly lower in 2020-21 as the contracted funding was \$1.388 million compared to \$1.733 million in the previous year. The programme has the approval from Council to utilise reserves if necessary to increase the amount of work on the ground.

The SLUI Whole Farm Plan (WFP) programme achieved 23,181 ha of new farm plans mapped, bringing the overall total of WFPs within SLUI to over 619,000 ha.

All of the 2020-21 Annual Plan targets were met, and while the amount of work completed was less than the previous record year, it was still around 25% ahead of the Annual Plan targets. There was 4,107 ha of grant work completed, including more than 2.8 million trees planted and 194 km of fencing.

The Whanganui Catchment Strategy (WCS) grant programme was again supported with funding from the Whanganui River Enhancement Trust (WRET). This funding supported environmental works within the Whanganui River Catchment and enabled more work to be completed in high priority catchments within the WCS area.

Nursery production and procurement of poplar and willow poles were up slightly on last year, with 32,600 poles distributed over winter and spring 2020.

Horizons continued to support industry partnerships through its lead role in the region's Ballance Farm Environmental Awards. The ongoing issues with COVID-19 led to the 2020-21 awards programme being cancelled, and the 2019-20 supreme winners field day was moved from May to November. The Poplar and Willow Research Trust was the other major programme supported through membership of the Trust, support for technical Advisory Groups and support for trials within our region. The industry partnerships programme also co-funded trials and research programmes for winter crop grazing of sheep, and intensive winter grazing with catch cropping continued last winter.

## 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 a decrease in value from the previous year of \$241,494, largely due to an increase in valuation assumptions around harvesting costs. Accounting Standards require this decrease to be shown as reduced 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 2021.

The land research and monitoring programme focussed on the development of a national online geospatial soil information system (S-map) for the lowlands of the Horowhenua. S-Map will be used to refine and inform nutrient modelling, catchment characterisation, freshwater accounting and decision-making around potential land-use changes. Delivery is scheduled over a two-year period, with work completed in 2020-21 being year one and including; reconnaissance, compilation of preliminary datasets, initial digital processing and collection of field observations.

The fluvial research and monitoring programme completed survey work in four south east Ruahine streams, the Kawhatau and Rangitikei catchments. These surveys will inform gravel resource studies for both catchments, due to be completed in the 2021-22 financial year. The Rangitikei survey will also be used to inform the Climate Resilience Rangitikei River Enhancement project below Bulls.

Horizons continued to provide advice on the suitability of on-site wastewater systems. In the 2020-21 year, 45 consents were processed, and more than 90 approvals for District Councils were completed.

### Significant Events/Issues

- 4,107 ha of erosion reduction works programmes were achieved through the land management programme;
- Another 23,181 ha of land was mapped for inclusion in to the SLUI programme, bringing the total area under Whole Farm Plans to over 619,000 ha;
- 32,600 poplar and willow poles sourced for erosion control planting; and
- The research and monitoring programme focussed on the development of the national online geospatial soil information system (S-map) for the lowlands of the Horowhenua and fluvial surveys in the south-east Ruahines, Kawhatau and Rangitikei Catchments.

### Financial Overview

Overall the Land Management activity ended the year \$1.3M unfavourable to budget for its operating position. This can be attributed to the actual valuation of the timber harvest for the JV forestries being \$1.3M less than budgeted. These were initially budgeted to increase in value, but due to assumptions around higher costs from harvesting and lower three-year average log prices, this has impacted the forestry valuation. Note the revenue for changes in the carbon value for the JV forests is not recognised in these financial results. Section 36 revenue and Nursery sales were higher than budgeted by a combined \$140k, offset by additional expenditure in the SLUI programme, where Council have approved reserve usage to enable more work on the ground.

Overall capital spend position was unfavourable by \$14k to the Annual Plan budget. Council approved a carry forward from the previous year for forestry silviculture of \$160k, making a total of \$471k available, with \$505k being spent. Offsetting this was the Woodville nursery irrigation development project being delayed.

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

	Achieved	Not Achieved	Not Applicable	
	●●●●●●			
	6	0	0	
Key Performance Indicator	Annual Plan 2020-21 (Long-term Plan Year 3)*	Actual Prior Year 2019-20	How We Did in 2020-21	Comment
<b>PROJECT GROUP: SUSTAINABLE LAND USE INITIATIVE (SLUI)**</b>				
Erosion reduction works programmes in targeted SLUI catchments (hectares).	3,100	7,375	3,910	● SLUI completed 3,910 ha of work out of the total of 4,107 ha, completed by the land management programme (that includes SLUI, WCS and the Environmental Grant programme).
Hectares of Whole Farm Plan properties mapped per year.	20,000	23,017	23,181	● Plus, another 1,004 ha mapped as paddock maps or Whole Farm Plan extensions
<b>PROJECT GROUP: REGIONAL LAND INITIATIVES (NON-SLUI AND WCS INCLUDING COASTAL DUNE AREAS) AND WHANGANUI CATCHMENT STRATEGY</b>				
Manage environmental grant programme to deliver erosion reduction works (hectares).	175	221	197	● 95.6 ha Environmental Grant programme, and 101.2 ha Whanganui Catchment Strategy
Support industry initiatives that promote sustainable land use via industry partnerships (incl. Whanganui River Enhancement Trust).	5	8	7	● Ballance Farm Environment Awards, Beef & Lamb NZ, Poplar and Willow Research Trust, Taumarunui Sustainable Land Management, NZ Farm Forestry Association, Farmed Landscape Research Centre, LandWise
Operate Council nursery and source additional commercial material to deliver poles (poplar and willow) to erosion control programmes (number of poles).	30,000	31,732	32,600	● Poles distributed winter 2020
<b>PROJECT GROUP: RESEARCH AND MONITORING</b>				
Annual report on the land and fluvial monitoring and research activity.	Develop an annual reporting framework and produce an annual report.	Achieved	Achieved	● Report presented to the June 2021 Environment Committee. <a href="http://www.horizons.govt.nz/HRC/media/Media/Agenda-Reports/Environment-Committee-(3)/Environment-Committee-2021-9-06/2170%20Annex%20D%20Water%20Quality%20%20Quality%20progress%20report.pdf">http://www.horizons.govt.nz/HRC/media/Media/Agenda-Reports/Environment-Committee-(3)/Environment-Committee-2021-9-06/2170%20Annex%20D%20Water%20Quality%20%20Quality%20progress%20report.pdf</a>

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

\*\* The erosion reduction works programme impacts flood protection and water quality as it reduces sediment, which impacts the flood carrying capacity of the rivers as well as the water quality and impact on native aquatic habitats. Improving outcomes is a long-term commitment, and results will not be immediately obvious. However, refer to the link below for the State of Environment Report 2019, which shows long-term trends and the Regional State of Environment Summary 2020-21.  
<https://www.horizons.govt.nz/managing-natural-resources/state-of-our-environment>

# 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

All nineteen of the Water Quantity and Quality Annual Plan targets were met. Highlights of the Water Quantity and Quality Management Activity included;

- Successful applications to the Jobs for Nature Fund for the Regional Stream Fencing and Riparian Planting, Enhancing fish populations through fish passage, and the Horowhenua Freshwater Management Unit (FMU) water quality interventions projects.
- The purchase of the land to enable the construction of a wetland complex within the Arawhata catchment as a part of the Horowhenua FMU project;
- The construction of the Arawhata boat ramp to enable access for weed harvesting to commence in the new financial year;
- Completion of the final year of the Whangaehu Freshwater Improvement Fund project;
- Completion of the third year of the Manawatū Freshwater Improvement Fund project.

- Overall, the implementation programmes completed 162.9 km of stream fencing (target 79 km), planted 182,914 riparian plants (target 63,333), remediated 20 barriers to fish passage (target seven) and enabled 20 community projects (target 13).
- Science and monitoring work included delivery of the regional monitoring programmes, including the contact recreation (swim spot) programme, an updated state and trend report for river water quality monitoring sites and development of a science plan to support implementation of the National Policy Statement for Freshwater.

## 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 the Manawatū and Whangaehu Catchments (where this type of work is completed via the Manawatū Accord and Freshwater Improvement Fund projects). This regional programme, which included the work of the Regional Stream Fencing and planting Jobs for Nature project, completed 39.746 km's of stream fencing (target 12 km), planted 61,996 riparian plants (target 20,000) and remediated five barriers to fish passage, and supported two community projects.

## Manawatū River Accord

The Manawatū River Leaders' Forum met in December 2020. All five targets in this work programme were met. On the ground works in 2020-21 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 83.2 km of stream fencing (target 50 km), planting 114,515 riparian plants (target 40,000) and remediating eight barriers to fish passage (target four). Ten community projects were also completed as part of the Manawatū River Community Fund (target nine).

## Whangaehu Freshwater Improvement Fund

The 2020-21 financial year was the final year of the three-year Whangaeahu Freshwater Improvement Fund project. All five targets in this work programme were met. On the ground works in 2020-21 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 39.984 km of stream fencing (target 17 km), planting 6,403 riparian plants (target 3,333) and remediating seven barriers to fish passage (target two). Eight community projects were also completed as part of the Whangaeahu 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 construction of the boat ramp. Additional science was completed in the Arawhata Catchment, looking at inventions that could be implemented to reduce sediment and nutrients entering the lake and the conceptual design of constructed wetlands options within the Arawhata Catchment.

### 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. Additional sampling and investigations were completed to support specific research projects, including regulatory and non-regulatory programme implementation.

Other science highlights included:

- Delivery of the contact recreation (swim spot) monitoring programme;
- Lakes research and monitoring, including lake habitat surveys;
- Monitoring of ecological condition and / or sediment monitoring of five estuaries;
- Completing an updated state and trend report for river water quality monitoring sites;
- Faecal source tracking investigations undertaken in the Lake Horowhenua catchment and Wainui streams;

- Completion of a report on a science plan for implementing the National Policy Statement for Freshwater Management (NPS-FM) and initiating reports on catchment loads and periphyton to support the implementation of the NPS-FM;
- Coastal Marine Area (CMA) mapping of the Horizons Region.
- Exploring the use of fish eDNA tools for monitoring; and
- Contributing to research into leaching below stock holding areas

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 162.9 km of stream fencing (target 79 km), planted 182,914 riparian plants (target 63,333), remediating 20 barriers to fish passage (target seven) and enabled 20 community projects (target 13);
- Successful applications to the Jobs for Nature Fund for the Regional Stream Fencing and Riparian Planting, Enhancing fish populations through fish passage, and the Horowhenua Freshwater Management Unit (FMU) projects.
- The purchase of the land to enable the construction of a wetland complex within the Arawhata catchment as a part of the Horowhenua FMU project; and
- The construction of the Arawhata boat ramp to enable access for weed harvesting to commence in the new financial year.
- Initiating work on a science plan to implement the National Policy Statement for Freshwater Management.

### Financial Overview

The Water Quality & Quantity activity was \$5.4M favourable to budget.

The Water Quality & Quantity Monitoring and Research activity year-end position was \$72k favourable to budget for its operating position. Revenue was increased by \$150k due primarily to increased recovery of section 36 charges. Total expenditure was increased in response to the additional revenue and finished \$78k more than revised budget.

The freshwater and partnerships operational budget was significantly increased via the three Freshwater Improvement Fund projects that were included in the annual plan. These projects added an additional \$7.3M revenue to the annual plan budget and \$1.9M expenses, making these totals \$10.64M and \$5.21M, respectively. Overall the project finished (\$193k) unfavourable to the revised annual plan budget with expenditure (\$921k) less than the revised budget of \$5.2M and revenue (\$1.114M) less than budget.

In total, \$7.537M of CAPEX was spent (\$37k more than the revised budget). This expenditure was primarily on the land purchase for the Horowhenua Jobs for Nature project (\$6.750M). The additional expenditure related to the Lake Horowhenua boat ramp (\$787k) had increased costs, including additional construction costs.



PROJECT GROUP: DELIVER FRESHWATER ENHANCEMENT WORK IN THE REGIONAL FRESHWATER PROGRAMME				
Stream fencing - (km)	12 km	22 km	39.746 km	●
Riparian plants (number)	20,000	42,073	61,996	●
Remediate fish barriers (number)	1	1	5	●
Community projects supported.	1	1	2	●
PROJECT GROUP: DELIVER FRESHWATER ENHANCEMENT WORK WITHIN THE LAKE HOROWHENUA IN ALIGNMENT WITH THE LAKE HOROWHENUA ACCORD				
Annual report to Council on lake restoration activity, including the Freshwater Improvement Fund project for Lake Horowhenua.	1	1	1	● <a href="http://www.horizons.govt.nz/HRC/media/Media/Agenda-Reports/Environment-Committee-(3)/Environment-Committee-2021-9-06/Full%20Agenda.pdf">http://www.horizons.govt.nz/HRC/media/Media/Agenda-Reports/Environment-Committee-(3)/Environment-Committee-2021-9-06/Full%20Agenda.pdf</a>
Annual report on the work with the horticulture sector through the freshwater and partnerships programme to improve water quality.	1	1	1	● <a href="http://www.horizons.govt.nz/HRC/media/Media/Agenda-Reports/Environment-Committee-(3)/Environment-Committee-2021-9-06/Full%20Agenda.pdf">http://www.horizons.govt.nz/HRC/media/Media/Agenda-Reports/Environment-Committee-(3)/Environment-Committee-2021-9-06/Full%20Agenda.pdf</a>
PROJECT GROUP: IMPROVE KNOWLEDGE AND UNDERSTANDING OF THE REGION'S WATER RESOURCE				
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.	Complete	Complete	●
Annual report on water quantity and quality monitoring and research activity and its findings.	1	Complete	Complete	● <a href="http://www.horizons.govt.nz/HRC/media/Media/Agenda-Reports/Environment-Committee-(3)/Environment-Committee-2021-9-06/Full%20Agenda.pdf">http://www.horizons.govt.nz/HRC/media/Media/Agenda-Reports/Environment-Committee-(3)/Environment-Committee-2021-9-06/Full%20Agenda.pdf</a>

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

\*\* Please refer to the link below for the State of the Environment Report 2019, which shows long-term trends and the Regional State of Environment Summary 2020-21 for water quality and quantity. Our Regional State of the Environment Summary 2020-21 shows that trends vary throughout the region and across different parameters. Trends for ammoniacal nitrogen are generally improving, but trends for phosphorus are generally declining. 10-year trends for macroinvertebrates are largely getting worse.

Due to the complex nature of the issues in this area of work, Council is doing many things to address these issues. Please refer to our Long-term Plan 2021-31, and subsequent Annual Plans to see the ongoing work Council has committed to.

<https://www.horizons.govt.nz/managing-natural-resources/state-of-our-environment>

# 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 implementation of the Resource Management Act and Regional One Plan. It covers resource consent processing, compliance monitoring, responding to environmental incidents, investigating alleged breaches of the RMA and taking appropriate enforcement action, and 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 2083 consents were inspected during the year, of which 69 per cent were fully compliant with their conditions. Consent holders are generally more aware of potential consequences of non-compliances 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, Council has continued to progress a number of wastewater treatment plants. Approximately 245 resource consent applications were granted, resulting in 340 activities being authorised, of which 84 per cent were processed within statutory timeframes.

The reporting year saw 1226 incidents received and responded to. This is a slight increase from the 2019-2020 year that saw 1168 incidents received.

## Significant Events/Issues

- 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, 12, 78 and 42 Formal Warnings, Infringement Notices and Abatement Notices were issued, respectively;
- 199 resource consents for dairy discharges were inspected over the reporting year, of which 63% were compliant with their consent conditions. In addition to this, approximately 200 Nutrient Management Budgets were assessed;
- Staff have continued to implement both the consent processing and compliance monitoring components of the National Environmental Standard – Plantation Forestry (NES-PF) and National Environmental Standards for Freshwater (NES-F);
- Staff have continued to be involved in the Te Ahu A Turanga project, which is now in the compliance monitoring phase; and
- The compliance programme saw three prosecutions for the year completed, which resulted in total fines of \$214,000, of which 90% comes back to Horizons.

The 2021-22 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, including the Otaki to North of Levin state highway project, continue monitoring of large projects, continue to implement the NES-PF and NES-FW, respond to directions from central government, respond to increasing numbers of incidents and investigate and take appropriate action in relation to non-compliance. Regarding the more complex and contentious resource consent applications, we are also anticipating these may be appealed to the Environment Court.

## Financial Overview

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

- Costs associated with investigations being incurred but those matters still being before the courts and costs incurred with resource consent appeals.

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

		Achieved	Not Achieved	Not Applicable
		●●●●	●●●●	●
		4	4	1
Key Performance Indicator	Annual Plan 2020-21 (Long-term Plan Year 3)*	Actual Prior Year 2019-20	How We Did in 2020-21	Comment
<b>PROJECT GROUP: CONSENTS PROCESSING</b>				
Process all consents within Resource Management Act (RMA) timeframes.	85% (100%)	84%	84%	● There have been vacancies in the programme during the year that has impacted on meeting this target
Advise all consent holders of consent expiry dates 9 months prior to expiration.	100%	0%	0%	● As previously reported this measure cannot be measured and has been removed as part of the LTP process.
<b>PROJECT GROUP: COMPLIANCE MONITORING</b>				
Monitor compliance of all resource consents identified in the rural annual compliance monitoring programme.**	90%	54%	64%	● The original targets for the program were 300 Farm Dairy Effluent (FDE), which includes the related water, irrigation and intensive land use (ILU) consents which equate to assessing 489 consents. Again, there were a large number of incidents for the year at 1,226, which put additional pressure on the team. In addition, 12 Plantation Forestry (PF) consents were inspected as well as 277 ILU nutrient budgets being assessed. 17 permitted activity plantation forestry visits also occurred.
Monitor compliance on Category 1 and Category 2 (high priority) sites identified in the TA and industry annual monitoring programme.	100%	57%	72%	● During the financial year 71.7% of the C1 and C2 programme was completed. 15 Category 1 and 2 sites out of a total 53 sites were not completed. Three sites had no assessments carried out. Of these, one site is currently under assessment, and the two other sites had their reports completed 30/07/21 and 11/10/21. 12 sites had only one assessment. Of these, five have remained at only having one assessment during the 2020/21 assessment period. The other seven sites had the outstanding assessments completed between 7/07/21 and 18/10/21.
Monitor compliance on Category 3 (average priority) sites identified in the TA and industry annual monitoring programme.	>60%	66%	100%	● There were two C3 sites on the programme this year, and they have both been fully assessed.

Monitor compliance on Category 4 (low priority) sites identified in the TA and industry annual monitoring programme.	>40%	NA	NA	●
Take follow-up action for significant non-compliers.	100%	100%	100%	● Follow up action was taken for all significant non-compliances; however, not all follow up actions have been completed due to reports being issued late in the financial year, and these will continue into the new financial year.
<b>PROJECT GROUP: INCIDENTS AND HAZARDS</b>				
All notifications of non-compliance from the public are responded to. ^	100%	100%	100%	● This year the staff responded to 1226 incidents.
Update contaminated sites information database for one TA each year.	100% (1 per year)	100%	100%	● ● Ruapehu District Council database was updated

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

\*\* only Farm Dairy Effluent (FDE) programmed assessments are included in the result reported.

^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.).



**Ārai waipuke me te mahi whakahaere**  
**Flood protection and control works**



# 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 programmed work activities and inspections were majority completed, with a few challenges from the new National Environmental Standards for Freshwater (NES-F) from Central Government and how that impacts what we do.

Progress in relation to the Central Government funded Climate Resilience (shovel ready) capital works are progressing well with a new dedicated Projects team ensuring these will be completed within time and meeting the requirements of flood resilience, social procurement, environmental outcomes and creating jobs.

The Parewanui stopbank upgrade progress was adversely affected by deteriorating weather conditions, and a point was reached where it was foreseeable that weather conditions would further deteriorate. In an attempt to reduce the risk of damage to the flood protection structure and to the health and safety of those working on-site, the contract was suspended over the winter. 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. Maintenance work to the river training structures along the lower reach of the Whanganui River, a component of the wider Te Pūwaha project, has progressed significantly over the period of March to June, subsequent to delays early in the project. The delays were to ensure that Tupua Te Kawa values were embedded into the project from the beginning. Some physical work has been completed, such as the construction of a rock stockpile site. Design has been finalised, and a resource consent application has

been lodged, pending approval, and the rock supply tender has been put to market in June. Construction of the North Mole is scheduled for the 2021-22 construction season.

## Flood Protection and Control Works Financial Summary

Activity Operating and Funding Statement	Annual Plan 2020-21 \$000	Actual 2020-21 \$000	Actual 2019-20 \$000
<b>Activity Expenditure</b>			
River and Drainage General	928	575	614
River and Drainage Schemes	10,449	10,828	10,597
<b>Total Operating Expenditure</b>	<b>11,377</b>	<b>11,403</b>	<b>11,211</b>
Capital Expenditure	11,152	5,041	4,610
Loan Repayments	3,563	3,480	3,012
<b>Total Funding Required</b>	<b>26,092</b>	<b>19,924</b>	<b>18,833</b>
<b>Funded By</b>			
User Fees and Other Revenue	4,192	3,668	2,078
Individual Rates	11,000	11,000	11,172
Common Rates	3,907	3,907	3,972
Loans and Reserve Movement	6,993	1,349	1,611
<b>Total Funding</b>	<b>26,092</b>	<b>19,924</b>	<b>18,833</b>

Capital Expenditure	Annual Plan 2020-21 \$000	Actual 2020-21 \$000	Actual 2019-20 \$000
Meet Additional Demand	-	-	-
Improve Level of Service	10,800	4,901	4,496
Renew Existing Assets	352	140	114
<b>Total Capital Expenditure</b>	<b>11,152</b>	<b>5,041</b>	<b>4,610</b>

# Horizons Regional Council Funding Impact Statement for the Flood Protection and Control Works Group of Activities to 30 June 2021

	LTP Year 3 2020-21 \$000	Actual 2020-21 \$000	LTP Year 2 2019-20 \$000	Actual 2019-20 \$000
<b>Sources of Operating Funding</b>				
General rates, uniform annual general charges, rates penalties	4,304	3,907	4,098	3,972
Targeted rates	12,086	11,000	11,093	11,172
Subsidies and grants for operating purposes	-	1	-	-
Fees and charges	1,916	1,495	1,793	1,533
Internal charges and overheads recovered	554	496	450	585
Local authorities fuel tax, fines, infringement fees and other receipts	-	-	-	-
<b>Total sources of operating funding (A)</b>	<b>18,860</b>	<b>16,899</b>	<b>17,435</b>	<b>17,262</b>
<b>Applications of Operating Funding</b>				
Payments to staff and suppliers	5,934	6,939	5,399	6,239
Finance costs	-	-	-	-
Internal charges and overheads applied	7,081	4,465	6,720	4,972
Other operating funding applications	-	-	-	-
<b>Total applications of operating funding (B)</b>	<b>13,015</b>	<b>11,404</b>	<b>12,119</b>	<b>11,211</b>
<b>Surplus/(Deficit) of Operating Funding (A-B)</b>	<b>5,845</b>	<b>5,495</b>	<b>5,316</b>	<b>6,051</b>
<b>Sources of Capital Funding</b>				
Subsidies and grants for capital expenditure	-	1,180	-	-
Development and financial contributions	-	-	-	-
Increase/(decrease) in debt	1,539	(548)	912	981
Gross proceeds from sale of assets	-	-	-	-
Lump sum contributions	-	-	-	-
Other dedicated capital funding	-	495	-	-
<b>Total sources of capital funding (C)</b>	<b>1,539</b>	<b>1,127</b>	<b>912</b>	<b>981</b>
<b>Applications of Capital Funding</b>				
Capital expenditure:				
· to meet additional demand	-	-	-	-
· to improve the level of service	5,723	4,901	4,673	4,492
· to replace existing assets	368	140	405	118
Increase/(decrease) in reserves	1,293	1,581	1,150	2,422
Increase/(decrease) of investments	-	-	-	-
<b>Total applications of capital funding (D)</b>	<b>7,384</b>	<b>6,622</b>	<b>6,228</b>	<b>7,032</b>
<b>Surplus/(Deficit) of Capital Funding (C-D)</b>	<b>(5,845)</b>	<b>(5,495)</b>	<b>(5,316)</b>	<b>(6,051)</b>
<b>Funding Balance ((A-B)+(C-D))</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Depreciation	1,412	1,735	1,396	1,679



**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.*

Te Pūwaha, meaning the gateway or river mouth and also known as the Whanganui Port revitalisation project, commenced this financial year. The project's purpose is to secure the Whanganui port as a long-term community economic and recreational asset. This work is guided by kawa (principles) of Te Awa Tupua.

Te Pūwaha is a collaborative effort involving Whanganui iwi, community members, and four other partners invested in the project. The total investment in Te Pūwaha is over \$50 million, with the infrastructure works carried out over three tranches or phases. This investment includes a \$26.75 million investment managed by Kānoa - Regional Economic Development & Investment Unit, with the remaining cost and resources covered by Whanganui District Council,

Horizons Regional Council, Q-West Boat Builders, and the Whanganui District Employment Training Trust.

Horizons is working alongside hapū and iwi on the work to strengthen and repair the deteriorating North and South Moles. These repairs are essential to enable an operational port, as they define the river mouth and ensure a navigable depth is maintained for vessels while also protecting port infrastructure from flooding.

In August 2020, Council received \$26.9 million of funding from central government for infrastructure climate resilience projects. The four projects include flood mitigation for Foxton, further investment in flood protection for Palmerston North and the Lower Manawatū area and a range of initiatives intended to make the lower reach of the Rangitīkei River more resilient to climate change. While these projects are still in their planning stages, they will gain momentum in the 2021-22 financial year.

**Group of activities performance against the 2020-21 Annual Plan:** *Of the overall 33 performance targets set for the Group, 12 were achieved, 15 were not achieved, and 6 were not 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, an indicative flood model was developed for Ohura, which may be used in the future to support development decisions. 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 relatively settled weather we have experienced over the past couple of years which has seen a reduction in the demand for Environmental Grant funding.

### Financial Overview

The cost of non-scheme investigations and advice was approximately \$0.545 million against a budget of \$0.561 million.

In terms of invoiceable works, the works undertaken have resulted in an expenditure of approximately \$0.027 million. These costs have been fully recovered.

Overall, the River and Drainage – General Activity finished the financial year with a surplus of approximately \$0.262 million.

Table: Programme of scheme audits, reviews, and operations and maintenance manual development over the next 10 years from the 2018-28 Long-term Plan

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

■ OPERATION AND MAINTENANCE MANUAL   
 ■ AUDIT   
 ■ SCHEME REVIEW   
 ■ CLASSIFICATION REVIEW

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

	Achieved  3	Not Achieved  5	Not Applicable  1	
Key Performance Indicator	Annual Plan 2020-21 (Long-term Plan Year 3)*	Actual Prior Year 2019-20	How We Did in 2020-21	Comment
<b>PROJECT GROUP: INVESTIGATIONS AND ADVICE</b>				
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	1	0	● A lot of this work is being undertaken as part of Scheme Reviews and the Climate Resilience Projects which are currently underway but not yet completed.
Provide river and drainage advice on demand in relation to flooding and erosion problems.	18	20+	20+	● Advice has been provided on numerous occasions relating to flood risk through the District Advice team.
In accordance with the programme identified in the table on the previous page, carry out and report to Council on audits of schemes, identifying any deficiencies in inspection and maintenance activity that materially impact service delivery.	1 (2)	0	0	● The Mangatainoka Scheme Audit has been reframed as a Review to look at how the Scheme can best function going forward. Whilst this work has commenced it has not yet been completed.
In accordance with the programme identified in the table on the previous page, 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.	3 (4)	0	0	● The reviews of the Ōhau-Manakau, and Ashhurst Schemes have begun, but have not yet been completed. This is due to a lack of resource available to undertake this work.
In accordance with the programme identified in the table on the previous page, 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.	1 (6)	0	0	● Delays to the development of the Lower Manawatū Scheme O&M Manual has pushed back the delivery of this programme.
Survey rivers annually for identification and removal of obstacles presenting hazards to navigation and recreational use.	5	5	5	● Done as part of annual inspection and maintenance programmes.

**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	0	0	● Due to relatively settled weather patterns over the past couple of years, there have not been any urgent works required.
Undertake investigations and designs, prepare engineering proposals for flood or erosion measures, and supervise works.	10	10+	10+	● Numerous investigations and designs have been undertaken to support the delivery of capital projects, mainly as part of the Rural Upgrade Project and also the Climate Resilience Projects.
Apply environmental grant funding assistance where criteria are satisfied.	10	3	1	● Due to relatively settled weather patterns over the past couple of years, there has not been a great demand for Environmental Grant funding.

\* 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, favourable weather conditions over most of the year produced a favourable budget variance for most schemes.

Capital investment in levels of service continued during the 2020 – 2021 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.

Climate Resilience Projects has been in the scoping, design, and planning phase during the 2020 – 2021 financial year, with physical works programmed to begin in the next few months, except the Rangitikei River Enhancement project, which has been clearing vegetation since March. There are 4 main projects, 2 large, single projects, which are the Rangitikei River Enhancement and the Foxton Flood Mitigation. The 2 remaining projects are the Lower Manawatū Scheme which consists of several projects between Palmerston North City to the river mouth at Foxton Beach, and the Palmerston North Resilience projects, which consists of several projects within the Palmerston North area.

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 in the river management asset valuation to around \$690 million (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 \$5.2 million, \$1.0 million less than the \$6.2 million surplus budgeted for. This is a result of delays to capital projects, which have resulted in less funding received from Central Government for their contribution to the projects.

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 \$10.6 million to \$11.8 million. Total scheme debt was budgeted to rise from around \$40.6 million to \$46.0 million, but increased repayments across the board combined with less loan-funded capital expenditure and much lower interest rates saw a closing loan balance of \$40.1 million – a net decrease of (\$0.5 million).

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

Flood repair works dominated the activities in the financial year. Flood events affected the Mangatainoka and Mangahao rivers in October and December 2020, so much of the work in the Mangatainoka and Upper Manawatū – Lower Mangahao schemes in the latter half of the financial year was devoted to repairing flood damage. This required extra work to be completed for the year in both schemes, and this had an associated effect on budget position.

The Tararua River Management scheme completed large sections of vegetation clearance in the headwaters of the Tiraumea River, tributaries to the Managramarama and Makakahi streams and the Mangaroa River. Spraying was also undertaken on the old Eastern Manawatū scheme and the old Ihuraua scheme areas. The scheme finished the year to budget.

A meeting was held with the old Akitio Scheme Committee to discuss the future of the scheme. In 2018 it was agreed with the scheme committee that the Akitio scheme would be put 'on hold' while the Tararua River Management scheme was initiated. It was further agreed that all parties would meet in 2021 to review the performance of the Tararua River Management scheme and to confirm whether the Akitio scheme would be disbanded.

The outcome of the meeting concluded that the Akitio scheme committee was satisfied with the performance of the Tararua River Management scheme and, as such, was happy to disband the Akitio scheme. There is still a decision to be made by the scheme committee as to what they would like done with the residual scheme funds.

The South Eastern Ruahine scheme finished unfavourable to budget, primarily due to an advanced start on willow clearing works in the last part of the financial year. This will be further capitalised on in the new financial year with the development of an extended willow clearing programme.

### Central Area

The Lower Manawatū Scheme area had a variety of weather conditions. The first quarter of early to mid-winter saw very dry conditions, with a wet late winter and spring through to Christmas. A mild summer was experienced with occasional rain through to Easter. Late autumn and early winter 2021 have seen increased rainfall, which has produced floods with small amounts of damage in the major channels and large floods in the smaller western channels from Turitea through to Shannon late in June 21. Some smaller streams, such as the Kara and Mangapuketia, burst their banks upstream of the scheme stop banking. The Tokomaru had the third-highest recorded flows over the past 100 years and overtopped the stopbank over a 200-metre reach near the confluence with the Linton Main Drain. Damage requiring repairs on the smaller channels will need to be undertaken later in the 2021-22 year.

The annual works programme was substantially completed on time and within budget. The annual removal of silt from the Oroua and one asset renewal was, for financial reasons, delayed to the following year due to a 60 per cent increase in scheme insurance costs and a 40 per cent increase in local council rates. The rural section of the Mangaone Stream had an increase in channel maintenance due to a heavy infestation of willows.

The Ashhurst Drainage Scheme was slightly overspent in the 'Operating Budget' due to completion of works that were not able to be completed the year before.

The scheme review has started and is due to be completed in the 2021-22 financial year.

The Kahuterawa River Scheme was also slightly underspent. Savings were made with lower 'Staff Supervision' hours required compared to that budgeted. Works programme was completed within the budget.

Expenditure on the Lower Kiwitea Scheme was slightly overspent across all scheme-works activities. The previous years' work programme was severely impacted by the COVID-19 lockdown, so more works were planned, and some Capex works undertaken to extend some rip rap and tied tree works to enhance the channel and alignment management. The planned works programme was completed for the year.

### Northern Area

The schemes that comprise the northern area generally finished the year financially slightly under budget against the approved operations budget and well below the Capex budget.

The most notable exception was with the Porewa Scheme, where increased dam compliance costs extended the spend out to a predicted unfavourable position. The Capex expenditure for the Lower Whanganui Scheme ended the year some \$3 million below budget. This was a very important and productive year for the Te Pūwaha project, with important relationships developed with Iwi to embed Te Awa Tupua values into the project culture. There is now a high level of confidence that physical works will commence during the coming summer.

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.

During the year, \$5.4M of funding was secured for the Rangitikei River Scheme through the Government's Shovel Ready initiatives to increase flood resilience in the lower reaches below the Bulls state highway bridge. The project aligns with the new management strategy being developed for the scheme and provides the opportunity to implement new practices for the good of the awa.

### Southern Area

A mixed bag of weather saw the predominantly drainage-scheme focussed southern area have an overall favourable variance in regards to operational

budgets. Capex expenditure was again underspent as a result of ongoing delays with design investigation works associated with a number of the capital projects.

Pumping issues associated with the two Pleuger Pumps within the Moutoa Drainage scheme continue to impact the capital renewal expenditure within this scheme.

Horizons continues working in partnership with Horowhenua District Council to better understand flooding issues in and around Foxton associated with Kings Canal and the Foxton Loop. Ongoing technical work has identified a more expanded works programme which continues to delay the capital works programme. This period has also seen the scheme secure additional funding through the Government's Shovel Ready initiatives.

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 the 2021-22 financial period, with the review of the Ōhau Manakau River Scheme also due to be completed in 2021-22.

Modelling of the Manawatū Scheme drainage network has finally been completed, which will allow the scheme to identify problem areas within the scheme and model solutions to resolve ongoing flooding issues. However, delays in receiving this model have meant that programmed capital expenditure within the scheme was again deferred until the 2021-22 period.

Capital works within the Hōkio Drainage Scheme associated with the Arawhata Sediment review have been delayed as the scope of this project continues to develop, as additional funding from Government, which is associated with the Jobs for Nature project, is injected into the project.

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

Achieved		Not Achieved		Not Applicable	
●●●●●●●●●●		●●●●●●●●●●		●●●●●	
9		10		5	
Key Performance Indicator	Annual Plan 2020-21 (Long-term Plan Year 3)*	Actual Prior Year 2019-20	How We Did in 2020-21	Comment	
<b>PROJECT GROUP: LOWER MANAWATŪ 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 LMS Asset Management Plan.	Not Achieved	Not Achieved	● The planned programme of maintenance works was substantially completed within the budget.	
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	● A number of stopbanks had material added to provide resilience in meeting the scheme standards in rural areas.	
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	Not Achieved	● Not achieved due to scheme financial situation. Minimal impact on current level of service as the silt removal is to improve the conveyance of water down the channel. Regular removal of silt helps prevent build up in future years.	
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	● No major floods were experienced during the financial year until the last weekend of June. Minor flood repairs to be undertaken in the 2021/22 FY.	

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.	N/A	Not Achieved	<ul style="list-style-type: none"> <li>● With limited staff due to the lack of skilled applicants for vacant positions, HRC was not in a position to complete all of the renewal programme. Uncompleted renewals have been brought through to the next financial year to complete. Also, due to increased insurance and rate costs, HRC did not have enough funding to complete some works. This will not impact the level of service for flood protection in high-risk critical areas; the level of service in other areas still offers protection with a lower risk of damage to infrastructure.</li> </ul>
New assets are constructed - Completion of new capital works programme	Progress the upgrade of the Reid Line floodway, providing Feilding with 0.5% AEP flood protection**  (Complete all programmed Feilding special project works to provide Feilding with 0.5% AEP. Complete Stoney Creek flood protection works)**	Not Achieved	Not Achieved	<ul style="list-style-type: none"> <li>● Progress was made with the Reid Line floodway (Feilding special project) with some property purchases. Although progress was made, HRC did not secure properties as programmed. This is due to some property owners being reluctant, at this stage, to sell for various reasons. HRC is working through this with them. At this stage, it has no impact on the completion of the project as long as those properties are purchased along with the expected purchases budgeted next financial year.</li> </ul>
<b>PROJECT GROUP: RANGITĪKEI RIVER 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 Rangitikei River Scheme Asset Management Plan.	Not Achieved	Not Achieved	<ul style="list-style-type: none"> <li>● Rock work and hard flood protection assets have largely been maintained to a Level 2 or better condition grade. The exception being the Scotts Ferry rock protection wall which is programmed for upgrade in 2021-22.</li> </ul>
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	<ul style="list-style-type: none"> <li>● Stopbanks were maintained to the required level of service. Some tied tree works and vegetation assets have been lost due to the change in the direction of the river. A decision not to replace these assets was made until the new Rangitikei River Scheme Management Strategy is finalised.</li> </ul>
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	<ul style="list-style-type: none"> <li>● No flood damage repairs were required during the year</li> </ul>

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.	N/A	N/A	● No planned renewals in 2020-21
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 16' Rural; Flood Protection Upgrade project works. These will raise the standard from approximately 2% AEP to 1% AEP. Complete 'Year 10' Channel alignment project works.)**	Not Achieved	Not Achieved	Wet weather towards the end of summer ● prevented the completion of the Parewanui stopbank upgrade project. The contract was suspended and will resume early in November 2021, with a due completion date of 17 December 2021. Channel alignment works are on hold until the Rangitikei River Scheme Management Strategy is completed. No impact ● on current levels of service as these projects are to increase the level of service.

**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 Manawatū Drainage Scheme Asset Management Plan.	Achieved	Achieved	● All assets have been maintained to ensure that they continue to provide the level of service as required by the Asset Management Plans
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	● All stop banks have been maintained at a level that provides the 20% AEP.
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 have been no flood events over this period that have resulted in damage within the scheme.
Assets are renewed at end of useful life - Completion of renewals programme	As per Asset Management Plan Renewal programme.	Not Achieved	Not Achieved	● Several flood-gated culverts have been renewed as a result of regular monitoring of the assets within the scheme. However this monitoring also identified that assets that had been programmed for renewal were still in reasonable condition and did not require replacement at this point in time.

PROJECT GROUP: MANGATAINOKA 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 Mangatainoka Asset Management Plan.	Not Achieved	Achieved	● All assets have condition assessments of 2 or greater as per the condition ratings specified.
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.**  (Maintain the Burmeister, Kamo and Hamua stopbanks to 20%, 10% and 5% AEPs respectively. Undertake audit and develop O&M manual.)**	Achieved	Achieved	● ● All stopbanks have been maintained such that they will protect against the required AEPs
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	Achieved	● All works were completed from the flood event which occurred in December 20 by May 21.
New assets are constructed - Completion of new capital works programme	Complete all capital works as outlined in the Mangatainoka Asset Management Plan.	Achieved	Achieved	● All works described in the Mangatainoka Asset Management plan were completed.
PROJECT GROUP: SOUTH EAST RUAHINE 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 South Eastern Ruahine Asset Management Plan	Not Achieved	Not Achieved	● Bed control structures did not meet the required level of maintenance, though the overall condition rating has increased from last financial year.
Flood and erosion protection assets and systems are maintained - System performance design standard	Stopbanks are maintained to the 20% AEP standard.**	Achieved	Achieved	● All stopbanks will meet the 20% AEP 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	N/A	● There were 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 South Eastern Ruahine Asset  
Management Plan.

Achieved Achieved

● All works described in the South Eastern  
Ruahine Asset Management plan were  
completed.

#### PROJECT GROUP: ALL OTHER SCHEMES (NON-MANDATORY REPORTING)

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 Not  
Achieved

●

\* 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)

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%

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. The AEP of the stopbanks are determined at the time they are designed and do not change from year to year as long as the stopbanks are appropriately maintained as set out in the Asset Management Plan (AMP).

The scheme assets are reviewed annually by visual inspection performed by Council Engineers and are assigned a condition rating based on a rating scale of 1-5, with 1 being the best rating.

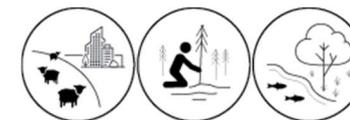
To maintain desired levels of service, the AMP requires a condition rating of between 1 and 3.

The findings from the visual inspection inform the maintenance programme for the following year.



**Tiaki Kiora**  
**Biosecurity and  
biodiversity protection**

# 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 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 farmland.

## Biosecurity and Biodiversity Financial Summary

Activity Operating and Funding Statement	Annual Plan 2020-21 \$000	Actual 2020-21 \$000	Actual 2019-20 \$000
<b>Activity Expenditure</b>			
Biosecurity	6,020	7,495	5,945
Biodiversity	2,402	2,353	1,950
<b>Total Operating Expenditure</b>	<b>8,422</b>	<b>9,847</b>	<b>7,895</b>
Capital Expenditure	520	403	338
<b>Total Funding Required</b>	<b>8,942</b>	<b>10,251</b>	<b>8,233</b>
<b>Funded By</b>			
User Fees and Other Revenue	206	1,558	204
Individual Rates	1,715	1,715	1,829
Common Rates	6,566	6,566	6,379
Loans and Reserve Movement	454	412	(179)
<b>Total Funding</b>	<b>8,942</b>	<b>10,252</b>	<b>8,233</b>
<b>Capital Expenditure</b>			
	Annual Plan 2020-21 \$000	Actual 2020-21 \$000	Actual 2019-20 \$000
Meet Additional Demand	-	-	-
Improve Level of Service	-	-	-
Renew Existing Assets	520	403	338
<b>Total Capital Expenditure</b>	<b>520</b>	<b>403</b>	<b>338</b>

# Horizons Regional Council Funding Impact Statement for the Biosecurity and Biodiversity Management Group of Activities to 30 June 2021

	LTP Year 3 2020-21 \$000	Actual 2020-21 \$000	LTP Year 2 2019-20 \$000	Actual 2019-20 \$000
<b>Sources of Operating Funding</b>				
General rates, uniform annual general charges, rates penalties	6,581	6,566	6,273	6,379
Targeted rates	1,846	1,715	1,896	1,830
Subsidies and grants for operating purposes	-	1,254	-	-
Fees and charges	64	304	64	204
Internal charges and overheads recovered	-	-	-	-
Local authorities fuel tax, fines, infringement fees and other receipts	-	-	-	-
<b>Total sources of operating funding (A)</b>	<b>8,491</b>	<b>9,839</b>	<b>8,233</b>	<b>8,413</b>
<b>Applications of Operating Funding</b>				
Payments to staff and suppliers	4,283	5,676	4,152	3,985
Finance costs	-	-	-	-
Internal charges and overheads applied	4,125	4,172	4,010	3,911
Other operating funding applications	-	-	-	-
<b>Total applications of operating funding (B)</b>	<b>8,408</b>	<b>9,848</b>	<b>8,162</b>	<b>7,896</b>
<b>Surplus/(Deficit) of Operating Funding (A-B)</b>	<b>83</b>	<b>(9)</b>	<b>70</b>	<b>517</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	-	-	-	-
Other dedicated capital funding	-	-	-	-
<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	27	403	103	338
Increase/(decrease) in reserves	56	(412)	(32)	179
Increase/(decrease) of investments	-	-	-	-
<b>Total applications of capital funding (D)</b>	<b>83</b>	<b>(9)</b>	<b>70</b>	<b>517</b>
<b>Surplus/(Deficit) of Capital Funding (C-D)</b>	<b>(83)</b>	<b>9</b>	<b>(70)</b>	<b>(517)</b>
<b>Funding Balance ((A-B)+(C-D))</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Depreciation	83	153	70	137



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

Just prior to the country's first lockdown in April 2020, a member of the public discovered alligator weed in the Manawatū Catchment. This weed can dramatically alter wetlands, small lakes, rivers, dams and drains and impact pasture and arable land by out-competing the crop around it. It is also known to be toxic to some livestock and can block access to waterways for recreation. This year the environmental management team located 89 plant locations within the Mangaone Stream and quickly got to work removing the weed. There are now only two known locations for the pest plant.

Another success for the biosecurity team has been confirmation of an established population of weevils tackling field horsetail. This follows the global first release of the field horsetail weevil by Horizons and partners such as the Rangitikei Field Horsetail Group in 2018.

Field horsetail is toxic to some livestock, outcompetes crops reducing their worth and is spread easily from paddock to paddock. It requires continuous

application of spray over many years to eradicate the plant from an area however, this option can also be damaging to crops. The weevil is native to Europe and works by laying eggs inside the stem of the plant. The larvae then feed on the stem while the adults head down the weed for the winter, where they consume and break up roots, reducing the ability of the plant to produce new fronds in spring. While it will take some time to see the effectiveness of the weevil, the established population is an incredible milestone as research on effective control or eradication for horsetail strategies started shortly after the 2004 floods when this pernicious pest plant was carried from the river to land and quickly took hold.

As part of their 2021-31 LTP, Council approved additional funding for community biodiversity projects. The inaugural Kanorau Taketake – Indigenous Biodiversity Community Grant is a contestable fund worth \$260,000 and helps support projects that provide connections between nature and people and projects that work to restore and protect indigenous biodiversity.

*Group of activities performance: Of the overall 17 performance targets set for the Group, 17 were 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. Horizons' Biosecurity activity links with a range of national and regional policies and strategies. The Regional Pest Management Plan 2017-37 is the overarching strategy for the region's biosecurity activity.

## General Overview for the Year

All twelve biosecurity Annual Plan targets were met.

### Possums

In the 2020-21 year, Horizons delivered possum control work in 83 PCOs. Eight were new to the programme, having previously been managed by OSPRI and the balance (75) were existing maintenance operations. The total area of the eight new PCOs was 69,320 ha which is 63,103 ha higher than the 2020-21 LTP target of 6,217 ha. The PCO programme has 153 individual operational areas and totals 1,568,248 ha, of which 856,638 ha (55%) received control in 2020-21.

Thirty-six of the 153 PCOs were monitored during the year, returning an average result of 3.0% +/- 1.2% Residual Trap Catch Index (RTCI), well below the target of 10% RTCI. Two of the PCOs monitored returned results higher than the 10% target; additional work has been undertaken in one of these areas and is planned to be undertaken in the other in the 2021-22 year.

### Rooks

Aerial nest baiting was undertaken in all known breeding rookeries in October – November 2020. For the first time, all active breeding sites received two visits from the helicopter resulting in an increased number of active nests being treated compared to last year, i.e. 152 nests were treated this year compared to 94 in 2019-20. The number of active breeding rookeries continued to fall with 47 treated this year compared to 56 last year.

### 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 *Sagittaria platyphylla* and ongoing site removal of alligator weed from the Pioneer drain and Mangaone Stream in Palmerston North;
- Bio-control options released for a number of pest plants including tutsan and field horsetail, Californian thistle, ragwort, buddleia and broom;
- Completion of Horizons' ongoing 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 1,183 animal and 243 pest plant responses were given to ratepayer requests for advice or assistance on both animal and plant pests. All animal pest requests and 98 per cent of plant pest requests received an initial response within 48 and 72 hours, respectively. The target of 95 per cent of plant pest enquiries having an initial response in 72 hrs was met.

## Significant Events/Issues

- The Possum Control Operation increased in size by 69,320 ha bringing the PCO to a total of 1,568,248 ha;
- Possum monitoring returned an average of 3.0% + 1.2% RTCI from 36 PCOs monitored across the region, target is 10% RTCI;
- Rook pest programme delivered in full with a reduced number of rookeries located and treated;
- Removing recently discovered *Sagittaria platyphylla* from the Pioneer drain and Mangaone Stream in Palmerston North;
- 1,183 animal and 243 pest plant requests for assistance were undertaken; and
- Central Government funding received for wilding pine control and programme was successfully managed.

## Financial Overview

Biosecurity finished the year \$147k unfavourable to budget. The budget included the use of \$100k reserves. Operational revenue was \$1.327M more than budgeted, primarily due to central government funding for the Wilding Conifer programme. This was offset by additional expenditure of \$1.419M for the activity. Horizons has the role of fund holder for the Central North Island, so most of this additional funding was for work by other agencies.

Additional staff resources used in the Biosecurity Animals activities resulted in an overspend.

Biosecurity Capital expenditure was managed to budget.

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

Achieved		Not Achieved		Not Applicable	
●●●●●●●●●●●●					
12		0		0	
Key Performance Indicator	Annual Plan 2020-21 (Long-term Plan Year 3)*	Actual Prior Year 2019-20	How We Did 2020-21	Comment	
<b>PROJECT GROUP: PEST ANIMAL MANAGEMENT</b>					
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	2.9%	3.0%	● 36 monitors were completed in the 2020-21 year. The average result for these monitors was 3.0% RTC (+/- 1.2%) with two returning results > 10% RTC.	
Additional hectares included in control programme.	6,217	42,765	69,320	● Eight ex OSPRI areas were added to the programme in the 2020-21 year.	
All known rookeries are treated annually to reduce crop losses and damage.	100%	100%	100%	● Aerial nest baiting was undertaken in October - November 2020	
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%	● 1,183 amenity enquiries were received and responded to within 2 working days.	
<b>PROJECT GROUP: PEST PLANT MANAGEMENT</b>					
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.	1	1	● Sagittaria discovered in Pioneer drain and Mangaone stream, de-limit survey conducted, control and monitoring taken place.	
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%).	1	1	● Response plan created within two weeks.	
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%).	1	1	● Response plan enacted within timeframes.	

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%.	100%	Achieved	● The target for eradication is 71% by the end of 2021, and zero levels
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%.	100%	Achieved	● The target for progressive containment is 70% by the end of 2021, and levels were at 73% at the end of 2020/21.
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.	1	Achieved	● Fully supported
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%	41	● Completed 41 assessments across a number of species of agents and hosts.
Pest plant enquiries received are responded to within 3 working days.	95% of enquiries will be responded to within 3 working days.	100%	98%	● Over 95% of enquires were responded to within 3 working days.

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

# Biodiversity

## Background

Indigenous biodiversity in the region has declined markedly over the last 150 years as a result of land clearance, drainage and the introduction of pest plants and animals. Much of the habitat remaining is fragmented and degraded through neglect and/or the combined impacts of introduced plants and animals.

However, significant areas of high biodiversity value still remain in the region, many of which are on private land. Awareness of the importance of our natural habitats and taonga species is growing both within central and local government and within our communities. In the Manawatū-Whanganui region, the number of non-government organisations, community groups and individuals actively involved in protecting our biodiversity is increasing. Tangata whenua are actively involved as Kaitiaki of these special places and species.

Horizons Regional Council has responded to this by developing a dedicated biodiversity programme. The programme has two goals. 1. Empowering communities to reconnect with and improve biodiversity. 2. Maintaining or restoring the full range of the region's indigenous ecosystems to a healthy and functioning level. The biodiversity programme also manages Tōtara Reserve Regional Park.

## General Overview for the Year

All five biodiversity annual plan targets were met.

The priority sites programme started the year with 66 sites at management level three, of which 30 received maintenance. Eleven new sites were added to the programme meeting, the targets for seven new bush remnants and four new wetlands receiving management interventions. The seven bush remnants comprised examples of five different types of critically endangered habitats. Three of the sites received deer fencing to exclude browsing mammals. Other sites received weed control, replanting of native species, and pest animal control. Of the four wetlands, two were fenced to exclude stock, and two received weed control.

Animal pest control at Te Āpiti Manawatū Gorge is becoming more intensive and extensive, with Te Waka Kotahi assisting with work on the northern side of the Gorge, the DOC networks becoming more intensive on the south side and Horizons increasing pest control in the buffer area outside of the scenic reserve.

Weed control targeting old man's beard continued at Te Āpiti Manawatū Gorge with this year's weed work fully completed.

Weed control also continued at Tōtara Reserve Regional Park; animal pest control was increased at the site. The poplar trees near the campground at Tōtara Reserve have been removed and two planting events held with local schools. A large integrated animal pest control programme targeting rats and possums has commenced in Tōtara Reserve.

Community project support exceeded targets with support provided to 18 community biodiversity projects, 50% more than the target of 12.

## Significant Events/Issues

Highlights in the Biodiversity Activity include:

- The priority sites programme started the year with 66 sites at management level three, of which 30 received maintenance. Eleven new sites were added to the programme.
- The new Kanorau Koiora Taketake - Indigenous Biodiversity Community Grant was launched, and over 35 applications were received from all corners of the region.
- Animal pest control assistance continued at important biodiversity sites, notably Te Āpiti, Tōtara Reserve, Pukaha Mt Bruce, Manawatū Estuary, Bushy Park Tarapurui, Te Potae o Awarua and Kia Wharite.

## Financial Overview

The Biodiversity Activity ended the year \$134k favourable to budget. Primarily this was due to lower than budgeted spend on the Te Āpiti Manawatū Gorge project, which experienced delays in the roll out of a new pest control programme.

The Biodiversity Capital budget, which includes priority sites Te Āpiti and Totara Reserve, was \$110k favourable to budget. This was due to delays in the water supply upgrade at Totara Reserve and expenditure on pest control at Te Āpiti.

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

	Achieved	Not Achieved	Not Applicable	
	●●●●●			
	5	0	0	
Key Performance Indicator	Annual Plan 2020-21 (Long-term Plan Year 3)*	Actual Prior Year 2019-20	How We Did in 2020-21	Comment
<b>PROJECT GROUP: PROTECT/ENHANCE PRIORITY HABITAT REMNANTS</b>				
Additional Top 100 wetlands actively managed.	4	2	4	● 4 sites added to actively managed wetlands at management level 3 or above
Additional Top 200 bush remnants actively managed.	7	2	7	● 7 sites added to actively managed bush remnants at management level 3 or above
<b>PROJECT GROUP: SUPPORT COMMUNITY INVOLVEMENT IN BIODIVERSITY PROTECTION</b>				
Support existing community-based biodiversity improvement projects.	12	27	18	● 150% of target achieved
<b>PROJECT GROUP: IMPROVE KNOWLEDGE AND UNDERSTANDING OF THE REGION'S BIODIVERSITY</b>				
Annual report on biodiversity monitoring and research activity.	1	1	1	● Completed <a href="https://www.horizons.govt.nz/HRC/media/Media/Agenda-Reports/Environment-Committee-(3)/Environment-Committee-2021-9-06/2170%20Annex%20C%20Biodiversity%20progress%20report.pdf">https://www.horizons.govt.nz/HRC/media/Media/Agenda-Reports/Environment-Committee-(3)/Environment-Committee-2021-9-06/2170%20Annex%20C%20Biodiversity%20progress%20report.pdf</a>
<b>PROJECT GROUP: TOTARA RESERVE REGIONAL PARK</b>				
Annual report on the management of Totara Reserve Regional Park for biodiversity and recreational values, including managing the camping facility.	1	1	1	● Completed <a href="https://www.horizons.govt.nz/HRC/media/Media/Agenda-Reports/Environment-Committee-(3)/Environment-Committee-2021-9-06/2170%20Annex%20C%20Biodiversity%20progress%20report.pdf">https://www.horizons.govt.nz/HRC/media/Media/Agenda-Reports/Environment-Committee-(3)/Environment-Committee-2021-9-06/2170%20Annex%20C%20Biodiversity%20progress%20report.pdf</a>

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



**Mana Whakahaere ā-rohe**  
**Regional leadership and governance**

# 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, landowners, our partners 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 Manawatū-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 2020-21 \$000	Actual 2020-21 \$000	Actual 2019-20 \$000
<b>Activity Expenditure</b>			
Community Relationships	2,033	1,956	2,053
Environmental Reporting	448	379	416
Emergency Management	2,212	2,109	2,859
Governance	2,901	3,120	2,794
Information	3,946	4,014	3,824
Iwi	619	452	268
Strategic Management	3,322	3,270	2,943
<b>Activity Operating Expenditure</b>	<b>15,481</b>	<b>15,300</b>	<b>15,157</b>
Capital Expenditure	1,650	1,532	1,798
<b>Total Funding Required</b>	<b>17,131</b>	<b>16,832</b>	<b>16,955</b>
<b>Funded By</b>			
User Fees and Other Revenue	5,116	4,589	4,237
Individual Rates	-	-	-
Common Rates	11,423	11,423	11,036
Loans and Reserve Movement	592	820	1,682
<b>Total Funding</b>	<b>17,131</b>	<b>16,832</b>	<b>16,955</b>
<b>Capital Expenditure</b>	<b>Annual Plan 2020-21 \$000</b>	<b>Actual 2020-21 \$000</b>	<b>Actual 2019-20 \$000</b>
Meet Additional Demand	-	-	-
Improve Level of Service	-	-	-
Renew Existing Assets	1,650	1,532	1,798
<b>Total Capital Expenditure</b>	<b>1,650</b>	<b>1,532</b>	<b>1,798</b>

# Horizons Regional Council Funding Impact Statement for the Regional Leadership and Governance Group of Activities to 30 June 2021

	LTP Year 3 2020-21 \$000	Actual 2020-21 \$000	LTP Year 2 2019-20 \$000	Actual 2019-20 \$000
<b>Sources of Operating Funding</b>				
General rates, uniform annual general charges, rates penalties	11,865	11,423	10,925	11,036
Targeted rates	-	-	-	-
Subsidies and grants for operating purposes	-	-	-	-
Fees and charges	1,620	1,205	1,603	1,431
Internal charges and overheads recovered	2,784	3,384	2,732	2,806
Local authorities fuel tax, fines, infringement fees and other receipts	-	-	-	-
<b>Total sources of operating funding (A)</b>	<b>16,270</b>	<b>16,012</b>	<b>15,261</b>	<b>15,273</b>
<b>Applications of Operating Funding</b>				
Payments to staff and suppliers	5,508	5,654	5,481	4,778
Finance costs	-	-	-	-
Internal charges and overheads applied	9,152	9,646	8,984	10,379
Other operating funding applications	-	-	-	-
<b>Total applications of operating funding (B)</b>	<b>14,660</b>	<b>15,300</b>	<b>14,464</b>	<b>15,157</b>
<b>Surplus/(Deficit) of Operating Funding (A-B)</b>	<b>1,609</b>	<b>712</b>	<b>796</b>	<b>116</b>
<b>Sources of Capital Funding</b>				
Subsidies and grants for capital expenditure	-	-	-	-
Development and financial contributions	-	-	-	-
Increase/(decrease) in debt	(502)	-	(481)	-
Gross proceeds from sale of assets	-	-	-	-
Lump sum contributions	-	-	-	-
Other dedicated capital funding	-	-	-	-
<b>Total sources of capital funding (C)</b>	<b>(502)</b>	<b>-</b>	<b>(481)</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	1,517	1,532	1,953	1,799
Increase/(decrease) in reserves	(410)	(820)	(1,637)	(1,683)
Increase/(decrease) of investments	-	-	-	-
<b>Total applications of capital funding (D)</b>	<b>1,107</b>	<b>712</b>	<b>316</b>	<b>116</b>
<b>Surplus/(Deficit) of Capital Funding (C-D)</b>	<b>(1,609)</b>	<b>(712)</b>	<b>(796)</b>	<b>(116)</b>
<b>Funding Balance ((A-B)+(C-D))</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Depreciation	935	994	944	861



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

This year, Council completed their 2021-31 Long-term Plan. Community consultation held in March-April 2021 resulted in 430 submissions and feedback on 2,263 submission points. Councillors heard from 46 individuals and organisations at hearings held in Palmerston North and Whanganui in mid-May prior to Council's deliberations and final adoption of the LTP on 22 June 2021.

Between 13 April and 10 May 2021, a survey was sent to approximately 18,500 individuals on the Māori electoral roll, along with supporting information, to explore the desire from Māori for Māori constituencies to be established for the 2022 council election. This group was identified as the most affected by the decision, as it would fundamentally change the basis of, and arrangements for, their representation on Council. The survey and supporting information was also made public to the wider community through Council's digital channels. Council received 1,649 responses to the survey, with 1,475 in support and 152 opposed. In May 2021, Council approved the establishment of a Māori

constituency or constituencies in time for the 2022 local government elections. As a result, a full representation review will be completed by the end of 2021.

Horizons, alongside the region's mayors and tangata whenua representatives, held their inaugural meeting of the Climate Action Joint Committee in April. Not only is the climate action committee a first for Horizons, it is the first time tangata whenua representatives have been formally appointed to any Horizons committee and given full voting rights. The Committee will use scientific evidence and Mātauranga Māori to form and achieve climate change mitigation and adaptation. They will also share information, facilitate collaborative action to reduce greenhouse gas emissions and prepare for climate change impacts.

In addition to undertaking a climate risk assessment on behalf of regional partners during 2021, Horizons also adopted new dedicated activity for climate change in their 2021-31 LTP. This activity aims to respond explicitly to climate change risks and coordinate work across our organisation.

***Group of activities performance:** Of the overall 33 performance targets set for the Group, 26 were achieved, 4 were not achieved, and 3 were not applicable.*

# Community Relationships Activity

## Background

Strong relationships with our partners, stakeholders, and communities helps 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 region's 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 connect directly to Council's new vision: Tō tātou rohe – taiao ora, tangata ora, mauri ora. Our place – a healthy environment where people are thriving.

## General Overview for the Year

The demand for up-to-date, accessible and user-friendly advice and information is continuously increasing. Horizons' traditional communications such as media, advertising, and consultation on our Long-term Plan and Regional Land Transport Plan have been balanced this year through face-to-face engagement opportunities such as Our Freshwater Future activities and a presence at the Manawatū River Festival, Hilux Rural Games, and Central Districts Field Days. Council continues to grow its digital presence through multiple websites and social media channels and new initiatives such as using Social Pinpoint to seek the communities' values for Climate Change. We also have a 24-hour call centre and Pollution Hotline.

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. This year these have included freshwater, climate change, biodiversity, Jobs for Nature and Infrastructure Climate Resilience projects, as well as seeking community feedback on the establishment of Māori constituencies.

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 risks 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 coordinates and provides relevant information on potential growth areas.

The District Advice team responded to 1185 requests for information which is a ten per cent increase in volume from the previous year (1073 requests in the 2019-20 year). 864 of these requests are from the general public and 321 from territorial authorities. The main three items were for information requests on flooding (419), comments on subdivisions (401) and building consents (145).

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



District Advice has coordinated and prepared numerous comments on urban growth areas for Horowhenua District Council, Palmerston North City Council including providing and coordinating advice for Ruapehu District Council's future housing and community plan. District Advice has also provided comment on Manawatū District Council's proposed plan changes and has coordinated and prepared submissions for notices of requirements for designations, which included the KiwiRail Regional Freight Hub.

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 three general dam enquiries. There were no Project Information Memorandums (PIMs) issued and no dam proposals received to assess if a Building Consent was required.

In 2019 the Ministry of Business, Innovation and Employment (MBIE) published a proposed regulatory framework for dam safety (post-construction regulatory requirements). In March 2021, MBIE reported that Cabinet has agreed to the

development of the new safety regulations. Cabinet has agreed to regulations for dam safety that place the responsibility on dam owners to ensure dams are maintained to acceptable safety levels. The regulations will outline a system for identifying what dams are included in the regime, classifying a dam's potential impact failure and prescribing the required contents of a Dam Safety Assurance Programme to promote regular monitoring and surveillance practices for the safe operation of dams.

Details of the regulations will be approved by Cabinet later in 2021. There will be a two-year lead-in time before they come into force. MBIE will advise when the final regulations have been approved and will provide a guide to help understand what is required under the regulations.

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 six facilitators to assist with the delivery of the EnviroSchools programme as part of agreed partnerships with Horowhenua, Manawatū, Taranaki, Rangitikei, Whanganui, 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 over 80 EnviroSchools and 10 Friends of EnviroSchools.

In addition to delivering the EnviroSchools programme, Horizons' Environmental Educator also delivered 66 community engagement activities and 48 Waiora Sessions.

## Significant Events/Issues

As part of 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)

Achieved		Not Achieved		Not Applicable	
●●●●●●●●		●●			
8		2		0	
Key Performance Indicator	Annual Plan 2020-21 (Long-term Plan Year 3)*	Actual Prior Year 2019-20	How We Did in 2020-21	Comment	
Connect our communities with Horizons' work through a number of channels in a proactive and transparent way.	>90 media releases. >1,950 media mentions. (>115 media releases. >1,950 media mentions)	91 media releases. 1,137 media mentions	95 media releases, 1086 media mentions	●	With the increase in livestreaming of council meetings and subsequent recordings available for later viewing, more media are able to access decision-making. This reduces the need for releases.
Likes/followers on social media (all accounts that Horizons manages).	>23,000	29,829	32,670	●	
Videos produced.	16	66	55	●	
Website sessions.	>660,000	646,482	749,940	●	
<b>PROJECT GROUP: DISTRICT LIASON</b>					
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	100%	100%	●	Responded to a total of 1,185 requests within the timeframe. 864 were informal and 321, formal. All Plan change proposals were responded to in the required timeframe.
Meet Building Act 2004 legislative requirements.	100%	100%	100%	●	Responded to three general dam enquiries. Responded within the required timeframe. There were no dam proposals received to assess if a building consent is required, and no Project information Memorandums (PIMs) were issued.
<b>PROJECT GROUP: CUSTOMER SERVICE</b>					
Maintain 24-hour, seven days a week access to Horizons via internal and external call centre support.	100%	Not Achieved	95%	●	Zeacom was down due to a few system outages - IT quickly rectified these however one outage was significant and was out for 8 hours.
95% of all calls received on a 24/7 basis are answered.	95%	Achieved	Achieved	●	

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%

Achieved

Achieved

● Customer satisfaction analysis on a monthly basis, review inbound call recording for consistency, service deliver, and resolution.

**PROJECT GROUP: ENVIRONMENTAL EDUCATION**

Increase participation levels in the Enviroschools and Waiora programmes at a manageable rate. Engage the community through environmental education opportunities.

50 Enviroschools.  
34 Waiora  
Sessions.  
33 Community  
Engagements.

74  
Enviroschools.  
19 Waiora  
Sessions.  
59 Community  
Engagements

80  
Enviroschools,  
48 Waiora  
Sessions, 66  
Community  
Engagements

●

\* 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 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 of the 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. Environmental data continues to be supplied to the Land Air Water Aotearoa (LAWA) website for air quality, water quality and water quantity. LAWA presents information from the Horizons region alongside information from the rest of New Zealand.

'Oranga Wai Our Freshwater Future' programme has included the establishment of hui every 6 weeks (from February 2021). These have discussed Te mana o te wai and vision. Initial conversations with the wider community are focussing on confirming/identifying the values we associate with freshwater. This will help frame our long-term vision and inform future discussions about setting objectives, limits, and action plans to maintain/improve water quality.

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 regional summary, published in draft.

Climate change research focussed on delivery of a Regional Climate Change Risk Assessment (RCCRA). The project was a collaboration led by Horizons with a steering group representing the regions' councils. The project included a social media campaign called #ClimateChangeInOurRegion using the Social Pinpoint interactive map with the aim of identifying community values that may be affected by climate change in the region. Five hui presented an opportunity to test the initial set of community values and develop initial risk scores for those community values that are exposed to climate hazards. The final RCCRA report will be available in August 2021 – this will be presented to the Climate Action Joint Committee to provide a basis to prioritise risks for a regional action plan in collaboration with the region's Territorial Authorities.

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 initiated physical well-head security checks 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 installation of new equipment at the Taumarunui site. There have been challenges around securing a location to install new equipment for the replacement site in Taihape. A public education campaign around the burning of dry firewood was delivered.

### Financial Overview

The Environmental Reporting Activity ended the year with a favourable variance of \$68k. This is driven by a combination of staff savings in SoE and Policy and external cost savings in drinking water and SoE and Policy support activities. Due to staff changes in the science team, the capacity to scope and contract additional work this year was limited.

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

Achieved		Not Achieved		Not Applicable	
●●●●●●					
6		0		0	
Key Performance Indicator	Annual Plan 2020-21 (Long-term Plan Year 3)*	Actual Prior Year 2019-20	How we did in 2020-21	Comment	
<b>PROJECT GROUP: ENVIRONMENTAL MONITORING AND REPORTING</b>					
Provide an annual summary report on the state of the environment.	1	1	1	● <a href="https://www.horizons.govt.nz/HRC/media/Media/Regional-Catchment-Summary-2020-21.pdf?ext=.pdf">https://www.horizons.govt.nz/HRC/media/Media/Regional-Catchment-Summary-2020-21.pdf?ext=.pdf</a>	
Develop and implement a science communication strategy.	Report progress to Council annually	Reported progress to Council	Reported progress to Council	● <a href="https://www.horizons.govt.nz/HRC/media/Media/Agenda-Reports/Environment-Committee-(3)/Environment-Committee-2021-9-06/Full%20Agenda.pdf">https://www.horizons.govt.nz/HRC/media/Media/Agenda-Reports/Environment-Committee-(3)/Environment-Committee-2021-9-06/Full%20Agenda.pdf</a>	
Complete drinking water supply research with a focus on Council-operated drinking water supplies and complete an annual report on this to Council.	1	1	1	● <a href="https://www.horizons.govt.nz/HRC/media/Media/Agenda-Reports/Environment-Committee-(3)/Environment-Committee-2021-9-06/Full%20Agenda.pdf">https://www.horizons.govt.nz/HRC/media/Media/Agenda-Reports/Environment-Committee-(3)/Environment-Committee-2021-9-06/Full%20Agenda.pdf</a>	
Investigate one aspect of climate change impact in the region and report on this to Council.	1	1	1	● <a href="https://www.horizons.govt.nz/HRC/media/Media/Agenda-Reports/Environment-Committee-(3)/Environment-Committee-2021-9-06/Full%20Agenda.pdf">https://www.horizons.govt.nz/HRC/media/Media/Agenda-Reports/Environment-Committee-(3)/Environment-Committee-2021-9-06/Full%20Agenda.pdf</a>	
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	Completed	Completed	● <a href="https://www.horizons.govt.nz/HRC/media/Media/Agenda-Reports/Environment-Committee-(3)/Environment-Committee-2021-9-06/Full%20Agenda.pdf">https://www.horizons.govt.nz/HRC/media/Media/Agenda-Reports/Environment-Committee-(3)/Environment-Committee-2021-9-06/Full%20Agenda.pdf</a>	
Undertake an annual public education air quality campaign.	1	1	1	●	

\* 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

The ongoing response and resurgence planning requirements from central government for COVID-19 occupied a large amount of the Group Office time and continues to do so. Despite this, all work programme targets were achieved, except for the completion of the Hazard Information Update Project. COVID-19 continued to impact the ability of some of the external agencies that were planned to do some of the work being unable to complete their outputs. The residual work required to complete this output is being carried forward for completion as part of the 2021-2022 work programme.

The CDEM Group work programme for 2020-2021 was reported on regularly to the Coordinating Executive Group (CEG) and the Joint Standing Committee (JC), with meetings also attended by a representative of the National Emergency Management Agency.

In March 2021, three Iwi representatives were appointed to the JC, in addition to the Iwi representation already on the CEG.

Over the reporting period, the Emergency Coordination Centre (ECC) activated in response to 3 large earthquakes off the east coast of New Zealand and for minor flood responses across the region. The operational capability of the ECC was maintained with scheduled training activities occurring, including the review of relevant documentation. 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. A new IVR system was developed over the reporting period, which is due for implementation early in the 2021-2022 reporting period.

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. A review of the Manawatū River & Tributaries Navigation Safety Bylaw commenced aligned to legislative requirements.

Contracts with Rangitikei and Manawatū District Councils for the provision of emergency management services continued with regular reporting and liaison occurring. The Horowhenua District Council (HDC) withdrew from contract arrangements in September 2020 due to internal changes within HDC. 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 position of approximately \$29k unfavourable to Annual Plan budget.

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

		Achieved	Not Achieved	Not Applicable	
		●●●●●●●	●		
		7	1		0
Key Performance Indicator	Annual Plan 2020-21 (Long-term Plan Year 3)	Actual Prior Year 2019-20	How we did in 2020-21	Comment	
<b>PROJECT GROUP: ACHIEVE TARGETS AS SET OUT IN CDEM BUSINESS PLAN</b>					
Critical outputs pertaining to Operational Capability, Community Resilience and Riskscape are monitored and reviewed.	100%	100%	100%	● Despite the interruption of the response to COVID-19 the critical outputs aligned to the Group Office work programme were achieved.	
CDEM targets are reported to both the Joint Standing Committee and Coordinating Executive Group.	4 per year	7	9	● Reporting was provided to 4 meetings of the Joint Standing Committee and 5 meetings of the Coordinating Executive Group.	
<b>PROJECT GROUP: HORIZONS' RESPONSE CAPABILITY</b>					
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%	● Operational capability and documentation was maintained throughout the reporting period. Duty officer arrangements were maintained 24/7.	
Hazard information update project carried out to update information as per the approved project plan.	100%	90%	90%	● COVID-19 impacted the ability for external contractors (GNS Science/flood modellers) to complete all planned work. The residual work is being carried over to 21-22 for completion.	
Manage and promote business continuity planning arrangements (BC Plans).	1 per year	2	1 per year	● Business continuity arrangements were reviewed as part of the response to COVID-19.	
Manage and promote navigation safety.	100%	100%	100%	● Navigation safety activities were maintained with the Whanganui Coastguard and the Manawatū River Users Advisory Group. A review of the Manawatū River & Tributaries Navigation Safety Bylaw commenced.	
<b>PROJECT GROUP: CONTRACTED SERVICES</b>					
Maritime New Zealand (MNZ) oil spill response capability maintained to MNZ audit standards.	100%	100%	100%	● MNZ marine oil spill capability was maintained to MNZ standards.	
Emergency management contracts for Civil Defence services completed to the satisfaction of Rangitikei, Manawatū and Horowhenua District Councils.	100%	100%	100%	● Contracts were maintained to required standards for the Manawatū & Rangitikei District Councils. The Horowhenua District Council withdrew from the contract arrangements September 2020.	

\* 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 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 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;
- Thirteen Council meetings and 33 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 92 per cent (a decrease from the previous year, which

was 94.7 per cent). As a result of COVID-19, Government legislation allowed, during this reporting period, for Councillor attendance at meetings via video conference. 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 2021 was as follows: (Calculation based on at least 75% attendance of the duration of a meeting)

Benbow, AL	31 out of 34
Clarke, EML	32 out of 37
Cotton, DB	29 out of 30
Ferguson, SD	43 out of 43
Gordon, EB	30 out of 30
Gordon, FJT	30 out of 35
Keedwell, RJ	38 out of 44
Kirton, WM	32 out of 33
Naylor, JM	34 out of 37
Patrick, NJ	34 out of 37
Te Awe Awe, WK	26 out of 30
Turkington, GJ	31 out of 34

## Significant Events/Issues

Council undertook its Long-term Plan process this year. Interest was shown by the general public in the consultation document, which was released for public consultation on 26 March 2021. 435 submissions were received, which included 1 staff submission and 15 anonymous submissions. 20 late submissions were also received. 46 submitters spoke to Council on their submission. Meetings were held in Palmerston North and Whanganui, along with the option for submitters to video conference. The Long-term Plan 2021-31 was adopted on 22 June 2021.

On 19 May 2021 Council resolved to establish a Maori constituency or constituencies for the 2022 and 2025 local elections. A Representation Review will be conducted in 2021/2022.

## Financial Overview

Governance activities ended the year slightly unfavourable to budget due to Māori Representation Survey and associated ongoing work in this regard.

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

Achieved	Not Achieved		Not Applicable	
●●			●●	
2	0		2	
Key Performance Indicator	Annual Plan 2020-21 (Long-term Plan Year 3)*	Actual Prior Year 2019-20	How We Did in 2020-21	Comment
<b>PROJECT GROUP: GOVERNANCE</b>				
Undertake the triennial election process in accordance with the Local Electoral Act 2001.	100%	100%	NA	● The next Election will take place in October 2022.
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.	100% (No measure)	100%	NA	● Due to the decision made by Council on 19 May 2021 regarding establishing Māori constituency/ies, a Representation Review will be undertaken in 2021/2022.
<b>PROJECT GROUP: LONG-TERM PLAN (LTP)</b>				
Adoption of this and subsequent annual plans, Long-term Plans and amendments, and annual reports by Council within statutory timeframes.	100%	Not Achieved	0%	● The 2019-20 Annual Report and 2021-31 Long-term Plan were adopted within statutory timeframes.

\* 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 environmental 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, wastewater, industry and earthworks programmes to inform business operations.

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 2020-21 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):

The ED Team undertook data acquisition and analysis 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 ED team for emergency management purposes. In addition support was also provided to the new Asset Management system and Archives.

234 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 exceeded the Annual Plan target for primary hydrological activities, achieving 98.9% across the Annex 1 network. The Annex 2 network (focussing on water quality) exceeded its annual plan target, achieving 95.7%. This represents a significant effort by the ED team and reflects the capital investment made in robust sensor technology and systems.

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.

Approximately 12,200 automated flood and drought warnings were issued, and over 13,800 inbound calls to this service. The majority of this activity was focussed on summer low-river flows by water take consent holders. This service directly connects 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.

Phase three of the digital radio infrastructure upgrade was completed and expanded to provide enhanced telemetry coverage to environmental recording sites and staff remote communications throughout much of the region. This infrastructure includes 10 repeaters with microwave link connections to the base stations in Palmerston North, which enables Horizons to have a complete self-contained telecommunications infrastructure, which is critical in emergency situations.

Further structural asset improvements were made at several recording sites to address health and safety issues at these locations.

Alongside Horizons' Freshwater team, the ED Team has invested in fish-passage works on our river grade control assets to ensure we are conforming to national regulations and ensuring the long-term suitability of our infrastructure.

The ED Team has undertaken 4800 water quality samples for the State of the Environment compliance programmes and supporting programmes around the region. The team also administered the Council contract with Eurofins ELS Ltd, which supplies laboratory analysis for the organisation.

The ED Team entered its second year of the Water Metering upgrade project, and achieved its deployment and inspection targets. The ED Team has made considerable headway with the data backlog and implemented new business processes with the completion of IRIS. 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 came into effect, late 2020.

Contracted water quality sampling undertaken for Tararua District Council was completed, and a further contract for the provision of these services has been entered into for the 2021-22 financial year.

The Survey team completed its targets. 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;
- Five-yearly collection of regional aerial photography is underway, with completion expected in 2021/22;
- Completion of the Digital Radio Infrastructure project; and
- Continuing to add to and manage our environmental 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 slightly unfavourable to Annual Plan budget.

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

Achieved		Not Achieved		Not Applicable	
●●●					
3		0		0	
Key Performance Indicator	Annual Plan 2020-21 (Long-term Plan Year 3)*	Actual Prior Year 2019-20	How we did in 2020-21	Comment	
<b>PROJECT GROUP: CATCHMENT DATA</b>					
Collection of 98.5% water level, rainfall, soil moisture, wind, and water temperature data (approx. 15.2 million data-points p.a.). [Annex 1]	98.5%	98.4%	98.9%	● Strong overall performance this year. The period July/August 2020 contributed to the majority of the loss of data, where issues at non-critical sites where address post COVID lockdown.	
Collection of 90.0% of continuous data relating to other water quality parameters (approx. 2.0 million data-points p.a.). [Annex 2]	90.0%	92.2%	95.7%	● Strong overall performance this year. The period July/August 2020 contributed to the majority of the loss of data, primarily this loss relates to Lake Horowhenua monitoring, where the station could not be accessed.	
<b>PROJECT GROUP: CATCHMENT INFORMATION</b>					
Information requests received from the public and external agencies are processed and delivered according to agreed timeframes.	95.0%	95.6%	96.7%	●	

\* 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 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 tangata 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 Rangī, 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 Manawatū 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.
- Engagement in the Oranga Wai Freshwater Futures programme.

## Financial Overview

The activity was on budget for the year. Funds for Te Awa Tupua continued to be held by Horizons on behalf of the settlement and Te Kōpuka.

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

Achieved	Not Achieved		Not Applicable
0	0	0	1
Key Performance Indicator	Annual Plan 2020-21 (Long-term Plan Year 3)*	Actual Prior Year 2019-20	How We Did in 2020-21 Comment
<b>PROJECT GROUP: IWI RELATIONS</b>			
Iwi and hapū satisfaction with their collaborative relationships with Horizons.	Reported Biennially  (Resurvey iwi and hapū perceptions (target: improved satisfaction rating))	Survey Completed	N/A  Report was completed during the last financial year

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

# 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 workstream has been developed and became a key area of focus in 2020-2021. The production of the Long-term Plan 2021-31 was a significant work stream in 2020/21.

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 throughout the year on Proposed Plan Change 2, with the Hearing held in October 2020 to the issuing of the Decision in April 2021 to provide a new nutrient management framework in the One Plan. Appeals to the decision were received, so the completion of the process now sits with the Environment Court. With the development of Government's essential freshwater package that brought a further update of the National Policy Statement for Freshwater Management, our focus has moved away from catchment reviews to an integrated catchment planning process, and work is underway to implement Horizons' Freshwater Futures programme.

Work has also continued on the review of the One Plan to incorporate the requirements of the National Planning Standards, the National Policy Statement

for Urban Development, National Environmental Standards for Freshwater and the National Environmental Standards for Storing Tyres.

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

- *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 loss due to legal fees required to complete our work.

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

Achieved	Not Achieved		Not Applicable	
0		1	0	
Key Performance Indicator	Annual Plan 2020-21 (Long-term Plan Year 3)*	Actual Prior Year 2019-20	How We Did in 2020-21	Comment
<b>PROJECT GROUP: ONE PLAN IMPLEMENTATION</b>				
One Plan review process.	Two catchment review processes initiated.  (Next catchment review initiated. Plan change 3 initiated).	100% Underway		The catchment reviews and Plan Change 3 are now wrapped into preparation for a region-wide freshwater plan change in 2024, as required by the National Policy Statement for Freshwater Management 2020. This is underway.  As above

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



**Ngā Waka**  
**Transport**

# Introducing the Transport Group of Activities

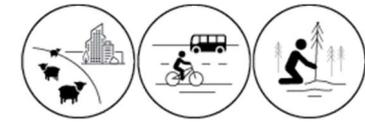
## Background

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; 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 2020-21 \$000	Actual 2020-21 \$000	Actual 2019-20 \$000
<b>Activity Expenditure</b>			
Road Safety	733	1,254	1,339
Transport Planning	196	239	171
Passenger Services	7,951	9,385	9,412
<b>Total Operating Expenditure</b>	<b>8,880</b>	<b>10,878</b>	<b>10,922</b>
Capital Expenditure	-	428	235
<b>Total Funding Required</b>	<b>8,880</b>	<b>11,306</b>	<b>11,157</b>
<b>Funded By</b>			
User Fees and Other Revenue	5,972	8,052	8,154
Individual Rates	2,501	2,501	2,316
Common Rates	323	323	231
Loans and Reserve Movement	85	430	456
<b>Total Funding</b>	<b>8,880</b>	<b>11,306</b>	<b>11,157</b>
<b>Capital Expenditure</b>			
Meet Additional Demand	-	-	-
Improve Level of Service	-	-	-
Renew Existing Assets	-	428	235
<b>Total Capital Expenditure</b>	<b>-</b>	<b>428</b>	<b>235</b>

# Horizons Regional Council Funding Impact Statement for the Transport Group of Activities to 30 June 2021

	LTP Year 3 2020-21 \$000	Actual 2020-21 \$000	LTP Year 2 2019-20 \$000	Actual 2019-20 \$000
<b>Sources of Operating Funding</b>				
General rates, uniform annual general charges, rates penalties	271	323	244	231
Targeted rates	2,476	2,501	2,444	2,316
Subsidies and grants for operating purposes	4,537	5,407	4,283	5,738
Fees and charges	803	1,633	791	1,015
Internal charges and overheads recovered	546	734	575	1,266
Local authorities fuel tax, fines, infringement fees and other receipts	-	-	-	-
<b>Total sources of operating funding (A)</b>	<b>8,633</b>	<b>10,598</b>	<b>8,337</b>	<b>10,566</b>
<b>Applications of Operating Funding</b>				
Payments to staff and suppliers	7,241	9,054	6,944	8,582
Finance costs	-	-	-	-
Internal charges and overheads applied	1,560	1,824	1,560	2,340
Other operating funding applications	-	-	-	-
<b>Total applications of operating funding (B)</b>	<b>8,801</b>	<b>10,878</b>	<b>8,505</b>	<b>10,922</b>
<b>Surplus/(Deficit) of Operating Funding (A-B)</b>	<b>(168)</b>	<b>(280)</b>	<b>(168)</b>	<b>(356)</b>
<b>Sources of Capital Funding</b>				
Subsidies and grants for capital expenditure	-	278	-	135
Development and financial contributions	-	-	-	-
Increase/(decrease) in debt	-	-	-	-
Gross proceeds from sale of assets	-	-	-	-
Lump sum contributions	-	-	-	-
Other dedicated capital funding	-	-	-	-
<b>Total sources of capital funding (C)</b>	<b>-</b>	<b>278</b>	<b>-</b>	<b>135</b>
<b>Applications of Capital Funding</b>				
Capital expenditure:				
· to meet additional demand	-	-	-	-
· to improve the level of service	-	-	-	-
· to replace existing assets	-	428	-	235
Increase/(decrease) in reserves	(168)	(430)	(168)	(456)
Increase/(decrease) of investments	-	-	-	-
<b>Total applications of capital funding (D)</b>	<b>(168)</b>	<b>(2)</b>	<b>(168)</b>	<b>(221)</b>
<b>Surplus/(Deficit) of Capital Funding (C-D)</b>	<b>168</b>	<b>280</b>	<b>168</b>	<b>356</b>
<b>Funding Balance ((A-B)+(C-D))</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Depreciation	40	144	40	11



*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.*

A regional, integrated ticketing system, known as Bee Card, was rolled out across Palmerston North, Feilding, Marton, Ashhurst and Levin passenger transport services in July 2020. The Bee Card's tag on tag off functionality provides Council with rich data such as passenger use, hot spots along the routes and fare collection, which will be highly beneficial in informing our future network planning. Horizons is one of nine regional councils that formed a consortium to make the Bee Card project more cost-effective, ensure robust technology was used, and to share marketing resources.

The Regional Land Transport Plan 2021-31, which determines the strategic direction for land transport in our region, was adopted by Council in the first half of 2021. The RLTP seeks to reduce carbon emissions by supporting the uptake of alternative transport modes such as rail, buses, and active transport such as bikes. This Plan was developed alongside Waka Kotahi and the region's district and city councils.

In February, Horizons, in partnership with Tranzit Coachlines, unveiled the first EV bus for our region. In addition to reducing carbon emissions, the Palmerston North-based bus provides passengers with a clean and comfortable service, helping them get safely from A to B. The bus has wheelchair access and can seat

38 passengers plus 30 standing. It only takes two hours to charge on a dedicated 120kw bus charger and gets roughly 250kms of range from a full charge.

For the first time in 10 years, new bus timetables were introduced for Palmerston North and Massey University. The main drive for this change was a shift in employment law and increasing break requirements for drivers. Whanganui also saw a change in their bus route numbers and service names, simplifying the bus service, increasing visibility of bus stops and adjustments to the timetable layout, so users were better able to understand the timetable.

Two of transport's key initiatives are approaching their final stages. A review and overhaul of the Palmerston North bus network and the finalization of a detailed business case for new and improved passenger rail services to be submitted to government later in 2021.

**Group of activities performance against the 2020-21 Annual Plan:** *Of the overall 9 performance targets set for the Group, 7 were achieved, and 2 were not achieved.*

# Road Safety Education Activity

## Background

We have a key role in reducing road safety deaths and serious injuries across the region by encouraging safer choices and safer behaviour on our roads. We do this by delivering and facilitating road safety education programmes and campaigns and supporting national initiatives to address the main causes of road crashes in our region. We provide support to community organisations to deliver road safety initiatives across the region.

## General Overview for the Year

Horizons' road safety coordinators have worked in partnership with local district councils, Waka Kotahi NZ transport agency, ACC, Police, Plunket and other road safety stakeholders to deliver a programme of activities. These mainly addressed impaired driving, intersection crashes, older road users, driver distraction, young and high-risk drivers, vulnerable road users (pedestrians and cyclists) and car restraint use. A continued focus was on driver licencing, specifically to increase the number of people progressing through the graduated driver licencing system and to address barriers within communities.

Some examples of activities undertaken are:

- Child restraint checking clinics around the region; in conjunction with Police, Plunket and local technicians. These clinics provide education and support to parents and take place in high-risk areas, with a focus on early childhood providers.
- Supporting driver licence training delivered by Literacy Aotearoa, Te Ora Hou, Whanganui Learning Centre, Tararua Community Youth Services, CKC REAP, iHow Trust, and the National Driver Training Centre;
- Know the Code refresher programmes to support senior driver education;

- Cycling Education programme delivered by Sport Manawatū to schools, community groups and working with heavy transport operators;
- Undertaking health and safety stops for drivers of heavy vehicles;
- 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 Coordinators' ability to undertake some activities was impacted by continuing COVID-19 restrictions. Some planned face-to-face campaigns educating senior drivers and parents, as well as child restraint check clinics, were delayed or reduced in scale. A greater focus was placed on digital media advertising campaigns during the year.

Forty-three (43) programmes were successfully delivered.

Externally funded community education providers delivering driver licence training continued to be impacted by ongoing COVID-19 restrictions in 2020 due to limits on numbers allowed to attend courses at any one time and delays in driver testing. The providers worked hard to overcome these barriers. In the 2020-21 period, 1,962 people gained a learner licence, 155 passed their restricted and 52 achieved their full licence.

## Financial Overview

The Road Safety Education Activity ended the year approximately \$50k unfavourable.

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

Achieved	Not Achieved		Not Applicable	
1	0		0	
Key Performance Indicator	Annual Plan 2020-21 (Long-term Plan Year 3)*	Actual Prior Year 2019-20	How We Did in 2020-21	Comment
<b>PROJECT GROUP: COMMUNITY ROAD SAFETY EDUCATION ACTIVITIES – DISTRICT FOCUSED</b>				

Deliver a number of road safety education across the region's seven districts to address the following issues: 30 28 43 ●

- 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.

\* 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 (RTC). Further to this, we also keep up-to-date with various central government policy changes and submit on behalf of the RTC as necessary. The RTC 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 key enablers. The focus on transport has continued through the A25 refresh undertaken in 2020.

The Accessing Central New Zealand (ACNZ) Governance Group (a sub-group of the Regional Transport Committee) continues to be active with a focus on ensuring a connected, safe, resilient and cohesive transport network to, from and within our region.

## General Overview for the Year

This was the third 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. A significant focus for this year was the development of the 2021-2031 RLTP, which was approved by Council and submitted to NZ Transport Agency (Waka Kotahi) in June 2021.

The new RLTP places greater emphasis on providing a strategic pathway to provide a safer transport system and for increased investment in public and active transport modes, alternative modes for freight and reducing carbon emissions from the transport system.

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 largely been focussed around freight efficiency and connectivity, although more recent discussions have also covered road safety. With key projects such as Te Ahu a Tūranga (Manawatū-Tararua Highway) and Otaki to North of Levin highway 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 ensure momentum is maintained.

The installation of a stock truck effluent disposal site was not completed. The ability for Waka Kotahi to be able to secure a suitable site continues to be an ongoing challenge.

Following the successful retention of the Capital Connection rail service between Palmerston North, Council has continued to advocate for this service to not only be retained but improved. Planning for the replacement of the ageing KiwiRail Capital Connection rail carriages, improvements to supporting rail infrastructure, and increased service frequency is underway through the development of the Lower North Island passenger rail Business Case. At this stage, the Business Case is due for completion and lodging with Government in September 2021. A tender process is expected to commence in 2022, with first trains in service by the end of 2027.

## 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 wellbeing of the Tararua and Ashhurst communities. Construction of Te Ahu a Tūranga (Manawatū-Tararua Highway) commenced in January 2021 and is on track to be completed in 2024.

The Palmerston North Integrated Transport Initiative project is progressing, with the Detailed Network Options Report being completed in early 2021. This project is significant in that it will improve transport connections and safety to, from and around the wider Palmerston North area. It is also the number one ranked priority in the Regional Land Transport Plan 2021-31.

The draft preferred alignment of the new Otaki to North of Levin highway was announced by Waka Kotahi in August 2020. Site investigations and community engagement continue to progress as the draft alignment is refined. Preferred alignment is expected to be confirmed in late 2021, with construction not expected to commence until 2025.

## Financial Overview

The Transport Planning Activity ended approximately \$32k unfavourable to budget at year end.

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

	Achieved	Not Achieved	Not Applicable	
	●●●● 4	0	0	
Key Performance Indicator	Annual Plan 2020-21 (Long-term Plan Year 3)*	Actual Prior Year 2019-20	How We Did in 2020-21	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	●
Keep an up-to-date Regional Land Transport Plan through plan variations to the Regional Transport Committee.	Achieved	Achieved	Achieved	●
Prepare submissions on Central Government policy as and when needed.	Achieved	Achieved	Achieved	●
Complete a 3-yearly review of the 2018-21 Regional Land Transport Plan as per the Land Transport Management Act (LTMA).	No measure (Achieved)	N/A	N/A Achieved	● Regional Land Transport Plan 2021-31 approved by Council on 22 June 2021 and submitted to Waka Kotahi NZ Transport Agency on 30 June 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 infrastructures such as seats, bus shelters and timetable holders.

## General Overview for the Year

Bus services passenger numbers continue to be impacted by COVID-19, with 16% fewer trips being made for the full year compared to 2019-20 and 37% fewer trips compared to pre-COVID 2018-19. The Palmerston North Massey services were the most significantly impacted. Waka Kotahi has provided additional subsidy to assist Council in covering the loss in fare revenue during 2020-21.

The number of trips taken by people using the Total Mobility scheme has returned to pre-COVID levels. However, compared to previous years, more trips are being taken by a smaller group of clients.

Key activities for the year were:

- Implementation of the Regional Integrated Ticketing System (Bee Card). Following the system rolled out across Whanganui services in December 2019, the remainder of the region went live in July 2020. Roll-out was initially introduced using a simplified fare structure, with normal fares being re-introduced in September 2020. Massey University staff and students transitioned onto Bee Card from February 2021;
- Continued operation of bus services across the region, which carried a total of 847,176 passengers;
- To ensure the provision of bus services in Palmerston North are compliant with the new rest and meal break requirements in the Employment Relations Amendment Act (ERAA), changes to driver rosters and timetables were implemented in November 2020;
- A programme of changes to enhance customer experience started to be rolled out in Whanganui from January 2021. These enhancements included increased visibility of bus-stop, more on-street service information, new route numbers and names, and timetable layout changes;
- A review of Palmerston North bus network is underway, which includes engagement with the community on possible network options during

August 2021. This work will inform content of a tender for services due to be released in 2022, with a new more frequent, simpler bus network due to commence in late 2023.

- Administration of the SuperGold free off-peak bus service for SuperGold card holders on behalf of central government. A total of 86,870 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 180,360 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

The use of public transport continues to be lower than pre-COVID 19 levels. Massey bus services and some other services which had a greater level of SuperGold users continued to be most impacted. It appears the impact on the Massey services may be due to the reduction in international tertiary student numbers. It is likely this will also continue to affect use of services during 2021-22.

At the end of January 2021 Palmerston North's first modern electric bus arrived in the city. To celebrate its arrival and before it entered service, a launch event occurred on 24 February 2021.

The new Regional Integrated Ticketing System (Bee Card) was rolled out across the rest region in July 2020. The rollout went smoothly with customers and drivers being well informed and appearing to use the system with ease. 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. The new Tag On and Tag Off provides a rich level of information that will assist in future service planning. Work is underway by the consortium to investigate improvements to the customer website.

## Financial Overview

The Passenger Services Activity ended the year approximately \$230k favourable to budget.

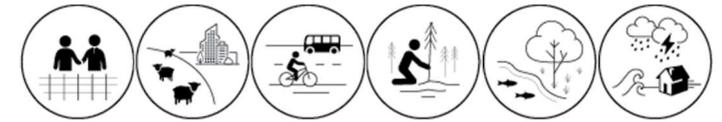
## Passenger Services Level of Service (what the Council has delivered)

	Achieved ●● 2	Not Achieved ●● 2	Not Applicable 0	
Key Performance Indicator	Annual plan 2020-21 (Long-term Plan Year 3)*	Actual Prior Year 2019-20	How We Did in 2020-21	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%	● Across Palmerston North, Whanganui, Feilding, and Horowhenua, most services operated in full, with very minimal issues.
Achieve a 1% patronage growth increase in total across all of our bus services in the region.	1.0%	Not Achieved	Not Achieved	● Passenger Numbers have decreased due to the ongoing impact of COVID-19. Our overall numbers are down.
Install 8 new shelters each year on our urban bus routes.	8	6	7	● 7 Shelters were installed in the region. Remaining funding was used to roll-out on-street timetable holders in Whanganui.
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.	90.0%	0.0%	91.0%	● Palmerston North TM clients were surveyed in this years' customer satisfaction survey. The survey was sent to 2170 registered clients, 736 surveys were returned.

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



**Haumi**  
**Investment**



# Investment Activity

## Background

One of the main purposes for 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 decline in interest revenue rates and other investment revenue continue to cause shortfalls in this activity. We received 6% less Dividend revenue than we had expected, and Interest Revenue ended at less than half of what we had budgeted. Partially offsetting this has been low-interest rates on our borrowings.

## Significant Events/Issues

- Horizons received a dividend from MWRC Holdings Limited to the value of \$2.1M for the current financial year;
- Lower than anticipated interest rates has resulted in interest revenue unfavourable to budgeted, offset somewhat by interest costs savings;

## Financial Overview

The Investment Activity shows an unfavourable variance against budget, with lower interest revenues received on Council's cash investments and dividends for the financial year.

### Investment Financial Summary (\$000)

Activity Operating and Funding Statement	Annual Plan 2020-21 \$000	Actual 2020-21 \$000	Actual 2019-20 \$000
<b>Activity Expenditure</b>			
Investment	2,129	2,494	2,476
<b>Total Operating Expenditure</b>	<b>2,129</b>	<b>2,494</b>	<b>2,476</b>
<b>Capital Expenditure</b>			
Investments	-	-	17,000
<b>Total Funding Required</b>	<b>2,129</b>	<b>2,494</b>	<b>19,476</b>
User Fees and Other Revenue	5,240	4,216	4,080
Individual Rates	-	-	-
Common Rates	(2,748)	(2,843)	(2,759)
Loans and Reserve Movement	(363)	1,121	18,155
<b>Total Funding</b>	<b>2,129</b>	<b>2,494</b>	<b>19,476</b>
<b>Capital Expenditure</b>			
Annual Plan 2020-21 \$000		Actual 2020-21 \$000	Actual 2019-20 \$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 2021

	LTP Year 3 2020-21 \$000	Actual 2020-21 \$000	LTP Year 2 2019-20 \$000	Actual 2019-20 \$000
<b>Sources of Operating Funding</b>				
General rates, uniform annual general charges, rates penalties *	(3,834)	(2,843)	(2,692)	(2,759)
Targeted rates	-	-	-	-
Subsidies and grants for operating purposes	-	-	-	-
Fees and charges	3,774	3,469	2,973	2,529
Internal charges and overheads recovered	3,093	747	2,785	1,551
Local authorities fuel tax, fines, infringement fees and other receipts	-	-	-	-
<b>Total sources of operating funding (A)</b>	<b>3,033</b>	<b>1,373</b>	<b>3,066</b>	<b>1,321</b>
<b>Applications of Operating Funding</b>				
Payments to staff and suppliers	144	295	387	376
Finance costs	1,712	1,389	1,605	1,573
Internal charges and overheads applied	558	504	454	524
Other operating funding applications	-	-	-	-
<b>Total applications of operating funding (B)</b>	<b>2,413</b>	<b>2,188</b>	<b>2,446</b>	<b>2,473</b>
<b>Surplus/(Deficit) of Operating Funding (A-B)</b>	<b>620</b>	<b>(815)</b>	<b>620</b>	<b>(1,152)</b>
<b>Sources of Capital Funding</b>				
Subsidies and grants for capital expenditure	-	-	-	-
Development and financial contributions	-	-	-	-
Increase/(decrease) in debt	-	4,967	6,000	9,000
Gross proceeds from sale of assets	-	-	-	-
Lump sum contributions	-	-	-	-
Other dedicated capital funding	-	-	-	-
<b>Total sources of capital funding (C)</b>	<b>-</b>	<b>4,967</b>	<b>6,000</b>	<b>9,000</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	4,152	620	5,848
Increase/(decrease) of investments	-	-	6,000	2,000
<b>Total applications of capital funding (D)</b>	<b>620</b>	<b>4,152</b>	<b>6,620</b>	<b>7,848</b>
<b>Surplus/(Deficit) of Capital Funding (C-D)</b>	<b>(620)</b>	<b>815</b>	<b>(620)</b>	<b>1,152</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  3	Not Achieved  2	Not Applicable 0	
Key Performance Indicator	Annual Plan 2020-21 (Long-term Plan Year 3)*	Actual Prior Year 2019-20	How We Did in 2020-21	Comment
<b>PROJECT GROUP: INVESTMENT ACTIVITIES (INCL. PORTS OF NAPIER LIMITED)</b>				
MWRHC dividends meet budget expectations and comply with Council Controlled Trading Organisation Statement of Intent.	Achieved	Not Achieved	Not Achieved	 Delays in tenancies has meant the Dividend received from MWRCH was just under budget. Actual received \$2.1M against a budget of \$2.3M
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.	1.50% (2.4%)	1.96%	0.71%	  Interest rates continue to be historically low
<b>PROJECT GROUP: RATE PENALTIES</b>				
Apply penalties in accordance with the Local Government (Rating) Act 2002 and Horizons' policies.	Achieved	Achieved	Achieved	
<b>PROJECT GROUP: RATE DISCOUNT</b>				
Apply prompt payment discount in accordance with Horizons' policies.	Achieved	Achieved	Achieved	
<b>PROJECT GROUP: RATE REMISSIONS</b>				
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



**Mōhiohio pūtea**  
**Financial information**

# 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 2021 (\$'000)

(The accompanying notes form part of these financial statements)

	Notes to Accounts	Annual Plan 2020-21	Council Actual 2020-21	Group Actual 2020-21	Council Actual Adjusted 2019-20	Group Actual Adjusted 2019-20
<b>Revenue</b>						
Rates	1	47,264	47,169	47,169	46,701	46,701
Subsidies and grants	2	7,021	16,941	16,941	7,844	7,844
Development and financial contributions		-	-	-	-	-
Finance revenue	3	3,738	3,243	5,220	2,155	1,524
Other revenue	4	12,726	12,788	14,223	11,521	11,882
<b>Total Revenue</b>		<b>70,749</b>	<b>80,141</b>	<b>83,553</b>	<b>68,221</b>	<b>67,951</b>
<b>Expenditure</b>						
Personnel costs	8	20,814	20,921	20,921	20,241	20,241
Depreciation and amortisation expense	19, 21	4,561	4,820	4,820	4,292	4,293
Finance costs	3	1,340	1,402	1,402	1,567	1,567
Other expenses	6	37,221	43,301	43,340	37,107	37,114
<b>Total Expenses</b>		<b>63,937</b>	<b>70,444</b>	<b>70,483</b>	<b>63,207</b>	<b>63,215</b>
<b>Surplus/(Deficit) Before Tax</b>		<b>6,810</b>	<b>9,697</b>	<b>13,070</b>	<b>5,014</b>	<b>4,736</b>
Income tax expense/benefit	26	-	-	347	-	68
<b>Surplus/(Deficit) After Tax</b>		<b>6,810</b>	<b>9,697</b>	<b>12,723</b>	<b>5,014</b>	<b>4,668</b>
Other comprehensive revenue and expense						
Financial assets at fair value through other comprehensive revenue and expense	34	63	641	641	65	31,065
Property, plant, and equipment revaluations	21, 34	88,000	160,123	160,658	112,282	112,282
<b>Total Other Comprehensive Revenue and Expense</b>		<b>88,063</b>	<b>160,764</b>	<b>161,299</b>	<b>112,347</b>	<b>143,347</b>
<b>Total Comprehensive Revenue and Expense</b>		<b>94,873</b>	<b>170,461</b>	<b>174,022</b>	<b>117,361</b>	<b>148,015</b>

Explanations of major variances against budget can be found in Note 32.

# Statement of Cash Flows for the year ended 30 June 2021 (\$'000)

(The accompanying notes form part of these financial statements)

	Notes to Accounts	Annual Plan 2020-21	Council Actual 2020-21	Group Actual 2020-21	Council Actual 2019-20	Group Actual 2019-20
<b>Cash flows from operating activities</b>						
Receipts from rates revenue		47,223	46,531	46,531	45,610	45,610
Subsidies and grants received		7,021	17,934	17,934	7,182	7,182
Interest received		1,388	649	111	844	432
Dividends received		2,350	1,354	4,405	48	1,202
Receipts from rate penalties		-	982	982	924	924
Receipts from other revenue		11,926	11,203	13,223	9,635	10,415
Payments to suppliers and employees		(57,861)	(60,255)	(60,589)	(58,817)	(60,790)
Interest paid		(1,340)	(1,389)	(1,389)	(1,573)	(1,573)
Income tax paid/refunded		-	-	2	-	3
GST (net)		-	1,102	1,014	(293)	189
<b>Net Cash Flow from Operating Activities</b>	<b>33</b>	<b>10,707</b>	<b>18,112</b>	<b>22,224</b>	<b>3,560</b>	<b>3,594</b>
<b>Cash flows from investing activities</b>						
Receipts from sale of operational assets		-	283	283	23	23
Receipts from sale/maturity of investments		-	45,000	45,000	20,000	20,000
Repayment of loan principal from CCO		-	-	-	-	-
Purchase of Shares		-	-	-	-	-
Purchase of forestry assets		-	(505)	(505)	(220)	(220)
Purchase of operational assets		(5,567)	(12,003)	(13,103)	(5,722)	(5,722)
Purchase of infrastructural assets		(11,152)	(4,801)	(4,801)	(3,775)	(3,775)
Purchase of intangible assets		(851)	(1,847)	(1,847)	(427)	(427)
Purchase of investment property		-	-	(576)	-	(5,600)
Acquisition of investments		-	(45,101)	(45,107)	(22,044)	(20,046)
<b>Net Cash Flow from Investing Activities</b>		<b>(17,570)</b>	<b>(18,974)</b>	<b>(20,656)</b>	<b>(12,165)</b>	<b>(15,767)</b>
<b>Cash flows from financing activities</b>						
Proceeds from borrowings		8,000	33,931	33,931	25,000	25,000
Repayment of borrowings		(3,000)	(28,964)	(28,964)	(16,000)	(16,000)
Dividend/Subvention payments		-	-	-	-	-
<b>Net Cash Flow from Financing Activities</b>		<b>5,000</b>	<b>4,967</b>	<b>4,967</b>	<b>9,000</b>	<b>9,000</b>
Net (decrease)/increase in cash, cash equivalents and bank overdrafts		(1,863)	4,105	6,535	395	(3,173)
Cash, cash equivalents, and bank overdrafts		1,955	3,549	4,957	3,154	8,130
<b>Closing Cash Balances</b>		<b>92</b>	<b>7,654</b>	<b>11,492</b>	<b>3,549</b>	<b>4,957</b>

All figures are exclusive of GST unless otherwise stated

# Statement of Financial Position as at 30 June 2021 (\$'000)

(The accompanying notes form part of these financial statements)

	Notes to Accounts	Annual Plan 2020-21	Council Actual 2020-21	Group Actual 2020-21	Council Actual Adjusted 2019-20	Group Actual Adjusted 2019-20
<b>Assets</b>						
<b>Current assets</b>						
Cash and Cash Equivalents	13	92	7,654	11,494	3,549	4,957
Trade and Other Receivables	14	6,309	5,535	5,580	7,533	5,978
Accruals		1,641	4,868	2,456	3,277	3,253
Prepayments and leases - Current portion		339	743	744	501	502
Inventory	15	1,227	1,314	1,314	1,205	1,205
Tax refund due		-	-	-	-	-
Assets held for sale		-	-	-	110	110
Other Current Assets		-	-	-	-	-
<b>Total Current Assets</b>		<b>9,608</b>	<b>20,114</b>	<b>21,588</b>	<b>16,175</b>	<b>16,005</b>
<b>Non-current assets</b>						
Other financial assets	16					
Investments in CCO's and other similar entities		32,908	32,935	1,435	32,908	1,408
Loan to CCO		17,000	17,000	-	17,000	-
<b>Subtotal</b>		<b>49,908</b>	<b>49,935</b>	<b>1,435</b>	<b>49,908</b>	<b>1,408</b>
Investments in other entities		3,227	3,958	73,958	3,243	73,243
<b>Total Other financial assets</b>		<b>53,135</b>	<b>53,893</b>	<b>75,393</b>	<b>53,151</b>	<b>74,651</b>
Deferred Taxation Asset	26	-	-	-	-	-
Investment property	17	2,500	3,000	25,920	2,700	24,512
Forestry assets	18	6,661	5,683	5,683	5,929	5,929
Land leases (prepaid) non-current		2,663	2,663	2,663	2,913	2,913
Restoration Asset non-current	19	-	2,117	2,117	2,167	2,167
Carbon Credits	20	-	5,135	5,135	3,423	3,423
Intangible assets	21	4,502	4,604	4,604	4,137	4,137
Operational assets	21	68,518	92,390	99,240	67,998	73,138
Infrastructural assets	21	732,263	804,138	804,138	656,120	656,120
<b>Total Non-current Assets</b>		<b>870,243</b>	<b>973,623</b>	<b>1,024,893</b>	<b>798,538</b>	<b>846,990</b>
<b>Total Assets</b>		<b>879,851</b>	<b>993,737</b>	<b>1,046,481</b>	<b>814,713</b>	<b>862,995</b>

Explanations of major variances against budget can be found in Note 32.

## Statement of Financial Position as at 30 June 2021 (\$000) (continued)

(The accompanying notes form part of these financial statements)

	Notes to Accounts	Annual Plan 2020-21	Council Actual 2020-21	Group Actual 2020-21	Council Actual Adjusted 2019-20	Group Actual Adjusted 2019-20
<b>Liabilities</b>						
<b>Current liabilities</b>						
Trade and other payables	22	12,025	14,179	14,932	10,309	10,508
Provisions - general	23	-	-	-	-	-
Provisions - employee entitlements	24	1,821	2,021	2,021	1,994	1,994
Advances		-	(1)	(1)	-	-
Debt - current portion	27	9,000	20,967	20,967	10,000	10,000
Derivative financial instruments (current)	31	-	70	70	30	30
<b>Total Current Liabilities</b>		<b>22,846</b>	<b>37,236</b>	<b>37,989</b>	<b>22,333</b>	<b>22,532</b>
<b>Non-current liabilities</b>						
Derivative financial instruments	31	806	398	398	816	816
Debt - non-current portion	27	44,983	33,000	33,000	39,000	39,000
Deferred Taxation liability	26	-	-	347	-	-
Provision - Replanting non-current	28	-	2,342	2,342	2,264	2,264
<b>Total Non-Current Liabilities</b>		<b>45,790</b>	<b>35,740</b>	<b>36,087</b>	<b>42,080</b>	<b>42,080</b>
<b>Total Liabilities</b>		<b>68,636</b>	<b>72,976</b>	<b>74,076</b>	<b>64,413</b>	<b>64,612</b>
<b>Net Assets (Assets Minus Liabilities)</b>		<b>811,215</b>	<b>920,761</b>	<b>972,405</b>	<b>750,300</b>	<b>798,383</b>
<b>Equity</b>						
Asset revaluation reserves		428,258	524,491	525,026	364,368	364,368
Fair value through other comprehensive revenue and expense reserve		1,925	1,768	46,386	1,127	45,745
Restricted reserves		12,123	12,797	12,797	11,537	11,537
Infrastructure insurance reserves		4,440	4,680	4,680	4,060	4,060
Accumulated funds		364,469	377,025	383,516	369,208	372,673
<b>Total Equity</b>	34	<b>811,215</b>	<b>920,761</b>	<b>972,405</b>	<b>750,300</b>	<b>798,383</b>

Explanations of major variances against budget can be found in Note 32.

## Statement of Changes in Equity for the year ended 30 June 2021 (\$000)

(The accompanying notes form part of these financial statements)

	Notes to Accounts	Annual Plan 2020-21	Council Actual 2020-21	Group Actual 2020-21	Council Actual Adjusted 2019-20	Group Actual Adjusted 2019-20
Balance at 1 July		723,152	750,300	798,383	632,939	650,368
Total comprehensive revenue and expense for the year		88,063	170,461	174,022	117,361	148,015
Balance at 30 June	34	811,215	920,761	972,405	750,300	798,383

# Notes to the Financial Statements

## Statement of Accounting Policies as at 30 June 2021

### 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, MWRCH 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 2021 and were authorised for distribution by Council on 28 June 2022.

### Basis of Preparation

The financial statements have been prepared on a 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 its 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's 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.

### 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), 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.

#### **Salaries and Wages**

Salaries and Wages are recognised as an expense as employees provide services.

#### **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 are 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 weighted average 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 a 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 current assets. 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 the 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 includes 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 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 land-holdings, 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	4-14 years
Furniture and fittings	5-15 years
Office equipment	5-6 years
Scientific equipment	3-20 years
Computer equipment	3-12 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 4 to 9 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*

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.

As the obligation to surrender carbon credits only arises on deforestation, the Council has elected not to recognise a liability for the surrender of its carbon units. The Council has also elected not to recognise a liability for the landowner's residual carbon credits as these values are not able to be accurately calculated until our forests are harvested and the carbon credits required to extinguish the emissions liability are known.

### **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.

## 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 introduced 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 16.

#### *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 17

### 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 17.

### 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.

## Prior Years Adjustments

The Council and Group has identified that the correct accounting treatment was not applied in prior years to the accounting for the forestry rights and associated forestry related assets, in particular the recognition of carbon credits (NZUs) earned from the forestry assets held by the Council and the obligation for the Council to replant the land after first harvest. Therefore the Council and Group has adjusted its comparative year financial statements for the year ending 30 June 2020. The adjustment includes corrections relating to the pre-2020 financial year that has been adjusted through the 2020 opening equity.

Carbon credits (NZUs) are earned as the forests grow and should be recognised as intangible assets at their fair value at the date they are earned with a corresponding credit to revenue. Previously the Council have not valued these in the financial statements, however due to the increase in NZUs held and the fair value of the most recent units received the total value of the carbon credits at 30 June 2020 was \$3.4M (2019: \$1.6M).

The Council also has an obligation to replant the land after the first harvest. Therefore a restoration provision has been recognised by establishing a liability equal to the present value of costs expected to be incurred in replanting the land after harvest with a corresponding debit to a restoration asset. At each reporting period the restoration asset will be amortised to reduce this to nil at the expected date of replanting and the discount on the liability unwound, so the provision equals the expected outflow at the date of replanting.

The adjustments are shown in the table below.

### Impact on Statement of Comprehensive Revenue and Expense for the year ended 30 June 2020

	Recognition of Carbon Credits			Recognition of Restoration Asset & Provision		Parent Restated Amounts (\$000)	Group Restated Amounts (\$000)
	Parent Original Amount (\$000)	Pre 1 July 2019 (\$000)	30 June 2020 (\$000)	Pre 1 July 2019 (\$000)	30 June 2020 (\$000)		
<b>Revenue</b>							
Other revenue	9,746	-	1,775	-	-	11,521	11,882
<b>Expenditure</b>							
Finance Costs	1,565	-	-	-	2	1,567	1,567
Depreciation and amortisation expense	4,199	-	-	-	93	4,292	4,293
<b>Total Comprehensive Revenue and Expense</b>	<b>115,681</b>	<b>-</b>	<b>1,775</b>	<b>-</b>	<b>(95)</b>	<b>117,361</b>	<b>148,015</b>

### Impact on Statement of Changes in Equity for the year ended 30 June 2020

Balance as at 1 July	631,291	1,648	-	-	-	632,939	650,368
Total Comprehensive Revenue and Expense	115,681	-	1,775	-	(95)	117,361	148,015
<b>Balance as at 30 June</b>	<b>746,972</b>	<b>1,648</b>	<b>1,775</b>	<b>-</b>	<b>(95)</b>	<b>750,300</b>	<b>798,383</b>

	Parent Original Amount (\$000)	Recognition of Carbon Credits		Recognition of Restoration Asset & Provision		Parent Restated Amounts (\$000)	Group Restated Amounts (\$000)
		Pre 1 July 2019 (\$000)	30 June 2020 (\$000)	Pre 1 July 2019 (\$000)	30 June 2020 (\$000)		
<b>Impact on Statement of Financial Position for the year ended 30 June 2020</b>							
<b>Non-Current Assets</b>							
Restoration Asset	-	-	-	1,945	222	2,167	2,167
Carbon Credits	-	1,648	1,775	-	-	3,423	3,423
<b>Total Non-Current Assets</b>	<b>792,946</b>	<b>1,648</b>	<b>1,775</b>	<b>1,945</b>	<b>222</b>	<b>798,538</b>	<b>846,990</b>
<b>Non-Current Liabilities</b>							
Provisions - Replanting	-	-	-	1,945	319	2,264	2,264
<b>Total Non-Current Liabilities</b>	<b>39,816</b>	<b>-</b>	<b>-</b>	<b>1,945</b>	<b>319</b>	<b>42,080</b>	<b>42,080</b>
<b>Accumulated Funds</b>							
Balance as at 1 July	365,158	1,648	-	-	-	366,806	368,005
Net Surplus/(Deficit)	3,334	-	1,775	-	(95)	5,014	4,668
Balance as at 30 June	365,880	1,648	1,775	-	(95)	369,208	372,673
<b>Total Equity</b>	<b>746,972</b>	<b>1,648</b>	<b>1,775</b>	<b>-</b>	<b>(95)</b>	<b>750,300</b>	<b>798,383</b>

All figures are exclusive of GST unless otherwise stated

# Notes to the Financial Statements (continued)

## Statement of Contingencies and Commitments as at 30 June 2021

### Contingent Liabilities

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

As the obligation to surrender carbon credits only arises on deforestation, the Council has elected not to recognise a liability for the surrender of its carbon units while the forests continue to grow. If the forests were harvested today an estimated liability to surrender carbon credits of \$0.45 million exists (2020: \$0.19 million).

#### *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 2020-21, 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 \$12.8 billion (2020: \$10.9 billion), of which the Group and the Council have borrowed \$0.049 billion (2020: \$0.049 billion). As a result, the Group and the Council's cross-guarantee on LGFA's loans to other local authorities is \$12.8 billion (2020 \$10.9 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 2021 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 building lease at 17-23 Victoria Ave, Palmerston North. Total commitment for this at 30 June 2021 is \$0.940 million (last year \$0.782 million) as summarised in the following table:

Council Actual 2019-20 \$000	Group Actual 2019-20 \$000	Financial Term	Council Actual 2020-21 \$000	Group Actual 2020-21 \$000
		181 Guyton Street, Whanganui (Whanganui Service Centre)		
27	27	Less than and up to one year	27	27
108	108	Two to five years	108	108
137	137	Greater than five years	110	110
<b>272</b>	<b>272</b>	<b>Total</b>	<b>245</b>	<b>245</b>
		717 Tremaine Ave, Palmerston North		
4	4	Less than and up to one year	-	-
-	-	Two to five years	-	-
-	-	Greater than five years	-	-
<b>4</b>	<b>4</b>	<b>Total</b>	<b>-</b>	<b>-</b>
		17-23 Victoria Ave, Palmerston North (Te Ao Nui)		
202	-	Less than and up to one year	202	-
691	-	Two to five years	493	-
-	-	Greater than five years	-	-
<b>893</b>	<b>-</b>	<b>Total</b>	<b>695</b>	<b>-</b>
<b>1,169</b>	<b>276</b>	<b>Total Leases</b>	<b>940</b>	<b>245</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 2021 are \$5.654 million (last year \$5.730 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 2021 is \$4.131 million (last year \$4.263 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, 17-23 Victoria Ave, Palmerston North, and 7 Victoria Ave, Palmerston North. Total commitments for these at 30 June 2021 are \$10.430 million (last year \$11.979 million) as summarised in the following table:

Council Actual 2019-20 \$000	Group Actual 2019-20 \$000	Financial Term	Council Actual 2020-21 \$000	Group Actual 2020-21 \$000
		General Operating Land Leases		
1,045	1,045	Less than and up to one year	1,274	1,274
3,038	3,038	Two to five years	2,873	2,873
1,647	1,647	Greater than five years	1,507	1,507
<b>5,730</b>	<b>5,730</b>	<b>Total</b>	<b>5,654</b>	<b>5,654</b>
		17-23 Victoria Ave, Palmerston North (Te Ao Nui)		
132	1,298	Less than and up to one year	132	1,297
528	5,370	Two to five years	528	5,569
3,603	4,343	Greater than five years	3,471	2,843
<b>4,263</b>	<b>11,011</b>	<b>Total</b>	<b>4,131</b>	<b>9,709</b>
		28 North Street, Palmerston North		
-	247	Less than and up to one year	-	247
-	721	Two to five years	-	474
-	-	Greater than five years	-	-
<b>-</b>	<b>968</b>	<b>Total</b>	<b>-</b>	<b>721</b>
		7 Victoria Avenue, Palmerston North		
-	-	Less than and up to one year	-	44
-	-	Two to five years	-	-
-	-	Greater than five years	-	-
<b>-</b>	<b>-</b>	<b>Total</b>	<b>-</b>	<b>44</b>
<b>9,993</b>	<b>17,709</b>	<b>Total Leases</b>	<b>9,785</b>	<b>16,128</b>

Total commitments as Lessors is \$9.785 million for HRC and \$16.128 million for the Group (last year \$9.993 million and \$17.709 million)

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

No contingent rents have been recognised.

The Council has an agreement with landowners that on harvest, a share of the net harvest proceeds after the trees have been harvested and sold is payable to the landowners. The Council has not recognised a liability for the landowners share of net proceeds until the harvest event occurs and therefore net proceeds have eventuated.

The Council has an agreement with some landowners that any excess residual carbon credits will be shared between Horizons and the landowner. The Council has not recognised a liability for the landowner's residual carbon credits until our forests are harvested.

Land Property is leased under operating leases. The average lease period is 10 years, and some have the option to renew these leases.

## Capital Commitments

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

Council Actual 2019-20	Group Actual 2019-20	Contracts	Council Actual 2020-21	Group Actual 2020-21
<i>Infrastructural Assets</i>				
212,000	212,000	Kara Creek & Mangapuketea Stream Stopbank Upgrades	35,000	35,000
23,400	23,400	Stopbank Upgrade Tokomaru Both Banks to Railway	-	-
68,632	68,632	Stopbank Design and Build Oroua River - Feilding	-	-
33,294	33,294	Stopbank Updgrade Oroua River Left Bank Daltons Road	-	-
-	-	Lower Whanganui North Mole Hardstand	102,779	102,779
-	-	Hartley Street Rock Supply – Rock Amouring	421,500	421,500
-	-	Parewanui Stopbank Upgrade – Right Bank 1.8-3.7km	269,940	269,940
25,762	25,762	Protect Individual Property – Meehans	-	-
118,673	118,673	Protect Individual Property – McNeil's	6,759	6,759
<b>481,761</b>	<b>481,761</b>	<b>Total Capital Commitments</b>	<b>835,978</b>	<b>835,978</b>

## Other Notes on Commitments

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

Council is committed to several projects partially funded from Central Government. The life of these projects is multiple years and for varying dollar amounts. The projects are Climate Resilience projects on the Lower Manawatū River, Rangitikei River and Foxton East Drainage Schemes. Council is also involved in the Lower Whanganui Port Revitalisation project as well as the Jobs 4 Nature project. Central Government is funding these projects via either the Provincial Growth Fund or the COVID-19 Response and Recovery Fund.

## Notes to the Financial Statements (continued)

These financial statements report against the Annual Plan 2020-21 adopted by Council on 26 May 2020.

### Operating Result for the Year

#### 1. Rates Revenue

Council Actual 2019-20 \$000	Group Actual 2019-20 \$000		Council Actual 2020-21 \$000	Group Actual 2020-21 \$000
		<b>General Rates</b>		
20,398	20,398	General Rates	20,723	20,723
4,350	4,350	Uniform Annual General Charge	4,447	4,447
		<b>Targeted Rates attributed to activities:</b>		
8,311	8,311	Environmental Activities	8,305	8,305
11,672	11,672	River and Drainage Scheme Activities	11,500	11,500
2,316	2,316	Transport Scheme Activities	2,501	2,501
(147)	(147)	Remissions	(148)	(148)
925	925	Penalties	982	982
(1,124)	(1,124)	Discounts	(1,141)	(1,141)
<b>46,701</b>	<b>46,701</b>	<b>Total Rates Revenue (net of remissions)*</b>	<b>47,169</b>	<b>47,169</b>

Rating Units	Actual 2019-20	Actual 2020-21
Number of rating units (SUIP*)	109,125	109,907
Total capital value of rating units (\$million)	53,925	62,274
Total land value of rating units (\$million)	33,896	33,455

\*Separately Used Inhabited Part

#### 2. Subsidies, Grants and Donations

Council Actual 2019-20 \$000	Group Actual 2019-20 \$000		Council Actual 2020-21 \$000	Group Actual 2020-21 \$000
5,873	5,873	Transport Subsidy	5,685	5,685
1,734	1,734	SLUI - Hill Country Erosion	1,388	1,388
228	228	Freshwater Improvement	716	716
-	-	COVID Recovery Projects	7,403	7,403
-	-	Wilding Conifer	1,254	1,254
-	-	Provincial Growth Fund	495	495
9	9	Other	-	-
<b>7,844</b>	<b>7,844</b>	<b>Total Other Revenue</b>	<b>16,941</b>	<b>16,941</b>

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

#### 3. Finance Revenue and Finance Costs

Council Adjusted Actual 2019-20 \$000	Group Adjusted Actual 2019-20 \$000		Council Actual 2020-21 \$000	Group Actual 2020-21 \$000
		<b>Finance Revenue</b>		
857	322	Interest revenue	661	123
1,298	1,202	Dividend revenue	2,204	4,719
-	-	Interest Derivatives	378	378
<b>2,155</b>	<b>1,524</b>	<b>Total Finance Revenue</b>	<b>3,243</b>	<b>5,220</b>
		<b>Finance Costs</b>		
(8)	(8)	Interest Derivatives	-	-
1,573	1,573	Interest expense	1,389	1,389
2	2	Provision unwinding	13	13
<b>1,567</b>	<b>1,567</b>	<b>Total Finance Costs</b>	<b>1,402</b>	<b>1,402</b>
<b>588</b>	<b>(43)</b>	<b>Net Finance Costs</b>	<b>1,842</b>	<b>3,819</b>

#### 4. Other Revenue

Council Adjusted Actual	Group Adjusted Actual		Council Actual	Group Actual
2019-20	2019-20		2020-21	2020-21
\$000	\$000		\$000	\$000
3,237	3,237	Consents, compliance and research charges	3,697	3,697
510	510	Emergency management contracted works	368	368
32	32	Insurance recoveries	-	-
1,325	2,420	Leased property revenue	1,388	2,626
644	644	Nursery sales	654	654
1	1	Scheme work contributions	-	-
709	709	Transport contributions	-	-
548	158	Gain on revaluations	300	808
23	23	Gain on Disposal of assets	283	283
1,775	1,775	Recognition of Carbon Credits	1,712	1,712
2,717	2,373	User charges and other	4,386	4,075
<b>11,521</b>	<b>11,882</b>	<b>Total Other Revenue</b>	<b>12,788</b>	<b>14,223</b>

#### 5. Exchange versus Non-exchange Revenue

Council Adjusted Actual	Group Adjusted Actual		Council Actual	Group Actual
2019-20	2019-20		2020-21	2020-21
\$000	\$000		\$000	\$000
3,501	4,115	Exchange revenue	4,669	4,669
64,720	63,836	Non-exchange revenue	75,472	78,884
<b>68,221</b>	<b>67,951</b>	<b>Total Revenue</b>	<b>80,141</b>	<b>83,553</b>

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.

#### 6. Other Expenses

Council Adjusted Actual	Group Adjusted Actual		Council Actual	Group Actual
2019-20	2019-20		2020-21	2020-21
\$000	\$000		\$000	\$000
1,641	1,715	Consulting services	2,333	2,407
9,725	9,708	Contractor services	11,367	11,197
159	159	Donations/grants/sponsorship	611	611
775	775	Environmental consumables	739	739
4,631	4,631	Environmental grants	4,754	4,754
993	1,096	Insurance	1,371	1,474
446	446	Laboratory charges (external)	555	555
779	788	Legal expenses	867	889
284	292	Light heat and power	261	285
30	30	Loss on Disposal of assets	827	827
832	822	Members fees and expenses	830	830
271	271	Nursery purchases	352	352
394	413	Rates paid	372	464
780	780	Software purchases	727	727
1,897	1,899	Technical services	2,475	2,475
6,330	6,330	Transport subsidies	7,130	7,130
188	188	Valuation and land data mgmt.	197	197
274	274	Vehicle fuel	270	270
89	89	Vehicle repairs & maintenance	304	304
6,682	6,502	Other operating expenses	6,959	6,853
<b>37,200</b>	<b>37,208</b>	<b>Total Other Expenses</b>	<b>43,301</b>	<b>43,340</b>

## 7. Councillors' Remuneration

Remuneration paid to Councillors for the year totalled \$0.773 million with an additional \$0.011 million in communications allowances and \$0.044 million in travel related expenses paid to Councillors (last year \$0.798 million, \$0.011 million, and \$0.034 million respectively).

Council Actual 2019-20 Expenses						Council Actual 2020-21 Expenses				
Remuneration	Communications	Mileage	Travel Time	Meals/Misc		Remuneration	Communications	Mileage	Travel Time	Meals/Misc
14,722	301	316	75	-	Barrow JJ	-	-	-	-	-
45,685	691	1,327	281	-	Benbow A	67,656	990	2,435	525	-
15,459	301	632	280	-	Burnell LR	-	-	-	-	-
34,696	691	1,449	379	-	Clarke E	50,116	990	-	-	-
70,271	990	4,059	1,350	86	Cotton DB	72,668	990	5,958	1,369	32
44,066	691	1,326	780	110^	Ferguson S	65,150	990	4,147	1,234	237
74,720	943	1,782	441	-	Gordon EB (Chair)*	50,116	990	2,899	713	-
34,696	691	-	-	-	Gordon F	50,116	990	220	113	-
114,691	651	-	-	-	Keedwell RJ (Chair)**	135,621	440	-	-	-
34,696	691	5,969	2,925	173	Kirton W	50,116	990	9,341	4,463	404
19,139	301	2,040	-	-	McKellar GM	-	-	-	-	-
60,407	990	-	-	-	Naylor JM	67,656	990	74	9	-
58,788	990	3,574	1,200	-	Patrick NJ	65,150	990	2,668	825	-
19,139	301	-	-	-	Rieger PW	-	-	-	-	-
17,667	301	1,224	563	-	Rollinson BE	-	-	-	-	-
5,905	119	-	-	-	Sheldon CI	-	-	-	-	-
50,154	990	1,161	188	-	Te Awe Awe WK	50,116	990	1,273	50	-
36,533	691	2,253	450	-	Turkington J	48,279	990	4,022	926	-
<b>751,434</b>	<b>11,324</b>	<b>27,112</b>	<b>8,912</b>	<b>369</b>	<b>Total Councillors' Remuneration</b>	<b>772,760</b>	<b>11,330</b>	<b>33,037</b>	<b>10,227</b>	<b>673</b>

\* Chair until 11 October 2019. Remuneration excludes \$nil vehicle allowance (last year \$1,591).

\*\* Chair from 22 October 2019. Remuneration excludes \$3,804 vehicle allowance (last year \$1,594)

^ Bus fares

Expenses incurred by Councillors for 2020-21

Accommodation for HRC meetings		Conference Costs for 2020-21	
Kirton W	1,702	Benbow A	172
		Ferguson S	1,772
		Gordon F	4,628
		Keedwell RJ	243
		Kirton W	1,815
		Te Awe Awe WK	243

## 8. Personnel Costs

Council Actual 2019-20 \$000	Group Actual 2019-20 \$000		Council Actual 2020-21 \$000	Group Actual 2020-21 \$000
363	363	Chief executive (CE) total remuneration*	360	360
19,765	19,765	<b>Total employee benefits (incl. CE)</b>	<b>20,854</b>	<b>20,854</b>
(370)	(370)	Less Capitalised Labour	(550)	(550)
554	554	Defined contribution plan employer contributions*	586	586
293	293	Movement in employee entitlements	31	31
<b>20,241</b>	<b>20,241</b>	<b>Total Personnel Costs</b>	<b>20,921</b>	<b>20,921</b>

### Additional Personnel Disclosures

Council Actual 2019-20 No.		Council Actual 2020-21 No.
	<b>At 30 June HRC employed:</b>	
220	Fulltime staff	231
24.7	FTE (Full time equivalent) part-time and casual staff	26.1
244.5	<b>Total FTEs</b>	<b>257.1</b>
	<b>No of employees by remuneration (contracted) band as at 30 June:</b>	
82	<\$60,000	89
95	\$60,000 - \$79,999	101
63	\$80,000 - \$99,999	69
7	\$100,000 - \$119,999	7
16	\$120,000 - \$139,999	16
8	\$140,000 - \$219,999	6
1	\$220,000 - \$379,999	1
272	<b>Total Employees</b>	<b>289</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.

Total remuneration includes any non-financial benefits provided to employees.

At balance date, the Council employed 231 (2020: 220) full-time employees, with the balance of staff representing 26.1 (2020: 24.7) full-time equivalent employees. A full-time employee is determined on the basis of a 40-hour working week.

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

Council Actual 2019-20 \$000	Group Actual 2019-20 \$000		Council Actual 2020-21 \$000	Group Actual 2020-21 \$000
23	23	Change in impairment of receivables (decrease)	7	7
		<b>Audit fees to principal auditor:</b>		
135	150	- Annual Report	139	155
-	-	- Long -term Plan	91	91
5	5	- Debenture Trust Deed	5	5
(7)	(7)	Gain/(loss) on sale of fixed assets	(545)	(545)
265	265	Inventories consumed in the delivery of activities	179	179
299	192	Operational lease costs	326	59
88	88	Rates Receivables actually written off	203	203

## 10. Related Party Transactions

- Related party disclosures have not been made for transactions with related parties that are:
  - Within a normal supplier or client/recipient relationship; and
  - On terms and conditions no more or less favourable than those that it is reasonable to expect the Council and group would have adopted in dealing with the party at arm's length in the same circumstances.

- Further, no disclosure has been made for transactions with entities with the Council group (such as funding and financing flows), where the transactions are consistent with the normal operating relationships between the entities are on normal terms and condition for such group transactions.

## 11. Key Management Personnel Compensation

Council Actual 2019-20		Council Actual 2020-21
	<i>Councillors</i>	
751	Remuneration (\$000)	773
12	Full-time equivalent members	12
	<i>Senior Management Team including CE</i>	
1,459	Remuneration (\$000)	1,470
6	Full-time equivalent members	6
<b>2,219</b>	<b>Total Remuneration (\$000)</b>	<b>2,243</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.

## 12. 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 2020-21 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 2020-21

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 2020-21 is the twelfth 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 2020-21

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 not achieved due to additional dividends received from CentrePort, which the Board has used to increase the company's investments. (Achieved 2019-20).

**Operate within agreed budgets**

Overall revenue is well above budget due to extra dividends received from CentrePort. Overall expenditure is over budget due to additional consultancy and repairs and maintenance costs.

### Maintain the following Financial Performance Targets

Target (\$000)	Actual 2019-20	Target 2020-21	Actual 2020-21
Net Profit Before Tax	1,173	2,278	5,806
Income Return on Total Assets*1	1.42%	2.7%	5.72%
Dividend/Subvention Payment	1,250	2,100	2,412
Capital Growth on Investments*2	60.45%	1.11%	2.70%

- Return on Total Assets is the net profit before tax as a percentage of average total assets.
- 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 2021-22 and 2020-21.

#### 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 2020-21 year, RSHL had ten performance indicators relating to time, budget and project development; all were fully achieved.

### 13. Cash and Cash Equivalents

Council Actual 2019-20 \$000	Group Actual 2019-20 \$000		Council Actual 2020-21 \$000	Group Actual 2020-21 \$000
3,549	4,957	Cash at bank and on hand	7,654	11,494
-	-	Term deposits with original maturities less than 3 months	-	-
<b>3,549</b>	<b>4,957</b>	<b>Total Cash and Cash Equivalents</b>	<b>7,654</b>	<b>11,494</b>

### 14. Trade and Other Receivables

Council Actual 2019-20 \$000	Group Actual 2019-20 \$000		Council Actual 2020-21 \$000	Group Actual 2020-21 \$000
3,179	3,179	Rates receivables	3,355	3,355
3,630	2,361	Trade and other receivables	1,872	1,981
329	60	Due from related parties	341	307
421	404	GST receivable	-	(30)
(26)	(26)	Provision for impairment	(33)	(33)
<b>7,533</b>	<b>5,978</b>	<b>Total Trade and Other Receivables</b>	<b>5,535</b>	<b>5,580</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	2019-20 \$000			2020-21 \$000		
	Gross	Impair	Net	Gross	Impair	Net
Not past due	3,772	-	3,772	2,017	-	2,017
Past due 1-30 days	20	-	20	26	-	26
Past due 31-90 days	435	-	435	3	-	3
Past due >90 days	3,329	(26)	3,303	3,522	(33)	3,489
	<b>7,556</b>	<b>(26)</b>	<b>7,530</b>	<b>5,568</b>	<b>(33)</b>	<b>5,535</b>
Exchange	71	(2)	69	67		67
Non-exchange	7,486	(24)	7,462	5,501	(33)	5,468
	<b>7,557</b>	<b>(26)</b>	<b>7,531</b>	<b>5,568</b>	<b>(33)</b>	<b>5,535</b>
<b>Group</b>	<b>6,004</b>	<b>(26)</b>	<b>5,978</b>	<b>5,613</b>	<b>(33)</b>	<b>5,580</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 \$0.187

million (last year \$0.105 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	Group Actual		Council Actual	Council Actual
2019-20	2019-20		2020-21	2020-21
\$000	\$000		\$000	\$000
(3)	(3)	Opening balance	(26)	(26)
88	88	Receivables written off during the year	62	62
85	85		36	36
		Additional provisions made during the year:		
(111)	(111)	Individual - (increase)/decrease	(69)	(69)
-	-	Collective - (increase)/decrease		
(26)	(26)	Closing Balance	(33)	(33)
		<b>Closing Balance comprises:</b>		
(26)	(26)	Individual impairment	(33)	(33)
-	-	Collective impairment		
(26)	(26)	<b>Total</b>	(33)	(33)

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

Council Actual	Group Actual		Council Actual	Group Actual
2019-20	2019-20		2020-21	2020-21
\$000	\$000		\$000	\$000
1,154	1,154	Opening inventories on hand	1,205	1,205
316	316	Purchases and associated costs	288	288
1,470	1,470		1,493	1,493
(265)	(265)	Inventories consumed in activities	(179)	(179)
1,205	1,205	Closing inventories on hand	1,314	1,314

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 2021 amount to nil (last year nil).

#### 16. Other Financial Assets

Council Actual	Group Actual		Council Actual	Group Actual
2019-20	2019-20		2020-21	2020-21
\$000	\$000		\$000	\$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	-
17,000	-	MWRC Holdings Ltd	17,000	-
592	592	Loans to subsidiaries and associates	619	619
49,908	1,408	LGFA Deposit	49,935	1,435
		<b>Total investment in CCOs and similar entities</b>		
-	70,000	<i>Investment in other entities</i>	-	70,000
3,243	3,243	Unlisted shares in CentrePort Ltd (23.08%)	3,958	3,958
3,243	73,243	Listed share portfolio – Hobson Wealth	3,958	73,958
53,151	74,651	<b>Total investment in other entities</b>	53,893	75,393
53,151	74,651	<b>Total non-current portion</b>	53,893	75,393
		<b>Total Other Financial Assets</b>		

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
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.	3,958

#### 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 kept the carrying value of the Company's 23.08% shareholding in CentrePort as at 30 June 2021, the same as prior year after receiving independent valuation advice from PwC.

#### 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 their development 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 2021 has remained the same.

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

- 2022 – 2024 Statement of Intent (SOI)
- 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:

- Disruption due to the COVID-19 pandemic and New Zealand's response
- The Capital Expenditure required to rebuild and redevelop the port is very material to the indicative valuation; uncertainty remains with regards to the timing and quantum of expenditure.

## Assumptions

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

- A valuation date as at 30 June 2021.
- All capital expenditure forecasts are as per the forecast financial statements contained within the 2021 SOI prepared by CentrePort, the 2021 Regeneration Investment Summary and other documentation provided to us.
- 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 5.6% - 7.3%%
- Terminal year capital expenditure estimate of \$24m
- Investment property reduction

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 right 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 5.6% to 7.3% 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 \$6.8m or 9.7%. 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 \$8.4m or 11.9%.
- If the value of CentrePort's commercial property interests was to decrease by \$10m, the value decrease would be \$1.6m or 2.3%. If the value were to increase by \$10m, the value increase would be \$1.6m or 2.3%.

- 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 \$3.8m or 5.4%. If the capital expenditure forecasts were to increase by 5% from those assumed in the valuation, the value impact would be a decrease of \$3.8m or 5.4%.
- If the discount rate applied for the minority interest was to decline to 25%, the value increase would be \$6.0m or 8.0%. If the discount rate applied for the minority interest was to increase to 5% to 40%, the value increase would be \$9.2m or 13.1%.

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.

## 17. Investment property

Council Actual 2019-20 \$000	Group Actual 2019-20 \$000		Council Actual 2020-21 \$000	Group Actual 2020-21 \$000
		<b>North Street – property owned by MWRCH</b>		
-	3,050	Balance at 1 July	-	3,150
-	-	Property purchased	-	-
-	-	Renovations	-	-
-	100	Revaluation as at 30 June to reflect fair values	-	520
-	<b>3,150</b>	<b>Total Investment Property</b>	-	<b>3,670</b>
		<b>17-23 Victoria Avenue, Palmerston North</b>		
2,500	18,500	Balance at 1 July	2,700	24,000
-	-	Property Purchased	-	-
-	5,793	Work in Progress	-	676
-	(2,640)	Reclassification on Consolidation	-	(2,750)
200	(291)	Revaluation as at 30 June to reflect fair values	300	324
<b>2,700</b>	<b>21,362</b>	<b>Total 17-23 Victoria Avenue</b>	<b>3,000</b>	<b>22,250</b>

		<b>7 Victoria Avenue, Palmerston North</b>		
-	-	Balance at 1 July	-	-
-	-	Property purchased	-	1,100
-	-	Reclassification on Consolidation		(1,100)
-	-	Renovations	-	-
-	-	Revaluation as at 30 June to reflect fair values	-	-
-	-	Total 7 Victoria Avenue, Palmerston North	-	-
<b>2,700</b>	<b>24,512</b>	<b>Total Investment Properties</b>	<b>3,000</b>	<b>25,920</b>

The valuer 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, TelferYoung Manawatū, which has the relevant professional qualifications and recent experience. There are no known restrictions to the reliability of the investment property.

## 18. Forestry Asset

Council Actual	Group Actual		Council Actual	Group Actual
2019-20	2019-20		2020-21	2020-21
\$000	\$000		\$000	\$000
		<b>SLUI Forestry Development</b>		
4,816	4,816	Balance at 1 July	5,344	5,344
220	220	Increases due to purchases	505	505
308	308	Plus revaluation gain	(746)	(746)
<b>5,344</b>	<b>5,344</b>	<b>Balance at 30 June</b>	<b>5,103</b>	<b>5,103</b>
		<b>Other Forestry Development</b>		
545	545	Balance at 1 July	585	585
-	-	Increases due to purchases	-	-
40	40	Plus revaluation gain	(5)	(5)
-	-	Reclassification from Property, Plant and Equipment	-	-
<b>585</b>	<b>585</b>	<b>Balance at 30 June</b>	<b>580</b>	<b>580</b>
<b>5,929</b>	<b>5,929</b>	<b>Total Forestry Value at 30 June</b>	<b>5,683</b>	<b>5,683</b>

All figures are exclusive of GST unless otherwise stated

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 Orme & Associates, valued the SLUI Forests, and Alan C Bell has valued the other forestry assets as at 30 June 2021. 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.

## 19 Restoration Asset

Council Adjusted Actual	Group Adjusted Actual		Council Actual	Group Actual
2019-20	2019-20		2020-21	2020-21
\$000	\$000		\$000	\$000
1,945	1,945	Opening Balance	2,167	2,167
(95)	(95)	Amortisation	(116)	(116)
317	317	Change in Value	66	66
<b>2,167</b>	<b>2,167</b>	Closing Balance	<b>2,117</b>	<b>2,117</b>

This asset is for capitalising our lessee interest in the land leases we have relating to our SLUI forests. Its initial value as at 30 June 2019 is based on the current costs to replant which Council are obligated to do at harvest,

inflated based on the years to harvest at inflation as at 30 June for various periods of 17-23 years, discounted back to present value based on the risk free spot rate at 30 June. This is then amortised on a straight line basis over the years to harvest ranging from 17-23 years depending on the individual lease agreements per forest.

## 20 Carbon Credits

Council Actual	Group Actual		Council Actual	Group Actual
2019-20	2019-20		2020-21	2020-21
\$000	\$000		\$000	\$000
1,648	1,648	Opening Balance as at 1 July	3,423	3,423
1,775	1,775	Additional carbon credits recognised	1,712	1,712
-	-	Carbon credits surrendered	-	-
<b>3,423</b>	<b>3,423</b>	Closing Balance as at 30 June	<b>5,135</b>	<b>5,135</b>

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

2021	Cost or	Accumulated	Carrying	Transfers and other		Additions or	Disposals At	Accumulated	Depreciation	Depreciation	Revaluation	Cost or	Accumulated	Carrying
	Revaluation 30 June 2020	Depreciation & Impairment Charges 30 June 2020	Amount 30 June 2020	Cost	Accumulated Depreciation	Constructed Assets At Cost	Cost	Depreciation on Disposals		Elimination on Revaluation	Change	Revaluation 30 June 2021	Depreciation & Impairment Charges 30 June 2021	Amount 30 June 2021
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>INTANGIBLE ASSETS</b>														
Computer software	11,667	(8,645)	3,022	-	-	2,053	-	-	(610)	-	-	13,720	(9,255)	4,465
Capital work in progress	1,115	-	1,115	-	-	83	(1,059)	-	-	-	-	139	-	139
<b>Total Intangible Assets</b>	<b>12,782</b>	<b>(8,645)</b>	<b>4,137</b>	<b>-</b>	<b>-</b>	<b>2,136</b>	<b>(1,059)</b>	<b>-</b>	<b>(610)</b>	<b>-</b>	<b>-</b>	<b>13,859</b>	<b>(9,255)</b>	<b>4,604</b>
<b>OPERATIONAL ASSETS</b>														
Buildings	8,699	(159)	8,540	(217)	-	1,627	(528)	21	(201)	323	556	10,137	(16)	10,121
Communications equipment	1,423	(1,232)	191	-	-	114	-	-	(54)	-	-	1,537	(1,286)	251
Computer equipment	4,328	(3,280)	1,048	-	-	855	-	-	(366)	-	-	5,183	(3,646)	1,537
Equipment & electronics	1,993	(1,211)	782	(6)	-	453	-	-	(179)	-	-	2,440	(1,390)	1,050
Fittings, furniture & equipment	3,345	(2,030)	1,315	(270)	269	428	-	-	(154)	-	-	3,503	(1,915)	1,588
Land - owned	41,765	-	41,765	90	-	7,228	(90)	-	-	-	10,805	59,798	-	59,798
Land - vested	7,420	-	7,420	-	-	-	-	-	-	-	2,582	10,002	-	10,002
Plant & machinery	1,360	(913)	447	(5)	-	39	(136)	136	(60)	-	-	1,258	(837)	421
Scientific/hydrological equipment	9,451	(7,018)	2,433	-	(1)	651	(207)	113	(503)	-	-	9,895	(7,409)	2,486
Vehicles	6,407	(3,062)	3,345	3	(4)	1,870	(743)	627	(863)	-	-	7,537	(3,302)	4,235
Capital work in progress	712	-	712	-	-	620	(431)	-	-	-	-	901	-	901
<b>Total Operational Assets</b>	<b>86,903</b>	<b>(18,905)</b>	<b>67,998</b>	<b>(405)</b>	<b>264</b>	<b>13,885</b>	<b>(2,135)</b>	<b>897</b>	<b>(2,380)</b>	<b>323</b>	<b>13,943</b>	<b>112,191</b>	<b>(19,801)</b>	<b>92,390</b>
<b>TOTAL INTANGIBLE AND OPERATIONAL ASSETS</b>	<b>99,685</b>	<b>(27,550)</b>	<b>72,135</b>	<b>(405)</b>	<b>264</b>	<b>16,021</b>	<b>(3,194)</b>	<b>897</b>	<b>(2,990)</b>	<b>323</b>	<b>13,943</b>	<b>126,050</b>	<b>(29,056)</b>	<b>96,994</b>
<b>INFRASTRUCTURAL ASSETS</b>														
River systems	570,351	-	570,351	-	-	2,357	(440)	-	(1,064)	1,064	142,020	714,288	0	714,288
Drainage systems	82,141	-	82,141	-	-	237	(154)	-	(651)	651	2,333	84,557	-	84,557
Capital work in progress	3,628	-	3,628	-	-	2,960	(1,294)	-	-	-	-	5,294	-	5,294
<b>Total Infrastructural Assets</b>	<b>656,120</b>	<b>-</b>	<b>656,120</b>	<b>-</b>	<b>-</b>	<b>5,554</b>	<b>(1,888)</b>	<b>-</b>	<b>(1,715)</b>	<b>1,715</b>	<b>144,353</b>	<b>804,139</b>	<b>0</b>	<b>804,139</b>
<b>TOTALS FOR PARENT ENTITY</b>	<b>755,805</b>	<b>(27,550)</b>	<b>728,255</b>	<b>(405)</b>	<b>264</b>	<b>21,575</b>	<b>(5,082)</b>	<b>897</b>	<b>(4,705)</b>	<b>2,038</b>	<b>158,296</b>	<b>930,189</b>	<b>(29,056)</b>	<b>901,133</b>

All figures are exclusive of GST unless otherwise stated

## Property, Plant, Equipment and Intangibles - Group

2021	Cost or	Accumulated	Carrying	Transfers and other		Additions &	Disposals At	Accumulated	Depreciation	Depreciation	Revaluation	Cost or	Accumulated	Carrying
	Revaluation	Depreciation	Amount	Cost	Accumulated	Constructed	Cost	Depreciation	Elimination	Change	Revaluation	Depreciation	Amount	
	30 June	& Impairment	30 June		Depreciation	Assets At		on Disposals	on		30 June 2021	&	30 June 2021	
	2020	Charges	2020			Cost			Revaluation		2021	Impairment	2021	
		30 June 2020		Cost	Cost		Cost					Charges		
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	30 June 2021	\$000	
<b>INTANGIBLE ASSETS</b>														
Computer software	11,667	(8,645)	3,022	-	-	2,053	-	-	(610)	-	-	13,720	(9,255)	4,465
Capital work in progress	1,115	-	1,115	-	-	83	(1,059)	-	-	-	-	139	-	139
<b>Total Intangible Assets</b>	<b>12,782</b>	<b>(8,645)</b>	<b>4,137</b>	<b>-</b>	<b>-</b>	<b>2,136</b>	<b>(1,059)</b>	<b>-</b>	<b>(610)</b>	<b>-</b>	<b>-</b>	<b>13,859</b>	<b>(9,255)</b>	<b>4,604</b>
<b>OPERATIONAL ASSETS</b>														
Buildings	11,339	(159)	11,180	(217)	-	2,046	(528)	21	(201)	323	556	13,196	(16)	13,180
Communications equipment	1,423	(1,232)	191	-	-	114	-	-	(54)	-	-	1,537	(1,286)	251
Computer equipment	4,328	(3,280)	1,048	-	-	855	-	-	(366)	-	-	5,183	(3,646)	1,537
Equipment & electronics	1,993	(1,211)	782	(6)	-	453	-	-	(179)	-	-	2,440	(1,390)	1,050
Fittings, furniture & equipment	3,345	(2,030)	1,315	(270)	269	428	-	-	(154)	-	-	3,503	(1,915)	1,588
Land - owned	44,265	-	44,265	90	-	7,983	(90)	-	-	-	11,305	63,553	-	63,553
Land - vested	7,420	-	7,420	-	-	-	-	-	-	-	2,582	10,002	-	10,002
Plant & machinery	1,360	(913)	447	(5)	-	39	(136)	136	(60)	-	-	1,258	(837)	421
Scientific/hydrological equipment	9,451	(7,018)	2,433	-	(1)	651	(207)	113	(503)	-	-	9,895	(7,409)	2,486
Vehicles	6,407	(3,062)	3,345	3	(4)	1,870	(743)	627	(863)	-	-	7,537	(3,302)	4,235
Capital work in progress	712	-	712	-	-	620	(431)	-	-	-	-	901	-	901
<b>Total Operational Assets</b>	<b>92,043</b>	<b>(18,905)</b>	<b>73,138</b>	<b>(405)</b>	<b>264</b>	<b>15,059</b>	<b>(2,135)</b>	<b>896</b>	<b>(2,380)</b>	<b>323</b>	<b>14,443</b>	<b>119,006</b>	<b>(19,801)</b>	<b>99,204</b>
<b>TOTAL INTANGIBLE AND OPERATIONAL INFRASTRUCTURAL ASSETS</b>	<b>104,825</b>	<b>(27,550)</b>	<b>77,275</b>	<b>(405)</b>	<b>264</b>	<b>17,195</b>	<b>(3,194)</b>	<b>896</b>	<b>(2,990)</b>	<b>323</b>	<b>14,443</b>	<b>132,865</b>	<b>(29,056)</b>	<b>103,807</b>
River systems	570,351	-	570,351	-	-	2,357	(440)	-	(1,064)	1,064	142,020	714,288	0	714,288
Drainage systems	82,141	-	82,141	-	-	237	(154)	-	(651)	651	2,333	84,557	-	84,557
Capital work in progress	3,628	-	3,628	-	-	2,960	(1,294)	-	-	-	-	5,294	-	5,294
<b>Total Infrastructural Assets</b>	<b>656,120</b>	<b>-</b>	<b>656,120</b>	<b>-</b>	<b>-</b>	<b>5,554</b>	<b>(1,888)</b>	<b>-</b>	<b>(1,715)</b>	<b>1,715</b>	<b>144,353</b>	<b>804,139</b>	<b>0</b>	<b>804,139</b>
<b>TOTALS FOR GROUP:</b>	<b>760,945</b>	<b>(27,550)</b>	<b>733,395</b>	<b>(405)</b>	<b>264</b>	<b>22,749</b>	<b>(5,082)</b>	<b>896</b>	<b>(4,705)</b>	<b>2,038</b>	<b>158,797</b>	<b>937,003</b>	<b>(29,057)</b>	<b>907,947</b>

All figures are exclusive of GST unless otherwise stated

Property, Plant, Equipment and Intangibles - Parent

2020	Cost or	Accumulated	Carrying	Asset Classification		Additions or	Disposals At	Accumulated	Depreciation	Depreciation	Revaluation	Cost or	Accumulated	Carrying
	Revaluation	Depreciation	Amount	Transfers	Cost	Constructed	Cost	Depreciation	Elimination	Change	Revaluation	Depreciation	Charges	Amount
	30 June	& Impairment	30 June		Accumulated	Assets At		on Disposals	on		30 June	&	30 June	30 June
	2019	Charges	2019	Cost	Depreciation	Cost			Revaluation		2020	Impairment	2020	2020
	\$000	\$000	\$000	\$000	\$000	\$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 ASSETS</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>

All figures are exclusive of GST unless otherwise stated

## Property, Plant, Equipment and Intangibles - Group

2020	Cost or	Accumulated	Carrying	Asset Classification		Additions or	Disposals At	Accumulated	Depreciation	Depreciation	Revaluation	Cost or	Accumulated	Carrying
	Revaluation	Depreciation	Amount	Transfers	Transfers	Constructed	Cost	Depreciation	Elimination	Change	Revaluation	Depreciation	Charges	Amount
	30 June	& Impairment	30 June	Cost	Accumulated	Assets At		on Disposals	on		30 June	& Impairment	30 June	
	2019	Charges	2019	Cost	Depreciation	Cost			Revaluation		2020	Charges	2020	2020
	30 June	30 June	30 June								30 June	30 June	30 June	30 June
	2019	2019	2019								2020	2020	2020	2020
	\$000	\$000	\$000	\$000	\$000	\$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)	-	3,993	-	-	(157)	-	-	11,339	(159)	11,180
Communications	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>

All figures are exclusive of GST unless otherwise stated

## 21. 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 2021. This independent valuation was performed by GM Dowse, Registered Public Valuer, FNZIV, FPINZ; and PJ Loveridge, Registered Public Valuer, ANZIV, SPINZ, both of TelferYoung (Manawatū) Limited 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 2021. This independent valuation was performed by GM Dowse, Registered Public Valuer, FNZIV, FPINZ; and PJ Loveridge, Registered Public Valuer, ANZIV, SPINZ, both of TelferYoung (Manawatū) Limited 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 2021. The last infrastructure asset revaluation was completed on 30 June 2021 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.

Summary of Infrastructure Asset Replacement Costs	Council	Council
	Actual	Actual
	2020-21	2019-20
	\$000	\$000
River Systems	734,794	584,041
Drainage Systems	98,773	95,088
<b>Total Replacement Cost</b>	<b>833,567</b>	<b>679,129</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	Council	Council
	2020-21	Actual	Actual
	\$000	2020-21	2019-20
	\$000	\$000	\$000
Land and Water Management	191	190	171
Flood Protection and Control Works	1,526	1,735	1,679
Biosecurity and Biodiversity Management	166	153	137
Regional Leadership and Governance	1,010	994	861
Transport	204	144	11
Investment and Corporate	1,464	1,488	1,340
<b>Total Depreciation</b>	<b>4,561</b>	<b>4,704</b>	<b>4,199</b>

Summary of Property, Plant and Equipment in the course of construction by class of asset:	Council Actual 2020-21 \$000	Council Actual 2019-20 \$000
Buildings	500	-
Communications Equipment	-	49
Computer Equipment	130	294
Computer Software	260	1,115
Drainage Systems	323	36
Equipment & Electronics	33	-
Furniture & Fittings	-	13
Land	2	121
Plant & Machinery	-	-
River Systems	4,969	3,592
Scientific/Hydrological Equipment	88	119
Vehicles	23	116
<b>Total Work in Progress</b>	<b>6,328</b>	<b>5,455</b>

## 22. Trade and Other Payables

Council Actual 2019-20 \$000	Group Actual 2019-20 \$000		Council Actual 2020-21 \$000	Group Actual 2020-21 \$000
<i>Payables from Exchange Transactions</i>				
1	4	Accounts payable	1,378	1,410
-	-	Due to related parties	107	107
7,023	7,218	Accruals and other payables	7,904	8,491
<b>7,024</b>	<b>7,222</b>	<b>Total exchange payables</b>	<b>9,389</b>	<b>10,008</b>
<i>Payables from Non-Exchange Transactions</i>				
3,285	3,285	Grants and rate revenues in advance	4,790	4,925
-	-	Grants payable	-	-
<b>3,285</b>	<b>3,285</b>	<b>Total non-exchange payables</b>	<b>4,790</b>	<b>4,925</b>
<b>10,309</b>	<b>10,508</b>	<b>Total Trade and Other Payables</b>	<b>14,179</b>	<b>14,933</b>

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

## 23. General Provisions

Council Actual 2019-20 \$000	Group Actual 2019-20 \$000		Council Actual 2020-21 \$000	Group Actual 2020-21 \$000
13	13	Opening balance	-	-
95	95	Additional provisions made during the year	99	99
<b>108</b>	<b>108</b>		<b>99</b>	<b>99</b>
(108)	(108)	Payments made during the year	(99)	(99)
-	-	<b>Closing balance</b>	-	-
-	-	Made up of:	-	-
-	-	ACC provision	-	-
-	-	<b>Total General Provisions</b>	-	-

## 24. Employee Entitlements Provision

Council Actual 2019-20 \$000	Group Actual 2019-20 \$000		Council Actual 2020-21 \$000	Group Actual 2020-21 \$000
1,929	1,929	Annual leave provision	1,962	1,962
2	2	Long service provision	2	2
63	63	Time in lieu provision	57	57
-	-	Sick leave provision	-	-
<b>1,994</b>	<b>1,994</b>	<b>Total Employee Entitlements</b>	<b>2,021</b>	<b>2,021</b>

## 25. 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 2021 \$000	Maximum Insured Amount \$000
Operational assets; excl. Vehicles	88,155	118,942
Vehicles	4,235	4,842

HRC is reviewing the cover for Operational assets and vehicles with the insurers.

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.

Horizons Regional Council's Programme	Book Value for 2021 \$000	Funds Maintained by HRC \$000
Infrastructure assets	804,139	4,680

In the event of a natural disaster, central government may contribute up to 60% towards the restoration of infrastructure assets.

## 26. 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 2019-20 \$000	Group Actual 2019-20 \$000		Council Actual 2020-21 \$000	Group Actual 2020-21 \$000
		Components of tax expense		
-	-	Current tax	-	-
-	-	Tax loss offset	-	-
-	-	Tax loss not recognised	-	-
-	68	Deferred tax	-	347
-	68	Tax expense	-	347
		Relationship between tax expense and accounting surplus		
3,334	3,057	Surplus/(deficit) before tax	9,697	13,070
934	856	Tax at 28%	2,715	3,659
		Plus/(less) tax effect of:		
-	(146)	Other items	-	-
(17,869)	(17,840)	Non-taxable revenue	(21,686)	(21,849)
17,328	17,357	Non-deductible expenditure	19,693	19,693
-	350	Deferred tax adjustment	-	588
136	262	Gross up imputation credits	229	545
(486)	(935)	Tax credit from imputation credits	(817)	(1,948)
(43)	164	Tax losses offset	(134)	(341)
-	68	Tax expense	-	347

## Deferred tax assets/(liabilities)

	Property, Plant and Equipment	Financial Instruments	Employee Entitlement	Total
	\$000	\$000	\$000	\$000
<b>Council</b>				
Balance at 1 July 2019	-	-	-	-
Charge to surplus/(deficit)	-	-	-	-
Charge to other CRE	-	-	-	-
<b>Balance at 30 June 2020</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Balance at 1 July 2020</b>				
Charge to surplus/(deficit)	-	-	-	-
Charge to other CRE	-	-	-	-
<b>Balance at 30 June 2021</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Group</b>				
Balance at 1 July 2019	(25)	-	93	68
Charge to surplus/(deficit)	18	4	118	140
Derecognition of tax asset	-	-	(208)	(208)
<b>Balance at 30 June 2020</b>	<b>(7)</b>	<b>4</b>	<b>3</b>	<b>-</b>
Charge to surplus/(deficit)	(340)	(4)	(3)	(347)
Derecognition of tax asset	-	-	-	-
<b>Balance at 30 June 2021</b>	<b>(347)</b>	<b>-</b>	<b>-</b>	<b>(347)</b>

Council has not recognised a deferred tax asset in relation to tax losses of \$3,115,569 (last year \$3,594,732).

Tax losses of \$nil have been derecognized because it is not probable that future tax profits will be available to offset these losses for MWRCH at 30 June 2021 (2020: \$739,521).

There were no losses to carry forward for MWRCH at 30 June 2021 as they are offset by deferred tax liabilities (last year \$8,803).

There is a proposed subvention payment to Council from MWRCH of \$311,740. MWRCH provided for a subvention payment of \$311,740 to eliminate its estimated tax liability for the current year.

## 27. Debt Borrowings

Council	Group		Council	Group
Actual	Actual		Actual	Actual
2019-20	2019-20		2020-21	2020-21
\$000	\$000		\$000	\$000
10,000	10,000	Debt – current portion	20,967	20,967
39,000	39,000	Debt – non-current portion	33,000	33,000
<b>49,000</b>	<b>49,000</b>		<b>53,967</b>	<b>53,967</b>

These loans are secured over either separate or general rates of the region through the Debenture Trust Deed. Of these, \$40.967 million (last year \$39 million) is on a fixed rate of interest, with \$13 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 31, 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 30, 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 38 and Scheme Summary Statements Note 39 in this Annual Report. Internal borrowings are eliminated on consolidation of activities in HRC's financial statements.

## 28 Provision - Replanting

Council Adjusted Actual	Group Adjusted Actual		Council Actual	Group Actual
2019-20	2019-20		2020-21	2020-21
\$000	\$000		\$000	\$000
1,945	1,945	Opening Balance as at 1 July	2,264	2,264
317	317	Change in present value of provision	65	65
2	2	Provision Unwinding	13	13
2,264	2,264		2,342	2,342

This provision is for replanting land we currently lease for our SLUI forests. Its initial value as at 30 June 2019 is based on the current costs to replant, which Council are obligated to do at harvest, inflated based on the years to harvest at inflation as at 30 June for various periods of 17-23 years, discounted back to present value based on the risk-free spot rate. The present value of this provision is reviewed on an annual basis, and the discount on the provision unwound so the provision will equal the expected cash outflow at the date of replanting.

The first cash outflows are not expected to occur until 2036. The long-term nature of the liability means that there are inherent uncertainties in estimating the costs that will be incurred. The provision has been estimated taking into account existing technology and using discount rates of 2.37%-2.80% (2020: 1.26%-1.50%). The value of the replanting costs, which have been inflated, have been calculated using an inflation rate of 3.3% (2020: 2%).

## 29. Events After Balance Date

2021: On 18 August 2021, the country was put into a Level 4 lockdown and the majority of work programs were put on hold. The effect on the Council in the longer term is unknown.

On 24 August 2021, Council awarded a contract of \$3.27 million to Mills-Albert Limited for the supply of rock to the Whanganui North Mole upgrade as part of Te Pūwaha – the Port Revitalisation Project.

On 30 August 2021, MWRC Holdings Ltd entered into an agreement to purchase 40 Bowen Street, Feilding for \$1.9 million and on 13 September

2021, entered into an agreement to purchase 184 Grey Street, Palmerston North, for \$0.8 million.

On 1 September 2021, Horizons agreed to contribute \$364,809 + GST to MWRC Holdings Limited for construction costs of 17 Victoria Avenue, Palmerston North.

On 10 November 2021, Council signed a lease to occupy 47 Queen Street for office space. The lease is effective from 15 November 2021 for a period of 3 years and is for \$0.09 million per annum.

2020: On 2 July 2020, the Provincial Development Unit announced funding of \$7.5 million 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 \$18.4 million jobs for nature package was announced for the region. Additionally, on 3 August 2020, a \$26.9 million climate change resilience package was also announced for the region. There is no initial impact to the ratepayer.

## 30. Financial Instruments

### Financial Instruments Categories

The accounting policies for financial instruments were applied to the line items below:

Council Actual	Group Actual		Council Actual	Group Actual
2019-20	2019-20		2020-21	2020-21
\$000	\$000		\$000	\$000
<b>FINANCIAL ASSETS</b>				
<b>Loans and receivables</b>				
3,549	4,957	Cash and cash equivalents	7,654	11,493
7,533	5,978	Trade and other receivables	5,535	5,580
17,000	-	Other financial assets	17,000	-
28,082	10,934	<b>Total loans and receivables</b>	<b>30,189</b>	<b>17,073</b>

Fair value through comprehensive revenue and expense				
4,651	74,651	Other financial assets – shares	5,393	75,393
4,651	74,651	<b>Total fair value through comprehensive revenue and expense</b>	<b>5,393</b>	<b>75,393</b>
FINANCIAL LIABILITIES				
Financial liabilities at amortised cost				
10,309	10,508	Trade and other payables	14,179	14,932
846	846	Financial derivatives	468	468
49,000	49,000	Borrowings – debt	53,967	53,967
60,155	60,354	<b>Total financial liabilities at amortised cost</b>	<b>68,614</b>	<b>69,367</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	Quoted market price	Observable inputs	Significant non-observable inputs
	\$000	\$000	\$000	\$000
<b>30 June 2021 - Council</b>				
<b>Financial assets</b>				
Local Authority Stock	619	-	619	-
Hobson Wealth	3,958	-	3,958	-
<b>Financial liabilities</b>				
Derivatives	468	468	-	-
<b>30 June 2021 - Group</b>				
<b>Financial assets</b>				
CentrePort Shares	70,000	-	-	70,000
Local Authority Stock	619	-	619	-
Hobson Wealth	3,958	-	3,958	-
<b>Financial liabilities</b>				
Derivatives	468	468	-	-
<b>30 June 2020 - Council</b>				
<b>Financial assets</b>				
Local Authority Stock	592	-	592	-
Hobson Wealth	3,243	-	3,243	-
<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	-	-

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 no longer utilises credit cards. (last year: Previously, HRC has operated eight corporate credit cards with current limits totalling \$0.035 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 six bank interest rate swaps for borrowings of \$15 million (last year five for \$8 million).

#### **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 113.

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 2019-20 \$000	Group Actual 2019-20 \$000		Council Actual 2020-21 \$000	Group Actual 2020-21 \$000
<b>COUNTERPARTIES WITH CREDIT RATINGS</b>				
Cash at bank and term deposits - Standard and Poor's credit rating				
3,547	4,955	AA-	7,652	11,492
2	2	A	-	-
-	-	Unrated*	2	2
<b>3,549</b>	<b>4,957</b>	<b>Total Credit Risk</b>	<b>7,654</b>	<b>11,494</b>

\*Kiwibank Limited is no longer rated by Standard & Poor's as at 12 July 2021 but holds an AA rating from Fitch and an A1 rating from Moodys.

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 \$49 million (last year \$37 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 113.

### 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 2020-21</b>						
Cash and cash equivalents	7,654	7,654	7,654	-	-	-
Debtors and other receivables	5,535	5,535	5,535	-	-	-
Term deposits	-	-	-	-	-	-
MWRCH loan	17,000	17,000	-	-	2,500	14,500
<b>Total</b>	<b>30,189</b>	<b>30,189</b>	<b>13,189</b>	<b>-</b>	<b>2,500</b>	<b>14,500</b>
<b>Group 2020-21</b>						
Cash and cash equivalents	11,493	11,493	11,493	-	-	-
Debtors and other receivables	5,580	5,580	5,580	-	-	-
Term deposits	-	-	-	-	-	-
MWRCH loan	-	-	-	-	-	-
<b>Total</b>	<b>17,073</b>	<b>17,073</b>	<b>17,073</b>	<b>-</b>	<b>-</b>	<b>-</b>
<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>

## 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 2020-21</b>						
Trade and other payables	14,179	14,179	14,179			
Financial Derivatives	468	469	219	161	131	(42)
Secured loans	53,967	57,438	21,869	3,330	23,913	8,326
<b>Total</b>	<b>68,614</b>	<b>72,086</b>	<b>36,268</b>	<b>3,491</b>	<b>24,044</b>	<b>8,284</b>
<b>Group 2020-21</b>						
Trade and other payables	14,932	14,932	14,932			
Financial Derivatives	468	469	219	161	131	(42)
Secured loans	53,967	57,438	21,869	3,330	23,913	8,326
<b>Total</b>	<b>69,367</b>	<b>72,839</b>	<b>37,021</b>	<b>3,491</b>	<b>24,044</b>	<b>8,284</b>
<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>

## 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.

	2020-21 \$000		2019-20 \$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)	(77)	77	(35)	35
Term deposits	-	-	-	-
<b>Financial liabilities</b>				
Secured loans	540	(540)	490	(490)
Derivatives	(487)	454	(213)	204
<b>Total sensitivity</b>	<b>(24)</b>	<b>(9)</b>	<b>242</b>	<b>(251)</b>
<b>GROUP</b>				
<b>Financial assets</b>				
Cash and cash equivalents	(115)	115	(50)	50
Term deposits	-	-	-	-
<b>Financial liabilities</b>				
Secured loans	540	(540)	490	(490)
Derivatives	(487)	454	(213)	204
<b>Total sensitivity</b>	<b>(62)</b>	<b>29</b>	<b>227</b>	<b>(236)</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%.

### 31. Financial Derivatives

Council Actual 2019-20 \$000	Group Actual 2019-20 \$000		Council Actual 2020-21 \$000	Group Actual 2020-21 \$000
30	30	<b>Current liability</b>	70	70
30	30	Interest rate swaps	70	70
		<b>Total current liability</b>	<b>70</b>	<b>70</b>
816	816	<b>Non-current liability</b>	398	398
816	816	Interest rate swaps	398	398
<b>846</b>	<b>846</b>	<b>Total financial derivative liability</b>	<b>468</b>	<b>468</b>

HRC has a number of interest swaps in place totalling \$15 million (last year \$8 million).

#### Interest Rate Swaps

Council Actual 2019-20 \$000	Swap Date	Effective Date	End Date	Rate %	Council Actual 2020-21 \$000
1,000,000	3/02/2015	18/09/2017	18/03/2021	4.26%	-
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	10/03/2017	22/03/2017	24/09/2021	3.90%	1,000,000
-	30/06/2021	15/04/2024	15/04/2027	2.00%	4,000,000
-	30/06/2021	15/04/2022	15/04/2028	1.80%	4,000,000
<b>8,000,000</b>					<b>15,000,000</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

### 32. Explanation of Major Variances Against Budget

Explanation for major variations from HRC's budgeted figures in the Annual Plan 2020-21 are as follows:

	Annual Plan 2020-21	Actual 2020-21	Variance	Explanation
	\$000	\$000	Favourable/ (Unfavourable) \$000	
Subsidies and Grants	7,021	16,941	9,920	Subsidies and Grants are higher than budgeted due to the additional government funding announced during the financial year for shovel ready projects.
Finance Revenue	3,738	3,243	(495)	Finance Revenue is lower than budget due to the ongoing impact of the COVID-19 pandemic resulting in lower interest rate on term deposits. These rates were frequently lower than 1%.
Other Revenue	12,726	12,788	62	Other contributions on some of our capital projects in our schemes were unable to be recognised this financial year due to ongoing discussions with stakeholders which were resolved later in the financial year than had been hoped. Off-setting this is the gain on Carbon Credits recognised.
Finance Expenses	1,340	1,402	(62)	These were higher than budgeted due to the need to recognise a provision for restoration of land we leased which due to an increase in inflation rates resulted in additional finance expense this year
Other Expenses	37,221	43,301	(6,080)	Other expenditure is higher than budgeted due to a combination of extra Wilding Conifer work completed by Horizons and other agencies and responses to other biosecurity incursions along with higher SLUI grants given which were funded out of the programmes reserves.
Gain (Loss) on Asset Revaluations	88,000	160,123	72,123	Unit rates for certain asset types increased significantly above our original estimates resulting in a higher gain than anticipated.
Cash and Cash Equivalents	92	7,654	7,562	Cash and Cash Equivalents are higher than budgeted due to the additional subsidies and grants we have received for areas such as shovel ready projects. Some of this funding is received in advance and there is a corresponding liability for it.
Receivables	6,309	5,535	(774)	Expected invoicing to have occurred in June for our PGF funded capital works however due to delays in the project this didn't occur before year end.
Accruals	1,641	4,868	3,227	Due to additional grant funding allocated to us by central government for jobs for nature. This revenue was accrued at year end along with an unexpected subvention payment from MWRC Holdings Limited.
Prepayments	339	743	404	Increase in insurance costs for the financial year. Our insurance runs November to November so as at 30 June some of this is prepaid.
Investments in other entities	3,227	3,958	731	Better returns than were anticipated were received on our share portfolio with Hobson Wealth.
Investment Property	2,500	3,000	500	No gains on the investment property were budgeted for.

Forestry Assets	6,661	5,683	(978)	Unexpected falls in log prices caused a significant decrease in the value of our forestry assets this year.
Restoration Asset non-current	-	2,117	2,117	Asset arose due to a change in accounting treatment which was not budgeted for
Carbon Credits	-	5,135	5,135	Previously the value of these were immaterial to the accounts so were not budgeted for
Operational Assets	68,518	92,390	23,872	Revaluation of land and buildings was not budgeted for as this was an out of cycle revaluation. Normally we would revalue every 3 years however this year we revalued after 2 due to material movements in the market value of land and buildings. Adding to this was land purchase for our jobs for nature work that was unbudgeted for approx \$7m which was funded via central government funding.
Infrastructural Assets	732,263	804,138	71,875	Unit rates for certain asset types increased significantly above our original estimates resulting in a higher gain than anticipated.
Trade and Other Payables	12,025	14,179	(2,154)	Increases in accrued expenditure due to the additional work we picked up during the year along with additional revenue received in advance owing to the large amount of central government grant funded projects.
Debt - Current portion	9,000	20,967	(11,967)	Utilised more short commercial paper debt than anticipated to take advantage of declining interest rates. Off sets with the Debt Non-Current variance below.
Derivative Financial Instruments	806	468	338	Expiration of some of our older higher interest rate swaps which has dropped the value of these.
Debt - Non-current portion	44,983	33,000	11,983	Utilised more short commercial paper debt than anticipated to take advantage of declining interest rates. Off sets with the Debt Current variance above.
Provision - Replanting non-current	-	2,342	(2,342)	A review of the accounting treatment of obligations under existing lease agreements has given rise to this provision which was determined after the budget has been set

### 33. Reconciliation of Operating Cash Flows with Reported Operating Results (\$'000)

	Council Actual	Group Actual	Council Adjusted Actual	Group Adjusted Actual
	2020-21	2020-21	2019-20	2019-20
Surplus/(Deficit) after taxation	9,697	12,723	5,014	4,668
Add/(Deduct) non-cash items:				
Amortisation - SLUI Land Lease	250	250	125	125
Depreciation - Infrastructural assets	1,715	1,715	1,671	1,671
Depreciation - Operational assets	2,379	2,379	2,200	2,200
Amortisation - Intangible assets	610	610	328	328
Amortisation - Restoration Asset	116	116	95	95
Bad debt expense	94	94	174	174
(Gain)/Loss on Forestry Revaluation	746	746	(347)	(347)
(Gain)/Loss on Investment Property Revaluation	(300)	(808)	(200)	190
(Gain)/Loss on Derivatives	(378)	(378)	(8)	(8)
(Gain)/Loss on Carbon Credits	(1,712)	(1,712)	(1,774)	(1,774)
Dividend Payment	-	1,250	-	-
Loss on fixed assets	1,127	1,127	-	-
Provision unwinding	13	13	2	2
	4,658	5,400	2,265	2,655
Add/(Deduct) items classified as investing:				
Loss/(Gain) on sale of fixed assets	(283)	(283)	(23)	23
	(283)	(283)	(23)	23
Add/(Deduct) deferrals or accruals of past or future opening cash receipts or payments:				
Decrease/(Increase) in trade and other receivables	1,998	1,764	(486)	1,291
Decrease/(Increase) in accruals and prepayments	(1,833)	(1,828)	(1,577)	(1,679)
Decrease/(Increase) in stock on hand	(1)	(1)	(51)	(51)
(Decrease)/Increase in operational trade and other payables	3,875	4,449	(1,582)	(3,313)
	4,039	4,384	(3,696)	(3,752)
<b>Net Cash Inflow/(Outflow) from Operating Activities</b>	<b>18,112</b>	<b>22,224</b>	<b>3,560</b>	<b>3,594</b>

### 34. Equity Balances

	Council Actual 2020-21	Group Actual 2020-21	Council Adjusted Actual 2019-20	Group Adjusted Actual 2019-20
	\$000	\$000	\$000	\$000
<b>Asset revaluation reserves</b>				
Balance at 1 July	364,368	364,368	252,086	252,086
Increase/(Decrease) in revaluation reserves	160,123	160,658	112,282	112,282
Transfer to Accumulated Funds	-	-	-	-
<b>Balance at 30 June</b>	<b>524,491</b>	<b>525,026</b>	<b>364,368</b>	<b>364,368</b>
<b>Consists of:</b>				
- Buildings	3,133	3,168	2,201	2,201
- Land – owned	33,069	33,569	22,229	22,229
- Land – vested	6,873	6,873	4,291	4,291
- River scheme assets	437,052	437,052	294,108	294,108
- Drainage scheme infrastructural assets	44,364	44,364	41,539	41,539
	<b>524,491</b>	<b>525,026</b>	<b>364,368</b>	<b>364,368</b>
<b>Fair value through other comprehensive revenue and expense reserve</b>				
Balance at 1 July	1,127	45,745	1,062	14,680
Increase/(Decrease) in fair value reserve	641	641	65	31,065
<b>Balance at 30 June</b>	<b>1,768</b>	<b>46,386</b>	<b>1,127</b>	<b>45,745</b>
<b>Restricted Reserves - River and Drainage</b>				
Balance at 1 July	11,537	11,537	9,545	9,545
Plus/(Less) transfer from retained earnings:	1,260	1,260	1,992	1,992
<b>Balance at 30 June</b>	<b>12,797</b>	<b>12,797</b>	<b>11,537</b>	<b>11,537</b>
<b>Infrastructure Insurance Reserve</b>				
Balance at 1 July	4,060	4,060	3,440	3,440
Scheme Rate Contribution	500	500	500	500
General Rate Contribution	120	120	120	120
Withdrawals	-	-	-	-
<b>Balance at 30 June</b>	<b>4,680</b>	<b>4,680</b>	<b>4,060</b>	<b>4,060</b>

<b>Accumulated Funds</b>				
Balance at 1 July	369,208	372,673	366,806	370,617
Less transfer to Restricted Reserves	(1,260)	(1,260)	(1,992)	(1,992)
Less transfer to Infrastructure Insurance Reserve	(620)	(620)	(620)	(620)
Net surplus/(deficit) for the year	9,697	12,722	5,014	4,668
<b>Balance at 30 June</b>	<b>377,025</b>	<b>383,516</b>	<b>369,208</b>	<b>372,673</b>
<b>Total Equity at 30 June</b>	<b>920,761</b>	<b>972,405</b>	<b>750,300</b>	<b>798,383</b>

#### 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 148 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.

### 35. Breach of Statutory Deadline

Under section 98(3) of the Local Government Act 2002, the Annual Report must be completed and adopted by resolution within four months after the end of the financial year to which it relates. Due to COVID-19, legislation was introduced to increase this timeframe by a further 2 months. The delays are due to the technical consideration of the forestry rights, associated recognition of assets, obligations, and disclosures. Council formally adopted the annual report on 28 June 2022.

### 36. Implications of COVID-19

The change in alert levels throughout the financial year had very little impact on the Council's operations. There was some additional expenditure relating to the provision of PPE but beyond this operations were able to continue as usual.

### 37. Summary Revenue and Expenditure for Group of Activities (\$000)

	Annual Plan 2020-21	Council Actual 2020-21	Council Actual 2019-20
<b>Revenue</b>			
Land and Water Management	7,502	13,479	6,704
Flood Protection	3,481	3,668	2,078
Biodiversity	206	1,558	204
Regional Leadership and Governance	1,925	4,589	4,237
Transport	5,412	8,052	8,154
Investment	7,652	6,605	6,054
<b>Total Activity Revenue</b>	<b>26,178</b>	<b>37,951</b>	<b>27,431</b>
Less internal revenue	(2,693)	(4,978)	(5,911)
<b>Total Rates Revenue</b>	<b>47,264</b>	<b>47,169</b>	<b>46,701</b>
<b>Total Revenue</b>	<b>70,749</b>	<b>80,142</b>	<b>68,221</b>
<b>Expenditure</b>			
Land and Water Management	20,095	22,465	18,786
Flood Protection	11,377	13,140	12,890
Biodiversity	8,422	10,000	8,032
Regional Leadership and Governance	15,481	16,295	16,018
Transport	8,880	11,022	10,933
Investment	2,378	2,496	2,465
<b>Total Activity Expenditure</b>	<b>66,633</b>	<b>75,418</b>	<b>69,124</b>
Less internal expense	(2,693)	(4,978)	(5,911)
<b>Total Expenses</b>	<b>63,940</b>	<b>70,440</b>	<b>63,213</b>

Revenue includes Gain on Revaluations (Investments \$300k), Gains on Cashflow Hedges (Investments \$378k), Gain on Carbon recognised (Investments \$1,711k) and Expenditure includes Depreciation (\$3,216k for all reported activities) 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.

### 38. Internal Borrowings

#### River and Drainage Scheme Loans 2020-21

Closing Balance 2019-20 Debit/(Credit) \$	Scheme	Advances 2020-21 \$	Repayments 2020-21 \$	Closing Balance 2020-21 Debit/(Credit) \$	Interest Paid or Accrued 2020-21 \$
144,007	Ashhurst Stream		(35,154)	108,853	2,290
-	Foxton East Drainage	240,038	(63,462)	176,576	1,908
284,739	Hōkio Drainage		(30,087)	254,652	4,528
269,662	Koputaroa		(45,718)	223,944	4,287
119,506	Lower KIWITEA		(23,153)	96,353	1,900
28,131,411	Lower Manawatū	1,838,109	(1,456,819)	28,512,701	461,903
5,538,868	Lower Manawatū (Special Project)	49,536	(1,083,093)	4,505,311	88,462
1,831,414	Lower Whanganui	144,084	(114,504)	1,860,994	30,265
307,606	Makerua Drainage		(79,722)	227,884	4,891
730,316	Manawatū Drainage		(60,696)	669,620	11,612
219,753	Matarawa Valley		(23,461)	196,292	3,494
357,337	Moutoa Drainage		(79,037)	278,300	5,682
396,426	Ōhau-Manakau		(44,617)	351,809	6,303
1,783,254	Rangitikei	660,500	(226,241)	2,217,513	33,605
114,739	Upper Manawatū		(377)	114,362	1,824
81,833	Upper Whanganui		(67,958)	13,875	1,301
297,799	Whangaehu-Mangawhero		(40,556)	257,243	4,735
31,439	Whirokino Drainage		(5,330)	26,109	500
<b>40,640,109</b>	<b>TOTAL SCHEMES</b>	<b>2,932,267</b>	<b>(3,479,985)</b>	<b>40,092,391</b>	<b>669,490</b>

### 39. River and Drainage Scheme Reserves

Closing Balance 2019-20 Credit/(Debit) \$	Scheme	Interest Credited 2020-21 \$	Transfers In 2020-21 \$	Transfers Out 2020-21 \$	Closing Balance 2020-21 Credit/(Debit) \$
18,595	Akitio	-	-	-	18,595
39,789	Ashhurst Stream	553	-	(950)	39,392
2,845	Eastern Manawatū	-	-	(2,845)	-
4,123	Forest Road Drainage	57	-	(1,057)	3,123
99,050	Foxton East Drainage	1,377	39,105	-	139,532
10,203	Haunui Drainage	142	1,378	-	11,723
11,549	Himatangi Drainage	161	-	(831)	10,879
38,954	Hōkio Drainage	541	29,397	-	68,892
3,522	Ihuraua	-	-	(3,522)	-
10,828	Kahuterawa	151	254	-	11,233
231,837	Koputaroa	3,223	-	(11,016)	224,044
300,153	Lower KIWITEA	4,172	8,411	-	312,736
2,662,824	Lower Manawatū	37,013	316,662	-	3,016,499
366,186	Lower Manawatū (Special Project)	5,090	57,917	-	429,193
763,656	Lower Whanganui	10,615	175,798	-	950,069
205,887	Makerua Drainage	2,862	-	(36,043)	172,706
28,345	Makirikiri	394	-	(5,838)	22,901
187,499	Manawatū Drainage	2,606	56,674	-	246,779
1,440,680	Mangatainoka	20,025	-	(37,260)	1,423,445
144,099	Matarawa Valley	2,003	14,086	-	160,188
137,376	Moutoa Drainage	1,910	384	-	139,670
16,557	Ohakune	230	25,956	-	42,743
304,183	Ōhau-Manakau	4,228	111,031	-	419,442
3,254	Pakihi Valley	45	1,522	-	4,821
521,127	Pohangina-Oroua	7,244	100,934	-	629,305
29,262	Porewa	407	-	(17,272)	12,397
998,387	Rangitikei	13,878	91,782	-	1,104,047
42,476	Ruapehu	590	23,752	-	66,818
561,308	South-East Ruahines	7,802	20,392	-	589,502

Closing Balance 2019-20 Credit/(Debit) \$	Scheme	Interest Credited 2020-21 \$	Transfers In 2020-21 \$	Transfers Out 2020-21 \$	Closing Balance 2020-21 Credit/(Debit) \$
48,321	Tararua District	760	11,048	-	60,129
-	Taringamotu	-	-	-	-
15,970	Tawataia-Mangaone	222	2,236	-	18,428
49,521	Turakina	688	4,954	-	55,163
165,010	Te Kawai Drainage	2,294	35,547	-	202,851
25,415	Tutaenui	353	-	(34,115)	(8,347)
645,803	Upper Manawatū	8,977	-	(30,678)	624,102
242,158	Upper Whanganui	3,366	57,374	-	302,898
81,278	Whangaehu-Mangawhero	1,130	13,501	-	95,909
34,577	Whirokino Drainage	481	-	(6,358)	28,700
133,730	Miscellaneous All Scheme	1,859	-	(924)	134,665
<b>10,626,337</b>	<b>TOTAL SCHEMES</b>	<b>147,449</b>	<b>1,200,095</b>	<b>(188,709)</b>	<b>11,785,172</b>

## River and Drainage Scheme Renewal Reserves

Closing Balance 2019-20 Credit/(Debit) \$	Scheme	Interest Credited 2020-21 \$	Transfers In 2020-21 \$	Transfers Out 2020-21 \$	Closing Balance 2020-21 Credit/(Debit) \$
1,748	Ashhurst Stream	24	77	-	1,849
2,792	Forest Road Drainage	39	528	-	3,359
2,694	Foxton East Drainage	37	504	-	3,235
1,838	Himatangi Drainage	26	344	-	2,208
2,292	Hökio Drainage	32	421	-	2,745
75,567	Koputaroa	1,050	28,338	(8,261)	96,694
33,520	Lower Manawatū	466	896	-	34,882
222,760	Makerua Drainage	3,096	49,905	(22,466)	253,295
30,229	Makirikiri	420	6,960	-	37,609
208,533	Manawatū Drainage	2,899	21,182	(20,060)	212,554
12,643	Matarawa Valley	176	6,043	-	18,862
8,738	Moutoa Drainage	121	41,767	(49,062)	1,564
143,325	Ōhau-Manakau	1,992	8,078	-	153,395
294	Pakihi Valley	4	317	-	615
(18,466)	Pohangina-Oroua	(257)	-	-	(18,723)
18,868	Porewa	262	3,297	(633)	21,794
43,012	South-East Ruahines	598	1,142	(6,340)	38,412
5,347	Tawataia-Mangaone	74	1,314	-	6,735
101,764	Te Kawau Drainage	1,415	29,161	(5,239)	127,101
5,380	Tutaenui	75	250	-	5,705
2,982	Upper Manawatū	41	-	-	3,023
4,478	Whirokino Drainage	62	854	-	5,394
910,338	<b>TOTAL SCHEMES</b>	12,652	201,378	(112,061)	1,012,307

#### 40. Capital Purchases (additions/constructions at cost) to Replace Existing Assets

ACTIVITY GROUP	Annual Plan	Actual	Actual
	2020-21	2020-21	2019-20
	\$000	\$000	\$000
<b>Land and Water Management</b>			
Continuous Nutrient Monitoring	70	55	69
Horowhenua Lake Restoration (Previously Horowhenua Clean up)	750	7,540	118
JV Afforestation	311	505	219
Nursery	210	2	48
<b>Total Land and Water Management</b>	<b>1,341</b>	<b>8,102</b>	<b>454</b>
<b>Flood Protection and Control Works</b>			
Foxton East Drainage Scheme	908	393	-
Hōkio Drainage Scheme	160	-	-
Koputaroa Drainage	4	10	8
Lower Kiwitea Scheme	-	15	-
Lower Manawatū Scheme	4,532	2,334	3,950
Lower Manawatū Scheme - Special Projects	157	-	-
Lower Whanganui River Management Scheme	3,703	636	179
Makerua Drainage	78	28	64
Makirikiri Flood Control Scheme	-	-	-
Manawatū Drainage	203	25	4
Mangatainoka Scheme	111	274	49
Matarawa Flood Control Scheme	100	-	-
Moutoa Drainage	43	61	62
Ōhau-Manakau Scheme	3	-	-
Pakihi Scheme	-	-	-
Pohangina-Oroua River Control Scheme	150	69	177
Porewa Scheme	-	1	-
Rangitikei River Control Scheme	843	1,014	28
South East Ruahines Scheme	55	53	48
Te Kawau Drainage Scheme	44	7	22
Tutaenui Flood Control Scheme	-	-	7
Upper Manawatū-Lower Mangahao Scheme	61	118	13
Whirokino Drainage Scheme	-	-	-
<b>Total Flood Protection and Control Works</b>	<b>11,155</b>	<b>5,038</b>	<b>4,611</b>
<b>Biosecurity and Biodiversity Management</b>			

Biodiversity Support	40	39	-
Totara Reserve	158	104	49
Pest Animal Biosecurity	180	174	290
Te Apati Manawatū Gorge	142	88	-
<b>Total Biosecurity and Biodiversity Management</b>	<b>520</b>	<b>405</b>	<b>339</b>
<b>Regional Leadership and Governance</b>			
Aerial Photography	163	153	-
Camping Ground Floor Alarms	-	-	-
Catchment Information Development	331	343	329
Communication Software	-	-	-
Emergency Management Response Capability	-	2	5
Establishing a Consistent Regional Vertical datum	-	-	-
GIS Development	155	7	-
Group Emergency Co-ordination Centre Facilities	10	11	693
Hazard Information Update	162	145	176
Historic Survey Data	-	-	-
Hydrology New and Replacement Specialised Equipment	806	854	581
Multimedia Equipment/Signage	5	-	3
Ohura Flood Modelling	-	-	-
Promotional Material	18	18	11
<b>Total Regional Leadership and Governance</b>	<b>1,650</b>	<b>1,533</b>	<b>1,798</b>
<b>Transport</b>			
Ticketing System	-	428	235
<b>Total Transport</b>	<b>-</b>	<b>428</b>	<b>235</b>
<b>Corporate Support and Investments</b>			
Asset Management System	112	346	326
Corporate Software Solutions	-	-	-
Electronic Document Management System	-	-	-
Financial System - OZONE	192	79	197
General Property Improvements	850	1,064	766
IT Hardware Replacement	234	271	182
Vehicle and Plant Purchases/Replacement	1,509	1,427	1,153
<b>Total Corporate Support and Investments</b>	<b>2,897</b>	<b>3,187</b>	<b>2,624</b>
<b>Total Capital Purchases</b>	<b>17,563</b>	<b>18,693</b>	<b>10,061</b>

# Horizons Regional Council Funding Impact Statement for Whole of Council for the year ended 30 June 2021

	Annual Plan 2020-21 \$000	Actual 2020-21 \$000	Annual Plan 2019-20 \$000	Adjusted Actual 2019-20 \$000
<b>Sources of Operating Funding</b>				
General rates, uniform annual general charges, rates penalties	31,451	31,356	30,893	30,798
Targeted rates	15,813	15,813	15,903	15,903
Subsidies and grants for operating purposes	7,021	9,387	7,406	7,709
Fees and charges	11,926	10,776	10,534	9,749
Interest and dividends from investments	3,738	2,865	2,823	1,614
Local authorities fuel tax, fines, infringement fees and other receipts	-	-	-	-
<b>Total sources of operating funding (A)</b>	<b>69,949</b>	<b>70,197</b>	<b>67,559</b>	<b>65,773</b>
<b>Applications of Operating Funding</b>				
Payments to staff and suppliers	58,036	62,399	56,683	57,366
Finance costs	1,340	1,389	1,605	1,565
<b>Total applications of operating funding (B)</b>	<b>59,376</b>	<b>63,787</b>	<b>58,288</b>	<b>58,931</b>
<b>Surplus/(Deficit) of Operating Funding (A-B)</b>	<b>10,572</b>	<b>6,410</b>	<b>9,271</b>	<b>6,842</b>
<b>Sources of Capital Funding</b>				
Subsidies and grants for capital expenditure	-	7,058	-	135
Development and financial contributions	-	-	-	-
Increase/(decrease) in debt	5,000	4,967	2,000	9,000
Gross proceeds from sale of assets	-	-	-	-
Lump sum contributions	-	-	-	-
Other dedicated capital funding	-	495	-	-
<b>Total sources of capital funding (C)</b>	<b>5,000</b>	<b>12,520</b>	<b>2,000</b>	<b>9,135</b>
<b>Applications of Capital Funding</b>				
Capital expenditure:				
· to meet additional demand	-	-	-	-
· to improve the level of service	11,808	11,651	5,032	4,492
· to replace existing assets	5,762	7,040	3,441	5,568
Increase/(decrease) in reserves	(1,998)	166	798	3,917
Increase/(decrease) of investments	-	73	2,000	2,000
<b>Total applications of capital funding (D)</b>	<b>15,572</b>	<b>18,930</b>	<b>11,271</b>	<b>15,977</b>
<b>Surplus/(Deficit) of Capital Funding (C-D)</b>	<b>(10,572)</b>	<b>(6,410)</b>	<b>(9,271)</b>	<b>(6,842)</b>
<b>Funding Balance ((A-B)+(C-D))</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

Reconciliation with Statement of Comprehensive Revenue and Expense (SOCRE):

Surplus/(deficit) of operating funding as above	10,572	6,410	9,271	6,842
Subsidies and grants for capital expenditure	-	7,058	-	135
Other dedicated capital funding	-	495	-	-
Amortisation of SLUI land lease	-	(250)	-	-
Amortisation of Restoration Asset	-	(115)	-	(95)
Gain on revaluations through surplus/(deficit)	800	300	385	548
Loss on Revaluations	-	(746)	-	-
Loss on Disposal of Assets	-	(827)	-	-
Recognition of Carbon Credits	-	1,712	-	1,775
Gain/Loss on derivatives	-	378	-	8
Gain/(Loss) on provision	-	(15)	-	-
Less depreciation (non-cash expense)	(4,561)	(4,704)	(4,284)	(4,199)
<b>Surplus/(Deficit) as SOCRE</b>	<b>6,811</b>	<b>9,697</b>	<b>5,372</b>	<b>5,014</b>

# Annual Report Disclosure Statement for the year ending 30 June 2021

Note: Where the 2019-20 amounts have been adjusted, we have used the adjusted figures per this annual report for our calculation.

## 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.

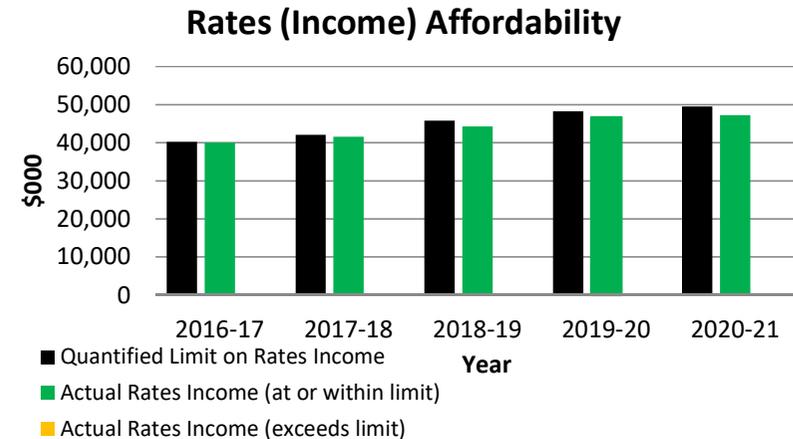
## Rates Affordability Benchmark

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

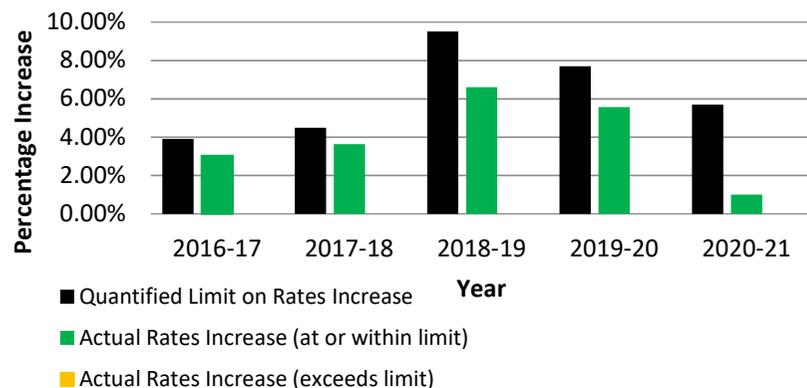
The following graph compares the Council's actual rates income with the quantified limit on rates contained in the financial strategy included in the Council's Long-term Plan. The quantified limit is \$49.5 million.



## 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 5.70%.

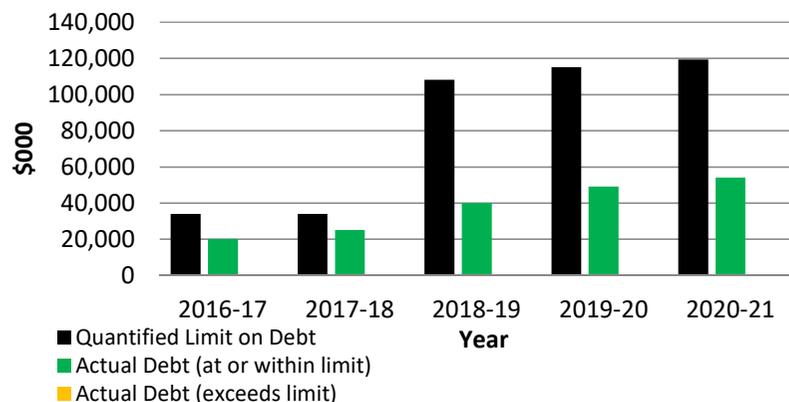
### Rates (Increases) Affordability



### Debt Affordability Benchmark

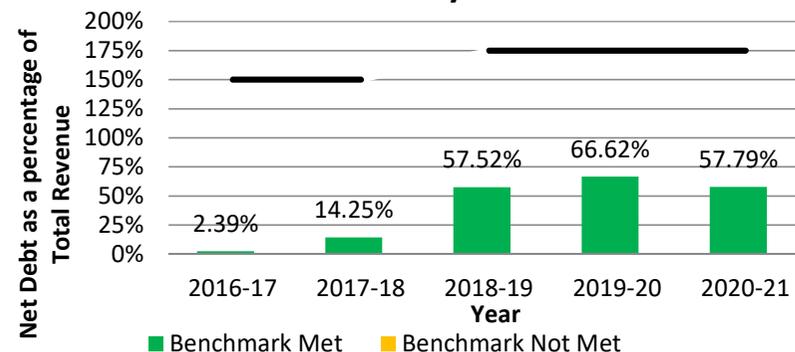
The Council meets the debt affordability benchmark if its actual borrowing is within each quantified limit on borrowing. The following graph compares the Council's actual borrowing with a quantified limit on borrowing stated in the financial strategy included in the Council's Long-term Plan. The quantified limit is \$119.4 million.

### Debt Affordability Benchmark



The Council meets the debt affordability benchmark if its actual borrowing is within each quantified limit on borrowing. The quantified limit for this graph is that net debt as a percentage of total revenue will not exceed 175%.

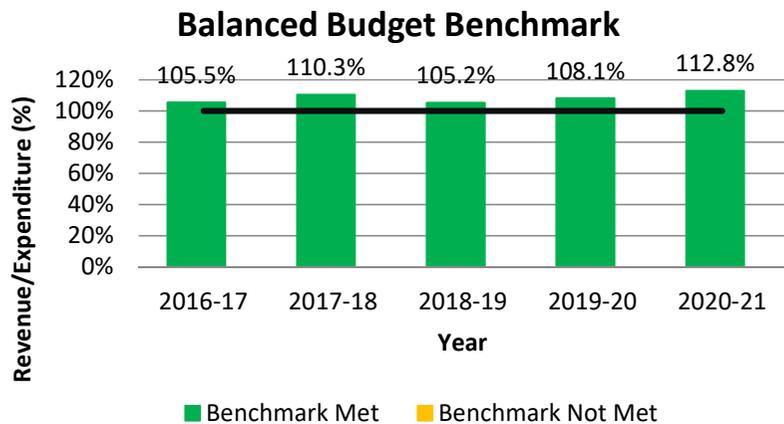
### Debt Affordability Benchmark



### 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).

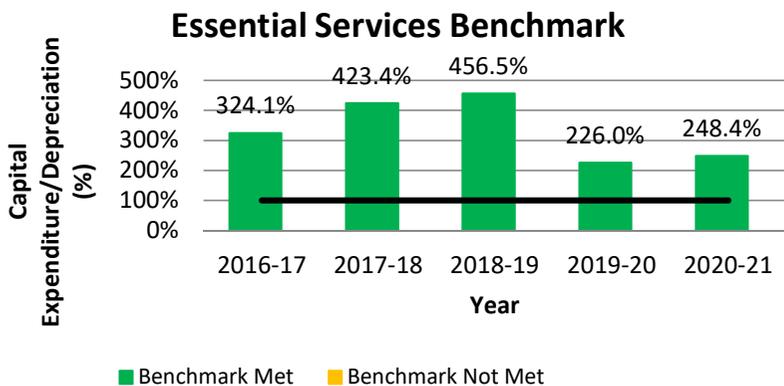
The Council meets this benchmark if its revenue equals or is greater than its operating expenses.



#### Essential Services Benchmark

The following graph displays the Council's capital expenditure on network services as a proportion of depreciation on network services.

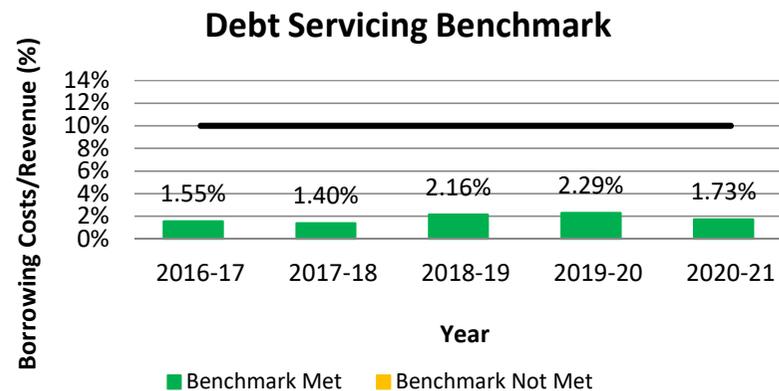
The Council meets this benchmark if its capital expenditure on network services equals or is greater than depreciation on network services.



#### 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.

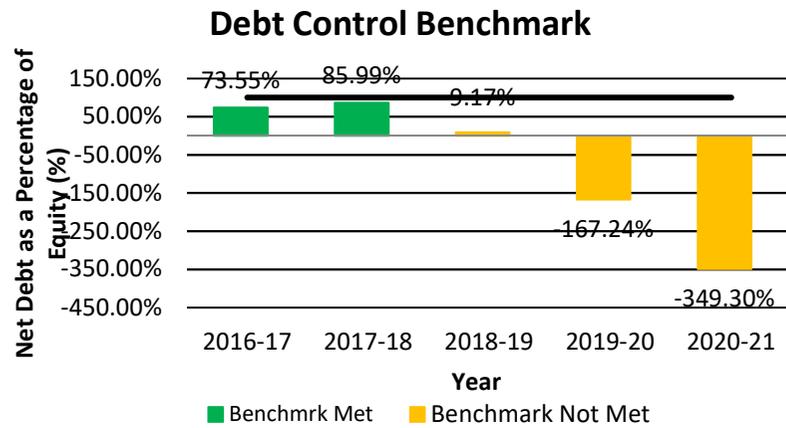


#### Debt Control Benchmark

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.

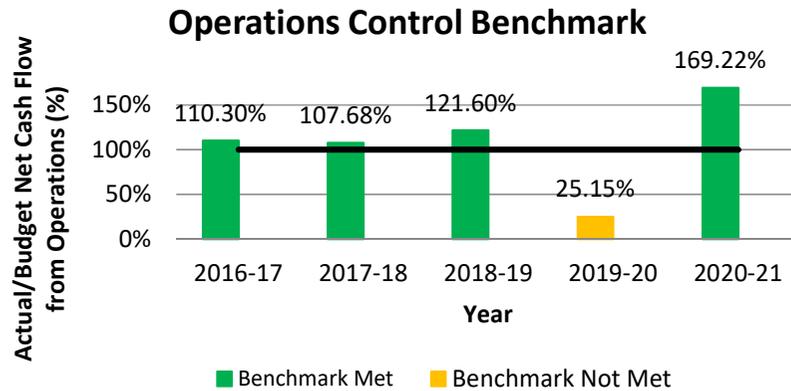
Note: in 2018/19, 2019/20 and 2020/21 financial year's, Council planned to have net assets rather than net debt. The graph below is mathematically correct, and the colour of the bar shows Council's performance against that target.



#### 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 2021

## Compliance

1. The Council and management of the Manawatū-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 Manawatū-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 Manawatū-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 Manawatū-Whanganui Regional Council, the annual Financial Statements for the year ended 30 June 2021 fairly reflect the financial position and operations of Manawatū-Whanganui Regional Council.



-----  
CHAIR

28 June 2022

DATE



-----  
CHIEF EXECUTIVE

28 June 2022

DATE

## Outstanding Fines

As at 30 June 2021, a number of organisations and individuals owed Council \$0.187 million in outstanding fines (last year \$0.105 million). The following is a list of balances owed by organisations and individuals for court fines imposed prior to 30 June 2021.

Debtor	2020-21 \$000	2019-20 \$000
Berendt/Derek/Aaron	47	-
Huka View Dairies Limited	47	-
LA Landscape Limited	15	15
Land Meat New Zealand Limited	-	60
NZL Forestry Group Limited	48	-
Pacific Farms Development	14	14
Philip Lambert Limited	1	1
Toyne/Patrick/Damien	15	15
	<b>187</b>	<b>105</b>

## Transport Scheme Summary 2020-21

Closing Balance 2019-20 Credit/(Debit) \$000	Transport Scheme	Net Cost of Services 2020-21 \$000	Rates Revenue 2020-21 \$000	Net Surplus (Deficit) 2020-21 \$000	Closing Balance 2020-21 Credit/(Debit) \$000
(33)	Horowhenua	192	146	(46)	(79)
189	Manawatū	180	183	3	192
(333)	Palmerston North	1,790	1,558	(232)	(565)
30	Rangitikei	39	30	(9)	21
65	Ruapehu	9	9	-	65
28	Tararua	10	9	(1)	27
174	Whanganui	545	566	21	195
<b>120</b>	<b>Total Passenger Services</b>	<b>2,765</b>	<b>2,501</b>	<b>(264)</b>	<b>(144)</b>
114	Regional Transport Planning and Road Safety	338	240	(98)	16
<b>114</b>	<b>Total Planning and Road Safety</b>	<b>338</b>	<b>240</b>	<b>(98)</b>	<b>16</b>
<b>234</b>	<b>TOTAL TRANSPORT SCHEMES</b>	<b>3,103</b>	<b>2,741</b>	<b>(362)</b>	<b>(128)</b>

## Independent Auditor's Report

### To the readers of Horizons Regional Council's annual report for the year ended 30 June 2021

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 28 June 2022. This is the date at which we give our report.

### Opinion on the audited information

In our opinion:

- the financial statements on pages 94 to 146:

- present fairly, in all material respects:
  - the Regional Council and Group's financial position as at 30 June 2021;
  - 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 Public Benefit Entity Reporting Standards;
- the funding impact statement on page 153, 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 18 to 91:
  - presents fairly, in all material respects, the levels of service for each group of activities for the year ended 30 June 2021, 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 16 to 90, presents fairly, in all material respects, actual capital expenditure as compared to the budgeted capital expenditure included in the Regional Council’s long-term plan; and
- the funding impact statement for each group of activities on pages 16 to 90, 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 155 to 158, 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.

## 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 1 to 15, 93, 147 to 152, 154, 159 to 162 and 167 to 169, but does not include the audited information, the disclosure requirements, and our auditor's report thereon.

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 and our report on the disclosure requirements, we have audited the Regional Council's 2021-2031 long-term plan and performed a limited assurance engagement related to the Regional Council's debenture trust deed. These engagements are compatible with those independence requirements.

Other than these engagements, we have no relationship with or interests in the District Council or its subsidiaries and controlled entities.



Debbie Perera  
Audit New Zealand  
On behalf of the Auditor-General  
Palmerston North, New Zealand

**Kuputohu me te kuputaka**  
**Index and glossary**

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24 hour freephone 0508 800 800  
Fax 06 952 2929 | Email [help@horizons.govt.nz](mailto:help@horizons.govt.nz)  
11-15 Victoria Avenue, Private Bag 11025  
Manawatu Mail Centre, Palmerston North 4442



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