



2021-22  
**Pūrongo ā-tau Annual Report**



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## Te horopaki

### Setting the scene

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## Message from the Chair and Chief Executive

The 2021-22 financial year saw us returning to lockdown in August and adapting to another new way of working. While COVID-19 did not significantly disrupt our work the previous year, unfortunately, 2021-22 year saw impacts to many work programmes. This was particularly felt by our compliance team, which saw unprecedented levels of staff illness, meaning work programmes could not be completed within their standard timeframes.

Lockdowns and the traffic light system also meant physical inspections could not take place. We activated our Emergency Coordination Centre during the August lockdown. As a regional council, our staff step into a coordination role for civil defence during emergencies, in this case, to support our city and district councils and community groups with welfare needs during this time.

However, while the impacts of COVID-19 were felt for this reporting period, a lot of good work was still achieved. Summer saw the successful deployment of a weed harvester on Lake Horowhenua for a trial to reduce lake toxicity. The trial included harvesting weed from two twenty-hectare sections of the lake, bringing the weed to shore, and then taking it away for composting over a period of two weeks. Samples of the weed were also collected and analysed to help inform future decisions on local uses of the weed. Scientific modelling indicates that weed harvesting could reduce lake toxicity and, in conjunction with other projects, we hope to see improvement over the next few years. This project continues into the 2022-23 financial year and will be considered alongside other environmental improvements for the lake, such as a wetland.

A masterplan for Te Āpiti - Manawatū Gorge, Whakatakotoranga Matua Ki Te Āpiti, was signed off by the governance group. The masterplan provides the vision and strategic framework to protect, preserve, and enhance Te Āpiti Manawatū Gorge. The Gorge covers a 27 km<sup>2</sup> area bisected by the Manawatū awa (river) and is home to an array of thriving native plants and animals. The plan has both long and short-term projects spanning more than 15 years.

The inaugural Pūtea Hapori Urupare Āhuarangi - Community Climate Response Fund launched, providing communities across the region the opportunity to support their own climate change mitigations. This is one of the initiatives Horizons has to help address climate impacts. Other examples include our Sustainable Land Use Initiative (SLUI), which hit many of its targets, and supports reducing hill country erosion and sediment in waterways, and our passenger transport services that aim to be carbon neutral by 2035. A soon-to-be-released climate action plan written by our Climate Action Joint Committee will also provide Horizons, and our city and district councils, with further direction on climate action strategies for the region as a whole.

In early 2022 Feilding received a boost to public transport with a new hourly route introduced for the township called the Orbiter. The Orbiter allows Feilding residents more travel choices rather than the existing commuter services that have a lower frequency around the town. Horizons also started the implementation of the new Regional Land Transport Plan, which provides us strategic direction for managing transport across the region.

Progress continued on Te Pūwaha Whanganui Port Revitalisation Project, with our work on the North Mole being over 50 per cent complete and beginning to move upstream. The second stage of work focuses on strengthening and reconstructing the South Mole along with the reinstatement of the Tanae Groyne. These repairs enable an operational port and provide flood protection to both the port and Whanganui, increasing economic opportunities not just for Whanganui but the wider region and island. Work also continued on our climate resilience projects, with a rock wall on Hartley Street in Foxton that protects the shoreline from erosion being one of the bigger jobs completed.

Throughout the year, freshwater remained a priority for Horizons. The National Environmental Standards for Freshwater saw stock exclusion rules coming into place, and intensive winter grazing was put on hold for timeframes to be reassessed. At the same time, we continued to work on the National Policy Statement for Freshwater Management, which

provides direction for regional councils in the management of freshwater. This included launching a new freshwater website to hold the significant amount of information and community engagement required for the plan revision.

This is just a snapshot of what Horizons has achieved over the 2021-22 period. We encourage you to take a good look at the Activity reports inside this document to find out what else has been completed this year. A final achievement to note is that Michael McCartney was reappointed as Chief Executive of Horizons Regional Council after a rigorous interview process, marking 16 years as Chief Executive of Horizons and over 30 years in local government. The year ahead brings local elections, which will see some new faces step onto Council, including

representatives for Raki Māori and Tonga Māori, our new northern and southern Māori constituencies. This new council will no doubt continue our stringent financial approach and maintain our quality of service, while living up to our vision: *tō tātou rohe – taiao ora, tangata ora, mauri ora*, our place – healthy environment where people are thriving.



Rachel Keedwell  
CHAIR



Michael McCartney  
CHIEF EXECUTIVE

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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

# Welcome to the Annual Report and Financial Overview

This Annual Report describes the work Horizons Regional Council (Horizons) has carried out over the 2021-22 financial year and compares our performance against the Long-term Plan 2021-31.

## Budget Variance

	\$'000
Surplus as per Statement of Comprehensive Revenue and Expense	15,678
-Less: Budgeted net surplus	14,783
Budget variance	895

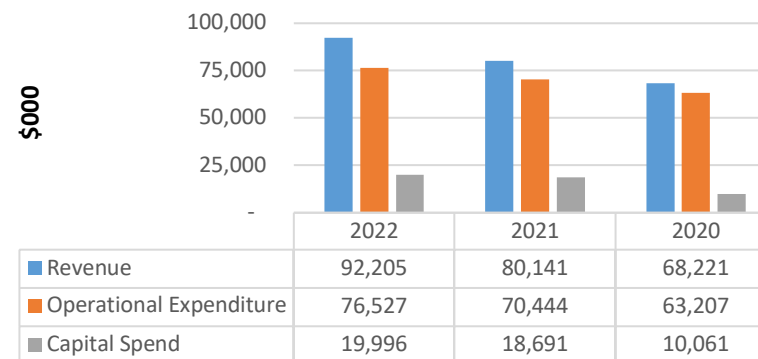
There are several contributors to this budget variance as detailed below:

	\$'000
Land and Water Management	(2,519)
Flood Protection & Control Works	(6,436)
Biosecurity & Biodiversity Protection	44
Regional Leadership & Governance	4,716
Transport	152
Investments	4,938
	<u>895</u>

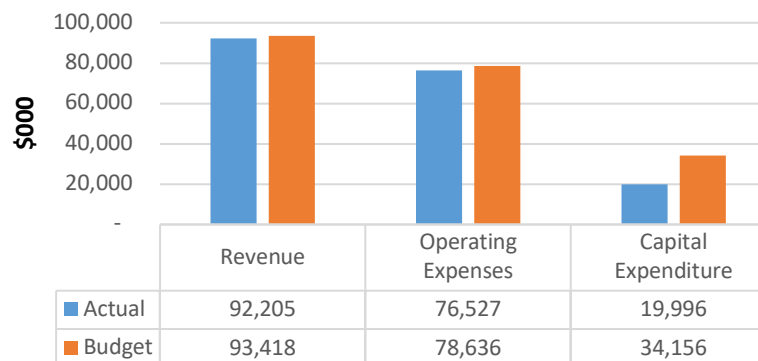
Refer to Explanation of Major Variances Against Budget in note 34 for more detail.

The actual result was \$0.895 million up on budgeted surplus. This is mainly due to the recognition of carbon credits which has helped offset the delays in receiving some grant funding on our Climate Resilience projects.

## Revenue and Expenditure - 3 Year Trend

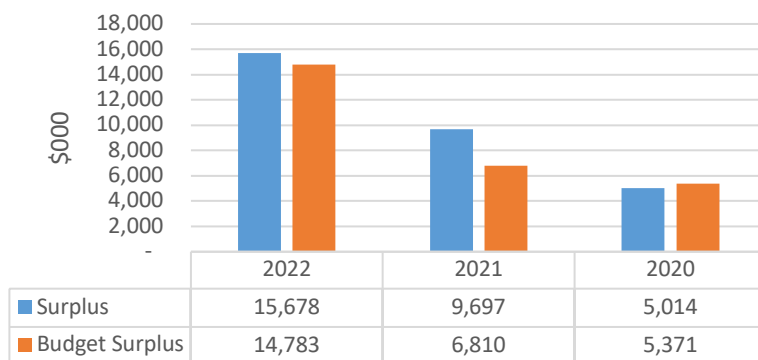


## Financial Result Against Budget



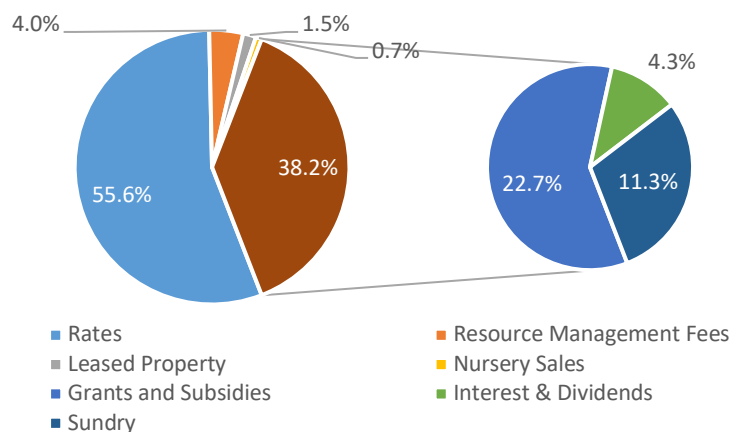


## Actual Net Surplus vs Budget



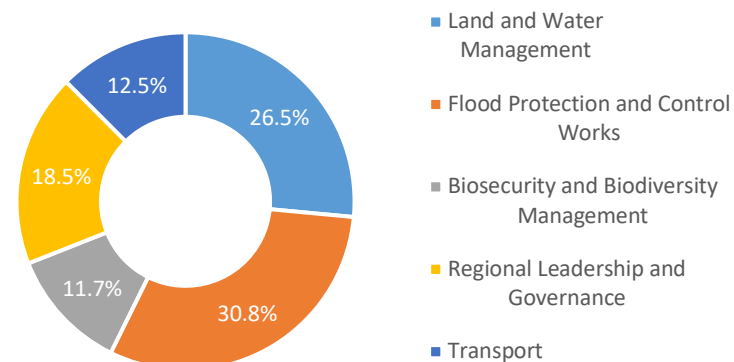
## Revenue

Revenue was \$92.205 million for the year, a decrease of -1.30% on budget. This revenue is derived from multiple sources, with Rates being the main contributor.



## Expenditure

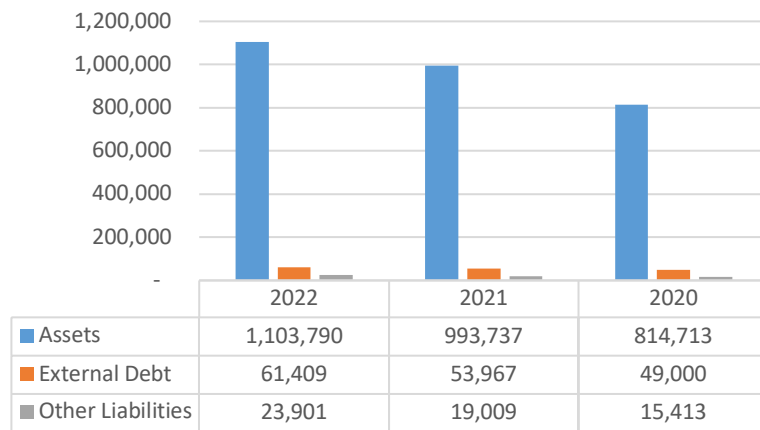
Total expenditure incurred by Horizons during the year was \$96.523 million. This includes operating expenditure of \$76.527 million and capital expenditure of \$19.996 million. Our Climate Resilience works resulted in an additional \$9.334 million in capital expenditure in the Flood Protection and Control Works group of activities.



Note the above does not include the investment activity.

## Horizons' Assets and Liabilities

During the financial year, Horizons' net worth increased from \$920.761 million to \$1,018.480 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 activity. This allows our community to see the levels of service we intend to provide in exchange for their annual rates.

As part of the Annual Report, Horizons reports their 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 2021-31 Long-term Plan targets as these are the targets required to be reported against. An 'Achieved' result is defined when actual performance has met or exceeded set targets. Please see the various activity statements for details on the measures.

Group of Activities	Number of targets	Achieved	Measure Not Applicable	Partially or Not Achieved	% Achieved 2021-22	% Achieved 2020-21
Land and Water Management	24	19	0	5	79.17	87.88
Flood Protection and Control Works	28	13	0	15	46.43	44.44
Biosecurity and Biodiversity Management	16	12	3	1	92.31	100
Regional Leadership and Governance	33	26	3	4	86.67	86.67
Transport	9	5	1	3	62.50	77.78
Investment	3	0	0	3	0.00	60
<b>Total 2021-22</b>	<b>113</b>	<b>75</b>	<b>7</b>	<b>31</b>	<b>70.75</b>	
<b>Total 2020-21</b>	<b>131</b>	<b>94</b>	<b>10</b>	<b>27</b>		<b>77.69</b>

## Vision and Community Outcomes

Our community outcomes are what we aim to achieve to promote the social, economic, environmental, and cultural wellbeing of our communities in the present and for the future whilst taking a sustainable development approach (Local Government Act 2002).

As part of our Long-term Plan, Horizons, as a local authority, is required to set out the region's community outcomes. The current outcomes were finalised through the Long-term Plan 2021-31 community consultation process. They are:

- Our region's ecosystems are healthy
- Our region has effective transport networks
- Our region's communities are resilient to the impacts of natural hazards and climate change
- Our region's economy is thriving
- Our region's communities are vibrant and empowered

These outcomes form a key part of our strategic approach and align with Council's vision for the region:

**Tō tātou rohe – taiao ora, tangata ora, mauri ora.**

Our place – a healthy environment where people are thriving.

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



# **Te whakahaere whenua me te wai**

## **Land and water management**



# Te whakahaere whenua me te wai

## Land and water management

### What we do

Through our land and water activities, we protect and enhance the region's environmental wellbeing for both current and future generations. This has co-benefits to our economic, social and cultural wellbeing. Through both regulatory and non-regulatory programmes, we work with iwi/hapū, landowners, businesses, councils and the community to make decisions on the management of the health of our freshwater and coastal marine ecosystems and enforce environmental regulation. We are also significantly involved in 'on the ground' action to restore ecosystems through activities such as hill country erosion control and riparian fencing and planting, often in partnership with central government, farmers, iwi/hapū and community groups. We also have a substantial science and monitoring programme which helps us report on the state of environment and inform our decisions, including refining our approach, to ensure that we target the right issues with the right actions. The activities that make up this group are **Land Management, Water Quality and Quantity, and Resource Consent and Pollution Management.**

### Why we do it (community outcomes contribution)

Our land and water activities primarily contribute to **healthy ecosystems** by protecting and enhancing the health of our waterways through:

- Regulating and monitoring the use of our environment to ensure its sustainable management, and that community and environmental values are upheld
- Working with and supporting landowners and community on initiatives to protect and restore ecosystems

There are co-benefits from this to supporting a **thriving economy** through:

- Supporting farmers and growers to reduce soil erosion, ensuring our region will maintain its productive soil resource
- Ensuring a fair and sustainable allocation of water for economic use

These activities also support **vibrant and empowered communities** through their support of farmers and community groups by providing funding and making our expertise available to empower them to make their own difference to their local environment.

### What we did this year

#### Land Management

Overall, the six Long-term Plan targets for the Land Management activity (including research) were met in the 2021-22 year.

The Sustainable Land Use Initiative (SLUI) continued in 2021-22. This programme is a partnership with Central Government and funded through the Hill Country Erosion Fund, and this year completed the third year of a four-year contract. At the end of this third year, 14,639 ha of works had been completed in the three years, being more than the target for the four years (13,665 ha). A new funding application was made for another four years from 1 July 2023.

Since SLUI was implemented in 2006, over 5,342 environmental works jobs totalling 51,608 hectares have been completed, and more than 27.3 million trees have been planted. This year, over 540 environmental works were completed totalling 3,431 ha of works, and over 1.8 million trees have been planted.

All of the 2021-22 Long-term Plan targets were met. However, total work programmes were lower than last year, with Covid 19, supply issues for farmers and weather events, meaning it was difficult for farmers to get work completed by the end of June.

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 \$1.679M, reflecting an increase in harvest and transport costs and a decrease in average log value. The council has an obligation to replant the land after the first harvest. Therefore a provision has also been recognised to allow for this cost each year.

As part of the joint venture forests, Horizons Regional Council is able to account for the carbon stored within the forest. As the forests grows, you earn carbon units through the Emissions Trading Scheme (ETS). For this financial year, a total of 70,929 carbon units were allocated, at a total book value of \$5.67M. Note this revenue is reflected in the Investments Group of Activities.

The Whanganui Catchment Strategy grant programme was again supported with funding from the Whanganui River Enhancement Trust (WRET). This funding supported environmental works within the Whanganui River Catchment. This year, WRET funding supported purchase of materials for a trial with the Poplar and Willow Research Trust looking at alternatives to hillside planting poplar and willow poles.

Horizons continued to support industry partnerships through its lead role in the region's Ballance Farm Environmental Awards. The ongoing issues with Covid 19 caused some disruption to this year's programme, with the 2021-22 awards evening being moved from its traditional March date to early July. This means the winners' field day will be held in November. The Poplar and Willow Research Trust was the other major programme supported through membership in 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, contributed to a national awareness campaign for intensive winter grazing best practices, and

supported research projects into distribution of a new poplar insect pest, the poplar sawfly.

This year saw Manaaki Whenua deliver S-map for the Waiopahu (Horowhenua) and the completion of programmed works for year one (of three) for the Upper Manawatū and Lower Gorge Catchments. S-map is New Zealand's national geospatial soil information system. Soils information is required to support decision making relevant to freshwater management, integrated catchment management and sustainable production. Currently, the Horizons Region has approximately 20 per cent coverage of S-Map and continuation using this system would provide uniformity of soils information for priority catchments across the region.

## Water Quality and Quantity

This year saw the continuation of the three Jobs for Nature (Regional Stream Fencing and Riparian Planting, Enhancing Fish Populations through Fish Passage Remediation, and Horowhenua water quality interventions), two Freshwater Improvement Fund (Manawatū and Lake Waipu), and the Waikawa Community Environment Fund projects. These programmes are co-funded through Central Government (administered through the Ministry for the Environment), landowners and rates. These programmes saw the completion of:

- 161 kilometres of stream fencing;
- 174,000 riparian plants planted;
- Remediation of 15 barriers to fish passage;
- Completion of 14 community projects; and
- Monitoring of fish and kakahi populations at 104 sites.

Overall, 11 out of 12 of the Long-term Plan targets (including research) for Freshwater Enhancement were met. The one target not met was the number of riparian plants planted as a part of the regional stream fencing and planting Jobs for Nature project. For this project, 96,999 plants were planted for a target of 100,000. For the other riparian planting target, 73,832 plants were planted for a target of 40,000 plants.

The year saw the completion of the trial year for the weed harvesting operation on Lake Horowhenua. This was a partnership project delivered with the Lake Horowhenua Trust and Muaūpoko Tribal Authority (MTA). In late summer-early autumn, an avian botulism outbreak was experienced on Lake Horowhenua, with a response to the event being led by the Lake Horowhenua Trust and MTA with assistance from Horizons. This work diverted significant staff time from the Horowhenua water quality interventions project.

Monitoring programmes for contact recreation (swim spots), 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.

Additional work to support the implementation of the NPS FM 2020 included:

- Lakes classification and cluster analysis research and further recommendation;
- Monitoring of ecological condition and/or sediment monitoring of seven estuaries;
- Modelling to assess nutrient load reductions required to achieve the various freshwater objectives for rivers and lakes across the region (conducted by LWP Ltd);
- Modelling of erosion and sediment loads across the region for a range of erosion mitigation and climate change scenarios;
- Contaminant Accounting and Modelling Systems (CAMS) for the Waiopēhu FMU;
- Calibration of SCAMP nitrogen and phosphorus models for the four major regional basins.

## **Resource Consent and Pollution Management**

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 2068 consents were assessed during the year, of which 63 percent were fully compliant with their conditions. 16 percent of assessed consents received Low non-compliance grading, 9 percent received Medium and, 13 percent received Significantly Non-

Compliant gradings. Consent holders are generally more aware of potential consequences of non-compliance and are proactive in notifying problems to Horizons along with their actions to remedy or mitigate potential effects on the environment. Information continues to be provided to consent holders, and staff are available to undertake additional inspections when requested. Additionally, staff continue to take appropriate enforcement action in the event non-compliance is identified. This has resulted in 13 Formal Warnings, 52 Infringement Notices and 46 Abatement Notices being issued. Six matters were brought before the Courts.

The year has also seen Horizons continue to either process or receive a significant number of complex and high-profile consent applications. For example, Council has continued to progress a number of wastewater treatment plants which has seen both the Eketahuna and Pahiatua plants now operating under a new consent regime. Approximately 261 resource consent applications were granted, resulting in 806 activities being authorised, of which 79 percent were processed within statutory timeframes.

The reporting year saw 1265 incidents received and responded to. This is a slight increase from 2020-2021 year, that saw 1226 incidents received.

Three hundred and twenty one (321) HAIL requests were received and responded to. Most requests relate to purchasers undertaking due diligence as part of a sale and purchase process.

In addition to the above, staff have continued to be involved in the implementation of national regulations such as the National Environmental Standard - Freshwater, National Environmental Standard - Plantation Forestry and National Environmental Standard - End of Life Tyres, and proposals for Resource Management Act reform. Regulatory advice has been provided to significant infrastructure projects such as Otaki to North Levin highway re-alignment and repowering of the Te Rere Hau Windfarm.

A number of performance measures were not met this year as a result of:



- On-going staff vacancies, particularly senior positions;
- The impact of COVID 19, which has been two-fold. First it has resulted in approximately 2,200 hours of lost staff time due to illness; and second, has at times impacted on the ability to undertake site visits, particularly during lock downs and/or being in the red alert level;
- COVID 19 has also impacted both consultants and internal technical staff's ability to assist with providing consent advice in a timely manner



*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.*

Since the Sustainable Land Use Initiative (SLUI) started in 2006, over 29 million trees have been planted, and Horizons has established relationships with more than 780 landowners to develop whole-farm plans across 649,000 hectares, representing over half the highly erodible land in the region. Funding received from the Ministry for Primary Industries (MPI) through the Hill Country Erosion Programme, ratepayers and landowners has contributed to keeping the valuable soil on our hills and out of our waterways by targeting the most at-risk areas in the region.

SLUI works include pole planting, forestry, stream fencing, sediment traps, reversion of land in pasture to native cover, and fencing of existing bush remnants. Every year, Horizons has targets to meet as part of the contract with MPI that relate to on-farm works and the

development of Whole Farm Plans (WFPs). The ambitious on-farm works target that was set at the beginning of the current contract has been completed in 2021-22, a year earlier than required.

This achievement is notable as poor weather conditions, rising costs associated with the physical works, and COVID impacting staff, landowners, and contractors have all provided challenges. Yet the target of 13,665 hectares of on-farm works was exceeded, with the actual hectares completed totalling 14,639. This is due to a lot of hard work and investment by the region's landowners and commitment from Horizons' land team.

Of the 629 grant applications received for on-farm works, 529 were completed, and the remaining 100 have been rolled over into the next year's programme. This was the second-highest amount of claims Horizons has ever completed in a year. The target for WFPs is also well on track for this point in the contract and should easily meet the contract target by the end of 2022-23.

*Group of Activities performance against the 2021-22 Long-term Plan: Of the overall 24 performance targets set for the Group, 19 were achieved, and 5 were not achieved.*

## What we have delivered – Land Management

Achieved	Not Achieved			Not Applicable
6	0			0
Performance Measures for Levels of Service	Long-term Plan 2021-31 2021-22	Actual 2020-21	Actual 2021-22	Comment
<b>SUSTAINABLE LAND USE INITIATIVE (SLUI)</b>				
Erosion reduction works programmes in targeted SLUI catchments (hectares).	3,100	3,910	3,411 ●	Achieved
Hectares of Whole Farm Plan properties mapped per year.	20,000	23,181	26,906 ●	Achieved
<b>REGIONAL LAND INITIATIVES AND WHANGANUI CATCHMENT STRATEGY</b>				
Manage environmental grant programme to deliver erosion reduction works (hectares).	175	197	187 ●	Achieved
Support industry initiatives that promote sustainable land use via industry partnerships (incl. Whanganui River Enhancement Trust).	5	7	7 ●	Poplar and Willow Research Trust, Ballance Farm Environment Awards, Middle Districts Farm Forestry Association, Farmed Landscape Research Centre, Sustainable Food and Fibre Futures, Beef and Lamb New Zealand, Catchment Groups
Operate Council nursery and source additional commercial material to deliver poles (poplar and willow) to erosion control programmes (number of poles).	30,000	32,600	33,429 ●	Poles sourced in winter 2021
<b>RESEARCH AND MONITORING</b>				
Annual report on the previous year's land and fluvial monitoring and research activity.	Achieved	Achieved	Achieved ●	Report presented to Environment Committee in June 2022 \\file\herman\E\WQ\07\03\Reports and Data\SedNetNZ for NPS-FM implementation\LC5033_HRC_SedNetNZ_report with cover.pdf

## What we have delivered – Water Quality and Quantity

Achieved	Not Achieved			Not Applicable
11	1			0
Performance Measures for Levels of Service	Long-term Plan 2021-31 2021-22	Actual 2020-21	Actual 2021-22	Comment
<b>FRESHWATER ENHANCEMENT TO ENABLE AND ENCOURAGE THE PROTECTION AND ENHANCEMENT OF WATER QUALITY, RIPARIAN MARGINS AND AQUATIC HABITAT</b>				
Deliver freshwater enhancement work within the Manawatū Catchment in alignment with the Manawatū River Leaders' Accord and through delivery of the Manawatū Freshwater Improvement Fund project, including:				
Stream fencing (km);	50 km	83.2 km	54.1km ●	
Riparian plants (number);	40,000	114,515	73,832 ●	
Remediate fish barriers (number);	4	8	6 ●	
Community projects (funded).	9	10	14 ●	
Delivery of the Jobs for Nature - Public Waterways and Ecosystem Restoration Fund Project Enhancing fish populations through fish passage remediation project, including:				
Investigation of selected areas for fish barriers;	1	New measure	Complete ●	
Fish/kakahi monitoring at a number of sites; and	12	New measure	104 ●	
Remediation of barriers to fish passage (number).	6	New measure	9 ●	
Deliver freshwater enhancement work in the Waipu Catchment through the Freshwater Improvement Fund project, including:				
Annual report to Council on the Waipu Catchment Freshwater Improvement Fund project.	Achieved	1	Complete ●	
Delivery of the Jobs for Nature - Public Waterways and Ecosystem Restoration Fund Project Regional Stream Fencing and Riparian Planting, including:				
Stream fencing (km);	105 km	39.746 km	106.2 km ●	
Riparian Plants (number).	100,000	61,996	96,999 ●	A couple of jobs were cancelled by landowners in late June due to Covid and contractor availability to complete preparatory work for planting. Works will be carried over to be completed in the new financial year.



Deliver freshwater enhancement work within the Lake Horowhenua Catchment in alignment with the Lake Horowhenua Accord and through deliver of the Jobs for Nature - Public Waterways and Ecosystem Restoration Fund Project Lake Horowhenua Water Quality Interventions including:				
Annual report to Council on lake restoration activity including the Jobs for Nature Fund project for Lake Horowhenua	Achieved	New measure	Complete ●	Report presented to Council at Environment Committee on 15 September 2021 and can be accessed at <a href="https://www.horizons.govt.nz/HRC/media/Media/Agenda-Reports/Environment-Committee-(3)/Environment-Committee-2021-15-09/21122%20Annex%20D%20Water%20Quality%20%20Quantity.pdf">https://www.horizons.govt.nz/HRC/media/Media/Agenda-Reports/Environment-Committee-(3)/Environment-Committee-2021-15-09/21122%20Annex%20D%20Water%20Quality%20%20Quantity.pdf</a>
<b>IMPROVE KNOWLEDGE AND UNDERSTANDING OF THE REGION'S WATER RESOURCE</b>				
Annual report to Council on the previous year's water quantity and quality monitoring and research activity and its findings	Achieved	Complete	Achieved ●	Report presented to Council at Environment Committee on 15 September 2021 and can be accessed at <a href="https://www.horizons.govt.nz/HRC/media/Media/Agenda-Reports/Environment-Committee-(3)/Environment-Committee-2021-15-09/21122%20Annex%20D%20Water%20Quality%20%20Quantity.pdf">https://www.horizons.govt.nz/HRC/media/Media/Agenda-Reports/Environment-Committee-(3)/Environment-Committee-2021-15-09/21122%20Annex%20D%20Water%20Quality%20%20Quantity.pdf</a>

## What we have delivered – Resource Consent and Pollution Management

Achieved	Not Achieved			Not Applicable
2	4			0
Performance Measures for Levels of Service	Long-term Plan 2021-31 2021-22	Actual 2020-21	Actual 2021-22	Comment
<b>CONSENTS PROCESSING</b>				
Process consents within Resource Management Act (RMA) timeframes.*	85%	84%	79% ●	There are number of reasons for this, primarily due to COVID 19 impacting on staff and consultant availability and a number of senior vacancies in the team.
<b>COMPLIANCE MONITORING</b>				
Monitor compliance of all resource consents identified in the rural annual compliance monitoring programme.	90%	64%	62% ●	Programme has been impacted by COVID lockdowns, alert levels and illness, which has impacted on the ability of the team to undertake site visits.
Monitor compliance on Category 1 and Category 2 (high priority) sites identified in the TA and industry annual monitoring programme.	100%	72%	59% ●	Programme has been impacted by on-going vacancies, COVID restrictions and illnesses. As a result, 12 sites will have their assessments completed by 31 August 2022.
Take action in relation to significant or serious non-compliance	100%	100%	100% ●	
<b>INCIDENT RESPONSE AND HAIL</b>				
All notifications of non-compliance from the public are responded to.**	100%	100%	100% ●	
All HAIL (Hazardous Activities and Industries List) enquiries are responded to within 10 working days.	100%	100%	70% ●	Staff focussed on completing their programmed compliance work, which took longer than anticipated and was impacted by COVID. During the year, there were 321 enquiries, of which 94 were not done within the required timeframe. Of the 94, the average response time was 16 days.

\* Consideration of national averages as reported by the Ministry for the Environment will be taken into account when measuring success against this measure

\*\* 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.).

# Funding Impact Statement for the Land and Water Management Group of Activities to 30 June 2022 (\$000)

	LTP 2021-31 2021-22	Actual 2021-22	LTP 2018-28 2020-21	Actual 2020-21
<b>Sources of operating funding</b>				
General rates, uniform annual general charge, rates penalties	13,539	13,539	11,872	11,980
Targeted rates	765	765	621	596
Subsidies and grants for operating purposes	5,604	4,133	1,089	2,726
Fees and charges	6,266	5,180	4,768	5,111
Internal charges and overheads recovered	-	106	-	41
Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	-	-
<b>Total operating funding (A)</b>	<b>26,174</b>	<b>23,723</b>	<b>18,349</b>	<b>20,454</b>
<b>Applications of operating funding</b>				
Payments to staff and suppliers	11,655	9,528	7,452	9,846
Finance costs	-	-	-	-
Internal charges and overheads applied	13,998	13,466	10,827	10,887
Other operating funding applications	-	-	-	-
<b>Total applications of operating funding (B)</b>	<b>25,652</b>	<b>22,994</b>	<b>18,279</b>	<b>20,733</b>
<b>Surplus (deficit) of operating funding (A-B)</b>	<b>522</b>	<b>729</b>	<b>70</b>	<b>(279)</b>
<b>Sources of capital funding</b>				
Subsidies and grants for capital expenditure	-	-	-	5,600
Development and financial contributions	-	-	-	-
Increase (decrease) in debt	(123)	(80)	-	-
Gross proceeds from sale of assets	-	-	-	-
Lump sum contributions	-	-	-	-
Other dedicated capital funding	-	-	-	-
<b>Total sources of capital funding (C)</b>	<b>(123)</b>	<b>(80)</b>	<b>-</b>	<b>5,600</b>
<b>Application of capital funding</b>				
Capital expenditure				
-to meet additional demand	-	-	-	-
-to improve the level of service	657	-	-	6,750
-to replace existing assets	-	471	299	1,351
Increase (decrease) in reserves	(258)	178	(230)	(2,780)
Increase (decrease) of investments	-	-	-	-
<b>Total applications of capital funding (D)</b>	<b>399</b>	<b>649</b>	<b>70</b>	<b>5,321</b>
<b>Surplus (deficit) of capital funding (C-D)</b>	<b>(522)</b>	<b>(729)</b>	<b>(70)</b>	<b>279</b>
<b>Funding balance ((A-B)+(C-D))</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

# Ārai waipuke me te mahi whakahaere

## Flood protection and control works





# Ārai waipuke me te mahi whakahaere

## Flood protection and control works

### What we do

The flood protection and control works group of activities includes:

- **River and Drainage General**, and
- **River and Drainage Scheme**

Through these activities, we design, build, manage, and maintain river management and erosion protection schemes that provide protection from flooding, riverbank erosion and channel movement to 11 urban areas and 75,000 hectares of rural land.

This work enables the productive potential of a significant part of the region to be fully realised, protecting people, property, and infrastructure from flooding.

### Why we do it (community outcomes contribution)

Our flood protection and river control activities primarily contribute to **resilient communities** by:

- Providing flood and erosion protection
- Providing information and advice about flood risk to enable informed decisions to be made
- Embedding climate change considerations within the activities

These activities also support **a thriving economy** through the direct and substantive benefits to the region's economic activity derived from flood protection, river control, land drainage infrastructure and activities.

### What we did this year

#### River and Drainage General

The River and Drainage General activity includes investigations and design activity as well as implementation work via the Environmental Grant programme. Overall the programme achieved 2 out of 4 of the Long-term Plan targets.

The target for three scheme reviews was not completed as scheme reviews were put on hold due to organisational change to support further integration of the Horizons operational activity catchments. The non-completion of the scheme reviews is not considered to have any impact on the levels of service by the River Management Activity of Horizons.

One of the targets met was the production of operations, maintenance and surveillance manuals for the Lower Kīwitea and Lower Whanganui Scheme. A further target completed was assessing the performance of flood-protection assets using the Code of Practice developed by the River Managers Forum to the Lower Manawātū Scheme.

The environmental grant programme completed 1 project for a target of 10 completing/ non-completing its targets.

#### River and Drainage Scheme

The River and Drainage Scheme Activity includes the operational activity for the river management scheme. The targets for these relate to asset inspections, ensuring schemes meet levels of service, completing maintenance programmes, asset renewals, flood repairs, and capital

programmes. The targets for these activities are measured across the four main regional areas Northern: Central, Southern and Eastern.

Overall 11 out of 24 (46%) of the River and Drainage scheme targets were met.

Three out of four areas did not meet both the targets for completion of maintenance programmes and for schemes meeting the level of service.

While appropriate maintenance was completed on critical assets to ensure no impact on level of service, not all maintenance inspections were completed, and technical service requirements met for the region's schemes.

Three out of the four areas did not achieve the target for completing asset management inspections. The main reason for this was the availability of staff resources. In the 2022-23 year, a dedicated team for this task has been established with additional resourcing.

All four areas met both the targets for completing flood repairs within 6 months of flood damage. The Eastern area was affected by flooding throughout the year. The Mangatainoka and Upper Manawatū schemes experienced a large amount of flood damage from 5-year return floods between May and September 2021. Significant damage was done in both schemes, which necessitated additional works which were not budgeted for. The South Eastern Ruahine was also affected by flooding in March 2022, which necessitated urgent repairs. This additional flood repair work was completed in April.

Three out of four of the areas completed the targets for capital renewals. The Makerua scheme renewal was deferred to enable some further design work to be completed.

Three out of four of the areas did not meet the target for capital renewal works. On a budgetary basis, the River Management area capital programme delivered \$14.37M, being approximately three times the amount of work compared to the previous year of \$5.04M and more than the average for the past 5 years of \$6.67M. As forecast, the delivery was short of the budget of \$27.08M. The capital programme forecast was significantly reviewed in a paper to Council in early May.

The reduced spend was primarily due to Council not purchasing further land for the Reid Line project (Feilding Special Project) and delays and changes to the Central Government co-funded projects.

The Reid Line project had a budget of approx. \$4.06M and spent a total of \$14k. The reduced expenditure was due to not purchasing further land for the project. The project has moved into a further design phase, including how this project fits into the broader flood protection and stormwater management activity for Feilding. This design information will assist with future decisions around land purchase.

The Central Government co-funded projects that had some changes to budget and scope during the 2021-22 year.

Council reduced the scope of the Te Pūwaha project and increased the budget in April. While the Stage 3 component of this project was removed from the Central Government co-funded project, Council are investigating Stage 3 and will consider delivery of this via the upcoming Annual Plan process.

The four climate resilience projects continued (Rangitikei, Te Awahao Foxton, Lower Manawatū and Palmerston North Stopbanks). Council reduced both the scope and budget for the Te Awahou Foxton project in May. The reduced scope provides for the central government co-funded project to deliver a smaller scope within the available timeframes, and this project remains compatible with the original larger scope for the project. The Lower Manawatū and Palmerston North City stopbanks projects underwent a review of sub-projects based on risk and consequence and changes were made to some sub-projects scope and budgets. The overall scope of these two projects remains the same, however there are changes to the individual projects.

Changes to the Capital Programme were considered in May, and this information was used as a basis to set budgets for the current 2022-23 Annual Plan. Some capital project delivery was impacted by the wet weather events in June.



*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.*

Horizons Regional Council remains an active part of the Whanganui port revitalisation project that has been underway since October 2020. The project is named Te Pūwaha, referring to both the translation of 'river mouth' and the name of the partnership between Whanganui iwi, community members and four other partners invested in the project. The total investment in Te Pūwaha is over \$50 million, with \$26.75 million from the central government's Provincial Growth Fund and the remaining costs covered by project partners.

Te Pūwaha aims to develop a modern marine precinct and secure the Whanganui port as a long-term community economic and recreational asset. Due to the degraded state of the training structures, Horizons are at the forefront of the work to strengthen the North Mole, South Mole and reinstate the Tanae Groyne. These structures are required to maintain the current river channel alignment at the mouth of the river.

Other functions include provision of improved hydraulic flushing to provide a more navigable river entrance for vessels and reducing wave energy entering the lower river. The lower river infrastructure, through maintaining alignment of the channel, is fundamental in protecting the town's critical infrastructure from erosion and sea encroachment. This infrastructure limits migration of the river mouth and energy of waves coming into the Port area and Horizons' flood protection assets in Balgownie. The certainty of this alignment is a critical component to the wider Te Pūwaha project through securing the port as a community and economic asset.

The Horizons portion of work commenced in December 2021, with the strengthening of the North Mole currently underway and looking to be completed in early 2023. Good quality and durable rock has been supplied by local contractor Mills-Albert Limited, and the physical construction work is being completed by Cashmore Contracting Limited. The next steps for repairing the South Mole and reinstating a 50m Tanae Groyne are currently being put into place, with work expected to begin in 2023.

*Group of activities performance against the 2021-22 Long-term Plan: Of the overall 28 performance targets set for the Group, 13 were achieved, and 15 were not achieved.*

**Table 1 – Programme of application of the Code of Practice**

<b>Scheme</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>	<b>Year 6</b>	<b>Year 7</b>	<b>Year 8</b>	<b>Year 9</b>	<b>Year 10</b>
Ashhurst										
Hōkio Drainage										
Koputaroa Drainage										
Lower Kiwitea										
Lower Manawatū										
Lower Whanganui										
Makerua Drainage										
Manawatū Drainage										
Mangatainoka										
Matarawa										
Moutoa Drainage										
Ōhau-Manakau										
Pohangina Ōroua										
Rangitikei										
Te Kawanui Drainage										
Tūtaenui										
Upper Manawatū-Lower Mangahao										
Upper Whanganui										
Whirokino Drainage										

**Table 2 – Programme of Operations and Maintenance Manual Development**

<b>Scheme</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>	<b>Year 6</b>	<b>Year 7</b>	<b>Year 8</b>	<b>Year 9</b>	<b>Year 10</b>
Ashhurst										
Forest Road Drainage										
Foxton East Drainage										
Himitangi Drainage										
Hōkio Drainage										
Koputaroa Drainage										
Lower Kiwitea										
Lower Whanganui										
Makerua Drainage										
Manawatū Drainage										
Mangatainoka										
Moutoa Drainage										
Ōhau-Manakau										
Pohangina Ōroua										
South East Ruahine										
Tawataia-Mangaone Drainage										
Te Kawanui Drainage										
Tūtaenui										
Upper Manawatū-Lower Mangahao										
Upper Whanganui										
Whirokino Drainage										

## What we have delivered – River and Drainage General

Achieved	Not Achieved			Not Applicable
2 ●●	2 ●●			0
Performance Measures for Levels of Service	Long-term Plan 2021-31 2021-22	Actual 2020-21	Actual 2021-22	Comment
<b>INVESTIGATIONS AND ADVICE</b>				
In accordance with the programme identified in the Infrastructure Strategy, carry out and report to Council on reviews of schemes, assessing whether the current management approach is sustainable, how best to meet the needs of the community now and in future, and whether the associated funding model is both efficient and equitable (reports to Council).	3	New Measure	0 ●	With a change in focus occurring towards a catchment-based model (including restructuring to form a Catchment Operations Group) and other work priorities, no scheme reviews were completed in 2021-2022.
In accordance with the programme identified in Table 1, assess the performance of flood protection assets in line with the Code of Practice developed by River Managers Forum (schemes assessed).	1	New Measure	1 ●	Completed for Lower Manawatū Scheme by Tonkin + Taylor.
In accordance with the programme identified in Table 2, produce operations, maintenance and surveillance manuals that capture scheme history, operating context and the inspection and maintenance activities required to deliver the levels of service to the relevant communities (Operations and Maintenance manuals produced).	2	New Measure	2 ●	Completed for Lower Kiwitea and Lower Whanganui Schemes.
<b>IMPLEMENTATION</b>				
Apply environmental grant funding assistance to applicants where criteria is satisfied (grants).	10	1	1 ●	One grant awarded, with one to be awarded by August 2022 and progress made on three others that may be reapplied for in 2022-2023.



## What we have delivered – River and Drainage Schemes

Achieved ●●●●●●●●●●●●●●	Not Achieved ●●●●●●●●●●●●●●			Not Applicable
11	13			0
Performance Measures for Levels of Service	Long-term Plan 2021-31 2021-22	Actual 2020-21	Actual 2021-22	Comment
<b>NORTHERN SCHEMES</b>				
<b>Flood and erosion protection assets and systems are maintained.</b>				
Completion of maintenance programme. Schemes to be maintained to full service potential in accordance with the Asset Management Plan or the Operations and Maintenance Manual.	Achieved	New Measure	Not Achieved ●	While appropriate maintenance was completed on critical assets to ensure no impact on level of service, not all maintenance inspections were completed and technical service requirements met for the region's schemes. This meant that maintenance of the full service potential per the asset management plan or operations and maintenance manual could not be fully demonstrated.
System performance design standard. Schemes meet level of service requirements as documented in the Asset Management Plans.	Achieved	New Measure	Not Achieved ●	Due to all maintenance inspections not being completed, some technical service requirements not being met, and not all asset inspections being completed for the region's schemes meeting the level of service requirements under the Asset management plans could not be fully demonstrated. Focus was on ensuring critical assets required for resilience of the networks were captured and met target requirements, so, overall, there was no impact on level of service.
Completion of asset inspection programme. Scheme asset inspections are completed in accordance with requirements specified in the Asset Management Plan or the Operations and Maintenance Manual.	Achieved	New Measure	Not Achieved ●	A small number of assets on the Rangitikei River not inspected as weather prevented boat access.
<b>Flood and erosion protection assets and systems are repaired.</b>				
Response to flood event or damage. Following a flood event, damage is identified and programmed for repair. High priority works are completed within 6 months.	Achieved	New Measure	Achieved ●	Works have been prioritised and high priority works have been completed within 6 months.
<b>Assets are renewed at end of useful life or to address a service level change.</b>				
Completion of renewals programme. As per Asset Management Plan Renewal programme	Achieved	New Measure	Achieved ●	All renewals have been completed

<b>New assets are constructed.</b>				
Completion of new capital works programme. Complete all capital works as outlined in the Asset Management Plan and budgeted for in the Annual Plan.	Achieved	New Measure	Not Achieved ●	The Parewanui Stop bank upgrade completed on the Rangitikei River. This completed a 12 year project on time and on budget. Three stop bank raises completed ahead of schedule to eliminate the need for portable flood barriers. Pre-design investigation on the Tutaenui not completed due to staff resource shortages in Design Team.
<b>CENTRAL SCHEMES</b>				
<b>Flood and erosion protection assets and systems are maintained.</b>				
Completion of maintenance programme. Schemes to be maintained to full service potential in accordance with the Asset Management Plan or the Operations and Maintenance Manual.	Achieved	New Measure	Not Achieved ●	While appropriate maintenance was completed on critical assets to ensure no impact on level of service, not all maintenance inspections were completed and technical service requirements met for the region's schemes. This meant that maintenance of the full service potential per the asset management plan or operations and maintenance manual could not be fully demonstrated.
System performance design standard. Schemes meet level of service requirements as documented in the Asset Management Plans.	Achieved	New Measure	Not Achieved ●	Due to all maintenance inspections not being completed, some technical service requirements not being met, and not all asset inspections being completed for the region's schemes meeting the level of service requirements under the Asset management plans could not be fully demonstrated. Focus was on ensuring critical assets required for resilience of the networks were captured and met target requirements, so, overall, there was no impact on level of service.
Completion of asset inspection programme. Scheme asset inspections are completed in accordance with requirements specified in the Asset Management Plan or the Operations and Maintenance Manual.	Achieved	New Measure	Not Achieved ●	Due to staff resources, focus has been placed on completing inspections of key assets, so not all assets have been inspected.
<b>Flood and erosion protection assets and systems are repaired.</b>				
Response to flood event or damage. Following a flood event, damage is identified and programmed for repair. High priority works are completed within 6 months.	Achieved	New Measure	Achieved ●	
<b>Assets are renewed at end of useful life or to address a service level change.</b>				
Completion of renewals programme. As per Asset Management Plan Renewal programme	Achieved	New Measure	Achieved ●	

<b>New assets are constructed.</b>				
Completion of new capital works programme. Complete all capital works as outlined in the Asset Management Plan and budgeted for in the Annual Plan.	Achieved	New Measure	Not Achieved ●	Capital works within the climate resilience programs have not been completed due to lack of resources.
<b>SOUTHERN SCHEMES</b>				
<b>Flood and erosion protection assets and systems are maintained.</b>				
Completion of maintenance programme. Schemes to be maintained to full service potential in accordance with the Asset Management Plan or the Operations and Maintenance Manual.	Achieved	New Measure	Not Achieved ●	While appropriate maintenance was completed on critical assets to ensure no impact on level of service, not all maintenance inspections were completed and technical service requirements met for the region's schemes. This meant that maintenance of the full service potential per the asset management plan or operations and maintenance manual could not be fully demonstrated.
System performance design standard. Schemes meet level of service requirements as documented in the Asset Management Plans.	Achieved	New Measure	Not Achieved ●	Due to all maintenance inspections not being completed, some technical service requirements not being met, and not all asset inspections being completed for the region's schemes meeting the level of service requirements under the Asset management plans could not be fully demonstrated. Focus was on ensuring critical assets required for resilience of the networks were captured and met target requirements, so, overall, there was no impact on level of service.
Completion of asset inspection programme. Scheme asset inspections are completed in accordance with requirements specified in the Asset Management Plan or the Operations and Maintenance Manual.	Achieved	New Measure	Not Achieved ●	Due to staff resources focus has been placed on completing inspections of key assets so not all assets have been inspected.
<b>Flood and erosion protection assets and systems are repaired.</b>				
Response to flood event or damage. Following a flood event, damage is identified and programmed for repair. High priority works are completed within 6 months.	Achieved	New Measure	Achieved ●	
<b>Assets are renewed at end of useful life or to address a service level change.</b>				
Completion of renewals programme. As per Asset Management Plan Renewal programme	Achieved	New Measure	Not Achieved ●	Changes in works priorities on some of the projects have impacted on some of the renewal projects in particular in the Makerua Drainage Scheme where the replacement of Waterfall Creek had been program but the project then included in the Climate resilience project and deferred to 2022-23.

<b>New assets are constructed.</b>				
Completion of new capital works programme. Complete all capital works as outlined in the Asset Management Plan and budgeted for in the Annual Plan.	Achieved	New Measure	Not Achieved ●	Staff shortages and delays in engaging a contractor has meant that some of the capital works have not been completed.
<b>EASTERN SCHEMES</b>				
<b>Flood and erosion protection assets and systems are maintained.</b>				
Completion of maintenance programme. Schemes to be maintained to full service potential in accordance with the Asset Management Plan or the Operations and Maintenance Manual.	Achieved	New Measure	Achieved ●	Potential has been maintained as per AMPs
System performance design standard. Schemes meet level of service requirements as documented in the Asset Management Plans.	Achieved	New Measure	Achieved ●	All assets meet the design standard as per surveys
Completion of asset inspection programme. Scheme asset inspections are completed in accordance with requirements specified in the Asset Management Plan or the Operations and Maintenance Manual.	Achieved	New Measure	Achieved ●	All assets have been inspected
<b>Flood and erosion protection assets and systems are repaired.</b>				
Response to flood event or damage. Following a flood event, damage is identified and programmed for repair. High priority works are completed within 6 months.	Achieved	New Measure	Achieved ●	Works have been prioritised and high priority works have been completed within 6 months.
<b>Assets are renewed at end of useful life or to address a service level change.</b>				
Completion of renewals programme. As per Asset Management Plan Renewal programme	Achieved	New Measure	Achieved ●	All renewals have been completed
<b>New assets are constructed.</b>				
Completion of new capital works programme. Complete all capital works as outlined in the Asset Management Plan and budgeted for in the Annual Plan.	Achieved	New Measure	Achieved ●	All CAPEX has been completed

Explanatory Note: The following flood protection levels are provided by our key schemes (refer Figure 2 in Section 3 of our Infrastructure Strategy):

Lower Manawatū Scheme: 1% AEP\*, with 0.2% AEP within the Palmerston North urban area

Rangitikei Scheme: 1-2% AEP depending on location

Manawatū Drainage Scheme: 20% AEP

Mangatainoka Scheme: 5-20% AEP depending on location

South Eastern Ruahine Scheme: 20% AEP

Other Schemes that provide flood protection do so to levels between 5-1% AEP depending on location

\*Annual Exceedance Probability (AEP) refers to the probability of a flood event at or above a given size occurring in any year. For example, a large flood which may be calculated to have a 1% change to occur in any one year is described as 1% AEP. 20% AEP equates to a 1 in 5 year flood, while a 0.2% AEP equates to a 1 in 500 year flood.

## Funding Impact Statement for the Flood Protection and Control Works Group of Activities to 30 June 2022 (\$000)

	LTP 2021-31 2021-22	Actual 2021-22	LTP 2018-28 2020-21	Actual 2020-21
<b>Sources of operating funding</b>				
General rates, uniform annual general charge, rates penalties	4,040	4,040	4,304	3,907
Targeted rates	11,391	11,391	12,086	11,000
Subsidies and grants for operating purposes	-	-	-	1
Fees and charges	1,793	942	1,916	1,495
Internal charges and overheads recovered	750	632	554	496
Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	-	-
<b>Total operating funding (A)</b>	<b>17,974</b>	<b>17,005</b>	<b>18,860</b>	<b>16,899</b>
<b>Applications of operating funding</b>				
Payments to staff and suppliers	6,106	7,093	5,934	6,939
Finance costs	-	-	-	-
Internal charges and overheads applied	6,380	5,832	7,081	4,465
Other operating funding applications	-	-	-	-
<b>Total applications of operating funding (B)</b>	<b>12,486</b>	<b>12,925</b>	<b>13,015</b>	<b>11,404</b>
<b>Surplus (deficit) of operating funding (A-B)</b>	<b>5,488</b>	<b>4,080</b>	<b>5,845</b>	<b>5,495</b>
<b>Sources of capital funding</b>				
Subsidies and grants for capital expenditure	12,865	8,908	-	1,180
Development and financial contributions	-	-	-	-
Increase (decrease) in debt	5,806	444	1,539	(548)
Gross proceeds from sale of assets	-	-	-	-
Lump sum contributions	-	-	-	-
Other dedicated capital funding	2,420	1,136	-	495
<b>Total sources of capital funding (C)</b>	<b>21,091</b>	<b>10,488</b>	<b>1,539</b>	<b>1,127</b>
<b>Application of capital funding</b>				
Capital expenditure				
-to meet additional demand	-	-	-	-
-to improve the level of service	26,481	14,164	5,723	4,901
-to replace existing assets	601	211	368	140
Increase (decrease) in reserves	(503)	193	1,293	1,581
Increase (decrease) of investments	-	-	-	-
<b>Total applications of capital funding (D)</b>	<b>26,579</b>	<b>14,568</b>	<b>7,384</b>	<b>6,622</b>
<b>Surplus (deficit) of capital funding (C-D)</b>	<b>(5,488)</b>	<b>(4,080)</b>	<b>(5,845)</b>	<b>(5,495)</b>
<b>Funding balance ((A-B)+(C-D))</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**Tiaki koiora**  
**Biosecurity and  
biodiversity protection**





# Tiaki koiora

## Biosecurity & biodiversity protection

### What we do

The indigenous species of Aotearoa are special as they are found nowhere else in the world. New Zealand's flora and fauna have been particularly vulnerable to the impacts of habitat loss and introduced pests. This has resulted in significant declines in biodiversity. Reversing these will take the concerted efforts of multiple agencies and communities. Through our **biosecurity** and **biodiversity** activities, we protect and enhance the region's environmental wellbeing for both current and future generations. Our biosecurity activity also plays an important role in safeguarding the economic wellbeing of our rural sector.

The biosecurity programme includes delivery of the Regional Pest Management Plan to control, exclude or eradicate plant and animal pests that have established breeding populations in New Zealand and pose a threat to our region's economy and ecosystems. Much of our work is in partnership with landowners, community groups and other stakeholders who share our passion for our native taonga.

### Why we do it (community outcomes contribution)

Our biosecurity and biodiversity activity contributes to **healthy ecosystems** by protecting and enhancing the health of our indigenous ecosystems through:

- Implementation of the Regional Pest Management Plan
- Delivery of the regional possum control programme, rook control and an amenity pest programme

- Active management of high priority remnants of threatened ecosystems, including a regional park and
- Supporting community groups and other stakeholder groups to protect and enhance biodiversity on public and private land.

The biosecurity activity also supports a **thriving economy** through the control of plant and animal pests that may have an adverse effect on agriculture and other primary industries, and impact the regional economy as a whole.

The activity also supports **vibrant and empowered communities** through the support of landowners and community groups by providing funding and making our expertise available. We also maintain Tōtara Reserve, a regional park and campground.

### What we did this year

#### Biosecurity

Eight of the 12 biosecurity Long-term Plan targets were met.

In the 2021-22 year, Horizons delivered possum control work in 89 Possum Control Operations (PCOs), split 31 by contractors and 58 by our internal staff team. Work was undertaken in one ex-OPSRI operation (Owhango) in the Ruapehu District, the operational area for this job being 9,430 hectares. The balance was all existing maintenance operations. The total area actively managed by the PCO programme this year was 918,107 hectares; the full regional operation has 153 individual operational areas and totals 1,568,248 hectares.

Thirty nine of the 153 PCOs were monitored during the year, returning an average result of 2.1% +/- 0.9% Residual Trap Catch Index (RTCI), well below the target of 10% RTCI.

Rook control was carried out in October, with follow-up control in November. Thirteen new sites were located, in-part, due to increased advertising, but the total number of active rookeries and nests continues to diminish. We treated 116 nests at 43 active rookeries, compared to 152 nests treated at 47 active rookeries last year.

Landowner permission due to toxin concerns prevented access to one rookery; this situation has now been resolved, and access is granted for next season's control operations. This inability to access one site meant the annual Plan target was not achieved; 98% of rookeries (43 out of 44) treated to a target of 100%.

The pest plant activity using both in-house and external contractor support reduced the area of pest plants in the region across 4,126 sites with the focus on:

- Species targeted for Eradication continue to diminish, with 85% of all sites at zero levels. This is despite the discovery of new sites of a number of species due to increased surveillance;
- The Progressive Containment-mapped suite of species is at our target zero-level percentage (74%); though natural dispersal from entrenched areas is a constant source of new locations;
- Biological control agents were released against a number of species, with a highlight being a new to New Zealand gall-forming insect for old man's beard, our worst terrestrial weed, introduced to the Taihape area;
- 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);
- Horizons also managed the Regional Coordination Group Central North Island wilding conifer control contract facilitating the transfer of central government funding to a range of agencies, including Horizons, to undertake control work.

- Horizons supported national pest management programmes by working alongside the Ministry for Primary Industries in assisting farmers with velvetleaf surveillance; and along our western coast with surveillance and site management of sea spurge incursions.

A total of 800 animal and 143 pest plant responses were given to ratepayer requests for advice or assistance. All animal pest requests and 97% of plant pest requests received an initial response within 48 and 72 hours respectively.

#### Significant Events/Issues

- The Possum Control Operation increased in size by 9,430 hectares bringing the PCO to a total of 1,568,248 hectares;
- Possum monitoring returned an average of 2.1% +/- 0.9% RTCI from 39 PCOs monitored across the region; target is 10% RTCI;
- Rook pest programme delivered in full with a reduced number of rookeries located and treated;
- 800 animal and 143 pest plant requests for assistance were undertaken; and
- Central Government funding was received for wilding pine control, and programme was successfully managed.
- A new-to-New Zealand biological control agent was released to suppress old man's beard in our region.

### Biodiversity

All of the biodiversity team's Long-term Plan targets were met.

The Priority Habitats activity target of eleven new priority habitats receiving management was met. All eleven new sites are good examples of critically endangered ecosystems.

The biodiversity partnerships programme continued work in the five icon sites, with trapping continuing at Kia Wharite, Horizons supporting pest

animal exclusion and monitoring at Bushy Park Tarapurui, and enhanced predator control at Pūkaha Mount Bruce. Manawatū Estuary works focussed on enhanced predator control in the salt marsh, weed control in the dunes, and a successful weed swap day was held with the Foxton Beach community. In Te Āpiti Manawatū Gorge weed control and animal pest control works continued. Whakatakotoranga Matua Ki Te Āpiti (the Te Āpiti Masterplan) has been approved. This document provides overarching leadership and direction for all high-level decision making related to Te Āpiti. One of the projects in the Masterplan is the Te Āpiti Manawatū Gorge Unfenced Sanctuary. To enhance existing native fauna and pave the way for potential reintroductions of native species to the sanctuary, a comprehensive pest control plan has been written for Te Āpiti.

Rangitikei Environment Group continued their old man's beard control through the targeted rate. The Waitarere Beach targeted rate enabled lupin control in the sand dunes to be completed. A community planning workshop that will lead the direction for future targeted rate works at Waitarere has been organised.

Twenty one projects were funded during the inaugural round of Kanorau Koiora Taketake – the Indigenous Biodiversity Community Grant from the \$260,000 available. The grant was heavily oversubscribed, with 37 applications received requesting more than \$1 million.

Tōtara Reserve regional park activity continued. A new online booking system was implemented, the water supply was upgraded, and a process to establish a spatial plan for the site was initiated to inform future direction for the reserve and its management.

Additional biosecurity activity was undertaken, including an intensive survey of pest plants. This was followed up with a new control programme targeting prioritised species in and around the reserve. The intensive animal pest control programme also continued with some refinements.

#### Significant Events/Issues

Highlights in the Biodiversity Activity include:

- The new Kanorau Koiora Taketake - Indigenous Biodiversity Community Grant supported 21 biodiversity projects throughout the region, engaging with new landowners, community groups and Iwi-led projects.
- The online booking system at Tōtara Reserve has greatly improved communication with campers and tracking of occupancy rates and income.
- Eleven new sites of critically endangered ecosystems are receiving management to protect and enhance their biodiversity values.





*Description: The Biosecurity and Biodiversity Management Group includes the management of pest plants and pest animals, the protection of priority ecological habitats, and the support of community biodiversity projects.*

In mid-May 2022, the Te Āpiti – Manawatū Gorge Governance Group adopted a Masterplan that provides a vision and strategic framework to protect and enhance the Te Āpiti project area. The governance group was established in 2016 to formally bring together various entities that had already been collaborating for over a decade. Members include iwi, Horizons Regional Council, DOC, Tararua District Council, Palmerston North City Council, Manawatū District Council, and local landowners.

This Masterplan is named Whakatakotoranga Matua Ki Te Āpiti. The document provides overarching leadership and direction for all high-level decision making related to Te Āpiti. Previously, plans such as the Manawatū Gorge Cultural Values Assessment and the Te Āpiti Manawatū

Gorge Biodiversity Management Plan existed, but there was not one overarching framework.

The Masterplan's vision is to enhance the mana of Te Āpiti in a way that protects the cultural values of the area, improves visitor experiences and protects the biodiversity values of the area. Proposed projects under consideration include new recreational tracks, obtaining UNESCO 'Geopark' status and converting the Old Gorge Road into a pathway to showcase the views and cultural heritage.

The central purpose of Te Āpiti is to grow biodiversity, recreational, educational and cultural values within the project area. Horizons' contribution to this is primarily extensive pest animal and plant control and administrative support for the Governance Group.

*Group of activities performance against the 2021-22 Long-term Plan: Of the overall 16 performance targets set for the Group, 13 were achieved, 1 was not achieved, and 2 were not applicable.*

## What we have delivered – Biosecurity

Achieved	Not Achieved			Not Applicable
●●●●●●●● 8	● 1			●●● 3
Performance Measures for Levels of Service	Long-term Plan 2021-31 2021-22	Actual 2020-21	Actual 2021-22	Comment
<b>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	3%	2% ●	Forty one PCO wax tag monitors were scheduled to be undertaken in the 2021-2022 year, 39 of these monitors were completed. The two monitors not completed have been carried forward into the 2022-2023 year.
All additional hectares released from OSPRI control are included in the PCO programme.	100%	Modified Measure - previous target measured in hectares	100% ●	The Ōwahanga PCO (an ex OSPRI operation) was completed during the year.
All known rookeries are treated annually to reduce crop losses and damage.	100%	100%	98% ●	Permission wasn't gained in time for a rookery in Raetihi to be treated.
Provide an animal pest management advisory service. All enquiries will be responded to within two working days.	100%	100%	100% ●	800 amenity enquiries were received and responded to within 2 working days
<b>PEST PLANT MANAGEMENT</b>				
Any exclusion category pest plants that are found in the region are promptly managed:				
Response plans are produced when required;	Achieved	1	NA ●	No new Exclusion species sites were discovered in the region.
Required response plans are produced within two weeks;	100%	100%	NA ●	No new Exclusion species sites were discovered in the region.
Response plans are enacted within their specified timeframes.	100%	100%	NA ●	No new Exclusion species sites were discovered in the region.
Number of managed sites at zero-levels increases for pest plants identified for eradication in the Regional Pest Management Plan.	Overall % of eradication pest plant managed sites at zero-levels is greater than 75%	Achieved	Achieved ●	Zero-level percentage for all Eradication sites in 21/22; 85% against a target of 75%

Number of managed sites at zero-levels increases for pest plants identified as progressive containment mapped in the Regional Pest Management Plan.	Overall % of progressive containment mapped pest plant managed sites at zero-levels is greater than 74%	Achieved	Achieved ●	Zero-level percentage for all HRC managed Progressive Containment-mapped sites; 74%, against a target of 74%.
Financially support the national bio-control agent development programme and report annually to Council on this programme.	Achieved	Achieved	Achieved ●	
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	Achieved ●	A large number of assessments undertaken across a wide range of target plant species.
Pest plant enquiries are responded to within 3 working days.	95%	98%	0.97 ●	COVID slowed response times for a small amount of enquiries.



## What we have delivered – Biodiversity

Achieved	Not Achieved			Not Applicable
●●●●● 4	0			0
Performance Measures for Levels of Service	Long-term Plan 2021-31 2021-22	Actual 2020-21	Actual 2021-22	Comment
<b>PROTECT/ENHANCE PRIORITY HABITAT REMNANTS</b>				
Additional priority habitats managed to level 3* or higher (number of sites)	11	Modified Measure as previous target was split between wetlands and bush remnants	11 ●	Target achieved. 11 new sites were included in the active management level 3 or higher number of managed sites.
<b>SUPPORT COMMUNITY INVOLVEMENT IN BIODIVERSITY PROTECTION</b>				
Support existing community-based biodiversity improvement projects (number of projects). These may include icon projects, targeted rate projects and contestable fund projects.	12	18	28 ●	Achieved. 21 KKT projects, 2 targeted rate projects and 5 icon site projects supported.
<b>IMPROVE KNOWLEDGE AND UNDERSTANDING OF THE REGION'S BIODIVERSITY</b>				
Annual Report to Council on the previous year's biodiversity monitoring and research activities.	Achieved	1	Achieved ●	Report presented to Council at Environment Committee on 15 September 2021 and can be accessed at < <a href="https://www.horizons.govt.nz/HRC/media/Media/Agenda-Reports/Environment-Committee-(3)/Environment-Committee-2021-15-09/21122%20Annex%20C%20Biodiversity.pdf(3)&gt;">https://www.horizons.govt.nz/HRC/media/Media/Agenda-Reports/Environment-Committee-(3)/Environment-Committee-2021-15-09/21122%20Annex%20C%20Biodiversity.pdf(3)&gt;</a>
<b>TŌTARA RESERVE REGIONAL PARK</b>				
Annual Report to Council on the management of Tōtara Reserve Regional Park for biodiversity and recreational values, including managing the camping facility.	Achieved	1	Achieved ●	Report presented to Council 15th June 2022 ( <a href="https://www.horizons.govt.nz/HRC/media/Media/Agenda-Reports/Environment-Committee-(3)/Environment-Committee-2022-15-06/2268%20Annex%20B%20Totara%20Reserve%20Annual%20Report.pdf">https://www.horizons.govt.nz/HRC/media/Media/Agenda-Reports/Environment-Committee-(3)/Environment-Committee-2022-15-06/2268%20Annex%20B%20Totara%20Reserve%20Annual%20Report.pdf</a> )

\*Explanatory note: Horizons categorises levels of biodiversity management from 0 to 6. Sites at level 3 or higher receive regular and ongoing maintenance.

## Funding Impact Statement for Biosecurity and Biodiversity Group of Activities for the year ended 30 June 2022 (\$000)

	LTP 2021-31 2021-22	Actual 2021-22	LTP 2018-28 2020-21	Actual 2020-21
<b>Sources of operating funding</b>				
General rates, uniform annual general charge, rates penalties	4,748	4,748	6,581	6,566
Targeted rates	4,008	4,008	1,846	1,715
Subsidies and grants for operating purposes	100	1,221	-	1,254
Fees and charges	144	233	64	304
Internal charges and overheads recovered	-	1	-	-
Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	-	-
<b>Total operating funding (A)</b>	<b>9,000</b>	<b>10,211</b>	<b>8,491</b>	<b>9,839</b>
<b>Applications of operating funding</b>				
Payments to staff and suppliers	4,700	5,405	4,283	5,676
Finance costs	-	-	-	-
Internal charges and overheads applied	4,219	4,661	4,125	4,172
Other operating funding applications	-	-	-	-
<b>Total applications of operating funding (B)</b>	<b>8,919</b>	<b>10,066</b>	<b>8,408</b>	<b>9,848</b>
<b>Surplus (deficit) of operating funding (A-B)</b>	<b>81</b>	<b>145</b>	<b>83</b>	<b>(9)</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>Application of capital funding</b>				
Capital expenditure				
-to meet additional demand	-	-	-	-
-to improve the level of service	240	-	-	-
-to replace existing assets	-	312	27	403
Increase (decrease) in reserves	(159)	(167)	56	(412)
Increase (decrease) of investments	-	-	-	-
<b>Total applications of capital funding (D)</b>	<b>81</b>	<b>145</b>	<b>83</b>	<b>(9)</b>
<b>Surplus (deficit) of capital funding (C-D)</b>	<b>(81)</b>	<b>(145)</b>	<b>(83)</b>	<b>9</b>
<b>Funding balance ((A-B)+(C-D))</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## **Mana whakahaere ā-rohe** **Regional leadership and governance**



# Mana whakahaere ā-rohe

## Regional leadership and governance

### What we do

The regional leadership and governance group of activities combine a wide range of activities that allow Horizons to take a strategic outlook, coordinate our actions with other partners in the region and engage and build meaningful relationships with our communities and iwi/hapū, as we shape all of our activities to enhance the environmental, cultural, social and economic wellbeing of our region. The activities that make up this group are **Emergency Management, Climate Change, Strategic Management, Iwi and Hapū relationships, Community Relationships, Information, Environmental reporting and air quality monitoring, and Governance.**

### Why we do it (community outcomes contribution)

Our regional leadership and governance activities primarily contribute to **vibrant and empowered communities** by:

- Providing effective democracy and community engagement services
- Providing advice and information to enable communities to make their own decisions and take action
- Building mutually beneficial relationships with iwi and hapū
- Ensuring the region's interests are represented in central government's policy development

These activities also support **healthy ecosystems** by:

- Informing good decision making through the monitoring of the state and trends of our ecosystems

- Developing strategy and regulation to protect and enhance our ecosystems
- Supporting the resilience of our ecosystems to climate change

These activities also support **natural hazard and climate change resilience** by:

- Providing regional support to civil defence and emergency management planning
- Providing a range of services to prepare for and respond to natural hazards, including flood warning and navigation safety
- Supporting the resilience of our communities to natural hazards exacerbated by climate change

There are co-benefits from this supporting a **thriving economy** through:

- Supporting regional economic development initiatives
- Reducing the impact natural disasters have on the region's economy
- Enabling good business decisions by making our data accessible

### What we did this year

#### Emergency Management

Over the reporting period, the COVID-19 settings (Alert Levels/Traffic Light Systems) and the subsequent impacts of COVID on staff availability presented a number of challenges for emergency management. Despite this, Horizons Emergency Operations Centre and the Manawatū-Whanganui Civil Defence Emergency Management (CDEM) Groups Emergency Coordination Centre were successfully activated on a number of occasions in response to severe weather

events across the region. In addition, a large amount of national and local planning and coordination was undertaken in response to the volcanic unrest at the time associated with Mount Ruapehu.

Whilst COVID-19 presented a number of challenges in regards to completing key outputs, all outputs were achieved with the exception of the Hazard Information Update Project due to both internal (staff availability) and external influences (contractor availability).

The CDEM Group made significant progress over the reporting period in regards to iwi-Māori engagement.

## **Climate Change**

The first Regional Climate Change Risk Assessment was published in September 2021. The Climate Action Joint Committee was established. A working party of that committee is developing a Joint Action Plan with the support of Horizons.

The Climate Action Coordinator position was filled in December 2021. The Pūtea Hapori Urupare Āhurangi- Community Climate Response Fund was established, and decisions made for projects to be funded for 2022-23. The Organisational Emissions (Greenhouse Gas) Reduction Plan was finalised. An LTP action for the 2021-22 year to publish that plan was not achieved. Capacity in the climate change work area has been increased with the addition of a Climate Action Coordinator, which resulted in a marked increase in work in this area in 2021-22.

## **Strategic Management**

This year, Council has been working towards implementing the National Policy Statement for Freshwater Management 2020 (NPS-FM) which has included actively involving tangata whenua, working through the requirements of the National Objectives Framework in the NPS-FM, and engaging with stakeholders and communities on values and visions.

The National Policy Statement on Urban Development 2020 (NPS-UD) sets out objectives and policies for the provision of sufficient development capacity to meet the expected demand for housing and business land, and for the planning of well-functioning urban

environments. It is intended to improve the responsiveness and competitiveness of land and development markets. Our proposed plan change is underway to implement the NPS-UD.

Amendments to the Regional Plan and Glossary to insert new policies and consequential amendments directed by the National Policy Statement for Freshwater Management 2020, and to comply with the National Environmental Standards for Freshwater, Resource Management (Stock Exclusion) Regulations, National Policy Statement on Urban Development 2020 and National Environmental Standards for Storing Tyres Outdoors is underway. The Plan Amendment will be publicised in the 2022-23 year.

Council has also been working towards implementing the National Planning Standards (a form of national direction that aim to make RMA plans (e.g. policy statements, regional plans, district plans) more consistent with each other, easier to use and faster to make).

Central government has been consulting on resource management reforms and proposed national policy statements, and Council has provided input into this process.

Council has also been progressing Plan Change 2, which seeks to improve the workability of the One Plan provisions that manage existing intensive farming land uses (dairy farming, commercial vegetable growing, cropping and intensive sheep and beef) in target water management sub-zones. The decision of the Hearing Panel was adopted in April 2021; it has been appealed to the Environment Court.

## **Iwi and Hapū Relationships**

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

The demands placed on tangata whenua from central and local government have been high and required tangata whenua to prioritise where they put their engagement effort. The Oranga Wai Freshwater Future Programme for the implementation of the National Policy Statement for Freshwater Management has been a priority for many iwi

and hapū. This programme has lifted the level of engagement between tangata Māori and local government from an informing form of engagement to that of a collaborative decision-making process based on participation and reaching consensus.

Horizons recognises the competing demands on tangata whenua time and resources, and is continuing to assist tangata whenua through various arrangements to ensure they are able to participate and voices are heard.

## Community Relationships

2021-22 saw yet another year of negotiating cancellation of events due to Covid. This encouraged new ways of engaging our communities, particularly for consultative projects such as the Regional Land Transport Plan, Regional Passenger Transport Plan, Representation Review, and Oranga Wai – Our Freshwater Future.

New digital platforms were established, including a booking system for Tōtara Reserve, a web presence for the Waiopahu Freshwater Management Unit (FMU) with a particular emphasis on the Lake Horowhenua Jobs for Nature project, and a new microsite where everything related to our mahi on the National Policy Statement for Freshwater Management is housed. This includes a story map on each FMU and rounds of engagement to solicit community feedback in our decision making.

Multiple community grants have been promoted, including the Pat Kelly EnviroSchools Action Fund, Kanorau Koiora Taketake – Indigenous Biodiversity Community Grant, and the inaugural Pūtea Hapori Urupare Āhuarangi – Community Climate Response Fund.

The communications team also played an integral role in producing the Whakatakotoranga Matua Ki Te Āpiti Masterplan, which brings together partners' programmes and aspirational projects into one plan to help enable the future growth and sustainability objectives for the Manawātū Gorge.

There has been a strong communications presence in the Infrastructure Climate Resilience projects, the Anzac Parade Strategy community

engagement work, and the launching of the Feilding Orbiter passenger transport service.

Crisis communications were reflected in a partnership with Palmerston North City Council, Rangitāne of Manawātū, and Water Safety NZ following the tragic drownings at Ahimate in Palmerston North during summer. At a civil defence public information management (PIM) level, communication staff responded to multiple rain events that have affected our region over the past year and led the development of a PIM plan for Mt Ruapehu in response to an increase of activity on the maunga.

Horizons' first Summer Science Series was run to help raise awareness and reputation of our role, which has also been a focus for our local government elections campaign that commenced on 3 June 2022.

The new community engagement role, which commenced in October 2022, has assisted with an improved comms-orientated output for biodiversity and additional environmental education resources. Our Environmental Education non-financial performance measurements, have again exceeded Annual Plan targets - despite the interruptions Covid brought to our plans and the Health Order's affected on some of our contracted facilitators' ability to do their roles. All environmental education non-financial performance engagement targets were exceeded.

In addition to the communications team, Horizons operates a 24-hour call centre and Pollution Hotline.

The District Advice team is responsible for responding to requests for information from the Territorial Authorities and general public for properties in our region. It provides comments and advice to the region's Territorial Authorities to assist them with their assessment of subdivision, building consent and land-use consent applications. It also provides information to the public to inform of sale or purchase of a property, insurance or valuation matters and hazard risk for proposed land developments / activities. Responses include any relevant information that Horizons may hold on the property, particularly natural hazards and One Plan policies / rules, including other relevant regional



and national matters than may need to be considered when proposing land development or making property related decisions.

The District Advice team contributes to draft and proposed plan changes that are notified by Territorial Authorities and coordinates and provides relevant information on potential growth areas or proposed District Plan rezoning. District Advice coordinates Horizons submissions on notices of requirement for proposed designations.

The District Advice team responded to 1323 requests for information which is about a 12 per cent increase in volume on the previous year (1185 requests in the 2020-21 year). 927 of these requests are from the general public and 396 from territorial authorities. The main request types were for subdivisions (513), flooding (366) and property purchases (178).

The number of requests by Territorial Authority for the property enquiry location:

• Manawātū	383
• Taranaki	232
• Rangitikei	186
• Horowhenua	182
• Palmerston North	168
• Whanganui	104
• Ruapehu	68

The District Advice team has coordinated and prepared numerous comments on proposed growth areas and plan changes for various Territorial Authorities. Advice and support have been provided for the LiDAR surveying and flood modelling project for Pahiatua Township and the surrounding area.

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

As expected, the new regulations on dam safety (Dam Safety Regulations 2022) have been announced by the Ministry of Business,

Innovation and Employment (MBIE). The District Advice team is responsible for administering and monitoring the implementation of the regulations. These regulations will commence on 13 May 2024, which gives dam owners two years to prepare for their dam safety responsibilities. The dam safety framework protects people, property, and the environment from the potential impacts of dam failures. The framework places the responsibility on dam owners to ensure dams are maintained to acceptable safety levels and promotes regular monitoring and surveillance practices for the safe operation of dams.

## Information

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.

### Environmental Data

The region experienced a year with some extreme weather; flooding in December & June, and a sustained dry period during autumn. A wet spring delayed the start of the irrigation season in many parts of the region, and regular rainfall resulted in our rivers maintaining a high summer flow.

Whilst COVID-19 presented a number of challenges in regards to completing key outputs, all outputs were achieved, with the exception of our new water metering target. This was impacted by limited access to private property during the early phases of the traffic light system and a complex irrigation season (weather-wise).

Significant capital works have continued, primarily the upgrade of the water metering hardware, installation of dissolved oxygen sensors in all FMUs and improving the Health & Safety of our infrastructure.

Five new stations were installed within the Arawhata Catchment to support the design and development of the Arawhata wetland. Two extra monitoring buoys were deployed on Lake Horowhenua to support the weed harvesting activities on the lake.

The lake SOE monitoring programme has increased from quarterly to monthly; no sampling was undertaken during duck-shooting season at request of land-owners.

A new Taihape Air Quality monitoring station has been installed after a challenging process to obtain a suitable sampling location.

Collected environmental data and flood forecasting information is available on the Horizons website.

#### Information Management

Aerial Photography – Five-yearly refresh has been completed for regional aerial photography capture. This imagery was co-funded by LINZ and territorial authorities in the region and will be publicly accessible later in 2022/23 year.

IRIS Next Gen – Regional Software Holdings Limited (RSHL) has been running a project to provide a replacement for IRIS, which is currently used by seven regional councils, including Horizons Regional Council, to support their core regulatory processes. Most councils in the sector acknowledge there is scope for improvement in regulatory and customer processes, and there is an opportunity to align the sector around consistent good practice processes supported by fit-for-purpose software.

Eleven regional councils and unitary authorities have participated in a procurement process – Northland, Waikato, Bay of Plenty, Taranaki, Hawke's Bay, Horizons, Nelson, Tasman, West Coast, Otago and Southland. The staff of these councils and RSHL were involved in developing the requirements for the RFP and evaluating the responses.

In the 2021/22 year, following the procurement and evaluation processes, Datacom has been confirmed as the preferred vendor. Datacom's proposed solution will be delivered by the Datascape Regulatory and Customer Relationship Management (CRM) platform. Datascape is a cloud-based, Software as a Service (SaaS) development for the New Zealand and Australian local government sector.

## Environmental Reporting and Air Quality Monitoring

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.

The Summer Science Series (#scienceinourregion #summerscienceseries) ran from December 2021 to March 2022. This campaign socialised measures of water quality and quantity in advance of the Oranga Wai – Our Freshwater Future engagement rounds, and communicated the science that we do at Horizons and how it contributes to our decision making.

A public education campaign around the collection of firewood ran from late February / early March 2022 with further guidance information on 'good' burning practices released over the winter period.

There were disruptions to Air Quality monitoring at the Taihape site this year after the monitoring site was disestablished last year, and there were challenges in locating a suitable replacement site. The new Taihape site was established in early April, and data for both PM10 and PM 2.5 is available via LAWA. Equipment failures at the Taumarunui site have resulted in only PM10 being monitored since April 2022 whilst equipment is replaced.

## Governance

Annual Plan – The activities proposed in the 2022-23 Annual Plan have not changed significantly from those previously presented for year 2 of the 2021-31 Long-term Plan and as such, Council elected not to consult with the public on the Annual Plan.

Representation Review - On 19 May 2021, Council resolved to establish a Māori constituency or constituencies for the 2022 and 2025 local body elections. A Representation Review was conducted in 2021/2022 with the final decision confirmed by the Local Government Commission (LGC)

in April 2022. The LGC decision increased the number of Elected Members from 12 to 14, and established two Māori constituencies (Raki Māori and Tonga Māori) as well as the current six constituencies (Horowhenua, Manawatū-Rangitikei, Palmerston North, Ruapehu, Tararua, Whanganui).

Councillor Attendance – Overall attendance by councillors at meetings relevant to their responsibilities was 95% (an increase from the previous year, which was 92%). As a result of Covid-19, Government legislation allowed, during this reporting period, 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 2022 was as follows: (Calculation based on at least 75% attendance of the duration of a meeting).

Benbow, AL	25 out of 26
Clarke, EML	26 out of 29
David Cotton	21 out of 22
Sam Ferguson	36 out of 36
Bruce Gordon	21 out of 22
Fiona Gordon	28 out of 30
Rachel Keedwell	35 out of 35
Weston Kirton	26 out of 27
Jono Naylor	27 out of 29
Nicola Patrick (to 3 June 2022)	26 out of 26
Wiremu Te Awe Awe	20 out of 23
John Turkington	24 out of 25



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

Research commissioned by the government and regional councils, including Horizons, has demonstrated climate change poses a significant risk to the future resilience of the region. The effects are already beginning to become apparent. In the region's west, we are likely to see more rainfall and flooding; in the east, there will be more droughts. Sea level rise also poses risks to our coastal communities. This prompted the establishment of a Joint Climate Action Committee in March 2021, which oversees the response to climate change across the region and ensures action and effective responses are taken by the local government.

In March 2022, Horizons also launched an inaugural Community Climate Response Fund that aims to support and encourage community efforts to build resilience to the effects of climate change, or support the transition to a sustainable carbon-neutral regional economy by 2050. Applications were open to non-profit organisations and groups looking to build community resilience to the effects of climate change or support the shift to a carbon-neutral regional economy. Action by the community, for the community, is projected to produce positive outcomes and, ideally, ongoing benefits. The submission window was open for the months of April and May 2022, with applicants informed of their results by mid-July. This will be an annual initiative, with the total amount available per project being up to \$15,000 per project.

*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.*







## What we have delivered – Emergency Management

Achieved ●●●●●●●	Not Achieved ●			Not Applicable
7	1			0
Performance Measures for Levels of Service	Long-term Plan 2021-31 2021-22	Actual 2020-21	Actual 2021-22	Comment
<b>ACHIEVE CDEM BUSINESS PLAN TARGETS</b>				
Critical outputs pertaining to operational capability, community resilience and riskscape are monitored and reviewed.	Achieved	Achieved 100%	Achieved ●	Despite the challenges of operating in a COVID-19 environment, the critical outputs aligned to the Group Office work programme were achieved.
CDEM targets are reported to both the Joint Committee and Coordinating Executive Group (number of reports).	6	9	8 ●	Reporting was provided to 4 meetings of the Joint Standing Committee and the Coordinating Executive Group.
An operative Group Plan under the CDEM Act 2002 is in place at all times and reviewed within statutory timeframes by the Joint Committee.	Achieved	New Measure	Achieved ●	Aligned to statutory requirements, a review of the CDEM Group Plan commenced, and is ongoing. Whilst under review the current Group Plan remains operative.
<b>HORIZONS' RESPONSE CAPABILITY</b>				
Emergency Operations Centre staff are trained 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.	Achieved	Achieved 100%	Achieved ●	Operational capability was maintained throughout the reporting period. A number of activations of the Emergency Operations/Coordination Centre provided opportunity to review all procedures.
Hazard Information is acquired and disseminated aligned to approved project plans.	Achieved	90%	0 ●	COVID-19 impacted on both internal and external resources to complete all outputs of the Hazard Information Update Project. The residual work is being carried over to 22-23 for completion.
Emergency Management Office business continuity planning arrangements are in place and reviewed at least annually.	Achieved	1 per year	Achieved ●	Business continuity arrangements were reviewed and adjusted as part of the responses to COVID-19 and severe weather events.
Manage and promote navigation safety outputs via Manawatū River Users Advisory Group, Whanganui Coastguard and other river user groups (number of meetings).	4	Modified measure	8 ●	Navigation safety outputs were managed via the Manawatū River Users Advisory Group (MRUAG) and Whanganui Coastguard. A review of the Manawatū River & Tributaries Navigation Bylaw was undertaken, aligned to legislative requirements. To support the review a number of consultative meetings were held with partner river users including the MRUAG.
<b>CONTRACTED SERVICES</b>				
Maritime New Zealand (MNZ) oil spill response capability maintained to MNZ audit standards.	Achieved	Achieved 100%	Achieved ●	MNZ marine oil spill capability was maintained to MNZ requirements.

## What we have delivered – Strategic Management



Achieved	Not Achieved			Not Applicable
0	0			•• 2
Performance Measures for Levels of Service	Long-term Plan 2021-31 2021-22	Actual 2020-21	Actual 2021-22	Comment
<b>STRATEGIC MANAGEMENT</b>				
Resource management policy and plan reviews meet statutory deadlines	Plan change required by national planning standards is notified	Not Applicable	0 •	The deadline for notification was extended by 2 years to April 2024. Working towards notification in 2022/23 financial year.
The organisation' strategic direction is reviewed and refreshed every three years	Not applicable this year	New measure	0 •	

## What we have delivered – Climate Change

Achieved	Not Achieved			Not Applicable
1 	1 			0
Performance Measures for Levels of Service	Long-term Plan 2021-31 2021-22	Actual 2020-21	Actual 2021-22	Comment
<b>CLIMATE CHANGE</b>				
Implementation of Horizons' Climate Action Strategy is progressing	Regional Climate Change Risk Assessment published.	New Measure	Achieved 	Published September 2021
	Organisational greenhouse gas (GHG) reduction plan published.	New Measure	Not Achieved 	Plan finalised June 2022. Not externally published.



## What we have delivered – Community Relationships

Achieved	Not Achieved			Not Applicable
 9	 1			0
Performance Measures for Levels of Service	Long-term Plan 2021-31 2021-22	Actual 2020-21	Actual 2021-22	Comment
<b>COMMUNICATIONS</b>				
Connect our communities with Horizons' work through a number of channels in a proactive and transparent way.	>105 media releases	95	128 ●	Includes 17 media releases on behalf of Te Pūwaha partners and 6 on behalf of the Manawatū River Leaders' Accord.
	>1,850 media mentions	1,086	1,149 ●	Despite not meeting target, cumulative potential audience/circulation was up 28% from last year and the advertising space rate was up 17%
Likes/followers on social media (all accounts that Horizons manages).	>21,000	32,670	36,526 ●	
Videos produced	18	55	53 ●	Including 25 Council and committee meeting recordings.
Website Sessions.	>610,000	749,940	834,746 ●	
<b>DISTRICT ADVICE</b>				
All information requests are met within RMA statutory timeframes (each year responding to approximately 400 from the Territorial Authorities and 700 from the general public).	100%	100%	1 ●	
All large dam applicants are advised of their responsibilities in order to meet the Building Act 2004 and all other process are completed.	100%	100%	1 ●	
<b>ENVIRONMENTAL EDUCATION</b>				
Increase participation levels in the EnviroSchools and Waiora programmes at a manageable rate. Engage the community through environmental education opportunities.	75 EnviroSchools	80 EnviroSchools	96 EnviroSchools ●	
	35 freshwater engagements	Modified measure	41 freshwater engagements ●	
	34 community engagements	66 Community Engagements	51 community engagements ●	






## What we have delivered – Iwi and Hapū Relationship

Achieved	Not Achieved			Not Applicable
1	0			1
Performance Measures for Levels of Service	Long-term Plan 2021-31 2021-22	Actual 2020-21	Actual 2021-22	Comment
<b>Iwi and hapū relationships</b>				
Iwi and hapū satisfaction with their collaborative relationships with Horizons.	N/A	N/A	NA	● Biennial resurvey not due until 2022/23 year. Previous survey completed earlier than planned in 2019/20
Hui-a-iwi are held at least annually to advance agreed work programmes.	Achieved	New Measure	Achieved	● Hui-a-iwi set for December 2021 was cancelled but replaced by the Oranga Wai engagement hui.

## What we have delivered – Information

Achieved	Not Achieved			Not Applicable
●●●● 4	● 1			0
Performance Measures for Levels of Service	Long-term Plan 2021-31 2021-22	Actual 2020-21	Actual 2021-22	Comment
<b>ENVIRONMENTAL DATA</b>				
Hydro-Climate - Collection of 98.5% water level, rainfall. Soil moisture, wind, air temperature and air quality (approx. 15 million data-points p.a.).	98.5%	98.9%	98.6% ●	On target
Continuous Water Quality - Collection of 92.0% of continuous data relating to water quality parameters (approx. 2.5 million data-points p.a.).	92.0%	95.7%	96.7% ●	Some damage in the June 2022 floods.
Continuous Lake Monitoring - Collection of 85% of continuous lake level and lake water quality data (approx. 2.0 million data-points p.a.).	85.0%	New Measure	87.5% ●	Sensor issues on Lake Horowhenua (August 2021 lockdown).
NES Water Metering - Collection of 90% of continuous consented water abstraction data during standard water use periods, to support NES obligations (approx. 4.0 million data-points p.a.).	90.0%	New Measure	88.0% ●	Complex year with asset upgrade and limited access to private property due to COVID controls. However systems are in a better position for next financial year.
<b>INFORMATION MANAGEMENT</b>				
Map and data requests received from the public and external agencies are processed and delivered according to timeframes agreed at the time of request.	95.0%	96.7%	97.3% ●	Some staffing level impacts from COVID and illness, but maintained level of service

## What we have delivered – Environmental Reporting

Achieved	Not Achieved			Not Applicable
 4	0			0
Performance Measures for Levels of Service	Long-term Plan 2021-31 2021-22	Actual 2020-21	Actual 2021-22	Comment
<b>ENVIRONMENTAL MONITORING AND REPORTING</b>				
Provide an annual summary report on the state of the environment.	Achieved	1	Achieved 	The focus on implementation of National Freshwater Policy meant this year's focus was around the provision of environmental data as it relates to freshwater. FMU summaries were developed and can be found at <a href="https://freshwater.horizons.govt.nz/science">https://freshwater.horizons.govt.nz/science</a> . Further development was planned to include broader context as in past years however a lack of capacity meant this was not delivered.
Implement a science communication strategy and report progress to Council annually.	Achieved	Reported progress to Council	Achieved 	Presented to Council at Environment Committee on the 15th September 2021 and can be accessed at <a href="https://www.horizons.govt.nz/HRC/media/Media/Agenda-Reports/Environment-Committee-(3)/Environment-Committee-2021-15-09/21122%20Annex%20E%20Environmental%20Reporting.pdf">https://www.horizons.govt.nz/HRC/media/Media/Agenda-Reports/Environment-Committee-(3)/Environment-Committee-2021-15-09/21122%20Annex%20E%20Environmental%20Reporting.pdf</a>
Air, land and water environmental monitoring data is made available to the public via LAWA and/or Horizons' website.	Achieved	New measure	Achieved 	There were disruptions to Air Quality monitoring at the Taihape site this year as the monitoring site was disestablished and there were challenges in locating a suitable replacement site. The Taihape site is now operational and data is available via LAWA.
Undertake environmental public education campaigns.	1	New measure	1 	As with previous years, the 'Bernie and Chip' characters were used to promote good wood collection and burning practices. A summer campaign supported the collection, drying and storage of good wood and a winter campaign promoted good wood burning practises.

# Funding Impact Statement for the Regional Leadership and Governance Group of Activities for the year ended 30 June 2022

	LTP 2021-31 2021-22	Actual 2021-22	LTP 2018-28 2020-21	Actual 2020-21
<b>Sources of operating funding</b>				
General rates, uniform annual general charge, rates penalties	12,188	12,188	11,865	11,423
Targeted rates	313	313	-	-
Subsidies and grants for operating purposes	-	-	-	-
Fees and charges	1,792	888	1,620	1,205
Internal charges and overheads recovered	3,122	3,146	2,784	3,384
Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	-	-
<b>Total operating funding (A)</b>	<b>17,415</b>	<b>16,535</b>	<b>16,269</b>	<b>16,012</b>
<b>Applications of operating funding</b>				
Payments to staff and suppliers	9,158	4,316	5,508	5,654
Finance costs	-	-	-	-
Internal charges and overheads applied	11,576	10,818	9,152	9,646
Other operating funding applications	-	-	-	-
<b>Total applications of operating funding (B)</b>	<b>20,733</b>	<b>15,134</b>	<b>14,660</b>	<b>15,300</b>
<b>Surplus (deficit) of operating funding (A-B)</b>	<b>(3,318)</b>	<b>1,401</b>	<b>1,609</b>	<b>712</b>
<b>Sources of capital funding</b>				
Subsidies and grants for capital expenditure	-	-	-	-
Development and financial contributions	-	-	-	-
Increase (decrease) in debt	3,783	-	(502)	-
Gross proceeds from sale of assets	-	-	-	-
Lump sum contributions	-	-	-	-
Other dedicated capital funding	-	-	-	-
<b>Total sources of capital funding (C)</b>	<b>3,783</b>	<b>-</b>	<b>(502)</b>	<b>-</b>
<b>Application of capital funding</b>				
Capital expenditure				
-to meet additional demand	-	-	-	-
-to improve the level of service	1,697	-	-	-
-to replace existing assets	-	1,259	1,517	1,532
Increase (decrease) in reserves	(1,232)	142	(410)	(820)
Increase (decrease) of investments	-	-	-	-
<b>Total applications of capital funding (D)</b>	<b>465</b>	<b>1,401</b>	<b>1,107</b>	<b>712</b>
<b>Surplus (deficit) of capital funding (C-D)</b>	<b>3,318</b>	<b>(1,401)</b>	<b>(1,609)</b>	<b>(712)</b>
<b>Funding balance ((A-B)+(C-D))</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**Ngā waka**  
**Transport**



# Ngā waka Transport

## What we do

The regional land transport network is a key enabler of economic and social wellbeing, moving people and goods to, from and within the region efficiently, sustainably and reliably.

We facilitate regional land transport planning in partnership with Waka Kotahi New Zealand Transport Agency and our region's territorial authorities. We provide public bus services, which provide door-to-door transport services for people with disabilities. We also support national and local road safety education programmes. The activities that make up this group are **Transport Planning**, **Passenger Services**, and **Road Safety Education**.

## Why we do it (community outcomes contribution)

Our transport activities contribute to achieving **effective transport networks** and a **thriving economy** by:

- Contributing to an efficient and reliable transport network through the provision of public transport services gives people an alternative to private vehicle travel, supporting urban growth objectives, reducing congestion and carbon emissions by reducing vehicle movements, and providing rural communities with better access to essential services
- Enabling members of the community who have limited access to transport options to access work, education, recreation, health and social services, and maintain a connection with the rest of the community, and in turn, contributing to a productive regional economy

- Facilitating regional integrated transport planning across the region to support and enable regional growth initiatives such as Accelerate25 and Accessing Central NZ
- Providing road safety education, raising driver awareness of key road safety issues, and working with other key stakeholders to reduce the incidence and severity of road traffic crashes. The key focus is to change road user behaviour, making roads safer for people to use

## What we did this year

### Transport Planning

Development of the Horizons Regional Public Transport Plan (RPTP) has taken place throughout the year. This culminated in public consultation in April. The RPTP was adopted in August 2022.

### Passenger Services

This year saw the introduction of the new Feilding Orbiter service. There has also been significant work in the development of new services in Whanganui and Palmerston North. These new services are scheduled for implementation in the 2023 calendar year.

Passenger services continued to see lower levels of patronage throughout the region due to changes in travel patterns during and after Covid lockdowns. There has been good recovery, however, on non-Massey services.

### Road Safety Education

The delivery of road safety education activities continued to be limited by the impact of Covid 19. Despite this, Horizons delivered 38 road



safety initiatives across the region. Highlights include our external partnerships where we supported more than 2,000 drivers through a driver licencing programme.



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

The Horizons Region saw a new Regional Land Transport Plan adopted in June 2021, which triggered the process for a new Regional Public Transport Plan in late 2021. This Plan sets the framework for how Horizons plans and delivers public transport services and infrastructure across the region over the next 10 years.







The draft Plan went out for public consultation in April 2022, including a vision to provide an attractive, integrated and convenient public transport system that connects communities, enhances their wellbeing and environment, and becomes the preferred mode of transport in and between urban areas has remained. The Plan also included ambitious targets to reduce emissions, service improvements and better regional connections to the likes of Wellington, Taranaki, Waikato and Hawke's

Bay. Public consultation resulted in 123 submissions, which led to hearings in June that submitters could speak at, with the Plan adopted in August 2022.

Other consultation activity for the period included opening for submissions on the future of the Palmerston North bus network in August and September 2021. Horizons received 571 submissions, and feedback received during this consultation period has been key in influencing the development of the new bus network set to commence in late 2023. Finally, service improvements that have been influenced by community consultation this year include a new Feilding Orbiter service that loops around the township to provide improved frequency and coverage, planning with Whanganui District Council for a new bus service in Whanganui to run centrally every 20 minutes and for extended hours, and the early stages of real-time tracking across most bus services in the region to provide more accurate travel times.

*Group of activities performance against the 2021-22 Long-term Plan: Of the overall 9 performance targets set for the Group, 5 were achieved, and 3 were not achieved, and 1 was not applicable.*

## What we have delivered – Transport Planning

Achieved 	Not Achieved 			Not Applicable 
1	1			1
Performance Measures for Levels of Service	Long-term Plan 2021-31 2021-22	Actual 2020-21	Actual 2021-22	Comment
<b>TRANSPORT PLANNING ACTIVITIES</b>				
The Regional Land Transport Plan (RLTP) 2021-2031 is monitored to allow the Regional Transport Committee (RTC) to assess the implementation of the plan.	Quarterly reporting to RTC to track progress on the implementation of the RLTP 2021-2031	New Measure	Achieved 	Monitoring strategy for RLTP 2021 - 31 approved by RTC. Monitoring of implementation of the RLTP is built into the Approved Organisation updates provided at each quarterly RTC meeting. The first full annual report on RLTP 2021-31 will be provided to RTC in September 2022.
The mid-term review of the Regional Land Transport Plan 2021-2031 is prepared and submitted in line with the Land Transport Management Act, and any guidance issued by Waka Kotahi NZ Transport Agency.	No measure	New Measure	NA 	Not Applicable as mid-term review of RLTP not due until 2023/2024 year.
The Regional Public Transport Plan 2022-2032 is prepared and adopted in line with the Land Transport Management Act and any guidance issued by Waka Kotahi NZ Transport Agency.	Council adopts the Regional Public Transport Plan by 30 June 2022	New Measure	Not achieved 	The Regional Public Transport Plan (RPTP) was endorsed by the Passenger Transport Committee and adopted by Council on 30 August 2022.

## What we have delivered – Passenger Services

Achieved	Not Achieved			Not Applicable
●●● 3	●● 2			0
Performance Measures for Levels of Service	Long-term Plan 2021-31 2021-22	Actual 2020-21	Actual 2021-22	Comment
<b>PASSENGER SERVICES ACTIVITIES</b>				
Percentage of customers surveyed who are 'satisfied' or better with their trip overall. [1]	≥90%	New Measure	Not measured ●	Due to ongoing impacts of Covid, the survey has been delayed until the first half of the 2022/23 financial year.
Percentage of monitored scheduled services that depart the terminus on time [2] compared to public timetable.	≥95%	New Measure	99.6% ●	More than 99.5% of total trips monitored by the Real Time Information system departed on time.
Annual patronage on bus services in the region.	Maintain or increase from the prior year	New Measure	Not achieved ●	Due to Covid Delta lockdown in August 2021, tertiary students not returning to campus, and ongoing impacts of the Omicron variant, 256,600 fewer passenger trips were taken than the 2020-21 year.
Percentage of households in Whanganui, Palmerston North & Feilding within 800m of a public transport stop.	≥80%	New Measure	Achieved ●	Modelling of bus networks shows a very high percentage of households within 800m of a bus stop in urban areas
Percentage of registered customers who are 'satisfied' or better with the overall service of the Total Mobility scheme. [3]	≥90%	91%	100% ●	Customer satisfaction surveys undertaken in Rangitīkei and Manawatū. 100% of respondents scored overall service very good or excellent.

[1] Satisfied = score pf 6-10 on a scale of 0-10, triennial survey

[2] Scheduled service depart between 59 seconds before and 4 minutes and 59 seconds after the scheduled departure time

[3] Satisfied = score of 6-10 on a scale of 0-10, as measured by survey of one district in which Total Mobility operates per year

## What we have delivered – Road Safety Education

Achieved	Not Achieved			Not Applicable
1	0			0
Performance Measures for Levels of Service	Long-term Plan 2021-31 2021-22	Actual 2020-21	Actual 2021-22	Comment
<b>ROAD SAFETY EDUCATION ACTIVITIES</b>				
Deliver road safety behavioural change education initiatives [4] across the region in partnership with key agencies. [5]	≥30 initiatives	43	38	

[4] Aimed at speed, alcohol and drug impairment, and seat belt use

[5] Key agencies, such as, NZ Police, KiwiRail, Waka Kotahi NZ Transport Agency, ACC, and local authorities

# Funding Impact Statement for the Transport Group of Activities for the year ended 30 June 2022

	LTP 2021-31 2021-22	Actual 2021-22	LTP 2018-28 2020-21	Actual 2020-21
<b>Sources of operating funding</b>				
General rates, uniform annual general charge, rates penalties	416	416	271	323
Targeted rates	3,117	3,117	2,476	2,501
Subsidies and grants for operating purposes	5,333	5,500	4,537	5,407
Fees and charges	1,787	1,711	803	1,633
Internal charges and overheads recovered	535	535	546	734
Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	-	-
<b>Total operating funding (A)</b>	<b>11,187</b>	<b>11,279</b>	<b>8,633</b>	<b>10,598</b>
<b>Applications of operating funding</b>				
Payments to staff and suppliers	9,368	9,383	7,241	9,054
Finance costs	-	-	-	-
Internal charges and overheads applied	1,737	1,658	1,560	1,824
Other operating funding applications	-	-	-	-
<b>Total applications of operating funding (B)</b>	<b>11,105</b>	<b>11,041</b>	<b>8,801</b>	<b>10,878</b>
<b>Surplus (deficit) of operating funding (A-B)</b>	<b>82</b>	<b>238</b>	<b>(168)</b>	<b>(280)</b>
<b>Sources of capital funding</b>				
Subsidies and grants for capital expenditure	-	10	-	278
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>10</b>	<b>-</b>	<b>278</b>
<b>Application of capital funding</b>				
Capital expenditure				
-to meet additional demand	-	-	-	-
-to improve the level of service	16	-	-	-
-to replace existing assets	-	19	-	428
Increase (decrease) in reserves	65	229	(168)	(430)
Increase (decrease) of investments	-	-	-	-
<b>Total applications of capital funding (D)</b>	<b>82</b>	<b>248</b>	<b>(168)</b>	<b>(2)</b>
<b>Surplus (deficit) of capital funding (C-D)</b>	<b>(82)</b>	<b>(238)</b>	<b>168</b>	<b>280</b>
<b>Funding balance ((A-B)+(C-D))</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

Haumi  
Investment





## Haumi Investment

### What we do

Horizons has a range of investments, which provide a source of income that reduces the rating burden Council would otherwise need to place on ratepayers to maintain the same levels of service. This group contains one activity, **Investment**.

### Why we do it (community outcomes contribution)

The revenue this activity generates contributes to the rest of Council's activities and the contribution they make towards our Community Outcomes.

### What we did this year

#### Investments

As part of the joint venture forests, Horizons Regional Council is able to account for the carbon stored within the forest. As the forest grows, you earn carbon units through the Emissions Trading Scheme (ETS). For this financial year, a total of 70,929 carbon units were allocated, at a total book value of \$5.6M. This is reflected as revenue in the current financial year.

## What we have delivered – Investment

Achieved	Not Achieved			Not Applicable
0	<div>●●●</div> 3			0
Performance Measures for Levels of Service	Long-term Plan 2021-31 2021-22	Actual 2020-21	Actual 2021-22	Comment
<b>INVESTMENT ACTIVITIES</b>				
Achieve the targets that are set in MWRC Holdings Ltd Statement of Intent.	Achieved	Not Achieved	Not Achieved ●	Dividend payment to Council lower than planned due to subvention payment being required. Actual received \$1.99m against a budget of \$2.2m
Monthly weighted average interest rate exceeds 90-day Bank Bill Rate (BKBM) by 50 basis points (0.50%). Note, targets are based on current predicted interest rate, which will change over time.	Achieved	Not Achieved	Not Achieved ●	Interest rates continue to be historically low
Make a return on investment for the Horizons share portfolio to provide financial income.	>3%	New Measure	Not Achieved ●	Value of shares were impacted by COVID-19 and the war in Ukraine.

## Funding Impact Statement for the Investment Group of Activities for the year ended 30 June 2022

	LTP 2021-31 2021-22	Actual 2021-22	LTP 2018-28 2020-21	Actual 2020-21
<b>Sources of operating funding</b>				
General rates, uniform annual general charge, rates penalties	(3,270)	(3,297)	(3,834)	(2,843)
Targeted rates	-	-	-	-
Subsidies and grants for operating purposes	-	-	-	-
Fees and charges	3,707	3,747	3,774	3,469
Internal charges and overheads recovered	1,242	857	3,093	747
Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	-	-
<b>Total operating funding (A)</b>	<b>1,679</b>	<b>1,307</b>	<b>3,033</b>	<b>1,373</b>
<b>Applications of operating funding</b>				
Payments to staff and suppliers	35	1,062	144	295
Finance costs	1,344	1,526	1,712	1,389
Internal charges and overheads applied	470	391	558	504
Other operating funding applications	-	-	-	-
<b>Total applications of operating funding (B)</b>	<b>1,849</b>	<b>2,979</b>	<b>2,413</b>	<b>2,188</b>
<b>Surplus (deficit) of operating funding (A-B)</b>	<b>(170)</b>	<b>(1,672)</b>	<b>620</b>	<b>(815)</b>
<b>Sources of capital funding</b>				
Subsidies and grants for capital expenditure	-	-	-	-
Development and financial contributions	-	-	-	-
Increase (decrease) in debt	12,507	7,442	-	4,967
Gross proceeds from sale of assets	-	-	-	-
Lump sum contributions	-	-	-	-
Other dedicated capital funding	-	-	-	-
<b>Total sources of capital funding (C)</b>	<b>12,507</b>	<b>7,442</b>	<b>-</b>	<b>4,967</b>
<b>Application of capital funding</b>				
Capital expenditure				
-to meet additional demand	-	-	-	-
-to improve the level of service	-	-	-	-
-to replace existing assets	-	-	-	-
Increase (decrease) in reserves	12,337	5,323	620	4,152
Increase (decrease) of investments	-	447	-	-
<b>Total applications of capital funding (D)</b>	<b>12,337</b>	<b>5,770</b>	<b>620</b>	<b>4,152</b>
<b>Surplus (deficit) of capital funding (C-D)</b>	<b>170</b>	<b>1,672</b>	<b>(620)</b>	<b>815</b>
<b>Funding balance ((A-B)+(C-D))</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## Mōhiohio pūtea

### Financial information

## Financial Statements

The accompanying notes form part of these financial statements. The financial statements from page 65 to 69 are to be read in conjunction with the notes to the financial statements from page 70 to 125.

## Statement of Compliance

The Council of Manawātū-Whanganui Regional Council confirm that all the statutory requirements in relation to the Annual Report, as outlined in the Local Government Act 2002, have been complied with.



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Chair

30 May 2023



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Chief Executive

30 May 2023

## Statement of Comprehensive Revenue and Expense for the year ended 30 June 2022 (\$000)

	Notes	Long-term Plan 2021-31 2021-22	Council Actual 2021-22	Group Actual 2021-22	Council Actual 2020-21	Group Actual 2020-21
<b>Revenue</b>						
Rates	1	51,255	51,227	51,227	47,169	47,169
Subsidies and grants	2	23,902	19,774	19,774	16,941	16,941
Finance revenue	3	3,400	3,936	2,817	3,243	5,220
Other revenue	4	14,862	17,268	19,103	12,788	14,223
<b>Total revenue</b>		<b>93,419</b>	<b>92,205</b>	<b>92,921</b>	<b>80,141</b>	<b>83,553</b>
<b>Expenditure</b>						
Personnel costs	7	24,447	23,516	23,516	20,921	20,921
Depreciation and amortisation expense	19	5,256	5,414	5,414	4,820	4,820
Finance costs	3	1,344	1,541	1,541	1,402	1,402
Other expenses	5	47,589	46,056	46,418	43,301	43,340
<b>Total expenditure</b>		<b>78,636</b>	<b>76,527</b>	<b>76,889</b>	<b>70,444</b>	<b>70,483</b>
<b>Surplus/(deficit) before tax</b>		<b>14,783</b>	<b>15,678</b>	<b>16,032</b>	<b>9,697</b>	<b>13,070</b>
Income tax expense/benefit	24	-	-	252	-	347
<b>Surplus/(deficit) after tax</b>		<b>14,783</b>	<b>15,678</b>	<b>15,780</b>	<b>9,697</b>	<b>12,723</b>
<b>Other comprehensive revenue and expense</b>						
Financial assets at fair value through other comprehensive revenue and expense		195	(442)	(442)	641	641
Property, plant, and equipment revaluations		27,153	82,451	82,484	160,123	160,658
<b>Total other comprehensive revenue and expense</b>		<b>27,348</b>	<b>82,009</b>	<b>82,042</b>	<b>160,764</b>	<b>161,299</b>
<b>Total comprehensive revenue and expense</b>		<b>42,131</b>	<b>97,687</b>	<b>97,822</b>	<b>170,461</b>	<b>174,022</b>

Explanations of major variances against budget can be found in 34. The accompanying notes from part of these financial statements.

## Statement of Changes in Equity for the year ended 30 June 2022 (\$000)

	Notes	Long-term Plan 2021-31	Council Actual	Group Actual	Council Actual	Group Actual
		2021-22	2021-22	2021-22	2020-21	2020-21
<b>Balance at 1 July</b>		<b>762,779</b>	<b>920,761</b>	<b>972,405</b>	<b>750,300</b>	<b>798,383</b>
Adjustments on adoption of PBE IPSAS 41	28	-	33	33	-	-
<b>Adjusted balance at 1 July</b>		<b>762,779</b>	<b>920,794</b>	<b>972,438</b>	<b>750,300</b>	<b>798,383</b>
Total comprehensive revenue and expense for the year		42,131	97,687	97,822	170,461	174,022
<b>Balance at 30 June</b>		<b>804,910</b>	<b>1,018,481</b>	<b>1,070,260</b>	<b>920,761</b>	<b>972,405</b>



## Statement of Financial Position for the year ended 30 June 2022 (\$'000)

	Notes	Long-term Plan 2021-31	Council Actual	Group Actual	Council Actual	Group Actual
		2021-22	2021-22	2021-22	2020-21	2020-21
<b>Assets</b>						
<b>Current Assets</b>						
Cash and cash equivalents	11	794	12,202	14,246	7,654	11,494
Trade and other receivables	12	10,713	7,544	7,580	5,535	5,580
Revenue Receivable		7,002	4,859	2,871	4,868	2,456
Prepayments and leases - current portion		520	695	738	743	744
Inventory	13	1,256	1,503	1,503	1,314	1,314
Tax refund due		-	-	2	-	-
Other current assets	14,29	-	40	40	-	-
<b>Total current assets</b>		<b>20,285</b>	<b>26,843</b>	<b>26,980</b>	<b>20,114</b>	<b>21,588</b>
<b>Non-current assets</b>						
Other financial assets						
Investments in CCOs and other similar entities		32,975	33,244	1,744	32,935	1,435
Loan to CCO		17,000	18,500	-	17,000	-
<b>Subtotal</b>		<b>49,975</b>	<b>51,744</b>	<b>1,744</b>	<b>49,935</b>	<b>1,435</b>
Investments in other entities		3,438	3,615	73,615	3,958	73,958
Derivative Financial Instruments	29	-	637	637	-	-
<b>Total other financial assets</b>	14	<b>53,413</b>	<b>55,996</b>	<b>75,996</b>	<b>53,893</b>	<b>75,393</b>
Deferred taxation asset		-	-	-	-	-
Investment property	15	2,925	3,000	27,920	3,000	25,920
Forestry Assets	16	6,822	4,016	4,016	5,683	5,683
Land leases (prepaid) non-current		2,664	2,538	2,538	2,663	2,663
Restoration asset	17	-	3,438	3,438	2,117	2,117
Carbon credits	18	-	10,809	10,809	5,135	5,135
Intangible assets	19	5,528	4,657	4,657	4,604	4,604
Operational assets	19	87,605	95,014	102,664	92,390	99,240
Infrastructural assets	19	708,641	897,479	897,479	804,138	804,138
<b>Total non-current assets</b>		<b>867,598</b>	<b>1,076,947</b>	<b>1,129,517</b>	<b>973,623</b>	<b>1,024,893</b>
<b>Total assets</b>		<b>887,883</b>	<b>1,103,790</b>	<b>1,156,497</b>	<b>993,737</b>	<b>1,046,481</b>

Explanations of major variances against budget can be found in 34. The accompanying notes from part of these financial statements.

	Notes	Long-term Plan 2021-31	Council Actual	Group Actual	Council Actual	Group Actual
		2021-22	2021-22	2021-22	2020-21	2020-21
<b>Liabilities</b>						
<b>Current liabilities</b>						
Trade and other payables	21	13,873	17,317	17,644	14,178	14,931
Provisions - general	22	-	47	47	-	-
Provisions - employee entitlements	23	2,370	2,734	2,734	2,021	2,021
Debt - current portion	25	2,500	14,409	14,409	20,967	20,967
Derivative financial instruments (current)	29	-	-	-	70	70
<b>Total current liabilities</b>		<b>18,743</b>	<b>34,507</b>	<b>34,834</b>	<b>37,236</b>	<b>37,989</b>
<b>Non-current liabilities</b>						
Derivative financial instruments	29	257	-	-	398	398
Debt - non-current portion	25	63,974	47,000	47,000	33,000	33,000
Deferred taxation liability	24	-	-	600	-	347
Provision - replanting	26	-	3,803	3,803	2,342	2,342
<b>Total non-current liabilities</b>		<b>64,231</b>	<b>50,803</b>	<b>51,403</b>	<b>35,740</b>	<b>36,087</b>
<b>Total liabilities</b>		<b>82,974</b>	<b>85,310</b>	<b>86,237</b>	<b>72,976</b>	<b>74,076</b>
<b>Net assets (assets minus liabilities)</b>		<b>804,909</b>	<b>1,018,480</b>	<b>1,070,260</b>	<b>920,761</b>	<b>972,405</b>
<b>Equity</b>						
Asset revaluation reserves		392,505	606,941	607,510	524,491	525,026
Fair value through other comprehensive revenue and expense reserve		1,322	1,327	45,945	1,768	46,386
Restricted reserves		12,417	13,706	13,706	12,797	12,797
Infrastructure insurance reserves		4,800	4,800	4,800	4,680	4,680
Accumulated funds		393,865	391,706	398,299	377,025	383,516
<b>Total equity</b>		<b>804,909</b>	<b>1,018,480</b>	<b>1,070,260</b>	<b>920,761</b>	<b>972,405</b>

Explanations of major variances against budget can be found in 34. The accompanying notes from part of these financial statements.

## Statement of Cash Flows for the year ended 30 June 2022

	Notes	Long-term Plan 2021-31	Council Actual	Group Actual	Council Actual	Group Actual
		2021-22	2021-22	2021-22	2020-21	2020-21
<b>Cash flows from operating activities</b>						
Receipts from rates revenue		50,874	50,105	50,105	46,531	46,531
Subsidies and grants received		23,838	24,744	24,744	17,934	17,934
Interest received		1,097	696	133	649	111
Dividends received		2,294	2,232	1,517	1,354	4,405
Receipts from rate penalties		-	1,079	1,079	982	982
Receipts from other revenue		12,807	9,219	10,913	11,203	13,223
Payments to suppliers and employees		(70,161)	(67,626)	(68,579)	(60,255)	(60,589)
Interest paid		(1,261)	(1,415)	(1,415)	(1,389)	(1,389)
Income tax paid/refunded		-	-	-	-	2
GST (net)		-	(1,225)	(1,236)	1,102	1,014
<b>Net cash flow from operating activities</b>	<b>35.</b>	<b>19,488</b>	<b>17,809</b>	<b>17,261</b>	<b>18,112</b>	<b>22,224</b>
<b>Cash flows from investing activities</b>						
Receipts from sale of operational assets		-	393	393	283	283
Receipts from sale/maturity of investments		20,000	47,000	47,000	45,000	45,000
Repayment of loan principal from CCO		-	-	-	-	-
Purchase of forestry assets		(437)	(458)	(458)	(505)	(505)
Purchase of property, plant, and equipment		(31,924)	(18,105)	(18,105)	(16,804)	(17,904)
Purchase of intangible assets		(1,356)	(585)	(585)	(1,847)	(1,847)
Purchase of investment property		-	-	(2,745)	-	(576)
Payment of loan to CCO		-	(1,500)	-	-	-
Acquisition of investments		(20,040)	(47,448)	(47,448)	(45,101)	(45,107)
<b>Net cash flow from investing activities</b>		<b>(33,757)</b>	<b>(20,703)</b>	<b>(21,948)</b>	<b>(18,974)</b>	<b>(20,656)</b>
<b>Cash flows from financing activities</b>						
Proceeds from borrowings		35,589	22,442	22,442	33,931	33,931
Repayment of borrowings		(23,082)	(15,000)	(15,000)	(28,964)	(28,964)
<b>Net cash flow from financing activities</b>		<b>12,507</b>	<b>7,442</b>	<b>7,442</b>	<b>4,967</b>	<b>4,967</b>
<b>Net (decrease)/increase in cash, cash equivalents, and bank overdrafts</b>		<b>(1,762)</b>	<b>4,548</b>	<b>2,755</b>	<b>4,105</b>	<b>6,535</b>
Cash, cash equivalents, and bank overdrafts		2,557	7,654	11,492	3,549	4,957
<b>Closing cash balances</b>		<b>795</b>	<b>12,202</b>	<b>14,247</b>	<b>7,654</b>	<b>11,492</b>

# Notes to the Financial Statements

## Statement of Accounting Policies as at 30 June 2022

### Reporting Entity

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

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

Horizons has the following as investments in the balance sheet:

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

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

HRC comprises the following groups of activities: land and water management; flood protection and control works; biosecurity and biodiversity protection; regional leadership and governance; transport; and investment. The Council does not operate to make a financial return.

The reporting date of Council and controlled entities is 30 June.

The Council has designated itself and the Group as public benefit entities (PBEs) for the purposes of complying with generally accepted accounting practice (GAAP).

The financial statements of the Council and Group are for the year ended 30 June 2022. The financial statements were authorised for issue by Council on 30 May 2023.

### Basis of Preparation

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

### Statement of Compliance

The financial statements of the Council and Group have been prepared in accordance with the requirements of the LGA and the Local Government (Financial Reporting and Prudence) Regulations 2014 (LG(FRP)R), which include the requirement to comply with NZ GAAP.

The financial statements have been prepared in accordance with and comply with PBE Accounting Standards.

### Presentation currency and rounding

The financial statements are presented in New Zealand dollars, and all values are rounded to the nearest thousand dollars (\$000), other than capital commitments, Councillors' remuneration, severance payments, internal borrowings, and river and drainage scheme summary, which are rounded to the nearest dollar.

### Basis of consolidation

The consolidated financial statements are prepared by adding together like items of assets, liabilities, equity, revenue, expenses, and cash flows of entities in the group on a line-by-line basis. All intragroup balances, transactions, revenues, and expenses are eliminated on consolidation.

The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. The consolidation of an entity begins from the date when

the Council obtains control of the entity and ceases when the Council loses control of the entity.

Control over an entity is determined when the Council has exposure, or rights, to variable benefits from its involvement with the entity and has the ability to affect the nature or amount of those benefits through its power over the other entity. The Council considers all relevant facts and circumstances in assessing whether it has power over another entity. For example, the ability to appoint or remove a majority of the entity's governance and management, binding agreements the Council enters into, group voting rights, and pre-determination mechanisms. The Council reassesses whether or not it controls another entity if facts and circumstances change.

The Council will recognise goodwill where there is an excess of the consideration transferred over the net identifiable assets acquired and liabilities assumed. If the consideration transferred is lower than the net fair value of the Council's interest in the identifiable assets acquired and liabilities assumed, the difference will be recognised immediately in surplus or deficit.

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

Standards and amendments issued but not yet effective that have been early adopted are:

#### *PBE IPSAS 41 Financial Instruments*

In March 2019, the External Reporting Board (XRB) issued PBE IPSAS 41 *Financial Instruments*, which supersedes both PBE IFRS 9 *Financial Instruments* and PBE IPSAS 29 *Financial Instruments: Recognition and Measurement*. The Council has early adopted PBE IPSAS 41, and the main changes between PBE IPSAS 29 and 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 credit losses, which may result in earlier recognition of impairment losses.

- Revised hedge accounting requirements to better reflect the management of risks.

The effect of this new standard is minimal.

### **Other changes in accounting policies**

Other than those changes caused by standards and amendments which have come into effect during this financial year, there have been no other changes in accounting policies.

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

#### *PBE FRS Service Performance Reporting*

PBE FRS 48 replaces the service reporting requirements of PBE IPSAS 1 *Presentation of Financial Statements* and is effective for the year ending 30 June 2023, with early application permitted. The Council has not yet determined how application of PBE FRS 48 will affect its statement of service performance. It does not plan to adopt the standard early.

### **Revenue**

Revenue is measured at fair value.

The specific accounting policies for significant revenue items are explained below:

#### *Rates Revenue*

The following policies for rates have been applied:

- General rates, targeted rates, 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.
- Rates arising from late payment penalties are recognised 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 services are 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.

### **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.

#### *Defined contribution schemes*

Employer contributions to KiwiSaver are accounted for as defined contribution superannuation schemes and are expensed in the surplus or deficit as incurred.

#### *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.

#### *Borrowing Costs*

Borrowing costs are recognised as an expense in the financial year in which they are incurred.

#### *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.

Although cash and cash equivalents at 30 June 2022 are subject to the expected credit loss requirements of PBE IPSAS 41, no loss allowance has been recognised because the estimated allowance is trivial.

## Trade and Other Receivables

Short-term receivables are recorded at the amount due, less an allowance for expected credit losses (ECL).

The Council and Group apply the simplified ECL model of recognising lifetime ECL for short-term receivables.

In measuring ECLs, receivables have been grouped into rates receivables, and other receivables, and assessed on a collective basis as they possess shared credit risk characteristics. They have then been grouped based on the days past due. A provision matrix is then established based on historical credit loss experience, adjusted for forward looking factors specific to the debtors and economic environment.

Rates are "written-off":

- When remitted in accordance with the Council's rates remission policy; and
- In accordance with the write-off criteria of sections 90A (where rates cannot be reasonably recovered) and 90B (in relation to Māori freehold land) of the Local Government (Rating) Act 2002.

Other receivables are written-off when there is no reasonable expectation of recovery.

## Inventories

Inventories of HRC are deemed to be held for distribution, being material or supplies to be consumed in the rendering of service, 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 FIFO method) and net realisable value.

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

## Financial Derivatives

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

Derivatives are initially recognised at fair value on the date the derivative contract is entered into and are subsequently remeasured at their fair value on each balance date. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and, if so, the nature of the item being hedged.



The associated gains or losses on derivatives that are not hedge accounted are recognised in 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

Other financial assets (other than shares in subsidiaries) are initially recognised at fair value. They are then classified as, and subsequently measured under, the following categories:

- Amortised cost;
- Fair value through other comprehensive revenue and expense (FVTOVRE); or
- Fair value through surplus and deficit (FVTSD)

Transaction costs are included in the carrying value of the financial asset at initial recognition, unless it has been designated at FVTSD, in which case it is recognised in surplus or deficit.

The classification of a financial asset depends on its cash flow characteristics and the Council and Group's management model for managing them.

A financial asset is classified and subsequently measured at amortised cost if it gives rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal outstanding, and is held within a management model whose objective is to collect the contractual cash flows of the asset.

A financial asset is classified and subsequently measured at FVTOCRE if it gives rise to cash flows that are SPPI and held within a management model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

Financial assets that do not meet the criteria to be measured at amortised cost of FVTOCRE are subsequently measured at FVTSD.

However, the Council and Group may elect at initial recognition to designate an equity investment not held for trading as subsequently measured at FVTOCRE.

### *Subsequent measurement of financial assets at amortised cost*

Financial assets classified at amortised cost are subsequently measured at amortised cost using the effective interest method, less any expected credit losses. Where applicable, interest accrued is added to the investment balance. Instruments in this category include term deposits, and loans to subsidiaries and associates.

### *Subsequent measurement of financial assets at FVTOCRE*

Financial assets in this category that are debt instruments are subsequently measured at fair value with fair value gains and losses recognised in other comprehensive revenue and expense, except expected credit losses (ECL) and foreign exchange gains and losses are recognised in surplus or deficit. When sold, the cumulative gain or loss previously recognised in other comprehensive revenue and expense is reclassified to surplus and deficit. The Council and Group do not hold any debt instruments in this category.

Financial assets in this category that are equity instruments designated at FVTOCRE are subsequently measured at fair value with fair value gains and losses recognised in other comprehensive revenue and expense. There is no assessment for impairment when fair value falls below the cost of the investment. When sold, the cumulative gain or loss previously recognised in other comprehensive revenue and expense is transferred to accumulated funds within equity. The Council and Group designate into this category all equity investments, including our investment fund portfolio, and if they are intended to be held for the medium to long term.

### *Subsequent measurement of financial assets at FVTSD*

Financial assets in this category are subsequently measured at fair value with fair value gains and losses recognised in surplus or deficit.

Interest revenue and dividends recognised from these financial assets are separately presented within revenue.

Instruments in this category include the Council and Group's LGFA borrower notes and Interest Rate Swaps.

#### *Expected credit loss allowance (ECL)*

The Council and Group recognise an allowance for ECLs for all debt instruments not classified as FVTSD. ECLs are the probability-weighted estimate of credit losses, measured at the present value of cash shortfalls, which is the difference between the cash flows due to Council and Group in accordance with the contract and the cash flows it expects to receive. ECL are discounted at the effective interest rate of the financial asset.

ECLs are recognised in two stages. ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). However, if there has been a significant increase in credit risk since initial recognition, the loss allowance is based on losses possible for the remaining life of the financial asset (Lifetime ECL).

When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Council and Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Council and Group's historical experience and informed credit assessment and including forward-looking information.

The Council and Group considers a financial asset to be in default when the financial asset is more than 90 days past due. The Council and Group may determine a default occurs prior to this if internal or external information indicates the entity is unlikely to pay its credit obligations in full.

## **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 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**

This consists of our operational assets, including operational land and buildings, communications equipment, computer equipment, equipment and electronics, fittings, furniture and equipment, plant and machinery, scientific/hydrological equipment, and vehicles.

Land is measured at fair value, and buildings are measured at fair value less accumulated depreciation and impairment losses. All other assets are measured at cost, less accumulated depreciation and impairment losses.

Included within the land 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 a portion of HRC's river control scheme land-holdings, it is considered that HRC, or at least HRC's ratepayers, enjoy all of the risk 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.

### *Revaluation*

Land and buildings are revalued with sufficient regularity to ensure that their carrying amount does not differ materially from fair value and at least every three years.

### *Additions*

The cost of an item of property, plant, and equipment is recognised as an asset only when it is probable that future economic benefits or service potential associated with the item will flow to the Council and Group, 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, 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.

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 Group, 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 surplus or deficit as they are incurred.

### *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 in the net 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.

## **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. Additions and disposals are recognised in the same way they are for property, plant, and equipment.

### *Revaluation*

Infrastructural assets are revalued annually 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 PBE IPSAS 17.

## **Depreciation**

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

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

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

Concrete block walls	100-200 years
Major floodgate structures	70-100 years
Floodgate culverts (over 1.2m)	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.

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

## Accounting for Revaluations

Revaluation movements are accounted for on a class-of-asset basis.

The net revaluation results are credited or debited to other comprehensive revenue and expense and are accumulated to an asset revaluation reserve in equity for that class-of-asset. Where this would result in a debit balance in the asset revaluation reserve, this balance is not recognised in other comprehensive revenue and expense but is recognised in surplus or deficit. Any subsequent increase on revaluation that reverses a previous decrease in value recognised in surplus or deficit will be recognised first in surplus or deficit up to the amount previously expensed and then recognised in other comprehensive revenue and expense.

## Intangible Assets

### *Computer Software*

Computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs that are directly attributable to the development of software for internal use are recognised as an intangible asset. Direct costs include the software development employee costs and an appropriate portion of relevant overheads.

Staff training costs are recognised in the surplus or deficit when incurred.

Costs associated with maintaining computer software are recognised as an expense when incurred.

Costs associated with development and maintenance of the Council's website are recognised as an expense when incurred.

### *Amortisation*

The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date the asset is derecognised. The amortisation charge for each financial year is recognised in surplus or deficit. The useful lives of major classes of intangible assets have been estimated as follows:

Digital Terrain Flood Modelling	10-12 years
Other computer software	3-20 years

### *Carbon Credits*

Purchased carbon credits are recognised at cost on acquisition. Free carbon credits 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 an 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, and Equipment and Intangibles**

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

Property, plant and 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.

As 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. The total impairment loss is recognised in the surplus or deficit. 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, a 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 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 silviculture 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.

## **Creditors and Other Payables**

Creditors and other payables are initially measured at the amount payable.

## **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 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 estimate future cash flows.

### **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'.

### **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
- Fair value through other comprehensive revenue and expense reserve
- Restricted reserves
- Insurance infrastructure reserve, and
- 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.

#### *Fair value through other comprehensive revenue and expense*

These reserves relate to the revaluation of financial assets 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 purpose 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.

#### *Infrastructure insurance reserve*

Following the earthquake events in Christchurch and Kaikoura, 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 a level of rating 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)**

Items in the financial statements are stated exclusive of GST, except for receivables and payables, which are presented on a GST-inclusive basis. Where GST is not recoverable as input tax, it is recognised as part of the related asset or expense.

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 received from, the IRD, including the GST relating to investing and financing activities, is classified as an 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 that are adopted by HRC for preparation of the financial statements. For presentational purposes, some additional budget figures have been included to provide better information.

## **Cost Allocation**

The cost of service for each project group has been derived using the cost allocation system outlined below:

- Direct costs are those costs identified as being directly attributable to a project group, and are charged directly to that project group.
- 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 includes components relating to current tax and deferred tax.

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 liabilities are generally recognised for all taxable 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 from the initial recognition of an asset or liability in a transaction that affects neither accounting profit nor taxable profit.

Current tax and deferred tax are measured using tax rates (and tax laws) that have been enacted or substantively enacted at balance date.

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

### **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 expectation 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 Costs (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 14.

#### *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 15.

### **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 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. The fair value model has been used for valuing the property. The valuers utilise an income capitalisation approach referred to the lease of the property.

## **Capital Management**

The Council's capital is its equity (or ratepayers' funds), which comprise accumulated funds and reserves. Equity is represented by net assets.

The LGA requires the Council 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. Ratepayers' funds are largely managed as a by-product of managing revenues, expenses, assets, liabilities, investments, and general financial dealings.

The objective of managing these items is to achieve intergenerational equity, which is a principle promoted in the LGA and applied by the Council. Intergenerational equity requires today's ratepayers to meet the costs of utilising the Council's assets and not expecting them to meet the full cost of long-term assets that will benefit ratepayers in future generations. Additionally, the Council has in place asset management plans for major classes of assets detailing renewal and maintenance programmes to ensure that ratepayers in future generations are not required to meet the costs of deferred renewals and maintenance.

The LGA requires the Council to make adequate and effective provision in its Long-term Plan (LTP) and in its Annual Plan (where applicable) to meet the expenditure needs identified in those plans. The LGA also sets out the factors that the Council is required to consider when determining the most appropriate sources of funding for each of its activities. The sources and levels of funding are set out in the funding and financial policies in the Council's LTP.

# Statement of Contingencies and Commitments as at 30 June 2022

## Contingent Liabilities

### Forestry

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 to not 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 \$1.04 million exists (2021: \$0.45 million).

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.

### 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 rate from Standard and Poor's of AA+ and a foreign currency rating of AA.

As at 30 June 2022, the Council is one of 68 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 \$15.8 billion (2021: \$12.8 billion), of which the Group and the Council have borrowed \$0.061 billion (2021: \$0.049 billion). As a result, the Group and the Council's cross-guarantee on LGFA's loans to other local authorities is \$15.8 billion (2021: \$12.8 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

There are no contingent liabilities to disclose this year.

## Liabilities of Associates/Subsidiaries 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 2022 relating to leasing of printers and photocopiers (same as last year).

HRC also has an operating lease commitment as Lessee for land leased for the Whanganui Service Centre, and building leases at 17-23 Victoria Avenue, Palmerston North and 47 Queen Street, Palmerston North. Total commitment for this as at 30 June 2022 is \$0.928 million (last year \$0.940 million) as summarised in the following table:

Council Actual 2020-21 \$000	Group Actual 2020-21 \$000		Council Actual 2021-22 \$000	Group Actual 2021-22 \$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
110	110	Greater than five years	83	83
<b>245</b>	<b>245</b>	<b>Total</b>	<b>218</b>	<b>218</b>
		17-23 Victoria Avenue, Palmerston North (Te Ao Nui)		
202	-	Less than and up to one year	202	-
493	-	Two to five years	290	-
-	-	Greater than five years	-	-
<b>695</b>	<b>-</b>	<b>Total</b>	<b>493</b>	<b>-</b>
		47 Queen Street, Palmerston North		
-	-	Less than and up to one year	91	91
-	-	Two to five years	126	126
-	-	Greater than five years	-	-
<b>-</b>	<b>-</b>	<b>Total</b>	<b>217</b>	<b>217</b>
<b>940</b>	<b>245</b>	<b>Total Leases</b>	<b>928</b>	<b>435</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 as at 30 June 2022 are \$4.806 million (last year \$5.654 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 2022 is \$3.999 million (last year \$4.131 million) as summarised in the following table.

There are operating lease commitments for MWRC Holdings Ltd as Lessors in respect of properties at 28 North Street, Palmerston North, 17-23 Victoria Ave, Palmerston North, 7 Victoria Ave, Palmerston North, 184 Grey Street, Palmerston North, and 40 Bowen Street, Feilding. Total commitments for these as at 30 June 2022 are \$11.612 million (last year \$10.474 million) as summarised in the following table.

Council Actual 2020-21 \$000	Group Actual 2020-21 \$000		Council Actual 2021-22 \$000	Group Actual 2021-22 \$000
		General Operating Land Leases		
1,274	1,274	Less than and up to one year	1,174	1,174
2,873	2,873	Two to five years	2,511	2,511
1,507	1,507	Greater than five years	1,122	1,122
<b>5,654</b>	<b>5,654</b>	<b>Total</b>	<b>4,806</b>	<b>4,806</b>
		17-23 Victoria Ave, Palmerston North (Te Ao Nui)		
132	1,297	Less than and up to one year	132	1,467
528	5,569	Two to five years	528	5,784
3,471	2,843	Greater than five years	3,339	1,706
<b>4,131</b>	<b>9,709</b>	<b>Total</b>	<b>3,999</b>	<b>8,957</b>
		28 North Street, Palmerston North		
-	247	Less than and up to one year	-	247
-	474	Two to five years	-	226
-	-	Greater than five years	-	-
<b>-</b>	<b>721</b>	<b>Total</b>	<b>-</b>	<b>473</b>
		7 Victoria Avenue, Palmerston North		
-	44	Less than and up to one year	-	44
-	-	Two to five years	-	3
-	-	Greater than five years	-	-
<b>-</b>	<b>44</b>	<b>Total</b>	<b>-</b>	<b>47</b>

		184 Grey Street, Palmerston North		
-	-	Less than and up to one year	-	-
-	-	Two to five years	-	-
-	-	Greater than five years	-	-
-	-	<b>Total</b>	-	-
		40 Bowen Street, Feilding		
-	-	Less than and up to one year	-	150
-	-	Two to five years	-	600
-	-	Greater than five years	-	1,385
-	-	<b>Total</b>	-	<b>2,135</b>
<b>9,785</b>	<b>16,128</b>	<b>Total Leases</b>	<b>8,805</b>	<b>16,418</b>

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

No contingent rents have been recognised.

Land property is leased under operating leases. The average lease period is 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 2020-21	Group Actual 2020-21		Council Actual 2021-22	Group Actual 2021-22
35,000	35,000	Kara Creek & Mangapuketea Stream Stopbank Upgrades	28,251	28,251
102,779	102,779	Lower Whanganui North Mole Hardstand	19,398	19,398
421,500	421,500	Hartley Street Rock Supply - Rock Armouring	-	-
269,940	269,940	Parewanui Stopbank Upgrade - Right Bank 1.8-3.7km	109,272	109,272
6,759	6,759	Protect Individual Property - McNeil's	-	-
-	-	Placement of Rock Lining at Hartley Street, Foxton Beach	27,170	27,170

-	-	Protect Individual Property - McNeils	12,645	12,645
-	-	North Mole and Revetment Upgrade - Te Pūwaha	2,492,516	2,492,516
-	-	Te Matai Road Rock Armouring	2,404,803	2,404,803
-	-	Tokomaru Stopbank Widening	458,284	458,284
-	-	PN Flood Protection Resilience - Timber Retaining Wall Replacement	7,261	7,261
-	-	PN Flood Protection Resilience - Kakatangiata stopbank realignment	11,560	11,560
-	-	Refurbishment of Riverbank Road Timberwall	35,244	35,244
-	-	Oroua Silt Relocation - RB 12 km	7,270	7,270
-	-	Koputaroa Drainage Scheme	298,156	298,156
<b>835,978</b>	<b>835,978</b>	<b>Total Capital Commitments</b>	<b>5,911,830</b>	<b>5,911,830</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 of the COVID-19 Response and Recovery Fund.

# Notes to the Financial Statements (continued)

## 1. Rates Revenue

Council Actual 2020-21 \$000	Group Actual 2020-21 \$000		Council Actual 2021-22 \$000	Group Actual 2021-22 \$000
20,723	20,723	<b>General Rates</b>	21,910	21,910
4,447	4,447	General Rates	4,905	4,905
		Uniform Annual General Charge		
8,305	8,305	<b>Targeted Rates</b>	8,978	8,978
11,500	11,500	Environmental Activities	11,391	11,391
2,501	2,501	River and Drainage Scheme Activities	3,117	3,117
(148)	(148)	Transport Scheme Activities	(153)	(153)
982	982	Remissions	1,079	1,079
(1,141)	(1,141)	Penalties	-	-
		Discounts		
<b>47,169</b>	<b>47,169</b>	<b>Total Rate Revenue (net of remissions)</b>	<b>51,227</b>	<b>51,227</b>

Rating Units	Actual 2020-21	Actual 2021-22
Number of rating units (SUIP)*	109,907	110,834
Total capital value of rating units (\$million)	62,274	67,494
Total land value of rating units (\$million)	33,455	36,745

\*Separately Used or Inhabited Part

## 2. Subsidies, Grants and Donations

Council Actual 2020-21 \$000	Group Actual 2020-21 \$000		Council Actual 2021-22 \$000	Group Actual 2021-22 \$000
5,685	5,685	Transport Subsidy	5,510	5,510
1,388	1,388	SLUI - Hill Country Erosion	1,671	1,671
716	716	Freshwater Improvement	440	440
7,403	7,403	COVID Recovery Projects	7,531	7,531
1,254	1,254	Wilding Conifer	1,221	1,221
495	495	Provincial Growth Fund	3,400	3,400
-	-	Other	-	-
<b>16,941</b>	<b>16,941</b>	<b>Total Subsidies, Grants, and Donations</b>	<b>19,773</b>	<b>19,773</b>

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

## 3. Finance Revenue and Costs

Council Actual 2020-21 \$000	Group Actual 2020-21 \$000		Council Actual 2021-22 \$000	Group Actual 2021-22 \$000
661	123	<b>Finance Revenue</b>	710	195
2,204	4,719	Interest Revenue	2,121	1,517
378	378	Dividend Revenue	1,105	1,105
<b>3,243</b>	<b>5,220</b>	<b>Total Finance Revenue</b>	<b>3,936</b>	<b>2,817</b>
-	-	<b>Finance Costs</b>	-	-
1,389	1,389	Interest Derivatives	1,526	1,526
13	13	Interest Expense	15	15
<b>1,402</b>	<b>1,402</b>	<b>Total Finance Costs</b>	<b>1,541</b>	<b>1,541</b>
<b>1,842</b>	<b>3,819</b>	<b>Net Finance Costs</b>	<b>2,395</b>	<b>1,276</b>

## 4. Other Revenue

Council Actual 2020-21 \$000	Group Actual 2020-21 \$000		Council Actual 2021-22 \$000	Group Actual 2021-22 \$000
3,697	3,697	Consents, compliance and research charges	3,675	3,675
368	368	Emergency management contracted works	-	-
-	-	Insurance recoveries	-	-
1,388	2,626	Rental revenue	1,419	3,305
654	654	Nursery sales	644	644
300	808	Gain on revaluations	-	370
283	283	Gain on disposal of assets	393	393
1,712	1,712	Recognition of carbon credits	5,674	5,674
4,386	4,075	Other	5,463	5,042
<b>12,788</b>	<b>14,223</b>	<b>Total other revenue</b>	<b>17,268</b>	<b>19,103</b>

## 5. Other Expenses

Council Actual 2020-21 \$000	Group Actual 2020-21 \$000		Council Actual 2021-22 \$000	Group Actual 2021-22 \$000
		<u>Audit fees to principal auditor:</u>		
139	155	Annual Report	169	184
91	91	Long-term Plan	-	-
5	5	Debenture Trust Deed	5	5
7	7	Change in impairment of receivables (decrease)	(32)	(32)
2,333	2,407	Consulting services	1,583	1,751
11,367	11,197	Contractor services	12,221	12,224
611	611	Donations/grants/sponsorship	619	619
739	739	Environmental consumables	1,061	1,061
4,754	4,754	Environmental grants	5,007	5,007
1,371	1,474	Insurance	1,496	1,475
179	179	Inventories used	277	277
555	555	Laboratory charges (external)	546	546
867	889	Legal expenses	548	688
261	285	Light heat and power	401	433
827	827	Loss on disposal of assets	94	94
-	-	Loss on forestry revaluation	2,137	2,137
830	830	Members fees and expenses	823	823
352	352	Nursery purchases	131	131
326	59	Operational lease expenditure	531	204
372	464	Rates paid	407	515
203	203	Rates Receivables actually written off	113	113
-	-	Rates written off on Māori land	134	134
-	-	Rates penalties written off on Māori land	608	608
727	727	Software purchases	964	964
2,475	2,475	Technical services	2,199	2,199
7,130	7,130	Transport Subsidies	7,917	7,917
197	197	Valuation and land data management	165	165
270	270	Vehicle fuel	345	345
304	304	Vehicle repairs & maintenance	236	236
6,009	6,154	Other operating expenses	5,351	5,595
<b>43,301</b>	<b>43,340</b>	<b>Total Other Expenses</b>	<b>46,056</b>	<b>46,418</b>

Note: Loss on forestry revaluation was included in Other operating expenses in the 2021 Annual Report, this has been split out for the 2022 year with the comparative adjusted to show this for both years.

## 6. Councillors' Remuneration

Council Actual 2020-21 Expenses						Council Actual 2021-22 Expenses					
Remuneration	Communications	Mileage	Travel Time	Meals/Misc		Remuneration	Communications	Mileage	Travel Time	Meals/Misc	
67,656	990	2,435	525	-	Benbow A	67,656	1,550	1,416	300	-	
50,116	990	-	-	-	Clarke E	50,116	1,550	-	-	-	
72,668	990	5,958	1,369	32	Cotton DB	72,668	1,550	2,947	450	30	
65,150	990	4,147	1,234	237	Ferguson S	65,150	1,550	3,434	1,150	81	
50,116	990	2,899	713	-	Gordon EB	50,116	1,550	1,817	431	449	
50,116	990	220	113	-	Gordon F	50,116	1,550	-	-	95	
135,621	440	-	-	-	Keedwell RJ (Chair)	143,000	850	-	-	-	
50,116	990	9,341	4,463	404	Kirton W	50,116	1,550	6,303	3,000	418	
67,656	990	74	9	-	Naylor JM	67,656	1,550	-	-	-	
65,150	990	2,668	825	-	Patrick NJ	61,391	1,550	1,010	300	-	
50,116	990	1,273	50	-	Te Awe Awe WK	50,116	1,550	1,183	90	-	
48,279	990	4,022	926	-	Turkington J	50,116	1,550	3,062	696	-	
<b>772,760</b>	<b>11,330</b>	<b>33,037</b>	<b>10,227</b>	<b>673</b>	<b>Total Councillors' Remuneration</b>	<b>778,217</b>	<b>17,900</b>	<b>21,171</b>	<b>6,418</b>	<b>1,073</b>	

For 2022 chair's remuneration includes the \$3,804 vehicle allowance (last year \$3,804 was excluded from the remuneration figure)

Expenses incurred by Councillors for 2021-22					
Accommodation for HRC Meetings			Conference Costs		
Clarke E		174	Cotton DB		1,248
Kirton W		917	Ferguson S		793
			Gordon EB		713
			Gordon F		420
			Kirton W		1,697



## 7. Personnel Costs

Council Actual 2020-21 \$000	Group Actual 2020-21 \$000		Council Actual 2021-22 \$000	Group Actual 2021-22 \$000
360	360	Chief Executive total remuneration	380	380
<b>20,854</b>	<b>20,854</b>	<b>Total employee benefits</b>	<b>23,136</b>	<b>23,136</b>
(550)	(550)	Less Capitalised Labour	(603)	(603)
586	586	Defined contribution plan employer contributions	661	661
31	31	Movement in employee entitlements	322	322
<b>20,921</b>	<b>20,921</b>	<b>Total Personnel Costs</b>	<b>23,516</b>	<b>23,516</b>

### Additional Personnel Disclosures

Council Actual 2020-21		Council Actual 2021-22
231	<b>At 30 June HRC employed:</b>	242
26.1	Fulltime staff	33.2
	FTE (Full time equivalent) part-time and casual staff	
<b>257.1</b>	<b>Total FTEs</b>	<b>275.2</b>
	<b>Number of employees by remuneration (contracted) band as at 30 June:</b>	
89	<\$60,000	82
101	\$60,000 - \$79,999	91
69	\$80,000 - \$99,999	80
7	\$100,000 - \$119,999	28
16	\$120,000 - \$139,999	16
6	\$140,000 - \$239,999	6
1	\$240,000 - \$379,999	5
<b>289</b>	<b>Total Employees</b>	<b>308</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 242 (last year: 231), with the balance of staff representing 33.2 (last year: 26.1) full-time equivalent employees. A full-time employee is based on a 40-hour working week.

## 8. 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 conditions for such group transactions.

## 9. Key Management Personnel Compensation

Council Actual 2020-21		Council Actual 2021-22
773	<i>Councillors</i>	782
12	Remuneration (\$000)	12
	Full-time equivalent members	
1,470	<i>Senior Management Team including Chief Executive</i>	1,335
6	Remuneration (\$000)	5
	Full-time equivalent members	
<b>2,243</b>	<b>Total Remuneration (\$000)</b>	<b>2,117</b>
<b>18</b>	<b>Total Full-time equivalent members</b>	<b>17</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. For the majority of the year this was 12, until the 4<sup>th</sup> of June when it became 11 due to a resignation.

## 10. Council Controlled Organisations (CCOs)

### Report on HRC's Council Controlled Organisations (CCOs) and Council Controlled Trading Organisation (CCTO)

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

During the 2021-22 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 shared service debt collection business unit for the collection of Council's and TA's debt. The debt collection unit continued to grow, adding 4 new non-member councils, taking the total Council membership to 28.

As MW LASS remains an exempt CCO, no reporting against a Statement of Intent (SOI) is required.

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

MWRCH was established to hold equity investments formerly held by HRC. During this financial year, MWRCH added a further two investment properties to its portfolio. MWRCH has maintained a regular schedule of meetings, including both management and financial reporting.

The targets included in the SOI for the year were:

*Provide a minimum cash return on investment to the Council of 65% of net profit after tax*

This measure was achieved. (Not achieved 2020-21).

*Operate within agreed budgets*

Overall revenue is well above budget due to an increase in rents received. Overall expenditure is over budget due to additional consultancy and repairs and maintenance costs.

*Maintain the following financial performance targets*

Target	Actual 2020-21	Target 2021-22	Actual 2021-22
Net Profit Before Tax	4,962	2,298	2,375
Income Return on net Assets*	6.98%	2.73%	2.85%
Income Return on net Assets (excluding Centreport)	9.06%	7.17%	7.46%
Dividend (excluding subvention payments)	2,100	2,236	1,988
Debt Repayment	-	-	-

\*Income return on net assets is calculated as the net profit before tax divided by net 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 SOI for 2021-22 and 2020-21.

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

For the 2021-22 year, RSHL had twelve performance indicators relating to time, budget and project development; all were fully achieved.

## 11. Cash and Cash Equivalents

Council Actual 2020-21 \$000	Group Actual 2020-21 \$000		Council Actual 2021-22 \$000	Group Actual 2021-22 \$000
7,654	11,494	Cash at bank and on hand	12,202	14,246
-	-	Term deposits with original maturities less than 3 months	-	-
<b>7,654</b>	<b>11,494</b>	<b>Total Cash and Cash Equivalents</b>	<b>12,202</b>	<b>14,246</b>

## 12. Trade and Other Receivables

Council Actual 2020-21 \$000	Group Actual 2020-21 \$000		Council Actual 2021-22 \$000	Group Actual 2021-22 \$000
3,355	3,355	Rates Receivables	2,885	2,885
1,872	1,981	Trade and Other Receivables	3,494	3,860
341	307	Due from related parties	351	21
-	(30)	GST receivable	816	816
(33)	(33)	Allowance for credit losses	(2)	(2)
<b>5,535</b>	<b>5,580</b>	<b>Total Trade and Other Receivables</b>	<b>7,544</b>	<b>7,580</b>

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

Council	2020-21 \$000			2021-22 \$000		
	Gross	Impair	Net	Gross	Impair	Net
Not past due	2,017	-	2,017	1,335	-	1,335
Past due 1-30 days	26	-	26	1,486	-	1,486
Past due 31-90 days	3	-	3	411	-	411
Past due >90 days	3,522	(33)	3,489	4,314	(2)	4,312
	<b>5,568</b>	<b>(33)</b>	<b>5,535</b>	<b>7,546</b>	<b>(2)</b>	<b>7,544</b>
Exchange	67	-	67	77	-	77
Non-exchange	5,501	(33)	5,468	7,469	(2)	7,467

Group

<b>5,568</b>	<b>(33)</b>	<b>5,535</b>	<b>7,546</b>	<b>(2)</b>	<b>7,544</b>
<b>5,613</b>	<b>(33)</b>	<b>5,580</b>	<b>7,582</b>	<b>(2)</b>	<b>7,580</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 \$0.140 million (last year \$0.187 million) are detailed on page 131. Due to HRC's inability to enforce recovery of these amounts, they are not included as receivables in the financial statements.

The Council does not provide for ECLs on rates receivables. Council has various powers under the Local Government (Rating) Act 2002 to recover any outstanding debts. These powers allow the Council to commence legal proceedings to recover any rates that remain unpaid four months after the due date for payment. If payment has not been made within three months of the Court's judgement, then Council can apply to the Registrar of the High Court to have the judgement enforced by sale or lease of the rating unit.

Ratepayers can apply for payment plan options in special circumstance. Where such payment plans are in place, debts are discounted to their present value of future payments of the effect of discounting is material.

The ECL rates for other receivables as at 30 June 2022 and 1 July 2021 are based on the profile of revenue on credit over the prior two years at the measurement date and the corresponding historical credit losses experienced for that period. The historical loss rates are adjusted for current and forward-looking macroeconomic factors that might affect the expected recoverability of receivables. Given the short period of credit

risk exposure, the effects of macroeconomic factors are not considered significant.

There have been no changes since 1 July 2021 in the estimation techniques or significant assumptions in measuring the loss allowance. The allowance for credit losses based on Council and the group's credit loss matrix is as follows:

	Current	1 to 30 days	31 to 90 days	More than 90 days	Total
Council - 30 June 2022					
Expected Credit Loss Rate	0.00%	0.00%	0.00%	0.28%	
Gross Receivable amount (\$000)	1,335	1,486	411	613	3,845
Lifetime ECL (\$000)	-	-	-	2	2
Group - 30 June 2022					
Expected Credit Loss Rate	0.00%	0.00%	0.00%	0.28%	
Gross Receivable amount (\$000)	1,204	1,486	411	613	3,714
Lifetime ECL (\$000)	-	-	-	2	2
Council - 1 July 2021					
Expected Credit Loss Rate	0.00%	0.00%	0.00%	0.28%	
Gross Receivable amount (\$000)	2,031	26	3	154	2,214
Lifetime ECL (\$000)	-	-	-	-	-
Group - 1 July 2021					
Expected Credit Loss Rate	0.00%	0.00%	0.00%	0.28%	
Gross Receivable amount (\$000)	2,106	26	3	154	2,289
Lifetime ECL (\$000)	-	-	0	0	0

Movements in the allowance for credit losses as follows:

Council Actual 2020-21 \$000	Group Actual 2020-21 \$000		Council Actual 2021-22 \$000	Group Actual 2021-22 \$000
(26)	(26)	Balance at 1 July under PBE IPSAS 29	(33)	(33)
-	-	ECL adjustment on adoption of PBE IPSAS 41	33	33
(26)	(26)	Opening balance for credit losses at 1 July	-	-
(69)	(69)	Additional provisions made during the year	(2)	(2)
-	-	Provisions reversed during the year	-	-
62	62	Receivables written off during the year	-	-
<b>(33)</b>	<b>(33)</b>	<b>Total ECL</b>	<b>(2)</b>	<b>(2)</b>

### 13. Inventory

Council Actual 2020-21 \$000	Group Actual 2020-21 \$000		Council Actual 2021-22 \$000	Group Actual 2021-22 \$000
1,205	1,205	Opening inventory	1,314	1,314
288	288	Purchases and associated costs	466	466
<b>1,493</b>	<b>1,493</b>		<b>1,780</b>	<b>1,780</b>
(179)	(179)	Inventories used in activities	(277)	(277)
<b>1,314</b>	<b>1,314</b>	<b>Closing inventory</b>	<b>1,503</b>	<b>1,503</b>

No inventories are pledged as security for liabilities (last year nil). There have been no write-downs of inventory during the year nor reversals of previous write-downs.

#### 14. Other Financial Assets

Council Actual 2020-21 \$000	Group Actual 2020-21 \$000		Council Actual 2021-22 \$000	Group Actual 2021-22 \$000
<b>Current Portion</b>				
-	-	Term deposits with original maturities of 4-12 months	-	-
-	-	Loans to subsidiaries and associates	-	-
-	-	LGFA deposit	40	40
-	-	<b>Total current portion</b>	<b>40</b>	<b>40</b>
<b>Non-current Portion</b>				
		<b>Investments in CCOs and other similar entities</b>		
2	2	NZ Local Government Insurance Corporation Ltd	2	2
16	16	MW LASS Ltd	16	16
798	798	Regional Software Holding Ltd	798	798
31,500	-	MWRC Holdings Ltd	31,500	-
17,000	-	Loan to CCO	18,500	-
619	619	LGFA Deposit	928	928
<b>49,935</b>	<b>1,435</b>	<b>Total Investments in CCOs and other similar entities</b>	<b>51,744</b>	<b>1,744</b>
		<b>Investments in other entities</b>		
-	70,000	Unlisted shares in CentrePort Ltd (23.08%)	-	70,000
3,958	3,958	Listed share portfolio - Hobson Wealth	3,615	3,615
<b>3,958</b>	<b>73,958</b>	<b>Total Investments in other entities</b>	<b>3,615</b>	<b>73,615</b>
		<b>Other</b>		
-	-	Derivative financial instruments	637	637
-	-	<b>Total Other</b>	<b>637</b>	<b>637</b>
<b>53,893</b>	<b>75,393</b>	<b>Total non-current portion</b>	<b>55,996</b>	<b>75,996</b>
<b>53,893</b>	<b>75,393</b>	<b>Total Other Financial Assets</b>	<b>56,036</b>	<b>76,036</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.

The listed share portfolio with Hobson Wealth 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.

#### Fair value of the CentrePort Ltd

##### Overview

Horizons Regional Council won 23.08% of the issued shares of CentrePort Limited through its wholly-owned subsidiary, MWRC Holdings Limited (MWRCH). The balance of the shares are owned by Greater Wellington Regional Council. Each year MWRCH engages an independent third party, PricewaterhouseCoopers (PwC), to assess the fair value of this shareholding and provide an indicative valuation range of the carrying value of the investment.

The valuation advice for port operations is determined using a discounted cash flow method as the primary valuation methodology for valuing the 100% value of CentrePort, with a cross-check to a capitalisation of earnings method using market multiples and the pro-rata share of CentrePort's net tangible assets.

This has relied on the following information provided by CentrePort management:

- The Company's 2023 to 2025 Statement of Intent ("2022 SOI") which includes a forecast income statement, balance sheet and cash flow statement for the years FY23 to FY25;
- The Company's audited FY22 financial statements; and
- Information on the Company's website.

The indicative valuation range for the Council's 23.08% shareholding is \$59M to \$71M (2021 \$61M to \$72M). This represents a modest decrease to that of the 2021 range, as a result CentrePort's WACC increasing with the interest rate environment, a decrease in the cash balance and moving away from the 2018 10 year plan earnings (which is now out of date). However the amount of capital expenditure in forecast years has decreased this year, which partially offsets the negative impacts mentioned above.

The Directors have retained the same carrying value of the Company's 23.08% shareholding in CentrePort as at 30 June 2022. This decision was made after considering the following:

- reviewing the independent valuation advice from PwC
- acknowledging the capital investment plans of CentrePort
- noting the significant forecasted improvement in EBITDA and shareholder dividends proposed from 2021 to 2025
- improving productivity
- improving market conditions in a post-COVID-19 recovery period

It was noted that a 23.08% share of CentrePort's net assets is \$107M. Applying the higher minority discount rate of 35% results in a value of \$69M, which falls within the indicative valuation range provided and is in line with the carrying value of \$70M

#### **Impact of the 2016 Kaikoura Earthquake on investment**

As has been reported in previous reports, the November 2016 Kaikoura earthquake resulted in significant damage to CentrePort's assets and business. While the rebuild still contains a degree of uncertainty about

the future business operations of CentrePort and, in particular, the capital expenditure required to reinstate the Company's assets or otherwise develop the Port, the Company's plans have been further developed.

CentrePort is continuing to provide more certainty on its future business operations in the preparation of a Master "Regeneration Plan" for the 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.

#### **Uncertainties in the valuation advice**

The Directors note that there is a high degree of uncertainty with regards to CentrePort's future capital expenditure and future financial performance and hence returns to shareholders. Key uncertainties highlighted in the fair value valuation advice they have received include:

- While all insurance proceeds have now been received, over the past 2.5 years, there has been considerable disruption due to COVID-19 and New Zealand's response to the global pandemic. The cruise ship industry, which was heavily impacted, has begun to recover with the borders opening, and expectations are this will reach pre-COVID levels by FY24.
- The capital expenditure required to rebuild and redevelop the port is very material to the indicative valuation. CentrePort has developed its Regeneration Plan, and although CentrePort has greater visibility on major investments compared to previous years, uncertainty remains with regards to the timing and quantum of expenditure.
- A significant amount of the capital expenditure remains subject to detailed business casing and shareholder approval, which adds to the uncertainty regarding the quantum and timing.

- Short-term capital expenditure forecasts remain highly volatile and uncertain due to the inherent unpredictability of the rebuild process and changing strategic direction.
- Historical capital expenditure over the last 3 years has been significantly below spending levels that have been forecasted. The capital expenditure profile forecasted has been modified to reflect this uncertainty.
- A significant amount of the capital expenditure plan relates to ongoing rectification and resilience work that will likely not generate a WACC return on investment but is necessary for the long-term resilience of the port.

### Assumptions

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

- A valuation date as at 30 June 2022.
- CentrePort investment property value of \$63M, up from \$61M last year.
- 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%
- Capital expenditure forecasts are based upon conversations with management and the forecast financial statements contained with the 2022 SOI.
- A WACC of 7.6% - 7.9%, being a significant increase on last year due to a large increase in the risk-free rate used.
- Terminal year capital expenditure estimate of \$24m
- NZ interest rates have increased significantly since last year, reflecting market expectations for increases in the OCR.

- The return on investment for any capital expenditure on the proposed Multi-User Ferry Terminal is to be determined at the business case stage, and so it has been assumed based on the uncertainty, it will generate a cost of capital return.
- Capital expenditure related to ongoing rectification and resilience work will not likely generate a cost of capital return.
- 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 7.6% to 7.9% 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 \$5.1m or 7.8%. If the WACC was reduced by 0.5% for every time period, the impact on the value of the shareholding would be an increase of \$6.1m or 9.4%.
- If the value of CentrePort's commercial property interests was to decrease by \$10m, the value decrease would be \$1.6m or 2.4%. If the



value were to increase by \$10m, the value increase would be \$1.6m or 2.4%.

- If the capital expenditure forecasts were to decrease by 5% from those assumed in the valuation (with no flow on changes to revenue or cost), the value impact would be an increase of \$2.5m or 3.9%. If the capital expenditure forecasts were to increase by 5% from those assumed in the valuation, the value impact would be a decrease of \$2.5m or 3.9%.
- The minority discount applied to the shareholding range was 30% to 35%. If the midpoint of that discount range was to decline by 5%, the value of the valuation midpoint would increase by \$4.7m or 7.2%. If the minority discount was increased from its midpoint by 5%, the value decrease would be \$4.9m or 7.6%

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.

## 15. Investment Property

Council Actual 2020-21 \$000	Group Actual 2020-21 \$000		Council Actual 2021-22 \$000	Group Actual 2021-22 \$000
-	3,150	<b>28 North Street, Palmerston North</b>	-	3,670
-	-	Balance at 1 July	-	-
-	-	Property purchased	-	-
-	-	Additions/Renovations	-	-
-	520	Revaluation as at 30 June	-	-
-	<b>3,670</b>	<b>Total North Street</b>	-	<b>3,670</b>
2,700	24,000	<b>17-23 Victoria Avenue, Palmerston North</b>	3,000	25,000
		Balance at 1 July		

-	-	Property purchased	-	-
-	676	Additions/Renovations	-	(304)
-	(2,750)	Reclassification on consolidation	-	(2,750)
300	324	Revaluation as at 30 June	-	304
<b>3,000</b>	<b>22,250</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	-	1,100
-	1,100	Property purchased	-	-
-	-	Additions/Renovations	-	-
-	(1,100)	Reclassification on consolidation	-	(1,100)
-	-	Revaluation as at 30 June	-	-
-	-	<b>Total 7 Victoria Avenue</b>	-	-
-	-	<b>184 Grey Street, Palmerston North</b>	-	-
-	-	Balance at 1 July	-	-
-	-	Property purchased	-	800
-	-	Additions/Renovations	-	-
-	-	Reclassification on consolidation	-	(800)
-	-	Revaluation as at 30 June	-	-
-	-	<b>Total 184 Grey Street</b>	-	-
-	-	<b>40 Bowen Street, Feilding</b>	-	-
-	-	Balance at 1 July	-	-
-	-	Property purchased	-	1,900
-	-	Additions/Renovations	-	-
-	-	Reclassification on consolidation	-	-
-	-	Revaluation as at 30 June	-	100
-	-	<b>Total 40 Bowen Street</b>	-	<b>2,000</b>
<b>3,000</b>	<b>25,920</b>	<b>Total Investment Properties</b>	<b>3,000</b>	<b>27,920</b>

The valuer applies the fair value model for valuing the properties. In determining the fair value, the valuers have utilised an income capitalisation approach with reference to the lease of the property. Yields are derived from analysis of comparable sales in the market. The properties were 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 valuations.



## 16. Forestry

Council Actual 2020-21 \$000	Group Actual 2020-21 \$000		Council Actual 2021-22 \$000	Group Actual 2021-22 \$000
		<b>SLUI Forestry Development</b>		
5,344	5,344	Balance at 1 July	5,103	5,103
505	505	Increases due to purchases	458	458
(746)	(746)	Revaluation movement	(2,137)	(2,137)
<b>5,103</b>	<b>5,103</b>	<b>Balance at 30 June</b>	<b>3,424</b>	<b>3,424</b>
		<b>Other Forestry Development</b>		
585	585	Balance at 1 July	580	580
-	-	Increases due to purchases	-	-
(5)	(5)	Revaluation movement	12	12
<b>580</b>	<b>580</b>	<b>Balance at 30 June</b>	<b>592</b>	<b>592</b>
<b>5,683</b>	<b>5,683</b>	<b>Total Forestry Value at 30 June</b>	<b>4,016</b>	<b>4,016</b>

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 8-15 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 2022. The following significant valuation assumptions have been adopted in determining the fair value of forestry assets:

- A discount rate of 8% has been used for the other forestry assets and 7.5% for the SLUI forestry 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 declining 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.

## 17. Restoration Asset

Council Actual 2020-21 \$000	Group Actual 2020-21 \$000		Council Actual 2021-22 \$000	Group Actual 2021-22 \$000
2,167	2,167	Opening Balance as at 1 July	2,117	2,117
(116)	(116)	Amortisation	(125)	(125)
66	66	Change in Value	1,446	1,446
<b>2,117</b>	<b>2,117</b>	<b>Closing Balance as at 30 June</b>	<b>3,438</b>	<b>3,438</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 2020 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 14-20 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 14-20 years, depending on the individual lease agreements per forest.

## 18. Carbon

Council Actual 2020-21 \$000	Group Actual 2020-21 \$000		Council Actual 2021-22 \$000	Group Actual 2021-22 \$000
3,423	3,423	Opening Balance as at 1 July	5,135	5,135
1,712	1,712	Additional carbon credits recognised	5,674	5,674
-	-	Carbon credits surrendered	-	-
<b>5,135</b>	<b>5,135</b>	<b>Closing Balance as at 30 June</b>	<b>10,809</b>	<b>10,809</b>

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

2022	Cost/ Valuation 1 July 2021	Accumulated Depreciation and impairment	Carrying amount 1 July 2021	Transfers and other adjustments Cost Accumulated Depreciation		Additions	Disposals (net)	Impairment	Depreciation	Revaluation Change	Cost/ Valuation 30 June 2022	Accumulated Depreciation and impairment	Carrying amount 30 June 2022
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>Intangible Assets</b>													
Computer software	13,720	(9,255)	4,465	-	-	700	(5)	-	(743)	-	14,405	(9,987)	4,418
Capital work in progress	139	-	139	-	-	184	(83)	-	-	-	240	-	240
<b>Total intangible assets</b>	<b>13,859</b>	<b>(9,255)</b>	<b>4,604</b>	<b>-</b>	<b>-</b>	<b>884</b>	<b>(88)</b>	<b>-</b>	<b>(743)</b>	<b>-</b>	<b>14,645</b>	<b>(9,987)</b>	<b>4,658</b>
<b>Operational Assets</b>													
Buildings	10,137	(16)	10,121	-	-	1,140	-	-	(224)	677	11,745	(35)	11,711
Communications equipment	1,537	(1,286)	251	-	-	19	-	-	(52)	-	1,556	(1,337)	219
Computer equipment	5,183	(3,646)	1,537	-	-	442	-	-	(507)	-	5,622	(4,150)	1,472
Equipment and electronics	2,440	(1,390)	1,050	-	-	435	(14)	-	(241)	-	2,858	(1,622)	1,236
Fittings, furniture & equipment	3,503	(1,915)	1,588	-	-	694	-	-	(183)	-	4,198	(2,099)	2,100
Land - owned	59,798	-	59,798	-	-	20	(19)	-	-	357	60,156	-	60,156
Land - vested	10,002	-	10,002	-	-	-	-	-	-	-	10,003	-	10,003
Plant & machinery	1,258	(837)	421	-	-	3	-	-	(55)	-	1,262	(894)	369
Scientific/hydrological equipment	9,895	(7,409)	2,486	-	-	731	(84)	-	(475)	-	10,067	(7,409)	2,658
Vehicles	7,537	(3,302)	4,235	-	-	1,434	(97)	-	(958)	-	8,022	(3,408)	4,614
Capital work in progress	901	-	901	-	-	167	(590)	-	-	-	478	-	478
<b>Total operational assets</b>	<b>112,191</b>	<b>(19,801)</b>	<b>92,390</b>	<b>-</b>	<b>-</b>	<b>5,085</b>	<b>(804)</b>	<b>-</b>	<b>(2,695)</b>	<b>1,034</b>	<b>115,967</b>	<b>(20,953)</b>	<b>95,014</b>
<b>Total intangible and operational assets</b>	<b>126,050</b>	<b>(29,056)</b>	<b>96,994</b>	<b>-</b>	<b>-</b>	<b>5,969</b>	<b>(892)</b>	<b>-</b>	<b>(3,438)</b>	<b>1,034</b>	<b>130,612</b>	<b>(30,940)</b>	<b>99,672</b>
<b>Infrastructural Assets</b>													
River systems	714,288	-	714,288	-	-	4,123	(1,244)	-	(1,291)	67,088	782,965	-	782,965
Drainage systems	84,557	-	84,557	-	-	456	(175)	-	(560)	14,316	98,594	-	98,594
Capital work in progress	5,294	-	5,294	-	-	11,392	(767)	-	-	-	15,919	-	15,919
<b>Total infrastructural assets</b>	<b>804,139</b>	<b>-</b>	<b>804,139</b>	<b>-</b>	<b>-</b>	<b>15,971</b>	<b>(2,186)</b>	<b>-</b>	<b>(1,851)</b>	<b>81,404</b>	<b>897,478</b>	<b>-</b>	<b>897,478</b>
<b>Totals for parent entity</b>	<b>930,189</b>	<b>(29,056)</b>	<b>901,133</b>	<b>-</b>	<b>-</b>	<b>21,940</b>	<b>(3,078)</b>	<b>-</b>	<b>(5,289)</b>	<b>82,438</b>	<b>1,028,090</b>	<b>(30,940)</b>	<b>997,150</b>

**Property, Plant, Equipment and Intangibles - Group**

2022	Cost/ Valuation 1 July 2021	Accumulated Depreciation and impairment	Carrying amount 1 July 2021	Transfers and other adjustments Cost Accumulated Depreciation	Additions	Disposals (net)	Impairm ent	Depreciation	Revaluation Change	Cost/ Valuation 30 June 2022	Accumulated Depreciation and impairment	Carrying amount 30 June 2022	
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	
<b>Intangible Assets</b>													
Computer software	13,720	(9,255)	4,465	-	-	700	(5)	-	(743)	-	14,405	(9,987)	4,418
Capital work in progress	139	-	139	-	-	184	(83)	-	-	-	240	-	240
<b>Total intangible assets</b>	<b>13,859</b>	<b>(9,255)</b>	<b>4,604</b>	<b>-</b>	<b>-</b>	<b>884</b>	<b>(88)</b>	<b>-</b>	<b>(743)</b>	<b>-</b>	<b>14,645</b>	<b>(9,987)</b>	<b>4,658</b>
<b>Operational Assets</b>													
Buildings	13,196	(16)	13,180	-	-	1,275	-	-	(224)	701	15,035	(35)	14,998
Communications equipment	1,537	(1,286)	251	-	-	19	-	-	(52)	-	1,556	(1,337)	219
Computer equipment	5,183	(3,646)	1,537	-	-	442	-	-	(507)	-	5,622	(4,150)	1,472
Equipment and electronics	2,440	(1,390)	1,050	-	-	435	(14)	-	(241)	-	2,858	(1,622)	1,236
Fittings, furniture & equipment	3,503	(1,915)	1,588	-	-	694	-	-	(183)	-	4,198	(2,099)	2,100
Land - owned	63,553	-	63,553	-	-	685	(19)	-	-	267	64,486	-	64,486
Land - vested	10,002	-	10,002	-	-	-	-	-	-	-	10,003	-	10,003
Plant & machinery	1,258	(837)	421	-	-	3	-	-	(55)	-	1,262	(894)	368
Scientific/hydrological equipment	9,895	(7,409)	2,486	-	-	731	(84)	-	(475)	-	10,067	(7,409)	2,658
Vehicles	7,537	(3,302)	4,235	-	-	1,434	(97)	-	(958)	-	8,022	(3,407)	4,614
Capital work in progress	901	-	901	-	-	200	(590)	-	-	-	511	-	511
<b>Total operational assets</b>	<b>119,005</b>	<b>(19,801)</b>	<b>99,204</b>	<b>-</b>	<b>-</b>	<b>5,918</b>	<b>(804)</b>	<b>-</b>	<b>(2,695)</b>	<b>968</b>	<b>123,620</b>	<b>(20,953)</b>	<b>102,665</b>
<b>Total intangible and operational assets</b>	<b>132,864</b>	<b>(29,056)</b>	<b>103,807</b>	<b>-</b>	<b>-</b>	<b>6,802</b>	<b>(892)</b>	<b>-</b>	<b>(3,438)</b>	<b>968</b>	<b>138,265</b>	<b>(30,940)</b>	<b>107,323</b>
<b>Infrastructural Assets</b>													
River systems	714,288	-	714,288	-	-	4,123	(1,244)	-	(1,291)	67,088	782,965	-	782,965
Drainage systems	84,557	-	84,557	-	-	456	(175)	-	(560)	14,316	98,594	-	98,594
Capital work in progress	5,294	-	5,294	-	-	11,392	(767)	-	-	-	15,919	-	15,919
<b>Total infrastructural assets</b>	<b>804,139</b>	<b>-</b>	<b>804,139</b>	<b>-</b>	<b>-</b>	<b>15,971</b>	<b>(2,186)</b>	<b>-</b>	<b>(1,851)</b>	<b>81,404</b>	<b>897,478</b>	<b>-</b>	<b>897,478</b>
<b>Totals for group entity</b>	<b>937,003</b>	<b>(29,056)</b>	<b>907,947</b>	<b>-</b>	<b>-</b>	<b>22,773</b>	<b>(3,078)</b>	<b>-</b>	<b>(5,289)</b>	<b>82,372</b>	<b>1,035,743</b>	<b>(30,940)</b>	<b>1,004,801</b>

**Property, Plant, Equipment and Intangibles - Parent**

Property, Plant, Equipment and Intangibles	Parent												
	Cost/ Valuation 1 July 2020	Accumulated Depreciation and impairment	Carrying amount 1 July 2020	Transfers and other adjustments Cost Accumulated Depreciation	Additions	Disposals (net)	Impairm ent	Depreciation	Revaluation Change	Cost/ Valuation 30 June 2021	Accumulated Depreciation and impairment	Carrying amount 30 June 2021	
	\$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>13,859</b>	<b>(9,255)</b>	<b>4,604</b>
<b>Operational Assets</b>													
Buildings	8,699	(159)	8,540	(217)	-	1,627	(507)	-	(201)	879	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 and 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	-	-	(60)	-	1,258	(837)	421
Scientific/hydrological equipment	9,451	(7,018)	2,433	-	(1)	651	(94)	-	(503)	-	9,895	(7,409)	2,486
Vehicles	6,407	(3,062)	3,345	3	(4)	1,870	(116)	-	(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>(18,095)</b>	<b>67,998</b>	<b>(405)</b>	<b>264</b>	<b>13,885</b>	<b>(1,238)</b>	<b>-</b>	<b>(2,380)</b>	<b>13,975</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>(2,297)</b>	<b>-</b>	<b>(2,990)</b>	<b>14,266</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)	143,084	714,288	-	714,288
Drainage systems	82,141	-	82,141	-	-	237	(154)	-	(651)	2,984	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>146,068</b>	<b>804,139</b>	<b>-</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>(4,185)</b>	<b>-</b>	<b>(4,705)</b>	<b>160,334</b>	<b>930,189</b>	<b>(29,056)</b>	<b>901,133</b>

**Property, Plant, Equipment and Intangibles - Group**

2021	Cost/ Valuation 1 July 2020	Accumulated Depreciation and impairment	Carrying amount 1 July 2020	Transfers and other adjustments Cost Accumulated Depreciation	Additions	Disposals (net)	Impairment	Depreciation	Revaluation Change	Cost/ Valuation 30 June 2021	Accumulated Depreciation and impairment	Carrying amount 30 June 2021	
	\$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>13,859</b>	<b>(9,255)</b>	<b>4,604</b>
<b>Operational Assets</b>													
Buildings	11,339	(159)	11,180	(217)	-	2,046	(507)	-	(201)	879	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 and 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	-	-	(60)	-	1,258	(837)	421
Scientific/hydrological equipment	9,451	(7,018)	2,433	-	(1)	651	(94)	-	(503)	-	9,895	(7,409)	2,486
Vehicles	6,407	(3,062)	3,345	3	(4)	1,870	(116)	-	(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>(1,239)</b>	<b>-</b>	<b>(2,380)</b>	<b>14,766</b>	<b>119,006</b>	<b>(19,801)</b>	<b>99,204</b>
<b>Total intangible and operational 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>(2,298)</b>	<b>-</b>	<b>(2,990)</b>	<b>14,766</b>	<b>132,865</b>	<b>(29,056)</b>	<b>103,807</b>
<b>Infrastructural Assets</b>													
River systems	570,351	-	570,351	-	-	2,357	(440)	-	(1,064)	143,084	714,288	-	714,288
Drainage systems	82,141	-	82,141	-	-	237	(154)	-	(651)	2,984	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>146,068</b>	<b>804,139</b>	<b>-</b>	<b>804,139</b>
<b>Totals for group entity</b>	<b>760,945</b>	<b>(27,550)</b>	<b>733,395</b>	<b>(405)</b>	<b>264</b>	<b>22,749</b>	<b>(4,186)</b>	<b>-</b>	<b>(4,705)</b>	<b>160,835</b>	<b>937,003</b>	<b>(29,057)</b>	<b>907,947</b>

## Valuation

### *Land (operational)*

Land is valued at fair value using market-based evidence on the highest and best use with reference to comparable land values and was most recently revalued as at 30 June 2022. 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 on the highest and best use with reference to comparable building values and were most recent revalued as at 30 June 2022. 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 2022. The revaluation was completed 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 on 7 May 2020, 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 estimated useful life; and
- Straight-line depreciation was applied in determining the depreciated replacement cost value of the asset.

Summary of infrastructure asset replacement costs	Council Actual 2021-22 \$000	Council Actual 2020-21 \$000
River systems	801,962	734,794
Drainage systems	107,840	98,773
<b>Total Replacement Cost</b>	<b>909,802</b>	<b>833,567</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 and amortisation by group of activities	Long-term Plan 2021-31 2021-22 \$000	Council Actual 2021-22 \$000	Council Actual 2020-21 \$000
Land and water management	187	318	190
Flood protection and control works	2,080	1,868	1,735
Biosecurity and biodiversity management	181	196	153
Regional leadership and governance	953	956	994
Transport	210	223	144
Investment and corporate	1,645	1,853	1,488
<b>Total Depreciation and Amortisation</b>	<b>5,256</b>	<b>5,414</b>	<b>4,704</b>

Summary of Property, Plant and Equipment in the course of construction by class of asset	Council Actual 2021-22 \$000	Council Actual 2020-21 \$000
Buildings	72	500
Communications Equipment	-	-
Computer Equipment	214	130
Computer Software	1,503	260
Drainage Systems	2,224	323
Equipment and Electronic	258	33
Furniture and Fittings	-	-
Land	-	2
Plant and Machinery	-	-
River Systems	17,548	4,969
Scientific/hydrological Equipment	294	88
Vehicles	205	23
<b>Total Work in Progress</b>	<b>22,318</b>	<b>6,328</b>

## 20. Insurance of Assets

	2021-22 \$000	2020-21 \$000
The total value of all Council assets covered by insurance contracts	95,014	92,390
The maximum amount to which insured assets are insured	110,562	123,784
Total value of assets that are self-insured	897,478	804,139
Value of funds maintained for self-insurance	4,800	4,680

The above information relates to the insurance of Council assets as at 30 June 2022.

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

## 21. Trade and Other Payables

Council Actual 2020-21 \$000	Group Actual 2020-21 \$000		Council Actual 2021-22 \$000	Group Actual 2021-22 \$000
<b>Payables from exchange transactions</b>				
1,378	1,410	Accounts payable	2,012	1,987
107	107	Due to related parties	43	89
7,904	8,491	Accruals and other payables	5,570	5,727
<b>9,389</b>	<b>10,008</b>	<b>Total exchange payables</b>	<b>7,625</b>	<b>7,803</b>
<b>Payables from non-exchange transactions</b>				
4,790	4,925	Grants and rates revenue in advance	9,692	9,841
-	-	Grants payable	-	-
<b>4,790</b>	<b>4,925</b>	<b>Total non-exchange payables</b>	<b>9,692</b>	<b>9,841</b>
<b>14,179</b>	<b>14,933</b>	<b>Total trade and other payables</b>	<b>17,317</b>	<b>17,644</b>

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

## 22. General Provisions

Council Actual 2020-21 \$000	Group Actual 2020-21 \$000		Council Actual 2021-22 \$000	Group Actual 2021-22 \$000
-	-	Opening balance	-	-
99	99	Additional provisions made during the year	180	180
<b>99</b>	<b>99</b>		<b>180</b>	<b>180</b>
(99)	(99)	Payments made during the year	(133)	(133)
-	-	<b>Closing balance</b>	<b>47</b>	<b>47</b>
-	-	Made up of:	-	-
-	-	ACC provision	47	47
-	-	<b>Total general provisions</b>	<b>47</b>	<b>47</b>



## 23. Employee Entitlements

Council Actual 2020-21 \$000	Group Actual 2020-21 \$000		Council Actual 2021-22 \$000	Group Actual 2021-22 \$000
-	-	Pay Accruals	391	391
1,962	1,962	Annual leave provision	2,272	2,272
2	2	Long service provision	1	1
57	57	Time in lieu provision	70	70
-	-	Sick leave provision	-	-
<b>2,021</b>	<b>2,021</b>	<b>Total employee entitlements</b>	<b>2,734</b>	<b>2,734</b>

## 24. Taxation

Council Actual 2020-21 \$000	Group Actual 2020-21 \$000		Council Actual 2021-22 \$000	Group Actual 2021-22 \$000
-	-	Components of tax expense	-	-
-	-	Current tax	-	-
-	-	Tax loss offset	-	-
-	-	Tax loss not recognised	-	-
-	347	Deferred tax	-	252
-	347	Tax expense	-	252
		Relationship between tax expense and accounting surplus		
9,697	13,070	Surplus/(deficit) before tax	15,678	16,032
2,715	3,659	Tax at 28%	4,390	4,489
-	-	Plus/(less) tax effect of:	-	-
-	-	Other items	-	-
(21,686)	(21,849)	Non-taxable revenue	(25,016)	(25,045)
19,693	19,693	Non-deductible expenditure	21,106	21,675
-	588	Taxable dividend eliminated on consolidation	-	-
229	545	Gross up imputation credits	216	367
(817)	(1,948)	Tax credit from imputation credits	(773)	(1,311)
(134)	(341)	Tax losses offset	(41)	(41)
-	347	Tax expense	-	252

HRC is a non-taxable entity except for the revenue it receives from its investment in MWRC Holdings Limited and revenue from Council Controlled Organisations.

## Deferred tax assets/(liabilities)

	Property, Plant and Equipment \$000	Financial Instruments \$000	Employee Entitlements \$000	Total \$000
<b>Council</b>				
Nil				
<b>Group</b>				
Balance at 1 July 2020	(7)	4	3	-
Charge to surplus/(deficit)	(340)	(4)	(3)	(347)
Charged to other comprehensive revenue and expense	-	-	-	-
Derecognition of tax asset	-	-	-	-
<b>Balance at 30 June 2021</b>	<b>(347)</b>	<b>-</b>	<b>-</b>	<b>(347)</b>
Charge to surplus/(deficit)	(466)	-	214	(252)
Charged to other comprehensive revenue and expense	-	-	-	-
Derecognition of tax asset	-	-	-	-
<b>Balance at 30 June 2022</b>	<b>(813)</b>	<b>-</b>	<b>214</b>	<b>(599)</b>

Council has not recognised a deferred tax asset in relation to tax losses of \$2,973,738 (last year \$3,115,569).

Tax losses of \$nil have been derecognised because it is not probable that future tax profits will be available to offset these losses for MWRCH at 30 June 2022 (last year \$nil).

There were no losses to carry forward for MWRCH at 30 June 2022 as they are offset by deferred tax liabilities (last year \$nil).

There is a proposed subvention payment to Council from MWRCH of \$0 (last year \$311,740). MWRCH provided for a subvention payment of \$0 to eliminate its estimated tax liability for the current year (last year \$311,740).

## 25. Debt

Council Actual 2020-21 \$000	Group Actual 2020-21 \$000		Council Actual 2021-22 \$000	Group Actual 2021-22 \$000
49,000	49,000	Opening balance as at 1 July	53,967	53,967
33,931	33,931	Loans taken out	22,442	22,442
(28,964)	(28,964)	Loans repaid	(15,000)	(15,000)
<b>53,967</b>	<b>53,967</b>	<b>Closing balance as at 30 June</b>	<b>61,409</b>	<b>61,409</b>
		Made up of:		
20,967	20,967	Current	14,409	14,409
33,000	33,000	Non-current	47,000	47,000
<b>53,967</b>	<b>53,967</b>	<b>Total debt</b>	<b>61,409</b>	<b>61,409</b>

These loans are secured over either separate or general rates of the region through the Debenture Trust Deed. Of these, \$34.000 million (last year \$40.967 million) is on a fixed rate of interest, with \$27.409 million (last year \$13 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.

The carrying value of borrowings is considered to approximate their fair value as the impact of discounting is not considered significant.

For credit quality purposes, these debentures are un-rated.

### Internal borrowings

Information about internal borrowing is provided in note 36. Internal borrowings are eliminated on consolidation of activities in HRC's financial statements.

## 26. Provision - Replanting

Council Actual 2020-21 \$000	Group Actual 2020-21 \$000		Council Actual 2021-22 \$000	Group Actual 2021-22 \$000
2,264	2,264	Opening balance as at 1 July	2,342	2,342
65	65	Change in present value of provision	1,446	1,446
13	13	Provision unwinding	15	15
<b>2,342</b>	<b>2,342</b>	<b>Closing Balance</b>	<b>3,803</b>	<b>3,803</b>

This provision is for replanting land we currently lease for our SLUI forests. Its initial value as at 30 June 2019 was based on the costs to replant, which Council is obligated to do at harvest, inflated based on the years to harvest 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 4.08% - 4.19% (last year 2.37% - 2.80%). The value of replanting costs, which have been inflated, have been calculated using an inflation rate of 7.3% (last year 3.3%).

### 27. Events after balance date

2022: On 27 September 2022, Council approved the variation to the Albert Street Rock Construction contract to John Ray Ltd for the agreed sum of \$496,176 plus GST, taking the total contract price to \$1,368,507 plus GST.

On 27 September 2022, Council directed the CE to approve the MOU to provide Ruapehu District Council an interest-free loan of \$200k for 3 years to re-instate access to the Taumaranui Go Kart track.

On 5 April 2023, Council approved spending of \$9 million towards

recovery efforts, regarding Cyclone Gabrielle, through a combination of reallocated central government funding, drawing down on existing reserves, and loans.

On 28 March 2023, Council awarded Tranzit Group Limited the 10-year Transport contract worth \$101.8 million to provide a fully electric bus service in Palmerston North.

2021: On 18 August 2021, the country was put into a Level 4 lockdown and the majority of work programmes 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.

## 28. Financial Instruments

The Council and Group have elected to early adopt PBE IPSAS 41.

In accordance with the transitional provisions in PBE IPSAS 41, the Council and Group have elected not to restate the comparative information. The comparative information continues to be reported under PBE IPSAS 29. Adjustments arising from the adoption of PBE IPSAS 41 are recognised in opening equity at 1 July 2021 (the date of initial application).

The accounting policies for the year ended 30 June 2022 have been

updated to comply with PBE IPSAS 41. The main changes are:

- Receivables – this has been updated to reflect the impairment of short-term receivables is now determined by applying the simplified expected credit loss model.
- Financial assets – this has been updated to reflect the new classification categories, the measurement and recognition of loss allowances based on the new ECL model, and the removal of impairment loss considerations for equity investments at FVTOCRE.

The derivatives accounting policies have not changed as Council has elected not to apply the hedge requirements of PBE IPSAS 41.

PBE IPSAS 41 also significantly amended the financial instruments disclosures of PBE IPSAS 30. This has resulted in new or amended disclosures.

On the date of initial application of PBE IPSAS 41, the classification and carrying amounts of financial assets under PBE IPSAS 41 and PBE IPSAS 29 is outlined below:

Council	Measurement classification		30 June 2021	1 July 2021	Adoption
	PBE IPSAS 29	PBE IPSAS 41	PBE IPSAS 29	PBE IPSAS 41	Adjustment
			\$000	\$000	\$000
Cash and cash equivalents	Loans and receivables	Amortised cost	7,654	7,654	-
Trade and Other Receivables	Loans and receivables	Amortised cost	2,180	2,213	33
Loan to CCO	Loans and receivables	Amortised cost	17,000	17,000	-
Shares	FVTOCRE	FVTOCRE	5,393	5,393	-
Derivatives	FVTSD	FVTSD	-	-	-

30 June 2021	1 July 2021	Adoption Adjustment
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Group	Measurement classification		PBE IPSAS 29	PBE IPSAS 41	\$000
	PBE IPSAS 29	PBE IPSAS 41	\$000	\$000	
Cash and cash equivalents	Loans and receivables	Amortised cost	11,493	11,493	-
Trade and Other Receivables	Loans and receivables	Amortised cost	2,225	2,258	33
Loan to CCO	Loans and receivables	Amortised cost	-	-	-
Shares	FVTOCRE	FVTOCRE	5,393	5,393	-
Derivatives	FVTSD	FVTSD	-	-	-

The measurement categories and carrying amounts for financial liabilities have not changed on transition to PBE IPSAS 41.

#### Additional information in relation to subsequent measurement classification assessment

PBE IPSAS 41 requires debt instruments to be subsequently measured at FVTSD, amortised cost, or FVTOCRE. This classification is based on the business model for managing the debt instruments and whether the payments are for solely payments of principal or interest on the principal amount outstanding.

Council assessed the business model for its classes of financial assets at the date of initial application.

Council's debt instruments are solely comprised of contractual cash flows solely for payments of principal and interest, in line with basic lending arrangements. This assessment was based on the facts and circumstances as at the initial recognition of the assets.

PBE IPSAS 41 requires equity instruments to be classified at FVTSD. However, it permits entities to make an irrevocable election on transition to PBE IPSAS 41 to subsequently measure at FVTOCRE if the shares are not held for trading. The Council has elected to subsequently measure its shares at FVTOCRE.

#### Financial instruments categories

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

Council Actual 2020-21 \$000	Group Actual 2020-21 \$000		Council Actual 2021-22 \$000	Group Actual 2021-22 \$000
<b>Financial assets</b>				
<b>Fair value through surplus deficit</b>				
-	-	Derivatives	637	637
<b>Amortised cost</b>				
7,654	11,494	Cash and cash equivalents	12,202	14,246
2,180	2,225	Trade and Other Receivables	4,659	4,651
17,000	-	Loan to CCO	18,500	-
<b>26,834</b>	<b>13,719</b>	<b>Total at amortised cost</b>	<b>35,361</b>	<b>18,897</b>
<b>Fair value through other comprehensive revenue and expense</b>				
32,935	1,435	Investments in CCOs and other similar entities	33,244	1,744
3,958	73,958	Investments in other entities	3,615	73,615
<b>36,893</b>	<b>75,393</b>	<b>Total at FVTOCRE</b>	<b>36,859</b>	<b>75,359</b>

Council Actual 2020-21 \$000	Group Actual 2020-21 \$000		Council Actual 2021-22 \$000	Group Actual 2021-22 \$000
<b>Financial liabilities</b>				
<b>Fair value through surplus deficit</b>				
468	468	Derivatives	-	-
<b>Amortised cost</b>				
14,179	14,932	Trade and Other Payables	17,708	17,991
53,967	53,967	Debt	61,409	61,409
<b>68,146</b>	<b>68,899</b>	<b>Total at amortised cost</b>	<b>79,117</b>	<b>79,400</b>

## Fair value hierarchy

For those instruments recognised at fair value in the statement of financial position, fair values are determined in accordance with the following hierarchy:

- Level 1 – Quoted market price – Financial instruments with quoted price for identical instruments in active markets.
- Level 2 – Valuation technique using observable inputs – Financial instruments with quoted price 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.

- Level 3 – Valuation techniques with significant non-observable inputs – 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:

		Council Actual 2021-22 \$000	Group Actual 2021-22 \$000	Council Actual 2020-21 \$000	Group Actual 2020-21 \$000
<b>Financial assets</b>					
Derivatives	1	637	637	-	-
Local Authority Stock	2	968	968	619	619
Hobson Wealth	2	3,615	3,615	3,958	3,958
CentrePort Shares	3	-	70,000	-	70,000
<b>Financial liabilities</b>					
Derivatives	1	-	-	468	468

There were no transfers between the different fair value levels of the hierarchy.

### *Valuation techniques with significant non-observable inputs (level 3)*

The table below provides a reconciliation from the opening balance to the closing balance for the level 3 fair value measurements:

Council Actual 2020-21 \$000	Group Actual 2020-21 \$000		Council Actual 2021-22 \$000	Group Actual 2021-22 \$000	
-	70,000	Balance at 1 July	-	70,000	
-	-	Gains or losses recognised in surplus or deficit	-	-	
-	-	Gains or losses recognised in other comprehensive revenue and expense	-	-	
-	-	Purchases	-	-	
-	-	Sales	-	-	
-	-	Transfers into level 3	-	-	
-	-	Transfers out of level 3	-	-	
-	70,000	<b>Balance at 30 June</b>	-	70,000	

Changing a valuation assumption to a reasonable possible alternative assumption would not significantly change fair value.

### 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 and investment policies. These policies do not allow any transactions that are speculative in nature to be entered into.

#### Market Risk

**Price risk** – Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices. HRC's Hobson Wealth portfolio includes some listed shares that are subject to this risk. HRC's investments in Local Authority Stock and CentrePort shares are not publicly traded, and therefore there is no risk associated with changes in market prices for these financial instruments.

**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.

**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. Investments issued at fixed rates of interest expose the Council and Group to fair value interest-rate risk. HRC holds some interest rate swaps to offset this risk.

**Cash flow interest rate risk** – cash flow interest rate risk is the risk that 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 interest 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.

#### Credit risk

Credit risk is the risk that a third party will default on its obligation to the Council and Group, causing it to incur a loss. Due to the timing of its cash inflows and outflows, surplus cash is invested into term deposits, which gives rise to credit risk.

Receivables arise mainly from the Council's statutory functions. There are no procedures in place to monitor or report the credit quality of receivables. The Council has no significant concentrations of credit risk in relation to receivables as it has a large number of credit customers, mainly ratepayers, and the Council has powers under the Local Government (Rating) Act 2002 to recover outstanding rates from ratepayers.

For all financial investments, the Council's investment policy limits the exposure to any one financial institution or organisation and limits investments to institutions or organisations with a Standard & Poor's rating of A-1 for short-term and A+ for long-term investments.

The Council and Group hold no collateral or credit enhancements for financial instruments that give rise to credit risk.

The maximum credit risk exposure of financial instruments is bet

represented by their carrying value.

The Council is exposed to credit risk as a guarantor of all of the LGFA's borrowings. Information about this exposure is contained on page 83.

Credit risk exposure by credit risk rating grades by reference to Standard and Poor's credit ratings, excluding receivables, are provided below:

Council Actual 2020-21 \$000	Group Actual 2020-21 \$000		Council Actual 2021-22 \$000	Group Actual 2021-22 \$000
<b>Counterparties with credit ratings</b>				
<b>Cash at bank and term deposits</b>				
7,652	11,492	AA-	12,200	14,244
-	-	A	-	-
2	2	Unrated*	2	2
7,654	11,494	Total Cash at bank and term deposits	12,202	14,246
<b>Derivative financial instruments assets</b>				
-	-	AA-	637	637
-	-	Total Derivative financial instruments	637	637

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

#### Liquidity Risk

Liquidity risk is the risk that the Council will encounter difficulty raising liquid funds to meet commitments as they fall due. Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities, and the ability to close out market positions. The Council aims to maintain flexibility in funding by keeping committed credit lines available.

As part of maintaining its liquidity requirements, Council maintains cash investments to ensure liquidity risk is minimal. To meet unforeseen cash demands, Council has a funding package in place with its bankers and

with LGFA which are available to borrow against.

The table below analyses the Council and Group's financial liabilities (excluding derivatives) into relevant maturity groupings based on the remaining period at balance date to the contractual maturity date. Future interest payments on floating-rate debt are based on the floating rate on the instrument 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 \$000	1-2 years \$000	2-5 years \$000	More than 5 years \$000
<b>Council 2021-22</b>						
Trade and Other Payables	17,708	17,708	17,708	-	-	-
Debt	61,409	66,534	15,793	10,251	28,520	11,971
<b>Total</b>	<b>79,117</b>	<b>84,242</b>	<b>33,501</b>	<b>10,251</b>	<b>28,520</b>	<b>11,971</b>
<b>Group 2021-22</b>						
Trade and Other Payables	20,006	20,006	20,006	-	-	-
Debt	61,409	66,534	15,793	10,251	28,520	11,971
<b>Total</b>	<b>81,415</b>	<b>86,540</b>	<b>35,799</b>	<b>10,251</b>	<b>28,520</b>	<b>11,971</b>
<b>Council 2020-21</b>						
Trade and Other Payables	14,179	14,179	14,179	-	-	-
Debt	53,967	57,438	21,869	3,330	23,913	8,326
<b>Total</b>	<b>68,146</b>	<b>71,617</b>	<b>36,048</b>	<b>3,330</b>	<b>23,913</b>	<b>8,326</b>
<b>Group 2020-21</b>						
Trade and Other Payables	14,932	14,932	14,932	-	-	-
Debt	53,967	57,438	21,869	3,330	23,913	8,326
<b>Total</b>	<b>68,899</b>	<b>72,370</b>	<b>36,801</b>	<b>3,330</b>	<b>23,913</b>	<b>8,326</b>

The Council is exposed to liquidity risk as a guarantor of all the LGFA's borrowings. This guarantee becomes callable in the event of the LGFA failing to pay its borrowings when they fall due. Information about this exposure is explained on page 83.

The table below analyses the Council and Group's derivative financial instrument liabilities into those that are settled on a net basis and those that will be settled on a gross basis into their relevant maturity

groupings based on the remaining period at balance date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows.

	Liability carrying amount \$000	Contractual cash flows \$000	Less than 1 year \$000	1-2 years \$000	2-5 years \$000	More than 5 years \$000
Council 2021-22	-	-	-	-	-	-
Group 2021-22	-	-	-	-	-	-
Council 2020-21	468	469	219	161	131	(42)
Group 2020-21	468	469	219	161	131	(42)

The table below analyses the Council and Group's financial assets into relevant maturity groupings based on the remaining period at balance date to the contractual maturity 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 \$000	1-2 years \$000	2-5 years \$000	More than 5 years \$000
<b>Council 2021-22</b>						
Cash and cash equivalents	12,202	12,202	12,202	-	-	-
Debtors and other receivables	7,544	7,544	7,544	-	-	-
MWRCH Loan	18,500	18,500	-	-	2,500	16,000
Derivatives	637	718	44	97	490	87
<b>Total</b>	<b>38,883</b>	<b>38,964</b>	<b>19,790</b>	<b>97</b>	<b>2,990</b>	<b>16,087</b>
<b>Group 2021-22</b>						
Cash and cash equivalents	14,246	14,246	14,246	-	-	-
Debtors and other receivables	7,536	7,536	7,536	-	-	-
MWRCH Loan	-	-	-	-	-	-
Derivatives	637	718	44	97	490	87
<b>Total</b>	<b>22,419</b>	<b>22,500</b>	<b>21,826</b>	<b>97</b>	<b>490</b>	<b>87</b>
<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	-	-	-
MWRCH Loan	17,000	17,000	-	-	2,500	14,500
Derivatives	-	-	-	-	-	-
<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>



	Carrying amount	Contractual cash flows	Less than 1 year	1-2 years	2-5 years	More than 5 years
	\$000	\$000	\$000	\$000	\$000	\$000
<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	-	-	-
MWRCH Loan	-	-	-	-	-	-
Derivatives	-	-	-	-	-	-
<b>Total</b>	<b>17,073</b>	<b>17,073</b>	<b>17,073</b>	<b>-</b>	<b>-</b>	<b>-</b>

### Sensitivity Analysis

The tables below illustrate the potential effect on the surplus or deficit and equity (excluding accumulated funds) for reasonably possible market movements, with all other variables held constant, based on the Council and Group's financial instrument market exposures at balance date.

	2021-22 \$000		2020-21 \$000	
	-100bps Surplus/ (Deficit)	+100bps Surplus/ (Deficit)	-100bps Surplus/ (Deficit)	+100bps Surplus/ (Deficit)
<b>Council</b>				
<b>Financial assets</b>				
Cash and cash equivalents	(122)	122	(77)	77
Derivatives	(365)	344	-	-
<b>Financial liabilities</b>				
Debt	614	(614)	540	(540)
Derivatives	-	-	(487)	454
<b>Total sensitivity</b>	<b>127</b>	<b>(148)</b>	<b>(24)</b>	<b>(9)</b>
<b>Group</b>				
<b>Financial assets</b>				
Cash and cash equivalents	(142)	142	(115)	115
Derivatives	(365)	344	-	-
<b>Financial liabilities</b>				
Debt	614	(614)	540	(540)
Derivatives	-	-	(487)	454
<b>Total sensitivity</b>	<b>107</b>	<b>(128)</b>	<b>(62)</b>	<b>29</b>

The interest rate sensitivity is based on a reasonable possible movement in interest rates, with all other variables held constant, measured as a basis points (bps) movement. For example, a decrease in 50 bps is equivalent to a decrease in interest rates of 0.50%.

### 29. Derivative Financial Instruments

Council Actual 2020-21 \$000	Group Actual 2020-21 \$000		Council Actual 2021-22 \$000	Group Actual 2021-22 \$000
-	-	<b>Current assets</b>	-	-
-	-	Interest rate swaps	-	-
-	-	<b>Total current assets</b>	-	-
-	-	<b>Non-current assets</b>	-	-
-	-	Interest rate swaps	637	637
-	-	<b>Total non-current assets</b>	<b>637</b>	<b>637</b>
70	70	<b>Current liability</b>	-	-
70	70	Interest rate swaps	-	-
70	70	<b>Total current liability</b>	-	-
398	398	<b>Non-current liability</b>	-	-
398	398	Interest rate swaps	-	-
398	398	<b>Total non-current liability</b>	-	-

HRC has a number of interest swaps in place:

Council Actual 2020-21	Swap Date	Effective Date	End Date	Rate %	Council Actual 2020-21
2,000,000	3/02/2015	18/09/2017	18/03/2022	4.47%	-
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%	-
4,000,000	30/06/2021	15/04/2024	15/04/2027	2.00%	4,000,000
4,000,000	30/06/2021	15/04/2022	15/04/2028	1.80%	4,000,000
<b>15,000,000</b>					<b>12,000,000</b>

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 source market parameters such as interest rate yield curves. Most market parameters are implied from instrument prices.

### 30. Equity

Council Actual 2020-21 \$000	Group Actual 2020-21 \$000		Council Actual 2021-22 \$000	Group Actual 2021-22 \$000
<b>Asset revaluation reserves</b>				
364,368	364,368	Balance at 1 July	524,491	525,026
160,123	160,658	Increase/(Decrease) in revaluation reserves	82,450	82,483
-	-	Transfer to accumulated funds	-	-
<b>524,491</b>	<b>525,026</b>	<b>Balance at 30 June</b>	<b>606,941</b>	<b>607,509</b>
3,133	3,168	Consists of:	3,811	3,881
33,069	33,569	Buildings	33,425	33,925
6,873	6,873	Land-Owned	6,873	6,873
437,052	437,052	Land-Vested	504,732	504,732
44,364	44,364	River scheme assets	58,099	58,099
<b>524,491</b>	<b>525,026</b>	<b>Total revaluation reserves</b>	<b>606,940</b>	<b>607,510</b>
<b>Fair value through other comprehensive revenue and expense reserve</b>				
1,127	45,745	Balance at 1 July	1,768	46,386
641	641	Increase/(Decrease) in fair value reserve	(441)	(441)
<b>1,768</b>	<b>46,386</b>	<b>Balance at 30 June</b>	<b>1,327</b>	<b>45,945</b>
<b>Restricted reserves - river and drainage</b>				
11,537	11,537	Balance at 1 July	12,797	12,797
1,260	1,260	Plus/(less) transfer from retained earnings	909	909
<b>12,797</b>	<b>12,797</b>	<b>Balance at 30 June</b>	<b>13,706</b>	<b>13,706</b>

<b>Infrastructure insurance reserve</b>				
4,060	4,060	Balance at 1 July	4,680	4,680
500	500	Scheme rate contribution	-	-
120	120	General rate contribution	120	120
-	-	Withdrawals	-	-
<b>4,680</b>	<b>4,680</b>	<b>Balance at 30 June</b>	<b>4,800</b>	<b>4,800</b>
<b>Accumulated funds</b>				
369,208	372,673	Balance at 1 July	377,025	383,516
-	-	Adjustment due to adoption of PBE IPSAS 41	33	33
369,208	372,673	Adjusted balance at 1 July	377,058	383,549
(1,260)	(1,260)	Less transfers to restricted reserves	(909)	(909)
(620)	(620)	Less transfer to infrastructure insurance reserve	(120)	(120)
9,697	12,722	Net surplus/(deficit) for the year	15,677	15,779
<b>377,025</b>	<b>383,516</b>	<b>Balance at 30 June</b>	<b>391,706</b>	<b>398,299</b>
<b>920,761</b>	<b>972,405</b>	<b>Total equity at 30 June</b>	<b>1,018,479</b>	<b>1,070,260</b>

### Purpose of Restricted Reserves

Under our River and Drainage – Schemes 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 plan is to:

- Meet the cost 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 in note 38 of this Annual Report.

### Purpose of the 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.

### **31. Implications of COVID 19**

The change in alert levels throughout the financial year had very little impact on the Council's operations; however, like every other organisation, we were affected by staff absences due to illness related to the virus. There was some additional expenditure relating to the provision of PPE, but beyond this, operations were able to continue as normal whilst adhering to government guidelines.

### **32. Breach of Statutory Deadline**

Under Section 98(3) of the Local Government Act 2022, 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 two months. The delays in completing the 2022 Annual Report were due to the Auditor's availability. Council formally adopted the Annual Report on 30 May 2023.

### 34. Explanations of major variances against budget

	Long-term Plan 2021-31	Actual 2021-22	Variance Favourable/ (Unfavourable)	Explanation
	\$000	\$000	\$000	
Subsidies and grants	23,902	19,774	(4,128)	Due to delays in work on some of our climate resilience work, grant revenue recognised from central government was lower than initially budgeted.
Finance revenue	3,400	3,936	536	Interest rates increased substantially in the second half of this year, resulting in our interest rate swaps gaining significant value, helping to offset the lower interest rates we received on our term deposits in the first half of the year.
Other revenue	14,862	17,268	2,406	For the year, we were able to recognise a significant increase in carbon credits from our SLUI forestries. This helped to offset lower revenue than expected from our consents and compliance work due to staff vacancies and COVID restrictions.
Personnel costs	24,447	23,516	931	Due to the competitive labour market, we were unable to fill all vacancies during the year, particularly in the regulatory area.
Other expenses	47,589	46,056	1,533	As above, with the competitive labour market, we struggled to recruit contractors and consultants to complete some of our work. Offsetting this was a loss of valuation for our forestry due to increased costs to maintain and falling log prices.
Financial assets at fair value through other comprehensive revenue and expense	195	(442)	(637)	Our share portfolio decreased in value this year rather than increasing as budgeted due to the global economic situation post-COVID and the war in Ukraine causing significant uncertainty in the markets.
Property, plant, and equipment revaluations	27,153	82,451	55,298	Unit rates for certain asset types increased significantly above our original estimates resulting in a higher gain than anticipated.
Cash and cash equivalents	794	12,202	11,408	Due to delays in completing some of our climate resilience work, we ended with a higher cash balance than anticipated as grant funding is received in advance of work being completed and paid for. Our initial budget presumed that work would be completed close to schedule.
Trade and other receivables	10,713	7,544	(3,169)	Our budgeting assumptions presumed that a larger portion of grant funding would be receivable at year-end. In reality, this was paid upfront.
Revenue Receivable	7,002	4,859	(2,143)	As with trade and other receivables, our budget assumed a large portion of grant funding would be accrued at year-end; however, this was paid up-front.
Investments in CCOs and other similar entities	32,975	33,244	269	The mechanism through which the Council borrows requires us to also purchase a borrower's note with each fixed loan. With interest rates climbing, we fixed a larger portion of our borrowings requiring more borrower notes to be purchased than anticipated.
Loan to CCO	17,000	18,500	1,500	During the year, opportunities arose for our Holdings company to purchase further investment properties which were not initially planned, and additional funding was required for this.

Derivative Financial Instruments	-	637	637	As interest rates on borrowings increased significantly over the second half of the year, our interest rate swaps changed from being a liability to a financial asset which was not anticipated when our budget was set.
Forestry Assets	6,822	4,016	(2,806)	Our forestry assets were initially expected to increase in value however due to increasing maintenance costs and falling log prices, our forestries decreased in value.
Restoration asset	-	3,438	3,438	Due to a change in accounting treatment in the prior year this asset arose and we were too late to add it into the budget for the current year.
Carbon credits	-	10,809	10,809	Previously these were immaterial to the accounts and so were not recognised nor budgeted for.
Intangible assets	5,528	4,657	(871)	We initially had projects budgeted which were expected to be intangible assets, however, due to their nature the accounting treatment was identified to be spend of an operational nature rather than capital. These projects also did not progress as far as anticipated by 30 June.
Operational assets	87,605	95,014	7,409	This is a flow on effect from the previous financial year where a land purchase was made for approximately \$7m near year end and so was not included in the budgeted value of the assets.
Infrastructural assets	708,641	897,479	188,838	Unit rates for certain asset types increased significantly above our original estimates resulting in a higher gain than anticipated.
Trade and other payables	13,873	17,317	(3,444)	Our funding for the climate resilience projects is received in advance of work being completed and with the delays in works being completed, our revenue received in advance was higher than anticipated.
Debt - current portion	2,500	14,409	(11,909)	Utilised more short-term commercial papers than anticipated. This offsets with Debt - non-current below.
Derivative financial instruments	257	-	257	Due to increasing interest rates our interest rate swaps changed from being the liability they were anticipated to be to being a financial asset.
Debt - non-current portion	63,974	47,000	16,974	We utilised more short-term borrowing than anticipated and, due to delays in completing some of our climate resilience work, ended up borrowing fewer funds than anticipated.
Provision - replanting	-	3,803	(3,803)	A review of the accounting treatment of obligations under existing lease agreements has given rise to this provision which was determined after the budget had been set.

### 35. Reconciliation of operating cashflows with reported operating results

	Council Actual 2021-22 \$000	Group Actual 2021-22 \$000	Council Actual 2020-21 \$000	Group Actual 2020-21 \$000
Surplus/(Deficit) after tax	15,678	15,780	9,697	12,723
Add/(Deduct) non-cash items				
Amortisation - SLUI land lease	125	125	250	250
Depreciation and amortisation expense	5,414	5,414	4,820	4,820
Bad debt expense	856	856	94	94
(Gain)/Loss on forest revaluation	2,137	2,137	746	746
(Gain)/Loss on investment property revaluation	-	(370)	(300)	(808)
(Gain)/Loss on derivatives	(1,105)	(1,105)	(378)	(378)
(Gain)/Loss on carbon credits	(5,674)	(5,674)	(1,712)	(1,712)
Dividend payment	-	-	-	1,250
Loss on disposal of assets	94	94	1,127	1,127
Provision unwinding	15	15	13	13
	1,862	1,492	4,660	5,400
Add/(Deduct) items classified as investing				
(Gain) on sale of fixed assets	(393)	(393)	(283)	(283)
	(393)	(393)	(283)	(283)
Add/(Deduct) movements in working capital items				
Decrease/(Increase) in trade and other receivables	(2,833)	(2,823)	1,998	1,764
Decrease/(Increase) in accruals and prepayments	48	(409)	(1,833)	(1,828)
Decrease/(Increase) in stock on hand	(189)	(189)	(1)	(1)
(Decrease)/Increase in operational trade and other payables	3,636	3,803	3,875	4,449
	662	382	4,384	4,384
<b>Net cash inflow/(outflow) from operating activities</b>	<b>17,809</b>	<b>17,261</b>	<b>18,112</b>	<b>22,224</b>

### 36. Internal Borrowings

Closing Balance		Advances	Repayments	Closing Balance	Interest Paid or Accrued
2020-21 Debit/(Credit)		2021-22	2021-22	2021-22 Debit/(Credit)	2021-22
\$		\$	\$	\$	\$
	<b>Land and water management</b>				
731,911	Lake Horowhenua Boat Ramp	-	(32,196)	699,715	14,272
1,150,000	Lake Horowhenua Land	-	(47,566)	1,102,434	22,425
	<b>Corporate and internal support</b>				
-	Ozone Replacement Project	158,318	-	158,318	-
	<b>Flood protection and control works</b>				
-	Akitio	-	-	-	-
108,853	Ashhurst Stream	-	(35,586)	73,267	2,123
-	Eastern Manawātū	-	-	-	-
176,576	Foxton East Drainage	-	(7,767)	168,809	3,443
254,652	Hōkio Drainage	71,901	(16,860)	309,693	5,667
223,944	Koputaroa	-	(43,075)	180,869	4,368
96,353	Lower Kiwitea	-	(23,395)	72,958	1,879
28,512,701	Lower Manawātū	868,942	(1,225,497)	28,156,146	564,469
4,505,311	Lower Manawātū (Special Project)	-	(1,093,912)	3,411,399	87,854
1,860,994	Lower Whanganui	1,655,100	(249,122)	3,266,972	52,426
227,884	Makerau Drainage	-	(74,918)	152,966	4,443
-	Makirikiri	-	-	-	-
669,620	Manawātū Drainage	27,845	(47,929)	649,536	13,329
196,292	Matarawa Valley	-	(47,841)	148,451	3,827
278,300	Moutoa Drainage	-	(74,881)	203,419	5,427
351,809	Ōhau-Manakau	-	(41,061)	310,748	6,861
-	Pakihi Valley	-	-	-	-
-	Pohangina-Ōroua	-	-	-	-
-	Porewa Valley	-	-	-	-
2,217,513	Rangitīkei	910,448	(293,653)	2,834,308	52,119
-	South-East Ruahines	240,000	2,340	242,340	2,340
-	Tararua	-	-	-	-
-	Te Kawanui Drainage	-	-	-	-
-	Turakina	-	-	-	-
-	Tutaenui	28,500	(4,801)	23,699	278
114,362	Upper Manawātū	15,000	(25,029)	104,333	2,376
13,875	Upper Whanganui	-	(3,368)	10,507	271
257,243	Whangaehu-Mangawhero	-	(62,460)	194,783	5,016
26,109	Whirokino Drainage	-	(5,023)	21,086	509
<b>41,974,302</b>	<b>Total internal borrowings</b>	<b>3,976,054</b>	<b>(3,453,600)</b>	<b>42,496,756</b>	<b>855,722</b>

### 37. River and Drainage Scheme Reserves

Closing Balance	Scheme	Interest credited	Transfers in	Transfers out	Closing Balance
2020-21		2021-22	2021-22	2021-22	2021-22
Debit/(Credit)				Debit/(Credit)	
\$		\$	\$	\$	\$
18,595	Akitio	-	-	-	18,595
39,392	Ashhurst Stream	689	11,057	-	51,138
3,123	Forest Road Drainage	55	560	(1,492)	2,246
139,532	Foxton East Drainage	2,442	638,911	-	780,885
11,723	Haunui Drainage	205	534	-	12,462
10,879	Himatangi Drainage	190	412	-	11,481
68,892	Hōkio Drainage	1,206	974	-	71,072
11,233	Kahuterawa	197	-	(3,658)	7,772
224,044	Koputaroa	3,921	-	(56,120)	171,845
312,736	Lower Kiwitea	5,473	16,302	-	334,511
3,016,499	Lower Manawatū	52,789	267,447	-	3,336,735
429,193	Lower Manawatū (Special Project)	7,511	-	(23,871)	412,833
950,069	Lower Whanganui	16,626	59,677	-	1,026,372
172,706	Makerua Drainage	3,022	-	(73,576)	102,152
22,901	Makirikiri	401	-	(426)	22,876
246,779	Manawatū Drainage	4,319	-	(36,045)	215,053
1,423,445	Mangatainoka	24,910	40,000	(168,101)	1,320,254
160,188	Matarawa Valley	2,803	-	(13,911)	149,080
139,670	Moutoa Drainage	2,444	-	(38,530)	103,584
42,743	Ohakune	748	12,812	-	56,303
419,442	Ohau-Manakau	7,340	31,934	-	458,716
4,821	Pakihi Valley	84	1,680	(617)	5,968
629,305	Pohangina-Ōroua	11,013	88,496	-	728,814
12,397	Porewa	217	1,200	(1,261)	12,553
1,104,047	Rangitikei	19,321	120,661	-	1,244,029
66,818	Ruapehu District	1,169	13,132	-	81,119
589,502	South-East Ruahines	10,316	66,218	(120,843)	545,193
60,129	Tararua District	1,052	-	(15,019)	46,162
18,428	Tawataia-Mangaone	322	1,384	-	20,134
55,163	Turakina	965	4,798	-	60,926
202,851	Te Kawau Drainage	3,550	-	(57,256)	149,145
(8,347)	Tutaenui	(147)	23,099	-	14,605
624,102	Upper Manawatū	10,922	-	(189,036)	445,988
302,898	Upper Whanganui	5,301	1,600	(2,979)	306,820
95,909	Whangaehu-Mangawhero	1,678	-	(15,856)	81,731
28,700	Whirokino Drainage	502	-	(8,128)	21,074
134,665	Miscellaneous - All Scheme	2,357	54,593	-	191,615
<b>11,785,172</b>	<b>Total schemes</b>	<b>205,913</b>	<b>1,457,481</b>	<b>(826,725)</b>	<b>12,621,841</b>



### River and Drainage Scheme Renewal Reserves

Closing Balance Scheme		Interest credited 2021-22	Transfers in 2021-22	Transfers out 2021-22 Debit/(Credit)	Closing Balance 2021-22
2020-21 Debit/(Credit)					
\$		\$	\$	\$	\$
1,849	Ashhurst Stream	32	-	-	1,881
3,359	Forest Road Drainage	59	160	-	3,578
3,235	Foxton East Drainage	57	504	-	3,796
2,208	Himatangi Drainage	39	344	-	2,591
2,745	Hōkio Drainage	48	11,464	(11,464)	2,793
96,694	Koputaroa	1,692	31,061	(5,106)	124,341
34,882	Lower Manawatū	610	-	(18,265)	17,227
-	Lower Whanganui	-	-	(6,598)	(6,598)
253,295	Makerua Drainage	4,433	29,600	(55,386)	231,942
37,609	Makirikiri	658	2,000	-	40,267
212,554	Manawatū Drainage	3,720	44,742	(948)	260,068
18,862	Matarawa Valley	330	5,400	(1,248)	23,344
1,564	Moutoa Drainage	27	33,107	(26,652)	8,046
153,395	Ohau-Manakau	2,684	8,078	-	164,157
615	Pakihi Valley	11	276	-	902
(18,723)	Pohangina-Ōroua	(328)	-	(4,572)	(23,623)
21,794	Porewa	381	3,060	(3,251)	21,984
38,412	South-East Ruahines	672	10,251	(4,444)	44,891
6,735	Tawataia-Mangaone	118	1,396	-	8,249
127,101	Te Kawau Drainage	2,224	22,981	(15,105)	137,201
5,705	Tutaenui	100	280	-	6,085
3,023	Upper Manawatū	53	800	-	3,876
5,394	Whirokino Drainage	94	1,271	-	6,759
<b>1,012,307</b>	<b>Total schemes</b>	<b>17,714</b>	<b>206,775</b>	<b>(153,039)</b>	<b>1,083,757</b>

### 38. Capital Purchases

	LTP 2021-31 2021-22 \$000	Actual 2021-22 \$000	Actual 2020-21 \$000
<b>Land and Water Management</b>			
Horowhenua Lake Restoration	50	(2)	7,540
JV Afforestation	437	458	505
Nursery	100	-	2
Nutrient Monitoring/Telemetry Equipment	70	15	55
<b>Total Land and Water Management</b>	<b>657</b>	<b>471</b>	<b>8,102</b>
<b>Flood Protection and Control Works</b>			
Lower Kiwitea Scheme	-	-	15
Lower Manawatū Scheme	13,094	3,400	2,334
Mangatainoka River Scheme	118	277	274
Matarawa River Scheme	-	2	-
Pohangina-Ōroua River Control Scheme	150	101	69
Porewa Scheme	-	-	1
Rangitikei River Control Scheme	2,445	2,530	1,014
South East Ruahines Scheme	367	441	53
Tūtaenui Flood Control Scheme	29	-	-
Upper Manawatū-Lower Mangahao Scheme	67	139	118
Upper Whanganui River Management Scheme	-	23	-
Lower Whanganui River Management Scheme	6,698	5,454	636
Foxton East Drainage Scheme	3,060	1,730	393
Hōkio Drainage Scheme	173	87	-
Koputaroa Drainage Scheme	362	22	10
Makerua Drainage Scheme	290	87	28
Manawatū Drainage Scheme	202	29	25
Moutoa Drainage Scheme	10	33	61
Te Kawanui Drainage Scheme	16	19	7
<b>Total Flood Protection and Control Works</b>	<b>27,081</b>	<b>14,374</b>	<b>5,038</b>
<b>Biosecurity and Biodiversity Protection</b>			
Biodiversity Support	25	15	39
Pest Animal Biosecurity	100	100	174
Tōtara Reserve	115	191	104
Te Apiti Manawatū Gorge	-	5	88
<b>Total Biosecurity and Biodiversity Protection</b>	<b>240</b>	<b>311</b>	<b>405</b>
<b>Regional Leadership and Governance</b>			
Aerial Photography	303	87	153
Catchment Information Development	242	81	343
Communications Equipment	5	-	-
Customer Services	60	77	-
Emergency Management Response Capability	-	-	2
GIS Development	-	-	7

Group Emergency Co-ordination Centre Facilities	10	9	11
Hazard Information Updates	164	175	145
Hydrology New and Replacement Specialised Equipment	903	828	854
Multimedia Equipment/Signage	5	-	-
Promotional Material	5	2	18
<b>Total Regional Leadership and Governance</b>	<b>1,697</b>	<b>1,259</b>	<b>1,533</b>
<b>Transport</b>			
Ticketing System	16	19	428
<b>Total Transport</b>	<b>16</b>	<b>19</b>	<b>428</b>
<b>Corporate Support</b>			
Asset Management System	100	289	346
IT Hardware Replacement	356	351	271
Financial Systems	439	51	79
Regional House	534	480	612
Service Centre/Depots	1,321	915	452
Vehicle and Plant Purchases/Replacement	1,714	1,473	1,427
<b>Total Corporate Support</b>	<b>4,464</b>	<b>3,559</b>	<b>3,187</b>
<b>Total Capital Purchases</b>	<b>34,155</b>	<b>19,993</b>	<b>18,693</b>

## Horizons Regional Council: Funding Impact Statement for the year ended 30 June 2022 (Whole of Council) (\$000)

	Long-term Plan 2021-31 2021-22	Actual 2021-22	Annual Plan 2020-21 2020-21	Actual 2020-21
<b>Sources of operating funding</b>				
General rates, uniform annual general charge, rates penalties	31,661	31,633	31,451	31,356
Targeted rates	19,594	19,594	15,813	15,813
Subsidies and grants for operating purposes	11,037	10,855	7,021	9,387
Fees and charges	12,019	10,414	11,926	10,776
Interest and dividends from investments	3,400	2,831	3,738	2,865
Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	-	-
<b>Total operating funding (A)</b>	<b>77,710</b>	<b>75,327</b>	<b>69,949</b>	<b>70,197</b>
<b>Applications of operating funding</b>				
Payments to staff and suppliers	73,599	67,216	58,036	62,399
Finance costs	1,344	1,526	1,340	1,389
Other operating funding applications	-	-	-	-
<b>Total applications of operating funding (B)</b>	<b>74,943</b>	<b>68,742</b>	<b>59,376</b>	<b>63,787</b>
<b>Surplus (deficit) of operating funding (A-B)</b>	<b>2,767</b>	<b>6,585</b>	<b>10,572</b>	<b>6,410</b>
<b>Sources of capital funding</b>				
Subsidies and grants for capital expenditure	12,865	8,918	-	7,058
Development and financial contributions	-	-	-	-
Increase (decrease) in debt	12,507	7,442	5,000	4,967
Gross proceeds from sale of assets	-	-	-	-
Lump sum contributions	-	-	-	-
Other dedicated capital funding	2,420	1,179	-	495
<b>Total sources of capital funding (C)</b>	<b>27,792</b>	<b>17,539</b>	<b>5,000</b>	<b>12,520</b>
<b>Application of capital funding</b>				
Capital expenditure				
-to meet additional demand	-	-	-	-
-to improve the level of service	33,555	14,164	11,808	11,651
-to replace existing assets	601	5,832	5,762	7,040
Increase (decrease) in reserves	(3,597)	3,681	(1,998)	166
Increase (decrease) of investments	-	447	-	73
<b>Total applications of capital funding (D)</b>	<b>30,559</b>	<b>24,124</b>	<b>15,572</b>	<b>18,930</b>
<b>Surplus (deficit) of capital funding (C-D)</b>	<b>(2,767)</b>	<b>(6,585)</b>	<b>(10,572)</b>	<b>(6,410)</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**

Surplus/(deficit) of operating funding as above	2,767	6,585	10,572	6,410
Subsidies and grants for capital expenditure	12,865	8,918	-	7,058
Other dedicated capital funding	2,420	1,179	-	495
Amortisation of SLUI land lease	-	(125)	-	(250)
Gain on revaluations through surplus/(deficit)	423	-	800	300
Loss on Revaluations	-	(2,137)	-	(746)
Loss on Disposal of Assets	-	(94)	-	(827)
Recognition of Carbon Credits	-	5,674	-	1,712
Gain/Loss on derivatives	-	1,105	-	378
Gain/(Loss) on provision	-	(15)	-	(15)
Less depreciation (non-cash expense)	(5,256)	(5,414)	(4,561)	(4,819)
Capitalised labour	1,563	-	-	-
<b>Surplus/(Deficit) as SOCRE</b>	<b>14,782</b>	<b>15,678</b>	<b>6,810</b>	<b>9,697</b>

# Annual Report Disclosure Statement for the year ending 30 June 2022

Note: Where the 2019-20 amounts were adjusted, we have used the adjusted figures per the 2020-21 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.

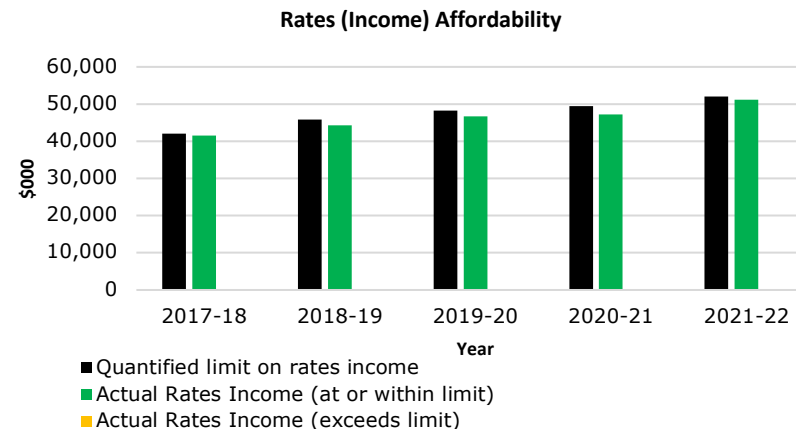
## Rates Affordability Benchmark

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.

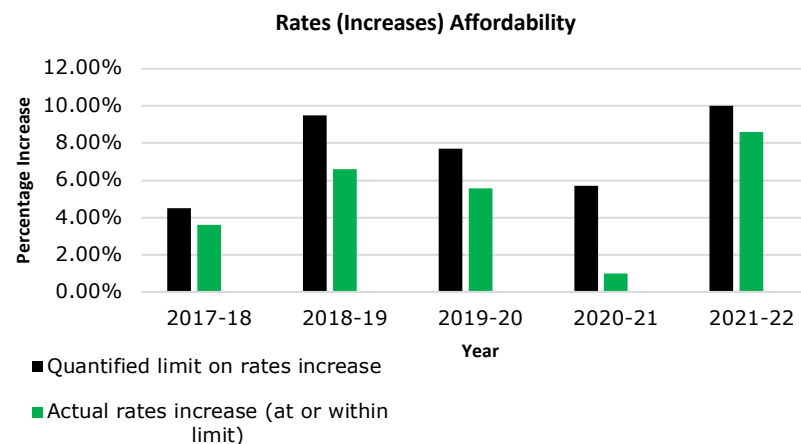
## Rates (Income) Affordability

The following graph compares the Council's actual rates income with a quantified limit on rates contained in the financial strategy included in the Council's Long-term Plan. The quantified limit is \$52.0 million



## Rates (increases) Affordability

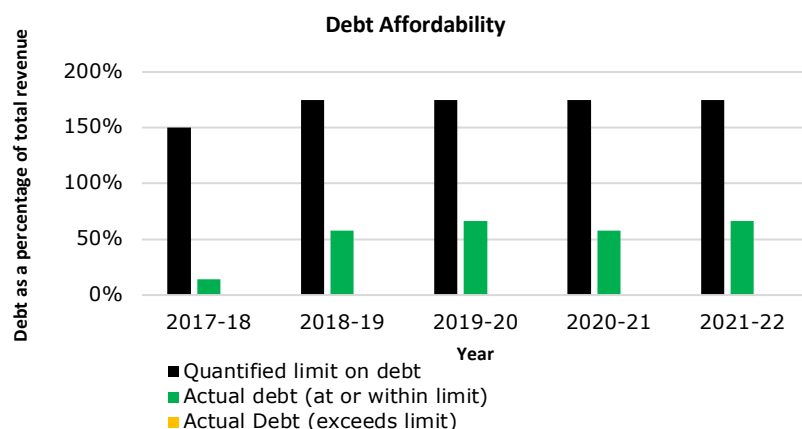
The following graph compares the council's actual rates increases with a quantified limit on rate increases included in the financial strategy in the council's long-term plan. The quantified limit is 10%.



## 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 175% of total revenue.

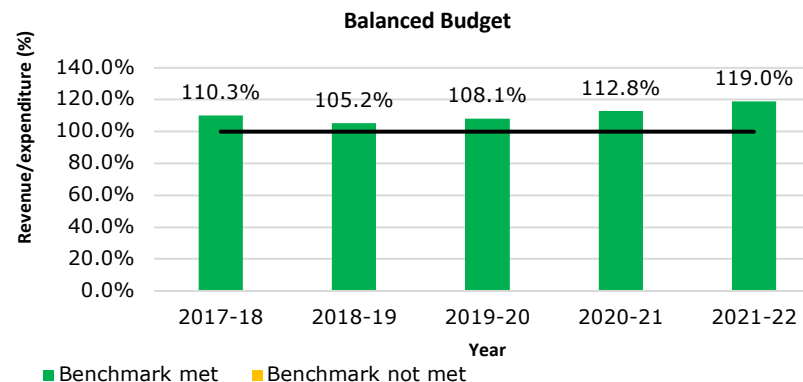


Note: Until 2020-21 this calculation was done by comparing net debt to total revenue, from the 2021-22 financial year this has changed to total debt in our Long-term Plan 2021-31. This change in calculation methodology does not impact any prior year results.

## Balanced Budget Benchmark

The following graph displays the Council's planned revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments, and revaluations of property, plant, or equipment) as a proportion of planned operating expenses (excluding losses on derivative financial instruments and revaluations of property, plant, or equipment).

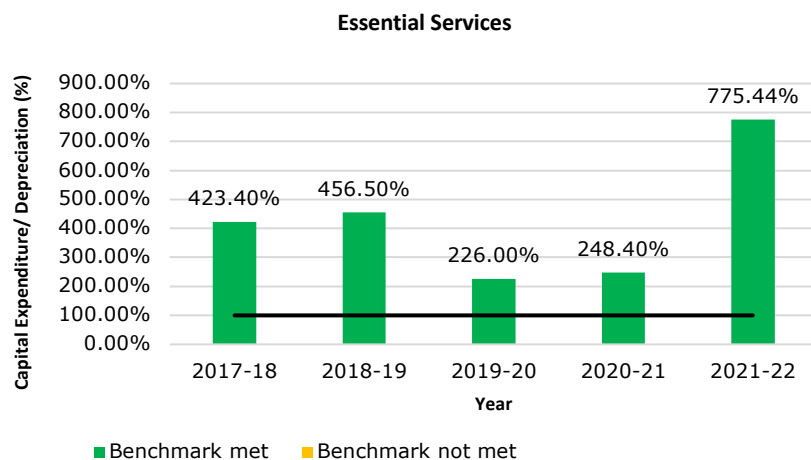
The Council meets the balanced budget benchmark if its revenue equals or is greater than its operating expenses.



## Essential Services Benchmark

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

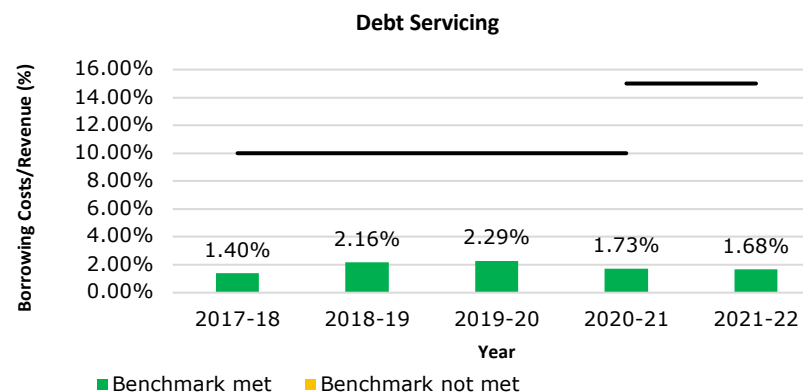
The Council meets this benchmark if its capital expenditure on network services equals or is greater than depreciation on network services.



## 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 more slowly than the national population is projected to grow, it meets the debt servicing benchmark if its planned borrowing costs equal, or are less than 15% of its planned revenue. Note prior to 2021-22 this was 10%.



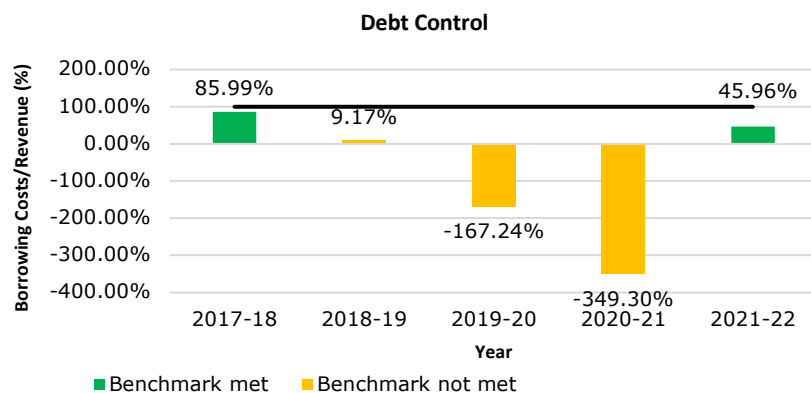
## Debt Control Benchmark

The following displays the Council's actual net debt as a proportion of planned net debt. In this statement, net debt means financial liabilities less financial assets (excluding trade and other receivables).

The Council meets the debt control benchmark if its actual net debt equals or is less than its planned net debt.

Note: in the 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.

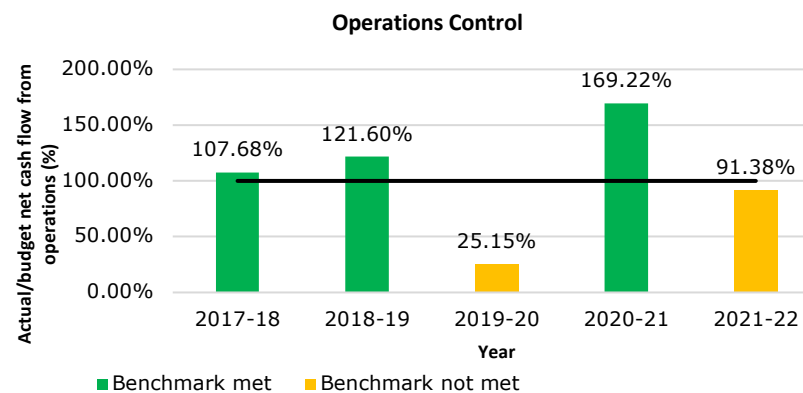




## Operations Control Benchmark

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 provide opportunities for Māori to contribute to our decision-making processes. To meet this, we have included in our Significance and Engagement Policy that we:

- Recognise the enduring presence, aspirations, and cultural practices of Māori as kaitiaki in the region
- Actively consider the recognition and protection of Māori rights and interests within the region and how we contribute to the needs and aspirations of Māori
- Where a decision relates to land or a body of water, take into account the relationship of Māori, and their culture and traditions with their ancestral land, water, sites, wāhi tapu, valued flora and fauna, and other taonga
- Recognise the entities and governance frameworks established by treaty settlement legislation and the intent of that legislation
- Establish and maintain processes to provide opportunities for Māori to contribute to our decision-making processes, including collaborative and partnership approaches where appropriate

- Support Māori to fully engage with us, for example, through capability and capacity building
- Build ongoing relationships with Māori through a range of approaches that enables:
  - Early engagement with Māori in the development of appropriate plans and policies
  - Māori to guide how they want to engage with the council.

For the purposes of this policy, 'Māori' will usually refer to mana whenua and other iwi with a recognised interest in an area.

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.

## Outstanding Fines

As at 30 June 2022, a number of organisations and individuals owed Council \$0.140 million in outstanding fines (last year \$0.187 million). The following is a list of balances owed by organisations and individuals for court fines imposed prior to 30 June 2022.

Debtor	2021-22 \$000	2020-21 \$000
Berendt/Derek/Aaron	43	47
Huka View Dairies Limited	44	47
LA Lanscape Limited	15	15
NZL Forestry Group Limited	38	48
Pacific Farms Development	-	14
Philip Lambert Limited	-	1
Toyne/Patrick/Damien	-	15
<b>Total</b>	<b>140</b>	<b>187</b>

## **Independent Auditor's Report**

### **To the readers of Horizons Regional Council's annual report for the year ended 30 June 2022**

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, Andrew Clark, 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.

### ***Our audit was completed late***

We completed our work on 30 May 2023. This is the date at which our opinion is expressed. We acknowledge that our audit was completed later than required by Section 98(7) of the Local Government Act 2002. This was due to an auditor shortage in New Zealand and the consequential effects of Covid-19, including lockdowns.

### **Opinion on the audited information**

In our opinion:

- The financial statements on pages 65 to 118:
  - present fairly, in all material respects:
    - the Regional Council and Group's financial position as at 30 June 2022; and
    - 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 124, 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.

- The statement of service provision, contained in the activity statements on pages 10 to 63:
  - presents fairly, in all material respects, the levels of service for each group of activities for the year ended 30 June 2022, including:
    - the levels of service achieved compared with the intended levels of service and whether any intended changes to levels of service were achieved; and
    - 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.
- The statement about capital expenditure for each group of activities on pages 122 and 123, 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.
- The funding impact statement for each group of activities on pages 19 to 63, 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 126 to 129, which represent a complete list of required disclosures and accurately reflects the information drawn from the Regional Council and Group's audited information and, where applicable, the Regional Council's long-term plan and annual plans.

The basis for our opinion is explained below and we draw attention to the uncertainties in the fair value of CentrePort Limited shares. In addition, we outline the responsibilities of the Council and our responsibilities relating to the audited information, we comment on other information, and we explain our independence.

## Emphasis of Matter - uncertainties in the fair value of CentrePort Limited (CentrePort) shares

Without modifying our opinion, we draw your attention to note 14 on pages 93 to 96 of the financial statements which outlines how the fair value of shares in CentrePort as at 30 June 2022 has been determined. There are a number of uncertainties involved in estimating the fair value, as the key assumptions are sensitive to change.

These uncertainties could have a material effect on the carrying value of the Regional Council's shares in MWRC Holdings Limited of \$31.5 million and the fair value of the group's shares held in CentrePort of \$70 million.

### **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 Long-term 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, 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 audited information of the entities or business activities within the Group to express an opinion on the consolidated audited information. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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.

Our responsibilities arise from the Public Audit Act 2001.

## 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 9, 64, 119 to 121, 125, 130 and 131, but does not include the audited information and 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, and we do not express any form of audit opinion or assurance conclusion thereon.

Our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the audited information and the disclosure requirements, or our knowledge obtained during our work, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Independence

We are independent of the Regional Council and Group in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of

Professional and Ethical Standard 1: International Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

In addition to our audit of the audited information and our report on the disclosure requirements, we have performed a limited assurance engagement related to the Regional Council's debenture trust deed, which is compatible with those independence requirements. Other than these engagements, we have no relationship with, or interests in, the Regional Council or its subsidiaries and controlled entities.



Andrew Clark  
Audit New Zealand  
On behalf of the Auditor-General  
Wellington, New Zealand



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