



# Whakarāpopototanga Pūrongo ā-tau Annual Report Summary 2021-22



# He kupu nā te Heamana me te Tumuaki Chair and Chief Executive's Message

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 who 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 has 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.

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.

The above is a brief overview of the work Council has completed over 2021-22. More detailed information can be found within our 2021-22 Annual Report and on our website [www.horizons.govt.nz](http://www.horizons.govt.nz).



*R Keedwell*  
RACHEL KEEDWELL  
CHAIR



*Michael McCartney*  
MICHAEL MCCARTNEY  
CHIEF EXECUTIVE



This summary is a snapshot of some results of our work programme in the year from July 2021 to June 2022, taken from the audited full financial statements included in the Annual Report 2021-22, which was completed and adopted by Horizons Regional Council on 30 May 2023.

The information presented in these summary financial statements cannot be expected to provide as complete an understanding as provided by the full financial statements contained within the Annual Report 2021-22. This report is obtainable from Horizons Regional Council offices, or can be downloaded from our website [www.horizons.govt.nz](http://www.horizons.govt.nz).

The Annual Report 2021-22 has been audited, and received an unmodified audit opinion dated 30 May 2023. The audit opinion was unmodified with an emphasis of matter in relation to the valuation of the shares in CentrePort and the uncertainties involved in estimating the fair value as outlined on page 6 and 7 of the Annual report summary.

The summary was approved by the Chief Executive on 30 June 2023.

## DISCLOSURES

HRC's full financial statements were prepared in accordance with the requirements of the Local Government Act 2002, which include the requirement to comply with New Zealand generally accepted accounting practices (NZ GAAP).

These summary financial statements have been prepared to comply with Public Benefit Entity Standard (PBE

Standard) FRS43. This standard also requires HRC to make the following disclosures:

- This Annual Report Summary 2021-22 is prepared for HRC, which is the trading name of the Manawātū-Whanganui Regional Council, a local authority governed by the Local Government Act 2002. These summary financial statements are for the year ended 30 June 2022, and are presented for the HRC group, which consists of:
  - Horizons Regional Council (the "Parent Entity")
  - A subsidiary MWRC Holdings Limited (MWRCH) (a Council Controlled Trading Organisation (CCTO))
- HRC has designated itself as a Public Benefit Entity (PBE) and applies New Zealand Tier 1 Public Benefit Entity Accounting Standards (PBE Accounting Standards). These standards are similar to International Public Sector Accounting Standards, with amendments for the New Zealand regulatory environment. As HRC meets the definition of a PBE, it applies specific recognition and measurement requirements that apply to PBE's. The information and specific disclosures included in this summary have been extracted from the full financial statements, included in the Annual Report 2021-22.
- HRC has made an explicit and unreserved statement of compliance with PBE standards in its "Notes to the Financial Statements" on page 70 of the full financial statements.

## GENERAL

### Financial Overview

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

### STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSES FOR THE YEAR ENDED 30 JUNE 2022 (\$000)

	Long-term Plan 2021-31 2021-22	Council Actual 2021-22	Group Actual 2021-22	Council Actual 2020-21	Group Actual 2020-21
Revenue					
Rates	51,255	51,227	51,227	47,169	47,169
Subsidies and grants	23,902	19,774	19,774	16,941	16,941
Development and financial contributions	0	0	0	0	0
Finance revenue	3,400	3,936	2,817	3,243	5,220
Other revenue	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>
Personnel costs	24,447	23,516	23,516	20,921	20,921
Depreciation and amortisation expense	5,256	5,414	5,414	4,820	4,820
Finance costs	1,344	1,541	1,541	1,402	1,402
Other expenses	47,589	46,056	46,418	43,301	43,340
<b>Total Expenses</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	-	-	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>
Other comprehensive revenue and expense					
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>

## STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2022 (\$000)

	Long-term Plan 2021-31 2021-22	Council Actual 2021-22	Group Actual 2021-22	Council Actual 2020-21	Group Actual 2020-21
Total Current Assets	20,285	26,843	26,980	20,114	21,588
Total Non-current Assets	867,598	1,076,947	1,129,517	973,623	1,024,893
<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>
Total Current Liabilities	18,743	34,507	34,834	37,236	37,989
Total Non-Current Liabilities	64,231	50,803	51,403	35,740	36,087
<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>
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>

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2022 (\$000)

	Long-term Plan 2021-31 2021-22	Council Actual 2021-22	Group Actual 2021-22	Council Actual 2020-21	Group Actual 2020-21
Balance at 1 July	762,779	920,761	972,405	750,300	798,383
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 CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2022 (\$000)

	Long-term Plan 2021-31 2021-22	Council Actual 2021-22	Group Actual 2021-22	Council Actual 2020-21	Group Actual 2020-21
Net Cash Flow from Operating Activities	19,488	17,809	17,261	18,112	22,224
Net Cash Flow from Investing Activities	(33,757)	(20,703)	(21,948)	(18,974)	(20,656)
Net Cash Flow from Financing Activities	12,507	7,442	7,442	4,967	4,967
<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>

## EXPLANATION OF MAJOR VARIANCES AGAINST BUDGET

Explanation of major variances from HRC's estimated figures in the Annual Plan 2021-22 are as follows:	Long term Plan 2021-31 \$000	Actual \$000	Variance \$000
<b>Subsidies and grants</b> Due to delays in work on some of our climate resilience work, grant revenue recognised from central government was lower than initially budgeted.	23,902	19,774	(4,128)
<b>Finance revenue</b> 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.	3,400	3,936	536
<b>Other revenue</b> 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.	14,862	17,268	2,406
<b>Personnel costs</b> Due to the competitive labour market we were unable to fill all vacancies during the year, particularly in the regulatory area.	24,447	23,516	931
<b>Other expenses</b> 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.	47,589	46,056	1,533
<b>Financial assets at fair value through other comprehensive revenue and expense</b> 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.	195	(442)	(637)
<b>Property, plant, and equipment revaluations</b> Unit rates for certain asset types increased significantly above our original estimates resulting in a higher gain than anticipated.	27,153	82,451	55,298
<b>Cash and cash equivalents</b> 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.	794	12,202	11,408
<b>Trade and other receivables</b> Our budgeting assumptions presumed that a larger portion of grant funding would be receivable at year end. In reality, this was paid upfront.	10,713	7,544	(3,169)
<b>Revenue Receivable</b> As with trade and other receivables, our budget assumed a large portion of grant funding would be accrued for at year end however this was paid up front.	7,002	4,859	(2,143)
<b>Investments in CCOs and other similar entities</b> The mechanism through which the Council borrows requires us to also purchase a borrowers 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.	32,975	33,244	269
<b>Loan to CCO</b> 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.	17,000	18,500	1,500
<b>Derivative Financial Instruments</b> 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.	-	637	637
<b>Forestry Assets</b> 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.	6,822	4,016	(2,806)
<b>Restoration asset</b> 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.	-	3,438	3,438
<b>Carbon credits</b> Previously these were immaterial to the accounts and so were not recognised nor budgeted for.	-	10,809	10,809
<b>Intangible assets</b> 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.	5,528	4,657	(871)
<b>Operational assets</b> This is a flow on effect from the previous financial year where a land purchase was made for approx \$7m near year end and so was not included in the budgeted value of the assets.	87,605	95,014	7,409
<b>Infrastructural assets</b> Unit rates for certain asset types increased significantly above our original estimates resulting in a higher gain than anticipated.	708,641	897,479	188,838
<b>Trade and other payables</b> 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.	13,873	17,317	(3,444)
<b>Debt - current portion</b> Utilised more short term commercial papers than anticipated. This offsets with Debt - non-current below.	2,500	14,409	(11,909)
<b>Derivative financial instruments</b> Due to increasing interest rates our interest rate swaps changed from being the liability they were anticipated to be to being a financial asset.	-	637	637
<b>Debt - non-current portion</b> We utilised more short term borrowing than anticipated and due to delays in completing some of our climate resilience work, ended up borrowing less funds than anticipated.	63,974	47,000	16,974
<b>Provision - replanting</b> 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.	-	3,803	(3,803)

## STATEMENT OF SERVICE PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2022 NON FINANCIAL TARGETS

Group of Activities	Number of targets	Achieved	Measure Not Available or 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%	100.00%
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%	60.00%
<b>TOTALS 2021-22</b>	<b>113</b>	<b>75</b>	<b>7</b>	<b>31</b>	<b>70.75%</b>	
TOTALS 2020-21	131	94	10	27		77.69%

During the year, Horizons achieved 70.75% of all targets (last year's achievement was 77.69%).

### Land and Water Management

The Land Management Activity achieved all six of the performance indicators set. This included mapping 3,411 hectares of erosion control works in targeted SLUI catchments, and 26,906 hectares of Whole Farm Plans mapped. The Water Quality and Quantity Activity achieved eleven of twelve key performance indicators set, with 96,999 Riparian Plants being planted not meeting the target of 100,000. Across the 2021-22 year, a total of 160.3km of stream fencing has been completed, 170,831 plants have been established in stream margins and 15 barriers to fish passages have been repaired. The Resource Consent and Pollution Management Activity achieved two of the six indicators set. Those not achieved are for various reasons including vacancies, COVID-19 and contracting availability.

### Flood Protection and Control Works

The River and Drainage General Activity achieved two of its four key performance indicators with. Only one environmental grant was funded instead of 10 due to a lack of applications, while the scheme reviews were put on hold with a change in focus towards a catchment delivery model. The River and Drainage Scheme Activity achieved eleven of its twenty four performance measures. Majority of those not achieved were due to resource constraints and a reprioritisation of work however level of service was not affected.

### Biosecurity and Biodiversity

The Biosecurity Activity achieved eight of the twelve performance indicators set with three being not applicable. This included maintaining possum densities at below 10% of residual trap-catch and monitoring of released biological agents to assess establishment and host damage. 43 out of 44 known rookeries were treated to reduce crop losses and damage meaning this indicator was not met. The Biodiversity Activity achieved all four of the key performance indicators, including adding 11 new sites to the priority sites programme.

### Regional Leadership and Governance

Of the overall thirty three key performance indicators for this Group, twenty six were achieved, four were not achieved and three were not applicable. The Community Relationships Activity achieved nine out of ten key performance measures with changes in the way media is able to access information reducing the number of media mentions achieved. The Environmental Reporting Activity achieved all four of its key performance measures.

Emergency Management achieved seven out of eight performance measures. Due to appropriate external resources being unavailable due to the COVID-19 lockdown not all outputs were completed for hazard information update being carried out to update information as per the approved project plan. These are being carried over for completion in 2022-23. The Information Activity achieved four of five performance indicators set with the new water metering indicator not met due to COVID-19 impacting ability to access private property. The Iwi Activity's achieved one key performance measure with one not applicable for this year. Both of the Strategic Management key performance measures for not applicable. The Climate Change activity achieved one of two indicators, with organisational greenhouse gas reduction plan finalised in June 2022 but not published.

### Transport

The Road Safety Education Activity achieved its key performance indicator, delivering a total of 38 road safety programmes across the region against a target of 30. Transport Planning Activity achieved one of three performance measures with one not applicable. The Regional Public Transport Plan was adopted but Council in August 2022. The Passenger Transport Activity achieved three of five of the key performance indicators set for the year with COVID-19 restrictions hindering the recovery of passenger numbers.

### Investments

Investments achieved none of the three performance measures set with COVID-19 and the lower interest rates impacting expected investment returns.

The above is a brief overview of the work Council has completed over 2021-22. More detailed information can be found within our 2021-22 Annual Report and on our website [www.horizons.govt.nz](http://www.horizons.govt.nz).

## OTHER DISCLOSURES

### Contingent Liabilities

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

As the obligation to surrender carbon credits only arises on deforestation, the Council has elected not to recognise a liability for the surrender of its carbon units while the forests continue to grow. If the forests were harvested today an estimated liability to surrender carbon credits of \$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 credit rating from Standard and Poor's of AA+ and a foreign currency rating of AA.

As at 30 June 2021-22, 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 for which the Group is Severally Liable

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

### Operating Lease Commitments

HRC has an operating lease commitment as lessee as at 30 June 2022 relating to leasing of printers and copiers (same as last year).

HRC also has an operating lease commitment as Lessee for land leased for the Whanganui Service Centre, and building 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).

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).

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).

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).

Total commitments as lessors is \$8,805 million for HRC and \$16.418 million for the Group (last year \$9.785 million and \$16.128 million).

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

No contingent rents have been recognised.

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

### Other Commitments (\$000)

Council Actual 2020-21	Group Actual 2020-21		Council Actual 2021-22	Group Actual 2021-22
835,978	835,978	Total Capital Commitments	5,911,830	5,911,830

### 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 Manawatu 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.



## FAIR VALUE OF THE CENTREPORT LTD

### Overview

Horizons Regional Council own 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 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 CentrePorts 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.

### 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.

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.

For full details on these please see Note 14 on page 93 of the Annual Report 2021-22.

### Breach of Statutory Deadline

Under section 98(3) of the Local Government Act 2002 (LGA), the Annual Report must be completed and adopted by resolution, within four months after the end of the financial year to which it relates. Due to COVID-19 legislation was introduced to increase this timeframe by a further 2 months. The delays in completing the 2022 Annual Report later than was required by section 98(7) of the LGA, was due to the Auditor's availability. Council formally adopted the annual report on 30 May 2023.

### 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.

### Events After Balance Date

2022: For full details on these please see page 106 of the Annual Report 2021-22. Events the awarding of a construction contract variation worth \$0.50 million, approving an interest free loan of \$0.20 million to Ruapehu District Council, lease of office space, awarding of a 10 year contract for fully electric bus services in Palmerston North and approval of up to \$9.0 million towards recovery efforts in response to Cyclone Gabrielle.

2021: Events included the country wide level 4 lockdown, the awarding of a contract for rock supply worth \$3.27 million, purchase of property by MWRCH of \$2.7 million total, lease of office space, and a contribution from Council to its subsidiary MWRCH for construction on 17 Victoria Ave.





## INDEPENDENT AUDITOR'S REPORT

### To the readers of Horizon Regional Council and group's summary of the annual report for the year ended 30 June 2022

The summary of the annual report was derived from the annual report of the Horizon Regional Council and group (the Regional Council) for the year ended 30 June 2022.

The summary of the annual report comprises the following information on pages 2 to 7:

- the summary statement of financial position as at 30 June 2022;
- the summaries of the statement of comprehensive revenue and expenses, statement of changes in equity and statement of cash flows for the year ended 30 June 2022;
- the notes to the summary financial statements that include other explanatory information; and
- the summary statement of service performance.

### Opinion

In our opinion:

- the summary of the annual report represents, fairly and consistently, the information regarding the major matters dealt with in the annual report; and
- the summary statements comply with PBE FRS-43: Summary Financial Statements.

### Summary of the annual report

The summary of the annual report does not contain all the disclosures required by generally accepted accounting practice in New Zealand. Reading the summary of the annual report and the auditor's report thereon, therefore, is not a substitute for reading the full annual report and the auditor's report thereon.

The summary of the annual report does not reflect the effects of events that occurred subsequent to the date of our auditor's report on the full annual report.

### The full annual report and our audit report thereon

We expressed an unmodified audit opinion on the information we audited in the full annual report for the year ended 30 June 2022 in our auditor's report dated 30 May 2023. Our auditor's report on the full annual report also includes an emphasis of matter paragraph drawing attention to how the fair value of the shares in CentrePort were 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. This matter is disclosed in page 7 of the summary financial statements.

### Our audit was completed late

Our auditor's report on the full annual report also includes a paragraph acknowledging 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.

This matter is disclosed in page 7 of the summary financial statements.

### Council's responsibility for the summary of the annual report

The Council is responsible for preparing the summary of the annual report which includes preparing summary statements, in accordance with PBE FRS-43: Summary Financial Statements.

### Auditor's responsibility

Our responsibility is to express an opinion on whether the summary of the annual report represents, fairly and consistently, the information regarding the major matters dealt with in the full annual report and whether the summary statements comply with PBE FRS 43: Summary Financial Statements.

Our opinion on the summary of the annual report is based on our procedures, which were carried out 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.

In addition to our audit of the summary and full annual reports, 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  
30 June 2023



For more information visit [www.horizons.govt.nz](http://www.horizons.govt.nz)  
or freephone Horizons on **0508 800 800**