



# Whakarāpopototanga Pūrongo ā-tau Annual Report Summary 2022-23



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

Welcome to the 2022-23 Annual Report Summary. During this financial year, a new Council was officially sworn in, with the addition of the new northern and southern Māori constituencies. Nine councillors returned to their roles, and five new councillors – Gordon McKellar for Manawatū-Rangitikei; Nikki Riley for Ruapehu; Alan Taylor for Whanganui; Turuhia (Jim) Edmonds for Raki Māori, and Te Kenehi Teira for Tonga Māori – were sworn in.

The rest of 2022 included Horizons working hard towards targets within our natural resource space. Our Sustainable Land Use Initiative entered the final year of its contract with central government, which alongside investment from Horizons' ratepayers and landowners, aims to keep the valuable soil on our hills and out of waterways by targeting the most at risk areas in the region. The ambitious on-farm works target that was set at the beginning of the four-year contract was met in the 2021-22 year, and this year's work resulted in the four-year target being exceeded by 36 per cent. Biodiversity and biosecurity activity met the majority of its priority habitat, possum, rook and biological agent targets, the majority of stream fencing and planting targets were met through our freshwater activity, and the water quality and quantity area achieved most of its performance indicators.

The beginning of 2023 brought significant rain and disruptive weather, with parts of our region hit particularly hard by Cyclone Gabrielle. As a result, a large portion of staff and resources were allocated toward conducting high-priority repair works and strengthening of flood infrastructure in the most affected areas. With more than \$9 million in damage to river management assets caused by Cyclone Gabrielle, repairs are still being completed and will continue well into the 2023-24 financial year.

The Tararua District, parts of the upper Pohangina and Ōroua catchments, and our regional park Tōtara Reserve all received significant damage. Although a lot of progress has been made in repairs and restoration, the impact can still be felt in these areas and recovery is likely to carry on for some time. Works continue to be completed on a priority basis in these areas as well as in the Rangitikei and Lower Manawatū schemes. Part of the assessment of damage to and repair of key infrastructure sites includes complete replacement of infrastructure at key sites, as opposed to repairing or strengthening existing infrastructure. Through doing this we aim to face issues head-on at the source and build resilience to future weather events escalated by the effects of climate change, to provide effective and safe flood protection measures to our communities.

Post-Cyclone Gabrielle, further assessment of existing climate resilience projects was needed to ensure they are still achievable and within their set budgets. The increased resources spent on inspection of river and drainage scheme assets in the wake of the cyclone meant that delays were felt widely throughout the operational programmes. Staff shortages and weather impacts contributed to reduced works outcomes during the 2022-23 financial year, including changes to the Capital Programme, which informed the budget setting of the current 2023-24 Annual Plan.

Transport projects in the region made big strides in the 2022-23 year. Horizons launched a new transport brand: Connect – Horizons Regional Transport. Connect was established to address the need for a separate identity for Horizons' transport ventures, creating an easily distinguishable way for our communities to receive key transport messages and service updates. These service updates and other key transport messages are now found on their own dedicated Facebook and Instagram pages, making them easier to find and access. As part of this new identity, Connect branding

will be rolled out on our buses making them easily identifiable, along with Connect branded bus shelters to match.

The Connect brand was rolled out at the same time as Te Ngaru The Tide, a new high-frequency service in Whanganui. This new service, launched on 18 February as a collaboration with Whanganui District Council, provides regular trips between Castlecliff and Aramoho at 20-minute intervals. After being encouraged to 'ekea Te Ngaru/catch The Tide', the service was met with a positive response from the Whanganui community, quickly becoming the most popular bus route in the city and second-most popular route in the Horizons Region, with nearly half of all public transport trips in Whanganui being taken on The Tide and public transport trips in the city increasing year-on-year by 86 per cent.

Following the successful launch of The Tide, this financial year, Council made the call to make Palmerston North's bus fleet fully electric from February 2024. In a first for Aotearoa, New Zealand, the city's fleet going fully electric helps to meet Horizons' goal of reducing carbon emissions in accordance with the current Regional Public Transport, Regional Land Transport, Manawatū-Whanganui Joint Climate Action and Horizons Climate Action plans, and aligns with central government's target of complete decarbonisation of the public transport fleet by 2035. Currently under construction, the new fleet will also see the implementation of a reimagined route network for Palmerston North and Ashhurst, accounting for the increased demand, frequency and capacity of the new fleet. The work currently underway includes assessment of existing bus stops and planning for placement of new stops with public consultation and is being facilitated by Horizons and Palmerston North City Council.

Finally, even with setbacks to work programmes due to Cyclone Gabrielle, freshwater remained a priority area for Horizons. In accordance with Te Mana o te Wai (the fundamental importance of protecting the health of freshwater), several public engagements were conducted asking our communities about their thoughts on water allocation and their visions for freshwater over the next ten years across the region's seven FMUs (Freshwater Management Units). The feedback gathered from these engagements, alongside direct engagement with iwi, hapū and other stakeholders, was passed onto Council to help in reviewing Horizons' freshwater policy, as required by the National Policy Statement for Freshwater Management (NPS-FM).

In spite of delays to work programmes, staff shortages and major weather disruptions, Horizons has continued to provide a high level of service to our communities over the 2022-23 period. More detailed information about Horizons' achievements and financial breakdowns of the various activities are contained throughout this annual report. The new Council is due to create a new Long-term Plan by the end of the next financial year and will no doubt strive to continue to live up to our vision: tō tātou rohe – taiao ora, tangata ora, mauri ora; our place – a healthy environment where people are thriving.

The above is a brief overview of the work Council has completed over 2022-23. More detailed information can be found within our 2022-23 Annual Report and on our website [www.horizons.govt.nz](http://www.horizons.govt.nz).



*Rachel 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 2022 to June 2023, taken from the audited full financial statements included in the Annual Report 2022-23, which was completed and adopted by Horizons Regional Council on 28 November 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 2022-23. 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 2022-23 has been audited, and received an unmodified audit opinion dated 28 November 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 7 of the Annual report summary.

## DISCLOSURES

Horizons Regional Council's (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 2022-23 is prepared for HRC, which is the trading name of the Manawatū-Whanganui Regional Council, a local authority governed by the Local Government Act 2002. These summary financial statements are for the year ended 30 June 2023, 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 2022-23.
- HRC has made an explicit and unreserved statement of compliance with PBE standards in its "Notes to the Financial Statements" on page 79 of the full financial statements.
- This Annual Report Summary 2022-23 was approved for issue by the Chief Executive on 18 December 2023.

## 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 Expense for the year ended 30 June 2023 (\$000)

	Annual Plan 2022-23	Council Actual 2022-23	Group Actual 2022-23	Council Actual 2021-22	Group Actual 2021-22
<b>Revenue</b>					
Rates	55,426	55,521	55,521	51,227	51,227
Subsidies and grants	27,853	19,547	19,547	19,774	19,774
Finance revenue	3,450	3,691	2,516	3,936	2,817
Other revenue	14,203	21,606	22,805	17,268	19,103
<b>Total revenue</b>	<b>100,932</b>	<b>100,365</b>	<b>100,389</b>	<b>92,205</b>	<b>92,921</b>
<b>Expenditure</b>					
Personnel costs	25,813	25,703	25,703	23,516	23,516
Depreciation and amortisation expense	5,654	6,008	6,008	5,414	5,414
Finance costs	1,479	2,179	2,179	1,541	1,541
Other expenses	51,957	56,867	58,089	46,056	46,418
<b>Total expenditure</b>	<b>84,903</b>	<b>90,757</b>	<b>91,979</b>	<b>76,527</b>	<b>76,889</b>
<b>Surplus/(deficit) before tax</b>	<b>16,029</b>	<b>9,608</b>	<b>8,410</b>	<b>15,678</b>	<b>16,032</b>
Income tax expense/benefit	-	-	(95)	-	252
<b>Surplus/(deficit) after tax</b>	<b>16,029</b>	<b>9,608</b>	<b>8,505</b>	<b>15,678</b>	<b>15,780</b>
<b>Other comprehensive revenue and expense</b>					
Financial assets at fair value through other comprehensive revenue and expense	-	47	(6,953)	(442)	(442)
Property, plant, and equipment revaluations	15,609	75,761	76,007	82,451	82,484
<b>Total other comprehensive revenue and expense</b>	<b>15,610</b>	<b>75,808</b>	<b>69,054</b>	<b>82,009</b>	<b>82,042</b>
<b>Total comprehensive revenue and expense</b>	<b>31,639</b>	<b>85,416</b>	<b>77,559</b>	<b>97,687</b>	<b>97,822</b>

### Statement of Changes in Equity for the year ended 30 June 2023 (\$000)

	Annual Plan 2022-23	Council Actual 2022-23	Group Actual 2022-23	Council Actual 2021-22	Group Actual 2021-22
Balance at 1 July	958,112	1,018,481	1,070,260	920,761	972,405
Adjustments on adoption of PBE IPSAS 41	-	-	-	33	33
Adjusted balance at 1 July	958,112	1,018,481	1,070,260	920,794	972,438
Total comprehensive revenue and expense for the year	31,639	85,416	77,559	97,687	97,822
<b>Balance at 30 June</b>	<b>989,751</b>	<b>1,103,896</b>	<b>1,147,819</b>	<b>1,018,481</b>	<b>1,070,260</b>

### Statement of Financial Position as at 30 June 2023 (\$000)

	Annual Plan 2022-23	Council Actual 2022-23	Group Actual 2022-23	Council Actual 2021-22	Group Actual 2021-22
Total current assets	22,217	20,595	20,708	26,843	26,980
Total non-current assets	1,058,311	1,169,223	1,213,773	1,076,947	1,129,517
<b>Total assets</b>	<b>1,080,528</b>	<b>1,189,818</b>	<b>1,234,481</b>	<b>1,103,790</b>	<b>1,156,497</b>
Total current liabilities	25,197	40,684	40,920	34,507	34,834
Total non-current liabilities	65,580	45,237	45,742	50,803	51,403
<b>Total liabilities</b>	<b>90,778</b>	<b>85,922</b>	<b>86,662</b>	<b>85,310</b>	<b>86,237</b>
<b>Net assets (assets minus liabilities)</b>	<b>989,751</b>	<b>1,103,896</b>	<b>1,147,819</b>	<b>1,018,480</b>	<b>1,070,260</b>
Asset revaluation reserves	564,224	682,702	683,517	606,941	607,510
Fair value through other comprehensive revenue and expense reserve	1,769	1,374	38,992	1,327	45,945
Restricted reserves	13,774	12,776	12,776	13,706	13,706
Infrastructure insurance reserves	4,800	4,920	4,920	4,800	4,800
Accumulated funds	405,184	402,124	407,614	391,706	398,299
<b>Total equity</b>	<b>989,751</b>	<b>1,103,896</b>	<b>1,147,819</b>	<b>1,018,480</b>	<b>1,070,260</b>

### Statement of Cash Flows for the year ended 30 June 2023 (\$000)

	Annual Plan 2022-23	Council Actual 2022-23	Group Actual 2022-23	Council Actual 2021-22	Group Actual 2021-22
Net cash flow from operating activities	14,854	5,624	5,605	17,809	17,261
Net cash flow from investing activities	(31,014)	(17,242)	(17,242)	(20,703)	(21,948)
Net cash flow from financing activities	10,773	4,591	4,591	7,442	7,442
<b>Net (decrease)/increase in cash, cash equivalents, and bank overdrafts</b>	<b>(5,387)</b>	<b>(7,027)</b>	<b>(7,046)</b>	<b>4,548</b>	<b>2,755</b>
Cash, cash equivalents, and bank overdrafts	6,609	12,202	14,247	7,654	11,492
<b>Closing cash balances</b>	<b>1,222</b>	<b>5,175</b>	<b>7,201</b>	<b>12,202</b>	<b>14,247</b>

## Explanation of Major Variances against budget

	Annual Plan 2022-23 \$000	Actual 2022-23 \$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.	27,853	19,547	(8,306)
<b>Finance revenue</b> Interest rates increased during the year, resulting in an increase of interest received on our term deposits and our interest rate swaps gaining value.	3,450	3,691	241
<b>Other revenue</b> For the year, additional carbon credits were allocated relating to the SLUI forestries. Carbon credits income was recognised of \$7.1 million. Carbon credits were not budgeted as there is significant uncertainty about the quantum and value.	14,203	21,606	7,403
<b>Depreciation and amortisation expense</b> Amortisation on the restoration asset is not included in this area of the Annual Plan.	5,654	6,008	(354)
<b>Finance costs</b> Interest rates increased during the year, resulting in an increase of interest costs.	1,479	2,179	(700)
<b>Other expenses</b> 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.	51,957	56,867	(4,910)
<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.	15,609	75,761	60,152
<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.	1,222	5,176	3,954
<b>Trade and other receivables</b> Our budgeting assumptions presumed that a larger portion of capital grant funding would be receivable at year-end. In reality, there was less capital work done and invoiced due to a reduction in the capital works programme.	11,103	6,982	(4,121)
<b>Revenue Receivable</b> 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.	7,911	5,880	(2,031)
<b>Investments in other entities</b> The Hobson Wealth share value was impacted by the Ukraine war and has not recovered resulting in less growth in the investment than expected.	3,958	3,770	(188)
<b>Derivative Financial Instruments</b> As interest rates on borrowings increased significantly during the 2022 year, our interest rate swaps changed from being a liability to a financial asset which was not anticipated when our budget was set.	-	850	850
<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.	6,425	3,377	(3,048)
<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.	-	2,325	2,325
<b>Carbon credits</b> Previously these were immaterial to the accounts and so were not budgeted for.	-	16,274	16,274
<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.	11,093	4,754	(6,339)
<b>Operational assets</b> This is a flow on effect from previous financial years where a land purchase was made for approximately \$7m near year end and so was not included in the budgeted value of the assets.	95,656	96,444	788
<b>Infrastructural assets</b> Unit rates for certain asset types increased significantly above our original estimates resulting in a higher gain than anticipated.	883,645	983,910	100,265
<b>Trade and other payables</b> Due to the change in financial systems a number of creditors were paid early resulting in lower values in accounts payable at year end.	15,734	14,233	1,501
<b>Provisions - employee entitlements</b> Due to the last week of the financial year not payable until the second week in the new financial year compared to how payroll was budgeted.	2,464	2,882	(418)
<b>Debt - current portion</b> Utilised more short-term commercial papers than anticipated. This offsets with Debt - non-current below.	7,000	23,500	(16,500)
<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.	398	-	398
<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 fewer funds than anticipated.	65,182	42,500	22,682
<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 Long-term Plan had been set.	-	2,737	(2,737)

## Statement of Service Performance for the year ended 30 June 2023 (\$000)

Group of Activities	Number of targets	Achieved	Measure Not Applicable	Partially or Not Achieved	% Achieved 2022-23	% Achieved 2021-22
Land and Water Management	24	17	0	7	70.83%	79.17%
Flood Protection and Control Works	28	0	2	26	0.00%	46.43%
Biosecurity and Biodiversity Management	16	10	4	2	83.33%	92.31%
Regional Leadership and Governance	34	30	0	4	88.24%	86.67%
Transport	9	8	1	0	100.00%	62.50%
Investment	3	1	0	2	33.33%	0.00%
<b>Total 2022-23</b>	<b>114</b>	<b>66</b>	<b>7</b>	<b>41</b>	<b>61.68%</b>	
<b>Total 2021-22</b>	<b>113</b>	<b>75</b>	<b>7</b>	<b>31</b>		<b>70.75%</b>

During the year, Horizons achieved 61.68% of all targets (last year's achievement was 70.75%).

### Land and Water Management

The Land Management Activity achieved five out of six of the performance indicators set. This included mapping 4,038 hectares of erosion control works in targeted SLUI catchments, and 27,247 hectares of Whole Farm Plans mapped. While 217 ha were approved under the environment grant programme only 158 ha was achieved as a number of landowners did not complete the work by the end of June due to changing priorities and circumstances. The Water Quality and Quantity Activity achieved nine out of twelve of the performance indicators set, with weather conditions impacting the ability to achieve the stream fencing targets for the year. Across the 2022-23 year, a total of 140km of stream fencing has been completed, 188,581 plants have been established in stream margins, remediation of 3 barriers to fish passages have been made, 9 community projects completed and 67 sites monitored of fish and kakahi populations. The Resource Consent and Pollution Management Activity achieved three of the six indicators set. Those not achieved are for various reasons including vacancies, staff utilised in other areas of the business to support for incident response and cyclone response, and contracting availability.

### Flood Protection and Control Works

The River and Drainage General Activity achieved none of its four key performance indicators. The scheme review and Operations and Maintenance Manuals were not completed as both targets were put on hold due to organisational change to support further integration of the Horizons operational activity catchments. The River and Drainage Scheme Activity achieved none of its twenty four performance measures – two were not applicable. These were not achieved due to a very wet winter followed by significant weather events including Cyclone Hale and Cyclone Gabrielle which resulted in the reprioritisation of work. The non-achievement of these key performance indicators did not affect the level of service provided.

### Biosecurity and Biodiversity

The Biosecurity Activity achieved seven of the twelve performance indicators set with four being not applicable. This included treating all known rookeries, maintaining

possum densities at below 10% of residual trap-catch and monitoring of released biological agents to assess establishment and host damage. Additional areas were identified with pest plants and incorporated into the overall managed sites resulting in 75% of sites in the region being at zero-levels against the target of 78% meaning this indicator was not met. The Biodiversity Activity achieved three out of four of the key performance indicators, with 10 new sites added to the priority sites programme rather than the target of 11, after assessing 30 sites.

### Regional Leadership and Governance

Of the overall thirty four key performance indicators for this Group, thirty were achieved and four were not achieved.

Emergency Management achieved seven out of eight performance measures. Due to the unavailability of necessary external resources, not all outputs were completed during the hazard information update, as outlined in the approved project plan. These are being carried over for completion in 2023-24. Over the reporting period, Horizons Emergency Operations Centre and the Manawatū-Whanganui Civil Defence Emergency Management (CDEM) Groups Emergency Coordination Centre (ECC) were activated on a number of occasions in response to severe weather events across the region. The biggest response was to Cyclone Gabrielle, where the ECC was operational for 18 days under a state of National Emergency.

The Strategic Management Activity achieved both of its key performance indicators. The Climate Change Activity achieved all three of its key performance indicators. The Community Relationships Activity achieved nine out of ten key performance measures and while the number of media releases target was not met, the high exceedance in media mentions suggest the quality of what was put out was high and picked up regularly. The Iwi and Hapū Relationship Activity achieved one out two of its key performance indicators. The survey work did not occur due to competing priorities facing iwi & hapū at this time. The Information Activity achieved all five performance indicators. The Environmental Reporting Activity achieved three out of four of its key performance measures. The annual summary report on the state of the environment was completed within the financial year, however staff capacity meant that it was not released publicly until 6 July 2023.

## Transport

The Road Safety Education Activity achieved its key performance indicator, delivering a total of 42 road safety programmes across the region against a target of 30. Transport Planning Activity achieved two of three performance measures with the remaining one not applicable. The Regional Public Transport Plan was adopted by Council in August 2022. The Passenger Transport Activity achieved all of their five key performance indicators, with an increase of 34% in patronage on bus services compared to the 2021/22 financial year.

## Investments

Investments achieved one of the three performance measures set due to revaluation losses and the lower interest rates impacting expected investment returns.

The above is a brief overview of the work Council has completed over 2022-23. More detailed information can be found within our 2022-23 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 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 \$2.28 million exists (2022: \$1.04 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 2023, the Council is one of 77 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 \$17.7 billion (2022: \$15.8 billion), of which the Group and the Council have borrowed \$0.066 billion (2022: \$0.061 billion). As a result, the Group and the Council's cross-guarantee on LGFA's loans to other local authorities is \$17.7 billion (2022: \$15.8 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

HHRC has an operating lease commitment as lessee as at 30 June 2023 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, 47 Queen Street, Palmerston North and from 1 May 2023, 61 Pascal Street, Arena 1, Palmerston North. Total commitment for this as at 30 June 2023 is \$0.923 million (last year \$0.928 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 2023 are \$4.224 million (last year \$4.806 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 2023 is \$3.870 million (last year \$3.999 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 2023 are \$10.467 million (last year \$11.612 million).

Total commitments as lessors is \$8,094 million for HRC and \$14,691 million for the Group (last year \$8.805 million and \$16.418 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 2021-22	Group Actual 2021-22		Council Actual 2022-23	Group Actual 2022-23
5,911,830	5,911,830	Total Capital Commitments	3,279,313	3,279,313

## 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.

## 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, MWRCH 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 \$52M to \$64M (2022 \$59M to \$71M). This represents a decrease to that of the 2022 range, as a result CentrePorts WACC increasing with the interest rate environment, a further decrease in the cash balance and a more conservative earnings forecast going forward. Offsetting these is a reduced capital expenditure forecast than in previous years.

### 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 3.5 years, there has been considerable disruption due to COVID-19 and New Zealand's response to the global pandemic. Financial markets and the general macroeconomic environment are continuing to be volatile.

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 compared to previous years, uncertainty remains with regard to the timing and quantum of expenditure, particularly relating to a proposed Single-User Ferry Terminal (SUFT).

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 Company's ability to spend its capital expenditure forecasts still remains unproven based on historical trend.

CentrePort expects all of the capex regarding the SUFT will be spent over the next 4 years, however, CentrePort does have continued concerns that the project will continue to be delayed.

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. The ground resilience work and wharf renewal programme are expected to be complete by FY24.

These uncertainties could have a material effect on the carrying value of the Regional Council's shares in MWRCH Holdings Limited of \$31.5 million and the fair value of the group's shares held in CentrePort of \$63 million.

For full details on these please see Note 15 on page 103 of the Annual Report 2022-23.

### 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. The delays in completing the 2023 Annual Report were due to Council resourcing issues. Council formally adopted the Annual Report on 28 November 2023.

### Events After Balance Date

2023: There have been no events after balance date.



**INDEPENDENT AUDITOR'S REPORT****To the readers of Horizons Regional Council and group's summary of the annual report for the year ended 30 June 2023**

The summary of the annual report was derived from the annual report of Horizons Regional Council (the Regional Council) and Group for the year ended 30 June 2023.

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 2023;
- the summaries of the statement of comprehensive revenue and expense, statement of changes in equity and statement of cash flows for the year ended 30 June 2023;
- 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 2023 in our auditor's report dated 28 November 2023.

Our auditor's report on the full annual report also includes an emphasis of matter paragraph drawing attention to the uncertainties in the fair value of CentrePort Limited shares.

Note 15 to the financial statements on pages 103 – 106 of the full annual report outlines how the fair value of the shares in CentrePort as at 30 June 2023 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 \$63 million.

Information about this matter is also disclosed on 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 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 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  
18 December 2023



# horizons

REGIONAL COUNCIL



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