



Whakarāpopototanga Pūrongo ā-tau Annual Report Summary 2023-24



Message from the Chair and Chief Executive

Tēnā koutou katoa, and welcome to the 2023-2024 Summary Annual Report. This year was a Long-term Plan (LTP) year for Horizons, making it a busy time for staff and Councillors alike. The LTP sets out how Horizons Regional Council plans to manage the region's natural resources for the next 10 years, to ensure a healthy environment where the people are thriving.

Adopting a new LTP is no small process. This LTP was more than a year in the making, featuring budgeting, pre-engagement, numerous Council workshops, information gathering, public submissions and hearings processes, and two full days of deliberations. The mixture of high inflation, ever-increasing demands from central government, the need to maintain and improve ageing infrastructure, and ageing populations made it one of the most significant Long-term Plans, and certainly one of the hardest to develop, in Horizons' history.

We would like to thank all those who submitted to the LTP. Your feedback was invaluable to the Council in striking the fine balance between affordability, and ensuring core business is able to continue. We received 540 submissions, an increase on the 439 submissions received on the 2021-31 LTP, and heard from 63 submitters in person at hearings. Following extensive and robust deliberations around the table, Council were able to adopt the LTP on Tuesday 25 June, 2024. While the average rates increase was 11.7% for 2024-25 – down from the 12.9% we consulted on – the impact will differ between each property for a range of reasons.

Horizons' river management staff spent much of the year taking advantage of favourable conditions to undertake construction and repair work on assets throughout the region. Significant progress was made on repairing damage caused by Cyclone Gabrielle, while progress was made on Infrastructure Climate Resilience Projects along the Rangitikei and Manawatū rivers. Additional operational costs over and above that budgeted were incurred this year as a result of the flood damage repair work and the financial impact of assets being written off as either damaged or lost due to weather events.

Whanganui continued to see investment in projects in the city. As part of the Te Pūwaha project to upgrade the city's marine precinct, Horizons completed work to provide flood protection for Tregenna Street residents, along with a revitalised recreational space featuring a cycle/walkway, fishing platforms and street furniture.

Much like the year prior, transport projects made large strides in 2023-24. The most significant project was the successful launch of Aotearoa New Zealand's first fully electric bus network in Palmerston North and Ashhurst in March. After a delayed launch from the original February date due to shipping issues, the 43-strong fleet rolled out at the same time the city's network changed from meandering circular routes to fast, frequent and easy-to-understand lines running from 6.30am until 9pm every day of the week. Early signs, including year-on-year patronage increases of more than 50% in April, show people are embracing the new service.

Transport staff also completed their collaboration with Whanganui District Council to provide the city with 19 new or improved bus shelters. Featuring real-time bus information displays, tactile ground surface indicators, and improved bicycle and scooter parking, the project responded to the 2021 Whanganui Public Transport Survey, which found comfortable passenger facilities were a big barrier to people trying public transport in the city. The project was completed thanks to \$1.1 million of funding from NZ Transport Agency Waka Kotahi via the Transport Choices programme, covering about 90% of the total cost.

Changes in policy direction from central government after the 2023 general election meant Horizons had to adapt its freshwater reform work. The current National Policy Statement for Freshwater Management (NPS-FM) had Horizons on course to notify a change to the One Plan by December 2024. With that in

mind, staff held a roadshow to ensure communities were able to give informed feedback on provisional freshwater quality targets for the region. After central government moved the notification deadline from December 2024 to December 2027, Council voted to postpone notification to late 2026/early 2027, or earlier if practicable. The timing extension means Council should be able to incorporate any new national policy statement requirements into the notified revision of the One Plan.

There was plenty of excitement in the biodiversity and biosecurity spaces in the 2023-24 year. The inaugural Tōtara Reserve Open Day was a success, with stellar weather and plenty of activities, such as a scavenger hunt and building pest animal traps, keeping the approximately 300 attendees plenty busy. New biosecurity threats to our region were presented with the report of a wallaby in the Taumarunui area and the spotting of a previously-eradicated aquatic pest, fringed water lily. Pest animal and plant officers were able to control these situations and keep our region safe from unwanted invaders.

Horizons' Jobs for Nature funding, allocated in 2020 and initially due to expire mid-2024, was extended for another year, at no additional cost to ratepayers, due to underspending. The extension is a positive outcome for the environment and will allow staff to build on the more than 290km of stream fencing, 318,000 riparian plants, and 101 remediated barriers to fish passage achieved throughout the region with the funding so far.

Horizons' partnership with Lake Horowhenua Trust and Muaūpoko Tribal Authority continued to reap results for water quality in Horowhenua. The weed harvesting at Punahau Lake Horowhenua, which has been taking place each summer since trials were completed in 2021, saw 425 tonnes of lake weed removed – a record since harvesting began.

Staff also continued working to improve water quality across the region. The long-running Sustainable Land Use Initiative (SLUI) secured its fifth four-year contract to provide landowners with funding for stream fencing, pole planting, installing sediment traps, fencing bush remnants and reverting pasture to native cover on hill country. Despite a very dry summer and mild autumn, strong demand for on-farm pole planting, Whole Farm Plans, and erosion reduction works meant all five Annual Plan targets for land management were exceeded.

In spite of a changing policy environment, inflationary cost pressures, increasingly complex and significant work passed on from central government, and a challenging employment market, Horizons has continued to deliver for our communities across the region in 2023-24. There were a number of non-operational financial adjustments this year that had a negative impact on our financial results. These included assets being written off, reclassification of software projects, timing of revenue being recognised for capital work and impacts of revaluation losses. While these are material they did not directly impact Horizons' ability to deliver our programs or place a financial burden on our ratepayers. More detailed information about Horizons' achievements, as well as financial breakdowns of activities, are continued throughout this report. Horizons will spend the next year implementing Year 1 of the 2024-34 Long-term Plan with our vision in mind: tō tātou rohe – taiao ora, tangata ora, mauri ora; our place – a healthy environment where the people are thriving.

The above is a brief overview of the work Council has completed over 2023-24. More detailed information can be found within our 2023-24 Annual Report and on our website www.horizons.govt.nz.



Rachel Keedwell
Chair



Michael McCartney
Chief Executive

This summary is a snapshot of some results of our work programme in the year from July 2023 to June 2024, taken from the audited full financial statements included in the Annual Report 2023-24, which was completed and adopted by Horizons Regional Council on 30 October 2024.

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 2023-24. This report is obtainable from Horizons Regional Council offices or can be downloaded from our website www.horizons.govt.nz.

The Annual Report 2023-24 has been audited, and received an unmodified audit opinion dated 30 October 2024. 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.

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 2023-24 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 2024, 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 2023-24.
- HRC has made an explicit and unreserved statement of compliance with PBE standards in its "Notes to the Financial Statements" on page 83 of the full financial statements.
- This Annual Report Summary 2023-24 was approved for issue by the Chief Executive on 29 November, 2024.

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).

Summary Statement of Comprehensive Revenue and Expense for the year ended 30 June 2024 (\$000)

	Annual Plan 2023-24	Council Actual 2023-24	Group Actual 2023-24	Council Actual 2022-23	Group Actual 2022-23
Revenue					
Rates	59,068	58,993	58,993	55,521	55,521
Subsidies and grants	20,876	22,069	22,069	19,547	19,547
Finance revenue	3,470	3,376	2,721	3,691	2,516
Other revenue	14,270	16,448	17,579	21,606	22,805
Total revenue	97,684	100,886	101,362	100,365	100,389
Expenditure					
Personnel costs	28,272	29,366	29,366	25,703	25,703
Depreciation and amortisation expense	5,878	6,628	6,628	6,008	6,008
Finance costs	1,500	3,158	3,160	2,179	2,179
Other expenses	53,362	67,060	69,670	56,867	58,089
Total expenditure	89,012	106,212	108,824	90,757	91,979
Surplus/(deficit) before tax	8,672	(5,326)	(7,462)	9,608	8,410
Income tax expense/benefit	-	-	(133)	-	(95)
Surplus/(deficit) after tax	8,672	(5,326)	(7,329)	9,608	8,505
Other comprehensive revenue and expense					
Financial assets at fair value through other comprehensive revenue and expense	-	267	267	47	(6,953)
Property, plant, and equipment revaluations	18,567	207,064	207,064	75,761	76,007
Total other comprehensive revenue and expense	18,567	207,331	207,331	75,808	69,054
Total comprehensive revenue and expense	27,239	202,005	200,002	85,416	77,559

Summary of Changes in Equity for the year ended 30 June 2024 (\$000)

	Annual Plan 2023-24 2023-24	Council Actual 2023-24	Group Actual 2023-24	Council Actual 2022-23	Group Actual 2022-23
Balance at 1 July	1,058,066	1,103,896	1,147,819	1,018,481	1,070,260
Total comprehensive revenue and expense for the year	27,239	202,005	200,002	85,416	77,559
Balance at 30 June	1,085,305	1,305,901	1,347,821	1,103,896	1,147,819

Summary Statement of Financial Position as at 30 June 2024 (\$000)

	Annual Plan 2023-24 2023-24	Council Actual 2023-24	Group Actual 2023-24	Council Actual 2022-23	Group Actual 2022-23
Total current assets	24,132	26,632	25,361	20,595	20,708
Total non-current assets	1,155,925	1,377,592	1,421,254	1,169,223	1,213,773
Total assets	1,180,057	1,404,224	1,446,615	1,189,818	1,234,481
Total current liabilities	28,329	49,082	49,181	40,684	40,920
Total non-current liabilities	66,422	49,241	49,613	45,237	45,742
Total liabilities	94,752	98,323	98,794	85,922	86,662
Net assets (assets minus liabilities)	1,085,305	1,305,901	1,347,821	1,103,896	1,147,819
Asset revaluation reserves	635,094	889,766	890,582	682,702	683,518
Fair value through other comprehensive revenue and expense reserve	1,327	1,640	39,258	1,374	38,992
Restricted reserves	15,535	14,417	14,417	12,776	12,776
Infrastructure insurance reserves	5,040	5,040	5,040	4,920	4,920
Accumulated funds	428,309	395,038	398,524	402,124	407,613
Total equity	1,085,305	1,305,901	1,347,821	1,103,896	1,147,819

Summary Statement of Cash flows for the year ended 30 June 2024 (\$000)

	Annual Plan 2023-24 2023-24	Council Actual 2023-24	Group Actual 2023-24	Council Actual 2022-23	Group Actual 2022-23
Net cash flow from operating activities	18,885	2,334	4,228	5,624	5,605
Net cash flow from investing activities	(30,282)	(11,642)	(13,219)	(17,242)	(17,242)
Net cash flow from financing activities	7,053	8,357	8,357	4,591	4,591
Net (decrease)/increase in cash, cash equivalents, and bank overdrafts	(4,345)	(951)	(634)	(7,027)	(7,046)
Cash, cash equivalents, and bank overdrafts	7,844	5,175	7,201	12,202	14,247
Closing cash balances	3,499	4,224	6,567	5,175	7,201

Explanation of Major Variances against budget

Explanation	Annual Plan 2023-24 \$000	Actual 2023-24 \$000	Variance Favourable/ (Unfavourable)	Explanation
Subsidies and grants	20,876	22,069	1,193	Due to delays in work on some of our climate resilience work, grant revenue recognised from central government was lower than initially budgeted. This is offset by increased subsidies received for transport services.
Other revenue	14,270	16,448	2,178	\$2.2M of carbon credits were recognised for this financial year, which were not budgeted for.
Personnel costs	28,272	29,366	(1,094)	There are multiple contributors to this, including additional annual leave liabilities recognised, filling of staff vacancies at higher than budgeted remuneration, professional progression and less than spent on capital programs than expected.
Depreciation and amortisation expense	5,878	6,628	(750)	Amortisation on the restoration asset is not included in this area of the Annual Plan.
Finance costs	1,500	3,158	(1,658)	Interest rates increased during the year, resulting in an increase of interest costs.
Other expenses	53,362	67,060	(13,698)	This is due to a multitude of factors, including surrendering of carbon credits (\$2.4M), increased transport subsidies paid (\$2.5M), assets written off (\$1.6M), loss on the forestry revaluation (\$1.2M), and increased external contractor and technical costs associated with Cyclone Gabrielle repairs, consents & compliance work and science monitoring costs (\$5.7M).
Property, plant, and equipment revaluations	18,567	207,064	188,497	We standardised the unit rates used in the revaluation of our assets across all schemes, and the valuer recommended revising the formula used to calculate the value of our stop banks which comprise a significant portion of our assets. This along with repricing our assets, has resulted in a large gain.
Cash and cash equivalents	3,499	4,224	725	Many factors affect the year-end cash balance including the timing of spending and when funding is received. See the Statement of Cash flows for a full break down of the cash movements for the year.
Trade and other receivables	10,663	10,088	(575)	Our budget assumes that invoicing is evenly spread throughout the year with a significant amount invoiced at year end relating to capital programs. With the reduction in the capital works completed, associated funding was not invoiced.
Revenue Receivable	7,945	9,052	1,107	Our budget presumes grants and subsidy funding is earned evenly throughout the year; however, in reality, a large portion is accrued at year-end.
Prepayments and leases - current portion	664	1,023	359	Increasing insurance, costs which run across balance date, drive a higher prepayment at year-end.
Inventory	1,361	2,020	659	The timing of inventory purchased for the nursery has resulted in additional inventory on hand at year-end.
Investment property	3,225	3,680	455	The revaluation came back higher than we had anticipated when budgeting.
Forestry Assets	4,759	1,892	(2,867)	Our forestry assets were initially expected to increase in value; however, due to increasing maintenance costs and falling log prices, our forestry decreased in value. We also sold part of one forest during the year and one in the prior year, where our budget did not allow for sales.
Land leases (prepaid) non-current	2,288	1,915	(373)	We sold 2 forests over the last 2 financial years which ended our lease obligations. The budget did not account for any sales.
Restoration asset	3,438	703	(2,735)	Changes in inflation and interest rates, along with the sale of forest assets, have driven a sharp decrease in the value of this asset.
Carbon credits	-	15,054	15,054	Previously, these were immaterial to the accounts and so were not budgeted for.
Intangible assets	17,150	4,222	(12,928)	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	104,066	97,144	(6,922)	We had anticipated revaluing our assets; however, market conditions have meant their values have not moved as much as what we had initially anticipated they would.
Infrastructural assets	964,901	1,196,369	231,468	Unit rates for certain asset types increased significantly above our original estimates, resulting in a higher gain than anticipated.
Trade and other payables	16,502	19,339	(2,837)	Our budget assumes expenditure is incurred evenly over the course of the year when, in reality, the second half of the financial year is where a lot of our capital and other works occur. This links in with revenue receivable above, where funding is claimed in line with the spend.
Provisions - employee entitlements	2,827	3,261	(434)	Due to slight differences in how our new system calculates our liability.
Debt - current portion	9,000	26,357	(17,357)	Utilised more short-term commercial papers than anticipated. This offsets with Debt - non-current below.
Derivative financial instruments	398	-	398	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	62,221	48,000	14,221	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.

Summary Statement of Service Performance for the year ended 30 June 2024

Group of Activities	Number of targets	Achieved	Measure Not Applicable	Partially or Not Achieved	% Achieved 2023-24	% Achieved 2022-23
Land and Water Management	24	15	5	4	78.9	70.8
Flood Protection and Control Works	28	1	6	21	4.5	0.0
Biosecurity and Biodiversity Management	16	13	1	2	86.7	83.3
Regional Leadership and Governance	32	28	0	4	87.5	88.2
Transport	9	7	2	0	100.0	100.0
Investment	3	0	0	3	0.0	33.3
Total 2023-24	112	64	14	34	65.3	
Total 2022-23	114	66	7	41		61.7

During the year, Horizons achieved 65.3% of all targets (last year's achievement was 61.7%).

Land and Water Management

The Land Management Activity achieved all six of the performance indicators set. This included mapping 3,793 hectares of erosion control works in targeted SLUI catchments, and 11,016 hectares of Whole Farm Plans mapped. The Water Quality and Quantity Activity achieved all seven of the applicable performance indicators set. Across the 2023-24 year, a total of 161.7km of stream fencing has been completed, 193,890 plants have been established in stream margins, remediation of 62 barriers to fish passages have been made, and 53 sites monitored of fish and kakahi populations. The Resource Consent and Pollution Management Activity achieved two 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 one of its four key performance indicators. The number of schemes assessed for the performance of flood protection assets and development of operations, maintenance and surveillance manuals were not completed due to a change in work programmes. Instead a regional vulnerability assessment is being commissioned with co-funding from Central Government and Maintenance Programmes are being developed inline with our change from a reactive to more proactive approach to managing our assets. The River and Drainage Scheme Activity achieved none of its eighteen applicable performance measures – six were not applicable this year. These were not achieved due to work reprioritisation, and staff shortages through critical parts of the year. There were also ongoing impacts due to Cyclone Gabrielle and the work required to recover. The non-achievement of these key performance indicators did not affect the level of service provided.

Biosecurity and Biodiversity

The Biosecurity Activity achieved nine of the eleven applicable performance indicators set with one being not applicable this year. This included maintaining possum densities at below 10% of residual trap-catch and preparing and enacting a response plan for Fringed Waterlily and saggitaria at Eketahuna. The Biodiversity Activity achieved all four of the key performance indicators, with 11 new sites added to the priority sites programme after assessing 50 sites.

Regional Leadership and Governance

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

Emergency Management achieved seven out of eight performance measures. The one measure that was not achieved was due to the need to push a Manawatū River Users Advisory Group meeting into the next financial year due to concerns around staff safety.

The Strategic Management Activity achieved both of its key performance indicators. The Climate Change Activity did not meet its key performance indicator for making progress towards organisational GHG targets in accordance with emissions reduction plan. This year no further organisational actions were undertaken or delivered that enabled progress towards our GHG target, therefore the measure was not achieved. For more information on what this measure entails please see page 55 of our Annual Report 2023-24 which also includes links to our Climate Action Strategy and Climate Action Plan.

The Community Relationships Activity achieved eight out of ten key performance measures and while the number of media releases and mentions targets were not met, the quality of coverage has been high with slots on the likes of TVNZ Breakfast, RNZ Morning Report and other nationally focussed broadcasts. The Iwi and Hapū Relationship Activity achieved both of its key performance indicators. The Information Activity achieved all five performance indicators. The Environmental Reporting Activity achieved all four of its key performance measures.

Transport

The Road Safety Education Activity achieved its key performance indicator, delivering a total of 43 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 June 2024. The Passenger Transport Activity achieved all four of their applicable key performance indicators with one being not applicable this year, with an increase of 30% in patronage on bus services compared to the 2022/23 financial year.

Investments

Investments achieved none of three performance measures set due to lower revaluation gains, the lower interest rates impacting expected investment returns, and a lower declared dividend from MWRC Holdings Ltd.

The above is a brief overview of the work Council has completed over 2023-24. More detailed information can be found within our 2023-24 Annual Report and on our website 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 \$4.05 million exists (2023: \$2.28 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 AAA and a foreign currency rating of AA+.

As at 30 June 2024, 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 \$23 billion (2023: \$17.7 billion), of which the Group and the Council have borrowed \$0.072 billion (2023: \$0.066 billion). As a result, the Group and the Council's cross-guarantee on LGFA's loans to other local authorities is \$23 billion (2023: \$17.7 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 2024 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, 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 2024 is \$0.495 million (last year \$0.923 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 2024 are \$4.878 million (last year \$4.224 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 2024 is \$6.544 million (last year \$3.870 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 2024 are \$9.690 million (last year \$10.467 million).

Total commitments as lessors is \$11.422 million for HRC and \$14.568 million for the Group (last year \$8.094 million and \$14.691 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 2022-23	Group Actual 2022-23		Council Actual 2023-24	Group Actual 2023-24
3,279,313	3,279,313	Total Capital Commitments	3,053,742	3,053,742

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 owns 23.08% of the issued shares of CentrePort Limited through its wholly owned subsidiary, MWRCH Holdings Limited (MWRCH). The balance of the shares is owned by Greater Wellington Regional Council (GWRC). Each year, MWRCH engages an independent third party 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 Horizons' 23.08% shareholding in CentrePort is \$55.3 million to \$67.5 million as at 30 June 2024 (compared to \$52.0 Million to \$64.0 Million as at 30 June 2023), with a midpoint of \$61.1 million. This valuation reflects an implied multiple of 7.9x FY24 EBITDA and 8.7x FY25 EBITDA, positioning CentrePort between the lowerquartile and median of comparable companies.

Uncertainties in the valuation advice

The Directors note that there remains a high degree of uncertainty in CentrePort's future capital expenditure and financial performance, which may impact returns to shareholders.

Key uncertainties highlighted by KPMG include:

- CentrePort's operations continue to be affected by volatility in the financial markets, inflationary pressures, and broader macroeconomic trends.
- The significant capital expenditure required for rebuilding and redevelopment adds substantial uncertainty to the valuation.
- While CentrePort has made progress in planning for the SUT (Single Use Ferry Terminal), uncertainty remains around the timing, scale, and ROI of these capital investments.
- Some of the capital expenditure is likely to be non-revenue generating, particularly related to ground resilience and wharf renewal work, but is necessary to enhance the long-term operational resilience of the port.
- Many aspects of the capital expenditure plan, including the SUT project, remain subject to detailed business casing and shareholder approval.
- The valuation is primarily based on financial forecasts provided by CentrePort's management for the period 1 July 2024 to 30 June 2034 which are dependent on assumptions about future business performance and external factors that may not materialise as expected.

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 109 of the Annual Report 2023-24.

Events After Balance Date

2024: On 14 August 2024 a contract was awarded for the work on the Moutoa Floodgates to the value of \$2,515,222 plus GST. On 29 August 2024 a contract was awarded for Mangaone Stream at Tremaine Ave Secant Pile Retaining Wall to the value of \$4,356,069 plus GST.



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 2024

The summary of the annual report was derived from the annual report of the Horizons Regional Council (the Regional Council) and group for the year ended 30 June 2024.

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 2024;
- 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 2024;
- the notes to the summary financial statements that include accounting policies and 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 2024 in our auditor's report dated 30 October 2024.

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 109 – 112 of the full annual report outlines how the fair value of the shares in CentrePort as at 30 June 2024 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 an audit of the Council's Long-term plan 2024-34 and a limited assurance engagement related to the Regional Council's debenture trust deed, which are 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
29 November 2024



horizons

REGIONAL COUNCIL



For more information visit www.horizons.govt.nz
or freephone Horizons on **0508 800 800**