Central Plains Water Trust

Annual Report

for the year ended
30 June 2019

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Directory

Trustees
Denis O'Rourke (Chairperson)
Olive Webb
Dick Davison
Doug Catherwood

Trust settlors
Christchurch City Council
Selwyn District Council

Auditors
Audit New Zealand
On behalf of the Auditor-General
PO Box 2
Christchurch

Solicitors
Lane Neave
PO Box 13149
Christchurch

CHAIRMAN'S REPORT

During the year ended 30 June 2019:

1. The Trust produced and published its third annual Environmental Sustainability Report in respect of the 2017-18 irrigation season.
2. Construction and commissioning of Stage 2 of the Scheme was completed.

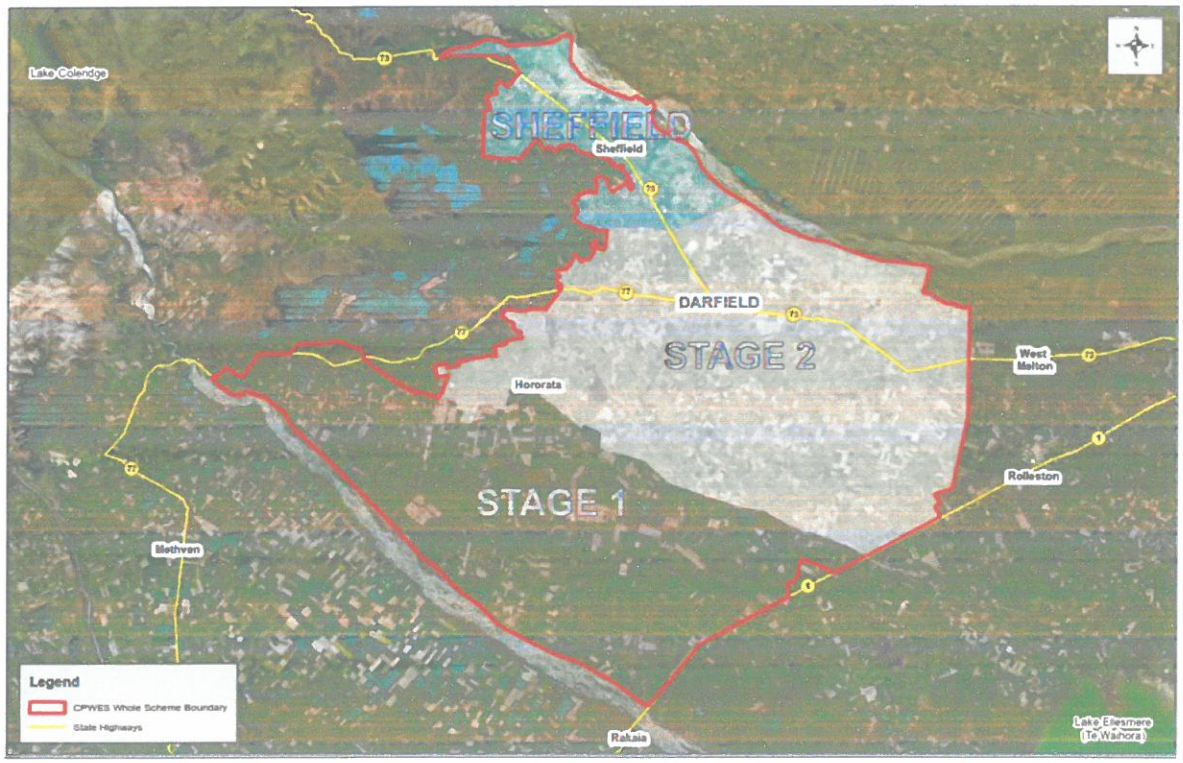
Completion of Scheme

The Central Plains irrigation Scheme started operating in 2015, and is now supplying water to an area of approximately 47,600 hectares between the Waimakariri and Rakaia Rivers.

Stage 1 provides irrigation water to an area of approximately 23,000 hectares between the Rakaia and Selwyn rivers and was completed in September 2015. Stage 1 is supplied from the Rakaia River via a 17km headrace that extends from the river intake as far as Leeches Road. Construction of the Rakaia River intake and distribution network for Stage 1 was undertaken between early 2014 and mid-2015, with the first irrigation water supplied on 1 September 2015.

The Sheffield scheme, covering approximately 4,600 Ha commenced operations in November 2017. This component of the scheme is physically separate from Stages 1 and 2, supplying irrigation water, stockwater, firefighting water and supplementary town supply water for Springfield and Sheffield from the Waimakariri and Kowai Rivers. The Sheffield scheme includes a 2 million m^3 pond constructed near Springfield to provide storage during periods of low flow when river intakes are restricted.

Stage 2 supplies an irrigable area of approximately 20,000 hectares between the Selwyn and Waimakariri rivers. Construction of Stage 2 commenced in early 2017, and became operational in October 2018. This component of the Scheme is a fully piped network that utilises water from the Rakaia River intake (including Lake Coleridge storage).



Stage 1 and Stage 2 of the Scheme derive water from the Rakaia River via an intake constructed approximately 8 kilometres downstream of the Rakaia Gorge bridge. Conditions of resource consents authorising the taking of water from the river are subject to minimum flow conditions which require the rate of abstraction to progressively reduce as river flows decline.

The bulk of allocation held by CPW is assigned to flow Bands which require abstraction to cease when river flow falls to less than 70 cumecs above the minimum flow resulting in relatively low supply reliability (i.e. it is cut off first as river flows decline). As a consequence of these restrictions, the full volume of allocation held by CPW can only be taken for around 63 percent of the time during the irrigation season, potentially resulting in low reliability of supply for scheme users. In order to ensure an adequate reliability of supply for irrigation, CPW have an agreement with TrustPower Ltd to access water stored in Lake Coleridge. Under this agreement, water is released from Lake Coleridge as river flows decline. This enables CPW to continue to take water from the river without having any adverse effect on natural flows in the river. The use of stored water increases the reliability of supply for Stage 1 and 2 to approximately 98 percent.

The Sheffield Scheme utilises water from the Kowai and Waimakariri Rivers which are subject to similar low flow restrictions to those applying on the Rakaia River. The storage pond constructed for the Sheffield Scheme holds sufficient water to maintain reliability of supply at a similar level to Stages 1 and 2.

The 2017-2018 Year

The results for the irrigation season 2017 – 2018 were fully reported in the half yearly report to 31 December 2018. The key statistics are repeated below.

Key Statistics for the CPW 2017-18 Irrigation Season

	Stage 1	Sheffield*
Number of Properties Supplied	132	33
Total Volume of Water Delivered	79.6 million m^3	7.0 million m^3
Total Volume of Water from Storage	30.9 million m^3	1.30 million m^3
Length of 2017-18 Irrigation Season	243 days	176 days
Days with partial or full restriction on river take	67	82
Available Surface Water Allocation Taken	21%	12%

* The Sheffield Scheme did not operate for the full 2017-18 irrigation season

Environmental Management Funds

In addition to an extensive environmental monitoring programme, part of the mitigation package offered by CPW during the resource consent Hearings process involved the establishment an Environmental Management Fund (EMF) and a Te Waihora Environmental Management Fund (TWEMF).
The EMF and TWEMF were established during the 2015-16 irrigation season. Contributions to these funds are provided by Scheme Shareholders. Due to the staged nature of Scheme development, annual contributions to these funds will increase as the area under irrigation increases. An independent Environmental Management Fund Committee (EMFC) is responsible for managing and allocating distributions from the EMF to environmental initiatives within the Selwyn Waihora catchment. By contrast, the TWEMF fund is provided directly to Ngai Tahu who manage allocation and annual reporting of fund expenditure.
Since its formation, the EMFC has allocated over $260,000 of funding to groups and individuals within the Selwyn Te Waihora catchment for environmental enhancement projects. One of the regular recipients of the Fund, Te Ara Kakariki Greenway Canterbury Trust (TAK), have used CPW-sourced funding for their annual Spring plant out days, funding landowner initiatives, school education and maintenance of established sites enrolled in their successful Greendot Programme. The EMFC have elected to continue their ongoing support for TAK as the organisation is now seen as one of the key promoters for biodiversity and narrowing the divide between urban and rural communities, along with the huge success of their work to date.

Targeted Stream Augmentation

During the 2016-17 season CPW signed an agreement with ECan to make provision in the CPW Stage 2 infrastructure for a discharge point that will enable up to 3.5 cumecs of water to be released into the Selwyn River at times when the water is not required for irrigation, particularly during the fringes of the season. ECan have secured the land area required for construction of an energy dissipater, wetland soakage area and control system the will join onto the CPW Pipeline. Water will be utilised to augment natural flows in the Selwyn River in a manner that provides significant environmental benefits to the river system, while respecting cultural values associated with the mixing of waters. It is anticipated that targeted stream augmentation utilising CPW water will commence in 2019.

The Positive Benefits of The Scheme

Development of the CPW Scheme was forecast to provide a range of economic and social benefits to the wider community. Limited data has been collated to accurately quantify these effects as construction of the scheme has only recently been completed. Specific positive benefits resulting from Scheme construction include:

- Approximately 180 direct jobs and up to 1,700 indirect during four-year construction phase;
- Provision of supplementary/backup water supplies for the Springfield and Sheffield communities;
- Delivery of reliable, high quality stock water across the command area;
- Construction of 18 turnouts (connections to the scheme) to provide contingency for rural fire fighting; and
- A reduction in electricity demand of approximately 17 MW due to the provision of pressurised supply to farms (and associated reduction in groundwater pumping).

Anecdotal information also suggests other positive benefits associated with the scheme including:

- Increased business activity and new businesses directly resulting from Scheme operations;
- Mitigation of climatic effects on agricultural land uses;
- Positive financial impacts on farming enterprises; and
- A reported boost to school role (Hororata).

Denis O'Rourke
Chairman
27 September 2019

Financial statements

for the year ended
30 June 2019

Entity information

for the year ended 30 June 2019

Legal Name

Central Plains Water Trust (the Trust).

Type of entity and legal basis

The Trust was formed by declaration of trust dated 15 April 2003, which was restated on 9 October 2012 to facilitate the implementation of the Central Plains Water Enhancement Scheme and to hold the Resource Consents for it. For the purposes of Section 6 of the Local Government Act 2002. The Trust is a council controlled organisation, and as such the councils are entitled to receive regular reports on the operations of the Trust, to comment on the Trust's annual Statement of Intent, to appoint and remove trustees, and to approve any changes made by the Trustees to the Trust deed.

The Trust's purpose or mission

Pursuant to clause 4.2 of the Trust Deed, the objects of the Water Trust are to promote the development of agriculture in the Central Canterbury Plains area of New Zealand for the benefit of all of the inhabitants of the Canterbury Region by:

(a) encouraging, supporting and facilitating:
(i) sustainable development of water resources in the Region;
(ii) agricultural and horticultural diversity in the Central Canterbury Plains area; and
(iii) an appropriate balance of the benefits of agricultural development with the enhancement of ecological, social and recreational values in the Central Plains area;
(b) providing and facilitating education to the inhabitants of the Region in relation to water issues and sustainable agricultural development.

The Trust has been established as, and will continue to operate as, a charitable trust for the benefit of the present and future inhabitants of the Region (however the Trust is not registered as a charitable Trust under the Charitable Trusts Act 1957) and to pursue the particular charitable objects set out in the Trust Deed.

Structure of the Trust's operations, including governance arrangements

The Trust comprises a Board of Trustees who oversee the governance of the Trust, of whom a Chairperson is responsible for the day-to-day operations. The Trustees are appointed by the Settlors (Selwyn District Council and Christchurch City Council acting together), and the Trustees also appoint trustees by co-option.

Main sources of the Trust's cash and resources

The Trust has contracted with Central Plains Water Limited for the provision of all of the funding required for the operation of the Trust.

Statement of financial performance

for the year ended 30 June 2019

	Note	30 June 2019 $	30 June 2018 $
Revenue			
Management and administration fees	1	69,865	58,445
Total revenue		**69,865**	**58,445**
Expenditure			
Trustee honorarium		37,800	22,500
Trustee meeting fees		6,380	4,255
Trustee expenses		1,585	1,967
Administration		14,500	19,610
Audit fee		6,325	7,138
Legal expenses		-	-
Insurance		3,275	2,975
Total expenditure		**69,865**	**58,445**
Surplus / (deficit) before tax		-	-
Income tax expense		-	-
Surplus / (deficit) after tax		-	-

Statement of financial position

as at 30 June 2019

	Note	30 June 2019 $	30 June 2018 $
Trust equity			
Contributed capital		1	1
Accumulated surpluses		8,780	8,780
TOTAL TRUST EQUITY		**8,781**	**8,781**
Represented by:			
Current assets			
Bank accounts and cash		44,168	56,398
GST receivable		125	1,653
Debtors and prepayments	2	44,588	58,446
Total current assets		88,881	116,497
Current liabilities			
Trustee fees		2,087	6,467
Withholding tax payable		4,926	4,200
GST payable		-	-
Creditors and accrued expenses	3	73,087	97,049
Total current liabilities		80,100	107,716
TOTAL ASSETS LESS TOTAL LIABILITIES		**8,781**	**8,781**

Statement of cash flows

for the year ended 30 June 2019

	Note	30 June 2019 $	30 June 2018 $
Operating activities			
Receipts from customers		282,641	57,106
Payments to trustees / suppliers		(292,230)	(50)
Net GST		(2,641)	(3,814)
Net cash from operating activities	7	(12,230)	53,242
Net cash from investing activities		-	-
Net cash from financing activities		-	-
Net increase / (decrease) in cash for the year		(12,230)	53,242
Add opening bank accounts and cash		56,398	3,156
Closing bank accounts and cash		**44,168**	**56,398**

Authorised for issue on behalf of the Trust 27 September 2019 by:

Denis O'Rourke
Chairperson

Viv Smart
Trustee

Statement of accounting policies

for the year ended 30 June 2019

Basis of preparation

The Board has elected to apply PBE SFR-A (PS) *Public Benefit Entity Simple Format Reporting – Accrual (Public Sector)* on the basis that the Trust does not have public accountability (as defined) and has total annual expenses of less than $2 million.

All transactions in the financial statements are reported using the accrual basis of accounting.

The financial statements are prepared on the assumption that the Trust will continue to operate in the foreseeable future.

All amounts are presented in New Zealand dollars.

Goods and services tax (GST)

All items in the financial statements are stated exclusive of GST, except for debtors and creditors, which are stated on a GST inclusive basis. Where GST is not recoverable as input tax then it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the Inland Revenue Department (IRD) is included as part of debtors or creditors in the statement of financial position.

The net GST paid to, or received from the IRD, including the GST relating to investing and financing activities, is classified as an operating cash flow in the statement of cash flows.

Commitments and contingencies are disclosed exclusive of GST.

Significant accounting policies

The following significant accounting policies have been applied in preparing the financial statements for the year ended 30 June 2019 and the comparative information presented for the year ended 30 June 2018.

Going concern

The financial statements of the Trust have been prepared under the going concern assumption.

The Trust has contracted with Central Plains Water Limited to fully fund its operating expenses as set out in a Memorandum of Agreement.

Central Plains Water Limited operates a water management scheme for the Central Canterbury Plains. The Trust holds in its name the necessary resource consents for the scheme issued by the consenting authorities and the Trust has granted the company an exclusive licence to use the resource consents as part of its Memorandum of Agreement agreed with the company.

The company has completed the construction of the scheme which is now fully operational.

Revenue

Revenue is measured at the fair value of consideration received or receivable.

Revenue from a contract to provide services is recognised by reference to stage of completion of the contract at year-end balance date.

Interest revenue is recorded as it is earned during the year.

Bank accounts and cash

Bank accounts and cash comprise cash on hand, cheque or saving accounts and deposits held at call with banks.

Debtors

Debtors are initially recorded at the amount owed. When it is likely the amount owed (or some portion) will not be collected, a provision for impairment is recognised and the loss is recorded as a bad debt expense.

Trustee Honorarium, meeting fees and expenses

Trustee Honorarium, meeting fees and expenses are recorded as an expense as Trustees provide services and become entitled to the Honorarium, meeting fees and expenses.

Income Tax

Up to 30 June 2008 the Trust was a Charitable Trust exempt from income tax under sections CW34 and CW35 of the Income Tax Act 2004. The Trust has not registered as a charitable entity under the Charities Act 2005 and its charitable tax exemption lapsed on 1 July 2008.

As the Trust does not trade, and its costs are reimbursed under a Reimbursement Agreement with Central Plains Water Limited, the Trust does not have any tax expense, liabilities or assets.

Changes in Accounting Polices

There have been no changes in accounting polices during the financial year (2018: Nil).

Tier 2 PBE Accounting Standards applied

The Trust has not applied any Tier 2 Accounting Standards in preparing its financial statements.

Notes to the financial statements

for the year ended 30 June 2019

Note 1: Management and Administration Fees

The management and administration fees are the equivalent to the operational costs of the Trust.

Note 2: Debtors and prepayments

	30 June 2019 $	30 June 2018 $
Central Plains Water Limited	44,587	58,445
Christchurch City and Selwyn District Councils' capital	1	1
	44,588	**58,446**

Note 3: Creditors and accrued expenses

	30 June 2019 $	30 June 2018 $
Other payables	73,087	97,049
	73,087	**97,049**

Note 4: Transactions with related parties

During the reporting period the Trust entered into the following transactions with related parties:

Central Plains Water Limited
Doug Catherwood is a director of Central Plains Water Limited.

During the year, the Trust provided management and administration services to the company to the value of $69,865 (2018: $58,445). At year end the company owed the Trust $44,587 (excluding GST) (2018: $58,445) in respect of these services.

Selwyn District Council
Selwyn District Council makes payments to suppliers on behalf of the Trust which then reimburses the Council. These payments totalled $168,223 for the reporting period (2018: $62,337).

At year end the Trust owed the Council $71,509 (2018: $35,917).

Selwyn District Council provided accounting services to the Trust for which no charge was made.

Trustees
There were no transactions directly with the Trustees other than the payment of honorarium, meeting fees and expenses as disclosed in the Statement of Financial Performance.

Note 5: Statement of commitments

The Trust has no capital or lease commitments as at 30 June 2019 (2018: $nil).

Note 6: Statement of contingencies

The Trust has no contingent assets or liabilities as at 30 June 2019 (2018: $nil).

Note 7: Reconciliation of surplus / (deficit) to net cash flow from operating activities

	30 June 2019 $	30 June 2018 $
Surplus / (deficit)	-	-
Movement in working capital items:		
Trade and other receivables	15,386	(10,138)
Trade and other payables	(27,616)	63,380
Net cash flow from operating activities	**(12,230)**	**53,242**

Note 8: CPWL Funding

The Trust has entered into Loan Agreements and General Security Agreements with Central Plains Water Limited and various lenders to facilitate the raising of loans by Central Plains Water Limited.

Under the loan agreements with various lenders, the lenders are able to make use of resource consents granted to the Trust if Central Plains Water Limited does not meet the terms of its loans.

Note 9: Events after balance date

There have been no significant post balance date events. (2018: nil)

Note 10: Performance information

Indicator 1
Develop methods to effectively monitor the performance of CPWL in constructing, commissioning and operating all stages of the Scheme, and communicate the results to the public.

Achievement 1
The Trust has monitored progress with regard to the various resource consent applications, funding and other priority matters through regular reports, briefings and meetings between the company, the Trust, project management and consultants.

The Trust has also monitored legal matters undertaken by the company and where necessary has obtained independent legal advice, and has obtained and recorded copies of all agreements in relation to the Scheme which concern the Trust and the consent process and in relation to legal proceedings and settlements, and of other relevant documentation to which it is entitled.

The Trust has maintained a website so that its annual Environmental Sustainability Report on the environmental performance of the Scheme can be effectively published for public information and comment: www.cpwt.org.nz.

Indicator 2
To support and monitor the Environmental Management Fund,and to appoint members to its committee when required.

Achievement 2
Two Environmental Management Funds are included in the resource consent conditions, as a result of the settlement agreement with Ngai Tahu. One specifically deals with Te Waihora, and the other with all of the other purposes of the EMF within the scheme area. Ngai Tahu manages and applies the funds required for Te Waihora. The Trust established a committee required for the wider area, which decides how the Fund is spent. The committee reports regularly to the Trust Board on its operations, and is being supported as required.

Indicator 3
To establish and support the Community Liaison Group in its ongoing functions.

Achievement 3
The Community Liaison Group was established in December 2013 and is being supported as required.

Indicator 4
The Trustees will prepare an annual budget by 30 June and will report the financial results.

Achievement 4
Financial statements were provided to the settlors for the quarters ending 31 December and 30 June. The Trust prepared a statement of intent and provided this to the settlors.

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Independent Auditor's Report

To the readers of
Central Plains Water Trust's
financial statements and performance information
for the year ended 30 June 2019

Independent Auditor's Report

To the readers of Central Plains Water Trust's financial statements and performance information for the year ended 30 June 2019

The Auditor-General is the auditor of Central Plains Water Trust (the Trust). The Auditor-General has appointed me, John Mackey, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and performance information of the Trust on his behalf.

Opinion

We have audited:

- the financial statements of the Trust on pages 8 to 15, that comprise the statement of financial position as at 30 June 2019, the statement of financial performance and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the performance information of the Trust on page 16.

In our opinion:

- the financial statements of the Trust on pages 8 to 15:
    - present fairly, in all material respects:
        - its financial position as at 30 June 2019; and
        - its financial performance and cash flows for the year then ended; and
    - comply with generally accepted accounting practice in New Zealand in accordance with the Public Benefit Entity Simple Format Reporting - Accrual (Public Sector) standard; and
- the performance information of the Trust on page 16 presents fairly, in all material respects, the Trust's actual performance compared against the performance targets and other measures by which performance was judged in relation to the Trust's objectives for the year ended 30 June 2019.

Our audit was completed on 27 September 2019. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Trustees and our responsibilities relating to the financial statements and the performance information, and we explain our independence.

Basis for our opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Trustees for the financial statements and the performance information

The Trustees are responsible on behalf of the Trust for preparing financial statements that are fairly presented and that comply with generally accepted accounting practice in New Zealand. The Trustees are also responsible for preparing the performance information for the Trust.

The Trustees are responsible for such internal control as they determine is necessary to enable them to prepare financial statements and performance information that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the performance information, the Trustees are responsible on behalf of the Trust for assessing the Trust's ability to continue as a going concern. The Trustees are also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the Trustees intends to liquidate the Trust or to cease operations, or have no realistic alternative but to do so.

The Trustees' responsibilities arise from the Local Government Act 2002 and the Trust Deed.

Responsibilities of the auditor for the audit of the financial statements and the performance information

Our objectives are to obtain reasonable assurance about whether the financial statements and the performance information, as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers, taken on the basis of these financial statements and the performance information.

We did not evaluate the security and controls over the electronic publication of the financial statements and the performance information.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements and the performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control.

- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Trustees.

- We evaluate the appropriateness of the reported performance information within the Trust's framework for reporting its performance.

- We conclude on the appropriateness of the use of the going concern basis of accounting by the Trustees and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Trust's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the performance information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Trust to cease to continue as a going concern.

- We evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Trustees regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

Other Information

The Trustees are responsible for the other information. The other information comprises the information included on pages 3 to 7, but does not include the financial statements and the performance information, and our auditor's report thereon.

Our opinion on the financial statements and the performance information does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

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

Independence

We are independent of the Trust in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1(Revised): Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

Other than the audit, we have no relationship with, or interests in, the Trust.

John Mackey
Audit New Zealand
On behalf of the Auditor-General
Christchurch, New Zealand