



Central Plains Water Trust

Annual Report

for the year ended
30 June 2018

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Directory

Trustees

Denis O'Rourke (Chairperson)
Viv Smart (appointed by Ngai Tahu)
Olive Webb
Dick Davison
Doug Catherwood

Trust settlers

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

Highlights

During the year ended 30 June 2018:

- 1 The Trust produced and published its second annual Environmental Sustainability Report in respect of the 2016-17 irrigation season.
- 2 The Sheffield component of the Scheme was completed and commissioned.
- 3 Stage 2 of the Scheme was being constructed, with the completion of the project on target for early September 2018.
- 4 Water Ordering training for the Stage 2 shareholders was commenced.

Environmental Sustainability Report

The Central Plains irrigation Scheme started operating in 2015, and by September 2018 will be supplying water to an area of approximately 47,000 hectares between the Waimakariri and Rakaia Rivers.

Stage 1 of the Scheme was completed in September 2015, and provides irrigation water to an area of approximately 23,000 hectares between the Rakaia and Selwyn rivers. Stage 1 incorporates a 17km long canal to supply water from the Rakaia River to 130km of underground pipes, which in turn delivers water to 125 farm turnouts.

The 2016-17 irrigation season extended from 1 September 2016 to 18 April 2017. During this period, the Scheme supplied 66 million m³ of irrigation water to farms in the Stage 1 area. To supply this water, 52 million m³ of water was taken directly from the Rakaia River and 14 million m³ was derived from stored water supplied by TrustPower from Lake Coleridge. This combination of water supply provided reliability to scheme farmers while having no effect on naturally occurring discharge in the Rakaia River during periods of mid to low flows.

The 2016-17 irrigation season followed two consecutive years of below average rainfall. As a consequence, irrigation demand was relatively high during spring and summer but reduced significantly following heavy rainfall during March and April 2017. Reflecting the extended dry conditions, groundwater levels and flows in rivers and streams across much of the wider Central Plains area were low to very low until the later part of the 2016-17 year.

Key Statistics for the CPW 2016-17 Irrigation Season

Total Volume of Water
Supplied

66 million m³

Volume of Direct Abstraction
from the Rakaia River

52 million m³

Volume of Water from
Storage

14 million m³

Length of 2016-17 irrigation
season

239 days

Number of days with no
restriction on river intake

168 days

Number of days with partial
restriction on river intake

49 days

Number of days with full
restriction on river intake

22 days

Water quality monitoring results recorded as part of the in the CPW monitoring programme during the 2016-17 year indicate surface water quality, groundwater quality and lake water quality exceeded trigger levels established for the Scheme at a number of monitoring sites located both in Stage 1 and the Sheffield and Stage 2 areas (where CPW had not commenced delivering water during the 2016-17 year). Analysis of monitoring data shows results at all monitoring sites are either within the range of historical measurements or consistent with historical trends, indicating the observed trigger level exceedances reflect baseline water quality, rather than effects associated with operation of the Scheme.

The Trustees have been advised that the Scheme will provide additional recharge to the Te Waihora catchment by introducing alpine water, and replacing groundwater takes used for irrigation. This is expected to result in increased volumes of water in aquifers and flows in lowland streams, as well as dilution of nitrogen concentrations in Te Waihora, thereby improving water quality and quantity across the wider zone. However, due to considerable time lags, it is anticipated that it may take up to 30 years for existing elevated groundwater nitrate concentrations to be removed from the groundwater system, and up to 70 years before the full effect of this occurs in Te Waihora. The full Report can be viewed on the Trust's website: www.cpw.org.nz.

Environmental Management Fund

The EMF Committee, with members from the local area, administers this Fund on behalf of the Trust. There were 5 applications in the 2017 year, of which one was declined and 4 approved. These covered environmental planting plus one larger grant (\$6000) to Federated Farmers towards research on the effects of irrigation on soils. The fund gets about \$160,000 per year.

Stage 2 and the Sheffield Component of The Scheme.

Sheffield

The construction of the Sheffield Scheme has been completed and will irrigate 4,000ha from a storage pond alongside the West Coast highway near Sheffield via a fully piped distribution system. Water will come from two takes, one on the Kowhai River and another on the Waimakiriri not far west of the Gorge bridge. Stage 2 of the Scheme is also currently under construction with pipes up to 2.5m in diameter instead of a canal. This will feed into 15 to 20 laterals of HDPE pipes which will in turn feed into about 200km of distribution pipes.

Stage 2

The completion of Stage 2 means the completion of the Central Plains Water Scheme as a whole. Stage 2 differs from Stage 1 and is fully piped with pipes up to 2.5m in diameter instead of a canal. This will feed into 15 to 20 laterals of HDPE pipes which will in turn feed into about 200km of distribution pipes.

Construction of Stage 2 proceeded through one of the wettest autumn/winter periods for many years and the collaborative efforts of CPWL and its contractors has ensured completion on time in early September 2018. Commissioning of the pipes is already underway with a successive series of watering-up and pressure testing on track. With completion comes the promise of water, and in preparation for this Water Ordering training for the Stage 2 shareholders is now underway through an extensive training schedule to meet the demand and to allow attendance by all who require water from Stage 2 of the Scheme.

Stage 1 performance

Stage 1 has operated efficiently with satisfactory environmental and overall performance as reported above. Since Stage 1 and Sheffield came online, there has been a significant rise in the number of families moving to the region, which impacts positively on school roles and businesses within the Scheme area. The Trustees note that CPWL has continued to build its relationships with the community and has utilised local resources for meetings and other activities wherever possible. The people in the community have been the Scheme's greatest supporters, and their support is very much appreciated.

The Trustees also note that CPWL has engaged regularly with stakeholders and the wider community to ensure that landowners, shareholders and residents are all aware of the Scheme's activities. The Trustees are pleased that CPWL has been working with Fire and Emergency NZ to facilitate access to the Scheme for emergency water supply which will be installed over the Spring/Summer 2018/2019.

Denis O'Rourke
Chairman
10 August 2018

Financial statements

**for the year ended
30 June 2018**

Entity information

for the year ended 30 June 2018

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 up to six Trustees who oversee the governance of the Trust, of whom a Chairperson is responsible for the day-to-day operations of the Trust. The Trustees are appointed by the Settlers (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 2018*

	Note	30 June 2018 \$	30 June 2017 \$
Revenue			
Management and administration fees	1	58,445	49,657
Total revenue		58,445	49,657
Expenditure			
Trustee honorarium		22,500	24,500
Trustee meeting fees		4,255	4,070
Trustee expenses		1,967	1,432
Administration		19,610	50
Audit fee		7,138	7,061
Legal expenses		-	9,444
Insurance		2,975	3,100
Total expenditure		58,445	49,657
Surplus / (deficit) before tax		-	-
Income tax expense		-	-
Surplus / (deficit) after tax		-	-

Statement of financial position*as at 30 June 2018*

	Note	30 June 2018 \$	30 June 2017 \$
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		56,398	3,156
GST receivable		1,653	303
Debtors and prepayments	2	58,446	49,658
Total current assets		116,497	53,117
Current liabilities			
Trustee fees		6,467	5,559
Withholding tax payable		4,200	2,490
GST payable		-	-
Creditors and accrued expenses	3	97,049	36,287
Total current liabilities		107,716	44,336
TOTAL ASSETS LESS TOTAL LIABILITIES		8,781	8,781

Statement of cash flows*for the year ended 30 June 2018*

	Note	30 June 2018 \$	30 June 2017 \$
<i>Operating activities</i>			
Receipts from customers		57,106	51,656
Interest revenue received		-	-
Payments to trustees / suppliers		(50)	(49,423)
Net GST		(3,814)	(3,354)
<i>Net cash from operating activities</i>	7	<u>53,242</u>	<u>(1,121)</u>
<i>Net cash from investing activities</i>		<u>-</u>	<u>-</u>
<i>Net cash from financing activities</i>		<u>-</u>	<u>-</u>
Net increase / (decrease) in cash for the year		<u>53,242</u>	<u>(1,121)</u>
Add opening bank accounts and cash		3,156	4,277
Closing bank accounts and cash		<u>56,398</u>	<u>3,156</u>

Authorised for issue on behalf of the Trust 28 September 2018 by:


D O'Rourke
Chairperson

Doug Catherwood
Trustee

Statement of accounting policies

for the year ended 30 June 2018

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.

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 2018 and the comparative information presented for the year ended 30 June 2017.

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 has been formed to investigate, construct and operate a water management scheme for the Central Canterbury Plains. The company is undertaking this through a series of discrete projects, each of which is required to be funded prior to commencement. The Trust has been granted the necessary resource consents for the proposed water management scheme by the consenting authorities and the Trust has granted the company an exclusive licence to use the resource consents as part of the MoA.

The company has completed the construction of Stage 1 of the scheme which was opened on 14 August 2015 and is now fully operational.

The company has now almost completed construction of the remaining stages of the scheme, being Stage 2 and the Sheffield Scheme. The Sheffield Scheme has been completed and commissioned and final work on Stage 2 will be done by early September, with preparations underway for its commissioning too.

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.

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 2018

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 2018 \$	30 June 2017 \$
Central Plains Water Limited	58,445	49,657
Christchurch City and Selwyn District Councils' capital	1	1
	<u>58,446</u>	<u>49,658</u>

Note 3: Creditors and accrued expenses

	30 June 2018 \$	30 June 2017 \$
Other payables	97,049	36,287
	<u>97,049</u>	<u>36,287</u>

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 \$58,445 (2017: \$49,657). At year end the company owed the Trust \$58,445 (excluding GST) (2017: \$49,657) 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 \$62,337 for the reporting period (2017: \$85,290).

At year end the Trust owed the Council \$98,294 (2017: \$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 2018 (2017: \$nil).

Note 6: Statement of contingencies

The Trust has no contingent assets or liabilities as at 30 June 2018 (2017: \$nil).

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

	30 June 2018 \$	30 June 2017 \$
Surplus / (deficit)	-	-
<i>Movement in working capital items:</i>		
Trade and other receivables	(10,138)	(4,739)
Trade and other payables	63,380	3,618
Net cash flow from operating activities	<u><u>53,242</u></u>	<u><u>(1,121)</u></u>

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. (2017: 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 established a new website so that its annual Environmental Scheme Performance Report can be effectively published for public information and comment. This is now operational: www.cpwt.org.nz.

Indicator 2

To consult, and develop scheme recreational opportunities for the headrace canal and its margins; and to establish and support the Environmental Management Fund.

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.

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.

Independent Auditor's Report

To the readers of Central Plains Water Trust's financial statements and performance information for the year ended 30 June 2018

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 14, that comprise the statement of financial position as at 30 June 2018, 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 15.

In our opinion:

- the financial statements of the Trust on pages 8 to 14:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2018; 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 15 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 2018.

Our audit was completed on 28 September 2018. 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