

Central Plains Water Trust

Annual Report

**for the year ended
30 June 2016**

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Directory

Trustees

Denis O'Rourke (Chairperson)
Clare Williams (appointed by Ngai Tahu)
Viv Smart (appointed by Ngai Tahu)
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

Chairperson's report

The principal matters dealt with by the Trust Board during the year were:

Selwyn District Council loan

In December 2015 the Trust Board questioned CPWL representatives about the details concerning the loan agreement between Selwyn District, CPWL and CPWT, and a briefing document from the company was tabled and discussed by the Trustees. As a result the Trust Board drafted and lodged a submission to Selwyn District Council in October in support of the loan proposal. Following public consultation, Selwyn District Council approved the loan of \$8 million. With the benefit of legal advice the Trust Board confirmed that it had the power to enter into the loan documents proposed, under which the resource consents held by the Trust are part of the security, and that the terms of them were not inconsistent with the objects of the Trust. The Trust therefore agreed to the conditional step-in rights granted to Selwyn District in the event of CPWL's default. The process for the agreement to the wording of the loan documents proved to be unusually difficult, because of the relationship between the primary bank funding of Stage 1, and the Selwyn District secondary funding of Stage 2. The documents have now been finalised and signed on behalf of the Trust. The very substantial legal costs incurred by the Trust Board were payable by CPWL. The successful process to secure the loan will now enable other funding and will mean that Stage 2 development is now assured. CPWL is now engaged in raising the finance to construct Stage 2.

Environmental Management Fund

As previously reported, the Trust Board has appointed the Environment Management Fund Committee as required by the resource consents. The EMF Committee had its first meeting during the year, chaired by Olive Webb, who is also the community representative as she is on the Community Liaison Group. Funds will now accumulate for distribution to approved applicants later in 2016. In the meantime the Committee has developed terms of reference for the guidance of applicants. There is likely to be concentration on re-vegetation of farms cleared for dairying. The Trust's function is now to provide the funds collected from CPWL and to receive an annual report from the Committee. All other required committees and panels have been established including the Community Liaison Group.

Matrix of Good Management

CPWL briefed the Trust Board in December on how the Matrix of Good Management will operate in relation to the resource consent conditions and Ecan's ongoing requirements. It uses Overseer for benchmarks for inputs on the application of fertilizer, but CPW will be monitored on nitrogen discharge. CPW is to update its consents accordingly. There are two categories: existing irrigators will use their existing level, and those who change over to dairying will have an additional allocation in relation to their expected water use and fertiliser requirements. Most new users are choosing mixed arable rather than dairying. CPWL is providing users with advice on how best to make good economic use of their farms and water.

Scheme operation and development

CPWL reports that water in Stage 1 of the Scheme is running well, with only a few disrupting events during the first months of operation, and is now paying its way. There have been no breaches of the resource consent conditions, and CPWL has achieved an excellent reputation with local people through good community relations, with the positive economic impact having also been well received. About 100 users are now connected. The Trustpower agreement is now in operation with stored water being taken from Lake Coleridge via the Rakaia River.

Stage 2 construction should commence late in 2016 and will be a piped scheme.

Agreement with Ashburton Community Water Trust was also completed during the year with no remaining issues.

Trust Website

This will be the Trust's main method of communicating with the public, and the medium to publish the Trusts' annual environmental report; and it will be inter-active so that people will be able to ask questions. Searchers will be able to access all CPW information through one site with links to the CPWT site as part of it. The CPWT site will primarily be the Board's method of reporting to the public at levels appropriate for users, from school pupils to university researchers, while the CPWL site will concentrate more on technical information. The Trust will employ a suitable person to advise on and prepare an annual environmental report for CPWT based on GSWERP reports. These are also done annually, and are developed by independent experts to analyse information from CPWL data. Their function is to interrogate the data collected and reported by CPWL and to prepare an annual report by end of August each year for GSWERP. CPWL uses this for an executive summary to Ecan to satisfy resource consent conditions. It pays particular attention to farm data. The Trust will also get information from CPWL on any exceedences and other significant events during the year. The trustees agreed that all of this information would be acceptable for CPWT's annual environmental reporting needs.

Memorandum of Agreement

The revised agreement achieved between CPWT and CPWL has been finally drafted and signed. The company will fully finance CPWT's costs and expenses under the agreement. A budget for the Trust will be agreed for each financial year based on the Trust's needs, which are fully set out in the Agreement. The budget for 2016-17 has been developed for the financial year commencing 1 July 2016.

Financial statements

**for the year ended
30 June 2016**

Entity information

for the year ended 30 June 2016

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 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 2016*

	Note	30 June 2016 \$	30 June 2015 \$
Revenue			
Management and administration fees	1	56,286	52,923
Total revenue		56,286	52,923
Expenditure			
Trustee honorarium		26,500	25,188
Trustee meeting fees		5,180	5,180
Trustee expenses		2,222	2,072
Administration		50	68
Audit fee		5,464	5,352
Legal expenses		13,770	12,063
Insurance		3,100	3,000
Total expenditure		56,286	52,923
Surplus / (deficit) before tax		-	-
Income tax expense		-	-
Surplus / (deficit) after tax		-	-

Statement of financial position*as at 30 June 2016*

	Note	30 June 2016 \$	30 June 2015 \$
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		4,277	42,838
GST receivable		303	156
Debtors and prepayments	2	44,919	13,669
Total current assets		49,499	56,663
Current liabilities			
Trustee fees		5,387	4,960
Withholding tax payable		2,430	2,229
Creditors and accrued expenses	3	32,901	40,693
Total current liabilities		40,718	47,882
TOTAL ASSETS LESS TOTAL LIABILITIES		8,781	8,781

Statement of cash flows
for the year ended 30 June 2016

	Note	30 June 2016 \$	30 June 2015 \$
<i>Operating activities</i>			
Receipts from customers		28,791	113,925
Interest revenue received		-	-
Payments to trustees / suppliers		(67,507)	(70,156)
Net GST		155	(10,699)
<i>Net cash from operating activities</i>	7	<u>(38,561)</u>	<u>33,070</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>(38,561)</u>	<u>33,070</u>
Add opening bank accounts and cash		42,838	9,768
Closing bank accounts and cash		<u>4,277</u>	<u>42,838</u>

Authorised for issue on behalf of the Trust xx July 2016 by:

D O'Rourke
Chairperson

Doug Catherwood
Trustee

Statement of accounting policies

for the year ended 30 June 2016

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 2016 and the comparative information presented for the year ended 30 June 2015.

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 new Memorandum of Agreement which has been negotiated and executed on behalf of the parties.

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 license to use the resource consents as part of the new 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 is now proceeding with initial design work for the remaining stages of the scheme, and is currently raising the funding for construction.

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.

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 2016

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 2016 \$	30 June 2015 \$
Central Plains Water Limited	44,918	13,668
Christchurch City and Selwyn District Councils' capital	<u>1</u>	<u>1</u>
	<u>44,919</u>	<u>13,669</u>

Note 3: Creditors and accrued expenses

	30 June 2016 \$	30 June 2015 \$
Other payables	<u>32,901</u>	<u>40,693</u>
	<u>32,901</u>	<u>40,693</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 \$56,286 (2015: \$52,923). At year end the company owed the Trust \$44,918 (excluding GST) (2015: \$13,668) 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 \$60,181 for the reporting period (2015: \$48,696).

At year end the Trust owed the Council \$33,897 (2015: \$33,985).

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 2016 (2015: \$nil).

Note 6: Statement of contingencies

The Trust has no contingent assets or liabilities as at 30 June 2016 (2015: \$nil).

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

	30 June 2016	30 June 2015
	\$	\$
Surplus / (deficit)	-	-
<i>Movement in working capital items:</i>		
Trade and other receivables	(31,397)	47,234
Trade and other payables	(7,164)	(14,164)
Net cash flow from operating activities	<u>(38,561)</u>	<u>33,070</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. (2015: nil)

Note 10: Performance information*Indicator 1*

Monitor the performance of CPWL in constructing, commissioning and operating the Scheme, and communicate the results to the public using the information it will publish on its website.

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 is currently establishing a new website so that its annual Environmental Scheme Performance Report can be effectively published for public information and comment. This will become operational during the 2016 – 2017 year.

Indicator 2

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

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 apply the funds required for Te Waihora. The Trust established a committee required for the wider area, which decides how the Fund is spent. Plans for the use of the headrace canal and its margins for recreational use have been investigated during the year.

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 and will report the financial results.

Achievement 4

Financial statements were provided to the settlors for the quarters ending 30 September, 31 December, 31 March 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 2015**