

# **Central Plains Water Trust**

## **Annual Report**

**for the year ended  
30 June 2017**

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## **Directory**

### **Trustees**

Denis O'Rourke (Chairperson)  
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

It has been a busy year for both CPWL and for the Trust Board. The year began with work to investigate and finally approve a number of modifications needed to CPWL's security documents in relation to its financing of the further development of the Scheme. The Board acted on legal advice and exercised its own judgment in concluding that these arrangements were within its powers under the Trust Deed in respect of the resource consents it holds, and were in the best interests of the Trust. The Board also produced its first Annual Sustainability Report, and created new website to ensure that it can communicate effectively with the public within and beyond the region in which the scheme operates. The committee administering the Environmental Management Fund also carried out its first process to assess applications for grants, and reported to the Board on its activities.

### Trust Website

This went live during the year and the Board has received several favourable comments on it. The website is comprehensive, including information on the history and background of the Trust and the Scheme, details about the Trustees and the Trust Deed, news items and full copies of relevant publications, educational information, and a long list of items on resource consents and maps. Most of all the website publishes the Annual Sustainability Report and provides a facility for viewers to ask questions and make comments. Searchers are also able to access all CPW information through the site through links to the CPWL site. The CPWT site will now be the Board's primary 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.

### Annual Sustainability Report 2015 - 16

This has been published on the new website, and a press release was issued on 28.4.17, outlining the results for the first year of operation of the Scheme; however this first report covered a part year only, and the first full report will be possible only after first full 2 years of results (i.e. as at 1.9.17). The Trust Board has contracted Liquid Earth Limited, as an independent consultant to carry out the investigations needed and to produce a report for discussion with the Trust Board. In order to acquire the information the consultant needs for this purpose, Mr. Brydon Hughes of Liquid Earth sits in on all of the meetings of the GSWERP panel of experts, who are responsible for gathering and assessing the environmental data required for the annual and ongoing reporting obligations to Ecan under the resource consent conditions. The Board is very pleased with the quality of its first Annual Sustainability Report, and looks forward to producing the next one over the next few months.

Stage 1 was completed in September 2015 and supplies water for about 23,000 hectares of land between the Rakaia and Selwyn Rivers via a 17 kilometre long canal and over 130 kilometres of pipes. During the 2015-16 irrigation season, the Scheme supplied 91 million m<sup>3</sup> of irrigation water to farms in the Stage 1 area. To supply this water, 67 million m<sup>3</sup> of water was taken from the Rakaia River and 24 million m<sup>3</sup> was stored water supplied by TrustPower from Lake Coleridge. This combination of water supply provided 97% reliability to scheme farmers while having no effect on naturally occurring discharge in the Rakaia River during periods of mid to low flows. Development of the Scheme is integral to achieving outcomes set for the Selwyn Waihora Zone under the Canterbury Water Management Strategy (CWMS). The Trustees have been advised that concerning the leaching of nitrates and other pollutants into ground water, the Scheme will in time have a positive effect, but that these will take a significant period of time to assess given that it is likely to take approximately 30 years before water currently in the system is fully flushed away, and approximately 70 years before the full effect of this occurs in Te Waihora.

The 2015-16 irrigation season was between 15 September 2015 to 16 April 2016, however full flow of the Scheme water was not achieved until 1 January 2016. It is particularly pleasing to the Trustees to report that during the 2015-16 part irrigation season, approximately 20% of total groundwater allocation held by farmers in Scheme (approximately 19 Mm<sup>3</sup>) was permanently switched off. Of the remaining allocation, approximately 60Mm<sup>3</sup> (73%) remained unused. The reduction in groundwater use is expected to increase over the next 3 to 5 years as the Scheme develops, resulting in positive environmental benefits in terms of groundwater levels and flows in lowland streams. The Trustees have been advised that when the full Scheme is in operation, approximately half of the water currently taken from ground water sources will be replaced with clean alpine surface water delivered by the Scheme. This is a very significant environmental benefit, and the Trustees have more recently been advised that by arrangement with Ecan, CPWL will release surplus clean alpine water from the Scheme into the Selwyn River to enhance its water quality and flow.

The Scheme wide average application rate during the 1 September 2015 to 30th April 2016 was 2.81mm/ha over the irrigation season. No irrigator exceeded 5.18mm/ha based on their CPW take only, however it is not always clear from the data available if all farms complied with limits relating to maximum combined application rates (from CPWL and existing groundwater consents). In order to provide improved information on irrigation application rates, CPW is in the process of developing a methodology to more reliably determine compliance with combined volume limits as part of the farm audit programme commencing in September 2016.

Farm Environment Plans are a requirement of the Memorandum of Agreement between CPET and CPWL, and all CPW irrigators are required to have a FEP in place before they are able to take water from the Scheme. The FEPs are the key environmental management tool that helps farmers recognise on-farm environmental risks and set out a programme to manage those risks on a farm-by-farm basis. They cover management areas such as:

- Irrigation Management, including efficient water use
- Nutrient Management
- Soil Management
- Environmental Hotspots Management (Offal, rubbish & silage pits)
- Collected Animal Effluent Management
- Livestock, Waterways & Riparian Management
- Biodiversity and Ecosystem Management

At the commencement of the first irrigation season for Stage 1, a total of 101 FEPs were in place out of the 105 properties within the Stage 1 area, with four remaining outstanding. Irrigation water was not provided to farms without an FEP in place. By the end of the 2015-16 season only two FEPs were outstanding and these were from dryland farms that had not finished implementing their on-farm irrigation infrastructure. FEPs for the 105 farms within the CPW Stage 1 area relate to a total land area of 26,477 effective hectares of which CPW provides water to a total of 23,128 hectares, the balance being non-CPW irrigated land and dryland that is included within Scheme FEP's. While FEP's were completed prior to the start of the irrigation season, nutrient budgets were not and CPW has been working with farmers within the Stage 1 area to ensure nutrient budgets are approved and the respective Nitrogen allocations made prior to the start of the 2016-17 irrigation season.

The Trust Board was pleased that all CPW shareholders within the Stage 1 area were, at the commencement of the 2015-16 season, required by CPWL to take part in a process to educate/inform them of their requirements to develop and implement the FEPs. This process was rolled out initially via a series of workshops in March 2015. CPW staff then carried out one-on-one meetings with farmers to ensure they all had been adequately informed on what is required for their FEPs, to provide a series of maps (consents, soil type, water ways, significant sites etc.) that could be included in FEPs, and to collect information to pre-populate the FEP templates that their respective Farm consultants would use in preparation of the FEPs. It is understood also that CPWL are looking to offer training on methods to assist its water users with managing soil moisture levels on their farms.

### **2015-16 Monitoring Results**

Results of monitoring indicated that a total of seven surface water monitoring sites exceeded trigger levels established for Nitrate-Nitrogen, however all sites exceeding the trigger levels were located either within areas of the Scheme which are yet to be developed, or in lowland streams around the margins of Te Waihora/Lake Ellesmere where elevated nitrate concentration have been previously observed. Sites exceeding the CPW surface water nitrate trigger levels therefore reflected background nitrate concentrations caused by historical land use patterns, rather than effects associated with development of the Scheme. Similarly, Total phosphorus concentrations exceeded the CPW trigger level at the Mid Lake monitoring site. Again, this exceedance is considered to be consistent with historical monitoring results and are therefore interpreted to reflect the background water quality state of Te Waihora/Lake Ellesmere, rather than effects resulting from the Scheme.

In terms of microbial contaminants, only one groundwater monitoring site showed positive detection of indicator bacteria (E.Coli). This exceedance was limited to a single sample, with subsequent samples from this site free from microbial contaminants, suggesting that the contamination observed may have been related to a localised event and/or a sampling error. Due to two consecutive years of low rainfall, groundwater levels were generally low to very low in the Central Plains area throughout the 2015-16 year. As a result, no CPW high groundwater level triggers were exceeded. It is however noted that groundwater levels in several bores within the Stage 1 area of the CPW scheme recovered significantly during the 2015-16 year. This recovery likely reflects the positive benefits of the Scheme associated with reduced groundwater abstraction and introduction of alpine water from the Rakaia River.

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**Environmental Mitigation and Enhancement**

In addition to an extensive environmental monitoring programme, part of the mitigation package offered by CPW is the Environmental Management Fund, and there is also a Te Waihora Environmental Management Fund managed by Ngai Tahu. The EMF and TWEMF were established during the 2015-16 irrigation season. Contributions to these funds are provided as a levy on Scheme water users. Annual contributions to these funds will increase as the area under irrigation increases. An Environmental Management Fund Committee appointed by the Trust Board is responsible for managing, and allocating distributions from the EMF which may be allocated to a range of environmental initiatives within the Selwyn Waihora catchment. The Committee conducted its first programme to receive and process applications during the year.

**Scheme Operation**

Between 1 September 2015 and mid-May 2016 a total of 91,092,984 m<sup>3</sup> of water was successfully supplied by Stage 1 of the Scheme to 105 properties. This total comprised 67,214,621 m<sup>3</sup> of run of river water from the Rakaia River, with an additional 23,878,363 m<sup>3</sup> (representing 26% of total volume supplied) of stored water sourced from Lake Coleridge. Over the course of the 2015-16 irrigation season, taking of run-of-river water from the Rakaia River operated under no restriction for 152 days, partial restriction for 84 days, and full restriction for 18 days. With the use of stored water, water users were able to have full (100 percent) reliability of supply for the 2015-16 season.

**Stage 2 funding and progress**

Stage 2 was under construction at the time of writing this report. CPWL advises that shareholders have invested \$32m in this stage, with \$68m invested by Crown Irrigation for 15 years, and the remainder borrowed from the Scheme's bankers. Stage 2, is fully piped with a 2.5 metre diameter glass reinforced polymer main pipe (26km) and laterals of up to 1.6 metres diameter. A ceremony to open the construction of Stage 2 was held with the Prime Minister at Darfield on 20 April 2017. This stage includes the Sheffield component of the CPW Scheme, for which work began on the storage pond site in early January 2017 as well as work on its Waimakariri river intake. About 37km of pipe will provide irrigation to around 30 farms in the Sheffield area. Stage 2 of the Scheme including the Sheffield component, will be ready during the 2017/18 irrigation season.

**Trust Board**

Following the resignation of Clare Williams as a trustee, the Board has written to Ngai Tahu to request that they nominate a replacement, however the Board has not received a nomination to date. The Trust is fully funded under contract by CPWL, and this arrangement is working well. The Board is has been very well briefed by officers and board members of CPWL during the year, and is very appreciative of the standard of information and co-operation provided.

The Trust Board has provided twice yearly reports to the two settlor councils, as well as providing the annual Statement of Intent including key performance measures, and has responded to all requests for information from the settlors.



## **Financial statements**

**for the year ended  
30 June 2017**

**Entity information**

*for the year ended 30 June 2017*

**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 2017*

	Note	30 June 2017 \$	30 June 2016 \$
<b>Revenue</b>			
Management and administration fees	1	49,657	56,286
<b>Total revenue</b>		<u>49,657</u>	<u>56,286</u>
<b>Expenditure</b>			
Trustee honorarium		24,500	26,500
Trustee meeting fees		4,070	5,180
Trustee expenses		1,432	2,222
Administration		50	50
Audit fee		7,061	5,464
Legal expenses		9,444	13,770
Insurance		3,100	3,100
<b>Total expenditure</b>		<u>49,657</u>	<u>56,286</u>
<b>Surplus / (deficit) before tax</b>		<u>-</u>	<u>-</u>
Income tax expense		-	-
<b>Surplus / (deficit) after tax</b>		<u>-</u>	<u>-</u>

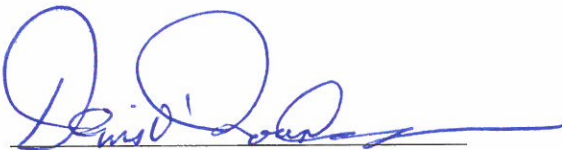
**Statement of financial position***as at 30 June 2017*

	Note	30 June 2017 \$	30 June 2016 \$
<b>Trust equity</b>			
Contributed capital		1	1
Accumulated surpluses		8,780	8,780
<b>TOTAL TRUST EQUITY</b>		<b>8,781</b>	<b>8,781</b>
Represented by:			
<b>Current assets</b>			
Bank accounts and cash		3,156	4,277
GST receivable		303	303
Debtors and prepayments	2	49,658	44,919
<b>Total current assets</b>		<b>53,117</b>	<b>49,499</b>
<b>Current liabilities</b>			
Trustee fees		5,559	5,387
Withholding tax payable		2,490	2,430
GST payable		-	-
Creditors and accrued expenses	3	36,287	32,901
<b>Total current liabilities</b>		<b>44,336</b>	<b>40,718</b>
<b>TOTAL ASSETS LESS TOTAL LIABILITIES</b>		<b>8,781</b>	<b>8,781</b>

**Statement of cash flows***for the year ended 30 June 2017*

	Note	30 June 2017 \$	30 June 2016 \$
<i>Operating activities</i>			
Receipts from customers		51,656	28,791
Interest revenue received		-	-
Payments to trustees / suppliers		(49,423)	(67,507)
Net GST		(3,354)	155
<i>Net cash from operating activities</i>	7	<u>(1,121)</u>	<u>(38,561)</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>(1,121)</u>	<u>(38,561)</u>
Add opening bank accounts and cash		4,277	42,838
<b>Closing bank accounts and cash</b>		<u><b>3,156</b></u>	<u><b>4,277</b></u>

Authorised for issue on behalf of the Trust 30 September 2017 by:


D O'Rourke  
Chairperson

Doug Catherwood  
Trustee

## Statement of accounting policies

for the year ended 30 June 2017

### 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 2017 and the comparative information presented for the year ended 30 June 2016.

#### 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 license 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 is now proceeding with work for the remaining stages of the scheme, being Stage 2 and the Sheffield Scheme, and these are under now 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.

**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 2017***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 2017 \$	30 June 2016 \$
Central Plains Water Limited	49,657	44,918
Christchurch City and Selwyn District Councils' capital	1	1
	<u>49,658</u>	<u>44,919</u>

**Note 3: Creditors and accrued expenses**

	30 June 2017 \$	30 June 2016 \$
Other payables	36,287	32,901
	<u>36,287</u>	<u>32,901</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 \$49,657 (2016: \$56,286). At year end the company owed the Trust \$49,657 (excluding GST) (2016: \$44,918) 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 \$85,290 for the reporting period (2016: \$60,181).

At year end the Trust owed the Council \$35,917 (2016: \$33,897).

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 2017 (2016: \$nil).

**Note 6: Statement of contingencies**

The Trust has no contingent assets or liabilities as at 30 June 2017 (2016: \$nil).

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

	30 June 2017 \$	30 June 2016 \$
<b>Surplus / (deficit)</b>	-	-
<i>Movement in working capital items:</i>		
Trade and other receivables	(4,739)	(31,397)
Trade and other payables	3,618	(7,164)
<b>Net cash flow from operating activities</b>	<u><u>(1,121)</u></u>	<u><u>(38,561)</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. (2016: nil)

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**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](http://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.