

Central Plains Water Trust

Statement of Intent

**For the year ending
30 June 2019**

CENTRAL PLAINS WATER TRUST STATEMENT OF INTENT 2018-19

1. INTRODUCTION

Statutory requirement

- This Statement of Intent (“Sol”) is prepared in accordance with Section 64(1) of the Local Government Act 2002. CPWT is a council-controlled organisation (“CCO”) for the purposes of the Local Government Act 2002.
- The Sol specifies for Central Plains Water Trust (“CPWT”) the objectives, the nature and scope of the activities to be undertaken, and the performance targets and other measures by which the performance of CPWT may be judged in relation to its objectives, amongst other requirements.
- The process of negotiation and determination of an acceptable Sol is a public and legally-required expression of the accountability relationship between CPWT and its settlors, the Christchurch City Council and Selwyn District Council.
- The Sol is reviewed annually with the Councils.

Contact addresses

- CPWT’s registered office is at the offices of Selwyn District Council, Norman Kirk Drive, PO Box 90, Rolleston 7643
- Contact details for CPWT and its officers are:

C/- Selwyn District Council, Norman Kirk Drive, PO Box 90, Rolleston 7643
Telephone 03-347 2800

Structure

- CPWT is charitable trust established by a deed of declaration of trust dated 9 October 2012.

2. TRUST OBJECTIVES

The Trust Deed declares that the Trust is for charitable purposes for the benefit of the present and future inhabitants of the Regions (being the respective areas within the geographical boundaries of Christchurch City Council and Selwyn District Council) and further declares and directs that the Trust Fund may be applied and used exclusively by the Trustees for the following charitable purposes within New Zealand (“the Objects”), namely:

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:

- 1) Encouraging supporting and facilitating:
 - a) sustainable development of the water resources of the Region

- b) agricultural and horticultural diversity in the Central Canterbury Plains area
 - c) an appropriate balance of the benefits of agricultural development with the enhancement of ecological, social and recreational values in the Central Plains area.
- 2) Providing and facilitating education to the inhabitants of the Region in relation to water issues and sustainable agricultural development.

In pursuance of the Objects, the Trustees will have regard to:

- (a) appropriate strategic development plans for the water resources of the Regions;
- (b) whether other sources of funding or support are available, including assistance provided through industry or regional development policies and programmes of local authorities or central government;
- (c) the objectives, roles and activities of any other organisations engaged in economic development activities in the Regions;
- (d) inter-generational issues to order to promote long term sustainability of the water resources of the Regions; and
- (e) the vision and principles agreed by the Trust to apply to the Scheme, as set out in the agreement in relation to the Scheme between Te Runanga o Ngai Tahu, Te Taumutu Runanga Inc, Te Ngai Tuahuriri Inc, Wairewa Runanga Inc, Te Runanga o Arowhenua Trust, Central Plains Water Trust and Central Plains Water Limited dated 29 May 2012, and any other matters that they believe are relevant.

The Objects of the Trust are and shall be charitable and shall not include or extend to any matter or thing which is or shall be held or determined to be non-charitable. Any private benefit which is conferred on any individual or individuals must be incidental to the pursuit by the Trust of the Objects. The powers and purposes of the Trustees shall be restricted accordingly and limited to New Zealand.

3. NATURE AND SCOPE OF ACTIVITIES

CPWT will facilitate the implementation of the Central Plains Water Scheme and will hold the resource consents therefor.

In a Memorandum of Agreement dated 5 November 2004 CPWT contracted Central Plains Water Limited (CPWL) to prepare and make the application for resource consents (now finalised and issued) for the Scheme. In return CPWT agreed with CPWL to make the consents available to CPWL under licence on agreed terms and conditions. The 2004 Agreement was revised and updated in 2016 in a new Memorandum of Agreement (MOU), as envisaged in the 2004 Agreement, in the light of the consents which have been issued, the completion of construction of Stage 1 of the Scheme, and the commencement of Stage 2.

CPWL is now constructing Stage 2 of the Scheme, and CPWT will:

- assist generally with stage 2;
- monitor the activities of CPWL to ensure compliance with resource consent conditions and with CPWT's requirements under its licencing agreement with CPWL;
- monitor the users of the Scheme in respect of Water Use Agreements and resource consent conditions and advise CPWL of, and require it to deal with any non-compliance;
- operate a public complaints procedure using a website being developed subject to funding;
- develop and propose projects to further CPWT's charitable objects and to seek funding therefor from CPWL, and will also seek funding from other sources; and
- administer the Environmental Management Fund (EMF) in the manner set out in the resource consents and for that purpose receive annual contributions from CPWL, and will transfer those funds to the EMF Committee charged with making decisions on the distribution of the Fund.

The reasonable costs of administering CPWT will be agreed annually with CPWL, and these will be paid annually by CPWL.

4. GOVERNANCE

Role and responsibilities of the Board

The Trustees shall manage the affairs of CPWT in accordance with the objectives of CPWT and otherwise in accordance with the terms of the CPWT trust deed.

The Trustees will ensure that CPWT effectively carries out its responsibilities under the MOU.

The trustees see their prime responsibility as assisting CPWT to establish the Scheme, and monitoring and reporting on its performance in relation to the trust's objects and community expectations over time.

The trustees discharge this responsibility through effective leadership, through excellent public communication, and by being responsive to the need for public support for the environmental sustainability goals of the Scheme.

The board of trustees seeks to maintain best practise systems, procedures, policies and guidelines being in place that ensure that:

- plans and budgets reflect short and long term horizons
- the performance of the Trust is monitored against key performance indicators set by the board of trustees
- significant risks are identified, and are carried out effectively and promptly
- the multitudes of laws that affect the activities of CPWT are complied with

- all matters of importance are brought to its attention through a system of prompt and comprehensive reporting in accordance with the MOU
- the preparation of financial statements in accordance with generally accepted accounting practice that give a true and fair view of the financial position of CPWT as at each balance date and results of its activities and cash flows for the year ended on that date are prepared
- the assets of CPWT (the resource consents) are safeguarded by ensuring that internal control procedures are in place in order to provide a reasonable assurance that CPWT will function in a professional and lawful manner
- develop policies that provide guidance action in a broad range of circumstances, including risk management, and public relations
- all trustees subscribe to the principles of good governance and usually the accepted codes of best practice on corporate governance.

The Board's responsibility to the 'shareholder'

CPWT is a charitable trust and as such has no shareholders, however the trustees aim to ensure that the Councils as settlors are informed of all major developments affecting CPWT's affairs, while at the same time recognising that commercial sensitivity may preclude certain information provided to it by CPWL from being made public. Within this constraint, information will be communicated to the Councils through both the annual report and the half-yearly report. CPWT will operate on a "no surprises" basis with regard to all issues of relevance to settlors. Early notice will be given to the settlors of issues that arise requiring their consent.

The Board composition

Currently the board of trustees comprises:

- Denis John O'Rourke (chairman)
- Douglas James Catherwood
- Richard Wayne Davison
- Vivian Leslie Smart
- Olive Webb.

Process for appointment of Trustees

Trustees may be appointed in these ways:

First provision (Trust Deed)

“The Settlers will jointly:

Have the right to appoint the Trustees for such term of office (not exceeding three years, as provided for in clause 3) as they see fit”

Second provision (Trust Deed)

“Notwithstanding the foregoing powers of the Settlers, the Trustees may themselves co-opt from time to time persons to serve as additional Trustees but (for the avoidance of doubt) such persons so co-opted will be subject to the removal power of the Settlers.”

Third provision

The agreement between CPWT, CPWL and Ngai Tahu, pursuant to the resource consent conditions of the Scheme, provide for up to three trustees to be nominated by Ngai Tahu.

Board meetings

The board meets quarterly and at such other times as business shall require.

Board performance review

The board will conduct an internal annual performance review at its first meeting following the end of CPWT's financial year.

5. HEALTH AND SAFETY

CPWT has no employees and no physical operations, nor does it have any direct or indirect responsibilities for the operations of CPWL, nor any public liability for the Scheme operations.

6. FINANCIAL (THREE YEAR PROJECTION)

CPWT has no shareholders, and it has no commercial operations. CPWT operates exclusively through an annual funding regime in accordance with the MOU with CPWL. The total level of such annual funding is currently \$80,000, and the same amount is projected for the next three financial years.

7. DIVIDEND (THREE YEAR PROJECTION)

CPWT has no shareholders and therefore there are no dividends.

8. STRATEGIC DIRECTION

Environmental leadership

CPWT does not itself have any physical or commercial operations. Its environmental leadership arises generally in the pursuance of its objectives, and through its role as the holder of the Scheme's resource consents, and by ensuring CPWL's compliance with the resource consent conditions, and also through its environmental monitoring and public reporting functions under the MOU.

Community engagement

CPWT maintains a website for the purposes of public information and engagement concerning the operation of the Scheme.

CPWT publishes an annual Environmental Performance Report for the Scheme, the last of which was published on the CPWT website in 2017 in respect of the operation of the Scheme for the irrigation season 2016 to 2017.

The Community Liaison Group required by the resource consent conditions was established in December 2013 and is being supported as required.

Key performance Indicators

Indicator 1

Monitor the performance of CPWL in constructing, commissioning and operating the Scheme, and communicate the results to the public.

Achievement

A new MOU between CPWT and CPWL was negotiated and signed during 2016 to enable an effective regime by which CPWT can monitor the operations of CPWL.

In 2017 CPWT commissioned, reviewed and published an Environmental Sustainability Report for the irrigation year 2016 to 2017 to give effect to its function of reporting the outcomes of its monitoring of CPWL's operation of the Scheme, with special emphasis on the achievement of the environmental sustainability goal for water use and of sustainable farming practices in the Canterbury Region. A further Report will be commissioned, reviewed and published in respect of the 2017 to 2018 and subsequent irrigation seasons.

Indicator 2

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

Achievement

Following investigations in 2016 of the potential for the use of the headrace canal for public recreation, it has been established that the headrace canal will not be available for recreational purposes. The main obstacles to this are CPWL's health and safety requirements, and the need by CPWL to maintain operational efficiency and the protection of essential infrastructure, and also the maintenance of private property rights (especially privacy) for the owners of the properties through which the headrace canal passes.

Stage 2 of the Scheme is fully piped, and therefore there is no potential for recreation in relation to Stage 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 will manage and apply the funds required for Te Waihora. The Trust has established the Committee required for the wider area, which will decide how the Fund is spent there, and the Committee commenced its work in 2016 by seeking proposals.

Indicator 3

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

Achievement

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

The board negotiated an annual budget for full funding by CPWL during 2017, and an audited statement for the year end has been submitted to the settlors.

9. INFORMATION TO SHAREHOLDERS

Frequency of reporting:

A half yearly report and an audited annual report as at end of June.

Accounting policies:

Refer to Schedule 1 attached.

Responses to special shareholder requests

CPWT will provide regular reports to the Councils on its activities through its annual, half yearly and quarterly reports.

CPWT will meet as required with Selwyn District Council and Christchurch City Council to discuss CPWT activities.

10. ESTIMATE OF COMMERCIAL VALUE OF TRUST'S INVESTMENT

CPWT has no non-current assets (for example, property, plant and equipment, etc.). Any current assets (for example, cash and accounts receivable) at any one time are held to fund commitments of the Trust. Accordingly the estimated commercial value of the Trust is effectively nil.

11. PROCEDURE FOR THE ACQUISITION OF A BUSINESS

Not applicable.

SCHEDULE 1.

STATEMENT OF ACCOUNTING POLICIES

Statement of reporting entity

Central Plains Water Trust was initially formed through a Declaration of Trust on 15 April 2003. This has been replaced by a deed of trust dated 9 October 2012. The Trust is a Council Controlled Organisation, as defined by Section 6 of the Local Government Act 2002. The Trust is jointly controlled by Christchurch City Council and Selwyn District Council.

Basis of preparation

The financial statements of the Trust have been prepared in accordance with the requirements of the Local Government Act 2002 and Generally Accepted Accounting Practice in New Zealand (NZ GAAP). They comply with Public Benefit Entity International Public Sector Accounting Standards (PBE IPSAS).

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

The financial statements have been prepared on an historical cost basis.

The financial statements are presented in New Zealand dollars and the functional currency of the Trust is New Zealand dollars.

The Trust has designated itself as a public benefit entity for the purposes of PBE IPSAS.

Changes in accounting policies

There have been no changes in accounting policies during the year.

Standards and Interpretation issued and not yet adopted

There are no standards and interpretations issued and not yet adopted that are applicable to the Trust's operations.

Going concern

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

The Trust is reliant on Central Plains Water Limited to fund both its operating expenses and its liabilities under the agency arrangements described in the notes.

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 Company has been granted the necessary resource consents for the proposed water management scheme by the consent authorities. The resource consents have been transferred to the Trust, which in turn has granted the Company an exclusive license to use the resource consents.

The Company's ability to fund costs is dependent on its ability to raise funds from its existing shareholders or other sources. Funding has been obtained by the Company from its shareholders and from a government grant and other sources to provide working capital to enable Stage 1 of the Scheme to proceed.

If the Company was unable to continue in operational existence, the Trust would lose that source of funding. In such circumstances, other sources of funding would need to be obtained, so that the Trust could continue to carry out its functions effectively.

If the Trust was unable to obtain such additional funding, it may be unable to continue in operational existence. In this event, adjustments may have to be made to the financial statements to reflect the situation that assets may need to be realised other than in the amount at which they are currently recorded in the statement of financial position. In addition, the Trust may have to provide for further liabilities that might arise.

Significant accounting policies

The following significant accounting policies have been adopted in the preparation and presentation of the financial report.

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 income is recognised using the effective interest method.

Revenue in Advance

Revenue in Advance is recognised as revenue when expenditure is incurred. This practice is based on the Reimbursement Agreement with Central Plains Water Limited dated 6 May 2004.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

Trade and other receivables

Trade and other receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

A provision for impairment of receivables is established when there is objective evidence that they will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the effective interest method.

Financial assets

The Trust classifies its financial assets into the following categories: financial assets at fair value through surplus or deficit, held-to-maturity investments, loans and receivables and financial assets at fair value through other comprehensive income. The classification depends on the purpose for which the investments were acquired. The Trustees' or management determine the classification of investments at initial recognition and re-evaluate this designation at every reporting date.

Financial assets and liabilities are initially measured at fair value plus transaction costs unless they are carried at fair value through surplus or deficit in which case the transaction costs are recognised in the surplus or deficit.

Purchases and sales of investments are recognised on trade-date, the date on which the Trust commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Trust has transferred substantially all the risks and rewards of ownership.

The fair value of any financial instruments that are not traded in an active market is determined using valuation techniques. The Trust does not have any financial assets of this nature at this time.

The four categories of financial assets are:

Financial assets at fair value through surplus or deficit

This category has two sub-categories: Financial assets held for trading and those designated at fair value through surplus or deficit at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by the Trustees'. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance date.

After initial recognition, they are measured at their fair values. Gains or losses on re-measurement are recognised in the surplus or deficit.

Currently, the Trust does not hold any financial assets in this category.

Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

After initial recognition, they are measured at amortised cost using the effective interest method. Gains and losses when the asset is impaired or derecognised are recognised in the surplus or deficit. Loans and receivables are classified as 'trade and other receivables' in the statement of financial position.

Currently, the Trust has trade and other receivables in this category.

Held to maturity investments

Held to maturity investments are assets with fixed or determinable payments and fixed maturities that the Trust has the positive intention and ability to hold to maturity.

After initial recognition they are measured at amortised cost using the effective interest method. Gains and losses when the asset is impaired or derecognised are recognised in the surplus or deficit.

Currently, the Trust does not hold any financial assets in this category.

Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income are those that are designated as fair value through comprehensive income or are not classified in any of the other categories above.

This category encompasses:

- Investments that the Trust intends to hold long-term but which may be realised before maturity; and
- Shareholdings that the Trust holds for strategic purposes.

After initial recognition, these investments are measured at their fair value with valuations performed by an independent valuer with sufficient regularity to ensure no investments are included at a valuation that is materially different from fair value. The valuation changes are recognised and held in a revaluation reserve.

On de-recognition, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to the surplus or deficit.

Currently, the Trust does not hold any financial assets in this category.

Impairment of Financial Assets

At each balance date, the Trust assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired. Any impairment losses are recognised in the surplus or deficit.

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 is not registered as a charitable entity under the Charities Act 2005 and its charitable tax exemption lapsed on 1 July 2008. The Trust is not currently seeking registration.

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.