



# Irrigation New Zealand Annual Report 2018/19

---

Irrigation New Zealand Inc.  
PO Box 69119  
LINCOLN 7640  
Phone: 03 341 2225  
[www.irrigationnz.co.nz](http://www.irrigationnz.co.nz)



# Keri Johnston

## Chair's Report

---



### ***He waka eke noa* – Our future in our hands**

*He waka eke noa* represents the partnership between the government, food and fibre leaders and Maori to reduce and mitigate agricultural emissions and build resilience of our primary sectors. Inherent in the concept of any partnership is the sharing of ideas, collaborative directions, and a common belief, standing together under a common shared set of values and principles. It is the building of an enduring framework.

It is significant for a number of reasons. Firstly, all of the food and fibre leaders are united in this – we are all in this together. Secondly, it shows that when the sectors work together, good and sensible outcomes can be achieved. And last but not least, the formation of a partnership between the government, sectors and Maori on climate change sets a precedent for the formation of similar partnerships on issues that will directly impact our sectors such as the freshwater reforms, but also water and nutrient allocation and iwi rights and interests which are yet to be tackled, and are vitally important issues for Irrigation NZ members. *He waka eke noa* is the forging of new ground and food and fibre leaders, including Irrigation NZ, are committed to making it work. The food and fibre leaders have already asked the Government and Maori to partner with them in coming up with a framework for freshwater, and hopefully there is now enough trust and willingness between all of the parties to do so.

*He waka eke noa* also reflects the 2019 year for Irrigation NZ. As a board, we have committed to setting up our organisation up for enduring success. First up, this meant making sure that we had the right people on board, and that those people were part of a professional and capable team delivering our strategy. *He waka eke noa*, colloquially, is all about “paddling the waka” in the same direction, and this is really important to us. Elizabeth (Liz) Soal took up the role of Chief Executive (CE) in March. In May, a review of our organisational needs was undertaken, and this resulted in a restructure of the roles within the Irrigation NZ team. Our new General Manger – Commercial Activities Julie Wallace has only started with us this month, following on from Ella Stokes, our Communications Manager in October. That is now the team complete and we are thrilled to have secured such talented and capable people to be a part of our team.

This AGM will see the election of two new board members. The board also recognises that the world in which we are operating in is ever changing and a wide range of skills is required at board level to ensure that we govern as effectively as we can. At last year's AGM, changes were made to the Irrigation NZ rules to allow independent directors to be appointed. Applications are currently open for up to two independent directors.

As acknowledged in Liz's report, we have had a challenging year financially. Therefore, it is timely that we have initiated a review of our funding model. The way in which the organisation is funded has not been reviewed since Irrigation NZ began. We need to be sustainable for the long term if we are to continue with and enhance our advocacy work, which in today's regulatory environment is critically important to all our members.

### **Farewells and thank-yous**

Thank you to my fellow board members Ivan Knauft, Robyn Wells, Harmen Hessen, Nicky Hyslop, Rab McDowell and Mary Flannery for your support, commitment, vision and passion for Irrigation NZ.

Two of our current board members end their tenure tonight. Nicky Hyslop has been on the Irrigation NZ board for nine years and chair for the last five years. Nicky has been a passionate advocate for irrigation and the food and fibre sectors. She has been very quickly snapped as a director for Beef & Lamb NZ and Ravensdown Limited. Rab McDowell has been on the Irrigation NZ board for the last three years. His wisdom and level headedness at the board table will be greatly missed. Thank you both for the time, effort, knowledge and experience you have given us during your time with Irrigation NZ.

We have also been incredibly fortunate to have the support of Alex Adams for the last six months as our temporary commercial manager. Alex was a knight in shining armour and his support of Irrigation NZ, Liz and the team was beyond words – we cannot thank him enough for coming out of retirement to assist us in our hour of need.

### **To the future**

As we head into an election year, there is no doubt that water will remain high on political agendas. The outcomes of the Freshwater Reform submissions will be known, the RMA Amendments are underway, and there are many other matters signalled to be addressed by the government, either before the election, or if re-elected. Positioning ourselves to be a power player in this political environment has not been easy, but with professionalism, integrity, credibility and a willingness to engage in mature, robust conversations, we are being viewed by government and officials in a way that we have not been in the past, and that is a direct result of the hard work, perseverance and tenacity of the team and the board. Irrigation will be important for meeting many of the government's objectives such as value over volume, flexibility of land use, and building resilience around climate change with water storage for all water uses.

Our submission on the freshwater reforms was well researched, evidence based, and defensible. Working together as an industry has resulted in something that will be well received by the advisory panel and pave the way for further discussions on this topic with those who matter. Well done to Liz, the team and all of our members who contributed to this. There will be much more of this to come and working together is most certainly a proven way

to get outcomes that will best suit our industry but ensure that we are meeting our environmental obligations as humans of this planet.

Minister Parker attending our Environmental Managers forum in Christchurch was a real achievement and a testament to the way we are working. We look forward to furthering our relationship and partnership with the government and officials, ensuring our industry is well represented and well understood.

In April 2020 our conference will be held in Christchurch. The theme is "Water for Life". This highlights how important reliable water is for a strong economy and strong rural communities. How we will all manage and steward this precious community resource in the future – with all the uncertainties that we are now experiencing – will be critical to ensuring New Zealand maintains its place on the world stage as farming innovators and leaders.

The challenges for us will continue, but I am confident that we are now set up with the right people in the waka, all heading in the same direction, and I am really excited about what 2020 will bring.

**Finally...**

I wish all of you good luck for the season ahead and hope that you and your families have a safe and happy new year.

Ngā mihi nui,



Keri Johnston

# Elizabeth Soal

## Chief Executive's Report

---



### A year of change

As 2019 draws to a close, I can't help but reflect back on the last eight months since I have been in the role at CEO of Irrigation NZ and wonder where the time has gone. Leadership changes in an organisation the size of ours will always create some uncertainty and require some bedding in.

We have also had several staff movements, which has meant further change and uncertainty for our team and members. During this time, we have also had to grapple with some fairly major government policy announcements touching our sector:

- A proposed National Policy Statement on valuing highly productive land (including land with access to water).
- A proposed regulatory framework for managing dam safety.
- The Action for Healthy Waterways package, which included:
  - A proposed new National Policy Statement for Freshwater Management
  - New National Environmental Standards
  - New stock exclusion regulations under the RMA
  - Amendments to the RMA itself around freshwater planning and hearings
- The Zero Carbon Bill passing through Parliament.

A considerable amount of time and effort has gone into informing and getting feedback from our members, including gathering submission feedback electronically, providing members with submission templates, and meeting with members in Central Otago, Canterbury, and the Hawkes Bay. We are also developing strong partnerships across the primary sector - *he waka eke noa* – as Keri discussed in her report.

We are yet to see what the outcomes of these processes will be, but we are committed to advocating effectively, using forward-thinking and science-backed reasoning to support our arguments.

### Financial matters

As mentioned, this year has been one of transition, change, and restructuring for INZ. As may be expected, this is reflected in the financial performance of the organisation for the last twelve months, which shows it has been one of our most difficult. Several, largely unrelated, events occurred between July 2018 and May 2019. As an incorporated society running on a lean, not-for-profit basis, we have virtually no fixed assets to act as a balance-sheet buffer against immediate-term liabilities.

It has been tough going, but the organisation is committed to leading our sector in a positive new direction. It is mine and the Board's intention to gradually recover the working capital position so that there is both cover for the quite high month-to-month volatility in revenues and expenses, and also enable us to absorb any future exceptional, unwelcome, but nevertheless possible, financial shocks.

For an organisation of this size, our working capital requirements are comparatively high. This is because revenues are dominated by a combination of membership fees that are invoiced infrequently, and lumpy MPI grant funding for projects that is invoiced against project milestone completion, rather than smoothed on a monthly basis. In addition, the MPI projects also have external funding partners that can only practically be invoiced infrequently throughout the year. These effects are largely independent of each other and it is largely outside our control as to how they fall at any particular month-end.

### **Looking forward**

In order to improve and current and future financial performance, not only are we looking at individual line items and how these could be better managed, we are also undertaking a full review of our funding model. This review will consider our funding sources, our membership categories, will explore new funding options and possibilities, and will make subsequent recommendations to the INZ Board. The review is being led by Harmen Heesen (INZ Board member) and the Chief Executive. The Board has invited a representative group of our membership categories to participate in the review, as well as independent friends of the organisation.

We have a full team of committed and talented staff, as well improved business controls, new ideas, and new energy.

I would like to thank the team for their energy and passion, and the Board for its vision and support during this year of transition.

I look forward to working with you all in the years to come.

Ngā mihi,



Elizabeth Soal

Chief Executive of Irrigation New Zealand

# Mary Flannery

## Audit & Risk Committee Report

---



I am pleased to provide a report on the Annual Financial Accounts for Irrigation New Zealand for the year ending 30 June 2019.

This last financial year has been a particularly busy one for Irrigation New Zealand as we have undertaken the Strategic Review and transitioned to a new Chief Executive with particular advocacy skills, and restructured the organisation as part of the implementation of the plans to deliver on our priorities. This has resulted in a significant financial effect, most of it of “a one-off nature.” The Audit and Risk Committee, together with the Board, have been very mindful of this financial impact and have been monitoring closely the expenditure, budget and plan implementation.

One of the first requirements of the Chief Executive was to review the risks inherent in the current funding model and as a result of those findings, a working group has been created to report to the Board on a long term funding model that aligns more closely with the delivery of the Strategic Plan.

The areas of particular increased expenditure and reduction in income in the last financial year include:

- Consultants, which was as a result of the expertise we brought in for the review of our Strategic Plan and implementation of the same. Also, costs incurred for our recruitment and restructure.
- A reduction in advertising income for our magazine which was a significant impact, that was as a result of a decrease in the circulation numbers.
- There was a decrease in the projected course and workshop fees which was largely offset by a corresponding decrease in the associated expenditure for the delivery of the same.
- We were also impacted by the decision to cancel the IF (Irrigation Futures) planned event. The reasons for cancelling the planned event have been explained by others, but it was felt prudent by the Audit and Risk Committee and Board to cancel the same prior to any further losses that could have occurred.
- There was also a significant reduction in the amount of sponsorship secured than that was budgeted and projected.
- A significant depreciation amount higher than previous years was incurred due to development and depreciation of our e-learning platform.

These main items have resulted in a net loss of just over \$410,000. While not a satisfactory result, the committee and board have been monitoring the position carefully and are of the view that the costs involved, particularly with the Strategy Review and restructure was money well spent. This expenditure was to ensure that going forward, Irrigation New Zealand can be the best vehicle for representation for all of its members nationally in delivering our strategic priorities.

The strategic priorities are: setting standards for irrigation; developing a high quality information base; providing thought leadership and innovation; connectivity, bringing together irrigators, the irrigation sector/decision makers and the whole community; and advocacy to ensure the best decisions are made for the future and championing the irrigation sector as a valued part of a community.

The focus is firmly on the future and there is an annual budget together with a five-year forecast that has been developed with close scrutiny and monitoring. These budgets are realistically set with the view to ensuring the ongoing financial stability of the organisation.

Mary Flannery

Chair of Irrigation New Zealand Audit and Risk Committee

# Achievements 2018/19



## ADVOCACY

We had a strong focus this year on building relationships with politicians across the spectrum. We met with **Ministers** David Parker, Damien O'Connor, and Nanaia Mohuta.

We **submitted** on behalf of our members on various government proposals, including the **Action for Healthy Waterways** package, proposed **Dam Safety** Regulations, proposed National Policy Statement for Valuing **Highly Productive Land**, and the Electricity Price Review.

We are working as part of the **Food and Fibre Leaders Group**, which brings together the Chairs and Chief Executives of organisations across the primary sector to work on important policy developments collaboratively, such as climate change, greenhouse gases, and the Zero Carbon Bill.



## PROJECTS

We are contributing to or leading several projects, including:

**Fertigation** – researching the application of fertigation technology in pasture systems, and the resultant outputs.

**Fish Screens** – developing updated guidelines applicable to native fish and promoting good practice for the industry.

**Building Trust** – communicating with the public on the outcomes of farm planning at the catchment scale.

**Smart Tools and Tips** – developing an e-learning platform for irrigation and promoting good management practice across the sector.

**Irrigation Insight (NIWA)** – supporting good decision-making through improved forecasting and comprehensive soil moisture data.

## CONNECTIVITY

We held a number of **forums** with our members, including scheme leaders, environmental managers, and the service industry.

We participated in a **'virtual field trip'** with Core Education. This involved schools across the country doing live webinars with us and irrigators, and students visited irrigation schemes and irrigated farms, plus downstream industries, without leaving their classrooms. We reached over **3,000 students from all over New Zealand**.

'It was **cool to hear about the cultural values of waterways** in this field trip. We have learned about Mahinga kai but hadn't made the link to this content so that was awesome,' said a participating class from Mount Hutt College in Methven.

A class from Our Lady of Assumption School in Christchurch said that the trip, 'broadened our knowledge about the future of water in Canterbury. It also created lots of discussion with the students - as **one student said: "water is liquid gold".'**



## SETTING THE STANDARD

**780 people attended 41 training courses** held around New Zealand.

**32 workshops** were held to upskill **667** farmers, farm managers, and staff about irrigation, good management practice, and risk advice.

**8 events and workshops** were held to upskill **113** industry professionals.



## SETTING THE STANDARD

In July, we celebrated a further **17** individuals **graduating with a Certificate in Irrigation Design**, including the first two female graduates from the programme.



# Financial summary



## Profit and loss

	2019 \$	2018 \$
<b>Subscriptions</b>		
Schemes and user groups (operating)	355,282	335,401
Schemes developing <2000 ha	0	2,079
Schemes developing >2000 ha	5,822	8,448
Irrigator	87,454	90,117
Government	8,592	10,824
Service industries >5 staff	72,008	71,544
Service industries <5 staff	30,919	30,228
Service industry - individual	8,927	6,014
Students (non-voting)	35	105
Research and industry	3,267	2,759
Retiree	292	139
	572,598	557,658
<b>Other Income</b>		
INZ project management (non-taxable)	173,997	223,338
	173,997	223,338
<b>Trading Income</b>		
Advertising	93,391	174,095
Course / workshop fees	168,333	260,702
Events	(30,475)	116,796
INZ project management (taxable)	37,000	15,000
Office rental	2,333	3,333
Other	3,147	528
Resources	645	490
Sponsorship	35,000	75,000
	309,375	645,944
<b>Investment Income</b>		
ANZ Bank	1,219	2,113
IRD		2
	1,219	2,115
<b>Total Income</b>	<b>1,057,189</b>	<b>1,429,055</b>

<b>Administration Expenses</b>		
ACC	1,858	1,249
Advertising and sponsorship	2,069	11,418
Accountancy	4,060	3,860
Bad debt	9,866	15,415
Bank fees	2,206	1,649
Catering	15,971	18,153
Computer expenses	730	3,570
Consultants	106,295	89,837
Eftpos fees	186	167
Entertainment	3,352	3,756
Equipment hire	2,152	2,589
Fuel	11,064	16,444
General expenses	5,784	2,454
Insurance	13,387	10,329
Legal	8,764	14,874
License fees	23,325	21,652
Media	28,692	66,860
Postage, courier	18,414	35,480
Printing and graphics	74,289	95,086
Professional development	18,911	20,427
Project contributions	1,000	3,000
Recruitment	25,202	603
Rent	42,239	42,634
Salaries	820,789	753,091
Sponsorship	15,000	0
Staff expenses	3,674	0
Stationary	1,058	1,056
Subscriptions	2,422	1,804
Systems development	400	0
Systems support	15,998	10,493
Telephone and internet	9,935	11,000
Travel and accommodation	73,848	73,952
Uniform	419	768
Vehicle lease	26,704	17,171
Venue hire	14,207	6,661
Fringe benefit tax	590	0
Insurance finance fee	40	0
	<u>1,404,899</u>	<u>1,357,502</u>
<b>Depreciation &amp; Loss on Disposal</b>		
Depreciation	64,255	34,931
Loss on disposal	253	19,072
	<u>64,508</u>	<u>54,003</u>
<b>Interest</b>		
Overdraft	1	0
Inland Revenue	13	0
Insurance finance	1,616	0
	<u>1,630</u>	<u>0</u>
<b>Total Expenses</b>		<b>1,471,037</b>
<b>Net Profit</b>		<b>(413,848)</b>
		<b>1,411,505</b>

## OUTCOME

The loss for the year was \$413,848 compared to a profit last year of \$17,550. However, as the conference is a biennial event, income every second year is reduced. For example, if the conference profit was to be taken out, 2017/18 would have seen a loss of \$92,450.

## INCOME

Overall income has decreased by \$371,866.

- Membership income increased by \$14,940.
- Project management income (non-taxable) decreased by \$49,341.
- Advertising income decreased by \$80,704.
- Course and workshop fees decreased by \$92,369. However, expenses for training were correspondingly down by \$82,000.
- Event income is down \$147,271. The cost this year of \$30,475 is from cancelling the proposed Irrigation Futures tradeshow and expo. The income last year is from the Conference which is a biennial event.
- Project management income (taxable) increased by \$22,000.
- Sponsorship decreased by \$40,000.

## EXPENDITURE

Overall expenditure has increased by \$58,369

- Advertising and sponsorship decreased by \$9,349
- Bad debts decreased by \$5,549
- Catering decreased by \$2,182
- Computer expenses decreased by \$2,840
- Consultants increased by \$16,458 due to strategy work
- Fuel decreased by \$5,380
- General expenses increased by \$3,330
- Insurance increased by \$3,058
- Legal fees decreased by \$6,110
- Media decreased by \$38,168
- Postage, courier decreased by \$17,066
- Printing and graphics decreased by \$20,797
- Project contributions decreased by \$2,000
- Recruitment increased by 24,599, due to the CE transition
- Salaries increased by \$67,698. Some of this is one-off expenditure due to transitioning staff.
- Sponsorship increased by \$15,000. This was for the Core Education LEARNZ virtual field trip.
- Staff expenses increased by \$3,674
- System support increased by \$5,505. This was due to the Regen bucket test fee.
- Vehicle leases increased by \$9,553 due to an increase in the number of vehicles.
- Venue hire increased by \$7,546

## Balance Sheet

	2019	2018
	\$	\$
<b>Current Assets</b>		
ANZ Bank Accounts	14,643	211,624
Accounts Receivable	170,547	429,698
Income Tax Refund Due	401	697
Expenditure in Advance (Projects)	5,082	0
	<b>190,673</b>	<b>642,019</b>
<b>Non- Current Assets</b>		
Property, Plant and Equipment	59,669	116,468
<b>Total Assets</b>	<b>250,342</b>	<b>758,487</b>
<b>Current Liabilities</b>		
<b>Bank Accounts</b>		
ANZ credit cards	3,379	8,838
Accounts payable	86,462	113,629
GST payable	19,442	68,137
Grant received in advance (projects)	45,316	80,109
	<b>154,599</b>	<b>270,713</b>
<b>Non-Current liabilities</b>		
Spark( Interest Free)	3,451	982
Financial Synergy - Insurance Premium Funding	12,681	0
	<b>16,132</b>	<b>982</b>
<b>Total Liabilities</b>	<b>170,731</b>	<b>271,695</b>
<b>Net Assets</b>	<b>79,611</b>	<b>486,792</b>
Represented by:		
<b>Members Capital</b>		
Capital Reserves	797	797
Accumulated Funds	78,814	485,995
<b>Total Capital</b>	<b>79,611</b>	<b>486,792</b>

## TAXATION

Irrigation NZ is primarily a not-for-profit organisation. Income from membership activities such as annual membership fees and grants is non-taxable. The expenses relating to these are non-deductible for tax purposes. However, income from trading activities, including the magazine and sponsorship are taxable and the expenses relating to these are trading expenses and are tax deductible.

In some cases, an apportionment needs to be done to split expenses into taxable and non-taxable. For example, systems support is for computer assistance and as our computers are used for both taxable and non-taxable purposes, we can deduct a portion against taxable income. We have estimated that 20% of our work is taxable, so where we split expenses we do so on this basis by default.

## BALANCE SHEET

At balance date we had cash in the bank of \$14,643, a decrease of \$196,981 from last year.

Trade receivables were \$170,547 and trade payables were \$86,462.

Property, plant and equipment decreased by \$56,799. We spent \$9,991 on new assets and wrote off \$2,282 of assets. Depreciation and loss on sale were \$64,508, a sharply increased figure.

Equity decreased by \$407,181. This was made up of the loss of \$ 413,848 less expenses that were capitalised of \$6,667.