

Agenda 2020

Performance, Audit and Risk Committee

Date: Thursday, 30 April 2020

Time: 2.00pm – 3.00pm

Venue: Virtually via Microsoft Teams due to COVID-19 lockdown



Adopted by Council 11 April 2019

PERFORMANCE, AUDIT AND RISK COMMITTEE

TERMS OF REFERENCE

1. MEMBERSHIP AND QUORUM

a) The Committee shall consist of

- at least five Councillors; and
- at least one independent member (that is, a member who is neither a Councillor nor a staff member, appointed to the role by the Council).

Council can appoint additional members for a period of time when their appointment is deemed necessary for the Committee to discharge its function.

The quorum shall be three members.

2. OBJECTIVES

The objectives of the Committee are to assist the Council to provide oversight of:

- a) financial and non-financial reporting including strategic performance management and operational performance,
- b) risk management (including cash and investment management),
- c) internal control systems including compliance with laws and regulation,
- d) satisfying itself about the existence and quality of cost-effective internal control and risk management systems, and the proper application of processes; and
- e) the external audit process, including:
 - monitoring the Council's external and internal audit process;
 - engaging with Council's external auditors regarding the external audit work programme and agreeing the terms and arrangements of the external audit;
 - reviewing the effectiveness of the annual audit and 10-year plan audit;
 - monitoring management responses to audit reports and the extent to which external audit recommendations concerning internal accounting controls and other matters are implemented.

3. ATTENDANCE AT MEETINGS

- a) Unless otherwise requested the Chief Executive and the Director of Finance and Corporate Services are to attend meetings.
- b) Other parties, including other members of the Council, may be invited to attend by the Committee to assist the Committee in its work.
- c) The public are welcome to attend any meeting of the Committee, except for any part of a meeting where the public are excluded for the reasons set out in the Local Government Official Information and Meeting Act.
- d) External Auditors may attend meetings during the year.

- e) External Auditors (or Internal Auditors) may request a special meeting, if they consider this to be necessary.

4. DELEGATED POWERS

The Committee is authorised by the Council to:

- a) review matters within its Term of Reference,
- b) seek information that it requires, within its terms of reference, from the Chief Executive who is required to co-operate with appropriate requests made by the Committee,
- c) request access to outside legal or independent professional advice should it consider this necessary to meet the objectives set out in its terms of reference. Such independent advisors may attend meetings if so requested,
- d) undertake other such matters of a financial nature that the Committee may from time to time deem important; and
- e) make recommendations to the Council on matters outside of the Committee's delegated powers.

5. RESPONSIBILITIES

Responsibilities of the Committee shall be:

5.1 Financial Reporting including Strategic/Operational Performance Management

- a) Review the Annual Report, the draft financial statements and groups of activities prior to being finalised by the External Auditor.
- b) Consider any changes in accounting policies, standards or reporting requirements requiring Council approval.
- c) Review financial and non-financial results during the year and the progress towards the achievement of strategic priorities and levels of service (these measures and targets are subject to audit under the Local Government Act).
- d) Review the cost effectiveness of major programmes in delivering Environment Canterbury's contribution to strategic priorities and levels of service.
- e) Review the contributions from Government and other organisations. The Council's role is facilitating contributions from those organisations to achieve strategic priorities and levels of service in partnership with Environment Canterbury.
- f) To set criteria and review portfolio budgets, early in the budget cycle, to understand the reasons behind budget decisions and to ensure that budget proposals have been systematically and rigorously analysed, and to make recommendations that expenditure is required to meet strategic priorities.
- g) Receive and review reports on the performance of other Council commercial activities, including properties leased or rented to external parties.
- h) Consider matters relating to rating and other funding.
- i) Maintain an overview of our financial reserves policy to deal with unexpected financial contingencies.
- j) Maintain overview of contingent liabilities.

5.2 Risk Management (including cash and investment management)

- a) To review the risk management process to ensure the system for identifying, assessing, monitoring, mitigating and reporting strategic risks and key operational risks is adequate.
- b) To ensure risk management is integrated into strategic and operational management as business as usual.
- c) Appoint and review at least three yearly the Funds Manager contract in regard to the management of investment funds and as a result of that review, to determine that the contract may be extended or retendered.
- d) Review the performance of the investment portfolio, annually.
- e) Maintain an overview of overdue debt management.
- f) Maintain an overview of risk associated with Council-controlled trading organisations, if any exist.

5.3 Internal control systems including compliance with laws and regulation

- a) Consider any matters referred to it by an internal audit function.
- b) Review the proposed Annual Programme for the Internal Audit and recommend to Council.
- c) Satisfy itself about the existence and quality of cost-effective internal control systems and the proper application of procedures.
- d) Act on suspected or actual fraud and ensure failings or weaknesses that are identified from any review of internal controls have been, or are being, remedied.

5.4 External Audit

- a) The Auditor-General is the appointed External Auditor, in accordance with section 29B of the Public Finance Act 1989. The Committee must ensure it complies with both the Public Finance Act 1989 and Public Audit Act 2001. The Auditor-General is also auditor of all Council-Controlled Organisations, per section 70 of the Local Government Act 2002.
- b) Ensure that the provision of non-audit services by the External Auditors does not impair the auditors independence or objectivity.
- c) Discuss with the External Auditor, the nature and scope of the audit and review the Auditor's quality control procedures and changes in regulatory or other requirements.
- d) Review the External Auditor's management letter, ensuring that management's responses are adequate.
- e) Consider other matters referred to the Committee by the Council.

6. REPORTING PROCEDURES

- a) The Committee shall be accountable to the Council, in relation to the Committee's activities and responsibilities.
- b) The Committee shall review the Terms of Reference periodically or as circumstances require.
- c) The appointment of 'other appointee' (refer 1(b)) to the membership of the Committee shall be a decision of the Council.

Performance, Audit and Risk Committee

Membership

Committee Chair: Cr John Sunckell

Environment Canterbury Councillors:

Chair Jenny Hughey

Cr Claire McKay

Cr Ian Mackenzie

Cr Megan Hands

Cr Grant Edge

Independent Member: Graeme McGlinn

Performance, Audit and Risk Committee

Table of Contents

1. Apologies.....	9
2. Conflict of Interest	9
3. Deputations and Petitions.....	9
4. Risk	10
4.0. Health and Safety	10
4.2. Risk Management Associated with Covid-19 Lockdown	16
5. Performance	18
5.1. Action List	18
5.2. 8+4 Forecast Report.....	20
5.3. Public Transport Financial Update.....	26
5.4. Portfolio Financial Report March 2020	35
5.5. Financial Health Reports March 2020	44
6. Audit.....	65
7. Public Excluded	65
8. Notices of Motion	66
9. Extraordinary and Urgent Business.....	66
10. General Business.....	66
11. Questions	66
12. Next Meeting.....	66
13. Closure.....	66

- 1. Apologies**
- 2. Conflict of Interest**
- 3. Deputations and Petitions**

4. Risk

4.0. Health and Safety

Performance, Audit and Risk Committee (PARC) Report

Date of meeting	30 April 2020
Author	Matthew Bennett Principal Health and Safety Advisor
Endorsed by	Miles McConway Director Finance and Corporate Services

Purpose

1. To provide a summary of information on Health and Safety matters to the Performance, Audit and Risk Committee.

Recommendations

That the Performance, Audit and Risk Committee:

1. Receive the Health and Safety Governance Report.

Attachments

1. 200422 H+ S Report - Governance - March [4.0.1 - 5 pages]

Health and Safety Report: March 2020

Summary

- The last health and safety report to the Performance, Audit and Risk Committee was on the 26th of March. This report covers all events and activities from the 1st to 31st of March 2020.
- Health and Safety was seconded into the Crisis Management Team early in March, initially as the Welfare Lead, and then moved to and establishing the Safety Branch.
- The focus of work through the latter half of March was setting Environment Canterbury to work while protected from COVID-19
- Many H+S activities (reviews, inspections, safety tours) have been delayed due to either not being deemed an essential service or being lower priority.
- **Six incidents have been reported since the last report** (February 2020): Three insignificant and three minor events. All of these have been closed.

Health and Safety Strategy Work Programme

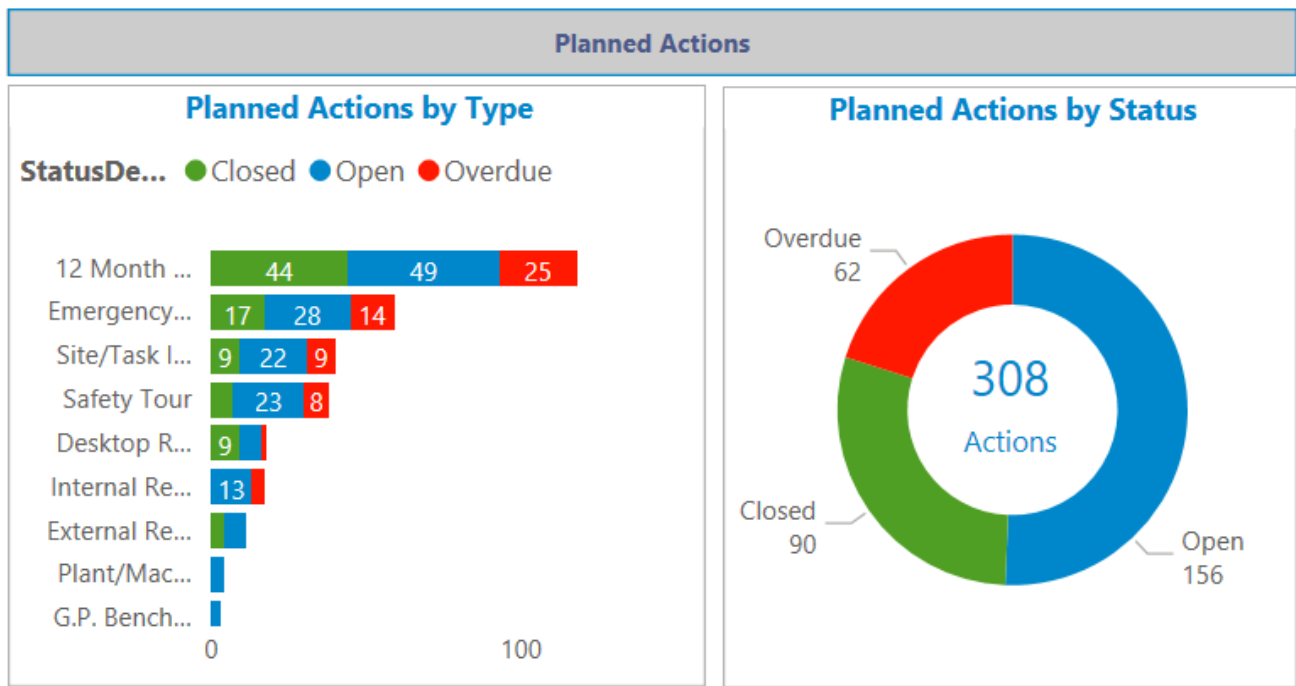
Strategy Update

Title	Description	Status	Status Comment	Progress to Date
Information and Data Management	Develop a digital tool to record, report and track progress and performance on H+S	On schedule / no issues	The primary work has been completed and gone live (Section H+S Planning tool). The final stage: development of H+S Dashboards required the data collected from the plans. This is underway and will go into testing towards the end of November, with an intention to go live in December 2019	95%
Visible Safety Leadership	Regular Safety Tours by Directors and Senior Leaders	On schedule / no issues	Safety Tours have now been incorporated into the Section H+S Plans and progress will be reported as a part of the lead indicator data.	100%
Information Sharing	Improving the methods of sharing health and safety information and learnings	Scoping	After implementing some additional methods of sharing information, we monitored its effectiveness. A number of events through August to October highlighted the need to for additional mechanisms and informed what to develop.	25%
Safe Systems of Work	Safe systems of work: Development, reviewing and updating of safe systems of work for all tasks / activities that expose Environment Canterbury workers to potential harm.	Minor delays / issues	The development of SSoW has been slow, primarily due to identifying what activities required to be documented. With the digital H+S plans this barrier has been overcome and accountability has been introduced. Progress will be reported as lead indicator data	25%
H+S4PL	Health and safety training for senior leaders: Develop an H+S training package for People Leaders	Complete	The initial courses were delivered to all identified People Leaders. The training is now in a BAU status and where it will be provided twice annually to all new People Leaders.	100%
Incident Management	Incident management and learning: Improve the quality of incident management and implementation of learnings	Minor delays / issues	Linked to the 'Information Sharing' item above, we are looking at how incidents can be shared in a timely manner to ensure that all people are well informed and able to act.	35%
Corrective Actions	Improvement and corrective actions: Develop and utilise an effective method for improvement and corrective actions including alerting and escalation of actions and reporting on progress	On schedule / no issues	An improvement and Corrective Actions Register and associated workflow has been built in SharePoint and is currently being tested - anticipated to go live towards the middle to end of November 2019	85%
Training and Competency Data	Training and competency data: Develop a training management system that enables clear view of training requirements and currency	Delayed / issues	This item has been identified as a high priority and work will begin on it in earnest in the new year.	20%
Contractor Management	Contractor management: Develop a centralised database and supporting resources to enable effective contractor management in line with the contractor management protocol.	Design	Resulting from a learning enquiry in August and the acceptance of a recommendation a significant piece of work is being led by the Risk and Business Improvement Manager that will increase H+S assurance in this area.	30%
Worksite Monitoring	Worksite inspections: Inspection Environment Canterbury worksites and activities as planned in the Section H+S Plans	On schedule / no issues	Targets for worksite inspections is now set in the H+S Plans and progress reported as a lead indicator	100%
H+S Survey	Health and safety staff survey: Designing of surveying method for collecting worker input on the performance and effectiveness of HSMS and Strategy. Survey results used to drive a feedback	Design		20%
Lone / Remote Worker Tracking and Communications	Develop and implement an 'All of Environment Canterbury' hardware, IT platform and process to implement the Critical Risk Rule: Lone / Remote Work	Design		25%

Lead Indicators

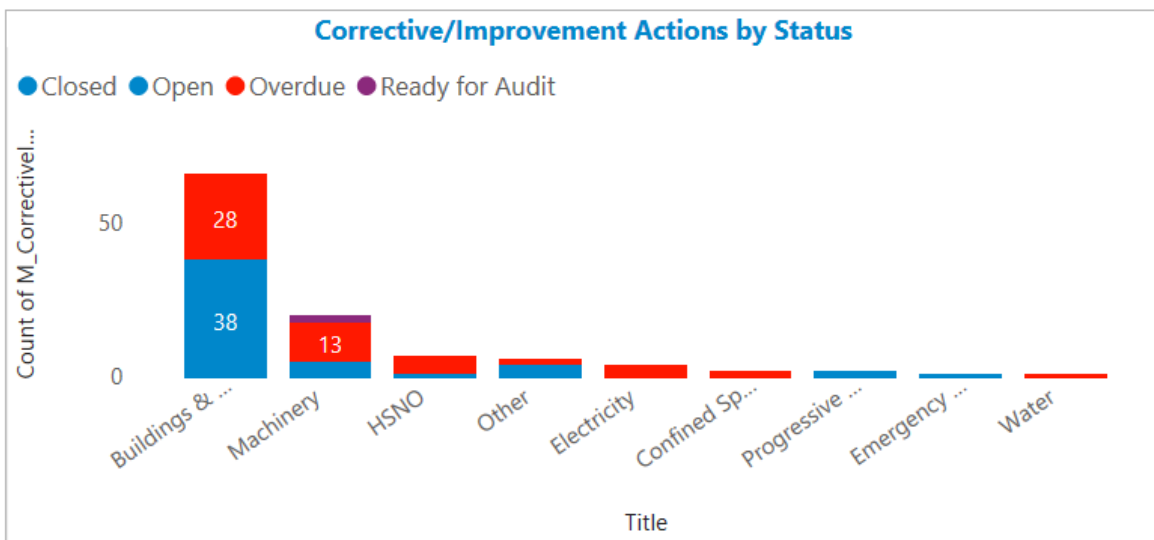
Lead indicators are any measure, data or information that provides an insight into performance without a system failure occurring.

Our Planned Actions provide a measurable event where we will intentionally look at how work is being undertaken under normal conditions.



Improvement and Corrective Actions

Upon completion (closing) of a task, the system automatically schedules an audit date that prompts for a follow up check to ensure that the improvement or corrective action is in place and effective. This process provides an additional layer of assurance to health and safety.



Please Note: With a recent data migration we have identified an error in the above graph: Closed and Open are both colored blue (closed should be green)

Lag Indicators

Lag indicators refers to any measure resulting from a failure. In the context of Environment Canterbury these are principally incidents.

Incidents from 1 March to 31 March 2020:

Title	Date	Status	Actual Harm	Group	Risk Category	Risk Sub-Category
Bike vs. Car	12/03/2020	Closed	Insignificant	Operations	Transportation	Land - Car
Stone Flick	11/03/2020	Closed	Insignificant	Science	Transportation	Land - Car
Tree Felling Avulsion	6/03/2020	Closed	Minor	Operations	Environment	Physical task
Spray Drift	5/03/2020	Closed	Minor	Contractor	HSNO	Toxic or Ecotoxic
Slip on Tree Root	4/03/2020	Closed	Minor	Operations	Environment	Terrain
No Active Monitoring	2/03/2020	Closed	Insignificant	Science	Lone / Remote Worker	Both

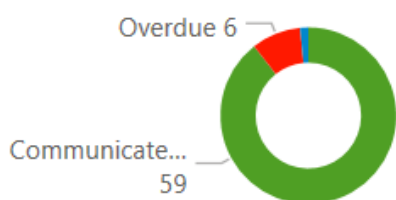
Year-to-date Summary

1 November 2019 – 29 February 2020

Incident by Impact and Group (Table)

	Insignificant	Minor	Moderate	Major & Catastrophic	Total (by Group)
Communications and Engagement	-	-	-	-	
Finance and Corporate Services	2		1		3
Operations	13	12	6		31
Science	5		2		7
Strategy and Planning		1			1
Contractors		1	2		3
Non-Workplace				2	2
Visitor / Public	-	-	-	-	
Total (by Impact)	20	14	11	2	47

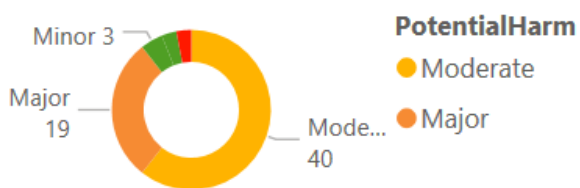
Incidents by Status



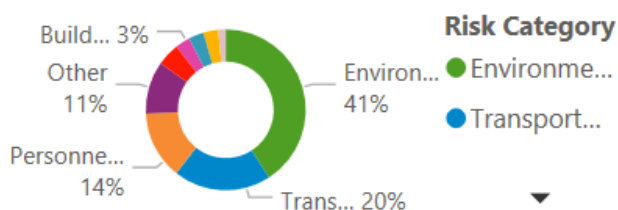
Incidents by Actual Harm

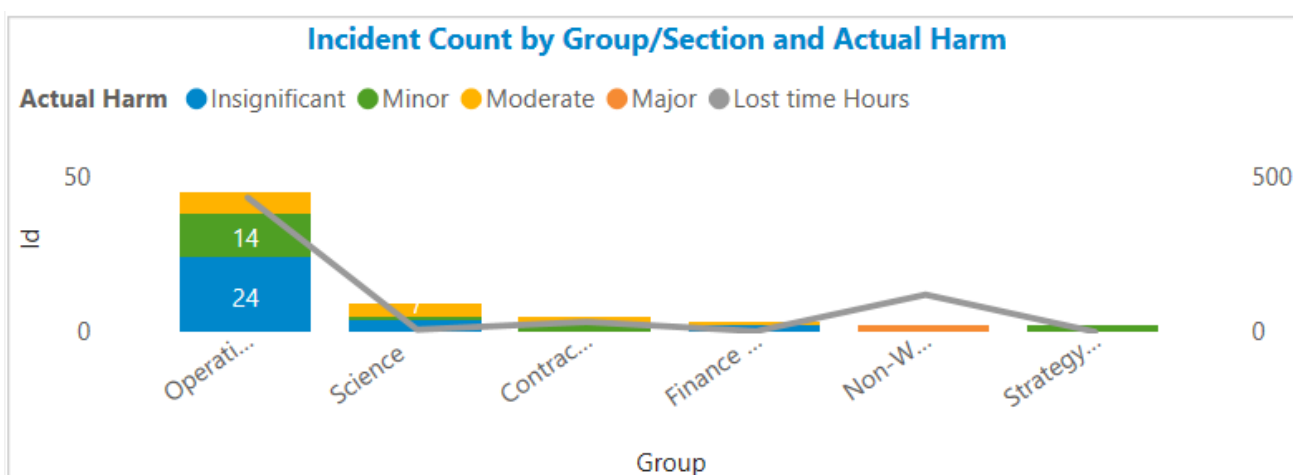
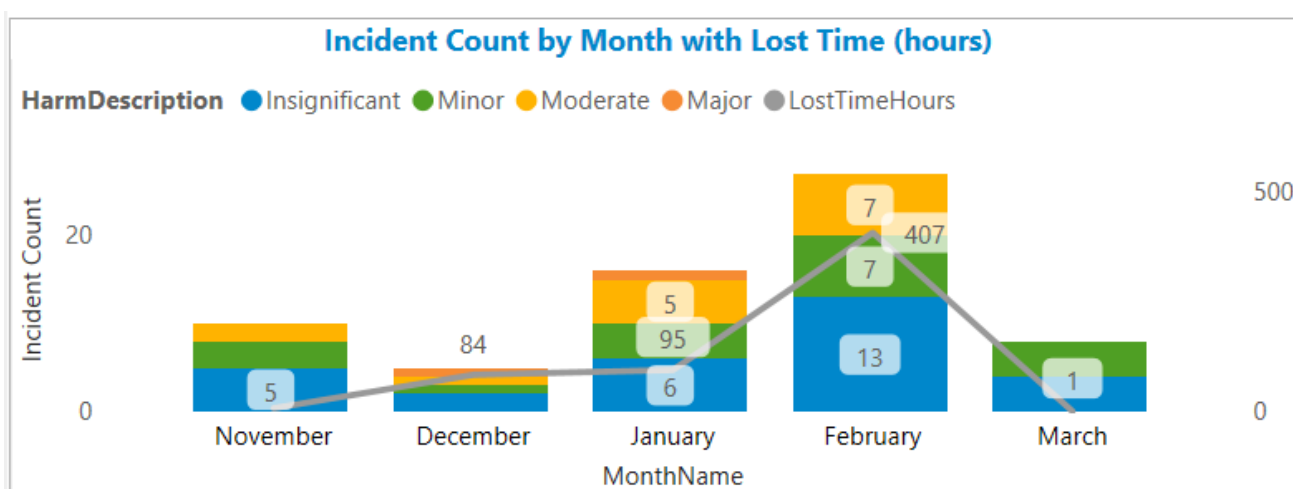
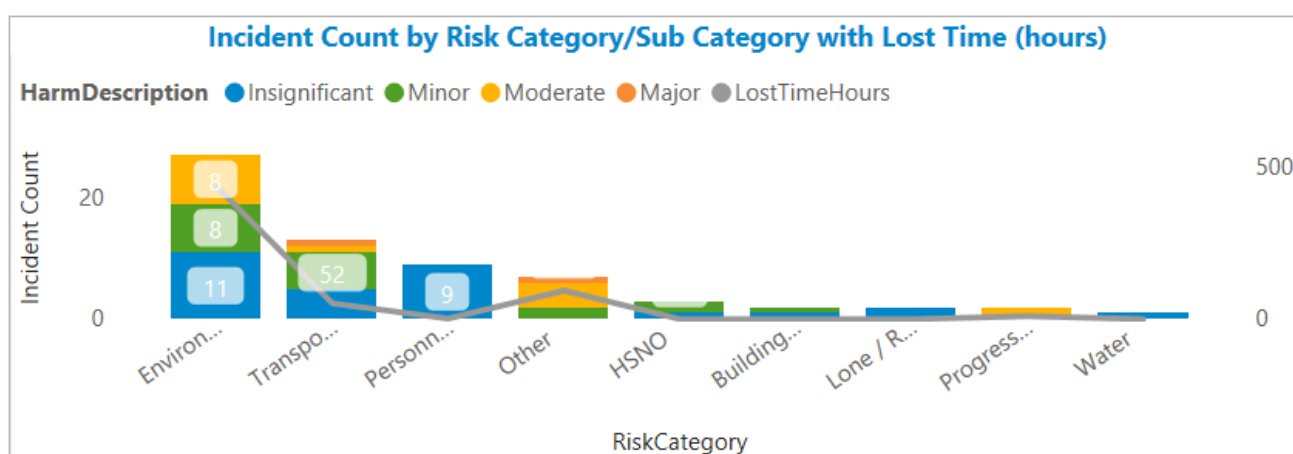


Incidents by Potential Harm



Incidents by Risk Category





4.2. Risk Management Associated with Covid-19 Lockdown

Performance, Audit and Risk Committee (PARC) report

Date of meeting	30 April 2020
Author	Nicholas Hill
Endorsed by	Miles McConway

Purpose

1. To describe risks and actions taken to address control, cyber and other security risks associated with Covid-19 lockdown arrangements.

Recommendations

That the Performance, Audit and Risk Committee:

1. **Receive this report as an update on risk management activities.**
2. **Advise staff:**
 - 2.1. **that there are no issues requiring additional risk assurance, or**
 - 2.2. **specify issues that require risk assurance reports.**

Background

2. During the Covid-19 Level 4 lockdown arrangements, risks have been actively managed within the broad constraints imposed by the lockdown.
3. Staff have been very aware to ensure that what we had pre-lockdown was transferred into the current environment and that financial, cyber security and safety risks are addressed.

Cyber Security

4. All cyber security measures remain in place as per normal office working situations. These include device and end-point monitoring, network traffic monitoring and unusual activity identification. In addition, prior to the lock-down, Business Information Services (BIS) implemented Multi-Factor Authentication (MFA) to ensure remote logging into ECan systems can only be done by registered staff members via a phone authentication acknowledgement process.
5. Assessment of matters arising has occurred, for example in implementing widescale remote working conditions the Microsoft Teams application has been used and the popular Zoom application has not been permitted, due to cyber risk uncertainty.

Finance

6. Management are still investigating potential finance impacts of COVID-19. Councillors were briefed on 25 March 2020 of the initial areas of potential lost revenue, levels of service delivery and cash flow impacts. A full 2020/21 Annual Plan budget review is being undertaken in April and further understanding will be gained to the impacts on the current year-end financial reserves.
7. Aided by technology, all financial controls and processes have been maintained.
8. Risks and impacts on financial matters such as treasury and operational financial matters have been communicated through regular financial performance reports.

Health and Safety

9. Covid-19 has presented an unusual scenario for Health and Safety. With the majority of field work ceasing, acute harm has dropped to near zero during the level four phase while the potential for chronic harm through desk-based ergonomics and sedentary work has increased. This is mitigated through providing desk set-ups and clear messages to staff to prioritise their health safety and wellbeing.
10. There is an unknown health and safety impact through mental health and anticipating potential risk in returning to “normal” working environments in levels two and three through skill fade and physical conditioning. The mitigation for this is return to work plans. Covid specific management includes an exposure standard operating procedure (SOP) with supporting protocols, and advice for essential and safe service safe work assessment.

Attachments

Nil

File reference	[SharePoint link for this paper]
Peer reviewers	[Names of two peer reviewers who have reviewed this paper]

5. Performance

5.1. Action List

Performance, Audit and Risk Committee (PARC) report

Date of meeting	Thursday, 30 April 2020
Author	Nicholas Hill, Risk and Improvement Manager
Endorsed by	Miles McConway, Director Finance & Corporate Services

Purpose

1. The purpose of this report is to record matters raised at the Performance, Audit and Risk Committee meetings that require substantial follow up actions and to provide delivery times and accountability.

Recommendations

That the Performance, Audit and Risk Committee:

1. receives the Action List

Attachments

- Current PARC Action List

Performance, Audit & Risk Committee Action List

Status Key: Not started In progress Complete

No.	Action	Source	Responsibility	Status
2	<u>Finance</u> : Sensitive Expenditure report presentation and consider audience	PARC 28/11/2019	Catherine Schache	

5.2. 8+4 Forecast Report

Performance, Audit and Risk Committee (PARC) report

Date of meeting	2 April 2019
Author	Tarsha Triplow, Team Leader Corporate Reporting
Endorsed by	Miles McConway, Director Finance & Corporate Services

Purpose

1. To report the 2019/20 8+4 forecast results compared to the original 2019/20 budget and to provide some early commentary of predicted cashflow impacts of Covid19.

Recommendations

That the Performance, Audit and Risk Committee:

1. **Note the results of the 2019/20 8+4 forecast and note the anticipated effect upon the year end result.**

Background

2. Forecasting takes place on a 4+8 and 8+4 basis annually and is reported to the Performance, Audit and Risk Committee as part of our prudent financial management responsibilities.
3. Given the potential effects of Covid-19 and the review of the draft Annual Plan 20/21 that is now underway the year end results will continue to be reviewed and forecasted.

2019/20 8+4 Forecast

4. The 8+4 forecast contains actual financial results for the first 8 months of financial year, plus 4 months of re-forecast revenues and expenditure.
5. In early March 2020, budget holders, assisted by the Finance Business Partners, carefully and fully reviewed each budget. The revised forecast will play a part in providing a view of the opening reserves balance for the 2020-21 Annual Plan.
6. Forecast operating revenue has been adjusted upwards by \$3.0 million and expenditure is anticipated to decrease by \$1.25 million, resulting in a surplus of \$2.8 million being \$4.25 million better than budget and a lower draw on reserves.

7. The reduced spend has been across a number of Portfolio's such as Regional Leadership \$1.4 million, Transport and Urban Development \$1 million and Freshwater Management \$1.8 million, these Portfolio's all incurred delays to their programmes. Hazards, Risk and Resilience will spend more than budget (\$750k) due to the Rangitata flooding event.
8. Summary of forecast vs budget operating activity by Portfolio:

For commentary on each variance, please refer to the attached 8+4 Forecast 2019-20 March 20 summary document.
9. Summary of the estimated Reserves closing balance as at 30 June 2020 is in the attached 8+4 Reserves 2019-20. To note is the General reserve with an estimated closing balance of -\$865k versus policy amount of \$3 million.
10. Subsequent to the 8+4 forecast being completed, Council on the 16th April approved the additional use of \$250k from General Reserves to fund recovery and future planning work proposed.

COVID- 19 Impacts

11. At this stage the impacts of the COVID-19 pandemic is still in the investigatory stage.
12. Key essential works are still progressing during COVID-19. Further work is underway to understand impact.
13. Some significant delays in planned field work is expected. Further work is underway to understand impact.
14. Initial research into user pays has identified some **potential lost revenue** in these areas:

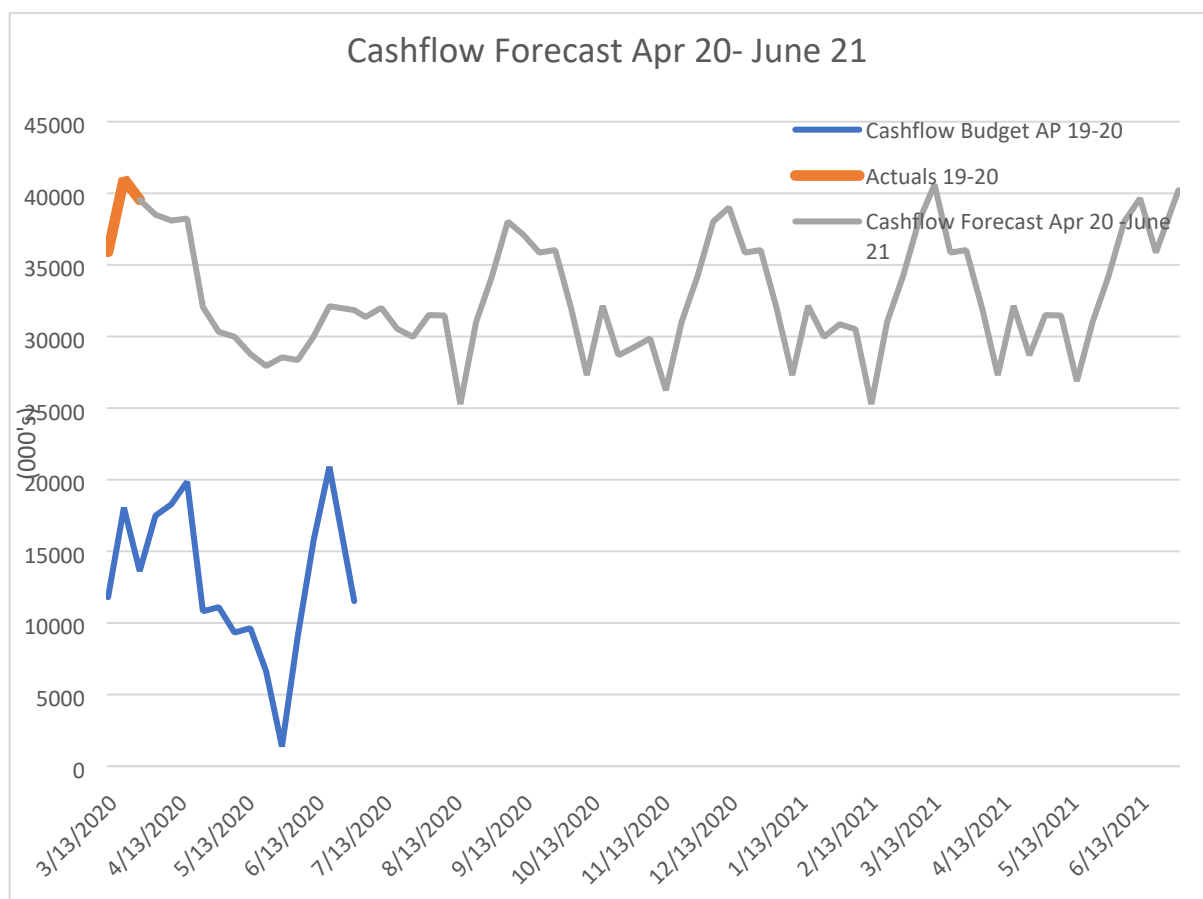
User Pays	
<i>Service</i>	<i>Per Mth (\$000)</i>
EMTC Training recoveries	8
Fluvial Monitoring	29
Gravel Permits	4
Water metering compliance	20
Consent Monitoring (field)	120
Potential losses	181

15. **Resource consenting processing:** The section is up and running and most of the consent planners can continue to work 40 hours. The dependency is on application continuing to be lodged. There is currently 2 weeks' worth of chargeable work in the system. An application a day is currently coming in versus the usual approximately 4 applications we would normally see. Most consultants have confirmed they will be up and running too, so we may see applications continue to roll in over the next few weeks, but we will have to wait and see.

16. Additional **public transport costs** (cleaning etc offset by reduced costs) and the lost user pays revenue has been agreed to be 100% funded by NZTA.
17. **Rates income:** TA's are working their way through options for ratepayers – penalty relief, potential postponement or remissions are expected. Depending on the TA's decisions this will affect our future rates revenue and receipt timings. The estimate for unbudgeted rates revenue is \$2m. Unbudgeted rates revenue occurs as a result in the change in capital values from when we set the rates and when the rates are struck in the territorial authorities rating systems.
18. **Land lease rent:** staff are reviewing these arrangements to check that there isn't any COVID-19 fall out to these agreements.

Cashflow

19. An estimate of our future cashflows has also been updated for what we currently understand might be our cashflow.
20. Assumptions include the use of the 8+4 forecast figures and the draft 20/21 Annual Plan.
21. Cash does not always match reserves. Reserves have a combination of capital, operating costs /revenue, depreciation, non-cash movements like valuations and overhead costs. For example, the Reserve attachment shows operating reserves of \$14.5m at 30 June 2020 but cashflow is expected to be approximately \$30m.



Legal compliance and risk assessment

22. The purpose of the 8+4 forecast is to identify projects or other costs that are not currently on track and to consider whether further corrective action is required. This is to ensure potential financial issues are minimised or avoided.

Attachments

1. **2019/20 8+4 Forecast Summary:** 8+4 Forecast 2019-20 (March version)
2. **2019/20 8+4 Forecast Summary:** 8+4 Reserves 2019-20

File reference	[SharePoint link for this paper]
Peer reviewers	Mark Smith, Team Leader Business Partnership Katherine Harbrow, CFO

2019/20 8+4 Forecast Summary

Table 1: OPERATING PORTFOLIO VIEW

PORTFOLIO	REVENUE				EXPENDITURE				SURPLUS/(DEFICIT) (\$000)				% COMMENTS
Forecast vs Budget	8+4	BUD	VAR	%	8+4	BUD	VAR	%	8+4	BUD	VAR		
Air Quality	3,051,399	2,925,444	125,955	4.3%	2,642,871	3,206,915	-564,044	-17.6%	408,528	-281,471	689,999	-245.1%	Reduced expense by predominantly using digital channels for the winter campaign. Subsidies are underspent in some airshed due to a lower uptake than anticipated. There is an expectation that demand for subsidies in coming years will increase as burners pass their 'use-by' date. Overall the portfolio was downscaled with fewer/different roles that had to be recruited causing a lag in spend.
Regional Leadership	28,565,547	28,244,994	320,553	1.1%	28,719,328	29,804,575	-1,085,247	-3.6%	-153,781	-1,559,581	1,405,800	-90.1%	Plan Change 1 to the HWRRP is now operative, few submissions and no appeals were received on this plan change reducing costs. The Consent Review in Ashburton is progressing more slowly than expected with some farmers needing more time to assess the impact on their viability, reducing costs for this project. The Land and Water Plan is proceeding to a hearing in mid-May.
Hazards, Risk and Resilience	29,051,801	27,435,887	1,615,914	5.9%	29,254,589	26,889,046	2,365,543	8.8%	-202,788	546,841	-749,629	-137.1%	Hazards Portfolio 8+4 forecast position has been impacted by Catchment flood response and emergency works from the December rainfall events; land remediation costs on ECan-owned leased land in WEC; and Kainga Stormwater costs offset in part by savings from resource gaps in the first half of the year. Much of the overspend noted above is funded from existing reserves however Rangitata River's reserve is expected to go into deficit by year end. Refer to separate PARC report on use of reserves for this.
Biodiversity and Biosecurity	17,416,504	10,515,124	6,901,380	65.6%	18,750,975	11,905,908	6,845,067	57.5%	-1,334,470	-1,390,784	56,313	-4.0%	The 8+4 position currently has a small surplus due to less expenditure (than budgeted) in biosecurity for rabbit control programmes in South Canterbury as a result of successful virus control. Other biodiversity programmes including Braided Rivers and Wetlands are on track with a small over-expenditure on ecology and pest monitoring costs.
Transport and Urban Development	79,929,822	86,364,558	-6,434,736	-7.5%	77,959,736	85,440,738	-7,481,002	-8.8%	1,970,086	923,820	1,046,266	113.3%	The most significant driver is the underspending on bus contract payments, NZTA index is lower than what was budgeted, service improvement has been delayed and Employment Relations Act changes are still to be finalised. Other drivers include TEFAR project for travel demand management not going ahead, transport modelling work on hold, less IT costs due to capital project timing, and less spending on marketing and innovation projects. The underspending is partly offset by less fare revenue due to reduced patronage, higher Total Mobility costs due to increased usage, and unbudgeted costs for On-Demand Public Transport in Timaru.
Freshwater Management	32,818,524	32,353,150	465,374	1.4%	30,710,638	32,043,333	-1,332,695	-4.2%	2,107,886	309,817	1,798,069	580.4%	Underspend due to the delays in the RMA Water Framework programme for Plan Change 7, the first hearing will commence in May 2020 with expenditure expected to come back in line to budget by year end. Also in the Zone and Regional Delivery programme there were delays in the Whakaraupo project and in Ground Water Science there were resourcing gaps and delays. Due to the delays in these programmes and some other projects the Portfolio is expected to be underspent by \$1.8m.
Total	190,833,598	187,839,158	2,994,441	1.6%	188,038,137	189,290,514	-1,252,377	-0.7%	2,795,461	-1,451,356	4,246,818	-292.6%	

Notes

An increase in Revenue or Expenditure is indicated by a positive variance
An increase in the use of Reserves is indicated by a negative Surplus/(Deficit) variance

Acronyms

RPMP - Regional Pest Management Plans
HWRRP - Hurunui and Waiau River Regional Plan
RMA - Resource Management Act
TEFAR - Targeted Enhance Funding Assistance Rate
NZTA - New Zealand Transport Agency

RESERVE CALCULATION					
2019/20 Estimated Closing Balance					
	2018/19	2019/20		2019/20	POLICY
	CLOSING	8+4 FORECAST	Other	CLOSING FORECAST	(AUG 17)
GENERAL RESERVE	-1,797	1,178	-345	-965	3,000
CATCHMENT RATING	8,402	-497	-1,995	5,911	8,100
REGIONAL PARK	-316	-538	742	-112	-
CIVIL DEFENCE	-561	302	-72	-331	250
AIR QUALITY	82	457	226	765	-
HEALTHIER HOMES CANTERBURY	-173	-53	-	-226	
CLEAN HEAT RESERVE	1,481	4	-	1,485	-
ENERGY EFFICIENCY	142		-142	-	-
BIOSECURITY	39		-	39	-
PEST RATING	2,055	-742	-	1,313	500
PUBLIC TRANSPORT	4,786	1,623	-7	6,402	3,640
OPERATING RESERVES	14,139	1,734	-1,593	14,280	15,490

5.3. Public Transport Financial Update

Performance, Audit and Risk Committee (PARC) report

Date of meeting	30 April 2020
Author	Stewart Gibbon Senior Manager, Public Transport
Endorsed by	Nadeine Dommissie Chief Operating Officer

Purpose

1. To provide an update on the financial performance of Public Transport

Recommendations

That the Performance, Audit and Risk Committee:

1. Receives the financial update on Public Transport

Attachments

Public Transport financial report

Public Transport Financial Update March 2020

Background

The following analysis is based on financial results for the nine-month period from 1 July 2019 to 31 March 2020. Monthly activity and risks are outlined at the end of the report.

Financial Results

The table below provides details of expenditure levels for the nine months beginning 1 July 2019 to March 2020 and also the various funding sources. The financial result is also compared to the 2019/20 Annual Plan budget.

\$000	Year to Date			
FUNDING OF SERVICES - REVENUE	Act	Bud	Var	%
Rates	19,133,027	19,133,027	0	0%
Grants	23,379,355	25,332,577	(1,953,221)	-8%
User pays and other	14,490,261	15,531,024	(1,040,763)	-7%
Revenue (excluding TEFAR projects)	57,002,643	59,996,628	(2,993,985)	-5%
Revenue (TEFAR projects)	880,171	3,520,685	(2,640,514)	-75%
Total Revenue	57,882,814	63,517,313	(5,634,499)	-9%
DELIVERY OF SERVICES - EXPENDITURE	Act	Bud	Var	%
Expenditure (excluding TEFAR projects)	56,122,775	59,068,546	(2,945,771)	-5%
Expenditure (TEFAR projects)	0	3,520,685	(3,520,685)	-100%
Total Expenditure	56,122,775	62,589,231	(6,466,456)	-10%
Reserve Accumulation / (Use)	Act	Bud	Var	
Surplus / (Deficit) (excluding TEFAR projects)	879,868	928,082	(48,214)	
Surplus / (Deficit) (TEFAR projects)	880,171	0	880,171	
Total Surplus / (Deficit)	1,760,039	928,082	831,958	

Expenditure is under budget year to date by \$6.5m. The most significant driver of this is bus contract payments which are \$4m under budget.

- Funding approval for proposed service improvements was received from NZTA in December 2019 at the standard 51% FAR rate. PT will work through what service improvements can be delivered and when.
- NZTA indexing is lower than expected resulting in lower than forecast bus contract costs.
- The timing of Employment Relations Act changes has been driven by regional and national discussions, meaning finalised service changes have not yet been implemented.

Technology costs are under budget by \$784k due to capital project timing impacting on depreciation, also budgets for some innovation projects will be carried over to 2020/21.

CCC Infrastructure funding allocation is \$585k under budget due to a lower claim rate so far this year.

Performance, Audit and Risk Committee 2018-04-26

Total Mobility remains ahead of budget by \$329k due to increased usage and also timing of grant funding for vehicle trusts. March expenditure is accrued based on the average usage in previous months, this will be adjusted in the April accounts to reflect the impact from Covid-19.

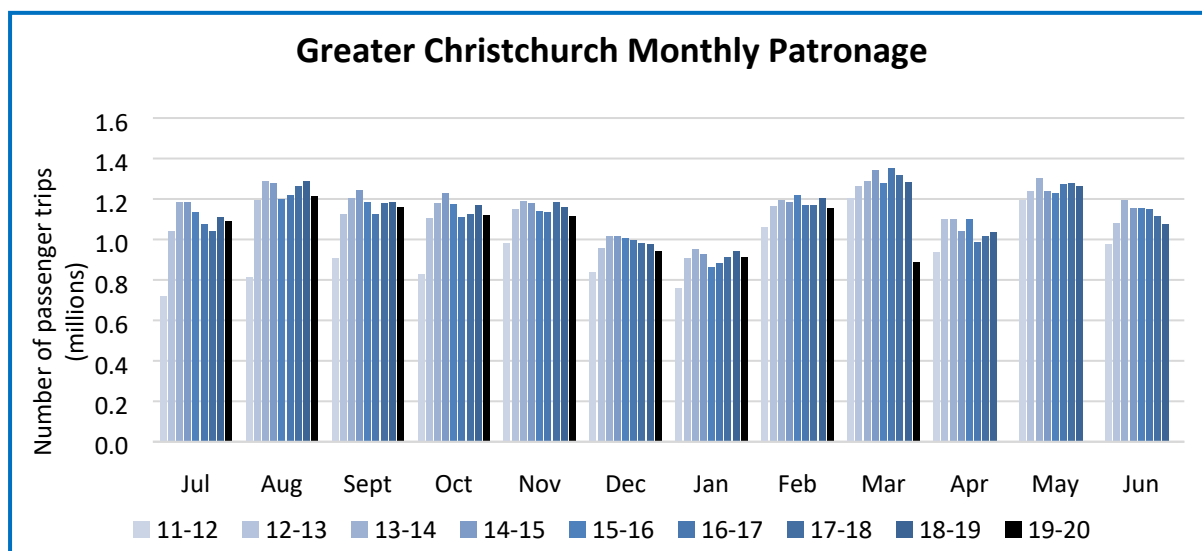
Revenue is currently under budget by \$5.6m, primarily as a result of lower than budgeted grant claims from NZTA, aligned with the under-budget expenditure year to date across the key public transport areas of Bus Contracts, IT projects and Infrastructure claims.

Total Mobility revenue is over budget by \$197k reflecting a higher grant claim from NZTA responding to increased usage.

Fare revenue is under budget, patronage continues to track lower than last year driven by reduced transfers as a result of land use changes. Fare revenue loss associated with the Covid-19 crisis will be funded 100% from NZTA (23 March to 30 June 20).

Monthly Activity

Patronage – Fiscal year to Date



GREATER CHRISTCHURCH	March 2020	Y-T-D	Prev Yr. Comparison
Patronage	889,614 (-30.7%)	9,600,979	↓ 6.91%
Farebox Recovery	29.3	36.1	↓ 2.3

March 2020 saw a significant negative impact on patronage growth (-30.7%) for the fiscal year attributable to the COVID-19 event.

The fiscal Y-T-D patronage remains negative with -6.91% growth for 2019/20.

Farebox Recovery

In the recently adopted Canterbury Regional Public Transport Plan the farebox recovery target has been reviewed. The annualised target is now to maintain or improve on the current level of farebox recovery, that being 38.2, by 2024.

March 2020's farebox recovery was 29.3 taking the 2019/20 year to date ratio to 36.1 a decrease of 2.3 compared to the same time last year. This has again been driven by Covid-19. It is important to note that March 2020's farebox recovery currently does not include any additional NZTA revenue payment. Once this figure has been finalised March 2020's farebox recovery will increase.

March 2020's average fare was \$1.74 ex GST for Greater Christchurch compared to \$1.77 ex GST for March 2019. From 23 March 2020 Canterbury's fares became free due to the Covid-19 National lockdown resulting in a reduction of the average fare for March 2020. As with the farebox recovery March 2020's average fare will also increase with the expected NZTA revenue payment.

Payment Type

Payment Type	MetroCard	Cash	SuperGold Card	Other e.g. Complimentary passes etc
March 2020	77.7%	12.0%	10.1%	0.2%

Cash fares made up 14.2% of payments and Metrocards 69.6% for March 2019.

Community Transport

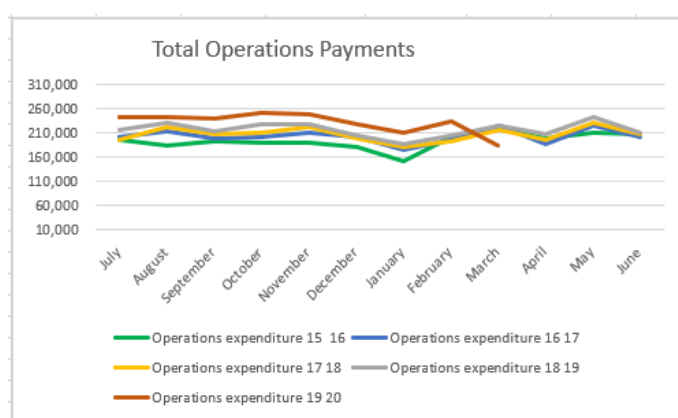
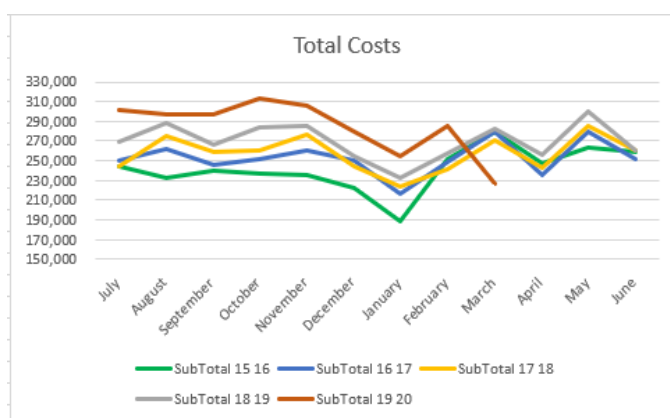
Community Transport (combined Total Mobility and vehicle trusts) Y-T-D is tracking over budget year to date.

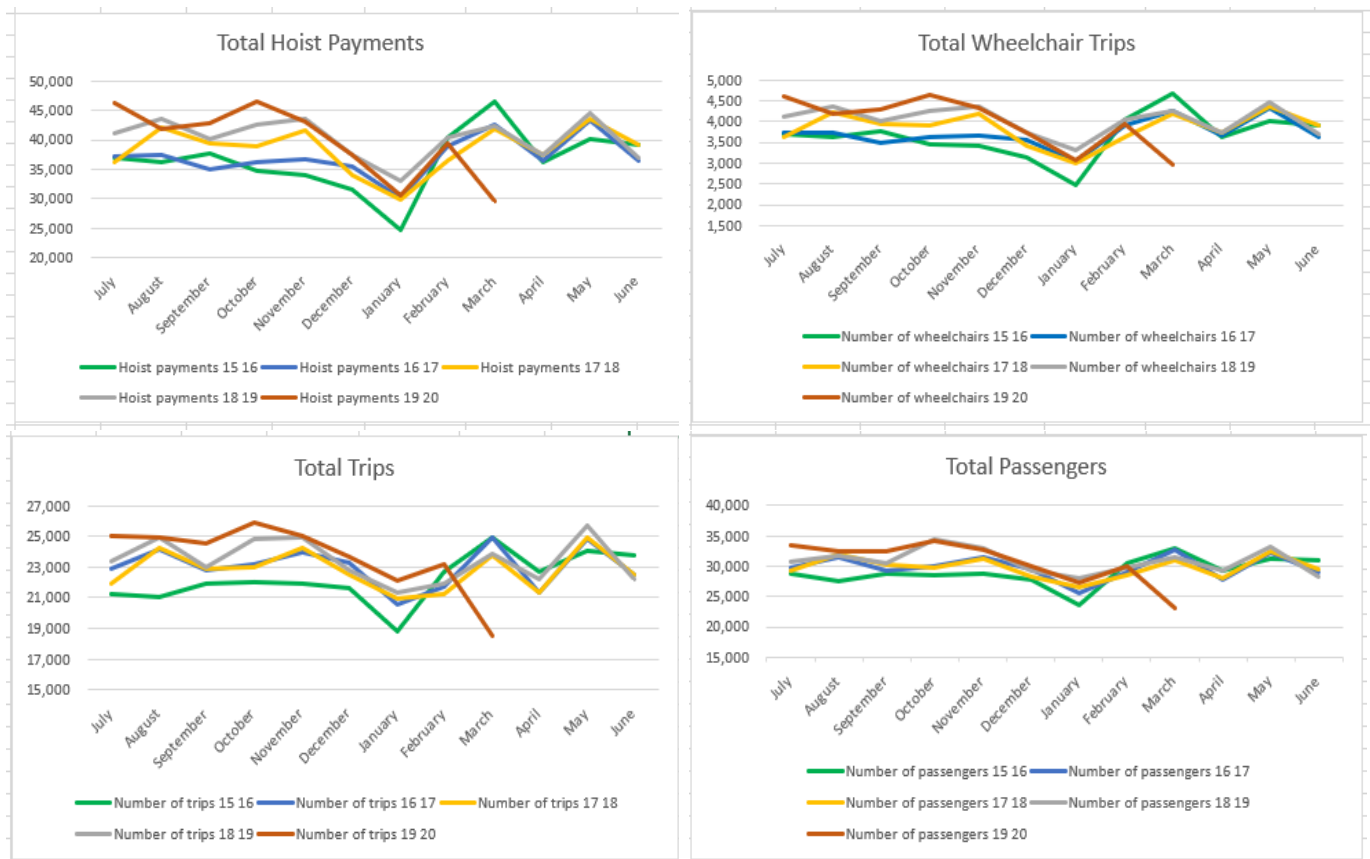
\$'000	Year to Date			
FUNDING OF SERVICES - REVENUE	Act	Bud	Var	%
Rates	956,664	956,664	0	0%
Grants	1,926,259	1,742,746	183,513	11%
User pays and other	16,391	2,876	13,516	470%
Total Revenue	2,899,314	2,702,286	197,029	7%
DELIVERY OF SERVICES - EXPENDITURE	Act	Bud	Var	%
Total Expenditure	3,031,850	2,702,650	329,200	12%
Reserve Accumulation / (Use)	(132,536)	(365)	(132,171)	

Community Transport costs are 12% over budget due to phasing of Vehicle Trust grants being paid in July and increased usage of Total Mobility services. Total Mobility is 11.8% over budget. March expenditure is accrued based on the average usage in previous months, this will be adjusted in the April accounts to reflect the impact from Covid-19.

Usage year to date is 0.91% up against last year in terms of trips, with wheelchair trips being down 1.9%. The number of trips decreased significantly in March due to Covid-19 lockdown.

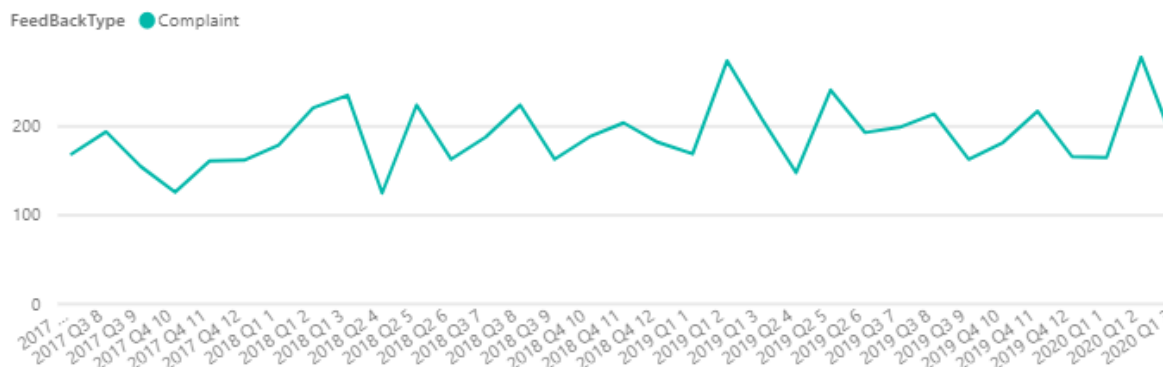
Average subsidised fare for the fiscal year is \$9.78 compared to \$9.26 last year. The increase is primarily driven by the increased hoist usage across the year. (It is interesting to note that hoist/wheelchair trips were lower in January and February, compared to last year). As can be seen from the trends below, March usage is significantly down as a result of the COVID response to travel restrictions.





Feedback

Complaints continue to track consistently, averaging 189 per month. This translates to a complaint rate of 0.017% per year



Project Updates

The following Projects are currently in flight:

Real Time Information System

Two suppliers have been shortlisted. The project has been paused while we work through a number of elements relating to the interchange ownership change and consider how the Future PT Business case project will consider this project

Employment Relations Act	<p>The industry has been collaborating at a national level to establish some common principles in the interpretation and application of the changes relating to breaks in the Employment Relations Act. These common principles were received in December and have been socialised with local operators.</p> <p>Work is now underway developing new timetables where appropriate in collaboration with operators which will then be used to determine the cost impost of the legislation change</p>
Service Improvements	<p>Council approved funding for the 2019/20 annual plan to enable service improvements to be delivered in a number of key areas on the network based on the expectation from NZTA of enhanced funding of 75%. This level of funding did not eventuate. In December NZTA subsequently advised that funding at the standard funding rate of 51% had been approved. Given the COVID event, this work has been put on hold</p>
Timaru On Demand Transport	<p>The On-Demand pilot in Timaru has been underway through February will strong engagement from participants. As a result of COVID, MyWay has been expedited to full operational delivery to support the essential travel needs of the Timaru community during the COVID event. Usage has been extremely positive with a growing number of new users registering with the app and utilising the service</p>
Leeston/Darfield trials	<p>The Darfield service continued to show a good level of engagement, to the point where it now requires a larger capacity vehicle which has been provisioned. Leeston continued to track well following introduction of a revised fare structure. The COVID event has meant these services have been suspended for the moment.</p>

Network Risk Summary

RISKS	MONTHLY UPDATE
Additional costs associated with extensive road works and detours	Moderate: The incidence of detours across the network has reduced significantly in the current year. The risk remains, however, and there are a few large roading projects planned for 2019 which are likely to impact the network.
Fuel price increase	Moderate: Fuel prices are tracking down slightly as a result of COVID highlighting its volatility. The Fuel Market Bill currently being considered by government could result in reductions in fuel prices later this year.
Potential for operator to collapse due to contracted market	Moderate: Staff continue to work with operators to ensure they can operate sustainably. The impact of COVID on public transport usage and bus operators is significant. Government have provided funding support to offset lost fare revenue through to 30 June 2020, however this does not cover non-public transport services.
Road User Charge increase	High: Road User Charges increased 2019 with a further increase scheduled for 2020 as part of the Government's Transport funding programme. This will also impact on the NZTA Index

<p>Risk of insufficient NLTP funding to match local share</p>	<p>High: The NLTP funding envelope is under significant pressure nationally, resulting in grant funding to match local share for service improvements challenging.</p> <p>There is a risk that grant funding to support cost scope adjustments across the 3-year NLTP budget envelope may be insufficient or unavailable to match increased costs incurred due to indexing, and contract changes. NZTA have confirmed they have funding contingency to respond to ERA cost changes. We are currently engaged with NZTA to understand and gain surety around this funding pressure.</p> <p>It should be noted that there will be a negative impact on revenue gathering from Fuel Excise and Road user Charges as a result of COVID that is a key source of funding for the National Land Transport Fund</p>
<p>Bus driver retention</p>	<p>High: Bus operators advise that driver pool capacity is satisfactory in Canterbury at present, with normal rates of turnover and recruitment activity. However, changes to the Employment Relations Act will potentially see:</p> <ul style="list-style-type: none"> • A need for more drivers to fulfil current timetabled service outcomes • A negative impact on total remuneration hrs for drivers <p>These factors may impact on driver retention and recruitment. Government and industry are working collaboratively to identify solutions to these issues.</p> <p>COVID has had a material impact on availability of drivers with approximately 30% of the driver workforce in Canterbury being in the COVID at risk category. This will impact on the level of service we are able to provide through this event</p>
<p>Employment Relations Act Changes</p>	<p>Moderate: Changes to the Employment relations Act came into effect on 6 May 2019. An interim solution has been put in place following industry agreement with a 12-month period established to develop and deliver a sustainable long-term solution. As noted under Projects, work continues with industry to develop and finalise a long-term solution.</p> <p>The key goal of this work is to minimise and balance service impact, cost impact while ensuring driver entitlements. Depending on the outcomes and constraints identified, this may result in either additional cost or some reductions in service levels.</p>
<p>COVID-19</p>	<p>High: The COVID-19 has had a severe impact on Public Transport. Travel restrictions have seen patronage drop to around 5% of normal.</p> <p>Government has designated Public Transport as an essential service to support essential workers and essential travel. Government has instructed public transport to be free and has provided funding to offset fare loss. This is a critical response from government to ensure the public transport industry is sustained through this crisis, retaining employment and the ability to stand public transport back up to full operation as the event changes. Driver availability and physical distancing</p>

	restrictions will impact on the level of service that can be provided for some time.
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5.4. Portfolio Financial Report March 2020

Performance, Audit and Risk Committee (PARC) report

Date of meeting	Thursday, 30 April 2019
Author	Tarsha Triplow Team Leader Corporate Reporting
Endorsed by	Katherine Harbrow Chief Financial Officer

Purpose

1. To report on portfolio financial performance for the period ended 31 March 2020.

Recommendations

That the Performance, Audit and Risk Committee:

1. **Receives the Portfolio Financial report for the period ended 31 March 2020.**

Background

2. The Performance, Audit and Risk Committee (PARC) Portfolio Financial Report includes financial performance information for the period ended 31 March 2020. Service delivery will be explained in the quarterly Portfolio Performance Report.

Overall Performance

3. As at 31 March 2020, we had an operating surplus of \$7.31M (million) compared to a budgeted deficit of \$0.86M, a favourable variance of \$8.16M.
4. The variance is a result of spending \$8.50M less than budget and receiving \$0.34M less revenue than budget. The lower expenditure is across all portfolio's, with Public Transport expenditure being the largest (\$7.09M). This is due to service delivery improvement delays that are awaiting funding approvals from NZTA. Freshwater Management (\$1.87M), and Regional Leadership (\$1.14M) are the other main ones and these are due to delays in work programmes and lower consent applications respectively. This is partly offset by Biodiversity and Biosecurity (\$1.88M) above budget spend due to the National Wilding Conifer programme.
5. Revenue is lower than budget, primarily in Public Transport (\$5.93M) as noted above due to waiting for grant funding approval from NZTA for service delivery improvements. Biodiversity and Biosecurity has additional revenue (\$3.83M) due to MfE grant revenue for the National Wilding Conifer programme.

Financial Performance

6. The performance of each portfolio is displayed in the attached report. The significant variances by Portfolio are:
- a. Biodiversity & Biosecurity - \$1.95M (million) better than budgeted deficit, due to \$3.83M more revenue and \$1.88M more expenditure. Additional revenue and expenditure both relate to the National Wilding Confer Programme.
 - b. Regional Leadership – \$1.57M better than budgeted deficit, is due to less community engagement activities leading up to the local body elections and lower consent applications. Ngāi Tahu and Regional Relationships has received additional grant funding for the Canterbury Regional Economic Development Strategy programme.
 - c. Freshwater Management - \$1.77M better than budget due to lower expenditure in the RMA Water Framework it is likely this will now continue into year end. The remaining lower expenditure is due to vacancies and delays to work programmes that are now nearly back on track.
 - d. Hazards, Risk and Resilience - \$0.89M better than budget due to additional revenue of \$1.25M due to a number of factors including delayed forestry income from last year and gravel authorisations and bulldozing work. Expenditure is overspent by (\$0.37M) which is small variances spread across all programmes apart from a larger variance in Flood Protection of \$0.75M relating to Rangitata river recovery.
 - e. Public Transport - \$1.17M better than budget due to lower revenue and expenditure across the programmes. The most significant variable contributing to this is the bus contract payments.

Attachments

1. Portfolio Financial Report year to date 31 March 2020

File reference	[SharePoint link for this paper]
Peer reviewers	Miles McConway, Finance & Corporate Services

Reporting Period

7/1/2019 3/31/2020

Previous Period (YTD)

	Revenue	Expenditure	Surplus/Deficit
Actual	\$123.72M	\$117.03M	\$6.69M
Budget	\$124.18M	\$124.82M	-\$0.64M
Variance	-\$0.46M	-\$7.79M	\$7.33M
% Var	-0.37%	-6.24%	

Current Period (YTD)

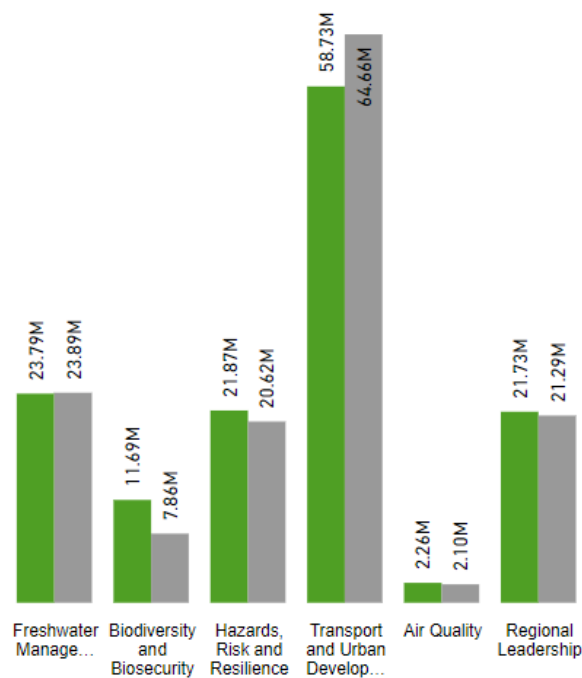
	Revenue	Expenditure	Surplus/Deficit
Actual	\$140.08M	\$132.78M	\$7.31M
Budget	\$140.42M	\$141.28M	-\$0.86M
Variance	-\$0.34M	-\$8.50M	\$8.16M
% Var	-0.24%	-6.02%	

Current Month Movement

	Revenue	Expenditure	Surplus/Deficit
Actual	\$16.36M	\$15.75M	\$0.62M
Budget	\$16.25M	\$16.46M	-\$0.21M
Variance	\$0.12M	-\$0.71M	\$0.83M
% Var	0.73%	-4.32%	

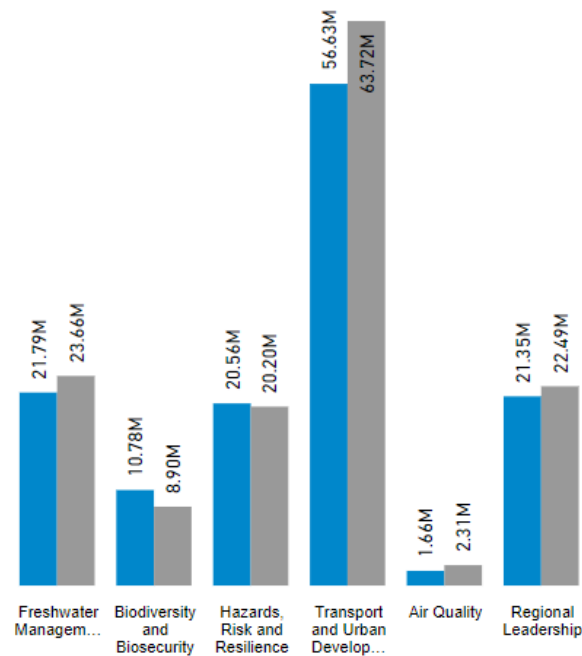
Revenue

● YTD Actual ● YTD Budget



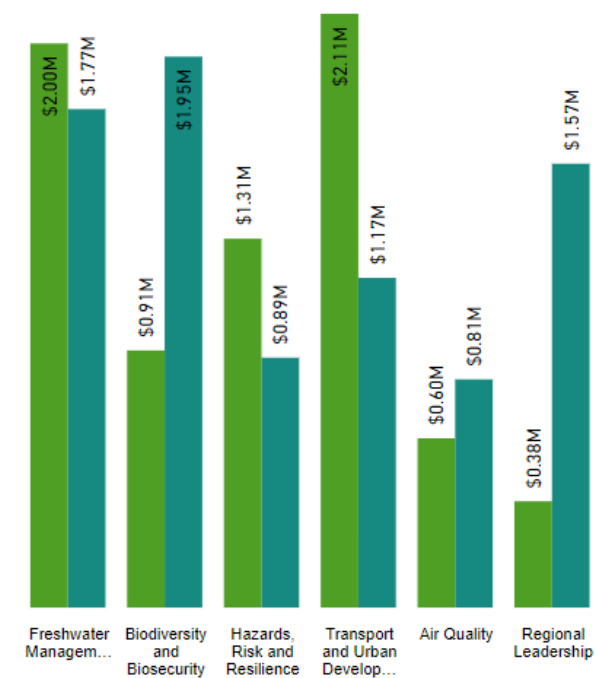
Expenditure

● YTD Actual ● YTD Budget



Surplus/Deficit

● YTD Actual ● YTD Variance to Budget



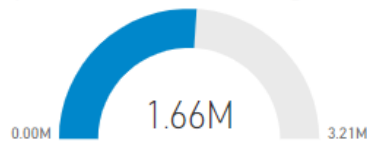
Reporting Period

7/1/2019

3/31/2020

Air Quality

YTD Actual Expenditure vs Full Year Budget



51.80%

YTD Actual/Full Year Budget %

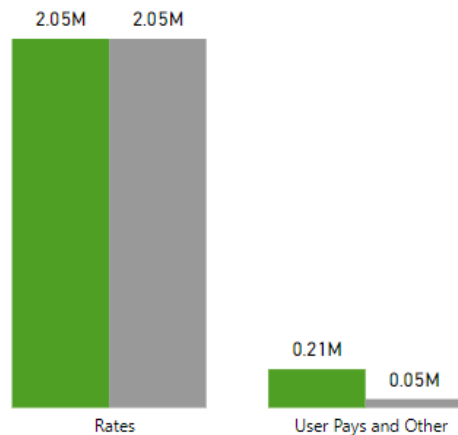
	Revenue	Expenditure	Surplus/Deficit
Actuals	2.26	1.66	0.60
Budget	2.10	2.31	-0.21
Variance	0.17	-0.64	0.81
%Variance	7.89%	-27.93%	

Revenue

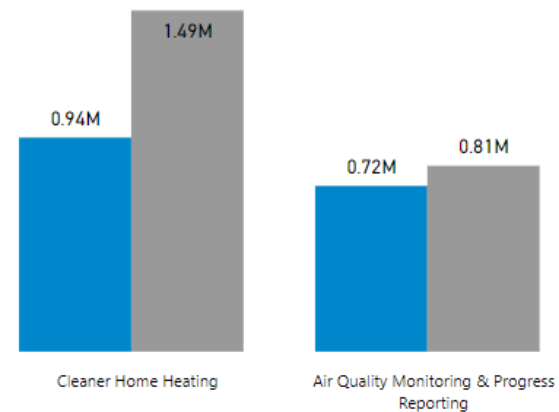
Expenditure

Cantabrians are installing fewer subsidised burners than we predicted which is resulting in budget underspend against the Cleaner Home Heating programme. We are therefore reviewing the design of our financial assistance scheme to better align with our objective of supporting Cantabrians with limited means to transition to cleaner forms of home heating, while efficiently using the reserves which fund the scheme. Other underspend relates to a reduction in costs for the 2019 winter campaign and unspent funds for the upcoming 2020 winter campaign. A portfolio surplus is forecast at year end primarily related to subsidies.

● YTD Actual Revenue ● YTD Budget Revenue



● YTD Actual Expenditure ● YTD Budget Expenditure

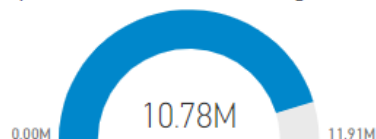


Reporting Period

7/1/2019 3/31/2020

Biodiversity and Biosecurity

YTD Actual Expenditure vs Full Year Budget



90.56%

YTD Actual/Full Year Budget %

	Revenue	Expenditure	Surplus/Deficit
Actuals	11.69	10.78	0.91
Budget	7.86	8.90	-1.04
Variance	3.83	1.88	1.95
%Variance	48.75%	21.10%	

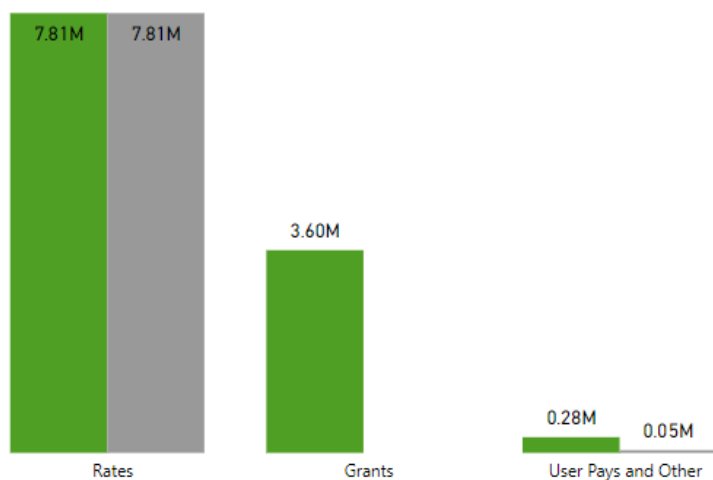
Revenue

Grant revenue will remain over budget due to external funding from the Ministry for Primary Industries (MPI) for the National Wilding Conifer Control Programme.

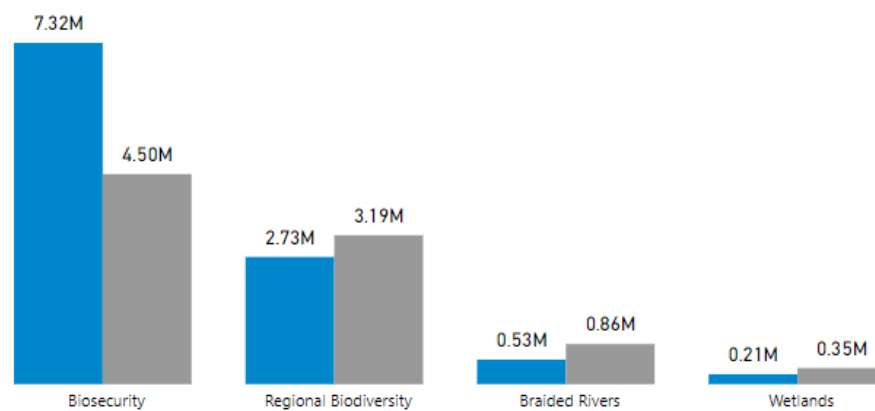
Expenditure

Biosecurity expenditure is greater than budget due to increased Wilding Conifer control, however COVID-19 restrictions may reduce our ability to spend MPI funds within the current financial year. Other biosecurity programmes continue to be under budget due to delays caused by weather and other seasonal impacts. Key projects are being positioned to recommence as soon as possible, but (subject to when restrictions ease), it's likely that budgets will remain underspent at year end.

● YTD Actual Revenue ● YTD Budget Revenue



● YTD Actual Expenditure ● YTD Budget Expenditure

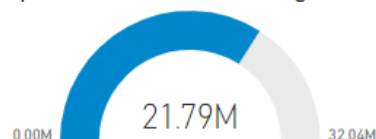


Reporting Period

7/1/2019 3/31/2020

Freshwater Management

YTD Actual Expenditure vs Full Year Budget



67.99%

YTD Actual/Full Year Budget %

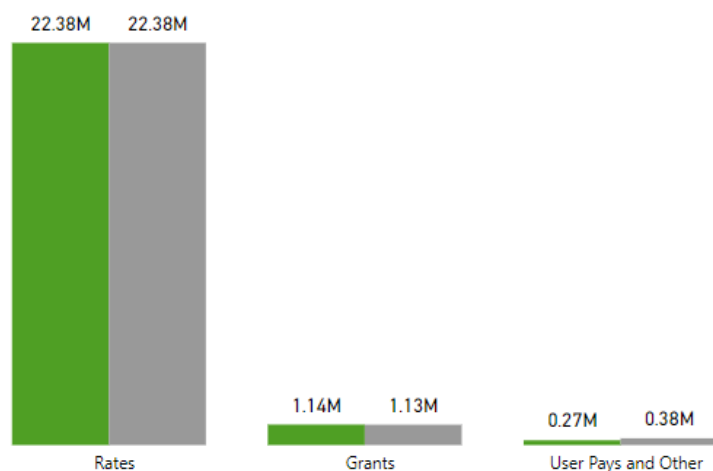
	Revenue	Expenditure	Surplus/Deficit
Actuals	23.79	21.79	2.00
Budget	23.89	23.66	0.23
Variance	-0.10	-1.87	1.77
%Variance	-0.44%	-7.91%	

Revenue

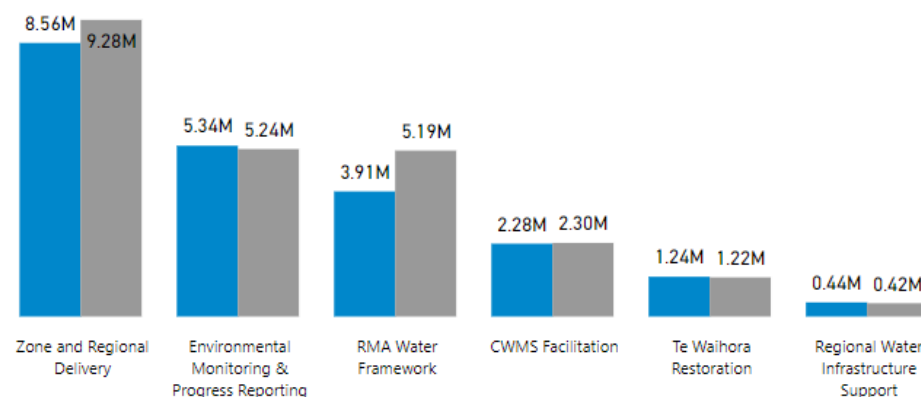
Expenditure

Portfolio expenditure under spend is occurring primarily in two Programmes: RMA Water Framework (-\$1.4M) due to the timing of expenditure related to Plan Change 7 (PC7) which will increase as we approach a hearing initially scheduled to commence May 2020 but now likely delayed. Under spend in Zone and Regional Delivery programmes is due in part through resourcing delays in ground water science which are now further delayed by COVID-19. The remainder of the variance comes from smaller variances that are occurring across a wide range of zone based projects are being progressed under the Zone and Regional Delivery programme. COVID-19 impacts suggest a continued underspend is increasingly likely.

● YTD Actual Revenue ● YTD Budget Revenue



● YTD Actual Expenditure ● YTD Budget Expenditure

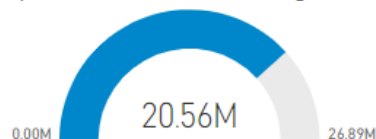


Reporting Period

7/1/2019 3/31/2020

Hazards, Risk and Resilience

YTD Actual Expenditure vs Full Year Budget



76.47%

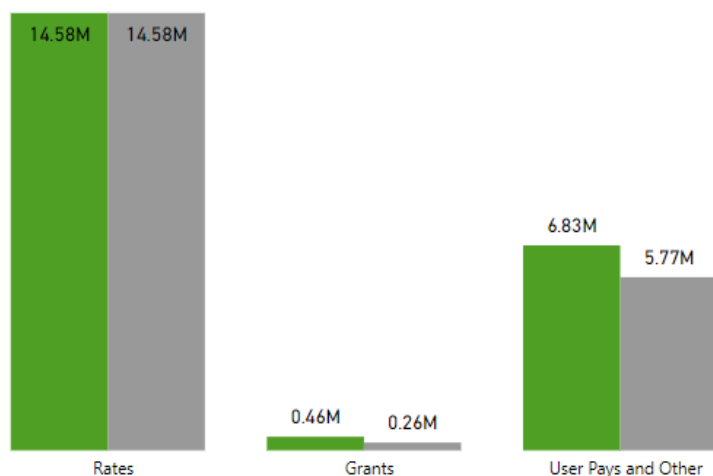
YTD Actual/Full Year Budget %

	Revenue	Expenditure	Surplus/Deficit
Actuals	21.87	20.56	1.31
Budget	20.62	20.20	0.42
Variance	1.25	0.37	0.89
%Variance	6.08%	1.81%	

Revenue

Grant Revenue is greater than budget in the Contaminated Land Hazardous Substances and Waste programme, related to the fully funded Ministry for the Environment grant for the Concours program of work. User Pays and Other is over budget due to a higher number of cruise ships than were budgeted for and delayed revenue from the 18/19 forestry harvest.

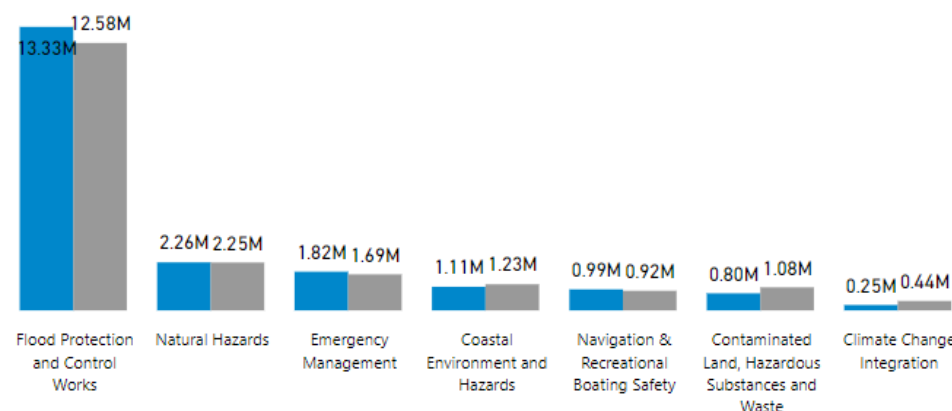
● YTD Actual Revenue ● YTD Budget Revenue



Expenditure

Contaminated Land, Hazardous Substances and Waste is under budget due to lower labour and overheads, new resources will be focussed in this programme over the final quarter and is expected to be close to budget by year end. Climate Change Integration expects to use their budget in the last quarter after a slight delay in this programme in the first half of the year. Coastal Environment and Hazards expense for sea level recorders and a hazard assessment will be received in April after the completion of these projects which will bring them back to budget. Flood Protection overspend relates to the recent Rangitata infrastructure work and will remain over budget at year end. Flood protection expenditure will be significantly reduced for March/April due to COVID19 alert level 4 restrictions. There are currently five river work sites active across Canterbury which have been carefully determined as essential work.

● YTD Actual Expenditure ● YTD Budget Expenditure



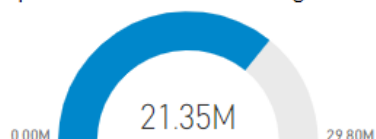
Reporting Period

7/1/2019

3/31/2020

Regional Leadership

YTD Actual Expenditure vs Full Year Budget



71.65%

YTD Actual/Full Year Budget %

	Revenue	Expenditure	Surplus/Deficit
Actuals	21.73	21.35	0.38
Budget	21.29	22.49	-1.20
Variance	0.44	-1.14	1.57
%Variance	2.05%	-5.06%	

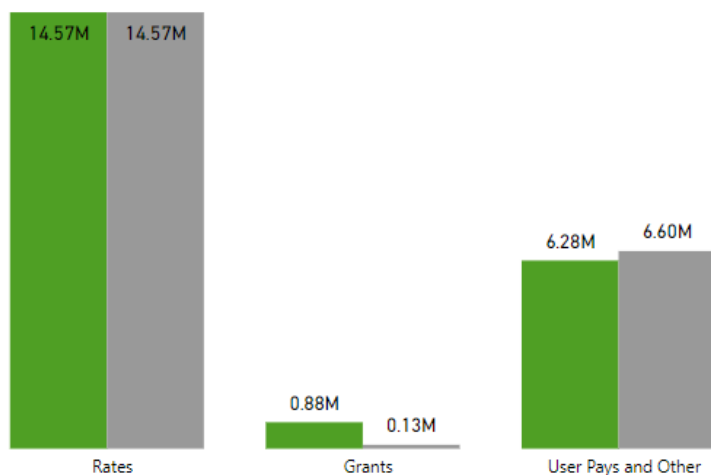
Revenue

Revenue includes additional Grants from Canterbury Regional Economic Development Strategy, additional User Pays revenues from infringement notices and reduced User Pays revenue from less resource consent work.

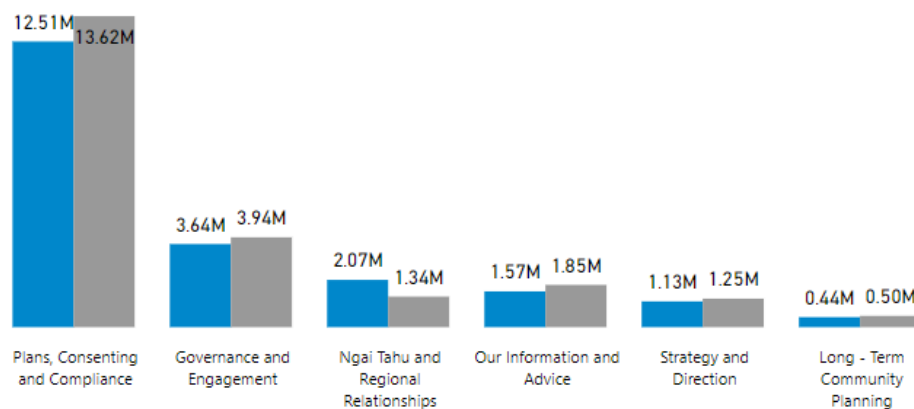
Expenditure

Planning, Consenting and Compliance expenses are under budget due to a lower amount of time being spent on consents advisory due to a focus on improving cost recovery. Changes to the Fees and Charges policy to rectify under-recovery of consents are delayed and the special consultative process will commence in July 2020. The Ngai Tahu and Regional Relationships programme remains over budget due to additional expenditure on Canterbury Regional Economic Development Strategy projects which is offset by grant revenue received from the Ministry of Business, Innovation and Employment.

● YTD Actual Revenue ● YTD Budget Revenue



● YTD Actual Expenditure ● YTD Budget Expenditure

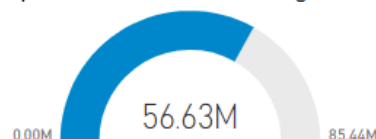


Reporting Period

7/1/2019 3/31/2020

Transport and Urban Development

YTD Actual Expenditure vs Full Year Budget



66.28%

YTD Actual/Full Year Budget %

	Revenue	Expenditure	Surplus/Deficit
Actuals	58.73	56.63	2.11
Budget	64.66	63.72	0.94
Variance	-5.92	-7.09	1.17
%Variance	-9.16%	-11.13%	

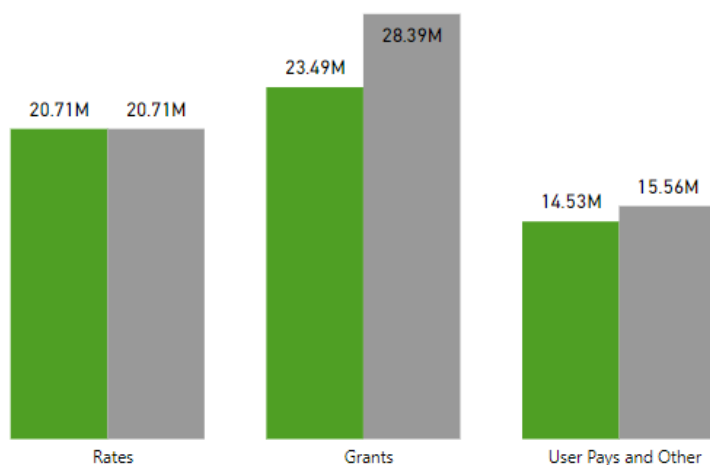
Revenue

Revenue is currently under budget primarily as a result of lower than budgeted grant claims from NZTA, aligned with the under budget expenditure year to date across the same key areas of Bus Contracts (\$2.8m), IT services (\$1.5m) and Infrastructure claims (\$585k). Total Mobility revenue is over budget by \$197k reflecting a higher grant claim from NZTA responding to increased usage.

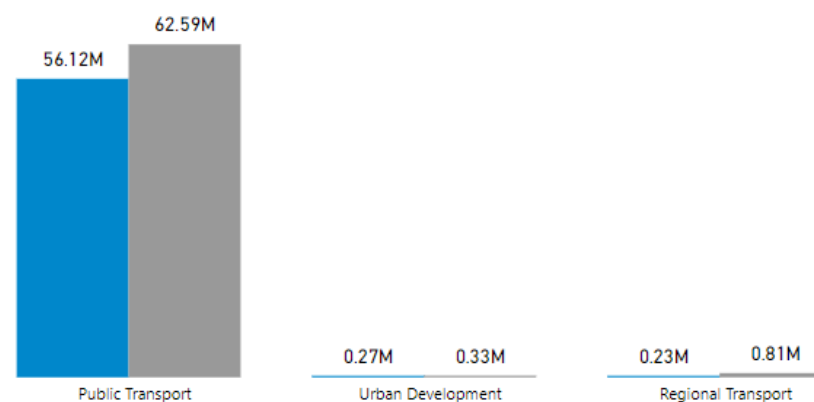
Expenditure

Key contributors to underspend year to date remain consistent. Public Transport expenditure is under budget year to date by \$6.4m. The most significant driver of this is bus contract payments which are \$3.9m under budget. The three areas impacting bus contract payments are: The Service Improvement Project which has been delayed, (NZTA approved a reduced funding amount in December 2019 and work has been underway to finalise what could be delivered within this reduced funding envelope). Employment Relations Act changes are still to be finalised and this may impact numbers in the final quarter. The NZTA index which is lower than what was budgeted. Other expenditure impacts are technology costs being under budget by \$614k due to capital project timing which operationally affects depreciation. CCC Infrastructure funding allocation is \$585k under budget due to a lower claim rate than anticipated this year.

● YTD Actual Revenue ● YTD Budget Revenue



● YTD Actual Expenditure ● YTD Budget Expenditure



5.5. Financial Health Reports March 2020

Performance, Audit and Risk Committee (PARC) report

Date of meeting	Thursday, 30 April 2020
Author	Tarsha Triplow, Team Leader Corporate Reporting
Endorsed by	Katherine Harbrow, Chief Financial Officer

Purpose

1. To report on the financial results for the period ended 31 March 2020.

Recommendations

That the Performance, Audit and Risk Committee:

1. receives the monthly Financial Health report for the period ended 31 March 2020.
2. receives the Bancorp Quarterly Treasury Report to 31 March 2020
3. notes the table of Council approved unbudgeted expenditure listed in this report.

Background

2. Monthly financial results are reported to the Performance, Audit and Risk Committee as part of our prudent financial management responsibilities.
3. The financial results for the period ended 31 March 2020 have been prepared and are now presented to the Performance, Audit and Risk Committee for review.

Financial Performance

Surplus/Deficit

4. As at 31 March, we had an operating surplus of \$7.31M compared to a budgeted deficit of \$0.86M, a variance of \$8.16M.
5. The variance is a result of spending \$8.50M less than budget and receiving \$0.34M less revenue than budget.

Revenue

6. Rates revenue is on budget at \$82.10M year to date. User pays and other revenue \$28.40M is on budget. Grants revenue is slightly under budget (\$0.33M) with a number of variables, Public Transport is under budget due to delayed funding by NZTA, while Biodiversity and Biosecurity are above due to the National Wilding Conifer Programme.

Expenditure

7. Goods and services are under budget by \$5.73M, Public Transport and Freshwater Management are the primary contributors and largely in Contractors and Consultancy. This is partly offset by Biodiversity and Biosecurity being over budget.
8. Overheads are under budget by \$0.91M, due to overheads being largely driven by labour which is also under budget.
9. Labour is \$1.87M under budget due to staff changes and vacancies.

Cashflow, Debtors and Debt

Treasury Performance

10. Total cash at bank (including investments) was \$43.5M as at 31 March 2020 and includes a balance on Metrocards of \$3.9M. ECan's cash balance is therefore \$39.7M compared to a policy of \$12.8M. The higher level of cash and short-term investment includes the additional \$16.0M of borrowing from LGFA drawn down in September 2019; these funds are invested in term deposits until required for capital expenditure.
11. The total debtors balance has reduced to \$2.5M with \$1.6M of that being current.
12. Capital works are 51% below budget (\$7.16M) which relates mostly to the Kainga depot, Real Time Information Systems and Water Data.

Bancorp Quarterly Treasury Report as at 31 March 2020

13. Reserve Bank recently announced that it has added \$3 billion of Local Government Funding Agency (LGFA) debt to its asset purchase programme to provide assurance to the markets around LGFA ability to continue to lend to councils. Central government support to LGFA and Environment Canterbury's current low levels of debt provide reassurance that Environment Canterbury will be able to borrow in the future.
14. Any future debt requirements will need to take into account the hedging percentages in Environment Canterbury's treasury policy and will involve a mixture of fixed and floating rates and for a recommended period of 5-7 years at current borrowing rates of less than 2%.
15. Environment Canterbury through its Treasury Oversight Committee and with the assistance of Bancorp, our fund advisor, manage our cashflow, investments and debt with a firm focus on treasury management and in accordance with Investment and

Liability Management Policy. The Investment and Liability Management Policy will be updated as part of the Long-Term Plan process or as needs arise.

Council approved unbudgeted expenditure

Council Meeting	Item	Project Type/Name	Portfolio	Amount (GST) exclusive
11 July 2019 (Public excluded)	Remediation – asbestos contamination – 568 Johns Road	Operating: Land Within WEC Catchment District (P070502)	Hazards, Risk & Resilience	
29 August 2019 (Public excluded)	Timaru On-Demand Public Transport Project	Operating: PT Demand Responsive Transport Pilots (P048740)	Public Transport	\$234,145
29 August 2019 (Public Excluded)	Kainga Depot Development funding – increased in funding to \$7.5m and change from \$2M debt funding and \$5M Kainga Reserve funding to fully debt funded	Capital: Kainga Office – Capital Work (P210007)	Asset Services	\$500,000 (additional capital)
16 April 2020	Rangitata Flood Event	Flood protection	Hazards, Risk & Resilience	\$250,000

Attachments

1. FH BI Report Mar 20 [5.5.1 - 5 pages]
2. Bancorp report March 20 [5.5.2 - 13 pages]

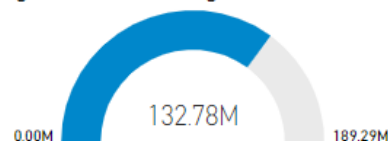
Peer reviewers	Mark Smith, Team Leader Business Partnership Nicholas Hill, Risk and Improvement Manager Miles McConway, Director Finance & Corporate Services
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7/1/2019

3/31/2020

FINANCIAL HEALTH REPORT

YTD Actual Expenditure Tracking Against Full Year Budget



	Revenue	Expenditure	Surplus/Deficit
Actuals	140.08	132.78	7.31
Budget	140.42	141.28	-0.86
Variance	-0.34	-8.50	8.16
%Variance	-0.24%	-6.02%	

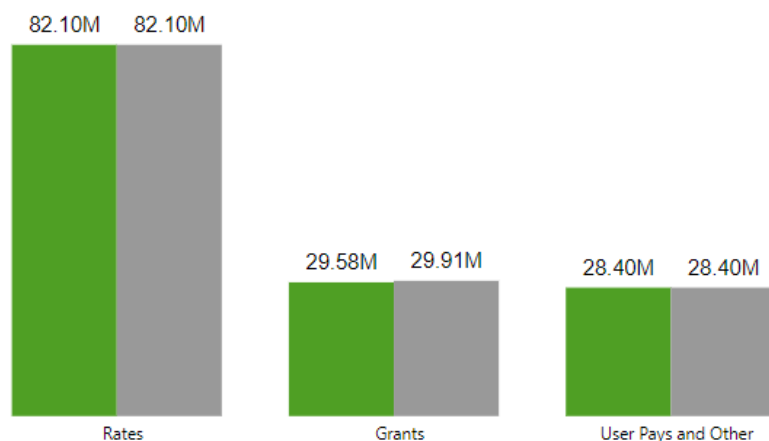
Revenue

Grants are under budget due to the Public Transport delayed projects which is largely offset in Biodiversity and Biosecurity with Wilding Conifer funding.

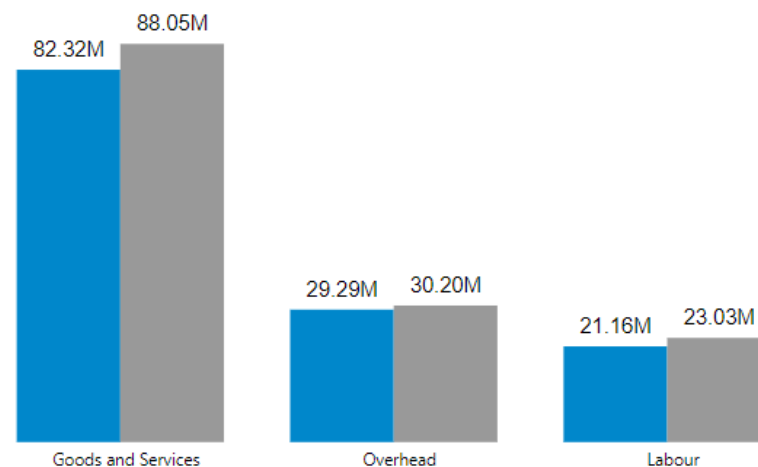
Expenditure

Goods and Services expenditure is under budget mostly in Consultancy and Contractors in Public Transport due to the delayed NZTA projects, and in Freshwater Management relating to delays in the RMA Water Framework and Whakaraupo programmes. Labour is below budget due to vacancies across the portfolio's with the biggest variance in Regional Leadership. Lower overhead costs reflect the lower labour costs.

● YTD Actual Revenue ● YTD Budget Revenue



● YTD Actual Expenditure ● YTD Budget Expenditure



Cash and Bank

as at 3/31/2020

43.5M

Cash

0.4M

Metrocard

3.9M

Investment

39.3M

Investment Details (\$000)

\$	Maturity	Days	Rate
600	17/04/2020	213	2.78%
12000	28/04/2020	216	2.74%
1000	12/05/2020	263	2.76%
1200	6/07/2020	182	2.83%
900	6/07/2020	215	2.85%
1300	20/07/2020	241	2.84%
500	28/07/2020	182	2.81%

Total Actual Cash & Bank

43.5M

Cash Reserve Policy : 12.8M

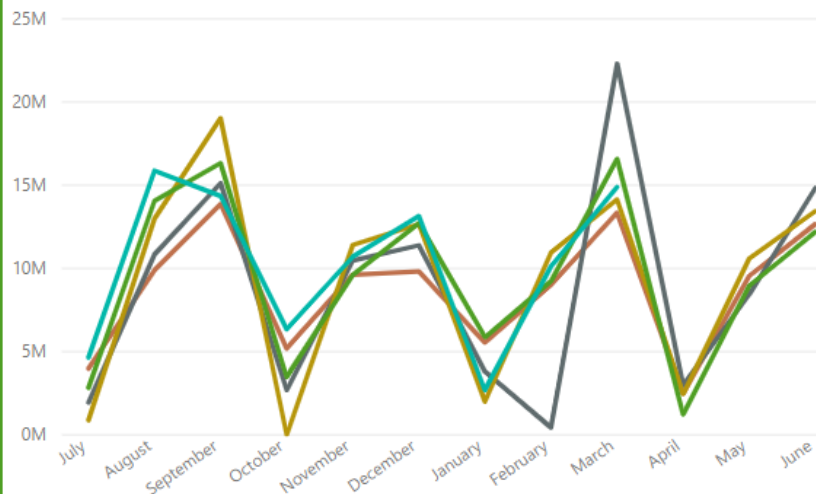
Financial Position

Cash and Bank	43.52M
Other Current Asset	13.02M
Non Current Asset	966.62M
Current Liabilities	-17.63M
Non Current Liabilities	-55.45M

Net Assets 950.07M

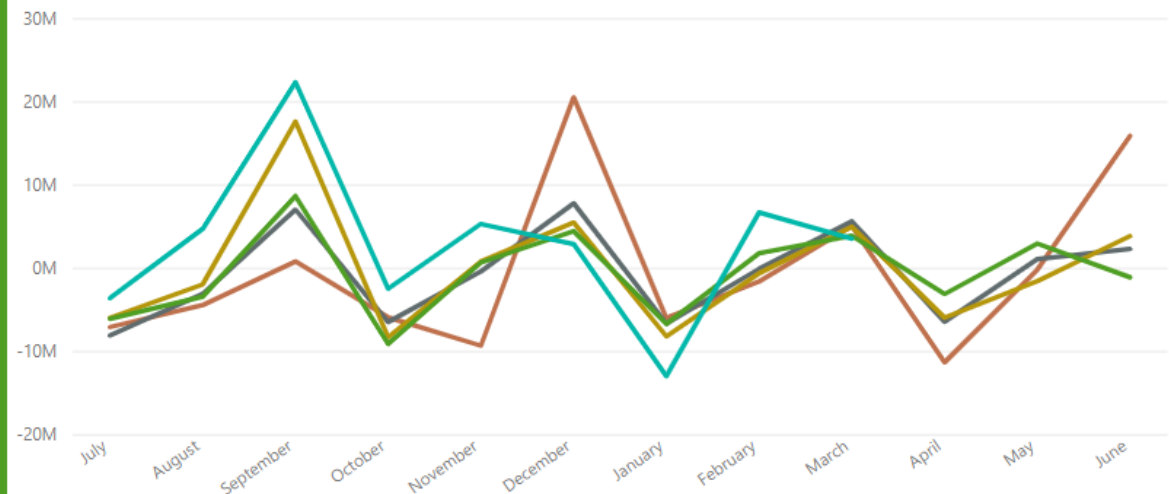
Rates Revenue Tracking Against Previous Years

Financial Year ● 2016 ● 2017 ● 2018 ● 2019 ● 2020



Cash and Bank Balance Tracking Against Previous Years

Financial Year ● 2016 ● 2017 ● 2018 ● 2019 ● 2020



Total Outstanding Debts (Excluding Rates)

Period Ending : 3/31/2020

2,455,004

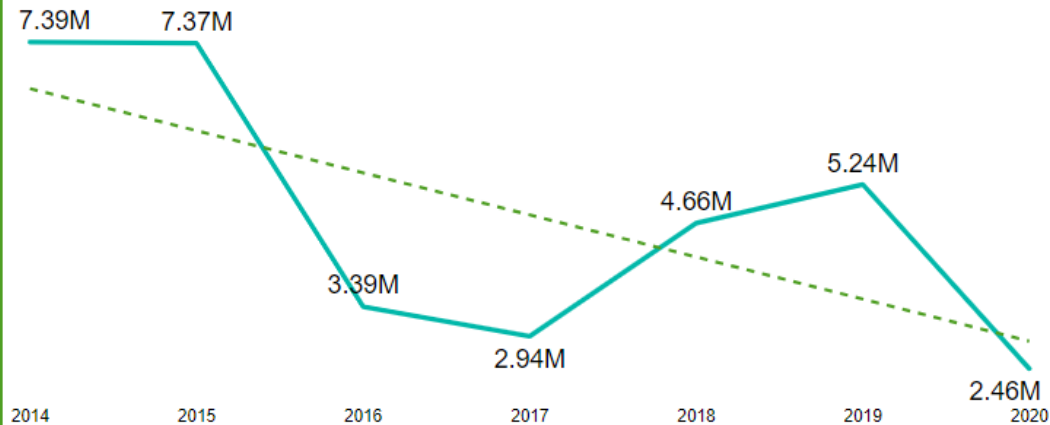


OVER 90 DAYS DEBT MANAGEMENT

Total	Reminder	Payment Arrangement	Objection/ Query	Collection Agency	Others*
0.19M	0.03M	0.00M	0.09M	0.07M	0.00M

*Others includes Debt recovery, Liens, Court Action/Infringements

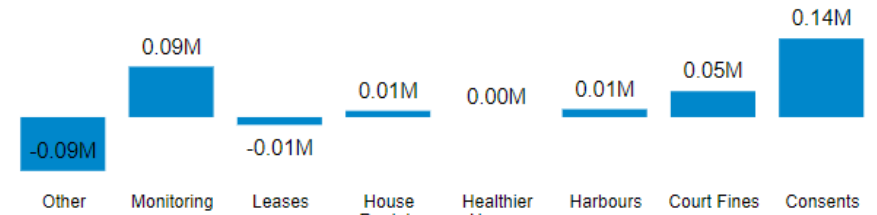
Amount by Year (Excluding Rates)



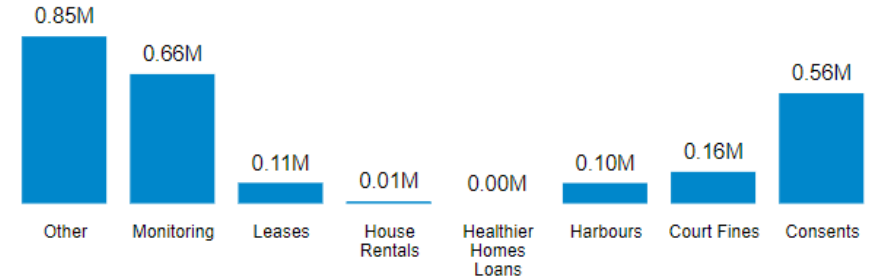
Notes

\$1.56M of the \$2.46M debt is current. Only \$0.19M is over 90 days, which is at different stages of debt management as shown above.

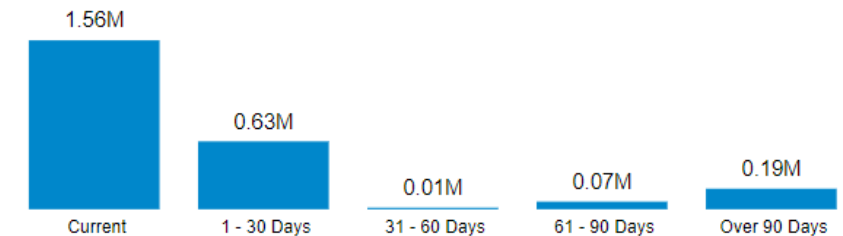
Over 90 Days Debts by Revenue Stream (Excluding Rates)



Total Debts by Revenue Stream (Excluding Rates)



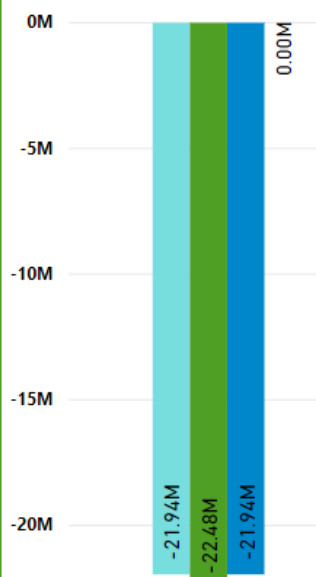
Amount by Aging (Excluding Rates)



as at 3/31/2020

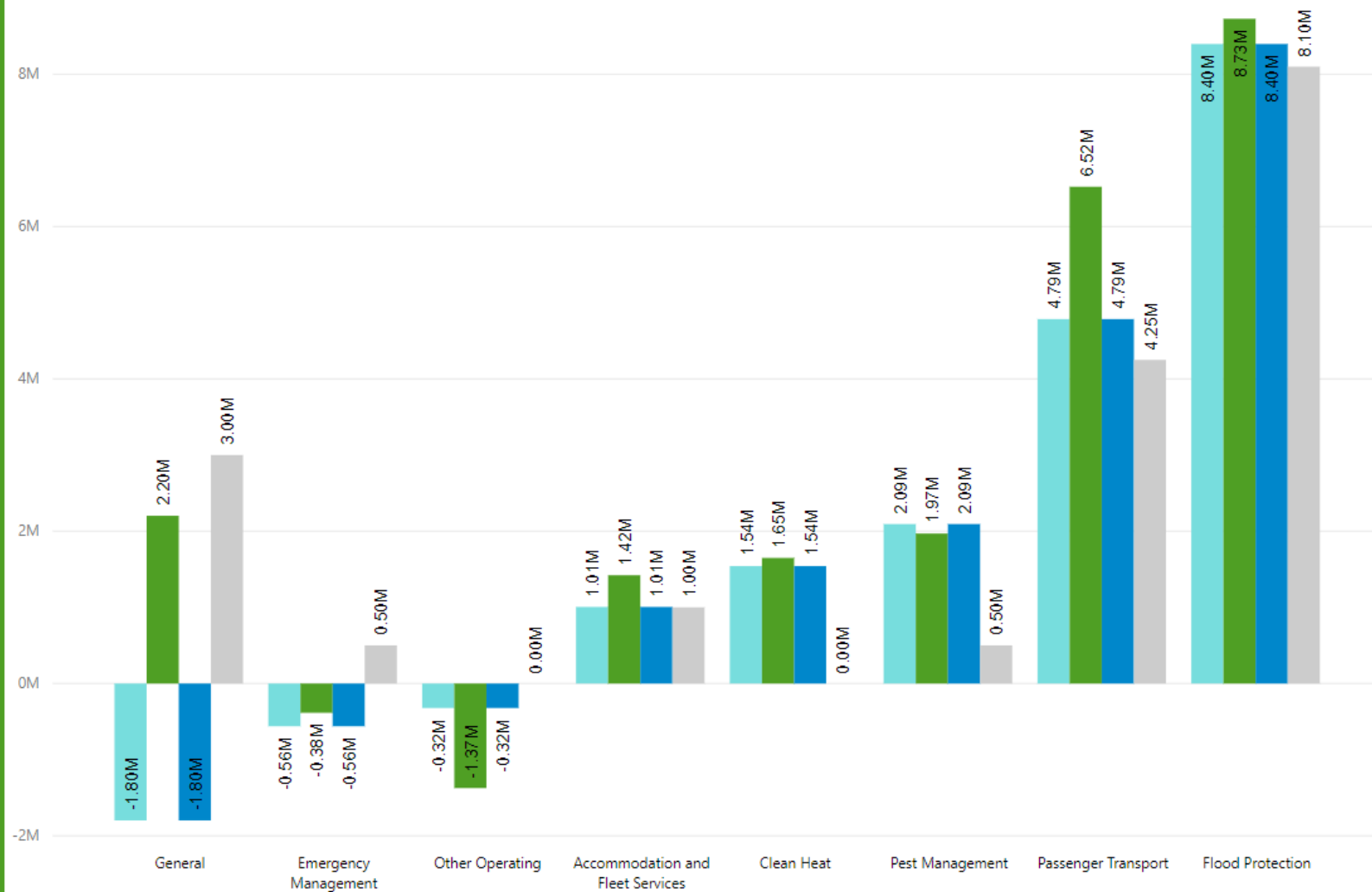
**Waimakariri Flood Protection reserve
Balance (Debt Funded)**

Open YTD Bud FY Policy



Major reserve Balances

Balance Opening Balance Actual YTD Balance Budgeted Whole FY Reserves Policy



as at 3/31/2020

6.96M!

Goal: 14.12M (-50.69%)

Notes:

Capital expenditure is \$7.16M less than anticipated for the year.

IT expenditure on the RMA Database; and Project Prioritisation Group projects are all lower than budgeted.

Catchment expenditure is higher than expected due to final costs on Waimakariri Eyre Cust Stopbank and the Rangitata Flood event.

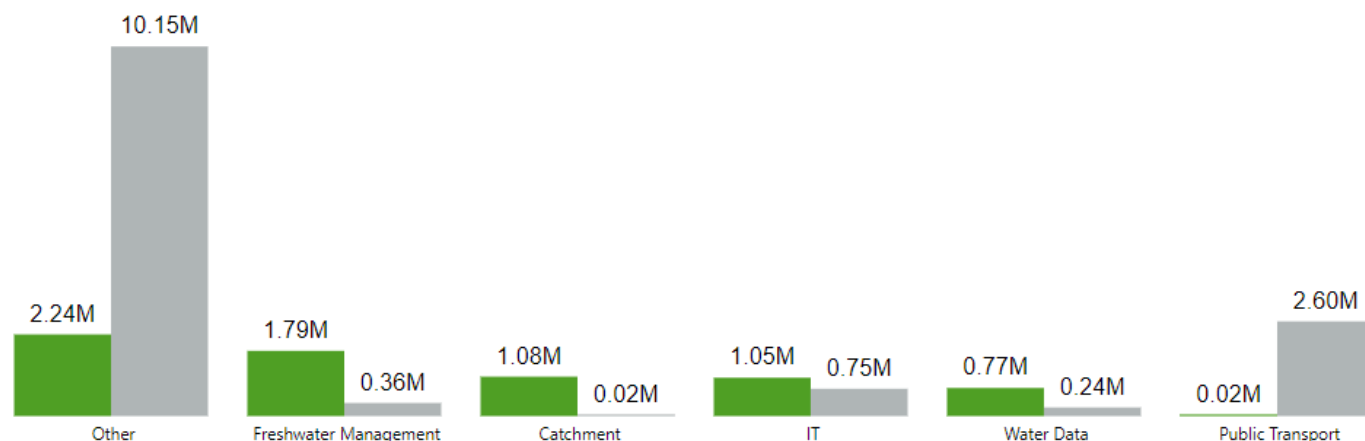
Vehicle Replacement is currently behind budget, by year end we are expecting this to be behind by \$289k. These funds will be redirected to the Tuam St Space Optimisation project.

Real Time Information System is in final stages of the Request for Proposal. This year's budget will be carried over to 2021.

Kainga Depot is currently waiting for consent, once completed the Request for Proposal will commence.

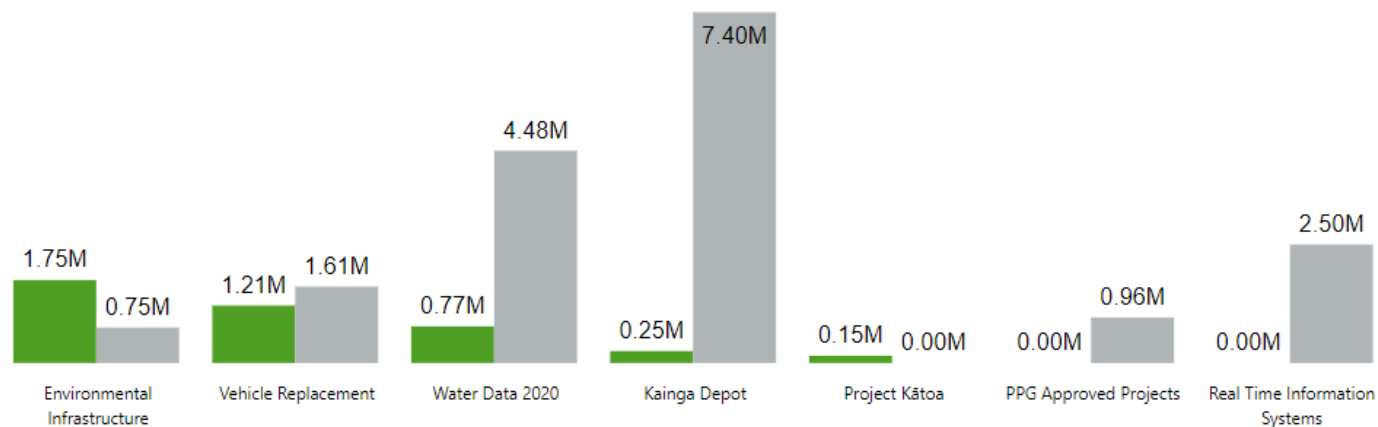
Capital Expenditure (including work in progress)

● YTD Actual ● YTD Approved



Significant Projects - Capital Expenditure (including work in progress)

● YTD Actual ● Full Year Approved



CONFIDENTIAL

TREASURY REPORT

FOR



FOR THE QUARTER ENDING 31 MARCH 2020



BANCORP

BANCORP TREASURY SERVICES LIMITED

AUCKLAND • WELLINGTON • CHRISTCHURCH

CONTENTS

1. MARKET ENVIRONMENT.....	1
1.1 GLOBAL MARKETS OVERVIEW (FOR THE MARCH 2020 QUARTER)	1
1.2 NEW ZEALAND MARKET OVERVIEW (FOR THE MARCH 2020 QUARTER)	2
1.3 LOCAL AUTHORITY SECTOR	3
2. ENVIRONMENT CANTERBURY INVESTMENT PORTFOLIOS	4
2.1 INTRODUCTION	4
2.2 BENCHMARKING – FINANCIAL MARKET INVESTMENT PORTFOLIO	4
2.3 PORTFOLIO ACTIVITY – FINANCIAL MARKET INVESTMENT PORTFOLIO	4
2.4 MATURITY PROFILE – FINANCIAL MARKET INVESTMENT PORTFOLIO	4
2.5 COUNTERPARTY EXPOSURES - FINANCIAL MARKET INVESTMENT PORTFOLIO	5
2.6 POLICY COMPLIANCE FOR THE FINANCIAL MARKET INVESTMENT PORTFOLIO	6
2.7 WORKING CAPITAL FUND	6
2.8 POLICY COMPLIANCE FOR THE WORKING CAPITAL FUND	6
3. FUNDING AND INTEREST RATE RISK MANAGEMENT	7
3.1 FUNDING	7
3.2 INTEREST RATE RISK MANAGEMENT	8
3.3 COST OF FUNDS	9

APPENDIX 1: Authorised Investment Criteria – Financial Market Investment Portfolio

APPENDIX 2: Authorised Investment Criteria – Working Capital Fund

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1. MARKET ENVIRONMENT

1.1 GLOBAL MARKETS OVERVIEW (FOR THE MARCH 2020 QUARTER)

While events in January and February were important in their own right, the real focus for the quarter was in March when the full impact of the COVID-19 pandemic was felt. During this month equity and commodity prices plunged, bond rates fell to new all-time lows and currencies had massive intra-day swings.

In response to the COVID-19 pandemic, the Federal Reserve ("Fed") cut the cash rates by 1.00% on 15 March, to a 0.0% to 0.25% range, this after an emergency cut of 50 basis points on 3 March. The Fed also announced unlimited Quantitative Easing ("QE") and for the first time ever, the Fed will be able to purchase corporate bonds and make direct loans to companies. The US government announced multiple stimulus packages. The first announcement was for USD8.3 billion, phase two was for USD104 billion and phase three, was for a massive USD2.2 trillion. The White House is talking about a further USD2 trillion of infrastructure linked spending.

The global benchmark for long term interest rates, the US 10 year Treasury bond, had a very volatile quarter. At the beginning of January, it was trading at 1.94%, on 9 March it touched a low of 0.39%, rebounded to 1.27% by 18 March and finished the quarter at 0.69%. The sharp bounce off the unprecedented lows was a result of various Fed measures to provide support to the financial system and the announcements of several government support packages.

The European Central Bank ("ECB") disappointed the market by not cutting its benchmark rate, but it offered unlimited liquidity at the deposit rate to the banking sector to provide bridge financing, it lowered the rate on its longer-term refinancing operations to banks by 0.25%, and the governing council increased bond purchases by EUR120 billion for the current year.

The Bank of England ("BOE") cut its benchmark interest rate by 50 basis points to 0.25%, and the British Chancellor unveiled a GBP30 billion spending package. The BOE then cut another 15 basis points on 19 March alongside a QE increase of GBP200 billion. The PBoC, the Chinese central bank, has also cut interest rates and the Chinese Government announced on 26 March that it was looking to implement CNY2.4 trillion (USD344 billion) of stimulus and deliver CNY1 trillion (USD145 billion) in tax cuts.

The global stimulus measures have brought some stability to financial markets, with currency volatility declining and credit spreads edging back from the blowouts seen in mid-March. Equity markets have also rebounded. With governments globally providing



liquidity at unprecedented levels, we may be starting to see the first green shoots of recovery (or at least stabilisation) but the COVID-19 pandemic crisis still has a long way to go and at some stage, someone will ask, how are we going to pay for all of this stimulus? That in itself could be sowing the seeds of the next selloff.

1.2 NEW ZEALAND MARKET OVERVIEW (FOR THE MARCH 2020 QUARTER)

	OCR	90 day	2 years	3 years	5 years	7 years	10 years
31 December 2019	1.00%	1.29%	1.28%	1.32%	1.44%	1.59%	1.78%
31 March 2020	0.25%	0.50%	0.53%	0.55%	0.63%	0.75%	0.93%
Change	-0.75%	-0.79%	-0.75%	-0.77%	-0.81%	-0.84%	-0.85%

Following the 75 basis point cut to 0.25% on 16 March, the Reserve Bank of New Zealand ("RBNZ") also delivered a Large-Scale Asset Purchase ("LSAP") programme on 23 March, committing to purchase up to NZD30 billion of New Zealand government bonds across a range of maturities over the next 12 months.

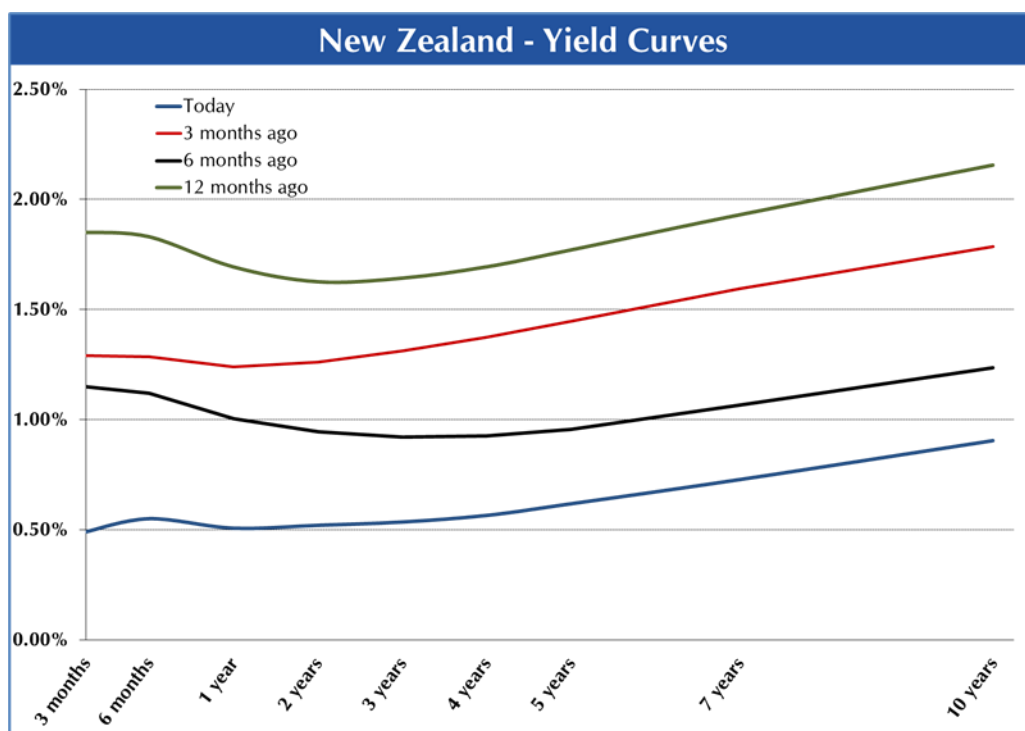
However, the RBNZ has made it clear that it is prepared to take further action if necessary. Adrian Orr, stated, *"the aim of our QE programme is to keep rates very low,"* adding, *"we are in a great position to be doing this."* To support the RBNZ, on 23 March the Finance Minister, Grant Robertson, increased the business support package by an additional NZD4.0 billion to the previously announced NZD12.1 billion for the support package.

The Government also announced that it, and the banking sector, would implement a NZD6.25 billion Business Finance Guarantee Scheme for small and medium sized businesses by offering 12 month low interest rate loans to the banks and take 80% of any credit losses that may eventuate. Another scheme has been added, for a similar amount, with a loan term of 3 years. The Government has also introduced six-month principal and interest payment holidays for mortgage holders and SME's whose incomes have been affected by COVID-19.

Swap rates have again reached fresh lows, following global bond yields. Domestic swap rates are down dramatically, with the 5 year swap rate currently 0.63%, compared to 1.44% at the end of December and the 10 year swap is now 0.93%, down from levels above 1.75% at the end of December. At the short end of the yield curve the 90 day bank bill rate is at 0.50%, with this rate anchored by the OCR which is at 0.25% and likely to stay there for a very long time. However, the RBNZ appears to have ruled out negative short term interest rates, which have been a feature of Japanese and European interest rates for quite some time.

The following chart shows the extent to which New Zealand interest rates have fallen over the past 12 months, with the dramatic fall from levels that prevailed a year ago clearly evident.





1.3 LOCAL AUTHORITY SECTOR

Listed below are the credit spreads and applicable interest rates for Floating Rate Notes (“FRN”) and Fixed Rate Bonds (“FRB”), at which Environment Canterbury (“Ecan”) could source debt from the Local Government Funding Agency (“LGFA”). These rates are based on an implied S&P Global Ratings long term credit rating of ‘A+’, which the LGFA uses to price Ecan debt.

Maturity	Credit Spread	FRN (or CP) Rate	Fixed Rate Bond
3 month CP	0.50% (0.12%)	1.01% (1.32%)	N/A
6 month CP	0.50% (0.12%)	1.05% (1.32%)	N/A
May 2021	0.74% (0.41%)	1.23% (1.61%)	1.20% (1.58%)
April 2022	0.83% (0.44%)	1.32% (1.64%)	1.32% (1.68%)
April 2023	0.95% (0.54%)	1.44% (1.74%)	1.42% (1.78%)
April 2024	1.04% (0.60%)	1.53% (1.80%)	1.58% (1.92%)
April 2025	1.17% (0.65%)	1.66% (1.85%)	1.73% (2.05%)
April 2027	1.39% (0.79%)	1.88% (1.99%)	1.98% (2.26%)
April 2029	1.48% (0.80%)	1.97% (2.00%)	2.30% (2.50%)
April 2033	2.08% (0.98%)	2.57% (2.18%)	3.06% (2.79%)

As can be seen from the table, credit spreads have increased exponentially during the March quarter. However, the fall in underlying interest rates has more than compensated for the increase in the credit spreads, with overall borrowing costs lower (with the exception of the 2033’s), especially at the short to medium end of the yield curve.

2. ENVIRONMENT CANTERBURY INVESTMENT PORTFOLIOS

2.1 INTRODUCTION

Ecan has two financial market investment portfolios, as follows.

- Financial Market Investment Portfolio ("FMIP") that is used for longer term investment purposes. As at 31 March, the nominal value of the FMIP was \$5.0 million.
- Working Capital Fund ("WCF") that is used for cash management purposes. As at 31 March, the nominal amount of the WCF was \$0.5 million.

2.2 BENCHMARKING – FINANCIAL MARKET INVESTMENT PORTFOLIO

For the purposes of measuring the performance of the FMIP, its weighted average yield on 31 March is measured against the average of the yields of the 90 Day Bank Bill rate and the S&P/NZX Corporate 'A' Grade Index on 31 March.

The 90 Day Bank Bill rate closed on 31 March at 0.50% and the S&P/NZX 'A' Grade Corporate Index yield at 1.67%, producing an average of 1.085%. The running yield of the FMIP on 31 March was 2.82%, unchanged from the end of March.

2.3 PORTFOLIO ACTIVITY – FINANCIAL MARKET INVESTMENT PORTFOLIO

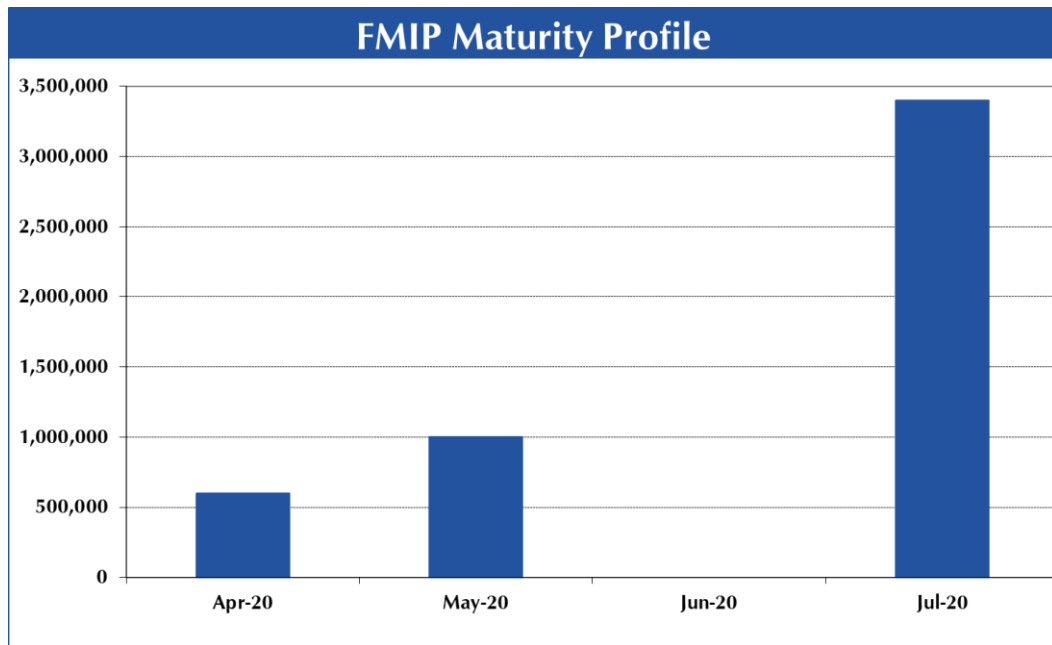
The FMIP consists entirely of bank TDs. There were no maturities during the March quarter. The table below details the investments held in the FMIP as at 31 March.

Bank	Instrument	Rating	Maturity	Term	Rate	Nominal
BNZ	Term Deposit	A-1 +	17-Apr-20	213 days	2.78%	\$600,000
ASB	Term Deposit	A-1 +	12-May-20	263 days	2.76%	\$1,000,000
BNZ	Term Deposit	A-1 +	06-Jul-20	248 days	2.85%	\$900,000
BNZ	Term Deposit	A-1 +	06-Jul-20	215 days	2.83%	\$1,200,000
BNZ	Term Deposit	A-1 +	20-Jul-20	241 days	2.84%	\$1,300,000
TOTAL						\$5,000,000

2.4 MATURITY PROFILE – FINANCIAL MARKET INVESTMENT PORTFOLIO

The maturity profile of the FMIP ranges from April 2020 to July 2020 and is depicted in the graph on the following page.

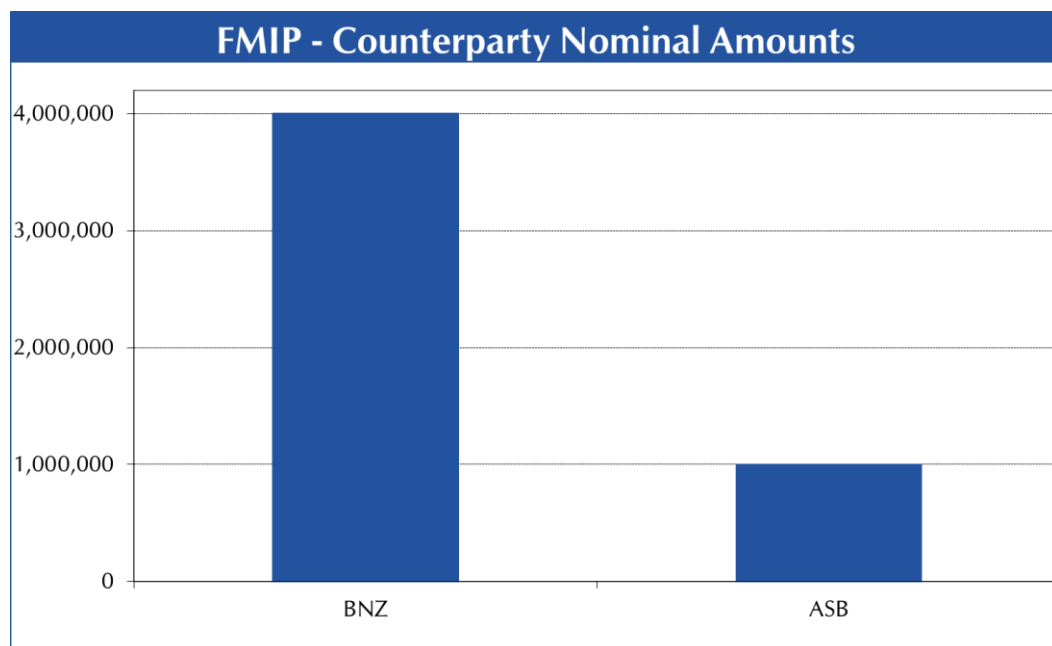




2.5 COUNTERPARTY EXPOSURES - FINANCIAL MARKET INVESTMENT PORTFOLIO

Ecan manages its FMIP within the Authorised Investment Criteria matrix that is contained in Appendix 1 of this report.

As at 31 March, FMIP investments were held solely in TDs, with \$4.0 million, or 75% of the portfolio invested with BNZ and 25% of the portfolio invested with ASB, both of which have S&P Global Ratings short term ratings of 'A-1 + '.



2.6 POLICY COMPLIANCE FOR THE FINANCIAL MARKET INVESTMENT PORTFOLIO

	Yes/No
<i>Have all transactions been entered into in accordance with the policy?</i>	Yes
<i>Are the investments complying with maximum percentage limits for counterparties?</i>	Yes
<i>Are all investments complying with the credit rating criteria?</i>	Yes
<i>Are all investments complying with approved financial market investment instruments criteria?</i>	Yes
<i>Are all investments complying with the authorised asset class criteria?</i>	Yes
<i>Are all investments complying with the portfolio limits for each asset class?</i>	Yes

2.7 WORKING CAPITAL FUND

As at 31 March the WCF had the following investments.

Bank	Instrument	Rating	Maturity	Term	Rate	Nominal
BNZ	Term Deposit	A-1 +	28-Jul-20	182 days	2.81%	\$500,000

2.8 POLICY COMPLIANCE FOR THE WORKING CAPITAL FUND

	Yes/No
<i>Have all transactions been entered into in accordance with the policy?</i>	Yes
<i>Are the investments complying with maximum percentage limits for counterparties?</i>	Yes
<i>Are all investments complying with the credit rating criteria?</i>	Yes
<i>Are all investments complying with approved financial market investment instruments criteria?</i>	Yes
<i>Are all investments complying with the authorised asset class criteria?</i>	Yes
<i>Are all investments complying with the portfolio limits for each asset class?</i>	Yes



3. FUNDING AND INTEREST RATE RISK MANAGEMENT

3.1 FUNDING

As at 31 March, Ecan had \$54.0 million of debt sourced from the LGFA, in ten separate tranches. Details of Ecan's debt are as follows:

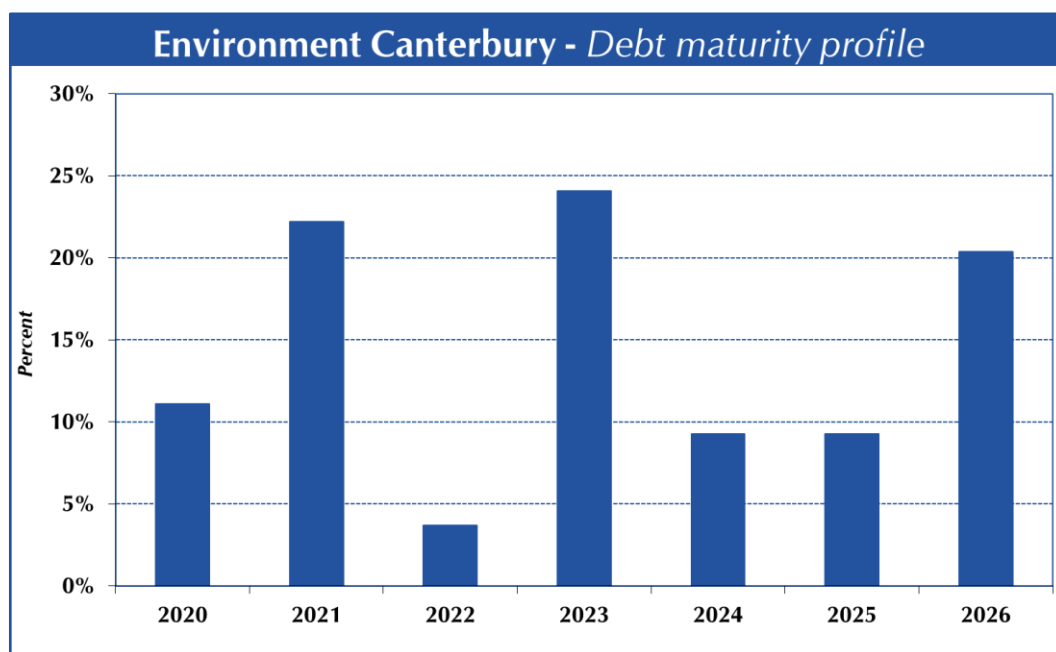
Instrument	Maturity	Rate	Amount
LGFA CP	10-Jun-20	1.385%	\$6,000,000
LGFA FRB	15-May-21	2.97%	\$2,000,000
LGFA FRN	15-May-21	1.745%	\$3,000,000
LGFA FRB	15-Dec-21	3.875%	\$7,000,000
LGFA FRN	14-Apr-22	1.725%	\$2,000,000
LGFA FRN	15-Apr-23	2.055%	\$10,000,000
LGFA FRB	17-Dec-23	4.19%	\$3,000,000
LGFA FRN	15-Mar-24	1.23%	\$5,000,000
LGFA FRB	15-Dec-25	4.43%	\$5,000,000
LGFA FRB	15-Sep-26	1.87%	\$11,000,000
TOTAL			\$54,000,000

No new funding was raised during the March quarter. In a carryover from the September quarter Ecan has a TD which is linked to a prefunding transaction. Details of the TD are as follows.

Bank	Rating	Maturity	Term	Rate	Nominal
BNZ	A-1 +	28 Apr-20	216 days	2.74%	\$12,000,000

The underlying funding which the TD is linked to is \$1.0 million of the 15 March 2024 FRN and the \$11.0 million 15 September 2026 FRB which will produce a net interest gain in excess of \$60,000.

Ecan's funding risk management criteria are contained in Section 2.4 of the *Liability Management Policy* ("LMP") that states "To avoid a concentration of debt maturity dates the Council will where practical aim to have no more than 50% of debt subject to refinancing in any 12 month period." As at 31 March, Ecan was compliant with these criteria. The maturity profile of Ecan's debt is depicted in the graph on the following page.



The liquidity risk management requirement, also contained in Section 2.4 of the LMP, states *“The Council will maintain access to committed lines of not less than 110% of projected external debt or \$6.0 million whichever is the greater. If Council establishes a Debenture Trust Deed to enable it to issue debt securities and joins the Local Government Funding Agency (“LGFA”) this requirement shall be reduced to 105% or \$6.0 million whichever is the greater.”*

The interpretation of Section 2.4 is that cash and TDs constitute committed lines. This is consistent with how the LGFA interprets committed lines and liquidity. Ecan is compliant with this requirement given its cash (which are not detailed in this report) and TD investments.

3.2 INTEREST RATE RISK MANAGEMENT

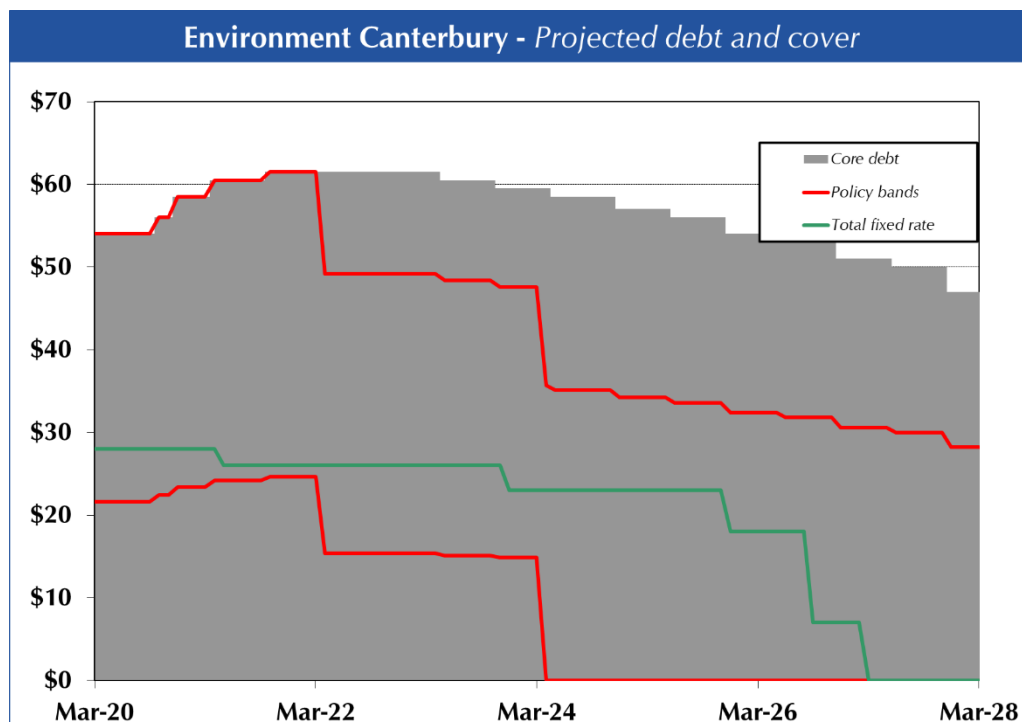
Ecan’s interest rate risk management parameters which apply to its debt are detailed in Appendix 5 of the LMP and are as follows:

Fixed Rate Hedging Percentages		
Term	Minimum Fixed Rate Amount	Maximum Fixed Rate Amount
0 - 2 years	40%	100%
2 – 4 years	25%	80%
4 – 8 years	0%	60%

Ecan has one interest rate swap, details as follows.

Bank	Start Date	Maturity	Rate	Nominal
ANZ	15-Dec-21	15-Mar-27	1.795%	\$7,000,000

Ecan's current debt and hedging profile is depicted in the graph below.



The graph indicates that as at 31 March Ecan was policy compliant.

3.3 COST OF FUNDS

Ecan's cost of funds as at 31 March was 2.45%, unchanged from the end of December 2019. Ecan's cost of funds is one of the lowest in the local government sector that Bancorp Treasury is aware of.

APPENDIX 1: AUTHORISED INVESTMENT CRITERIA – FINANCIAL MARKET INVESTMENT PORTFOLIO

Authorised Asset Classes	Overall Portfolio Limit as a Percentage of the Total Portfolio	Approved Financial Market Investment Instruments (must be denominated in NZ dollars)	Credit Rating Criteria – Standard and Poor's (or Moody's or Fitch equivalents)	Limit for each issuer subject to overall portfolio limit for issuer class
New Zealand Government	100%	<ul style="list-style-type: none"> Government Stock Treasury Bills 	Not Applicable Not Applicable	Unlimited
Rated Local Authorities	70%	<ul style="list-style-type: none"> Commercial Paper Bonds/MTNs/FRNs 	Short term S&P rating of A1 or better Long term S&P rating of A- or better Long term S&P rating of A+ or better Long term S&P rating of AA or better	\$2.0 million \$1.0 million \$2.0 million \$3.0 million
Unrated Local Authorities	50%	<ul style="list-style-type: none"> Commercial Paper Bonds/MTNs/FRNs 	Not Applicable Not Applicable	\$2.0 million \$1.0 million
New Zealand Registered Banks	100%	<ul style="list-style-type: none"> Call/Term Deposits/Bank Bills/Commercial Paper Bonds/MTNs/FRNs 	Short term S&P rating of A1 or better Long term S&P rating of A- or better Long term S&P rating of A+ or better Long term S&P rating of AA or better	\$7.5 million* \$1.0 million \$2.0 million \$3.0 million
State Owned Enterprises	50%	<ul style="list-style-type: none"> Commercial Paper Bonds/MTNs/FRNs 	Short term S&P rating of A1 or better Long term S&P rating of A- or better Long term S&P rating of A+ or better Long term S&P rating of AA or better	\$2.0 million \$1.0 million \$2.0 million \$3.0 million
Corporates **	50%	<ul style="list-style-type: none"> Commercial Paper Bonds/MTNs/FRNs 	Short term S&P rating of A1 or better Long term S&P rating of A- or better Long term S&P rating of A+ or better Long term S&P rating of AA or better	\$2.0 million \$1.0 million \$2.0 million \$3.0 million
Financials **	30%	<ul style="list-style-type: none"> Commercial Paper Bonds/MTNs/FRNs 	Short term S&P rating of A1 or better Long term S&P rating of A- or better Long term S&P rating of A+ or better Long term S&P rating of AA or better	\$2.0 million \$1.0 million \$2.0 million \$3.0 million

* Short term investments in any one New Zealand Registered Bank shall not exceed 70% of the portfolio or \$7.5 million whichever is the greater.

** The combined holding of Corporates and Financials shall not exceed 70% of the portfolio.

APPENDIX 2: AUTHORISED INVESTMENT CRITERIA – WORKING CAPITAL FUND

Authorised Asset Classes	Overall Portfolio Limit as a Percentage of the Total Portfolio	Approved Financial Market Investment Instruments (must be denominated in NZ dollars)	Credit Rating Criteria – S&P (or Moody's or Fitch equivalents)	Limit for each issuer subject to overall portfolio limit for issuer class
New Zealand Government	100%	Treasury Bills	Not Applicable	Unlimited
Rated Local Authorities	70%	Commercial Paper	Short term S&P rating of A1 or better	\$3.0 million
Unrated Local Authorities	50%	Commercial Paper	Not Applicable	\$2.0 million
New Zealand Registered Banks	100%	Call/Term Deposits, Bank Bills, Commercial Paper	Short term S&P rating of A1 or better	\$15.0 million*
State Owned Enterprises	50%	Commercial Paper	Short term S&P rating of A1 or better	\$3.0 million
Corporates **	50%	Commercial Paper	Short term S&P rating of A1 or better	\$3.0 million
Financials **	30%	Commercial Paper	Short term S&P rating of A1 or better	\$3.0 million

* Short term investments in any one New Zealand Registered Bank shall not exceed 70% of the portfolio or \$15.0 million whichever is the greater.

** The combined holding of Corporates and Financials shall not exceed 70% of the portfolio.

6. Audit

7. Public Excluded

Performance, Audit and Risk Committee (PARC) Report

Author	Vivienne Ong, Committee Advisor
Endorsed by	Catherine Schache, General Counsel

Meeting with the public excluded

- That the public be excluded from the following part of the proceedings of this meeting, namely:
 - 1.1 Sensitive Expenditure BI Report – March 2020
- The general subject of the matters to be considered while the public is excluded, the reason for passing this resolution and the specific grounds under section 48(1) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution are as follows:

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under section 48(1) for the passing of this resolution
1.1 Sensitive Expenditure Report – March 2020	That good reason exists for not discussing the matter with the public present and is not outweighed by the public interest.	Section 48(1)(a)

This resolution is made in reliance on section 48(1) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by section 6 or section 7 of that Act which would be prejudiced by the holding of the whole or relevant part of the proceeding of the meeting in public are as follows:

- 1.1 *Enable the Council holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations) – Section 7(2)(i)*

Protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information – Section 7(2)(b)(ii)

That appropriate officers remain to provide advice to the Committee.

8. Notices of Motion

9. Extraordinary and Urgent Business

10. General Business

11. Questions

12. Next Meeting

13. Closure