

Council Policy

Investment Policy

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Responsibility:	Group Manager, Finance and Corporate Services
Associated Documents:	N/A

1. Policy Objectives

Council's broad objectives in relation to investing are as follows:

- Protection of Council's investments and minimise the risks associated with investments to avoid any financial loss.
- Management of the overall cash position of Council's operations, to support Council's liquidity requirements and ensuring appropriate flexibility.
- Investment of surplus cash in liquid and credit worthy investments
- Ownership of property investments for strategic and business needs
- Development and maintenance of professional relationships with the financial markets.
- Compliance with the Local Government Act and other relevant legislation

2. Policy Scope

When engaged in the investing activity, Council may:

- Use external advice, where there is a particular risk or where it is prudent to the management of a particular investment.
- Consider the value of its investments against the size of its debt burden.

Council is a risk averse entity. The "Prudent Person" rule from the Trustees Act applies to all investing activity engaged in by Council.¹ Activity which may be construed as speculative in nature is expressly forbidden.

3. Policy Statement

Council maintains investments in the following assets:

- **Equity investments** including shareholdings and loan advances to natural persons, trading and service enterprises, charitable trusts and incorporated societies (e.g. sporting and Community organisations). Council may invest in shares in New Zealand Local Government Funding Agency (LGFA) and may borrow to fund that investment.

¹ The "Prudent Person" rule means that Council must "use such diligence and care in the management of" investments "as person of ordinary prudence and vigilance would use in the management of their own affairs".

- **Property investments**, including land and buildings purchased as an investment and excluding property assets owned in the course of delivering a service or those that Council has already on the market for sale.
- **Treasury investments** including liquidity and longer-term investments.

For the purposes of complying with Council's statutory obligations under the Construction Contracts (Retention Money) Amendment Act 2023, all retention money must be held on trust. Council will hold all retention funds in a separate Trust Bank account with Council's Principal Bank, for the sole purpose of repayment of retention funds.

3.1 Mix of Investments

The mix of investments will not be determined or influenced by the funding needs of any particular function but must have regard to the overall funding needs of Council. Investment mix is also influenced by risk management considerations. Council may set up, alter or dissolve a fund for a particular purpose by ordinary resolution.

Treasury investments must be invested with a number of financial institutions.

3.2 Acquisition of New Investments

Equity and property investments may be acquired by resolution of Council and funded from Council's general funds, or whatever other source Council has available to it.² Monies from Funds Set Aside for Particular Purposes will not be used to fund equity or property investments that are inconsistent with the particular purposes of those funds.

When acquiring equity and property investments, Council seeks to:

- Improve business effectiveness and efficiency.
- Improve its strategic position to face a perceived future need.
- Further a social goal by providing loan assistance.

Treasury investments may be acquired under delegated authority to the Chief Executive Officer³.

When acquiring treasury investments, Council seeks to:

- Optimise investment return.
- Ensure investments are secure.

² Council shall be taken to mean full Council or any of its Committees or Sub-Committees acting under delegation.

³ Chief Executive Officer – wherever this term is used it shall be taken to mean the Chief Executive Officer and whichever staff to whom the Chief Executive Officer may delegate.

- Ensure investments are liquid.
- Manage potential losses due to interest rate movements if investments need to be liquidated before maturity.

3.3 Disposition of Revenue from Investments

All dividend, interest, rentals, and other income from Council's investments will be available for Council's general use except in the following cases:

- Where Council has resolved that interest earned on the funds invested in an account shall be reinvested in that account.

3.4 Disposition of Proceeds of Sale of Investments

Equity and property investments may be disposed of by resolution of Council and the proceeds will be available for Council's general use, unless it resolves otherwise. However, proceeds from the disposal of investments are to firstly be applied to the repayment of loans raised to fund the investment.

Treasury investments may mature or be sold under delegated authority by the Chief Executive Officer and the proceeds will either be used to fund a purpose authorised by Council (e.g. as outlined in Council's Long-Term Plan or Annual Plan) or be reinvested. Funds from Council's Depreciation Funds account may only be spent on renewing assets or repaying debt.

3.5 Procedures

Equity and property investments will be reviewed by Council before the end of June in each year.

Treasury investments will be managed under delegated authority by the Chief Executive Officer.

Whenever acquiring a new treasury investment, excluding maturities that rollover and transfers between accounts at Council's bank, the acquisition proposal must be certified that the acquisition complies with this policy and takes sufficient account of predicted interest rate movements and demands for cash. This procedure could include:

- Using an investment model that assesses the risk of the investment in relation to its return.
- Obtaining external advice.

The certified proposal must then be reviewed by the Chief Executive Officer, or Group Manager Finance and Corporate Services.

Overdraft facilities are used as little as is practical.

All investing activity must be approved by the Chief Executive Officer, or Group Manager Finance and Corporate Services pursuant to this policy.

Council will receive a schedule of treasury investments regularly throughout the year.

3.6 Investment Risk Assessment and Management

Equity investments are subject to the risk of default. Risks are taken into account when these investments are reviewed. Property investments are subject to the risk of vacancy and devaluation. Risks are taken into account when these investments are reviewed.

Treasury investments are subject to the following risks:

- Credit risk – Council’s primary objective when investing is the protection of its investment. Accordingly, only credit worthy counter parties, eg banks, financial institutions, or other organisations that Council invests in, are acceptable (list below). Council may approve alteration to the list of credit worthy counter parties by ordinary resolution.
- Where total treasury investments exceed \$250,000, no more than 50% of the total investments can be placed with any one institution (other than Council’s banker) at the time of making the investment. For clarity, this means Council may have more than 50% of Council’s funds held with Council’s Principal Bank.
- Liquidity risk is minimised by ensuring that all investments, must be capable of being liquidated on demand.
- Interest rate risk is managed by the treasury investments review process above.
- Council does not adopt the use of hedging instruments for interest rate risk management on its investments. Maturity dates of treasury investments will be staggered to mitigate the effect of one-off market fluctuations.

3.7 Creditworthy Counter Parties

Council may make treasury investments with the following banks, financial institutions, which are deemed to be sufficiently creditworthy:

- Bank of New Zealand (Council’s Banker)
- ANZ Banking Group (New Zealand) Limited
- ASB Bank Limited
- Kiwibank
- Rabobank

- Taranaki Savings Bank
- Westpac Trust
- Local Body Stock
- NZ Government Stock
- New Zealand Local Government Funding Agency (LGFA)

The credit worthiness of any bank must be reviewed to ensure a strong credit rating at the time of making any investment.