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# KAIKOURA DISTRICT COUNCIL

## INVESTMENT POLICY

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### Objective

**TO ENSURE THAT THE COUNCIL'S INVESTMENTS ARE MANAGED PRUDENTLY AND EFFECTIVELY, THEREBY OPTIMISING VALUE AND RETURN.**

Kaikoura District Council's investment portfolio consists of short, medium and long term investments, and these must be optimised to provide sufficient funds for planned expenditure including Council's ability to meet its payments as they fall due. Investments must therefore be chosen which -

- are for the period of time that the funds are surplus
- are able to be liquidated for the right price at the appropriate time
- provide a spread of investments covering short, medium and long term

### Value and Mix of Investments

In order to optimise Council's investment portfolio, and maintain an appropriate mix of short, medium and long-term investments, investments shall be kept at the following levels –

- A minimum of \$250,000 of its investment on short-term money market or fixed interest securities of not more than 30 days.
- Investment in forestry assets, including Marlborough Regional Forestry joint venture, should not exceed 75% of the total investment portfolio where practicable.

Council's investments shall include (but not be limited to) at least three of the following;

- a) Treasury Investments
- b) Property Investments
- c) Forestry Investments
- d) Equity Investments

### Acquisition of New Investments

All proposed acquisition of new investments decisions are to be approved by Council, with the exception of treasury investments, which are managed on a day to day basis by the Chief Executive Officer and the Office Manager.

### Use of Revenue from Investments

Income generated from investment should be used initially to offset costs associated with owning and operating that investment. The use of surplus revenues will then be used according to:

- a) the source and criteria attached to the initial investment sum, or the criteria attached to the fund from which the investment fund came, or
- b) in accordance with any resolution of Council, or
- c) for general operating revenue.

On maturity, investments held for a specific purpose will only be used for that purpose or reinvested for a further period. The capital portion of any investment will not be used to offset

general operating expenditure unless the purpose for which the investment was initially set up no longer exists.

### **Proceeds from Sale of Assets**

Council assets will be disposed of from time to time. Income received from the disposal of vehicles and operating plant will be credited to Council's plant renewal account while income from the disposal of property will go into Council's property account. The capital from these accounts will either be reinvested in a separate account for this special purpose or used to purchase other assets required toward the realisation of Council's strategic objectives. The funds could also be used to repay term debt but such a move would only be by resolution of Council.

### **Reporting Procedure**

A report will be prepared quarterly on Council's investment portfolio. Such a report will include:

- a) the value and mix of Council's investments
- b) any changes to the mix and value from the previous report
- c) terms and interest rates or treasury investment
- d) net rental yields of property investments
- e) earnings per share of equity investments
- f) return on investment on each investment type
- g) comparisons of actual returns versus budgeted returns

### **Assessment and Management of Risks associated with Investments**

The Kaikoura District Council minimises its exposure to risk by;

- a) maintaining a minimum cash on short term deposit of \$250,000; and
- b) encouraging diversification of the type of investments held;
- c) limiting its treasury investments to those organisations identified in Council's liability management policy

### **Day to Day Management Procedure**

The day-to-day management of Council's investment portfolio will be undertaken by the Chief Executive Officer. All treasury investments will be made by the Chief Executive Officer and recorded on deal reports. These reports will be held by the Finance Officer.

The authority to open new bank accounts shall be made by Council and at least two of the Chief Executive Officer, Executive Officer and Office Manager shall be required to sign cheques or electronic transfers associated with the investment.

### **Disclosure in Financial Statements**

For the purposes of disclosing Council's investment assets in its public documents, sinking funds and bank deposits are stated as Sinking Funds & Investments within non-current assets, and property and forestry investments are included within Fixed Assets.