Investment Policy

Policy status:	Draft
Review due:	30 June 2024
Legal reference:	Local Government Act 2002 Section 102(2)(c) and 105

Objectives

Ensure that the Council's investments are managed prudently and effectively, thereby optimising value and return, and increase the size and value of its investment portfolio to enable increased levels of revenue to be returned to the community over time.

The 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 the Council's ability to meets 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.

Mix of investments

In order to optimise the Council's investment portfolio, and maintain an appropriate mix of short, medium and long-term investments, no investment type should exceed 50% of the total investment portfolio where practicable.

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

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

Local Government Funding Agency (LGFA)

The Council may borrow from the New Zealand Local Government Funding Agency Limited (LGFA). Under the LGFA borrowing programme, Council is required by LGFA to hold borrower notes. These borrower notes are subordinated debt instruments that are required to be held by each local authority that borrows from LGFA in an amount equal to 1.6% of the aggregate borrowings by that local authority. In limited circumstances these borrower notes can be converted to equity if required by LGFA.

If this were to occur, a Council resolution will be required to manage these shares. The Council may therefore be required to invest in LGFA shares in circumstances in which the return on its investment is potentially lower than the return it could achieve with alternative investments.

Acquisition of new investments

All proposed acquisition of new investments decisions are to be approved by the Council, with the exception of treasury investments, which are managed on a day to day basis by the Senior Manager Corporate Services and/or the Finance 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 the 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. The Council may determine by resolution (on a case-by-case basis) to deviate from the above.

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 the Council's plant renewal account while income from the disposal of property will go into the Council's property account.

The capital from these accounts will be used to repay debt associated with the asset in the first instance, and then may either be reinvested in asset replacement, or used to purchase other assets. The funds could also be used to offset the rates requirement, but such a move would only be by resolution of the Council.

Management and reporting

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

a) the value and mix of investments
b) any changes to the mix and value from the previous report
c) terms and interest rates on 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

The day-to-day management of the Council's investment portfolio and all treasury investments will be made by the Senior Manager Corporate Services and/or the Finance Manager and records held to support these investments and any transactions. These reports will be held by the Finance Manager.

The authority to open new bank accounts shall be made by the Chief Executive Officer, and at least two members of the Leadership Team (Senior Managers and third tier Managers) shall be required to sign cheques or authorise electronic payments associated with the investment.

Assessment and management of risks associated with investments

The Council minimises its exposure to risk by:

a) maintaining a borrowing facility that exceeds actual forecast borrowing needs by at least $2 million; and
b) encouraging diversification of the type of investments held; and
c) limiting its treasury investments to those with a New Zealand registered bank with a minimum Standard and Poor's long-term credit rating of at least A+ (or the Moody's or Fitch rating equivalents).