

INVESTMENT POLICY

1. Purpose

The Council manages funds for the following purposes:

- day to day working capital management
- part of an investment strategy
- debt mitigation
- to meet Debt Repayments
- to fund short term and long term commitments identified in the Council's annual plan and long-term financial strategy or LTP.

This Investment Policy details how these investments are to be managed.

2. Local Government Act 2002 Requirements

Section 105 of the Local Government Act 2002 requires each local authority to have an investment policy that includes:

- the objectives under which investments are to be managed.
- the mix of investments
- the acquisition of new investments.
- an outline of the procedures by which investments are to be managed and reported to the Council.
- an outline of how risks associated with investments are to be assessed and managed.

3. Objectives

The objectives of this Investment Policy are consistent with corporate best practice and will take into account the requirements of the Council's annual and strategic plans and its long-term financial strategy or LTP.

The key objectives of the Council's investment policy are to:

- Ensure the protection of ratepayers capital takes precedence over income generation
- Ensure that the Council has funds available to meet its liabilities as they fall due.
- Safeguard GDC's financial market investments by establishing and regularly reviewing investment parameters and ensuring that all investment activities are carried out within these parameters.
- Produce accurate and timely information that can be relied on by senior management and the Council for control and exposure monitoring purposes in relation to the investment activities of the Council.

- Maintain operational controls and procedures to protect the Council against financial loss, opportunity cost and other inefficiencies.

4. Investments Defined

The Council's investments may include:

- cash
- company shares
- property
- financial assets held in or on behalf of Trusts or reserve funds
- investment portfolios as part of an investment strategy, or for Debt Repayment or debt mitigation purposes
- shareholdings in Council Controlled Organisations,

Loans to community organisations have social considerations and are not considered investments for the purposes of this policy.

5. Concurrent Policies

This Investment Policy should be read in conjunction with the Council's Liability Management Policy.

6. Investment Mix

The Council holds fixed interest investments sufficient to match the funds of selected Trusts and reserves accounts. Fixed interest investments may also be set up for working capital management.

The Council may also hold money market and fixed interest investments in investment portfolios as part of an investment strategy or for debt repayment or debt mitigation purposes. The investment parameters for the money market and fixed interest activities are contained in Appendix 1.

Property and shares may be held as primary functions of the Council contributing to the achievement of the Council's annual and strategic plans. The Council may hold property and shares in perpetual or externally managed investment portfolios as part of an investment strategy.

The mix of investments may vary from time to time to meet the Council's functional and expenditure and investment management requirements.

7. Investment Revenue

Interest on funds invested on behalf of Trusts and selected reserves is credited to the relevant Trust/reserve. Interest on other funds is taken into the consolidated revenue of the Council.

Where deposits have been set up to offset actual debt, interest earned on the deposit is applied to the interest incurred on that debt.

Other revenues must be used to meet the objectives of the function from which the revenue was derived, unless otherwise authorised by the Council.

8. Asset Sale Proceeds

Funds released on the maturity of an investment or as the proceeds of an asset sale may be used as follows:

- debt reduction
- reinvested
- as per the terms of the relevant Trust deeds
- to the function from which they were derived
- any other purpose approved by the Council.

9. Investment Risk

The specific risks associated with each investment will be identified and assessed against the benefits available. Investment risk shall be managed in accordance with the overall objectives of this policy.

9. Local Government Funding Agency

Despite anything earlier in this Investment policy, the Council may invest in shares and other financial instruments of the New Zealand LGFA, and may borrow to fund that investment. The Council's objective in making any such investment will be to:

- Obtain a return on the investment; and
- Ensure that the LGFA has sufficient capital to become and remain viable, meaning that it continues as a source of debt funding for the Council.

Because of this dual objective, the Council may invest in LGFA shares in circumstances in which the return on that investment is potentially lower than the return it could achieve with alternative investments.

If required in connection with the investment, the Council may also subscribe for uncalled capital in the LGFA.'

Appendix 1: Authorised Investment Criteria – Money Market and Fixed Interest 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%	- Government Stock - Treasury Bills	Not Applicable	Unlimited
Rated Local Authorities	70%	- 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	\$3.0 million \$2.0 million \$3.0 million \$5.0 million
Local Authorities where rates are used as security	60%	- Commercial Paper - Bonds/MTNs/FRNs	Not Applicable	\$2.0 million \$2.0 million
New Zealand Registered Banks	100%	- 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 ¹ Long term S&P rating of A+ or better	\$10.0 million \$3.0 million \$5.0 million
State Owned Enterprises	70%	- Commercial Paper - Bonds/MTNs/FRNs	Short term S&P rating of A1 or better Long term S&P rating of BBB+ or better Long term S&P rating of A+ or better	\$3.0 million \$1.0 million \$3.0 million
Corporates ²	60%	- 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 ¹	30%	- 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
Building Societies	20%	Call and Term Deposits	To be individually approved by the Council	\$3.0 million

¹ Term deposits may be placed with SBS Bank by resolution of the Council.

² The combined holding of Corporates and Financials shall not exceed 70% of the portfolio.

