

# SUMMARY OF THE INVESTMENT POLICY

## Introduction

The full Investment Policy is printed in the Strategic Statement (see pages 24 to 26). This booklet was published as part of the 1998 Annual Plan and copies can be obtained from the Civic Offices. Alternatively you can access this booklet on the World Wide Web at <http://www.ccc.govt.nz/>

The Council's investments fall broadly into five categories:

- General Funds Investments
- Equity Investments in Subsidiary Companies
- Property Held for Investment Purposes
- Investment of Reserve Funds including Trust Funds
- Sinking Fund Investments

## Types of Investments

The Council holds the following investments (by type):

- Short term bank deposits
- Stocks and bonds issued by Government, SOEs, Local Authorities and Rated Corporates
- Loans to Council subsidiary companies
- Loans to individuals
- Loans to community organisations
- Shares in (listed) public companies
- Shares in subsidiaries
- Real estate

## Assessment and Management of Risks by Type of Investment

### • Authorised Bank Instruments

The Council may invest in any registered bank in New Zealand subject to the following:

- The bank remains the primary debtor throughout the term of the investment.
- Investments will only be in banks with a credit rating of A- or better.
- A maximum of 20% of the total investments (of short term deposits and the long term stocks and bonds) may be invested with any one bank except where the total bank investments are less than \$5M, then the investments may be made with at least two banks.
- Any instrument issued by the bank may be taken up.
- Deposits may include foreign currency or forward rate agreements or other instruments to meet Council commitments in overseas currencies.

### • Authorised Stock or Bond Investments

The Council may invest in any fixed term stock or bond issued in New Zealand subject to the following:

- 100% of funds invested where the stock is issued by the New Zealand Government or State Owned Enterprise guaranteed by the Government.
- Where the stock is issued by a Local Authority and is rate secured, 100% of funds may be invested but subject to a maximum 20% any one issuer.
- Where the bonds are issued by any company in New Zealand with a long term credit rating (Standard and Poor's) of A- or better subject to a maximum 20% any one issuer.

### • For the Purchase, Sale and Settlement of Bank Deposits, Stock and Bonds and Listed Public Company Shares

- Making Investments
  - Bank deposits investments are normally made after three quotes are received.
  - The Council is not bound to take the highest bid, nor shift funds from one bank to another where reasonable grounds exist to make an alternative decision (eg to maintain a spread of deposits between banks).
  - Investments in stock issued under a tender shall be made with the advice of a broker.
  - Investments in stock by direct purchase shall be made on the advice of a broker.
  - Settlement to be made by cheque or by direct debit.
  - A division of duties is to be maintained to provide for checks on the prudent handling of investment funds.
- Income Recognition
  - Income is to be recognised on a yield to maturity basis, with the purchase yield used for capital values. Accrued income is based on the coupon rate.
  - Withdrawal or sale of bank deposits, bonds, and listed equity investments
    - The proceeds are to be credited to the asset account on the balance sheet with appropriate income recognition.

### • Purchase, Sale and Settlement of Real Estate Investments

- All acquisitions and disposal decisions are to be made by the Council.
- Investment properties are to be recorded as assets in the financial records and have similar treatment to other assets.

### • Purchase, Sale and Settlement of Subsidiary Company LATE Investments

- In general terms it is the intention of the Council that a majority ownership in these investments will be retained in the long term.
- Any decision to dispose of shares in a subsidiary which would reduce the Council's shareholding to less than 50% will be made only after public consultation as set out in the Local Government Act.
- External professional advice will be sought before making any decision to acquire or dispose of any shareholding in any of the subsidiary company investments.