

### 3.5 Sinking Fund Investments

- 3.5.1 These funds are held by the Commissioners appointed by the Council on trust for the repayment of Council loans in accordance with the Council's Borrowing Management Policy.
- 3.5.2 Sinking Funds may be invested in the following types of investment:
- Cash and Short Term Bank Deposits
  - Promissory Notes issued by suitably rated corporate entities
  - Stocks and bonds
- 3.5.3 Management of Sinking Fund investments shall be subject to the procedures outlined in sections 5 and 6 of this policy.

## 4 Types of Investments

The Council may hold the following types of investments. See other sections of this policy for restrictions on the management of each type:

- Bank deposits, bank accepted bills and bank issued certificates of deposit
- Short Term Promissory Notes issued by companies and Local Authorities as defined by section 6
- Stocks and bonds issued by Government, SOEs, Local Authorities and suitably rated Corporate entities
- Loans to Council subsidiary companies
- Loans to individuals (for Council approved purposes)
- Loans to community organisations
- Loans to non Council entities to facilitate community infrastructural asset creation as approved specifically by the Council
- Shares in (listed) public companies
- Shares in subsidiaries
- Real estate
- Professionally managed (external to the Council) portfolios of investments, either by direct investment or through Unit Trusts, including:
  - Equities both New Zealand and overseas domiciled
  - Fixed interest both New Zealand and overseas domiciled
  - Short term cash
  - Real estate
  - Other investments the Council may from time to time resolve.

## 5 Outline of Procedures for Management of Each Type of Investment

### 5.1 General Issues

- Each type of investment shall be prudently managed having regard to the purpose for which the investment was made and the needs of the Council.
- Delegated authority to act on all investments in accordance with this policy, (except Real Estate, Professionally Managed Funds, and equity investments in LATEs) is granted to any one of the Director of Finance, Funds and Financial Policy Manager, Funds Accountant, Financial Analyst, and Financial Services Manager. The primary responsibility lies with the Funds Accountant.
- The Funds Accountant shall form a view on future interest rates based on independent professional advice. The view shall be revised at least quarterly and shall be used to guide investment strategy.
- The Director of Finance shall appoint a Treasury Review Team to:
  - assist on the formation of interest rate views
  - advise on investment management strategy
  - approve and maintain guidance notes and instruction developed for the proper management of the Council's Investments made under this policy.
- Reporting requirements by the Funds Accountant:
  - Report daily to the Director of Finance - Hedging instruments used (both in advance of any commitment and after being entered into).
  - Report weekly to the Director of Finance - showing a weekly position.
  - Report quarterly to the Strategy and Resources Committee - on the performance results of the investment portfolio excluding shares in subsidiary companies and returns on real estate which will be reported separately as detailed elsewhere in this policy.
  - A division of duties between the staff making and checking on the investment transactions is to be maintained to provide for checks on the prudent handling of investment funds.

### 5.2 Short Term Liquid Investments - Bank Deposits and Promissory Notes

Investment of this type will be managed on the following basis:

- The objective is to minimise the holding whilst having regard to liquidity needs and investment return.
- Invested in authorised bank instruments in accordance with the criteria outlined in section 6 of this policy.
- Compliance with the policy rules on acquisition, disposal, and the settlement process in accordance with the criteria outlined in section 6 of this policy.

- Interest Rate risk management has an objective to maximise yield based on the interest rate view formed by the Funds Accountant as outlined in section 5.1 of this policy.
- The maturity profile of investments will be based on the need for cash funds derived by the daily liquidity needs forecast.

### 5.3 Long Term Financial Investments of Authorised Stocks and Bonds

- The objective is to maximise the holding whilst having regard to liquidity needs and investment return subject to the size of funds available for investment and the maturity profile matched to the expected need for liquid funds.
- To minimise credit risk, the investments with any one issuer are subject to the limits as defined in section 6 of this policy.
- The interest view, formed by the Funds Accountant, together with the yield and maturity profile of the investments will form the basis of determining action required. In addition, the Funds Accountant is authorised to use hedging instruments to change the interest rate exposure and to change the financial impact of the terms of the investment asset.
- The Council will seek to maximise yields either by primary investment or incidental arrangement.
- The procedures on acquisition, disposal, and the settlement process is set out in section 6 of this policy.

### 5.4 Loans to Council Owned LATEs

- Loans to LATEs shall be made only after Council authorisation of the total amount, source of funds, security and the general terms.
- The Director of Finance is authorised to determine the specific terms and conditions of the loan, the maturities and interest cost.
- The administration of the loan investment can be delegated to staff as per section 5.1.

### 5.5 Loans to non Council entities to facilitate community infrastructural asset creation

- Examples of this type include the Belfast Industrial Pressure Pipeline loan.
- Loans shall be made only after Council authorisation.
- Such authorisation shall include the total amount, source of funds, security and the general terms.
- The Director of Finance is authorised to determine the specific terms and conditions of the loan, the maturities and interest cost.
- The administration of the loan investment can be delegated to staff as per section 5.1.

### 5.6 Loans to Individuals, and to Community Organisations

- These are subject to authorisation by the Council (or Committee if delegated) either on a one-off basis or by class (for example, the drainage conversion loans).
- The funding source will be nominated in each case, mainly Reserve Funds, to avoid the need for Rate funding.

- If the source of funding is a specific Reserve Fund set up for the purpose of making loans (eg the Community Loans Fund), the loans made will be limited to the quantum of that fund.
- If the source is the Capital Development Fund then the funds available will be limited to 20% of the funds in excess of \$5M. \$5M is required as the minimum liquid cash reserve.
- If the source of funds are unspecified Reserve Funds, ie other than the specific loan Reserve Funds, Capital Development Reserve or Debt Repayment Reserves and other specific short term reserve funds, then the maximum which can be invested in loans from these sources is 10% of the available funds. (Note: The Victory Park lighting Loan is excluded as this will be merged with the redevelopment loan.)
- Interest rate to be charged is set by the Council as either a policy decision or on a case by case basis. In the absence of specific instruction, then at no less than the Council's estimated cost of borrowing plus a margin (1% minimum) for administration and risk.
- The Funds Accountant is to prepare loan documentation as required based on legal advice as to form and procedure.
- Security of Loans will generally be a charge on the borrower's land unless specified as being unsecured (as in the case with some community organisations) in which case such other security as the Council, Director of Finance, or the Funds Accountant may determine as being appropriate for this class of loan.
- Loan Guarantees to protect repayment shall be obtained if directed by the Council or if in the opinion of the Director of Finance or the Funds Accountant it is considered to be prudent for a loan of this type.

### 5.7 Equity Investments in LATEs and Subsidiaries

- Investment in shares in subsidiary companies will be made on the authorisation of the Council only after the receipt of professional advice on valuation and acquisition procedures.
- The Council will not involve itself directly in the management of its subsidiary companies. Management services may be contracted by the companies from Council staff.
- Each company which is defined as a LATE in the Local Government Act will be required to prepare annually a Statement of Corporate Intent which sets out the activities and strategic direction of each company, and to report in accordance with the Statement of Corporate Intent and the reporting requirements for LATEs in the Local Government Act.
- Christchurch City Holdings Limited is an investment monitoring company established by the Council to hold its significant trading enterprises on behalf of the Council. The Board will comprise a mix of Councillors and external directors with a majority of Councillors.