

- Regular monitoring will be carried out by Christchurch City Holdings Limited (CCHL) of the ownership options, business strategy and operating plans, capital structure and risk management affecting the CCHL subsidiaries and other subsidiaries where the shareholding is held directly by the Council.
- Investment performance of subsidiary companies will be assessed in comparison to the performance of other similar companies in the same industry.
- The CCHL Board will report at least six times a year to the Council's Strategy and Resources Committee on the issues arising from its monitoring role. Ad hoc briefing sessions and seminars for Councillors will also be arranged.
- The Council is responsible for the approval of Statements of Corporate Intent and the appointment of directors for all subsidiaries held directly by the Council and directly by CCHL.
- Directors of all subsidiary companies will be selected according to the policy established by the Council in June 1996.
- Ownership of shares in subsidiaries may be transferred to CCHL when a subsidiary has an established record of financial performance and it is Council policy to retain the investment in the long term.
- This policy does not apply to non-trading companies which are held solely for the purpose of land ownership (eg Travis Group).

5.8 Shares in Listed Public Companies

- Specific authorisation is required by the Council to invest directly in listed equities except in the case of professionally managed portfolios as outlined in 5.10 below.
- There is to be an annual review by a broker to assess price, total value and hold or sell advice.
- Trading is authorised to rationalise a holding and on the advice of a broker. Normally taking up cash issues, sale of rights etc will be subject to advice.
- Staff listed in section 5.1 are authorised to enter into transactions.
- Low value transactions may be actioned by the Funds Accountant without further authority.

5.9 Real Estate Held for Investment Purposes

- Acquisition or sale decisions on investment property shall be made by the Council.
- The properties should be managed in accordance with professional property management principles for the administration and maintaining of properties.
- The Property Manager will maintain accurate records for all individual investment properties including income and expenditure which will then be used for measuring performance of the investment.
- Management principles will be in accordance with prudent commercial terms and conditions effective in the market from time to time.

- The Property Manager will ensure compliance with all relevant statutes.
- The decision to hold or dispose of investment property is driven by the performance of a specific investment compared with similar properties in the market.
- The Property Manager is to report to the Council on a six monthly basis on the performance of all investment property.

5.10 Professionally Managed Portfolios

- Investments in professionally managed (external to the Council) portfolios may be made for Capital Endowment Fund and other reserve fund investments.
- The initial selection of fund managers will be made by the Council's Strategy and Resources Committee on recommendation from the Treasury Review Team after receipt of professional advice.
- Significant decisions relating to Fund Manager appointments will normally be subject to Strategy and Resources Committee approval but the Treasury Review Team is authorised to act on urgent issues and report to the next meeting of the Strategy and Resources Committee.
- Immediately following the initial selection of fund managers the Council will approve appropriate management guidelines for the ongoing management of the Fund and the level of delegated authority to the Treasury Review Team for ongoing decisions relating to these investments.
- The Treasury Review Team shall:
 - Take account of and consider the objectives of the funds, management guidelines, the appropriate level of risk to be accepted and the reserve retention policy of the fund as agreed by the Council from time to time.
 - Recommend to the Council the quantum of funds which are available for distribution in any year after provision for inflation protection and management of the fluctuation reserve.
 - Monitor the performance and compliance of investment managers.
 - Develop and implement appropriate periodic reporting to the Council.

6 Assessment and Management of Risks by Type of Investment

6.1 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 Standard and Poor's short term credit rating of A-3 or better and a long term credit rating of A- or better (equivalent Moody's ratings may be used).
- A maximum of 20% of the total investments issued by the financial market (which is made up of short term bank deposits, promissory notes and long term stocks and bonds including those issued by other Local Authorities and Government Stock) may be invested with any one bank except where the total bank investments are less than \$10M, when the investments shall be made with at least two banks.
- Any instrument issued by the bank may be taken up.
- Deposits may include foreign currency to meet Council commitments in overseas currencies.

6.2 Authorised Stock or Bond Investments

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

- Up to 100% of the available funds may be invested where the stock is issued by the New Zealand Government or State Owned Enterprise guaranteed by the Government.
- Up to 20% of the available funds may be invested in Civic Bonds issued by the Local Government Finance Corporation as these are backed by rate secured investments in Local Authorities.
- Up to 100% of the available funds may be invested where the stock is issued by a Local Authority (not CCC or CCC LATEs) and is rate secured, but subject to a maximum 20% of the total investments (see 6.1) with any one issuer.
- Up to 35% of the available funds may be invested where the bonds are issued by any company in New Zealand subject to the issuer having a Standard and Poor's long term credit rating of A- or better (equivalent Moody's ratings may be used) and subject to a maximum 20% of the total investments (see 6.1) with any one issuer.

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

The Funds Accountant and in his absence others listed in section 5.1 have authority to deal in these investments, taking on the authorities of the Funds Accountant, subject to the procedures outlined below and detailed elsewhere in this policy:

6.3.1 Making Investments:

- Bank deposit and promissory notes investments are normally made after three quotations 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 or promissory notes issued under a tender shall be made with the advice of a broker or professional adviser retained by the Council.
- Investments in stock or promissory notes by direct purchase shall be made on the advice of a broker.
- Settlement to be made by direct credit, cheque or by direct debit.

6.3.2 Recording of Investments:

- Investments made are to be recorded in separate balance sheet asset accounts.
- A division of duties is to be maintained to provide for checks on the prudent handling of investment funds.
- Daily records of cash monitoring and investment decisions shall be maintained.
- Accrued income on a yield to maturity basis is to be calculated and actioned monthly.

6.3.3 Income Recognition:

Income is to be recognised on a yield to maturity basis, with the purchase yield used for both capital values and accrued income. This is applicable as the Council:

- normally selects an investment to match a maturity profile based in the main on an expected need for funds
- would not normally sell the investments earlier unless there is a need for funds
- would not wish short term variation in market interest rates to change the income flows over time from the same investment.

6.3.4 Withdrawal or sale of bank deposits, promissory notes, bonds, and listed equity investments:

- Repayment shall be by cleared funds to minimise the settlement risks.
- The principal proceeds are to be credited to the asset account on the balance sheet with appropriate income recognition.
- Funds are either reinvested or they form part of the liquidity of the Council. In either case the full value is recognised in the equity of the Council. Capital gains or losses are recognised as income and disposed of along with all other income as per the Financial Plan.
- Revenue from any investment is dealt with under the Financial Plan along with all other revenues.

6.4 Purchase, Sale and Settlement of Real Estate Investments

- All acquisitions and disposal decisions are to be made by the Council on advice of the Property Manager.
- The property disposal procedures approved by the Council from time to time shall be used for investment property disposals.

- Sale and purchase contracts in the normal form will be used.
- Investment properties are to be recorded as assets in the financial records and have similar treatment to other assets.

6.5 Purchase, Sale and Settlement of Subsidiary Company 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.
- Where existing assets of the Council are transferred to a new LATE, an Establishment Unit will assess all the options and recommend the methodology, value and other matters according to the established procedure 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.

6.6 Purchase of Promissory Notes issued by New Zealand Companies and Local Authorities

The Council may invest in Promissory Notes issued in New Zealand by Corporates and Local Authorities in New Zealand currency provided they have throughout their term a Standard and Poor's short term credit rating of A-3 or better (or equivalent Moody's rating).

- The term would generally be no more than 180 days.
- The interest rate must be better than Bank deposits for the same term to indicate a preference for Promissory Notes.
- For registered Promissory Notes the note must be held in the Council's name.
- For 'bearer' Promissory Notes, the certificate may be held by the Council or by a suitable agent such as a Bank or Austraclear.
- To avoid the Council being exposed to settlement risk, payment on maturity or sale requires settlement by 'Cleared Funds'.

6.7 Investments in Professionally Managed Investment Portfolio

- Professionally managed (external to Council) investment portfolios may be used for Reserve Fund investments in accordance with guidelines approved by the Strategy and Resources Committee from time to time. In considering the selection of any managed portfolio to minimise income and capital risk, the following shall be considered (along with any other relevant consideration):
 - The selection of the professional Fund Manager based on performance and competence.
 - The diversification of the asset class.
 - The expected return of each asset.

- The volatility of return, both in the past and expected.
- The Council's tolerance to risk.
- The appropriate reserve retention level necessary to preserve the fund value and earning potential.
- The income distribution expectations of the Council.

- The management of the investment, once made with an (external to Council) professional Fund Manager, shall be handled entirely by that Fund Manager. Therefore the restrictions stated elsewhere in this policy governing the selection and handling of direct investments shall not apply.
- It is recognised that title to the underlying investments will be with the Fund Manager who will handle the investments on the Council's behalf. The Council will receive an acknowledgement of its interest in the investment pool.