

## Objectives

- To manage the investment activities of the Council to provide long term prudent financial management within specific investment limits and to reduce all forms of risk associated with investment activities.
- To disclose to the Ruapehu community the procedures by which investments are managed and reported on to Council.
- To provide an outline of how risks associated with investments are assessed and managed.

## Principles

This Policy discloses Council's prudent financial management principles and risk mitigation strategies associated with its investments. This Policy is developed pursuant to section 102 (4) of the Local Government Act 2002 (LGA) to meet the requirements outlined in section 105. The primary purpose of Council's investment holdings is for strategic and cash flow/contingency reasons. Any acquisition of new assets must be for strategic reasons and meet goals and objectives outlined in the LTP. Council currently holds both strategic and treasury investments.

The following Community Outcome is targeted by this policy:

CO 6 Leadership is respected, trusted, transparent, accountable, visionary with integrity and a positive attitude.

## Background

Section 105 of LGA states:

*A policy adopted under section 102(4)(c) must state the local authority's policies in respect of investments, including*

- The objectives in terms of which financial and equity investments are to be managed.*
- The mix of investments.*
- The acquisition of new investments.*
- An outline of the procedures by which investments are managed and reported on to the local authority.*
- An outline of how risks associated with investments are assessed and managed.*

## Policy Statement

### 1. Scope

The Investment Policy applies to Council's equity, treasury, and financial investments. Council is a risk-averse entity, meaning that Council takes prudent measures to protect equity and investment from known sources of risk. Interest rate risk, liquidity risk, and credit risk are risks that Council seeks to manage. In general terms Council has two types of investments:

#### 1.1 Strategic

Investments made or held in the context of Council's general strategic objectives and typically retained on a long-term basis.

Council maintains strategic investments in the following:

- Equity investments in King Country Energy.
- NZ Local Government Insurance Corporation.
- Joint Forestry venture with Wanganui/South Taranaki District Councils.
- RDC Holdings Limited.

#### 1.2 Treasury

Treasury investments are those made from surplus funds available to Council. These would typically be in the form of financial instruments acquired from approved counter parties. Treasury investments comprise the investment surplus general fund held by Council from time-to-time, and the investment of those moneys in credit worthy counter parties.

### 2. Strategic Investment Policy

#### 2.1 Purpose

- To hold investments for strategic purposes and for investment diversification.
- To have limited or no holdings of equity investments unless for strategic purposes or through gifting.
- Loans and advances will only be made for Council related or community projects which Council has undertaken a risk assessment of and repayment is of acceptable risk.

## **2.2 Acquisition/Alteration/Disposal of Strategic Investments**

- (a) In assessing whether to acquire any proposed investment, Council will take into account:
  - The expected financial return,
  - Any community outcomes that would be furthered by holding the investment in question,
  - Any other consideration that Council deems appropriate.
- (b) Council will not pursue any equity holdings in the future except through the formation of Council Controlled Organisations.
- (c) All new strategic investments, additions to existing strategic investments, and/or disposals of existing strategic investments must be approved by Council resolution.

## **2.3 Decision-making, Consultation, Reporting and Monitoring**

- (a) Decision-making in relation to Council strategic investments must take into account
  - Decision-making process required by sections 76-81 of the LGA.
  - Principles of consultation as required by sections 82-84 of the LGA.
- (b) In the event of a sudden occurrence where a strategic investment or the industry in which it operates is severely impacted, a large drop in the value of the investment may occur. Under these circumstances, the consultation may not be practical or useful and Council could resolve to immediately dispose of its investment.
- (c) Strategic Investments will be reported on using the Annual Report process.
- (d) Council will monitor its investments in a manner which is dependent on the size and nature of the investment and in instances where it is not the 100% shareholder, will seek to do so in conjunction with other major shareholders. It will do so by:
  - Monitoring performance.
  - Acting to preserve the value of the Council's investment.
  - Monitoring the impact of the company's (or organisations) operations on the Ruapehu District

## **2.4 Mix of Investments**

Council will maintain a prudent mix of investments

## **2.5 Risk Management**

Each strategic investment (or category) will be subject to a risk management review to address the particular risks of each investment category. Council reviews its strategic investments three yearly in preparation of its LTP.

## **3. Treasury Investment Policy**

### **3.1 Purpose**

To hold sufficient cash and cash reserves for approved expenditure, contingency, general reserve and cash flow purposes.

### **3.2 Policies**

- (a) Council sets the overall treasury investment strategy by reviewing cash flow forecasts including approved expenditure and interest rate forecasts. This strategy is reviewed three yearly.
- (b) Council will not increase financial reserves. However, Council will maintain access to funds that may be called on for unforeseen emergency expenditure.
- (c) Treasury investments shall only be made in New Zealand Dollar denominated instruments and in accordance with the guidelines and parameters embodied in the Liability Management and Investment Management Policies.
- (d) Treasury investments will be reported on using the monthly, quarterly and Annual Report process.

### **3.3 Risk Management**

- (a) To ensure protection of Treasury investments, Council will only invest with credit worthy counter parties.
- (b) Low risk counter parties are selected on the basis of ratings from reputable credit agencies. With this framework Council seeks to maximise investment return and ensure that an appropriate level of treasury investments are liquid for forecast expenditure.

## **Delegations**

Refers to Council's Delegations Manual.