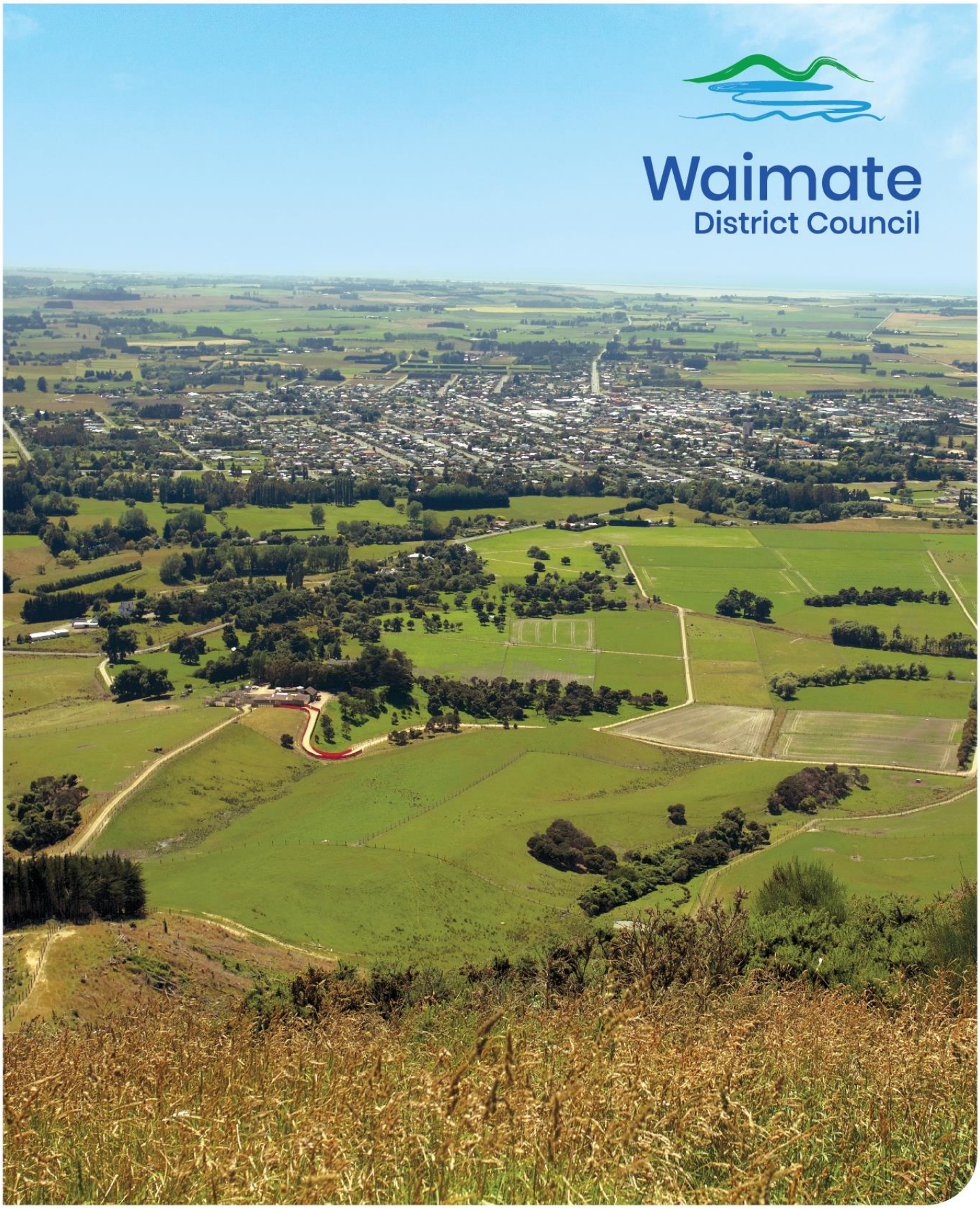
Waimate
District Council



30 June 2025

403 Investment Policy

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1.0 Purpose

1.1 To guide Council in the making of investment decisions and managing investments.

2.0 Scope

2.1 This policy applies to all financial assets, equity investments and investment properties.

3.0 Responsibility

3.1 The Chief Executive is responsible for implementing this policy.

4.0 Investment Mix

4.1 Council may maintain investments in the following:

a. Equity Investments
b. Property Investments
c. Forestry Investments
d. Financial Investments.

5.0 Policy Statements

5.1 Council's philosophy in the management of investments is to optimise returns in the long term while balancing risk and return considerations. Council recognises that as a responsible public authority any investments that it does hold should be low risk, giving preference to conservative investment policies and avoiding speculative investments. It also recognises that lower risk generally means lower returns.

5.2 Any new investments are approved by the appropriate delegated authority, which provides that the Corporate Services Group Manager may approve such cash investments with approved counterparties up to a value of $2,000,000 for a term of twelve months. Beyond this, Chief Executive approval is required.

5.3 Council does not hold financial investments other than those involving general and specific reserves, and cash management balances. In its financial investment activity, Council's primary objective, when investing, is the protection of the investment capital value and to minimise the risk of loss. Accordingly, only credit worthy counterparties are acceptable. Council's policy on managing credit risk is contained in Section 10.

5.4 Within the credit constraints contained in Section 10, Council also seeks to:

a. Optimise investment return.

b. Ensure investments are liquid and sufficiently flexible.

c. Diversify the mix of financial investments.

d. Manage potential capital losses due to interest rate movements if investments need to be liquidated before maturity.

6.0 Equity Investments

6.1 Council's current equity investments and other shareholdings, are included in Council's most recent Annual Report.

6.2 Council's investments in such assets fulfil various strategic and financial objectives and comply fully with Council's statutory powers.

6.3 All income from Council's equity investments, including dividends, are credited to the Investment & Finance Activity, thereby included in general funds and used for the reduction of rates generally. Council is however aspiring to reduce reliance on investment income as a rates mitigating tool in order to alleviate the impact on rates when investment returns fluctuate.

6.4 Council receives annual financial statements and reviews performance of these investments to ensure that the stated performance objectives are being achieved.

6.5 Council will periodically review equity investments and reassess its reasons for ownership and consider whether the return on investment is acceptable, given these reasons for ownership, and whether continued ownership of the investment is prudent and in the best interest of the community.

6.6 Any disposition of equity investments requires Council approval. Proceeds from the disposition of equity investments are applied to, either:

a. The repayment of general debt, or

b. Capital development, or

c. Alternative investment purposes.

6.7 Proceeds are not used for operational expenditure purposes, unless Council considers it prudent to do so.

7.0 Property Investments

7.1 Council's overall objective is to only own property (including land holdings, buildings and excluding operating assets), that is necessary to achieve its strategic objectives. Council reviews property ownership through assessing the benefits of continued ownership in comparison to other arrangements which could deliver the same results. This assessment is based on the most financially viable method of achieving the delivery of Council services. Council generally follows a similar assessment criterion in relation to

acquiring new property and land investments.

Property rentals, excluding Community Housing and internal rents, are charged at commercial levels, and all income, including rentals and ground rent from property investments, is held in property reserves.

7.2 Council reviews the performance of its investment properties at least annually.

7.3 Any disposition of property over $40,000 requires the approval of Council. Any proceeds on disposition are firstly used to repay related debt and then allocated to capital development purposes. Any alternative use of funds must be approved by resolution of Council, upon the CE's presentation of a detailed plan to Council's satisfaction. Council intends to dispose of all surplus land holdings by tender, or by such method that market value is achieved, whilst being cognisant of the requirements of legislation including to offer back under the Public Works Act 1981.

8.0 Forestry Investments

8.1 Forestry assets are primarily held as long term investments on the basis of their net positive discounted cashflows, factoring in projected market prices, annual maintenance and cutting costs; and to generate carbon credits. On-going costs are held in a reserve to be funded from forestry sales.

8.2 The management of forestry assets is contracted. The contractor will complete on-going plantation maintenance and six monthly reporting to Council. An annual audit of the plantation is completed by an independent forestry consultant.

8.3 Any disposition requires Council approval. Proceeds from the disposition of forestry investments, including real estate, leases, forestry sales, etc. may be applied to the repayment of the Forestry Reserve deficits, Forestry Loans, re-establishment of existing or new Council forests or such other use as Council specifically directs.

9.0 Financial Investments

9.1 Council maintains financial investments for the primary reasons:

a. Investment proceeds from the sale of assets.

b. Invest amounts allocated to general and specific reserves.

c. Invest funds allocated for approved future expenditure.

d. Invest surplus cash, and working capital funds.

9.2 Interest income earned on financial investments is accounted for within general reserves. Council reviews financial investment performance through standard periodic reporting.

10.0 Organisational Responsibility Structure

10.1 The following personnel are primarily responsible for the management of the treasury activities of the Council:

a. Full Council (of elected members).

b. Chief Executive (“CE”).

c. Corporate Services Group Manager (“CSGM”).

d. Accountant

10.2 In addition to the above, the Council may retain on an ongoing or consultancy basis the services of an Independent Treasury Advisor.

10.3 The respective responsibilities of those personnel involved in the treasury function are detailed below.

Full Council

a. Approves the policy document.

b. Approves any risk management strategies outside the delegated authorities outlined in this policy document.

c. Approves any amendments to the policy as recommended by the CE.

d. Approves borrowing from the Local Government Funding Agency (LGFA), banking sector and capital markets in conjunction with approval of the Annual Plan or Long Term Plan.

e. Monitors and reviews the ongoing treasury risk management performance of the Council to ensure that the treasury function is operating in such a way as to ensure that the Council’s strategic objectives are being met.

Chief Executive

a. Approves any amendments to the Treasury Policy recommended by the CSGM, prior to submission to the full council for approval.

b. Checks external counterparty advices on treasury transactions to records generated internally by other staff.

c. In the absence of the CSGM undertakes the following treasury transactions or delegates to the Accountant where permissible under his/her permissions.

- Placing of deposits in the short term money market or fixed interest market.
- Investing in bonds in the fixed interest market.

Corporate Services Group Manager

a. Reviews the Treasury Policy every three years or more regularly if required which shall then be submitted to the CE for approval and then to the full Council for final approval.

b. Reports to the full Council and CE on overall treasury risk management issues on a regular basis.

c. Manages the liquidity activities of the Council.

d. Undertakes all treasury transactions which will include but not be limited to the following:

- Placing of deposits in the short term money market.
- Investing in bonds in the fixed interest market.

e. Monitors and reviews the ongoing treasury risk management performance of the Council to ensure compliance with the policy parameters.

f. Prepares quarterly treasury reports.

g. Checks external counterparty advices on treasury transactions to records generated internally by other staff.

Accountant

a. Invests surplus cash for terms not exceeding 90 days.

11.0 Objectives for Management of Financial Investments

11.1 Council's primary objective when investing is the protection of its investment. Accordingly, only credit worthy counterparties are acceptable. Credit worthy counterparties are selected on the basis of their current Standard and Poors (S&P) rating, which must be strong or better. Credit ratings are considered when a new investment is made and changes monitored by Council finance staff through updated S & P rating advice.

11.2 Council approves investment strategy, as recommended by the CE, who after seeking appropriate advice, incorporates plans for approved expenditure and strategic initiatives, and evaluates the outlook for interest rates and the shape of the yield curve.

11.3 The following principles capture the above objectives and form the key assumptions of the operating parameters contained in – Counterparty Exposure Limits:

a. Credit risk is minimised by placing maximum limits for each broad class of non-Government issuer, and by limiting investments to local authorities, registered banks, strongly rated SOE's, and corporates within prescribed issuer and portfolio limits.

b. Liquidity risk is minimised by ensuring that all investments must be capable of being liquidated in a readily available secondary market.

12.0 Restrictions on Investments

12.1 In addition to the parameters contained in Appendix 1 the following restrictions apply to investments in financial market instruments.

a. No investment shall have a maturity date exceeding one year from the date of inception of the investment.

b. No investments shall be made in Council Controlled organisations.

c. If a short term security is downgraded below ‘A1’ then that security must be sold within one month of the date of the downgrade. The exceptions to this are Term Deposits due to the inability in some cases to effect early repayment.

d. If a long term security is downgraded below ‘BBB‘ that security must be sold within three months of the date of the downgrade.

e. All financial market investment transactions must be carried out with one of the following.

- A New Zealand Registered Bank or financial institution with a minimum S&P Global Ratings (“S&P”) long term rating of ‘A-‘ or the Moody’s or Fitch equivalent, as per Section 4.6 of this policy.
- A full trading member or an advising member of the NZX.

f. No investment shall be made in cryptocurrency.

g. No investment shall be made where the denomination is in foreign currency.

h. No financial investments shall be made for speculative purposes.

13.0 Local Government Funding Agency

13.1 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:

a. Obtain a return on the investment; and

b. 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.

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

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

14.0 Operations and Procedures

INTRODUCTION

14.1 Arranging and agreeing transactions with external counterparties must occur within a framework of control and accuracy. It is vital to the internal control of the Council that all transactions are captured, recorded, reconciled and reported in a timely manner within a process that has the necessary checks and balances so that unintentional errors and/or fraud are identified early and clearly. Movements in financial market variables can be rapid and exposures to such movements that are not known due to inadequate transaction recording and reporting systems should not be allowed to occur.

TRANSACTION ORIGINATION

14.2 The following authorities shall apply in respect of the execution of treasury transactions on behalf of the Council that may commit it to all the related contractual obligations under these transactions. All such transactions are generally originated and agreed either verbally via the telephone or by email. Therefore it is important that procedures are in place to control the activity.

FUNDING FROM BANKS, THE LGFA AND THE CAPITAL MARKETS AND ENTERING INTO FINANCIAL MARKET INVESTMENT TRANSACTIONS

14.3 Funding from bank facilities, the capital markets and the LGFA or entering into financial market investment transactions with an approved counterparty entails the personnel of the Council, who are authorised to undertake these activities, verbally or by email agreeing with the counterparty the amount, type of debt or investment instrument, term selection and rate accepted.

a. Once the deal is agreed details of the transaction shall be entered on the relevant internal system.

b. Once the confirmation of the transaction is received the details should then be checked by someone other than the person who entered into the transaction in the first place to ensure that the external confirmation is in accordance with the details on the Council's internal system.

14.4 Any discrepancies in the above procedures should be immediately communicated to the counterparty so that the correct details of the deal can be agreed. A report on the error shall be prepared by the person who transacted the deal in the first place and submitted to the CE for sign-off. Where the CE has transacted the deal, the report shall be submitted to the CSGM. In this way there, is a clear division of responsibility and a self-checking system.

CASH MANAGEMENT

14.5 The CSGM and the Accountant are responsible for day to day cash and short term debt management activities. Specifically this will include the following:

a. Ensure that appropriate cashflow projections are maintained, with the objective of managing an optimal cash position within approved parameters.

b. Undertake short term borrowing functions as required, thus minimising overdraft costs.

c. Ensure efficient cash management through improvements to the accuracy of forecasting.

d. Minimise fees and bank charges by optimising bank accounts, facility structures and merchant service agreements.

e. When operating as a net borrower, surplus funds will normally only be permitted to be invested on a short term basis, usually until the next opportunity to repay debt. However exceptions to this may occur where it is prudent to do so, for

example, the pre-funding of debt which is placed on term deposit until the funds are required.

15.0 Counterparty Exposure Limits

15.1 Council ensure that all investment, interest rate risk management as well as any foreign exchange activity is undertaken with institutions that are of high quality credit, to ensure amounts owing to Council are paid fully and on due date.

15.2 More specifically, Council minimises its credit exposure by:

a. Transacting with entities that have a strong credit rating.

b. Limiting total exposure to prescribed amounts and portfolio limits.

c. Timely and rigorous compliance monitoring.

16.0 Glossary

16.1 **BKBM**: The Forward Rate Agreement, (FRA) settlement rate as determined at 10.45 am each business day on Reuters page BKBM.

16.2 **Liquidity Ratio**: This ratio measures the ability of Council to generate cash from assets in order to meet its obligations. Council's liquidity or acid test ratio consists of the sum of cash, marketable securities, short term notes and receivables, supplemented by any unused bank overdraft facility that Council may have with its principle bankers, that is able to be called upon instantly, divided by current liabilities.

17.0 Document Control

Document owner:	Corporate Services Group Manager
Effective: (Via adoption of the LTP 2025-2034)	30 June 2025
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Next review date:	June 2027
Policy can only be amended by:	Resolution of Council
Council resolution number:	2025/1

Appendix 1: Authorised Investment Criteria for Short Term Funds

Authorised Asset Classes	Maximum Limit as a Percentage of the Total Portfolio	Approved Financial Market Investment Instruments (must be denominated in NZ dollars)	Credit Rating Criteria – S&P (or Moody's or Fitch equivalents)**	Limit for Each Issuer Subject to Overall Portfolio Limit for Issuer Class
New Zealand Government or Government Guaranteed	100%	Government Stock Treasury Bills	Not Applicable	Unlimited
Rated Local Authorities	50%	Commercial Paper	S&P ST rating of 'A-1' or LT 'BBB' or 'BBB+'	$1 million
		Bonds/MTNs/ FRNs	S&P ST rating of 'A-1+' or LT 'A-' or better	$2 million
Unrated local authorities where rates are used as security	25%	Bonds/MTNs/ FRNs	Not applicable	$1 million
New Zealand Registered banks	100%	Call/Term Deposits	S&P ST rating of 'A-1' or LT 'BBB' or 'BBB+'	$1 million
		Bonds/MTNs/ FRNs	S&P ST rating of 'A-1+' or LT 'A-' or better	$3 million
State Owned Enterprises	33%	Commercial Paper	S&P ST rating of 'A-1' or LT 'BBB' or 'BBB+'	$1 million
		Bonds/MTNs/ FRNs	S&P ST rating of 'A-1+' or LT 'A-' or better	$2 million
Corporates	25%	Commercial Paper	S&P ST rating of 'A-1' or LT 'BBB' or 'BBB+'	$1 million
		Bonds/MTNs/ FRNs	S&P ST rating of 'A-1+' or LT 'A-' or better	$2 million
Financials	25%	Commercial Paper	S&P ST rating of 'A-1' or LT 'BBB' or 'BBB+'	$1 million
		Bonds/MTNs/ FRNs	S&P ST rating of 'A-1+' or LT 'A-' or better	$2 million