Item 2: Treasury Management Policy

SESSION TYPE: Workshop

PURPOSE/DESIRED OUTCOME:

To provide Councillors with an opportunity to review, discuss, and provide feedback on the updated draft Treasury Policy as part of the Long-Term Plan 2027-2037 development. This workshop will enable Councillors to contribute feedback and identify any concerns prior to the final policy being presented for adoption.

DATE/START TIME:

Thursday, 13 August 2026 at 2.30pm

TIME BREAKDOWN:

Presentation: 10 minutes
Questions *or* Debate/Discussion: 50 minutes
Total time: 1 hour

PRESENTERS:

Tanea Hawkins – Acting Finance Director
Vanessa Fauth – Financial Controller
Miles O'Connor – Treasury Manager (Bancorp)

Prepared by:	**Reviewed by:**	**Authorised by:**
Name: Vanessa Fauth **Title:** Financial Controller 14 July 2026	**Name:** Tanea Hawkins **Title:** Acting Finance Director 22 July 2026	**Name:** Katherine Harbrow **Title:** General Manager Assurance Finance and Risk 27 July 2026

ATTACHMENTS:

A	Draft Treasury Management Policy (2026)
B	Treasury Management Policy 2024-2034

Treasury Management Policy - DRAFT
Te Kaupapa Here Tai Ōhanga

(a) Liability Management Policy

INTRODUCTION AND APPLICATION

Introduction

This Liability Management Policy has been prepared pursuant to sections 102(4) (b) and 104 of the Local Government Act 2002.

The Council’s borrowing programme for any particular year will be approved as part of the Council’s annual planning process, which is affected by projections made in the Ten Year Plan.

Generally, borrowing will be identified as a funding mechanism only for capital or long term projects which will provide benefits into the future.

The only borrowing to meet operating costs will be the use of overdraft facilities or other short term facilities to cover temporary fluctuations in cash flow.

GENERAL PROVISIONS

Borrowing limits

The Council’s borrowing limits are:

ITEM	RATIO
Interest expense / rates income	<30%
Interest expense / total revenue	<20%
Net debt / total revenue*	<280%

For the purpose of calculating the limits above:

> Total revenue is defined as cash earnings from rates, government grants and subsidies, user charges, interest, dividends, financial and other revenue and excludes non-government capital contributions (e.g. developer contributions and vested assets).

> Net debt is defined as total consolidated debt less liquid financial assets and investments.

> Liquidity is defined as external debt plus committed loan facilities plus liquid investments divided by external debt.

> Net interest is defined as the amount equal to all interest and financing costs less interest income for the relevant period.

> Annual rates income is defined as the amount equal to the total revenue from any funding mechanism authorised by the Local Government (Rating) Act 2002, together with any revenue received from other LGs for services provided and for which the other LGs rate.

* The net debt/total revenue limit follows the LGFA approved change to the Net Debt/Total Revenue covenant. It increased from 250% to 300% for the 2021 and 2022 financial years and then reduces by 5% for each of the subsequent years until 280% applies from the 2026 financial year.

FORM OF BORROWING

The Council may obtain funding utilising the following methods:

> Bank debt including committed cash advance and overdraft facilities.

>Local Government Funding Agency debt (LGFA) comprising Cash Advance Facility, Commercial Paper, Fixed Rate Bonds, Medium-Term Notes and Floating Rate Notes.

> Capital market issuance comprising Fixed Rate Bonds, Medium-Term Notes and Floating Rate Notes.

Any form of borrowing not covered by the above categories must be approved by Council resolution

Local Government Funding Agency (LGFA)

Despite anything earlier in this policy, the Council may borrow from the LGFA and, in connection with that borrowing, may enter into the following related transactions to the extent it considers necessary or desirable:

> contribute a portion of its borrowing back to the LGFA as an equity contribution to the LGFA;

> provide guarantees of the indebtedness of other local authorities to the LGFA and of the indebtedness of the LGFA itself;

> commit to contributing additional equity (or subordinated debt) to the LGFA if required;

> subscribe for shares and uncalled capital in the LGFA; and

> secure its borrowings from the LGFA and the performance of other obligations to the LGFA or its creditors with a charge over the Council's rates and rates revenue.

Hire purchase, deferred purchase and trade credit

These arrangements are not considered to be borrowing under the terms of the Act.

Other

Instruments not specifically referred to in this policy may only be used with specific Council approval.

Security

It is the Council's general policy to offer security for its borrowing by way of negative pledge or a charge over its rates.

In the normal course, the Council's policy is not to offer security over any of the other assets of the Council. However:

> where borrowing is by way of finance lease, or some other form of trade credit under which it is normal practice to provide security over the asset concerned; or

> where the Council considers doing so would help further its community goals and objectives, the Council may decide to offer security over the asset.

POLICIES

Interest rate exposure policy

The Council will manage its borrowing activities prudently in the best interests of the district, its inhabitants and ratepayers. In furtherance of this goal, Council will keep the following objectives firmly in mind:

> Ensure the Council's continued ability to meet its debts in an orderly manner as and when they fall due in both the short and long term, through appropriate liquidity and funding risk management.

> Arrange appropriate funding facilities for the Council, ensuring they are at market related margins utilising bank debt facilities and/or capital markets as appropriate.

> Maintain lender relationships and the Council's general borrowing profile in the local debt and, if applicable, capital markets (including the LGFA), so that the Council is able to fund itself appropriately at all times.

> Control the Council's cost of borrowing through the effective management of its interest rate risk, within the interest rate risk management limits established by the LMP.

> Ensure compliance with any financing/borrowing covenants and ratios.

> Maintain adequate internal controls to mitigate operational risks.

> Produce accurate and timely information that can be relied on by senior management and Council for control and exposure monitoring purposes in relation to the debt raising activities of the Council.

Prudent selection of funding instruments and mix should aim to assist the Council achieve its low debt servicing costs and risk minimisation objectives.

Debt repayment policy

It is the Council's general policy to repay debt as it falls due. This will be repaid from accumulated funds, reserve funds, contributions, land sales or a combination of these methods depending on the project the loan was raised for. If the loan was raised for a period less than a term the Council considers appropriate for the project, part of the balance will be financed with new debt.

The Council may repay debt before maturity in special cases where the circumstances suggest that this would be in the best interest of residents and ratepayers.

Total debt levels are determined through the Ten Year Plan and Annual Plans.

New Zealand Units

Council recognises New Zealand Units (NZUs) as a permissible financial instrument for the purposes of managing obligations, exposures, and opportunities arising from participation in the New Zealand Emissions Trading Scheme (NZ ETC). NZUs may be acquired, held, and disposed of in accordance with this treasury policy and the overall investment policy objectives.

All NZU transactions must be undertaken on a prudent, risk-managed basis and be consistent with Council's risk appetite and financial strategy.

Authority to transact in NZUs is delegated in accordance with Council's Treasury Delegations Register. This includes:

- Approval to purchase, hold, or sell NZUs within approved limits and budgets
- Execution authority for NZU transactions, including participation in the secondary market or government auctions
- Authority to enter into arrangements ancillary to NZU transactions (e.g. registry accounts, brokerage arrangements)

All delegations must be exercised within:

- Approved financial limits and budgets
- Established internal controls and procedures
- Segregation of duties requirements

Material or strategic NZU transactions outside delegated authority must be approved by Council or the relevant Committee, as required under the Delegations Register.

Liquidity Risk Management

Liquidity risk management has the objective of ensuring that adequate liquid assets and funding sources are available at all times to meet the short term commitments of the Council as they arise in an orderly manner. Appropriate cash flow reporting mechanisms will be maintained to monitor the Council's estimated liquidity position over the next twelve months.

The following control limits apply to the Council's management of liquidity risk with the Council ensuring that it has sufficient funds available to:

- Pay all operating expenses
- Pay all financing costs.
- Council will seek to match revenue requirements with expenditure streams, ensuring any timing differences, if any, are favourable for the Council;

To manage liquidity risk the Council will ensure that external debt plus committed loan facilities together with available liquid investments will be maintained at an amount greater than 110% of projected external debt over the ensuing 12 month period.

Projected external debt is defined as that contained in the Annual Plan or as otherwise determined by the GM Assurance, Finance and Risk.

Funding Risk Management

Funding risk is defined as an inability to secure access to external lines of credit sufficient to enable the Council to raise or refinance maturing debt at an acceptable price and tenor.

A key factor in the management of funding risk is to spread and control the maturity profile to reduce the concentration of risk at any point so that the overall borrowing cost is not increased unnecessarily and / or the desired maturity profile compromised due to market conditions.

To manage the Council's funding risk no more than 35% of debt shall be subject to refinancing in any rolling 12-month period.

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OTHER MATTERS

Incidental arrangements

'Incidental arrangement' is defined to mean:

A. A contract or arrangement for the management, reduction, sharing, limiting, assumption, offset, or hedging of financial risks and liabilities in relation to any investment or investments or any loan or loans or other incidental arrangement, whether or not that contract or arrangement involves:

i. the expenditure, borrowing, or lending of money; or
ii. the local authority undertaking to make payments in exchange for another person undertaking to make payments to the local authority; or
iii. the creation or acquisition or disposal of any property or right; or

B. A contract or arrangement with any bank, financial institution, or other person providing for any person to act as underwriter, broker, indemnifier, guarantor, accommodation party, manager, dealer, trustee, registrar, or paying, fiscal, or other agent for, or in connection with, any loan or investment.

Interest Rate Risk Management

Interest rate risk is the risk that funding costs (due to movements in market interest rates) will materially exceed adopted Annual Plan and Long-term Plan interest cost projections, so as to adversely impact cost control, and capital investment decisions, returns and feasibility. It is important to consider this on a forward-looking basis when issuing new debt and refinancing existing debt on an on-going basis. It may impact on the maturity profile of issued debt and the process of re-financing.

The primary objective of interest rate risk management is to reduce uncertainty of interest rate movements through fixing of wholesale market interest costs. Certainty around interest costs is to be achieved through the active management of underlying interest rate exposures.

Dealing in interest rate products must be limited to financial instruments approved by the Council which are detailed below.

The Council is able to use the following financial market instruments to manage interest rate risk:

- Interest rate swaps both spot and forward starting.
- Interest rate options including collar option structures but in a ratio which does not exceed 1:1. The outright selling of interest rate options is not permitted.

Options on hedging floating rate debt with a strike rate greater than 1.50% above the equivalent period interest rate at the time of inception cannot be counted as part of the fixed rate cover percentage calculation.

- Borrower swaptions but not with a strike rate 1.50% above the equivalent period interest rate at the time of inception.
- Fixed rate bonds.
- Fixed rate term loans

Any other financial instrument not on the approved list must be specifically approved by the Council on a case-by-case basis and only applied to each transaction being approved.

Interest rate risk management instruments may be used for risk management purposes, on advice from financial advisors.

The following table details the Fixed Rate Hedging Percentages which shall apply to the projected core debt as determined by the GM Assurance, Finance and Risk.

	MINIMUM FIXED RATE AMOUNT	**MAXIMUM FIXED RATE AMOUNT**
0 - 2 Years	40%	100%
2 - 4 Years	20%	80%
4 - 10 Years	0%	60%

Counterparty Credit Risk for Derivatives

Counterparty credit risk is the risk of losses (realised or unrealised) arising from a counterparty defaulting on a financial instrument where the Council is a party. The credit risk to the Council in a default event will be weighted differently depending on the type of instrument entered into.

Counterparties and limits can only be approved on the basis of a minimum long term credit rating (S&P Global Ratings or the Moody's or Fitch equivalents of A and a minimum short-term rating of A-1).

Limits should be spread amongst a number of counterparties to avoid concentrations of credit exposure. The approval process to allow the use of individual financial instruments must take into account the liquidity of the market the instrument is traded in and repriced from.

The maximum exposure for any one counterparty is $25 million. Exposures are calculated as follows:

Interest rate swaps/swaptions and interest option caps = MTM + 1% of FV per annum calculated on the average duration of the derivatives portfolio. For example, if the derivatives portfolio that QLDC had with a particular bank totalled $100 million, which had an average duration of 3 years and was $5.0 million in the money, the total exposure that QLDC would have to the bank would be $8.0 million.

MTM is defined as positive if the position is 'in the money' for QLDC and nil if it is 'out of the money' for Council.

Counterparty Limit for Borrowing

The following table shows the gross counterparty limit for borrowing:

Counterparty/ Issuer	Borrowing maximum per counterparty
NZ Government	Unlimited
LGFA	Unlimited
NZ Registered Bank minimum credit rating of A	$50 million

Agents

The Council may appoint only reputable companies with proven experience in dealing with the local government sector to fulfil the following roles:

> Registrars/paying agents

> Brokers

> Trustees.

Other

Other forms of incidental arrangement may only be entered into with a specific resolution of the Council.

(b) Investment Policy

GENERAL

Introduction

This investment policy has been prepared pursuant to sections 102(4)(c) and 105 of the Local Government Act 2002. It applies to the management of the Council's financial and equity investments.

Overview

The Council has a variety of investments which at any time may include cash, trust funds, special funds, shares, property held for investment purposes and financial reserves.

These investments are acquired, held and realised by the Council in furtherance of the community goals and objectives which are identified in the Ten Year Plan and each Annual Plan.

In managing its investments the Council is not driven by commercial considerations alone. As a public body the Council is accountable to the community in terms of community health, safety, benefit and wellbeing and these considerations may lead to the Council making investment decisions which would not have been made on commercial/financial considerations alone.

In managing its investments in accordance with its general policy the Council seeks to:

> achieve the goals and objectives set out in the Ten Year Plan and the Annual Plan.

> balance the protection of its investment with maximising investment return.

> ensure investments are of a type which provide the Council with funds when required.

POLICIES

Mix of investments

NATURE OF INVESTMENT	TERM	RATIONALE FOR RETENTION
Cash investments	Short term	To meet cash flow requirements
Shares/equity	Long term	To support the strategic objectives of the Council and the district
Investment property	Variable	To provide a commercial return to the Council

It should be noted that the Council does have some investments that do not currently meet these criteria, particularly some land holdings. The future of these are under review and it will be decided if these will be held to meet future core function requirements or will be disposed when it is considered that it is appropriate.

Acquisitions of new investments

Call and short term: delegated to the Council staff to invest in approved institutions.

Medium to long term: through the Council, having regard to the goals, objectives and provisions of the Council's long term financial strategy and annual plans.

Use of revenue from investments

Revenue from funds which are reserved for particular purposes is added to that fund. Revenue from other investments used to offset general rates.

Revenue from asset sales

Revenue from asset sales will be used to repay debt or fund the purchase of new assets. If there are no appropriate uses available at the time of disposal, it will be held in a separate fund until there are appropriate uses for the funds.

OTHER MATTERS

Procedures for management and reporting to Council

The Council's procedures for the management of investments and associated reporting to the Council involve reporting results of investment to the Council through the Committee.

Risk management

In managing its investments the Council always seeks to protect its investments and manage its risk.

When investing the Council will adhere to the provisions of the investment matrix (see Appendix 1) which clearly sets out the parameters under which, the Council will manage its financial market investment activities.

The Council also has statutory obligations to properly administer, manage, and account for its funds. In particular the Council must make its investments in accordance with the provisions of the Trustee Act 1956 as they apply to the investment of trust funds. This requires the Council to exercise the care, diligence, and skill that a prudent person of business would exercise in managing the affairs of others. The Council may consider, in making any investment decisions:

> the desirability of diversifying investments.

> the nature of existing investments.

> the risk of capital loss or depreciation.

> the potential for capital appreciation.

> the likely income return.

> the length of the term of the proposed investment.

> the marketability of the proposed investment during, and on the determination of, the term of the proposed investment.

> the effect of the proposed investment in relation to tax liability.

> the likelihood of inflation affecting the value of the proposed investment.

Local Government Funding Agency (LGFA)

Despite anything earlier in this policy, the 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 such investment will be to:

> obtain a return on investment; and

> 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.

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

If required in connection with the investment, the Council may subscribe for un-called capital in the LGFA.

Appendix 1: Authorised Financial Market Investment Parameters

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 Bonds Treasury Bills	Not Applicable	Unlimited
Rated Local Authorities	50%	Commercial Paper Bonds/MTNs/FRNs	S&P ST rating of ‘A-1’ or LT ’A’- or A S&P ST rating of ‘A-1+’ or LT ‘A+ or better	$4 million $8 million
Unrated local authorities where rates are used as security	25%	Commercial Paper Bonds/MTNs/FRNs	Not applicable	$4 million
New Zealand Registered Banks	100%	Call/Term Deposits Bonds/MTNs/FRNs	S&P ST rating of ‘A-1’ or LT ‘A-’ or ‘A’ S&P ST rating of ‘A-1+’ or LT ‘A+‘ or better	$60 million $10 million
State Owned Enterprises	33%	Commercial Paper Bonds/MTNs/FRNs	S&P ST rating of ‘A-1’ or LT ‘A-’ or ‘A’ S&P ST rating of ‘A-1+’ or LT ‘A+‘ or better	$4 million $8 million
Corporates/Financials	30%	Commercial Paper Bonds/MTNs/FRNs	S&P ST rating of ‘A-1’ or LT ‘A-’ or ‘A’ S&P ST rating of ‘A-1+’ or LT ‘A+‘ or better	$2 million $4 million

QUEENSTOWN LAKES DISTRICT COUNCIL

Treasury Management Policy

Te Kaupapa Here Tai Ōhanga

(a) Liability Management Policy

INTRODUCTION AND APPLICATION

Introduction

This liability management policy has been prepared pursuant to sections 102(4)(b) and 104 of the Local Government Act 2002.

The Council's borrowing programme for any particular year will be approved as part of the Council's annual planning process, which is affected by projections made in the Ten Year Plan.

Generally, borrowing will be identified as a funding mechanism only for capital or long term projects which will provide benefits into the future.

The only borrowing to meet operating costs will be the use of overdraft facilities or other short term facilities to cover temporary fluctuations in cash flow.

GENERAL PROVISIONS

Borrowing limits

The Council's borrowing limits are:

LIMITS	ACCEPTABLE RANGE
Interest expense / rates income	<30%
Interest expense / total revenue	<20%
Net debt / total revenue*	<280%

For the purpose of calculating the limits above:

> Total revenue is defined as cash earnings from rates, government grants and subsidies, user charges, interest, dividends, financial and other revenue and excludes non-government capital contributions (e.g. developer contributions and vested assets).

> Net debt is defined as total consolidated debt less liquid financial assets and investments.

> Liquidity is defined as external debt plus committed loan facilities plus liquid investments divided by external debt.

> Net interest is defined as the amount equal to all interest and financing costs less interest income for the relevant period.

> Annual rates income is defined as the amount equal to the total revenue from any funding mechanism authorised by the Local Government (Rating) Act 2002, together with any revenue received from other LGs for services provided and for which the other LGs rate.

* The net debt/total revenue limit follows the LGFA approved change to the Net Debt/Total Revenue covenant. It increased from 250% to 300% for the 2021 and 2022 financial years and then reduces by 5% for each of the subsequent years until 280% applies from the 2026 financial year.

FORM OF BORROWING

The Council may obtain funding utilising the following methods:

> Bank debt
> Capital market issuance comprising fixed rate bonds, medium-term notes and floating rate notes.

- Bank debt
- Capital market issuance comprising fixed rate bonds, medium-term notes and floating rate notes.

Local Government Funding Agency (LGFA)

Despite anything earlier in this policy, the Council may borrow from the New Zealand LGFA and, in connection with that borrowing, may enter into the following related transactions to the extent it considers necessary or desirable:

- contribute a portion of its borrowing back to the LGFA as an equity contribution to the LGFA;
- provide guarantees of the indebtedness of other local authorities to the LGFA and of the indebtedness of the LGFA itself;
- commit to contributing additional equity (or subordinated debt) to the LGFA if required;
- subscribe for shares and uncalled capital in the LGFA; and
- secure its borrowings from the LGFA and the performance of other obligations to the LGFA or its creditors with a charge over the Council's rates and rates revenue.

Hire purchase, deferred purchase and trade credit

These arrangements are not considered to be borrowing under the terms of the Act.

Other

Instruments not specifically referred to in this policy may only be used with specific Council approval.

Security

It is the Council's general policy to offer security for its borrowing by way of negative pledge or a charge over its rates.

In the normal course, the Council's policy is not to offer security over any of the other assets of the Council. However:

- where borrowing is by way of finance lease, or some other form of trade credit under which it is normal practice to provide security over the asset concerned; or
- where the Council considers doing so would help further its community goals and objectives, the Council may decide to offer security over the asset.

POLICIES

Interest rate exposure policy

The Council will manage its borrowing activities prudently in the best interests of the district, its inhabitants and ratepayers. In furtherance of this goal, Council will keep the following objectives firmly in mind:

> Ensure the Council's continued ability to meet its debts in an orderly manner as and when they fall due in both the short and long term, through appropriate liquidity and funding risk management.

> Arrange appropriate funding facilities for the Council, ensuring they are at market related margins utilising bank debt facilities and/or capital markets as appropriate.

> Maintain lender relationships and the Council's general borrowing profile in the local debt and, if applicable, capital markets, so that the Council is able to fund itself appropriately at all times.

> Control the Council's cost of borrowing through the effective management of its interest rate risk, within the interest rate risk management limits established by the LMP.

> Ensure compliance with any financing/borrowing covenants and ratios.

> Maintain adequate internal controls to mitigate operational risks.

> Produce accurate and timely information that can be relied on by senior management and Council for control and exposure monitoring purposes in relation to the debt raising activities of the Council.

Prudent selection of funding instruments and mix should help the Council achieve its low debt servicing costs and risk minimisation objectives.

Debt repayment policy

It is the Council's general policy to repay debt as it falls due. This will be repaid from accumulated funds, reserve funds, contributions, land sales or a combination of these methods depending on the project the loan was raised for. If the loan was raised for a period less than a term the Council considers appropriate for the project, part of the balance will be financed with new debt.

The Council may repay debt before maturity in special cases where the circumstances suggest that this would be in the best interest of residents and ratepayers.

Total debt levels are determined through the Ten Year Plan and Annual Plans.

Liquidity Policy

The Council will strive to ensure the timely availability of funds to meet the Council's various expenditure needs, preferably without incurring penalties or holding unnecessary cash reserves. The Council will:

> match revenue requirements with expenditure streams, ensuring any timing differences, if any, are favourable for the Council;

> ensure replacement funds are available no later than the debt repayment date;

> avoid concentration of debt maturity dates no more than $150M or 50% of debt, whichever is the lesser, can be subject to refinancing in any 12 month period;

> the Council must maintain liquidity (committed funding lines and cash on deposit) of not less than 110% of projected core debt.

Core debt is defined as that contained in the Annual Plan or as otherwise determined by the Chief Financial Officer.

Credit Exposure Policy

The Council will only enter incidental arrangements with credit worthy counter parties.

Credit worthy counterparties are selected on the basis of their current Standard and Poors (S&P) rating which must be A- or better or the Moody's or Fitch equivalents.

OTHER MATTERS

Borrowing for cash management purposes

This section applies to what might be described as borrowing to manage day to day fluctuations in cash flow.

The Council will maintain an overdraft facility not exceeding a limit of $500,000 for day to day cash management purposes.

The Council may maintain a standby credit facility for urgent financing in emergencies.

Incidental arrangements

'Incidental arrangement' is defined to mean:

A. A contract or arrangement for the management, reduction, sharing, limiting, assumption, offset, or hedging of financial risks and liabilities in relation to any investment or investments or any loan or loans or other incidental arrangement, whether or not that contract or arrangement involves:

(i) the expenditure, borrowing, or lending of money; or

(ii) the local authority undertaking to make payments in exchange for another person undertaking to make payments to the local authority; or

(iii) the creation or acquisition or disposal of any property or right; or

B. A contract or arrangement with any bank, financial institution, or other person providing for any person to act as underwriter, broker, indemnifier, guarantor, accommodation party, manager, dealer, trustee, registrar, or paying, fiscal, or other agent for, or in connection with, any loan or investment.

Hedging

Hedging instruments may be used for risk management purposes, on advice from financial advisors.

The following table details the Fixed Rate Hedging Percentages which shall apply to the projected core debt of the Council:

	MINIMUM FIXED RATE AMOUNT	MAXIMUM FIXED RATE AMOUNT
0 - 2 Years	40%	100%
2 - 5 Years	20%	80%
5 - 8 Years	0%	60%

That the following interest rate risk management instruments may be used to manage the core debt of the Council:

A. Interest rate swaps.

B. Swaptions (options on swaps).

C. Interest rate options, including collar type structures but only in a ratio of 1:1.

D. Forward rate agreements.

Options on hedging floating rate debt with an exercise rate greater than 2.00% above the equivalent period interest rate at the time of inception cannot be counted as part of the fixed rate cover percentage calculation. For example a three year cap at 6.00% would only count as a fixed rate hedge if the underlying swap rate was greater than 4.00%.

Agents

The Council may appoint only reputable persons or companies to fulfil the following roles:

- Registrars/paying agents
- Brokers
- Trustees.

Other

Other forms of incidental arrangement may only be entered into with a specific resolution of the Council.

(b) Investment Policy

GENERAL

Introduction

This investment policy has been prepared pursuant to sections 102(4)(c) and 105 of the Local Government Act 2002. It applies to the management of the Council's financial and equity investments.

Overview

The Council has a variety of investments which at any time may include cash, trust funds, special funds, shares, property held for investment purposes and financial reserves.

These investments are acquired, held and realised by the Council in furtherance of the community goals and objectives which are identified in the Ten Year Plan and each Annual Plan.

In managing its investments the Council is not driven by commercial considerations alone. As a public body the Council is accountable to the community in terms of community health, safety, benefit and wellbeing and these considerations may lead to the Council making investment decisions which would not have been made on commercial/financial considerations alone.

In managing its investments in accordance with its general policy the Council seeks to:

- achieve the goals and objectives set out in the Ten Year Plan and the Annual Plan.
- balance the protection of its investment with maximising investment return.
- ensure investments are of a type which provide the Council with funds when required.

POLICIES

Mix of investments

NATURE OF INVESTMENT	TERM	RATIONALE FOR RETENTION
Cash investments	Short term	To meet cash flow requirements
Shares/equity	Long term	To support the strategic objectives of the Council and the district
Investment property	Variable	To provide a commercial return to the Council

It should be noted that the Council does have some investments that do not currently meet these criteria, particularly some land holdings. The future of these are under review and it will be decided if these will be held to meet future core function requirements or will be disposed when it is considered that it is appropriate.

Acquisitions of new investments

Call and short term: delegated to the Council staff to invest in approved institutions.

Medium to long term: through the Council, having regard to the goals, objectives and provisions of the Council's long term financial strategy and annual plans.

Use of revenue from investments

Revenue from funds which are reserved for particular purposes is added to that fund. Revenue from other investments used to offset general rates.

Revenue from asset sales

Revenue from asset sales will be used to repay debt or fund the purchase of new assets. If there are no appropriate uses available at the time of disposal, it will be held in a separate fund until there are appropriate uses for the funds.

OTHER MATTERS

Procedures for management and reporting to Council

The Council's procedures for the management of investments and associated reporting to the Council involve reporting results of investment to the Council through the Committee.

Risk management

In managing its investments the Council always seeks to protect its investments and manage its risk.

When investing the Council will adhere to the provisions of the investment matrix (see Appendix 1) which clearly sets out the parameters under which, the Council will manage its financial market investment activities.

The Council also has statutory obligations to properly administer, manage, and account for its funds. In particular the Council must make its investments in accordance with the provisions of the Trustee Act 1956 as they apply to the investment of trust funds. This requires the Council to exercise the care, diligence, and skill that a prudent person of business would exercise in managing the affairs of others. The Council may consider, in making any investment decisions:

- the desirability of diversifying investments.
- the nature of existing investments.

> the risk of capital loss or depreciation.

> the potential for capital appreciation.

> the likely income return.

> the length of the term of the proposed investment.

> the marketability of the proposed investment during, and on the determination of, the term of the proposed investment.

> the effect of the proposed investment in relation to tax liability.

> the likelihood of inflation affecting the value of the proposed investment.

Local Government Funding Agency (LGFA)

Despite anything earlier in this policy, the 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 such investment will be to:

> obtain a return on investment; and

> 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.

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

If required in connection with the investment, the Council may subscribe for un-called capital in the LGFA.