Treasury Management Policy

Approved by:	Timaru District Council
Group:	Finance
Responsibility:	Chief Financial Officer
Date adopted:	1 July 2024
Review:	Every 3 years, or as required This Policy does not cease to have effect because it is due for review, or being reviewed
Consultation:	Section 82 consultation as part of the LTP consultation
Policy Type	Council External Strategic

Part 1: Introduction

1. Purpose

1.1. The purpose of this policy is to:

1.1.1. Detail Council's policy on liability management;

1.1.2. Detail Council's policy on investment management, and;

1.1.3. Define key responsibilities and operating parameters within which Council's treasury management activities are to be conducted.

2. Scope

2.1. This policy covers all Council employees, Council, Community Boards, any funds held in trust which are incorporated in the Council's Annual Report and financial reports, including all investments and liabilities as per sections 102, 104 and 105 of the Local Government Act 2002 (LGA).

2.2. This policy currently relates only to Timaru District Council and not the Timaru District Council Group (which includes the subsidiaries of Council, currently Timaru District Holdings Limited and Venture Timaru), except where Council conducts treasury management on behalf of a subsidiary.

3. Background

3.1. Timaru District Council undertakes treasury management activities including liability management (borrowing); investment and cash management and associated risk management activities.

3.2. Council's borrowing and investment activities are carried out within the requirements of the LGA, which defines the operating environment for local authorities in relation to treasury management and requires local authorities to adopt liability management and investment policies and this policy includes Council's Liability Management and Investment policies as required under sections 104 and 105 of the act with Council's lending and borrowing activities covered by these policies.

3.3. Council's borrowing activity is primarily driven by its capital expenditure programme.

3.4. Council has a portfolio of investments comprising equity and investments in subsidiary companies, including loans to subsidiaries; property; forestry; investment properties and treasury investments.

3.5. These policies should be read in the context of Council's financial strategy, which contains Council's overarching financial policy statements and objectives.

4. Treasury Objectives

4.1. Council's broad objectives and philosophy in relation to treasury activity are as follows:

4.1.1. To ensure compliance with the Act and any other relevant legislation;

4.1.2. To manage Council's borrowings and investments to support its strategic, community and commercial objectives, and to maximise returns within these objectives and the agreed Treasury Management policy and targets;

4.1.3. To maintain funding mechanisms with an appropriate maturity profile to ensure adequate liquidity is available at margins and costs appropriate to Council's credit standing;

4.1.4. To manage the integrity of the financial market investments by investing in appropriately rated organisations and in agreed financial market instruments;

4.1.5. To mitigate potential adverse interest rate risk and minimise financing costs within acceptable risk management parameters;

4.1.6. To maintain relationships with financial market participants, enabling Council to carry out its treasury activities in an efficient and practical way; and,

4.1.7. To provide timely and accurate reporting of treasury activity and performance.

4.2. In meeting these objectives, Council acknowledges that there are financial risks such as funding, liquidity, interest rate, credit and operational risks arising from its treasury activities.

4.3. Council is a risk adverse entity and accordingly, a significant element of Council's financial management function, is to undertake effective risk management activities focused on protecting Council's projected cashflows and net cash position and the value of its investments

4.4. Treasury activity unrelated to its underlying cash flows or speculative will not be undertaken without a resolution from Council while recognizing that all treasury activities and investments are subject to risk and values may fluctuate in the normal course of business Treasury management activity also includes the identification of investments opportunities which Council may wish to pursue.

5. Definitions

5.1. Local Government Funding Agency (LFGA), whose purpose is, "benefiting local communities through delivering efficient financing for local government".

5.2. Debt cap represents the maximum net debt that Council can hold at any one time and is expressed as a ratio or percentage relative to total revenue. Council's current debt cap is 2.5 or 250% of total revenue, meaning that Council can borrow up to $2.50 for every $1 of total revenue.

5.3. Total revenue represents the increase in value or inflow of resources to Council from both cash and non-cash sources, including from rates, government grants and subsidies, fees and charges, interest, dividends, revaluation of assets (included in the calculation of "surplus/(deficit) before tax"), and other financial transactions representing such increases or inflows. Total revenue excludes those inflows or value changes included in Other Comprehensive Revenue, particularly gains/(losses) on the revaluation of assets not included in the surplus/(deficit) before tax calculation, which primarily include infrastructure assets. Where the underlying obligations relating to the revenue source have not yet been materially met inflows are treated as creditors until the underlying requirements for recognition as revenue have been met, e.g. grants for capital developments where the underlying grant requirement are still outstanding.

5.4. Total expenses represent the diminution in value or outflow of resources from Council, both cash and non-cash, including payments to suppliers and employees, grants or loans made by Council, interest paid, depreciation, and any reduction in the value of assts where a revaluation, impairment or provision might be required. Expenses do not include capital expenditure, which represents an investment in another form of asset not a diminution in the value of Council.

5.5. Cash inflows or cash income, as represented in the Cashflow Statement, includes all sources of cash in a period regardless of any other parameters. Non-cash revenue, such as vested assets, are excluded from cash income. Cash outflows exclude any non-cash costs such as depreciation but include capital expenditure which is not an expense. The net movement in cash in a period will be represented by the change in cash and cash equivalents.

5.6. Net Debt is defined as total consolidated external debt less liquid financial assets and investments.

5.7. Liquidity (as measured by a liquidity ratio) is defined as total cash and cash equivalents, short-term deposits, loans to subsidiaries, investment in the Local Government Funding Agency

(LGFA), investments in debt securities and available short-term loan facilities divided by total borrowings, excluding trade creditors and other similar debt incurred in the normal course of business.

5.8. Liquid investments are defined as cash and cash equivalents, short-term deposits, loans to subsidiaries, investments in the LGFA, investments in debt securities and available short-term loan facilities.

5.9. Rates income is defined as the revenue from funding mechanisms authorised by the Local Government (Rating) Act 2002.

5.10. Financial covenants are parameters set by external loans providers which Council has agreed to comply with.

5.11. Disaster recovery resource requirements are required to be met through available liquidity (as represented by the liquidity ratio) and sufficient resources are expected to be maintained to meet exceptional needs following the utilisation of insurance and recovery support provided from external sources.

5.12. The Long Term Plan (LTP) is a 10 year plan which describes Council's work and activities and the broader results or community outcomes that are expected from engaging in these activities. An LTP has a strong financial focus showing the resources needed to deliver the suite of work and activities. The LTP also provides accountability to the community, and includes a legislatively protected consultation requirement.

Part 2: Liability Management

6. General Policy

6.1. The Council's Liability Management policy must state Council's policies in respect of the management of both borrowing and other liabilities, including interest rate exposure; liquidity; credit exposure and debt management.

6.2. Council's infrastructure and community assets generally have long expected lives and long term benefits and the use of debt is seen as an appropriate mechanism for promoting intergenerational equity between current and future ratepayers for assets and investments, as well as assisting Council in meeting the infrastructure demands of its ratepayers.

6.3. Council borrows as it considers appropriate within the powers contained within the LGA. Borrowings not included in the agreed Long Term Plan must be approved by Council resolution.

6.4. Council may raise debt for the following purposes:

6.4.1. General debt to fund Council's activities as deemed necessary and appropriate, including to fund Council Controlled Organisations where separately agreed;

6.4.2. Specific debt associated with one-off projects and capital expenditure, including assets with intergenerational impacts.

6.5. Council generates resources for funding internally in its usual course of business, particularly through rates, but is able to borrow from the following external sources as necessary:

6.5.1. Banks;

6.5.2. Local Government Funding Agency;

6.5.3. Capital markets,

6.5.4. Subsidiaries

6.6. Council can borrow using the following financial market instruments: fixed and floating rate medium and long-term bonds; floating rate debt, including overdrafts.

6.7. Margins may be specified or be indicated under each borrowing source including debt maturity profile; prevailing interest rates; terms available from insurance; legal documentation and financial covenants.

7. Local Government Funding Agency Limited

7.1. Council may borrow from the New Zealand Local Government Funding Agency Limited (LGFA) and, in connection with that borrowing, may enter into the following related transactions to the extent in considers necessary or desirable:

7.1.1. Contribute a portion of its borrowing back to the LGFA as an equity contribution to the LGFA;

7.1.2. Provide guarantees of the indebtedness of other local authorities to the LGFA and of the indebtedness of the LGFA itself;

7.1.3. Commit to contributing additional equity (or subordinated debt) to the LGFA if required;

7.1.4. Subscribe for shared and uncalled capital in the LGFA; and

7.1.5. Secure its borrowing from the LGFA, and the performance of other obligations to the LGFA or its creditors with a charge over Council's rates and rates revenue.

8. Financial Covenants on Borrowing

8.1. In managing its borrowings, Council will adhere to the financial covenants set by the Local Government Funding Agency (LGFA) or other lending institutions. Financial covenant adherence will be reported to the Audit and Risk Committee quarterly by the Chief Financial Officer.

8.2. Council may also establish parameters for itself for debt limits within the context of agreed targets within the Long Term Plan; and the management of risk associated with funding. The current self-imposed debt limit (as per the 2024-34 Long Term Plan) is that net debt will not exceed 250% of total revenue, i.e. a 2.5 debt-to-revenue ratio.

8.3. The LFGA's current covenants are:

8.3.1. Net annual interest expense will not exceed 30% of total annual rates income;

8.3.2. Net annual interest expense will not exceed 20% of total revenue;

8.3.3. Net debt will not exceed 280% of total revenue.; and

8.3.4. Liquidity will be greater than 110%.

9. Interest Rate Risk Management

9.1. Interest rate risks arising from debt maturity profiles and potential interest rate movements will be actively managed, including the use of derivative instruments, and fixed rate funding arrangements.

9.2. The range of hedged and fixed rate exposure requirements within various time bands. The actual hedging percentages in place within these bands will be determined and reviewed regularly.

Fixed Rate Hedging Percentages		
	Minimum Fixed Rate	**Maximum Fixed Rate**
Less than 2 years	40%	100%
2 years to 4 years	20%	80%
4 years to 8 years	0%	60%

9.3. Fixed rate hedging in excess of eight years should be in conjunction with or aligning with underlying debt instruments.

9.4. Interest rate risk management will be congruent with agreed core debt requirements.

9.5. Interest rate risk management derivative instruments which may be used for interest rate risk management activity include forward rate agreements, interest rate swaps, swap options and interest rate collars however any derivative utilized for risk management will be assessed on a value for money basis, comparing the risk being managed and the cost of that management.

9.6. Council will not undertake derivative trading primarily for speculative purposes but only as incidental to risk management strategy.

9.7. The use of risk management options must be approved by the Chief Financial Officer or equivalent officer as delegated by the Chief Executive.

10. Benchmarking

10.1. Council will evaluate the performance of the interest rate risk management policy, including the success and appropriateness of the risk control limits. This evaluation will measure actual results (i.e. weighted average funding cost) against a market benchmark provided by an external source. The constituent elements of the benchmark standard will be agreed triennially by the Audit and Risk Committee but reported and reviewed annually.

10.2. Council's cost of funds for benchmarking purposes is exclusive of any interest rate margin.

11. Liquidity and Funding Risk Management

11.1. To minimise the risk of large concentrations of debt maturing or being reissued in periods where credit margins are high for reasons within or beyond Council's control, Council ensures material debt maturities are spread over a number of years. Council manages this by aiming, where practical, to have no more than 33% of its outstanding borrowing subject to refinancing in any rolling 12 month period.

11.2. Council's treasury operation will ensure that there is sufficient liquidity to provide the funds to meet its immediate obligations such as creditors and current debt maturities.

11.3. Cash flow reporting will be maintained to monitor Council's estimated liquidity position regularly. Liquidity must be no less than 110% as measured by a liquidity ratio including cash, term deposits, longer dated financial assets, assets that can be sold, committed undrawn ban facilities and drawn debt.

12. Credit Exposure

12.1. It is considered that the range and size of Council's individual borrowings, together with the relative strength of these lender offsets any institutional credit risk.

13. Provision of Security

13.1. For its general borrowing programme, Council offers security under its debenture trust deed, which is a charge over all rates.

13.2. In exceptional circumstances, security may be offered by providing a charge over Council assets for which approval by Council is specifically required.

14. Debt Repayment

14.1. Council repays borrowings from general or targeted rates; general funds, including from the sale of assets; and renewal loans.

14.2. Debt will be repaid as it falls due in accordance with the applicable loan agreement. Subject to the debt limits, a loan may be rolled over or renegotiated as and when appropriate. Council will manage debt on a net portfolio basis at all times.

15. Internal Borrowing

15.1. Internal borrowing against the investment pool Council maintains may be used in lieu of external borrowing. This policy applies whether the loans are internal or external and is governed by the policy covering Council investments in the document.

Part 3: Investment Policy

16. General Policy

16.1. Sections 102 and 105 of the LGA requires that, in order to provide predictability and certainty about sources and levels of funding, Council must adopt an Investment Policy.

16.2. The policy must state Council's policies in respect of investments, including the investment mix; the acquisition of new investments; an outline of the procedures by which investments are managed and reported; and an outline of how investment risks are assessed and managed.

16.3. Council generally holds investments for strategic reasons where there is some community, social or economic benefit accruing from the investment activity. In exercising its powers of investment, Council is required 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:

- 16.3.1. the desirability of diversifying investments;
- 16.3.2. the nature of existing investments;
- 16.3.3. the risk of capital loss or depreciation;
- 16.3.4. the potential for capital appreciation;
- 16.3.5. the likely income return;
- 16.3.6. the length of the term of the proposed investment;
- 16.3.7. the marketability of the proposed investment during, and on the determination of, the term of the proposed investment;
- 16.3.8. the effect of the proposed investment in relation to tax liability;
- 16.3.9. the likelihood of inflation affecting the value of the proposed investment; and;
- 16.3.10. the credit rating of any entity or instrument (if applicable) in which it proposes to invest.

16.4. Council recognises its custodial responsibility and shall review the performance of all investments on an annual basis. A full review of the investment in subsidiaries, including the justification for retaining that investment, benchmarking of the returns on investment against equivalent external sources, and a comprehensive review by Council of the subsidiaries 10-year plans, will be undertaken coinciding with the development of each Long-Term Plan.

17. Investment Mix

17.1. Council manages a portfolio of investments comprising:

17.1.1. Equity investments, including corporate investments and other shareholdings;

17.1.2. Property investments incorporating land and buildings, including designated investment properties.;

17.1.3. Forestry investments; and

17.1.4. Treasury investments in liquid investments.

18. Equity Investments

Nature of Investment:

18.1. Council's equity investments, including investments in corporate investments and other shareholdings. This policy includes Council investments in subsidiaries, but not investments that those subsidiaries might hold.

Rationale for Holding Investment:

18.2. The Council's investments in such assets fulfil various strategic, economic development and financial objectives as outlined in Council's Long Term Plan and comply fully with the Local Government Act 2002.

Acquisition of New Investments:

18.3. The Council will acquire equity investments in line with its strategic, economic development and financial objectives as outlined in the Council's Long Term Plan and on the commercial merits of the proposal.

18.4. All equity investment purchases require a specific resolution by Council.

Revenue:

18.5. The proceeds from the disposition of equity investments will be applied in accordance with Council's Revenue and Financing Policy, to offset general rates; repay debt; fund capital expenditure; or reinvest.

Risk Management:

18.6. Council management of its risk in equity investments includes through the governance of subsidiaries; agreed Statements of Corporate Intent and Letters of Expectations; and a comprehensive review of the investment as part of the Long Term Plan process.

Management and Reporting Procedures:

18.7. The Commercial and Strategy Committee, or designated alternative committee, reviews the performance of equity investments through quarterly reporting from subsidiaries to ensure the achievement of Statements of Corporate Intent.

18.8. The Chief Financial Officer, or equivalent officer as delegated by the Chief Executive, prepares an annual review of equity investment, including a calculation of the return on investment being achieved.

19. Property Investments

Nature of Investment:

19.1. Council owns properties for operational purposes which may become surplus to to operational requirements.

Rationale for Holding Investment:

19.2. Council's overall objective is to only own property that is necessary to achieve its strategic objectives. Council does not generally hold an investment in a property where it is not essential to the delivery of relevant services, and properties are only retained where it relates to a particular Council requirement.

Acquisition of New Investments:

19.3. Council does not acquire properties for investment purposes. Properties retained for particular Council uses may be designated as investment properties for financial reporting purposes.

Revenue:

19.4. Proceeds from the disposal of property will be applied in accordance with Council's Revenue and Financing Policy, to offset general rates; repay debt; fund capital expenditure; or reinvest

Risk Management:

19.5. Council manages its risk ensuring adequate insurance is in place to protect these assets from non-financial risks and a sound repair and maintenance plan is in place to protect the ongoing value of these assets.

Management and Reporting Procedures:

19.6. Council reviews property ownership through assessing the benefits of continued ownership in comparison to other arrangements, and the most financially viable method of achieving the delivery of Council services. Council generally follows a similar assessment criteria in relation to new property purchases.

19.7. The Chief Financial Officer, or equivalent officer as delegated by the Chief Executive, is responsible for undertaking this review annually.

20. Forestry Investments

Nature of Investment:

20.1. Council's forestry portfolio is made up of over 50 woodlots of land totally 235 hectares, consisting predominantly of Radiata Pine, with some blocks of Douglas Fir and Macrocarpa.

Rationale for Holding Investment:

20.2. Forestry assets are held as long term investments on the basis of their net positive discounted cashflows, factoring in projected market prices and annual maintenance and cutting costs, and to maintain the land upon which Council's forestry investment is held.

Acquisition of New Investments:

20.3. Council has no immediate intention of purchasing new forestry investments.

Revenue:

20.4. Proceeds from the disposal of forestry investments will be applied in accordance with Council's Revenue and Financing Policy, to offset general rates; repay debt; fund capital expenditure; or reinvest. Income from Council's forestry operation is reinvested in forestry though a separate fund. A dividend is payable to Council at any agreed time that does not affect the viability of the forestry operation.

20.5. Expenditure in maintaining the forestry investment is expensed in the year it is incurred.

Risk Management:

20.6. The risks associated with Council's forestry are minimised by the number and size of the blocks, the range of species, fire breaks, and the adoption of silviculture practices.

20.7. Forestry blocks are regularly inspected for pests and diseases, and foliage sampling and nutrient analysis is undertaken to maximise the crop.

20.8. Harvesting of forests is carried out at appropriate times to maximise Council's return on investment.

Management and Reporting Procedures:

20.9. Council's forestry portfolio is managed by the Infrastructure Group. The operating income and expenditure is reported to the council.

20.10. Council reviews property ownership through assessing the benefits of continued ownership in comparison to other arrangements, and the most financially viable method of achieving the delivery of Council services. Council generally follows a similar assessment criteria in relation to new property investments.

21. Treasury Investments

Nature of Investment:

21.1. Investments for treasury are in generally approved investments as outlined previously.

Rationale for Holding Investment:

21.2. Council maintains treasury investments primarily to maximise the return on available funds, particularly short-term cash and to ensure that sufficient liquidity is available to meet obligations.

Acquisition of New Investments:

21.3. Council acquires new treasury investments based on the availability of cash and the projected requirements for utilisation of liquid resources.

Revenue:

21.4. Income from investments is allocated to designated and restricted funds based on the general return obtained from the treasury investment portfolio.

Risk Management:

21.5. Council's primary objective when investing is the protection of its investment.

21.6. In conjunction with the rationale for the investments, Council also seeks to:

- Maximise investment return;
- Ensure investments are liquid; and,
- Manage potential capital losses due to interest rate movements if investments need to be liquidated before maturity.

21.7. The above objectives are captured in Appendix 1: "Approved Treasury Counterparty Limits and Investment Instruments", which provides operating parameters for investment activity.

21.8. Credit risk is minimised by placing maximum limits for each broad class of non-Government issuer, and by limiting investments to New Zealand Registered Banks, financial institutions, local authorities, State Owned Enterprises, and corporates within prescribed limits.

21.9. Liquidity risk is minimised by ensuring that all investments must be capable of being liquidated in the secondary market.

21.10. Performance of the Special Funds portfolio is benchmarked by measuring the performance of the portfolio against the performance of an appropriate external benchmark portfolio. The duration of the portfolio is also compared to the duration of the external benchmark portfolio and the Council is able to vary the duration of the portfolio within 25% either side of the external benchmark portfolio's duration. Comparison with the benchmark portfolio is not required if the nominal value of the portfolio is less than $5 million.

Approved Investment Instruments:

21.11. Within the constraints of Appendix 1 of this policy, the Council invests in the following instruments:

- Government debt instruments;
- SOE debt instruments;
- New Zealand Registered Bank debt instruments;
- Local Authority debt instruments;
- Local Government Funding Agency debt instruments;
- Approved corporate debt instruments; and,
- Approved financial institutions debt instruments.

Interest Rate Risk Management:

21.12. The Chief Financial Officer, or equivalent officer as delegated by the Chief Executive, sets overall investment strategy, by reviewing on a regular basis, cashflow forecasts incorporating plans for approved expenditure and strategic initiatives, evaluating the outlook for interest rates and the shape of the yield curve, and where applicable, seeking appropriate financial advice.

21.13. The Chief Financial Officer and Finance Manager, or equivalent officer as delegated by the Chief Executive, implement the investment management strategy by reviewing rolling cashflow forecasts and:

- Changing interest rate investment profiles by adjusting the average maturity of its investments according to current market conditions, and;
- Using risk management instruments to protect investment returns.

21.14. Interest rate risk management instruments (of the type included under the Liability Management Policy – Section 7 above) may be used for interest rate risk management on investments, with the approval of the Chief Financial Officer, or equivalent officer as delegated by the Chief Executive.

Management and Reporting Procedures:

21.15. The management of Council's treasury investments and day-to-day treasury operations are delegated to the Chief Financial Officer and Finance Manager, or equivalent officer as delegated by the Chief Executive.

21.16. Reports on Council's treasury investments are prepared on a quarterly basis for Council.

22. Local Government Funding Agency Limited Investment (LGFA)

Nature of Investment:

22.1. Council may invest in shares and other financial instruments of the LGFA and may borrow to fund that investment.

Rationale for Holding Investment:

22.2. Council's objective for such investments will be to:

- Obtain a return on the investment, and;
- Ensure the LGFA has sufficient capital to maintain an appropriate credit rating so that it continues as a source of attractively priced debt funding for the local government sector.

22.3. Because of this dual objective, 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 alternative instruments.

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

Acquisition of New Investments:

22.5. Council has no immediate intention of purchasing new LGFA investments, however if it does, it will be based on the commercial merits of the proposal.

Revenue:

22.6. Interest revenue from LGFA investments will be applied in accordance with Council's Revenue and Financing Policy to offset the general rates.

Risk Management:

22.7. Council manages its risk by reviewing its return on investment on an annual basis.

Management and Reporting Procedures:

22.8. The management of Council's LGFA investments and the day-to-day operations are delegated to the Chief Financial Officer and Finance Manager, or equivalent officer as delegated by the Chief Executive.

22.9. Reports on Council's LGFA investments are prepared on a quarterly basis for Council.

Delegations, References and Revision History

Delegations
Identify here any delegations related to the policy for it to be operative or required as a result of the policy

Delegation Manual Reference	**Delegations Register Reference**

4.7.6 – Borrowing 4.7.13 – Deposit of funds 4.7.19 – Interest 4.7.20 – Investments	**Finance Manager:** Authorise the deposit and withdrawal of funds as allowed for in the Council's Treasury policy; Authority in accordance with Council Policy is granted to invest Council monies. A quarterly report is to be prepared for Commercial and Strategy Committee stating current investments, counterparty, term, and interest rate. **Chief Financial Officer:** Authority to negotiate loan interest rates and terms with brokers and/or lending institutions for loans raised by Council; Authority to approve interest rate risk management instruments; Authority to appoint independent advisor(s).

References
Include here reference to any documents related to the policy (e.g. operating guidelines, procedures)

Title	Relevant Reference within Document
Revenue and Financing Policy	-

Revision History
Summary of the development and review of the policy

Revision	Owner	Date Approved	Approval By	Next Review	Doc Ref
1.0	Chief Financial Officer/ Management Accountant	16 March 2021	Council	3 Yearly	1399182
2.0	Chief Financial Officer/ Finance Manager	1 July 2024	Council	3 Yearly	1652269

Appendix 1 – Approved Treasury Counterpart Limits and Treasury Investment Instruments

Institution	**Overall Portfolio Limit** (as a % 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	No limit
New Zealand Registered Banks	100%	Call/Deposits/ Bank Bills/ Commercial Paper Bonds/MTN's/FRN's	Short term S&P rating of A1 or better Long-term rating of BBB or better Long-term rating of A- or better Long-term rating of A+ or better Long-term rating of AA- or better	$20 million $1 million $2 million $3 million $4 million
Rated Local Authorities	70%	Commercial Paper Bonds/MTN's/ FRN's	Short term S&P rating of A1 or better Long term S&P rating of : BBB or better A- or better; A+ or better; AA or better	$3 million $1 million; $2 million; $3 million; $4 million
Local Authorities where rates are used as security	60%	Commercial Paper Bonds/MTN's/FRN's	Not Applicable	$2 million $2 million
State Owned Enterprises	70%	Commercial Paper Bonds/MTN's/FRN's	Short term S&P rating of A1 or better Long-term rating of BBB or better Long-term rating of A- or better Long-term rating of A+ or better Long-term rating of AA- or better	$3 million $1 million $2 million $3 million $4 million
Corporates*	60%	Commercial Paper Bonds/MTN's/ FRN's	Short term credit rating of A1 or better Long-term rating of BBB or better.	$3 million $1 million

Institution	**Overall Portfolio Limit** (as a % 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**
			Long-term rating of A- or better. Long-term rating of A+ or better. Long term rating of AA- or better	$2 million $3 million $4 million
Financials*	30%	Commercial Paper Bonds/MTN's/ FRN's	Short term credit rating of A1 or better Long-term rating of BBB or better. Long-term rating of A- or better. Long-term rating of A+ or better. Long term rating of AA- or better	$3 million $1 million $2 million $3million $4 million

*The combined holding of Corporates and Financials shall not exceed 70% of the portfolio.

The combined holdings of entities rated BBB and or BBB+ shall not exceed 30% of the portfolio.

Investments that no longer comply with minimum rating criteria due to a downgrade in their rating must be recommended to Council within one month of the downgrade being notified.