Treasury Management Policy

Approved by: Timaru District Council

Date approved: 16 March 2021

Part 1: Introduction

1. Purpose

1.1. The purpose of this policy is to:

1.1.1. Detail Council's policy on liability management; and

1.1.2. Detail Council's investment management policy.

1.1.3. Define key responsibilities and operating parameters within which Council's treasury activity is to be carried out.

2. Background

2.1. Timaru District Council undertakes liability management (borrowing), investment, cash and associated risk management activity, referred to as treasury activity.

2.2. Council's borrowing and investment activities are carried out within the requirements of the Local Government Act 2002 (LGA), which define the operating environment for local authorities in relation to treasury management.

2.3. This policy includes Council's Liability Management Policy and Investment Policy, as required by sections 104 and 105 of the Act.

2.4. Council's borrowing activity is largely driven by its capital expenditure programme.

2.5. Council has a portfolio of investments comprising equity, property, forestry and treasury investments.

3. Treasury Objectives

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

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

3.1.2. To manage Council's borrowings and investments according to its strategic and commercial objectives, to promote the wellbeing of communities in the present and for the future, and to optimise returns within these objectives.

3.1.3. 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.

3.1.4. To ensure the integrity of the financial market investments by only investing in appropriately rated organisations and in appropriate financial market instruments.

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

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

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

3.2. 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.

3.3. Council is a risk adverse entity and does not wish to incur additional risk from its treasury activities. Accordingly, Council's finance function, in relation to its treasury activities, is a risk management function focused on protecting Council's budgeted interest costs and interest income and stabilising Council's cash flows.

3.4. Treasury activity which is unrelated to its underlying cash flows or is purely speculative in nature will not be undertaken without formal approval from Council.

Part 2: Liability Management

4. General Policy

4.1. Sections 102 and 104 of the LGA requires that, in order to provide predictability and certainty about sources and levels of funding, Council must adopt a Liability Management Policy.

4.2. The policy must state Council's policies in respect of the management of both borrowing and other liabilities, including –

4.2.1. Interest rate exposure; and

4.2.2. Liquidity; and

4.2.3. Credit exposure; and

4.2.4. Debt repayment.

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

4.4. Council borrows as it considers appropriate within the flexible and diversified borrowing powers contained within the LGA. Borrowings not included in the current long term plan must be approved by Council resolution.

4.5. Council raises debt for the following purposes:

4.5.1. General debt to fund Council's balance sheet, including borrowing to fund Council Controlled Organisations;

4.5.2. Specific debt associated with one-off projects and capital expenditure;

4.5.3. To fund assets with intergenerational qualities.

4.6. Council is able to borrow from the following sources:

4.6.1. Banks;

4.6.2. Local Government Funding Agency;

4.6.3. Capital markets; and

4.6.4. Internal sources.

4.7. Council is able to borrow using the following financial market instruments:

4.7.1. Commercial paper;

4.7.2. Medium term notes;

4.7.3. Fixed rate bonds;

4.7.4. Floating rate bonds

4.7.5. Bank sourced floating rate debt (Committed Cash Advance Facilities) and overdraft facilities.

4.7.6. Bank sourced fixed rate term loans

4.8. Relevant margins under each borrowing source include:

4.8.1. Overall debt maturity profile;

4.8.2. Prevailing interest rates;

4.8.3. Available term from band and bond insurance; and

4.8.4. Legal documentation and financial covenants.

5. Local Government Funding Agency Limited

5.1. 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:

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

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

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

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

5.1.5. 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.

6. Financial Covenants on Borrowing

6.1. In managing its borrowings, Council will adhere to the following financial covenants, set by the Local Government Funding Agency:

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

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

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

6.1.4. Liquidity will be greater than 110%.

7. Interest Rate Risk Management

7.1. Council's borrowing gives rise to direct exposure to interest rate movements. Council recognizes that the longer the term of borrowing, the greater the sensitivity to these movements.

7.2. Interest rate risks may be managed by the use of derivative instruments, and by issuing fixed rate bonds or sourcing fixed rate bonds from the LGFA.

7.3. The table below outlines the minimum and maximum hedged or fixed rate exposure requirements within various time bands. The actual hedging percentages in place within these bands will be determined and reviewed on a regular basis by the officers.

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%

7.4. Fixed rate hedging in excess of eight years is permissible provided that it is carried out in conjunction with, or aligns with, an underlying debt instrument.

7.5. When managing the interest rate risk of Council the hedging percentages above relate to total core debt. Core debt cannot exceed borrowing projections as per the Long Term Plan or Annual Plan. The actual quantum used for policy parameters will be reviewed annually.

7.6. The hedging parameters are cumulative. For example, if total debt was $25 million, $5 million of hedging entered into for a period of five years would increase the hedging profile for all time bands up to five years, by 20%.

7.7. Fixed rate debt is defined as any debt that has an interest rate reset beyond three months.

7.8. The hedging parameters are dependent on the Reserve Bank of New Zealand continuing to implement monetary policy through adjustments to the Official Cash Rate.

7.9. Council decides the interest rate risk management strategy by monitoring the interest rate markets on a regular basis, evaluating the outlook for short term rates in comparison to the rates payable on fixed rate borrowing.

7.10. The following interest rate risk management derivative instruments may be used for interest rate risk management activity:

7.10.1. Forward rate agreements;

7.10.2. Interest rate swaps;

7.10.3. Swaptions;

7.10.4. Interest rate collar type option strategies in a ratio not exceeding 1:1;

7.10.5. Fixed rate bonds

7.10.6. Fixed rate term loans.

7.11. Selling interest rate options for the primary purpose of generating premium income will not be undertake because of its speculative nature.

7.12. The use of interest rate risk management options must be approved by the Group Manager Commercial and Strategy.

8. Benchmarking

8.1. 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.

8.2. The benchmark standard shall consist of the following:

30%	Average 90 day bank bill rate for the reporting month;
10%	Average 1 year swap rate for the reporting month;
10%	Average 1 year swap rate for the reporting month, 1 year ago;
10%	Average 3 year swap rate for the reporting month;
10%	Average 3 year swap rate for the reporting month, 3 years ago;
15%	Average 7 year swap rate for the reporting month;
15%	Average 7 year sway rate for the reporting month, 7 years ago.

8.3. The above percentages are predicated off the midpoints of the risk control bands contained in the 'Fixed Rate Hedging Percentages" table.

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

8.5. Benchmarking is not required if total external borrowing is less than $10 million.

9. Liquidity and Funding Risk Management

9.1. 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.

9.2. 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.

9.3. Appropriate cash flow reporting mechanisms will be maintained to monitor Council's estimated liquidity position annually. Liquidity must be in place to give headroom of at least 110% over and above the maximum net debt requirement as estimated in the Long Term Plan or Annual Plan. Liquidity can include committed bank facilities, cash and term deposits held with an authorised bank and fixed interest investments with an approved credit rating.

10. Credit Exposure

10.1. 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.

11. Provision of Security

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

11.2. In exceptional circumstances, security may be offered by providing a charge over one or more of Council's assets. Formal approval from Council is required in such circumstances.

12. Debt Repayment

12.1. Council repays borrowings from general or targeted rates, general funds or renewal loans.

12.2. 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.

13. Internal Borrowing

13.1. 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

14. General Policy

14.1. 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.

14.2. The policy must state Council's policies in respect of investments, including –

14.2.1. The mix of investments;

14.2.2. The acquisition of new investments;

14.2.3. An outline of the procedures by which investments are managed and reporting on to Council; and

14.2.4. An outline of how risks associated with investments are assessed and managed.

14.3. 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:

14.3.1. the desirability of diversifying investments

14.3.2. the nature of existing investments

14.3.3. the risk of capital loss or depreciation

14.3.4. the potential for capital appreciation

14.3.5. the likely income return

14.3.6. the length of the term of the proposed investment

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

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

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

14.3.10. the credit rating of any entity or instrument (if applicable) in which it proposes to invest.

14.4. Council recognizes its custodial responsibility and shall review the performance and ownership of all investments at least on an annual basis.

15. Investment Mix

15.1. Council manages a portfolio of investments comprising:

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

15.1.2. Property investments incorporating land, buildings and a portfolio of ground leases;

15.1.3. Forestry investments; and

15.1.4. Treasury investments in short, medium and longer term liquid investments.

16. Equity Investments

Nature of Investment:

16.1. Council's current equity investments, including investments in corporate investments and other shareholdings, including an Energy Company and a Port Company.

Rationale for Holding Investment:

16.2. 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:

16.3. 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.

16.4. All equity investment purchases require prior Council approval.

Revenue:

16.5. The proceeds from the disposition of equity investments will be applied in accordance with Council's Revenue and Financing Policy, to:

- Offset the general rates;
- Repay district-wide and community funded debt;
- Fund approved capital expenditure; and
- Purchase treasury investments

Risk Management:

16.6. Council manages its risk in equity investments through the governance of Timaru District Holdings Limited (TDHL) and the approving of Statements of Corporate Intent.

Management and Reporting Procedures

16.7. The Commercial and Strategy Committee reviews the performance of equity investments through regular reporting from TDHL to ensure the achievement of Statements of Corporate Intent.

16.8. TDHL reports to Council on a quarterly basis.

16.9. The Group Manager Commercial and Strategy prepares an annual review of equity investment, including a calculation of the return on investment being achieved.

17. Property Investments

Nature of Investment:

17.1. Council owns a number of properties surplus to operational needs.

Rationale for Holding Investment:

17.2. Council's overall objective is to only own property that is necessary to achieve its strategic objectives. As a general rule, Council does not maintain a property investment where it is not essential to the delivery of relevant services, and property is only retained where it relates to a primary output of Council.

Acquisition of New Investments:

17.3. Council has no intention of acquiring additional investment properties, however, if it does, it will be based on the commercial merits of the proposal.

Revenue:

17.4. Proceeds from the disposal of property investments will be applied in accordance with Council's Revenue and Financing Policy, to:

- Fund approved capital expenditure (primarily in relation to the activity which held the original property or asset);
- Fund operational expenditure; and
- Purchase treasury investments.

Risk Management:

17.5. Council manages its risk by reviewing its return on investment on an annual basis. It also ensures 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:

17.6. 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 investments.

17.7. The Group Manager Commercial and Strategy is responsible for undertaking this review annually.

18. Forestry Investments

Nature of Investment:

18.1. 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:

18.2. 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:

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

Revenue:

18.4. Proceeds from forestry investments will be applied in accordance with Council's Revenue and Financing Policy, to:

- Offset the general rates;
- Repay district-wide and community funded debt;
- Fund approved capital expenditure;
- Re-afforestation of existing forestry blocks;
- Purchase treasury investments

18.5. 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.

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

Risk Management:

18.7. 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.

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

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

Management and Reporting Procedures:

18.10. Council's forestry portfolio is managed by the Community Services Group. The operating income and expenditure is reported to the council.

18.11. 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.

19. Treasury Investments

Nature of Investment:

19.1. Financial market investments are held for specific purposes, usually as band deposits or in sovereign and non-sovereign bonds.

Rationale for Holding Investment:

19.2. Council maintains treasury investments for the following primary reasons:

- To provide liquidity in the form of readily available cash in the event of a natural disaster. This cash is intended to bridge the gap between the disaster and the reinstatement of normal income streams;
- To invest amounts allocated to special funds, bequests, and reserves;
- To invest funds allocated for approved future expenditure, to implement strategic initiatives or to support intergenerational allocations;
- To invest proceeds from the sale of assets; and
- To invest surplus cash, and working capital funds.

Acquisition of New Investments:

19.3. Council acquires new treasury investments to maintain its policy of ensuring that funds held for specific purposes are matched with actual cash invested.

Revenue:

19.4. Income from investments for all specified funds will be credited on a pro rata basis between general rates and the specified fund.

Risk Management:

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

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

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

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

19.8. 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.

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

19.10. 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

19.11. 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
- Approved financial institutions debt instruments.

Interest Rate Risk Management

19.12. The Group Manager Commercial and Strategy 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.

19.13. The Group Manager Commercial and Strategy, Chief Financial Officer and Management Accountant 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.

19.14. 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 Group Manager Commercial and Strategy.

Management and Reporting Procedures:

19.15. The management of Council's treasury investments is carried out under delegated authority to the Group Manager Commercial and Strategy. The day-to-day treasury operations are delegated to the Chief Financial Officer and Management Accountant.

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

20. Local Government Funding Agency Limited Investment (LGFA)

Nature of Investment:

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

Rationale for Holding Investment:

20.2. 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.

20.3. 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.

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

Acquisition of New Investments:

20.5. 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:

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

Risk Management:

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

Management and Reporting Procedures:

20.8. The management of Council's LGFA investments is carried out under delegated authority to the Group Manager Commercial and Strategy. The day-to-day operations are delegated to the Chief Financial Officer and Management Accountant.

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

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	$10 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. 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

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**
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.

Definitions and Descriptions

Investment instruments available in the market (excluding equities and property) can generally be discussed under four broad categories relating to the issuer of these instruments

New Zealand Government

- Treasury bills are registered securities issued by the Reserve Bank of New Zealand (RBNZ) on behalf of the Government. They are usually available for terms up to a year but generally preferred by investors for 90 day or 180 day terms. They are discounted instruments, and are readily negotiable in the secondary market.

- Government bonds are registered securities issued by the Treasury on behalf of the Government. Government bonds have fixed coupon payments payable every six months. They are priced on a semi-annual yield basis and are issued at par. They are readily negotiable in the secondary market.

Local Authorities

- Local Authority stocks are registered securities issued by a wide range of local government bodies. A fixed coupon payment is made semi-annually to the holder of the security, or in the case of a Floating Rate Note on a quarterly basis. They are negotiable and usually can be bought and sold in the secondary market.

State Owned Enterprises (SOE's)

- SOE bonds are issued by enterprises 100% owned by the New Zealand Government but do not necessarily have an explicit government guarantee. These bonds can be registered securities or bearer instruments. A fixed coupon payment is made semi-annually to the holder of the security, or in the case of a Floating Rate Note on a quarterly basis. They are usually issued at par. SOE bonds are negotiable and can be bought and sold in the secondary market.

- Commercial Paper that the Council is able to purchase is issued by SOE's with a minimum short term credit rating of 'A-1' that is sufficient to enable the paper to be issued without endorsement or acceptance by a bank.

Registered Banks

- Call and term deposits are funds accepted by the bank on an overnight basis (on call) or for a fixed term. Interest is usually calculated on a simple interest formula. Term deposits are for a fixed term and are expected to be held to maturity. Term deposits are not negotiable instruments. Termination prior to maturity date can often involve penalty costs.

- Certificates of deposits are securities issued by banks for their funding needs or to meet investor demand. Transferable certificates of deposits (TCDs) are non-bearer securities in that the name of the investor, face value and maturity date are recorded on the certificate. They are able to be transferred by registered transfer only. Negotiable certificates of deposits (NCDs) on the other hand, are bearer securities and are able to be transferred immediately. Both TCDs and NCDs are priced on a yield rate basis and issued at a discount to face value. They are generally preferred over term deposits because investors can sell them prior to maturity (i.e. they are negotiable instruments).

Corporates and Financial Institutions

- Corporate bonds are generally issued by companies with good credit ratings. A fixed coupon payment is made semi-annually to the holder of the security or in the case of a Floating Rate Note on a quarterly basis. They are priced on a semi-annual yield basis and are generally issued at par. Corporate bonds are negotiable and can be bought and sold in the secondary market.

- Commercial Paper that the Council is able to purchase is issued by borrowers who have a minimum short term credit rating of 'A-1' and standing in the market that is sufficient to enable the CP to be issued without endorsement or acceptance by a bank. Commercial Paper is issued with maturities ranging from 7 days to over one year. The common maturities are for 3 months. The face value of the CP is repaid in full to the holder on the due date.

Degations, 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	**Delegations Register Reference**

References Include here reference to any documents related to the policy (e.g. operating guidelines, procedures)	
Title	**Document Reference**
Text	

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 Officers/Management Accountant	16 March 2021	Council	3 yearly	1399182