Nelson City Council
te kaunihera o whakatū

INVESTMENT POLICY 2012

INVESTMENT POLICY

PURPOSE

Section 102(4) (c) of The Local Government Act 2002 requires Council to adopt an investment policy which, under Section 105, must state Council's policies for its investments, including:

a. the objectives in terms of which financial and equity investments are to be managed
b. the mix of investments
c. the acquisition of new investments
d. an outline of the procedures by which investments are managed and reported on to Council
e. an outline on how risks associated with investments are assessed and managed.

This investment policy has been developed as a guide to control all Council investments and may be changed only by a formal resolution of Council. The full policy is not required to be included in a Long Term Plan, but Council included it as a consolidated version in the draft for consultation because it was updated and re-ordered to bring the Treasury Investments section towards the front of the policy.

INVESTMENT PRINCIPLES

The Council makes investments when they offer strategic benefits or when they are necessary for the Council to effectively carry out its functions. The Council recognises that, as a responsible public authority, any investments it holds should be low risk. The overall investment approach of the Council is to balance risk against long-term returns, accepting that lower risk generally means lower returns.

OBJECTIVES AND STRATEGIES

The main aim of an investment policy is to ensure the portfolio is managed, in a prudent and competent manner, in terms of the governing legislation. The Council's primary objectives for investments to effectively carry out Council functions are:

- To protect the Council's investments and ensure they are risk averse and secure
- To ensure the investments benefit the Council's ratepayers.

To achieve these objectives, Council's primary strategies are:

- Protect investment capital value and minimise the risk of loss
- Optimise the investment value and return
- Ensure investments are of a type that provides Council with funds when required
- Diversify the mix of financial instruments
- Promote economic and business development in Nelson
- Achieve the goals and objectives set out in Council's Long Term Plan and Annual Plan.

POLICY

The Council's general policy on investments is that Council may hold property, forestry, and equity investments if there are strategic, economic or other valid reasons, such as when an investment is the most appropriate way to administer a Council function.

The Council will not be involved in investments for purely income earning purposes, except for short-term investment of surplus funds. In this case, it will aim for maximum return with minimum risk.

The Council will keep under review its approach to all major investments, the visibility of equities and the credit rating of approved financial institutions.

POLICY ON ACQUISITION OF NEW INVESTMENTS

In deciding to acquire new investments, Council considers the following questions:

LEGAL ISSUES

a. Is there a statutory requirement for this investment?
b. Is there a statutory authority for this investment?
c. Does the Council have any other binding legal commitments to it?

EFFECTIVENESS

d. Does the investment contribute to the Council achieving community outcomes?
e. Is there enough community interest to justify the Council's involvement?
f. Does the Council have the control and influence needed to ensure the desired outcome?

BENEFITS

g. What are the benefits – strategic, financial and others?
h. Who benefits?

RISKS

i. What are the risks?
j. Who bears them?
k. How can they be managed?

OTHER OPTIONS

l. What other options are there to achieve the same ends?

TREASURY INVESTMENTS

BACKGROUND

The Council maintains treasury investments, including general reserves and restricted reserves, in order to invest:

- Surplus cash, and working capital funds
- Funds allocated for the purpose of accumulating surplus
- Funds allocated for approved future expenditure, implementing strategic initiatives, supporting intergenerational allocations and proceeds from the sale of assets.

POLICY

The Council's policy for its treasury investments is to use only credit-worthy counterparties with a strong Standard and Poor's rating or equivalent international credit agency.

RATIONALE

The Council's primary objective is the protection of its investment.

BENEFITS

The main benefit of treasury investments is that they provide funds for capital expenditure as needed.

RISK

The fixed rate investment is vulnerable to changes in interest rates and this can impact on both the returns available, and the capital value of the investment, if sold before maturity.

The amount invested and return is at risk from a counterparty default, where the party is unable to repay principal and interest amounts as they fall due.

INVESTMENT LIMITS AND CONTROLS

Policy and rules

The Council ensures it receives amounts owed to it in full and on due dates by undertaking investments only with institutions that have a strong Standard and Poor's credit rating, or equivalent international credit agency, and by applying the following rules for investment counterparty controls:

- Limit total exposure to prescribed amounts, as set out below.

Rules on investment risk

Approved financial instruments are as follows:

Category	Instrument
Cash management investments (up to three months)	• Call and short term bank deposits • Bank certificates of deposit (RCDs) • Treasury bills
Investments	• LGFA Borrower Notes/Commercial Paper (CP)/bills/ bonds/FRNs

- Any other financial instrument must be specifically approved by the Council on a case-by-case basis and only be applied to the one singular transaction being approved.

Counterparty credit risk

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.

Credit risk will be regularly reviewed by the Council. Counterparties and limits can only be approved on the basis of long-term Standard and Poor's credit ratings, or equivalent international credit rating agency, being A+ and above or short term rating of A-1 or above.

Limits should be spread amongst a number of counterparties to avoid concentrations of credit exposure.

The following matrix guide will determine limits:

Counterparty/ Issuer	Minimum long term/ short term credit rating	Investments maximum per counterparty ($million)	Interest rate risk management instrument maximum per counterparty ($million)	Total maximum per counterparty ($million)
NZ Government	N/A	Unlimited	none	Unlimited
NZ Local Government Funding Agency	N/A	Unlimited	none	Unlimited
NZ Registered Bank	A+/A-1	10.0	10.0	20.0

In determining the use of the above gross limits, the following product weightings will be used:

- Investments (e.g. Bank Deposits) – Transaction Principal x Weighting 100% (unless a legal right of set-off exists)
- Interest Rate Risk Management (e.g. swaps, FRAs) – Transaction Notional x Maturity (years) x 3%
- Foreign Exchange – Transactional face value amount x the square root of the Maturity (years) x 15%.

UPDATED

Commitment that could result in shareholding in New Zealand Local Government Funding Agency Limited

Despite anything earlier in this Investment Policy, the Council is able to enter into a commitment that could result in it becoming a shareholder in the New Zealand Local Government Funding Agency Limited (LGFA). In borrowing from LGFA, the Council can agree to the issue of borrower notes to the value of 1.6% of the total amount borrowed. These will be held by LGFA while the borrowing is outstanding and may in certain situations convert to shares in LGFA. Also, as a Guaranteeing Local Authority the Council is required to commit to subscribe for redeemable shares in LGFA in certain circumstances. As LGFA is a Council Controlled Trading Organisation, the Council has undertaken specific consultation to satisfy the requirements of section 56 of the Local Government Act 2002.

MANAGING AND REPORTING ON INVESTMENTS

Council makes policies for property investments owned by Council, including Civic House, Ridgeways Joint Venture and Council Controlled Trading Organisations including Nelmac Ltd. The Committee may also make recommendations to the Council on proposals for loan raising or disposal of properties. The Chief Financial Officer is delegated authorization to negotiate investment facilities.

The key reporting on investments is through the Council's Annual Report, covering the previous financial year. This is audited by Audit NZ. There are also a number of other reports to the Governance Committee, including the six-monthly report from each Council Controlled Trading Organisation (CCTO) and the Council monthly abbreviated balance sheet. Return in relation to risk is also managed through the Statement of Intent (SOI) for CCTOs, the appointment of independent directors and the auditing of annual accounts. Further background and objectives for each type of investment are outlined in more detail below. Statements of Intent have been received by Council and were finalised around the time this policy was approved. Refer also to the Council Controlled Organisation section of the Long Term Plan.

Council has requested that all the CCTOs adopt and apply sustainability principles and reduction in $C0_2$ emissions within their statements of intent. This request has been considered by the CCTOs.

PORT NELSON LIMITED

Background

Port Nelson Limited (PNL), which includes the wharves and much of the reclaimed land at the port, is one of Nelson's significant strategic assets. Nelson's relative isolation means the port's activities are critical to both the economy and recreation of the region. Local government was re-organised in 1989 and the Nelson Harbour Board was corporatised. Ownership passed to the two local authorities so that 50% shares are still each held by the Nelson City Council and Tasman District Council.

These shares are carried in the Nelson City Council's books at the cost, which is the share value determined by dividing the net assets of a company by the number of shares issued.

Port Nelson has consistently paid a dividend to its shareholders. Most recently, in March 2012 Port Nelson paid special dividends of $4m to each Council.

Ten year goal

Retain community control of the regional port recognising its strategic importance.

Policy

Nelson City Council's policy for Port Nelson is to:

- Retain the Council's 50% ownership for the present
- Review future options while still retaining community control of the port

- Continue using Port Nelson dividends to ease the burden on ratepayers
- Continue using any special dividends or capital proceeds to reduce or replace debt.

Rationale

The Council recognises that this investment is its largest in relation to total investments. The strategic importance of this gateway to the region as a natural monopoly, together with probable benefits from dividends, currently justifies the financial risk, which itself is acceptable.

Benefits

The benefits of Council's investment in Port Nelson are ongoing and long term, though not guaranteed. The key strategic benefit is public control over a critical gateway to the region with significant economic benefits.

Financial benefits

Dividends are used to ease the burden on ratepayers by being credited to the general rate account. Special dividends are used to reduce Council's external borrowings. The Council owns 50% of a valuable strategic asset, which is anticipated to continue to provide financial benefits to the community.

Strategic benefit

The current ownership arrangement provides some public control over a critical gateway to the region with key economic benefits.

Risk

The risks of this investment are:

- Dividends depend on Port Nelson's ability to generate profit
- There is some potential for competition from other ports to affect Port Nelson's business.

How the investment is managed

The Council actively manages this investment by:

- Appointing external directors with appropriate expertise to Port Nelson's Board of Directors
- Annually approving and/or amending Port Nelson's Statement of Intent
- Requiring a six monthly report on Port Nelson's results and future outlook
- Regularly considering the investment management options summarised below.

Options

Other options that Council has considered to reduce its exposure to risk include:

- The two Councils could sell a portion of their shareholding, though not to the extent that they would lose joint control; or
- The two Councils could sell their entire shareholding and exit the business completely.

NELMAC LIMITED

Background

Nelmac Limited was formed in 1995 and is 100% owned by the Nelson City Council. The company has around 60% of its contracts with the Council to provide essential utility services including:

- Solid waste collection in the central city and from Council-owned parks and reserves
- Maintenance of gardens, parks, and wilderness areas
- Maintenance of the water supply, stormwater, and wastewater systems.

The balance of Nelmac Ltd work is from non-Nelson City Council clients sourced on the open market. It currently owns its base in Vickerman Street, and has a modern maintenance plant, vehicles, and equipment.

Ten year goal

Retain community control of Nelmac Limited with a modest growth goal.

Policy

Nelson City Council's policy for Nelmac Ltd is to:

- Retain Nelson City Council ownership
- Negotiate an ongoing partnership agreement with Nelmac Limited for the provision of specified strategic services to the Council

- Maintain a focus on Nelson City Council work by undertaking work for other clients only where:
  i. The additional scale of work improves the level of service available to the Nelson City Council
  ii. The work is clearly profitable
  iii. The work does not significantly increase Nelmac Ltd market share
  iv. The work does not require significant additional capital expenditure.

Rationale

The Council believes it is important to retain control over the critical services that Nelmac Limited provides for the City. In addition, the company is performing well and Council considers it is desirable for several reasons to keep the company's business, profits, and spending within the Nelson community.

Benefits

The benefits of the investment in Nelmac Limited are ongoing, although these are not guaranteed.

Financial benefit

Any dividends are used to ease the burden on the ratepayer by being credited to the general rates account. The strategic benefits are that Council retains control over critical services provided by Nelmac Limited. It also provides true and complete costing information on contractor performance.

Risks

The risks of this investment are:

- Returns depend on Nelmac Limited's ability to generate revenue and profit
- The investment relies on Nelmac Limited's ability to provide an effective and efficient service to Council.

How the investment is managed

The Council manages this investment by:

- Appointing all directors on Nelmac Limited Board of Directors
- Annually approving and/or amending Nelmac Limited Statement of Intent
- Requiring a six monthly report on Nelmac Limited results and future outlook.

Options

Council regularly reviews its investment in Nelmac Limited.

NELSON AIRPORT LIMITED

Background

Nelson Airport is a significant strategic asset. Nelson's relative isolation means the airport's activities are critical to both the economy and recreation of the region. Shares are currently held 50% by Nelson City Council and 50% by Tasman District Council.

Ten year goal

Retain community control of the regional airport.

Policy

The Council's policy for Nelson Airport is to:

- Retain the Nelson City Council's 50% ownership for the present
- Review future options while still retaining community control of the airport
- Continue using Nelson Airport dividends to ease the burden on ratepayers
- Continue using any capital proceeds to reduce or replace debt.

Rationale

The Council considers that it is important to retain control over the strategic services provided by the airport.

Benefits

The benefits of the investment in Nelson Airport are primarily strategic, and are ongoing in the long-term. Financial benefits include that any dividends will be used to ease the burden on ratepayers by being credited to the general rates account, and that Council owns 50% of a valuable asset. The key strategic benefit is public control over a critical gateway to the region with significant economic benefits.

Risks

The risk of investing in the airport is that dividends depend on Nelson Airport's ability to generate profit.

How the investment is managed

The Council manages this investment by:

- Independently appointing one director to the company's Board of Directors
- Appointing (jointly with Tasman District Council) three directors with appropriate expertise
- Annually approving and/or amending the company's Statement of Intent
- Requiring a six-monthly report on the company's results and future outlook.

NELSON TASMAN TOURISM (Tourism Nelson Tasman Ltd)

The Council owns 50% of Tourism Nelson Tasman Limited (NTT), with the Tasman District Council owning the other 50%. The company undertakes destination marketing, destination management and provision of visitor information services. It co-ordinates the marketing and promotion of the Nelson Tasman region as a visitor destination, provides tourism education and product development and manages the visitor information centres throughout the region.

Ten year goal

Council's goal is to take a coordinated approach with the Tasman District Council to stimulating the regional economy through investment in the tourism sector.

Policy

The Council's policy for Tourism Nelson Tasman is to enter into a contract of service with Tourism Nelson Tasman Ltd, on a three-year rolling basis, to establish baseline funding for the promotion of tourism in the region. Council considers the funding requirements for Tourism Nelson Tasman each year as part of its estimates, Annual and Ten Year Planning processes, to consider whether the baseline funding needs increasing.

Rationale

Tourism Nelson Tasman is an effective mechanism for Council to achieve its objective of promoting tourism and economic development in Nelson.

Benefits

The financial benefits of tourism promotion accrue to the regional community rather than directly to the Council. The strategic benefit is that Tourism Nelson Tasman Ltd promotes tourism in the region, coordinates various tourism marketing initiatives and therefore assists the development of the local economy.

Risks

This is a community company with no shareholders' funds and so there is no investment at risk.

How the investment is managed

The Council's procedure for managing the investment in Tourism Nelson Tasman includes:

- appointing directors with appropriate expertise to Tourism Nelson Tasman's Board of Directors
- approving and/or amending, on an annual basis, Tourism Nelson Tasman's Statement of Intent; and
- receiving a six-monthly report from Tourism Nelson Tasman that details results and its outlook.

FORESTRY

Background

The Council has invested in and been involved in managing forestry interests since the 1940s. The forests were unsuccessfully tendered for sale in 2003.

Council-owned forests are located in the Brook, Marsden, Maitai and Roding. The total net stocked area as at 30 June 2011 is estimated at 579.7 ha. This is an increase in area by

17.3 hectares (ha) due to 30.8 ha harvested, 48.1 ha replanted and minor mapping changes since the 2010 valuation. A further 35.9 ha awaits replanting at the Brook and Maitai forests and 16 ha at Bell Island. The total value is just over $4m at the 2011 valuation.

The Bell Island Forest owned by the Nelson Regional Sewerage Business was clear felled in 2010 and as at the date of this valuation was unplanted and therefore had zero tree crop value. This valuation included 1.3 ha planted on private land which lies outside legal boundaries, and included planted areas on legal road lines within the forest external legal boundaries.

The tree crop owned by Nelson City Council is situated on both pre-1990 and post-1989 forest land as defined in the Climate Change Act (2002). The NRSBU forest at Bell Island is classified as pre-1990 forest.

Council has received the Allocation of Credits for its pre-1990 forests and entered the Emissions Trading Scheme (ETS) for its post-1989 forests. For the pre-1990 forest land, the forest owner becomes a participant in the ETS and will be entitled to an allocation of NZU carbon credits. While the liabilities associated with possible deforestation of this land impact on the market value of this land, Council understands that these potential liabilities do not impact on the tree crop market value estimate.

In respect of the post-1989 forest land, the Council has applied to become a participant in the ETS and claim carbon credits for the change in carbon stocks since January 2008. In participating in respect of the post-1989 forest land, then at the time of harvest most or all of these NZU carbon credits would need to be returned if planting does not occur.

The Bell Island Forest is not eligible for the "less than 50 hectare exemption" as both Tasman District Council and this Council, as joint shareholders in the NRSBU, have both more than 50 ha of pre-1990 land.

Policy

The Council's current policy for commercial forestry is:

- To not purchase land nor plant more commercial forests
- Endorse and observe the provisions of the New Zealand Forest Accord (August 1991)
- Contract out forestry management to an independant Forest Manager
- To manage its forest estate on a sustainable basis and to maximise net present value.

Rationale

In the last few years the forestry and land management environment has changed considerably with a much greater emphasis on sustainability and the recent arrival of the Emissions Trading Scheme. Council is yet to review strategic decisions on its forestry portfolio.

The benefits

The Council's forests are a significant resource, a means of generating revenue from public reserve land and provide for recreational use.

Financial benefits

As well as revenue generation, there are also environmental and social benefits in that forests provide areas with public access for walking, biking, hunting and other recreation. Forestry operations contribute to local business operations including logging contractors, silvicultural contractors, transport contractors and Port Nelson.

The risks

Forestry has performed poorly in recent years although is still expected to be a low risk investment in the medium to long-term.

Financial risks

Any forest is at risk from natural disasters, fire, and disease. Prices fluctuate and at any given time depend on world markets, particularly those in Asia. As development is funded from retained earnings, any shortfall in earnings requires the Council to make additional borrowings to fund development.

Environmental risk

Poor management of logging operations could pose environmental risks, especially to water supply.

How the investment is managed

The Council actively manages its investment in forestry by:

- Contracting out forest management to reputable consultants
- Carrying out silviculture to a defined forestry management plan, which is reviewed every three years
- Revaluing forestry assets at 30 June each year and crediting any increase to the asset revaluation reserve
- Reviewing the cash flow forecast each February, and presenting projected returns for both the next financial year and the coming 10-year period to the Audit, Risk and Finance Committee
- Minimising the impact of short-term decline in prices by delaying harvesting as appropriate
- Maintaining insurance cover for fire and wind damage.

PROPERTY INVESTMENTS

Background

The Council owns a large number of properties but the vast majority of these are not held for investment. Most Council properties are occupied by the Council for community facilities, to enable the delivery of services; conservation reserves; reserves for recreation; utilities; or roads. In most of these cases there is no intention to dispose of these properties because of their ongoing benefits to the community. Refer also to the sundry property section below. A small number of Council properties are owned for strategic purposes that include a component of investment benefit. These are:

- Civic House, on the corner of Halifax and Trafalgar Streets, which is covered in more detail in the following section of this policy
- Land in Akersten St, adjacent to the marina
- Land and buildings at the Plant and Food site, Wakefield Quay
- The land under the fishmonger/café site on Wakefield Quay
- BP site on Haven Road.

Other properties that are held in anticipation of future use by Council, on behalf of the community, that could be considered to have an income-generating or investment component, include:

- The building at 23 Halifax Street adjacent to the library
- The Millers Acre Centre Taha o Te Awa, which accommodates the Visitor Information Centre, Nelson Tasman Tourism, the Economic Development Agency and related organisations
- Four residential properties adjacent to the Railway Reserve in the St Vincent Street area
- The site at 46 Rutherford Street between Bridge and Vanguard Streets
- Betts and Bridge Street leased carparks
- The Hunters and Hunting & Fishing building in Wakatu Square.

Although the Council has taken part in subdivision developments in the past, it does not currently pursue further subdivision opportunities as an investment. The Ridgeways Joint Venture is discussed later in this policy and is nearing conclusion.

In recent years, the Council reviewed its property holdings and any that were surplus to Council requirements or unlikely to have strategic value were sold. Council's property portfolio continues to be monitored for strategic or investment benefit and the disposal process initiated as required.

Policy

The Council's general policy on property investments is:

- The Council will not be involved in property investments purely for income earning purposes

- There might be strategic, social, or other valid reasons for Council to be involved in property ownership or investment, for example when it is the most appropriate way to administer a Council function or achieve community outcomes
- The Council will not become involved in any further property development or major subdivisions unless there are Council objectives or social benefits arising from the investment that cannot be achieved by other means.

Subject to the first two policies above, the Council may take a facilitating role in subdivisions, whether or not it owns all the land to be subdivided.

CIVIC HOUSE

Background

Civic House, where the Council organisation is based, comprises a seven-storey tower block with connected buildings. The Council purchased Civic House in 1991 for $3.8m when the Crown decided to sell off its post offices. A further $1.3m was spent on alterations to meet Council accommodation requirements. The most recent valuation in 2009 was $10.587m. The future of the State Advances building within this complex depends on the outcome of decisions on its earthquake prone status.

Policy

The Council's policy for Civic House is to retain ownership and the present leasing arrangements. There is no intention to sell the property during the term of this Long Term Plan.

Rationale

While the Council is not in the business of property speculation, there is justification for owning the building that it occupies to secure staff accommodation and a high profile site for customers to access Council services.

Benefits

The benefits of this investment are ongoing. These include financial benefits where annual, non-taxable profit is credited to the general rates account. There are reduced annual net costs compared with the likely costs of renting space in a privately owned Civic House. There might also be possible future capital appreciation. The strategic benefit is that it is of value for the Council to be sited in a prominent, central and easily found landmark.

Risk

In addition to the usual risks associated with owning any commercial property, including earthquake or fire, risks include:

- It might not be possible to tenant the balance of the building at commercial rates
- Property values might decline
- Maintenance and renewal costs increase as the building ages
- Costs to comply with changing health and safety requirements and building code regulations.

How the investment is managed

The Council manages this investment by limiting the risk of not receiving a commercial rent through leasing 75% of the building to itself at equivalent commercial rents.

RIDGEWAYS JOINT VENTURE

Background

The Council owned rural land in the hills behind Stoke for many years and leased it out for grazing. In 1993, the Council called for expressions of interest in the property. Having received no reasonable offers for an outright sale, a 50/50 joint venture was set up with Residential Land (Nelson) Limited since replaced by Homedale Holdings Limited to subdivide the property into 202 sections. Nineteen sections in the final stage are on the market and remain to be sold. Due to the slow property market, it is not known how long it will take to sell the last of the sections. With all initial costs covered each sale provides additional profit for Council.

Policy

The Council's policy for the Ridgeways Joint Venture is to complete the sale of remaining sections in the development.

Rationale

Council has inherited this venture and intends to complete the sales process for the remaining sections to realise its financial benefit for ratepayers.

Benefits

The initial proceeds from the development were used to fund later stages. Any profits are used to repay rating debt or for capital expenditure which would otherwise be funded by loans.

Significant financial benefits were expected from this investment and these were realised, largely due to the timing of property market growth. The venture netted several million dollars in profits for Council, and these benefits are anticipated to continue until sales are complete. The strategic benefits include the development expanding the Council's rating base. It also provided a water reservoir that can be used to service future development.

Risk

The Council has already recovered its initial investment. The remaining risk is that it might not sell the remaining sections at the budgeted level, or it might take longer than anticipated to achieve these sales.

How the investment is managed

Council manages this investment by:

- Sharing 50% of the risks with its joint venture partner
- Funding future development of the subdivision from sales of earlier stages
- Annual Statement of Intent and reporting requirements.

SUNDRY PROPERTIES

Background

The Council owns a number of small parcels of land that it manages by leasing them out or managing them as reserves, but they are held for reasons other than their return as investments. They became Council owned through a range of often unique historical circumstances. Each property therefore has its own history and associated risks. Examples of this type of property include:

- Land in Blackwood St, Tahunanui
- State Advances building on Trafalgar St.

The Council has some remaining properties surplus to its requirements that it will dispose of over time according to its property disposal process that includes consultation and Council approval.

Policy

The Council's policy for its sundry properties is to:

- Honour existing legal obligations
- When appropriate, hold properties that might provide for the Council's future infrastructure or other needs
- Continue to manage risks associated with ownership of each property
- Dispose of property surplus to requirements for Council activities.

Rationale

Council needs to provide for consistent management of sundry parcels of land that it owns through a range of circumstances, and to dispose of those that no longer provide any investment or other benefit to Council.

Benefits

No significant financial benefits are expected from retaining these properties as investments. Property surplus to the Council's future social, recreational or infrastructural requirements are sold to provide a financial return that would be used to reduce Council debt.

The other benefits of owning sundry properties are individual to each property and include such things as heritage protection, management of potentially contaminated sites and provision for future infrastructure needs.

Risks

Risks are specific to each property and are mainly risk associated with land ownership generally.

How these investments are managed

These properties are managed according to each location and circumstances including history and potential community benefit, and any relevant asset management plan.

LOANS AND ADVANCES TO COMMUNITY GROUPS & RATEPAYERS

Miscellaneous loans and advances

Background

The Council occasionally provides loans and advances to assist a community group or ratepayer to fund a capital work that is in the best interests of the Council and community. These loans and advances are provided only on rare occasions, and only with the prior agreement of the Council. As at 30 June 2011, the total balance of loans and advances outstanding was $5.543m, compared with $2.582m in 2008.

Policy

The Council's policy for miscellaneous loans and advances to community groups and ratepayers is to continue providing loans and advances but only as a means to achieve a particular objective consistent with the Council's strategic goals and policies and with the prior approval of the Council. Where loans relate to buildings on Council land, the Council will take security over the building and chattels.

Risks

Risks are specific to each loan and are mainly around the ability of the community group or ratepayers to repay the loan.

How these investments are managed

Loans are monitored by Council management and recommendations are made to Council if action is considered to be required.

NEW ZEALAND LOCAL GOVERNMENT INSURANCE CORPORATION LIMITED (trading as Civic Assurance)

Background

Civic Insurance was set up as a national corporation to ensure local authorities have access to adequate insurance arrangements at a reasonable cost. Almost all local authorities became shareholders. The value of shares held by Nelson City Council, which was $140,000 as at 30 June 2011, is not significant relative to the Council's total investment holdings. As shares are not readily transferable it is unlikely a reasonable offer for their purchase would be received by Council.

Nelson City Council
te kaunihera o whakatū

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