

Investment and Property Subcommittee
Wednesday 26 February 2020 at 1.00pm

AGENDA
SUPPLEMENTARY

Investment and Property Subcommittee Supplementary Agenda

Meeting to be held in the Council Chamber
36 Water Street, Whangārei
on Wednesday 26 February 2020, commencing at 1.00pm

Recommendations contained in the agenda are NOT decisions of the meeting. Please refer to minutes for resolutions.

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2.0A Receipt of Supplementary (Tabled) Items	
1.0 REPORTS	
1.3 Withdrawal of the Planned Annual General Funding Contribution from the Managed Fund Portfolio	4

TITLE: **Receipt of tabled report: Withdrawal of the Planned Annual General Funding Contribution from the Managed Fund Portfolio**

ID: A1290366

From: Simon Crabb, Finance Manager

Executive summary

The purpose of this report is to place before the subcommittee a tabled item for inclusion in the meeting agenda. The report includes the recommendation that the tabled item be received and that the subcommittee endorse a recommendation that 2,068,979 is redeemed in March 2020 from the fund managers recommended by EriksensGlobal, and invested into term deposits..

Recommendation

That as permitted under section 46A(7) of the Local Government Official Information and Meetings Act 1987 the following tabled/supplementary report be received:

- Withdrawal of the Planned Annual General Funding Contribution from the Managed Fund Portfolio

Authorised by Group Manager

Name: Dave Tams

Title: Group Manager, Corporate Excellence

Date: 25 February 2020

TITLE: Withdrawal of the Planned Annual General Funding Contribution from the Managed Fund Portfolio

ID: A1290315

From: Simon Crabb, Finance Manager

Executive summary/Whakarāpopototanga

The purpose of this report is to gain Subcommittee endorsement of a recommendation to withdraw \$2.1M of gains (representing 2019-20 general funding) **in March 2020** to reduce the risk of a market downturn eroding the gains that have already been generated over the past 7 months.

Recommendation(s)

1. That the report 'Withdrawal of the Planned Annual General Funding Contribution from the Managed Fund Portfolio' by Simon Crabb, Finance Manager and dated 25 February 2020, be received.
2. That the Subcommittee endorse a recommendation that 2,068,979 is redeemed in March 2020 from the fund managers recommended by EriksensGlobal, and invested into term deposits.

Background/Tuhinga

The \$2.1M of gains proposed to be withdrawn from the managed fund portfolio provides funding for council's day to day operations and was planned and signalled in the 2019-20 Annual Plan. The \$2.1M contribution reduces the reliance on rating revenue and reduces the burden on the regions ratepayers.

Historically, the practice has been to withdraw this general funding contribution at the end of the financial year, however as the level of actual gains earned to date currently exceeds the entire annual requirement it is proposed that \$2.1M of gains is withdrawn in March 2020.

The gains will be withdrawn from Fund managers in line with a recommendation provided by EriksensGlobal and then placed into Term Deposits with maturity dates aligned to working capital forecasts.

Table 1 illustrates the capacity to withdraw the annual general funding contribution from the gains derived in the seven months to January 2020:

Table 1.			YTD ACTUAL	FULL YEAR
			Jan-20	BUDGET
Total Gains		actual - at this stage of the year	\$3,271,143	\$2,859,585
<i>utilised as:</i>				
General Funding Contribution		full year budget	-\$2,068,979	-\$2,068,979
Reinvestment back into the CIF		full year budget	-\$715,900	-\$715,900
Funding of Investor fees & unallocated interest		actual - at this stage of the year	-\$75,602	-\$74,706
Leaving Residual Gains available for:				
Opex Reserve investment, LTF Reinvestment, Other project funding.		actual - at this stage of the year	\$410,662	\$0

The delegation governing any withdrawal from a Managed Fund are recorded in 2 documents:

1. The Treasury Management Policy:
“Council are to authorise any withdrawal from externally managed funds (except the Short-Term fund)”;
2. The Subcommittees terms of reference:
“the subcommittee are to ensure that there are no withdrawals from funds except the Short-Term Fund without the approval of council”.

As such, upon the Subcommittee’s endorsement, the proposed recommendation will be presented to full Council at their March 2020 meeting.

Considerations

Options

No.	Option	Advantages	Disadvantages
1	Withdraw \$2.1M of gains earned in the first 7 months of the 2019-20 financial year and invest into fixed term deposits in March 2020	Protect the gains generated over the past 7 months, and have the planned annual general funding contribution secured in term deposits and available for councils working capital requirements.	Earn a lower rate of return, associated with term deposits.
2	Do not withdraw any gains from the Managed Fund Portfolio in March 2020.	Take advantage of a higher rate of return should the managed fund portfolio perform well in the remaining months of the 2019-20 financial year.	Maintain an exposure to the risk of a market downturn eroding the Fund Manager gains that have already been generated over the past 7 months, and the possibility that annual gains earned on the managed fund portfolio are not sufficient to cover the required annual general funding contribution

The staff’s recommended option is 1.

2. Significance and engagement

In relation to section 79 of the Local Government Act 2002, this decision is considered to be of low significance because it is part of council’s day-to-day activities and is in accordance with the approved Treasury Management Policy.

3. Policy, risk management and legislative compliance

The activities detailed in this report are in accordance with council's Treasury Management Policy, the 2018–28 Long Term Plan both of which were approved in accordance with council's decision-making requirements of sections 76–82 of the Local Government Act 2002.

4. Financial implications

A reduction in growth assets (equities) and income assets (bonds) at this stage of the year helps maintain the level of Managed Fund gains already earned this financial year. The strategy proposed in this report is intended to defend against the negative impacts of any downturn occurring before 30 June 2020 by removing the operating funding contribution from exposure to any volatility in the financial markets.

Being a purely administrative matter, Community Views, Māori Impact Statement and Implementation Issues are not applicable.

Attachments/Ngā tapirihanga

Nil

Authorised by Group Manager

Name: Dave Tams
Title: Group Manager, Corporate Excellence
Date: 25 February 2020