



# Minutes of Extraordinary Council Meeting 8 September 2015



**MINUTES OF THE EXTRAORDINARY MEETING OF COUNCIL  
TUESDAY 8 SEPTEMBER 2015 AT 5.33PM**

<b>PRESENT:</b>	Lord Mayor, Councillor Nuatali Nelmes (Chair) Councillor Declan Clausen Councillor David Compton Councillor Therese Doyle Councillor Jason Dunn Councillor Brad Luke Councillor Michael Osborne Councillor Stephanie Posniak Councillor Allan Robinson Councillor Andrea Rufo Councillor Sharon Waterhouse	
<b>IN ATTENDANCE:</b>	General Manager Director Corporate Services Director Infrastructure Director Planning and Regulatory Acting Manager Council and Legal Services Manager Finance Manager Commercial Property Chief of Staff to the Lord Mayor Media Officer	Ken Gouldthorp Glen Cousins Frank Cordingley Peter Chrystal Emily Kolatchew  Andrew Glauser Paul Nelson Katie Porritt Dana Fischetti
<b>MINUTES:</b>	Meetings Secretary	Kerry Sullivan
<b>WEBCASTING:</b>	Meetings Secretary	Amy Leach

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**Chair, Cr Nelmes, 27 October 2015**



**MINUTES OF THE EXTRAORDINARY MEETING OF COUNCIL  
TUESDAY 8 SEPTEMBER 2015 AT 5.33PM**

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**1 OPENING OF MEETING**

- 1.1 The meeting was opened at TIME.

**2 MESSAGE OF ACKNOWLEDGEMENT**

- 2.1 The Lord Mayor read the message of acknowledgment to the Awabakal and Worimi peoples.

**3 PRAYER**

- 3.1 The Lord Mayor read a prayer and a period of silence was observed in memory of those who served and died so that Council might meet in peace.

Especially remembered were Kelvin Dates, Indigenous leader and elder of the Worimi peoples and Ken Clifford, former Chief Executive Officer of the Hunter Academy of Sport.

**4 APOLOGIES**

**MOTION**

Moved by Cr Luke, seconded by Cr Posniak

The apologies submitted on behalf of Councillors Crakanthorp and Tierney be received and leave of absence granted.

**Carried**

**5 DECLARATIONS OF PECUNIARY AND NON-PECUNIARY INTERESTS**

5.1 **Councillor Luke**

Councillor Luke declared a less than significant non-pecuniary interest in Items 2 and 3 - Notice of Motion to Rescind a Council Resolution - Item 64 - Adoption of Revised Investment Policy and Endorsement of Previous Investment Policy respectively, as Council may invest with businesses he is associated with. Councillor Luke said the interest was less than significant as the report to Council was to be received and he was not involved in any decision making processes.

5.2 **Councillor Clausen**

Councillor Clausen declared a less than significant non-pecuniary interest in Items 2 and 3 - Notice of Motion to Rescind a Council Resolution - Item 64 - Adoption of Revised Investment Policy and Endorsement of Previous Investment Policy respectively. He stated that he may have indirectly received funding from the CFMEU Northern Mining and NSW Energy District as a political donation.

5.3 **Lord Mayor Councillor Nelmes**

The Lord Mayor declared a less than significant non-pecuniary interest in Items 2 and 3 - Notice of Motion to Rescind a Council Resolution - Item 64 - Adoption of Revised Investment Policy and Endorsement of Previous Investment Policy respectively. She indicated that she may have indirectly received funding from the CFMEU Northern Mining and NSW Energy District as a political donation on several occasions.

5.4 **Councillor Dunn**

Councillor Dunn declared a less than significant non-pecuniary interest in Items 2 and 3 - Notice of Motion to Rescind a Council Resolution - Item 64 - Adoption of Revised Investment Policy and Endorsement of Previous Investment Policy respectively. He indicated that he may have indirectly received funding from the CFMEU Northern Mining and NSW Energy District as a political donation to his last campaign.

**6 CONFIRMATION OF PREVIOUS MINUTES**

6.1 Nil.

## 7 BUSINESS

### ITEM-1 LORD MAYORAL MINUTE 08/09/2015 - REGIONAL INVESTMENT AND JOBS

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#### PURPOSE

For Council to advocate for a Newcastle/Hunter Future jobs taskforce; and a regional funding program for jobs, in particular Newcastle and the Hunter.

#### MOTION

That Council call on the NSW and Federal Governments to:

1. Establish a **Newcastle/Hunter Future Jobs Taskforce**. The Future Jobs Taskforce would work with the community, industry, unions, the University of Newcastle and key stakeholders in the region to identify and promote job creation opportunities.
2. Deliver a funding program for regional jobs, in particular Newcastle and the Hunter. This program will help regions to broaden their traditional economic base through new partnerships, skills and technologies. In this way, communities will become more resilient, viable and sustainable for the long-term. The program would be delivered via a collaborative approach to regional development involving all levels of government, the private sector and local communities.

#### BACKGROUND

Australia needs sound macro-economic policy to foster investment across the entire economy; and ongoing reform and economic management to increase productivity, create jobs and secure the future health of the Australian economy. This includes sector-by-sector measures to improve competitiveness, innovation and productivity. Modernising our infrastructure, managing the transition to clean energy, investing in skills and innovation and advancing tax reform are all necessary for Australia's economy to grow in all Australians' interests.

Our economy has successfully handled comparable structural changes over its history. Indeed rising prosperity and sustainable growth has been underpinned by transformative changes - Australians have embraced new products and technologies, and the integration of our economy into the global economy, set in train by the reforms of the 1980s and 1990s. All levels of government need to promote innovation and investment in renewable energy, encourage energy efficiency and low-carbon technologies, and be ambitious in growing the renewable energy sector beyond 2020 by adopting policies to deliver at least 50 per cent of our electricity generation from renewable sources by 2030.

The Hunter is one of NSW's most productive regions, generating a Gross Regional Product (GRP) of \$38.462 billion, representing 28 per cent of Regional NSW's total GRP. In 2013 mining contributed 14.7 per cent of this Gross Regional Product, employing 11,000 people across the Hunter, with just under 300,000 jobs being created by other sectors including within the service, education and manufacturing industries<sup>1</sup>.

The **mining boom** generated an increase in our national wealth and created thousands of jobs. However the associated mining construction boom has now ended and although production is picking up, the sector is under pressure due to dramatic falls in commodity prices and the loss of construction as well as production jobs due to increased process automation, even as production and exports pick up. Strong employment growth in other sectors must be generated to reduce the rising regional unemployment rate.

Unemployment is hurting our local economy and region. Youth unemployment in particular is reaching alarming levels with youth unemployment in the Hunter reaching 20.6 per cent, and 15.1 per cent within the Newcastle Local Government Area<sup>2</sup>.

The Hunter's economy is already in transition. Our economic priority should be to continue this in an inclusive and sustainable way, through a more diversified economy that is not entirely dependent on commodity exports, and that sustains high-skill, high-wage jobs. Governments, communities, unions and industry should work together to develop a comprehensive regional development approach that supports the growth of sustainable new industries, technologies and practices.

The future Jobs Taskforce should address governments' role in procurement, and Industry Participation Plans for public and private procurement.

The June 2014 decision to send the construction of Australia's Navy supply ships offshore sent shockwaves through the **shipbuilding industry**. In the past 15 months, Newcastle company Forgacs has laid off more than 500 staff and more are to come. Meanwhile, the manufacturing contracts are in negotiation with Japan, destroying local high-skilled manufacturing jobs for Australian men and women with expertise not only in the respective trades but in highly specialised defence manufacturing.

More than 6,000 workers in New South Wales have jobs in the **rolling stock industry** and its supply chain. Many of those workers live in the Hunter Valley and Newcastle. The rolling stock industry has strategic economic significance for both the Hunter and this State. Over the past 18 months, more than 750 workers employed with Hunter Valley rolling stock manufacturers, plus hundreds more in the supply

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<sup>1</sup>[http://www.industry.nsw.gov.au/\\_\\_data/assets/pdf\\_file/0006/67704/4.-Hunter\\_Regional-Economic-Profile\\_Feb2015.pdf](http://www.industry.nsw.gov.au/__data/assets/pdf_file/0006/67704/4.-Hunter_Regional-Economic-Profile_Feb2015.pdf)

<sup>2</sup>[http://lmip.gov.au/default.aspx?LMIP/LFR\\_SAFOUR/NSW/HunterValleyexclNewcastle](http://lmip.gov.au/default.aspx?LMIP/LFR_SAFOUR/NSW/HunterValleyexclNewcastle)

chain, have lost their jobs. The New South Wales budget has committed more than \$6 billion for major transport infrastructure and more than \$2.8 billion has now been announced to build trains for the Hunter line however there is no funding committed to New South Wales rail manufacturers.

BlueScope, United Group Rail and Downer EDI are world-class local **manufacturers**, but presently do not have enough work and all have commenced workforce redundancies. United Group Rail in Newcastle has 250 redundancies at Broadmeadow, and Downer EDI redundancies in Cardiff and Kooragang have resulted in around 500 job losses.

The flow-on effect of a lack of support has resulted in downstream job losses when facilities of this size downsize or close. For example, Varley Engineering at Tomago, which supplies the major rolling stock sites; and Ampcontrol at Tomago, an electrical engineering and manufacturing company that supports the mining industry, have also experienced redundancies. Manufacturing trains locally would not only create hundreds of jobs in the manufacturing sector but also support the businesses that supply the rail industry. Too many contracts have gone offshore, such as the train carriage contracts. Bus contracts have gone to Queensland, Navy supply ship contracts are going to Korea or Spain, and it is not known where the submarine contracts will go.

In 2013 the NSW Government introduced a new procurement policy that no longer includes a preference for tenderers to provide apprenticeships and training, job creation or investment in regional areas or areas of high unemployment. This action is at odds with other Governments nationwide, including the actions of the former Liberal Victorian Premier, Dr Denis Naphthine, who introduced *Our new Victorian Jobs in the 21st Century* with a local content target, and the current Victorian Labor Government, led by Premier Daniel Andrews, which has introduced significant further incentives to ensure that Government contracts are awarded preferably to Victorian-based operations. These actions have seen associated booms in employment opportunities for Victorians, and have provided the private sector the confidence needed to invest in the State. Governments in NSW must return their focus to benefiting our local economy.

Universities are at the heart of the nation's **education, research and innovation** ecosystem, particularly in regions. The undermining of Australia's universities through continued cuts to higher education funding and proposed deregulation has come at a significant cost, reducing confidence and opportunities for young Australians.

Australian universities are among the world's best; however, Australia continues to see a talent-drain, as professionals relocate to 'innovation friendly' hubs such as California, Germany, Hong Kong and China.

The world's best performing economies tend to focus on innovation and sophisticated manufacturing sectors. A sustainable Australian economy needs to embrace innovation, providing support for smart technology start-ups that work in multiple industries.

Newcastle is home to one of Australia's top-ranked universities, the University of Newcastle (UON), which is also one of our region's largest employers. UON is committed to supporting an economy that retains its talent by growing new industries through innovation/entrepreneurship, and attracting new ones through a skilled workforce. Planning at all levels of government is required to ensure a capacity to embrace and support innovation and accelerate product development and commercialisation.

We must also note the significance of **small business** to the Australian economy, employing close to five-million Australians and contributing some 47 per cent of private sector employment. Small business contributes more than \$330 billion annually to the national economy and is vitally important to regional economies, with around 35 per cent of small businesses in each state located in regional areas, compared to 20 per cent for large firms. More than 95 per cent of businesses in Australia are small businesses; almost two-thirds have no employees ('the self-employed'); and a further one-quarter have four or fewer employees. This means only 10 per cent of small businesses have more than four employees.

Due to its very nature, small business is extremely susceptible to industry fluctuations and changes. Support from government helps to provide confidence and support in this industry.

**MOTION**

Moved by Lord Mayor Cr Nelmes

Council call on the NSW and Federal Governments to:

1. Establish a **Newcastle/Hunter Future Jobs Taskforce**. The Future Jobs Taskforce would work with the community, industry, unions, the University of Newcastle, TAFE and key stakeholders in the region to identify and promote job creation and training opportunities.
2. Deliver a funding program for regional jobs, in particular Newcastle and the Hunter. This program will help regions to broaden their traditional economic base through new partnerships, skills and technologies. In this way, communities will become more resilient, viable and sustainable for the long-term. The program would be delivered via a collaborative approach to regional development involving all levels of government, the private sector and local communities.
3. Council seeks the support of Hunter Councils in establishing the Future Jobs Taskforce.

**For the Motion:**

Lord Mayor Cr Nelmes, Councillors Clausen, Compton, Doyle, Dunn, Luke, Osborne, Posniak, Robinson, Rufo and Waterhouse.

**Against the Motion:**

Nil.

**Carried**

**ITEM-2**                    **NOTICE OF MOTION 08/09/15 - NOTICE OF MOTION TO  
RESCIND A COUNCIL RESOLUTION - ITEM 64 OF 25  
AUGUST 2015 - ADOPTION OF REVISED INVESTMENT  
POLICY**

**COUNCILLORS:**    **LUKE, TIERNEY, COMPTON**

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**PURPOSE**

*Councillors Luke, Tierney and Compton have submitted the following rescission motion in respect of Item 64 - CCL 25/08/15 - Adoption of Revised Investment Policy for consideration at an Extraordinary meeting of the Council to be held 8 September 2015.*

*The following Notice of Motion was received on 28 August 2015 from the abovementioned Councillors.*

**MOTION**

Council rescind the resolution moved by Councillor Clausen and seconded by Councillor Dunn in respect to Item 64 - Adoption of Investment Policy which added a new section to the investment policy in respect to 'Environmentally and Socially Responsible Investments (SRI)' providing preference to Financial institutions who do not support the coal sector.

**BACKGROUND**

Refer to the Officer's report presented at the Ordinary meeting of 25 August 2015.

**ATTACHMENTS**

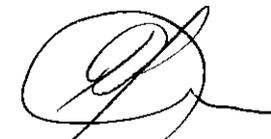
- Attachment A:**        Signed Rescission Motion from Councillors Luke, Tierney and Waterhouse dated 28 August 2015
- Attachment B:**        Council resolution of 25 August 2015 - Item 64 - Adoption of Revised Investment Policy

31-8-15.

We the undersigned Councillors request the General Manager and/or Lord Mayor to call an Extraordinary meeting to be held on or before Tuesday 8 September 2015 for the purpose of:

- 1 Rescinding the resolution moved by Councillor Clausen seconded by Councillor Dunn in respect to Item 64 - Adoption of Investment Policy which added a new section to the investment policy in respect to 'Environmentally and Socially Responsible Investments (SRI)' providing preference to Financial institutions who do not support the Coal Sector
- 2 Endorsing the previous Investment Policy and extending its review date for a further 12 months in accordance with the original recommendation of Councillor Officers put to the April 2015, Ordinary Council Meeting - Item 25.

Cr Bradley Luke. 

Cr David Compton 

Cr LISA TIERNEY 

## Attachment B

### ACTION ITEM

Ordinary Council Meeting  
Tuesday, 25 August 2015

#### ITEM-64                    CCL 25/08/15 - ADOPTION OF REVISED INVESTMENT POLICY

#### RESOLVED: (Councillors Clausen/Dunn)

- 1     Council adopts the draft Investment Policy at **Attachment A** (Policy) with the following amendments:
  - a     Deletion of Clause 5.4.
  - b     Insertion of a new Part E titled *Environmentally and Socially Responsible Investments (SRI)* (printed below) between the current' Part D and current 'Part E' and reorder the document accordingly.
- 2     Supports Lismore City Council's request for Local Government NSW to maintain a list of authorised deposit taking institutions which are committed to Environmentally and Socially Responsible lending and investing.

#### **“Part E: Environmentally and Socially Responsible Investments (SRI)**

14.     Council's preference is to enter into environmentally and Socially Responsible Investments (SRI) where:
  - 14.1     The investment is compliant with legislation and Investment Policy objectives and parameters; and
  - 14.2     The rate of return is favourable relative to comparable investments on offer to Council at the time of investment.
15.     SRI status may be in respect of the individual investment product, the issuer of the investment, or both and should be endorsed by an accredited environmentally and socially responsible industry body or institution.
16.     Council's criteria relating to an SRI are those which:  
Direct investment towards the socially and/or environmentally productive activities listed below:

MINUTES OF THE EXTRAORDINARY MEETING OF THE CITY OF NEWCASTLE  
TUESDAY 8 SEPTEMBER 2015 AT 5.33PM

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Environmentally productive activities are considered to be:	Socially productive activities are considered to be:
<ul style="list-style-type: none"><li>• resource efficiency-especially water and energy</li><li>• renewable energy</li><li>• production of environmentally friendly products</li><li>• recycling, and waste and emissions reduction</li></ul>	<ul style="list-style-type: none"><li>• fair trade and provision of a living wage</li><li>• human health and aged care</li><li>• equal opportunity employers, and those that support the values of communities, indigenous peoples and minorities</li><li>• provision of housing, especially affordable housing</li></ul>

16.2 Avoid investment in the socially and/or environmentally harmful activities listed below:

Environmentally harmful activities are considered to be:	Socially harmful activities are considered to be:
<ul style="list-style-type: none"><li>• production of pollutants, toxins and greenhouse gases (either in Australia or abroad)</li><li>• habitat destruction, especially destruction of forests and marine eco-systems.</li><li>• nuclear power</li><li>• uranium mining</li></ul>	<ul style="list-style-type: none"><li>• abuse of Human Rights and Labour Rights</li><li>• involvement in bribery/corruption</li><li>• production or supply of armaments</li><li>• manufacture of alcohol, tobacco or gambling products</li></ul>

**MOTION**

Moved by Cr Posniak, seconded by Cr Luke

Council rescind the resolution moved by Councillor Clausen and seconded by Councillor Dunn in respect to Item 64 - Adoption of Investment Policy which added a new section to the investment policy in respect to 'Environmentally and Socially Responsible Investments (SRI)' providing preference to Financial institutions who do not support the coal sector.

Councillor Luke stated that he was the submitting Councillor of the rescission motion and objected to the rescission motion being moved by Councillor Posniak.

The Lord Mayor accepted Councillor Posniak as the mover of the rescission motion.

The General Manager stated that under the provisions of the Local Government Act and Code of Meeting Practice, Council could only consider the business listed at an Extraordinary Council meeting. In this instance, he advised that notice of the rescission motion was presented by Councillor Luke and Councillor Luke should be recorded as the mover in the minutes.

The Lord Mayor proceeded with debate.

**For the Motion:** Councillors Compton, Luke, Robinson, Rufo and Waterhouse.

**Against the Motion:** The Lord Mayor Cr Nelmes, Councillors Clausen, Doyle, Dunn, Posniak and Osborne.

**Defeated**

**ITEM-3                      ENDORSEMENT OF PREVIOUS INVESTMENT POLICY  
(SUBJECT TO THE RESCISSION MOTION AT ITEM 2  
BEING SUCCESSFUL)**

**COUNCILLORS:      LUKE, TIERNEY, COMPTON**

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**PURPOSE**

**PURPOSE**

Subject to the rescission motion at Item 2 being successful - endorsing the previous Investment Policy and endorsing its review date for a further 12 months in accordance with the original recommendation of Council Officers put to the April 2015 Ordinary Council meeting - Item 25.

**ORIGINAL RECOMMENDATION**

Council endorses the current version of the Investment Policy (Attached) and it extends the revision date for a further 12 months (**Attachment A**).

**ATTACHMENTS**

**Attachment A:**            Attachment - B - CCL 28/04/15 Executive Monthly Performance Report - Investment Policy

**ORDINARY COUNCIL MEETING  
28 APRIL 2015**

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**CCL 28/04/15  
EXECUTIVE MONTHLY PERFORMANCE REPORT – MARCH 2015**

**Attachment B: Investment Policy**

**DISTRIBUTED UNDER SEPARATE COVER**



The City of Newcastle

# Policy

## Investment Policy

PO Box 489 (282 King Street)  
NEWCASTLE NSW 2300  
Ph 02 4974 2000  
Fax 02 4974 2222  
Email [mail@ncc.nsw.gov.au](mailto:mail@ncc.nsw.gov.au)  
[www.newcastle.nsw.gov.au](http://www.newcastle.nsw.gov.au)



Policy title	Investment Policy
Policy owner	Director Corporate Services / Finance
Prepared by	Finance
Approved by	Council
Date approved	29 April 2014
Version	Version number 4
Category	Financial
Keywords	Investments, Risk Management, Interest Rates, Surplus Funds, Legislation, Cash Flow
Revision date	29 April 2015
Amendments	Version 1 (1993, ECM#4566237) Version 2 (2003, ECM#4566228) Version 3 (2005, ECM#1247851)
Relevant strategic direction	Open and Collaborative Leadership
Relevant legislation/codes	Local Government Act 1993 (NSW) - Section 625 Local Government (General) regulation 2005 Ministerial Investment Order Local Government Code of Accounting Practice and Financial Reporting Australian Accounting Standards Division of Local Government - Investment Policy Guidelines - May 2010
Related policies/documents	Code of Conduct Electronic Mail Usage and Internet Access Policy Register of Delegations Restricted Assets - reserves management policy
Related forms	Nil

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# Part A Preliminary

## 1 Objectives

- 1.1 To provide a framework for the investing of Council's funds at the most favourable rate of interest available to it at the time whilst having due consideration of risk and security for that investment type and ensuring that its liquidity requirements are being met.
- 1.2 While exercising the power to invest, consideration is to be given to the preservation of capital, liquidity and the return of investment.
- 1.3 Preservation of capital is the principal objective of the investment portfolio. Investments are to be placed in a manner that seeks to ensure security and safeguarding the investment portfolio. This includes managing credit and interest rate risk within identified thresholds and parameters.
- 1.4 Investments should be allocated to ensure there is sufficient liquidity to meet all reasonably anticipated cash flow requirements, as and when they fall due, without incurring the risk of significant costs due to the unanticipated sale of an investment.
- 1.5 Investments are expected to achieve a market average rate of return in line with the Council's risk tolerance.
- 1.6 Delegated Officers are to manage the investment portfolio as a hold to maturity investor. Deviation from this method of operation (ie sale of an investment prior to maturity) is permissible for either risk management purposes, to meet unforeseen liquidity requirements and/or if deemed advantageous to do so.
- 1.7 All investments are to comply with the following:
  - 1.7.1 Local Government Act 1993 (NSW) - Section 625
  - 1.7.2 Local Government (General) Regulation 2005 (NSW)
  - 1.7.3 Prevailing Ministerial Investment Order
  - 1.7.4 Local Government Code of Accounting Practice and Financial Reporting
  - 1.7.5 Division of Local Government Investment Circulars; and
  - 1.7.6 Australian Accounting Standards.

## 2 Definitions

- 2.1 **Authorised Deposit Taking Institution (ADI)** means a corporation authorised under the Australian Banking Act 1959. ADIs include banks, building societies, and credit unions.
- 2.2 **Non Rated Category** means an Australian Prudential Regulation Authority defined ADI that does not currently have a credit rating.
- 2.3 **Long Term Credit Rating** means a guide or standard for an investor which indicates the ability of a debt issuer or debt issue to meet the obligations of repayment of interest and principal.
- 2.4 **Delegated Officer** means the officers listed at clause 3.2.
- 2.5 **Prudent Person** means someone who will manage the investment portfolio in a skilful, diligent and careful manner. They always exercise due care in making decisions and act in moderation.

- 2.6 **Maturity Risk** means the risk relating to the duration of an investment. The longer the investment term to maturity, the greater the length of exposure and risk to market volatilities.
- 2.7 **Liquidity Risk** means the risk an investor is unable to redeem the investment at a fair price within a timely period.
- 2.8 **Diversification** means setting of limits for investing funds with ADIs and Australian Federal, State and Local Governments.
- 2.9 **Derivative Based Instruments** means investments whose value is derived from the performance of underlying market factors, such as interest rates, currency exchange rates and commodity, credit and equity prices. Derivative investments include structured debt obligations, swaps, futures, options, caps, floors, collars, forwards and a various combination there of.

Unless stated otherwise, a reference to a clause is a reference to a clause of this Policy.

## **Part B Roles and Responsibilities**

### **3 Delegation of Authority**

- 3.1 The authority for implementation of the Investment Policy is delegated by the Elected Council to the General Manager in accordance with the Local Government Act 1993.
- 3.2 The General Manager in turn delegates the day-to-day management of Council's investments as per Attachment A (which may be varied by the General Manager from time to time).

### **4 Prudent Person Standard**

- 4.1 The investment portfolio will be managed with the care, diligence and skill that a Prudent Person would exercise. As trustees of public monies, officers are to manage Council's investment portfolio to safeguard the portfolio in accordance with the spirit of this Policy and not for speculative purposes.

### **5 Ethics and Conflicts of Interest**

- 5.1 Delegated Officers shall refrain from decision making activities that could be perceived as being in conflict with proper management and decision making in relation to the investment portfolio.
- 5.2 Disclosure of any conflict of interest should be made in accordance with Council's Code of Conduct Policy.
- 5.3 Independent advisors are required to declare, prior to engagement or as circumstances arise, any actual or perceived conflict of interest.

# Part C Investment Types

## 6 Authorised Investments

- 6.1 Investments are limited to those allowed by the most current Ministerial Investment Order that has been issued by the NSW Minister for Local Government.
- 6.2 When placing a new investment a minimum of three quotations are to be obtained on comparable investments. If three comparable quotations are unavailable documentary evidence must be recorded outlining the reasons why.

## 7 Prohibited Investments

- 7.1 In accordance with the Ministerial Investment Order, this investment policy prohibits but is not limited to any investment carried out for speculative purposes including:
  - 7.1.1 Derivative Based Instruments eg structured debt obligations, swaps, futures, options, caps, floors, collars, forwards;
  - 7.1.2 Principal only investments or securities that provide potentially nil or negative cash flow eg Principal Protected Notes; and
  - 7.1.3 Stand alone securities issued that have underlying futures, options, forward contracts and swaps of any kind.
- 7.2 This Policy also prohibits the use of leveraging (borrowing to invest) of an investment.

## 8 Grandfathering

- 8.1 Grandfathering means a situation in which an old rule continues to apply to some existing situations, while a new rule will apply to all future situations.
- 8.2 In situations where compliant investments change to fall outside of either Council's Investment Policy and/or the prevailing Ministerial Investment Order the Delegated Officers may continue to hold to maturity (ie Grandfather the investment), redeem or sell the investment. Such occurrences will be reported to the Elected Council in the monthly report.

## 9 Legal Title

- 9.1 When entering into a financial instrument, it is required that the financial instrument clearly demonstrates that it is held in the registered name of Council.

# Part D Risk Management Framework

## 10 Credit Risk Framework

10.1 Credit Risk means the risk that an investor fails to receive the entire principal and/or interest associated with that investment.

10.2 To control the credit quality of the entire portfolio and exposure to individual ADIs, Commonwealth, State of the Commonwealth or Territory or Commonwealth council the following credit framework limits apply:

<b>Long Term Credit Rating (Standard and Poors)</b>	<b>Maximum exposure of entire portfolio</b>	<b>Maximum exposure to any one institution</b>
AAA + to AAA -	100%	30%
AA + to AA -	80%	30%
A + to A-	50%	15%
BBB+ to BBB	40%	10%
Non Rated Category	10%	5%
Government	100%	100%

10.3 New investments are to be placed in accordance with the credit risk limits at the time of entering into the transaction.

10.4 In the event that an entity is unrated by Standard and Poors but rated by Moody's and/or Fitch the Standard and Poors equivalent to the lowest Fitch/Moody's credit rating is to be utilised into the above framework.

10.5 Investments in Non Rated Category ADI's are restricted to those institutions with a minimum total asset size of \$500M.

## 11 Maturity Risk Framework

11.1 The investment portfolio is to be managed within the following maturity constraints in order to manage Maturity Risk and limit Liquidity Risk, whilst also allowing for Diversification of the portfolio:

<b>Term to Maturity</b>	<b>Minimum</b>	<b>Maximum</b>
< 1 Year	30%	100%
>1 Year <3 Years	0%	60%
>3 Years <5 Years	0%	40%
>5 Years	0%	10%

## **12 Liquidity Guidelines**

- 12.1 Delegated Officers are to ensure that combined sufficient funds are retained within Council's general fund and high interest at call account to meet foreseen creditor payments as they fall due.

## **13 Diversification Guidelines**

- 13.1 Delegated Officers are responsible for the continual maintenance of a well diversified portfolio with respect to institution, term to maturity and product.
- 13.2 The management and monitoring of diversification is via adherence to the specified credit risk limits (10.1) and term to maturity limits (11.1).

## **Part E Investment Advisor**

### **14 Investment Advisor Selection**

- 14.1 Council's investment advisor must be licensed by the Australian Securities and Investment Commission. The advisor must be an independent person who has no actual or potential conflict of interest in relation to investment products being recommended and is free to choose the most appropriate product within the terms and conditions of the investment policy.
- 14.2 The Investment Advisor is required to provide written confirmation that they do not have any actual or potential conflicts of interest in relation to the investments that they are recommending or reviewing, including that they are not receiving any commissions or other benefits in relation to the investments being recommended or reviewed. This confirmation is required prior to entering into a contract with the Investment Advisor.

# Part F Measurement

## 15 Performance Measurement

- 15.1 The Key Performance Indicator (KPI) for income on investments is benchmarked at 0.50% above the 1 year return of the 90 day Union Bank of Switzerland (UBS) Australian Bank Bill Index.
- 15.2 Actual performance is measured using the weighted average return of the Investment Portfolio over an historical 12 month period. This is measured on a rolling monthly basis to coincide with monthly reporting.
- 15.3 As Council continues to hold Grandfathered Investments such as Collateralised Debt Obligations (CDOs), the investment returns for this portion of the portfolio is to be regularly reviewed by an independent financial advisor by benchmarking and assessing the market value of the portfolio. The market value is to be assessed once a month to coincide with monthly reporting.

## **Part G Reporting and reviewing of investments**

### **16 General reporting**

- 16.1 Documentary evidence must be held for each investment and details thereof maintained in an Investment Register.
- 16.2 The documentary evidence must provide Council legal title to the investment.
- 16.3 All investments are to be appropriately recorded in Council's financial records and reconciled on at least a monthly basis.

### **17 Monthly reporting**

- 17.1 Council must comply with clause 212 of the Local Government (General) Regulation 2005.
- 17.2 Clause 212 of the Regulation requires that the delegated officer:
  - 17.2.1 Provide the elected council with a written report (setting out details of all money that council has invested under section 625 of the Act) to be presented in one ordinary meeting of the elected council held in the month.
  - 17.2.2 Include in the report a certificate as to whether or not investments have been made in accordance with the Act, the regulations and the council's investment policy.
  - 17.2.3 The report must be made up to the last day of the month immediately preceding the meeting.
- 17.3 In addition, the monthly report will detail actual performance of the investment portfolio in comparison to budgeted interest return and KPI, and percentage exposure against those limits outlined within this policy.

### **18 Annual reporting**

- 18.1 Certificates must be obtained from the financial institutions confirming the amounts of investments held on Council's behalf as at 30 June each year and reconciled to the Investment Register.
- 18.2 As at 30 June each year an independent financial assessment of the value of all investments classified as being available for sale is to be received.

### **19 Investment policy review**

- 19.1 This Investment Policy will be reviewed at least once a year or as required in the event of legislative changes. The Investment Policy may also be changed as a result of other amendments that are to the advantage of Council and in the spirit of this policy. Any amendment to the Investment Policy must be by way of Council resolution.

# Attachment A

## Delegation of Authority

<b>Delegated Officer Title</b>	<b>Responsibility</b>
Director Corporate Services	Invest Council's money provided it is in accordance with: delegated financial authority; section 625 of the Local Government Act 1993 (NSW); and Council's Investment Policy.
Manager Finance	
Manager Corporate Finance	

Officers' delegated authority to manage Council's investments shall be recorded and required to acknowledge they have received a copy of this Policy and understand their obligations in this role.

MINUTES OF THE EXTRAORDINARY MEETING OF THE CITY OF NEWCASTLE  
TUESDAY 8 SEPTEMBER 2015 AT 5.33PM

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It should be noted that Item 3 - *Endorsement of Previous Investment Policy* was listed on the agenda subject to the Rescission Motion at Item 2 being successful.

Item 2 - *Notice of Motion 08/09/15 - Notice of Motion to Rescind a Council Resolution - Item 64 of 25 August 2015 - Adoption Of Revised Investment Policy* was not successful and Item 3 therefore not debated by Council.

**The meeting concluded at 6.45pm.**

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