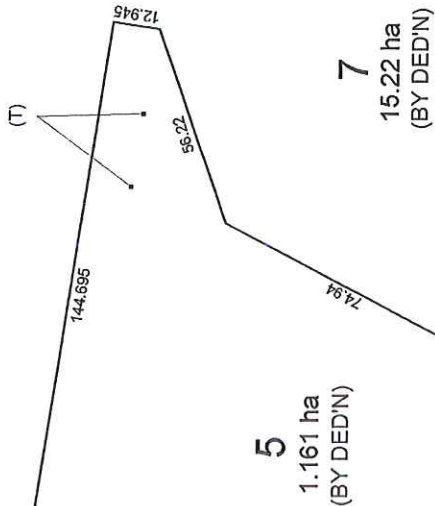
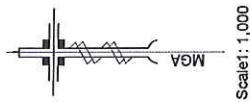
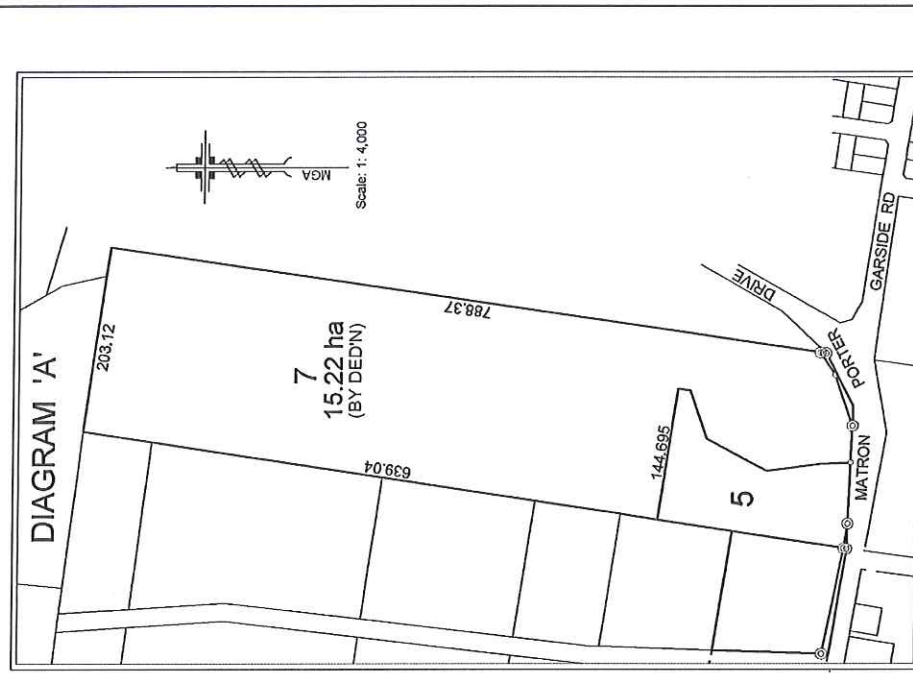


REFER DIAGRAM 'A'

(R) - RESTRICTION ON THE USE OF LAND (DP1009573)

(T) - TREES REFERRED TO IN THE RESTRICTION ON THE USE OF LAND (DP1009573)



REFER SHEET 3

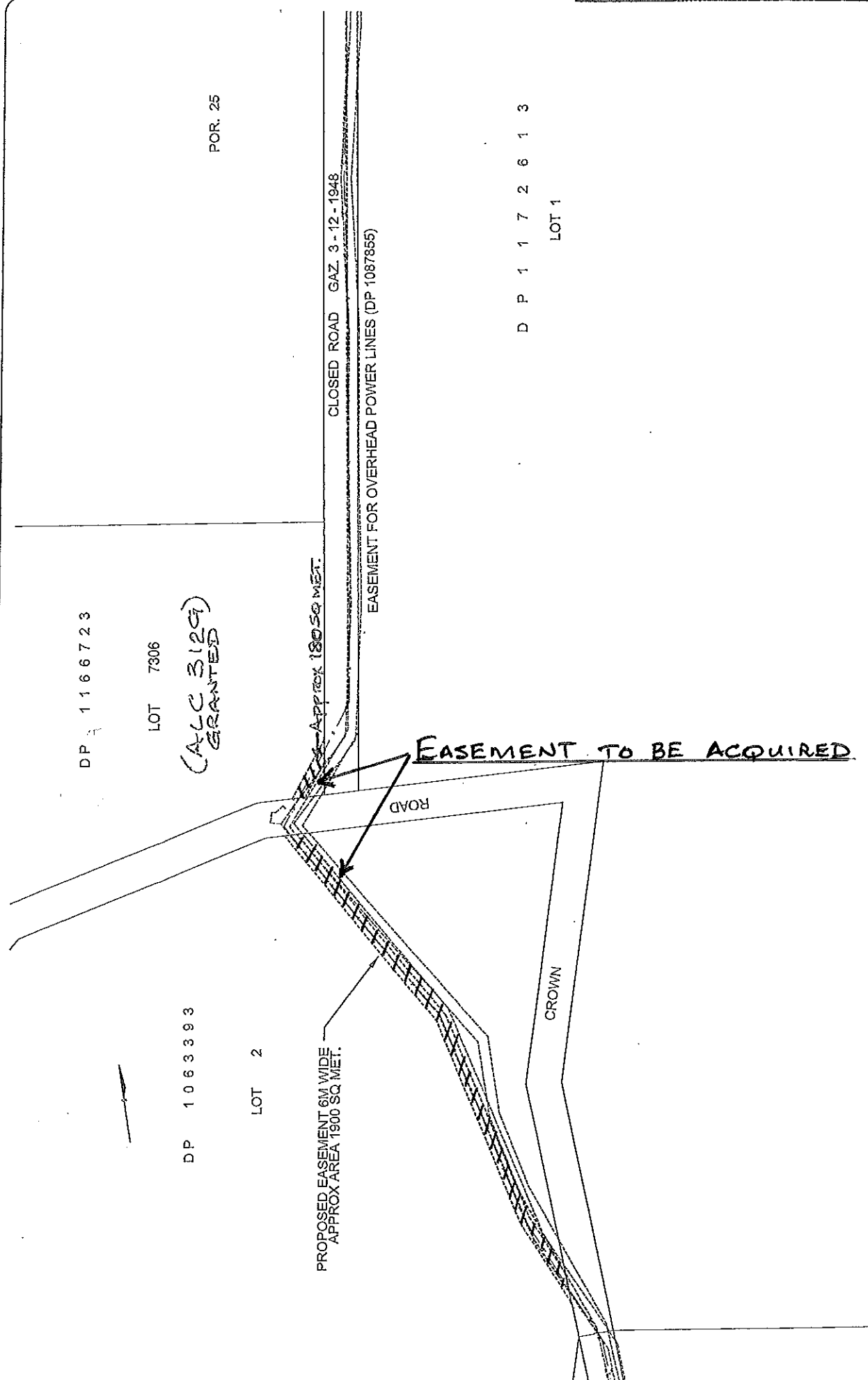
PORTER
MATRON

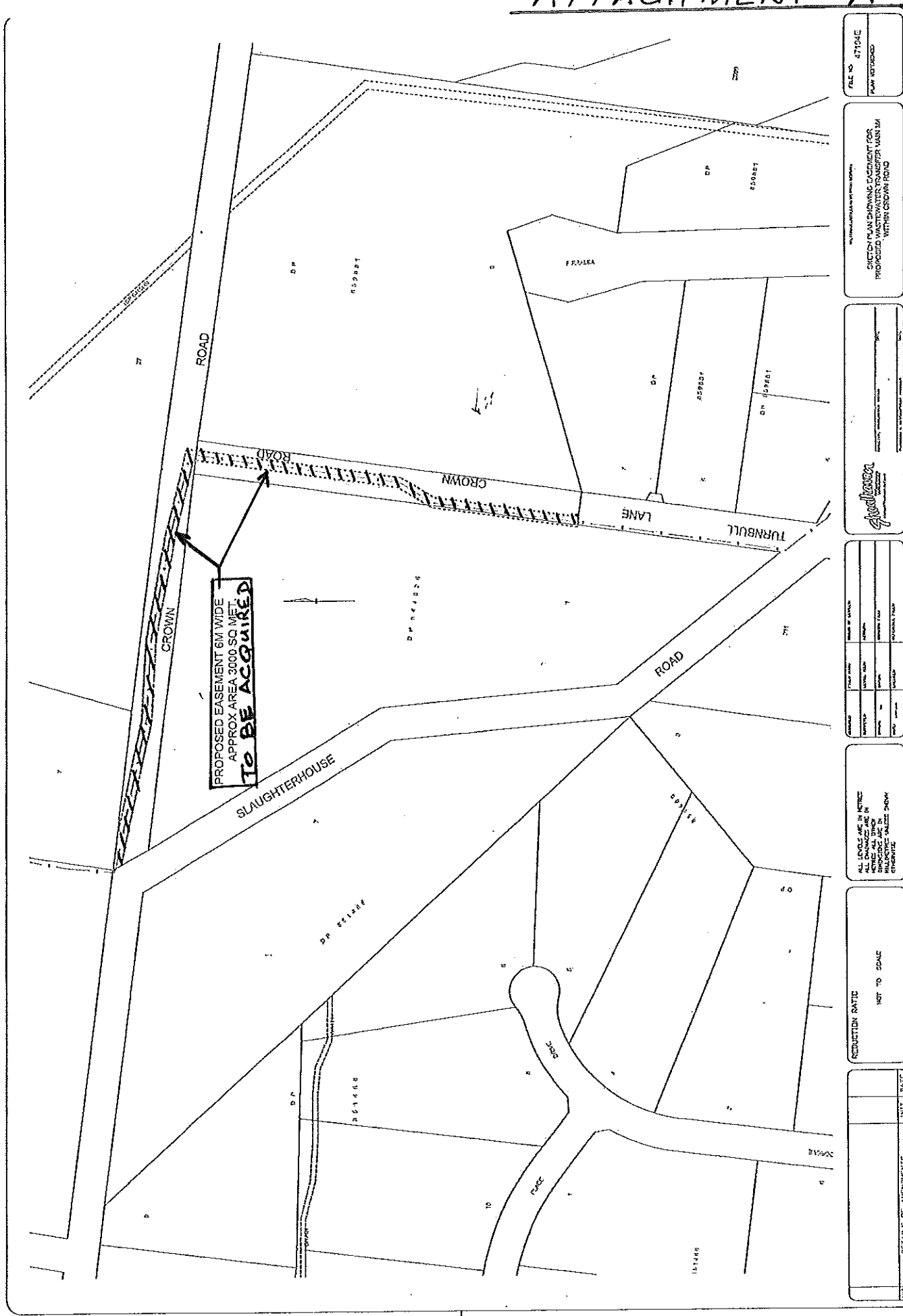
SUBJECT AREA

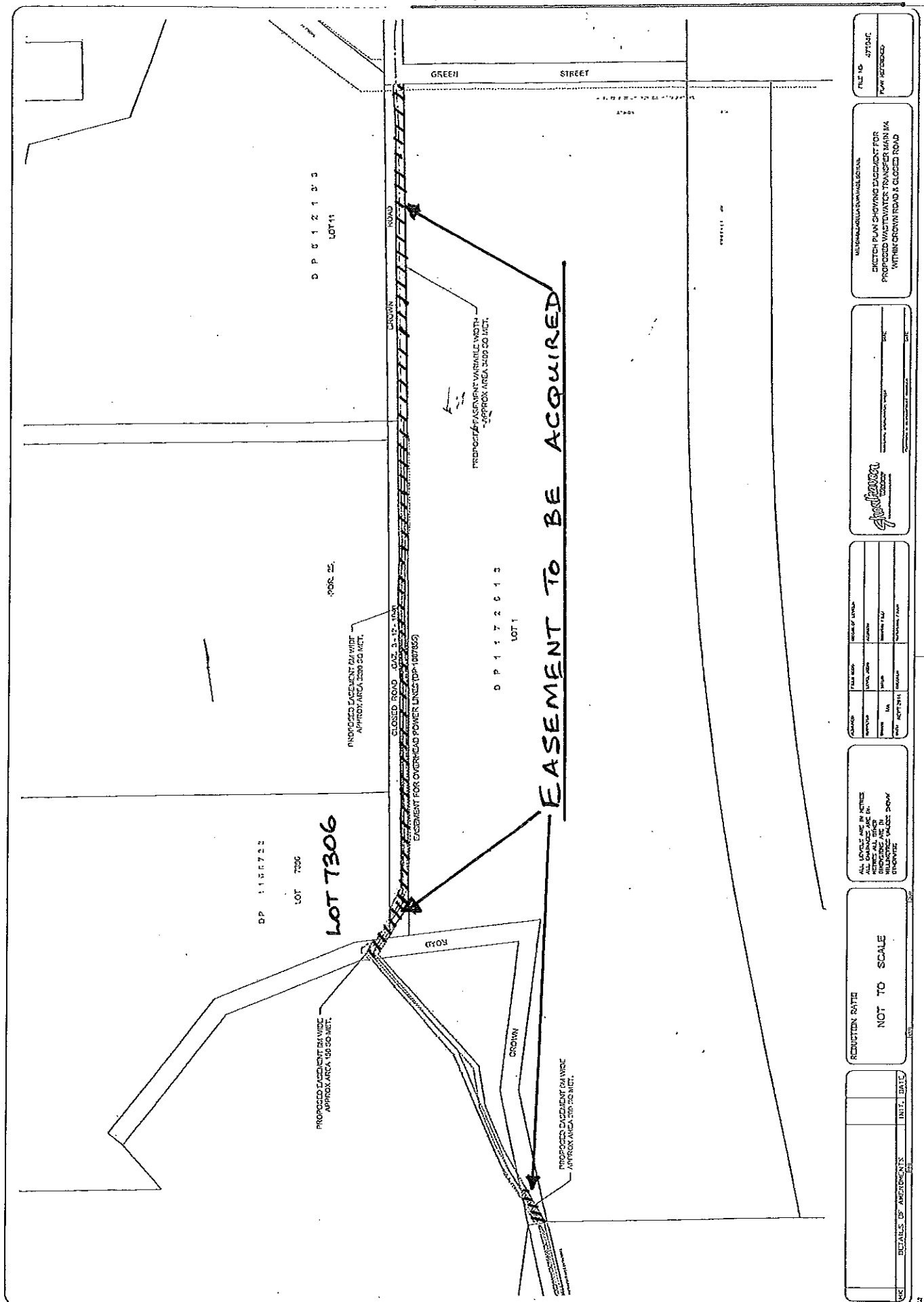
Surveyor: MICHAEL G POIDEVIN
Date of Survey: 13 OCT 2015
Surveyor's Ref: 70-2015

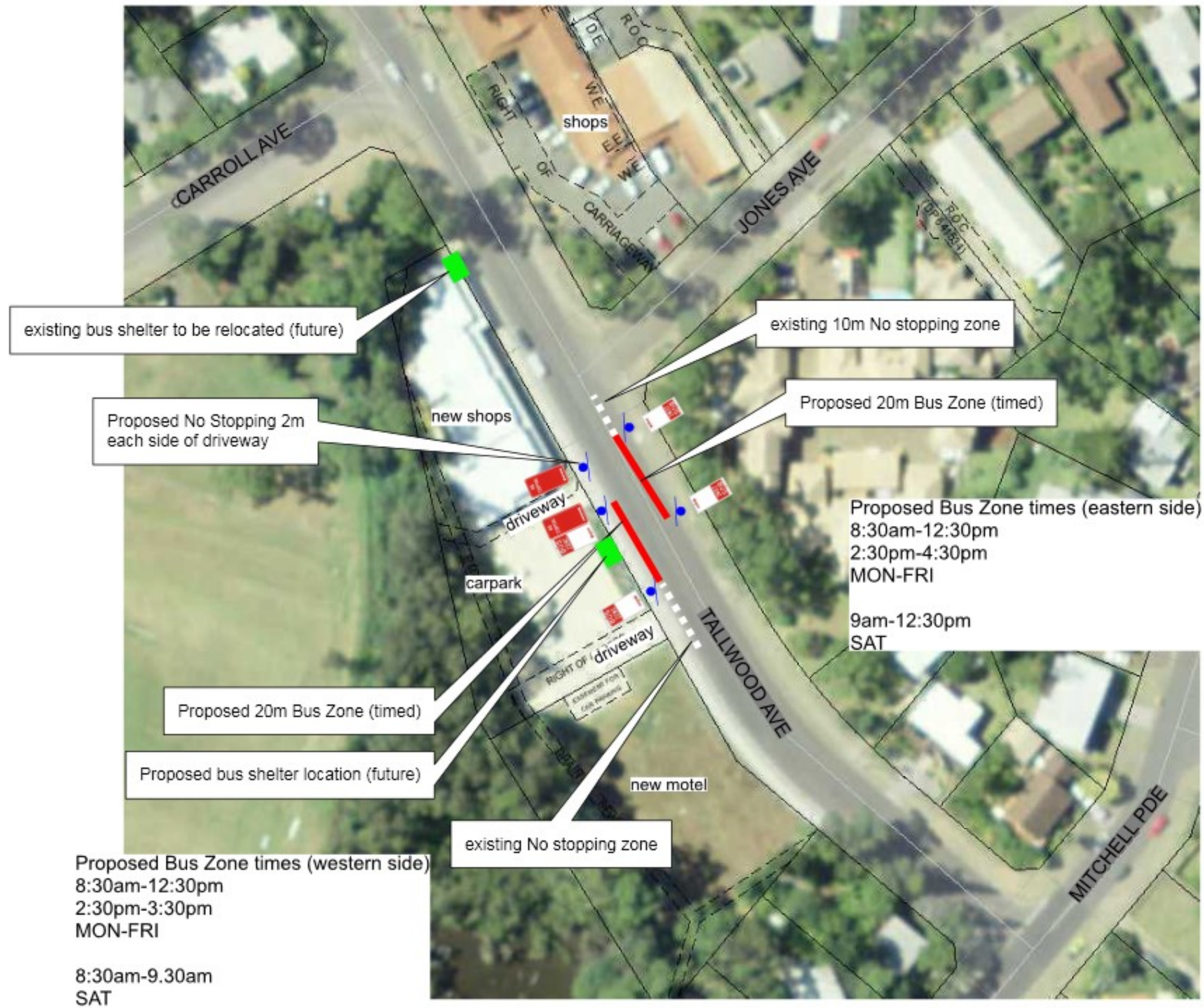
LGA: SHOALHAVEN
Locality: MILTON
Subdivision No:
Lengths are in metres. Reduction Ratio 1: 3,500

DP

[illegible]







**Proposed bus zones
Tallwood Ave, Mollymook Beach**

TRAF2016/01



Monthly Report

Shoalhaven City Council

December 2015

Market

We refer to our more detailed *Economic Commentary* for the month.

International News

The US S&P 500 lost 1.75%, while the NASDAQ fell 1.98%. The MSCI Global World ex-AUS finished - 2.38% in local currency terms while the MSCI Emerging Markets Index was down -1.32% in local currency terms.

US 10 year bond yields closed at 2.27%, up 6bp for the month following the Fed's December rate hike.

Domestic

The RBA kept the cash rate unchanged at 2.00% in its December meeting providing an 'upbeat view' of the economy. Commentary on the December decision suggested that the cut was derailed by positive data – *"prospects for an improvement in economic conditions had firmed a little over recent months and that leaving the cash rate unchanged was appropriate."* They also noted that capital expenditure was at a 4 year low due to slackened mining and resource investment.

Q4 employment data has been strong. In fact, almost unprecedented back-to-back jobs growth took the unemployment rate down to 5.8% in November and in a clear downtrend despite significantly higher participation. Upbeat employment data provided a boost to consumer sentiment ahead of the holiday period, alleviating some pressure off the RBA to cut rates again.

The Australian economy has proven resilient towards shocks – low commodity prices, falling capital spending and the slowdown in China – with new growth figures showing that the economy grew 0.9% (2.5% annually) in the September quarter.

Falling mining and resource export volumes – a crucial factor for economic growth in 2015 - has further deepened the trade deficit by \$900 million to \$3.3 billion in October (exports fell 3% while imports remained relatively flat).

The \$A finished higher at US73.06 cents (from US71.89 cents) after the ABS released data indicating that job growth was at its highest since the 1980's. Despite gaining slightly, the dollar continues to be weighed down by uncertainty over global economic growth prospects.

Australian 10 Year bonds finished higher for the month, yielding 2.88% (+0.02%).

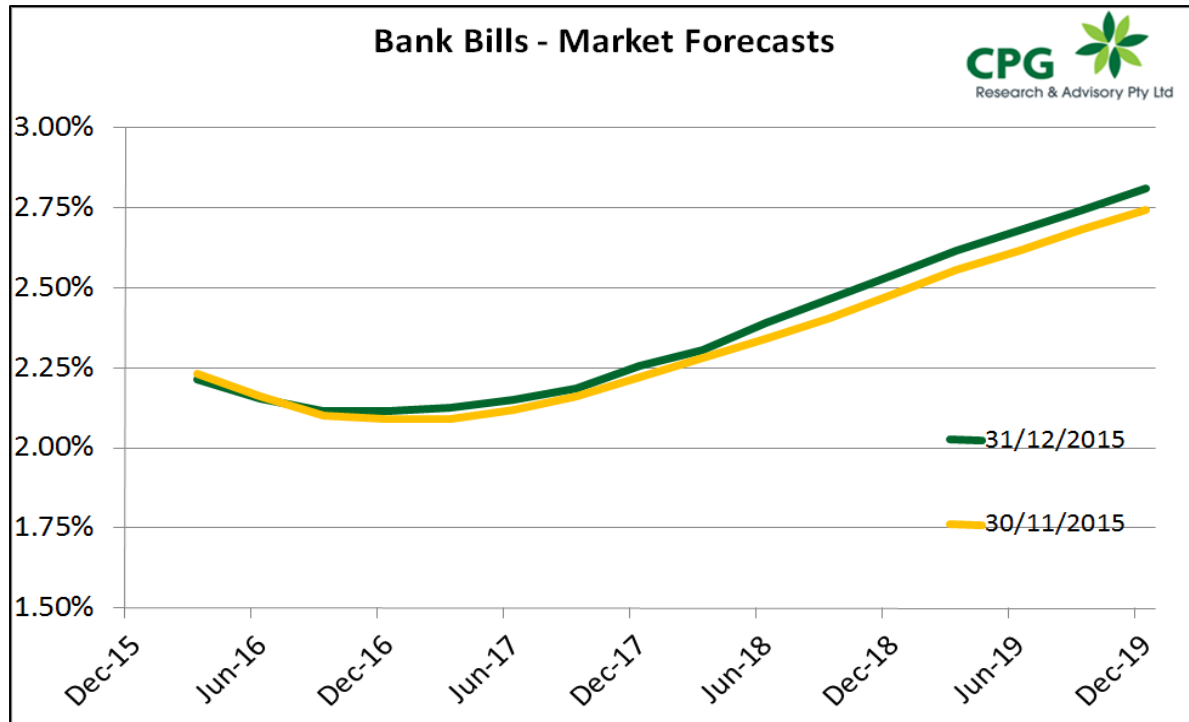
Other Markets

Low crude oil prices continue to be a big driver to market sentiment for stock markets. The recent reversal in its price – due to the release of encouraging US economic data - may not be enough given ongoing concerns regarding oversupply. WTI Crude Oil finished lower at \$37.04/bbl (-\$4.50).

Spot Iron Ore finished at \$42.90, up from \$42.80 in November.

Base Metals were mixed during the month with the gainers being Aluminium (+4.5%), Copper (+2.17%), Lead (+10.8%) and Zinc (+3.5%). The losers were Tin (-2.1%) and Nickel (-1.14%).

Rate expectations factor a slight near-term easing bias before normalising from 2018:



Credit Market

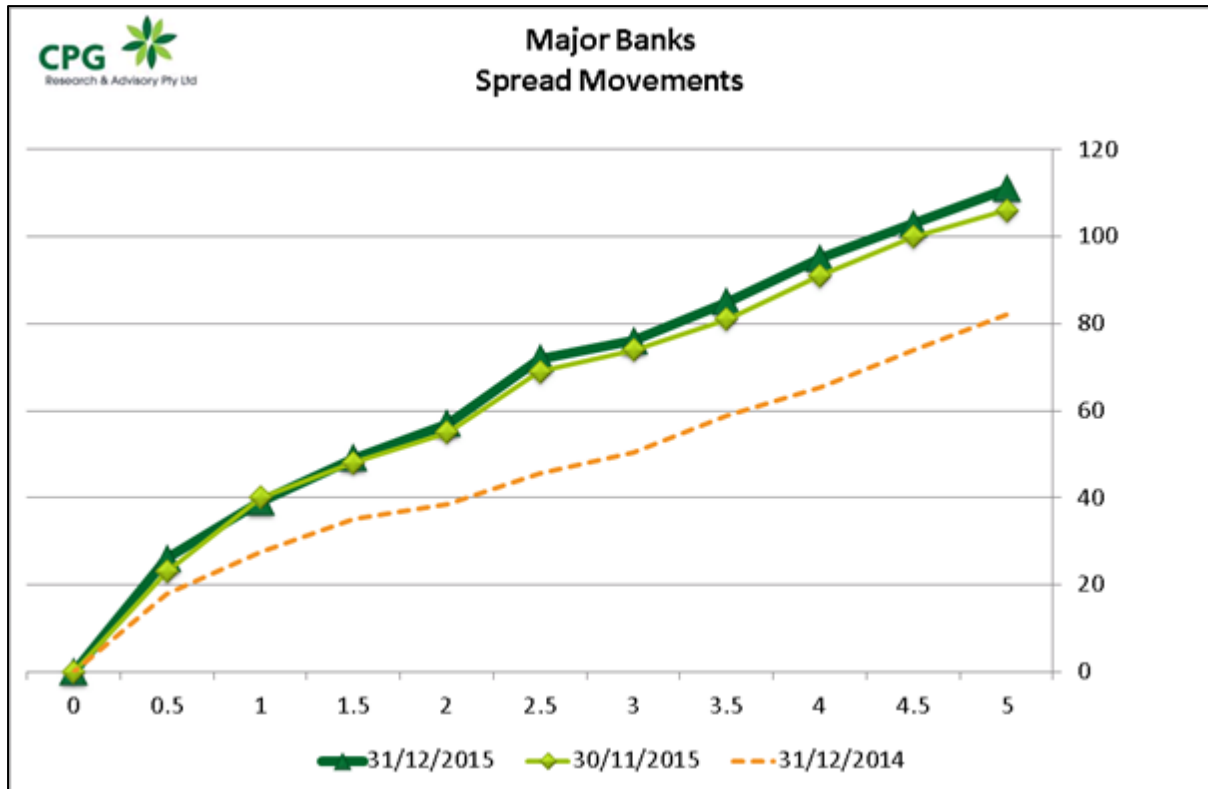
Investment grade credit indices were marked wider across the board in December.

Risk assets traded nervously into the Fed meeting, but the world did not end at a 25bp rate increase and sentiment recovered. The CDX North American and European iTraxx widened 4bp and 7bp respectively, while the iTraxx Australian index widened 2bp.

Credit Indices	31 Dec 15	30 Nov 15	31 Dec 14
iTraxx Australia 5 Yr CDS	127bp	125bp	94bp
iTraxx European 5 Yr CDS	77bp	70bp	63bp
CDX North American 5 Yr CDS	88bp	84bp	66bp

Source: MarkIt

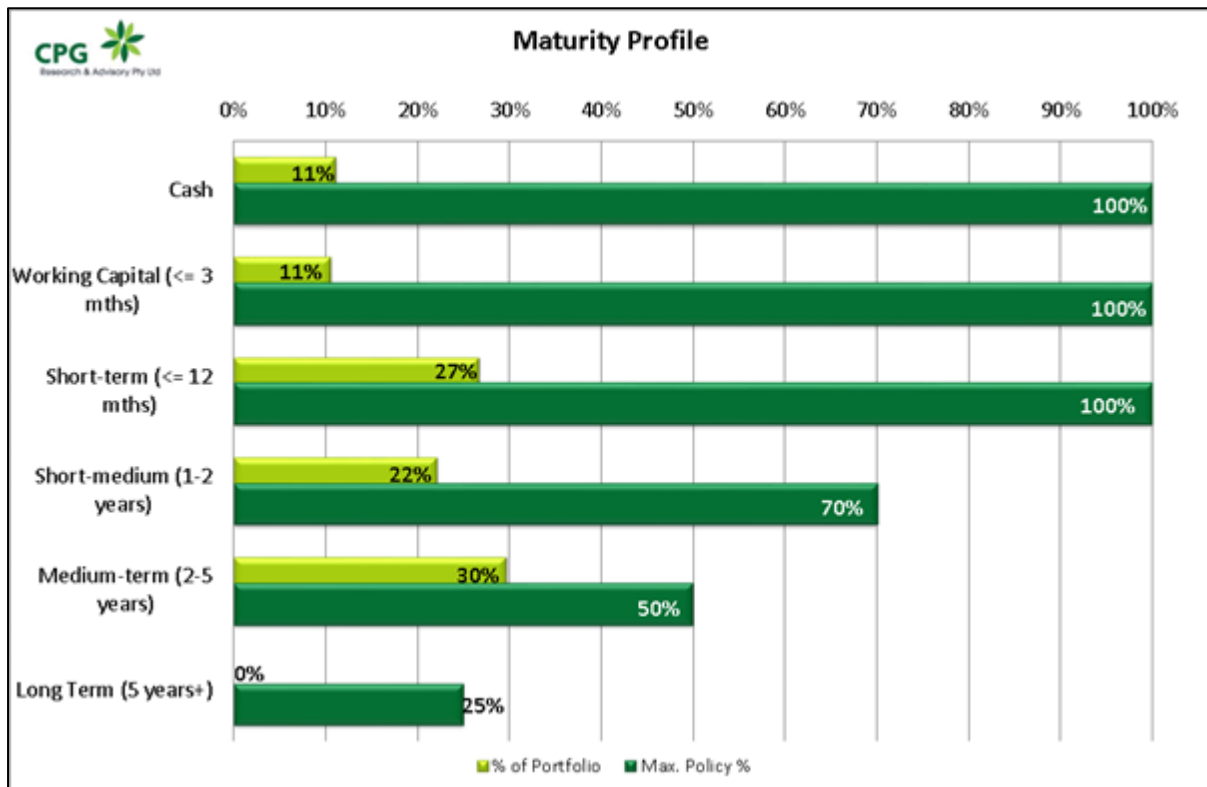
The bank FRN market was little changed, drifting only marginally wider.



Council's Portfolio

The portfolio has 11% of investments available at-call and a further 11% of assets maturing within 3 months. Additional short-dated funds have been gradually redeployed into a portfolio now well diversified by term – ahead of what has been a considerable decline in deposit rates.

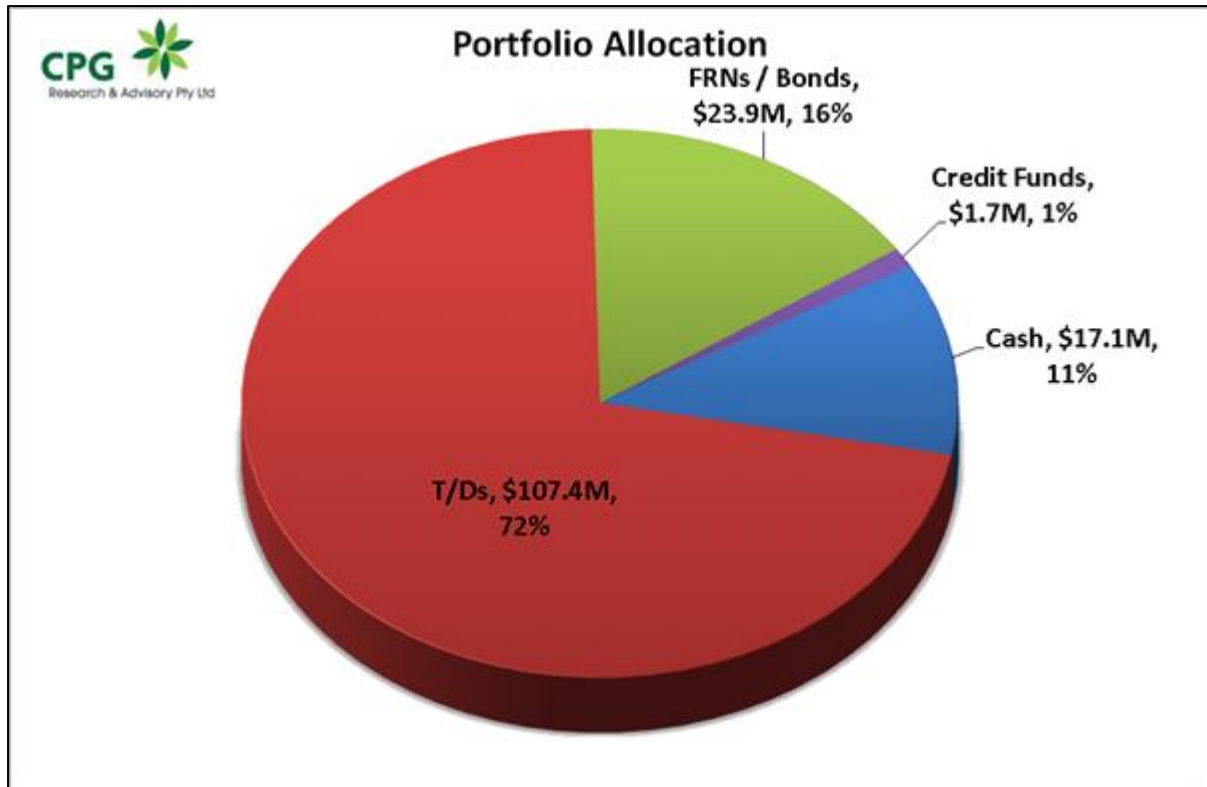
Approximately 30% of the portfolio is now in medium-term assets, with some capacity now freed up after previously being close to the maximum limits. ***We currently recommend that this be deployed to new FRN issues as they are launched.***



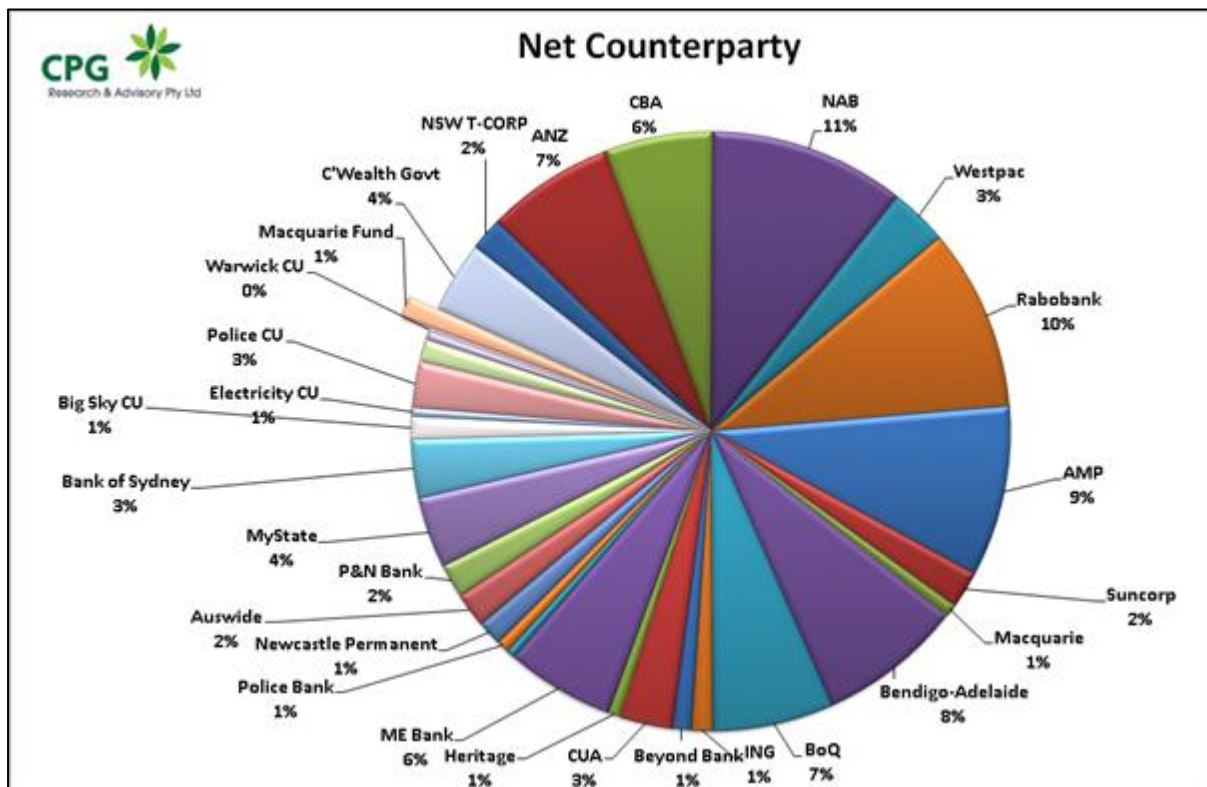
Council's portfolio is dominated by term deposits across a broad range of counterparties; credit assets are around 16% of the portfolio.

Over the past few years, our advice has focused on fixed rate deposits as the core investment theme, supplemented by other fixed rate investments. This was justified by the significant downtrend in deposit yields, with 2014's new longer-dated investments now well above market returns.

Going forward however, with deposit margins contracting sharply and with credit recently moving in the opposite direction, credit assets such as FRNs are likely to play a more dominant role.



The investment portfolio is well diversified in complying assets across the entire credit spectrum, with the major banks and Rabobank dominant:



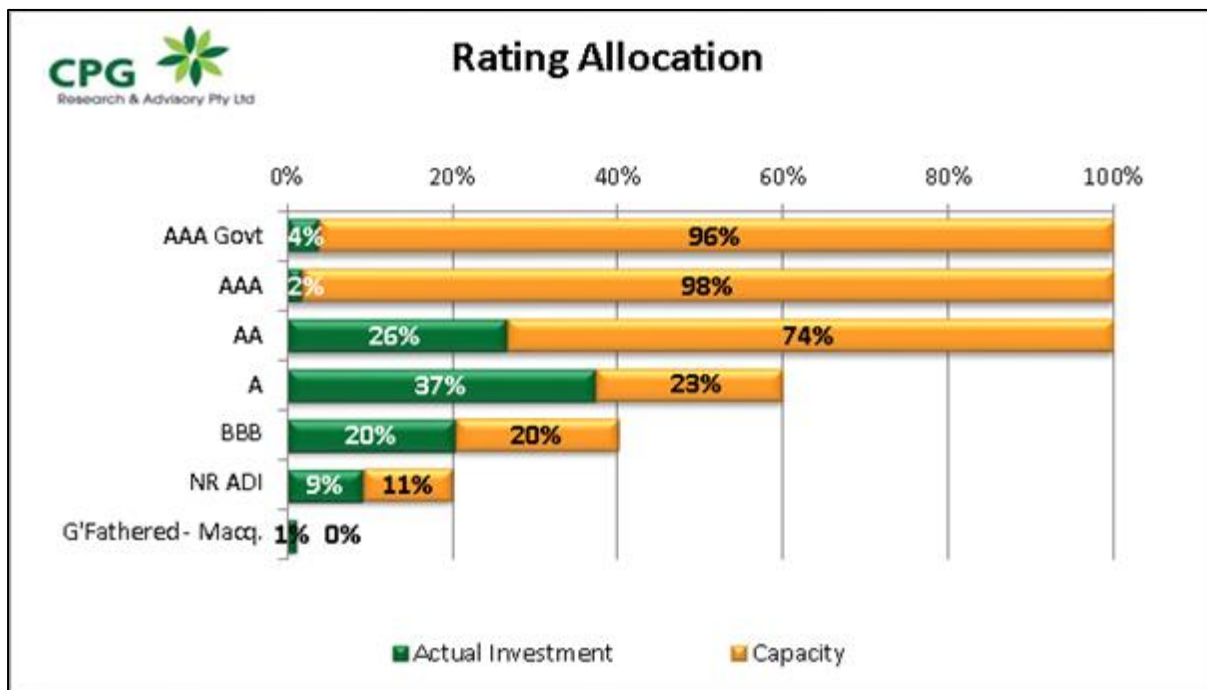
Credit Quality

The portfolio is diversified from a rating perspective. Credit quality is diversified and is predominately invested amongst the investment grade ADIs (BBB- or higher), with a smaller allocation to unrated ADIs.

Only the Macquarie credit fund is now classified as a “Grandfathered” legacy asset.

There is still high capacity to invest across the investment grade counterparties.

Rating Category	Actual	Per C/Party	Aggregate	Rating Category	Actual Investment	Capacity
AAA Govt	4%	100%	100%	AAA Govt	4%	96%
AAA	2%	40%	100%	AAA	2%	98%
AA	26%	30%	100%	AA	26%	74%
A	37%	15%	60%	A	37%	23%
BBB	20%	10%	40%	BBB	20%	20%
NR ADI	9%	5%	20%	NR ADI	9%	11%
G'Fathered - Macq.	1%	1%	1%	G'Fathered - Macq.	1%	0%



All of these are well within Policy limits.

From time to time, broker specials continue to be offered with some BBB rated and unrated Credit Unions paying an additional premium above leading direct rates – **pricing is generally quite favourable, but for short terms**. This is covered in the daily emails and our advice at the time of investment.

Compliance

We have tested the portfolio provided against Council's current investment policy and report the following:

Individual counterparty exposures comply with the Policy.

Counterparties	Exposure \$M	FCS	Net	Rating	Policy Limit	Actual	Capacity
NSW T-CORP	\$2.95M	\$0.25M	\$2.70M	AAA	40%	2%	\$57.29M
ANZ	\$10.60M	\$0.25M	\$10.35M	AA-	30%	7%	\$34.64M
CBA	\$9.00M	\$0.25M	\$8.75M	AA-	30%	6%	\$36.24M
NAB	\$16.12M	\$0.25M	\$15.87M	AA-	30%	11%	\$29.12M
Westpac	\$5.00M	\$0.25M	\$4.75M	AA-	30%	3%	\$40.24M
Rabobank	\$15.00M	\$0.25M	\$14.75M	A+	15%	10%	\$7.75M
AMP	\$14.05M	\$0.25M	\$13.80M	A+	15%	9%	\$8.70M
Suncorp	\$3.00M	\$0.00M	\$3.00M	A+	15%	2%	\$19.50M
Macquarie	\$1.00M	\$0.00M	\$1.00M	A	15%	1%	\$21.50M
Bendigo-Adelaide	\$12.00M	\$0.25M	\$11.75M	A-	15%	8%	\$10.75M
BoQ	\$10.00M	\$0.25M	\$9.75M	A-	15%	7%	\$12.75M
ING	\$2.00M	\$0.25M	\$1.75M	A-	15%	1%	\$20.75M
Beyond Bank	\$1.80M	\$0.25M	\$1.55M	BBB+	10%	1%	\$13.45M
CUA	\$4.25M	\$0.00M	\$4.25M	BBB+	10%	3%	\$10.75M
Heritage	\$1.00M	\$0.00M	\$1.00M	BBB+	10%	1%	\$14.00M
ME Bank	\$9.00M	\$0.25M	\$8.75M	BBB+	10%	6%	\$6.25M
People's Choice CU	\$1.00M	\$0.25M	\$0.75M	BBB+	10%	1%	\$14.25M
Police Bank	\$1.00M	\$0.00M	\$1.00M	BBB+	5%	1%	\$6.50M
Newcastle Permanent	\$2.00M	\$0.00M	\$2.00M	BBB+	10%	1%	\$13.00M
Auswide	\$3.00M	\$0.25M	\$2.75M	BBB	10%	2%	\$12.25M
P&N Bank	\$3.00M	\$0.25M	\$2.75M	BBB	10%	2%	\$12.25M
MyState	\$6.00M	\$0.25M	\$5.75M	BBB	10%	4%	\$9.25M
Bank of Sydney	\$5.00M	\$0.25M	\$4.75M	NR	5%	3%	\$2.75M
Big Sky CU	\$2.00M	\$0.25M	\$1.75M	NR	5%	1%	\$5.75M
Electricity CU	\$1.00M	\$0.25M	\$0.75M	NR	5%	1%	\$6.75M
Police CU	\$4.00M	\$0.25M	\$3.75M	NR	5%	3%	\$3.75M
QLD Police CU	\$2.00M	\$0.25M	\$1.75M	NR	5%	1%	\$5.75M
WAW CU	\$1.00M	\$0.25M	\$0.75M	NR	5%	1%	\$6.75M
Warwick CU	\$0.50M	\$0.25M	\$0.25M	NR	5%	0%	\$7.25M
Macquarie Fund	\$1.71M	\$0.00M	\$1.71M	NR	1%	1%	\$0.00M
	\$149.98M		\$144.23M			96%	
C'wealth Govt		\$5.8M	\$5.75M	AAA	100%	4%	
Total	\$149.98M		\$149.98M			100%	
Check	\$0.00M		\$0.00M				

Subsidiaries such as Rural Bank are grouped in the exposures of the parent (Bendigo-Adelaide Bank, rated A-).

From May 2015, new Rabobank Australia deposits are not guaranteed by the global group, but existing deposits have their guarantee grandfathered. They are generally not accepting new investments or rollovers from institutional investors.

Returns - Accrual

Actual						
	1 month	3 months	6 months	FYTD	1 year	2 years
Official Cash Rate	0.17%	0.50%	1.00%	1.00%	2.10%	2.30%
Avg. 3m BBSW	0.20%	0.56%	1.10%	1.10%	2.25%	2.47%
AusBond Bank Bill Index	0.19%	0.55%	1.09%	1.09%	2.33%	2.51%
Council Cash	0.21%	0.64%	1.29%	1.29%	2.74%	2.90%
Council T/Ds	0.31%	0.92%	1.87%	1.87%	3.84%	3.89%
Council FRNs / Bonds	0.28%	0.82%	1.68%	1.68%	3.61%	-
Council Credit Funds	0.45%	0.98%	-0.16%	-0.16%	1.36%	2.33%
Council CDOs	0.00%	0.00%	0.00%	0.00%	0.00%	0.53%
Council Total Portfolio	0.30%	0.87%	1.75%	1.75%	3.63%	3.73%
Annualised						
	1 month	3 months	6 months	FYTD	1 year	2 years
Official Cash Rate	2.00%	2.00%	2.00%	2.00%	2.10%	2.30%
Avg. 3m BBSW	2.34%	2.24%	2.19%	2.19%	2.25%	2.47%
AusBond Bank Bill Index	2.28%	2.19%	2.17%	2.17%	2.33%	2.51%
Council Cash	2.53%	2.58%	2.58%	2.58%	2.74%	2.90%
Council T/Ds	3.75%	3.70%	3.75%	3.75%	3.84%	3.89%
Council FRNs / Bonds	3.35%	3.28%	3.35%	3.35%	3.61%	-
Council Credit Funds	5.41%	3.95%	-0.32%	-0.32%	1.36%	2.33%
Council CDOs	0.00%	0.00%	0.00%	0.00%	0.00%	0.53%
Council Total Portfolio	3.55%	3.51%	3.50%	3.50%	3.63%	3.73%

The investment portfolio had another solid month, **returning +3.55% p.a. annualised**, outperforming the AusBond Bank Bill Index¹ which returned +2.28% p.a. Credit rebounded this month with the Macquarie Fund returning +0.45% (net actual).

Council's returns, while lower in absolute terms than historically the case, remains very strong compared to short deposits rolling in the high 2%'s. Even the majority of 5-year deposits are now in the mid-3%'s at best.

The portfolio's performance continues to be anchored by the longer-dated deposits invested above 4%. FRNs, purchased at attractive margins, have also contributed positively to overall performance.

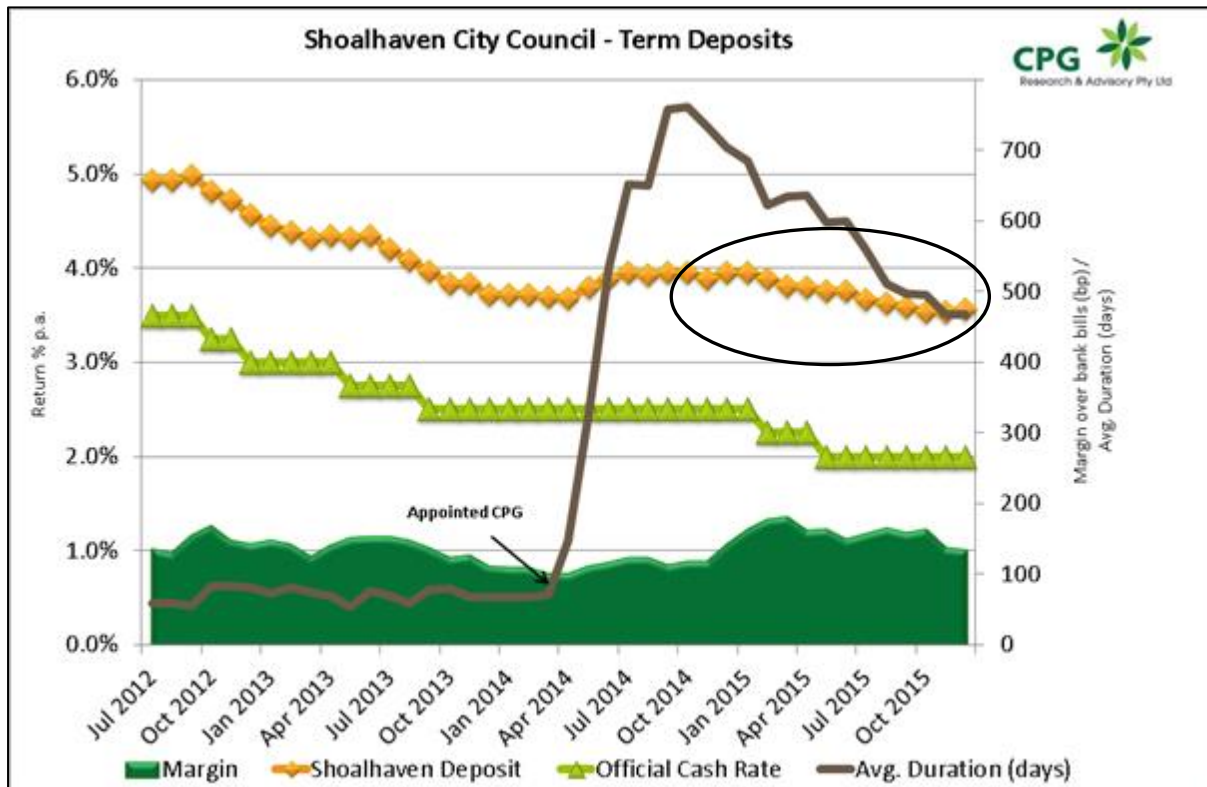
Despite a generally negative year for credit, the Macquarie Fund has performed well over longer-time periods.

Cash continues to be a drag on performance following the RBA's multiple rate cuts in 2015. This has been slightly mitigated through the switch into higher yielding accounts (requiring notice in return for the additional yield – they are not a substitute for at-call money).

¹ Previously UBS Bank Bill Index - the sale of the UBS index to Bloomberg, and subsequent change of names, is now effective.

Term Deposits

At month-end, deposits accounted for approximately 72% of the total investment portfolio. The weighted average duration of the deposit portfolio stood at approximately 1.3 years - having been significantly lengthened since the appointment of CPG as its investment advisor and now paying strong rewards. At the point of fastest falls in the interest rate outlook, Council's deposits had been lengthened to around 2 years.



This has produced a measurable uplift in yield (circled) at a time when deposit rates have plunged, and cushioned the RBA's rate cutting cycle.

It will provide strong protection to Council's budgeted income over FY16, which we will be looking to support over the next 12 months. An average yield of 3.56% p.a. **remains near the top of any deposit available today.** In fact, returns today remain close to when CPG was appointed – despite two rate cuts in 2015, with the small potential of another one in 2016.

It is inevitable that returns will again ease from here, and this will accelerate as deposit margins continue to contract. Money markets continue to factor in a small possibility of another rate cut in 2016, although it is largely data-dependent on worsening economic data.

During December, a number of deposits matured but only two were reinvested for terms between 6-9 months at the above market special rate of 3.05% p.a. and 3.15% p.a. respectively – both were with two lower rated ADIs.

We now favour liquid FRNs over fixed deposits for terms greater than 2 years given they are likely to offer a higher source of return.

The case for long deposits is now less compelling, and we expect to see further migration into a more balanced and liquid portfolio with FRNs offering excellent returns on a 2-year horizon.

Relevant portfolio data follows:

Term Deposit Statistics

Percentage of total portfolio	72%
Weighted Average Yield	3.56%
Weighted Average Duration	1.3 years

Credit Quality of Deposits

AAA [^]	3%
AA	28%
A	34%
BBB	21%
Unrated ADI	14%
Total	100%

[^] Calculation excludes the Financial Claims Scheme (FCS)

Deposit margins continued to contract over the past year. Margins continue to be placed under significant pressure, now ranging from +90-110bp across short-medium terms (compared to +120bp over a year ago). Shorter-terms (less than a year) are now well under +70bp.

Some above market rates (“specials”) continue to be offered by the “BBB” and unrated ADIs, often through the broker intermediaries. Previously, A or AA banks tended to overpay relative to peers, providing a “free lunch” for yield and credit quality.

In previous years, we prioritised deposits over other longer-dated assets such as FRNs. However, at current margins, long T/Ds do not appear interesting in the mid 3%’s. If a steep curve brings some value through higher margins, deposits may be interesting again. Barring any one-off specials, we do not see any great value in deposits beyond 2 year terms in the current market place.

Market conditions are now much more favourable to FRN investments than at any time since 2012 – perhaps, since the immediate post-GFC period. This represents a significant reversal of what had been a long-standing theme for Councils dating back to as early as 2010.

We refer to the detailed analysis in our December *Fixed Interest Analytics*.

Fixed Bonds & FRNs

The longer-end wholesale senior major bank FRNs marginally widened over December. Given the relatively tight trading margins on deposits, we believe newly issued bank FRNs are likely to be the highest yielding (and complying) source of returns going forward.

Despite the recent widening in physical credit margins, we continue to recommend selling any senior major bank FRNs maturing on or before 2017 as most are marked less than +50bp and the curve is now very steep. 2018 FRNs are now generally saleable at the higher credit qualities; lower rated institutions tend to see spreads converge only as they shorten very close to maturity – we flag the final year as the likely exit point for those. Still, switching may well be recommended opportunistically.

Apart from providing diversification and additional liquidity in a portfolio, this strategy has been highly lucrative - more so than (even unrated) ADI deposits over the past few years at times of most favourable pricing.

The gap between securities and deposits has now reversed from previous years - to a level which may see a prominent role for senior bank securities going forward, rather than an opportunistic / “satellite” allocation in a local government portfolio.

In a sense, this shift is a welcome development for investors, as they do not have to sacrifice liquidity for margins. However, it does mean a transition from recent practice that has served investors well.

Primary issues continue to be favoured over secondary market offers in the wholesale market although this may change if spreads widen and create viable purchase opportunities even after crossing spreads. For new issues, the regional ADIs (rated A or BBB) naturally offer a higher spread compared to the major banks due to their lower credit rating. Our FRN analytics suggest that the respective curves are relatively fair, with higher spread but greater difficulty extracting capital gains from regional bank FRNs.

Suncorp (A+) issued a new 5-year (benchmark) senior FRN at +125bp in mid-October, over 5bp yield premium to wholesale equivalents of similar credit rating. This highlights that FRNs, across the various credit spectrum, are clearly now ahead of deposit margins even without factoring in gains at exit - and that investors are being rewarded for supporting the primary issuance market.

Private placement FRNs or secondary market ‘taps’ can sometimes be offered, usually at a premium yield to the wholesale secondary market although we note they are generally less liquid due to their smaller issue sizes and daily turnover.

Credit Fund

The Macquarie Global Income Opportunities Fund returned +0.45% in December, outperforming the AusBond Bank Bill Index return of +0.19%.

Valuations in the Fund's holdings of domestic and offshore credit rose in the month, as physical assets were marked higher.

The Fund continues to hold a diverse range of securities across the global credit market. The manager has maintained modest credit hedges, seeking to minimise the effect of volatility on the Fund. Any spread contraction going forward allows credit and asset-backed holdings to enjoy significant capital gains.

Macquarie has performed strongly over longer-term time periods and the Fund continues to be well positioned going forward. We regard Macquarie's credit team as having strong research capabilities and a proven defensive style outperforming peers in down markets. At times, the fund has sacrificed some upside to protect against extreme events. However, they have generally matched peers with lower volatility.

Given the solid running yield of the Fund at above 3½% p.a., and the additional liquidity it provides, we recommend Council retain this Fund. (Its performance relative to index and to peers is covered in our monthly *Performance Survey*).

Fixed Interest Market Background

The US Federal Reserve (Fed) finally raised interest rates for the first time in nine years in an historic decision that officially marks the end of the global financial crisis. The forecasts from the individual FOMC participants tip a Fed funds rate median of 1.375% at the end of 2016, implying a likely four 0.25% rate rises next year. The Fed would probably tighten quarterly. *"The committee expects that economic conditions will evolve in a manner that will warrant only gradual increases in the federal funds rate. The federal funds rate is likely to remain, for some time, below levels that are expected to prevail in the longer run"*.

China's factory activity shrank for a 10th straight month in December as surveys across Asia showed industry struggling with slack demand. The Caixin/Markit China Manufacturing Purchasing Managers' Index (PMI) slipped to 48.2 in December, below market forecasts of 49.0 and down from November's 48.6. The first days trading in 2016 was suspended on China's CSI300 index after it lost 7% in value.

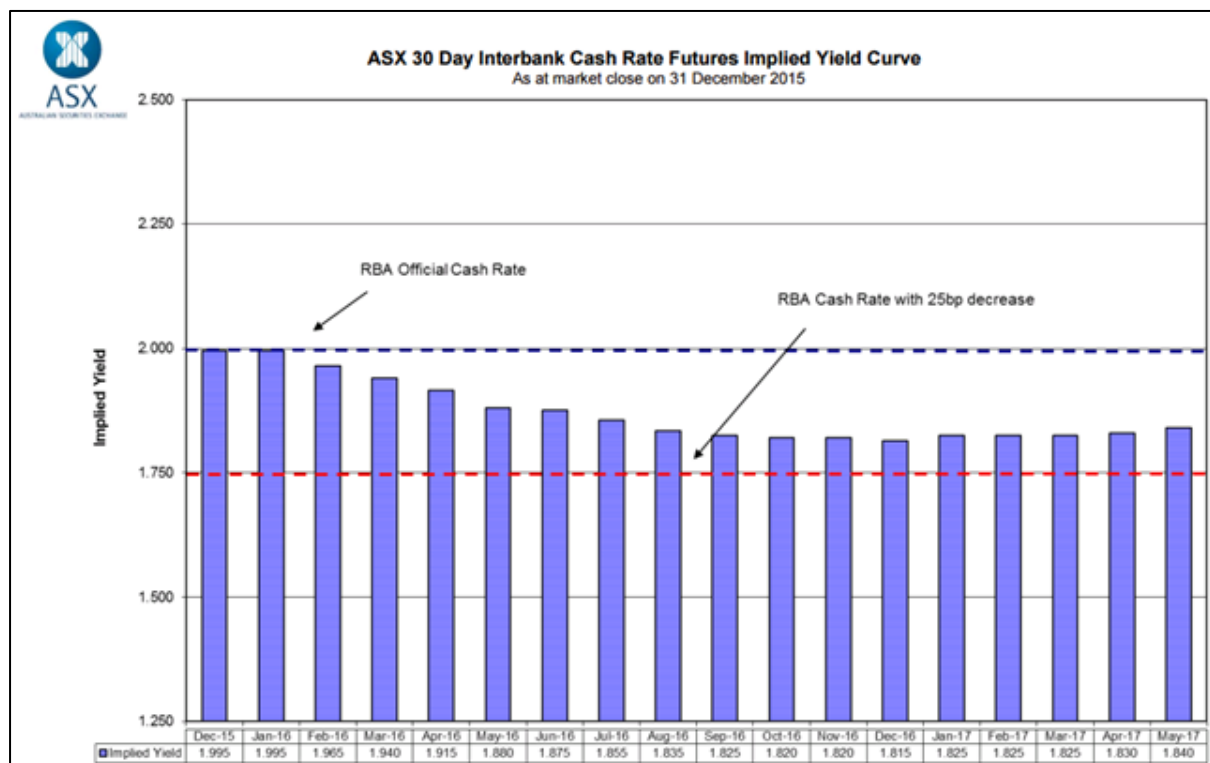
Weighed down by weak demand at home and abroad, factory overcapacity and cooling investment, China is expected to post its weakest economic growth in 25 years in 2015, with the rate of expansion slipping to around 7.0% from 7.3% in 2014.

Uncertainty over the economic outlook was exacerbated by a flare up in tensions between Saudi Arabia and Iran, which has sent investors scurrying from stocks to safe havens.

Domestically, over the next decade to 2025-26, net debt is now projected to reach \$263 billion, rather than the \$201 billion projected just six months ago. Growth forecasts have been revised down by a quarter of a per cent to 2.5% in 2015-16, and by ½% in 2016-17 to 2.75%. Growth projections in 2017-18 and 2018-19 have also been revised down by 0.5%, from 3.5% to 3.0%.

The slowing of property markets in Sydney and Melbourne is both essential and welcome says Reserve Bank of Australia (RBA) governor Glenn Stevens.

After the US Fed raised rates, this may be a significant turning point in the interest rate cycle, although at this stage, money markets continue to factor in the slightest chance of another rate cut in 2016:



Source: SFE / ASX

Portfolio Listing

Shoalhaven City Council as at 31/12/2015							
Authorised Deposit-Taking Institution (ADI)	ST Rating	Security Type	Principal/ Current MF Value	Term	Interest Rate	Maturity Date	
ANZ	A1+	FRN	\$2,000,000.00	1826	3.06%	11-Nov-19	
ANZ	A1+	FRN	\$1,600,000.00	1827	2.96%	17-Apr-20	
ANZ	A1+	TD	\$2,000,000.00	732	3.90%	27-Jun-16	
ANZ	A1+	TD	\$4,000,000.00	1462	4.15%	27-Jun-18	
ANZ	A1+	TD	\$1,000,000.00	1099	4.01%	3-Jul-17	
Auswide Bank	A2	TD	\$2,000,000.00	204	2.84%	30-Mar-16	
Auswide Bank	A2	TD	\$1,000,000.00	1096	3.15%	8-Apr-18	
Bank of Qld	A2	FRN	\$1,000,000.00	1826	3.21%	6-Nov-19	
Bank of Qld	A2	TD	\$1,000,000.00	1096	4.20%	9-May-17	
Bank of Qld	A2	TD	\$2,000,000.00	1827	4.75%	1-May-19	
Bank of Qld	A2	TD	\$4,000,000.00	175	2.85%	24-Feb-16	
Bank of Qld	A2	TD	\$2,000,000.00	1462	4.10%	3-Sep-18	
Bank of Sydney	NR	TD	\$1,000,000.00	316	3.00%	26-May-16	
Bank of Sydney	NR	TD	\$1,000,000.00	211	3.00%	13-Apr-16	
Bank of Sydney	NR	TD	\$2,000,000.00	288	3.00%	28-Apr-16	
Bank of Sydney	NR	TD	\$1,000,000.00	281	3.15%	28-Sep-16	
Bankwest	A1+	TD	\$2,000,000.00	90	3.00%	16-Feb-16	
Bendigo Bank	A2	FRN	\$1,000,000.00	1827	3.34%	18-Aug-20	
Bendigo Bank	A2	FRN	\$1,000,000.00	1826	3.28%	17-Sep-19	
Bendigo Bank	A2	TD	\$2,000,000.00	1099	4.15%	17-May-17	
Bendigo Bank	A2	TD	\$1,000,000.00	1097	4.05%	5-Jun-17	
Bendigo Bank (Nowra)	A2	TD	\$3,000,000.00	442	3.05%	29-Sep-16	
Bendigo Bank (Nowra)	A2	TD	\$4,000,000.00	526	3.05%	22-Dec-16	
Beyond Bank Australia	A2	TD	\$900,000.00	731	3.45%	3-Mar-17	
Beyond Bank Australia	A2	TD	\$900,000.00	366	3.40%	3-Mar-16	
Big Sky Building Society	NR	TD	\$2,000,000.00	733	3.30%	7-Mar-17	
Commonwealth Bank Australia	A1+	FRN	\$1,000,000.00	1827	3.04%	17-Jul-20	
Commonwealth Bank Australia	A1+	TD	\$1,000,000.00	1097	4.05%	10-Jul-17	
Commonwealth Bank Australia	A1+	TD	\$500,000.00	1097	4.05%	27-Jun-17	
Commonwealth Bank Australia	A1+	TD	\$1,000,000.00	1097	4.05%	17-Jul-17	
Commonwealth Bank Australia	A1+	TD	\$1,000,000.00	1104	4.05%	17-Jul-17	
Commonwealth Bank Australia	A1+	TD	\$1,000,000.00	1104	4.05%	24-Jul-17	
Commonwealth Bank Australia	A1+	TD	\$500,000.00	1105	4.05%	5-Jul-17	
Commonwealth Bank Australia	A1+	TD	\$500,000.00	1099	4.05%	29-Jun-17	
Commonwealth Bank Australia	A1+	TD	\$500,000.00	1106	4.05%	6-Jul-17	
Credit Union Australia	A2	FRN	\$2,250,000.00	1096	3.65%	20-Mar-17	
Credit Union Australia	A2	FRN	\$2,000,000.00	1187	3.56%	22-Dec-17	
Electricity Credit Union	NR	TD	\$1,000,000.00	204	2.84%	30-Mar-16	
Heritage Bank	A3	FRN	\$1,000,000.00	1096	3.35%	7-May-18	
ING Bank (Australia) Ltd	A2	TD	\$2,000,000.00	183	2.90%	11-May-16	
Macquarie Bank	A1	FRN	\$1,000,000.00	1096	3.07%	26-Oct-18	
Members Equity Bank	A2	FRN	\$1,000,000.00	1461	3.44%	17-Apr-18	
Members Equity Bank	A2	TD	\$2,000,000.00	1827	4.66%	29-May-19	
Members Equity Bank	A2	TD	\$2,000,000.00	1099	4.00%	27-Jul-17	
Members Equity Bank	A2	TD	\$1,000,000.00	1096	4.25%	9-May-17	
Members Equity Bank	A2	TD	\$3,000,000.00	153	2.85%	27-Jan-16	
My State Financial	A2	TD	\$3,000,000.00	197	3.05%	15-Jun-16	
My State Financial	A2	TD	\$3,000,000.00	181	3.01%	25-May-16	
National Australia Bank	A1+	CRD	\$3,000,000.00	733	3.24%	11-Apr-16	
National Australia Bank	A1+	FRN	\$2,000,000.00	1827	3.10%	3-Jun-20	
National Australia Bank	A1+	MATD	\$105,921.34	366	3.01%	30-Jun-16	
National Australia Bank	A1+	TD	\$3,000,000.00	733	3.98%	9-May-16	
National Australia Bank	A1+	TD	\$2,000,000.00	1822	4.11%	29-Aug-19	
National Australia Bank	A1+	TD	\$1,000,000.00	1097	4.05%	5-Jun-17	
National Australia Bank	A1+	TD	\$2,000,000.00	153	2.86%	27-Jan-16	
Newcastle Permanent Building Society	A2	FRN	\$2,000,000.00	1827	3.52%	7-Apr-20	
NSW Treasury Corp	A1+	TD	\$2,950,000.00	183	2.95%	1-Apr-16	
People's Choice Credit Union	A2	TD	\$1,000,000.00	351	2.87%	30-Jun-16	
Police and Nurses Bank	A2	TD	\$1,000,000.00	732	3.95%	13-Jun-16	
Police and Nurses Bank	A2	TD	\$2,000,000.00	1096	4.00%	18-Sep-17	
Police Bank	NR	FRN	\$1,000,000.00	1096	3.35%	21-Aug-17	
Police Credit Union Ltd (SA)	NR	TD	\$2,000,000.00	1827	4.75%	30-May-19	
Police Credit Union Ltd (SA)	NR	TD	\$1,000,000.00	731	4.15%	20-May-16	
Police Credit Union Ltd (SA)	NR	TD	\$1,000,000.00	1098	4.25%	22-May-17	
Qld Police Credit Union	NR	TD	\$1,000,000.00	1095	4.10%	17-Aug-17	
Qld Police Credit Union	NR	TD	\$1,000,000.00	729	4.00%	21-Jul-16	
Rabobank	A1+	TD	\$2,000,000.00	1461	4.10%	21-Aug-18	
Rabobank	A1+	TD	\$1,000,000.00	1098	4.05%	22-May-17	
Rabobank	A1+	TD	\$2,000,000.00	1463	4.35%	6-Jun-18	
Rabobank	A1+	TD	\$2,000,000.00	1826	4.52%	19-Jun-19	
Rabobank	A1+	TD	\$2,000,000.00	1100	4.00%	30-Jun-17	
Rabobank	A1+	TD	\$2,000,000.00	1826	4.10%	2-Sep-19	
Rabobank	A1+	TD	\$2,000,000.00	1462	3.30%	2-Sep-19	
Rabobank	A1+	TD	\$2,000,000.00	1097	4.00%	26-Jun-17	
St George Bank	A1+	TD	\$2,000,000.00	732	3.95%	3-May-16	
St George Bank	A1+	TD	\$2,000,000.00	732	3.95%	2-May-16	
Suncorp Metway Ltd Bank	A1	FRN	\$2,000,000.00	1827	3.39%	20-Oct-20	
Suncorp Metway Ltd Bank	A1	FRN	\$1,000,000.00	1826	3.19%	20-Aug-19	
Warwick Credit Union	NR	TD	\$500,000.00	191	3.15%	7-Jan-16	
WAW Credit Union	NR	TD	\$1,000,000.00	733	4.15%	9-May-16	
Westpac Bank	A1+	FRN	\$1,000,000.00	1827	3.04%	28-Jul-20	
			\$131,205,921.34				

Shoalhaven City Council as at 31/12/2015					
Grandfathered	STRating	SecurityType	Current Valuation		Maturity Date
Macquarie Income Plus	NR	MF	\$1,709,207.87		T+3
			\$1,709,207.87		
Product	STRating	SecurityType	Current Valuation		MaturityDate
AMP At Call	A1	Cash	\$13,676,754.58		At-Call
AMP Notice Account	A1	Cash	\$373,347.19		At-Call
NAB Transaction Account	A1+	Cash	\$3,013,451.19		31 Days
			\$17,063,552.96		
Total Investment Portfolio			\$149,978,682.17		

Disclaimer

The information provided in this document is intended for clients of CPG Research & Advisory only and does not constitute a recommendation or an offer to invest. Market sections of this document are descriptive and do not take into account the investment objectives, financial situation or particular needs of any particular investor. Before making an investment decision or acting on any of the information or recommendations contained in this report, the investor should consider whether such recommendation is appropriate given the investor's particular investment needs, objectives and financial circumstances. We recommend you consult your CPG adviser for updated advice that addresses your specific needs and situation before making investment decisions.

All information and recommendations expressed herein constitute judgements as of the date of this report and may change without notice. Staff and associates may hold positions in the investments discussed, and these could change without notice.

Circular Details	15-41 / 17 December 2015 / A446439
Previous Circular	
Who should read this	Councillors / General Managers / Complaints Coordinators
Contact	Council Governance Team / 4428 4100
Action required	Information

Commencement of the Local Government Amendment (Councillor Misconduct and Poor Performance Act) 2015

What's new or changing

- Amendments to the *Local Government Act 1993* made by the *Local Government Amendment (Councillor Misconduct and Poor Performance) Act 2015* commenced on **13 November 2015**.

What this will mean for your Council

Councillors and General Managers must note the following:

- As of the commencement date, Councillors who have previously been suspended on two or more occasions will be automatically disqualified from holding office in a Council for 5 years if they are suspended on a further occasion. The Office has written directly to Councillors who have been suspended on two or more occasions to inform them of this change.
- The definition of "misconduct" has been expanded to include acts or omissions by Councillors that are intended to prevent the proper or effective functioning of a council or a committee of a Council (e.g. by disrupting decision making). Penalties for Councillor misconduct include suspension and disqualification from holding office.
- Councillors will no longer be permitted to participate in the consideration of the making, amendment, alteration or repeal of an environmental planning instrument applying to the whole or a significant part of their local government area they have pecuniary interests in unless:
 - the only interests affected by the changes are the interests they or their relatives have in their principal places of residence; **and**
 - they have made a special disclosure of the affected interests.
- This amendment is complemented by an amendment to clause 4.29 of the *Model Code of Conduct for Local Councils in NSW* which also commenced on 13 November 2015. The amendment will mean that councillors with significant non-pecuniary conflicts of interests in the making, amendment, alteration or repeal of an environmental planning instrument applying to the whole or a significant part of their local government area will no longer be permitted to participate in consideration of those matters unless:

- the only interests affected by the changes relate to the interest a person (e.g. a close friend or affiliate of a Councillor) has in their principal place of residence; and
- the Councillor has disclosed the affected interests.

Complaints coordinators must note the following:

- Councils must amend their adopted codes of conduct as soon as possible to reflect the amendment to clause 4.29 referred to above. The amended Model Code of Conduct is available on the Office of Local Government's website at www.olg.nsw.gov.au.
- Notice is no longer required of a motion to censure a Councillor for misconduct under section 440G. Under the *Procedures for the Administration of the Model Code of Conduct for Local Councils in NSW*, Councils can only formally censure a Councillor for misconduct where this is recommended in a report by an independent investigator. This will be reported to the Council under cover of a staff report by a Council's complaints coordinator.

Other key changes

- The amendments are also designed to:
 - ensure a faster but fair investigation process for Councillor misconduct;
 - remove impediments to effective action in response to serious corrupt conduct;
 - maximise the effectiveness of Performance Improvement Orders issued by the Minister for Local Government to a Council; and
 - more effectively address Council maladministration.

Where to go for further information

- For more information on the amendments to the Act, see the attachment to this Circular.
- An updated version of the *Model Code of Conduct for Local Councils in NSW* has been published on the Office of Local Government's website at www.olg.nsw.gov.au.
- Contact the Office's Council Governance Team on 4428 4100.



Tim Hurst
Acting Chief Executive
Office of Local Government

ATTACHMENT

The amendments to the *Local Government Act 1993* referred to in this Circular are designed to:

More effectively deter and address Councillor misconduct by:

- providing for the automatic disqualification of a Councillor from holding civic office for a period of 5 years where they have been suspended for misconduct on a third occasion;
- expanding the definition of “misconduct” in the Act to include conduct that is intended to prevent the proper or effective functioning of a Council (i.e. through the disruption of Council and Committee meetings).

Streamline the process for dealing with Councillor misconduct to ensure faster but fair outcomes by:

- removing the requirement for notice to be given of a motion at a Council meeting to formally censure a Councillor in recognition that Councils may now only do so on the recommendation of an independent investigator following a formal investigation process;
- removing the mandatory requirement for the Chief Executive of the Office of Local Government to undertake an investigation as a prerequisite to taking disciplinary action for misconduct where the conduct has previously been investigated under a Council’s code of conduct and for minor misconduct that requires only a reprimand or counselling, and removing rights of appeal in relation to reprimand and counselling;
- providing that prior to taking disciplinary action against a Councillor, the Chief Executive is to give the Councillor at least 14 days’ notice of his or her intention to take disciplinary action, including the disciplinary action that is proposed to be taken and the grounds upon which the proposed disciplinary action is to be taken and to consider any submissions made by the Councillor in relation to the notice;
- expanding the class of persons the Chief Executive may direct to provide written information or a document for the purposes of investigating Councillor misconduct to “any person” but excluding privileged information or documents without the person’s consent.

Promote community confidence in Council planning decisions by:

- amending the provision in the Act that allows Councillors to participate in the consideration of changes to a planning instrument applying to the whole or a significant part of a Council’s area they have pecuniary interests in by limiting its application to the interests Councillors have in their and related persons’ principal places of residence, thereby preventing participation in consideration of such matters by Councillors with other property interests.

Remove impediments to effective action in response to serious corrupt conduct by:

- providing that a former Councillor may be disqualified from holding civic office for serious corrupt conduct;
- providing that where the Minister, on a recommendation by the ICAC, suspends a Councillor from civic office for serious corrupt conduct and the Councillor brings legal proceedings to challenge the ICAC’s recommendation, the suspension will continue until the proceedings are concluded and for six months

afterwards to allow time to arrange for their dismissal and disqualification should this be warranted;

Maximise the effectiveness of Performance Improvement Orders issued by the Minister to a Council by:

- reducing the minimum consultation period for a notice of intention to issue a Performance Improvement Order from 21 to 7 days;
- providing that a Council may be required to provide more than one compliance report on its compliance with a Performance Improvement Order, allowing the Minister to vary the terms of an Order on giving 7 days' notice, and allowing other intervention action while the Order is in force;
- deterring non-compliance by individual Councillors with a requirement under a Performance Improvement Order by:
 - empowering the Minister, where he or she is satisfied that a Councillor has failed to comply with such a requirement, to effectively suspend the Councillor until they have complied with the requirement or for a period of up to 3 months (with a possible extension of a further 3 months) (whichever is the lesser); and
 - allow the Minister to request the Chief Executive to refer non-compliance to the NSW Civil and Administrative Tribunal for disciplinary action.

More effectively address Council maladministration by:

- reducing the time in which a Council is required to respond to recommendations made by the Chief Executive arising from the investigation of a council from 40 to 28 days.



GRAHAM LODGE

