SUBMISSION ON POLICY ISSUES RAISED IN ROUND 5

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Submission for: Another Person
Name of other person, business or organisation: Lane Cove Council
Do you agree to your submission being published: Yes
Do you agree to your full name being published: Yes
Your submission:

Councils in NSW have continued to pay additional contributions to the [redacted] since 2009/2010 due to investment losses during the Global Financial Crisis (GFC). The additional contributions for Lane Cove Council are set out in the following table: Year Additional Contributions 2009/10 $324,000 2010/11 $193,255 2011/12 193,255 2012/13 193,255 2013/14 193,255 2014/15 193,255 2015/16 240,168 2016/17 193,050 2017/18 143,000 2018/19 177,000 Following further reports to Council in regard to the ongoing additional contributions, Council resolved, to lodge a submission to the Royal Commission into misconduct in the Banking, Superannuation and Financial Services Industry. In 2011the Northern Sydney Regional Organisation of Councils (NSROC) provided correspondence to the then NSW the Hon Mike Baird MP requesting information on the Local Government Scheme. In this request there was a summary of concerns that, to this day, remain unresolved in the opinion of Council and form the basis of this submission. [redacted] is 100% owned by [redacted] through [redacted]. It was purchased from eh Local Government and Shires Association (LGSA) in [redacted]. [redacted] has [redacted] common directors to [redacted] and its [redacted] is the same as [redacted]. The function of the [redacted], as described in its Annual Report, is to be financial advisor to the [redacted] on the management of its funds. [redacted] also provided advice to individual councils on their investment portfolios. Concerns have been raised about the 2004 purchase price of the [redacted] and the due diligence and management of conflicts of interest in this process give that the seller organisation [redacted] had representation on the purchaser organisation [redacted]. Concerns have also been raised as to whether it is appropriate for a subsidiary company to advice the parent company about investment. It has been suggested that the structure of a shared CEO and common directors of [redacted] and [redacted] poses ongoing governance and conflict of interest risks. The question posed is one of the capacity of the [redacted] to provide arms length advise to the [redacted] at the same time as selling products to it. Suggesting [redacted] provided advice outside its licensed area of expertises and failed in its fiduciary care to advice councils of suitable investments within their determined risk profile Another transaction of concern is the purchase of $10 million of [redacted] investment products in March 2008 from [redacted] by [redacted] which subsequently devalued by $7.3million. In 2009 [redacted] provide $80 million (in $1 shares) to the [redacted] to maintain its "S&P rating" and hence its ability to trade. Concerns have been raised that this investment was also inappropriate as the value of the $80 million had diminished to $37 million. Various councils have raised concerns about the type of investment made by [redacted] on the advice of [redacted] and it so their investment advisors. It is suggested that there may have been a filature by [redacted] and [redacted] to provide advice and make investment that best fit the "risk profile" of the specific funds. In the subsequent downturn of 2009 it is suggested that these poor "fit" investments aggravated the losses of the [redacted]. Since this period, councils have been making required employer "top up" contributions. Our concerns are exacerbated by the fact that two inquiries into [redacted] one by the [redacted] and another by the [redacted] have been undertaken but have not been released. Both the [redacted] and the [redacted] have representation on the [redacted] Board.