

ORDINARY COUNCIL

Thursday 18 July 2024

Ordinary Council Meeting

Thursday, 18 July 2024

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The Hon Paul Scully MP

Minister for Planning and Public Spaces



Ref: IRF24/1443

Cr Peta Pinson
Mayor
Port Macquarie-Hastings Council
17 Burrawan Street
Port Macquarie NSW 2444
mayor@pmhc.nsw.gov.au

Dear Mayor

As you are aware, the NSW Government is taking immediate action to meet our commitment under the National Housing Accord to build 377,000 new well-located homes by June 2029 to help address the housing crisis.

Local government are a critical enabler of housing, assessing about 85 per cent of housing development applications (DA) in NSW. However, over the past two years, average council DA timeframes have increased by 37 per cent, from 83 in FY21/22 to 114 days in FY23/24, which is contributing to the delays in housing completions and costing the NSW economy at least \$89 million each year.

In line with the beginning of the National Housing Accord, and our shared commitment to addressing the housing crisis, I am providing an updated Ministerial Statement of Expectations Order planning.nsw.gov.au/statement-of-expectations-order.

This new Statement of Expectations sets out expectations for council performance in the areas of development assessment, planning proposals and strategic planning. The performance of councils in meeting this Statement of Expectations will be monitored and reported publicly, as will the Department of Planning, Housing and Infrastructure's timeframes for approval of planning proposals and state significant development.

Addressing the housing crisis is a shared responsibility, and all levels of government must do more.

The Government is also developing a program to support councils achieve local housing targets, reduce average DA timeframes and deliver more homes. We have started this through initiatives funding cadetships for planners in councils and opening a new TAFE course for para-planning. We've completed substantial work on the NSW Planning Portal and are introducing artificial intelligence to support further efficiencies in the local DA process and timely decision-making.

The attached document outlines the key performance metrics within the Statement of Expectations and the associated infrastructure grant funding program. Additional initiatives to support councils achieve faster assessments will be announced in the coming months to help local and State government deliver approvals and particularly homes more effectively.

With these measures, I am confident that councils in NSW can achieve a significant reduction in average DA timeframes and meet our Housing Accord commitments.

I appreciate your leadership and support for this critical work in the spirit of shared responsibility that underpins the National Housing Accord and I look forward to working with you and all councils across New South Wales to deliver more housing for our communities.

Yours sincerely

A handwritten signature in blue ink that reads "Paul Scully". The signature is written in a cursive, flowing style.

Paul Scully MP

Minister for Planning and Public Spaces

03/07/2024

Attachment A

This Attachment provides an overview of the initial programs the NSW Government is proposing to support councils in determining more housing-related planning matters during the period of the National Housing Accord. More details of these programs and initiatives will be released in the coming months.

Updated Statement of Ministerial Expectations

- The Ministerial Statement of Expectations establishes the planning-related expectations of the Minister for Planning and Public Spaces in terms of planning assessment performance. The updated Statement includes the expectation for councils to:
 - lodge DAs as soon as practical and within an average of:
 - 14 days from submission, from 1 July 2024 to 30 June 2025
 - 7 days from submission, from 1 July 2025 onwards
 - determine DAs as soon as practical and whichever is the lesser of council's previous financial year average, or an average of:
 - 115 days from lodgement, from 1 July 2024 to 30 June 2025
 - 105 days from lodgement, from 1 July 2025 to 30 June 2026
 - 95 days from lodgement, from 1 July 2026 to 30 June 2027
 - 85 days from lodgement, from 1 July 2027 onwards
 - assess Regionally Significant DAs and refer them to the relevant planning panel for determination as soon as practical and within an average of 250 days from lodgement.

Department of Planning, Housing and Infrastructure Performance

- To assist with delivering major housing projects, the Department will be required to determine State Significant DAs for infill affordable housing and housing in transport-oriented development precincts within an average of 275 days from lodgement.
- As per the LEP Making Guidelines (August 2023) the Department must collaborate with councils to finalise planning proposals in 140 business days for basic proposals, 225 business days for standard proposals, 300 business days for complex proposals, and 380 business days for principal proposals.

Resourcing and financial incentives

- The Department will establish a new \$200 million grant program that provides milestone payments to councils based on their performance in meeting the Statement of Expectations. These grants will be for use in improving critical local infrastructure.

- The Department has made \$5.6 million worth of funding for grants to councils to integrate AI and other digital solutions into the development assessment process.
- The Department is working with industry, local government and the private sector to support a skilled planning workforce through the Strong Start mentoring program as well as a new TAFE pathway into the planning profession.

1 Leadership and Governance

What we are trying to achieve

A community that works together in decision making that is defined as ethically, socially and environmentally responsible.

What the result will be

We will have:

- A community that has the opportunity to be involved in decision making
- Open, easy, meaningful, regular and diverse communication between the community and decision makers
- Partnerships and collaborative projects, that meet the community's expectations, needs and challenges
- Knowledgeable, skilled and connected community leaders
- Strong corporate management that is transparent

How we will get there

- 1.1 Inform and engage with the community about what Council does using varied communication channels
- 1.2 Maintain strong partnerships between all stakeholders - local, state and federal — so that they are affective advocates for the community
- 1.3 Demonstrate leadership
- 1.4 Use innovative, efficient and sustainable practices
- 1.5 Ensure strong corporate and financial management that is transparent and accountable

2024 Council Election Referendum

2024 Referendum

Do you favour a reduction in the number of Port Macquarie-Hastings Councillors from nine to seven, comprising the Mayor and six Councillors?

Vote Yes

to reduce Councillors from 9 to 7

- Fewer Councillors may improve cohesion and decision making for the benefit of the community.
- Reducing Councillor numbers is not unusual:
 - Central Coast Council to vote to reduce Councillors from 15 to 9 via referendum in 2024; and
 - Armidale Regional Council reduced Councillors from 11 to 9 effective September 2024.
- Along with state and federal members, electors in the Port Macquarie-Hastings region will have 11 representatives in total.
- Reduces Councillor Fee costs by \$60,322 per annum (\$30,161 per Councillor including superannuation and indexed annually) and other additional costs such as professional development and equipment costs.
- Fewer Councillors may increase advocacy, efficiency and effectiveness.

Vote No

to maintain Councillors at 9

- More Councillors may increase representation that improves decision making for the benefit of the whole community.
- Port Macquarie-Hastings Councillor numbers were previously reduced from 11 to 9 in the 2003 referendum.
- All but 1 Regional Local Government Area in NSW has at least 9 Councillors. The average is 11.
- A growing population may require more, not less Councillors to provide adequate representation.
- More Councillors may mean a greater diversity of opinion, knowledge, people, and representation from surrounding townships.
- A reduction in numbers may result in an increase in Councillor workload, reduced opportunities to engage with the Community, reduced quality of representation and reduced consensus building.

2024 Council Election Referendum

The Statistics

Note: Statistical information provided from 2021-2022 figures being the most current as available from yourcouncil.nsw.gov.au

Comparison to all other Office of Local Government Category 5 Local Government Areas

Name	Population	Councillors (No.)	Pop. per Councillor	Area (Sq km)	Sq km per Councillor	Maximum Councillor Fee
Shellharbour	76,443	9	8,494	147	16.33	\$27,050
Port Stephens	75,282	10	7,528	858	85.80	\$27,050
Coffs Harbour ⁴	78,738	9	8,749	1,174	130.44	\$27,050
Port Macquarie-Hastings ⁴	86,585	9	9,621	3,682	409.11	\$27,050
Maitland	90,553	13	6,966	392	30.15	\$33,810
Mid-Coast ⁴	96,425	11	8,766	10,054	914.00	\$27,050
Tweed ⁴	97,151	7	13,879	1,308	186.86	\$33,810
Shoalhaven ⁴	108,497	13	8,346	4,567	351.31	\$33,810
Newcastle	169,317	13	13,024	187	14.38	\$35,620
Lake Macquarie	213,967	14	15,283	649	46.36	\$33,810
Wollongong	214,657	13	16,512	684	52.62	\$35,620

⁴ Denotes Local Water Authority

Source: yourcouncil.nsw.gov.au

Comparison of Port Macquarie-Hastings Council Statistics with 9 or 7 Councillors

Population	Councillors (No.)	Pop. per Councillor	Area (Sq km)	Sq km per Councillor	Max Councillor Fee
86,585	9	9,621	3,682	409.11	\$27,050
86,585	7	12,369	3,682	526	\$27,050

Comparison to other Nearby Local Government Areas

Name	Population	Councillors (No.)	Pop. per Councillor	Area (Sq km)	Sq km per Councillor	Max Councillor Fee
Bellingen ⁴	13,197	7	1,885	1,600	228.57	\$18,340
Nambucca ⁴	20,375	9	2,264	1,491	165.67	\$22,540
Armidale ⁴	29,332	11	2,667	7,809	709.91	\$27,050
Kempsey ⁴	30,816	9	3,424	3,376	375.11	\$22,540
Clarence Valley ⁴	54,180	9	6,020	10,429	1,158.78	\$27,050
Tamworth ⁴	63,652	9	7,072	9,884	1,098.22	\$27,050
Port Macquarie-Hastings ⁴	86,585	9	9,621	3,682	409.11	\$27,050
Central Coast ⁴	348,379	15	23,225	1,681	112.07	\$35,620

⁴ Denotes Local Water Authority

Source: yourcouncil.nsw.gov.au

* **NOTE:** Central Coast Council is conducting a referendum at the 2024 Local Government election to reduce Councillor numbers from 15 to nine. Should this reduction be carried the figures are reflected below.

Central Coast ⁴	348,379	9	38,709	1,681	186.78	\$35,620
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State and Federal Representation

Electorate	Division	Electors (No.)	Members (No.)	Area (Sq km)
State	- Port Macquarie	61,197 ¹	1	1,227 ¹
	- Oxley	62,990 ¹	1	9,325 ¹
Federal	- Cowper	129,887 ³	1	7,296 ²
	- Lyne	124,687 ³	1	16,099 ²

Source:

- ¹ elections.nsw.gov.au/elections/find-my-electorate
- ² aec.gov.au/Elections
- ³ aec.gov.au/enrolling_to_vote/enrolment_stats
- ⁴ water.dppe.nsw.gov.au/our-work/local-water-utilities/entities-that-carry-out-water-supply-functions

Port Macquarie Hastings Council Audit, Risk & Improvement Committee

CHARTER

Port Macquarie-Hastings Council has established an Audit, Risk and Improvement Committee in compliance with section 428A of the *Local Government Act 1993*, the *Local Government (General) Regulation 2021* and the Office of Local Government's *Guidelines for risk management and internal audit for local government in NSW*. This Charter sets out the Committee's objectives, authority, composition and tenure, roles and responsibilities, reporting and administrative arrangements.

Objective

The objective of Council's Audit, Risk and Improvement Committee is to provide independent assurance to Council by monitoring, reviewing and providing advice about the Council's governance processes, compliance, risk management and control frameworks, external accountability obligations and overall performance.

Independence

The Committee is to be independent to ensure it has no real or perceived bias or conflicts of interest that may interfere with its ability to act independently and to provide Council with robust, objective and unbiased advice and assurance.

The Committee is to have an advisory and assurance role only and is to exercise no administrative functions, delegated financial responsibilities or any management functions of the Council. The Committee will provide independent advice to the Council that is informed by the Council's internal audit and risk management activities and information and advice provided by staff, relevant external bodies and subject matter experts.

The Committee must always ensure it maintains a direct reporting line to and from the Council's internal audit function and act as a mechanism for internal audit to report to the governing body and the Chief Executive Officer on matters affecting the performance of the internal audit function.

Authority

Council authorises the Committee, for the purposes of exercising its responsibilities, to:

- access any information it needs from the Council
- use any Council resources it needs
- have direct and unrestricted access to the Chief Executive Officer and senior management of the Council
- seek the Chief Executive Officer's permission to meet with any other Council staff member or contractor
- discuss any matters with the external auditor or other external parties
- request the attendance of any employee at Committee meetings, and

- obtain external legal or other professional advice in line with councils' procurement policies.

Information and documents pertaining to the Committee are confidential and are not to be made publicly available. The Committee may only release Council information to external parties that are assisting the Committee to fulfil its responsibilities with the approval of the Chief Executive Officer, except where it is being provided to an external investigative or oversight agency for the purpose of informing that agency of a matter that may warrant its attention.

Composition and tenure

The Committee consists of an independent chairperson and two independent members who have voting rights and one non-voting Councillor (as determined by resolution of Council), as required under the *Local Government (General) Regulation 2021*. Council may appoint an alternate non-voting Councillor by resolution to attend the Committee in the event the primary Councillor member is unavailable to attend a meeting.

The governing body is to appoint the chairperson and members of the Committee. Current Committee members are:

Stephen Coates	Independent chairperson (voting)
Mel Jacobs	Independent member (voting)
Kerry Phillips	Independent member (voting)
Councillor Adam Roberts	Councillor member (non-voting)
Councillor Danielle Maltman	Alternate Councillor member

All Committee members must meet the independence and eligibility criteria prescribed under the *Local Government (General) Regulation 2021*.

Members will be appointed for up to a four-year term. Members can be reappointed for one further term, but the total period of continuous membership cannot exceed eight years. This includes any term as chairperson of the Committee. Members who have served an eight-year term (either as a member or as chairperson) must have a two-year break from serving on the Committee before being appointed again. To preserve the Committee's knowledge of the Council, ideally, no more than one member should retire from the Committee because of rotation in any one year.

The terms and conditions of each member's appointment to the Committee are to be set out in a letter of appointment. New members will be thoroughly inducted to their role and receive relevant information and briefings on their appointment to assist them to meet their responsibilities. Prior to approving the reappointment or extension of the chairperson's or an independent member's term, the governing body is to undertake an assessment of the chairperson's or Committee member's performance. Reappointment of the chairperson or a Committee member is also to be subject to that person still meeting the independence and eligibility requirements prescribed under the *Local Government (General) Regulation 2021*.

Members of the Committee must possess and maintain a broad range of skills, knowledge and experience relevant to the operations, governance and financial management of the Council, the environment in which the Council operates, and the contribution that the Committee makes to the Council. At least one member of the Committee must have accounting or related financial management experience with an understanding of accounting and auditing standards in a local government environment. All members should have sufficient understanding of the Council's financial reporting responsibilities to be able to contribute to the Committee's consideration of the Council's annual financial statements.

Role

As required under section 428A of the *Local Government Act 1993* (the Act), the role of the Committee is to review and provide independent advice to the Council regarding the following aspects of the Council's operations:

- compliance
- risk management
- fraud control
- financial management
- governance
- implementation of the strategic plan, delivery program and strategies
- service reviews
- collection of performance measurement data by the Council, and
- internal audit.

The Committee must also provide information to the Council for the purpose of improving the Council's performance of its functions.

The Committee's specific audit, risk and improvement responsibilities under section 428A of the Act are outlined in Schedule 1 to this Charter.

The Committee will act as a forum for consideration of the Council's internal audit function and oversee its planning, monitoring and reporting to ensure it operates effectively. The Committee has no power to direct external audit or the way it is planned and undertaken but will act as a forum for the consideration of external audit findings.

The Committee is directly responsible and accountable to the governing body for the exercise of its responsibilities. In carrying out its responsibilities, the Committee must at all times recognise that primary responsibility for management of the Council rests with the governing body and the Chief Executive Officer.

The responsibilities of the Committee may be revised or expanded in consultation with, or as requested by, the governing body from time to time.

Responsibilities of members

Independent members

The chairperson and members of the Committee are expected to understand and observe the requirements of the Office of Local Government's *Guidelines for risk management and internal audit for local government in NSW*. Members are also expected to:

- make themselves available as required to attend and participate in meetings
- contribute the time needed to review and understand information provided to it
- apply good analytical skills, objectivity and judgement
- act in the best interests of the Council
- have the personal courage to raise and deal with tough issues, express opinions frankly, ask questions that go to the fundamental core of the issue and pursue independent lines of inquiry
- maintain effective working relationships with the Council

- have strong leadership qualities (chairperson)
- lead effective Committee meetings (chairperson), and
- oversee the Council's internal audit function (chairperson).

Councillor members

To preserve the independence of the Committee, the Councillor member of the Committee is a non-voting member. Their role is to:

- relay to the Committee any concerns the governing body may have regarding the Council and issues being considered by the Committee
- provide insights into local issues and the strategic priorities of the Council that would add value to the Committee's consideration of agenda items
- advise the governing body (as necessary) of the work of the Committee and any issues arising from it, and
- assist the governing body to review the performance of the Committee.

Issues or information the Councillor member raises with or provides to the Committee must relate to the matters listed in Schedule 1 and issues being considered by the Committee.

The Councillor member of the Committee must conduct themselves in a non-partisan and professional manner. The Councillor member of the Committee must not engage in any conduct that seeks to politicise the activities of the Committee or the internal audit function or that could be seen to do so.

If the Councillor member of the Committee engages in such conduct or in any other conduct that may bring the Committee and its work into disrepute, the chairperson of the Committee may recommend to the Council, that the Councillor member be removed from membership of the Committee. Where the Council does not agree to the Committee chairperson's recommendation, the Council must give reasons for its decision in writing to the chairperson.

Conduct

Independent Committee members are required to comply with the Council's code of conduct. Complaints alleging breaches of the Council's code of conduct by an independent Committee member are to be dealt with in accordance with the *Procedures for the Administration of the Model Code of Conduct for Local Councils in NSW*. The Chief Executive Officer must consult with the governing body before taking any disciplinary action against an independent Committee member in response to a breach of the Council's code of conduct.

Conflicts of interest

Once a year, Committee members must provide written declarations to the Council stating that they do not have any conflicts of interest that would preclude them from being members of the Committee. Independent Committee members are 'designated persons' for the purposes of the Council's code of conduct and must also complete and submit returns of their interests.

Committee members and observers must declare any pecuniary or non-pecuniary conflicts of interest they may have in a matter being considered at the meeting at the start of each meeting or as soon as they become aware of the conflict of interest. Where a Committee member or observer declares a pecuniary or a significant non-pecuniary conflict of interest, they must remove themselves from Committee deliberations on the issue. Details of conflicts of interest declared at meetings must be appropriately minuted.

Standards

Committee members are to conduct their work in accordance with the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors and AS ISO 31000:2018 Risk Management, where applicable.

Work plans

The work of the Committee is to be thoroughly planned and executed. The Committee must develop a strategic work plan every four years to ensure that the matters listed in Schedule 1 are reviewed by the Committee and considered by the internal audit function when developing their risk-based program of internal audits. The strategic work plan must be reviewed at least annually to ensure it remains appropriate.

The Committee may, in consultation with the governing body, vary the strategic work plan at any time to address new or emerging risks. The governing body may also, by resolution, request the Committee to approve a variation to the strategic work plan. Any decision to vary the strategic work plan must be made by the Committee.

The Committee must also develop an annual work plan to guide its work, and the work of the internal audit function over the forward year.

The Committee may, in consultation with the governing body, vary the annual work plan to address new or emerging risks. The governing body may also, by resolution, request the Committee to approve a variation to the annual work plan. Any decision to vary the annual work plan must be made by the Committee.

When considering whether to vary the strategic or annual work plans, the Committee must consider the impact of the variation on the internal audit function's existing workload and the completion of pre-existing priorities and activities identified under the work plan

Assurance reporting

The Committee must regularly report to the Council to ensure that it is kept informed of matters considered by the Committee and any emerging issues that may influence the strategic direction of the Council or the achievement of the Council's goals and objectives.

The Committee will provide an update to the governing body and the Chief Executive Officer of its activities and opinions after every Committee meeting.

The Committee will provide an annual assessment to the governing body and the Chief Executive Officer on the Committee's work and its opinion on how the Council is performing.

The Committee will provide a comprehensive assessment every council term of the matters listed in Schedule 1 to the governing body and the Chief Executive Officer.

The Committee may at any time report to the governing body or the Chief Executive Officer on any other matter it deems of sufficient importance to warrant their attention. The Mayor and the chairperson of the Committee may also meet at any time to discuss issues relating to the work of the Committee.

Should the governing body require additional information, a request for the information may be made to the chairperson by resolution. The chairperson is only required to provide the information requested by the governing body where the chairperson is satisfied that it is reasonably necessary for the governing body to receive the information for the purposes of performing its functions under the Local Government Act. Individual Councillors are not entitled to request or receive information from the Committee.

Administrative arrangements

Meetings

The Committee will meet at least 4 times per year, plus a special meeting to review the Council's financial statements.

The Committee can hold additional meetings when significant unexpected issues arise, or if the chairperson is asked to hold an additional meeting by a Committee member, the Chief Executive Officer or the governing body.

Committee meetings can be held in person, by telephone or videoconference. Proxies are not permitted to attend meetings if a Committee member cannot attend.

A quorum will consist of a majority of independent voting members. Where the vote is tied, the chairperson has the casting vote.

The chairperson of the Committee will decide the agenda for each Committee meeting. Each Committee meeting is to be minuted to preserve a record of the issues considered and the actions and decisions taken by the Committee.

The Mayor, Chief Executive Officer and the internal auditor ~~should~~ may attend Committee meetings as non-voting observers. The external auditor (or their representative) is to be invited to each Committee meeting as an independent observer. The chairperson can request the Council's Chief Finance Officer or equivalent, head of risk management function or equivalent, senior managers or equivalent, any Councillors, any employee/contractor of the council and any subject matter expert to attend Committee meetings. Where requested to attend a meeting, persons must attend the meeting where possible and provide any information requested. Observers have no voting rights and can be excluded from a meeting by the chairperson at any time.

The Committee can hold closed meetings whenever it needs to discuss confidential or sensitive issues with only voting members of the Committee present.

The Committee must meet separately with the internal audit coordinator and the Council's external auditor at least once each year.

Any matter of meeting procedure not adequately addressed in this Charter shall be determined by the chairperson.

Dispute resolution

Members of the Committee and the Council's management should maintain an effective working relationship and seek to resolve any differences they may have in an amicable and professional way by discussion and negotiation.

In the event of a disagreement between the Committee and the Chief Executive Officer or other senior managers, the dispute is to be resolved by the governing body.

Unresolved disputes regarding compliance with statutory or other requirements are to be referred to the Departmental Chief Executive of the Office of Local Government in writing.

Secretariat

The Chief Executive Officer will nominate a staff member to provide secretariat support to the Committee. The secretariat will ensure the agenda for each meeting and supporting papers are circulated after approval from the chairperson at least 1 week before the meeting and ensure that minutes of meetings are prepared and maintained. Minutes must be approved by the chairperson and circulated within 1 week of the meeting to each member.

Resignation and dismissal of members

Where the chairperson or a Committee member is unable to complete their term or does not intend to seek reappointment after the expiry of their term, they should give 3 months notice to the chairperson and the governing body prior to their resignation to allow the Council to ensure a smooth transition to a new chairperson or Committee member.

The governing body can, by resolution, terminate the appointment of the chairperson or an independent Committee member before the expiry of their term where that person has:

- breached the Council's code of conduct
- performed unsatisfactorily or not to expectations
- declared, or is found to be in, a position of a conflict of interest which is unresolvable
- been declared bankrupt or found to be insolvent
- experienced an adverse change in business status
- been charged with a serious criminal offence
- been proven to be in serious breach of their obligations under any legislation, or
- experienced an adverse change in capacity or capability.

The position of a Councillor member on the Committee can be terminated at any time by the governing body by resolution.

Review arrangements

At least once every council term, the governing body must review or arrange for an external review of the effectiveness of the Committee.

This Charter must be reviewed annually by the Committee and once each council term by the governing body. Any substantive changes are to be approved by the governing body.

Further information

For further information on Council's Audit, Risk and Improvement Committee, contact Council's Group Manager Governance, Michael Ferguson.

Reviewed by chairperson of the Audit, Risk and Improvement Committee
signed
date

Reviewed by Council in accordance with a resolution of the governing body.
signed
date
resolution reference

Next review date: date

Schedule 1 Audit, risk and improvement Committee responsibilities**1. Audit****1.1 Internal audit**

- Provide overall strategic oversight of internal audit activities .
- Act as a forum for communication between the governing body, Chief Executive Officer, senior management, the internal audit function and external audit .
- Coordinate, as far as is practicable, the work programs of internal audit and other assurance and review functions
- Review and advise:
 - on whether the Council is providing the resources necessary to successfully deliver the internal audit function
 - if the Council is complying with internal audit requirements, including conformance with the International Professional Practices Framework
 - if the Council's internal audit charter is appropriate and whether the internal audit policies and procedures and audit/risk methodologies used by the Council are suitable
 - of the strategic four-year work plan and annual work plan of internal audits to be undertaken by the Council's internal audit function
 - if the Council's internal audit activities are effective, including the performance of the internal audit coordinator and the internal audit function
 - of the findings and recommendations
 - of internal audits conducted, and corrective actions needed to address issues raised
 - of the implementation by the Council of these corrective actions
 - on the appointment of the internal audit coordinator and external providers, and
 - if the internal audit function is structured appropriately and has sufficient skills and expertise to meet its responsibilities

1.2 External audit

- Act as a forum for communication between the governing body, Chief Executive Officer, senior management, the internal audit function and external audit
- Coordinate as far as is practicable, the work programs of internal audit and external audit.
- Provide input and feedback on the financial statement and performance audit coverage proposed by external audit and provide feedback on the audit services provided Risk
- Review all external plans and reports in respect of planned or completed audits and monitor council's implementation of audit recommendations
- Provide advice to the governing body and/or Chief Executive Officer on action taken on significant issues raised in relevant external audit reports and better practice guides

2. Risk

2.1 Risk management

Review and advise:

- if Council has in place a current and appropriate risk management framework that is consistent with the Australian risk management standard,
- whether the Council is providing the resources necessary to successfully implement its risk management framework if risk management is integrated across all levels of Council and across all processes, operations, services, decision-making, functions and reporting,
- whether the Council's risk management framework is adequate and effective for identifying and managing the risks the Council faces, including those associated with individual projects, programs and other activities
- if risk management is integrated across all levels of the Council and across all processes, operations, services, decision-making, functions and reporting ,
- of the adequacy of risk reports and documentation, for example, the Council's risk register and risk profile
- whether a sound approach has been followed in developing risk management plans for major projects or undertakings
- whether appropriate policies and procedures are in place for the management and exercise of delegations
- if the Council has taken steps to embed a culture which is committed to ethical and lawful behaviour
- if there is a positive risk culture within the Council and strong leadership that supports effective risk management
- of the adequacy of staff training and induction in risk management
- of how the Council's risk management approach impacts on the Council's insurance arrangements
- of the effectiveness of the Council's management of its assets, and
- of the effectiveness of business continuity arrangements, including business continuity plans, disaster recovery plans and the periodic testing of these plans.

2.2 Internal controls

Review and advise:

- whether Council's approach to maintaining an effective internal audit framework, including over external parties such as contractors and advisors, is sound and effective,
- whether Council has in place relevant policies and procedures and that these are periodically reviewed and updated,
- whether appropriate policies and procedures are in place for the management and exercise of delegations,
- whether staff are informed of their responsibilities and processes and procedures to implement controls are complied with,
- if Council's monitoring and review of controls is sufficient, and
- if internal and external audit recommendations to correct internal control weaknesses are implemented appropriately.

2.3 Compliance

Review and advise of the adequacy and effectiveness of Council's compliance framework, including:

- if Council has appropriately considered legal and compliance risks as part of Council's risk management framework,
- how the Council manages its compliance with applicable laws, regulations, policies, procedures, codes and contractual arrangements, and
- whether appropriate processes are in place to assess compliance.

2.4 Fraud and corruption

Review and advise of the adequacy and effectiveness of Council's fraud and corruption prevention framework and activities, including whether appropriate processes and systems are in place to capture and effectively investigate fraud-related information.

2.5 Financial management

Review and advise:

- if Council complying with accounting standards and external accountability requirements,
- of the appropriateness of Council's accounting policies and disclosures,
- of the implications for Council of the findings of external audits and performance audits and Council's responses and implementation of recommendations,
- whether Council's financial statement preparation procedures and timelines are sound,
- the accuracy of Council's annual financial statements prior to external audit, including:
 - management compliance/representations,
 - significant accounting and reporting issues,
 - the methods used by Council to account for significant or unusual transactions and areas of significant estimates or judgements, and
 - appropriate management signoff on the statements.
- if effective processes are in place to ensure financial information included in Council's report is consistent with signed financial statements,
- if Council's financial management processes are adequate,
- the adequacy of cash management policies and procedures,
- if there are adequate controls over financial processes, for example:
 - appropriate authorisation and approval of payments and transactions,
 - adequate segregation of duties,
 - timely reconciliation of accounts and balances, and
 - review of unusual and high value purchases.
- if policies and procedures for management review and consideration of the financial position and performance of Council are adequate, and
- if Council's grants and tied funding policies and procedures are sound.

2.6 Governance

Review and advise of the adequacy of Council governance framework:

- decision-making processes,
- implementation of governance policies and procedures,
- reporting lines and accountability,
- assignment of key roles and responsibilities,
- committee structure,
- management oversight responsibilities,
- human resources and performance management activities,
- reporting and communication activities,
- information and communications technology (ICT) governance, and
- management and governance of the use of data, information and knowledge.

3. Improvement

3.1 Strategic planning

Review and advise:

- of the adequacy and effectiveness of Council's integrated, planning and reporting (IP&R) processes,
- if appropriate reporting and monitoring mechanisms are in place to measure progress against objectives, and
- whether Council is successfully implementing and achieving its IP&R objectives and strategies.

3.2 Service reviews and business improvement

Review and advise:

- Act as a forum for communication and monitoring of any audits conducted by external bodies and the implementation of corrective actions (for example, NSW government agencies, Commonwealth government agencies, insurance bodies)
- Review and advise the Council:
 - If the Council has robust systems to set objectives and goals to determine and deliver appropriate levels of service to the community and business performance
 - if appropriate reporting and monitoring mechanisms are in place to measure service delivery to the community and overall performance, and
 - how the Council can improve its service delivery and the Council's performance of its business and functions generally

3.3 Performance data and measurement

Review and advise:

- if Council has a robust system to determine appropriate performance indicators to measure the achievement of its strategic objectives,
- if the performance indicators Council uses are effective, and
- of the adequacy of performance data collection and reporting.

DRAFT

Port Macquarie-Hastings Contracts Register

Class 1 Contracts

Contract Date	Contract Class	Contract No.	Contract Title	Description of the Contract	Contractor Name	Expiry Date	Contract Duration	Options	Estimated Amount (Inc GST)
26/04/2024	Class 1	2023.034.05 (LG808-4)	Human Resources (HR) - Permanent and Temporary Placements and Associated Services	Human Resources (HR) - Permanent and Temporary Placements and Associated Services - Network Engineer- Engineering level administration, design, implementation, support and troubleshooting of network systems.	Hays Specialist Recruitment (Australia) Pty Limited	25/03/2025	12 Months	Nil.	\$222,671.99
1/04/2024	Class 1	2023.115 (LGP213-3-Option 1)	Supply and Delivery of Bulk Bitumen Emulsion	Supply and Delivery of Bulk Bitumen Emulsion	Fulton Hogan Industries Pty Ltd	31/03/2029	3 Years	Two x One year	Schedule of Rates

Port Macquarie-Hastings Contracts Register

Class 2 & 3 Contracts

Contract Date	Contract Class	Contract No.	Contract Title	Description of the Contract	Contractor Name	Expiry Date	Contract Duration	Options	Estimated Amount (Inc GST)
30/04/2024	Class 2	2023.089	Nobbys Beach Kenny Walk Construction	Nobbys Beach Kenny Walk Construction	Alliance Construction Group Pty Ltd	Tendered program	As per Program	N/A	\$736,023.02
13/06/2024	Class 2	2024.003	Construction of a Concrete Water Tank at Cairncross Waste Management Facility	Construction of a Concrete Water Tank at Cairncross WMF	Eire Constructions Pty Ltd	Tendered Program	As per Program	N/A	\$682,641.76



Monthly Investment Review



As at June 2024

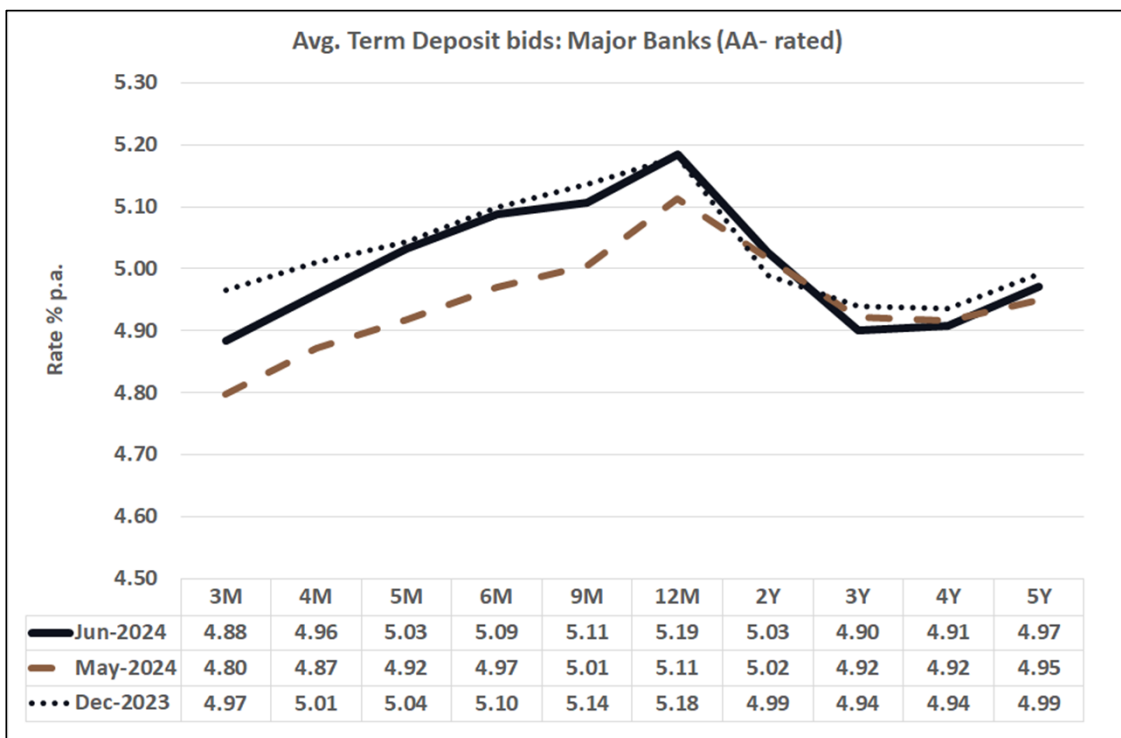
Arlo Advisory Pty Ltd
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AFSL 246 638
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125 Middle Harbour Road, East Lindfield NSW 2070



Market Update Summary

In June, financial markets continue to reprice the time of rate cuts across several developed countries. Domestically, the market is now actually forecasting the small chance of a hike in coming months in response to ongoing inflationary pressures.

In the deposit market, over June, the average deposit rates offered by the major banks at the short-end (up to 12 months) rose between 8-11bp following the higher than expected monthly inflation figure. In the medium-longer term (2-5 years), the average bids from the major banks remained relatively flat, reflective of the market still factoring rate cuts in future years. The deposit curve is largely back to where it was 6 months ago (Dec 2023).



Source: Imperium Markets

With a global economic downturn and interest rate cuts still being priced over the next 18-24 months, investors should consider diversifying and taking an 'insurance policy' against a potentially lower rate environment by investing across 2-5 year fixed deposits, targeting rates above 5% p.a. (small allocation only).



Port Macquarie–Hasting Council’s Portfolio Summary

Compliance

Compliance Measure	Within Policy Limits (Y/N)	Reason if Not Compliant
Term to Maturity	Yes – Compliant	n/a
Counterparty	Yes – Compliant	n/a
Credit Quality	Yes – Compliant	n/a

Performance

As at 30/06/2024	1m (actual)	1m (% p.a.)	FYTD (actual)	FYTD (% p.a.)
AusBond Bank Bill Index	0.35%	4.43%	4.37%	4.37%
Council’s Portfolio[^]	0.27%	3.32%	3.02%	3.02%
Relative Performance	-0.08%	-1.11%	-1.35%	-1.35%

[^]Total portfolio performance excludes Council’s cash account holdings.

Council’s Portfolio & Compliance

Asset Allocation

The portfolio is predominately directed to fixed term deposits (90.21%). The remainder of the portfolio is directed to fixed bonds with the Northern Territory Treasury Corporation (4.79%) and the overnight cash account with Westpac (5.00%).

Senior FRNs remain relatively attractive as spreads have generally widened over the past ~2 years – new issuances should now be considered again on a case by case scenario. In the interim, staggering a mix of fixed deposits between 12 months to 3 years remains a more optimal strategy to maximise returns over a longer-term cycle.

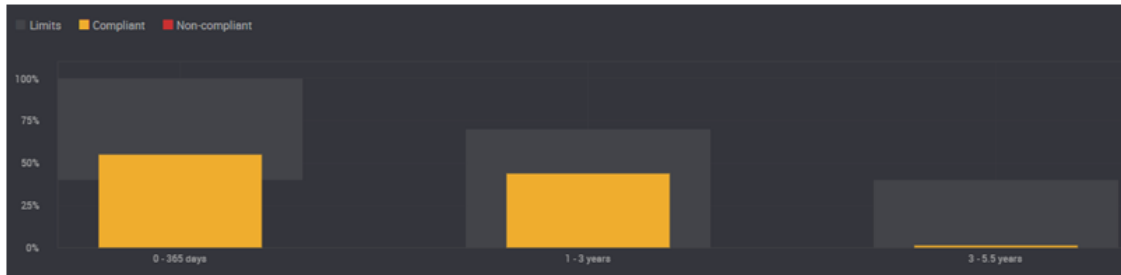
With interest rate cuts and a global economic downturn being priced in coming years, investors can choose to allocate a small proportion of longer-term funds and undertake an insurance policy against any potential future rate cuts by investing across 2–5 year fixed deposits, locking in and targeting yields above 5% p.a.





Term to Maturity

All maturity limits (minimum and maximum) comply with the Investment Policy. Short-Medium Term (1-3 years) assets account for around 45% of the total investment portfolio, with capacity of around \$104m remaining. Future investments should be directed to the 1-5 year horizon as this is where we currently see the best value to maximise returns over a longer-term cycle.



Where there is (counterparty) capacity to invest in attractive 1-5 year investments, we recommend this be allocated to new any remaining attractive fixed term deposits or potentially newly issued senior FRNs (refer to respective sections below).

Compliant	Horizon	Invested (\$)	Invested (%)	Min. Limit (%)	Max. Limit (%)	Available (\$)
✓	0 – 1 year	\$218,946,338	52.44%	40%	100%	\$198,500,000
✓	1 - 3 years	\$188,500,000	45.17%	0%	70%	\$103,650,167
✓	3 – 5½ years	\$10,000,000	2.40%	0%	40%	\$156,942,952
✓	5½ - 10 years	\$0	0.00%	0%	10%	\$41,735,738
		\$417,446,338	100.00%			



Counterparty

As at the end of June 2024, Council did not have an overweight position to any single ADI. Overall, the portfolio is diversified across the investment grade credit spectrum (rated BBB- or higher).

Compliant	Issuer	Rating	Invested (\$)	Invested (%)	Max. Limit (%)	Available (\$)
✓	NAB	AA-	\$77,000,000	18.45%	30.00%	\$48,233,901
✓	North. Territory	AA-	\$20,000,000	4.79%	30.00%	\$105,233,901
✓	Westpac	AA-	\$64,446,338	15.44%	30.00%	\$60,787,563
✓	Suncorp	A+	\$23,000,000	5.51%	20.00%	\$60,489,268
✓	ICBC Sydney	A	\$67,000,000	16.05%	20.00%	\$16,489,268
✓	ING Bank	A	\$69,000,000	16.53%	20.00%	\$14,489,268
✓	BOQ	A-	\$4,000,000	0.96%	20.00%	\$79,489,268
✓	AMP Bank	BBB+	\$3,000,000	0.72%	10.00%	\$38,744,634
✓	Aust. Military	BBB+	\$8,000,000	1.92%	10.00%	\$33,744,634
✓	Bank of Us	BBB+	\$10,000,000	2.40%	10.00%	\$31,744,634
✓	BankVIC	BBB+	\$17,000,000	4.07%	10.00%	\$24,744,634
✓	Hume Bank	BBB+	\$3,000,000	0.72%	10.00%	\$38,744,634
✓	P&N Bank	BBB+	\$40,000,000	9.58%	10.00%	\$1,744,634
✓	Auswide Bank	BBB	\$7,000,000	1.68%	10.00%	\$34,744,634
✓	MyState Bank	BBB	\$5,000,000	1.20%	10.00%	\$36,744,634
			\$417,446,338	100.00%		

In early April 2024, BoQ and Bendigo-Adelaide were upgraded by S&P from BBB+ to A-. Several other regional mutual banks were upgraded from BBB to BBB+. This has resulted in increased capacity to invest in the "BBB" rated category (see next sections).

In February 2024, ANZ's takeover of Suncorp was given the green light by the Australian Competition Tribunal (ACT), six months after the Australian Competition and Consumer Commission (ACCC) blocked the deal on the grounds that it could lessen competition in the mortgage market. As such, Suncorp's assets are likely to be upgraded to AA- in the near future by S&P within the next few months (but also they may be flagged as an ADI lending to the fossil fuel industry in future).



Fossil Fuel Investments

What is Council's current exposure to institutions that fund fossil fuels?

Using the following link <http://www.marketforces.org.au/banks/compare>, based on the Council's investment portfolio balance as at 30/06/2024 (\$417.45m), we can roughly estimate that ~72% of the investments have some form of exposure.

Council's exposure is summarised as follows:

Counterparty	Credit Rating	Funding Fossil Fuel
NAB	AA-	Yes
NTTC	AA-	Yes
WBC	AA-	Yes
Suncorp	A+	No^^
ICBC, Sydney	A	Yes
ING Bank Australia	A	Yes
BoQ	A-	No
AMP Bank	BBB+	Yes
Australian Military	BBB+	No
Bank of Us	BBB+	No
BankVIC	BBB+	No
Hume Bank	BBB+	No
P&N Bank	BBB+	No
Auswide	BBB	No
MyState Bank	BBB	No

Source: <https://www.marketforces.org.au/info/compare-bank-table/>

^^Likely to be "Yes" once the official takeover by ANZ is formalised

Funding Fossil Fuel	Amount	Invested %	Wgt. Avg. Yield % p.a.
Yes	\$300,446,338	72%	2.92%
No	\$117,000,000	28%	4.35%
Total / Wgt. Avg.	\$417,446,338	100%	3.32%

**Transition to investments without major exposure to fossil fuels**

Council has not made a decision to divest from the current portfolio of investments which have exposure to fossil fuels. To do so would have unfavourable implications to the credit quality, rating and interest income forecasts.

However, where possible, and within the ministerial and policy guidelines, Council will continue to favour newly issued fossil fuel free investment products, providing it does not compromise the risk and return profile.

In time it is Councils intention to move to a more balanced portfolio which has less exposure to fossil fuels, providing it is prudent to do so.

What would be implications on our portfolio credit rating?

By adopting a free fossil fuel policy or an active divestment strategy, this would eliminate the major banks rated "AA-" as well as some other "A" rated banks (e.g. Macquarie and ING). Council would be left with a smaller sub-sector of banks to choose to invest with.

What would be risks and implications on Council's portfolio performance?

Some implications include:

- High concentration risk – limiting Council to a selected number of banks;
- Increased credit/counterparty risk;
- May lead to a reduction in performance (e.g. most of the senior FRN issuances are with the higher rated ADIs);
- Underperformance compared to other Councils which could result in a significant loss of income generated – could be in excess of hundreds of thousands or millions of dollars per annum.

It may actually be contrary to Council's primary objective to preserve capital as the investment portfolio's risk would increase (all things being equal). Council may not be maximising its returns – this is one of the primary objectives written in the Investment Policy.



Credit Quality

The portfolio remains diversified from a credit ratings perspective. The portfolio is mainly directed to the investment grade ADIs (BBB- or higher). There is high capacity to invest in the higher rated ADIs (A or higher).

There remains high capacity to invest with the “BBB” rated ADIs (~\$53m remaining as at the reporting date) following the recent ratings upgrade for BoQ (moved up from BBB to A category range). From a ratings perspective, the “BBB” rated banks still generally dominate the number of ADIs issuing deposits within the investment grade space. There has been some signs of appetite growing in the wholesale deposit market as additional lower rated (“BBB” and unrated) ADIs have come to market to raise ‘new’ money.

Over coming years, we may start to see a more ‘normalised’ environment where the lower rated banks start to offer higher rates compared to the higher rated banks as the competition for deposits grow. As more of these banks become more competitive for funds, Council may look to allocate additional funds amongst this sector, particularly with those ADIs that are not lending to the Fossil Fuel industry i.e. the more ‘ethical’ banks.

If there are any attractive deposits being offered in the “BBB” rated sector, we will inform Council to take advantage and invest accordingly. All ratings categories are within the current Policy limits:

Compliant	Credit Rating	Invested (\$)	Invested (%)	Max. Limit (%)	Available (\$)
✓	AA Category	\$161,446,338	38.67%	100%	\$256,000,000
✓	A Category	\$163,000,000	39.05%	60%	\$87,467,803
✓	BBB Category	\$93,000,000	22.28%	35%	\$53,106,218
✓	Unrated ADIs	\$0	0.00%	5%	\$20,872,317
		\$417,446,338	100.00%		



Performance

Council's performance for the period ending June 2024 is summarised as follows:

Performance (Actual)	1 month	3 months	6 months	FYTD	1 year	2 years	3 years
Official Cash Rate	0.35%	1.07%	2.15%	4.28%	4.28%	3.62%	2.46%
AusBond Bank Bill Index	0.35%	1.08%	2.18%	4.37%	4.37%	3.63%	2.44%
Council's T/D Portfolio	0.28%	0.81%	1.61%	3.12%	3.12%	2.62%	2.27%
Council's Bond Portfolio	0.10%	0.30%	0.60%	1.20%	1.20%	1.20%	-
Council's Portfolio [^]	0.27%	0.79%	1.56%	3.02%	3.02%	2.56%	2.23%
Rel. Performance	-0.08%	-0.30%	-0.62%	-1.35%	-1.35%	-1.07%	-0.21%

[^]Total portfolio performance excludes Council's cash account holdings.

Performance (% p.a.)	1 month	3 months	6 months	FYTD	1 year	2 years	3 years
Official Cash Rate	4.35%	4.35%	4.35%	4.27%	4.28%	3.62%	2.46%
AusBond Bank Bill Index	4.34%	4.41%	4.42%	4.36%	4.37%	3.63%	2.44%
Council's T/D Portfolio	3.43%	3.30%	3.25%	3.11%	3.12%	2.62%	2.27%
Council's Bond Portfolio	1.24%	1.21%	1.21%	1.20%	1.20%	1.20%	-
Council's Portfolio [^]	3.32%	3.19%	3.14%	3.01%	3.02%	2.56%	2.23%
Rel. Performance	-1.02%	-1.22%	-1.27%	-1.35%	-1.35%	-1.07%	-0.21%

[^]Total portfolio performance excludes Council's cash account holdings.

As at June 2024, the total portfolio (excluding cash) provided a solid return of +0.27% (actual) or +3.32% p.a. (annualised), underperforming the benchmark AusBond Bank Bill Index return of +0.35% (actual) or +4.43% p.a. (annualised). The relative 'underperformance' over the past few years has been due to the unexpected aggressive rate hikes undertaken by the RBA since May 2022. Whilst this 'underperformance' may continue in the short-term, we do anticipate this to be fairly temporary with hopes that the RBA is approaching the peak of its rate hike cycle. Council should also remind itself it has consistently 'outperformed' over longer-term time periods as demonstrated by the longer-term returns of the overall investment portfolio.

We are pleased that PMHC remains amongst the best performing Councils in the state of NSW where deposits are concerned over longer-term periods (+5yrs). We have been pro-active in our advice about protecting interest income by strategically maintaining a slightly longer duration position. Council has reaped the benefits during the pandemic period (and historically). The portfolio should outperform by undertaking a similar strategy in the long-run.

2 Your Community Life

What we are trying to achieve

A healthy, inclusive and vibrant community.

What the result will be

We will have:

- Community hubs that provide access to services and social connections
- A safe, caring and connected community
- A healthy and active community that is supported by recreational infrastructure
- A strong community that is able to identify and address social issues
- Community participation in events, programs, festivals and activities

How we will get there

- 2.1 Create a community that feels safe
- 2.2 Advocate for social inclusion and fairness
- 2.3 Provide quality programs, community facilities and public spaces, for example, community halls, parks and vibrant town centres
- 2.4 Empower the community through encouraging active involvement in projects, volunteering and events
- 2.5 Promote a creative and culturally rich community

3 Your Business and Industry

What we are trying to achieve

A region that is a successful place that has vibrant, diversified and resilient regional economy that provides opportunities for people to live, learn, work, play and invest.

What the result will be

We will have:

- A strong economy that fosters a culture supportive of business and ensures economic development of the region
- Townships, villages and business precincts that are vibrant commercial, cultural, tourism, recreational and/or community hubs
- A region that attracts investment to create jobs
- Partnerships that maximise economic return and create an efficient and effective business environment

How we will get there

- 3.1 Embrace business and a stronger economy
- 3.2 Create vibrant and desirable places
- 3.3 Embrace opportunity and attract investment to support the wealth and growth of the community
- 3.4 Partner for success with key stakeholders in business, industry, government, education and the community

4 Your Natural and Built Environment

What we are trying to achieve

A connected, sustainable, accessible community and environment that is protected now and into the future.

What the result will be

We will have:

- Effective management and maintenance of essential water, waste and sewer infrastructure
- A community that is prepared for natural events and climate change
- Sustainable and environmentally sensitive development outcomes that consider the impact on the natural environment
- Accessible transport network for our communities
- Infrastructure provision and maintenance that meets community expectations and needs
- Well planned communities that are linked to encourage and manage growth
- Accessible and protected waterways, foreshores, beaches and bushlands
- An environment that is protected and conserved for future generations
- Renewable energy options that are understood and accessible by the community

How we will get there

- 4.1 Provide (appropriate) infrastructure and services including water cycle management, waste management, and sewer management
- 4.2 Aim to minimise the impact of natural events and climate change, for example, floods, bushfires and coastal erosion
- 4.3 Facilitate development that is compatible with the natural and built environment
- 4.4 Plan for integrated transport systems that help people get around and link our communities
- 4.5 Plan for integrated and connected communities across the Port Macquarie-Hastings area
- 4.6 Restore and protect natural areas
- 4.7 Provide leadership in the development of renewable energy opportunities
- 4.8 Increase awareness of issues affecting our environment, including the preservation of flora and fauna

