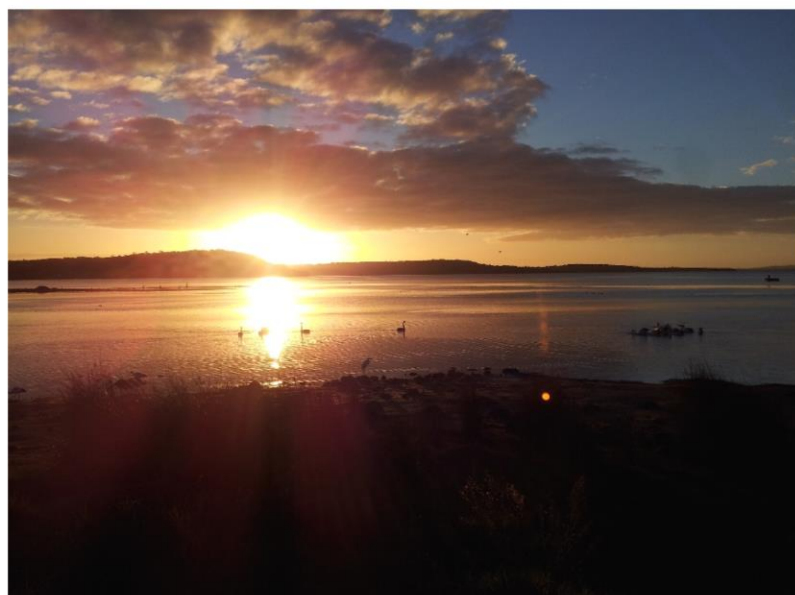


Shire of Denmark

Special Council Meeting AGENDA

30 July 2019



TO BE HELD IN THE COUNCIL CHAMBERS, 953 SOUTH COAST HIGHWAY,
DENMARK ON TUESDAY, 30 JULY 2019, COMMENCING AT 4.00PM.

For the purpose of adopting the 2019/2020 Annual Budget.



Contact Us

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Strategic Community Plan (snapshot)

E1.0

Our Economy

We are an attractive location to live, invest, study, visit and work

- E1.1 To have a locally supported resilient, stable and innovative business community that embraces creativity, resourcefulness and originality
- E1.2 To be a vibrant and unique tourist destination, that celebrates our natural and historical assets
- E1.3 To have diverse education and employment opportunities
- E1.4 To recognise the importance of agriculture in our local economy and protect prime agricultural land

N2.0

Our Natural Environment

Our natural environment is highly valued and carefully managed to meet the needs of our community, now and in the future

- N2.1 To preserve and protect the natural environment
- N2.2 To promote and encourage responsible development
- N2.3 To reduce human impact on natural resources, reduce waste and utilise renewable energy
- N2.4 To acknowledge and adapt to climate change

B3.0

Our Built Environment

We have a functional built environment that reflects our rural and village character and supports a connected, creative and active community

- B3.1 To have public spaces and infrastructure that are accessible and appropriate for our community
- B3.2 To have community assets that are flexible, adaptable and of high quality to meet the purpose and needs of multiple users
- B3.3 To have a planning framework that is visionary, supports connectivity and enables participation
- B3.4 To manage assets in a consistent and sustainable manner
- B3.5 To have diverse and affordable housing, building and accommodation options

C4.0

Our Community

We live in a happy, healthy, diverse and safe community with services that support a vibrant lifestyle and foster community spirit

- C4.1 To have services that foster a happy, healthy, vibrant and safe community
- C4.2 To have services that are inclusive, promote cohesiveness and reflect our creative nature
- C4.3 To create a community that nurtures and integrates natural, cultural and historical values
- C4.4 To recognise and respect our local heritage and Aboriginal history

L5.0

Our Local Government

The Shire of Denmark is recognised as a transparent, well governed and effectively managed Local Government

- L5.1 To be high functioning, open, transparent, ethical and responsive
- L5.2 To have meaningful, respectful and proactive collaboration with the community
- L5.3 To be decisive and to make consistent and well considered decisions
- L5.4 To be fiscally responsible
- L5.5 To embrace change, apply technological advancement and pursue regional partnerships that drive business efficiency

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1. DECLARATION OF OPENING/ANNOUNCEMENT OF VISITORS

2. RECORD OF ATTENDANCE/APOLOGIES/LEAVE OF ABSENCE

MEMBERS:

- Cr Ceinwen Gearon (Shire President)
- Cr Peter Caron (Deputy Shire President)
- Cr Mark Allen
- Cr Kingsley Gibson
- Cr Jan Lewis
- Cr Ian Osborne
- Cr Janine Phillips
- Cr Roger Seeney
- Cr Rob Whooley

STAFF:

- Mr Bill Parker (Chief Executive Officer)
- Mr Cary Green (Director Corporate and Community Services)
- Mr David King (Director Assets and Sustainable Development)
- Mr Lee Sounness (Manager Corporate Services)
- Ms Noni Entwisle (Assistant Accountant)
- Ms Claire Thompson (Executive Assistant & Governance Coordinator)

APOLOGIES:

ON LEAVE OF ABSENCE:

ABSENT:

VISITORS:

DECLARATIONS OF INTEREST:

Name	Item No	Interest	Nature

3. ANNOUNCEMENT BY THE PERSON PRESIDING

4. PUBLIC QUESTION TIME

4.1 PUBLIC QUESTIONS

In accordance with Section 5.24 of the Local Government Act 1995, Council conducts a public question time to enable members of the public to address Council or ask questions of Council.

For a Special Meeting of Council, such as this, **they must however relate to the item(s) on the Agenda.**

Questions from the public are invited and welcomed at this point of the Agenda.

Should you wish to address Council please note that the Presiding Person (the Shire President) may have to limit the time of individual speakers in order to allow sufficient time for all speakers present at the meeting to address Council. The rules of this process and the time allocated will be determined by the Presiding Person at the Meeting dependent upon the indicative number of speakers.

Questions from the Public

5. REPORTS OF OFFICERS

5.1 ADOPTION OF 2019/2020 ANNUAL BUDGET

File Ref:	FIN.1
Applicant / Proponent:	Not applicable
Subject Land / Locality:	Not applicable
Disclosure of Officer Interest:	Financial Interest as salary and conditions of officers incorporated within the municipal budget
Date:	30 July 2019
Author:	Lee Sounness, Manager Corporate Services
Authorising Officer:	Cary Green, Director Corporate & Community Services
Attachments:	5.1a – 2019/20 Annual Budget 5.1b – 2019/20 Schedule of Fees and Charges 5.1c – Submissions to Differential Rates 2019/20

Summary:

To consider and adopt the Annual Budget for the 2019/20 financial year together with supporting schedules, imposition of rates and minimum payments, adoption of fees and charges, reserve fund transfers, setting of elected members fees for the year, material variance reporting and other consequential matters arising from the budget papers.

Background:

The *Local Government Act 1995* requires a local government to prepare and adopt an annual budget prior to 31 August in each year, or such extended time as the Minister allows.

The 2019/20 Budget as shown in (Attachment 5.1a) is the result of input from each of the Shire's business units and has considered the Shire's Strategic Community Plan, Long Term Financial Plan (draft), Asset Management Plan (draft) and Corporate Business Plan. The 2019/20 Budget as presented is balanced and has been prepared in accordance with the presentations made to Councillors at budget workshops held between May and July 2019.

The major components of the budget are:

- A capital works programme totalling \$5.93m;
- Operating expenditure of \$15.841m;
- Total operating revenue of \$12.558m, which includes \$6.725m of rates revenue;
- Capital grants of \$2.716m;
- Transfer to reserves of \$317,169
- Transfer from reserves of \$1.38m
- No new loan borrowings
- An estimated carry forward balance of \$1,033,174 from 2018/19

Consultation:

External

While no specific consultation has occurred on the 2019/20 budget, community consultation and engagement has previously occurred during the development of the Strategic Community Plan, *Denmark 2027*, from which the Corporate Business Plan was developed.

The proposed differential general rates were presented at Council Budget Workshop on 28 May 2019 and advertised for public comment. 7 submissions were received.

Internal

Management and staff were actively involved in the preparation and review of the operational and capital budgets. They were also involved in the setting of fees and charges in their areas of responsibility.

Extensive consultation has occurred between all directorates and also through briefings and workshops with elected members.

Statutory Obligations:

The Annual Budget 2019/20 has been prepared in accordance with the *Local Government Act 1995* and associated *Local Government (Financial Management) Regulations 1996*, together with the Australian Accounting Standards.

Section 6.2 of the *Local Government Act* and, Part 3 of the *Local Government (Financial Management) Regulations 1996* detail the form and manner in which an annual budget is to be presented to the Council for adoption.

In accordance with Section 6.36 of the *Local Government Act 1995* the Shire has given the appropriate notice of its intention to impose differential general rates and specified minimum rates in respect of each differential rate category.

Policy Implications:

The following policies relate;

- P030101 – Council Rating Equity Policies
- P040125 – Community Financial Assistance Program
- P040232 – Municipal Budget Policies

Budget / Financial Implications:

The adoption of the 2019/20 Annual Budget determines the financial operations of the Shire for the 2019/20 financial year.

The rates imposed will result in revenue of approximately \$6,725,471 being raised at rates billing.

Strategic & Corporate Plan Implications:

The report and officer recommendation are consistent with Council's adopted Strategic Community Plan Aspirations and Objectives and the Corporate Business Plan Actions and Projects in the following specific ways:

Denmark 2027

E3.0 Our Built Environment

We have a functional built environment that reflects our rural and village character and supports a connected, creative and active community

B3.4 To manage assets in a consistent and sustainable manner

L5.0 Our Local Government

The Shire of Denmark is recognised as a transparent, well governed and effectively managed Local Government

L5.1 To be high functioning, open, transparent, ethical and responsive

L5.4 To be fiscally responsible

Corporate Business Plan

L5.4.7 Review and improve the budget process by aligning to the Corporate Business Plan and Long-Term Financial Plan.

Sustainability Implications:➤ **Governance:**

The Local Government Act 1995, section 6.2 (1) requires that the Annual Budget be adopted by 31 August of each year.

➤ **Environmental:**

The 2019/20 Annual Budget supports key environmental strategies and initiatives adopted by the council.

➤ **Economic:**

The 2019/20 Annual Budget has been developed based on sound financial management and accountability principles and is considered to deliver a sustainable economic outcome for Council and the community

➤ **Social:**

The 2019/20 Annual Budget delivers social outcomes identified in various planning and community supporting strategies that have previously been adopted by the council.

➤ **Risk:**

Risk	Risk Likelihood (based on history and with existing controls)	Risk Impact / Consequence	Risk Rating (Prior to Treatment or Control)	Principal Risk Theme	Risk Action Plan (Controls or Treatment proposed)
That the budget is not adopted by 31 August	Unlikely (2)	Minor (2)	Low (1-4)	Failure to meet Statutory, Regulatory or Compliance Requirements	Accept Officer Recommendation
That the budget is not balanced	Unlikely (2)	Moderate (3)	Moderate (5-9)	Inadequate Financial, Accounting or Business Acumen	Accept Officer Recommendation

Comment:

The budget has been prepared after consultation with relevant stakeholders and a comprehensive budget workshop process involving Councillors and senior staff, which examined in detail the various budget issues. The consensus decisions made at those workshops is reflected in the attached Budget documents.

The process outlined above was adopted to maximise the input into the Annual Budget by Councillors and staff to promote a greater understanding of the budget document itself and to ensure it accurately reflects the priorities and strategic plans of the Council.

The budget has been prepared to include information required by the Local Government Act 1995, Local Government (Financial Management) Regulations 1996 and Australian Accounting Standards. The main features of the 2019/20 budget include:

1. The 2019/20 Annual Budget has been prepared on the principle of a balanced budget.
2. The budget has been prepared with a 4% increase of total rate revenue in line with the draft LTFP. This increase applies across all differential general rate categories.
3. Fees and charges are proposed to increase on average by 1.2%, and are itemised as an attachment in the 2019/20 Annual Budget
4. Household and commercial waste charges are proposed to increase by 1.2% and are itemised separately in the 2019/20 Annual Budget.
5. A capital works program totalling \$5.9m, for investment in infrastructure, land and buildings, and plant & equipment is planned. Expenditure on road infrastructure is the major component of this (\$3.7m) which is in line with council's strategy to increase investment in the road preservation and renewal of that asset class.
6. There are no new loan borrowings proposed in the budget.
7. An estimated surplus of \$1,019,674 is anticipated to be brought forward from 30 June 2019, however this is unaudited and is subject to change. Any adjustment will be addressed as part of the 2019/20 mid-year budget review.
8. Principal additional grant funding for the year is estimated from
 - Regional Road Group - \$1,216,400
 - Roads to Recovery - \$ 256,000
 - D.F.E.S. - \$ 385,135
 - Federal Assistance Grant - \$ 480,000

A summary of the 2019/20 Annual Budget compared to the Forecast Actual result and 2018/19 Annual Budget provided below for reference purposes:

Summary of End of Financial Year Position 2019/2020			
Description	2019/20 Budget	2018/19 Forecast Actual	2018/19 Budget
Rates Revenue	\$ 6,725,471	\$ 6,443,951	\$ 6,419,313
Operating Revenue	\$ 5,863,023	\$ 6,076,588	\$ 5,029,361
Operating Expenditure	-\$ 15,854,341	-\$ 14,412,938	-\$ 14,425,656
Net Operating Result	-\$ 3,265,847	-\$ 1,892,399	-\$ 2,976,982
Capital Grants	\$ 2,715,774	\$ 3,519,513	\$ 3,665,350
Profit/Loss on Asset Disposals	-\$ 174,900	-\$ 90,934	-\$ 86,700
Net Result	-\$ 724,973	\$ 1,536,180	\$ 601,668
Add Back Non-Cash item - Depreciation	\$ 4,469,600	\$ 4,316,443	\$ 4,442,692
Add Back Non-Cash item - Profit/Loss on Sale	\$ 174,900	\$ 90,934	\$ 86,700
Movement in Accruals	\$ -	-\$ 73,216	\$ 51,096
Expenses not yet realised	\$ -	-\$ 145,095	\$ -
Sub Total	\$ 3,919,527	\$ 5,725,246	\$ 5,182,156
Capital Acquisitions	-\$ 5,926,813	-\$ 6,872,371	-\$ 7,120,548
Debt Service - Principal	-\$ 298,573	-\$ 284,185	-\$ 284,185
S/S Loan Principal Income	\$ 53,853	\$ 50,683	\$ 50,683
Proceeds from Sales of Assets	\$ 156,000	\$ 173,786	\$ 191,500
Restricted Grants to be utilised	\$ 182,931	\$ 164,445	\$ 164,445
Transfer to Reserves	-\$ 317,169	-\$ 959,721	-\$ 948,692
Transfer from Reserves	\$ 1,380,000	\$ 2,208,984	\$ 1,808,500
Deficit	-\$ 850,243	\$ 206,866	-\$ 956,141
EOY Surplus Carried Forward	\$ 850,243	\$ 826,308	\$ 956,141
CLOSING BUDGET POSITION	\$ -	\$ 1,033,174	\$ -

It is expected the Shire will commence the budget year with a surplus of \$1,033,174 from 2018/19. This is an increase on the budgeted result expected for the year and is a result of a number of factors including:

- Carrying forward restricted grants totalling \$182,931;
- Advance payment for 2019/20 of Financial Assistance Grants of \$570,460 received in June 2019;
- Advance payment for 2019/20 of Bushfire Risk Mgmt Coordinator of \$172,931 received in June 2019;
- Various under and over expenditure and revenues for the year

Rates

Updated property values for rating purposes were received from Landgate for all properties in the Shire and are effective from 1 July 2019. Unimproved Value (UV) properties are revalued on an annual cycle and Gross Rental Value (GRV) properties are revalued on a three-year cycle. The next revaluation for GRV properties will be effective from 1 July 2021.

The change in property values is one of the variables considered when determining the rating approach for the budget year and overall it was considered the impact of the change in valuations was of significance and justified discounting the rate in the dollar for differential rate properties to achieve the required rate yield.

Other considerations to determine the rate yield for the budget include:

- expenditure and revenue forecast in the Shire's Long-Term Financial Plan;
- the perceived affordability within the community of rate increases;
- increases in State Government charges;
- the demand for services and whether the level of these services has changed;
- changes in the cost incurred by the Shire for expenditure including labour, materials, utilities, contractors and insurance;
- various indices and forecasts used to measure changes in costs;
- legislative compliance requirements; and
- the shortfall in funding required to ensure a budget deficit is not recorded.

Having considered these factors, it is proposed to increase rates revenue yield by 4% within the Annual Budget presented to Council, which is in line with the projected increase in the Shires LTFP (draft).

Differential Rating Category		Rate in \$ 2019/20	Actual Rate 2018/19	Minimum 2019/20	Minimum 2018/19
Code	GRV improved land				
1	Residential Developed	9.6428	10.1014	1,097	1,055
	Business/Commercial				
2	Developed	10.3483	10.8405	1,220	1,173
3	Lifestyle Developed	9.6735	10.1336	1,125	1,082
4	Rural Developed	10.3791	10.8727	1,125	1,082
5	Holiday Use Developed	10.7881	11.3012	1,208	1,162
	GRV vacant land				
6	Residential Vacant	19.2243	20.1386	997	959
	Business/Commercial				
7	Vacant	14.6228	14.2898	1,109	1,066
8	Rural Vacant	14.6228	15.3182	1,109	1,066
9	Lifestyle Vacant	18.2017	19.0674	1,020	981
	UV land				
10	UV Base	0.4857	0.5088	1,343	1,291
11	UV Additional Use 1	0.5343	0.5597	1,477	1,420
12	UV Additional Use 2	0.5829	0.6106	1,611	1,549
13	UV Additional Use 3	0.6315	0.6615	1,745	1,678
14	UV Additional Use 4	0.6800	0.7123	1,879	1,807

The table above compares the rates in the dollar and minimum payments for the current and previous financial years. It shows the minimum payment has increased by \$42 for residential property owners, \$47 for commercial property owners and \$43 for lifestyle and rural property owners.

For ratepayers not charged the minimum payment, the change in rates payable compared to last year is dependent on the change in the valuation of the property and the change in the rate in the dollar.

For 2019/20 a total of \$6,725,471 is budgeted to be obtained from property rates including interim and back rates of \$13,000. The number of properties used to calculate rates for the budget has increased from 4068 in 2018/19 to 4086 in 2019/20.

Employee Costs

Total wage costs, budget to budget have increased from \$5,341,243 to \$5,445,421, which is an increase of 2.1%.

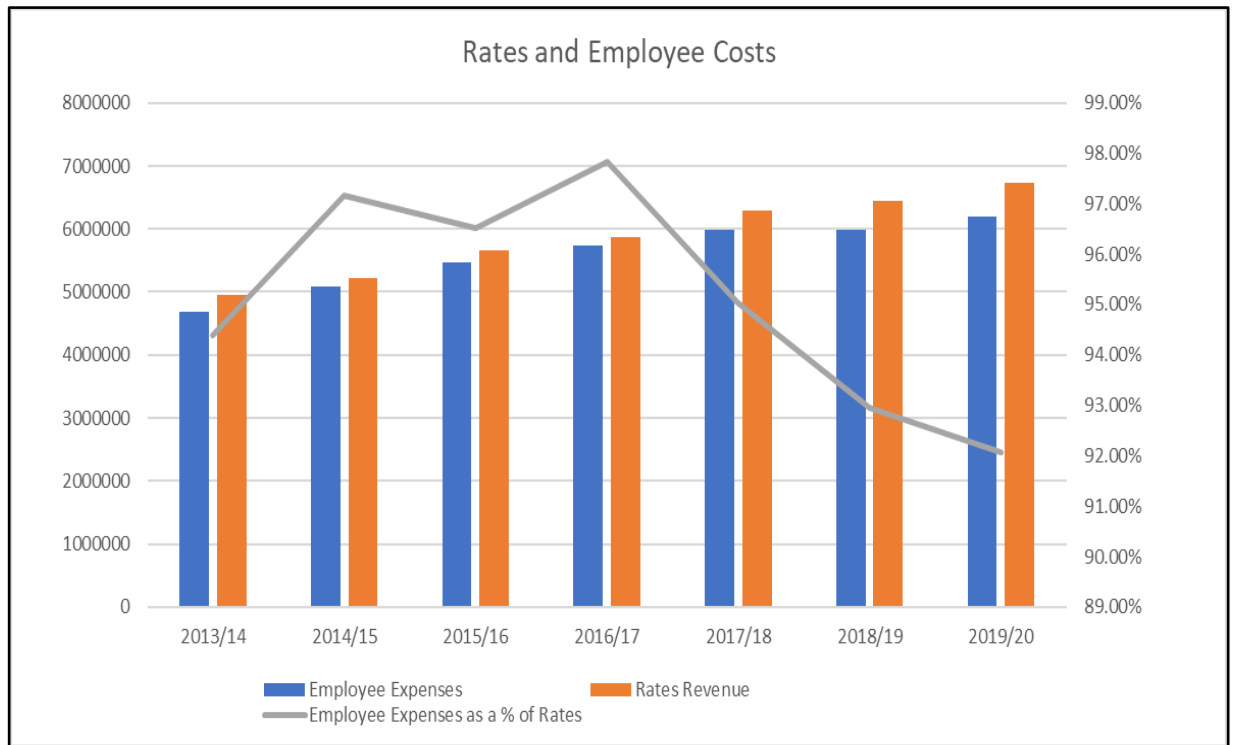
- Salaries & Wages 2018/19
 - Operating Expense \$5,098,511
 - Capital works program \$ 242,732 (primarily Denmark East construction works)
 - \$5,341,243
- Salaries & Wages 2019/20
 - Operating Expense \$5,316,975
 - Capital works program \$ 128,446 (road construction works)
 - \$5,445,421

Description	2018/18 Budget	2019/19 Budget
Salaries & Wages	5,341,243	5,445,421
Superannuation	605,106	626,278
Other Employee Costs	276,528	249,150
	6,222,877	6,320,849
Less: Capital Works Expenses	-230,898	-128,446
Total Employee Costs	5,991,979	6,192,403

While the salaries & wages total costs have not increased significantly, a higher proportion of the 2019/20 costs relate to operating and maintenance activities, though Council's capital works program remains healthy to continue the process of asset upgrade, renewal and preservation.

As part of the 2019/20 budget preparation process, a thorough review of costs was undertaken down to nature and type level which revealed that some employee costs, including wages were not previously correctly budgeted. Examples of this include lifesaving beach patrol services in peak summer holiday period and water sampling services undertaken on a casual basis.

The following chart compares operating employee costs and rates and shows that for 2019/20 budgeted operating employee costs constitute approximately 92% of budgeted rates and is lower than last year's ratio of 93%.



Capital Expenditure Program

The 2019-20 Capital Expenditure Program Budget (Attachment 5.1a) is \$5,926,813. The Budget contains significant investment in a number of infrastructure projects shown in the table below.

Summary of Major Capital Expenditure	2019/2020
Plane Tree precinct	483,200
Remediation of Hardy Street	450,000
Ocean Beach Fire Shed	360,135
Road Construction Projects:	
- Complete Denmark East development project	1,120,000
- Reconstruction McLeod Road, (SLK 4.6 to 6.6)	410,000
- Reconstruction - Parker Road, (SLK 6.4 to 8.7)	233,000
- Asphalt Overlay – Campbell Road (SLK 0.02 0.92)	197,000
- Gravel resheet, Happy Valley Road	550,000
- Pavement and sealing Ficifolia / Peaceful Bay Road intersection	39,000
- Complete Kernutts Road	30,000
- Complete Scotsdale / Fernley Road	36,000
Rail trail bridge	200,000
WOW trail renewal	100,000
Plant replacement	412,000
Lighting upgrade at Airport	52,870

Asset Management – Operating and Capital

A key focus for the 2019/20 Budget is to provide more funding to maintain Shire assets, both in terms of asset renewal and maintenance.

The Shire has undertaken a significant body of work over the last two years to document the number and type of assets we have, where they are, what their value is, when they were built and how long their predicted lifespan is.

Following the collection of this information, we commenced work on a capital works program that outlines what we need to spend on our assets over the next 5, 10, 15, 20 years to keep them

functioning and in an acceptable state. We were also able to understand the effect that delaying the renewal of assets has had in the past and get a grip on the backlog of work that we face and the associated cost burden that this has generated.

The work that we have completed shows that the approximately 16% of our total assets are in a poor or very poor condition. This equates to \$19.3M assets in a poor condition and \$4.1M assets in a very poor condition. This situation is far from ideal and indicates that we have a backlog of assets that need attention right now. Although assets naturally deteriorate from an acceptable state, it is our responsibility to make sure that they do not reach a condition where they become unusable, unsafe or costlier to maintain by continually "patching up".

This type of backlog doesn't happen overnight and is likely due to a number of reasons including not enough money being spent on repairing assets in the past, a large amount of assets being built at similar times (and therefore requiring replacement at similar times), previous repair decisions being driven by annual costs rather than 'whole lifecycle' costs or prioritising building new assets before looking after existing ones.

Some Councils that have found themselves in a similar position have decided to tackle the issue in one or two years through substantial rate increases in the order of 15-20%. Our survey results suggest that our community's current satisfaction levels with assets and services is in the acceptable range and as such we have decided to take a more moderate path to recovery.

During the preparation of our Asset Management Plan and Long-Term Financial Plan we have used a well-recognised asset management modelling methodology called the Moloney Financial Model to see what we need to spend on our assets over the next twenty years. We have then incorporated this spend as a high priority into our Long-Term Financial Plan. If we consistently spend money in the right areas and increase our renewal budget each year, we can reverse the decline in our asset base and reduce our need to impose a substantial rate increase in the order of 15-20% in any given year as other Local Governments have had to do. Using the Moloney Financial Model we have ascertained that small successive rate increases in the order of 4% will be enough to get us back on track.

This year's budget activates the first year of this plan, with the increases shown below:

	2018/19 Actuals	2019/20 Budget	Increase
Operating Expense	5,170,732	6,067,935	897,203
Capital Expense	2,429,500	2,644,702	215,202
			\$1,112,405

The above table shows a proposed increase in spending of \$1,112,405 to maintain Shire assets, namely Roads, Waste, Buildings, Parks and Gardens. This increased spending is aimed at the core maintenance and renewal requirements of our assets, which enable us to maintain safe service level standards for all assets into the future.

Loan Borrowings

Council's total debt position as at July 1, 2019 will be \$2,410,005 (including self-supporting loans to community organisations). The end of financial year debt position will be \$2,111,432.

Description	2018/19	2019/20
Total Debt	2,694,191	2,410,005

The following loans will be expired as of June 30, 2020:

- Loan 123 Lionsville Self Supporting
- Loan 144 Recreation Centre
- Loan 145 Recreation Tennis Club
- Loan 148 Football Clubrooms Self Supporting
- Loan 153 Photovoltaic System

Reserves

Reserve funds are effectively a means to save a portion of funds generated through rates and other sources, for expenditure in the future. Reserves are used to smooth or spread major expenditures and are maintained over a 10 to 15-year cycle.

The forecast balance of reserves at June 30 2019 of \$4,409,891 is below budget expectations primarily due to the Council decision to not proceed with the Western precinct of the East Development Precinct Project and repay project funds held with the Western Australian Treasury Corporation (WATC) to Department of Primary Industries and Regional Development for the amount of \$4.31 million.

A reserve funds summary for 2019/20 is shown in the table below:

Name	Opening Balance	Adopted Budget Interest Earned	Adopted Budget Transfers In (+)	Adopted Budget Transfers Out (-)	Adopted Budget Closing Balance
	\$	\$	\$	\$	\$
Lime Quarry Rehabilitation	327,085	4,906	50,000	0	381,991
Parry Beach Camp Ground	245,495	3,682	0	(59,000)	190,177
Cemetery	2,071	31	0	0	2,102
Employee Leave Entitlements	438,523	6,578	0	0	445,101
Land & Building	329,406	4,941	90,000	(100,000)	324,347
Plant Replacement	578,065	8,671	0	0	586,736
Waste Services Reserve	600,188	9,003	50,000	(28,000)	631,191
Parks & Gardens Reserve	77,243	1,159	0	0	78,402
Aquatic Facility Development	99,617	1,494	0	(15,000)	86,111
Lionsville	314,964	4,724	0	(58,000)	261,688
Peaceful Bay Reserve	94,324	1,415	25,000	0	120,739
Rivermouth Caravan Park Reserve	84,266	1,264	10,000	0	95,530
Peaceful Bay Caravan Park Reserve	47,133	707	10,000	0	57,840
Recreation Centre Reserve	64,142	962	20,000	0	85,104
Denmark East Development	1,107,369	12,631	0	(1,120,000)	0
	4,409,891	62,169	255,000	(1,380,000)	3,347,060

For 2019/20 transfers from reserves of \$1.38 million are expected for various projects including:

- Parry Beach Campground (\$59,000) – purchase of ATV quad bike and upgrade of back toilet block;
- Land & Buildings (\$100,000) – contribution towards Plane Tree Precinct public realms development project;
- Waste Services Reserve (\$28,000) – purchase of a cardboard baler at McIntosh Waste Transfer Station and purchase of an Eco Toilet at Peaceful Bay Waste Transfer Station;
- Update Aquatic Feasibility Study (\$15,000) – contribution towards Swimming Pool Feasibility Study;
- Lionsville (\$58,000) – contribution towards repayment of Lionsville loan;
- Denmark East Development (\$1,120,000) - capital expenditure towards completion of Denmark East Development Precinct project.

Transfers to reserves are expected to total \$317,169 of which \$62,169 is interest earned and the balance of \$255,000 is in accordance with Council resolutions in relation to each reserve account.

After review, officers have recommended to change reserve fund names and definitions of the following reserves to better define the scope and intention of the reserve provisions.

From: Kwoorabup Community Reserve

To: Parks and Gardens Reserve - to be used for development of and upgrades to various parks and recreation reserves within the Shire. It is not expected to be utilised during the Financial Year.

From: Peaceful Bay Water Supply Reserve

To: Peaceful Bay Reserve - to be used for future requirements and development in this area as per asset plan. It is not expected to be utilised during the Financial Year.

From: Recreation Centre Equipment Reserve

To: Recreation Centre Reserve - to be used to for the upgrades to the facility and equipment located at the Denmark Recreation Centre. It is expected to be partially utilised during the Financial Year.

Comment:

The 2019/20 Annual Budget continues to deliver on strategies adopted by the Council and maintains a high level of service across all programs while ensuring an increased focus on road and associated infrastructure as well as renewing assets at sustainable levels. As presented, it is a balanced budget in that total income equals expenditure, after allowing for the surplus brought forward.

The purpose of this meeting of Council is to formally adopt the 2019/20 Annual Budget, in the format required by the Local Government Act 1995 (as amended). The Local Government Act 1995, section 6.2 (1) requires that the Annual Budget be adopted by 31 August of each year.

The attached Annual Budget (Attachment 5.1a) is presented in the complete statutory format and consists of the following Statements, Notes and Appendices:

- Statement of Comprehensive Income by Nature or Type
- Statement of Comprehensive Income by Program
- Statement of Cash Flows
- Rate Setting Statement
- Notes to and Forming Part of the Budget
- Appendix A Detailed Statement of Comprehensive Income
- Appendix B Capital Expenditure by Program (including Funding Sources)
- Appendix C Capital Expenditure by Nature and Type
- Appendix D Plant Replacement Program
- Appendix E Schedule of Grant Revenue
- Appendix F Subscriptions/Memberships
- Appendix G Contributions and Donations

The Schedule of Fees and Charges (Attachment 5.1a) is presented in the complete statutory format.

A Notice of Intention to Levy Differential Rates 2019/20 was advertised for public comment on 20 June 2019 in the Denmark Bulletin, in addition to public notice boards and the Shire of Denmark website. Advertisements were also placed in the Walpole Weekly, Albany Advertiser and the Shire of Denmark Facebook page for the benefit of a wider readership. Submissions closed on 12 July 2019 and seven submissions were received. (see Attachment 5.1c)

Voting Requirements:

Absolute Majority.

OFFICER RECOMMENDATION		ITEM 5.1 a)
That Council,		
1. <u>Differential General Rates and Minimum Payment Rates</u> For the purpose of yielding the deficiency disclosed by the Municipal Budget adopted as Part B below, council pursuant to Sections 6.32, 6.33, 6.34 and 6.35 of the <i>Local Government Act 1995</i> impose the following differential general rates and minimum payments on the Gross Rental and Unimproved Values.		
Differential General Rate Category	Rate in \$ (cents/\$ of valuation)	Minimum Payment
Gross Rental Value Land		
1. GRV Residential Developed	9.6428	1,097
2. GRV Business/ Commercial Developed	10.3483	1,220
3. GRV Lifestyle Developed	9.6735	1,125
4. GRV Rural Developed	10.3791	1,125
5. GRV Holiday Use Developed	10.7881	1,208
6. GRV Residential Vacant	19.2243	997
7. GRV Business/ Commercial Vacant	14.6228	950
8. GRV Rural Vacant	14.6228	1,109
9. GRV Lifestyle Vacant	18.2017	1,020
Unimproved Value Land		
10. UV Base	0.4857	1,343
11. UV Additional Use 1	0.5343	1,477
12. UV Additional Use 2	0.5829	1,611
13. UV Additional Use 3	0.6315	1,745
14. UV Additional Use 4	0.6800	1,879
2. <u>Payment Options</u> Pursuant to Section 6.45 of the <i>Local Government Act 1995</i> and regulation 64(2) of the <i>Local Government (Financial Management) Regulations 1996</i> , council nominates the following due dates for the payment in full by instalments:		
• Full payment and instalment due date	23 September 2019	
• 2 nd quarterly instalment due date	25 November 2019	
• 3 rd quarterly instalment due date	31 January 2020	
• 4 th quarterly instalment due date	31 March 2020	
3. <u>Instalment Administration Fee</u> Pursuant to Section 6.45 of the <i>Local Government Act 1995</i> and regulation 67 of the <i>Local Government (Financial Management) Regulations 1996</i> , council adopts an instalment administration charge where the owner has elected to pay rates (and service charges) through an instalment option of \$10.00 for each instalment after the initial instalment is paid.		
4. <u>Instalment Interest Charge</u> Pursuant to Section 6.45 of the <i>Local Government Act 1995</i> and regulation 68 of the <i>Local Government (Financial Management) Regulations 1996</i> , council adopts an interest rate of 5.5% per annum on rates paid and service charges through an instalment option.		
5. <u>Penalty Interest</u> Pursuant to Section 6.45 of the <i>Local Government Act 1995</i> and regulation 70 of the <i>Local Government (Financial Management) Regulations 1996</i> , council adopts an interest rate of 11% for rates (and service charges) and costs of proceedings to recover such charges that remain unpaid after becoming due and payable.		

* *Absolute majority required.*

OFFICER RECOMMENDATION

ITEM 5.1 b)

That Council;

1. 2019/20 Annual Budget

Pursuant to the provisions of Section 6.2 of the *Local Government Act 1995 and Part 3 of the Local Government (Financial Management) Regulations 1996*, that council, having considered the strategic direction of the Shire outlined in the Community Strategic Plan 2027, the Corporate Business Plan 2018-2022, the Long Term Financial Plan (draft), the Asset Management Plan (draft); and having considered proposed revenues, expenditures and budget efficiency measures for 2019/20 adopts the Annual Budget 2019/20 for the Shire of Denmark as contained in (Attachment 5.1a) which includes the following:

- a) Statement of Comprehensive Income by Nature and Type showing a net result for 2019/20 of \$724,973
- b) Statement of Comprehensive Income by Programme showing a net result for 2019/20 of \$724,923
- c) Statement of Cash Flows
- d) Rate Setting Statement showing an amount to be raised from rates of \$6,725,471
- e) Notes to and Forming Part of the Budget
- f) Budget Program Schedules
- g) Transfers to and from Reserve Accounts
- h) Supplementary information including the Capital Expenditure Program, Plant Replacement Program and Grant Revenue

2. Material Variance Reporting for 2019/20

For the purposes of Local Government (Financial Management) Regulation 34 regarding levels of variances for financial reporting, adopt a variance of 10% or greater of the annual budget for each program area in the budget, as a level that requires an explanation or report, with a minimum dollar variance of \$10,000;

3. Elected Members Fees and Allowances for 2019/20

- a) Pursuant to Section 5.99 of the *Local Government Act 1995* and regulation 34 of the *Local Government (Financial Management) Regulations 1996*, Council adopts the following annual fees for payment of elected members in lieu of individual meeting member's fees:

President	\$10,302
Councillors	\$10,302

- b) Pursuant to Section 5.98 (5) of the *Local Government Act 1995* and regulation 33 of the *Local Government (Financial Management) Regulations 1996*, Council adopts the following annual local government allowance to be paid in addition to the annual meeting allowance:

President	\$12,671
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- c) Pursuant to Section 5.98A of the *Local Government Act 1995* and regulation 33A of the *Local Government (Financial Management) Regulations 1996*, Council adopts the following annual local government allowance to be paid in addition to the annual meeting allowance:

Deputy President	\$3,168
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- d) Pursuant to Section 5.99A of the *Local Government Act 1995* and regulation 34A and 34AA of the *Local Government (Financial Management) Regulations 1996*, Council adopts the following annual allowances for elected members:

Communications Allowance	\$2,472
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4. Schedule of Fees and Charges

Pursuant to Section 6.16 of the *Local Government Act 1995*, Council adopts the Fees and Charges of the 2019/20 Budget included as (Attachment 5.1b) of this agenda and minutes.

* *Absolute majority required.*

OFFICER RECOMMENDATION

ITEM 5.1 c)

That Council resolve to waive 100% of the 2019/20 local government rate charge, including any and all future interim adjustments for the property assessments listed in Note 12 of the 2019/20 Municipal Budget in accordance with section 6.47 of the *Local Government Act 1995*, noting that the amount totalling \$50,965 is subject to final confirmation during the 2019/20 rate billing process:

6. CLOSURE OF MEETING