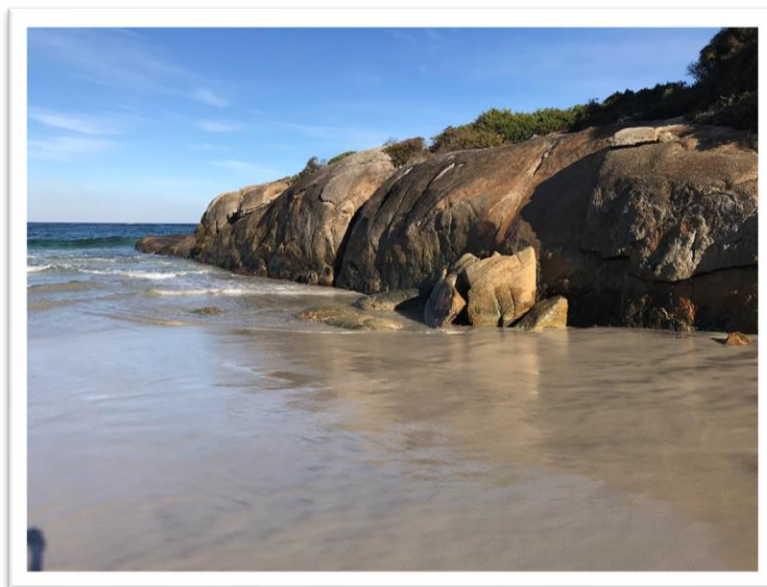


# Shire of Denmark

## Special Council Meeting MINUTES

4 August 2020



HELD IN THE COUNCIL CHAMBERS, 953 SOUTH COAST HIGHWAY, DENMARK  
ON TUESDAY, 4 AUGUST 2020.

---

For the purpose of adopting the 2020/2021 Annual Budget.



### Contact Us

953 South Coast Highway, Denmark WA 6333

*Correspondence to:*

Post Office Box 183, DENMARK WA 6333

Phone: (08) 9848 0300 | Email: [enquiries@denmark.wa.gov.au](mailto:enquiries@denmark.wa.gov.au)

Website: [www.denmark.wa.gov.au](http://www.denmark.wa.gov.au)

Facebook: shireofdenmark

# 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 stable and locally supported business community that embraces innovation, 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, active and safe 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
- L5.6 To seek two-way communication that is open and effective

## **DISCLAIMER**

These minutes and resolutions are subject to confirmation by Council and therefore prior to relying on them, one should refer to the subsequent meeting of Council with respect to their accuracy.

No responsibility whatsoever is implied or accepted by the Shire of Denmark for any act, omission or statement or intimation occurring during Council/Committee meetings or during formal/informal conversations with staff.

The Shire of Denmark disclaims any liability for any loss whatsoever and howsoever caused arising out of reliance by any person or legal entity on any such act, omission or statement or intimation occurring during Council/Committee meetings or discussions. Any person or legal entity who acts or fails to act in reliance upon any statement does so at that person's or legal entity's own risk.

In particular and without derogating in any way from the broad disclaimer above, in any discussion regarding any planning application or application for a license, any statement or limitation or approval made by a member or officer of the Shire of Denmark during the course of any meeting is not intended to be and is not taken as notice of approval from the Shire of Denmark. The Shire of Denmark warns that anyone who has an application lodged with the Shire of Denmark must obtain and should only rely on WRITTEN CONFIRMATION of the outcome of the application, and any conditions attaching to the decision made by the Shire of Denmark in respect of the application.

# 1. Contents

1. DECLARATION OF OPENING/ANNOUNCEMENT OF VISITORS.....	5
2. RECORD OF ATTENDANCE/APOLOGIES/LEAVE OF ABSENCE.....	5
3. ANNOUNCEMENT BY THE PERSON PRESIDING .....	5
4. PUBLIC QUESTION TIME .....	5
4.1 PUBLIC QUESTIONS.....	5
5. REPORTS OF OFFICERS.....	6
5.1 ADOPTION OF 2020/2021 ANNUAL BUDGET .....	6
6. MATTERS BEHIND CLOSED DOORS.....	20
7. CLOSURE OF MEETING .....	20

## 1. DECLARATION OF OPENING/ANNOUNCEMENT OF VISITORS

4.01pm – The Shire President, Cr Gearon, declared the meeting open and welcomed visitors to the meeting.

Cr Gearon acknowledged the land on which the meeting was being held and the traditional custodians of the land, the Bibbulmun and Minang people. Cr Gearon stated that she would also like to show her respect for Elders past, present and emerging.

## 2. RECORD OF ATTENDANCE/APOLOGIES/LEAVE OF ABSENCE

### MEMBERS:

Cr Ceinwen Gearon (Shire President)  
Cr Mark Allen (Deputy Shire President)  
Cr Geoff Bowley  
Cr Kingsley Gibson  
Cr Jan Lewis  
Cr Ian Osborne  
Cr Roger Seeney

### STAFF:

Mr David Schober (Acting Chief Executive Officer)  
Mr David King (Director Assets and Sustainable Development)  
Mr Lee Sounness (Executive Manager Corporate Services)  
Ms Angela Simpson (Executive Manager Community Services)  
Ms Sue Mearns (Executive Support Officer)

### APOLOGIES:

Nil

### ON LEAVE OF ABSENCE:

Cr Steve Jones (pursuant to Council Resolution No. 030720)  
Cr Janine Phillips (pursuant to Council Resolution No. 040720)

### ABSENT:

Nil

### VISITORS:

Members of the public in attendance: 3

### DECLARATIONS OF INTEREST:

Nil

## 3. ANNOUNCEMENT BY THE PERSON PRESIDING

Nil

## 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

##### **4.1.1 Mr Michael Travers – Adoption of 2020/2021 Annual Budget**

Mr Travers questioned Shire Officers with regards to depreciation amounts quoted in the 2020/21 Annual Budget.

The first question related to page 19 of the Annual Budget and the non-cash items (depreciation) included in Note 3 - Reconciliation of Cash. Shire Officers confirmed that non-cash items form part of Note 3 - Reconciliation of Cash in line with accounting standard requirements and to reconcile the Net Cash from Operating Activities total back to the Statement of Cash Flow net cash total on Page 6 of the Statutory Budget.

The second question related to depreciation of transport infrastructure as detailed on page 67 of the Annual Budget. Mr Travers sought clarity on transport depreciation when compared to proposed transport expenditure. Officers clarified that whilst \$1.4M was proposed for general transport maintenance, a further \$6.3M was to be spent on Capital upgrades and renewals that would meet or exceed depreciation expense.

## **5. REPORTS OF OFFICERS**

### **5.1 ADOPTION OF 2020/2021 ANNUAL BUDGET**

<b>File Ref:</b>	FIN.1
<b>Applicant / Proponent:</b>	Not applicable
<b>Subject Land / Locality:</b>	Not applicable
<b>Disclosure of Officer Interest:</b>	Nil
<b>Date:</b>	28 July 2020
<b>Author:</b>	Lee Sounness, Executive Manager Corporate Services
<b>Authorising Officer:</b>	Lee Sounness, Executive Manager Corporate Services
<b>Attachments:</b>	5.1a – 2020/21 Draft Annual Budget 5.1b – 2020/21 Draft Schedule of Fees and Charges

#### **Summary:**

To consider and adopt the Municipal Budget for the 2020/21 financial year together with supporting schedules, including imposition of rates and minimum payments, adoption of fees and charges, establishment of new reserve funds, setting of elected members fees for the year and other consequential matters (including impact of COVID-19 pandemic) arising from the budget papers.

#### **Background:**

The 2020/21 Budget (Attachment 5.1a) is the result of input from Shire's business units and has been prepared in accordance with presentations to Councillors at a number of Councillor Workshops. Although the Shire's Strategic Community Plan, Long Term Financial Plan, Asset Management Plan and Corporate Business Plan have been considered, the major consideration guiding the budget are the assumptions formed as a result of the ongoing COVID-19 pandemic.

COVID-19 was declared a pandemic by the World Health Organisation on 11<sup>th</sup> of March 2020. On 16 March 2020, the Government of Western Australia declared a State of Emergency. A series of restrictions have since been imposed on individuals and businesses, affecting the social, cultural and economic well-being of our community. As a result, on 8 May 2020, the Local

Government (COVID-19 Response) Ministerial Order 2020 was gazetted. The impact of this order is reflected in the officer's recommendations.

In light of the ongoing effects to the economy, as a result of the COVID-19 pandemic and the restructured operations of the Shire, the following underlying assumptions from the Long-Term Financial Plan (LTFP) were **not** taken into consideration when informing the 2020/21 Budget.

Adopted LTFP Plan Assumptions:

- Business as usual – existing service levels are maintained.
- Rate base will grow minimally over the life of the plan.
- Rates revenue will increase by an average of 4% per year.
- Staff costs will increase by no more than 3% per year.
- Staff levels will remain stable during the first four years.
- Inflation will be 2% per year.

The following assumptions endorsed by Council, inform the 2020/21 Annual Budget:

- 0% increase in property rates including rate waivers as required.
- Inflation estimated at 1.5%.
- 0% increase in salary and wage levels.
- Reinstatement of staff FTE's to align to the Shire Workforce Plan.
- Deferral of corporate business plan projects.
- Decreased revenue estimates for Recreation Services, Parry Beach Campground, Planning & Building fees and Council asset hire fees.
- Projected return to full services within 3 months across COVID-19 pandemic affected operations.
- Access to a short term lending facility to fund possible cash shortfalls due to delays in receipt of income.

The major components of the budget are:

- A capital works program totalling \$7.03 million.
- Non-operating revenue (capital grants) of \$5.381 million.
- No new long term loan borrowings.
- Operating expenditure of \$15.541 million.
- Operating revenue of \$11.534 million. (Includes \$6.560 million in rate revenue).
- Transfer to reserves of \$803,452.
- Transfer from reserves of \$898,000.
- \$200,000 budget closing surplus for Covid19 pandemic response.
- Estimated carry forward balance of \$1,504,620, which includes a component of pre-paid grant funding for the 2020/21 financial year.

### **Consultation:**

While no specific consultation has occurred on the 2020/21 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.

Councillors have been involved throughout the budget process in briefings and workshops relating to review and analysis of all types of operating income and expenditure estimates, capital works programme and the funding sources that enable it to be achieved.

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

A review of the differential rating system was conducted during the course of 2019/20. At the conclusion of the review, Council endorsed reducing the rating categories from fourteen to four and the associated characteristics, objects and reasons for each category.

The proposed differential general rates and minimum payments were presented at the Council Budget Workshop on 30 June 2020 and advertised for public comment. No submissions were received by 24 July 2020 when the public comment period closed.

**Statutory Obligations:**

The Annual Budget 2020/21 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.

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.

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.

In accordance with regulation 34(5) of the Regulations, and AASB 1031 Materiality, the material variances to be used in the 2020/21 Financial Activity Statement shall be an amount of \$10,000 or 10% of the appropriate base, whichever is the higher.

The 2020/21 budget aligns with the intent and requirements of the *Local Government (COVID-19 Response) Ministerial Order 2020*, gazetted on 8 May 2020.

**Policy Implications:**

The following policies relate:

P040125 Community Financial Assistance Program

P040232 Municipal Budget Policy

**Budget / Financial Implications:**

The adoption of the 2020/21 Annual Budget determines the financial operations of the Shire for the 2020/21 financial year. Specific financial implications are outlined in the "Details" section of this report.

Due to circumstances outlined earlier in this report, due to the COVID-19 pandemic, the 2020/21 Annual Budget is not totally consistent with the Long Term Financial Plan (LTFP). Noting that the LTFP contains a set of long range financial projections, based on assumptions and is intended to be a guide only with the financial approval of specific projects or proposals subject to the annual budget adoption process. The LTFP will be reviewed and updated as a consequence of the adoption of the 2020/21 budget and the issues that influenced it.

A review of the Annual Budget will be carried out by officers on a quarterly basis during 2020/21 and presented to Council for consideration.

**Strategic & Corporate Plan Implications:**

The report and officer recommendation are generally 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 2020/21 Annual Budget supports key environmental strategies and initiatives adopted by Council.

➤ **Economic:**

The 2020/21 Annual Budget has been developed based on sound financial management and accountability principles and takes into account the economic issues resulting from the ongoing COVID-19 pandemic.

➤ **Social:**

The 2020/21 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

**Details:**

The budget has been prepared following a series of comprehensive budget workshops between Councillors and staff, which examined in detail the various budget issues. Whilst the Shire's Strategic Community Plan, Long Term Financial Plan, Asset Management and Corporate Business Plan continue to drive operational activity, a major consideration influencing the 2020/21 budget is the ongoing Covid-19 Pandemic.

The budget includes information required by the Local Government Act 1995, Local Government (Financial Management) Regulations 1996 and Australian Accounting Standards. The main features of the 2020/21 budget include:

1. A capital works program totalling \$7.028m, for investment in infrastructure, land and buildings, and plant & equipment. Expenditure on road infrastructure is the major component of this (\$5.991m) which is in line with council's strategy to increase investment in the road preservation and renewal of that asset class.
2. Non-operating revenue (capital grants) of \$5.381 million.
3. A 0.59% decrease in total rate revenue to ensure no ratepayer shall pay more in rates for the same assessment than they did in 2019/20. The exception to this is where improvements or developments have occurred on the relevant property which have increased the rateable value.

4. Fees and charges (including household and commercial waste charges) frozen to the same level as in 2019/20 except for lime sales fees, lease fees and any other charge governed by legislation or any other overriding agreement.
5. An estimated brought forward surplus of \$1,504,620 which includes a component of pre-paid grant funding for 2020/21.

A summary of the 2020/21 Budget compared to the 2019/20 Forecast Actual result and 2019/20 Budget is provided below for reference purposes:

<b>Summary of End of Financial Year Position 2020/2021</b>			
Description	2020/2021 Budget	2019/2020 Forecast Actual	2019/2020 Budget
Rates Revenue	\$ 6,559,632	\$ 6,679,282	\$ 6,674,506
Operating Revenue	\$ 4,974,552	\$ 5,720,336	\$ 5,863,023
Operating Expenditure	\$ (15,541,336)	\$ (14,902,193)	\$ (15,803,374)
<b>Net Operating Result</b>	<b>\$ (4,007,152)</b>	<b>\$ (2,502,575)</b>	<b>\$ (3,265,847)</b>
Capital Grants	\$ 5,380,602	\$ 2,771,295	\$ 2,715,774
Profit/Loss on Asset Disposals	\$ 51,000	\$ (276,015)	\$ (174,900)
<b>Net Result (Statement of Comprehensive Income)</b>	<b>\$ 1,424,450</b>	<b>\$ (7,295)</b>	<b>\$ (724,973)</b>
Add Back Non-Cash item - Depreciation	\$ 4,459,461	\$ 4,587,095	\$ 4,469,600
Add Back Non-Cash item - Profit/Loss on Sale of Asset	\$ (51,000)	\$ 276,016	\$ 174,900
Movement in Accruals	\$ -	\$ 9,691	\$ -
Expenses not yet realised	\$ -	\$ (25,875)	\$ -
<b>Sub Total</b>	<b>\$ 5,832,911</b>	<b>\$ 4,839,632</b>	<b>\$ 3,919,527</b>
Capital Acquisitions	\$ (7,027,937)	\$ (4,261,209)	\$ (5,926,813)
Debt Service - Principal	\$ (245,165)	\$ (298,573)	\$ (298,573)
Lease Service - Principal Adjustment	\$ (98,027)	\$ (119,318)	
S/S Loan Principal Income	\$ 22,049	\$ 53,565	\$ 53,853
Proceeds from Sales of Assets	\$ 117,000	\$ 149,449	\$ 156,000
<b>Sub Total</b>	<b>\$ (1,399,168)</b>	<b>\$ 363,546</b>	<b>\$ (2,096,006)</b>
Restricted Grants to be C/fwd.		\$ -	
Restricted Grants to be utilised	\$ -	\$ 182,931	\$ 182,931
Transfer to Reserves	\$ (803,452)	\$ (320,409)	\$ (317,170)
Transfer from Reserves	\$ 898,000	\$ 448,887	\$ 1,380,000
<b>Deficit</b>	<b>\$ (1,304,620)</b>	<b>\$ 674,955</b>	<b>\$ (850,243)</b>
EOY Surplus Carried Forward	\$ 1,504,620	\$ 829,665	\$ 850,243
<b>CLOSING BUDGET POSITION</b>	<b>\$ 200,000</b>	<b>\$ 1,504,620</b>	<b>\$ -</b>

It is expected the Shire will commence the budget year with a surplus of \$1,504,620 from 2019/20. This is an increase on the budgeted result expected for the year and is a result of a number of factors including:

- Advance payment for the 2020/21 Financial Assistance Grants received in May 2020;
- Over and under expenditure and revenues for the year including those as a direct result of the effects from the COVID-19 pandemic.
- A change in the approach for undertaking capital works projects resulted in savings in contracted works and associated overhead costs.

#### Rates

In April 2019, Council endorsed a proposal to consider changes to the Shire's existing differential rating system to better align with the principles of Local Government Rating (s6.33 differential rates), being;

- a. Objectivity;
- b. Fairness and Equity;
- c. Consistency;

- d. Transparency and;
- e. Administrative efficiency.

In June 2020 Council endorsed that the categories, characteristics, objects and reasons contained within the attached statutory budget as the basis of the Shire of Denmark's Rating System. The differential rating categories are now:

**GRV**

- 1. Non Rural Improved
- 2. Holiday Purposes
- 3. Vacant

**UV**

- 4. Rural

Council is expecting to raise \$6,559,632 in rate revenue for 2020/21 after rate concessions and rate waivers have been applied. The total amount raised is -0.59% lower than the total rate revenue of \$6,674,506 raised in rates for the 2019/20 year and includes growth in rateable properties of .02%. Rate modelling has taken into account the principle that no ratepayer shall pay more in rates for the same assessment than they did in 2019/20. In circumstances where the changes lead to a rates bill for an individual rates assessment which is greater than it was in 2019/20, then a rate waiver is proposed that is equal to the modelled increase. The exception to this is where improvements or developments have occurred on the relevant property which have increased the rateable value.

Rate Waiver Vacant Category	\$47,175
Rate Waiver Rural Category	<u>\$27,305</u>
Total Rate Waivers	\$74,480

Landgate provides the Shire with valuations dependent on the properties rating basis of Unimproved Value (UV) or Gross Rental Value (GRV). The 2020 annual UV revaluations have been received and will apply from July 1 2020. The triennial GRV revaluations were applied from July 1 2019 and are next due to be applied in 2022.

The number of properties used to calculate rates for the budget has increased from 4,086 in 2019/20 to 4,096 in 2020/21.

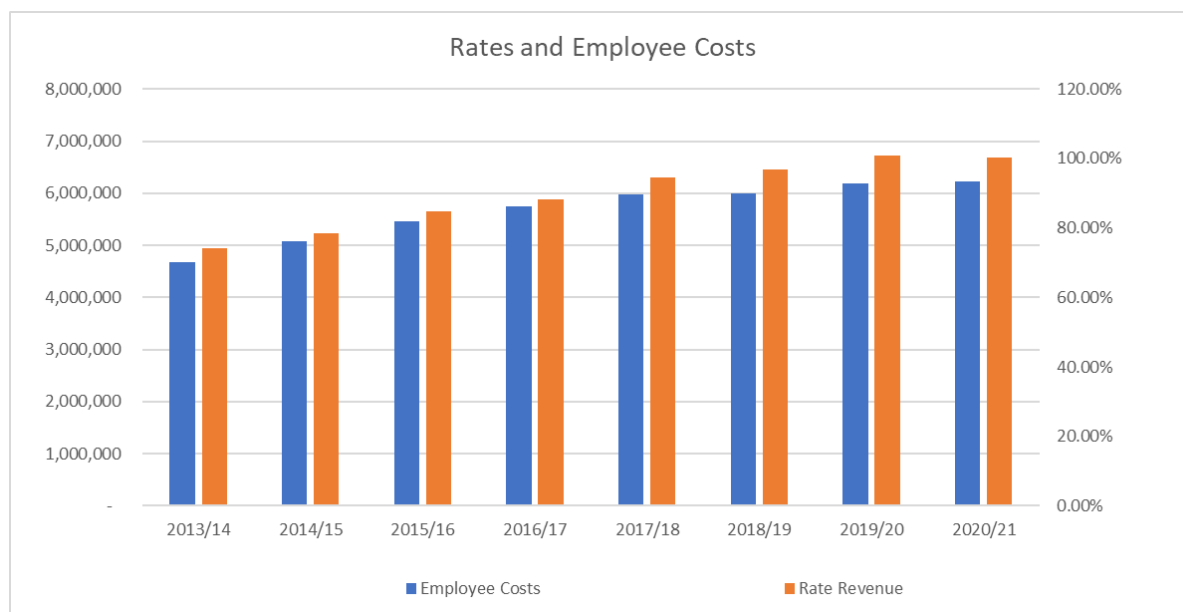
**Employees**

As part of the Shire's response to the COVID-19 pandemic, it was agreed in June that no employee would receive any % increase in their salary as part of the 2020/21 Annual Budget. The Long Term Financial Plan had forecast a 3% increase for 2020/21. There have been no additional staff added to the 2020/21 Budget from that of the 2019/20 financial year, which is in line with the Workforce Plan.

Total employee costs (excluding capital project employee allocations) are budgeted to be \$6,231,571 in 2020/21 compared to \$6,192,403 in 2019/20. While the salaries and wages total costs have not increased significantly, a higher proportion of the 2020/21 costs relate to Shire's capital works program.

Description	2020/21	2019/20
Salaries & Wages	5,465,253	5,445,421
Superannuation	652,266	626,278
Other Employee Costs	254,620	249,150
	<b>6,372,139</b>	<b>6,320,849</b>
less: Capital Project Wage Allocations	-140,658	-128,446
<b>Total Employee Costs</b>	<b>6,231,481</b>	<b>6,192,403</b>

The following chart compares operating employee costs and rates and shows that for 2020/21 budgeted operating employee costs constitute approximately 93.20% of budgeted rates and is 1.13% higher than last year's ratio of 92.07%. This is due to less rates revenue forecast to be yielded in 2020/21 than in 2019/20 while employee costs have remained relatively the same.



#### Capital Expenditure Program

The 2020/21 Capital Expenditure Program Budget (Attachment 5.1a) is projected at \$7,027,937, a significant increase on the 2019/20 budget of \$5,926,813. This is mainly due to an increase in external grants secured from various government agencies to fund the capital program. Funding of the Capital Expenditure Program (including plant replacement) is made up of:

Government (external) grant funding - 76%	5,380,602
Reserve funding - 12%	825,000
Council funding - 10%	681,135
Sale of Assets (P&E) - 1.67%	117,000
Other Contributions - 0.33%	24,200
	<b>7,027,937</b>

The Budget contains significant investment in a number of infrastructure projects that will add to the local economic activity, create jobs and improve the Shire's facilities for the benefits of its residents. A summary of the major capital projects are shown in the table below:

<b>Summary of Major Capital Expenditure</b>	<b>2020/21</b>
Lights Beach Carpark & Toilets	734,000
Denmark East – LIA Lot Earthworks & East River Road West	550,000
MRWA Bridges	1,680,000
MRWA Road Projects	2,482,000
Rail Trail Bridge (carried forward from 2019/20)	200,000
Community Infrastructure Project	349,937
Plane Tree Precinct – Amphitheatre & Fire wise Garden	180,000
Infrastructure for Container Deposit Scheme - MRWF	70,000
Praed Lane Roadworks	70,000
Other Infrastructure Works	175,000
Plant & Vehicle Replacement	537,000

#### Loan Borrowings

Council's total debt position as at July 1, 2020 is \$2,111,432 (including self-supporting loans to community organisations). The debt position as at 30 June 2021 will reduce to \$1,866,267.

Total Debt Service 2020/2021	\$352,935
Total Debt Service 2019/2020	<u>\$421,244</u>
Reduction in Debt Service Cost	\$ 68,309

### Reserves

Reserve funds are an effective means to save for expenditure in future years. Reserves are used to smooth the impact on major items of expenditure, such as plant and machinery which can be managed over a 10 to 15-year cycle.

The forecast balance of reserves as at June 30 2021 is expected to be \$4,281,518 and compares to a balance of \$4,376,066 at June 30 2020. Overall net transfers from reserves total \$94,548.

A reserve funds summary for 2020/21 is shown in the table below:

RESERVE FUND 2020/2021 BUDGET				
Name of Reserve	Est Balance 30 June 2020	Transfers to Reserves	Transfers from Reserves	Est Balance 30 June 2021
Lime Quarry Rehabilitation Reserve	382,857	32,257		415,114
Parry Inlet Reserve	197,497	1,164		198,661
Cemetery Reserve	2,108	12		2,120
Employee Entitlements Reserve	446,261	2,631		448,892
Infrastructure Reserve	425,218	294,430		719,648
Plant Replacement Reserve	588,265	203,468	(205,000)	586,733
Waste Services Reserve	654,706	54,035	(70,000)	638,741
Parks and Gardens Reserve	78,606	463		79,069
Aquatic Facility Development Reserve	101,375	598	(15,000)	86,973
Lionsville Loan Reserve	262,326	1,547	(58,000)	205,873
Peaceful Bay Reserve	120,988	88,683		209,671
Rivermouth Caravan Park Reserve	95,752	5,565		101,317
Peaceful Bay Caravan Park Reserve	57,964	5,342		63,306
Recreation Centre Reserve	85,273	10,503		95,776
Denmark East Development Reserve	876,869	2,754	(550,000)	329,623
Strategic Reserve (new)	0	100,000		100,000
	<b>4,376,066</b>	<b>803,542</b>	<b>(898,000)</b>	<b>4,281,518</b>
			<b>(94,548)</b>	
		<b>Net Reserve Transfers</b>		

Transfers to reserves total \$803,542, of which \$22,970 is interest earned, with a balance of \$780,481 in accordance with Council's direction.

Transfers from reserves of \$898,000 are expected which include:

- Waste Services Reserve (\$70,000) – contribution towards infrastructure to enable establishment of the Container Deposit Scheme at McIntosh Road Waste Facility;
- Plant Replacement Reserve (\$205,000) – contribution towards the purchase of various Shire Vehicles as part of the 10 year Plant Replacement Program;
- Aquatic Facility Development (\$15,000) – contribution towards Swimming Pool Feasibility Study;
- Lionsville (\$58,000) – contribution towards repayment of Lionsville loan;
- Denmark East Development Reserve (\$550,000) - capital expenditure towards Denmark East Development Precinct project.

Pursuant to section 6.11 of the Local Government Act 1995 it is proposed within the officer's recommendation of this report that the Land and Buildings Reserve be renamed to the *Infrastructure Reserve* with the purpose of the reserve amended to: *fund for the purchase, construction, replacement or upgrade of any Council owned infrastructure asset.*

The change in name and purpose of the Land and Buildings Reserve to the Infrastructure Reserve will allow Council greater flexibility to purpose the reserves balance to any new or existing infrastructure asset across the Shire including land and buildings.

An amount of \$294,430 has been allocated into the Infrastructure Reserve to ensure adequate funds are available for future construction of new assets as identified in the Long Term Financial Plan and the availability of monies to support co-funding of shovel ready projects identified and supported through funding opportunities.

Pursuant to section 6.11 of the Local Government Act 1995 it is proposed within the officer's recommendation of this report that of the \$803,452 to be transferred to reserves, \$100,000 be transferred into a newly created *Strategic Reserve* for the purpose of *funding strategic projects as included in the Shire's Strategic Community Plan and Corporate Business Plan.*

**Comment:**

The 2020/21 Annual Budget seeks to address community needs during the pandemic by applying a 0% increase to rates, fees and charges, whilst seeking to invest in projects that stimulate the local economy. The budget continues to prioritise strategies adopted by Council and seeks to balance high level of service delivery, and community expectations, against a significant increase in the Shire's capital works program. There is an increased focus on road and associated infrastructure, where renewal of existing assets, at sustainable levels, remains a key priority. A \$200,000 closing surplus is provided to enable Council to respond swiftly during the pandemic should it be required.

The purpose of this meeting of Council is to formally adopt the 2020/21 Annual Budget, in the format required by the Local Government Act 1995. 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 Summary by Type
- Appendix D Plant Replacement Program
- Appendix E Schedule of Grant Revenue
- Appendix F Contributions/Donations and Subscriptions/Memberships

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

A Notice of Intention to Levy Differential Rates 2020/21 was advertised for public comment on 2 July 2020 in the Albany Advertiser, the Shire of Denmark website and Facebook page. Advertisements were also placed in the Walpole Weekly, the Denmark Bulletin and in addition to public notice boards for the benefit of the wider community. Submissions closed on 24 July 2020 and no submissions were received.



**COUNCIL RESOLUTION**

ITEM 5.1a)

MOVED: CR GIBSON

SECONDED: CR ALLEN

That Council;

1. Differential General Rates and Minimum Payment Rates

Pursuant to Sections 6.32, 6.33, 6.34 and 6.35 of the *Local Government Act 1995* and the *Local Government (COVID-19 Response) Ministerial Order 2020*, ADOPT the following differential general rates and minimum payments;

Differential General Rate Category	Rate in \$ (cents/\$ of valuation)	Minimum Payment
<b>Gross Rental Value (GRV) Land</b>		
1. Non Rural Improved	09.5724	1,097
2. Holiday Purposes	10.7095	1,208
3. Vacant Land	19.0840	1,109
<b>Unimproved Value (UV) Land</b>		
4. Rural	0.5038	1,343

2. Payment Options

Pursuant to Section 6.45 of the *Local Government Act 1995* and regulation 64(2) of the *Local Government (Financial Management) Regulations 1996*, APPROVE the following due dates for the payment of rates in full by instalments;

- |   |                   |
|---|-------------------|
| • Full payment and 1st instalment due date      | 23 September 2020 |
| • 2 <sup>nd</sup> quarterly instalment due date | 25 November 2020  |
| • 3 <sup>rd</sup> quarterly instalment due date | 27 January 2021   |
| • 4 <sup>th</sup> quarterly instalment due date | 31 March 2021     |

3. Instalment Administration Fee

Pursuant to Section 6.45 of the *Local Government Act 1995* and regulation 67 of the *Local Government (Financial Management) Regulations 1996*, ADOPT 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. Instalment Interest Charge

Pursuant to Section 6.45(3) of the *Local Government Act 1995*, regulation 68 of the *Local Government (Financial Management) Regulations 1996* and clause 13 of the *Local Government (COVID-19 Response) Ministerial Order 2020*, ADOPT an interest rate of 3.5% per annum on outstanding instalment option rates and service charges;

5. Penalty Interest

Pursuant to Section 6.15(1) of the *Local Government Act 1995*, regulation 70 of the *Local Government (Financial Management) Regulations 1996* and clause 14 of the *Local Government (COVID-19 Response) Ministerial Order 2020*, ADOPT an interest rate of 7% for rates (and service charges) and costs of proceedings to recover such charges that remain unpaid after becoming due and payable;

6. Hardship

NOTE with respect to part 3, 4 & 5 (above), that in accordance with Council's Financial Hardship Policy and with the *Local Government (COVID-19 Response) Ministerial Order 2020*, instalment administration fees, instalment interest charges and penalty interest cannot be applied to a person that has been determined to be experiencing genuine financial hardship due to the COVID-19 pandemic.

CARRIED UNANIMOUSLY: 7/0

Res: 010820



## OFFICER RECOMMENDATION

ITEM 5.1b)

1. 2020/21 Annual Budget

That Council ADOPT, 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 and the Local Government (COVID-19 Response) Ministerial Order 2020*, 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, the Asset Management Plan; and having considered proposed revenues, expenditures and budget efficiency measures for 2020/21 adopts the Annual Budget 2020/21 for the Shire of Denmark as contained in Attachment 5.1a which includes the following:

- Statement of Comprehensive Income by Nature and Type showing a net result for 2020/21 of \$1,424,450
- Statement of Comprehensive Income by Programme showing a net result for 2020/21 of \$1,424,450
- An end of year budget surplus of \$200,000
- Statement of Cash Flows
- Rate Setting Statement showing an amount to be raised from rates of \$6,559,632
- Notes to and forming part of the Budget
- Budget Program Schedules
- Transfers to Reserve accounts \$803,451 and from Reserve Accounts \$898,000
- Supplementary information including the Capital Expenditure Program, Plant Replacement Program and Grant Revenue

2. Material Variance Reporting for 2020/21

That Council ADOPT, for the purposes of Local Government (Financial Management) Regulation 34 regarding levels of variances for financial reporting, 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 2020/21

That Council ADOPT;

- a) Pursuant to Section 5.99 of the *Local Government Act 1995* and regulation 34 of the *Local Government (Financial Management) Regulations 1996*, 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*, the following annual local government allowance to be paid in addition to the annual meeting allowance:

President	\$12,671
-----------	----------

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

Deputy President	\$3,168
------------------	---------

- 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*, the following annual allowances for elected members:

Communications Allowance	\$2,472
--------------------------	---------

4. Schedule of Fees and Charges

That Council ADOPT, pursuant to Section 6.16 of the *Local Government Act 1995*, the Fees and Charges of the 2020/21 Budget included as Attachment 5.1b of this agenda and minutes.

**COUNCIL RESOLUTION**

ITEM 5.1b)(i)

MOVED: CR GIBSON

SECONDED: CR ALLEN

Elected Members Fees and Allowances for 2020/21

That Council;

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

Councillors	\$10,302
-------------	----------

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

President	\$12,671
-----------	----------

3. Pursuant to Section 5.98A of the *Local Government Act 1995* and regulation 33A of the *Local Government (Financial Management) Regulations 1996*, ADOPT the following annual local government allowance to be paid in addition to the annual meeting allowance:

Deputy President	\$3,168
------------------	---------

4. Pursuant to Section 5.99A of the *Local Government Act 1995* and regulation 34A and 34AA of the *Local Government (Financial Management) Regulations 1996*, ADOPT the following annual allowances for elected members:

Communications Allowance	\$2,472
--------------------------	---------

CARRIED UNANIMOUSLY: 7/0

Res: 020820

**COUNCIL RESOLUTION**

ITEM 5.1c)(ii)

MOVED: CR GIBSON

SECONDED: CR ALLEN

That Council;

1. 2020/21 Annual Budget

Pursuant to the provisions of Section 6.2 of the *Local Government Act 1995, Part 3 of the Local Government (Financial Management) Regulations 1996 and the Local Government (COVID-19 Response) Ministerial Order 2020*, 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, the Asset Management Plan; and having considered proposed revenues, expenditures and budget efficiency measures for 2020/21, ADOPT the Annual Budget 2020/21 for the Shire of Denmark as per Attachment 5.1a, which includes the following:

- Statement of Comprehensive Income by Nature and Type showing a net result for 2020/21 of \$1,424,450
- Statement of Comprehensive Income by Programme showing a net result for 2020/21 of \$1,424,450
- An end of year budget surplus of \$200,000
- Statement of Cash Flows
- Rate Setting Statement showing an amount to be raised from rates of \$6,559,632
- Notes to and forming part of the Budget
- Budget Program Schedules
- Transfers to Reserve accounts of \$803,451 and from Reserve Accounts of \$898,000
- Supplementary information including the Capital Expenditure Program, Plant Replacement Program and Grant Revenue

**2. Material Variance Reporting for 2020/21**

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. Schedule of Fees and Charges**

Pursuant to Section 6.16 of the *Local Government Act 1995*, ADOPT the Fees and Charges of the 2020/21 Budget as per Attachment 5.1b.

CARRIED UNANIMOUSLY: 7/0

Res: 030820

**OFFICER RECOMMENDATION**

ITEM 5.1c)

**1. Rate Waivers**

That Council APPROVE, pursuant to section 6.47 of the *Local Government Act 1995*, to waive 100% of the 2020/21 local government rate charge, including any and all future interim adjustments for the property assessments listed in Note 12 of the 2020/21 Municipal Budget, noting that the amount totalling \$51,971 is subject to final confirmation during the 2020/21 rate billing process.

**2. Rate Concessions**

That Council APPROVE, pursuant to section 6.47 of the *Local Government Act 1995*, a concession against any increase on the 2020/21 local government rate charge of an assessment compared to the previous year's assessment to ensure no ratepayer pays more in rates (excluding anyone who has made significant changes to their property) for the total amount listed in Note 12 of the 2020/21 Municipal Budget, noting that the amount totalling \$74,480 is subject to final confirmation during the 2020/21 rate billing process.

**COUNCIL RESOLUTION**

ITEM 5.1c)

MOVED: CR GIBSON

SECONDED: CR ALLEN

That Council;

**1. Rate Waivers**

Pursuant to section 6.47 of the *Local Government Act 1995*, WAIVE 100% of the 2020/21 local government rate charge, including any and all future interim adjustments for the individual property assessments listed in Note 1(h) of the 2020/21 Shire of Denmark Municipal Budget (attachment 5.1a), noting that the amount of waivers totalling \$51,971, is subject to final confirmation during the 2020/21 rate billing process.

**2. Rate Concessions**

Pursuant to section 6.47 of the *Local Government Act 1995*, APPROVE a concession against any increase on the 2020/21 local government rate charge of an assessment compared to the previous year's assessment, to ensure no ratepayer pays more in rates (excluding anyone who has made significant changes to their property), for the total amount of \$74,480 as listed in Note 1(h) of the Shire of Denmark 2020/21 Municipal Budget (attachment 5.1a), noting that the total amount is subject to final confirmation during the 2020/21 rate billing process.

CARRIED UNANIMOUSLY: 7/0

Res: 040820

**OFFICER RECOMMENDATION**

ITEM 5.1d)

**1. Reserve Funds – New Reserve Established**

That Council, pursuant to section 6.11 of the *Local Government Act 1995*, to ESTABLISH a Strategic Reserve for the purpose of funding strategic projects as included in the Shire's Strategic Community Plan and Corporate Business Plan.

2. Reserve Funds – Change of Name and Purpose

That Council, pursuant to section 6.11 of the Local Government Act 1995, RENAME and CHANGE THE PURPOSE of the Land and Buildings Reserve to the Infrastructure Reserve, for the purpose of funding the purchase, construction, replacement or upgrade of any Council owned infrastructure asset.

**COUNCIL RESOLUTION**

ITEM 5.1d)

MOVED: CR GIBSON

SECONDED: CR ALLEN

That Council;

1. Reserve Funds – New Reserve Established

Pursuant to section 6.11 of the *Local Government Act 1995*, ESTABLISH a Strategic Reserve for the purpose of funding strategic projects;

2. Reserve Funds – Change of Name and Purpose

Pursuant to section 6.11 of the *Local Government Act 1995*, RENAME the Land and Buildings Reserve to the Land and Infrastructure Reserve and CHANGE THE PURPOSE of this reserve for the purpose of funding the purchase of land and/or the purchase, construction, replacement or upgrade of any Council-owned infrastructure asset.

CARRIED UNANIMOUSLY: 7/0

Res:050820

**6. MATTERS BEHIND CLOSED DOORS**

Nil

**7. CLOSURE OF MEETING**

4.45pm – *There being no further business to discuss, the Shire President, Cr Gearon declared the meeting closed.*

The Chief Executive Officer recommends the endorsement of these minutes at the next meeting.

Signed: \_\_\_\_\_  
*David Schober – Acting Chief Executive Officer*

Date: \_\_\_\_\_

These minutes were confirmed at a meeting on the \_\_\_\_\_.

Signed: \_\_\_\_\_  
*(Presiding Person at the meeting at which the minutes were confirmed.)*