

# Shire of Denmark

## Special Council Meeting AGENDA

17 August 2021



TO BE HELD IN THE COUNCIL CHAMBERS, 953 SOUTH COAST HIGHWAY, DENMARK ON TUESDAY, 17 AUGUST 2021, COMMENCING AT 6.00PM.

---

For the purpose of adopting the 2021/2022 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

## Contents

1. DECLARATION OF OPENING/ANNOUNCEMENT OF VISITORS.....	4
2. RECORD OF ATTENDANCE/APOLOGIES/LEAVE OF ABSENCE.....	4
3. ANNOUNCEMENT BY THE PERSON PRESIDING .....	4
4. PUBLIC QUESTION TIME.....	4
4.1 PUBLIC QUESTIONS.....	4
5. REPORTS OF OFFICERS.....	5
5.1 ADOPTION OF 2021/2022 ANNUAL BUDGET .....	5
6. MATTERS BEHIND CLOSED DOORS.....	19
7. CLOSURE OF MEETING .....	19

**1. DECLARATION OF OPENING/ANNOUNCEMENT OF VISITORS****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 Janine Phillips  
 Cr Roger Seeney  
 Vacant

**STAFF:**

Mr David Schober (Chief Executive Officer)  
 Mr David King (Director Assets and Sustainable Development)  
 Ms Gina McPharlin (Director of Corporate and Community Services)  
 Mr Lee Sounness (Manager Corporate Services)  
 Mr Scott Sewell (Accountant)  
 Ms Jodi Vitler (Acting Manager Corporate Services)  
 Ms Claire Thompson (Governance Coordinator)  
 Ms Lisa Sanders (Executive Support Officer)

**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 2021/2022 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>	Financial Interest as salary and conditions of officers incorporated within the municipal budget
<b>Date:</b>	11 August 2021
<b>Author:</b>	Lee Sounness, Manager Corporate Services
<b>Authorising Officer:</b>	Gina McPharlin, Director Corporate and Community Services
<b>Attachments:</b>	5.1 a – 2021/2022 Annual Budget 5.1 b – 2021/2022 Schedule of Fees and Charges 5.1 c – 2021/2022 Capital Expenditure Budget 5.1 d – Table of submissions to Differential Rates 2021/22

#### **Summary:**

To consider adopting the Municipal Budget for the 2021/2022 financial year, including setting of differential 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 arising from the budget papers.

#### **Background:**

Between 1 June and 31 August each year, local governments are required to prepare and adopt a budget for the financial year. In preparing the 2021/2022 Annual Budget (attachment 5.1a), officers have compiled and analysed relevant information, held a series of budget workshops with Council Members, aligned to the priorities of the Shire's Strategic Community Plan 2017 – 2027 (SCP) and Long Term Financial Plan, and reviewed the Corporate Business Plan (CBP).

The major components of the balanced draft budget are:

- A capital works program totalling \$8.97 million (\$7.03 million budgeted last year);
- Operating revenue (incl. rate revenue) of \$14.198 million (\$11.534 million last year);
- Rate revenue of \$7.189 million (\$6.560 million last year);
- Operating expenditure of \$17.481 million (\$15.541 million last year);
- Grants for Capital Works of \$4.411 million (\$5.381 million last year);
- Transfer to reserves of \$866,561 to fund future works;
- Transfer from reserves of \$1,146,914 to fund specific capital works and other items;
- Two new loans totalling \$2,279,225 – Loan for Surf Club Precinct for \$1,769,225 and Loan for Rubbish Compactor Truck for \$510,000;

- Estimated carry forward balance of \$1,553,964 which includes a component of pre-paid grant funding for the 2021/22 financial year.

It should be noted that the increases to operating revenue and expenditure in 2021/2022 are largely due to the reinstatement of works relating to significant storm damage events over the past 12 months. This includes provision for:

- reinstatement costs estimated at \$1.555 million for storm damage events.
- emergency protection costs estimated at \$200,000 for coastal erosion damage at Ocean Beach Surf Club.

A key part of the draft budget is the setting of the differential rates and minimum payments relating to the Shire's rating structure. Once set, and in accordance with Section 6.36(1) of the Local Government Act 1995, the Shire gave local public notice of its intention to levy differential rates as follows:

- Non-Rural Improved (GRV) properties increase 6% in the rate-in-the-dollar and minimum payments;
- Holiday Purposes (GRV) properties increase from a 12% premium (to Non-Rural Improved) for the rate-in-the-dollar and minimum payments to a 20% premium;
- Vacant (GRV) properties increase 6% in the rate-in-the-dollar and 10% in minimum payments;
- Rural (UV) properties rate-in-the-dollar adjusted to .005105 to take into account an increase in Rural Landgate valuations and to reflect a 6% increase in total Rural (UV) rate yields and an increase of 6% on minimum payments;
- Rural (UV) Additional Use – Holiday (new category) have a 20% premium on the Rural (UV) rate in minimum payments and rate-in-the-dollar;
- Rural (UV) Additional Use – Commercial (new category) have 70% premium on the Rural (UV) rate-in-the-dollar and a 90% premium on the Rural (UV) rate in minimum payments.

The anticipated growth in rateable properties during the year yields a budgeted increase of \$25,000 (interim rates).

An allowance for the waiver of rates, to support community and sporting groups as part of their respective lease arrangements with the Shire, has a budgeted expenditure of \$62,621.

At the Ordinary Council Meeting, held on 15 June 2021, Council considered a report (Item 9.2.4) dealing with the Shire's intention to levy differential rates and minimum payments in 2021/2022 in order to provide appropriate funding to achieve a balanced budget.

As a result, the following resolution was adopted:

*That Council:*

1. *ADOPT the Shire of Denmark's Statement of Objects and Reasons for Differential Rates as per Attachment A, and;*
2. *AUTHORISE the Chief Executive Officer to advertise for a period of 21 days, by public local notice, the Shire's intention to levy the following differential rates and minimum payments in 2021/2022, and invite submissions from electors and ratepayers during the public submission period;*

	<b>2021/22</b>	
<b>Rating Category</b>	<b>Minimum Rate</b>	<b>Rate in the dollar</b>
<b>Gross Rental Value (GRV)</b>		
General	1163	0.101467
Holiday Purposes	1396	0.121761
Vacant	1220	0.202290



<b>Unimproved Value (UV)</b>		
Rural	1424	0.005105
Additional Use - Holiday Purposes	1709	0.006126
Additional Use - Commercial	2705	0.008679

### **Intention to Implement Differential and Minimum Rates - Section 6.36(1) of the Local Government Act 1995**

Notices which included relevant details of Council's intention to levy Differential and Minimum Rates, and an invitation for submissions from electors and ratepayers in respect to the proposed differential rates, were published in the following newspapers:

Albany Advertiser – Thursday 24 June 2021;  
Denmark Bulletin – Thursday 1 July 2021;  
Walpole Weekly – Wednesday 23 June 2021.

Additionally, the information was published on the following website pages:

[www.denmark.wa.gov.au/rates](http://www.denmark.wa.gov.au/rates) from 18 June 2021  
[www.yourdenmark.wa.gov.au/rates](http://www.yourdenmark.wa.gov.au/rates) from 18 June 2021  
[www.facebook.com/shireofdenmark](https://www.facebook.com/shireofdenmark) page from 22 June 2021

Submissions were required to be made in writing, and be lodged no later than 5:00pm 12 July 2021. In response to this process, forty (40) submissions were received (refer attachment 5.1d).

A review of the differential rating system (stage 2) was conducted during the course of the 2020/2021 financial year that assessed the impact of implementing split and spot rating on Rural (UV) properties that contained distinct non-rural additional uses. At the conclusion of the review, Council endorsed two new differential rating categories as follows:

UV Rural Additional Use – Holiday  
UV Rural Additional Use – Commercial

#### **Consultation:**

Councillors have been involved throughout the budget process in briefings and workshops relating to all aspects of the draft budget. Management and officers were actively involved in the preparation and review of the operational and capital budgets and provided input in the setting of fees and charges related to their areas of responsibility.

#### **Statutory Obligations:**

The Annual Budget 2021/2022 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 (FM Regulation)*, detail the form and manner in which an annual budget is to be presented to 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 apply to the Minister for an extension.

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 *FM Regulations*, and AASB 1031 Materiality, the material variances to be used in the 2021/22 Financial Activity Statement shall be an amount of \$10,000 or 10% of the appropriate base, whichever is the higher.

In accordance with Section 66(1) and section 66(3) of the Waste Avoidance and Resource Recovery Act 2007 (WARR Act).

**Policy Implications:**

The following policies relate:

P040125 Community Grants Program

P040232 Municipal Budget Policy

P110102 Leasing of Land and/or Buildings to Community Groups

P030101 Rating Equity Policy

**Budget / Financial Implications:**

The adoption of the 2021/2022 Annual Budget determines the financial operations of the Shire for the 2021/2022 financial year. Specific financial implications are outlined in the “Details” section of this report.

**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 2021/22 Annual Budget supports key environmental strategies and initiatives adopted by Council.

➤ **Economic:**

The 2021/22 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 2021/22 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)	Moderate (3)	Moderate (5-9)	Failure to meet Statutory, Regulatory or Compliance Requirements	Accept Officer Recommendation

**Details:**

The 2021/2022 Draft Budget as presented includes the following components:

- Statutory Annual Budget Statements (attachment 5.1a)
  - Statement of Comprehensive Income by Nature or Type: this statement details the operating income and expenditure categorised by the nature of the income or expenditure, together with non-operating (capital) grants and profit/loss on asset disposal.
  - Statement of Comprehensive Income by Program – this statement categorises the income and expenditure by the Program (function) it applies to. This schedule also details the distribution of the profit and loss and capital grants by Program.
  - Rate Setting Statement (RSS) by Program – identifies the amount of rates that need to be levied to allow the Shire to undertake all annual activities, once all income is recognised, non-cash items are adjusted back, Reserve transfers are incorporated and opening and closing balances are factored in.
  - Statement of Cash Flows – this statement reflects how cash and cash equivalents have been generated and used over the reporting period.
  - Explanatory notes to the Statements.
- 2021/2022 Capital Budget (attachment 5.1c).
- 2021/2022 Operating Budget by Reporting Program (attachment 5.1a).
- 2021/2022 Schedule of Fees and Charges (attachment 5.1b).

**Impact of COVID-19 on Budget Setting**

In 2020/2021 the Shire's Annual Budget setting was impacted by both the economic and social impacts of the COVID-19 pandemic, which resulted in revised Long Term Financial Plan assumptions and invoking financial hardship measures.

The 2021/2022 budget setting reflects a return to normal operating conditions. Whilst the threat of continued pandemic impact remains, this year the focus of budget setting turns to:

- the impact of changes in waste services delivery;
- differential rate structure to support the Shire's desired projects and existing services;
- continuing identification of efficiencies in service delivery;
- focusing on project management to ensure the Shire's capital projects are achieved; and;
- delivering a sustainable 4 year CBP program and a 10-year LTFP.

**Opening Balance**

The adopted budget for 2020/2021 was built on an estimated brought forward surplus position from 2019/2020 of \$1,504,620. The audited Annual Financial Report for 2020 confirmed a surplus brought forward of \$1,659,492, a variance increase to the estimate used for the adopted budget of \$154,872. This increase was mainly due to the application of numerous accounting standards changes which came into effect during the 2019/2020 financial year.

The Shire's budget for 2020/21 was reviewed and amended on a quarterly basis, namely in September 2020, December 2020 and March 2021. Due to the potential impact of COVID-19 on the Shire's finances, a conservative approach was taken when reviewing the budget, which ensured the Shire was able to react quickly, if required, given the uncertain conditions.

The 2020/2021 financial statements are currently forecasting an end of year result for 30 June 2021 of \$1,553,964. This surplus reflects the impact of prudent management of operating expenditure during the year, conservative revenue estimates and funded projects unable to be completed by financial year end due to resourcing and/or weather factors. Advance payment of approximately 50% of the 2021/22 Financial Assistance Grant was received in June 2021 and totalled \$591,799.

Summary of End of Financial Year Position 2021/2022			
Description	2021/2022	2020/2021	2020/2021
	Budget	Forecast Actual	Budget
Rates Revenue	\$ 7,188,611	\$ 6,578,908	\$ 6,559,632
Operating Revenue	\$ 7,008,995	\$ 5,958,589	\$ 4,974,552
Operating Expenditure	\$ (17,480,673)	\$ (15,566,931)	\$ (15,541,336)
<b>Net Operating Result</b>	<b>\$ (3,283,067)</b>	<b>\$ (3,029,434)</b>	<b>\$ (4,007,152)</b>
Capital Grants	\$ 4,411,103	\$ 4,665,549	\$ 5,380,602
Profit/Loss on Asset Disposals	\$ 20,000	\$ 42,716	\$ 51,000
<b>Net Result (Statement of Comprehensive Income)</b>	<b>\$ 1,148,036</b>	<b>\$ 1,678,831</b>	<b>\$ 1,424,450</b>
Add Back Non-Cash item - Depreciation	\$ 3,820,875	\$ 4,613,105	\$ 4,459,461
Add Back Non-Cash item - Profit/Loss on Sale of Asset	\$ (20,000)	\$ (42,716)	\$ (51,000)
Movement in Accruals	\$ 138,742	\$ 8,239	\$ -
<b>Sub Total</b>	<b>\$ 5,087,653</b>	<b>\$ 6,257,459</b>	<b>\$ 5,832,911</b>
Capital Acquisitions	\$ (8,973,201)	\$ (5,809,716)	\$ (7,027,937)
Debt Service - Principal	\$ (272,505)	\$ (245,165)	\$ (245,165)
Lease Service - Principal Adjustment	\$ (102,490)	\$ (125,443)	\$ (98,027)
S/S Loan Principal Income	\$ -	\$ 22,048	\$ 22,049
Proceeds from Sales of Assets	\$ 147,000	\$ 72,880	\$ 117,000
<b>Sub Total</b>	<b>\$ (4,113,542)</b>	<b>\$ 172,063</b>	<b>\$ (1,399,168)</b>
New Borrowings	\$ 2,279,225	\$ -	\$ -
Transfer to Reserves	\$ (866,561)	\$ (798,114)	\$ (803,452)
Transfer from Reserves	\$ 1,146,914	\$ 520,523	\$ 898,000
<b>Deficit</b>	<b>\$ (1,553,964)</b>	<b>\$ (105,528)</b>	<b>\$ (1,304,620)</b>
EOY Surplus Carried Forward	\$ 1,553,964	\$ 1,659,492	\$ 1,504,620
<b>CLOSING BUDGET POSITION</b>	<b>\$ -</b>	<b>\$ 1,553,964</b>	<b>\$ 200,000</b>

### Income Statement

The Shire forecasts revenue to be increased by 23% (approx. \$2.6m), when compared to last year's budget. Expenditure is forecast to increase by 12.5% (approx. \$1.9m). Please refer to the table and detailed information below for the more significant factors relating to this statement:

INCOME STATEMENT BY NATURE AND TYPE					
	2021/22 Budget	2020/21 Actual	2020/21 Budget	Variance To:	
				Actual	Budget
<b>Revenue</b>					
Rates	7,188,611	6,578,908	6,559,632	9.3%	9.6%
Operating grants, subsidies and contributions	3,289,288	2,409,261	1,698,942	36.5%	93.6%
Fees and charges	3,458,312	3,177,083	3,085,512	8.9%	12.1%
Interest earnings	72,908	83,063	97,488	-12.2%	-25.2%
Other revenue	188,487	289,182	92,610	-34.8%	103.5%
	<b>14,197,606</b>	<b>12,537,497</b>	<b>11,534,184</b>	13.2%	23.1%
<b>Expenses</b>					
Employee costs	(6,939,943)	(6,560,422)	(6,231,571)	5.8%	11.4%
Materials and contracts	(5,502,014)	(3,223,948)	(3,627,756)	70.7%	51.7%
Utility charges	(220,985)	(219,277)	(210,150)	0.8%	5.2%
Depreciation on non-current assets	(3,820,875)	(4,613,105)	(4,459,461)	-17.2%	-14.3%
Interest expenses	(123,877)	(115,434)	(111,765)	7.3%	10.8%
Insurance expenses	(427,679)	(423,325)	(443,283)	1.0%	-3.5%
Other expenditure	(445,300)	(411,420)	(457,350)	8.2%	-2.6%
	<b>(17,480,673)</b>	<b>(15,566,931)</b>	<b>(15,541,336)</b>	12.3%	12.5%
<b>Underlying Operating Result</b>	<b>(3,283,067)</b>	<b>(3,029,434)</b>	<b>(4,007,152)</b>		
Non-operating grants, subsidies and contributions	4,411,103	4,665,549	5,380,602		
Profit/Loss on asset disposals	20,000	42,716	51,000		
<b>Net Result</b>	<b>1,148,036</b>	<b>1,678,831</b>	<b>1,424,450</b>		

### **Operating Revenue**

Revenue is anticipated to be increased by approximately \$2.6m compared to the previous year. Some of the contributing factors for this movement are detailed below:

#### Rates Income:

Total rates for the 2021/2022 budget are estimated to increase by \$628,979 across the differential rating categories as outlined earlier in this report:

The anticipated growth in rateable properties during the year has been budgeted at \$25,000 (interim rates).

#### Grants, subsidies & contributions:

Approximately 50% of the 2021/2022 Financial Assistance Grant has been received in advance and recorded as revenue for 2020/2021. A corresponding value of \$591,799 has been factored into the opening surplus for 2021/2022.

Funding from Disaster Recovery Funding Arrangements W.A. (DRFWA) of approximately \$1.4m is forecast to be received in 2021/2022 to assist in reinstating infrastructure damaged from significant storm damage events from the preceding 12 months.

Funding from Department of Fire and Emergency Services (DFES) of \$497,000 has been secured to undertake fire mitigation activities on various treatment areas within the Shire.

#### Fees & Charges:

Fees and charges have been projected to increase by \$372,800 due to a proposed 4% increase to non-statutory fees as a result no increase last financial year. Provision of other services been restored to full operating capacity compared to the 2020/21 year budget.

#### Interest Earnings:

There is decrease anticipated in interest income due to the record low interest rates.

**Other Revenue:**

There is a forecast increase in Other Income compared to last year's budget due to the inclusion of Container Deposit Scheme budget income of \$86,700. This service income did not form part of the 2020/2021 adopted budget.

**Operating Expenditure**

Operating expenditure has increased by approximately \$1.9M. Contributing factors which have resulted in this increase in this operating expenditure include:

**Employee Costs:**

Budgeted employee costs for 2021/2022 have increased by 5.8% from the 2020/2021 actual costs.

<b>EMPLOYEE COSTS</b>		
	<b>2020/21 Actual</b>	<b>2021/22 Budget</b>
Employee Costs (increase from previous year)	6,560,422	6,939,943 5.8%

Some of the major contributors to this increase are:

- Reinstatement of a fully resourced organisation that was reduced in 2020/21 in response to COVID-19 budget cuts. This reflects resumption of normal business activities and includes salary increases, reinstating casuals and other temporarily vacant positions;
- Superannuation increase (legislated increase) from 9.5% to 10% effective July 1 2021;
- Increase to Planning Staff resourcing to assist with Local Planning Scheme (LPS) finalisation and increased development approvals;

**Materials and Contracts:**

An increase of \$1.674M from last year's budget, which is mainly due to reinstatement costs estimated at \$1.555 million for storm damage events in August 2020 and June 2021. The balance is comprised of Corporate Business Plan projects, additional ICT related costs and Consumer Price Index (CPI) adjustments.

**Depreciation:**

A decrease of approximately \$638,586 depreciation expense is due to a review of the Shire's infrastructure road network, which factors in condition assessment and remaining useful life of assets. This has resulted in a reduction of non-cash depreciation expenses that apply to this asset class.

**Capital Budget**

The 2021/2022 Capital Expenditure Budget (attachment 5.1c) is projected to be \$8,973,201, a significant increase on the 2020/2021 budget of \$7,027,937. This is mainly due to the commencement of the Ocean Beach Precinct Development Stage #1 which is budgeted at \$4M. Funding of the Capital Expenditure Program (including plant and equipment) is made up of:

<b>Capital Works Budget 2021/22</b>		<b>Funding Source</b>					
<b>Category</b>	<b>Total</b>	<b>Grants</b>	<b>Reserve</b>	<b>Contribution</b>	<b>Loan</b>	<b>Disposals</b>	<b>Council</b>
Furniture and Equipment	70,000						70,000
Land and Buildings	4,170,000	2,220,775	50,000	50,000	1,769,225		80,000
Plant and Equipment	1,112,650		305,650		510,000	147,000	150,000
Infrastructure Other	804,864	401,877	93,142				309,845
Infrastructure Roads	2,815,687	1,788,451	550,000	24,200			453,036
	<b>8,973,201</b>	<b>4,411,103</b>	<b>998,792</b>	<b>74,200</b>	<b>2,279,225</b>	<b>147,000</b>	<b>1,062,881</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:

SUMMARY OF MAJOR CAPITAL EXPENDITURE 2021/2022	\$
Council Chamber/Meeting Room Refurbishments - Upgrade to IT & Communications Systems	70,000
FOGO - Bin Lid Replacements	40,000
Upgrade Community Infrastructure (Nornalup Jetty Upgrade)	130,000
Upgrade Community Infrastructure (McLean Oval Water Re-use Project)	320,000
Denmark Surf Club Precinct Development	4,000,000
Berridge Park - BBQ, Shelter & Seating	25,000
Berridge Park Gazebo Replacement	11,664
Peaceful Bay Lookout and Bordwalk Replacements (Water Tanks, Jetty Bolts, Other)	120,000
Denmark East - Fire Suppression LIA	550,000
Wattle Way Footpath	100,000
Harewood Road Resheet	100,000
MRWA Project - Ocean Beach Road - SLK 2.61 - 3.34	426,000
MRWA Project - Ocean Beach Road - SLK 0.72 - 0.99	414,000
MRWA Project - Mount Shadforth Road	215,000
MRWA Project - Peaceful Bay Road SLK 0.00 - 5.60 - 2020/21 project rebudget	356,667
Blackspot - Atkinson Road/South Coast Highway	40,000
Blackspot - Mount Shadforth Road/ Tree Lane	43,000
Electric Vehicle Charging Station	40,000
Praed Lane Roadworks	110,000
Access Road Renewal (Sheoak Drive, Anning Road, Buckley Street)	205,000
Riverside Drive to McPherson Drive Footpath Link	50,000
Fencing Upgrade - Denmark Airport	98,200
Drainage Upgrade - Parry Beach Cottage	14,000

### **Borrowings**

Council's total debt position as at July 1, 2021 is \$1,866,267 (including self-supporting loans to community organisations). The debt position as at 30 June 2022 will increase to \$3,872,987 with two new loans anticipated to fund the capital works program. These new borrowings are broken down as follows:

- New Loan of \$1,769,225 to part fund of Ocean Beach Precinct Development project
- New Loan of \$510,000 to fund replacement of the Rubbish Truck Compactor

Total Debt Service 2021/2022 (interest and principal)	\$391,264
Total Debt Service 2020/2021 (interest and principal)	<u>\$352,944</u>
<b>Increase in Debt Service Cost (interest and principal)</b>	<b>\$ 38,320</b>

### **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 following table and the 2021/2022 Rate Setting Statement (Attachment 1) reflect transfers to reserves of \$866,561 (including interest earnings of \$8,406), with the transfer from reserves

totalling \$1,146,914, thereby providing in 2021/2022 for a net outflow from the Shire's reserves of \$280,353.

**Reserve Funds Summary Table - 2021/2022**

Name of Reserve Fund	Opening Balance	Adopted Budget Interest Earned	Adopted Budget Transfers In (+)	Adopted Budget Transfers Out (-)	Adopted Budget Closing Balance
	\$	\$	\$	\$	\$
Lime Quarry Rehabilitation Reserve	414,700	829	0	(30,000)	385,529
Parry Inlet Reserve	198,448	397	10,000	(14,000)	194,845
Cemetery Reserve	2,118	4	0	(2,122)	0
Employee Entitlements Reserve	448,410	897	0	0	449,307
Infrastructure Reserve	709,778	1,420	228,155	(50,000)	889,353
Plant Replacement Reserve	586,098	1,172	325,000	(265,650)	646,620
Waste Services Reserve	621,628	1,426	170,000	(88,000)	705,054
Parks & Gardens Reserve	78,984	158	0	(79,142)	(0)
Aquatic Facility Development Reserve	96,863	194	40,000	(10,000)	127,057
Lionsville Reserve	205,590	411	0	(58,000)	148,001
Peaceful Bay Reserve	209,541	419	35,000	0	244,960
Rivermouth Caravan Park Reserve	101,213	202	5,000	0	106,415
Peaceful Bay Caravan Park Reserve	63,244	126	5,000	0	68,370
Recreation Centre Reserve	95,684	191	10,000	0	105,875
Strategic Reserve	100,000	200	5,000	0	105,200
ICT Reserve	0	0	15,000	0	15,000
Legal Contingency Reserve	0	0	10,000	0	10,000
Denmark East Development Reserve	721,357	360	0	(550,000)	171,717
	<b>4,653,656</b>	<b>8,408</b>	<b>858,153</b>	<b>(1,146,914)</b>	<b>4,373,303</b>
				<b>NET TRANSFERS (including Interest)</b>	<b>(280,353)</b>

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 \$866,561 to be transferred to reserves, \$15,000 be transferred into a newly created *ICT Reserve for the purpose of financing the acquisition and enhancement of Information Technology and digital service delivery initiatives*, and \$10,000 be transferred into a newly created *Legal Contingency Reserve for the purpose of funding unanticipated legal expenses in excess of budget in any given year*.

### Fees and Charges

The schedule of fees and charges for 2021/2022 (attachment 5.1b) includes a 4% increase to non-statutory charges and amendments to prescribed statutory fees and charges, with the intention to primarily recover costs.

Some of the increases in new fees and charges have arisen due to:

- 4% increase to non-statutory fees and charges;
- Freeze on fees and charges in 2020/21 due to COVID-19;
- Imposing a \$70 minimum rate to all rateable properties (GRV and UV) to fund improvements to the waste service infrastructure from the Waste Services Reserve. This minimum fee will be reviewed on an annual basis to meet Council and community expectations with regards to the waste services provision.

It is noted in the Schedule of Fees and Charges that Kerbside Waste Collection fees now include both rubbish and recycling services as one listed fee.



### Local Government Properties – Rates Waiver

In recent years, Council has waived the rate on a range of Shire properties leased to various community and sporting groups in accordance with Policy110102 – Leasing of Land and/or Buildings to Community Groups. If a waiver is to be considered, it is necessary for it to be considered at the time of the adoption of the budget. Accordingly, officers have proposed a recommendation to give Council the opportunity to expressly waive the rates for individual leased local government properties that do not meet the defined exemption criteria specified under *Section 6.26(2) of the Local Government Act 1995*.

The total value of the rates waiver of \$62,621 has been included in the Rates modelling, and is as follows:

A5731 -- Denmark Arts Council Inc.	5,327
A5585 – Denmark Boating & Angling Club - Parry Beach	1,709
A5587 – Denmark Boating & Angling Club & Denmark Sea Rescue Gro	1,709
A3565 – Denmark Clay Target Club	1,709
A5729 -- Denmark Community Resource Centre Inc.	1,163
A5584 – Denmark Cottage Crafts Inc.	1,163
A3088 – Denmark Country Club Inc.	2,770
A5960 – Denmark Environment Centre Incorporated	2,654
A3189 – Denmark Equestrian Club Inc.	1,163
A3256 – Denmark Historical Society Inc.	1,177
A5599 – Denmark Machinery Restoration Group Inc.	1,163
A3179 – Denmark Occasional Day Care Centre Inc. and Denmark Playg	1,163
A5730 -- Denmark CRC	1,163
A3167 – Denmark Pistol Club	1,709
A5601 – Denmark Riverside Club - Riverfront Land	1,163
A3069 – Denmark Riverside Club - Infrastructure	10,324
A5588 – Denmark Surf Lifesaving Club	1,709
A3186 – Denmark Tourism Incorporated	5,834
A5590 – Green Skills Inc.	1,709
A5593 – Kentdale Community Hall Committee Inc.	1,709
A5600 – Lions Club of Denmark Inc.	1,163
A5591 – Nornalup Residents and Ratepayers Association	1,163
A5592 – Parry’s Beach Voluntary Management Group Inc.	1,709
A5615 – Peaceful Bay Progress Association Inc.	1,163
A5616 – Peaceful Bay Progress Association Inc.	1,163
A5596 – Peaceful Bay Returned Services League (RSL) Sub Branch	1,163
A5595 – Peaceful Bay Sea Rescue Group Inc.	1,163
A5597 – Scout Association of Australia	1,163
A3097 – The Returned & Services League of Australia WA Branch Inc.	1,163
A5594 – Tingleddale Hall Committee Inc.	1,709
A3041 – Scotsdale Hall Committee Inc.	1,709
<b>TOTAL</b>	<b>62,621</b>

### Comment:

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

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

A Notice of Intention to Levy Differential Rates 2021/2022 was advertised for public comment from 18 June 2021. Submissions (refer to attachment 5.1d) closed on 12 July 2021 and forty (40) submissions were received.

**Voting Requirements:**

Absolute Majority.

OFFICER RECOMMENDATION	ITEM 5.1 a	
That Council;		
1. <u>Differential General Rates and Minimum Payment Rates.</u>		
1. NOTES forty (40) submissions were received in response to the Notice published in accordance with section 6.36(1) of the <i>Local Government Act 1995</i> , and pursuant to Sections 6.32, 6.33 and 6.35 of the <i>Local Government Act 1995</i> , and;		
2. ADOPTS the following differential general rates and minimum payments on the Gross Rental and Unimproved Values:		
<b>Differential General Rate Category</b>	<b>Rate in \$ (cents/\$ of valuation)</b>	<b>Minimum Payment \$</b>
<b>Gross Rental Value (GRV)</b>		
1. Non Rural Improved	0.101467	1,163
2. Holiday Purposes	0.121761	1,396
3. Vacant Land	0.202290	1,220
<b>Unimproved Value (UV)</b>		
4. Rural	0.005105	1,424
5. Rural Additional Use - Holiday	0.006126	1,709
6. Rural Additional Use - Commercial	0.008679	2,705
, and;		
2. <u>Waste Collection Charges</u>		
ADOPTS the following Waste Collection charges for the Shire of Denmark (including domestic kerbside waste collection and collection of recyclables) be adopted for the 2021/2022 financial year:		
Compulsory Townsite Domestic Residential Services:		
• Denmark Domestic Kerbside Collection – Weekly		\$570.00
• Denmark Domestic Kerbside Collection – Fortnightly*		\$335.00
• Peaceful Bay/Nornalup Collection (rubbish only) – Weekly		\$401.00
• Peaceful Bay/Nornalup Collection (rubbish only) – Fortnightly		\$166.00
* a grandfather clause applies. That is all ratepayers on a fortnightly service schedule prior to the 2020/2021 financial year, retain the right to continue; and,		
3. <u>Waste Facilities Maintenance Rate</u>		
Pursuant to section 66(1) and 66(3) of the Waste Avoidance and Resource Recovery Act 2007 (WARR Act) and the minimum payment provisions of Section 6.35 of the Local Government Act 1995, ADOPT the 'Waste Facilities Maintenance Rate' with a minimum payment of \$70 with rates as follows:		
• GRV Properties – Rate in the dollar: 0.001 Cents, minimum \$70.00		
• UV Properties – Rate in the dollar: 0.0001 Cents, minimum \$70.00		

\* Absolute majority required.

OFFICER RECOMMENDATION	ITEM 5.1b
------------------------	-----------

That Council;

1. Rate 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*, ADOPTS the following due dates for the payment of rates in full by one payment on the due date or in instalments as follows:

Payment in full by a single instalment      4 October 2021

Payment by two equal instalments:

- 1<sup>st</sup> instalment due date                      4 October 2021
- 2<sup>nd</sup> instalment due date                      6 December 2021

Payment by four equal instalments:

- 1<sup>st</sup> instalment due date                      4 October 2021
- 2<sup>nd</sup> instalment due date                      6 December 2021
- 3<sup>rd</sup> instalment due date                      7 February 2022
- 4<sup>th</sup> instalment due date                      7 April 2022; and,

2. Instalment Administration Fee

Pursuant to Section 6.45(3) of the *Local Government Act 1995* and Regulation 67 of the *Local Government (Financial Management) Regulations 1996*, ADOPTS an instalment administration charge of \$10.40 per instalment after the initial instalment is paid; and,

3. 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* ADOPTS an interest rate of 3.5% per annum on rates paid and service charges through an instalment option; and,

4. Penalty Interest on Overdue Rates and Amounts

ADOPT an interest rate of 7% per annum, calculated daily from the due date and continuing until the date of payment on:

- 4.1 Overdue rates (and service charges) and costs of proceedings to recover such charges that remain unpaid after becoming due and payable in accordance with Section 6.51(1) of the *Local Government Act 1995* and *Regulation 70 of the Local Government (Financial Management) Regulations 1996*, subject to *Section 6.51(4) of the Local Government Act 1995* and *clause 14 of the Local Government (COVID-19 Response) Amendment Order 2021*; and
- 4.2 Amounts due to the Shire in accordance with *Section 6.13 of the Local Government Act 1995*; and

5. In accordance with clause 8 of the *Local Government (COVID-19 Response) Amendment Order 2021*, interest on outstanding rates will not be applied to a person who has been considered by the Shire of Denmark as suffering financial hardship as a result of the COVID-19 pandemic.

## OFFICER RECOMMENDATION

ITEM 5.1 c

That Council;

1. 2021/2022 Annual Budget

Pursuant to the provisions of Section 6.2(1) of the *Local Government Act 1995 and Part 3 of the Local Government (Financial Management) Regulations 1996*, ADOPTS the Shire of Denmark Annual Budget for the year ended 30 June 2022 as contained in Attachment 5.1a which includes:

- Statement of Comprehensive Income by Nature and Type showing a net result for 2021/22 of \$1,148,036;
- Statement of Comprehensive Income by Programme showing a net result for 2021/22 of \$1,148,306;
- Statement of Cash Flows;
- Rate Setting Statement showing an amount to be raised from rates of \$7,188,611;
- Notes to and forming part of the Budget;
- Operating Budget Program Schedules;
- Transfers to Reserve accounts of \$866,561 and from Reserve accounts of \$1,146,914;
- Capital Expenditure Program showing a total of \$8,973,201; and,

2. Material Variance Reporting for 2021/2022

Pursuant to *Local Government (Financial Management) Regulation 34* regarding levels of variances for financial reporting, ADOPTS the monthly reporting variance for the 2021/2022 financial year of 10% or greater for each program area in the budget, as a level that requires an explanation or report, with a minimum dollar variance of \$10,000; and,

3. Elected Members Fees and Allowances for 2021/2022

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:

President	\$10,639
Councillors	\$10,639

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	\$23,957
-----------	----------

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	\$5,989
------------------	---------

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	\$2,555; and,
--------------------------	---------------

4. Schedule of Fees and Charges

Pursuant to *Section 6.16 of the Local Government Act 1995*, ADOPT the Fees and Charges of the 2021/2022 Budget included as Attachment 5.1b of this agenda and minutes.

\* *Absolute majority required.*

## OFFICER RECOMMENDATION

ITEM 5.1 d

That Council; Pursuant to *Section 6.47 of the Local Government Act 1995*, WAIVES the 2021/2022 local government rate charge, including any and all future interim adjustments for the property assessments listed in Note 1 of the 2021/2022 Municipal Budget, noting that the amount totalling \$62,621 is subject to final confirmation during the 2021/2022 rate billing process.

## OFFICER RECOMMENDATION

ITEM 5.1 e

That Council;

Reserve Funds – New Reserves Established

1. Pursuant to section 6.11 of the Local Government Act 1995, APPROVES establishment of an ICT Reserve for the purpose of financing the acquisition and enhancement of Information Technology and digital service delivery initiatives; and,
2. Pursuant to section 6.11 of the Local Government Act 1995, APPROVES establishment of a Legal Contingency Reserve for the purpose of funding unanticipated legal expenses in excess of budget in any given year.

**6. MATTERS BEHIND CLOSED DOORS**

Nil

**7. CLOSURE OF MEETING**