

Shire of Denmark

Special Council Meeting AGENDA

5 July 2022



TO BE HELD IN THE COUNCIL CHAMBERS, 953 SOUTH COAST HIGHWAY, DENMARK ON TUESDAY, 5 JULY 2022, COMMENCING AT 4.00PM.

For the purpose of agreeing to advertise proposed differential rates, minimum payments and Statement of Objects and Reasons.



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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 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

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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 Kingsley Gibson (Deputy Shire President)
- Cr Clare Campbell
- Cr Donna Carman
- Cr Donald Clarke
- Cr Nathan Devenport
- Cr Jackie Ormsby
- Cr Jan Lewis
- Cr Janine Phillips

STAFF:

- David Schober (Chief Executive Officer)
- David King (Deputy Chief Executive Officer)
- Gina McPharlin (Director Corporate and Community Services)
- Lee Sounness (Manager Corporate Services)
- Scott Sewell (Accountant)
- Jodi Masson (Assistant Accountant)
- Claire Thompson (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 2022-23 PROPOSED DIFFERENTIAL RATES AND MINIMUM PAYMENTS FOR PUBLIC COMMENT

File Ref:	FIN.1
Applicant / Proponent:	Not applicable
Subject Land / Locality:	Not applicable
Disclosure of Officer Interest:	Nil
Date:	29 June 2022
Author:	Lee Sounness, Manager Corporate Services
Authorising Officer:	Gina McPharlin, Director Corporate & Community Services
Attachments:	5.1 - Statement of Objects and Reasons

Summary:

This report details the Statement of Objects and Reasons and the proposed differential rates and minimum payments for the 2022-2023 financial year for the purpose of advertising and seeking public submissions.

Background:

Local governments impose rates on the properties within their district to raise revenue to fund the services and facilities provided to residents and visitors. Rating revenue forms a significant component of funding for all local governments. Local Governments can apply rates as a uniform or a differential rate for each valuation category.

The intention behind the Shire of Denmark's use of differential rates is to;

- consider the levels of services provided to different types of properties,
- reflect the cost of provision of services to those categories of properties, and
- encourage specific types of activities within the Shire.

The Shire must give local public notice of its intention to impose differential general rates and minimum payments before adopting its 2022-2023 Annual Budget. (Section 6.36 of the Local

Government Act 1995) Submissions are invited for a minimum of 21 days; after this period, Council shall consider the submissions. The proposed differential rates and minimum payments can then be adopted, with or without modification.

A document is required to be made available for inspection by electors and ratepayers that describes the objects of and reasons for each proposed rate and minimum payment. This document is included in Attachment 5.1.

Consultation:

The proposed differential rates and minimum payments have been discussed at Council budget workshops. The recommendations in this report reflect the substance of these discussions including feedback from Council.

The following community engagement (public advertising and seeking submissions) will take place outlining the Shire's intention to levy differential rates and minimum payments and provide details on how to make a submission:

- Public notice will be published in two local newspapers.
- Information will be made available on the Shire's website.
- Post on the Shire's social media feeds.

Any submissions received are to be considered as part of the adoption of the 2022-2023 Annual Budget.

Statutory Obligations:

Section 6.33. Differential general rates.

Section 6.35. Minimum payment.

Section 6.36. Local government to give notice of certain rates.

- (1) Before imposing any differential general rates or a minimum payment applying to a differential rate category under section 6.35(6)(c), a local government is to give local public notice of its intention to do so.
- (2) A local government is required to ensure that a notice referred to in subsection (1) is published in sufficient time to allow compliance with the requirements specified in this section and section 6.2(1).
- (3) A notice referred to in subsection (1) —
 - (a) may be published within the period of 2 months preceding the commencement of the financial year to which the proposed rates are to apply on the basis of the local government's estimate of the budget deficiency;
 - (b) is to contain —
 - (i) details of each rate or minimum payment the local government intends to impose;
 - (ii) an invitation for submissions to be made by an elector or a ratepayer in respect of the proposed rate or minimum payment and any related matters within 21 days (or such longer period as is specified in the notice) of the notice; and
 - (iii) any further information in relation to the matters specified in subparagraphs (i) and (ii) which may be prescribed; and

- (c) is to advise electors and ratepayers of the time and place where a document describing the objects and reasons for each proposed rate and minimum payment may be inspected.
- (4) The local government is required to consider any submissions received before imposing the proposed rate or minimum payment with or without modification.
- (5) Where a local government —
- (a) in an emergency, proposes to impose a supplementary general rate or specified area rate under section 6.32(3)(a); or
- (b) proposes to modify the proposed rates or minimum payments after considering any submissions under subsection (4),
- it is not required to give local public notice of that proposed supplementary general rate, specified area rate, modified rate or minimum payment.

Policy Implications:

Policy P030101 – Rating Equity Policy.

Budget / Financial Implications:

The differential rates model, as endorsed by Council, will directly influence Council's ability to fund expenditure requirements proposed in the 2022-2023 Annual Budget.

Officers have reviewed expenditure and considered efficiency measures as part of budget deliberations.

Costs associated with advertising the proposed 2022-2023 financial year differential rates and minimum payments have been included in the current budget.

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

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Sustainability Implications:➤ **Governance:**

There are no known significant governance considerations relating to the report or officer recommendation.

➤ **Environmental:**

There are no known significant environmental implications relating to the report or officer recommendation.

➤ **Economic:**

There are no known significant economic implications relating to the report or officer recommendation.

➤ **Social:**

There are no known significant social considerations relating to the report or officer recommendation.

➤ **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)
Failing to advertise the notice of intention to levy rates for the 2022/23 financial year.	Rare (1)	Minor (2)	Low (1-4)	Failure to meet Statutory, Regulatory or Compliance Requirements	Accept Officer Recommendation

Comment/Conclusion:

In determining differential rates in the dollar and minimum payments, the Shire has taken into consideration the following matters:

- The Long Term Financial Plan (LTFP), which identifies the forecasted deficiency between revenue and expenditure is to be funded from rates revenue;
- The target rate yield included to fund the expected deficiency between revenue and expenditure in the budget;
- Community perception of affordability and the service levels provided to the community;
- Growth of rateable properties;
- Landgate Unimproved Value (UV) and Gross Rental Value (GRV) property revaluations;
- The Shire's Rating Equity Policy; and
- Compliance with relevant provisions of the Local Government Act 1995.

Long Term Financial Plan (LTFP)

The LTFP is a base-level plan that provides for continued commitment to sound financial management. The 2021-2022 to 2030-2031 LTFP plan was adopted by Council in September 2021 and worked to an assumption that the increase to the rate yield for 2022-2023 would be 4%. This assumption was based on:

- 2.0% increase to forecast price and cost escalation rates,
- 1.5% to meet asset renewal targets, and
- 0.5% forecast property growth.

Economic conditions have changed significantly since the adoption of the LTFP, with price and cost escalation rates sitting considerably higher than forecast. To ensure sound financial management, the 4% rate increase included in the LTFP is no longer deemed viable for the 2022-2023 budget. (A revised LTFP will be prepared by December 2022 based on updated underpinning assumptions.)

Growth of Rateable Properties

The number of rateable properties increased during 2021-2022 due to land development releases and subdivision of land by individual landowners across the Shire. A comparison of the increase in the rateable property base for the current and past seven (4) years is below. It shows the number of rateable properties increased by 22 during the 2021-2022 financial year.

Table 1: Growth in Rateable Properties

Year	No. of Properties	Increase
2021-22	4137	22
2020-21	4115	19
2019-20	4096	10
2018-19	4086	

Landgate Revaluations

Landgate undertook an annual revaluation of UV properties, effective from 1 July 2022. Details of this revaluation were provided to the Shire by Landgate in late May 2022 and resulted in an overall average increase of 17.73% in rural land values compared to 2021 valuations.

As a result of the broad range of variations in valuation, some property owners will receive UV property rate increases exceeding the average 7.9% rate yield target in 2022-2023. This cannot be avoided with the calculation of rates being dependent upon property valuation. (See Table 2 below.)

Table 2: Change in UV Valuations 2022/23

UV Category	2021/22	2022/23	Increase	%
Rural	262,884,000	308,610,271	45,344,603	17.25%
Rural – Additional Use Holiday	10,430,600	10,469,000	1,004,880	9.60%
Rural- Additional Use Commercial	8,007,000	11,953,000	3,544,000	44.26%
TOTAL	281,321,600	331,212,271	49,890,483	17.73%

GRV properties are revalued every four (4) years by Landgate, with the Shire of Denmark due to having all GRV properties revalued in the 2022-2023 financial year, to take effect from 1 July 2023.

Economic Conditions

Like many advanced economies, Australia experienced a sharp increase in inflation during the 2021-2022 financial year, demonstrating a Consumer Price Index (CPI) of 5.1% at March 2022, year on year. Western Australia (WA) also felt the impact of cost increases, with the highest March 2022 year-on-year CPI rate of all Australian capital cities, sitting at 7.6%.

The Shire's major functions include maintaining community infrastructure such as buildings, roads, bridges, and car parks and delivering services including waste collection, street sweeping and reserve maintenance. As such, construction materials and contract labour are significant costs for the Shire. After a decade of little growth, building construction costs, as measured by the Producer Price Index, increased 14.5% in WA in the year to December 2021 (Source: ABS CAT 6427.0), and road and bridge construction costs grew by more than 9% in the same period. Inflationary increases in materials and contract costs put considerable pressure on the Shire's finances to deliver services.

Local Government Act 1995 Compliance

In setting the differential rate in the dollar and minimum payment, the Shire must adhere to the requirements of the LG Act and, in particular, sections 6.33 and 6.35.

Section 6.33 states that the Shire cannot apply a rate in the dollar that is more than twice the lowest rate in the dollar for any differential rating category.

Section 6.35 states that the Shire cannot apply a minimum payment to more than 50% of the total number of properties for an individual differential rating category.

If Council adopts the proposed model for advertising, submissions received during the advertising period (planned to close on Wednesday, 27 July 2022) will need to be considered at the Special Meeting of Council to adopt the Annual Budget scheduled for Tuesday, 2 August 2022.

Rating Models

In preparing a balanced Draft 2022-2023 Annual Budget, excluding rates revenue, Officers have established a budget deficit of \$7.68 million, an increase of \$564,000 from the prior financial year. A 7.9% increase in rate yield is required to cover this shortfall.

Based on the proposed rating model, the rating revenue of \$7.68 million and the applicable rating category is shown in Table 3 below.

TABLE 3: 2022-23 rating revenue based on proposed rating model details

Differential General Rate				
	Properties	Valuation	Rate in dollar \$	2022-23 Budgeted Rate Revenue
GRV				
Non Rural Improved	2254	273,582,000	0.106223	4,187,327
Holiday	131	9,500,000	0.138090	294,587
Vacant	220	10,232,000	0.211772	448,432
UV				
Rural	467	39,420,162	0.004511	1,234,129
Rural Additional Use - Holiday	19	2,133,300	0.005864	55,708
Rural Additional Use - Commercial	16	2,117,520	0.007668	78,459
	3107	336,984,982		6,298,642
Minimum Payment				
	Properties	Valuation	Minimum Payment \$	2022-23 Budgeted Rate Revenue
GRV				
Non Rural Imp	633	5,530,299	1,298	821,634
Holiday	11	82,086	1,558	17,138
Vacant	219	1,009,940	1,298	284,262
UV				
Rural	159	35,028,271	1,491	237,069
Rural Additional Use - Holiday	4	1,149,000	1,938	7,752
Rural Additional Use - Commercial	5	1,721,000	2,832	14,160
	1031	44,520,596		1,382,015
TOTAL	4138	381,505,578		7,680,657

In modelling the 2022-2203 rates, general rates and minimum payment amounts for each GRV and UV category have been amended to achieve the required 7.9% increase in total rate revenue. Table 4 shows how the UV rates in the dollar for each general rate category were adjusted downward to achieve the required target yield.

TABLE 4: Proposed 2022-23 rating model compared to 2021-22

	2021-22	2022-23	% Increase
General Rate			
GRV			
Non Rural Improved	0.099553	0.106223	6.70%
Holiday	0.119464	0.138090	15.59%
Vacant	0.198474	0.211772	6.70%
UV			
Rural	0.005009	0.004511	6.70%*
Rural Additional Use - Holiday	0.006010	0.005864	6.70%*
Rural Additional Use - Commercial	0.008515	0.007668	6.70%*
Minimums			
GRV			
Non Rural Imp	1,141	1,298	13.76%
Holiday	1,369	1,558	13.78%
Vacant	1,220	1,298	6.39%
UV			
Rural	1,397	1,491	6.70%
Rural Additional Use - Holiday	1,676	1,938	15.62%
Rural Additional Use - Commercial	2,654	2,832	6.70%

* Further, the rates in the dollar for UV general categories have been discounted back to take into account increases in annual property valuations. On average, each UV category property will have a 6.7% increase in its rates. (Table 4)

Waste Collection Levy

The Waste Collection Levy is an annual rate levied on rateable land within the Shire for the purposes of funding waste services, including improvements to McIntosh Road Waste Facility.

Details of this rate and the fees and charges for the collection of kerbside rubbish and recycling will be provided to Council as part of the Schedule of Fees and Charges proposed for 2022-23. These details are included below for completeness.

Waste Collection Rate	2021-22	2022-23	% Change
GRV Properties rate in the dollar \$.001	\$ 70	\$ 75	7.14%
UV Properties rate in the dollar \$.0001	\$ 70	\$ 75	7.14%

Rates Objectives and Reasons

The Objectives and Reasons for the proposed differential rates and minimum payments for the year ending 30 June 2023 are attached to this report. The objects and reasons provide a brief explanation of the key differences between rate categories and are also published in the Budget.

Summary

In supporting the recommendation for advertising of a 7.9% rate yield increase, it is acknowledged that whilst a 7.9% rate yield increase is slightly higher than the Perth CPI and is required to deliver a balanced budget, it will also be an increased financial burden placed upon the Shire's ratepayers.

The table below shows the average rate payable from the 2021-2022 to the 2022-2023 financial year in each rating category, identifying a proposed increase for all ratepayers.

Table 5: Comparison of Average Rates by Rate Category

	2021-22 Average Rate \$	2022-23 Average Rate \$
GRV		
Non Rural Improved	1,611	1,735
Holiday	1,921	2,195
Vacant	1,560	1,666
UV		
Rural	2,261	2,350
Rural Additional Use - Holiday	2,099	2,759
Rural Additional Use - Commercial	3,629	4,410

It is recommended that Council approve the differential rates charging model for the 2022/23 Annual Budget for advertising as outlined in this report.

Voting Requirements:

Simple majority.

OFFICER RECOMMENDATION		ITEM 5.1
That Council:		
1. APPROVES the 2022-23 Statement of Objectives and Reasons for Differential Rates and Minimum Payments as per Attachment A.		
2. APPROVES advertising in accordance with Section 6.36 of the Local Government Act 1995 for public submissions on the proposed 2022-23 differential general rates and minimum payments as set out in the table below:		
Differential Rating Category	Rate in \$ 2022-23	Minimum Payment 2022-23
GRV		
Non Rural Improved	\$ 0.106223	\$ 1,298
Holiday	\$ 0.138090	\$ 1,558
Vacant	\$ 0.211772	\$ 1,298
UV		
Rural	\$ 0.004511	\$ 1,491
Rural Additional Use - Holiday	\$ 0.005864	\$ 1,938
Rural Additional Use - Commercial	\$ 0.007668	\$ 2,832

6. MATTERS BEHIND CLOSED DOORS

Nil

7. CLOSURE OF MEETING