

Shire of Denmark

Special Council Meeting AGENDA

1 August 2023



TO BE HELD IN THE COUNCIL CHAMBERS, 953 SOUTH COAST HIGHWAY,
DENMARK ON TUESDAY, 1 AUGUST 2023, COMMENCING AT 4.00PM.

The purpose of the meeting is to:

1. Adopt the 2023/2024 Budget.
2. Consider the Golden Hill Steiner School Lease.



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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 Jan Lewis
 Cr Jackie Ormsby
 Cr Janine Phillips

STAFF:

David King (Chief Executive Officer)
 Claire Thompson (Governance Coordinator)
 Kristie Buss (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 GOLDEN HILL STEINER SCHOOL LEASE

File Ref:	File A322
Applicant / Proponent:	Golden Hill Steiner School
Subject Land / Locality:	No. 23 (Lot 1) Riverbend Lane, Scotsdale
Disclosure of Officer Interest:	Nil
Date:	30 March 2023
Author:	David King, Chief Executive Officer
Authorising Officer:	David King, Chief Executive Officer
Attachments:	5.1 - Draft Lease

IN BRIEF

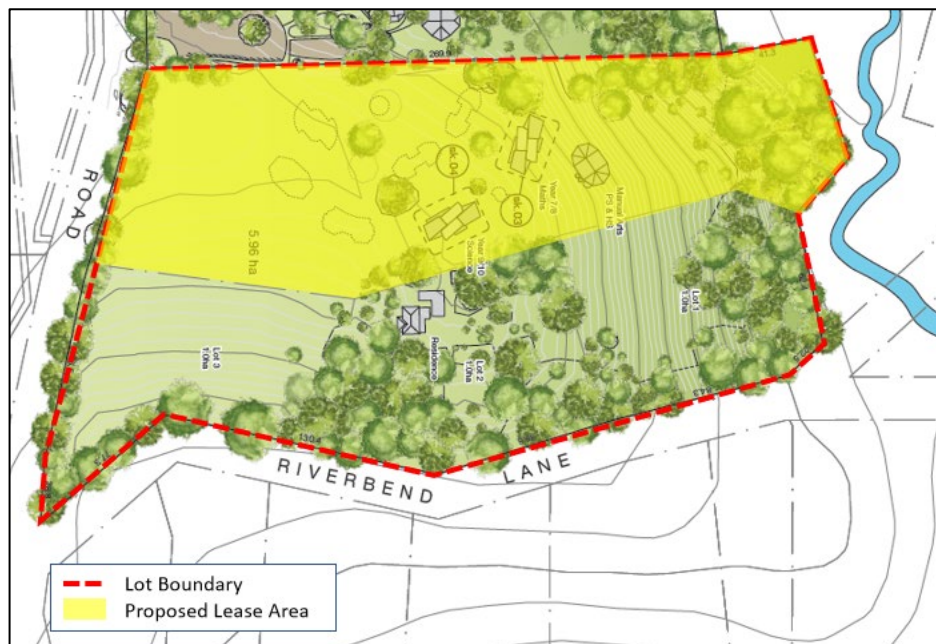
- Golden Hill Steiner School (GHSS) are seeking to lease a portion of Lot 1 Riverbend Lane, Scotsdale prior to purchase.
- This report presents the draft lease for Council's consideration.

RECOMMENDATION

OFFICER RECOMMENDATION	ITEM 5.1
That Council:	
<ol style="list-style-type: none"> 1. APPROVE the draft lease as per Attachment 5.1. 2. AUTHORISE the Shire President and the Chief Executive Officer to execute the lease document. 	

LOCATION

1. Portion of 23 (Lot 1) Riverbend Lane, Scotsdale as indicated below.



BACKGROUND

2. The GHSS is located at Lot 110 Scotsdale Road, adjacent to Lot 1 Riverbend Lane. GHSS has made a submission to the Shire stating its objective to grow the school and offer a secondary schooling option (years 7 to 12), in addition to the primary school (kindy to year 6) currently in operation. To achieve this growth objective the school requires access to the adjoining land, Lot 1 Riverbend Lane.
3. The GHSS have agreed to purchase the land subject to the completion of re-zoning process. This process could take 12 – 18 months.
4. In the interim, the GHSS have the opportunity to apply for a Commonwealth Grant to obtain funding to build the high school buildings on Lot 1, Riverbend Land. If successful, the funds would be available from early 2024.
5. One of the conditions of the funding stream is that the applicant must either own land freehold or have at least a 20 year secure tenure over the land. To apply for funding in 2024 the tenure needs to be secured by 8 August 2023.
6. The GHSS would like to apply for the funding but are reluctant to purchase the land in case the WA Planning Commission impose unviable conditions through the re-zoning process.

7. At its meeting held on 18 April 2023 Council resolved as follows:

That with respect to No. 23 (Lot 1) Riverbend Lane, Council:

1. *ACKNOWLEDGE that the Golden Hill Steiner School have agreed to purchase the land, subject to a successful re-zoning process.*
2. *NOTE that the re-zoning process can take 12 – 18 months.*
3. *AGREE to enter into a 20 year, commercial lease with the Golden Hill Steiner School subject to conditions including:*
 - a) *Two year option to purchase;*
 - b) *If purchase is to be made after two years, it will be the subject of a new valuation, legislative disposal provisions and Council's approval;*
 - c) *Development of the site remaining at the absolute discretion of the Shire during the lease period; and*
 - d) *The current on site residential dwelling and surrounds do not form part of the lease area.*
4. *AUTHORISE the Chief Executive Officer to:*
 - a) *negotiate the lease terms, including conditions in part 3 above; and*
 - b) *obtain an independent market rental valuation and apply the valuation to the lease.*
5. *REQUEST that the Chief Executive Officer present the draft lease back to Council.*

8. Officers have progressed parts 1 to 4 of the resolution and this report relates to item 5.

DISCUSSION / OFFICER COMMENTS

9. The draft lease addresses the request from Council in the following ways.

10. The Golden Hill Steiner School shall pay costs for the lease and market rent valuation.

11. From the Commencement Date, until varied in accordance with the provisions of the Lease, the Rent is \$24,000 per annum (plus GST).

12. The rent is subject to annual CPI increases, and a new market rent valuation every five years

13. The terms is for 25 years to facilitate the requirements of a capital funding program that the GHSS intends to apply for.

14. Clause 14 of the lease stipulates the provisions of any Development, including that the Shire retains sole discretion over any development of the premises.

15. The Special Conditions listed in Schedule 1 of the lease stipulate the purchase options.

16. The First Option is for the period commencing at 9.00am on the date of acceptance of this offer and expires at 4.00pm on the 30 June 2026.

Particulars of Contract

Form of Contract	REIWA Approved Contract for Sale of Land or Strata Title by Offer and Acceptance relevant at the time of exercise of the First Option.
Purchase Price	\$900,000.00 excluding GST
GST	So far as the parties are aware the Tenant is a charitable organisation and exempt from GST, if GST is payable on the sale then it is payable by the buyer in addition to the Purchase Price
Payment of Purchase Price	Settlement Date
Settlement Date	On or before (90) days of exercise of First Option
Conditions	The 2022 Joint Form of General conditions for the Sale of Land
Special Conditions	Compliance with all relevant provisions of: <ul style="list-style-type: none"> (i) <i>Local Government Act 1995</i> (ii) <i>Land Administration Act 1997</i> (iii) <i>Local Government (Functions and General) Regulations 1996</i>

17. The Second Option is for the period commences on 1 July 2026 and expires at 4.00pm on the 30 June 2038.

Particulars of Contract	
Form of Contract	REIWA Approved Contract for Sale of Land or Strata Title by Offer and Acceptance relevant at the time of exercise of the Second Option.
Purchase Price	The value determined by an independent valuation chosen by the Lessor/Seller, at the cost of the Tenant/Buyer as at the date of the exercise of the Second Option, with such valuation to exclude the value of any improvements or physical development of the Land.
Deposit	\$50,000.00 to be paid within seven days of exercise of Second Option.
Payment of Purchase Price	Settlement Date
Settlement Date	On or before (90) days of exercise of Second Option

Conditions	The 2022 Joint Form of General conditions for the Sale of Land
Special Conditions	<p>Compliance with all relevant provisions of:</p> <p>(i) <i>Local Government Act 1995</i></p> <p>(ii) <i>Land Administration Act 1997</i></p> <p>(iii) <i>Local Government (Functions and General) Regulations 1996.</i></p>

CONSULTATION AND EXTERNAL ADVICE

18. Shire officers have been working with the GHSS in preparation of the draft lease.
19. Solicitors were engaged to prepare the lease.

STATUTORY / LEGAL IMPLICATIONS

20. LOCAL GOVERNMENT ACT 1995

Section 3.58 – a local government can dispose of property in accordance with legislative provisions.

In accordance with these provisions, the first option to purchase has met the disposal provisions providing that the details of the disposal are unchanged. It is noted that Council have agreed to sell the lot to Cultura Incorporated. Schedule 1 of the lease allows the Lessee to appoint a nominee for the purposes of exercises the purchase options.

In accordance with these provisions, the second option to purchase will require the disposal process to be followed including valuation and advertising of the disposal.

21. LOCAL GOVERNMENT (FUNCTIONS & GENERAL) REGULATIONS 1996

Regulation 30 – a disposition to a body whose objects are educational and the members of which are not entitled or permitted to receive any pecuniary profit from the body's transactions, is exempt from the disposal provisions under s 3.58.

With regards to this clause, the lease to the GHSS is exempt from disposal provisions.

STRATEGIC / POLICY IMPLICATIONS

Long Term Financial Plan

22. The sale of the lot is not included in the current adopted version of the Long Term Financial Plan (LTFP) and is instead retained as a land asset.
23. If the officers recommendation is supported, future revisions of the Long Term Financial Plan should include the sale of the lot for \$900,000 in 24/25.

24. A review of cash reserve forecasts and asset holding will be complete as part of the LTFP review to determine the most appropriate transfer for funds.

FINANCIAL IMPLICATIONS

25. Lease rent of \$22,000 (pro rata) (ex GST) has been included as an income in the draft 2023/24 budget in accordance with the draft lease.

OTHER IMPLICATIONS

Environmental

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

Economic

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

Social

28. The link between education and social outcomes has long been recognised. Most recently, in the past few decades, research has supported that education not only enables individuals to perform better in the labour market, but also helps to improve their overall health, promote active citizenship and contain violence.
29. Golden Hill Steiner School has made a submission to the Shire regarding the potential to offer secondary education by expanding its campus into adjoining Lot 1. Having a range of schooling options will improve educational outcomes for the community and the social benefits that accompany it.

RISK MANAGEMENT

30. There is a risk that the lease area is held by the school for the duration of the lease (25 years) without exercising either option to buy. However, this risk has been managed in the following ways:
- Development of the site is at the sole discretion of Council. Council can refuse development of the site prior to purchase.
 - A lease fee is applicable annually. Therefore, if no development is permitted, there is nothing to be gained by GHSS in holding the lease for the full term.
 - If development is allowed prior to any purchase, the development becomes the property of the Shire if the GHSS does not exercise the option to purchase the Land, and the Shire does not have to give any recognition of the GHSS's capital investment.
31. There is a risk that the valuation decreases if the second option to purchase is taken. However, this option would be subject to the disposal provisions of the Local Government Act and therefore this option, if taken, would be brought back to Council for consideration.

VOTING REQUIREMENTS

Simple Majority.

OFFICER RECOMMENDATION

ITEM 5.1

That Council:

1. APPROVE the draft lease as per Attachment 5.1
2. AUTHORISE the Shire President and the Chief Executive Officer to execute the lease document.

5.2 ADOPTION OF 2023/2024 ANNUAL BUDGET

File Ref:	FIN.1
Applicant / Proponent:	Not applicable
Subject Land / Locality:	Not applicable
Disclosure of Officer Interest:	Financial Interest as salary and conditions of officers incorporated within the Budget
Date:	25 July 2023
Author:	Jodi Masson, Acting Manager Corporate Services
Authorising Officer:	David King, Chief Executive Officer
Attachments:	5.1a – 2023/2024 Annual Budget 5.1b – 2023/2024 Schedule of Fees and Charges 5.1c – Table of Submissions to Differential Rates 2023/2024

IN BRIEF

Council must adopt an Annual Budget before 31 August each year.

The 2023-24 Annual Budget has been prepared with consideration given to Our Future 2033 (Strategic Community Plan), the Corporate Business Plan and draft Long Term Financial Plan, and has considered proposed revenues, expenditures and budget efficiency measures.

Council is asked to consider the adoption of the Annual Budget for the 2023/2024 financial year, including the setting and adoption of:

- differential rates and minimum payments
- fees and charges
- material variance for the year
- elected members fees and allowances
- rate waivers and
- other consequential matters arising from the budget papers

RECOMMENDATION

That Council review the Officer Recommendations in relation to Items a, b & c, as outlined in greater detail at the conclusion of this report.

LOCATION

1. Nil

BACKGROUND

2. In preparing the 2023/2024 Annual Budget (attachment 5.1a), a series of budget workshops were held with Council Members, aligned to Our Future 2033 Plan (SCP) priorities.
3. The 2023/2024 Annual Budget (Attachment 5.1 a) has been prepared considering the draft Long Term Financial Plan, Strategic Asset Management Plan, Workforce Development Plan, Corporate Business Plan and current and forecast economic factors.
4. At the Special Council Meeting, held on 20th June 2023, Council considered a report to advertise Shire's intention to levy differential rates and minimum payments in 2023/2024 to provide appropriate funding to achieve a balanced budget.

DISCUSSION / OFFICER COMMENTS

5. The 2023/2024 Annual Budget has been prepared and premised on a combination of informing assumptions from the 2023 draft Long-Term Financial Plan (LTFP), which is currently under Council consideration, the actions proposed from the Corporate Business Plan, and the Sustainability Action Plan, and to meet the objectives of operational service delivery, asset renewal, upgrade, replacement and delivery of discretionary capital projects.
6. The budget reflects the ongoing escalation of costs due to significant changes in the global economy, including supply chain disruptions, labour constraints, elevated inflation impacting the cost of living, and increased costs associated with the provision of services. (Noting the Perth Consumer Price Index (Perth CPI) was confirmed at 5.8% in the March 2023 quarter, year on year.)
7. The budget seeks to identify efficiencies in service delivery to maintain the level of services provided to the community and to the ongoing improvement of project management resources to ensure the Shire's capital projects are achieved.
8. The rate yield required to fund the expected deficiency between revenue and expenditure in the 2023/2024 budget is a 5.5% increase on last year's rate yield.
9. The major components of the balanced Annual Budget are:
 - Operating revenue (incl. rate revenue) of \$13.488 million (2022/2023 - \$14.824M)
 - Operating expenditure of \$17.655 million (2022/2023- \$17.141M)
 - Capital works program totalling \$8.293 million (2022/2023 - \$5.145M)
 - Rate revenue of \$8.093 million (2022/2023 - \$7.624M)
 - Grants for Capital Works of \$4.509 million (2022/2023 - \$2.941M)
 - Transfer to reserves to fund future works of \$1.503 million
 - Transfer from reserves to fund specific capital works and other items of \$2.036 million
 - New loans totalling \$0.500 million – \$0.500M Solar Panel Buildings Project (2022/23 \$0.427M Rubbish Compactor Truck)
 - Estimated carry forward balance of \$1.882 million, which includes a component of pre-paid grant funding for the 2023/2024 financial year.

10. Details of the 2023/2024 Annual Budget are presented below.

Opening Balance

11. A \$1.882M closing net funding position is forecast at the 2023 year-end (refer to table 1. below). Most of this relates to the advance payment of 100% of the 2023/2024 Financial Assistance Grant received in June 2023 and totalling \$1.198M.
12. The balance of the surplus reflects the impact of contractor unavailability to deliver planned projects, prudent management of operating expenditure, and funded projects unable to be completed due to resourcing and weather factors.

Table 1: Summary of Financial Year End Position 2023/2024

Summary of End of Financial Year Position 2023/2024			
Description	2023/2024 Budget	2022/2023 Forecast Actual	2022/2023 Budget
Rates Revenue	8,093,327	7,624,104	7,635,814
Operating Revenue	5,375,282	7,109,210	5,775,317
Operating Expenditure	(17,590,191)	(17,130,984)	(16,349,643)
Net Operating Result	(4,121,582)	(2,397,670)	(2,938,512)
Capital Grants	4,509,786	2,940,674	5,083,502
Profit/Loss on Asset Disposals	(45,100)	80,967	34,900
Net Result (Statement of Comprehensive Income)	343,104	623,971	2,179,890
Add Back Non-Cash item - Depreciation	4,560,519	4,513,901	3,487,325
Add Back Non-Cash item - Profit/Loss on Sale of Asset	45,100	(80,967)	(34,900)
Movement in Accruals	0	0	0
Sub Total	4,948,723	5,056,905	5,632,315
Capital Acquisitions	(8,293,222)	(5,145,081)	(10,346,667)
Debt Service - Principal	(290,613)	(171,349)	(263,209)
Lease Service - Principal			
Adjustment	(23,105)	(89,050)	(84,117)
S/S Loan Principal Income	22,474	23,728	23,728
Proceeds from Sales of Assets	720,500	435,294	171,500
Sub Total	(2,915,243)	110,447	(4,866,450)
Adjustments to provisions & accruals	0	(362,571)	1,870
New Borrowings	500,000	426,690	1,520,000
Transfer to Reserves	(1,502,564)	(1,187,532)	(846,168)
Transfer from Reserves	2,035,793	1,401,408	1,997,975
Surplus/Deficit	(1,882,014)	388,442	(2,192,772)
EOY Surplus Carried Forward	1,882,014	1,493,572	2,192,772
CLOSING BUDGET POSITION	0	1,882,014	0

Income Statement (attachment 5.1a)

13. The Shire forecasts revenue to increase by 0.43% (approx. \$0.057M) and expenditure to increase by 7.6% (approx. \$1.2M) compared to last year's budget. (Refer to the table and detailed information below for the more significant factors relating to these adjustments)

Table 2: Statement of Comprehensive Income - 2023/2024

Statement of Comprehensive Income	2023/24 Budget	2022/23 Actual	2022/23 Budget
Revenue			
Rates	8,093,327	7,624,104	7,635,814
Grants, subsidies and contributions	1,331,949	3,148,789	1,878,571
Fees and charges	3,637,623	3,577,932	3,666,496
Interest earnings	372,050	329,723	196,794
Other revenue	33,660	52,766	33,456
	13,468,609	14,733,314	13,411,131
Expenses			
Employee costs	(7,462,601)	(7,205,371)	(7,231,666)
Materials and contracts	(4,212,212)	(4,370,271)	(4,527,962)
Utility charges	(280,313)	(244,794)	(243,705)
Depreciation on non-current assets	(4,560,519)	(4,513,901)	(3,487,325)
Interest expenses	(108,786)	(85,936)	(130,079)
Insurance expenses	(510,931)	(469,986)	(461,206)
Other expenditure	(454,829)	(240,725)	(267,700)
	(17,590,191)	(17,130,984)	(16,349,643)
Sub Total	(4,121,582)	(2,397,670)	(2,938,512)
Capital grants, subsidies and contributions	4,509,786	2,940,674	5,083,502
Profit/Loss on asset disposals	(45,100)	80,967	34,900
Net Result	343,104	623,971	2,179,890

Operating Revenue

14. Revenue is estimated to increase by approximately \$0.057M from the 2022/2023 budget. Factors contributing to this movement are detailed below:

Rates Income

15. Total rates for the 2023/2024 budget are estimated to increase by \$0.457M across the differential rating categories in comparison to the 2022/2023 Budget.
16. The table below shows the 2023/2024 proposed rate in the dollar and minimum payment for each rating category to achieve a 5.99% increase in total rate revenue. The table also highlights the average percentage amount each category will increase.

The anticipated growth in rateable properties during the year yields a budgeted increase of \$0.026M (interim rates).

Table 3: Rate model 2023/2024

Rating Category	Rate in the \$ 2022-23	Rate in the \$ 2023-24	% Movement in Rate in the \$
General Rate			
<i>Gross Rental Value</i>			
Non Rural Improved	0.106223	0.112065	5.50%
Holiday	0.138090	0.145685	5.50%
Vacant	0.211772	0.223419	5.50%
<i>Unimproved Value</i>			
Rural	0.004511	0.004016	-10.97%*
Rural Additional Use - Holiday	0.005864	0.005220	-10.98%*
Rural Additional Use - Commercial	0.007668	0.006827	-10.96%*
Rating Category	Amount 2022-23	Amount 2023-24	% Movement in Rate in the \$
Minimum Payments			
<i>Gross Rental Value</i>			
Non Rural Imp	1,298	1,369	5.47%
Holiday	1,558	1,643	5.45%
Vacant	1,298	1,340	3.24%
<i>Unimproved Value</i>			
Rural	1,491	1,573	5.50%
Rural Additional Use - Holiday	1,938	2,045	5.52%
Rural Additional Use - Commercial	2,832	2,989	5.51%

* Rates in the dollar for UV general rate categories have been discounted to take into account increases in annual property valuations. The rate percentage increase listed for these categories is an average.

- 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 \$0.081M (interim rates).

Grants, subsidies & contributions

- The 2023/2024 Financial Assistance Grant has been received in its entirety, in advance and recorded as revenue for 2022/2023. This amount totalling \$1.198M is included in the opening surplus for 2023/2024.
- Funding from the Department of Fire and Emergency Services (DFES) of \$0.177M has been secured to undertake fire mitigation activities on various treatment areas within the Shire, including the provision of a Bushfire Risk Co-ordinator.

Fees & Charges

20. Fees and charges have been projected to decrease by \$0.028M, budget to budget. This is mainly due to a reduction in revenue from lime sales as a result of reduced tonnage output.
21. Most fees have increased by CPI for the 12 month period to March 2023, confirmed at 5.8%.
22. The exceptions to this increase are:
- Statutory fees - set by external legislation/regulations (planning, building, dog registrations etc.)
 - Waste management services. The waste service charges have been adjusted to ensure these costs are distributed equally amongst all households.
23. The waste facilities maintenance fee is an annual amount levied on rateable land within the Shire. The levy will remain the same, at \$75 for both UV and GRV properties to achieve fairness to all, whilst providing suitable waste and recycling services within the Denmark township.

Interest Earnings

24. There is a rise in anticipated interest earnings income of \$0.175M due to increases in interest rates set by the Reserve Bank of Australia (RBA).

Other Revenue

25. Other revenue for 2023/24 is budgeted at \$0.030M and mainly pertains to the sale of recycled items.

Operating Expenditure

26. Operating expenditure has increased by approximately \$1.2M. Contributing factors include:

Employee Costs

27. Budgeted employee costs for 2023/2024 have increased by 3.19% from the 2022/2023 budget as referenced in Table 4 below.

Table 4: Employee Costs 2023/24

	2023/24 Budget	2022/23 Actual	2022/23 Budget
Employee Costs	7,462,601	7,205,371	7,231,666

28. The 2023/24 Salaries and Wages Budget includes indexing considered appropriate to enable management to meet staff attraction and retention strategies in an increasingly competitive and challenging labour market and to address inflation and cost of living pressures.

29. Employee costs are indexed at 4% in the 2023/24 year in the draft Long Term Financial Plan, currently under Council consideration, and includes increases in salary and wages and Superannuation Guarantee (SG).

Materials and Contracts

30. Overall, Materials and Contractor expenses show a decrease of approximately \$0.158M compared to last years actual costs. These expense types have been indexed to account for rising costs, however this has been offset due to a reclassification of some expenses, now captured under other expenditure.

Utility Charges

31. A budget increase of 15% has been forecast for utility charge tariffs, accounting for announced increases in utility charges effective 1 July 2023 by the State Government and a review of usage trends.

Depreciation

32. An increase of approximately \$1.07M in depreciation expenses, budget to budget, is due to the revaluation of Councils building asset class with effect 1 July 2022.

Finance Costs

33. Interest charges of \$0.023M associated with loan debt service have increased from the prior years actuals, and attributable to the additional debt service on the loan for the Waste Collection truck, funded June 2023, and debt service associated with proposed new loan of the Solar Panel Installation project.

Insurance Expenses

34. Insurance expenses have increased by \$0.049M in 2023/24 budget. This is an average increase of 10.78% across all insurance programs.

Other Expenditure

35. Other Expenditure includes the Community Grants program, Council approved donations and provision for distress funding appeals, contributions to the various Community Halls, funding support to Denmark Arts, Tourism Subsidy and Alliance Projects.
36. Elected Member Fees and allowances are included in this total (previously included under the materials and contracts heading)

Capital Budget

37. 2023/2024 Capital Expenditure Budget is \$8,293,222M, a decrease of \$2.05M from the 2022/2023 budget. This decrease is mainly due to the delay in the commencement of the Denmark Surf Club Precinct Development, with the project now being scheduled over the next two (2) financial years with \$1.6M to be spent in year one (1).
38. The breakdown of Capital Expenditure Program funding (including plant and equipment) is

- External grant funding – 59% (\$4.859M)
- Reserve funding – 23% (\$1.938M)
- Council funding – 9% (\$0.740M)

- Sale of Assets (P&E) – 3% (\$0.255M)
- Loan Funds – 6% (\$0.500M)

39. 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 benefit of its residents.

A summary of the major capital projects for 2023/2024 is shown in the table below:

Table 5: Summary of Capital Expenditure 2023/2024

Summary of Major Capital Expenditure 2023/2024	\$
Ocean Beach Sea Wall Coastal Adaptation Works	1,140,000
Denmark Surf Club Precinct Development (Phase 1)	1,600,000
Shire Buildings - Solar Panel Project	500,000
Plant Replacement – All Programs	1,318,100
Transfer Station Upgrade - McIntosh Road (22/23 project re-budget)	40,000
Recreation Centre - New Gym Equipment	90,000
Upgrade to Recreation Centre Roof	50,000
CDS Shed Upgrade - McIntosh Road (22/23 project re-budget)	15,000
Fish Cleaning Facilities - Poddysht & Rivermouth (rebudget from 22/23)	40,000
Fish Cleaning Facilities - Peaceful Bay	25,000
Upgrade Community Infrastructure (McLean Oval Water Re-use Project) (Finalise)	58,000
Peaceful Bay Toilet Facility Expansion	50,000
Parks Infrastructure upgrade - Laing Park Dog Exercise Area (CBP)	7,000
Prawn Rock Channel Precinct (residual budget to finalise)	390,000
MRWA / Council Project - Parker Road - SLK 0.05 - 4.00 (Gravel Resheet & Improve Drainage)	323,000
MRWA Project / Council - Mt Lindesay Road SLK 7.20 - 11.51 (Gravel Resheet & Improve Drainage)	257,000
MRWA Project / Council - Hazelvale Road - SLK 6.75 - 9.55 (Reseal with Drainage Upgrades)	276,000
MRWA Project / Council - Conspicuous Beach Road - SLK 1.5 - 3.9 (Gravel Resheet & Improve Drainage)	219,000
MRWA Project / Council - Mt Shadforth Road - SLK 0.09 - 0.79 (Reconstruct, Reseal & Improve Drainage)	775,000
MRWA Project / Council - CRSF - Kernutts Road - SLK 0.10 - 1.85 (Widen & Seal)	410,000
MRWA Project / Council - CRSF - Bastiani Road - SLK 0.06 - 1.84 (Widen with Gravel Resheet)	120,000
Road Reconstruction - Ross Court	250,000
Pathway - Springdale Beach (Design Only)	40,000
Pathway - Pedestrian Bridge Renewal	51,000
Bike Trail Construction - Turner Road (CBP)	30,000
Drainage Renewal	54,122
Drainage Upgrades - Flood Mitigation (CBP)	40,000

Road Renewal - Sealed	100,000
Road Renewal - CBD All Abilities Carpark Upgrades	25,000

Borrowings

40. Council's total debt position as at July 1, 2023, is \$1.922M (including self-supporting loans to community organisations and new loan to fund the replacement of the Rubbish Truck Compactor in 22/23). The debt position as at 30 June 2024 will increase to \$2.131M with one (1) new loan anticipated to fund the capital works program, as follows.

- \$0.500M for the Solar Panel Buildings project.

41. The debt service cost (interest and principal) for the 2022/23 budget was \$0.392M compared to \$0.399M for the 2023/24 budget.

Reserves

42. Reserve funds are an effective means to save for expenditure in future years and are used to smooth the impact of major items of expenditure, such as plant and machinery, which are managed over a five (5) to fifteen-year cycle.

43. The following table and the 2023/2024 Statement of Financial Activity (previously the Rate Setting Statement) (attachment 5.1a) reflect transfers to reserves of \$1.502M (including interest earnings), with the transfer from reserves totalling \$2.036M, providing for a net outflow from the Shire's reserves of \$0.533M in 2023/2024.

Table 6: Reserve Funds Summary 2023/2024

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	369,883	15,905	0	(40,000)	345,788
Parry Inlet Reserve	208,594	8,970	10,000	(34,700)	192,864
Cemetery Reserve	0	0	0	0	0
Employee Entitlements Reserve	444,139	19,098	0	0	463,237
Infrastructure Reserve	1,070,534	46,033	615,000	(930,193)	801,374
Plant Replacement Reserve	718,265	30,885	400,000	(777,900)	371,250
Waste Services Reserve	826,402	35,535	170,000	(55,000)	976,937
Parks & Gardens Reserve	0	0	0	0	0
Aquatic Facility Development Reserve	95,351	4,100	10,000	0	109,451
Lionsville Reserve	96,165	4,135	0	(58,000)	42,300
Peaceful Bay Reserve	289,055	12,429	35,000	0	336,484
Rivermouth Caravan Park Reserve	115,372	4,961	5,000	0	125,333
Peaceful Bay Caravan Park Reserve	75,911	3,264	5,000	0	84,175

Recreation Centre Reserve	119,809	5,152	25,000	(140,000)	9,961
Strategic Reserve	114,111	4,907	5,000	0	124,018
ICT Reserve	30,551	1,314	15,000	0	46,865
Legal Contingency Reserve	20,367	876	10,000	0	31,243
Denmark East Development Reserve	0	0	0	0	345,788
	4,594,509	197,564	1,305,000	(2,035,793)	4,061,280
Net Transfers (including interest)					(533,229)

Local Government Properties – Rates Waiver

44. In recent years, Council has waived the rates on a range of Shire properties leased to community and sporting groups (Policy110102 – Leasing of Land and/or Buildings to Community Groups). Waivers must be considered at the time of the adoption of the budget. Officers have proposed a recommendation to allow Council to 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*.
45. The total value of the rates waiver of \$0.081 has been included in the Rates modelling and is as follows.

Table 7: Rate Waivers 2023/2024

Waiver & Concessions - Rates	2022/2023	2023/2024
A5731 -- Denmark Arts Council Inc.	5,577	5,883
A5585 – Denmark Boating & Angling Club - Parry Beach	1,491	1,573
A5587 – Denmark Boating & Angling Club & Denmark Sea Rescue Group	1,491	1,573
A3565 – Denmark Clay Target Club	1,491	1,573
A5729 -- Denmark Community Resource Centre Inc.	3,638	3,838
A5584 – Denmark Cottage Crafts Inc.	2,656	2,802
A3088 – Denmark Country Club Inc.	2,900	3,059
A5960 – Denmark Environment Centre Incorporated *	2,779	2,932
A3189 – Denmark Equestrian Club Inc.	1,992	2,101
A3256 – Denmark Historical Society Inc.	1,298	1,369
A5599 – Denmark Machinery Restoration Group Inc.	1,381	1,457
A3179 – Denmark Occasional Day Care Centre Inc. and Denmark Playgroup	1,298	1,369
A3167 – Denmark Pistol Club	1,491	1,573
A5601 – Denmark Riverside Club – Infrastructure	1,298	1,369
A3069 – Denmark Riverside Club – Riverfront Land	10,808	11,403
A5588 – Denmark Surf Lifesaving Club	1,491	1,573
A5590 – Green Skills Inc.	1,491	1,573
A5593 – Kentdale Community Hall Committee Inc.	1,491	1,573
A5600 – Lions Club of Denmark Inc.	1,298	1,369
A5591 – Nornalup Residents and Ratepayers Association	4,780	5,043
A5592 – Parry’s Beach Voluntary Management Group Inc.	1,491	1,573
A5615 – Peaceful Bay Progress Association Inc.	1,298	1,369
A5616 – Peaceful Bay Progress Association Inc.	1,298	1,369
A5596 – Peaceful Bay Returned Services League (RSL) Sub Branch	1,298	1,369

A5595 – Peaceful Bay Sea Rescue Group Inc.	1,298	1,681
A5597 – Scout Association of Australia	1,298	2,690
A3097 – The Returned & Services League of Australia WA Branch Inc.	1,298	2,578
A5594 – Tingledale Hall Committee Inc.	1,491	1,573
A3041 – Scotsdale Hall Committee Inc.	1,491	1,573
A6021 - Denmark Men's Shed	3,346	3,530
A6066 - Denmark Chamber of Commerce	1,298	5,939
A6067 - The Woodturners of Denmark	1,298	1,369
	62,607	81,617

46. 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
- Statement of Cash Flows
- Statement of Financial Activity
- 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 Property Plant and Equipment Replacement & Disposal Program

CONSULTATION AND EXTERNAL ADVICE

47. Councillors have provided input into the draft budget through briefings and workshops.
48. Management and officers contributed to preparing and reviewing the operational and capital budgets and setting fees and charges related to their areas of responsibility.
49. An essential part of the draft budget is setting the differential rates and minimum payments relating to the Shire's rating structure. The Shire gave local public notice of its intention to levy differential rates to achieve an overall increase in rate yield of 5.5%, excluding growth.
50. A Notice of Intention to Levy Differential Rates 2023/2024 was advertised for public comment from 21 June 2023. Submissions (refer to attachment 5.1c) closed on 13 July 2023, and three (3) submissions were received.

STATUTORY / LEGAL IMPLICATIONS

51. The *Local Government Act 1995* requires a local government to prepare and adopt an annual budget before 31 August or apply to the Minister for an extension.
52. In accordance with regulation 34(5) of the *Local Government Financial Regulations 1996* and Australian Accounting Standards Board - 1031 Materiality, the material variances to be used in the 2023/2024 Financial Activity Statement shall be an amount of \$10,000 or 10% of the appropriate base, whichever is the higher.
53. The *Waste Avoidance and Resource Recovery Act 2007* Act (66(1) and section 66(3)) require that a waste levy applying to all rateable properties be included as part of the Annual Budget.

STRATEGIC / POLICY IMPLICATIONS

54. 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

FINANCIAL IMPLICATIONS

55. The adoption of the 2023/2024 Annual Budget determines the financial operations of the Shire for the 2023/2024 financial year. This report outlines specific financial implications in the “Details” section.

OTHER IMPLICATIONS

Environmental

56. The 2023/2024 Annual Budget includes several projects and programs contributing to the delivery of the actions of the Sustainability Action Plan.

Economic

57. The 2023/2024 Annual Budget has been developed based on sound financial management and accountability principles and considers current and forecast economic factors.

Social

58. The 2023/2024 Annual Budget delivers social outcomes identified in various planning and community-supporting strategies that Council has previously adopted.

RISK MANAGEMENT

59. An assessment of evident risks has been undertaken in accordance with the Shire’s Risk Management Governance Framework and no risks have been identified in relation to the officer recommendation or the report.

VOTING REQUIREMENTS

Absolute Majority.

OFFICER RECOMMENDATION		ITEM 5.2(a)
That Council;		
1. <u>Differential General Rates and Minimum Payment Rates.</u>		
NOTES three (3) 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> , ADOPTS the following differential general rates and minimum payments on the Gross Rental and Unimproved Values:		
Differential General Rate Category	Rate in \$ (cents/\$ of valuation)	Minimum Payment \$
Gross Rental Value (GRV)		

1. Non Rural Improved	0.112065	1,369
2. Holiday Purposes	0.145685	1,643
3. Vacant Land	0.223419	1,340
Unimproved Value (UV)		
4. Rural	0.004016	1,573
5. Rural Additional Use - Holiday	0.005220	2,045
6. Rural Additional Use - Commercial	0.006827	2,989

2. Waste Collection Charges

ADOPTS the following Waste Collection charges for the Shire of Denmark (including domestic kerbside waste collection and collection of recyclables) for the 2023/2024 financial year:

a) Compulsory Townsite Domestic Residential Services:

- Denmark Domestic Kerbside Collection – Weekly \$606.00
- Denmark Domestic Kerbside Collection – Fortnightly* \$453.00
- Peaceful Bay/Nornalup Collection (rubbish only) – Weekly \$398.00
- Peaceful Bay/Nornalup Collection (rubbish only) – Fortnightly \$245.00

* applies to agreed collection service arrangement entered into prior to the 2020/21 year.

3. Waste Facilities Maintenance Rate

In addition to the full domestic refuse service, ADOPT an annual rate under section 66(1) of the Waste Avoidance and Resource Recovery Act 2007 (WARR Act) and, in accordance section 66(3) of the WARR Act, apply the minimum payment provisions of section 6.35 of the Local Government Act 1995. The rate is proposed to be called the 'Waste Facilities Maintenance Rate'. The minimum payment will be \$75.

The proposed rates are:

- GRV Properties – Rate in the dollar: 0.0001 Cents, minimum \$75.00
- UV Properties – Rate in the dollar: 0.0001 Cents, minimum \$75.00

4. 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*, APPROVES the following due dates for the payment of rates and waste collection charges in full by one payment on the due date or in instalments as follows:

- | | |
|--|-------------------|
| (1) Payment in full by a single instalment | 21 September 2023 |
| (2) Payment by two equal instalments: | |
| a) 1 st instalment due date | 21 September 2023 |
| b) 2 nd instalment due date | 23 November 2023 |
| (3) Payment by four equal instalments: | |
| a) 1 st instalment due date | 21 September 2023 |
| b) 2 nd instalment due date | 23 November 2023 |
| c) 3 rd instalment due date | 25 January 2024 |
| d) 4 th instalment due date | 29 March 2024 |

5. IMPOSES the following Rates and Charges to provide for Administration and Interest Charges on Rating, Waste Collection and General Debtor Collection charges during the 2023/2024 financial year:

(1) Instalment Plan Administration Fee

In accordance with section 6.45(3) of the Local Government Act 1995, an Instalment Plan Administration fee of \$11.60 (two instalment option) and \$34.80 (four instalment option) will apply for rates and rubbish collection charges.

(2) Late Payment Interest Charge

In accordance with section 6.51(1) of the Local Government Act 1995, a charge on outstanding rates and rubbish collection accounts (including amounts owed on ad hoc Payment Plans) of 11% p.a will be calculated on a simple interest basis for the number of days from the account due date until the day prior to the day on which the payment is received.

(3) Instalment Plan Interest Charge

In accordance with section 6.45(3) of the Local Government Act 1995, an interest rate of 5.5% p.a will be calculated on a daily basis on a simple interest basis from the due date of the first instalment as shown on the rate notice to the due date of each respective instalment.

(4) Late Payment Interest Charge (Excluding Rates & Charges)

In accordance with section 6.13 of the Local Government Act 1995 - A charge of 11% p.a interest, calculated on a simple interest basis for the number of days outstanding, may apply on unpaid debts (other than rates and rubbish collection charges) outstanding 35 days from the date of invoices raised after 1 July 2023. In respect to the Late Payment Interest Charge on rates and charges, the method of calculating the interest charge is on the daily balance outstanding:

- a) A waiver of late payment and interest charges may be considered for a person who is deemed by the Shire of Denmark to be suffering from financial hardship.

* *Absolute majority required.*

OFFICER RECOMMENDATION

ITEM 5.2(b)

That Council:

1. 2023/2024 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 2024 as contained in Attachment 5.1a which includes:

- Statement of Comprehensive Income showing a net result for 2023/2024 of \$343,104;
- Statement of Cash Flows showing cash & cash equivalents at year end of \$4,992,287;
- Statement of Financial Activity showing an amount to be raised from rates of \$8,093,327;

- Notes to and forming part of the Budget;
- Operating Budget Program Schedules;
- Transfers to Reserve accounts of \$1,502,564 and from Reserve accounts of \$2,035,793;
- Capital Expenditure Program showing a total of \$8,293,222.

2. Material Variance Reporting for 2023/2024

Pursuant to *Local Government (Financial Management) Regulation 34* regarding levels of variances for financial reporting, ADOPTS the monthly reporting variance for the 2023/2024 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;

3. Elected Members Fees and Allowances for 2023/2024

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	\$14,901
Councillors	\$14,901

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	\$33,644
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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	\$8,411
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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	\$3,063
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4. Schedule of Fees and Charges

Pursuant to *Section 6.16 of the Local Government Act 1995*, ADOPT the Fees and Charges of the 2023/2024 Budget included as Attachment 5.1b of this agenda and minutes.

* Absolute majority required.

OFFICER RECOMMENDATION

ITEM 5.2(c)

That Council;

1. Rate Waivers

Pursuant to *Section 6.47 of the Local Government Act 1995*, WAIVES the 2023/2024 local government rate charge, including any and all future interim adjustments for the

property assessments listed in Note 1 of the 2023/2024 Municipal Budget, noting that the amount totalling \$81,617 is subject to final confirmation during the 2023/2024 rate billing process.

6. MATTERS BEHIND CLOSED DOORS

Nil

7. CLOSURE OF MEETING