



AGENDA

FOR THE

SPECIAL MEETING OF COUNCIL

5 JULY 2022

NOTICE OF MEETING

Dear Council Member,

The next Special Meeting of Council will be held on Tuesday, 5 July 2022 in the Council Chambers, Corner Weld and Haas Streets, Broome, commencing at 4:30PM for the purpose of considering:

- ADOPTION OF 2022-23 ANNUAL BUDGET

Regards,



S MASTROLEMBO
Chief Executive Officer

01/07/2022

Our Mission

"To deliver affordable and quality Local Government services."

DISCLAIMER

The purpose of Council Meetings is to discuss, and where possible, make resolutions about items appearing on the agenda. Whilst Council has the power to resolve such items and may in fact, appear to have done so at the meeting, no person should rely on or act on the basis of such decision or on any advice or information provided by a Member or Officer, or on the content of any discussion occurring, during the course of the meeting.

Persons should be aware that the provisions in section 5.25 of the *Local Government Act 1995* establish procedures for revocation or rescission of a Council decision. No person should rely on the decisions made by Council until formal advice of the Council decision is received by that person. The Shire of Broome expressly disclaims liability for any loss or damage suffered by any person as a result of relying on or acting on the basis of any resolution of Council, or any advice or information provided by a Member or Officer, or the content of any discussion occurring, during the course of the Council meeting.

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SHIRE OF BROOME
SPECIAL MEETING OF COUNCIL
TUESDAY 5 JULY 2022
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1. OFFICIAL OPENING

2. ATTENDANCE AND APOLOGIES

Attendance:

Leave of Absence:

Apologies:

Officers:

Public Gallery:

3. DECLARATIONS OF FINANCIAL INTEREST / IMPARTIALITY

4. PUBLIC QUESTION TIME

5. REPORTS FROM OFFICERS

5.1 PEOPLE

There are no reports in this section.

5.2 PLACE

There are no reports in this section.

5.3 PROSPERITY

There are no reports in this section.

5.4 PERFORMANCE

5.4.1 ADOPTION OF 2022-23 ANNUAL BUDGET

LOCATION/ADDRESS:	Nil
APPLICANT:	Nil
FILE:	ACC01
AUTHOR:	Manager Financial Services
CONTRIBUTOR/S:	Nil
RESPONSIBLE OFFICER:	Director Corporate Services
DISCLOSURE OF INTEREST:	Nil

SUMMARY:

Council is requested to consider adopting the Shire of Broome 2022-23 Annual Budget comprising the following:

1. The 2022-23 Differential Rates, Minimum Payments and Instalment Payment Arrangements;
2. The 2022-23 Fees and Charges Schedule;
3. The 2022-23 Elected Member Sitting Fees and Allowances;
4. The 2022-23 Municipal Fund Budget; and
5. The 2022-23 Materiality Threshold for variance reporting.

BACKGROUND

Previous Considerations

OMC 16 December 2021	Item 9.4.1
SMC 9 June 2022	Item 5.3.1
SMC 12 May 2022	Item 5.3.1

2022-26 Corporate Business Plan

All local governments in Western Australia must develop a Plan for the Future as prescribed under section 5.56(1) of the *Local Government Act 1995* (the Act). In 2011, amendments were made to the *Local Government (Administration) Regulations 1996* (Admin Regs), specifically the inclusion of Regulation 19BA, which in summary, states that a Plan for the Future is to incorporate a Strategic Community Plan (SCP) and a Corporate Business Plan (CBP).

The SCP articulates the strategic direction of the Shire. The CBP translates the strategies into specific priorities and actions at an operational level. The CBP also draws together activities from various informing strategies (i.e. Capital Works Program, Asset Management Plan) into a Long-Term Financial Plan (LTFP). It provides a 4-year snapshot of operational actions and priorities to inform the annual planning and budgeting process.

The CBP must be reviewed annually in line with the budget process to ensure priorities are updated based on current requirements, achievable and effectively timed. Council adopted the 2022-26 CBP at its Ordinary Meeting held 16 December 2021. The LTFP is the monetary translation of the CBP encapsulating operating, capital, investing and financing

activities. The annual Budget is then guided by the high-level projections embodied in the LTFP.

2022-23 Differential Rates, Minimum Payments and Instalment Payment Arrangements

The purpose of levying rates is to meet Council's budget requirements to deliver services and community infrastructure in each financial year. The rates levied are determined by applying the rate in the dollar to the applicable valuation amount of the properties. The Minister for Local Government (the Minister) determines land valuation methods. The actual value is provided by the Valuer General's Office (VGO).

The application of differential rates considers section 6.33 of the Act, enabling local government to differentially rate properties based on zoning or land use as determined by the local government. Section 6.35 of the Act also provides the ability to impose a minimum payment that is higher than the general rate, which would otherwise be payable on that land. The application of differential rating based on land use or zoning results in a rate in the dollar and minimum payment amounts for each rating category.

The Act determines that properties of a non-rural purpose be rated using the GRV as the basis for the calculation of annual rates. The VGO determines the GRV for all properties within the Shire. As per section 22 of the Valuation of Land Act 1978, the VGO also determines the frequency of general valuations although historically, the VGO has undertaken a GRV revaluation every three to five years. In October 2021, the VGO reviewed all Shire GRV properties and these new valuations will be effective from 1 July 2022.

Fees and Charges

Per sections 6.16 to 6.19 of the Act, a local government may impose a fee or charge for any goods or services it provides. Fees and charges must be imposed when adopting the annual Budget. However, it may also be imposed or amended during the year if necessary.

Elected Members Sitting Fees 2022-23

The Admin Regs prescribe minimum and maximum amounts for Councillor Sitting Fees and Allowances. Councillor Sitting Fees and Allowances are reviewed annually by the Salaries and Allowances Tribunal (SAT) and by Council during the budget development process.

Municipal Fund Budget 2022-23

Under section 6.2(1) of the Act and *Local Government (Financial Management) Regulations 1996* (FMR), Council is required to prepare and adopt an annual budget for each financial year. The legislation prescribes the form and content of the annual Budget, which must include statements of income, cash flow and rates setting.

Materiality Threshold

Each financial year, a local government is to adopt a percentage or value, calculated under the Australian Accounting Standards (AASB), to be used for reporting material variances in the monthly statement of financial activity under AASB 1031 *Materiality* and FMR 34(5).

The Materiality Threshold is an internal control measure that prevents financial loss caused by an omission, misstatement or non-disclosure of financial information. The Materiality

Threshold also minimises administrative inefficiency, ensuring only those variances representing a medium or high-level risk are reported to management and Council.

COMMENT

2022-26 Corporate Business Plan

The following workshops were held with the Council leading into the finalisation of the 2022-2026 CBP, which informed the preparation of the 2022-23 Municipal Fund Budget (the Draft Budget):

- 19 November 2021 Council Workshop to review the updated LTFP focusing on capital projects undertaken over the next four-year period, 2022-2026. The workshop was attended by Councillors Tracey, Male, Mitchell, Taylor and Wevers.
- 14 December 2021 Council CBP Review Workshop held to finalise the CBP review process, including 4-year balanced LTFP confirming the capital projects to be budgeted in 2022-23. The workshop was attended by Councillors Tracey, Male, Foy, Matsumoto, Mitchell, Rudeforth, Taylor and Wevers.
- 16 December 2021 Council adoption of the CBP and balanced four-year LTFP

The following key assumptions were applied in developing the 2022-2037 LTFP:

- The 2021-22 adopted budget was adjusted by removing the effects of one-off activities not expected to recur in future years to determine the baseline operating figures used in the LTFP model.
- Capital projects workshopped with Council were included in the first four years of the 2022-2037 LTFP.
- 1.75% rates increase across all years, which includes 0.25% growth.
- 0.35% reserve interest rate.
- 1.5% CPI indexation on all other recurring operating income and expenses, including estimated EBA increases (noting that the EBA negotiations were ongoing at the time).
- 2.25% borrowing interest rates.
- Any surplus-deficit funds relating to the Waste Management Facility redirected to the Regional Resource Recovery Park reserve account.

The CBP endorsed in December 2021 included the first four years of the LTFP.

2022-23 Differential Rates, Minimum Payments and Instalment Payment Arrangements

As part of the annual budget process, Council must determine the general rate in the dollar and minimum payments for the 2022-23 financial year.

The current economic climate is challenging with low unemployment rates driving high CPI inflation. From a State perspective the end of Covid stimulus such as childcare, electricity and fuel subsidies has resulted in further escalation of inflation rates. Locally, housing and staff shortages are continuing to impact the community and ratepayers. Conversely, property owners have experienced increases in property value and rental yield is at near record heights.

In regards to Council operations materials and contractor costs have escalated significantly on the back of Covid, global supply chain shortages and the increased rollout of

infrastructure works post Covid. Staffing costs, which have seen low wage rate increases over several years, have escalated in line with inflation resulting in increased forecast operating expenses in 2022-23.

Economic forecasts point to continued housing and staff pressures coupled with high inflation. Global supply chain shortages resulting from Covid will continue, placing demand on materials and service providers and keeping costs high.

Council has been cognisant of these impacts in developing the 2022-23 Annual Budget, and recognises the need for a general rate increase which will keep pace with increased cost pressures. Following deliberations and feedback provided at the Council Budget Workshops held 23 March 2022 (attended by Councillors Tracey, Male, Matsumoto, Mitchell, Rudeforth, Taylor and Wevers) and 5 April 2022 (attended by Councillors Male, Foy, Matsumoto, Mitchell, Rudeforth, Taylor and Wevers), it was identified that \$25M of rate revenue was required to achieve a balanced budget in 2022-23 while maintaining a 4% rate change.

The proposed Rate in the Dollar (RID) for each rating category is summarised in the table below.

Differential Rate Category	Minimum Payment Proposed	Rate in the \$ (Cents) Proposed
GRV – Residential	\$1,268	8.31127
GRV – Vacant	\$1,268	17.5995
GRV – Commercial	\$1,268	11.0873
GRV – Tourism	\$1,268	13.4671
UV – Rural	\$1,268	0.81052
UV – Mining	\$520	13.709
UV – Commercial Rural	\$1,268	3.38859

The Proposed Minimum Payments

As part of the Annual Budget process, Council must determine the Minimum Payment for each Differential Rating Category for the 2022-23 financial year.

The setting of minimum rates within rating categories recognises that every property within the district receives some minimum level of benefit from the works and services provided by the Shire, which is shared by all properties regardless of size, value and use. A proposed minimum payment of \$1,268 has been applied to all rating categories except for the UV-Mining category, set at \$520. This represents an increase of \$48 and \$20 respectively, noting that the minimum payments have remained the same since 2016-17 after being reduced from \$1,224.

The UV of the 55 mining tenements ranges from \$200 to \$453,000, with an average UV of \$19,770. The minimum rate for the UV-Mining category is set at a lower level than the other rating categories to ensure that the rate burden is distributed equitably between all other property owners paying the minimum amount. A lower minimum payment will also ensure that less than 50% of the properties in this category are on the minimum rate and comply with section 6.35 of the Act.

Required Notice for Differential Rates and Minimum Payments and Ministerial Approval

Section 6.36 of the Act requires local governments seeking to impose differential rates or minimum payments to give local public notice, seek submissions for a minimum of 21 days, and then consider these submissions before imposing rates.

The objects of, and the reasons for, each proposed rate must also be prepared and published on the local government's website. Section 6.33 and 6.35 of the Act require the Minister's approval to impose:

- Differential rates more than twice the lowest differential rate in the GRV – Vacant, UV – Mining and UV – Commercial rating categories; and
- A minimum payment on vacant land where more than half of the total properties are on the minimum payment

At the May 12 2022 SMC, Council resolved to invite submissions on the proposed differential rates and minimum payments. Public notice was placed in The West Australian on 14 May 2022. Copies of the public notice were also posted to notice boards located at the Shire Administration Centre and Library. A media release about the intention to impose differential rates and minimum payments was also published on Shire's website immediately after the May 12 SMC.

The submission period was left open for 21 days and closed at 4 pm, Monday, 6 June 2022. 2 submissions were received and presented to Council without any resulting modifications.

Instalment Interest, Penalty Interest and Other Administration Fees

Under section 6.45 and 6.51 (1) of the Act, Council can charge interest on unpaid rates and rates paid on an approved instalment plan. The maximum interest rate for outstanding rates and other monies owed to Council is prescribed by Regulation 70 of the FMR and is currently 11%. Instalment interest is set at 5.5% as prescribed under FMR 68. Council should note that the Covid-19 Hardship related rate concessions previously implemented through the *Local Government (COVID-19 Response) Order 2020* and the *Local Government (COVID-19 Response) Amendment Order 2021* have been extended through the *Local Government (COVID-19 Response) Amendment Order 2022*. The provisions were extended on 30 June 2022 and apply through to 30 June 2023.

Under the *Local Government (COVID-19 Response) Amendment Order 2022*, local governments with an endorsed COVID-19 Financial Hardship Policy, such as the Shire of Broome, can charge 5.5% instalment interest and up to 7% penalty interest to ratepayers who are not in hardship. This change is not expected to impact the Budget significantly, and any reduction in interest income will be addressed in the first quarter Finance and Costing Review of 2022-23.

Under FMR 67, instalment charges are set to provide full or partial reimbursement of administration costs. The individual instalment transaction fee of \$10.40 is set to reflect the administration cost in handling the instalment options provided to ratepayers.

A nominal \$52.00 fee is proposed for administration costs incurred when actioning requests to enter into alternative payment arrangements which demand significant time for officers to process. The charge has been formulated to offset administration costs partially.

Due Dates for the Payment of Rates and Treatment of Non-Payment of Debts

To maintain consistency with previous years, the due dates for the payment of rates are proposed as per below:

Instalment Option	Payment Due Date
Proposed rate notice issue date: Thursday 14 July 2021	
<u>Full Payment</u>	18 August 2022
<u>Two Instalment Option</u> First instalment Second and final instalment	18 August 2022 5 January 2023
<u>Four Payment Option</u> First instalment Second instalment Third instalment Fourth and final instalment	18 August 2022 20 October 2022 5 January 2023 9 March 2023

In addition to the above, alternative payment arrangements are available to ratepayers to meet their obligations by year-end.

UV Commercial Rural Revaluations

A Pastoral Lease Rent Review was undertaken by Landgate (Valuer Generals Office, VGO) in July 2019, resulting in a significant increase (average of 327%) in valuations for pastoral properties in the Kimberley. The increase impacted pastoral properties in the UV – Commercial Rural rating category.

Following deliberations and feedback provided at the Council workshop held 26 May 2020, Council provided a 20% concession phased in over 5 years for affected ratepayers to reduce the impact on rates due to increased property valuations.

During 2020-21, the VGO received objections from pastoralists, which triggered a review of the previously determined valuation. The review found that the rate of return previously used was overstated and it was subsequently reduced from 2.8% to 1.8%, which reduces the rateable value of pastoral properties.

The reduction in valuation has since been applied retrospectively to all pastoral properties within the category, resulting in a \$72,717 reduction in category yield in 2022-23.

GRV Revaluation

The Act determines that properties of a non-rural purpose be rated using the GRV as the basis for the calculation of annual rates. The VGO determines the GRV for all properties within the Shire. As per section 22 of the Valuation of Land Act 1978, the VGO also determines the frequency of general valuations although historically, the VGO has undertaken a GRV revaluation every three to five years. In October 2021, the VGO reviewed all Shire GRV properties, and these new valuations will be effective from 1 July 2022.

The rental value for a house or other GRV property is influenced by factors such as age, construction, size, sheds and other additions, pools and locations. Interim valuations are provided fortnightly to the Shire by the VGO for properties where changes have occurred (i.e. subdivisions or strata title of property, amalgamations, building constructions,

demolition, additions and/or property rezoning). In such instances the Shire recalculates the rates for the affected properties and issues interim rates notices.

Following the GRV Revaluation officers received the finalised roll in late May. The roll contained significant increases in GRV valuation across all GRV categories which aligns with the increased house values and rental prices in the market. In some categories this was up to a 36% increase on the total property value within the differential rating category.

It should be noted that while there were significant increases there were some categories of properties where there were no increases in GRV value and other properties which experienced a drop in value.

In an effort to moderate the impact of the valuation increases Council has proposed to adjust the rate in the dollar down for all but one of Council's differential rating categories. This has been achieved by calculating the rate in the dollar that will result in a rate yield from each rating category that is 4% higher than 2022-23 rate yield, with the exception of the UV Commercial Rural category (which as above has been impacted by the reduction in value through the objection process).

The overall objective for the 2022-23 differential rating approach is an attempt to ease the burden of the GRV revaluation whilst ensuring that the rates revenue required to balance the budget is collected on an equitable basis, enabling the Shire to provide facilities, infrastructure and services to the entire community.

GRV valuations will apply from the financial year 2022-23 onwards.

Ministerial Approval

Ministerial approval of the Shire's request to to impose a differential general rate that is more than twice the lowest rate in the (UV) category and (GRV) category was received on Tuesday 28 June 2022 (Attachment 5).

Council is requested to adopt the 2022-23 proposed differential rates, minimum payments and instalment payment arrangements as part of the Annual Budget adoption.

2022-23 Fees and Charges

2022-23 fees and charges were reviewed to maximise full cost-recovery without hindering patronage for services. In reviewing the fees and charges, officers focused on verifying the following:

- the legislative head of power for all fees and charges;
- whether the fee and charge is regulated or otherwise;
- for non-regulated fees and charges:
 - the full cost recovery;
 - the rationale for the price;
 - how vital the fees and charges are to the community;
 - market competitiveness and regard to the current economic climate; and
- GST applicability.

A workshop was held with Council on 23 March 2022 to review the draft Schedule of Fees and Charges. The workshop was attended by Councillors Tracey, Male, Matsumoto,

Mitchell, Rudeforth, Taylor and Wevers. The following topics of discussion were covered, among others:

- Continue to waive venue hire fees for structured sporting programs for junior sporting activities to make junior sport more financially accessible for participants and community sporting clubs facilitating junior sports.
- \$0 fee for Minyirr Buru (in-town) conservation park illegal dumping (per tonne).
- Justification for newly introduced, discontinued and reduced fees was presented.
- Given the freeze to charges in 2020-21 and the need to address the effects of inflation, many fees had a 2.5% increase applied.
- Any proposed additional increases are related to direct cost recovery, rounding for ease of use, consistency across the full fee schedule, and alignment with other shires. The main increases occurred at the Waste Management Facility with 5% increases to the Standard Refuse Kerbside Collection Service and Refuse Additional Kerbside Collection Services fees included to offset contractual increases to the Kerbside Collection Contract.
- Focus on clarifying and simplifying the overall fees schedule through combining fees where relevant and separating fees where necessary.

Relevant officers communicated the proposed changes to the community members and commercial operators before Council considering adopting the Fees and Charges Schedule in June 2022.

Fees and charges imposed for Council services are either statutory charges or for the provision of goods and/or services. There are many regulatory fees determined under legislation other than the Act, which dictates the level of fees that the Council may impose.

Fees prescribed in Schedule 2 of the *Building Regulations 2012* (the Building Regs) were updated based on the fees published by the Department of Mines, Industry Regulation and Safety in February 2022. Should any subsequent updates and changes to these statutory fees be received after adopting the 2022-23 Fees and Charges Schedule, the new amount will apply and take effect from 1 July 2022.

The 2022-23 Fees and Charges Schedule is proposed to take effect from 1 July 2022 except for fees set under section 53 of the *Cemeteries Act 1986* (Cemeteries Act). As per the Cemeteries Act, fees will come into effect after 14 days notice is given in the Government Gazette.

Forecast 2022-23 budget revenue generated from Council charges, licences and statutory fees (excluding rent income and fines) is \$11.6M. Council is requested to adopt the 2022-23 fees and charges schedule as part of the Annual Budget adoption.

Elected Members Sitting Fees 2022-23

On 6 April 2021, the Salaries and Allowances Tribunal (the Tribunal) issued a determination about Local Government Elected Members and Chief Executive Officers (CEOs). The Tribunal determined that remuneration, fees, and annual allowance ranges provided to CEOs and elected members be increased by 2.5%.

The Shire of Broome is classified as a Band 2 local government. Historically, Council resolved to set the Councillor sitting fees, the President and Deputy President allowances at 75% of the maximum allowable limit while the allowances for ICT and travel were set at 100% of the maximum allowable limit. It is recommended that the proposed Councillor sitting fees, President and Deputy President allowances remain at 75% of the maximum allowable limit. The 75% limited was first set by Council in 2014-15 and the option remains for Council to set

the allowances up to 100% of the maximum fee set by the SAT. Allowances for ICT and Travel are proposed to stay at 100% of the maximum allowable limit.

The resignation of Cr West following the 2021 Ordinary Election and the subsequent decision of Council not to fill the vacant role results in some minor savings in sitting fees and allowances which are reflected in budget allocations.

The following table provides a comparative summary of the proposed Councillor sitting fees and allowances for 2021-22 and 2022-23, noting the reduction of total Councillors through the resignation of Cr West. GST does not apply to Councillor sitting fees and allowances:

Fee-Allowance	2021-22	2022-23 Proposed	Maximum Limit	% of Maximum
Sitting Fee – President	\$23,361	\$23,946	\$31,928	75%
Sitting Fee – (x 7 Councillors)	\$17,423	\$17,858	\$23,811	75%
Allowance – President	\$47,515	\$48,703	\$64,938	75%
Allowance – Deputy President	\$11,879	\$12,176	\$16,234	75%
ICT Allowance – (x 8 Councillors)	\$3,500	\$3,500	\$3,500	100%
Travel Allowance – (x 8 Councillors)	\$50	\$50	\$50	100%

The total of proposed Councillor Sitting Fees and Allowances paid for 2022-23 is \$238,231.

Council is requested to adopt the 2022-23 proposed Councillor Sitting Fees and Allowances as part of the Annual Budget adoption.

2022-23 Municipal Fund Budget

The Balanced Budget

The 2022/23 Budget has been developed with regard for Council's adopted SCP and CBP.

The workshops held with Council leading into the preparation of the Draft Budget were summarised in the Background section of this report. The draft Operations Budget was discussed at the 23 March 2022 workshop, which identified a \$18.2M operating deficit. Capital and other special projects were discussed at the 5 April 2022 workshop and considered the CBP, LTFFP, Asset Management Plans (AMP's), Workforce Plan and other informing strategies when developing the capital budget. Several project briefs submitted by staff and Councillors were also tabled with Council for consideration through the above workshops.

Following the Budget Workshop on 23 March 2022 it was identified that \$25M of rate revenue was required to achieve a balanced budget in 2022-23, and this could be achieved through a 4% rates increase.

Preparation of the 2022-23 budget was particularly challenging due to the following:

- Employee costs which account for over \$18M of the operating budget are scheduled to increase under enterprise bargaining agreements by 2.5% for those employed under the Inside Staff Agreement and CPI for those employed under the Outside Staff Agreement;
- Various tariffs and expenses were budgeted using inflation estimates derived from WALGA's March Local Government Cost Index (LGCI).
 - Utility tariffs were predicted through the LGCI to increase by up to 1.4%;

- Insurance premiums were predicted through the LGCI to increase by up to 3%;
- Several of these indicators have increased significantly since March, particularly in the later months of the 2021-22 financial year with increases now expected to be in the quantum of 5% for utilities and and 7.5% for insurance.
- Low interest rates continue to impact return on investment from revenue reserves while driving borrowing rates higher. Borrowing rates in late June 2022 have hit 4.75% for 15 year term investments compared to 2% earlier in 2022;
- Stable fees and charges due to minimal population growth;
- Conservative estimated population growth resulting in minimal growth in most user-paid services;
- Increased mandatory superannuation guarantee contributions under the Super Guarantee Act, from 10% in 21-22 to 10.5% in 2022-23; and
- Revaluation of GRV properties with significant changes to property values and delays in the revaluation information being made available to local governments.

Key achievements in this year's Budget include:

- Zero-based budgeting – all operational account budgets start at \$0 not based on historical figures;
- Operational revenues, expenses and net results in line with the 2022-23 LTFP;
- A continued focus by officers in leveraging Council funds to attract significant grant funding;
- \$2.05M revenue through commercial leases with increases to Kimberley Regional Offices, Town Beach Café and Zanders commercial lease terms and stability across the Shire's key worker properties;
- \$6.3M revenue from the Waste Management Facility or 2% increase from 2021-22 due to anticipated growth in construction and taking back commercial collection services for some caravan parks;
- \$471K statutory fees and licenses equating to a 23% increase from the 2021-22 budget, due to the increased development applications and building permits.

These factors have resulted in rates being contained within the 4% increase across differential rating categories despite inflation figures above 7%. This 4% increase is higher than the indicative figure of 1.85% included within the Shire's LTFP.

The Shire is aiming to deliver the following critical capital and special projects in 2022-23:

Projects	Amount
Cable Beach Foreshore Upgrades Stage 1	\$7.54M
Regional Resource Recovery Park Year 1 Community Recycling Centre	\$6.36M
Asset Renewal Expenditure as per various Asset Management Plans including allocation across the following asset classes: <ul style="list-style-type: none"> • \$1.78M Plant Replacement • \$876K Parks and Gardens Assets • \$774K Waste Facility and Bins • \$828K Buildings • \$647K Roads • \$312K Footpaths 	\$5.39M

Projects	Amount
<ul style="list-style-type: none"> • \$100K Coastal Infrastructure • \$43K Carparks • \$29K Drainage 	
Stewart Street Road Upgrades	\$1.05M
Port Drive - Guy Street Intersection Upgrades	\$780K
BRAC Dry Side Upgrades – Detailed Design and Tender Package	\$468K
BRAC Tennis Court Lighting	\$198K
Information Communication and Technology (ICT) Renewals	\$179K
Place Activations Plan	\$119K
Broome Lighting Upgrades	\$115K
Buckley's Road Waste Facility Capping	\$91K
Precinct Structure Plan	\$75K
Broome Museum Feasibility	\$75K
Implementation of Cemetery Master Plan	\$50K
Broome Public Library Feasibility	\$50K
Kimberley Regional Offices – Security Screens	\$45K
Implement the Youth Plan	\$30K
Quarterly Marketing Campaigns	\$30K
Sam Male Lugger Restoration	\$30K
Shoreline Monitoring	\$22K
Home Composting Scheme	\$21K
Conservation of the Shire Art Collection	\$20K
Implement the Disability Access and Inclusion Plan	\$20K
Asset Management Review	\$10K

Since the 5 April Council Workshop officers have reviewed the Cable Beach Foreshore Upgrade project and have adjusted elements of the project budget to reflect the latest work plans and ensure alignment and compliance with grant funding received. Officers have allocated Shire Parks and Works resources (staff and plant) to undertake various components of the Stage 1 works including drainage, footpaths and earthworks. This has reduced the overall project costs and assists in meeting the 50% co-contribution requirements of the Preparing Australian Communities Program (PACP) through the Stage 1 and Stage 2 works.

As a result of the adjustments the overall total funds required for the Stage 1 works has been reduced from \$12.35M in 2022-23 to \$7.54M. This adjustment has removed the requirement for Council to borrow \$1.4M in 2022-23 and has also provided a \$251,108 reduction in reserve funds. Municipal funds assigned to the project have not changed and remain at \$651,228.

Grant funding required for the project in 2022-23 has decreased from the original estimates of \$9.31M to \$4.78M. The 50% co-contribution requirement of PACP grants has been exceeded, allowing for some flexibility in approach through Stage 2.

Officers will need to review resource allocations in the Parks and Works Resource Based Budgets and adjust allocations to recognise the increased resources required for Cable Beach Stage 1 works. Adjustments to the Resource Based Budget's will impact operational

service levels in both areas and as such the proposed adjustments will be presented to Council through the first quarter Finance and Costing Review in 2022-23.

In macro dollar terms, Council will invest (excluding carryovers) in capital asset acquisition, construction, upgrades and renewal activities including;

- \$827K for buildings works
- \$3.87M for roads, drainage, footpaths, parks and other infrastructure works
- \$1.97M of fixed, mobile plant, furniture and equipment
- \$15.19M for recreation and other infrastructure
- \$953K of other additional operating activities.

Funding for the above capital activities is derived from \$6.24M in grants, \$526K in external contributions, \$8.02M of municipal funds and \$8.04M of reserve funds.

In terms of overall expenditure, the key statutory programs and activities of the Shire include:

Recreation & Culture	\$17.5M	Community facilities, Public Library, swimming areas and beaches, cultural events, Civic Centre and BRAC
Transport	\$10.6M	Roads, kerbing, footpaths, car parks, verges, parking control, street lighting, bus shelters and facilities and flood damage
Community Amenities	\$11M	Rubbish and recycling collection, waste management, stormwater drainage, town planning, environmental protection and litter control
Other Properties & Services	\$2.5M	KRO, community facilities, cafe-restaurants, Records and ICT management, corporate services, private works and other infrastructure operations
Economic Services	\$2.5M	Economic initiatives, provision of tourism and visitor services, building control and swimming pool inspections and caravan parks facilities
Governance	\$2.2M	Civic and citizenship activities, community sponsorship programs, promotion and engagement, Sister City relations, and youth development
Law, Order & Public Safety	\$1.5M	Legislative compliance and local laws enforcement, ranger operations, fire prevention, emergency planning and services and animal control
Housing	\$1.3M	Staff housing
Health	\$814K	Public health regulation and inspections, food premise licensing, mosquito and pest control and commercial pool inspections
Education & Welfare	\$800K	Community development programs, community safety, crime prevention, not for profit organisation support and community engagement and events
General Purpose Funding	\$624K	Management of the Shire's grants, rates review initiatives and debt-revenue management and control

In total, the Shire is investing \$51.4M in Broome and the broader community in 2022-23.

The Draft Budget itself is in statutory form. It includes statutory statements and notes, supporting program schedules and appendices, including the organisational structure and is presented for Council consideration and adoption.

2021-22 Budgets Carried Over to 2022-23

The Draft Budget has a predicted net carried forward balance of \$324,401 as detailed in the 2022-23 Carryover Summary Schedule of Attachment 1. These carried over projects are funded by \$9.89M from various funding sources such as the respective reserve funds for each asset-program class, grants and developer contributions. These Works in Progress (WIP) projects have been included in the Draft Budget as 'recounted projects' requiring \$3.33M of municipal funds, net of grants, borrowings or reserve funding.

Carryovers included mainly capital works projects that have started but are not expected to be complete by 30 June 2022. Some of the significant carryover projects are identified below:

- \$2.95M Surf Club Building Upgrade project (\$1.8M grant funding, \$55K developer contribution and \$690K borrowings);
- \$2.37M Plant Replacement due to delays to delivery of fleet (\$693K Profit on Sale of Asset, \$475K Reserves)
- \$1M Frederick St BSHS Off Street Car Park (\$895K grant funding and contributions)
- \$852K Skate Park (\$543K grant funding, \$58K Reserves);
- \$534K Contaminated Site Rehabilitation (reserve funded);
- \$419K Community Recycling Centre – Regional Resource Recovery Park (reserve funded);
- \$224K BRAC Grid Solar Connection (reserve funded);
- \$208K BRAC Mainline Upgrades;
- \$219K Cable Beach Foreshore Upgrade – Detailed Design

In addition to the WIP capital projects above, \$2.36M of income received in advance before the end of June for Stage 1 of the Cable Beach Foreshore Upgrade has been included in the carried forward balance for 2022-23.

Commonwealth Financial Assistance Grants Scheme (FAGS)

The FAGS program consists of two components:

- A general-purpose component which is distributed between the States and Territories according to population (i.e. on a per capita basis) and the Consumer Price Index (CPI); and
- A local road component is distributed between the States and Territories according to fixed historical shares.

Both components of the grant are untied in the hands of local government, allowing councils to spend the grants according to local priorities.

FAGS are a vital part of the revenue base of all local governments, with total base funding of \$2.3 billion provided annually by the Federal Government under this essential program.

The Federal Government's decision in the 2014 Federal Budget stopped the indexation of FAGS for three years, beginning in 2014-15. The Shire of Broome's FAGS funding has gradually been reduced by over \$800K since 2011-12. While the indexation has been restored to the General Purpose Grant pool effective from 2017-18, it will take some time until allocations return to 2011-12 levels.

In March 2022 the previous Federal Government agreed to bring forward partial payments from the 2022-23 year. The WA Local Government Grants Commission (WALGGC) has subsequently provided an advanced payment of \$1,537,480. This advance payment is estimated as approximately 50% of the annual allocation for 2022-23 and has been included in the carried forward balance.

While FAGS are paid through each State's Local Government Grants Commission, the funding originates from the Commonwealth, and it must be recognised as such. Council has been requested to pass a resolution acknowledging the importance of the Commonwealth's FAGS in assisting Council to provide essential community infrastructure.

Council is also requested to acknowledge the receipt of FAGS from the Commonwealth in media releases and Council publications, including the annual report. Council is also asked to highlight to the media a significant Council project of similar cost to the FAGS funding received to reiterate the importance and impact of the grants.

The significant contribution made by the Commonwealth through its FAGS funding, amounting to over \$2M annually, is acknowledged. These funds are utilised to achieve the Shire's annual and long term strategic objectives and deliver goods and services supplied, benefiting the Broome community and visitors alike. Without this vital funding, either services levels would be significantly lower or rates significantly higher to maintain the same standards and expectations. Accordingly, it is recommended that Council acknowledge the support provided by FAGS funding.

Council is requested to adopt the 2022-23 Annual Budget and acknowledge the importance of the FAGS grants.

Materiality in Financial Reporting

The Shire has several thresholds on financial reporting as follows:

- a) Asset capitalisation threshold of \$5,000;
- b) Reporting variances in the monthly statement of activity on a statutory program, core service, or nature and type-level that are \pm \$10,000 for operating items and \pm \$20,000 for capital items or 10%, whichever is higher;
- c) Identifying and addressing over and underachievement of the Budget on a general ledger account or job code level for the quarterly FACRs that are \pm \$5,000 for operating items and \pm \$10,000 for capital items; and
- d) The tolerable organisational deficit of 1% of operating revenues.

As per FMR 34(5), materiality thresholds can be set as a percentage, or dollar value, against an appropriate base amount. The Shire's materiality threshold provides both; the advantage being is that a minimum value threshold can be set as well as a proportional value threshold, relevant to major items or subtotals. Threshold levels should not be so high

as to allow material variances to go unnoticed, and by the same token, should not be so low as to cause an administrative burden.

For monthly financial activity statement reporting, 10% of the summarised revenue and expenditure by Program, Business Unit, Nature and Type or Asset Class Reporting would be considered a reasonable guide for highlighting variances. Council may also wish to adopt a value rather than a percentage or incorporate a minimum value threshold into the materiality consideration. The threshold provides \$10,000 for operating and \$20,000 for capital as a minimum value for reporting in the monthly statement of financial activity. These thresholds sit within the medium range on the risk matrix.

For purposes of quarterly FACRs, budgets are reviewed on an account or job number level. The existing materiality threshold detects variations of a minimum value of \$5,000 for operating revenue and operating expenditure accounts/jobs and \$10,000 for capital revenue and capital expenditure accounts/jobs.

The Shire of Broome's total operating revenue budget for 2022-23 is \$40,274,923. An overall materiality level based on 1% total revenue, or a deficit of \$402,749, is also employed. Variances may be immaterial individually both on an account, job or reporting program, but still, the Shire considers the aggregate impact of the variances. \$402,749 is more than twice the risk matrix financial impact threshold of \$150K, which places it beyond the extreme level. As per the risk matrix, the remedial outcome requires immediate intervention when the overall deficit is expected to exceed the \$150K risk matrix threshold.

Variances can consist of either timing or permanent variances. For example, a timing variance occurs when grant funding is received a month later than initially budgeted. A permanent variation occurs when the grant funding will not be received as planned. However, the amount alone does not always dictate whether an item is material, and disclosures should be adjusted where necessary. It is noted that when establishing materiality values and percentages, they are a trade-off between the volume of information compared to the significance of that information.

Council is requested to adopt the recommended materiality threshold for 2022-23.

CONSULTATION

Community consultation and engagement have previously occurred during the development of the SCP and CBP which informed the Draft Budget. Also, the proposed differential rates were advertised in the West Australian on 14 May 2022 and direct correspondences were made.

Extensive internal consultation has occurred with all the departmental managers and coordinators and through briefings and workshops with the Executive and Elected Members.

The Department of Local Government, Sport and Cultural Industries and Western Australia Local Government Grants Commission have also been consulted at various stages throughout the budget process.

STATUTORY ENVIRONMENT

Local Government Act 1995, s 6.2 *Local government to prepare annual Budget*

Local Government Act 1995, s 1.7 *Local public notice*

<i>Local Government Act 1995, s 6.16</i>	<i>Imposition of fees and charges</i>
<i>Local Government Act 1995, s 6.17</i>	<i>Setting level of fees and charges</i>
<i>Local Government Act 1995, s 6.19</i>	<i>Local government to give notice of fees and charges</i>
<i>Local Government Act 1995, s 6.28</i>	<i>Basis of Rates</i>
<i>Local Government Act 1995, s 6.32</i>	<i>Rates and service charges</i>
<i>Local Government Act 1995, s 6.34</i>	<i>Limit on revenue or income from general rates</i>
<i>Local Government Act 1995, s 6.35</i>	<i>Minimum payment</i>
<i>Local Government Act 1995, s 6.36</i>	<i>Local government to give notice of certain rates</i>
<i>Local Government Act 1995, s 6.47</i>	<i>Concessions</i>

Local Government (Financial Management) Regulations 2006, Regulation 5A. Local governments to comply with AAS. Subject to Regulation 4, the annual Budget, annual financial report and other financial reports of a local government must comply with the AAS.

Waste Avoidance and Resource Recovery Act 2007, s 67 Local government may impose receptacle charge

Waste Avoidance and Resource Recovery Act 2007, s 68 Fees and charges fixed by local government

Building Regulations 2012 s 53 Inspection of barrier to private swimming pool

POLICY IMPLICATIONS

Rating
COVID-19 Hardship

FINANCIAL IMPLICATIONS

The Budget is the primary financial plan for the 2022-23 financial year. The intention is to balance the Budget such that revenues match all expenditures.

RISK

Moderate risk of negative public perception is likely if the Council does not adopt the annual Budget.

Potential major reduction in the quality of assets provided and services delivered likely if the rates and the annual Budget are not adopted.

STRATEGIC ASPIRATIONS

Prosperity – Together, we will build a strong, diversified and growing economy with work opportunities for everyone.

Outcome Ten – Appropriate infrastructure to support sustainable, economic growth:

10.1 Invest strategically in property to stimulate economic growth.

Performance – We will deliver excellent governance, service and value, for everyone.

Outcome Thirteen - Value for money from rates and long term financial sustainability:

13.1 Plan effectively for short and long term financial sustainability.

Outcome Fourteen – Excellence in organisational performance and service delivery:

14.2 Deliver fit for purpose facilities and equipment.

VOTING REQUIREMENTS

Absolute Majority

REPORT RECOMMENDATION 1:

That Council:

1. Under sections 6.32, 6.33 and 6.35 of the Local Government Act 1995 imposes the following differential rates and minimum payments for the 2022-23 financial year:

DIFFERENTIAL RATE CATEGORY	RATE IN THE DOLLAR (cents)	MINIMUM PAYMENT
Residential (GRV)	8.31127	\$1,268
Commercial (GRV)	11.0873	\$1,268
Tourism (GRV)	13.4671	\$1,268
Vacant (GRV)	17.5995	\$1,268
Rural (UV)	0.81052	\$1,268
Commercial Rural (UV)	3.38859	\$1,268
Mining (UV)	13.709	\$520

and;

2. Notes under section 6.34 of the Local Government Act 1995 the revenue estimated to be yielded by the general rates imposed for the 2022-23 financial year will be 100% of the 2022-23 budget deficiency.

REPORT RECOMMENDATION 2

(SIMPLE MAJORITY)

That Council, under section 6.45 of the Local Government Act 1995 and Regulation 64(2) of the Local Government (Financial Management) Regulations 1996, nominates the following due dates for the payment of rates in full and by instalments:

Rates notice issue date: 14 July 2022

Full payment due date: 18 August 2022

Two Payment Option:

1st instalment due date 18 August 2022

2nd instalment due date 5 January 2023

4 Instalments option:

1 st instalment due date	18 August 2022
2 nd instalment due date	20 October 2022
3 rd instalment due date	5 January 2023
4 th instalment due date	9 March 2023

REPORT RECOMMENDATION 3
 (ABSOLUTE MAJORITY):
 That Council under section 6.13 of the Local Government Act 1995 adopts a rate of interest of 7% applicable to any amount of money owing to the local government (other than rates or service charges).

RECOMMENDATION 4
 (ABSOLUTE MAJORITY)
 That Council:

- Under section 6.16 of the Local Government Act 1995, adopts the Schedule of Fees and Charges for 2022-23 included as Attachment 4 effective from 1 July 2022, excluding statutory fees;
- Under section 53 of the Cemeteries Act 1986, adopts the Fees and Charges for the Broome Cemetery as included in the Schedule of Fees and Charges under the section 'Other Community Amenities';
- Under Regulation 53(2) of the Building Regulations 2012, adopts a non-GST Swimming Pool Inspection Fee of \$58.45;
- Adopts the Fees and Charges prescribed in Schedule 2 of the Building Regulations 2012 and any subsequent changes that may take effect from 1 July 2022;
- Under section 67 of the Waste Avoidance and Resources Recovery Act 2007, adopts the following charges for the removal and deposit of domestic and commercial waste:

Description	GST	Amount
a) Standard Refuse Kerbside Collection Service		
Waste-Recycle Service (240L Waste bin weekly and 240L recycle bin fortnightly)	Nil	\$490
Waste-Recycle Service (240L Waste bin weekly and 360L recycle bin fortnightly)	Nil	\$490
b) Refuse Additional Kerbside Collection Services		
Additional 240L Waste Service (one additional service per week) - Includes additional bin	Nil	\$267.75
Additional 240L Recycle Service (one additional service per fortnight) - Includes additional bin	Nil	\$178.50
Additional 360L Recycle Service (one additional service per fortnight) - Includes additional bin	Nil	\$194.25

RECOMMENDATION 6

(ABSOLUTE MAJORITY)

That Council:

1. Under section 5.98 and 5.99 of the Local Government Act 1995 adopts the following annual amounts for elected member sitting fees and allowances for 2022-23 effective from 1 July 2022;

Fee Allowance	GST	Amount
Sitting Fee – President	Nil	\$23,946
Sitting Fee – (x 7 Councillors)	Nil	\$17,858
Allowance – President	Nil	\$48,703
Allowance – Deputy President	Nil	\$12,176
ICT Allowance – (x 8 Councillors)	Nil	\$3,500
Travel Allowance – (x 8 Councillors)	Nil	\$50

2. Endorses that all member sitting fees be paid monthly.

RECOMMENDATION 7

(ABSOLUTE MAJORITY)

That Council, under section 6.2 of the Local Government Act 1995 and Part 3 of the Local Government (Financial Management) Regulations 1996, adopts the 2022-23 Municipal Fund Budget for the Shire of Broome as presented in Attachment 1, which includes the following:

- (a) Statement of Comprehensive Income by Nature and Type showing a net result of \$1,538,253;
- (b) Rate Setting Statement showing an amount required to be raised from rates of \$25,001,626;
- (c) Notes to, and forming part of, the Budget;
- (d) Budget program schedules;
- (e) Organisational structure;
- (f) Transfers to and from Reserve Accounts as detailed.

RECOMMENDATION 8

(SIMPLE MAJORITY)

That Council, under Regulation 34(5) of the Local Government (Financial Management) Regulations 1996 and Australian Accountings Standard AASB 1031 Materiality, adopt a threshold of (+) or (-)\$10,000 for operating items and (+) or (-) \$20,000 for capital items, or 10%, whichever is higher, when reporting material variances in each nature and type line item of the Statements of Financial Activity in 2022-23.

RECOMMENDATION 9

(SIMPLE MAJORITY)

That Council:

1. *Acknowledges the importance of Federal funding received through the Financial Assistance Grant Scheme and used for the continued delivery of Council's services and infrastructure;*
2. *Requests the Chief Executive Officer to ensure that this Federal funding, and other funding provided by the Federal Government under relevant grant programs, is appropriately identified as Commonwealth grant funding in Council publications, including annual reports.*

Attachments

1. 2022 - 2023 Statutory Annual Budget
2. 2022 - 2023 Proposed Differential Rates Model
3. 2022 - 2023 Differential Rates Objects and Reasons
4. 2022 - 2023 Fees and Charges Schedule
5. 2022 - 2023 Organisational Structure
6. 2022 - 2023 Ministerial Approval of Differential Rates UV & GRV



A vertical collage of ten horizontal strips, each containing a different image related to Broome. The images include: a child with white body paint on their face; a coastal town at sunset; a person in a boat; a person with colorful body paint; a person with white body paint; a person with hands raised in a gesture; a sailboat on the water; a person playing a guitar; a person in traditional dress; and a group of people sitting on a beach. The collage is set against a dark blue background with a wavy pattern.

ANNUAL BUDGET FOR THE YEAR ENDED 30 JUNE 2023

6. MEETING CLOSED TO PUBLIC

7. MEETING CLOSURE