

**SHIRE OF JERRAMUNGUP**

**BUDGET REVIEW REPORT**

**FOR THE PERIOD ENDED 31 MARCH 2023**

**LOCAL GOVERNMENT ACT 1995  
LOCAL GOVERNMENT (FINANCIAL MANAGEMENT) REGULATIONS 1996**

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SHIRE OF JERRAMUNGUP  
STATEMENT OF BUDGET REVIEW  
(NATURE OR TYPE)  
FOR THE PERIOD ENDED 31 MARCH 2023

	Note	Budget v Actual		Predicted		
		Adopted Budget (a)	YTD Actual (b)	Variance Permanent (c)	Variance Timing (Carryover) (d)	
		\$	\$	\$	\$	\$
<b>OPERATING ACTIVITIES</b>						
Net current assets at start of financial year surplus/(deficit)	3.5.2	1,652,930	1,312,925	(340,005)	0	1,312,925 ▼
<b>Revenue from operating activities (excluding rates)</b>						
Operating grants, subsidies and contributions	3.1.2	1,835,585	698,308	(675,464)		1,160,121 ▼
Fees and charges	3.1.3	823,057	781,430	56,989		880,046 ▲
Interest earnings	3.1.6	28,158	56,853	33,645		61,803 ▲
Other revenue	3.1.7	317,126	76,728	(25,120)		292,006 ▼
Profit on asset disposals	3.1.8	33,360	34,448	1,088		34,448 ▲
		<u>3,037,286</u>	<u>1,647,766</u>	<u>(608,862)</u>	<u>0</u>	<u>2,428,424</u>
<b>Expenditure from operating activities</b>						
Employee costs	3.2.1	(2,363,553)	(1,529,415)	3,112		(2,360,441) ▼
Materials and contracts	3.2.2	(3,979,764)	(1,768,033)	892,237		(3,087,527) ▼
Utility charges	3.2.3	(211,815)	(144,278)	(3,336)		(215,151) ▲
Depreciation on non-current assets	3.2.4	(2,233,887)	(1,786,593)	(156,173)		(2,390,060) ▲
Interest expenses	3.2.5	(20,344)	(8,269)	2,422		(17,922) ▼
Insurance expenses	3.2.6	(308,836)	(254,400)	20,221		(288,615) ▼
Other expenditure	3.2.7	(385,087)	(150,647)	180,023		(205,064) ▼
Loss on asset disposals	3.2.8	(7,225)	(37,561)	(30,336)		(37,561) ▲
		<u>(9,510,511)</u>	<u>(5,679,195)</u>	<u>908,170</u>	<u>0</u>	<u>(8,602,341)</u>
Non-cash amounts excluded from operating activities		2,207,752	1,795,442	185,421		2,393,173 ▲
<b>Amount attributable to operating activities</b>		<u>(2,612,543)</u>	<u>(923,062)</u>	<u>144,724</u>	<u>0</u>	<u>(2,467,819)</u>
<b>INVESTING ACTIVITIES</b>						
Non-operating grants, subsidies and contributions	3.3.1	2,614,943	2,078,026	543,117		3,158,060 ▲
Purchase land and buildings	3.4.2	(123,468)	(33,249)	41,219		(82,249) ▼
Purchase plant and equipment	3.4.3	(880,473)	(1,363,141)	(482,668)		(1,363,141) ▲
Purchase furniture and equipment	3.4.4	(18,000)	0	8,000		(10,000) ▼
Purchase and construction of infrastructure-roads	3.4.5	(1,944,454)	(1,335,341)	106,071		(1,838,383) ▼
Purchase and construction of infrastructure-other	3.4.6	(1,292,367)	(1,407,662)	(239,618)		(1,531,985) ▲
Proceeds from disposal of assets	3.3.2	394,400	375,981	(18,419)		375,981 ▲
		<u>(1,249,419)</u>	<u>(1,685,386)</u>	<u>(42,298)</u>	<u>0</u>	<u>(1,291,717)</u>
Non-cash amounts excluded from investing activities		0	0			0
<b>Amount attributable to investing activities</b>		<u>(1,249,419)</u>	<u>(1,685,386)</u>	<u>(42,298)</u>	<u>0</u>	<u>(1,291,717)</u>
<b>FINANCING ACTIVITIES</b>						
Repayment of debentures	3.4.8	(223,271)	(145,058)	40,000		(183,271) ▼
Principal elements of finance lease payments		(14,789)	(7,884)			(14,789)
Proceeds from new borrowings	3.3.3	437,500	0	0		437,500
Transfers to cash backed reserves (restricted assets)	3.5.10	(297,828)	(316,190)	(150,000)		(447,828) ▲
Transfers from cash backed reserves (restricted assets)	3.5.11	275,894	0	0		275,894
<b>Amount attributable to financing activities</b>		<u>177,506</u>	<u>(469,132)</u>	<u>(110,000)</u>	<u>0</u>	<u>67,506</u>
<b>Budget deficiency before general rates</b>		<u>(3,684,456)</u>	<u>(3,077,580)</u>	<u>(7,573)</u>	<u>0</u>	<u>(3,692,029)</u>
<b>Estimated amount to be raised from general rates</b>	3.5.1	3,684,456	3,692,145	7,573		3,692,029 ▲
<b>Closing funding surplus(deficit)</b>	3 (c)	<u>0</u>	<u>614,566</u>	<u>(0)</u>	<u>0</u>	<u>(0)</u> ▼

## 1. BASIS OF PREPARATION

The budget review comprises financial statements which have been prepared in accordance with the *Local Government Act 1995* and accompanying regulations.

### **Local Government Act 1995 requirements**

*Local Government (Financial Management) Regulations 1996* prescribe that the budget review be prepared in accordance with the *Local Government Act 1995* and, to the extent that they are not inconsistent with the Act, the Australian Accounting Standards. The Australian Accounting Standards (as they apply to local governments and not-for-profit entities) and Interpretations of the Australian Accounting Standards Board were applied where no inconsistencies exist.

The *Local Government (Financial Management) Regulations 1996* specify that vested land is a right-of-use asset to be measured at cost. All right-of-use assets (other than vested improvements) under zero cost concessionary leases are measured at zero cost rather than at fair value. The exception is vested improvements on concessionary land leases such as roads, buildings or other infrastructure which continue to be reported at fair value, as opposed to the vested land which is measured at zero cost. The measurement of vested improvements at fair value is a departure from *AASB 16* which would have required the Shire of Jerramungup to measure any vested improvements at zero cost.

Accounting policies which have been adopted in the preparation of this budget review have been consistently applied unless stated otherwise. Except for rate setting information, the budget review has been prepared on the accrual basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and liabilities.

Financial reporting disclosures in relation to assets and liabilities required by the Australian Accounting Standards have not been made unless considered important for the understanding of the budget review or required by legislation.

### **The local government reporting entity**

All funds through which the Shire of Jerramungup controls resources to carry on its functions have been included in the financial statements forming part of this budget review.

All monies held in the Trust Fund are excluded from the financial statements.

### **Rounding off figures**

All figures shown in this budget review are rounded to the nearest dollar.

### **2022-23 actual balances**

Balances shown in this budget review report as YTD Actual are as forecast at the time of budget review preparation and are subject to final adjustments.

### **Budget comparative figures**

Unless otherwise stated, the budget comparative figures shown in the budget review relate to the original budget estimate for the relevant item of disclosure.

### **Judgements, estimates and assumptions**

The preparation of the annual budget review in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that effect the application of policies and reported amounts of assets and liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances; the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The balances, transactions and disclosures impacted by accounting estimates are as follows:

- estimated fair value of certain financial assets
- estimation of fair values of land and buildings and investment property
- impairment of financial assets
- estimation uncertainties and judgements made in relation to lease accounting
- estimated useful life of assets

2 NET CURRENT FUNDING POSTION

EXPLANATION OF DIFFERENCE IN NET CURRENT ASSETS AND SURPLUS/(DEFICIT)

Operating activities excluded from budgeted deficiency

When calculating the budget deficiency for the purpose of Section 6.2 (2)(c) of the *Local Government Act 1995* the following amounts have been excluded as provided by *Local Government (Financial Management) Regulation 32* which will not fund the budgeted expenditure.

(a) Operating activities excluded from budgeted deficiency

The following non-cash revenue or expenditure has been excluded from operating activities within the Rate Setting Statement.

	Actual - Used for Budget 30 June 2022	Audited Actual 30 June 2022	Budget 30 June 2023	Actual 31 March 2023
			\$	\$
<b>Adjustments to operating activities</b>				
Less: Profit on asset disposals	(7,711)	(7,711)	(33,360)	(34,448)
Less: Movement in liabilities associated with restricted cash	0	(9,885)		5,736
Add: Loss on asset disposals	0	0	7,225	37,561
Less: Fair value adjustments to financial assets	0	(2,998)	0	0
Add: Non cash movements in non-current assets and liabilities	0	233,472	0	0
Add: Depreciation on non-current assets	2,008,804	2,130,749	2,233,887	1,786,593
<b>Non-cash amounts excluded from operating activities</b>	<b>2,001,093</b>	<b>2,343,627</b>	<b>2,207,752</b>	<b>1,795,442</b>

(b) Current assets and liabilities excluded from budgeted deficiency

The following current assets and liabilities have been excluded from the net current assets used in the Rate Setting Statement.

Adjustments to net current assets

Less: Restricted cash	(1,658,234)	(1,658,234)	(1,680,168)	(1,974,423)
Add: Long term borrowings	183,273	183,273	397,502	38,215
Add: Provisions - employee	451,041	66,178	451,041	71,914
Add: Lease Liability	16,372	15,100	1,583	7,216
<b>Total adjustments to net current assets</b>	<b>(1,007,548)</b>	<b>(1,393,683)</b>	<b>(830,042)</b>	<b>(1,857,078)</b>

(c) Composition of estimated net current assets

Current assets

Cash unrestricted	1,398,753	1,795,194	0	1,301,456
Cash restricted	2,089,914	1,693,702	1,680,168	2,227,320
Receivables - rates and rubbish	0	104,689	0	345,349
Receivables - other	649,762	563,856	649,762	101,962
Prepayments	0	0	0	34,705
Inventories	30,415	32,315	30,415	34,644
	<b>4,168,844</b>	<b>4,189,756</b>	<b>2,360,345</b>	<b>4,045,436</b>

Less: current liabilities

Payables	(426,000)	(507,517)	(680,177)	(307,008)
Contract liabilities	(431,680)	(326,216)	0	(770,310)
Lease liabilities	(16,372)	(15,100)	(1,583)	(7,216)
Borrowings	(183,273)	(183,273)	(397,502)	(38,215)
Provisions	(451,041)	(451,042)	(451,041)	(451,042)
	<b>(1,508,366)</b>	<b>(1,483,148)</b>	<b>(1,530,303)</b>	<b>(1,573,791)</b>

Net current assets

	<b>2,660,478</b>	<b>2,706,608</b>	<b>830,042</b>	<b>2,471,644</b>
<b>Less: Total adjustments to net current assets</b>	<b>(1,007,548)</b>	<b>(1,393,683)</b>	<b>(830,042)</b>	<b>(1,857,078)</b>
<b>Closing funding surplus / (deficit)</b>	<b>1,652,930</b>	<b>1,312,925</b>	<b>0</b>	<b>614,566</b>

## 2 COMMENTS/NOTES - NET CURRENT FUNDING POSITION (CONTINUED)

### SIGNIFICANT ACCOUNTING POLICIES

#### CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand, cash at bank, deposits available on demand with banks, other short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value and bank overdrafts.

Bank overdrafts are shown as short term borrowings in current liabilities.

#### FINANCIAL ASSETS AT AMORTISED COST

The Shire of Jerramungup classifies financial assets at amortised cost if both of the following criteria are met:

- the asset is held within a business model whose objective is to collect the contractual cashflows, and
- the contractual terms give rise to cash flows that are solely payments of principal and interest.

#### TRADE AND OTHER RECEIVABLES

Trade and other receivables include amounts due from ratepayers for unpaid rates and service charges and other amounts due from third parties for goods sold and services performed in the ordinary course of business.

Trade receivables are recognised at original invoice amount less any allowances for uncollectible amounts (i.e. impairment). The carrying amount of net trade receivables is equivalent to fair value as it is due for settlement within 30 days.

Trade receivables are held with the objective to collect the contractual cashflows and therefore measures them subsequently at amortised cost using the effective interest rate method.

Due to the short term nature of current receivables, their carrying amount is considered to be the same as their fair value. Non-current receivables are indexed to inflation, any difference between the face value and fair value is considered immaterial.

The Shire of Jerramungup applies the AASB 9 simplified approach to measuring expected credit losses using a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, rates receivable are separated from other trade receivables due to the difference in payment terms and security for rates receivable.

#### INVENTORIES

##### General

Inventories are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

#### CONTRACT ASSETS

A contract asset is the right to consideration in exchange for goods or services the entity has transferred to a customer when that right is conditioned on something other than the passage of time.

#### CURRENT AND NON-CURRENT CLASSIFICATION

An asset or liability is classified as current if it is expected to be settled within the next 12 months, being the Shire of Jerramungup's operational cycle. In the case of liabilities where the Shire of Jerramungup does not have the unconditional right to defer settlement beyond 12 months, such as vested long service leave, the liability is classified as current even if not expected to be settled within the next 12 months. Inventories held for trading are classified as current or non-current based on the Shire of Jerramungup's intentions to release for sale.

#### TRADE AND OTHER PAYABLES

Trade and other payables represent liabilities for goods and services provided to the Shire of Jerramungup prior to the end of the financial year that are unpaid and arise when the Shire of Jerramungup becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured, are recognised as a current liability and are normally paid within 30 days of recognition.

#### PREPAID RATES

Prepaid rates are, until the taxable event has occurred (start of the next financial year), refundable at the request of the ratepayer. Rates received in advance are initially recognised as a financial liability. When the taxable event occurs, the financial liability is extinguished and the Shire of Jerramungup recognises revenue for the prepaid rates that have not been refunded.

#### EMPLOYEE BENEFITS

##### Short-Term Employee Benefits

Provision is made for the Shire of Jerramungup's obligations for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

The Shire of Jerramungup's obligations for short-term employee benefits such as wages, salaries and sick leave are recognised as a part of current of financial trade and other payables in the statement position. Shire of Jerramungup's obligations for employees' annual leave and long service leave entitlements are recognised as provisions in the statement of financial position.

#### PROVISIONS

Provisions are recognised when the Shire of Jerramungup has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

#### CONTRACT LIABILITIES

An entity's obligation to transfer goods or services to a customer for which the entity has received consideration (or the amount is due) from the customer. Grants to acquire or construct recognisable non-financial assets to be controlled by the Shire of Jerramungup are recognised as a liability until such time as the Shire of Jerramungup satisfies its obligations under the agreement.

## Comments/Reason for Variance

	Variance \$	
	Permanent	Timing
<b>3.1.1 SPECIFIED AREA RATES</b>		
No material variance		0
<b>3.1.2 OPERATING GRANTS, SUBSIDIES AND CONTRIBUTIONS</b>		
Variance of \$554k due to income not expected to be received relating to AGRN973 flood works this financial year, it is predicted to receive these funds in the 23/24 financial year. Expected reduction of MAF funds to be received this financial year, most works expected to be completed by 30 May 2024 due to timing of MAF grant approval, tender process and Contractor appointment so total funds will be received in 23/24. Financial Assistance Grant increase income to be received by \$160k, Australia Day grant income \$18k for 22/23.	(675,464)	
<b>3.1.3 FEES AND CHARGES</b>		
Increase in rental income due to 4 Kokoda Road now being leased for additional Police personnel and increase in rental income expected to be received for staff housing. Predicted charges for rubbish and recycling higher than budgeted.		56,989
<b>4.1.4 OPERATING GRANTS, SUBSIDIES AND CONTRIBUTIONS</b>		
<b>3.1.5 SERVICE CHARGES</b>		
No material variance		0
<b>3.1.6 INTEREST EARNINGS</b>		
Interest expected to be earned on Reserve and term deposit investments increased due to current interest rates.		33,645
<b>3.1.7 OTHER REVENUE</b>		
Adjusted variance of \$13k relating to diesel fuel rebate, private works income less than budgeted.	(25,120)	
<b>3.1.8 PROFIT ON ASSET DISPOSAL</b>		
Variance less than \$10K		1,088
Predicted Variances Carried Forward	(608,862)	0

## Comments/Reason for Variance

	Variance \$	
	Permanent	Timing
Predicted Variances Brought Forward	(608,862)	0
<b>3.2.1 EMPLOYEE COSTS</b>		
Material variance less than \$10k	3,112	
<b>3.2.2 MATERIAL AND CONTRACTS</b>		
\$310k reduction in MAF works expected to be undertaken this financial year. \$443k reduction in flood works expected to occur in 22/23 relating to AGRN 973. \$70k reduction in predicted parts & repairs and fuel costs to 30 June 2023.	892,237	
<b>3.2.3 UTILITY CHARGES</b>		
Material variance less than \$10k	(3,336)	
<b>3.2.4 DEPRECIATION (NON CURRENT ASSETS)</b>		
Fair value of buildings completed 30 June 2023, budget is based on actuals from previous years. Variance also due to new Boxwood Fire truck	(156,173)	
<b>3.2.5 INTEREST EXPENSES</b>		
Material variance less than \$10k	2,422	
<b>3.2.6 INSURANCE EXPENSES</b>		
Reduction in insurance expenses predicted for plant items.	20,221	
<b>3.2.7 OTHER EXPENDITURE</b>		
\$150k reduction due to construction of St John building not expected to occur this financial year. South Coast Alliance membership reduced as determined at the Alliance AGM held on 31 October 2022 SoJ membership was to be \$3845 but had budget \$15k. CBFCO actual allowance was coded to other expenditure in the budget, actual expenditure was booked to materials & contractors.	180,023	
<b>3.2.8 LOSS ON ASSET DISPOSAL</b>		
Variance due to the trade of the Boxwood Fire Truck	(30,336)	
Predicted Variances Carried Forward	299,309	0

## Comments/Reason for Variance

	Variance \$	
	Permanent	Timing
Predicted Variances Brought Forward	299,309	0
<b>3.3.1 NON OPERATING GRANTS, SUBSIDIES AND CONTRIBUTIONS</b>		
Variance due to Boxwood fire truck - brought in as income and asset expense	543,117	
<b>3.3.2 PROCEEDS FROM DISPOSAL OF ASSETS</b>		
Disposal of DCEO vehicle not predicted to occur this financial year, reduction in proceeds from the sale of Ford Transit Bus predicted to be less than budget.	(18,419)	
<b>3.3.3 PROCEEDS FROM NEW DEBENTURES</b>		
No material variance	0	
<b>3.3.4 PROCEEDS FROM SALE OF INVESTMENT</b>		
No material variance	0	
<b>3.3.5 PROCEEDS FROM ADVANCES</b>		
No material variance	0	
<b>3.3.6 SELF-SUPPORTING LOAN PRINCIPAL</b>		
No material variance	0	
<b>3.3.7 TRANSFER FROM RESERVES (RESTRICTED ASSETS)</b>		
No material variance	0	
Predicted Variances Carried Forward	824,006	0



## Comments/Reason for Variance

	Variance \$	
	Permanent	Timing
Predicted Variances Brought Forward	824,006	0
<b>3.4.1 LAND HELD FOR RESALE</b>		
	0	
<b>3.4.2 LAND AND BUILDINGS</b>		
Boxwood lighting grant application unsuccessful, total cost to replace cisterns under \$5k so booked to operating expense. Carpet replacement at the Jerramungup CRC came in under budget. Bushfire insurance works completed at Unit 1, Lot 265 Collins Street booked to expense rather than asset due to works that were undertaken.	41,219	
<b>3.4.3 PLANT AND EQUIPMENT</b>		
Variance due to the Boxwood Fire Truck	(482,668)	
<b>3.4.4 FURNITURE AND EQUIPMENT</b>		
Variance less than \$10k	8,000	
<b>3.4.5 INFRASTRUCTURE ASSETS - ROADS</b>		
Jacup North Road completed \$54k under budget, Marnigarup West Road completed \$67k under budget	106,071	
<b>3.4.6 INFRASTRUCTURE ASSETS - OTHER</b>		
Variance of \$315k due to increased costs associated with the completion of the Boat Ramp project. The budget had a provision to allocate \$123k to the replacement of the Jerramungup bowling green due to the damage sustained from the Bushfire on Feb 11, 2022. However as the bowling green was still useable it had an economic value and therefore was not classified as being impaired and therefore the cost to fix was booked to expense rather than to the asset.	(239,618)	
<b>3.4.7 PURCHASES OF INVESTMENT</b>		
No material variance	0	
<b>3.4.8 REPAYMENT OF DEBENTURES</b>		
Due to timing of loan application being submitted and approved loan repayments will not commence until 23/24 financial year.	40,000	
<b>3.4.9 ADVANCES TO COMMUNITY GROUPS</b>		
No material variance	0	
Predicted Variances Carried Forward	297,011	0

## Comments/Reason for Variance

	Variance \$	
	Permanent	Timing
Predicted Variances Brought Forward	297,011	0
<b>3.5 OTHER ITEMS</b>		
<b>3.5.10 TRANSFER TO RESERVES (RESTRICTED ASSETS)</b>		
Due to construction not yet commenced for the St John building in Bremer Bay \$150,000 to be transferred to Capital Works Reserve until construction commences.	(150,000)	
<b>3.5.11 TRANSFER FROM RESERVES (RESTRICTED ASSETS)</b>		
No material variance	0	
<b>3.5.1 RATE REVENUE</b>		
Variance under \$10k	7,573	
<b>3.5.2 OPENING FUNDING SURPLUS(DEFICIT)</b>		
Decrease in net current assets brought forward upon receipt of audited financial statements. Variance between treatment of leave provision at 30 June.	(340,005)	
<b>3.5.3 NON-CASH WRITE BACK OF PROFIT (LOSS)</b>		
Variance due to the depreciation on non current assets	185,421	
<b>Total Predicted Variances as per Annual Budget Review</b>	<b>(0)</b>	<b>0</b>

SHIRE OF JERRAMUNGUP  
 NOTES TO THE BUDGET REVIEW REPORT  
 FOR THE PERIOD ENDED 31 MARCH 2023

5. BUDGET AMENDMENTS

Amendments to original budget since budget adoption. Surplus/(Deficit)

GL Account Code	Description	Council Resolution	Classification	No Change - (Non Cash Items) Adjust.	Increase in Available Cash	Decrease in Available Cash	Amended Budget Running Balance	Comments
				\$	\$	\$	\$	
				0	0	0	0	
			Opening Surplus(Deficit)	0	0	0	0	
				0	0	0	0	

Amended Budget Cash Position as per Council Resolution

