

SHIRE OF JERRAMUNGUP

BUDGET REVIEW REPORT

FOR THE PERIOD ENDED 29 FEBRUARY 2024

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

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SHIRE OF JERRAMUNGUP
STATEMENT OF BUDGET REVIEW
FOR THE PERIOD ENDED 29 FEBRUARY 2024

	Note	Budget v Actual			Predicted			
		Adopted Budget	Updated Budget Estimates (a)	YTD Actual (b)	Variance Permanent (c)	Variance Temporary (Carryover) (d)	Estimated Year End Amount (a)+(c)-(d)	
		\$		\$	\$	\$	\$	
OPERATING ACTIVITIES								
Revenue from operating activities								
General rates	4.1.1	3,816,136	0	3,808,352	(9,318)	0	3,806,818	▼
Rates excluding general rates		64,181	0	64,181	0	0	64,181	
Grants, subsidies and contributions	4.1.2	668,257	0	570,565	239,464	0	907,721	▲
Fees and charges	4.1.3	916,049	0	833,757	28,500	0	944,549	▲
Interest revenue	4.1.4	104,542	0	82,174	135,000	0	239,542	▲
Other revenue	4.1.5	79,315	0	75,848	11,361	0	90,677	▲
Profit on asset disposals	4.1.6	11,244	0	19,804	19,804	0	31,048	▲
		5,659,724	0	5,454,681	424,811	0	6,084,536	
Expenditure from operating activities								
Employee costs		(2,665,192)	0	(1,568,049)	0	0	(2,665,192)	
Materials and contracts	4.2.1	(3,267,034)	0	(1,611,615)	(109,332)	0	(3,376,366)	▲
Utility charges		(188,516)	0	(130,331)	0	0	(188,516)	
Depreciation		(2,591,846)	0	(2,091,743)	0	0	(2,591,846)	
Finance costs	4.2.2	(34,827)	0	(14,690)	(1,764)	0	(36,591)	▲
Insurance		(241,463)	0	(265,565)	0	0	(241,463)	
Other expenditure		(249,473)	0	(171,198)	0	0	(249,473)	
Loss on asset disposals	4.2.3	(40,139)	0	0	2,264	0	(37,875)	▼
		(9,278,490)	0	(5,853,191)	(108,832)	0	(9,387,322)	
Non-cash amounts excluded from operating activities	4.5.1	2,620,741	0	2,122,055	28,047	0	2,648,788	▲
Amount attributable to operating activities		(998,025)	0	1,723,545	344,026	0	(653,998)	
INVESTING ACTIVITIES								
Inflows from investing activities								
Capital grants, subsidies and contributions	4.3.1	1,857,778	0	0	(5,026)	(770,564)	1,082,188	▼
Proceeds from disposal of assets	4.3.2	150,000	0	33,460	18,460	0	168,460	▲
		2,007,778	0	33,460	13,434	(770,564)	1,250,648	
Outflows from investing activities								
Purchase of land and buildings	4.3.3	(80,100)	0	(40,239)	(33,388)	0	(113,488)	▲
Purchase of plant and equipment	4.3.4	(536,900)	0	(84,950)	22,000	0	(514,900)	▼
Purchase of furniture and equipment		(18,000)	0	(17,180)	0	0	(18,000)	
Purchase and construction of infrastructure-roads		(1,493,187)	0	(697,456)	0	0	(1,493,187)	
Purchase and construction of infrastructure-other	4.3.5	(2,091,863)	0	(132,856)	(31,470)	1,670,564	(452,769)	▼
		(4,220,050)	0	(972,680)	(42,858)	1,670,564	(2,592,344)	
Amount attributable to investing activities		(2,212,272)	0	(939,220)	(29,424)	900,000	(1,341,696)	
FINANCING ACTIVITIES								
Inflows from financing activities								
Proceeds from new borrowings	4.4.1	900,000	0	0	0	(900,000)	0	▼
Transfers from reserve accounts	4.4.2	340,000	0	0	0	(300,000)	40,000	▼
		1,240,000	0	0	0	(1,200,000)	40,000	
Outflows from financing activities								
Payments for principal portion of lease liabilities	4.4.3	(4,023)	0	(7,124)	(15,210)	0	(19,233)	▲
Repayment of borrowings		(183,351)	0	(129,492)	0	0	(183,351)	
Transfers to reserve accounts		(668,499)	0	(597,179)	0	0	(668,499)	
		(855,873)	0	(733,795)	(15,210)	0	(871,083)	
Amount attributable to financing activities		384,127	0	(733,795)	(15,210)	(1,200,000)	(831,083)	
MOVEMENT IN SURPLUS OR DEFICIT								
Surplus or deficit at the start of the financial year	4.5.1	2,826,170	0	2,826,777	607	0	2,826,777	▲
Amount attributable to operating activities		(998,025)	0	1,723,545	344,026	0	(653,998)	
Amount attributable to investing activities		(2,212,272)	0	(939,220)	(29,424)	900,000	(1,341,696)	
Amount attributable to financing activities		384,127	0	(733,795)	(15,210)	(1,200,000)	(831,083)	
Surplus or deficit after imposition of general rates	3(c)	0	0	2,877,306	300,000	(300,000)	0	▲

1. BASIS OF PREPARATION

The budget review has been prepared in accordance with Australian Accounting Standards (as they apply to local governments and not-for-profit entities) and interpretations of the Australian Accounting Standards Board, and the *Local Government Act 1995* and accompanying regulations.

The *Local Government Act 1995* and accompanying Regulations take precedence over Australian Accounting Standards where they are inconsistent.

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 Leases* 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 cash flow and 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.

In the process of reporting on the local government as a single unit, all transactions and balances between those Funds (for example, loans and transfers between Funds) have been eliminated.

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.

2023/24 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 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.

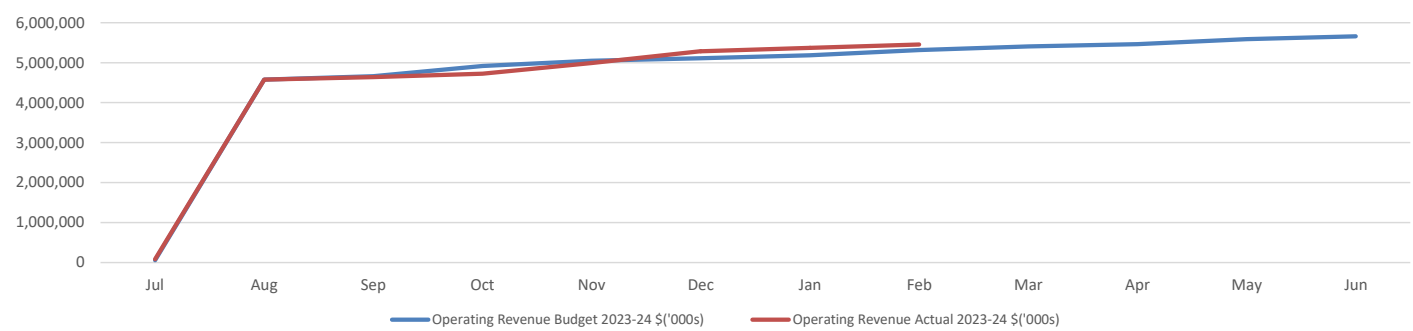
The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances; the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent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

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

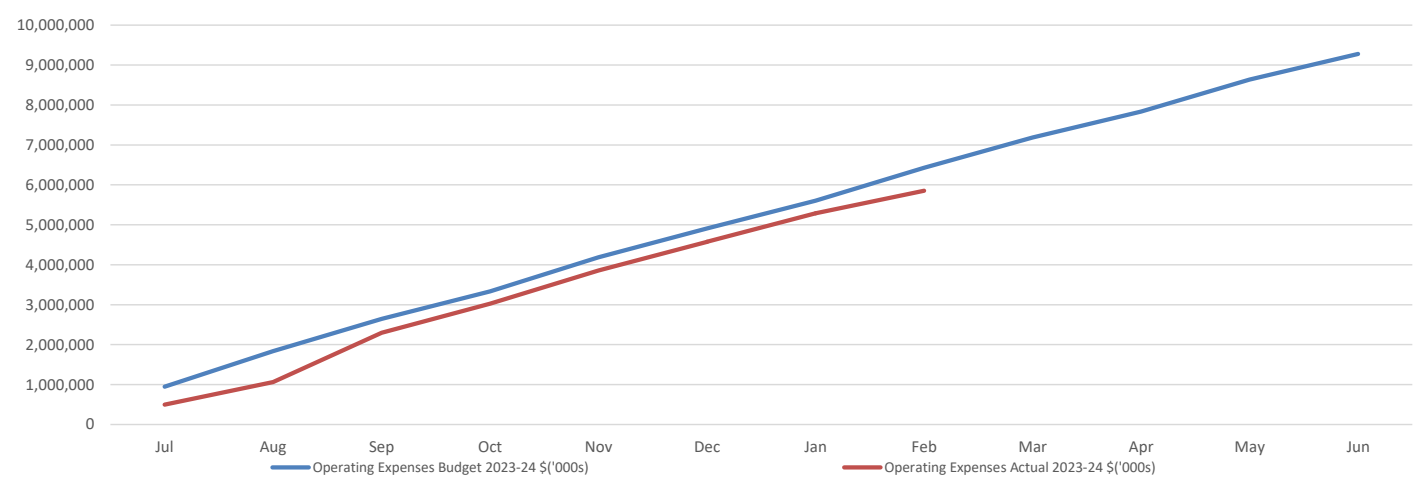
- estimated fair value of certain financial assets
- estimation of fair values of land and buildings and investment property
- impairment of financial assets
- estimation uncertainties and judgements made in relation to lease accounting
- estimated useful life of assets

2. SUMMARY GRAPHS - BUDGET REVIEW

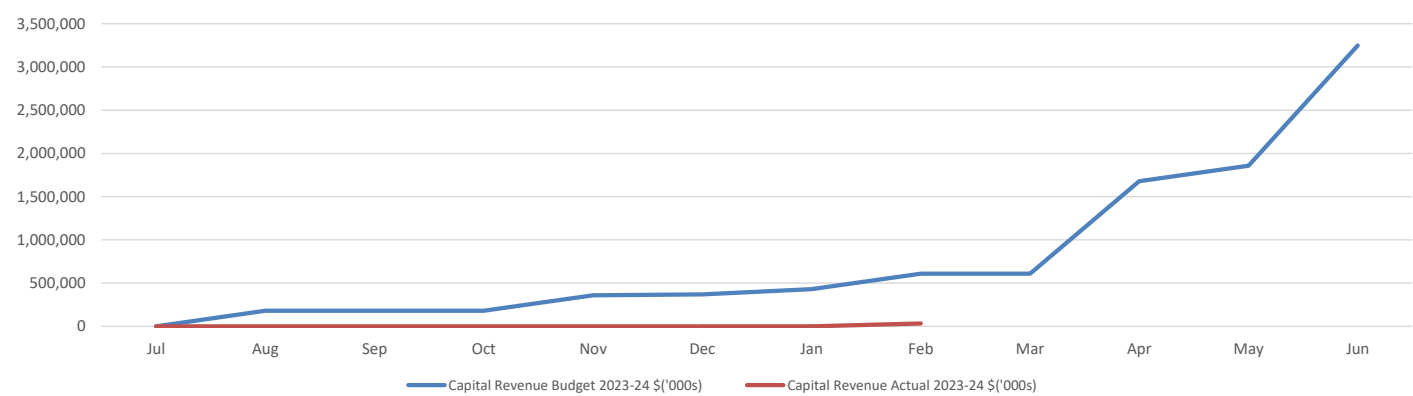
Operating Revenue



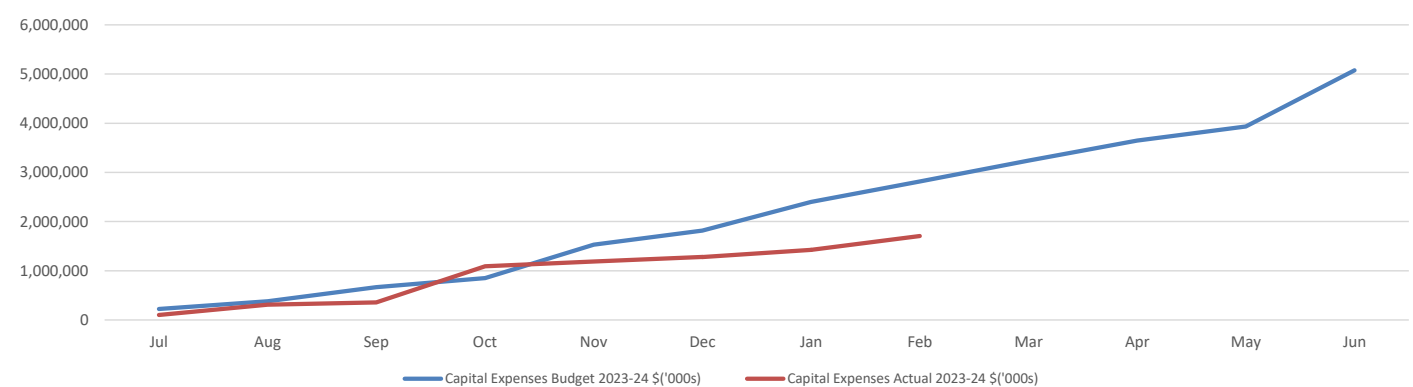
Operating Expenses



Capital Revenue



Capital Expenditure



This information is to be read in conjunction with the accompanying financial statements and notes.

3 NET CURRENT FUNDING POSITION
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	Actual - Used for Budget 30 June 2023	Audited Actual 30 June 2023	Budget 30 June 2024	Actual 29 February 2024	Estimated Year End amount 30 June 2024
	\$	\$	\$	\$	\$
The following non-cash revenue or expenditure has been excluded from operating activities within the Rate Setting Statement.					
Adjustments to operating activities					
Less: Profit on asset disposals	(36,772)	(35,526)	(11,244)	(19,804)	(31,048)
Less: Movement in liabilities associated with restricted cash	0	6,663	0	50,116	
Less: Fair value adjustments to financial assets at fair value through profit or loss	0	(2,764)	0	0	50116
Add: Loss on disposal of assets	37,561	37,561	40,139	0	37,875
Add: Depreciation on assets	2,456,743	2,431,123	2,591,846	2,091,743	2,591,846
Non-cash movements in non-current assets and liabilities:					
Lease liabilities (non-current)	19,339	(156)	0	0	0
Employee benefit provisions	6,663	1,730	0	0	0
Other provisions	350	765,666	0	0	0
Non-cash amounts excluded from operating activities	2,483,884	3,204,297	2,620,741	2,122,055	2,648,788

(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.

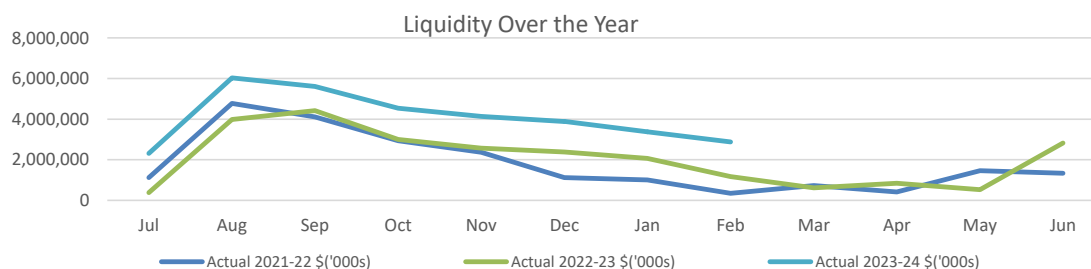
Adjustments to net current assets					
Less: Reserve accounts	(2,134,117)	(2,134,117)	(2,462,616)	(2,731,296)	(2,762,616)
Less: Movements in creditors	0	0	(57,331)	0	(57,331)
Add: Current liabilities not expected to be cleared at end of year					
- Current portion of borrowings	183,351	183,351	217,927	53,859	217,927
- Current portion of lease liabilities	4,023	4,023	4,164	5,881	4,164
- Employee benefit provisions	72,841	72,841	126,008	122,957	126,008
Total adjustments to net current assets	(1,873,902)	(1,873,902)	(2,171,848)	(2,548,600)	(2,471,848)

(c) Composition of estimated net current assets

Current assets					
Cash and cash equivalents	5,357,232	5,357,240	2,462,616	6,381,496	2,762,616
Trade and other receivables	716,482	715,505	716,482	853,771	716,482
Inventories	36,995	36,995	36,995	34,258	36,995
	6,110,709	6,109,740	3,216,093	7,269,525	3,516,093
Less: current liabilities					
Trade and other payables	(663,181)	(661,605)	(352,588)	(389,854)	(352,588)
Capital grant/contribution liability	(90,516)	(90,516)	0	(924,459)	0
Lease liabilities	(4,023)	(4,023)	(4,164)	(5,881)	(4,164)
Borrowings	(183,351)	(183,351)	(217,927)	(53,859)	(217,927)
Employee related provisions	(469,566)	(469,566)	(469,566)	(469,566)	(469,566)
	(1,410,637)	(1,409,061)	(1,044,245)	(1,843,619)	(1,044,245)

Net current assets used in the Statement of Financial Activity

Total current assets	6,110,709	6,109,740	3,216,093	7,269,525	3,516,093
Less: Total current liabilities	(1,410,637)	(1,409,061)	(1,044,245)	(1,843,619)	(1,044,245)
Less: Total adjustments to net current assets	(1,873,902)	(1,873,902)	(2,171,848)	(2,548,600)	(2,471,848)
Surplus or deficit after imposition of general rates	2,826,170	2,826,777	0	2,877,306	0



3 COMMENTS/NOTES - NET CURRENT FUNDING POSITION (CONTINUED)

MATERIAL 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 grants, contributions, reimbursements, and goods sold and services performed in the ordinary course of business.

Trade and other receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components, when they are recognised at fair value.

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

Contract assets primarily relate to the Shire of Jerramungup's right to consideration for work completed but not billed at the end of the period.

CONTRACT LIABILITIES

Contract liabilities represent the Shire of Jerramungup's obligation to transfer goods or services to a customer for which the Shire of Jerramungup has received consideration from the customer.

Contract liabilities represent obligations which are not yet satisfied. Contract liabilities are recognised as revenue when the performance obligations in the contract are satisfied.

PROVISIONS

Provisions are recognised when the Shire of Jerramungup has a present 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.

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. The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature.

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 trade and other payables in the net current funding position. Shire of Jerramungup's current obligations for employees' annual leave and long service leave entitlements are recognised as provisions in the net current funding position.

Other long-term employee benefits

Long-term employee benefits provisions are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Any remeasurements for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

The Shire of Jerramungup's obligations for long-term employee benefits where the Shire of Jerramungup does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, are presented as current provisions in the net current funding position.

SHIRE OF JERRAMUNGUP
NOTES TO THE REVIEW OF THE ANNUAL BUDGET
FOR THE PERIOD ENDED 29 FEBRUARY 2024

4. PREDICTED VARIANCES

Comments/Reason for Variance	Predicted Variance \$	
	Permanent	Temporary
4.1 OPERATING REVENUE (EXCLUDING RATES)		
4.1.1 General rates		
Mining tenements written off as the mining company is no longer in operation and Shire unable seek a payment - Council resolution OCM230912		
A large subdivision was inadvertently overcharged in prior years therefore the rates were refunded to the ratepayer based on schedule provided by Landgate.	(9,318)	0
4.1.2 Grants, subsidies and contributions		
Annual Federal Assistance grants adjustment of \$79,464 to align to confirmed residual funding amount for 2023-2024. Recognise part of the MAF 23/24 Round 2 grant funding based on estimated expenditure \$150,000. Australia Day grant of \$10,000.	239,464	0
4.1.3 Fees and charges		
Increase building/planning application fees for the year \$22,000. Additional sanitation income \$6,500.	28,500	0
4.1.4 Interest revenue		
Increased investment returns on Reserve funds of \$35,000. Increase in interest on Muni funds \$100,000 due to higher interest rates, and delayed project/capital expenditure.	135,000	0
4.1.5 Other revenue		
Reimbursement from another Shire for LSL \$11,361.	11,361	0
4.1.6 Profit on asset disposals		
Increase in profit on sale of roller.	19,804	0
Predicted Variances Carried Forward	424,811	0
Predicted Variances Brought Forward	424,811	0
4.2 OPERATING EXPENSES		
4.2.1 Materials and contracts		
MAF expenditure increased by \$150,000 as received additional grant funds. \$20,000 towards consultant fees for the Bremer Bay St John Sub centre. Increase in animal control costs of \$6,600. Reduction in elected members training costs of \$15,456 as members were able to do the training online. Reduced WAEC council election expenses by \$2,689. Reduction in elected member conference expenses of \$5,000 due to timing of the 2023 election. Reduce tyre costs by \$20,000. Reduce provision for legal fees and administration consultant fees of \$24,123.	(109,332)	0
4.2.2 Finance costs		
New vehicle leases for the Dr and BRPC employee will result in additional interest charges.	(1,764)	0
4.2.3 Loss on asset disposals		
Sale of roller resulted in a profit rather than a loss as was predicted in the budget.	2,264	0
Predicted Variances Carried Forward	315,979	0
Predicted Variances Brought Forward	315,979	0
4.3 INVESTING ACTIVITIES		
Inflows from investing activities		
4.3.1 Capital grants, subsidies and contributions		
BB cross runaway project will carryover into 24/25 therefore RAUP grant funds \$770,564 will be recognised next financial year. Reduction in grant income for the Jerramungup Sports Oval Water Resilience Project - budget provision estimated grant to be \$70,000, actual grant \$64,974.	(5,026)	(770,564)
4.3.2 Proceeds from disposal of assets		
Higher proceeds from disposal of roller.	18,460	0
Outflows from investing activities		
4.3.3 Purchase of land and buildings		
Budget allowed for a transfer from reserves towards the Jerramungup Ablution block. As grant successful factored in the expenditure for the project of \$33,388.	(33,388)	0
4.3.4 Purchase of plant and equipment		
Loader purchase will be less than budgeted.	22,000	0
4.3.5 Purchase and construction of infrastructure-other		
BB Cross runaway project expenditure \$1,670,564 will carry over into 24/25. Increase in costs for Jerramungup Airstrip of \$15,870 and for the Jerramungup Sports club retaining wall \$15,600.	(31,470)	1,670,564
Predicted Variances Carried Forward	286,556	900,000

SHIRE OF JERRAMUNGUP
NOTES TO THE REVIEW OF THE ANNUAL BUDGET
FOR THE PERIOD ENDED 29 FEBRUARY 2024

4. PREDICTED VARIANCES

Comments/Reason for Variance	Predicted Variance \$	
	Permanent	Temporary
Predicted Variances Brought Forward	286,556	900,000
4.4 FINANCING ACTIVITIES		
Cash inflows from financing activities		
4.4.1 Proceeds from new borrowings		
Loan not predicted to be taken out as it may not be required in this financial year.	0	(900,000)
4.4.2 Transfers from reserve accounts		
Reserve transfer not expected to occur in 23/24, awaiting on grant announcement for the proposed St John building project.	0	(300,000)
Cash outflows from financing activities		
4.4.3 Payments for principal portion of lease liabilities		
Recognise payments for the new leases for the Dr's car and the BRPC employee's ute.	(15,210)	0
Predicted Variances Carried Forward	271,346	(300,000)
Predicted Variances Brought Forward	271,346	(300,000)
4.5 OTHER ITEMS		
4.5.1 Non-cash amounts excluded from operating activities		
Adjustment to non cash component of sale of roller	28,047	0
4.5.1 Surplus or deficit at the start of the financial year		
Movement between budget and actuals.	607	0
Total Predicted Variances as per Annual Budget Review	300,000	(300,000)

5. BUDGET AMENDMENTS

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

Description	Council Resolution	Classification	No Change - (Non Cash Items) Adjust.	Increase in Available Cash	Decrease in Available Cash	Amended Budget Running Balance	Comments
			\$	\$	\$	\$	
Budget Adoption		Opening Surplus(Deficit)				0	
Reallocate contractors/materials budget from Jacup North Road to Doubtful Island Road flood crossing.	OCM231111	Capital Expenses		41,960	(41,960)	0	
			0	41,960	(41,960)	0	