

SHIRE OF WICKEPIN

BUDGET REVIEW REPORT

FOR THE PERIOD ENDED 28 FEBRUARY 2021

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

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SHIRE OF WICKEPIN
STATEMENT OF BUDGET REVIEW
(NATURE OR TYPE)
FOR THE PERIOD ENDED 28 FEBRUARY 2021

Note	Budget v Actual		Predicted			
	Adopted Budget (a)	YTD Actual (b)	Variance Permanent (c)	Variance Timing (Carryover) (d)	Year End (a)+(c)+(d)	
	\$	\$	\$	\$	\$	
OPERATING ACTIVITIES						
Net current assets at start of financial year surplus/(deficit)	4.5.2	1,663,980	1,984,084	(54,713)		1,609,267 ▼
Revenue from operating activities (excluding rates)						
Operating grants, subsidies and contributions		2,218,966	762,922	476,453		2,695,419 ▲
Fees and charges		419,641	391,213	(13,000)		406,641 ▼
Interest earnings		35,500	4,487	(22,000)		13,500 ▼
Other revenue		0	109			0
Profit on asset disposals		14,503				14,503
		<u>2,688,610</u>	<u>1,158,731</u>	<u>441,453</u>	<u>0</u>	<u>3,130,063</u>
Expenditure from operating activities						
Employee costs		(1,194,488)	(809,364)			(1,194,488)
Materials and contracts		(2,695,506)	(713,826)	(6,240)		(2,701,746) ▲
Utility charges		(185,750)	(142,064)			(185,750)
Depreciation on non-current assets		(4,317,355)	(3,144,969)			(4,317,355)
Interest expenses		(8,636)	(852)			(8,636)
Insurance expenses		(192,200)	(148,523)			(192,200)
Other expenditure		(11,000)				(11,000)
Loss on asset disposals		(23,126)	(4,509)			(23,126)
		<u>(8,628,061)</u>	<u>(4,964,107)</u>	<u>(6,240)</u>	<u>0</u>	<u>(8,634,301)</u>
Non-cash amounts excluded from operating activities		4,326,724	3,149,478			4,326,724
Amount attributable to operating activities		<u>51,253</u>	<u>1,328,186</u>	<u>380,500</u>	<u>0</u>	<u>431,753</u>
INVESTING ACTIVITIES						
Non-operating grants, subsidies and contributions		2,235,640	1,091,616	261,359		2,496,999 ▲
Purchase land and buildings		(2,297,626)	(385,654)	345,900		(1,951,726) ▼
Purchase plant and equipment		(533,000)	(99,889)	(6,500)		(539,500) ▲
Purchase and construction of infrastructure-roads		(1,161,805)	(609,851)			(1,161,805)
Purchase and construction of infrastructure-other		(185,000)	(28,684)	(591,359)		(776,359) ▲
Proceeds from self supporting loans		6,582	6,582			6,582
Proceeds from disposal of assets		207,000	49,625			207,000
		<u>(1,728,209)</u>	<u>23,745</u>	<u>9,400</u>	<u>0</u>	<u>(1,718,809)</u>
Non-cash amounts excluded from investing activities		0	0			0
Amount attributable to investing activities		<u>(1,728,209)</u>	<u>23,745</u>	<u>9,400</u>	<u>0</u>	<u>(1,718,809)</u>
FINANCING ACTIVITIES						
Repayment of debentures		(32,474)	(6,582)			(32,474)
Proceeds from new borrowings		440,000	408,000			440,000
Transfers to cash backed reserves (restricted assets)		(157,999)	0			(157,999)
Transfers from cash backed reserves (restricted assets)		51,321	0			51,321
Amount attributable to financing activities		<u>300,848</u>	<u>401,418</u>	<u>0</u>	<u>0</u>	<u>300,848</u>
Budget deficiency before general rates		<u>(1,376,108)</u>	<u>1,753,349</u>	<u>389,900</u>	<u>0</u>	<u>(986,208)</u>
Estimated amount to be raised from general rates		<u>1,370,074</u>	<u>1,362,620</u>			<u>1,370,074</u>
Closing funding surplus/(deficit)	3 (c)	<u>(6,034)</u>	<u>3,115,969</u>	<u>389,900</u>	<u>0</u>	<u>383,866</u> ▲

SHIRE OF WICKEPIN
STATEMENT OF BUDGET REVIEW
(STATUTORY REPORTING PROGRAM)
FOR THE PERIOD ENDED 28 FEBRUARY 2021

	Budget v Actual		Predicted			Material Variance
	Adopted Annual Budget (a)	YTD Actual (b)	Variance Permanent (c)	Variance Timing (Carryover) (d)	Year End (a)+(c)+(d)	
Note	\$	\$	\$	\$	\$	
OPERATING ACTIVITIES						
Net current assets at start of financial year surplus/(deficit)	1,663,980	1,984,084	(54,713)	0	1,609,267	▼
Revenue from operating activities (excluding rates)						
Governance	8,208	1,439			8,208	
General purpose funding	778,745	572,533	(29,000)		749,745	▼
Law, order, public safety	87,111	75,637			87,111	
Health	100	740			100	
Education and welfare	4,050	2,105			4,050	
Housing	1,382,808	403,252			1,382,808	
Community amenities	172,970	203,676	31,595		204,565	▲
Recreation and culture	16,073	25,209	10,000		26,073	▲
Transport	144,900	694,357	434,858		579,758	▲
Economic services	53,145	228,584	(6,000)		47,145	▼
Other property and services	40,500	42,815			40,500	
	2,688,610	2,250,347	441,453	0	3,130,063	
Expenditure from operating activities						
Governance	(474,680)	(290,098)	15,000		(459,680)	▼
General purpose funding	(85,555)	(47,331)			(85,555)	
Law, order, public safety	(219,127)	(164,138)			(219,127)	
Health	(28,109)	(12,067)			(28,109)	
Education and welfare	(25,427)	(7,931)			(25,427)	
Housing	(1,462,220)	(443,893)			(1,462,220)	
Community amenities	(371,839)	(222,993)			(371,839)	
Recreation and culture	(1,064,068)	(682,239)	(114,000)		(1,178,068)	▲
Transport	(4,499,909)	(3,686,178)			(4,499,909)	
Economic services	(322,008)	(350,310)	114,000		(208,008)	▼
Other property and services	(75,119)	(148,545)	(21,240)		(96,359)	▲
	(8,628,061)	(6,055,723)	(6,240)	0	(8,634,301)	
Non-cash amounts excluded from operating activities	4,326,724	3,149,478			4,326,724	
Amount attributable to operating activities	51,253	1,328,186	380,500	0	431,753	
INVESTING ACTIVITIES						
Non-operating grants, subsidies and contributions	2,235,640	1,091,616	261,359	0	2,496,999	▼
Purchase land and buildings	(2,297,626)	(385,654)	345,900	0	(1,951,726)	▼
Purchase plant and equipment	(533,000)	(99,889)	(6,500)	0	(539,500)	▲
Purchase and construction of infrastructure - roads	(1,161,805)	(609,851)	0	0	(1,161,805)	
Purchase and construction of infrastructure - other	(185,000)	(28,684)	(591,359)	0	(776,359)	▲
Proceeds from self supporting loans	6,582	6,582	0	0	6,582	
Proceeds from disposal of assets	207,000	49,625	0	0	207,000	
	(1,728,209)	23,745	9,400	0	(1,718,809)	
Non-cash amounts excluded from investing activities	0	0	0	0	0	
Amount attributable to investing activities	(1,728,209)	23,745	9,400	0	(1,718,809)	
FINANCING ACTIVITIES						
Repayment of borrowings	(32,474)	(6,582)	0	0	(32,474)	
Proceeds from new borrowings	440,000	408,000	0	0	440,000	
Transfers to cash backed reserves (restricted assets)	(157,999)	0	0	0	(157,999)	
Transfers from cash backed reserves (restricted assets)	51,321	0	0	0	51,321	
Amount attributable to financing activities	300,848	401,418	0	0	300,848	
Budget deficiency before general rates	(1,376,108)	1,753,349	389,900	0	(986,208)	
Estimated amount to be raised from general rates	1,370,074	1,362,620	0	0	1,370,074	
Closing Funding Surplus(Deficit)	3 (c) (6,034)	3,115,969	389,900	0	383,866	▲

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* which would have required the Shire of Wickepin 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.

THE LOCAL GOVERNMENT REPORTING ENTITY

All funds through which the Shire of Wickepin 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.

CRITICAL ACCOUNTING ESTIMATES

The preparation of a 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.

ROUNDING OFF FIGURES

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

2020-21 ACTUAL BALANCES

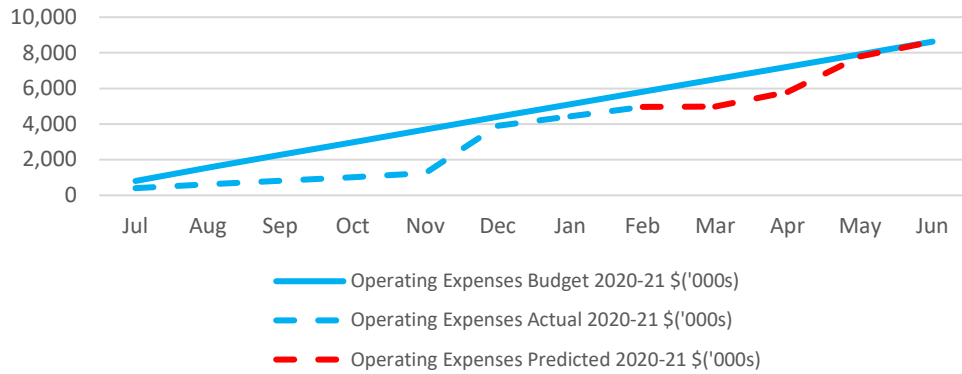
Balances shown in this budget review report as YTD Actual are as forecast at the time of budget review preparation and are subject to final adjustments.

BUDGET COMPARATIVE FIGURES

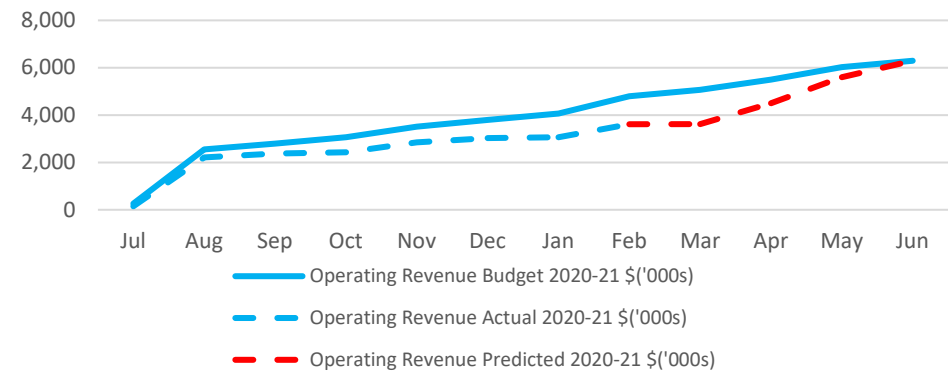
Unless otherwise stated, the budget comparative figures shown in the budget review relate to the original budget estimate for the relevant item of disclosure.

2. SUMMARY GRAPHS - BUDGET REVIEW

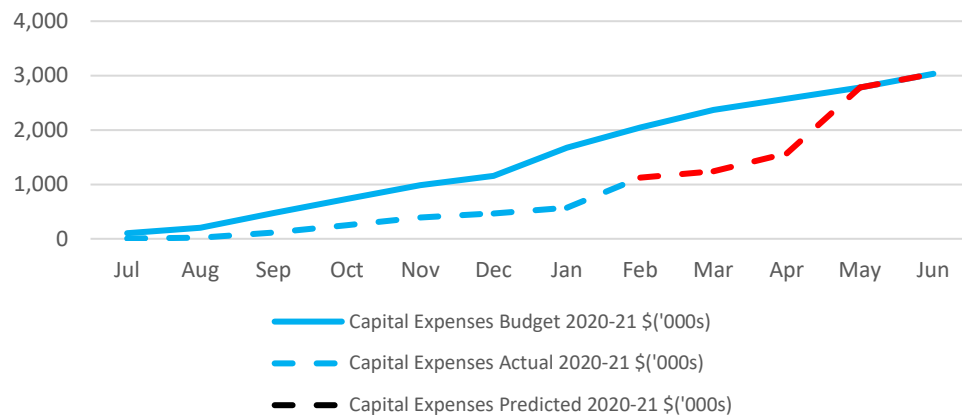
Operating Expenses



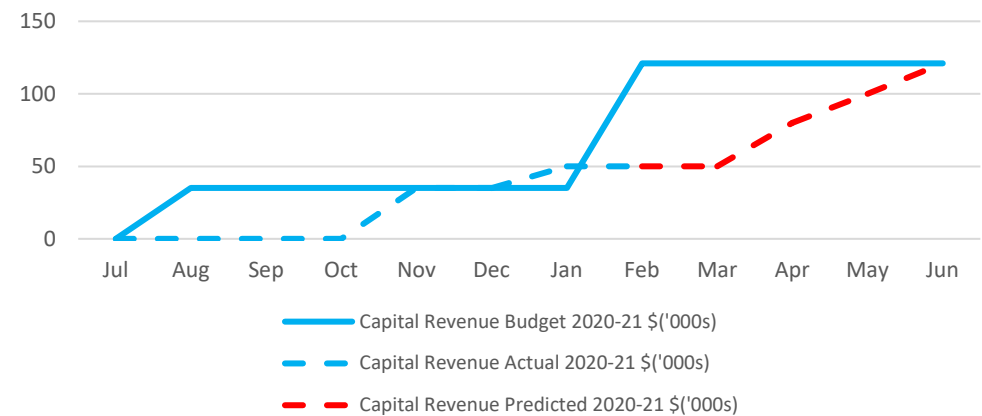
Operating Revenue



Capital Expenditure



Capital Revenue



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

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

	Actual - Used for Budget 30 June 2020	Audited Actual 30 June 2020	Budget 30 June 2021	Actual 28 February 2021
Adjustments to operating activities			\$	\$
Less: Profit on asset disposals	(4,959)	(2,823)	(14,503)	0
Less: Movement in liabilities associated with restricted cash	1,762	1,257	746	
Add: Loss on asset disposals	53,495	31,979	23,126	4,509
Add: Depreciation on non-current assets	4,645,059	4,707,209	4,317,355	3,144,969
Non-cash amounts excluded from operating activities	4,695,357	4,737,622	4,326,724	3,149,478

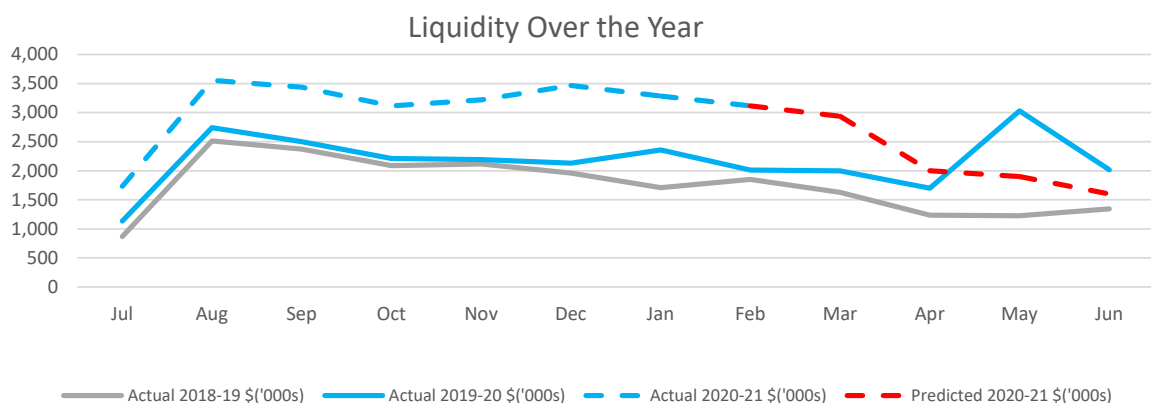
(b) Current assets and liabilities excluded from budgeted deficiency

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	(1,608,557)	(2,248,891)	(2,355,569)	(2,248,893)
Add: Long term borrowings	1	0	26,000	6,582
Add: Provisions - employee	99,255	98,751	99,497	99,497
Total adjustments to net current assets	(1,509,301)	(2,150,140)	(2,230,072)	(2,142,814)

(c) Composition of estimated net current assets

Current assets				
Cash unrestricted	55,727	1,930,839	260,079	3,350,338
Cash restricted	1,608,557	2,248,891	2,355,569	2,248,893
Cash - restricted unspent borrowings		428,777		
Receivables - rates and rubbish		50,685		75,980
Receivables - other	81,091	110,938	161,623	301,751
	1,745,375	4,770,130	2,777,271	5,976,962
Less: current liabilities				
Payables	(36,957)	(322,941)	(322,941)	(407,283)
Contract liabilities		(428,777)		
Long term borrowings	(1)		(26,000)	(6,582)
Provisions	(199,118)	(204,292)	(204,292)	(204,817)
	(236,076)	(956,010)	(553,233)	(618,682)
Net current assets	1,509,299	3,814,120	2,224,038	5,358,280
Less: Total adjustments to net current assets	(1,509,301)	(2,150,140)	(2,230,072)	(2,142,814)
Closing funding surplus / (deficit)	(2)	1,663,980	(6,034)	3,215,466



3 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 Wickepin 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 Wickepin 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 Wickepin's operational cycle. In the case of liabilities where the Shire of Wickepin 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 Wickepin'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 Wickepin prior to the end of the financial year that are unpaid and arise when the Shire of Wickepin 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 Wickepin recognises revenue for the prepaid rates that have not been refunded.

EMPLOYEE BENEFITS

Short-Term Employee Benefits

Provision is made for the Shire of Wickepin'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 Wickepin'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 Wickepin'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 Wickepin 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 Wickepin are recognised as a liability until such time as the Shire of Wickepin satisfies its obligations under the agreement.

SHIRE OF WICKEPIN
 NOTES TO THE REVIEW OF THE ANNUAL BUDGET
 FOR THE PERIOD ENDED 28 FEBRUARY 2021

4. PREDICTED VARIANCES

Comments/Reason for Variance	Variance \$	
	Permanent	Timing
4.1 OPERATING REVENUE (EXCLUDING RATES)		
4.1.1 FEES AND CHARGES		
Increase in Rates Discount, Decrease in Standpipe Charges	(13,000)	
4.1.2 OPERATING GRANTS, SUBSIDIES AND CONTRIBUTIONS		
Increase in Road Project Grants, CBH Bin Road Contract, Lving Lakes Project Funds, Salauting their Service Grant	476,453	
4.1.6 INTEREST EARNINGS		
Decrease in Interest on Muni & Reserve Term Deposits	(22,000)	
Predicted Variances Carried Forward	441,453	0
4.2 OPERATING EXPENSES		
4.2.1 EMPLOYEE COSTS		
4.2.2 MATERIAL AND CONTRACTS		
Decrease in Audit Fees, Staff Training Costs, Private works, Caravan Park Design & Construct Units, Increase in Living Lakes costs, Wogolin Playground, Transfer to Buiilding Reserve	(6,240)	
Predicted Variances Carried Forward	435,213	0
4.3 CAPITAL REVENUE		
4.3.1 NON OPERATING GRANTS, SUBSIDIES AND CONTRIBUTIONS		
LCRI Phase 2 Funding	261,359	
Predicted Variances Carried Forward	696,572	0
4.4 CAPITAL EXPENSES		
4.4.2 LAND AND BUILDINGS		
Decrease in Costs for Building repairs at Yealering, Increase in Costs for Yealering Hall Loading Ramp, Industrial Shed not being built.	345,900	
4.4.3 PLANT AND EQUIPMENT		
Pressure Cleaner	(6,500)	
4.4.6 INFRASTRUCTURE ASSETS - OTHER		
Increase in Wogolin Plyground costs, Tip Card Swipe gate - not going ahead.	(591,359)	
Predicted Variances Carried Forward	444,613	0
4.5 OTHER ITEMS		
4.5.2 OPENING FUNDING SURPLUS(DEFICIT)		
Change to Opening Balance figure From Audit of Annual Financial report.	(54,713)	
Total Predicted Variances as per Annual Budget Review	389,900	0

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
				\$	\$	\$	\$	
	Budget Adoption		Opening Surplus(Deficit)				6,034	
3854	Card Swipe Gate Tip		Capital Expenses		10,000		16,034	
CLPH2	Yealering hall loading Ramp		Capital Expenses			(3,000)	13,034	
LYCC	Yealering Bowling Club		Capital Expenses		3,500		16,534	
YGCC	Yealering Golf Club		Capital Expenses		5,400		21,934	
6034	Plant and Equipment		Capital Expenses			(6,500)	15,434	
CWBCI	Industrial Shed		Capital Expenses		340,000		355,434	
WPLG	Wogolin Play Ground		Capital Expenses			(601,359)	(245,925)	
7046	Grants		Capital Revenue		261,359		15,434	
0252	Audit Fees		Operating Expenses		5,000		20,434	
0712	Staff Training		Operating Expenses		10,000		30,434	
7302	Private Works		Operating Expenses			(39,240)	(8,806)	
7333	Private Works		Operating Expenses		18,000		9,194	
LCP1	Caravan Parks		Operating Expenses		114,000		123,194	
WPLG	Wogolin Playground		Operating Expenses			(25,000)	98,194	
148730	Building Reserve		Operating Expenses			(89,000)	9,194	
0151	Rates Discount		Operating Expenses			(7,000)	2,194	
0103	Annual Interest		Operating Revenue			(12,000)	(9,806)	
0113	Interest on reserves		Operating Revenue			(10,000)	(19,806)	
04173	Environmental Grants		Operating Revenue		31,595		11,789	
5893	Road Project Grants		Operating Revenue		234,858		246,647	
7083	Charges Stand Pipes		Operating Revenue			(6,000)	240,647	
5873	Reimbursements		Operating Revenue		200,000		440,647	
5483	Grants		Operating Revenue		10,000		450,647	
	Change in nett operating		Opening Surplus(Deficit)			(55,258)	395,389	
	Amended Budget Cash Position as per Council Resolution			0	1,243,712	(854,357)	395,389	