

SHIRE OF WYNDHAM EAST KIMBERLEY

BUDGET REVIEW REPORT

FOR THE PERIOD ENDED 31 JANUARY 2024

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

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SHIRE OF WYNDHAM EAST KIMBERLEY
STATEMENT OF BUDGET REVIEW
FOR THE PERIOD ENDED 31 JANUARY 2024

| | | Budget v Actual | | | Estimated | Predicted | |
|--|-----------|-----------------|------------------------------|---------------------|------------------------|--------------------|---|
| | Note | Adopted Budget | Updated Budget Estimates (a) | Year to Date Actual | Year at End Amount (b) | Variance (b) - (a) | |
| | | \$ | \$ | \$ | \$ | \$ | |
| OPERATING ACTIVITIES | | | | | | | |
| Revenue from operating activities | | | | | | | |
| General rates | | 11,032,278 | 11,032,278 | 11,032,569 | 11,032,278 | 0 | |
| Rates excluding general rates | 4.1 | 595,226 | 595,226 | 592,500 | 595,516 | 290 | ▲ |
| Grants, subsidies and contributions | 4.2 | 1,036,380 | 1,036,380 | 415,601 | 1,171,456 | 135,076 | ▲ |
| Fees and charges | 4.3 | 8,959,310 | 8,959,310 | 6,507,001 | 8,977,139 | 17,829 | ▲ |
| Interest revenue | 4.4 | 704,000 | 704,000 | 687,816 | 766,073 | 62,073 | ▲ |
| Other revenue | 4.5 | 426,203 | 426,203 | 374,555 | 383,660 | (42,543) | ▼ |
| | | 22,753,397 | 22,753,397 | 19,610,042 | 22,926,122 | 172,725 | |
| Expenditure from operating activities | | | | | | | |
| Employee costs | 4.6 | (14,433,018) | (14,433,018) | (6,800,301) | (14,012,794) | 420,224 | ▲ |
| Materials and contracts | 4.7 | (6,565,061) | (6,565,061) | (3,854,203) | (7,047,840) | (482,779) | ▼ |
| Utility charges | 4.8 | (1,422,900) | (1,422,900) | (637,525) | (1,439,855) | (16,955) | ▼ |
| Depreciation | 4.9 | (8,169,943) | (8,169,943) | (4,050,301) | (9,234,818) | (1,064,875) | ▼ |
| Finance costs | | (183,272) | (183,272) | (99,345) | (183,272) | 0 | |
| Insurance | | (712,090) | (712,090) | (884,456) | (712,090) | 0 | |
| Other expenditure | 4.10 | (1,663,842) | (1,663,842) | (541,775) | (1,624,891) | 38,951 | ▲ |
| Loss on asset disposals | | (41,500) | (41,500) | 0 | (41,500) | 0 | |
| | | (33,191,626) | (33,191,626) | (16,867,906) | (34,297,060) | (1,105,434) | |
| Non-cash amounts excluded from operating activities | 4.11 | 8,215,854 | 8,215,854 | 4,059,543 | 9,280,729 | 1,064,875 | ▲ |
| Amount attributable to operating activities | | (2,222,375) | (2,222,375) | 6,801,679 | (2,090,209) | 132,166 | |
| INVESTING ACTIVITIES | | | | | | | |
| Inflows from investing activities | | | | | | | |
| Capital grants, subsidies and contributions | 4.12 | 24,009,064 | 24,009,064 | 7,501,683 | 23,734,167 | (274,897) | ▼ |
| Proceeds from disposal of assets | | 88,000 | 88,000 | 0 | 88,000 | 0 | |
| Proceeds from self supporting loans | | 16,540 | 16,540 | 0 | 16,540 | 0 | |
| | | 24,113,604 | 24,113,604 | 7,501,683 | 23,838,707 | (274,897) | |
| Outflows from investing activities | | | | | | | |
| Purchase of land and buildings | 4.13 | (1,314,630) | (1,314,630) | (207,448) | (1,317,228) | (2,598) | ▼ |
| Purchase of plant and equipment | 4.14 | (1,199,414) | (1,199,414) | (409,484) | (1,313,395) | (113,981) | ▼ |
| Purchase of furniture and equipment | 4.15 | (312,000) | (312,000) | (90,911) | (306,397) | 5,603 | ▲ |
| Purchase and construction of infrastructure-roads | 4.16 | (9,709,775) | (9,709,775) | (442,023) | (17,484,238) | (7,774,463) | ▼ |
| Purchase and construction of infrastructure-other | 4.17 | (21,739,804) | (21,739,804) | (15,558,760) | (15,346,571) | 6,393,233 | ▲ |
| | | (34,275,623) | (34,275,623) | (16,708,626) | (35,767,829) | (1,492,206) | |
| Amount attributable to investing activities | | (10,162,019) | (10,162,019) | (9,206,943) | (11,929,122) | (1,767,103) | |
| FINANCING ACTIVITIES | | | | | | | |
| Cash inflows from financing activities | | | | | | | |
| Transfers from reserve accounts | 4.18 | 11,108,842 | 11,108,842 | 4,094,920 | 14,921,536 | 3,812,694 | ▲ |
| | | 11,108,842 | 11,108,842 | 4,094,920 | 14,921,536 | 3,812,694 | |
| Cash outflows from financing activities | | | | | | | |
| Repayment of borrowings | | (825,318) | (825,318) | (492,361) | (825,318) | 0 | |
| Transfers to reserve accounts | 4.19 | (1,209,627) | (1,209,627) | (366,077) | (3,774,491) | (2,564,864) | ▼ |
| | | (2,034,945) | (2,034,945) | (858,438) | (4,599,809) | (2,564,864) | |
| Amount attributable to financing activities | | 9,073,897 | 9,073,897 | 3,236,482 | 10,321,727 | 1,247,830 | |
| MOVEMENT IN SURPLUS OR DEFICIT | | | | | | | |
| Surplus or deficit at the start of the financial year | 4.20 | 3,310,497 | 3,310,497 | 4,505,209 | 4,505,209 | 1,194,712 | ▲ |
| Amount attributable to operating activities | | (2,222,375) | (2,222,375) | 6,801,679 | (2,090,209) | 132,166 | |
| Amount attributable to investing activities | | (10,162,019) | (10,162,019) | (9,206,943) | (11,929,122) | (1,767,103) | |
| Amount attributable to financing activities | | 9,073,897 | 9,073,897 | 3,236,482 | 10,321,727 | 1,247,830 | |
| Surplus or deficit after imposition of general rates | 3(a),4.21 | 0 | 0 | 5,336,427 | 807,605 | 807,605 | ▲ |

1. BASIS OF PREPARATION

This budget review has been prepared in accordance with the *Local Government Act 1995* and accompanying regulations.

Local Government Act 1995 requirements

Section 6.4(2) of the *Local Government Act 1995* read with the *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, and is considered a zero cost concessionary lease. All right-of-use assets under zero cost concessionary leases are measured at zero cost rather than at fair value, except for 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 Wyndham East Kimberley to measure any vested improvements at zero cost.

Local Government (Financial Management) Regulations 1996, regulation 33A prescribes contents of the budget review.

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 statement of financial activity, 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 Wyndham East Kimberley controls resources to carry on its functions have been included in the financial statements forming part of this financial report.

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

Judgements and estimates

The preparation of a financial report 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 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:

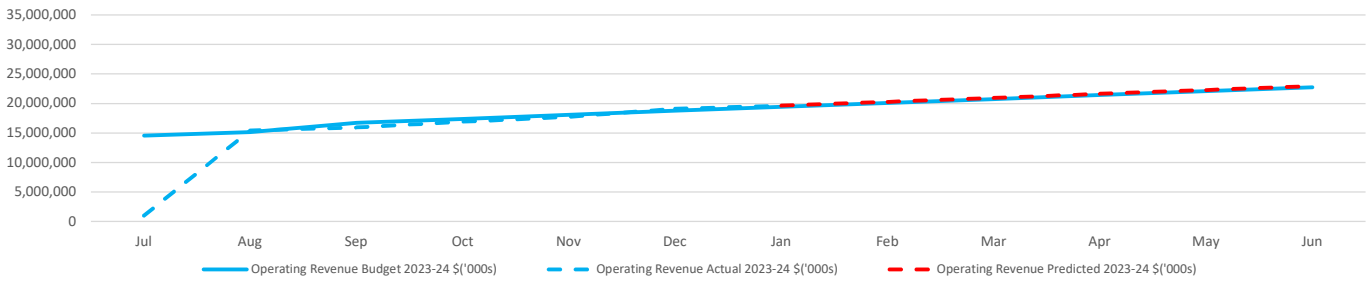
- estimated fair value of certain financial assets
- impairment of financial assets
- estimation of fair values of land and buildings, infrastructure and investment property
- estimation uncertainties made in relation to lease accounting
- estimation of fair values of provisions

SIGNIFICANT ACCOUNTING POLICIES

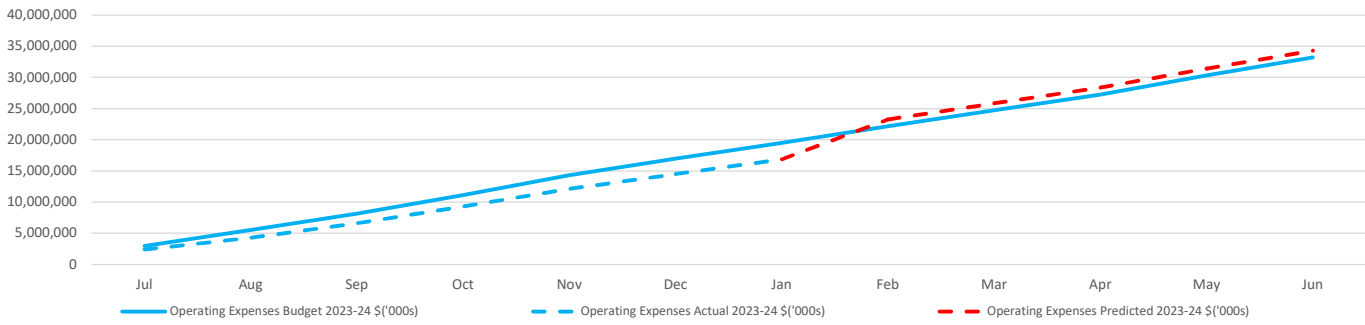
Significant accounting policies utilised in the preparation of these statements are as described within the 2023-24 Annual Budget. Please refer to the adopted budget document for details of these policies.

2. SUMMARY GRAPHS - BUDGET REVIEW

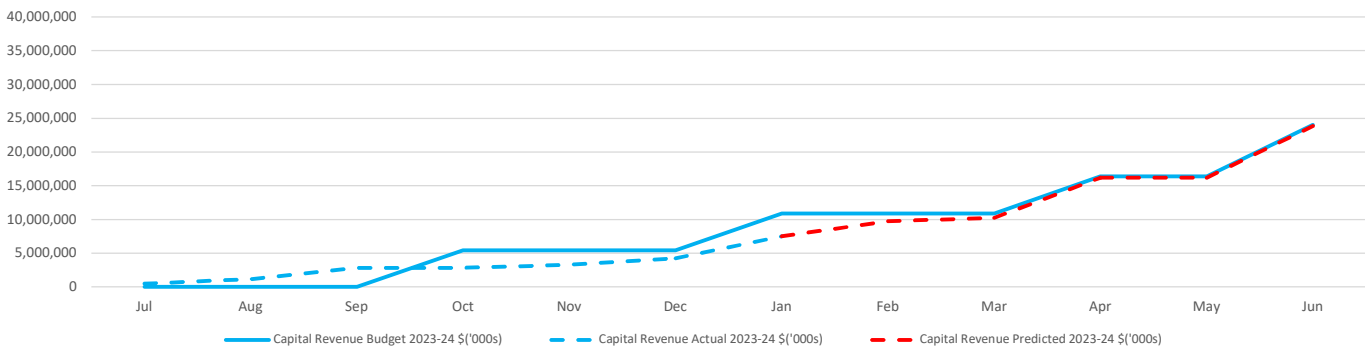
Operating Revenue



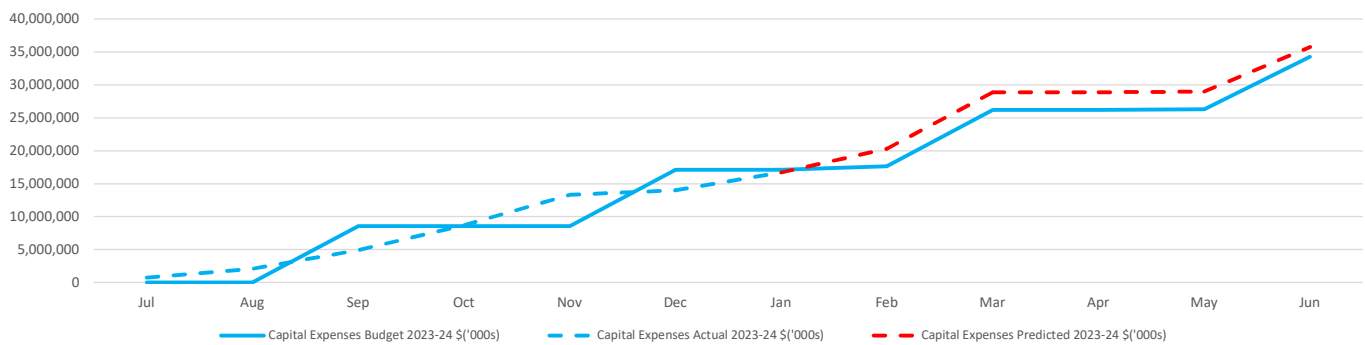
Operating Expenses



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)

| | Audited Actual 30 June 2023 | Adopted Budget 30 June 2024 | Updated Budget Estimates 30 June 2024 | Year to Date Actual 31 January 2024 | Estimated Year at End Amount 30 June 2024 |
|--|--------------------------------|--------------------------------|---|--|---|
| | \$ | \$ | \$ | \$ | \$ |
| (a) Composition of estimated net current assets | | | | | |
| Current assets | | | | | |
| Cash and cash equivalents | 29,413,351 | 10,242,659 | 10,242,659 | 21,512,945 | 14,394,566 |
| Financial assets | 10,381 | 0 | 0 | 10,381 | 0 |
| Trade and other receivables | 3,404,834 | 3,618,781 | 3,618,781 | 6,803,108 | 3,618,781 |
| Inventories | 10,876 | 13,624 | 13,624 | 15,879 | 13,624 |
| Other assets | 630,594 | 0 | 0 | 0 | 0 |
| | 33,470,036 | 13,875,064 | 13,875,064 | 28,342,313 | 18,026,971 |
| Less: current liabilities | | | | | |
| Trade and other payables | (3,134,400) | (860,750) | (860,750) | (856,171) | (860,750) |
| Capital grant/contribution liability | (2,452,619) | 0 | 0 | (2,452,619) | (4,251,546) |
| Borrowings | (825,316) | (629,701) | (629,701) | (332,955) | (629,701) |
| Employee related provisions | (2,158,796) | (1,567,963) | (1,567,963) | (2,216,169) | (1,567,963) |
| Other provisions | 0 | (124,652) | (124,652) | 0 | 0 |
| | (8,571,131) | (3,183,066) | (3,183,066) | (5,857,914) | (7,309,960) |
| Net current assets | 24,898,905 | 10,691,998 | 10,691,998 | 22,484,399 | 10,717,011 |
| Less: Total adjustments to net current assets | (20,393,696) | (10,691,998) | (10,691,998) | (17,147,972) | (9,909,406) |
| Closing funding surplus / (deficit) | 4,505,209 | 0 | 0 | 5,336,427 | 807,605 |

(b) Current assets and liabilities excluded from budgeted deficiency

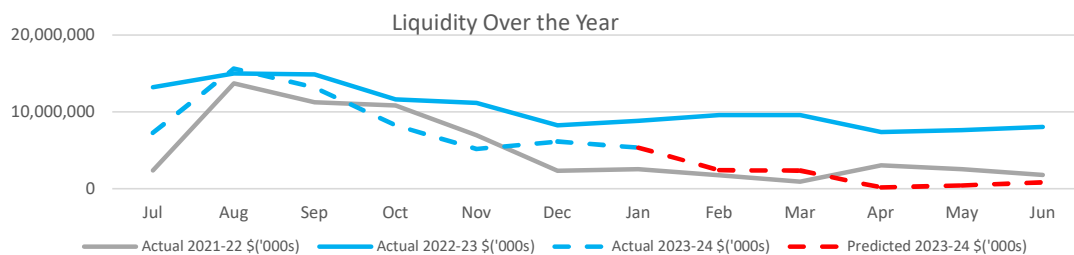
The following current assets and liabilities have been excluded from the net current assets used in the Statement of Financial Activity in accordance with *Financial Management Regulation 32* to agree to the surplus/(deficit) after imposition of general rates.

| | Audited Actual 30 June 2023 | Adopted Budget 30 June 2024 | Updated Budget Estimates 30 June 2024 | Year to Date Actual 31 January 2024 | Estimated Year at End Amount 30 June 2024 |
|--|--------------------------------|--------------------------------|---|--|---|
| | \$ | \$ | \$ | \$ | \$ |
| Adjustments to net current assets | | | | | |
| Less: Reserve accounts | (22,672,140) | (12,002,616) | (12,002,616) | (18,943,297) | (12,002,616) |
| Less: Financial assets at amortised cost - self supporting loans | (10,381) | 0 | 0 | (10,381) | 0 |
| Add: Current liabilities not expected to be cleared at end of year | | | | | |
| - Current portion of borrowings | 825,316 | 629,701 | 629,701 | 332,955 | 629,701 |
| - Current portion of contract liability held in reserve | 982,369 | 522,937 | 522,937 | 982,369 | 982,369 |
| - Current portion of provisions held in reserve | 481,140 | 157,980 | 157,980 | 490,382 | 481,140 |
| Total adjustments to net current assets | (20,393,696) | (10,691,998) | (10,691,998) | (17,147,972) | (9,909,406) |

(c) Non-cash amounts excluded from operating activities

The following non-cash revenue and expenditure has been excluded from operating activities within the Statement of Financial Activity in accordance with *Financial Management Regulation 32*.

| | Audited Actual 30 June 2023 | Adopted Budget 30 June 2024 | Updated Budget Estimates 30 June 2024 | Year to Date Actual 31 January 2024 | Estimated Year at End Amount 30 June 2024 |
|---|--------------------------------|--------------------------------|---|--|---|
| | \$ | \$ | \$ | \$ | \$ |
| Adjustments to operating activities | | | | | |
| Less: Profit on asset disposals | (8,420) | 0 | 0 | 0 | 0 |
| Less: Movement in liabilities associated with restricted cash | 791,439 | 4,411 | 4,411 | 9,242 | 4,411 |
| Add: Loss on disposal of assets | 75,072 | 41,500 | 41,500 | 0 | 41,500 |
| Add: Depreciation on assets | 8,823,720 | 8,169,943 | 8,169,943 | 4,050,301 | 9,234,818 |
| Non-cash movements in non-current assets and liabilities: | | | | | |
| Pensioner deferred rates | (4,417) | 0 | 0 | 0 | 0 |
| Employee benefit provisions | (29,570) | 0 | 0 | 0 | 0 |
| Other provisions | 639,415 | 0 | 0 | 0 | 0 |
| Non-cash amounts excluded from operating activities | 10,287,239 | 8,215,854 | 8,215,854 | 4,059,543 | 9,280,729 |



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 Wyndham East Kimberley 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 Wyndham East Kimberley 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 Wyndham East Kimberley's right to consideration for work completed but not billed at the end of the period.

CONTRACT LIABILITIES

Contract liabilities represent the Shire of Wyndham East Kimberley's obligation to transfer goods or services to a customer for which the Shire of Wyndham East Kimberley 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 Wyndham East Kimberley 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 Wyndham East Kimberley's operational cycle. In the case of liabilities where the Shire of Wyndham East Kimberley 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 Wyndham East Kimberley'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 Wyndham East Kimberley prior to the end of the financial year that are unpaid and arise when the Shire of Wyndham East Kimberley 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 Wyndham East Kimberley recognises revenue for the prepaid rates that have not been refunded.

EMPLOYEE BENEFITS

Short-Term Employee Benefits

Provision is made for the Shire of Wyndham East Kimberley'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 Wyndham East Kimberley'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 Wyndham East Kimberley'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 Wyndham East Kimberley's obligations for long-term employee benefits where the Shire of Wyndham East Kimberley 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 WYNDHAM EAST KIMBERLEY
NOTES TO THE REVIEW OF THE ANNUAL BUDGET
FOR THE PERIOD ENDED 31 JANUARY 2024

4 PREDICTED VARIANCES

| | | Variance |
|---|--|-----------------|
| | | \$ |
| Revenue from operating activities | | |
| 4.1 | Rates excluding general rates Interim rates not budgeted for | 290 ▲ |
| 4.2 | Grants, subsidies and contributions Higher than budgeted Financial Assistance Grants | 135,076 ▲ |
| 4.3 | Fees and charges Higher cemetery charges and recreation hall hire usage | 17,829 ▲ |
| 4.4 | Interest revenue Interest rates higher than anticipated | 62,073 ▲ |
| 4.5 | Other revenue Emergency Services Levy less than estimated | (42,543) ▼ |
| Expenditure from operating activities | | |
| 4.6 | Employee costs Vacant positions mainly in outdoor workforce | 420,224 ▲ |
| 4.7 | Materials and contracts Higher than budgeted contractor costs mainly related to ICT services | (482,779) ▼ |
| 4.8 | Utility charges Higher than budgeted water use at Kununurra Splash Park | (16,955) ▼ |
| 4.9 | Depreciation Adjustment to depreciation following revaluations at 30 June 2023 | (1,064,875) ▼ |
| 4.10 | Other expenditure Emergency Services Levy less than estimated | 38,951 ▲ |
| Non-cash amounts excluded from operating activities | | 1,064,875 ▲ |
| Adjustment to depreciation following revaluations at 30 June 2023 | | |
| Inflows from investing activities | | |
| 4.12 | Capital grants, subsidies and contributions Variance in net transfer of unspent grants received and held as contract liabilities | (274,897) ▼ |
| Outflows from investing activities | | |
| 4.13 | Purchase of land and buildings Minor variances in cost of building renewals | (2,598) ▼ |
| 4.14 | Purchase of plant and equipment Carry forward adjustments from 2022/23 and minor variances in costs of equipment | (113,981) ▼ |
| 4.15 | Purchase of furniture and equipment Carry forward adjustments from 2022/23 and minor variances in costs of equipment | 5,603 ▲ |
| 4.16 | Purchase and construction of infrastructure-roads Carry forward adjustments and timing of works mainly related to Carlton Hill Bridges, Bandicoot Dve and DRFAWA | (7,774,463) ▼ |
| 4.17 | Purchase and construction of infrastructure-other Timing of works mainly related to KLC Aquatic Pool Redevelopment | 6,393,233 ▲ |
| Cash inflows from financing activities | | |
| 4.18 | Transfers from reserve accounts Carry forward adjustments and EKRA Infrastructure Upgrade additional reserve funding | 3,812,694 ▲ |
| Cash outflows from financing activities | | |
| 4.19 | Transfers to reserve accounts Adjustments to reserve opening balances following finalisation of 2022/23 financial statements | (2,564,864) ▼ |

4 PREDICTED VARIANCES

| | Variance |
|---|-----------------|
| | <u>\$</u> |
| 4.20 Surplus or deficit at the start of the financial year | |
| Adjustment to opening surplus following finalisation of 2022/23 financial statements | 1,194,712 ▲ |
| 4.21 Surplus or deficit after imposition of general rates | |
| Adjustment to opening surplus and adjustments and variances from budget as outlined above | 807,605 ▲ |