

SHIRE OF KENT

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 KENT
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	2,524,112	2,524,112	2,505,691	0		2,524,112
Rates excluding general rates	42,953	42,953	42,826	0		42,953
Grants, subsidies and contributions	406,800	406,800	320,573	(65,500)		341,300 ▼
Fees and charges	860,978	860,978	553,039	0		860,978
Interest revenue	294,022	294,022	192,101	35,000		329,022 ▲
Other revenue	69,900	69,900	46,012	0		69,900
Profit on asset disposals	27,000	27,000	40,909	0		27,000
	4,225,765	4,225,765	3,701,151	(30,500)	0	4,195,265
Expenditure from operating activities						
Employee costs	(2,499,761)	(2,499,761)	(1,638,366)	66,768		(2,432,993) ▼
Materials and contracts	(1,484,935)	(1,509,935)	(682,644)	51,626		(1,433,309) ▼
Utility charges	(211,758)	(211,758)	(120,834)	0		(211,758)
Depreciation	(2,626,500)	(2,626,500)	(762,473)	0		(2,626,500)
Finance costs	(16,085)	(16,085)	(9,783)	0		(16,085)
Insurance	(186,673)	(186,673)	(184,395)	0		(186,673)
Other expenditure	(417,961)	(417,961)	(257,107)	0		(417,961)
Loss on asset disposals	(80,000)	(80,000)	0	0		(80,000)
	(7,523,673)	(7,548,673)	(3,655,602)	118,394	0	(7,405,279)
Non-cash amounts excluded from operating activities	2,666,180	2,666,180	721,564	0		2,666,180
Amount attributable to operating activities	(631,728)	(656,728)	767,113	87,894	0	(543,834)
INVESTING ACTIVITIES						
Inflows from investing activities						
Capital grants, subsidies and contributions	2,093,001	2,093,001	116,000	0		2,093,001
Proceeds from disposal of assets	239,000	239,000	40,909	0		239,000
	2,332,001	2,332,001	156,909	0	0	2,332,001
Outflows from investing activities						
Purchase of land and buildings	(1,374,000)	(1,384,000)	(116,234)	117,763		(1,256,237) ▼
Purchase of plant and equipment	(1,151,000)	(1,151,000)	(716,200)	19,000		(1,132,000) ▼
Purchase of furniture and equipment	(50,000)	(50,000)	0	0		(50,000)
Purchase and construction of infrastructure-roads	(3,172,795)	(3,172,795)	(528,028)	(40,000)		(3,212,795) ▲
Purchase and construction of infrastructure-other	(495,600)	(516,970)	(132,560)	(54,221)		(549,821) ▲
	(6,243,395)	(6,274,765)	(1,493,022)	42,542	0	(6,200,853)
Amount attributable to investing activities	(3,911,394)	(3,942,764)	(1,336,113)	42,542	0	(3,868,852)
FINANCING ACTIVITIES						
Inflows from financing activities						
Proceeds from new borrowings	500,000	500,000	0	0		500,000
Transfers from reserve accounts	940,000	940,000	0	0		940,000
	1,440,000	1,440,000	0	0	0	1,440,000
Outflows from financing activities						
Payments for principal portion of lease liabilities	(314)	(314)	0	0		(314)
Repayment of borrowings	(138,453)	(138,453)	(100,965)	0		(138,453)
Transfers to reserve accounts	(371,522)	(371,522)	(116,107)	(179,000)		(550,522) ▲
	(510,289)	(510,289)	(217,072)	(179,000)	0	(689,289)
Amount attributable to financing activities	929,711	929,711	(217,072)	(179,000)	0	750,711
MOVEMENT IN SURPLUS OR DEFICIT						
Surplus or deficit at the start of the financial year	4.5.0	3,613,411	3,613,411	3,661,975	48,564	3,661,975 ▲
Amount attributable to operating activities		(631,728)	(656,728)	767,113	87,894	(543,834)
Amount attributable to investing activities		(3,911,394)	(3,942,764)	(1,336,113)	42,542	(3,868,852)
Amount attributable to financing activities		929,711	929,711	(217,072)	(179,000)	750,711
Surplus or deficit after imposition of general rates		0	(56,370)	2,875,903	0	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 Kent 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 Kent 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.

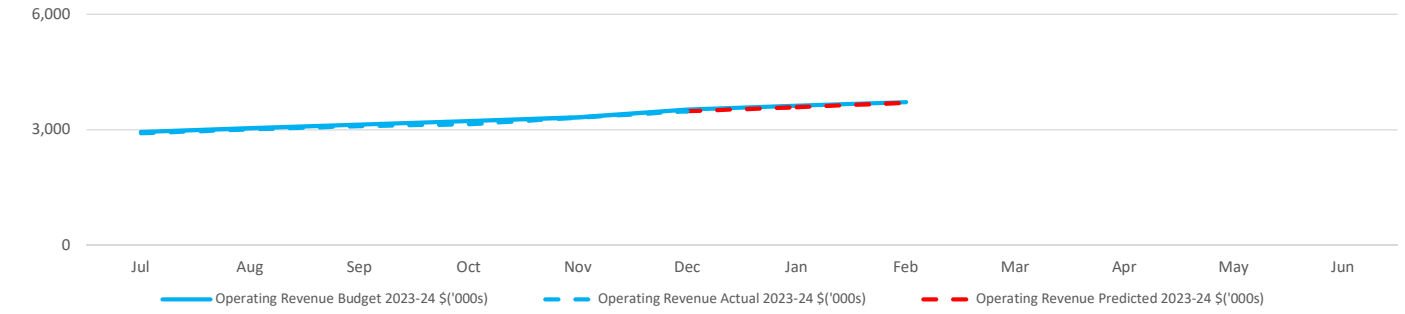
The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances; the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent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

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

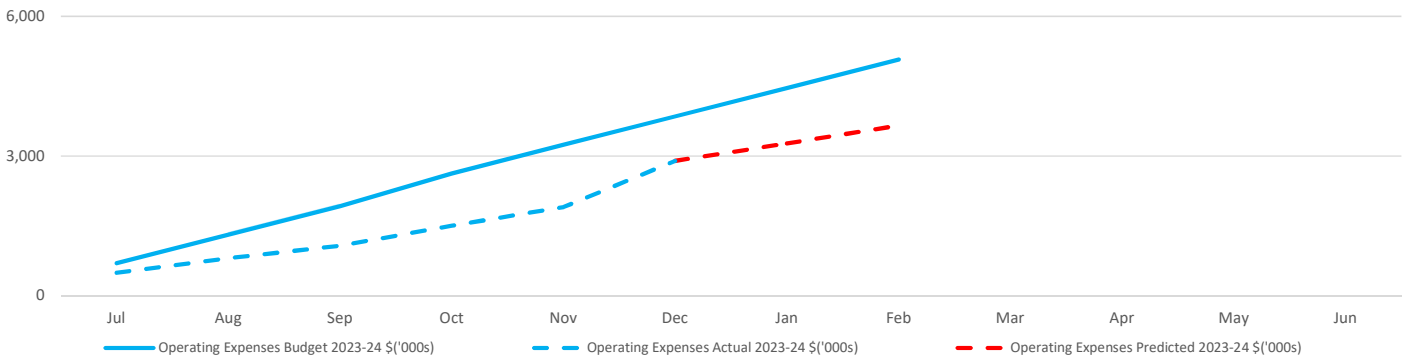
- estimated fair value of certain financial assets
- estimation of fair values of land and buildings and investment property
- impairment of financial assets
- estimation uncertainties and judgements made in relation to lease accounting
- estimated useful life of assets

2. SUMMARY GRAPHS - BUDGET REVIEW

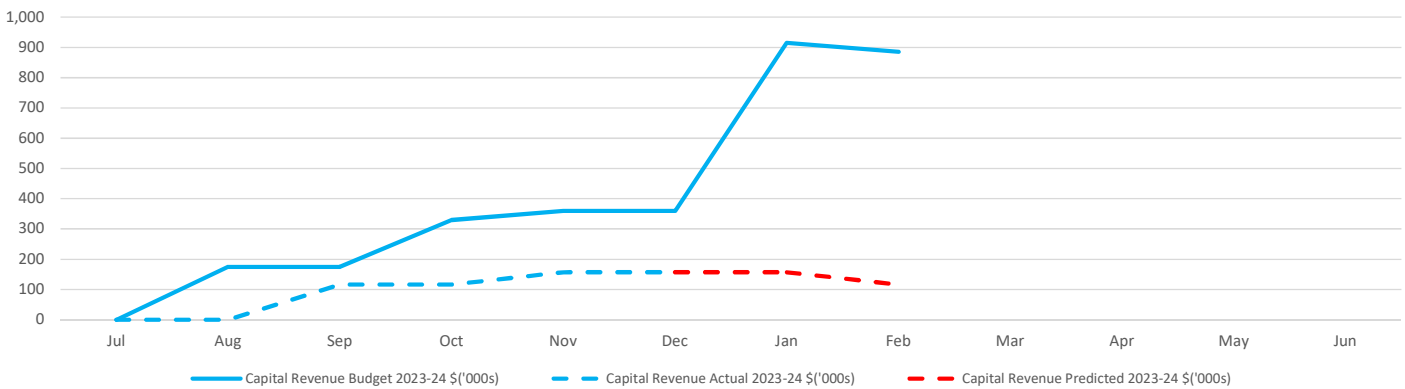
Operating Revenue



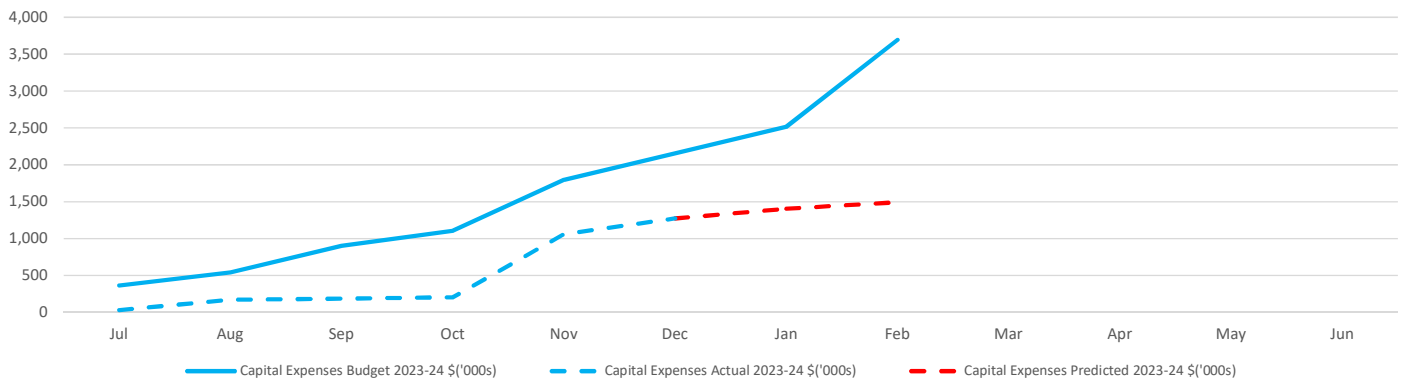
Operating Expenses



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
	\$	\$	\$	\$
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	(12,091)	(12,091)	(27,000)	(40,909)
Less: Movement in liabilities associated with restricted cash	244	0	(8,000)	0
Less: Fair value adjustments to financial assets at fair value through profit or loss	0	(12,938)	0	0
Add: Loss on disposal of assets	2,164	2,164	80,000	0
Add: Depreciation on assets	1,067,726	1,944,940	2,626,500	762,473
Non-cash movements in non-current assets and liabilities:				
Pensioner deferred rates	0	(1,910)	4,000	0
Employee benefit provisions	23,881	22,833	(9,320)	0
Non-cash amounts excluded from operating activities	1,081,924	1,942,998	2,666,180	721,564

(b) Investing activities excluded from budgeted deficiency

The following non-cash revenue or expenditure has been excluded from amounts attributable to investing activities within the Rate Setting Statement in accordance with *Financial Management Regulation 32*.

Adjustments to investing activities

Movement in non-current capital grant/contribution liability	(490)	(100,166)	490	0
Non cash amounts excluded from investing activities	(490)	(100,166)	490	0

(c) 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	(4,530,195)	(4,530,196)	(3,961,717)	(4,646,302)
Add: Current liabilities not expected to be cleared at end of year				
- Current portion of borrowings	138,453	138,453	571,908	37,488
- Current portion of lease liabilities	314	0	0	0
- Employee benefit provisions	0	0	(12,320)	0
Total adjustments to net current assets	(4,391,428)	(4,391,743)	(3,402,129)	(4,608,814)

(d) Composition of estimated net current assets

Current assets

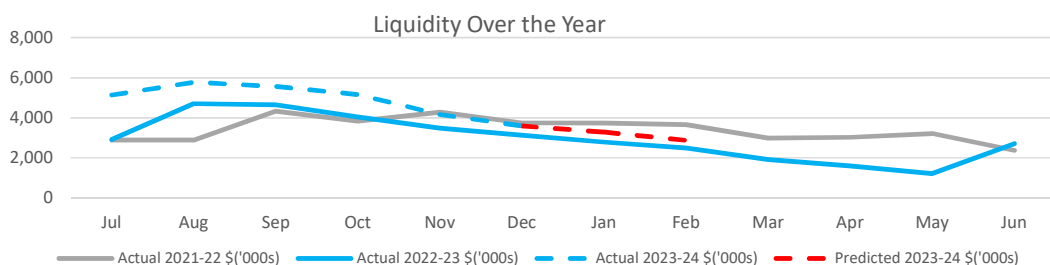
Cash and cash equivalents	3,240,559	3,240,312	216,777	2,541,845
Financial assets	4,530,195	4,530,196	3,961,717	4,646,302
Trade and other receivables	150,251	147,400	100,251	150,309
Contract assets	489,299	650,904	0	469,121
Inventories	105,125	70,389	85,125	130,354
	8,515,429	8,639,201	4,363,870	7,937,931

Less: current liabilities

Trade and other payables	(218,120)	(156,322)	(206,620)	(124,502)
Capital grant/contribution liability	(490)	(100,166)	0	(100,166)
Lease liabilities	(314)	0	0	0
Borrowings	(138,453)	(138,453)	(571,908)	(37,488)
Employee related provisions	(153,213)	(190,542)	(183,213)	(190,541)
	(510,590)	(585,483)	(961,741)	(452,697)

Net current assets used in the Statement of Financial Activity

Total current assets	8,515,429	8,639,201	4,363,870	7,937,931
Less: Total current liabilities	(510,590)	(585,483)	(961,741)	(452,697)
Less: Total adjustments to net current assets	(4,391,428)	(4,391,743)	(3,402,129)	(4,608,814)
Surplus or deficit after imposition of general rates	3,613,411	3,661,975	0	2,876,420



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

CONTRACT LIABILITIES

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

EMPLOYEE BENEFITS

Short-Term Employee Benefits

Provision is made for the Shire of Kent'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 Kent'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 Kent'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 Kent's obligations for long-term employee benefits where the Shire of Kent 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 KENT
 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 Grants, subsidies and contributions		
Grants (FAG - Untied Roads) - Early payment received on the 30 June 2023	(48,000)	
Grants (FAG - General Purpose) - Early payment received on the 30 June 2024	(17,500)	
4.1.2 Interest revenue		
Municipal Account Interest - Interest rate increase	35,000	
Predicted Variances Carried Forward	(30,500)	0

SHIRE OF KENT
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	(30,500)	0
4.2 OPERATING EXPENSES		
4.2.1 Employee costs		
Worker's Compensation (Works) - Underbudgeted due to premium increase	(14,000)	
4.2.2 Materials and contracts		
Asset Fair Value OCM2324/102	(25,000)	
Reduction in Elected Member Fees - Budget fees based on 8 Elected Members, however number decrease to 6.	22,000	
Bushfire Protective Clothing - Surplus stock due to non-issue of uniforms. Volunteer fire fighters who were originally budgeted for receive of a kit has left the community.	80,768	
2/15 Hobley Street, Nyabing (Replace Floorcoverings) - Work was pushed back until 24/25 until crack in wall is repaired and house painted.	2,500	
12 Reid Street, Pingrup (Replace Floorcoverings) - Work was removed for Council to consider the future use of this asset.	8,000	
10 Reid Street, (Pingrup Replace Floorcoverings) - Work was removed for Council to consider the future use of this asset.	7,000	
8 Reid Street, Pingrup (Replace Window Treatments) - Work was removed for Council to consider the future use of this asset.	3,000	
3/3 Gaby Street, Pingrup (Internal Paint) - Work was removed as tenant is not keeping unit to acceptable standard.	4,500	
3/3 Gaby Street, Pingrup (Vinyl Strip and Seal) - Work was removed as tenant is not keeping unit to acceptable standard.	2,000	
5A Coates Close, Nyabing (Replace Floorcoverings) - Work was removed as maintenance is not required.	8,000	
Nyabing Hall (Replace Window Treatments) - Work was removed as maintenance is not required.	8,000	
Nyabing Depot (Replace Floorcoverings) - Work was removed as maintenance is not required.	12,000	
Pingrup Caravan Park (Commission for Bookings) - Bookings now taken by the Administration Office.	9,500	
Pingrup Hall (Purchase Table and Chairs) - Pingrup Hall has extremely aged tables and chairs which are heavy, bulky and unsafe. For any events, tables and chairs from other facilities need transporting to the venue. The purchase of new table and chairs will also add to the overall stock levels for community use at large events.	(9,874)	
Predicted Variances Carried Forward	87,894	0

SHIRE OF KENT
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	87,894	0
4.3 INVESTING ACTIVITIES		
Outflows from investing activities		
4.3.0 Purchase of land held for resale		
Nyabing Community Church OCM2324/084	(10,000)	
Centralised Key System (Houses) - Removed until public buildings system is working smoothly.	28,000	
3/3 Gaby Street, Pingrup (Bathroom Refurbishment) - Work was removed as tenant not keeping unit to acceptable standard	12,000	
26 Aspendale Street, Nyabing (Replace Airconditioning) - Work was removed as maintenance not required.	10,000	
2B Coates Close, Nyabing (Bathroom Refurbishment) - Work was removed as maintenance not required.	14,000	
2A George Street, Nyabing (Bathroom Refurbishment) - Work was removed as maintenance not required.	10,000	
1/5 Gaby Street, Pingrup (Replace Airconditioning) - Work was removed as maintenance not required.	10,000	
Pingrup Potters (Replace Ceiling) - Work was removed as maintenance not required.	18,000	
Pingrup Pavilion (Replace Ceiling) - Work was removed as maintenance is not required. The ceiling is asbestos an initial assessment revealed it may pose a risk to public safety. After an inspection of the ceiling, it was deemed safe as it was painted and not cracking or chipping.	40,000	
Pingrup Pavilion (Upgrade) - Overbudget due to timing between 22/23 and 23/24 payment of contractors. Overall budget for the project was not overbudget.	(24,111)	
Pingrup Hall (Upgrade Acoustics) - Project was overbudgeted.	9,874	
4.3.2 Purchase of plant and equipment		
Purchase of Rotary Hoe and Trailer - Item was removed as mechanic has refurbished the current rotary hoe.	65,000	
Purchase of Toyota Prado (40KT) - Original budget allowed for only the purchase of a small SUV. Council requested the vehicle order change to a Katanning Toyota dealer for ease of service and better resale value.	(21,000)	
Plant Replacement (Mower) - Replace front deck with ground master to improve productivity.	(25,000)	
4.3.3 Purchase and construction of infrastructure-roads		
Rasmussen Road (Contract Services) - Assistance required to cart gravel	(20,000)	
North Needilip Road (Contract Services) - Assistance required to cart gravel	(20,000)	
4.3.4 Purchase and construction of infrastructure-other		
Pingrup Silo Trail (Bridge) OCM2324/039	(21,370)	
Pingrup Caravan Park (Park Upgrade) - Overbudget due to timing between 22/23 and 23/24 payment of contractors. A tank system was also added to the project to improve water pressure at the park.	(39,000)	
Pingrup Cemetery (4m Gazebo and Seating) - Project went over budget	(3,851)	
Pingrup Cemetery (Fence) - Project has been removed as after further consultation with community, a tree screen will be more suitable to block the view of the Pingrup Refuse Site.	10,000	
Predicted Variances Carried Forward	130,436	0

SHIRE OF KENT
 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	130,436	0
4.4 FINANCING ACTIVITIES		
Cash outflows from financing activities		
4.4.1 Transfers to reserve accounts		
Transfer to Land and Building Reserve - For indicated projects above, transfer funds to Reserve.	(179,000)	
Predicted Variances Carried Forward	(48,564)	0

SHIRE OF KENT
 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	(48,564)	0
4.5 OTHER ITEMS		
4.5.0 Surplus or deficit at the start of the financial year		
Change BWF from audited financials	48,564	
Total Predicted Variances as per Annual Budget Review	0	0

