

SHIRE OF TRAYNING

BUDGET REVIEW REPORT

FOR THE PERIOD ENDED 31 JANUARY 2025

LOCAL GOVERNMENT ACT 1995

LOCAL GOVERNMENT (FINANCIAL MANAGEMENT) REGULATIONS 1996

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SHIRE OF TRAYNING
STATEMENT OF BUDGET REVIEW
FOR THE PERIOD ENDED 31 JANUARY 2025

		Budget v Actual		Estimated	Predicted	
	Note	Adopted Budget	Year to Date Actual	Year at End Amount (b)	Variance (b) - (a)	
		\$	\$	\$	\$	
OPERATING ACTIVITIES						
Revenue from operating activities						
General rates		1,306,828	1,306,622	1,306,828	0	
Grants, subsidies and contributions	4.1	346,439	333,222	507,085	160,646	▲
Fees and charges	4.2	258,821	212,997	298,381	39,560	▲
Interest revenue		41,687	8,498	41,687	0	
Other revenue	4.3	123,280	123,191	200,838	77,558	▲
		<u>2,077,055</u>	<u>1,984,530</u>	<u>2,354,819</u>	<u>277,764</u>	
Expenditure from operating activities						
Employee costs	4.4	(1,019,167)	(523,451)	(1,242,167)	(223,000)	▼
Materials and contracts	4.5	(1,231,688)	(701,342)	(1,456,688)	(225,000)	▼
Utility charges		(128,508)	(48,898)	(128,508)	0	
Depreciation		(2,740,662)	(1,421,342)	(2,740,662)	0	
Finance costs		(56,351)	(10,665)	(56,351)	0	
Insurance		(147,268)	(139,597)	(147,268)	0	
Other expenditure		(89,430)	(47,775)	(89,430)	0	
Loss on asset disposals		(2,400)	(2,400)	(2,400)	0	
Reversal of prior year loss on revaluation of assets			(2,895,468)	0		
		<u>(5,415,474)</u>	<u>(2,895,468)</u>	<u>(5,863,474)</u>	<u>(448,000)</u>	
Non-cash amounts excluded from operating activities	4.6	2,748,672	1,423,742	2,714,672	(34,000)	▲
Amount attributable to operating activities		<u>(589,747)</u>	<u>512,804</u>	<u>(793,983)</u>	<u>(204,236)</u>	
INVESTING ACTIVITIES						
Inflows from investing activities						
Capital grants, subsidies and contributions	4.7	1,123,424	281,463	1,538,263	414,839	▲
Proceeds from disposal of assets		4,600	4,600	4,600	0	
Proceeds from self supporting loans		2,662	2,662	2,662	0	
		<u>1,130,686</u>	<u>288,725</u>	<u>1,545,525</u>	<u>414,839</u>	
Outflows from investing activities						
Purchase of land and buildings	4.8	(662,902)	(622,000)	(694,902)	(32,000)	▼
Purchase of plant and equipment		(20,000)	(18,182)	(20,000)	0	
Purchase of furniture and equipment		(53,000)	0	(53,000)	0	
Purchase and construction of infrastructure-roads	4.9	(1,852,789)	(773,516)	(1,861,808)	(9,019)	▼
Purchase and construction of infrastructure-other		(306,079)	(113,888)	(306,079)	0	
		<u>(2,894,770)</u>	<u>(1,527,585)</u>	<u>(2,935,789)</u>	<u>(41,019)</u>	
Amount attributable to investing activities		<u>(1,764,084)</u>	<u>(1,238,860)</u>	<u>(1,390,264)</u>	<u>373,820</u>	
FINANCING ACTIVITIES						
Cash inflows from financing activities						
Transfers from reserve accounts	4.10	16,500	0	46,500	30,000	▲
		<u>16,500</u>	<u>0</u>	<u>46,500</u>	<u>30,000</u>	
Cash outflows from financing activities						
Payments for principal portion of lease liabilities	4.11	(1,551)	0	(1,551)	0	▼
Repayment of borrowings	4.12	(147,220)	(74,282)	(147,220)	0	▼
Transfers to reserve accounts	4.13	(391,538)	(908)	(391,538)	0	▼
		<u>(540,309)</u>	<u>(75,190)</u>	<u>(540,309)</u>	<u>0</u>	
Amount attributable to financing activities		<u>(523,809)</u>	<u>(75,190)</u>	<u>(493,809)</u>	<u>30,000</u>	
MOVEMENT IN SURPLUS OR DEFICIT						
Surplus or deficit at the start of the financial year	4.14	2,877,640	2,678,056	2,678,056	(199,584)	▲
Amount attributable to operating activities		(589,747)	512,804	(793,983)	(204,236)	
Amount attributable to investing activities		(1,764,084)	(1,238,860)	(1,390,264)	373,820	
Amount attributable to financing activities		(523,809)	(75,190)	(493,809)	30,000	
Surplus or deficit after imposition of general rates	3(a),4.15	(0)	1,876,810	(0)	0	▼

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 Trayning 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 Trayning 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.

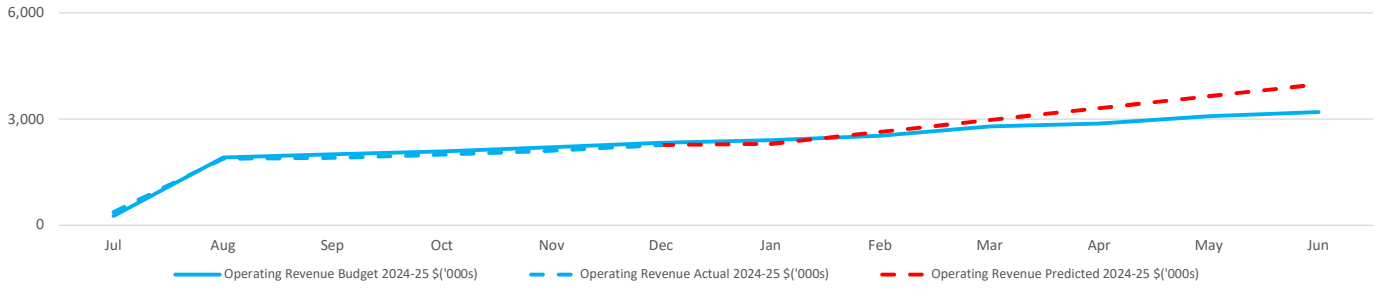
The balances, transactions and disclosures impacted by accounting estimates are as follows:

- 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

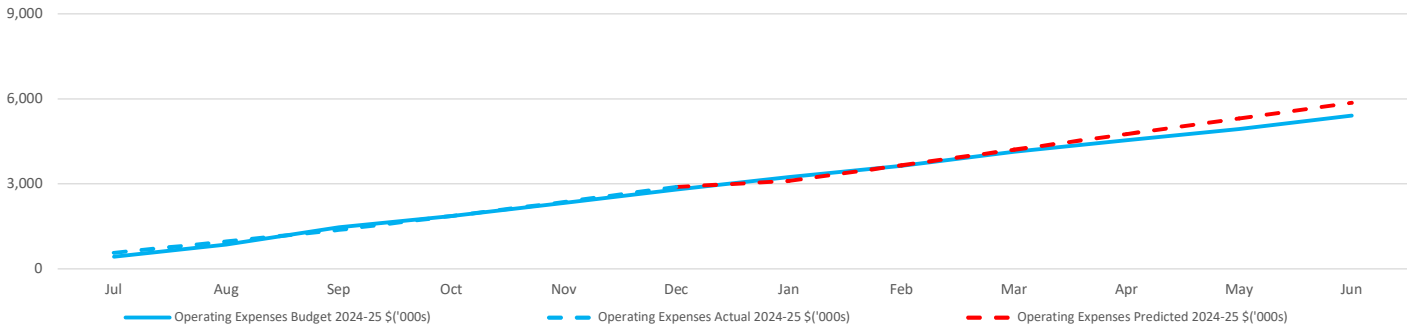
SIGNIFICANT ACCOUNTING POLICES

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.

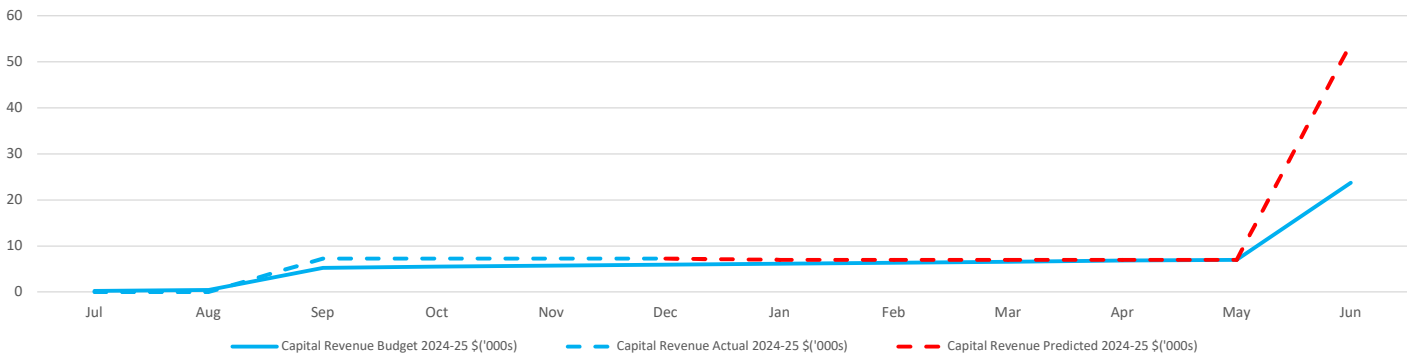
Operating Revenue



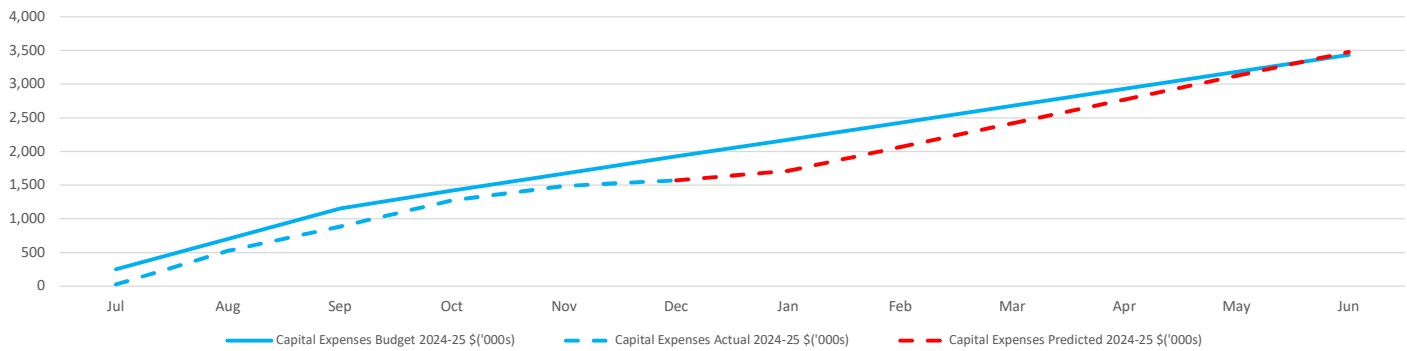
Operating Expenses



Capital Revenue



Capital Expenditure



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

	Audited Actual 30 June 2024	Adopted Budget 30 June 2025	Year to Date Actual 31 January 2025	Estimated Year at End Amount 30 June 2025
	\$	\$	\$	\$
(a) Composition of estimated net current assets				
Current assets				
Cash and cash equivalents	4,033,556	1,490,363	2,981,930	1,490,363
Financial assets	2,662	0		0
Trade and other receivables	129,836	140,412	183,459	140,412
Inventories	431	1,989	2,457	1,989
Other assets	13,186	94	0	94
	4,179,671	1,632,858	3,167,846	1,632,858
Less: current liabilities				
Trade and other payables	(350,533)	(285,112)	(141,458)	(285,112)
Contract liabilities	(276,388)	(30,845)	(276,388)	(30,845)
Lease liabilities	(1,551)	(1,624)	(1,551)	(1,624)
Borrowings	(147,220)	(130,473)	(56,438)	(130,473)
Employee related provisions	(194,919)	(253,860)	(194,919)	(203,064)
	(970,611)	(701,914)	(670,754)	(651,118)
Net current assets	3,209,060	930,944	2,497,092	981,740
Less: Total adjustments to net current assets	(531,004)	(930,944)	(619,998)	(900,944)
Closing funding surplus / (deficit)	2,678,056	0	1,877,094	80,796

(b) Current assets and liabilities excluded from budgeted deficiency

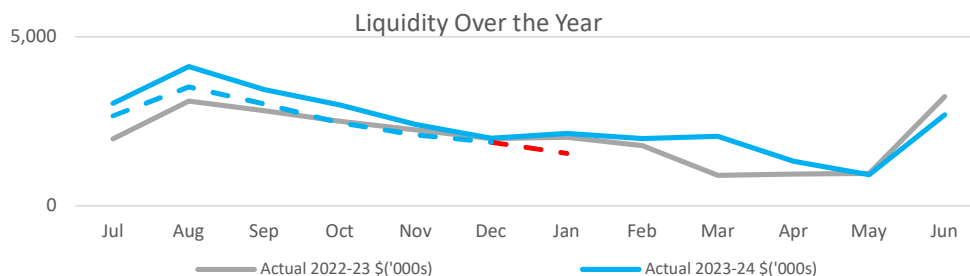
The following current assets and liabilities have been excluded from the net current assets used in the Statement of Financial Activity in accordance with *Financial Management Regulation 32* to agree to the surplus/(deficit) after imposition of general rates.

	Audited Actual 30 June 2024	Adopted Budget 30 June 2025	Year to Date Actual 31 January 2025	Estimated Year at End Amount 30 June 2025
	\$	\$	\$	\$
Adjustments to net current assets				
Less: Reserve accounts	(701,505)	(1,093,043)	(702,411)	(1,063,043)
Less: Financial assets at amortised cost - self supporting loans	(2,662)	0	0	0
Add: Current liabilities not expected to be cleared at end of year				
- Current portion of borrowings	147,220	130,473	56,438	130,473
- Current portion of lease liabilities	1,551	1,624	1,551	1,624
- Employee benefit provisions	24,392	30,002	24,424	30,002
Total adjustments to net current assets	(531,004)	(930,944)	(619,998)	(900,944)

(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 2024	Adopted Budget 30 June 2025	Year to Date Actual 31 January 2025	Estimated Year at End Amount 30 June 2025
	\$	\$	\$	\$
Adjustments to operating activities				
Less: Profit on asset disposals	(7,967)	0	0	0
Less: Movement in liabilities associated with restricted cash	1,107			
Less: Fair value adjustments to financial assets at fair value through profit or loss	(1,261)			
Add: Loss on disposal of assets	11,381	2,400	2,400	2,400
Add: Depreciation on assets	2,698,818	2,740,662	1,421,342	2,740,662
Non-cash movements in non-current assets and liabilities:				
Pensioner deferred rates	12,393			
Employee benefit provisions	10,280	5,610	0	(28,390)
Non-cash amounts excluded from operating activities	2,724,751	2,748,672	1,423,742	2,714,672



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

CONTRACT LIABILITIES

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

EMPLOYEE BENEFITS

Short-Term Employee Benefits

Provision is made for the Shire of Trayning'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 Trayning'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 Trayning'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 Trayning's obligations for long-term employee benefits where the Shire of Trayning 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 TRAYNING
NOTES TO THE REVIEW OF THE ANNUAL BUDGET
FOR THE PERIOD ENDED 31 JANUARY 2025

4 PREDICTED VARIANCES

Variance

\$

Revenue from operating activities		
4.1	Grants, subsidies and contributions More Grants Commission funding received than budgeted	160,646 ▲
4.2	Fees and charges More income received from blackwater disposal fees and rent from Kununoppin Independent Living Units than budgeted	39,560 ▲
4.3	Other revenue Workers compensation income, reimbursement of CEO Long Service Leave not budgeted for. More fuel tax credits received than budgeted for due to dry hiring equipment instead of using contractors	77,558 ▲
Expenditure from operating activities		
4.4	Employee costs Payout of CEO and MWS, hiring Acting CEO and workers compensation not budgeted for	(223,000) ▼
4.5	Materials and contracts A number of increases including plant operating costs, consultants and building maintenance, partially offset by decreases in use of contractors for road and refuse site maintenance	(225,000) ▼
Non-cash amounts excluded from operating activities		
	Reduction in leave provisions due to payout of CEO annual and long service leave	(34,000) ▲
Inflows from investing activities		
4.7	Capital grants, subsidies and contributions Recognition of LRCIP Grant Funding from prior year, additional Roads to Recovery Funding for Sherzinger Road	414,839 ▲
Outflows from investing activities		
4.8	Purchase of land and buildings Unbudgeted works to housing/aged persons unit, additional concreting for tennis pavilion, additional costs in Admin Building project	(32,000) ▼
4.9	Purchase and construction of infrastructure-roads Overexpenditure on Kununoppin-Doodlakine Road, removal of Leake Street reseal, reduce budget for Harrod Road and Sherzinger Road	(9,019) ▼
Cash inflows from financing activities		
4.10	Transfers from reserve accounts Transfer from Leave Reserve to assist with CEO leave payout	30,000 ▲
4.14	Surplus or deficit at the start of the financial year Largely impacted by the timing related to the recognition of grant funding	(199,584) ▲