



Shire of
Katanning
Heart of the Great Southern

BUDGET REVIEW REPORT

FOR THE PERIOD ENDED 31 DECEMBER 2023

LOCAL GOVERNMENT ACT 1995

LOCAL GOVERNMENT (FINANCIAL MANAGEMENT) REGULATIONS 1996

TABLE OF CONTENTS

Statement of Budget Review	2
Note 1 Basis of Preparation	3
Note 2 Summary Graphs - Budget Review	4
Note 3 Net Current Funding Position	5
Note 4 Predicted Variances / Future Budget Amendments	7

SHIRE OF KATANNING
STATEMENT OF BUDGET REVIEW
FOR THE PERIOD ENDED 31 DECEMBER 2023

Budget v Actual					
	Adopted Budget	Updated Budget Estimates (a)	Year to Date Actual	Estimated Year at End Amount (b)	Predicted Variance (a) - (b)
	\$	\$	\$	\$	\$
OPERATING ACTIVITIES					
Revenue from operating activities					
General rates	5,020,494	5,020,494	5,016,016	5,020,494	0
Grants, subsidies and contributions	1,820,827	1,890,827	501,303	1,890,827	70,000
Fees and charges	1,889,732	1,980,232	1,448,392	1,980,232	90,500
Interest revenue	384,000	409,000	196,838	409,000	25,000
Other revenue	261,707	261,707	146,724	261,707	0
Profit on asset disposals	195,378	195,378	19,189	195,378	0
	9,572,138	9,757,638	7,328,462	9,757,638	185,500
Expenditure from operating activities					
Employee costs	(4,776,332)	(4,776,332)	(2,270,210)	(4,776,332)	0
Materials and contracts	(4,517,078)	(4,678,078)	(1,786,889)	(4,678,078)	(161,000)
Utility charges	(508,844)	(508,844)	(224,444)	(508,844)	0
Depreciation	(5,342,903)	(9,537,306)	(4,549,837)	(9,537,306)	(4,194,403)
Finance costs	(133,326)	(133,326)	(55,559)	(133,326)	0
Insurance	(460,713)	(530,713)	(521,387)	(530,713)	(70,000)
Other expenditure	(365,151)	(365,151)	(215,704)	(365,151)	0
Loss on asset disposals	(34,996)	(34,996)	0	(34,996)	0
	(16,139,343)	(20,564,746)	(9,624,030)	(20,564,746)	(4,425,403)
Non-cash amounts excluded from operating activities	5,182,521	9,376,924	4,530,648	9,376,924	4,194,403
Amount attributable to operating activities	(1,384,684)	(1,430,184)	2,235,080	(1,430,184)	(45,500)
INVESTING ACTIVITIES					
Inflows from investing activities					
Capital grants, subsidies and contributions	471,593	471,593	82,666	471,593	0
Proceeds from disposal of assets	434,500	434,500	159,325	434,500	0
Proceeds from self supporting loans	21,041	21,041	10,418	21,041	0
	927,134	927,134	252,409	927,134	0
Outflows from investing activities					
Purchase of land and buildings	(1,174,875)	(1,174,875)	(149,455)	(1,174,875)	0
Purchase of plant and equipment	(1,810,197)	(1,810,197)	(469,470)	(1,810,197)	0
Purchase and construction of infrastructure-roads	(1,031,898)	(1,082,898)	(170,129)	(1,082,898)	(51,000)
Purchase and construction of infrastructure-other	(279,913)	(279,913)	(39,271)	(279,913)	0
	(4,296,883)	(4,347,883)	(828,325)	(4,347,883)	(51,000)
Non-cash amounts excluded from investing activities	0	0	(4,550)	0	
Amount attributable to investing activities	(3,369,749)	(3,420,749)	(580,466)	(3,420,749)	(51,000)
FINANCING ACTIVITIES					
Cash inflows from financing activities					
Transfers from reserve accounts	2,163,356	2,163,356	0	2,163,356	0
	2,163,356	2,163,356	0	2,163,356	0
Cash outflows from financing activities					
Advances of self supporting loans	(21,041)	(21,041)	0	(21,041)	0
Payments for principal portion of lease liabilities	(15,095)	(15,095)	0	(15,095)	0
Repayment of borrowings	(284,958)	(284,958)	(152,618)	(284,958)	0
Transfers to reserve accounts	(732,497)	(732,497)	(99,856)	(732,497)	0
	(1,053,591)	(1,053,591)	(252,474)	(1,053,591)	0
Amount attributable to financing activities	1,109,765	1,109,765	(252,474)	1,109,765	0
MOVEMENT IN SURPLUS OR DEFICIT					
Surplus or deficit at the start of the financial year	3,644,668	3,842,878	3,842,878	3,842,878	198,210
Amount attributable to operating activities	(1,384,684)	(1,430,184)	2,235,080	(1,430,184)	(45,500)
Amount attributable to investing activities	(3,369,749)	(3,420,749)	(580,466)	(3,420,749)	(51,000)
Amount attributable to financing activities	1,109,765	1,109,765	(252,474)	1,109,765	0
Surplus or deficit after imposition of general rates	0	101,710	5,245,018	101,710	101,710

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 Katanning 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 Katanning 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:

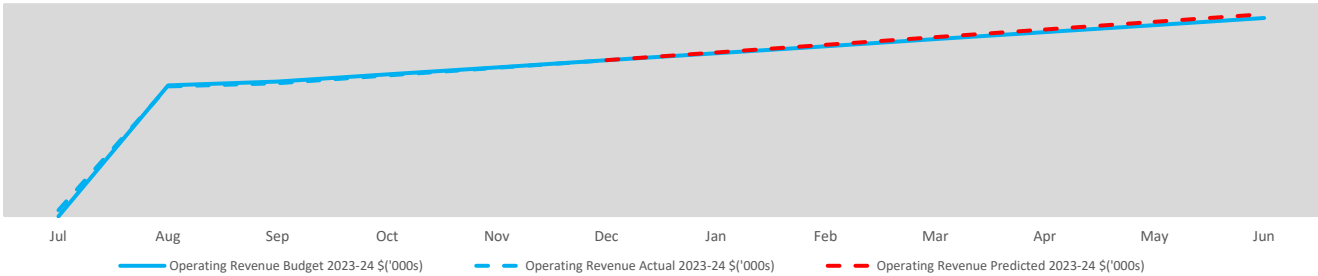
- estimated fair value of certain financial assets
- impairment of financial assets
- estimation of fair values of land and buildings, infrastructure and investment property
- estimation uncertainties made in relation to lease accounting
- estimation of fair values of provisions

SIGNIFICANT ACCOUNTING POLICIES

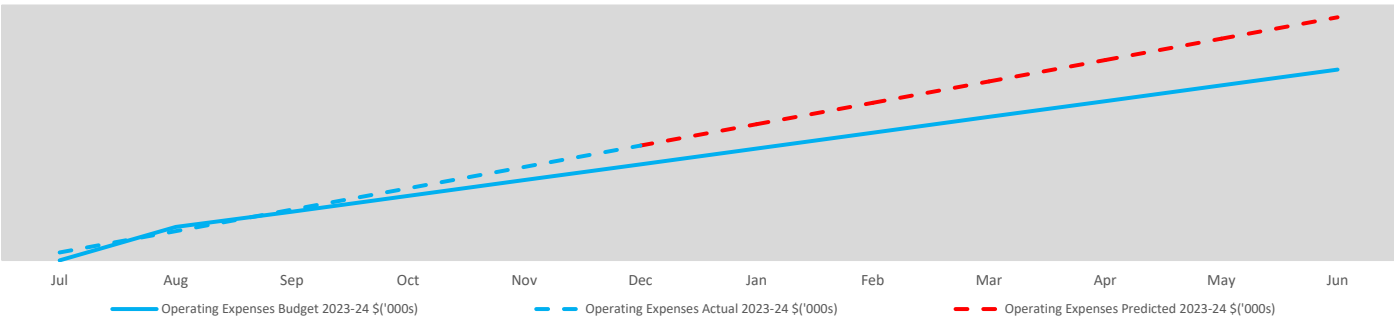
Significant accounting policies utilised in the preparation of these statements are as described within the 2023-24 Annual Budget. Please refer to the adopted budget document for details of these policies.

2. SUMMARY GRAPHS - BUDGET REVIEW

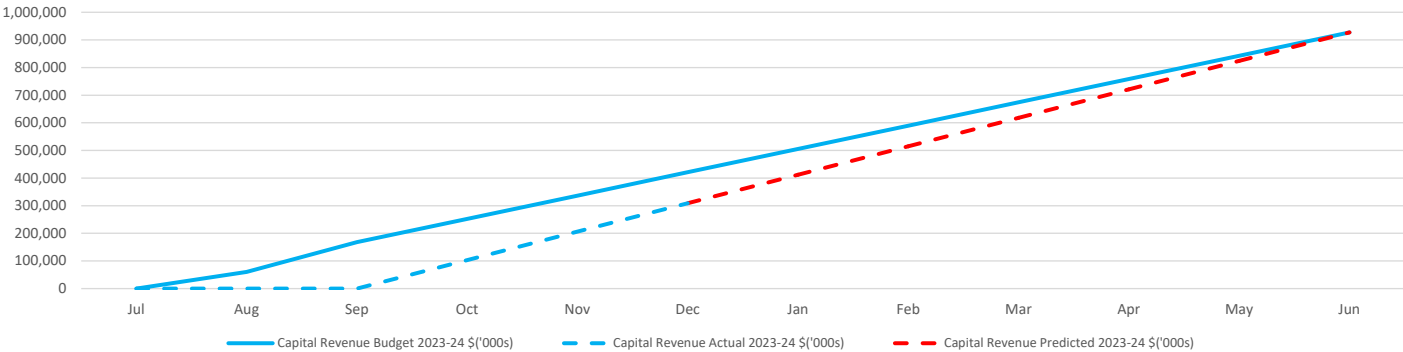
Operating Revenue



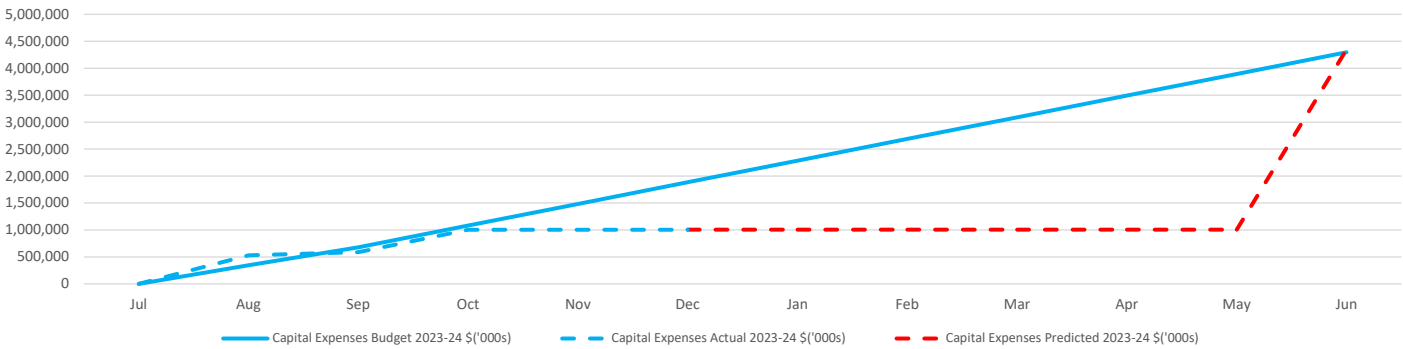
Operating Expenses



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 December 2023	Estimated Year at End Amount 30 June 2024
(a) Composition of estimated net current assets	\$	\$	\$	\$	\$
Current assets					
Cash and cash equivalents	15,311,940	10,971,580	15,311,940	11,250,351	15,311,940
Financial assets		4,343,573		4,341,293	0
Trade and other receivables	1,394,727	1,257,913	1,394,727	2,901,265	1,394,727
Inventories	20,508	20,508	20,508	14,078	20,508
Other assets	21,042		21,042	0	21,042
	16,748,217	16,593,574	16,748,217	18,506,987	16,748,217
Less: current liabilities					
Trade and other payables	(1,987,185)	(859,231)	(1,987,185)	(597,875)	(1,987,185)
Contract liabilities		(85,285)	0	(418,499)	0
Capital grant/contribution liability * error in AFR	(4,336,743)	(4,336,743)	(4,336,743)	(4,341,293)	(4,336,743)
Lease liabilities	(15,095)	(15,095)	(15,095)	(15,095)	(15,095)
Borrowings	(284,958)	(284,958)	(284,958)	(153,522)	(284,958)
Employee related provisions	(630,441)	(630,441)	(630,441)	(630,441)	(630,441)
Other provisions	(103,112)	(1,112,890)	(103,112)	(1,070,890)	(103,112)
	(7,357,534)	(7,324,643)	(7,357,534)	(7,227,615)	(7,357,534)
Net current assets	9,390,683	9,268,931	9,390,683	11,279,372	9,390,683
Less: Total adjustments to net current assets	(5,547,805)	(5,624,263)	(5,481,656)	(6,034,354)	(5,481,656)
Closing funding surplus / (deficit)	3,842,878	3,644,668	3,909,027	5,245,018	3,909,027

(b) 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 December 2023	Estimated Year at End Amount 30 June 2024
Adjustments to operating activities	\$	\$	\$	\$	\$
Less: Profit on asset disposals	(37,247)	(37,247)	(195,378)	(19,189)	(195,378)
Less: Movement in liabilities associated with restricted cash	(103,854)				
Less: Fair value adjustments to financial assets at fair value through profit or loss	(10,264)				
Add: Loss on disposal of assets		0	34,996	0	34,996
Add: Depreciation on assets	5,347,988	5,344,396	9,537,306	4,549,837	9,537,306
Non-cash movements in non-current assets and liabilities:					
Financial assets at amortised cost	(223,828)				
Pensioner deferred rates	(15,174)	15,173			
Employee benefit provisions	(19,361)	(19,362)			
Other provisions	31,969	135,832			
Contract liabilities	125,274				
Non-cash amounts excluded from operating activities	5,095,503	5,438,792	9,376,924	4,530,648	9,376,924

(c) Investing activities excluded from budgeted deficiency

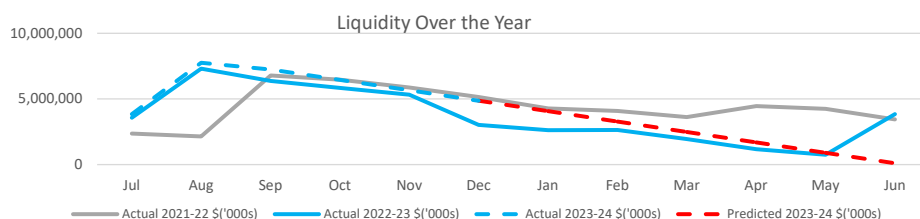
The following non-cash revenue and expenditure has been excluded from investing activities within the Statement of Financial Activity in accordance with *Financial Management Regulation 32*.

	Audited Actual 30 June 2023	Adopted Budget 30 June 2024	Updated Budget Estimates 30 June 2024	Year to Date Actual 31 December 2023	Estimated Year at End Amount 30 June 2024
Adjustments to investing activities	\$	\$	\$	\$	\$
Movement in non-current capital grant/contribution liability	(4,336,743)		0	(4,550)	0
Non cash amounts excluded from investing activities	(4,336,743)	0	0	(4,550)	0

(d) 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 December 2023	Estimated Year at End Amount 30 June 2024
Adjustments to net current assets	\$	\$	\$	\$	\$
Less: Reserve accounts	(7,733,796)	(7,733,795)	(7,733,795)	(7,833,651)	(7,733,795)
Less : Current assets not expected to be received at end of year	1,112,890	1,179,038	1,179,038	857,632	1,336,740
Add: Current liabilities not expected to be cleared at end of year					
- Current portion of borrowings	284,958	284,958	284,958	153,522	284,958
- Current portion of lease liabilities	15,095	15,095	15,095	15,095	0
- Employee benefit provisions	630,441	630,441	630,441	630,441	630,441
Add: Change in accounting policy	142,607		142,607	142,607	
Total adjustments to net current assets	(5,547,805)	(5,624,263)	(5,481,656)	(6,034,354)	(5,481,656)



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

CONTRACT LIABILITIES

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

EMPLOYEE BENEFITS

Short-Term Employee Benefits

Provision is made for the Shire of Katanning'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 Katanning'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 Katanning'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 Katanning's obligations for long-term employee benefits where the Shire of Katanning 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 KATANNING
NOTES TO THE REVIEW OF THE ANNUAL BUDGET
FOR THE PERIOD ENDED 31 DECEMBER 2023

4 PREDICTED VARIANCES

	Variance
	\$
Revenue from operating activities	
4.0 Grants, subsidies and contributions	70,000
<i>Financial Assistance Grants not included in original Budget</i>	
4.0 Fees and charges	90,500
<i>Increases in Infringements, rent on Medical Centre, Refuse Site disposal fees, and Building Licences</i>	
4.0 Interest revenue	25,000
<i>Increase in interest due to improving interest rates.</i>	
Expenditure from operating activities	
4.0 Materials and contracts	(161,000)
<i>Increase in costs associated with Contractors (Legal, Financial, Asset Valuations, Footpath & Bike Plan, and Airport Compliance), purchase of refuse and recycle bins, and purchase of sound system for Town Square.</i>	
4.0 Depreciation	(4,194,403)
<i>Increase in depreciation resulting from 2021/2022 Audit qualification</i>	
4.0 Insurance	(70,000)
<i>Increase in insurance costs in general</i>	
Non-cash amounts excluded from operating activities	4,194,403
<i>Increase in depreciation resulting from 2021/2022 Audit qualification</i>	
Outflows from investing activities	
4.0 Purchase and construction of infrastructure-roads	(51,000)
<i>Increase in costs for Kelly Road and Pemble Street projects</i>	
4.0 Surplus or deficit at the start of the financial year	198,210
<i>Adjustment resulting from Audit</i>	
(a) Surplus or deficit after imposition of general rates	101,710
<i>Adjustment resulting from Audit less amendments listed above</i>	

SHIRE OF KATANNING
2023/2024 BUDGET REVIEW/SUPPLEMENTARY INFORMATION
FOR THE PERIOD ENDED 31 DECEMBER 2023

4(a) PREDICTED VARIANCES

Description	Job Number	I/E Classification	Type Classification	Non Cash Adjustment	Increase in Available Cash	Decrease in Available Cash	Amended Budget Running Balance
				\$	\$	\$	\$
Opening Surplus/(Deficit)					198,210		198,210
Kelly Rd - Slk 4.1-10.2 Resheet (R2R)	C138	Infrastructure - Roads	Capital expenses			(31,000)	167,210
Pemble St - Slk 0.00-0.96 Reseal (Rrg)	C136	Infrastructure - Roads	Capital expenses			(20,000)	147,210
Advertising & Promotion (ADM)	0742	Materials & Contracts	Operating expenses			(10,000)	137,210
Consultants (ADM)	1352	Materials & Contracts	Operating expenses			(50,000)	87,210
Professional Advice & Services (ADM)	1360	Materials & Contracts	Operating expenses			(30,000)	57,210
Expensed Minor Asset Purchases (ANI)	1873	Materials & Contracts	Operating expenses			(6,000)	51,210
Works Program - Footpath Maintenance (MRBD)	4850	Materials & Contracts	Operating expenses			(30,000)	21,210
Works Program - Airport Maintenance (AERO)	5252	Materials & Contracts	Operating expenses			(20,000)	1,210
Grant Expenditure (EDV)	5889	Materials & Contracts	Operating expenses			(15,000)	(13,790)
Insurance	8092	Insurance	Operating expenses			(70,000)	(83,790)
Depreciation - Buildings		Depreciation	Non cash item	(4,194,403)			(83,790)
Interest - Municipal (GPI)	9113	Interest Earned	Operating revenue		25,000		(58,790)
Infringements (FPV)	1613	Fees & Charges	Operating revenue		5,000		(53,790)
Medical Centre Rent (OHE)	2177	Fees & Charges	Operating revenue		7,500		(46,290)
Refuse Site Disposal Charges (SAN)	2613	Fees & Charges	Operating revenue		60,000		13,710
Building Fees & Licences (BUC)	5613	Fees & Charges	Operating revenue		18,000		31,710
General Purpose Grant (GPF)	0181	Operating Grants	Operating revenue		50,000		81,710
Untied Road Grant (GPF)	0201	Operating Grants	Operating revenue		20,000		101,710