

SHIRE OF COOROW

BUDGET REVIEW REPORT

FOR THE PERIOD ENDED 28 FEBRUARY 2023

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

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SHIRE OF COOROW
STATEMENT OF BUDGET REVIEW
(NATURE OR TYPE)
FOR THE PERIOD ENDED 28 FEBRUARY 2023

	Budget v Actual		Predicted			
	Note	Adopted Budget (a) \$	YTD Actual (b) \$	Variance Permanent (c) \$	Variance Timing (Carryover) (d) \$	
OPERATING ACTIVITIES						
Net current assets at start of financial year surplus/(deficit)	4.5.2	3,645,414	3,842,906	197,492	0	3,842,906 ▲
Revenue from operating activities (excluding rates)						
Specified area rates	4.1.1	14,014	12,765	0	0	14,014
Operating grants, subsidies and contributions	4.1.2	1,503,660	564,398	0	0	1,503,660
Fees and charges	4.1.3	642,401	618,726	0	0	642,401
Interest earnings	4.1.6	40,166	55,029	0	0	40,166
Other revenue	4.1.7	25,250	12,032	0	0	25,250
Profit on asset disposals	4.1.8	87,526	0	0	0	87,526
		2,313,017	1,262,950	0	0	2,313,017
Expenditure from operating activities						
Employee costs	4.2.1	(2,281,334)	(1,507,629)	0	0	(2,281,334)
Materials and contracts	4.2.2	(3,349,829)	(1,819,548)	6,753	0	(3,343,076) ▼
Utility charges	4.2.3	(350,643)	(196,052)	0	0	(350,643)
Depreciation on non-current assets	4.2.4	(6,673,750)	(4,297,332)	0	0	(6,673,750)
Interest expenses	4.2.5	(252,699)	(2,625)	0	0	(252,699)
Insurance expenses	4.2.6	(268,643)	(232,337)	0	0	(268,643)
Other expenditure	4.2.7	(150,363)	(85,266)	0	0	(150,363)
Loss on asset disposals	4.2.8	(103,694)	0	0	0	(103,694)
		(13,430,955)	(8,140,789)	6,753	0	(13,424,202)
Non-cash amounts excluded from operating activities		6,689,918	4,297,332			6,689,918
Amount attributable to operating activities		(782,606)	1,262,399	204,245	0	(578,361)
INVESTING ACTIVITIES						
Non-operating grants, subsidies and contributions	4.3.1	3,270,069	260,368	0	0	3,270,069
Purchase land and buildings	4.4.2	(3,185,300)	(419,087)	94,000		(3,091,300) ▼
Purchase plant and equipment	4.4.3	(1,451,980)	(140,001)	0	0	(1,451,980)
Purchase and construction of infrastructure-roads	4.4.5	(2,416,575)	(508,093)	0	0	(2,416,575)
Purchase and construction of infrastructure-other	4.4.6	(6,260,660)	(2,160,828)	(298,245)	0	(6,558,905) ▲
Proceeds from self supporting loans	4.3.6	29,180	11,986	0	0	29,180
Proceeds from disposal of assets	4.3.2	297,328	0	0	0	297,328
		(9,717,938)	(2,955,655)	(204,245)	0	(9,922,183)
Non-cash amounts excluded from investing activities		0	0			0
Amount attributable to investing activities		(9,717,938)	(2,955,655)	(204,245)	0	(9,922,183)
FINANCING ACTIVITIES						
Repayment of debentures	4.4.8	(258,149)	(11,986)	0	0	(258,149)
Proceeds from new borrowings	4.3.3	6,229,635	6,229,635	0	0	6,229,635
Transfers to cash backed reserves (restricted assets)	4.5.10	(147,600)	0	0	0	(147,600)
Transfers from cash backed reserves (restricted assets)	4.5.11	983,837	0	0	0	983,837
Amount attributable to financing activities		6,807,723	6,217,649	0	0	6,807,723
Budget deficiency before general rates		(3,692,821)	4,524,393	0	0	(3,692,821)
Estimated amount to be raised from general rates	4.5.1	3,692,821	3,712,644	0	0	3,692,821
Closing funding surplus(deficit)	3 (c)	0	8,237,037	0	0	0

1. BASIS OF PREPARATION

The budget review comprises financial statements which have been prepared in accordance with the *Local Government Act 1995* and accompanying regulations.

Local Government Act 1995 requirements

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. All right-of-use assets (other than vested improvements) under zero cost concessionary leases are measured at zero cost rather than at fair value. The exception is vested improvements on concessionary land leases such as roads, buildings or other infrastructure which continue to be reported at fair value, as opposed to the vested land which is measured at zero cost. The measurement of vested improvements at fair value is a departure from *AASB 16* which would have required the Shire of Coorow 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 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 Coorow controls resources to carry on its functions have been included in the financial statements forming part of this budget review.

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.

2022-23 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 annual 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.

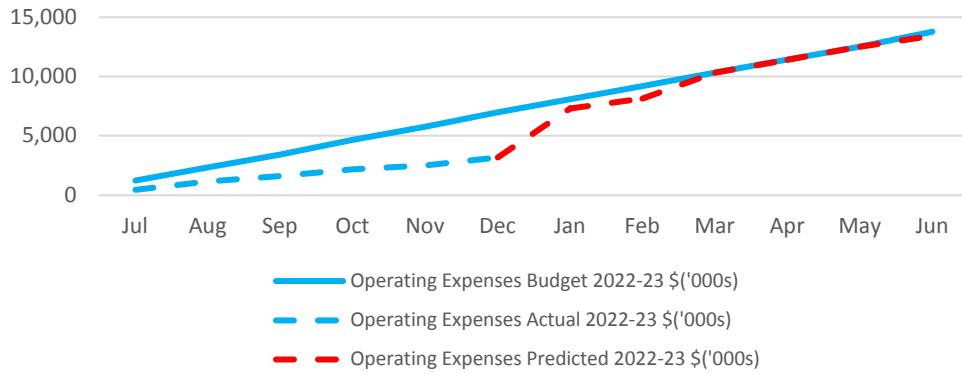
The balances, transactions and disclosures impacted by accounting estimates are as follows:

- 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

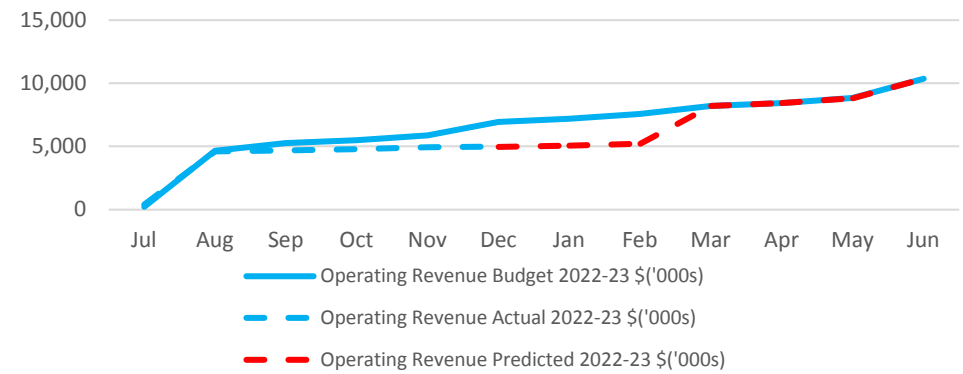
SHIRE OF COOROW
 SUMMARY GRAPHS - BUDGET REVIEW
 FOR THE PERIOD ENDED 28 FEBRUARY 2023

2. SUMMARY GRAPHS - BUDGET REVIEW

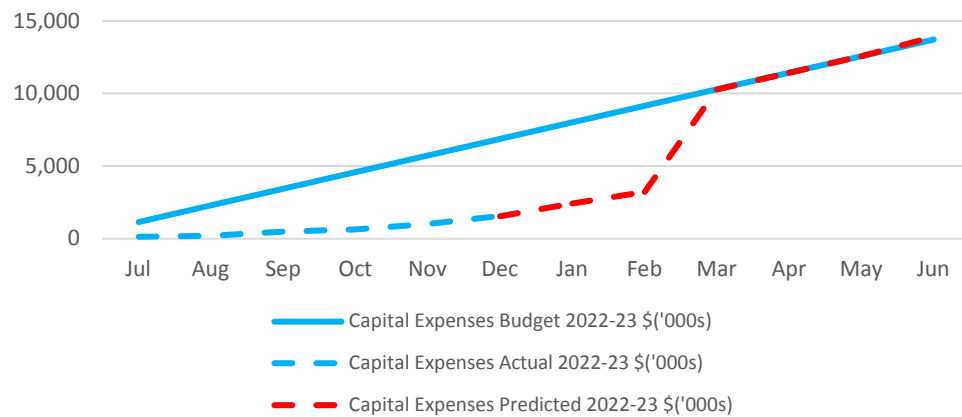
Operating Expenses



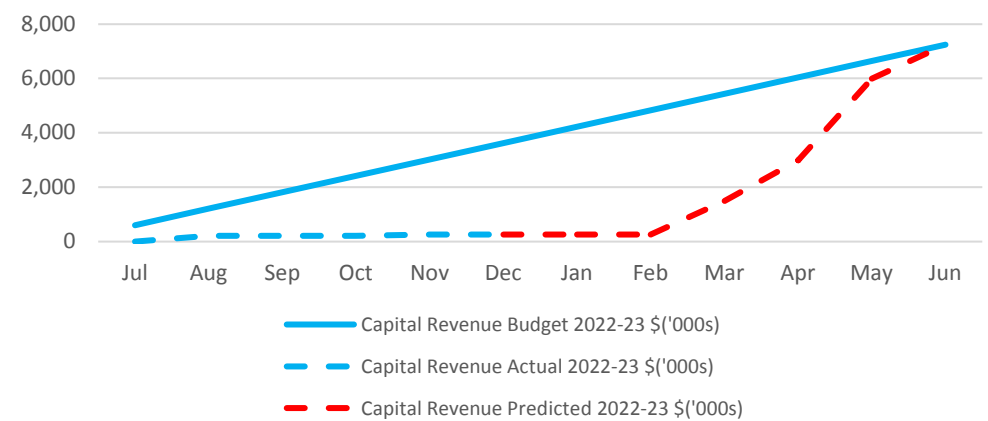
Operating Revenue



Capital Expenditure



Capital Revenue



This information is to be read in conjunction with the accompanying financial statements and notes.

3 NET CURRENT FUNDING POSITION

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

Operating activities excluded from budgeted deficiency

When calculating the budget deficiency for the purpose of Section 6.2 (2)(c) of the *Local Government Act 1995* the following amounts have been excluded as provided by *Local Government (Financial Management) Regulation 32* which will not fund the budgeted expenditure.

(a) Operating activities excluded from budgeted deficiency

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

	Actual - Used for Budget 30 June 2022	Audited Actual 30 June 2022	Budget 30 June 2023	Actual 28 February 2023
Adjustments to operating activities			\$	\$
Less: Profit on asset disposals	(3,664)	(3,664)	(87,526)	0
Less: Fair value adjustments to financial assets at fair value through profit and loss	0	(2,998)	0	0
Add: Loss on asset disposals	28,023	28,023	103,694	0
Add: Depreciation on non-current assets	6,528,046	6,518,866	6,673,750	4,297,332
Movement in non-current assets and liabilities - Pensioner deferred rates	0	(210)	0	0
Movement in non-current employee provisions	458	458	0	0
Non-cash amounts excluded from operating activities	6,552,863	6,540,475	6,689,918	4,297,332

(b) Current assets and liabilities excluded from budgeted deficiency

The following current assets and liabilities have been excluded from the net current assets used in the Rate Setting Statement.

Adjustments to net current assets

Less: Restricted cash	(1,972,087)	(1,972,088)	(1,135,850)	(1,972,088)
Less : Current portion of self supporting loans not expected to be received at end of year	(28,432)	(29,157)	(29,157)	(17,171)
Add: Long term borrowings	24,157	24,157	297,536	12,171
Add: Provisions - employee	185,322	185,054	185,322	185,322
Add: Contract liability not expected to cleared at end of year - Current portion of lease liabilities	0	1,562	0	1,562
Total adjustments to net current assets	(1,791,040)	(1,790,472)	(682,149)	(1,790,204)

(c) Composition of estimated net current assets

Current assets

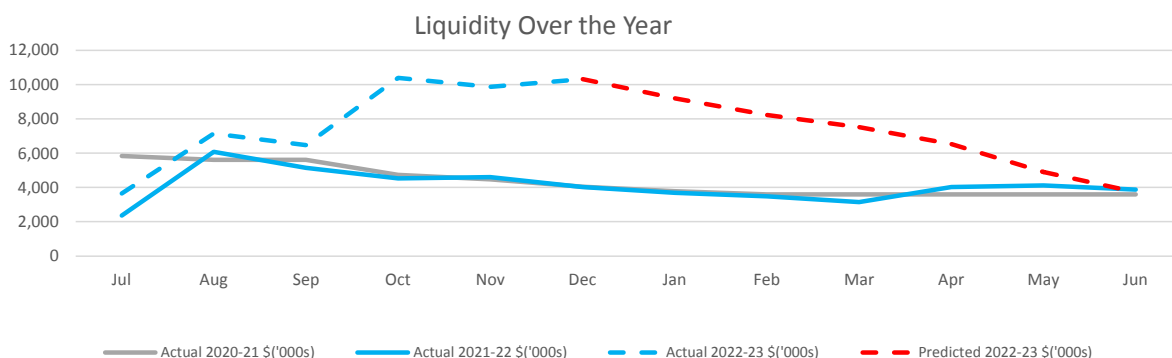
Cash unrestricted	3,589,701	4,166,020	59,925	7,947,710
Cash restricted	2,418,338	1,972,088	1,466,464	1,972,089
Financial assets - unrestricted	29,157	29,157	29,881	17,171
Receivables - rates and rubbish	229,110	246,906	255,700	402,358
Receivables - other	73,125	73,125	46,535	159,876
Other current assets	0	20,591	0	0
Contract assets	0	339,898	0	339,898
Inventories	91,354	33,094	91,354	170,110
	6,430,785	6,880,879	1,949,859	11,009,212

Less: current liabilities

Payables	(278,297)	(432,004)	(278,297)	(178,460)
Contract liabilities	(332,100)	(430,001)	(482,176)	(430,001)
Lease liabilities	0	(1,562)	0	(1,562)
Long term borrowings	(24,157)	(24,157)	(297,536)	(12,171)
Provisions	(359,777)	(359,777)	(359,777)	(359,777)
	(994,331)	(1,247,501)	(1,417,786)	(981,971)

Net current assets

	5,436,454	5,633,378	532,073	10,027,241
Less: Total adjustments to net current assets	(1,791,040)	(1,790,472)	(682,149)	(1,790,204)
Closing funding surplus / (deficit)	3,645,414	3,842,906	(150,076)	8,237,037



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 Coorow classifies financial assets at amortised cost if both of the following criteria are met:

- the asset is held within a business model whose objective is to collect the contractual cashflows, and
- the contractual terms give rise to cash flows that are solely payments of principal and interest.

TRADE AND OTHER RECEIVABLES

Trade and other receivables include amounts due from ratepayers for unpaid rates and service charges and other amounts due from third parties for goods sold and services performed in the ordinary course of business.

Trade receivables are recognised at original invoice amount less any allowances for uncollectible amounts (i.e. impairment). The carrying amount of net trade receivables is equivalent to fair value as it is due for settlement within 30 days.

Trade receivables are held with the objective to collect the contractual cashflows and therefore measures them subsequently at amortised cost using the effective interest rate method.

Due to the short term nature of current receivables, their carrying amount is considered to be the same as their fair value. Non-current receivables are indexed to inflation, any difference between the face value and fair value is considered immaterial.

The Shire of Coorow applies the AASB 9 simplified approach to measuring expected credit losses using a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, rates receivable are separated from other trade receivables due to the difference in payment terms and security for rates receivable.

INVENTORIES

General

Inventories are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

CONTRACT ASSETS

A contract asset is the right to consideration in exchange for goods or services the entity has transferred to a customer when that right is conditioned on something other than the passage of time.

CURRENT AND NON-CURRENT CLASSIFICATION

An asset or liability is classified as current if it is expected to be settled within the next 12 months, being the Shire of Coorow's operational cycle. In the case of liabilities where the Shire of Coorow 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 Coorow'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 Coorow prior to the end of the financial year that are unpaid and arise when the Shire of Coorow becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured, are recognised as a current liability and are normally paid within 30 days of recognition.

PREPAID RATES

Prepaid rates are, until the taxable event has occurred (start of the next financial year), refundable at the request of the ratepayer. Rates received in advance are initially recognised as a financial liability. When the taxable event occurs, the financial liability is extinguished and the Shire of Coorow recognises revenue for the prepaid rates that have not been refunded.

EMPLOYEE BENEFITS

Short-Term Employee Benefits

Provision is made for the Shire of Coorow'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 Coorow's obligations for short-term employee benefits such as wages, salaries and sick leave are recognised as a part of current of financial trade and other payables in the statement position. Shire of Coorow's obligations for employees' annual leave and long service leave entitlements are recognised as provisions in the statement of financial position.

PROVISIONS

Provisions are recognised when the Shire of Coorow has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

CONTRACT LIABILITIES

An entity's obligation to transfer goods or services to a customer for which the entity has received consideration (or the amount is due) from the customer. Grants to acquire or construct recognisable non-financial assets to be controlled by the Shire of Coorow are recognised as a liability until such time as the Shire of Coorow satisfies its obligations under the agreement.

SHIRE OF COOROW
 NOTES TO THE REVIEW OF THE ANNUAL BUDGET
 FOR THE PERIOD ENDED 28 FEBRUARY 2023

4. PREDICTED VARIANCES

Comments/Reason for Variance	Variance \$	
	Permanent	Timing
4.1 OPERATING REVENUE (EXCLUDING RATES)		
4.1.1 SPECIFIED AREA RATES		
No proposed changes	0	0
4.1.2 OPERATING GRANTS, SUBSIDIES AND CONTRIBUTIONS		
No proposed changes	0	0
4.1.3 FEES AND CHARGES		
No proposed changes	0	0
4.1.4 OPERATING GRANTS, SUBSIDIES AND CONTRIBUTIONS		
No proposed changes	0	0
4.1.5 SERVICE CHARGES		
No proposed changes	0	0
4.1.6 INTEREST EARNINGS		
No proposed changes	0	0
4.1.7 OTHER REVENUE		
No proposed changes	0	0
4.1.8 PROFIT ON ASSET DISPOSAL		
No proposed changes	0	0
Predicted Variances Carried Forward	0	0

SHIRE OF COOROW
 NOTES TO THE REVIEW OF THE ANNUAL BUDGET
 FOR THE PERIOD ENDED 28 FEBRUARY 2023

4. PREDICTED VARIANCES

Comments/Reason for Variance

	Variance \$	
	Permanent	Timing
Predicted Variances Brought Forward	0	0
4.2 OPERATING EXPENSES		
4.2.1 EMPLOYEE COSTS		
No proposed changes	0	0
4.2.2 MATERIAL AND CONTRACTS		
2030112 - Rates - Valuation Expenses - Decrease	6,500	0
2030118 - Rates - Write Off - Increase	(6,500)	0
2130252 - Tourism - Consultants - Decrease	50,000	0
2140252 - Admin - Consultants - Increase	(58,247)	0
2040251 - Oth Gov - Consultancy - Strategic - Decrease	15,000	0
2070553 - Pest - Pest Control Programs - Increase	(5,000)	0
2080713 - Welfare - General Grant Expenses	5,000	0
4.2.3 UTILITY CHARGES		
No proposed changes	0	0
4.2.4 DEPRECIATION (NON CURRENT ASSETS)		
No proposed changes	0	0
4.2.5 INTEREST EXPENSES		
No proposed changes	0	0
4.2.6 INSURANCE EXPENSES		
No proposed changes	0	0
4.2.7 OTHER EXPENDITURE		
No proposed changes	0	0
4.2.8 LOSS ON ASSET DISPOSAL		
No proposed changes	0	0
Predicted Variances Carried Forward	6,753	0

SHIRE OF COOROW
 NOTES TO THE REVIEW OF THE ANNUAL BUDGET
 FOR THE PERIOD ENDED 28 FEBRUARY 2023

4. PREDICTED VARIANCES

Comments/Reason for Variance

	Variance \$	
	Permanent	Timing
Predicted Variances Brought Forward	6,753	0
4.3 CAPITAL REVENUE		
4.3.1 NON OPERATING GRANTS, SUBSIDIES AND CONTRIBUTIONS		
No proposed changes	0	0
4.3.2 PROCEEDS FROM DISPOSAL OF ASSETS		
No proposed changes	0	0
4.3.3 PROCEEDS FROM NEW DEBENTURES		
No proposed changes	0	0
4.3.4 PROCEEDS FROM SALE OF INVESTMENT		
No proposed changes	0	0
4.3.5 PROCEEDS FROM ADVANCES		
No proposed changes	0	0
4.3.6 SELF-SUPPORTING LOAN PRINCIPAL		
No proposed changes	0	0
4.3.7 TRANSFER FROM RESERVES (RESTRICTED ASSETS)		
No proposed changes	0	0
Predicted Variances Carried Forward	6,753	0

SHIRE OF COOROW
 NOTES TO THE REVIEW OF THE ANNUAL BUDGET
 FOR THE PERIOD ENDED 28 FEBRUARY 2023

4. PREDICTED VARIANCES

Comments/Reason for Variance

	Variance \$	
	Permanent	Timing
Predicted Variances Brought Forward	6,753	0
4.4 CAPITAL EXPENSES		
4.4.1 LAND HELD FOR RESALE		
No proposed changes	0	0
4.4.2 LAND AND BUILDINGS		
BC048 - Coorow Co-op Store - Decrease	100,000	0
BC001 - Coorow Admin Building - Office restructure - Increase	(6,000)	0
4.4.3 PLANT AND EQUIPMENT		
No proposed changes	0	0
4.4.4 FURNITURE AND EQUIPMENT		
No proposed changes	0	0
4.4.5 INFRASTRUCTURE ASSETS - ROADS		
OC037 - Coorow Swimming Pool Capital - Increase	(298,245)	0
FC144 - Illyarrie St Footpath - Decrease	62,418	0
FC143 - Agonis St Footpath - Increase	(62,418)	0
4.4.6 INFRASTRUCTURE ASSETS - OTHER		
No proposed changes	0	0
4.4.7 PURCHASES OF INVESTMENT		
No proposed changes	0	0
4.4.8 REPAYMENT OF DEBENTURES		
No proposed changes	0	0
4.4.9 ADVANCES TO COMMUNITY GROUPS		
No proposed changes	0	0
Predicted Variances Carried Forward	(197,492)	0

SHIRE OF COOROW
 NOTES TO THE REVIEW OF THE ANNUAL BUDGET
 FOR THE PERIOD ENDED 28 FEBRUARY 2023

4. PREDICTED VARIANCES

Comments/Reason for Variance

	Variance \$	
	Permanent	Timing
Predicted Variances Brought Forward	(197,492)	0
4.5 OTHER ITEMS		
4.5.10 TRANSFER TO RESERVES (RESTRICTED ASSETS)		
No proposed changes	0	0
4.5.11 TRANSFER FROM RESERVES (RESTRICTED ASSETS)		
No proposed changes	0	0
4.5.1 RATE REVENUE		
No proposed changes	0	0
4.5.2 OPENING FUNDING SURPLUS(DEFICIT)		
Difference to Audited Surplus	197,492	0
4.5.3 NON-CASH WRITE BACK OF PROFIT (LOSS)		
No proposed changes	0	0
Total Predicted Variances as per Annual Budget Review	0	0

SHIRE OF COOROW
 NOTES TO THE BUDGET REVIEW REPORT
 FOR THE PERIOD ENDED 28 FEBRUARY 2023

5. BUDGET AMENDMENTS

Amendments to original budget since budget adoption. Surplus/(Deficit)

GL Account Code	Description	Council Resolution	Classification	No Change - (Non Cash Items) Adjust.	Increase in Available Cash	Decrease in Available Cash	Amended Budget Running Balance	Comments
				\$	\$	\$	\$	
	Budget Adoption		Opening Surplus(Deficit)		197,492		197,492	Difference of Budgeted vs Actual Surplus
OC037	Coorow Swimming Pool Capital	OCM-2022/139	Capital Expenses			(298,245)	(100,753)	Increase budget as per Council Resolution OCM-2022/139
FC144	Illyarrie St Footpath		Capital Expenses		62,418		(38,335)	Decrease budget and moved to Agonis St Footpath.
FC143	Agonis St Footpath		Capital Expenses			(62,418)	(100,753)	Increase budget to complete all works along Agonis Street
BC048	Coorow Co-op Store		Capital Expenses		100,000		(753)	Decrease budget, is not expected to be completed in this financial year and will be considered in 2023-2024 Budget and LRCI phase 4 funding
BC001	Coorow Admin Building - Office restructure		Capital Expenses			(6,000)	(6,753)	Increase budget due to increase cost of materials and contracts.
2030112	Rates - Valuation Expenses		Operating Expenses		6,500		(253)	Decreased budget to be increase Rates writeoff that has gone over budget
2030118	Rates - Write Off		Operating Expenses			(6,500)	(6,753)	Increase budget due to Write Off Penalty Interest & Back Rates per Council Resolution 2022/089
2130252	Tourism - Consultants		Operating Expenses		50,000		43,247	Decrease budget and moved to Admin Consultants Expenditure
2140252	Admin - Consultants		Operating Expenses			(58,247)	(15,000)	Increase budget to account for costs allocated here
2040251	Oth Gov - Consultancy - Strategic		Operating Expenses		15,000		0	Decrease budget and moved to Admin Consultants Expenditure
2070553	Pest - Pest Control Programs		Operating Expenses			(5,000)	(5,000)	Increase budget to cover Corella Culling Costs
2080713	Welfare - General Grant Expenses		Operating Expenses		5,000		0	Decrease budget and moved to Pest Control Programs as this will have an underspend
Amended Budget Cash Position as per Council Resolution				0	436,410	(436,410)	0	