

SHIRE OF CHAPMAN VALLEY

BUDGET REVIEW REPORT

FOR THE PERIOD ENDED 31 DECEMBER 2023

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

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

		Budget v Actual			Estimated	Predicted	
	Note	Adopted Budget	Updated Budget Estimates (a)	Year to Date Actual	Year at End Amount (b)	Variance (a) - (b)	
		\$	\$	\$	\$	\$	
OPERATING ACTIVITIES							
Revenue from operating activities							
General rates		3,158,236	3,158,236	3,164,758	3,158,236	0	
Grants, subsidies and contributions	4.1	1,090,299	1,090,299	333,692	1,248,227	157,928	▲
Fees and charges		371,929	371,929	342,729	371,929	0	
Interest revenue		34,615	34,615	44,901	34,615	0	
Other revenue		21,375	21,375	7,886	21,375	0	
Profit on asset disposals		20,000	20,000	6,082	20,000	0	
		4,696,454	4,696,454	3,900,048	4,854,382	157,928	
Expenditure from operating activities							
Employee costs		(3,020,842)	(3,020,842)	(972,922)	(3,020,842)	0	
Materials and contracts	4.2	(3,727,073)	(3,727,073)	(1,252,352)	(3,736,398)	(9,325)	▼
Utility charges		(56,907)	(56,907)	(20,293)	(56,907)	0	
Depreciation	4.3	(2,422,606)	(2,422,606)	(2,618,700)	(6,869,792)	(4,447,186)	▼
Finance costs		(9,356)	(9,356)	(615)	(9,356)	0	
Insurance	4.4	(198,552)	(198,552)	(282,664)	(298,552)	(100,000)	▼
Other expenditure		(134,326)	(134,326)	(46,236)	(134,326)	0	
Loss on asset disposals		(20,000)	(20,000)	0	(20,000)	0	
		(9,589,662)	(9,589,662)	(5,193,782)	(14,146,173)	(4,556,511)	
Non-cash amounts excluded from operating activities	4.5	2,329,377	2,329,377	2,743,102	6,776,563	4,447,186	▲
Amount attributable to operating activities		(2,563,831)	(2,563,831)	1,449,368	(2,515,228)	48,603	
INVESTING ACTIVITIES							
Inflows from investing activities							
Capital grants, subsidies and contributions		3,372,849	3,372,849	262,176	3,372,849	0	
Proceeds from disposal of assets		163,000	163,000	8,182	163,000	0	
		3,535,849	3,535,849	270,358	3,535,849	0	
Outflows from investing activities							
Purchase of land and buildings	4.6	(3,214,575)	(3,214,575)	(29,424)	(3,080,012)	134,563	▲
Purchase of plant and equipment		(874,000)	(874,000)	(50,314)	(874,000)	0	
Purchase and construction of infrastructure		(1,175,122)	(1,175,122)	(570,034)	(1,175,122)	0	
		(5,263,697)	(5,263,697)	(649,772)	(5,129,134)	134,563	
Amount attributable to investing activities		(1,727,848)	(1,727,848)	(379,414)	(1,593,285)	134,563	
FINANCING ACTIVITIES							
Cash inflows from financing activities							
Proceeds from new borrowings	4.7	1,462,024	1,462,024	0	1,277,024	(185,000)	▼
Transfers from reserve accounts		573,543	573,543	0	573,543	0	
		2,035,567	2,035,567	0	1,850,567	(185,000)	
Cash outflows from financing activities							
Payments for principal portion of lease liabilities		(7,886)	(7,886)	(4,689)	(7,886)	0	
Repayment of borrowings		(31,000)	(31,000)	0	(31,000)	0	
Transfers to reserve accounts		(115)	(115)	(9,912)	(115)	0	
		(39,001)	(39,001)	(14,601)	(39,001)	0	
Amount attributable to financing activities		1,996,566	1,996,566	(14,601)	1,811,566	(185,000)	
MOVEMENT IN SURPLUS OR DEFICIT							
Surplus or deficit at the start of the financial year	4.8	2,295,113	2,295,113	2,296,947	2,296,947	1,834	▲
Amount attributable to operating activities		(2,563,831)	(2,563,831)	1,449,368	(2,515,228)	48,603	
Amount attributable to investing activities		(1,727,848)	(1,727,848)	(379,414)	(1,593,285)	134,563	
Amount attributable to financing activities		1,996,566	1,996,566	(14,601)	1,811,566	(185,000)	
Surplus or deficit after imposition of general rates		0	0	3,352,300	0	0	

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 Chapman Valley 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 Chapman Valley 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:

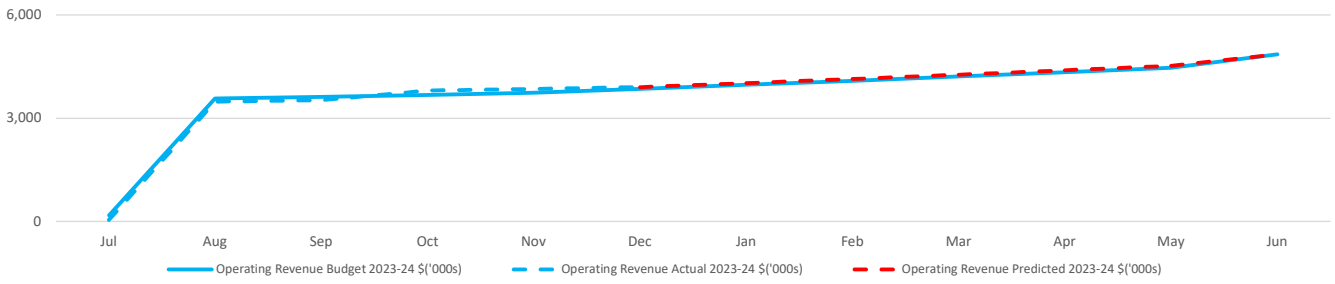
- estimated fair value of certain financial assets
- impairment of financial assets
- estimation of fair values of land and buildings, infrastructure and investment property
- estimation uncertainties made in relation to lease accounting
- estimation of fair values of provisions

SIGNIFICANT ACCOUNTING POLICES

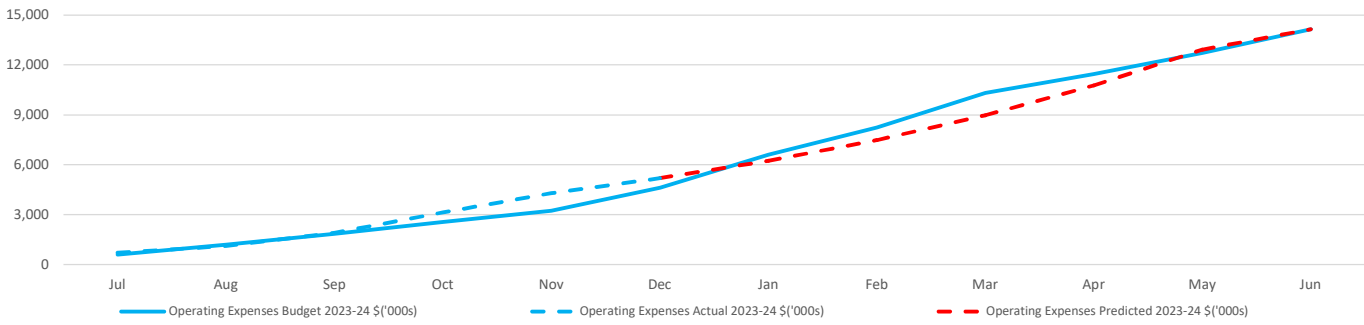
Significant accounting policies utilised in the preparation of these statements are as described within the 2023-24 Annual Budget. Please refer to the adopted budget document for details of these policies.

2. SUMMARY GRAPHS - BUDGET REVIEW

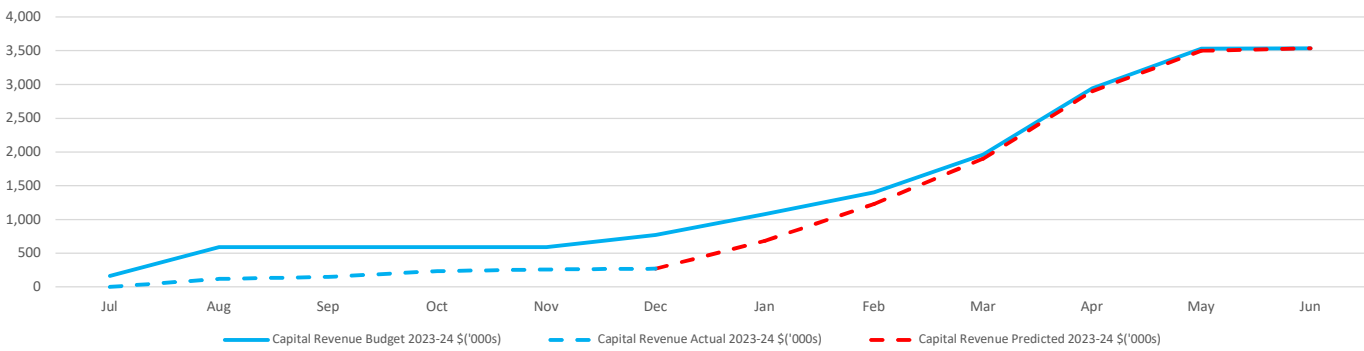
Operating Revenue



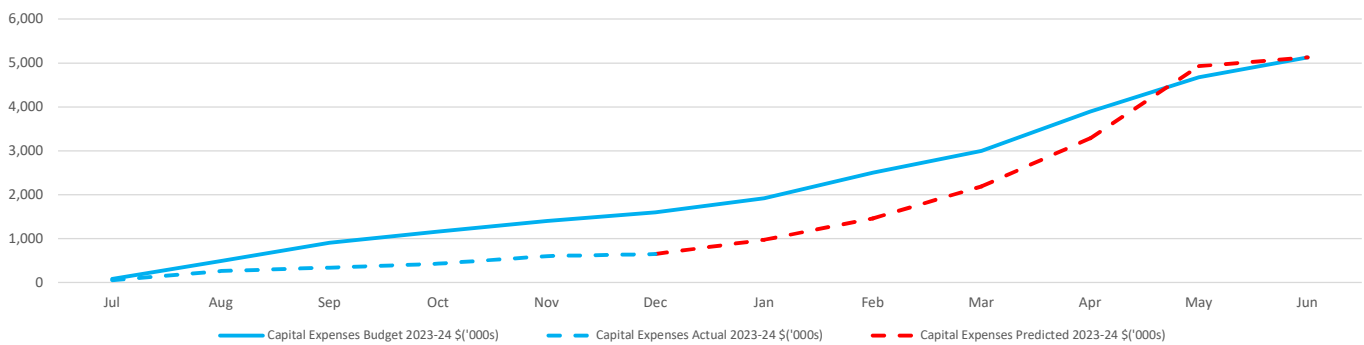
Operating Expenses



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	4,080,340	1,156,034	1,156,034	4,545,776	1,156,034
Trade and other receivables	200,113	185,840	185,840	562,264	185,840
Inventories	5,931	6,000	6,000	8,313	6,000
Other assets	10,908	10,908	10,908	20,904	10,908
	4,297,292	1,358,782	1,358,782	5,137,257	1,358,782
Less: current liabilities					
Trade and other payables	(668,868)	(600,733)	(600,733)	(258,545)	(600,733)
Capital grant/contribution liability	0	0	0	(185,024)	0
Lease liabilities	(8,087)	(202)	(202)	(8,088)	(202)
Borrowings	0	(1,431,024)	(1,431,024)	0	(1,246,024)
Employee related provisions	(497,342)	(350,000)	(350,000)	(497,342)	(350,000)
	(1,174,297)	(2,381,959)	(2,381,959)	(948,999)	(2,196,959)
Net current assets	3,122,995	(1,023,177)	(1,023,177)	4,188,258	(838,177)
Less: Total adjustments to net current assets	(826,048)	1,023,177	1,023,177	(835,959)	838,177
Closing funding surplus / (deficit)	2,296,947	0	0	3,352,299	0

(b) Non-cash amounts excluded from operating activities

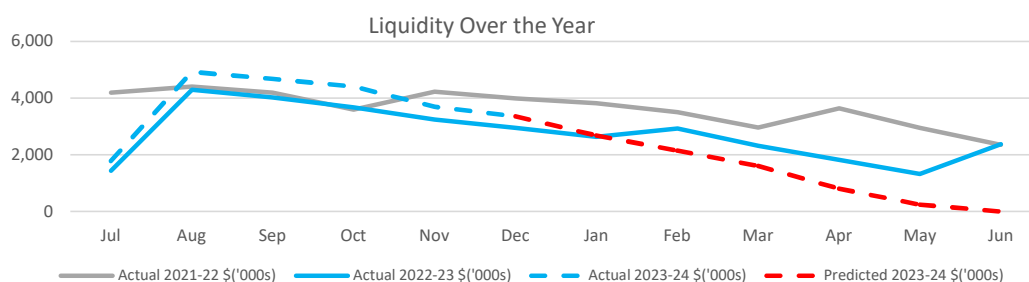
The following non-cash revenue and expenditure has been excluded from operating activities within the Statement of Financial Activity in accordance with *Financial Management Regulation 32*.

	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	(17,200)	(20,000)	(20,000)	(6,082)	(20,000)
Less: Movement in liabilities associated with restricted cash	79,011	(98,462)	(98,462)	0	(228,946)
Less: Fair value adjustments to financial assets at fair value through profit or loss	(2,764)	0	0	0	0
Add: Loss on disposal of assets	25,532	20,000	20,000	0	20,000
Add: Depreciation on assets	2,287,287	2,422,606	2,422,606	2,618,700	6,869,792
Non-cash movements in non-current assets and liabilities:					
Employee benefit provisions	(12,562)	5,233	5,233	0	5,233
Contract liabilities	0	0	0	130,484	130,484
Non-cash amounts excluded from operating activities	2,359,304	2,329,377	2,329,377	2,743,102	6,776,563

(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 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	(1,331,477)	(758,049)	(758,049)	(1,341,389)	(758,049)
Add: Current liabilities not expected to be cleared at end of year					
- Current portion of borrowings	0	1,431,024	1,431,024	0	1,246,024
- Current portion of lease liabilities	8,087	202	202	8,088	202
- Employee benefit provisions	497,342	350,000	350,000	497,342	350,000
Total adjustments to net current assets	(826,048)	1,023,177	1,023,177	(835,959)	838,177



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

CONTRACT LIABILITIES

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

EMPLOYEE BENEFITS

Short-Term Employee Benefits

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

4 PREDICTED VARIANCES

		Variance
		<u>\$</u>
Revenue from operating activities		
4.1	Grants, subsidies and contributions <i>Additional financial assistance grant funding along with the recognition of cyclone Seroja insurance claim reimbursements physically withheld to cover initial claim excess cost.</i>	157,928 ▲
Expenditure from operating activities		
4.2	Materials and contracts <i>Reallocation and additional expenditure for tools and consumables, freight and postage, accounting software and repairs and maintenance.</i>	(9,325) ▼
4.3	Depreciation <i>Recognition of additional infrastructure depreciation expense as per latest revaluation report.</i>	(4,447,186) ▼
4.4	Insurance <i>Cyclone Seroja insurance claim excess costs previously recognised as a reduction in insurance contributions. (See Variance 4.1)</i>	(100,000) ▼
4.5	Non-cash amounts excluded from operating activities <i>Recognition of additional infrastructure depreciation expense as per latest revaluation report. (See variance 4.3)</i>	4,447,186 ▲
Outflows from investing activities		
4.6	Purchase of land and buildings <i>Planned capital project Bill Hemsley Park Oval rejected for grant funding, project no longer part of 2023/2024 budget.</i>	134,563 ▲
Cash inflows from financing activities		
4.7	Proceeds from new borrowings <i>Borrowings no longer required as applicable project no longer part of 2023/2024 budget. (See Variance 4.6)</i>	(185,000) ▼
4.8	Surplus or deficit at the start of the financial year <i>Variance between budget estimated opening surplus compared to annual financial report 2023 figures.</i>	1,834 ▲