

SHIRE OF MERREDIN
BUDGET REVIEW REPORT
FOR THE PERIOD ENDED 28 FEBRUARY 2025

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

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SHIRE OF MERREDIN
STATEMENT OF BUDGET REVIEW
FOR THE PERIOD ENDED 28 FEBRUARY 2025

		Budget v Actual					
	Note	Adopted Budget	Year to Date Actual	Updated Budget Estimates (a)	Predicted Variance (b) - (a)	Estimated Year at End Amount (b)	
		\$	\$	\$	\$	\$	
OPERATING ACTIVITIES							
Revenue from operating activities							
General rates	4.1	5,478,753	5,482,863	5,479,950	2,900	5,482,850	▲
Rates excluding general rates		83,000	83,573	83,550		83,550	
Grants, subsidies and contributions	4.2	592,800	1,013,619	1,056,994	155,606	1,212,600	▲
Fees and charges	4.3	1,081,700	999,340	1,060,226	66,974	1,127,200	▲
Interest revenue	4.4	336,000	323,091	389,100	46,900	436,000	▲
Other revenue	4.5	269,600	223,327	311,850	60,560	372,410	▲
Profit on asset disposals	4.6	165,000	141,732	165,000	75,000	240,000	▲
		8,006,853	8,267,545	8,546,670	407,940	8,954,610	
Expenditure from operating activities							
Employee costs	4.7	(4,998,915)	(2,837,365)	(4,693,511)	260,231	(4,433,280)	▲
Materials and contracts	4.8	(3,927,702)	(2,115,622)	(4,124,839)	(57,281)	(4,182,120)	▼
Utility charges	4.9	(494,520)	(345,051)	(506,520)	(48,880)	(555,400)	▼
Depreciation	4.10	(5,278,850)	(3,156,585)	(5,278,850)	(64,200)	(5,343,050)	▼
Finance costs	4.11	(156,966)	(73,764)	(76,980)	(5,110)	(82,090)	▼
Insurance	4.12	(296,480)	(261,000)	(296,480)	16,780	(279,700)	▲
Other expenditure	4.13	(273,250)	(111,444)	(310,600)	(7,600)	(318,200)	▼
Loss on asset disposals	4.14	(8,700)	(25,346)	(10,650)	(23,500)	(34,150)	▼
		(15,435,383)	(8,926,177)	(15,298,430)	70,440	(15,227,990)	
Non-cash amounts excluded from operating activities	4.15	5,122,550	3,040,199	5,124,500	12,700	5,137,200	▲
Amount attributable to operating activities		(2,305,980)	2,381,567	(1,627,260)	491,080	(1,136,180)	
INVESTING ACTIVITIES							
Inflows from investing activities							
Capital grants, subsidies and contributions	4.16	8,044,700	2,612,785	7,997,200	66,400	8,063,600	▲
Proceeds from disposal of assets	4.17	484,950	389,485	486,450	250,000	736,450	▲
Proceeds from self supporting loans		38,700	19,102	38,700	0	38,700	
		8,568,350	3,021,372	8,522,350	316,400	8,838,750	
Outflows from investing activities							
Purchase of land and buildings	4.18			(880,450)	(9,000)	(889,450)	▼
Purchase of plant and equipment		(1,714,200)	(699,661)	(750,500)		(750,500)	
Purchase of furniture and equipment				(25,000)		(25,000)	
Purchase and construction of infrastructure-roads	4.19	(6,421,800)	(2,247,205)	(6,418,200)	(28,500)	(6,446,700)	▼
Purchase and construction of infrastructure-other	4.20	(3,030,950)	(2,478,243)	(3,217,750)	10,950	(3,206,800)	▲
		(11,166,950)	(5,425,109)	(11,291,900)	(26,550)	(11,318,450)	
Amount attributable to investing activities		(2,598,600)	(2,403,737)	(2,769,550)	289,850	(2,479,700)	
FINANCING ACTIVITIES							
Cash inflows from financing activities							
Transfers from reserve accounts	4.21	550,950	7,024	495,880	(255,976)	239,904	▼
		550,950	7,024	495,880	(255,976)	239,904	
Cash outflows from financing activities							
Repayment of borrowings		(225,000)	(204,657)	(225,000)	0	(225,000)	
Transfers to reserve accounts	4.22	(280,020)	(175,640)	(450,000)	(489,000)	(939,000)	▼
		(505,020)	(380,297)	(675,000)	(489,000)	(1,164,000)	
Amount attributable to financing activities		45,930	(373,273)	(179,120)	(744,976)	(924,096)	
MOVEMENT IN SURPLUS OR DEFICIT							
Surplus or deficit at the start of the financial year		4,870,115	4,544,073	4,544,073	0	4,544,073	
Amount attributable to operating activities		(2,305,980)	2,381,567	(1,627,260)	491,080	(1,136,180)	
Amount attributable to investing activities		(2,598,600)	(2,403,737)	(2,769,550)	289,850	(2,479,700)	
Amount attributable to financing activities		45,930	(373,273)	(179,120)	(744,976)	(924,096)	
Surplus or deficit after imposition of general rates	3(a),4.23	11,465	4,148,630	(31,857)	35,954	4,097	▲

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 Merredin 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 Merredin 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:

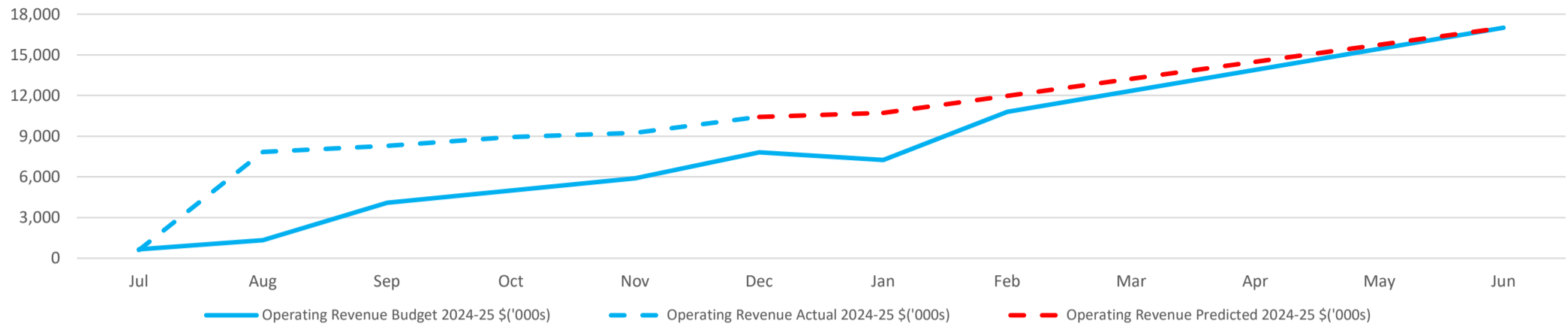
- estimated fair value of certain financial assets
- impairment of financial assets
- estimation of fair values of land and buildings, infrastructure and investment property
- estimation uncertainties made in relation to lease accounting
- estimation of fair values of provisions

SIGNIFICANT ACCOUNTING POLICES

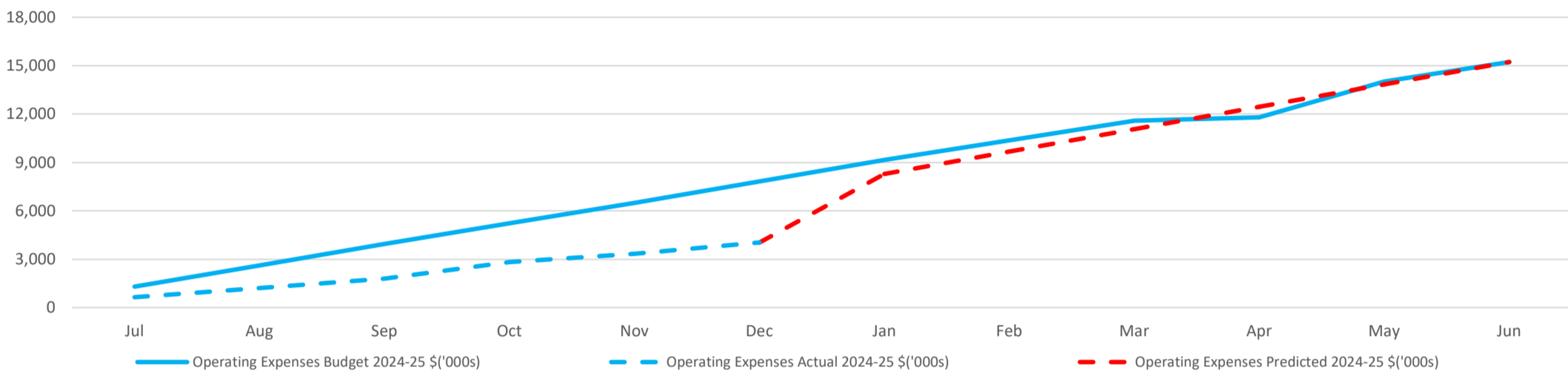
Significant accounting policies utilised in the preparation of these statements are as described within the 2023-24 Annual Budget. Please refer to the adopted budget document for details of these policies.

2. SUMMARY GRAPHS - BUDGET REVIEW

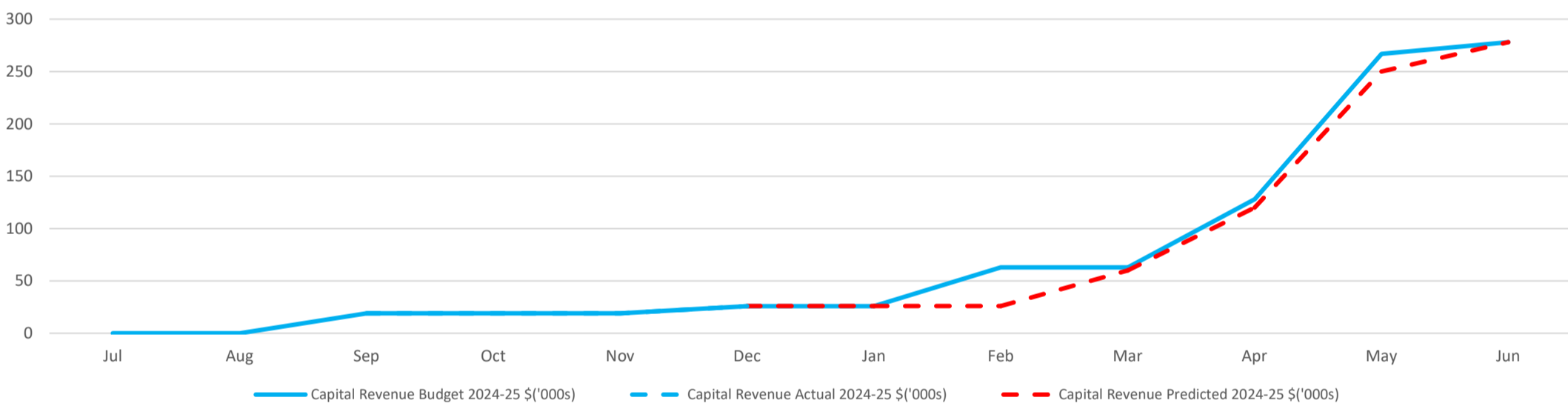
Operating Revenue



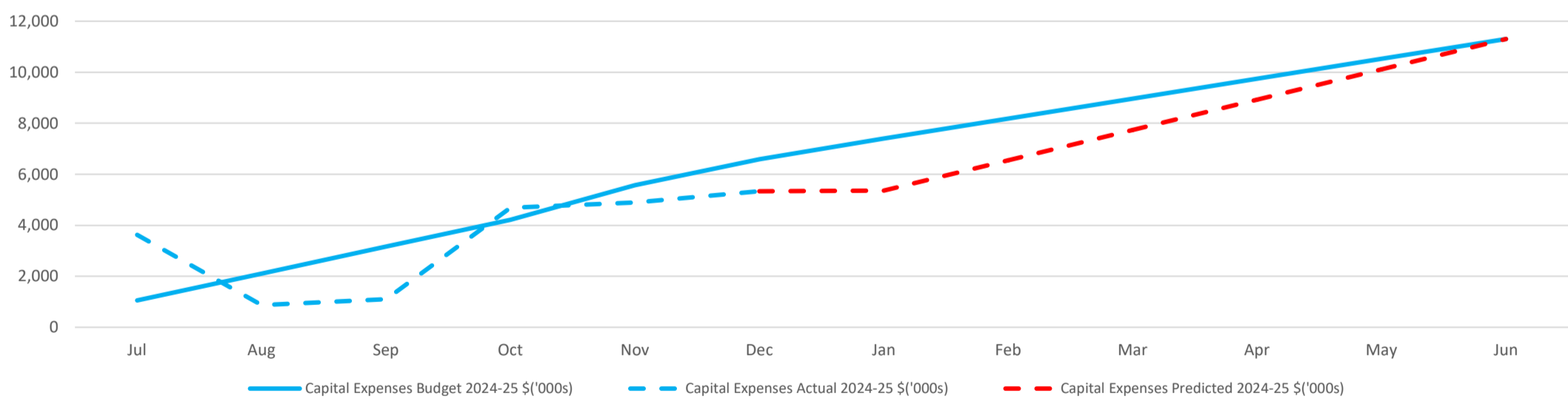
Operating Expenses



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 2024	Adopted Budget 30 June 2025	Updated Budget Estimates 30 June 2025	Year to Date Actual 28 February 2025	Estimated Year at End Amount 30 June 2025
	\$	\$	\$	\$	\$
(a) Composition of estimated net current assets					
Current assets					
Cash and cash equivalents	14,087,178	8,957,595	8,358,043	10,797,900	7,954,324
Financial assets	38,677	0	38,677	19,574	38,677
Trade and other receivables	1,048,467	1,142,769	1,080,121	1,913,465	856,245
Inventories	19,816	(12,591)	22,000	36,458	22,000
Other assets	726,255	328,085	540,250	5,625	640,000
	15,920,393	10,415,858	10,039,091	12,773,022	9,511,246
Less: current liabilities					
Trade and other payables	(3,560,682)	(2,522,248)	(2,617,553)	(667,238)	(1,083,728)
Contract liabilities	(591,316)	(18,492)	(500,000)	(583,316)	(500,000)
Capital grant/contribution liability	0	(484,439)	0	0	0
Borrowings	(224,230)	(225,000)	(225,000)	(19,574)	(225,000)
Employee related provisions	(516,573)	(571,585)	(516,573)	(516,573)	(516,573)
	(4,892,801)	(3,821,764)	(3,859,126)	(1,786,701)	(2,325,301)
Net current assets	11,027,592	6,594,094	6,179,965	10,986,321	7,185,945
Less: Total adjustments to net current assets	(6,483,522)	(6,582,629)	(6,211,822)	(6,837,691)	(7,181,848)
Closing funding surplus / (deficit)	4,544,073	11,465	(31,857)	4,148,630	4,097

(b) Current assets and liabilities excluded from budgeted deficiency

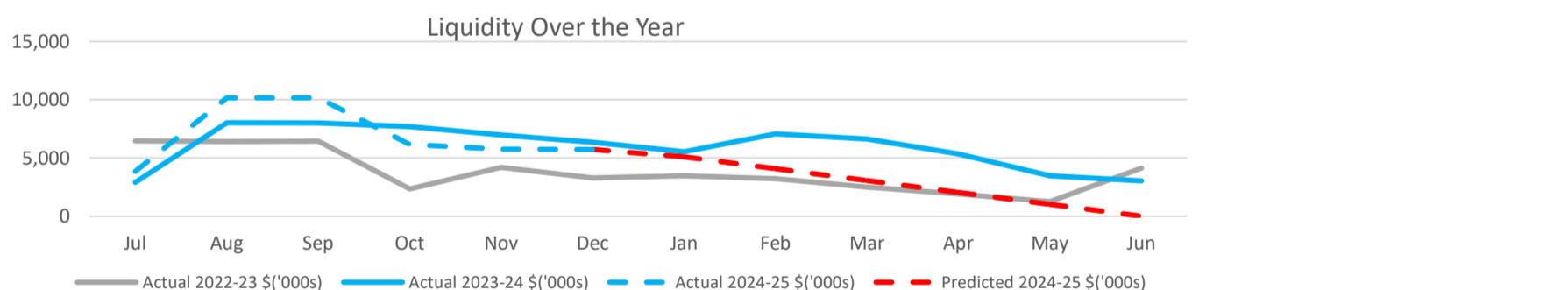
The following current assets and liabilities have been excluded from the net current assets used in the Statement of Financial Activity in accordance with *Financial Management Regulation 32* to agree to the surplus/(deficit) after imposition of general rates.

	Audited Actual 30 June 2024	Adopted Budget 30 June 2025	Updated Budget Estimates 30 June 2025	Year to Date Actual 28 February 2025	Estimated Year at End Amount 30 June 2025
	\$	\$	\$	\$	\$
Adjustments to net current assets					
Less: Reserve accounts	(6,669,075)	(6,807,629)	(6,398,145)	(6,837,691)	(7,368,171)
Less: Financial assets at amortised cost - self supporting loans	(38,677)	0	(38,677)	(19,574)	(38,677)
Add: Current liabilities not expected to be cleared at end of year - Current portion of borrowings	224,230	225,000	225,000	19,574	225,000
Total adjustments to net current assets	(6,483,522)	(6,582,629)	(6,211,822)	(6,837,691)	(7,181,848)

(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	Updated Budget Estimates 30 June 2025	Year to Date Actual 28 February 2025	Estimated Year at End Amount 30 June 2025
	\$	\$	\$	\$	\$
Adjustments to operating activities					
Less: Profit on asset disposals	(77,605)	(165,000)	(165,000)	(141,732)	(240,000)
Add: Loss on disposal of assets	155,221	8,700	10,650	25,346	34,150
Add: Depreciation on assets	5,241,755	5,278,850	5,278,850	3,156,585	5,343,050
Non-cash amounts excluded from operating activities	5,319,371	5,122,550	5,124,500	3,040,199	5,137,200



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

CONTRACT LIABILITIES

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

EMPLOYEE BENEFITS

Short-Term Employee Benefits

Provision is made for the Shire of Merredin'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 Merredin'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 Merredin'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 Merredin's obligations for long-term employee benefits where the Shire of Merredin 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 MERREDIN
NOTES TO THE REVIEW OF THE ANNUAL BUDGET
FOR THE PERIOD ENDED 28 FEBRUARY 2025

4 PREDICTED VARIANCES

	Variance
	\$
Revenue from operating activities	
4.1 General rates	2,900 ▲
Increase in rates revenue in line with actual billing completed.	
4.2 Grants, subsidies and contributions	155,606 ▲
Overall increase due to actual contribution from road user agreement higher than budgeted, income from Eastern Wheatbelt Holiday Planner moved to other revenue, income for events being higher than expected and some minor amendments to the Nature and Type of some income figures.	
4.3 Fees and charges	66,974 ▲
Overall increase due to increased expected rental income, increased expected landfill income and minor actual income increases, as well as some minor amendments to the Nature and Type of some income figures.	
4.4 Interest revenue	46,900 ▲
Interest earned on Municipal and Reserve funds is higher than budgeted due to increased interest rates.	
4.5 Other revenue	60,560 ▲
Overall increase due to income from Eastern Wheatbelt Holiday Planner being moved from Grants, Subsidies and Contributions, CWVC Annual Memberships being moved from Fees and Charges and increase to Insurance Income due to actual claims completed.	
4.6 Profit on asset disposals	75,000 ▲
Increase due to profit on sale of residential property that was not budgeted and higher than budgeted profit from Crooks Road land sale.	
Expenditure from operating activities	
4.7 Employee costs	260,231 ▲
Expenditure decreased due to reduction in wages, superannuation, workers compensation and employee costs other in relation to actual year to date expenditure.	
4.8 Materials and contracts	(57,281) ▼
Increase in expenditure due to greater use of contractors, particularly in the roads and capital areas. Main reductions in this area have come from decreases to housing maintenance budgets.	
4.9 Utility charges	(48,880) ▼
Increase in expenditure mainly due to increased water charges and minor amendments to Nature and Type.	
4.10 Depreciation	(64,200) ▼
Increase in depreciation expenditure due to two new vehicles provided by the Department of Fire and Emergency Services late in the 2023/24 financial year having significant depreciation values.	
4.11 Finance costs	(5,110) ▼
Slight increase required as loan guarantee fees were not originally budgeted.	
4.12 Insurance	16,780 ▲
Reduction in budgeted insurance figures in line with actual costs.	
4.13 Other expenditure	(7,600) ▼
Increased due to rates write-off increase relating to three properties auctioned for non-payment of rates.	
4.14 Loss on asset disposals	(23,500) ▼
Increased expenditure due to unbudgeted sale of three blocks of land at a loss.	
4.15 Non-cash amounts excluded from operating activities	12,700 ▲
Additional depreciation for DFES vehicles and increased profit on sale of asset for Shire residential property.	
Inflows from investing activities	
4.16 Capital grants, subsidies and contributions	66,400 ▲
Additional capital contribution for footpath in Town Centre and additional capital contribution for bowling green at MRCLC.	
4.17 Proceeds from disposal of assets	250,000 ▲
Increased due to the sale of a Shire residential house that was not originally budgeted for.	

Outflows from investing activities

SHIRE OF MERREDIN
NOTES TO THE REVIEW OF THE ANNUAL BUDGET
FOR THE PERIOD ENDED 28 FEBRUARY 2025

4 PREDICTED VARIANCES

		Variance
		\$
4.18	Purchase of land and buildings Increased due to lock projects moved from maintenance to capital accounts. Some capital projects also complete under budget.	(9,000) ▼
4.19	Purchase and construction of infrastructure-roads Increased due to minor amendments to Merredin-Narembeen Road budgets and the Roads to Recovery allocated budget.	(28,500) ▼
4.20	Purchase and construction of infrastructure-other Increased due to Town Centre footpath requiring greater funds.	10,950 ▲
Cash inflows from financing activities		
4.21	Transfers from reserve accounts Decrease in reserve funds to be transferred due to funding via municipal funds to allow reserves to be utilised next financial year.	(255,976) ▼
Cash outflows from financing activities		
4.22	Transfers to reserve accounts Increase in transfers to reserves due to extra interest received, extra funds from road user agreement and new reserve account being created for Housing.	(489,000) ▼
3(a),4.23	Surplus or deficit after imposition of general rates Increase to ensure budget is in surplus.	35,954 ▲