

# SHIRE OF CRANBROOK

## BUDGET REVIEW REPORT

### FOR THE PERIOD ENDED 29 FEBRUARY 2024

*LOCAL GOVERNMENT ACT 1995*

*LOCAL GOVERNMENT (FINANCIAL MANAGEMENT) REGULATIONS 1996*

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SHIRE OF CRANBROOK  
STATEMENT OF BUDGET REVIEW  
FOR THE PERIOD ENDED 29 FEBRUARY 2024

	Note	Budget v Actual			Predicted		
		Adopted Budget	Updated Budget Estimates (a)	YTD Actual (b)	Variance Permanent (c)	Variance Temporary (Carryover) (d)	Estimated Year End Amount (a)+(c)+(d)
		\$		\$	\$	\$	\$
<b>OPERATING ACTIVITIES</b>							
<b>Revenue from operating activities</b>							
General rates		3,089,815	3,089,815	3,090,428			3,089,815
Grants, subsidies and contributions	4.1.1	572,591	660,628	384,115	32,153		692,781 ▲
Fees and charges	4.1.2	438,998	438,998	402,582	57,000		495,998 ▲
Interest revenue	4.1.3	147,325	147,325	73,744	7,000		154,325 ▲
Other revenue		123,436	123,436	75,504			123,436
Profit on asset disposals	4.1.4	148,600	148,600	50,929	(19,066)		129,534 ▼
Fair value adjustments to financial assets at fair value through profit or loss	4.1.5	0	0	1,261	1,261		1,261 ▲
		4,520,765	4,608,802	4,078,563	78,348	0	4,687,150
<b>Expenditure from operating activities</b>							
Employee costs	4.2.1	(2,160,683)	(2,154,599)	(1,647,891)	(100,881)		(2,255,480) ▲
Materials and contracts	4.2.2	(2,008,272)	(2,102,393)	(929,281)	(120,723)		(2,223,116) ▲
Utility charges	4.2.3	(151,930)	(151,930)	(90,409)	(4,800)		(156,730) ▲
Depreciation		(2,518,695)	(2,518,695)	(2,756,776)			(2,518,695)
Finance costs		(1,982)	(1,982)	(861)			(1,982)
Insurance	4.2.4	(250,135)	(250,135)	(234,446)	74		(250,061) ▼
Other expenditure	4.2.5	(168,407)	(168,407)	(56,109)	48,000		(120,407) ▼
Loss on asset disposals	4.2.6	(4,000)	(4,000)	0	(35,091)		(39,091) ▲
		(7,264,104)	(7,352,141)	(5,715,773)	(213,421)	0	(7,565,562)
Non-cash amounts excluded from operating activities	4.5.1	2,365,025	2,365,025	2,618,661	52,896		2,417,921 ▲
<b>Amount attributable to operating activities</b>		<b>(378,314)</b>	<b>(378,314)</b>	<b>981,451</b>	<b>(82,177)</b>	<b>0</b>	<b>(460,491)</b>
<b>INVESTING ACTIVITIES</b>							
<b>Inflows from investing activities</b>							
Capital grants, subsidies and contributions	4.3.1	4,173,186	4,173,186	727,868	(1,910,000)		2,263,186 ▼
Proceeds from disposal of assets	4.3.2	775,100	775,100	291,857	(67,333)		707,767 ▼
Proceeds from self supporting loans		11,034	11,034	7,101	0		11,034
		4,959,320	4,959,320	1,026,826	(1,977,333)	0	2,981,987
<b>Outflows from investing activities</b>							
Purchase of land and buildings	4.3.3	(2,347,116)	(2,347,116)	(107,205)	1,933,500		(413,616) ▼
Purchase of plant and equipment	4.3.4	(1,395,100)	(1,395,100)	(309,571)	114,183		(1,280,917) ▼
Purchase and construction of infrastructure-roads	4.3.5	(2,251,221)	(2,261,021)	(955,488)	0		(2,261,021) ▲
Purchase and construction of infrastructure-other	4.3.6	(677,484)	(677,484)	(257,467)	(7,790)		(685,274) ▲
		(6,670,921)	(6,680,721)	(1,629,731)	2,039,893	0	(4,640,828)
<b>Amount attributable to investing activities</b>		<b>(1,711,601)</b>	<b>(1,721,401)</b>	<b>(602,905)</b>	<b>62,560</b>	<b>0</b>	<b>(1,658,841)</b>
<b>FINANCING ACTIVITIES</b>							
<b>Inflows from financing activities</b>							
Transfers from reserve accounts	4.4.1	245,785	245,785	129,142	76,387		322,172 ▲
		245,785	245,785	129,142	76,387	0	322,172
<b>Outflows from financing activities</b>							
Payments for principal portion of lease liabilities		(19,106)	(19,106)	(12,704)	0		(19,106)
Repayment of borrowings		(36,001)	(36,001)	(17,811)	0		(36,001)
Transfers to reserve accounts	4.4.2	(588,191)	(578,391)	(549,704)	(102,047)		(680,438) ▲
		(643,298)	(633,498)	(580,219)	(102,047)	0	(735,545)
<b>Amount attributable to financing activities</b>		<b>(397,513)</b>	<b>(387,713)</b>	<b>(451,077)</b>	<b>(25,660)</b>	<b>0</b>	<b>(413,373)</b>
<b>MOVEMENT IN SURPLUS OR DEFICIT</b>							
<b>Surplus or deficit at the start of the financial year</b>	4.5.1	2,487,428	2,487,428	2,532,705	45,277		2,532,705 ▲
Amount attributable to operating activities		(378,314)	(378,314)	981,451	(82,177)	0	(460,491)
Amount attributable to investing activities		(1,711,601)	(1,721,401)	(602,905)	62,560	0	(1,658,841)
Amount attributable to financing activities		(397,513)	(387,713)	(451,077)	(25,660)	0	(413,373)
<b>Surplus or deficit after imposition of general rates</b>		<b>0</b>	<b>0</b>	<b>2,460,174</b>	<b>0</b>	<b>0</b>	<b>0</b>

## 1. BASIS OF PREPARATION

The budget review has been prepared in accordance with Australian Accounting Standards (as they apply to local governments and not-for-profit entities) and interpretations of the Australian Accounting Standards Board, and the *Local Government Act 1995* and accompanying regulations.

The *Local Government Act 1995* and accompanying Regulations take precedence over Australian Accounting Standards where they are inconsistent.

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 Leases* which would have required the Shire of Cranbrook 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 cash flow and 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 Cranbrook controls resources to carry on its functions have been included in the financial statements forming part of this budget review.

In the process of reporting on the local government as a single unit, all transactions and balances between those Funds (for example, loans and transfers between Funds) have been eliminated.

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.

### **2023/24 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 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.

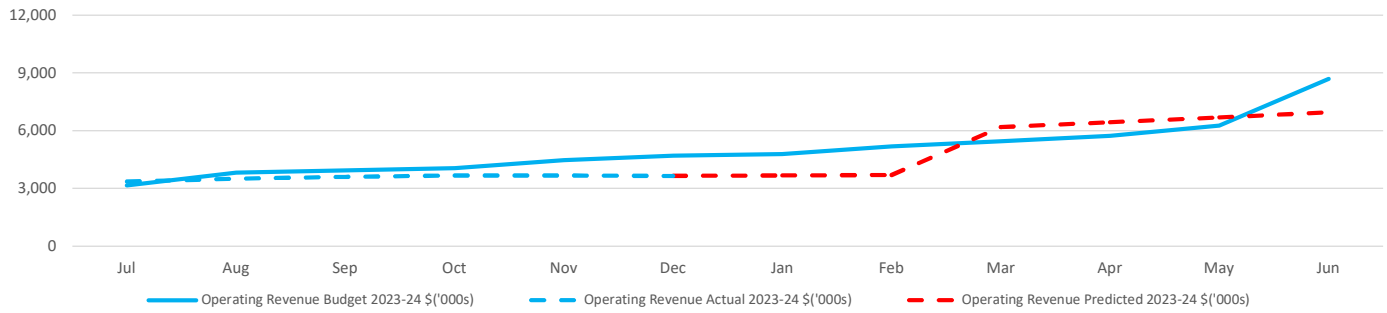
The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances; the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

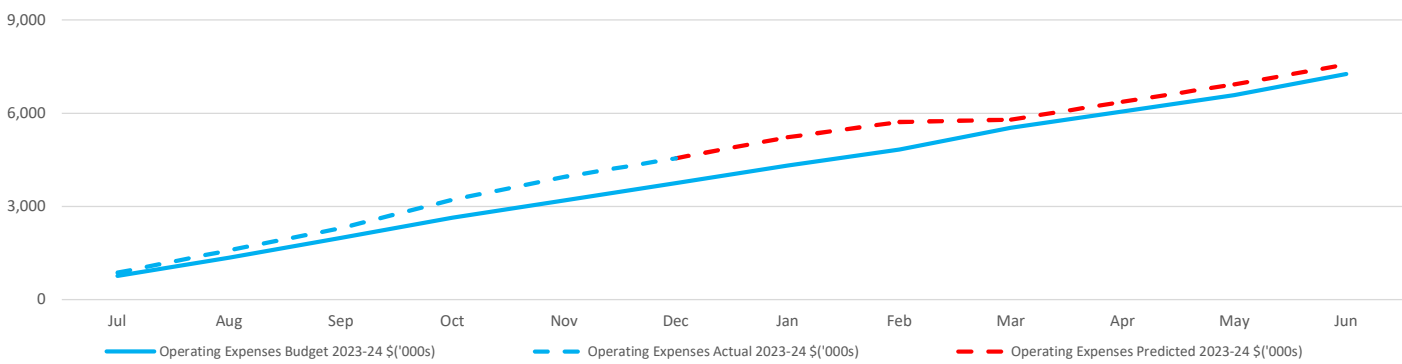
- estimated fair value of certain financial assets
- estimation of fair values of land and buildings and investment property
- impairment of financial assets
- estimation uncertainties and judgements made in relation to lease accounting
- estimated useful life of assets

2. SUMMARY GRAPHS - BUDGET REVIEW

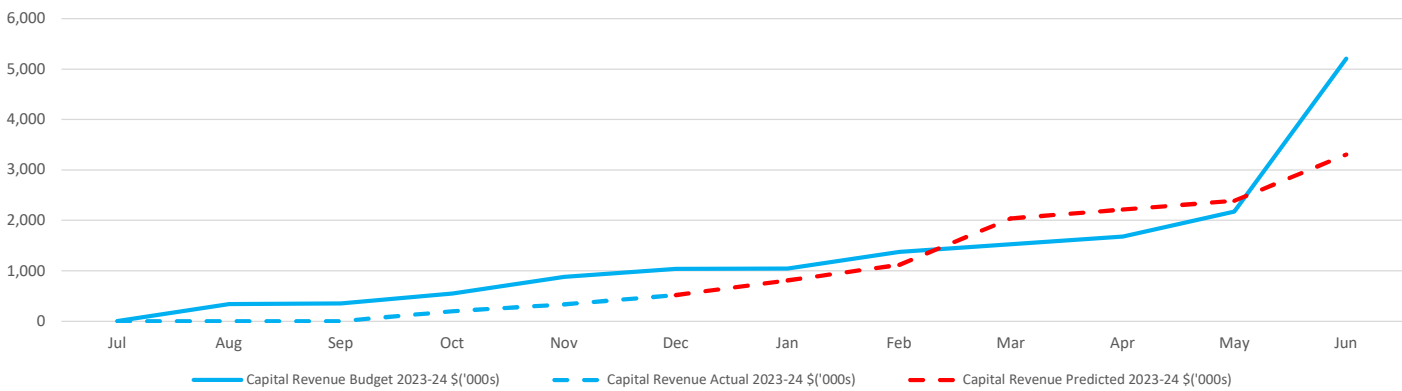
Operating Revenue



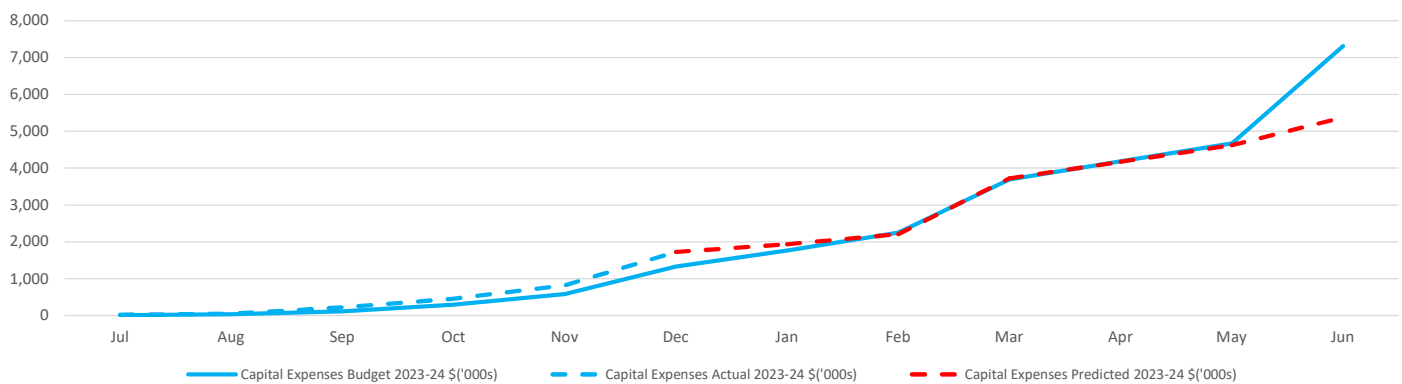
Operating Expenses



Capital Revenue



Capital Expenditure



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

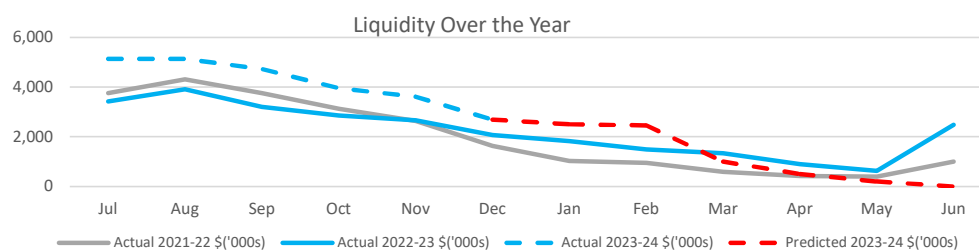
SHIRE OF CRANBROOK  
NOTES TO THE BUDGET REVIEW REPORT  
FOR THE PERIOD ENDED 29 FEBRUARY 2024

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	Actual - Used for			
	Budget 30 June 2023	Audited Actual 30 June 2023	Budget 30 June 2024	Actual 29 February 2024
	\$	\$	\$	\$
The following non-cash revenue or expenditure has been excluded from operating activities within the Rate Setting Statement.				
<b>Adjustments to operating activities</b>				
Less: Profit on asset disposals	(84,896)	(84,896)	(148,600)	(50,929)
Less: Non-cash grants and contributions for assets	34,391	34,385		
Less: Movement in liabilities associated with restricted cash			(9,070)	(85,925)
Less: Fair value adjustments to financial assets at fair value through profit or loss		(2,764)		(1,261)
Add: Loss on disposal of assets	277,859	282,629	4,000	0
Add: Loss on revaluation of fixed assets		620,322		
Add: Depreciation on assets	2,479,422	2,479,422	2,518,695	2,756,776
Non-cash movements in non-current assets and liabilities:				
Pensioner deferred rates	(2,940)	(2,940)		
Assets held for sale	(15,728)	(15,728)		
Employee benefit provisions	29,767	29,767		
Infrastructure assets - landfill sites		(83,367)		
Other provisions - infrastructure assets		116,448		
<b>Non-cash amounts excluded from operating activities</b>	<b>2,717,875</b>	<b>3,373,278</b>	<b>2,365,025</b>	<b>2,618,661</b>
<b>(b) Current assets and liabilities excluded from budgeted deficiency</b>				
The following current assets and liabilities have been excluded from the net current assets used in the Rate Setting Statement.				
<b>Adjustments to net current assets</b>				
Less: Reserve accounts	(3,152,137)	(3,152,140)	(3,494,546)	(3,572,702)
Less: Financial assets at amortised cost - self supporting loans	(1,534)	(1,534)	9,500	5,567
Add: Current liabilities not expected to be cleared at end of year				
- Current portion of borrowings	36,002	36,002	1	18,191
- Current portion of lease liabilities	19,106	19,106		6,402
- Current portion of provisions held in reserve	226,578	226,578	217,508	140,653
<b>Total adjustments to net current assets</b>	<b>(2,871,985)</b>	<b>(2,871,988)</b>	<b>(3,267,537)</b>	<b>(3,401,889)</b>
<b>(c) Composition of estimated net current assets</b>				
<b>Current assets</b>				
Cash and cash equivalents	5,917,606	5,917,606	3,781,662	6,643,053
Financial assets	1,534	1,534	(9,500)	(5,567)
Trade and other receivables	120,324	116,007	120,324	306,787
Other current assets	161,914	161,914	161,914	83,862
Inventories	36,206	35,698	36,206	14,330
	<b>6,237,584</b>	<b>6,232,759</b>	<b>4,090,606</b>	<b>7,042,465</b>
<b>Less: current liabilities</b>				
Trade and other payables	(274,262)	(226,729)	(274,267)	(118,675)
Capital grant/contribution liability	(75,437)	(72,866)	(75,437)	(563,770)
Lease liabilities	(19,106)	(19,106)	0	(6,402)
Borrowings	(36,002)	(36,002)	(1)	(18,191)
Employee related provisions	(441,376)	(473,363)	(441,376)	(473,363)
Other provisions	(31,988)	0	(31,987)	0
	<b>(878,171)</b>	<b>(828,066)</b>	<b>(823,068)</b>	<b>(1,180,401)</b>
<b>Net current assets used in the Statement of Financial Activity</b>				
Total current assets	6,237,584	6,232,759	4,090,606	7,042,465
Less: Total current liabilities	(878,171)	(828,066)	(823,068)	(1,180,401)
Less: Total adjustments to net current assets	(2,871,985)	(2,871,988)	(3,267,537)	(3,401,889)
<b>Surplus or deficit after imposition of general rates</b>	<b>2,487,428</b>	<b>2,532,705</b>	<b>1</b>	<b>2,460,175</b>



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

##### CONTRACT LIABILITIES

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

##### EMPLOYEE BENEFITS

###### Short-Term Employee Benefits

Provision is made for the Shire of Cranbrook'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 Cranbrook'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 Cranbrook'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 Cranbrook's obligations for long-term employee benefits where the Shire of Cranbrook 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 CRANBROOK  
NOTES TO THE REVIEW OF THE ANNUAL BUDGET  
FOR THE PERIOD ENDED 29 FEBRUARY 2024

4. PREDICTED VARIANCES

Comments/Reason for Variance	<u>Predicted \</u> <u>Permanent</u>
<b>4.1 OPERATING REVENUE (EXCLUDING RATES)</b>	
<b>4.1.1 Grants, subsidies and contributions</b>	
Finalisation of DFES Fire Mitigation Activity (MAF) grant 2022/23 less due to seasonal constraints \$27932. Successful in obtaining more MAF funding for 2023/24 \$47,000. Various other successful applications for small grants in relations to seniors projects, Thank-a-Volunteer day etc.	32,153
<b>4.1.2 Fees and charges</b>	
Increases income received from caravan parks which is expected to continue in current accommodation climate.	57,000
<b>4.1.3 Interest revenue</b>	
Interest revenue on outstanding rates under budgeted	7,000
<b>4.1.4 Profit on asset disposals</b>	
Increase to profit on disposal of assets - non-cash adjustment	(19,066)
<b>4.1.5 Fair value adjustments to financial assets at fair value through profit or loss</b>	
Increase to equity share in LG House Trust - non cash adjustment	1,261
<b>4.2 OPERATING EXPENSES</b>	
<b>4.2.1 Employee costs</b>	
Increase to employee expenses due to increase \$10k training expenses, correction of Fringe Benefit Tax recognition \$50k, and more funds allocated to parks, gardens and road maintenance	(100,881)
<b>4.2.2 Materials and contracts</b>	
Increases as listed in agenda report including various grant expenditure accounts, fit-out of unit for short-stay accommodation, election expenses, unbudgeted maintenance on aging phone system, Tenterden Hall and road maintenance	(120,723)
<b>4.2.3 Utility charges</b>	
Increase from ie code corrections to electricity on shire facilities	(4,800)
<b>4.2.4 Insurance</b>	
ie code adjustment	74
<b>4.2.5 Other expenditure</b>	
Decrease \$58k from ie code corrections to fringe benefit tax and local laws, increase \$10k elected member meeting expense	48,000
<b>4.2.6 Loss on asset disposals</b>	
Increase to loss on disposal of assets - non-cash adjustment	(35,091)
<b>4.3 INVESTING ACTIVITIES</b>	
<b>Inflows from investing activities</b>	
<b>4.3.1 Capital grants, subsidies and contributions</b>	
Decrease due to not obtaining grants for Cranbrook Fire Shed and CCTV	(1,910,000)
<b>4.3.2 Proceeds from disposal of assets</b>	
Decrease due to lower trade-in values than expected.	(67,333)
<b>Outflows from investing activities</b>	
<b>4.3.3 Purchase of land and buildings</b>	
Reduced due to not obtaining funding for Cranbrook Fire Shed and savings on toilet block at Lake Nunijup	1,933,500
<b>4.3.4 Purchase of plant and equipment</b>	
Decreased from sale of passenger vehicles, mainly by not replacing the Manager of Finance and Administration vehicle, and CCTV	114,183
<b>4.3.6 Purchase and construction of infrastructure-other</b>	
Savings received on tip fence \$30k, purchase of Frankland River Oval Goal Posts \$12,126 and recalculation of carry-forward on Airstrip Upgrade	(7,790)
<b>4.4 FINANCING ACTIVITIES</b>	
<b>Cash inflows from financing activities</b>	
<b>4.4.1 Transfers from reserve accounts</b>	
Increased for purchase of truck per council decision 12022024, and movement in employee entitlements	76,387
<b>Cash outflows from financing activities</b>	
<b>4.4.2 Transfers to reserve accounts</b>	
Increased to moved proceeds from sale of Manager of Finance & Administration Vehicle to reserves, and \$50k contribution to Cranbrook Fire Shed	(102,047)
<b>4.5 OTHER ITEMS</b>	
<b>4.5.1 Non-cash amounts excluded from operating activities</b>	
Adjustments to profit and loss on sale of asset and movement in equity share of Local Government House	52,896
<b>Total Predicted Variances as per Annual Budget Review</b>	<u>0</u>

SHIRE OF CRANBROOK  
 NOTES TO THE BUDGET REVIEW REPORT  
 FOR THE PERIOD ENDED 29 FEBRUARY 2024

5. BUDGET AMENDMENTS

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

Description	Council Resolution	Classification	No Change - (Non Cash Items) Adjust.	Increase in Available Cash	Decrease in Available Cash	Amended Budget Running Balance
			\$	\$	\$	\$
<b>Budget Adoption</b>						0
Financial Assistance Grant adjustment	04092023	Operating revenue		48,120		48,120
Local Roads Grant adjustment	04092023	Operating revenue		39,917		88,037
Frankland River Caravan Park	04092023	Operating expenses			(10,000)	78,037
Building Surveyor employee costs	04092023	Operating expenses		6,084		84,121
Building Surveyor contract costs	04092023	Operating expenses			(10,084)	74,037
Contract EHO costs	04092023	Operating expenses			(8,000)	66,037
Contract financial services	04092023	Operating expenses			(10,000)	56,037
Legal expenses	04092023	Operating expenses			(10,000)	46,037
Professional Services	04092023	Operating expenses			(46,037)	0
Transfer to Roadworks Reserve	05122023	Capital expenses		9,800		9,800
Bridge Program Works	05122023	Capital expenses			(9,800)	0
			0	103,921	(103,921)	0