

SHIRE OF KULIN

BUDGET REVIEW REPORT

FOR THE PERIOD ENDED 28 FEBRUARY 2026

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

TABLE OF CONTENTS

Statement of Budget Review	2
Note 1 Basis of Preparation	3
Note 2 Summary Graphs - Budget Review	4
Note 3 Net Current Funding Position	5
Note 4 Predicted Variances / Future Budget Amendments	6

SHIRE OF KULIN
STATEMENT OF BUDGET REVIEW
FOR THE PERIOD ENDED 28 FEBRUARY 2026

		Budget v Actual			Estimated	Predicted	
		Adopted	Updated	Year to Date	Year at End	Variance	
Note		Budget	Budget	Actual	Amount	(b) - (a)	
		(a)	(a)		(b)		
		\$	\$	\$	\$	\$	
OPERATING ACTIVITIES							
Revenue from operating activities							
	General rates	2,473,789	2,473,789	2,472,586	2,473,789		
	Rates excluding general rates	29,386	29,386	29,386	29,386		
3.1	Grants, subsidies and contributions	2,268,841	2,268,841	1,717,656	2,220,912	(47,929)	▼
3.2	Fees and charges	2,044,515	2,044,515	1,442,336	2,046,515	2,000	▲
	Interest revenue	210,593	210,593	119,169	210,593		
3.3	Other revenue	179,950	179,950	104,590	487,950	308,000	▲
3.4	Profit on asset disposals	64,415	64,415	98,364	79,919	15,504	▲
		7,271,489	7,271,489	5,984,086	7,549,064	277,575	
Expenditure from operating activities							
3.5	Employee costs	(3,453,514)	(3,453,514)	(2,320,705)	(3,393,514)	60,000	▲
3.6	Materials and contracts	(2,657,887)	(2,657,887)	(1,672,321)	(2,851,547)	(193,660)	▼
	Utility charges	(375,645)	(375,645)	(221,765)	(375,645)		
	Depreciation	(3,890,868)	(3,890,868)	(2,865,394)	(3,890,868)		
	Finance costs	(45,407)	(45,407)	(15,364)	(45,407)		
	Insurance	(298,082)	(298,082)	(274,581)	(298,082)		
3.7	Other expenditure			(27,273)	(40,000)	(40,000)	▼
	Loss on asset disposals	(40,791)	(40,791)	(50,847)	(40,791)		
		(10,762,193)	(10,762,193)	(7,448,251)	(10,935,853)	(173,660)	
3.8	Non-cash amounts excluded from operating activities	3,867,243	3,867,243	2,817,878	3,851,739	(15,504)	▼
	Amount attributable to operating activities	376,539	376,539	1,353,713	464,950	88,411	
INVESTING ACTIVITIES							
Inflows from investing activities							
3.9	Capital grants, subsidies and contributions	4,287,827	4,287,827	2,499,379	4,672,893	385,066	▲
3.10	Proceeds from disposal of assets	590,000	590,000	756,974	635,000	45,000	▲
		4,877,827	4,877,827	3,256,353	5,307,893	430,066	
Outflows from investing activities							
3.11	Acquisition of property, plant and equipment	(4,062,348)	(4,062,348)	(1,320,643)	(5,279,101)	(1,216,753)	▼
3.12	Acquisition of infrastructure	(5,421,074)	(5,421,074)	(3,282,286)	(5,252,074)	169,000	▲
		(9,483,422)	(9,483,422)	(4,602,929)	(10,531,175)	(1,047,753)	
	Amount attributable to investing activities	(4,605,595)	(4,605,595)	(1,346,576)	(5,223,282)	(617,687)	
FINANCING ACTIVITIES							
Cash inflows from financing activities							
3.13	Proceeds from new borrowings	1,400,000	1,400,000	0	1,500,000	100,000	▲
3.14	Transfers from reserve accounts	1,320,000	1,320,000	400,000	1,528,000	208,000	▲
		2,720,000	2,720,000	400,000	3,028,000	308,000	
Cash outflows from financing activities							
	Repayment of borrowings	(105,352)	(105,352)	(52,276)	(105,352)		
3.15	Transfers to reserve accounts	(513,593)	(513,593)	(284,667)	(413,593)	100,000	▲
		(618,946)	(618,946)	(336,944)	(518,946)	100,000	
	Amount attributable to financing activities	2,101,054	2,101,054	63,057	2,509,054	408,000	
MOVEMENT IN SURPLUS OR DEFICIT							
	Surplus or deficit at the start of the financial year	2,148,056	2,158,746	2,158,746	2,158,746	0	
	Amount attributable to operating activities	376,539	376,539	1,353,713	464,950	88,411	
	Amount attributable to investing activities	(4,605,595)	(4,605,595)	(1,346,576)	(5,223,282)	(617,687)	
	Amount attributable to financing activities	2,101,053	2,101,054	63,057	2,509,054	408,000	
	Surplus or deficit after imposition of general rates	20,053	30,744	2,228,940	(90,532)	(121,276)	▼

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 KULIN 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 the 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.

Year to Date Actual balances

Balances shown in this budget as Year to Date Actual are based on records at the time of preparation of the budget review and are subject to final adjustments.

Rounding off figures

All figures shown in this statement are rounded to the nearest dollar.

THE LOCAL GOVERNMENT REPORTING ENTITY

All funds through which the SHIRE OF KULIN 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.

Critical accounting estimates and judgements

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.

As with all estimates, the use of different assumptions could lead to material changes in the amounts reported in the budget review.

The following are estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the current financial year:

- 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

MATERIAL ACCOUNTING POLICIES

Material accounting policies utilised in the preparation of these statements are as described within the 2025-26 Annual Budget. Please refer to the adopted budget document for details of these policies.

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

	Audited Actual 30 June 2025	Adopted Budget 30 June 2026	Year to Date Actual 28 February 2026	Estimated Year at End Amount 30 June 2026
	\$	\$	\$	\$
(a) Composition of estimated net current assets				
Current assets				
Cash and cash equivalents	2,880,475	888,455	2,478,051	777,870
Cash at bank - Reserves	3,102,670	2,296,265	2,987,337	1,988,265
Trade and other receivables	260,771	212,287	1,426,966	212,287
Inventories	103,185	68,185	91,238	68,185
Other assets		16,787		16,787
Contract assets	129,836		252,575	0
	6,476,937	3,481,979	7,236,166	3,063,394
Less: current liabilities				
Trade and other payables	(390,207)	(602,326)	(258,890)	(602,326)
Contract liabilities		(122,700)	(892,326)	(122,700)
Borrowings	(105,353)	(1,400,000)	(105,353)	(1,400,000)
Employee related provisions	(444,424)	(440,635)	(444,425)	(440,635)
Other provisions	(380,890)		(424,249)	0
	(1,320,874)	(2,565,661)	(2,125,242)	(2,565,661)
Net current assets	5,156,063	916,318	5,110,924	497,733
Less: Total adjustments to net current assets	(2,997,317)	(896,265)	(2,881,984)	(588,265)
Closing funding surplus / (deficit)	2,158,746	20,053	2,228,940	(90,532)

(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 2025	Adopted Budget 30 June 2026	Year to Date Actual 28 February 2026	Estimated Year at End Amount 30 June 2026
	\$	\$	\$	\$
Adjustments to net current assets				
Less: Reserve accounts	(3,102,670)	(2,296,265)	(2,987,337)	(1,988,265)
Add: Current liabilities not expected to be cleared at end of year - Current portion of borrowings	105,353	1,400,000	105,353	1,400,000
Total adjustments to net current assets	(2,997,317)	(896,265)	(2,881,984)	(588,265)

(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 2025	Adopted Budget 30 June 2026	Year to Date Actual 28 February 2026	Estimated Year at End Amount 30 June 2026
	\$	\$	\$	\$
Adjustments to operating activities				
Less: Profit on asset disposals	(22,691)	(64,415)	(98,364)	(79,919)
Less: Fair value adjustments to financial assets at fair value through profit or loss	3,551			
Less: Share of net profit of associates and joint ventures accounted for using the equity method	30,927			
Add: Loss on disposal of assets	8,110	40,791	50,847	40,791
Add: Depreciation on assets	3,627,741	3,890,868	2,865,394	3,890,868
Non-cash movements in non-current assets and liabilities: Inventory	136,000			
Non-cash amounts excluded from operating activities	3,790,506	3,867,243	2,817,878	3,851,739

3 PREDICTED VARIANCES

	Variance
	\$
Revenue from operating activities	
3.1 Grants, subsidies and contributions	(47,929) ▼
<p>Increases have been made to the budget allowance for the Kulin Community Childcare Centre employee training and development grant (\$34,000). This grant provides funding for course fees and wages to support childcare staff in completing required training.</p> <p>Budgeted CRC operational funding has also been increased by \$10,000 to reflect a CPI-related increase in funding received.</p> <p>A decrease in the Financial Assistance Grant (\$81,000) has also been included in the review. When the budget was prepared, the Shire was advised that the advance payment of the grant represented approximately 50% of the total 2025/26 allocation. The advance payment was ultimately greater than 50%, resulting in a lower remaining balance payable during the 2025/26 financial year.</p> <p>The budget included contributions from the Kulin Netball and Kulin Junior Basketball Clubs for the court fans (\$10,000), these funds were received in June 2025, and were therefore incorrectly included in the budget.</p>	
3.2 Fees and charges	2,000 ▲
<p>An increase in fee income has been recorded within Private Works (\$20,000) and Caravan Park Charges (\$15,000) to reflect additional revenue received above the originally budgeted amounts.</p> <p>A reduction in fee income for Childcare Centre charges (\$33,000) is also proposed due to lower enrolments at the beginning of the 2026 year. Ordinarily, reduced enrolments would result in a corresponding decrease in employee costs; however, due to the receipt of an employee training grant, employee costs will remain at the budgeted level and will instead be funded by this grant.</p>	
3.3 Other revenue	308,000 ▲
<p>Proceeds of insurance claims increase \$353,000 due to traffic accident and write off of replated plant. Coding correction to remove \$45,000 incorrectly coded to other revenue which will now be shown as proceeds on sale of land.</p>	
3.4 Profit on asset disposals	15,504 ▲
<p>Increase to profit on sale of land for not included in the budget, this is a non cash transaction and has no financial impact on the budget review.</p>	
Expenditure from operating activities	
3.5 Employee costs	60,000 ▲
<p>A change to the management structure of the Aquatic Centre has resulted in a reduction in Salaries and Wages (\$60,000). The facility is now managed under a contracted arrangement rather than through direct employment.</p>	
3.6 Materials and contracts	(193,660) ▼
<p>A number of adjustments have been made to the Materials and Contracts budgets across various services, including:</p> <ul style="list-style-type: none"> • Office Maintenance increased by \$20,000 for roof repairs which were not included in the original budget. • Aquatic Centre management fees included following the transition to a contracted management structure previously reported to Council. • Pool maintenance budget increased to allow for works not originally budgeted, including engineering assessment of the slide structure (\$13,000), purchase of a pool blanket (\$3,000) which had been incorrectly budgeted as capital expenditure, repairs to pump equipment (\$5,000) • Reduction in Medical Centre operating costs (\$20,000) as actual expenditure is lower than originally budgeted. • Reduction in election expenses, as the budget was prepared assuming an election would be held which ultimately did not occur. • Increase in plant parts and repairs allowance due to planned maintenance of Council's bulldozer (\$40,000) and a general increase in parts expenditure due to the original allowance being insufficient (\$10,000). • Repairs to the Freebairn Recreation Centre roof (\$35,000) were not included in the budget. • Correct coding of discounts to be repaid on the sale of land from Materials & Contracts to Other Expenditure (\$40,000) 	
3.7 Other expenditure	(40,000) ▼
<p>Correction of coding relating to the reimbursement of discount on land sales.</p>	
3.8 Non-cash amounts excluded from operating activities	(15,504) ▼
<p>Profit and Loss on the sale of assets is removed from calculation of budget surplus/deficit as it is a non-cash transaction.</p>	
Inflows from investing activities	
3.9 Capital grants, subsidies and contributions	385,066 ▲

3 PREDICTED VARIANCES

Variance

\$

Three water infrastructure upgrade projects that were not originally budgeted for have been awarded grant funding totalling \$485,000. These projects include:

- Pingaring Rock Wall
- Pingaring Tank Roof
- Kulin Bush Races water infrastructure

The Town Oval Dam Upgrade project has been removed from the budget (\$100,000) as the grant is unlikely to be awarded prior to winter rainfall and the project is therefore unlikely to proceed during the current financial year.

3.10	Proceeds from disposal of assets Proceeds from the disposal of industrial land not included in the budget.	45,000 ▲
	Outflows from investing activities	
3.11	Acquisition of property, plant and equipment A number of adjustments have been made to the Materials and Contracts budgets across various services, including: <ul style="list-style-type: none"> • Additional \$15,000 required to finalise the slide pool project. • Reduction of \$10,000 allowance for pool blanket replacement as this was completed within the Aquatic Centre's operating budget. • Freebairn Recreation Centre expenditure of \$100,000 for replacement of the function room air conditioning system not included in the original budget. • Increase of \$100,000 to the housing construction project budget, previously reported to Council and expected to be funded through additional loan funds. • Increase in the cost of replacing plant written off in a traffic accident (\$601,000). To accommodate this purchase, the replacement of a dual cab truck has been deferred to the next financial year. The remaining funding gap will be offset by insurance proceeds and a transfer from the Plant Reserve. • The replacement of the dual cab truck which was planned for 2025/26 financial year will be postponed to the 2026/27 financial year to allow for the purchase of plant written off in the traffic accident (\$75,000). • Increase in expenditure of \$485,000 relating to the replacement of the Pingaring water tank roof replacement, Pingaring rock wall works and the KBR water infrastructure upgrade, in line with the requirements of grants received from the Department of Water. 	(1,216,753) ▼
3.12	Acquisition of infrastructure <ul style="list-style-type: none"> • Increase in cement stabilising costs (\$26,000) due to storm damage during construction works. • Reduction in materials cost for the Gordon Street footpath (\$25,000) as the project is now expected to be completed using internal resources. • Removal of Town Oval upgrade project materials (\$170,000) in line with the removal of the associated grant funding. 	169,000 ▲
	Cash inflows from financing activities	
3.13	Proceeds from new borrowings Increase in borrowings cost related to increase in housing construction project.	100,000 ▲
3.14	Transfers from reserve accounts Transfers from the Plant Reserve have been adjusted to fund the replacement of plant written off in the traffic accident earlier in the year. The difference between the replacement cost and insurance proceeds is \$173,000, which is proposed to be funded from the reserve. This adjustment will reduce the expected balance of the Plant Reserve from \$523,000 to approximately \$350,000. A transfer from the Freebairn Recreation Centre Reserve is also proposed to fund the replacement of the function room air conditioning and associated roof repairs. This transfer will reduce the reserve balance from \$235,000 to approximately \$100,000.	208,000 ▲
	Cash outflows from financing activities	
3.15	Transfers to reserve accounts A transfer of \$100,000 was planned for the 2025/2026 financial year which will not occur to allow for the purchase of replacement machinery in excess of the insurance settlement.	100,000 ▲
	Surplus or deficit after imposition of general rates	(121,276) ▼