



Rural City of
Wangaratta

Minutes

For the Unscheduled Council Meeting
Council Chambers, Municipal Offices
62-68 Ovens Street, Wangaratta
2:30pm 30 September 2024

Contents

1.	Acknowledgement of Traditional Owners	4
2.	Opening Prayer	4
3.	Present	4
4.	Absent.....	4
5.	Acceptance of Apologies & Granting of Leave of Absence	4
	Order of Business	5
6.	Conflict of Interest Disclosure	5
	Presentation Of Reports.....	5
	Officers' Reports	6
7.	Corporate and Leisure.....	6
7.1	2023/24 Budget Carryovers.....	6
7.2	Financial Statements and Performance Statement for Year Ended 30 June 2024.....	10
8.	Closure of Meeting	17

1. Acknowledgement of Traditional Owners

We acknowledge the traditional owners of the land on which we are meeting. We pay our respects to their Elders and to Elders from other communities who may be here today.

2. Opening Prayer

Almighty God, we humbly ask thee to bless and guide this council in its deliberations so that we may truly preserve the welfare of the people whom we serve. Amen

3. Present

Councillors:

Irene Grant, David Fuller, Dean Rees, Harry Bussell, Harvey Benton, Ashlee Fitzpatrick, Jack Herry

Officers:

Lauren Malins, Acting Director Community and Infrastructure; Sarah Brindley, Director Corporate and Leisure; Stephen Swart, Director Sustainability and Culture (Acting Chief Executive Officer)

Administration:

Councillor and Executive Services Support Officer;

4. Absent

Officers:

Brendan McGrath, Chief Executive Officer; Marcus Goonan, Director Community and Infrastructure

5. Acceptance of Apologies & Granting of Leave of Absence

Order of Business

6. Conflict of Interest Disclosure

In accordance with section 130 of the Local Government Act 2020 a councillor who has a conflict of interest in respect of a matter must disclose the conflict of interest in the manner required by Council's Governance Rules and exclude themselves from the decision making process in relation to that matter, including any discussion or vote on the matter and any action in relation to the matter.

Clause 28.1 of Council's Governance Rules requires a councillor to indicate that they have a conflict of interest by clearly stating:

- (a) the item for which they have a conflict of interest; and
- (b) whether their conflict of interest is general or material; and
- (c) the circumstances that give rise to the conflict of interest.

Immediately prior to the consideration of the item in which they have a conflict of interest, a councillor must indicate to the meeting the existence of the conflict of interest and leave the meeting.

A councillor who discloses a conflict of interest and leaves a Council meeting must not communicate with any participants in the meeting while the decision is being made.

Presentation Of Reports

Officers' Reports

7. Corporate and Leisure

7.1 2023/24 Budget Carryovers

Meeting Type:	Unscheduled Council Meeting
Date of Meeting:	30 September 2024
Category:	Operational
Author:	Finance Manager
Approver:	Director Corporate and Leisure

No Council officers or contractors who have provided advice in relation to this report have declared a conflict of interest regarding the matter under consideration.

Executive Summary

This report is presented to Council to approve budget carryovers into the 2024/25 Budget following the conclusion of the 2023/24 financial year.

Resolution:

(Moved: Councillor H Benton/Councillor H Bussell)

That Council:

1. Carries over net non-recurrent operating expenses of \$502k budgeted for in the 2023/24 financial year into the 2024/25 Budget.
2. Carries over capital expenditure of \$1.40m budgeted for in the 2023/24 financial year into the 2024/25 Budget.

For: Unanimous

Against:

Carried

Background

Council has concluded its 2023/24 financial year end process. \$1.90m of expenses has been identified to be carried over from the 2023/24 financial year into the 2024/25 Budget. This consists of an increase of \$502k to operating expenses and an increase of \$1.40m of capital expenditure, with corresponding reductions in 2023/24. If approved, this will decrease the 2024/25 accounting surplus and the adjusted operating result by \$502k.

Implications

Financial/Economic Implications

July Forecast Review

Rural City of Wangaratta	24/25 Adopted Budget	24/25 Projected Full Year Forecast as at July	Projected Full Year to Adopted Budget Variance
Income Statement as at 31st May 2024	\$	\$	\$
Income	96,267	96,267	-
Expenses	82,368	82,870	(502)
Surplus / (Deficit) for the year	13,899	13,399	(502)
Add/(Less) Non-Operating	(10,941)	(10,941)	-
Operating Surplus/(deficit) for the year	2,958	2,458	(502)
Capital Works Expenditure	29,931	31,331	(1,400)
Net Fav/(Unfav) Variance			(1,902)

The Chief Executive Officer is of the opinion that a revised budget is not required, pursuant to Section 97(3) of the *Local Government Act 2020*.

Accounting Surplus – Unfavourable Decrease:

Council's forecast accounting surplus will decrease by \$502k.

The decrease in the underlying operating result is the result of movements in Materials & Services, as described below.

Operating Carry Overs, net increase \$502k:

- Marketing & Branding, \$205k.
- Kyamba Foundation, \$15k.
- Umbrella Flood Relief, \$0.7k.
- VicHealth LP Partnership, \$44k.
- Youth Hub Fit Out, \$1k.
- Kerbside Transition, \$25k.
- Sustainability – Emission Projects, \$30k.
- Social Inclusion Action Group, \$135k.
- WSAC Systems Review, \$12k
- Kerbside Reform, \$34k

The above carry-overs result from delayed delivery of works under these approved budgets in the 2023/24 financial year, and are not otherwise an increase in expenditure. Note that any corresponding grant funding will subsequently be carried over in the Quarter 1 Financial Report.

Capital Works

Council's capital works expenditure will increase \$1.40m, relating to carry overs from the 2023/24 Adopted Forecast:

- Whorouly Recreation Reserve, \$152k.
- Federal Blackspot Program, \$122k.
- Showgrounds Relief, \$230k.
- WSAC Extension, \$167k.
- Wangaratta Netball Courts, \$60k.
- Newman Street Drainage, \$326k.
- Wangaratta Sports & Aquatic Centre Change Rooms, \$119k.
- Major Patching and Asphaltting, \$28k.
- Major Culvert Renewal, \$54k.
- Building Renewal, \$127k.
- Aerodrome Hardstand Improvements, \$10k

The above carry-overs result from under-delivery of approved budgets in FY24 and not otherwise increase in expenditure.

Legal/Statutory

In accordance with section 94 of the *Local Government Act 2020* (the Act), Council must prepare a budget for each financial year. Additionally, section 101 of the Act requires Council to apply principles of sound Financial Management.

Social

Social benefits of the delivery of Council services and projects are outlined in the 2024/25 Budget and in the Council Plan 2021-25.

Environmental/Sustainability Impacts

Council budgets for and delivers several projects that support its Environmental Sustainability Strategy. Refer to the Council Plan 2021-25 for further details.

Strategic Links

Council Plan 2021 – 2025

This report supports the 2021-2025 Council Plan through the following objectives and actions:

1. Strengthening our Leadership

Undertake regular and transparent reporting against Council's adopted budget.

Risk Management

Risk Management Framework

Risks	Likelihood	Consequence	Rating	Mitigation Action
Poor performance against the budget	M	M	M	Regular monitoring and reporting of the budget position.

Consultation/Communication

Consultation has been undertaken with Council Managers and the Corporate Management Team. Officers believe that appropriate consultation has occurred, and the matter is now ready for Council consideration.

Options for Consideration

1. That Council adopts the above recommendation, and the 2024/25 budget is adjusted as advised – recommended.
2. That Council advises of any changes to the proposed carry over items and proposes an alternative recommendation to enable the 2024/25 Budget to be adjusted accordingly.

Conclusion

Whilst every effort is made to predict the timelines of project expenditure, there are many factors that can delay or advance actual project expenditure. Therefore, under and over expenditures need to be carried forward to allow for budget matching with expenditure and to ensure delivery of key projects may be concluded with previously allocated funding remaining in place. This matter is now ready for Council consideration.

Attachments

Nil.

7.2 Financial Statements and Performance Statement for Year Ended 30 June 2024

Meeting Type: Unscheduled Council Meeting
Date of Meeting: 30 September 2024
Author: Finance Manager

No Council officers or contractors who have provided advice in relation to this report have declared a conflict of interest regarding the matter under consideration.

Executive Summary

This report is presented to Council to consider 'in principle' approval of the Financial Statements 2023/24, Performance Statement 2023/24 and the Governance & Management Checklist, prior to finalising with any changes recommended or agreed to by the Victorian Auditor-General.

Resolution:

(Moved: Councillor I Grant/Councillor A Fitzpatrick)

That Council:

1. Approves 'in principle' the Financial Statements and Performance Statement for the Wangaratta Rural City Council for the Financial Year ending 30 June 2024 as endorsed by the Audit and Risk Committee on 17 September 2024.
2. Authorises the Mayor, Cr Dean Rees, and Deputy Mayor, Cr Harvey Benton, to certify the Financial Statements and Performance Statement for the Wangaratta Rural City Council for the Financial Year ending 30 June 2024 in their final form after any changes recommended or agreed to by the Victoria Auditor-General have been made.
3. Adopts the Governance and Management Checklist of the Wangaratta Rural City Council for the Financial Year ending 30 June 2024.
4. Authorises the Mayor, Cr Dean Rees, to certify the Governance and Management Checklist for the Wangaratta Rural City Council for the Financial Year ending 30 June 2024.

For: Unanimous

Against:

Carried

Background

This report presents the Financial Statements, Performance Statement and Governance & Management Checklist for the financial year ending 30 June 2024 for in principle approval by the

Council for submission to the Victorian Auditor-General in accordance with the *Local Government Act 2020* (the Act).

Council submits for auditing, the Financial Statements 2023/24 (Financial Statements) and Performance Statement 2023/24 (Performance Statement) in their finalised form, to the Auditor appointed by the Victorian Auditor-General's Office (VAGO), as soon as possible after the end of the financial year to be certified in the manner prescribed.

After completion of the initial audit, Council is required to consider the audited Financial Statements and Performance Statement and provide 'in principle' approval for the statements and review by VAGO.

VAGO's auditors must then prepare a report on the submitted Financial Statements and Performance Statement and provide it to Council, as well as provide a copy to the Minister for Local Government.

VAGO cannot sign the audit reports unless the Financial Statements and Performance Statement are in their final form, inclusive of any changes recommended or agreed by the Auditor, and are certified in accordance with the *Local Government (Planning and Reporting) Regulations 2014* (Regulations), by two Councillors authorised by Council, the Chief Executive Officer and Principal Accounting Officer. The Financial and Performance Statements will be certified by Council in their final form after any changes, recommended or agreed by the auditor, have been made.

The Governance and Management Checklist and Performance Indicators have been prepared in accordance with the Regulations.

The Audit and Risk Committee, at its meeting held Tuesday, 17 September 2024, recommended that Council approves 'in principle' the Financial Statements and Performance Statement, subject to any further changes by VAGO.

Implications

Policy Considerations

There are no specific Council policies or strategies that relate to this report.

Financial/Economic Implications

The Financial Statements comprise the:

1. Comprehensive Income Statement
2. Balance Sheet
3. Statement of Changes in Equity
4. Statement of Cash Flows
5. Statement of Capital Works
6. Notes to the Financial Statements

Comprehensive Income Statement

The comprehensive income statement shows Council's revenue and expenses plus other comprehensive income.

It does not include the cost of assets purchased, loan repayments or reserve funds. It does include the depreciation of asset values as an expense. Below is a summary of the Council Comprehensive Income Statement.

	2022/2023 \$'000s	2023/2024 \$'000s	Increase / (decrease) \$'000s
Total income	98,347	96,699	-1,648
Total expenses	76,052	93,305	17,253
Surplus (deficit) for the year	22,295	3,394	-18,901
Other comprehensive income	100,571	17,020	-83,551
Comprehensive result	122,866	20,414	-102,452

Explanations of some the key changes between 2022/23 and 2023/24 in the components of the Comprehensive Income Statement are as follows:

1. Total income decreased by \$1.65m. Some of the key movements between income categories were:
 - a. Rates and charges increased by \$1.35m. The increase was due to a 2.75 per cent increase in rates per the adopted rate cap the and a 10 per cent increase in waste charges.
 - i. This was also the first year of council collecting Payment-In-Lieu of Rates (PILOR) for solar farms, which generated \$70k.
 - b. Operating grants decreased by \$9.78m. Operating grants funding decrease was largely driven by minimal Grants Commission funding being paid in advance (only marginal adjustments of \$402k in 2023/24 allocation versus 100% of the 2022/23 amount) of \$11.26m. This decrease was partially offset by other funding increases: Aged & Community Care - Packaged Care (\$586k), Community Wellbeing (Grit and Resilience) funding (\$232k), Youth Services Projects (\$421k) and Emergency Management Projects (\$196k).
 - c. Capital grants decreased by \$2.90m. The main reason for the decrease is due to the timing of non-recurring capital grants and recognition of income in advance carried forward from the prior year, relating mostly to \$5.48m for WSAC renovations, \$1.98m King Valley Prosecco Road and \$1.04m Flood Mitigation Projects. These were offset mostly by increases in Roads to Recovery funding of \$3.28m, \$2.40m for Newman Street and a collection of smaller one-off capital grants.
 - d. Other income increased by \$8.28m. The major driver for this movement was a \$10.45m reduction in the Landfill Rehabilitation Provision expected outlays due to the impact of indexing and discounting on the Landfill Provision. The remaining movement is due to \$3.35m in found assets (Paths & Artwork) and \$1.30m recognition of the Landfill Airspace intangible asset. All three of these accounting adjustments result in an increase to other income a part of their recognition.
2. Total expenditure increased on 2023/24 by \$17.25 million. Some of the key movements between expenditure categories were:
 - a. Employee costs increased by \$2.86 million. The variance highlights net salary cost increases including the superannuation guarantee increase from 10.5% to 11% and salary increase of 3% applied in July 2024. The Workcover premium also increased by \$281k.

- b. Materials and services increased by \$1.65m. This increase was not attributable to any specific areas but a general trend of cost increases in alignment with inflation.
 - c. Other expenses increased by \$12.59 million. This was mainly due to changes in the expected future remediation costs for the landfill provision. It is now expected to cost an additional \$10.16m under new modelling assumptions, resulting in an increase to other expenses. The remainder of the movement in other expenditure is due Write off for works in progress (WIP) was \$3.20m, which was \$2.28m more than in 2022/23. These write offs relate to capital works expenditure that does not meet the asset recognition criteria.
3. Other comprehensive income is \$83.55m less than last year. Other comprehensive income is primarily movements in the asset revaluation reserve due to asset revaluations and indexation assessments undertaken in 2023/24.

Balance Sheet

The balance sheet shows what Council owns as assets and what it owes as liabilities. The bottom line of this statement is total equity which is an accumulation over time of the net worth of Council.

	2022/2023	2023/2024	Increase / (decrease)
	\$'000s	\$'000s	\$'000s
Current assets	46,284	30,086	-16,198
Non-current assets	767,351	794,354	27,003
Current liabilities	24,068	17,727	-6,341
Non-current liabilities	41,349	38,081	-3,268
Equity	748,218	768,632	20,414

1. Current assets decreased by \$16.20 million. This is largely due to decreased cash and cash equivalents as a result of receiving 100 per cent of 2023/24 Commonwealth Funding in the prior year at the very end of 2022/23. Council also paid back \$2.63m interest-bearing liabilities in 2023/2024, had a reduction of income received in advance of \$4.28m and \$3.50m reduction in trade and other payables.

Rate receivables increased by \$489k, with total rates outstanding at balance date equivalent to 4.92 per cent of rates revenue, which is within a normal range.

2. Non-current assets have increased by net \$27.00 million. The increase is due largely to indexation and revaluation adjustments to all major asset classes, totalling \$17.02 million. The remaining movement is the net of adjustments to accumulated depreciation, disposals and additions.
3. Current liabilities decreased by \$6.34m. This decrease is largely due to reductions in unearned income/revenue related to grant funding received which is not recognised as income until associated obligations regarding the delivery of projects are met in accordance with AASB 15/1058.
4. Non-current liabilities have decreased by \$3.27m. This is mostly due to reductions in both the landfill and employee provision and a \$2.63m movement to principal repayments on interest-bearing liabilities.

5. Total equity is the term used to describe the value of the Council to its ratepayers and is divided between:
- a. Accumulated surplus – the value of all net assets over time;
 - b. Asset revaluation reserve;
 - c. Reserves – funds reserved for specific future expenditure.

Council's accumulated surplus increased by \$20.41m from 2023/24 which is due to:

- (i) the accounting surplus of \$3.39m for 2023/24; and
- (ii) net transfers to reserves for future expenditure requirements of \$17.02m.

Statement of Cashflows

The Statement of Cash Flows is a record of cash received and cash paid by Council for the financial year. It excludes non-cash expenses such as depreciation that are included in the Comprehensive Income Statement and includes items such as capital expenditure and proceeds from loans or repayment of loans that are not included in the Comprehensive Income Statement.

Overall, the Statement of Cash Flows shows that cash on hand was \$13.59m at the end of the year. The level of cash is lower than 2022/23 of \$34.22. The level of cash should be considered in conjunction with the financial assets category as investments swing between these two asset categories when they approach maturity. As at 2023/24, council also held \$10m in term deposits.

Overall Council's cash position deteriorated in 2023/24, with total cash and investments of \$23.59m compared to \$39.22m in 2022/23. Noting Council did not receive any portion of its Financial Assistance Grants in advance of the 2024/25 year as has been the practice in prior years.

\$2.35m of this balance relates to unearned income disclosed in note 5.3(c) of the attached Financial Statements. This, combined with \$31.20m of reserve funds allocated for specific future purposes (Note 9.1(b)), means that as at 30 June 2024, council had a shortfall of \$9.95m to meet its Reserve Accounting Policy, which requires that on 30 June each year the recorded cash balances will, at a minimum, be equivalent to the total of the Statutory and Discretionary Reserve balances and Restricted funds identified in Council's financial statements.

In July 2024, council received \$8.26m in financial assistance grants which substantially improved this position. Council is closely monitoring its adherence to the policy and taking action to improve this position. It is also noted that there are appropriate instances where Council chooses not to maintain cash balances equivalent to the Reserve and Restricted funds, such as where the Reserve funds are not required for a long period.

The 2023/24 Budget and projections contained within demonstrate planned sizeable investment in new and existing assets for which Council cash will be the primary funding source. As such, there are significant future obligations for which the cash and investments will be directed.

Budget Comparison

A budget comparison with actual performance is provided at Note 2.1. The *Local Government (Planning and Reporting) Regulations 2020* require explanation of any material variances. Council has adopted a materiality threshold of ten percent and positive or negative \$200,000. Refer to Note 2.1 in the attached Financial Statements.

Asset Revaluation

Formal external revaluation assessments of council's Aerodrome and Artworks assets was undertaken as at 30 June 2024.

The adjustment for Aerodrome assets was a decrease of \$1.38m in Fair Value and reduction to accumulated depreciation of \$256k. The net decrease in Aerodrome asset value was \$1.12m which is included in the Asset Revaluation reserve decrement. This result was mostly driven by inconsistencies found within the Aerodrome asset data, which included assets in other classes or for which several assets were recorded under one asset number.

The adjustment for Artworks assets was an increase of \$259k in Fair Value and found assets of \$1.09m. The found assets were a result of items loaned or donated to the Gallery which had not been recorded in the asset system and identified by the Valuers.

Landfill Provision

A net decrease in the landfill rehabilitation provision of \$357k occurred during 2023/24. While a small movement overall, the decrease in the provision is the net result of two large movements in opposite directions. There was an increase in expected future rehabilitation costs of \$10.17m and a decrease of \$10.43m as a result of the movement of indexing out and then discounting back to present value. \$106k of rehabilitation works were conducted during the year.

Performance Statement

The Performance Statement is a key section of the annual report whereby Council makes itself accountable to the community and contains information about the performance of the Council for the financial year.

Governance and Management Checklist

This checklist demonstrates that Council has strong governance and management frameworks in place covering community engagement, planning, monitoring, reporting and decision-making.

Legal/Statutory

Under the *Local Government Act 2020* (Vic), Council must endorse its Annual Report, including its Financial Statement, Performance Statement and Governance and Management Checklist for the relevant financial year, by October 31 each year.

Social

There are no social impacts identified for the subject of this report.

Environmental/Sustainability Impacts

There are no environmental/ sustainability impacts identified for this subject of this report.

Strategic Links

Council Plan 2021 – 2025

This report supports the 2021-2025 Council Plan through the following objectives and actions:

1. Strengthening our Leadership

Risk Management

Risks	Likelihood	Consequence	Rating	Mitigation Action
Financial reports not prepared in accordance with statutory requirements	Low	Medium	Medium	Consultation with external auditors, Local Government Victoria and FinPro for the latest updates and changes.

Consultation/Communication

Extensive consultation has been undertaken with the Auditor appointed by the Victorian Auditor General's Office, Crowe Australasia, during the preparation of the Financial Statements and Performance Statement and they have been endorsed by the Audit & Risk Committee.

Officers believe that appropriate consultation has occurred, and the matter is now ready for Council consideration.

Conclusion

The production of the Financial Statements, Performance Statement and the Governance & Management Checklist is a critical component in the management of Council's operations to ensure accountability and public disclosure in the delivery of services and programs to residents of the municipality.

Attachments

- 1 Financial Statements 2023/24 
- 2 Performance Statement 2023/24 
- 3 Governance and Management Checklist 2023/24 

8. Closure of Meeting

The Meeting closed at 2:37pm.

Unconfirmed