



Ararat Rural City

MINUTES

COUNCIL MEETING

Tuesday 24 September 2024

Held in the Council Chambers, Shire Offices
(Livestreamed)

Commenced at 6.00pm

Council:

Cr Bob Sanders (Mayor)

Cr Gwenda Allgood

Cr Jo Armstrong

Cr Rob Armstrong

Cr Peter Beales

Cr Henry Burridge

Cr Bill Waterston



Ararat Rural City

A recording of this meeting is being made for the purpose of verifying the accuracy of the minutes of the Council Meeting.

The recording is being streamed live via Facebook, to improve transparency between council and the community and give more people the opportunity to view what decisions are being made. You do not require a Facebook account to watch the live broadcast, simply enter www.facebook.com/araratruralcitycouncil into your address bar.

Recordings of Council Meetings (excluding closed sessions) are made available on Council's website.

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PRESENT:

Cr Gwenda Allgood, Cr J Armstrong, Cr Rob Armstrong, Cr Henry Burridge, Cr Bob Sanders, Dr Tim Harrison - Chief Executive Officer, Chandra Willmott – Governance and Risk Lead and Thomas Duncan - Theatre Technical Officer.

SECTION 1 – PROCEDURAL MATTERS

1.1 LIVE STREAMING

Council is keen to engage with members of the community and live streams the formal Council Meetings to make them accessible. The stream is available to view on Council’s Facebook page from 6pm and on Council’s website following the Council Meeting.

1.2 TRADITIONAL ACKNOWLEDGEMENT/OPENING PRAYER/COUNCILLORS PLEDGE

Traditional acknowledgement – CR BEALES

We acknowledge the traditional owners of the land on which we meet today, and pay our respects to their elders, past, present and emerging.

Opening Prayer – CR R ARMSTRONG

Almighty God, we humbly ask you to help us, as elected Councillors of the Ararat Rural City Council. Guide our deliberations. Prosper what is your will for us, to your honour and glory and for the welfare and benefit of the people whom we serve in the Ararat Rural City.

Councillors Pledge – CR ALLGOOD

We will faithfully and impartially carry out and exercise the functions, powers, authorities and discretions invested in us under the *Local Government Act 2020* and any other Act to the best of our skill and judgement.

1.3 APOLOGIES

RECOMMENDATION

That the apology of Cr Waterston be accepted.

**MOVED CR J ARMSTRONG
SECONDED CR BEALES**

That the apology of Cr Waterston be accepted.

CARRIED 5046/24

1.4 CONFIRMATION OF MINUTES

RECOMMENDATION

That the Minutes of the Council Meeting held on 27 August 2024 be confirmed.

**MOVED CR BEALES
SECONDED CR BURRIDGE**

That the Minutes of the Council Meeting held on 27 August 2024 be confirmed.

CARRIED 5047/24

1.5 DECLARATION OF CONFLICT OF INTEREST

A Councillor who has a conflict of interest in a matter being considered at a *Council meeting* at which he or she:

- 1 is present must disclose that conflict of interest by explaining the nature of the conflict of interest to those present at the *Council meeting* immediately before the matter is considered; or
- 2 intends to be present must disclose that conflict of interest by providing to the *Chief Executive Officer* before the *Council meeting* commences a written notice:
 - (a) advising of the conflict of interest;
 - (b) explaining the nature of the conflict of interest; and
 - (c) detailing, if the nature of the conflict of interest involves a Councillor's relationship with or a gift from another person, the:
 - name of the other person;
 - nature of the relationship with that other person or the date of receipt, value and type of gift received from the other person; and
 - nature of that other person's interest in the matter,

and then immediately before the matter is considered at the meeting announcing to those present that he or she has a conflict of interest and that a written notice has been given to the *Chief Executive Officer* under this sub-Rule.

The Councillor must, in either event, leave the *Council meeting* immediately after giving the explanation or making the announcement (as the case may be) and not return to the meeting until after the matter has been disposed of.

There were no Declaration of Conflict of Interests received.

SECTION 2 – PUBLIC PARTICIPATION

2.1 PETITIONS AND JOINT LETTERS

- 1 Unless *Council* determines to consider it as an item of urgent business, no motion (other than a motion to receive the same) may be made on any petition, joint letter, memorial or other like application until the next *Council meeting* after that at which it has been presented.
- 2 It is incumbent on every Councillor presenting a petition or joint letter to acquaint himself or herself with the contents of that petition or joint letter, and to ascertain that it does not contain language disrespectful to *Council*.
- 3 Every Councillor presenting a petition or joint letter to *Council* must:
 - write or otherwise record his or her name at the beginning of the petition or joint letter; and
 - confine himself or herself to a statement of the persons from whom it comes, the number of signatories to it, the material matters expressed in it and the text of the prayer or request.
- 4 Every petition or joint letter presented to *Council* must be in *writing* (other than pencil), typing or printing, contain the request of the petitioners or signatories and be signed by at least 12 people.
- 5 Every petition or joint letter must be signed by the persons whose names are appended to it by their names or marks, and, except in cases of incapacity or sickness, by no one else and the address of every petitioner or signatory must be clearly stated.
- 6 Any signature appearing on a page which does not bear the text of the whole of the petition or request may not be considered by *Council*.
- 7 Every page of a petition or joint letter must be a single page of paper and not be posted, stapled, pinned or otherwise affixed or attached to any piece of paper other than another page of the petition or joint letter.
- 8 If a petition, joint letter, memorial or other like application relates to an operational matter, *Council* must refer it to the *Chief Executive Officer* for consideration.

There were no Declaration of Conflict of Interests received.

SECTION 3 – REPORTS REQUIRING COUNCIL DECISION

3.1 PERFORMANCE AND FINANCIAL STATEMENTS

RESPONSIBLE OFFICER: CHIEF EXECUTIVE OFFICER
DEPARTMENT: CEO'S OFFICE
REFERENCE: 17151

OFFICER DECLARATION OF INTEREST:

Officers providing advice to Council must disclose any conflict of interest.

No person involved in the preparation of this report has a conflict of interest requiring disclosure.

EXECUTIVE SUMMARY

The Financial Statements and Performance Statement (the statements) have been prepared for the period ended 30 June 2024. The Victorian Auditor-General is required to audit the statements but cannot issue his report unless Council approves the statements.

The Audit and Risk Committee reviewed the statements on 3 September 2024 and recommended that Council authorises Councillor Bob Sanders, Councillor Jo Armstrong and Dr Tim Harrison to certify the Financial Statements and the Performance Statement in their final form.

DISCUSSION

Pursuant to the Local Government Act 2020 (the Act) Council is required to give "in principle approval" to the 2023/24 Financial Statements and Performance Statement and submit the statements to the auditor for reporting on the audit.

The Act recognises that further changes may be made to the statements and therefore Council must authorise two Councillors to certify the Financial Statements and Performance Statement in their final form after any changes recommended by the auditor have been made.

The Auditor-General's agent conducted the offsite audit during August and September 2024.

Key Financial information:

Financial Statements – Income Statement

The Comprehensive Income Statement measures how well Council has performed from an operating nature. It reports revenue and expenditure from the activities and functions undertaken, with the net effect being a surplus or deficit. Capital expenditure is excluded from this statement, as it is reflected in the Balance Sheet. Depreciation is included in this statement, as depreciation is the accounting method of allocating the cost of an asset over its useful life.

The draft Comprehensive Income Statement shows total income in 2024 of \$27.347 million compared with \$38.445 million in 2023. Rates & Charges income increased by \$0.187 million, Government Grants for operations decreased by \$10.111 million, and Government Grants for capital works decreased by \$2.203 million.

Council has delivered a net zero percent rate rise for the six year period up to 2023-2024. Total income from rates increased by only 1.06%. The income from general rates and municipal charges increased with movements of properties between differential classes and new building works. Most of the increase has resulted from additional waste management charges resulting from the expanded kerbside collection area now being serviced.

Council received several grants that were not budgeted including the following:

- Ararat East Development Zone Trunk Infrastructure - \$0.419 million
- Local Roads and Community Infrastructure Gordon St Redevelopment - \$1.461 million
- Disaster Recovery Funding (Flood Oct 2022) - \$1.255 million
- Planning and Data Development - \$0.103 million
- Pomonal Bushfire Recovery Assistance Planning Hub - \$0.100 million

Total expenses in 2024 were \$33.973 million compared with \$33.682 million in 2023, an increase of \$0.291 million. A breakdown of expenses reveals an increase in employee costs of \$0.923 million.

There has been a decrease of \$1.528 million in materials and services to deliver the outcomes for the additional operating grants and to complete projects carried forward from the previous financial year.

Depreciation expenses have increased by \$0.655 million as a result of the revaluation completed as at 30 June 2023.

The net result for 2024 was a deficit of \$6.626 million compared with a surplus of \$4.763 million in 2023. The revaluation of property and infrastructure assets at 30 June 2024 has resulted in an increase in value of \$8.340 million.

Financial Statements – Balance Sheet

The Balance Sheet is one of the main financial statements and it reports Council's assets, liabilities and equity at a given date, in this case 30 June 2024. Comparative figures have been provided as at 30 June 2023.

Council's current assets have decreased by \$12.325 million, from \$24.057 million as at 30 June 2023 to \$11.732 million as at 30 June 2024. Cash and cash equivalents have decreased by \$8.408 million and other financial assets have decreased by \$4.962 million, whilst current trade and other receivables increased by \$0.703 million. Rate debtors have increased by \$0.365 million.

Total liabilities have increased by \$0.181 million from \$8.596 million in 2023 to \$8.777 million in 2024.

Financial Statements – Cash Flows

The Statement of Cash Flows shows how changes in the Balance Sheet and Income Statement affect Cash and Cash Equivalents, and breaks down the analysis to operating activities, investing activities and financing activities.

The Cash Flow Statement shows a net decrease in cash and cash equivalents of \$8.408 million compared with a net decrease of \$10.058 million in 2023. Cash and cash equivalents excludes funds transferred to a term deposit investment which are classified as an other financial asset.

The Cash Flow Statement shows net cash provided by operating activities was \$2.048 million in 2024 compared with \$8.919 million in 2023, representing a decrease of \$6.871 million. This is largely due to a decrease in operating grants of \$9.142 million with the delayed receipt of financial assistance grant payments until July 2024, which had been partially received in advance in prior years.

Net cash used in investing activities (e.g. payments for property, infrastructure, plant and equipment) was \$9.283 million in 2024, which included \$4.962 million net transfers from a term deposit investment with a six-month maturity period. In comparison the net cash used in investing in 2023 was \$19.598 million, which included \$8.500 million transferred to a term deposit investment with a six-month maturity period.

Net cash used in financing activities was \$1.173 million in 2024 compared with \$0.621 million provided by financing activities in 2023, with the refinance of two equipment finance loans to leases during the year.

Financial Statements – Capital works

The Statement of Capital Works details the capital works completed during 2024. It shows \$15.033 million invested in 2024 compared with \$11.586 million in 2023, an increase of \$3.447 million. Total Infrastructure works increased by \$4.504 million with several projects completed from funds carried forward from the previous year.

Highlights in the building area included completion of the Gordon Street Recreation Reserve precinct, upgrade of Lake Bolac Complex and Willaura Memorial Hall kitchens, and completion of all abilities playgrounds at the Alexandra Gardens and Lake Bolac.

Highlights in the infrastructure area included an increased road sealing program, road works at Chatsworth-Bolac Road, Ararat East Development Zone, completion of bridge works on Helendoite Road, and the trial of innovative Otta sealing to a number of rural and urban gravel roads.

Performance Statement

The Victorian Government has introduced a mandatory system of performance reporting which prescribes performance information to be included in Council's annual reports.

"Councils must describe the prescribed indicators and measures in the performance statement so it is clear to the audience what is being measured. In addition, the performance statement must include the results achieved in relation to the prescribed service performance outcome, financial performance and sustainable capacity for the financial year and three preceding years".

For the financial performance indicators and measures, the performance statement must also include the forecast results for four years based on the financial statements included in Council's budget.

Reporting trend information helps the reader understand changes in Council performance over time and acts as a point of reference for results. The regulations require that Councils must also provide an explanation of any material variations in the results between the current year and other years disclosed, to enable the reader to form an understanding of the reason for the variation".

The performance reporting framework requires Councils to load the indicators included in this performance statement, as well as a number of other indicators that are required to be included in the report of operations, onto the "Know your Council" website - <https://www.vic.gov.au/know-your-council>, which will allow the community to compare the performance result of Councils across Victoria.

Part of the performance reporting framework includes the State Government setting expected ranges for each indicator. Based on the draft financial statement and performance statement, Council is within the expected range for most indicators. The reasons for the material variations are included in the performance statement.

Audit and Risk Committee Review

The draft Financial Statements and Performance Statement were considered by the Audit and Risk Committee on 3 September 2024. Mr Ryan Schischka from Johnsons MME presented the draft Auditors Closing Report at that meeting, and discussed the audit progress with the Audit and Risk Committee members. Further changes may be required after the Victorian Auditor General's Office has reviewed the statements and before the nominated Councillors certify the accounts in their final form.

KEY CONSIDERATIONS

Alignment to Council Plan Strategic Objectives

6 Strong and Effective Governance

Budget Implications

Approving the Statements does not have any budget implications.

Policy/Relevant Law

Section 99 (2) of the Local Government Act 2020 states that: "the Council, after passing a resolution giving its approval in principle to the performance statement and financial statements, must submit the statements to the auditor for reporting on the audit".

Section 99 (3) of the Local Government Act 2020 states that: “The Council must ensure that the performance statement and financial statements, in their final form after any changes recommended or agreed by the auditor have been made, are certified in accordance with the regulations by—

- (a) 2 Councillors authorised by the Council for the purposes of this subsection; and
- (b) any other persons prescribed by the regulations for the purposes of this subsection.”

Section 99 (5) of the Local Government Act 2020 states that: “the auditor must not sign a report under subsection (4) or under Part 3 of the Audit Act 1994 unless the performance statement or the financial statements (as applicable) have been certified under subsection (3).”

Sustainability Implications

This report does not raise any sustainability implications.

Risk Assessment

Council is required to approve the statements before the Auditor-General can issue the audit report.

Innovation and Continuous Improvement

The Financial Statements and Performance Statement are primary documents used to report on Council’s achievements in continuous improvements. For example, introducing organisational efficiencies leads to a reduction in operating expenses and investing more in infrastructure spending leads to an improvement in the satisfaction rating for sealed roads.

Stakeholder Consultation and Communication

Various Council officers have been involved with the preparation of the statements. The statements will be included in the Annual Report that will be made available to the public.

RECOMMENDATION

That:

- 1 Pursuant to Section 99 of the Local Government Act 2020, Council gives approval in principle to the Financial Statements and Performance Statements for the year ended 30 June 2024; and
- 2 Pursuant to Section 99 of the Local Government Act 2020, Council authorises the Chief Executive Officer, Councillor Bob Sanders and Councillor Jo Armstrong to certify the 2023/24 Financial Statements and Performance Statement in their final form.

MOVED CR J ARMSTRONG

SECONDED CR BURRIDGE

That:

- 1 Pursuant to Section 99 of the Local Government Act 2020, Council gives approval in principle to the Financial Statements and Performance Statements for the year ended 30 June 2024; and
- 2 Pursuant to Section 99 of the Local Government Act 2020, Council authorises the Chief Executive Officer, Councillor Bob Sanders and Councillor Jo Armstrong to certify the 2023/24 Financial Statements and Performance Statement in their final form.

CARRIED 5048/24

ATTACHMENTS

The Financial Statements and Performance Statement are provided as 3.1



Ararat Rural City
ANNUAL FINANCIAL REPORT
For the Year Ended 30 June 2024

**Ararat Rural City Council
Financial Report
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Financial Report
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Ararat Rural City Council
2023/2024 Financial Report

Certification of the Financial Statements

In my opinion, the accompanying financial statements have been prepared in accordance with the *Local Government Act 2020*, the *Local Government (Planning and Reporting) Regulations 2020*, the Australian Accounting Standards and other mandatory professional reporting requirements.

Karissa Hogan, BCom, CPA
Principal Accounting Officer

Dated : xx September 2024
Ararat

In our opinion, the accompanying financial statements present fairly the financial transactions of the Ararat Rural City Council for the year ended 30 June 2024 and the financial position of the Council as at that date.

At the date of signing, we are not aware of any circumstances that would render any particulars in the financial statements to be misleading or inaccurate.

We have been authorised by the Council and by the *Local Government (Planning and Reporting) Regulations 2020* to certify the financial statements in their final form.

Bob Sanders
Councillor

Dated : xx September 2024
Ararat

Jo Armstrong
Councillor

Dated : xx September 2024
Ararat

Dr Tim Harrison
Chief Executive Officer

Dated : xx September 2024
Ararat

*Ararat Rural City Council
2023/2024 Financial Report*

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*Ararat Rural City Council
2023/2024 Financial Report*

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Ararat Rural City Council
2023/2024 Financial Report

Comprehensive Income Statement For the Year Ended 30 June 2024

	Note	2024 \$'000	2023 \$'000
Income / revenue			
Rates and charges	3.1	17,883	17,696
Statutory fees and fines	3.2	369	220
User fees	3.3	1,620	1,556
Grants - operating	3.4	3,146	13,257
Grants - capital	3.4	2,329	4,532
Contributions - monetary	3.5	1,190	181
Net gain (or loss) on disposal of property, infrastructure, plant and equipment	3.6	23	185
Fair value adjustments for investment property	6.3	46	162
Share of net profits (or loss) of joint ventures	6.2	(3)	1
Other income	3.7	744	655
Total income / revenue		27,347	38,445
Expenses			
Employee costs	4.1	11,973	11,050
Materials and services	4.2	11,595	13,123
Depreciation	4.3	9,778	9,123
Depreciation - right of use assets	4.4	149	-
Borrowing costs	4.5	44	33
Finance costs - leases	4.6	35	-
Other expenses	4.7	399	353
Total expenses		33,973	33,682
Surplus/(deficit) for the year		(6,626)	4,763
Other comprehensive income			
Items that will not be reclassified to surplus or deficit in future periods			
Net asset revaluation gain/(loss)	6.1	8,340	14,518
Total other comprehensive income		8,340	14,518
Total comprehensive result		1,714	19,281

The above comprehensive income statement should be read in conjunction with the accompanying notes.

Ararat Rural City Council
2023/2024 Financial Report

Balance Sheet As at 30 June 2024

	Note	2024 \$'000	2023 \$'000
Assets			
Current assets			
Cash and cash equivalents	5.1	3,049	11,457
Trade and other receivables	5.1	5,212	4,509
Other financial assets	5.1	3,040	8,002
Inventories	5.2	71	74
Prepayments	5.2	360	15
Total current assets		11,732	24,057
Non-current assets			
Trade and other receivables	5.1	5	7
Investments in joint arrangements	6.2	498	501
Property, infrastructure, plant and equipment	6.1	308,261	295,269
Right-of-use assets	5.7	1,359	-
Investment property	6.3	1,535	1,661
Total non-current assets		311,658	297,438
Total assets		323,390	321,495
Liabilities			
Current liabilities			
Trade and other payables	5.3	1,024	1,765
Trust funds and deposits	5.3	303	305
Contract and other liabilities	5.3	3,372	3,068
Provisions	5.5	2,104	2,084
Interest-bearing liabilities	5.4	150	253
Lease liabilities	5.7	275	-
Total current liabilities		7,228	7,475
Non-current liabilities			
Provisions	5.5	293	123
Interest-bearing liabilities	5.4	156	998
Lease liabilities	5.7	1,100	-
Total non-current liabilities		1,549	1,121
Total liabilities		8,777	8,596
Net assets		314,613	312,899
Equity			
Accumulated surplus		98,126	92,600
Reserves	9.1	216,487	220,299
Total Equity		314,613	312,899

The above balance sheet should be read in conjunction with the accompanying notes.

Ararat Rural City Council
2023/2024 Financial Report

Statement of Changes in Equity For the Year Ended 30 June 2024

2024	Note	Total \$'000	Accumulated Surplus \$'000	Revaluation Reserve \$'000	Other Reserves \$'000
Balance at beginning of the financial year		312,899	92,600	199,783	20,516
Surplus/(deficit) for the year		(6,626)	(6,626)	-	-
Net asset revaluation gain/(loss)	6.1	8,340	-	8,340	-
Transfers to other reserves	9.1	-	(2,628)	-	2,628
Transfers from other reserves	9.1	-	14,780	-	(14,780)
Balance at end of the financial year		314,613	98,126	208,123	8,364

2023		Total \$'000	Accumulated Surplus \$'000	Revaluation Reserve \$'000	Other Reserves \$'000
Balance at beginning of the financial year		293,618	86,349	185,265	22,004
Surplus/(deficit) for the year		4,763	4,763	-	-
Net asset revaluation gain/(loss)	6.1	14,518	-	14,518	-
Transfers to other reserves	9.1	-	(14,845)	-	14,845
Transfers from other reserves	9.1	-	16,333	-	(16,333)
Balance at end of the financial year		312,899	92,600	199,783	20,516

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Ararat Rural City Council
2023/2024 Financial Report

Statement of Cash Flows For the Year Ended 30 June 2024

	Note	2024 Inflows/ (Outflows) \$'000	2023 Inflows/ (Outflows) \$'000
Cash flows from operating activities			
Rates and charges		17,520	17,480
Statutory fees and fines		368	221
User fees		1,985	1,627
Grants - operating		3,210	12,352
Grants - capital		2,226	1,406
Contributions - monetary		1,294	201
Interest received		589	515
Trust funds and deposits taken		428	352
Other receipts		162	149
Net GST refund/payment		2,011	1,774
Employee costs		(12,110)	(12,022)
Materials and services		(14,794)	(14,422)
Trust funds and deposits repaid		(431)	(399)
Other payments		(410)	(315)
Net cash provided by/(used in) operating activities	9.2	2,048	8,919
Cash flows from investing activities			
Payments for property, infrastructure, plant and equipment	6.1	(15,033)	(11,586)
Proceeds from sale of property, infrastructure, plant and equipment		788	488
Payments for investments		(3,040)	(8,500)
Proceeds from sale of investments		8,002	-
Net cash provided by/(used in) investing activities		(9,283)	(19,598)
Cash flows from financing activities			
Finance costs		(44)	(33)
Proceeds from borrowings		-	834
Repayment of borrowings		(945)	(180)
Interest paid - lease liability		(38)	-
Repayment of lease liabilities		(146)	-
Net cash provided by/(used in) financing activities		(1,173)	621
Net increase (decrease) in cash and cash equivalents		(8,408)	(10,058)
Cash and cash equivalents at the beginning of the financial year		11,457	21,515
Cash and cash equivalents at the end of the financial year	5.1	3,049	11,457

The above statement of cash flows should be read in conjunction with the accompanying notes.

Ararat Rural City Council
2023/2024 Financial Report

Statement of Capital Works For the Year Ended 30 June 2024

	Note	2024 \$'000	2023 \$'000
Property			
Land		88	-
Land improvements		608	-
Buildings		3,108	3,543
Total property		3,804	3,543
Plant and equipment			
Plant, machinery and equipment		581	1,900
Library books		45	44
Total plant and equipment		626	1,944
Infrastructure			
Roads		8,599	5,300
Bridges		1,025	548
Footpaths and cycleways		732	221
Drainage		247	30
Total infrastructure		10,603	6,099
Total capital works expenditure	6.1	15,033	11,586
Represented by:			
New asset expenditure		2,847	3,290
Asset renewal expenditure		10,247	6,990
Asset upgrade expenditure		1,939	1,306
Total capital works expenditure		15,033	11,586

The above statement of capital works should be read in conjunction with the accompanying notes.

Ararat Rural City Council
2023/2024 Financial Report

Notes to the Financial Report For the Year Ended 30 June 2024

Note 1 OVERVIEW

Introduction

The Ararat Rural City Council was established by an Order of the Governor in Council on 22 September 1994 and is a body corporate. The Council's main office is located at 59 Vincent Street, Ararat.

Statement of compliance

These financial statements are a general purpose financial report that consists of a Comprehensive Income Statement, Balance Sheet, Statement of Changes in Equity, Statement of Cash Flows, Statement of Capital Works and Notes accompanying these financial statements. The general purpose financial report complies with the Australian Accounting Standards (AAS), other authoritative pronouncements of the Australian Accounting Standards Board, the *Local Government Act 2020*, and the *Local Government (Planning and Reporting) Regulations 2020*.

The Council is a not-for-profit entity and therefore applies the additional AUS paragraphs applicable to a not-for-profit entity under the Australian Accounting Standards.

Accounting policy information

1.1 Basis of accounting

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported. Specific accounting policies applied are disclosed in sections where the related balance or financial statement matter is disclosed.

The accrual basis of accounting has been used in the preparation of these financial statements, except for the cash flow information, whereby assets, liabilities, equity, income and expenses are recognised in the reporting period to which they relate, regardless of when cash is received or paid.

The financial statements are based on the historical cost convention unless a different measurement basis is specifically disclosed in the notes to the financial statements.

The financial statements have been prepared on a going concern basis. The financial statements are in Australian dollars. The amounts presented in the financial statements have been rounded to the nearest thousand dollars unless otherwise specified. Minor discrepancies in tables between totals and the sum of components are due to rounding.

Judgements, estimates and assumptions are required to be made about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated judgements are based on professional judgement derived from historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

Revisions to accounting estimates are recognised in the period in which the estimate is revised and also in future periods that are affected by the revision. Judgements and assumptions made by management in the application of AAS's that have significant effects on the financial statements and estimates relate to:

- the fair value of land, buildings, infrastructure, plant and equipment (refer to Note 6.1)
- the determination of depreciation for buildings, infrastructure, plant and equipment (refer to Note 6.1)
- the determination of employee provisions (refer to Note 5.5)
- the determination of whether performance obligations are sufficiently specific so as to determine whether an arrangement is within the scope of AASB 15 Revenue from Contracts with Customers or AASB 1058 Income of Not-for-Profit Entities (refer to Note 3)
- the determination, in accordance with AASB 16 Leases, of the lease term, the estimation of the discount rate when not implicit in the lease and whether an arrangement is in substance short-term or low value (refer to Note 5.7)
- other areas requiring judgements

Unless otherwise stated, all accounting policies are consistent with those applied in the prior year. Where appropriate, comparative figures have been amended to accord with current presentation, and disclosure has been made of any material changes to comparatives.

Goods and Services Tax (GST)

Income and expenses are recognised net of the amount of associated GST. Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Ararat Rural City Council
2023/2024 Financial Report

**Notes to the Financial Report
For the Year Ended 30 June 2024**

Note 2 ANALYSIS OF OUR RESULTS

2.1 Performance against budget

The performance against budget notes compare Council's financial plan, expressed through its annual budget, with actual performance. The *Local Government (Planning and Reporting) Regulations 2020* requires explanation of any material variances. Council has adopted a materiality threshold of \$250,000 where further explanation is warranted. Explanations have not been provided for variations below the materiality threshold unless the variance is considered to be material because of its nature.

These notes are prepared to meet the requirements of the *Local Government Act 2020* and the *Local Government (Planning and Reporting) Regulations 2020*.

2.1.1 Income / Revenue and expenditure

	Budget 2024 \$'000	Actual 2024 \$'000	Variance \$'000	Variance %	Ref
Income / Revenue					
Rates and charges	17,881	17,883	2	0%	
Statutory fees and fines	262	309	107	41%	
User fees	1,454	1,820	166	11%	
Grants - operating	7,748	3,146	(4,600)	-59%	1
Grants - capital	533	2,329	1,796	337%	2
Contributions - monetary	100	1,190	1,090	1090%	3
Net gain/(loss) on disposal of property, infrastructure, plant and equipment	28	23	(5)	-18%	
Fair value adjustments for investment property	-	46	46	-100%	
Share of net profits/(losses) of associates and joint ventures	-	(3)	(3)	-100%	
Other income	542	744	202	37%	
Total income / revenue	28,545	27,347	(1,198)	-4%	
Expenses					
Employee costs	11,134	11,973	839	8%	4
Materials and services	8,035	11,595	3,560	44%	5
Depreciation	7,492	9,778	2,286	31%	6
Depreciation - right of use assets	167	149	(18)	-11%	
Borrowing costs	11	44	33	300%	
Finance costs - leases	45	35	(10)	-22%	
Other expenses	385	399	34	9%	
Total expenses	27,249	33,973	6,724	25%	
Surplus/(deficit) for the year	1,296	(6,626)	(7,922)	-611%	

Ararat Rural City Council
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Notes to the Financial Report For the Year Ended 30 June 2024

(i) Explanation of material variations

Variance Ref	Item	Explanation
1	Grants - operating	Council has received \$6.500 million less than budget for financial assistance grants due to an advance payment of the annual allocation for 2023-2024 being received in June 2023, and no advance payment for 2024-2025 being received during 2023-2024. Council was successful in obtaining over \$2.000 million in grants that had not been budgeted for, including \$1.255 million for flood disaster relief claims submitted under the Disaster Recovery Funding Arrangements (DRFA).
2	Grants - capital	Council has undertaken several projects funded by the Local Roads and Community Infrastructure program, resulting in \$1.619 million being recognised in income.
3	Contributions - monetary	Moyne Shire Council received a Remote Roads grant to upgrade Chatsworth-Bolac Road. Since the asset is shared, half of the grant funds have been recognised as a contribution from Moyne Shire Council of \$1.018 million.
4	Employee costs	In 2023/2024 Council has incurred increased staffing costs associated with responding to bushfire emergency events, including the operation of relief and recovery centres. There has also been an increase in provisions for annual leave and long service leave resulting in additional expenditure of \$0.190 million, and Council has received government funding for additional staff positions that had not been included in the budget.
5	Materials and services	Materials and services are higher than budget with increased operating expenditure to deliver the outcomes for the additional operating grants, and to complete projects funded from income carried forward from the previous year. Council also incurred over \$0.300 million expenditure for emergency and reinstatement works, and operating relief and recovery centres in response to the February 2024 bushfire events.
6	Depreciation	The revaluation of infrastructure assets as at 30 June 2023 resulted in higher depreciation than had been budgeted for 2023-2024.

Ararat Rural City Council
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**Notes to the Financial Report
For the Year Ended 30 June 2024**

2.1.2 Capital works

	Budget 2024 \$'000	Actual 2024 \$'000	Variance \$'000	Variance %	Ref
Property					
Land	-	88	88	100%	
Land improvements	-	808	808	100%	1
Buildings	1,350	3,108	1,758	130%	2
Total property	1,350	3,804	2,454	182%	
Plant and equipment					
Plant, machinery and equipment	-	581	581	100%	3
Library books	40	45	5	13%	
Total plant and equipment	40	626	586	1465%	
Infrastructure					
Roads	7,000	8,599	1,599	23%	4
Bridges	-	1,025	1,025	100%	5
Footpaths and cycleways	400	732	332	83%	6
Drainage	750	247	(503)	-67%	7
Total infrastructure	8,150	10,603	2,453	30%	
Total capital works expenditure	9,540	15,033	5,493	58%	
Represented by:					
New asset expenditure	338	2,847	2,509	742%	
Asset renewal expenditure	7,876	10,247	2,371	30%	
Asset upgrade expenditure	1,326	1,939	613	46%	
Total capital works expenditure	9,540	15,033	5,493	58%	

(i) Explanation of material variations

Variance Ref	Item	Explanation
1	Land improvements	During the year Council has completed the upgrade of the playground at Alexandra Gardens and installation of a new playground at the Gordon Street Recreation Reserve.
2	Buildings	The Gordon Street Recreation Reserve development has now been completed with works totalling \$2.721 million undertaken during the financial year. The budget included \$0.950 million for redevelopment of the Ararat Fitness Centre which has not commenced.
3	Plant, machinery and equipment	The budget for 2023-2024 was prepared with the intention that Council would lease rather than purchase to meet its plant and equipment needs. However during the year there have been occasions where Council has opted to purchase plant and equipment rather than entering a lease.
4	Roads	Moyne Shire Council completed works on Chatsworth-Bolac Road with Council's share of the asset upgrade totalling \$1.273 million.
5	Bridges	The installation of the Helendoite Road bridge has now been completed with \$0.681 million spent during the financial year. Additional renewal of major culverts of almost \$0.400 million have been undertaken funded from income carried forward from the previous year.
6	Footpaths and cycleways	Council has completed additional footpath works from funds carried forward from the previous year.
7	Drainage	Contractors have been engaged and funds have been committed to undertake drainage works in Walkerville Street and Wileman Street in Willaura, and for Queen Street stormwater drainage in Ararat during 2024-2025.

Notes to the Financial Report For the Year Ended 30 June 2024

2.2 Analysis of Council results by program

Council delivers its functions and activities through the following programs.

2.2.1 Growing our place

The program brings together the planning, building and environmental health service areas to align Council's strategic objectives to support growth, community amenity, and public health.

Building robust local economies

The program combines Council's economic development and tourism services to elevate the region's status as an agriculture powerhouse that drives high yield returns for producers and operators in the Grampians.

Preserving our environment

The program combines waste management, sustainability, parks and gardens and emergency management, delivering a circular economy strategy via Revolution Ararat, revitalising our public parks, and preparedness planning for fire and flood.

Developing and maintaining key enabling infrastructure

The program provides project design and management, property maintenance, city services, road maintenance, major and minor plant, infrastructure works and asset management to support infrastructure upgrades and renewal that underpin freight efficiency and town development.

Enhancing community life

The program recognises the role of arts, culture, education, and community participation in enhancing community life, and is responsible for managing our cultural venues, library services, positive ageing programs, children's services, public recreation, and community events support.

Strong and effective governance

The program is focused on establishing a strong governance framework that secures public value through efficient financial management, rating, procurement, council operations, civic functions, and public engagement.

Ararat Rural City Council
2023/2024 Financial Report

**Notes to the Financial Report
For the Year Ended 30 June 2024**

2.2.2 Summary of income / revenue, expenses, assets and capital expenses by program

	Income / revenue	Expenses	Surplus / (deficit)	Grants included in income / revenue	Total assets
	\$'000	\$'000	\$'000	\$'000	\$'000
2024					
Growing our place	716	1,047	(331)	229	-
Building robust local economies	26	493	(467)	3	500
Preserving our environment	3,715	5,850	(2,135)	75	675
Developing and maintaining key enabling infrastructure	2,617	16,259	(13,642)	2,330	288,455
Enhancing community life	3,822	4,572	(950)	2,591	21,573
Strong and effective governance	16,851	5,752	10,899	247	12,187
	27,347	33,973	(6,626)	5,475	323,390

	Income / revenue	Expenses	Surplus / (deficit)	Grants included in income / revenue	Total assets
	\$'000	\$'000	\$'000	\$'000	\$'000
2023					
Growing our place	530	780	(230)	153	-
Building robust local economies	934	1,708	(774)	906	500
Preserving our environment	3,552	5,226	(1,674)	801	3
Developing and maintaining key enabling infrastructure	6,043	16,463	(10,420)	5,974	274,633
Enhancing community life	4,966	3,993	973	4,011	21,319
Strong and effective governance	22,420	5,532	16,888	5,944	25,040
	38,445	33,682	4,763	17,789	321,495

Ararat Rural City Council
2023/2024 Financial Report

**Notes to the Financial Report
For the Year Ended 30 June 2024**

Note 3 FUNDING FOR THE DELIVERY OF OUR SERVICES	2024	2023
3.1 Rates and charges	\$'000	\$'000

Council uses the Capital Improved Valuation as the basis of valuation of all properties within the municipal district. The Capital Improved Valuation of a property is its approximate market value at a given date of 1 January 2023.

The valuation base used to calculate general rates for 2023/24 was \$6,739 million (2022/23 \$6,161 million). The 2023/24 rate in the Capital Improved Valuation dollar was General 0.3508, Farm 0.1333, Commercial 0.5052, and Industrial 0.5052 (2022/23 General 0.3960, Farm 0.1426, Commercial 0.5702, and Industrial 0.5702).

Council has delivered a net zero percent rate rise for the six year period up to 2023-2024, with the minimal growth in general rates and charges resulting from supplementary rates adjustments.

General	7,070	6,978
Commercial	745	751
Industrial	240	223
Farm	6,054	6,060
Municipal charge	635	628
Waste management charge	2,422	2,375
Interest on rates and charges	164	160
Revenue in lieu of rates	553	521
Total rates and charges	17,883	17,696

The date of the general revaluation of land for rating purposes within the municipal district was 1 January 2023 and the valuation was first applied in the rating year commencing 1 July 2023.

Annual rates and charges are recognised as income when Council issues annual rates notices. Supplementary rates are recognised when a valuation and reassessment is completed and a supplementary rates notice issued.

3.2 Statutory fees and fines

Infringements and costs	23	4
Town planning fees	300	179
Land information certificates	14	15
Permits	32	22
Total statutory fees and fines	369	220

Statutory fees and fines are recognised as income when the service has been provided, the payment is received, or when the penalty has been applied, whichever first occurs.

3.3 User fees

Aged and health services	-	3
Leisure centre and recreation	529	512
Child care/children's programs	5	6
Registration and other permits	134	148
Building services	53	57
Waste management services	491	336
Ararat Town Hall Charges	145	115
Visitor Information Centre	6	5
Alexandra Oval	109	110
Road occupancy	11	7
Private Works	3	32
Other fees and charges	134	225
Total user fees	1,620	1,556

User fees by timing of revenue recognition

User fees recognised at a point in time	1,620	1,556
Total user fees	1,620	1,556

User fees are recognised as revenue at a point in time, or over time, when (or as) the performance obligation is satisfied. Recognition is based on the underlying contractual terms.

Ararat Rural City Council
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**Notes to the Financial Report
For the Year Ended 30 June 2024**

	2024 \$'000	2023 \$'000
3.4 Funding from other levels of government		
Grants were received in respect of the following:		
Summary of grants		
Commonwealth funded grants	2,180	10,543
State funded grants	3,295	7,246
Total grants received	5,475	17,789
(a) Operating Grants		
<i>Recurrent - Commonwealth Government</i>		
Financial Assistance Grants	328	9,319
<i>Recurrent - State Government</i>		
Aged care	4	25
School crossing supervisors	15	15
Libraries	155	149
Maternal and child health	457	339
Environment	82	254
Culture	140	140
Administration	45	45
Total recurrent operating grants	1,226	10,286
<i>Non-recurrent - Commonwealth Government</i>		
Community development	10	17
<i>Non-recurrent - State Government</i>		
Natural disaster	1,255	-
Community development	182	875
Libraries	-	26
Maternal and child health	95	106
Environment	-	921
Employment	82	16
Planning and development	310	1,006
Recreation	26	204
Total non-recurrent operating grants	1,920	2,971
Total operating grants	3,146	13,257
(b) Capital Grants		
<i>Recurrent - Commonwealth Government</i>		
Roads to recovery	222	477
Total recurrent capital grants	222	477
<i>Non-recurrent - Commonwealth Government</i>		
Transport	158	680
Recreation	1,462	50
<i>Non-recurrent - State Government</i>		
Transport	419	531
Recreation	68	2,662
Waste management	-	132
Total non-recurrent capital grants	2,107	4,055
Total capital grants	2,329	4,532

Ararat Rural City Council
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**Notes to the Financial Report
For the Year Ended 30 June 2024**

(c) Recognition of grant income

Before recognising funding from government grants as revenue the Council assesses whether there is a contract that is enforceable and has sufficiently specific performance obligations in accordance with AASB 15 Revenue from Contracts with Customers. When both these conditions are satisfied, the Council:

- identifies each performance obligation relating to revenue under the contract/agreement;
- determines the transaction price;
- recognises a contract liability for its obligations under the agreement; and
- recognises revenue as it satisfies its performance obligations, at the point in time or over time when services are rendered.

Where the contract is not enforceable and/or does not have sufficiently specific performance obligations, the Council applies AASB 1058 Income of Not-for-Profit Entities.

Grant revenue with sufficiently specific performance obligations is recognised over time as the performance obligations specified in the underlying agreement are met. Where performance obligations are not sufficiently specific, grants are recognised on the earlier of receipt or when an unconditional right to receipt has been established. Grants relating to capital projects are generally recognised progressively as the capital project is completed. The following table provides a summary of the accounting framework under which grants are recognised.

	2024	2023
	\$'000	\$'000
Income recognised under AASB 1058 Income of Not-for-Profit Entities		
General purpose	328	9,319
Specific purpose grants to acquire non-financial assets	2,329	4,532
Other specific purpose grants	2,085	2,053
Revenue recognised under AASB 15 Revenue from Contracts with Customers		
Specific purpose grants	723	1,885
	<u>5,475</u>	<u>17,789</u>

(d) Unspent grants received on condition that they be spent in a specific manner

Operating

Balance at start of year	2,593	3,581
Received during the financial year and remained unspent at balance date	578	557
Received in prior years and spent during the financial year	(190)	(1,525)
Balance at year end	<u>2,981</u>	<u>2,593</u>

Capital

Balance at start of year	475	3,614
Received during the financial year and remained unspent at balance date	391	151
Received in prior years and spent during the financial year	(475)	(3,290)
Balance at year end	<u>391</u>	<u>475</u>

Unspent grants are determined and disclosed on a cash basis.

Ararat Rural City Council
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**Notes to the Financial Report
For the Year Ended 30 June 2024**

	2024	2023
	\$'000	\$'000
3.5 Contributions		
Monetary	1,190	181
Total contributions	<u>1,190</u>	<u>181</u>

Monetary and non monetary contributions are recognised as income at their fair value when Council obtains control over the contributed asset.

3.6 Net gain/(loss) on disposal of property, infrastructure, plant and equipment

Proceeds of sale	788	488
Written down value of assets disposed	(765)	(303)
Total net gain/(loss) on disposal of property, infrastructure, plant and equipment	<u>23</u>	<u>185</u>

The profit or loss on sale of an asset is determined when control of the asset has passed to the buyer.

3.7 Other income

Interest	589	515
Investment property rental	155	140
Total other income	<u>744</u>	<u>655</u>

Interest is recognised as it is earned.

Other income is measured at the fair value of the consideration received or receivable and is recognised when Council gains control over the right to receive the income.

Ararat Rural City Council
2023/2024 Financial Report

**Notes to the Financial Report
For the Year Ended 30 June 2024**

Note 4 THE COST OF DELIVERING SERVICES

4.1 (a) Employee costs

	2024 \$'000	2023 \$'000
Wages and salaries	10,532	9,817
WorkCover	200	142
Superannuation	1,163	1,032
Fringe benefits tax	78	59
Total employee costs	11,973	11,050

(b) Superannuation

Council made contributions to the following funds:

Defined benefit fund

Employer contributions to Local Authorities Superannuation Fund (Vision Super)	14	14
	14	14

Employer contributions payable at reporting date.

Accumulation funds

Employer contributions to Local Authorities Superannuation Fund (Vision Super)	678	681
Employer contributions - other funds	473	357
	1,149	1,018

Employer contributions payable at reporting date.

Contributions made exclude amounts accrued at balance date. Refer to note 9.3 for further information relating to Council's superannuation obligations.

4.2 Materials and services

Materials and services	7,956	8,843
Contract payments	690	1,572
Plant and equipment maintenance	1,702	1,682
Utilities	785	655
Consultants	462	371
Total materials and services	11,595	13,123

Expenses are recognised as they are incurred and reported in the financial year to which they relate.

4.3 Depreciation

Property	1,955	1,824
Plant and equipment	916	929
Infrastructure	6,907	6,370
Total depreciation	9,778	9,123

Refer to note 5.7 and 6.1 for a more detailed breakdown of depreciation and accounting policy.

Ararat Rural City Council
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**Notes to the Financial Report
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	2024 \$'000	2023 \$'000
4.4 Depreciation - Right of use assets		
Plant and equipment	149	-
Total Depreciation - Right of use assets	149	-
4.5 Borrowing costs		
Interest - Borrowings	44	33
Total borrowing costs	44	33
Borrowing costs are recognised as an expense in the period in which they are incurred, except where they are capitalised as part of a qualifying asset constructed by Council.		
4.6 Finance Costs - Leases		
Interest - Lease Liabilities	35	-
Total finance costs	35	-
4.7 Other expenses		
Auditors' remuneration - VAGO - audit of the financial statements, performance statement and grant acquittals	55	43
Auditors' remuneration - Other External Audits	1	1
Auditors' remuneration - Internal Audit	91	71
Councillors' allowances	252	238
Total other expenses	399	353

Ararat Rural City Council
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**Notes to the Financial Report
For the Year Ended 30 June 2024**

Note 5 INVESTING IN AND FINANCING OUR OPERATIONS	2024	2023
5.1 Financial assets	\$'000	\$'000
(a) Cash and cash equivalents		
Cash on hand	4	4
Cash at bank	3,045	5,445
Term deposits	-	6,008
Total cash and cash equivalents	3,049	11,457
(b) Other financial assets		
Current		
Term deposits	3,040	8,002
Total current other financial assets	3,040	8,002
Total other financial assets	3,040	8,002
Total cash and cash equivalents and other financial assets	6,089	19,459

Cash and cash equivalents include cash on hand, deposits at call, and other highly liquid investments with original maturities of three months or less, net of outstanding bank overdrafts.

Other financial assets are valued at fair value, at balance date. Term deposits are measured at original cost. Any unrealised gains and losses on holdings at balance date are recognised as either a revenue or expense.

Other financial assets include term deposits and those with original maturity dates of three to 12 months are classified as current, whilst term deposits with maturity dates greater than 12 months are classified as non-current.

Ararat Rural City Council
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**Notes to the Financial Report
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	2024	2023
	\$'000	\$'000
(c) Trade and other receivables		
Current		
<i>Statutory receivables</i>		
Rates debtors	2,320	1,955
Net GST receivable	403	308
<i>Non statutory receivables</i>		
Other debtors	2,489	2,246
Total current trade and other receivables	<u>5,212</u>	<u>4,509</u>
Non-current		
<i>Statutory receivables</i>		
Special rate scheme	5	7
Total non-current trade and other receivables	<u>5</u>	<u>7</u>
Total trade and other receivables	<u>5,217</u>	<u>4,516</u>

Short term receivables are carried at invoice amount. An allowance for expected credit losses is recognised based on past experience and other objective evidence of expected losses. Long term receivables are carried at amortised cost using the effective interest rate method.

(d) Ageing of Receivables

The ageing of the Council's trade and other receivables (excluding statutory receivables) that are not impaired was:

Current (not yet due)	2,367	2,229
Past due by up to 30 days	102	3
Past due between 31 and 180 days	12	14
Past due between 181 and 365 days	3	-
Past due by more than 1 year	5	-
Total trade and other receivables	<u>2,489</u>	<u>2,246</u>

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**Notes to the Financial Report
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5.2 Non-financial assets	2024	2023
	\$'000	\$'000
(a) Inventories		
Inventories held for sale	23	23
Inventories held for distribution	48	51
Total inventories	<u>71</u>	<u>74</u>

Inventories held for distribution are measured at cost, adjusted when applicable for any loss of service potential. All other inventories are measured at the lower of cost and net realisable value. Where inventories are acquired for no cost or nominal consideration, they are measured at current replacement cost at the date of acquisition.

(b) Other assets		
Prepayments	380	15
Total other assets	<u>380</u>	<u>15</u>

5.3 Payables, trust funds and deposits and contract and other liabilities

(a) Trade and other payables		
Current		
<i>Non-statutory payables</i>		
Trade payables	689	1,589
Accrued expenses	335	176
Total current trade and other payables	<u>1,024</u>	<u>1,765</u>

(b) Trust funds and deposits		
Current		
Refundable deposits	51	108
Fire services levy	90	33
Retention amounts	69	45
Other refundable deposits	93	119
Total current trust funds and deposits	<u>303</u>	<u>305</u>

(c) Contract and other liabilities		
Contract liabilities		
Current		
Grants received in advance - operating	2,981	2,593
Grants received in advance - capital	391	475
Total contract liabilities	<u>3,372</u>	<u>3,068</u>

Ararat Rural City Council
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Notes to the Financial Report For the Year Ended 30 June 2024

Trust funds and deposits

Amounts received as deposits and retention amounts controlled by Council are recognised as trust funds until they are returned, transferred in accordance with the purpose of the receipt, or forfeited. Trust funds that are forfeited, resulting in council gaining control of the funds, are to be recognised as revenue at the time of forfeit.

Contract liabilities

Contract liabilities reflect consideration received in advance from customers in respect of government grants. Contract liabilities are derecognised and recorded as revenue when promised goods and services are transferred to the customer. Refer to Note 3.

Purpose and nature of items

Refundable deposits - Deposits are taken by council as a form of surety in a number of circumstances, including in relation to building works and for the use of civic facilities.

Fire Service Levy - Council is the collection agent for fire services levy on behalf of the State Government. Council remits amounts received on a quarterly basis. Amounts disclosed here will be remitted to the state government in line with that process.

Retention Amounts - Council has a contractual right to retain certain amounts until a contractor has met certain requirements or a related warrant or defect period has elapsed. Subject to the satisfactory completion of the contractual obligations, or the elapsing of time, these amounts will be paid to the relevant contractor in line with Council's contractual obligations.

5.4 Interest-bearing liabilities

	2024 \$'000	2023 \$'000
Current		
Other borrowings - secured	150	253
Total current interest-bearing liabilities	<u>150</u>	<u>253</u>
Non-current		
Other borrowings - secured	156	998
Total non-current interest-bearing liabilities	<u>156</u>	<u>998</u>
Total	<u>306</u>	<u>1,251</u>

Borrowings are secured by Council's rates

(a) The maturity profile for Council's borrowings is:

Not later than one year	150	253
Later than one year and not later than five years	156	998
	<u>306</u>	<u>1,251</u>

Borrowings are initially measured at fair value, being the cost of the interest bearing liabilities, net of transaction costs. The measurement basis subsequent to initial recognition depends on whether the Council has categorised its interest-bearing liabilities as either financial liabilities designated at fair value through the profit and loss, or financial liabilities at amortised cost. Any difference between the initial recognised amount and the redemption value is recognised in net result over the period of the borrowing using the effective interest method. The classification depends on the nature and purpose of the interest bearing liabilities. The Council determines the classification of its interest bearing liabilities based on contractual repayment terms at every balance date.

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**Notes to the Financial Report
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5.5 Provisions

	2024	2023
	\$ '000	\$ '000
Employee		
Balance at beginning of the financial year	2,207	2,429
Additional provisions	1,266	1,067
Amounts used	<u>(1,076)</u>	<u>(1,309)</u>
Balance at the end of the financial year	<u>2,397</u>	<u>2,207</u>
<i>Provisions - current</i>	2,104	2,084
<i>Provisions - non-current</i>	293	123
(a) Employee provisions		
Current provisions expected to be wholly settled within 12 months		
Annual leave	688	627
Other leave	<u>76</u>	<u>74</u>
	<u>774</u>	<u>701</u>
Current provisions expected to be wholly settled after 12 months		
Annual leave	225	218
Long service leave	<u>1,105</u>	<u>1,165</u>
	<u>1,330</u>	<u>1,383</u>
Total current employee provisions	<u>2,104</u>	<u>2,084</u>
Non-current		
Long service leave	293	123
Total non-current employee provisions	<u>293</u>	<u>123</u>
Aggregate carrying amount of employee provisions:		
Current	2,104	2,084
Non-current	293	123
Total aggregate carrying amount of employee provisions	<u>2,397</u>	<u>2,207</u>

The calculation of employee costs and benefits includes all relevant on-costs and are calculated as follows at reporting date.

Annual leave

A liability for annual leave is recognised in the provision for employee benefits as a current liability because the Council does not have an unconditional right to defer settlement of the liability. Liabilities for annual leave are measured at:
- nominal value if the Council expects to wholly settle the liability within 12 months
- present value if the Council does not expect to wholly settle within 12 months.

Liabilities that are not expected to be wholly settled within 12 months of the reporting date are recognised in the provision for employee benefits as current liabilities, measured at the present value of the amounts expected to be paid when the liabilities are settled using the remuneration rate expected to apply at the time of settlement.

Long service leave

Liability for long service leave (LSL) is recognised in the provision for employee benefits. Unconditional LSL is disclosed as a current liability as the Council does not have an unconditional right to defer settlement. Unconditional LSL is measured at nominal value if expected to be settled within 12 months or at present value if not expected to be settled within 12 months. Conditional LSL that has been accrued, where an employee is yet to reach a qualifying term of employment, is disclosed as a non-current liability and measured at present value.

Key assumptions:

- discount rate	4.35%	4.06%
- index rate	4.45%	4.35%

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**Notes to the Financial Report
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5.6 Commitments

The Council has entered into the following commitments. Commitments are not recognised in the Balance Sheet. Commitments are disclosed at their nominal value and presented inclusive of the GST payable.

2024	Not later than	Later than 1	Later than 2	Later than 5	Total
	1 year	year and not	years and not		
	\$'000	later than 2	later than 5	\$'000	\$'000
		years	years		
Operating					
Consultancies	89	-	-	-	89
Digital Twin Victoria Monitoring Project	225	-	-	-	225
Total	294	-	-	-	294
Capital					
Buildings	87	-	-	-	87
Roads	246	-	-	-	246
Drainage	207	-	-	-	207
Digital Twin Victoria Equipment	132	-	-	-	132
Total	652	-	-	-	652
2023					
	Not later than	Later than 1	Later than 2	Later than 5	Total
	1 year	year and not	years and not	years	
	\$'000	later than 2	later than 5	\$'000	\$'000
		years	years		
Operating					
Consultancies	58	-	-	-	58
Total	58	-	-	-	58
Capital					
Land	73	-	-	-	73
Land improvements	507	-	-	-	507
Buildings	2,289	-	-	-	2,289
Plant and equipment	51	-	-	-	51
Roads	2,003	-	-	-	2,003
Drainage	843	-	-	-	843
Footpaths and cycleways	142	-	-	-	142
Total	5,688	-	-	-	5,688

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5.7 Leases

At inception of a contract, Council assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To identify whether a contract conveys the right to control the use of an identified asset, it is necessary to assess whether:

- The contract involves the use of an identified asset;
- Council has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- Council has the right to direct the use of the asset.

This policy is applied to contracts entered into, or changed, on or after 1 July 2019.

As a lessee, Council recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost which comprises the initial amount of the lease liability adjusted for:

- any lease payments made at or before the commencement date less any lease incentives received; plus
- any initial direct costs incurred; and
- an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, an appropriate incremental borrowing rate. Generally, Council uses an appropriate incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under a residual value guarantee; and
- The exercise price under a purchase option that Council is reasonably certain to exercise, lease payments in an optional renewal period if Council is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless Council is reasonably certain not to terminate early.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

<i>Right-of-Use Assets - Plant & Equipment</i>	2024	2023
	\$'000	\$'000
Opening balance	-	-
Additions	1,508	-
Depreciation charge	(149)	-
Closing balance	<u>1,359</u>	-
<i>Lease Liabilities</i>		
Maturity analysis - contractual undiscounted cash flows		
Less than one year	348	-
One to five years	1,226	-
Total undiscounted lease liabilities as at 30 June:	<u>1,574</u>	-
Lease liabilities included in the Balance Sheet at 30		
Current	275	-
Non-current	1,100	-
Total lease liabilities	<u>1,375</u>	-

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For the Year Ended 30 June 2024

Note 6 ASSETS WE MANAGE

6.1 Property, infrastructure, plant and equipment

Summary of property, infrastructure, plant and equipment

	Carrying amount 30 June 2023 \$'000	Additions \$'000	Revaluation \$'000	Depreciation \$'000	Disposal \$'000	Transfers \$'000	Carrying amount 30 June 2024 \$'000
Property	69,456	3,712	2,356	(1,055)	-	3,583	77,152
Plant and equipment	8,690	626	-	(916)	(765)	-	7,635
Infrastructure	212,158	9,793	5,064	(6,907)	-	1,017	222,045
Work in progress	4,065	602	-	-	-	(4,438)	1,429
	295,269	15,033	8,340	(9,778)	(765)	162	308,261

Summary of Work in Progress

	Opening WIP \$'000	Additions \$'000	Transfers \$'000	Closing WIP \$'000
Property	3,503	92	(3,411)	184
Infrastructure	1,462	810	(1,027)	1,245
Total	4,965	902	(4,438)	1,429

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(a) Property

	Freehold Land	Controlled Land*	Land under roads	Land improvements	Total Land & Land Improvements	Building on freehold land	Building on controlled land*	Total Buildings	Work In Progress	Total Property
	\$'000	\$'000		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At fair value 1 July 2023	8,885	8,683	301	1,000	18,849	72,841	58,987	131,828	3,503	154,180
Accumulated depreciation at 1 July 2023	-	-	-	(618)	(618)	(47,323)	(33,280)	(80,603)	-	(81,221)
	8,885	8,683	301	382	18,231	25,518	25,707	51,225	3,503	72,959
Movements in fair value										
Additions	88	-	-	808	696	3,008	8	3,016	82	3,804
Revaluation	-	-	-	-	-	3,351	2,714	6,065	-	6,065
Transfers	100	-	-	241	401	3,138	44	3,182	(3,411)	172
	248	-	-	849	1,097	9,497	2,766	12,263	(3,319)	10,041
Movements in accumulated depreciation										
Depreciation and amortisation	-	-	-	(52)	(52)	(1,144)	(759)	(1,903)	-	(1,955)
Revaluation	-	-	-	-	-	(2,177)	(1,532)	(3,709)	-	(3,709)
	-	-	-	(52)	(52)	(3,321)	(2,291)	(5,612)	-	(5,664)
At fair value 30 June 2024	9,113	8,683	301	1,849	19,946	82,338	61,753	144,091	184	164,221
Accumulated depreciation at 30 June 2024	-	-	-	(670)	(670)	(50,644)	(35,571)	(86,215)	-	(86,885)
Carrying amount	9,113	8,683	301	1,179	19,276	31,694	26,182	57,876	184	77,336

* Controlled land is Crown land for which Council is Committee of Management

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(b) Plant and Equipment

	Plant machinery and equipment \$'000	Fixtures fittings and furniture \$'000	Library books \$'000	Artworks \$'000	Total plant and equipment \$'000
At fair value 1 July 2023	10,698	1,003	1,347	2,105	15,123
Accumulated depreciation at 1 July 2023	(4,681)	(839)	(813)	-	(6,433)
	<u>5,987</u>	<u>164</u>	<u>434</u>	<u>2,105</u>	<u>8,690</u>
Movements in fair value					
Additions	581	-	45	-	626
Disposal	(857)	-	-	-	(857)
	<u>(276)</u>	<u>-</u>	<u>45</u>	<u>-</u>	<u>(231)</u>
Movements in accumulated depreciation					
Depreciation and amortisation	(845)	(49)	(22)	-	(916)
Accumulated depreciation of disposals	92	-	-	-	92
	<u>(753)</u>	<u>(49)</u>	<u>(22)</u>	<u>-</u>	<u>(824)</u>
At fair value 30 June 2024	10,392	1,003	1,362	2,105	14,892
Accumulated depreciation at 30 June 2024	(5,434)	(888)	(835)	-	(7,257)
Carrying amount	<u>4,958</u>	<u>115</u>	<u>457</u>	<u>2,105</u>	<u>7,635</u>

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(c) Infrastructure

	Roads \$'000	Bridges \$'000	Footpaths and cycleways \$'000	Drainage \$'000	Work In Progress \$'000	Total Infrastructure \$'000
At fair value 1 July 2023	364,399	45,709	10,803	13,826	1,462	436,359
Accumulated depreciation at 1 July 2023	(188,566)	(21,523)	(4,887)	(7,683)	-	(222,739)
	175,833	24,246	5,916	6,263	1,462	213,620
Movements in fair value						
Additions	7,921	1,025	714	133	810	10,603
Revaluation	10,203	1,282	303	487	-	12,275
Transfers	531	486	-	-	(1,027)	(10)
	18,655	2,793	1,017	620	(217)	22,868
Movements in accumulated depreciation						
Depreciation and amortisation	(8,182)	(412)	(158)	(175)	-	(6,907)
Revaluation	(5,280)	(603)	(140)	(268)	-	(6,291)
	(11,442)	(1,015)	(298)	(443)	-	(13,198)
At fair value 30 June 2024	383,054	48,562	11,820	14,546	1,245	459,227
Accumulated depreciation at 30 June 2024	(200,008)	(22,538)	(5,285)	(8,106)	-	(235,937)
Carrying amount	183,046	26,024	6,535	6,440	1,245	223,290

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Acquisition

The purchase method of accounting is used for all acquisitions of assets, being the fair value of assets provided as consideration at the date of acquisition plus any incidental costs attributable to the acquisition. Fair value is the price that would be received to sell an asset (or paid to transfer a liability) in an orderly transaction between market participants at the measurement date. Refer also to Note 8.4 for further disclosure regarding fair value measurement.

Where assets are constructed by Council, cost includes all materials used in construction, direct labour, borrowing costs incurred during construction, and an appropriate share of directly attributable variable and fixed overheads.

In accordance with Council's policy, the threshold limits have applied when recognising assets within an applicable asset class and unless otherwise stated are consistent with the prior year.

	Depreciation Period	Threshold Limit
		\$'000
<i>Asset recognition thresholds and depreciation periods</i>		
Land & land improvements		
land	-	10,000
land under roads	-	10,000
land improvements	20 years	10,000
Buildings		
buildings	25 - 193 years	10,000
Plant and Equipment		
plant, machinery and equipment	5 - 25 years	3,000
fixtures, fittings and furniture	10 years	3,000
library books	20 years	1
Infrastructure		
roads - pavements and seals	10 - 50 years	10,000
roads - substructure, formation and earthworks	30 - 100 years	10,000
roads - kerb, channel and minor culverts and other	80 - 120 years	10,000
	100 - 125 years	10,000
bridges		
footpaths and cycleways	20 - 125 years	10,000
drainage	80 years	10,000

Land under roads

Land under roads acquired after 30 June 2008 are brought to account using the fair value basis. Council does not recognise land under roads that it controlled prior to that period in its financial report.

Depreciation and amortisation

Buildings, land improvements, plant and equipment, infrastructure, and other assets having limited useful lives are systematically depreciated over their useful lives to the Council in a manner which reflects consumption of the service potential embodied in those assets. Estimates of remaining useful lives and residual values are made on a regular basis with major asset classes reassessed annually. Depreciation rates and methods are reviewed annually.

Where assets have separate identifiable components that are subject to regular replacement, these components are assigned distinct useful lives and residual values and a separate depreciation rate is determined for each component.

Road earthworks are not depreciated on the basis that they are assessed as not having a limited useful life.

Artworks are not depreciated.

Straight line depreciation is charged based on the residual useful life as determined each year.

Depreciation periods used are listed above and are consistent with the prior year unless otherwise stated.

Repairs and maintenance

Where the repair relates to the replacement of a component of an asset and the cost exceeds the capitalisation threshold the cost is capitalised and depreciated. The carrying value of the replaced asset is expensed.

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Valuation of artworks

Valuation of artworks were undertaken by qualified independent valuer, Simon Storey Valuers.

The valuation is at fair value based on current replacement cost as at the date of valuation.

The date and type of the current valuation is detailed in the following table.

Details of Council's artworks and information about the fair value hierarchy as at 30 June 2024 are as follows:

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Date of Valuation	Type of Valuation
Artworks	-	2,105	-	Jun-23	full
Total	-	2,105	-		

Valuation of land and buildings

Valuation of land and buildings were undertaken by a qualified independent valuer, PW Newman Pty Ltd, Certified Practising Valuer 62050. The valuation of land and buildings is at fair value, being market value based on highest and best use permitted by relevant land planning provisions. Where land use is restricted through existing planning provisions the valuation is reduced to reflect this limitation. This adjustment is an unobservable input in the valuation. The adjustment has no impact on the comprehensive income statement.

Specialised land is valued at fair value using site values adjusted for englobo (undeveloped and/or unserviced) characteristics, access rights and private interests of other parties and entitlements of infrastructure assets and services. This adjustment is an unobservable input in the valuation. The adjustment has no impact on the comprehensive income statement.

Any significant movements in the unobservable inputs for land and land under roads will have a significant impact on the fair value of these assets.

The date and type of the current valuation is detailed in the following table. Indexed based revaluations were conducted in the previous year, based on the Valuer-General Victoria land indexation factors for land assets and based on the ABS Producer Price Index for building construction in Victoria for building assets. For 2023/24 the ABS Producer Price Index for building construction in Victoria was applied to revalue building assets, however no indexation was applied to land asset values due to minimal indexation rates. A full revaluation of land and building assets will be conducted in 2024/25.

Valuation of land improvements was undertaken as at 30 June 2023 by Council's Coordinator Strategic Asset Management & IT, Shaun Foy. The valuation is at fair value based on current replacement cost less accumulated depreciation as at the date of valuation.

Details of the Council's land and buildings and information about the fair value hierarchy as at 30 June 2024 are as follows:

	Level 1	Level 2	Level 3	Date of Valuation	Type of Valuation
Land	-	7,071	-	Jun-23	index
Specialised land	-	-	11,028	Jun-23	index
Land Improvements	-	-	1,179	Jun-23	full Council
Buildings	-	830	57,048	Jun-24	index
Total	-	7,901	69,251		

Valuation of infrastructure

Valuation of infrastructure assets has been determined in accordance with a valuation undertaken as at 30 June 2022 by Council's Coordinator Strategic Asset Management & IT, Shaun Foy.

The date and type of the current valuation is detailed in the following table. An index based revaluation was conducted in the current year, based on the ABS Producer Price Index for road and bridge construction in Victoria for roads, bridge and footpath assets and the ABS Producer Price Index for other heavy and civil engineering construction in Victoria for drainage assets. A full revaluation of these assets will be conducted in 2024/25.

The valuation is at fair value based on current replacement cost less accumulated depreciation as at the date of valuation.

Details of the Council's infrastructure and information about the fair value hierarchy as at 30 June 2024 are as follows:

	Level 1	Level 2	Level 3	Date of Valuation	Type of Valuation
Roads	-	-	183,048	Jun-24	index
Bridges	-	-	26,024	Jun-24	index
Footpaths and cycleways	-	-	8,535	Jun-24	index
Drainage	-	-	8,440	Jun-24	index
Total	-	-	222,045		

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Description of significant unobservable inputs into level 3 valuations

Specialised land and land under roads is valued using a market based direct comparison technique. Significant unobservable inputs include the extent and impact of restriction of use and the market cost of land per square metre. The extent and impact of restrictions on use varies and results in a reduction to surrounding land values between 15% and 80%. The market value of land varies significantly depending on the location of the land and the current market conditions.

Specialised buildings are valued using a current replacement cost technique. Significant unobservable inputs include the current replacement cost and remaining useful lives of buildings. The remaining useful lives of buildings are determined on the basis of the current condition of buildings and vary from 20 years to 193 years. Replacement cost is sensitive to changes in market conditions, with any increase or decrease in cost flowing through to the valuation. Useful lives of buildings are sensitive to changes in expectations or requirements that could either shorten or extend the useful lives of buildings.

Infrastructure assets are valued based on the current replacement cost. Significant unobservable inputs include the current replacement cost and remaining useful lives of infrastructure. The remaining useful lives of infrastructure assets are determined on the basis of the current condition of the asset and vary from 10 years to 120 years. Replacement cost is sensitive to changes in market conditions, with any increase or decrease in cost flowing through to the valuation. Useful lives of infrastructure are sensitive to changes in use, expectations or requirements that could either shorten or extend the useful lives of infrastructure assets.

	2024	2023
	\$'000	\$'000
Reconciliation of specialised land		
Land under roads	301	301
Parks and reserves	10,725	10,725
Total specialised land	11,026	11,026

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	2024	2023
	\$'000	\$'000

6.2 Investments in joint arrangements

(a) Investments in joint venture
- Ararat Housing Enterprise Pty Ltd

Ararat Housing Enterprise Pty Ltd
Background

Council has entered a joint venture with a private investor to address the availability of affordable housing for the growing labour force within the municipality, with the construction of 60 new homes over the next 15 years. The structure of the project will be to build four new houses a year for the next 15 years, with the purpose of leasing the properties for a period of four years and then selling the properties.

Fair value of Council's investment in Ararat Housing Enterprise Pty Ltd	498	501
Council's share of accumulated surplus/(deficit)		
Council's share of accumulated surplus/(deficit) at start of year	1	-
Reported surplus/(deficit) for year	(3)	1
Council's share of accumulated surplus/(deficit) at end of year	(2)	1
Movement in carrying value of specific investment		
Carrying value of investment at start of year	501	-
Share of surplus/(deficit) for year	(3)	1
Contribution to joint venture	-	500
Carrying value of investment at end of year	498	501

Interests in joint ventures are accounted for using the equity method. Under this method, the interests are initially recognised in the consolidated balance sheet at cost and adjusted thereafter to recognise Council's share of the post-acquisition profits or losses and movements in other comprehensive income in profit or loss and other comprehensive income respectively.

6.3 Investment property

Balance at beginning of financial year	1,661	1,499
Transfers	(172)	-
Fair value adjustments	46	162
Balance at end of financial year	1,535	1,661

Investment property is held to generate long-term rental yields. Investment property is measured initially at cost, including transaction costs. Costs incurred subsequent to initial acquisition are capitalised when it is probable that future economic benefit in excess of the originally assessed performance of the asset will flow to the Council. Subsequent to initial recognition at cost, investment property is carried at fair value, determined annually by independent valuers. Changes to fair value are recorded in the comprehensive income statement in the period that they arise.

Valuation of investment property

Valuation of investment property has been determined in accordance with an independent valuation by PW Newman Pty Ltd, Certified Practising Valuer 62050, who has recent experience in the location and category of the property being valued. The date of valuation is 30 June 2024. The valuation is at fair value, based on the current market value for the property.

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Note 7 PEOPLE AND RELATIONSHIPS

7.1 Council and key management remuneration

(a) Related Parties

Parent entity

Ararat Rural City Council

Subsidiaries and Joint arrangements

Interests in joint ventures are detailed in Note 6.2.

(b) Key Management Personnel

Key management personnel (KMP) are those people with the authority and responsibility for planning, directing and controlling the activities of Ararat Rural City Council. The Councillors, Chief Executive Officer and Senior Managers are deemed KMP.

Details of KMP at any time during the year are:

	2024 No.	2023 No.
Councillors		
Councillor Bob Sanders (Mayor)		
Councillor Jo Armstrong (Deputy Mayor)		
Councillor Gwenda Allgood		
Councillor Rob Armstrong		
Councillor Peter Beales		
Councillor Henry Burnidge		
Councillor Bill Waterston		
Chief Executive Officer		
Manager Development & Regulation		
Total Number of Councillors	7	7
Total of Chief Executive Officer and other Key Management Personnel	2	3
Total Number of Key Management Personnel	9	10

(c) Remuneration of Key Management Personnel

Remuneration comprises employee benefits including all forms of consideration paid, payable or provided by Council, or on behalf of the Council, in exchange for services rendered. Remuneration of Key Management Personnel and Other senior staff is disclosed in the following categories.

Short-term employee benefits include amounts such as wages, salaries, annual leave or sick leave that are usually paid or payable on a regular basis, as well as non-monetary benefits such as allowances and free or subsidised goods or services.

Other long-term employee benefits include long service leave, other long service benefits or deferred compensation.

Post-employment benefits include pensions, and other retirement benefits paid or payable on a discrete basis when employment has ceased.

Termination benefits include termination of employment payments, such as severance packages.

	2024 \$'000	2023 \$'000
Total remuneration of key management personnel was as follows:		
Short-term employee benefits	668	623
Other long-term employee benefits	17	12
Post-employment benefits	43	39
Total	728	674

The numbers of key management personnel whose total remuneration from Council and any related entities, fall within the following bands:

	2024 No.	2023 No.
\$20,000 - \$29,999	5	5
\$30,000 - \$39,999	-	1
\$50,000 - \$59,999	1	1
\$60,000 - \$69,999	1	-
\$70,000 - \$79,999	-	1
\$80,000 - \$89,999	-	1
\$190,000 - \$199,999	1	-
\$280,000 - \$289,999	1	1
	9	10

In accordance with accounting standards, the remuneration amounts include wages and salaries, employer superannuation contributions, vehicle benefits and movements in unused leave.

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(d) Remuneration of other senior staff

Other senior staff are officers of Council, other than Key Management Personnel, whose total remuneration exceeds \$170,000 and who report directly to a member of the KMP.

	2024 \$'000	2023 \$'000
Total remuneration of other senior staff was as follows:		
Short-term employee benefits	153	-
Other long-term employee benefits	5	-
Post-employment benefits	17	-
Total	<u>175</u>	<u>-</u>

The number of other senior staff are shown below in their relevant income bands:

Income Range:	2024 No.	2023 No.
\$170,000 - \$179,999	<u>1</u>	<u>-</u>

Total remuneration for the reporting year for other senior staff included above, amounted to:

	175	-
--	-----	---

7.2 Related party disclosure

(a) Transactions with related parties

During the period Council entered into the following transactions with related parties within normal customer relationships on terms and conditions no more favourable than those available in similar arm's length dealings.

	2024 \$'000	2023 \$'000
Remuneration to a related party of a Councillor. The employment was on normal terms and conditions of employment with Council.	-	3
Locksmith, engraving and site camera installation services supplied to Council by a business that is a related party of a Councillor.	4	8

(b) Outstanding balances with related parties

The following balances are outstanding at the end of the reporting period in relation to transactions with related parties

	-	-
--	---	---

(c) Loans to/from related parties

The aggregate amount of loans in existence at balance date that have been made, guaranteed or secured by the council to a related party are as follows:

	-	-
--	---	---

(d) Commitments to/from related parties

The aggregate amount of commitments in existence at balance date that have been made, guaranteed or secured by the council to a related party are as follows:

	-	-
--	---	---

**Notes to the Financial Report
For the Year Ended 30 June 2024**

Note 8 MANAGING UNCERTAINTIES

8.1 Contingent assets and liabilities

Contingent assets and contingent liabilities are not recognised in the Balance Sheet, but are disclosed and if quantifiable, are measured at nominal value. Contingent assets and liabilities are presented inclusive of GST receivable or payable, respectively.

(a) Contingent assets

Contingent assets are possible assets that arise from past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Council.

October 2022 Flood

Heavy rainfall during October 2022 resulted in damage to infrastructure assets within the municipality. Council undertook extensive works to reinstate all assets impaired by the event by 30 June 2023. At balance date Council had submitted claims for \$1.402 million in Disaster Recovery Funding Arrangements (DRFA). During the 2023-2024 financial year Council has recognised \$1.255 million in income for DRFA assistance for flood claims, however income for the remaining flood claims under assessment of \$0.147 million has not been recognised as income due to the level of uncertainty regarding the final amount of claims that will be approved.

February 2024 Bushfires

In February 2024 two significant bushfires impacted the municipality. Council has submitted claims totalling \$0.329 million in Disaster Recovery Funding Arrangements (DRFA) for costs incurred operating relief and recovery centres, and for the reinstatement of Council assets. Council has not recognised any income for DRFA assistance for bushfire claims, due to the level of uncertainty regarding the final amount of claims that will be approved.

(b) Contingent liabilities

Contingent liabilities are:

- possible obligations that arise from past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Council; or
- present obligations that arise from past events but are not recognised because:
 - it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
 - the amount of the obligation cannot be measured with sufficient reliability.

Superannuation

Council has obligations under a defined benefit superannuation scheme that may result in the need to make additional contributions to the scheme, matters relating to this potential obligation are outlined below. As a result of the volatility in financial markets the likelihood of making such contributions in future periods exists.

Gravel pits

Council operates a number of gravel pits. Council will have to carry out site rehabilitation works in the future. At balance date Council is unable to accurately assess the financial implications of such works.

Liability Mutual Insurance

Council is a participant of the MAV Liability Mutual Insurance (LMI) Scheme. The LMI scheme provides public liability and professional indemnity insurance cover. The LMI scheme states that each participant will remain liable to make further contributions to the scheme in respect of any insurance year in which it was a participant to the extent of its participant's share of any shortfall in the provision set aside in respect of that insurance year, and such liability will continue whether or not the participant remains a participant in future insurance years.

Notes to the Financial Report For the Year Ended 30 June 2024

8.2 Change in accounting standards

Certain new Australian Accounting Standards and interpretations have been published that are not mandatory for the 30 June 2024 reporting period. Council assesses the impact of these new standards.

In December 2022 the Australian Accounting Standards Board (AASB) issued AASB 2022-10 Amendments to Australian Accounting Standards - Fair Value Measurement of Non-Financial Assets of Not-for-Profit Public Sector Entities to modify AASB 13 Fair Value Measurement. AASB 2022-10 amends AASB 13 Fair Value Measurement for fair value measurements of non-financial assets of not-for-profit public sector entities not held primarily for their ability to generate net cash inflows. The AASB 13 modifications:

- are applicable only to not-for-profit public sector entities;
- are limited to fair value measurements of non-financial assets not held primarily for their ability to generate net cash inflows;
- are to be applied prospectively for annual periods beginning on or after 1 January 2024;
- would not necessarily change practice for some not-for-profit public sector entities; and
- do not indicate that entities changing practice in how they measure relevant assets made an error in applying the existing requirements of AASB 13.

Council will assess any impact of the modifications to AASB 13 ahead of the 2024-25 reporting period.

8.3 Financial instruments

(a) Objectives and policies

The Council's principal financial instruments comprise cash assets, term deposits, receivables (excluding statutory receivables), payables (excluding statutory payables) and bank borrowings. Details of the material accounting policy information and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument is disclosed in the notes of the financial statements. Risk management is carried out by senior management under policies approved by the Council. These policies include identification and analysis of the risk exposure to Council and appropriate procedures, controls and risk minimisation.

(b) Market risk

Market risk is the risk that the fair value or future cash flows of council financial instruments will fluctuate because of changes in market prices. The Council's exposure to market risk is primarily through interest rate risk with only insignificant exposure to other price risks and no exposure to foreign currency risk.

Interest rate risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. Council's interest rate liability risk arises primarily from long term loans and borrowings at fixed rates which exposes council to fair value interest rate risk. Council does not hold any interest bearing financial instruments that are measured at fair value, and therefore has no exposure to fair value interest rate risk. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Council has minimal exposure to cash flow interest rate risk through its cash and deposits that are at floating rates.

Investment of surplus funds is made with approved financial institutions under the *Local Government Act 2020*. Council manages interest rate risk by adopting an investment policy that ensures:

- diversification of investment product;
- monitoring of return on investment; and
- benchmarking of returns and comparison with budget.

There has been no significant change in the Council's exposure, or its objectives, policies and processes for managing interest rate risk or the methods used to measure this risk from the previous reporting period.

Interest rate movements have not been sufficiently significant during the year to have an impact on the Council's year end result.

Notes to the Financial Report For the Year Ended 30 June 2024

(c) Credit risk

Credit risk is the risk that a contracting entity will not complete its obligations under a financial instrument and cause Council to make a financial loss. Council have exposure to credit risk on some financial assets included in the balance sheet. Particularly significant areas of credit risk exist in relation to outstanding fees and fines as well as loans and receivables from sporting clubs and associations. To help manage this risk:

- council have a policy for establishing credit limits for the entities council deal with;
- council may require collateral where appropriate; and
- council only invest surplus funds with financial institutions which have a recognised credit rating specified in council's investment policy.

Receivables consist of a large number of customers, spread across the ratepayer, business and government sectors. Credit risk associated with the council's financial assets is minimal because the main debtor is secured by a charge over the rateable property.

There are no material financial assets which are individually determined to be impaired.

Council may also be subject to credit risk for transactions which are not included in the balance sheet, such as when council provide a guarantee for another party. Details of our contingent liabilities are disclosed in Note 8.1(b).

The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any allowance for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements. Council does not hold any collateral.

(d) Liquidity risk

Liquidity risk includes the risk that, as a result of Council's operational liquidity requirements, it will not have sufficient funds to settle a transaction when required or will be forced to sell a financial asset at below value or may be unable to settle or recover a financial asset.

To help reduce these risks Council:

- have a liquidity policy which targets a minimum and average level of cash and cash equivalents to be maintained;
- have readily accessible standby facilities and other funding arrangements in place;
- have a liquidity portfolio structure that requires surplus funds to be invested within various bands of liquid instruments;
- monitor budget to actual performance on a regular basis; and
- set limits on borrowings relating to the percentage of loans to rate revenue and percentage of loan principal repayments to rate revenue.

The Council's maximum exposure to liquidity risk is the carrying amounts of financial liabilities as disclosed on the face of the balance sheet, and is deemed insignificant based on prior periods' data and current assessment of risk.

There has been no significant change in Council's exposure, or its objectives, policies and processes for managing liquidity risk or the methods used to measure this risk from the previous reporting period.

With the exception of borrowings, all financial liabilities are expected to be settled within normal terms of trade. Details of the maturity profile for borrowings are disclosed at Note 5.4.

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

(e) Sensitivity disclosure analysis

Taking into account past performance, future expectations, economic forecasts, and management's knowledge and experience of the financial markets, Council believes the following movements are 'reasonably possible' over the next 12 months:

- A parallel shift of + 2% and - 2% in market interest rates (AUD) from year-end rates of 4.35%.

These movements will not have a material impact on the valuation of Council's financial assets and liabilities, nor will they have a material impact on the results of Council's operations.

Notes to the Financial Report For the Year Ended 30 June 2024

8.4 Fair value measurement

Fair value hierarchy

Council's financial assets and liabilities are not valued in accordance with the fair value hierarchy, Council's financial assets and liabilities are measured at amortised cost.

Council measures certain assets and liabilities at fair value where required or permitted by Australian Accounting Standards. AASB 13 Fair value measurement, aims to improve consistency and reduce complexity by providing a definition of fair value and a single source of fair value measurement and disclosure requirements for use across Australian Accounting Standards.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within a fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities;

Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and

Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For the purpose of fair value disclosures, Council has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

In addition, Council determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Revaluation

Subsequent to the initial recognition of assets, non-current physical assets, other than plant and equipment, are measured at their fair value, being the price that would be received to sell an asset (or paid to transfer a liability) in an orderly transaction between market participants at the measurement date. For plant and equipment carrying amount is considered to approximate fair value given short useful lives. At balance date, the Council reviewed the carrying value of the individual classes of assets measured at fair value to ensure that each asset materially approximated its fair value. Where the carrying value materially differed from the fair value at balance date, the class of asset was revalued.

Fair value valuations are determined in accordance with a valuation hierarchy. Changes to the valuation hierarchy will only occur if an external change in the restrictions or limitations of use of an asset result in changes to the permissible or practical highest and best use of the asset. In addition, Council undertakes a formal revaluation of artworks, land, buildings, and infrastructure assets on a regular basis ranging from 2 to 5 years. The valuation is performed either by experienced council officers or independent experts. The following table sets out the frequency of revaluations by asset class.

Asset class	Revaluation frequency
Artworks	3 to 5 years
Land	2 to 3 years
Land improvements	2 to 3 years
Buildings	2 to 3 years
Roads	2 to 3 years
Bridges	2 to 3 years
Footpaths and cycleways	2 to 3 years
Drainage	2 to 3 years

Where the assets are revalued, the revaluation increases are credited directly to the asset revaluation reserve except to the extent that an increase reverses a prior year decrease for that class of asset that had been recognised as an expense in which case the increase is recognised as revenue up to the amount of the expense. Revaluation decreases are recognised as an expense except where prior increases are included in the asset revaluation reserve for that class of asset in which case the decrease is taken to the reserve to the extent of the remaining increases. Within the same class of assets, revaluation increases and decreases within the year are offset.

Impairment of assets

At each reporting date, the Council reviews the carrying value of its assets to determine whether there is any indication that these assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs of disposal and value in use, is compared to the assets carrying value. Any excess of the assets carrying value over its recoverable amount is expensed to the comprehensive income statement, unless the asset is carried at the revalued amount in which case, the impairment loss is recognised directly against the revaluation surplus in respect of the same class of asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same class of asset.

8.5 Events occurring after balance date

No matters have occurred after balance date that require disclosure in the financial report.

Ararat Rural City Council
2023/2024 Financial Report

**Notes to the Financial Report
For the Year Ended 30 June 2024**

Note 9 OTHER MATTERS

	Balance at beginning of reporting period \$'000	Increase (decrease) \$'000	Balance at end of reporting period \$'000
9.1 Reserves			
(a) Asset revaluation reserves			
2024			
Artworks			
Artworks	1,255	-	1,255
	1,255	-	1,255
Property			
Land and land improvements			
Buildings	14,509	-	14,509
	33,898	2,356	36,254
	48,407	2,356	50,763
Infrastructure			
Roads	123,429	4,923	128,352
Bridges	19,720	679	20,399
Footpaths and cycleways	5,871	163	6,034
Drainage	1,101	219	1,320
	150,121	5,984	156,105
Total asset revaluation reserves	199,783	8,340	208,123
2023			
Artworks			
Artworks	961	294	1,255
	961	294	1,255
Property			
Land			
Land	14,333	176	14,509
Buildings	30,694	3,204	33,898
	45,027	3,380	48,407
Infrastructure			
Roads	115,185	8,244	123,429
Bridges	18,572	1,148	19,720
Footpaths and cycleways	4,730	1,141	5,871
Drainage	790	311	1,101
	139,277	10,844	150,121
Total asset revaluation reserves	185,265	14,518	199,783

The asset revaluation reserve is used to record the increased (net) value of Council's assets over time.

Ararat Rural City Council
2023/2024 Financial Report

**Notes to the Financial Report
For the Year Ended 30 June 2024**

	Balance at beginning of reporting period \$'000	Transfer from accumulated surplus \$'000	Transfer to accumulated surplus \$'000	Balance at end of reporting period \$'000
(b) Other reserves				
2024				
Capital works and projects	14,780	2,580	(14,780)	2,580
Recreational land	165	48	-	213
Building capital	4,958	-	-	4,958
Environmental projects	95	-	-	95
Waste management	518	-	-	518
Total Other reserves	20,516	2,628	(14,780)	8,364
2023				
Capital works and projects	13,817	14,780	(13,817)	14,780
Plant replacement	506	-	(506)	-
Recreational land	100	65	-	165
Gravel pit restoration	10	-	(10)	-
Building capital	5,958	-	(1,000)	4,958
Environmental projects	95	-	-	95
Waste management	1,518	-	(1,000)	518
Total Other reserves	22,004	14,845	(16,333)	20,516

Description of the nature and purpose of each reserve:

- Capital works and projects – specific purpose reserve used to fund major capital works projects.
- Plant replacement – specific purpose reserve used to replace major items of plant and equipment.
- Recreational land – specific purpose reserve used to fund public open space works.
- Gravel pit restoration – specific purpose reserve used to fund works required to reinstate gravel pits.
- Building capital – specific purpose reserve used to fund major building capital works.
- Environmental projects – specific purpose reserve used to fund innovative environmental projects.
- Waste management – specific purpose reserve used to fund works at waste management facilities.

Ararat Rural City Council
2023/2024 Financial Report

**Notes to the Financial Report
For the Year Ended 30 June 2024**

	2024	2023
	\$'000	\$'000
9.2 Reconciliation of cash flows from operating activities to surplus/(deficit)		
Surplus/(deficit) for the year	(6,626)	4,763
<i>Non-cash adjustments:</i>		
Depreciation	9,927	9,123
Profit/(loss) on disposal of property, infrastructure, plant and equipment	(23)	(185)
Fair value adjustments for investment property	(46)	(162)
Borrowing costs	44	33
Lease interest	35	-
Other	29	(3)
<i>Change in assets and liabilities:</i>		
(Increase)/decrease in trade and other receivables	(701)	(585)
(Increase)/decrease in inventories	3	(10)
(Increase)/decrease in prepayments	(345)	(2)
Increase/(decrease) in trade and other payables	(741)	225
Increase/(decrease) in trust funds and deposits	(2)	51
Increase/(decrease) in contract and other liabilities	304	(4,107)
Increase/(decrease) in provisions	190	(222)
Net cash provided by/(used in) operating activities	<u>2,048</u>	<u>8,919</u>

9.3 Superannuation

Council makes the majority of its employer superannuation contributions in respect of its employees to the Local Authorities Superannuation Fund (the Fund). This Fund has two categories of membership, accumulation and defined benefit, each of which is funded differently. Obligations for contributions to the Fund are recognised as an expense in the Comprehensive Income Statement when they are made or due.

Accumulation

The Fund's accumulation category, Vision MySuper/Vision Super Saver, receives both employer and employee contributions on a progressive basis. Employer contributions are normally based on a fixed percentage of employee earnings (for the year ended 30 June 2024, this was 11.0% as required under Superannuation Guarantee (SG) legislation (2023: 10.5%).

Defined Benefit

Council does not use defined benefit accounting for its defined benefit obligations under the Fund's Defined Benefit category. This is because the Fund's Defined Benefit category is a pooled multi-employer sponsored plan.

There is no proportional split of the defined benefit liabilities, assets or costs between the participating employers as the defined benefit obligation is a floating obligation between the participating employers and the only time that the aggregate obligation is allocated to specific employers is when a call is made. As a result, the level of participation of Council in the Fund cannot be measured as a percentage compared with other participating employers. Therefore, the Fund Actuary is unable to allocate benefit liabilities, assets and costs between employers for the purposes of AASB 119.

Funding arrangements

Council makes employer contributions to the Defined Benefit category of the Fund at rates determined by the Trustee on the advice of the Fund Actuary.

A triennial actuarial investigation for the Defined Benefit category as at 30 June 2023 was conducted and completed by 31 December 2023. The vested benefit index (VBI) of the Defined Benefit category as at 30 June 2023 was 104.1%. Council was notified of the 30 June 2023 VBI during August 2023. The financial assumptions used to calculate the 30 June 2023 VBI were:

Net investment returns	5.7% pa
Salary information	3.5% pa
Price inflation (CPI)	2.8% pa

The VBI is used as the primary funding indicator. Because the VBI was above 100%, the 30 June 2023 actuarial investigation determined the Defined Benefit category was in a satisfactory financial position and that no change was necessary to the Defined Benefit category's funding arrangements from prior years.

Notes to the Financial Report For the Year Ended 30 June 2024

Employer contributions

(a) Regular contributions

On the basis of the results of the 2023 triennial actuarial investigation conducted by the Fund Actuary, Council makes employer contributions to the Fund's Defined Benefit category at rates determined by the Fund's Trustee. For the year ended 30 June 2024, this rate was 11.0% of members' salaries (10.5% in 2022/23). This rate is expected to increase in line with any increases in the SG contribution rate and was reviewed as part of the 30 June 2023 triennial valuation.

In addition, Council reimburses the Fund to cover the excess of the benefits paid as a consequence of retrenchment above the funded resignation or retirement benefit.

(b) Funding calls

If the Defined Benefit category is in an unsatisfactory financial position at an actuarial investigation or the Defined Benefit category's VBI is below its shortfall limit at any time other than the date of the actuarial investigation, the Defined Benefit category has a shortfall for the purposes of SPS 160 and the Fund is required to put a plan in place so that the shortfall is fully funded within three years of the shortfall occurring. The Fund monitors its VBI on a quarterly basis and the Fund has set its shortfall limit at 97%.

In the event that the Fund Actuary determines that there is a shortfall based on the above requirement, the Fund's participating employers (including Council) are required to make an employer contribution to cover the shortfall.

Using the agreed methodology, the shortfall amount is apportioned between the participating employers based on the pre-1 July 1993 and post-30 June 1993 service liabilities of the Fund's Defined Benefit category, together with the employer's payroll at 30 June 1993 and at the date the shortfall has been calculated.

Due to the nature of the contractual obligations between the participating employers and the Fund, and that the Fund includes lifetime pensioners and their reversionary beneficiaries, it is unlikely that the Fund will be wound up.

If there is a surplus in the Fund, the surplus cannot be returned to the participating employers.

In the event that a participating employer is wound-up, the defined benefit obligations of that employer will be transferred to that employer's successor.

The 2023 triennial actuarial investigation surplus amounts

An actuarial investigation is conducted annually for the Defined Benefit category of which Council is a contributing employer. Generally, a full actuarial investigation is conducted every three years and interim actuarial investigations are conducted for each intervening year. A full investigation was conducted as at 30 June 2023.

The Fund's actuarial investigation identified the following for the Defined Benefit category of which Council is a contributing employer:

	2023 (Triennial) \$m	2022 (Interim) \$m
- A VBI Surplus	84.7	44.6
- A total service liability surplus	123.6	105.8
- A discounted accrued benefits surplus	141.9	111.9

The VBI surplus means that the market value of the fund's assets supporting the defined benefit obligations exceed the vested benefits that the defined benefit members would have been entitled to if they had all exited on 30 June 2023.

The total service liability surplus means that the current value of the assets in the Fund's Defined Benefit category plus expected future contributions exceeds the value of expected future benefits and expenses as at 30 June 2023.

The discounted accrued benefits surplus means that the current value of the assets in the Fund's Defined Benefit category exceeds the value of benefits payable in the future but accrued in respect of service to 30 June 2023.

Ararat Rural City Council
2023/2024 Financial Report

Notes to the Financial Report For the Year Ended 30 June 2024

The 2024 interim actuarial investigation

An interim actuarial investigation is being conducted for the Fund's position as at 30 June 2024 as the Fund provides lifetime pensions in the Defined Benefit category. It is anticipated that this actuarial investigation will be completed by October 2024.

The VBI of the Defined Benefit category was 105.4% as at 30 June 2024. The financial assumptions used to calculate the 30 June 2024 VBI were:

Net investment returns	5.6% pa
Salary information	3.5% pa
Price inflation (CPI)	2.7% pa

Council was notified of the 30 June 2024 VBI during August 2024.

Because the VBI was above 100%, the Defined Benefit category was in a satisfactory financial position at 30 June 2024 and it is expected that the actuarial investigation will recommend that no change will be necessary to the Defined Benefit category's funding arrangements from prior years.

The 2020 triennial investigation

The last triennial actuarial investigation conducted prior to 30 June 2023 was at 30 June 2020. This actuarial investigation was completed by 31 December 2020. The financial assumptions for the purposes of that investigation was:

	2020 Triennial investigation	2023 Triennial investigation
Net investment return	5.6% pa	5.7% pa
Salary inflation	2.5% pa for two years and 2.75% pa thereafter	3.5% pa
Price inflation	2.0% pa	2.8% pa

Superannuation contributions

Contributions by Council (excluding any unfunded liability payments) to the above superannuation plans for the financial year ended 30 June 2024 are detailed below.

Scheme	Type of Scheme	Rate	2024 \$'000	2023 \$'000
Vision super	Defined benefits	11.0% (2023:10.5%)	14	14
Vision super	Accumulation	11.0% (2023:10.5%)	676	661
Other super funds	Accumulation	11.0% (2023:10.5%)	473	357

There were no contributions outstanding and no loans issued from or to the above schemes as at 30 June 2024.

The expected contributions to be paid to the Defined Benefit category of Vision Super for the year ending 30 June 2025 is \$13,000.

*Ararat Rural City Council
2023/2024 Financial Report*

**Notes to the Financial Report
For the Year Ended 30 June 2024**

Note 10 CHANGE IN ACCOUNTING POLICY

There have been no changes to accounting policies in the 2023-24 year.

Ararat Rural City Council
Performance Statement
For the year ended 30 June 2024

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Certification of the Performance Statement

In my opinion, the accompanying performance statement has been prepared in accordance with the *Local Government Act 2020* and the *Local Government (Planning and Reporting) Regulations 2020*.

Karissa Hogan, BCom, CPA
Principal Accounting Officer
Dated: xx September 2024

In our opinion, the accompanying performance statement of the Ararat Rural City Council for the year ended 30 June 2024 presents fairly the results of Council's performance in accordance with the *Local Government Act 2020* and the *Local Government (Planning and Reporting) Regulations 2020*.

The performance statement contains the relevant performance indicators, measures and results in relation to service performance, financial performance and sustainable capacity.

At the date of signing, we are not aware of any circumstances that would render any particulars in the performance statement to be misleading or inaccurate.

We have been authorised by the Council and by the *Local Government (Planning and Reporting) Regulations 2020* to certify this performance statement in its final form.

Bob Sanders
Councillor
Dated: xx September 2024

Jo Armstrong
Councillor
Dated: xx September 2024

Dr Tim Harrison
Chief Executive Officer
Dated: xx September 2024

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Section 1. Description of municipality

For the year ended 30 June 2024

Ararat Rural City lies at an important junction of the Western and Pyrenees highways 198 kilometres north-west of Melbourne, approximately a quarter of the way between Melbourne and Adelaide.

Centrally located to the Grampians National Park, the Goldfields, the Southern Coast and metropolitan Melbourne, the Ararat region is not far from anywhere.

Ararat is a major regional service centre in Victoria's mid-west and is supported by a number of small rural townships. Ararat Rural City has excellent schools, hospitals, transport connections and amenities that support a regional lifestyle.

Ararat Rural City is also the gateway to the world-renowned Grampians region where local produce, wine production, agriculture and tourism are among the economic mainstays. Diverse retail and manufacturing industries are spearheading a growing economy.

The region is nestled within picturesque landscapes which include magnificent natural environments and beautiful inland lakes. Our environment allows for a diverse range of recreational activities to be enjoyed by both residents and visitors to the municipality.

Municipal Snapshot

Population » 11,683 (Australian Bureau of Statistics – Population Estimates by Local Government Area)

Area » 4,230 square kilometres

Rateable properties » 7,399

Number of Councillors » 7

Rates and charges revenue » \$17.883 million

Total revenue » \$27.347 million

Length of sealed local roads » 735 kms

Length of unsealed local roads » 1,466 kms

Length of natural surface roads » 254 kms

Total road length » 2,455 kms

Section 2. Service performance indicators

For the year ended 30 June 2024

Service / indicator / measure / [formula]	Results					Comments
	2021	2022	2023	2024		
	Actual	Actual	Actual	Target as per budget	Actual	
Aquatic Facilities Utilisation <i>Utilisation of aquatic facilities</i> [Number of visits to aquatic facilities / Municipal population]	1.20	2.65	3.05	N/A	4.91	A Council decision to make entry to all outdoor municipal pools free for the 2023/2024 season has seen an expected increase in the utilisation of aquatic facilities.
Animal Management Health and safety <i>Animal management prosecutions</i> [Number of successful animal management prosecutions / Number of animal management prosecutions] x 100	0%	0%	100%	N/A	0%	There were no animal management prosecutions during this reporting period.
Food Safety Health and safety <i>Critical and major non-compliance outcome notifications</i> [Number of critical non-compliance outcome notifications and major non-compliance notifications about a food premises followed up / Number of critical non-compliance outcome notifications and major non-compliance notifications about a food premises] x100	100.00%	83.33%	0.00%	N/A	100%	There were 2 major non-compliance issues for this reporting period, with both of these followed up with a compliant result in a timely manner. Council's Environmental Health service continues to work with businesses to ensure regulatory standards are met.

Service / indicator / measure / [formula]	2021	2022	2023	2024		Comments
	Actual	Actual	Actual	Target as per budget	Actual	
Governance Consultation and engagement Satisfaction with community consultation and engagement [Community satisfaction rating out of 100 with how council has performed on community consultation and engagement]	61	62	60	77	59	Council set a stretch target of 77 for community satisfaction with consultation and engagement. Although failing to reach this, Council has maintained consistency with a result of 59, compared to 60 in 2022/2023. This result has remained steady over the last 3 years. Council is continuing its commitment to listening to, and addressing, community concerns, and will continually set high performance targets in this space.
Libraries Participation Library membership [Number of registered library members / Population] x100	N/A	N/A	N/A	N/A	19.11%	This new indicator is an assessment of the degree to which the community participate in Council's library service. Council's result of 19.11% (of the municipal population being Library members) is reflective of a small rural Council. Council is actively working to encourage new members and borrowers with new and varied programs aimed at different demographics, along with a small interior upgrade planned for 2024.
Maternal and Child Health (MCH) Participation Participation in the MCH service [Number of children who attend the MCH service at least once (in the year) / Number of children enrolled in the MCH service] x100	85.59%	85.53%	84.87%	N/A	87.11%	Participation levels have slightly increased on last reporting period, with Council continuing to review engagement practices within the maternal and child health service to increase participation rates.
Participation Participation in the MCH service by Aboriginal children [Number of Aboriginal children who attend the MCH service at least once (in the year) / Number of Aboriginal children enrolled in the MCH service] x100	92.00%	87.50%	90.48%	N/A	89.47%	Council has 19 Aboriginal children enrolled in the maternal and child health service with 2 children having not attended in the last 12 months. Such low numbers creates sensitivity when reporting in percentages, however attendance in the program continues to be strong.

Service / indicator / measure / [formula]	2021	2022	2023	2024		Comments
	Actual	Actual	Actual	Target as per budget	Actual	
Roads Condition <i>Sealed local roads maintained to condition standards</i> [(Number of kilometres of sealed local roads below the renewal intervention level set by Council / Kilometres of sealed local roads] x100	100.00%	100.00%	100.00%	99.50%	100.00%	Council has had no roads fall below the renewal intervention level this year. A proactive approach by Council's roads team has seen maintenance conducted regularly and pre-emptively, to ensure sealed roads remain at condition standard.
Statutory Planning Service standard <i>Planning applications decided within required time frames</i> [(Number of regular planning application decisions made within 60 days) + (Number of VicSmart planning application decisions made within 10 days) / Number of planning application decisions made] x100	87.80%	91.49%	80.41%	85.00%	78.91%	This year, Council aimed to hit a stretch target of 85% of applications decided in required timeframes, with a commitment to improvement in this area with the implementation of ongoing monitoring. A result of 79% didn't meet the stretch target set, however the result remains well above state average for this indicator. Council discovered an error in reporting for the previous 3 years for this indicator which has now been rectified.
Waste Management Waste diversion <i>Kerbside collection waste diverted from landfill</i> [Weight of recyclables and green organics collected from kerbside bins / Weight of garbage, recyclables and green organics collected from kerbside bins] x100	23.96%	21.02%	22.90%	35.00%	25.17%	Council is continuously striving to divert as much waste as possible from landfill. Although not reaching our target of 35%, we have achieved an almost 10% increase on waste diverted from landfill from 2022/2023. A more mature reporting approach will be implemented this financial year to more accurately measure this indicator.

Section 3. Financial performance indicators

For the year ended 30 June 2024

Dimension / indicator / measure / formula	2021	2022	2023	2024		2025	2026	2027	2028	Material Variations and Comments
	Actual	Actual	Actual	Target as per budget	Actual	Forecast	Forecast	Forecast	Forecast	
Efficiency										
Expenditure level <i>Expenses per property assessment</i> [Total expenses / Number of property assessments]	\$4,049.49	\$4,064.44	\$4,615.87	\$3,734.00	\$4,591.57	\$3,787.40	\$3,868.44	\$3,953.76	\$4,042.77	Expenditure in 2023/2024 has remained consistent with 2022/2023 as Council continues to deliver outcomes for several large project grants, and the completion of projects carried forward from the previous year. The reduced indicator in the target and future years is based on minimal non-recurrent operating grants being received.
Revenue level <i>Average rate per property assessment</i> [Sum of all general rates and municipal charges / Number of property assessments]	\$2,060.89	\$2,028.33	\$2,006.30	N/A	\$1,992.70	\$2,010.41	\$2,046.17	\$2,106.13	\$2,183.42	Council has delivered a net rate rise of 0% for a seven-year period up to 2024/2025. Additionally, the number of properties within the municipality continues to grow. Forecast results differ to the indicators in Council's budget due to budgeted supplementary rates being included in these calculations.

Dimension / indicator / measure / formula	2021	2022	2023	2024		2025	2026	2027	2028	Material Variations and Comments
	Actual	Actual	Actual	Target as per budget	Actual	Forecast	Forecast	Forecast	Forecast	
Liquidity										
Working capital										
<i>Current assets compared to current liabilities</i>	202.08%	224.65%	321.83%	248.10%	162.31%	157.99%	172.41%	164.81%	162.63%	Council's cash and investments decreased by \$13.370 million, partly due to a change in the timing of financial assistance grants resulting in \$6.656 million being received early in July 2024, compared to \$7.426 million being received in advance in June 2023. Council incurred additional expenditure to satisfy the requirements of grants received through the year, and also completed additional works from funds carried forward from the previous year. The target for this indicator was based on the full amount of financial assistance grants for 2023/2024 being received in that financial year. The indicator is forecast to reduce in future years when outstanding trade and other receivables are expected to reduce upon completion of the grant requirements for the Local Roads and Community Infrastructure grants.
[Current assets / Current liabilities] x100										

Dimension / indicator / measure / [formula]	2021	2022	2023	2024		2025	2026	2027	2028	Material Variations and Comments
	Actual	Actual	Actual	Target as per budget	Actual	Forecast	Forecast	Forecast	Forecast	
Unrestricted cash Unrestricted cash compared to current liabilities [Unrestricted cash / Current liabilities] x100	64.51%	64.66%	64.43%	N/A	-12.98%	145.22%	156.91%	148.21%	143.91%	Council held reduced cash at 30 June 2024 due to \$2.828 million for works and services related to 2023/2024 that had not yet been received from Government departments. Council also received the financial assistance grant payment for 2024/2025 of \$6.656 million early in July 2024, compared to \$7.426 million being received in advance in June 2023. The forecast indicators are based on minimal unearned revenue held as current liabilities in future years.
Obligations Loans and borrowings Loans and borrowings compared to rates [Interest bearing loans and borrowings / Rate revenue] x100	15.43%	3.41%	7.07%	N/A	1.71%	0.87%	0.00%	0.00%	0.00%	During the year Council refinanced two equipment finance loans to leases. Council now only has a single loan which is due to be repaid in April 2026.

Dimension / indicator / measure / [formula]	2021	2022	2023	2024		2025	2026	2027	2028	Material Variations and Comments
	Actual	Actual	Actual	Target as per budget	Actual	Forecast	Forecast	Forecast	Forecast	
<p><i>Loans and borrowings repayments compared to rates</i></p> <p>[Interest and principal repayments on interest bearing loans and borrowings / Rate revenue] x100</p>	1.41%	12.51%	1.20%	N/A	5.53%	0.87%	0.86%	0.00%	0.00%	This indicator has increased in 2023/2024 due to the refinance of two equipment finance loans to leases. The indicator is forecast to reduce in future years as the loan balance decreases.
<p>Indebtedness</p> <p><i>Non-current liabilities compared to own source revenue</i></p> <p>[Non-current liabilities / Own source revenue] x100</p>	4.29%	3.30%	5.47%	N/A	7.49%	4.56%	2.99%	1.38%	0.55%	Council's own source revenue increased minimally with small increases resulting from supplementary rates, town planning fees and interest on investments. The non-current liabilities increased by \$0.428 million in 2023/2024 with an increase in lease liabilities and provisions for long service leave. This indicator is forecast to reduce each year based on Council's loan and lease repayments reducing the level of non-current liabilities in future years. No further borrowings or leases have been factored into the forecast indicators.

Dimension / indicator / measure / (formula)	2021	2022	2023	2024		2025	2026	2027	2028	Material Variations and Comments
	Actual	Actual	Actual	Target as per budget	Actual	Forecast	Forecast	Forecast	Forecast	
Asset renewal and upgrade Asset renewal and upgrade compared to depreciation [Asset renewal and asset upgrade expense / Asset depreciation] x100	164.30%	174.50%	90.93%	122.80%	124.63%	200.17%	120.79%	127.23%	128.45%	In 2022/2023 and 2023/2024 there has been an increase in capital works expenditure, however there has also been a higher proportion spent on new assets, including the Gordon Street Recreation Reserve development, Ararat East development zone infrastructure and new footpath connections. The budget for 2024/2025 is focussed on an increased level of renewal and upgrade works in the capital works program.
Operating position Adjusted underlying result Adjusted underlying surplus (or deficit) [Adjusted underlying surplus (deficit) / Adjusted underlying revenue] x100	9.08%	7.64%	2.06%	N/A	-40.25%	7.65%	6.68%	6.47%	6.56%	The adjusted underlying revenue decreased due to a change in the timing of financial assistance grants resulting in \$6.656 million being received early in July 2024, compared to \$7.426 million being received in advance in June 2023.

Dimension / indicator / measure / [formula]	2021	2022	2023	2024		2025	2026	2027	2028	Material Variations and Comments
	Actual	Actual	Actual	Target as per budget	Actual	Forecast	Forecast	Forecast	Forecast	
Stability Rates concentration Rates compared to adjusted underlying revenue [Rate revenue / Adjusted underlying revenue] x100	55.31%	55.29%	51.46%	62.6%	73.82%	59.16%	59.45%	59.78%	60.24%	In 2023/2024 rate revenue represents a larger proportion of Council's income despite a net rate rise of %0 for the seven-year period up to 2024/2025. The adjusted underlying revenue decreased due to a change in the timing of financial assistance grants resulting in \$6.656 million being received early in July 2024, compared to \$7.426 million being received in advance in June 2023.
Rates effort Rates compared to property values [Rate revenue / Capital improved value of rateable properties in the municipality] x100	0.54%	0.41%	0.29%	N/A	0.27%	0.27%	0.27%	0.27%	0.27%	Property values within the municipality increased by 44.85% between 2021/2022 and 2022/2023, and have remained consistent since that time. Additionally, Council has delivered a net rate rise of 0% for the seven-year period up to 2024/2025.

Section 4. Sustainable capacity indicators

For the year ended 30 June 2024

Indicator / measure / [formula]	Results				Comments
	2021 Actual	2022 Actual	2023 Actual	2024 Actual	
Population <i>Expenses per head of municipal population</i> [Total expenses / Municipal population]	\$2,434.43	\$2,454.62	\$2,868.75	\$2,908.16	Expenditure has remained relatively consistent with 2022/2023 levels as Council continued to deliver the outcomes for several large project grants, and works carried forward from the previous year. In 2020/2021 and 2021/2022 there was significantly less non-recurrent expenditure compared to recent years.
<i>Infrastructure per head of municipal population</i> [Value of infrastructure / Municipal population]	\$19,138.82	\$21,849.19	\$23,628.31	\$24,836.43	The increase in 2023/2024 is mostly due to an \$8.340 million revaluation of property and infrastructure assets. There is an increasing trend over time as a result of the capital works program exceeding depreciation each year, in addition to revaluation increases.
<i>Population density per length of road</i> [Municipal population / Kilometres of local roads]	4.94	4.86	4.78	4.77	This indicator has remained consistent to the previous year.

Indicator / measure / [formula]	2021	2022	2023	2024	Comments
	Actual	Actual	Actual	Actual	
<p>Own-source revenue Own-source revenue per head of municipal population [Own-source revenue / Municipal population]</p>	\$1,611.45	\$1,623.47	\$1,743.89	\$1,770.52	Council's own source revenue increased minimally with small increases resulting from supplementary rates, town planning fees and interest on investments.
<p>Recurrent grants Recurrent grants per head of municipal population [Recurrent grants / Municipal population]</p>	\$943.59	\$921.74	\$916.70	\$123.94	Recurrent grants are significantly lower in 2023/2024, due to a change in the timing of financial assistance grants resulting in \$6.656 million being received early in July 2024, compared to \$7.426 million being received in advance in June 2023.
<p>Disadvantage Relative Socio-Economic Disadvantage [Index of Relative Socio-Economic Disadvantage by decile]</p>	1.00	1.00	2.00	2.00	The Australian Bureau of Statistics have revised Council's Socio-Economic Index for Areas (SEIFA) with the municipality now considered to be less disadvantaged than in previous years.
<p>Workforce turnover Percentage of staff turnover [Number of permanent staff resignations and terminations / Average number of permanent staff for the financial year] x100</p>	13.5%	16.8%	23.4%	7.6%	There have been a number of organisational changes in recent years resulting in higher workforce turnover, with a return to steadiness achieved in 2023/2024.

Section 5. Notes to the accounts

5.1. Basis of preparation

Council is required to prepare and include a performance statement within its annual report. The performance statement includes the results of the prescribed service performance, financial performance and sustainable capacity indicators and measures together with a description of the municipal district, an explanation of material variations in the results and notes to the accounts. This statement has been prepared to meet the requirements of the *Local Government Act 2020* and *Local Government (Planning and Reporting) Regulations 2020*.

Where applicable the results in the performance statement have been prepared on accounting bases consistent with those reported in the Financial Statements. The other results are based on information drawn from council information systems or from third parties (e.g. Australian Bureau of Statistics or the Council's satisfaction survey provider).

The performance statement presents the actual results for the current year and the previous three years, along with the current year's target, if mandated by *the Local Government (Planning and Reporting) Regulations 2020*. Additionally, for the prescribed financial performance indicators and measures, the performance statement includes the target budget for the current year and the results forecast for the period 2024-25 to 2027-28 by the council's annual budget.

The *Local Government (Planning and Reporting) Regulations 2020* requires explanation of any material variations in the results contained in the performance statement. Council has adopted materiality thresholds relevant to each indicator and measure and explanations have not been provided for variations below the materiality thresholds unless the variance is considered to be material because of its nature.

5.2. Definitions

Key term	Definition
Aboriginal children	means a child who is an Aboriginal person
Aboriginal person	has the same meaning as in the Aboriginal Heritage Act 2006
adjusted underlying revenue	means total income other than: <ul style="list-style-type: none"> • non-recurrent grants used to fund capital expenditure; and • non-monetary asset contributions; and • contributions to fund capital expenditure from sources other than those referred to above
adjusted underlying surplus (or deficit)	means adjusted underlying revenue less total expenditure
annual report	means an annual report prepared by a council under section 98 of the Act
asset renewal expenditure	means expenditure on an existing asset or on replacing an existing asset that returns the service capability of the asset to its original capability
asset upgrade expenditure	means expenditure that— (a) enhances an existing asset to provide a higher level of service; or (b) extends the life of the asset beyond its original life
critical non-compliance outcome notification	means a notification received by council under section 19N(3) or (4) of the <i>Food Act 1984</i> , or advice given to council by an authorised officer under that Act, of a deficiency that poses an immediate serious threat to public health
current assets	has the same meaning as in the Australian Accounting Standards
current liabilities	has the same meaning as in the Australian Accounting Standards
food premises	has the same meaning as in the <i>Food Act 1984</i>
intervention level	means the level set for the condition of a road beyond which a council will not allow the road to deteriorate and will need to intervene
local road	means a sealed or unsealed road for which the council is the responsible road authority under the <i>Road Management Act 2004</i>
major non-compliance outcome notification	means a notification received by a council under section 19N(3) or (4) of the <i>Food Act 1984</i> , or advice given to council by an authorised officer under that Act, of a deficiency that does not pose an immediate serious threat to public health but may do so if no remedial action is taken
MCH	means the Maternal and Child Health Service provided by a council to support the health and development of children within the municipality from birth until school age
non-current assets	means all assets other than current assets
non-current liabilities	means all liabilities other than current liabilities
own-source revenue	means adjusted underlying revenue other than revenue that is not under the control of council (including government grants)

Key term	Definition
population	means the resident population estimated by council
rate revenue	means revenue from general rates, municipal charges, service rates and service charges
relative socio-economic disadvantage	in relation to a municipal district, means the relative socio-economic disadvantage, expressed as a decile for the relevant financial year, of the area in which the municipal district is located according to the Index of Relative Socio-Economic Disadvantage of SEIFA
restricted cash	means cash, cash equivalents and financial assets, within the meaning of the Australian Accounting Standards, not available for use other than for a purpose for which it is restricted, and includes cash to be used to fund capital works expenditure from the previous financial year
SEIFA	means the Socio-Economic Indexes for Areas published from time to time by the Australian Bureau of Statistics on its Internet site
unrestricted cash	means all cash and cash equivalents other than restricted cash

5.3. Other Matters

Overview of 2024

During the financial year Council has undertaken a number of significant projects including completion of the Gordon Street Recreation Reserve upgrade, completion of the Helendoite Road Bridge, completion of the Ararat East Development Zone infrastructure, an increased road sealing program, substantial resheeting of gravel roads and the trial of innovative Otta sealing to a number of rural and urban gravel roads, bushfire emergency and recovery works, and substantial work towards completing the Ararat Digital Twin project.

3.2 QUARTERLY PERFORMANCE REPORT

RESPONSIBLE OFFICER: CHIEF EXECUTIVE OFFICER
DEPARTMENT: CEO'S OFFICE
REFERENCE: 17152

OFFICER DIRECT OR INDIRECT CONFLICT OF INTEREST:

Officers providing advice to Council must disclose any conflict of interest.

No person involved in the preparation of this report has a conflict of interest requiring disclosure.

EXECUTIVE SUMMARY

The financial statements and performance indicators have been prepared for the period ended 30 June 2024. The actual year-to-date figures included in this report have been used to compile Council's "in principle" Financial Statements, which are subject to audit by the Victorian Auditor-General.

The unaudited figures show Council's overall financial performance is less favourable than the Original Budget, finishing with an operating deficit of \$6.626 million rather than an operating surplus of \$1.296 million. However, the financial performance is slightly more favourable than the Current Budget figures for 2023/24 which includes adjustments for the projects carried forward from 2022/23 and grant funds received in advance.

DISCUSSION

Council must establish and maintain a budgeting and reporting framework that is consistent with the principles of sound financial management.

Key Financial information:

Income Statement (Attachment 1)

The Income Statement measures how well Council has performed from an operating nature. It reports revenues and expenditure from the activities and functions undertaken, with the net effect being a surplus or deficit. Capital expenditure is excluded from this statement, as it is reflected in the Balance Sheet.

Attachment 1 shows that Council generated \$27.347 million in revenue and \$33.973 million in expenses to 30 June 2024. This has resulted in an operating deficit of \$6.626 million for the year ended 30 June 2024 and a comprehensive surplus result of \$1.714 million after including revaluations of Council's property and infrastructure assets.

Income

Rates and charges account for 63% of the total budgeted income for 2023/24. Rates and charges are recognised when the rates have been raised, not when the income has been received. An amount of \$17.883 million has been recognised as income for the year ended 30 June 2024.

User fees account for 5% of the total budgeted income for 2023/24 and \$1.620 million has been received to 30 June 2024. The majority of this relates to transfer station fees, fitness centre income and commercial waste management charges.

Recurrent Operating Grants total \$1.226 million to 30 June 2024, including \$0.200 million from the Victorian Local Government Grants Commission for general purpose grants and \$0.128 million for the local roads grants.

Non-recurrent Operating Grants total \$1.920 million to 30 June 2024. Council has been successful in obtaining several grants that had not been budgeted for, as detailed in the table below. The amounts shown as unearned

income will be treated as income in future accounting periods once the performance obligations of the grant have been met.

Non-Recurrent Operating Grants	Budget 2023/24 \$'000	Income 2023/24 \$'000	Unearned Income \$'000
New Arrivals Settlement Program	-	44	-
Pilot Coordination Grampians Workforce	-	50	-
Ararat Housing Transition	-	-	300
Digital Twin Victoria	-	-	954
Free Public WiFi Services	-	-	1,196
LSIF Ararat Bowls Club Lighting	-	5	-
Rural Roads Support Program	-	56	-
Supported Playgroups	63	65	-
Kindergarten Infrastructure and Services Plan (KISP) Support Grant	-	30	-
Council COVID-19 Rapid Antigen Test Program	-	59	-
Power our Future!! Tatyoon Recreation Reserve	-	20	-
Tatyoon Oval Upgrade	-	-	225
Natural Disaster Relief	-	1,255	-
Planning & Data Development	-	103	-
Pedestrian Infrastructure Program	-	-	70
Ararat Rural City Sport, Active Recreation & Open Space Strategy	-	-	36
Tiny Towns Fund - Pomonal Community Hub	-	-	200
Regional Planning Hub - Pomonal Bushfire Recovery Assistance	-	100	-
Wage Subsidies	-	60	-
Other Minor Grants (under \$20,000)	-	73	-
	63	1,920	2,981

Non-recurrent Capital Grants total \$2.107 million to 30 June 2024, as detailed in the table below. The amounts shown as unearned income will be treated as income in future accounting periods once the performance obligations of the grant have been met.

Non-Recurrent Capital Grants	Budget 2023/24 \$'000	Income 2023/24 \$'000	Unearned Income \$'000
Gordon Street Recreation Reserve Development	-	1,511	-
Wilson Street	-	92	-
Ararat East Development Zone Trunk Infrastructure Project	-	419	-
Ararat Regional Playgrounds All Abilities Redevelopment	-	18	-
Buangor-Ben Nevis Road Widening	-	67	-
Tiny Towns Fund - Buangor Rec Reserve Pavilion Redevelopment	-	-	25
	0	2,107	25

Note

It is important to note the following:

1. The Grants Operating (recurrent) figure in the Original Budget was \$7.677 million and in the Current Budget is recorded as \$0.191 million, as \$7.426 million was paid to Council in 2022/23 by the Victorian Local Government Grants Commission (VLGGC) for the 2023/24 financial year. Council has still received the expected VLGGC income, to be spent in 2023/24, however it will be reported over two financial years. Council also received \$0.060 million funding in advance for the Municipal Emergency Response Plan which has also been adjusted in the current budget.
2. Unearned revenue received in prior years has been adjusted between the Original Budget and Current Budget with an additional \$2.593 million for Grants Operating (non-recurrent), \$0.056 million for Grants Capital (recurrent) and \$0.419 million for Grants Capital (non-recurrent) included in the Current Budget on the assumption that each of the grant projects will be completed during the 2023/24 financial year.
3. These changes in the budget, plus the note reported under expenses, create a change in the reported surplus position from a projected surplus of \$1.296 million to a deficit of \$6.812 million for 2023/24. The year-end variance is a surplus of \$0.185 million when the actual year to date expenses are compared to the year to date budget.

Expenses

Employee Costs account for approximately 41% of the total budgeted expenditure for 2023/24. For the year ended 30 June 2024 Council has incurred \$11.973 million in employee costs.

Materials and Services account for approximately 29% of the total budgeted expenditure for 2023/24. For the year ended 30 June 2024, Council has incurred \$11.595 million in materials and services costs. There are a number of projects, including those carried forward from 2022/23 that were completed before the end of the financial year.

Note

It is important to note the following:

There has been an increase in expenditure on materials and services from \$8.035 million in the Original Budget to \$11.555 million in the Current Budget for 2023/24. This has resulted from a carry forward amount of \$3.520 million from the 2022/23 financial year surplus and unspent grant funds which will be used for additional activity in 2023/24. Additionally, there has been an increase of \$0.170 million in employee costs from \$11.134 million in the Original Budget to \$11,304 million in the Current Budget with some grant-funded projects requiring additional staffing to meet the requirements of the grant.

Balance Sheet (Attachment 2)

The Balance Sheet is one of the main financial statements and reports Council's assets, liabilities and equity at a given date, in this case 30 June 2024. Comparative figures have been provided as at 30 June 2023.

Council's current assets have decreased by \$12.325 million from \$24.057 million as at 30 June 2023 to \$11.732 million as at 30 June 2024. Cash and cash equivalents have decreased by \$8.408 million from \$11.457 million to \$3.049 million, with another \$3.040 million held in a term deposit now classified as a financial asset. Trade and other receivables have increased by \$0.703 million from \$4.509 million as at 30 June 2023 to \$5.212 million as at 30 June 2024.

Total liabilities have increased from \$8.596 million in 2022/23 to \$8.777 million in 2023/24. Trade and other payables have decreased by \$0.741 million. Unearned income/revenue increased by \$0.304 million, and includes grants received by Council, where in accordance with accounting standards they are held as a liability until grant-related performance obligations have been met. Interest-bearing liabilities have decreased by \$0.945 million largely due to the refinance of two equipment finance loans as leases. Lease liabilities increased by \$1.375 million with four new leases entered into during 2023/24.

Statement of Cash Flows (Attachment 3)

The Statement of Cash Flows shows how changes in the Statement of Financial Position and Income Statement affect Cash and Cash Equivalents, and breaks down the analysis to operating activities, investing activities and financing activities.

The Cash and Cash Equivalents at the beginning of the financial year of \$11.457 million have decreased by \$8.408 million to \$3.049 million as at 30 June 2024. Council has a term deposit of \$3.040 million with a term greater than three months, which is currently classified as a financial asset, and is no longer included in cash and cash equivalents.

Net cash of \$2.048 million was provided by operating activities, \$9.283 million was used in investing activities, and \$1.173 million was used in financing activities.

Investing activities includes payments for property, plant and equipment, and infrastructure, as well as transfers to and from financial assets and other investments.

Financial Performance Indicators (Attachment 4)

The Local Government Performance Reporting Framework requires Councils to report various performance indicators at the end of each financial year.

A full list of financial performance indicators is included in Attachment 4.

Indicator	30/6/2024	30/6/2023
<p>Working capital <i>Measure - Current assets compared to current liabilities.</i> Expected values in accordance with the Local Government Performance Reporting Framework 100% to 400% Indicator of the broad objective that sufficient working capital is available to pay bills as and when they fall due. High or increasing level of working capital suggests an improvement in liquidity</p>	162%	322%
<p>Loans and borrowings <i>Measure - Loans and borrowings compared to rates.</i> Expected values in accordance with the Local Government Performance Reporting Framework – 0% to 70% Indicator of the broad objective that the level of interest-bearing loans and borrowings should be appropriate to the size and nature of a council’s activities. Low or decreasing level of loans and borrowings suggests an improvement in the capacity to meet long term obligations</p>	1.71%	7.07%
<p>Indebtedness <i>Measure - Non-current liabilities compared to own source revenue</i> Expected values in accordance with the Local Government Performance Reporting Framework – 2% to 70% Indicator of the broad objective that the level of long-term liabilities should be appropriate to the size and nature of a Council’s activities. Low or decreasing level of long-term liabilities suggests an improvement in the capacity to meet long term obligations</p>	7.49%	5.47%
<p>Rates concentration <i>Measure - Rates compared to adjusted underlying revenue</i> Expected values in accordance with the Local Government Performance Reporting Framework – 30% to 80% Indicator of the broad objective that revenue should be generated from a range of sources. High or increasing range of revenue sources suggests an improvement in stability</p>	73.82%	51.46%

Indicator	30/6/2024	30/6/2023
<p>Expenditure level <i>Measure - Expenses per property assessment</i> Expected values in accordance with the Local Government Performance Reporting Framework \$2,000 to \$10,000 Indicator of the broad objective that resources should be used efficiently in the delivery of services. Low or decreasing level of expenditure suggests an improvement in organisational efficiency</p>	\$4,592	\$4,616
<p>Indicator - Revenue level <i>Measure - Average residential rate per residential property assessment</i> Expected values in accordance with the Local Government Performance Reporting Framework - \$700 to \$2,000 Indicator of the broad objective that resources should be used efficiently in the delivery of services. Low or decreasing level of rates suggests an improvement in organisational efficiency</p>	\$1,993	\$2,006
<p>Indicator – Percentage of total rates collected The internal audit conducted in 2019 on Rates Revenue and Rate Debtor Management found no routine or regular reporting of large and long outstanding rates debtors. The outstanding Rates Debtors is reported in the Annual Financial report. As at 30 June 2024 the outstanding Rates Debtors totalled \$2.320 million compared to \$1.955 million as at 30 June 2023, an increase of \$0.365 million. In percentage terms 88.1% of the rates raised have been collected at 30 June 2024 compared to 90.2% up to 30 June 2023. Outstanding rates are currently charged 10% interest. Council issues approximately 7,500 rate notices. In 2023/24 there are 2,640 assessments paying by instalments compared with 2,843 assessments in 2022/23.</p>	88.1%	90.2%
<p>Indicator – Asset Renewal & Upgrade <i>Measure - Asset renewal & Upgrade compared to depreciation</i> Expected range in accordance with the Local Government Performance Reporting Framework – 40% to 130% Assessment of whether council assets are being renewed or upgraded as planned. It compares the rate of spending on existing assets through renewing, restoring, replacing or upgrading existing assets with depreciation. Ratios higher than 1.0 indicate there is a lesser risk of insufficient spending on Council’s asset base.</p>	124.63%	90.93%

The Local Government Performance Reporting Framework provides “Expected ranges” for each indicator. The framework has been developed to consider results at the end of the financial year so some results during the year are outside the expected range due to the timing of receipts and payments.

Explanations are provided in Attachment 4 for those indicators that are outside the “expected ranges”.

Transfers to and from Reserves 2023/24

The following tables represent the amounts proposed to be transferred to and from Reserves for the year ended 30 June 2024. A number of these transfers are in accordance with the budget. The Transfers to the Capital Works Reserves includes funds received in 2023/24 that relate to 2024/25 and a number of specific projects included in the budget for 2023/24 that have not commenced or are in progress and proposed to be carried forward to 2024/25.

Transfers To Reserves

CAPITAL WORKS & PROJECTS RESERVE	
Ararat Housing Transition	\$300,000
Free Public WiFi Services	\$1,099,723
Ararat Rural City Sport, Active Recreation & Open Space Strategy	\$36,000
Digital Twin Victoria	\$549,277

Community Recovery Hubs Grant	\$145,000
Tatyoan Oval Upgrade	\$225,000
Pomonal Community Hub	\$200,000
Buangor Recreation Reserve Pavilion Redevelopment	\$25,000
Total for Capital Works Reserve	\$2,580,000

RECREATIONAL LANDS RESERVE	
Open Space Contributions	\$48,250
Total for Recreational Lands Reserve	\$48,250

TOTAL TRANSFERS TO RESERVE	\$2,628,250
-----------------------------------	--------------------

Total From Reserves

CAPITAL WORKS & PROJECTS RESERVE	
Transfer from Capital Works Reserve for 23/24 Works/Projects	\$14,780,498
Total for Capital Works & Projects Reserve	\$14,780,498

TOTAL TRANSFERS FROM RESERVES	\$14,780,498
--------------------------------------	---------------------

A summary of movements in reserve balances is included in the following table:

	Balance at 30 June 2023	Transfers to Reserve	Transfers from Reserve	Balance at 30 June 2024
Capital works and projects	14,780,498	2,580,000	14,780,498	2,580,000
Recreational land	164,960	48,250	-	213,210
Building capital	4,958,402	-	-	4,958,402
Environmental projects	94,709	-	-	94,709
Waste management	517,412	-	-	517,412
Total Reserves	20,515,981	2,628,250	14,780,498	8,363,733

KEY CONSIDERATIONS

Alignment to Council Plan Strategic Objectives

6 Strong and Effective Governance

We will work hard to build models of governance that place delivering public value at the centre through effective financial management; well measured risk management; and implementation of effective community engagement practices

6.1 Deliver responsible budget outcomes, linked to strategy, that deliver value, innovation, and rating fairness

Budget Implications

Council's financial performance is in line with expectations, once the original budget has been adjusted for the projects carried forward from 2022/23 and for grant funds received in advance.

Policy/Relevant Law

Section 97 – Quarterly Budget Report of the Local Government Act 2020 states:

- 1 As soon as practicable after the end of each quarter of the financial year, the Chief Executive Officer must ensure that a quarterly budget report is presented to the Council at a Council meeting which is open to the public.
- 2 A quarterly budget report must include—
 - (a) a comparison of the actual and budgeted results to date; and
 - (b) an explanation of any material variations; and
 - (c) any other matters prescribed by the regulations.
- 3 In addition, the second quarterly report of a financial year must include a statement by the Chief Executive Officer as to whether a revised budget is, or may be, required.

Sustainability Implications

This report does not raise any sustainability implications.

Risk Assessment

Council is required to establish and maintain a budgeting and reporting framework that is consistent with the principles of sound management and this report assists Council in meeting that requirement.

Innovation and Continuous Improvement

The content of the Quarterly report is continually reviewed to ensure meaningful data is provided.

Stakeholder Collaboration and Community Engagement

Council's financial performance reports are published quarterly.

RECOMMENDATION

That the:

- 1 *Comprehensive Income Statement, Balance Sheet, Statement of Cash Flows and Financial Performance Indicators for the period ended 30 June 2024 be received and adopted, and*
- 2 *Transfers to reserves totalling \$2,628,250 and transfers from reserves totalling \$14,780,498 be adopted.*

MOVED CR BEALES

SECONDED CR J ARMSTRONG

That the:

- 1 **Comprehensive Income Statement, Balance Sheet, Statement of Cash Flows and Financial Performance Indicators for the period ended 30 June 2024 be received and adopted, and**
- 2 **Transfers to reserves totalling \$2,628,250 and transfers from reserves totalling \$14,780,498 be adopted.**

CARRIED 5049/24

ATTACHMENTS

Comprehensive Income Statement, Balance Sheet, Statement of Cash Flows and Financial Performance Indicators are provided as 3.2

Attachment 1
Comprehensive Income Statement for the year ended 30 June 2024

	Original Budget \$'000	Current Budget \$'000	YTD Budget \$'000	YTD Actual \$'000	YTD Variance \$'000	Variance
Income						
Rates and charges	17,881	17,881	17,881	17,883	2	0%
Statutory fees and fines	262	262	262	369	107	41%
User fees	1,454	1,454	1,454	1,620	166	11%
Contributions - cash capital	-	-	-	1,018	1,018	100%
Contributions - cash operating	100	100	100	172	72	72%
Grants - operating (recurrent)	7,677	191	191	1,226	1,035	542%
Grants - operating (non-recurrent)	69	2,662	2,662	1,920	(742)	-28%
Grants - capital (recurrent)	533	589	589	222	(367)	-62%
Grants - capital (non-recurrent)	-	419	419	2,107	1,688	403%
Net gain/(loss) on disposal of property, plant and equipment	28	28	28	23	(5)	-18%
Other income	542	542	542	744	202	37%
Fair value adjustments for investment property	-	-	-	46	46	100%
Share of net profits/(losses) of associates and joint ventures accounted for by the equity method	-	-	-	(3)	(3)	100%
Total income	28,545	24,127	24,127	27,347	3,219	
Expenses						
Employee costs	11,134	11,304	11,304	11,973	669	6%
Materials and services	8,035	11,555	11,555	11,595	40	0%
Depreciation	7,659	7,659	7,659	9,778	2,119	28%
Depreciation - right of use assets	-	-	-	149	149	100%
Borrowing costs	56	56	56	44	(12)	-21%
Finance costs - leases	-	-	-	35	35	100%
Other expenses	365	365	365	399	34	9%
Total expenses	27,249	30,939	30,939	33,973	3,034	10%
Surplus for the year	1,296	(6,812)	(6,812)	(6,626)	185	-3%
Other comprehensive income						
Net asset revaluation increment	-	-	-	8,340	-	
Total comprehensive result	1,296	(6,812)	(6,812)	1,714	185	

Printed 18/09/2024

Attachment 2
Balance Sheet as at 30 June 2024

	30/06/2024 \$'000	30/06/2023 \$'000
Assets		
Current assets		
Cash and cash equivalents	3,049	11,457
Trade and other receivables	5,212	4,509
Financial assets	3,040	8,002
Inventories	71	74
Prepayments	360	15
Total current assets	<u>11,732</u>	<u>24,057</u>
Non-current assets		
Trade and other receivables	5	7
Investments in joint venture	498	501
Property, plant and equipment, infrastructure	308,261	295,269
Right of use assets	1,359	-
Investment property	1,535	1,661
Total non-current assets	<u>311,658</u>	<u>297,438</u>
Total assets	<u>323,390</u>	<u>321,495</u>
Liabilities		
Current liabilities		
Trade and other payables	1,024	1,765
Trust funds and deposits	303	305
Unearned Income	3,372	3,068
Provisions	2,104	2,084
Interest-bearing loans and borrowings	150	253
Lease liabilities	275	-
Total current liabilities	<u>7,228</u>	<u>7,475</u>
Non-current liabilities		
Provisions	293	123
Interest-bearing loans and borrowings	156	998
Lease liabilities	1,100	-
Total non-current liabilities	<u>1,549</u>	<u>1,121</u>
Total liabilities	<u>8,777</u>	<u>8,596</u>
Net Assets	<u>314,613</u>	<u>312,899</u>
Equity		
Accumulated surplus	98,126	92,600
Reserves	216,487	220,299
Total Equity	<u>314,613</u>	<u>312,899</u>

Printed 18/09/2024

Attachment 3
Statement of Cash Flows for the year ended 30 June 2024

	Year to 30/06/2024	Year to 30/06/2023
	Inflows/ (Outflows)	Inflows/ (Outflows)
	\$'000	\$'000
Cash flows from operating activities		
Rates and charges	17,520	17,480
Statutory fees and fines	368	221
User fees	1,985	1,627
Grants - operating	3,210	12,352
Grants - capital	2,226	1,406
Contributions - monetary	1,294	201
Interest received	589	515
Trust funds and deposits taken	428	352
Other receipts	162	149
Net GST refund/payment	2,011	1,774
Employee costs	(12,110)	(12,022)
Materials and services	(14,794)	(14,422)
Trust funds and deposits repaid	(431)	(399)
Other payments	(410)	(315)
Net cash provided by (used in) operating activities	<u>2,048</u>	<u>8,919</u>
Cash flows from investing activities		
Payments for property, plant and equipment, infrastructure	(15,033)	(11,586)
Proceeds from sale of property, plant and equipment, infrastructure	788	488
Payments for investments	(3,040)	(8,500)
Proceeds from investments	8,002	-
Net cash provided by (used in) investing activities	<u>(9,283)</u>	<u>(19,598)</u>
Cash flows from financing activities		
Finance costs	(44)	(33)
Repayment of borrowings	(945)	(180)
Proceeds from borrowings	-	834
Interest paid - lease liability	(38)	-
Repayment of lease liabilities	(146)	-
Net cash provided by (used in) financing activities	<u>(1,173)</u>	<u>621</u>
Net increase (decrease) in cash and cash equivalents	(8,408)	(10,058)
Cash and cash equivalents at the beginning of the financial year	11,457	21,515
Cash and cash equivalents at the end of the period	<u>3,049</u>	<u>11,457</u>

Printed 18/09/2024

Attachment 4 Financial Performance Indicators for the year ended 30 June 2024		Result	Material Variations
LIQUIDITY			
Dimension - Operating position			
Indicator - Adjusted underlying result			
<i>Measure - Adjusted underlying surplus (or deficit)</i>			
[Adjusted underlying surplus (deficit) / Adjusted underlying revenue] x100	-40.25%	Outside Expected Range	The adjusted underlying revenue decreased due to a change in the timing of financial assistance grants resulting in \$6.656 million being received early in July 2024, compared to \$7.426 million being received in advance in June 2023.
Expected range in accordance with the Local Government Performance Reporting Framework	-20% to 20%		
Indicator of the broad objective that an adjusted underlying surplus should be generated in the ordinary course of business. A surplus or increasing surplus suggests an improvement in the operating position			
Dimension - Liquidity			
Indicator - Working capital			
<i>Measure - Current assets compared to current liabilities</i>			
[Current assets / Current liabilities] x100	162%	No material variation	
Expected range in accordance with the Local Government Performance Reporting Framework	100% to 400%		
Indicator of the broad objective that sufficient working capital is available to pay bills as and when they fall due. High or increasing level of working capital suggests an improvement in liquidity			
Indicator - Unrestricted cash			
<i>Measure - Unrestricted cash compared to current liabilities</i>			
[Unrestricted cash / Current liabilities] x100	-12.98%	Outside Expected Range	Council held reduced cash at 30 June 2024 due to \$2.828 million for works and services related to 2023/2024 that had not yet been received from Government departments. Council also received the financial assistance grant payment for 2024/2025 of \$6.656 million early in July 2024, compared to \$7.426 million being received in advance in June 2023.
Expected range in accordance with the Local Government Performance Reporting Framework	10% to 300%		
Indicator of the broad objective that sufficient cash which is free of restrictions is available to pay bills as and when they fall due. High or increasing level of unrestricted cash suggests an improvement in liquidity			

Financial Performance Indicators for the year ended 30 June 2024	Result	Material Variations
OBLIGATIONS		
Dimension - Obligations		
Indicator - Loans and borrowings		
<i>Measure - Loans and borrowings compared to rates</i>	1.71%	No material variation
[Interest bearing loans and borrowings / Rate revenue] x100		
Expected range in accordance with the Local Government Performance Reporting Framework	0% to 70%	
Indicator of the broad objective that the level of interest bearing loans and borrowings should be appropriate to the size and nature of a council's activities. Low or decreasing level of loans and borrowings suggests an improvement in the capacity to meet long term obligations		
<i>Loans and borrowings repayments compared to rates</i>	5.53%	No material variation
[Interest and principal repayments on interest bearing loans and borrowings / Rate revenue] x100		
Expected range in accordance with the Local Government Performance Reporting Framework	0% to 20%	
Indicator - Indebtedness		
<i>Measure - Non-current liabilities compared to own source revenue</i>	7.49%	No material variation
[Non-current liabilities / Own source revenue] x100		
Expected range in accordance with the Local Government Performance Reporting Framework	2% to 70%	
Indicator of the broad objective that the level of long term liabilities should be appropriate to the size and nature of a Council's activities. Low or decreasing level of long term liabilities suggests an improvement in the capacity to meet long term obligations		
Indicator - Asset renewal (& Asset Upgrade included now also)		
<i>Measure - Asset renewal & Upgrade compared to depreciation</i>	124.63%	No material variation
[Asset renewal expenses / Asset depreciation] x100		
Expected range in accordance with the Local Government Performance Reporting Framework	40% to 130%	
Indicator of the broad objective that assets should be renewed as planned. High or increasing level of planned asset renewal being met suggests an improvement in the capacity to meet long term obligations		

Financial Performance Indicators for the year ended 30 June 2024	Result	Material Variations
STABILITY		
Dimension - Stability		
Indicator - Rates concentration		
<i>Measure - Rates compared to adjusted underlying revenue</i> [Rate revenue / Adjusted underlying revenue] x100	73.82%	No material variation
Expected range in accordance with the Local Government Performance Reporting Framework	30% to 80%	
Indicator of the broad objective that revenue should be generated from a range of sources. High or increasing range of revenue sources suggests an improvement in stability		
Indicator - Rates effort		
<i>Measure - Rates compared to property values</i> [Rate revenue / Capital improved value of rateable properties in the municipality] x100	0.27%	No material variation
Expected range in accordance with the Local Government Performance Reporting Framework	0.15 to 0.75%	
Indicator of the broad objective that the rating level should be set based on the community's capacity to pay. Low or decreasing level of rates suggests an improvement in the rating burden		
EFFICIENCY		
Dimension - Efficiency		
Indicator - Expenditure level		
<i>Measure - Expenses per property assessment</i> [Total expenses / Number of property assessments]	\$4,591.97	No material variation
Expected range in accordance with the Local Government Performance Reporting Framework	\$2,000 to \$5,000	
Indicator of the broad objective that resources should be used efficiently in the delivery of services. Low or decreasing level of expenditure suggests an improvement in organisational efficiency		
Indicator - Revenue level		
<i>Measure - Average rate per property assessment</i> [Total rate revenue (general rates and municipal charges) / Number of property assessments]	\$1,992.70	No material variation
Expected range in accordance with the Local Government Performance Reporting Framework	\$700 to \$2,000	
Indicator of the broad objective that resources should be used efficiently in the delivery of services. Low or decreasing level of rates suggests an improvement in organisational efficiency		

SECTION 4 – INFORMATION REPORTS

No Information Reports received

SECTION 5 – COMMITTEE MINUTES/REPORTS

5.1 AUDIT & RISK COMMITTEE MEETING

AUTHOR'S TITLE: CHIEF EXECUTIVE OFFICER
DEPARTMENT: CEO'S OFFICE
REFERENCE: 17153

OFFICER DIRECT OR INDIRECT CONFLICT OF INTEREST:

Officers providing advice to Council must disclose any conflict of interest.

No person involved in the preparation of this report has a conflict of interest requiring disclosure.

EXECUTIVE SUMMARY

This report contains the minutes of the Audit and Risk Committee meeting held on 3 September 2024

DISCUSSION

Minutes of Audit and Risk Committee meetings are provided to Council at the first available opportunity after clearance by the Audit and Risk Committee Chairperson. The report contains the Audit and Risk Committee Meeting held on 3 September 2024

Council Committees	Councillor representative	Current meeting (as presented)
Audit and Risk Committee	Cr Jo Armstrong	03 September 2024
Audit and Risk Committee	Cr Bob Sanders	03 September 2024

Next meeting is scheduled on 3 December 2024

KEY CONSIDERATIONS

Alignment to Council Plan Strategic Objectives

The report supports the strategic objective of the Council Plan 2021-2025:

6 Strong and Effective Governance

Budget Implications

No budget impact for the receiving of minutes.

Policy/Legal/Statutory

Section 53 of the *Local Government Act 2020* states that Council must establish an Audit and Risk Committee.

Section 6.1 of the *Audit and Risk Committee Charter* states that minutes of Committee meetings will be provided to Council at the first available opportunity after clearance by the Committee Chairperson following each Committee meeting.

Risk Assessment

Council needs to be aware of issues raised in the minutes.

Stakeholder Consultation and Communication

Audit and Risk Committee members.

Councillor representation on Council Committees.

Chief Executive Officer and relevant Council officers.

RECOMMENDATION

That

- 1. the Audit and Risk Committee Meetings minutes of 03 September 2024 be received*

**MOVED CR BEALES
SECONDED CR J ARMSTRONG**

That

- 1. the Audit and Risk Committee Meetings minutes of 03 September 2024 be received**

CARRIED 5050/24

ATTACHMENTS

The Audit and Risk Committee minutes as listed above are provided as Attachment 5.1



MINUTES

Audit and Risk Committee

Tuesday 03 September 2024

Location: CEO's Office,
59 Vincent St, Ararat

Commencing at 1:00 pm

Audit and Risk Committee:

Cr Bob Sanders (Mayor)

Cr Jo Armstrong

Ms Jessica Adler

Mr Robert Tommasini

Mr Greg Jakob

In attendance:

Dr Tim Harrison

Mr Bradley Ead

Mr Ryan Schischka

Ms Karissa Hogan

Mrs Chandra Willmott

03 SEPTEMBER 2024
AUDIT AND RISK COMMITTEE MINUTES
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SECTION 1 – PROCEDURAL MATTERS

1.1 APOLOGIES

No Apologies

1.2 DECLARATION OF DISCLOSURE OF INTERESTS

No disclosure of Interests

1.3 CONFIRMATION OF MINUTES

RECOMMENDATION

That the Minutes of the Internal Audit and Risk Committee Meeting held on 04 June 2024 be received.

**MOVED Greg Jakob
SECONDED Bob Sanders**

That the Minutes of the Internal Audit and Risk Committee Meeting held on 04 June 2024 be received.

CARRIEED

SECTION 2- CEO UPDATE

2.1 CEO UPDATE – CONFIDENTIAL

The CEOs report will be circulated prior to the meeting

RECOMMENDATION

That the CEO's report be received.

RECEIVED

ATTACHMENTS

There are no attachments in relation to this item.

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SECTION 3- FINANCE AND PERFORMANCE REPORTING

3.1 FINANCIAL STATEMENTS AND PERFORMANCE STATEMENT FOR THE YEAR ENDED 30 JUNE 2024

Aligns with Audit and Risk Committee Charter 5.3 Review the annual financial report and annual performance statement

Aligns with Audit and Risk Committee Charter 5.6: Review the appropriateness of the format and content of periodic management financial reports and performance statements

BACKGROUND

Part of the Audit and Risk Charter requires that the Audit and Risk Committee review the draft Annual Financial Report and the draft Annual Performance Statement.

DISCUSSION

Council's external auditors have been completing the end of year audit remotely. The draft Financial Statements and draft Performance Statement compiled by Council officers have been sent to the auditors for review. These Statements may change depending on the outcomes of the auditor's review.

Financial Report

The Draft Comprehensive Income Statement shows total income in 2024 of \$27.347 million compared with \$38.445 million in 2023. Rates & Charges income increased by \$0.187 million, Government Grants for operations decreased by \$10.111 million, and Government Grants for capital works decreased by \$2.203 million. The significant decrease in operating grants was predominantly due to the change in the timing of payment of financial assistance grants resulting in \$6.656 million being received early in July 2024, compared to \$7.426 million being received in advance in June 2023. Council has received grant payments of \$2.981 million for non-recurrent operating grants that have not yet been recognised as income due to the grant performance obligations not being met at the end of the financial year.

Council received the following non-recurrent operating grants in 2024:

	Budget 2023/24 \$'000	Income 2023/24 \$'000	Unearned Income \$'000
Non-Recurrent Operating Grants			
New Arrivals Settlement Program	-	44	-
Pilot Coordination Grampians Workforce	-	50	-
Ararat Housing Transition	-	-	300
Digital Twin Victoria	-	-	954
Free Public WiFi Services	-	-	1,196
LSIF Ararat Bowls Club Lighting	-	5	-
Rural Roads Support Program	-	56	-
Supported Playgroups	63	65	-
Kindergarten Infrastructure and Services Plan (KISP) Support Grant	-	30	-
Council COVID-19 Rapid Antigen Test Program	-	59	-
Power our Future!! Tatyoon Recreation Reserve	-	20	-
Tatyoon Oval Upgrade	-	-	225
Natural Disaster Relief	-	1,255	-
Planning & Data Development	-	103	-
Pedestrian Infrastructure Program	-	-	70

03 SEPTEMBER 2024
AUDIT AND RISK COMMITTEE MINUTES
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Ararat Rural City Sport, Active Recreation & Open Space Strategy	-	-	36
Tiny Towns Fund - Pomonal Community Hub	-	-	200
Regional Planning Hub - Pomonal Bushfire Recovery Assistance	-	100	-
Wage Subsidies	-	60	-
Other Minor Grants	-	73	-
	63	1,920	2,981

Council received the following non-recurrent capital grants in 2024:

	Budget 2023/24 \$'000	Income 2023/24 \$'000	Unearned Income \$'000
Non-Recurrent Capital Grants			
Gordon Street Recreation Reserve Development	-	1,511	-
Wilson Street	-	92	-
Ararat East Development Zone Trunk Infrastructure Project	-	419	-
Ararat Regional Playgrounds All Abilities Redevelopment	-	18	-
Buangor-Ben Nevis Road Widening	-	67	-
Tiny Towns Fund - Buangor Rec Reserve Pavilion Redevelopment	-	-	25
	0	2,107	25

Total expenses in 2024 were \$33.973 million compared with \$33.682 million in 2023, an increase of \$0.291 million. A breakdown of expenses reveals a decrease in materials and services costs of \$1.528 million which can be attributed to the increased expenditure of over \$1.590 million incurred in 2023 for emergency and reinstatement works related to the October 2022 flood event. Employee costs have increased by \$0.923 million. Depreciation has increased by \$0.655 million based on the revaluation of infrastructure as at 30 June 2023.

The deficit for 2024 was therefore \$6.626 million compared with a surplus of \$4.763 million in 2023.

The revaluation of property assets at 30 June 2024 has resulted in an increase in value of \$2.356 million and the revaluation of infrastructure assets at 30 June 2024 has resulted in an increase in value of \$5.984 million.

The Cash Flow Statement shows a net decrease in cash and cash equivalents of \$8.408 million compared with a decrease of \$10.058 million in 2023. The decrease in 2023 includes \$8 million which Council has transferred into a term deposit for a six-month term and these funds are no longer included in the cash and cash equivalents balance. At 2024 year-end Council is holding a \$3 million term deposit with a six-month term, that remains excluded from the cash and cash equivalents balance at the end of the financial year.

The Cash Flow Statement shows net cash provided by operating activities was \$2.048 million in 2024 compared with \$8.919 million in 2023, representing a decrease of \$6.871 million. This is largely due to the change in the timing of payment of financial assistance grants resulting in \$6.656 million being received early in July 2024, compared to \$7.426 million being received in advance in June 2023.

Net cash used in investing activities (e.g. payments for property, infrastructure, plant and equipment) was \$9.283 million in 2024 compared with \$19.598 million in 2023, representing a decrease of \$10.315 million. In 2024 Council has invested \$3 million into a term deposit, compared with an investment of \$8 million in a term deposit and a \$0.500 million contribution to its joint venture, Ararat Housing Enterprise Pty Ltd, in 2023.

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Net cash used in financing activities was \$1.173 million in 2024, which included the repayment of two equipment finance loans. In comparison net cash provided by financing activities was \$0.621 million in 2023, which included proceeds from the two equipment finance loans.

The Statement of Capital Works shows \$15.033 million invested in 2024 compared with \$11.586 million in 2023, an increase of \$3.447 million. Total Infrastructure works increased by \$4.504 million with the completion of several projects delayed from the previous year due to unfavourable weather conditions, and an increased budget allocated towards infrastructure for 2024.

Performance Statement

The Victorian Government has introduced a mandatory system of performance reporting which prescribes performance information to be included on Council's annual reports.

Councils must describe the prescribed indicators and measures in the performance statement, so it is clear to the audience what is being measured. In addition, the performance statement must include the results achieved in relation to the prescribed service performance outcome, financial performance and sustainable capacity for the financial year and three preceding years.

For the financial performance indicators and measures, the performance statement must also include the forecast results for four years based on the financial statements included in the strategic resource plan.

Reporting trend information helps the reader understand changes in Council performance over time and acts as a point of reference for results. The regulations require that Councils must also provide an explanation of any material variations in the results between the current year and other years disclosed, to enable the reader to form an understanding of the reason for the variation.

Part of the performance reporting framework includes the State Government setting expected ranges for each indicator. Based on the draft financial statements and performance statement Council is within the expected range for most indicators. The reasons for the material variations are included in the performance statement.

The draft Financial Statements and Performance Statement included in this agenda are still subject to change based on the feedback from either Johnsons MME or by the Auditor General.

RECOMMENDATION

That the Audit and Risk Committee recommends:

1. Council authorise Cr Bob Sanders, Cr Jo Armstrong (Audit and Risk Committee Members) and Dr. Tim Harrison, Chief Executive Officer to certify the Financial Statements in their final form, and
2. Council authorise Cr Bob Sanders, Cr Jo Armstrong and Dr. Tim Harrison, Chief Executive Officer to certify the Performance Statement in its final form.

MOVED Jess Adler
SECONED Greg Jakob

That the Audit and Risk Committee recommends:

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1. Council authorise Cr Bob Sanders, Cr Jo Armstrong and Dr. Tim Harrison, Chief Executive Officer to certify the Financial Statements in their final form, and
2. Council authorise Cr Bob Sanders, Cr Jo Armstrong and Dr. Tim Harrison, Chief Executive Officer to certify the Performance Statement in its final form.

CARRIED

ATTACHMENTS

The Draft Financial Statements and Draft Performance Statements are included as Attachment 3.1

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SECTION 4 – INTERNAL CONTROLS

4.1 COUNCIL POLICY REVIEW UPDATE

Aligns with Audit and Risk Committee Charter 5.7: Review the adequacy and effectiveness of key policies, systems and controls for providing a sound internal control environment.

BACKGROUND

Council has committed to reviewing policies on an ongoing and procedure review process. This report outlines two Administrative and Council Policies which are currently being reviewed.

DISCUSSION

Council has committed to reviewing policies through review process to ensure that all Council policies meet legislative requirements and established internal processes.

All Council policies are accessible to Councillors, Audit and Risk Committee and staff through Microsoft Teams, hard copies in tearooms at the Depot and Municipal Offices and on Council website.

The below table outlines all policies that will be presented Audit and Risk Committees as they come up for review.

Council Policy	Due	Audit and Risk Committee
Asset Management Policy	Jan-15	Sep-24
Audit and Risk Committee Charter	Apr-24	Apr-24
Community Engagement Policy	Feb-25	Mar-25
Complaints Handling Policy	Mar-25	Mar-25
Council Expenses and Support Policy	Jul-22	Jun-24
Councillor Code of Conduct	Dec-24	Dec-24
Councillor Gifts Policy	Feb-25	Mar-25
Election Period 2020 Policy	Apr-24	Apr-24
Fraud and Corruption Policy	Apr-24	Apr-24
International and Interstate Travel Policy	Mar-24	Jun-24
Investment Policy	Feb-25	Mar-25
Prevention of Sexual Harassment Policy	Sep-24	Sep-24
Privacy Policy (<i>prev Privacy & Data Protection & Health Records Policy</i>)	Jan-25	Dec-24
Procurement Policy	Jun-24	Sep-24
Public Transparency Policy	Jul-24	Jun-24
Risk Management Policy	Apr-24	Apr-24
Social Media Policy	Mar-24	Sep-24
Valuation Policy - Major Asset Classes	May-26	Mar-26
Administration Policy		
Conflict of Interest Policy	Aug-24	Sep-24

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Corporate Purchase Card Policy	Nov-23	Sep-24
Disposal and Sale of Items at Transfer Station Policy	Mar-26	Mar-26
Disposal and sale of minor assets policy	Sep-25	Sep-25
Equal Employment Opportunity Policy	Mar-26	Mar-26
Equity, Diversity and Inclusion Policy	Dec-24	Dec-24
Essential Safety Measures Policy	Mar-24	Sep-24
Health and Wellbeing Policy	Mar-24	Sep-24
Injury Management Policy	Sep-25	Sep-25
Municipal Emergency Policy	May-25	Mar-25
Occupational Health and Safety Policy	Nov-22	Sep-24
OHS Workplace Emergency Evacuation Policy	Nov-25	Dec-25
Prevention of Sexual Harassment in the Workplace	Aug-24	Sep-24
Public Interest Disclosures Procedure	Jan-24	Jun-24
Risk Management Framework	Apr-24	Apr-24
Staff Code of Conduct	Aug-25	Sep-25
Staff Gift Policy	Sep-25	Sep-25
Staff Grievances Policy	Mar-23	Sep-24
Vehicle Policy	Sep-22	Sep-24
Workplace Anti Discrimination & Harassment Policy	Feb-23	Sep-24

There are two policies being presented for review at this meeting which is the Occupation Health and Safety Policy and the Vehicle Policy. The table below provides a list of the reviewed policies noting the main changes and a copy of the policies with track changes are attached.

Administrative / Council	Policy Title	Last review and adopted	Current Review Date ready for Adoption	Next Review
Administrative	Vehicle Policy	7 December 2022	15 July 2024	15 July 2025
Administrative	Occupational Health and Safety	19 January 2021	October 2024	September 2026

The changes to the vehicle policy were predominately administrative changes as well as changes to some financial amounts to reflect current inflation. The OHS policy has had major changes to make the intent clear to all concerned and to include and acknowledge mental health.

RECOMMENDATION

That the Council Policy Review Update be noted.

NOTED

ATTACHMENTS

Draft Vehicle and Occupational Health and Safety Policy with track changes provided as 4.1(a) and 4.1(b)

ACTION: There were some minor suggestions given from Committee which will be implemented into the current policies.

SECTION 5- RISK MANAGEMENT

5.1 PRESENTATION OF RISK MANAGEMENT SYSTEM

Aligns with Audit and Risk Committee Charter 5.9 Monitor significant changes to system and controls to assess whether those changes significantly impact of Councils risk profile.

ACTION: This is the last of the Risk Management Presentations given to Audit and Risk Committee which showed the relationship between the Risk System and the incident app.

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5.2 STRATEGIC RISK REGISTER REVIEW AND RISK REGISTER PROGRAM UPDATE

Aligns with Audit and Risk Committee Charter 5.14: Review Council’s risk profile and the changes occurring in the profile from meeting to meeting

BACKGROUND

Council’s Strategic Risk Register is reviewed by the Chief Executive Officer on a regular basis and is presented to the Audit and Risk Committee.

DISCUSSION

The Chief Executive Officer ensures that strategic risks are identified and assessed, treatment options are prioritized and implemented, actions are assigned, and performance is monitored and reviewed.

A review plan of the Strategic Risk Register was presented to the Audit and Risk Committee on the 2 April 2024. The suggested program has been revised as suggested at the previous ARC to focus on the higher risk areas first. Since then, the following strategic risks have been reviewed and updated: Governance, Legislative compliance and business continuity. The below table outlines the review periods for each of the strategic risks:

February 2024	Fraud and Corruption; Cyber Attack	July 2024	Legislative Compliance
March 2024	Asset Management	August 2024	Business Continuity
April 2024	Business Continuity	September 2024	Procurement; and Emergency Management
May 2024	Financial Sustainability	October 2024	Waste Management; and Occupational Health and Safety
June 2024	IT Infrastructure	November 2024	Strategic Leadership and Advocacy
July 2024	Governance	December 2024	Climate Change; and Records Management

The Risk Program is now operational. The Governance and Risk Lead will work with Service owners to review the operational risks and set ongoing review dates. The below table outlines the timeframe for each of these reviews to take place over the next 6 months and training for key service providers in using the system.

Month	Service Area
June	Local Laws, Municipal Building Services, Planning, Environmental Health, Environmental Management and Sustainability
July	Risk Management, Governance, Emergency Management, Insurance Management
August	Design and Project Management, Information Technology, Asset Management, Records Management, Graphic Information Systems,
September	Maternal & Child Health, Occupational Health and Safety, Library Service, Events, Human Resource, Customer Services
October	Art Gallery / TAMA, Sport and recreation, Tourism, Town Hall, Media and Communications, Economic Development
November	Depot, Waste management, Contracts and Procurement, Finance, Property Rates and Valuation,

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RECOMMENDATION

That the Strategic Risk Review and Update Report be noted.

NOTED

ATTACHMENTS

The Strategic Risk Register is provided as Attachment 5.2

ACTION: To include a table of Risk Register for next meeting as an ongoing inclusion and that reputation risk would go across most if not all risks.
Business Continuity Plan to be presented at the next Audit and Risk Committee meeting.

5.2 ARARAT RURAL CITY COUNCIL INSURANCE POLICY UPDATE – **CONFIDENTIAL**

Aligns with Audit and Risk Committee Charter 5.16 Review the insurance program annually prior to renewal.

BACKGROUND

This report provides the Audit and Risk Committee with an overview of the insurance policies held by Ararat Rural City Council for the 2024/2025 financial year.

RECOMMENDATION

That the Confidential Ararat Rural City Council Insurance Policy Update report be received.

RECEIVED

SECTION 6- FRAUD PREVENTION

NIL

SECTION 7- INTERNAL AUDIT

7.1 REVIEW AND APPROVED THE STRATEGIC INTERNAL AUDIT PLAN, THE ANNUAL INTERNAL AUDIT PLAN

Aligns with Audit and Risk Committee Charter 5.23 Review progress on delivery of annual internal audit plan and 5.24 Review and approve proposed scopes for each review in the annual internal audit plan

BACKGROUND

AFS & Associates (AFS) are Council's Internal Auditors. This report outlines the audit program that AFS has undertaken over the past three years.

DISCUSSION

AFS & Associates have provided the Internal Audit Program Review document which outlines the forward rolling four-year program for Council.

The purpose of this review is to :

- Current status of topics
- Review the proposed scopes for
- Risk Assessment and Strategic Internal Audit Program Development

RECOMMENDATION

The Strategic Internal Audit Program Status Update report be noted.

NOTED

ATTACHMENTS

The strategic Internal Audit Program Update report is provided as Attachment 7.1

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7.2 INTERNAL AUDIT – HUMAN RESOURCE RISK MANAGEMENT

Aligns with Audit and Risk Committee Charter 5.25 Review reports of internal audit reviews, including recommendations for improvement arising from those reviews.

BACKGROUND

AFS & Associates are Council's Internal Auditors and have recently conducted an audit on Ararat Rural City Council Human Resource Risk Management

DISCUSSION

The objectives of the review for the human resource risk management audit were to

- Identify efficiency opportunities and gaps against modern systems in HR Management
- To ensure an adequate framework to manage HR risks exists including recruitment

The audit concluded there were 9 areas of strength with 1 moderate finding and 1 minor finding.

All recommendations suggested to management have been agreed to. An update on the progress of the agreed to action items will be provided at the December 2024 Audit & Risk Committee meeting.

RECOMMENDATION

That the Human Resource Risk Management Audit report be noted.

NOTED

ATTACHMENTS

The AFS & Associate Audit of the Human Resource Risk Management report is provided as Attachment 7.2

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7.3 INTERNAL AUDIT – ASSET MANAGEMENT - INFRASTRUCTURE

Aligns with Audit and Risk Committee Charter 5.25 Review reports of internal audit reviews, including recommendations for improvement arising from those reviews.

BACKGROUND

AFS & Associates are Council's Internal Auditors and have recently conducted an audit on Ararat Rural City Council Asset Management – Infrastructure.

DISCUSSION

The objective was to ensure adequate activity and strategy exists over major infrastructure asset classes to enable:

- Community safety
- Cost-effective management
- Long term financial forecasting for maintenance and renewal

The audit concluded there were 9 areas of strength and 4 minor findings. There is also 1 opportunity. All recommendations suggested to management have been agreed to. An update on the progress of the agreed to action items will be provided at the December 2024 Audit & Risk Committee meeting.

RECOMMENDATION

That the Asset Management - infrastructure Audit report be noted.

NOTED

ATTACHMENTS

The AFS & Associate Audit of the Asset Management - Infrastructure report is provided as Attachment 7.3

7.4 INTERNAL AUDIT – CUSTOMER REQUEST AND COMPLAINT MANGEMENT

Aligns with Audit and Risk Committee Charter 5.25 Review reports of internal audit reviews, including recommendations for improvement arising from those reviews.

BACKGROUND

AFS & Associates are Council's Internal Auditors and have recently conducted an audit on Ararat Rural City Council Customer Request and Complaint Management

DISCUSSION

The objective was to confirm a suitable customer request and complaint management framework exists to promote responsiveness, community safety and satisfaction

The audit concluded there were 11 areas of strength with 3 moderate and 2 minor findings. There is also 1 opportunity. All recommendations suggested to management have been agreed to or partially agreed to with one disagreement. An update on the progress of the agreed to action items will be provided at the December 2024 Audit & Risk Committee meeting.

RECOMMENDATION

That the Customer Request and Complaint Management Audit report be noted.

NOTED

ATTACHMENTS

The AFS & Associate Audit of the Customer Request and Complaint Management report is provided as Attachment 7.4

SECTION 8- EXTERNAL AUDIT

8.1 REVIEW CHANGES TO THE LOCAL GOVERNMENT PERFORMANCE REPORTING FRAMEWORK

Aligns with Audit and Risk Committee Charter 5.2 Review changes to the Local Government Performance Reporting Framework.

BACKGROUND

Part of the Audit and Risk Charter requires that the Audit and Risk Committee Review changes to the Local Government Performance Reporting Framework.

DISCUSSION

The Local Government Performance Reporting Framework's (LGPRF) primary objective is to provide comprehensive performance information that meets the needs of a number of audiences. Local Government Victoria provide Councils with updates to the Local Government Performance Reporting Framework.

There have been no changes to the service performance, financial performance and sustainability capacity indicators that will be measured between 2023-2024 and 2024-2025.

As a result of changes to the guidelines for 2023-2024, Council set targets for all performance indicators in the budget that was adopted for 2024-2025.

The expected ranges for the following cost indicators for Roads and Waste Management have been reviewed and updated as follows:

Service Performance Indicators - Roads		2023-24	2024-25
R3	Cost of sealed local road reconstruction	\$20 to \$200	\$24 to \$240
R4	Cost of sealed local road resealing	\$4 to \$30	\$5 to \$40

Service Performance Indicators - Waste Collection		2023-24	2024-25
W3	Cost of kerbside garbage bin collection service	\$40 to \$150	\$44 to \$164
W4	Cost of kerbside recyclables collection service	\$10 to \$80	\$11 to \$86

RECOMMENDATION

That the Financial and Performance Reporting Framework changes report be received

RECEIVED

ATTACHMENTS

There are no attachments in relation to this item.

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8.2 EXTERNAL AUDIT – DRAFT FINAL MANAGEMENT LETTER FOR THE FINANCIAL YEAR ENDING 30 JUNE 2024

Aligns with Audit and Risk Committee Charter 5.3 Review with management and the external auditors the results of the audit.

BACKGROUND

The Victorian Auditor General appoints a service provider to undertake the annual financial audit. Mr Ryan Schischka of Johnsons MME has been appointed by the Victorian Auditor-General's Office to undertake the annual financial audit for the year ending 30 June 2024.

DISCUSSION

Johnsons MME has conducted the year-end financial audit remotely and have issued a draft final management letter. There are two open issues from the current and prior period, with two prior period issues being resolved during the period.

Three of the four recommendations included by VAGO, based of the findings in their report to parliament, *Results of 2022-23 audits - Local Government*, have been resolved. The unresolved recommendation requires the Audit & Risk Committee to review the key assumptions and judgement outcomes detailed in item 8.4.

Mr Ryan Schischka is invited to attend the September 2024 meeting to provide an update on the Audit's progress.

RECOMMENDATION

That:

- 1 The Draft Final Management Letter Report for the financial year ending 30 June 2024 be received; and
- 2 The Final Management Letter be distributed to the Audit & Risk Committee members once it has been finalised.

RECEIVED

ATTACHMENTS

The Draft Final Management Letter is provided as Attachment 8.2.

Action: Final management letter to be distributed to the Audit and Risk Committee members once finalised.

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8.3 EXTERNAL AUDIT – DRAFT CLOSING REPORT FOR THE FINANCIAL YEAR ENDING 30 JUNE 2024

Aligns with Audit and Risk Committee Charter 5.3 Review with management and the external auditors the results of the audit.

BACKGROUND

The purpose of the Closing Report is to summarise the results of the audit and communicate any significant audit findings to those in charge of governance.

DISCUSSION

Johnsons MME has provided a draft closing report conducted the year-end financial audit remotely and have issued a draft final management letter.

The report notes that there are still a number of outstanding audit matters at the date of the draft report that need to be resolved before audit reports will be issued.

The report includes details of adjusted differences of disclosures in the financial report and performance statement, as well as one unadjusted difference. The unadjusted difference relates to road reconstruction works completed by Moyne Shire Council on Council's 50% share of a boundary road asset, which has been recognised in the financial statements as a monetary contribution.

RECOMMENDATION

That:

- 1 The Draft Closing Report for the financial year ending 30 June 2024 be received; and
- 2 The Closing Report be distributed to the Audit & Risk Committee members once it has been finalised.

NOTED

ATTACHMENTS

The Draft Closing Report is provided as Attachment 8.3.

Action: Closing report to be distributed to the Audit and Risk Committee members once it has been finalised

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8.4 RECOMMENDATION 5 IN THE RESULTS OF AUDIT 2022-23: LOCAL GOVERNMENT

Aligns with Audit and Risk Committee Charter 5.3 Review with management and the external auditors the results of the audit.

BACKGROUND

The Victorian Auditor General's Office (VAGO) presented a report to parliament, *Results of 2022-23 audits - Local Government* on 7 March 2024. The report discusses the observations and findings across all 79 councils as a result of their audit of the sector. The report includes a total of six recommendations, however only four of the recommendations are specific to all councils

Recommendation 5 recommends that the audit and risk committees:

- prior to balance date, review the financial team's accounting paper
- after balance date and at the time of reviewing the draft financial report
 - determine whether there have been any changes to circumstances that would indicate that key assumptions behind the financial team's initial advice and key judgements no longer hold true
 - assess the reasonableness of the valuation and fair value assessment outcomes
- update their annual work plan to include the above tasks.

DISCUSSION

Council's accounting policy and fair value assessment plans, and shell financial and performance statements were provided to the Audit and Risk Committee meeting held on 4 June 2024.

A supplementary report was later emailed to committee members on 10 July advising of changes to the valuation timing. After consultation with Council's auditor, Johnsons MME, the revaluation of land and building assets that were scheduled for 30 June 2024 were postponed. In July 2024 Council engaged a valuation and asset management firm to conduct full revaluations on all property and infrastructure asset classes, to ensure that Council valuations are fully compliant with the updates to the Australian Accounting Standard AASB 13 Fair Value Measurement. The valuations will be effective from 1 July 2024.

The table summarising the asset accounting policy and expected valuation methods for 30 June 2024 has been updated to include details of the indexation that has been applied at year-end.

The annual work plan of the Audit & Risk Committee will be updated to review the key assumptions and judgements in June and September each year.

RECOMMENDATION

- 1 That the Audit & Risk Committee review the draft financial report to determine whether there have been any changes to circumstances that would indicate that key assumptions behind the financial team's initial advice and key judgements no longer hold true
- 2 To assess the reasonableness of the valuation and fair value assessment outcomes.

RECEIVED

ATTACHMENTS

The Accounting Policy and Fair Value Assessment Outcomes table is provided as Attachment 8.4.

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SECTION 9- COMPLIANCE

9.1 JLT Public Sector – Public Sector Risk Report

Aligns with Audit and Risk Committee Charter 5.40 Receive reports form management on the findings of any examination by regulatory or integrity agencies.

BACKGROUND

The 2023 JLT Public Sector Risk Survey shed light on the risks that local government face. The survey examined twelve key risks such as Financial Sustainability, the Management of Damage and Aging Assess and Infrastructure, Climate Change / adaption. Cybersecurity and People and Culture. According to the survey results, councils have become increasingly conscious of the collective impact of these risk and the implications for their communities. As a result, Financial Sustainability retains its position as the top-ranked risk, reflecting the heightened awareness of its potential consequences on other risks

DISCUSSION

It is widely acknowledged that the primary reason for Financial Sustainability consistently ranking as the topic risk year after year is the significant impact of other risks on the financial stability of councils. This, coupled with the delay in receiving funding support following an event, has a direct impact on the financial sustainability of councils.

Cyber Security and the Breach of Data continue to be a major concern for Local Government. The rapid pace of technology advancement and the ever-evolving tactics of hackers make it challenging for most organisations to keep up with. Councils are increasing their knowledge and understanding of this risk to mitigate potential events that could impact them or their community.

This report highlights the understanding of councils regarding the interconnected nature of risks as well as the potential domino effect they can have on each other. While certain risks may shift in their ranking this year, councils know that any single risk can have a substantial impact on others during an event. The remaining risks are still recognised as significant concerns for councils. Although they are ranked, all of these risks are relevant and rankings reflect their importance at the specific moment of time.

RECOMMENDATION

JLT Public Sector –Public Sector Risk Report be noted

NOTED

ATTACHMENTS

The JLT Public Sector Risk Report3 is provided as Attachment 9.1

SECTION 10- GENERAL BUSINESS

10.1 INDUSTRY UPDATE- RECENT REPORTS AND PUBLICATIONS OF INTEREST

BACKGROUND

AFS & Associates (AFS) are Council's Internal Auditors. AFS have provided an Industry Update report to be included in the agenda. The Industry Update report lists recent reports and publications that may be of interest to Ararat Rural City Council.

DISCUSSION

The Industry Update report lists 19 recent articles and reports, covering a range of different topics from sources such as: IBAC, IIA, and VAGO etc.

RECOMMENDATION

That the Industry Update report be noted.

NOTED

ATTACHMENTS

The Industry Update report is provided as Attachment 10.1.

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SECTION 11 – FUTURE MEETINGS

11.1 FUTURE MEETING DATES

Future meetings of the Audit and Risk Committee are scheduled as follows:

- Tuesday 3 December 2024 1pm
- Tuesday 4 March 2025 1pm
- Tuesday 3 June 2025 1pm

SECTION 12- NEXT MEETING/CHARTER ITEMS

December 2024	
Ref. from Charter	
5.6	Review the appropriateness of the format and content of periodic management financial reports and performance statements
5.7	Review the adequacy and effectiveness of key policies, systems and controls for providing a sound internal control environment*
5.8	Determine whether systems and controls are reviewed regularly and updated where required*
5.9	Annual review of significant changes to key systems and consider impact of changes on Council's risk profile
5.19	Receive reports from management about actual or suspected instances of fraud or corruption (as required)
5.20	Review reports by management about the actions taken by Council to report such matters to the appropriate integrity bodies (as required)
5.24	Quarterly review and approve proposed scopes in the annual internal audit plan
5.25	Review reports on internal audit reviews, including recommendations for improvement arising from those reviews
5.27	Monitor action by management on internal audit findings and recommendations
5.34	Quarterly review Victorian Auditor General's Office (VAGO) reports to assess the impacts on Council
5.35	Consider the findings and recommendations of any relevant performance audits undertaken by VAGO and monitor Council's responses to them
7	Annual performance evaluation

SECTION 6 – INFORMAL MEETINGS

No Informal Meetings held

SECTION 7 – NOTICES OF MOTION

A notice of motion must be in writing signed by a Councillor and be lodged with or sent to the *Chief Executive Officer* no later than 12.00pm (noon) and at least six (6) days prior to the Council Meeting to allow sufficient time for the *Chief Executive Officer* to include the *notice of motion* in agenda papers for a *Council meeting*.

No Notices of Motion received

SECTION 8 – URGENT BUSINESS

Items cannot be admitted as urgent business other than by resolution of *Council* and only then if it:

- 1 relates to or arises out of a matter which has arisen since distribution of the *agenda*; and
- 2 cannot safely or conveniently be deferred until the next *Council meeting*.

No Urgent Business arising

SECTION 9 – CLOSE SESSION (CONFIDENTIAL)

In accordance with section 66(2)(a), 3(1) *Confidential Information* (a) of the Local Government Act 2020, the following agenda items are listed for consideration in the confidential section:

No Confidential Agenda items

I HEREBY CERTIFY THAT PAGES 9386 - 9512 ARE CONFIRMED AND ARE TRUE AND CORRECT RECORD.

MAYOR – CR BOB SANDERS

Meeting closed at 6:12pm